Presentation of results for the second quarter and first half year 2016

CEO Pål Wibe
CFO Espen Eldal

11 August 2016







Norway's leading discount variety retailer

Europris
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Highlights in the second quarter

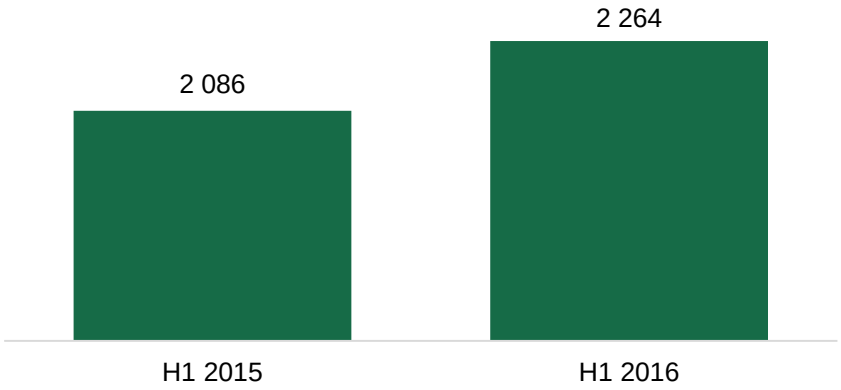
- Group revenues increased 13.4% with like-for-like growth of 10.0%, outperforming market of 5.5%
  - Sales day adjusted LFL of +5.6%
- Some pressure on gross margin from successful campaign sales
- Adjusted net profit up 72.1%
- Six new store openings



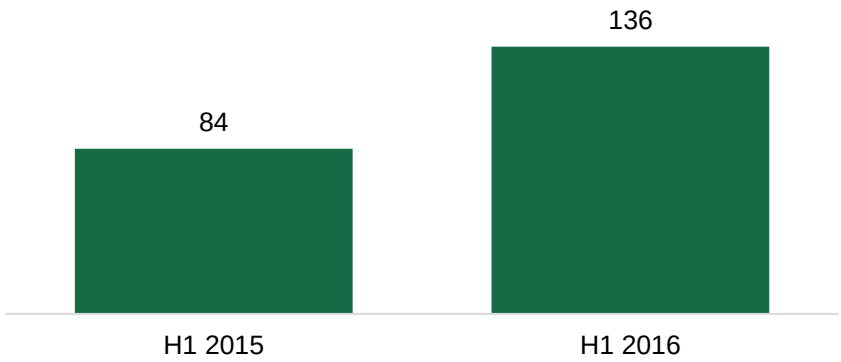
Highlights first half 2016

- Group revenues increased 8.5% with like-for-like growth of 5.1%
  - Sales day adjusted LFL of +4.3%
- Robust operational cost control
- Significantly improved cash-flow from operating activities
- Adjusted net profit up 60.5%

