

Euoppris

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Q4-17



EUOPPRIS ASA



HIGHLIGHTS



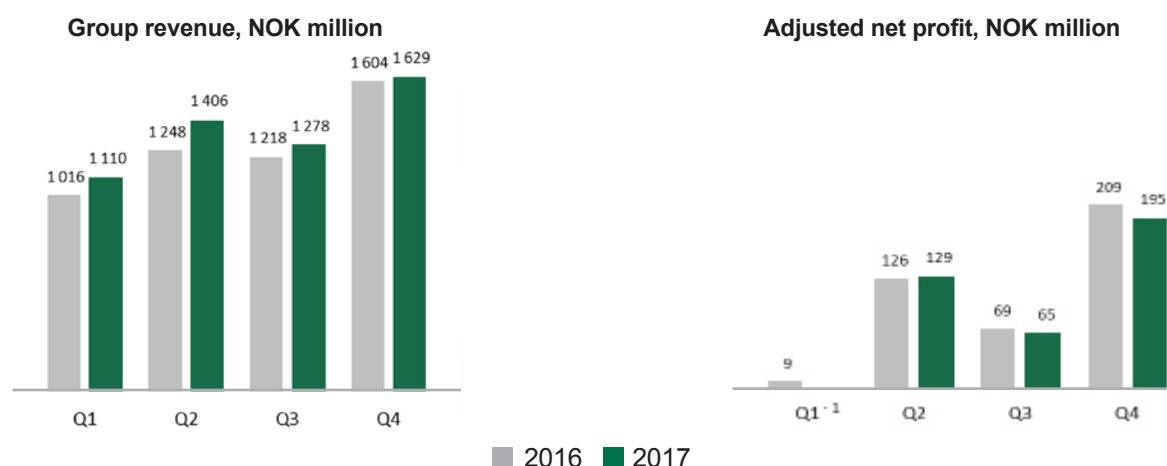
FOURTH QUARTER 2017

- Group revenues increased 1.5 per cent to NOK 1,629 million (1,604 million)
 - Good Christmas trading after a slow first half of the quarter
 - Backloading of new stores compared to last year reducing chain sales growth by 1.4 percentage points
 - Sales from wholesale to franchise stores temporary affected by planned inventory reduction
 - Like-for-like performance of -0.1 per cent (2.4 per cent sales days adjusted)
- Adjusted net profit was down 6.8 per cent to NOK 195 million (209 million)
- Solid cash generation resulting in leverage of 1.7x at year end
 - Healthy inventory levels at year end following measures implemented earlier in the year
- Milestone of 250 stores reached – five new store openings

FULL YEAR 2017

- The Europris group continued its topline expansion in 2017
 - 6.6 per cent growth in group revenues to NOK 5,423 million (5,085 million)
 - 3.1 per cent on a like-for-like basis, above market growth of 0.9 per cent, but below long term expectation
 - Nine franchise takeovers and eleven new stores
- Adjusted net profit down 6.3 per cent to NOK 388 million (414 million)
- The board of directors proposes an ordinary dividend of NOK 1.70 per share for 2017, up 13.3 per cent vs. last year
- New warehouse on plan – set-up expected to reduce operational costs longer term with limited associated capex requirements

Figures for the corresponding period of last year in brackets. The figures are unaudited. For non-IFRS figures (e.g adjusted figures), see page 19 for definitions.



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KEY FIGURES



Figures are stated in NOK million

	Q4 2017	Q4 2016	FY 2017	FY 2016
CHAIN KEY FIGURES				
Total retail sales	1,773.2	1,729.9	5,856.9	5,524.8
Growth (%)	2.5%	8.7%	6.0%	7.7%
Like-for-like sales growth (%)	-0.1%	4.7%	3.1%	4.1%
Total number of stores at end of period	250	239	250	239
- Directly operated stores	205	185	205	185
- Franchise stores	45	54	45	54

