

Interim report - 9M 2016/17

(1 April – 31 December 2016)

Satisfactory revenue performance – guidance maintained

Q3 2016/17 revenue was up by 1.2% year on year to DKK 1,064.3 million, bringing revenue for the 9M 2016/2017 period to DKK 2,684.0 million. The underlying like-for-like store sales growth rate was 1.3% in Q3 2016/17. The like-for-like growth rate for 9M 2016/17 was 1.0%.

EBITA amounted to DKK 214.6 million in Q3 2016/17, equivalent to an EBITA margin of 20.2%, down from 21.7% in the year-earlier period. EBITA for 9M 2016/17 was DKK 449.0 million, representing an EBITA margin of 16.7%.

The guidance for full-year 2016/17 is maintained at like-for-like revenue growth of 0-2% and an EBITA margin of around 16%.

Terje List, Chief Executive Officer, said: *“Our revenue performance in Q3 was satisfactory, with sales of high-end beauty products performing particularly well. Competition remains fierce, and in that light we consider our earnings performance to be satisfactory”.*

- Q3 2016/17 revenue grew 1.2% year on year to DKK 1,064.3 million. The like-for-like growth rate for Q3 was 1.3%. Revenue for 9M 2016/17 was DKK 2,684.0 million, reflecting like-for-like growth of 1.0% on the year-earlier period.
- Q3 2016/17 gross profit was DKK 487.5 million, equivalent to a gross margin of 45.8% against 46.4% in Q3 2015/16. Gross profit for 9M 2016/17 was DKK 1,250.5 million, corresponding to a gross margin of 46.6%, unchanged relative to 9M 2015/16.
- EBITA was DKK 214.6 million in Q3 2016/17, equivalent to an EBITA margin of 20.2%, down from 21.7% in Q3 2015/16. EBITA for 9M 2016/17 was DKK 449.0 million against DKK 488.9 million for the year-earlier period. Overall, the EBITA margin for 9M 2016/17 was 16.7%, down 1.7 percentage points relative to 9M 2015/16.
- Profit after tax for Q3 2016/17 came to DKK 147.0 million, and Adjusted profit after tax net of amortisation not related to software was DKK 161.8 million, compared with DKK 167.4 million for Q3 2015/16. Adjusted profit after tax for 9M 2016/17 was DKK 330.6 million, down from DKK 354.1 million in the year-earlier period.
- Cash generated from operations grew to DKK 400.6 million in Q3 2016/17 from DKK 369.8 million in the year-earlier period. The Q3 2016/17 free cash flow was an inflow of DKK 299.4 million, up from DKK 237.9 million in Q3 2015/16. Cash generated from operations for 9M 2016/17 was DKK 500.1 million, compared to DKK 613.1 million in the year-earlier period. Free cash flow for 9M 2016/17 was DKK 303.3 million, down from DKK 434.0 million in the same period the year before.
- Standing at DKK 1,688.6 million at 31 December 2016, gross debt is within the DKK 1,600-1,800 million target range. Net interest-bearing debt was DKK 1,522.3 million at 31 December 2016, equivalent to 2.5x LTM EBITDA before exceptional items as compared with 2.1x at 31 December 2015.
- Club Matas continued its net membership growth in Q3 2016/17 to a current membership of about 1.7 million. More than 400,000 people have downloaded the new Club Matas app.
- Matas’s webshop continued reporting strong growth in Q3 2016/17.

- StyleBox reported strong growth in Q3 2016/17 following the successful implementation of M·A·C shops-in-shops.

Outlook for 2016/17

The financial guidance for the Group for 2016/17 remains unchanged:

- Like-for-like revenue is expected to grow by 0-2%.
- The EBITA margin is expected to be around 16%.
- Investments excluding store acquisitions are expected to be in the DKK 90-100 million range.

Conference call

Matas will host a conference call for investors and analysts on 8 February 2017 at 11:00 a.m. (CET).

The conference call and presentation can be accessed on our investor website: www.investor.en.matas.dk.

