"Good advice makes the difference"

Matas | Q2 2016/17 results

Forward Looking Statements

This presentation contains statements relating to the future, including statements regarding Matas A/S' future operating results, financial position, cash flows, business strategy and plans for the future. The statements can be identified by the use of words such as "believes", "expects", "estimates", "projects", "plans", "anticipates", "continues" and "intends" or any variations of such words or other words with similar meaning. The statements are based on management's reasonable expectations and forecasts at the time of the disclosure of the interim report. Any such statements are subject to risks and uncertainties and a number of different factors, of which many are beyond Matas A/S' control, can mean that the actual development and the actual result will differ significantly from the expectations contained in the interim report. Without being exhaustive, such factors include general economics and commercial factors, including market and competitive matters, supplier issues and financial issues.

Business Update

- Poor sales development in Q2: LFL = -1.5%
  - Especially mass beauty showed a disappointing fall in sales
- Intensifying price competition, confined to parts of the mass beauty area, but from both parallel importers and food retailers
- Cost level elevated related to the implementation of strategic initiatives and option programme repurchase
- Club Matas 3.0 launched – working well with core customers
- Remodelling of top stores ongoing – five stores reopened at end of Q2.
- First shop-in-shop pharmacy and M·A·C shop-in-shop opened in October in Sønderborg
- M·A·C shop-in-shops rolling out in StyleBox
- Continued dialogue with independent store owners - acquisition of two additional associated store following the quarter

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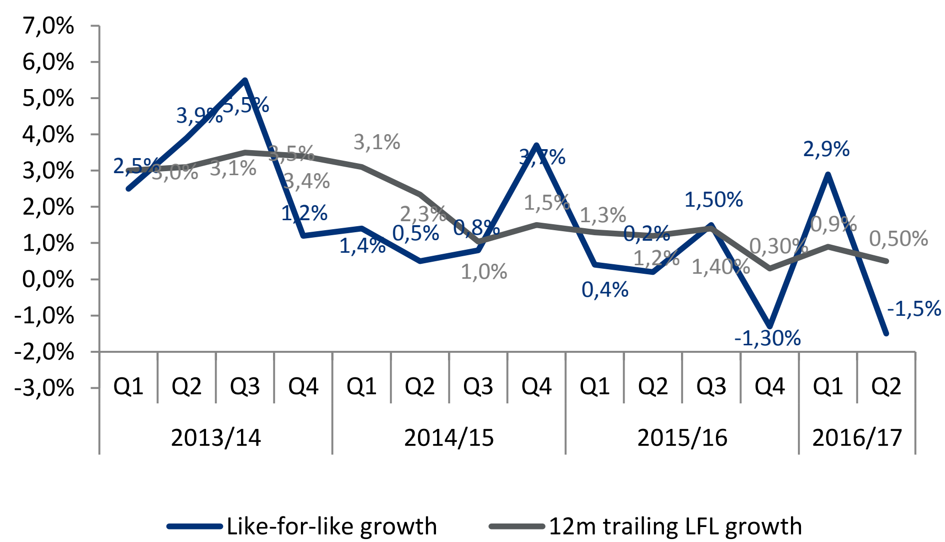
Financial Highlights Q2 2016/17

- Total revenue growth of -1.5% in Q2, and a drop of 1.5% in like-for-like revenue
- Gross margin slightly improved to 46.9% in Q2 vs. 46.8% in Q2 last year
- EBITA margin 12.6% vs. 15.7% in Q2 2015/16 – impacted by replacing option programme, and cost of strategy implementation
- Adjusted net profit DKK 69m vs. DKK 86m in Q2 2015/16
- Cash flow from operating activities of DKK 2m in Q2 compared to DKK 34m in the same period the year before
- Total investments of DKK 23m vs. DKK 15m in Q2 2015/16
- Gross debt of DKK 1,767m and net debt of 2.8x LTM EBITDA

Poor growth in Q2 2016/17 – intensified mass beauty competition

- Total revenue growth of -1.5% in Q2
- Almost flat development from own retail – but flattered by acquisitions
- Beauty sales down 2.3%, adjusted for acquisitions - High end growing – Mass Beauty falling
- Vital business continues strong growth, 4.2% LFL growth.
- Online sales growth remains very strong

