

Q2 2024 presentation

11 July 2024

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Europpris

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The Europris group



A Nordic retail champion in the making...

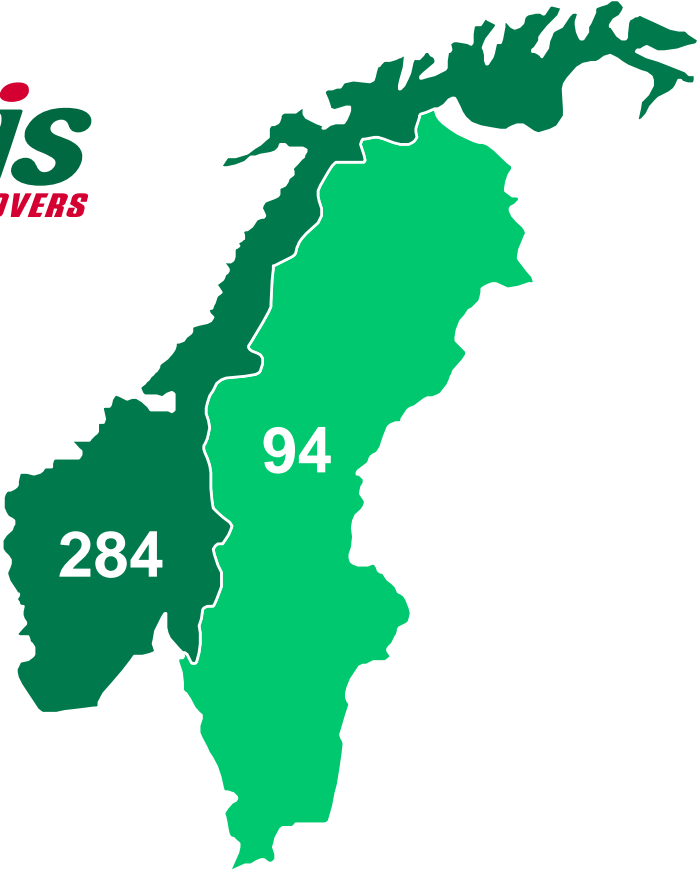
...with strong concepts across 378 stores

Annual sales
~13.5
NOK billion

Annual EBIT
~1,150
NOK billion

Customer club
3.8
million members

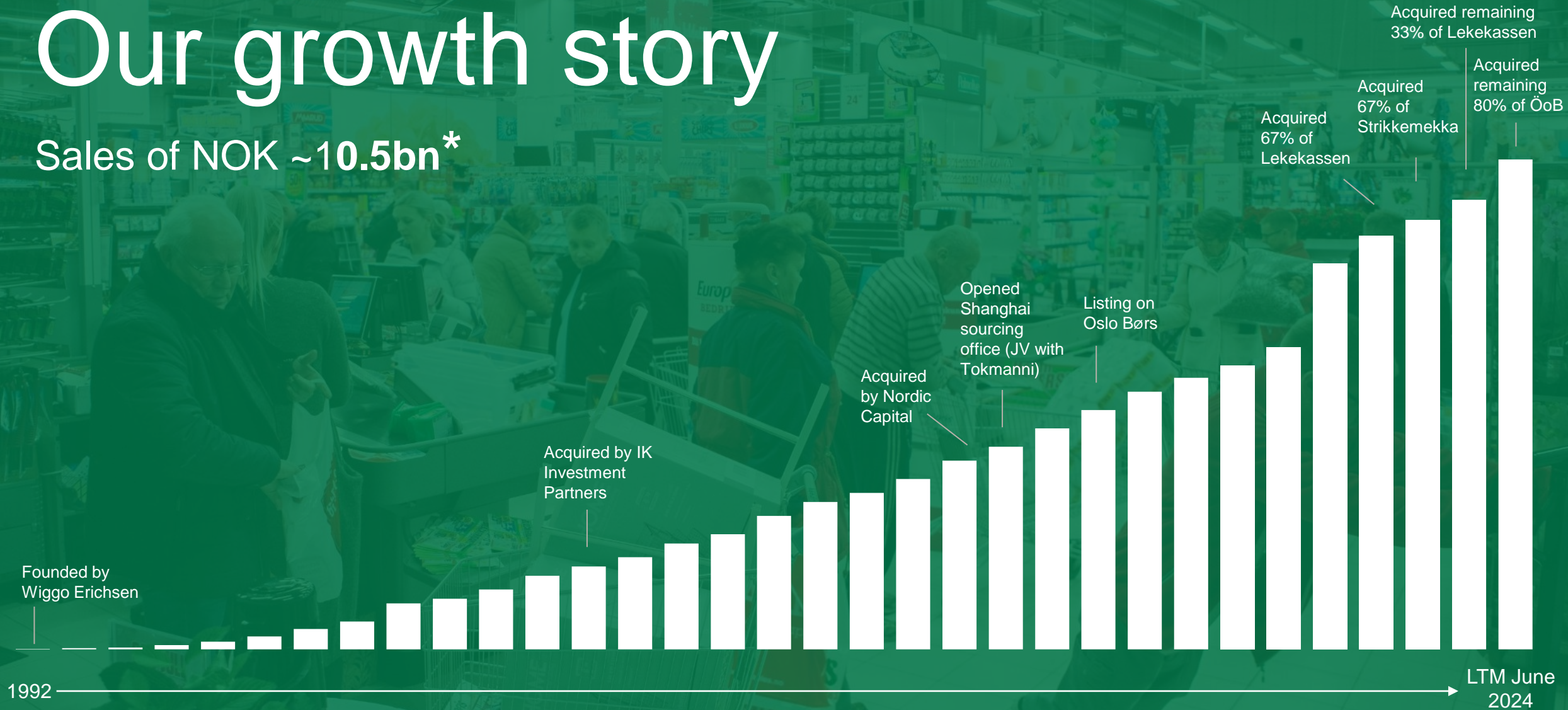
Annual footfall
57
million transactions



Figures are based on approximate and pro-forma figures last 12 months at 30 June 2024 for all group companies. Number of stores comprise all group companies including franchises (Europris chain with 282, ÖoB with 94 and Lekekassen with 2).

