

# Euopris

## EUOPRIS ASA

Q1-16



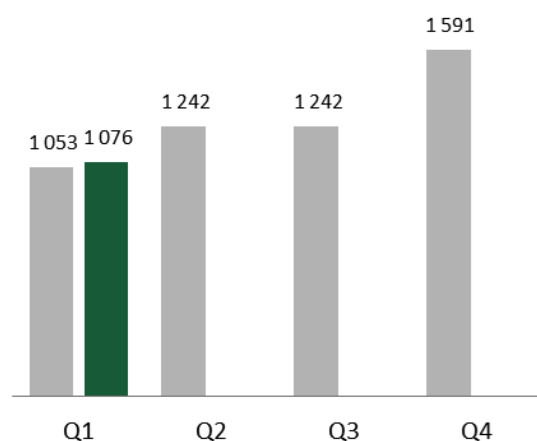
# HIGHLIGHTS FIRST QUARTER 2016



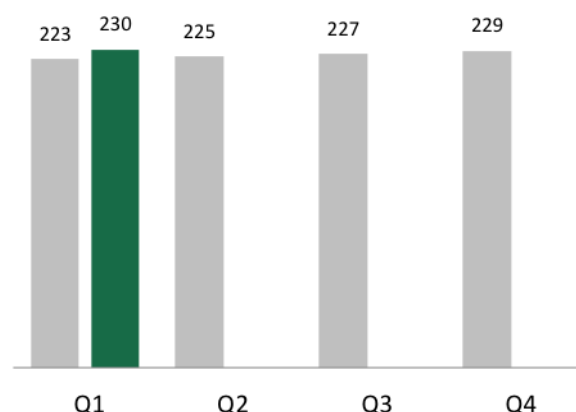
(Figures for the corresponding period of last year in brackets. The figures are unaudited.)

- Group revenues increased 3.1 per cent to NOK 1,016 million (985 million)
  - Representing a decrease of 0.7 per cent on a like-for-like basis
- Two fewer selling days relative to last year (Easter calendar effect)
- Remarkably strong “price war” between grocery retailers on pick & mix candy – a key traffic driver during Easter
- Gross margin pressure during quarter prompted by
  - Increased discounts on other seasonal products as a result of reduced Easter traffic
  - General price increases towards consumers due to foreign exchange effects came in late in the quarter
- Strong operational cost control
- Adjusted EBITDA of NOK 56 million (67 million)
- Ten store modernisations completed
- One new store opened – Ågotnes outside Bergen
- Strong pipeline of new stores – eleven planned in 2016

Retail sales, NOK million



Number of stores



■ 2015 ■ 2016

## CONTENTS



|                               |   |                      |    |
|-------------------------------|---|----------------------|----|
| HIGHLIGHTS FIRST QUARTER 2016 | 2 | FINANCIAL REVIEW     | 6  |
| KEY FIGURES                   | 3 | FINANCIAL STATEMENTS | 8  |
| PERIOD REVIEW                 | 4 | DEFINITIONS          | 15 |

