Europris

MER TIL OVERS

2019

EUROPRIS ASA ANNUAL REPORT

Photo: Erik Faukland

Europris employees are models in the photos.

CONTENT

Europris Awards 2019 5
Key figures 6
Alternative performance measures 7
Letter from the chair 10
Directors' report 12
Corporate governance 24
Sustainability report 32

Consolidated financial statements 59
» Income statement 60
» Balance sheet 61
» Statement of changes in equity 63
» Statement of cash flows 64
» Notes 65

Europris ASA financial statements 97
» Income statement 98
» Balance sheet 99
» Statement of changes in equity 101
» Statement of cash flows 102
» Notes 103

Decleration to the annual report 111
APM definitions 112
Auditor's report 113
Shareholder information 118

Europris' values

Positive attitude

Proactive

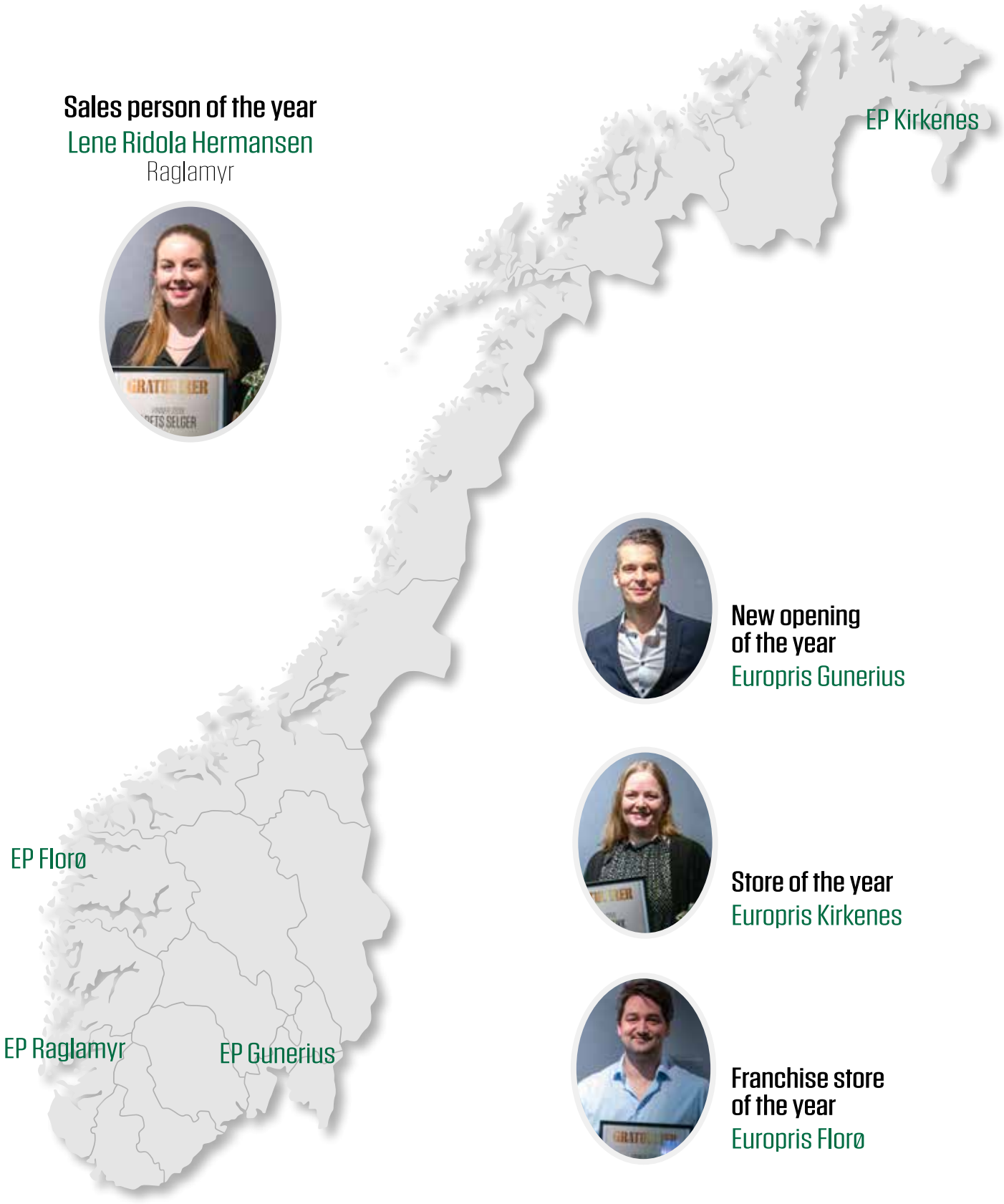
Clear

Business acumen

Simple

EUROPRIS AWARDS 2019

Each year we celebrate the men and women that make a difference within Europris.
They are all excellent representatives of the Europris values.



Sales person of the year

Lene Ridola Hermansen
Raglamyr

New opening of the year

Europris Gunerius

Store of the year

Europris Kirkenes

Franchise store of the year

Europris Florø

KEY FIGURES

(Amounts in NOK million)	FY 2019	FY 2018
CHAIN KEY FIGURES		
Total retail sales	6,561.3	6,166.7
Growth (%)	6.4%	5.3%
Like-for-like sales growth (%)	4.4%	2.2%
Total number of stores at end of period	264	258
- Directly operated stores	231	221
- Franchise stores	33	37
GROUP KEY INCOME STATEMENT FIGURES		
Sales directly operated stores	5,490.5	5,020.4
Sales from wholesale to franchise stores	665.6	717.8
Franchise fees and other income	78.4	78.8
Group revenue	**6,234.4**	**5,817.0**
% growth	7.2%	7.3%
COGS excluding unrealised foreign exchange effects	3,523.3	3,309.7
Gross profit	**2,711,0**	**2,507.3**
% margin	43.5%	43.1%
Opex	1,596.4	1,840.9
Non-recurring items	18.7	-
Opex excluding non-recurring items	1,577.7	1,840.9
% of group revenue	25.3%	31.6%
Adjusted EBITDA	**1,133.3**	**666.4**
Adjusted EBIT	**617.7**	**575.6**
Adjusted profit before tax	**499,1**	**552,5**
Adjusted net profit	**390,0**	**429,1**
Adjusted earnings per share (in NOK)	**2.41**	**2.59**
Dividend per share (in NOK)	**1.95**	**1.85**
Figures ex. IFRS 16 effects		
Opex excluding non-recurring items	2,027.5	1,840.9
% of group revenue	32.5%	31.6%
Adjusted EBITDA	**683.5**	**666.4**
Adjusted EBIT	**584.0**	**575.6**
Adjusted net profit before tax	**512.3**	**552.5**
Adjusted net profit	**400.3**	**429.1**
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES		
Net change in working capital	160.6	(169.4)
Capital expenditure	157.0	79.2
Financial debt	1,656.3	1,649.4
Lease liabilities - IFRS 16 effect	2,004.0	-
Cash	568.0	427.0
Net debt	**3,092.2**	**1,222.5**

ALTERNATIVE PERFORMANCE MEASURES

Amounts in NOK 1,000	FY 2019	FY 2018
Group revenue	***6,234.4***	**5,817.0**
Cost of goods sold (COGS)	3,543.7	3,298.3
Unrealised foreign exchange effects	***(20.3)***	***11.4***
Gross profit	**2,711.0**	**2,507.3**
% margin	43.5%	43.1%
Employee benefits expense	985.3	898.5
Other operating expenses	1,060.9	942.4
Other operating expenses - IFRS 16 effect	*(449.8)*	-
Opex	**1,596.4**	**1,840.9**
Non-recurring items	18.7	-
Opex excluding non-recurring items	**1,577.7**	**1,840.9**
% of group revenue	25.3%	31.6%
Adjusted EBITDA	**1,133.3**	**666.4**
Depreciation	99.6	90.7
Depreciation - IFRS 16 effect	*416.1*	-
Adjusted EBIT	**617.7**	**575.6**
Net financial income (expense)	(51.3)	(40.9)
Net financial expense - IFRS 16	*(46.9)*	-
Unrealised foreign exchange effects	***(20.3)***	***11.4***
Profit/loss from associated companies	-	6.4
Adjusted profit before tax	**499.1**	**552.5**
Adjusted net profit	**390.0**	**429.1**
Adjusted earnings per share (in NOK)	**2.41**	**2.59**
Dividend per share (in NOK)	**1.95**	**1.85**
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES		
Net change in working capital	160.6	(169.4)
Purchases of fixed assets	137.6	59.1
Purchases of intangible assets	19.4	20.1
Capital expenditure (excl IFRS 16 effects)	**157.0**	**79.2**
Financial debt	3,660.3	1,649.4
Lease liabilities - IFRS 16	*2,004.0*	-
Cash	568.0	427.0
Net debt	**1,088.3**	**1,222.5**

See page 112 for definitions of APMs.

The year in sustainability

Sustainable value chain

39% of single-use plastics phased out – well on way to 100% target

Europris entered into cooperation with BSCI for sustainable sourcing

More than 2,100 quality and safety tests carried out in Europris testing laboratory

Resource-efficient business model

Europris received a B score from the CDP for its climate and sustainability work

Emissions have been reduced by 41% since 2014

All plastic bags are now made of recycled material

Responsible employer

Gender pay gap narrowed from 3% to 1%

87% of store managers have completed management training

123 employees were given a way back into working life through the inclusive workplace (IA)

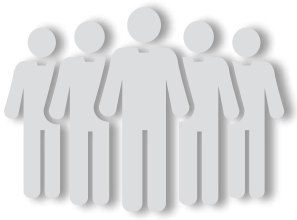
Empowering customers and communities

Agreement to deploy 100 textile collection stations for a more circular economy

Europris is an active member, supporting work for a more sustainable value chain

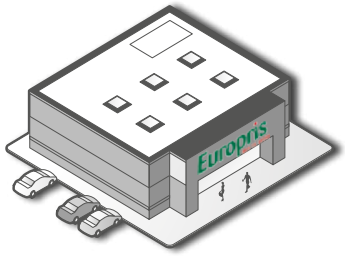
NOK 7.2 million contributed to developing a circular solution for fighting plastic waste

Revenue growth 7.2%

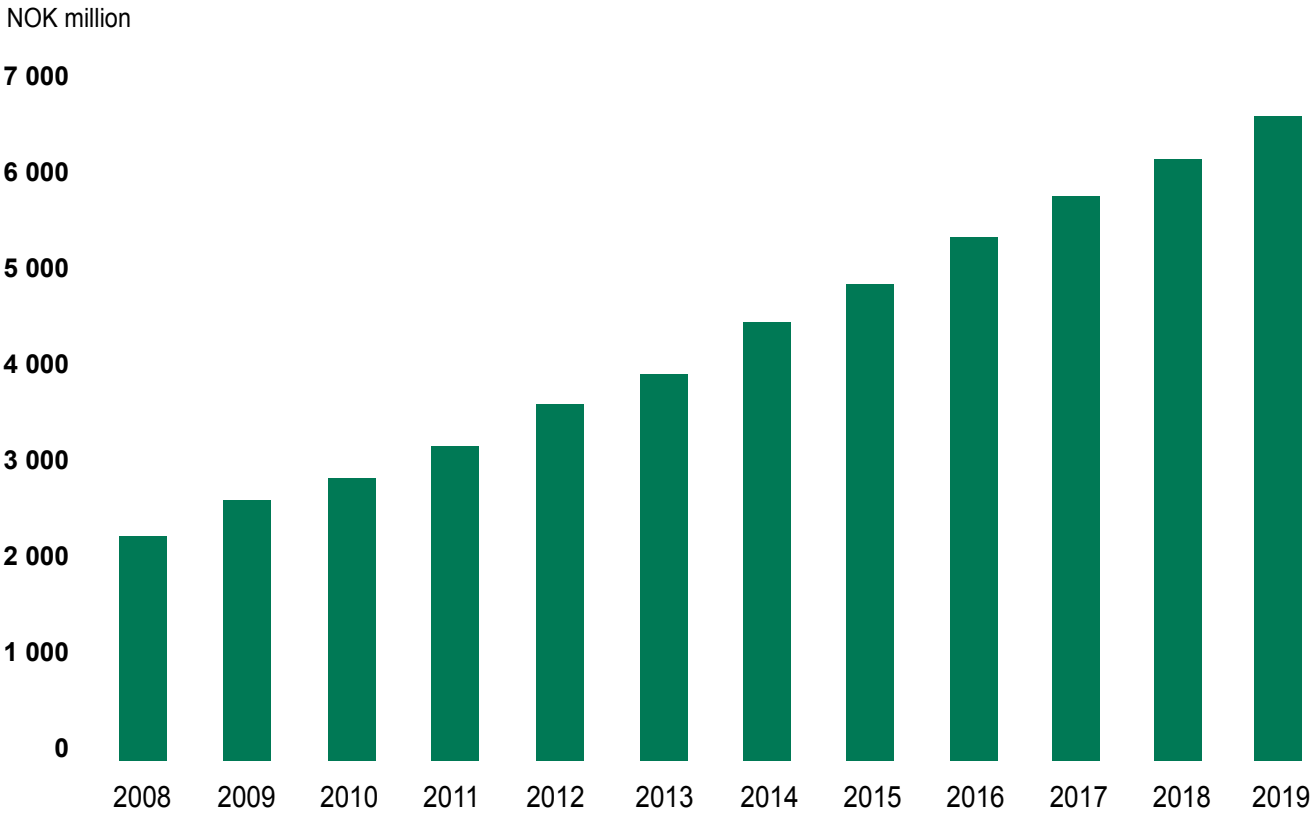


More than 32 million customer transactions

6 new store openings



Total retail sales NOK 6,561 million



LETTER FROM THE CHAIR

A strong and unified Europris team has been providing easy shopping for products with the right quality at low prices since 1992. The year 2019 fitted well into this long and proud sequence.

We have grown faster than the overall market for a long time, winning market share and confirming our position as one of the most profitable retail concepts in the Norwegian market. Through new stores and extensive modernisation, we have succeeded in attracting many more satisfied customers who are constantly increasing their purchases.

We have got where we are today without abandoning our position as the price leader. At the same time, we have initiated an extensive digitalisation process in all parts of our value chain without affecting the good customer experience.

Although we created a number of internal problems in our goods supply during the first half of 2019, which should have been avoided, we had a good year. Our stores are attractive, we offer a broad range of products at good prices and, not least, we have helpful store staff. I'd like to thank our personnel for a big commitment in 2019.

A retail concept with a low price profile must ensure the right level of staffing at all times. At the same time, the considerable attention being paid in these days to automation and digitalisation makes it particularly important to emphasise the significance of customers nationwide being met every day by our happy and service-minded staff. Combined with our binding "pay less - save more" promise, this represents the heart of our corporate culture.

Although our concept is more or less the same today as it was 10 or 20 years ago, a lot has happened which our customers have regarded as positive. But it also holds true that what you want to keep, you also have to change.

Our driving force is that Europris will last – for a long time. In changing times like these, that means we must adapt. I believe our corporate culture gives us the ability and the willingness to make continuous improvements.

Norwegian consumers face a myriad of alternatives and choices today. However, the store is where the battle is fought in discount variety – which is our category. We have chosen to give priority to gradual upgrading and investing in the physical form of the store in a way which does not undermine our low price profile.

In parallel, we have upgraded the quality of and options in our product range without losing the ability to seek good batch purchases for our customer. Our procurement staff and category managers have done a good job here in recruiting new shoppers without losing existing customers.

So what's the future? The boring answer is probably more of the same – but with improvements. We have

I'd like to thank our personnel for a big commitment in 2019.

been through a period with a great many activities and initiatives which we now ought to implement properly and reap the benefits from. Great attention will be paid this year to stabilising and simplifying the supply of goods to the stores, in parallel with results starting to materialise from our new warehouse structure. These will take the form of reduced costs, improved efficiency and better working conditions in both warehouse and stores.

When this is read, we will perhaps already have decided on a replacement for CEO Pål Wibe, who has sought new challenges in the retail sector. I would like to take this opportunity to thank him for an outstanding contribution to our company. His positive disposition and drive will be missed, but we are confident that he will be followed by a good successor with their own qualities.

However, we demonstrate every day what teamwork can achieve. And this team has created a small slice of Norwegian history in the retail sector. We are proud of that.

Legendary basketball player Michael Jordan put it this way: "Talent wins games, but teamwork wins championships."

We have more to give.

Tom Vidar Rygh
Chair of Europris ASA

DIRECTORS' REPORT

A year of solid sales growth was achieved in 2019, when Europris continued to win market share in a challenging retail landscape. Group revenues amounted to NOK 6,234 million (2018: NOK 5,817 million), representing an increase of 7.2 per cent from the year before. Growth was driven by the opening of six new stores, the takeover of four franchise stores and like-for-like sales growth of 4.4 per cent.

Net profit for the year was NOK 375 million (NOK 429 million). In connection with the 2019 summer season, Europris faced significant capacity challenges for inventory owing to both the timing of goods deliveries and excessive purchasing volumes. The group reacted by implementing strict purchasing measures and by increasing warehouse capacity. The position was brought under control during the third quarter, but the capacity constraints entailed extra costs totalling NOK 51 million – all booked in the first three quarters. Europris recorded a net unrealised currency loss of NOK 20 million (gain of NOK 11 million) on hedging contracts and accounts payable during the year.

Net cash flow for the year was an inflow of NOK 141 million (outflow of NOK 155 million).

The board of directors of Europris ASA has proposed an ordinary dividend of NOK 1.95 per share for 2019 to the AGM, up by 5.4 per cent from NOK 1.85 per share for 2018.

Europris completed its acquisition of a 20 per cent equity stake in Swedish discount variety retailer ÖoB (Runsvengruppen AB) on 13 December 2019, with payment in Europris shares. As part of the agreement with ÖoB, Europris holds an option to acquire the remaining 80 per cent of ÖoB shares in 2020.

Business operations and strategy

Europris is Norway's largest discount variety retailer by sales. The group offers its customers a broad range of quality private-label and branded merchandise across 12 product categories.

The Europris group moved to a new head office in 2019 and is still located in Fredrikstad. The group also opened its new central warehouse in Moss in 2019. The years from 2019 to 2022 will be a transitional period, when the group will operate from several distribution centres before all warehouse operations are concentrated in the new and highly efficient central facility in Moss from first half of 2021.New premises have been positively received by employees both at the head office and the central warehouse.

Europris delivers a unique value proposition for shoppers by offering a broad range of quality merchandise at low prices in destination stores across Norway. Its merchandise is sold through the chain, which comprised a network of 264 stores nationwide at the beginning of 2020. Of these, 231 were operated directly and 33 run as franchises. Europris stores are designed to facilitate a consistent, easy and efficient shopping experience with a defined layout, making use of a distinctive "shop-in-shop" concept.

Europris offers e-commerce solutions, with a broad range of products available for both home delivery and click and collect in the stores.

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

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

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

Europris' key strategic initiatives are:

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

Operational review

Sales performance

The Europris chain delivered 6.4 per cent growth in 2019, on a strong comparable of 5.3 per cent for 2018. The market continued to deliver muted growth of 1.3 per cent (1.3 per cent), according to Kvarud Analyse. Europris' solid sales performance was driven by good

execution of the important sales seasons and a strengthened focus on implementing the weekly sales campaigns.

	2019	
	total growth	l-f-l growth
Virke: total retail[1]	1.6%	n/a
Virke: wide range – other[1]	2.1%	n/a
Kvarud Shopping Centre Index[1]	1.3%	0.5%
Europris chain	6.4%	4.4%

Europris' growth in 2019 was driven mainly by an increase in the number of customers in the stores. The shopping basket grew because of a rise in the number of articles per customer, while the average price per article fell slightly.

Concept and category development

Europris continued to develop its seasonal range during 2019 in order to maintain its price and leadership in Norway. During the Christmas season, the product range for Christmas lightening was further improved and the range of outdoor system lighting received "best in test" from Norwegian broadcaster TV2. The product range is being developed and sourced through the partnership with Tokmanni and ÖoB.

The attention devoted to central control of volume and spacing in the stores was further developed during 2019. Stronger planning has made the build-up to the high season better organised and more flexible, ensuring improved utilisation of the sales area. This has contributed to a more efficient work day in stores, and sales have increased. In addition, the central spacing has ensured a more consistent implementation of the season across the store base.

Europris continues to benefit from improved campaign implementation in the stores. Larger volumes of campaign products in the stores have significantly reduced the occasions when such products sell out. As a result, sales are increasing and, over time, Europris expects this initiative to increase customer satisfaction and strengthen the chain's price leadership in the market.

E-commerce

E-commerce is a small but growing part of total Europris sales. Turnover here increased by 34 per cent in 2019 and totalled 0.6 per cent of overall chain sales. Click and collect was responsible for 80 per cent of e-commerce sales, while home deliveries accounted for 20 per cent.

Development of the new e-commerce platform is making the scheduled progress, and is expected to roll out towards the end of the first quarter of 2020. At the same time, the e-commerce operation will be relocated to the new central warehouse in Moss. This will permit a larger range to be offered online and increase the service level percentage to customers.

Europris is positioning itself as an omnichannel retailer, and the interaction between physical and digital marketing is an important factor in growing customer numbers in the stores. As part of its omnichannel strategy, Europris continues to recruit members for its MER customer club and to increase the number of subscribers to newsletters and followers in its social media channels.

Growing the store estate

Europris opened six new stores in 2019, bringing the total number of stores in the chain to 264 at 31 December 2019.

Month	Store	County
March	Gunerius	Oslo
April	Vestnes	Møre og Romsdal
April	Øksnevad	Rogaland
May	Fosnavåg	Møre og Romsdal
June	Meråker	Trøndelag
September	Etne	Hordaland

The group continuously monitors store performance and imposes strict criteria for all stores. New stores opened in 2018 and 2019 are continuing to perform well, with sales exceeding expectations.

Europris relocated six stores in 2019 and completed four store expansions. The group will continue to develop the existing store base and sees this as an important value driver in the future.

[1] According to (i) Kvarud Analyse Shopping Centre Index, December 2019 report, which analyses the performance of 240 shopping centres in Norway, and (ii) the Virke Retail Index (using figures reported by Statistics Norway).

Status of the new central warehouse

During the first half of 2019, Europris moved into the new central warehouse in Moss and commenced operations from the low-bay area. The upcoming milestone for the new warehouse project is automation of the high-bay area, which will significantly increase warehouse capacity.

