

# *Euopris*

*MER TIL OVERS*

**EUOPRIS ASA**

**Q4**  
●●●●●●○●  
**2015**



# HIGHLIGHTS FOURTH QUARTER 2015



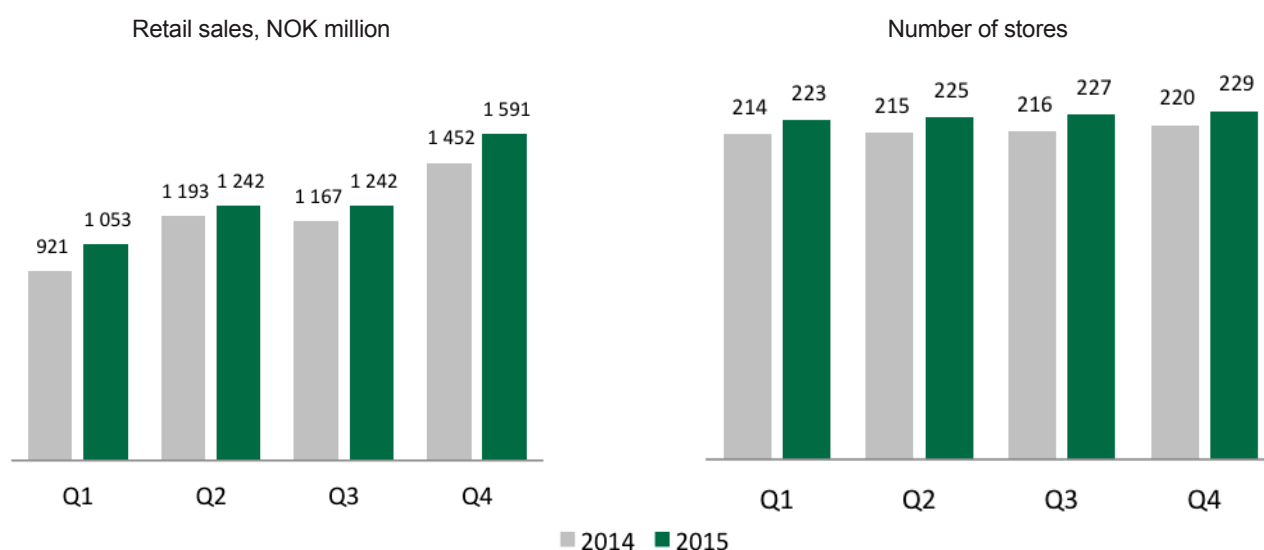
(Figures for the corresponding period of last year in brackets. The figures are unaudited.)

- Group revenue increased 8.6 per cent to NOK 1,409 million (NOK 1,298 million)
  - Representing 6.2 per cent growth on a like-for-like basis
- Adjusted EBITDA up by 9.7 per cent to NOK 283 million (NOK 258 million), resulting in a margin of 20.1 per cent
- Leverage reduced to 1.9x following strong cash flow for the quarter
- Position as “retailer of the seasons” reaffirmed – significant improvement on a strong 2014 base
- Expansion plan on track, with two new store openings during the quarter

# HIGHLIGHTS FULL YEAR 2015



- Group revenue increased 8.7 per cent to NOK 4,629 million (NOK 4,259 million)
- Systematic outperformance of the market, growing 5.4 per cent on a like-for-like basis compared to 2.3 per cent for the market <sup>1</sup>
- Adjusted EBITDA amounted to NOK 640 million (NOK 551 million) for the full year, a 16.2 per cent increase over 2014
- Nine new stores opened in 2015, bringing the total number of stores in the chain to 229 at year end
- Substantial progress in modernising stores - 77 per cent of the directly operated stores upgraded at the end of the year
- Adjusted net profit increased 31.2% to NOK 341 million (NOK 260 million) representing an adjusted EPS of NOK 2.04
- The board of directors proposes a dividend of NOK 1.40 per share



<sup>1</sup> According to Kvarud Analyse, Shopping Centre Index, December 2015; report analyses the performance of the 237 largest shopping centres in Norway.