	Q4 2017	Q4 2016	FY 2017	FY 2016
GROUP KEY INCOME STATEMENT FIGURES				
Sales directly operated stores	1,390.8	1,281.8	4,556.1	3,987.5
Sales from wholesale to franchise stores	209.2	290.1	773.4	993.1
Franchise fees and other income	28.6	32.0	93.1	104.6
Group revenue	1,628.6	1,603.8	5,422.5	5,085.2
% growth	1.5%	13.8%	6.6%	9.8%
COGS excluding unrealised foreign exchange effects	912.0	894.2	3,112.1	2,901.2
Gross profit	716.7	709.6	2,310.5	2,184.0
% margin	44.0%	44.2%	42.6%	42.9%
Opex	431.3	418.7	1,669.5	1,517.1
Nonrecurring items	-	-	-	-
Opex excluding nonrecurring items	431.3	418.7	1,669.5	1,517.1
% of group revenue	26.5%	26.1%	30.8%	29.8%
Adjusted EBITDA	285.4	290.8	641.0	667.0
Adjusted EBIT	264.2	271.5	558.3	591.9
Adjusted profit before tax	256.8	276.4	510.3	548.9
Adjusted net profit	195.1	209.3	387.8	413.7
Adjusted earnings per share (167 million shares)	1.17	1.25	2.32	2.48
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES				
Net change in working capital	174.3	179.3	29.5	(42.5)
Capital expenditure	28.9	24.7	103.2	89.9
Financial debt			1,650.8	1,648.1
Cash			581.7	577.0
Net debt			1,069.1	1,071.1

PERIOD REVIEW



FOURTH QUARTER

The fourth quarter was a disappointing quarter, but ended on a positive note. Unfavourable weather conditions relative to last year and fewer selling days had a notable impact on sales. In addition, the backloading of store openings into the fourth quarter affected overall revenue. However, sales started to pick up as the Christmas season gained traction, proving yet again that Europris knows how to play the big seasons.

A positive development in general working capital and inventory levels during the quarter secured strong cashflow for the period, with leverage ending at 1.7x at the end of December.

FULL YEAR

The Europris group continued its top line expansion in 2017, with group revenues of NOK 5,423 million (NOK 5,085 million), representing an increase of 6.6 per cent compared with 2016. Growth was driven by eleven new store openings and nine franchise takeovers. The group's like-for-like performance of 3.1 per cent for the full year was better than the market (0.9 per cent) in a year categorised by limited inflation.

SALES PERFORMANCE

Market figures indicate a generally soft fourth quarter for the Norwegian retail industry. Europris outperformed the market on a total basis during the period, with total retail sales growing 2.5 per cent, compared with the same period last year. The Kvarud Shopping Centre Index ("Kvarud") reported growth of 1.1 per cent for the market on an overall basis compared with last year.¹

The backloading of new store openings compared to last year significantly reduced growth in total chain sales for the period, estimated at approximately 1.4 percentage points looking at the difference between total chain sales growth and the equivalent like-for-like figure.

However, on a like-for-like basis, Europris performed slightly below market. The group

reported a decrease of -0.1 per cent for the period, while Kvarud reported growth of 0.5 per cent for the market.¹ Adjusted for the number of sales days, the equivalent figures were 2.4 per cent and 3.0 per cent for Europris and the market, respectively.

Europris had a slow start to the quarter as certain elements affecting the group's third quarter results spilled-over into the fourth quarter. This specifically related to reduced basket sizes and lower sales from wholesale to franchise stores.

The execution challenges the group faced in the period are identified, and management are implementing clear measures to address them going forward. They mainly relate to increased central control of spacing and planograms, as well as volumes in store during periods outside the main seasons. The measures will be implemented throughout the year, with full effect expected from the third quarter 2018.

¹ According to (i) Kvarud Analyse, Shopping Centre Index, December 2017 – report analyses the performance of the 237 largest shopping centres in Norway.

This year's weather conditions were unfavourable relative to last year, and resulted in lower sales of the winter assortment.

The Christmas season was good, and in line with management's expectation. The group was well prepared, with an attractive seasonal product portfolio, widely acknowledged through several "best-in-test" products awards. In addition, well-trained store staff, as well as clear merchandising templates helped secure consistency of store execution and layout.

For the full year 2017, Europris once again beat the market with a like-for-like performance of 3.1 per cent compared to market growth of 0.9 per cent. Europris is a leading player within the discount variety retail sector which continued to take market share in Norway in 2017.