Testing of the equipment was completed in the fourth quarter with a site acceptance test which yielded good results. The project is progressing as planned, and operations in the high-bay area began in mid-February 2020. Full operation is expected before summer, putting Europris in a position to move out of two existing warehouses in Fredrikstad during June 2020.

The third and final milestone is the automation of goods picking in the low-bay area, which will improve efficiency. This project is progressing as planned, and is scheduled to start up in the first half of 2021. With that milestone passed, all warehouse operations will be concentrated in the new and highly efficient central warehouse in Moss. The automated shuttle solution will be delivered by the same supplier to provide automation for the high-bay area.

The period from now until 2022 will be a transitional time for Europris, when some additional costs will be incurred before savings from the new warehouse materialise. These savings are estimated at 0.75-1.25 percentage points of group revenues once all the stages have been completed and rent payments for all the old warehouses have ceased.

Progress for the sourcing partnership with ÖoB

Europris announced the acquisition of a 20 per cent equity stake in the Swedish discount variety retailer ÖoB on 18 June 2018. This transaction created a partnership with an aim of driving growth and profitability. Both companies expect to attain significant synergies from joint sourcing and concept development. Furthermore, the companies expect to benefit from complementary management resources, know-how, and sharing of cost and best-practice experience in developing e-commerce, e-CRM and automation solutions.

The joint sourcing commenced immediately and, together with Tokmanni in Finland, the companies now represent a pan-Nordic discount variety retail platform of significant scale with annual retail sales of approximately NOK 18 billion, which makes us one of the largest players in this segment in Europe.

At the start of the new partnership, Europris and ÖoB expected to realise annual sourcing synergies in the range of NOK 60-80 million on a combined basis. Lead times on sourcing are generally long, especially from the Far East, and the initial synergies were expected to materialise in late 2019 and take full effect in the years thereafter. After a year and a half of cooperation, the estimated savings have been verified. The savings have been achieved by leveraging the companies' volumes and by joint development of new private-label products.

The companies realised savings of NOK 16 million in 2019, with one-third accruing to Europris. Savings realised in 2020 are expected to be around NOK 40 million, and the full effect is expected in 2022 with savings of

BOARD

Tom Vidar Rygh (chair) is an adviser to the Nordic Capital Funds. He holds a degree in economics and business administration (siviløkonom) from the Norwegian School of Economics (NHH). Rygh has held various leading executive positions in industrial and financial companies, including executive vice president of Orkla ASA, CEO of SEB Enskilda and partner in/CEO of NC Advisory AS – adviser to the Nordic Capital Funds. He has served as chair and director of several companies in a number of sectors, including Telenor ASA, Oslo Børs, Carlsberg Breweries A/S, Storebrand ASA, Aktiv Kapital ASA, Eniro AB, Netcom ASA, Helly Hansen ASA, Dyno ASA, Industrikapital Ltd, Actinor Shipping ASA, Borregaard Forests AS, Holberg Inc, Orkla Eiendom AS, Telia Overseas AB and Baltic Beverage Holding AB. Rygh has also served as an adviser to a number of prominent investment groups, such as TPG and the John Fredriksen group.

around NOK 80 million evenly distributed between the two companies. Synergies will partly be re-invested to ensure a competitive market position and to fulfil the price strategy.

Status of the ÖoB equity transaction

Europris completed its acquisition of a 20 per cent equity stake in ÖoB on 13 December 2019, with payment in Europris shares. As part of the agreement with ÖoB, Europris holds an option to acquire the remaining 80 per cent of ÖoB shares in 2020.

Pricing in both stages is based on an EV/EBITDA multiple of 7.7, adjusted for net debt and average net working capital. The multiple was applied to ÖoB's 2018 EBITDA for the initial 20 per cent equity stake, and the average EBITDA for 2019 and 2020 will apply for the remaining 80 per cent equity stake. Payment is made in the form of shares in Europris ASA.

Settlement of the first 20 per cent stake at a value of NOK 115 million was based on an ÖoB equity value of NOK 574 million. On the basis of the calculated volume-weighted average price of NOK 26.48 per share in Europris, the group delivered 4,349,695 shares held in treasury (corresponding to 2.61 per cent of the share capital) to the sellers of ÖoB as consideration for the stake. The shares were acquired in the market at a volume-weighted average price of NOK 22.46 per share, representing a total cost price for the shares of NOK 98 million.

Financial review

IFRS 16 Leases implemented 1 January 2019, previous year's figures not restated.

Income statement

Consolidated Europris revenues amounted to NOK 6,234 million in 2019 (NOK 5,817 million), up by 7.2 per cent. The key drivers behind revenue growth were the like-for-like increase of 4.4 per cent for the chain, the opening of six new stores and the takeover of four franchise stores.

Consolidated gross profit was NOK 2,690 million (NOK 2,519 million), an increase of 6.8 per cent. The gross margin was 43.2 per cent, compared with 43.3 per cent in 2018. The cost of goods sold included a net unrealised currency loss of NOK 20 million (gain of NOK 11 million) on hedging contracts and accounts payable.

Operating expenses (excluding the cost of goods sold) came to NOK 2,112 million (NOK 1,932 million), an increase of 9.3 per cent. Relative to group revenue, operating expenses were 33.9 per cent (33.2 per cent). They were affected by a 4.5 per cent increase in the number of directly operated stores, from 221 in 2018 to 231. In connection with this year's summer season, Europris faced significant capacity challenges for inventory owing to both the timing of goods deliveries and excessive purchasing volumes. The capacity constraints entailed extra costs totalling NOK 51 million.

Operating profit amounted to NOK 579 million (NOK 587 million), a decrease of 1.4 per cent from the year before.

Net financial expenses in 2019 came to NOK 98 million (NOK 41 million). The increase from the year before mainly reflected the reclassification of costs from

BOARD

Hege Bømark is a director of AF-Gruppen ASA, OBOSbanken AS and the Institute for Eating Disorders. She has also been a director of Oslo Areal ASA, Norgani Hotels ASA, BWGHomes ASA, Norwegian Property ASA and Fornebu Utvikling ASA, all of which are or have been listed companies. Prior to becoming a full-time professional director, Bømark served as a project broker in AS Eiendomsutvikling and as a financial analyst at Fearnley Finans AS and Orkla Finans AS. She holds a degree in economics and business administration (siviløkonom) from the Norwegian School of Economics (NHH).

Tone Fintland has many years of experience as a senior executive in the pharmaceutical industry. She has functioned since 2016 as global procurement director at Teva Pharmaceuticals, and has previously held similar positions in the Actavis Group and Alpharma Inc. In addition, Fintland is a president of the Norwegian Association for Purchasing and Logistics (Nima) and the Nima Oslo Akershus Affiliate. She holds a Bachelor in Business Administration from the BI Norwegian Business School.

operating expenses to financial expenses in connection with the introduction of IFRS 16.

Profit from associated companies amounted to NOK 0 (NOK 6 million) and related to the group's 20 per cent stake in Runsvengruppen AB.

Profit before tax was NOK 480 million (NOK 553 million).

Income tax expense in 2019 was NOK 105 million (NOK 123 million), giving an effective tax rate of 21.9 per cent (22.3 per cent).

Net profit for 2019 came to NOK 375 million (NOK 429 million).

Cash flow

The implementation of IFRS 16 Leases from 1 January 2019 had no net cash effect, but increased cash from operating activities and reduced cash from financing activities.

Net cash flow generated from operating activities was NOK 1,032 million (NOK 348 million). The net change in working capital was positive at NOK 161 million (negative at NOK 169 million). The underlying development in net working capital was affected by an increase in accounts payable owing to the maturity of payments. Net working capital in 2018 was affected by a rise in inventory levels, mainly at the central warehouse.

Net cash flow used in investing activities was negative at NOK 159 million (NOK 89 million). The increase from the year before reflected investment in the new central warehouse, both ordinary warehouse equipment and automation for the low-bay area. Equipment was also acquired for the new head office during 2019. Payments related to acquisitions amounted to NOK 3 million (NOK 13 million).

Net cash from financing activities was negative at NOK 731 million (NOK 413 million).

The net change in cash for 2019 was an inflow of NOK 141 million (outflow of NOK 155 million).

Financial position

Financial debt at 31 December 2019 was NOK 3,660 million. Adjusted for the IFRS 16 effect, financial liabilities amounted to NOK 1,656 million (NOK 1,649 million).

The group's bank borrowings of NOK 1,642 million have been reclassified from non-current to current. This reflects the fact that the five-year term-loan facility matures in May 2020. The group signed a new loan agreement in December, and the refinancing was in place in January 2020. This new agreement is a three-year term loan and revolving credit facility with options for one plus one years. The new loan is syndicated through three credit institutions: DNB Bank, Danske Bank and Nordea. Group interest costs under the new agreement will be higher and amount to approximately NOK 15 million per year in addition to changes in floating interest rates.

Net debt at 31 December 2019 was NOK 3,092 million. Adjusted for the IFRS 16 effect, net financial liabilities were NOK 1,088 million (NOK 1,223 million). The group is in compliance with its financial covenant.

BOARD

Claus Juel-Jensen is a professional board member and has board experience from more than 15 different companies in food and non-food retail, food production and wholesale. In his professional career, he was the CEO of Netto Germany, a joint venture between Edeka Germany and Dansk Supermarked Group, from 1995-2004 and after that CEO of Netto International (DK, DE, SE, PL, UK) from 2005-2017. Juel-Jensen has extensive experience in the food-discount industry and the internationalisation of retail concepts. He holds a Master of Business Administration and science from the Copenhagen Business School and the University of Cologne, and has the rank of captain in the Royal Danish Guard.

Sverre R Kjær has been CFO of Bertel O Steen AS since 2019. He also served as CFO of NorgesGruppen ASA for 15 years until 2016, after five years with Norway Seafoods ASA. Kjær has been working with the restructuring of companies owned by Jotunfjell Partners, and is non-executive director of Fagerstad Holding AS, a property developer, A-K Maskiner AS and Skips AS Tudor/ Toluma AS, among others. He has long and wide experience of boardroom work and was responsible for a number of structural changes and improvements at both NorgesGruppen and Norway Seafoods. He has a Bachelor of Business Administration from the Oslo Business School and has attended an advanced management programme at Harvard Business School.

Cash for the group at 31 December 2019 amounted to NOK 568 million (NOK 427 million). The group's liquidity reserves were undrawn at 31 December 2019. These facilities totalled NOK 437 million. Total available liquidity came to NOK 1,005 million (NOK 856 million).

Equity

Equity at 31 December 2019 was NOK 1,978 million (NOK 1,789 million), representing a consolidated equity ratio of 27 per cent. The increase in equity comprised the net profit of NOK 375 million and NOK 112 million for the use of treasury shares to settle the ÖoB acquisition, less dividend paid of NOK 299 million.

Allocation of profit

Europris ASA (the parent company) posted a profit of NOK 325 million for 2019.

The board proposes the following allocation (NOK million):

Dividend	324
Retained earnings	1
Total	**325**

The Europris group achieved a profit of NOK 375 million in 2019.

The board of directors of Europris ASA has proposed an ordinary dividend for fiscal 2019 of NOK 1.95 per share to the AGM, up by 5.4 per cent from the ordinary dividend of NOK 1.85 for 2018. The proposed dividend amounts to a total of NOK 326 million for all shares. The total cash outflow for dividend will be reduced by the amount falling due to treasury shares. Dividend for the 1,150,305 treasury shares amounts to NOK 2 million.

Pursuant to section 3-3a of the Norwegian Accounting Act, the board confirms that the financial statements have been prepared on the assumption that the group is a going concern.

Risk and risk management

The board pays great attention to risk, risk management and internal control procedures. The risk register, which is updated annually by management and reviewed by the board, focuses on three key risk categories:

1. market risk, including credit and liquidity risk
2. operational risk
3. strategic risk.

For each key category, the risks are identified and classified in accordance with the likelihood of the risk occurring and the potential impact should it do so. The risk classification is subject to a quarterly review by management to identify any change in classification. The key risks identified are as follows.

BOARD

Bente Sollid Storehaug is CEO of Digital Hverdag and non-executive director of Polaris Media, Hafslund E-CO, Europris, Motor Gruppen and Eika Gruppen. She is also chair of Boostcom Group, Semway Norge and the Velixio Group. Storehaug has been a member of several policy advisory boards for government ministers in Norway. She has also been appointed by the government to an expert committee on the future funding of the Norwegian Broadcasting Corporation (NRK). Storehaug established her own internet consultancy in 1993, which is listed today on Oslo Børs as Bouvet ASA. She is the youngest member of the Norwegian Association of Editors.

Karl Svensson is a director of RuNor AS, the Svensson family's special purpose vehicle for its investment in Europris. He is a corporate finance professional, having worked for Swissbased corporate finance institutions advising on mergers and acquisitions and private capital placements. Svensson also has operational retail experience, having previously worked for Runsvengruppen AB, the parent company of ÖoB. He graduated from Uppsala University in 2003 with an MSc in business and economics.

Market and financial risk

Risk type	Description of risk	Internal control
Economic environment	Changes in the macro-economic environment which result in reduced consumer spending.	Europris has a wide range of products and price points which allow customers to trade up and down. Its operating model is based on low costs to keep sale prices as low as possible. Its forecasting and planning models are detailed so that the group can react in time if the economic outlook changes.
Competition	Significantly increased competition in the market affecting the group's profitability and growth.	Management follows developments in the market closely through regular reporting of market data as well as through its own competitor analysis. Price surveys are systematically performed to monitor the group's competitiveness continuously. Category development is an important element, where Europris can reduce the product offering in categories facing strong competition while introducing new products in categories where competition is weaker.
Digitalisation	Change in shopping patterns as a result of digitalisation affecting the group's growth.	Europris launched its e-commerce solutions in 2018 with a broad range of products available for both home delivery and click and collect in the stores. The MER customer loyalty programme is expanding its membership base and a new e-CRM system which permits personalised direct marketing is in place. Marketing is to a greater extent directed at social and digital media. Europris sees increased digitalisation as an opportunity to use e-CRM to increase traffic in the physical stores.
Sustainability	Change in shopping patterns as a result of sustainability affecting the group's growth.	Sustainability is an integrated part of Europris' strategy and will be taken into account in all product development and strategic initiatives. More than 85 per cent all products are today sourced from certified factories (BSCI, Sedex, ICTI). Detailed programmes for reducing waste and energy consumption are in place and a separate sustainability strategy was developed in 2019.
Currency	Currency rate volatility affecting the group's gross margins.	The group's financial policy includes a detailed currency strategy, where all purchase orders in USD and EUR are hedged for six months. That allows sufficient time to adjust the retail price. Historically, this has proved to work well in periods with large fluctuations in the currency market.
Interest rates	Interest-rate volatility affecting the group's interest costs.	The financial policy includes a detailed description of hedging, and 25 per cent of the group's long-term loans are currently hedged. Management monitors developments in the fixed income market, and regularly assesses the exposure to interest-rate risk.
Credit and liquidity risk	Increased indebtedness affecting the group's ability to grow and posing a threat of breaching financial covenants.	Europris has limited exposure to credit and liquidity risk. The clear majority of revenue transactions are settled in cash or by debit card. Trade receivables relate mainly to the group's franchisees, and losses on trade receivables have historically been limited. Projected cash flow is updated regularly, and the group has sufficient credit facilities available.

Operational risk

Risk type	Description of risk	Internal control
Infrastructure and IT systems, including cyber risk	Loss of operating facilities or IT systems which affects trading or causes serious injury to employees.	The group's buildings are properly protected against fire, and fire drills are conducted regularly. The group's assets are covered by full-value insurance in addition to business interruption policies. Europris has good routines for backup and data security. Extensive IT security tests, both physical and digital, were carried out during 2019, and nonconformities were dealt with and improved on an ongoing basis.
Supply chain	Disruption to the supply chain resulting in shortages of goods in stores.	Goods are distributed weekly to the stores, mainly by lorry using two transport firms. If a distributor fails, volumes may be shifted between distributors. Inventory levels in stores are sufficient to manage for some time without deliveries.
Regulation and compliance	Breach of regulatory or legislative requirements resulting in financial penalties and reputational damage.	The group has established good procedures and instructions for ethics, compliance and corporate governance. These are revised annually by the board, and management training is regularly conducted. The group conducts on-site inspections of suppliers in addition to extensive product testing. Europris is in compliance with the GDPR.
Key management reliance	Loss of key personnel/skills which are critical to business operations.	Europris has a structured approach to succession planning and talent management. In this work, all managers are evaluated and potential successors in both short and long terms are identified. In addition, plans are implemented for retention, development and training of key staff.

Strategic risk

Risk type	Description of risk	Internal control
Concept and category development	Lack of innovation which entails lower margins and growth.	The group works systematically on concept and category development through its category teams. This includes continuous monitoring of the market and consumer trends in order to adapt to changes and to implement new ideas at an early stage.
New store rollout	Lack of profitable new store locations which affects the group's growth plans.	The property team has a long pipeline for potential locations. The group maintains good relationships with landlords and is working strategically with other retailers for co-location of stores. New store openings must be approved by the board and newly opened stores are performing well.
Omnichannel and e-commerce	Incomplete development of solutions which affects the group's growth.	The group has developed a separate strategy plan for digitalisation, including omnichannel and e-commerce. As part of this work, the board has appointed a digital advisory board to support the management.
New warehouse and automation	Failure in implementing the new warehouse and automation solutions, affecting the group's margin and growth.	Europris has a dedicated team with sufficient expertise and resources for the project, and the board monitors progress and performs risk reviews on a regular basis. External partners are highly rated professionals in their fields.

Corporate governance

The board and executive management of Europris ASA review the group's corporate governance principles annually. Reporting accords with section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance as updated most recently on 17 October 2018. Please see page 24 for a detailed statement on Europris' corporate governance.

Organisation and corporate social responsibility

Employees and organisation

Europris has more than 32 million customer visits every year and the daily encounter between customers and employees in the chain's stores is the most important meeting place in the group. Dedicated and competent employees are crucial to the group's success, and the board is very committed to ensuring that the skilled employees have a safe and good working environment. Annual employee surveys show that the Europris workforce thrives in the workplace and feels well taken care of.

Continuous development of competence is necessary to maintain competitiveness over time. For the past few years, Europris has increased its investment in the training, education and development of its employees. In-store employees have taken e-learning programmes which concentrate on both product knowledge and customer meetings, and local and regional training sessions are also organised. All the different learning programmes will be brought together in a separate "Europris Academy", which will help to continue developing the competence which the group and its staff need.

Europris started to work in accordance with the Lean method during 2019, and more than 70 employees in head office and distribution centre have so far completed the training. Through these courses, employees learn problem-solving methods and how to change working methods systematically so that the root cause of problems is dealt with.

Europris wants to offer its employees opportunities for both competence and career development in the group. The talent programme introduced in 2017 is showing good results and more than 50 per cent of new store managers were recruited internally over the past year. In addition, several administrative and senior positions have been filled through recruitment from the group's own ranks.

	2019		2018	
	Employees	Full time employees	Employees	Full time employees
Stores	2,432	1,436	2,270	1,407
Head office and distribution centre	386	378	375	366
Total	**2,818**	**1,814**	**2,645**	**1,773**

The board is not satisfied with overall sickness absence in Europris and will follow up on the measures which have been taken to achieve the long-term ambition of keeping such absences to around five per cent. Progress was made on sickness absence at the distribution centre during 2019. Over time, good work has been done here with the involvement of employees in day-to-day operations. The workforce has also been closely involved in the important relocation process to a new central warehouse in Moss.

Sickness absence	2019	2018
Stores	8.3%	7.8%
Head office and distribution centre	5.9%	6.7%

A total of eleven injury reports were registered in 2019, but none of the injuries were serious.

Equal opportunities and discrimination

Europris is a workplace with equal opportunities in all areas. The group has traditionally recruited from environments where women and men are relatively equally represented. Where gender equality in Europris ASA (the parent company) is concerned, women accounted for 43 per cent of directors and 20 per cent of the executive management group in 2019. Europris' ambition is to increase the proportion of women in senior positions.

The group has 2,818 employees, of whom 57 per cent are women. Working time arrangements are independent of gender.

Europris' policy is to promote equal human rights and opportunities, and to prevent discrimination on the grounds of gender, ethnicity, nationality, ancestry, colour or religion. The group is working actively to promote Norway's Anti-Discrimination Act in its business. These activities include recruitment, salary and working conditions, promotion, professional development and protection against harassment.

Natural environment

The group does not pollute the natural environment beyond the level considered normal for this type of business.

Pursuant to section 3-3c of the Norwegian Accounting Act, the board has drawn up guidelines covering business ethics and corporate social responsibility (CSR). The main principles are covered in the group's sustainability policy, available on its website at www.europris.no/corporate. Europris' activities in the CSR area, including human and labour rights, the working environment, equality, discrimination, anti-corruption and the natural environment, are described in more detail in a separate section from page 32 of this annual report.

Transactions with related parties

No significant transactions were conducted with related parties in 2019.

Market developments and outlook

Europris is to be the first choice for anyone who wants to shop intelligently, conveniently, on a large scale and at a low price. In a changing and increasingly challenging retail market, discount variety is thriving and Europris is Norway's leader in this sector with 100-per-cent brand recognition as well as leadership on price perception. The group is positioned with ample opportunities to continue its growth journey.

Europris' key strategic priority areas are:

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

Europris has strengthened its competitive position in the challenging and changing retail landscape through its Nordic partnership with ÖoB and Tokmanni. Moving operations to a single highly-automated warehouse will also strengthen its overall cost position. That will increase the group's purchasing power and support its low-cost profile.

The group is positioned as an omnichannel retailer with its e-commerce platform. Online shopping serves both as a channel for new sales and as a tool for driving traffic to the physical stores. While the latter will continue to be the main sales channel for the foreseeable future, e-commerce will enable Europris to expand its product offering, provide access for new customer groups and increase visibility through a new channel.

Europris continues to have a healthy pipeline of new stores. The board has approved an additional five for 2020 and beyond, of which two are subject to planning permission. Six new stores were opened in 2019. The group agreed to take over two franchise stores on 1 January 2020, and an additional two-three takeovers are expected for 2020.

The long-term financial and operational ambitions of Europris remain unchanged.

The board emphasises that assessing the outlook is subject to uncertainty.

Events after the reporting period

The outbreak of the corona virus in early 2020 will have consequences for the global community in the coming year. It is still too early to be detailed about the total impact, but it is beyond doubt that Europris's customers, employees and partners will also be affected to a greater or lesser extent.

