MATAS A/S

Annual Report 2020/21

1 April 2020 - 31 Marts 2021

matas

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


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Contents

This is an English translation of the Danish-language version of Matas' financial statements. In case of discrepancies, the Danish version prevails.

Five-year key financials

DKKm	2020/21	2019/20	2018/19*	2017/18*	2016/17*
Statement of comprehensive income					
Revenue	4,163.6	3,688.5	3,541.3	3,464.8	3,510.8
Gross profit	1,841.2	1,640.4	1,588.8	1,549.3	1,611.8
EBITDA	788.0	678.4	529.7	534.5	620.1
EBIT	380.4	292.9	363.3	368.9	475.1
Net financials	(27.0)	(43.0)	(21.4)	(19.7)	(38.7)
Profit before tax	353.4	249.9	341.9	349.2	436.4
Profit for the year	269.0	191.2	263.1	280.3	338.7
Special items	9.1	21.5	18.9	20.1	0.0
EBITDA before special items	797.1	699.9	548.6	554.6	620.1
Adjusted profit after tax	357.5	282.6	343.2	356.2	398.0
Statement of financial position					
Assets	6,143.1	6,588.3	5,538.8	5,303.6	5,270.6
Equity	3,038.9	2,764.0	2,669.9	2,620.9	2,572.5
Net working capital	(126.1)	90.3	(139.7)	(127.3)	(158.0)
Net interest-bearing debt	1,727.2	2,499.6	1,504.1	1,471.9	1,515.0
Statement of cash flows					
Cash flow from operating activities	952.0	446.8	472.8	412.5	524.5
Investments in property, plant and equipment	(50.5)	(123.8)	(63.5)	(51.7)	(43.3)
Free cash flow	774.1	111.2	233.8	310.4	390.0
Ratios					
Revenue growth	12.9%	4.2%	2.2%	(1.3)%	1.1%
Underlying (like-for-like) revenue growth	13.5%	0.7%	0.5%	(1.4)%	1.3%
Gross margin	44.2%	44.5%	44.9%	44.7%	45.9%
EBITDA margin	18.9%	18.4%	15.0%	15.4%	17.7%
EBITDA margin before special items	19.1%	19.0%	15.5%	16.0%	17.7%
EBIT margin	9.1%	7.9%	10.3%	10.6%	13.5%
Cash conversion	109.7%	45.3%	82.0%	75.9%	85.0%
Earnings per share, DKK	7.04	5.01	6.96	7.45	8.79
Diluted earnings per share, DKK	6.96	4.96	6.93	7.43	8.75
Dividend per share (proposed), DKK	2.00	0.00	3.00	6.30	6.30
Share price, end of year, DKK	83.1	42.7	65.8	65.4	99.0
ROIC before tax	9.6%	8.5%	11.3%	11.6%	13.6%
Net working capital as a percentage of revenue	(3.0)%	2.4%	(3.9)%	(3.7)%	(4.5)%
Investments[1] as a percentage of revenue	4.3%	9.1%	6.7%	2.9%	3.8%
Net interest-bearing debt/Adjusted EBITDA	2.2	3.6	2.7	2.7	2.4
Number of transactions (millions)	20.9	20.9	21.3	21.2	22.3
Average basket size (DKK)	197.5	174.7	165.1	159.4	150.3
Average number of employees (FTE)	2,152	2,197	2,149	2,164	2,197

*Comparative figures for 2018/19, 2017/18 and 2016/17 are not comparable with the figures for 2019/20 and 2020/21 due to the implementation of IFRS 16 effective 1 April 2019 and IFRS 9 and 15 effective 1 April 2018. Firtal Group is included in key financials from 13 November 2018 and Kosmolet from 11 June 2019. For definitions, see "Definitions of key financials". [1] CAPEX and acquisitions.

To our shareholders

Above all, financial year 2020/21 was characterised by the Covid-19 pandemic, and Matas was among the companies to emerge from the crisis in stronger shape. Growing demand for health products and exploding online sales translated into historically strong growth, improved customer satisfaction, a net inflow of new members and a significant strengthening of the Matas brand.

Thanks to its status as a general retailer and a distributor of medical equipment, all physical Matas stores were allowed – along with supermarkets, pharmarcies, etc. – to remain open throughout the financial year.

Throughout the year, the physical stores constituted a lifeline for many customers and, supported by their more than 2,000 trained beauty and health therapists, enabled Matas to play an important role in society during the crisis, supplying large volumes of personal protective equipment, personal care and health products and competent advice.

The crisis provided a further boost to in-store digital innovation and a number of new online tools were introduced in the course of the year. The stores were converted into miniature TV studios, enabling customers to consult beauty and health therapists from home via video and chat, and Matas now hosts several live shopping events every week. These measures helped revitalise the stores and will be a permanent feature of their service offering in the years to come. Physical store upgrades continued in the past financial year, although at a slower rate and with a lower level of investments than in the past few years.

At the same time, Danish consumers – particularly during lockdown periods – did a lot more of their shopping online, a platform on which Matas has built a leading position over the past three years. Matas generated online revenue of more than DKK 1 billion in the past financial year and, according to the Danish Chamber of Commerce, was the second-most used webshop in Denmark. At the peak of the Covid-19 crisis, online sales at matas.dk were some days ten times higher than on the same day the year before and almost level with overall sales at the 265 physical stores. Overall online sales grew by 100% in the financial year to account for more than 25% of total group sales.

In the financial year, Matas also consolidated its close relations with its partners and suppliers, who found solutions to logistic challenges and maintained high levels of innovation and activity.

Matas' adaptability during the past year translated into unprecedented strong revenue growth of almost 13%, earnings (EBITDA before special items) of just under DKK 800 million and a historically strong free cash flow of DKK 774 million. Despite uncertainty as to the ramifications of the Covid-19 pandemic, Matas is thus embarking on a new financial year in a very strong position, financially and strategically, to take long-term action in a changing retail industry.

The goals set out in the 'Renewing Matas' strategy have been achieved two years ahead of schedule, the Company has been transformed, and the crisis has presented new opportunities for Matas. Against this background, Management has launched a process to update the strategy, the ambition being to deliver even stronger, sustainable long-term growth, while at the same time maintaining a high level of earnings.

The key guidepost of the strategy is for Matas' online business to more than double within five years. To achieve this goal, Matas will invest in measures to strengthen three growth platforms – Ecommerce (matas.dk and Firtal's webshops), Connected Retail (the physical stores interacting with the digital universe) and Brands (Matas' own Stripes products, Nilens Jord, etc.) – in the attractive Health & Beauty market. The strategy will be presented at a capital markets day in connection with the release of the Q1 interim report on 18 August 2021.

Based on the satisfactory financial results, the Board of Directors proposes that DKK 150 million, equivalent to 42% of Matas' adjusted profit for 2021/21, be distributed to the Company's shareholders. Half of this amount will be distributed as dividend, equivalent to DKK 2 per share, while the other half will be paid out in the form of a share buyback programme with most of the shares bought back being cancelled.

We wish to take this opportunity to thank, first and foremost, Matas' employees, whose commitment and efforts have been critical to Matas' adaptability during a year we will never forget. In appreciation of this, Management has distributed an extraordinary bonus of DKK 10 million evenly among all employees across the organisation.

Lars Vinge Frederiksen
Chairman

Gregers Wedell-Wedellsborg
CEO

Strategy and financial ambitions

Renewing Matas – strategy going forward to 2023

Launched in May 2018, the 'Renewing Matas' strategy includes three key strategic goals going forward to 2023:

- **Lift customer engagement**
  Index 110 relative to the 2018/19 level
- **Grow revenue**
  Total revenue of about DKK 4 billion in 2022/23
- **Secure earnings**
  An EBITDA margin before special items above 18% in financial year 2022/23

	Realised for 2020/21	**Ambitions for 2022/23**
Lift customer engagement (M-NPS)	64.9 (index 102)	70 (index 110)
Grow revenue	DKK 4.2 bn	Approx. DKK 4.0 bn
Secure earnings (EBITDA margin before special items)	19.1%	Above 18%

In the past financial year, Matas lifted customer engagement to an M-NPS score of 64.9 in the fourth quarter from 62.1 at 31 March 2020.

At the same time, two years ahead of schedule, Matas achieved the 5-year strategic goals defined in 2018 for the Company's revenue and earnings.

Against this background, Matas has launched a process to update its financial and strategic ambitions. The updated strategy will be presented at a capital markets day to be held on 18 August 2021.

Strategic focus areas going forward to 2023

'Renewing Matas' builds on five strategic focus areas:

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

Below follows a description of the main components of the strategy and the progress achieved in financial year 2020/21.

In the past financial year, Management's primary focus was to adapt the organisation to the new market conditions and customer preferences brought about by the Covid-19 pandemic. Accordingly, investments and efforts were primarily directed towards securing the capacity required to meet the strong online sales growth, while upgrades to the Matas Life store concept were scaled down.

1. Live our purpose

Matas' purpose, 'Beauty and wellbeing for life', emphasises that Matas' business model relies on lifelong relations with its customers.

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

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

As part of its efforts to live its purpose, Matas continued the development of Club Matas in 2020/21, launching a number of new initiatives. Club Matas retained its position as one of Denmark's largest loyalty concepts with 69% of all Danish women between the ages of 18 and 65 being members of Club Matas. The number of Club Matas members making at least one purchase increased by 4% to 1.5 million active users in financial year 2020/21.

Following thorough analysis, the Club Matas Plus concept was launched at the beginning of 2021. An add-on to Club Matas, Club Matas Plus is a subscription service which, for a monthly fee of DKK 29, offers a number of benefits in terms of Matas points, exclusive discounts, free shipping, exclusive access to new products and more. Management expects Club Matas Plus to drive value for many of the Company's best and most loyal customers and at the same time ensure that these customers form even closer ties with Matas and purchase an even greater share of their beauty and health products from Matas in the future.

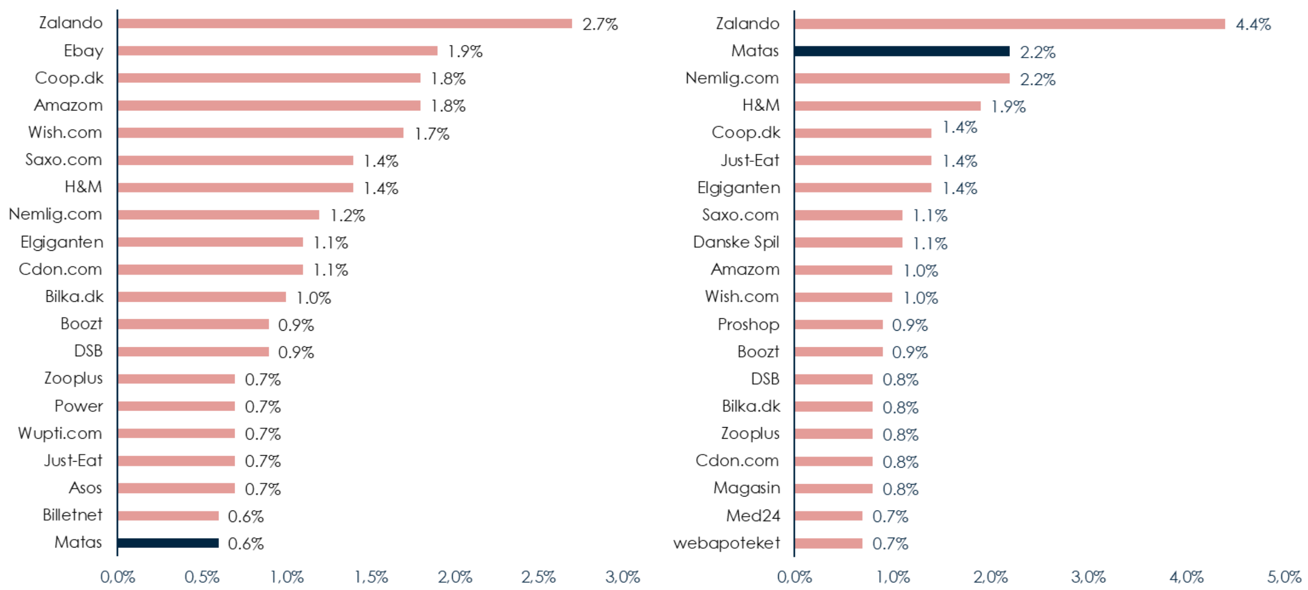
2. Win online

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

The Danish online market for beauty and wellbeing remains fragmented and consists of Danish as well as international players, but Matas successfully strengthened its position during 2020/21 and was by far the largest player by the end of the financial year, which means that the Group has achieved its digital ambition two years ahead of schedule.

According to a study published by the Danish Chamber of Commerce, Matas was the second largest webshop in Denmark in 2020, advancing from a position as number 20 in 2017.

Denmark's largest webshops measured by number of transactions

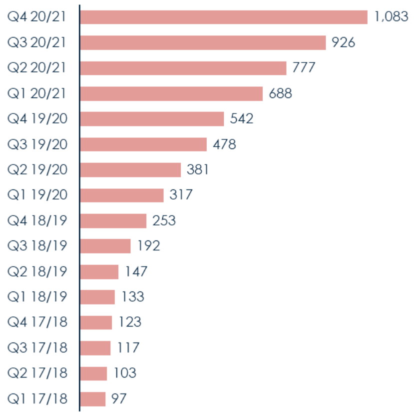


Source: Danish Chamber of Commerce, e-commerce analysis 2017 and 2020

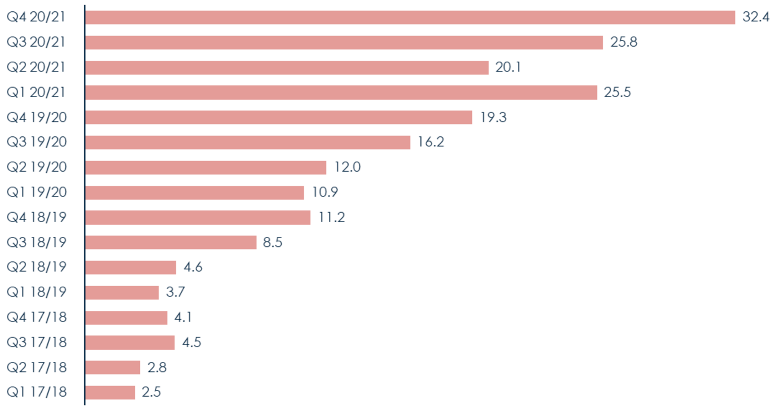
In the financial year, Matas was widely recognised for its unwavering focus on strengthening its online business. The Danish Chamber of Commerce jury of e-commerce experts named Matas the winner of the Gold Award for Danish online stores and e-commerce suppliers from among a field of more than 500 nominees. In addition to the main award, Matas won the award for omni-channel retailer of the year.

Overall online sales were up by 100% to DKK 1,083 million in the past financial year an elevenfold increase over the past 15 quarters. Online sales accounted for 32% of Q4 2020/21 revenue against 19% in Q4 2019/20. The strong growth translated into significantly improved profitability for Matas Group's online activities, which now practically match the store network in terms of profitability.

LTM online turnover (DKK m)



Quarterly online share of turnover (%)



Matas also reached a number of other online milestones in 2020/21. 671,000 Club Matas members shopped at matas.dk during the financial year, 262,000 of them for the first time. 41% of first-time shoppers made more than one purchase at matas.dk. The NPS for customers shopping at matas.dk during the financial year improved to 68 in Q4 from 58 in the year-earlier period.

Ongoing efforts were made during the financial year to expand the personal dialogue with customers through Matas' digital channels, and customers are now able to follow their local Matas store on Facebook. Matas continues to increase its social media following and currently has some 295,000 followers on Facebook and some 99,000 followers on Instagram, an increase of 3% and 17%, respectively, compared with last year. The chat function at matas.dk, which is primarily manned by trained beauty and health therapists, handled more than 57,000 customer inquiries in the course of the year. Customers seeking advice through the matas.dk chat function have conversion rates four times and basket sizes almost twice those of other customers.

44% of all customers shopping at matas.dk chose to pick up their purchases at a physical Matas store, and many of these bought additional products while at the store.

Matas maintained its focus on providing a good shopping experience irrespective of which channel the customer wishes to use. In 2020/21, 602,000 members made at least one purchase at a physical store and at matas.dk, an increase of 59% compared with 2019/20.

3. Consolidate and upgrade the retail network

Matas aims to renew and consolidate its physical store network as consumer behaviour changes. The retail industry is changing rapidly with an increasing share of retail shopping migrating to online channels, and customers are changing their expectations as to the needs a physical store or a brand should be able to meet.

The number of Matas stores fell by a net three in 2020/21 as five stores were closed and two new ones opened. All stores remain profitable except for two, which were severely impacted by the Covid-19 pandemic due to their location. It remains the Company's long-term ambition to have fewer but bigger stores at better locations, especially in areas with several Matas stores located relatively close to each other.

In financial year 2018/19, Matas therefore launched a process to develop a new store concept, Matas Life, that seeks to capture all aspects of the strong relations built over 70 years of doing business with Danish consumers.

As part of the Matas Life concept, Matas also introduced new service elements such as mobile check-out devices, segregation of service and payment functions and a different physical layout with separate category centres for makeup and skincare across Mass Beauty and High-End Beauty ranges. Thus, intending to provide a more sensuous experience, the Mats Life concept invites customers to explore, to be inspired and to indulge, while also offering personalised advice and allowing busy customers to have their purchases processed quickly.

The work to upgrade existing stores to the Matas Life concept, which offers customers sensuous and personal experiences, more inspiration and more activities, continued in the financial year, but investments were at a significantly lower level than in the year before, due partly to the restrictions imposed as a result of the Covid-19 pandemic as well as general changes in consumer behaviour.

In the period since the first four Matas Life stores opened in March 2019, a total of 37 Matas Life stores have opened across the country.

As at the end of the financial year, a total of 65 stores, most of them major stores, had been renovated or relocated since 2016. Updated stores account for 36% of Matas' revenue from physical stores.

Due to Matas' status as a general retailer and a distributor of medical equipment, all physical Matas stores were allowed to remain open through the pandemic.

In addition to general efforts to update the retail network, Matas stores located outside the main cities and shopping centres benefited from the many people working from home and spending more time in leisure homes during the pandemic, combined with the general shop local trend. Stores located in shopping centres, on the other hand, suffered during large parts of the year.

During the Covid-19 pandemic, the stores have been focused on ensuring a safe shopping environment for customers and employees. As a result, stores across the country have successfully maintained low infection rates and have therefore been allowed to remain open for the benefit of the many customers preferring to shop at physical stores during periods of lockdown.

In terms of development, focus has been on accelerating store digitalisation and on the interaction between stores and the online channel. Interaction between the online service and the stores is an important value driver for customers and strengthens both sales channels by making it easy to get advice, search for products and shop whenever and wherever it suits the customer. Data show that omnichannel customers generally shop more often and purchase more products than customers that only shop in the physical Matas stores. Interaction between channels thus drives greater customer loyalty and higher sales.

A large number of stores now offer video consultations and organise a variety of online events, and employees from many local stores offer advice to online customers at matas.dk. In addition, a team of currently 15 omnichannel beauty and health therapists, physically located at five Matas stores across the country, work exclusively with online sales and advice.

As part of its increased focus on health, Matas has, during the year, built a team of pharmaconomists with special skills in OTC medicine, special skincare and supplements.

4. Open new growth tracks

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

The results of the year's efforts in relation to a number of growth initiatives were announced after the end of the financial year. Matas has opened a new growth track through the acquisition of a healthtech platform and the establishment of a partnership with an online pharmacy. The portfolio of house brands will be expanded through the addition of supplements from Novozymes and the launch of Aktiviva, an all- inclusive dietary supplement developed by Matas.

The Matas Natur initiative, which provides customers with a broader range of green, natural products across all sales channels, was expanded in the financial year. While there were previously two physical Matas Natur stores, one in Aarhus and one in Copenhagen, the Matas Natur initiative has now been integrated into most Matas stores, leading to increased sales.

