Europris
MER TIL OVERS

Q4-18

EUROPRIS ASA

HIGHLIGHTS

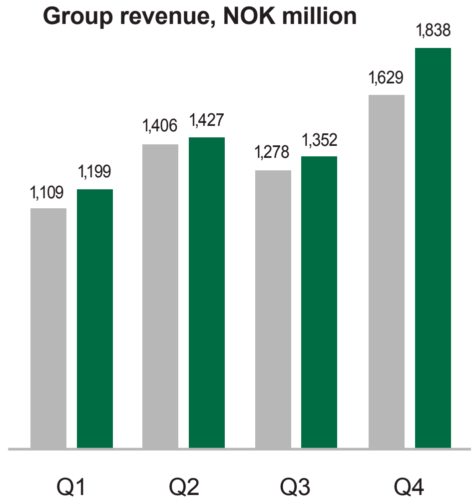
FOURTH QUARTER 2018

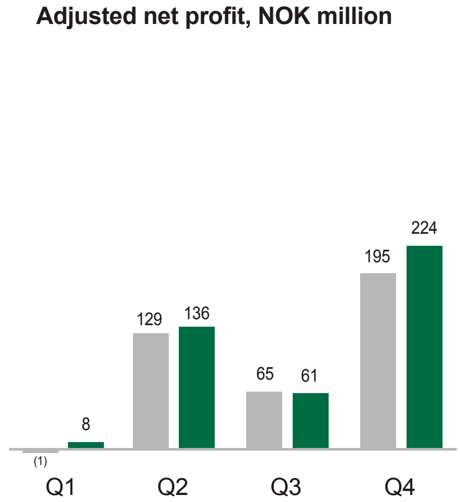
- Group revenue increased by 12.9 per cent to NOK 1,839 million (NOK 1,629 million)
  - Solid sales performance throughout the quarter
  - Seven per cent increase in like-for-like sales, significantly above the market benchmark of 0.4 per cent
- Gross margin was 43.4 per cent (44 per cent), down slightly owing to increased campaign sales
- Opex affected by increased costs related to high volumes in the quarter
- Adjusted net profit increased by 14.6 per cent to NOK 224 million (NOK 195 million)
- New warehouse on plan – investment into further automation is expected to reduce Opex percentage

FULL YEAR 2018

- The Europris group continued growing its top line in 2018
  - 7.3 per cent growth in group revenues to NOK 5,817 million (NOK 5,423 million)
  - 2.2 per cent growth on a like-for-like basis, above market growth of 0.8 per cent
  - Eight new stores net and eight franchise takeover
- Gross margin was 43.1 per cent (42.6 per cent)
- Adjusted net profit increased by 10.1 per cent to NOK 429 million (NOK 390 million)
- The board of directors proposes an ordinary dividend of NOK 1.85 per share for 2018 (NOK 1.70)
- Acquisition of 20 per cent holding in Runsvengruppen AB (ÖoB) and launch of purchasing partnership

Figures for the corresponding period of last year in brackets. The figures are unaudited.
For non-IFRS figures (e.g adjusted figures), see page 21 for definitions.





2017 2018

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KEY FIGURES

Figures are stated in NOK million	Q4 2018	Q4 2017	FY 2018	FY 2017
CHAIN KEY FIGURES				
Total retail sales	1,951.6	1,773.2	6,166.7	5,856.9
Growth (%)	*10.1%*	*2.5%*	*5.3%*	*6.0%*
Like-for-like sales growth (%)	*7.0%*	*(0.1%)*	*2.2%*	*3.1%*
Total number of stores at end of period	258	250	258	250
- Directly operated stores	221	205	221	205
- Franchise stores	37	45	37	45

