Europris
MER TIL OVERS

Q3-18

EUROPRIS ASA

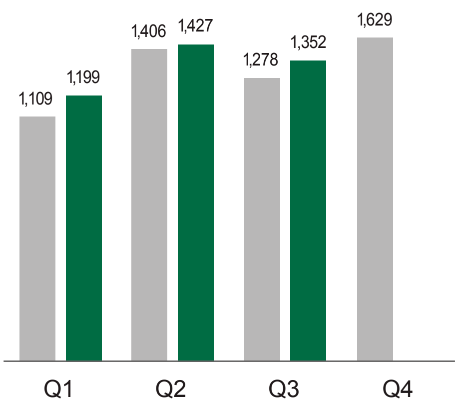
HIGHLIGHTS

THIRD QUARTER 2018

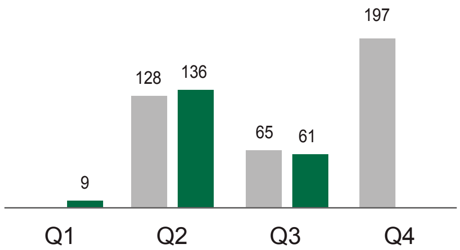
- 5.8 per cent increase in group revenues to NOK 1,352 million (NOK 1,278 million)
  - Growth driven by new stores and franchise takeovers
  - Total retail sales growth of 2.8 per cent, well above the market performance of 0 per cent
  - 0.8 per cent reduction in like-for-like sales, slightly below market decline of 0.6 per cent
- Positive results from annual stocktaking improved gross margin to 43.6 per cent (42.1 per cent)
- Opex increased by NOK 14 million following a one-off timing effect in the accounting of distribution costs
- Adjusted net profit of NOK 60.8 million (NOK 64.7 million), down six per cent owing to an unrealised foreign currency loss

Figures for the corresponding period of last year in brackets. The figures are unaudited.
For non-IFRS figures (e.g adjusted figures), see page 18 for definitions.

Group revenue, NOK million



Adjusted net profit, NOK million



2017 2018

CONTENTS

KEY FIGURES

Figures are stated in NOK million	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
CHAIN KEY FIGURES					
Total retail sales	1,416.7	1,378.2	4,215.1	4,083.7	5,856.9
Growth (%)	*2.8%*	*5.2%*	*3.2%*	*7.6%*	*6.0%*
Like for like sales growth (%)	*(0.7%)*	*3.2%*	*0.2%*	*4.6%*	*3.1%*
Total number of stores at end of period	257	245	257	245	250
- Directly operated stores	219	200	219	200	205
- Franchise stores	38	45	38	45	45

	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
GROUP KEY INCOME STATEMENT FIGURES					
Sales directly operated stores	1,156.8	1,075.5	3,416.6	3,165.2	4,556.1
Sales from wholesale to franchise stores	176.6	180.8	506.6	564.2	773.4
Franchise fees and other income	18.6	21.6	55.1	64.5	93.1
Group revenue	**1,351.9**	**1,277.9**	**3,978.3**	**3,793.9**	**5,422.5**
% growth	5.8%	5.0%	4.9%	9.0%	6.6%
COGS excluding unrealised foreign exchange effects	762.0	740.2	2,269.4	2,200.1	3,112.1
Gross profit	**589.9**	**537.8**	**1,708.9**	**1,593.8**	**2,310.5**
% margin	43.6%	42.1%	43.0%	42.0%	42.6%
Opex	470.7	420.7	1,346.2	1,238.2	1,669.5
Nonrecurring items	-	-	-	-	-
Opex excluding nonrecurring items	470.7	420.7	1,346.2	1,238.2	1,669.5
% of group revenue	34.8%	32.9%	33.8%	32.6%	30.8%
Adjusted EBITDA	**119.2**	**117.1**	**362.8**	**355.6**	**641.0**
Adjusted EBIT	**97.0**	**96.4**	**297.3**	**294.1**	**558.3**
Adjusted profit before tax	**78.9**	**85.1**	**266.8**	**253.6**	**510.3**
Adjusted net profit	**60.8**	**64.7**	**205.5**	**192.7**	**389.8**
Adjusted earnings per share (167 million shares)	**0.36**	**0.39**	**1.23**	**1.15**	**2.33**
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES					
Net change in working capital	(77.6)	104.9	(300.4)	(144.8)	29.5
Capital expenditure	18.2	17.9	61.2	74.3	103.2
Financial debt			1,646.5	1,647.1	1,650.8
Cash			92.6	204.3	581.7
Net debt			**1,553.9**	**1,442.8**	**1,069.1**