Conference call access numbers for investors and analysts:

Denmark: +45 38 48 75 13
US: +1 212 444 0895
UK: +44 (0)20 3427 1905
Event code: 2277110 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. Such 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 release 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 Q3	2015/16 Q3	2016/17 9 months	2015/16 9 months
Statement of comprehensive income				
Revenue	1,064.3	1,051.5	2,684.0	2,661.2
Gross profit	487.5	487.5	1,250.5	1,240.4
EBITDA	231.8	243.6	497.8	534.4
Operating profit	195.6	209.2	392.0	431.9
Profit before tax	187.8	199.3	366.2	406.0
Profit for the period	147.0	152.9	286.1	310.6
EBITA	214.6	228.2	449.0	488.9
Adjusted profit after tax	161.8	167.4	330.6	354.1
Statement of financial position				
Total assets			5,454.4	5,481.8
Total equity			2,552.6	2,663.1
Net working capital			(160.5)	(152.9)
Net interest-bearing debt			1,522.3	1,426.0
Statement of cash flows				
Cash flow from operating activities	330.7	252.1	409.7	474.9
Cash flow from investing activities	(31.3)	(14.2)	(106.4)	(40.9)
Free cash flow	299.4	237.9	303.3	434.0
Ratios				
Revenue growth	1.2%	1.0%	0.9%	0.0%
<i>Like-for-like growth</i>	<i>1.3%</i>	<i>1.5%</i>	<i>1.0%</i>	<i>0.8%</i>
Gross margin	45.8%	46.4%	46.6%	46.6%
EBITDA margin	21.8%	23.2%	18.5%	20.1%
<i>EBITA margin</i>	<i>20.2%</i>	<i>21.7%</i>	<i>16.7%</i>	<i>18.4%</i>
EBIT margin	18.4%	19.9%	14.6%	16.2%
Cash conversion	161.6%	145.6%	86.1%	106.4%
Earnings per share, DKK	3.83	3.83	7.37	7.76
Diluted earnings per share, DKK	3.82	3.80	7.33	7.71
Number of shares (millions)	38.4	39.9	38.8	40.0
Diluted number of shares (millions)	38.5	40.2	39.0	40.3
Share price, end of period, DKK			96.50	133.00
Return on invested capital, pre-tax			13.5%	14.7%
Return on invested capital, pre-tax and excluding goodwill			149.0%	135.2%
Net working capital as a percentage of LTM revenue			(4.7)%	(4.5)%
Investments as a percentage of revenue	2.9%	1.4%	4.0%	1.5%
Net interest-bearing debt/adjusted EBITDA			2.5	2.1
Average number of employees	2,246	2,200	2,202	2,162

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

Management's review

Revenue for Q3 and 9M 2016/17

Matas generated total revenue of DKK 1,064.3 million in Q3 2016/17, equivalent to a year-on-year growth rate of 1.2%. Revenue for 9M 2016/17 was DKK 2,684.0 million, an increase of 0.9% on the year-earlier period.

The growth in sales to stores operated by the Group in both Q3 2016/17 and Q3 2015/16 (like-for-like growth) was 1.3%. There was an extra trading day in Q3 2016/17 relative to Q3 2015/16, but this is considered to be of limited importance during the Christmas season. The number of transactions was slightly down in Q3 relative to the year-earlier period, but this was more than offset by a growing average basket size. Online sales continued to post strong growth, and StyleBox also reported good revenue growth.

Sales in Matas's own stores grew by 2.7% year on year in Q3 2016/17. The consolidation of acquired stores lifted revenue from Matas's own retail stores by approximately DKK 9.5 million year on year in Q3 2016/17. Wholesale sales to associated Matas stores etc. were down by 45.1%, partly as a result of the acquisition of associated stores during the intermediate period and partly because of lower sales to the remaining associated stores.

