Company announcement no. 28 2016/17
Allerød, 9 November 2016

Interim report – H1 2016/17

(1 April – 30 September 2016)

Weak revenue and profit performance – guidance revised

Q2 2016/17 revenue was DKK 771.6 million, representing a 1.5% year-on-year decrease. H1 2016/17 revenue was DKK 1,619.7 million. The underlying like-for-like store-sales growth rate was minus 1.5% in Q2 2016/17. The like-for-like growth rate for H1 2016/17 was 0.8%.

EBITA was DKK 97.5 million in Q2 2016/17, equivalent to an EBITA margin of 12.6%, down from 15.7% in the year-earlier period. EBITA for H1 2016/17 was DKK 234.4 million, representing an EBITA margin of 14.5%.

The guidance for 2016/17 has been revised. Matas now expects like-for-like revenue growth to be 0 - 2% and an EBITA margin of around 16%.

Statement by Terje List, Chief Executive Officer: *"Our Q2 revenue and profit performance was unsatisfactory. The main reasons were growing competition within mass beauty products and higher strategy implementation costs. At the same time, we are seeing a positive development in high-end beauty and the Vital area and strong growth in online sales. The new store concept and the new version of Club Matas are also performing well.*

Despite the upcoming Christmas season and more business days in Q4 2016/17, we revise our full-year guidance. In order to strengthen our market position, also in the short term, we will further sharpen our strategy in terms of activities targeting sales growth and increased earnings. In this connection, we are initiating a cost cutting programme in the range of DKK 25 - 30 million. The programme will be phased in during Q4 2016/17 to take full effect from Q1 2017/18."

- Q2 2016/17 revenue was down by 1.5% year on year to DKK 771.6 million. The like-for-like growth rate for Q2 was minus 1.5%. Revenue for H1 2016/17 was DKK 1,619.7 million, representing like-for-like growth of 0.8% on the year-earlier period.

- Q2 2016/17 gross profit was DKK 361.9 million, equivalent to a gross margin of 46.9%, which was on a level with Q2 2015/16. Gross profit for H1 2016/17 was DKK 763.0 million, representing a gross margin of 47.1%, up from 46.8% in the year-earlier period.

- EBITA was DKK 97.5 million in Q2 2016/17, equivalent to an EBITA margin of 12.6%, down from 15.7% in Q2 2015/16. EBITA was adversely affected by increased payroll costs, especially at head office, in connection with the execution of Matas's strategic initiatives, general salary increases, a small increase in the number of staff in the stores, partly as a consequence of the acquisition of stores and costs of DKK 6.6 million in connection with changes to an option programme. EBITA for H1 2016/17 was DKK 234.4 million (H1 2015/16: DKK 260.7 million). Overall, the EBITA margin for H1 2016/17 was 14.5%, which was 1.7%-point lower than in the year-earlier period.

- Profit after tax in Q2 2016/17 was DKK 54.6 million, and adjusted profit after tax net of amortisation not related to software was DKK 69.4 million (Q2 2015/16: DKK 85.8 million). Adjusted profit after tax for H1 2016/17 was DKK 168.7 million (H1 2015/16: DKK 186.7 million).

- Cash generated from operations decreased to DKK 13.1 million in Q2 2016/17 (Q2 2015/16: DKK 44.0 million). The free cash flow in Q2 2016/17 was an outflow of DKK 21.8 million (Q2 2015/16: an inflow of DKK 18.6 million).

- Gross debt stood at DKK 1,766.7 million at 30 September 2016. The target of a gross debt of DKK 1,600 - 1,800 million remains unchanged. Net interest-bearing debt was DKK 1,732.1 million at 30 September 2016, equivalent to 2.8x LTM EBITDA before exceptional items as compared to 2.4x at the end of Q2 2015/16.

- Club Matas continued its net membership growth in Q2 2016/17, retaining its position as the largest customer club in Denmark. After the summer, the relaunch of Club Matas was focused on making customers even more aware of the individualised customer benefits inherent in the programme.

- Matas's webshop continued its high growth rate in the quarter.

- After the end of the quarter, Matas has opened the first M·A·C shop-in-shop and the first pharmacy shop-in-shop in the new store in Sønderborg, which is the largest Matas store in Denmark.

Outlook for 2016/17

The financial targets for the Group for 2016/17 are as follows:

- Like-for-like revenue is expected to grow by 0 - 2% (previously 1 - 3%).

- The EBITA margin is expected to be around 16% (previously slightly below 17%).