# KEY FIGURES



Figures are stated in NOK 1,000

|                                                         | Q1 2016        | Q1 2015        | FY 2015        |
|---------------------------------------------------------|----------------|----------------|----------------|
| <b>CHAIN KEY FIGURES</b>                                |                |                |                |
| Total retail sales                                      | 1,075.9        | 1,053.0        | 5,128.6        |
| Growth (%)                                              | 2.2%           | 14.3%          | 8.4%           |
| Like for like sales growth (%)                          | -0.7%          | 11.7%          | 5.4%           |
| Number of stores at end of period                       | 230            | 223            | 229            |
| <b>GROUP KEY INCOME STATEMENT FIGURES</b>               |                |                |                |
| Sales directly operated stores                          | 765.5          | 726.6          | 3,555.3        |
| Sales from wholesale to franchise stores                | 226.5          | 237.2          | 970.4          |
| Franchise fees and other income                         | 23.8           | 21.6           | 103.5          |
| <b>Group revenue</b>                                    | <b>1,015.9</b> | <b>985.4</b>   | <b>4,629.2</b> |
| % growth                                                | 3.1%           | 15.4%          | 8.7%           |
| COGS excluding unrealised foreign exchange effects      | 592.8          | 559.4          | 2,569.3        |
| <b>Gross profit</b>                                     | <b>423.1</b>   | <b>426.1</b>   | <b>2,059.9</b> |
| % margin                                                | 41.6%          | 43.2%          | 44.5%          |
| Opex                                                    | 367.2          | 365.4          | 1,456.3        |
| Nonrecurring items                                      | -              | 6.7            | 36.7           |
| Opex excluding nonrecurring items                       | 367.2          | 358.8          | 1,419.6        |
| % of group revenue                                      | 36.1%          | 36.4%          | 30.7%          |
| <b>Adjusted EBITDA</b>                                  | <b>55.9</b>    | <b>67.3</b>    | <b>640.3</b>   |
| % margin                                                | 5.5%           | 6.8%           | 13.8%          |
| <b>Adjusted EBIT</b>                                    | <b>37.7</b>    | <b>50.1</b>    | <b>569.2</b>   |
| % margin                                                | 3.7%           | 5.1%           | 12.3%          |
| <b>Adjusted net profit</b>                              | <b>9.0</b>     | <b>10.9</b>    | <b>346.0</b>   |
| % margin                                                | 0.9%           | 1.1%           | 7.5%           |
| <b>Adjusted earnings per share (167 million shares)</b> | <b>0.05</b>    | <b>0.07</b>    | <b>2.07</b>    |
| <b>GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES</b>    |                |                |                |
| Net change in working capital                           | -237.0         | -192.4         | -40.3          |
| Capital expenditure                                     | 16.5           | 36.5           | 117.3          |
| Financial debt                                          | 1,656.6        | 1,627.7        | 1,652.7        |
| Cash and cash equivalents                               | 175.6          | 16.0           | 447.1          |
| <b>Net debt</b>                                         | <b>1 481,0</b> | <b>1 611,7</b> | <b>1 205,6</b> |



# PERIOD REVIEW



Group revenues increased 3.1 per cent to NOK 1,016 million (985 million) in the first quarter.

Two fewer trading days (2.6 per cent reduction) and Easter falling early this year limit comparability to the first quarter last year. In addition, the “price war” initiated by the grocery retailers on pick & mix candy had a negative effect on Europris’ operational results during the Easter period.

Europris’ like-for-like performance was affected, resulting in a 0.7 per cent decrease in the period. Comparable market growth was muted, albeit slightly better, increasing 0.7 per cent.<sup>1</sup>

Operational cost control remained strong, continuing the positive trend seen in the fourth quarter of 2015. However, the group experienced margin pressure during the first quarter resulting from an increased share of campaign products, discounts on select Easter products and late impact from price adjustments.

Operational activity during the period was completed according to plan, adding a total of 2,200 m<sup>2</sup> store space to the estate. This included ten modernisations and one new store in Ågotnes outside of Bergen.

The company’s pipeline of new stores remains robust. Management plans to open eleven new stores in 2016, with one store closure originally scheduled for 2017 now planned late this year.

## SALES PERFORMANCE

The first quarter is the least important selling period for Europris, historically accounting for some 21 per cent of sales and 8 per cent of Adjusted EBITDA for the full year.<sup>2</sup>

Top-line momentum was satisfactory and above the market during the months of January and February this year.

Easter represented the only significant selling event during the quarter. However, as its calendar placement varies between the years, comparability between quarters will always be difficult.

Firstly, an early Easter, as in 2016, means less demand for spring and summer products, whereas a late Easter kick-starts the spring and summer selling period. Secondly, the number of trading days vary. In the first quarter of 2016, this meant two fewer trading days compared to the

same quarter last year (a 2.6 per cent reduction vs. 2015).<sup>3</sup>

In addition to the recurring Easter calendar effects outlined above, this year the Norwegian grocery retailers initiated a remarkably strong “price war” on pick & mix candy.

This had a significant short term negative impact on traffic which also prompted increased discounts on other seasonal products, resulting in an unfavourable impact on gross margin.

The effect on Europris’ performance during the first quarter was unfortunate. However, for the year as a whole, the candy & chocolate category’s portion of total sales has historically been limited.



<sup>1</sup> “Market” includes a large number of shopping centres throughout Norway as defined by Kvarud Analyse. Performance based on latest report, March 2016.

<sup>2</sup> Based on average contribution by Q1 figures to full year results in 2014 and 2015.

