

Presentation of results for the third quarter 2017

CEO Pål Wibe
CFO Espen Eldal

1 November 2017



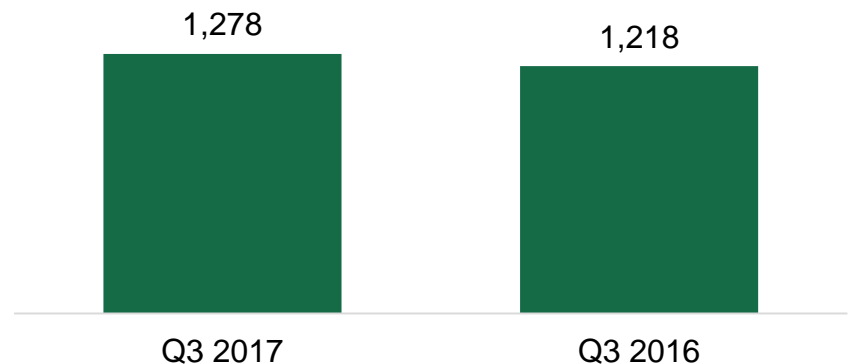
Norway's leading
discount variety retailer

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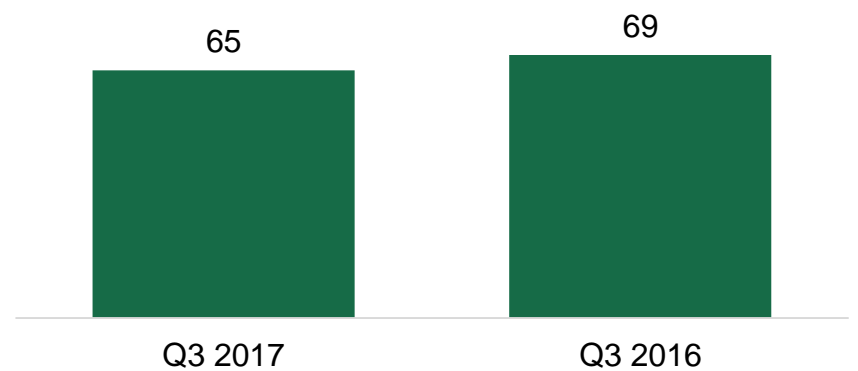
Highlights in the third quarter 2017

- Group revenues up 5.0% to NOK 1,278m (1,218m)
 - 3.2% like-for-like growth, better than the market of 1.9%⁽¹⁾, but below our long term ambition
- Adjusted net profit of NOK 65m (69m), down 6.1%
- Strong cashflow following positive results from initiatives to reduce inventory
- Several category and concept developments brought to market
 - Promising initial response
- Gross margin in line with last year
 - Positive impact from franchise takeovers
 - Increasing campaign sales
- Opex affected by increased number of directly operated stores compared with last year

Group revenue (NOK million)



Adjusted net profit (NOK million)

