

Interim report – 9M 2017/18 (1 April – 31 December 2017)

Digital build-up, lower prices and better advice

“At Matas, we are facing a new market situation, and we are in the process of reinventing ourselves step by step. In November, we announced a range of measures to free some DKK 30-40 million for new priorities. The plan has now been successfully completed. This has already led to lower prices for our customers on a wide range of well-known everyday products. We are now embarking on the next steps to enhance the customer experience.

We are launching a broad-based digital growth plan entitled “Matas 4D”, setting out, as one of our main goals, to make shopping on matas.dk faster and easier. Accordingly, we will soon offer guaranteed next day delivery for orders placed by 6 p.m.

At the same time, we are investing in a comprehensive training programme to take Matas’s distinguishing feature, the good advice, to the next level. We want Matas to be the preferred place to get good advice and learn about new brands”, said Gregers Wedell-Wedellsborg, CEO of Matas A/S, and added:

“Sales for the first nine months of the financial year were in line with our revised guidance, but there are still two sides to the story. Christmas sales were fairly robust, and matas.dk grew sales by 40% in the past quarter alone, but this cannot outweigh the impact of a declining footfall and increasing competition on our everyday sales. Our performance in the third quarter was slightly down compared with the same quarter of last year, and we reported an EBITA margin of 19.5% against 20.2% last year”.

Q3 2017/18 highlights

- Guidance has been revised and Matas now expects a decline in underlying like-for-like revenue of 1-2% (previously: a decline of 0-2%) and EBITA between DKK 445-460 million (previously: DKK 440-470 million).
- In connection with the release of the interim report for Q2 2017/18, Matas launched a range of measures to free resources for initiatives to enhance the customer experience and add competitive strength. These measures included closing down StyleBox as an independent chain during the first half of 2018; speeding up efforts to consolidate stores, which led to the decision to close four minor stores in the first quarter of 2018; and launching a programme to gradually reduce costs over the coming quarters.
- The initial efforts to enhance the customer experience and strengthen the Group’s competitive power have resulted in a new price strategy for a selection of well-known products, which will be marketed at “Fair prices”, as well as a digital reinforcement programme. Concurrently, the process to update Matas’ strategy has been launched and is progressing satisfactorily.
- Q3 2017/18 revenue came to DKK 1,062.8 million, in line with the DKK 1,064.3 million reported for Q3 2016/17. Underlying like-for-like sales, i.e. sales from stores operated by the Group in both Q3 2017/18 and Q3 2016/17, were down by 0.8% in Q3 2017/18.
- Revenue was supported by increased sales in all shops-in-shop except the Material shop. Online sales were up by 40% over the year-earlier period. The average basket size grew by 7.2% to DKK 175.3, offsetting the 5.1% decline in the number of transactions. A total of 6.0 million transactions were completed in the third quarter of the financial year.

- High-End Beauty sales developed satisfactorily, offsetting the negative impact of declining Mass Beauty sales amid a larger number of competing outlets relative to the same period of last year and increased competition from supermarkets. Overall, Beauty sales were slightly ahead.
- Q3 2017/18 gross profit came to DKK 484.2 million, taking the gross margin to 45.6%, which was largely unchanged from 45.8% in Q3 2016/17.
- Total costs were up by DKK 7.0 million relative to the year-earlier period. Adjusted for non-recurring costs incurred in connection with layoffs and store closures, costs increased by DKK 1.5 million.
- Q3 2017/18 EBITDA before exceptional items came to DKK 227.0 million for an EBITDA margin of 21.4%, as compared with 21.8% for Q3 2016/17. EBITA was DKK 207.8 million against DKK 214.6 million in the same period the year before, which took the EBITA margin to 19.5% from 20.2% in Q3 2016/17. The EBITA margin was driven down by a slightly lower gross margin combined with higher costs and amortisation and depreciation charges.
- Q3 profit after tax was DKK 134.2 million, and Adjusted profit after tax net of amortisation not related to software and exceptional items was DKK 154.8 million, compared with DKK 147.0 million and DKK 161.8 million, respectively, in Q3 2016/17.
- Cash generated from operations fell to DKK 329.4 million in Q3 2017/18 from DKK 400.6 million in the same period the year before. The free cash flow was an inflow of DKK 237.4 million against an inflow of DKK 299.4 million in Q3 2016/17. The decline was triggered by a lower EBITDA in combination with a smaller working capital reduction than in the same quarter of last year.
- Gross debt stood at DKK 1,509.2 million at 31 December 2017. Net interest-bearing debt was DKK 1,457.0 million at 31 December 2017, equivalent to 2.5x LTM EBITDA before exceptional items and unchanged relative to the end of Q3 2016/17.