REVENUE BY SALES CHANNEL

(DKK millions)	2016/17 Q3	2015/16 Q3	Growth	2016/17 9 months	2015/16 9 months	Growth
Beauty	828.6	801.8	3.3%	1,976.8	1,937.3	2.0%
Vital	96.0	94.5	1.6%	281.0	266.5	5.5%
Material	70.1	71.8	(2.4)%	212.2	216.2	(1.9)%
MediCare	46.1	45.3	1.8%	140.9	138.3	1.9%
Other	5.5	5.3	3.8%	17.1	17.3	(1.4)%
Total revenue from own retail stores	1,046.3	1,018.7	2.7%	2,628.0	2,575.6	2.0%
Sales of goods to associated stores etc.	18.0	32.8	(45.1)%	56.0	85.7	(34.6)%
Total revenue	1,064.3	1,051.5	1.2%	2,684.0	2,661.2	0.9%

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

Revenue from the Beauty Shop segment, which offers everyday and luxury beauty products and personal care products, including cosmetics, fragrances, skincare and haircare products, grew by 3.3% in Q3 2015/16. Sales of high-end beauty products showed strong growth at the rate of 6.0% with high-end women's skincare and make-up products both showing a particularly positive trend. The Mass Beauty segment grew revenue by 0.4% on the back of an increase in sales of make-up accessories and women's skincare products and a decline in sales of haircare and other products. The Mass Beauty market is still characterised by fierce price competition. Revenue from the Beauty segment increased by 2.0% year on year in 9M 2016/17.

The Beauty segment accounted for 79.2% of total revenue from Matas's own retail stores in Q3 2016/17, compared with 78.7% in the year-earlier period. In 9M 2016/17, the Beauty segment accounted for 75.2% of total revenue from Matas's own stores, unchanged relative to 9M 2015/16.

The Vital Shop segment, which sells vitamins, minerals, supplements and health foods, continued to grow with revenue up by 1.6% in Q3 2016/17 on the year-earlier period.

The Vital Shop segment accounted for 9.2% of revenue from Matas's own retail stores in Q3 2016/17, slightly down from 9.3% in the year-earlier period. In 9M 2016/17, the Vital Shop segment accounted for 10.7% of total revenue from Matas's own stores against 10.3% in 9M 2015/16.

Revenue from the Material Shop segment, which comprises products for handling complex household issues as well as footcare, sports and other products, fell by 2.4% relative to Q3 2015/16. Revenue from the Material Shop segment for 9M 2016/17 was down by 1.9% on the year-earlier period.

The Material Shop segment's share of total revenue from Matas's own retail stores fell to 6.7% in Q3 2016/17 from 7.0% in the year-earlier period. In 9M 2016/17, the Material Shop segment accounted for 8.1% of total revenue from Matas's own stores against 8.4% in 9M 2015/16.

The MediCare segment, which offers OTC medicine and healthcare products, grew revenue by 1.8% in Q3 2016/17 compared to the year-earlier period. In 9M 2016/17, revenue from the MediCare segment grew by 1.9% year on year.

The MediCare segment's share of total revenue from Matas's own retail stores was 4.4% in Q3 2016/17, unchanged relative to the year-earlier period. In 9M 2016/17, the MediCare segment accounted for 5.4% of total revenue from Matas's own stores, which was also unchanged compared with 9M 2015/16.

As at 31 December 2016, the Matas chain included 287 retail stores, divided into 273 own physical retail stores, one webshop and 13 associated stores. In Q3 2016/17, Matas acquired one associated store, opened one new store (Sønderborg) and closed down four small stores, three of which were located in Sønderborg. One small associated store closed in the third quarter. In addition, Matas acquired the associated stores in Rudkøbing and Sindal effective Q4 2016/17. Discussions are ongoing with the owners of the remaining associated stores on further acquisitions of associated stores by Matas. The number of StyleBox stores was unchanged at five plus a shop-in-shop and a webshop.

NUMBER OF STORES:

Stores	Number of stores 30.9. 2016	Acquired	Opened		Closed			Number of stores 31.12. 2016
			Sønderborg	Sønderborg	Copenhagen	Fr.borgvej	Hvidovrevej	
Own	275	1	1	-3	-1		273	
Associated	15	-1				-1	13	
Webshop	1						1	
Total Matas	291	0	1	-3	-1	-1	287	
StyleBox	7*						7	
TOTAL	298	0	1	-3	-1	-1	294	

*Five stand alone stores and a webshop as well as a shop-in-shop

At the beginning of Q3 2016/17, Matas opened the chain's largest store to date, of more than 500 sqm, in Sønderborg. The store contains both a M·A·C shop-in-shop and a shop-in-shop pharmacy. The experience from the new Sønderborg store is positive.