Europris initiated its crisis plans at an early stage to deal with the extraordinary situation. The focus was primarily on employees at the chain's purchasing office in Shanghai and on key suppliers in Asia, to ensure important goods deliveries. As the pandemic has spread, the focus of the crisis management has shifted towards the company's operational activities in Norway.

The Norwegian government has identified logistics and retail operation as socially critical functions. In the time to come, Europris will devote great attention to maintaining a normal flow of goods and, within the parameters set by the Institute of Public Health, will go to the greatest possible lengths to maintain its operations as far as possible at normal levels.

On 16 March 2020, Europris published a stock exchange announcement on the current operational status following the outbreak of the virus and the company will keep the market informed of significant changes.

No other material events have occurred since 31 December.

Fredrikstad, 25 March 2020

THE BOARD OF DIRECTORS OF EUROPRIS ASA

Tom Vidar Rygh
Chair

Claus Juel-Jensen

Hege Bømark

Sverre R Kjær

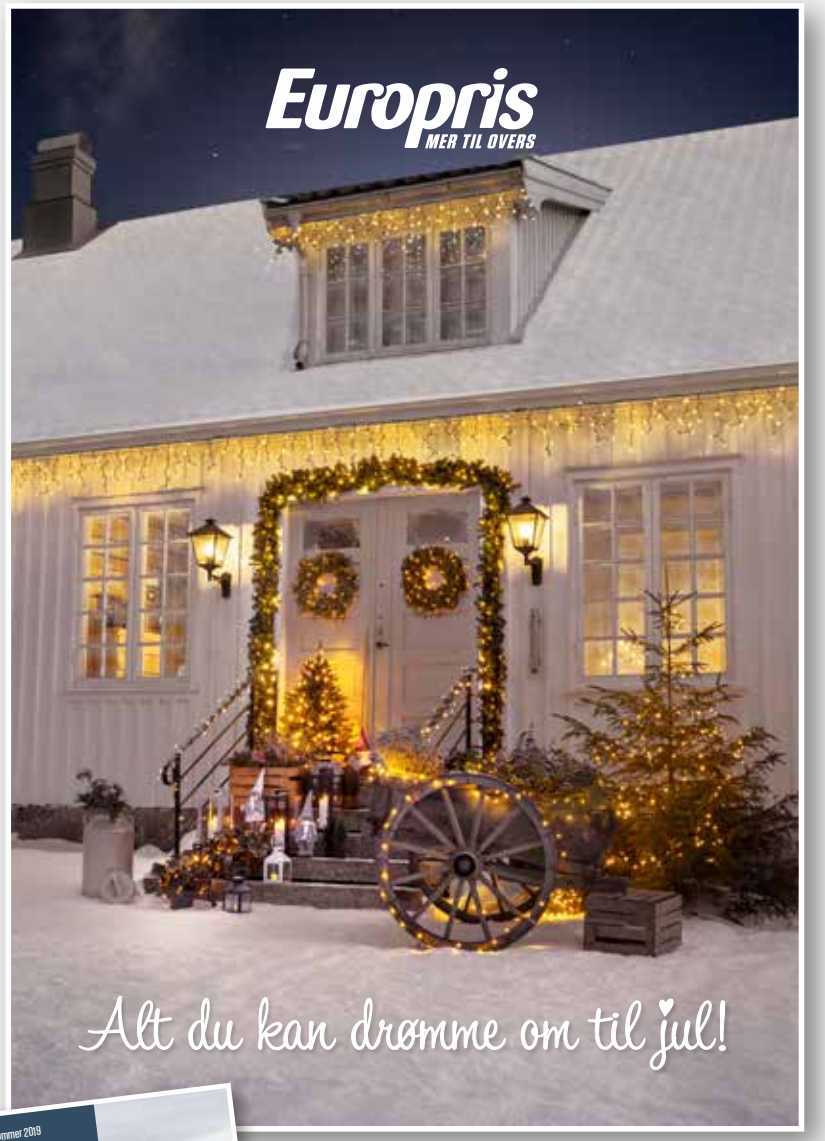
Bente Sollid Storehaug

Tone Fintland

Karl Svensson

Pål Wibe
CEO

The seasonal store of Norway



CORPORATE GOVERNANCE

Europris ASA has made a strong commitment to ensuring trust in the company and to enhancing shareholder value through effective decision-making and improved communication between the management, the board of directors and the shareholders. The company's framework for corporate governance is intended to reduce business risk, maximise value and utilise the company's resources in an efficient, sustainable manner to the benefit of shareholders, employees and society.

1. Implementation and reporting on corporate governance

The board of Europris is conscious of its responsibility for the development and implementation of internal procedures and regulations to ensure that the group complies with applicable principles for corporate governance.

Europris is listed on Oslo Børs and subject to reporting requirements for corporate governance under the Norwegian Accounting Act as stock exchange regulations. Europris seeks to comply with the Norwegian Code of Practice for Corporate Governance (the code), last revised on 17 October 2018, which is available on the Norwegian Corporate Governance Committee's website at www.nues.no.

Application of the code is based on the "comply or explain" principle and any deviation from the code is explained under the relevant item. At 31 December 2019, Europris deviated from the recommendation in one section of the code in 2019 pertaining to the "establishment of separate guidelines regulating responses to takeover bids" (section 14).

The principles and implementation of the code are subject to annual reviews by the board and a statement is included in the annual report in accordance with the requirements of the continuing obligations for listed companies from Oslo Børs as well as the Norwegian code.

2. The business

Europris is Norway's largest discount variety retailer by sales. The group offers a broad range of quality own brand and branded merchandise across a wide range of product categories. The group's merchandise is sold through the Europris store chain, which consisted at 31 December 2019 of a network of 264 stores throughout Norway. Of these, 231 are directly owned by the group and 33 operate as franchise stores. The group's headquarters and storage facilities are located in Fredrikstad and Moss, Norway.

The company's business purpose, as presented in article 3 of the company's articles of association, is as follows: "The company's business is commercial activity in the European wholesale and retail market, or business in relation to this, including issuing loans, and collateral and issuing guarantees for group companies and direct or indirect involvement in business with similar or other company object, as well as other business in relation to the above mentioned".

The board has established clear objectives, strategies and risk profiles for the company's business activities, to create value for its shareholders and to ensure that its resources are utilised in an efficient, sustainable manner to the benefit of all its stakeholders. Europris, as a consumer company, actively seeks to reduce risk and the potential for negative business effects by integrating sustainability in its business strategy. This is an approach which also creates opportunities for growth and long-term value creation. Europris has developed various policies providing business practice guidance, including on sustainability, conduct, ethical trade, anti-corruption, data protection, trade sanctions and whistleblowing. These policies set the standards for the behaviour which can be expected internally and externally in order to build trust, loyalty and responsible behaviour internally, and to prevent violations and negative effects externally.

Europris' sustainability policy and supplier code of conduct are available from the company's website at www.europris.no/corporate. The company's objectives, strategies and risk profile are described on pages 12-19 of the 2019 annual report, while the company's sustainability efforts are described on pages 32-55.

Deviations from the code: None.

3. Equity and dividends

Capital structure

At 31 December 2019, the group's equity totaled NOK 1,978 million, which corresponded to an equity ratio of 27.0 per cent and a debt-to-equity ratio of 83.7 per cent (excluding IFRS 16 lease liabilities). The board considers Europris' capital structure to be adequate in relation to the group's objectives, strategy and risk profile.

Dividend policy

Europris aims at a dividend payout ratio of 50-60 per cent of the group's net profit while maintaining an efficient balance sheet. The group intends to provide shareholders with a competitive return on invested capital, taking into account its risk profile. It plans to pay out surplus liquidity (funds not necessary for the group's day-to-day operations) in the form of a dividend or by means of a capital reduction through distribution to the shareholders. The group considers whether the available liquidity should be used for new investment or repayment of debt instead of being paid out as dividend. Subject to the approval of the AGM, the aim is to pay dividend annually. Dividend payments are subject to certain legal restrictions pursuant to the Norwegian Public Limited Companies Act and should also take account of the group's capital requirements and financial position as well as general business conditions.

Based on the financial results for 2019, the board will propose a dividend of NOK 1.95 per share. This corresponds to a dividend pay-out ratio of 84 per cent. Europris' leverage policy is to run the business with moderate leverage and to maintain an efficient balance sheet.

Board mandates

The general meeting of 23 May 2019 granted two separate mandates to the Europris board. Both mandates are valid until the next AGM in 2020, but in any event no longer than to 30 June 2020. A separate vote was held on each mandate. For supplementary information, reference is made to the minutes of the AGM in 2019.

- A mandate to increase the share capital of Europris ASA by a maximum of NOK 16,696,888. The mandate corresponds to 10 per cent of the shares and share capital of the company. It may be used for necessary strengthening of the company's equity and the issue of new shares as consideration for the acquisition of relevant businesses. As of 31 December 2019, the authorisation had not been used.

- A mandate to repurchase Europris ASA's own shares up to a total nominal value of NOK 16,696,888. The maximum amount that can be paid for each share is NOK 100 and the minimum is NOK 10. The mandate corresponds to 10 per cent of the shares and share capital. Shares acquired pursuant to the mandate may either be deleted in connection with a later reduction of the registered share capital or used as consideration shares with regard to the acquisition of businesses. As of 31 December 2019, the company owns 1,150,305 treasury shares.

Deviations from the code: None.

4. Equal treatment of shareholders and transactions with close associates

Europris has one class of shares and all shares have equal rights. Each share has a nominal value of NOK 1.00 and carries one vote. Europris ASA owned 1,150,305 treasury shares at 31 December 2019.

The board has a mandate to increase the company's share capital which allows the board to waive the pre-emptive right of existing shareholders. In the event of such a capital increase, the reason for the transaction and the waiver will be provided in a public announcement. There were no such events in 2019.

Transactions involving treasury shares will be undertaken on the stock exchange or otherwise at the listed price and reported immediately.

The company will immediately make public any material transaction between the company and shareholders, directors, leading employees or any of their close relations, as well as with other companies in the group. In the event of such transactions, the board will evaluate whether it is necessary to seek a third-party valuation. An independent valuation is required for material transactions between companies in the same group where there are minority shareholders. There were no transactions with close associates in 2019.

Deviations from the code: None.

5. Shares and negotiability

The Europris share is freely transferable on Oslo Børs. No restrictions are set in the articles of association on owning, trading or voting for shares.

Deviations from the code: None.

6. General meetings

The general meeting is the highest authority in Europris ASA. It is open to all shareholders, and Europris encourages shareholders to participate and exercise their rights at the company's general meetings. In order to vote, the shareholder must be registered with the Norwegian Central Securities Depository (VPS) at the time of the general meeting.

Notification

The annual general meeting will be held each year before 30 June. The 2019 AGM is scheduled for 29 April 2020. Extraordinary general meetings may be called by the board at any time. The auditor or shareholders representing at least five per cent of the shares may call in writing for an extraordinary general meeting to discuss a specified matter.

Written notice of a general meeting, along with supporting documents, is sent to all shareholders with a known address at least 21 days prior to the date of the meeting. Pursuant to article 7 of the articles of association, the notification and supporting documents need not be sent to the shareholders if they are made available to them on the company's website at www.europris.no/corporate. Any shareholder may nevertheless request that the documents be sent by mail by contacting the investor relations department at Europris ASA or by e-mail to ir@europris.no.

Registration and proxies

The registration deadline is normally five days before the general meeting, pursuant to article 7 of the articles of association, and all the necessary registration information is provided in the notice.

Shareholders who are unable to attend may vote by proxy. The notice of the meeting will contain more detailed information about the procedure for appointing a proxy, including an authorisation form that permits separate votes for each item up for consideration at the general meeting. In addition, a person will be appointed who can act as proxy on behalf of shareholders.

The board may decide that shareholders can submit their votes in writing, including the use of electronic communication, during a period before the general meeting.

Agenda and execution

The agenda for the general meeting is determined by the board, and the main items it must contain for the AGM are specified in article 8 of the articles of association. The agenda will include detailed information on the resolutions to be considered and the recommendations from the nomination committee.

The board, the nomination committee, the CEO, the CFO and the company's auditor will be present at general meetings under normal circumstances and unless they have valid grounds to be absent. The meeting will normally be chaired by the chair of the board. In the event of any disagreement over individual agenda items where the chair of the board belongs to one of the factions, or for some other reason is not deemed to be impartial, a different person will be selected to chair the meeting in order to ensure independence with respect to the matters concerned.

Deviations from the code: None.

7. Nomination committee

The company's nomination committee is regulated by article 6 of the articles of association. It will comprise two to three members, and the majority will be independent of the board and the company management. The composition of the committee will ensure that the interests of the shareholders are safeguarded.

Instructions for the nomination committee were adopted at the general meeting on 13 May 2015. They include the main principles for the nomination committee's work, making and supporting proposals and general procedures. The instructions are subject to annual reviews, and any proposed changes will be submitted to the general meeting for approval.

The nomination committee makes recommendations to the general meeting regarding the election of shareholder-elected directors, remuneration of directors including relevant subcommittees, the election of members and the chair of the nomination committee and remuneration of members of the nomination committee. Each proposal is justified on an individual basis

and presented with the notice documents to the AGM. Shareholders in Europris are encouraged to nominate candidates for the board. More information on this can be found on the company's website at www.europris.no/corporate.

At 31 December 2019, the nomination committee consisted of the following members:

- Mai-Lill Ibsen (chair)
- Inger Johanne Solhaug
- Tom Rathke (Sadly, Tom Rathke died this summer. His replacement on the nomination committee will be clarified in due course.)

The members are elected by the general meeting for a term of two years, and all the members is up for election in 2020. All the members are considered to be independent of the board and executive management. Remuneration of the members of the nomination committee is determined by the general meeting.

Deviations from the code: None.

8. Board of directors: Composition and independence

Article 5 of the articles of association provides that the board will consist of a minimum of three and a maximum of 10 directors, as determined by the general meeting. The board had seven members at 31 December 2019, including three women. All shareholder-elected directors are regarded as independent of senior executives and material business associates. No executives are members of the board.

The directors are elected for a term of two years and may be re-elected. The general meeting elects the chair of the board.

According to the instructions for the nomination committee, the board's composition will be broadly based to ensure that it has the necessary experience, qualifications and capacity to safeguard the common interests of the shareholders. Furthermore, the composition of the board should allow it to function effectively as a collegiate body and to act independently of special interests. A detailed presentation of the expertise and background of the directors is available on the company's website at www.europris.no/corporate.

Europris ASA has no direct employees and therefore no requirement to appoint employee representatives to the board. Three employees are represented on the board of the Europris AS subsidiary.

Members of the board are encouraged to hold shares in Europris. An overview of the board members' shareholdings in the company can be found in note 20 to the 2019 annual report.

Deviations from the code: None.

9. The work of the board of directors

Board's responsibilities and tasks

The board is responsible for supervising the general and day-to-day management of the group's business, ensuring proper organisation, preparing plans and

Name	Postion	Served since	Up for election
Tom Vidar Rygh	Chair	2012[1]	2021
Bente Sollid Storehaug	Board member	2015	2021
Hege Bømark	Board member	2015	2021
Tone Fintland	Board member	2017	2021
Claus Juel-Jensen	Board member	2017	2021
Sverre R Kjær	Board member	2018	2020
Karl Svensson	Board member	2019	2021

[1] Served since 2012 in Europris AS and in Europris ASA since 2015.

budgets for its activities, ensuring that the group's activities, accounts and asset management are subject to adequate controls, and undertaking investigations necessary to the performance of its duties. Furthermore, the board determines the group's overall objectives and strategy, in addition to appointing the CEO and determining the terms and conditions of his or her employment.

Instructions for the board of directors

The board has adopted instructions for the board which describe its responsibilities, duties and administrative procedures. The instructions also regulate the distribution of duties between the chair and the CEO. The current instructions were approved by the board in May 2015 and are subject to annual reviews.

Instructions for the chief executive officer (CEO)

The instructions for the CEO regulate the day-to-day management of the group's operations to ensure that the group pursues and seeks to reach the strategic targets set by the board. The CEO is also responsible for keeping the group's accounts in accordance with prevailing Norwegian legislation and regulations, and for managing the group's assets in a responsible manner. The CEO briefs the board about the group's activities, financial position and operating results at least once a month. The current instructions for the CEO were approved by the board in May 2015 and are subject to annual reviews.

Conflicts of interests and disqualification

Directors and members of the executive management must notify the board immediately if they have a direct or indirect material interest in an agreement or transaction entered into by the company. The board's consideration of material matters in which the chair of the board is, or has been, personally involved, will be chaired by some other director.

Financial reporting

The board receives financial reports and comments from the CEO at least once a month on the group's operations, economic position and financial status. The board will also be kept continuously informed of any material legal disputes, contract terminations, changes in management and material conflicts related to clients, suppliers and employees. The financial report forms the basis for enabling the board to maintain an informed view of the group's results, capital adequacy and financial position. Quarterly financial reports are reviewed at board meetings, and these are the basis for external financial reporting.

The work of the board of directors

The board will meet at least five times a year. It held ten meetings in 2019, with three meeting conducted by telephone. The overall attendance rate at board meetings was 96 per cent.

Audit committee

The company's audit committee is governed by the Norwegian Public Limited Liability Companies Act and a separate instruction adopted by the board. The members of the audit committee are appointed by and from among the directors.

The audit committee's primary purpose is to act as a preparatory and advisory body for the board on matters concerning accounting, auditing and finance. The committee reports and makes recommendations to the board, but the latter retains responsibility for deciding on and implementing such recommendations. The audit committee held five meetings in 2019, with an overall attendance rate of 93 per cent. At 31 December 2019, the audit committee consisted of three directors who all were regarded as independent of the company:

- Hege Bømark (chair)
- Tom Vidar Rygh
- Sverre R Kjær

Remuneration committee

The company's remuneration committee is governed by a separate instruction adopted by the board. The members are appointed by and from among the directors. Its primary purpose is to assist the board in discharging its duties related to determining the compensation of the executive management. The committee reports and makes recommendations to the board, but the latter retains responsibility for implementing such recommendations. The remuneration committee held four meetings in 2019, with an attendance rate of 100 per cent. At 31 December 2019, the remuneration committee consisted of three directors:

- Tom Vidar Rygh (chair)
- Bente Sollid Storehaug
- Tone Fintland

Board's evaluation of its own work

The board conducts an annual assessment of its own work and expertise, which is presented to the nomination committee. The assessment includes the work of the board, the work of its committees and the contribution made by the various directors. The board sets individual and collective targets to measure performance, in order to ensure that the evaluation is an effective tool. An evaluation of this kind was last conducted in December 2019.

Deviations from the code: None.

10. Risk management and internal control

The board is responsible for ensuring that the group's risk management and internal control systems are adequate in relation to the regulations governing the business. The board reviews the group's main areas of risk and internal control systems annually, including the group's guidelines and practices on sustainability and how consideration for its stakeholders is integrated into the company's value creation. The audit committee holds at least one meeting a year with the auditor, who presents the group's internal control routines, including identified weaknesses and areas subject to improvements, for review by the committee.

The board works to a plan that ensures all the various areas of the operations are subject to a more in-depth review at least once a year. Management follows a similar schedule in performing an evaluation of the same topics ahead of the board's review, in addition to a quarterly risk review.

Europris has established a treasury policy to define a framework for managing financial exposure and group treasury operations. The most recent update was approved by the board in January 2020. The policy takes account of the financial and commercial risks that Europris is exposed to and details the allocation of responsibility for financial risk management between the board, the CEO and the CFO and within the Europris group. The policy further specifies the risks that Europris is exposed to, and how they should be managed, reported, measured and controlled. The content of the treasury policy is described in detail as working procedures in the Europris finance manual, where processes and procedures are established in the form of instructions that serve as a reference for compliance with the treasury policy. The policy is subject to annual reviews by the board.

Europris prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), which are intended to give a true and fair view of the company's and the group's assets, liabilities, financial position and results of operations. The board receives reports at least once a month on the group's business and financial results, providing a good overview of the group's strategic and operational performance as well as plans for the forthcoming period. In addition, quarterly reports are prepared in accordance with Oslo Børs' recommendations, which are reviewed by the audit committee before the board meeting and subsequent publication.

The new head office in Fredrikstad

As a discount retailer, Europris is exposed to a range of market, operational and strategic risks that may adversely affect the group's business. Further information regarding such risk factors and how these are managed is disclosed in the directors' report and the notes to the annual accounts for 2019.

Europris furthermore monitors attendance by employees and promotes the health and wellbeing of its workforce. In addition, it devotes attention to the training and education of employees across all aspects of its business.

The company's legal and CSR director is responsible for conducting unbiased, complete audits of the group's compliance programme, including guidelines for anti-corruption, on a regular basis in light of the group's specific business areas, geographical location and legal obligations.

Deviations from the code: None.

11. Remuneration of the board of directors

The nomination committee is responsible for proposing the remuneration of directors in order to reflect the responsibilities, expertise and time spent as well as the complexity of the business. Members of the audit committee are entitled to additional remuneration, reflecting the extra workload. The proposal is approved by the company's general meeting. Directors' fees for 2019 was approved by the AGM in 2019.

Directors' fees at 31 December 2019 were not linked to performance, and the company does not grant share options to its directors. Additional information relating to directors' fees can be found in note 7 to the financial statements included in the 2019 annual report.

Directors and/or companies with which they are associated should not take on specific assignments for the company in addition to their board appointment. If they do, however, this must be disclosed to and approved by the full board.

Deviations from the code: None.

12. Remuneration of executive personnel

Europris has a policy of offering competitive remuneration for the executive management based on current market standards as well as on company and individual performance. The board has established guidelines for determining pay and other remuneration for members of the executive management.

Remuneration consists of a basic pay element combined with a performance-based bonus scheme linked to the company's financial and operational performance. The bonus scheme is limited to 11 months of gross base pay for the CEO and six months for the other executive managers. The management group participates in the company's insurances, and is entitled to certain fringe benefits, such as free newspaper, car and phone.

The board has prepared a statement on the determination of salaries and other benefits payable to senior executives, which was presented to and adopted by the 2019 AGM. Further details relating to the pay and benefits payable to the CEO and other senior executives can be found in note 7 to the financial statements included in the 2019 annual report.

Deviations from the code: None.

13. Information and communications

Investor relations

Investor relation activities at Europris ASA aim to ensure that the information provided to financial markets gives market participants the best possible foundation for a correct valuation of the group. Europris will seek to communicate in an open, precise and transparent manner about the group's performance and market position in order to give financial markets a correct picture of its financial condition and other factors that may affect value creation. Europris seeks to comply with the Oslo Børs code of practice for IR, last updated in July 2019. The company has adopted an IR policy, which is available in a condensed form on the company's website at www.europris.no/corporate.