Revenue

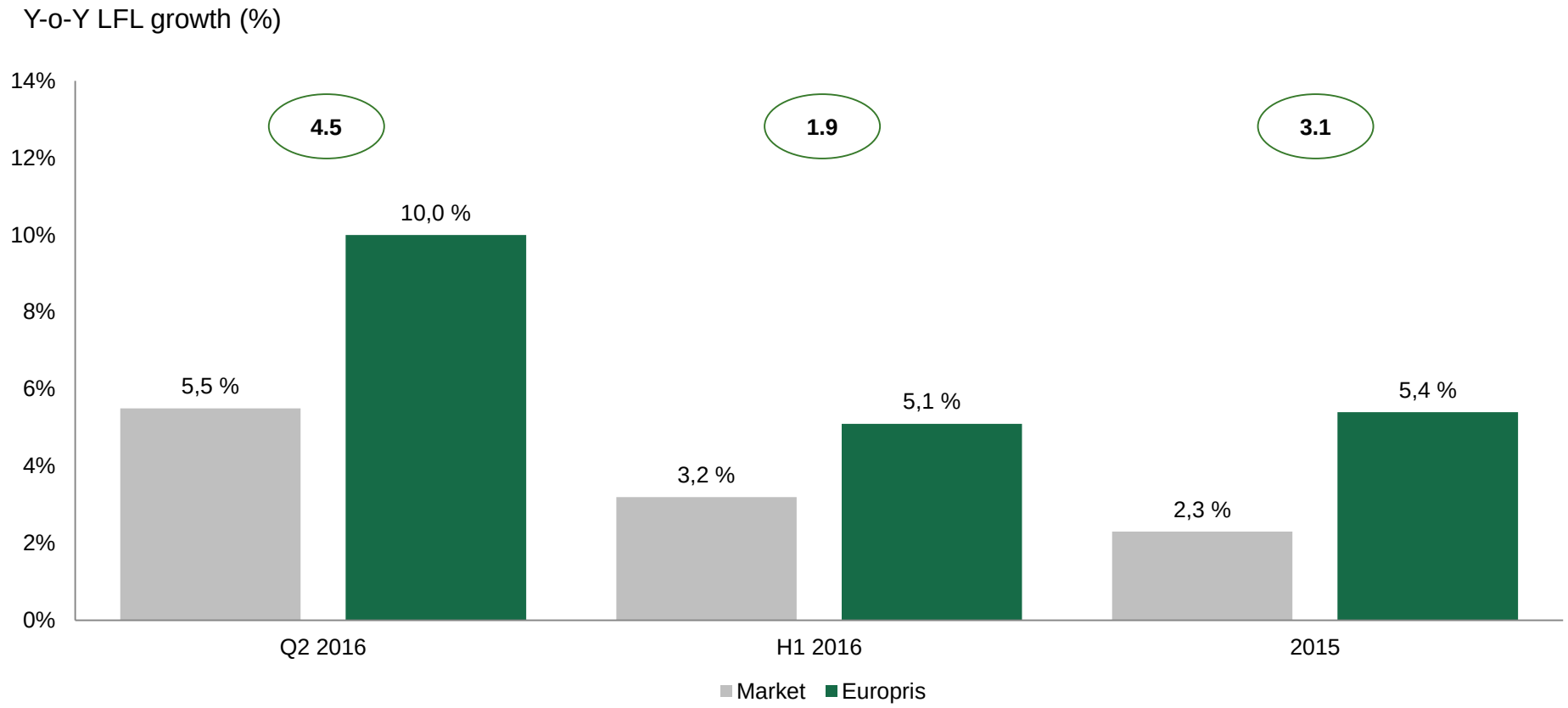


Adjusted net profit



LFL growth well above market

Overall growth performance



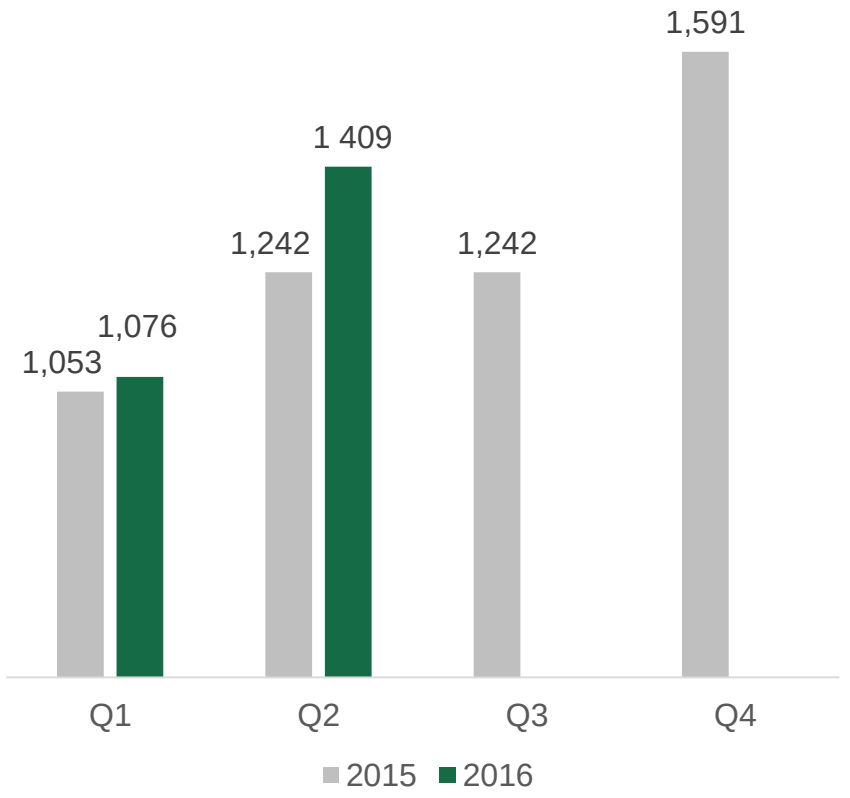
% points Europris growth rate in excess of market growth rate in the period