M·A·C shops-in-shops have currently been implemented in the five Stylebox stores and in two Matas stores. Sales to date are promising.

In Q3 2016/17, Matas made preparations for the next stage of the roll-out of its upgrade programme for the chain's largest stores. Lessons learned as upgrades are completed will be continuously incorporated into the continued roll-out of the following stores, which was initiated in Q4 2016/17.

In Q3 2016/2017, Matas continued to pursue its two main strategic objectives, Increased Customer Focus and Digital Leadership.

The membership of the Club Matas loyalty programme continued to grow in Q3 2016/17. Towards the end of Q1 2016/17, a new and more personalised version of Club Matas was introduced, which works well when it comes to boosting loyalty among core customers. The Club Matas 3.0. app, which is an important tool in communicating the benefit programme, has 400,000 users. The Club Matas partner programme currently has 19 external partners.

The DKK 25-30 million annual cost reductions announced in connection with the release of the interim report for Q2 2016/17 have been identified and will be phased in during Q4 2016/17 to take full effect in 2017/18. One-off costs in connection with the implementation of the programme are expected to be insignificant.

Costs and operating profit

Gross profit in Q3 2016/17 was DKK 487.5 million, in line with Q3 2015/16. Gross profit in 9M 2016/17 was DKK 1,250.5 million, an increase of DKK 10.1 million on the year-earlier period.

The gross margin for Q3 2016/17 was 45.8%, compared with 46.4% in Q3 2015/16. The gross margin for 9M 2016/17 was unchanged year on year at 46.6%.

Other external costs amounted to DKK 84.0 million in Q3 2016/17, up DKK 5.7 million on the year-earlier period. Other external costs as a percentage of revenue increased to 7.9% in Q3 2016/17 from 7.4% in the year-earlier period, which was partly attributable to slightly higher net marketing expenses and rent in the acquired stores. Other external costs in 9M 2016/17 were DKK 230.4 million, up from DKK 212.6 million in 9M 2015/16.

Staff costs increased by DKK 6.1 million year on year in Q3 2016/17 to DKK 171.7 million. The increase was due to increased payroll costs especially at head office in connection with the execution of Matas's strategic initiatives, general pay increases as of 1 April 2016 and an increase in the number of store staff resulting from associated store acquisitions. Staff costs as a percentage of revenue rose to 16.1% in Q3 2016/17 from 15.7% in the year-earlier period. Staff costs for Q3 2016/17 included DKK 0.7 million related to the company's incentive programme. Staff costs in 9M 2016/17 were DKK 522.3 million, up from DKK 493.4 million in 9M 2015/16.

DEVELOPMENTS IN COSTS

(DKK millions)	2016/17 Q3	2015/16 Q3	Growth	2016/17 9 months	2015/16 9 months	Growth
Other external costs	84.0	78.3	7.3%	230.4	212.6	8.4%
As a percentage of revenue	7.9%	7.4%		8.6%	8.0%	
Staff costs	171.7	165.6	3.7%	522.3	493.4	5.9%
As a percentage of revenue	16.1%	15.7%		19.5%	18.5%	

EBITDA was DKK 231.8 million in Q3 2016/17, representing a year-on-year decline of DKK 11.8 million. The EBITDA margin was 21.8%, 1.4 percentage points lower than in Q3 2015/16.

EBITDA for 9M 2016/17 was DKK 497.8 million, down from DKK 534.4 million in the year-earlier period, and the EBITDA margin was down to 18.5% from 20.1% in the year-earlier period.

EBITA fell by DKK 13.6 million to DKK 214.6 million in Q3 2016/17, taking the EBITA margin to 20.2% from 21.7% in Q3 2015/16. The lower margin is attributable to the increase in staff and other external costs and the slightly lower gross margin. EBITA for 9M 2016/17 was DKK 449.0 million, down from DKK 488.9 million in 9M 2015/16.

EBIT was DKK 195.6 million in Q3 2016/17 and DKK 392.0 million in 9M 2016/17.