<sup>3</sup> There were 76 selling days in Q1 2015 and 74 selling days in Q1 2016, i.e. a reduction of 2 selling days. This reflects approximately a 2.6 per cent reduction.

## OPERATIONAL REVIEW

As planned, Europris completed the modernisation of nine stores and one relocation during the period. At the end of the first quarter, two thirds of the total number of stores in the estate had completed the modernisation programme.

Overall, store project activity during the first quarter resulted in significantly improved store layouts as well as increased store space, as set out in the table below. This comes on top of the increased store space added during 2014 and 2015.

| (Figures in m <sup>2</sup> )                  | 2014           | 2015           | Q1 2016        |
|-----------------------------------------------|----------------|----------------|----------------|
| New stores                                    | 8,765          | 13,781         | 1,400          |
| Modernisations <sup>4</sup>                   | 4,872          | 2,892          | 775            |
| <b>Total</b>                                  | <b>13,637</b>  | <b>16,610</b>  | <b>2,175</b>   |
| <b>Total store space at the end of period</b> | <b>309,055</b> | <b>325,665</b> | <b>327,840</b> |

In total, Europris has added approximately 7,700 m<sup>2</sup> of store space from modernisations and relocations during the past two years. This is in addition to an increase of c. 22,500 m<sup>2</sup> related to new store openings during the same period.

Europris opened one new store in the first quarter, at Ågotnes on Sotra, an island outside of Bergen. The total number of stores was 230 at the end of March, of which 169 were directly operated and 61 were franchise stores. These figures reflect the takeover of two franchise stores at the beginning of the year.

The group now plans to open eleven new stores in 2016. One store that was originally scheduled to be closed in 2017 will now be closed in late 2016, taking the planned net new store count to ten for the year as a whole.

Significant potential remains in the Oslo region. As part of the effort to secure an increased presence in the wider Oslo area, Europris plans to open two new shopping centre locations in 2016, at Strømmen Storsenter (in June) and Stovner Senter

(in August). This follows the successful opening of new stores at Grorud (in Oslo) and in Bodø late last year, both shopping centre locations.

The successful launch of pet food brand Purina concluded during the beginning of March. Early signs are encouraging, with category sales being above the chain average during the month.

The pet food category was also the first category to be upgraded with the new “shop-in-shop” banners and colour scheme in-store. This also features the prominent use of brand names as a way to elevate the experience of quality and value in-store, in addition to being a means to highlight separation between categories. The initiative was implemented in all stores and all categories towards the end of the first quarter.

<sup>4</sup> Includes both relocations and modernisations.

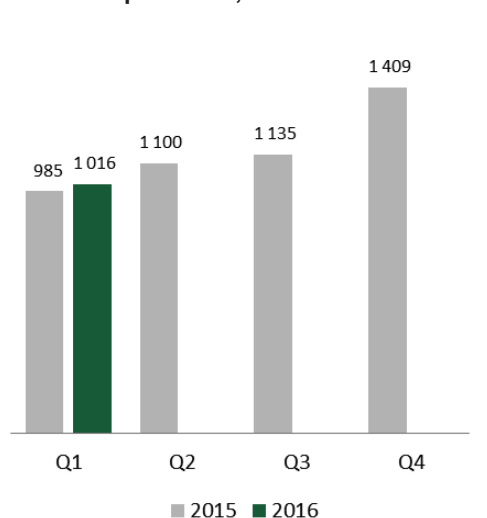
# FINANCIAL REVIEW



## PROFIT AND LOSS

**Group revenue** in the first quarter of 2016 amounted to NOK 1,016 million (985 million), up by 3.1 per cent. The key driver for revenue growth was new store openings.

