

## Interim report – H1 2013/14

(1 April – 30 September 2013)

### Revenue grew 4.4% in first half of FY 2013/14.

H1 2013/14 revenue grew 4.4% to DKK 1,582.1 million. Like-for-like revenue grew 3.2% in H1 and 3.9% in Q2 2013/14. EBIT was DKK 185.3 million and was affected by non-recurring IPO-related costs of DKK 28.1 million. Net of these non-recurring costs and amortisation of trademarks, the adjusted EBIT margin rose to 15.9% from 15.7% last year. Performance was in line with expectations, and the guidance for FY 2013/14 is retained.

*"In light of the market situation with consumers continuing to be reluctant, we are pleased to have generated 3.2% like-for-like growth in our stores in the first half of FY 2013/14. We are grateful for the loyalty our customers show us, and we will continue to work hard to retain and expand our position in the market, which is essential in order for us to continue to create shareholder value,"* said CEO Terje List.

- Revenue in H1 2013/14 rose 4.4% to DKK 1,582.1 million year on year. The like-for-like growth rate in stores trading in H1 of both this year and last year was 3.2%. Revenue in Q2 was up by 5.2% to DKK 779.1 million. The like-for-like growth rate in Q2 2013/14 was 3.9%.
- Gross profit in H1 2013/14 was DKK 722.2 million, corresponding to a gross margin of 45.6% (H1 2012/13: 45.1%). The increase was partly the result of the establishment of the new distribution structure for High-end Beauty products. The gross margin for Q2 2013/14 was 44.7%, which was unchanged from Q2 2012/13 and was related to normal fluctuations offsetting a positive underlying development from the changed distribution structure.
- EBIT was DKK 185.3 million and was affected by non-recurring IPO-related costs of DKK 28.1 million. Net of these non-recurring costs and amortisation of trademarks, adjusted EBIT grew by 5.6% to DKK 251.6 million, corresponding to an adjusted EBIT margin of 15.9% (H1 2012/13: 15.7%). The adjusted EBIT margin for Q2 was 14.9%, which was slightly higher than the margin of 14.7% achieved in Q2 2012/13.
- Profit after tax for the period was DKK 108.9 million, and adjusted profit after tax net of IPO-related costs and amortisation of trademarks was DKK 162.3 million (H1 2012/13: DKK 138.4 million).
- The free cash flow was DKK 74.3 million (H1 2012/13: DKK 145.8 million). The free cash flow in Q2 2013/14 was DKK 71.1 million (Q2 2012/13: DKK 56.1 million). Inventories were reduced as compared to Q1 2013/14, but remained temporarily high as a result of the new central warehouse for High-end Beauty products, inventories taken over in connection with acquisitions, and the opening of new stores.
- Net interest bearing debt was DKK 1,719.4 million at 30 September 2013, equivalent to 2.8 times LTM adjusted EBITDA.
- The roll-out of the StyleBox concept continues, and as of today, there are five stores in operation.
- Matas received decisions in Q2 2013/14 in two pending cases with the Danish tax authorities regarding the deductibility of transaction costs and withholding of tax in the years 2006-2009. In both cases, the decisions went against Matas. Matas disagrees with the decisions and intends to appeal them.

- After the end of H1, agreements have been made to take over six associated stores on 1 November 2013 and to extend the trading terms subject to certain changes for 28 out of 29 of the remaining independent stores until 31 October 2025.

### **Outlook for 2013/14**

The outlook for revenue growth and adjusted EBIT margin for 2013/14 is unchanged:

- Revenue growth, excluding StyleBox and acquisitions of associated stores, is expected to be slightly higher than the 3.3% revenue growth in 2012/13, primarily because of an expected improvement of like-for-like growth.
- The adjusted EBIT margin, which excludes non-recurring IPO-related costs and operating costs related to StyleBox and Esthetique, is expected to be on a level with or slightly higher than the adjusted EBIT margin in 2012/13 of 17.1%.
- The outlook for operating costs in connection with the start-up of StyleBox and the continuation of the Esthetique stores acquired is unchanged and expected to be in the range of DKK 7-10 million.

### **Conference call**

Matas will host a conference call for investors and analysts on Wednesday, 27 November 2013 at 10:00 a.m. The conference call and presentation will be available on our investor website: [investor.en.matas.dk](http://investor.en.matas.dk).

Conference call access numbers for investors and analysts:

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### **Forward-looking statements**

