Capital markets day

5 December 2018

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Agenda

09:00 – 10:00	**Retail is changing, discount variety is thriving** - Pål Wibe, Europris
	Strengthening price and cost position - Pål Wibe, Espen Eldal, Pål Chr. Andersen, Europris
	Continued concept development - Pål Wibe, Europris
10:00 – 10:10	**Coffee break**
10:10 – 11:10	**Drive customer growth** - Pål Wibe, Espen Eldal, Europris
	Creating shareholder value - Espen Eldal, Europris
	Introduction to ÖoB - Mikael Demitz-Helin, Meta Persdotter, ÖoB
11:10 – 11:30	**Summary and Q&A**

Pål Wibe
CEO

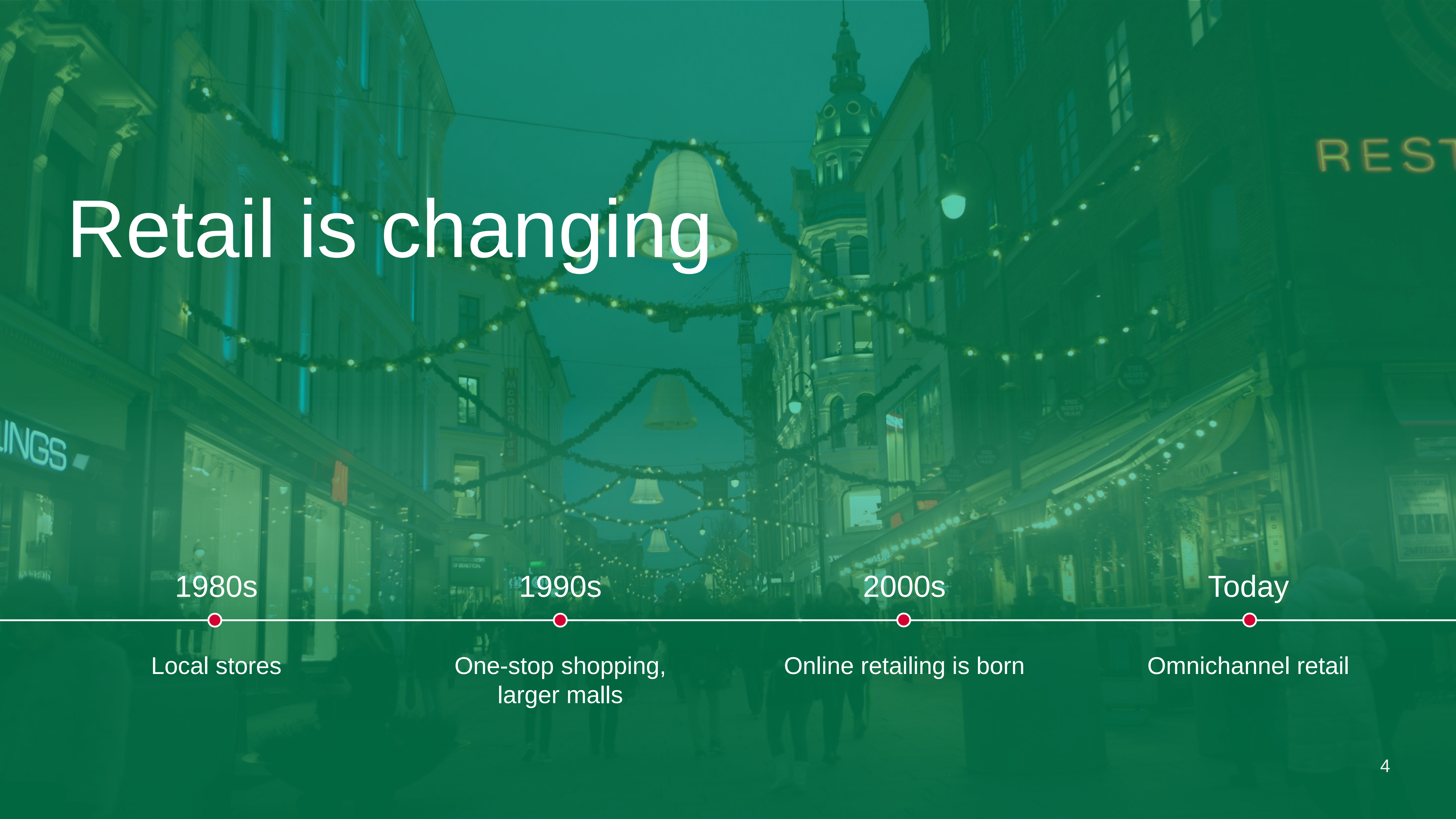
Espen Eldal
CFO

Pål Chr. Andersen
Logistics Director

Mikael Demitz-Helin
Chief Procurment &
Logistics Officer

Meta Persdotter
Chief Commercial
Officer

Retail is changing



1980s
Local stores

1990s
One-stop shopping, larger malls

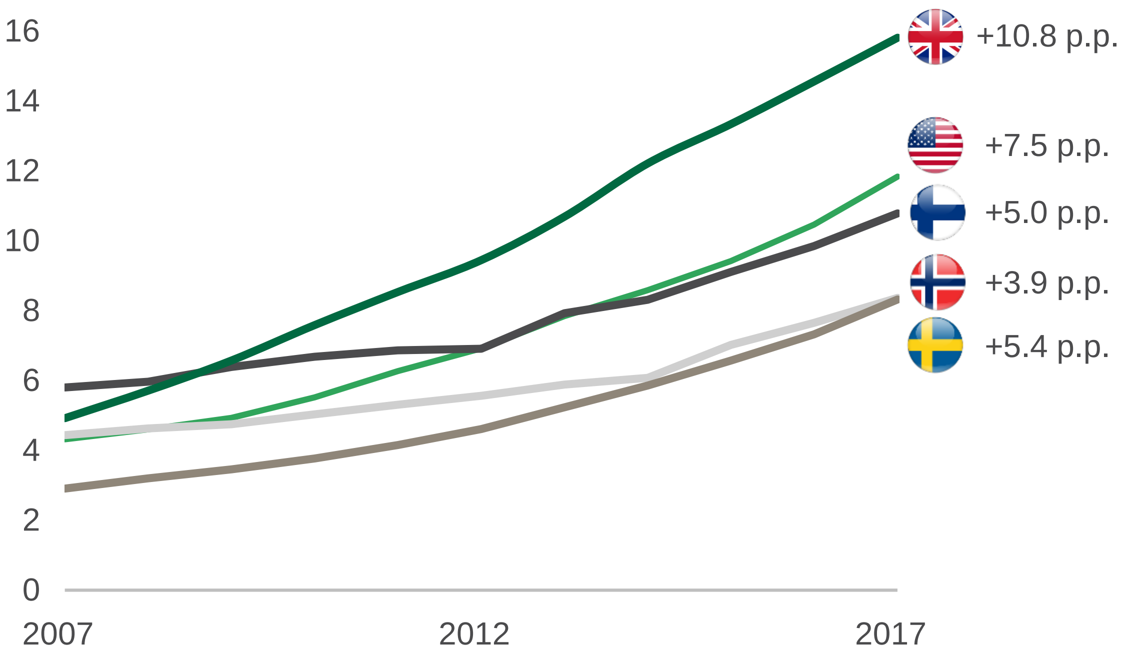
2000s
Online retailing is born

Today
Omnichannel retail

In a world of winners and losers, variety retail is thriving

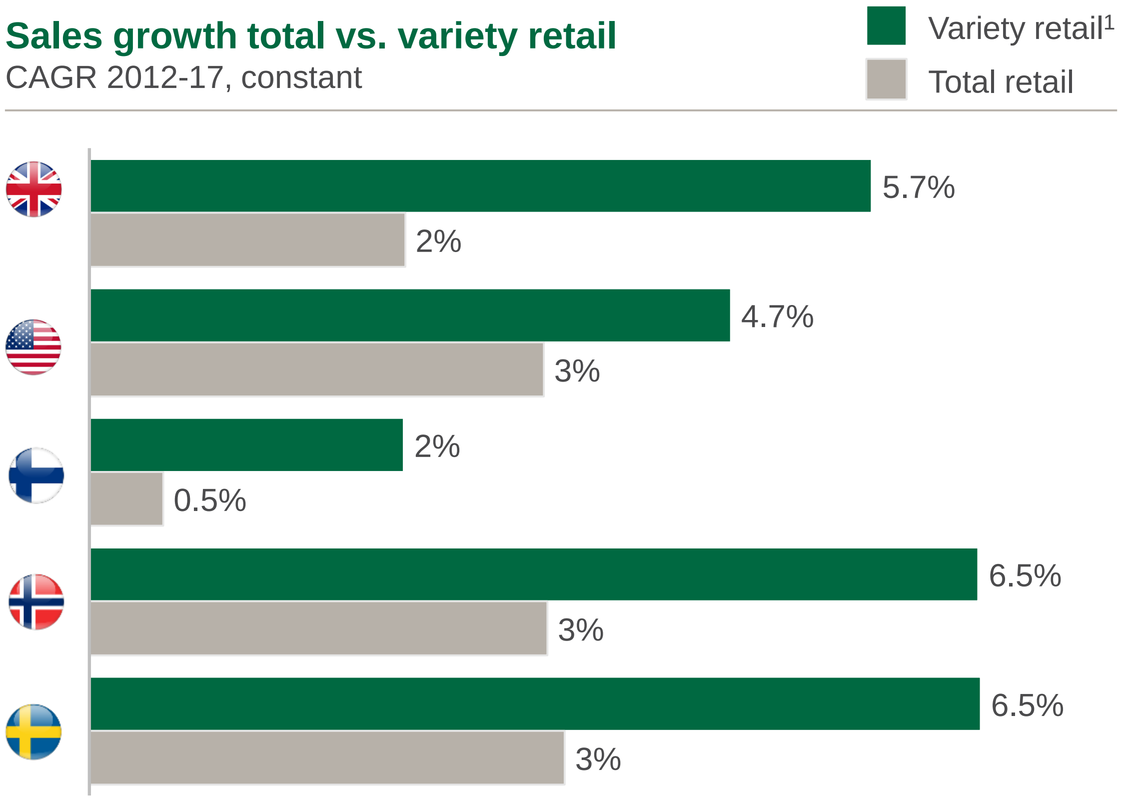
While online is challenging bricks-and-mortar…

Online share of retail sales
Percent



Variety retail has grown ~twice the speed of all retail

Sales growth total vs. variety retail
CAGR 2012-17, constant



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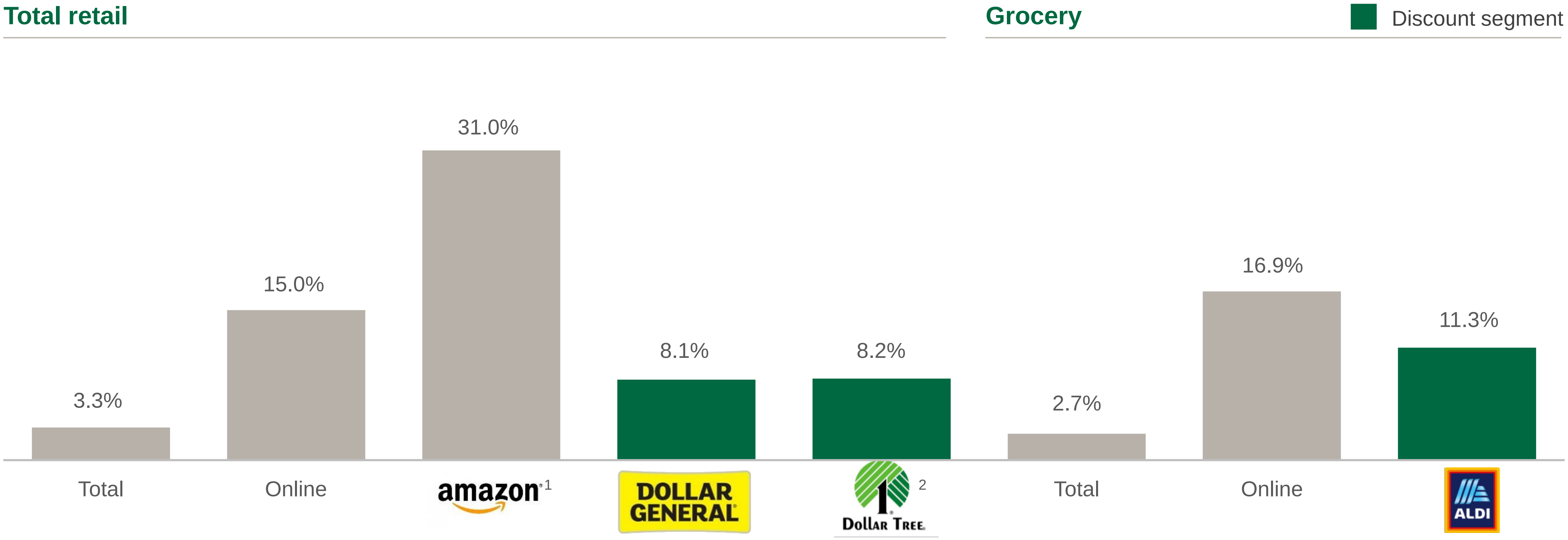
[1] General retailers with wide discount range.
Source: Euromonitor International; see appendix for full presentation

In the USA, discount continues to prosper

Alongside the online giant's growth

Historic growth: average CAGR 2012-17, constant



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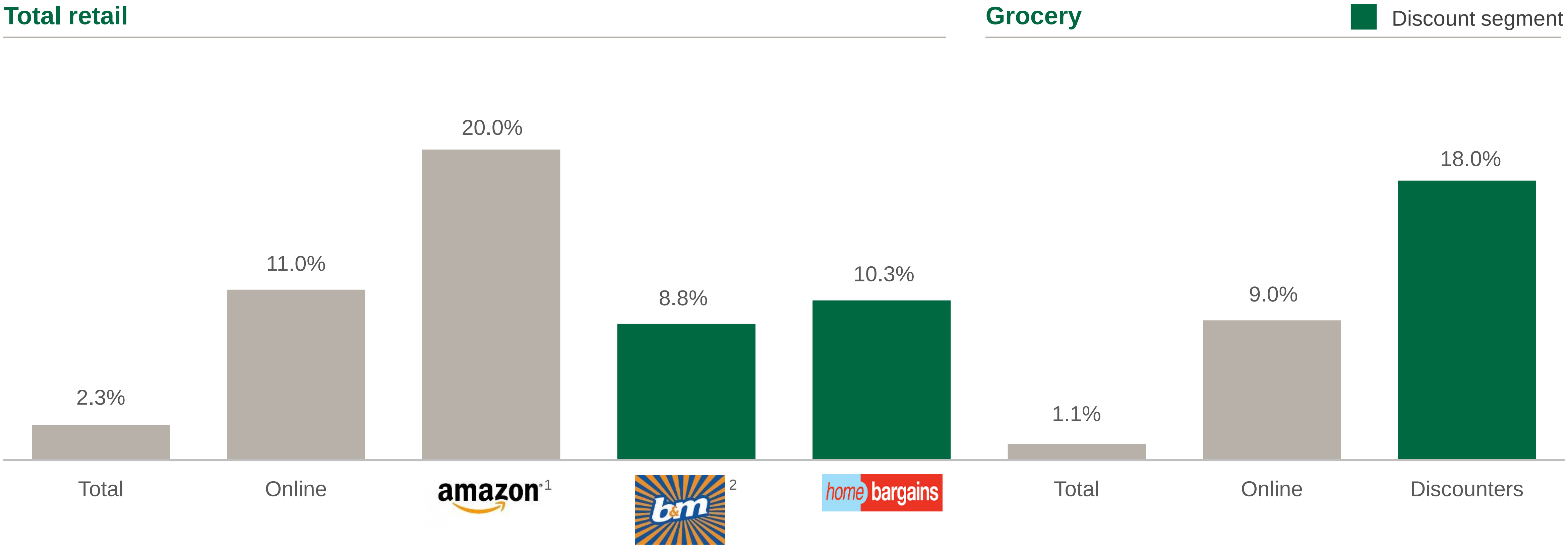
[1] Numbers for Amazon as a 3rd party grosser, excluding wholefoods

[2] Dollar Tree stores, not Dollar Tree Inc.

Source: Euromonitor International; see appendix for full presentation

Similar patterns observed in the UK

Historic growth: average CAGR 2012-17, constant



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[1] Total for Amazon 1st and 3rd party sales

[2] B&M Bargains changed parent company in 2014

Source: Euromonitor International; see appendix for full presentation

Customers fully embrace online…

2017

75% of all Norwegian consumers shopped online

Online retail in Norway grew 13.5%

4/10 online purchases in Norway were mobile

Source: SSB; Virke; see appendix for full presentation

Variety discount and grocery less exposed to e-commerce so far

Several factors affecting pace of adaptation for online sales

Challenging economics

In discount variety retail owning to smaller basket size

Customer convenience

Access to extensive store network and broad range maintains convenience factor vs. online

Last mile is complex

Logistics, handling and delivery costs are complex in Norway, and in variety discount in particular

Customer omnichannel experience

60% of customers in Norway have done research online before making a purchase in a physical store

Source: Customer surveys; iConsumer, PostNord e-commerce report 2018

Global retail trends

		Degree of relevance[1]
Online and omnichannel	Fully embraced by consumers	◑
Retail polarisation	Spending gravitating to discount and premium retailers	●
Experience and convenience	Increasingly important drivers for purchase decisions	◑
Private label	Increased consumer trust and strategically more important for retailers	●
Cost focus	Low cost, digitalisation and automation of core processes	●

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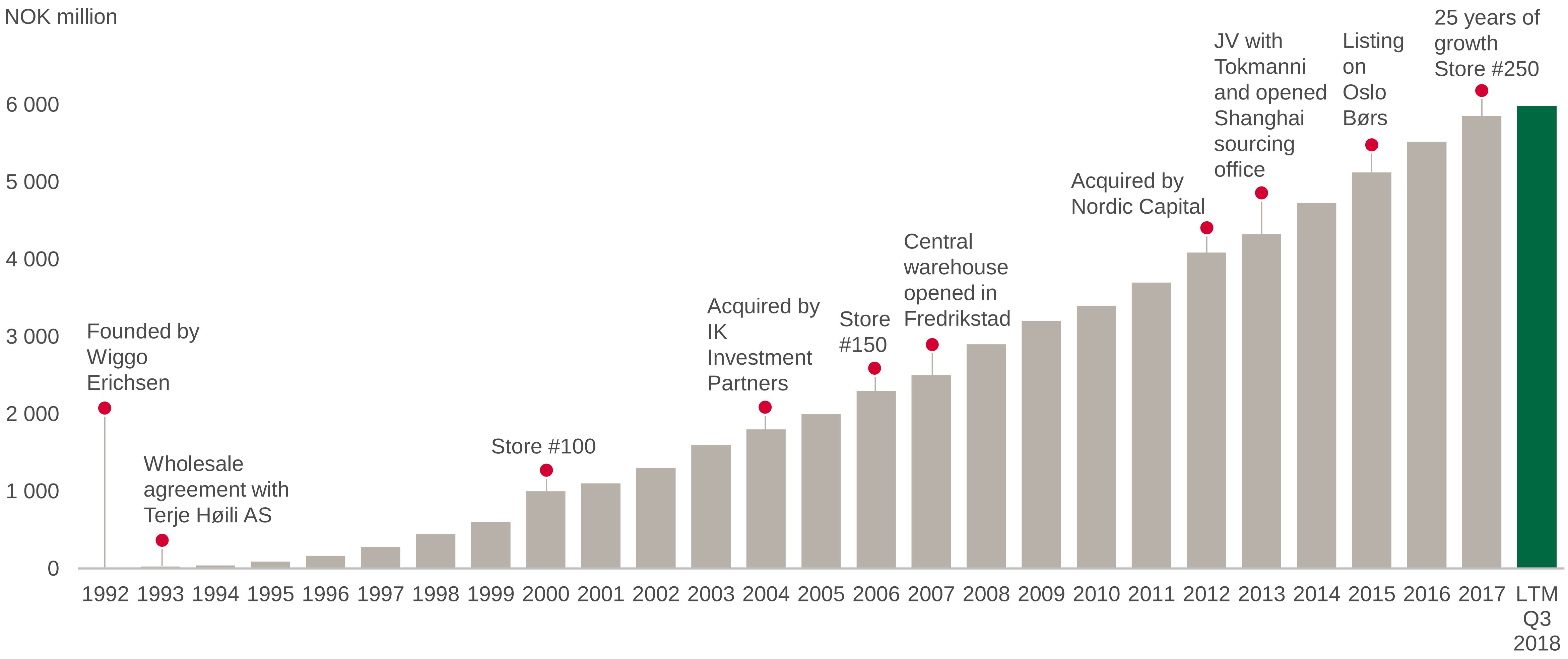
[1] For variety discount retail

Europris

MER TIL OVERS

First choice for anyone who wants to shop convenient, smart, big and at low price

Europris – a growth story



Norway's #1 discount variety retailer

Customers

- 30 million customer transactions in 2017
- Widely recognised brand and price position[1]

Marketing

- Over 1 million leaflets in distribution
- Close to 300 000 subscribers to digital newsletter

Stores

- Cost-efficient locations and operations
- 212 of 228 like-for-like (LFL) stores profitable in 2017
- Track-record of 15 new or relocated stores p.a.

Logistics

- More than 40 years of wholesaler experience
- Efficient set-up and nationwide reach
- New modern central warehouse from Q2 2019

Sourcing

- From more than 30 countries
- Pan-Nordic agreement with ÖoB and Tokmanni

257

Stores

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[1] Mediacom annual market survey

With a strong brand

100%

Recognition

#1

Price perception

Source: Mediacom annual market survey
Ranking among wide variety retailers (Biltema, Clas Ohlson, Coop OBS, Europris, Jernia, Jula, Jysk, Nille, Plantasjen, Rusta)

We exist to give our customers more time and money to buy what they need and want

for everyday life

to make it nice at home

to enjoy time with family and friends at the seasonal holidays and special occasions

Mer til overs

Pay less – Save more

Leveraging a strong business culture

The dedicated people of Europris

Our loyal and dedicated employees are our most important asset

With well-being and job satisfaction at an **all time high**, we are proud to say that…

…Europris is a great place to work[1]

Our values

- Positive attitude
- Proactive
- Clear
- Business acumen
- Simple

Europris Evje

Europris Leknes

Europris Ågotnes

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[1] Annual employee survey (2018)

Sustainability is an integrated part of the strategy

Sustainable value chain

Resource efficient business model

Responsible employer

Satisfied customers and local communities

Selected initiatives	Palm-oil-free products Supporting plastic waste reduction with a plastic bag fee Increased share of sourcing to >85% from certified factories (BSCI, Sedex, ICTI)	Energy consumption reduced by 23% since 2014 65% waste sorting, moving towards target of 80% Energy efficient and environment-friendly new warehouse	Well-being and job satisfaction at all-time high Interactive training of all employees Guidelines and training for ethical businesses conduct, anti-corruption and whistleblowing routines	In-house testing and control to improve product safety Customer satisfaction increased 18% since 2014[1] Support for Church City Mission, work training and sponsorships

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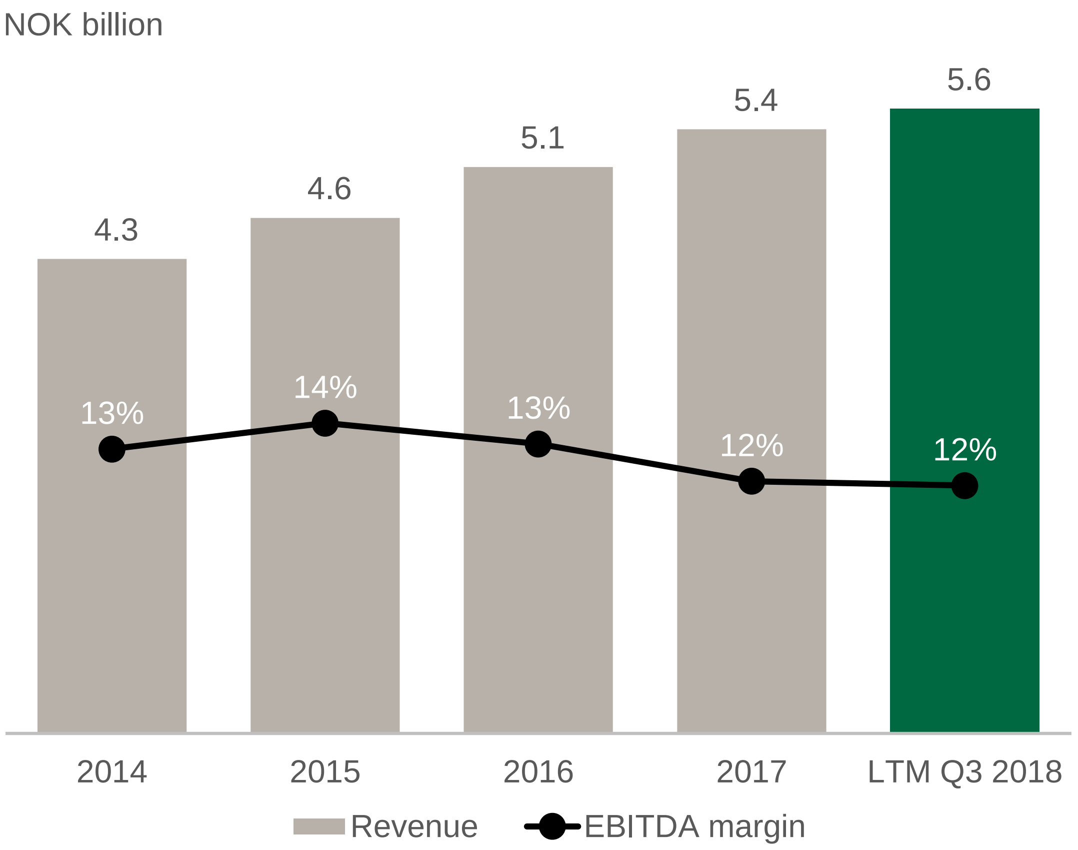
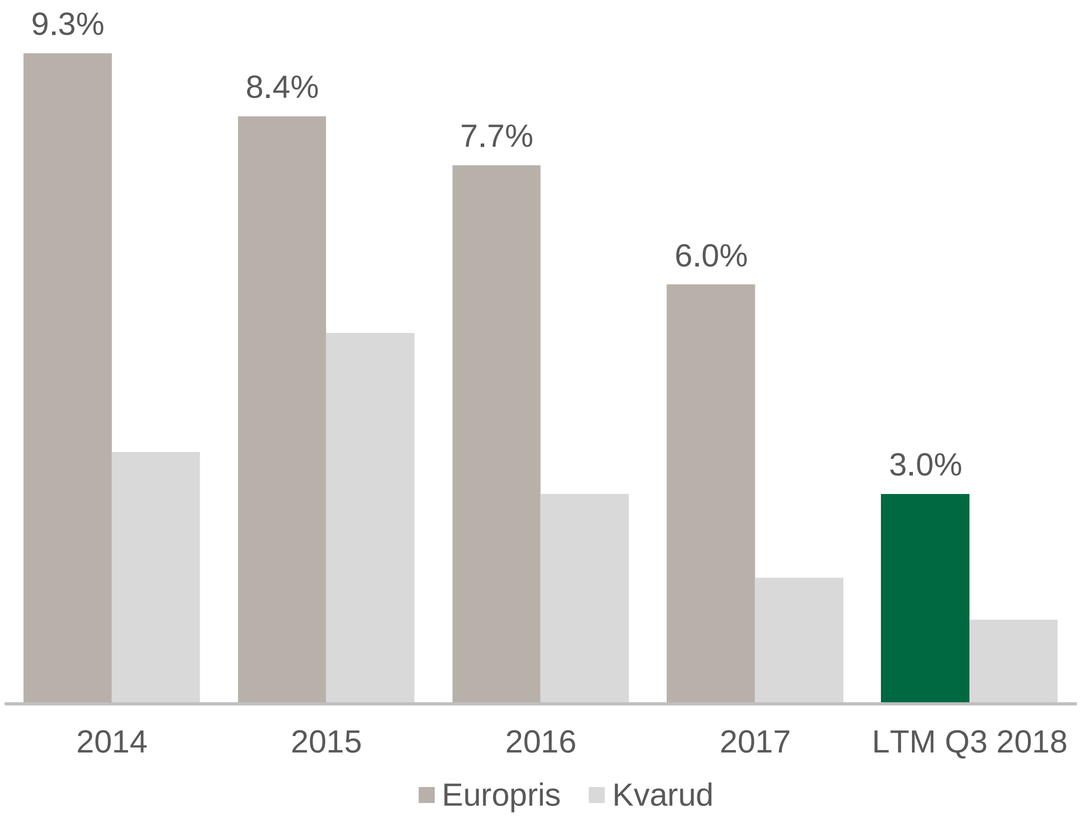
[1] MediaCom – barriere survey 2018

Track record of above-market growth

Revenue and EBITDA margin[1]



Total growth for Europris and market[2,3]



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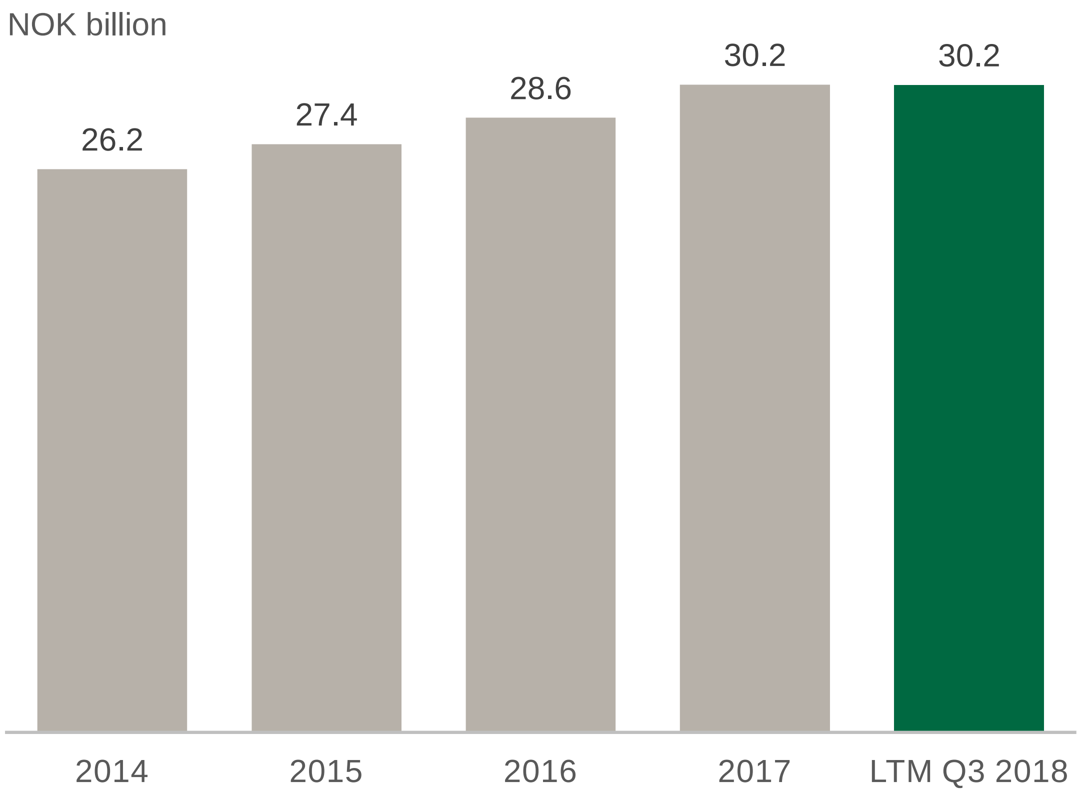
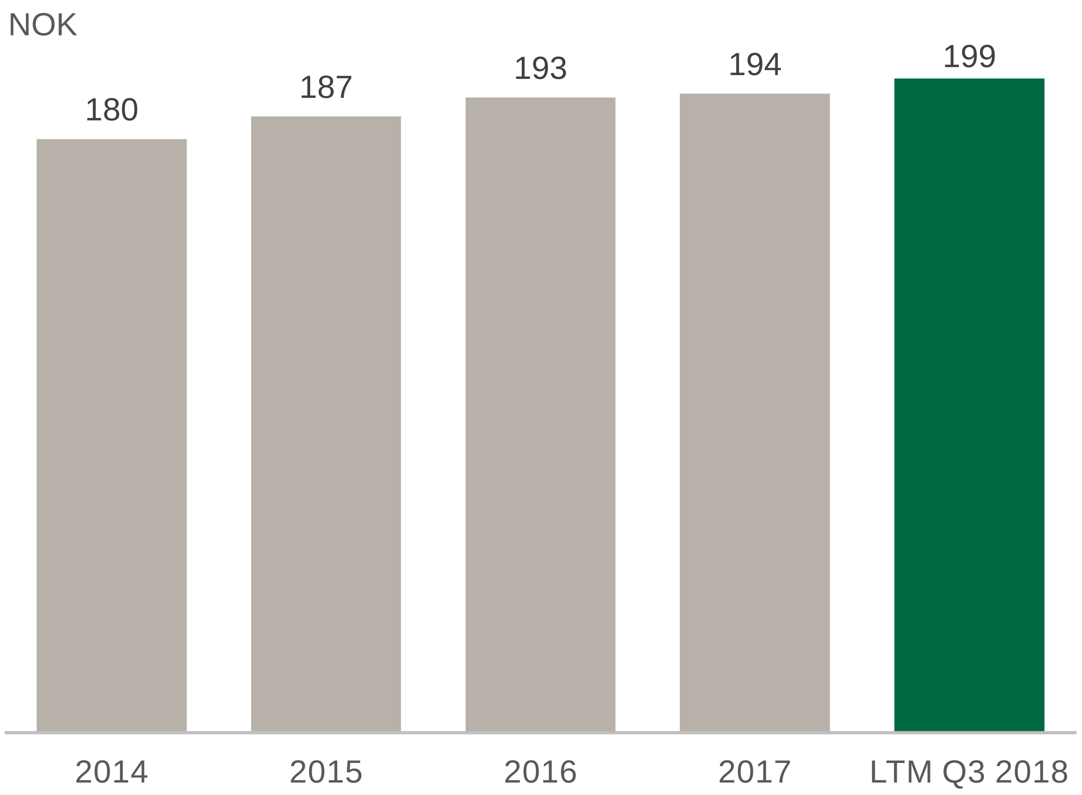
[1] Europris group figures
[2] Europris chain figures
[3] Kvarud Analyse: Norwegian shopping centre index

