matas

Company announcement 07 2019/20
Allerød, 20 August 2019

Interim report – Q1 2019/20

(1 April – 30 June 2019)

Improving top-line and historically strong online sales growth

"Overall, we performed in line with our expectations in the first quarter of the financial year. Our investments in innovation and growth in both Matas and Firtal combined with the recent acquisition of Kosmolet A/S resulted in 3.8% top-line growth. Impacted by the lower number of trading days than in the same period last year, our Q1 underlying like-for-like sales were down by 1.2%, but adjusted for the calendar effect, underlying sales improved," said Gregers Wedell-Wedellsborg, CEO of Matas A/S, and added:

"We are also pleased to note that online sales momentum was maintained with sales via matas.dk surging by an unprecedented quarter-on-quarter growth rate of 67%. Boosted further by the consolidation of Firtal, bringing webshops such as helsebixen.dk, jala-helsekost.dk and made4men.dk, overall online sales tripled compared with the year-earlier period."

Q1 2019/20 highlights

- The interim report for Q1 2019/20 is presented in accordance with IFRS 16. However, key financials are also presented before IFRS 16 in order to enable a comparison with Q1 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

- Revenue grew by 3.8% over Q1 2018/19, while underlying like-for-like sales, i.e. sales in stores operated by the Group in both Q1 2019/20 and Q1 2018/19, were down by 1.2% in Q1 2019/20.

- Revenue was adversely affected by the two trading days fewer this quarter than in Q1 2018/19. The negative calendar effect is estimated to have shaved 1.25 – 1.75% off revenue. Adjusted for this effect, underlying sales are assessed to have grown slightly in the quarter.

- Online sales via matas.dk were ahead by 67% over the year-earlier period, while overall online sales, including revenue acquired from Firtal, tripled to make up 10.9% of Q1 2019/20 revenue against 3.7% in Q1 2018/19.

- The gross margin was 45.0%, largely unchanged from 45.2% in Q1 2018/19.

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

- Total costs increased by DKK 28.5 million year-on-year. Other external costs were up by DKK 20.4 million and staff costs by DKK 8.1 million. These increases were driven primarily by the addition of Firtal, the continued digital build-up, increasing marketing activity plus, to a lesser extent, transaction costs incurred in connection with the acquisition of Kosmolet A/S. Costs were in line with management's expectations.

- Impacted by higher costs, EBITDA before exceptional items came to DKK 119.8 million, compared with DKK 138.3 million in the same period of last year. The EBITDA margin before exceptional items was 13.7%, down from 16.4% in Q1 2018/19.

- Disregarding the acquisition of Kosmolet A/S, the free cash flow was down by DKK 80.0 million on the year-earlier period, driven by lower operating income and higher working capital. The working capital was affected by larger inventories and lower trade payables. Reflecting the acquisition of Kosmolet A/S (outflow of DKK 123 million), the free cash flow was an outflow of DKK 129.8 million in Q1 2019/20, compared with an inflow of DKK 72.9 million in Q1 2018/19.

- Gearing, measured as net interest-bearing debt to EBITDA before exceptional items, was 3.1 against 2.5 at 30 June 2018/19, inflated primarily by the acquisition of Kosmolet A/S.

(DKKm)	After IFRS 16 Q1 2019/20	Before IFRS 16 Q1 2019/20	Before IFRS 16 Q1 2018/19
Revenue	875.6	875.6	843.8
Gross profit	394.0	394.0	381.7
EBITDA before exceptional items	163.2	119.8	138.3
EBIT	70.8	73.0	95.1
Adjusted profit after tax	66.0	72.0	89.7
Free cash flow	(86.4)	(129.8)	72.9
Revenue growth	3.8%	3.8%	1.6%
Underlying like-for-like revenue growth	*(1.2)%*	*(1.2)%*	*1.1%*
Gross margin	45.0%	45.0%	45.2%
EBITDA margin before exceptional items	18.6%	13.7%	16.4%
Net interest-bearing debt/EBITDA before exceptional items	n.a.	3.1	2.5

Financial targets

The Q1 2019/20 performance was in line with expectations, and the Group consequently maintains its financial targets for financial year 2019/20. Realised and projected KPI levels are set out in the table below.

Financial targets and ambitions	**Realised Q1 2019/20**	**Targets for 2019/20**	**Ambitions for 2022/23**
Customer engagement (M-NPS)	64 (index 100)	Ongoing improvement	70 (index 110)
Revenue/revenue growth*	DKK 876 million/+3.8%	3.5 – 6.5%	Approx. DKK 4.0 bn
Underlying like-for-like revenue growth	(1.2)%	0.5 – 2.5%	Positive
EBITDA margin** before exceptional items (before IFRS 16)	13.7%	14 – 15%	Above 14%
CAPEX	DKK 41 million	DKK 200 – 220 million	Below DKK 90 million
Gearing** (before IFRS 16)	3.1	2.5 – 3	2.5 – 3

* Includes revenue from Firtal for the period 13 November 2018 to 30 June 2019 and revenue from Kosmolet A/S from 11 June 2019. ** Before effects of IFRS 16, inclusive of Firtal and Kosmolet A/S.

