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Company announcement no. 10 2018/19
Allerød, 8 November 2018

Interim report – H1 2018/19

(1 April – 30 September 2018)

Guidance upgrade: Stable earnings and record growth in online sales

Matas made strong headway in implementing its new strategy in the second quarter of financial year 2018/19 and delivered record growth in online sales and stable earnings in the face of lower revenue. As a consequence, we raise our EBITDA margin before special items guidance for full-year 2018/19 from above 14.5 to above 15.

The profit performance is improving. Revenue for the first half of the year was almost unchanged at DKK 1,621.0 million compared with DKK 1,620.7 million in the year-earlier period, while operating profit (EBITDA before special items) was up to DKK 246.9 million from DKK 244.0 million in the first half of last year.

In the second quarter alone, sales fell by 1.6% relative to last year, due primarily to fewer trading days and a reshuffle of campaign activity. On the other hand, earnings increased, with operating profit (EBITDA before special items) growing to DKK 108.6 million from DKK 107.5 million last year.

"Q2 sales were down a notch, but as earnings were a thought better, we're delivering a stable profit performance for the second quarter running, even though competition is tougher than ever. Overall, this means that we can keep up the high pace of development and at the same time lift our full-year earnings guidance", said Gregers Wedell-Wedellsborg, CEO.

The digital transformation continued at full speed with online sales surging by 61%. Matas also announced the acquisition of Firtal Group, the owner of, e.g., helsebixen.dk. The transaction was approved by the Danish Competition and Consumer Authority on 5 November 2018. The second quarter also saw the opening of two Matas Natur concept stores and additions to the natural range on matas.dk, aimed at reinforcing the Group's green market position.

"Our digital growth is accelerating. Our same-day delivery initiative has been well received by customers, and we're delivering the highest growth rate since matas.dk was launched", said Gregers Wedell-Wedellsborg, CEO.

Q2 2018/19 highlights

- Guidance for the EBITDA margin before special items is upgraded from above 14.5% to above 15% for financial year 2018/19.

- The work to implement the new strategy, "Renewing Matas", progressed according to plan, and a range of measures aimed at lifting customer engagement, growing revenue and securing earnings were launched and implemented in the second quarter.

- Q2 2018/19 revenue came to DKK 777.2 million, down 1.6% on the DKK 789.9 million reported for Q2 2017/18 (restated, see note 1). Underlying like-for-like sales, i.e. sales in stores operated by the Group in both Q2 2018/19 and Q2 2017/18, were down by 1.9% in Q2 2018/19. Management estimates that the negative calendar effect reduced underlying revenue growth by approximately 0.6 of a percentage point.

- The High-End Beauty and Material segments reported higher sales, while sales in the remaining shops fell slightly back. The average basket size grew by 2.8% to DKK 154, while the number of transactions was down by 2.3% from 5.1 million in Q2 2017/18 to 5.0 million in Q2 2018/19.

- Online sales were up by 61% over the year-earlier period. More than half of all webshop orders in the second quarter were picked up at a Matas store.

- The High-End Beauty and Material segments performed as expected, growing sales by 1.5% and 4.5%, respectively. Mass Beauty sales disappointed despite the positive effects of higher sun screen sales. Overall Mass Beauty sales were down by 2.6% due to increasing competition from supermarkets, among others.

- Q2 2018/19 gross profit was DKK 349.0 million, taking the gross margin to 44.9%, a 1.3 percentage point increase from 43.6% in Q2 2017/18.

- Total costs increased by DKK 0.5 million relative to the year-earlier period. Other external costs were up by DKK 16.1 million. Costs were mainly driven upwards by non-recurring costs of DKK 9.5 million relating primarily to the acquisition of Firtal Group ApS and strategy implementation. Staff costs were reduced by DKK 15.6 million relative to the same period of last year, when staff costs were impacted by non-recurring costs of DKK 12.0 million relating to the change of CEO.

- Q2 2018/19 EBITDA came to DKK 99.1 million, up from DKK 94.8 million in the year-earlier period. The EBITDA margin was 12.8%, 0.7 of a percentage point higher than in Q2 2017/18. The higher EBITDA margin was attributable mainly to an improved contribution ratio compared with the same quarter of last year and a weaker negative impact from special items.

- EBITDA before special items came to DKK 108.6 million, up 1.0% on the DKK 107.5 million reported in the year-earlier period. Supported by the higher gross margin, the EBITDA margin before special items rose to 14.0% from 13.6% in Q2 2017/18.

- Q2 profit after tax was DKK 36.6 million, and Adjusted profit after tax net of amortisation not related to software and exceptional items was DKK 61.0 million, compared with DKK 40.3 million and DKK 65.3 million, respectively, in Q2 2017/18.

- The effective tax rate was 28.1% in Q2 2018/19, equivalent to a tax expense of DKK 14.3 million. The effective tax rate was inflated by the non-deductible transaction costs incurred in the second quarter in connection with the acquisition of Firtal Group ApS.

- Cash generated from operations fell by DKK 7.6 million in Q2 2018/19 to DKK 46.6 million. Impacted by significantly higher investment activity and a slightly reduced cash flow from operating activities, the free cash flow was an inflow of DKK 5.8 million against an inflow of DKK 25.3 million in Q2 2017/18.

- Gross debt stood at DKK 1,691.4 million at 30 September 2018. Net interest-bearing debt was DKK 1,636.5 million at 30 September 2018, equivalent to 2.9x LTM EBITDA before special items as compared with 2.8x at the end of Q2 2017/18.