DKK million	2016/17 Q2	2015/16 Q2	Growth	LFL Growth
Beauty	542	546	-0.7%	-2.3%
Vital	93	88	5.6%	4.2%
Material	68	70	-3.9%	-5.1%
MediCare	48	47	1.8%	0.6%
Other	7	6	10.2%	NM
Total revenue from own retail stores	**757**	**757**	**-0.1%**	
Sales of goods to associated stores etc.	15	26	-43.6%	-
Total revenue	**772**	**783**	**-1.5%**	-



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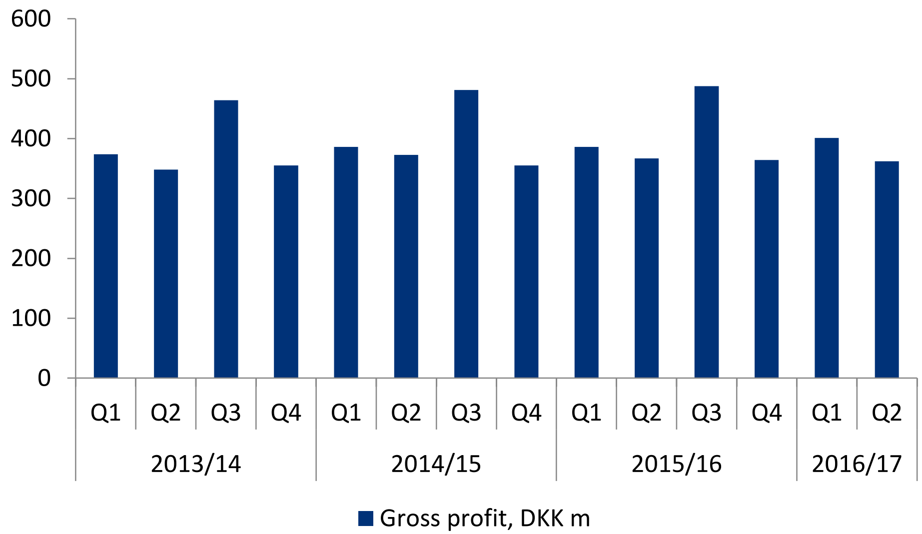
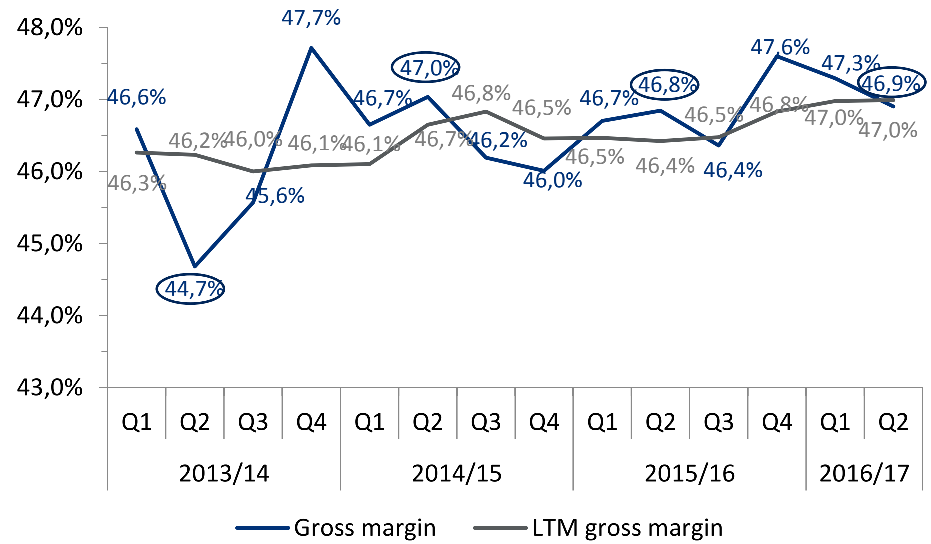
Gross Margin roughly unchanged in Q2 2016/17