Group revenue, NOK million

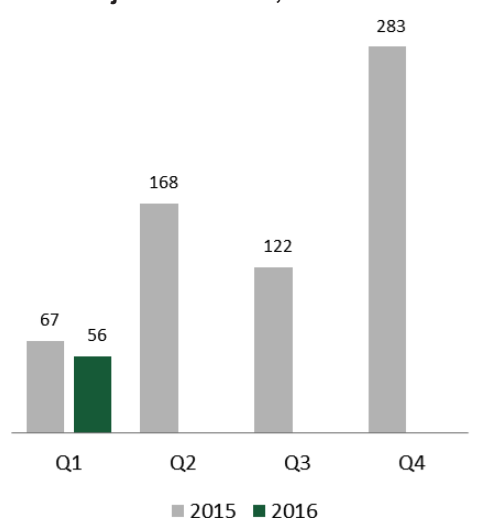


**Gross profit** for the group was NOK 423 million (426 million). The gross margin was 41.6 per cent in the first quarter of 2016, compared with 43.2 per cent in the same period last year. The gross margin was influenced by the exchange rate development, especially USD/NOK. The process of adjusting end customer selling prices continued during the first quarter, however with limited effect in the first quarter. In addition, an increased level of sales campaigns and discounts on Easter products had a negative effect on the gross margin in the period.

**Opex excluding nonrecurring items** in the first quarter came to NOK 367 million (359 million). This represented an increase of 2.3 per cent from the same period last year. Relative to group revenue, operating expenses decreased from 36.4 per cent in Q1 2015 to 36.1 per cent in Q1 2016 (reduction in relative operating expenses achieved despite sales growth coming in below expectations during the quarter), and operational cost control was good. The group has initiated several activities in order to reduce operating expenses. These include a more focused approach to personnel costs throughout the value chain.

**Adjusted EBITDA** was NOK 56 million (67 million) in the first quarter, down by 17 per cent compared to last year. The Adjusted EBITDA margin was 5.5 per cent (6.8 per cent). The decrease was mainly caused by the gross margin impact, as described above.

Adjusted EBITDA, NOK million



**Adjusted net profit** for the first quarter of 2016 was NOK 9 million (11 million). Reduced interest expenses, obtained through the refinancing of the term loan in June 2015, contributed to limit the negative result impact.

## CASH FLOW

**Net change in working capital** was negative NOK 237 million in the period that ended 31 March 2016 (negative 192 million). This was influenced by timing differences in accounts payable.

**Capital expenditure** was NOK 16 million (36 million). The decrease from last year is explained by the difference in the number of new stores opened during the quarter (one this year vs. three in the first quarter of 2015). In addition, there was a lower level of investment activity related to the modernisation programme for directly operated stores in the first quarter of 2016 compared to the same period in 2015.



## FINANCIAL POSITION AND LIQUIDITY

**Financial debt** was NOK 1,657 million at the end of first quarter (1,628 million).

**Cash and cash equivalents** for the group at 31 March 2016 were NOK 176 million (16 million). There were no drawings on the group's liquidity reserves at the end of the quarter.

**Net debt** at 31 March 2016 was NOK 1,481 million (1,612 million).

The group is in compliance with all financial covenants.

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 remains well positioned and on-track to continue outperforming the prevailing market, backed by a strong pipeline of new stores to be opened in the current year.

## OUTLOOK

The group remains the market leader in the fast growing discount variety retail segment. This 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.

Fredrikstad, 12 May 2016

THE BOARD OF DIRECTORS OF EUROPRIS ASA

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS



Figures are stated in NOK 1,000

|                                                                         | Notes | Q1 2016          | Q1 2015         | FY 2015           |
|-------------------------------------------------------------------------|-------|------------------|-----------------|-------------------|
|                                                                         |       | Unaudited        | Unaudited       | Audited           |
| <b>Total operating income (group revenue)</b>                           |       | <b>1,015,885</b> | <b>985,429</b>  | <b>4,629,232</b>  |
| Cost of goods sold (COGS)                                               | 2     | 605,150          | 559,352         | 2,569,337         |
| Employee benefits expense                                               |       | 177,015          | 174,424         | 702,336           |
| Depreciation                                                            | 5     | 18,204           | 17,243          | 71,061            |
| Impairment                                                              |       | -                | -               | -                 |
| Other operating expenses                                                |       | 190,202          | 190,997         | 753,932           |
| <b>Operating profit</b>                                                 |       | <b>25,314</b>    | <b>43,413</b>   | <b>532,567</b>    |
| <b>Net financial income (expense)</b>                                   | 2     | <b>(13,337)</b>  | <b>(35,231)</b> | <b>(164,956 )</b> |
| <b>Profit before tax</b>                                                |       | <b>11,977</b>    | <b>8,182</b>    | <b>367,610</b>    |
| Income tax expense                                                      |       | 2,994            | 2,209           | 90,029            |
| <b>Profit for the period</b>                                            |       | <b>8,983</b>     | <b>5,973</b>    | <b>277,582</b>    |
| Attributable to the equity holders of the parent                        |       | 8,983            | 5,973           | 277,582           |
| <b>Interim condensed consolidated statement of comprehensive income</b> |       |                  |                 |                   |
| Profit for the period                                                   |       | 8,983            | 5,973           | 277,582           |
| <b>Total comprehensive income</b>                                       |       | <b>8,983</b>     | <b>5,973</b>    | <b>277,582</b>    |
| Attributable to the equity holders of the parent                        |       | 8,983            | 5,973           | 277,582           |