Market includes a large number of shopping centres throughout Norway (e.g. 237 in 2016)
Source: Kvarud Analyse, Europris

Sales performance

- Sales growth of 13.5% for the chain in Q2
  - Three more trading days (+4.2%)
- Sales of spring and summer seasonal items very good
  - Well planned seasonal sales
  - Excellent in-store execution
- Successful sales campaigns
  - Putting some pressure on gross margin
- Sales performance of new stores above expectations
  - 11 new store openings in the last 12 months

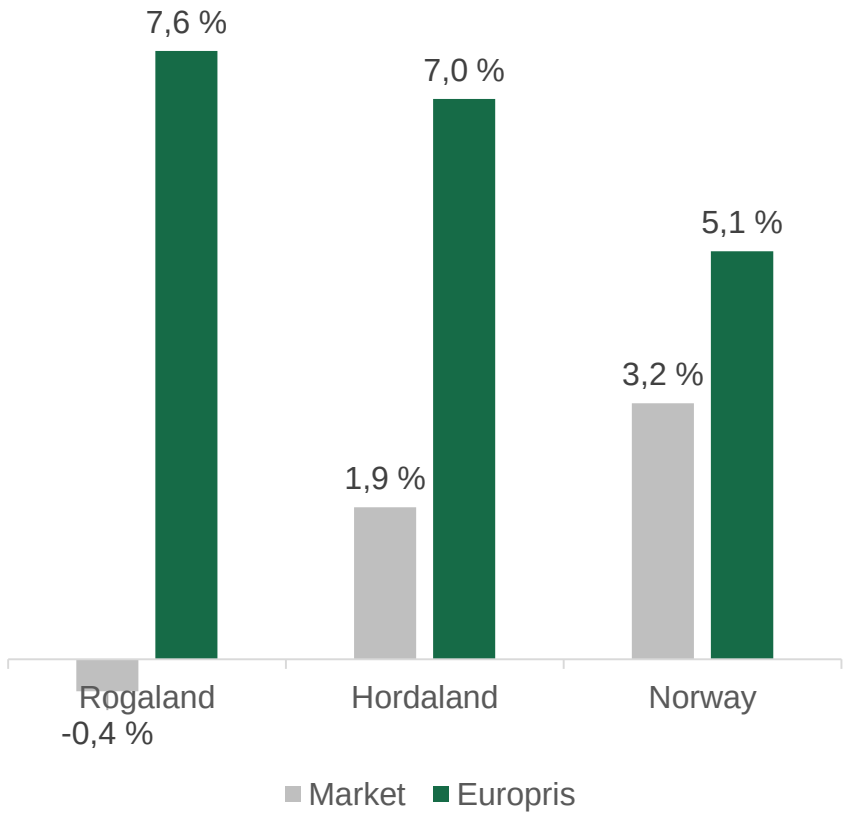
Retail sales per quarter



Continued strong performance in all regions

- Europris continues to outperform the market in the “oil regions” as well as the overall market in Norway
- The market is growing below average in Rogaland and Hordaland while Europris delivers above average growth in these regions
- Rogaland figures based on 19 LFL stores
- Hordaland figures based on 20 LFL stores

