TAKKO – Financial Results Q2 FY16/17

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Agenda

1. Operational and Business Highlights
2. Financial Review
3. Q&A

1. Operational and Business Highlights

Key Financial Highlights

Sales growth in Q2 FY16/17 compensates for weaker Q1 FY16/17 sales

- Reported Q2 FY16/17 sales growth by 3.3% yoy, LfL sales up 4.1%
- Reported H1 FY16/17 sales decline by -0.9% yoy, LfL sales stable

Gross Profit margin higher in Q2 FY16/17 yoy

- Gross profit (unadj.) margin:
  - ✓ 60.9% in Q2 FY16/17 vs 59.5% in Q2 FY15/16[1]
  - ✓ 62.1% in H1 FY16/17 vs 59.1% in H1 FY15/16[1]
- Adjusted EBITDA:
  - ✓ €51.5m for Q2 FY16/17 vs €38.8m in Q2 FY15/16[1] (+32.7% growth yoy)
  - ✓ Adj. EBITDA margin at 17.4% in Q2 FY16/17[1]
  - ✓ €75.0m for H1 FY16/17 vs €64.0m in H1 FY15/16[1] (+17.2% growth yoy)
  - ✓ Adj. EBITDA margin at 13.8% in H1 FY16/17[1]

Free Cash Flow generation driven by increase in adjusted EBITDA and improved Working Capital

- Free Cash Flow of €53.4m in Q2 FY16/17 vs €31.1m in Q2 FY15/16[1]
- Free Cash Flow of €78.2m in H1 FY16/17 vs €40.8m in H1 FY15/16[1]

€107.1m of liquidity available as of July 31, 2016

- Net Debt: €539.0m as of July 31, 2016 vs € 569.6m as of July 31, 2015.
- €107.1m of liquidity available as of July 31, 2016:
  - ✓ Cash and cash equivalent of €29.6m
  - ✓ Undrawn lines in the amount of €77.5m
- Financial leverage: 4.3x as of July 31, 2016 vs 5.4x as of July 31, 2015

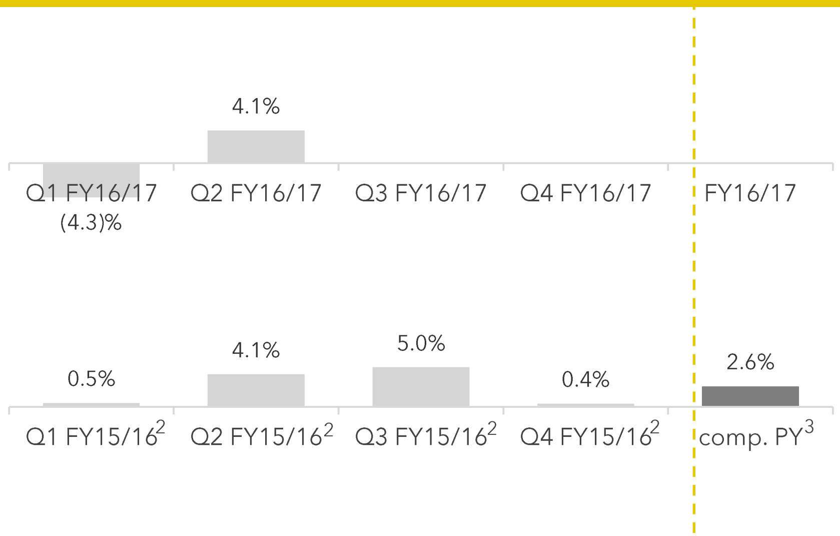
(1) As Takko changed its fiscal year end from 30 April to 31 January, effective 31 January 2016, for comparative purposes Q2 FY15/16 represents the period from May 2015 to July 2015, H1 FY15/16 represents the period from February 2015 to July 2015