Our growth story

Sales of NOK ~10.5bn*



* Sales includes the Europris chain (directly operated and franchise stores), Lunehjem (consolidated as of March 2021), the Lekekassen group (consolidated as of August 2021), the Strikkemekka group (consolidated as of July 2022) and ÖoB (Runsvengruppen; consolidated as of May 2024)

Second quarter 2024 in brief

- Finalised acquisition of Runsvengruppen (ÖoB) on 2 May 2024
- Important strategic milestone on the pathway to creating a Nordic champion in discount variety retail
 - Combined turnover last twelve months of NOK ~13.5bn
 - Final purchase price of NOK 200.5m for the remaining 80%
 - Good start on the cooperation to integrate the businesses
- Group sales of NOK 3.1bn, +34.6%
 - Organic growth of 3.0%
- Group EBIT of NOK 339 million, down NOK 23m
 - Organic decline of NOK 8m
 - Negative EBIT of NOK 16m from ÖoB



Relevant concept in tough times for many consumers

- A tougher economic climate creates more price conscious consumers
 - Higher sales growth for campaigns and consumables
 - Consumers still holding back on investment purchases - lower sales of high-ticket items such as garden furniture
 - Increased share of private label sales
- Provides opportunities for discount variety retailers
 - Offer good value for money
 - Ability to adapt to changes in market conditions with a wide range of essential products



Our climate efforts are being recognised

- Europris has been included in the fourth edition of Financial Times' and Statista's 'Europe's Climate Leaders'
- The list covers some 600 European companies that contribute to the green transition
- The ranking is based on several factors, and Europris is one of two retailers in Norway and among the top 12 retailers in Europe



Europe's Climate Leaders 2024: interactive listing

Despite chafing at green regulations, companies are making headway on cutting carbon emissions



Red sky in morning ...: with temperature rises of about twice the global average, Europe is the fastest warming continent © AP

Financials

CFO Stina C Byre

Europpris

Group financials - second quarter



Highlights group

- Group sales up 34.6%, with organic growth of 3%
- Gross margin down 2.6%-p, with organic increase of 0.2%-p or up 0.4%-p excluding unrealised currency
- Opex-to-sales ratio increased by 2.1%-p, with organic increase of 1.2%-p
- Group EBIT of NOK 339m, with organic EBIT decline of 2.2%
- Net profit to parent up NOK 6m
- Positive impact by fair value adjustment of the option to acquire ÖoB (NOK +32m) and remeasurement of the initial 20% stake (NOK +17m)
- Unrealised loss on interest rate swaps of NOK 1m vs gain of NOK 22m last year

Key figures group, second quarter 2024

Sales
NOK 3.1bn
+34.6%

Organic sales growth
+3%

Gross margin
41.9%
-2.6%-p

Opex-to-sales
23.6%
+2.1%-p

EBIT margin
10.9%
-4.8%-p

Net profit to parent
NOK 266m
(NOK 260m)

Group financials - first half



Highlights group

- Group sales up 21%, with organic growth of 3.9%
- Gross margin down 1.6%-p, with organic gross margin roughly on a par with last year
- Opex-to-sales ratio increased by 1.8%-p, with organic increase of 1.6%-p
- Group EBIT of NOK 445m, with organic EBIT decline of 9.2%
- Net profit to parent down NOK 18m
- Positively impacted by fair value adjustment of option to acquire ÖoB (NOK +32m) – gain from remeasurement of the initial 20% stake was offset by loss up until takeover
- Unrealised gain on interest rate swaps of NOK 6m vs gain of NOK 17m last year

Key figures group, first half 2024

Sales
NOK 5.1bn
+21%

Organic sales growth
+3.9%

Gross margin
42.4%
-1.6%-p

Opex-to-sales
25.9%
+1.8%-p

EBIT margin
8.7%
-3.3%-p

Net profit to parent
NOK 313m
(NOK 331m)

Solid financial position



- Cash from operating activities of NOK 208m, on a par with last year
 - Negative net change in working capital related to normal seasonal fluctuations
- Negative net change in cash of NOK 547m (-593m)
 - Paid dividend of NOK 523m (604m)
- Solid financial position
 - Net debt of NOK 5,097m (4,251m) - excluding lease liabilities NOK 1,520m (1,617m)
 - Cash and liquidity reserves of NOK 1,441m (1,005m)

Cash flow, NOK million	Q2 2024	Q2 2023	YTD 2024	YTD 2023	FY 2023
Cash from operating activities	488	574	208	208	1,769
- of which change in net working capital	94	195	(297)	(267)	281
Cash used in investing activities	(18)	(23)	(67)	(310)	(358)
Cash from financing activities	(527)	(648)	(688)	(491)	(1,199)
Net change in cash	(57)	(97)	(547)	(593)	212
Cash at beginning of period	186	(31)	676	464	464
Cash at end of period	129	(128)	129	(128)	676

Key financials	Q2 2024	Q2 2023	YTD 2024	YTD 2023	FY 2023
Net debt (excl. lease liabilities)	1,520	1,617	1,520	1,617	371
Cash and liquidity reserves	1,441	1,005	1,441	1,005	2,205



Segment Norway – second quarter

Highlights Norway

- Sales up 3%, with LFL growth of 1.1% for the chain
- Negative impact from timing of Easter offset two extra sales days
- Seasonal items sold well, with the exception of higher-ticket items within garden furniture
- Sales of NOK 131m from pure play companies, down 1.3%, as lower sales for Lekekassen offset growth for Strikkemekka
- Gross margin up 0.2%-p, or up 0.4%-p excluding unrealised currency effects
- EBIT down 2.2% from opex growth and higher lease depreciations

Key figures Norway, second quarter

■ 2023
■ 2024



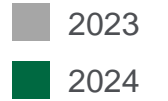


Segment Sweden – consolidated May and June

Highlights Sweden

- Combined sales for May and June of NOK 0.7bn, with gross margin at 32.4%
- LFL sales declined by 3.5% for the ÖoB chain for the full second quarter, reflecting lower sales for non-food categories, including seasonal items