H1 LFL growth, selected regions



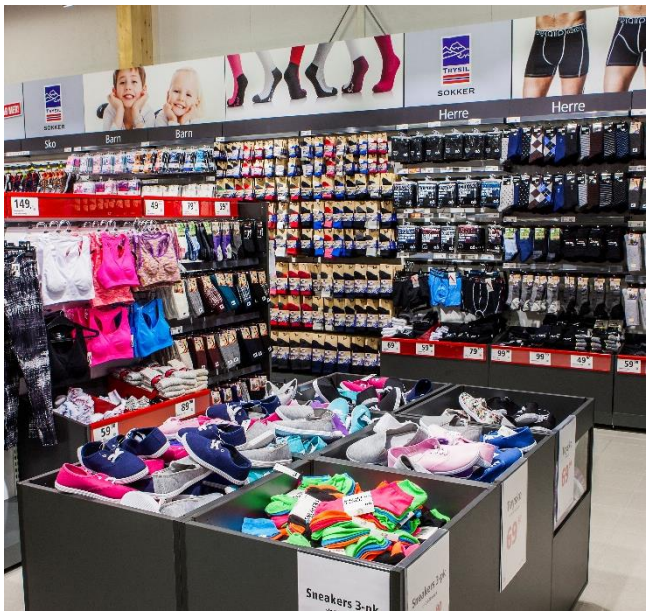
Category development

- Category development a key driver for growth
  - Pet food, yarn and underwear focus areas last year and in Q1. Results so far are promising and all three initiatives delivered double digit growth in H1

- Concept development taken one step further
  - Store layout version 5.01 rolled out in our new stores
  - Improved “shop-in-shop” solution







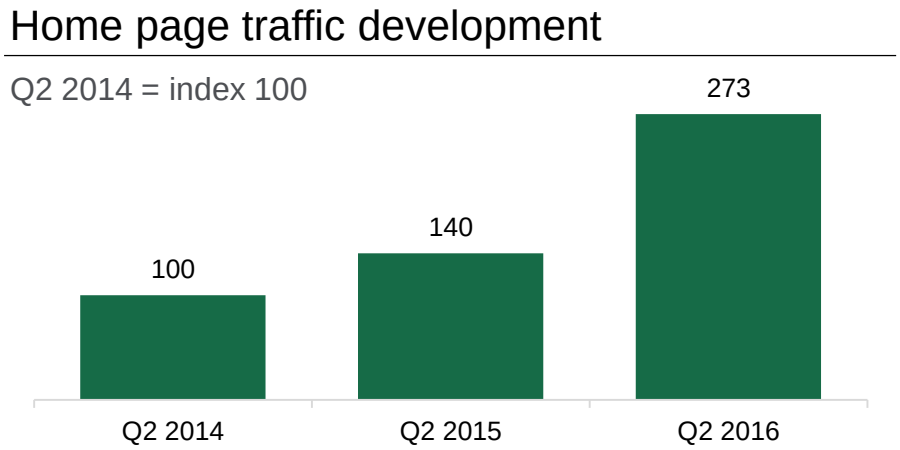
Traditional marketing still works!

- In May Europris distributed a weekly average of 1.2 million DM’s
- DM’s are the backbone of the groups marketing efforts and management see no diminishing returns
- Regular effect studies conducted with consistent results
- DM’s are complemented by radio spots, adds in newspapers and on the web, and recently TV



Making progress on electronic media

- Europris is progressing its e-channel/online initiatives
- Upgraded home pages, both mobile and web
- Electronic distribution of DM and newsletters more than doubled since last year reaching above 100.000 subscribers
- Launched “click & collect” on selected seasonal items in Q2 2015
- Working to improve PIM (Product Information Management)
- Soon ready to launch web shop for B2B customers