H1 2018/19 highlights

- Management presented the Group's updated strategy going forward to 2023, "Renewing Matas", at its capital markets day on 30 May 2018, which was held in connection with the presentation of the Group's financial statements for financial year 2017/18. The work to implement the strategy is progressing according to plan, and a range of measures aimed at lifting customer engagement, growing revenue and securing earnings were launched in the first six months of the financial year.

- H1 2018/19 revenue was DKK 1,621.0 million, almost unchanged from the DKK 1,620.7 million reported in H1 2017/18 (restated, see note 1). Underlying like-for-like revenue was down by 0.3%.

- H1 online sales were up by 55% over the year-earlier period.

- H1 2018/19 gross profit came to DKK 730.7 million for a gross margin of 45.1%, a 0.4 percentage point increase from 44.6% in H1 2017/18.

- H1 2018/19 EBITDA came to DKK 232.4 million for an EBITDA margin of 14.3%, in line with the margin reported for H1 2017/18.

- H1 2018/19 EBITDA before special items came to DKK 246.9 million for an EBITDA margin of 15.2% against 15.1% for H1 2017/18.

- H1 profit after tax was DKK 107.4 million, and Adjusted profit after tax net of amortisation not related to software and exceptional items was DKK 150.7 million, compared with DKK 114.4 million and DKK 154.2 million, respectively, in H1 2017/18.

- Cash generated from operations grew to DKK 151.9 million in H1 2018/19 from DKK 130.9 million in H1 2017/18. The free cash flow was an inflow of DKK 78.7 million against an inflow of DKK 58.6 million in H1 2017/18.

Outlook

The Group's financial guidance for financial year 2018/19 is unchanged on three points compared with the guidance announced in company announcement no. 5 2018/19 concerning Matas's acquisition of Firtal Group ApS. Our guidance for the EBITDA margin before special items has been revised from above 14.5% to above 15%.

Our total guidance is as follows:

- Underlying revenue unchanged relative to 2017/18 (like-for-like growth in the -1% to 1% range) *(unchanged)*

- An EBITDA margin before special items above 15% *(revised)*

- CAPEX between DKK 110 million and DKK 130 million *(unchanged)*

- Total investments (CAPEX and other investments) between DKK 240 million and DKK 260 million *(unchanged)*

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

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

The 2018/19 financial year contains an extra trading day compared with FY 2017/18, which is expected to have a slightly positive effect on revenue.

Firtal Group ApS will be recognised in the financial statements as from closing, which is expected to take place in mid-November 2018.

Conference call

Matas will host a conference call for investors and analysts on Thursday, 8 November 2018 at 09:15 a.m.
The conference call and the presentation can be accessed on our investor website: www.investor.en.matas.dk.

Conference call access numbers for investors and analysts:

DK	+45 35 15 80 49
UK:	+44 (0)330 336 9125
US:	+1 929-477-0448
Event code:	6218306

Link to webcast: https://edge.media-server.com/m6/p/tu5xmv6n

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Forward-looking statements

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

Key financials

(DKKm)	2018/19 Q2	2017/18 Q2	2018/19 H1	2017/18 H1
Statement of comprehensive income				
Revenue	777.2	789.9	1,621.0	1,620.7
Gross profit	349.0	344.2	730.7	723.3
EBITDA	99.1	94.8	232.4	231.3
EBIT	55.9	57.0	151.0	156.9
Net financials	(5.0)	(5.3)	(9.3)	(10.3)
Profit before tax	50.9	51.7	141.7	146.6
Profit for the period after tax	36.6	40.3	107.4	114.4
Special items	9.5	12.7	14.5	12.7
EBITDA before special items	108.6	107.5	246.9	244.0
Adjusted profit after tax	61.0	65.3	150.7	154.2
Statement of financial position				
Total assets			5,256.2	5,305.1
Total equity			2,494.2	2,452.6
Net working capital			(29.7)	(56.2)
Net interest-bearing debt			1,636.5	1,694.0
Statement of cash flows				
Cash flow from operating activities	42.0	48.0	140.1	117.3
Cash flow from investing activities	(36.2)	(22.7)	(61.4)	(58.7)
Free cash flow	5.8	25.3	78.7	58.6
Ratios				
Revenue growth	(1.6)%	1.2%	0.0%	(1.2)%
Underlying (like-for-like) revenue growth	*(1.9)%*	*0.8%*	*(0.3)%*	*(1.1)%*
Gross margin	44.9%	43.6%	45.1%	44.6%
EBITDA margin	12.8%	12.0%	14.3%	14.3%
EBITDA margin before special items	14.0%	13.6%	15.2%	15.1%
EBIT margin	7.2%	7.2%	9.3%	9.7%
Cash conversion	17.4%	33.5%	41.4%	32.6%
Earnings per share, DKK	0.97	1.07	2.85	3.04
Diluted earnings per share, DKK	0.97	1.07	2.84	3.03
Share price, end of period, DKK			62.8	92.00
ROIC before tax			11.2%	12.5%
Net working capital as a percentage of LTM revenue			(0.9)%	(1.6)%
Investments as a percentage of revenue	4.7%	2.9%	3.8%	3.6%
Net interest-bearing debt/EBITDA before special items			2.9	2.8
Number of transactions (in millions)	5.0	5.1	10.3	10.3
Average basket size (in DKK)	154.0	149.8	155.8	152.5
Average no. of employees	2,099	2,155	2,091	2,137

For definitions of key financials, see pages 89-90 of the 2017/18 Annual Report.