Growth driven by customers and basket value

Number of customer transactions



Basket value[1]



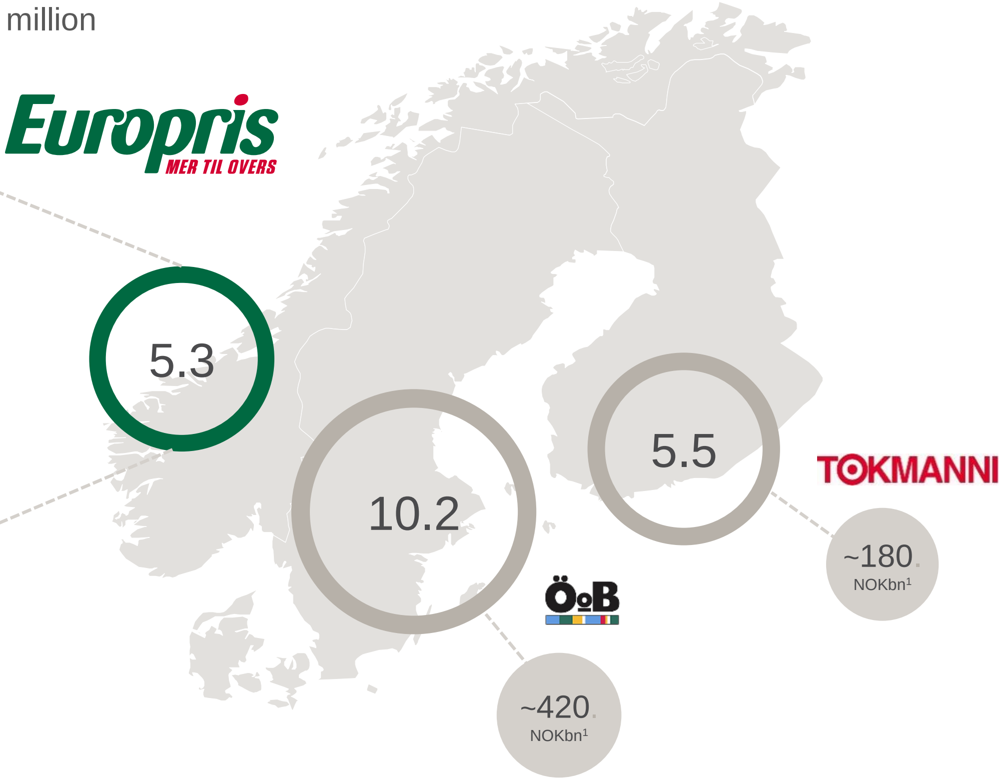
[1] Change in basket value is a combination of changes in price per item, number of items and range

Significant market potential for multi-category retailers

Addressable market in Norway

Population per country

million



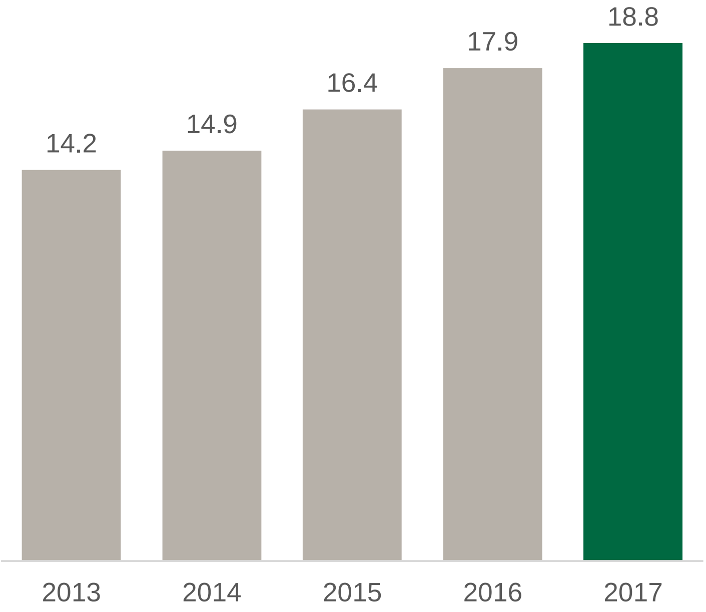
Sources: Statistics Norway (SSB), 2017; Statistics Sweden (SCB), 2018 LTM; Statistics Finland (Stat), 2016

[1] Total addressable market for packaged food, non-alcoholic beverage, clothing and shoes, furnishing, household equipment and routine house maintenance

With substantial room for growth

Strong growth for discount variety in Norway

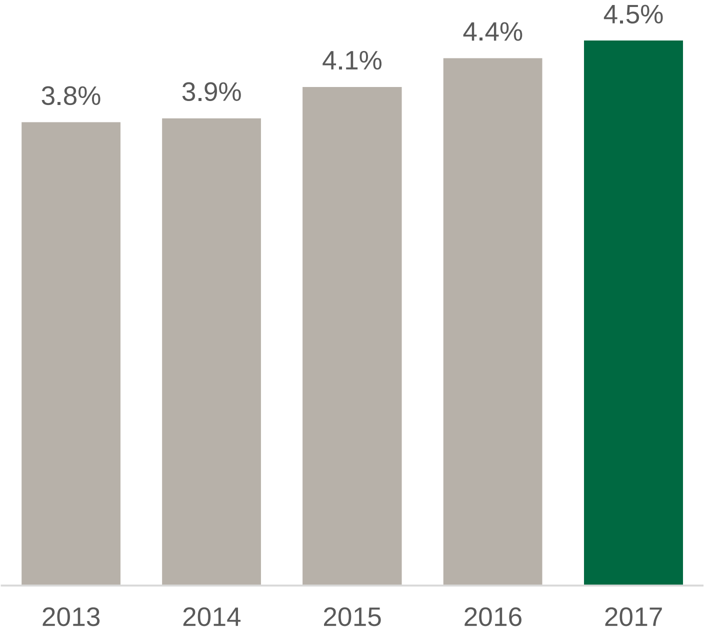
Discount variety market in NOK billion



CAGR discount variety retail: **7.3%**
CAGR all retail: **2.6%**

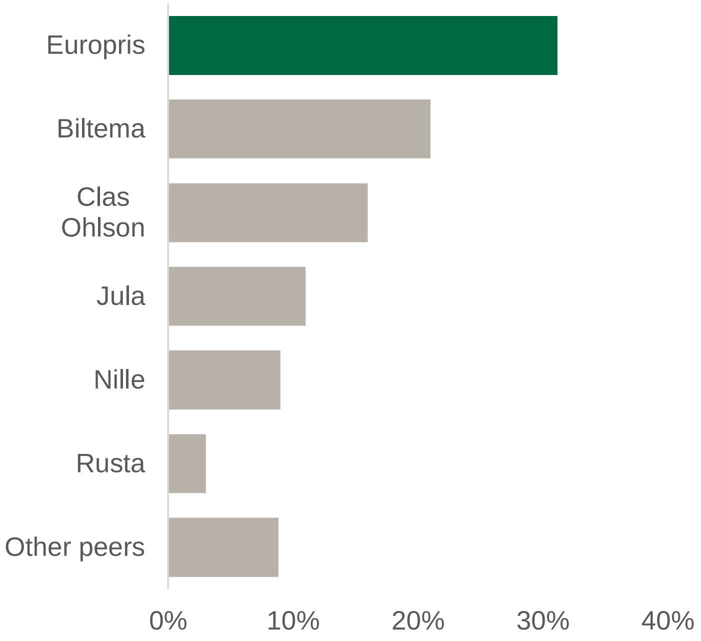
Unpenetrated market in Norway

Discount variety penetration of total retail market[1] in Norway



Market share[2]

2017 market share discount variety players in Norway



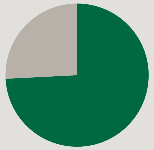
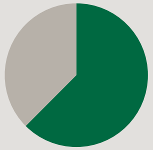
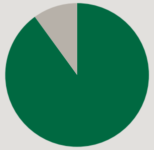
[1] Source: Virke Excluding gas stations
[2] Source: Virke, Proff.no

Be the *best* discount variety retailer *in Europe*

Fogra Reklamefoto

On the quest to be the best

The goal is to be the best in all four areas below

Price		Number 1 in price perception in Norway, the fight for lower prices continues
Concept		Continuous development, focus on customer need-based flow and distinct shop-in-shop
Value chain and cost efficiency		Nordic sourcing, new warehouse and automation of operations to improve further
Execution and culture		Continue to build on our strong company culture and dedicated employees

Current position

Many trends favour discount variety retail and Europris in particular

Online and omnichannel

- Omnichannel and eCRM provide consistent, seamless physical and digital customer journeys

Retail polarisation

- Distinct low-price value proposition, large assortment and efficient low-cost network
- Fuelled by efficient marketing in digital and physical channels

Experience and convenience

- Extensive store network with a broad one-stop-shop range and increasing footprint
- Improved access to attractive locations and lower rental prices

Private label

- Unique and broad range of own quality-brand products
- Strengthen customer’s “value for money” perception

Cost focus

- New automated warehouse and lower supply chain costs to drive profitability
- Unique Nordic sourcing power with Tokmanni and ÖoB to lower COGS
- Strengthened cross-border competitiveness with potential removal of Norwegian toll-free limit

Strategic focus areas

Strengthen price and cost position

Improve customer experience

Drive customer growth

Strategic focus areas – key actions

Strengthen price and cost position

- Strengthen price position
- Develop Europris private label
- Secure low cost through sourcing agreements with ÖoB and Tokmanni
- International scale and integration through cooperation with ÖoB
- From five to one warehouse with high degree of automation
- Reduce cost and increase efficiency from factory to store
- Collect and utilise data across the value chain

Improve customer experience

- Continuous concept development
- Category and product development
- Strengthen position as the seasonal champion
- Europris private label offering
- Omnichannel and 360º experience

Drive customer growth

- Strict store evaluation and reallocations
- Store refurbishments
- e-CRM and increased customer insights
- Digital marketing and increased customer reach
- Leveraging e-commerce and omnichannel opportunities

Physical

Digital

Long-term financial and operational ambitions

Growth	Continue to deliver like-for-like growth **above the market** over time
Number of new stores	Target to open **on average 5 new stores net per year,** depending on availability of locations which meet strict return requirements, potential for relocations, expansion and refurbishment activities
EBITDA	**Increased EBITDA margin** over time from improved sourcing and more cost-effective value chain
Dividend	**Dividend policy** of 50%-60% pay-out of net profit while maintaining an efficient balance sheet

Strengthen price and cost position

Strengthen price and cost position

Improve customer experience

Drive customer growth

A relentless search for efficiencies

Value chain

Value initiatives

Sourcing

- Nordic purchasing power
- Sharing best practice
- Reduced prices
- Improved and increased private label offering

Logistics

- Information management
- Automatic replenishment
- Optimise central replenishment with all data in one place
- AI and machine learning

Central warehouse

- Reduce to one warehouse
- Automation
- Direct delivery from factory to stores

Flow of goods

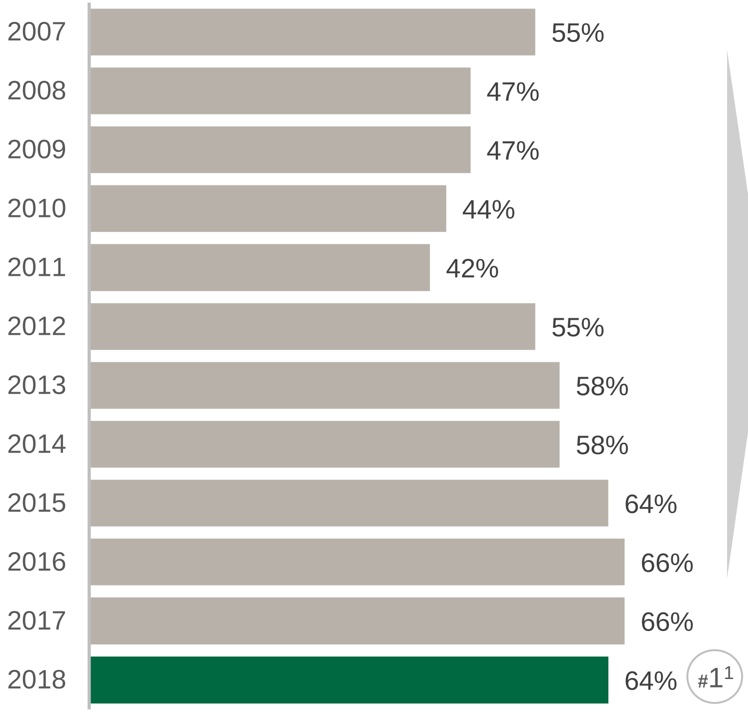
- Digitalisation
- Information management
- Automatic central replenishment up to 80-85% of range
- Optimise with central data management

Stores

- Omnichannel offering
- Sharing best practice
- Lean – the Optimal Store 2020

Boost established price position

Status


Statement: Europris has generally low prices

Challenges

Threat of competition from international discount retail

New entrants in the discount variety retail segment

E-commerce and digitalisation increase price transparency

Success factors

- Nordic sourcing - unique competitive advantage
- Develop and improve private label (PL) offering
- Build scale, reduce cost and increase efficiency

[1] Source: Mediacom annual market survey
Ranking among wide variety retailers (Biltema, Clas Ohlson, Coop OBS, Europris, Jernia, Jula, Jysk, Nille, Plantasjen, Rusta)

No compromise on low prices

10-12%
of sales

Unbeatable price on frontpage products in the weekly leaflet

15-17%
of sales

Compete for the lowest prices on other weekly leaflet products and feature and profile products

70-75%
of sales

Always lower prices than specialty stores on all other products

Competitive prices on all other products compared to discount variety retailers

Private label driving variety and lower prices

Strategy for private label (PL)	Where we are heading
Optimise range and private label brand strength	• Build “umbrella private label brands” in selected categories • Nordic private label brands to share cost and best practice
Strengthen price position	• Nordic sourcing agreements • Design to cost (profile products)
Improve quality, packaging and design	• Improve competence on and follow-up of design and quality • Continue using category toolbox in more private label areas
Improve implementation in-store and digital	• In-store spacing optimisation • Marketing creating “brands” through 360^{o} plans

Launching the first Nordic private label

Today

- Strong position in Norway within Washing & Cleaning
- Annual sales above NOK 100m across multiple categories
- Driver for gross margin

In the future

- Pan-Nordic brand
- ÖoB set to launch in 2019
- Scale and best practice to improve margins

Value to customers

- Increased offering of price points (good, better, best)
- Top level quality product at significant lower price points than A-brands

Significant economics of scale from Nordic sourcing

Europris
MER TIL OVERS

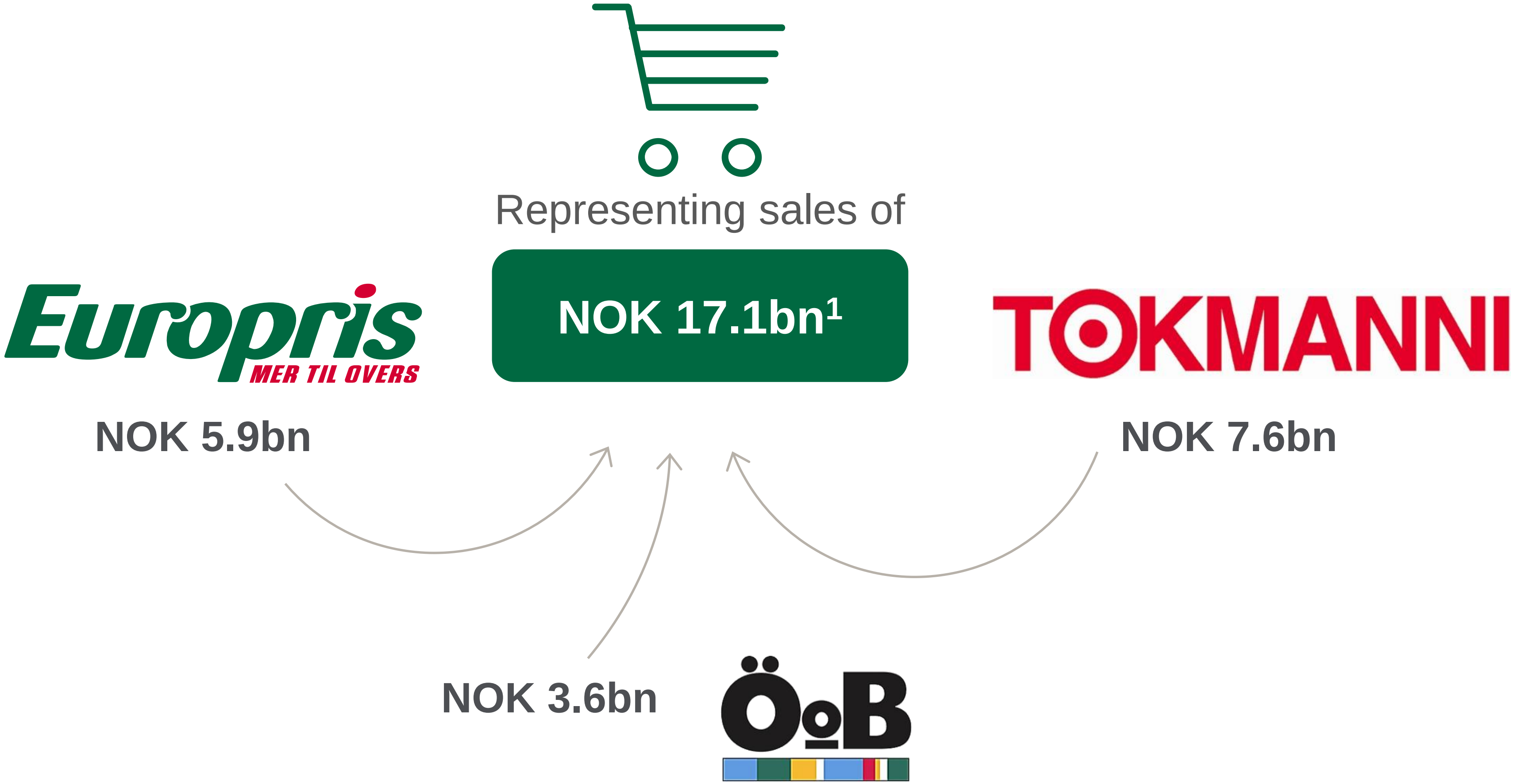
Securing lower costs through sourcing agreements with Tokmanni and ÖoB

2013
Tokmanni sourcing agreement

2018
Europris acquires 20% of ÖoB

2020
Option to acquire remaining shares in ÖoB

Sourcing power from a solid Nordic base



Representing sales of

NOK 17.1bn[1]

NOK 5.9bn

NOK 7.6bn

NOK 3.6bn

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[1] 2017 retail sales

Size matters

Unique scale among discount variety retailers in the Nordic region

Inventory best practice and cost sharing

NOK 17.1bn

Private label synergies though sharing, cost and best practice

Joint Nordic campaigns a new value driver for suppliers

ÖoB – a perfect partner

Europris version 5.1

90% category overlap

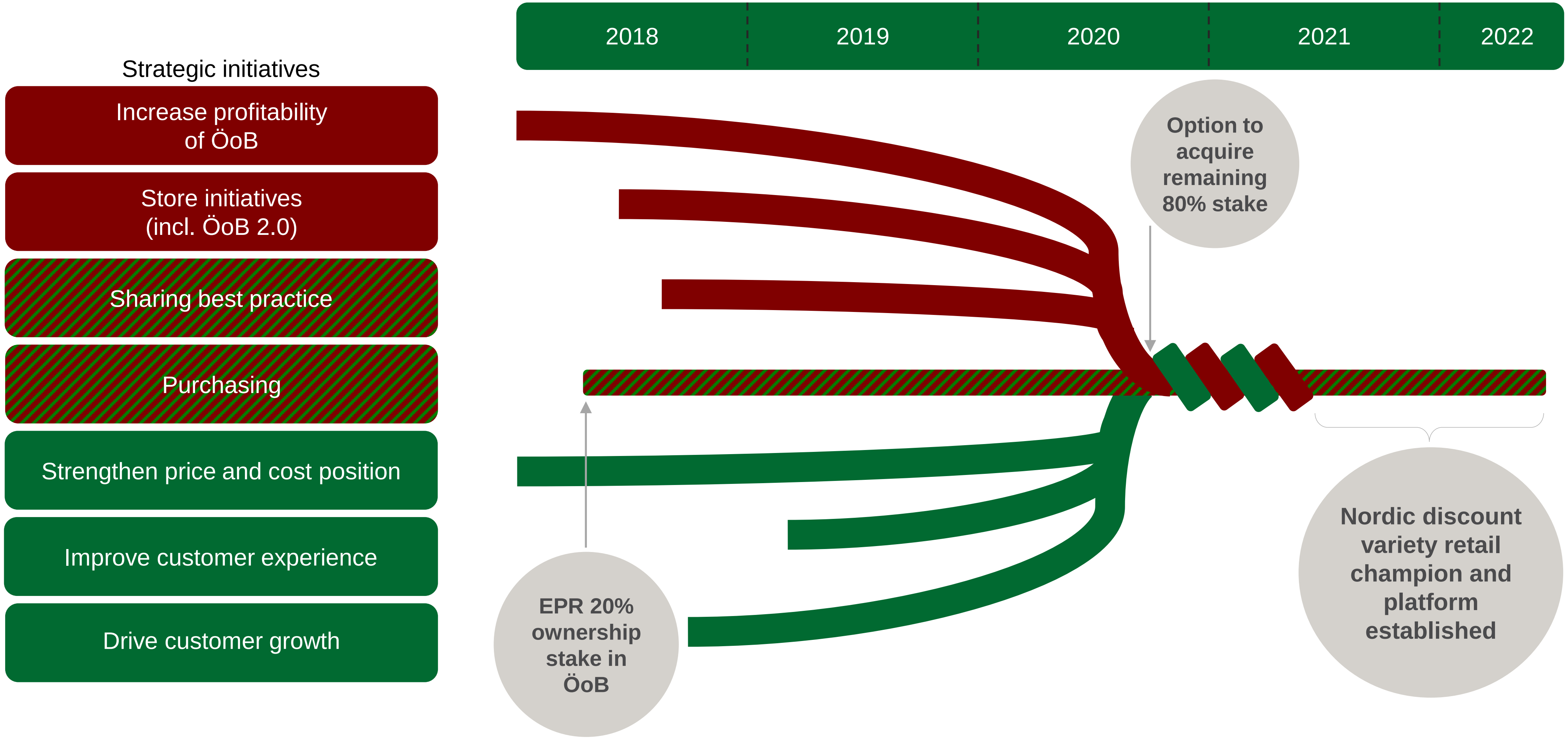
Mutual value best practice:
ÖoB: living in a lower price market environment
Europris: seasons and inspiration

Strong cultural fit

ÖoB new concept store

A low-risk synergistic partnership today

Potential for true European scale tomorrow



Strategic initiatives

- Increase profitability of ÖoB
- Store initiatives (incl. ÖoB 2.0)
- Sharing best practice
- Purchasing
- Strengthen price and cost position
- Improve customer experience
- Drive customer growth

Option to acquire remaining 80% stake

EPR 20% ownership stake in ÖoB

Nordic discount variety retail champion and platform established

A promising start to the partnership

But a lot of hard work ahead

- More than 115 joint opportunities identified
- Early meetings with 16 major, local suppliers – identified 14 with significant joint sourcing potential
- Joint supplier visits and sourcing initiatives in Far-East just started
- Significant long-term potential from sharing best practice in range and category development

Case: local suppliers

Together, Europris and ÖoB can benefit from increased negotiating power. We focus on:

1. Harmonising contractual terms (e.g., discounts, market support, terms of payment)
2. Comparing prices for products sourced and demanding the lowest for both Europris and ÖoB

From re-negotiations with six local partners, so far we have managed to save costs of about NOK ~13 million in all

Great strategic fit creating value for shareholders

Sourcing synergies	• Significant synergy potential in sourcing from product overlap • Initial synergies expected late 2019, with full effect thereafter
Concept overlap	• Extensive concept alignment – exploiting best practice and knowledge-sharing across regions
Strong management	• Competent and committed ÖoB management team in place to complement well-established Europris management • Full alignment with Europris in key focus areas
Economies of scale	• Economies of scale (e.g. e-CRM, e-commerce, automation, AI solutions, etc.)
Significant structural options	• Low-risk international scalability • Strategic control for limited financial exposure

NOK 30-40m

Initial savings estimates for Europris[1]

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[1] 1.0-1.3% of cost of goods sold (COGS) given 2017 figures

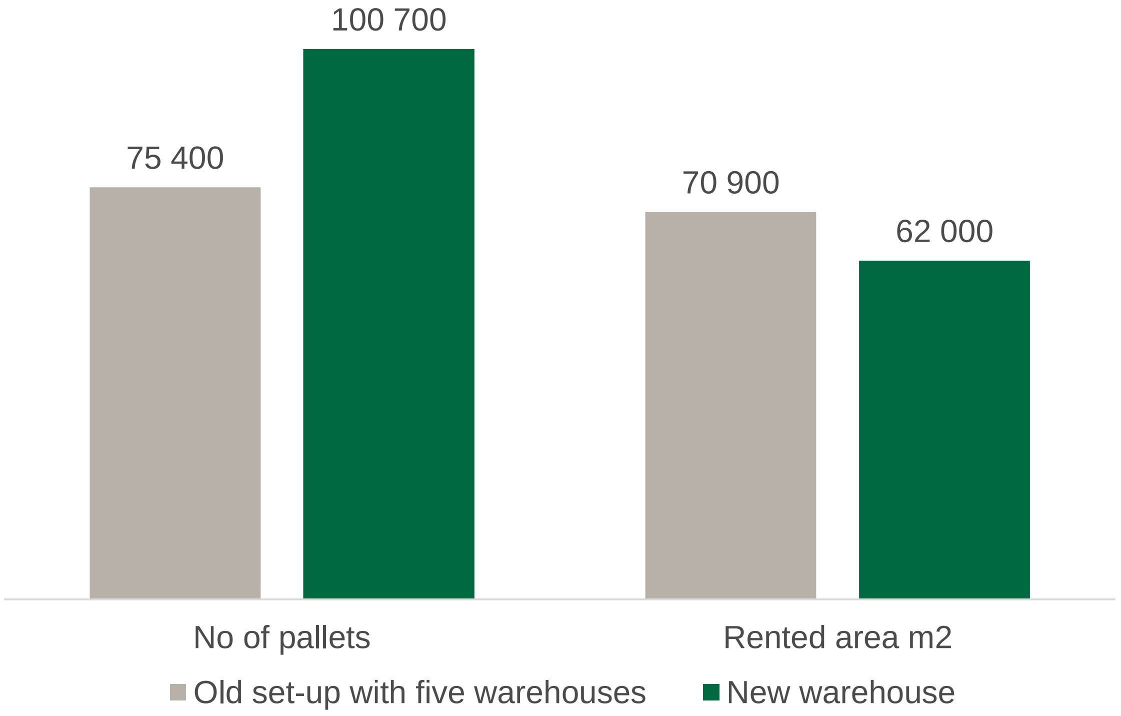
Europris
MER TIL OVERS

Futureproofing distribution

Moving from five warehouses to one

Total capacity
+34%

Rental area
-13%



- New, modern and purpose-built facility
  - Enables efficient personnel and system operations
  - Single-site logistics
  - Fully automated high-bay storage
  - Automated order-picking stations
- 15-year lease with extension right[1]
  - Open book principle based on agreed project yield (subject to cap on annual rent)[2]
  - Lease with Fabritius Gruppen AS
- Prepared for future expansions to support long-term growth ambitions
  - Partly operational from 2019, fully from 2020
  - Øra warehouse to provide backup capacity

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[1] Extension rights of five, five and ten years consecutively

[2] Changes in construction costs will only be subject to yield when calculating rent. No further charges/margins

Unique dry port to boost efficiency and reduce risk

First of its kind in Norway. Moss Port relocating major part of its activities, becoming next-door neighbour!