PERIOD REVIEW

The exceptionally warm summer had a negative effect on sales in the first half of the quarter, but these normalised in the last half. Europris increased its group revenues by 5.8 per cent to NOK 1,352 million (NOK 1,278 million). Sales growth was driven by new store openings and franchise takeovers.

Gross margin was increased by positive results from annual stocktaking in the stores. A shrinkage-reduction programme for stores initiated by Europris has led to a significant reduction in this issue at the 54 stores involved. Differences between calculated and actual shrinkage are accounted for in the third-quarter results and margins after the annual stocktaking.

Timing of freight costs in the accounts was changed during the quarter. A delay in booking freight costs had built up over time. As a result, they were extraordinary high in this quarter at NOK 14 million, of which NOK 8 million relates to 2017 and NOK 6 million to 2018.

SALES PERFORMANCE

Europris has a seasonal concept and was therefore strongly affected by weak customer traffic in the beginning of the quarter owing to the unusually hot summer weather. From mid-August, customer traffic normalised and Europris achieved a good end to the quarter. Overall, sales of summer seasonal items met the company's expectations for this year. However, that reflected the solid performance in the second quarter.

According to Kvarud Analyse, the market was also affected by the summer weather and low growth has been reported in the quarter. In addition, this had one fewer sales days than the same period of 2017. Europris outperformed the market for overall growth, but was marginally below the market benchmark on a like-for-like basis.

	Q3	Adjusted for sales days
Total growth Europris chain	2.8%	4.1%
Total growth market[1]	0.0%	1.3%
LFL growth Europris	(0.8%)	0.5%
LFL growth market[1]	(0.6%)	0.7%

The annual summer sales campaign in July focused around consumables, and the categories "laundry and cleaning" and "personal care" showed particularly good growth.

During the low season in August and September, the chain increased central control of volumes and spacing in the stores. Attention concentrated on consumer goods, home and interior, and selected seasonal products. The "home and kitchen" and "handyman" categories, in particular, developed well during this period.

OPERATIONAL REVIEW

Concept and category development

Attention in the quarter concentrated primarily on implementing the planned changes in centralised control of volumes and spacing in the stores during the low season. This work is being continuously improved as product mix and volumes are fine tuned in accordance with the results achieved. It is still too early to assess the overall impact of these initiatives, but results so far are positive.

A new concept for coffee and tea was introduced to the "grocery" category during the quarter. This has expanded the product range, and the overall presentation of the category has been improved. The goal is to reinforce "coffee and tea" as an everyday destination category and provide customers with a better selection and quality at low prices.

E-commerce

Europris introduced e-commerce in June with a limited range of products. The start-up has gone as expected and the product range has gradually increased since the launch. Customers can now choose from more than 4,000 articles in the online store.

[1] According to Kvarud Analyse, Shopping Centre Index, September 2018.

The technical solutions work well and are gradually being further developed to meet customer requirements. Sales so far show that big-ticket items such as garden furniture and DIY tools are the online best-sellers. Overall, e-commerce accounts for less than one per cent of chain sales, and click-and-collect constitutes the majority of online sales.

Growing the store estate

Europris opened one new store in the third quarter, at Lura in Sandnes. This brings the total number of new store openings in 2018 so far to seven, which is in line with the number planned.

