

Presentation of results for the second quarter 2018

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CFO Espen Eldal

13 July 2018

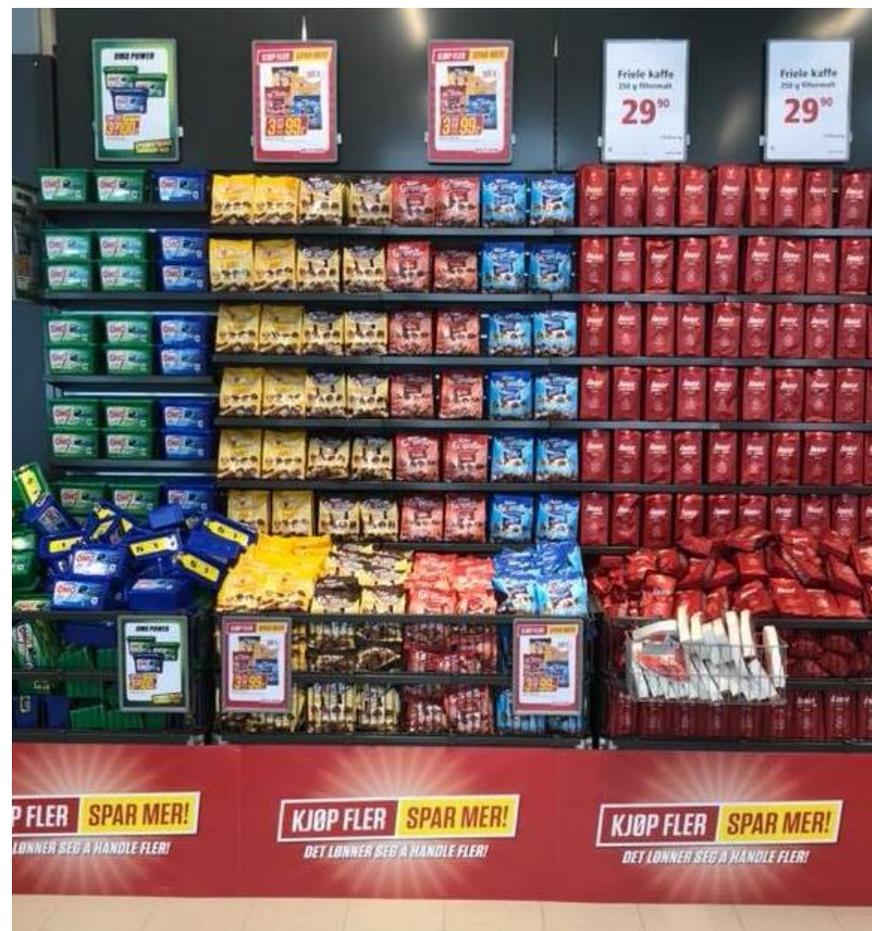


**Norway's leading
discount variety retailer**

Europris
MER TIL OVERS

Highlights in the second quarter

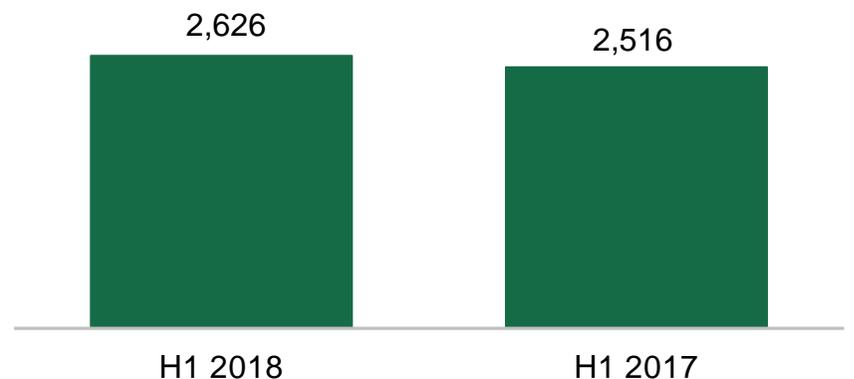
- Timing of Easter distorts comparability of numbers for the quarter
- 1.5% increase in group revenues to NOK 1,427 million
- Gross margin improved to 43.8%, up 0.9%-points
- Adjusted net profit of NOK 136 million, up 5.6%
- Soft launch of e-commerce operations
- Acquisition of 20% holding in Runsvengruppen AB (ÖoB)