- Reduces operational risk and potential for bottlenecks at the harbour
- Easy access to containers increases effective handling and flexibility
- Reduces lead times

Ensuring seamless transition to new warehouse

- Comprehensive LEAN programme introduced to ensure a fresh, efficient start at the new warehouse
- Key part of preparing for a seamless transition from five warehouses to one
- Automation is the main driver for efficiency and LEAN will facilitate realisation of the full potential

LEAN method 5S[1]: before and after

Blackboard meetings

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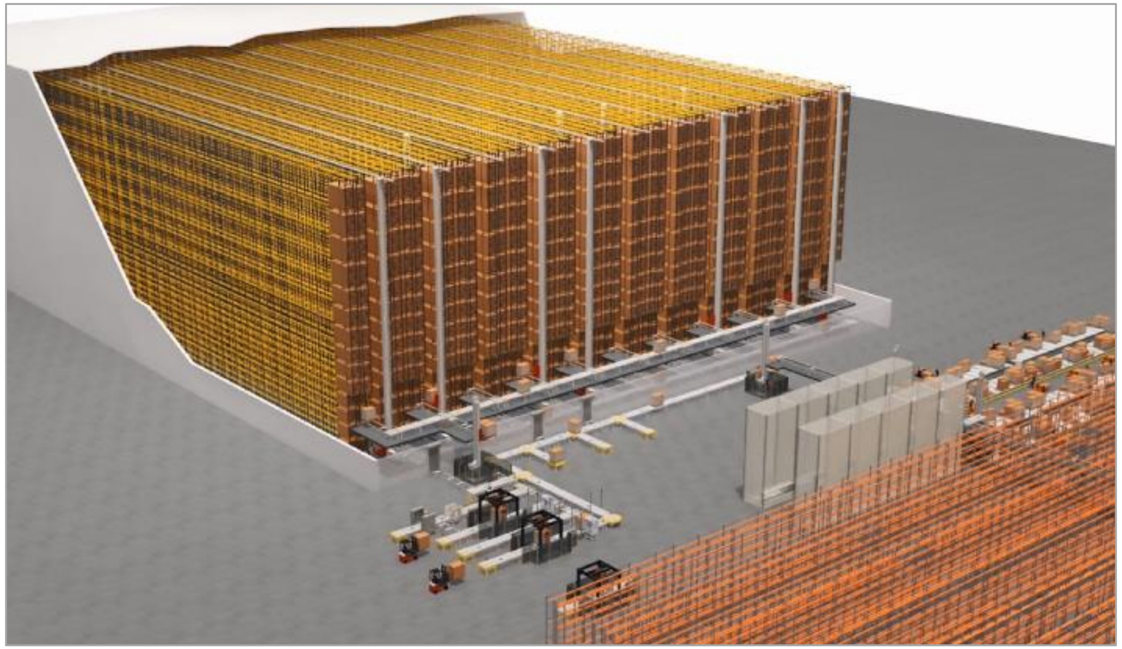
[1] 5S is a workplace organization methodology originating from Japan. The 5S are: Seiri (Sort), Seiton (Straighten, Set), Seiso (Shine, Sweep), Seiketsu (Standardize), Shitsuke (Sustain)

High-bay storage automation

A first step to increasing efficiency

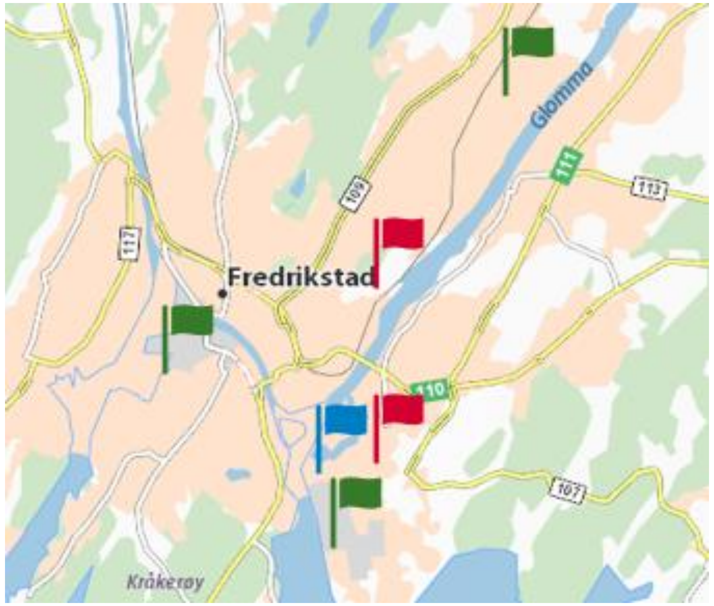
- 35 metres high, very space-efficient storage
- Capacity of 65 000 pallets
- Automated control of inbound goods
- Automated labelling of pallets
- Conveyors mounted on the roof ensure effective flow of goods throughout the storage area without forklifts



Warehouse automation in low bay storage

Taking it one step further

From inefficiency



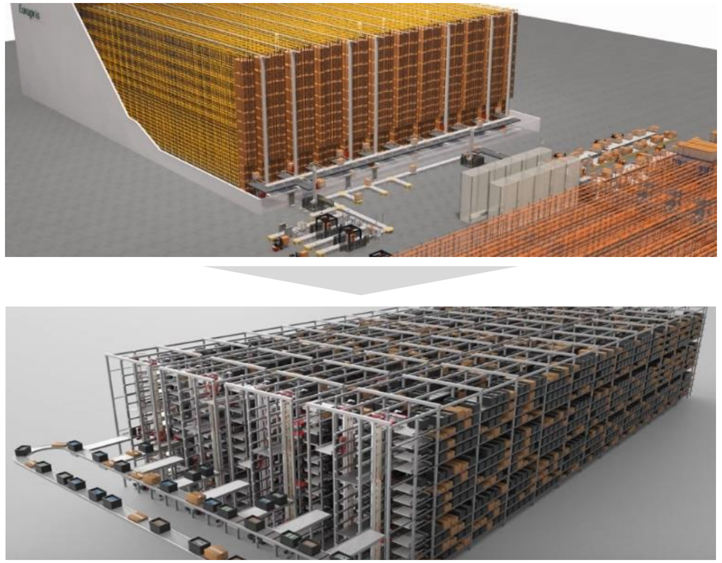
🟥 - Main production sites

🟩 - Buffer storage

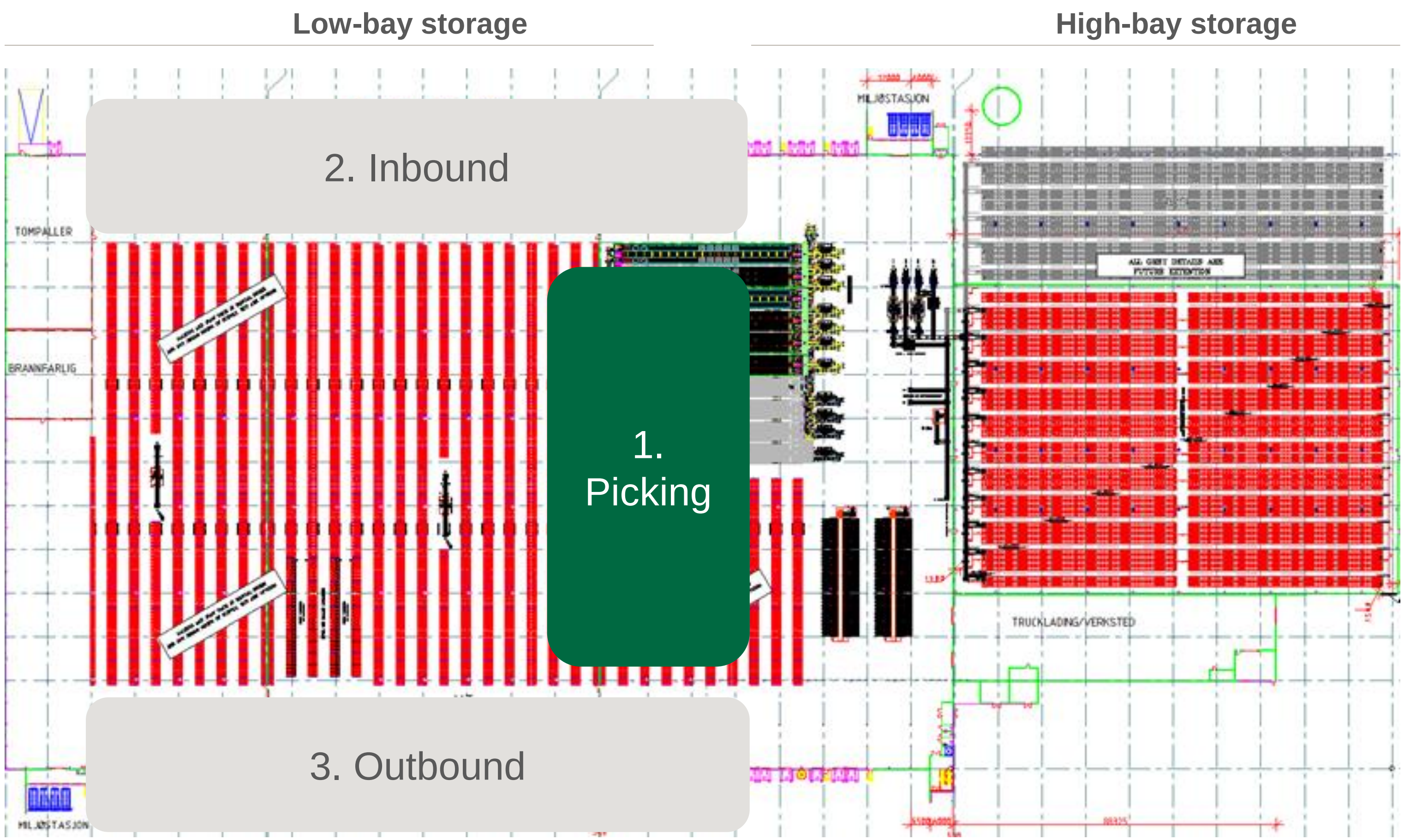
🟦 - 3PL handling

To efficiency

To Nordic retail best practice



High automation potential in low-bay picking area



Low-bay storage

High-bay storage

2. Inbound

1. Picking

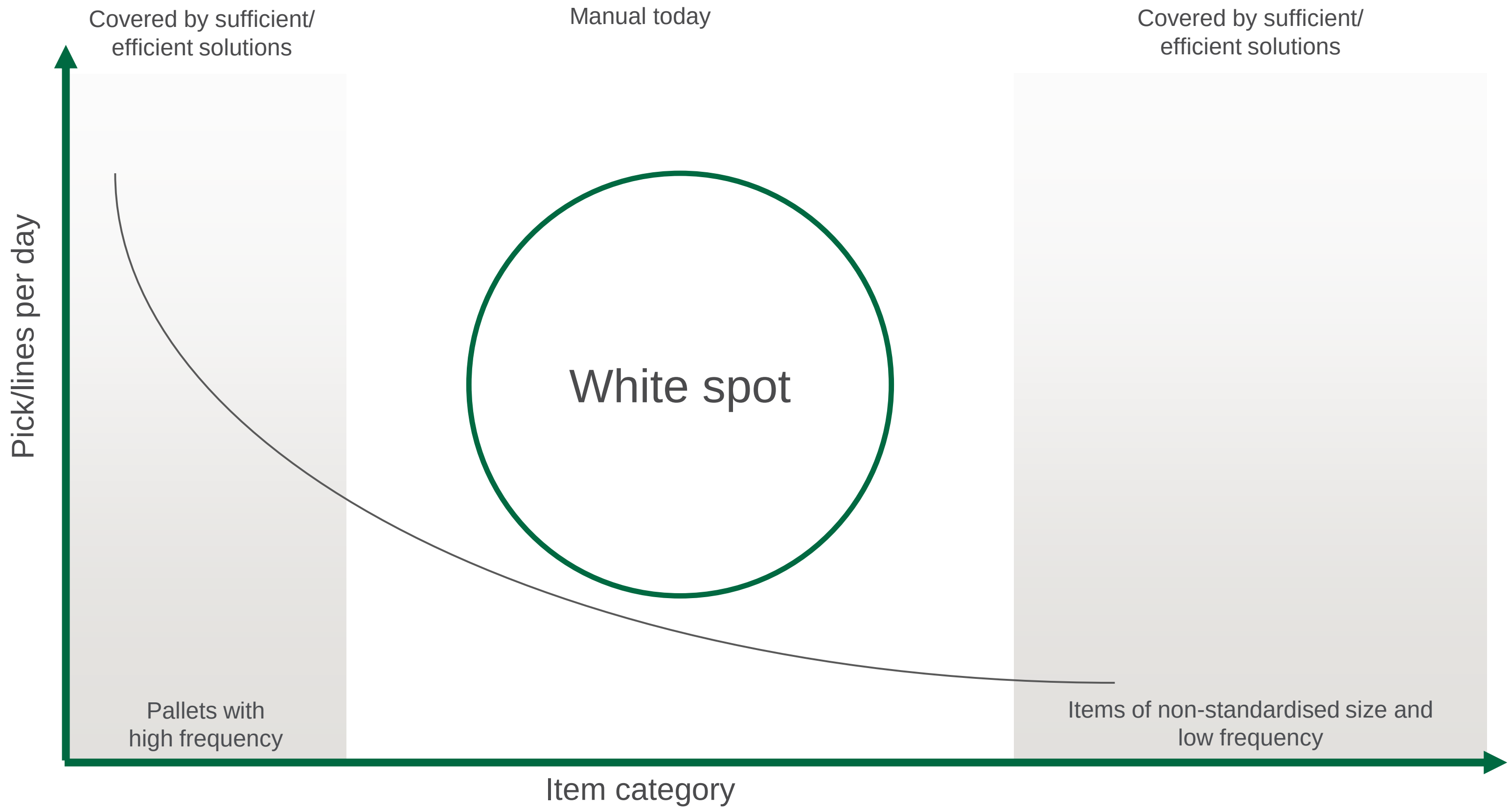
3. Outbound

Potential for further automation

- Picking area selected for automation owing to high potential for reducing manual labour
- New, innovative solutions have been considered for all areas
- Lessons learned from picking may lead to automation of further areas

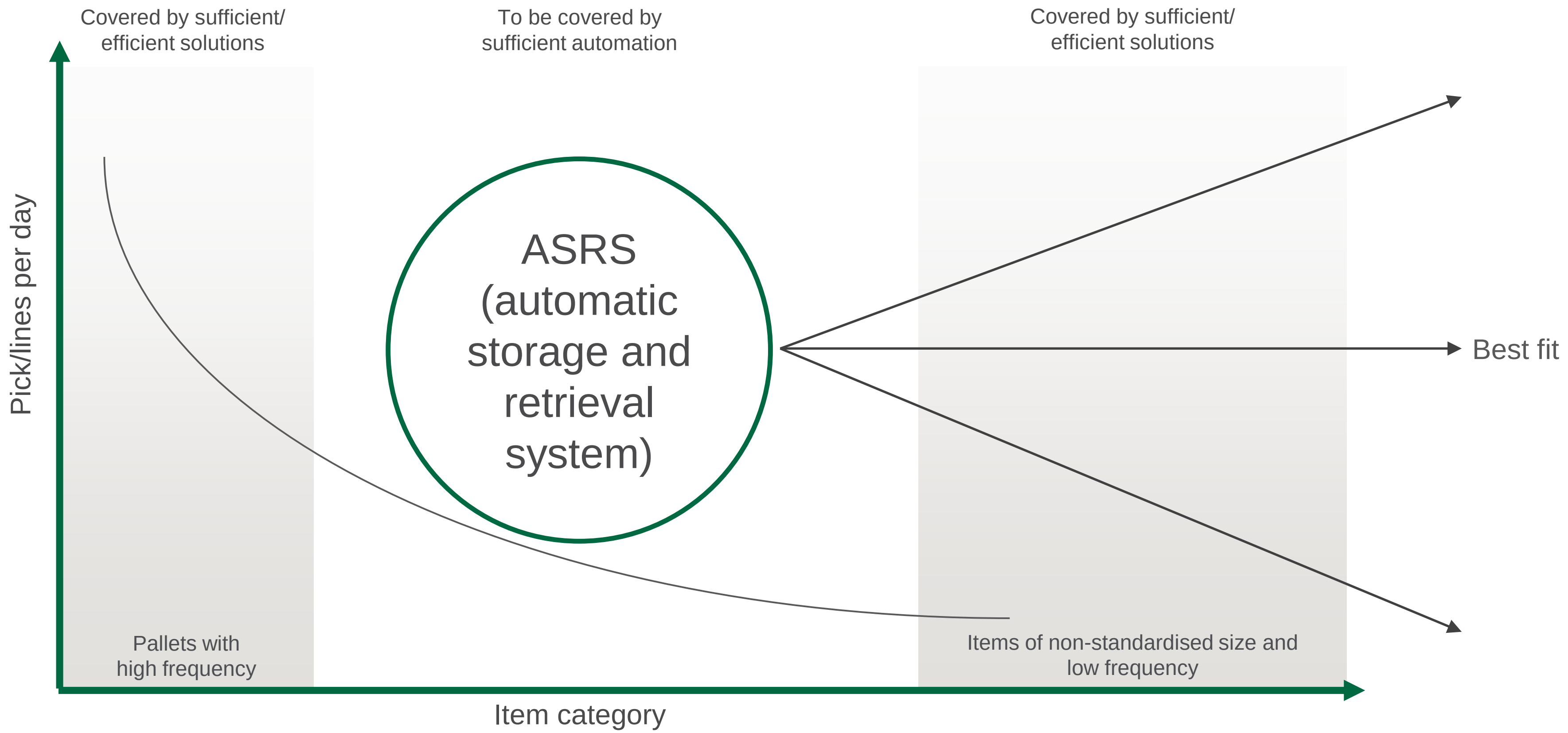
Areas in picking which lack automation identified

Automation is needed for products with mid-frequent picks per day



Evaluated innovative new solutions to cover the "white spot"

Shuttle system evaluated as the best fit



Covered by sufficient/ efficient solutions

To be covered by sufficient automation

Covered by sufficient/ efficient solutions

Pick/lines per day

ASRS (automatic storage and retrieval system)

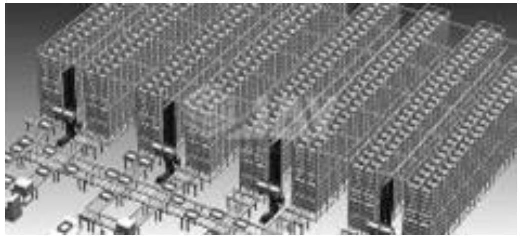
Best fit

Pallets with high frequency

Items of non-standardised size and low frequency

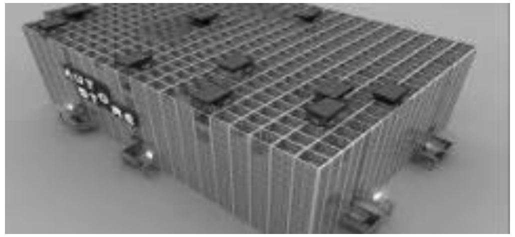
Item category

Miniload



Shuttle

Autostore



Full benefit of new warehouse from 2021

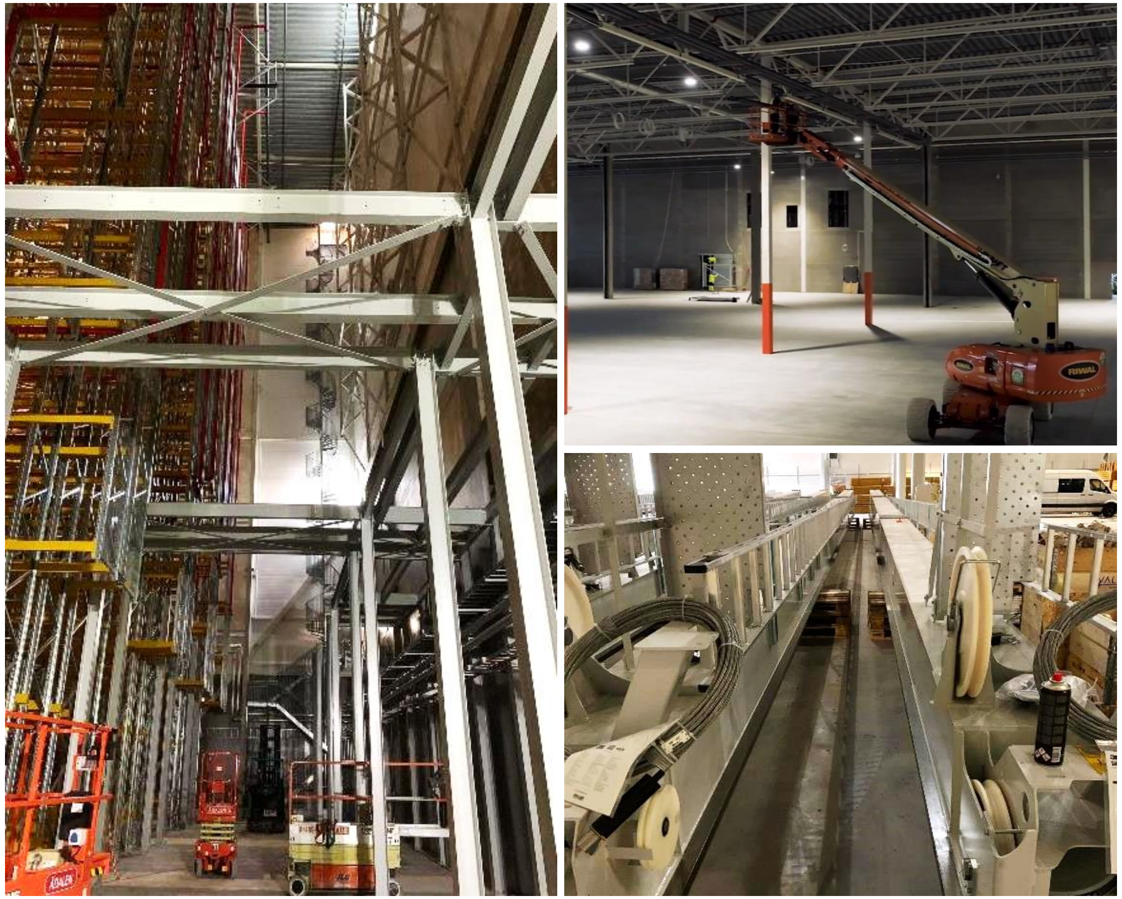
- 70% of stock-keeping units (SKUs) covered by the solution
- Scaled for growth, with 2026 as the design year
- Picking efficiency to increase more than 300%
- Shuttle-solution to develop in parallel with high-bay automation project (step one), and expected to finish late 2020
- Europris to operate two warehouses in the 2019/2020 transition period
  - Øra warehouse on lease until March 2022, sublease-potential from late 2020

Øra warehouse and the new warehouse at Moss will serve Europris' jointly most of 2019/2020

Fit-for-purpose equipment financing

- Warehouse automation part 1, logistics fixtures and fittings financed through 10-year lease agreement
  - Represents investment value of NOK 115m
  - Automated high-bay storage system by Swisslog
  - Automated order-picking stations
  - Conventional racking in low-rise area
  - Conveyors, etc

- Capex requirements – office equipment, IT and probably automation part 2[1]
  - Automation part 2 Capex estimate of about NOK 115 million during 2019 and 2020, financing undecided
  - IT and equipment estimated at bout NOK 20 million mainly in 2019



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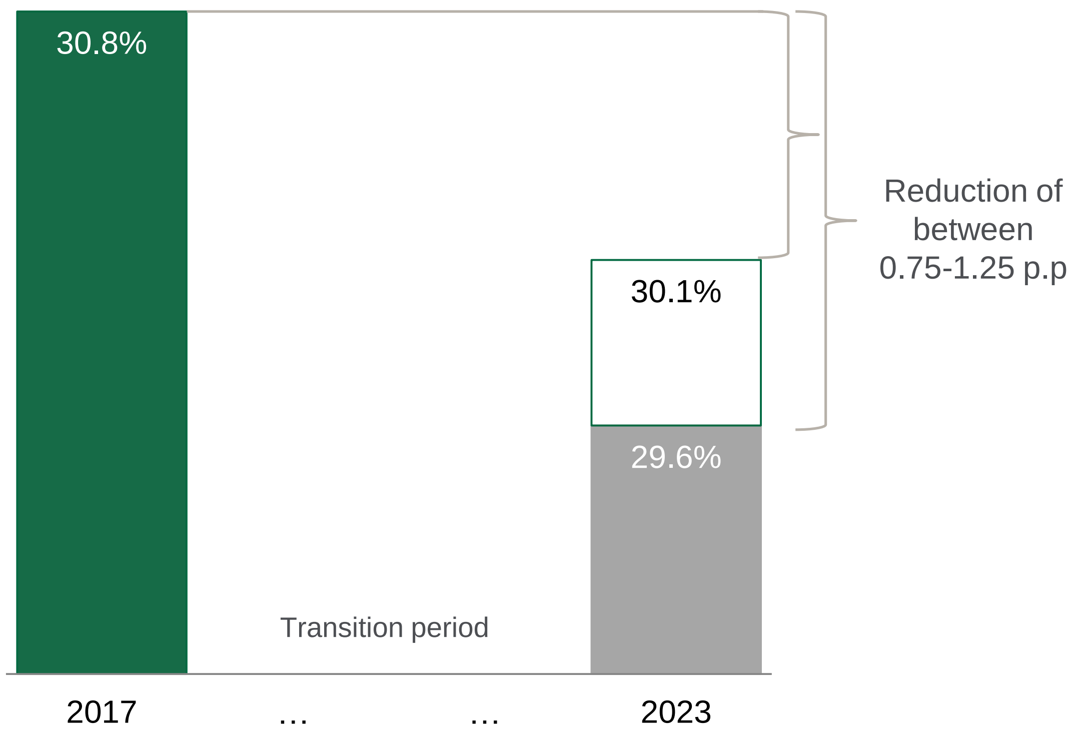
[1] See appendix slide for detailed overview of estimated Capex and non-recurring Opex related to new warehouse

Further Opex reductions from low-bay automation

Opex in % of group revenue



Opex in % of group revenue

- Automation part 2 expected to reduce Opex/group revenue ratio by 0.25 percentage-point
- Total reduction in Opex/group revenue ratio from new warehouse expected between 0.75 to 1.25 percentage points
  - Equivalent to between NOK 40–70 million of Opex, assuming 2017 volumes
  - Savings gradually realised from 2021 to full effect in 2023, offset by non-recurring expenses in transition period

- Several drivers for increased efficiency
  - Lower lease expenses
  - Reduction in transport costs – location closer to "the average store" and main infrastructure
  - General savings from more efficient operations
  - Automation parts 1 and 2, personnel, maintenance and no intra-warehouse logistics

Note: assuming normal course of business, and no other efficiency gains or losses affecting the ratio of operational expenses to group revenue

Continued development and strengthening of concept

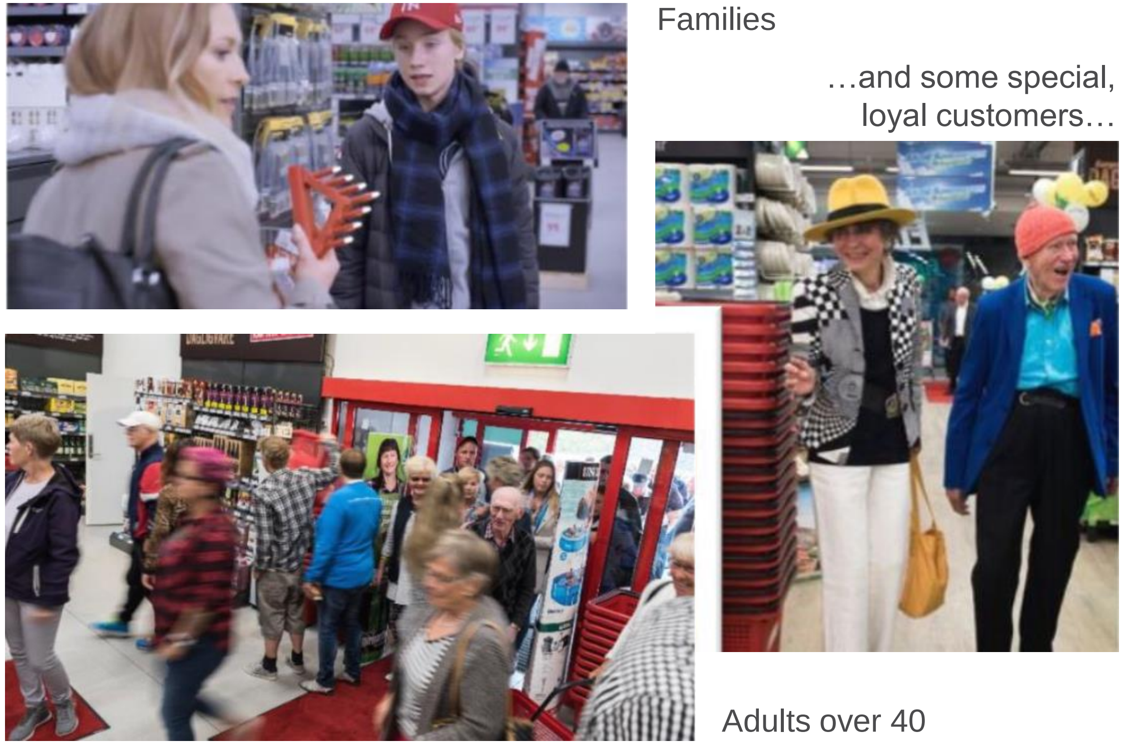
Strengthen price and cost position

Improve customer experience

Drive customer growth

Understanding our customers' needs and wants

Who are our customers?



Families

…and some special, loyal customers…

Adults over 40

What do they like?