- Investment (CapEx), excluding acquisitions of stores, is expected to be at the level of DKK 90 - 100 million (unchanged).

Conference call

Matas will host a conference call for investors and analysts on 9 November at 10:00 a.m. (CET).
The conference call and presentation will be available on our investor website: investor.en.matas.dk.

Conference call access numbers for investors and analysts:

Denmark:	+45 3271 1659
US:	+1 646 254 3365
UK:	+44 (0)20 3427 0503
Event code:	8303818 or "Matas"

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Forward-looking statements

This interim report contains statements relating to the future, including statements regarding Matas A/S'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 report. Any such statements are subject to risks and uncertainties, and a number of different factors, many of which are beyond Matas A/S's control, could mean that actual performance and actual results will differ significantly from the expectations expressed in this interim report. Without being exhaustive, such factors include general economic and commercial factors, including market and competitive matters, supplier issues and financial issues.

Key financials

(DKK millions)	2016/17 Q2	2015/16 Q2	2016/17 6 months	2015/16 6 months
Statement of comprehensive income				
Revenue	771.6	783.2	1,619.7	1,609.7
Gross profit	361.9	366.9	763.0	752.9
EBITDA	113.4	138.4	266.0	290.8
Operating profit	78.5	104.0	196.4	222.7
Profit before tax	70.1	93.6	178.4	206.7
Profit for the period	54.6	71.3	139.1	157.7
EBITA	97.5	123.0	234.4	260.7
Adjusted profit after tax	69.4	85.8	168.7	186.7
Statement of financial position				
Total assets			5,316.1	5,369.1
Total equity			2,493.8	2,545.4
Net working capital			3.7	(27.4)
Net interest-bearing debt			1,732.1	1,627.2
Statement of cash flows				
Cash flow from operating activities	1.6	33.5	78.9	222.8
Cash flow from investing activities	(23.4)	(14.9)	(75.1)	(26.7)
Free cash flow	(21.8)	18.6	3.8	196.1
Ratios				
Revenue growth	(1.5)%	(1.2)%	0.6%	(0.6)%
Like-for-like growth	*(1.5)%*	*0.2%*	*0.8%*	*0.3%*
Gross margin	46.9%	46.8%	47.1%	46.8%
EBITDA margin	14.7%	17.7%	16.4%	18.1%
EBITA margin	*12.6%*	*15.7%*	*14.5%*	*16.2%*
EBIT margin	10.2%	13.3%	12.1%	13.8%
Cash conversion	(12.3)%	24.3%	20.3%	77.2%
Earnings per share, DKK	1.40	1.77	3.57	3.93
Diluted earnings per share, DKK	1.39	1.76	3.55	3.91
Number of shares (millions)	38.992	40.274	39.032	40.137
Diluted number of shares (millions)	39.185	40.503	39.263	40.343
Share price, end of period, DKK			124.0	125.0
ROIC, pre-tax			13.3%	14.3%
ROIC, pre-tax and excluding goodwill			107.3%	106.4%
Net working capital as a percentage of revenue			0.1%	(0.8)%
Investments as a percentage of revenue	3.0%	1.9%	4.6%	1.7%
Net interest-bearing debt/Adjusted EBITDA			2.8	2.4
Average number of employees	2,221	2,175	2,180	2,143

For definitions of key financials, see page 80 of the 2015/16 Annual Report.

Management's review

Revenue in Q2 and H1 2016/17

Matas generated revenue of DKK 771.6 million in Q2 2016/17, equivalent to a year-on-year decline of 1.5%. Revenue for H1 2016/17 was DKK 1,619.7 million, representing an increase of 0.6% on the year-earlier period.

Sales to stores operated by the Group in both Q2 2016/17 and Q2 2015/16 (like-for-like growth) declined by 1.5%. The number of business days in Q2 2016/17 was unchanged from the year-earlier period. The number of transactions was down in Q2 on the year-earlier period, while the average basket size increased. The high year-on-year growth rates in online sales continued.

Sales in Matas's own retail stores were largely unchanged from Q2 2015/16. The consolidation of acquired operations lifted revenue from Matas's own retail stores by approximately DKK 11.7 million year on year in Q2 2016/17. Wholesale sales to associated Matas stores etc. were down by 43.6%, partly as a result of the acquisition of associated stores during the intermediate period.