As regards its online presence, Matas expanded its customised subscription service to include some 800 products, primarily from the Health & Wellbeing and Mass Beauty categories, in the past financial year.

5. Change how we work

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

Commercial excellence helps strengthen customer relations and drive earnings. The efforts to renew the product range continued in financial year 2020/21 through the launch of new brands and products. Intensified focus on Matas' private labels led to a very successful relaunch of Matas' 'Stripes' hair and body products and the introduction of new facecare products.

The work with strategic supplier partnerships continued and led Matas to launch a number of exclusive brands and products. The proportion of Matas' revenue generated by private labels and exclusive brands dropped to 15% in 2020/21 from 16% in 2019/20. This was due to lower makeup sales, the only main category to experience a setback during the Covid-19 pandemic.

In spring 2020, Matas launched a strategic project entitled Ways of Working (Matas WoW) with a view to further optimising and digitalising in-store operational and sales processes. Store processes were analysed, and the most appropriate methods implemented with a view to optimising operations and freeing up more time for customers. Matas WoW makes it easier for store management teams to delegate responsibilities to employees while at the same time supporting training and career development across stores.

In terms of logistics, the relocation of the matas.dk webshop to new premises in Humlebæk north of Copenhagen in autumn 2019 enabled Matas to accommodate rapidly changing demand patterns and secure fast delivery to customers. All orders placed during Black Week 2020 had been processed by Wednesday the following week. The surge in sales through matas.dk also led the webshop at Humlebæk to temporarily upgrade by hiring more than 200 employees over autumn and Christmas 2020.

Initiatives to optimise logistics and collaboration agreements with logistics suppliers made additional headway in the financial year. Matas' plans for the future logistics set-up (Project LOG) is expected to result in a number of concrete initiatives in the current financial year that will require significant investments.

In the media field, Matas strengthened its collaboration with suppliers through supplying them with media-strategic advice based on the invaluable insights generated via Club Matas. Matas further accelerated the growth of its digital media through the launch of new media channels and packages, including in the Matas app, at matas.dk and on Matas' social media channels.

The **Sales excellence** track optimises the ways in which Matas meets its customers in the new Matas Life stores, the Company's other stores, at matas.dk and in Firtal's webshops. This is achieved through locally customised product ranges and product placements based on statistical, data-based analysis models. In addition, the ongoing efforts to improve store operations through process optimisation based on lean principles continues. The customer experience at matas.dk was continually enhanced throughout the financial year.

The **Customer excellence** track is focused on lifting customer satisfaction and enhancing customer engagement via Matas' own channels, including Club Matas, SoMe and the Matas leaflet, on simplifying and digitalising the customer journey and on using customer data to ensure relevant, personalised communication with the many active Club Matas members. New ways of communicating developed as part of the Matas Media platform ensure that Club Matas members are made aware of new relevant products and brands.

Developing new ways of meeting customers on online platforms constitutes an important part of Matas' customer excellence efforts, and a number of new digital services were implemented in the financial year, including Matas Skin Consultation, an online customer advice service manned by dedicated, specially selected beauty and health therapists and a live online shopping service offering customers direct interaction with the beauty and health therapists and product specialists hosting the event. At 31 March 2021, the Club Matas app had more than 800,000 active users against 780,000 the year before.

The **People & Tech excellence** track involves the development of two key assets: the technological platform and Matas' employees. Matas' IT platform is developed on an ongoing basis with a view to supporting the Group's strategic priorities, focus being on sustaining Matas' leading technology position in retailing and on ensuring Matas has a robust IT infrastructure to provide strategic and operational agility.

The work in relation to culture and people, including rethinking how Matas works, also continued in the past financial year with focus being on renewing and simplifying processes, establishing a new physical setting at Matas' head office and making collaboration and job satisfaction key focal points of executive development programmes.

Strategic direction going forward to 2025/26

The purpose of Matas Group’s new strategic direction is to promote health and beauty for life. Matas aims to be the preferred supplier of health and beauty products and advice to Danish consumers throughout their lives. The ambition is to create a digital Health & Beauty Group based on Nordic values.

The strategy builds on three mutually supportive platforms: Ecommerce, Connected Retail and Brands. The interaction between these platforms enables profitable growth and offers protection against competitive threats through differentiation. Each platform has its own growth and investment programme designed to support the Group's development which may include acquisitions. Key to the three growth platforms is the Core, covering the core competencies and assets accumulated by Matas Group over a number of years.

Underlying the strategic direction going forward to 2025/26 is Matas’ CSR/ESG strategy, which underpins the Group's competitive edge by building the strategic ambition around Nordic values. The CSR/ESG strategy's main areas of focus are sustainability, health and diversity.

Financially, the new strategic direction is shaped to enable Matas Group to boost long-term growth, maintain its leading position in terms of profitability and complete the digital transition by doubling of our online revenue.

Purpose: Health and beauty for life	
Strategic ambition 25/26: Build a digitally driven Health & Beauty Group based on Nordic values	Increase long-term sustainable growth Sustain peer-leading profitability Complete digital transition: >50% of sales
Ecommerce	Expand matas.dk market leadership and range Grow Firtal platform Enter digital health through partnerships
Connected Retail	Digitalise and consolidate stores Improve operations and lease terms Build subscription-based business
Brands	Expand house brand and partnership portfolios Upgrade brand-building competencies Test international brand sales
Core	Continue commercial innovation and expand Matas Media Automate logistics (Project Log) Develop and streamline HQ processes
Built on Nordic values Matas’ CSR/ESG strategy	Sustainability Health Diversity

Performance relative to 2020/21 financial guidance

Due to the Covid-19 pandemic, Matas entered financial year 2020/21 without any financial guidance. Matas provided its first 2020/21 guidance in connection with the release of its Q1 interim report in August and subsequently upgraded the guidance three times based on a favourable revenue and EBITDA margin performance.

Financial guidance for 2020/21 released in connection with	**Q1**	**Upgrade Q2**	**Upgrade Trading Update Q3**	**Upgrade Q3**	**Realised 2020/21**
Revenue growth	About 6%	About 8%	Above 10%	Above 12%	12.9%
Underlying revenue growth	About 6%	About 8%	Above 10%	Above 12%	13.5%
EBITDA margin before special items	About 18%	Above 18%	Above 18%	Above18.5%	19.1%

Revenue growth for financial year 2020/21 was realised at 12.9% and underlying like-for-like revenue growth was 13.5%. EBITDA before special items as a percentage of revenue was 19.1%.

The guidance for CAPEX at DKK 120 – 140 million and for the gearing ratio at 2.5 – 3 was maintained from the release of the Q1 interim report through to year-end.

CAPEX was realised at DKK 148 million, slightly above expectations, due to significant investments in measures to secure capacity to handle growing online sales. Investments in the retail network fell year on year.

The financial gearing ratio was 2.2 at 31 March 2021, below the announced target interval of 2.5 – 3.

The Board of Directors recommends to the annual general meeting that a dividend of DKK 2 per share be declared and paid and that shares in the amount of DKK 75 million be bought back and most of them cancelled. Combined, the proposed dividends and buybacks will be equivalent to 42% of the adjusted profit after tax for the year.

Financial guidance for 2021/22

Revenue is expected in the range of DKK 4,080 – 4,250 million, corresponding to growth of between -2% and +2%
The EBITDA margin before special items is expected in the range of 17% – 18.5%
Investments excluding acquisitions and a possible logistics project (Project Log) are expected in the DKK 140 –160 million range.

Financial guidance for financial year 2021/22 is subject to above-normal uncertainty due to the unpredictable nature of the Covid-19 pandemic and its ramifications for society in general and the retail industry in particular.

Matas has strengthened its market position both organically and through acquisitions and therefore expects to maintain revenue at the higher level in 2021/22 despite the exceptionally strong growth recorded in 2020/21.

Matas benefited from a number of extraordinary factors in 2020/21: a general increase in consumer spending on groceries, household goods and personal care products, increased demand for health products (personal protective equipment in particular), reduced competition from, especially, travel retail and the effects of stimulus packages (the release of frozen holiday pay). Overall, these factors are estimated to have lifted revenue by DKK 125 – 150 million in 2020/21, a lift which is expected to be gradually reversed in the course of 2021/22.

Revenue guidance for 2021/22 is based on the following basic assumptions:

- Continued, but moderate, growth in consumer spending
- No significant restrictions or retail sector lockdowns during the financial year
- A gradual normalisation of trading patterns and travel activity in the second half of calendar year 2021
- No sales of personal protective equipment but continued strong demand for health products
- Continuing shift in sales channels from physical to online shopping but at a more moderate pace than in 2020/21
- Moderately increasing competition, especially online

Given the considerable uncertainty surrounding revenue developments, the 2021/22 earnings performance is also subject to increased uncertainty. On the other hand, the profitability of the online business improved considerably in 2020/21, which means that the expected continued shift in revenue streams from physical stores to online channels will not have a significant negative impact on profitability.

Earnings guidance is based on the following assumptions:

- A stable earnings level in physical stores and at matas.dk
- Accelerated digital business development activity across Matas, which is expected to squeeze the EBITDA margin by up to 1% in the short term but will secure the Company's long-term growth

Matas has previously provided guidance for both overall revenue growth and underlying like-for-like growth, the latter forecast being adjusted for the effects of store openings and closures. Given online revenue's steadily growing proportion of overall revenue and the fact that Matas expects to continue the consolidation of the store network in 2021/22, this division is no longer relevant. Accordingly, Matas will not provide separate like-for-like revenue guidance going forward but will continue to report this figure.

For 2021/22, Matas expects CAPEX of DKK 140 – DKK 160 million, excluding acquisitions within Web Health (see note 27, Events after the date of the statement of financial position) and any other acquisitions, with investments being allocated primarily towards IT and to a lesser extent towards physical stores. If a decision is made to proceed with the logistics project (Project Log), the total level of investments will increase significantly.

Allocation of capital and dividend policy

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

Based on Matas' commitment to secure the Company's long-term growth potential and profitability, investments are expected to remain at a historically high level. As a consequence, going forward, distributions by way of dividends and share buybacks are expected to amount to at least 20% compared with the previous 30% or more of adjusted profit after tax.

Forward-looking statements

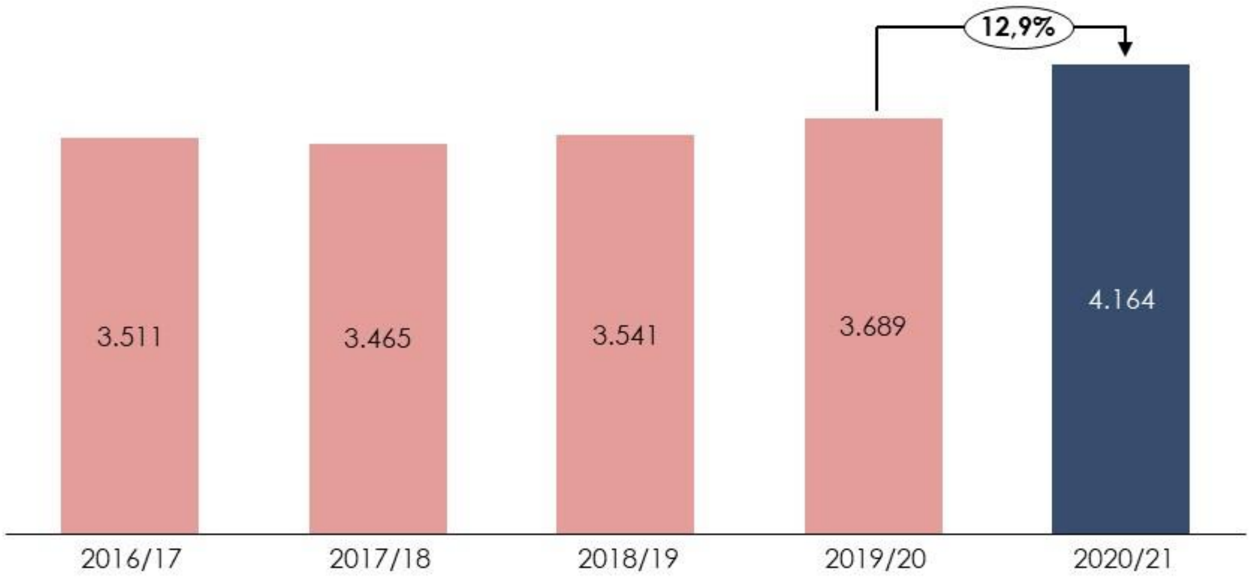
The annual report contains statements relating to the future, including statements regarding Matas' future operating results, financial position, cash flows, business strategy and future targets. Such statements are based on management's reasonable expectations and forecasts at the time of release of this report. Forward-looking statements are subject to risks and uncertainties and a number of other factors, many of which are beyond Matas' control. This may have the effect that actual results may differ significantly from the expectations expressed in the report. Without being exhaustive, such factors include general economic and commercial factors, including market and competitive conditions, supplier issues and financial and regulatory issues as well as any effects of healthcare measures that are not specifically mentioned above.

Performance in 2020/21

Revenue in 2020/21

Matas Group generated total revenue of DKK 4,164 million in financial year 2020/21, a year-on-year increase of 12.9% from DKK 3,689 million in 2019/20.

Consolidated revenue 2016/17 to 2020/21 (DKKm)



Sales in webshops and physical stores operated by the Group in both 2020/21 and 2019/20 (underlying growth) were up by 13.5%, which was in line with the full-year revenue guidance announced on 25 February 2021 forecasting underlying revenue growth in 2020/21 of more than 12%.

The revenue was supported by increased sales in the Health & Wellbeing, High-End Beauty and Mass Beauty segments compared with 2019/20. Overall footfall was slightly up, and the number of transactions rose by 0.3%. The average basket size grew by 13.0%, which was very satisfactory.

Online sales via matas.dk and Firtal Group were up by 99.6% year on year to account for 26.0% of overall revenue compared with 14.7% in 2019/20.

Sales at Matas' own retail stores and via webshops grew by DKK 485 million, or 13.3%, relative to 2019/20 with strong growth in online sales more than offsetting the decline in physical store sales. The difference between the underlying increase of 13.5% and the own store revenue growth rate of 13.3% was attributable to Firtal's acquisition of Din Frisør Shop ApS and the net effect of store closures and openings. Acquisitions and new stores are not included in underlying growth until after 13 months.

Wholesale revenue etc., including Kosmolet, was down by DKK 10 million. Revenue from Club Matas relating to partners and value adjustments of Club Matas points is included in this item. This revenue fell sharply, partially because the Club Matas partner programme was discontinued at the end of August 2020.

The High-End Beauty category grew revenue by 13.3% in 2020/21, and sales of Mass Beauty products were up by 9.9% year on year. Skincare and fragrances reported the strongest sales growth, due partly to weaker competition from Travel Retail.

The Beauty segment's share of total revenue was 70.2% in 2020/21 against 71.2% in 2019/20.

The Health & Wellbeing category boosted sales by an impressive 18.7%. The increase was driven by higher sales of Covid-19-related articles such as face masks and hand sanitiser (personal protective equipment). Personal protective equipment accounted for about 5 percentage points of the 18.7% increase in Health & Wellbeing sales.

In summary, 2020/21 revenue was supported by a favourable competitive climate with little competition from Travel Retail. In addition, increasing demand for personal protective equipment and health products in general drove the higher footfall in pharmacies and Matas alike. The effects of stimulus packages (the release of frozen holiday pay) also contributed to Matas' 2020/21 revenue.

The above-mentioned factors mainly benefited sales in the High-End Beauty and Health & Wellbeing categories. Sales of personal protective equipment amounted to about DKK 50 million, while the positive revenue impact from the competitive climate and the payout of frozen holiday pay is estimated at DKK 75 – 100 million.

Revenue by categories and sales channels

(DKKm)	2020/21 FY	2019/20 FY	Growth	2020/21 Q4	2019/20 Q4	Growth
High-End Beauty	1,503.9	1,327.4	13.3%	313.2	255.4	22.6%
Mass Beauty	1,401.6	1,275.1	9.9%	331.5	281.9	17.6%
Health & Wellbeing	1,092.5	920.7	18.7%	280.3	237.4	18.1%
Other	143.7	133.2	7.9%	35.2	30.7	14.7%
Total retail sales*	**4,141.7**	**3,656.4**	**13.3%**	**960.2**	**805.5**	**19.2%**
Wholesale sales etc. (incl. Kosmolet)	21.9	32.1	(31.7)%	11.0	11.5	(4.8)%
Total revenue	**4,163.6**	**3,688.5**	**12.9%**	**971.2**	**817.0**	**18.9%**
Physical stores	73.5%	84.4%		66.5%	79.3%	
Webshops (matas.dk and Firtal)	26.0%	14.7%		32.4%	19.3%	
Wholesale sales etc. (incl. Kosmolet)	0.5%	0.9%		1.1%	1.4%	

*Own stores and webshops

Revenue in Q4 2020/21

Revenue for Q4 2020/21 came to DKK 971 million, a year-on-year increase of 18.9%. The strong sales growth should be seen in light of the weak final quarter of 2019/20, which was affected by Covid-19 with mandatory closures in large parts of the retail sector, which had an adverse impact on overall footfall.

Overall retail revenue was up by DKK 155 million, or 19.2%, to DKK 960 million, as the increase in online sales more than offset the decline in physical store sales. Wholesale revenue was down by DKK 0.6 million to DKK 11 million, a year-on-year decrease of 4.8%.

Underlying sales, i.e. sales in stores operated by the Group in both Q4 2020/21 and Q4 2019/20, were up by 19.8%.

Online sales via matas.dk and Firtal Group were up by 99.5% year on year to account for 32.4% of overall Q4 revenue compared with 19.3% in Q4 2019/20.

Sales channels

At 31 March 2021, Matas consisted of 265 physical stores – 263 stores in Denmark, one in the Faroe Islands and one associated store in Greenland. 73% of revenue in the financial year was generated by the Group's physical stores.

In addition, Matas was present online through matas.dk and 12 webshops run by Firtal, of which the most important are helsebixen.dk, jala-helsekost.dk and made4men.dk. 26% of revenue was generated through the Group's online channels.

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

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

Categories

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

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

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

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

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

Costs and operating performance in 2020/21

Gross profit for 2020/21 was DKK 1,841 million, a 12.2% increase from DKK 1,640 million in 2019/20.

The gross margin for 2020/21 was 44.2%, marginally down from 44.5% in 2019/20.

Up by DKK 91 million, overall costs (other external costs and staff costs) amounted to 25.3% of revenue against 26.1% the year before. Adjusted for special items, which amounted to DKK 9.1 million in 2020/21 and DKK 11.1 million in 2019/20, overall costs increased by DKK 93 million year on year, driven mainly by higher marketing and logistics costs as a consequence of the increased activity in the online area, which, however, also benefited from greater economies of scale and, by extension, a relative decline in costs compared with last year.

Other external costs amounted to DKK 301 million in 2020/21, up from DKK 222 million in 2019/20. Adjusted for special items, which amounted to DKK 6.7 million in 2020/21 and DKK 3.9 million in 2019/20, other external costs were up by DKK 76 million year on year.

The increase in other external costs is explained as follows:

- Marketing and logistics costs were up by DKK 85 million as a result of strong online sales growth and the continued digital build-up
- Covid-19-related costs amounted to DKK 4 million
- Underlying other external costs were down by some DKK 13 million, reflecting the Group's ongoing efforts to rationalise operations

Other external costs amounted to 7.2% of revenue in 2020/21, up from 6.0% in 2019/20. Other external costs measured as a percentage of revenue are expected to continue the upward trend as long as online sales continue to grow at the current high rate with a higher proportion of costs relating to the online business being classified as other external costs, including marketing and logistics costs.

