Company presentation

January 2019
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First choice for anyone who wants to shop convenient, smart, big and at low price
Europris – a growth story

- Founded by Wiggo Erichsen
- Wholesale agreement with Terje Høili AS
- Store #100
- Acquired by IK Investment Partners
- Store #150
- Central warehouse opened in Fredrikstad
- Acquired by Nordic Capital
- JV with Tokmanni and opened Shanghai sourcing office
- Listing on Oslo Børs
- 25 years of growth
- Store #250

NOK million

- 2017: LTM Q3
- 1992: Founded by Wiggo Erichsen
- 1993: Wholesale agreement with Terje Høili AS
- 1994: Store #100
- 1995: Acquired by IK Investment Partners
- 1996: Store #150
- 1997: Central warehouse opened in Fredrikstad
- 1998: Acquired by Nordic Capital
- 1999: JV with Tokmanni and opened Shanghai sourcing office
- 2000: Listing on Oslo Børs
- 2017: LTM Q3
Customers • 30 million customer transactions in 2017
• Widely recognised brand and price position¹

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

¹ Mediacom annual market survey
With a strong brand

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

100% Recognition

#1 Price perception
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

Our values

• Positive attitude
• Proactive
• Clear
• Business acumen
• Simple

1 Annual employee survey (2018)
Sustainability is an integrated part of the strategy

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
Support for Church City Mission, work training and sponsorships

1 MediaCom — barriere survey 2018
Significant market potential for multi-category retailers

Addressable market in Norway

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

While online is challenging bricks-and-mortar…

Variety retail has grown ~twice the speed of all retail

**Online share of retail sales**
Percent

<table>
<thead>
<tr>
<th>Year</th>
<th>Variety retail</th>
<th>Total retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>+10.8 p.p.</td>
<td>3%</td>
</tr>
<tr>
<td>2012</td>
<td>+7.5 p.p.</td>
<td>5.7%</td>
</tr>
<tr>
<td>2017</td>
<td>+5.0 p.p.</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

**Variety retail sales growth total vs. variety retail**
CAGR 2012-17, constant

<table>
<thead>
<tr>
<th>Country</th>
<th>Variety retail</th>
<th>Total retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>5.7%</td>
<td>2%</td>
</tr>
<tr>
<td>US</td>
<td>4.7%</td>
<td>3%</td>
</tr>
<tr>
<td>France</td>
<td>6.5%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Denmark</td>
<td>6.5%</td>
<td>2%</td>
</tr>
<tr>
<td>Sweden</td>
<td>6.5%</td>
<td>3%</td>
</tr>
</tbody>
</table>

1 General retailers with wide discount range.
Source: Euromonitor International; 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

**Last mile is complex**
Logistics, handling and delivery costs are complex in Norway, and in variety discount in particular

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

**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
Track record of above-market growth

### Revenue and EBITDA margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (NOK billion)</th>
<th>EBITDA margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>4.3</td>
<td>13%</td>
</tr>
<tr>
<td>2015</td>
<td>4.6</td>
<td>14%</td>
</tr>
<tr>
<td>2016</td>
<td>5.1</td>
<td>13%</td>
</tr>
<tr>
<td>2017</td>
<td>5.4</td>
<td>12%</td>
</tr>
<tr>
<td>LTM Q3 2018</td>
<td>5.6</td>
<td>12%</td>
</tr>
</tbody>
</table>

### Total growth for Europris and market

<table>
<thead>
<tr>
<th>Year</th>
<th>Europris</th>
<th>Kvarud</th>
<th>LTM Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>9.3%</td>
<td></td>
<td>3.0%</td>
</tr>
<tr>
<td>2015</td>
<td>8.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>7.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>6.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LTM Q3 2018</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Europris group figures
2. Europris chain figures
3. Kvarud Analyse: Norwegian shopping centre index
Be the *best* discount variety retailer *in Europe*
Strategic focus areas

- Strengthen price and cost position
- Improve customer experience
- Drive customer growth
Strengthen price and cost position