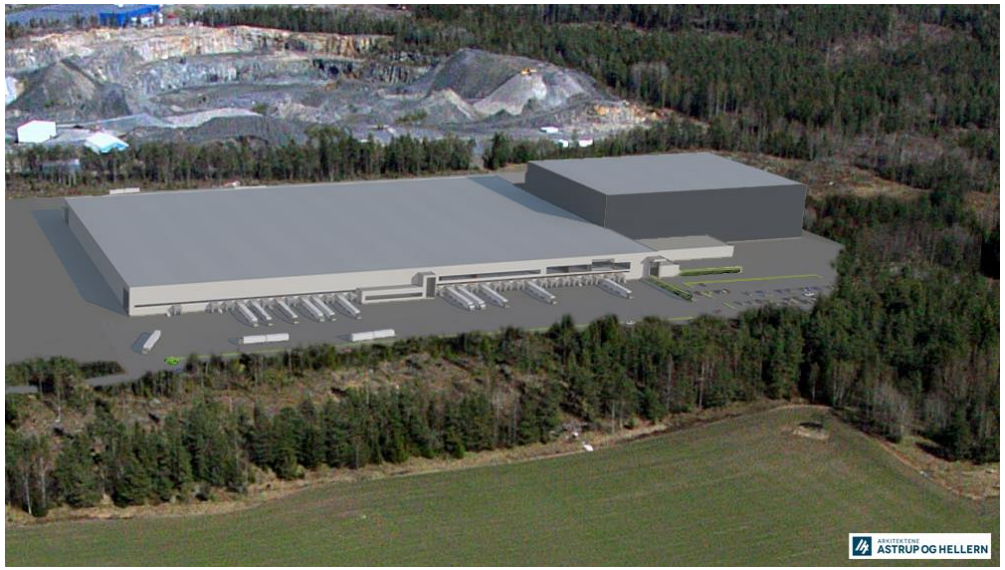
Solid pipeline of stores

- Six new stores opened in Q2
- Twelve new stores scheduled in 2016, of which the following three are confirmed for Q3:
  - Stovner, Oslo
  - Vormsund, Akershus
  - Laksevåg, Bergen
- One store closure, originally intended for 2017, has been rescheduled to late 2016 for operational reasons
- Positive development in new store pipeline for 2017 with 5 new stores confirmed so far



New central warehouse

- New and efficient warehouse facility to be located in Moss – late 2019 opening expected
- Significant capacity increase, with reduction in total rental space
- Long term rental agreement with highly reputed real estate developer, Fabritius Gruppen AS
  - No capital investment needed in facility
- Future expansion area secured
  - Acquisition of 31k square meter area next to new facility (NOK 25m investment in 2017)
  - Return on investment secured via lease to Moss Harbour



Financial review







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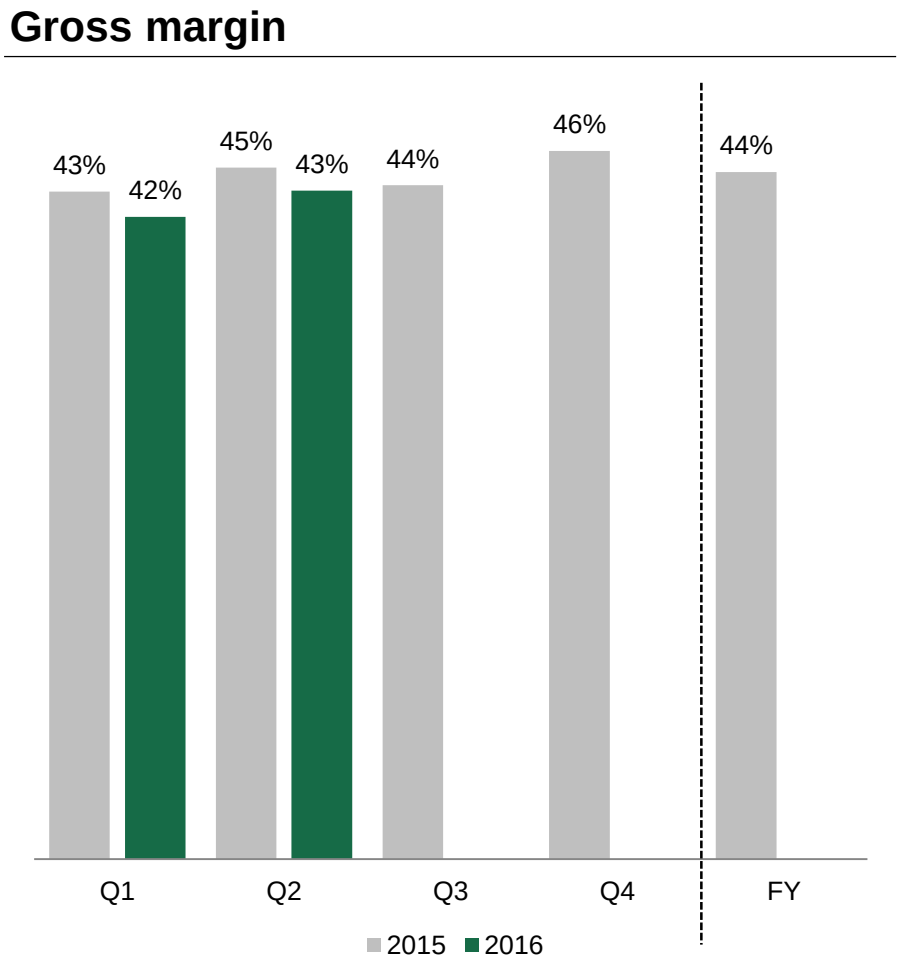
Gross margin development

