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Company announcement no. 13 2019/20 – INSIDE INFORMATION
Allerød, 27 February 2020

Interim report – 9M 2019/20

(1 April – 31 December 2019)

Earnings growth in Matas on the back of strong Christmas season quarter with higher sales, more customers and a new online sales record. Guidance upgraded.

Matas A/S generated revenue of DKK 1,173 million in Q3 2019/20 (1 October 2019 - 31 December 2019), up 7.4% on the DKK 1,093 million reported for Q3 2018/19. Earnings were DKK 218.9 million before IFRS 16 (EBITDA before exceptional items) and DKK 263.9 million after IFRS 16, a year-on-year increase of 6.2%.

Underlying like-for-like sales, i.e. sales in stores operated in both Q3 2019/20 and Q3 2018/19, were up by 4.7% in Q3 2019/20.

Gregers Wedell-Wedellsborg, CEO of Matas A/S: *"The third quarter was an important milestone for Matas. The interaction between the online channel and our physical stores was impeccable, and with a higher number of customers generally spending more money, we recorded historically high revenue and solid earnings growth"*.

The Group's digital transformation continued at full speed with sales on matas.dk surging by a record-high 84%. Factoring in revenue from Firtal, 16.2% of sales were completed online, compared with 8.5% in the year-earlier period. Matas still aims to be the customer's first choice, online as well as in retail stores.

Revenue guidance for financial year 2019/20 has been upgraded to overall revenue growth of above 5% (previously around 5%) and underlying revenue growth of above 1.5% (previously around 1.5%). Guidance for the EBITDA margin before exceptional items is specified at 14-14.5% before IFRS 16 (previously 14-15%).

"We're pleased to note that the strong momentum witnessed in the Christmas season quarter has continued into 2020 and that we're therefore able to upgrade our revenue guidance for financial year 2019/20. We will continue to invest in renewing Matas and have also specified our earnings guidance", said Gregers Wedell-Wedellsborg.

The interim report for Q3 2019/20 is presented in accordance with IFRS 16. However, key financials are also presented before IFRS 16 in order to enable year-on-year comparisons with 2018/19. IFRS 16 implementation primarily affected EBITDA and EBIT as well as cash flows from operating and financing activities. Revenue and gross margin were not affected by IFRS 16 implementation.

Q3 2019/20 highlights

- Revenue grew by 7.4%, while underlying like-for-like sales, i.e. sales in stores operated in both Q3 2019/20 and Q3 2018/19, were up by 4.7% in Q3 2019/20.
- Online sales via matas.dk were ahead by 84% year-on-year, while overall online sales, including revenue acquired from Firtal, surged by 104% to make up 16.2% of Q3 2019/20 revenue from 8.5% in Q3 2018/19.
- The gross margin was 43.9% against 44.0% in Q3 2018/19.
- On 9 October 2019, Firtal Group acquired Din Frisør Shop, a small operator of two webshops. The initial purchase price was DKK 15 million, to which should be added contingent consideration of DKK 5 million. With the acquisition of Din Frisør Shop, Firtal has gained access to new segments focused on professional haircare and beauty products.

The below cost and earnings comments are based on pre-IFRS 16 numbers.

- Impacted by costs added by Firtal and Kosmolet and by increased activity on matas.dk, costs were up by DKK 21.2 million. Other external costs were up by DKK 13.7 million and staff costs rose by DKK 7.5 million.
- EBITDA before exceptional items came to DKK 218.9 million, up from DKK 206.0 million in the year-earlier period. The EBITDA margin before exceptional items was 18.7% against 18.8% in Q3 2018/19.

- Cash generated from operations was an inflow of DKK 209.2 million in Q3 2019/20 against an inflow of DKK 337.1 million in Q3 2018/19. The free cash flow was an inflow of DKK 109.7 million compared with an inflow of DKK 127.4 million in the year-earlier period.

- The ratio of net interest-bearing debt to EBITDA before exceptional items was 3.0 against 2.8 at 31 December 2018.

9M 2019/20 highlights

- Revenue was up by 5.8% and underlying like-for-like sales grew by 1.6% over the first nine months of 2018/19.

- Online sales via matas.dk were ahead by 72% year-on-year, while overall online sales, including revenue acquired from Firtal, surged by 141% to make up 13.4% of 9M 2019/20 revenue from 5.9% in the same period of 2018/19.

- The gross margin was 44.1% against 44.6% for the first nine months of 2018/19.

The below cost and earnings comments are based on pre-IFRS 16 numbers.

- Overall costs increased by DKK 64.5 million relative to the first nine months of 2018/19. Costs added from the acquisitions of Firtal and Kosmolet drove other external costs up by DKK 34.4 million and staff costs by DKK 18.4 million. Costs were further impacted by significantly increased activity on matas.dk.

- EBITDA before exceptional items and after adjustments came to DKK 446.2 million against DKK 452.9 million in the year-earlier period. The EBITDA margin before exceptional items and after adjustments was 15.5% against 16.7% for the first nine months of 2018/19.

- Disregarding acquisitions of subsidiaries, the free cash flow for the first nine months of 2019/20 was DKK 130.4 million against DKK 316.8 million for the year-earlier period. The decline was attributable to larger inventories to cover the Christmas quarter and the addition of stocks from the new matas.dk webshop and Kosmolet and Firtal, which were only to a limited extent offset by increases in other working capital items. In addition, the free cash flow was adversely affected by larger investments in the first nine months of the year than in the year-earlier period.

(DKKm)	**After IFRS 16 2019/20 Q3**	**Bef. IFRS 16 2019/20 Q3**	**Bef. IFRS 16 2018/19 Q3**	**After IFRS 16 2019/20 9M**	**Bef. IFRS 16 2019/20 9M**	**Bef. IFRS 16 2018/19 9M**
Revenue	1,173.4	1,173.4	1,092.6	2,871.5	2,871.5	2,713.6
Gross profit	515.1	515.1	480.9	1,266.6	1,266.6	1,211.6
EBITDA before exceptional items	262.7	218.9	206.0	562.2	446.2	452.9
EBIT	165.6	167.5	162.9	282.1	287.0	313.9
Adjusted profit after tax	137.5	142.9	139.8	259.6	275.6	290.5
Free cash flow	154.7	109.7	127.4	127.3	(7.3)	206.1
Revenue growth	7.4%	7.4%	1.7%	5.8%	5.8%	0.7%
Underlying like-for-like revenue growth	*4.7%*	*4.7%*	*0.5%*	*1.6%*	*1.6%*	*0.0%*
Gross margin	43.9%	43.9%	44.0%	44.1%	44.1%	44.6%
EBITDA margin before except. items	22.5%	18.7%	18.8%	20.2%	15.5%	16.7%
Net interest-bearing debt/EBITDA before exceptional items				n.a.	3.0	2.8

Financial targets

The Group's financial targets for financial year 2019/20 for overall revenue growth and underlying revenue growth have been upgraded relative to the guidance announced in company announcement no. 11 2019/20 (Trading Update for Q3 2019/20). At the same time, guidance for the EBITDA margin before exceptional items has been specified.

Our overall financial targets for financial year 2019/20 are as follows:

- Overall revenue growth of above 5% *(previously: around 5%)*
- Underlying like-for-like revenue growth of above 1.5% *(previously: around 1.5%)*
- EBITDA margin before exceptional items of 14-14.5 % before IFRS 16 *(previously: 14-15%)*
- CAPEX between DKK 150 million and DKK 170 million *(unchanged)*

The Group's financial targets for financial year 2019/20 reflect the full-year effects of the Firtal acquisition (closing at 13 November 2018), which is included in underlying revenue growth from December 2019, the Kosmolet A/S acquisition (closing at 11 June 2019) and Firtal Group's acquisition of Din Frisør Shop (closing at 9 October 2019).