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.

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.

Conference call

Matas will host a conference call for investors and analysts on Tuesday, 20 August 2019 at 10:00 a.m.
The conference call and the presentation can be accessed on our investor website: www.investor.en.matas.dk.

Conference call access numbers for investors and analysts:

DK:	+45 32 72 80 42
UK:	+44 (0) 844 571 8892
US:	+1 631 510 7495
Event code:	2755808
Link to webcast:	https://edge.media-server.com/mmc/p/vgdm79mg

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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 Q1 2019/20	Before IFRS 16 Q1 2019/20	Before IFRS 16 Q1 2018/19
Statement of comprehensive income			
Revenue	875.6	875.6	843.8
Gross profit	394.0	394.0	381.7
EBITDA	160.5	117.1	133.3
EBIT	70.8	73.0	95.1
Net financials	(9.8)	(6.0)	(4.3)
Profit before tax	61.0	67.0	90.8
Profit for the period after tax	45.9	51.9	70.8
Exceptional items	2.7	2.7	5.0
EBITDA before exceptional items	163.2	119.8	138.3
Adjusted profit after tax	66.0	72.0	89.7
Statement of financial position			
Total assets	6,612.6	5,694.0	5,410.7
Total equity	2,612.0	2,618.0	2,456.3
Net working capital	56.5	56.5	(89.1)
Net interest-bearing debt	2,531.6	1,634.3	1,399.4
Statement of cash flows			
Cash flow from operating activities	77.4	34.0	98.1
Cash flow from investing activities	(163.8)	(163.8)	(25.2)
Free cash flow	(86.4)	(129.8)	72.9
Ratios			
Revenue growth	3.8%	3.8%	1.6%
Underlying like-for-like revenue growth	*(1.2)%*	*(1.2)%*	*1.1%*
Gross margin	45.0%	45.0%	45.2%
EBITDA margin	18.3%	13.4%	15.8%
EBITDA margin before exceptional items	18.6%	13.7%	16.4%
EBIT margin	8.1%	8.3%	11.3%
Cash conversion	n.a.	(0.1)%	60.3%
Earnings per share, DKK	1.21	1.37	1.88
Diluted earnings per share, DKK	1.20	1.36	1.87
Share price, end of period, DKK	71.2	71.2	51.8
ROIC before tax	n.a.	10.4%	11.4%
Net working capital as a percentage of LTM revenue	(1.6)%	(1.6)%	(2.6)%
Investments as a percentage of revenue	18.7%	18.7%	3.0%
Net interest-bearing debt/EBITDA before exceptional items	n.a.	3.1	2.5
Number of transactions (millions)	5.0	5.0	5.3
Average basket size (DKK)	165.1	165.1	157.6
Average number of employees	2,174	2,174	2,083

For definitions of key financials, see pages 99-100 of the 2018/19 Annual Report.
Firtal and Kosmolet A/S 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 A/S outside of Matas.
The Q1 2019/20 figures in the "Before IFRS 16" column have been restated to exclude the effects of IFRS 16 implementation.

Management's review

Implementing the "Renewing Matas" strategy

Launched in May 2018, the "Renewing Matas" strategy sets the course for the Group's business initiatives. 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 2018/19
Lift customer engagement (M-NPS)	70 (index 110)	Ongoing improvement	64 (index 100)
Grow revenue*	Approx. DKK 4.0 bn	Growth of 3.5-6.5%	DKK 3.5 bn
Secure earnings (EBITDA margin before except. items)**	Above 14%	14 – 15%	15.5%

* Includes revenue from Firtal for the period 13 November 2018 to 30 June 2019 and revenue from Kosmolet A/S from 11 June 2019. ** Before effects of IFRS 16, inclusive of Firtal and Kosmolet A/S.

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 Q1 2019/20. This included the acquisition of Kosmolet A/S, the owner of the successful Danish makeup brand Nilens Jord; the development of the new Matas Life store concept; product range renewal and development of matas.dk.

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.

The first quarter of the financial year saw the launch of and progress on a number of initiatives to promote the six guideposts, including a subscription service aiming to make it easy for customers to have their favourite products delivered on a continuous basis; an online customer service manned by trained materialists originating from Matas' commitment to offer personalised advice not only in its stores but also online; and the introduction of a number of new brands to deliver on the promise to offer more for everyone.

In connection with the release of its annual report for 2018/19, Matas launched its new CSR strategy focused on diversity, sustainability and security. With a view to promoting the debate on diversity, Matas and the Danish Red Cross organised a fundraiser through Club Matas on Mother's Day in May 2019, the purpose being to support a group of particularly vulnerable women within the Red Cross's Q network for battered women. Almost 13,500 Matas customers raised DKK 475,000 for the Red Cross.

In addition, in an effort to promote its Security cause, Matas ran a sun protection campaign (five sun rules) together with the Danish Cancer Society.

2. Win online

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

The Q1 2019/20 performance was driven by continued strong growth in Matas' online sales. In Q1 2019/20, 10.9% of revenue came from online sales, of which 5.9% was generated by matas.dk and 5.0% by Firtal. In Q1 2018/19, 3.7% of revenue was generated by online sales (only matas.dk).