9M 2017/18 highlights

- 9M 2017/18 revenue was DKK 2,661.7 million, a year-on-year decline of 0.8%. Underlying like-for-like revenue was down by 1.0%.
- Gross profit for 9M 2017/18 was DKK 1,207.5 million, equivalent to a gross margin of 45.4%, down from 46.6% last year.
- EBITDA before exceptional items came to DKK 471.0 million, for a 9M 2017/18 EBITDA margin of 17.7%. EBITA was DKK 415.8 million, equivalent to an EBITA margin of 15.6%. For the same period of 2016/17, EBITA was DKK 449.0 million and the EBITA margin 16.7%.
- 9M profit after tax was DKK 248.6 million, and Adjusted profit after tax net of amortisation not related to software and exceptional items was DKK 309.1 million, compared with DKK 286.1 million and DKK 330.6 million, respectively, for 9M 2016/17.
- The free cash flow came to DKK 296.0 million for 9M 2017/18, down from DKK 303.3 million in the same period of last year.



Outlook

Our revised guidance for 2017/18 is:

- A decline in underlying like-for-like revenue of 1-2% after taking a negative calendar effect into account (previously: a decline of 0-2%)
- EBITA, including non-recurring costs incurred in connection with the change of Matas A/S's CEO, is expected to be in the DKK 445-460 million range (previously: DKK 440-470 million)
- Investments of around DKK 90-100 million, excluding store acquisitions (unchanged).

EBITA is stated before exceptional items as per the definition on page 80 of the Annual Report for 2016/17. Accordingly, exceptional items related to planned measures to improve the profit performance are not included in the EBITA guidance for 2017/18. Non-recurring costs of DKK 12.7 million incurred in connection with the change of Matas A/S's CEO are included in EBITA guidance.

Telephone conference

Matas will host a conference call for investors and analysts on Tuesday, 6 February 2018 at 10:00 a.m. The conference call and 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 9105
US:	+1 646-828-8143
Event code:	"Matas" or 3318636

Please call 5 minutes before the conference call begins.

Link to webcast: <https://edge.media-server.com/m6/p/ntphiavi>

Contacts

Gregers Wedell-Wedellsborg
CEO, tel +45 48 16 55 55

Anders T. Skole-Sørensen
CFO, tel +45 48 16 55 55

Elisabeth Toftmann Klintholm
Head of Investor Relations & Corp. Affairs, tel +45 48 16 55 48

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)	2017/18 Q3	2016/17 Q3	2017/18 9M	2016/17 9M
Statement of comprehensive income				
Revenue	1,062.8	1,064.3	2,661.7	2,684.0
Gross profit	484.2	487.5	1,207.5	1,250.5
EBITDA	221.5	231.8	452.8	497.8
EBIT	177.3	195.6	334.2	392.0
Profit before tax	172.1	187.8	318.7	366.2
Profit for the period after tax	134.2	147.0	248.6	286.1
Exceptional items	5.5	0.0	18.2	0.0
EBITDA before exceptional items	227.0	231.8	471.0	497.8
Exceptional items, amortisation and depreciation	4.0	0.0	4.0	0.0
EBITA*	207.8	214.6	415.8	449.0
Adjusted profit after tax	154.8	161.8	309.1	330.6
Statement of financial position				
Total assets			5,328.0	5,454.4
Total equity			2,588.2	2,552.6
Net working capital			(166.7)	(160.5)
Net interest-bearing debt			1,457.0	1,522.3
Statement of cash flows				
Cash flow from operating activities	260.5	330.7	377.8	409.7
Cash flow from investing activities	(23.1)	(31.3)	(81.8)	(106.4)
Free cash flow	237.4	299.4	296.0	303.3
Ratios				
Revenue growth	(0.1)%	1.2%	(0.8)%	0.9%
<i>Like-for-like growth</i>	<i>(0.8)%</i>	<i>1.3%</i>	<i>(1.0)%</i>	<i>1.0%</i>
Gross margin	45.6%	45.8%	45.4%	46.6%
EBITDA margin	20.8%	21.8%	17.0%	18.5%
EBITDA margin before exceptional items	21.4%	21.8%	17.7%	18.5%
<i>EBITA margin</i>	<i>19.5%</i>	<i>20.2%</i>	<i>15.6%</i>	<i>16.7%</i>
EBIT margin	16.7%	18.4%	12.6%	14.6%
Cash conversion	142.2%	161.6%	85.4%	86.1%
Earnings per share, DKK	3.57	3.83	6.61	7.37
Diluted earnings per share, DKK	3.55	3.82	6.59	7.33
Average number of shares (millions)	37.6	38.4	37.6	38.8
Diluted number of shares (millions)	37.8	38.5	37.7	39.0
Share price, end of period, DKK			78.50	96.50
Return on invested capital before tax			12.8%	13.5%
Return on invested capital before tax, excluding goodwill			163.8%	149.0%
Net working capital as a percentage of LTM revenue			(4.8)%	(4.7)%
Investments as a percentage of revenue	2.2%	2.9%	3.1%	4.0%
Net interest-bearing debt/EBITDA before exceptional items			2.5	2.5
Average number of employees	2,235	2,246	2,170	2,202

For definitions of key financials, see page 80 of the 2016/17 Annual Report. * As per the definition, EBITA is stated before exceptional items.