The Group's financial targets for 2019/20 are based on assumptions of slightly growing sales of beauty, health and personal care products, a continuing decline in physical store footfall and persistently intensive competition in the beauty, health and personal care market. The Group's revenue guidance for the remainder of financial year 2019/20 does not factor in any significant effects of the spreading of the COVID-19 virus.

The Group's long-term financial ambitions are unchanged.

Realised and projected KPI levels are set out in the table below.

Financial targets and ambitions	**Realised Q3 2019/20**	**Realised 9M 2019/20**	**Targets for 2019/20**	**Ambitions for 2022/23**
Customer engagement (M-NPS)	63 (index 98)	63 (index 98)	Ongoing improvement	70 (index 110)
Revenue (DKK)/revenue growth*	1,173m/+7.4%	2,871m/+5.8%	Above 5%	App. DKK 4.0bn
Underlying like-for-like revenue growth	4.7%	1.6%	Above 1.5%	Positive
EBITDA margin** b. except. items (b. IFRS 16)	18.7%	15.5%	14-14.5%	Above 14%
CAPEX (DKK m)	46m	126m	150-170m	Below 90m
Gearing** (before IFRS 16)		3.0	2.5-3	2.5-3

* Includes revenue from Firtal for the period 13 November 2018 to 31 December 2019 and revenue from Kosmolet from 11 June 2019 to 31 December 2019. ** Before IFRS 16, inclusive of Firtal and Kosmolet.

As expected, the acquisition of Kosmolet A/S involved an initial investment of DKK 145 million, of which DKK 10 million was paid in Matas shares. To this should be added contingent consideration of up to DKK 20.0 million payable in June 2020.

As expected, the acquisition of Din Frisør Shop involved an initial investment of DKK 15 million. To this should be added contingent consideration of DKK 5 million payable in October 2020.

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Conference call

Matas will host a conference call for investors and analysts on Thursday, 27 February 2020 at 10:00 a.m. CET.
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 78 15 01 08
UK:	+44 (0) 333 300 9266
US:	+1 833 526 8395

Link to webcast: https://matas.eventcdn.net/202002/

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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.

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Key financials

(DKKm)	After IFRS 16 2019/20 Q3	Bef. IFRS 16 2019/20 Q3	Bef. IFRS 16 2018/19 Q3	After IFRS 16 2019/20 9M	Bef. IFRS 16 2019/20 9M	Bef. IFRS 16 2018/19 9M
Statement of comprehensive income						
Revenue	1,173.4	1,173.4	1,092.6	2,871.5	2,871.5	2,713.6
Gross profit	515.1	515.1	480.9	1,266.6	1,266.6	1,211.6
EBITDA	262.7	217.7	204.7	562.2	427.6	437.1
EBIT	165.6	167.5	162.9	282.1	287.0	313.9
Net financials	(11.3)	(7.8)	(6.1)	(31.2)	(20.1)	(15.3)
Profit before tax	154.3	159.7	156.8	250.9	266.9	298.6
Profit for the period after tax	117.7	123.1	122.3	189.7	205.7	229.8
Exceptional items/adjustments	1.2	1.2	1.3	18.6	18.6	15.8
EBITDA before exceptional items	263.9	218.9	206.0	580.8	446.2	452.9
Adjusted profit after tax	137.5	142.9	139.8	259.6	275.6	290.5
Statement of financial position						
Total assets				6,684.7	5,840.4	5,520.0
Total equity				2,759.8	2,775.8	2,636.1
Net working capital				(24.4)	(24.4)	(157.4)
Net interest-bearing debt				2,437.8	1,605.0	1,509.6
Statement of cash flows						
Cash flow from operating activities	215.8	170.8	266.2	396.7	262.1	406.3
Cash flow from investing activities	(61.1)	(61.1)	(138.8)	(269.4)	(269.4)	(200.2)
Free cash flow	154.7	109.7	127.4	127.3	(7.3)	206.1
Ratios						
Revenue growth	7.4%	7.4%	1.7%	5.8%	5.8%	0.7%
Underlying like-for-like revenue growth	*4.7%*	*4.7%*	*0.5%*	*1.6%*	*1.6%*	*0.0%*
Gross margin	43.9%	43.9%	44.0%	44.1%	44.1%	44.6%
EBITDA margin	22.4%	18.6%	18.7%	19.6%	14.9%	16.1%
EBITDA margin before exceptional items	22.5%	18.7%	18.8%	20.2%	15.5%	16.7%
EBIT margin	14.1%	14.3%	14.9%	9.8%	10.0%	11.6%
Cash conversion	n.a.	74.3%	149.9%	n.a.	44.5%	90.7%
Earnings per share, DKK	3.08	3.22	3.23	4.97	5.39	6.10
Diluted earnings per share, DKK	3.05	3.19	3.21	4.93	5.35	6.06
Share price, end of period, DKK				55.1	55.1	58.0
ROIC before tax				n.a.	10.4%	10.9%
Net working capital as a percentage of LTM revenue				(0.7)%	(0.7)%	(4.5)%
Investments as a percentage of revenue	5.2%	5.2%	12.7%	9.4%	9.4%	7.4%
Net interest-bearing debt/EBITDA before exceptional items				n.a.	3.0	2.8
Number of transactions (millions)	6.1	6.1	5.9	15.9	15.9	16.2
Average basket size (DKK)	183.2	183.2	179.7	170.4	170.4	164.6
Average no. of employees	2,237	2,237	2,188	2,197	2,197	2,123

For definitions of key financials, see pages 99-100 of the 2018/19 Annual Report. Q2 exceptional items include an adjustment concerning Kosmolet. See note 5 for additional information.

Firtal and Kosmolet were consolidated as of the date of closing, i.e. 13 November 2018 and 11 June 2019, respectively. However, the figures showing number of transactions and average basket size solely reflect transactions completed by Matas and are thus net of figures for Firtal and sales by Kosmolet outside of Matas.

The Q3 2019/20 and 9M 2019/20 figures in the "Before IFRS 16" columns have been restated to exclude the effects of IFRS 16 implementation.

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Management's review

Implementing the "Renewing Matas" strategy

The "Renewing Matas" strategy sets the course for the Group's business initiatives going forward to 2023. The strategy builds on five strategic focus areas: Matas' purpose, three growth areas and the Group's unwavering 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.

	Ambitions for 2022/23	Targets for 2019/20	Realised for 9M 2019/20
Lift customer engagement (M-NPS)	70 (index 110)	Ongoing improvement	63 (index 98)
Grow revenue*	Approx. DKK 4.0bn	Growth above 5%	Growth of 5.8%
Secure earnings (EBITDA margin b. except. items)**	Above 14%	14-14.5%	15.5%

* Includes revenue from Firtal for the period 13 November 2018 to 31 December 2019 and revenue from Kosmolet from 11 June 2019 to 31 December 2019. ** Before IFRS 16, inclusive of Firtal and Kosmolet.

The work to implement and execute the strategy is progressing according to plan, and the efforts to implement a range of measures within each of the five strategic focus areas continued in the first nine months of 2019/20. This included the acquisition of Kosmolet, the owner of the successful Danish makeup brand Nilens Jord; the development of the new Matas Life store concept; product range renewal; further development of matas.dk and, most recently, Firtal Group's acquisition of Din Frisør Shop, the operator of two webshops.

1. Live our purpose

Together, Matas' purpose, 'Beauty and wellbeing for life', and its six carefully selected guideposts set the course for the strategy and the Group's efforts to lift 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.

Work to lift customer engagement continued in the third quarter. Matas uses social platforms such as Facebook, Instagram and YouTube to continuously provide advice and inspiration for its more than 370,000 followers and that way strengthens its ties with customers, particularly the younger consumers. At the same time, Matas forges closer links between customers and the more than 250 stores operating their own Facebook pages. The Group's social platform presence is themed around beauty and wellbeing, and followers are encouraged to embrace new brands and products or beauty routines. On a monthly basis, Matas reaches some 1.5 million followers through organic and sponsored content.

