Presentation of results for the first quarter 2016

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13 May 2016







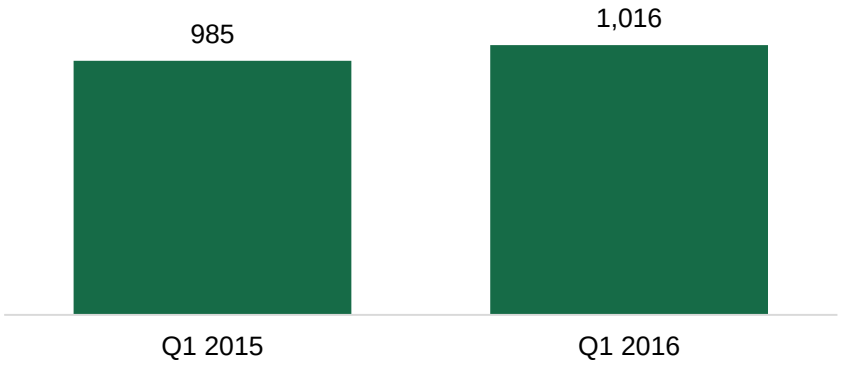
Norway's leading discount variety retailer

Europris
MER TIL OVERS

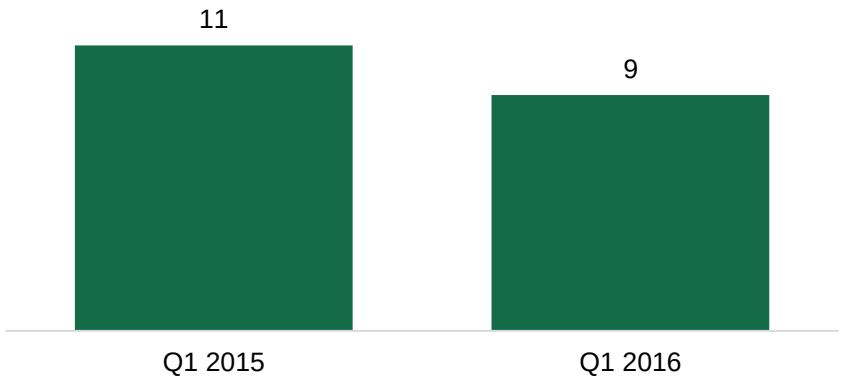
Highlights in the first quarter

- Group revenues increased 3.1%, a like-for-like growth of -0.7%. Adjusted for sales days the LFL was +2.0%
  - Reduced comparability due to Easter calendar effect
  - “Price war” on pick & mix candy
- Gross margin pressure
- Strong operational cost control
- Solid pipeline of new stores – eleven planned in 2016 (net ten)
- Adjusted net profit of NOK 9 million
- Adjusted EPS of NOK 0.05