# KEY FIGURES



Amounts in NOK million	Q4 2015	Q4 2014	FY 2015	FY 2014
<b>CHAIN</b>				
Total retail sales	1,591.0	1,451.7	5,128.2	4,732.9
Growth	9.6 %	10.1 %	8.4 %	9.3 %
Like-for-like sales growth	6.2 %	8.1 %	5.4 %	7.0 %
Number of stores at end of period	229	220	229	220
<b>GROUP</b>				
Sales directly operated stores	1,114.0	978.4	3,555.3	3,168.5
Sales from wholesale to franchise stores	261.2	288.8	970.4	984.3
Franchise fees and other income	33.8	30.3	103.5	106.1
<b>Group revenue</b>	<b>1,409.0</b>	<b>1,297.5</b>	<b>4,629.2</b>	<b>4,258.8</b>
Growth	8.6 %	14.0 %	8.7 %	13.3 %
COGS	762.9	684.7	2,569.3	2,423.7
<b>Gross profit</b>	<b>646.1</b>	<b>612.8</b>	<b>2,059.9</b>	<b>1,835.1</b>
Gross margin	45.9 %	47.2 %	44.5 %	43.1 %
Operating expenses	362.8	361.4	1,456.2	1,294.7
<b>EBITDA</b>	<b>283.3</b>	<b>251.3</b>	<b>603.7</b>	<b>540.4</b>
EBITDA margin	20.1 %	19.4 %	13.0 %	12.7 %
Nonrecurring items	-	6.8	36.7	10.5
<b>Adjusted EBITDA</b>	<b>283.3</b>	<b>258.1</b>	<b>640.4</b>	<b>550.9</b>
Adjusted EBITDA margin	20.1 %	19.9 %	13.8 %	12.9 %
<b>Profit before tax</b>	<b>249.5</b>	<b>128.6</b>	<b>367.7</b>	<b>206.5</b>
<b>Net profit</b>	<b>182.2</b>	<b>92.4</b>	<b>272.7</b>	<b>149.3</b>
<b>Adjusted net profit</b>	<b>182.2</b>	<b>166.0</b>	<b>341.1</b>	<b>259.9</b>
<b>Adjusted earnings per share</b> (167 million shares)	<b>1.09</b>	<b>0.99</b>	<b>2.04</b>	<b>1.56</b>

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# OPERATIONAL REVIEW



Europris performed well in the fourth quarter, increasing total revenues by 8.6 per cent to NOK 1,409 million (NOK 1,298 million). The quarter was an important seasonal period that included events such as Halloween, Black Friday and Christmas.

The group's performance further reaffirmed its position as "retailer of the seasons" in Norway. Overall, like-for-like sales increased 6.2 per cent in the fourth quarter, outperforming the market by 3.4 percentage points.<sup>2</sup>

Europris completed a solid Christmas season in 2015, its first year as a listed entity. Like-for-like sales increased 6.4 per cent in December and November combined vs. the same period in 2014. This was a considerable achievement given that 2014 was a strong year that saw a rise in like-for-like Christmas season sales of 9.2 per cent.

Europris delivered growth of 8.7 per cent for the full year, driven by nine new store openings and a strong like-for-like performance. Sound category management initiatives, focused seasonal execution and a proven store modernisation programme formed the basis of a compelling 5.4 per cent like-for-like development for the year.

## SALES PERFORMANCE

Overall retail growth in the Norwegian market during the quarter was 2.8 per cent on a like-for-like basis vs. last year.<sup>3</sup> Market performance in the regions that are relatively more exposed to the decline in the oil price, e.g. Rogaland and Hordaland, was less favourable during the latter half of the year.

Europris significantly outperformed the market during the fourth quarter, growing 6.2 per cent on a like-for-like basis. The group also performed significantly better than the market in Rogaland and Hordaland during this period.<sup>4</sup>

The fourth quarter is the most important selling season for Europris, accounting for some 30 per cent of total sales and 44 per cent of Adjusted EBITDA. The quarter contains several important sales events, including Halloween, Black Friday and Christmas. As "retailer of the seasons", early preparations and careful planning of in-store execution are pre-requisites for successful performance.

Preparations include detailed plans for sales campaigns, marketing kits and sales material, all of which were in place well in advance of each seasonal launch. The organisation was better prepared for the peak season than ever before.

Europris secured strong growth during all three peak events vs. last year. Relative weather conditions usually have limited influence on performance in the period considering the respective seasons' product assortments, and the flexibility of the concept.

Sales growth vs. last year for each peak event in the fourth quarter was significant:

- Christmas season: +9.7 per cent
- Black Friday period: +28.8 per cent
- Halloween products: + 20.0 per cent

Europris completed a solid 2015, systematically outperforming the market during the year. Market like-for-like development for the full year was 2.3 per cent compared to Europris' performance of 5.4 per cent.<sup>5</sup> On average, when comparing Europris' performance with the market on a quarterly basis, the group exceeded market like-for-like growth by 3.1 percentage points each quarter in 2015. Management's goal of consistently beating the market was accomplished.<sup>6</sup>

The group also compares well on market price perception. The group's solid relative positioning among consumers remained evident in a recent

<sup>2,3,5</sup> According to Kvarud Analyse, Shopping Centre Index, December 2015; report analyses the performance of the 237 largest shopping centres in Norway.

<sup>4</sup> According to Kvarud Analyse, Shopping Centre Index, December 2015; report analyses the performance of the 237 largest shopping centres in Norway; market growth in Rogaland and Hordaland in the fourth quarter was 0.7 and 1.0 per cent respectively.

<sup>6</sup> "Market" includes a large number of shopping centres throughout Norway as defined by Kvarud Analyse.

market survey. Europris was rated ahead of a group of Norwegian discount retailers ranked on “generally low prices”.<sup>7</sup>

Finally, the discount variety retail sector has a low rate of penetration in Norway. The group’s customers are recognised by relatively infrequent shopping patterns and a modest average basket size.

Consequently, management believes that the group’s underlying foundations are sound, and that inherent opportunity exists for further growth.