As part of its CSR strategy, Matas runs a number of CSR projects and forms partnerships with NGOs working towards Matas' strategic goals in relation to diversity, sustainability and security. During Christmas 2019, Matas organised a fundraiser via Club Matas to enable customers to support the work of Fodboldfonden (the Football Foundation) on giving children a safe childhood. During December, some 15,000 Matas customers donated DKK 0.7 million towards events for financially challenged children. The first event took place at Tivoli, where more than 1,000 children attended a Christmas concert with singer Burhan G. and were given Christmas presents.

In October 2019, YouGov published a 'Word of Mouth' survey showing that Matas, advancing second-most of all 400 brands measured, has strongly improved its popularity among young people between the ages of 18 and 34. The survey measured the 'most talked about' brands among young people between the ages of 18 and 34.

In January 2020, Matas was ranked fifth in YouGov's 2019 Buzz score ranking of 'the most heard of' brands among young people aged 18 to 34.

2. Win online

Matas aims to be the undisputed online market leader in the Danish market for beauty and wellbeing by 2023. To achieve this goal, the Group is making targeted efforts to enhance the customer experience.

The strong growth in online sales recorded in Q3 2019/20 was attributable mainly to a significantly improved customer experience on matas.dk. The search function on matas.dk was improved, and the website was further optimised for mobile devices to accommodate customer preferences. Customers use their mobile or tablet in three out of four sessions. Scaling of the central logistics function through the establishment of the new webshop in Humlebæk resulted in improved speed of delivery, and the strong interaction between matas.dk and the Group's 270 stores was another key contributor to the enhanced customer experience. Lastly, Matas worked actively to optimise digital marketing across channels, which led to a higher return on marketing investments than in the previous quarters.

More than half of all webshop orders in the third quarter were picked up at a Matas store, and one in four customers shopped at the store in connection with the pick-up.

The Q3 2019/20 performance was driven by continued strong growth in online sales. In Q3 2019/20, 16.2% of revenue came from online sales, of which 11.4% was generated by matas.dk and 4.8% by Firtal. In Q3 2018/19, 8.5% of revenue came from online sales, of which 6.7% was generated by matas.dk and 1.9% by Firtal (including Firtal's revenue for the period 13 November 2018 to 31 December 2018 only).

3. Reignite store growth

The process of testing and implementing the new Matas Life store concept continued in the third quarter of the financial year with an additional 12 Matas Life stores opening throughout the country. Seven stores were upgraded to the new concept in their existing premises in Ringsted (Ringstedet), Esbjerg, Hellerup (Waterfront), Odder, Horsens Bytorv, Nørrebrogade (Copenhagen) and Birkerød. In Viborg and Hjørring, four stores were merged at two new locations, while two stores in St. Kongensgade (Copenhagen) were merged at the location of one of the existing stores, which was also expanded. The store in Sillebroen, Frederikssund, was expanded and renovated, while the store in Rosengårdscentret in Odense was relocated and expanded. At 31 December 2019, Matas had 22 Matas Life stores.

An additional six Matas Life stores opened after the end of the quarter, in January and February 2020, including three mergers in new premises (Ballerup Centret, Holstebro and Kolding), two upgrades of existing stores (Dalumcentret and Allerød) and one expansion of the existing store (Borgen, Sønderborg). This took the total number of Matas Life stores to 28 at end-February 2020. Overall, some 50 stores have been renovated over the past three years.

The largest effect on sales and earnings is achieved when Matas upgrade stores in connection with an expansion, a relocation or a merger as this offers customers a larger selection of products and better service. Such upgrades will therefore be prioritised in the upcoming period, even if the result is a slowdown in the pace of Matas Life roll-outs. Whether a store is upgraded will also depend on whether the landlord (lessor) contributes to funding the upgrade.

Eight Matas Life stores are scheduled to open in the final quarter of the financial year, of which six opened during January and February and two are scheduled to open in March 2020. This will take the total number of Matas Life stores to 30 by the end of the financial year.

The work to develop Matas retail network was supported in Q3 by efforts in relation to the customer journey, designed to give customers inspirational and sensory experiences. Shop assistants are trained in meeting the customer on the floor. Check-out counters are manned by separate staff and mark the end of the customer's experience.

The Group's efforts to renew the product range also continued in the third quarter. The green product range was expanded by supplements from two Danish brands, Jim Lyngvild and Pure Viva, and by inner beauty products from Smuuk, Pudderdåserne and VitaYummi, while the beauty category launched natural CBD (cannabis) skincare products from Nature Cell and Møllerup Gods and international luxury brands such as Jo Malone (fragrances) and Giorgio Armani Makeup. Within the private label category, the Matas Haircare Stripes range was relaunched.

The relocation of the webshop to Humlebæk in the third quarter improved Matas' capacity to deliver to stores, stabilised operations and, by extension, resulted in fewer product sell-outs during the Christmas quarter season.

The "Beautiful brands – sharp prices" concept, which was launched in Q1 2019/20, was further developed and adjusted during the third quarter. Some 400 carefully selected products across all categories are marketed under this concept, some of which are sold at "Fair prices". The programme was expanded to include quit-smoking products in the third quarter.

4. Open new growth tracks

The Group has identified a number of areas in which its assets may be brought into play in new ways in order to secure growth and earnings by strengthening the Group's position on the green market, which is growing rapidly on the back of increasing demand for clean products produced with care and consideration for human health, the environment and inner beauty, and by increasing the share of revenue generated by private labels and brands with exclusive rights.

In Q1 2019/20, the Group acquired Kosmolet A/S, the owner of the Danish makeup brand Nilens Jord. The acquisition was announced on 28 May 2019 and completed on 11 June 2019. Nilens Jord is known for its allergy-friendly and natural profile, and the acquisition has given Matas a stronger position and organisation to support growth in the green market. As a result of the acquisition, the proportion of revenue generated by private labels increased to 15.4% in Q3 2019/20 from 12.0% in Q3 2018/19.

On 9 October 2019, Firtal Group acquired Din Frisør Shop, the operator of two webshops, thus expanding its professional haircare and beauty range. The two webshops are expected to be fully integrated into Firtal's platform by the end of Q4 2019/20.

5. Change how we work

With a view to supporting the Group's financial ambitions going forward to 2022/23, an efficiency programme was implemented in the second quarter of the financial year that successfully reduced underlying costs. Disregarding the increase in operating costs resulting from increased activity on matas.dk and acquired activities, underlying costs dropped in Q3 2019/20 compared with Q3 2018/19.

The work to rethink and simplify how Matas works and develops its culture, processes and employees continued in the third quarter with a view to sustaining Matas' ability to quickly and effectively predict and adapt to market changes.

Q3 2019/20 and 9M 2019/20 performance

IFRS 16, Leases

Matas implemented IFRS 16, Leases effective 1 April 2019. This affected the interim report for the first nine months of 2019/20, mainly because leased stores used to be classified as operating leases and were therefore not included in the statement of financial position. In accordance with IFRS 16, leased stores have been recognised in the statement of financial position at 31 December 2019 at DKK 823.6 million under lease assets and at DKK 832.8 million under lease liabilities.

IFRS 16 implementation primarily affected EBITDA and EBIT as well as cash flows from operating and financing activities. Q3 2019/20 EBITDA increased by DKK 45.0 million as operating lease expenses are now recognised as depreciation of lease assets and interest on lease liabilities, as opposed to previously, when they were presented as rent under other external costs. Q3 2019/20 EBIT was affected in the amount of DKK 1.9 million as a result of increased depreciation. Cash flows for Q3 2019/20 were unchanged as the DKK 45.0 million increase in cash flows from operating activities was offset by a corresponding decline in cash flows from financing activities. See note 1 to the financial statements for more information.