Effective 1 April 2018, Matas implemented IFRS 15, Revenue from Contracts with Customers, which has led to a reclassification between revenue and cost of sales. Both items rose by DKK 11.9 million in Q2 2017/18. Revenue for Q2 2017/18 has been restated from DKK 778.0 million to DKK 789.9 million. See note 1 to the financial statements for more information.

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Management's review

Implementing "Renewing Matas"

The "Renewing Matas" strategy builds on five strategic focus areas: Matas's purpose and guideposts, three growth areas and increased focus on developing new ways of working. The strategy pursues three key ambitions going forward to 2023: lift customer engagement, grow revenue and secure earnings.

STRATEGIC AMBITIONS GOING FORWARD TO 2022/23

	Ambitions for 2022/23	Guidance for 2018/19	Realised H1 2018/19
Grow revenue	Approx. DKK 4 bn	DKK 3.4 bn	DKK 1,621.0 million
Sustain earnings (EBITDA margin before special items)	Above 14%	Above 14.5%	15.2%

With a view to lifting customer engagement, Matas will in the course of the financial year 2018/19 establish a basis for measuring Matas's current customer engagement score, which will then be used as the outset and a benchmark for further efforts to lift customer engagement going forward to 2023.

The work to implement the strategy is progressing according to plan, and the second quarter of the financial year saw the launch of a range of measures within each of the five strategic focus areas.

1. Live our purpose

Together, Matas's purpose, 'Beauty & Wellbeing for life', and its six carefully selected guideposts set the course for the strategy and the Group's efforts to enhance customer engagement through, among other things, an improved customer experience. The six guideposts aim to make the Matas profile more personal; more green; more Danish; more sensuous; more simple; and more for everyone.

In September, Matas introduced the new purpose, the guideposts and the new campaign, 'More beautiful together', to the professional beauty industry, represented by almost 300 suppliers and opinion makers, at a major event in Copenhagen. The key message of the corresponding new consumer-oriented campaign, 'More beautiful together', also launched in September, is that beauty is a feeling we share. As part of the campaign, customers are invited to share their views on beauty.

Club Matas grew its net membership in Q2 2018/19, retaining the position as one of Denmark's largest customer clubs with some 1.55 million active members redeeming points on a regular basis. At the end of September 2018, 668,000 members had downloaded the Club Matas App.

2. Win online

Matas aims to be the undisputed online market leader in the Danish market for beauty and wellbeing by 2023. In January 2018, we geared up our online efforts, launching a number of tactical initiatives to, among other things, make matas.dk more user-friendly, personalise Club Matas and improve Matas's omnichannel service. This work continued in Q2 with efforts including an upgrade of the internal search function on matas.dk to ensure customers get more accurate and more personalised hits. Also, the area in which same day home delivery is available to customers in Greater Copenhagen was expanded. The number of customers with access to same day home delivery has increased by more than 30% since the end of Q1.

On 29 August 2018, Matas signed an agreement to acquire Firtal Group ApS, the owner of helsebixen.dk and a number of other webshops and brands within health and wellbeing. The acquisition of Firtal Group ApS will double Matas's online business market share; consolidate its position in the market for green and natural products and strengthen its platform for new growth and business development. The purchase offers potential synergies within marketing, procurement and logistics and benefits from best practice sharing and from adding skilled leaders with solid experience in entrepreneurship and innovation. The transaction was approved by the Danish Competition and Consumer Authority on 5 November 2018 and is expected to be completed (closed) in mid-November 2018.

In early September, Google launched the Danish version of Google Assistant with Matas as one of its few selected partners. Enabling customers to chat online with Matas, Google Assistant will help make online shopping on matas.dk even easier.

Matas continued its efforts to expand the personal dialogue with customers through its digital channels in the second quarter of the financial year. By the end of September 2018, our customers were able to follow 248 Matas stores on Facebook. Our efforts to promote Beame, our new social media-driven universe for the 13+ age group, continued in the second quarter.

3. Reignite store growth

Efforts to develop a new store concept continued in the second quarter, and the first stores shaped around the new concept are expected to open by the end of the financial year.

Our commitment to continuously renew the product range was reflected in the introduction of three new high-end brands in the second quarter: skincare from US brand Peter Thomas Roth, biodynamic skincare from Australia's Jurlique and organic makeup from Australia's Inika. Zarko, the Danish fragrance brand, was introduced in an additional 61 stores, and our private label range was strengthened by the introduction of five new products within the Matas Men range.

We opened one new store in the second quarter, in Haslev, to replace the associated store which left the chain at 1 February 2018, and the store in Jyderup moved to a better location. Two minor stores, at Vesterport Station in Copenhagen and in Vejle, were closed, the latter as a consequence of a larger store opening in Vejle in the third quarter of 2017. At the end of the quarter, the Matas store at Købmagergade 55 in Copenhagen was converted into one of the two new Matas Natur concept stores, the second being the former StyleBox store in the Bruuns Galleri shopping centre in Aarhus. The StyleBox chain was closed down in March 2018.

4. Open new growth tracks

As part of its strategy, Matas is committed to strengthening its position on the green market, which is growing rapidly on the back of increasing customer demand for green products produced with care and consideration for human health, the environment and inner beauty. Two concrete initiatives supporting this ambition were implemented in the second quarter: the introduction of Matas Natur and the acquisition of helsebixen.dk.