Europris delivered overall retail sales of NOK 5,857 million, growing 6.0 per cent vs. 2016. This is significantly better than the market which grew by 1.8 and 2.3 per cent using Kvarud and Virke figures, respectively. The segment "wide assortment – other", as reported by Virke, indicated a growth of 5.2 per cent for the full year.²

The backloading of new store openings compared to last year also negatively affected growth in total chain sales on a full year basis, estimated at approximately 0.7 percentage points.

On a like-for-like basis, Europris grew by 3.1 per cent (4.1 per cent adjusted for the number of sales days), significantly better than market performance of 0.9 per cent using Kvarud figures (1.9 per cent adjusted for the number of sales days), the only market measure of like-for-like growth.

	2017 total growth	2017 lfl growth
Kvarud Shopping Centre Index ²	1.8%	0.9%
Virke: total retail ²	2.3%	-
Virke: wide assortment – other ²	5.2%	-
Europris chain	6.0%	3.1%

OPERATIONAL REVIEW

Marketing, digital channels and e-commerce

The relevance of the group's traditional marketing channels remains high. The products advertised on the front page of the direct marketing leaflet (DM) continue to experience significant growth, and the DM retains its position as the key tool to attract customers to the Europris stores across the country.

In addition, the group continues to focus on digital marketing channels as customers, to an increasing extent, start their customer journey online. Marketing communication through digital channels will also reach out to a younger audience, and potentially attract new customers to Europris.

Another important work flow in the digital area in Europris is the upgrade of the e-CRM programme. The aim of the e-CRM programme is to enable better analyses of customer shopping patterns and behaviour, and more sophisticated decision making in relation to marketing, campaigns and other customer facing activities. It will also be directly linked to the group's customer loyalty programme – branded "MER" – and allow customer specific communication, inspiration and offers based on online behaviour and shopping patterns. The e-CRM programme is progressing according to plan, and will be implemented in the first half of 2018.

Management believes that e-commerce represents a significant opportunity for Europris in the long term. Significant steps have been taken to further improve the group's e-commerce solution during the quarter. The platform will be an online shopping facility for home delivery that includes most of the products that are available in-store today. The updated e-commerce offering will be launched later this year.



² According to (i) Kvarud Analyse, Shopping Centre Index, December 2017 – report analyses the performance of the 237 largest shopping centres in Norway; and (ii) Virke Detaljhandelsindeks (using figures reported from Statistics Norway)

PERIOD REVIEW



New store openings

Europris opened five new stores in the fourth quarter in Langevåg, Risør, Dale, Grong and Øvre Årdal, respectively, culminating the year by reaching a milestone 250 stores altogether.

New stores opened in 2017

Month	Store	County
February	Gran	Oppland
March	Rælingen	Akershus
March	Brekstad	Sør-Trøndelag
April	Kokstad	Hordaland
April	Tasta	Rogaland
September	Reknes	Møre and Romsdal
Oktober	Langevåg	Møre and Romsdal
November	Risør	Aust-Agder
November	Dale	Sogn and Fjordane
November	Grong	Trøndelag
November	Øvre Årdal	Sogn and Fjordane

Overall, the group opened eleven new stores during the year. At the end of the year, the store count stood at 205 directly operated and 45 franchise stores.

Management believes that the opening of new stores will remain a key value driver for the group going forward. Europris maintains a good dialogue with landlords, and the group's unique concept and positioning continue to present an attracting offering.

Concept and category development

Significant progress was made during the year in concept and category development. The results of this work were most recently illustrated by the quality of Europris' seasonal assortment. Europris was awarded three "best-in-test" awards for the group's high-end artificial Christmas tree, tea light candles and headphones in the period.³

During the Christmas season this year, the group introduced new, "design-to-price" products as a means of capitalising on the customers

focus on "value for money". Such initiatives will become an increasingly important part of the group's category development going forward.

The quarter involved significant improvements to the group's seasonal preparations and execution, including an improved product assortment as well as detailed layout, merchandising and implementation plans. This also involved training of in-store personnel to facilitate a higher level of perceived sales responsibility and better category knowledge. Management also believes this will support and strengthen the group's authority in relevant categories and secure Europris' strong position in the important Christmas period.