Revenue

The Group generated total revenue of DKK 1,173.4 million in Q3 2019/20, an increase of 7.4% compared with DKK 1,092.6 million in the same period of last year. As expected, Black Friday 2019 turned out to be Matas' biggest shopping day in the Group's 71-year history. Retail sales showed robust net growth with the increase in online sales more than offsetting the decline in physical store sales. New revenue from Firtal accounted for 3.3 percentage points of the increase.

Underlying like-for-like sales, i.e. sales in stores operated in both Q3 2019/20 and Q3 2018/19, were up by 4.7%. Like-for-like growth was positive in every month of the quarter.

The Group's digital transformation continued at full speed with sales on matas.dk surging by a record-high 84%. Factoring in revenue from Firtal, 16.2% of sales were completed online, compared with 8.5% in the year-earlier period.

Revenue was supported by improved Beauty, Vital, Material and MediCare sales compared with the year-earlier period.

The number of transactions was up by 2.2% year-on-year, and the average basket size grew by 2.0% to DKK 183 in Q3 2019/20. A total of 6.1 million transactions were completed in the third quarter of the financial year in a market characterised by persistently tough competition for customers and high campaign activity. These figures are net of Firtal transactions and basket sizes and Kosmolet sales to non-Matas customers.

Overall Beauty segment revenue grew by 6.5% over Q3 2018/19. Sales of High-End Beauty products were up by 6.9% and Mass Beauty sales by 6.0%. High-End Beauty accounted for 44.3% of Q3 retail sales, while Mass Beauty accounted for 30.6%, against 44.5% and 31.0%, respectively, in Q3 2018/19.

Skincare reported the strongest sales growth. The Beauty category accounted for 74.8% of overall Q3 retail sales against 75.5% in Q3 2018/19.

Revenue by categories and sales channels (DKKm)	2019/20 Q3	2018/19 Q3	Growth	2019/20 9M	2018/19 9M	Growth
Beauty	873.7	820.1	6.5%	2,028.8	1,945.4	4.3%
Vital	149.8	132.3	13.3%	416.9	335.4	24.3%
Material	87.7	81.9	7.1%	250.7	256.3	(2.2)%
MediCare	55.5	46.6	18.9%	149.6	139.9	6.9%
Other	0.7	5.6	(87.2)%	5.0	11.7	(57.2)%
Total retail sales (own stores and webshops)	**1,167.4**	**1,086.5**	**7.4%**	**2,850.9**	**2,688.6**	**6.0%**
Wholesale sales etc. (including Kosmolet)	6.0	6.1	(1.0)%	20.6	25.0	(17.8)%
Total revenue	**1,173.4**	**1,092.6**	**7.4%**	**2,871.5**	**2,713.6**	**5.8%**
Physical store	83.3%	90.9%		85.9%	93.2%	
Webshops (matas.dk and Firtal)	16.2%	8.5%		13.4%	5.9%	
Wholesale sales etc. (including Kosmolet)	0.5%	0.6%		0.7%	0.9%	

The Vital category boosted sales by an impressive 13.3%. The increase was driven mainly by the inclusion of revenue from Firtal, but sales were ahead even disregarding acquired revenue.

The Material category grew sales by 7.1%, while the MediCare category, which offers OTC medicine and nursing products, reported sales up by an overall 18.9% on the back of the relaunch of Matas MediCare and higher sales of special skincare products.

Overall sales of Matas' private labels, including Kosmolet, made up 15.4% of Q3 2019/20 revenue against 12.0% in the year-earlier period. The increase was attributable mainly to the inclusion of revenue from Kosmolet in private label revenue in Q3 2019/20.

Wholesale sales, including wholesale sales attributable to Kosmolet, came to DKK 6.0 million for Q3 2019/20, in line with the year-earlier level. Revenue from Club Matas relating to partners, value adjustments of Club Matas points and B2B are also included in this item.

At 31 December 2019, Club Matas had a membership of 1.64 million and thus retained its position as one of Denmark's largest customer clubs. More than two-thirds of all Danish women between the ages of 18 and 65 are members of Club Matas. Of the 1.64 million members, 1.5 million had consented to being contacted by the club, while 1.4 million were active, shopping members. At 31 December 2019, more than 770,000 members had downloaded the Club Matas app.

Customer satisfaction among Club Matas members was 3.78 in Q3 2019/20 on a scale of 1-4 with 1 being very dissatisfied and 4 being very satisfied. This was unchanged from Q2 2019/20.

Sales channels

At 31 December 2019, the Matas Group consisted of 272 physical stores - 270 stores in Denmark, one in the Faroe Islands and one associated store in Greenland. 83% of revenue was generated by the Group's physical stores.

In addition, Matas was present online via matas.dk and through a number of webshops run by Firtal, including helsebixen.dk, jala-helsekost.dk and made4men.dk. 16% 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, 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 categories (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.

Costs and operating performance

Gross profit for Q3 2019/20 was DKK 515.1 million, against DKK 480.9 million in Q3 2018/19.

The gross margin for Q3 2019/20 was 43.9%, down from 44.0% in the year-earlier period. With Kosmolet accounting for about 1 percentage point of the gross margin, the underlying gross margin fell by just over 1 percentage point, driven primarily by higher campaign activity and sales shifting from physical stores to online channels.

The third quarter of the financial year saw the implementation of an efficiency programme that reduced underlying costs net of matas.dk and acquired activities.

While mainly targeted at physical stores, the efficiency measures also comprised head office administrative functions.

However, driven by costs added from Firtal and Kosmolet and increased activity on matas.dk, leading to higher operating costs, overall costs before IFRS 16 increased by DKK 21.2 million.

Other external costs before IFRS 16 amounted to DKK 109.5 million in Q3 2019/20, up from DKK 95.8 million in Q3 2018/19. Adjusted for exceptional items, which amounted to DKK 1.2 million in Q3 2018/19, in line with the Q3 2018/19 level, other external costs were up by DKK 13.7 million. The acquisitions of Firtal and Kosmolet caused a DKK 12.0 million increase in other external costs. In addition, costs were impacted by increased activity on matas.dk leading to higher operating costs. Adjusted for these effects, there was a underlying drop in other external costs in the third quarter.

IFRS 16 adoption caused a DKK 45.0 million decline in other external costs as rent is now recognised as depreciation of lease assets and is therefore no longer included in other external costs.

Q3 2019/20 staff costs amounted to DKK 187.9 million, up from DKK 180.4 million in the year-earlier period. The DKK 7.5 million increase was driven by staff costs attributable to Firtal and Kosmolet in the amount of DKK 6.8 million and higher payroll costs for the operation and development of matas.dk. Adjusted for these effects, underlying staff costs fell in the third quarter of 2019/20.

Costs, Q3 (DKKm)	**After IFRS 16 2019/20 Q3**	**Bef. IFRS 16 2019/20 Q3**	**Bef. IFRS 16 2018/19 Q3**	**Growth**
Other external costs	64.5	109.5	95.8	14.3%
- *of which exceptional items*	*1.2*	*1.2*	*1.3*	
As a percentage of revenue	5.5%	9.3%	8.8%	
Staff costs	187.9	187.9	180.4	4.2%
- *of which exceptional items*	*0.0*	*0.0*	*0.0*	
As a percentage of revenue	16.0%	16.0%	16.5%	

Other external costs and staff costs include Kosmolet for the period 1 October – 31 December 2019.
The Q3 2019/20 figures in the "Before IFRS 16" column have been restated to exclude the effects of IFRS 16 implementation.