Management's review

Revenue

Revenue in Q3 2017/18

Matas generated total revenue of DKK 1,062.8 million in Q3 2017/18, which was largely unchanged relative to Q3 2016/17. Sales from stores operated by the Group in both Q3 2017/18 and Q3 2016/17 were down by 0.8% (underlying like-for-like growth).

The revenue performance was primarily driven by improved High-End Beauty and Vital sales, while Material and Mass Beauty sales suffered setbacks compared with the year-earlier period. Overall footfall was muted, and the number of transactions fell by 5.1%. Adjusted for new and acquired stores, the decline was 7.0%. The average basket size grew by 7.2%, which was satisfactory. Online sales were up by 40% over the year-earlier period.

Wholesale sales to associated Matas stores etc. declined by DKK 19 million relative to the same period of last year. The decline was mainly attributable to a drop in sales to the remaining associated stores. The acquisition of seven stores since Q3 2016/17 also impacted on wholesale sales. The valuation of Club Matas points etc. is included as negative sales in this item, which explains why overall sales were below zero.

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 hair-care products.

VITAL

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

MATERIAL

Household and personal care products, including household cleaning and maintenance products, baby care, footwear and sports-related products.

MEDICARE

OTC medicine, nursing products, etc.

REVENUE BY SHOPS-IN-SHOP AND SALES CHANNELS

(DKK m)	2017/18 Q3	2016/17 Q3	Growth	2017/18 9M	2016/17 9M	Growth
Beauty	815.2	804.8	1.3%	1,929.6	1,903.8	1.4%
Vital	110.8	97.7	13.4%	308.0	287.4	7.2%
Material	85.6	91.2	(6.1)%	253.8	277.6	(8.6)%
MediCare	47.6	47.1	0.9%	142.1	142.1	0.0%
Other	4.5	5.5	(17.9)%	19.3	17.1	12.7%
Total own store revenue	1,063.7	1,046.3	1.7%	2,652.8	2,628.0	0.9%
Sales to associated stores etc.	(0.9)	18.0	(105.3)%	8.9	56.0	(84.1)%
Total revenue	1,062.8	1,064.3	(0.1)%	2,661.7	2,684.0	(0.8)%

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

Overall, the Beauty segment grew revenue by 1.3% over Q3 2016/17. Sales of High-End Beauty products were up by 7.2%, while Mass Beauty sales fell by 5.9%, reflecting the growing customer preference for High-End over Mass Beauty products. In addition, the Mass Beauty segment was adversely affected by slowing sales of colour cosmetics and other personal care products in the wake of increased competition from supermarkets and other competing outlets.

SALES CHANNELS

At 31 December 2017, the Matas chain consisted of 286 stores, including a webshop, of which 279 stores and the webshop were owned and operated by Matas at the end of Q3 2017/18.

The remaining six stores were independently owned stores associated with the chain under a partnership agreement, which terminated at 31 January 2018.

During the third quarter of FY 2017/18, Matas acquired an associated store and opened two new stores to replace a number of minor stores in the same shopping area.

The Beauty segment's share of total own store revenue was 76.6%, as against 76.9% in Q3 2016/17. The Vital segment reported a revenue increase of 13.4%, driven primarily by an increased number of health product campaigns. Stronger competition on a number of core products drove a 6.1% revenue drop in the Material segment. The MediCare segment, which offers OTC medicine and nursing products, recorded a slight revenue increase of 0.9% in Q3 2017/18.

Revenue in 9M 2017/18

Revenue for 9M 2017/18 was DKK 2,662 million, a decline of 0.8% on the year-earlier period. The fall was attributable mainly to lower revenue in the Mass Beauty and Material segments and slowing sales to the remaining associated stores. The High-End Beauty and Vital segments reported revenue growth of 7.0% and 7.2%, respectively.

Business developments

Club Matas continued to grow its net membership in Q3 2017/18, retaining the position as Denmark's largest customer club with a membership of almost 1.8 million. We continued our efforts to develop and adjust customer programme offers in the third quarter and, among other initiatives, further developed Club Mamma. The Club Matas App currently has 600,000 users. Customer satisfaction among Club Matas members remained high, at 3.71, in Q3 2017/18 on a scale of 1-4 with 1 being very dissatisfied and 4 being very satisfied. Customer satisfaction in the same period of last year was 3.72.

We also continued the work to develop and improve the Club Matas partner programme in the third quarter. At 31 December 2017, the programme had 25 external partners. In the third quarter of the financial year, we signed an agreement with Menucard, a provider of restaurant meal bargains, while the BC Hospitality Group hotel chain left the programme. We also signed an agreement with Thiele, the chain of opticians. When Thiele enters the partner programme on 1 March 2018, it will strengthen Matas's retail profile.