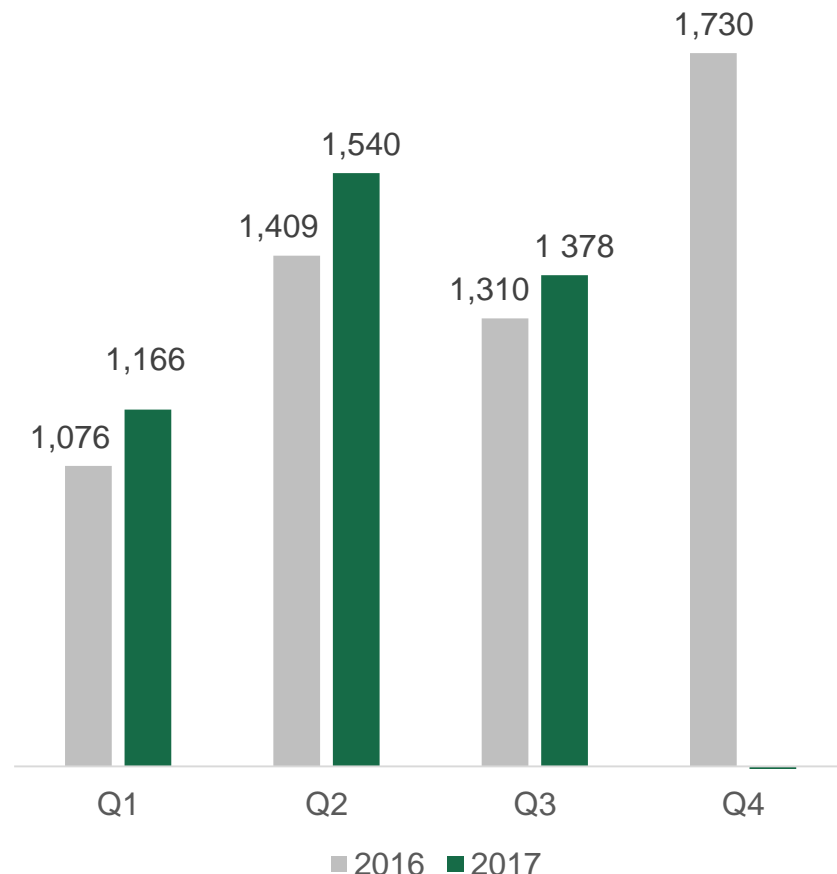


(1) According to Kvarud Analyse shopping centre index

Sales continue to grow

- Sales growth of 5.2% for the chain in Q3
- Like-for-like performance above market growth in a quarter with fewer seasonal events
- Schedule of store openings back end loaded this year compared with last year
 - 5 openings in Q4, out of 11 this year
 - 1 opening in Q4, out of 11 last year
- Sales from wholesale to franchise stores temporarily impacted by reduction in inventory
 - Accounts for c. 1 p.p. reduction in group revenue growth⁽¹⁾

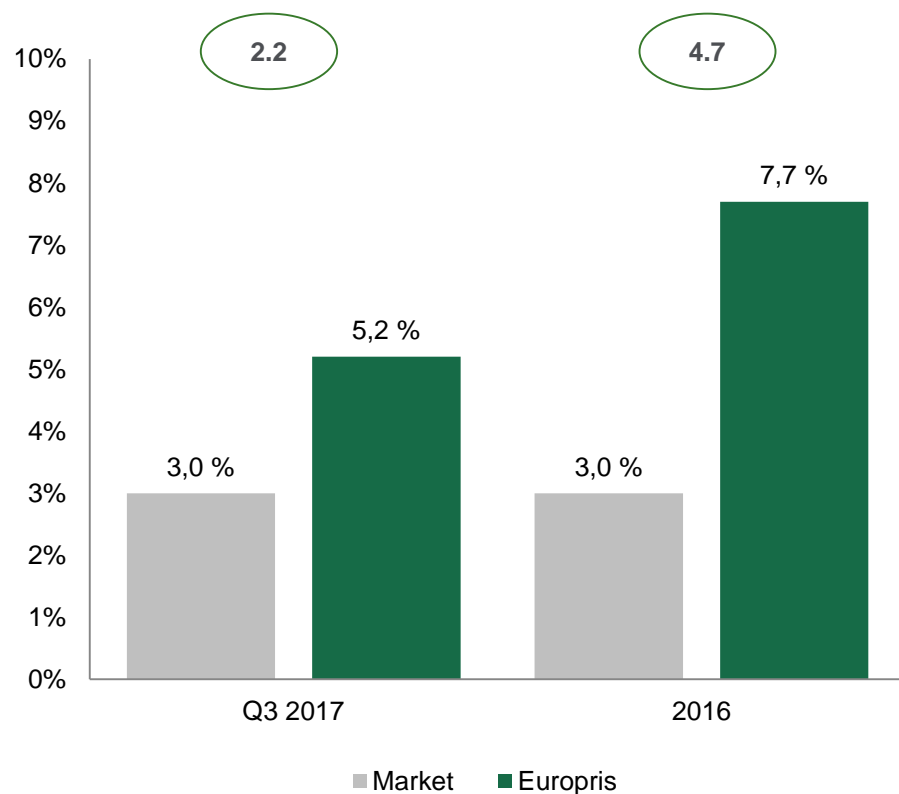
Retail sales per quarter (NOK million)