DEVELOPMENTS IN EBITA

(DKK millions)	2016/17 Q3	2015/16 Q3	Growth	2016/17 9 months	2015/16 9 months	Growth
Operating profit	195.6	209.2	(6.5)%	392.0	431.9	(9.2)%
Amortisation of intangible assets	19.0	19.0		57.0	57.0	
EBITA	214.6	228.2	(6.0)%	449.0	488.9	(8.2)%
EBITA margin	20.2%	21.7%		16.7%	18.4%	

Financial items

Total financial expenses fell by DKK 2.1 million to DKK 7.8 million in Q3 2016/17 as compared with Q3 2015/16. In 9M 2016/17, financial expenses totalled DKK 25.8 million against DKK 25.9 million in 9M 2015/16.

In Q3 2016/17, income of DKK 3.3 million was recognised in respect of a fair value adjustment of an interest rate swap. In Q3 2015/16, an expense of DKK 0.7 million was recognised. Net interest expenses excluding fair value adjustments were DKK 11.1 million, a year-on-year increase of DKK 1.9 million that can be attributed to the larger average debt in Q3 2016/17.

DEVELOPMENTS IN NET INTEREST EXPENSES

(DKK millions)	2016/17 Q3	2015/16 Q3	2016/17 9 months	2015/16 9 months
Net interest expenses	7.8	9.9	25.8	25.9
Fair value adjustment of interest rate swap	3.3	(0.7)	7.3	5.4
Net interest expenses, adjusted for swap	11.1	9.2	33.1	31.3

Profit for the period

The effective tax rate in Q3 2016/17 was 21.7%, equivalent to a tax expense of DKK 40.8 million. The profit for the period was DKK 147.0 million after tax, and the Adjusted profit after tax was DKK 161.8 million, a decline of 3.3% from DKK 167.4 million in Q3 2015/16.

Statement of financial position

Total assets amounted to DKK 5,454.4 million at 31 December 2016, down from DKK 5,481.8 million at 31 December 2015.

Current assets totalled DKK 1,059.7 million, representing a year-on-year decline of DKK 15.3 million.

Inventories were DKK 740.8 million at 31 December 2016 compared with DKK 697.3 million at 31 December 2015. Inventories were thus 6.2% higher at 31 December 2016 than at 31 December 2015, including additions from acquired stores and store openings and closures. Inventories accounted for 21.5% of LTM (Last Twelve Months) revenue at 31 December 2016, compared with 20.3% a year earlier and 21.4% at 30 September 2016. The larger inventories at the end of Q3 2016/17 relative to a year earlier were due to store acquisitions and the specific intention to avoid product sell-outs.

Trade receivables amounted to DKK 27.4 million, down by DKK 10.7 million on 31 December 2015. Trade payables totalled DKK 569.0 million, an increase of DKK 37.2 million over 31 December 2015.

Net working capital excluding deposits was negative at DKK 160.5 million at 31 December 2016, compared with a negative DKK 152.9 million at 31 December 2015. Net working capital accounted for minus 4.7% of LTM revenue, compared with minus 4.5% the year before.

Cash and cash equivalents stood at DKK 166.3 million, down from DKK 216.7 million the year before.

Equity was DKK 2,552.6 million at 31 December 2016 against DKK 2,663.1 million at 31 December 2015.

Interest-bearing gross debt stood at DKK 1,688.6 million at 31 December 2016.

Net interest-bearing debt increased DKK 96.3 million year-on-year to DKK 1,522.3 million at 31 December 2016, equal to 2.5x LTM EBITDA before exceptional items.

The Group held a total of 1,335,436 treasury shares at 31 December 2016. The share capital consists of 39,291,492 shares of DKK 2.50 each. A portion of the Group's treasury shares is held in part for the purpose of meeting 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 annual general meeting to cancel the remaining part of the treasury shares.

Statement of cash flows

Cash generated from operations was an inflow of DKK 400.6 million in Q3 2016/17 against an inflow of DKK 369.8 million in Q3 2015/16. As described above, the increase was mainly attributable to an improved working capital performance in Q3 2016/17 compared with Q3 2015/16.