	Q4 2018	Q4 2017	FY 2018	FY 2017
GROUP KEY INCOME STATEMENT FIGURES				
Sales directly operated stores	1,603.8	1,390.8	5,020.4	4,556.1
Sales from wholesale to franchise stores	211.2	209.2	717.8	773.4
Franchise fees and other income	23.7	28.6	78.8	93.1
Group revenue	**1,838.7**	**1,628.6**	**5,817.0**	**5,422.5**
% growth	12.9%	1.5%	7.3%	6.6%
COGS excluding unrealised foreign exchange effects	1,040.3	912.0	3,309.7	3,112.1
Gross profit	**798.3**	**716.7**	**2,507.3**	**2,310.5**
% margin	*43.4%*	*44.0%*	*43.1%*	*42.6%*
Opex	494.7	431.3	1,840.9	1,669.5
Nonrecurring items	-	-	-	-
Opex excluding nonrecurring items	494.7	431.3	1,840.9	1,669.5
% of group revenue	26.9%	26.5%	31.6%	30.8%
Adjusted EBITDA	**303.6**	**285.4**	**666.4**	**641.0**
Adjusted EBIT	**278.4**	**264.2**	**575.6**	**558.3**
Adjusted profit before tax	**285.7**	**256.8**	**552.5**	**510.3**
Adjusted net profit	**223.6**	**195.1**	**429.1**	**389.8**
Adjusted earnings per share	**1.36**	**1.17**	**2.59**	**2.33**
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES				
Net change in working capital	122.6	174.3	(177.8)	29.5
Capital expenditure	17.9	28.9	79.2	103.2
Financial debt			1,649.4	1,650.8
Cash			427.0	581.7
Net debt			**1,222.5**	**1,069.1**

PERIOD REVIEW

FOURTH QUARTER

Europris cemented its position as “champion of seasons” in the important fourth quarter with retail sales growth of 10.1 per cent. Sales campaigns for Black Friday and the Christmas season were well prepared and successfully implemented. Sales growth was fuelled by improved central control of volumes and spacing in the stores, resulting in high growth throughout the quarter.

Gross margin was affected by a deliberate increase in the campaign share of total sales, while the overall level of discounting remained unchanged. Volumes of campaign products have been increased, and the display and labelling of campaign products in the stores improved.

The large volumes in the quarter have resulted in capacity constraints and put pressure on extra operating expenses at the central warehouse. A high fill-rate at the warehouse led to increased use of third-party handling and extra rent of containers, amounting to about NOK 8 million.

SALES PERFORMANCE

Europris has a seasonal concept, and the fourth quarter is the most important sales season of the year. The first large sales event in the quarter was Black Friday in week 47. During this campaign, Europris had a detailed and focused plan to drive traffic to the stores.

Where the Christmas season was concerned, the product range of seasonal goods was improved, especially in outdoor seasonal lighting and artificial Christmas trees. The stores were well prepared for the peak season. Each store had a detailed plan for executing the season, and staff were trained and given dedicated areas of responsibility in the stores.

The execution challenges faced by Europris in 2017 related to performance in the low season and in the period building up to peak seasons have been addressed. Over the past year, the group has increased central control of volumes and spacing in the stores. The full effect of these initiatives was realised in the fourth quarter, and this was one of the key success factors underlying the high sales growth for the period. Inventory in the stores has been slightly increased as part of this initiative, while inventory at the central warehouse has been increased to secure better service to the stores.

During the quarter, Europris strengthened its focus on implementing the weekly sales campaigns. The volume of campaign products was increased to reduce sold-out conditions during the campaign periods, and display and labelling of campaign products in the stores were improved. As a result, sales of campaign products have increased. While this had a negative effect on gross margin, gross profit rose as the overall level of discounting remained unchanged. Europris believes that this initiative will increase customer satisfaction and shopping frequency over time, and that it will further reinforce the group’s price leadership in the market.

According to Kvarud Analyse, the market was soft during the quarter with a total growth of only one per cent despite one more sales day compared with the same period of 2017. Europris outperformed the market significantly with a total growth of 10.1 per cent.

	Q4	2018
Total growth Europris chain	10.1%	5.3%
Total growth market[1]	1.0%	1.3%
LFL growth Europris	7.0%	2.2%
LFL growth market[1]	0.4%	0.8%

With a strong end to a challenging year, Europris once again beat the market with a like-for-like performance of 2.2 per cent compared with market growth of 0.8 per cent in 2018.[1] The market was soft in 2018, especially during the summer, when the warm weather had a

[1] According to Kvarud Analyse, Shopping Centre Index, December 2018 – report analyses the performance of the 237 largest shopping centres in Norway.

negative effect on store traffic. Together with online retail, the discount variety retail sector continued to win market share in 2018.

OPERATIONAL REVIEW

Concept and category development

Europris continues to make progress with its concept and category development work. During the fourth quarter, this was demonstrated by an extended product range for outdoor Christmas lighting and artificial Christmas trees. These segments are growing, and Europris has taken a market lead in both categories.