New store openings in 2018:

Month	Store	County
January	Lillehammer	Oppland
March	Digernes	Møre og Romsdal
May	Rykkinn	Akershus
May	Stokke	Vestfold
June	Ørnes	Nordland
June	Kjørbekk	Telemark
August	Lura	Rogaland

The chain had 257 stores at 30 September, of which 219 were directly operated and 38 were franchises.

Progress on the new central warehouse

Construction of the group's new central warehouse in Moss is progressing as planned in terms of both schedule and costs. The work is well under way, with the group on track to move into the low-rise part of the site in May 2019. Europris will take over the automated high-bay storage facility in June 2019 in order to commence testing. In accordance with the original plans, operations in the high-bay area will begin in 2020.

From 3 June 2019, all campaign goods and seasonal items will be delivered from Moss, while the base range will remain at the old warehouse until the summer of 2020.

Progress for sourcing partnership with ÖoB

The purchasing cooperation with ÖoB has got off to a good start. During the quarter, joint supplier visits were conducted in Asia and selected Scandinavian suppliers were invited to talks on joint Scandinavian agreements. The identified synergies have been confirmed and the companies are cooperating well. Progress is on schedule. Because of the generally long lead times involved in sourcing, initial synergies are expected in late 2019 with the full effect to be felt in the following years.

FINANCIAL REVIEW

PROFIT AND LOSS - THIRD QUARTER

Group revenue in the third quarter amounted to NOK 1,352 million (NOK 1,278 million), up by 5.8 per cent. The key drivers behind revenue growth were new stores and franchise takeovers. There was one fewer sales days during the quarter compared with the same period of 2017.

Gross profit for the group was NOK 590 million (NOK 538 million). The gross margin was 43.6 per cent (42.1 per cent). Over the year, the group reports a calculated gross margin for the stores and any calculation differences are adjusted at the annual stocktaking. The third-quarter accounts include NOK 30 million in positive calculation differences, of which about NOK 24 million relates to the previous three quarters, from the fourth quarter of 2017.

The group has increased the attention it pays to shrinkage in the stores. Following the stocktakings in 2016 and 2017, 54 stores have been part of a shrinkage-reduction programme. Results are positive, with shrinkage reduced by NOK 13 million in these stores. As a result of the increase in the sugar tax from 1 January 2018, purchases of sugar-taxable products made in 2017 accounted for savings of about NOK 12 million. Of this, NOK 5 million accrued in the first quarter.

In addition, gross profit was reduced by a one-off cost of NOK 2 million (NOK 1 million) from two franchise takeovers.

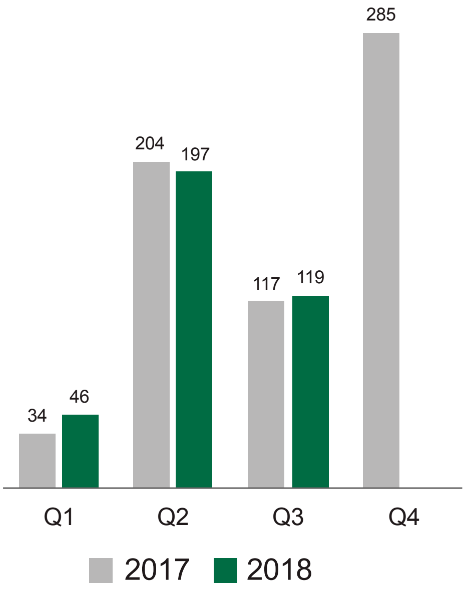
Adjusted for the NOK 24 million in calculation differences related to previous quarters and one-off costs related to franchise takeovers, the gross margin was 42 per cent (42.2 per cent). Twenty-five directly operated stores will complete their annual stocktaking in the fourth quarter.

Operating expenditure (Opex) excluding nonrecurring items came to NOK 471 million (NOK 421 million) in the third quarter, an increase of 11.9 per cent. The number of directly operated stores rose by 9.5 per cent, from 200 to 219.