The Group continued its efforts to expand the personal dialogue with customers through its digital channels in the first quarter of the financial year. By the end of June 2019, our customers were able to follow 267 Matas stores on Facebook. These stores shared a total of 7,000 posts generating almost 19 million views.

With a view to strengthening its offering for customers preferring to shop online and to attracting new customers, Matas launched a customised subscription service in Q4 2018/19. Some 500 health and wellbeing products are currently available on a subscription basis. A service offering personal online advice by trained materialists was also introduced in the quarter.

3. Reignite store growth

The work to implement the new Matas Life store concept continued in the first quarter of the financial year. An additional four Matas Life stores opened in Q1, in Ringkøbing (merger of two stores in new location), Randers (renovation), Roskilde (renovation) and Thisted (relocation), and another two stores opened at the beginning of July, in Fredericia (merger of two stores in new location) and on Amager (renovation), bringing the total number of Matas Life stores to ten. The store concept is evaluated on an ongoing basis and adapted to local conditions, and an additional 16 Matas Life stores are scheduled to open in 2019.

The work to adjust the retail network continued, and besides the relocations, mergers and closures completed in connection with Matas Life openings, two minor stores, in Frederikshavn and Randers, were closed in the first quarter.

Our commitment to continuously renew the product range was reflected in the introduction of a number of new brands during the quarter. In a partnership with L'Oreal, Matas exclusively launched the rapidly growing US cosmetics brand IT Cosmetics in 14 stores and on matas.dk and now also carries the French Caudalie brand, which appeals to the green consumer. A number of brands, including Zarko Parfume, Filorga and Peter Thomas Roth, and green brands like REN Skincare, RazSpa, Miild and Lavinde were rolled out to a number of additional stores during the quarter.

Lastly, we also launched a new concept called "Beautiful brands – sharp prices". Just under 300 carefully selected products across all categories are marketed under this concept, some of which are sold at "Fixed low prices".

4. Open new growth tracks

Matas is committed to strengthening its position on the green market, which is growing rapidly on the back of increasing customer demand for clean products produced with care and consideration for human health, the environment and inner beauty. Matas also aims to increase the portfolio of private labels and brands with exclusive rights.

As part of this strategy and with a view to adding a makeup brand to its private label portfolio, the Group acquired Kosmolet A/S, the owner of the Danish makeup brand Nilens Jord, in Q1 2019/20. 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. The brand has a dedicated and loyal customer group spanning all age groups. Established in 1996, 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. The acquisition of Nilens Jord has given Matas a stronger position and a more powerful organisation in the green market.

5. Change how we work

Rethinking and simplifying how we work is a key element of Matas' strategy, and developing Matas' culture, processes and employees is key to our ability to predict and adapt to market changes. This work continued in Q1 2019/20.

Q1 2019/20 performance

IFRS 16, Leases

Matas implemented IFRS 16, Leases effective 1 April 2019. This affected the interim report for Q1 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 30 June 2019 at DKK 893.6 million under lease assets and at DKK 897.3 million under lease liabilities.

IFRS 16 implementation primarily affected EBITDA and EBIT as well as cash flows from operating and financing activities. EBITDA increased by DKK 43.4 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. EBIT was affected in the amount of DKK 2.2 million as a result of increased depreciation. Cash flows for Q1 2019/20 were unchanged as the DKK 43.4 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

Revenue in Q1 2019/20

Matas generated total revenue of DKK 875.6 million in Q1 2019/20, an increase of 3.8% compared with DKK 843.8 million in the same period of last year. Sales in stores operated by the Group in both Q1 2019/20 and Q1 2018/19 were down by 1.2% (underlying like-for-like growth).

The Q1 revenue performance was supported by improved High-End Beauty and Vital sales, whereas Mass Beauty, Material and MediCare reported lower sales compared with the year-earlier period. Revenue was adversely affected by the two trading days fewer than in Q1 2018/19. The two trading days fewer are estimated to have reduced (underlying) revenue by 1.25 – 1.75%, and adjusted for this effect, underlying sales are thus estimated to have increased slightly in the first quarter of the financial year.

The number of transactions via Matas stores and matas.dk was down by 5.7% year-on-year, of which approximately 1.5 percentage points were attributable to the two trading days fewer than in the same quarter of last year. Adjusted for new and closed stores, the decline was 5.8%. The average basket size grew by 4.8% or DKK 7.5. These figures are net of Firtal and Kosmolet A/S.

Online sales on matas.dk were up by 67% year-on-year. Overall online sales accounted for 10.9% of Q1 revenue, with matas.dk contributing 5.9% and Firtal 5.0%.

