

Q2 and first half year 2023 presentation

13 July 2023

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Norway's #1 discount variety retailer



Strong brand and loyal customer base



Low prices and powerful marketing and campaign engine



Proven category management model



Expanding store network and e-commerce operation



280
stores

Our growth story

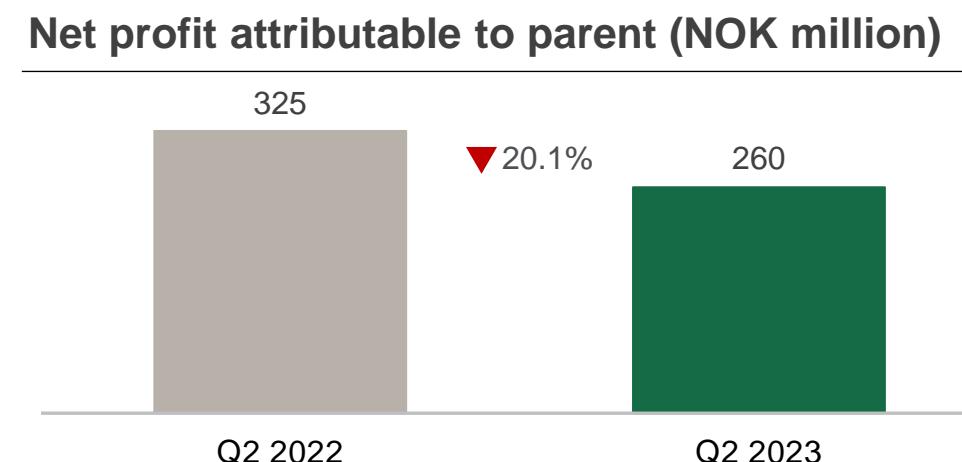
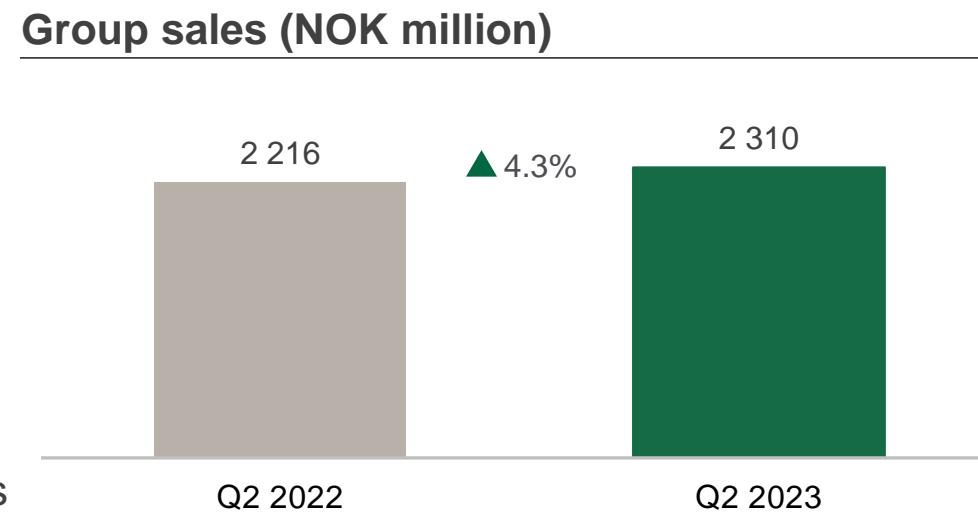
NOK 9.6bn



Note: sales for the Europris chain (directly operated and franchise stores), Lunehjem (consolidated as of March 2021), Lekekassen (consolidated as of August 2021) and the Strikkemekka group (consolidated as of July 2022)

Continued sales growth in a competitive market

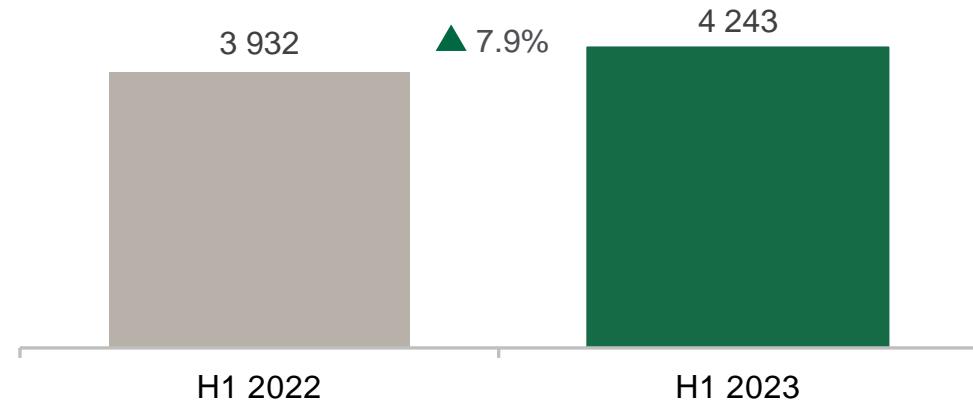
- Total sales of NOK 2,310m, up 4.3%
 - Sales increase of 2.7% excluding Strikkemekka
 - Like-for-like sales growth of 1.1% for the Europris chain
 - Negative impact from earlier Easter and a slow start to the quarter
- Gross margin of 44.5%, down 3.7%-p
 - Higher input costs and price competition for consumables
- Opex-to-sales ratio of 21.5%, down 0.2%-p
- EBITDA of NOK 531m, down 9.8%
- Net profit to parent of NOK 260m (325m)
 - Positive effect from interest rate swaps of NOK 22m (positive at NOK 12 million)
- Refinancing completed (3+1+1 years)