All market participants will have access to the same information published in English. All notices sent to the stock exchange are made available on the company's website at www.europris.no/corporate and at www.newsweb.no. The CEO, CFO and IR manager are responsible for communication with shareholders and analysts in the period between general meetings.

Financial information

Interim reports are published on a quarterly basis, in line with Oslo Børs' recommendations. In connection with the publication of its interim results, Europris holds open investor presentations to provide an overview of the group's operational and financial performance, market outlook and the group's own future prospects. These presentations are also made available through webcasts on the company's website.

Deviations from the code: None.

14. Take-overs

No defensive mechanisms against takeover bids are provided in Europris' articles of association. Nor are any other measures implemented specifically to hinder the acquisition of shares.

Deviations from the code: The board has not established written guidelines for how it should act in the event of a takeover bid. Since such circumstances are normally one-off by nature, drawing up general guidelines is challenging.

Were a takeover bid to be made, the board would consider the relevant recommendations in the code and whether the specific circumstances permit compliance with the recommendations in the code.

15. Auditor

The company's auditor, BDO AS, is appointed by the general meeting and is independent of Europris ASA. The board has received a written confirmation from the auditor that requirements for independence and objectivity have been met.

The board requires the auditor annually to present to the board and the audit committee a plan covering its main auditing activities and a review of the group's internal control systems including identified weaknesses and proposals for improvement. In addition, the board requires the auditor to attend the board meeting dealing with the company's annual accounts in order to highlight any material changes to accounting principles, comment on any material estimates, and report on any topics where a significant difference of opinion exists between auditor and management.

At least once a year, the auditor and the board hold a meeting without any representatives of the company's executive management being present.

The board has established guidelines for any work performed by the company's auditor. All material services, audit-related and otherwise, must be approved by the audit committee.

The board will inform the AGM about the remuneration payable to the auditor, broken down between auditing and other services. The AGM will approve the auditor's fees. For further information about remuneration of the auditor, see note 6 in the 2019 financial statements.

Deviations from the code: None.

Europris private-label Trysilsokken.

SUSTAINABILITY REPORT

Our approach – sustainability in all we do

Sustainability topics	Main priority areas	Commitments	UN SDGs
Sustainable value chain	1. Sustainable low-impact products 2. Responsible supply chain management	Europris recognises that its main impact on ESG issues comes from the products sourced and sold in its stores. The group therefore seeks to improve the sustainability performance of private-label and brand-name merchandise. The supplier code of conduct ensures that ESG issues are prioritised in supplier engagements.	
Resource-efficient business model	3. Climate-friendly operations and logistics 4. Circular solutions and waste reductions	Europris acknowledges that its operations have an impact on the environment, and strives to reduce its environmental footprint by promoting circular initiatives in its operations. The group seeks new and innovative solutions to ensure efficient logistics and facility management.	
Responsible employer	5. Equal opportunities and a constructive working environment 6. Health and safety in the workplace 7. Business ethics and anti-corruption	Employees are part of the Europris family. The group therefore works for an inclusive, safe and constructive workspace. Its core values and business ethics are communicated so that employees can use them as guidelines is their working day. The group promotes diversity and ensures the health and wellbeing of employees, providing them with opportunities to develop long and meaningful careers. The policies and guidelines in place apply to all employees, whether full- or part-time, permanent staff or temporaries.	
Empowering customers and communities	8. Satisfied customers 9. Safe and good-quality products 10. Data protection 11. Local value creation 12. Community engagement	Europris cares about its customers and the local communities in which it operates. The group therefore works to enable customers to make greener, safer and better-quality choices, and engages with local communities through sponsorships, partnerships and other community-building activities.	

SUSTAINABILITY REPORT

I am very excited to have been given the opportunity of taking over responsibility for sustainability in Europris as the new head of sustainability for the group. Initially, I might have associated Europris first and foremost with low prices. However, I was very motivated to find a strong engagement with sustainability, quality and safety. A common success criterion when working with sustainability at a corporate level is that this is embedded in with top management, and the tone set by the top management is always mentioned as another key factor. I am very excited to find that we are already one step ahead – motivation for sustainability can be found both in management and across the whole organisation. That makes me very optimistic.

This has already helped in achieving a lot. Recycling and energy efficiency rates have been improved greatly in recent years, and are now on a par with the market leaders. Another very important sustainability consideration for us concerns the products we sell and how they are produced. Work has already started in areas such as mapping sustainability aspects of the product portfolio or working alongside our new partner, the Business Social Compliance Initiative (BSCI), on ensuring environmental standards and workers' rights in our value chain. Greater attention is also being paid to finding new ways of reducing plastic packaging and creating a circular economy in stores and with suppliers, all of which I very much look forward to working on. I am very passionate about this and have previous experience. I hope this can result in a good collaboration with all our committed people, and make sustainability a common way of thinking for us in Europris. I am certain that customers will appreciate good solutions here as we continue working towards providing sustainability for you, me and everyone.

Tatiana Gutierrez Eide
Sustainability manager

Sustainability in all we do

Growth creates a larger environmental footprint and, in a world where the climate is rapidly changing and natural resources are increasingly put under pressure, remaining conscious of the common responsibility we all share for our planet is more important than ever. In 2015, the global community convened in Paris to sign a landmark climate agreement, joining forces to work towards a sustainable future. In the same year, the UN also adopted a set of sustainable development goals (SDGs) dealing with a wider range of global issues, such as human rights, good governance, peace and stability. Meeting these targets requires a concerted effort from all businesses and markets.

Europris shares the vision of a sustainable future embodied in these agreements and recognises that its operations are associated with significant sustainability risks and opportunities. Integrating this acknowledgement into the organisation, Europris authored a sustainability policy in 2018. The policy defines the group's path to sustainable growth for the years to come.

Our vision

Provide sustainability
for ordinary people

Our objective

Become the most sustainable
European discount variety
retailer by 2025

To realise its vision and objectives, the group takes a broad approach to sustainable development with the overall aim of ensuring long-term value creation. Europris integrates environmental, social and governance (ESG) aspects in its value chain and operations, and in its engagements with customers and communities. These four aspects create the structure of the sustainability report, which is divided in four main chapters: a sustainable value chain, a resource-efficient business model, a responsible employer and empowering customers and communities.

Figure: Europris´ main sustainability aspects

Focus on the most material sustainability aspects

In keeping with its "pay less – save more" culture, Europris builds its sustainability aspirations on finding and adopting simple and measurable solutions for meeting its responsibilities as effectively as possible.

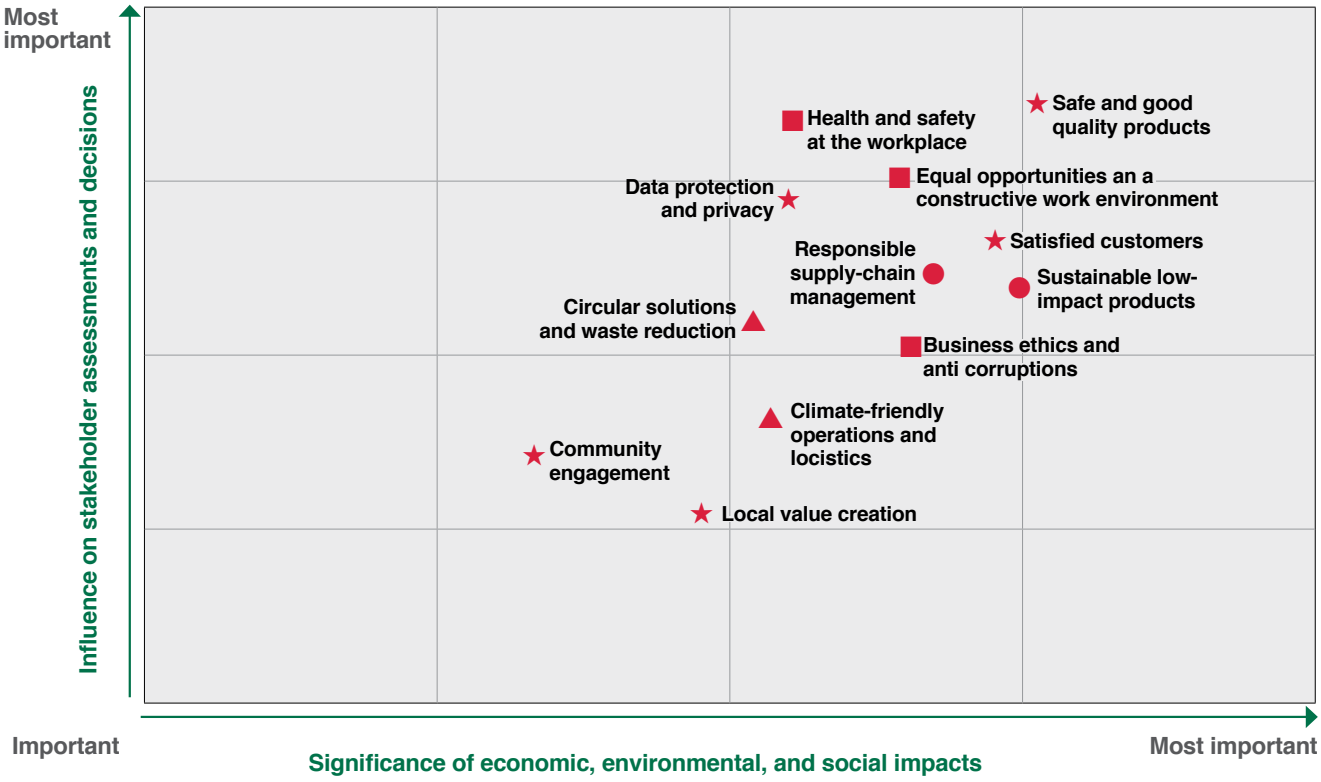
Europris further refined its approach to sustainability reporting by basing content and structure on the principles in the Global Reporting Initiative (GRI). To streamline sustainability work and reporting in accordance with these standards, key sustainability impacts in the group's value chain are identified and mapped in the materiality matrix below. The position of each topic depends on its relevance to Europris and the group's stakeholders, where both employees and management have been consulted. In addition, the opinions and expectations of external stakeholders – such as customers, regulators and investors – have been investigated to learn what they believe are the most important ways in which Europris can contribute to a more sustainable future.

The final matrix sets the direction for Europris' sustainability strategy and is the foundation for the sustainability report, where the following aspects have been identified as the most material to the group.

- ● **Sustainable value chain:** the bulk of Europris' impact is found in the products it sources
- ▲ **Resource-efficient business model:** more efficient operations and logistics to reduce the environmental footprint
- ■ **Responsible employer:** being an ethical, inclusive and constructive workplace
- ★ **Constructive social player:** contributing to local communities in order to foster long-term relationships.

Through management of and improvements to these major aspects, Europris can direct efforts to where they count the most and deliver on its vision of providing sustainability for ordinary people. By lowering the overall environmental footprint and ensuring equity and fairness to employees along the value chain, the group will also reduce overall climate and sustainability risk and align Europris with the UN SDGs and the low-carbon future of the Paris agreement.

Materiality assessment



Europris makes efforts to discuss sustainability issues with employees in their day-to-day work and to integrate sustainability in its corporate culture. This sustainability report is a part of the stakeholder engagement, since it promotes transparency, honesty and approachability. Europris has professionalised its approach to sustainability with a dedicated manager, charged with following up work in this area throughout the organisation. Sustainability is incorporated as a priority in the group's business strategy, and results are regularly communicated to the management group and the board on an annual basis.

Working to turn climate risk into positive impacts and opportunities

The global climate challenge is growing more acute as emissions increase and climate change causes negative impacts worldwide. This inevitably presents new risks for business and society at large – but opportunities as well for those who can help solve the problem of a green transition.

Europris has conducted a climate risk analysis to ensure long-term value creation and protect the interests of key stakeholders. Climate risk aspects are included in the group's strategy, where it is identified as one of the key enterprise risk factors to be considered. This analysis identifies several climate risk areas and corresponding management responses, which are subject to annual review by the board. The findings are reported to the Carbon Disclosure Project (CDP), an independent rating initiative for climate reporting. Europris received the score of B, an improvement from last year which marks the progress made in the group.

The analysis builds on the main recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD), initiated by the G20 Financial Stability Board to help businesses respond to a lack of information on how climate change will affect them. The TCFD guidelines advise that climate risk should be assessed and reported for two mutually exclusive scenarios. One is based on a world which fails to make the green transition, with a big increase in temperature and devastating climate change posing a physical risk to business. The other is focused on a successful green transition where the world limits warming to below 2°C. This will involve transition risk for businesses which fail to change carbon-intensive or environmentally harmful commercial models in time.

Where Europris as a discount variety retailer is concerned, both physical and transitional climate risk is considered for all parts of the value chain – the products sourced, logistics and transport, and its own operations.

Physical climate risk

A physical risk scenario will imply increased volatility in the supply chain owing to negative impacts on sourced products. Logistics could be disrupted by storms or by damage to the transport infrastructure owing to flooding and rising sea levels. Heatwaves or changes in precipitation can destroy crops or delay production, disrupting access to key ingredients and causing price hikes or shortages. This can, for example, be seen today with key ingredients such as coffee and chocolate, which face extreme challenges from climate change in their regions of origin.

Management approach

To respond, Europris carries out ongoing assessments of its product portfolio and logistics operations which tie into the ongoing sustainability work. Strong operational control is provided through active product-category management, routines for quality and close coordination with the Shanghai sourcing office. This permits fast and dynamic responses to changes in market supply, which will minimise any adverse impacts and shortages.

Transition risk

As a retailer, Europris' own operations have relatively low direct emissions. The transition risk is expected to come primarily from the changing preferences of key stakeholders such as investors, customers and employees, or from environmental regulations relating to different products. As progress is made to a low carbon economy, pressure on Europris to contribute will increase. Failure to comply may lead to a loss of reputation, market share or investment support. That could potentially lead to substantial financial losses.

Management approach

To avoid such transition risk, Europris has set ambitious sustainability targets. These will be met through managing sustainability impacts in both the supply chain and its own operations. All goods are mapped in accordance with their sustainability impact, which can help reduce regulatory and reputational risk. One example could be providing sustainable alternatives to single-use plastic cutlery and plates in advance of the EU directive banning such products. This protects value while attracting potential new customers by offering sustainable products. Through keeping ahead of the curve, Europris can demonstrate leadership in the green transition and create an opportunity by expanding market shares while achieving a positive impact and long-term value.

Sustainable value chain

Europris recognises that its main impacts on environmental, social and governance (ESG) issues relate to the products sourced and sold in the stores. The group therefore seeks to improve the sustainability performance of private-label and brand-name merchandise. The supplier code of conduct ensures that ESG issues are prioritised in supplier engagements. Limiting the group's ecological footprint while enhancing its commitment to business ethics contribute to UN SDGs 12 – responsible consumption and production – and 8 – decent work and economic growth.

Commitment: ensure that merchandise in all stores is produced and sourced in a sustainable manner, and communicated clearly to permit sustainable choices.

Sustainable low-impact products

While retail does not directly use significant natural resources compared with other industries, its product value chains certainly do. Both manufacturing processes and raw materials may negatively impact forests, water supplies and local ecosystems. Europris takes a holistic view of sustainability and believes its environmental footprint should not be limited to its stores and logistics, but extend to its product range as well. The group therefore strives to limit the adverse impacts which products may have on the environment over their life cycle.

Policy

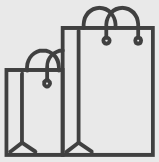
Europris believes in providing freedom of choice to its customers and works to offer sustainable quality alternatives wherever possible. The group is committed to reducing the environmental footprint of all merchandise, with its internal sourcing policy setting the path to a more sustainable product offering. Overall, Europris seeks to increase the proportion of environmentally certified products where product-specific sourcing policies apply to those product groups considered to have a higher environmental footprint.

Actions and results

Europris worked in 2019 on mapping and classifying all the products in its wide-ranging product universe in accordance with their sustainability impact in order to create a system which allows it to provide more sustainable products to its customers. Since choosing more sustainably often can be a complicated and demanding process, Europris has chosen to rely on pre-existing product labelling schemes. The EU and Nordic Ecolabels have currently been found to accord with Europris' sustainability policy, since they rest on rigorous life-cycle assessment and performance criteria.

Products have also been identified with established sustainability issues which breach the group's sus-

A more sustainable supply chain



Sustainable products

Europris works to ensure that goods sold in its stores are as sustainable as possible. It carries out safety testing and ongoing evaluation of sustainability impacts associated with individual products.

Efficient logistics and distribution

Europris minimises road transport to stores with its new central warehouse. Use of electric road transport is being planned in cooperation with the Port of Moss.

Goods are exported as far as possible using more environment-friendly maritime transport.

264
stores

Shanghai sourcing office

Europris mainly sources products produced in China through its Shanghai sourcing office.

The physical climate risk in China is evaluated by ND Gain as being in the upper middle range (57 points) based on the estimated physical climate impact and the overall social and political vulnerability and adaptive capacity. China is also associated with other risks related to human rights abuse and poor working conditions.

To prevent the risk of disruption in the supply of goods or violation of the Europris code of conduct, the sourcing office carries out supplier audits. Europris is also a member of the business social compliance initiative, which covers a wide range of ESG issues.

tainability policy. A shortlist of 10 products currently exists where Europris can make a difference by replacing them with more sustainable alternatives. This process is already well under way where the majority of these are concerned, with an increased percentage of sustainable alternatives introduced in 2019.

In accordance with this strategy, Europris has introduced its own brands with a strong sustainability focus, such as candles from ECO Vie or Natur bio-degradable plates and cutlery.

Sourcing for a better future

The Plastic Pledge: Europris has joined the Plastic Pledge initiated by Green Point Norway. Its goal is to encourage companies to pay greater attention to their use of plastics in their day-to-day business, and thereby make it easier achieve the EU's plastic targets for 2025-30. The main objectives are to increase the use of recycled plastic, avoid unnecessary use of plastics and design for recycling.

Plastic bags: Europris has introduced new plastic carrier bags made of recycled plastic. This demonstrates how the group integrates circularity in its sourcing policy in order to find solutions which have a significantly lower carbon footprint than plastic bags previously made of virgin plastic. The group is also looking into active ways of reducing plastic-bag use through its MER customer club. This is also a project in its early stages, which Europris hopes will have a significant impact. We have continued to pursue focused sourcing policies for some specific product materials. These groups are targeted because they make up a significant percentage of overall sales while having a higher environmental footprint.

Candle wax: The greenhouse effect is a growing source of concern in the world today. Both wax candles (biomass) and paraffin candles (fossil fuel) release CO_2 when burning. The benefit of using wax candles is that they do not contribute additional CO_2 to the atmosphere (low carbon footprint), providing their biomass comes from sustainable sources. In 2018, candles made from sustainable wax material (not palm oil or soya) represented 13 per cent of our total candle sales. By 2025, 50 per cent of total candle sales will be sustainable varieties. In 2019 Europris launched VIEeco. Our own ecofriendly private label of wax candles, giving the customer an affordable and sustainable choice.

Single-use plastics: Single-use plastics have received much attention, pushing companies to take urgent action. We provide alternatives to popular single-use plastic products, and launched a range of disposable plates in 2018 made of 100 per cent biodegradable material. By 2020, 50 per cent of sales of single-use products should be made of alternatives to plastics, reaching 100 per cent by 2021. In this way, we will comply with the EU curb on single-use plastics expected to be come into force in 2021.

Targets and ambitions

The overall aim is to increase the proportion of products certified in accordance with at least one environmental standard. To achieve this, Europris will work to increase the incorporation of sustainability details in the project information management system in order to improve logging of information about a product's environmental performance and labelling. This will provide more and better data on the overall sustainability of the product portfolio.

Europris will continue an ongoing assessment of product sustainability, and will work to add additional sustainability certifications. As this work progresses in 2020, the group will also aim to create a more specific sustainable product strategy for 2025, covering all product categories. For each category, the group will formulate specific sourcing policies, implement improvement programmes and set targets.

At the same time, Europris will work to phase out problematic products, including efforts to introduce sustainable alternatives for these – particularly products containing kerosene, such as certain candles and firelighters. By targeting high-risk products, Europris can improve the sustainability performance of its product offering while ensuring low prices and good quality.

Responsible supply-chain management

The majority of Europris' products are sourced from third-party suppliers with production sites at locations worldwide. The sheer number of suppliers increases the risk that some are in violation of the group's code of conduct, with poor labour conditions or operations involving a significantly negative environmental impact. The corruption risk is also higher in Europris' supply chain than in its immediate operations. Incidents may affect the group's ability to provide merchandise to customers, negatively affect the brand, and result in financial litigation.

Policy

As Europris has a limited ability to affect supplier operations, it works to improve supply chain transparency. Suppliers who can prove superior performance with regard to ESG issues are preferred partners.

All suppliers are required to sign the supplier code of conduct. In addition to upholding excellent business ethics and anti-corruption standards, the code states that all suppliers must minimise adverse impacts on human health and the environment throughout their value chains. National and international environmental legislation must be respected. The code requires all suppliers to adhere to the eight fundamental International Labour Organisation (ILO) conventions protecting labour rights. Should national laws cover topics similar to those in the ILO convention, the most stringent standards will apply.

Europris maintains separate packaging guidelines for all suppliers. These specify requirements related to the type, amount and method of packaging which are designed to minimise waste and permit more efficient transport. A new policy on sustainable materials has also been integrated in the procurement guidelines.

About a third of Europris merchandise sales come from products sourced from China. Following a risk-based approach, most attention is directed towards this aspect owing to the substantial purchases being made in a regulatory environment where ESG performance could be an issue. The remainder of the merchandise comes either from producers in Norway or involves US or European household brands which feature proven attention to sustainability and operate in well-regulated environments. These provide a comparatively lower level of supply chain risk for Europris.

Actions and results

Europris continued work during 2019 to improve oversight and corporate social responsibility (CSR) in the supply chain.

The group has conducted its own oversight and auditing of selected suppliers. A total of 49 suppliers in China – roughly the same number as the year before – completed a self-assessment questionnaire. Among other questions, the suppliers were asked to answer ones based on the UN Global Compact's guiding principles covering human and labour rights, environmental performance and anti-corruption. All respondents responded that they had a system for following up the supply chain via either supplier self-assessments or on-site inspections.