Update on new central warehouse

The development of the group's new central warehouse is progressing as planned. Construction is well under way and the group is planning to move into the low-rise part of the site in May 2019. Europris will also take over the automatic, high bay storage facility in June of that year. However, in accordance with original plans, operations in the high bay area will not commence until 2020. Management plans to allow sufficient time for necessary testing as well as commencing operations at the optimal time outside peak seasons.

The new central warehouse will facilitate significant further growth in revenue and volumes by increasing the number of potential pallet spaces by 25,300 from 75,400 pallets today, representing 34 per cent growth in capacity.

Four of the existing warehouses will be exited at the time of their respective lease expiries during 2019, relating to the move into the low-rise part of the site in May next year. The group's current main central warehouse, located at Øra in Fredrikstad, will be exited in 2022, at the end of its lease. The group plans to explore opportunities to sublet parts of or the entire facility at Øra during the final two years of the contract.

³ Artificial Christmas tree, VG, 6 December 2017; Tea light candles, TV2 Hjelper deg, 9 November 2017; Headphones, Vi Menn, no 44/2017

Management expects the new central warehouse to contribute to significant efficiencies in warehouse operations and general efficiencies in logistics going forward. In addition to the automated high bay storage facility, the group plans to introduce automated picking stations in the low-rise part of the site. Specifically, the group expects to realise savings in total rental expenses as well as efficiencies in transportation and operations, resulting in a reduction, from today's level, of between 0.5 to 1.0 percentage

points in the ratio of operational expenses to group revenue longer term (assuming normal course of business).

The move to the new warehouse will involve a period of transition, during which additional costs will incur, specifically in 2019 and 2020.

New central warehouse progressing as planned



FINANCIAL REVIEW



PROFIT AND LOSS – FOURTH QUARTER

Group revenue in the fourth quarter amounted to NOK 1,629 million (1,604 million), up by 1.5 per cent. Good Christmas trading in line with expectations was offset by a slow start of the quarter. The planned inventory reduction led to temporary lower sales from wholesale to franchise compared to last year.

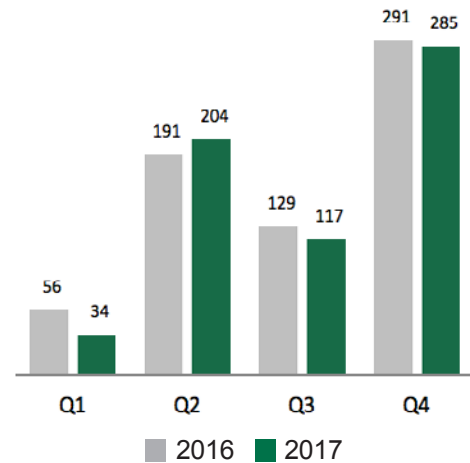
The quarter held 79 selling days, a reduction of two compared to the fourth quarter last year which held 81.

Gross profit for the group was NOK 717 million (710 million). The gross margin was 44.0 per cent in the fourth quarter of 2017, and compared with 44.2 per cent in the same period last year. Last year included one-off cost of NOK 7.5 related to franchise takeovers. The overall campaign share has stabilised, but the relative portion of sales from products on the front page of the DM has increased.

Operating expenditure (opex) excluding nonrecurring items in the fourth quarter came to NOK 431 million (419 million). This represented an increase of 3.0 per cent from the same period last year. Opex was impacted by the number of directly operated stores, which increased from 185 to 205, increasing opex by NOK 24.5 million. Reducing opex for the period, the group received an additional supplier marketing support of NOK 9.5 million. In addition, a decrease in performance-based employee remuneration further reduced opex by NOK 10.1 million in the quarter compared to the same period last year. Relative to group revenue, operating expenses was 26.5 per cent (26.1 per cent).

Adjusted EBITDA was NOK 285 million (291 million) in the fourth quarter, down by 1.9 per cent compared with last year. The Adjusted EBITDA margin was 17.5 per cent (18.1 per cent). The margin was impacted by a soft topline development.

Adjusted EBITDA, NOK million



Adjusted profit before tax was NOK 257 million (276 million). The group recorded an unrealised gain of NOK 4 million on currency hedging contracts and on accounts payable in foreign currencies in the quarter. Last year, the group recorded an unrealised gain of NOK 15 million in the corresponding period.