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 March 2016    | 31 March 2015    | 31 Dec 2015      |
|                                      |       | Unaudited        | Unaudited        | Audited          |
| <b>ASSETS</b>                        |       |                  |                  |                  |
| Total intangible assets              | 5     | 2,010,141        | 1,997,164        | 2,010,804        |
| Total fixed assets                   | 5     | 228,056          | 210,350          | 225,178          |
| Total financial assets               | 6     | 6,944            | 15,505           | 5,211            |
| <b>Total non-current assets</b>      |       | <b>2,245,142</b> | <b>2,223,018</b> | <b>2,241,193</b> |
| Inventories                          |       | 1,307,205        | 1,239,794        | 1,109,189        |
| Trade receivables                    |       | 228,107          | 224,261          | 239,627          |
| Other receivables                    | 6     | 36,822           | 99,365           | 56,877           |
| Cash and cash equivalents            |       | 175,645          | 15,959           | 447,116          |
| <b>Total current assets</b>          |       | <b>1,747,780</b> | <b>1,579,379</b> | <b>1,852,808</b> |
| <b>Total assets</b>                  |       | <b>3,992,922</b> | <b>3,802,397</b> | <b>4,094,001</b> |
| <b>EQUITY AND LIABILITIES</b>        |       |                  |                  |                  |
| Total paid-in capital                |       | 1,070,162        | 925,500          | 1,070,162        |
| Total retained equity                |       | 467,288          | 285,074          | 458,305          |
| <b>Total shareholders' equity</b>    |       | <b>1,537,450</b> | <b>1,210,574</b> | <b>1,528,467</b> |
| Provisions                           |       | 59,685           | 72,186           | 57,920           |
| Borrowings                           | 6     | 1,647,247        | 1,478,915        | 1,648,385        |
| Other non-current liabilities        | 6     | 9,375            | 38,251           | 4,266            |
| <b>Total non-current liabilities</b> |       | <b>1,716,306</b> | <b>1,589,351</b> | <b>1,710,572</b> |
| Borrowings                           | 6     | -                | 110,500          | -                |
| Accounts payable                     |       | 452,967          | 586,759          | 444,888          |
| Tax payable                          |       | 61,731           | 78,435           | 107,985          |
| Public duties payable                |       | 47,319           | 23,570           | 127,154          |
| Other current liabilities            | 6     | 177,148          | 203,208          | 174,935          |
| <b>Total current liabilities</b>     |       | <b>739,165</b>   | <b>1,002,471</b> | <b>854,962</b>   |
| <b>Total liabilities</b>             |       | <b>2,455,471</b> | <b>2,591,822</b> | <b>2,565,534</b> |
| <b>Total equity and liabilities</b>  |       | <b>3,992,922</b> | <b>3,802,397</b> | <b>4,094,001</b> |

Fredrikstad, 12 May 2016

THE BOARD OF DIRECTORS OF EUROPRIS ASA

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 2015</b>   | <b>9,255</b>  | <b>916,245</b> | <b>279,102</b>    | <b>1,204,602</b> |
| Profit for the period      | -             | -              | 5,973             | 5,973            |
| Other comprehensive income | -             | -              | -                 | -                |
| <b>At 31 March 2015</b>    | <b>9,255</b>  | <b>916,245</b> | <b>285,075</b>    | <b>1,210,575</b> |
| (unaudited)                |               |                |                   |                  |