⁽¹⁾ Management estimate of reduction in group revenue growth during the quarter as a result of temporarily lower sales from wholesale to franchise stores following the significant inventory reduction achieved on the back of management initiatives in the second quarter.

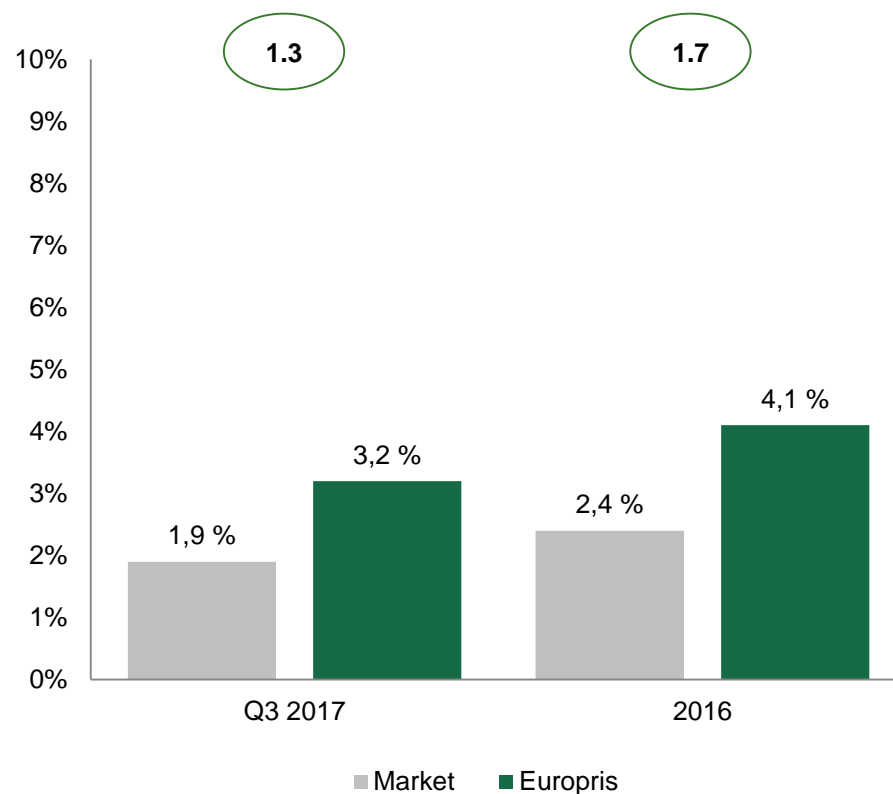
Growth ahead of market in the third quarter

Total growth development



LFL development

Y-o-Y LFL growth (%)



% points

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

Building credibility in Small Textiles



Introducing paint to complement strong positioning in painting equipment

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NYHET HOS EUROPRIS!



Paint er vår nye malingsserie, spesielt utviklet for Euopris av vår svenske kvalitetsleverandør.

Pet food and accessories – a category development journey

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BREAKING NEWS
PURINA
ONE



NORGESMESTER I AGILITY



Som Norgesmester og hundee elsker er jeg selvfølgelig opptatt av fullverdig og næringsrik hundemat, derfor bruker jeg MAXDOG til mine hunder.



Euopris Andrea



euoprisandrea

Norgesmester i Agility - Andrea Huseby

Tips og råd av Andrea på euopris.no/dyr
E-post: andrea_huseby@hotmail.com

VÅR EGEN VETERINÆR!