Adjusted net profit for the fourth quarter of 2017 was NOK 195 million (209 million), down by 6.8 per cent.

PROFIT AND LOSS – FULL YEAR (01.01 – 31.12)

Group revenue for the full year 2017 amounted to NOK 5,423 million (5,085 million), up by 6.6 per cent. The key drivers for revenue growth was the like-for-like performance of 3.1 per cent, opening of eleven new stores and takeover of nine franchise stores.

Gross profit for the group was NOK 2,311 million (2,184 million). The gross margin was 42.6 per cent in 2017, compared with 42.9 per cent in the same period last year. The margin decrease is explained by more campaign sales, which had a negative effect on gross profit.

Opex excluding nonrecurring items in the full year 2017 came to NOK 1,670 million (1,517 million). This represented an increase of 10.0 per cent from the same period last year. Relative to group revenue, operating expenses were 30.8 per cent (29.8 per cent). Opex was impacted by an increase in the number of directly operated stores, increasing opex by NOK 109.4 million. In addition, opex was affected by planned operational initiatives related to change in distribution model (from sea to land) by NOK 9.1 million and focus on digital channels by NOK 7.0 million. One-off costs in connection with the celebration of the group's 25th anniversary is included with NOK 4.8 million. The increase in opex was mitigated by additional marketing support of NOK 10.5 million and a decrease in performance-based employee remuneration of NOK 15 million compared with last year.

Adjusted EBITDA was NOK 641 million in 2017 (667 million), down by NOK 26 million compared with last year. The Adjusted EBITDA margin was 11.8 per cent (13.1 per cent).

Adjusted net profit for the full year 2017 was NOK 388 million (414 million).

CASH FLOW

Net change in working capital in 2017 was positive NOK 30 million (negative 43 million). The underlying development in net working capital is positively impacted by an increase in accounts payable together with VAT and customs payable. Last year net working capital was negatively impacted by increased inventory levels. This year, inventory levels have stabilised, in spite of increased number of directly operated stores. On a like-for-like basis, inventory per store has been reduced.

Capital expenditure was NOK 103 million (90 million). The increase from last year is explained by investments of NOK 20 million related to the land area adjacent to the new warehouse in Moss, offset by fewer store relocations.

FINANCIAL POSITION AND LIQUIDITY

Financial debt was NOK 1,651 million at the end of 2017 (1,648 million).

Cash for the group at 31 December 2017 were NOK 582 million (577 million).

The group's liquidity reserves are satisfactory and were unused at the end of 2017. These facilities amounted to NOK 427 million.

Net debt at 31 December 2017 was NOK 1,069 million (1,071 million).

DIVIDEND

The board of Europris ASA will propose to the General Assembly an ordinary dividend for 2017 of NOK 1.70 per share, up 13.3 per cent compared to the ordinary dividend of NOK 1.50 for 2016. The proposed dividend amounts to a total of NOK 284 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.

OUTLOOK

Macro indications for the development in the Norwegian economy are positive for 2018. The oil price has started to increase and activity in the economy in general seem to be picking up. However, the housing market has experienced, and may continue to experience, some pressure. On a positive note, interest rates are expected to remain on a relatively low level also in the near and mid-term. The expectation is that real salaries will develop positively in 2018, mainly driven by lower inflation.

Management expects continued growth in long-term revenue and profits going forward, supported by the group's leadership position in a solid market segment.



FINANCIAL REVIEW



The group has a healthy pipeline of new stores, with 16 having been approved by the board. Of these, nine are confirmed for 2018 (one store opened in January), two of which are subject to municipal zoning regulations. The group has no plans to close any stores in 2018.

Following requests by the relevant franchisees, the group took over four additional franchise stores on 1 January 2018. The takeovers are motivated by protecting the existing profitability from these stores residing at group level. There will be an associated negative one-off effect on cost of goods sold (COGS) of NOK 3.4 million included in the first quarter. These stores are expected to provide a marginal impact on group profits.