The group has developed and introduced “design-to-price” products to capitalise on the customer focus on “value for money”. This includes a stronger concentration on developing private label brands in selected categories, which will be pursued from now on in partnership with the discount variety retail sourcing partners, Tokmanni in Finland and ÖoB in Sweden.

Increasing central control of volumes and spacing in the stores will continue to attract attention and be further developed. The initiatives introduced so far have been successful and were a key contributor to sales growth in the fourth quarter. Better planning has made the ramp-up to new seasons more efficient and permitted improved utilisation of sales space during these periods. In addition, central spacing has ensured a more consistent implementation of the season across the store base.

E-commerce

The Europris e-commerce offering is still in its start-up phase, and performance is advancing as planned. Overall, e-commerce accounts for 0.5 per cent of the group’s total retail sales. Click and collect accounts for most of the online sales.

During the fourth quarter, attention with e-commerce was concentrated on continued development of the technical solutions in order to improve the customer experience. In addition, offering a wider range of artificial Christmas trees online than in the physical stores was tested. Sales results were positive, and the opportunity for providing an even wider product range online than in the physical stores will be further explored.

Where online customer relationship management (CRM) is concerned, the Christmas period was used to test unique daily deals for members of MER, the Europris customer club. Combined with the analysis of customer data, this represents the first step towards delivering relevant personalised marketing and offers to customers.

Growing the store estate

Europris opened two new stores in the fourth quarter, at Nannestad and Rjukan. This brought the total number of new store openings in 2018 to nine, which is in line with plans. One store, at Maura in Akershus, was closed in the fourth quarter, bringing net new stores for the year to eight.

New stores opened 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
October	Nannestad	Akershus
December	Rjukan	Telemark

The chain had 258 stores at 31 December, of which 221 were directly operated and 37 were franchises.

Progress with 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. Europris plans to move into the low-rise part of the site in May 2019, while operations in the high-bay area will begin in 2020. During the 2019-20 transition

PERIOD REVIEW

period, Europris will operate two central warehouses. This is in accordance with the original plan.

Europris has explored the possibility of further automating work processes at the central warehouse. The largest potential was identified in the picking area, and the decision was taken in the fourth quarter to invest in a shuttle solution covering 70 per cent of the stock-keeping units (SKUs). This is expected to increase picking efficiency by more than 300 per cent when fully operational. Development of the shuttle solution will run in parallel with the high-bay automation project, and this is expected to be completed in late 2020. With the investment estimated at NOK 115 million, the supplier and financing are yet to be decided.

The additional automation in the new warehouse is expected to reduce the ratio of Opex to group revenue by 0.25 percentage points, assuming current volumes and the normal course of business. This brings the total savings potential from the new warehouse and automation to 0.75-1.25 percentage points of group revenue. Further details were disclosed in the Europris capital markets day presentation held on 5 December 2018.

Progress for sourcing partnership with ÖoB

The first savings from the purchasing cooperation with ÖoB have been confirmed. Negotiations with six local partners were concluded during the fourth quarter. The emphasis was on harmonising contractual terms and prices, resulting in total annual savings of about NOK 13 million split fairly evenly between the companies. These savings are expected to materialise in 2019. Joint supplier visits and sourcing initiatives in the Far East have started. Owing to longer lead times, however, these savings are not expected to take effect until late 2019 and beyond.

In total, more than 115 opportunities have been identified so far and the cooperation is working well. Synergies will partly be re-invested to ensure a competitive market position and to fulfil the price strategy.


New central warehouse in Moss

FINANCIAL REVIEW

PROFIT AND LOSS – FOURTH QUARTER

Group revenue in the fourth quarter amounted to NOK 1,839 million (NOK 1,629 million), up by 12.9 per cent. The key drivers behind revenue growth were the seven per cent increase in the chain's like-for-like sales as well as new store openings and franchise takeovers. There was one more sales day during the quarter.

Gross profit for the group was NOK 798 million (NOK 717 million). The gross margin was 43.4 per cent (44 per cent). The margin reduction reflected increased campaign sales following the group's focus on better campaign implementation.