Costs, 9M (DKKm)	**After IFRS 16 2019/20 9M**	**Bef. IFRS 16 2019/20 9M**	**Bef. IFRS 16 2018/19 9M**	**Growth**
Other external costs	154.9	289.5	253.9	14.0%
- *of which exceptional items*	*4.9*	*4.9*	*10.9*	
As a percentage of revenue	5.4%	10.1%	9.4%	
Staff costs	549.5	549.5	520.6	5.6%
- *of which exceptional items*	*3.3*	*3.3*	*4.8*	
As a percentage of revenue	19.1%	19.1%	19.2%	

Other external costs and staff costs include Kosmolet for the period 11 June – 31 December 2019.
The 9M 2019/20 figures in the "Before IFRS 16" column have been restated to exclude the effects of IFRS 16 implementation.

Staff costs amounted to 16.0% of Q3 2019/20 revenue against 16.5% in the year-earlier period.

Q3 2019/20 staff costs included DKK 1.7 million related to the company's long-term share compensation programme.

The positive effects of the efficiency programme on other external costs and staff costs will continue into the final quarter of the financial year.

Before IFRS 16, Q3 2019/20 EBITDA was DKK 217.7 million against DKK 204.7 million in Q3 2018/19. EBITDA before exceptional items came to DKK 218.9 million for an EBITDA margin before exceptional items of 18.7% against 18.8% in Q3 2018/19.

After IFRS 16, Q3 2019/20 EBITDA was DKK 262.7 million, while EBITDA before exceptional items was DKK 263.9 million.

Amortisation, depreciation and impairment

Total amortisation, depreciation and impairment charges before IFRS 16 were up by DKK 8.4 million to DKK 50.2 million in Q3 2019/20, driven by increased depreciation of investments made as part of the Group's "Renewing Matas" strategy.

Amortisation, depreciation and impairment (DKKm)	**After IFRS 16 2019/20 Q3**	**Bef. IFRS 16 2019/20 Q3**	**Bef. IFRS 16 2018/19 Q3**	**After IFRS 16 2019/20 9M**	**Bef. IFRS 16 2019/20 9M**	**Bef. IFRS 16 2018/19 9M**
Amortisation, depreciation and impairment	97.1	50.2	41.8	280.1	140.6	123.2

The Q3 2019/20 and 9M 2019/20 figures in the "Before IFRS 16" columns have been restated to exclude the effects of IFRS 16 implementation.

Total amortisation, depreciation and impairment charges after IFRS 16 were DKK 97.1 million. The DKK 46.9 million increase was attributable to increased depreciation of lease assets.

Net financials

Net financial expenses, before IFRS 16, were DKK 7.8 million in Q3 2019/20 against DKK 6.1 million in Q3 2018/19.

After IFRS 16, net financial expenses came to DKK 11.3 million, the increase being attributable to interest on lease liabilities in the amount of DKK 3.5 million.

Net financial expenses (DKKm)	**After IFRS 16 2019/20 Q3**	**Bef. IFRS 16 2019/20 Q3**	**Bef. IFRS 16 2018/19 Q3**	**After IFRS 16 2019/20 9M**	**Bef. IFRS 16 2019/20 9M**	**Bef. IFRS 16 2018/19 9M**
Net financial expenses	11.3	7.8	6.1	31.2	20.1	15.3
Fair value adjustment of interest rate swap	0.0	0.0	0.0	0.0	0.0	2.9
Net financial expenses, adjusted for swap	11.3	7.8	6.1	31.2	20.1	18.2

The Q3 2019/20 and 9M 2019/20 figures in the "Before IFRS 16" columns have been restated to exclude the effects of IFRS 16 implementation.

Profit for the period

The effective tax rate before IFRS 16 was 22.9% in Q3 2019/20, equivalent to a tax expense of DKK 36.6 million. Profit for the period after tax and before IFRS 16 was DKK 123.1 million, and Adjusted profit after tax and before IFRS 16 was DKK 142.9 million against DKK 139.8 million in Q3 2018/19.

Statement of financial position

Total assets amounted to DKK 6,684.7 million at 31 December 2019, up from DKK 5,520.0 million at 31 December 2018. The increase was driven mainly by the recognition of lease assets at DKK 823.6 million and lease liabilities at DKK 832.8 million, see note 1 on the effects of implementing IFRS 16, Leases.

The acquisitions of Kosmolet and Din Frisør Shop, which are described in note 5, comprised goodwill of DKK 92.5 million and trademarks of DKK 61.9 million. The carrying amount of these trademarks at 31 December 2019 was DKK 58.6 million after amortisation.

Inventories were DKK 98.3 million larger at the end of Q3 2019/20 than at the end of Q3 2018/19, reflecting the goal of fewer product sell-outs during the important Christmas quarter, the addition of stocks in connection with the establishment of the new webshop in Humlebæk and stocks contributed by Kosmolet and Firtal. Inventories accounted for 27.0% of LTM revenue at 31 December 2019 compared with 25.9% at 31 December 2018.

Trade receivables increased by DKK 4.8 million to DKK 17.7 million, while trade payables fell by DKK 36.5 million year-on-year, mainly reflecting the timing of supplier payments around the turn of the year.

Net working capital excluding deposits stood at minus DKK 24.4 million at 31 December 2019, compared with minus DKK 157.4 million at 31 December 2018.

Cash and cash equivalents stood at DKK 137.1 million, up from DKK 66.2 million the year before.

Equity was DKK 2,775.8 million at 31 December 2019, compared with DKK 2,636.1 million at 31 December 2018.

Net interest-bearing debt before IFRS 16 was DKK 1,605.0 million at 31 December 2019, a year-on-year increase of DKK 95.4 million – equalling 3.0 times LTM EBITDA before exceptional items and after adjustments, which is within the long-term target of a level between 2.5 and 3.

Gross interest-bearing debt stood at DKK 2,574.9 million at 31 December 2019, including lease liabilities of DKK 832.8 million.

Net interest-bearing debt, comprising debt to credit institutions, including current and non-current lease liabilities and other interest-bearing debt less cash and cash equivalents, amounted to DKK 2,437.8 million at 31 December 2019 after IFRS 16.

At 31 December 2019, 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. After disposing of 140,567 shares in Q1 in connection with the acquisition of Kosmolet and 52,217 shares in connection with the exercise of the 2016/17 incentive programme, Matas held 103,977 treasury shares at 31 December 2019. Treasury shares are held with a view to meeting the obligations under the long-term management incentive programme.

Statement of cash flows

Cash generated from operations was an inflow of DKK 209.2 million before IFRS 16 in Q3 2019/20, against an inflow of DKK 337.1 million in Q3 2018/19.

The decline in cash generated from operations was driven by a negative working capital effect of DKK 10 million in Q3 2019/20 compared with a positive effect of DKK 131 million in Q3 2018/19. Trade payables fell by DKK 12 million in Q3 2019/20, compared with an increase of DKK 118 million in the year-earlier period. The decline was attributable mainly to the timing of supplier payments around the turn of the year, reflecting the timing of stock building ahead of the important Christmas season quarter.

The free cash flow was an inflow of DKK 109.7 million before IFRS 16 against an inflow of DKK 127.4 million in the year-earlier period. Other than the reduction of trade payables, the Q3 2019/20 free cash flow was adversely affected by larger investments (CAPEX), primarily in Matas Life, which were only partially offset by lower taxes and less money spent on acquiring subsidiaries than in Q3 2018/19. Q3 2019/20 CAPEX was DKK 46.1 million, a year-on-year increase of DKK 18.0 million.

For the first nine months of 2019/20, the free cash flow disregarding acquisitions of subsidiaries was down by DKK 186.4 million on the year-earlier period, driven by larger inventories to cover the Christmas quarter, the addition of stocks from the new webshop in Humlebæk and the stocks contributed by Kosmolet and Firtal, which were only to a limited extent offset by increases in other working capital items. In addition, the free cash flow was adversely affected by higher CAPEX in the first nine months of the year compared with the same period of 2018/19. CAPEX for the first nine months of the year was up by DKK 36.8 million year-on-year, driven mainly by investments in the new Matas Life concept and the new webshop in Humlebæk.