REVENUE BY SALES CHANNEL

(DKK millions)	2016/17 Q2	2015/16 Q2	Growth	2016/17 6 months	2015/16 6 months	Growth
Beauty	542.2	546.2	(0.7)%	1,148.2	1,135.5	1.1%
Vital	92.8	87.9	5.6%	185.0	172.0	7.6%
Material	67.7	70.4	(3.9)%	142.1	144.4	(1.6)%
MediCare	47.8	46.9	1.8%	94.8	92.9	2.0%
Other	6.5	5.9	10.2%	11.6	12.0	(3.7)%
Total revenue from own retail stores	**757.0**	**757.4**	**(0.1)%**	**1,581.7**	**1,556.9**	**1.6%**
Sales of goods to associated stores, etc.	14.6	25.9	(43.6)%	38.0	52.9	(28.1)%
Total revenue	**771.6**	**783.2**	**(1.5)%**	**1,619.7**	**1,609.7**	**0.6%**

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

Revenue from the Beauty Shop, which offers everyday and luxury beauty products and personal care products, including cosmetics, fragrances, skincare and hair-care products, was down overall by 0.7% on Q2 2015/16. Sales of high-end beauty products showed good growth at the rate of 3.2%. High-end make-up products in particular showed a positive trend. Sales performance in mass beauty was unsatisfactory, showing a decline of 3.7%, partly because sales of sun products showed a declining trend, and mounting competition from both parallel importers and supermarkets weighed negatively on sales. Revenue from the Beauty Shop segment increased by 1.1% year on year in H1 2016/17.

The Beauty segment's share of total revenue from Matas's own retail stores was down marginally in Q2 2016/17 to 71.6% from 72.1% in the year-earlier period. Revenue from the Beauty shop for H1 2016/17 accounted for 72.6%, down from 72.9% in the year-earlier period.

The Vital Shop segment, which consists of vitamins, minerals, supplements and health foods, continued the positive trend, and revenue grew by 5.6% in Q2 2016/17. A growing focus on this area in the stores, a positive market, and increased marketing from a number of suppliers contributed to the growth.

The Vital Shop segment accounted for 12.3% of revenue from Matas's own retail stores in Q2 2016/17, up from 11.6% in the year-earlier period. Revenue from the Vital Shop segment for H1 2016/17 accounted for 11.7%, up from 11.0% in the year-earlier period.

Revenue from the Material Shop segment, which comprises products for handling complex household issues as well as footcare, sports and other products, showed a year-on-year decline of 3.9%, where especially the field of footcare saw intensified competition. Revenue from the Material Shop segment for H1 2016/17 was down by 1.6% on the year-earlier period.

The Material Shop segment's share of total revenue from Matas's own retail stores fell to 8.9% in Q2 2016/17 from 9.3% in the year-earlier period. Revenue from the Material Shop segment for H1 2016/17 accounted for 9.0%, down from 9.3% in the year-earlier period.

The MediCare segment, which offers OTC medicine and healthcare products, recorded a 1.8% increase in revenue in Q2 2016/17. Revenue from the MediCare segment for H1 2016/17 grew by 2.0% on the year-earlier period.

The MediCare segment's share of total revenue from Matas's own retail stores increased marginally to 6.3% in Q2 2016/17 from 6.2% in the year-earlier period. Revenue from the MediCare segment for H1 2016/17 accounted for 6.0%, which was unchanged from the year-earlier period.

As at 30 September 2016, the Matas chain had 291 retail stores, divided into 275 own physical retail stores, one online store and 15 associated stores (unchanged from 30 June 2016). After the end of Q2, Matas has acquired two additional associated stores, while one associated store has been closed in Q3 2015/16. There is a continuing dialogue with the owners of the remaining associated stores regarding a new trading agreement, and concrete negotiations are ongoing regarding additional store acquisitions. In StyleBox, the number of stores was unchanged at five plus a shop-in-shop and an online store.

After the end of the quarter, Matas has opened the largest Matas store in Denmark in Sønderborg. The store is more than 500 sqm. and includes both a M·A·C shop-in-shop and a pharmacy shop-in-shop. The initial experience from the store in Sønderborg has been positive, and if this performance continues, it will form the basis for a decision on whether to roll out more in-store pharmacies. The roll-out of M·A·C shops-in-shops in Stylebox stores follows the original plan, and four M·A·C shops-in-shops have now been opened in Stylebox stores, with promising sales data so far.