Revenue by shops-in-shop and sales channels

(DKKm)	Q1 2019/20	Q1 2018/19	Growth
Beauty	609.5	598.3	1.9%
Vital	130.8	98.0	33.5%
Material	80.7	88.6	(8.9)%
MediCare	46.1	46.4	(0.6)%
Other	1.8	3.0	(40.5)%
Total own store and webshop revenue	**869.0**	**834.3**	**4.2%**
Wholesale sales etc.	6.7	9.5	(29.5)%
Total revenue	**875.6**	**843.8**	**3.8%**

The Beauty segment grew revenue by 1.9% over Q1 2018/19. Sales of High-End Beauty products were up, while Mass Beauty sales fell, reflecting the growing customer preference for High-End over Mass Beauty products witnessed in recent years. Skincare reported the strongest sales growth. The Mass Beauty segment was once again adversely affected by slowing sales of colour cosmetics. Sun screen sales were down from the record-high level reported in Q1 2018/19.

The Beauty segment's share of total revenue was 70.1%, as against 71.7% in Q1 2018/19.

Sales channels

At 30 June 2019, the Matas chain consisted of 275 physical stores, including the associated store in Greenland.

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

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.

Shops-in-shop

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

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

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

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

MediCare: OTC medicine, nursing products, etc.

The Vital segment grew sales by an impressive 33.5%, supported mainly by the Firtal acquisition, which was included for the full three months in Q1 2019/20.

The Material segment reported revenue down by 8.9%, impacted mainly by lower sales of seasonal products due to weather conditions and intensified competition. MediCare, which offers OTC medicine and nursing products, reported sales slightly down by 0.6%.

Overall sales of Matas' private labels, including Kosmolet A/S, made up 17.9% of Q1 2019/20 revenue against 16.0% in the year-earlier period. The increase was driven by the addition of revenue from Kosmolet A/S as from 11 June 2019.

Wholesale sales, including wholesale sales attributable to Kosmolet A/S, fell by DKK 2.8 million year-on-year. Revenue from Club Matas relating to partners, value adjustments of Club Matas points and B2B are also included in this item.

At 30 June 2019, Club Matas had a membership of 1.6 million and thus retained its position as one of Denmark's largest customer clubs. More than 70% of all Danish women between the ages of 18 and 65 are members of Club Matas. Of the 1.6 million members, 1.5 million had consented to being contacted by the club, while 1.4 million were active, shopping members. At 30 June 2019, more than 725,000 members had downloaded the Club Matas app.

Customer satisfaction among Club Matas members was 3.78 in Q1 2019/20 on a scale of 1-4 with 1 being very dissatisfied and 4 being very satisfied. Customer satisfaction in Q1 2018/19 was 3.79. At 64, the Matas Net Promoter Score (M-NPS) was unchanged at the end of Q1 2019/20 compared with the end of Q4 2018/19.

At 30 June 2019, the Club Matas partner programme had 25 external partners, who offer Club Matas members benefits in the categories of Travel, Shopping, Adventure, Home and Personal Care.

Costs and operating performance in Q1 2019/20

Costs and operating performance

Gross profit for Q1 2019/20 was DKK 394.0 million, against DKK 381.7 million in Q1 2018/19.

The gross margin for Q1 2019/20 was 45.0%, down from 45.2% in the year-earlier period. The slightly lower gross margin was attributable to a higher proportion of online sales.

Other external costs before IFRS 16 amounted to DKK 93.9 million in Q1 2019/20, up from DKK 73.5 million in Q1 2018/19. The DKK 20.4 million increase was driven by costs attributable to Firtal and, to a moderate extent, Kosmolet A/S totalling DKK 11 million plus non-recurring costs of DKK 2 million in connection with the acquisition of Kosmolet A/S and some DKK 7 million relating to the continued digital build-up and increased marketing activity. Costs were in line with management's expectations.

Other external costs fell by DKK 43.4 million as a result of IFRS 16 implementation as rent is recognised as depreciation of lease assets as of 1 April 2019 and is therefore no longer included in other external costs.

Q1 2019/20 staff costs amounted to DKK 183.0 million, up from DKK 174.9 million in the year-earlier period. In the first quarter of 2018/19, non-recurring costs in the amount of DKK 4.8 million were incurred. Adjusted for these costs, staff costs were up by DKK 12.9 million, driven by payroll costs attributable to Firtal and, to a moderate extent, Kosmolet, increased payroll costs at the Matas head office and new hires for the operation and development of matas.dk.

Staff costs amounted to 20.9% of revenue in Q1 2019/20 against 20.7% in the year-earlier period.

Q1 2019/20 staff costs included DKK 1.1 million related to the company's long-term share compensation programme.

Costs (DKKm)	**After IFRS 16 Q1 2019/20**	**Before IFRS 16 Q1 2019/20**	**Before IFRS 16 Q1 2018/19**	**Growth**
Other external costs	50.5	93.9	73.5	27.8%
- *of which exceptional items*	*2.7*	*2.7*	*0.2*	
As a percentage of revenue	5.8%	10.7%	8.7%	
Staff costs	183.0	183.0	174.9	4.6%
- *of which exceptional items*	*0.0*	*0.0*	*4.8*	
As a percentage of revenue	20.9%	20.9%	20.7%	

Other external costs and staff costs include Kosmolet for the period 11 June – 30 June 2019.
The Q1 2019/20 figures in the "Before IFRS 16" column have been restated to exclude the effects of IFRS 16 implementation.