The cash flow from operating activities was an inflow of DKK 330.7 million in Q3 2016/17, up from an inflow of DKK 252.1 million in Q3 2015/16. The cash flow from operating activities is usually relatively high in the third quarter of the financial year.

The cash flow from investing activities was an outflow of DKK 31.3 million in Q3 2016/17, compared with an outflow of DKK 14.2 million in Q3 2015/16. The change was primarily attributable to a slightly higher level of investments as a result of the roll-out of new concept stores and acquisitions of associated stores, totalling DKK 6.1 million in Q3 2016/17 compared with DKK 0 in the year-earlier period.

The free cash flow was an inflow of DKK 299.4 million in Q3 2016/17, up from DKK 237.9 million in Q3 2015/16.

Return on invested capital

The LTM return on invested capital before tax was 13.5%, compared with 14.7% 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 in the industry. Matas is to some extent exposed to different types of financial risk such as interest rate, liquidity and credit risk. See note 29 to the consolidated financial statements for 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 31 December 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 31 December 2016 and of the results of the Group's operations and cash flows for the period 1 April to 31 December 2016.

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 it faces.

Allerød, 8 February 2017

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 2016/17

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:

17 May 2017	Deadline for the company's shareholders to submit in writing requests for specific proposals to be included on the agenda for the annual general meeting
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 Q3	2015/16 Q3	2016/17 9 months	2015/16 9 months
Revenue	1,064.3	1,051.5	2,684.0	2,661.2
Cost of goods sold	(576.8)	(564.0)	(1,433.5)	(1,420.8)
Gross profit	487.5	487.5	1,250.5	1,240.4
Other external costs	(84.0)	(78.3)	(230.4)	(212.6)
Staff costs	(171.7)	(165.6)	(522.3)	(493.4)
Amortisation, depreciation and impairment losses	(36.2)	(34.4)	(105.8)	(102.5)
Operating profit	195.6	209.2	392.0	431.9
Financial income	3.4	1.7	7.4	1.7
Financial expenses	(11.2)	(11.6)	(33.2)	(27.6)
Profit before tax	187.8	199.3	366.2	406.0
Tax on profit for the period	(40.8)	(46.4)	(80.1)	(95.4)
Profit for the period	147.0	152.9	286.1	310.6
Other comprehensive income				
Other comprehensive income after tax	0.0	0.0	0.0	0.0
Total comprehensive income	147.0	152.9	286.1	310.6
Earnings per share				
Earnings per share, DKK	3.83	3.83	7.37	7.76
Diluted earnings per share, DKK	3.82	3.80	7.33	7.71

Statement of cash flows

(DKK millions)	2016/17 Q3	2015/16 Q3	2016/17 9 months	2015/16 9 months
Profit before tax	187.8	199.3	366.2	406.0
Adjustment for non-cash operating items etc.:				
Amortisation, depreciation and impairment losses	36.2	34.4	105.8	102.5
Other non-cash operating items, net	0.7	0.9	7.9	3.9
Financial income	(3.4)	(1.7)	(7.5)	(1.7)
Financial expenses	11.2	11.6	33.2	27.6
Cash generated from operations before changes in working capital	232.5	244.5	505.6	538.3
Changes in net working capital	168.1	125.3	(5.5)	75.0
Cash generated from operations	400.6	369.8	500.1	613.3
Interest received	0.0	1.7	0.0	1.7
Interest paid	(10.5)	(10.9)	(31.1)	(31.6)
Corporation tax paid	(59.4)	(108.5)	(59.4)	(108.5)
Cash flow from operating activities	330.7	252.1	409.7	474.9
Acquisition of intangible assets	(12.3)	(5.6)	(30.9)	(16.3)
Acquisition of property, plant and equipment	(12.9)	(8.6)	(32.7)	(24.5)
Disposal of other securities and investments	0.0	0.0	0.1	0.0
Acquisition of subsidiaries and operations	(6.1)	0.0	(42.9)	(0.1)
Cash flow from investing activities	(31.3)	(14.2)	(106.4)	(40.9)
Free cash flow	299.4	237.9	303.3	434.0
Debt raised from and settled with banks	(78.8)	(85.0)	193.0	34.7
Dividend paid	0.0	0.0	(245.8)	(232.0)
Purchase and sale of treasury shares	(88.9)	(36.0)	(147.4)	(61.5)
Paid out on cancellation of share programmes	0.0	0.0	(6.6)	0.0
Cash flow from financing activities	(167.7)	(121.0)	(206.8)	(258.8)
Net cash flow from operating, investing and financing activities	131.7	116.9	96.4	175.2
Cash and cash equivalents, beginning of period	34.6	99.8	69.9	41.6
Cash and cash equivalents, end of period	166.3	216.7	166.3	216.7