Value for money - "*Mer til overs*"

Access to an extensive store network and a broad range

Spending time shopping and bargain hunting

Go-to store for seasonal products

Using customer feedback to improve offering

Customer survey questions

1 Has generally low prices

2 Has a wide selection of products

3 Has good products to reasonable prices

4 Has products of good quality

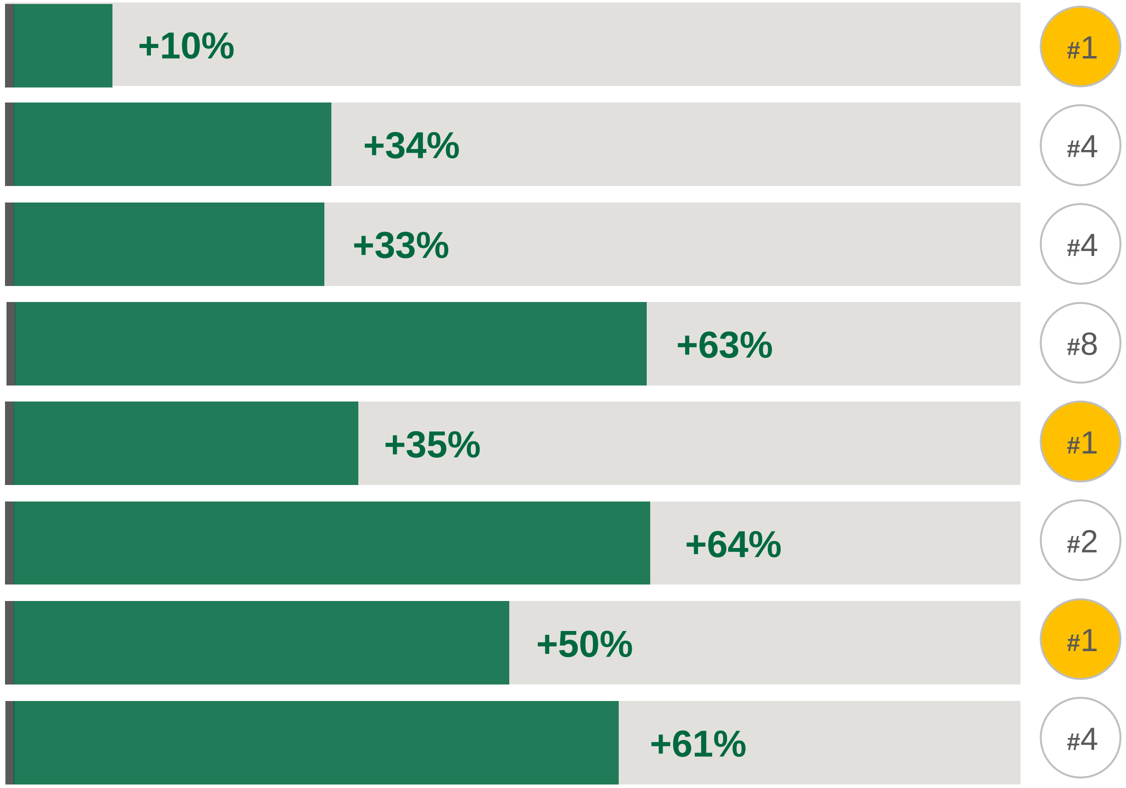
5 A place where one can make a bargain

6 Has a good seasonal assortment

7 A place I shop often

8 A nice place to shop

Perception development 2014-2018 (indexed)



Source: Mediacom annual market survey
Ranking among wide variety retailers (Biltema, Clas Ohlson, Coop OBS, Europris, Jernia, Jula, Jysk, Nille, Plantasjen, Rusta)

New concepts improve the customer experience

From

Today

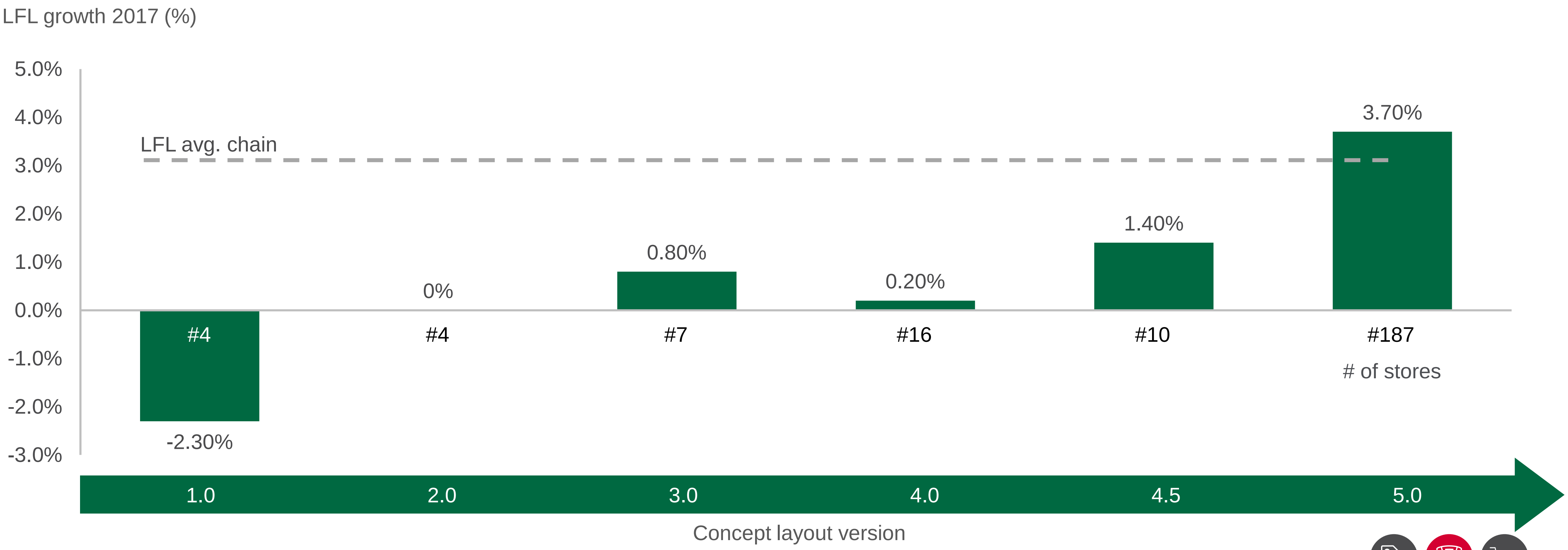
In future

Europris 6.0 concept focus

- More distinct shops-in-shops
- Customer need-based flow
- Improved lay-out of dedicated seasonal area
- Simplification of in-store communication

Concept development matters

Growth in like-for-like revenue for stores[1] by concept version



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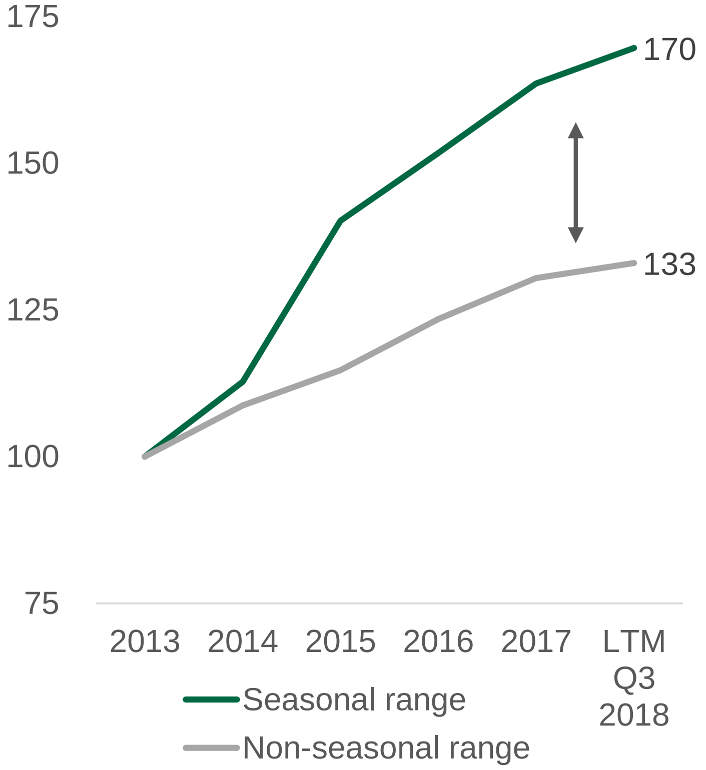
[1] Number of LFL stores in 2017: 228

Bringing new distinct seasonal offerings to market

From one seasonal store among many

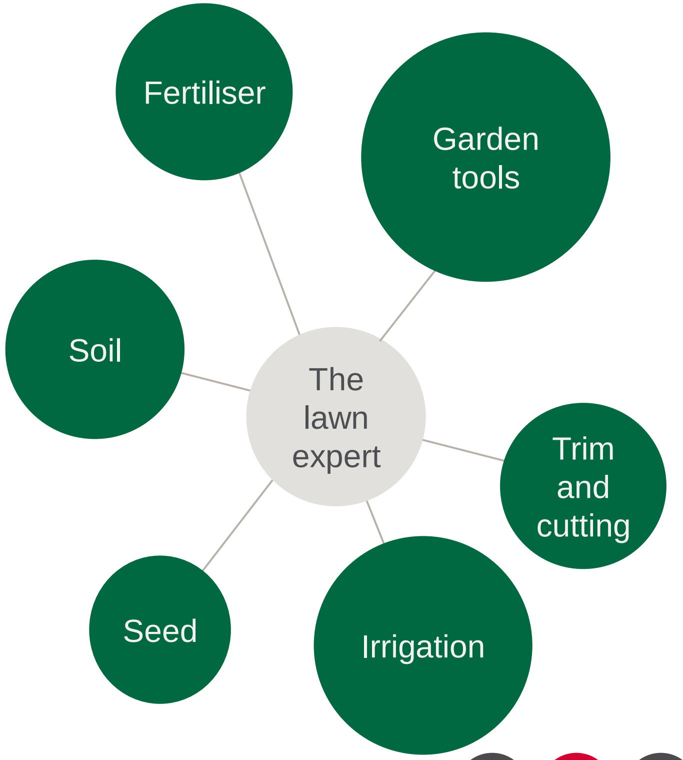
Indexed



To the "Seasonal Store of Norway"

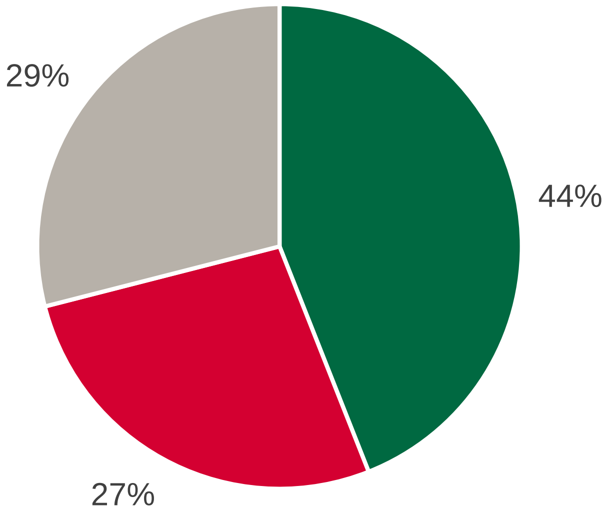
Towards a more distinct position

Example of distinct position within Summer

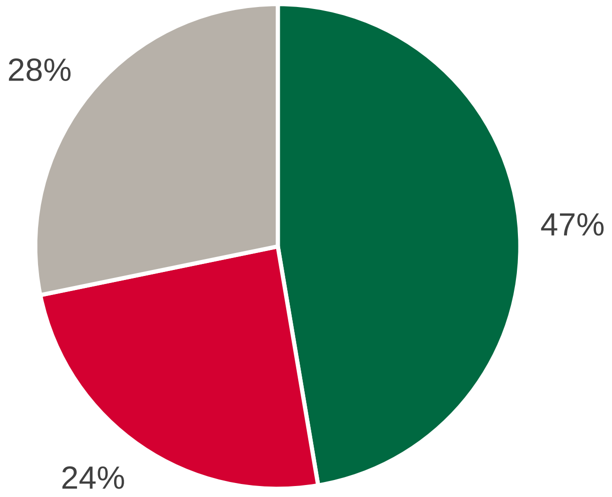


Category development affects growth and margins

2015 share of sales



LTM Q3 2018 share of sales



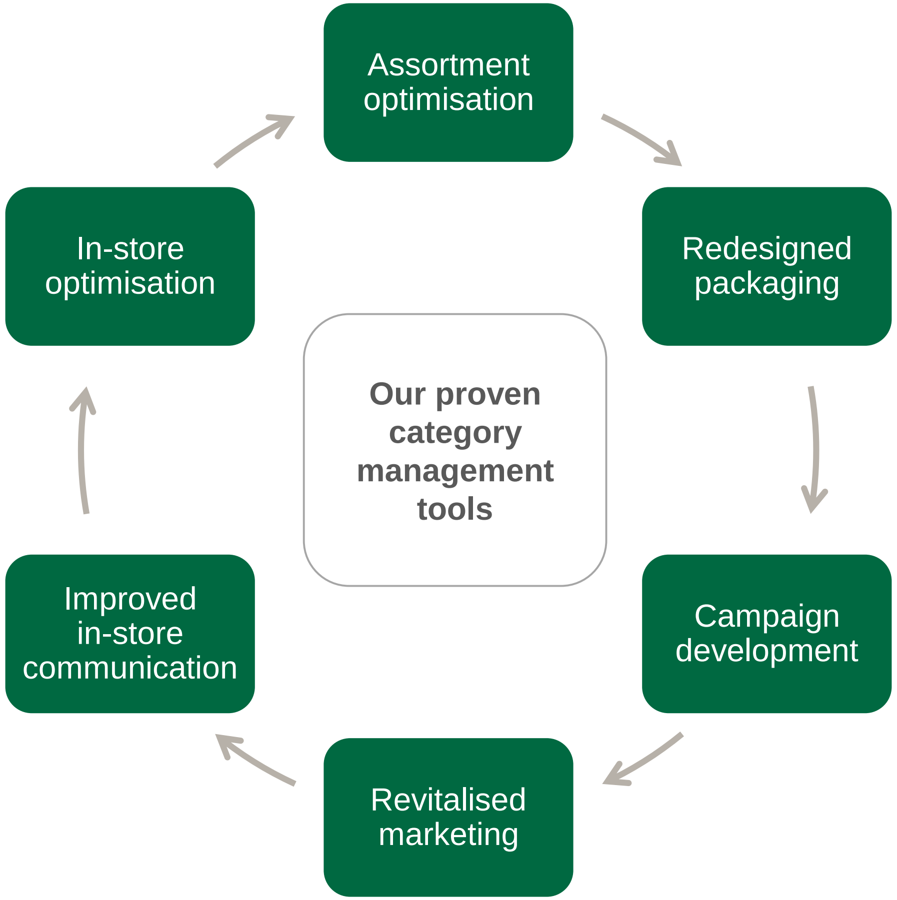
Impact of categories on margins

	Gross margins (%)
Groceries Personal care, Groceries, Laundry & Cleaning, Candy & Chocolate, Pets	30-40
General merchandise Home & Kitchen Hobby & Office Handyman	50-60
Speciality retail Clothes & Shoes Travel, Sports & Leisure House & Garden, Electronics	40-50

Focus on branded goods and campaigns has increased share of groceries over the past few years

Future focus is on growing general merchandise through category development and Europris private labels

Constant category evaluation and refining



Assortment optimisation

Redesigned packaging

Campaign development

Revitalised marketing

Improved in-store communication

In-store optimisation

Our proven category management tools

Pets – a successful category journey

2014 2015 2016 2017 2018

Pet food category was organised as part of groceries with mostly private labels

Pet food was identified as a category with potential

Introduction of top quality brands like Purina One

Shop-in-shop was launched

Harringtons on-boarded as a medium brand (good, better, best offering)

Cooperation with veterinarians and animal experts to build trust in the category

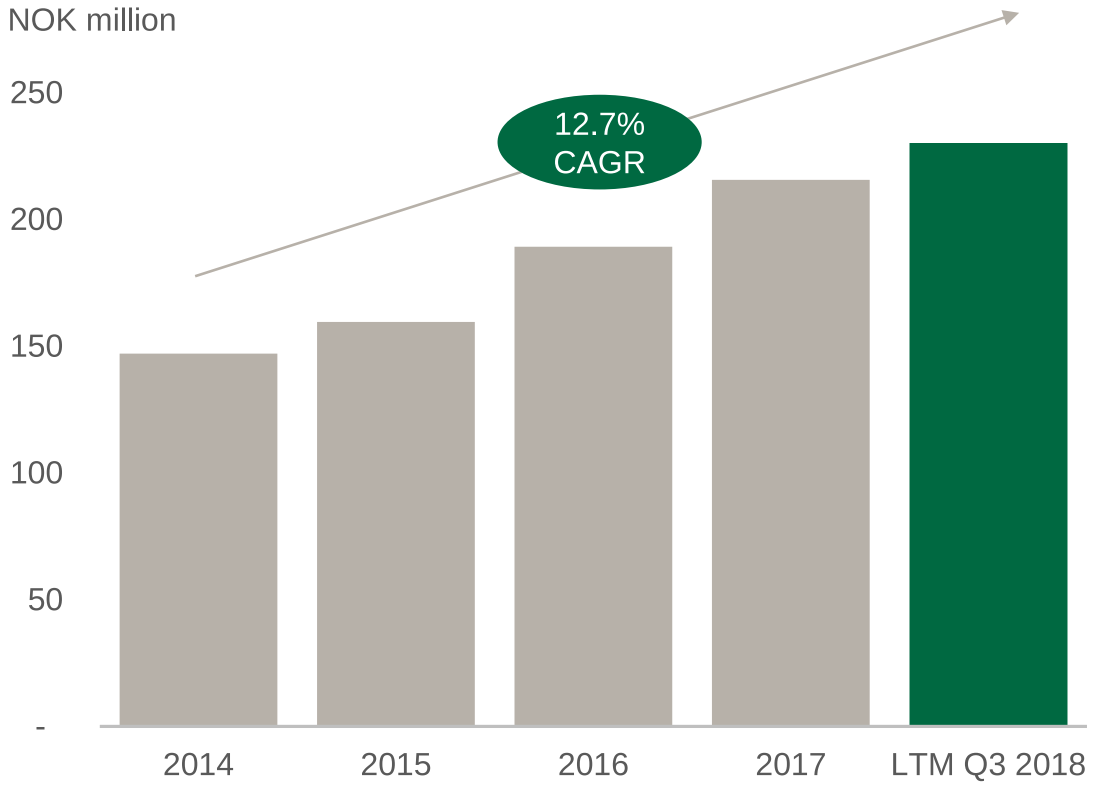
Introducing Europris Private Label MaxDog Premium Selected

DU KAN STOLE PÅ OSS!

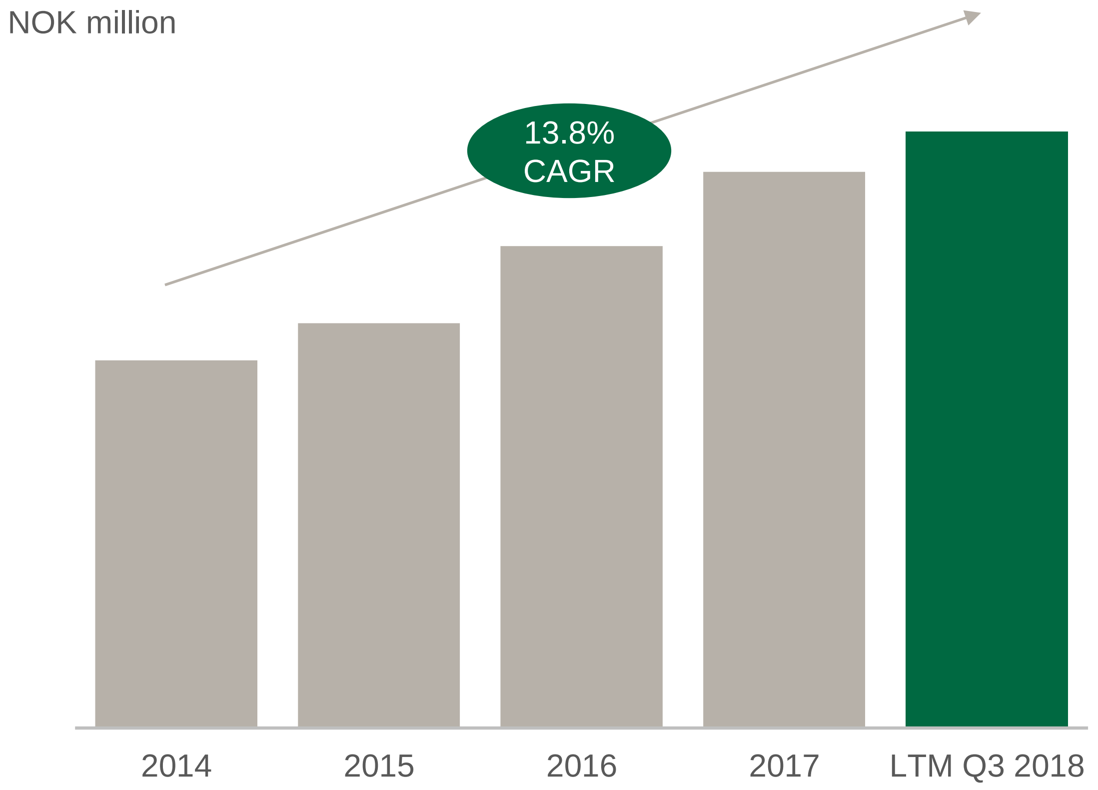
Egen veterinær og hundeekspert!
Visste du at Europris har egne eksperter på dyr og hundehold?

The strategy is paying off

Sales development Pets



Gross profit development Pets



MaxDog Premium
Selected from Q1 2019

Digital strategies to drive physical sales

Strengthen price and cost position

Improve customer experience

Drive customer growth

Bridging digital opportunities and physical stores

Europris MER TIL OVERS

- Digital channels are an increasingly important supplement to the physical store
  - Reach new and younger customer groups
  - Be relevant and build loyalty
  - Take ownership of the customer’s purchase process

- Stepwise roll-out of cost-effective digital platform and shift towards omnichannel strategy

- Online is increasingly driving the whole purchase process from discovery to delivery
  - Price, selection, delivery, payment, support and service

Europris’ 360^0 customer vision

STORE CUSTOMER SERVICE

SEARCH ENGINE

WEB CAMPAIGN

LEAFLET

POSITIVE PRODUCT DIALOGUE

OUR CHANNELS

Europris MER TIL OVERS

E-COMMERCE

PR

ONLINE ADVERTISING

SOCIAL MEDIA

CONTENT MARKETING

CRM

Strategic priorities for integrating online and physical stores

Digital marketing

- 360º mindset, optimising channel mix, digital visibility and interest
- Develop integral content strategy
- Build execution capacity and provide seamless customer communication
- Deliver relevant personalised content which satisfies and inspires customers

eCRM and loyalty program

- Build customer base and effective communication channel
- Increase loyalty and purchasing frequency – customer lifetime value
- Basis for personalised offers
- Create and monitor customer value added
- Manage and measure effectiveness of customer activities

e-commerce

- All platforms, mobile first
- Click & collect
  - Relevant products available in all stores
  - Wider range online
  - Leveraging unique store network
- Expand categories with high e-commerce potential

Strengthen the Europris brand, drive traffic to stores and increase online sales

Leverage big data for relevance, personalisation and build loyalty

Data

Track customer behavior and integrate with internal/external data sources

- APP / web
- CMS
- E-commerce
- POS
- eCRM
- Surveys
- 3rd party

Intelligence

Apply machine learning to create customer segments and individual profiles

- Purchase history
- Shopping patterns
- Community and store
- Campaign tracking
- Customer group value
- Category analysis
- Loyalty
- Behavior

Communication

Personalised and automated marketing and offerings

- Unidentified customers
- Identified customers
- Segment-based offers
- Offers to individuals
- Personalised deals
- Service functions
- Price optimisation
- Order confirmation

Customer data will be used over time to improve and optimise customer offering

30 million sales slips per year

Identified and unidentified customers

Data used to:

- Improve campaign mix
- Strengthen and develop seasonal offering
- Understand and develop category strategies

Examples of use:

- Campaign mix
  - Which products create the most added margin?
  - What products are the most profitable customers buying?
  - Which front pages reach the widest audience and/or most new vs old customers?
- Seasonal offering
  - Which seasonal categories are bought by our most profitable customers, which are bought by bargain hunters?
  - Who are our most/least profitable seasonal customers?
- Category plans
  - What are the “hero” products of our most profitable customers vs. the least profitable?
  - What is the sub-category mix of the same?
  - How can we motivate customers to increase their category footprint?

Online enables range expansion and new direct channel to customers

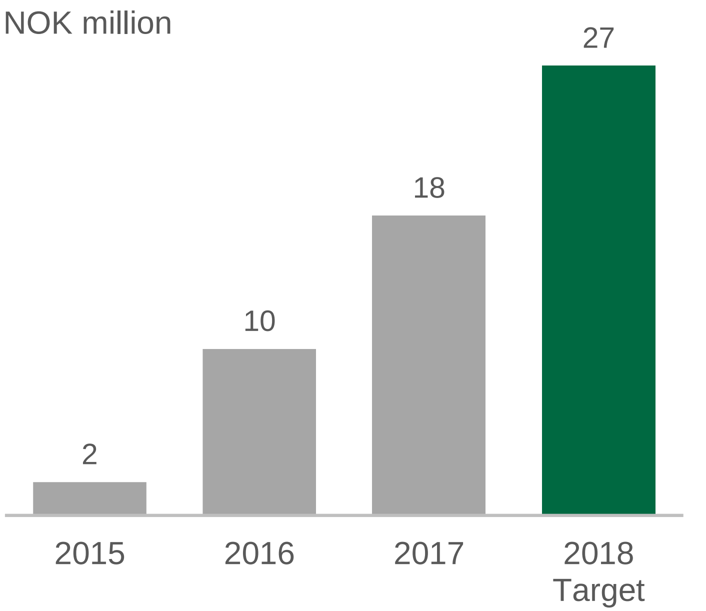
Example: 2018 Christmas three seasonal offering	
Store 9 (+4) items	Online 14 items
	
9 in all stores NOK 399 – 2 499 4 voluntary NOK 1 999 – 3 999	9 click & collect NOK 399 – 2 499 14 home delivery NOK 399 – 3 999 1 exclusively online NOK 2 999

- All stores can offer the same range via e-commerce
  - Click & collect and home delivery
- Leverage e-commerce platform to sell partner products
  - Offer a widened range of high-value products without supply chain and warehousing
  - Examples; garden furniture, generators and snow-blowers
- Potential to widen the overall range significantly
  - Drive store traffic via click & collect
  - Direct home delivery from partner with no Europris logistics involvement
  - Add to customer experience and convenience

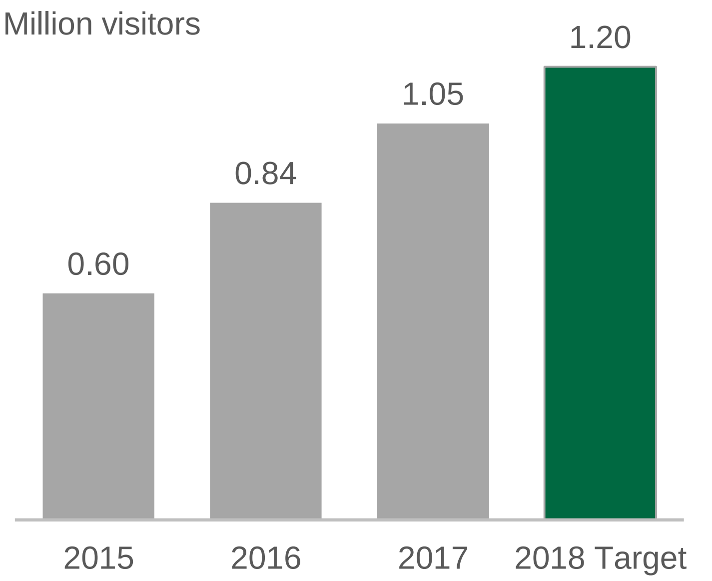
The e-commerce growth experience so far

- Key growth levers
  - Increased sales through click & collect for higher-priced items
  - Increased online assortment
  - Further opportunities identified in verticals where Europris has strong category expertise and purchasing power
- Seamless and simple offering the key success factor
  - Products available online and in store
  - Leverage unique category position to grow online
  - Expand online offering through partnerships

Click & collect revenue



Monthly traffic on Europris.no



AVERAGE BASKET VALUE[1]

Click & collect	Home delivery	Store
NOK 1 606	**NOK 585**	**NOK 199**

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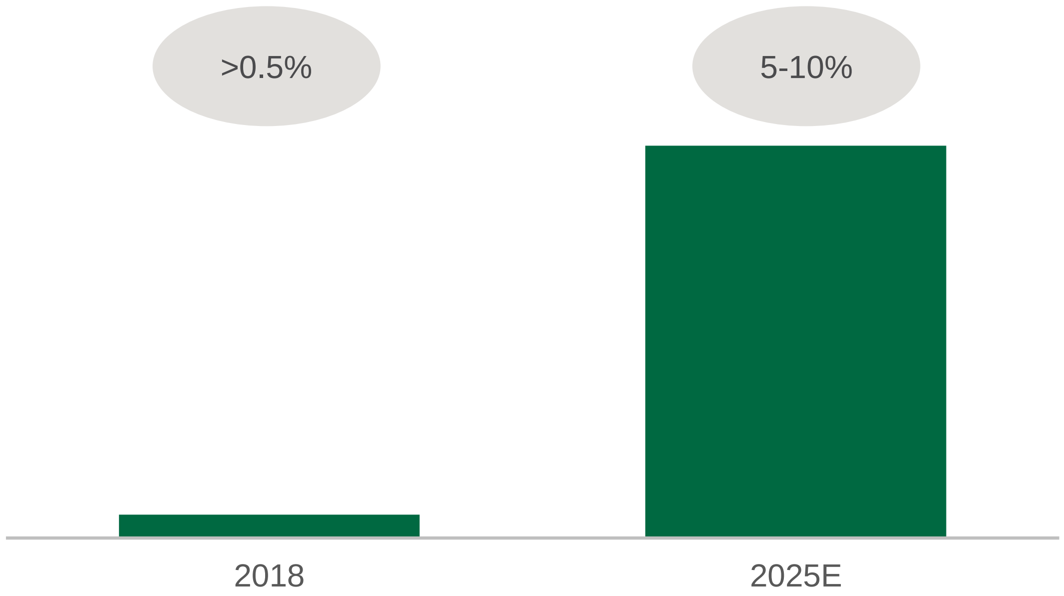
[1] YTD numbers as of October

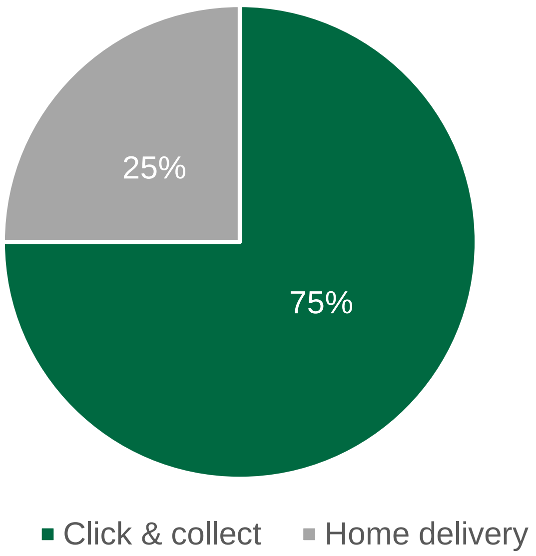
A complementary source for revenue growth

Share of group revenue from digital channels[1]



- Strong growth expected in e-commerce
- Complementary to the store offering
- Driver for traffic to stores and add-on sales

2025E revenue from digital channels by source[1]



- Click & collect is the main revenue driver
- Leveraging Europris' unique store network
- Wider range available in all stores

[1] Europris internal estimates

Drive customer growth by utilising physical opportunities alongside digital presence

Fogra Reklamefoto

Robust pipeline of new stores

- New store openings on track
- Two new stores and one store closure scheduled for the rest of the year, eight net new stores in total for 2018
  - Maura, Akershus was closed in October
  - Nannestad , Akershus opened in October
  - Rjukan, Telemark is set to open in December
- 12 stores in pipeline for 2019 and beyond
  - Three of the stores are subject to local authority planning processes
- Eight new stores expected in 2019

Begby opening, September 2015

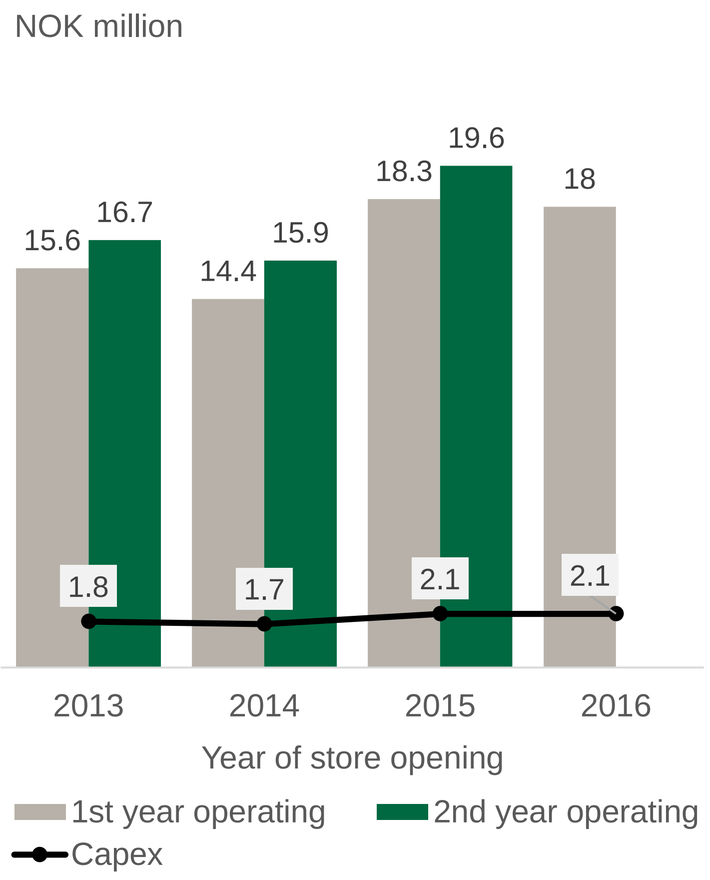
Strict return requirements for new stores

Criteria **01**	EBITDA Group year 1 > **0** EBITDA Group year 1+2 > **NOK 1m**
Criteria **02**	IRR over **15-25 %** after 5 years
Criteria **03**	**Payback** on investment (excl. inventory) < 3 years
Criteria **04**	**Payback** on total investment (incl. inventory) < 5 years