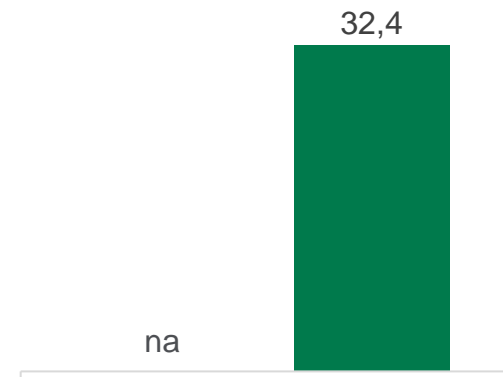
Key figures Sweden, May and June



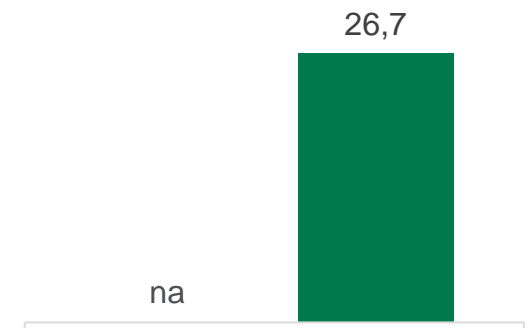
Sales, NOK bn



EBIT, NOKm



Gross margin, %



Opex-to-sales, %

Soft first half for Sweden, in addition to one-offs

- One-off effects to align accounting principles booked before Europris ownership period commenced, with a total negative EBIT impact of SEK ~50m
 - Gross profit impacted by SEK -23m
 - Opex and write-downs of SEK -26m
- Key figures ÖoB first half 2024:
 - Sales of SEK 2bn, down 2.1%
 - Gross margin of 31.2%, down 3.2%-p, negatively impacted by one-offs (-1.2%-p) and product mix from a higher share of consumables
 - EBIT of SEK -155m, or -105m excluding one-offs, down from SEK -45m last year



Sweden (ÖoB)

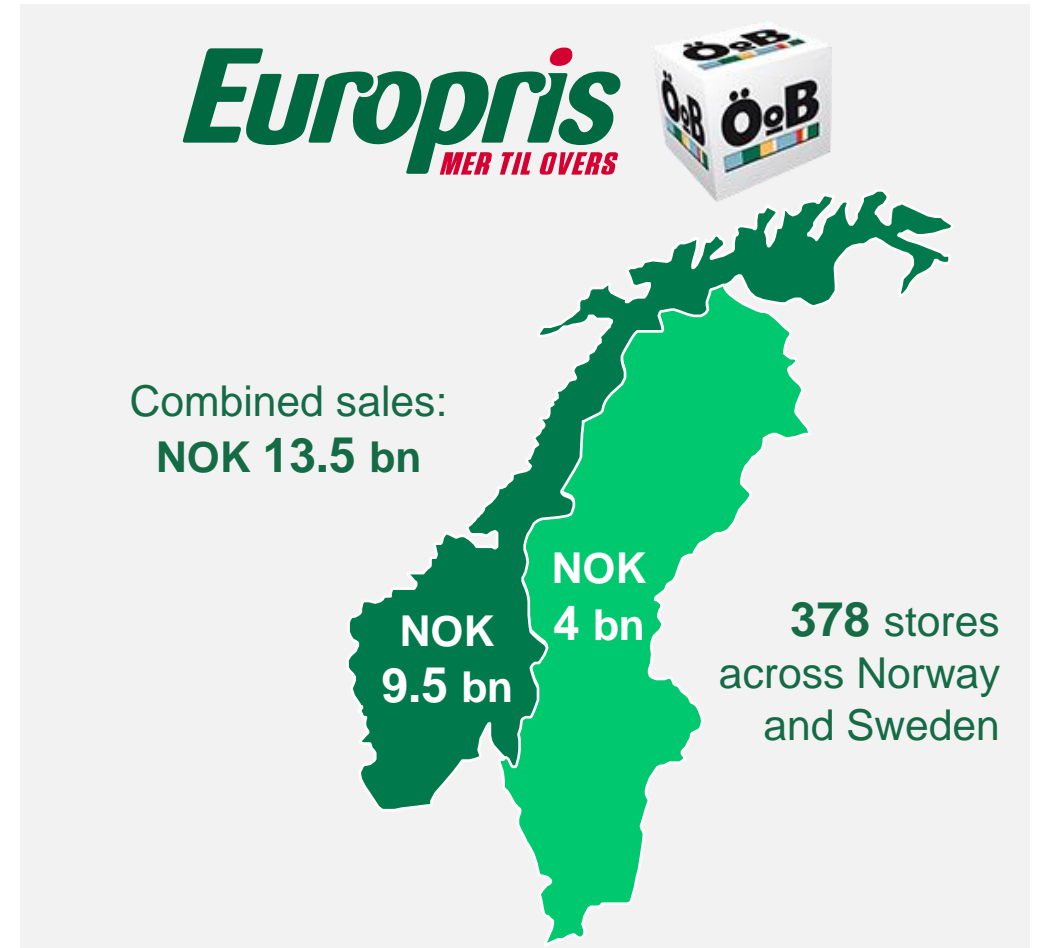
CEO Espen Eldal

VP Strategic Projects André Sjøasæt

Europpris

Creating a Nordic champion in discount variety retail

- #1** Leading brands and similar concepts with potential to establish a strong Nordic position
- #2** Shared values and similar business cultures
- #3** Operational synergies across concepts → sharing “best practice”
- #4** Significant synergies throughout the value chain



ÖoB strengths



Profound expertise in wholesale and retail, coupled with a long and rich history



A leading concept in discount variety retail, recognised by customers for low prices and broad assortment