*The interim report contains statements relating to the future, including statements regarding Matas A/S' future operating results, financial position, cash flows, business strategy and plans for the future. The statements can be identified by the use of words such as "believes", "expects", "estimates", "projects", "plans", "anticipates", "continues" and "intends" or any variations of such words or other words with similar meaning. The statements are based on management's reasonable expectations and forecasts at the time of the disclosure of the interim report. Any such statements are subject to risks and uncertainties, and a number of different factors, of which many are beyond Matas A/S' control, can mean that the actual development and the actual results will differ significantly from the expectations contained in the 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 million	2013/14 Q2	2012/13 Q2	2013/14 6M	2012/13 6M
<b>Statement of comprehensive income</b>				
Revenue	779.1	740.5	1,582.1	1,515.2
Gross profit	348.1	331.2	722.2	683.0
EBITDA	130.4	122.9	252.8	262.4
Operating profit	96.7	89.0	185.3	195.7
Profit before tax	85.3	69.0	140.0	153.3
Profit for the period	66.3	45.6	108.9	105.4
Adjusted EBITDA <sup>(1)</sup>	130.4	123.0	280.9	266.7
Adjusted EBIT <sup>(2)</sup>	115.8	108.5	251.6	238.2
Adjusted profit after tax <sup>(3)</sup>	80.6	60.3	162.3	138.4
<b>Statement of financial position</b>				
Total assets	5,511.1	5,705.3	5,511.1	5,705.3
Total equity	2,453.5	2,201.8	2,453.5	2,201.8
Net working capital	57.0	9.6	57.0	9.6
Net interest bearing debt	1,719.4	1,919.3	1,719.4	1,919.3
<b>Statement of cash flows</b>				
Cash flow from operating activities	84.6	73.8	114.9	175.5
Cash flow from investing activities	-13.5	-17.7	-40.6	-29.7
Free cash flow	71.1	56.1	74.3	145.8
<b>Ratios</b>				
Revenue growth	5.2%	3.4%	4.4%	2.8%
Like-for-like growth <sup>(4)</sup>	3.9%	3.3%	3.2%	2.7%
Gross margin	44.7%	44.7%	45.6%	45.1%
EBITDA margin	16.7%	16.6%	16.0%	17.3%
Adjusted EBITDA margin	16.7%	16.6%	17.8%	17.6%
EBIT margin	12.4%	12.0%	11.7%	12.9%
Adjusted EBIT margin	14.9%	14.7%	15.9%	15.7%
Cash conversion <sup>(5)</sup>	63.3%	67.2%	49.9%	74.8%
Earnings per share, DKK	1.63	1.12	2.68	2.59
Diluted earnings per share, DKK	1.63	1.12	2.68	2.59
Share price, end of period, DKK	132.50	-	132.50	-
Return on invested capital, pre-tax (LTM) <sup>(6)</sup>	12.3%	12.1%	12.3%	12.1%
Return on invested capital, pre-tax and excluding goodwill (LTM) <sup>(6)</sup>	59.2%	58.3%	59.2%	58.3%
Net working capital as a percentage of revenue	1.7%	0.3%	1.7%	0.3%
Investments as a percentage of revenue	1.7%	2.4%	2.6%	2.0%
Net interest bearing debt / Adjusted EBITDA (LTM)	2.8	3.2	2.8	3.2
Average number of employees	2,141	2,038	2,113	2,008

(1) Adjusted EBITDA is IFRS operating profit plus amortisation, depreciation and impairment plus specific external costs which the company believes are not part of normal operations. In H1 2013/14, these costs include IPO-related costs of DKK 28.1 million.

(2) Adjusted EBIT is operating profit plus amortisation of intangibles plus impairment losses in respect of goodwill and other intangibles plus specific external costs which the company believes are not part of normal operations

(3) Adjusted profit after tax is IFRS profit for the year plus the tax-adjusted impact of amortisation of intangibles and impairment losses and specific external costs which the company believes are not part of normal operations

(4) The like-for-like growth comprises stores that have been trading throughout both periods.

(5) Adjusted EBITDA plus change in net working capital less capital expenditure divided by adjusted EBITDA.

(6) Pre-tax return on invested capital (including goodwill) represents adjusted EBIT divided by average invested capital, where

Invested Capital means total property plant and equipment plus total intangible assets plus net working capital minus deferred tax on trademarks.

## MANAGEMENT'S REVIEW

### Revenue in H1 2013/14

Matas revenue in H1 2013/14 grew 4.4% year on year to DKK 1,582.1 million. Revenue in Q2 2013/14 grew 5.2% to DKK 779.1 million.

Sales in Matas' own retail stores grew 5.7% year on year, while wholesale sales to associated stores and others were down by 10.4%, primarily as a result of the acquisition of associated stores during the period. Sales in Matas' own stores grew 6.6% in Q2 2013/14, while sales to associated stores were down by 9.8%. Adjusted for the acquisition of associated stores, a 4.5% year-on-year underlying growth in sales to associated stores was recorded.

Sales to stores operated by the Group in both H1 2013/14 and H1 2012/13 grew by 3.2%. Like-for-like growth in Q2 was 3.9% and continued to be supported by positive developments in key KPIs and a 50% growth in online sales year on year in Q2 2013/14.

The consolidation of the associated stores acquired during the period and revenues from Esthetique and StyleBox lifted sales by a total of 2.7% in Q2 2013/14.

### Revenue by sales channel

DKK million	2013/14 Q2	2012/13 Q2	Growth	2013/14 6M	2012/13 6M	Growth
Beauty	521.5	487.0	7.1%	1,073.6	1,014.9	5.8%
Vital	77.6	74.2	4.6%	154.0	146.4	5.2%
Material	70.6	66.1	6.8%	139.0	130.9	6.2%
MediCare	44.0	44.0	0.0%	88.8	87.7	1.3%
Other including Sweden	9.1	6.8	33.8%	15.9	11.7	35.9%
<b>Total revenue from own retail stores</b>	<b>722.8</b>	<b>678.1</b>	<b>6.6%</b>	<b>1,471.3</b>	<b>1,391.6</b>	<b>5.7%</b>
Sales of goods to associated stores	56.3	62.4	-9.8%	110.8	123.6	-10.4%
<b>Total revenue</b>	<b>779.1</b>	<b>740.5</b>	<b>5.2%</b>	<b>1,582.1</b>	<b>1,515.2</b>	

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

Sales in all product areas were favourably affected by a higher business volume as well as by the acquisition of operations in H1 2013/14.