Staff costs amounted to DKK 752 million in 2020/21, a DKK 12 million increase from DKK 740 million in 2019/20. Adjusted for special items, which amounted to DKK 2.4 million in 2020/21 and DKK 7.2 million in 2019/20, staff costs were up by DKK 17 million year on year.

The increase in staff costs was driven by the strong increase in online activity, while underlying physical store staff costs declined.

Staff costs amounted to 18.1% of revenue in 2020/21 against 20.1% in 2019/20. Staff costs as a percentage of revenue are expected to continue to fall as long as online sales continue to grow at the current high rate.

2020/2021 staff costs were favourably affected by an extraordinary increase of DKK 30 million in the grant received in connection with the training of beauty and health therapist trainees, whereas costs increased by DKK 10 million as a result of the extraordinary bonus paid to all employees in recognition of their considerable efforts during the Covid-19 pandemic. Lastly, Management estimates that Covid-19-related precautions in the form of Covid-19 guides at the stores etc. added some DKK 6 million to staff costs. The Company has decided not to account for these costs as special items.

The 2020/21 staff costs included DKK 6.2 million related to the Company's long-term share-based compensation programme. The equivalent amount in 2019/20 was DKK 7.0 million.

In the 2020/21 financial year, the Group had 2,152 full-time employees (FTE), against 2,197 in 2019/20.

Costs, FY

(DKKm)	**2020/21**	**2019/20**	**Growth**
Other external costs	301.3	222.2	35.6%
- *of which special items*	6.7	3.9	
As a percentage of revenue	7.2%	6.0%	
Staff costs	751.9	739.8	1.6%
- *of which special items*	2.4	7.2	
As a percentage of revenue	18.1%	20.1%	

Other external costs and staff costs include Kosmolet for the period 11 June 2019 – 31 March 2021.

EBITDA was up by 16.2% year on year to DKK 788 million for 2020/21. The EBITDA margin was 18.9% against 18.4% the year before.

2020/21 EBITDA before special items was DKK 797 million against DKK 700 million last year. The EBITDA margin before special items was 19.1% against 19.0% in 2019/20.

EBIT came to DKK 380 million, compared with DKK 293 million in 2019/20.

Special items (DKKm)	**2020/21**	**2019/20**
Non-recurring costs		
- In connection with executive changes	2.4	7.2
- In connection with strategy update	1.2	0.4
- In connection with acquisitions	5.5	3.5
Normalisation of intra-group profits in connection with acquisition of Kosmolet	0.0	10.4
Total special items	**9.1**	**21.5**

Costs and operating performance in Q4 2020/21

Gross profit for Q4 2020/21 was DKK 443 million, a year-on-year increase of 18.6%. This represents a gross margin of 45.6% compared with 45.8% for the same period the year before.

Overall costs (other external costs and staff costs) amounted to DKK 297 million in Q4 2020/21, corresponding to 30.5% of revenue against 31.5% in the year-earlier period.

Other external costs were up by DKK 38 million to DKK 106 million in Q4 2020/21, a year-on-year increase of 57.1%. Other external costs amounted to 10.9% of revenue in Q4 2020/21, up from 8.2% in the year-earlier period. Adjusted for special items, which amounted to DKK 5.4 million in Q4 2020/21, primarily relating to transaction costs, and DKK (1.0) million in 2019/20, other external costs were up by DKK 32 million year on year. The increase was driven mainly by higher marketing and logistics costs as a consequence of increased activity in the online area.

Staff costs totalled DKK 191 million in Q4 2020/21, a year-on-year increase of DKK 0.6 million. Staff costs as a percentage of revenue were 19.7% in Q4 2020/21 against 23.3% in Q4 2019/20. No special items were incurred in Q4 2020/21, while in Q4 2019/20 special items under staff costs amounted to DKK 3.9 million. Adjusted for this, staff costs were up by DKK 4.5 million in Q4 2020/21 relative to the year-earlier period.

Q4 2020/21 EBITDA was DKK 147 million against DKK 116 million a year earlier. EBITDA before special items came to DKK 152 million for an EBITDA margin before special items of 15.6% against 14.6% in Q4 2019/20.

Costs, Q4

(DKKm)	**2020/21**	**2019/20**	**Growth**
Other external costs	105.7	67.3	57.1%
- *of which special items*	5.4	(1.0)	
As a percentage of revenue	10.9%	8.2%	
Staff costs	190.9	190.3	0.3%
- *of which special items*	0.0	3.9	
As a percentage of revenue	19.7%	23.3%	

Amortisation, depreciation and impairment

Total amortisation, depreciation and impairment charges were up by DKK 22 million to DKK 408 million in 2020/21, driven by increased depreciation of investments made as part of the Group's 'Renewing Matas' strategy.

Net financials and tax

Net financial expenses were down by DKK 16 million year on year to DKK 27 million in 2020/21. The decline was attributable to the refund of excess interest charged by the tax authorities in connection with the payment made by the Company in October 2013 in relation to the proceedings concerning withholding tax on interest instituted by the tax authorities.

The effective tax rate was 23.9% in 2020/21 compared with 23.5% in 2019/20.

Profit for the year

Profit for the year after tax was DKK 269 million, a 41% increase from DKK 191 million in 2019/20.

Adjusted profit after tax was DKK 358 million in 2020/21 against DKK 283 million the year before.

Adjusted profit after tax may be specified as follows:

(DKKm)	**2020/21**	**2019/20**
Profit for the year	269.0	191.2
Plus amortisation of intangible assets excluding software	102.7	94.7
Special items	9.1	21.5
Less tax effect	(23.3)	(24.8)
Adjusted profit after tax	**357.5**	**282.6**

Adjusted profit after tax for Q4 2020/21 was DKK 42 million against DKK 23 million in Q4 2019/20.

Statement of financial position

Total assets amounted to DKK 6,143 million at 31 March 2021, down from DKK 6,588 million at 31 March 2020.

Current assets totalled DKK 984 million, a year-on-year decline of DKK 248 million attributable to the settlement of a dispute with former owners concerning withholding tax in combination with a significant decline in inventories and a drop in cash and cash equivalents.

Inventories amounted to DKK 867 million at 31 March 2021, a decline of DKK 96 million compared with the level at 31 March 2020, reflecting ongoing stock optimisation efforts, which include a new order management system and consolidation of campaign purchases. Covid-19-related inventories of, e.g., face masks and disinfectants amounted to DKK 23 million at 31 March 2021 against DKK 4 million at 31 March 2020.

Inventories accounted for 20.8% of LTM revenue at 31 March 2021 compared with 26.1% at 31 March 2020.

Trade receivables increased by DKK 0.5 million to DKK 15 million, while trade payables increased by DKK 106 million relative to 31 March 2020 to DKK 692 million.

Net working capital excluding deposits was minus DKK 126 million at 31 March 2021 against DKK 90 million at 31 March 2020, an improvement of DKK 216 million that was mainly due to lower inventories combined with a year-on-year increase in trade payables.

Cash and cash equivalents amounted to DKK 41 million, down from DKK 107 million the year before.

Equity was DKK 3,039 million at 31 March 2021, compared with DKK 2,764 million at 31 March 2020.

Net interest-bearing debt was DKK 1,727 million at 31 March 2021, a year-on-year decline of DKK 772 million – equalling 2.2 times LTM EBITDA before special items, which is below the long-term target of a gearing ratio between 2.5 and 3.

Gross interest-bearing debt stood at DKK 1,768 million at 31 March 2021, including lease liabilities of DKK 670 million. At 31 March 2020, gross interest-bearing debt was DKK 2,606 million, including lease liabilities of DKK 785 million.

The Group's current credit facilities will expire on 31 March 2022. Matas anticipates a positive outcome of the ongoing negotiations regarding new credit facilities by the end of Q1 2021/22.

At 31 March 2021, the Company had 38,291,492 shares of DKK 2.50 each in issue, corresponding to a share capital of DKK 95,728,730. After disposing of 81,034 shares in the period under review in connection with the exercise of the 2017/18 incentive programme, Matas held 22,943 treasury shares at 31 March 2021.

Statement of cash flows

Cash generated from operations was an inflow of DKK 1,019 million in 2020/21 against an inflow of DKK 495 million in 2019/20. The DKK 524 million increase was attributable in part to a higher profit before tax but primarily to a positive working capital change. The free cash flow was an inflow of DKK 774 million in 2020/21 against an inflow of DKK 111 million in 2019/20.

Cash generated from operations in Q4 2020/21 was an inflow of DKK 84 million, a year-on-year increase of DKK 35 million.

Cash flows from investing activities were an outflow of DKK 178 million in 2020/21, compared with an outflow of DKK 336 million the year before. The decline was attributable in part to the acquisitions of Kosmolet and Din Frisør Shop last year and in part to a drop in investments in the retail network in 2020/21 compared with 2019/20 that was only partially offset by larger digital investments.

For Q4 2020/21, cash flows from investing activities were an outflow of DKK 40 million against an outflow of DKK 66 million in Q4 2019/20.

The Q4 2020/21 free cash flow was an inflow of DKK 35 million, compared with an outflow of DKK 34 million in Q4 2019/20.

Cash flows from financing activities were a net outflow of DKK 840 million in 2020/21 against an outflow of DKK 166 million last year, mainly reflecting the debt repayments made in 2020/21 in contrast to the new loans raised with credit institutions in 2019/20.

Cash flows (DKKm)	**2020/21 Q4**	**2019/20 Q4**	**2020/21**	**2019/20**
Cash generated from operations	84	49	1,019	495
Free cash flow	35	(34)	774	111
Free cash flow net of acquisitions	35	(34)	774	249
Cash flows from financing activities	(101)	3	(840)	(166)

Return on invested capital

The return on LTM invested capital before tax was 9.6%, compared with 8.5% a year earlier.

Parent company performance

The parent company generated a profit of DKK 3 million in 2020/21 against a loss of DKK 13 million in 2019/20. The improvement relative to 2019/20 was attributable mainly to an interest allowance received from the tax authorities.

Equity was DKK 2,122 million at 31 March 2021 compared with DKK 2,114 million at 31 March 2020.

Events after the date of the statement of financial position

On 12 April 2021, Matas acquired Apo-IT ApS and Web-Apo ApS, the technology and sourcing companies behind webapoteket.dk.

Under the agreement, Matas will develop and supply IT systems and logistics and sourcing services to Gazelle Online Apotek (webapoteket.dk).

The total purchase price amounts to up to DKK 85.6 million, of which contingent consideration will account for up to DKK 20 million. Of this amount, DKK 40.6 million has been paid upfront, and an additional DKK 25 million is payable by 1 April 2024. Contingent consideration of up to DKK 20 million will be determined and is payable no later than by the end of the financial year ending 31 March 2024 (up to DKK 10 million) and the financial year ending 31 March 2025 (up to DKK 10 million).

The activities acquired grew revenue by 40% to DKK 72 million with a positive EBITDA margin in calendar year 2020. The acquisition is expected to entail transaction costs of about DKK 6 million, which amount will be recognised as special items under other external costs in the financial statements for 2020/21 and 2021/22.

No other events have occurred that have materially affected the Group's financial position.

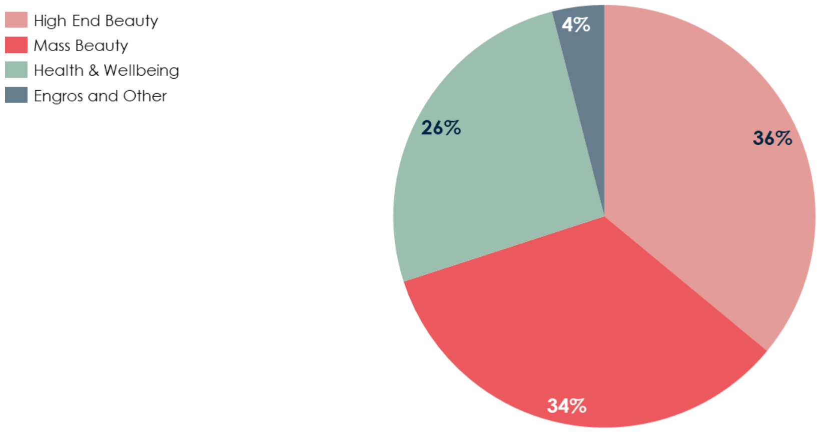
About Matas Group

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

Matas' history

Matas was established in 1949 as a chain of independent beauty and health products suppliers. In 1956, the chain was unified under a common logo, and a year later Matas was granted permission to sell vitamins. In 1967, Matas introduced the first 'Stripes' and babycare products as low-end alternatives to common branded products. The Stripes family has since evolved into a leading Danish beauty and wellbeing brand.

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



Ownership changes and growth initiatives

- In 2006, the Matas chain consisted of almost 300 stores. In 2007, the store owners decided to sell Matas A/S to CVC, the private equity fund. At the same time, CVC took over 208 Matas stores.
- Matas.dk was launched in 2008, and 2010 saw the launch of the Club Matas loyalty programme designed to strengthen relations between Matas and its customers. The Club Matas App was introduced in June 2011, and by 2012, Club Matas had more than 1 million members.
- Matas A/S was listed on OMX Copenhagen in June 2013.
- In May 2018, Matas launched its 2023 strategy entitled 'Renewing Matas'.
- In August 2018, Matas acquired Firtal Group, which operates and owns a number of webshops, including helsebixen.dk, jala-helsekost.dk and made4men.dk.
- March 2019 saw the launch of the first Matas Life concept store designed to offer customers a premier experience, and this concept has since been rolled out to a number of Denmark's largest cities.
- In March 2019, Matas acquired Kosmolet, the owner of the successful organic Danish makeup brand Nilens Jord.
- In August 2019, an 8,000 sqm webshop opened in Humlebæk north of Copenhagen to accommodate growing online sales.

- In late 2019, Firtal Group acquired Din Frisør Shop, the operator of two webshops focused on professional haircare and beauty products.

- In mid-2020, Matas acquired a 40% interest in Miild, a beauty brand.

- In April 2021, Matas acquired Apo-IT ApS and Web-Apo ApS, the technology and sourcing companies behind webapoteket.dk.

Matas today

Over the past 70 years or so, Matas has built its market position to its current strong level. 99% of Danish women know Matas. This widespread awareness is a major asset in building a strong, popular position. Matas also has one of Denmark's largest loyalty clubs.

The Matas concept is quite unique in both a national and an international context with Matas distributing up to 22,000 items across all price categories at its physical stores alone. While the store concept primarily builds on makeup, skincare and fragrances, the health and wellbeing categories also make up a significant part of the assortment.

Private labels

Matas markets a number of house brands, including 'Stripes', 'Matas Natur', 'Nilens Jord' and 'Plaisir'. Matas currently offers almost 1,400 different private label products characterised by a sound balance between price and quality and reduced use of substances harmful to human health and the environment. Private label products accounted for 15% of total 2020/21 revenue, with the Mass Beauty segment as the biggest contributor. In 2019/20, private labels accounted for 16% of total revenue.

Competition

Matas' main competitors in the High-End Beauty segment are department stores, perfumeries, travel retailers and, to a lesser degree, e-businesses, while its principal competitors in the Mass Beauty segment are supermarkets, discount retailers, parallel importers, e-businesses and, to a lesser extent, department stores. In the Health & Wellbeing segment, Matas primarily faces competition from pharmacies, health food stores and supermarkets and to some extent also from e-businesses and discount retailers.

Omnichannel marketing strategy

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

Marketing efforts are supported by Club Matas, which had 1.7 million members at 31 March 2021, of whom more than 1.4 million were active, shopping members.

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

Risk management

Matas is exposed to operational risks affecting the retail industry in general and the beauty, wellbeing and health industries in particular.

If, contrary to expectation, the Covid-19 pandemic leads to new lockdowns of the retail industry and other parts of Danish society, Matas' business may be severely affected. In addition, Matas is to some extent exposed to financial risk such as interest rate, liquidity and credit risk.

Matas is exposed to digital attacks. Matas constantly seeks to improve its cyber security. Matas pursues a highly segmented network structure segregating data flows from stores, suppliers, employees and other business partners. Matas continually monitors network traffic and performs regular data backups.

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

The Executive Management is responsible for preparing, implementing and maintaining control and risk management systems subject to the approval of the Board of Directors, which has the overall responsibility for management. Based on reporting from the Executive Management, the Audit Committee continually monitors whether the Company's internal control and risk management systems are effective and complied with, and it also continually monitors the development and handling of key risks. The Board of Directors is provided with an overview of the Group's key risks and their potential impact on group earnings at least once a year so that any measures necessary to mitigate such risks can be implemented.

Material operational risks

Changes in economic conditions

Matas is to a significant degree exposed to changes in the prevailing economic climate in Denmark, the market from which Matas derives virtually all of its revenue. Matas is strongly exposed to developments in overall retail sales in Denmark, and Danish consumers have for quite some time been somewhat reluctant to spend, while at the same time spending is shifting to online channels. Experience shows that in boom times, demand from Matas' customers tends to shift towards High-End Beauty products, whereas demand for Mass Beauty products typically increases during periods of economic decline. Management monitors sales trends in Matas on a daily basis so that it can respond swiftly to any decline in sales by implementing sales-promoting initiatives.

Pandemic

Matas is to a significant degree exposed to changes in footfall in Danish shopping centres, pedestrian zones and high streets. Sales in Matas stores located in shopping centres were adversely affected by the partial lockdown of shopping centres during parts of the financial year. If, contrary to expectation, a new wave of Covid-19 leads to a full or partial lockdown of the retail industry and other parts of Danish society, Matas' sales may be severely affected.

International competition

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

Industry developments

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

Strategically, Matas aims to bring its many assets into play in new ways in order to pursue the potential provided by a stronger market position. It strives to do this by increasing its focus on online trading, launching marketing campaigns, leveraging the Club Matas loyalty programme, developing the store network and enhancing the customer experience.

Products and suppliers

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

Product liability

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

Legislation and indirect taxation

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

Data security

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

Matas is exposed to digital attacks and constantly seeks to improve its cyber security. Matas pursues a highly segmented network structure segregating data flows from stores, suppliers, employees and other business partners. Matas continually monitors network traffic and performs regular data backups.

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.


matas SIDEN 1949
VOLUME BOOSTER
UDEN PARFUME
DAGLIG DANSK VELVÆRE
matas SIDEN 1949
CURL CREAM
UDEN PARFUME
krøller
DAGLIG DANSK VELVÆRE
matas SIDEN 1949
HEAT PROTECTION SPRAY
UDEN PARFUME
varmebeskyttelse
DAGLIG DANSK VELVÆRE
matas SIDEN 1949
HAIR SPRAY
UDEN PARFUME
hold
GIVER GLANS OG STÆRKT HOLD
DAGLIG DANSK VELVÆRE
matas SIDEN 1949
DRY SHAMPOO MOUSSE
UDEN PARFUME
struktur
DAGLIG DANSK VELVÆRE
matas SIDEN 1949
DRY SHAMPOO TRANSLUCENT
UDEN PARFUME
struktur
DAGLIG DANSK VELVÆRE
ARGAN HAIR OIL


matas SIDEN 1949
DAGLIG DANSK VELVÆRE
KOLLAGEN
C-VITAMIN
3 TABLETTER OM DAGEN
KOSTTILSKUD 100 TABLETTER
matas SIDEN 1949
DAGLIG DANSK VELVÆRE
KALK
+ 10 µg D-VITAMIN
+ 100 mg MAGNESIUM
+ 37,5 µg K-VITAMIN
2 TABLETTER OM DAGEN
400 mg calcium pr. tablet
KOSTTILSKUD 150 TABLETTER
NYHED
matas SIDEN 1949
DAGLIG DANSK VELVÆRE
MAGNESIUM
CITRAT
NYHED
matas SIDEN 1949
DAGLIG DANSK VELVÆRE
BIOTIN
1 TABLET OM DAGEN
KOSTTILSKUD 100 TABLETTER
matas SIDEN 1949
DAGLIG DANSK VELVÆRE
MULTIVITAMIN
VEGANSK
NYHED
2 TABLETTER OM DAGEN
matas SIDEN 1949
DAGLIG DANSK VELVÆRE
D-VITAMIN
VEGANSK
NYHED
KOSTTILSKUD 100 TABLETTER
matas SIDEN 1949
DAGLIG DANSK VELVÆRE
B12-VITAMIN
MED CITRUSSMAG
KOSTTILSKUD 100 TABLETTER

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 in relation to shareholders and other stakeholders.