Store network with 94 stores across all of Sweden



2 million members in the “Lågprisklubben” customer club

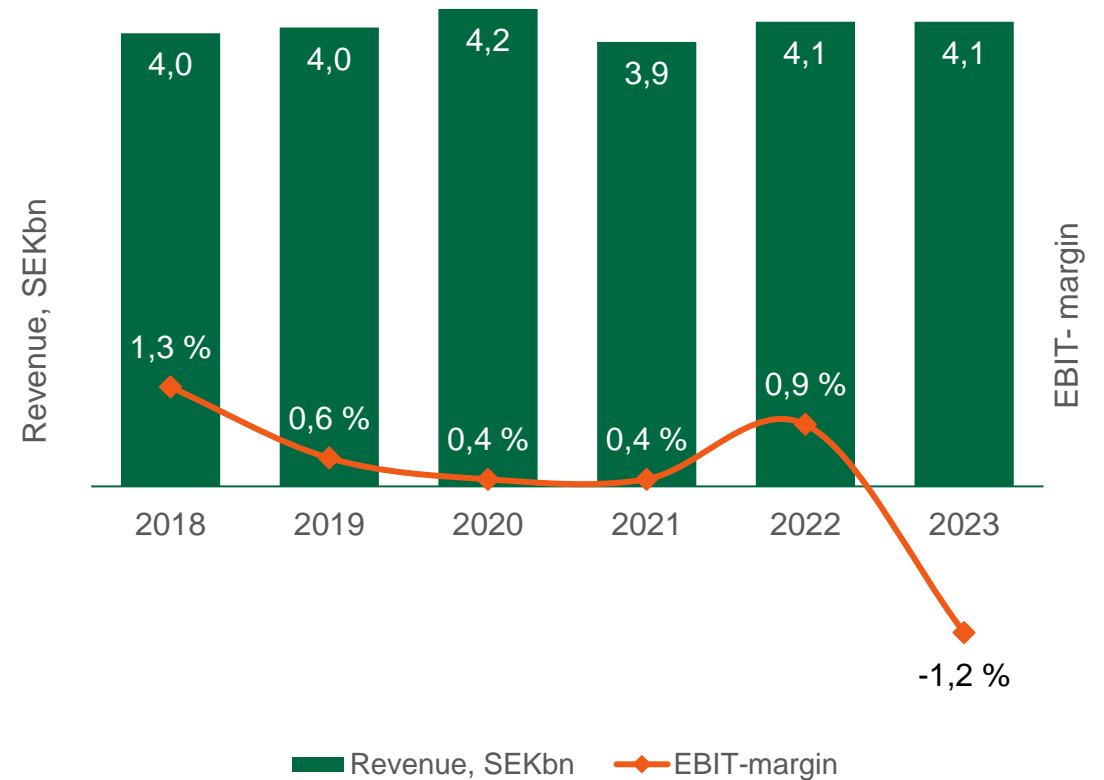


Strong retail culture built on solid values

ÖoB challenges

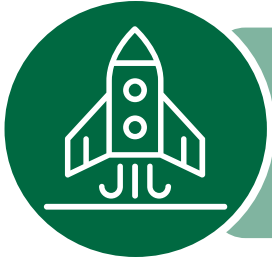
- No revenue increase since 2015 in contrast to other players in Swedish variety retail with double-digit top line growth
- Declining footfall, especially post-Covid
- Increasing share of sales from consumables, putting pressure on the gross margin and a more challenging pricing environment
- Lost "ownership" of seasonal sales and higher margin non-food categories
- Underinvested due to weak profitability, liquidity strains, and uncertain ownership situation