Revenue

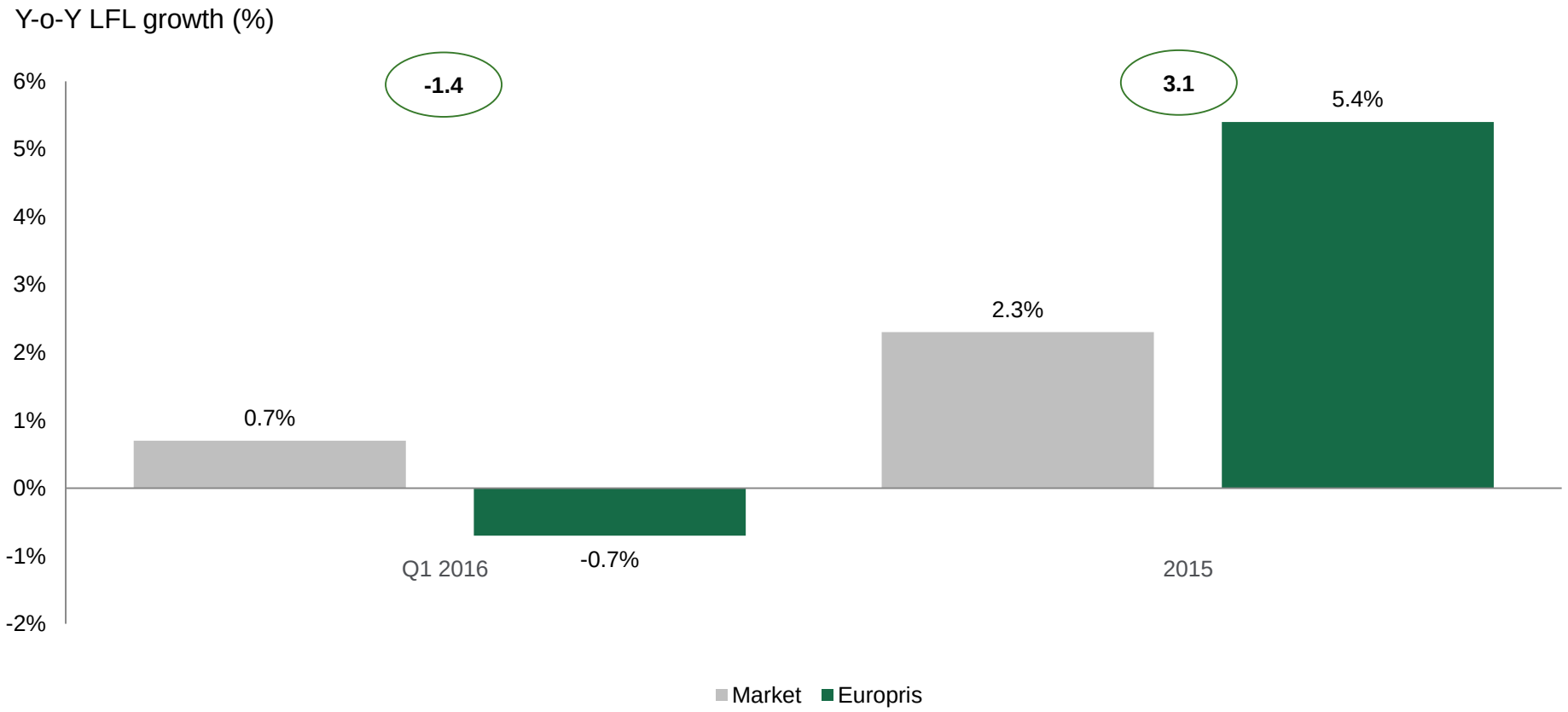


Adjusted net profit



Sales growth below market in Q1

Overall growth performance



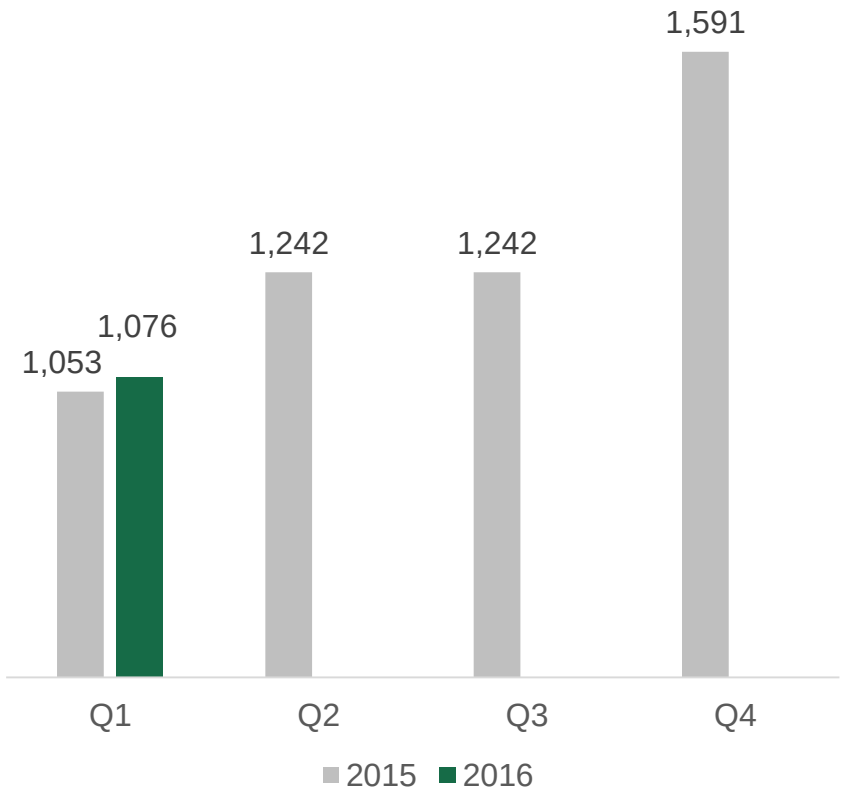
% points Europris growth rate in excess of market growth rate in the period