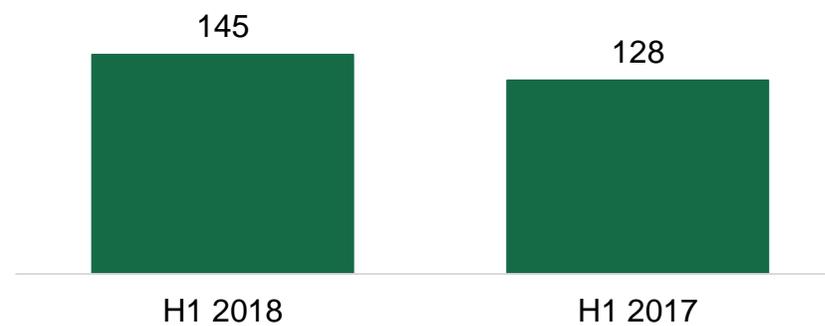
Highlights first half 2018

- 4.4% increase in group revenues
NOK 2,626 million
 - Solid sales performance during main seasons
Easter and spring
 - 0.6% like-for-like growth
- Gross margin increased from last year and overall good cost control
- Adjusted net profit increased by 13% to NOK 145 million
- Six new store openings and five franchise takeovers

Group revenue (NOK million)

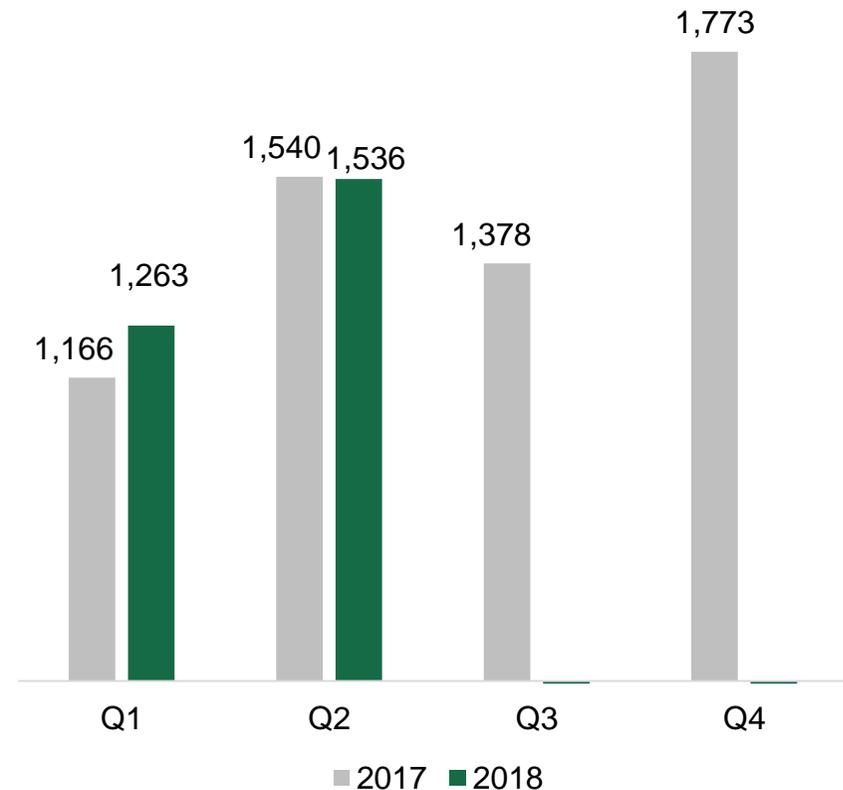


Adjusted net profit (NOK million)



- Slow quarter owing to lower than expected like-for-like growth
- Spring/summer season has been good in the south, but challenging in the north
- Campaign pressure slightly adjusted
 - Campaign sales reduced 3.3%
 - Positive impact on gross profit
- Demanding conditions for “Personal care” and “Laundry and cleaning”
 - Competition on price from grocery sector
 - Stable volumes
- New stores on track