Before IFRS 16, Q1 2019/20 EBITDA was DKK 117.1 million against DKK 133.3 million in Q1 2018/19. EBITDA before exceptional items came to DKK 119.8 million for an EBITDA margin before exceptional items of 13.7% against 16.4% in Q1 2018/19. The lower EBITDA and EBITDA margin were attributable to the increase in other external costs and staff costs.

After IFRS 16, Q1 2019/20 EBITDA was DKK 160.5 million, while EBITDA before exceptional items was DKK 163.2 million. The higher EBITDA can be attributed to the decline in other external costs.

Amortisation, depreciation and impairment

Total amortisation, depreciation and impairment charges before IFRS 16 were up by DKK 5.9 million to DKK 44.1 million in Q1 2019/20, driven by increased depreciation of investments made as part of the Group's strategy.

Amortisation, depreciation and impairment (DKKm)	**After IFRS 16 Q1 2019/20**	**Before IFRS 16 Q1 2019/20**	**Before IFRS 16 Q1 2018/19**
Amortisation, depreciation and impairment	89.7	44.1	38.2

The Q1 2019/20 figures in the "Before IFRS 16" column have been restated to exclude the effects of IFRS 16 implementation.

Total amortisation, depreciation and impairment charges after IFRS 16 were DKK 89.7 million. The DKK 45.6 million increase was attributable to increased depreciation of lease assets.

Net financials

Net financial expenses – before IFRS 16 – were up by DKK 1.7 million to DKK 6.0 million in Q1 2019/20, including a fair value adjustment of an interest rate swap amounting to DKK 2.9 million. This swap has now expired and been replaced by a CAP agreement with value adjustments directly through equity.

After IFRS 16, net financial expenses came to DKK 9.8 million, the increase being attributable to interest on lease liabilities in the amount of DKK 3.8 million.

Net financial expenses	**After IFRS 16**	**Before IFRS 16**	**Before IFRS 16**

(DKKm)	Q1 2019/20	Q1 2019/20	Q1 2018/19
Net financial expenses	9.8	6.0	4.3
Fair value adjustment of interest rate swap	0.0	0.0	2.9
Net financial expenses, adjusted for swap	9.8	6.0	7.2

The Q1 2019/20 figures in the "Before IFRS 16" column have been restated to exclude the effects of IFRS 16 implementation.

Profit for the period

The effective tax rate before IFRS 16 was 22.5% in Q1 2019/20, equivalent to a tax expense of DKK 15.1 million. Profit for the period after tax and before IFRS 16 was DKK 51.9 million, and Adjusted profit after tax and before IFRS 16 was DKK 72.0 million against DKK 89.7 million in Q1 2018/19.

Statement of financial position

Total assets amounted to DKK 6,612.6 million at 30 June 2019, up from DKK 5,410.7 million at 30 June 2018. The increase was driven mainly by the recognition of lease assets at DKK 893.6 million and lease liabilities at DKK 897.3 million, see note 1 on the effects of implementing IFRS 16, Leases.

The acquisition of Kosmolet A/S was completed on 11 June 2019, and Kosmolet A/S was consolidated at 30 June 2019 based on a provisional purchase price allocation, see note 5. Goodwill increased by DKK 80.4 million in connection with the acquisition of Kosmolet A/S.

Current assets totalled DKK 1,144.2 million, a year-on-year increase of DKK 41.8 million. The increase was attributable partly to larger inventories as a result of additions from Firtal and Kosmolet A/S. Inventories were DKK 33.3 million larger at the end of Q1 2019/20 than at the end of Q1 2018/19, including stocks contributed by Firtal and Kosmolet A/S.

Inventories accounted for 23.1% of LTM revenue at 30 June 2019 compared with 22.8% at 30 June 2018. Adjusted for Firtal and Kosmolet A/S, inventories accounted for 22.2% of LTM revenue.

Trade receivables increased by DKK 4.0 million to DKK 12.5 million, while trade payables fell by DKK 9.9 million year-on-year.

Primarily reflecting the increase in inventories, net working capital excluding deposits increased by DKK 32.6 million to minus DKK 56.5 million at 30 June 2019, compared with minus DKK 89.1 million at 30 June 2018.

Cash and cash equivalents stood at DKK 162.0 million, down from DKK 194.3 million the year before.

Equity was DKK 2,612.0 million at 30 June 2019, compared with DKK 2,456.3 million at 30 June 2018.

Net interest-bearing debt before IFRS 16 was DKK 1,634.3 million at 30 June 2019, a year-on-year increase of DKK 234.9 million – equalling 3.1 times LTM EBITDA before exceptional items, slightly above the long-term target of a level between 2.5 and 3. The corresponding figure at the end of Q3 2018/19 was 2.5. The increase was mainly attributable to the acquisition of Kosmolet A/S at 11 June 2019.

Gross interest-bearing debt stood at DKK 2,693.6 million at 30 June 2019, including lease liabilities of DKK 897.3 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 2,531.6 million at 30 June 2019 after IFRS 16.

At 30 June 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 A/S and 52,217 shares in connection with the exercise of the 2016/17 incentive programme, Matas held 103,977 treasury shares at 30 June 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 39.3 million before IFRS 16 in Q1 2019/20 against an inflow of DKK 105.3 million in Q1 2018/19. The DKK 66.0 million decline was attributable to lower earnings (DKK 23 million) and an increase in the operating capital reflecting larger inventories (DKK 33 million) and lower trade payables (DKK 10 million).

