

# FINANCIAL PERFORMANCE

**TOP-TOY's financial performance in 2015/2016 was negatively affected by one-off costs related to the closure of our wholesale business and to moving into a new head office. Our operating business was also negatively impacted by exchange rate developments. At the same time, revenue from our core business – retail – increased. We expect results to improve to a satisfactory level as early as 2016/2017 following implementation of margin-improving initiatives in 2016.**

## Revenue – store and online performance

Total revenue declined 2% to DKK 3,917 million due to the closure of wholesale activities at year-end 2015 and a lower exchange rate for Norwegian and Swedish kroner.

Retail revenue increased 5.9% adjusted for currency impact. This was due to the net addition of 12 stores to our network. Both our BR and TOYS"R"US web shops recorded considerable growth in the number of visitors and revenue as well as high customer satisfaction. Customers have responded very well to our click and collect service.

Wholesale revenue declined from DKK 592 million in 2014/2015 to DKK 379 million in 2015/2016. All wholesale activities were closed at year-end 2015.

## This year's profits

Adjusted EBITDA declined by 27% to DKK 165 million. During the financial year, significant management resources were spent on changes related to the closure of the wholesale division at the end of 2015 and on new strategic projects following the partnership with EQT. Our operating business was also negatively impacted by exchange rate developments, which were hedged only to a limited degree and could not be fully absorbed in decisions regarding sales prices and assortment mix at short notice. The decline also caused a decline in profits after tax. One-off costs related to the closure of our wholesale business and a write down of assets related to moving the Danish head office to new modern facilities in Vallensbæk near

Copenhagen, contributed further to the decline in profits after tax.

## Looking ahead

We expect that the market for toys will grow modestly in the coming years, as consumer confidence increases and more children are born. Our goal is always to perform better than the market and increase our market shares.

The toy market is a dynamic market, where a new Star Wars® movie, for example, can have a major impact on the product assortment. As the 2016 Christmas season will be characterised by few big, new toy-related movies and stories, classic toys and play patterns will be in focus.

We will implement margin-improving initiatives in 2016. Along with our strategic focus on strengthening our omni-channel, becoming more customer-centric and differentiating our BR and TOYS"R"US brands so they appeal to different consumer needs, this prepares us for a strong year of growth – in total sales and same-store sales and from our online and omni-channel efforts.

## TOP-TOY key figures in DKK million

	2013/2014	2014/15	2015/16
Revenue	3,965	4,007	3,917
Adjusted revenue*	3,336	3,424	3,538
Adjusted EBITDA**	185.2	226.7	165.4
Profit for the year	63.6	103.1	6.6

## Employees and stores

Number of full-time employees	2,258	2,177	2,228
Number of stores	302	297	309

## Key financial ratio

Adjusted EBITDA margin	5.6%	6.6%	4.7%
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\* Adjusted revenue excludes wholesale revenue

\*\* Adjusted EBITDA excludes discontinued wholesale activities, consultancy costs for strategic projects, reorganisation and movement of HQ to Vallensbæk