## PERIOD REVIEW

### In-season management

The group continued to improve its in-season management and focus, steadily tuning the organisation towards better execution, an appropriate and relevant product assortment and an enhanced in-store experience. This was illustrated during the Easter, Black Friday and Christmas periods in 2015. All seasons experienced significant uplift in sales vs. the corresponding periods last year, contributing significantly to the group’s like-for-like performance.

The group’s focus on winning the seasons resonates throughout the organisation in the run-up to important sales events. Immense attention is directed towards securing seamless logistics and store operations. Europris’ wide product assortment, an increasing number of seasonal occasions (e.g. Black Friday) and a professional organisation are critical components of the group’s success. They provide flexibility and opportunity to remain agile in the face of an increasingly dynamic general retail environment.

### Modernisation programme

During the fourth quarter, Europris completed the modernisation of three stores and two relocations. Fewer modernisations were planned in the fourth quarter given the relative importance of the period, and the substantial in-store operational activity during the quarter. A fully operational store estate is the key to securing optimal implementation of the seasonal concepts and maintaining store personnel focus in the face of high traffic.

During 2015, the continuation of Europris’ ambitious store modernisation programme helped revamp the group’s store estate. The group realised management’s goal of upgrading the directly operated store portfolio during the year. The positive effect from modernisations has

been demonstrated by like-for-like sales growth rates above the chain average.

The modernisation programme is intended to continue on a smaller scale in 2016, focusing on upgrading directly operated stores and a select number of franchise stores.

### New store openings

Europris opened two new directly operated stores in the fourth quarter, in Bodø, in the North of Norway, and at Grorud, in Oslo. Both stores are located inside shopping centres, and have demonstrated positive development since opening. Sales performance in both stores is ahead of the group’s estimates.

In general, urban locations compare well to more rural areas when looking at like-for-like development. Europris’ like-for-like performance is relatively consistent across the store estate, also in areas with more competition.

Europris opened nine new stores in 2015. The total number of stores in the chain was 229 at the end of the year, with no store closures having been executed. At 31 December, the chain comprised 166 directly operated and 63 franchise stores. >>



<sup>7</sup> Mediacom - Europris Brand Tracker, autumn 2015; number of respondents, n = 1303

At the end of the year, the group had a solid pipeline of new stores, with 19 stores having been approved by the board. Of these, ten are confirmed for 2016 and four for 2017 and onwards. In addition, five stores are awaiting planning permission. There were also several prospective locations subject to negotiations at the end of the quarter. The group has no plans to close any stores in 2016.

### Category development

Europris strives continuously to improve the group's concept and category management. Ensuring affordable quality remains a building block of the group's concept, with clear segmentation of products and categories an important tool to maintaining a dynamic assortment. There were several notable examples of this work during the Christmas period, e.g. the "best-in-test" result of the group's private label gingerbread cookies.<sup>8</sup>

The group completed important category development initiatives during the year, including e.g. (i) increased use of third party external spokespersons to support product quality; (ii) improved in-store displays (e.g. yarn in the third quarter); (iii) roll-out of new women's and men's underwear lines; as well as (iv) the introduction of improved shop-in-shop concepts at select

test stores. Category development remains an important lever for the group in the pursuit of like-for-like growth, and has contributed positively during 2015.

The development in pet food is next on the agenda. In the first quarter of 2016, Europris plans to launch the Purina brand in most stores. This will mark the beginning of Europris' category development agenda for 2016.

### Sales training

A successful online based store execution training programme was introduced during the year. At the end of December, as many as an estimated 85 per cent of all store staff had completed the third round of the e-learning training programme. The programme will continue to form part of the group's cost-efficient training initiatives going forward.

### Operational improvements

Operational improvements were high on the agenda in 2015. Significant milestones included the implementation of an automatic store replenishment system for base assortment in 173 stores during the third quarter. Europris expects the system to be rolled out to all remaining stores during the first quarter of 2016.

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<sup>8</sup> Test performed by "Osloby", part of Norwegian daily newspaper Aftenposten, on 2nd December 2015, achieving a score of six out of six



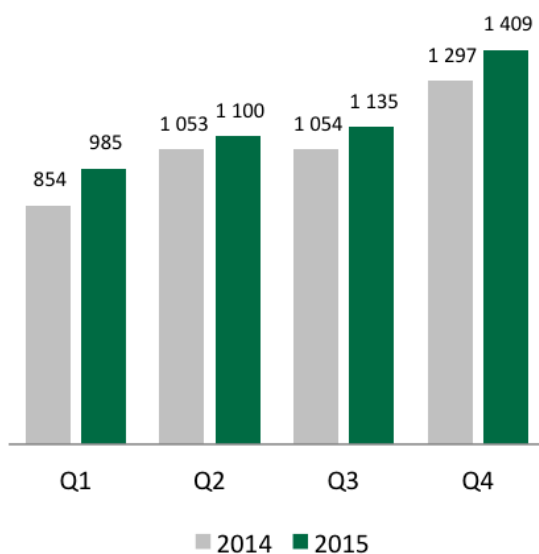
# FINANCIAL REVIEW



## PROFIT AND LOSS

**Total revenues** for the group in the fourth quarter of 2015 came to NOK 1,409 million (NOK 1,298 million), which represented an increase of 8.6 per cent from the same period of 2014. Growth was driven by new stores, as well as an increase in the chain's like-for-like sales of 6.2 per cent.