Corporate governance recommendations

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

Communicating with investors and other stakeholders

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

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

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

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

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

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

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

Shareholders are entitled to have specific business considered at the annual general meeting, provided that a written request to that effect is submitted to the Board of Directors not later than six weeks prior to the general meeting. Attending shareholders may pose questions to the Board of Directors and the Executive Management concerning the items on the agenda.

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

Diversity in management

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

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

It is the ambition of the Board of Directors to retain the diversity in management so that the mix reflects equal gender distribution as defined in the Danish Companies Act. The management of Matas, including members of middle management, such as store managers, consists of just over 90% women.

Duties and responsibilities of the Board of Directors

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

The Board of Directors holds 12 ordinary board meetings plus a strategy seminar each year and will further convene as required. In the 2020/21 financial year, 12 board meetings and one strategy seminar were held. In the 2019/20 financial year, 13 board meetings and one strategy seminar were held.

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

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

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

Election of members to the Board of Directors

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

Composition of the Board of Directors

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

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

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

The Board's current competencies are shown below.

Specific expertise held by board members	General manage-ment	Strategy develop-ment	Retailing	Brand/ marketing	Ecom/ omni-channel	Physical retailing	Finance	Capital markets
Lars Vinge Frederiksen	•	•					•	•
Lars Frederiksen	•	•	•			•	•	•
Birgitte Nielsen	•	•					•	•
Signe Trock Hilstrøm			•	•	•	•		
Mette Maix	•	•	•		•	•		
Henrik Taudorf Lorensen		•	•	•	•			

The Board of Directors has set up three committees – an Audit Committee, a Nomination Committee and a Remuneration Committee – charged with assisting the Board in its work.

Audit Committee

The Board of Directors has set up an Audit Committee, the Chairman of which is independent and is skilled in accounting. The Audit Committee is chaired by Birgitte Nielsen and also consists of Lars Frederiksen and Signe Trock Hilstrøm. The duties of the Audit Committee include monitoring the financial reporting process, the Company's internal control and risk management systems, the organisation and efficiency of the accounting function and the collaboration with the independent auditors. The Audit Committee held five meetings in the 2020/21 financial year and five meetings in 2019/20.

Nomination Committee

The Board of Directors has set up a Nomination Committee, which is chaired by Lars Vinge Frederiksen and also consists of Mette Maix and Henrik Taudorf Lorensen. 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 2020/21 financial year and two meetings in 2019/20.

Remuneration Committee

The Board of Directors has set up a Remuneration Committee, which is chaired by Lars Vinge Frederiksen and also consists of Mette Maix and Henrik Taudorf Lorensen. The purpose of the Remuneration Committee is to ensure that the Group maintains a remuneration policy for the members of the Board of Directors and the Executive Management. The Remuneration Committee held two meetings in the 2020/21 financial year and two meetings in 2019/20. The Remuneration Committee's work in financial year 2020/21 included updating the remuneration policy based on the Shareholder Rights Directive. The remuneration policy will be presented for approval by the shareholders at the 2021 annual general meeting and will subsequently be available at the Company's website, investor.matas.dk. In addition, the Committee defined KPIs for the remuneration of the Executive Management and followed up on these. Lastly, the Committee oversaw the preparation of a separate remuneration report for 2020/21.

Board and committee meetings

The attendance at board and committee meetings in the 2020/21 financial year was 99%:

Meetings attended/held	Board meetings	Strategy seminar	Audit Committee	Nomination Committee	Remuneration Committee	2020/21 in total
Lars Vinge Frederiksen	12/12	1/1		2/2	2/2	17/17
Lars Frederiksen	12/12	1/1	5/5			18/18
Birgitte Nielsen	12/12	1/1	5/5			18/18
Henrik Taudorf Lorensen	9/9	1/1		1/1	1/1	12/12
Signe Trock Hilstrøm	12/12	1/1	4/4	1/1	1/1	19/19
Mette Maix	12/12	1/1		2/2	2/2	17/17
Christian Mariager*	2/3		1/1			3/4

* Resigned on 30 June 2020.

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

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

The remuneration policy and the remuneration paid to the Board of Directors and the Executive Management are detailed in the Company's remuneration report. Additional information may be found in note 31 and at the Company's website, investor.matas.dk.

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

In order to ensure that the external financial reporting is in accordance with IFRS and other applicable rules, gives a true and fair view and is free of material misstatement, a number of internal control and risk management procedures have been established for the financial reporting process.

Control environment

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

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

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

Risk assessment

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

Control activities

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

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

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

Information and communication

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

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

Monitoring

Management conducts its ongoing monitoring based on the monthly financial reporting, liquidity analyses and KPI reports combined with a continuous dialogue with the accounting and controlling functions.

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

The Group has also established a whistleblower scheme, through which breaches of laws and regulations can be reported anonymously if the person reporting a concern wishes to avoid using the normal channels of communication. More details on the whistleblower scheme can be found in the section on Corporate Social Responsibility.

Corporate social responsibility

The adaptability of the Group's business was tested to the bone in financial year 2020/21, while Matas' position in society in terms of supporting public health was in focus as 265 stores remained open during the global pandemic.

All the Group's some 2,500 employees, the retail and warehouse staff in particular, have worked for a year on the Covid-19 frontline, providing a safe place to shop for the many customers needing everything from personal protective equipment to personal care and health products at the Group's physical stores and online.

As a natural consequence of the role assumed by Matas during the pandemic, the Group has upgraded its corporate social responsibility ambitions in relation to its main focus areas of sustainability, health and diversity to include new priority areas, such as digital health, as well as the Group's traditional core business.

CSR goals

Matas is Denmark's largest beauty, personal care, healthcare and health products retailer and as such in close touch with a large section of the Danish population.

Matas has divided its corporate social responsibility efforts into three main areas: sustainability, health and diversity.

Sustainability denotes the work to give customers access to green and sustainable products, the work to safeguard the local environment through systematic efforts to reduce and recycle transport and packaging plastics and the work to reduce CO_2 emissions at all levels of the business.

*Health** is defined as the work to promote the health of the general Danish population by offering a wide range of safe and well-tested health products and an unwavering commitment to providing competent and reliable advice online and at the stores. Moreover, Matas has stepped up its awareness campaign activity concerning sunscreen products in collaboration with the Danish Cancer Society, skin problems in collaboration with Asthma-Allergy Denmark and on general health advice in collaboration with the Danish Heart Foundation.

Diversity reflects Matas' widespread contact with largely all Danish consumers and its related responsibility for facilitating a debate on a more balanced view of beauty and mental wellbeing. Matas wants to use its communications platforms to promote a debate on young girls' self-esteem and, not least, on not having to succumb to pressure to be or look a certain way to feel good about yourself. To that end, Matas works with, among others, the Pride organisation and the Girltalk.dk NGO.

**Renamed from "peace of mind"', the 'Health' focus area now also embraces the Group's ambitions to play a more prominent role in relation to the health of the Danish population.*

With a view to increasing awareness of and monitoring Matas' efforts in relation to corporate social responsibility, the Group has defined four specific goals that will be reflected in all future endeavours. These goals apply to day-to-day contact between customers and employees and include the more general ambition of contributing towards solving some of the major environmental and climate challenges facing the world.

The common global ambitions defined in the Paris Agreement, the UN Global Compact and a number of targets under the 17 UN Sustainable Development Goals are embedded in the goals defined as Matas 'most important guideposts.

1: CO_2-neutral by 2030
Matas is committed to reducing CO_2 emissions and aims to be CO_2-neutral by 2030. In the course of the financial year, Matas will define sub-targets for how the Group can achieve carbon neutrality by 2030 and how it can induce its many suppliers to also achieve carbon neutrality by 2030.

2: Eliminating100 million plastic units
Matas is committed to promoting a more sustainable transition of the retail industry. As part of this commitment, Matas will eliminate at least 100 million plastic units from its business. This may be packaging, transport plastics, plastic bags, etc. The Matas Return System, which, dating back to 1993, invites customers to return empty packaging at any Matas store, will be a part of this overall goal.

3: Promoting public health
Matas is committed to promoting the general health of the Danish population by offering an extended range of healthy products and competent advice by trained beauty and health therapists and pharmaconomists. At the same time, Matas aims to provide Danish consumers with easy and secure access to health advice through digital channels through the development of Matas' own digital platforms and through Matas' collaboration partners, including webapoteket.dk, a major Danish online pharmacy. As a leading beauty, wellbeing and health influencer in Denmark, Matas is committed to promoting the mental health and wellbeing of the Danish population through its product offering, communications and customer interactions.

4: Best place to work in the retail industry
Matas aims to be a lighthouse among Denmark's big retail chains. This goal is divided into a number of sub-ambitions, such as enhancing employee satisfaction, strengthening diversity in management across business areas, including by focusing on training female managers, general training and skills upgrading opportunities for the employees and involvement of the employees at all levels through the establishment of local ambassador teams.

Matas will report on these four guideposts in the annual report for 2021/22.

International framework agreements
As part of its work to strengthen and systematise its corporate social responsibility efforts, Matas discloses which national and international framework agreements it supports, is a signatory to or aims to be a signatory to.

The 17 UN Sustainable Development Goals
The Sustainable Development Goals (SDGs) comprise 17 specific goals and 169 targets committing all 193 UN member states to end poverty and hunger everywhere, reduce inequalities, ensure quality education and good health and wellbeing and promote decent jobs for everyone along with sustainable economic growth. The SDGs also promote peace, security, strong institutions and aim to strengthen global partnerships.

Matas' corporate social responsibility efforts are focused on four of the UN's 17 Sustainable Development Goals:

- Goal 5: Gender equality (Target 5.5: focusing on the number of women in senior management and on the Board of Directors)
- Goal 8: Decent work and economic growth (Target 8.8: protecting labour rights at Matas' sub-suppliers)
- Goal 12: Responsible consumption and production (Targets 12.4, 12.5 and 12.6: reducing the use of chemicals and managing waste)
- Goal 14: Life below water (Target 14.1: minimising microplastic litter harmful to marine ecosystems)

The Paris Agreement
Adopted in 2015, the goal of the Paris Agreement is to limit global warming to 'well below' 2 degrees Celsius. Limiting CO_2 emissions to the same levels that trees, soil and oceans can absorb naturally is the most important tool for achieving this goal. Matas contributes towards these goals by working to become carbon-neutral by 2030 and through its sub-target to encourage its many suppliers to also become carbon-neutral by 2030.

UN Global Compact
Matas recently applied to become a signatory to the UN Global Compact. The UN Global Compact, the largest global voluntary initiative for responsible companies, provides a common framework for communicating progress on and commitment to responsible governance. Accordingly, Matas has committed to complying with the organisation's ten main principles:

1. Businesses should support and respect the protection of internationally proclaimed human rights
2. Businesses should make sure they are not complicit in human rights abuses
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
4. Businesses should uphold the elimination of all forms of forced and compulsory labour
5. Businesses should uphold the effective abolition of child labour
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation
7. Businesses should support a precautionary approach to environmental challenges
8. Businesses should undertake initiatives to promote greater environmental responsibility
9. Businesses should encourage the development and diffusion of environmentally friendly technologies
10. Businesses should work against corruption in all its forms, including extortion and bribery

ESG reporting
Matas will implement a new reporting tool intended to enhance transparency on areas subject to statutory reporting requirements and areas which, in Matas' assessment, should be easily appraised by internal and external stakeholders.

Systematised according to standards and tools developed and refined by, among others, the financial sector through the past decades, the reporting is centred around the three basic ESG (Environmental, Social and Governance) principles which are also the foundation of the ten main principles of the UN Global Compact. Thus, starting in the current financial year, the GRI (Global Reporting Initiative) standards (https://www.globalreporting.org/) will be phased into future annual reports and updates at Matas' investor relations site, www.investor.matas.dk.

The main risks and actions within the main areas are defined as:

Environment: Matas believes that the Company's key environmental risks are related to unwanted chemicals, the use of problematic ingredients (such as non-certified palm oil) in products sold by Matas and overall consumption of plastics in connection with its operations, including product packaging. Matas aims to expand the portfolio of Swan-labelled, Blue Label-certified and RSPO-certified (certified palm oil) products and to reuse part of its product packaging through, e.g., the Matas Return System.

Climate: Matas believes that the Company's key climate risks are currently related to power consumption at its stores and CO_2 emissions from the transport of parcels from online purchases. Matas works continually to reduce power consumption at its stores and to contain transport-related CO_2 emissions.

Human rights: Matas' private labels are developed and manufactured in Denmark. Accordingly, Matas believes that the Company's key risks in relation to human rights are related to the use of child labour by sub-suppliers and the extraction of minerals etc. from occupied territories subject to international embargoes. Matas strives to influence sub-supplier conduct by incorporating Code of Conduct clauses into supplier agreements.

Social and employee-related matters Job dissatisfaction represents Matas' key risk in relation to employee conditions, while the risk of work-related accidents and attrition is not as significant but obviously still present, especially at the Group's central warehouse and webshop. Striving to continuously improve employee satisfaction, Matas conducts an employee satisfaction survey once a year. These surveys are customised for HQ, warehouse, webshop and stores so that appropriate targeted action may subsequently be taken.

CSR key performance indicators	2020/21	2019/20	2018/19
CO_2 and the environment			
CO_2 emissions, transport *1	160 tonnes	195 tonnes	176 tonnes
Power consumption, stores *2	12,881 mWh	11,884 mWh	13,056 mWh
Transport plastic collected (Matas)	32 tonnes	36 tonnes	37 tonnes
Empty plastic packaging collected from customers	19 tonnes	19 tonnes	20 tonnes
Cardboard collected (Matas)	432 tonnes	453 tonnes	474 tonnes
Partnerships/donations			
Danish Cancer Society donations	DKK 1,581,783	DKK 1,083,355	DKK 1,075,000
Danish Heart Foundation donations (collected among customers)	DKK 810,000	DKK 1,123,000	DKK 2,100,000
Danish Red Cross donations (collected among customers)	0	DKK 475,000	DKK 650,000
CPH Pride donations (collected among customers etc.)	DKK 80,500	0	0
Football Foundation donations (collected among customers)	0	DKK 715,000	0
Danish Doctors' Vaccination Service (number of flu vaccinations) *3	27,269**	14,994	10,907
Product labelling *4			
Swan-labelled products (private labels)	278	288	200
Blue Label-certified products (private labels)	171	173	110
RSPO-certified products (private labels)	11.5%	10.7%	9.5%
Employees			
Project KLAP (number)	31	33	33
Subsidised flexi-jobs (number)	44	34	28
Sickness absence, all groups (excluding pregnancies)	2.2%	2.2%	2.2%
Sickness absence, all groups (including pregnancies)	4.4%	5.3%	4.2%
Leave (number)	84	101	95
Beauty & health therapist trainees trained (number)	176	160	200
Employee satisfaction (overall) *5	7.7	n/a	4.2
Employee satisfaction (HQ)	7.4	7.3	n/a
Employee satisfaction (Stores)	7.8	7.6	n/a
Employee satisfaction (Warehouse)	7.2	7.1	n/a
Employee satisfaction (Webshop)	6.7	6.7	n/a

**1: We measure CO_2 emissions from the carriage of goods to stores. We use the quarterly statements of Danske Fragtmænd and measure based on "Tank to wheel", which shows direct CO_2 emissions from combustion engines.*

**2: Power consumption is computed for all the Group's stores based on payments to power companies. Consumption increased slightly in the financial year due to a number of renovations and the establishment of new and larger stores.*

**3: Approx. 9,000 of vaccinations were against pneumonia and approx. 17,000 against the flu.*

**4: The number of Swan-labelled and Blue Label-certified products has fallen slightly due to a general decline in the number of product types, especially within sunscreen products.*

**5: Since 2018/19, employee satisfaction has been measured on a scale of 1-10 (previously 1-5). In addition, surveys are now customised according to business units. The satisfaction measurement method / EVI (evidence-based measurement) applied since 2020 (AS3) builds on 15 evidence-based questions divided into four categories. Conducted quarterly, the survey includes personal feedback, a personal stress score and the option to consult an occupational psychologist. The four areas surveyed are: job meaningfulness, management and cooperation, organisational values and work-life rhythm. All employees, temporary and permanent, are invited to participate in the survey.*

Private label policy (substitution by private labels)
In the past financial year, Matas continued its proactive efforts to improve all the Group's private label products to align them with the latest knowledge about environmental and consumer health impacts. Matas believes that the Company's key environmental risks are related to unwanted chemicals in products soldby Matas, its consumption of plastics in connection with operations and the use of problematic ingredients (such as non-certified palm oil) in products sold by Matas. The following legal substances have been completely phased out of Matas' private labels: Microplastics, Methylisothiazolinone (MI), Triclosane and all perfume substances subject to compulsory declaration. The same goes for all parabens, phthalates and all other substances on the EU list of potential endocrine disruptors. All private labels comprised by cosmetics legislation are subjected to ongoing bacteriological checks by Eurofins Steins Laboratorium.

Policy for ingredients in Matas' private cosmetic labels
Matas is in the process of updating its cosmetics policy, which is expected to be implemented during financial year 2021/22.

Code of Conduct for third-party labels
In addition to the Code of Conduct governing private labels, all other products in Matas' product range are subject to contractual health and environmental requirements stricter than the Danish statutory requirements. These requirements are laid down in the Code of Conduct for third-party labels. For example, Matas' suppliers have signed declarations that all products supplied to Matas are free from PVC, Lawsone and a number of other substances.

Diversity on the Board of Directors and among other executives
Matas Group believes that a diverse composition of employees and executives contributes to strengthening the Company's competitiveness, performance and work environment. Accordingly, Matas strives for the Company's employees, Executive Management and Board of Directors to reflect the surrounding community and aims to have a reasonable gender balance in executive positions. The Board of Directors has an equal gender distribution with three women and three men. The broad group of executives at the headquarters in Allerød consists of 55% women. In the retail network, 97% of store managers are women, which is consistent with the general gender distribution among the Group's approximately 2,500 shop assistants. Efforts are being made specifically in the retail network to ensure a broad representation in terms of gender, age and origin in positions, and Matas generally aims for both genders to be represented among candidates for executive positions. This was a priority also in 2020/21. In addition, the new trainee campaigns focus on having more people of both genders in recruitment films and on the ambassador teams established among trainees.

Human rights policy
Matas supports and respects internationally declared human rights as laid down in the UNGP, including by avoiding to restrict the rights of its employees to establish labour unions, their freedom of association, right to collective bargaining and equal opportunities for women and men. In Matas' opinion, the risks of child labour being used, employees being discriminated against or employees' right to establish labour unions being restricted by suppliers or their sub-suppliers constitute Matas' key risks in relation to human rights. Accordingly, through its Code of Conduct, Matas requires its suppliers to develop and produce their products without using child labour. This requirement is incorporated into all supplier agreements.

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

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

Privacy policy
Matas stores personal customer data on more than 1.6 million Club Matas members. In today's digitalised world, personal customer data are a valuable and fragile resource which companies are legally and ethically bound to protect. Matas is firmly committed to ensuring that personal customer data are never used for purposes for which a customer's full consent has not been obtained and to ensuring full transparency for customers, including as to how customers can manage their own profiles.

Accordingly, Matas is committed to assuring its customers that their data are treated with respect and in accordance with applicable data protection rules. Matas makes consistent efforts to comply with applicable rules, including rules on transparency and data security. Matas' data protection policies are available at matas.dk.