In 2019, Europris joined Amphori business social compliance initiative (BSCI), the largest sustainabili-

ty audit organisation. The BSCI provides a common ESG audit approach and a shared pool of factory audits, which allow members to coordinate their own audits better as well as to choose between previously audited suppliers.

That allows Europris to join forces with other companies using the BSCI approach to improve oversight and accountability and to strengthen ethical safeguards in international sourcing operations. Around 63 per cent of suppliers are currently BSCI-certified, predominately through joint sourcing with the Finnish company Tokmanni. This is slightly lower than the 66 per cent attained in 2018. By becoming an active member of the BSCI, however, Europris hopes to achieve a higher percentage in 2020 through leveraging access to BSCI information.

Targets and ambitions

Europris will continue to raise environmental, labour rights and human rights standards among its suppliers to ensure that they are all aligned with the code of conduct. However, the group acknowledges that a better screening and auditing processes must be implemented to strengthen prevention of social and environmental breaches. Europris will therefore continue work with existing suppliers, carrying out factory audits and regular supplier dialogues on sustainability.

The group will work to continue improving its approach to sustainable supply management by increasing the proportion of factories with BSCI or other certification in cooperation with the BSCI. Its goal will be to reach 100 per cent BSCI-certified suppliers in China.

Resource-efficient business model

Europris acknowledges that its operations have an impact on the environment and strives to reduce its environmental footprint by promoting circular initiatives in its operations. The group seeks new and innovative solutions to ensure efficient logistics and facility management. By reducing waste and energy use in its own operations and by implementing renewable and new low-carbon transport, Europris hopes to contribute to UN SDGs 12 – responsible consumption and production – and 13 – climate action.

Commitment: limit the impact of the business through resource-efficient operations and logistics.

Climate-friendly operations and logistics

The growth in Europris' retail operations has increased its responsibility for limiting the environmental footprint of its operations. The group's direct environmental footprint relates mainly to its operations in running the many stores and warehouses, and to the transport of merchandise. A resource-efficient business model therefore depends on efficient energy use and on reducing greenhouse gas (GHG) emissions. Europris thereby hopes to contribute to the UN SDGs.

Policy

Europris' new internal energy and environmental strategy for 2019-23 applies to all the stores. This strategy details specific measurable activities for promoting sustainable operations, technical solutions and optimised energy use.

The group aims to improve energy efficiency and maintain its state-of-the-art technical systems for monitoring energy consumption. Europris' headquarters in Fredrikstad and its central warehouse have both achieved Eco-Lighthouse certification and thereby set a standard for the sustainable operation which should be achieved by all stores and premises.

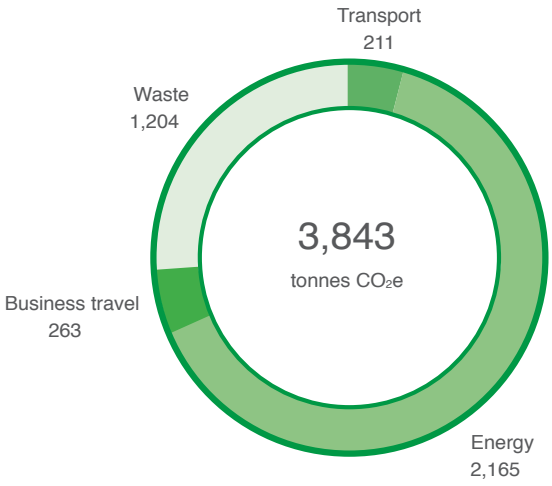
Actions and results

To meet its environmental strategy objectives, Europris measures and assesses its emissions and energy use. The group's main source of carbon emissions is energy consumption and waste, while business travel and transport in group-owned vehicles represent a smaller proportion (see the figure below).

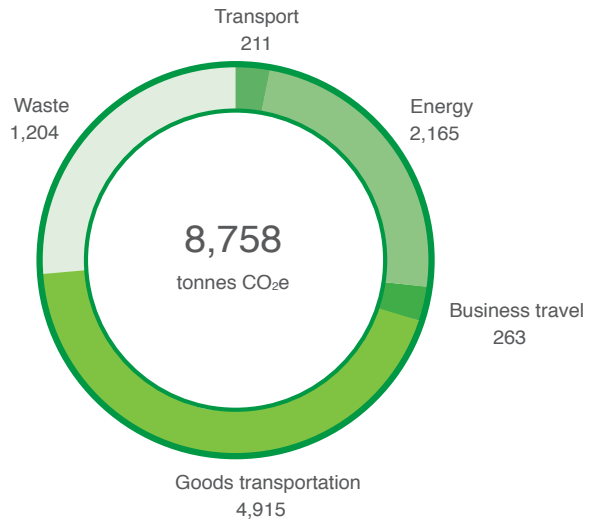
Europris' total carbon footprint in 2019 totalled 3,843 tonnes of CO_2 equivalent (CO_2e). This represent a decrease of 19 per cent since 2018. Over the past six years (2014-19), Europris has reduced its total CO_2 emissions (scopes 1, 2 and 3) by 41 per cent, despite opening 44 additional stores over the same period. The decrease derives primarily from enhanced energy efficiency and reduced consumption (down 28 per cent) and waste reduction (down 12 per cent). Over the same period, total energy-related emissions fell by 55 per cent as a result of targeted reduction measures as well as a lower proportion of fossil fuels in the energy mix. The footprint is calculated in accordance with the GHG Protocol covering scopes 1, 2 and 3 (excluding goods transport) using the operational control perspective, including activities which Europris has direct or partial control over.

Moreover, energy reduction measures in the stores have yielded a decline of 17.7 per cent (kWh per square metre, temperature corrected). Transport emissions rose by 9.5 per cent since 2014 but reflected a downward trend since they were cut by 4.7 per cent from 2018 to 2019.

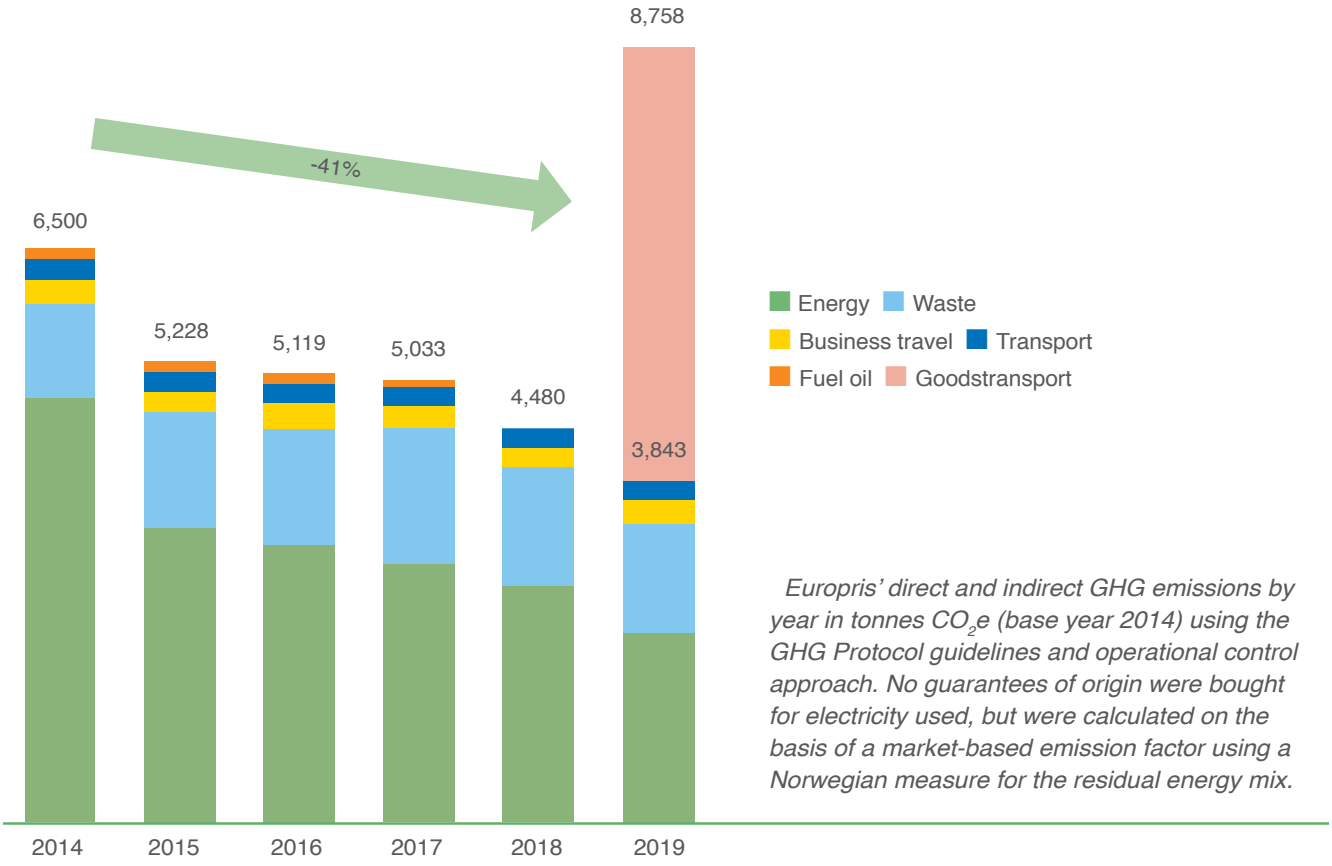
Emissions from sourced goods transport are also included for the first time from 2019. In accordance with the GHG Protocol, these are not attributed to



Share of GHG emissions in 2019 by emission source



Share of GHG emissions in 2019 by emission source, including goods transport



Europris' direct and indirect GHG emissions by year in tonnes CO_2e (base year 2014) using the GHG Protocol guidelines and operational control approach. No guarantees of origin were bought for electricity used, but were calculated on the basis of a market-based emission factor using a Norwegian measure for the residual energy mix.

Europris' direct emissions but rather treated as indirect emissions to avoid double counting of emissions from individual transport companies. This accounted for 4,915 tonnes of CO_2e, which is larger than Europris' direct emissions. Including this in the emission graph presented above results in higher total CO_2 emissions.

Europris' recognise the impact it shares with its suppliers, and is committed to finding efficient low-emission logistics solutions. The group hopes that monitoring emissions from sourced goods transport will provide a basis for further dialogue with partners to find more sustainable solutions. This means Europris has seen a rise in total emissions and a higher base year, but will hopefully have more precise measurements from 2020.

Targets and ambitions

Europris is satisfied with the decline in energy consumption at its stores. Given the great improvements made over the past six years, further reductions could prove challenging since they will require significant investment. However, the group has set a new target of limiting energy use per square metre by 10 per cent from 2018 to 2022. This will continue the long period of efficiency gains and cuts in energy consumption.

To achieve this, the group will work to find efficient solutions for energy savings. One example involves incorporating new LED lighting in 69 stores during 2020, which is expected to provide significant improvements in energy efficiency and reductions in total energy consumption. Europris moved to a new head office in Fredrikstad in 2019, and this will be equipped during 2020 with the largest Norwegian facility for in-house electricity generation to provide further emission cuts.

Europris started operating in 2019 out of its new central warehouse in Moss. As a state-of-the-art fully automated warehouse, energy intensity in such a facility might be expected to increase. However, the efficiency gains provided by automation will cut emissions from third-party logistics as well as shortening shelf-time and reducing waste.

To reduce logistics emissions even further, the group will continue to investigate opportunities for using trains, ships and electric road vehicles as alternative domestic transport methods. Attention will be concentrated on continuous improvements with the help of synergies from the new central warehouse. In addition, a new project will be launched in cooperation with the Port of Moss to test the use of electric vehicles from harbour to warehouse.

Where indirect emissions from goods transport are concerned, Europris will continue to cooperate with logistics partner Norlines. The latter will provide a full emission accounting for all transport in 2020.

Circular solutions and waste reduction

A growing number of stores and warehouses puts pressure on Europris to decouple business growth and environmental impact. Waste management and circular solutions thus become important areas of attention.

Policy

Europris is committed to reducing waste in own operations and encourages suppliers and customers to do the same. The group fulfils its legal obligations by financing recycling schemes for packaging as well as electrical and electronic (EE) products, and is a member of Green Dot Norway. All stores and warehouses have waste handling and separation routines to limit excessive waste and to promote recycling in day-to-day operations. Food waste is also minimised through efficient logistics and storage, as well as measures to sell products close to their expiry date. Food waste in Europris is already at low levels, since the food offering comprises dry or canned goods with long expiry dates.

Actions and results

Europris is now in the process of moving to a new warehouse in Moss. The group therefore expects total waste to increase in 2020, while the current recycling rate of 67 per cent is set to decrease. This is because the move may affect its overall ability to recycle leftover materials. Emptying the old premises meant more waste generation than usual as well as poorer recycling routines.

The Europris recycling rate in 2019 was 69.4 per cent, a small improvement from 68 per cent the year before. Compared with 2014, Europris has improved the recycling rate in its stores by five percentage points. This is satisfactory, particularly since 2019 saw the move to the new central warehouse, which increased waste generation and associated challenges.

Europris continued to improve recycling and waste management routines in its stores and warehouses during 2019. Work was also done with suppliers to find more efficient packaging solutions and to reduce the amount of unnecessary plastic packaging in order to cut overall waste in stores. An initiative to collect used boxes for loose-weight confectionary, for example, led to the recycling of 1.8 tonnes of plastic waste.

Moreover, Europris donates NOK 0.50 per plastic bag sold as a member of the Norwegian Retailers' Environment Fund. The group joined this initiative in September 2018 and contributed NOK 7.3 million in 2019. The fund's proceeds are invested in local and global initiatives to reduce plastic waste, particularly in the sea, and contributes to UN SDG 14 on life in water.

Europris has also signed a new agreement with the City Mission of the Church of Norway to place 100 textile collection boxes at various Europris stores in order to help support more responsible waste management and a circular lifestyle.

Targets and ambitions

Europris will work to reduce waste from store operations with the aim of ensuring that at least 75 per cent of all store waste is recycled by 2020, and

85 per cent by 2022. To reach that goal, the group will work in 2020 to introduce better waste handling routines across all its stores, as well as in the new central warehouse.

The contribution to the Norwegian Retailers' Environment Fund is expected to reach NOK 7.9 million in 2019. However, the overall goal is to reduce the number of plastic bags sold. Europris is also looking for ways to promote circular solutions in its operations.

Responsible employer

Employees are part of the Europris family. The group therefore works for an inclusive, safe and constructive workspace. Europris' core values and standards of business ethics are communicated so that employees can use them as guidelines is their working day. The group promotes diversity and ensures the health and wellbeing of employees, providing them with opportunities to develop long and meaningful careers. The policies and guidelines in place apply to all employees, whether they are full- or part-time, permanent staff or temporaries. Through its work for gender equality, employee wellbeing and workplace inclusivity, Europris hopes to contribute to UN SDGs 3 – good health and wellbeing – 5 – gender equality – and 8 – decent work and economic growth.

Commitment: be an ethical and responsible business which develops and cares for its employees.

Equal opportunities and a constructive work environment

Dedicated employees are Europris' most important asset. By fostering inclusive, safe and constructive workplaces, the group will be a place where employees thrive.

Policy

Europris believes in the equality of all people, regardless of gender, sexual orientation, religion, ethnicity, nationality or political affiliation. The group promotes diversity through a transparent and open recruitment policy. In addition, jobs are offered to those on social welfare schemes in close cooperation with the Norwegian Labour and Welfare Service (NAV) and other labour-market organisations.

Europris also has a policy on internal recruitment which allows employees to grow within its system by taking on new and important responsibilities for successful careers in the group. Europris' belief in people is reflected in its hiring and pay practices, and in the development programmes offered to employees. In line with group values, all Europris employees should thrive and feel good about their work.

Europris also maintained a whistleblowing system available to all stakeholders via its website in 2019 to make sure that important matters are reported anonymously. Through this, the group hopes to improve the identification and management of any potential problems related to breaches of its ethical guidelines.

Actions and results

Europris welcomed 678 new employees to the group in 2019. Staff turnover was 17.2 per cent, a slight decrease from previous years. Although this rate differs between store employees and management owing to the nature of their work, Europris handles workforce changes by offering its employees opportunities for learning and constructive long-term careers. The group is dependent on a predictable workforce, and dedicated employees are dependent on stable employment relationships. One way Europris manages staff turnover is by working to minimise the number of temporary personnel. Compared with previous years, the proportion of such temporaries has been reduced from 33 to 19 per cent of the total workforce, which is regarded as a satisfactory trend.

	Men	Women	Total
Temporary	226	317	543
Permanent	1,004	1,271	2,275
Total	**1,230**	**1,588**	**2,818**

The group has a zero-discrimination policy and works to improve the gender balance both in the workforce and for pay. A gender gap exists with regard both to central management, where men outnumber women, and to store employees, where there are more women than men. This gap has widened slightly since the year before as a result

of changes to the organisational structure. Europris hopes to close this gap through a recruitment policy where at least one male and one female candidate must be included when considering appointments to posts in the extended corporate management. However, the gender ratio of store managers is almost 1:1, and Europris is pleased with this result.

	Men	Women
Executive management	80%	20%
Central management	81%	19%
Store managers	47%	53%
Store employees	36%	64%

Europris policy is that there should be equal pay for equal work regardless of gender. For store managers, the company has a pay gap of one per cent in favour of the male store managers. This is a reduction from a wage gap of three per cent in 2018. The company has a conscious attitude to the wage differentials and uses the annual wage settlements as an arena to offset differences where possible. The gender pay gap can also be influenced by the employee's seniority and various external factors such as regional wage level differences.

In order to follow up its zero-discrimination policy, the group monitors its whistleblower mechanisms. It had five whistleblower cases in 2019, which were handled by the HR and legal departments. Interviews and surveys were also conducted where relevant. All incidents had been resolved by 31 December 2019. While Europris is satisfied with the way the incidents were handled, it recognises the importance of continuing efforts to prevent further discrimination of all kinds in order to maintain the good working environment which it values.

Europris is concerned to ensure employee job satisfaction, and believes that the attention it devotes to employee and manager development is reflected in the results from its employee survey. The group believes that motivated and loyal employees lead to increased efficiency and profitability.

The 2019 employee survey showed that employees are dedicated to their work. When asked if they were willing to "go the extra mile" to improve the performance of their team, positive responses reached 6.6 out of seven points for the administration and 6.3 for logistics and warehouse. And the question on general work satisfaction scored six out of seven points for the administration and 6.3 for logistics and warehouse. These results show that devoting continuous attention to employee satisfaction pays off.

Europris' employees are offered several courses for skills development intended to contribute to a long and meaningful career. A training programme based on AI simulation is provided to boost the skills and expertise of store managers. In 2019, 87 per cent of middle managers had completed leadership training, receiving more than four hours of tuition on average.

Over the past year, Europris appointed 16 store managers through internal recruitment processes. This shows that professional training for employees is an important driver for retaining talented personnel. Employees familiar with the group's culture and values are important contributors to value creation.

Europris also has programmes in place for the unemployed. It welcomed 133 employees in 2019 through its collaboration with social welfare schemes such as those run by the NAV. This is an important partnership for Europris, since it allows the group to contribute to a wider aspect of value creation by providing people with the opportunity to gain work experience and get back into the workforce.

Targets and ambitions

Europris will continue to work towards its ideal of an inclusive and constructive workplace. To prove its dedication to equal opportunities, non-discrimination and pay equality, it will maintain its efforts to increase the proportion of women employed in leading management positions. Where store managers are concerned, Europris has also introduced a target that 50 per cent of new hires from 2020 must be female.

Internal recruitment will again be a priority in 2020. The short-term goal is to increase the number of employees completing the talent programme and the proportion of internally recruited store managers. To help develop employee skills, the group aims to introduce its Europris Academy, to make better provision of new and existing training offerings to employees.

Health and safety in the workplace

The majority of Europris' employees work in the stores and warehouses. Ensuring that the stores are welcoming and stocked with the merchandise customers want calls for physical work, and group employees are therefore prone to occupational injuries and illnesses. Health, safety and environmental (HSE) work is therefore of central importance to Europris for preventing accidents and ensuring the safety of its employees. The group's management team also includes a dedicated HSE director, who is responsible following up issues and ensuring improvements.

Policy

The group has several tools in place for ensuring employee health and safety. These include training for store staff, running in-house HSE courses, and providing specialised courses for safety delegates. The annual HSE cycle is implemented in the general employee management system, ensuring that training and internal audits are conducted on a regular basis.

Actions and results

Sickness absence is an important area of concern for Europris, since its rate has remained above the desired level for several years. Among other responses, employees faced with health issues have been offered individual follow-up and customised solutions. Statistics related to sickness absence in the group for 2019 are presented in the following table.

Sickness absence	2018	2019
Store employees	7.8%	8.3%
Administrative employees	6.7%	5.9%

The results show an increase in sickness absence for store personnel, the largest employee group. Europris regards this result as unacceptable, and will continue its efforts to help employees and facilitate workplace inclusivity and to look for new ways to reduce the rate of sickness absence.

Targets and ambitions

Europris works continuously to increase work attendance and to promote employee health. A significant ambition for 2025 is to reduce sickness absence among employees to around five per cent, and six per cent in 2023. To achieve this, Europris will integrate more HSE-related aspects in training for store managers and introduce new policies on inclusiveness and workplace customisation for employees with special health concerns or age-related issues. The group will also work to improve injury data to include injuries among store employees.

Business ethics and anti-corruption

Compliance with rules on environmental, socioeconomic and business ethics is fundamental to maintaining the strong Europris brand position. Breaches of such requirements may also damage the group's ability to attract and retain personnel with the right talents.

Policy

Stakeholders should feel assured that Europris complies with all relevant laws and regulations, and that no ethical breaches are taking place in the group. Its code of conduct is communicated to all employees in order to ensure a shared understanding of the group's ethics. Europris maintains an anonymised whistleblowing portal. To reduce the risk of corruption in the organisation, the group's anti-corruption policy and guidelines are communicated to and signed by all procurement staff as well as by personnel in high-risk positions. Anti-corruption and business ethics also form part of the standard training programme offered to all employees.

Actions and results

No incidents concerning compliance with anti-competitive, socioeconomic or marketing regulations were reported in 2019.

Targets and ambitions

Europris will continue to devote attention to internal routines for ethical business conduct. Its guidelines and policies on business ethics are continuously reviewed, with improvements made on the basis of corruption risk assessments.