The Beauty segment offers everyday and luxury beauty products and personal care products, including cosmetics, fragrance, skincare and hair-care products. Revenue from the Beauty segment grew by 7.1% in Q2, of which the acquisition of Esthetique and the stores converted to the StyleBox concept accounted for approximately 1 percentage point. The Mass Beauty sub segment (everyday beauty products) reported consistent growth driven by a broad range of product groups. The High-end Beauty sub segment (luxury beauty products) showed year-on-year growth in Q2 2013/14, lifting total revenue from the High-end Beauty sub segment in H1 2013/14 slightly above revenue in H1 2012/13. The Beauty segment's share of total revenue from Matas' own stores rose marginally to 73.0% from 72.9% in H1 2012/13.

The Vital Shop segment, which consists of vitamins, minerals and supplements, generated 4.6% revenue growth in Q2 2013/14, driven by sales of vitamin products.

Revenue from the Material Shop segment, which comprises products for handling complex issues in the household as well as footcare, sports, and other products, grew by 6.8%, broadly founded across product categories.

The MediCare segment, comprising over-the-counter medicine and nursing products, had unchanged revenue in the quarter.

No new Matas stores were opened in Q2, and the Matas Store Network in Denmark consisted of an unchanged 259 own stores and 35 associated stores as of 30 September 2013. After the end of the reporting period, a new store has been opened in Sønderborg, and six associated stores have been taken over. As of today, the Matas Store Network consists of 266 own stores and 29 associated stores.

The good performance of the Club Matas loyalty programme continued, showing sustained growth in the number of members. The work to develop more relevant marketing material has commenced, and the first results support the expectation that there is a substantial potential for increasing the value of the loyalty programme.

ClubM also continued its net growth and has 12 partners as of today.

StyleBox, the Group's new retail concept, which sells professional products within hair care, make-up and nail care and offers in-store related treatments, was launched in June 2013. This store concept is considered to be attractive and to complement the Matas chain well. The roll-out of StyleBox continues, as five stores have been opened as of today.

### Costs and operating profit

Gross profit in H1 2013/14 was DKK 722.2 million (H1 2012/13: DKK 683.0 million).

The increase was due to revenue growth and the increase in gross margin to 45.6% from 45.1% in H1 2012/13. The transition to the new central warehouse for High-end Beauty products had a positive impact on the gross margin, but the relocation resulted in a minor increase in capacity costs that partly offset the positive impact on earnings.

The gross margin for Q2 2013/14 was 44.7%, which was unchanged from Q2 2012/13. A small positive effect on the gross margin was also recorded in Q2 2013/14 from the change in distribution, which was however offset by normal fluctuations.

EBIT was DKK 185.3 million including non-recurring IPO-related costs of DKK 28.1 million, composed of DKK 18,0 million of other external costs and DKK 10.1 million of staff costs related to an IPO bonus to the executive management and key employees .

EBIT adjusted for amortisation of trademarks and IPO-related costs grew by 5.6% to DKK 251.6 million, corresponding to an adjusted EBIT margin of 15.9% compared to 15.7% in H1 2012/13. Adjusted EBIT in Q2 2013/14 was DKK 115.8 million (Q2 2012/13: DKK108.5 million) corresponding to Adjusted EBIT margin of 14.9% (14.7%).

#### Adjusted EBIT

DKK million	2013/14 Q2	2012/13 Q2	Growth	2013/14 6M	2012/13 6M	Growth
<b>Operating profit</b>	96.7	89.0	8.7%	185.3	195.7	-5.3%
Non-recurring items	0.0	0.1		28.1	4.3	
Amortisation on intangible assets	-19.1	-19.4		-38.2	-38.2	
Adjusted EBIT	115.8	108.5	6.7%	251.6	238.2	5.6%
Adjusted EBIT margin	14.9%	14.7%		15.9%	15.7%	

Adjusted for IPO-related costs of DKK 18.0 million, external costs were up by DKK 8.0 million or 6% year on year in H1 2013/14, which was slightly more than the growth in revenue. In Q2, other external costs were down by 2%.

Staff costs, excluding an IPO bonus of DKK 10.1 million to key employees, were DKK 17 million or 6% higher than in H1 2012/13. Relative to revenue, this represented a minor increase to 19.3% from 19.0%. Staff costs for Q2 were up by DKK 11.0 million or 7.6% year on year. The increase was due to the effect of acquisitions, the establishment of the new warehouse and the expansion of business. In Q2, DKK 0.3 million was recognised in staff costs in connection with our long-term share-based compensation programme announced on 7 August 2013.

EBITDA in H1 2013/14 was DKK 252.8 million, while adjusted EBITDA was DKK 280.9 million, representing a year-on-year increase of DKK 14.2 million or 5.3%. The adjusted EBITDA margin for H1 2013/14 was 17.8%, which was largely unchanged from 2012/13.