Operating expenditure (opex) excluding nonrecurring items came to NOK 495 million (NOK 431 million) in the fourth quarter, an increase of 14.7 per cent. Opex was affected by the rise in the number of directly operated stores from 205 to 221. This increased Opex by NOK 25 million. In addition, logistical costs rose by NOK 8 million owing to the high fill-rate at the central warehouse.

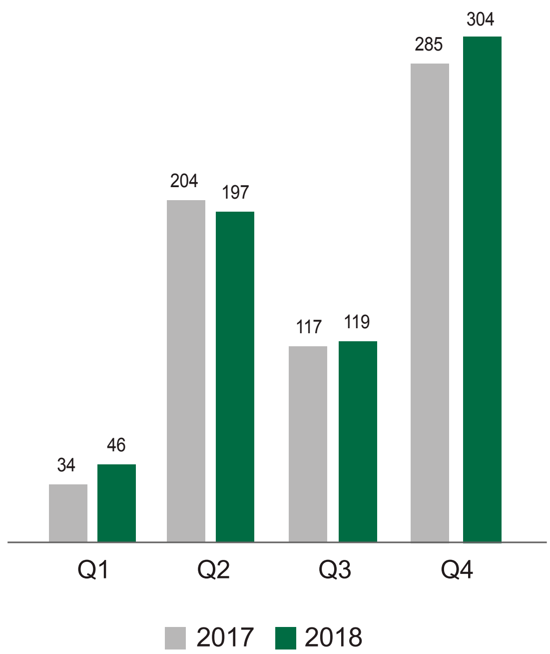
Opex in 2017 fell by NOK 19.6 million as a result of supplier marketing support (NOK 9.5 million) and a decrease in performance-based employee remuneration (NOK 10.1 million).

Operating expenses amounted to 26.9 per cent (26.5 per cent) of group revenue.

Adjusted EBITDA was NOK 304 million (NOK 285 million), up by 6.4 per cent. The adjusted EBITDA margin was 16.5 per cent (17.5 per cent).

Adjusted profit before tax was NOK 286 million (NOK 257 million), up by 11.3 per cent. Depreciation increased by NOK 4 million. Interest expense rose by the same amount. The group recorded an unrealised gain of NOK 17 million on hedging contracts and accounts payable (net currency gain of NOK 4 million).

Adjusted EBITDA, NOK million



The group recorded an estimated profit of NOK 6.4 million from its 20 per cent stake in Runsvengruppen AB (ÖoB). This is based on preliminary and non-audited figures from the associated company.

Adjusted net profit for the fourth quarter of 2018 was NOK 224 million (NOK 195 million).

PROFIT AND LOSS – FULL YEAR (01.01 – 31.12)

Group revenue for 2018 as a whole amounted to NOK 5,817 million (NOK 5,423 million), up by 7.3 per cent. The key drivers for revenue growth were the like-for-like performance of 2.2 per cent, the opening of eight new stores net and the takeover of eight franchise stores.

Gross profit for the full year for the group came to NOK 2,507 million (NOK 2,311 million). The gross margin was 43.1 per cent (42.6 per

FINANCIAL REVIEW

cent), up from the year before owing to franchise takeovers and a more balanced campaign offering in the first half.

Opex excluding nonrecurring items for the full year came to NOK 1,841 million (NOK 1,670 million), an increase of 10.3 per cent. Operating expenses amounted to 31.6 per cent (30.8 per cent) of group revenues. Opex was affected by the 7.8 per cent increase in the number of directly operated stores.

In addition, Opex was affected by additional freight costs of NOK 14 million (of which NOK 8 million related to 2017) as the result of a timing effect in accounting for the cost of freight to the stores.

Adjusted EBITDA came to NOK 666 million in 2018 (NOK 641 million), up by NOK 25 million. The adjusted EBITDA margin was 11.5 per cent (11.8 per cent).

Adjusted net profit for the full year was NOK 429 million (NOK 390 million).

CASH FLOW

Net change in working capital in 2018 was negative at NOK 178 million (positive at NOK 30 million). Net working capital was affected by an increase in inventory levels. This reflected both increased inventory at the central warehouse and somewhat higher inventory in the stores. In addition, the underlying development in net working capital was affected by a decrease in accounts payable owing to the maturity of payments.

Capital expenditure was NOK 79.2 million (NOK 103 million). The decrease from the year before reflected the investment of NOK 18 million in land adjacent to the new warehouse in Moss during the first half of 2017, and fewer new and refurbished stores in 2018.