Strengthen price and cost position

Improve customer experience

Drive customer growth
A relentless search for efficiencies

**Value chain**

- **Sourcing**
- **Logistics**
- **Central warehouse**
- **Flow of goods**
- **Stores**

**Value initiatives**

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

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

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

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

- **Omnichannel offering**
- **Sharing best practice**
- **Lean – the Optimal Store 2020**
Boost established price position

**Status**

- **Statement:** Europris has generally low prices

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>55%</td>
<td>47%</td>
<td>47%</td>
<td>44%</td>
<td>42%</td>
<td>55%</td>
<td>58%</td>
<td>58%</td>
<td>64%</td>
<td>66%</td>
<td>66%</td>
<td>64%</td>
</tr>
</tbody>
</table>

**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

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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
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
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
ÖoB – a perfect partner

90% category overlap

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

Strong cultural fit

Europris version 5.1

ÖoB new concept store
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 |

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

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### NOK 30-40m

Initial savings estimates for Europris

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1. Initial savings estimates for Europris
Futureproofing distribution
Moving from five warehouses to one

- 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
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

1LEAN method 5S: before and after

5S is a workplace organization methodology originating from Japan. The 5S are: Seiri (Sort), Seiton (Straighten, Set), Seiso (Shine, Sweep), Seiketsu (Standardize), Shitsuke (Sustain)
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
Further Opex reductions from low-bay automation

**Opex in % of group revenue**

<table>
<thead>
<tr>
<th>Year</th>
<th>Opex Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>30.8%</td>
</tr>
<tr>
<td>Transition</td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td>29.6%</td>
</tr>
</tbody>
</table>

Reduction of between 0.75-1.25 percentage points

- 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
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)

- Has generally low prices: +10% (1)
- Has a wide selection of products: +34% (4)
- Has good products to reasonable prices: +33% (4)
- Has products of good quality: +63% (8)
- A place where one can make a bargain: +35% (1)
- Has a good seasonal assortment: +64% (2)
- A place I shop often: +50% (1)
- A nice place to shop: +61% (4)

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
Bringing new distinct seasonal offerings to market

From one seasonal store among many

To the “Seasonal Store of Norway”

Towards a more distinct position

Example of distinct position within Summer

<table>
<thead>
<tr>
<th>Year</th>
<th>Seasonal range</th>
<th>Non-seasonal range</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>100</td>
<td>75</td>
</tr>
<tr>
<td>2014</td>
<td>125</td>
<td>100</td>
</tr>
<tr>
<td>2015</td>
<td>150</td>
<td>125</td>
</tr>
<tr>
<td>2016</td>
<td>175</td>
<td>150</td>
</tr>
<tr>
<td>2017</td>
<td>170</td>
<td>175</td>
</tr>
</tbody>
</table>

Indexed

Soil

Fertiliser

Garden tools

The lawn expert

Trim and cutting

Seed

Irrigation
Category development affects growth and margins

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.

Impact of categories on margins:

- **Groceries**: Gross margins (%)
  - Personal care, Groceries, Laundry & Cleaning, Candy & Chocolate, Pets
  - 30-40

- **General merchandise**: Gross margins (%)
  - Home & Kitchen, Hobby & Office, Handyman
  - 50-60

- **Speciality retail**: Gross margins (%)
  - Clothes & Shoes, Travel, Sports & Leisure, House & Garden, Electronics
  - 40-50
Constant category evaluation and refining

Our proven category management tools

- Assortment optimisation
- Redesigned packaging
- Campaign development
- Revitalised marketing
- Improved in-store communication
- In-store optimisation

In-store optimisation

Improved in-store communication

Revitalised marketing

Campaign development

Redesigned packaging

Assortment optimisation
Digital strategies to drive physical sales

- Strengthen price and cost position
- Improve customer experience
- Drive customer growth
Bridging digital opportunities and physical stores

- 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
## Strategic priorities for integrating online and physical stores

### Digital marketing
- 360° 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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOK million</td>
<td>2</td>
<td>10</td>
<td>18</td>
<td>27</td>
</tr>
</tbody>
</table>