Matas Natur, an omnichannel concept, as described above, consisting of two concept stores, one in Copenhagen and one in Aarhus, and a webshop at www.matas.dk/natur serving customers in the rest of the country, was introduced on 27 September 2018.

With the acquisition of helsebixen.dk, Matas will improve its offering for the growing number of health-conscious consumers and gain share in the green market.

5. Change how we work

Rethinking and simplifying how we work is a key element of our updated strategy, "Renewing Matas". As part of this process, we implemented a number of organisational changes in the first half of the financial year, appointing new leaders of two core areas: sales and store operations as well as commercial.

On 1 August, Søren Thomsen was appointed new Chief Operating Officer. Søren Thomsen joined Matas from the position as COO, Director of Scandinavia, in Hunkemöller, which he joined in 2009. On 1 October, Lise Ryevad took up a new position as Commercial Director to head up procurement, marketing and Club Matas. Lise Ryevad joined Matas from the position as Director of Airport Sales at Copenhagen Airports A/S. On 1 August, former Sales Director Katrine Benthien took up the position as Chief of Development and Supply Chain. Her responsibilities include Matas's new retail concept, logistics and new growth initiatives.

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Revenue

Revenue in Q2 2018/19

Matas generated total revenue of DKK 777.2 million in Q2 2018/19, against DKK 789.9 million in the same period of last year. Sales in stores operated by the Group in both Q2 2018/19 and Q2 2017/18 were down by 1.9% (underlying like-for-like growth). The negative effect of having one trading day less and a less favourable distribution of trading days in the quarter is estimated to account for approximately 0.6 of a percentage point of the decline in underlying revenue growth.

Effective 1 April 2018, Matas implemented IFRS 15, Revenue from Contracts with Customers, which has led to a reclassification between revenue and cost of sales. Both items rose by DKK 11.9 million in Q2 2017/18, increasing total revenue from the previously announced amount of DKK 778.0 million to DKK 789.9 million. For additional information, see note 1 to the financial statements.

The Q2 revenue performance was supported by improved High-End Beauty and Material sales, while Mass Beauty, Vital and MediCare sales declined compared with the year-earlier period. The number of transactions fell by 2.3%. Adjusted for new, closed and acquired stores, the decline was approximately 4%. The average basket size grew by 2.8% or DKK 4.10. Online sales were up by 61% over the year-earlier period.

Wholesale sales to associated Matas stores etc. declined by DKK 8.6 million relative to the same period of last year. The decline was mainly attributable to the exit of the remaining five associated stores from the Matas chain at the end of January 2018. The acquisition of two stores since Q2 2017/18 also impacted on wholesale sales. Revenue from Club Matas relating to partners, value adjustments of Club Matas points and B2B are also included in this item.

SHOPS-IN-SHOP

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

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

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

MATERIAL
Household and personal care products, including household cleaning and maintenance products, babycare, footcare and sports-related products.

MEDICARE
OTC medicine, nursing products, etc.

SALES CHANNELS

At 30 September 2018, the Matas chain consisted of 277 physical stores and an associated store in Greenland.

In addition, Matas was present online through matas.dk and stylebox.dk.

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

REVENUE BY SHOPS-IN-SHOP AND SALES CHANNELS

(DKKm)	2018/19 Q2	2017/18 Q2	Growth	2018/19 H1	2017/18 H1	Growth
Beauty	527.0	530.0	(0.6)%	1,125.3	1,114.5	1.0%
Vital	105.1	106.0	(0.8)%	203.1	197.2	3.0%
Material	85.8	82.1	4.5%	174.4	168.1	3.7%
MediCare	46.8	48.1	(2.7)%	93.2	94.5	(1.4)%
Other	3.0	7.8	(61.2)%	6.0	14.8	(59.2)%
Total own store revenue	**767.7**	**774.0**	**(0.8)%**	**1,602.0**	**1,589.1**	**0.8%**
Wholesale sales etc.	9.5	15.9	(40.5)%	19.0	31.6	(40.2)%
Total revenue	**777.2**	**789.9**	**(1.6)%**	**1,621.0**	**1,620.7**	**0.0%**

Overall Beauty segment revenue was down by 0.6% compared with Q2 2017/18. Sales of High-End Beauty products were up by 1.5%, while Mass Beauty sales fell by 2.6%, reflecting the growing customer preference for High-End over Mass Beauty products.

Skincare reported the strongest sales growth. The Mass Beauty segment was once again adversely affected by slowing sales of colour cosmetics.

The Beauty segment's share of total own store revenue was 68.6%, in line with the Q2 2017/18 level.

The Vital segment saw sales decline slightly by 0.8% due, among other things, to a reshuffle of campaign activity. The Material segment grew revenue by 4.5%, supported by higher sales of seasonal products, including sandals. The MediCare segment, which offers OTC and medicare products, saw sales go down by 2.7%.

Private label sales were up by 2.2% in Q2.

Costs and operating performance

Costs and operating performance in Q2 2018/19

Gross profit for Q2 2018/19 was DKK 349.0 million, against DKK 344.2 million in Q2 2017/18.

The gross margin for Q2 2018/19 was 44.9%, up from 43.6% in Q2 2017/18. The gross margin was supported by improved campaign efficiency in Q2 compared to the year-earlier period.

