



22 June 2017

**B&M European Value Retail S.A.**

**Annual Report & Accounts 2017, Notice of Annual General Meeting**

B&M European Value Retail S.A. (the “Company”), the UK’s leading multi-price value retailer, announces that it has posted to shareholders today:

1. The Company’s Annual Report and Financial Statements for the year ended 25 March 2017 (“Annual Report & Accounts 2017”); and
2. The Notice of the Annual General Meeting of the Company (“AGM”).

Copies of the Annual Report & Accounts 2017 and the Notice of AGM will shortly be available for inspection at [www.morningstar.co.uk/uk/nsm](http://www.morningstar.co.uk/uk/nsm) , copies of them are also available on the investors section of the Company’s website at [www.bandmretail.com/investors/agm.aspx](http://www.bandmretail.com/investors/agm.aspx)

The AGM will be held at the Sofitel Luxembourg Europe, 4, Rue du Fort Niedergrünwald, L-2226 Luxembourg, Grand-Duchy of Luxembourg on Friday 28 July 2017 at 12:00 noon (CET).

Bondholders are not entitled to vote but may attend and speak at the AGM.

**Annual General Meeting**

In accordance with Disclosure and Transparency Rule 6.3.5R (DTR 6.3.5R) and the requirements which it imposes on how to make public annual financial reports, the following information in the Appendix 1 to this announcement is extracted from the Annual Report & Accounts 2017 and should be read in conjunction with the Company’s preliminary results announcement for the year ended 25 March 2017 issued on 25 May 2017, which contained a management report and a set of the Company’s consolidated financial statements. That information, together with the information set out in the Appendix 1 below (each of which are available at [www.bandmretail.com/investors/regulatory-news/search-regulatory-news.aspx](http://www.bandmretail.com/investors/regulatory-news/search-regulatory-news.aspx)) constitutes the material required by DTR 6.3.5R to be communicated to the media in unedited full text through a Regulatory Information Service.

This material is not a substitute for reading the Annual Report & Accounts 2017 in its entirety. Terms used, but not otherwise defined in this announcement, have the meanings given to them in the Annual Report & Accounts 2017.

**Enquiries**

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## APPENDIX 1

The principal risks and uncertainties relating to the Company are as set out in pages 28 to 31 inclusive of the “Principal risks and uncertainties” section of the Annual Report & Accounts 2017.

The following is extracted in full and unedited text from the Annual Report & Accounts 2017 and is repeated here solely for the purpose of complying with DTR 6.3.5R.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

#### **Risks management**

The following principal risks and uncertainties could have an impact on our business model and strategy. Mitigating steps aimed at managing and reducing those impacts are being employed by the Group as summarised below.

#### **Overall responsibility**

Risks and mitigation are reviewed as part of the oversight by the Audit & Risk Committee of the system of internal controls and reported on to the Board which takes overall responsibility for risk management.

The Internal Audit function of the Group reports on the effectiveness of internal control procedures to the Audit & Risk Committee as part of annual internal audit plan, taking into account current business risks.

<b>Risk management</b>
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<b>Identify and evaluate</b> The responsibility for identifying and evaluating new and emerging risks and mitigating actions lies with management. The Audit & Risk Committee, with the support of the Internal Audit department and the General Counsel, is responsible for monitoring risks and mitigating actions and for reporting matters of concern to the Board.	<b>Action plan</b> The Board oversees the risk management of the Group. It evaluates the recommendations made by the Audit & Risk Committee and determines the framework of the type of controls and mitigating steps required to be implemented, in the context of how those risks could impact the overall objectives of the business and risk appetite.	<b>Implementation</b> The responsibility for implementation of processes and controls in relation to the management of risk is delegated by the Board to the executive and operational senior management of the UK and German businesses. The Internal Audit department reports on the progress of implementation by management of recommendations made to them, to the Audit & Risk Committee at each meeting during the year, being a continuous cycle of review.
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#### **Risk appetite**

The Group's framework for managing its consideration of risk appetite forms part of the annual risk management cycle and is used to drive and inform actions undertaken in response to the principal risks identified by the Board. Within this framework, the Group's appetite for risk is

defined with reference to the expectations of the Board for both commercial opportunity and internal control and it is used to inform the Group's annual internal audit plan.