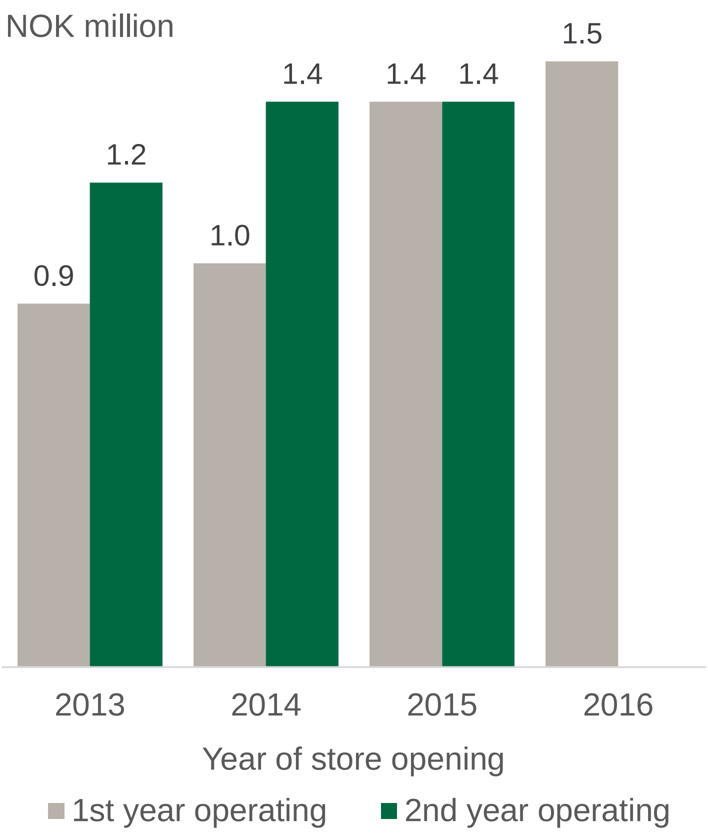
Nannestad opening, October 2018

New stores are delivering on strict requirements

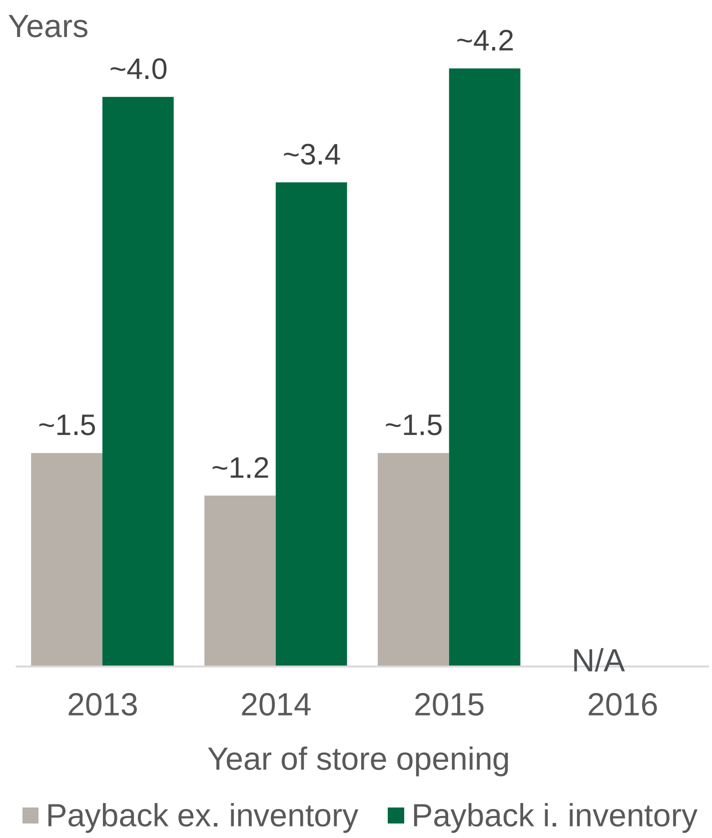
Revenue by opening year



EBITDA by opening year



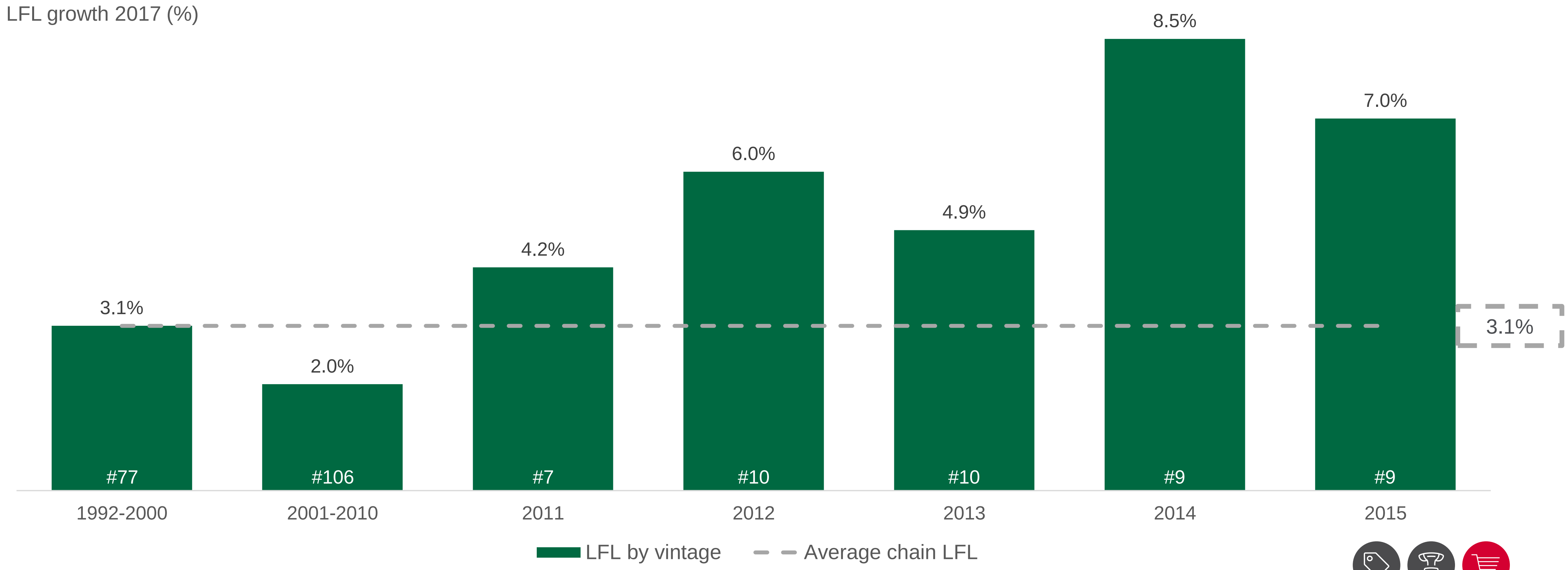
Payback time by opening year



2013: 10 new stores, 2014: 9 new stores, 2015: 9 new stores, 2016: 10 new stores

Rapid growth in the first few years after opening

Growth revenue like-for-like (LFL) by opening year (vintage)

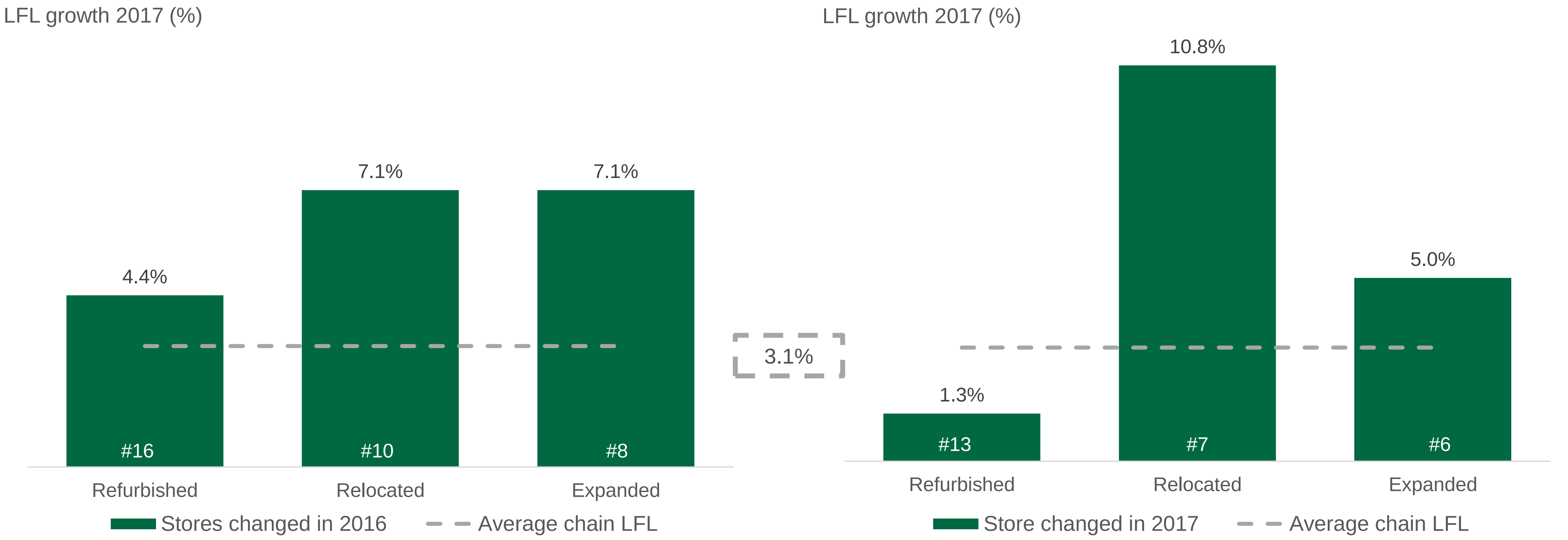


Number of LFL stores in 2017: 228

Existing store portfolio another source of growth

Stores refurbished, relocated or expanded in 2016

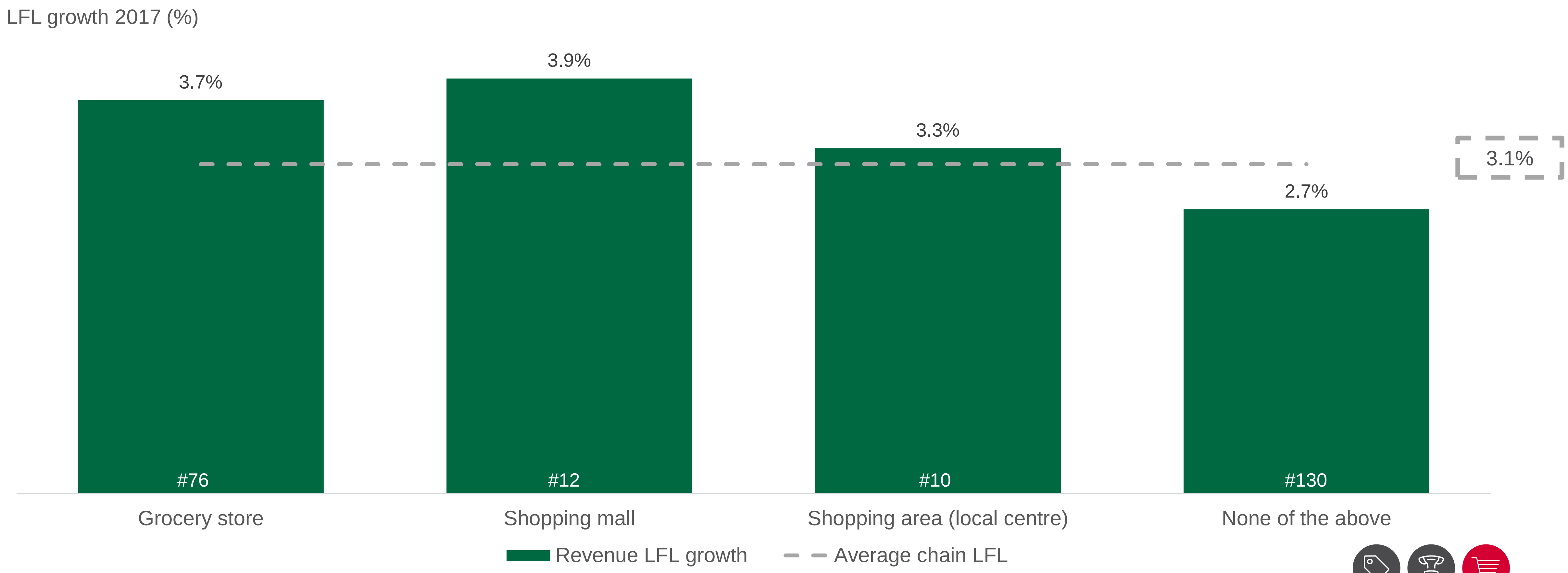
Stores refurbished, relocated or expanded in 2017



Number of LFL stores in 2017: 228

Competition can be positive

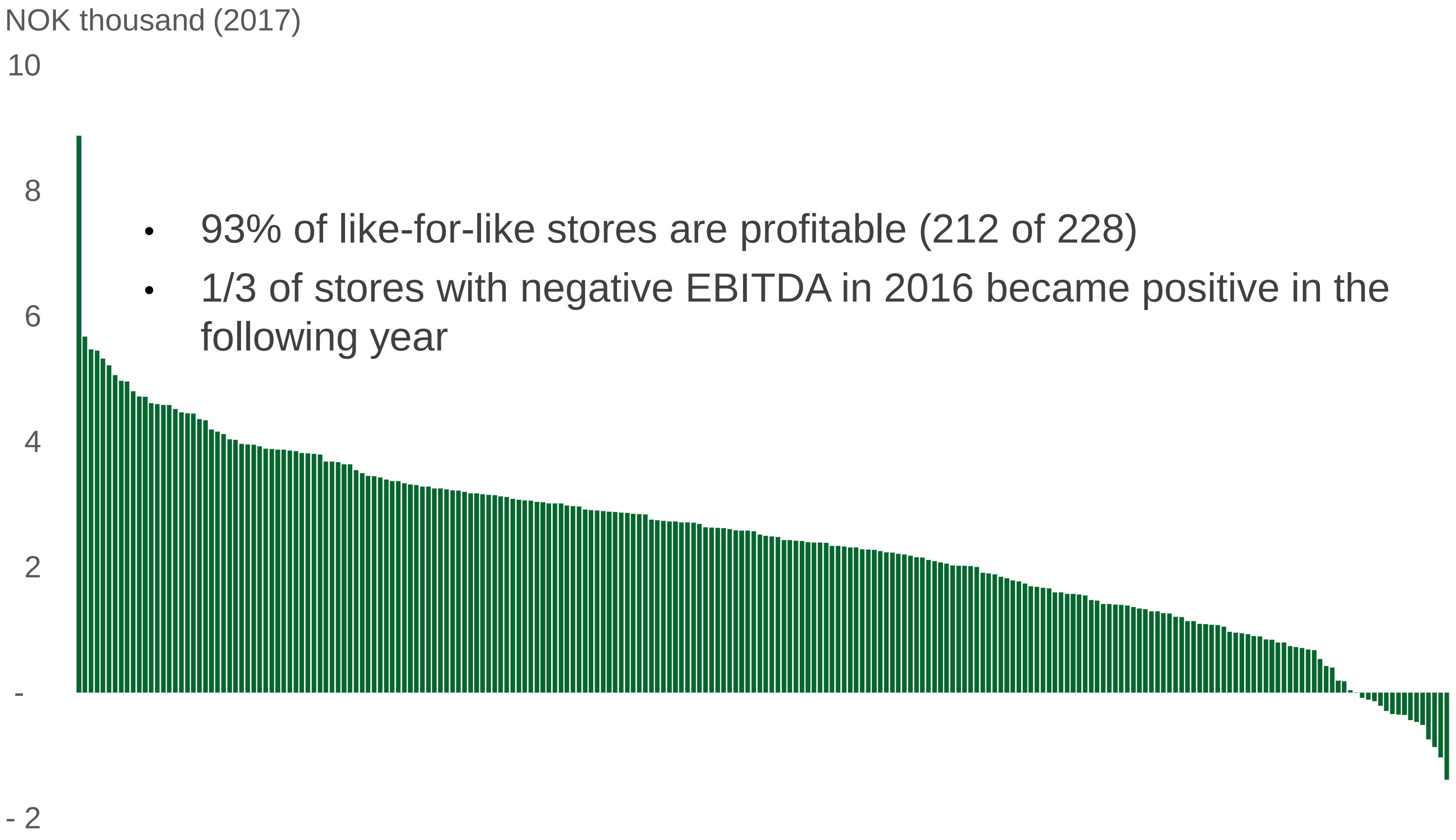
Like-for-like (LFL) growth in revenue by proximity to other retail outlets



Number of LFL stores in 2017: 228

Strong profitability across the store base

Adjusted EBITDA by m² sales area for the LFL stores in the chain



- 93% of like-for-like stores are profitable (212 of 228)
- 1/3 of stores with negative EBITDA in 2016 became positive in the following year

(Average)	Sales (NOKm)	M²
Top 10	31.0	1 030
Bottom 10	15.7	1 309

- Top 10 stores are characterised by well-established stores with relatively small sales area
- Bottom 10 stores are characterised by shops with low turnover compared to sales area

Creating shareholder value

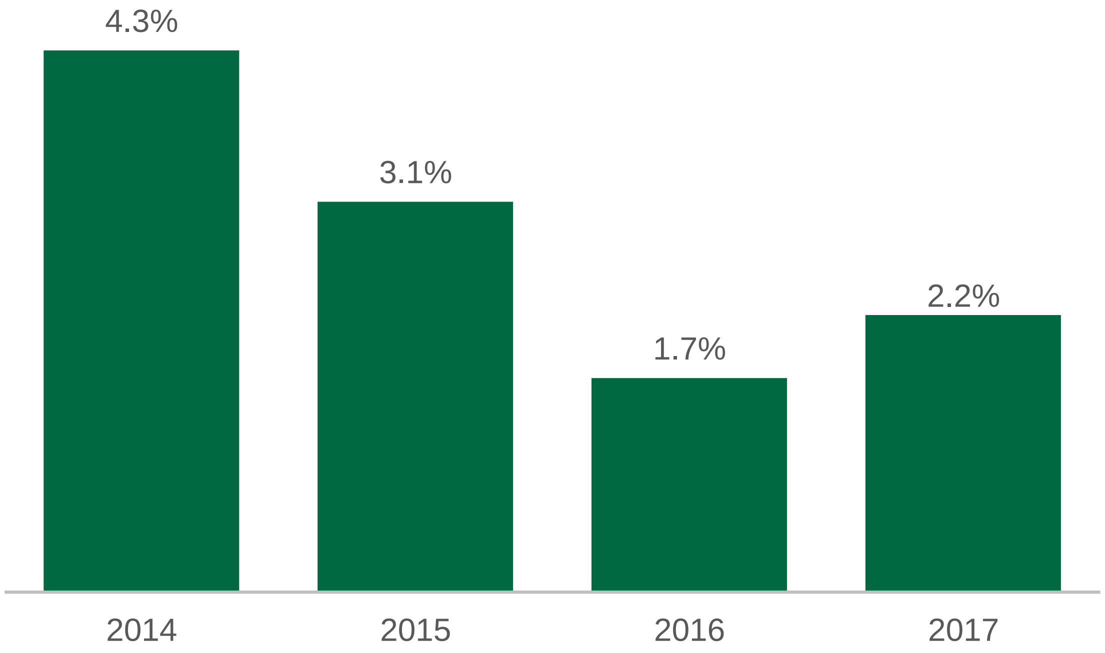
Long-term financial and operational ambitions

Growth	Continue to deliver like-for-like growth **above the market** over time
Number of new stores	Target to open **on average 5 new stores net per year,** depending on availability of locations which meet strict return requirements, potential for relocations, expansion and refurbishment activities
EBITDA	**Increased EBITDA margin** over time from improved sourcing and more cost-effective value chain
Dividend	**Dividend policy** of 50%-60% pay-out of net profit while maintaining an efficient balance sheet

Long-term growth ambition, above market

- Concept development
- Expand seasonal leadership
- Category management
- Leverage digital opportunities
- Continue to deliver like-for-like growth above the market over time

Like-for-like growth above market[1]



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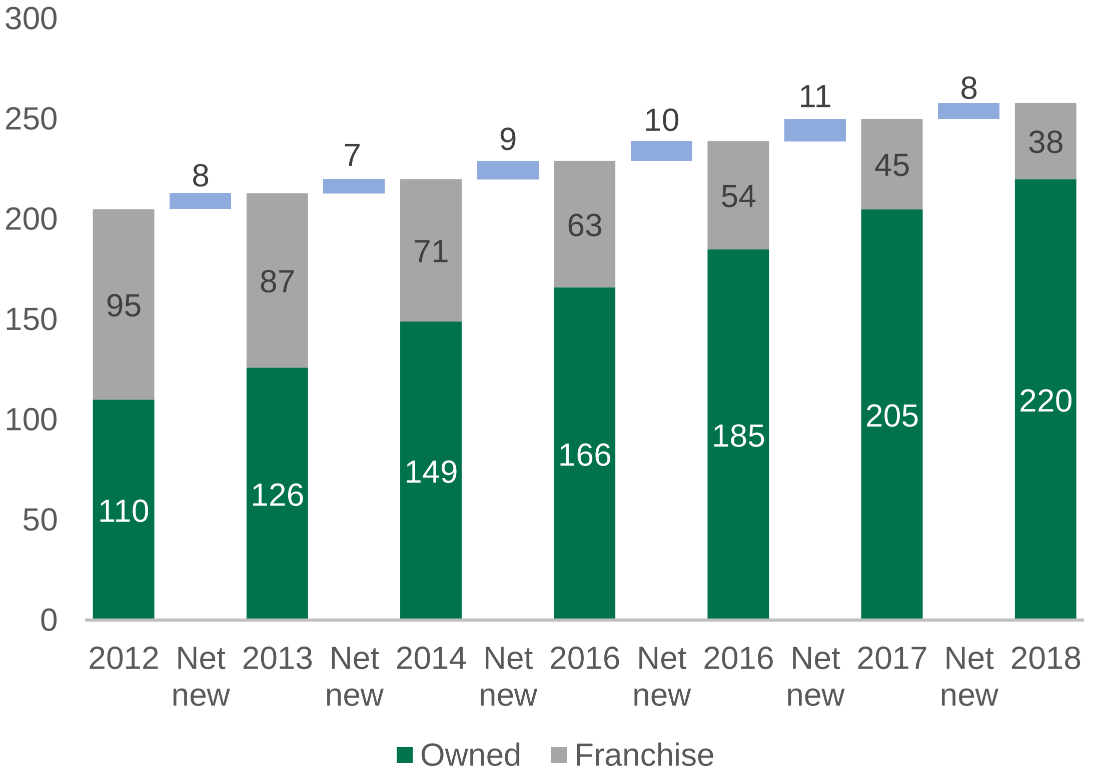
[1] Percentage point above market like-for-like growth as reported by Kvarud Analyse

Store development adds to growth potential

- Strict return requirement
- Comprehensive store development plan
  - Relocation
  - Upgrade
  - Expansion
  - New stores
- Long-term targets
  - Net 5 new stores annually
  - About 10 relocations annually
  - About 10 refurbishments/modernisations annually

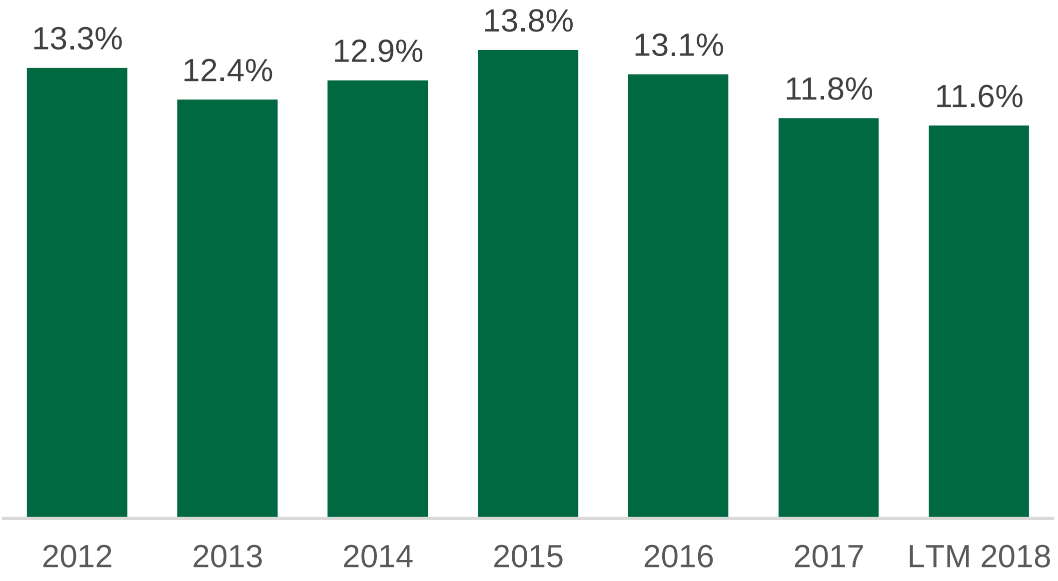
Historical store development



Sourcing and value chain initiatives to improve profitability

- Gross margin effect from improved sourcing
  - Initial long-term synergies of NOK 30-40 million identified from ÖoB partnership
  - Synergies will partly be re-invested to ensure competitive market position and fulfill price strategy
- Additional potential scaling benefits from joint concept development, e-CRM, e-commerce, etc.
- Savings from new, automated and highly efficient warehouse
  - Equivalent to NOK 40–70m in Opex, assuming 2017 volumes
- Opex discipline throughout the organisation

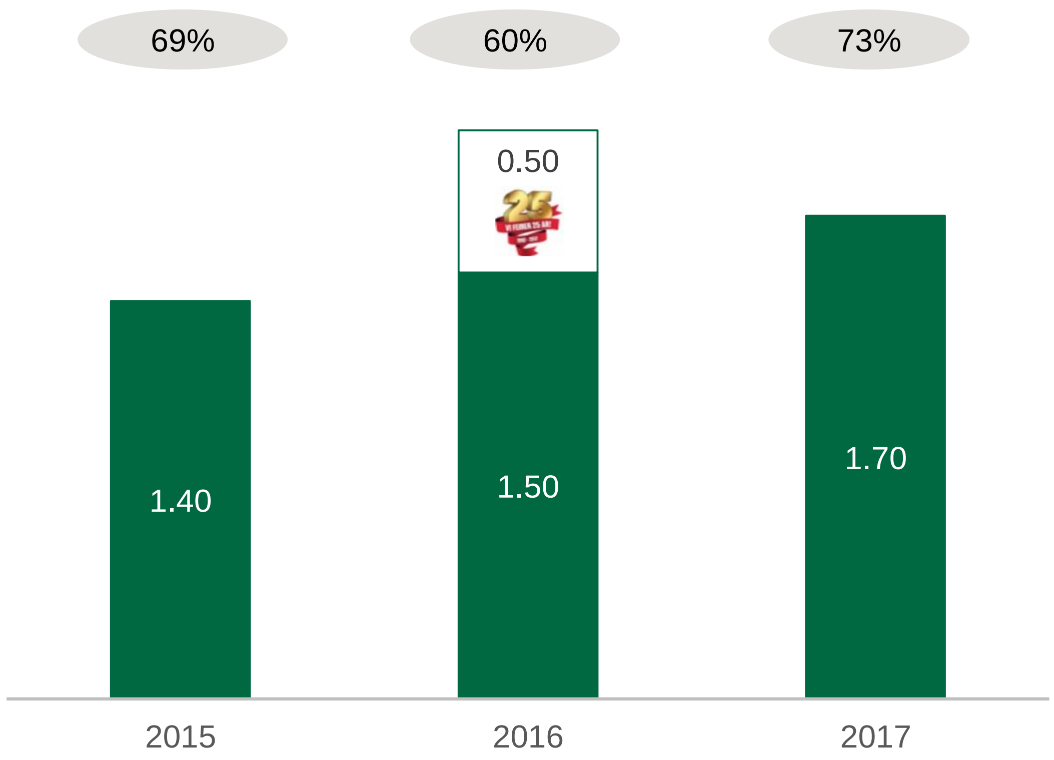
EBITDA margin development



Committed to creating shareholder returns

- Dividend pay-out ratio of 50-60% of group net profit
- Provide a competitive return on invested capital, taking into account the group’s risk profile
- Considered against new investment or repayment of debt
- Dividend target not affected by the share buy-back programmes
- Europris targets a moderate leverage and maintaining an efficient balance sheet

Dividend NOK/share and pay-out ratio[1]



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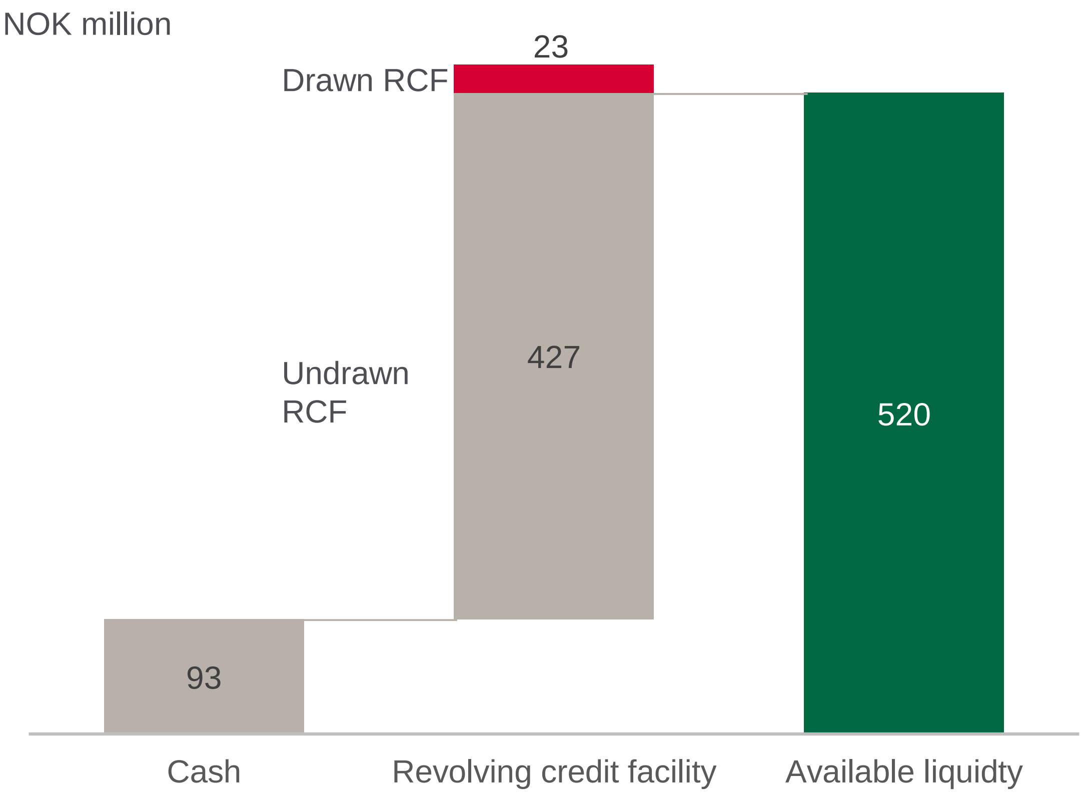
[1] Ordinary dividend as a percentage of adjusted EPS

Maintaining an efficient balance sheet

- Available liquidity of NOK 520 million as of Q3 2018
- Interest bearing debt of NOK 1 646 million
  - NOK 1 641 million term loan (amortised cost)
  - NOK 5.2 million leasing
- NOK 23 million drawn of NOK 450 million revolving credit facility (RCF)
- Refinancing initiated for term loan and RCF maturing in May 2020
  - Pragmatic approach focused on optimising terms
- Implementation of IFRS 16 Leasing from 2019 will have a significant impact on P&L and balance sheet[1]

Available liquidity



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[1] See appendix slide for preliminary estimates of effects of implementing IFRS 16

RUNSVEN GRUPPEN

Capital Market Day

Taking ÖoB to market leadership

2018.12.05

Agenda

1. Company overview
2. Assortment and focus area
3. Stores and marketing
4. Runsvengruppen and Europris
5. Summing up

Runsvengruppen / History

1948 – The beginning

24-year-old Rune Svensson decided to acquire his own country store in Mariedamm.

Large quantities of merchandise were purchased directly from the factories and sold in the store and via mail.

1958-1961 – A new Era in Skänninge

Relocation to the new property in Skänninge in 1958.

First wholesale operations established. First purchasing trip to Asia in 1959. First department store opened 1961 in Linköping.

1977 – Management Changes

Rune Svensson handed over management to the next generation.

He nevertheless continued to play an active role in the company.

1978-1992 – Growth by acquisitions

The department store chains Storcks, Storckens and Engelbrektsboden were acquired.

Runsven's own chain Bonusvaruhusen rapidly expanded.

In 1992 ÖoB Överskottsbolaget with nine stores was acquired.

1993-2008 Överskottsbolaget

The acquired store chains Storcks and Storckens were converted to ÖoB Överskottsbolaget stores or closed down.

Project Go': refurbishment, reorganization and operational improvement of the whole store network was done in 2007.Large investments in IT and logistics infrastructure in 2006 and 2007.

2009-2017 - Modern group

In 2009 Överskottsbolaget was renamed to ÖoB.

Improvement and restructuring of ÖoB's product handling and management. In addition, store layout and product range of every shop were further centralized.

The group today consists of approx. 100 stores and generates revenues of approx. SEK 4bn with approx. 1,600 employees

June 2018

Runsvengruppen initiates a merger with Europris

Runsvengruppen / Facts

Customers

- Target customer: Woman 30-49 years old
- Customers shop at ÖoB for quality brands at hard discount prices
- Base of over 5 million customers which in total generates over 25 million cash receipts annually

Quick facts

- Established 1948
- 2017 sales of ~SEK 4.0bn
- ~1,600 employees

Locations & Format

- 95 stores in Sweden, from Ystad in the south to Kiruna in the north
- 1 concept 2 format
- Hypermarket *~1300-2300 square meter*
- City *~600-1000 square meter*

Competitors

- Category competition with hypermarkets
- Price competition with other discount players in specific categories e.g. Dollarstore, Clas Ohlson, Biltema, Jula, Rusta, Normal and Willys.