Group Performance and Sales Drivers

Total and LfL Sales increase in Q2 FY16/17

	Group	
	Q2 FY16/17	H1 FY16/17
Net revenue (€m)	296.9	541.8
Sales growth	3.3%	(0.9)%
LfL growth (1)	4.1%	0.1%
Store expansion (gross)	5	20
Store expansion (net)	(15)	(13)

Like-for-Like Sales Growth



Group Commentary

- Improved top-line performance in Q2 FY 16/17 by 3.3%, including an increase of 4.1% in LfL sales, mainly due to good weather conditions combined with a well received coupon campaign in May
- LfL sales: May 22.4%, June -5.7%, July -3.1%
- Continued a disciplined approach to portfolio management:
  - Net closings of 15 stores in Q2 FY16/17 compared to net closings of 2 stores in Q2 FY15/16
  - Total store count decreased by 19 stores between July 2015 and July 2016 to 1,883

(1) LfL revenues comprise the sales of stores which have been opened before January 31th 2015 and show full sales in the current period and the comparison period
(2) Q1 FY15/16 = Feb15-Apr15, Q2 FY15/16 = May15-Jul15, Q3 FY15/16 = Aug15-Oct16, Q4 FY15/16 = Nov15-Jan16
(3) Approximation based on quarterly LfL-figures

Segment Performance and Market Dynamics

Positive LfL growth across all regions in Q2 FY16/17

	Germany		Western and Central Europe		Eastern Europe	
	Q2 FY16/17	H1 FY16/17	Q2 FY16/17	H1 FY16/17	Q2 FY16/17	H1 FY16/17
Net revenue (€m)	191.0	348.6	48.5	87.4	57.3	105.8
Sales growth	3.7%	(0.4)%	(1.0)%	(3.8)%	5.6%	0.1%
LfL growth	4.3%	0.3%	1.8%	(0.3)%	5.5%	(0.1)%
Store expansion (gross)	4	12	0	2	1	6
Store expansion (net)	(8)	(10)	0	1	(7)	(4)
Store count	1,124		329		430	

Commentary

Germany: Positive performance mainly attributable to May

	May	Jun	Jul
TW[1]	(1.0)%	(2.0)%	(3.0)%
GfK[2]	0.8%	(0.8)%	(3.8)%
Germany Takko LfL	27.3%	(6.1)%	(5.7)%

Western and Central Europe: Mixed picture in Western and Central Europe

- Good development in the Netherlands
- Negative FX development in Switzerland

Eastern Europe: Mixed picture in Eastern Europe Segment

- Positive development in Baltic states
- Ongoing challenges in Poland

(1) Textilwirtschaft data
(2) Gesellschaft für Konsumforschung data

Operational Updates

- Assessing various options to improve the merchandise management system
- Development of a concept to modernize existing stores, tests until the end of this year
- Ramp up of online broadly on track

Update on Loss Making Stores and Old stock

- Number of Loss Making Stores significantly reduced over the last year

€m	As of 31 July 2015	As of 31 July 2016	Δ
Store count	340	237	(103)
Operating EBITDA[1] contribution in €m	(10.2)	(7.7)	2.5

- Percentage of old stock slightly reduced versus previous year July

€m	As of 31 July 2015	As of 31 July 2016	Δ
Percentage of old stock[2] (pieces)	21%	20%	100bps
Old stock in million pieces	10	10	(0)

(1) Comparable yoy LTM EBITDA figures, internal measure of store performance
(2) Old stock defined as stock older than 6 months