Revenue and EBIT-margin



Our ambition is to grow ÖoB revenues by **SEK 1bn** by 2028

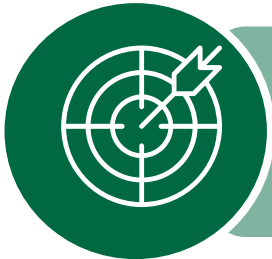
+1bn
SEK



Category harmonisation and joint sourcing

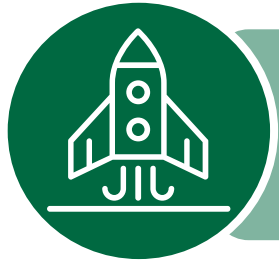


Improve customer experience



Strengthen execution across the value chain

Develop non-food categories and harmonise assortment across the chains



Category harmonisation
and joint sourcing



Improve customer experience

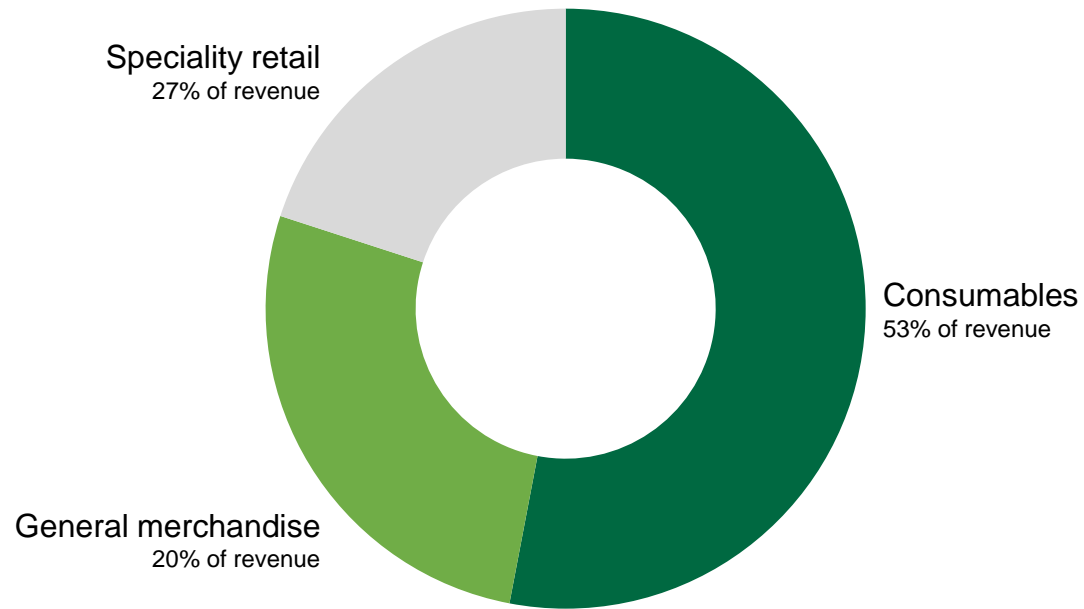


Strengthen execution across the
value chain

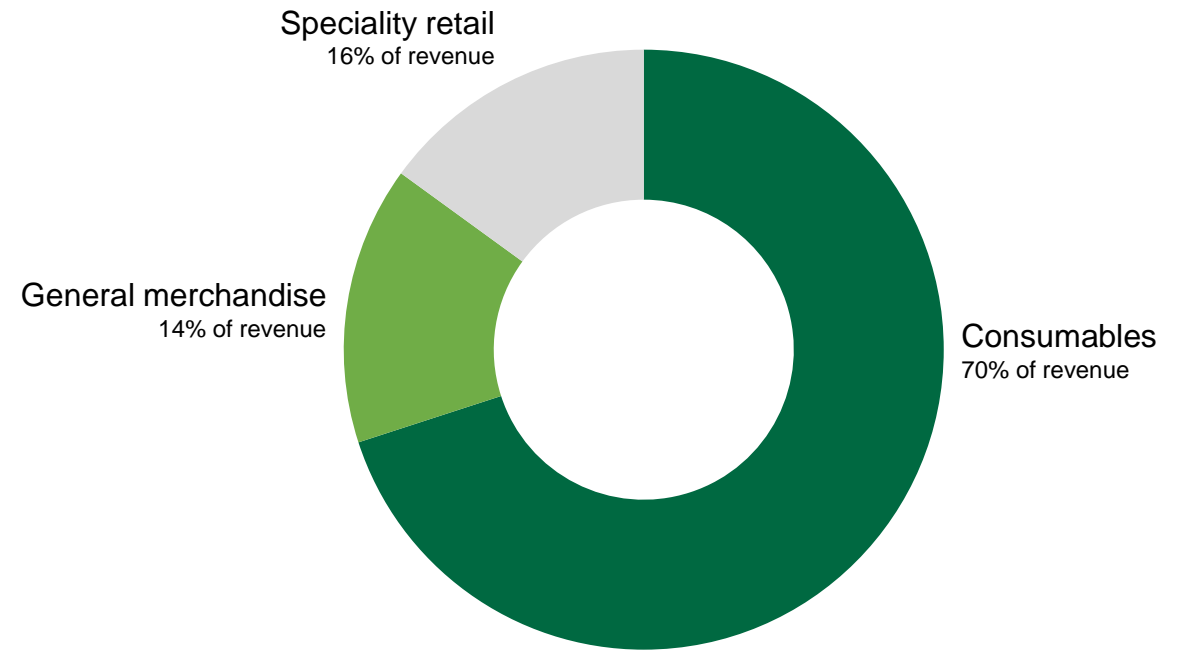
- Develop the non-food categories and sharpen positioning towards the main seasons
- Harmonise assortment across market segments and extract purchasing synergies
- Harmonise and align portfolio and efforts on Private Labels
- Common pricing strategies with local adaptation to competition

Developing the non-food categories will enable higher margins

Europris - Well-diversified across the retail segments



ÖoB – More tilted towards consumables



Increasing gross margins will also be possible by harmonising the private label portfolio

Euopris

~45%
share of
Private Label



<25%
share of
Private Label

Boost customer satisfaction and modernise the stores



Category harmonisation
and joint sourcing



Improve customer experience



Strengthen execution across value
chain

- Implement proven category shop-in-shops from Europris in ÖoB stores
- Upgrade and modernise stores and concept
- Strengthen brand position amongst target customer segments to attract new customers and grow frequency in existing customer base
- Further develop and strengthen ÖoB's loyalty program "Lågprisklubben"

Improving in-store customer experiences

Home Q1 21



Storage Q2 21



Textiles Q2 21



Choc & snacks Q3 21



Pet Foods Q1 22



DIY Q3 22



Toys Q4 22



Cleaning Q1 23



Personal Care Q3 23



Kitchen 2.0 Q1 24

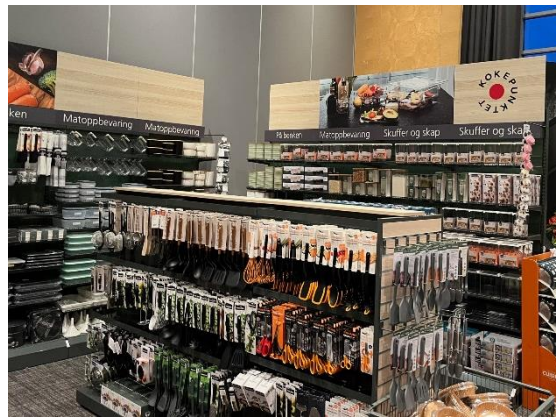


Europris has implemented substantial concept and category upgrades last 4 years

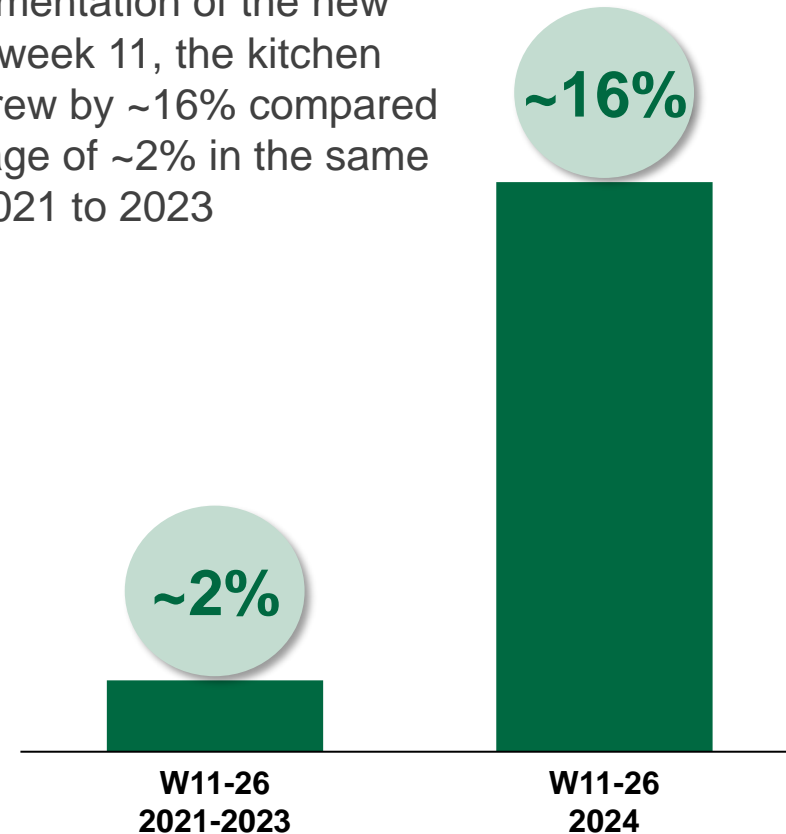
- Target: Continue to develop Europris' store concept to deliver an even better customer experience
- Changes have helped create a more relevant and profitable product range – everyday and for the seasons
- Implemented in all stores with involvement of our store staff