Other external costs amounted to DKK 84.6 million in Q2 2018/19, up from DKK 68.5 million in the year-earlier period. The increase was driven primarily by special items in the form of non-recurring costs of DKK 9.5 million relating mainly to the acquisition of Firtal Group ApS. In addition, marketing expenses increased in connection with the implementation of the "More beautiful together campaign", while consultancy fees and costs relating to online sales were also up.

Overall, staff costs were lowered by DKK 15.6 million to DKK 165.3 million in Q2 2018/19 compared with the same period of 2017/18, in which period non-recurring costs of DKK 12.0 million were incurred in connection with the change of CEO. Adjusted for special items, staff costs were down by DKK 3.6 million.

Staff costs amounted to 21.3% of Q2 2018/19 revenue, against 22.9% in the year-earlier period. Adjusted for special items, staff costs amounted to 21.4% of Q2 2017/18 revenue.

Q2 2018/19 staff costs included DKK 1.0 million related to the company's long-term share compensation programme.

COSTS

(DKKm)	2018/19 Q2	2017/18 Q2	Growth	2018/19 H1	2017/18 H1	Growth
Other external costs	84.6	68.5	23.5%	158.1	138.4	14.2%
- *of which special items*	*9.5*	*0.7*		*9.7*	*0.7*	
As a percentage of revenue	10.9%	8.7%		9.8%	8.5%	
Staff costs	165.3	180.9	(8.6)%	340.2	353.6	(3.8)%
- *of which special items*	*0.0*	*12.0*		*4.8*	*12.0*	
As a percentage of revenue	21.3%	22.9%		21.0%	21.8%	

EBITDA was DKK 99.1 million in Q2 2018/19, an increase of 4.5% over DKK 94.8 million in Q2 2017/18. The EBITDA margin was 12.8%, 0.7 of a percentage point higher than in Q2 2017/18. The higher EBITDA margin was attributable mainly to an improved contribution ratio in Q2 2018/19 and lower exceptional items than in Q2 2017/18. EBITDA before special items came to DKK 108.6 million, an increase of 1.0%, and the EBITDA margin was 14.0% against 13.6% in Q2 2017/18.

Financial items

Net financial expenses were down by DKK 0.3 million in Q2 2018/19 to DKK 5.0 million.

Until 30 June 2018, when the agreement expired, Matas's net interest-bearing debt was hedged by an interest rate swap. In Q2 2018/19, the interest rate swap was replaced by a different interest rate hedging instrument, a CAP. In this connection, Matas is applying the new hedge accounting rules under IFRS 9, which means that the market value of the hedge will no longer be adjusted through profit or loss.

NET FINANCIAL EXPENSES

(DKKm)	2018/19 Q2	2017/18 Q2	2018/19 H1	2017/18 H1
Net financial expenses	5.0	5.3	9.3	10.3
Fair value adjustment of interest rate swap	0.0	2.2	2.9	4.8
Net financial expenses, adjusted for swap	5.0	7.5	12.2	15.1

Profit for the period

The effective tax rate was 28.1% in Q2 2018/19, equivalent to a tax expense of DKK 14.3 million. The effective tax rate was inflated by the non-deductible transaction costs incurred in the second quarter in connection with the acquisition of Firtal Group ApS. Profit for the period after tax was DKK 36.6 million, and Adjusted profit after tax was DKK 61.0 million, a decline of 6.6% from DKK 65.3 million in Q2 2017/18.

Statement of financial position

Total assets amounted to DKK 5,256.2 million at 30 September 2018, down from DKK 5,305.1 million at 30 September 2017.

Goodwill was written down by DKK 4.7 million in Q2 2018/19 due to store closures.

Current assets totalled DKK 954.4 million, a year-on-year increase of DKK 21.4 million. Inventories at 30 September 2018 were 3.3% higher than at 30 September 2017.

Inventories accounted for 23.0% of LTM revenue at 30 September 2018 compared with 22.2% at 30 September 2017 and 22.8 % at the end of Q1 2018/19.

Reflecting the acquisition of stores and the exit of the remaining associated stores from the chain at the end of January 2018, trade receivables declined by DKK 4.0 million to DKK 9.7 million. Trade payables increased by DKK 7.3 million as compared with the level at 30 September 2017.

Net working capital excluding deposits stood at minus DKK 29.7 million at 30 September 2018, compared with minus DKK 56.2 million at 30 September 2017. Working capital accounted for minus 0.9% of LTM revenue, as compared with minus 1.6% last year.

Cash and cash equivalents stood at DKK 54.9 million, up from DKK 52.3 million the year before.

Equity was DKK 2,494.2 million at 30 September 2018, compared with DKK 2,452.6 million at 30 September 2017.

Gross interest-bearing debt stood at DKK 1,691.4 million at 30 September 2018.

Net interest-bearing debt was DKK 1,636.5 million at 30 September 2018, a year-on-year decline of DKK 57.5 million – equalling 2.9 times LTM EBITDA before special items, within the target of a level between 2.5 and 3. The corresponding figure at 30 September 2017 was 2.8.

At 30 September 2018, the company's share capital consisted of 38,291,492 shares of DKK 2.50 each, corresponding to a share capital of DKK 95,728,730. Matas currently holds 657,186 treasury shares, which are held for the purpose of meeting the Group's obligations under its long-term executive incentive programme.

Statement of cash flows

Cash generated from operations was an inflow of DKK 46.6 million in Q2 2018/19 against an inflow of DKK 54.2 million in Q2 2017/18. The cash flow from operating activities was an inflow of DKK 42.0 million in Q2 2018/19, down from an inflow of DKK 48.0 million in Q2 2017/18.