Market includes a large number of shopping centres throughout Norway [(e.g. 237 in 2015)]
Source: Kvarud Analyse, Europris

Sales performance

- Sales growth of 2.2% for the chain
  - Two fewer trading days (-2.6%)
  - Early Easter is not favourable for sales of seasonal items for spring season
  - Historically the quarter with lowest sales (app. 21% of FY sales and 8% of FY EBITDA)
- Sales was satisfactory and above market average during January and February
- Price “war” on pick and mix candy
  - Significant negative short term effect on traffic
  - Joining the “war” would have lifted sales, but had a negative impact on profits

Retail sales per quarter



Full pace forward on category and seasonal development

- Christmas kicking off early
- Q1 2017 plan revitalised
- Final parts of concept development 5.1 to be rolled out late summer
- Long pipeline of category development initiatives
- B2B starting to take shape



The art of creating a good offer

- Malaga lounge set has been a bestseller for several years
- Sourced in USD, but retail sales price unchanged from 2014
- Smarter sourcing
  - Combined volumes with Tokmanni through Shanghai sourcing office
  - Product redesign
- Redesign of packaging to reduce transportation costs and minimise waste
- Direct distribution from factory to stores to minimise handling costs
- Buffer storage kept by distribution partner to make store operations more efficient



Solid pipeline of new stores

- One new store opened at Ågotnes outside Bergen in Q1

- Plan eleven new stores in 2016, of which the following six are confirmed for Q2:
  - Andenes
  - Råde
  - Geilo
  - Stranda
  - Jevnaker
  - Strømmen

- One store closure, originally planned in 2017, has for operational reasons been rescheduled to late 2016

- In Q1 Europris completed nine store modernisations and one relocation.
  - Increased store space by 775 sqm.