2. Financial Review

Profit and Loss for Second Quarter

Strong EBITDA margin expansion in Q2 FY16/17

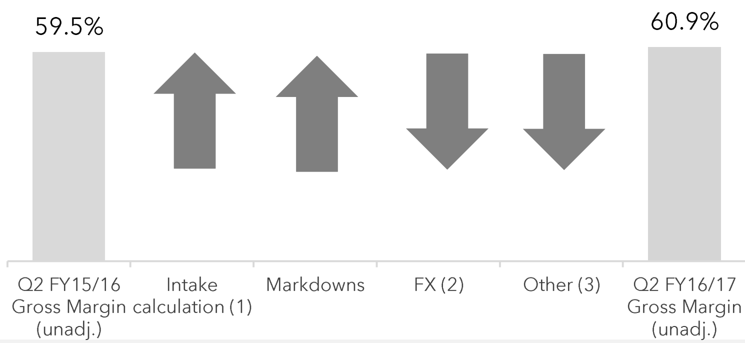
in €m	Q2 FY15/16	Q2 FY16/17	Δ%	YTD Q2 FY15/16	YTD Q2 FY16/17	Δ%
Net revenue	**287.5**	**296.9**	**3.3%**	**546.5**	**541.8**	**(0.9)%**
Cost of materials	(116.4)	(116.1)	(0.3)%	(223.5)	(205.5)	(8.1)%
Gross Profit	**171.1**	**180.8**	**5.7%**	**323.0**	**336.3**	**4.1%**
% of net revenue	59.5%	60.9%	140bps	59.1%	62.1%	300bps
Personnel expenses	(60.9)	(62.4)	2.5%	(118.7)	(120.9)	1.9%
Lease payments incl. costs for services	(49.1)	(52.1)	6.1%	(96.0)	(101.0)	5.2%
Marketing expenses	(7.5)	(7.5)	(0.3)%	(20.2)	(18.6)	(7.5)%
Other operating result	(16.1)	(13.5)	(16.2)%	(39.4)	(28.7)	(27.2)%
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	(9.2)	(11.1)	20.9%	(27.3)	(19.4)	(29.1)%
Operating result	**28.3**	**34.2**	**21.0%**	**21.4**	**47.7**	**122.7%**
% of net revenue	9.8%	11.5%	170bps	3.9%	8.8%	490bps
Financial result	(26.0)	(28.4)	9.3%	(49.7)	(55.5)	11.7%
Profit / (Loss) before taxes (EBT)	**2.3**	**5.8**	**152.2%**	**(28.2)**	**(7.8)**	**(72.3)%**
Income taxes	(6.9)	(7.8)	13.2%	(3.8)	(10.8)	182.8%
Loss for the period	**(4.6)**	**(2.0)**	**(56.2)%**	**(32.1)**	**(18.6)**	**(42.0)%**
Adjusted EBITDA (1)	**38.8**	**51.5**	**32.7%**	**64.0**	**75.0**	**17.2%**
% of net revenue	13.5%	17.4%	390bps	11.7%	13.8%	210bps
Adjusted Gross Profit (1)	**170.9**	**184.3**	**7.8%**	**327.6**	**340.4**	**3.9%**
% of net revenue	59.4%	62.1%	270bps	60.0%	62.8%	280bps

(1) Adjusted Gross Profit, and Adjusted EBITDA are Takko specific measures used in the reporting to current shareholders. These are non-IFRS measures and may not be comparable to similarly-titled measures by other companies. We define "Adjusted Gross Profit" as net revenue less cost of materials, as adjusted for effects from inventory revaluation. We define "Adjusted EBITDA" as profit or loss before taxes plus financial result as well as depreciation, amortization and impairment of property, plant and equipment and intangible assets, adjusted for extraordinary effects, inventory revaluations and reclassifications. Please note that some of these adjustments relating to financial result, provisions for losses of non-performing stores, losses/gains on revaluation of inventories may be of a recurring nature. See also bridge to EBT and reported EBITDA in appendix.