To further support the business, we opened two new stores, in Vanløse and Viborg, in the third quarter of the financial year. The store in Viborg is the second Matas store with a shop-in-shop pharmacy, which opened on 1 February 2018. Replacing smaller stores in the same area, the two new stores carry a larger selection of products along with new brands, and their layout makes it easier for customers to navigate the stores.

NYX, the highly popular US cosmetics brand, and MIILD, the equally popular Danish brand, were both launched in another two stores in the third quarter. NYX is aimed particularly at beauty-focused customers, while MIILD – with its AllergyCertified, Swan label and ECOCERT COSMOS certifications – primarily targets the content- and eco-conscious consumer. NYX is currently available in 40 stores and MIILD in 29. MAC, the international make-up brand for which Matas has exclusive non-department store distribution rights, was introduced in an additional store and is now available in 13 stores and in the webshop.

As of 1 October 2017, Matas A/S took over the associated store in Give. This completed the process of taking over associated stores, and the remaining associated stores, except the one in Greenland, left the chain at 31 January 2018.

Costs and operating performance

Costs and operating performance in Q3 2017/18

Gross profit for Q3 2017/18 was DKK 484.2 million, against DKK 487.5 million in Q3 2016/17.

The gross margin for Q3 2017/18 was 45.6%, down from 45.8% in the year-earlier period. The gross margin was impacted by a higher proportion of campaign sales in the period under review.

Other external costs amounted to DKK 87.9 million in Q3 2017/18, up from DKK 84.0 million in Q3 2016/17, equivalent to 8.3% of Q3 2017/18 revenue against 7.9% in the same period the year before. Closing down Stylebox and Matas stores resulted in non-recurring costs of DKK 2.8 million. Adjusted for these costs, other external costs amounted to 8.0% of Q3 2017/18 revenue.

Staff costs were up by DKK 3.1 million over Q3 2016/17, to DKK 174.8 million. Non-recurring costs of DKK 2.6 million were incurred in connection with resignations among head office staff. Adjusted for these costs, staff costs increased by DKK 0.5 million.

Overall, staff costs were up by 1.8%. Adjusted for non-recurring costs, the increase was 0.3%. Staff costs amounted to 16.4% of revenue in Q3 2017/18, up from 16.1% in the year-earlier period. Adjusted for non-recurring costs, staff costs amounted to 16.2% of Q3 2017/18 revenue.

Q3 2017/18 staff costs included DKK 0.9 million related to the company's long-term equity compensation programme.

COSTS

(DKKm)	2017/18 Q3	2016/17 Q3	Growth	2017/18 9M	2016/17 9M	Growth
Other external costs	87.9	84.0	4.6%	226.3	230.4	(1.8)%
As a percentage of revenue	8.3%	7.9%		8.5%	8.6%	
Staff costs	174.8	171.7	1.8%	528.4	522.3	1.2%
As a percentage of revenue	16.4%	16.1%		19.9%	19.5%	

EBITDA was DKK 221.5 million in Q3 2017/18, a year-on-year decline of 4.4%. The EBITDA margin was 20.8%, 0.9 of a percentage point lower than in Q3 2016/17. Adjusted for exceptional items, EBITDA came to DKK 227.0 million, for an EBITDA margin of 21.4%.

EBITA was down by 3.2% to DKK 207.8 million, taking the EBITA margin to 19.5% from 20.2% in Q3 2016/17. The lower EBITA margin was attributable to a slightly weaker contribution ratio, slightly higher costs and increased amortisation and depreciation charges. EBIT was DKK 177.3 million in Q3 2017/18.

EBITDA, EBIT AND EBITA

(DKKm)	2017/18 Q3	2016/17 Q3	Growth	2017/18 9M	2016/17 9M	Growth
EBITDA	221.5	231.8	(4.4)%	452.8	497.8	(9.0)%
Amortisation, depreciation and impairment	44.2	36.2		118.6	105.8	
EBIT	177.3	195.6	(9.4)%	334.2	392.0	(14.7)%
Exceptional items	5.5	0.0		18.2	0.0	
Amortisation of intangible assets	21.0	19.0		59.4	57.0	
Exceptional items, amortisation and depreciation	4.0	0.0		4.0	0.0	
EBITA	207.8	214.6	(3.2)%	415.8	449.0	(7.4)%
EBITA margin	19.5%	20.2%		15.6%	16.7%	
EBITDA margin	20.8%	21.8%		17.0%	18.5%	

Costs and operating performance in 9M 2017/18

Gross profit for 9M 2017/18 was DKK 1,207.5 million, down by DKK 43.0 million on the year-earlier period. The gross margin was 45.4% against 46.6% in the same period the year before. The fall can be ascribed to increased competition, primarily in the Mass Beauty segment. EBITDA came to DKK 452.8 million, for an EBITDA margin of 17.0%. Adjusted for exceptional items, EBITDA came to DKK 471.0 million, for an EBITDA margin of 17.7%, compared with DKK 497.8 million and 18.5% for the same period of last year.