### Monthly traffic on Europris.no

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Million visitors</td>
<td>0,60</td>
<td>0,84</td>
<td>1,05</td>
<td>1,20</td>
</tr>
</tbody>
</table>

### Average basket value

<table>
<thead>
<tr>
<th>Distribution</th>
<th>Average basket value (NOK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Click &amp; collect</td>
<td>1,606</td>
</tr>
<tr>
<td>Home delivery</td>
<td>585</td>
</tr>
<tr>
<td>Store</td>
<td>199</td>
</tr>
</tbody>
</table>

1 YTD numbers as of October
A complementary source for revenue growth

Share of group revenue from digital channels\(^1\)

- \(>0.5\%\)
- \(5-10\%\)

2018 2025E

- 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
- Home delivery

- 75% Click & collect
- 25% Home delivery

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

Strict return requirements for new stores

Nannestad opening, October 2018
## Long-term financial and operational ambitions

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>Continue to deliver like-for-like growth <strong>above the market</strong> over time</td>
</tr>
<tr>
<td>Number of new stores</td>
<td>Target to open <strong>on average 5 new stores net per year</strong>, depending on availability of locations which meet strict return requirements, potential for relocations, expansion and refurbishment activities</td>
</tr>
<tr>
<td>EBITDA</td>
<td><strong>Increased EBITDA margin</strong> over time from improved sourcing and more cost-effective value chain</td>
</tr>
<tr>
<td>Dividend</td>
<td><strong>Dividend policy</strong> of 50%-60% pay-out of net profit while maintaining an efficient balance sheet</td>
</tr>
</tbody>
</table>
## Why invest in Europris

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

Q&A

Next event: Q4 presentation 31 January 2019
Appendix
## Analytical info

### 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)

---

1 All figures are approximations and subject to change without further notice
### Analytical info: New warehouse

<table>
<thead>
<tr>
<th>Investments</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT, office equipment and other (CAPEX)</td>
<td>~15</td>
<td>~5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automation, part 1 (lease)</td>
<td>~85</td>
<td>~30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automation, part 2 (^1) (CAPEX)</td>
<td>~25</td>
<td>~90</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-recurring OPEX items</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moving costs</td>
<td>5-10</td>
<td>5-10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redundant warehouse capacity in 2019 and Øra lease from H2 2020 (sublet potential to lease ends March 2022)</td>
<td>~6</td>
<td>0-13</td>
<td>0-26</td>
<td>0-10</td>
</tr>
</tbody>
</table>

---

1) Financing method for automation part 2 not yet concluded
### Preliminary effect on group balance sheet

<table>
<thead>
<tr>
<th></th>
<th>Implementation effect 01.01.2019</th>
<th>2019 estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total fixed assets</td>
<td>+1.93bn</td>
<td>+165m</td>
</tr>
<tr>
<td>Total assets</td>
<td>+1.93bn</td>
<td>+165m</td>
</tr>
<tr>
<td><strong>Equity and liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td>-30m</td>
</tr>
<tr>
<td>Long term financial liabilities</td>
<td>+1.57bn</td>
<td>+210m</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td>+360m</td>
</tr>
<tr>
<td>Other short term liabilities</td>
<td></td>
<td>Net -15m</td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td>+1.93bn</td>
<td>+165m</td>
</tr>
</tbody>
</table>

- 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

<table>
<thead>
<tr>
<th></th>
<th>Estimated 2019 P&amp;L effects</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group revenue</strong></td>
<td>Reduced by 430-450m</td>
</tr>
<tr>
<td><strong>COGS</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Opex</strong></td>
<td>Increased by 400-420m</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>Increased 70m-80m</td>
</tr>
<tr>
<td><strong>Net finance cost</strong></td>
<td>Reduced by some 10m</td>
</tr>
<tr>
<td><strong>Tax cost</strong></td>
<td>Reduced by some 30m</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td></td>
</tr>
</tbody>
</table>

- 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

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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 |