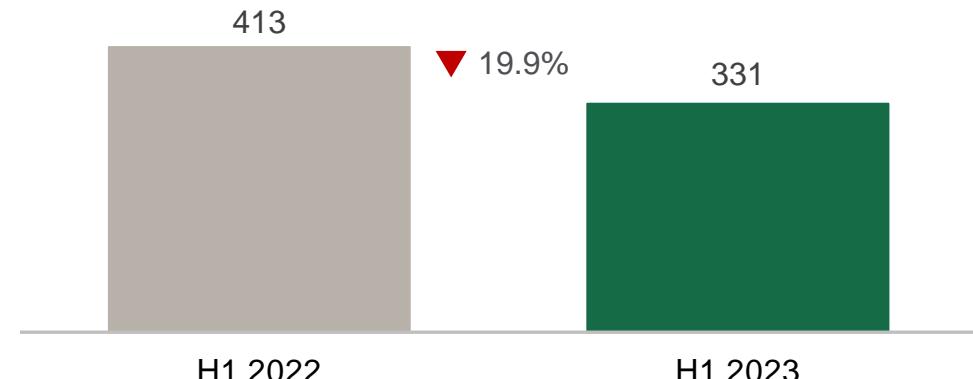
First half year

- Total sales of NOK 4,243m, up 7.9%
 - Sales up 5.7% excluding Strikkemekka
- Gross margin of 44%, down 2.5%-p
- Opex-to-sales ratio of 24.2% (24.5%)
- EBITDA of NOK 842m, down 2.8%
- Net profit to parent of NOK 331m, down 19.9%
- Earnings per share of NOK 2.05 (2.57)
- Cash and liquidity reserves of NOK 1,005m (1,000m)

Group sales (NOK million)



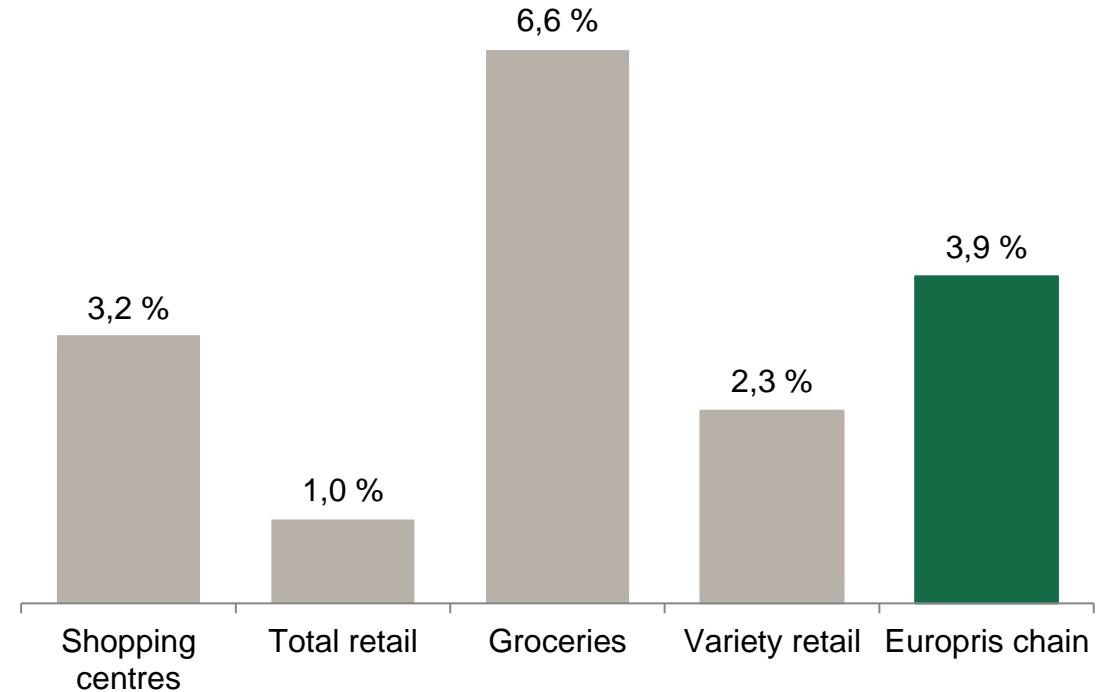
Net profit attributable to parent (NOK million)



Highly relevant concept

- Highest growth for groceries, which showed negative growth last year
- Europis growth continues to outperform variety retail
- One less shopping day this year

Retail sales - Jan-May*, year-on-year growth %**



* Market data as of 30 June not available at time of reporting

** Source: Kvarud analyse, Shopping Centre Index, Virke retail index (using figures reported by statistics Norway)

Note: Europis chain is all stores, both directly operated by the group and the franchise stores