Matas continued to roll out its upgrading programme for the largest stores of the chain. Initial results have been positive, but they vary substantially from store to store. Experience from the individual elements of the upgraded stores will be incorporated in future roll-out to other stores, which will start in Q4 2016/17.

During Q2 2016/17, Matas continued to implement the initiatives in the two main tracks of the strategy: Increased Customer Focus and Digital Leadership. The ambition for the strategy is to increase Matas's revenue to more than DKK 4 billion in 2020/21 by further strengthening Matas as the customers' preferred destination for beauty and health products through increased customer focus, an enhanced shopping experience, a more efficient price and discount structure, omnichannel leadership and, to an even greater extent, leveraging the potential of Club Matas. A number of these initiatives entailed higher costs already in the quarter under review, while the expected effect of the initiatives on sales performance is expected to materialise gradually over the coming quarters.

The number of members of the Club Matas loyalty programme continued to grow in Q2 2016/17. At the end of Q1 2016/17, a new and more individualised version of Club Matas was rolled out, offering customers additional benefits based on individual customer buying behaviour. The results from the initial period after the launch of Club Matas 3.0. indicate an increased purchase frequency and transaction size among core customers, but the rate of broad customer acceptance, including the number of downloads of the new Club Matas app, has been lower than expected. In the post-summer period, Matas has intensified its efforts to raise customer awareness of the benefits of Club Matas 3.0., and there are now more than 300,000 active users of the Club Matas 3.0. app. The partner programme ClubM currently has 20 external partners.

Costs and operating profit

Gross profit in Q2 2016/17 was DKK 361.9 million (Q2 2015/16: DKK 366.9 million). Gross profit for H1 2016/17 was DKK 763.0 million, up DKK 10.1 million on the year-earlier period.

The gross margin for Q2 2016/17 was 46.9% (Q2 2015/16: 46.8%). The weaker gross profit performance in Q2 2016/17 as compared with the year earlier was thus attributable to the downturn in revenue.

The gross margin for H1 2016/17 was 47.1%, down from 46.8% in the year-earlier period.

Other external costs amounted to DKK 68.8 million in Q2 2016/17, representing a year-on-year increase of DKK 3.8 million. Other external costs as a percentage of revenue increased to 8.9% in Q2 2016/17 from 8.3% in the year-earlier period, which was partly attributable to slightly higher net marketing costs and rent in the acquired stores. Other external costs for H1 2016/17 were DKK 146.4 million (H1 2015/16: DKK 134.3 million).

Staff costs rose by DKK 16.2 million year on year in Q2 2016/17 to DKK 179.7 million. The increase was due to increased payroll costs especially at head office in connection with the execution of Matas's strategic initiatives, general salary increases as of 1 April 2016 and a small increase in the number of staff in the stores, partly as a consequence of the acquisition of stores. As a percentage of revenue, staff costs rose to 23.3% in Q2 2016/17 from 20.9% in the year-earlier period. The staff costs include DKK 6.6 million related to changes to an option programme. Staff costs in H1 2016/17 were DKK 350.6 million (H1 2015/16: DKK 327.8 million).

Developments in costs

(DKK millions)	2016/17 Q2	2015/16 Q2	Growth	2016/17 6 months	2015/16 6 months	Growth
Other external costs	68.8	65.0	5.8%	146.4	134.3	9.0%
As a percentage of revenue	8.9%	8.3%		9.0%	8.3%	
Staff costs	179.7	163.5	9.9%	350.6	327.8	7.0%
As a percentage of revenue	23.3%	20.9%		21.6%	20.4%	

EBITDA was DKK 113.4 million in Q2 2016/17, representing a year-on-year decline of DKK 25.0 million. This brought the EBITDA margin to 14.7%, representing a decline by 3.0 percentage points.

EBITDA for H1 2016/17 was DKK 266.0 million, down from DKK 290.8 million in the year-earlier period, while the EBITDA margin was 16.4%, down from 18.1% in the year-earlier period.

EBITA was down by DKK 25.5 million to DKK 97.5 million in Q2 2016/17, equivalent to an EBITA margin of 12.6%, down from 15.7% in Q2 2015/16. The margin decline was primarily attributable to the increase in staff costs. EBITA for H1 2016/17 was DKK 234.4 million (H1 2015/16: DKK 260.7 million).

EBIT was DKK 78.5 million in Q2 2016/17 and DKK 196.4 million in H1 2016/17.