Group revenue, NOK million



**For the full year 2015**, group revenues amounted to NOK 4,629 million (NOK 4,259 million), which represented a growth of 8.7 per cent from last year. The key drivers of revenue growth were the increase in the chain's like-for-like sales of 5.4 per cent for 2015, and new store openings.

**Gross profit** for the group was NOK 646 million (NOK 613 million), representing a growth of 5.4 per cent. The gross margin was 45.9 per cent in the fourth quarter, compared with 47.2 per cent in the same period of last year. The margin decrease is explained by effects resulting from the annual stocktaking. This took place during the third quarter in 2015 compared with the fourth quarter in 2014. The 2014 stocktaking resulted in a positive effect on gross profit of NOK 25.4 million in the fourth quarter.

**For the full year 2015**, the group's gross profit was NOK 2,060 million (NOK 1,835 million), an increase of 12.3 per cent. Gross margin was 44.5 per cent, compared with 43.1 per

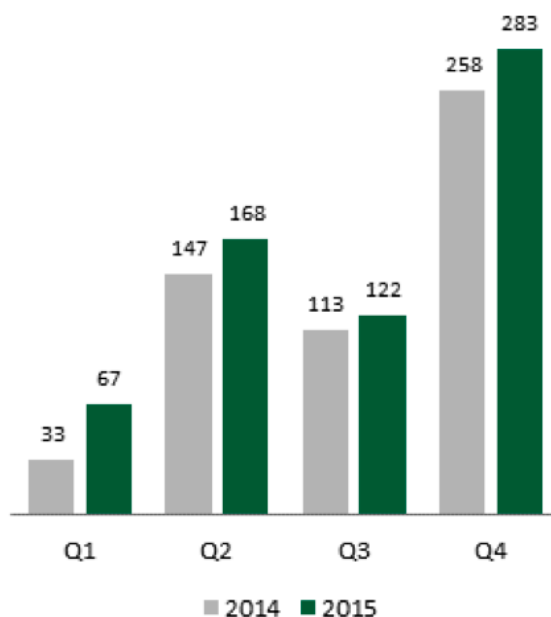
cent in 2014. Savings from sourcing initiatives and takeover of franchise stores had positive effects on the gross margin.

**Operating expenses** in the fourth quarter were NOK 363 million (NOK 361 million). This represented a minor increase of 0.6 per cent from the same period of last year. Timing differences in marketing costs incurred during the third quarter last year have had a positive impact on operating expenses in the fourth quarter.

**For the full year 2015**, operating expenses came to NOK 1,456 million (NOK 1,295 million), an increase of 12.4 per cent, which included nonrecurring items of NOK 37 million, mostly related to the IPO. Excluding nonrecurring items, the increase from last year was 10.5 per cent. The increase was influenced by the takeover of franchise stores.

**Adjusted EBITDA** was NOK 283 million (NOK 258 million) for the fourth quarter, up by 9.7 per cent compared to last year. The Adjusted EBITDA margin was 20.1 per cent (19.9 per cent).

Adjusted EBITDA, NOK million



**For the full year 2015**, Adjusted EBITDA amounted to NOK 640 million (NOK 551 million), which represented an increase of 16.2 per cent from last year. The Adjusted EBITDA

margin was 13.8 per cent (12.9 per cent). The increase was mainly explained by higher revenues and improved gross profit.

**Net financial expenses** amounted to NOK 16 million in the fourth quarter of 2015 (NOK 12 million). The line item consists of the cost of debt and unrealised profit/loss on currency hedging contracts. In the fourth quarter of 2015, cost of debt amounted to NOK 10 million (NOK 29 million) and unrealised loss on currency hedging contracts was NOK 4 million (profit of NOK 26 million). Going forward, Europris expects a cost of debt of c. NOK 12 million in the coming quarters.

**For the full year 2015**, net financial expenses were NOK 165 million (NOK 129 million). The increase was driven by non-recurring items of NOK 57 million related to the refinancing of the group's bank debt, as explained on page 8 of the interim report for the second quarter of 2015.

**Profit before tax** was NOK 250 million (NOK 129 million). The increase of NOK 121 million reflected higher revenues, improved gross profit and reduced depreciation/impairment of contractual rights in 2015.

**For the full year 2015**, profit before tax including non-recurring items, were NOK 368 million (NOK 206 million).

**Income tax expense** for the fourth quarter came to NOK 67 million (NOK 36 million). The increase of NOK 31 million correlated with the rise in profit before tax.

**For the full year 2015**, income tax expense was NOK 95 million (NOK 57 million). Income tax expense for 2015 included tax income of NOK 4 million related to the settlement of a tax issue from 2011.

**Net profit** for the fourth quarter was NOK 182 million (NOK 92 million).

**For the full year 2015**, net profit, including non-recurring items, was NOK 273 million (NOK 149 million).

## CASH FLOW

**Net cash flow** from operating activities was NOK 303 in 2015 (NOK 304 million). This was influenced by an increase in income tax paid and a rise in net working capital. The latter was caused by higher inventory levels due to opening of new stores and increased inventory value for goods purchased in foreign currencies.