Financial review







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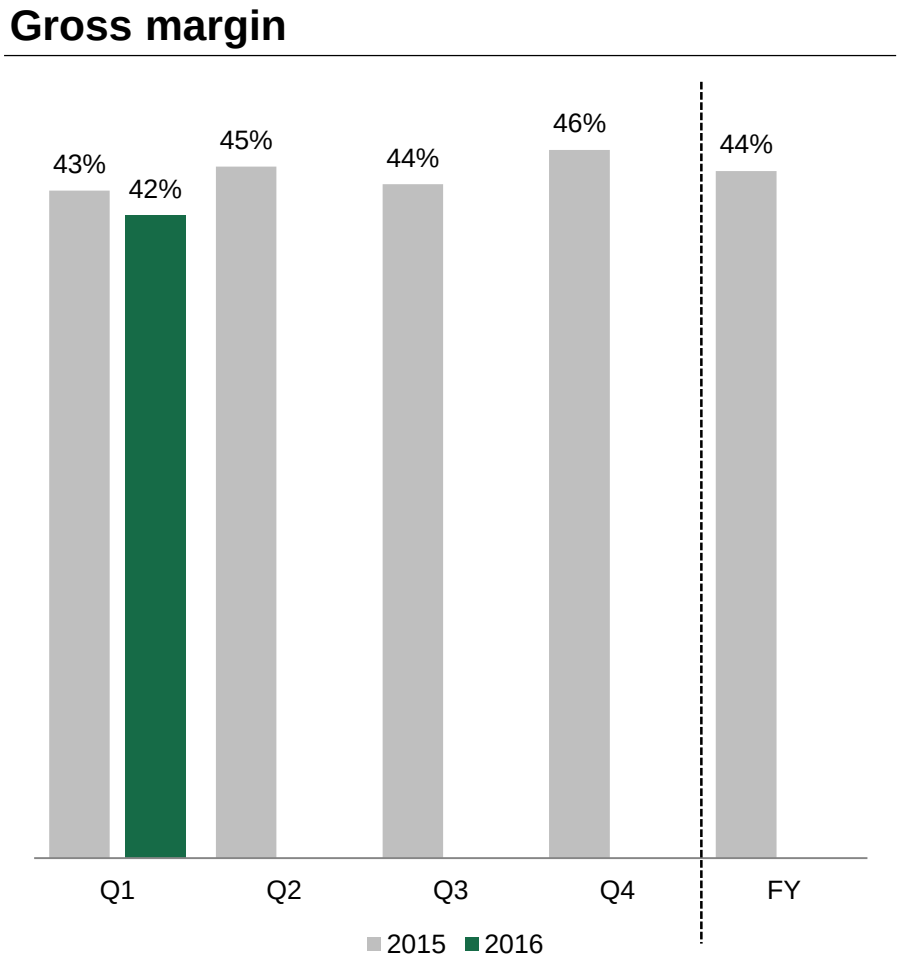
Gross margin development

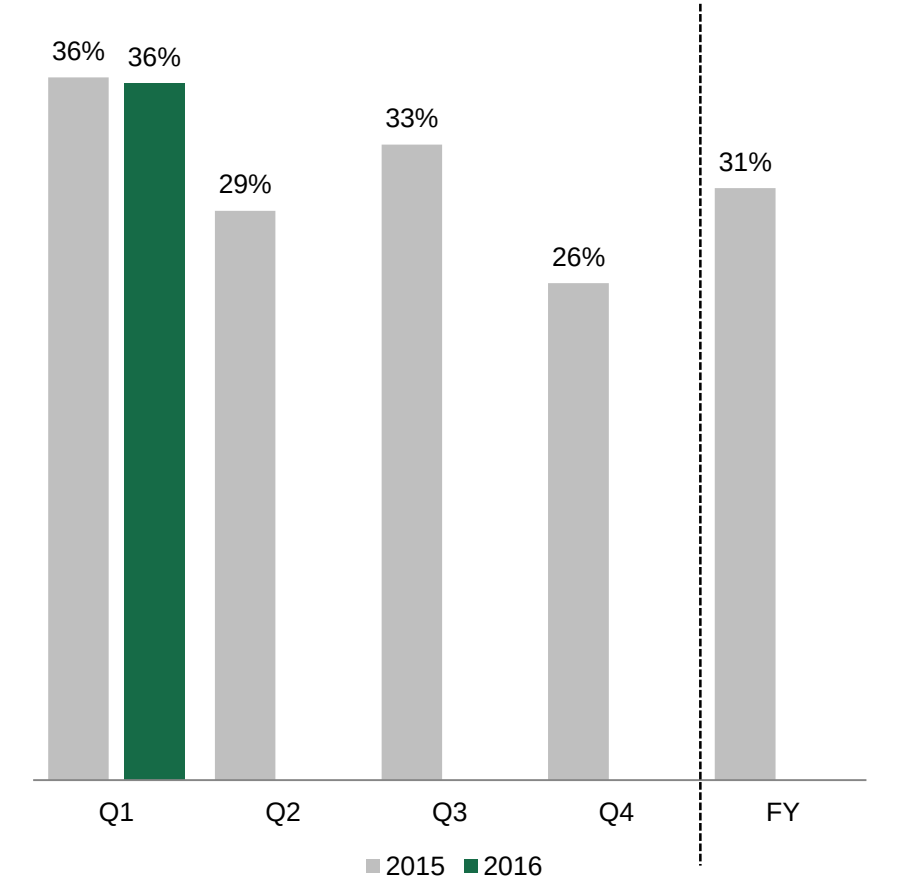
- Gross margin was 41.6% in Q1 2016 vs. 43.2% in Q1 2015
- As a result of reduced traffic during Easter, discounts on all seasonal items were increased to avoid surplus stock at end of season
- General price increases due to fx effects came late in the quarter