Category of risk	Tolerance
Strategic	Medium
Operational	Low to medium
Financial	Low
Compliance	Extremely low

### Changes in principal risks

Following review by the Board this year:

- the UK's exit from the EU has been added as a principal risk as there are uncertainties in the UK generally in relation to the outcome of the exit negotiations and how that might affect matters such as the economic and regulatory environment, customs duties, availability and cost of labour in the UK;
- during the last year a new warehouse management system ('WMS') was implemented as a pilot initially at 1 of our 6 UK warehouses. The pilot implementation was successful and the system is now in the process of being rolled out across the rest of the UK warehousing estate. The new WMS system is no longer considered to be a principal risk going forward.

Risk Type	Risk Number	Description	Risk Mitigations
Competition	1	The Group operates in a highly competitive retail market both in the UK and Germany and this could materially impact the Group's profitability and limit the growth opportunities.	<ul style="list-style-type: none"> <li>• Continuous monitoring of competitor pricing and product offering.</li> <li>• Development of new product ranges within the product categories to identify new market opportunities to target new customers.</li> </ul> 
Economic environment	2	A reduction in consumer confidence resulting in a fall in customer spending as a result of the prevailing macro-economic conditions in the markets in which we operate.	<ul style="list-style-type: none"> <li>• We offer a range of products and price points for consumers which allows them to trade up and down.</li> <li>• We maintain a low cost business model that allows us to maintain our selling prices as low as possible.</li> <li>• We have an extensive forecasting process that enables actions to be undertaken reflecting the economic conditions.</li> </ul> 
IT systems, cyber security and business continuity	3	The Group is reliant upon key IT systems, and disruption to these would adversely affect the businesses operations. Data protection failure may lead to a potential prosecution and reputational damage to the brand. This risk also encompasses the IT Security risk and the risk	<ul style="list-style-type: none"> <li>• All critical business systems have third party maintenance contracts in place and are industry standard.</li> <li>• We utilise the services of a third party IT consultancy support to ensure that any investments made in technology are fit for purpose; IT investments/budgets are approved at Board-level.</li> <li>• We have a disaster recovery strategy.</li> <li>• We have an on-going PCI compliance strategy.</li> <li>• IT Security is monitored at board level and includes penetration testing and up to date security software.</li> <li>• Significant decisions for the business are made by the Group or operational boards with segregation of duties</li> </ul> 

		<p>of management over-ride of controls.</p> <p>This risk has increased as cyber crime is a threat to all organisations and cyber attacks are increasing in scale and sophistication.</p>	<p>enforced on key business processes, such as the payables process, and a robust IT control environment is in place.</p>
Regulation and compliance	4	<p>The Group is exposed to regulatory and legislative requirements, including those surrounding the import of goods, the Bribery Act, Modern Slavery Act, health &amp; safety, employment law, data protection, the environment and the listing rules, which could lead to financial penalties and reputational damage. This risk has decreased as B&amp;M have introduced new anti-bribery &amp; corruption measures which have been issued to Buyers and suppliers.</p>	<ul style="list-style-type: none"> <li>• We have a number of policies and codes across the business, including a code of conduct that incorporates an anti-bribery &amp; corruption policy, outlining the mandatory requirements within the business. These are communicated to the staff via an employee handbook which is made available to anyone joining the company.</li> <li>• Operational management are responsible for liaising with the General Counsel and external advisors where required to ensure that we identify and manage any new legislation.</li> <li>• We have an internal audit function, and a whistle blowing procedure and policy which allows colleagues to confidentially report any concerns or inappropriate behaviour within the business.</li> </ul>
Credit risk and liquidity	5	<p>The Group's level of indebtedness and exposure to interest rate and currency rate volatility could impact the business and its growth plans.</p> <p>This risk has increased as currency exchange rate volatility has increased due to the UK's planned exit from the European Union.</p>	<ul style="list-style-type: none"> <li>• A treasury policy is in place to govern foreign exchange, interest rate exposure and surplus cash.</li> <li>• Regular weekly cash flow forecasts are produced and monitored.</li> <li>• Forward looking cash flow forecasts and covenant test forecasts are prepared to ensure sufficient liquidity and covenant headroom exists.</li> </ul>
Commodity prices/cost inflation	6	<p>Escalation of costs within the supply chain arising from factors such as increases in raw material and wage costs.</p> <p>Additionally, increased fuel and energy costs impacting on distribution and the store and warehouse overhead base.</p>	<ul style="list-style-type: none"> <li>• Freight rates, energy and currency are bought forward to mitigate volatility and allow the business to plan and maintain margins.</li> <li>• Wage increases are offset where possible by productivity improvements.</li> <li>• Forecasts and projections produced by the business include the expected impact of the national living wage and therefore the Board's strategic planning takes account of these effects.</li> </ul>
Supply chain	7	<p>The lead times in the supply chain could lead to a greater risk in buying decisions and potential loss of margins through higher markdowns.</p> <p>Disruption to the supply chain arising from civil unrest, natural disasters, ethical or quality standards failure could lead to reputational damage and a risk that consumers may be harmed.</p>	<ul style="list-style-type: none"> <li>• An experienced sourcing team is responsible for maintaining an efficient and effective supply chain.</li> <li>• A range of alternative supply sources are maintained across the product categories and we are not over reliant on any single supplier.</li> <li>• The combination of individual buyers and supplier employees conduct factory visits.</li> </ul>