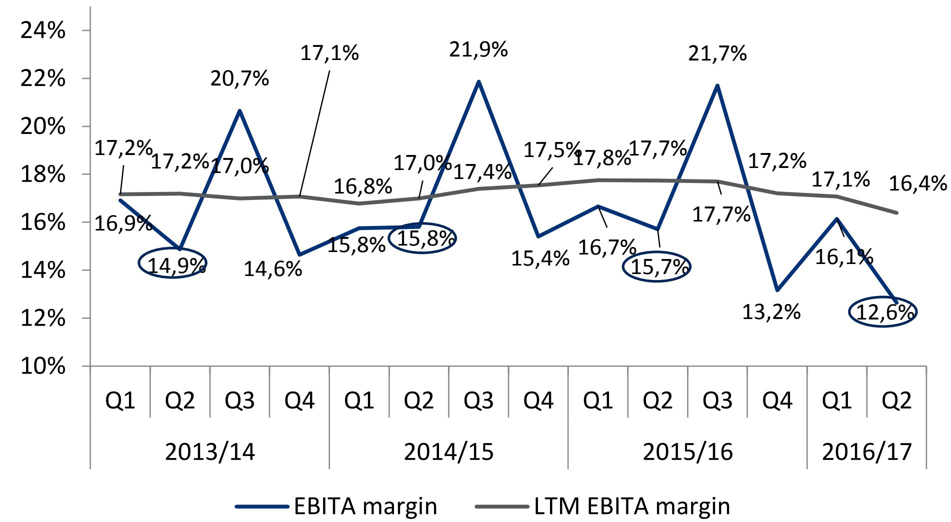
- Gross profit of DKK 362m, down by DKK 5m vs. Q2 last year, but with slightly improved margin
- Gross margin was 46.9% vs. 46.8% same quarter last year
- 12m trailing gross margin 47.0%, unchanged from last quarter





EBITA Margin down in Q2 2016/17

- EBITA margin down to 12.6% (15.7%)
- Other external costs increased to 8.9% of sales in Q1 compared to 8.3% last year
  - Higher net marketing costs and rent (from acquired stores)
- Staff cost increased to 23.3% of sales from 20.9% last year
  - Central staff costs in connection with execution of new strategic initiatives.
  - Ordinary annual salary cost increases
  - 6.6 mDKK cost of replacing option programme



DKK million	2016/17 Q2	2015/16 Q2	Chg.
Other external costs	69	65	5,8%
As a percentage of revenue	8,9%	8,3%	
Staff costs	180	164	9,9%
As a percentage of revenue	23,3%	20,9%	

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Income Statement – Q2 2016/17

DKK million	2016/17 Q2	2015/16 Q2	Change
Revenue	**772**	**783**	**-1%**
Gross profit	**362**	**367**	**-1%**
Gross margin	46,9%	46,8%	
Other external costs	-69	-65	6%
Staff costs	-180	-164	10%
EBITDA	**113**	**138**	**-18%**
Amortisation and depreciation	-35	-34	1%
Operating profit	**79**	**104**	**-25%**
Net financials	-8	-10	-19%
Profit before tax	70	94	-25%
Tax on profit for the period	-16	-22	-30%
Profit for the period	**55**	**71**	**-23%**
Diluted Earnings per share, DKK	**1.39**	**1.76**	**-21%**
EBITA	**98**	**123**	**-21%**
EBITA margin	**12.6%**	**15.7%**	**-**
Tax rate	**22.1%**	**23.8%**	**nm**
Adjusted profit after tax	**69**	**86**	**-19%**