OPEX development

- OPEX* in % of revenue was 36.1% in Q1 2016 vs. 36.4% in Q1 2015
- Strong operational cost control
  - OPEX % reduced despite sales below management expectations
- Focus on efficiency throughout the value chain

OPEX in % of group revenue

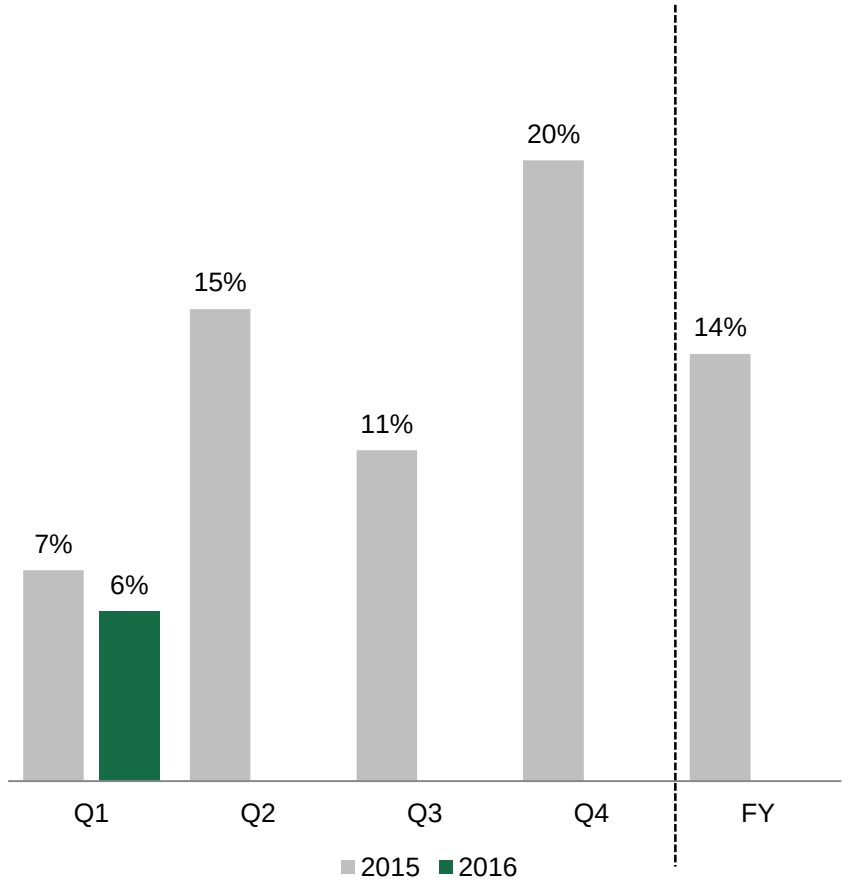


* Excluding nonrecurring items of NOK 6.7 million in 2015

Adjusted EBITDA development

- Adjusted EBITDA* margin was 5.5% in Q1 2016 vs. 6.8% in Q1 2015
- The gross margin reduction in Q1 had a negative effect on profits
- Strong focus on OPEX offset some of the negative effect