The free cash flow was affected mainly by a fall in cash generated from operations, higher CAPEX (DKK 41 million in Q1 2019/20 against DKK 25 million in Q1 2018/19) and the acquisition of Kosmolet A/S (DKK 123 million).

The increase in CAPEX was driven primarily by Matas Life investments and, to a lesser degree, the establishment of a new webshop warehouse in Humlebæk.

Cash flows (DKKm)	**After IFRS 16** **Q1 2019/20**	**Before IFRS 16** **Q1 2019/20**	**Before IFRS 16** **Q1 2018/19**
Cash generated from operations	82.7	39.3	105.3
Free cash flow	(86.4)	(129.8)	72.9
Free cash flow net of acquisitions	36.3	(7.1)	72.9
Cash flows from financing activities	87.5	130.9	35.0

The Q1 2019/20 figures in the "Before IFRS 16" column have been restated to exclude the effects of IFRS 16 implementation.

The cash flow effect of IFRS 16 implementation was a DKK 43.4 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 10.7%, compared with 11.4% 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 30 June 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 30 June 2019 and of the results of the Group's operations and cash flows for the period 1 April to 30 June 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, 20 August 2019

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

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:

30 October 2019	Interim report – Q2 2019/20
8 January 2020	Trading update for Q3 2019/20
27 February 2020	Interim report – Q3 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)	Q1 2019/20	Q1 2018/19
Revenue	875.6	843.8
Cost of goods sold	(481.6)	(462.1)
Gross profit	394.0	381.7
Other external costs	(50.5)	(73.5)
Staff costs	(183.0)	(174.9)
Amortisation, depreciation and impairment	(89.7)	(38.2)
EBIT	70.8	95.1
Share of profit or loss after tax of associates	0.2	0.0
Financial income	0.0	2.9
Financial expenses	(10.0)	(7.2)
Profit before tax	61.0	90.8
Tax on profit for the period	(15.1)	(20.0)
Profit for the period	45.9	70.8
Other comprehensive income		
Other comprehensive income after tax	(0.3)	0.0
Total comprehensive income	**45.6**	**70.8**
Earnings per share		
Earnings per share, DKK	1.21	1.88
Diluted earnings per share, DKK	1.20	1.87

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

Statement of cash flows

(DKKm)	Q1 2019/20	Q1 2018/19
Profit before tax	61.0	90.8
Adjustment for non-cash operating items etc.:		
Amortisation, depreciation and impairment	89.7	38.2
Other non-cash operating items, net	1.1	1.7
Share of profit or loss after tax of associates	(0.2)	0.0
Financial income	0.0	(2.9)
Financial expenses	10.0	7.2
Cash generated from operations before changes in working capital	161.6	135.0
Changes in working capital	(78.9)	(29.7)
Cash generated from operations	82.7	105.3
Interest paid	(5.3)	(7.2)
Cash flow from operating activities	77.4	98.1
Acquisition of intangible assets	(15.8)	(10.1)
Acquisition of property, plant and equipment	(25.3)	(15.1)
Acquisition of subsidiaries and operations	(122.7)	0.0
Cash flow from investing activities	(163.8)	(25.2)
Free cash flow	(86.4)	72.9
Debt raised and settled with credit institutions	130.9	35.0
Repayment of lease liabilities	(43.4)	0.0
Cash flow from financing activities	87.5	35.0
Net cash flow from operating, investing and financing activities	1.1	107.9
Cash and cash equivalents, beginning of period	160.9	86.4
Cash and cash equivalents, end of period	162.0	194.3

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.

Assets

(DKKm)	30.06 2019	30.06 2018	31.03 2019
NON-CURRENT ASSETS			
Goodwill	3,918.5	3,736.4	3,838.1
Trademarks and trade names	286.8	269.4	247.6
Other intangible assets	86.7	58.7	82.3
Total intangible assets	4,292.0	4,064.5	4,168.0
Property, plant and equipment			
Lease assets	893.6	0.0	0.0
Land and buildings	86.3	87.7	86.4
Other fixtures and fittings, tools and equipment	102.5	80.9	91.7
Leasehold improvements	48.0	12.3	16.8
Total property, plant and equipment	1,130.4	180.9	194.9
Investments in associates	0.5	0.0	0.7
Deferred tax assets	0.0	21.8	0.0
Deposits	44.8	40.4	42.6
Other securities and investments	0.7	0.7	0.7
Total other non-current assets	46.0	62.9	44.0
Total non-current assets	5,468.4	4,308.3	4,406.9
CURRENT ASSETS			
Inventories	825.5	792.2	785.5
Trade receivables	12.5	8.5	11.4
Corporation tax receivable	26.7	80.3	51.8
Other receivables	84.8	6.2	90.1
Prepayments	32.7	20.9	32.2
Cash and cash equivalents	162.0	194.3	160.9
Total current assets	1,144.2	1,102.4	1,131.9
TOTAL ASSETS	6,612.6	5,410.7	5,538.8