Net cash flow used in investing activities was negative NOK 120 million for the period (negative NOK 122 million), and net cash flow from financing activities was NOK 19 million (negative NOK 230 million). The rise in cash flow from financing activities reflected a net capital increase of NOK 28 million in connection with the IPO, as well as both scheduled and non-scheduled repayments of non-current debt during 2014.

Net change in cash and cash equivalents for 2015 was NOK 202 million (negative NOK 48 million).

**Capital expenditure** was NOK 117 million (NOK 94 million). The increase over last year reflected the planned progression of the modernisation programme for directly operated stores.

## FINANCIAL POSITION AND LIQUIDITY

**Net debt** at 31 December 2015 was NOK 1,206 million (NOK 1,389 million). The group is in compliance with all financial covenants.

**Refinancing** of the group's existing bank debt was completed on 23 June 2015, with a new five-year term loan facility of NOK 1,650 million. The new loan agreement has no fixed repayment schedule. Accordingly, all debt is classified as non-current in the balance sheet.

**Cash and cash equivalents** for the group at 31 December 2015 were NOK 447 million (NOK 245 million). The group's liquidity reserves include a revolving credit facility of NOK 450 million, of which NOK 85 million has been reserved for non-cash drawings related to guarantees and letters of credit. Of the remaining NOK 365 million set aside for liquidity purposes, NOK 0 had been drawn at 31 December 2015 (NOK 0).

**Equity** at 31 December 2015 was NOK 1,524 million, compared with NOK 1,205 million a year earlier, and represented an equity ratio of 37.2 per cent. The increase in equity was made up of

NOK 46 million owing to the share issue in the IPO, and net profit for the period of NOK 273 million.

## **DIVIDEND**

The board of directors of Europris ASA will propose a dividend for 2015 of NOK 1.40 per share to the General Meeting on 13 May 2016. This corresponds to 85.7 per cent of net profit and 68.5 per cent of adjusted net profit. The proposed dividend amounts to a total of NOK 234 million. The dividend distribution will be carried out by way of a repayment of paid in capital to the company's shareholders. The dividend distribution will therefore not be considered as a dividend distribution from a Norwegian tax perspective.

## **IPO**

As part of the new capital structure implemented at the time of the IPO in June 2015, the group also raised NOK 850 million in new equity. These funds were used to redeem the group's existing 222,120,000 preference shares (with a total value of NOK 804 million) and to repay a small outstanding shareholder loan of NOK 18 million.

The remaining funds from the new equity issue were applied to funding nonrecurring costs of NOK 30 million incurred in connection with the IPO. Following the new equity issue, the group's outstanding shareholder loan was accordingly reduced to zero. Following the capital increase

and the redemption of the preference shares, the group's equity was influenced by a net increase of NOK 46 million (see the condensed consolidated statement of changes in equity for detailed information).

## **OUTLOOK**

The group remains the market leader in the fast growing discount variety retail segment, which is still an underpenetrated segment in Norway, and continues to gain market share from specialist retailers. It has a truly mixed assortment, which provides a large addressable market, competitive flexibility and a resilient business model.

Europris will continue to concentrate attention on category development and on expanding the seasons. Combined with the store modernisation programme, it expects this to be the key driver behind like-for-like sales growth in the future. Europris has initiated operational improvement projects in the supply chain with the aim of reducing inventory levels and making store operations even more efficient.

The group is well positioned to continue outperforming the market, backed by a strong pipeline of new stores to be opened in the current year.

**Fredrikstad, 11 February 2016**  
**The board of directors of Europris ASA**

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Figures are stated in NOK 1,000

	Notes	Q4 2015	Q4 2014	FY 2015	FY 2014
		Unaudited	Unaudited	Unaudited	Audited
<b>Total operating income (group revenue)</b>		<b>1,408,995</b>	<b>1,297,466</b>	<b>4,629,232</b>	<b>4,258,837</b>
Cost of goods sold (COGS)		762,910	684,688	2,569,337	2,423,728
Employee benefits expense		196,242	181,013	702,336	616,314
Depreciation	5	18,000	32,503	71,061	126,207
Impairment		-	78,344	-	78,344
Other operating expenses		166,551	180,426	753,835	678,372
<b>Operating profit</b>		<b>265,292</b>	<b>140,492</b>	<b>532,664</b>	<b>335,872</b>
<b>Net financial income (expense)</b>		<b>(15,742)</b>	<b>(11,869)</b>	<b>(164,953)</b>	<b>(129,381)</b>
<b>Profit before tax</b>		<b>249,550</b>	<b>128,624</b>	<b>367,711</b>	<b>206,491</b>
Income tax expense		67,371	36,176	94,999	57,200
<b>Profit for the period</b>	7	<b>182,179</b>	<b>92,448</b>	<b>272,712</b>	<b>149,291</b>
Attributable to the equity holders of the parent		182,179	92,448	272,712	149,291
<b>Interim condensed consolidated statement of comprehensive income</b>					
Profit for the period		182,179	92,448	272,712	149,291
<b>Total comprehensive income</b>		<b>182,179</b>	<b>92,448</b>	<b>272,712</b>	<b>149,291</b>
Attributable to the equity holders of the parent		182,179	92,448	272,712	149,291