The free cash flow was an inflow of DKK 5.8 million in Q2 2018/19, compared with an inflow of DKK 25.3 million in Q2 2017/18. The free cash flow was adversely affected by significantly higher investment activity and a slightly lower cash flow from operating activities.

Return on invested capital

The return on LTM invested capital before tax was 11.2%, compared with 12.5% a year earlier.

Events after the date of the statement of financial position

The acquisition of Firtal Group ApS was approved by the Danish Competition and Consumer Authority on 5 November 2018.

Significant risks

As stated in the 2017/18 Annual Report, no significant operational risks are deemed to exist other than what is normal for the industry. Matas is to some extent exposed to different types of financial risk such as interest rate, liquidity and credit risk. For additional information on such risk, see note 29 to the consolidated financial statements for 2017/18 and the description on page 10 of the CAP entered into.

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management today considered and approved the interim report of Matas A/S for the period 1 April to 30 September 2018.

The interim report, which has been neither audited nor reviewed by the company's auditors, has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

In our opinion, the interim report gives a true and fair view of the Group's assets and liabilities and financial position at 30 September 2018 and of the results of the Group's operations and cash flows for the period 1 April to 30 September 2018.

Furthermore, in our opinion, the management's review includes a fair review of the development and performance of the business, the results for the period and of the Group's financial position in general and describes the principal risks and uncertainties that the Group faces.

Allerød, 8 November 2018

Executive Management

Gregers Wedell-Wedellsborg
CEO

Anders T. Skole-Sørensen
CFO

Board of Directors

Lars Vinge Frederiksen
Chairman

Lars Frederiksen
Deputy Chairman

Signe Trock Hilstrøm

Mette Maix

Christian Mariager

Birgitte Nielsen

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Additional information

Financial calendar

The financial year covers the period 1 April – 31 March, and the following dates have been fixed for releases etc. in the remainder of financial year 2018/19:

FINANCIAL CALENDAR	
8 January 2019	Trading update for Q3 2018/19
7 February 2019	Interim report – Q3 2018/19
28 May 2019	Annual report 2018/19
27 June 2019	Annual general meeting for 2018/19

Company information

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Company reg. (CVR) no. 27 52 84 06

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Statement of comprehensive income

(DKKm)	2018/19 Q2	2017/18 Q2	2018/19 H1	2017/18 H1
Revenue	777.2	789.9	1,621.0	1.6207
Cost of goods sold	(428.2)	(445.7)	(890.3)	(897.4)
Gross profit	349.0	344.2	730.7	723.3
Other external costs	(84.6)	(68.5)	(158.1)	(138.4)
Staff costs	(165.3)	(180.9)	(340.2)	(353.6)
Amortisation, depreciation and impairment	(43.2)	(37.8)	(81.4)	(74.4)
EBIT	55.9	57.0	151.0	156.9
Financial income	0.0	2.2	2.9	4.8
Financial expenses	(5.0)	(7.5)	(12.2)	(15.1)
Profit before tax	50.9	51.7	141.7	146.6
Tax on profit for the period	(14.3)	(11.4)	(34.3)	(32.3)
Profit for the period	36.6	40.3	107.4	114.4
Other comprehensive income				
Other comprehensive income after tax	0.0	0.0	0.0	0.0
Total comprehensive income	36.6	40.3	107.4	114.4
Earnings per share				
Earnings per share, DKK	0.97	1.07	2.85	3.04
Diluted earnings per share, DKK	0.97	1.07	2.84	3.03

Statement of cash flows

(DKKm)	2018/19 Q2	2017/18 Q2	2018/19 H1	2017/18 H1
Profit before tax	50.9	51.7	141.7	146.6
Adjustment for non-cash operating items etc.:				
Amortisation, depreciation and impairment	43.2	37.8	81.4	74.4
Other non-cash operating items, net	1.0	12.7	2.7	13.3
Financial income	0.0	(2.2)	(2.9)	(4.8)
Financial expenses	5.0	7.5	12.2	15.1
Cash flows from operations before changes in working capital	100.1	107.5	235.1	244.6
Changes in working capital	(53.5)	(53.3)	(83.2)	(113.7)
Cash generated from operations	46.6	54.2	151.9	130.9
Interest paid	(4.6)	(6.2)	(11.8)	(13.6)
Corporation tax paid	0.0	0.0	0.0	0.0
Cash flow from operating activities	42.0	48.0	140.1	117.3
Acquisition of intangible assets	(17.4)	(4.8)	(27.5)	(22.1)
Acquisition of property, plant and equipment	(18.8)	(13.4)	(33.9)	(28.8)
Acquisition of subsidiaries and operations	0.0	(4.6)	0.0	(7.9)
Cash flow from investing activities	(36.2)	(22.7)	(61.4)	(58.7)
Free cash flow	5.8	25.3	78.7	58.6
Debt raised and settled with credit institutions	97.7	43.8	132.7	197.5
Dividend paid	(237.1)	(237.1)	(237.1)	(237.1)
Purchase of hedging instrument	(5.8)	0.0	(5.8)	0.0
Cash flows from financing activities	(145.2)	(193.3)	(110.2)	(39.6)
Net cash flow from operating, investing and financing activities	(139.4)	(168.0)	(31.5)	19.0
Cash and cash equivalents, beginning of period	194.3	220.3	86.4	33.3
Cash and cash equivalents, end of period	54.9	52.3	54.9	52.3