Empowering customers and communities

Europris cares about its customers and the local communities in which it operates. The group therefore works to enable its customers to make greener, safer and better-quality choices, and to engage with local communities through sponsorships, partnerships and other community-building activities, as well as with charities helping those who are worst off in society. In this way, Europris hopes to contribute to UN SDGs 1 – no poverty – and 17 – partnerships for the goals.

Commitment: ensure the wellbeing and satisfaction of customers and give back to the group's local communities.

Satisfied customers

Europris' core strategy is to solidify its position as a leading discount variety retailer in the Norwegian market. To achieve this, it goes without saying that the company depends on a strong customer base and therefore strives to provide customers with a positive and welcoming shopping experience.

Policy

Europris' slogan "pay less – save more" promises to help customers save both time and money. When visiting a Europris store, customers will have a good shopping experience with helpful staff and the opportunity to choose between a wide range of products.

Actions and results

The number of customer complaints in 2019 was down by 11 per cent from the year before, which continued a long period of decline. This reflects the great attention paid by Europris to ensuring appropriate standards for all products while retaining a focus on preserving low prices and affordability as well as on providing customers with good-quality products at affordable prices.

Europris works to maintain a close dialogue with its customers, using an extensive Brandtracker survey to help map customer satisfaction and expectations. Since 2013, the group's customer impression score has shown the greatest progress of all survey participants. Customers increasingly appreciate Europris' product range and seasonal merchandise, and associate the chain with a positive shopping experience. The "perceived product quality" area is also improving, although at a slower rate and with a lower overall score compared with other areas, while "low prices" has stagnated. Both product quality and low prices are important Europris trademarks, and the group will concentrate attention on these aspects of customer satisfaction in the time to come.

Targets and ambitions

Part of the Europris value proposition is making quality products accessible to everyone. The group is committed to providing such products to a diverse customer base, including people with mobility issues or the visually- or hearing-impaired. Moreover, achieving the sustainability ambition by 2025 calls for greater attention to be paid to creating a sustainability profile as well as to encouraging employees to get better at providing customers with what they want and at creating longer lasting relationships.

Safe and good-quality products

Europris takes its responsibility for customer safety seriously. The group works diligently to avoid hazardous substances in products and to continue meeting high standards of quality, transparency and safety. This is particularly important since Europris sources merchandise from a multitude of suppliers across the globe, which increases the risk of certain products failing to meet national requirements.

Policy and management approach

To ensure safe and good quality products, Europris has a dedicated product quality and safety department. All imported products are tested to ensure that they comply with international and national legislation. Producers who fall under the Reach regulation must sign a statement confirming compliance. Europris also requests full documentation from all producers and suppliers as specified by a bill of materials (BOM) – an exhaustive list of product components. That gives Europris a better basis for determining the need to conduct additional safety testing beyond the standard relevant for the product category.

Europris merchandise is carefully tested in the group's own laboratory to provide a guarantee for

the safety and quality of the products it sells. These extensive checks cover factors such as product labelling, contents, net weight, microscopic measurements and refractometric analyses, and the results are compared with Europris' own requirements and the Codex product standard. The same procedure is carried out for all new products, which should also be covered by additional documentation for all ingredients and origins, and by analysis certificates to demonstrate zero content of genetically modified organisms (GMOs), mycotoxins, histamine or other undesirable substances.

Actions and results

The product information management (PIM) system monitors product risk and safety. This permits more targeted testing and increased consumer protection while reducing the total number of tests conducted. Testing follows the approach of the British Retail Consortium (BRC) for monitoring risks in different product groups. To reduce risks even further, Europris requires additional safety testing for toys and electronics. The group conducted 2,124 product tests in Norway during 2019. Only 11 nonconformities were found and corrected, primarily concerning insufficient product labelling. Additional testing is also carried out at the Shanghai sourcing office in cooperation with partner SGS.

Two cases arose in 2019 where Europris found it necessary to act on product quality and safety. One concerned a life vest for children, which was tested and performed in accordance with the requirements. Following feedback from media and customers which questioned the quality of the vest, however, Europris found it appropriate – especially given the nature of the product – to withdraw it from the market. The other involved a chewing bone for dogs. This was similarly subject to randomised testing in the laboratory before going in-store. However, some were found to contain plastic threads which posed a possible safety hazard for dogs. These had not been removed because of a producer error. Fortunately, Europris was able to respond quickly and recall the faulty products from its stores. After the fault was discovered, it took only five minutes before the product had been barred in all stores, and 79 minutes before everyone who had bought the product in question had been contacted. Europris is happy with this result, since it demonstrates the group's ability to maintain a high level of safety and responsiveness to customers.

Targets and ambitions

Europris' ambition is to guarantee that all its merchandise conforms with relevant laws and requirements, and to strengthen its reputation as a trustworthy and dependable retailer of discount variety merchandise. The group will use its PIM system to track the performance record of different product groups to ensure continuous quality of and safety improvements for the overall product catalogue.

Development of the testing and assurance system will also continue, with even more products being tested by SGS in Shanghai to ensure optimal quality. Europris will improve its risk-based approach to product testing. Dialogue with suppliers and clearly communicated requirements will be among the measures taken to ensure better sourcing practices and fewer compliance issues.

Data protection and privacy

The digital age poses new challenges for consumer rights in terms of responsible treatment of consumer data. Consumers are also increasingly aware of and

informed about their rights, putting greater demands on retailers to ensure that these are upheld. Europris wants to contribute to maintaining the trust of its customers in order to build long-lasting relationships and mutual value.

Policy

Europris' data privacy and protection policy is publicly available on its website, and is reviewed annually. The policy provides information on the type of data collected and for what purpose. Stakeholders may directly contact the data privacy manager, whose contact information is included in the policy.

Actions and results

When the general data protection regulation (GDPR) was implemented on 20 July 2018, Europris updated its data privacy policy and practices. Among other things, the group obtained the consent of everyone registered in its database to continue collecting information. The group had zero complaints regarding customer privacy and loss of customer data in 2019. However, one major cyber attack was recorded, where the user ID and password of 259 customers were compromised. All customers were contacted and informed about the incident, which is currently being investigated by the police and the Norwegian Data Protection Authority.

Targets and ambitions

Europris will always work to guard the integrity and security of customer data and be up-to-date on the latest GDPR requirements. The company will also work to improve cyber security. That applies particularly to front-end software solutions, which caused the recent data breach.

Local value creation

Europris stores are located across Norway, many of them in smaller communities. Good relationships with the latter are emphasised by the group as a local goods provider and value creator. Such relationships are fundamental to its licence to operate.

Policy

To make quality products at low prices accessible to everyone, a key part of Europris' strategy is to establish stores in locations where such outlets do not already exist. This means that Europris is present nationwide, often outside the larger urban centres. Europris recognises its role as a local value creator, will always adhere to local tax regulations, and will strive to create value through local job creation.

A key part of Europris' strategy is to establish stores in areas where it contributes to the local communities in which it operates. By providing job opportunities and paying local taxes, the group contributes to direct value creation.

Actions and results

Europris added six new stores in 2019, making a total of 264 across Norway. Several of these were in areas where people had to travel a long way to do their shopping. By establishing stores closer to where people live, Europris hopes to make peoples' lives more convenient and contribute to regional economies and value creation.

Targets and ambitions

Europris will continue to strengthen its local presence by establishing stores in new locations nationwide. That allows people to access products where they live, making their lives more convenient and sustainable.

Community engagement

Policy

Europris also contributes to indirect value creation by supporting local activities and organisations, such as sports clubs, humanitarian and charitable organisations, cultural festivals and other events which take place in the areas where it has a presence.

Actions and results

Europris has continued its close partnership with the City Mission of the Church of Norway, where the group makes significant annual financial contributions to the work of improving conditions for those in need. These funds are primarily devoted to social and humanitarian initiatives in Bergen, Fredrikstad, Oslo and Stavanger.

Targets and ambitions

The group will continue to foster strategic partnerships with local initiatives, and thereby encourage social and environmental value creation beyond its immediate operations.

Store openings in 2019:

Gunerius

Fosnavåg

Vestnes

Meråker

Øksnevad

Etne

Europris GRI index 2019

The Global Reporting Initiative (GRI) is an independent international standards organisation which has developed the world's most widely used framework for sustainability reporting. These guidelines consist of reporting principles, aspects and indicators which organisations can use to disclose information related to their financial, environmental and social performance. This report has been prepared in accordance with the GRI standards: core option.

The table below shows Europris reporting relative to the GRI Standards.

General disclosures

GRI section	Description	Source
Organisational profile		
102-1	Name of the organisation	Europris ASA
102-2	Activities, brands, products and services	In the director's report
102-3	Location of headquarters	Dikeveien 57, 1661 Rolvsøy, Norway
102-4	Location of operations	In the sustainability report
102-5	Ownership and legal form	In the director's report
102-6	Markets served	In the director's report
102-7	Scale of the organisation	In the director's report
102-8	Information on employees and other workers	In the sustainability report
102-9	Supply chain	In the director's report and sustainability report
102-10	Significant changes to the organisation and its supply chain	In the director's report
102-11	Precautionary principle or approach	The precautionary principle is applied
102-12	External initiatives	In the sustainability report
102-13	Membership of associations	In the sustainability report
Strategy		
102-14	Statement from senior decision-maker	Message from the chair
Ethics and integrity		
102-16	Values, principles, standards and norms of behaviour	In the sustainability report
Governance		
102-18	Governance structure	In the corporate governance report
Stakeholder engagement		
102-40	Message from the chair	In the sustainability report
102-41	Collective bargaining agreements	In the sustainability report
102-42	Identifying and selecting stakeholders	In the sustainability report
102-43	Approach to stakeholder engagement	In the sustainability report
102-44	Key topics and concerns raised	In the sustainability report
Reporting practice		
102-45	Entities included in the consolidated financial statements	In the consolidated financial statements, note 1.3
102-46	Defining report content and topic boundaries	In the sustainability report
102-47	List of material topics	In the sustainability report and GRI index
102-48	Restatements of information	NA
102-49	Changes in reporting	NA
102-50	Reporting period	01.01.19-31.12.19
102-51	Date of most recent report	2018
102-52	Reporting cycle	Annually
102-53	Contact point for questions regarding the report	Tatiana Gutierrez Eide - tatiana.eide@europris.no
102-54	Claims of reporting in accordance with the GRI standards	Europris GRI index - 2019
102-55	GRI content index	Europris GRI index - 2019

Material topics

GRI section	Description	Source	Explanation
Sustainable value chain			
Sustainable low-impact products			
GRI 103 - Management approach *G4 FP1- Procurement/sourcing practices*			
FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy	In the sustainability report	Data not available. A reporting system will be established in 2020 to repair this omission
G4 FP2 - Procurement/sourcing practices			
FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognised responsible production standards, broken down by standard	In the sustainability report	Data only available for some product groups
Responsible supply-chain management			
GRI 103 - Management approach *GRI 308 - Supplier environmental assessment*			
308-1	New suppliers which were screened using environmental criteria	In the sustainability report	Europris has indicative data but will work on establishing more reliable figures
GRI 414 - Supplier social assessment			
414-1	New suppliers which were screened using social criteria	In the sustainability report	Europris has indicative data, but will work on establishing more reliable figures
Resource-efficient business model			
Climate-friendly operations and logistics			
GRI 103 - Management approach *GRI 302 - Energy*			
302-1	Energy consumption within the organisation	In the sustainability report	
302-2	Energy consumption outside the organisation	In the sustainability report	
302-3	Energy intensity	In the sustainability report	Note: energy use per m^2
302-4	Reduction of energy consumption	In the sustainability report	
GRI 305 - Emissions			
305-1	Direct (scope 1) GHG emissions	In the sustainability report	
305-2	Energy indirect (scope 2) GHG emissions	In the sustainability report	
305-3	Other indirect (scope 3) GHG emissions	In the sustainability report	
305-5	Reduction of GHG emissions	In the sustainability report	
Circular solutions and waste reduction			
GRI 103 - Management approach *GRI 306 - Effluents and waste*			
306-2	Waste by type and disposal method	In the sustainability report	

Note: GRI report not subject to third-party verification in accordance with the GRI principles

GRI section	Description	Source	Explanation
Responsible employer			
Equal opportunities and a constructive work environment			
GRI 103 - Management approach *GRI 401 - Employment*			
401-1	New employee hires and employee turnover	In the sustainability report	No reporting of age group, gender or region
GRI 404 - Training and education			
404-2	Programmes available for upgrading employee skills and transition assistance programmes	In the sustainability report	Not an exhaustive list of all programmes. No information about programmes to facilitate continued employability
GRI 405 - Diversity and equal opportunity			
405-1	Diversity of governance bodies and employees	In the sustainability report	Diversity in governance bodies or other minority cartegories. No reporting by region or age group
405-2	Ratio of basic pay and remuneration of women to men	In the sustainability report	Norway is the significant location of operations
GRI 406 - Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	In the sustainability report	
Health and safety in the workplace			
GRI 103 - Management approach *GRI 403 - Occupational health and safety*			
403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	In the sustainability report	No reporting on rates of lost days or occupational disease. Not broken down by region or gender
Business ethics and anti-corruption			
GRI 103 - Management approach *GRI 205 - Anti-corruption*			
205-2	Communication and training about anti-corruption policies and procedures	In the sustainability report	Only indicative data available. Europris will work to provide more reliable data
205-3	Confirmed incidents of corruption and actions taken	In the sustainability report	
GRI 206 - Anti-competitive behavior			
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	In the sustainability report	
GRI 417 - Marketing and labelling			
417-3	Incidents of non-compliance concerning marketing communications	In the sustainability report	
GRI 419 - Socioeconomic compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	In the sustainability report	
Empowering customers and communities			
Satisfied customers			
GRI 103 - Management approach *Europris - Own indicator*			
	Brandtracker survey	In the sustainability report	
Safe and good-quality products			
GRI 103 - Management approach *GRI 416 - Customer health and safety*			
416-1	Assessment of the health and safety impacts of product and service categories	In the sustainability report	Only information for certain products is provided. Europris will work to provide a more exhaustive overview
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	In the sustainability report	
GRI 417 - Marketing and labelling			
417-2	Incidents of non-compliance concerning product and service information labelling	In the sustainability report	
Data protection and privacy			
GRI 103 - Management approach *GRI 418 - Customer privacy*			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	In the sustainability report	
Local value creation			
GRI 103 - Management approach *GRI 201 - Economic performance*			
201-1	Direct economic value generated and distributed	In the sustainability report	
Community engagement			
GRI 103 - Management approach			

CONTENT

Europris Awards 2019 5
Key figures 6
Alternative performance measures 7
Letter from the chair 10
Directors' report 12
Corporate governance 24
Sustainability report 32

Consolidated financial statements 59
Income statement 60
Balance sheet 61
Statement of changes in equity 63
Statement of cash flows 64
Notes 65

Europris ASA financial statements 97
Income statement 98
Balance sheet 99
Statement of changes in equity 101
Statement of cash flows 102
Notes 103

Decleration to the annual report 111
APM definitions 112
Auditor's report 113
Shareholder information 118

EUROPRIS ASA GROUP 2019

CONSOLIDATED INCOME STATEMENT

Figures are stated in NOK 1,000	Note	2019	2018
Revenue	5	6,156,037	5,738,144
Other income	5	78,352	78,840
Total operating income	5	**6,234,389**	**5,816,984**
Cost of goods sold (COGS)	18	3,543,730	3,298,296
Employee benefit expensees	6, 7, 8	985,347	898,504
Depreciation	12, 13, 14	515,673	90,743
Other operating expenses	6, 9, 13, 14	611,057	942,369
Total operating expenses		**5,655,807**	**5,229,911**
Operating profit		**578,582**	**587,073**
Interest income	10	810	2,643
Other financial income	10	775	3,485
Total financial income		**1,585**	**6,129**
Interest expense	10, 14	88,344	38,755
Other financial expense	10	11,413	8,316
Total financial expense		**99,757**	**47,070**
Net financial income (expense)		**(98,172)**	**(40,942)**
Profit/(loss) from associated companies	15	-	6,400
Profit before tax		**480,410**	**552,531**
Income tax expense	11	104,974	123,400
Profit for the year	16	**375,436**	**429,132**
Earnings per share (basic and diluted) – in NOK	16	**2.32**	**2.59**
Consolidated statement of comprehensive income			
Profit for the year		375,436	429,132
Other income and expense		-	-
Total comprehensive income for the year		**375,436**	**429,132**

Notes 1 to 28 are an integral part of the consolidated financial statements

CONSOLIDATED BALANCE SHEET

Figures are stated in NOK 1,000	Note	31-12-2019	31-12-2018
ASSETS			
Non-current assets			
Intangible assets			
Software	12	45,699	47,167
Trademark	12	387,573	387,573
Goodwill	12	1,611,397	1,605,947
Total intangible assets		**2,044,669**	**2,040,688**
Property, plant & equipment			
Land	13	24,966	23,739
Fixtures and fittings	13	313,396	238,324
Right-of-use assets	14	2,404,873	-
Total property, plant & equipment		**2,743,235**	**262,063**
Financial assets			
Investment in associated companies	15	125,887	142,268
Other investments		374	374
Other receivables	17, 23	24,400	24,073
Derivatives	17, 22, 23	605	237
Total financial assets		**151,266**	**166,952**
Total non-current assets		**4,939,170**	**2,469,702**
Current assets			
Inventories	18	1,550,331	1,573,233
Trade and other receivables			
Trade receivables	17, 23	181,774	185,712
Other receivables	17, 23	76,417	87,893
Derivatives	17, 22, 23	-	13,829
Total trade and other receivables		**258,191**	**287,435**
Cash	19, 23	568,036	426,967
Total current assets		**2,376,558**	**2,287,634**
Total assets		**7,315,727**	**4,757,337**

Notes 1 to 28 are an integral part of the consolidated financial statements

CONSOLIDATED BALANCE SHEET

Figures are stated in NOK 1,000	Note	31-12-2019	31-12-2018
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	20	166,969	166,969
Treasury shares	20	(1,150)	(5,370)
Share premium	20	51,652	51,652
Other paid-in capital	20	17,475	-
Total paid-in capital		**234,946**	**213,251**
Retained equity			
Other equity		1,742,923	1,575,677
Total retained equity		**1,742,923**	**1,575,677**
Total shareholders' equity		**1,977,870**	**1,788,928**
Liabilities			
Non-current liabilities			
Provisions			
Deferred tax liability	11	31,763	45,146
Total provisions		**31,763**	**45,146**
Other non-current liabilities			
Borrowings	21,23	14,280	1,649,428
Lease liabilities	14,21	2,003,993	-
Derivatives	22,23	-	-
Total other non-current liabilities		**2,018,273**	**1,649,428**
Total non-current liabilities		**2,050,036**	**1,694,574**
Current liabilities			
Borrowings	21,23	1,642,007	-
Current lease liabilities	14	414,088	-
Accounts payable	23, 24	616,769	553,643
Tax payable	11	116,380	124,140
Public duties payable	23, 24	243,072	251,540
Other current liabilities	15, 23, 24	242,096	344,512
Derivatives	22, 23	13,409	-
Total current liabilities		**3,287,821**	**1,273,835**
Total liabilities		**5,337,857**	**2,968,409**
Total equity and liabilities		**7,315,727**	**4,757,337**

Fredrikstad, 25 March 2020

THE BOARD OF DIRECTORS OF EUROPRIS ASA

Tom Vidar Rygh *Chair*	Hege Bømark	Bente Sollid Storehaug	Claus Juel-Jensen
Karl Svensson	Tone Fintland	Sverre R Kjær	Pål Wibe *CEO*

Notes 1 to 28 are an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Figures are stated in NOK 1,000	Share capital	Treasury shares	Share premium	Other paid-in capital	Other equity	Total
Equity 01.01.2019	**166,969**	**(5,370)**	**51,652**	**-**	**1,575,677**	**1,788,928**
Profit for the period	-	-	-	-	375,436	375,436
Dividend	-	-	-	-	(298,717)	(298,717)
Net purchase/sale of treasury shares	-	4,220	-	17,475	90,527	112,222
Other comprehensive income	-	-	-	-	-	-
Equity 31.12.2019	**166,969**	**(1,150)**	**51,652**	**17,475**	**1,742,923**	**1,977,870**
Equity 01.01.2018	**166,969**	**-**	**335,499**	**-**	**1,261,765**	**1,764,233**
Profit for the period	-	-	-	-	429,132	429,132
Dividend	-	-	(283,847)	-	-	(283,847)
Net purchase/sale of treasury shares	-	(5,370)	-	-	(115,220)	(120,590)
Other comprehensive income	-		-	-	-	-
Equity 31.12.2018	**166,969**	**(5,370)**	**51,652**	**-**	**1,575,677**	**1,788,928**

In accordance with sections 9-4 and 9-5 of the Norwegian Public Limited Liability Companies Act, the board is mandated to acquire the company's own shares on specific conditions. See note 20 for details of treasury shares.

CONSOLIDATED STATEMENT OF CASH FLOWS

Figures are stated in NOK 1,000	Note	2019	2018
Cash flows from operating activities			
Profit before income tax		480,410	552,531
Adjusted for:			
– Depreciation fixed assets	13,14	494,824	72,850
– Amortisation intangible assets	12	20,849	17,893
– Unrealised (gain) and loss on derivatives	10,17	26,870	1,218
– Net interest expense exclusive of change in fair value derivatives	10	90,661	31,433
– Profit from associated companies	15	-	(6,400)
Changes in net working capital (exclusive effect of acquistions):			
– Inventory		44,411	(168,516)
– Accounts receivable and other current receivables		6,014	(38,908)
– Accounts payable and other current debt		82,938	38,017
Interest paid	10	(91,103)	(35,295)
Income tax paid	11	(124,173)	(117,069)
Net cash generated from operating activities		**1,031,701**	**347,755**
Cash flows from investing activities			
Purchases of fixed assets	13	(137,648)	(56,709)
Purchases of intangible assets	12	(19,381)	(22,443)
Acquisition		(2,711)	(12,875)
Interest received	10	810	2,643
Net cash used in investing activities		**(158,930)**	**(89,384)**
Cash flows from financing activities			
Repayment of debt to financial institutions		(6,840)	(8,629)
Principal paid on lease liabilities	14	(423,169)	-
Dividend		(298,717)	(283,847)
Buy-back of treasury shares		(2,975)	(120,590)
Net cash from financing activities		**(731,702)**	**(413,067)**
Net decrease/increase in cash		**141,070**	**(154,696)**
Cash at beginning of year (01.01)		**426,967**	**581,663**
Cash at end of year (31.12)		**568,036**	**426,967**

The IFRS 16 implementation has no cash effects but, in the consolidated statement of cash flows, the part of the lease payment which is classified as repayment of loans will be reclassified from operating to financing activities.