Adjusted EBITDA margin



* Excluding nonrecurring expenses of NOK 6.7 million in 2015

Cash flow and working capital

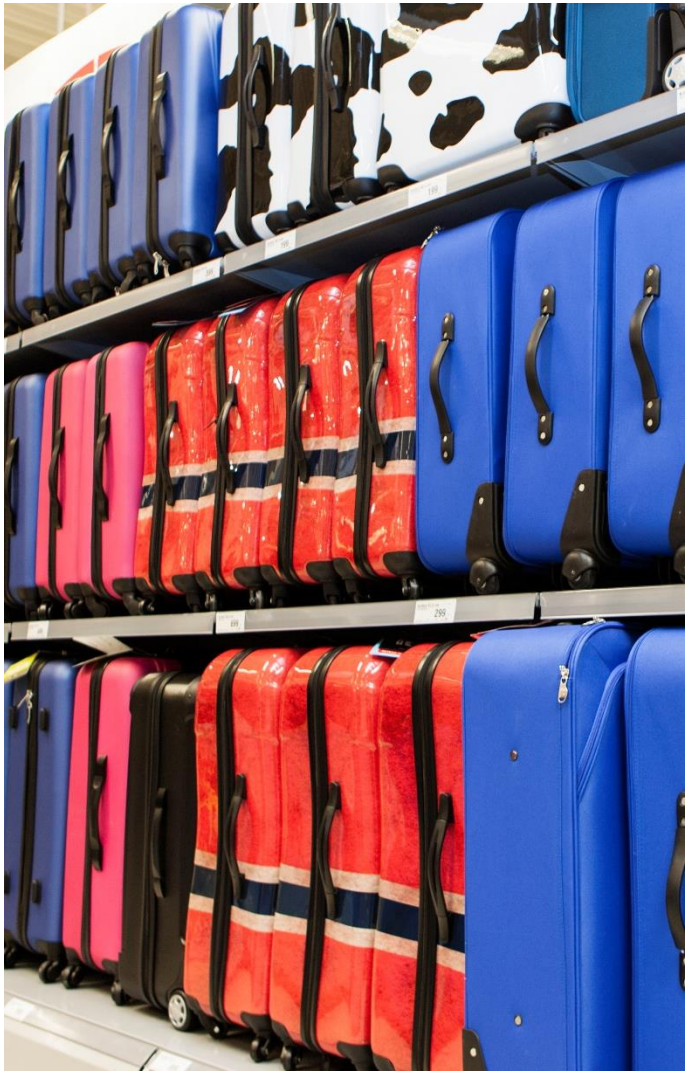
- Cash-flow subject to normal seasonality
- Investments reduced as the modernisation programme has passed its peak
- Solid cash position at end of Q1 with leverage of 2.36x
- Working capital increase mainly inventory related
  - Opening of new stores and build-up of inventory for spring/summer season
  - Value of goods purchased in foreign currencies increased, but not to same extent as last year
- Increase in accounts payable due to calendar effects as quarter end was during Easter last year

Cash flow, NOK million	YTD 2016	YTD 2015
Cash from operating activities	-253	-190
Cash used in investing activities	-17	-36
Cash (used in)/from financing activities	-2	-3
Net change in cash and cash equivalents	**-271**	**-229**
Cash and cash equivalents at 1 January	447	245
Cash and cash equivalents at end of period	176	16

Change in working capital, NOK million	YTD 2016	YTD 2015
Inventory	-193	-248
Accounts receivables and other short-term receivables	30	5
Accounts payable and other short-term liabilities	-74	50
Change in working capital	**-237**	**-192**

Summary and outlook

- A moderate start to the new year with sales below expectations in March
- Cost control remains strong
  - Operational improvement projects in the supply chain and store operations aim to reduce inventory levels and costs
- The group is well prepared for the spring/summer season
- Continued growth focus
  - Strong focus on concept and category development
  - Healthy pipeline of new stores
- Discount variety retail continue to take market share
  - Mixed assortment provides a large addressable market and competitive flexibility
  - Resilient business model



Q & A







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See you Thursday 11 August

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