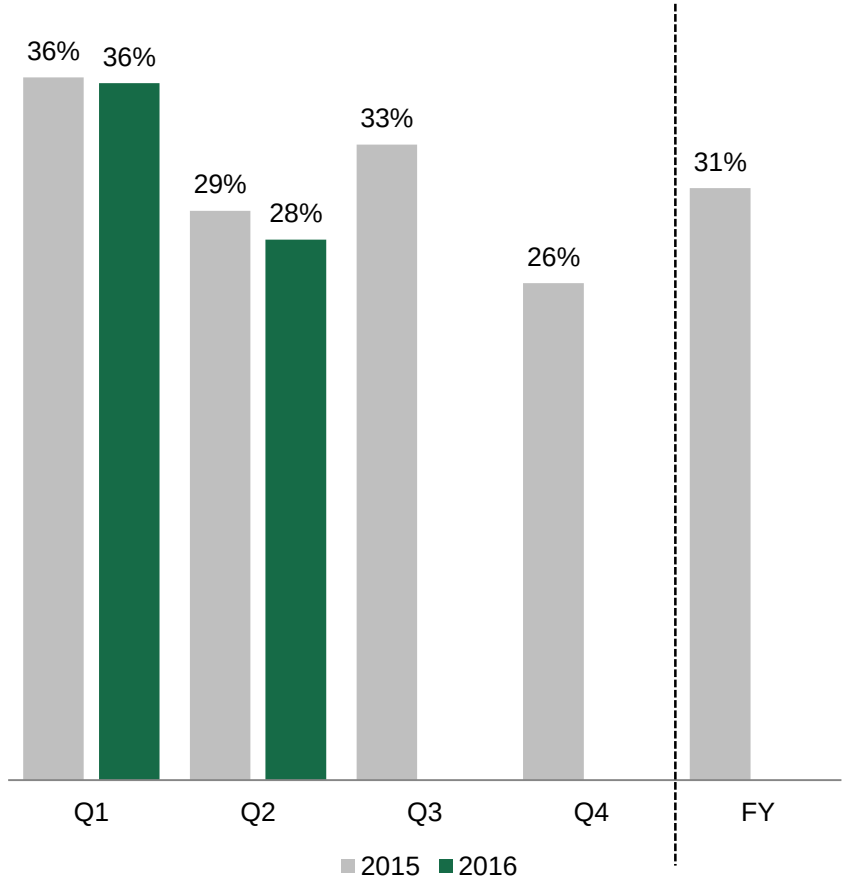
- Gross margin was 43.3% in Q2 2016 vs. 44.8% in Q2 2015
- Last year included a positive impact from fx hedging
- Margin improved from Q1 as price increases due to fx effects were implemented
- Some margin pressure from increased campaign sales



OPEX development

- OPEX* in % of revenue was 28.0% in Q2 2016 vs. 29.5% in Q2 2015
- Continued strong operational cost control
- Focus on efficiency throughout the value chain
- Head office operational leverage