Financials

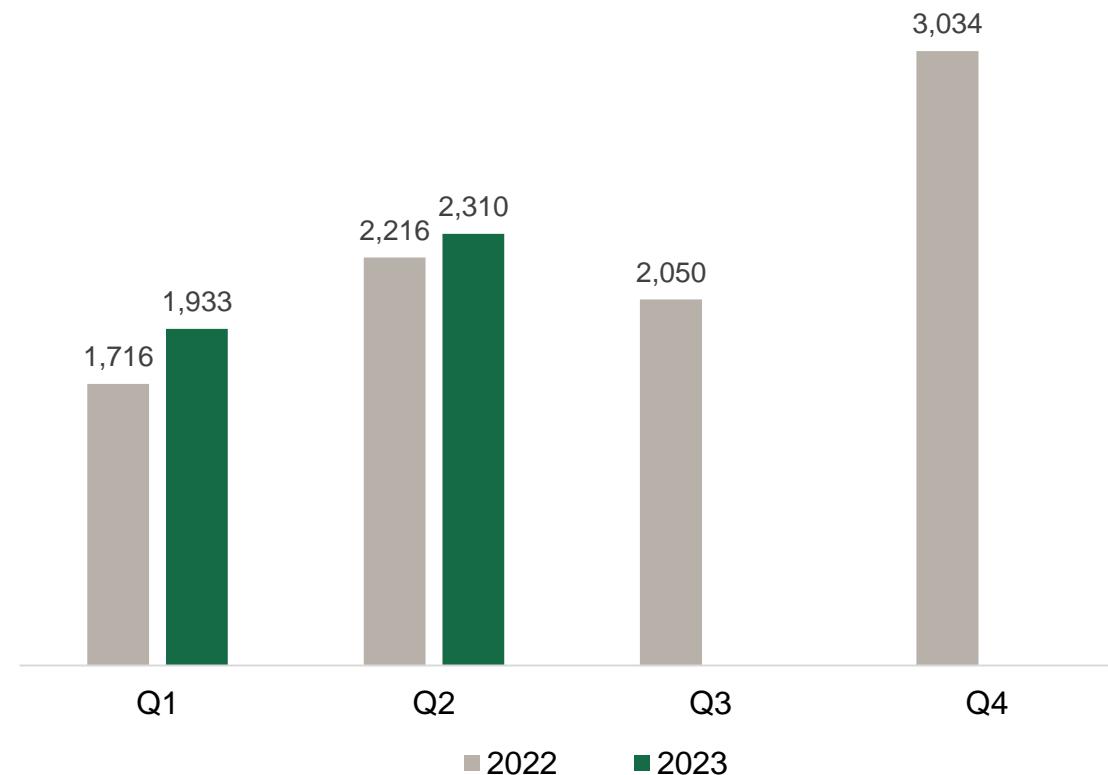
CFO Stina C Byre

Sales in Q2 negatively impacted by timing of Easter

Europ*ris*
MER TIL OVERS

- Group sales of NOK 2,310m, up 4.3%
 - Increase of 2.7% excluding acquisition of Strikkemekka
- Like-for-like sales increase of 1.1% for the
Europ^{ris} chain*
 - Earlier Easter and one less sales day this year had a
negative impact on Q2
 - Slow start in April, improving in May and June
 - Higher footfall in May and June
 - Sales decline for higher-valued seasonal items
but growth for lower-valued seasonal accessories
 - Higher sales growth for consumables than non-food

Total group sales (NOK million)