FINANCIAL POSITION AND LIQUIDITY

Financial debt at 31 December 2018 was NOK 1,649 million (NOK 1,651 million).

Net debt at 31 December 2018 was NOK 1,223 million (NOK 1,069 million).

Cash for the group at 31 December 2018 amounted to NOK 427 million (NOK 582 million). The group's liquidity reserves were unused at the end of 2018. These facilities amounted to NOK 429 million. Total available liquidity amounts to NOK 856 million.

The group completed three share buy-back programmes totalling 5,500,000 shares during 2018. A total of 5,370,000 treasury shares were registered in the Norwegian Central Securities Depository (VPS) at 31 December 2018, and 130,000 shares were registered in January 2019. Cash outflow related to the 5,370,000 treasury shares amounted to NOK 121 million in 2018.

DIVIDEND

The board of Europris ASA will propose an ordinary dividend for 2018 of NOK 1.85 per share to the general meeting, up by 8.8 per cent from the ordinary dividend of NOK 1.70 for 2017. The proposed dividend amounts to a total of NOK 309 million for all shares. The total cash outflow for dividend will be reduced by the amount due to treasury shares. Dividend for the 5,500,000 treasury shares amounts to NOK 10 million.

OUTLOOK

While retail is changing, discount variety retail is thriving. Global trends push retailers to improve their offering continuously. The greater attention paid by consumers to price, good accessibility and trust in private labels favour discount variety retailers, as is evident from the rapid growth being experienced by the segment. Europris is well positioned to capitalise on these trends, as the leading discount variety retailer in Norway with the best price perception and brand recognition. Combined with the group's unique offering and strategy, management therefore expects continued growth in revenue and profits.

Europris gave a strategic update at the group's capital markets day on 5 December 2018. Attention is focused on the key strategic initiatives:

- strengthen the price and cost position
- improve the customer experience
- drive customer growth.

Through the partnership with ÖoB, Europris has strengthened 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 increase visibility through a new channel.

Europris opened eight new stores net in 2018, and continues to have a healthy pipeline of new stores. The board has approved an additional 12 stores for 2019 and beyond, five of which are subject to planning permission.

The group took over eight franchise stores in 2018. Two more were taken over on 1 January 2019, with an estimated negative one-off effect on gross margin of about NOK 1.9 million. Europris expects an additional two-three takeovers in 2019, with corresponding accounting effects.

The long-term financial and operational ambitions of Europris are to:

- continue to deliver like-for-like growth above the market level over time
- target opening an average of five new stores net per year, depending on availability of locations which meet strict requirements for financial return, and to explore the potential for relocating, expanding and refurbishing existing stores
- increase the EBITDA margin over time through improved sourcing and a more cost-effective value chain
- sustain a dividend policy with a 50-60 per cent pay-out ratio from net profit while maintaining an efficient balance sheet.

EUROPRIS ASA Q4 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Figures are stated in NOK 1,000	Notes	Q4 2018	Q4 2017	FY 2018	FY 2017
		Unaudited	Unaudited	Unaudited	Audited
Total operating income (group revenue)		**1,838,679**	**1,628,638**	**5,816,984**	**5,422,530**
Cost of goods sold (COGS)		1,023,488	908,097	3,298,296	3,118,345
Employee benefits expense		250,024	226,603	898,504	826,847
Depreciation	5	25,231	21,169	90,743	82,690
Other operating expenses		244,689	204,662	942,369	842,641
Operating profit		**295,247**	**268,107**	**587,074**	**552,007**
Net financial income (expense)		**(15,957)**	**(11,347)**	**(40,942)**	**(41,682)**
Profit/loss from associated companies	7	6,400	-	6,400	-
Profit before tax		**285,690**	**256,760**	**552,532**	**510,325**
Income tax expense		62,052	61,622	123,425	120,526
Profit for the period		**223,638**	**195,137**	**429,107**	**389,799**
Attributable to the equity holders of the parent		223,638	195,137	429,107	389,799
Interim condensed consolidated statement of comprehensive income					
Profit for the period		223,638	195,137	429,107	192,711
Total comprehensive income		**223,638**	**195,137**	**429,107**	**192,711**
Attributable to the equity holders of the parent		223,638	195,137	429,107	192,711