## Attributed to equity holders of the parent

|                            | Share capital  | Share premium  | Retained earnings | Total equity     |
|----------------------------|----------------|----------------|-------------------|------------------|
| <b>At 1 January 2016</b>   | <b>166,969</b> | <b>903,193</b> | <b>458,305</b>    | <b>1,528,467</b> |
| Profit for the period      | -              | -              | 8,983             | 8,983            |
| Other comprehensive income | -              | -              | -                 | -                |
| <b>At 31 March 2016</b>    | <b>166,969</b> | <b>903,193</b> | <b>467,288</b>    | <b>1,537,450</b> |
| (unaudited)                |                |                |                   |                  |

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 | Q1 2016          | Q1 2015          | FY 2015          |
|------------------------------------------------------|-------|------------------|------------------|------------------|
|                                                      |       | Unaudited        | Unaudited        | Audited          |
| <b>Cash flows from operating activities</b>          |       |                  |                  |                  |
| Profit before income tax                             |       | 11,977           | 8,182            | 367,610          |
| Adjusted for:                                        |       |                  |                  |                  |
| Depreciation of fixed and intangible assets          | 5     | 18,203           | 17,243           | 71,061           |
| Changes in pension liabilities                       |       | -                | (21)             | (55)             |
| Changes in net working capital                       |       | (236,965)        | (192,443)        | (40,346)         |
| Income tax paid                                      |       | (46,254)         | (23,091)         | (95,254)         |
| <b>Net cash generated from operating activities</b>  |       | <b>(253,039)</b> | <b>(190,130)</b> | <b>303,016</b>   |
| <b>Cash flows from investing activities</b>          |       |                  |                  |                  |
| Purchases of fixed and intangible assets             | 5     | (16,496)         | (36,454)         | (117,322)        |
| Acquisition of franchise stores                      |       | (330)            | 57)              | (2,656)          |
| <b>Net cash used in investing activities</b>         |       | <b>(16,826)</b>  | <b>(36,397)</b>  | <b>(119,978)</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          |       | (1,605)          | (2,530 )         | (1,651,806)      |
| Net capital increase                                 |       | -                | -                | 46,284           |
| <b>Net cash from financing activities</b>            |       | <b>(1,605)</b>   | <b>(2,530)</b>   | <b>19,061</b>    |
| Net (decrease)/increase in cash and cash equivalents |       | (271,471)        | (229,057)        | 202,100          |
| Cash and cash equivalents at 1 January               |       | 447,116          | 245,016          | 245,016          |
| <b>Cash and cash equivalents at end of period</b>    |       | <b>175,645</b>   | <b>15,959</b>    | <b>447,116</b>   |

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

# NOTES



## NOTE 1 CORPORATE INFORMATION

The interim condensed consolidated financial statements of Europris ASA and its subsidiaries (collectively, the group) for the three months ended 31 March 2016 were authorised for issue by the board of directors on 12 May 2016.

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 three months ended 31 March 2016 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 2015 and the following changes to the accounting principles adopted at 1 January 2016.

In the 2016 reporting the classification of unrealised gains and losses on foreign currency derivatives that are economic hedges of inventory purchases has changed. These unrealised gains and losses are now classified as part of cost of goods sold (COGS) in the profit or loss statement. Previously the gains and losses were presented as other financial income / other financial expense. Similarly, unrealised foreign currency exchange gains and losses on inventory trade payables are now also included as part of COGS. All gains and losses, both realised and unrealised related to the acquisition of inventory are now included as part of COGS. Prior period figures are not restated in the financial statements. The following table gives the unrealised foreign currency exchange effects that would have been included in COGS each quarter in 2015, if the new principle had been applied during 2015:

| Figures are stated in NOK 1,000      | Q1 2015 | Q2 2015 | Q3 2015  | Q4 2015 | FY 2015 |
|--------------------------------------|---------|---------|----------|---------|---------|
| Unrealised foreign currency exchange | 5,009   | 26,860  | (10,635) | 4,314   | 25,548  |

### 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 2015. New standards and interpretations effective at 1 January 2016 do not impact the annual consolidated financial statements of the group or the interim condensed consolidated financial statements of the group.

## NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim condensed financial statements requires management to make accounting judgements and estimates that impact how accounting policies are applied and the reported amounts for assets, liabilities, income and expenses. Actual results may differ from these estimates. The critical accounting estimates and judgements are consistent with those in the consolidated financial statements for 2015.