Developments in EBITA

(DKK millions)	2016/17 Q2	2015/16 Q2	Growth	2016/17 6 months	2015/16 6 months	Growth
Operating profit	78.5	104.0	(24.5)%	196.4	222.7	(11.8)%
Amortisation of intangible assets	19.0	19.0		38.0	38.0	
EBITA	97.5	123.0	(20.7)%	234.4	260.7	(10.1)%
EBITA margin	12.6%	15.7%		14.5%	16.2%	

Financials

Financial expenses were DKK 8.4 million in Q2 2016/17, down by DKK 2.0 million on the year-earlier period. Financial expenses for H1 2016/17 amounted to DKK 18.0 million (H1 2015/16: DKK 16.0 million).

In Q2 2016/17, income of DKK 3.8 million was recognised in respect of a fair value adjustment of an interest rate swap (Q2 2015/16: DKK 0.9 million). Net interest expenses excluding fair value adjustments were DKK 12.2 million, which represented a year-on-year increase of DKK 0.9 million.

DEVELOPMENTS IN NET INTEREST EXPENSES

(DKK millions)	2016/17 Q2	2015/16 Q2	2016/17 6 months	2015/16 6 months
Net interest expenses	8.4	10.4	18.0	16.0
Fair value adjustment of interest rate swap	3.8	0.9	4.0	6.2
Net interest expenses, adjusted for swap	12.2	11.3	22.0	22.2

Profit for the period

The effective tax rate in Q2 2016/17 was 22.1%, equivalent to a tax expense of DKK 15.5 million. Profit for the period after tax was DKK 54.6 million, and adjusted profit after tax was DKK 69.4 million, representing a year-on-year decline of 19.1% from DKK 85.8 million in the year-earlier period.

Statement of financial position

Total assets stood at DKK 5,316.1 million at 30 September 2016 (30 September 2015: DKK 5,369.1 million).

Current assets totalled DKK 913.6 million, representing a year-on-year decline of DKK 27.5 million. Inventories were 5.5% higher at the end of Q2 2016/17 than at the end of Q2 2015/16 including additions from acquired operations and store openings and closings. Inventories accounted for 21.4% of LTM revenue at the end of Q2 2016/17 compared to 20.4% a year earlier, and 22.2% at the end of Q1 2016/17. Inventories in Q2 2016/17 were higher than at the same time last year due to the specific intention to avoid product sell-outs and a DKK 11.8 million effect of acquired operations.

Trade receivables stood at DKK 25.3 million, representing a decline of DKK 5.3 million relative to 30 September 2015. Trade payables stood at DKK 501.6 million, which was DKK 4.3 million lower than at 30 September 2015.

Net working capital excluding deposits stood at DKK 3.7 million at 30 September 2016 (30 September 2015: minus DKK 27.4 million). Working capital accounted for approximately 0.1% of LTM revenue, as compared with minus 0.8% last year.

The change in net working capital was partly attributable to the higher inventory level and to a number of timing differences in payments of outstanding amounts at the end of the quarter.

Cash and cash equivalents stood at DKK 34.6 million (30 September 2015: DKK 99.8 million).

Equity stood at DKK 2,493.8 million at 30 September 2016 (30 September 2015: DKK 2,545.4 million).

Gross interest-bearing debt stood at DKK 1,766.7 million at 30 September 2016.

Net interest-bearing debt was DKK 1,732.1 million at 30 September 2016, representing a year-on-year increase of DKK 104.9 million. Net interest-bearing debt represents 2.8x LTM EBITDA before exceptional items.

The Group held a total of 493,358 treasury shares at 30 September 2016. In the course of Q2 2016/17, 1,000,000 treasury shares, equivalent to 2.5% of the share capital, were cancelled in accordance with a resolution adopted at the annual general meeting held on 29 June 2016. The share capital now consists of 39,291,492 shares of DKK 2.50 each. The treasury shares are held partly to meet certain obligations to deliver shares under the Group's long-term incentive programme, while it is expected that a proposal will be made at the next coming annual general meeting to cancel the remaining part of the shares.

Statement of cash flows

Cash generated from operations was an inflow of DKK 13.1 million in Q2 2016/17 (Q2 2015/16: an inflow of DKK 44.0 million). As described above, the difference was mainly driven by the lower earnings in Q2 2016/17 compared with Q2 2015/16.

The cash flow from operating activities was an inflow of DKK 1.6 million in Q2 2016/17 (Q2 2015/16: an inflow of DKK 33.5 million). The cash flow from operating activities is usually relatively low in the second quarter of the financial year.