Anti-corruption policy
Matas is exposed to the risk of non-compliance with anti-corruption legislation by employees, suppliers and other partners and to the potential indirect financial and legal effects of such non-compliance. Matas' policy is to comply with all applicable legislation and to actively work against corruption in all its forms. Matas' rules in this area clearly state that no employee may receive or solicit any services, gifts or payments that may be considered an attempt to obtain benefits for themselves or the Company. Violation of these rules will have serious disciplinary consequences for the employees involved.

Matas has set up a whistleblower scheme to allow its employees to anonymously report any suspicion of misconduct such as violations of Matas' internal policies or applicable legislation, fraud, etc. The whistleblower scheme was evaluated in the financial year, which resulted in a decision to introduce all new employees to the scheme on commencing employment. Reports are submitted to Matas in anonymised form through a portal. Reports received can only be accessed by the Chairman of the Board of Directors, the head of Human Resources and the head of Safety and Security. Deletion of reports is subject to approval by two of these three people. It is possible to communicate with whistleblowers through an anonymised system. No reports were submitted in financial year 2020/21.

Handling Covid-19
The primary risk facing Matas during the Covid-19 pandemic has been that of infection among its staff across the organisation, including shop assistants, and among customers.

Given the important role Matas has played in society during the pandemic, implementing guidelines to ensure a safe shopping environment for staff and customers alike has been a key priority. Guidelines for handling the risk of infection have been introduced as and when required, including rules on sanitising, social distancing and personal protective equipment, along with guidelines for employees on how and when to inform Management in case of infection.

Right from the onset, extraordinary safety measures were implemented in order to secure a safe environment for the retail staff and customers alike.

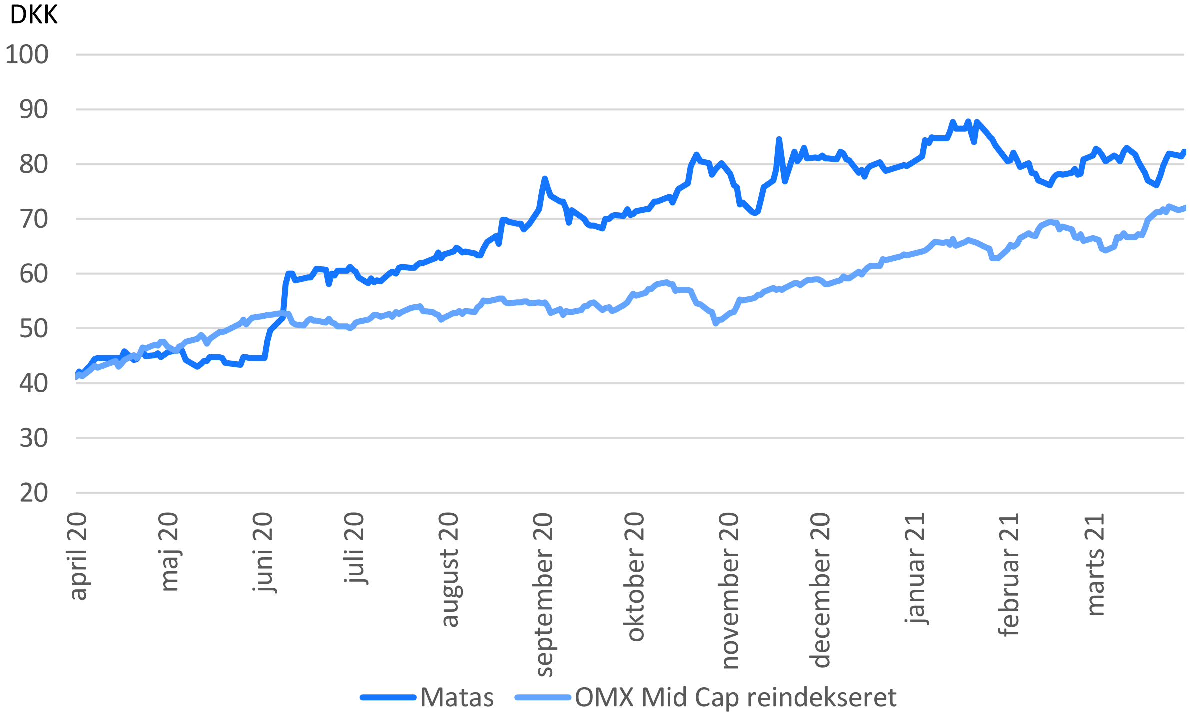
The staff was divided into groups at all levels of the organisation in an effort to reduce infection rates and contain the virus. New procedures were developed, significantly affecting the everyday lives of everyone involved. Thanks to consistent management and relentless discipline, the incidence of Covid-19 was lower among the Group's staff than in society at large, despite the stores staying open from day one. The situation was the same in the rest of the organisation, where the logistics and warehouse staff, in particular, worked exceptionally hard to accommodate the increase in business.

Shareholder information

Matas shares in 2020/21

Matas A/S has been listed on Nasdaq Copenhagen since 28 June 2013 and is a component of the OMX Copenhagen Mid Cap index. At 31 March 2021, Matas A/S' market capitalisation was DKK 3.2 billion.

The share price closed at DKK 83.1 on 31 March 2021, equivalent to an increase of 95% in 2020/21. Due to the Covid-19 pandemic, Matas did not distribute any dividend in 2020. By way of comparison, the OMX Copenhagen Mid Cap index yielded a return of 76% in the same period. The average daily turnover in Matas' shares was DKK 10.8 million, an increase of 33% on DKK 8.1 million in 2019/20.



Share capital

The Company's share capital consists of 38,291,492 shares of DKK 2.50 each, corresponding to a share capital of DKK 95,728,730. After disposing of 81,034 shares in financial year 2020/21 in connection with the exercise of the 2017/18 incentive programme, Matas held 22,943 treasury shares at 31 March 2021. Treasury shares are held with a view to meeting the obligations under the long-term executive incentive programme. The number of outstanding shares under incentive programmes is 460,304.

The shares are not divided into share classes. The Company is registered under the following master data with

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

Nasdaq Copenhagen:

Authorisations relating to the share capital

At the general meeting held on 27 June 2019, the Board of Directors was authorised as described below in relation to the share capital. None of these authorisations had been exercised at 1 April 2021. Treasury shares are held with a view to meeting the obligations under the long-term executive incentive programme.

- In the period until 1 April 2024, the Board of Directors is authorised to increase the Company's share capital in one or more issues without pre-emption rights for the Company's existing shareholders by up to a nominal amount of DKK 9,570,000. The capital increase must take place at market price and may be effected by cash payment or as consideration for a full or partial acquisition of business activities or other assets.

- In the period until 1 April 2024, the Board of Directors is authorised to increase the Company's share capital in one or more issues without pre-emption rights for the Company's existing shareholders by up to a nominal amount of DKK 1,000,000 in connection with the issue of new shares for the benefit of the Company's employees and/or employees in its subsidiaries. The new shares will be issued at a subscription price to be determined by the Board of Directors that may be below the market price.

- New shares issued in pursuance of the above authorisations, which are not to exceed a nominal amount of DKK 9,750,000, must be issued to named holders and be registered in the name of the holder in the Company's register of shareholders, must be fully paid up, must be negotiable instruments and must in every respect carry the same rights as the existing shares. The Board of Directors is authorised to lay down the terms and conditions for capital increases pursuant to the above authorisations and to make any such amendments to the Articles of Association as may be required as a result of the Board of Directors' exercise of the said authorisations.

- The Board of Directors is further authorised to purchase treasury shares to the extent the Company's holding of treasury shares at no time exceeds 10% of the share capital. The purchase price must not deviate by more than 10% from the listing price on Nasdaq Copenhagen at the time of the purchase. The current authorisation is valid until 29 June 2021. The Board of Directors proposes that the authorisation be renewed at the annual general meeting to be held on 29 June 2021.

Ownership

In the financial year, Matas' shareholder base grew by 16% to 18,400 registered shareholders, who represented 98% of the share capital.

The proportion of shares held by non-Danish shareholders dropped to 40% from 51% and 61%, respectively, in the preceding two years.

On 14 January 2021, Templeton Investment Counsel, LLC notified Matas A/S that they had held more than 5% of the share capital and the voting rights in Matas A/S since 7 January 2021.

No single shareholder held 5% or more of Matas' share capital and voting rights at 31 March 2021. On 3 May 2021, ATP notified Matas that they hold 5.12% of Matas' share capital and voting rights.

At 31 March 2021, members of the Board of Directors held 34,903 shares, and members of the Executive Management held 164,178 shares, equivalent to an aggregate 199,081 shares or 0.5% of the share capital.

Dividend

Based on the highly satisfactory financial results, the Board of Directors proposes that DKK 150 million, equivalent to 42% of Matas' adjusted profit for 2020/21, be distributed to the Company's shareholders. Half of this amount will be distributed as dividend, equivalent to DKK 2 per share, while the other half will be paid out in the form of a buyback of shares, of which most will be cancelled.

Investor relations policy

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

The Group wishes to be perceived as credible and open and to lead the field among its peers with respect to investor relations. In order to expand the awareness of Matas A/S among domestic and international investors and ensure that analysts from the most relevant banks continue to cover Matas' shares, the Group hosts a number of investor relations activities and road shows in the course of a financial year. In the 2020/21 financial year, meetings were held with approximately 50 institutional investors.

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

Analyst coverage

Matas A/S is currently covered by analysts from four investment banks:

- Carnegie: Mads Quistgaard
- Danske Bank: Poul Ernst Jessen
- Nordea: Claus Almer
- SEB: Magnus Jensen

Contact

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

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E-mail: hel@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 Tuesday, 29 June 2021 at 4.00 p.m. The annual general meeting will be held at the premises of Gorrissen Federspiel, but the company recommend that the meeting be attended virtually.

Financial calendar

The financial calendar for the 2021/22 financial year is as follows:

29 June 2021	Annual general meeting for 2020/21
18 August 2021 18 August 2021	Interim report – Q1 2021/22 Capital markets day
04 November 2021	Interim report – Q2 2021/22
07 January 2022	Trading update for Q3 2021/22
10 February 2022	Interim report – Q3 2021/22
16 May 2022	Deadline for the Company's shareholders to submit in writing requests for specific proposals to be included on the agenda for the annual general meeting
1 June 2022	Annual report 2021/22
28 June 2022	Annual general meeting for 2021/22

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: 2021
- Chairman of the Remuneration Committee and the Nomination Committee
- Independent board member
- Chairman of the board of directors of Atos Medical AB, Malmö. Member of the boards of directors of Falck A/S and Tate & Lyle PLC, London. Chairman of the Hedorf Foundation and the Danish Committee on Corporate Governance, a member of the nomination committee of Tate & Lyle PLC and a member of the supervisory board of PAI Partners SA, France
- Special expertise in general management and strategic development, capital markets and finance experience from listed companies

Lars Frederiksen, Deputy Chairman

- Born 1969, Danish nationality
- Position: Professional board member since 2007
- First elected to the Board of Directors in 2007
- Up for re-election: 2021
- Member of the Audit Committee
- Non-independent board member
- Chairman of the boards of directors of Clea Capital Ltd., Burner International A/S, Burner Holding A/S and Jægersborg Ejendomme A/S
- Special expertise in retailing, including physical retailing, experience in general management, strategic development and finance

Signe Trock Hilstrøm, board member

- Born 1974, Danish nationality
- Position: Since 2020 professional board member and advisor in Digital Business
- First elected to the Board of Directors in 2017
- Will resign at the 2021 general meeting
- Member of the Remuneration and Nomination Committees
- Independent board member
- Member of the board of directors of Stibo A/S (which includes Stibo Systems A/S, Stibo DX A/S and Stibo Complete A/S), Raptoe Services A/S and Ka-Ching A/S, and Chairman Advisory Board Rockay ApS
- Special expertise in retailing and digitalisation, including e-commerce, omnichannel, loyalty clubs, brand and marketing, and experience in physical retailing and strategy development

Henrik Taudorf Lorensen, board member

- Born 1971, Danish nationality
- Position: founder and CEO of TAKT A/S
- First elected to the Board of Directors in 2020
- Up for re-election: 2021
- Member of the Remuneration and Nomination Committees
- Independent board member
- Chairman of the board of directors of Pure International Ltd., London, and member of the boards of directors of EarLabs AB, Malmö, Bubblebee Industries ApS and Pongo Partners ApS and Director of TAKT A/S' subsidiary TAKT Export ApS

Special expertise in trademark development, digitalisation, business development and international sales

Board of directors, continued

Mette Maix, board member

- Born 1969, Danish nationality
- Position: CEO at Rosendahl Design Group A/S
- First elected to the Board of Directors in 2017
- Up for re-election: 2021
- Member of the Remuneration and Nomination Committees
- Independent board member
- Member of the boards of directors of Good Food Group A/S, Aarstiderne A/S and Planetary Impact Ventures
- Special expertise in all aspects of retailing, including combining physical and online sales, and experience in general management and strategic development

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: 2021
- Chairman of the Audit Committee
- Independent board member
- Member of the boards of directors of Coloplast A/S, Kirk Kapital A/S, Haldor Topsøe Holding A/S, De Forenede Ejendomsselskaber A/S, Danmarks Genopretningsfond A/S (Denmark's Recovery Fund) and Samesystem A/S and a member of the audit committee of Coloplast A/S
- Special expertise in general management and strategic development, board experience, including extensive financial and accounting expertise, and capital markets experience

Executive Management

Gregers Wedell-Wedellsborg
CEO

- Born 1972, Danish nationality
- Deputy chairman of the board of directors of Gyldendal A/S, member of the boards of directors of Vallø Stift, the Danish Chamber of Commerce and Gerda og Victor B. Strands Fond (Toms Gruppens Fond)

Anders Skole-Sørensen
Chief Financial Officer

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

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 2020 to 31 March 2021.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's assets and liabilities and financial position at 31 March 2021 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 April 2020 to 31 March 2021.

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

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

Allerød, 27 May 2021

Executive Management

Gregers Wedell-Wedellsborg CEO	Anders Skole-Sørensen CFO

Board of Directors

Lars Vinge Frederiksen Chairman	Lars Frederiksen Deputy Chairman	Signe Trock Hilstrøm
Henrik Taudorf Lorensen	Mette Maix	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 2020 – 31 March 2021, which comprise a statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group as well as for the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 March 2021 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 April 2020 – 31 March 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

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

Basis for opinion

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

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

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

Appointment of auditors
Subsequent to Matas A/S being listed on Nasdaq Copenhagen, we were first appointed auditors of Matas A/S on 30 June 2014. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of seven years up to and including the financial year 2020/21.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 1 April 2020 – 31 March 2021. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Goodwill measurement
The carrying amount of goodwill is DKK 3,930.6 million at 31 March 2021, corresponding to 64% of the Group’s assets. Goodwill has an indefinite useful life and must under International Financial Reporting Standards as adopted by the EU (IAS 36) be tested for impairment at least once a year. We did not identify any impairment of goodwill in the

financial year. The impairment test is a key audit matter as it relies on assumptions and estimates made by management, including about future earnings.

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

During our audit, we checked the impairment test prepared by management, which is based on the discounted cash flow model, and assessed whether the assumptions made by management are reasonable. We assessed the relevance of the calculation model selected and assessed the discount factor and growth rate applied for extrapolation purposes. Expected net cash flows are based on the budget for financial year 2021/22, extrapolation through the remaining budget period to 2025/26 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 under the Club Matas loyalty programme, a separate performance obligation related to the non-performed proportion of revenue relating to the allocation of Club Matas points is recognised. The related revenue is recognised as customers redeem their Club Matas points. The recognition of revenue and the measurement of not yet distributed Club Matas points are key audit matters as the statement was based on a fair value estimated by management that is inherently subject to uncertainty in respect of actual future redemption.

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

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Management's responsibilities for the financial statements

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

Independent auditor's report

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Independent auditor's report

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

Copenhagen, 27 May 2021
EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Torben Bender State Authorised Public Accountant mne no. 21332	Ole Becker State Authorised Public Accountant mne no. 33732

Consolidated financial statements 2020/21

Statement of comprehensive income

(DKKm)	Note	2020/21	2019/20
Revenue	3, 4	4163.6	3,688.5
Cost of goods sold	5	(2,322.4)	(2,048.1)
Gross profit		1841.2	1,640.4
Other external costs	6	(301.3)	(222.2)
Staff costs	7	(751.9)	(739.8)
Amortisation, depreciation and impairment	8, 30	(407.6)	(385.5)
EBIT		380.4	292.9
Share of profit or loss after tax of associates		0.7	0.8
Financial income	9	17.5	0.1
Financial expenses	10	(45.2)	(43.9)
Profit before tax		353.4	249.9
Tax on profit for the year	11	(84.4)	(58.7)
Profit for the year		269.0	191.2
Other comprehensive income			
Value adjustment of hedging instrument in the year		1.0	0.6
Tax on value adjustment of hedging instrument		(0.2)	(0.1)
Other comprehensive income after tax		0.8	0.5
Total comprehensive income for the year		269.8	191.7
Earnings per share:			
Earnings per share, DKK	12	7.04	5.01
Diluted earnings per share, DKK	12	6.96	4.96

Statement of cash flows

(DKKm)	Note	**2020/21**	**2019/20**
Profit before tax		353.4	249.9
Amortisation, depreciation and impairment	8	407.6	385.5
Share of profit or loss after tax of associates		(0.7)	(0.8)
Financial income	9	(17.5)	0.1
Financial expenses	10	45.2	43.9
Other non-cash operating items, net		5.2	7.0
Cash generated from operations before changes in working capital		793.2	685.4
Changes in working capital	26	225.4	(190.5)
Cash generated from operations		1,018.6	494.9
Interest received	9	17.4	0.1
Corporation tax paid		(84.0)	(48.2)
Cash flow from operating activities		952.0	446.8
Acquisition of intangible assets	14	(97.9)	(68.7)
Acquisition of property, plant and equipment	16	(50.5)	(123.8)
Acquisition of other securities and investments		(5.5)	(5.4)
Acquisition of subsidiaries and operations	27	(24.0)	(137.7)
Cash flow from investing activities		(177.9)	(335.6)
Free cash flow		774.1	111.2
Repayment/raising of loans with credit institutions	24	(725.0)	155.0
Repayment of lease liabilities	30	(168.8)	(167.3)
Interest receivable received		29.3	0.0
Amount received from former parent company		64.4	0.0
Dividend paid		0.0	(114.6)
Interest paid	10	(39.9)	(38.6)
Cash flow from financing activities		(840.0)	(165.5)
Net cash flow from operating, investing and financing activities		(65.9)	(54.3)
Cash and cash equivalents, beginning of period		106.6	160.9
Cash and cash equivalents, end of period		40.7	106.6

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

Assets at 31 March

(DKKm)	Note	**2020/21**	**2019/20**
NON-CURRENT ASSETS			
Goodwill		3,930.6	3,930.6
Trademarks and trade names		143.6	227.2
Other intangible assets		130.3	99.1
Total intangible assets	14, 15	4,204.5	4,256.9
Lease assets	30	651.8	774.1
Land and buildings	16	90.8	91.4
Other fixtures and fittings, tools and equipment	16	103.2	117.3
Leasehold improvements	16	51.5	63.4
Total property, plant and equipment		897.3	1,046.2
Investments in associates		12.4	6.5
Deposits		44.1	46.3
Other securities and investments		0.6	0.6
Total other non-current assets		57.1	53.4
Total non-current assets		5,158.9	5,356.5
CURRENT ASSETS			
Inventories	18	866.7	962.6
Trade receivables	19	15.2	14.7
Corporation tax receivable		19.4	29.6
Other receivables	20	4.6	87.4
Prepayments		37.6	30.9
Cash and cash equivalents		40.7	106.6
Total current assets		984.2	1,231.8
TOTAL ASSETS		6,143.1	6,588.3

Equity and liabilities at 31 March

(DKKm)	Note	**2020/21**	**2019/20**
EQUITY AND LIABILITIES			
Share capital	21	95.7	95.7
Hedging reserve		(1.3)	(2.1)
Translation reserve		0.3	0.3
Treasury share reserve		(2.6)	(11.8)
Retained earnings		2,870.2	2,681.9
Proposed dividend for the financial year	13	76.6	0.0
Total equity		3,038.9	2,764.0
Deferred tax	22	199.2	210.0
Lease liabilities	30	495.5	598.9
Provisions		27.7	27.3
Credit institutions, non-current	24	0.0	1,821.7
Other payables		59.2	53.1
Total non-current liabilities		781.6	2,713.0
Credit institutions, current		1,098.3	0.0
Lease liabilities	30	174.1	185.6
Prepayments from customers	23	158.6	158.9
Trade payables		692.4	586.7
Other payables	25	199.2	180.1
Total current liabilities		2,322.6	1,111.3
Total liabilities		3,104.2	3,824.3
TOTAL LIABILITIES AND EQUITY		6,143.1	6,588.3

Statement of changes in equity

(DKKm)	Share capital	Hedging reserve	Translation reserve	Treasury share reserve	Proposed dividend	Retained earnings	Total
Equity at 1 April 2020	**95.7**	**(2.1)**	**0.3**	**(11.8)**	**0.0**	**2,681.9**	**2,764.0**
Value adjustment of hedging instrument	0.0	1.0	0.0	0.0	0.0	0.0	1.0
Tax on value adjustment	0.0	(0.2)	0.0	0.0	0.0	0.0	(0.2)
Other comprehensive income	**0.0**	0.8	**0.0**	**0.0**	**0.0**	**0.0**	**0.8**
Profit for the year	0.0	0.0	0.0	0.0	76.6	192.4	269.0
Total comprehensive income	**0.0**	0.8	**0.0**	**0.0**	**76.6**	**192.4**	**269.8**
Transactions with owners							
Exercise of incentive programme	0.0	0.0	0.0	9.2	0.0	(10.3)	(1.1)
Share-based payment	0.0	0.0	0.0	0.0	0.0	6.2	6.2
Total transactions with owners	**0.0**	0.0	**0.0**	**9.2**	**0.0**	**(4.1)**	**5.1**
Equity at 31 March 2021	**95.7**	**(1.3)**	**0.3**	**(2.6)**	**76.6**	**2,870.2**	**3,038.9**

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

Summary of notes to the financial statements

Notes to the financial statements

Note 1 – Accounting policies

Matas A/S is a public limited company domiciled in Denmark. The annual report and the financial statements of the parent company, Matas A/S, for the year ended 31 March 2021 include both the consolidated financial statements of Matas A/S and its subsidiaries (the Group) and the separate financial statements of the parent company, Matas A/S.