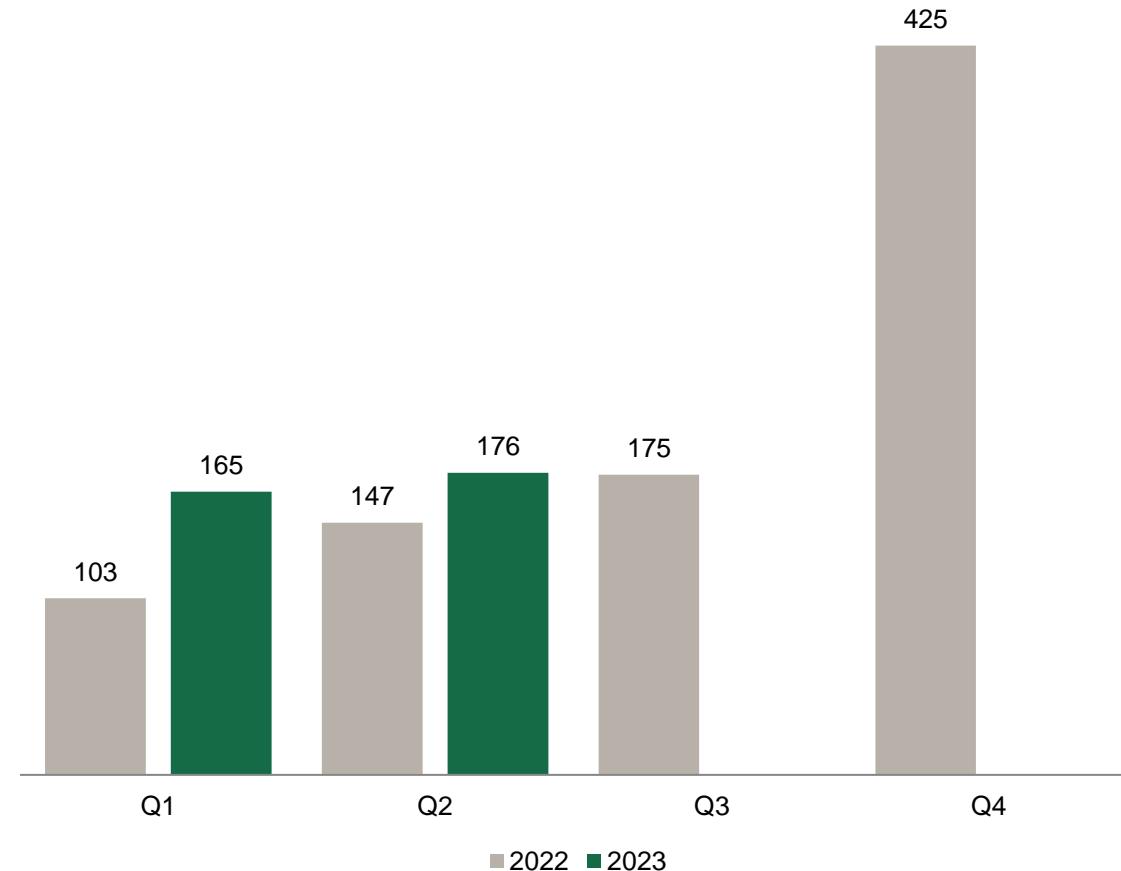


* All Europ^{ris} stores, both directly operated by the group and the franchise stores

Strikkemekka acquisition adds to online sales

- Total e-com sales of NOK 176m (147m)
 - Decline of 2.6% excluding acquisition of Strikkemekka
 - Accounting for 7.6% of group sales
- Strong quarter for Lekekassen in Sweden and Denmark, decline in Norway
- Sales decline for Strikkemekka
- Product range at [Europ](#)ris.no narrowed based on customer sales and search history
 - Majority of range in selected categories and seasonal range to be available for online shopping

E-commerce sales* (NOK million)

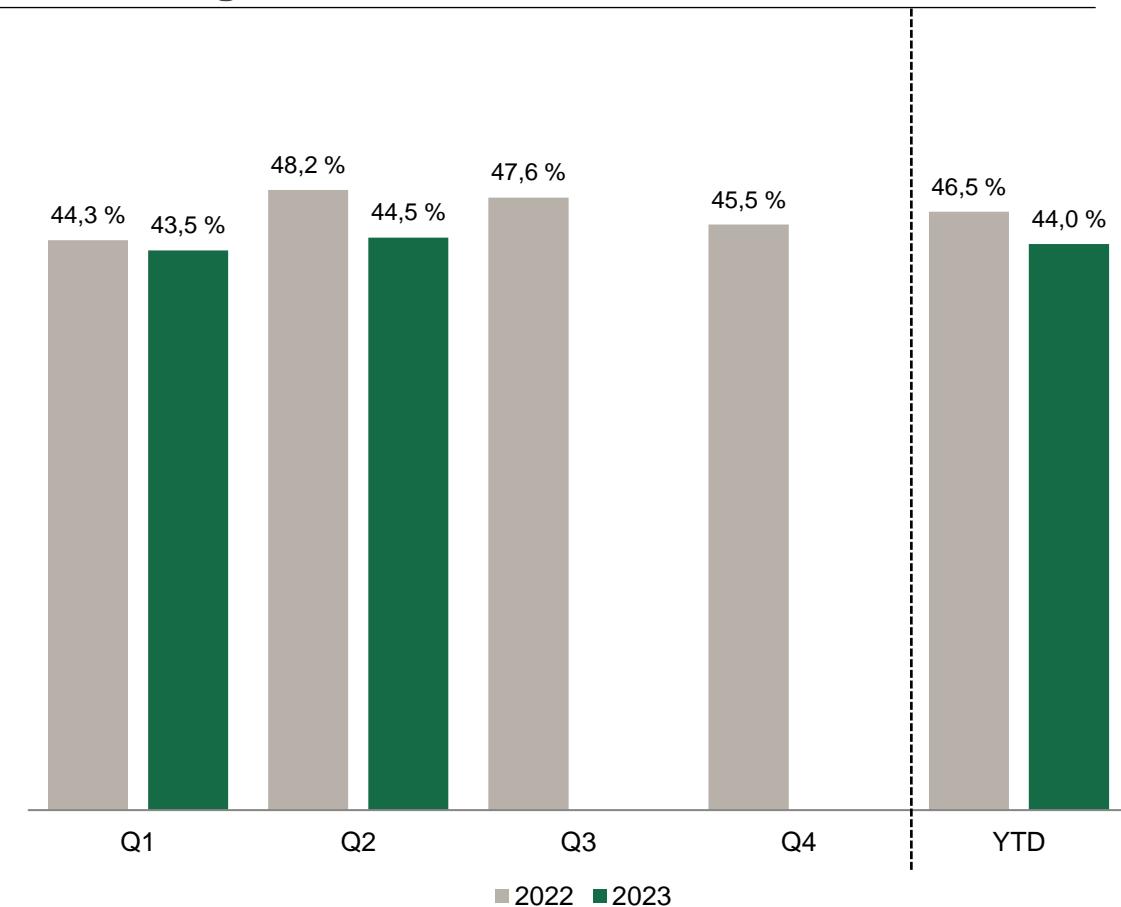


* [Europ](#)ris.no, Lunehjem (from March 2021), Lekekassen (from August 2021) and the Strikkemekka group (from July 2022)