The cash flow from investing activities was an outflow of DKK 23.4 million in Q2 2016/17 against an outflow of DKK 14.9 million in Q2 2015/16. The increase was mainly the result of a slightly higher investment level due to the roll-out of new concept stores.

The free cash flow was an outflow of DKK 21.8 million in Q2 2016/17 (Q2 2015/16: an inflow of DKK 18.6 million).

Return on invested capital

The LTM return on invested capital before tax was 13.3%, as compared to 14.3% a year earlier.

Events after the balance sheet date of the interim report

No significant events have occurred after the balance sheet date of the interim report.

Significant risks

As stated in the 2015/16 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. See note 29 to the consolidated financial statements for 2015/16 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 30 September 2016.

The interim report, which has been neither audited nor reviewed by the company's auditors, was 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 30 September 2016 and of the results of the Group's operations and cash flows for the period 1 April to 30 September 2016.

Furthermore, in our opinion, the management 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 it faces.

Allerød, 9 November 2016

Executive Management

Terje List Chief Executive Officer	Anders T. Skole-Sørensen Chief Financial Officer

Board of Directors

Lars Vinge Frederiksen Chairman	Lars Frederiksen Deputy Chairman	
Ingrid Jonasson Blank	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 financial year 2016/17:

10 January 2017	Trading update for the period 1 October 2016 to 31 December 2016
8 February 2017	Q3 interim report 2016/17
30 May 2017	Annual report 2016/17
29 June 2017	Annual general meeting

Company information

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Statement of comprehensive income

(DKK millions)	2016/17 Q2	2015/16 Q2	2016/17 6 months	2015/16 6 months
Revenue	771.6	783.2	1,619.7	1,609.7
Cost of goods sold	(409.7)	(416.3)	(856.7)	(856.8)
Gross profit	361.9	366.9	763.0	752.9
Other external costs	(68.8)	(65.0)	(146.4)	(134.3)
Staff costs	(179.7)	(163.5)	(350.6)	(327.8)
Amortisation, depreciation and impairment losses	(34.9)	(34.4)	(69.6)	(68.1)
Operating profit	78.5	104.0	196.4	222.7
Financial income	3.8	0.0	4.0	0.0
Financial expenses	(12.2)	(10.4)	(22.0)	(16.0)
Profit before tax	70.1	93.6	178.4	206.7
Tax on profit for the period	(15.5)	(22.3)	(39.3)	(49.0)
Profit for the period	54.6	71.3	139.1	157.7
Other comprehensive income				
Other comprehensive income after tax	0.0	0.0	0.0	0.0
Total comprehensive income	54.6	71.3	139.1	157.7
Earnings per share				
Earnings per share, DKK	1.40	1.77	3.57	3.93
Diluted earnings per share, DKK	1.39	1.76	3.55	3.91

Statement of cash flows

(DKK millions)	2016/17 Q2	2015/16 Q2	2016/17 6 months	2015/16 6 months
Profit before tax	70.1	93.6	178.4	206.7
Adjustment for non-cash operating items:				
Amortisation, depreciation and impairment losses	34.9	34.4	69.6	68.1
Other non-cash operating items, net	6.5	0.9	7.2	3.0
Financial income	(3.8)	0.0	(4.1)	0.0
Financial expenses	12.2	10.4	22.0	16.0
Cash generated from operations before changes in working capital	119.9	139.3	273.1	293.8
Changes in working capital	(106.8)	(95.3)	(173.6)	(50.3)
Cash generated from operations	13.1	44.0	99.5	243.5
Interest received	0.0	0.0	0.0	0.0
Interest paid	(11.5)	(10.5)	(20.6)	(20.7)
Corporation tax paid	0.0	0.0	0.0	0.0
Cash flow from operating activities	1.6	33.5	78.9	222.8
Acquisition of intangible assets	(9.4)	(5.4)	(18.6)	(10.7)
Acquisition of property, plant and equipment	(11.1)	(9.5)	(19.8)	(15.9)
Disposal of other securities and investments	0.1	0.0	0.1	0.0
Acquisition of subsidiaries and operations	(3.0)	0.0	(36.8)	(0.1)
Cash flow from investing activities	(23.4)	(14.9)	(75.1)	(26.7)
Free cash flow	(21.8)	18.6	3.8	196.1
Debt raised from and settled with banks	231.8	(110.0)	271.8	119.7
Dividend paid	(245.8)	0.0	(245.8)	(232.0)
Purchase and sale of treasury shares	(29.0)	0.0	(58.5)	(25.5)
Buyback of option programme	(6.6)	0.0	(6.6)	0.0
Cash flow from financing activities	(49.6)	(110.0)	(39.1)	(137.8)
Net cash flow from operating, investing and financing activities	(71.4)	(91.4)	(35.3)	58.3
Cash and cash equivalents at beginning of period	106.1	191.2	69.9	41.5
Cash and cash equivalents at end of period	34.6	99.8	34.6	99.8