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures are stated in NOK 1,000

	Notes	31 Dec 2015	31 Dec 2014
		Unaudited	Audited
<b>ASSETS</b>			
Total intangible assets	5	2,010,804	1,999,894
Total fixed assets	5	225,178	185,784
Total financial assets	6	5,211	16,633
<b>Total non-current assets</b>		<b>2,238,331</b>	<b>2,202,311</b>
Inventories		1,109,189	984,336
Trade receivables		239,761	229,550
Other receivables	6	56,877	106,682
Cash and cash equivalents		447,119	245,016
<b>Total current assets</b>		<b>1,855,807</b>	<b>1,565,585</b>
<b>Total assets</b>		<b>4,094,138</b>	<b>3,767,896</b>
<b>EQUITY AND LIABILITIES</b>			
Total paid-in capital		1,070,162	925,500
Total retained equity		453,435	279,102
<b>Total shareholders' equity</b>		<b>1,523,597</b>	<b>1,204,602</b>
Provisions		66,876	72,817
Borrowings	6	1,648,385	1,481,445
Other non-current liabilities	6	4,266	41,873
<b>Total non-current liabilities</b>		<b>1,719,528</b>	<b>1,596,135</b>
Borrowings	6	-	110,500
Accounts payable		445,204	481,507
Tax payable		104,000	99,525
Public duties payable		126,874	112,670
Other current liabilities	6	174,935	162,957
<b>Total current liabilities</b>		<b>851,013</b>	<b>967,159</b>
<b>Total liabilities</b>		<b>2,570,541</b>	<b>2,563,294</b>
<b>Total equity and liabilities</b>		<b>4,094,138</b>	<b>3,767,896</b>

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Figures are stated in NOK 1,000

	Attributed to equity holders of the parent			
	Share capital	Share premium	Retained earnings	Total equity
<b>At 1 January 2014</b>	<b>9,255</b>	<b>916,245</b>	<b>45,590</b>	<b>971,090</b>
Reverseal of dividend payable 2013	-	-	84,221	84,221
Profit for the period	-	-	149,291	149,291
Other comprehensive income	-	-	-	-
<b>At 31 December 2014</b>	<b>9,255</b>	<b>916,245</b>	<b>279,102</b>	<b>1,204,602</b>

(unaudited)

	Attributed to equity holders of the parent			
	Share capital	Share premium	Retained earnings	Total equity
<b>At 1 January 2015</b>	<b>9,255</b>	<b>916,245</b>	<b>279,102</b>	<b>1,204,602</b>
Capital reduction <sup>1</sup>	(5,553)	(797,974)	-	(803,527)
Capital contribution by transfer from distributable equity (bonus issue) <sup>2</sup>	144,378	(46,000)	(98,378)	-
Proceeds from shares issued (initial public offering) <sup>3</sup>	18,889	830,922	-	849,811
Profit for the period	-	-	272,711	272,711
Other comprehensive income	-	-	-	-
<b>At 31 December 2015</b>	<b>166,969</b>	<b>903,193</b>	<b>453,435</b>	<b>1,523,597</b>

(unaudited)

<sup>1</sup> Restructuring of the company's share capital implemented by redemption of 222,120,000 preference shares, see the Norwegian Public Limited Companies Act, section 12-1 paragraph 2.

<sup>2</sup> The share capital increased by NOK 144,378 by increasing the par value of the company's 148,080,000 shares from NOK 0.025 by NOK 0.975 to NOK 1 per share through a transfer from other equity, wereof NOK 98,378 from retained earnings and NOK 46,000 from previously paid in capital.

<sup>3</sup> In the offering, Europris ASA issued a total of 18,888,888 new shares to investors at an average subscription price of NOK 44.99.

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Figures are stated in NOK 1,000

	Notes	FY 2015 Unaudited	FY 2014 Audited
<b>Cash flows from operating activities</b>			
Profit before income tax		367,711	206,491
Adjusted for:			
Depreciation of fixed assets and intangible assets	5	71,061	126,207
Impairment of intangible assets		-	78,344
Changes in pension liabilities		(55)	(254)
Changes in net working capital		(40,443)	(59,040)
Income tax paid		(95,254)	(48,126)
<b>Net cash flows from operating activities</b>		<b>303,019</b>	<b>303,622</b>
<b>Cash flows from investing activities</b>			
Purchases of fixed assets and intangible assets	5	(117,322)	(93,791)
Acquisition of franchise stores		(2,656)	(27,904)
<b>Net cash flows used in investing activities</b>		<b>(119,978)</b>	<b>(121,695)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,642,318	-
Payment of shareholder loan		(17,735)	-
Repayment of debt to financial institutions		(1,651,806)	(229,570)
Net capital increase		46,284	-
<b>Net cash flows (used in)/from financing activities</b>		<b>19,061</b>	<b>(229,570)</b>
Net (decrease)/increase in cash and cash equivalents		202,102	(47,643)
Cash and cash equivalents at 1 January		245,016	292,659
<b>Cash and cash equivalents at end of period</b>		<b>447,119</b>	<b>245,016</b>

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

# NOTES TO THE INTERIM FINANCIAL STATEMENT

## NOTE 1 CORPORATE INFORMATION

The interim condensed consolidated financial statements of Europris ASA and its subsidiaries (collectively, the group) for the fourth quarter and the period ended 31 December 2015 were authorised for issue by the board of directors on 11 February 2016.