Categories

- Wide range of food an non food
- Destination categories: Health & Beauty and Wash & Clean, Pets, Season.
- Large amount of well-known brands.

Price

- Significant lower prices than hypermarkets on comparable products
- Well developed and flexible sourcing model ensures permanently competitive prices

Owner

- Founded 1948 by Rune Svensson
- Private owned by family Svensson - 2nd and 3rd generation

Brand

- ÖoB brand ranked no 14 in Markets yearly survey
- Brand associated with large varity of products and low prices compared to discounter peer group

RUNSVEN
GRUPPEN

Management team

Fredrik Söderberg

- Chief Executive Officer (since 2017)
- 25 years of experience in Swedish retail and pharmacy business, latest at ICA as Director of Sales & Operations

ICA medstop apoteket

Eva Lundqvist

- Head of HR (since 2009)
- 30 years of experience in IT and HR positions

Atos IKEA IBM

Kent Sandin

- CFO (since 2015)
- 30 years of executive management positions in retail and FMCG

Cloetta Polarica WILD FOOD midsona

Mikael Demitz-Helin

- Chief Procurement & Logistics Officer (since 2017)
- 25 years of experience in Nordic and international retail, latest at Plantasjen

FISKARS PLANTAGEN IKEA

Meta Persdotter

- Chief Commercial Officer (since 2017)
- 25 years of experience in Nordic retail, latest as CCO at Rusta

RUSTA IKEA DUKA Kitchen life stadium

Runsvengruppen / Customer promise

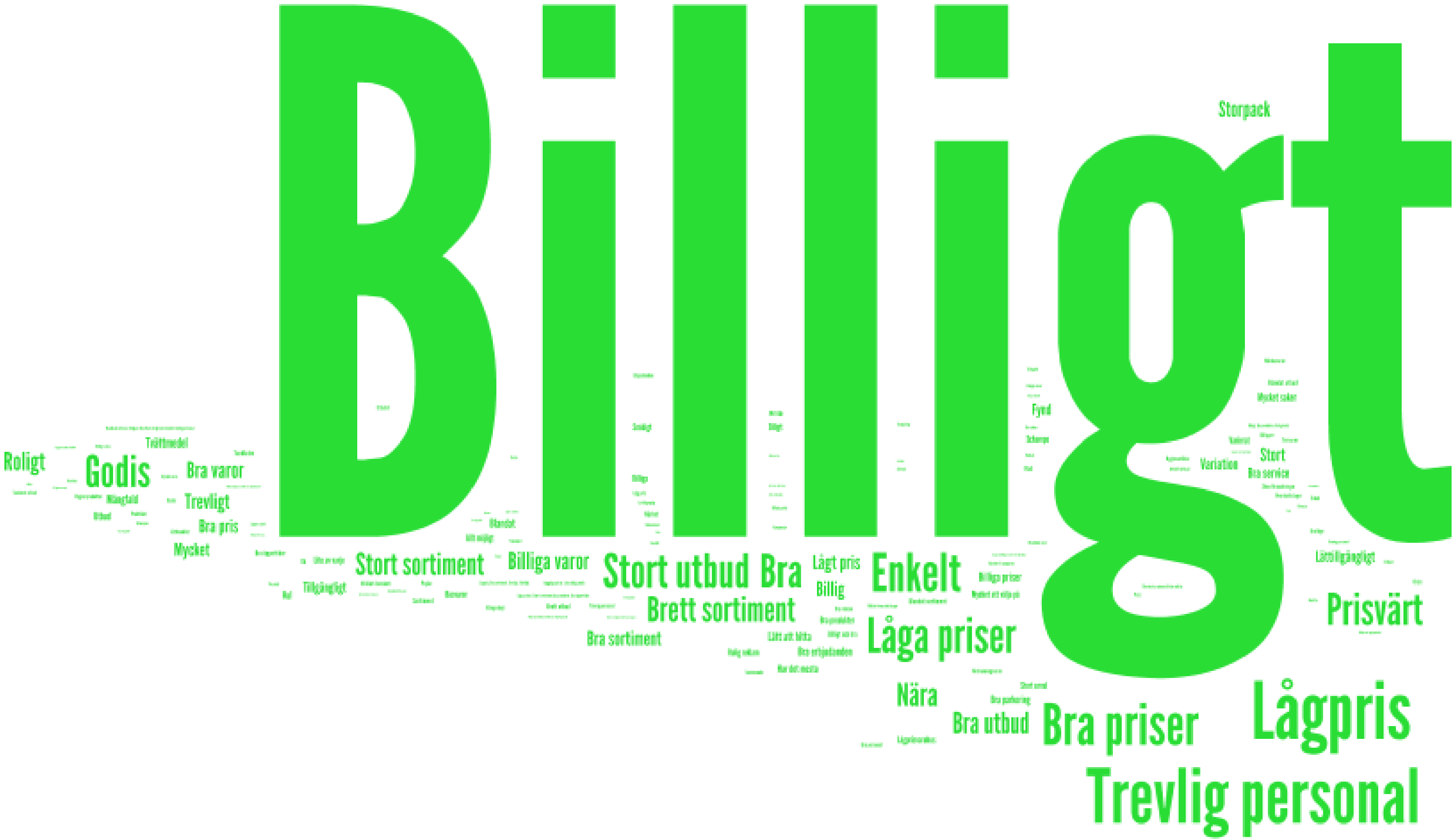
”The price is the difference”

Runsvengruppen / The price is the difference

Price perception 1)

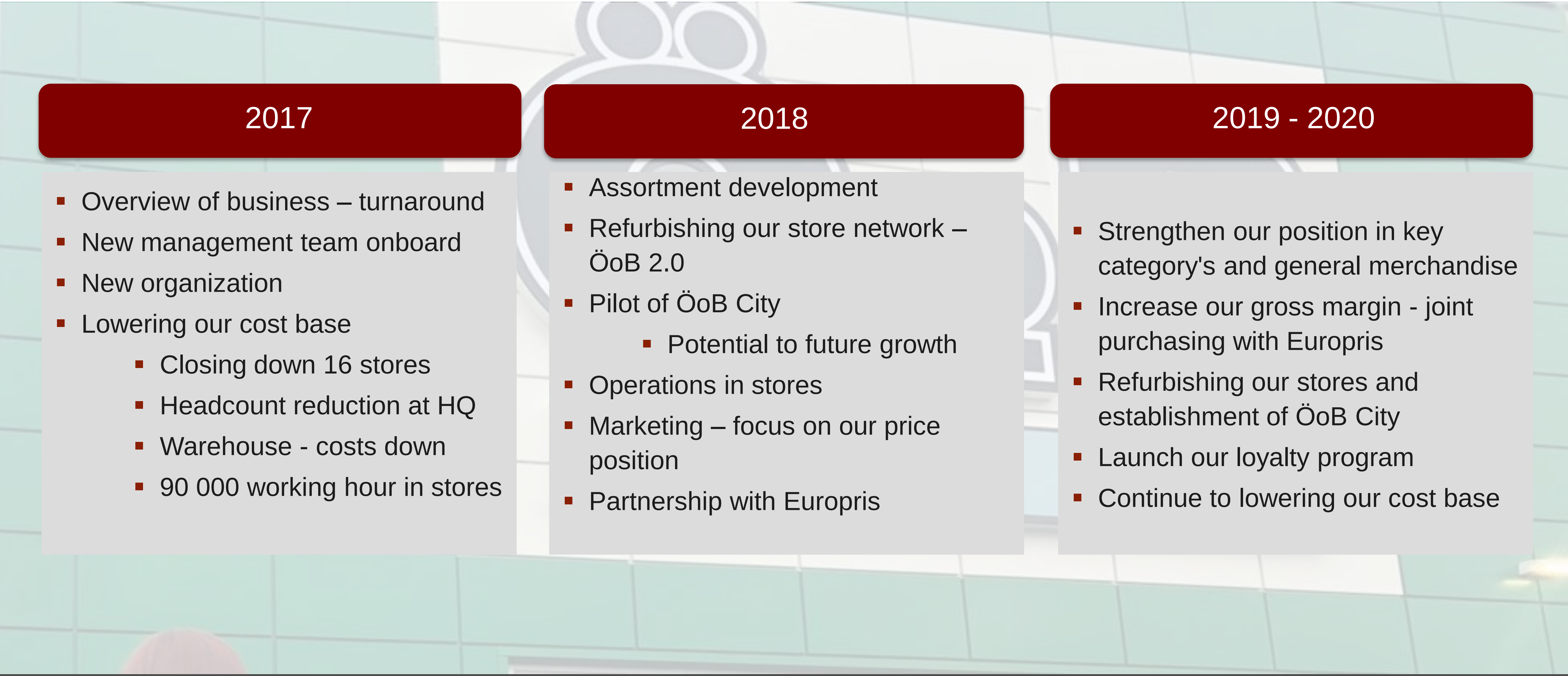
Rang	Företag	
1	Ikea	89%
2	Apotea.se	79%
3	Gekås	76%
4	ÖoB	75%
5	Willys	70%
10	Rusta	66%
14	Dollarstore	65%
20	ICA Maxi	60%
21	Lidl	60%
40	Netto	51%
67	City Gross	44%
84	ICA Kvantum	41%
107	Stora Coop	38%
110	Willys Hemma	38%
134	ICA Supermarket	35%

Top of mind when thinking of ÖoB: 2



1) www.market.se – Share of the consumers that associates the brand with low price/strong price perception 2) Runsvengruppen - Market survey, November 2018, 1 024 interviewed consumers

Runsvengruppen / Focus areas



2017

- Overview of business – turnaround
- New management team onboard
- New organization
- Lowering our cost base
    - Closing down 16 stores
    - Headcount reduction at HQ
    - Warehouse - costs down
    - 90 000 working hour in stores

2018

- Assortment development
- Refurbishing our store network – ÖoB 2.0
- Pilot of ÖoB City
    - Potential to future growth
- Operations in stores
- Marketing – focus on our price position
- Partnership with Europris

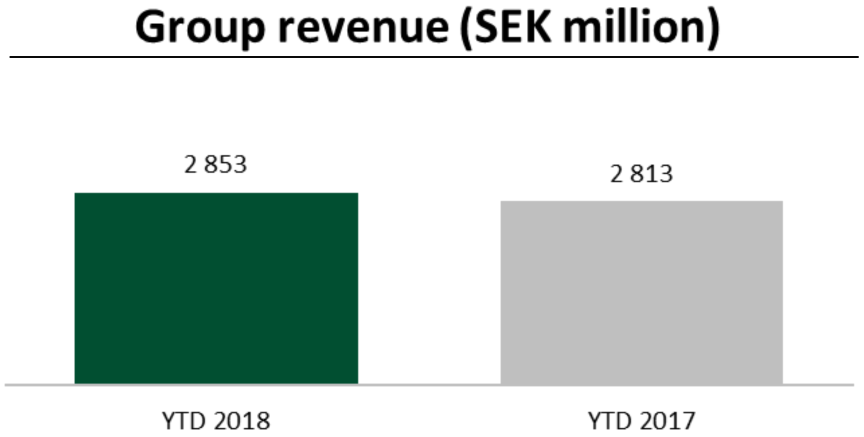
2019 - 2020

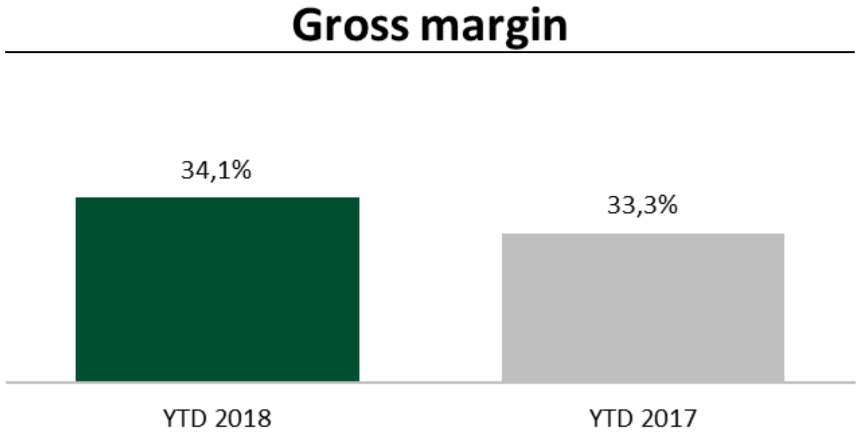
- Strengthen our position in key category's and general merchandise
- Increase our gross margin - joint purchasing with Europris
- Refurbishing our stores and establishment of ÖoB City
- Launch our loyalty program
- Continue to lowering our cost base

Group revenue & Gross margin

- Group revenues reached 2 853 MSEK (2 813), an increase of 1.4% compared with the same period last year
  - Like-for-like retail sales increased by 0.9%

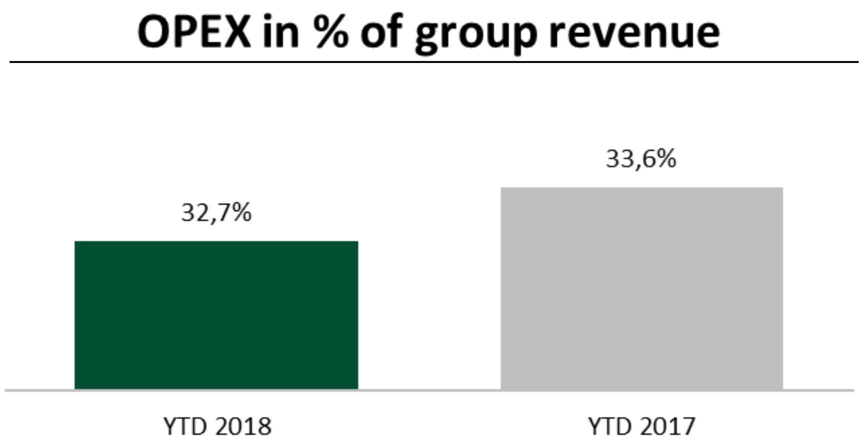
- Gross margin rose by 0.8% points up to 34.1% (33.3%)



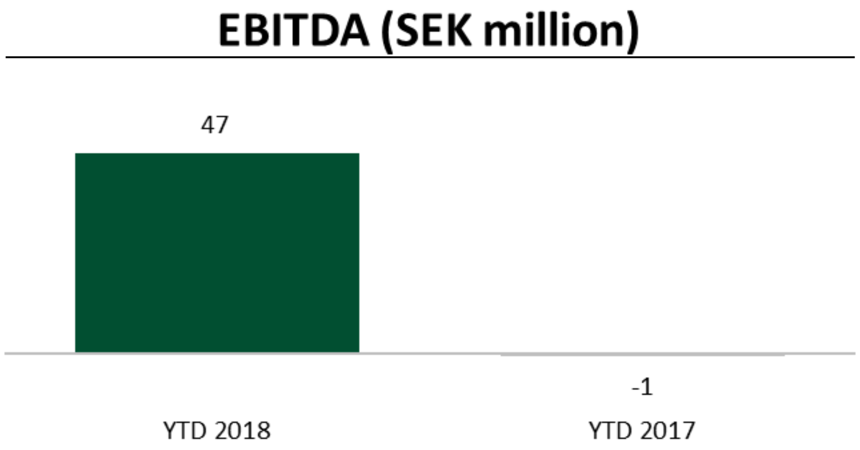


OPEX & EBITDA development

- OPEX in % of revenue was 32.7% (33.6%), a decrease of 0.9% points compared with YTD Q3 2017
  - OPEX decrease mainly due to lower personnel costs



- EBITDA amounted to 47 MSEK (-1)
  - Adjusted EBITDA was 51 MSEK (21)



RUNSVEN GRUPPEN

Agenda

1 Company overview

2 Assortment and focus area

3 Stores and marketing

4 Runsvengruppen and Europris

5 Sum-up

The price is the difference!

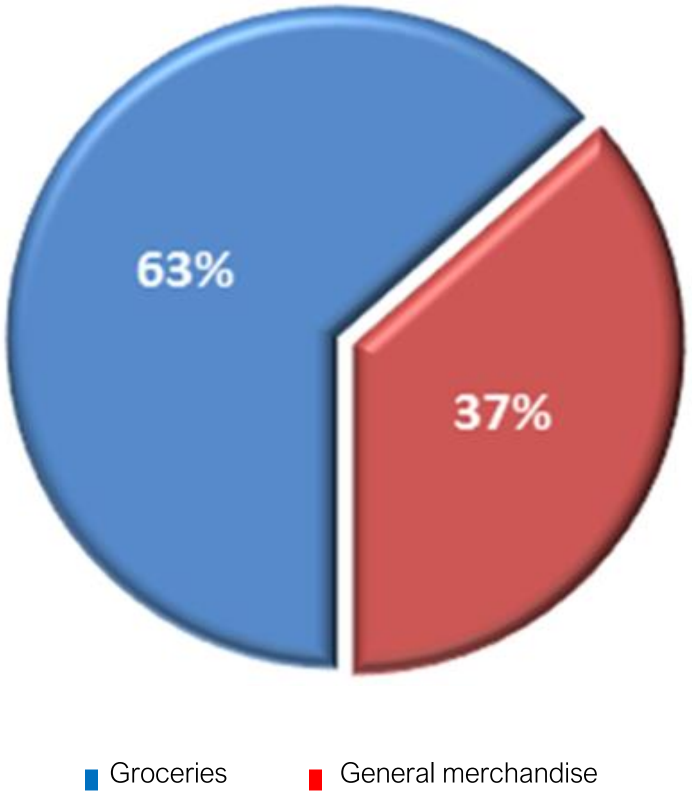
Assortment and category

Groceries

- **Candy/Soft drink**
- **Wash & Cleaning**
- **Groceries**
- *Health & Beauty*
- **Pet**
- **Personal Care**

General Merchandise

- *Play & Storage*
- *Season Out Door*
- *Season Christmas*
- *Kitchen*
- *Home*
- *Do it yourself*
- *Electronics*
- *Tobacco*
- *Newspaper/ Magazine*



ÖoB

Private Label

Asia imports

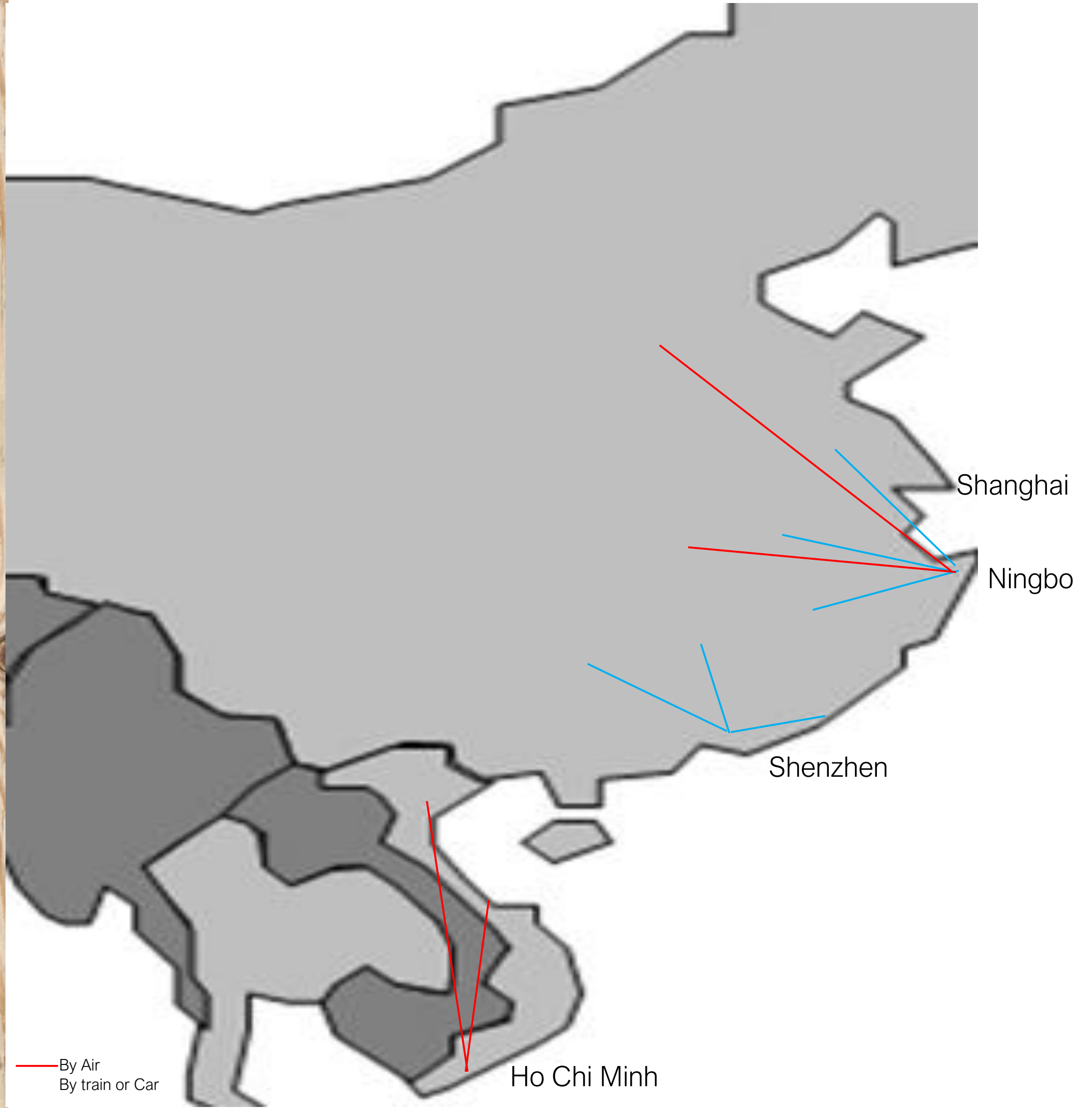
Stands for 20 % of our total sales

Do-it®
Do-it Basic
Do-it Garden
SECURE®
CONNECT®
ProShape
HEAT-IT
Bright® LIGHTING
Voltage®
EVERYDAY BBQ

Focus areas 2019-2020

Pilot 2019 - 2020

Asia sourcing, Office location



- Key functions Sourcing, QC and CSR
- Reach suppliers within 2-3 hours
- Travel buy car or train
- Visit suppliers more frequently
- Find new products faster

Membership in Amfori BSCI

42

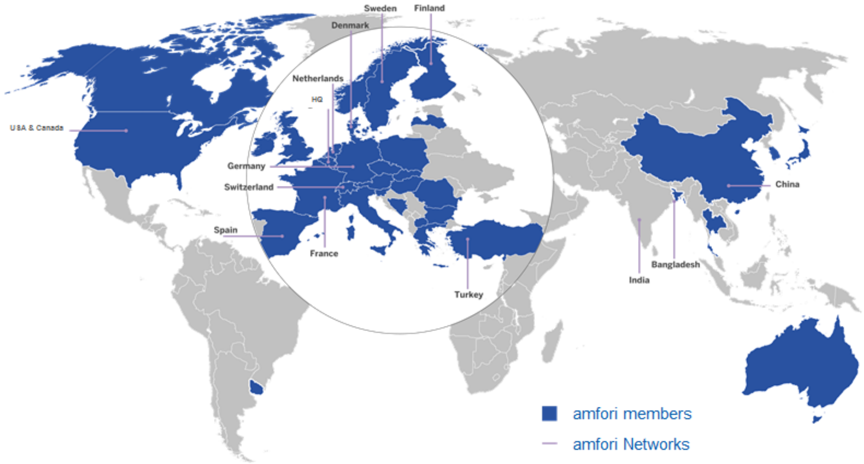
Member countries

13

Local representations

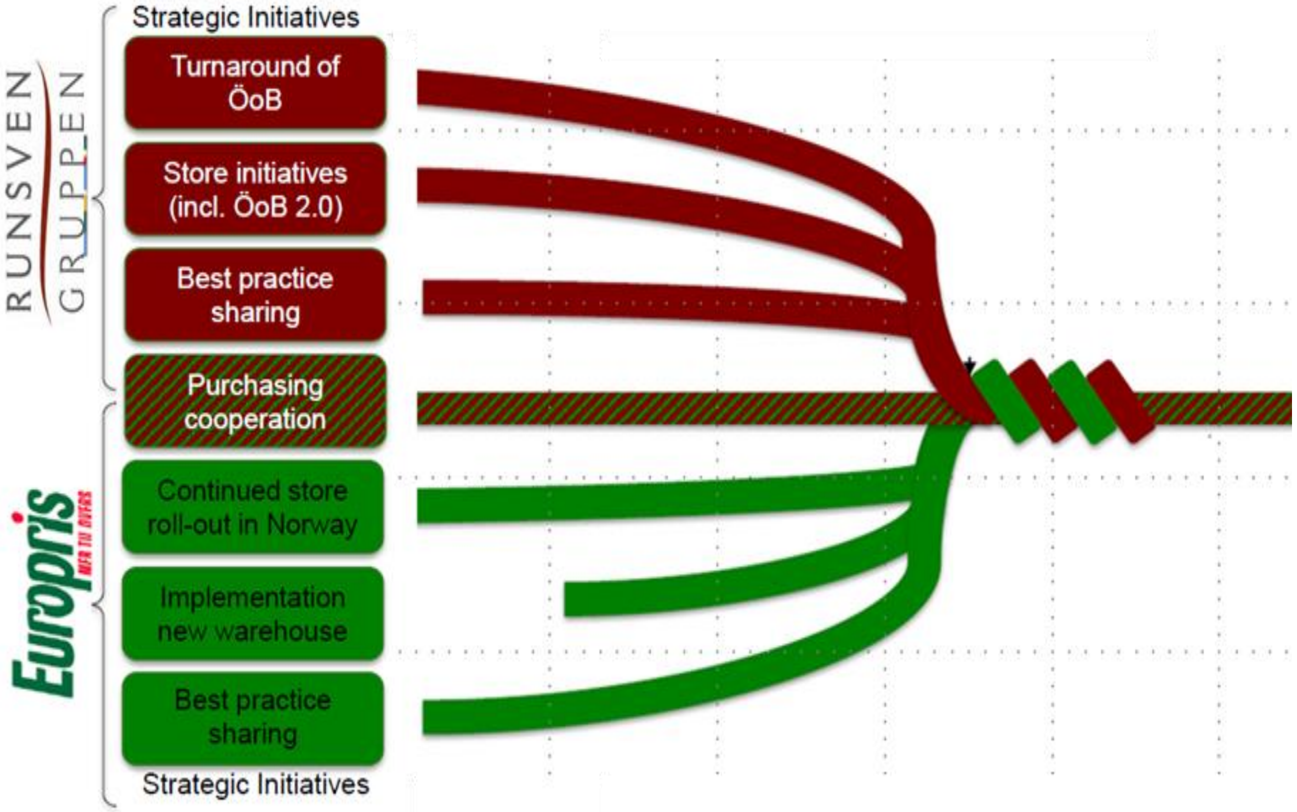
+100

Countries where we have sustainability operations



Kruidvat
GLOBUS
REWE
ICI PARIS XL
KESKO
BJORNBORG.COM
CALIDA
celio*
Vögele
coop
EURETCO
Peek&Cloppenburg KG
INTERMARCHE
JYSK
coop
TOM TAILOR
Ahold
otto group
WE
ESPRIT
IC COMPANYS
maxeda
RENO
Dansk Supermarked A/S
TUKO LOGISTICS
E.LECLERC
Prénatal
hunkemöller
LINDEX
MIGROS
STOCKMANN
NCC
SCAPINO
JC
BRAX FEEL GOOD
SPORT 2000
SBB CFF FFS
DELHAIZE
ALDI
strellson
JYSK
M&S
PKZ
Etam
promiss
V&D
B&C COLLECTION
INTERSPORT
SIMBA DICKIE GROUP
FALKE
DW SHOP
hoss INTROPIA
INEX
OBI
Wehkamp
Superdrug
HEMA
KARSTADT
DEICHMANN
ALDI
METRO GROUP
LIDL
Novi
Sligro
claudia sträter

Cooperation with Europris / A good start



- Common supplier negotiations started
- Common Kick off all category managers
- Asia sourcing cooperation started

Agenda

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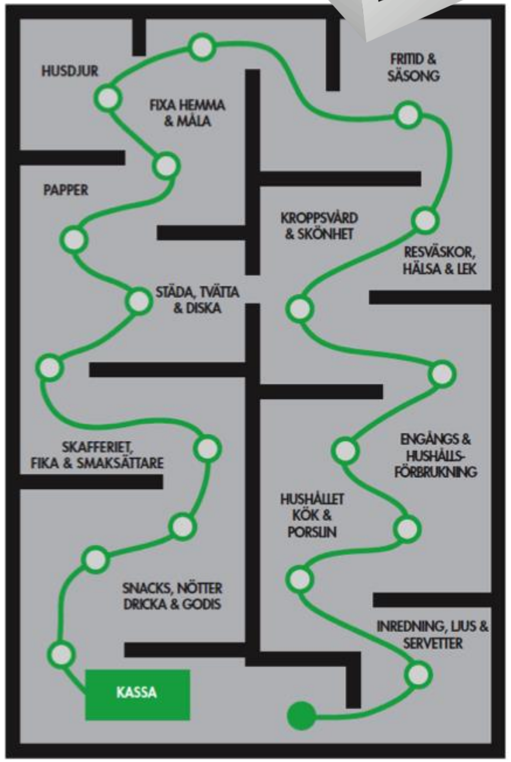
The price is the difference!

Our goal - Grand opening every day!

New customer flow through our stores helps us achieve our goal.



Meta Persdotter

Commercial Director, ÖoB

New concept for city locations – increased convenience for the customer!

ÖoB
CITY

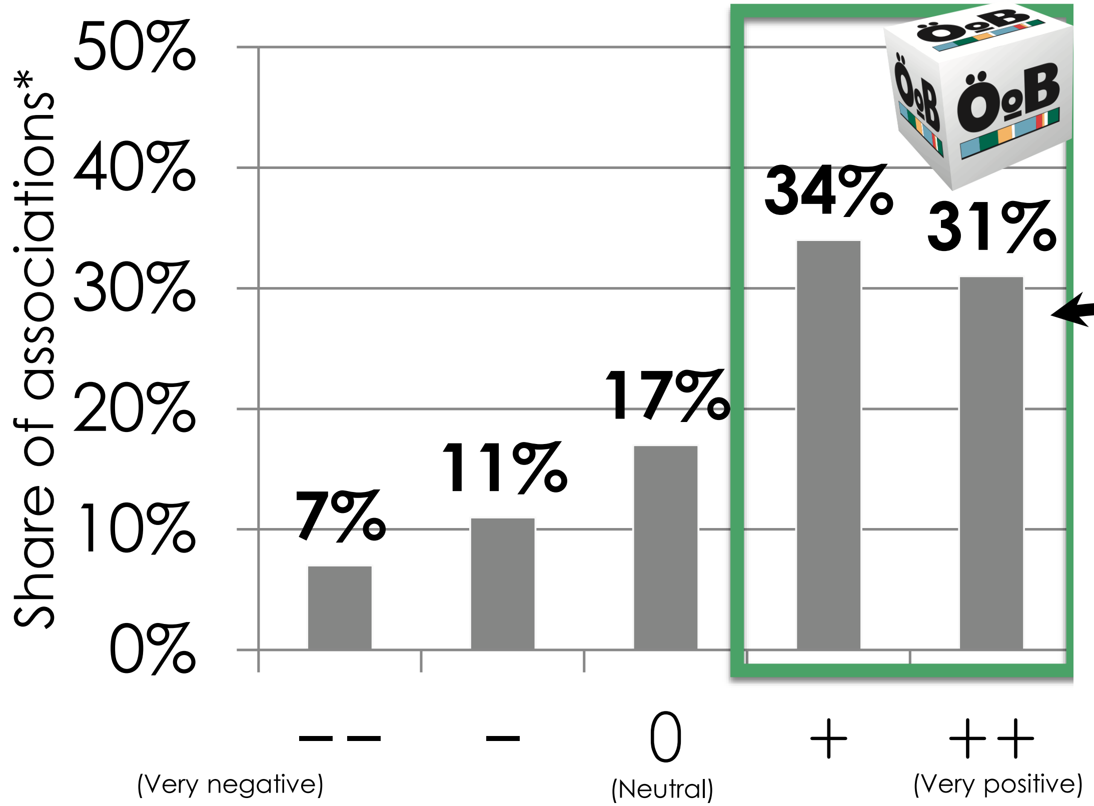
A growing brand

The price is the difference!