Example

New kitchen concept rolled out towards the end of Q1 2024



After implementation of the new concept in week 11, the kitchen category grew by ~16% compared to an average of ~2% in the same period in 2021 to 2023



Improve operational execution and governance



Category harmonisation
and joint sourcing



Improve customer experience



Strengthen execution across the
value chain

- Strengthen campaign setup and execution across all touchpoints in the value chain
- Standardise and harmonise commercial toolbox across the concepts
- Strengthen operational sales management and implement “The Europris Way”
- Sharing and implementation of best practices across all operational and support functions (e.g. sustainability, supply chain management, etc.)

Strengthening campaigns and seasons

Sharpening the focus on campaigns and seasons to be relevant, attract customers and drive traffic and sales

✔ Campaign driven

✔ Low-price

✔ Broad range

Unbeatable campaign offers

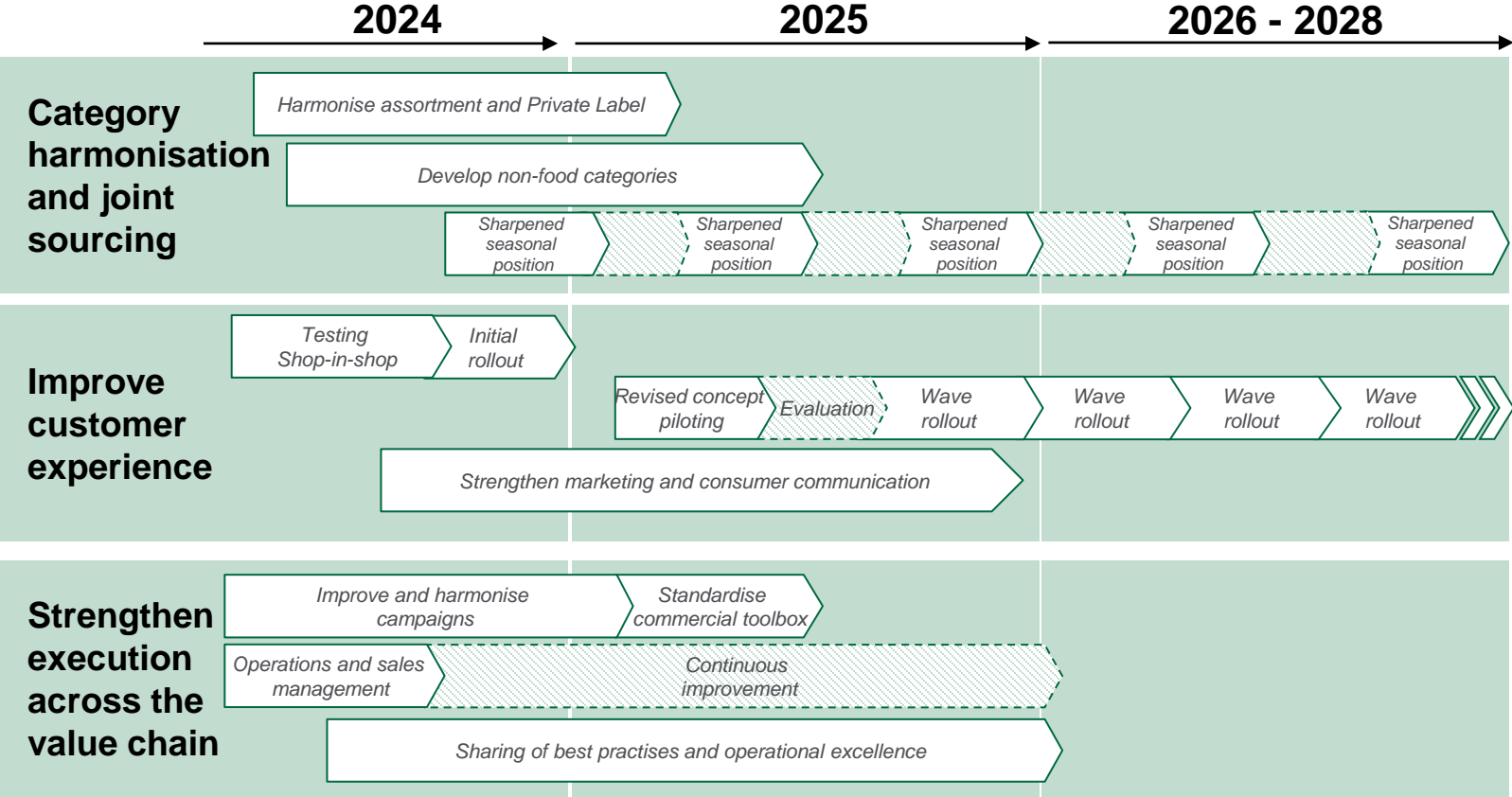
+ Champion of the seasons



Retail management
is about **putting**
all the **pieces**
together



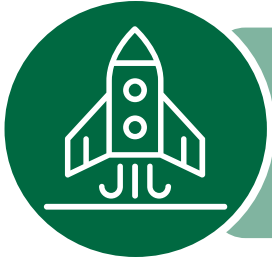
The transformation is well initiated and will continue over the coming years



- Many activities are already mobilised and initiated. Given buying cycles, seasonality and complexity many activities will be continued over the coming years
- Although many changes are implemented in the first years, customers will need more time to experience the full effects in the store network
- Europris have mobilised an integration programme setting clear priorities, structure and involvement across the two organisations
- The transformation programme is led by VP Strategic Projects André Sjøset in close collaboration with management and other key stakeholders from the organisations in Sweden and Norway