Notes 1 to 28 are an integral part of the consolidated financial statements

NOTE 1 ACCOUNTING PRINCIPLES

1.1 Basis of preparation

The consolidated financial statements for Europris ASA ("the group") have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, as well as Norwegian disclosure requirements pursuant to section 3-9 of the Norwegian Accounting Act at 31 December 2019.

The board approved the consolidated financial statements on 25 March 2020.

The consolidated financial statements have been prepared on a historical cost basis with the following exceptions:

- derivative instruments are recognised at fair value through profit and loss.

The group has applied the going concern assumption in preparing its consolidated financial statements. When assessing this assumption, management has assessed all available information regarding future expectations.

The preparation of financial statements in conformity with the IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity or where the assumptions and estimates are significant for the consolidated financial statements are disclosed in note 3.

1.2 Changes in accounting principles

The accounting policies adopted are consistent with those of the previous financial year, except for the amendments to the IFRS which have been implemented by the group during the current financial year. The following new standard has been implemented for the first time in 2019.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires lessees to account for most leases under a single on-balance-sheet model. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term ("right-of-use asset"). The standard includes a number of optional practical expedients related to recognition and initial application. Lessees will be required to recognise separately the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

With effect from 1 January 2019, the group adopted IFRS 16 using the modified retrospective approach, and comparative information has accordingly not been restated. The group recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance for retained earnings.

Europris acts as a lessee and has leases related to its business operations, such as the logistics centre, store facilities, vehicles and other equipment.

Determining whether a contract is or contains a lease

On the transition to IFRS 16, the group elected, as a practical expedient, not to reassess whether a contract is or contains a lease. The group applied IFRS 16 only to contracts which were previously identified as leases.

Leases previously classified as operating leases under IAS 17

At the date of initial application of IFRS 16, the group measured lease liabilities at the present value of the remaining lease payments, discounted using the group's incremental borrowing rate at 1 January 2019. Furthermore, the group recognised right-of-use assets at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments.

The group has applied the following practical expedients to leases previously classified as operating leases at the date of initial application:

- exemption for short-term leases (defined as 12 months or less)
- exemption for low value assets
- excluded any initial direct costs from the

measurement of the right-of-use asset
- applied hindsight when determining the lease term for contracts containing options.

Extensions options

The lease term represents the non-cancellable period of the lease together with periods covered by an option to extend the lease if the lessee is reasonably certain to excercise that option.

Generally it is not considered reasonable certain that extension options will be exercised. Typically, lease contracts are renegotiated at the end of the non-cancellable period, and a new contract is entered into on better terms, in the form of both shorter duration and lower rent. This means that extension options in the lease contracts are not normally included in the IFRS 16 calculation.

Leases previously classified as finance leases under IAS 17

Where leases classified as finance leases under IAS 17 are concerned, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 was determined to be the carrying amount of the lease asset and lease liability at the date of initial application of IFRS 16.

IFRS 16 impact on the consolidated financial statements

The adoption of IFRS 16 has had a significant effect on the group's financial statements. At the transition to IFRS 16, the group recognised NOK 1,989 million in right-of-use assets and NOK 1,989 million as lease liabilities.

The impact on the date of initial application is further presented below.

Figures are stated in NOK 1,000	01.01.2019
Reconciliation of lease commitments to lease liabilities	
Operating lease commitments 31 December 2018	2,910,529
+ Vehicles and other equipment not included in lease commitments	17,599
- New premises moved into during the year	746,815
- Discounting using the incremental borrowing rate	192,440
Lease liabilities recognised at initial application	**1,988,873**

The weighted average incremental borrowing rate applied when calculating the implementation effect.

	Interest rate
1-3 years	2.15%
3-5 years	2.49%
5-10 years	3.11%
Over 10 years	3.62%
Weighted average	2.84%

1.3 Consolidation

The consolidated financial statements include the parent company Europris ASA and all its subsidiaries.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in profit or loss. A contingent consideration which is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the aggregate consideration transferred and the amount of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit and loss.

Intercompany transactions, balances, revenue and expenses arising from transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The consolidated financial statements include Europris ASA and its subsidiaries.

Company	Ownership/voting share
Europris ASA	parent company
Europris Holding AS	100%
Europris AS	100%
Europris Butikkdrift AS	100%
Sortland Lavpris AS	100%
Flekkefjord Lavpris AS	100%

The subsidiaries acquired by Europris AS in 2018 – Bardufoss Lavpris AS, Skien Lavpris AS, Grenland Lavpris AS and Stord Lavpris AS – were all merged with Europris Butikkdrift AS at 1 January 2019.

The Tynset Lavpris AS and Voss Lavpris AS companies were acquired by Europris AS at January 2019 and and merged with Europris Butikkdrift AS with effect from 1 January 2019.

Europris AS acquired Sortland Lavpris AS and Flekkefjord Lavpris AS in 2019. These companies will be merged with Europris Butikkdrift AS with effect from 1 January 2020.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date on which that control ceases. When the group ceases to have control, any remaining interest in the entity is re-measured to its fair value at the date when control ceases, with the change in carrying amount recognised in profit and loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the remaining interest as an associate, joint venture or financial asset.

IFRS 10 Consolidated financial statements is based on the principle of using the control term as the decisive criterion to decide whether a company should be included in the consolidated financial statements. The application guidance to the standard provides guidance when determining whether an entity has control over a franchisee. Based on the guidance in IFRS 10, the group has determined that it does not control its franchisees and the franchises are therefore not consolidated. This is based on a judgement of the criteria in IFRS 10 as to whether or not Europris controls the franchises.

1.4 Investment in associates

The group has investments in associates. Associates are entities over which the group has significant influence, but not control over financial and operating management.

The considerations made in determining whether the group has significant influence over an entity are similar to those necessary to determine control over subsidiaries.

Associates are accounted for using the equity method from the date when significant influence is achieved until such influence ceases.

Investments in an associate are initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the group's share of the net assets of the associate since the acquisition date.

Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the group's share of the results of operations of the associate. In addition, when there has been a change recognised directly in the equity of the associate, the group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

If there are indications that the investment in the associate is impaired, the group will perform an impairment test of the carrying amount of the investment. Any impairment losses are recognised as share of profit of an associate in the statement of profit or loss.

If the group's share of the loss surpasses the carrying amount of the associate, the carrying amount is set to zero and further loss is not recognised unless the group has an obligation to make up for the loss.

Upon loss of significant influence over the associate, such that the equity method ceases to apply, the group measures and recognises any retained investment at its fair value. A new measurement of remaining ownership interests will not be performed if the equity method is still applicable.

1.5 Segment reporting

The Europris group as a whole is defined and identified as one operating segment. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the group management. Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker.

1.6 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the respective group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the income statement. Non-monetary items are not re-translated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Non-monetary items which are measured at fair value in foreign currency are translated into the functional currency at the reporting date. Changes in exchange rates are recognised continuously in operating profit.

The consolidated financial statements are presented in NOK, which is the group's presentation and functional currency.

1.7 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount which reflects the consideration which the group expects to be entitled to in exchange for those goods or services. The group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue from the sale of goods

The group operates a chain of stores in the discount variety retail sector which sells consumer goods, including sales to franchise stores. The group recognises revenue from the sale of goods at the point in time when control of the goods is transferred to the customer. Control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits from the asset, and the ability to prevent others from directing the use of and receiving the benefits from the asset. Revenue is generally recognised on delivery of the goods.

Retail sales are usually in cash or by debit or credit cards. Internet sales are immaterial for the group and account for less than one per cent of total sales. Most of these sales are conducted as "click and collect" transactions and paid for by cash or cards in the stores. The group also sells gift cards, but these sales have declined and make up an even smaller share of total sales. Certain contracts provide a customer with a right to return the goods within a specified period. The

group uses the expected value method to estimate the goods which will not be returned, because this method best predicts the amount of variable consideration to which the group will be entitled.

Franchise fee

The fees received from franchises are recorded as "other income".

1.8 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Norway, where the company and its subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised with regard to goodwill arising from business combinations. Deferred income tax is determined using tax rates (and laws) which have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for the deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the group is unable to control the reversal of the temporary difference for associates.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

1.9 Property, plant and equipment

Property, plant and equipment are recorded at historical cost less depreciation. Historical cost includes expenditure which is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of replaced parts is derecognised when replaced. All other repairs and maintenance expenditures are recognised in profit and loss in the period when the expense is incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to depreciate their cost to their residual value over the estimated useful lives, as follows:

technical and electrical installations	5-15 years
fixture and fittings	7-10 years
vehicles	5 years
machinery and equipment	3 years
IT equipment	3 years
land	not depreciated

The residual values and useful lives of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

1.10 Leases

The group has applied IFRS 16 using the modified retrospective approach. The impact of changes in accounting policies and the impact of the initial application are disclosed in note 1.2 Changes in accounting principles.

Identifying a lease

At the inception of a contract, the group assesses whether the contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

The group as a lessee

Separating components in the lease contract

For contracts which constitute or contain a lease, the group separates lease components if it benefits from the use of each underlying asset either on its own or together with other resources which are readily available, and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract. The group then accounts for each lease component in the contract as a lease separately from non-lease components of the contract.

Recognition of leases and exemptions

At the lease commencement date, the group recognises a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- short-term leases (defined as 12 months or less)
- low-value assets

For these leases, the group recognises the lease payments as other operating expenses in the statement of profit or loss when they are incurred.

Lease liabilities

The lease liability is recognised at the commencement date of the lease. The group measures the lease liability at the present value of the lease payments for the right to use the underlying asset during the lease term which were not paid at the commencement date. The lease term represents the non-cancellable period of the lease together with periods covered by an option to extend the lease if the lessee is reasonably certain to excercise that option.

The lease payments included in the measurement comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments which depend on an index or a rate, initially measured using the index or rate as at the commencement date
- the exercise price of a purchase option, if the group is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the group exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

The group does not include variable lease payments in the lease liability. Instead, the group recognises these variable lease expenses in profit or loss.

The group presents its lease liabilities as separate line items in the statement of financial position.

Right-of-use assets

The group measures the right-of use asset at cost, less any accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. The cost of the right-of-use asset comprises:

- the amount of the initial measurement of the lease liability recognised
- any lease payments made at or before the

commencement date, less any incentives received
- any initial direct costs incurred by the group
- an estimate of the costs to be incurred by the group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The group applies the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset, except that the right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset.

The group applies IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

1.11 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value at the acquisition date of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value are less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash generating unit (CGU) which is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are performed annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Trademarks and contractual rights

Separately acquired trademarks and contractual rights are recognised at cost. Trademarks and contractual rights acquired in a business combination are recognised at fair value at the acquisition date. Trademarks (the brand name “Europris”) are deemed to have an indefinite lifetime and are not amortised as a consequence, but tested for impairment annually. Contractual rights and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of contractual rights over their estimated useful life.

Software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs which are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use
- management intends to complete the software product and use or sell it
- there is an ability to use or sell the software product
- it can be demonstrated how the software product will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available
- the expenditure attributable to the software product during its development can be reliably measured.

Computer software development costs recognised as assets are amortised over their estimated useful lives of four-five years.

1.12 Financial instruments

A financial instrument is any contract which gives rise

to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The group´s financial assets are derivatives, trade receivables and cash.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. With the exception of trade receivables which do not contain a significant financing component, the group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through other comprehensive income, transaction costs.

The group classifies its financial assets in these categories:

- financial assets at amortised cost
- derivatives at fair value through profit and loss.

The group does not apply hedge accounting.

Financial assets at amortised cost

The group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- the contractual terms of the financial asset give rise on specified dates to cash flows which are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The group's financial assets at amortised cost include trade receivables and other current deposits. Trade receivables which do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers. Trade receivables are subsequently measured at amortised cost using the EIR method minus the allowance for uncollectible accounts.

Derivatives at fair value through profit and loss

Derivatives at fair value are carried in the statement of financial position at fair value with net changes in fair value in profit or loss. The category includes foreign exchange contracts and interest rate swaps.

Derecognition of financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is primarily derecognised (in other words, removed from the group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either
  a. the group has transferred substantially all the risks and rewards of the asset, or
  b. the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables, or derivatives through profit and loss. Derivatives are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Derivatives are financial liabilities when the fair value is negative, accounted for in the same way as derivatives as assets.

Loans, borrowings and payables

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs which are an integral part of the EIR. The EIR amortisation is included as finance costs in the state-

ment of profit or loss. Payables are measured at their nominal amount when the effect of discounting is not material.

Borrowings are classified as current unless the group has an unconditional right to delay the payment of the debt for more than 12 months from the reporting date.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

1.13 Inventories and cost of goods sold

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated sales price less the estimated transaction costs. Historical cost is calculated using a weighted average historical cost and includes expenditures directly linked to getting the goods to their final location and condition. Foreseeable obsolescence is assessed continuously. The group's inventories consist solely of goods purchased for resale.

Goods for sale are often purchased in currencies other than Norwegian kroner, and the purchase price in Norwegian kroner is locked in through the use of foreign currency derivative contracts. Both unrealised and realised gains or losses on the foreign currency derivatives which are economic hedges for inventory purchases are included as part of cost of goods sold (COGS). Similarly, unrealised foreign currency exchange gains and losses on inventory trade payables and realised foreign currency exchange gains or losses at the time of payment are also included as part of COGS.

1.14 Cash

Cash includes cash in hand and bank deposits. Bank overdrafts are presented in the statement of cash flows less cash.

1.15 Treasury shares

When treasury shares are repurchased, the purchase price including directly attributable costs is recognised in equity. Treasury shares are presented as a reduction in equity. Losses or gains on transactions involving treasury shares are not recognised in the statement of comprehensive income.

1.16 Post-employment benefits

The group has two post-employment schemes: one defined contribution and one contractual retirement scheme. The contractual retirement scheme is effective from 1 January 2011 and is deemed to be a defined benefit multi-employer plan, but recognised as a defined contribution agreement since insufficient reliable information is available to estimate the group's proportionate share of pension expense, liability and funds in the collective scheme.

In a defined contribution arrangement, the group contributes to a public or private insurance plan. The group has no remaining liabilities after the contribution to the insurance plan has been made. The contributions are recognised as a personnel expense when they are incurred.

1.17 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the group has an existing legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are recognised when the group has an existing obligation (legal or constructive) as a result of a past event, it is probable (more likely than not) that an outflow of economic resources will be required from the group, and the amount can be estimated reliably. The timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the existing obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the existing obligation.

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and an assess-

ment of all possible outcomes and the accompanying probabilities.

1.18 Contingent liabilities and assets

Contingent liabilities are not recognised in the financial statements. In cases where the possible outflow of economic resources as a result of existing obligations is considered improbable or remote, no liability is recognised.

A contingent asset is not recognised in the financial statements, but disclosed if it is probable that the benefit will flow to the group.

1.19 Subsequent events

New information after the reporting date regarding the group's financial position at the reporting date is taken into consideration in the consolidated financial statements. Events after the reporting date which do not affect the group's financial position at the reporting date, but which will affect the financial position of the group in the future, are noted if they are considered significant.

1.20 New standards, amendments and interpretations not yet adopted by the group.

The group's intention is to adopt the relevant new and amended standards and interpretations when they become effective.

There are no IFRSs or IFRIC interpretations which are not yet effective which would be expected to have a material impact on the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Financial risk management

The group's core business is discount variety retail. This exposes the group to a variety of financial risks: market (including currency, fair value interest-rate and price), credit and liquidity risk. The goal of the group's overall risk management programme is to minimise potential adverse financial performance effects of these risks, which result from unpredictable changes in capital markets. The group uses financial derivatives to hedge against certain risks. Hedge accounting is not applied.

The financial risk management programme for the group is carried out by its central treasury department under policies approved and monitored by the board. The treasury department identifies, evaluates, hedges and reports financial risks in cooperation with the various operating units in the group. The board approves the principles of overall risk management as well as policies covering specific areas, such as currency exchange risk, interest-rate risk, credit risk, the use of financial derivatives and liquidity management.

2.1 Market risk

2.1.a Currency exchange risk

The group is exposed to currency exchange risk arising from the import of goods for sale. These transactions are mainly settled in USD and EUR. The group aims to achieve predictable cash outflows in NOK by using forward contracts as a hedging strategy for its exposure to USD and EUR. The hedging strategy is based on an assessment of the possibilities and estimated time period required to adjust the business to the changes in foreign exchange rates.

The following table illustrates the sensitivity of the group to potential currency changes.

Figures are stated in NOK 1,000

Foreign currency sensitivity	Changes in currency	Effect on post-tax profit	
		2019	2018
USD/NOK	+10%	-25,789	-28,320
	-10%	+25,789	+28,320
EUR/NOK	+10%	-17,016	-8,760
	-10%	+17,016	+8,760

Hedge accounting is not applied.

2.1.b Price risk

The group has limited exposure to price risk.

2.1.c Interest-rate risk

The group's exposure to interest-rate risk arises from its bank borrowings. The interest-bearing debt has floating rates, which means it is affected by changes in interest-rates. The group's financial policy includes a detailed descripton of hedging, and 25 per cent of the principal of the group's bank loans is presently hedged. The currently interest-rate swap expires in March 2020. Management monitors developments in the market, and regularly assesses the exposure to interest-rate risk. The interest-rate risk which arises from loans with a floating interest rate is managed by using interest-rate swaps.

The following table illustrates the sensitivity of the group to potential interest-rate changes.

Figures are stated in NOK 1,000

Interest-rate sensitivity	Changes in interest rate	Effect on post-tax profit
2019	+1%	-9,653
	-1%	+9,653
2018	+1%	-9,711
	-1%	+9,711

Hedge accounting is not applied.

2.2 Credit risk

The group has limited exposure to credit risk, since most of its revenue transactions are settled by cash or debit cards. However, a small share of its revenue comes from franchise agreements, where each franchisee is granted credit. As a franchisor, the group monitors its franchisees closely to mitigate the credit risk. Losses on trade receivables have historically been limited.

2.3 Liquidity risk

The treasury department prepares and monitors cash flow forecasts of the groups's liquidity requirements to ensure that the group has sufficient cash to meet operational commitments, and to maintain sufficient flexibility to meet unused credit facilitiy requirements (see note 21) without breaching financial covenants.

The following table sets out the contractual maturities (representing undiscounted cash flows) of financial liabilities.

Figures are stated in NOK 1,000 At 31.12.2019	Up to 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years
Trade and other payables	858,865	-	-	-
Borrowings including interest	1,670,900	-	-	-
Derivatives	13,409	-	-	-
Total	**2,529,765**	**-**	**-**	**-**

See note 14 regarding lease liabilities.

At 31.12.2018	Up to 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years
Trade and other payables	898,155	-	-	-
Borrowings including interest	16,894	16,894	1,666,894	-
Leasing	1,166	1,166	2,332	-
Total	**916,215**	**18,060**	**1,669,225**	**-**

The group's objectives when managing capital are to ensure the ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital, including compliance with covenants in the loan agreements (see note 21 for further information).

At 31 December 2019, the group's equity totalled NOK 1,978 million, which corresponded to an equity ratio of 27 per cent and a debt-to-equity ratio of 83.7 per cent (excluding IFRS 16 lease liabilities). The board considers Europris' capital structure to be adequate in relation to the group's objectives, strategy and risk profile.

3 Critical accounting estimates and judgements

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events which are believed to be reasonable.

3.1 Critical accounting estimates and assumptions

The group prepares estimates and assumptions regarding future expectations. The resulting accounting represent a significant risk of causing material adjustments to the book value of assets and liabilities within the next financial year are discussed below.

3.1.a Provision for obsolescence

The group makes provision for obsolescence. These provisions are based on a detailed assessment of the age distribution of inventory items and whether the goods are part of an active or expired product range. Write-down for obsolesence is made when the cost of the goods is higher than the expected net sales value. These provisions are estimate-based and require in-depth knowledge about goods and market.

3.1.b IFRS 16 Leases

In determining the lease term for each contract, the group must continuously assess whether there are extension options and termination rights which should be taken into account when determining the rental period. The group has established guidelines for these assessments. Typically, lease contracts are renegotiated at the end of the non-cancellable period, and a new contract is entered into on better terms in the form of both shorter duration and lower rent. This means that extension options in the lease contracts are not normally included in the IFRS 16 calculation.

Determination of the discount rate as a basis for calculating the present value of future lease liabilities also involves the use of discretion. A fixed methodology has also been established for this process.

3.2. Judgements in applying the group's accounting principles

IFRS 10 (Consolidated financial statements) requires entities to consolidate entities they control. The standard provides extended guidance to determine whether control is present. Franchising is explicitly mentioned in the standard. The franchises are not included in the consolidated financial statements of Europris ASA. This is based on a judgement of the criteria in IFRS 10 of whether Europris controls the franchises. Through the franchise agreements, Europris essentially has control and rights related to protection of the brand name and the concept. Such rights are not sufficient to gain control under the provisions of IFRS 10. The decision-making rights which affect variable returns are primarily held by the franchisee. Based on an assessment of these criteria in IFRS 10, Europris does not control the franchises, and they are thus not consolidated.

The group confirms that there have not been any other judgements which are deemed to have a significant impact on the consolidated financial statements.

4 Segment information

The group manangement 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 which 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.

5 Total operating income

The group's business area is discount variety retail in the Norwegian market.

Figures are stated in NOK 1,000	2019	2018
Revenue	**6,156,037**	**5,738,144**
Income from franchise fees	73,364	78,334
Other income	4,988	507
Total other income	**78,352**	**78,840**
Total operating income	**6,234,389**	**5,816,984**

6 Employee benefit expenses

Figures are stated in NOK 1,000	2019	2018
Pay expenses	843,347	771,810
Social security costs	111,121	100,741
Pension expenses	19,941	16,795
Other benefits	10,938	9,157
Total	**985,347**	**898,504**
Number of employees	2,818	2,645
Full-time employees	1,814	1,773

The group is required by Norwegian law to have a mandatory occupational pension plan. The group has a pension plan which fulfills the legal requirements, which covers all employees and is a defined contribution plan.

Figures are stated in NOK 1,000	2019	2018
Auditor fees		
Audit services	1,182	1,110
Technical services related to financial reporting	149	78
Total	**1,331**	**1,188**

Auditor fees are presented exclusive of VAT. No auditor fees have been recorded in equity in connection with equity transactions.