Europris ASA (the company) was listed on Oslo Børs on 19 June 2015 and converted to a public limited company on 22 May 2015. Europris ASA is domiciled in Norway. The group is a discount variety retailer with stores across Norway.

These condensed interim financial statements have not been audited.

## NOTE 2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

### **Basis of preparation**

The interim condensed consolidated financial statements for the fourth quarter and the period ended 31 December 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements at 31 December 2014.

### **New standards, interpretations and amendments adopted by the group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the group's annual consolidated financial statements for the year ended 31 December 2014. New standards and interpretations effective at 1 January 2015 do not impact the annual consolidated financial statements of the group or the interim condensed consolidated financial statements of the group.

The group has not been an early adopter of standards, interpretations or amendments that have been issued but are not yet effective.

## NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the group's annual consolidated financial statements for the year ended 31 December 2014. New standards and interpretations effective at 1 January 2015 do not impact the annual consolidated financial statements of the group or the interim condensed consolidated financial statements of the group.

The group has not been an early adopter of standards, interpretations or amendments that have been issued but are not yet effective.

## NOTE 4 SEGMENT INFORMATION

The group management is the group's chief operating decision maker. Reporting to the group management, which is responsible for evaluating profitability and achievements, is on a consolidated basis that forms the basis for the group management's assessment of profitability at a strategic level. The group as a whole is therefore defined and identified as one segment.

## NOTE 5 FIXED AND INTANGIBLE ASSETS

Figures are stated in NOK 1,000

	Fixtures & fittings	Software	Trademarks	Contractual rights	Goodwill	Total
Carrying amount 1 Jan 2015	185,784	32,393	387,573	-	1,579,928	2,185,678
Acquisition of subsidiaries	1,484	-	-	-	2,559	4,043
Additions	92,324	24,998	-	-	-	117,322
Disposals	-	-	-	-	-	-
Depreciation	(54,414)	(16,647)	-	-	-	(71,061)
Impairment	-	-	-	-	-	-
<b>Carrying amount 31 Dec 2015</b>	<b>225,178</b>	<b>40,744</b>	<b>387,573</b>	<b>-</b>	<b>1,582,487</b>	<b>2,235,982</b>

	Fixtures & fittings	Software	Trademarks	Contractual rights	Goodwill	Total
Carrying amount 1 Jan 2014	147,381	39,200	387,573	141,019	1,557,392	2,272,565
Acquisition of subsidiaries	2,954	-	-	-	22,536	25,490
Additions	82,852	9,624	-	-	-	92,476
Disposals	(303)	-	-	-	-	(303)
Depreciation	(47,101)	(16,431)	-	(62,675)	-	(126,207)
Impairment	-	-	-	(78,344)	-	(78,344)
<b>Carrying amount 31 Dec 2014</b>	<b>185,783</b>	<b>32,393</b>	<b>387,573</b>	<b>-</b>	<b>1,579,928</b>	<b>2,185,677</b>

## NOTE 6 FINANCIAL INSTRUMENTS

Figures are stated in NOK 1,000

Set out below is a comparison of the carrying amounts and fair values of financial assets and liabilities at 31 December 2015 and 31 December 2014.

	31 Dec 2015		31 Dec 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Loans and receivables				
Non-current receivables	1,977	1,977	16,263	16,263
<b>Total</b>	<b>1,977</b>	<b>1,977</b>	<b>16,263</b>	<b>16,263</b>
<b>Financial liabilities</b>				
Other financial liabilities				
Borrowings	1,648,385	1,648,385	1,481,445	1,481,445
Other non-current debt	-	-	16,773	16,773
Borrowings (first year installment)	-	-	110,500	110,500
<b>Total</b>	<b>1,648,385</b>	<b>1,648,385</b>	<b>1,608,718</b>	<b>1,608,718</b>
<b>Financial instruments measured at fair value through profit and loss</b>				
Derivatives - asset				
Interest rate swaps	2,862	2,862	-	-
Foreign exchange forward contracts	9,615	9,615	39,728	39,728
<b>Total</b>	<b>12,477</b>	<b>12,477</b>	<b>39,728</b>	<b>39,728</b>
<b>Derivatives - liabilities</b>				
Interest rate swaps	4,266	4,266	25,100	25,100
Foreign exchange forward contracts	-	-	-	-
<b>Total</b>	<b>4,266</b>	<b>4,266</b>	<b>25,100</b>	<b>25,100</b>

### Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows.

- Level 1** Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised at fair value on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

All the group's financial instruments measured at fair value are classified as level 2.

Specific valuation methods being used to value financial instruments include:

- fair value of interest rate swaps is measured as the net present value of estimated future cash flows based on observable yield curves
- fair value of foreign exchange forward contracts is measured by the net present value of the difference between the contractual forward rate and the forward rate of the currency at the balance sheet date, multiplied by the contractual volume in foreign currency.