Gross margin fell from the record-level last year

- Gross margin of 44.5%, down 3.7%-p
 - Higher input costs paired with price competition for consumables this year
 - Campaigns supporting volumes of higher-valued seasonal items, in addition to negative cost effect on seasonal carry-overs from last year
 - Gross margin still above pre-pandemic level
- Unrealised currency loss of NOK 8m on hedging contracts (gain of NOK 20m)
- Changed timing of booking of calculation differences, NOK 20m booked in Q2 this year
 - Last year, calculation differences were booked in Q3 and Q4

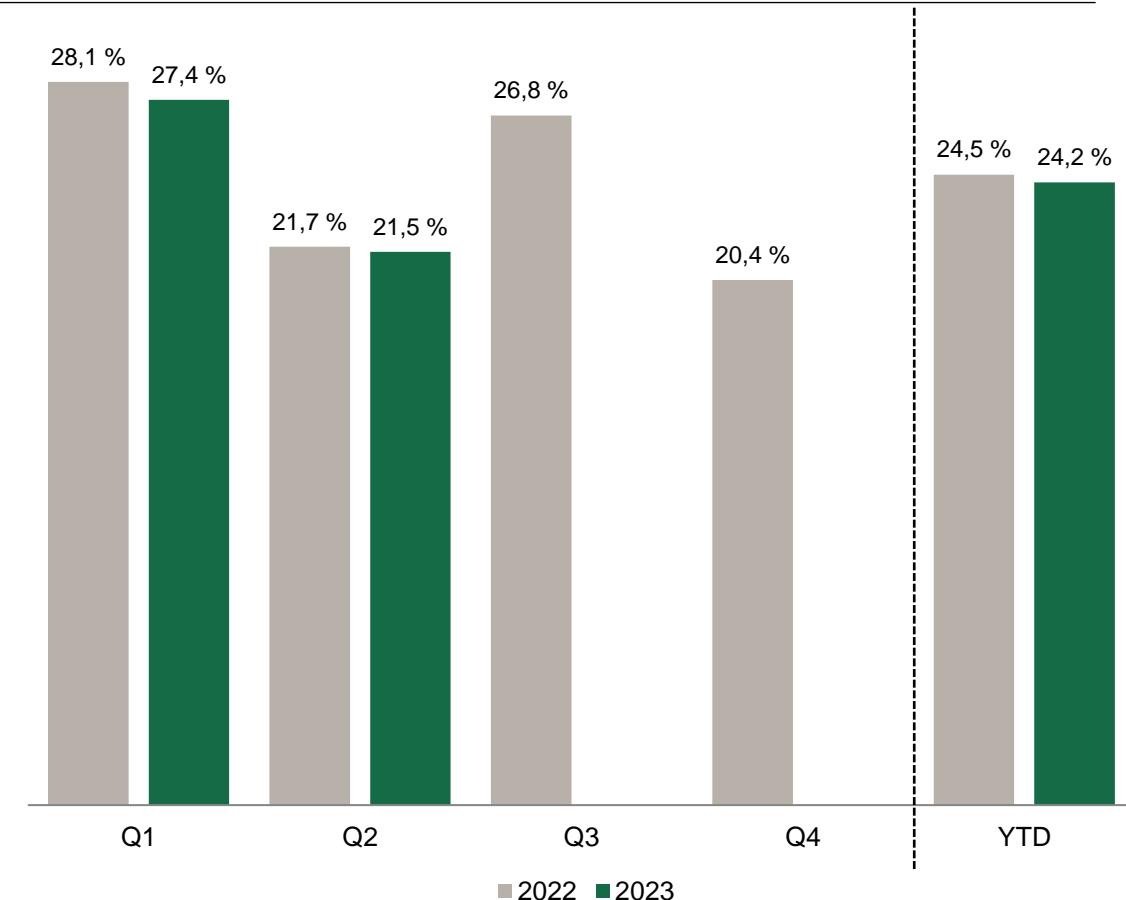
Gross margin



Slightly improved opex-to-sales ratio

- Opex of NOK 497m, up 3.6%
 - Increase of 0.1% excluding acquisition of Strikkemekka
 - Reduction of variable cost elements in line with lower volumes, and lower costs for transportation to stores
 - Increased number of directly operated stores, from 247 to 255
- Opex-to-sales ratio of 21.5% (21.7%)