Retail sales per quarter (NOK million)



Robust pipeline of new stores

- Four stores opened during Q2
 - Rykkinn in Oslo
 - Stokke in Vestfold
 - Ørnes in Nordland
 - Kjørbekk in Telemark
- Three new stores and one store closure scheduled for the rest of the year, eight net new stores in total for 2018
- Nine stores in pipeline for 2019 and beyond
 - Six of the stores are subject to municipal zoning regulations



Euopris Kjørbekk, store no. 256

Launch of e-commerce

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Achieving international competitiveness with a solid Nordic footprint

“Bringing the segment’s two strong players in Norway and Sweden together, leveraging a significantly overlapping assortment, deep retail know-how and a common strategic agenda to create a robust Nordic constellation in discount variety retail”

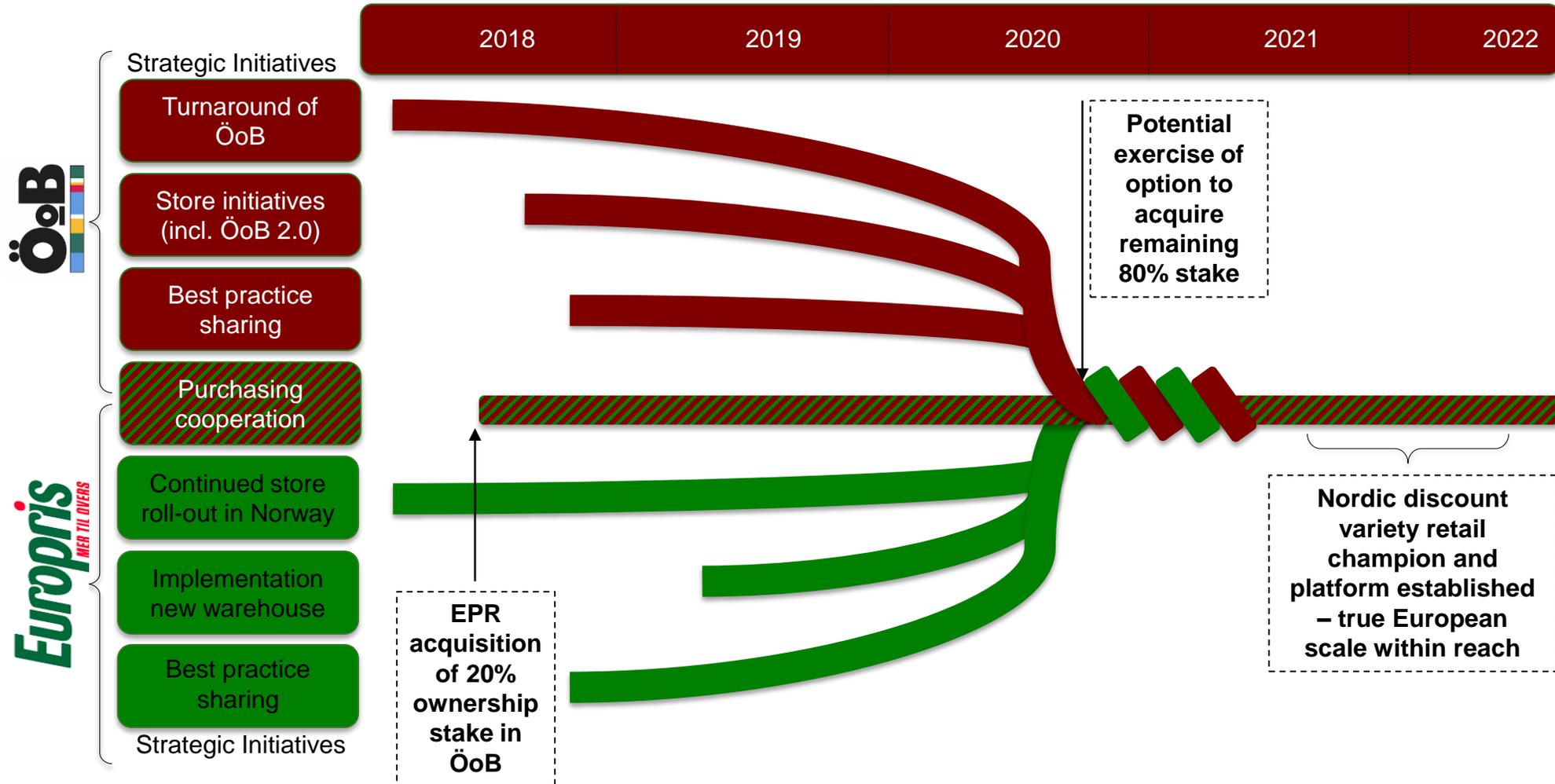
Euoppris



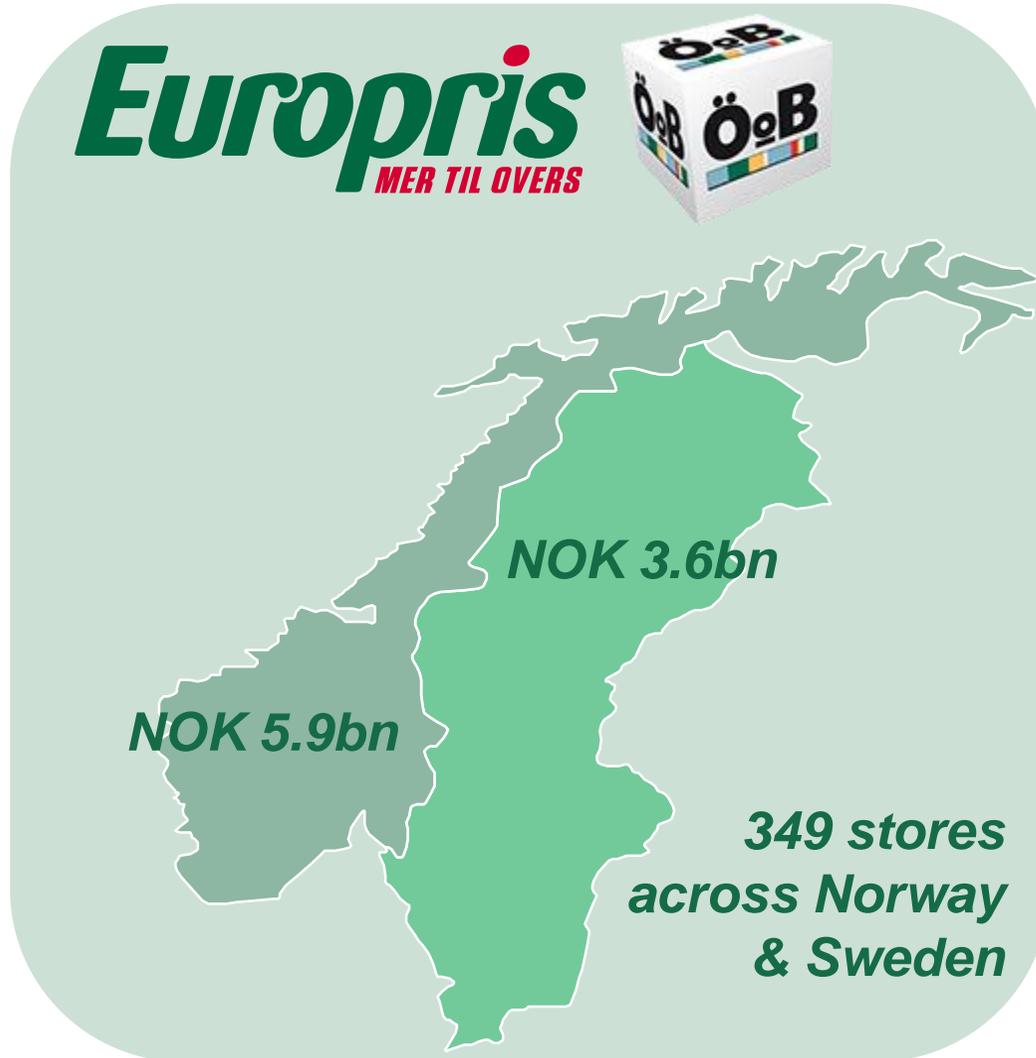
# of stores	256
Retail sales 2017A	NOK 5.9bn