OPEX in % of group revenue

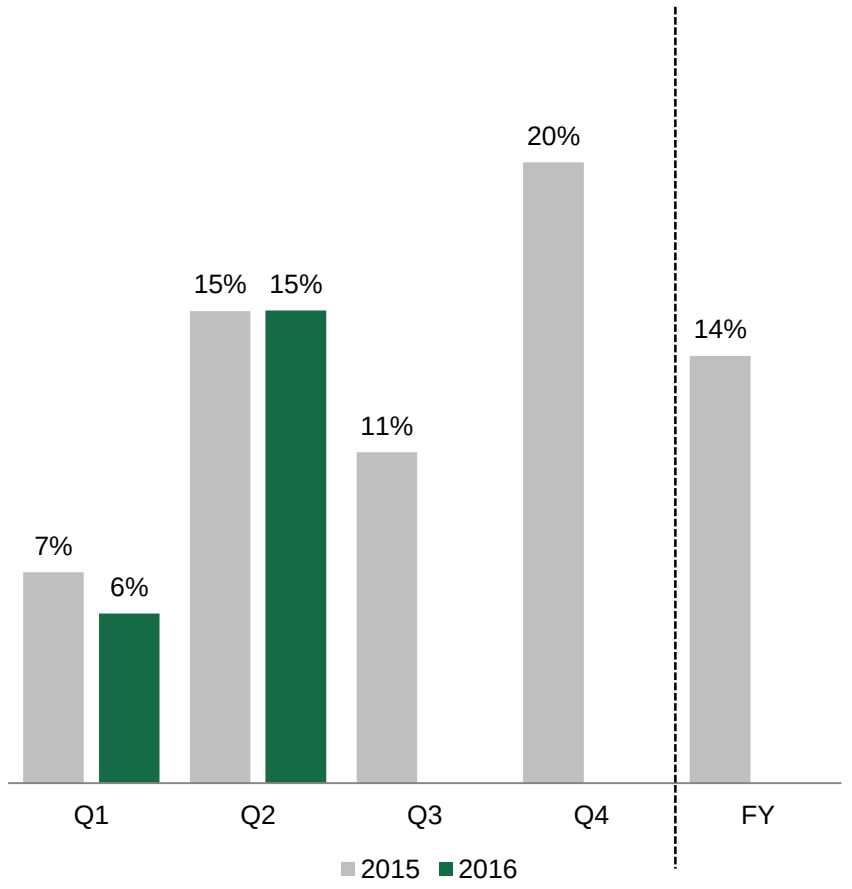


* Excluding nonrecurring items of NOK 30.0 million in 2015

Adjusted EBITDA development

- Adjusted EBITDA* margin was 15.3% in Q2 2016 vs. 15.3% in Q2 2015
- The gross margin reduction was offset by OPEX savings

Adjusted EBITDA margin



* Excluding nonrecurring expenses of NOK 30.0 million in 2015

Cash flow

- Significantly improved cash flow from operating activities
  - Increase in profits
  - Inventory less impacted by fx changes than last year
- Investments reduced as the modernisation programme has passed its peak
- Dividend payment of NOK 234 million in Q2
- Solid cash position at end of Q2 with leverage of 2.27x

Cash flow, NOK million	YTD 2016	YTD 2015
Cash from operating activities	6	-131
Cash used in investing activities	-50	-55
Cash (used in)/from financing activities	-237	18
Net change in cash and cash equivalents	**-280**	**-168**
Cash and cash equivalents at 1 January	447	245
Cash and cash equivalents at end of period	167	77

Summary – one year perspective

- Europris remains on its profitable growth track
- Continues to outperform the market with mid-single digit like-for-like growth
- New store rollout ahead of plan with 20 net new stores in 2015/2016
  - Outlook was 18 (10/8)
- Gross margin on-track
  - Outlook was stable margins from 2014
- Starting to realise operational leverage within OPEX



Outlook

- Back on track with a solid performance in Q2
- The group is well prepared for the important upcoming sales seasons
- Continued growth focus
  - Strong focus on concept and category development
  - Healthy pipeline of new stores
- Cost control remains strong
- Market leader in a growing segment
  - 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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Presentation of results for third quarter 2016

See you Thursday 3 November

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