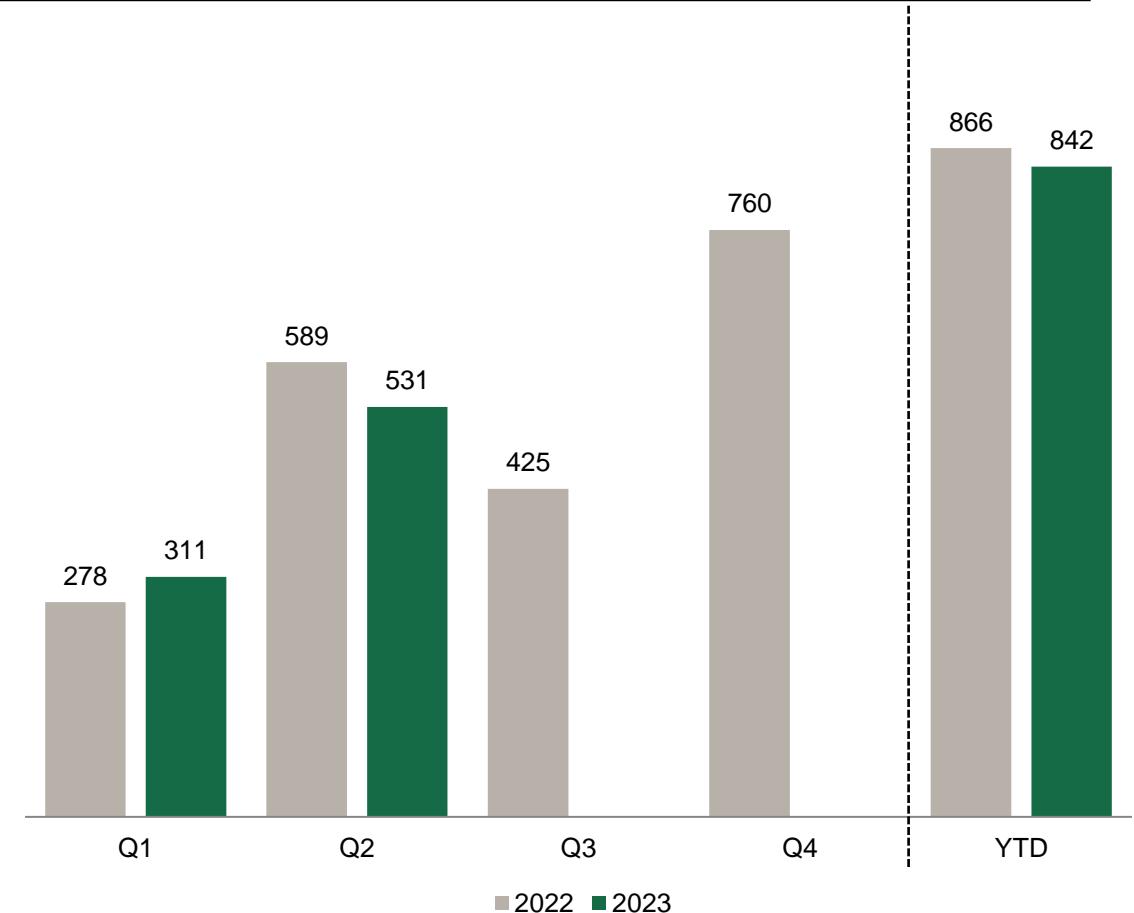
Opex-to-sales ratio



EBITDA decline from lower gross margin

- EBITDA of NOK 531m, down 9.8%
 - Lower gross margin - from record level last year
- EBITDA margin of 23% (26.6%)

EBITDA (NOK million)



Solid financial position

- Cash from operating activities was NOK 208m (-8m)
 - Last year inventory was negatively affected by increased purchase prices and excess volumes of seasonal items, while inventory this year is normalised
- Net change in cash of NOK -593m for the first half (-603m)
 - Acquired remaining 33% of Lekekassen for NOK 212m
 - Paid dividend of NOK 604 (644m)
- Net debt* of NOK 4,251m (3,954m)
 - Net debt excluding lease liabilities of NOK 1,617m (1,475m)
- Solid financial position with cash and liquidity reserves of NOK 1,005m (1,000m)
- Refinancing completed 30 June (3+1+1)
 - Retained facilities for term loan (NOK 1bn) and RCF (NOK 1.2bn)

Cash flow, NOK million	Q2 2023	Q2 2022	YTD 2023	YTD 2022
Cash from operating activities	574	426	208	(8)
- of which change in net working capital	195	15	(267)	(583)
Cash used in investing activities	(23)	(38)	(310)	(41)
Cash from financing activities	(648)	(415)	(491)	(554)
Net change in cash	(97)	(27)	(593)	(603)
Cash at beginning of period	(31)	(6)	464	570
Cash at end of period	(128)	(33)	(128)	(33)

* From the first quarter of 2023 lease liabilities include both non-current and current lease liabilities, and last year figures are restated to also include current lease liabilities