Adjusted EBITDA in Q2 2013/14 increased to DKK 130.4 million compared to DKK 123.0 million in Q2 2012/13. Adjusted EBITDA margin in Q2 2013/14 was 16.7% (16.6%).

## Financial items and tax

Net interest expenses in H1 2013/14 were down by DKK 2.6 million to DKK 45.3 million. This includes expensing of DKK 18.5 million of previously capitalised financing costs in respect of the old loan facility. Excluding these financing costs, net interest expenses were down by DKK 21.1 million, partly as a result of the lower net debt and DKK 6.2 million of costs of a swap agreement recognised in H1 2012/13. Net interest expenses in Q2 2013/14 were DKK 11.4m against DKK 20.0m in Q2 2012/13. DKK 3.7m of costs of a swap agreement were recognised in Q2 2012/13.

The reduction of the corporate tax rate in Denmark in 2014-16 will change the Group's deferred tax, corresponding to a positive impact on the effective tax rate of approximately 8 percentage points in 2013/14. As a result, the effective tax rate in H1 2013/14 was 22%, equivalent to a tax expense of DKK 31.1 million. The effective tax rate in Q2 2013/14 was 22%.

## Profit for the period

Profit for the period after tax was DKK 108.9 million. Adjusted profit after tax was DKK 162.7 million, which was 17.6% higher than in H1 2012/13. Adjusted profit after tax increased 33.7% in Q2 2013/14 compared to Q2 2012/13.

## Statement of financial position

Total assets stood at DKK 5,511.1 million at 30 September 2013 (30 September 2012: DKK 5,705.3 million).

Current assets totalled DKK 1,030.9 million, representing a year-on-year decline of DKK 156.8 million. Inventories were approximately 6% higher than at the end of H1 2012/13 as a result of the new central warehouse for High-end Beauty products and inventories taken over in connection with acquisitions.

The goal is still to reduce the temporary increase in inventories in connection with the change of high-end distribution before taking into account the effect from store acquisitions.

Trade receivables rose DKK 5.7 million to DKK 95.7 million.

Cash and cash equivalents stood at DKK 242.4 million compared to DKK 451.3 million last year. The decline was attributable to the cash repayment of part of the outstanding bank debt.

Net working capital stood at DKK 57.0 million at 30 June 2013, which was DKK 47.4 million higher than at 30 September 2012, the main reason being the increase in inventories. Working capital accounted for approximately 2% of revenue in the past 12 months.

Equity stood at DKK 2,453.5 million at 30 September 2013 (30 September 2012: DKK 2,201.8 million).

No dividends were declared or paid out during the period.

Gross debt stood at DKK 1,961.8 million at 30 September 2013 all of which is classified as long-term debt. A new floating-rate loan agreement came into force on 3 July 2013. A swap agreement has subsequently been entered into for DKK 750 million of this debt, making this part of the loan fixed-rate debt.

Net interest bearing debt was DKK 1,719.4 million at 30 September 2013, representing a year-on-year reduction of DKK 199.9 million. Net interest bearing debt represents 2.8 times LTM adjusted EBITDA.

The Group held 140,467 treasury shares at 30 September 2013, of which 42,690 were sold after the balance sheet date of this interim report in connection with the announced employee share offering. The remaining shares will be held to meet certain obligations to deliver shares under the Group's long-term incentive programme.

## Cash flows

Cash flows from operating activities totalled DKK 114.9 million (H1 2012/13: DKK 175.5 million). The decline was mainly due to the increase in inventories. The cash flows from operating activities in Q2 totalled DKK 84.6 million, representing a year-on-year increase of DKK 10.8 million. The provision for non-recurring IPO-related costs of DKK 28.1 million made in Q1 was included in cash flows from operating activities in Q2 2013/14.

Cash flows from investing activities totalled DKK 40.6 million, which was attributable to maintenance investments in the store network, IT investments and the acquisition of Esthetique Danmark A/S and a store in Ringkøbing. Cash flows from investing activities in Q2 totalled DKK 13.5 million.

The free cash flow was DKK 74.3 million in H1 2013/14 and DKK 71.1 million in Q2 2013/14. In H1, debt repaid to credit institutions amounted to DKK 353.5 million.

### **Return on invested capital**

The return on invested capital before tax in the past 12 months was 12.3% (59.2% excluding goodwill), as compared to 12.1% a year earlier.

### **Grant of options**

As stated in the offering circular and in accordance with Matas' Overall Guidelines on Incentive Pay adopted at the extraordinary general meeting held on 10 June 2013, Matas granted a total of 82,770 options on 7 August 2013, consisting of 54,320 options to members of the Executive Management and 28,450 options to key employees, to purchase shares in Matas A/S pursuant to the new long-term incentive plan.

### **Events after the balance sheet date of the interim report**

#### *Acquisition of six associated stores*

Matas A/S signed agreements to acquire six associated stores on 1 November 2013 and concurrently signed agreements with 28 out of 29 of the remaining independent stores to extend the time-limited trading terms in the articles of association of the Matas store network from 31 October 2017 to 31 October 2025 subject to certain changes as set out in the heads of agreement of 13 June 2013.