## NOTE 7 EARNINGS PER SHARE

Figures are stated in NOK 1,000, except per share amounts.

Earnings per share are calculated by dividing profit attributable to ordinary shareholders by a weighted average of ordinary shares outstanding during the period. Owing to the share split of 1:4 in May 2015, the figures per share are re-calculated for all periods presented.

	Q4 2015	Q4 2014	FY 2015	2014 (Restated) <sup>1</sup>	2014 Pro forma <sup>2</sup>
Profit for the period	182,179	92,448	272,712	149,291	149,291
Dividends to holders of preference shares	-	(20,358)	(43,828)	(81,431)	0
<b>Profit available to holders of ordinary shares</b>	<b>182,179</b>	<b>72,090</b>	<b>228,884</b>	<b>67,860</b>	<b>149,291</b>
Weighted average of ordinary shares outstanding	166,969	148,080	154,999	148,080	166,969
<b>Earnings per ordinary share (basic and diluted)<sup>3</sup></b>	<b>1,09</b>	<b>0,49</b>	<b>1,48</b>	<b>0,46</b>	<b>0,89</b>
Calculation of weighted average of ordinary shares outstanding					
Number of ordinary shares opening	37,020	37,020	37,020	37,020	37,020
Share split (ratio 1:4) 22.5.2015	111,060	111,060	111,060	111,060	111,060
<b>Adjusted number of ordinary shares after share split</b>	<b>148,080</b>	<b>148,080</b>	<b>148,080</b>	<b>148,080</b>	<b>148,080</b>
Share issue initial public offering 22.6.2015	18,889	-	18,889	-	18,889
<b>Number of shares closing</b>	<b>166,969</b>	<b>148,080</b>	<b>166,969</b>	<b>148,080</b>	<b>166,969</b>
Adjusted number of ordinary shares opening including share split					
Adjusted number of ordinary shares opening including share split	166,969	148,080	148,080	148,080	148,080
Weighted number of shares from IPO 'as if' effective 1.1.2014 (pro forma)	-	-	-	-	18,889
Weighted number of shares from IPO effective 22.6.2015 (actual)	-	-	6,919	-	-
<b>Weighted average of ordinary shares outstanding</b>	<b>166,969</b>	<b>148,080</b>	<b>154,999</b>	<b>148,080</b>	<b>166,969</b>

<sup>1</sup> In the calculation of EPS in Note 14 to the 2014 annual financial statements, dividends to the holders of the preference shares were inadvertently not deducted.

<sup>2</sup> As the preference shares were redeemed with the funds obtained in the IPO, pro forma figures for 2014 have been prepared which illustrates what the EPS would have looked like if the capital reorganisation had taken place at 1 January 2014. This EPS figure is believed to be more comparable to the actual EPS for the future. No adjustment has been made for interest on the shareholder loan that was redeemed in the IPO owing to immateriality.

<sup>3</sup> There are no instruments with a dilutive effect.

## NOTE 8 EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred after the reporting period.

## FORWARD LOOKING STATEMENTS

This condensed interim report contains forward-looking statements, based on various assumptions. These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risk and uncertainties because they relate to events and depend on circumstances that will occur in the future.

Although Europris believes that these assumptions were reasonable when made, it cannot provide assurances that its future results, level of activity or performances will meet these expectations.

## 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.
- **Net sales** include sales through the directly operated stores and wholesale sales to franchise stores.
- **Gross profit** represents group revenue less the cost of goods sold.
- **EBITDA** (earnings before interest, tax, depreciation and amortisation) represents operating profit excluding depreciation expense.
- **Adjusted EBITDA** is EBITDA adjusted for nonrecurring expenses.
- **Adjusted net profit** is net profit adjusted for nonrecurring items and additional financial expenses related to the refinancing in connection with the IPO.
- **Adjusted earnings per share** is Adjusted net profit divided with current total 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.

# EUOPRIS IN BRIEF



Europris is Norway's largest discount variety retailer by sales.

The group offers its customers a broad range of quality private-label and brand-name merchandise across 12 product categories: home and kitchen, groceries, house and garden, travel, leisure and sport, electronics, personal care, clothes and shoes, handyman, hobby and office, sweets and chocolate, laundry and cleaning, and pets.

It delivers a unique value proposition for shoppers by offering a broad range of quality merchandise at low prices in destination stores across Norway.

The group's merchandise is sold through the chain, which comprises a network of 229 stores throughout Norway. Of these, 166 are directly operated and 63 run as franchises.

Europris stores are designed to facilitate a consistent, easy and efficient shopping experience with a defined layout and "store-in-store" concept.

The group centrally manages the chain's range of merchandise, which results in a consistent array of products in each category at both directly operated and franchise stores.

Europris employs a low-cost operating model with attention concentrated on efficiency across the entire value chain from factory to customer. It aims to maintain a low cost base through optimised and efficient sourcing, logistics and distribution processes.

The group's experienced procurement team purchases large volumes of goods, which are principally sourced directly from suppliers in low-cost European and Asian countries. High-quality sourcing operations are central to the group's value proposition.

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