The main variation in Opex relates to a timing effect in accounting for the cost of freight to the stores. This change increased Opex by NOK 14 million in the quarter. Adjusted for additional freight costs, total Opex rose by 8.6 per cent from the third quarter in 2017 to NOK 457 million.

As in last year, the annual provision for performance-based employee remuneration was reduced by NOK 10 million in the quarter (NOK 10 million).

Adjusted EBITDA was NOK 119 million (NOK 117 million), up by 1.8 per cent. The adjusted EBITDA margin was 8.8 per cent (9.2 per cent).



Adjusted profit before tax for the third quarter of 2018 was NOK 79 million (NOK 85 million), down by NOK 6 million. The group recorded a net unrealised currency loss of NOK 8 million on hedging contracts and accounts payable (net currency loss of NOK 1 million).

PROFIT AND LOSS - FIRST NINE MONTHS

Group revenue for the first nine months of 2018 amounted to NOK 3,978 million (NOK 3,794 million), an increase of 4.9 per cent. The key drivers for revenue growth were the opening of new stores, franchise takeovers and a strong seasonal performance in Easter and the spring.

Gross profit for the group was NOK 1,709 million (NOK 1,594 million), up by 7.2 per cent from the same period of last year. The gross margin was 43 per cent (42 per cent) in the first nine months of 2018. This increase resulted from a deliberate adjustment of campaign sales, reduced shrinkage in the stores and franchise takeovers.

Opex excluding nonrecurring items came to NOK 1,346 million (NOK 1,238 million) in the first nine months. This represented an increase of 8.7 per cent from the same period of last year. Operating expenses were 33.8 per cent (32.6 per cent) of group revenue. Opex was affected by the 9.5 per cent increase in the number of directly operated stores.

Adjusted EBITDA was NOK 363 million (NOK 356 million) in the first nine months, up by NOK 7 million from last year. The adjusted EBITDA margin was 9.1 per cent (9.4 per cent).

Adjusted net profit was NOK 206 million (NOK 193 million) for the first nine months of 2018, up by 6.6 per cent.

CASH FLOW

The net change in working capital was negative at NOK 300 million for the period ending 30 September 2018 (NOK 145 million). In 2017, other working capital was affected by a significant inventory reduction (following management initiatives). This year, inventory at the central warehouse has increased owing to earlier shipment of seasonal goods for Christmas. The increase in inventory was offset to some extent by the rise in accounts payable, and a decrease in trade receivables because of fewer franchise stores.

Capital expenditure was NOK 61 million (NOK 74 million). The decrease reflected the investment of NOK 18 million in land adjacent to the new warehouse in Moss during the first half of 2017, partially offset by increased investment in software in the first nine months of 2018.

FINANCIAL POSITION AND LIQUIDITY

Financial debt at 30 September was NOK 1,647 million (NOK 1,647 million).

Net debt at 30 September 2018 was NOK 1,554 million (NOK 1,443 million).

The group's liquidity reserves were undrawn at 30 September. These facilities amounted to NOK 427 million.

Cash for the group was NOK 93 million (NOK 204 million) at 30 September 2018. The share buy-back programme of 2,000,000 treasury shares was completed on 9 August and amounted to a total of NOK 43 million.

OUTLOOK

Management expects continued growth in revenue and profits, supported by the group's leading position in an expanding retail segment.

Through the partnership with ÖoB, Europris has strengthen its competitive position in a changing retail landscape. Increased purchasing power will support the low price profile, and the international footprint provides a basis for continued growth.

The launch of the group's e-commerce solution positions Europris as an omni-channel retailer with online shopping as both a channel for new sales and a tool to drive traffic to the physical stores. While the physical stores will continue to be the main sales channel for the foreseeable future, e-commerce will enable Europris to expand its product offering, provide access to new customer groups and increasing visibility through a new channel.

Europris continues to have a healthy pipeline of new stores. The group has opened seven new stores so far this year, with another two confirmed for 2018. One store closure is scheduled in the fourth quarter, bringing net new stores for the year to eight. The board has approved an additional twelve stores for 2019 and beyond, three of which are subject to planning permission.