Adjusted for non-recurring costs, staff costs amounted to 19.3% of 9M 2017/18 revenue, against 19.5% in the year-earlier period.

Measures to boost profits

In connection with the release of the interim report for Q2 2017/18, Matas launched a range of measures to free resources for initiatives to enhance the customer experience and add competitive strength. These measures included closing down StyleBox as an independent chain; speeding up efforts to consolidate stores, which led to the decision to close four minor stores in the first quarter of 2018; and launching a programme to gradually reduce costs over the coming quarters, mainly by way of cutting costs of non-customer-oriented activities and implementing new technology.

The process to update Matas's strategy has been launched and is progressing satisfactorily. At the same time, efforts to enhance the customer experience and support the Group's competitive strength have been intensified. The "Always low price" concept will be discontinued and replaced by "Fair price", a concept offering price reductions on known brands and products, primarily in the everyday beauty and skincare segments. In addition, greater efforts will be devoted to promoting Matas's broad range of private labels.

As a part of our digital reinforcement programme to strengthen Matas's online position, we appointed Brian Andersen director of e-commerce as of 1 January 2018. In addition, 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 – the purpose being to make it easy and attractive for customers to meet Matas across channels. Our customer-oriented measures include an improved search function on matas.dk, which will also become more personalised; easier access for store staff to order the complete product range on matas.dk (connected retail); and easier access for all customers to shop on matas.dk.

The closing of StyleBox and four minor Matas stores is expected to reduce revenue by about DKK 50 million in financial year 2018/19. These closures will entail exceptional costs in the DKK 25-30 million range in financial year 2017/18, of which a significant portion will be amortisation and depreciation charges.

On balance, the measures are expected to bolster EBITA by DKK 30-40 million in financial year 2018/19. A major share of this increase will be reinvested in initiatives to boost growth and competitive strength, including the digital reinforcement programme described above.

Financial items

Net financial expenses were down by DKK 2.6 million in Q3 2017/18 to DKK 5.2 million, including a fair value adjustment of an interest rate swap representing income of DKK 2.6 million against income of DKK 3.3 million in Q3 2016/17. Net interest expenses excluding fair value adjustments were DKK 7.8 million, a year-on-year decline of DKK 3.4 million.

NET FINANCIAL EXPENSES

(DKKm)	2017/18 Q3	2016/17 Q3	2017/18 9M	2016/17 9M
Net financial expenses	5.2	7.9	15.5	25.9
Fair value adjustment of interest rate swap	2.6	3.3	7.4	7.3
Net financial expenses, adjusted for swap	7.8	11.2	22.9	33.2

Profit for the reporting period

The effective tax rate was 22.0% in Q3 2017/18, equivalent to a tax expense of DKK 37.9 million. The profit for the period was DKK 134.2 million after tax, and the Adjusted profit after tax was DKK 154.8 million, a decline of 4.3% from DKK 161.8 million in Q3 2016/17.

Statement of financial position

Total assets amounted to DKK 5,328.0 million at 31 December 2017, compared with DKK 5,454.4 million at 31 December 2016.

Current assets totalled DKK 976.2 million, a year-on-year decline of DKK 83.5 million. Inventories at 31 December 2017 were 6.6% higher than at 31 December 2016. The increase was attributable partly to acquired operations, store openings and closings and partly to a significant increase in the number of SKUs, due, among other things, to the addition of new brands. Inventories accounted for 23.0% of LTM revenue at 31 December 2017 as compared with 21.5% at 31 December 2016 and 22.5% at the end of Q2 2017/18.

Reflecting the acquisition of stores and lower sales to the remaining associated stores, trade receivables declined by DKK 13.3 million to DKK 14.1 million. Trade payables increased by DKK 37.9 million as compared with 31 December 2016, reflecting, among other things, higher inventories.

Net working capital excluding deposits stood at minus DKK 166.7 million at 31 December 2017, compared with minus DKK 160.5 million at 31 December 2016. Working capital accounted for minus 4.8% of LTM revenue, as compared with minus 4.6% last year.

Cash and cash equivalents stood at DKK 52.2 million, down from DKK 166.3 million the year before. The decline was mainly attributable to the repayment of debt.

Equity was DKK 2,588.2 million at 31 December 2017, compared with DKK 2,552.6 million at 31 December 2016.

Gross interest-bearing debt stood at DKK 1,509.2 million at 31 December 2017, slightly below the target of a gross debt of DKK 1,600-1,800 million.