Assets

(DKK millions)	31.12 2016	31.12 2015	31.03 2016
NON-CURRENT ASSETS			
Goodwill	3,727.4	3,691.0	3,691.0
Trademarks and trade names	380.3	454.2	435.7
Shares in co-operative property	3.9	3.9	3.9
Other intangible assets	47.7	36.1	37.2
Total intangible assets	4,159.3	4,185.2	4,167.8
Property, plant and equipment			
Land and buildings	94.6	97.1	96.5
Other fixtures and fittings, tools and equipment	69.8	56.4	67.3
Leasehold improvements	11.9	9.1	10.0
Total property, plant and equipment	176.3	162.6	173.8
Deferred tax assets	20.3	21.6	16.0
Deposits	38.1	36.5	36.9
Other securities and investments	0.7	0.9	0.9
Total other non-current assets	59.1	59.0	53.8
Total non-current assets	4,394.7	4,406.8	4,395.4
CURRENT ASSETS			
Inventories	740.8	697.3	662.8
Trade receivables	27.4	38.1	29.5
Income tax receivable	95.3	104.3	129.5
Other receivables	14.5	3.1	4.5
Prepayments	15.4	15.5	23.7
Cash and cash equivalents	166.3	216.7	69.9
Total current assets	1,059.7	1,075.0	919.9
TOTAL ASSETS	5,454.4	5,481.8	5,315.3

Equity and liabilities

(DKK millions)	31.12 2016	31.12 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	0.3	0.3	0.3
Treasury share reserve	(152.1)	(78.0)	(137.5)
Retained earnings	818.9	852.8	653.7
Proposed dividend for the financial year	0.0	0.0	253.8
Total equity	2,552.6	2,663.1	2,658.3
LIABILITIES			
Deferred tax	239.2	246.4	248.2
Banks	1,688.6	1,642.7	1,493.5
Other payables, non-current	15.4	22.7	22.8
Total non-current liabilities	1,943.2	1,911.8	1,764.5
Prepayments from customers	191.7	187.1	149.8
Trade payables	569.0	531.8	584.2
Other payables	197.9	188.0	158.5
Total current liabilities	958.6	906.9	892.5
Total liabilities	2,901.8	2,818.7	2,657.0
TOTAL EQUITY AND LIABILITIES	5,454.4	5,481.8	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	286.1	286.1
Total comprehensive income	0.0	0.0	0.0	0.0	0.0	286.1	286.1
Transactions with owners							
Dividend paid	0.0	0.0	0.0	0.0	(245.8)	0.0	(245.8)
Dividend on treasury shares	0.0	0.0	0.0	0.0	(8.0)	8.0	0.0
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	(147.4)	0.0	0.0	(147.4)
Exercise of share options	0.0	0.0	0.0	1.8	0.0	(1.7)	0.1
Buyback of share option programmes	0.0	0.0	0.0	0.0	0.0	(6.6)	(6.6)
Share-based payment	0.0	0.0	0.0	0.0	0.0	7.9	7.9
Total transactions with owners	(2.5)	0.0	0.0	(14.7)	(253.8)	(120.8)	(391.8)
Equity at 31 December 2016	98.2	1,787.3	0.3	(152.1)	0.0	818.9	2,552.6

	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	310.6	310.6
Total comprehensive income	0.0	0.0	0.0	0.0	0.0	310.6	310.6
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
Acquisition of treasury shares	0.0	0.0	0.0	(61.5)	0.0	0.0	(61.5)
Reduction of share capital	(1.2)	0.0	0.0	69.2	0.0	(68.0)	0.0
Share-based payment	0.0	0.0	0.0	0.0	0.0	2.5	2.5
Total transactions with owners	(1.2)	0.0	0.0	7.7	(236.5)	(61.0)	(291.0)
Equity at 31 December 2015	100.7	1,787.3	0.3	(78.0)	0.0	852.8	2,663.1

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 applied are consistent with those applied in the consolidated financial statements for 2015/16.