Cash flows (DKKm)	**After IFRS 16 2019/20 Q3**	**Bef. IFRS 16 2019/20 Q3**	**Bef. IFRS 16 2018/19 Q3**	**After IFRS 16 2019/20 9M**	**Bef. IFRS 16 2019/20 9M**	**Bef. IFRS 16 2018/19 9M**
Cash generated from operations	254.2	209.2	337.1	446.0	311.4	489.1
Free cash flow	154.7	109.7	127.4	127.3	(7.3)	206.1
Free cash flow net of acquisitions	169.7	124.7	238.1	265.0	130.4	316.8
Cash flows from financing activities	(64.1)	(19.1)	(116.0)	(151.1)	(16.5)	(226.3)

The Q3 2019/20 and 9M 2019/20 figures in the "Before IFRS 16" columns have been restated to exclude the effects of IFRS 16 implementation.

The cash flow effect of IFRS 16 implementation was a DKK 45.0 million increase in cash generated from operations as costs are no longer affected by lease liabilities in the form of rent.

Return on invested capital

The return on LTM invested capital before tax and before IFRS 16 was 10.4%, compared with 10.9% a year earlier. The return on invested capital cannot be calculated after IFRS 16 due to a lack of historical EBITA numbers after IFRS 16 implementation.

Events after the date of the statement of financial position

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

Significant risks

As stated in the 2018/19 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.

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 31 December 2019.

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 31 December 2019 and of the results of the Group's operations and cash flows for the period 1 April to 31 December 2019.

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, 27 February 2020

Executive Management

Gregers Wedell-Wedellsborg CEO	Anders 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 2019/20:

27 May 2020	Annual report 2019/20
30 June 2020	Annual general meeting for 2019/20

Company information

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

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Statement of comprehensive income

(DKKm)	2019/20 Q3	2018/19 Q3	2019/20 9M	2018/19 9M
Revenue	1,173.4	1,092.6	2,871.5	2,713.6
Cost of goods sold	(658.3)	(611.7)	(1,604.9)	(1,502.0)
Gross profit	515.1	480.9	1,266.6	1,211.6
Other external costs	(64.5)	(95.8)	(154.9)	(253.9)
Staff costs	(187.9)	(180.4)	(549.5)	(520.6)
Amortisation, depreciation and impairment	(97.1)	(41.8)	(280.1)	(123.2)
EBIT	165.6	162.9	282.1	313.9
Share of profit or loss after tax of associates	0.1	0.2	0.8	0.2
Financial income	0.1	0.0	0.1	3.0
Financial expenses	(11.5)	(6.3)	(32.1)	(18.5)
Profit before tax	154.3	156.8	250.9	298.6
Tax on profit for the period	(36.6)	(34.5)	(61.2)	(68.8)
Profit for the period	117.7	122.3	189.7	229.8
Other comprehensive income				
Other comprehensive income after tax	0.4	0.0	0.0	0.0
Total comprehensive income	**118.1**	**122.3**	**189.7**	**229.8**
Earnings per share				
Earnings per share, DKK	3.08	3.23	4.97	6.10
Diluted earnings per share, DKK	3.05	3.21	4.93	6.06

In accordance with the transitional provisions in IFRS 16, the comparative figures for 2018/19 have not been restated.

Statement of cash flows

(DKKm)	2019/20 Q3	2018/19 Q3	2019/20 9M	2018/19 9M
Profit before tax	154.3	156.8	250.9	298.6
Adjustment for non-cash operating items etc.:				
Amortisation, depreciation and impairment	97.1	41.8	280.1	123.2
Other non-cash operating items, net	1.6	1.6	4.8	4.3
Share of profit or loss after tax of associates	(0.2)	(0.2)	(0.8)	(0.2)
Financial income	0.1	0.0	0.1	(2.9)
Financial expenses	11.5	6.3	32.1	18.5
Cash generated from operations before changes in working capital	264.4	206.3	567.2	441.5
Changes in working capital	(10.2)	130.8	(121.2)	47.6
Cash generated from operations	254.2	337.1	446.0	489.1
Interest paid	(6.7)	(5.5)	(17.6)	(17.3)
Corporation tax paid	(31.7)	(65.5)	(31.7)	(65.5)
Cash flow from operating activities	215.8	266.2	396.7	406.3
Acquisition of intangible assets	(13.5)	(16.4)	(43.6)	(43.9)
Acquisition of property, plant and equipment	(32.6)	(11.7)	(82.7)	(45.6)
Acquisition of securities/investments	0.0	0.0	(5.4)	0.0
Acquisition of subsidiaries and operations	(15.0)	(110.7)	(137.7)	(110.7)
Cash flow from investing activities	(61.1)	(138.8)	(269.4)	(200.2)
Free cash flow	154.7	127.4	127.3	206.1
Debt raised and settled with credit institutions	(41.3)	(116.0)	75.9	16.6
Repayment of lease liabilities	(45.0)	0.0	(134.6)	0.0
Other debt raised	22.2	0.0	22.2	0.0
Dividend paid	0.0	0.0	(114.6)	(237.1)
Acquisition of hedging instrument	0.0	0.0	0.0	(5.8)
Cash flow from financing activities	(64.1)	(116.0)	(151.1)	(226.3)
Net cash flow from operating, investing and financing activities	90.6	11.4	(23.8)	(20.2)
Cash and cash equivalents, beginning of period	46.5	54.9	160.9	86.4
Cash and cash equivalents, end of period	137.1	66.2	137.1	66.2

In accordance with the transitional provisions in IFRS 16, the comparative figures for 2018/19 have not been restated.

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

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Assets

(DKKm)	31.12 2019	31.12 2018	31.03 2019
NON-CURRENT ASSETS			
Goodwill	3,930.6	3,838.1	3,838.1
Trademarks and trade names	248.1	266.9	247.6
Other intangible assets	91.9	74.1	82.3
Total intangible assets	4,270.6	4,179.1	4,168.0
Property, plant and equipment			
Lease assets	823.6	0.0	0.0
Land and buildings	85.9	85.8	86.4
Other fixtures and fittings, tools and equipment	110.8	93.1	91.7
Leasehold improvements	64.5	14.8	16.8
Total property, plant and equipment	1,084.8	193.7	194.9
Investments in associates	0.9	0.7	0.7
Deferred tax assets	0.0	21.0	0.0
Deposits	45.6	40.9	42.6
Other securities and investments	6.1	0.7	0.7
Total other non-current assets	52.6	63.3	44.0
Total non-current assets	5,408.0	4,436.1	4,406.9
CURRENT ASSETS			
Inventories	1,000.4	902.1	785.5
Trade receivables	17.7	12.9	11.4
Corporation tax receivable	9.3	79.2	51.8
Other receivables	86.3	11.1	90.1
Prepayments	25.9	12.4	32.2
Cash and cash equivalents	137.1	66.2	160.9
Total current assets	1,276.7	1,083.9	1,131.9
TOTAL ASSETS	6,684.7	5,520.0	5,538.8

In accordance with the transitional provisions in IFRS 16, the comparative figures for 2018/19 have not been restated.

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Equity and liabilities

(DKKm)	31.12 2019	31.12 2018	31.03 2019
EQUITY			
Share capital	95.7	95.7	95.7
Hedging reserve	(2.6)	(1.7)	(2.6)
Translation reserve	0.3	0.3	0.3
Treasury share reserve	(11.8)	(33.3)	(33.3)
Retained earnings	2,678.2	2,575.1	2,494.9
Proposed dividend for the financial year	0.0	0.0	114.9
Total equity	2,759.8	2,636.1	2,669.9
LIABILITIES			
Deferred tax	208.6	197.5	209.4
Lease liabilities	644.7	0.0	0.0
Provisions	27.5	0.0	0.0
Contingent consideration	16.6	14.7	15.2
Credit institutions	1,736.2	1,544.6	1,665.0
Other payables	22.2	0.0	0.0
Total non-current liabilities	2,711.0	1,756.8	1,889.6
Credit institutions	5.9	31.2	0.0
Lease liabilities	188.1	0.0	0.0
Prepayments from customers	195.5	192.1	156.0
Trade payables	654.6	691.1	638.3
Other payables	225.0	212.7	185.0
Total current liabilities	1,269.1	1,127.1	979.3
Total liabilities	3,924.9	2,883.9	2,868.9
TOTAL EQUITY AND LIABILITIES	6,684.7	5,520.0	5,538.8

In accordance with the transitional provisions in IFRS 16, the comparative figures for 2018/19 have not been restated.