Net interest-bearing debt was DKK 1,457.0 million at 31 December 2017, a year-on-year decline of DKK 65.3 million, equalling 2.5 times LTM EBITDA before exceptional items and unchanged relative to 31 December 2016.

At 31 December 2017, 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, of which a portion is held for the purpose of meeting the Group's obligations to deliver shares under its long-term incentive programme.

Statement of cash flows

Cash generated from operations was an inflow of DKK 329.4 million in Q3 2017/18 against an inflow of DKK 400.6 million in Q3 2016/17. The cash flow from operating activities was an inflow of DKK 260.5 million in Q3 2017/18, down from an inflow of DKK 330.7 million in Q3 2016/17.

Cash flows were favourably affected by a working capital reduction caused by higher trade payables. Relative to Q3 2016/17, the trend was less positive, however, partly because of a lower EBITDA and partly because of a weaker working capital impact.

The free cash flow was an inflow of DKK 237.5 million in Q3 2017/18, down from DKK 299.4 million in Q3 2016/17.

Distribution

It remains the Group's policy to distribute surplus capital to shareholders through a combination of dividends of a minimum of 60% of Adjusted profit after tax and share buybacks. For 2017/18, the intention is to maintain dividend distributions at a level unchanged in DKK terms relative to 2015/16 and 2016/17 (DKK 6.30 per share). No share buyback programmes will be carried out in 2017/18.

Return on invested capital

The return on LTM invested capital before tax was 12.8%, compared with 13.5% a year earlier.

Events after the date of the statement of financial position

The footfall is lower in the current quarter than in the same period the year before.

Significant risks

As stated in the 2016/17 Annual Report, no significant operational risks are deemed to exist other than what is normal in the industry. Matas is to some extent exposed to different types of financial risk such as interest rate, liquidity and credit risk. See note 29 to the consolidated financial statements for 2016/17 for additional information on such risk.



Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management today considered and adopted the interim report of Matas A/S for the period 1 April to 31 December 2017.

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 Danish disclosure requirements for listed companies.

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 2017 and of the results of the Group's operations and cash flows for the period 1 April to 31 December 2017.

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

Allerød, 6 February 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

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 the financial year 2017/18:

30 May 2018	Annual report 2017/18
28 June 2018	Annual general meeting

Company information

Matas A/S
Rørmosevej 1
DK-3450 Allerød, Denmark

Tel.: +45 48 16 55 55
www.matas.dk
investor.en.matas.dk
Company reg. (CVR) no. 27 52 84 06

Statement of comprehensive income

(DKKm)	2017/18 Q3	2016/17 Q3	2017/18 9M	2016/17 9M
Revenue	1,062.8	1,064.3	2,661.7	2,684.0
Cost of goods sold	(578.6)	(576.8)	(1,454.2)	(1,433.5)
Gross profit	484.2	487.5	1,207.5	1,250.5
Other external costs	(87.9)	(84.0)	(226.3)	(230.4)
Staff costs	(174.8)	(171.7)	(528.4)	(522.3)
Amortisation, depreciation and impairment	(44.2)	(36.2)	(118.6)	(105.8)
EBIT	177.3	195.6	334.2	392.0
Financial income	2.6	3.4	7.4	7.4
Financial expenses	(7.8)	(11.2)	(22.9)	(33.2)
Profit before tax	172.1	187.8	318.7	366.2
Tax on profit for the period	(37.9)	(40.8)	(70.2)	(80.1)
Profit for the period	134.2	147.0	248.6	286.1
Other comprehensive income				
Other comprehensive income after tax	0.0	0.0	0.0	0.0
Total comprehensive income	134.2	147.0	248.6	286.1
Earnings per share				
Earnings per share, DKK	3.57	3.83	6.61	7.37
Diluted earnings per share, DKK	3.55	3.82	6.59	7.33