The consideration for the acquisition of the six stores is approximately DKK 77 million subject to potential adjustments in connection with the final calculation of the balance sheets as of the date of acquisition. The six stores will be consolidated from 1 November 2013 and have total annual revenues in the region of DKK 80 million.

#### *Employee share offering*

The announced offering of employee shares was completed on 14 November 2013 and was highly successful. A total of 42,690 shares were sold at a discount of 20% to the average market price during the period from 28 August to 10 September 2013. The non-recurring cost involved, about DKK 1 million, will be recognised in staff costs in Q3 2013/14.

#### *Tax*

As announced Matas A/S received in September a decision from the Danish tax authorities to the effect that they intend to charge withholding tax for the 2006, 2007, 2008 and 2009 income years regarding interest payments credited to Mholding AB. As mentioned in the offering circular of 13 June 2013, the total tax payment being claimed amounts to DKK 56.4 million. In addition, interest relating to the claim will be charged at an amount currently estimated to be approximately DKK 30 million.

Matas A/S disagrees with the decision, and intends to appeal it to the Danish National Tax Tribunal. No provisions have been made in respect of this tax matter, as Management believes it to be more likely than not that an ultimate ruling in favour of the Group will be received.

As the Danish tax authorities will continue to charge interest on the alleged outstanding withholding tax, the full amount has been paid after the balance sheet day of this interim report. If, as expected, Matas is successful in its appeal, this amount will be paid back with accrued interest.

The claim from the Danish tax authorities will not affect the company's policy of paying an expected dividend of at least 60% of adjusted profit after tax for 2013/14.

### **Significant risks**

As stated in the 2012/13 annual report, no significant operational risks are deemed to exist due to the strong market position of the Matas chain. Moreover, the Group's suppliers are deemed to be stable.

# 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 2013.

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 2013 and of the results of the Group's operations and cash flows for the period 1 April–30 September 2013.

Furthermore, in our opinion the Management's report 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, 27 November 2013

## Executive Management

Terje List  
Chief Executive Officer

Anders T. Skole-Sørensen  
Chief Financial Officer

## Board of Directors

Lars Vinge Frederiksen  
Chairman

Søren Vestergaard-Poulsen  
Deputy Chairman

Ingrid Jonasson Blank

Lars Frederiksen

Birgitte Nielsen



## Additional information

### Financial calendar

The financial year covers the period 1 April 2013–30 March, and the following dates have been fixed for releases etc. in FY 2013/14 and FY 2014/15:

#### 2013/14

21 February 2014	Q3 interim report 2013/14
4 June 2014 (changed from 6 June 2014)	Annual report 2013/14
30 June 2014	Annual general meeting

#### 2014/15

21 August 2014	Q1 interim report 2014/15
18 November 2014	Q2 interim report 2014/15
4 February 2015	Q3 interim report 2014/15
28 May 2015	Annual report 2014/15
24 June 2015	Annual general meeting

### Company information

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Company reg. (CVR) no.: 27 52 84 06

## Statement of comprehensive income

DKK millions	2013/14 Q2	2012/13 Q2	2013/14 6M	2012/13 6M
Revenue	779.1	740.5	1,582.1	1,515.2
Cost of goods sold	-431.0	-409.3	-859.9	-832.2
<b>Gross profit</b>	<b>348.1</b>	<b>331.2</b>	<b>722.2</b>	<b>683.0</b>
Other external costs	-62.8	-64.3	-153.7	-132.0
Staff costs	-154.9	-143.9	-315.7	-288.5
Amortisation, depreciation and impairment losses	-33.7	-33.9	-67.5	-66.7
Other operating costs	0.0	-0.1	0.0	-0.1
<b>Operating profit</b>	<b>96.7</b>	<b>89.0</b>	<b>185.3</b>	<b>195.7</b>
Financial income	0.0	2.6	0.0	5.5
Financial expenses	-11.4	-22.6	-45.3	-47.9
<b>Profit before tax</b>	<b>85.3</b>	<b>69.0</b>	<b>140.0</b>	<b>153.3</b>
Tax on profit for the period	-19.0	-23.4	-31.1	-47.9
<b>Profit for the period</b>	<b>66.3</b>	<b>45.6</b>	<b>108.9</b>	<b>105.4</b>
<b>Other comprehensive income</b>				
Other comprehensive income after tax	0.0	0.0	0.0	0.0
<b>Total comprehensive income</b>	<b>66.3</b>	<b>45.6</b>	<b>108.9</b>	<b>105.4</b>
<b>Earnings per share</b>				
Earnings per share, DKK	1.63	1.12	2.68	2.59
Diluted earnings per share, DKK	1.63	1.12	2.68	2.59