Statement of changes in equity

	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	0.0	0.0	0.0	0.0	0.0	0.0
Tax on value adjustment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit for the period	0.0	0.0	0.0	0.0	0.0	189.7	189.7
Total comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**189.7**	**189.7**
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 for purchase of 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	4.8	4.8
Total transactions with owners	**0.0**	**0.0**	**0.0**	**21.5**	**(114.9)**	**(6.4)**	**(99.8)**
Equity at 31 December 2019	**95.7**	**(2.6)**	**0.3**	**(11.8)**	**0.0**	**2,678.2**	**2,759.8**

In accordance with the transitional provisions in IFRS 16, the comparative figures for 2018/19 have not been restated.

	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	(2.3)	0.0	0.0	0.0	0.0	(2.3)
Tax on value adjustment	0.0	0.5	0.0	0.0	0.0	0.0	0.5
Other comprehensive income	0.0	(1.8)	0.0	0.0	0.0	0.0	(1.8)
Profit for the period	0.0	0.0	0.0	0.0	0.0	229.8	229.8
Total comprehensive income	**0.0**	**(1.8)**	**0.0**	**0.0**	**0.0**	**229.8**	**228.0**
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
Disposal of treasury shares for purchase of Firtal Group	0.0	0.0	0.0	40.4	0.0	(20.4)	20.0
Share-based payment	0.0	0.0	0.0	0.0	0.0	4.3	4.3
Total transactions with owners	**0.0**	**0.0**	**0.0**	**40.4**	**(241.2)**	**(12.0)**	**(212.8)**
Equity at 31 December 2018	**95.7**	**1.8**	**0.3**	**(33.3)**	**0.0**	**2,575.2**	**2,636.1**

In accordance with the transitional provisions in IFRS 16, the comparative figures for 2018/19 have not been restated.

Notes to the financial statements

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 2018/19, to which reference is made.

Changes of accounting policies

Matas implemented IFRS 16, Leases effective 1 April 2019. The impacts of adopting the standard are described below.

All other amendments to standards and interpretations issued since the release of the consolidated financial statements for 2018/19 have been implemented. None of these have affected recognition and measurement or presentation, nor are they expected to materially affect the Group.

Impacts of IFRS 16 implementation

The standard is effective for annual reporting periods beginning on or after 1 January 2019 and is thus effective for Matas as of 1 April 2019. Opting to apply the simplified implementation method, Matas has recognised lease assets and lease liabilities as from 1 April 2019 and has not restated comparative figures for earlier periods.

Under the new rules, Matas must, with a few exceptions, recognise all leases, including previous operating leases, in the statement of financial position. This means that a lease liability, measured as the present value of expected future lease payments as described below, is recognised together with a corresponding lease asset adjusted for payments made to the lessor prior to commencement of the lease and any incentives received from the lessor. In pursuance of the exemption clauses in IFRS 16, Matas has opted not to recognise leases with a term of less than 12 months or of low value. The Group has also decided to apply the same discount rate to a portfolio of leases with similar characteristics. Matas' leases primarily consist of store leases.

For purposes of assessing the expected lease term, Matas identifies the non-cancellable lease term of the agreement plus periods comprised by an extension option which Matas reasonably expects to exercise and plus periods comprised by a termination option. In accordance with Danish tenancy legislation, the majority of Matas' leases contain short non-cancellable periods. Accordingly, management has prepared an estimate of the lease term that may reasonably be expected, taking into account factors such as current retail market developments in Denmark and the Group's strategy.

A number of store leases 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, which estimate is 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.

In connection with the recognition of leases in accordance with IFRS 16, taking into account factors such as the current Danish retail market and the Group's strategy, the Group estimated its leasehold reinstatement liabilities, based partly on the lease term estimated on recognition of store leases. A liability of DKK 27.0 million was recognised at 1 April 2019 pertaining to Matas' obligation to reinstate leased premises on vacation.

The total impact of IFRS 16 adoption on the statement of financial position at 1 April 2019 and 31 December 2019 is as follows:

(DKKm)	At 1 April 2019	At 31 December 2019
Lease assets		
Leased stores etc.	890.3	817.1
Cars and other leases	6.4	6.5
Lease assets	**896.7**	**823.6**
Leasehold improvements	27.0	20.7
Total property, plant and equipment	**923.7**	**844.3**
Total lease liabilities	**896.7**	**832.8**
Provision for leasehold reinstatement	**27.0**	**27.5**

Lease assets recognised at 1 April 2019 compare with the Group's liabilities under operating leases at 31 March 2019 as follows:

(DKKm)	
Operating lease liabilities at 31 March 2019	160.6
Lease liabilities for periods comprised by extension options which Matas reasonably expects to exercise	786.6
Discounted at alternative borrowing rate at 1 April 2019	(50.5)
Lease assets at 1 April 2019	**896.7**

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

(Years)	
Leased stores etc.	2-8
Cars and other leases	3

In measuring the lease liability, Matas applied an alternative borrowing rate for purposes of discounting future lease payments, which is 1.3 – 1.9% for leased premises and 1.1% for cars and other leases.

Implementing IFRS 16 affected Matas' interim financial statements in that store leases, which were previously classified as operating leases and therefore not recognised in the statement of financial position, are now recognised in the statement of financial position as lease assets under property, plant and equipment and as lease liabilities.

EBITDA increased because operating lease expenses are now recognised as depreciation of lease assets and interest on lease liabilities.

Cash flows were unchanged as the increase in cash flows from operating activities was offset by the decrease in cash flows from financing activities.

The impact of IFRS 16 adoption on Matas' interim report for Q3 2019/20 and 9M 2019/20 is shown below.

(DKKm)	**After IFRS 16 2019/20 Q3**	**IFRS 16 impact**	**Bef. IFRS 16 2019/20 Q3**	**After IFRS 16 2019/20 9M**	**IFRS 16 impact**	**Bef. IFRS 16 2019/20 9M**
EBITDA	262.7	(45.0)	217.7	562.2	(134.6)	427.6
EBITDA before exceptional items	263.9	(45.0)	218.9	580.8	(134.6)	446.2
EBITDA margin	22.4%	(3.8)%	18.6%	19.6%	(4.7)%	14.9%
EBITDA margin before exceptional items	22.5%	(3.8)%	18.7%	20.2%	(4.7)%	15.5%
Amortisation and depreciation	97.1	(46.8)	50.2	280.1	(139.5)	140.6
EBIT	165.6	1.9	167.5	282.1	4.9	287.0
Net financial items	(11.2)	(3.4)	(7.8)	(31.2)	(11.1)	(20.1)
EBIT	154.3	5.4	159.7	250.9	16.0	266.9
Free cash flow	154.7	(45.0)	109.7	127.3	(134.6)	(7.3)
Total assets	6,684.7	(844.3)	5,840.4	6,684.7	(844.3)	5,840.4
Net interest-bearing debt	2,437.8	(832.8)	1,605.0	2,437.8	(832.8)	1,605.0

Contingent liabilities in the form of liabilities under operating leases are disclosed in notes 28 and 30 to the financial statements in the 2018/19 Annual Report. This liability has been reduced to an insignificant level as a result of the recognition of lease assets in the statement of financial position.

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.

Based on the implementation of IFRS 16, management has made the following judgments and estimates concerning leases.