Review of COGS and OPEX

Gross Profit up by €9.7m in Q2 FY16/17

COGS and Gross Profit



- Intake calculation[(1)] in Q2 FY16/17 higher than last year despite weaker FX development
- Q2 FY16/17 markdowns slightly lower than last year
- Q2 FY16/17 gross margin impacted by currency headwinds on the back of weaker EUR
  - FX impact[(2)] within COGS of €-6.8m in Q2 FY16/17 (USD/EUR hedging at 1.26 in Q2 FY 15/16 vs 1.12 in Q2 FY16/17)
  - FX impact[(2)] within COGS of €-13.7m in H1 FY16/17 (USD/EUR hedging at 1.29 in H1 FY 15/16 vs 1.14 in H1 FY16/17)
- Margin affected by an addition to revaluations of inventories in Q2 FY16/17

OPEX

- Personnel expenses:
  - Q2 FY16/17 up 2.5% from Q2 FY15/16, due to an increase in bonus provision
- Leases and ancillary costs:
  - Q2 FY16/17 up 6.1% from Q2 FY15/16 mainly driven by build up of provisions for sub-letting and down-payments regarding extraordinary termination of rent contracts
- Marketing expenses:
  - Q2 FY16/17 on a comparable level with Q2 FY15/16
  - No TV-advertising in Q2 FY16/17
  - 1 coupon and 1 e-coupon campaign in Q2 FY16/17 versus 1 coupon campaign in Q2 FY15/16
  - Income tax expense further increased due to improvement in operating results

(1) Intake calculation/margin is defined as margin based on purchase prices and targeted sales prices before markdowns
(2) Isolated USD effect, delta between current hedging volume at current hedging rate versus current hedging volume at previous year hedging rate
(3) Other mainly includes effects from revaluation of inventories, inventory differences/write-offs and other IFRS evaluation effects

Loss Before Taxes to Adjusted EBITDA Bridge

Increase in Q2 adjustments due to improved stock revaluation process

€m	Q2 FY 15/16	Q2 FY16/17	H1 FY15/16	H1 FY16/17
Profit / (Loss) before taxes (EBT)	**2.3**	**5.8**	**(28.2)**	**(7.8)**
Financial result	26.0	28.4	49.7	55.5
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	9.2	11.1	27.3	19.4
EBITDA	**37.5**	**45.3**	**48.7**	**67.1**
Adjustments relating to financial result [a]	1.8	1.7	3.5	3.2
Extraordinary store expenses [b]	(0.6)	1.3	4.3	0.4
Losses (gains) arising on revaluation of inventories [c]	(0.2)	3.5	4.7	4.2
Other non-operating loss / (profit) [d]	0.3	(0.2)	2.8	0.2
Adjusted EBITDA	**38.8**	**51.5**	**64.0**	**75.0**

Improved revaluation process by testing quarterly

Notes:

(a) Adjustments relating to financial result primarily relate to the handling and financing expenses for letters of credit (which we regularly use in connection with sourcing of merchandise from Asia), which are reclassified as interest expense. These financial expenses are shown as "other operating expenses" in our consolidated income statements.

(b) Extraordinary store expenses, mainly consist of allocations to and reversal of provisions for potential future losses of non performing stores. These stores are actively monitored for potential restructurings (such as early termination of leases, subletting etc.). In our consolidated income statement, these costs are reflected in other operating expenses. This item is shown as "Normalized expenses for store restructuring" in our Consolidated Financial Statements.

(c) Losses (gains) arising on revaluation of inventories reflect gains or losses arising from the revaluation of our inventories and resulting provisions. Management makes this adjustment in monitoring the performance of the business because it has no cash impact and does not affect actual sourcing costs, and therefore management believes including this adjustment gives a better view of the operating performance of and cash flow generation by the business. In addition, we currently report our financial performance to our existing investors with this adjustment and management therefore believes that this is a metric that investors find useful in assessing the performance of the business.

(d) Other non-operating loss (profit) includes severance payments and other items of a non-recurring nature, as well as unrealized foreign currency exchange gains or losses.

Please note that some of these items in the table above such as adjustments relating to financial results, provisions for losses of non-performing stores, losses/gains on revaluation of inventories may be of a recurring nature.