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

Equity and liabilities

(DKKm)	30.06 2019	30.06 2018	31.03 2019
EQUITY			
Share capital	95.7	95.7	95.7
Hedging reserve	(2.9)	0.0	(2.6)
Translation reserve	0.3	0.3	0.3
Treasury share reserve	(11.8)	(73.7)	(33.3)
Retained earnings	2,530.7	2,434.0	2,494.9
Proposed dividend for the financial year	0.0	0.0	114.9
Total equity	2,612.0	2,456.3	2,669.9
LIABILITIES			
Deferred tax	217.1	206.7	209.4
Lease commitments	714.0	0.0	0.0
Provisions	27.3	0.0	0.0
Contingent consideration	15.6	0.0	15.2
Credit institutions	1,745.4	1,593.7	1,665.0
Total non-current liabilities	2,719.4	1,800.4	1,889.6
Credit institutions	50.9	0.0	0.0
Lease liabilities	183.3	0.0	0.0
Prepayments from customers	151.1	152.3	156.0
Trade payables	586.0	595.9	638.9
Dividend	114.6	237.1	0.0
Other payables	195.3	168.7	185.0
Total current liabilities	1,281.2	1,154.0	979.3
Total liabilities	4,000.6	2,954.4	2,868.9
TOTAL EQUITY AND LIABILITIES	6,612.6	5,410.7	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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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**	**2,949.9**	**2,669.9**
Value adjustment of hedging instrument	0.0	(0.4)	0.0	0.0	0.0	0.0	(0.4)
Tax on value adjustment	0.0	0.1	0.0	0.0	0.0	0.0	0.1
Other comprehensive income	0.0	(0.3)	0.0	0.0	0.0	0.0	(0.3)
Profit for the period	0.0	0.0	0.0	0.0	0.0	45.9	45.9
Total comprehensive income	**0.0**	**(0.3)**	**0.0**	**0.0**	**0.0**	**45.9**	**45.6**
Transactions with owners							
Dividend transferred to liabilities	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	1.1	1.1
Total transactions with owners	**0.0**	**0.0**	**0.0**	**21.5**	**(114.9)**	**(10.1)**	**(103.5)**
Equity at 30 June 2019	**95.7**	**(2.9)**	**0.3**	**(11.8)**	**0.0**	**2,530.7**	**2,612.0**

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

	Share capital	Hedgin g reserve	Translatio n reserve	Treasury share reserve	Proposed dividend	Retained earnings	Total
Equity at 1 April 2018	**95.7**	**0.0**	**0.3**	**(73.7)**	**241.2**	**2,357.4**	**2,620.9**
Value adjustment of hedging instrument	0.0	0.0	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	70.8	70.8
Total comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**70.8**	**70.8**
Transactions with owners							
Dividend paid	0.0	0.0	0.0	0.0	(237.1)	0.0	(237.1)
Dividend on treasury shares	0.0	0.0	0.0	0.0	(4.1)	4.1	0.0
Share-based payment	0.0	0.0	0.0	0.0	0.0	1.7	1.7
Total transactions with owners	**0.0**	**0.0**	**0.0**	**0.0**	**(241.2)**	**5.8**	**(235.4)**
Equity at 30 June 2018	**95.7**	**0.0**	**0.3**	**(73.7)**	**0.0**	**2,434.0**	**2,456.3**

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 30 June 2019 is as follows:

(DKKm)	**At 1 April 2019**	**At 30 June 2019**
Lease assets		
Leased stores etc.	890.3	887.3
Cars and other leases	6.4	6.3
Lease assets	**896.7**	**893.6**
Leasehold improvements	27.0	25.0
Total property, plant and equipment	923.7	918.6
Total lease liabilities	**896.7**	**897.3**
Provision for leasehold reinstatement	**27.0**	**27.3**

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 Q1 2019/20 is shown below.

(DKKm)	**After IFRS 16 Q1 2019/20**	**IFRS 16 impact**	**Before IFRS 16 Q1 2019/20**
EBITDA	160.5	43.4	117.1
EBITDA before exceptional items	163.2	43.4	119.8
EBITDA margin	18.3%	5.0%	13.4%
EBITDA margin before exceptional items	18.6%	5.0%	13.7%
Amortisation and depreciation	89.7	45.6	44.1
EBIT	70.8	(2.2)	73.0
Net financial items	(9.8)	(3.8)	(6.0)
EBIT	61.0	(6.0)	67.0
Free cash flow	(86.4)	(43.4)	(129.8)
Total assets	6,612.6	918.6	5,694.0
Net interest-bearing debt	2,531.6	897.3	1,634.3

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

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

Note 4 – Revenue

(DKKm)	Q1 2019/20	Q1 2018/19
Retail sales, physical stores	773.3	803.1
Retail sales, online sales	95.6	31.2
Wholesale sales etc.	6.7	9.5
Total revenue	**875.6**	**843.8**

Revenue breaks down by product groups as follows:

(DKKm)	Q1 2019/20	Q1 2018/19
Beauty	609.5	598.3
Vital	130.8	98.0
Material	80.7	88.6
MediCare	46.1	46.4
Other	1.8	3.0
Wholesale sales etc.	6.7	9.5
Total revenue	**875.6**	**843.8**

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 B2B.