Assets

(DKK millions)	**30.09 2016**	**30.09 2015**	**31.03 2016**
NON-CURRENT ASSETS			
Goodwill	3,725.0	3,691.0	3,691.0
Trademarks and trade names	398.8	472.7	435.7
Shares in co-operative property	3.9	3.9	3.9
Other intangible assets	43.0	37.0	37.2
Total intangible assets	4,170.7	4,204.6	4,167.8
Property, plant and equipment			
Land and buildings	95.3	97.8	96.5
Plant and machinery	68.5	55.3	67.3
Leasehold improvements	10.1	10.5	10.0
Total property, plant and equipment	173.9	163.6	173.8
Deferred tax assets	19.3	22.6	16.0
Deposits	37.9	36.3	36.9
Other securities and investments	0.7	0.9	0.9
Total other non-current assets	57.9	59.8	53.8
Total non-current assets	4,402.5	4,428.0	4,395.4
CURRENT ASSETS			
Inventories	736.8	698.3	662.8
Trade receivables	25.3	30.6	29.5
Corporation tax receivable	80.3	89.6	129.5
Other receivables	15.4	3.6	4.5
Prepayments	21.2	19.2	23.7
Cash and cash equivalents	34.6	99.8	69.9
Total current assets	913.6	941.1	919.9
TOTAL ASSETS	5,316.1	5,369.1	5,315.3

Equity and liabilities

(DKK millions)	30.09 2016	30.09 2015	31.03 2016
EQUITY			
Share capital	98.2	100.7	100.7
Share premium	1,787.3	1,787.3	1,787.3
Translation reserve	0.2	0.3	0.3
Treasury share reserve	(63.2)	(41.7)	(137.5)
Retained earnings	671.3	698.8	653.7
Proposed dividend for the financial year	0.0	0.0	253.8
Total equity	2,493.8	2,545.4	2,658.3
LIABILITIES			
Deferred tax	241.8	251.5	248.2
Banks	1,752.9	1,727.0	1,493.5
Other payables, long-term	18.8	21.9	22.8
Total non-current liabilities	2,013.5	2,000.4	1,764.5
Banks, short-term	13.8	0.0	0.0
Prepayments from customers	145.0	138.4	149.8
Trade payables	501.6	505.9	584.2
Other payables	148.4	134.8	158.5
Corporation tax	0.0	44.2	0.0
Total current liabilities	808.8	823.3	892.5
Total liabilities	2,822.3	2,823.7	2,657.0
TOTAL EQUITY AND LIABILITIES	5,316.1	5,369.1	5,315.3

Statement of changes in equity

	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	139.1	139.1
Total comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**139.1**	**139.1**
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
Reduction of share capital	(2.5)	0.0	0.0	130.9	0.0	(128.4)	0.0
Acquisition of treasury shares	0.0	0.0	0.0	(58.5)	0.0	0.0	(58.5)
Exercise of share options	0.0	0.0	0.0	1.8	0.0	(1.7)	0.1
Buyback of option programme	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	7.2	7.2
Total transactions with owners	**(2.5)**	**0.0**	**0.0**	**74.2**	**(253.8)**	**(121.5)**	**(303.6)**
Equity at 30 September 2016	**98.2**	**1,787.3**	**0.3**	**(63.2)**	**0.0**	**671.2**	**2,493.8**

	Share capital	Share premium	Translation reserve	Treasury share reserve	Proposed dividend	Retained earnings	Total
Equity at 1 April 2015	**101.9**	**1,787.3**	**0.3**	**(85.7)**	**236.5**	**603.2**	**2,643.5**
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	157.7	157.7
Total comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**157.7**	**157.7**
Transactions with owners							
Dividend paid	0.0	0.0	0.0	0.0	(232.0)	0.0	(232.0)
Dividend on treasury shares	0.0	0.0	0.0	0.0	(4.5)	4.5	0.0
Reduction of share capital	(1.2)	0.0	0.0	69.2	0.0	(68.0)	0.0
Acquisition of treasury shares	0.0	0.0	0.0	(25.2)	0.0	0.0	(25.2)
Share-based payment	0.0	0.0	0.0	0.0	0.0	1.4	1.4
Total transactions with owners	**(1.2)**	**0.0**	**0.0**	**44.0**	**(236.5)**	**(62.1)**	**(255.8)**
Equity at 30 September 2015	**100.7**	**1,787.3**	**0.3**	**(41.7)**	**0.0**	**698.8**	**2,545.4**

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 2015/16, to which reference is made.