The consolidated financial statements of Matas A/S and the financial statements of the parent company, Matas A/S, for 2020/21 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

The Board of Directors and the Executive Management considered and adopted the annual report of Matas A/S for 2020/21 on 27 May 2021. 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 2021.

Basis of preparation

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

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

Matas A/S has implemented all new or amended financial reporting standards and interpretations adopted by the EU that apply to the financial year 1 April 2020 – 31 March 2021. These have not significantly affected Matas' annual report for 2020/21.

Alternative performance measures

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

Description of accounting policies

Consolidated financial statements

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

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

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

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

Note 1 – Accounting policies, continued

Business combinations

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

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

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

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

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

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

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

Foreign currency translation

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

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

Derivative financial instruments

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

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

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

Note 1 - Accounting policies, continued

Statement of comprehensive income

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

The Group's sales agreements are divided into separately identifiable performance obligations (relating primarily to the Club Matas loyalty programme), which are recognised and measured separately at fair value. If a sales agreement comprises more than one performance obligation, the total sales value of the sales agreement is allocated proportionately to the individual performance obligations of the agreement. Performance obligations in relation to the non-performed proportion of revenue related to the allocation of points (and stripes until February 2021 when the stripes programme was discontinued) under the Club Matas loyalty programme are deducted. Income from the sale of gift vouchers is recognised as revenue upon redemption, alternatively upon expiry of the validity period.

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 1 - Accounting policies, continued

Statement of financial position

Intangible assets

Goodwill

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

Trademarks and trade names

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

Other intangible assets

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

Property, plant and equipment

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

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

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

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

Buildings	75 years
Building parts	10-25 years
Fixtures, fittings, tools and equipment	1-7 years
Leasehold improvements	2-8 years

Land is not depreciated.

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

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

Note 1 - Accounting policies, continued

Lease assets and lease liabilities

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

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

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

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

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

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

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

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

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

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

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

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

Investments in associates

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

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

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

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

Note 1 - Accounting policies, continued

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

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

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

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

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

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

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

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

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

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

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

Equity

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

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

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

Note 1 - Accounting policies, continued

Incentive programmes

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

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

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

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

Provisions

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

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

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

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

Employee benefits

Pension obligations and similar non-current liabilities

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

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

The Group has not established any defined benefit pension plans.

Current and deferred tax

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

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

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

Note 1 - Accounting policies, continued

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

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

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

Prepayments from customers

Prepayments from customers comprise performance obligations regarding issued gift vouchers and the Club Matas customer loyalty programme. Performance obligations regarding gift vouchers are recognised at the date of issue. Liabilities relating to gift vouchers and the customer loyalty programme are recognised in revenue when used and/or expired.

Points (and stripes until the stripes programme was discontinued in February 2021) 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 until the stripes programme was discontinued in February 2021) allocated.

Financial liabilities

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

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

Statement of cash flows

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

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

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

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

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

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

Segment information

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

Note 2 – Significant accounting estimates, assumptions and judgments

Estimation uncertainty

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

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

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

Impairment testing of goodwill

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

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

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

Inventory measurement

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

The carrying amount of inventories recognised at net realisable value is DKK 12.1 million at 31 March 2021 (31 March 2020: DKK 9.9 million).

Full stock counts are performed at all stores once a year, predominantly in the last quarter of the financial year. A provision for shrinkage corresponding to 1.6% of sales in the period was made at the date of the stock count. The shrinkage percentage reflects the shrinkage reported by the majority of the stores performing their stock count in the last quarter of the financial year. The shrinkage percentage was at the same level in 2019/20.

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 until the stripes programme was discontinued in February 2021). The obligation is measured at the estimated fair value of the Club Matas points (and stripes until the stripes programme was discontinued in February 2021) allocated. The estimated fair value is by nature subject to some uncertainty with respect to the actual future redemption of points.

Tax disputes

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

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

Note 2 – Significant accounting estimates, assumptions and judgments, continued

Determining the term of a lease

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

Determining the discount factor in a lease

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

Note 3 – Segment information

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

All the Group's non-current assets are physically located in Denmark as at 31 March 2021 (31 March 2020: 100.0%).

Note 4 – Revenue

(DKKm)	2020/21	2019/20
Retail sales	4,141.7	3,656.4
Wholesale sales etc.	21.9	32.1
Total revenue	**4,163.6**	**3,688.5**

In financial year 2020/21, 26.0% of Matas' revenue was generated by its webshops, compared with 14.7% in 2019/20.

Revenue breaks down by product groups as follows:

(DKKm)	2020/21	2019/20
High-End Beauty	1,503.9	1,327.4
Mass Beauty	1,401.6	1,275.1
Health & Wellbeing	1,092.5	920.7
Other	143.7	133.2
Wholesale sales etc.	21.9	32.1
Total revenue	**4,163.6**	**3,688.5**

The product groups may be specified as follows:

- **High-End Beauty:** Luxury beauty products, including cosmetics, skincare and haircare products and fragrances.
- **Mass Beauty:** Everyday beauty products and personal care, including cosmetics and skincare and haircare products.
- **Health & Wellbeing:** Medicare (OTC medicine and nursing products). Vitamins, minerals, supplements, specialty foods and herbal medicinal products. Sports, nutrition and exercise. Mother and child. Personal care products (oral, foot and intimate care and hair removal). Special skincare.

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

Note 4 – Revenue, continued

(DKKm)	2020/21	2019/20
Sale of goods	4,163.6	3,688.5
Sale of services	0.0	0.0
Total revenue	**4,163.6**	**3,688.5**

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

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

For the Club Matas customer loyalty programme, a performance obligation is recognised at the date of recognition of the sale triggering the allocation of Club Matas points. The performance obligation is measured at the estimated fair value of the Club Matas points allocated and amounted to DKK 64.9 million at 31 March 2021 (31 March 2020: DKK 72.4 million). The estimated fair value is inherently subject to some uncertainty with respect to actual future redemption and considering the flexibility of the customer loyalty programme. Revenue is recognised when the customer uses points, usually over an average period of three months. Customers have the option of returning products, but the volume of returns at year-end is insignificant, as is the amount of guarantee commitments.

Geographical information

Matas operates in Denmark. Revenue from sales through Danish retail stores, webshops and wholesale sales via Kosmolet accounted for 100.0% (2019/20: 100.0%).

Note 5 – Cost of goods sold etc.

(DKKm)	2020/21	2019/20
Cost of goods sold for the year	2,317.1	2,044.4
Write-down of inventories to net realisable value for the year	5.3	3.7
Total cost of goods sold etc.	**2,322.4**	**2,048.1**

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

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

(DKKm)	2020/21	2019/20
Total fee	1.4	1.4
Total fees to auditors appointed by the shareholders in general meeting	**1.4**	**1.4**

Specified as follows:

(DKKm)	2020/21	2019/20
Audit	1.3	1.2
Other assurance engagements	0.1	0.1
Tax and VAT assistance	0.0	0.0
Other services	0.0	0.1
Total fees to auditors appointed by the shareholders in general meeting	**1.4**	**1.4**

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

Note 7 – Staff costs

(DKKm)	2020/21	2019/20
Wages and salaries	711.9	698.9
Defined contribution plans	48.8	47.6
Share-based payment	6.2	7.0
Other staff costs	14.5	17.3
Total staff costs	**781.3**	**770.8**

Total staff costs are recognised as follows:

(DKKm)	2020/21	2019/20
Staff costs in statement of comprehensive income	751.8	739.8
Intangible assets	29.5	31.0
Total staff costs	**781.3**	**770.8**
Average number of FTEs	2,152	2,197

In financial year 2020/21, Matas made investments in the implementation of the Company's strategy, including in concepts and in digitalisation of activities using own staff.

Note 8 – Depreciation, amortisation and impairment

(DKKm)	2020/21	2019/20
Amortisation, intangible assets	150.3	133.6
Depreciation, property, plant and equipment	76.0	65.5
Depreciation of lease assets	177.2	177.9
Loss on disposal of intangible assets	0.0	0.6
Loss on disposal of property, plant and equipment	4.2	8.9
Gain on disposal of property, plant and equipment	(0.1)	(1.0)
Total depreciation, amortisation and impairment	**407.6**	**385.5**

Note 9 – Financial income

(DKKm)	2020/21	2019/20
Interest allowance from Danish tax authorities	17.3	0.0
Other	0.2	0.1
Total financial income	**17.5**	**0.1**
Interest from financial assets measured at amortised cost amounts to	0.0	0.0

Note 10 – Financial expenses

(DKKm)	2020/21	2019/20
Interest, credit institutions	26.2	23.8
Interest, lease liabilities	12.3	14.7
Interest, contingent consideration	2.3	1.9
Interest, holiday pay	0.8	0.0
Amortisation of financing costs	1.7	1.7
Amortisation, CAP	1.7	1.7

Other	0.2	0.1
Total financial expenses	45.2	43.9
Interest on financial liabilities measured at amortised cost amounts to	40.8	40.2

Note 11 – Tax

(DKKm)	2020/21	2019/20
Tax on the profit for the year breaks down as follows:		
Tax on the profit for the year	84.4	58.7
Total tax	**84.4**	**58.7**
Tax on the profit for the year has been calculated as follows:		
Current tax	95.7	71.6
Deferred tax	(10.8)	(13.1)
Current tax regarding previous years	(0.5)	0.2
Total tax	**84.4**	**58.7**
Tax on the profit for the year is explained as follows:		
Computed 22.0% tax on profit before tax	77.7	55.0
Limitation of right to deduct interest	0.0	0.8
Other	5.5	1.9
Non-deductible transaction costs	1.2	0.8
Prior-year adjustments	0.0	0.2
Total tax	**84.4**	**58.7**
Effective tax rate	23.9%	23.5%

Note 12 – Earnings per share

(DKKm)	2020/21	2019/20
Profit for the year	**269.0**	**191.2**
Average number of shares	38,291,492	38,291,492
Average number of treasury shares	(38,884)	(141,907)
Average number of outstanding shares	**38,252,608**	**38,149,585**
Average dilutive effect of outstanding share options	384,917	377,358
Diluted average number of outstanding shares	**38,637,525**	**38,526,943**
Earnings per share of DKK 2.50	7.04	5.01
Diluted earnings per share of DKK 2.50	6.96	4.96

Note 13 – Dividend per share

Based on the very satisfactory financial results, the Board of Directors proposes that DKK [150] million, equivalent to [42%] of Matas' adjusted profit for 2020/21, be distributed to the Company's shareholders. Half of this amount will be distributed as dividend, equivalent to DKK [2] per share, and the other half will be paid out in the form of share buybacks. No dividend was declared for financial year 2019/20.

Note 14 – Intangible assets

(DKKm)	Goodwill	Trademarks and trade names	Other Intangible assets	Total
Cost at 1 April 2020	**3,930.6**	**1,203.9**	**376.3**	**5,510.8**
Additions	0.0	0.0	97.9	97.9
Disposals	0.0	0.0	(22.7)	(22.7)
Cost at 31 March 2021	**3,930.6**	**1,203.9**	**451.5**	**5,586.0**
Amortisation and impairment at 1 April 2020	**0.0**	**976.7**	**277.2**	**1,253.9**
Amortisation	0.0	83.6	66.7	150.3
Disposals	0.0	0.0	(22.7)	(22.7)
Amortisation and impairment at 31 March 2021	**0.0**	**1,060.3**	**321.2**	**1,381.5**
Carrying amount at 31 March 2021	**3,930.6**	**143.6**	**130.3**	**4,204.5**
Cost at 1 April 2019	**3,838.1**	**1,142.0**	**333.4**	**5,313.5**
Additions on acquisitions	92.5	61.9	0.0	154.4
Additions	0.0	0.0	68.7	68.7
Disposals	0.0	0.0	(25.8)	(25.8)
Cost at 31 March 2020	**3,930.6**	**1,203.9**	**376.3**	**5,510.8**
Amortisation and impairment at 1 April 2019	**0.0**	**894.4**	**251.1**	**1,145.5**
Amortisation	0.0	82.3	51.3	133.6
Disposals	0.0	0.0	(25.2)	(25.2)
Amortisation and impairment at 31 March 2020	**0.0**	**976.7**	**277.2**	**1,253.9**
Carrying amount at 31 March 2020	**3,930.6**	**227.2**	**99.1**	**1,253.9**
Amortised over	-	15 years	3-10 years	

Other intangible assets comprise software. Except for goodwill, all intangible assets are considered to have a limited useful life.

Note 15 – Impairment testing

Goodwill

There was no addition of goodwill in 2020/21. As at 31 March 2021, Management tested the carrying amount of goodwill for impairment at individual CGU level, defined as the Matas chain, Firtal Group and Kosmolet. Din Frisør Shop was acquired by Firtal Group in 2019/20 and fully integrated into Firtal Group in 2020/21. Accordingly, Din Frisør Shop was included in the impairment test performed for this CGU.

Goodwill has been allocated as follows between individual CGUs:

(DKKm)	2020/21	2019/20
Matas chain	3,731.7	3,731.7
Firtal Group	119.5	106.4
Kosmolet	79.4	79.4
Din Frisør Shop	0.0	13.1
Goodwil at 31 March	**3,930.6**	**3,930.6**

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

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

Matas chain

As regards the Matas chain, the recoverable amount is based on the value in use, which is determined using expected net cash flows on the basis of the 2021/22 budget approved by the Board of Directors and a projection for the remaining forecast period (the years 2022/23-2025/26).

For the terminal period, an expected EBITDA growth rate of 1.5% p.a. (31 March 2020: 1.5% p.a.) has been used.

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

Growth will also depend on inflationary trends and on whether economic growth translates into increased consumer spending.

Earnings during the forecast period are based on the EBITDA level indicated in the 2021/22 budget and expected investments based on Management's strategic forecasts.

In performing the impairment test, Management used a discount factor (WACC) before tax of 8.29% (2019/20: 8.92%) and a factor after tax of 6.83% (2019/20: 7.30%).

The weighted average growth rate used to extrapolate future net cash flows for the years after 2025/26 is estimated at 1.5% (31 March 2020: 1.5%). The growth rate is not assessed to exceed the long-term average growth rate within the Matas chain's markets.

Based on the impairment test performed for the Matas chain at 31 March 2021, there is no current evidence of impairment. In Management's assessment, likely changes in the basic assumptions described above will not lead to the carrying amount exceeding the recoverable amount.

The WACC before tax may increase by 1.62 percentage points or terminal period EDITDA may decrease by 18% before there is evidence of impairment.

Note 15 – Impairment testing, continued

Firtal Group

As regards Firtal Group, the recoverable amount is based on the value in use, which is determined using expected net cash flows on the basis of the 2020/21 budget approved by the Board of Directors and a projection for the remaining forecast period (the years 2022/23-2025/26).

For the terminal period, an expected EBITDA growth rate of 1.5% p.a. (31 March 2020: 1.5% p.a.) has been used.

Firtal Group was acquired in autumn 2018. Firtal Group, which operates a number of webshops focused on well-defined niche segments, has grown faster than was anticipated at the time of the acquisition and is expected to continue to report strong growth in the years ahead.

Earnings during the forecast period are based on the EBITDA level indicated in the 2021/22 budget and expected investments based on Management's strategic forecasts.

In performing the impairment test, Management used a discount factor (WACC) before tax of 10.72% (2019/20: 11.60%) and a factor after tax of 8.36% (2019/20: 9.05%).

The weighted average growth rate used to extrapolate future net cash flows for the years after 2025/26 is estimated at 1.5% (31 March 2020: 1.5%).

Based on the impairment test performed for Firtal Group at 31 March 2021, there is no current evidence of impairment. In Management's assessment, likely changes in the basic assumptions described above will not lead to the carrying amount exceeding the recoverable amount.

The WACC before tax may increase by 8.25 percentage points or terminal period EDITDA may decrease by 61% before there is evidence of impairment.

Kosmolet

As regards Kosmolet, the recoverable amount is based on the value in use, which is determined using expected net cash flows on the basis of the 2021/22 budget approved by the Board of Directors and a projection for the remaining forecast period (the years 2022/23-2025/26).

For the terminal period, an expected EBITDA growth rate of 1.5% p.a. has been used.

Kosmolet, the owner of the Danish makeup brand Nilens Jord, was acquired in June 2019. Management believes Nilens Jord was the most popular Danish makeup brand in financial year 2020/21 and expects it to retain this position in the years ahead.

Earnings during the forecast period are based on the EBITDA level indicated in the 2021/22 budget and expected investments based on Management's strategic forecasts.

In performing the impairment test, Management used a discount factor (WACC) before tax of 11.21% (2019/20: 11.60%) and a factor after tax of 8.74% (2019/20: 9.05%).

The weighted average growth rate used to extrapolate future net cash flows for the years after 2025/26 is estimated at 1.5% (31 March 2020: 1.5%).

Based on the impairment test performed for Kosmolet at 31 March 2021, there is no current evidence of impairment. In Management's assessment, likely changes in the basic assumptions described above will not lead to the carrying amount exceeding the recoverable amount.

The WACC before tax may increase by 2.70 percentage points or terminal period EDITDA may decrease by 29% before there is evidence of impairment.