ÖoB has a strong low price position!

Quantitative study. 1000 respondents. 2018

A popular brand - Customers loves us!



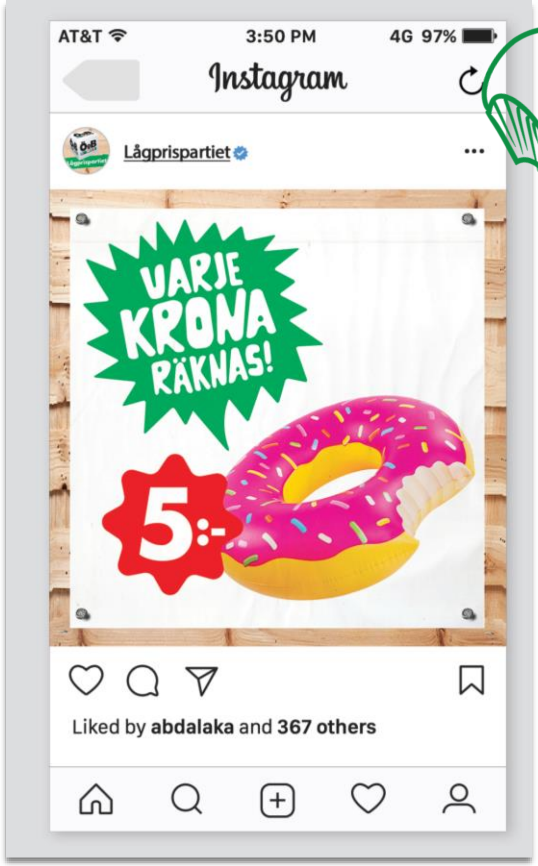
65% likes or loves ÖoB

LÅGT PRIS -JA TACK!

Quantitative study. 1000 respondents. 2018

*A total of 3144 associations.

One ÖoB in all channels - Brand builders and traffic drivers!



New loyalty program
Even more ÖoB lovers!

LÅGPRIS®
KLUBBEN

The Swedes have made their choice - ÖoB is growing!


ÖoB
ÖoB
ÖoB

Agenda

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Runsvengruppen and Europris / a business with great logic

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

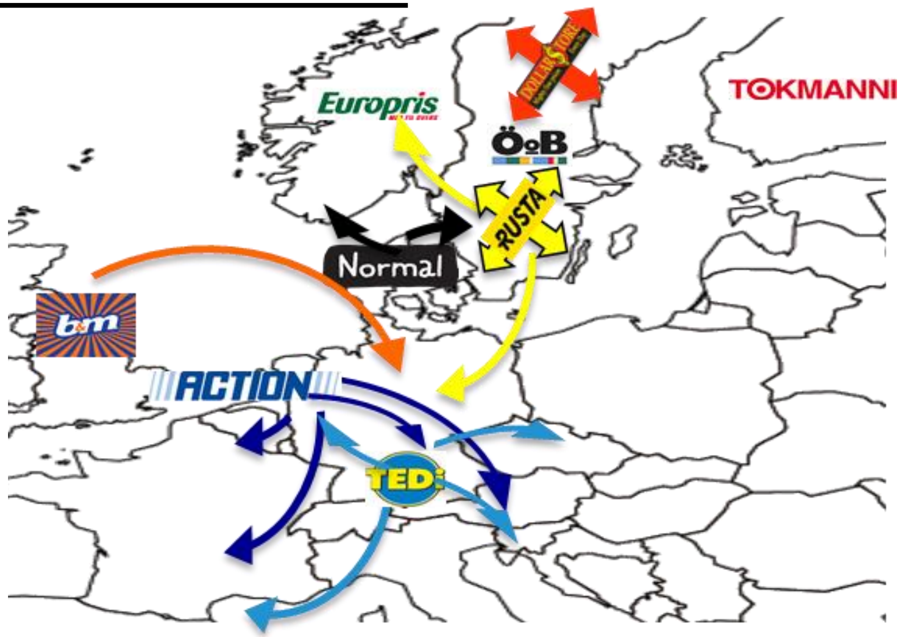
ÖoB

Antal butiker	94
Omsättning 2017	3,9 miljarder SEK

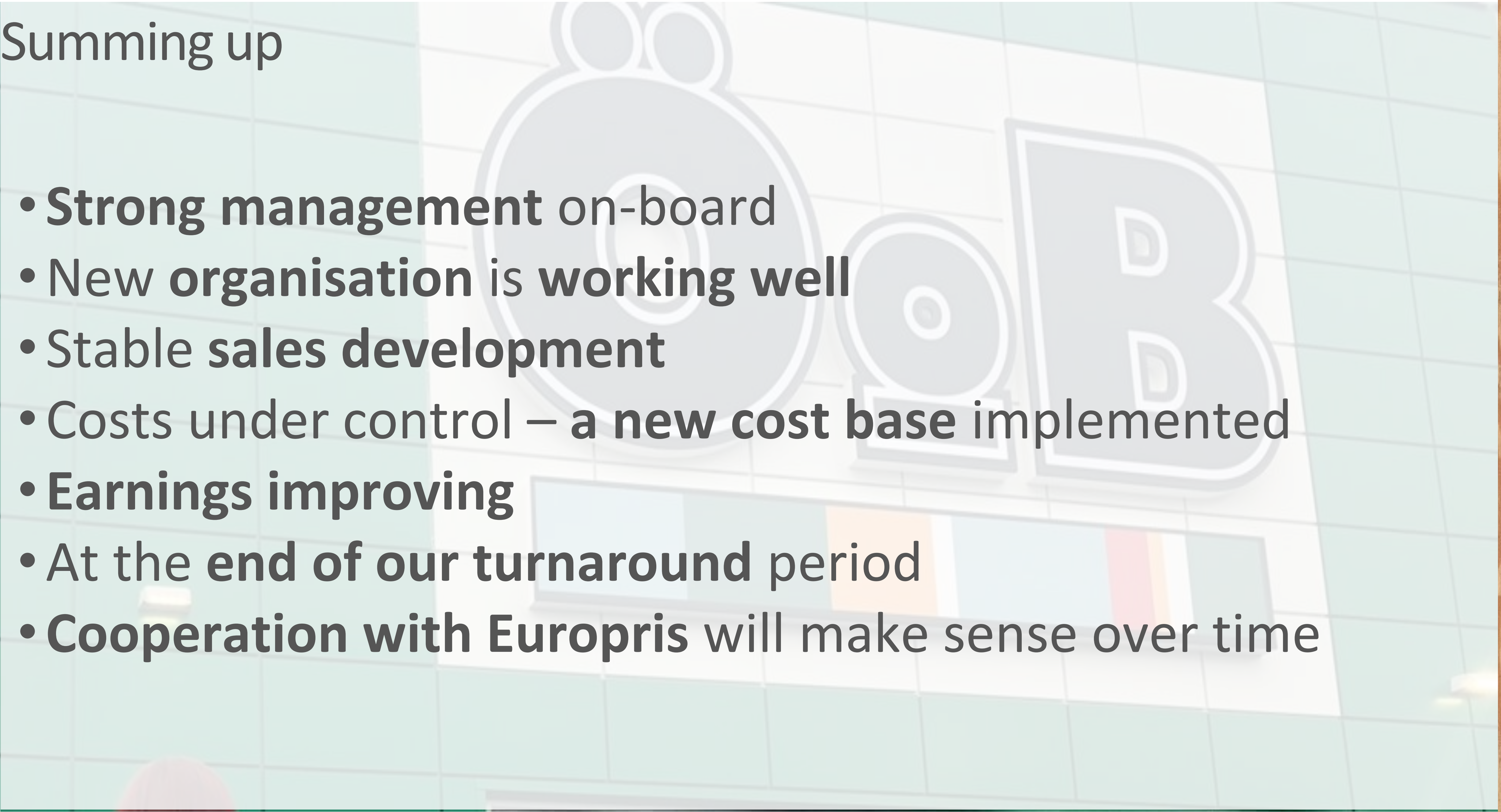
Europris

Antal butiker	255
Omsättning 2017	5,9 miljarder NOK

- The European market is moving
- Size will make sense
- Purchasing power 1 + 1 = 3
- Benchmark and learning



Summing up



- **Strong management** on-board
- New **organisation** is **working well**
- Stable **sales development**
- Costs under control – **a new cost base** implemented
- **Earnings improving**
- At the **end of our turnaround** period
- **Cooperation with Europris** will make sense over time

Summary

Europris
MER TIL OVERS

Be the *best* discount variety retailer *in Europe*

Strategic focus areas

Strengthen price and cost position

Improve customer experience

Drive customer growth

Strategic focus areas – key actions

Strengthen price and cost position	• Strengthen price position • Develop Europris private label • Secure low cost through sourcing agreements with ÖoB and Tokmanni • International scale and integration through cooperation with ÖoB • From five to one warehouse with high degree of automation • Reduce cost and increase efficiency from factory to store • Collect and utilise data across the value chain	
Improve customer experience	• Continuous concept development • Category and product development • Strengthen position as the seasonal champion • Europris private label offering • Omnichannel and 360º experience	
Drive customer growth	• Strict store evaluation and reallocations • Store refurbishments • e-CRM and increased customer insights • Digital marketing and increased customer reach • Leveraging e-commerce and omnichannel opportunities	Physical Digital

Why invest in Europris

1	Significant untapped market potential in thriving discount variety retail segment
2	Norway’s #1 discount variety retailer with unrivalled store network, brand recognition and price perception
3	More than two decades of consecutive growth and high profitability fuelled by continuous concept development
4	Clearly defined strategic priorities: strengthening price and cost position, improve customer experience and driving customer growth by bridging the physical and online stores
5	Target above-market growth over time and increased EBITDA margin from pan-Nordic sourcing, automated warehouse and lower supply chain costs
6	Committed to returning excess cash to shareholders

Retail is changing,
discount variety is thriving

Q&A

Next event: Q4 presentation 31 January

Appendix

Appendix

- Management and board of directors
- Top 20 shareholders
- Analytical information
- Insights for Europris and other Nordic Discount Variety Retailers – learnings from the UK and US

Management team


Pål Wibe
Chief executive officer


Pål Christian Andersen
Logistics director


Maria Borge Andreassen
Strategy and business development director


Jon Boye Borgersen
Marketing and concept director


Espen Eldal
Chief financial officer


Kristine Frøberg
HR and organisational director


Øyvind Haakerud
Store network director


Ole Petter Harv
IT director


Knut Spæren
Product director


Petter Christian Wilskow
Legal and CSR director

Board of directors

Tom Vidar Rygh
Chairman

Hege Bømark
Board member

Tone Fintland
Board member

Claus Juel-Jensen
Board member

Sverre R. Kjær
Board member

Bente Sollid Storehaug
Board member

Top 20 shareholders

Holder	No of shares	Holding
ARCTIC FUNDS PLC	5,126,610	3.07%
FOLKETRYGDFONDET	4,678,488	2.80%
EUROPRIS ASA	4,090,000	2.45%
KLP AKSJENORGE	3,805,052	2.28%
HOLBERG NORGE VERDIPAPIRFONDET	3,800,000	2.28%
VERDIPAPIRFONDET PARETO INVESTMENT	3,786,504	2.27%
STOREBRAND NORGE I VERDIPAPIRFOND	3,591,453	2.15%
EUROCLEAR BANK S.A/N.V	3,406,128	2.04%
BNP PARIBAS SECURITIES SERVICES	2,896,855	1.73%
SEB SEB PRIME SOLUTIONS SISSENER CANOPUS	2,800,000	1.68%
CITIBANK, N.A.	2,657,000	1.59%
STATE STREET BANK AND TRUST COMP.	2,490,002	1.49%
THE BANK OF NEW YORK MELLON SA/NV	2,486,161	1.49%
DANSKE INVEST NORSKE INSTIT. II	2,376,950	1.42%
FONDITA NORDIC MICO CAP INVESTMENT	2,350,000	1.41%
HOLBERG NORDEN VERDIPAPIRFONDET	2,325,000	1.39%
VARMA MUTUAL PENSION INSURANCE CO.	2,185,431	1.31%
KOMMUNAL LANDSPENSJONPENSJONKASSE	2,172,767	1.30%
NORDKRONEN II AS	2,008,572	1.20%
VPF NORDEA NORGE VERDI	1,900,000	1.14%
TOTAL 20 LARGEST SHAREHOLDERS	**60,812,973**	**36.42%**
TOTAL NUMBER OF SHARES	**166,968,888**	

Overview of top 20 shareholders as of 3 December 2018

Analytical info[1]

Seasonality	• As rule-of-thumb, the Easter impact is approximately NOK 50 million in revenue and NOK 10 million of EBITDA
Quarterly OPEX	• As rule-of-thumb, OPEX in year ago quarter + inflation + NOK 1.5 – 1.6 million per extra directly operated store (DOS)
CAPEX	• New store – NOK 2.3 million per store (5 per year) • Relocation – NOK 1.5 million per store (10 per year) • Modernisation – NOK 1.0 million per store (10 per year) • Category development – NOK 10 million per year • IT & Maintenance – NOK 35 million per year
Estimated one-time CAPEX items 2019	• New warehouse and new head office of approximately NOK 30 million (IT, system integration, fixtures and fittings)

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[1] All figures are approximations and subject to change without further notice

Analytical info: New warehouse

NOK million	2019	2020	2021	2022
Investments				
IT, office equipment and other (CAPEX)	~15	~5		
Automation, part 1 (lease)	~85	~30		
Automation, part 2[1] (CAPEX)	~25	~90		
Non-recurring OPEX items				
Moving costs	5-10	5-10		
Redundant warehouse capacity in 2019 and Øra lease from H2 2020 (sublet potential to lease ends March 2022)	~6	0-13	0-26	0-10

---

1) Financing method for automation part 2 not yet concluded

IFRS 16 implementation - preliminary estimates[1]

Preliminary effect on group balance sheet

	Implementation effect 01.01.2019	2019 estimate
Assets		
Total fixed assets	+1.93bn	+165m
Total assets	**+1.93bn**	**+165m**
Equity and liabilities		
Equity		-30m
Long term financial liabilities	+1.57bn	+210m
Current liabilities	+360m	
Other short term liabilities		Net -15m
Total equity and liabilities	**+1.93bn**	**+165m**

- Implementation comes before new warehouse and head office
- 2019 estimate includes new warehouse, head office and other additions net of depreciation for the year
  - Potential franchise take-over and adjustments to current lease portfolio are not included in 2019 estimate
- Loan facilities are not affected by reduction of equity ratio related to IFRS 16 implementation

Preliminary effect on group P&L statement

	Estimated 2019 P&L effects
Group revenue	
COGS	
Opex	Reduced by 430-450m
Depreciation	Increased by 400-420m
Net finance cost	Increased 70m-80m
Tax cost	Reduced by some 10m
Net income	Reduced by some 30m

- Significantly reduced rental cost to increase EBITDA
- More than offset by higher depreciation and finance costs
- Net negative impact expected on reported net income
- IFRS 16 implementation has no cash effects

---

[1] Includes all rented and leased properties, vehicles, trucks, machinery and equipment. Shorter and immaterial leases have been excluded.
All numbers are estimates and will be subject to change owing to group operations and interest rate levels at the time of implementation

Alternative performance measures (APMs)

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.	**Working capital** is the sum of inventories, trade receivables and other receivables less the sum of accounts payable and other current liabilities
Opex is the sum of employee benefits expense and other operating expenses.	**Capital expenditure** is the sum of purchases of fixed assets and intangible assets
EBITDA (earnings before interest, tax, depreciation and amortisation) represents gross profit less Opex.	**Net debt** is the sum of term loans and financial leases less bank deposits and cash
Adjusted EBITDA is EBITDA adjusted for nonrecurring expenses.	**Directly operated store** means a store owned and operated by the group
Adjusted profit before tax is net profit before tax adjusted for non-recurring items	**Franchise store** means a store operated by a franchisee under a franchise agreement with the group
Adjusted net profit is net profit adjusted for non-recurring items	**Chain** means the sum of directly operated stores and franchise stores
Adjusted earnings per share is adjusted net profit divided by the current number of shares	**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

Insights for Europris and other Nordic Discount Variety Retailers – learnings from the UK and US

5 December 2018

Europris
MER TIL OVERS

US & UK trends

Consumer preferences

Implications for variety discount

Retail is changing, not dying

Global retail trends

		Degree of relevance[1]
Online and omnichannel	Consumers are fully embracing online and omnichannel sales driven by globalization and cross-border competition	◐
Retail bifurcation	Shopper spend has polarized, shifting away from mass market towards discounters and premium retailers	●
Experience and convenience	Retailers redesign customer journeys (e.g., checkout-free stores) as convenience and experience increasingly drive purchasing decisions	◐
Private label	Consumer trust in private label increases, while retailers are more strategic about their private label portfolio	●
Cost focus	Increasing raw material costs, tariffs, price pressure and online threats drive focus on cost, digitization and automation of core processes	●

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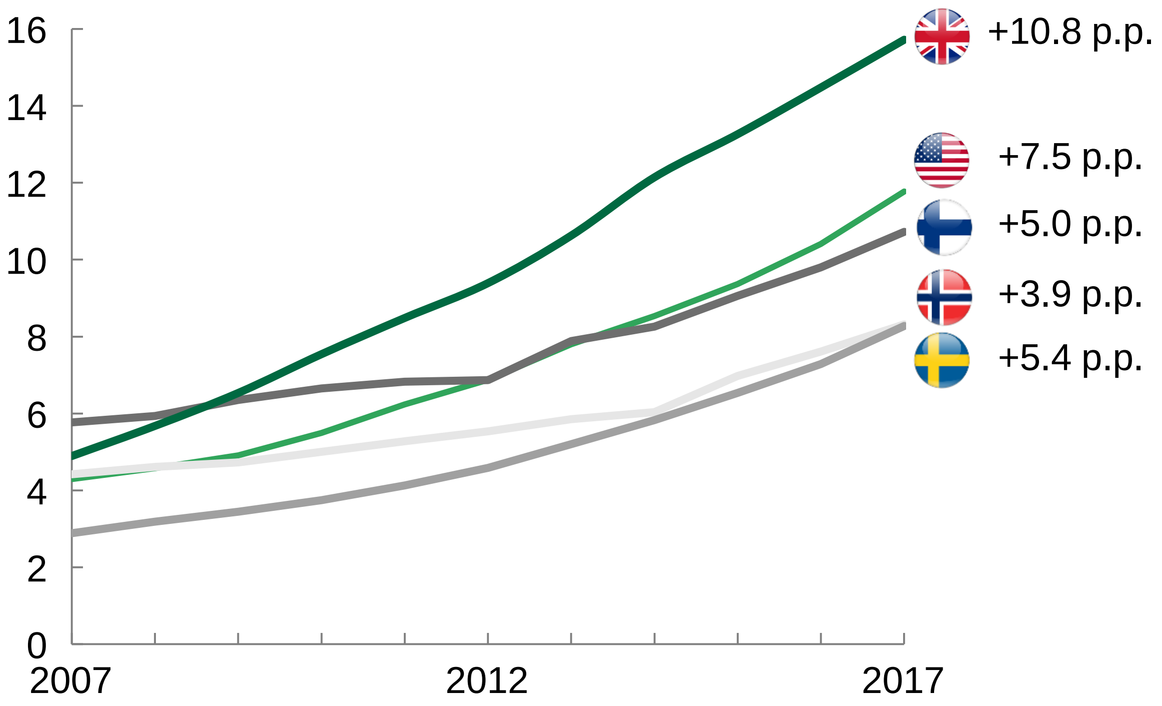
[1] For variety discount retail

In a world of winners and losers, variety retail keeps growing

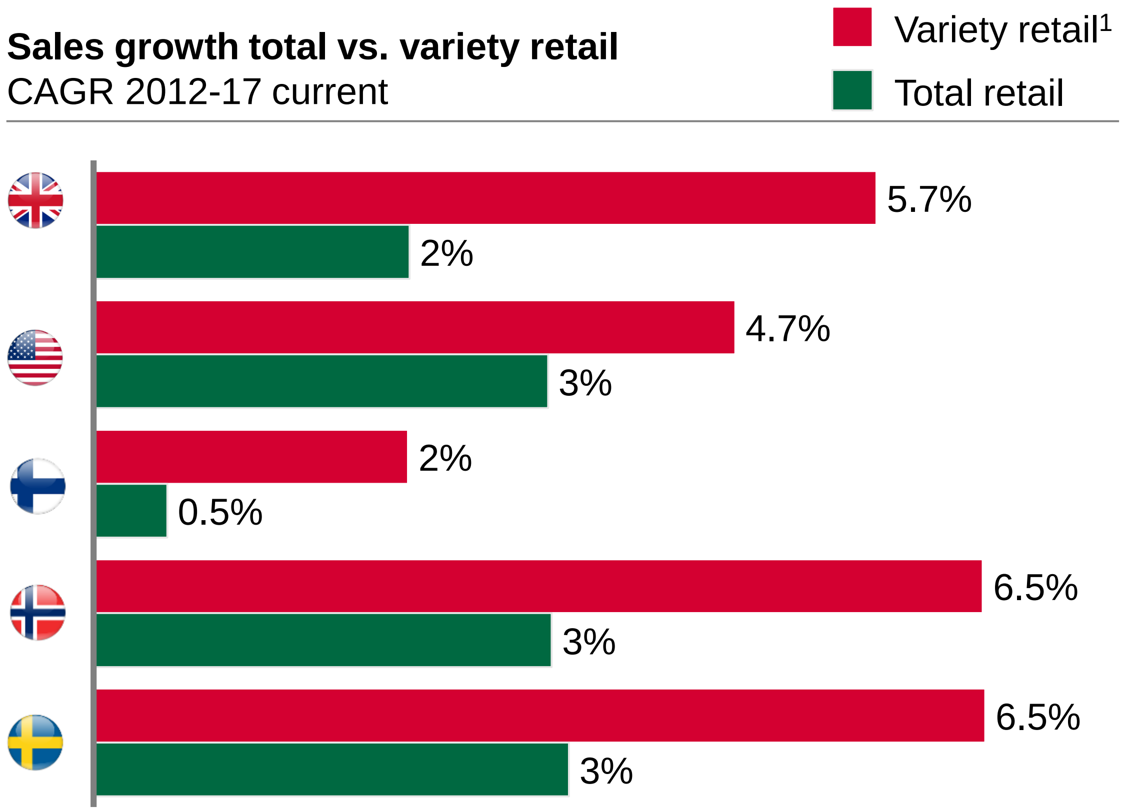
While online is challenging brick-and-mortar …

Online share of retail sales
Percent



… variety retail has grown ~twice the speed of retail overall

Sales growth total vs. variety retail
CAGR 2012-17 current

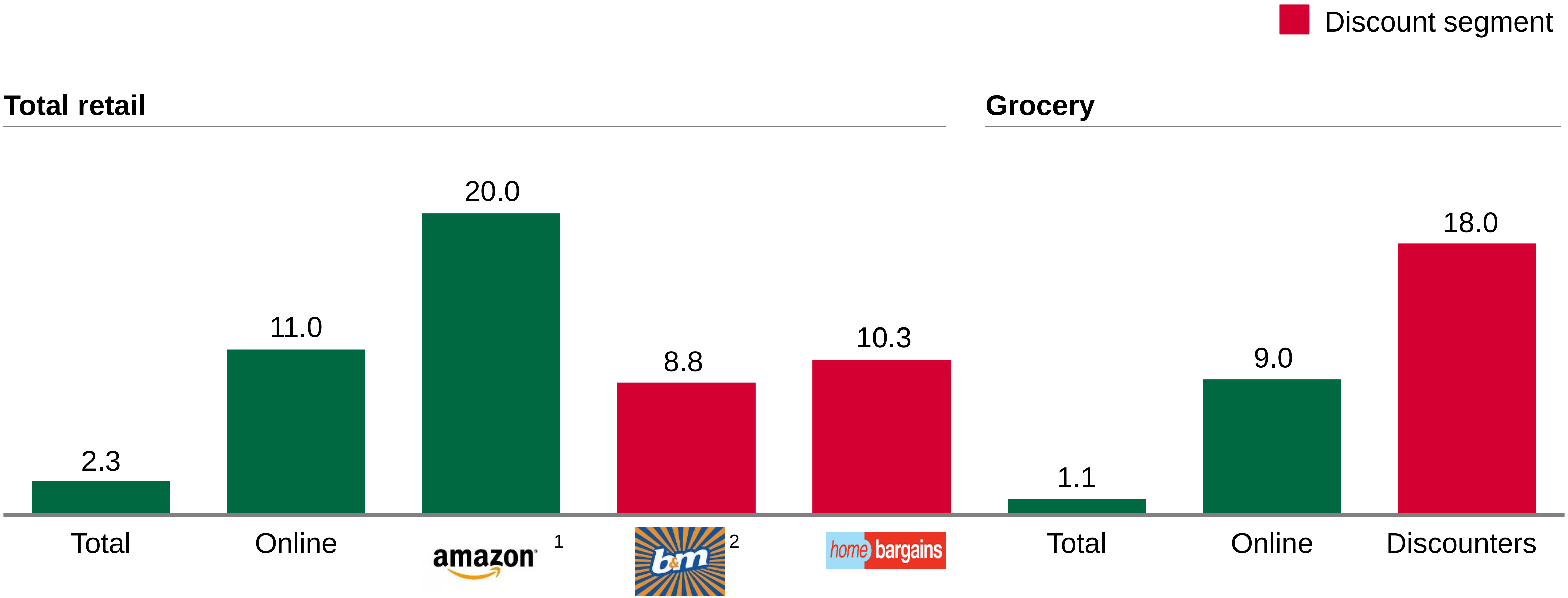


1 General retailers with wide discount assortment

SOURCE: Euromonitor International

While many traditional retailers struggle next to online and Amazon, discount continues to thrive

Historic growth; average CAGR 2012-17 current



1 Total for Amazon 1P and 3rd party sales

2 B&M Bargains changed parent company in 2014

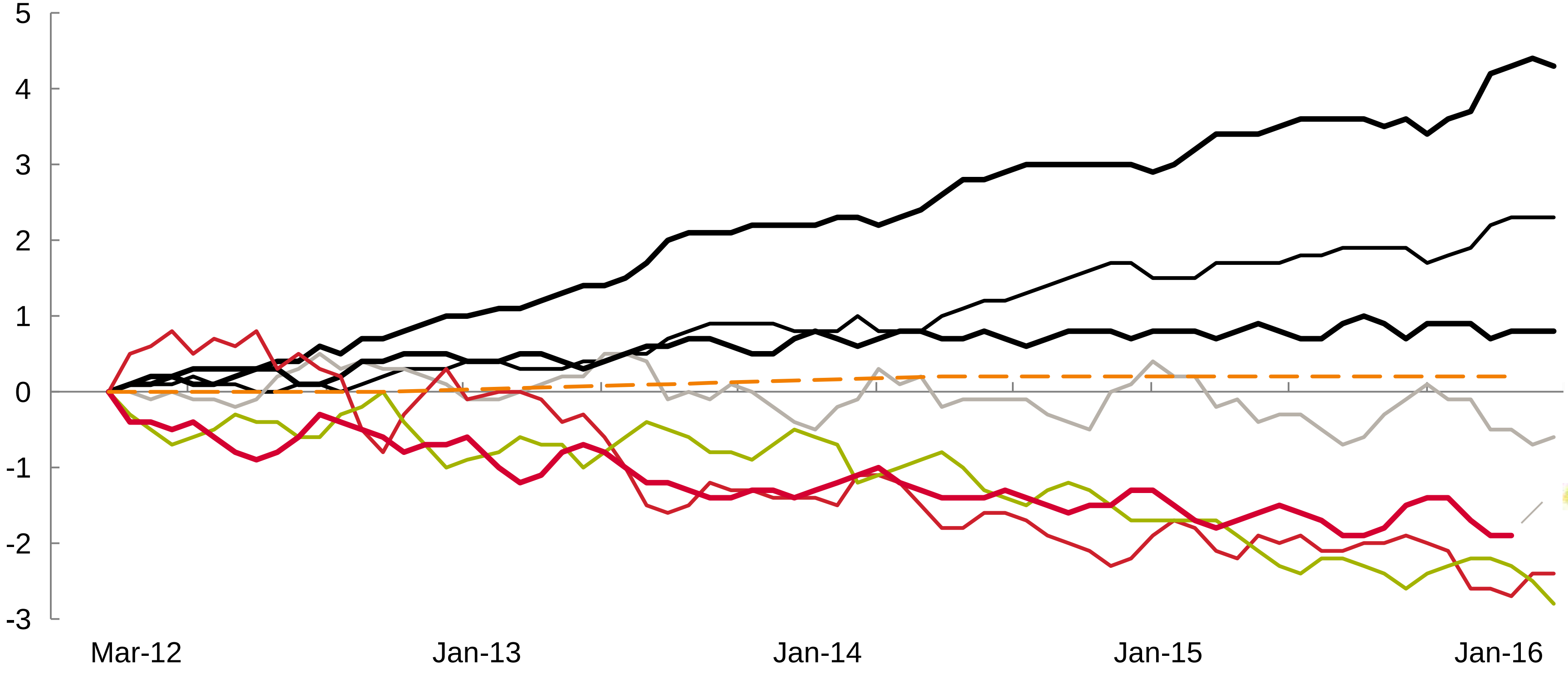
SOURCE: Euromonitor International

This is particularly seen in grocery discounter market with clear bifurcation at the expense of mid-market players

Changes in market share vs. 2012[1]; percentage point change

⬬ Market share change between June 2017 and 2012

x% June 2017 Market share



	Jan-17	Jul-17	
ALDI	4.3	6.9%	**Discounters**
LIDL	2.3	5.0%	
Waitrose	0.8	5.2%	**Premium players**
M&S	0.2	4%	
Sainsbury's	-0.6	15.9%	**Classic super-markets**
MORRISONS	-1.7	10.6%	
TESCO	-2.4	27.8%	
ASDA	-2.8	15.1%	

- Players stuck in the middle are being squeezed, as consumer value proposition is polarizing towards value for money or premium value add
- Discounters lead on price but are also not far off on remaining areas of value proposition

[1] Excludes independents

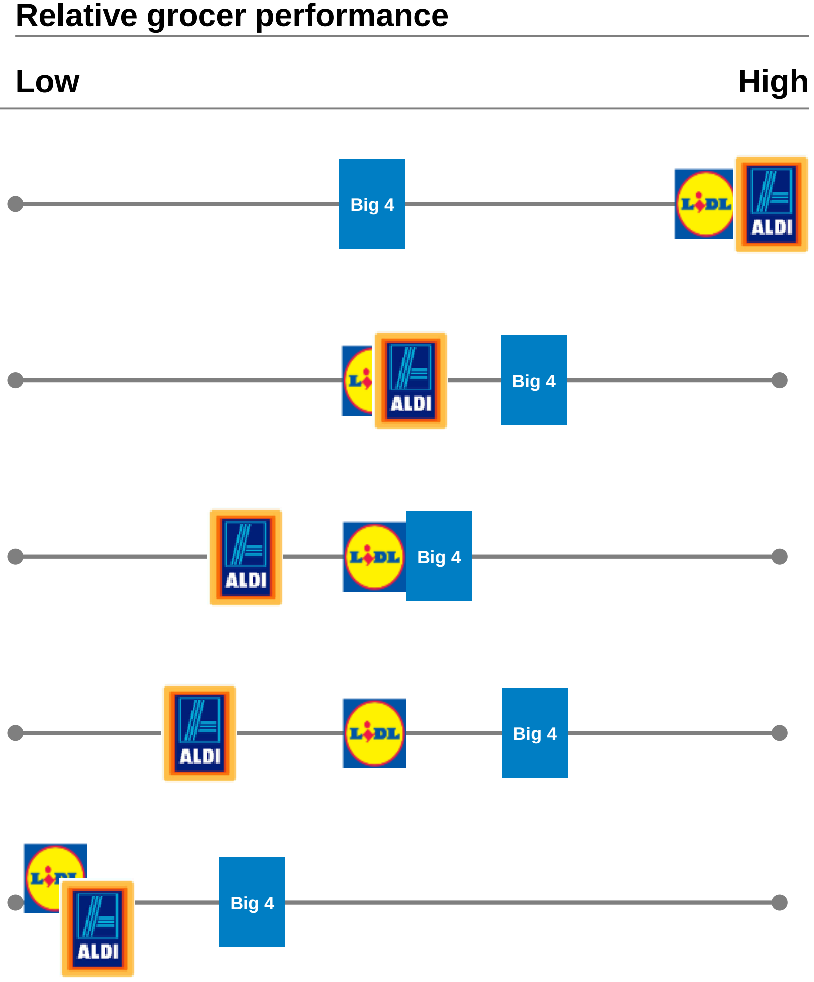
SOURCE: Kantar Worldpannel

Discounters lead on price but are also not far off on remaining areas of value proposition