Statement of cash flows

(DKKm)	2017/18 Q3	2016/17 Q3	2017/18 9M	2016/17 9M
Profit before tax	172.1	187.8	318.7	366.2
Adjustment for non-cash operating items etc.:				
Amortisation, depreciation and impairment	44.2	36.2	118.6	105.8
Other non-cash operating items, net	(9.2)	0.7	4.1	7.9
Financial income	(2.6)	(3.4)	(7.4)	(7.5)
Financial expenses	7.8	11.2	22.9	33.2
Cash generated from operations before changes in working capital	212.3	232.5	456.9	505.6
Changes in working capital	117.1	168.1	3.4	(5.5)
Cash generated from operations	329.4	400.6	460.3	500.1
Interest received	0.0	0.0	0.0	0.0
Interest paid	(8.0)	(10.5)	(21.6)	(31.1)
Corporation tax paid	(60.9)	(59.4)	(60.9)	(59.4)
Cash flow from operating activities	260.5	330.7	377.8	409.7
Acquisition of intangible assets	(9.1)	(12.3)	(31.1)	(30.9)
Acquisition of property, plant and equipment	(12.3)	(12.9)	(41.1)	(32.7)
Disposal of other securities and investments	0.0	0.0	0.0	0.1
Acquisition of subsidiaries and operations	(1.7)	(6.1)	(9.6)	(42.9)
Cash flow from investing activities	(23.1)	(31.3)	(81.8)	(106.4)
Free cash flow	237.4	299.4	296.0	303.3
Debt raised and settled with credit institutions	(237.5)	(78.8)	(40.0)	193.0
Dividend paid	0.0	0.0	(237.1)	(245.8)
Purchase and sale of treasury shares	0.0	(88.9)	0.0	(147.4)
Paid out on cancellation of share programmes	0.0	0.0	0.0	(6.6)
Cash flow from financing activities	(237.5)	(167.7)	(277.1)	(206.8)
Net cash flow from operating, investing and financing activities	(0.1)	131.7	18.9	96.4
Cash and cash equivalents, beginning of period	52.3	34.6	33.3	69.9
Cash and cash equivalents, end of period	52.2	166.3	52.2	166.3

Assets

(DKKm)	31.12 2017	31.12 2016	31.03 2017
NON-CURRENT ASSETS			
Goodwill	3,741.8	3,727.4	3,734.5
Trademarks and trade names	306.4	380.3	361.8
Shares in co-operative property	3.9	3.9	3.9
Other intangible assets	54.5	47.7	49.2
Total intangible assets	4,106.6	4,159.3	4,149.4
Property, plant and equipment			
Land and buildings	89.4	94.6	92.7
Other fixtures and fittings, tools and equipment	76.7	69.8	69.9
Leasehold improvements	12.3	11.9	12.1
Total property, plant and equipment	178.4	176.3	174.7
Deferred tax assets	25.6	20.3	17.7
Deposits	40.5	38.1	39.7
Other securities and investments	0.7	0.7	0.7
Total other non-current assets	66.8	59.1	58.1
Total non-current assets	4,351.8	4,394.7	4,382.2
CURRENT ASSETS			
Inventories	790.0	740.8	693.2
Trade receivables	14.1	27.4	20.7
Corporation tax receivable	84.2	95.3	112.9
Other receivables	9.3	14.5	11.4
Prepayments	26.4	15.4	16.9
Cash and cash equivalents	52.2	166.3	33.3
Total current assets	976.2	1,059.7	888.4
TOTAL ASSETS	5,328.0	5,454.4	5,270.6

Equity and liabilities

(DKKm)	31.12 2016	31.12 2016	31.03 2017
EQUITY			
Share capital	95.7	98.2	98.2
Share premium	0.0	1,787.3	0.0
Translation reserve	0.3	0.3	0.3
Treasury share reserve	(73.7)	(152.1)	(185.3)
Retained earnings	2,565.9	818.9	2,411.8
Proposed dividend for the financial year	0.0	0.0	247.5
Total equity	2,588.2	2,552.6	2,572.5
LIABILITIES			
Deferred tax	224.1	239.2	236.5
Credit institutions	1,467.9	1,688.6	1,492.0
Other payables	0.0	15.4	13.1
Total non-current liabilities	1,692.0	1,943.2	1,741.6
Credit institutions	41.3	0.0	56.3
Prepayments from customers	193.3	191.7	156.5
Trade payables	606.9	569.0	587.9
Other payables	206.3	197.9	155.8
Total current liabilities	1,047.8	958.6	956.5
Total liabilities	2,739.8	2,901.8	2,698.1
TOTAL EQUITY AND LIABILITIES	5,328.0	5,454.4	5,270.6

Statement of changes in equity

	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	248.6	248.6
Total comprehensive income	0.0	0.0	0.0	0.0	248.6	248.6
Transactions with owners						
Dividend paid	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	4.2	4.2
Total transactions with owners	(2.5)	0.0	111.6	(247.5)	(94.6)	(233.0)
Equity at 31 December 2017	95.7	0.3	(73.7)	0.0	2,565.9	2,588.2

	Share capital	Share premium	Translation reserve	Treasury share reserve	Proposed dividend	Retained earnings	Total
Equity at 1 April 2016	100.7	1,787.3	0.3	(137.4)	253.8	653.6	2,658.3
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	286.1	286.1
Total comprehensive income	0.0	0.0	0.0	0.0	0.0	286.1	286.1
Transactions with owners							
Dividend paid	0.0	0.0	0.0	0.0	(245.8)	0.0	(245.8)
Dividend on treasury shares	0.0	0.0	0.0	0.0	(8.0)	8.0	0.0
Capital reduction	(2.5)	0.0	0.0	130.9	0.0	(128.4)	0.0
Acquisition of treasury shares	0.0	0.0	0.0	(147.4)	0.0	0.0	(147.4)
Exercise of share options	0.0	0.0	0.0	1.8	0.0	(1.7)	0.1
Buyback of share option programmes	0.0	0.0	0.0	0.0	0.0	(6.6)	(6.6)
Share-based payment	0.0	0.0	0.0	0.0	0.0	7.9	7.9
Total transactions with owners	(2.5)	0.0	0.0	(14.7)	(253.8)	(120.8)	(391.8)
Equity at 31 December 2016	98.2	1,787.3	0.3	(152.1)	0.0	818.9	2,552.6

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 Danish disclosure requirements for listed companies.