As the number of directly operated stores increases, the group maintains a larger fixed cost base in all reporting periods of the year. This is mainly driven by store personnel costs and rent. The increased fixed cost base has a “mechanical” impact on profitability in the various periods of any given year. Periods of seasonally lower relative revenue levels are less profitable, and vice versa for periods of higher revenue levels. This effect is therefore accentuated in the first and the fourth quarters, the reporting periods with the lowest and the highest revenue levels during the year, respectively.

The measures that were initiated following the execution challenges in the third and fourth quarters are underway. Management expect to see improvements in execution during the year, with full effect expected from the third quarter 2018.

The group believes that e-commerce represents an opportunity going forward, and will continue to invest in digital channels. Management’s focus will be to strengthen Europris’ marketing through the e-CRM programme as well as launching an online shopping facility with home delivery.

The new warehouse is progressing according to plan. Longer term, management expects to realise efficiencies resulting in a reduction, from today’s level, of between 0.5 to 1.0 percentage point in the ratio of operational expenditure to group revenue.



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INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS



Figures are stated in NOK 1,000	Notes	Q4 2017	Q4 2016	FY 2017	FY 2016
		Unaudited	Unaudited	Unaudited	Audited
Total operating income (group revenue)		1,628,638	1,603,823	5,422,530	5,085,205
Cost of goods sold (COGS)		908,097	879,494	3,118,343	2,903,030
Employee benefits expense		226,603	214,208	827,971	752,498
Depreciation	5	21,169	19,321	82,690	75,089
Other operating expenses		204,662	204,540	841,516	764,590
Operating profit		268,107	286,259	552,009	589,998
Net financial income (expense)		(11,347)	(9,838)	(41,682)	(41,052)
Profit before tax		256,760	276,421	510 327	548,946
Income tax expense		61,622	67,153	122,479	135,285
Profit for the period		195,137	209,267	387,849	413,661
Attributable to the equity holders of the parent		195,137	209,267	387,849	413,661
Interim condensed consolidated statement of comprehensive income					
Profit for the period		195,137	209,267	387,849	413,661
Total comprehensive income		195,137	209,267	387,849	413,661
Attributable to the equity holders of the parent		195,137	209,267	387,849	413,661

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 2017	31 Dec 2016
		Unaudited	Audited
ASSETS			
Total intangible assets	5	2,029,297	2,016,904
Total fixed assets	5	272,540	246,377
Total financial assets	6	25,175	2,233
Total non-current assets		2,327,012	2,265,515
Inventories		1,368,361	1,324,103
Trade receivables		207,755	203,346
Other receivables	6	63,583	66,539
Cash and cash equivalents		581,663	576,964
Total current assets		2,221,363	2,170,952
Total assets		4,548,375	4,436,467
EQUITY AND LIABILITIES			
Total paid-in capital		502,468	836,406
Total retained equity		1,259,812	871,966
Total shareholders' equity		1,762,280	1,708,372
Provisions		49,989	45,575
Borrowings	6	1,648,567	1,646,874
Other non-current liabilities	6	2,213	1,272
Total non-current liabilities		1,700,769	1,693,721
Accounts payable		580,795	555,651
Tax payable		116,981	145,446
Public duties payable		205,276	149,167
Other current liabilities	6	182,275	184,111
Total current liabilities		1,085,327	1,034,373
Total liabilities		2,786,095	2,728,095
Total equity and liabilities		4,548,375	4,436,467

Oslo, 31 January 2018

THE BOARD OF DIRECTORS OF EUROPRIS ASA

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
At 1 January 2017	166,969	669,437	871,963	1,708,369
Profit for the period	-	-	387,849	387,849
Dividend	-	(333,938)	-	(333,938)
Other comprehensive income	-	-	-	-
At 31 December 2017	166,969	335,499	1,259,812	1,762,280
(unaudited)				