Free Cash Flow

Positive impact driven by improved working capital management and operating leverage

€m	Q2 FY 15/16	Q2 FY16/17	Δ	H1 FY15/16	H1 FY16/17	Δ
Adj. EBITDA	**38.8**	**51.5**	**12.8**	**64.0**	**75.0**	**11.0**
Capital expenditure	(3.1)	(2.2)	0.9	(12.1)	(4.4)	7.7
Adj. EBITDA – capex	**35.7**	**49.3**	**13.6**	**51.9**	**70.7**	**18.7**
Δ Working capital	(2.7)	10.2	12.9	0.2	16.1	15.9
Δ Other items (2)	(1.9)	(6.2)	(4.3)	(11.3)	(8.6)	2.8
Free Cash Flow (1)	**31.1**	**53.4**	**22.3**	**40.8**	**78.2**	**37.4**

Commentary

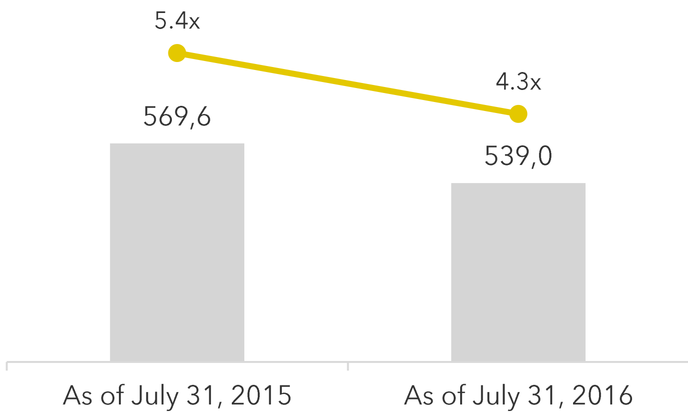
- Q2 FY16/17 free cash flow of €53.4m; €22.3m higher than in Q2 FY15/16
- Increase in Free Cash Flow mainly influenced by better Adjusted EBITDA and working capital
- Q2 FY16/17 net cash flow (pre loan proceeds) is € 44.6m vs. € 22.2m in Q2 FY 15/16
- Q2 FY 16/17 other items is € -6.2m mainly due to adjustments to revaluation of inventories and provisions for store closures

(1) FCF is pre-financing cash flow: before payment of interest and other financing related costs, LC fees, finance leases, net investments in financial assets and interest received
(2) Other items include taxes as well as provisions and other non-cash items and adjustments

Financial Indebtedness and Liquidity Update

Increased LTM Adjusted EBITDA improves leverage ratio year-on-year

Financial Leverage



- **Leverage ratio decreased from 5.4x to 4.3x yoy**
  - Unadjusted for operating leases
- **Covenants**
  - LTM Adjusted EBITDA of €125.4m above Covenant of €92.5m
  - Step-Up of Covenant level in January 2017 to €97.5m

Liquidity Update

In € million	As of July 31, 2016
Potential Liquidity	**107.1**
- Of which cash and cash equivalents[1]	*29.6*
- Of which undrawn lines	*77.5*

Other Facilities

In € million	As of July 31, 2016
RCF borrowing base	**85.0**
- Of which cash drawings	*0.0*
- Of which guarantees	*7.5*
RCF net availability	**77.5**
L/C borrowing base	**190.0**
- Of which issued	*167.2*
L/C net availability	**22.8**

(1) Including Cash in tills and in transit
(2) Nominal value of financial debt plus accrued interest plus finance leases minus cash on balance sheet

Events occurred since the end of Q2 FY16/17

- Positive performance in August 2016, weak start into September 2016

LfL-Sales	August 2016
Textilwirtschaft (TW)	(3)%
Takko Germany LfL	6%
Takko Group LfL	4%

- Merchandise supply issues caused by the bankruptcy of the shipping company Hanjin (about €7m worth of stock delayed)
- As the Market Abuse Directive came into force in July this year, the company is currently reviewing listing requirements set by other exchanges, that would not subject the Company to the new regulation, in order to determine if listing on such exchange is in the company's interests
- Next investor conference call, for Q3 FY16/17, is on 21 December 2016

3. Q & A