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.

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.

The critical accounting estimates and judgments applied are consistent with those applied in the consolidated financial statements for 2018/19.

Note 3 – Seasonality

The Group's activities in the interim period were affected by Christmas shopping, which is material to the Group's overall financial performance.

Note 4 – Revenue

(DKKm)	2019/20 Q3	2018/19 Q3	2019/20 9M	2018/19 9M
Retail sales, physical stores	977.3	993.2	2,466.2	2,528.7
Retail sales, online	190.1	93.4	384.7	159.9
Wholesale sales etc.	6.0	6.1	20.6	25.0
Total revenue	**1,173.4**	**1,092.6**	**2,871.5**	**2,713.6**

Revenue breaks down by product groups as follows:

(DKKm)	2019/20 Q3	2018/19 Q3	2019/20 9M	2018/19 9M
Beauty	873.7	820.1	2,028.8	1,945.4
Vital	149.8	132.3	416.9	335.4
Material	87.7	81.9	250.7	256.3
MediCare	55.5	46.6	149.6	139.9
Other	0.7	5.6	5.0	11.7
Wholesale sales etc.	6.0	6.1	20.6	25
Total revenue	**1,173.4**	**1,092.6**	**2,871.5**	**2,713.6**

The product groups are as follows:

- Beauty comprises everyday and luxury beauty products and personal care, including cosmetics, fragrances, skincare and haircare products.
- Vital comprises vitamins, minerals, supplements, specialty foods and herbal medicinal products.

- Material comprises household and personal care products, including household cleaning and maintenance products, babycare, footcare and sports-related products.
- Medicare comprises OTC medicine, nursing products, etc.
- Wholesale sales etc. comprise sales concerning the associated Matas store, Club Matas partners, value adjustments of Club Matas points and wholesale sales from Matas (B2B) and Kosmolet.

Revenue is generated by the sale of Matas products. 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.

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 and stripes. The performance obligation is measured at the estimated fair value of the Club Matas points and stripes allocated and amounted to DKK 75.3 million at 31 December 2019 (31 December 2018: DKK 72.3 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/stripes, usually over an average period of three months. Customers have the option of returning products, but the volume of returns at 31 December 2019 is insignificant, as is the amount of guarantee commitments.

Geographical information

The Matas Group operates almost exclusively in Denmark.

Note 5 – Acquisition of subsidiaries

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 3.4 million were incurred in connection with the acquisition, which have been recognised in the income statement under other external costs.

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, in which case the contingent consideration becomes 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 Q1 2019/20, excluding the fair value of contingent consideration (DKK 20.0 million) and treasury shares (DKK 10.0 million) as well as 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 a dedicated and loyal customer group 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 and won this year's Danish Beauty Award for the world's first allergy-certified lipstick.

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 Group's strategy, "Renewing Matas".

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 income statement 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. Management expects the conditions to be met, in which case the contingent consideration becomes payable 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.

Goodwill
Goodwill has been recognised at the amount by which the purchase price exceeds the fair value of the identifiable net assets. Goodwill is attributable to potential synergies within sales, marketing and procurement. The amount of goodwill recognised is not tax deductible.

Goodwill has developed as follows:

(DKKm)	
Goodwill at 31 March 2019	3,838.1
Addition on acquisition of Kosmolet A/S	79.4
Addition on acquisition of Din Frisør Shop ApS	13.1
Goodwill at 31 December 2019	**3,930.6**

Note 6 – Transactions with related parties
Pursuant to Matas A/S' Remuneration Policy, a total of 52,217 Performance Share Units (PSUs) related to the company's long-term incentive programme (LTIP) for 2016 vested at 14 June 2019. The PSUs vested in the form of 10,469 shares being granted to CFO Anders Skole-Sørensen and 41,748 shares being granted to the rest of the executive team, including resigned managers.

The PSUs were granted free of charge to vest in the form of shares in Matas A/S.

PSUs vested at 75% of the original grant, which means that a total of 17,406 PSUs were cancelled. The PSUs vested represented a total value of DKK 3.7 million based on the 13 June 2019 closing price of DKK 70.7 per share.

It is noted that vested PSUs are subject to taxation and that Anders Skole-Sørensen decided to sell 4,000 of the shares granted to him to cover the tax payment.

PSUs have been granted under the long-term incentive programme for 2019. A total of 61,365 PSUs were granted to Gregers Wedell-Wedellsborg and a total of 32,294 to Anders Skole-Sørensen.

Interim financial highlights

(DKKm)	2019/20 Q3	Before IFRS 16 2019/20 Q3	2019/20 Q2	2019/20 Q1	2018/19 Q4	2018/19 Q3
Statement of comprehensive income						
Revenue	1,173.4	1,173.4	822.5	875.6	827.7	1,092.6
Gross profit	515.1	515.1	357.5	394.0	377.2	480.9
EBITDA	262.7	217.7	92.8	117.1	92.6	204.7
EBIT	165.6	167.5	46.5	73.0	49.4	162.9
Net financials	(11.3)	(7.8)	(6.4)	(6.0)	(6.1)	(6.1)
Profit before tax	154.3	159.7	40.1	67.0	43.3	156.8
Profit for the period	117.7	123.1	30.6	51.9	33.3	122.3
Statement of financial position						
Total assets	6,684.7	5,840.4	5,665.1	5,694.0	5,538.8	5,520.0
Total equity	2,759.8	2,775.8	2,650.6	2,618.0	2,669.9	2,636.1
Net working capital	(24.4)	(24.4)	(26.0)	(56.5)	(139.7)	(157.4)
Net interest-bearing debt	2,437.8	1,605.0	1,736.5	1,634.3	1,504.1	1,509.6
Statement of cash flows						
Cash flow from operating activities	215.8	170.8	57.2	34.0	45.1	266.2
Cash flow from investing activities	(61.1)	(61.1)	(44.5)	(163.8)	(38.8)	(138.8)
Free cash flow	154.7	109.7	12.7	(129.8)	6.3	127.4
Net cash flow from operating, investing and financing activities	90.6	90.6	(115.6)	1.1	94.7	11.4
Key performance indicators						
Number of transactions (millions)	6.1	6.1	4.8	5.0	4.8	5.9
Average basket size (DKK)	183.21	183.21	159.9	165.1	159.9	179.7
Total retail floor space (in thousands of square metres)	53.7	53.7	53.5	53.4	53.7	53.9
Avg. revenue per square metre (in DKK thousands) - LTM	68.4	68.4	66.8	66.0	65.5	64.5
Like-for-like growth	4.7%	4.7%	0.3%	(1.2)%	2.1%	0.5%
Adjusted figures						
EBITDA	262.7	217.7	92.8	117.1	92.6	204.7
Exceptional items	1.2	1.2	14.6	2.7	3.1	1.3
EBITDA before exceptional items	263.9	218.9	107.4	119.8	95.7	206.0
Depreciation and amortisation of software	(73.0)	(26.1)	(22.7)	(21.7)	(21.5)	(21.0)
EBITA	190.9	192.8	84.7	98.1	74.2	185.0
Adjusted profit after tax	137.5	142.9	60.7	72.0	52.7	139.8
Gross margin	43.9%	43.9%	43.5%	45.0%	45.6%	44.0%
EBITDA margin	22.4%	18.6%	11.3%	13.4%	11.2%	18.7%
EBITDA margin before exceptional items	22.5%	18.7%	13.1%	13.7%	11.6%	18.8%
EBITA margin	16.3%	16.4%	10.3%	11.2%	9.0%	16.9%
EBIT margin	14.1%	14.3%	5.7%	8.3%	6.0%	14.9%

In accordance with the transitional provisions in IFRS 16, the comparative figures for 2018/19 have not been restated.
The Q3 2019/20 figures in the "Before IFRS 16" column have been restated to exclude the effects of IFRS 16 implementation.