## 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 is 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 and fittings | Software      | Trademarks     | Contractual rights | Goodwill         | Total            |
|--------------------------------------|-----------------------|---------------|----------------|--------------------|------------------|------------------|
| Carrying amount 1 January 2016       | 225,178               | 40,744        | 387,573        | -                  | 1,582,487        | 2,235,982        |
| Acquisition of subsidiaries          | 725                   | -             | -              | -                  | 3,198            | 3,923            |
| Additions                            | 13,762                | 2,734         | -              | -                  | -                | 16,496           |
| Disposals                            | -                     | -             | -              | -                  | -                | -                |
| Depreciation                         | (11,609)              | (6,595)       | -              | -                  | -                | (18,204)         |
| Impairment                           | -                     | -             | -              | -                  | -                | -                |
| <b>Carrying amount 31 March 2016</b> | <b>228,056</b>        | <b>36,882</b> | <b>387,573</b> | <b>-</b>           | <b>1,585,685</b> | <b>2,238,197</b> |
| Carrying amount 1 January 2015       | 185,784               | 32,393        | 387,573        | -                  | 1,579,928        | 2,185,678        |
| Acquisition of subsidiaries          | 1,246                 | -             | -              | -                  | 1,379            | 2,625            |
| Additions                            | 28,230                | 8,224         | -              | -                  | -                | 36,454           |
| Disposals                            | -                     | -             | -              | -                  | -                | -                |
| Depreciation                         | (4,910)               | (12,333)      | -              | -                  | -                | (17,243)         |
| Impairment                           | -                     | -             | -              | -                  | -                | -                |
| <b>Carrying amount 31 March 2015</b> | <b>210,350</b>        | <b>28,284</b> | <b>387,573</b> | <b>-</b>           | <b>1,581,307</b> | <b>2,207,514</b> |



# NOTES

## NOTE 6 FINANCIAL INSTRUMENTS - FAIR VALUE

Set out below is a comparison of the carrying amounts and fair values of financial assets and liabilities at 31 March 2016 and 31 December 2015:

Figures are stated in NOK 1,000

|                                                                             | 31 March 2016    |                  | 31 December 2015 |                  |
|-----------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                             | Carrying amount  | Fair value       | Carrying amount  | Fair value       |
| <b>Financial assets</b>                                                     |                  |                  |                  |                  |
| <b>Loans and receivables</b>                                                |                  |                  |                  |                  |
| Non-current receivables                                                     | 1,954            | 1,954            | 1,977            | 1,977            |
| <b>Total</b>                                                                | <b>1,954</b>     | <b>1,954</b>     | <b>1,977</b>     | <b>1,977</b>     |
| <b>Financial liabilities</b>                                                |                  |                  |                  |                  |
| <b>Other financial liabilities</b>                                          |                  |                  |                  |                  |
| Borrowings                                                                  | 1,647,247        | 1,647,247        | 1,648,385        | 1,648,385        |
| <b>Total</b>                                                                | <b>1,647,247</b> | <b>1,647,247</b> | <b>1,648,385</b> | <b>1,648,385</b> |
| <b>Financial instruments measured at fair value through profit and loss</b> |                  |                  |                  |                  |
| <b>Derivatives - asset</b>                                                  |                  |                  |                  |                  |
| Interest rate swaps                                                         | 4,619            | 4,619            | 2,862            | 2,862            |
| Foreign exchange forward contracts                                          | 322              | 322              | 9,615            | 9,615            |
| <b>Total</b>                                                                | <b>4,941</b>     | <b>4,941</b>     | <b>12,477</b>    | <b>12,477</b>    |
| <b>Derivatives - liabilities</b>                                            |                  |                  |                  |                  |
| Interest rate swaps                                                         | 9,375            | 9,375            | 4,266            | 4,266            |
| Foreign exchange forward contracts                                          | 7,455            | 7,455            | -                | -                |
| <b>Total</b>                                                                | <b>16,830</b>    | <b>16,830</b>    | <b>4,266</b>     | <b>4,266</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 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



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

# CONTACT

Europris ASA  
Hjalmar Bjørges vei 105, P O Box 1421  
NO-1602 Fredrikstad

switchboard: +47 971 39 000  
fax: +47 69 31 99 00

[www.europris.no](http://www.europris.no)



***Europris***  
***MER TIL OVERS***