## Statement of financial position

DKK millions	30.09 2013	30.09 2012	31.03 2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Goodwill	3,586.1	3,560.8	3,580.3
Trademarks and trade names	620.5	694.4	657.5
Shares in co-operative dwellings	3.9	3.9	3.9
Other intangible assets	16.5	4.9	4.6
<b>Total intangible assets</b>	<b>4,227.0</b>	<b>4,264.0</b>	<b>4,246.3</b>
<b>Property, plant and equipment</b>			
Land and buildings	100.4	102.3	101.1
Plant and machinery	75.0	69.6	69.7
Leasehold improvements	24.2	34.5	28.6
<b>Total property, plant and equipment</b>	<b>199.6</b>	<b>206.4</b>	<b>199.4</b>
<b>Other non-current assets</b>			
Deferred tax	19.3	16.1	15.7
Deposits	33.2	30.0	31.0
Other securities and investments	1.1	1.1	1.1
<b>Total other non-current assets</b>	<b>53.6</b>	<b>47.2</b>	<b>47.8</b>
<b>Total non-current assets</b>	<b>4,480.2</b>	<b>4,517.6</b>	<b>4,493.5</b>
<b>Current assets</b>			
Inventories	677.4	636.1	601.8
Trade receivables	95.7	90.0	89.7
Corporation tax	0.0	0.0	26.1
Other receivables	1.6	0.8	1.5
Prepayments	13.8	9.5	21.1
Cash and cash equivalents	242.4	451.3	536.6
<b>Total current assets</b>	<b>1,030.9</b>	<b>1,187.7</b>	<b>1,276.8</b>
<b>TOTAL ASSETS</b>	<b>5,511.1</b>	<b>5,705.3</b>	<b>5,770.3</b>

## Statement of financial position

DKK million	30.09 2013	30.09 2012	31.03 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	101.9	101.7	101.7
Share premium	1,786.2	1,786.4	1,786.4
Translation reserve	0.5	0.5	0.5
Treasury share reserve	-15.1	-0.1	-0.1
Retained earnings	580.0	313.3	470.9
<b>Total equity</b>	<b>2,453.5</b>	<b>2,201.8</b>	<b>2,359.4</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax	349.0	367.9	356.4
Banks	1,961.2	2,171.0	2,057.2
Other payables, long	0.6	1.6	1.6
<b>Total non-current liabilities</b>	<b>2,310.8</b>	<b>2,540.5</b>	<b>2,415.2</b>
<b>Current liabilities</b>			
Banks, short	0.0	198.0	226.7
Prepayments from customers	98.2	81.2	96.8
Trade payables	511.6	535.8	535.9
Other payables	121.7	109.8	136.3
Corporation tax	15.3	38.2	0.0
<b>Total current liabilities</b>	<b>746.8</b>	<b>963.0</b>	<b>995.7</b>
<b>Total liabilities</b>	<b>3,057.6</b>	<b>3,503.5</b>	<b>3,410.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,511.1</b>	<b>5,705.3</b>	<b>5,770.3</b>

## Statement of changes in equity

	Share capital	Share premium	Translation reserve	Treasury share reserve	Retained earnings	Total
<b>Equity at 1 April 2013</b>	<b>101.7</b>	<b>1,786.4</b>	<b>0.5</b>	<b>-0.1</b>	<b>470.9</b>	<b>2,359.4</b>
Other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Profit for the period	0.0	0.0	0.0	0.0	108.9	108.9
<b>Total comprehensive income</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>108.9</b>	<b>108.9</b>
<b>Transactions with owners</b>						
Bonus shares	0.2	-0.2	0.0	0.0	0.0	0.0
Sharebased payments	0.0	0.0	0.0	0.0	0.2	0.2
Acquisition of treasury shares	0.0	0.0	0.0	-15.0	0.0	-15.0
<b>Transactions with owners, total</b>	<b>0.2</b>	<b>-0.2</b>	<b>0.0</b>	<b>-15.0</b>	<b>0.0</b>	<b>-15.0</b>
<b>Equity at 30 September 2013</b>	<b>101.9</b>	<b>1,786.2</b>	<b>0.5</b>	<b>-15.1</b>	<b>579.8</b>	<b>2,453.3</b>

	Share capital	Share premium	Translation reserve	Treasury share reserve	Retained earnings	Total
<b>Equity at 1 April 2012</b>	<b>101.7</b>	<b>1,786.4</b>	<b>0.5</b>	<b>-0.1</b>	<b>207.9</b>	<b>2,096.4</b>
Other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Profit for the period	0.0	0.0	0.0	0.0	105.4	105.4
<b>Total comprehensive income</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>105.4</b>	<b>105.4</b>
<b>Equity at 30 September 2012</b>	<b>101.7</b>	<b>1,786.4</b>	<b>0.5</b>	<b>-0.1</b>	<b>313.3</b>	<b>2,201.8</b>