The group took over seven franchise stores in the first nine months. In addition, one franchise store was taken over on 1 October, with an estimated negative one-off effect on gross margin of about NOK 1 million. Europris expects an additional two-three takeovers at 31 December, with corresponding accounting effects.

EUROPRIS ASA Q3 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Figures are stated in NOK 1,000	Notes	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
		Unaudited	Unaudited	Unaudited	Unaudited	Audited
Total operating income (group revenue)		**1,351,935**	**1,277,917**	**3,978,305**	**3,793,892**	**5,422,530**
Cost of goods sold (COGS)		769,967	741,339	2,274,807	2,210,247	3,118,345
Employee benefits expense		227,471	210,054	648,479	601,368	826,847
Depreciation	5	22,167	20,702	65,511	61,521	82,690
Other operating expenses		243,232	210,628	697,680	636,854	842,641
Operating profit		**89,097**	**95,194**	**291,826**	**283,902**	**552,007**
Net financial income (expense)		**(10,181)**	**(10,097)**	**(24,984)**	**(30,334)**	**(41,682)**
Profit before tax		**78,916**	**85,096**	**266,842**	**253,568**	**510,325**
Income tax expense		18,151	20,423	61,374	60,856	120,526
Profit for the period		**60,765**	**64,673**	**205,469**	**192,711**	**389,799**
Attributable to the equity holders of the parent		60,765	64,673	205,469	192,711	389,799
Interim condensed consolidated statement of comprehensive income						
Profit for the period		60,765	64,673	205,469	192,711	389,799
Total comprehensive income		**60,765**	**64,673**	**205,469**	**192,711**	**389,799**
Attributable to the equity holders of the parent		60,765	64,673	205,469	192,711	389,799

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	30 Sept 2018	30 Sept 2017	31 Dec 2017
		Unaudited	Unaudited	Audited
ASSETS				
Total intangible assets	5	2,040,315	2,027,632	2,029,297
Total fixed assets	5	269,220	262,979	272,540
Total financial assets	6,7	227,353	25,300	25,175
Total non-current assets		**2,536,887**	**2,315,911**	**2,327,012**
Inventories		1,761,113	1,458,453	1,368,361
Trade receivables		154,145	166,355	207,755
Other receivables	6	79,826	66,246	63,586
Cash		92,569	204,304	581,663
Total current assets		**2,087,653**	**1,895,358**	**2,221,366**
Total assets		**4,624,540**	**4,211,269**	**4,548,378**
EQUITY AND LIABILITIES				
Total paid-in capital	8	216,621	502,468	502,468
Total retained equity		1,425,961	1,064,677	1,261,765
Total shareholders' equity		**1,642,582**	**1,567,145**	**1,764,233**
Provisions		107,353	105,366	48,250
Borrowings	6	1,646,459	1,644,618	1,648,567
Other non-current liabilities	6	-	2,448	2,213
Total non-current liabilities		**1,753,812**	**1,752,432**	**1,699,030**
Accounts payable		683,445	505,529	580,795
Tax payable		1,892	44,659	116,767
Public duties payable		170,048	174,560	205,279
Other current liabilities	6,7	372,761	166,945	182,275
Total current liabilities		**1,228,146**	**891,692**	**1,085,116**
Total liabilities		**2,981,958**	**2,644,124**	**2,784,145**
Total equity and liabilities		**4,624,540**	**4,211,269**	**4,548,378**

Fredrikstad, 30 October 2018

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	Treasury shares	Share premium	Retained earnings	Total equity
At 1 January 2018	**166,969**	**-**	**335,499**	**1,261,765**	**1,764,233**
Profit for the period	-	-	-	205,469	205,469
Dividend	-	-	(283,847)	-	**(283,847)**
Net purchase of treasury shares	-	(2,000)	-	(41,273)	**(43,273)**
Other comprehensive income	-	-	-	-	-
At 30 September 2018	**166,969**	**(2,000)**	**51,652**	**1,425,961**	**1,642,582**
(unaudited)					