Our ambition is to grow ÖoB revenues by **SEK 1bn** by 2028

+1bn
SEK



Category harmonisation and joint sourcing



Improve customer experience



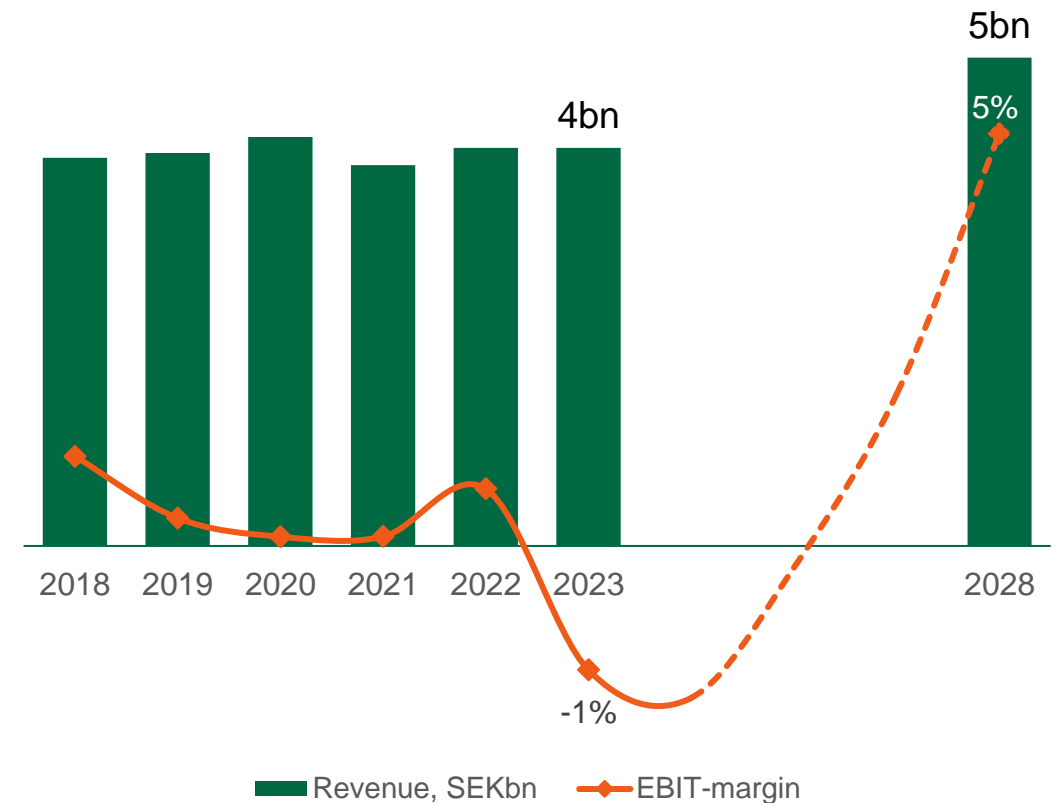
Strengthen execution across the value chain

The ÖoB opportunity

Designing a five-year plan to revive growth and restore profitability in ÖoB

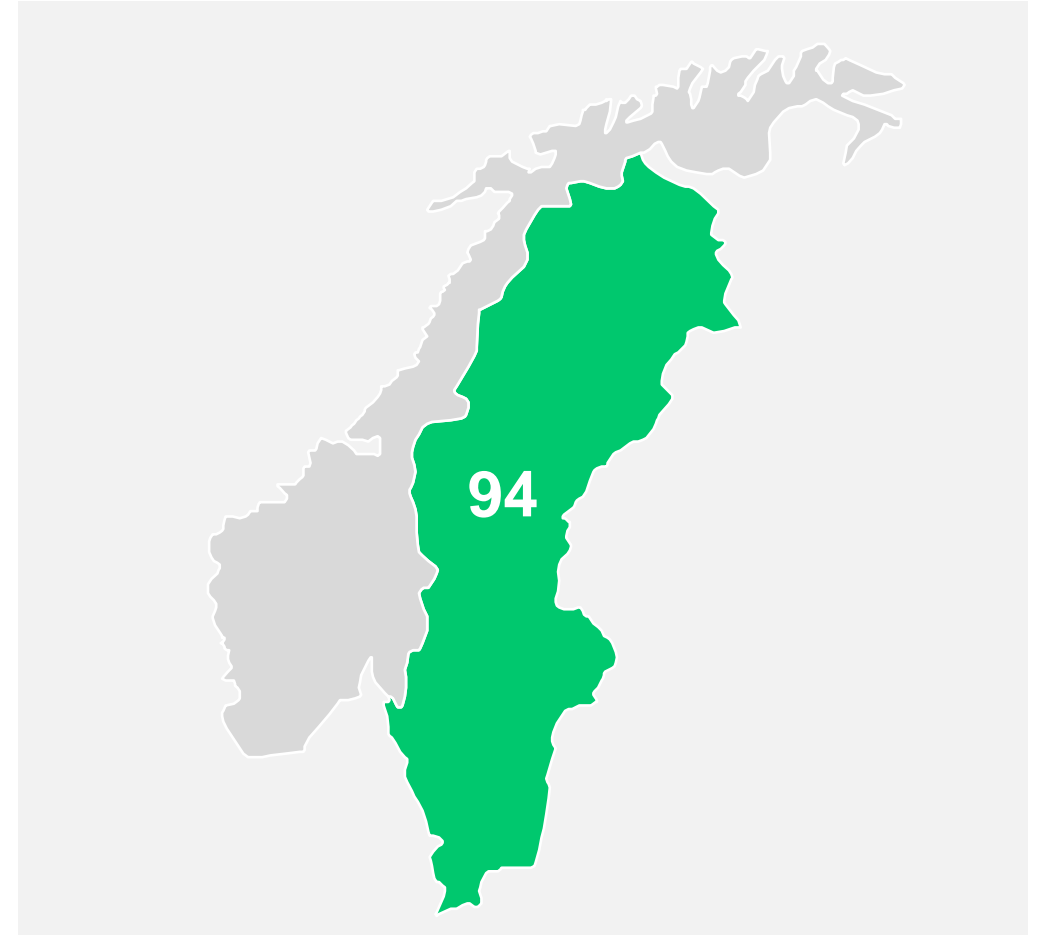
- Add sales of **SEK 1 billion**
- Strengthen **gross margins**
- Maintain **cost efficiency**
- Turnaround designed to generate **ÖoB EBIT-margin of 5% by 2028**
- Improvement plan supported by **investment programme of SEK >300 million**
- Additional positive **purchase synergies for Euopris** in the range of **NOK ~20-40 millions**

ÖoB - Revenue and margin development and ambition



Further long-term upside in adding more stores

- First priority is to create like-for-like growth and improve profitability in the existing store network
- Current store network in Sweden is smaller than for the most relevant competitors
- Long-term opportunity to expand store network by 30-50 stores to 125-145 stores



The Europris group



A Nordic retail champion in the making...