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 2018	31 Dec 2017
		Unaudited	Audited
ASSETS			
Total intangible assets	5	2,038,298	2,029,297
Total fixed assets	5	264,453	272,540
Total financial assets	6, 7	166,952	25,175
Total non-current assets		**2,469,702**	**2,327,012**
Inventories		1,573,233	1,368,361
Trade receivables		185,712	207,755
Other receivables	6	101,722	63,586
Cash		426,967	581,663
Total current assets		**2,287,634**	**2,221,366**
Total assets		**4,757,337**	**4,548,378**
EQUITY AND LIABILITIES			
Total paid-in capital	8	213,251	502,468
Total retained equity		1,575,652	1,261,765
Total shareholders' equity		**1,788,903**	**1,764,233**
Provisions		46,111	48,250
Borrowings	6	1,649,428	1,648,567
Other non-current liabilities	6	-	2,213
Total non-current liabilities		**1,695,539**	**1,699,030**
Accounts payable		553,643	580,795
Tax payable		123,200	116,767
Public duties payable		251,539	205,279
Other current liabilities	6, 7	344,512	182,275
Total current liabilities		**1,272 894**	**1,085,116**
Total liabilities		**2,968,434**	**2,784,145**
Total equity and liabilities		**4,757,337**	**4,548,378**

Oslo, 30 January 2019

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	-	-	-	429,107	429,107
Dividend	-	-	(283,847)	-	(283,847)
Net purchase of treasury shares	-	(5,370)	-	(115,220)	(120,590)
Other comprehensive income	-	-	-	-	-
At 31 December 2018	**166,969**	**(5,370)**	**51,652**	**1,575,652**	**1,788,903**
(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	-	-	-	389,799	389,799
Dividend	-	-	(333,938)		(333,938)
Other comprehensive income	-	-	-	-	-
At 31 December 2017	**166,969**	**-**	**335,499**	**1,261,765**	**1,764,233**
(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 2018	Q4 2017	FY 2018	FY 2017
		Unaudited	Unaudited	Unaudited	Audited
Cash flows from operating activities					
Profit before income tax		285,690	256,760	552,532	510,326
Adjusted for:					
Depreciation of fixed and intangible assets	5	25,231	21,169	90,743	82,690
Changes in net working capital		122,619	174,288	(177,777)	29,527
Income tax paid		(1,892)	(44,678)	(117,069)	(145,832)
Net cash generated from operating activities		**431,648**	**407,539**	**348,429**	**476,710**
Cash flows from investing activities					
Purchases of fixed and intangible assets	5	(17,904)	(28,878)	(79,152)	(103,196)
Acquisition of franchise stores		(1,531)	-	(10 907)	(28,403)
Net cash used in investing activities		**(19,435)**	**(28,878)**	**(90,059)**	**(131,599)**
Cash flows from financing activities					
Repayment of debt to financial institutions		(498)	(1,302)	(8,629)	(6,475)
Dividend		-	-	(283,847)	(333,938)
Buy-back of treasury shares		(77,317)	-	(120,590)	-
Net cash from financing activities		**(77,815)**	**(1,302)**	**(413,067)**	**(340,413)**
Net increase/(decrease) in cash		334,398	377,359	(154,697)	4,699
Cash at beginning of period		92,569	204,304	581,663	576,964
Cash at end of period		**426,967**	**581,663**	**426,967**	**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 fourth quarter and the period ended 31 December 2018 were authorised for issue by the board on 30 January 2019.

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 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.

The new IFRS 16 Leases standard requires that discounted right-of-use leases are capitalised as an asset. The preliminary implementation effect on the group balance sheet indicates a capitalisation of around NOK 1.9 billion. Reference is made to note 1 in the 2017 Annual Report for further description of the implementation effect. IFRS 16 Leases will be implemented with effect from 1 January 2019. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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	5,470	-	-	-	6,841	12,311
Additions	57,117	2,175	20,053	-	-	79 345
Disposals	-	-	-	-	-	-
Depreciation	(72,850)	-	(17,893)	-	-	(90,743)
Carrying amount 31 December 2018	**241,797**	**22,656**	**44,777**	**387,573**	**1,605,947**	**2,302,751**