	Attributed to equity holders of the parent				
	Share capital	Treasury shares	Share premium	Retained earnings	Total equity
At 1 January 2017	**166,969**	**-**	**669,437**	**871,966**	**1,708,372**
Profit for the period	-	-	-	192,711	192,711
Dividend	-	-	(333,938)	-	(333,938)
Other comprehensive income	-	-	-	-	-
At 30 September 2017	**166,969**	**-**	**335,499**	**1,064,677**	**1,567 145**
(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	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
		Unaudited	Unaudited	Unaudited	Unaudited	Audited
Cash flows from operating activities						
Profit before income tax		78,916	85,096	266,842	253,568	510,326
Adjusted for:						
Depreciation of fixed and intangible assets	5	22,167	20,702	65,511	61,521	82,690
Changes in net working capital		(77,609)	(104,901)	(300,396)	(144,763)	29,527
Income tax paid		48	66	(115,177)	(101,154)	(145,832)
Net cash generated from operating activities		**23,522**	**210,765**	**(83,219)**	**69,171**	**476,710**
Cash flows from investing activities						
Purchases of fixed and intangible assets	5	(18,155)	(17,889)	(61,248)	(74,318)	(103,196)
Acquisition of franchise stores		(5,393)	(3,448)	(9,376)	(28,403)	(28,403)
Net cash used in investing activities		**(23,548)**	**(21,337)**	**(70,624)**	**(102,720)**	**(131,599)**
Cash flows from financing activities						
Repayment of debt to financial institutions		(494)	(809)	(8,131)	(5,173)	(6,475)
Dividend		-	-	(283,847)	(333,938)	(333,938)
Buy-back of treasury shares		(43,273)	-	(43.273)	-	-
Net cash from financing activities		**(43,768)**	**(809)**	**(335,251)**	**(339,111)**	**(340,413)**
Net (decrease)/increase in cash		(43,793)	188,619	(489,094)	(372,660)	4,699
Cash at beginning of period		136,363	15,685	581,663	576,964	576,964
Cash at end of period		**92,569**	**204,304**	**92,569**	**204,304**	**581,663**

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 third quarter and the nine months ended 30 September 2018 were authorised for issue by the board on 30 October 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 third quarter and the nine months ended 30 September 2018 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 2017.

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 2017. New standards and interpretations effective at 1 January 2018 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 2017.

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 achivements, 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 2018	252,060	20,481	42,617	387,573	1,599,106	2,301,837
Acquisition of subsidiaries	5,293	-	-	-	6,482	11,774
Additions	41,450	2,175	17,809	-	-	61,434
Disposals	-	-	-	-	-	-
Depreciation	(52,240)	-	(13,272)	-	-	(65,511)
Carrying amount 30 September 2018	**246,563**	**22,656**	**47,154**	**387,573**	**1,605,588**	**2,309,534**

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	40,166	20,481	13,820	-	-	74,466
Disposals	-	-	-	-	-	-
Depreciation	(48,725)	-	(12,796)	-	-	(61,521)
Carrying amount 30 September 2017	**242,498**	**20,481**	**40,953**	**387,573**	**1,599,106**	**2,290,610**

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 30 September 2018 and 31 December 2017:

Figures are stated in NOK 1,000	30 September 2018		31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables				
Non-current receivables	23,998	23,998	24,008	24,008
Total	**23,998**	**23,998**	**24,008**	**24,008**
Financial liabilities				
Other financial liabilities				
Borrowings	1,646,459	1,646,459	1,648,567	1,648,567
Total	**1,646,459**	**1,646,459**	**1,648,567**	**1,648,567**
Financial instruments measured at fair value through profit and loss				
Derivatives - asset				
Interest rate swaps	400	400	794	794
Foreign exchange forward contracts	-	-	2,243	2,243
Total	**400**	**400**	**3,037**	**3,037**
Derivatives - liabilities				
Interest rate swaps	-	-	2,213	2,213
Foreign exchange forward contracts	9,026	9,026	2,712	2,712
Total	**9,026**	**9,026**	**4,925**	**4,925**

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.