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 70.5 million at 30 June 2019 (30 June 2018: DKK 73.4 million). The estimated fair value is inherently subject to some uncertainty with respect to actual future redemption and considering the flexibility of the customer loyalty programme. Revenue is recognised when the customer uses points/stripes, usually over an average period of three months. Customers have the option of returning products, but the volume of returns at 30 June 2019 is insignificant, as is the amount of guarantee commitments.

Geographical information

The Matas Group operates in Denmark. Revenue from sales through Danish retail stores and to associated stores accounted for 100.0% (2018/19: 100.0%).

Note 5 – Acquisition of Kosmolet A/S (Nilens Jord)

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 2.0 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 shows assets with a fair value 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.

As the work to complete the pre-acquisition balance sheet is still ongoing, the values stated above are provisional.

The total purchase price includes contingent consideration of up to DKK 20.0 million, which was recognised at a fair value of DKK 20.00 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 152.9 million, and goodwill arising on the acquisition of Kosmolet A/S was thus DKK 80.4 million.

The cash flow from the acquisition of Kosmolet A/S was DKK 122.7 million, 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 and is now in a position to accelerate product innovation, expand the 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".

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 related to the acquisition of Kosmolet A/S was recognised at DKK 80.4 million in Q1 2019/20, taking consolidated goodwill to DKK 3,918.5 million (31 March 2019: DKK 3,838.1 million).

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.

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Interim financial highlights

(DKKm)	2019/20 Q1	Before IFRS 16 2019/20 Q1	2018/19 Q4	2018/19 Q3	2018/19 Q2	2018/19 Q1
Statement of comprehensive income						
Revenue	875.6	875.6	827.7	1,092.6	777.2	843.8
Gross profit	394.0	394.0	377.2	480.9	349.0	381.7
EBITDA	160.5	117.1	92.6	204.7	99.1	133.3
EBIT	70.8	73.0	49.4	162.9	55.9	95.1
Net financials	(9.8)	(6.0)	(6.1)	(6.1)	(5.0)	(4.3)
Profit before tax	61.0	67.0	43.3	156.8	50.9	90.8
Profit for the period	45.9	51.9	33.3	122.3	36.6	70.8
Statement of financial position						
Total assets	6,612.6	5,694.0	5,538.8	5,520.0	5,256.2	5,410.7
Total equity	2,612.0	2,618.0	2,669.9	2,636.1	2,494.2	2,456.3
Net working capital	(56.5)	(56.5)	(60.1)	(157.4)	(29.7)	(89.1)
Net interest-bearing debt	2,531.6	1,634.3	1,504.1	1,509.6	1,636.5	1,399.4
Statement of cash flows						
Cash flow from operating activities	77.4	34.0	45.1	266.2	42.0	98.1
Cash flow from investing activities	(163.8)	(163.8)	(38.8)	(138.8)	(36.2)	(25.2)
Free cash flow	(86.4)	(129.8)	6.3	127.4	5.8	72.9
Net cash flow from operating, investing and financing activities	1.1	1.1	94.7	11.4	(139.5)	107.9
Key performance indicators						
Number of transactions (millions)	5.0	5.0	4.8	5.9	5.0	5.3
Average basket size (DKK)	165.1	165.1	159.9	179.7	154.0	157.6
Total retail floor space (in thousands of square metres)	53.4	53.4	53.7	53.9	53.5	53.3
Avg. revenue per square metre (in DKK thousands) - LTM	66.0	66.0	65.5	64.5	64.2	64.5
Like-for-like growth	(1.2)%	(1.2)%	2.1%	0.5%	(1.9)%	1.1%
Adjusted figures						
EBITDA	160.5	117.1	92.6	204.7	99.1	133.3
Exceptional items	2.7	2.7	3.1	1.3	9.5	5.0
EBITDA before exceptional items	163.2	119.8	95.7	206.0	108.6	138.3
Depreciation and amortisation of software	(67.3)	(21.7)	(21.5)	(21.0)	(23.6)	(19.0)
Exceptional items, amortisation and depreciation	0.0	0.0	0.0	0.0	0.0	0.0
EBITA	95.9	98.1	74.2	185.0	85.0	119.3
Adjusted profit after tax	66.0	72.0	52.7	139.8	61.0	89.7
Gross margin	45.0%	45.0%	45.6%	44.0%	44.9%	45.2%
EBITDA margin	18.3%	13.4%	11.2%	18.7%	12.8%	15.8%
EBITDA margin before exceptional items	18.6%	13.7%	11.6%	18.8%	14.0%	16.4%
EBITA margin	11.0%	11.2%	9.0%	16.9%	10.9%	14.1%
EBIT margin	8.1%	8.3%	6.0%	14.9%	7.2%	11.3%

In accordance with the transitional provisions in IFRS 16, the comparative figures for 2018/19 have not been restated.
The Q1 2019/20 figures in the "Before IFRS 16" column have been restated to exclude the effects of IFRS 16 implementation.