# of stores	94
Retail sales 2017A	NOK 3.6bn

A low-risk synergistic partnership today – potential for true European scale tomorrow



Creating a pan-Nordic platform in discount variety retail



...with sourcing power to reflect an even larger grouping (through Shanghai JV with Tokmanni)

Representing sales of **NOK 17.1bn**



Note: Numbers based on each company's 2017A revenue numbers, converted to NOK as of Friday, 8th June 2018

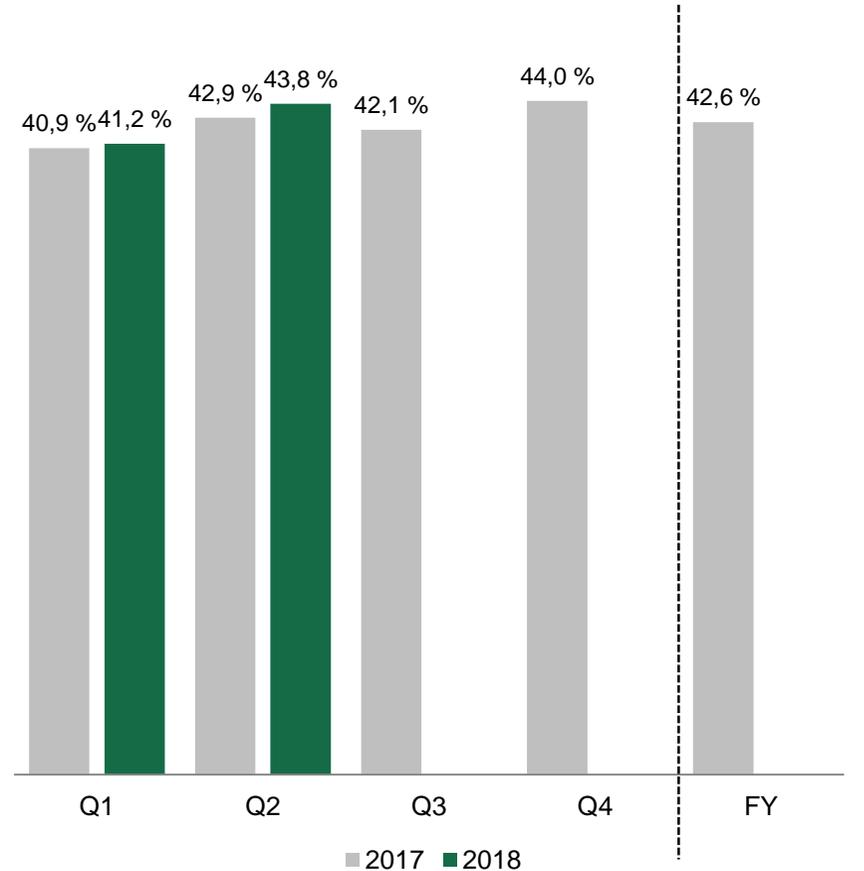
Financial review



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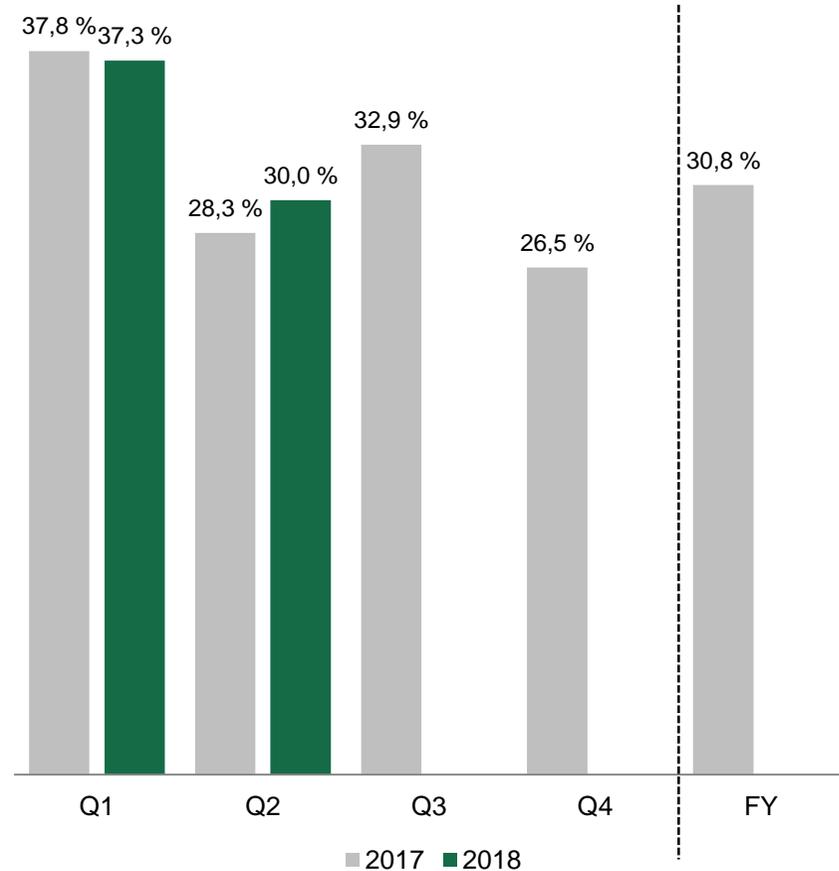
- Gross margin was 43.8% in Q2 2018 vs. 42.9% in Q2 2017