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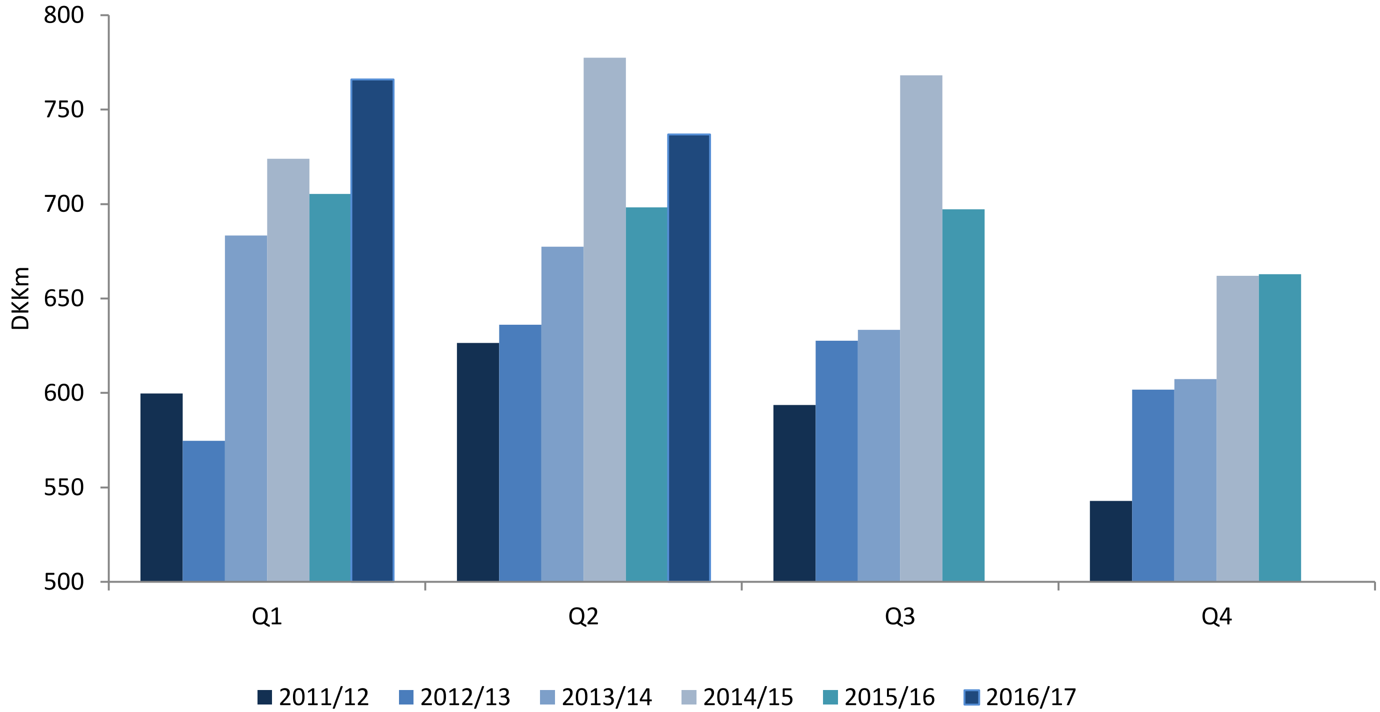
Development in Inventories



Working Capital Development in Q2 2016/17

- DKK 109m in cash outflow from changes in net working capital
- Inventories decreased by DKK 29m in quarter
- Decrease in trade and other payables of DKK 133m – related to timing of payments around end of quarter

DKK millions	2016/17 Q2	2016/17 Q1	2015/16 Q4	2015/16 Q3	2015/16 Q2	2015/16 Q1
Change in inventories	29	-103	35	1	7	-43
Change in receivables	-6	2	-1	-3	4	-2
Change in trade and other payables	-133	35	-14	128	-106	90
- trade payables	-123	41	52	26	-54	60
- other payables	-9	-5	67	102	-53	30
Total change in net working capital	**-109**	**-67**	**19**	**125**	**-95**	**45**

Q2 2016/17 Cash Flow Development

- Cash flow from operating activities was DKK 2m in Q2 compared to DKK 44m in Q2 2015/16
- Investments of DKK 22m in Q2 2016/17 – related to upgrade of stores.
- Free cash flow in Q2 of DKK -22m compared to DKK 19m last year

(DKK million)	2016/17 Q2	2016/17 Q1	2015/16 Q4	2015/16 Q3	2015/16 Q2	2015/16 Q1
Cash generated from operations	**13**	**87**	**136**	**370**	**44**	**200**
Paid interest and taxes	-12	-9	-44	-118	-11	-10
Cash flow from operating activities	**2**	**77**	**92**	**252**	**34**	**189**
Acquisition of PPE and intangibles	-20	-18	-29	-14	-15	-12
Acquisition of subsidiaries and activities	-3	-34	0	0	0	0
Free cash flow	**-22**	**26**	**63**	**238**	**19**	**178**
Cash flow from financing activities	-50	11	-209	-121	-110	-28
Net cash flow from operating, inv. and fin. activities	-71	36	-147	117	-91	150

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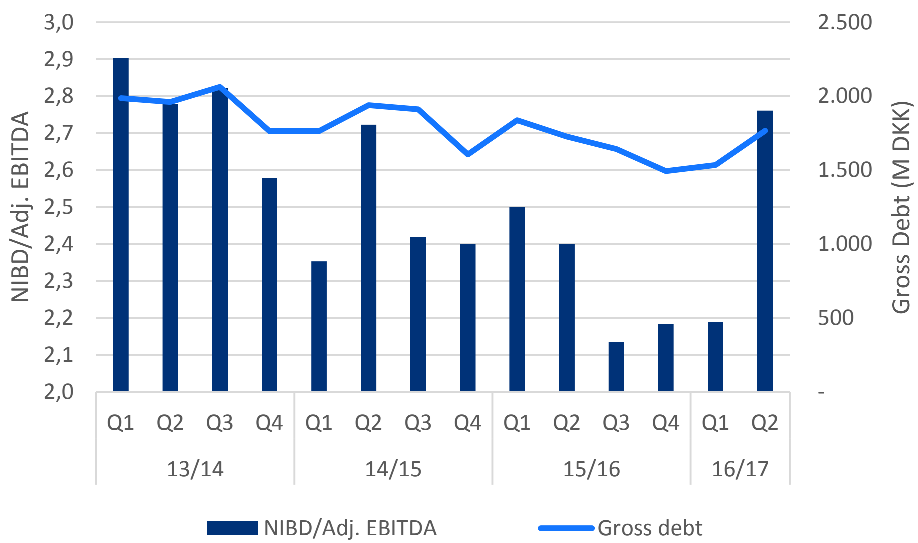
Capital Structure