NOTES

NOTE 7 INVESTMENT IN AFFILIATED COMPANY

In June 2018, the group acquired 20 per cent of Runsvengruppen AB (ÖoB). Based on equity value, using a fixed multiple of actual EBITDA for ÖoB in 2018, the purchase price is calculated to be NOK 201 million. In addition, NOK 2 million in transaction expenses have been recognised as part of the acquisition cost, bringing the total investment to NOK 203 million.

A vendor note was issued when closing the deal at the estimated purchase price of NOK 201 million. This will be converted to Europris shares following agreement on the actual 2018 EBITDA for ÖoB.

NOTE 8 TREASURY SHARES

The number of treasury shares held by Europris ASA changed as follows in the period from 1 January to 30 September 2018.

Change in number of treasury shares:	
Treasury shares 1 January 2018	-
Buy-back of treasury shares	2,000,000
Sale of shares	-
Treasury shares 30 September 2018	**2,000,000**

Average cost price for the treasury shares are NOK 21.64.

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 which 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 net profit before tax adjusted for nonrecurring items.
- **Adjusted net profit** is net profit adjusted for nonrecurring items.
- **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.

ALTERNATIVE PERFORMANCE MEASURES

Figures are stated in NOK 1,000	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
Group revenue	**1,351.9**	**1,277.9**	**3,978.3**	**3,793.9**	**5,422.5**
Cost of goods sold (COGS)	770.0	741.3	2,274.8	2,210.2	3,118.3
Unrealised foreign exchange effects	***(7.9)***	***(1.2)***	***(5.4)***	***(10.2)***	***(6.3)***
Gross profit	**589.9**	**537.8**	**1,708.9**	**1,593.8**	**2,310.5**
% margin	43.6%	42.1%	43.0%	42.0%	42.6%
Employee benefits expense	227.5	210.1	648.5	601.4	826.8
Other operating expenses	243.2	210.6	697.7	636.9	842.6
Opex	**470.7**	**420.7**	**1,346.2**	**1,238.2**	**1,669.5**
Nonrecurring items	-	-	-	-	-
Opex excluding nonrecurring items	**470.7**	**420.7**	**1,346.2**	**1,238.2**	**1,669.5**
% of group revenue	34.8%	32.9%	33.8%	32.6%	30.8%
Adjusted EBITDA	**119.2**	**117.1**	**362.8**	**355.6**	**641.0**
Depreciation	22.2	20.7	65.5	61.5	82.7
Adjusted EBIT	**97.0**	**96.4**	**297.3**	**294.1**	**558.3**
Net financial income (expense)	(10.2)	(10.1)	(25.0)	(30.3)	(41.7)
Unrealised foreign exchange effects	***(7.9)***	***(1.2)***	***(5.4)***	***(10.2)***	***(6.3)***
Adjusted profit before tax	**78.9**	**85.1**	**266.8**	**253.6**	**510.3**
Adjusted net profit	**60.8**	**64.7**	**205.5**	**192.7**	**389.8**
Adjusted earnings per share (167 million shares)	**0.36**	**0.39**	**1.23**	**1.15**	**2.33**
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES					
Net change in working capital	(77.6)	104.9	(300.4)	(144.8)	29.5
Purchases of fixed assets	11.3	10.9	43.4	60.5	83.9
Purchases of intangible assets	6.8	7.0	17.8	13.8	19.3
Capital expenditure	**18.2**	**17.9**	**61.2**	**74.3**	**103.2**
Financial debt			1,646.5	1,647.1	1,650.8
Cash			92.6	204.3	581.7
Net debt			**1,553.9**	**1,442.8**	**1,069.1**

Unrealised foreign exchange effects are the only adjustment to IFRS figures.

CONTACT

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

switchboard: +47 971 39 000
email: ir@europris.no

www.europris.no

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