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**

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	31 December 2018		31 December 2017	
Financial assets	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables				
Non-current receivables	24,073	24,073	24,008	24,008
Total	**24,073**	**24,073**	**24,008**	**24,008**
Financial liabilities				
Other financial liabilities				
Borrowings	1,649,428	1,649,428	1,648,567	1,648 567
Total	**1,649,428**	**1,649,428**	**1,648,567**	**1,648,567**
Financial instruments measured at fair value through profit and loss				
Derivatives - asset				
Interest rate swaps	237	237	794	794
Foreign exchange forward contracts	13,829	13,829	2,243	2,243
Total	**14,066**	**14,066**	**3,037**	**3,037**
Derivatives - liabilities				
Interest rate swaps	-	-	2,213	2,213
Foreign exchange forward contracts	-	-	2,712	2,712
Total	**-**	**-**	**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 ASSOCIATED COMPANY

In June 2018, the group acquired 20 per cent of Runsvengruppen AB (ÖoB). Based on equity value, using a fixed multiple of 7.7 on adjusted EBITDA for ÖoB in 2018, the purchase price is calculated to be NOK 134 million. NOK 2 million in transaction expenses has also been recognised as part of the acquisition cost, bringing the total investment to NOK 136 million. In addition, the group recorded an estimated profit of NOK 6.4 million from its 20 per cent stake in 2018. All calculations and estimates are based on preliminary and non-audited figures from ÖoB.

A vendor note was issued when closing the deal. This will be converted to Europris shares following agreement on the adjusted 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 31 December 2018.

Change in number of treasury shares:	
Treasury shares 1 January 2018	-
Buy-back of treasury shares	5,370,000
Sale of shares	-
Treasury shares 30 December 2018	**5,370,000**

Average cost price for treasury shares are NOK 22.47.

Europris ASA has completed share buy-back programmes of total 5,5 million shares in 2018, of which 130,000 shares was registered in the Norwegian Central Securities Depository (VPS) in January 2019.

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.

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ALTERNATIVE PERFORMANCE MEASURES

APMs are used by Europris for annual and periodic financial reporting in order to provide a better understanding of the group´s 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, adjusted by the monthly average of treasury shares.
- **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.

Fogra Reklamefoto

ALTERNATIVE PERFORMANCE MEASURES

Figures are stated in NOK 1,000	Q4 2018	Q4 2017	YTD 2018	FY 2017
Group revenue	**1,838.7**	**1,628.6**	**5,817.0**	**5,422.5**
Cost of goods sold (COGS)	1,023.5	908.1	3,298.3	3,118.3
Unrealised foreign exchange effects	***16.9***	***3.9***	***11.4***	***(6.3)***
Gross profit	**798.3**	**716.7**	**2,507.3**	**2,310.5**
% margin	*43.4%*	*44.0%*	*43.1%*	*42.6%*
Employee benefits expense	250.0	226.6	898.5	826.8
Other operating expenses	244.7	204.7	942.4	842.6
Opex	**494.7**	**431.3**	**1,840.9**	**1,669.5**
Nonrecurring items	-	-	-	-
Opex excluding nonrecurring items	**494.7**	**431.3**	**1,840.9**	**1,669.5**
% of group revenue	*26.9%*	*26.5%*	*31.6%*	*30.8%*
Adjusted EBITDA	**303.6**	**285.4**	**666,4**	**641,0**
Depreciation	25.2	21.2	90.7	82.7
Adjusted EBIT	**278.4**	**264.2**	**575.6**	**558.3**
Net financial income (expense)	(16.0)	(11.3)	(40.9)	(41.7)
Unrealised foreign exchange effects	***16.9***	***3.9***	***11.4***	***-6.3***
Adjusted profit before tax	**279.3**	**256.8**	**546.1**	**510.3**
Adjusted net profit	**215.1**	**195.1**	**420.5**	**389.8**
Adjusted earnings per share (167 million shares)	**1.31**	**1.17**	**2.54**	**2.33**
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES				
Net change in working capital	129.0	174.3	(171.4)	29.5
Purchases of fixed assets	15.7	23.4	59.1	83.9
Purchases of intangible assets	2.2	5.5	20.1	19.3
Capital expenditure	**17.9**	**28.9**	**79.2**	**103.2**
Financial debt			1,649.4	1,650.8
Cash			427.0	581.7
Net debt			**1,222.5**	**1,069.1**

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

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