Note 16 – Property, plant and equipment

(DKKm)	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 April 2020	**130.3**	**320.0**	**217.2**	**667.5**
Additions on acquisitions	0.0	0.0	0.0	0.0
Additions	4.6	34.2	11.7	50.5
Disposals	0.0	(31.3)	(3.5)	(34.8)
Cost at 31 March 2021	**134.9**	**322.9**	**225.4**	**683.2**
Depreciation and impairment at 1 April 2020	**38.9**	**202.7**	**153.8**	**395.4**
Depreciation	5.2	47.6	23.2	76.0
Disposals	0.0	(30.6)	(3.1)	(33.7)
Depreciation and impairment at 31 March 2021	**44.1**	**219.7**	**173.9**	**437.7**
Carrying amount at 31 March 2021	**90.8**	**103.2**	**51.5**	**245.5**
Cost at 1 April 2019	**121.0**	**297.0**	**177.6**	**595.6**
Additions at beginning of year concerning leasehold reinstatement	0.0	0.0	27.0	27.0
Additions on acquisitions	0.0	0.5	0.3	0.8
Additions	9.3	74.1	40.4	123.8
Disposals	0.0	(51.6)	(28.1)	(79.7)
Cost at 31 March 2020	**130.3**	**320.0**	**217.2**	**667.5**
Depreciation and impairment at 1 April 2019	**34.6**	**205.3**	**160.8**	**400.7**
Depreciation	4.3	42.9	18.3	65.5
Disposals	0.0	(45.5)	(25.3)	(70.8)
Depreciation and impairment at 31 March 2020	**38.9**	**202.7**	**153.8**	**395.4**
Carrying amount at 31 March 2020	**91.4**	**117.3**	**63.4**	**272.1**
Depreciated over:	10-75 years	1-7 years	2-8 years	

Note 17 – Treasury shares

(DKKm)	Number of shares of DKK 2.5 2020/21	2019/20	% of share capital 2020/21	2019/20
1 April	103,977	296,761	0.27%	0.78%
Disposed of in connection with exercise of LTIP 2017/18	(81,034)	0	(0.21)%	0.00%
Disposed of in connection with exercise of LTIP 2016/17	0	(52,217)	0.00%	(0.14)%
Assigned in connection with the acquisition of Kosmolet A/S	0	(140,567)	0.00%	(0.37)%
Treasury shares at 31 March	**22,943**	**103,977**	**0.06%**	**0.27%**

A total of 81,034 treasury shares were assigned in connection with the exercise of LTIP 2017/18. Reference is made to note 31 for a description of the Group's incentive programmes.

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

Note 18 – Inventories

(DKKm)	2020/21	2019/20
Goods for resale	854.6	952.7
Carrying amount of inventories recognised at net selling price	12.1	9.9
Inventories at 31 March	**866.7**	**962.6**

Note 19 – Trade receivables

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

(DKKm)	2020/21	2019/20
1 April	0.5	0.3
Loss allowance for the year	0.0	0.2
Realised during the year	0.0	0.0
Impairment at 31 March	**0.5**	**0.5**

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

(DKKm)	2020/21	2019/20
Maturity:		
Up until 30 days	0.4	0.5
Between 30 and 90 days	0.1	0.0
More than 90 days	0.2	0.0
Overdue at 31 March	**0.7**	**0.5**

Note 20 – Other receivables

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

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

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

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

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

In financial year 2020/21, the Danish tax authorities refunded wrongfully charged interest of DKK 29.3 million, and the former parent company, Svenska M Holding 1 AB/M Holding S.à.r.l, paid DKK 50.3 million, corresponding to the original claim, to Matas A/S. As at 31 March 2021, the statement of financial position of Matas A/S includes no receivables relating to this case. If the National Tax Tribunal rules in favour of Matas A/S in this case, this amount will be repaid to the former parent company.

Note 21 – Equity

Share capital

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

Capital structure

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

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

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

The ratio of equity to total equity and liabilities was 49.5% at 31 March 2021 (31 March 2020: 42.0%).

Note 22 – Deferred tax

(DKKm)	2020/21	2019/20
Deferred tax at 1 April	210.0	209.4
Additions on acquisitions	0.0	13.7
Deferred tax for the year, recognised in profit for the year	(10.8)	(13.1)
Deferred tax at 31 March	**199.2**	**210.0**
Deferred tax is recognised as follows in the statement of financial position:		
Deferred tax (asset)	0.0	0.0
Deferred tax (liability)	199.2	210.0
Deferred tax at 31 March, net	**199.2**	**210.0**
Deferred tax relates to:		
Intangible assets	200.9	205.4
Property, plant and equipment	5.1	9.8
Inventories	(1.0)	0.4
Other assets	(5.8)	(5.6)
Deferred tax at 31 March, net	**199.2**	**210.0**

Unrecognised deferred tax assets which are not expected to be utilised against future earnings amount to DKK 10.8 million (2019/20: DKK 10.1 million).

Changes in temporary differences during the year:

(DKKm)	Balance at 1 April	Additions on acquisitions	Recognised in profit for the year, net	Balance at 31 March
2020/21				
Intangible assets	205.3	0.0	(4.4)	200.9
Property, plant and equipment	9.8	0.0	(4.7)	5.1
Inventories	0.4	0.0	(1.4)	(1.0)
Other assets	(5.5)	0.0	(0.3)	(5.8)
Total	**210.0**	**0.0**	**(10.8)**	**199.2**
2019/20				
Intangible assets	192.5	13.7	(0.9)	205.3
Property, plant and equipment	12.6	0.0	(2.8)	9.8
Inventories	3.5	0.0	(3.1)	0.4
Other assets	0.8	0.0	(6.3)	(5.5)
Total	**209.4**	**13.7**	**(13.1)**	**210.0**

Note 23 – Prepayments from customers

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

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

Note 24 – Amounts owed to credit institutions

(DKKm)	2020/21	2019/20
Amounts owed to credit institutions are recognised in the statement of financial position as follows:		
Non-current liabilities	0.0	1,821.7
Current liabilities	1,098.3	0.0
Total	**1,098.3**	**1,821.7**
Nominal value	**1,100.0**	**1,825.0**
Falls due more than 5 years after the reporting date, nominal value	0.0	0.0
Fair value	**1,100.0**	**1,825.0**

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

Amounts owed to credit institutions carry variable interest rates at an initial margin in the range of 55 -110 basis points above CIBOR (however, at least 0% for the main part of the debt) and include a margin ratchet dependent on the level of leverage. At 31 March 2021, the effective interest rate on the net debt was 0.2-1.4% p.a. (31 March 2020: 0.2-1.7% p.a.).

In 2018/19, the interest rate swap was replaced by a different interest rate hedging instrument, a CAP. See note 29. In this connection, Matas is applying the hedge accounting rules under IFRS 9, which means that the market value of the hedge will no longer be adjusted through profit or loss.

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

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

Matas expects to finalise the negotiations concerning its current debts of DKK 1,100 million in Q1 2021/22.

Note 25 – Other payables

(DKKm)	2020/21	2019/20
Included in current liabilities:		
VAT payable	38.6	30.0
Holiday pay obligation etc.	56.7	69.8
Pay-related liabilities	75.2	42.4
Contingent consideration	19.4	25.0
Other creditors	9.3	12.9
Total other payables, current liabilities	**199.2**	**180.1**

Note 26 – Changes in working capital

(DKKm)	2020/21	2019/20
Change in inventories	95.8	(153.5)
Change in deposits and receivables	13.4	19.2
Change in trade and other payables	116.2	(56.4)
Total changes in working capital	**225.4**	**(190.7)**

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

(DKKm)	1/4 2020	Cash flows	Non-cash	31/3 2021
Credit institutions	1,825.0	(725.0)	0.0	1,100.0
Lease liabilities	784.4	(168.8)	54.0	669.6
Liabilities from financing activities	2,609.4	(893.8)	54.0	1,769.6

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

Note 27 – Acquisition of subsidiaries and operations

The Group made no acquisitions in financial year 2020/21.

In financial year 2020/21, the Group paid contingent consideration of DKK 24 million concerning the acquisitions of Kosmolet and Din Frisør Shop.

Acquisitions after the date of the statement of financial position

On 12 April 2021, after the date of the statement of financial position, Matas acquired Apo-IT ApS and Web-Apo ApS, the technology and sourcing companies behind webapoteket.dk.

Under the agreement, Matas will develop and supply IT systems and logistics and sourcing services to the online pharmacy.

The total purchase price amounts to up to DKK 85.6 million, of which contingent consideration accounts for up to DKK 20 million. Of this amount, DKK 40.6 million has been paid upfront, and an additional DKK 25 million is payable by 1 April 2024. Contingent consideration of up to DKK 20 million will be determined and is payable, at the latest, at the end of the financial year ending 31 March 2024 (up to DKK 10 million) and the financial year ending 31 March 2025 (up to DKK 10 million)

The activities acquired grew revenue by 40% to DKK 72 million, for a positive EBITDA margin, in calendar year 2020. The acquisition is expected to entail transaction costs of about DKK 6 million, which amount will be recognised under special items in the financial statements for 2020/21 and 2021/22.

The purchase price allocation was still being prepared at the time of presentation of the annual report of Matas A/S for 2020/21. Most of the value added on the acquisition is expected to be allocated to goodwill. The purchase price allocation will be included in the Q1 2021/22 interim report.

Acquisitions in financial year 2019/20

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

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

Note 27 – Acquisition of subsidiaries and operations, continued

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

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

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

The cash flow from the acquisition of Kosmolet A/S was DKK 122.7 million in 2019/20, excluding the fair value of contingent consideration (DKK 20.0 million), treasury shares (DKK 10.0 million) and cash and cash equivalents (DKK 0.2 million).

Description of the acquired activities

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

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

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

Din Frisør Shop ApS

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

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

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

The cash flow from the acquisition of Din Frisør Shop is DKK 15.0 million, excluding contingent consideration of DKK 5.0 million calculated on the basis of assumptions which are not observable in the market. The contingent consideration fell due in October 2020.

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

Note 28 – Contingent liabilities and security

Matas is involved in a dispute with the Danish tax authorities concerning VAT on self-supply and a party to a number of minor disputes that are not expected to affect its financial position or future earnings to any significant extent. For a description of the dispute concerning withholding tax, reference is made to note 20.

In addition, Matas has, as part of its normal operations, provided security in the form of bank guarantees to store lessors for a total amount of DKK 20 million (2019/20: DKK 21 million).

Note 29 - Financial risks and financial instruments

The Group's risk management policy

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

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

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

Interest rate risks

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

In September 2018, the interest rate swap was replaced by a different interest rate hedging instrument, a CAP, which partially hedges the Group's interest rate risks on loans. In this connection, Matas is applying the hedge accounting rules under IFRS 9.

Due to the Group's floating-rate cash and cash equivalents and debt to credit institutions, a drop in interest rates of 1% p.a. relative to the actual level of interest rates would, other things being equal, have a negative effect on the profit for the year of DKK 5 million (2019/20: DKK 11 million) and on year-end equity of DKK 5 million (31 March 2020: DKK 11 million).

Sensitivity analysis assumptions

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

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

Currency risk

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

Liquidity risk

The Group's liquidity reserve consists of cash and cash equivalents and unutilised credit facilities and amounted to DKK 970 million at 31 March 2021 (31 March 2020: DKK 245 million). The Group aims to maintain sufficient cash resources for, among other things, strategic investments.

Note 29 – Financial risks and financial instruments, continued

The Group's financial liabilities fall due as follows:

(DKKm)	Carrying amount	Contractual cash flows	Within 1 year	2 to 3 years	4 to 5 years	After 5 years
2020/21						
Non-derivative financial instruments						
Credit institutions	1,098.3	1,114.9	1,114.9	0.0	0.0	0.0
Lease liabilities	669.6	693.8	177.1	301.5	142.0	73.2
Trade payables	692.4	692.4	692.4	0.0	0.0	0.0
Contingent consideration	19.4	20.0	20.0	0.0	0.0	0.0
31 March 2021	**2,479.7**	**2,521.1**	**2,004.4**	**301.5**	**142.0**	**73.2**
2019/20						
Non-derivative financial instruments						
Credit institutions	1,825.0	1,870.8	22.9	1,847.9	0.0	0.0
Lease liabilities	784.5	835.8	187.6	315.3	193.3	139.6
Trade payables	586.7	586.7	586.7	0.0	0.0	0.0
Contingent consideration	42.1	45.0	25.0	20.0	0.0	0.0
31 March 2020	**3,238.3**	**3,338.3**	**822.2**	**2,183.2**	**193.3**	**139.6**

Maturity analysis assumptions

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

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

Credit risk

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

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

Derivative financial instruments (CAP) are measured at fair value according to generally accepted valuation techniques based on relevant and observable yield curves. The methods applied are unchanged from 2019/20.

(DKKm)	Quoted prices (Level 1)	Observable input (Level 2)	Non-observable input (Level 3)	Total
2020/21				
Financial liabilities				
Derivative financial instruments included in the trading portfolio	0.0	0.0	0.0	0.0
Total financial liabilities	**0.0**	**0.0**	**0.0**	**0.0**
2019/20				
Financial liabilities				
Derivative financial instruments included in the trading portfolio	0.0	0.6	0.0	0.6
Total financial liabilities	**0.0**	**0.6**	**0.0**	**0.6**

Note 29 – Financial risks and financial instruments, continued

(DKKm)	Carrying amount 2020/21	Fair value 2020/21	Carrying amount 2019/20	Fair value 2019/20
Deposits	44.1	44.1	46.3	46.3
Trade receivables	15.2	15.2	14.7	14.7
Other receivables	4.6	4.6	87.4	87.4
Cash and cash equivalents	40.7	40.7	106.6	106.6
Loans and receivables	**104.6**	**104.6**	**255.0**	**255.0**
Derivative financial instruments included in the trading portfolio	0.0	0.0	0.6	0.6
Financial liabilities at fair value through profit or loss	**0.0**	**0.0**	**0.6**	**0.6**
Non-current financial liabilities				
Credit institutions	0.0	0.0	1,821.7	1,825.0
Lease liabilities	495.5	495.5	598.9	598.9
Current financial liabilities				
Credit institutions	1,098.3	1,100.0	0.0	0.0
Lease liabilities	174.1	174.1	185.6	185.6
Suppliers	692.4	692.4	586.3	586.3
Financial liabilities at amortised cost	**2,460.3**	**2,462.0**	**3,192.5**	**3,195.8**

Derivative financial instruments

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

Effective September 2018, the Group entered into an agreement concerning a new interest rate hedging instrument, a CAP, with a principal amount of DKK 550 million for partial hedging of interest rate risks on loans. Under the agreement, the underlying floating interest rate cannot exceed 0% as regards DKK 550 million of the Company's outstanding debt.

(DKKm)	Notional amount	Fair value adjustment recognised through profit or loss	Fair value	Term to maturity (mths)
2020/21				
Interest rate risks				
CAP, trading portfolio	550.0	0.0	0.0	12.0
2019/20				
Interest rate risks				
CAP, trading portfolio	550.0	0.0	0.6	24.0

Note 30 – Leases

Matas' lease assets are as follows:

(DKKm)	2020/21	2019/20
Store leases etc.	594.7	706.1
Administration and warehouse buildings etc.	53.4	62.9
Cars and other leases	3.7	5.1
Total lease assets	**651.8**	**774.1**

There was an addition of lease assets in the amount of DKK 14.0 million in the financial year (2019/20: DKK 96.6 million, of which DKK 19.8 million related to the acquisition of Kosmolet).

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

(DKKm)	2020/21	2019/20
Non-current liabilities	495.5	598.9
Current liabilities	174.1	185.6
Total lease assets	**669.6**	**784.5**

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

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

(DKKm)	2020/21	2019/20
Store leases	163.4	163.3
Administration and warehouse buildings etc.	9.7	10.6
Cars and other leases	4.1	4.0
Total depreciation of lease assets	**177.2**	**177.9**

In 2020/21, Matas made lease payments concerning recognised assets of DKK 181.6 million (2019/20: DKK 182.0 million).

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

Revenue-based rent is not comprised by IFRS 16 and is therefore not included in the above tables. Revenue-based rent is, as before, recognised under other external costs and amounted to DKK 3.2 million.

A total amount of DKK 4.5 million was recognised in the statement of comprehensive income regarding short-term leases and leases of low-value assets (2019/20: DKK 5.2 million). Lease liabilities relating to non-recognised short-term leases and leases of low-value assets amounted to DKK 1.9 million at 31 March 2021 (2019/20: DKK 2.2 million).

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

The fee payable to board members for financial year 2020/21, as approved by the shareholders in general meeting, is DKK 300,000 per member (2019/20: DKK 300,000). The Chairman receives 2.5 times the annual fee and the Deputy Chairman receives 1.5 times the fee. The chairman of the Audit Committee receives 1.25 times the fee. No separate remuneration is paid for work on the Nomination Committee and the Remuneration Committee. No separate remuneration is paid for board meetings held in another country than the board member's country of residence, but travel expenses are reimbursed.

The fixed salary of the members of the Executive Management consists of a salary, pension contributions and other employee benefits. In addition, the members of the Executive Management are eligible to receive a short-term bonus subject to achievement of certain financial targets. The CEO is eligible to receive a bonus of up to 70% of his annual base salary, whilst the CFO is eligible to receive up to 60% of his annual base salary.

Moreover, the members of the Executive Management are eligible to receive share options or other rights such as PSUs (Performance Share Units) at a value of up to 75% of their annual base salary excluding pension contributions as at the date of grant. A breakdown of management compensation included in staff costs (see note 7) appears as follows:

(DKKm)	**Fixed salary incl. benefits**	**Pension contributions**	**Short-term bonus [1)]**	**Total**	**PSUs [2)]**	**Total, including PSUs**
2020/21						
Gregers Wedell-Wedellsborg	4.9	0.5	2.8	8.1	2.5	10.6
Anders Skole-Sørensen	2.7	0.2	1.3	4.2	1.3	5.5
Executive Management, total	7.5	0.7	4.1	12.3	3.7	16.1
Other executives, total	13.7	1.0	3.3	18.0	2.9	20.9
Lars Vinge Frederiksen	0.8	-	-	0.8	-	0.8
Lars Frederiksen	0.5	-	-	0.5	-	0.5
Christian Mariager[3)]	0.1	-	-	0.1	-	0.1
Henrik Taudorf Lorensen	0.2	-	-	0.2	-	0.2
Mette Maix	0.3	-	-	0.3	-	0.3
Signe Trock Hilstrøm	0.3	-	-	0.3	-	0.3
Birgitte Nielsen	0.4	-	-	0.4	-	0.4
Board of Directors, total	2.5	-	-	2.5	-	2.5
Total	**23.7**	**1.7**	**7.4**	**32.8**	**6.7**	**39.4**

[1)] Paid in 2020/21 concerning 2019/20. [2)] Granted in the year. [3)] Resigned on 30 June 2020.

Two executive stepped down in financial year 2020/21.

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

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

(DKKm)	Fixed salary incl. benefits	Pension contributions	Short-term bonus [1)]	Total	PSUs [2)]	Total, including PSUs
2019/20						
Gregers Wedell-Wedellsborg	4.9	0.5	3.0	8.3	2.4	10.7
Anders Skole-Sørensen	2.7	0.2	1.3	4.2	1.3	5.5
Executive Management, total	7.6	0.7	4.3	12.6	3.6	16.2
Other executives, total	13.3	1.0	2.5	16.8	3.4	20.2
Lars Vinge Frederiksen	0.8	-	-	0.8	-	0.8
Lars Frederiksen	0.5	-	-	0.5	-	0.5
Christian Mariager	0.3	-	-	0.3	-	0.3
Mette Maix	0.3	-	-	0.3	-	0.3
Signe Trock Hilstrøm	0.3	-	-	0.3	-	0.3
Birgitte Nielsen	0.4	-	-	0.4	-	0.4
Board of Directors, total	2.5	-	-	2.5	-	2.5
Total	**23.4**	**1.7**	**6.8**	**31.8**	**7.1**	**38.9**

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

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

In accordance with Matas A/S' overall guidelines on incentive pay, Matas in 2020/21 granted a total of 129,356 PSUs to purchase shares in Matas A/S, consisting of 72,525 PSUs to members of the Executive Management and 56,831 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 before special items performance and the other on the revenue performance in the period up to and including financial year 2022/23. 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 2022/23.