## Statement of cash flows

DKK million	2013/14 Q2	2012/13 Q2	2013/14 6M	2012/13 6M
Profit before tax	85.3	69.0	140.0	153.3
Amortisation, depreciation and impairment losses	33.7	33.9	67.5	66.7
Other non-cash operating items, net	0.1	0.2	0.1	0.1
Financial income	0.0	-2.6	0.0	-5.5
Financial expenses	11.4	22.6	45.3	47.9
Changes in net working capital	-34.4	-23.9	-111.2	-39.2
<b>Cash generated from operations</b>	<b>96.1</b>	<b>99.2</b>	<b>141.7</b>	<b>223.3</b>
Interest received	0.0	0.0	0.0	0.4
Interest paid	-10.7	-20.1	-26.0	-42.8
Income tax paid	-0.8	-5.3	-0.8	-5.4
<b>Cash flow from operating activities</b>	<b>84.6</b>	<b>73.8</b>	<b>114.9</b>	<b>175.5</b>
Acquisition of intangible assets	0.0	-0.1	-0.1	-0.5
Disposal of intangible assets	0.0	1.3	0.0	1.3
Acquisition of property, plant and equipment	-13.5	-16.4	-29.6	-28.0
Disposal of property, plant and equipment	0.0	0.0	0.0	0.0
Disposal of other securities and investments	0.0	0.0	0.0	0.0
Acquisition of subsidiaries and activities	0.0	-2.5	-10.9	-2.5
<b>Cash flow from investing activities</b>	<b>-13.5</b>	<b>-17.7</b>	<b>-40.6</b>	<b>-29.7</b>
<b>Free cash flow</b>	<b>71.1</b>	<b>56.1</b>	<b>74.3</b>	<b>145.8</b>
Settlement of debt to banks	-25.0	0.0	-353.5	-86.8
Acquisition of treasury shares	-15.0	0.0	-15.0	0.0
<b>Cash flow from financing activities</b>	<b>-40.0</b>	<b>0.0</b>	<b>-368.5</b>	<b>-86.8</b>
<b>Net cash flow from operating , inv. and fin. activities</b>	<b>31.1</b>	<b>56.1</b>	<b>-294.2</b>	<b>59.0</b>
Cash and cash equivalents at 1 July	211.3	395.2	536.6	392.3
Foreign exchange adj. of cash and cash equivalents	0.0	0.0	0.0	0.0
<b>Cash and cash equivalents at 30 September</b>	<b>242.4</b>	<b>451.3</b>	<b>242.4</b>	<b>451.3</b>

## 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. The accounting policies are consistent with those of the consolidated and parent company financial statements for 2012/13, to which we refer for a comprehensive description of the accounting policies applied.

### 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 judgements are consistent with those in the consolidated financial statements for 2012/13.

### 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 – Incentive programme

In accordance with Matas A/S' Overall Guidelines on Incentive Pay, adopted at the extraordinary general meeting held on 10 June 2013, Matas granted a total of 82,770 options on 7 August 2013, consisting of 54,320 options to members of the Executive Management and 28,450 options to key employees, to purchase shares in Matas A/S pursuant to the new long-term incentive plan as described in the offering circular published by Matas A/S on 13 June 2013.

The stock options in this initial grant are subject to the fulfilment of two KPIs, weighted at 50% each: one based on EBITDA growth rate and one based on the Group's total shareholder return. Upon fulfilment of the KPIs, vesting will take place in three equal tranches after each of the financial years 2013/14, 2014/15 and 2015/16, and the KPI targets will be defined for each of these periods.

The stock options that are covered by this initial grant and vest upon fulfilment of the two KPIs will not become available for exercise until after the release of the annual report for the financial year 2015/16 and participants have a subsequent period of two years to exercise the stock options. Each vested stock option entitles the holder to purchase one share in Matas A/S at a strike price per share of DKK 5.93.

Provided that 100% of the 82,770 granted stock options vest, their theoretical value will be DKK 7.2 million calculated according to the Black-Scholes formula, assuming a strike price of DKK 5.93, an average technical term of 5 years, a technical volatility of 35%, a technical dividend yield of 5% and a technical interest rate of 1%.

### Note 5 – Acquisition of subsidiaries and activities

On 1 May 2013, Matas acquired 100% of the shares in Esthetique Danmark A/S, formerly a Norwegian-owned retail chain in the High-end Beauty segment. The acquisition of Esthetique and the takeover of its nine stores in prime locations in Denmark were part of the Group's new StyleBox retail concept. Five out of the nine leased premises have already been converted into Stylebox stores, one has been converted into a Matas store, and we expect to convert the remaining two into StyleBox stores before the end of the financial year.

In addition, the independent store in Ringkøbing was acquired on 1 June 2013.

The total consideration for the acquired operations was DKK 12.9 million.

Acquired operations were recognised in revenue for the period at DKK 16.2 million and in EBITDA for the period at a negative amount of DKK 6.0 million.

### Calculation of fair value at date of acquisition

(DKK millions)

Intangible assets	13.0
Financial assets	0.5
Inventories	13.3
Receivables	3.1
Cash and cash equivalents	0.6
Banks	-11.5
Other liabilities	-11.9
<b>Acquired net assets</b>	<b>7.1</b>
Goodwill	5.8
<b>Acquisition cost</b>	<b>12.9</b>
Of which cash and cash equivalents	-0.6
Non-paid acquisition cost	-1.3
<b>Cash acquisition cost</b>	<b>10.9</b>

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### Note 6 – Contingent liabilities

As described in the offering circular published by Matas A/S on 13 June 2013, the Danish tax authorities have challenged the tax deductibility of transaction costs incurred in relation to the acquisition of the Group in 2007. On 12 September 2013, the Danish National Tax Tribunal upheld the decision of the Danish tax authorities that Matas' claim for deductibility of transaction costs could not be allowed.

The Danish tax authorities have increased Matas' taxable income for the years 2006-2009 by DKK 126.5 million. As a consequence of this adjustment, the Danish tax authorities have also denied deductibility of certain interest payments for 2008 and 2009 at a level of DKK 18.5 million.