Har du spørsmål om Euopris sin dyremat? Hver torsdag klokken 15-17 svarer jeg på små og store spørsmål relatert til dette. Mottatt e-post utenfor dette tidsrommet besvares påfølgende torsdag!

E-post: farstad@euopris.no
Tlf: 489 43 300, hver torsdag kl 15 - 17.

Robust pipeline of new stores

- One new store opened in Q3
 - Reknes, city of Molde, in the county of Møre & Romsdal
- Remaining pipeline of 5 new stores for 2017
 - Langevåg (opened 26th October)
 - Risør (mid November)
 - Dale (mid November)
 - Grong (mid November)
 - Årdal (late November)
- Nine new stores confirmed for 2018 so far
 - Three of which subject to zoning



Euopris Reknes

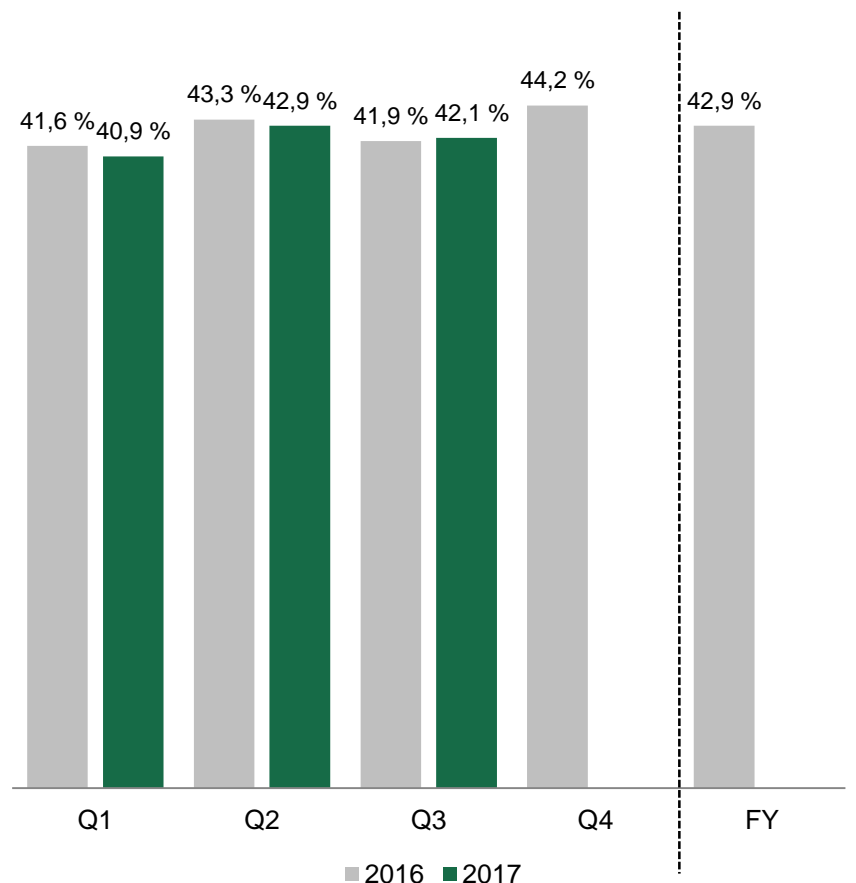
Financial review



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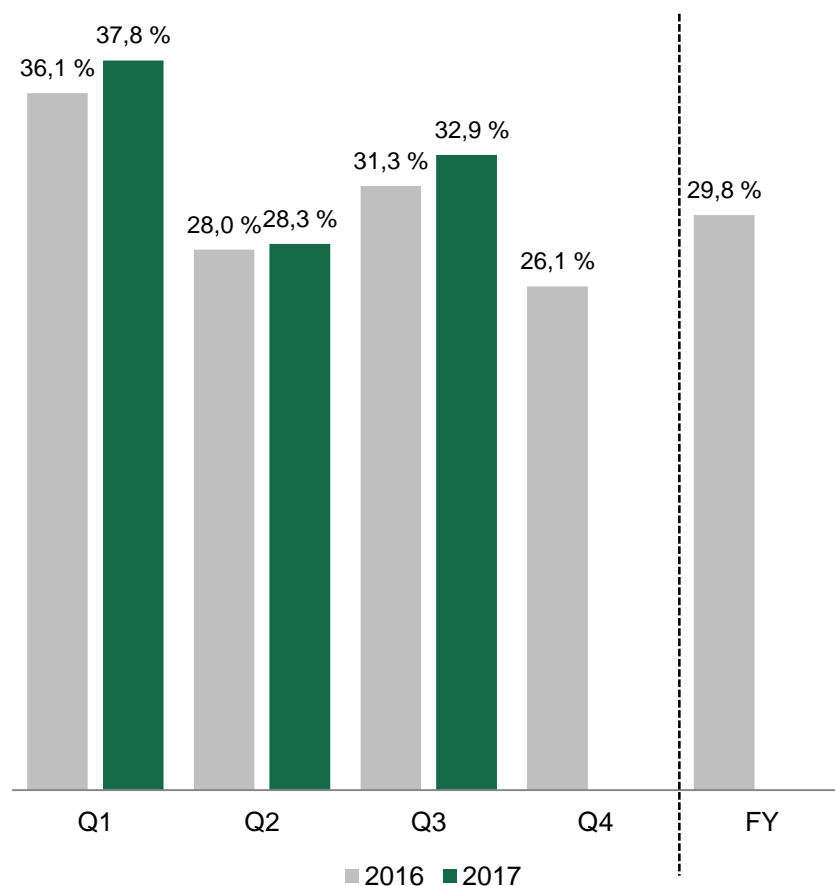
- Gross margin was 42.1% in Q3 2017 vs. 41.9% in Q3 2016
- Positive impact from previous franchise takeovers
 - 6 franchise takeovers in Q4 2016
 - 8 franchise takeovers in Q1 2017
 - 1 franchise takeover in Q3 2017 (negative one off effect in Q3)
- Slight increase in campaign share during period
- Stronger dynamic inventory control
 - Less positive impact on gross margin from annual stocktaking

Gross margin



- OPEX in % of revenue was 32.9% in Q3 2017 vs. 31.3% in Q3 2016
- Opex impacted by increase in number of directly operated stores
 - 22 additional directly operated stores vs. last year
- Certain planned operational initiatives
 - Changed distribution
 - Digital channels
- Focus on cost remains key for the organisation