- Gross debt of DKK 1.767 bn on 30 September 2016 – inside target range of DKK 1.6-1.8 bn.
- Dividend paid in Q2 and earlier buyback lifted gross debt in the quarter



	Target
Capital Structure	
Gross debt level	DKK 1,600 - 1,800m
Dividend and share buy-back	
Dividend pay-out ratio	At least 60% of Adjusted net profit
Share buyback	Distribution of excess cash through share buybacks

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Cash return policy unchanged

Is Gross debt between DKK 1.6 and 1.8 bn?

Yes

Pay out 60% of Adjusted Net Profit as a dividend

Any relevant investment opportunities beyond mainatenance CapEx?

Yes

Invest in business

No

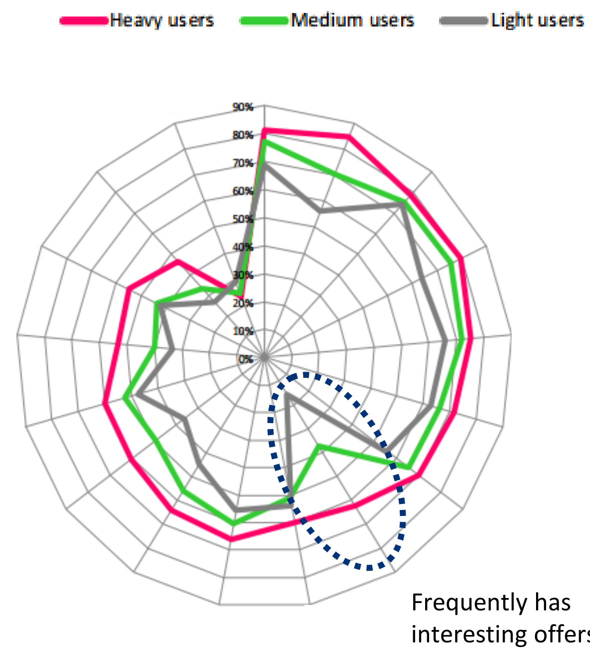
Share buy back

No

Pay down debt until it is

Competitive landscape

- Increased competition in mass beauty – Normal and supermarkets
- The major impact of Normal´s growth appears to be:
  - Expanding the overall market
  - Declining personal care market share for supermarkets
  - ⇒ Intensifying the already fierce price competition in certain areas mass beauty
- Matas has lost sales to less frequent, low basket customers
- Matas wishes to continue offering all customers, including the very price sensitive, a competitive offering in mass beauty.
- Also, improved offering on own brands underway



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Two key focus areas to deliver on strategy

Customer centricity

Putting the customer in the center in everything we do, through three initiatives

1 Customer centric offering

2 World class store experience

3 Effective pricing & promotions

Digital leadership

Taking Matas' digital presence to the next level and ensuring the best customer experience, through two initiatives