Assets

(DKKm)	30.09 2018	30.09 2017	31.03 2018
NON-CURRENT ASSETS			
Goodwill	3,731.7	3,741.7	3,736.4
Trademarks and trade names	251.0	324.9	287.9
Shares in co-operative property	3.9	3.9	3.9
Other intangible assets	63.1	56.2	54.1
Total intangible assets	4,049.7	4,126.7	4,082.3
Property, plant and equipment			
Land and buildings	86.8	90.5	88.3
Other fixtures and fittings, tools and equipment	88.4	78.3	76.1
Leasehold improvements	13.7	12.7	11.6
Total property, plant and equipment	188.9	181.5	176.0
Deferred tax assets	22.6	23.0	19.8
Deposits	39.9	40.2	40.7
Other securities and investments	0.7	0.7	0.7
Total other non-current assets	63.2	63.9	61.2
Total non-current assets	4,301.8	4,372.1	4,319.5
CURRENT ASSETS			
Inventories	798.7	773.4	749.0
Trade receivables	9.7	13.7	7.1
Corporation tax receivable	59.3	66.4	112.0
Other receivables	12.0	10.0	6.7
Prepayments	19.8	17.2	22.9
Cash and cash equivalents	54.9	52.3	86.4
Total current assets	954.4	933.0	984.1
TOTAL ASSETS	5,256.2	5,305.1	5,303.6

Equity and liabilities

(DKKm)	30.09 2018	30.09 2017	31.03 2018
EQUITY			
Share capital	95.7	95.7	95.7
Hedging reserve	0.3	0.0	0.0
Translation reserve	0.3	0.3	0.3
Treasury share reserve	(73.7)	(73.7)	(73.7)
Retained earnings	2,471.6	2,430.3	2,357.4
Proposed dividend for the financial year	0.0	0.0	241.2
Total equity	2,494.2	2,452.6	2,620.9
LIABILITIES			
Deferred tax	200.7	227.4	211.4
Credit institutions	1,594.2	1,652.5	1,558.3
Other payables	0.0	8.3	0.0
Total non-current liabilities	1,794.9	1,888.2	1,769.7
Credit institutions	97.2	93.8	0.0
Prepayments from customers	148.9	148.3	160.2
Trade payables	573.6	566.3	579.4
Other payables	147.4	155.9	173.4
Total current liabilities	967.1	964.3	913.0
Total liabilities	2,762.0	2,852.5	2,682.7
TOTAL EQUITY AND LIABILITIES	5,256.2	5,305.1	5,303.6

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Statement of changes in equity

	Share capital	Hedging reserve	Translation reserve	Treasury share reserve	Proposed dividend	Retained earnings	Total
Equity at 1 April 2018	**95.7**	**0.0**	**0.3**	**(73.7)**	**241.2**	**2,357.4**	**2,620.9**
Value adjustment of hedging instrument	0.0	0.4	0.0	0.0	0.0	0.0	0.4
Tax on value adjustment	0.0	(0.1)	0.0	0.0	0.0	0.0	(0.1)
Other comprehensive income	0.0	0.3	0.0	0.0	0.0	0.0	0.3
Profit for the period	0.0	0.0	0.0	0.0	0.0	107.4	107.4
Total comprehensive income	**0.0**	**0.3**	**0.0**	**0.0**	**0.0**	**107.4**	**107.7**
Transactions with owners							
Dividend paid	0.0	0.0	0.0	0.0	(237.1)	0.0	(237.1)
Dividend on treasury shares	0.0	0.0	0.0	0.0	(4.1)	4.1	0.0
Share-based payment	0.0	0.0	0.0	0.0	0.0	2.7	2.7
Total transactions with owners	**0.0**	**0.0**	**0.0**	**0.0**	**(241.2)**	**6.8**	**(234.4)**
Equity at 30 September 2018	**95.7**	**0.3**	**0.3**	**(73.7)**	**0.0**	**2,471.6**	**2,494.2**

	Share capital	Translation reserve	Treasury share reserve	Proposed dividend	Retained earnings	Total
Equity at 1 April 2017	**98.2**	**0.3**	**(185.3)**	**247.5**	**2,411.8**	**2,572.5**
Other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Profit for the period	0.0	0.0	0.0	0.0	114.4	114.4
Total comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**114.4**	**114.4**
Transactions with owners						
Dividend transferred to liabilities	0.0	0.0	0.0	(237.1)	0.0	(237.1)
Dividend on treasury shares	0.0	0.0	0.0	(10.4)	10.4	0.0
Capital reduction	(2.5)	0.0	111.6	0.0	(109.1)	0.0
Share-based payment	0.0	0.0	0.0	0.0	2.8	2.8
Total transactions with owners	**(2.5)**	**0.0**	**111.6**	**(247.5)**	**(95.9)**	**(234.3)**
Equity at 30 September 2017	**95.7**	**0.3**	**(73.7)**	**0.0**	**2,430.3**	**2,452.6**

Notes

Note 1 – Accounting policies

The interim report is presented in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

Except as set out below, the accounting policies are unchanged from the accounting policies applied in the consolidated financial statements for 2017/18, to which reference is made.

Changes of accounting policies

Matas has applied IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers, for the first time. The effects of these changes are described below.

Changes to other standards and interpretations also apply for the first time in 2018/19. None of these changes have had any impact on recognition or measurement in the interim report.

Impact of IFRS 9, Financial Instruments

IFRS 9, Financial Instruments, replaces IAS 39 and changes the classification, measurement and impairment of financial assets and introduces new hedge accounting rules.