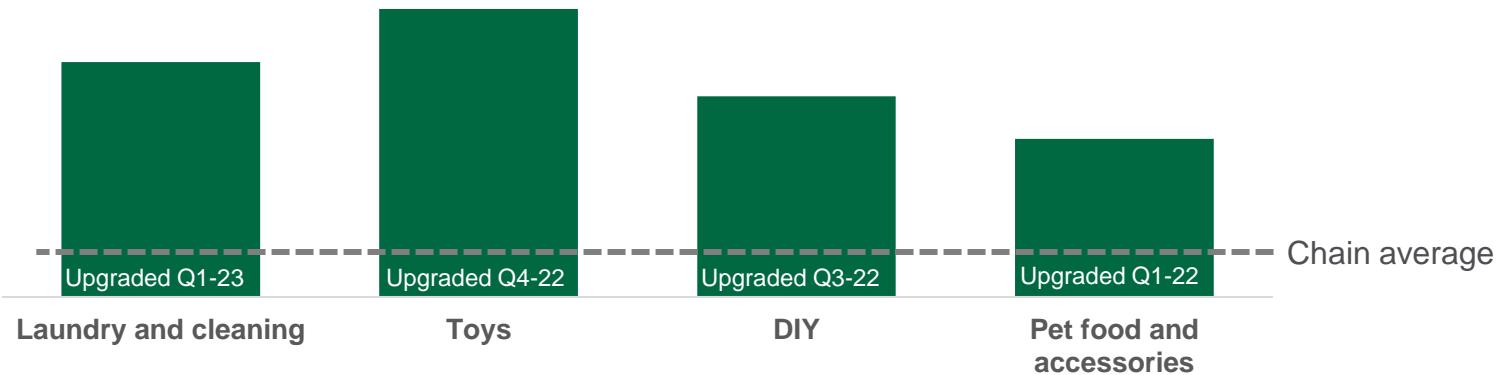
Our key strategic focus areas



Category upgrades and the summer season had a positive impact on sales

- Above average growth for recently upgraded categories
- Summer – an important season driving footfall to stores
 - Lower sales for higher valued items but sales increase for seasonal accessories

Sales growth Q2-23, %

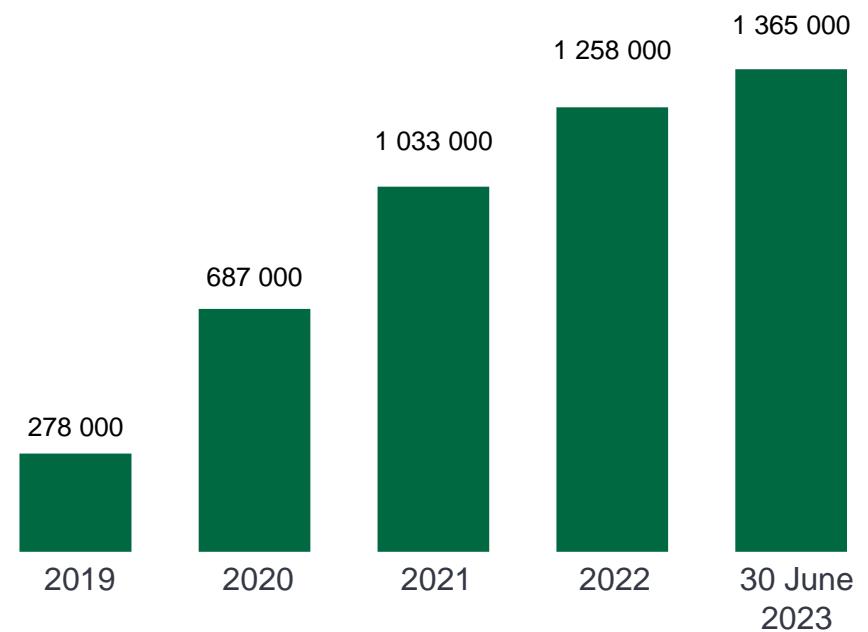


Customer club membership continues to increase

- Continued recruitment to the *Mer* customer club
- Personalised digital newsletters have a positive impact on opening and click rates
- Digital advertising to reach non-members of customer club

***Mer* customer club members**

~800,000 subscribers to digital newsletter



Two new stores in the second quarter

Europ*ris*
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- Two new store openings in Q2
 - Dombås and Hamar, both in Innlandet county
- Seven stores in the pipeline
 - Three subject to planning permission
- Executed relocation of two stores and three store modernisations



CEO Espen Eldal and store manager Maria Eline Solsvik at the opening of
Europ^ris store number 280 in Hamar

Strengthened attention to sustainability

- Strengthening the sustainability team with two new positions
- Replaced fossil fuel with green biofuel for deep sea shipping between Asia and Europe – reducing these emissions by 90%
- Positive effects from implemented measures to improve recycling rate in stores and at the head office
- Initiated project to reduce waste from packaging



Outlook



The Europris concept is favourable under though conditions prevailing in the retail market

Europris
MER TIL OVERS

- Continued high attention to price among customers
 - Positive for a concept like Europris, with low prices and strong campaigns
- Household finances continues to be under pressure
 - Rising interest rates and high inflation
 - Weak NOK
- Supporting market conditions for Europris' low-price and campaign-driven concept



Q&A

Next event: Q3 presentation 2 November 2023

Appendix

Content

- Long-term financial and operational ambitions
- ÖoB
- Sales days and store projects
- Analytical information
- Alternative Performance Measures (APM's)

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 a net average of five new stores per year , depending on availability of locations which meet strict return requirements, and the potential for relocations, expansions and modernisations
EBITDA	Increase EBITDA margin over time from improved sourcing and a more cost-effective value chain
Dividend	Dividend policy of paying out 50-60% of net profit while maintaining an efficient balance sheet

ÖoB transaction highlights



20% initial stake in
Runsven-gruppen AB

- Based on EV using fixed multiple of 7.7x actual EBITDA 2018
- Purchase price settled in Q4 at NOK 115 million based on ÖoB EqV of NOK 574 million
- Shares acquired in the market by Europis at a total cost price of NOK 98 million
- Share for share transaction, settled by treasury shares
- 2.6% ownership stake in Europis (4,35m shares)