Assuming minimum and maximum achievement, respectively, of the KPIs by the end of financial year 2022/23, the PSUs represent a value of DKK 6.7 million and DKK 13.3 million, respectively.

Programme	Number of employees	Number of PSUs granted	Market value at grant (DKKm)
2018/19	11	148,365	6.8 - 13.6
Adjustment relating to retired employee	(3)	(21,503)	(1.0) - (2.0)
2018/19, adjusted	**8**	**126,862**	**5.8 - 11.6**
2019/20	12	182,583	7.1 - 14.2
Adjustment relating to retired employees	(4)	(40,382)	(1.6) - (3.1)
2019/20, adjusted	**8**	**142,201**	**5.5 -11.0**
2020/21	10	129,356	6.7 - 13.3
Adjustment relating to retired employees	(1)	(10,933)	(0.6) - (1.1)
2020/21, adjusted	**9**	**118,423**	**6.1 -12.2**

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

Movements in outstanding PSUs:

(No.)	Gregers Wedell-Wedelsborg	Anders Skole-Sørensen	Executive Management, total	Executives	Total	Market value at grant (DKKm)
Outstanding at 1 April 2020	161,061	82,332	243,393	127,141	370,534	16.8 - 33.7
PSUs vested in 2020/21	(31,601)	(14,810)	(46,412)	(10,722)	(57,134)	(3.5) - (7.0)
Non-vested PSUs	(10,534)	(4,936)	(15,469)	(3,573)	(19,042)	(1.2) - (2.3)
PSUs granted in 2020/21	47,518	25,007	72,525	56,831	129,356	6.7 - 13.3
Retired employees	-	-	-	(36,228)	(36,228)	(1.6) - (3.2)
Outstanding at 31 March 2021	**166,444**	**87,593**	**254,037**	**133,449**	**387,486**	**17.3 - 34.5**

The number of outstanding PSUs under all ongoing programmes totals 460,304 when resigned employees are taken into account.

In 2020/21, the cost recognised relating to PSUs was DKK 6.2 million, including DKK 0.1 million relating to retired employees.

Shareholdings

Shareholdings of the Board of Directors and the Executive Management in Matas A/S and changes in shareholdings in 2020/21:

	Shareholding at 1 April 2020 No.	Purchase/sale in the period No.	Shareholding at 31 March 2021 No.	Market value at 31 March 2021 (DKKm)
Board of Directors				
Lars Vinge Frederiksen, Chairman	19,095	0	19,095	1.6
Lars Frederiksen	8,269	0	8,269	0.7
Birgitte Nielsen	3,439	0	3,439	0.3
Christian Mariager[1)]	3,500	(3,500)	0	0.0
Henrik Taudorf Lorensen	0	2,000	2,000	0.2
Signe Trock Hilstrøm	0	400	400	0.0
Mette Maix	1,700	0	1,700	0.1
Executive Management,				
Gregers Wedell-Wedellsborg	16,641	31,601	48,242	4.0
Anders Skole-Sørensen	101,126	14,810	115,936	9.6

[1)] Resigned on 30 June 2020.

Note 32 – Related parties

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 as well as associates.

Following the acquisition of the Group in 2007, leases were entered into with former store owners as landlords for approximately 57 of the Group's current leased stores, including board member Lars Frederiksen, who indirectly owns one leased store. Rent for the retail lease was DKK 0.7 million (2019/20: DKK 0.7 million).

Management's remuneration is disclosed in note 31.

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

On 12 April 2021, Matas acquired Apo-IT ApS and Web-Apo ApS, the technology and sourcing companies behind webapoteket.dk.

Under the agreement, Matas will develop and supply IT systems and logistics and sourcing services to the online pharmacy.

The total purchase price amounts to up to DKK 85.6 million, of which contingent consideration accounts for up to DKK 20 million. Of this amount, DKK 40.6 million has been paid upfront, and an additional DKK 25 million is payable by 1 April 2024. Contingent consideration of up to DKK 20 million will be determined and is payable, at the latest, at the end of the financial year ending on 31 March 2024 (up to DKK 10 million) and the financial year ending on 31 March 2025 (up to DKK 10 million)

The activities acquired grew revenue by 40% to DKK 72 million, for a positive EBITDA margin, in calendar year 2020. The acquisition is expected to entail transaction costs of about DKK 6 million, which amount will be recognised under special items in the financial statements for 2020/21 and 2021/22.

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

Note 34 – New financial reporting regulation

Standards and interpretations that have been issued but not yet entered into force will be implemented when they come into force. As of the date of release of this annual report for 2020/21, the ISAB has issued the following new and amended financial reporting standards and interpretations which are not mandatory for Matas A/S in the preparation of the annual report for 2020/21:

- IAS 1 Presentation of Financial Statements – Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
- IFRS 3 Business Combinations – Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of fulfilling a Contract
- Amendments to IFRS9, IAS 39, IFRS7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2
- Annual Improvements to IFRSs 2018-2020 Cycle.

Group overview

	Domicile	Ownership
Parent company		
Matas A/S	Denmark	
Denmark		
Subsidiaries		
Matas Operations A/S	Denmark	100%
Matas Property A/S	Denmark	100%
Firtal Group ApS	Denmark	100%
Firtal Web A/S	Denmark	100%
Firtal Tech A/S	Denmark	100%
Firtal Distribution A/S	Denmark	100%
Geni ApS	Denmark	100%
Kosmolet A/S	Denmark	100%
Web Sundhed ApS	Denmark	100%
Apo IT ApS	Denmark	100%
Web-Apo ApS	Denmark	100%
Associates		
Geniads ApS	Denmark	50%
Miild A/S	Denmark	40%
Other countries		
Matas Torshavn P/F	Faroe Islands	100%
Matas Sverige AB (dormant)	Sweden	100%

Financial statements of the parent company Matas A/S 2020/21

Statement of comprehensive income

(DKKm)	Note	2020/21	2019/20
Other operating income	3	10.4	10.3
Other external costs		(3.9)	(2.9)
Staff costs	4	(20.5)	(21.4)
EBIT		(14.1)	(14.0)
Financial income	5	17.3	0.0
Financial expenses		0.0	(1.4)
Profit before tax		3.3	(15.4)
Tax on the profit for the year	6	(0.5)	2.0
Profit for the year		2.8	(13.4)
Other comprehensive income			
Other comprehensive income after tax		0.0	0.0
Total comprehensive income for the year		2.8	(13.4)
Proposed appropriation of profit			
Proposed dividend: DKK 2.00 per share (2019/20: DKK 0.00 per share)		76.6	0.0
Retained earnings		(73.8)	(13.4)
Total		2.8	(13.4)

Statement of cash flows

(DKKm)	Note	2020/21	2019/20
Profit before tax		3.3	(15.4)
Financial income	5	(17.3)	0.0
Financial expenses	6	0.0	1.4
Non-cash operating items etc.		6.2	7.0
Cash generated from operations before changes in working capital		(7.8)	(7.0)
Changes in working capital	10	0.6	(0.3)
Cash generated from operations		(7.2)	(7.3)
Interest received	5	17.3	0.0
Corporation tax paid		(84.0)	(48.2)
Cash flow from operating activities		(73.9)	(55.5)
Change in receivables from group entities		46.9	129.8
Cash flow from investing activities		46.9	129.8
Free cash flow		(27.0)	74.3
Dividend paid		0.0	(114.6)
Interest paid		0.0	(1.4)
Interest receivable received		29.3	0.0
Amount received from former parent company		50.3	0.0
Debt raised/settled with group entities		(52.6)	41.7
Cash flow from financing activities		27.0	(74.3)
Net cash flow from operating, investing and financing activities		0.0	0.0
Cash and cash equivalents at 1 April		0.0	0.0
Cash and cash equivalents at 31 March		0.0	0.0

Statement of financial position

(DKKm)	Note	2020/21	2019/20
NON-CURRENT ASSETS			
Investments in subsidiaries	7	2,036.3	2,036.3
Deferred tax assets		2.5	2.3
Total non-current assets		2,038.8	2,038.6
CURRENT ASSETS			
Receivables from group entities	11	52.4	0.0
Corporation tax receivable	6	31.7	37.9
Other receivables		0.0	79.6
Prepayments		0.5	0.4
Total current assets		84.6	117.9
TOTAL ASSETS		2,123.4	2,156.5

(DKKm)	Note	2020/21	2019/20
EQUITY AND LIABILITIES			
Share capital	9	95.7	95.7
Treasury share reserve		(2.6)	(11.8)
Retained earnings		1,952.1	2,030.0
Proposed dividend for the financial year		76.6	0.0
Total equity		2,121.8	2,113.9
Payables to group entities	12	0.0	41.7
Trade payables	12	1.6	0.9
Total current liabilities		1.6	42.6
Total liabilities		1.6	42.6
TOTAL EQUITY AND LIABILITIES		2,123.4	2,156.5

Statement of changes in equity

(DKKm)	Share capital	Treasury share reserve	Proposed dividend	Retained earnings	Total
Equity at 1 April 2020	**95.7**	**(11.8)**	**0.0**	**2,030.0**	**2,113.9**
Other comprehensive income	0.0	0.0	0.0	0.0	0.0
Profit for the year	0.0	0.0	76.6	(73.8)	2.8
Total comprehensive income	**0.0**	**0.0**	**76.6**	**(73.8)**	**2.8**
Transactions with owners					
Exercise of incentive programme	0.0	9.2	0.0	(10.3)	(1.1)
Share-based payment	0.0	0.0	0.0	6.2	6.2
Total transactions with owners	**0.0**	**9.2**	**0.0**	**(4.1)**	**5.1**
Equity at 31 March 2021	**95.7**	**(2.6)**	**76.6**	**1,952.1**	**2,121.8**

(DKKm)	Share capital	Treasury share reserve	Proposed dividend	Retained earnings	Total
Equity at 1 April 2019	**95.7**	**(33.3)**	**114.9**	**2,047.4**	**2,224.7**
Other comprehensive income	0.0	0.0	0.0	0.0	0.0
Profit for the year	0.0	0.0	0.0	(13.4)	(13.4)
Total comprehensive income	**0.0**	**0.0**	**0.0**	**(13.4)**	**(13.4)**
Transactions with owners					
Dividend paid	0.0	0.0	(114.6)	0.0	(114.6)
Dividend on treasury shares	0.0	0.0	(0.3)	0.3	0.0
Exercise of incentive programme	0.0	5.9	0.0	(5.9)	0.0
Disposal of treasury shares (Kosmolet A/S)	0.0	15.6	0.0	(5.4)	10.2
Share-based payment	0.0	0.0	0.0	7.0	7.0
Total transactions with owners	**0.0**	**21.5**	**(114.9)**	**(4.0)**	**(97.4)**
Equity at 31 March 2020	**95.7**	**(11.8)**	**0.0**	**2,030.0**	**2,113.9**

Summary of notes to the financial statements

Notes to the financial statements

Note 1 – Accounting policies

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

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

The accounting policies are 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.

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

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

Note 3 – Other operating income

(DKKm)	**2020/21**	**2019/20**
Management fee fromgroup entities	10.4	10.3
Total	**10.4**	**10.3**

Note 4 – Staff costs

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

Fees to the Board of Directors are recognised in the amount of DKK 2.5 million (2019/20: DKK 2.5 million).

The remuneration of the Executive Management is recognised in profit or loss in the amount of DKK 11.8 million (2019/20: DKK 11.9 million).

Share-based payment is recognised in the amount of DKK 6.2 million (2019/20: DKK 7.0 million).

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

Note 5 – Financial income

(DKKm)	**2020/21**	**2019/20**
Interest allowance from the Danish tax authorities	17.3	0.0
Total financial income	**17.3**	**0.0**

Note 6 – Tax

(DKKm)	2020/21	2019/20
Tax on the profit for the year breaks down as follows:		
Tax on the profit for the year	0.5	(2.0)
Total	**0.5**	**(2.0)**
Tax on the profit for the year has been calculated as follows:		
Joint taxation contributions	0.7	(2.5)
Deferred tax	(0.3)	0.3
Prior-year tax adjustment	0.1	0.2
Total	**0.5**	**(2.0)**
Tax on the profit for the year is explained as follows:		
Computed 22.0% tax on profit before tax	0.7	(3.4)
Other	(0.2)	1.4
Total	**0.5**	**(2.0)**
Effective tax rate	15.4%	(13.0)%

Note 7 – Investments in subsidiaries

(DKKm)	2020/21	2019/20
Cost at 1 April	2,036.3	2,036.3
Carrying amount at 31 March	**2,036.3**	**2,036.3**

The Company's equity investment in Matas Operations A/S was 100% at 31 March 2021 (31 March 2020: ownership interest 100%).

Note 8 – Other receivables

Other receivables DKK 0 (2019/20: DKK 79.6 million). Other receivables for 2019/20 comprised receivables concerning the charging of withholding tax for prior years. Reference is made to note 20 to the consolidated financial statements for additional information.

Note 9 – Equity and treasury shares

Share capital

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

Capital structure

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

The ratio of equity to total equity and liabilities was 100% at 31 March 2021 (31 March 2020: 100%).

Treasury shares

See note 17 to the consolidated financial statements.

Note 10 – Changes in working capital

(DKKm)	**2020/21**	**2019/20**
Change in receivables, prepayments and deferred income	(0.1)	(0.2)
Change in trade payables and other payables	0.7	(0.1)
Total	**0.6**	**(0.3)**

2020/21

(DKKm)	**1/4 2020**	**Cash flows**	**31/3 2021**
Credit institutions	(41.7)	94.1	52.4
Receivables from financing activities	(41.7)	94.1	52.4

2019/20

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

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 2021 (31 March 2020: DKK 0). Any adjustments to the taxable joint taxation income may cause the parent company's liability to increase.

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

Security

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

Debts to credit institutions raised by subsidiaries stood at DKK 1,100 million at 31 March 2021 (31 March 2020: DKK 1,825 million).

Note 12 – Financial risks and financial instruments

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

Liquidity risk

The Company's financial liabilities fall due as follows:

(DKKm)	Carrying amount	Contractual cash flows	Within 1 year	2 to 3 years	4 to 5 years	After 5 years
2020/21						
Non-derivative financial instruments						
Trade payables	1.6	1.6	1.6	0.0	0.0	0.0
31 March 2021	**1.6**	**1.6**	**1.6**	**0.0**	**0.0**	**0.0**
2019/20						
Non-derivative financial instruments						
Payables to group entities	41.7	41.7	41.7	0.0	0.0	0.0
Trade payables	0.9	0.9	0.9	0.0	0.0	0.0
31 March 2020	**42.6**	**42.6**	**42.6**	**0.0**	**0.0**	**0.0**

Maturity analysis assumptions

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

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

Credit risk

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

The Company has no material credit risk.

(DKKm)	Carrying amount 2020/21	Fair value 2020/21	Carrying amount 2019/20	Fair value 2019/20
Receivables from group entities	0.0	0.0	0.0	0.0
Loans and receivables	**0.0**	**0.0**	**0.0**	**0.0**
Payables to group entities	0.0	0.0	41.7	41.7
Suppliers	1.6	1.6	0.9	0.9
Financial liabilities at amortised cost	**1.6**	**1.6**	**42.6**	**42.6**

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 7 to the parent company's financial statements.

Matas A/S is jointly taxed with its subsidiaries. Joint taxation contributions from subsidiaries amounted to DKK 0.7 million in 2020/21 (2019/20: DKK 2.5 million).

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

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

Note 14 – New standards and interpretations

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

Definitions of key financials

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

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

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

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

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

Interim financial highlights

(Unaudited)

(DKKm)	2020/21 Q4	2020/21 Q3	2020/21 Q2	2020/21 Q1	2019/20 Q4	2019/20 Q3	2019/20 Q2	2019/20 Q1
Statement of comprehensive income								
Revenue	971.2	1,313.0	932.6	946.8	817.0	1,173.4	822.5	875.6
Gross profit	443.2	575.4	402.4	420.2	373.8	515.1	357.5	394.0
EBITDA	146.6	292.1	178.0	171.3	116.2	262.7	139.0	160.5
EBIT	40.6	190.5	77.2	72.1	10.8	165.6	45.7	70.8
Net financials	(11.1)	7.3	(11.0)	(12.2)	(11.8)	(11.3)	(10.2)	(9.8)
Profit before tax	29.5	197.8	66.2	59.9	(1.0)	154.3	35.5	61.0
Profit for the period	16.3	154.5	51.5	46.7	1.5	117.7	26.0	45.9
Statement of financial position								
Assets	6,143.1	6,263.4	6,276.0	6,460.8	6,588.3	6,684.7	6,537.3	6,612.6
Equity	3,038.9	3,020.8	2,864.3	2,812.0	2,764.0	2,759.8	2,640.1	2,612.0
Net working capital	(126.1)	(167.8)	49.4	(1.4)	90.3	(24.4)	(26.0)	(56.5)
Net interest-bearing debt	1,727.2	1,702.6	2,136.9	2,281.6	2,499.6	2,437.8	2,591.9	2,531.6
Statement of cash flows								
Cash flow from operating activities	75.1	456.6	119.2	301.1	32.6	222.4	109.0	82.7
Cash flow from investing activities	(40.1)	(44.1)	(29.4)	(64.3)	(66.2)	(61.1)	(44.5)	(163.8)
Free cash flow	35.0	412.5	89.8	236.8	(33.6)	161.3	64.5	(81.1)
Net cash flow from operating, investing and financing activities	(65.6)	79.2	(9.7)	(69.8)	(30.5)	90.5	(115.6)	1.1
Key performance indicators								
Number of transactions (millions)*	4.7	6.2	5.3	4.9	4.6	6.2	4.9	5.1
Average basket size (DKK)*	203.9	212.9	176.8	194.1	173.5	187.9	164.7	169.5
Total retail floor space (thousands of square metres)	53.7	53.5	53.3	53.2	53.5	53.7	53.5	53.4
Avg. revenue per square metre (DKK thousands) - LTM	77.7	74.8	72.1	69.8	68.3	68.4	66.8	66.0
Like-for-like growth	19.8%	12.8%	13.6%	8.4%	(2.2)%	4.7%	0.3%	(1.2)%
Adjusted figures								
EBITDA	146.6	292.1	178.0	171.3	116.2	262.7	139.0	160.5
Special items	5.4	0.7	1.6	1.5	2.9	1.2	14.6	2.7
EBITDA before special items	152.0	292.8	179.6	172.8	119.1	263.9	153.6	163.2
Depreciation of property, plant and equipment	(79.7)	(75.5)	(75.5)	(74.2)	(80.8)	(73.0)	(69.7)	(67.3)
EBITA	72.3	217.3	104.1	98.6	38.3	190.9	83.9	95.9
Adjusted profit after tax	42.3	175.4	72.5	67.4	23.0	137.5	56.1	66.0
Gross margin	45.6%	43.8%	43.1%	44.4%	45.8%	43.9%	43.5%	45.0%
EBITDA margin	15.1%	22.2%	19.1%	18.1%	14.2%	22.4%	16.9%	18.3%
EBITDA margin before special items	15.6%	22.3%	19.3%	18.3%	14.6%	22.5%	18.7%	18.6%
EBITA margin	7.4%	16.5%	11.2%	10.4%	4.7%	16.3%	10.2%	11.0%
EBIT margin	4.2%	14.5%	8.3%	7.6%	1.3%	14.1%	5.6%	8.1%

* Number of transactions and basket size now also include Firtal transactions.

matas

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