Note 3 – Seasonality

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

Note 4 – Acquisition of subsidiaries and operations

In 9M 2016/17, Matas acquired five associated Matas stores, one of which was acquired on 1 May 2016, three on 15 June 2016 and one on 1 November 2016.

The total consideration was DKK 42.9 million, including goodwill of DKK 36.4 million.

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

Inventories	13.9
Receivables	0.6
Cash and cash equivalents	0.1
Other liabilities	<u>(8.1)</u>
Acquired net assets	6.6
Goodwill	<u>36.4</u>
Acquisition cost	43.0
Of which cash and cash equivalents	<u>(0.1)</u>
Cash acquisition cost	42.9

The acquired associated stores are recognised in revenue from the date of acquisition to 31 December 2016 at DKK 25.0 million (Q3 2016/17: DKK 9.5 million) and in EBITDA from the date of acquisition to 31 December 2016 at DKK 2.1 million (Q3 2016/17: DKK 0.7 million). Due to the ongoing settlement of contracts with the sellers, the amounts recognised in relation to the acquisitions are subject to change.

No transaction costs were incurred.

Interim financial highlights

(DKK millions)	2016/17 Q3	2016/17 Q2	2016/17 Q1	2015/16 Q4	2015/16 Q3
Statement of comprehensive income					
Revenue	1,064.3	771.6	848.1	764.9	1,051.5
Gross profit	487.5	361.9	401.1	364.1	487.5
EBITDA	231.8	113.4	152.6	117.7	243.6
Operating profit	195.6	78.5	117.9	81.7	209.2
Net interest expenses	(7.8)	(8.4)	(9.5)	(10.6)	(9.9)
Profit before tax	187.8	70.1	108.4	71.1	199.3
Profit for the period	147.0	54.6	84.6	53.9	152.9
Statement of financial position					
Total assets	5,454.4	5,316.1	5,443.7	5,315.3	5,481.8
Total equity	2,552.6	2,493.8	2,468.2	2,658.3	2,663.1
Net working capital	(160.5)	3.7	(105.5)	(172.0)	(152.9)
Net interest-bearing debt	1,522.3	1,732.1	1,428.1	1,423.6	1,426.0
Statement of cash flows					
Cash flow from operating activities	330.7	1.6	77.4	92.0	252.1
Cash flow from investing activities	(31.3)	(23.4)	(51.7)	(29.4)	(14.2)
Free cash flow	299.4	(21.8)	25.7	62.6	237.9
Net cash flow from operating, investing and financing activities	131.7	(71.4)	36.2	(146.8)	116.9
Key performance indicators					
Number of transactions (in millions)	6.3	5.3	5.6	5.2	6.4
Average basket size (in DKK)	163.6	140.6	145.4	140.1	156.4
Total retail floor space (in thousands of square metres)	51.9	51.5	51.5	50.6	50.8
Avg. revenue per square metre (in DKK thousands) - LTM	64.9	64.8	65.1	64.7	64.6
Like-for-like growth	1.3%	(1.5%)	2.9%	(1.3%)	1.5%
Adjusted figures					
EBITDA	231.8	113.4	152.6	117.7	243.6
Depreciation and amortisation of software	(17.2)	(15.9)	(15.7)	(17.0)	(15.4)
EBITA	214.6	97.5	136.9	100.7	228.2
Adjusted profit after tax	161.8	69.4	99.4	68.5	167.4
Gross margin	45.8%	46.9%	47.3%	47.6%	46.4%
EBITDA margin	21.8%	14.7%	18.0%	15.4%	23.2%
EBIT margin	18.4%	10.2%	13.9%	10.7%	19.9%
EBITA margin	20.2%	12.6%	16.1%	13.2%	21.7%