4 Omni channel leadership

5 Full value of Club Matas

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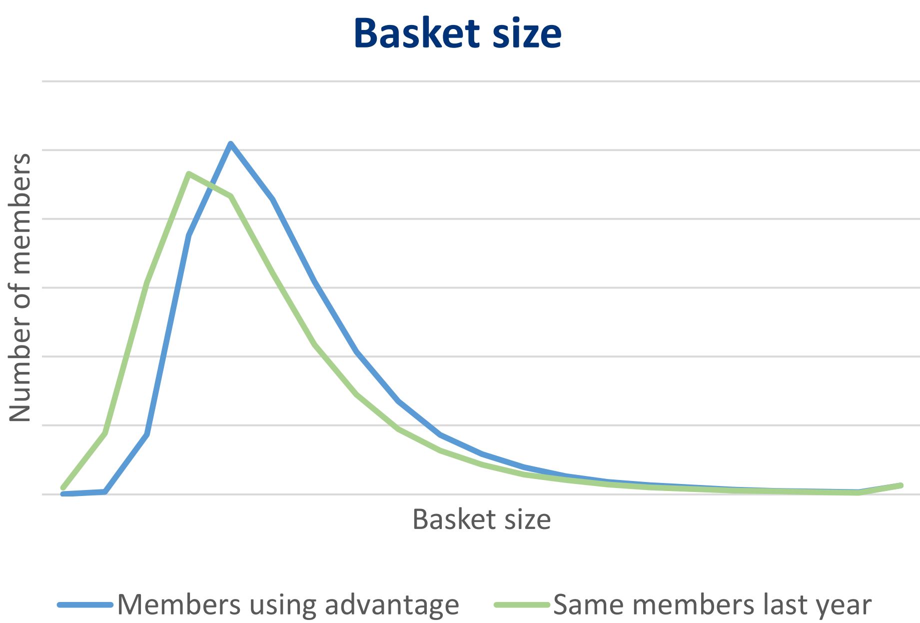
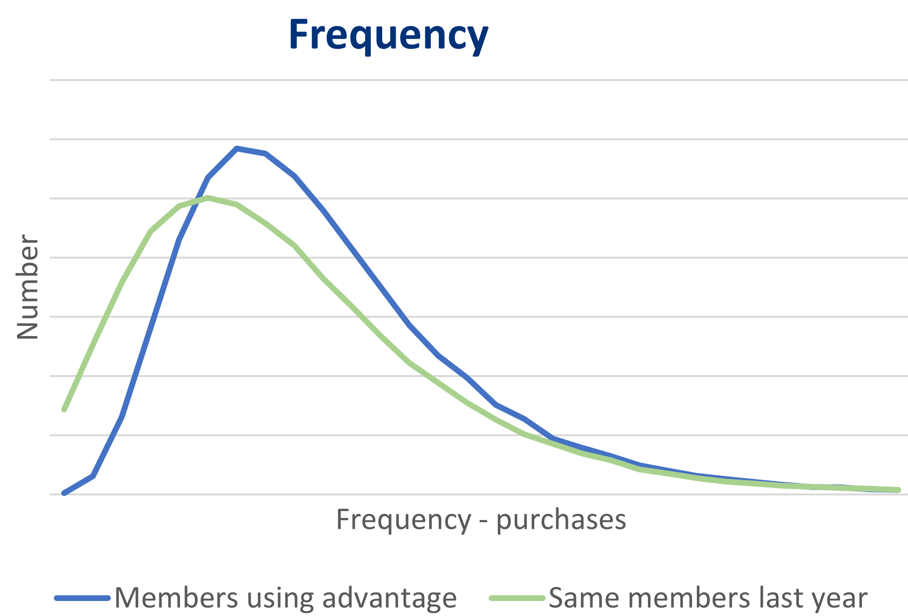
Club Matas 3.0. – works well for members reaching advantage

- Members who have used an advantage (i.e. have reached six stripes) = spent 1,200 DKK have higher basket and frequency than last year.





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M·A·C shop-in-shops

- Matas has so far opened M·A·C shop-in-shops four StyleBox and one Matas stores – with one more opening in November 2016

- With only one months sales data for the first M·A·C shop-in-shop, the data is of course preliminary, but very encouraging

Shop-in-shop pharmacy – successful opening

- In early October, Matas opened the first shop-in-shop pharmacy in Sønderborg.
- The data for the first month´s trading is very solid
- Sales data will be further analysed to decide the on future pharmacy openings.

2016/17 Guidance

	Guidance 2016/17 9 November 2016	Previous Guidance	Realised 2015/16
Revenue			
Like-for-like growth assumption	”0-2%"	"1-3%"	0.3%
Earnings			
EBITA margin	”around 16%"	"sligthly below 17%"	17.2%
Investments			
Capex	"around DKK 90-100 mill".*	"around DKK 90-100 mill".*	DKK 70 mill.

*Excluding acquisition of stores

Cost programme

- Given the unsatisfactory development in the EBITA margin, Matas has decided to initiate a cost reduction programme
- The programme will be phased in in Q4 2016/17, and is expected to have a full effect in Q1 2016/17
- The cost reduction plans are not yet finalised but are expected to amount to DKK 25-30m
- Cost initiatives expected to include:
  - Printed marketing layout and production process
  - Replacing external consultants in Club Matas with inhouse resources
  - Other initiatives