Option to acquire
remaining 80% stake

- Exercisable in 2020 within six months after agreement on ÖoB's 2019 EBITDA
- Based on EV using fixed multiple of 7.7x average 2019 and 2020 EBITDA
- Share for share transaction

Lock-up

- Shares issued to sellers of ÖoB are subject to lock-up

Sales days and store projects

Number of sales days

Year	Q1	Q2	Q3	Q4	Total
2022	76	72	79	81	308
2023	77	71	79	79	306
2024	75	73	79	80	307

Number of store projects (franchise projects in brackets)

2022	Q1	Q2	Q3	Q4	Total
New stores	1	3	1	1	6
Store closures	-	-	-	-	-
Relocations / expansions	6	2	-	3	11
Modernisations	1	3	4	2	10

2023E	Q1	Q2	Q3	Q4	Total
New stores	2	2	1	2	7
Store closures	-	-	-	-	-
Relocations / expansions	3	2	1	-	6
Modernisations	3	3	2	(1)	9

Note: Number of projects in 2023 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.

Analytical information¹

Seasonality	<ul style="list-style-type: none">As a rule-of-thumb, the Easter impact is approximately NOK 60-75 million in revenue and NOK 12-15 million in EBITDA
Quarterly Opex	<ul style="list-style-type: none">Europris stores: as a rule-of-thumb, Opex in quarter one year earlier + inflation + NOK 1.5-1.6 million per extra directly operated store (DOS)
Capex	<ul style="list-style-type: none">New store – NOK 2.2 million per store (average of five per year)Relocation – NOK 1.7 million per store (average of 10 per year)Modernisation – NOK 1.2 million per store (average of 10 per year)Category development – NOK 15 million per yearIT and maintenance – NOK 40 million per yearIn addition, estimate for 2023: IT (ERP/POS) of NOK 10-15 million and warehouse (automation expanded high-bay area) of NOK 55-60 million
Rent	<ul style="list-style-type: none">Majority of contracts are CPI-adjustedRecognised under IFRS-16 leases

Alternative performance measures (APMs)

APMs are used by Europis for annual and periodic financial reporting in order to provide a better understanding of the group's financial performance. APMs are considered as well-known and frequently used by users of the financial statements and are also used in internal reporting and by management to measure operating performance.

Gross profit / gross margin

Gross profit is defined as Total operating income minus the cost of goods sold (COGS). The gross profit represents revenue that the group retains after incurring the direct costs associated with the purchase of the goods. Gross margin is defined as gross profit divided by total revenue and is useful for benchmarking direct costs associated with the purchase of the goods vs total revenues.

Opex

Operating expenses (Opex) is the sum of employee benefits expense and other operating expenses. It is useful to look at cost of these two components combined, as they compose a large part of the fixed operating costs. The Opex-to-sales ratio divides the Opex by Total operating income and is useful for benchmarking this cost base vs the development in sales.

EBITDA / EBITDA margin

EBITDA is earnings before interests, tax, depreciation of property, plant and equipment and right-of-use assets and amortisation of other intangibles. EBITDA is a well-known and widely used term among users of the financial statements and is useful when evaluating operational efficiency on a more variable cost basis as they exclude amortisation and depreciation expense related to capital expenditure. EBITDA margin is EBITDA divided by Total operating income and is useful for benchmarking this profitability parameter vs the development in sales.

EBIT

EBIT is earnings before interest and taxes and is the same as the IFRS definition of operating profit. EBIT is a well-known and widely used term among the users of the financial statements and is useful when evaluating operational profitability. EBIT margin is EBIT divided by Total operating income, and thus the same as Operating profit divided by Total operating income.

Working capital

Net change in working capital is the sum of change in inventories and trade receivables and change in other receivables less the sum of change in accounts payable and other current liabilities. Net change in working capital is a well-known and widely used term among the users of the financial statements and is useful for measuring the group's liquidity, operational efficiency and short-term financial conditions.

Capital expenditure

Capital expenditure (Capex) is the sum of purchases of fixed assets and intangible assets as used in the cash flow. Capex is a well-known and widely used term among the users of the financial statements and is a useful measure of investments made in the operations when evaluating the capital intensity.

Financial debt

Financial debt is the sum of borrowings and lease liabilities. From the first quarter of 2023 lease liabilities include both non-current and current lease liabilities, and last year figures are restated to also include current lease liabilities. Financial debt is useful to see total debt as defined by IFRS.

Cash and liquidity reserves

Cash and liquidity reserves is defined as available cash plus available liquidity through overdraft and credit facilities. This measure is useful to see total funds available short term.

Total chain sales

Total chain sales are sales from all chain stores, that is both directly operated and franchise stores. This KPI is an important measure of the performance of the total Europis chain and considered useful in order to understand the development of the entire chain, regardless of ownership structure of stores.

Directly operated store

Directly operated store means a store owned and directly operated by the group.

Franchise store

Franchise store means a store operated by a franchisee under a franchise agreement with the group.

Chain

Chain means the sum of directly operated stores and franchise stores.

Like-for-like sales growth

Like-for-like growth is defined as the growth in total chain sales for stores that have been open for every month of both the previous and the current calendar year.