Attributed to equity holders of the parent

	Share capital	Share premium	Retained earnings	Total equity
At 1 January 2016	166,969	903,193	458,305	1,528,467
Profit for the period	-	-	413,661	413,661
Dividend	-	(233,756)	-	(233,756)
Other comprehensive income	-	-	-	-
At 31 December 2016	166,969	669,437	871,966	1,708,372
(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	Q4 2017	Q4 2016	FY 2017	FY 2016
		Unaudited	Unaudited	Unaudited	Audited
Cash flows from operating activities					
Profit before income tax		256,760	276,421	510,327	548,946
Adjusted for:					
Depreciation of fixed and intangible assets	5	21,169	19,321	82,690	75,089
Changes in net working capital		174,288	179,312	29,525	(42,517)
Income tax paid		(44,678)	(16,186)	(145,832)	(108,772)
Net cash generated from operating activities		407,539	458,868	476,710	472,746
Cash flows from investing activities					
Purchases of fixed and intangible assets	5	(28,878)	(24,732)	(103,196)	(89,935)
Acquisition of franchise stores		-	(9,848)	(28,403)	(11,229)
Net cash used in investing activities		(28,878)	(34,580)	(131,599)	(101,164)
Cash flows from financing activities					
Repayment of debt to financial institutions		(1,302)	(4,402)	(6,475)	(7,978)
Dividend		-	-	(333,938)	(233,756)
Net cash from financing activities		(1,302)	(4,402)	(340,413)	(241,734)
Net increase in cash		377,359	419,886	4,699	129,848
Cash at beginning of period		204,304	157,078	576,964	447,116
Cash at end of period		581,663	576,964	581,663	576,964

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 fourth quarter and the period ended 31 December 2017 were authorised for issue by the board on 31 January 2018.

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 2017 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 2016.

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 2016. New standards and interpretations effective at 1 January 2017 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 2016.

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 and fittings	Land	Software	Trademarks	Goodwill	Total
Carrying amount 1 January 2017	246,377	-	39,929	387,573	1,589,402	2,263,281
Acquisition of subsidiaries	4,680	-	-	-	9,704	14,384
Additions	67,065	20,481	19,316	-	-	106,861
Disposals	-	-	-	-	-	-
Depreciation	(66,061)	-	(16,629)	-	-	(82,690)
Carrying amount 31 December 2017	252,060	20,481	42,617	387,573	1,599,106	2,301,836

Figures are stated in NOK 1,000

	Fixtures and fittings	Land	Software	Trademarks	Goodwill	Total
Carrying amount 1 January 2016	225,178	-	40,744	387,573	1,582,487	2,235,982
Acquisition of subsidiaries	5,255	-	-	-	6,915	12,170
Additions	75,716	-	14,502	-	-	90,218
Disposals	-	-	-	-	-	-
Depreciation	(59,772)	-	(15,317)	-	-	(75,089)
Carrying amount 31 December 2016	246,377	-	39,929	387,573	1,589,402	2,263,282

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 December 2017 and 31 December 2016:

Figures are stated in NOK 1,000

Financial assets	31 December 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables				
Non-current receivables	24,008	24,008	1,808	1,808
Total	24,008	24,008	1,808	1,808
Financial liabilities				
Other financial liabilities				
Borrowings	1,648,567	1,648,567	1,646,874	1,646,874
Total	1,648,567	1,648,567	1,646,874	1,646,874
Financial instruments measured at fair value through profit and loss				
Derivatives - asset				
Interest rate swaps	794	794	51	51
Foreign exchange forward contracts	2,243	2,243	7,450	7,450
Total	3,037	3,037	7,501	7,501
Derivatives - liabilities				
Interest rate swaps	2,213	2,213	1,272	1,272
Foreign exchange forward contracts	2,712	2,712	261	261
Total	4,925	4,925	1,534	1,534

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.

FORWARD LOOKING STATEMENTS

The 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.

ALTERNATIVE PERFORMANCE MEASURES



APMs are used by Europris for annual and periodic financial reporting in order to provide a better understanding of Europris financial performance and are also used by management to measure operating performance. APMs are adjusted IFRS figures defined, calculated and used in a consistent and transparent manner.

- **Gross profit** represents group revenue less the cost of goods sold excluding unrealised foreign currency effects.
- **Opex** is the sum of employee benefits expense and other operating expenses.
- **EBITDA** (earnings before interest, tax, depreciation and amortisation) represents Gross profit less Opex.
- **Adjusted EBITDA** is EBITDA adjusted for nonrecurring expenses.
- **Adjusted profit before tax** is profit before tax adjusted for nonrecurring items and additional financial expenses related to the refinancing in connection with the IPO.
- **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.

OTHER 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.

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