- Comparison with last year affected by timing of Easter and one franchise takeover
- Positive development in gross margin in 2018 despite increased price competition in some categories
- Campaign pressure slightly adjusted
 - Overall level of discounting unchanged

Gross margin



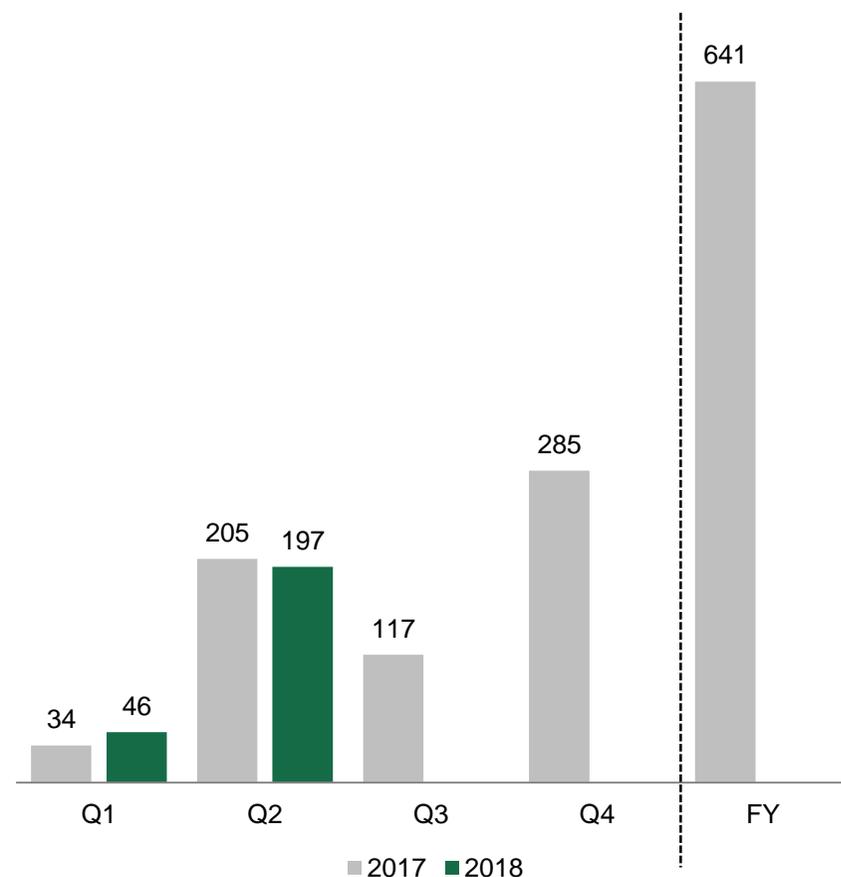
- OPEX in % of revenue was 30.0% in Q2 2018 vs. 28.3% in Q2 2017
- Total OPEX up by 7.4% while directly operated stores increased by 9.1%
 - From 198 to 216 directly operated stores
 - 12 new stores of which 4 in Q2
 - 6 franchise takeovers
- Overall good cost control