Big 4 Performance of "Big 4" LIDL Performance of Lidl ALDI Performance of Aldi

	Importance to customers[1]
Price	High
Quality & range	High[2]
Convenience	Medium
Ambience	Low[3]
Service	Low[3]

Relative grocer performance



Cost of a grocer 33 basket index: TESCO

	Average 2013-16	Average 2017
Sainsbury's	102.7	104.0
Tesco	100.0	100.0
Morrisons	99.3	100.4
Asda	94.1	96.0
Aldi	78.7	78.8

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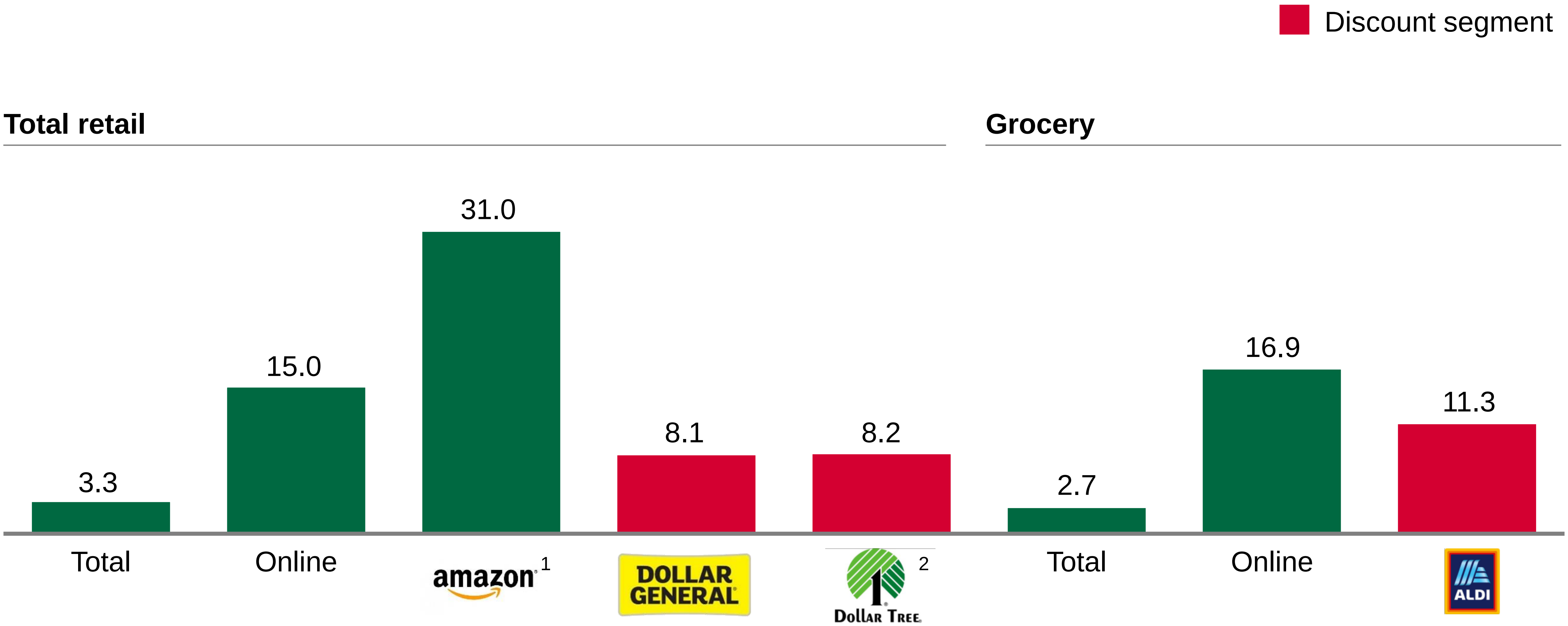
1 Based on Customer Importance survey results from Nielsen
2 Range and quality metrics score highly in Nielsen customer importance surveys, behind only price and value
3 "Store is clean and tidy" and "Helpful staff" are, respectively, the second least and least important drivers of customer choice according to Nielsen

SOURCE: Which; Verdict; Nielsen customer importance survey

Similar patterns can be observed in the US

Historic growth; average CAGR 2012-17 current

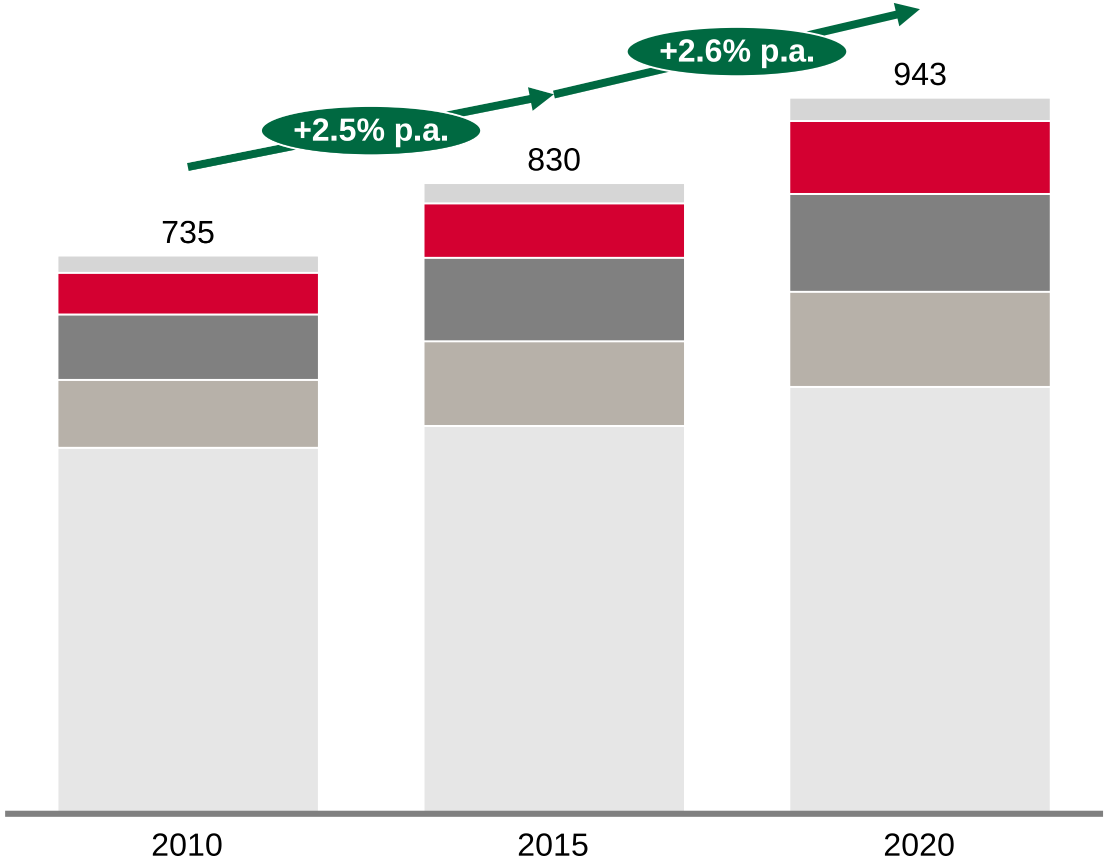


1 Numbers for Amazon as a 3rd party grosser, excluding Wholefoods
2 Dollar Tree stores, not Dollar Tree Inc.

SOURCE: Euromonitor International

Discounters and dollar stores outpacing overall 'brick-and-mortar' grocery market growth by 2x in the US

U.S. grocery market[1] growth; USD billions



Channel	CAGR 2010-15[2]	CAGR 2015-20[2]
Convenience (w/o gas)	3.2%	3.2%
Discounters and dollar stores	5.5%	6.0%
Wholesale club	5.0%	3.2%
Supercenters (grocery only)	4.5%	2.4%
Other (Drug)	2.5%	2.8%
Supermarket	1.2%	1.9%

Main growth drivers:

- Access to new customers through aggressive store openings
- Value and quality combination increasingly apparent to customers, driving Like-for-like growth
- Increased focus on improving customer experience to strengthen value proposition

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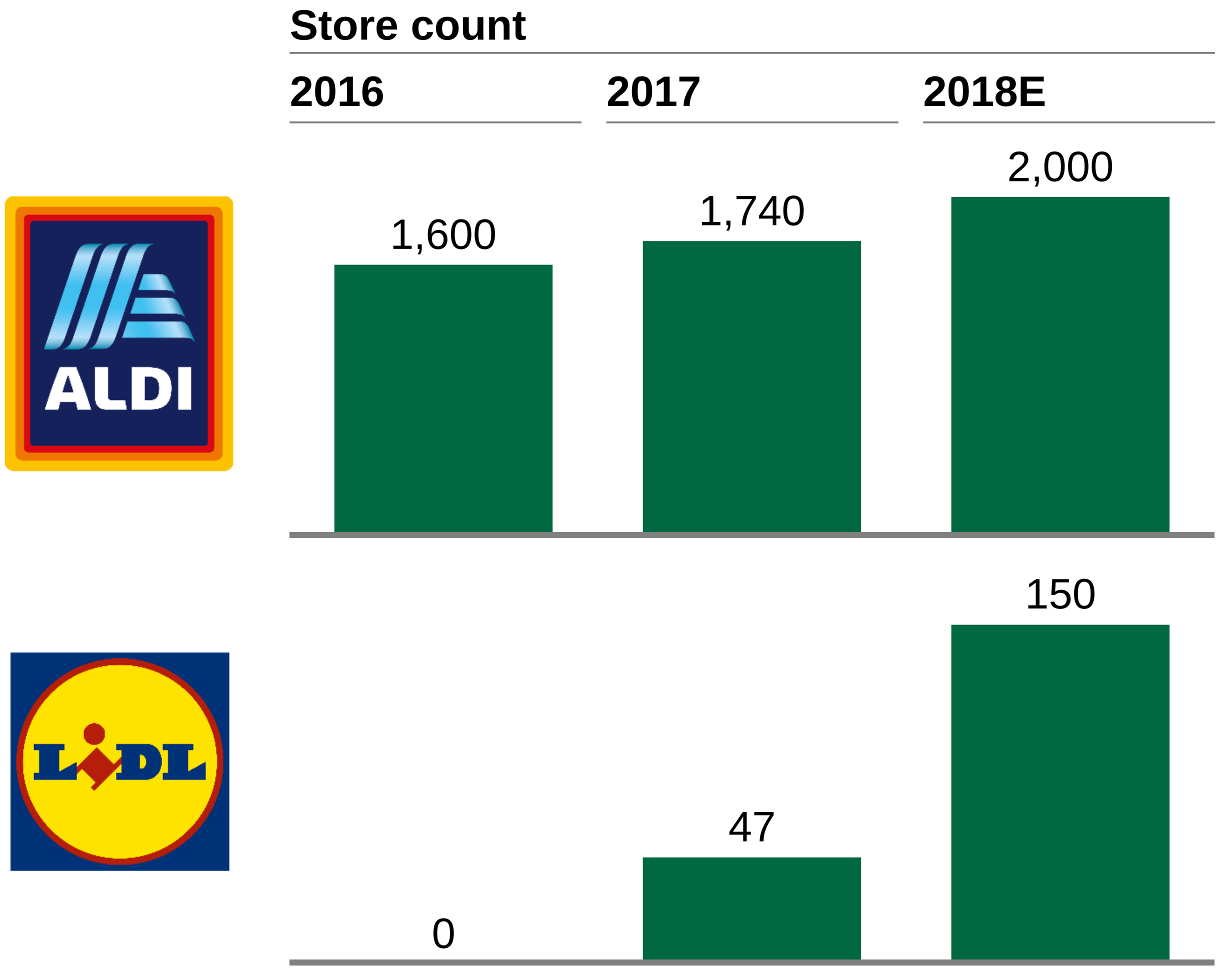
1 Only includes store-based grocery retailing; does not count internet sales
2 Constant FX

SOURCE: Euromonitor International; Kantar; Willard Bishop

This is mainly driven by aggressive footstore expansion by Aldi and Lidl

Aldi and Lidl store expansion plans



Expansion plans

- Announced plans to invest USD 3.4 billion to increase US store base to 2,500 by 2022
- In addition, Aldi will invest USD 1.6 billion to remodel 1,300 existing stores to enhance shopping experience

- Opened its first US store in June 2017; by December almost 50 stores were open
- Lidl originally planned to open 100 stores by summer 2018, then increased target to 150 in response to Aldi expansions

SOURCE: Press; Aldi; Lidl

Case study: Dollar General

Business description

- Dollar General helps shoppers Save time. Save money. Every day! by offering products that are **frequently used and replenished** at **everyday low prices in convenient neighborhood locations**
- Dollar General sells products from **America's most-trusted manufacturers** such as Clorox, Energizer, Procter & Gamble, Hanes, Coca-Cola, Mars, Unilever, Nestle, Kimberly-Clark, Kellogg's, General Mills, and PepsiCo
- Consumables account for 77% of sales, seasonal 12%, home products 6% and apparel 5%

Brief history

- Has its origins in 1939 as Turner's Wholesale
- In 1945 they began sGerving customers directly through junior department stores
- Renamed in 1955 as Dollar General
- DG became public in 1968, was taken private in 2007 and then became public again in 2009

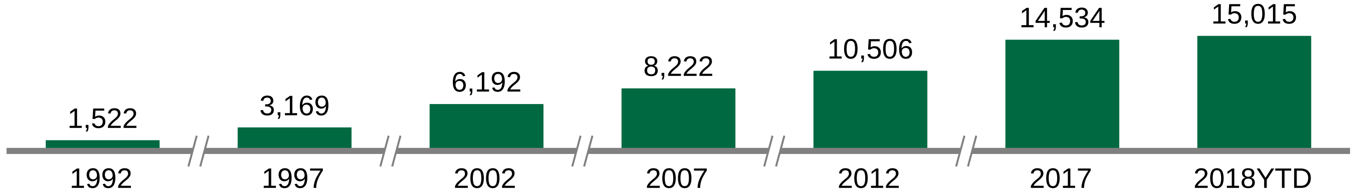
Quick facts

- **Ownership**: Public – trades under DG at NYSE
- **Market cap**: USD 28 billion (as of Oct 31st, 2018)
- **Stock price**: USD 111.38 (as of Oct 31st, 2018) + 21% YTD
- **CEO**: Todd Vasos
- **Number of stores**: 15,015
- **Geographic footprint**: 44 US states
- **DCs**: 15

Recent news

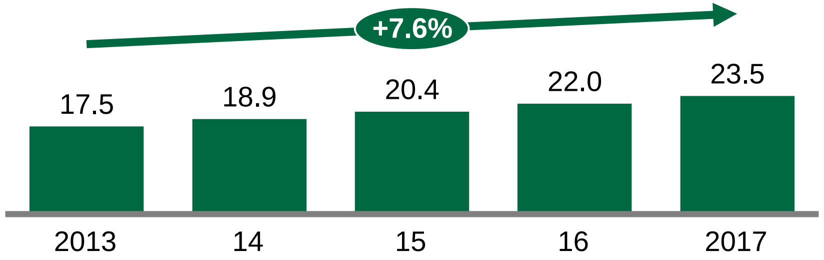
- Mar 2018 – DG expects overall sales to increase 9% in FY2018 and plants to open 900 stores, remodel 1000 store and relocate 100 stores
- Feb/2018 – DG appointed Tim McGuire and Ralph Santana to its **board of directors**
- Dec/2017 – DG announced plans to build a second DC with area of 1,000,000 sq ft in Longview, Texas. It will create 400 new jobs and serve approximately 1,000 Dollar General locations in Texas and the southeast

Store evolution

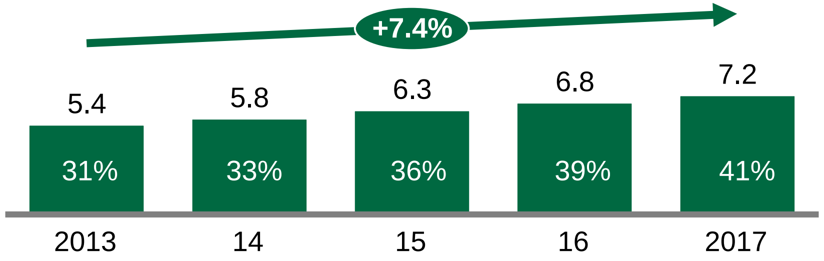


Financials

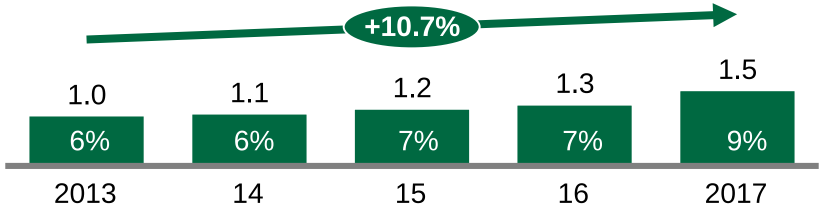
Net sales
USD billions



Gross profit
USD billions



Net income
USD billions



SOURCE: Annual report; company website

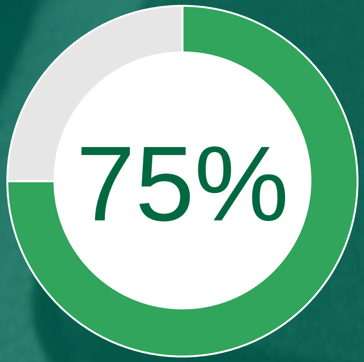
US & UK trends

Consumer preferences

Implications for variety discount

Customers are fully embracing online …

2017



of all Norwegian consumers shopped online

Online retail in Norway grew 13.5%

4/10 of online purchases in Norway were done via mobile

SOURCE: SSB; Virke

… but variety discount and grocery has been less exposed to online so far

Grocery & variety retailers do not accelerate online experience …

Challenging economics

In variety discount formats due to lower basket size and margins

Last-mile is complex

As logistics, handling and delivery costs are complex in Norway and variety discount in particular

… while customers value convenience and omni-channel experience

Customers value convenience

Access to extensive store network and broad assortment **maintains convenience factor vs. online**

Omni-channel experience

60% of customers in Norway have done research online before making the purchase in physical store

SOURCE: Customer surveys; McKinsey iConsumer, PostNord e-commerce report 2018

Still, changing consumer behavior is increasing expectations across the board also in Norway

Europris MER TIL OVERS

Connected

99%

of people aged 12-49 owning a smartphone

Always “on”

>2

hours spent online every day

Well-informed

6/10

compare prices and read online reviews online before making purchase

For me

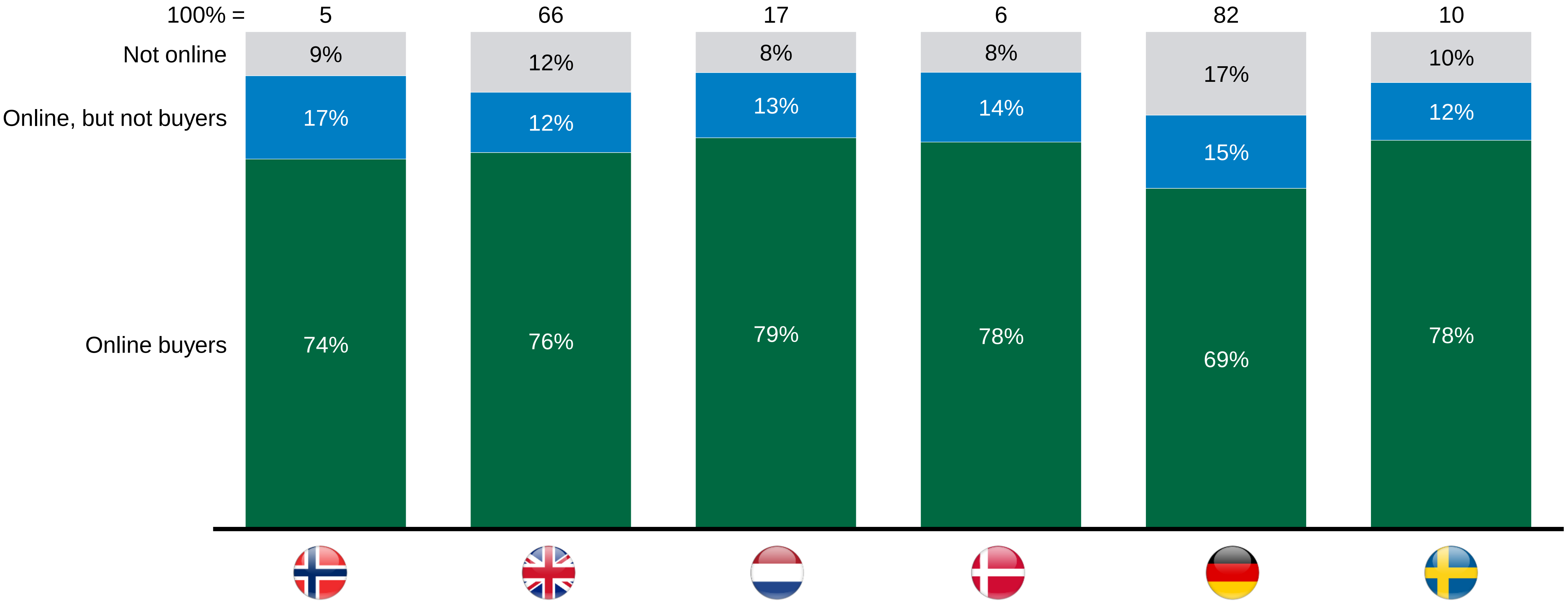
5/10

think apps and online content should be personalized for them

SOURCE: Kantar; Norsk Mediebarometer fra Statistisk sentralbyrå; Telenor Research; Ehandel i Norden 2018 PostNord

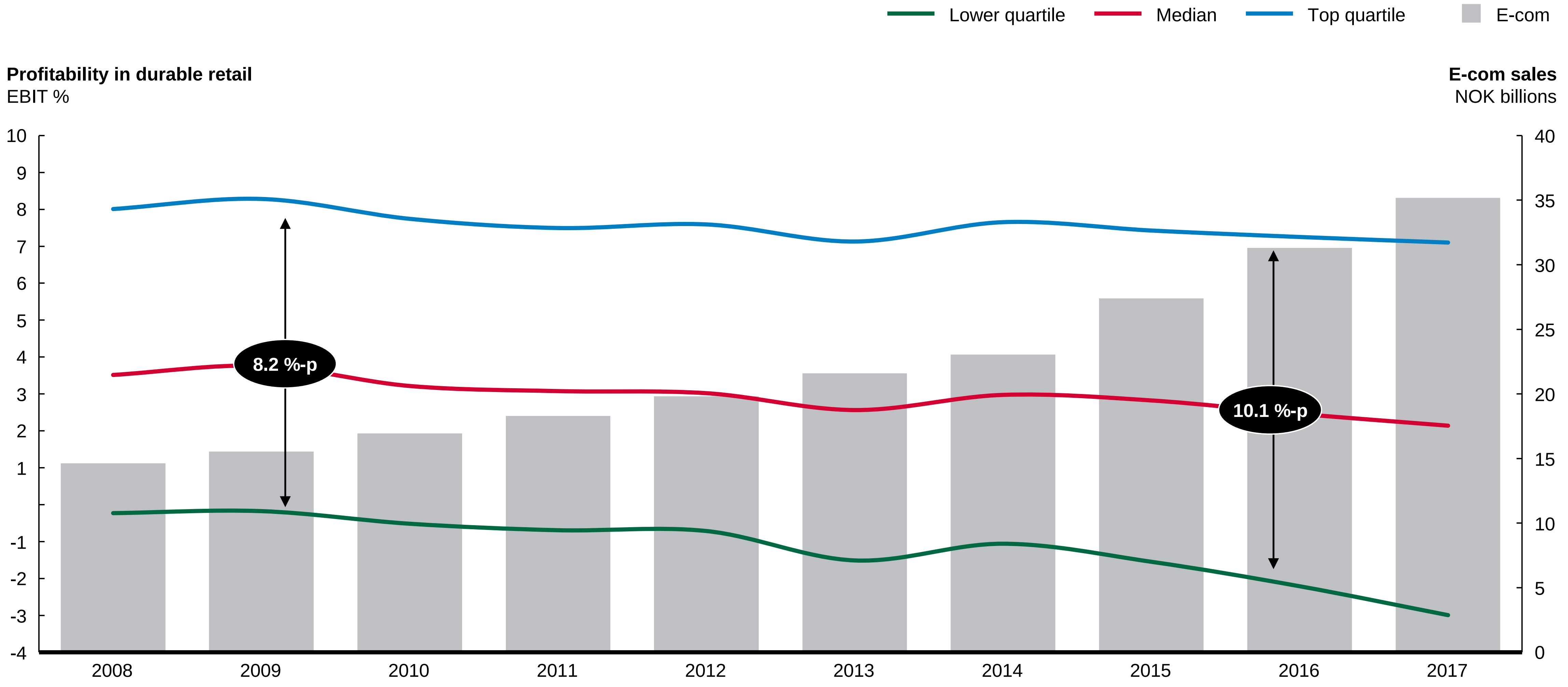
We are a “digital” nation, but with a lower share making purchases online compared to other markets

Digital propensity of consumers across markets; % of population



SOURCE: Forrester

The online development is likely to fuel continued growing difference between winners and losers



1 Based on search in Odin on Norwegian companies in industry classifications 474-477 (i.e. all retail excluding grocery retail, fuel retail and non-store retail)

SOURCE: Odin; Euromonitor International

US & UK trends

Consumer preferences

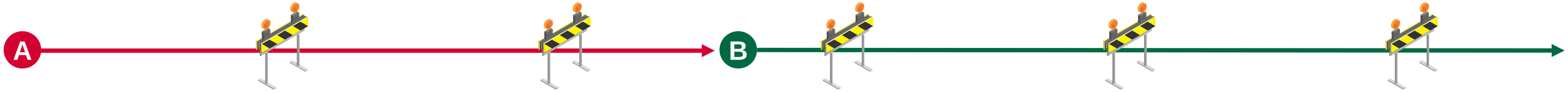
Implications for variety discount

Many changes are positive for discount variety retail and Europris in particular

Europris
MER TIL OVERS

Online and omnichannel	- Omni-channel and eCRM provides consistent, “phygital” customer journeys - Improved access to attractive locations and lower rental prices
Retail bifurcation	- Distinct value proposition of low prices and large variety has proven successful in the UK – fueled with digital marketing
Experience and convenience	- Extensive store network, with a broad one-stop-shop assortment and increasing footprint – been successful in the US for, e.g., Lidl/Aldi
Private label	- Successful variety discounters offer a unique and broad assortment of quality own brand merchandise
Cost focus	- Europris has built warehouse and lower supply chain costs to drive profitability - Increased purchasing power through Tokmanni and ÖoB drive lower COGS - The Norwegian toll-free limit restricts cross-border competition

Historically several barriers have prevented online discount variety retail at scale



Operational barriers

Operational execution

Efficient order fulfillment and delivery at stated time have been barrier to entry for many potential customers

Last mile infrastructure

There has been a lack of commercially available Last Mile solutions

Commercial barriers

Consumer preferences

Consumers indicate they would buy more online if retailers could fix the basics

Omnichannel experience

Cumbersome omnichannel experience has not answered to all the customer needs - but barriers of entry have limited customer entry to market

Profitability

So far, online grocery has been barely profitable – however, the situation is likely to improve if (e.g., delivery) costs went down

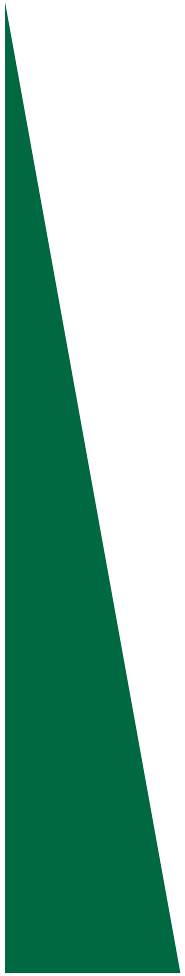
SOURCE: McKinsey & Company – The future of last mile

Ⓐ Last-mile example: Only a few of the current and potential Last Mile methods are used at the moment

Europris MER TIL OVERS

🟩 Commercially available 🟨 Pilots ongoing 🟥 In R&D

☐ Dedicated to grocery deliveries

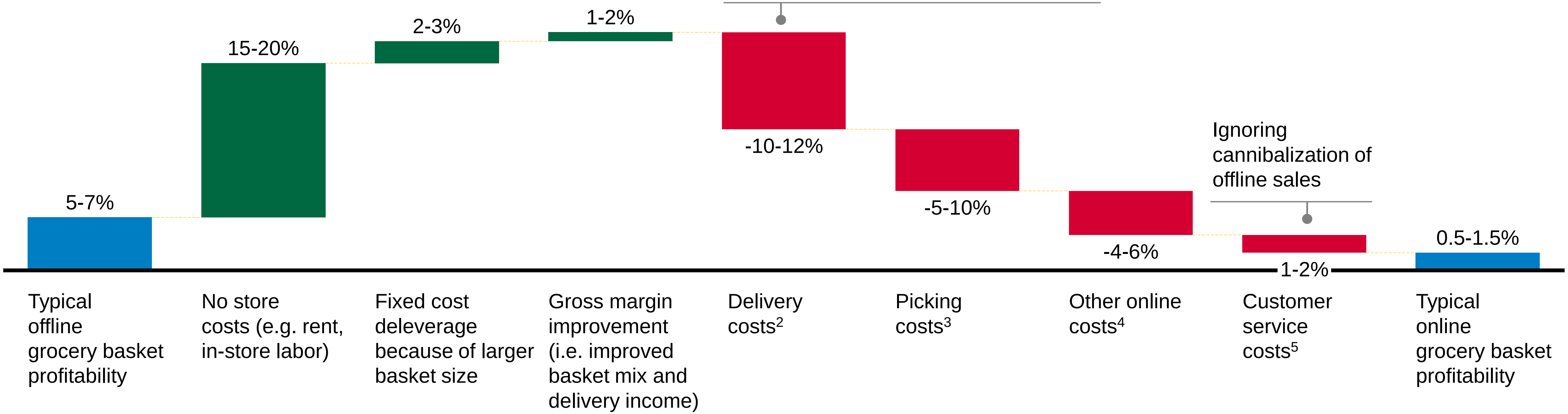
Degree of automation		Last Mile solutions		Users and technology producers or developers
	① 	**Regular delivery vans**	🟩	Common Last Mile solution currently used by most online grocers
	② 	**Bike couriers**	🟩	DELIVEROO foodora gnewt cargo DHL
	③ 	**Crowd sourced (cars, vans)**	🟩	MYWAYS instacart UBER EATS Walmart
	④ 	**Semi-autonomous delivery**	🟥	CHARGE VOLVO WAYMO SCANIA
	⑤ 	**Droids**	🟥	STARSHIP dispatch making delivery smart JUST EAT Domino's POSTMATES
	⑥ 	**Drones**	🟥	Google amazon Prime Air Alibaba.com MATTERNET
	⑦ 	**Autonomous delivery**	🟥	Google Ford DAIMLER nauya

SOURCE: McKinsey & Company – The future of last mile

ILLUSTRATIVE

B Profitability example: Economics of online grocery are challenging

Basket profitability of online grocery[1], % of sales



Assuming home delivery; if 50% of these costs are cut, online grocery becomes at least as profitable as traditional grocery

Ignoring cannibalization of offline sales

- Current online grocery basket profitability is only ~1%, but if half of the delivery costs can be cut, online will become as profitable as offline grocery
- Calculation assumes dark store picking and a basket size of around EUR 100 – country specifics to be taken into account

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[1] Dark store picking; home delivery operating model

[2] Includes vans cost and delivery payroll

[3] Picking payroll, property expense, replenishment

[4] IT, credit card fees, marketing;

[5] Iincludes rebates paid to customers for poor quality goods or bonuses for delayed deliveries

SOURCE: McKinsey & Company – The future of last mile and The Future of online grocery