Under IFRS 9, Matas must recognise expected credit losses on all debt securities, loans and trade receivables, based either on 12-month expected losses or on lifetime expected losses. Matas recognises expected lifetime losses on all trade receivables. Based on the portfolio of financial assets and liabilities and the historically low losses incurred on loans and receivables, the implementation of the new standard has had no effect on Matas's interim report and thus no effect on retained earnings as at 1 April 2018. Implementing the standard has not in any way affected recognition or measurement.

Impact of IFRS 15, Revenue from Contracts with Customers

IFRS 15 replaces the previous revenue standards (IAS 11, Construction Contracts, and IAS 18, Revenue) and related interpretations and introduces a five-step model for the recognition of revenue from contracts with customers. Under IFRS 15, revenue is recognised at the amount of consideration to which Matas expects to be entitled in exchange for transferring goods or services to a customer.

As described on page 75 of the annual report for 2017/18, implementing the new standard has led to a reclassification of particularly the Club Matas customer loyalty programme. The reclassification inflated revenue by DKK 45.7 million and cost of sales by a corresponding amount in financial year 2017/18. For Q2 2017/18 and H1 2017/18, the increase was DKK 11.9 million and DKK 21.8 million, respectively.

Matas has not recognised any substantial provisions for return rights (customers' right to return products to Matas) in connection with the preparation of the interim report.

Matas has implemented the new standard without restating comparatives, but has made the above-mentioned reclassification regarding the Club Matas loyalty programme. Except for the above-mentioned reclassification, the new standard has not significantly affected the recognition or measurement of revenue. The new standard has not affected the statement of cash flows, profits or earnings per share.

Standards issued but not yet effective

IFRS 16, Leases, takes effect for financial years beginning on or after 1 January 2019, and Matas has opted against early adoption of the standard. The IFRS 16 project continued in the second quarter of 2018/19 and is progressing as planned. Matas will continue to evaluate how the new standard impacts on the consolidated financial statements in financial year 2018/19.

Note 2 – Accounting estimates and judgments

The preparation of interim financial statements requires management to make accounting judgments and estimates that affect the application of accounting policies and recognised assets, liabilities, income and expenses. Actual results may differ from these estimates.

The critical accounting estimates and judgments applied are consistent with those applied in the consolidated financial statements for 2017/18.

Note 3 – Seasonality

Except for fluctuations in the number of trading days, the Group's activities in the interim period were only to a limited extent affected by seasonal or cyclical fluctuations.

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Interim financial highlights

(DKKm)	2018/19 Q2	2018/19 Q1	2017/18 Q4	2017/18 Q3	2017/18 Q2
Statement of comprehensive income					
Revenue	777.2	843.8	769.3	1,074.8	789.9
Gross profit	349.0	381.7	341.8	484.2	344.2
EBITDA	99.1	133.3	81.7	221.5	94.8
EBIT	55.9	95.1	34.7	177.3	57.0
Net financial expenses	(5.0)	(4.3)	(4.2)	(5.2)	(5.3)
Profit before tax	50.9	90.8	30.5	172.1	51.7
Profit for the period	36.6	70.8	31.7	134.2	40.3
Statement of financial position					
Total assets	5,256.2	5,410.7	5,303.6	5,328.0	5,305.1
Total equity	2,494.2	2,456.3	2,620.9	2,588.2	2,452.6
Net working capital	(29.7)	(89.1)	(127.3)	(166.7)	(56.2)
Net interest-bearing debt	1,636.5	1,399.4	1,471.9	1,457.0	1,694.0
Statement of cash flows					
Cash flow from operating activities	42.0	98.1	5.8	260.5	48.0
Cash flow from investing activities	(36.2)	(25.2)	(20.3)	(23.1)	(22.7)
Free cash flow	5.8	72.9	(14.5)	237.4	25.3
Net cash flow from operating, investing and financing activities	(139.5)	107.9	34.2	(0.1)	(168.0)
Key performance indicators					
Number of transactions (in millions)	5.0	5.3	4.9	6.0	5.1
Average basket size (in DKK)	154.0	157.6	154.4	175.3	149.8
Total retail floor space (in thousands of square metres)	53.4	53.3	53.3	53.4	53.3
Avg. revenue per square metre (in DKK thousands) - LTM	64.2	64.5	64.3	64.7	64.7
Like-for-like growth	(1.9)%	1.1%	(2.6)%	(0.8)%	0.8%
Adjusted figures					
EBITDA	99.1	133.3	81.7	221.5	94.8
Special items	9.5	5.0	2.0	5.5	12.7
EBITDA before special items	108.6	138.3	83.7	227.0	107.5
Depreciation and amortisation of software	(23.6)	(19.0)	(29.3)	(23.2)	(18.5)
Special items, amortisation and depreciation	0.0	0.0	1.4	4.0	0.0
EBITA	85.0	119.3	55.7	207.7	89.0
Adjusted profit after tax	61.0	89.7	47.0	154.8	65.3
Gross margin	44.9%	45.2%	44.4%	45.0%	43.6%
EBITDA margin	12.8%	15.8%	10.6%	20.6%	12.0%
EBITDA margin before special items	14.0%	16.4%	10.9%	21.1%	13.6%
EBITA margin	10.9%	14.1%	7.2%	19.3%	11.3%
EBIT margin	7.2%	11.3%	4.5%	16.5%	7.2%