OPEX in % of group revenue



Adjusted EBITDA (NOK million)

- Adjusted EBITDA margin was 13.8% in Q2 2018 vs. 14.5% in Q2 2017
- Adjusted EBITDA impacted by
 - Increased number of directly operated stores
 - Improved gross margin



- Cash flow for the quarter reduced from last year due to seasonality and a normalised delivery schedule from Far-East
 - Timing of Easter affects inventory
 - Spring/summer seasonal items was shipped early in 2017 due to timing of Chinese New Year
- Dividend payment of NOK 284 million, down NOK 50 million from last year
- Solid cash position at the end of Q2

Cash flow, NOK million	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Cash from operating activities	191	227	-107	-142
Cash used in investing activities	-23	-32	-47	-81
Cash (used in)/from financing activities	-290	-335	-291	-338
Net change in cash and cash equivalents	-122	-140	-445	-561
Cash and cash equivalents at beginning of period	259	155	582	577
Cash and cash equivalents at end of period	136	16	136	16

- Continued growth in long term revenue and profits supported by the group's leading position in an expanding segment
- Strong position in a changing retail landscape – partnership with ÖoB
- Share buy-back program, up to 2 million shares
- Transforming Europris to an omni-channel retailer through launch of e-commerce and e-crm
- Healthy pipeline of new stores
 - 3 additional stores planned in 2018
 - 9 stores planned for 2019 and beyond
- Two franchise takeovers completed on 1 July and 1-2 additional takeovers expected during 2018



Q & A



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Appendix



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Number of sales days

Year	Q1	Q2	Q3	Q4	Total
2016	74	75	79	81	309
2017	77	71	79	79	306
2018	75	73	78	80	306
2019	76	71	79	80	306

Number of store projects (franchise projects in brackets)

2017	Q1	Q2	Q3	Q4	Total
New stores	3	2	1	5	11
Store closures	-	-	-	-	-
Relocations	(1)	1 (1)	1	4	6 (2)
Modernisations	9 (2)	5 (1)	3	2	19 (3)

2018E	Q1	Q2	Q3	Q4	Total
New stores	2	4	1	2	9
Store closures	-	-	-	1	1
Relocations	2	2 (1)	3 (1)	-	7 (2)
Modernisations	5	2	1	2	10

Note: Number of projects in 2018 is a moving target, and is subject to change during the year based on operational considerations. An updated view will be presented during the quarterly presentations going forward

APMs are used by Europris for annual and periodic financial reporting in order to provide a better understanding of Europris' financial performance and are also used by management to measure operating performance. APMs are adjusted IFRS figures defined, calculated and used in a consistent and transparent manner.

- **Gross profit** represents group revenue less the cost of goods sold excluding unrealised foreign currency effects.
- **Opex** is the sum of employee benefits expense and other operating expenses.
- **EBITDA** (earnings before interest, tax, depreciation and amortisation) represents Gross profit less Opex.
- **Adjusted EBITDA** is EBITDA adjusted for nonrecurring expenses.
- **Adjusted profit before tax** is net profit before tax adjusted for nonrecurring items.
- **Adjusted net profit** is net profit adjusted for nonrecurring items.
- **Adjusted earnings per share** is Adjusted net profit divided by the current number of shares (166,968,888).
- **Working capital** is the sum of inventories, trade receivables and other receivables less the sum of accounts payable and other current liabilities.
- **Capital expenditure** is the sum of purchases of fixed assets and intangible assets.
- **Net debt** is the sum of term loans and financial leases less bank deposits and cash.

Other definitions

- **Directly operated store** means a store owned and operated by the group.
- **Franchise store** means a store operated by a franchisee under a franchise agreement with the group.
- **Chain** means the sum of directly operated stores and franchise stores.
- **Like-for-like** are stores which have been open for every month of the current calendar year and for every month of the previous calendar year.

Presentation of results for third quarter 2018

See you 31 October 2018

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