Stock management	8	Ineffective controls over the management of stock could impact on the achievement of our gross margin objectives. Lack of product availability could impact on working capital and cashflows	<ul style="list-style-type: none"> <li>• Highly disciplined SKU count by season and effective and regular markdown action on slow moving product lines.</li> <li>• Initial stock orders do not exceed c. 14 weeks of forecast sales and action is undertaken after c. 4 weeks of trading to either repeat the order, refresh the product design or delete the product line.</li> <li>• Consistent levels of stock cover by product category are maintained through regular reviews of open to buy, supported by the disciplined SKU count.</li> </ul>	→
Infrastructure	9	The Group could suffer the loss of one of its warehousing facilities which would impact short/medium term trading and could materially impact the profitability of the business. Failure to maintain and invest in the warehousing and transport infrastructure as the business continues to grow the store portfolio. This risk has increased as B&M's store expansion means that the loss of a warehouse would impact on a larger number of stores and customers.	<ul style="list-style-type: none"> <li>• Forward plans are in place for additional warehousing capacity to support the new store opening programme. The Group in the UK has 6 separate warehousing locations and conducts disaster recovery planning.</li> <li>• The Group maintains adequate business interruption and increased cost of working insurance in the event of such a loss.</li> </ul>	↑
Key management reliance	10	The Group is reliant on the high quality and ethos of the executive team as well as strong management and operational teams.	<ul style="list-style-type: none"> <li>• The key senior and operational management are appropriately incentivised through bonus and share arrangements such that talent is retained.</li> <li>• The composition of the executive team is kept under constant review to ensure that it is appropriate to the delivery of the Group's plans.</li> </ul>	→
Store expansion	11	The ability to identify suitably profitable new store locations is key to delivering our growth plans.	<ul style="list-style-type: none"> <li>• Our Chief Executive Officer actively monitors the availability of retail space with the support of internal and external property acquisition consultants.</li> <li>• The flexibility of the trading format allows us to take advantage of a range store sizes and locations.</li> <li>• Each new store opening is approved by the CEO ensuring that property risks are minimised and ensuring that lease lengths are appropriate.</li> <li>• Where new locations may impact on existing locations, the cannibalisation effects are estimated and then monitored and measured to ensure an overall benefit to the Group is realised.</li> </ul>	→
International expansion	12	The ability to develop into new territories is important to the Group's future growth plans. Expanding into new markets creates additional challenges and risks.	<ul style="list-style-type: none"> <li>• Significant international experience on the main Board. The senior leadership team in Germany is experienced and incentivised.</li> <li>• Clear focus on markets in which we operate to ensure they are appropriate for value retailing and the product ranges are developed and selected by local buying teams rather than through the parent company.</li> <li>• Continuing to invest in both the infrastructure and technology of our international subsidiaries.</li> <li>• Monitoring and investigating potential new opportunities for growth in strategically identified locations.</li> </ul>	→
UK exit from the European Union	13	The UK's planned exit from the European Union has several potential	<ul style="list-style-type: none"> <li>• Short-term exchange rate volatility has been mitigated by our currency forward position. Any continued volatility</li> </ul>	NEW

		<p>impacts in the areas of economic &amp; regulatory environment; withholding tax paid on internal dividends; import of goods due to currency exchange volatility &amp; increased import duties; availability &amp; cost of labour; and several potentially as yet unknown impacts.</p>	<p>will affect the economic inflationary environment as a whole.</p> <ul style="list-style-type: none"> <li>• Regarding the more fundamental changes, the level of risk is currently unknown due to significant uncertainty regarding the outcome of the exit negotiations and British leadership's position on these.</li> <li>• The board will continue to monitor developments and understand the interpretations with respect to potential risks, and then act accordingly.</li> </ul>
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### Movement key