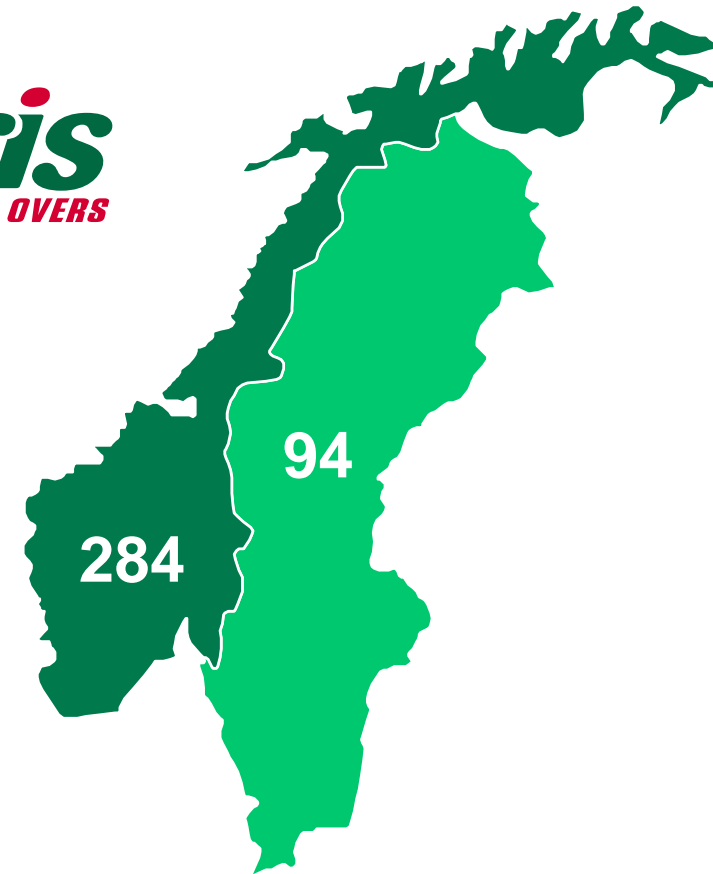
Annual sales
~13.5
NOK billion

Annual EBIT
~1,150
NOK billion

Customer club
3.8
million members

Annual footfall
57
million transactions

...with strong concepts across 378 stores





Outlook

Euopris

Becoming a champion in the Nordic discount variety retail market



- Current market offers opportunities for concepts like Europris and ÖoB
- Taking measures to mitigate negative effects of shipping capacity constraints and higher war surcharges
- Building on a solid brand and price position in the upcoming turnaround of ÖoB
- Considerable potential to increase sales and profitability in Sweden
 - Category harmonisation and joint sourcing
 - Improve customer experience
 - Strengthen execution across the value chain
- Ambition to lift ÖoB sales to SEK 5bn with 5% EBIT-margin in 2028



Q&A

Next event: Q3 presentation 31 October 2024

Appendix

Content



Long-term financial and operational ambitions

Sales days and store projects

Analytical information

Alternative Performance Measures (APM's)

Long-term financial and operational ambitions - segment Norway



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

Sales days and store projects – segment Norway



Number of sales days

Year	Q1	Q2	Q3	Q4	Total
2023	77	71	79	79	306
2024	75	73	79	80	307
2025	76	71	79	81	307

Number of store projects (franchise projects in brackets)

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

2024E	Q1	Q2	Q3	Q4	Total
New stores	-	-	-	1	1
Store closures	-	-	-	-	-
Relocations / expansions	3	6	3	1	13
Modernisations	5	2	1	-	8

Note: Number of projects in 2024 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.

Sales days – segment Sweden

Number of sales days

Year	Q1	Q2	Q3	Q4	Total
2023	89	91	92	91	363
2024	90	91	92	91	364
2025	89	91	92	91	363

Analytical information¹ – segment Norway



Seasonality	<ul style="list-style-type: none">As a rule-of-thumb, the Easter impact is approximately NOK 65-80 million in revenue and NOK 13-16 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 1.6-1.7 million per extra directly operated store (DOS)
Capex	<ul style="list-style-type: none">New store – NOK 2.4 million per store (average of five per year)Relocation – NOK 1.7 million per store (average of 10 per year)Modernisation – NOK 1.5 million per store (average of 10 per year)Category development – NOK 15 million per yearIT and maintenance – NOK 30 million per year In addition, for 2024: IT (ERP/POS) of NOK 15 million and warehouse (automation expanded high-bay area) of NOK 30 million
Rent	<ul style="list-style-type: none">Majority of contracts are CPI-adjustedRecognised under IFRS-16 leases

¹ All figures are approximations and subject to change without further notice

Alternative performance measures (APMs)

APMs are used by Europris 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.

Sales

Sales is the same as the IFRS definition of total operating income.

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 / Opex-to-sales ration

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 margin

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. 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.

Europris: 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 Europris chain and considered useful in order to understand the development of the entire chain, regardless of ownership structure of stores.

Constant currency

Constant currency is the exchange rate which the group uses to eliminate the effect of exchange rates fluctuations when calculating financial performance numbers.

Segment Norway

The Norway segment includes Europris and the pure play companies Lekekassen, Strikkemekka and Lunehjem.

Segment Sweden

The Sweden segment includes the ÖoB chain.

Pure play

Pure play includes the Lekekassen group, the Strikkemekka group and Lunehjem.

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 all stores under the brand name Europris and ÖoB. Europris has both directly operated stores and franchise stores while ÖoB only has directly operated stores.

Like-for-like (LFL) sales growth

LFL 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. LFL is calculated in constant currency.

Organic growth

Organic growth is defined as the growth excluding any structural changes (acquisitions or sale of companies). Segment Sweden has been excluded in organic growth for the group.