Matas A/S has implemented the standards and interpretations taking effect for 2016/17. 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 are consistent with those in the consolidated financial statements for 2015/16.

Note 3 – Seasonality

The Group’s activities in the interim period were only to a limited extent affected by seasonal or cyclical fluctuations.

Note 4 – Acquisition of subsidiaries and operations

In H1 2016/17, Matas acquired four associated Matas stores, one on 1 May 2016 and three on 15 June 2016.

The total consideration was DKK 39.3 million, including goodwill of DKK 34.0 million.

Calculation of fair value at date of acquisition (DKK millions)

Inventories	11.8
Receivables	0.6
Cash and cash equivalents	0.1
Other liabilities	(7.2)
Acquired net assets	**5.3**
Goodwill	34.0
Acquisition cost	**39.3**
Of which cash and cash equivalents	(0.1)
Not paid	(2.4)
Cash acquisition cost	**36.8**

The acquired stores were included in revenue for H1 2016/17 in the amount of DKK 15.5 million (Q2 2016/17: DKK 11.7 million) and EBITDA for H1 2016/17 in the amount of DKK 1.4 million (Q2 2016/17: DKK 1.0 million). Due to the ongoing settlement of contracts with the sellers, the acquisitions recognised are subject to change.

No transaction costs were incurred.

Interim financial highlights

(DKK millions)	2016/17 Q2	2016/17 Q1	2015/16 Q4	2015/16 Q3	2015/16 Q2
Statement of comprehensive income					
Revenue	771.6	848.1	764.9	1,051.5	783.2
Gross profit	361.9	401.1	364.1	487.5	366.9
EBITDA	113.4	152.6	117.7	243.6	138.4
Operating profit	78.5	117.9	81.7	209.2	104.0
Net interest expenses	(8.4)	(9.5)	(10.6)	(9.9)	(10.4)
Profit before tax	70.1	108.4	71.1	199.3	93.6
Profit for the period	54.6	84.6	53.9	152.9	71.3
Statement of financial position					
Total assets	5,319.6	5,443.7	5,315.3	5,481.8	5,369.1
Total equity	2,493.8	2,468.2	2,658.3	2,663.1	2,545.4
Net working capital	3.7	(105.5)	(172.0)	(152.9)	(27.4)
Net interest-bearing debt	1,732.1	1,428.1	1,423.6	1,426.0	1,627.2
Statement of cash flows					
Cash flow from operating activities	1.6	77.4	92.0	252.1	33.5
Cash flow from investing activities	(23.4)	(51.7)	(29.4)	(14.2)	(14.9)
Free cash flow	(21.8)	25.7	62.6	237.9	18.6
Net cash flow from operating, investing and financing activities	(71.4)	36.2	(146.8)	116.9	(91.4)
Key performance indicators					
Number of transactions (in millions)	5.3	5.6	5.2	6.4	5.5
Average basket size (in DKK)	140.6	145.4	140.1	156.4	136.0
Total retail floor space (in thousands of square metres)	51.5	51.5	50.6	50.8	50.8
Avg. revenue per square metre (in DKK thousands) - LTM	64.8	64.8	64.7	64.6	64.3
Like-for-like growth	(1.5)%	2.9%	(1.3)%	1.5%	0.2%
Adjusted figures					
EBITDA	113.4	152.6	117.7	243.6	138.4
Depreciation and amortisation of software	(15.9)	(15.7)	(17.0)	(15.4)	(15.4)
EBITA	97.5	136.9	100.7	228.2	123.0
Adjusted profit after tax	69.4	99.4	68.5	167.4	85.8
Gross margin	46.9%	47.3%	47.6%	46.4%	46.8%
EBITDA margin	14.7%	18.0%	15.4%	23.2%	17.7%
EBIT margin	10.2%	13.9%	10.7%	19.9%	13.3%
EBITA margin	12.6%	16.1%	13.2%	21.7%	15.7%