In consultation with the company's advisers, it has been decided to appeal the decision of the Danish National Tax Tribunal to the civil courts.

Matas A/S has received a decision from the Danish tax authorities to the effect that they intend to charge withholding tax for the 2006, 2007, 2008 and 2009 income years regarding interest payments credited to Mholding AB. As mentioned in the offering circular of 13 June 2013, the total tax payment being claimed amounts to DKK 56.4 million. In addition, interest relating to the claim will be charged at an amount currently estimated to be approximately DKK 30 million.

Matas A/S disagrees with the decision, and intends to appeal it to the Danish National Tax Tribunal. No provisions have been made in respect of this tax matter, as Management believes it to be more likely than not that an ultimate ruling in favour of the Group will be received.

As the Danish tax authorities will continue to charge interest on the alleged outstanding withholding tax, the full amount has been paid after the balance sheet day of this interim report. If, as expected, Matas is successful in its appeal, this amount will be paid back with accrued interest.

The claim from the Danish tax authorities will not affect the company's policy of paying an expected dividend of at least 60% of adjusted profit after tax for 2013/14.



## Sales distribution by channel and by product category

### Revenue by sales channel

DKK million	2013/14 Q2	2012/13 Q2	Growth	2013/14 6M	2012/13 6M	Growth
Sale of goods from own stores incl. online	722.8	678.1	6.6%	1,471.3	1,391.6	5.7%
Sales of goods to associated stores	56.3	62.4	-9.8%	110.8	123.6	-10.4%
<b>Total revenue</b>	<b>779.1</b>	<b>740.5</b>	<b>5.2%</b>	<b>1,582.1</b>	<b>1,515.2</b>	<b>4.4%</b>

### Revenue from own stores by product category

DKK million	2013/14 Q2	2012/13 Q2	Growth	2013/14 6M	2012/13 6M	Growth
Beauty	521.5	487.0	7.1%	1,073.6	1,014.9	5.8%
Vital	77.6	74.2	4.6%	154.0	146.4	5.2%
Material	70.6	66.1	6.8%	139.0	130.9	6.2%
MediCare	44.0	44.0	0.0%	88.8	87.7	1.3%
Other including Sweden	9.1	6.8	33.8%	15.9	11.7	35.9%
<b>Total revenue from own retail stores</b>	<b>722.8</b>	<b>678.1</b>	<b>6.6%</b>	<b>1,471.3</b>	<b>1,391.6</b>	<b>5.7%</b>

## Interim financial highlights

	2013/14	2013/14	2012/13	2012/13	2012/13
DKK million	Q2	Q1	Q4	Q3	Q2
<b>Income statement</b>					
Revenue	779.1	803.0	728.7	956.1	740.5
Gross profit	348.1	374.1	345.1	443.1	331.2
EBITDA	130.4	122.4	114.6	211.8	122.9
Operating profit	96.7	88.6	81.3	179.3	89.0
Net financials	-11.4	-33.9	-18.2	-20.0	-20.0
Profit before tax	85.3	54.7	63.1	159.3	69.0
Profit for the period	66.3	42.6	44.8	112.8	45.6
<b>Balance sheet</b>					
Total assets	5,511.1	5,518.2	5,770.3	5,712.0	5,705.3
Total equity	2,453.5	2,387.0	2,359.4	2,314.6	2,201.8
Net working capital	57.0	9.8	-54.9	15.0	9.6
Net interest bearing debt	1,719.4	1,775.8	1,748.9	1,888.0	1,919.3
<b>Cash flow statement</b>					
Cash flow from operating activities	84.6	30.3	152.0	64.0	73.8
Cash flow from investing activities	-13.5	-27.1	-10.6	-30.2	-17.7
Free cash flow	71.1	3.2	141.4	33.8	56.1
Net cash flow from operating , inv. and fin. activities	31.1	-325.3	141.4	-56.1	56.1
<b>Key performance indicators</b>					
Number of transactions (in millions)	5.5	5.5	5.1	6.2	5.3
Average basket size (in DKK)	128.9	134.0	130.2	143.7	127.6
Total floor space (in '000 of square m.) 1)	48.1	48.1	47.9	47.9	47.7
Avg. revenue per square metre (in DKK thousands) - LTM	62.9	62.5	62.1	61.9	61.0
Like-for-like growth	3.9%	2.5%	1.5%	4.3%	3.3%
<b>Adjusted figures</b>					
EBITDA	130.4	122.4	114.6	211.8	122.9
Non-recurring items	0.0	28.1	3.9	7.8	0.1
Adjusted EBITDA	130.4	150.5	118.5	219.6	123.0
Depreciation	-14.6	-14.7	-14.5	-13.7	-14.5
Adjusted EBIT	115.8	135.8	104.0	205.9	108.5
Adjusted profit after tax	80.6	81.7	62.8	134.7	60.3
Gross margin	44.7%	46.6%	47.4%	46.3%	44.7%
EBITDA margin	16.7%	15.2%	15.7%	22.2%	16.6%
Adjusted EBITDA margin	16.7%	18.7%	16.3%	23.0%	16.6%
EBIT margin	12.4%	11.0%	11.2%	18.8%	12.0%
Adjusted EBIT margin	14.9%	16.9%	14.3%	21.5%	14.7%

1) End-of-period