Except as stated below, the accounting policies are unchanged from the accounting policies applied in the consolidated financial statements for 2016/17, to which reference is made.

Matas A/S has implemented the standards and interpretations taking effect for 2017/18. None of the new standards and interpretations have significantly affected recognition and measurement.

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 2016/17.

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 - Acquisition of subsidiaries and operations

Matas acquired four stores during the first nine months of 2017/18, one on 1 May 2017, one on 1 June 2017, one on 1 September 2017 and one on 1 October 2017.

The total consideration was DKK 10.3 million, including goodwill of DKK 7.3 million, inventories of DKK 6.5 million and liabilities of DKK 3.5 million.

The acquired associated stores are recognised in revenue for the first nine months of financial year 2017/18 at DKK 13.4 million (Q3 2017/18: DKK 7.9 million) and in EBITDA at DKK 0.9 million (Q3 2017/18: DKK 0.7 million).

Consolidated revenue and profit for 9M 2017/18, determined on a pro forma basis as if the acquired stores had been acquired at 1 April 2017, amounted to DKK 2,670.8 million (Q3 2017/18: DKK 1,067.3 million) and DKK 248.8 million (Q3 2017/18: DKK 133.9 million), respectively.

Due to the ongoing settlement of contracts with the sellers, the amounts recognised in relation to the acquisitions are subject to change. No transaction costs were incurred.

Interim financial highlights

(DKKm)	2017/18 Q3	2017/18 Q2	2017/18 Q1	2016/17 Q4	2016/17 Q3
Statement of comprehensive income					
Revenue	1,062.8	778.0	820.9	779.4	1,064.3
Gross profit	484.2	344.2	379.1	361.3	487.5
EBITDA	221.5	94.8	136.5	122.3	231.8
EBIT	177.3	57.0	99.9	83.1	195.6
Net financial expenses	(5.2)	(5.3)	(5.0)	(12.9)	(7.8)
Profit before tax	172.1	51.7	94.9	70.2	187.8
Profit for the period	134.2	40.3	74.0	52.6	147.0
Statement of financial position					
Total assets	5,328.0	5,305.1	5,490.1	5,270.6	5,454.4
Total equity	2,588.2	2,452.6	2,410.1	2,572.5	2,552.6
Net working capital	(166.7)	(56.2)	(98.0)	(158.0)	(160.5)
Net interest-bearing debt	1,457.0	1,694.0	1,481.8	1,515.0	1,522.3
Statement of cash flows					
Cash flow from operating activities	260.5	48.0	69.3	73.0	330.7
Cash flow from investing activities	(23.1)	(22.7)	(36.0)	(28.1)	(31.3)
Free cash flow	237.4	25.3	33.3	44.9	299.4
Net cash flow from operating, investing and financing activities	(0.1)	(168.0)	187.0	(133.0)	131.7
Key performance indicators					
Number of transactions (in millions)	6.0	5.1	5.2	5.0	6.3
Average basket size (in DKK)	175.3	149.8	155.1	149.3	163.6
Total retail floor space (in thousands of square metres)	53.4	53.3	52.6	52.3	51.9
Avg. revenue per square metre (in DKK thousands) - LTM	64.7	64.7	64.7	65.0	65.0
Like-for-like growth	(0.8)%	0.8%	(2.9)%	2.5%	1.3%
Adjusted figures					
EBITDA	221.5	94.8	136.5	122.3	231.8
Exceptional items	5.5	12.7	0.0	0.0	0.0
EBITDA before exceptional items	227.0	107.5	136.5	122.3	231.8
Depreciation and amortisation of software	(23.2)	(18.5)	(17.5)	(20.2)	(17.2)
Exceptional items, amortisation and depreciation	4.0	0.0	0.0	0.0	0.0
EBITA	207.8	89.0	119.0	102.1	214.6
Adjusted profit after tax	154.8	65.3	88.9	67.4	161.8
Gross margin	45.6%	44.2%	46.2%	46.4%	45.8%
EBITDA margin	20.8%	12.2%	16.6%	15.7%	21.8%
EBITDA margin before exceptional items	21.4%	13.8%	16.6%	15.7%	21.8%
EBIT margin	16.7%	7.3%	12.2%	10.7%	18.4%
EBITA margin	19.5%	11.4%	14.5%	13.1%	20.2%