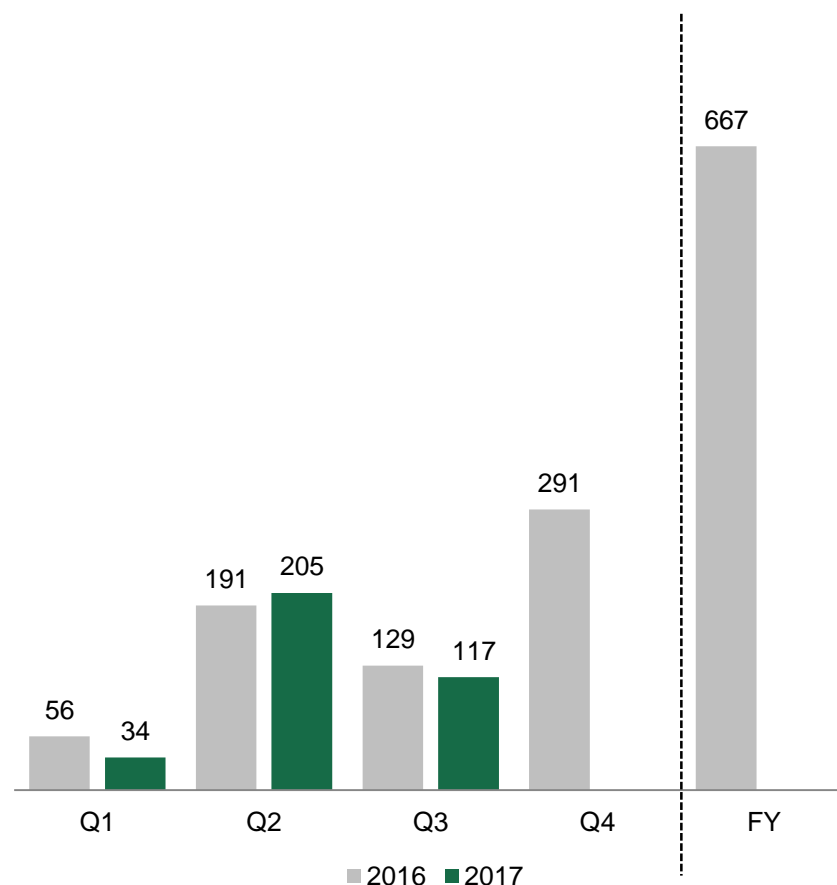
OPEX in % of group revenue



Adjusted EBITDA development

Adjusted EBITDA (NOK million)

- Adjusted EBITDA was NOK 117m in Q3 2017 vs. NOK 129m in Q3 2016
- Adjusted EBITDA impacted by
 - Temporarily lower sales from wholesale to franchise stores following reduction in inventory
 - Higher opex as a result of increase in number of directly operated stores



- Strong cashflow for the quarter on the back of significant inventory reduction
 - Initiatives implemented following Q2 highly effective
- Working capital also impacted by reduction in trade receivables
 - Fewer franchise stores compared to last year

Cash flow, NOK million	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Cash from operating activities	211	8	69	14
Cash used in investing activities	(21)	(17)	(103)	(67)
Cash (used in)/from financing activities	(1)	(1)	(339)	(237)
Net change in cash	189	(10)	(373)	(290)
Cash at beginning of period	16	167	577	447
Cash at end of period	204	157	204	157

Summary

- Organic topline growth above market
- A few key elements affecting group revenue
 - Timing of store openings back loaded
 - Temporary effect on sales from wholesale to franchise stores following inventory reduction
- Financials impacted by increased number of directly operated stores
 - Amplifying natural seasonality in financials
 - “High revenue” quarters more profitable; “low revenue” quarters less profitable
- Back to normalised inventory levels
- Significant progress on concept/category development initiatives
 - New brands in Small Textiles – building credibility
 - Important product extension in Handyman
 - Use of additional “authority” in Pet Food



- Continued growth in long term revenue and profits
- 5 additional new stores expected for 2017 and 9 already approved for 2018
- Maintaining focus on the group's profit margin remains a key priority for Europris
 - Initiated through constructive supplier negotiations and other cost saving initiatives
- Relatively disappointing performance in Q3 has continued into Q4
- The most important period is ahead of us
 - November and December combined account for c. 75% of total retail sales in the fourth quarter
- No franchise takeovers planned in Q4
- Additional information regarding positive effects of the new central warehouse in Q4 results



Q & A



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Appendix



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Number of sales days

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

Number of store projects (franchise projects in brackets)

2016	Q1	Q2	Q3	Q4	Total
New stores	1	6	3	1	11
Store closures	-	-	1	-	1
Relocations	1	5	1	3 (1)	10 (1)
Modernisations	5 (4)	6	2 (3)	4 (1)	17 (8)

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

Note: Number of projects in 2017 is a moving target, and is subject to change during the year based on operational considerations. An updated view will be presented during the quarterly presentations going forward

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

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

Other definitions

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

Presentation of results for fourth quarter 2017

See you 1 February 2018