7 Management remuneration

Remuneration of chief executive officer (CEO) and chief financial officer (CFO)

Figures are stated in NOK 1,000	Title	Salary	Bonus	Pension	Other	Total
Pål Wibe	CEO	4,129	622	100	237	5,088
Espen Eldal	CFO	2,015	98	0	112	2,225

Remuneration of the executive management group (10 individuals)

Figures are stated in NOK 1,000	2019	2018
Pay expenses, including bonuses	24,907	20,834
Social security costs	3,512	2,938
Pension expenses	1,358	796
Other benefits	83	21
Total	**29,860**	**24,588**

NOK 6,991 in accrued bonus is recognised in the financial statements for the executive management group for 2019 (NOK 2,762 in 2018).

Remuneration statement

The board will provide a statement on salary and other remuneration for senior executives to the annual general meeting on 29 April 2020.

Remuneration guidelines

The board has established guidelines for the remuneration of the members of the executive management. The company's policy is to offer the executive management competitive remuneration based on current market standards as well as on group and individual performance. The remuneration consists of a basic salary element combined with a performance-based bonus programme as set out below. The executive management participates in the company's insurance policies and is entitled to certain fringe benefits, such as free newspaper, car and phone. The remuneration committee is a sub-committee of the board which acts as a preparatory and advisory body in relation to the group's remuneration of the executive management and ensures thorough and independent preparation of matters relating to the compensation of executive personnel.

Bonus programme

Europris has established a bonus scheme for the executive management, which is based on financial and operational perfomance. The maximum bonus under this scheme is 11 months of gross base salary for the CEO and six months of gross base salary for the other executive managers.

The executive management group is employed by the Europris Holding AS subsidiary.

The CEO and the VP Commercial have severance packages of 12 and six months respectively. Apart from these, no members of the executive management group have severance packages.

No loans or issued guarantees have been provided to the executive management group, the chair of the board or other related parties.

Remuneration of the board of directors

Board of directors			
Chair	NOK	540,000	per year
Director	NOK	275,000	per year
Audit committee			
Chair	NOK	72,000	per year
Member	NOK	46,500	per year
Remuneration committee			
Chair	NOK	33,000	per year
Member	NOK	22,500	per year

8 Pension liabilities

Figures are stated in NOK 1,000

The group has a contractual retirement pension scheme (AFP). This is a multi-employer plan, and accounted for as a defined contribution plan. The annual premium is expensed. The entity pays a premium currently set at 2.5 per cent of the employee's salary. Future premiums may increase. Pension cost (premium) in 2019 was NOK 6,142 (2018: NOK 4,895).

In addition, the group has a pension agreement with DNB Forsikring which fullfills the legal requirement under Norwegian law and covers all employees. The scheme is a defined contribution plan. Pension costs in 2019 were NOK 13,799 (2018: NOK 11,900).

Both schemes had 1,814 members in 2019 (2018: 1,773).

9 Other operating expenses

Figures are stated in NOK 1,000	**2019**	**2018**
Leasing and other cost of premises	89,122	478,017
Transport/distribution	165,464	161,030
Marketing and other expenses	356,471	303,322
Total	**611,057**	**942,369**

The reduction in leasing costs is related to the implementation of IFRS 16 Leasing, see notes 1.2, 1.10 and 14 for additional information.

10 Financial income and expenses

Figures are stated in NOK 1,000	2019	2018
Financial income:		
– Interest income on cash	163	1,992
– Other interest income	648	651
Other financial income	407	1,829
Gain in fair value of financial instruments:		
– Unrealised interest-rate swap income	368	1,656
Total	**1,585**	**6,129**
Financial expenses:		
– Interest to financial institutions	42,610	34,171
– Leasing interest cost	48,458	-
– Other interest expense	35	679
Amortised interest on bank loan	(2,759)	3,460
Other financial expenses	11,413	8,316
Total	**99,757**	**47,070**
Net financial income (expense)	**(98,172)**	**(40,942)**

11 Income tax expense

Figures are stated in NOK 1,000	2019	2018
Tax payable		
Current tax on profits for the year	116,380	124,140
Total tax payable in the balance sheet	**116,380**	**124,140**
Deferred tax		
Change in temporary differences	(13,369)	(1,186)
Change in temporary differences related to mergers and acquisitions	1,963	2,364
Effect of change in Norwegian tax rate	-	(1,918)
Total deferred tax	**(11,406)**	**(740)**
Total income tax expense	**104,974**	**123,400**

The tax on the group's pre-tax profit differs from the theoretical amount which would arise from using the weighted average tax rate applicable to the profits of the consolidated entities as follows.

Figures are stated in NOK 1,000	2019	2018
Profit before tax	**480,410**	**552,531**
Tax calculated at domestic tax rates applicable to profits (22/23%)	105,690	127,082
Tax effects from:		
- Non-taxable income	(9,179)	(7,429)
- Non-deductible expenses	14,389	2,429
- Other directly recognised differences	(5,925)	3,235
Effect on valuation of temporary differences from a change in the Norwegian tax rate	-	(1,918)
Tax expense recognised in the income statement	**104,974**	**123,400**
Effective tax rate	21.9%	22.3%
The analysis of deferred tax assets and deferred tax liabilities is as follows		
Deferred tax assets		
- Deferred tax assets to be recovered later than 12 months	(6,185)	(4,821)
- Deferred tax assets to be recovered within 12 months	(64,922)	(61,736)
Deferred tax assets	**(71,107)**	**(66,557)**
Deferred tax liabilities		
- Deferred tax liabilities to be recovered later than 12 months	105,584	108,492
- Deferred tax liabilities to be recovered within 12 months	-	-
Deferred tax liabilities	**105,584**	**108,492**
Loss carried forward	(12)	(12)
Deferred tax related to directly recognised differences	(2,817)	3,094
Unrecognised deferred tax asset	114	128
Deferred tax liabilities (net)	**31,763**	**45,146**
Deferred tax asset/liability rates	22%	22%
Change in deferred tax liabilities recognised in the balance sheet:		
Balance at 01.01	**45,146**	48,250
Change during the year recognised in the income statement	(13,383)	(3,104)
Balance at 31.12	**31,763**	**45,146**

Specification of change in deferred tax liabilities/tax assets

Figures are stated in NOK 1,000	Tangible fixed assets	Non-current debt	Total
Deferred tax liabilities			
Balance at 01.01.2018	110,657	2,000	112,657
Recognised deferred tax in profit for the period	(3,316)	(848)	(4,164)
Balance at 31.12.2018	**107,341**	**1,152**	**108,492**
Balance at 01.01.2019	107,341	1,152	108,492
Recognised deferred tax in profit for the period	(3,515)	607	(2,908)
Balance at 31.12.2019	**103,826**	**1,759**	**105,584**

Figures are stated in NOK 1,000	Inventories	Receivables	Financial instruments	Provision for other liabilities	Loss carried forward	Total
Deferred tax assets						
Balance at 01.01.2018	(59,289)	(723)	(434)	(3,947)	(13)	(64,407)
Recognised deferred tax in profit for the period	(1,786)	62	434	(874)	1	(2,162)
Balance at 31.12.2018	**(61,074)**	**(662)**	**-**	**(4,821)**	**(12)**	**(66,569)**
Balance at 01.01.2019	(61,074)	(662)	-	(4,821)	(12)	(66,569)
Recognised deferred tax in profit for the period	(3,446)	261	-	(1,364)	-	(4,549)
Balance at 31.12.2019	**(64,521)**	**(401)**	**-**	**(6,185)**	**(12)**	**(71,118)**

12 Intangible assets

Figures are stated in NOK 1,000	Software	Trademark	Contractual rights	Goodwill	Total
Financial year 2018					
Carrying amount at 01.01.2018	42,617	387,573	-	1,599,106	2,029,297
Additions	22,443	-	-	6,841	29,284
Sales/disposals	-	-	-	-	-
Amortisation	17,893	-	-	-	17,893
Impairment	–	-	-	-	-
Carrying amount at 31.12.2018	**47,167**	**387,573**	**-**	**1,605,947**	**2,040,688**
At 31.12.2018					
Acquisition cost	168,260	411,352	250,700	1,605,947	2,436,259
Disposals at cost	3,770	-	-	-	3,770
Disposals accumulated amortisation	3,770	-	-	-	3,770
Accumulated amortisation	121,093	23,779	172,356	-	317,228
Accumulated impairment	-	-	78,344	-	78,344
Net carrying amount 31.12.2018	**47,167**	**387,573**	**-**	**1,605,947**	**2,040,688**
Financial year 2019					
Carrying amount at 01.01.2018	47,167	387,573	-	1,605,947	2,040,688
Additions	19,381	-	-	5,450	24,830
Sales/disposals		-	-	-	-
Amortisation	20,849	-	-	-	20,849
Impairment	-	-	-	-	-
Carrying amount at 31.12.2019	**45,699**	**387,573**	**-**	**1,611,397**	**2,044,668**
At 31.12.2019					
Acquisition cost	183,871	411,352	250,700	1,611,397	2,457,320
Disposals at cost	207	-	-	-	207
Disposals accumulated amortisation	207	-	-	-	207
Accumulated amortisation	138,172	23,779	172,356	-	334,307
Accumulated impairment	-	-	78,344	-	78,344
Net carrying amount 31.12.2019	**45,699**	**387,573**	**-**	**1,611,397**	**2,044,669**

The group's trademark is linked to the brand name "Europris". This name has existed for a long time and has shown a healthy development since its origination. There are clear intentions to retain and further develop the Europris brand name for the forseeable future. As a consequence, the brand name is not depreciated, but tested for impairment annually.

Goodwill comprises a number of elements which individually cannot be quantified. Most significant is the well positioned business and the established reputation in the market. Europris' skilled workforce, as well as its supplier and customer relations (non-contractual), are also important elements.

Impairment testing of goodwill and trademark

Goodwill and the trademark are annually tested for impairment by comparing their carrying amount and recoverable amount (greater of fair value less costs to sell and value in use). Goodwill is allocated to the groups of cash-generating units which are expected to benefit from the synergies of the combination. The group has one operating segment and goodwill is tested for impairment at this level, which represents the lowest level in the entity at which goodwill is monitored for internal management purposes.

The recoverable amount of a cash-generating unit is calculated on the basis of the value which the asset will provide to the business (value in use). In this calculation, the forecasts of future cash flows are based on budgets and long-term plans approved by the management covering a five-year period (2020-2024). The gross margin is stable in the period. EBITDA percentages of sales are also stable in the 2020-2024 period. Cash flows beyond the five-year period are calculated using the expected inflation rate as a long-term growth rate. A market-based rate of return of 7.7 per cent (9.3 per cent in 2018) before tax is derived using the weighted average cost of capital (WACC) model.

The recoverable amount is significantly above the carrying amount of the group's goodwill and trademark.

13 Property, plant and equipment

Figures are stated in NOK 1,000	Land	Fixtures and fittings	Total
Financial year 2018			
Carrying amount at 01.01.2018	20,481	252,059	272,540
Additions	3,258	53,644	56,902
Additions through the acquisition of subsidiaries	-	5,470	5,470
Disposals	-	-	-
Depreciation charge for the year	-	72,850	72,850
Carrying amount at 31.12.2018	**23,739**	**238,323**	**262,063**
At 31.12.2018			
Cost	23,739	655,960	679,700
Disposals at cost	-	5,201	5,201
Disposals accumulated amortisation	-	5,201	5,201
Accumulated depreciation	-	417,636	417,636
Net carrying amount 31.12.2018	**23,739**	**238,323**	**262,063**
Financial year 2019			
Carrying amount at 01.01.2019	**23,739**	238,323	262,063
Additions	1,227	151,604	152,831
Additions through the acquisition of subsidiaries	-	3,635	3,635
Disposals	-	1,452	1,452
Depreciation charge for the year	-	78,715	78,715
Carrying amount at 31.12.2019	**24,966**	**313,396**	**338,362**
At 31.12.2019			
Cost	24,966	803,346	828,312
Disposals at cost	-	21,883	21,883
Disposals accumulated amortisation	-	21,883	21,883
Accumulated depreciation	-	489,950	489,950
Net carrying amount 31.12.2019	**24,966**	**313,396**	**338,362**

The group has financial leases (IAS 17). These agreements relate to stores and warehouse computer systems and equipment. The carrying amount of leased fixed assets is NOK 14,102 (2018: NOK 4,622).
The corresponding leasing debt is presented as non-current debt.

14 Leases

Figures are stated in NOK 1,000	2019
Intangible assets	2,044,669
Land, fixtures and fittings	338,362
Right-of-use assets	2,404,873
Total	**4,787,904**

Figures are stated in NOK 1,000	Buildings	Vehicles	Fixtures and fittings	Total
Right-of-use assets				
Carrying amount at 01.01.2019	1,971,619	17,254	-	1,988,873
Additions	755,021	13,899	567	769,487
Additions through the acquisition of subsidiaries	11,947	-	-	11,947
Adjustments (CPI)	50,737	36	2	50,775
Depreciation	402,682	13,361	66	416,109
Terminations	-	100	-	100
Net carrying amount 31.12.2019	**2,386,642**	**17,728**	**503**	**2,404,973**

Lease liabilities	**2019**
Carrying amount at 01.01.2019	1,988,873
Additions	781,334
Adjustments (CPI)	50,775
Interest expense	46,889
Lease payments	(449,789)
Net carrying amount 31.12.2019	**2,418,081**
Undiscounted lease liabilities and maturity of cash outflows	
Less than one year	468,862
One-five years	1,636,632
More than five years	605,241
Total undiscounted lease liabilities at 31.12.2019	**2,710,736**
Current lease liabilities	414,088
Non-current lease liabilities	2,003,993
Total lease liabilities at 31.12.2019	**2,418,081**

Lease liabilities	**2019**
Lease expenses recognised in consolidated income statement	
Interest expense on lease liabilities	46,889
Variable lease payments	535
Operating expenses related to short-term leases	47,147
Operating expenses related to low-value assets	1,667

In addition, leases are classified as financial leasing (IAS 17), see note 13.

Extension options

The lease term represents the non-cancellable period of the lease together with periods covered by an option to extend the lease if the lessee is reasonably certain to excercise that option.

Generally it is not considered reasonable certain that extension options will be exercised. Typically, lease contracts are renegotiated at the end of the non-cancellable period, and a new contract is entered into on better terms, in the form of both shorter duration and lower rent. This means that extension options in the lease contracts are not normally included in the IFRS 16 calculation.

15 Investments in associated companies

In June 2018, the group acquired 20 per cent of Runsvengruppen AB (ÖoB), a Swedish discount variety retailer. ÖoB has its headquarters in Skänninge and runs 94 stores across Sweden.

The Europris group owns 20 per cent of the shares and voting rights in Runsvengruppen AS.

Based on equity value, using a fixed multiple of 7.7 on adjusted EBITDA for ÖoB in 2018, the purchase price was determined as NOK 115.2 million. NOK 4.3 million in transaction expenses has also been recognised as part of the acquisition cost, bringing the total investment to NOK 119.5 million. In addition, the group recorded an estimated profit of NOK 6.4 million from its 20 per cent stake in 2018. No profit or loss are recorded in 2019.

The vendor note issued when closing the deal is converted to 4,349,695 Europris shares, corresponding to 2.61 per cent of the share capital.

A summary of the financial information from Runsvengruppen AB, based on 100 per cent figures (preliminary figures for 2019):

Figures are stated in SEK million	2019	2018
	Unaudited	Audited
Total operating income	4,022.8	3,974.0
Profit for the year	3.6	17.7
Current assets	1,072.8	1,004.3
Non-current assets	153.5	155.8
Current liabilities	608.6	515.5
Non-current liabilities	199.9	230.4
Equity	417.8	414.2

Figures are stated in NOK million	2019
The group's share of equity	78.9
Goodwill	47.0
Book value 31.12.2019	125.9

Europris holds an option to acquire the remaining 80 per cent of the shares in Runsvengruppen AB. Whether the option is to be exercised will be decided in 2020. The fair value of the option is considered immaterial and is not recognised in the balance sheet.

16 Earnings per share

Earnings per share are calculated by dividing profit attributable to ordinary shareholders by a weighted average of ordinary shares outstanding during the period. The average number of shares outstanding was adjusted to take account of the holding of treasury shares.

Figures are stated in NOK 1,000, except per share amounts	2019	2018
Profit for the period	375,436	429,132
Profit available to holders of ordinary shares	375,436	429,132
Number of ordinary shares	166,969	166,969
Weighted average of ordinary shares outstanding	161,831	165,757
Earnings per ordinary share (basic)	**2.32**	**2.59**
Earnings per ordinary share (diluted)	**2.32**	**2.59**

17 Trade receivables and other receivables

Figures are stated in NOK 1,000	2019	2018
Trade receivables		
Trade receivables	182,374	187,552
Provision for impairment	(600)	(1,840)
Net trade receivables	**181,774**	**185,712**
Other receivables		
Accrued revenue	32,319	48,762
Prepaid expenses	38,278	33,912
Other receivables	5,820	5,219
Other receivables	**76,417**	**87,893**
Forward exchange contracts	-	13,829
Derivatives	**-**	**13,829**
Total	**258,191**	**287,435**
Non-current receivables		
Deposits and loans to franchisees	24,400	24,073
Other receivables	**24,400**	**24,073**
Interest-rate swap agreement	605	237
Derivatives	**605**	**237**
Total	**25,005**	**24,310**
Total current and non-current receivables	**283,195**	**311,744**

The carrying amount of trade receivables, prepayments and other receivables is assessed as not differing materially from fair value.

Figures are stated in NOK 1,000	2019	2018
Provision for impairment of trade receivables		
At 01.01	1,840	1 840
Change in provision	(1,240)	-
At 31.12	**600**	**1,840**
Ageing of trade receivables		
Not due	175,121	177,971
Due	6,653	7,741
Total	**181,774**	**185,712**

Accounts receivable older than 90 days constituted an insignificant portion of overdue items at 31.12. This applies to both years.

18 Inventories and cost of goods sold

Figures are stated in NOK 1,000	2019	2018
Inventories	1,582,502	1,606,755
- Provision for obsolescence	(32,171)	(33,522)
Booked value	**1,550,331**	**1,573,233**
Provision for obsolescence		
At 01.01	(33,522)	(33,734)
Change in accruals	1,352	212
Provision for impairment at 31.12	**(32,171)**	**(33,522)**
Carrying amount of inventory which has been impaired	**467,097**	**447,587**

The group makes provisions for impairment of inventory. These provisions are estimated and require in-depth knowledge of the goods and market conditions. See more details in note 3.1.a.

Figures are stated in NOK 1,000	2019	2018
Cost of goods sold	3,551,713	3,309,289
Foreign exchange currency effects	(7,983)	(10,994)
Net cost of goods sold	**3,543,730**	**3,298,296**

Unrealised gains and losses are classified as part of the cost of goods sold (COGS) in the profit or loss statement. Similarly, unrealised foreign currency exchange gains and losses on inventory trade payables are also included as part of COGS. All gains and losses, both realised and unrealised, related to the acquisition of inventory are included as part of COGS.

19 Cash

Figures are stated in NOK 1,000	2019	2018
Cash	568,036	426,967
Total	**568,036**	**426,967**

Net cash in the consolidated statement of cash flows includes the following

Cash	539,563	399,947
Bank deposits restricted for employee tax witholdings	28,473	27,021
Net cash	**568,036**	**426,967**

The group has overdraft facilities of NOK 450 million in all. See note 21 for further information.

20 Share capital and shareholder information

The share capital of Europris is NOK 166,968,888, consisting of 166,968,888 shares with a par value of NOK 1. The company's share capital consists of one class of shares, where all shares have the same voting rights.

Major shareholders at 31 December 2019		Number of shares	Share of capital
FOLKETRYGDFONDET		16,299,426	9.8%
ARCTIC FUNDS PLC		8,155,917	4.9%
RUNOR AS		4,349,695	2.6%
STATE STREET BANK AND TRUST COMPANY	Nominee	4,296,202	2.6%
VARMA MUTUAL PENSION INSURANCE CO.		3,785,431	2.3%
VERDIPAPIRFONDET PARETO INVESTMENT		3,768,000	2.3%
STOREBRAND NORGE I VERDIPAPIRFOND		3,279,451	2.0%
VERDIPAPIRFONDET KLP AKSJENORGE		3,093,801	1.9%
J.P. MORGAN BANK LUXEMBOURG S.A.	Nominee	3,025,693	1.8%
SEB PRIME SOLUTIONS SISSENER CANOPUS		3,000,000	1.8%
VERDIPAPIRFONDET HOLBERG NORGE		3,000,000	1.8%
VERDIPAPIRFONDET NORGE SELEKTIV		2,704,217	1.6%
HANDELSBANKEN NORDISKA SMABOLAG		2,535,000	1.5%
MORGAN STANLEY & CO. INTERNATIONAL		2,408,307	1.4%
VERDIPAPIRFONDET HOLBERG NORDEN		2,325,000	1.4%
KOMMUNAL LANDSPENSJONSKASSE		2,165,265	1.3%
NORDKRONEN II AS		2,008,572	1.2%
VERDIPAPIRFONDET NORDEA NORGE VERDI		1,914,466	1.1%
J.P. MORGAN BANK LUXEMBOURG S.A.	Nominee	1,913,810	1.1%
VERDIPAPIRFONDET EIKA SPAR		1,846,129	1.1%
OTHER SHAREHOLDERS		91,094,506	54.6%
Total shares		**166,968,888**	**100.0%**

Shares held by directors, CEO and CFO	Title	Number of shares
Tom Vidar Rygh (Retiro AS)	Chair	600,000
Karl Svensson (RuNor AS)	Director	271,856
Claus Juel-Jensen	Director	3,000
Sverre R Kjær (Bien Invest AS)	Director	3,000
Tone Fintland	Director	2,780
Pål Wibe (Nordkronen II AS)	CEO	2,008,572
Espen Eldal (Knipen AS)	CFO	600,000

Treasury shares at 31 December 2019	Nominal value	Number of shares	Fair value (NOK)
Shares owned by Europris ASA	1,150,305	1,150,305	39,340,431

Treasury shares have been deducted from equity at cost. The nominal value of the shares has been deducted from paid-in capital.

Change in number of treasury shares	
Treasury shares 1 January 2019	5,370,000
Buy-back of treasury shares	130,000
Sale of treasury shares	4,349,695
Treasury shares 31 December 2019	**1,150,305**

Average cost price for treasury shares is NOK 22.47.
Average selling price for treasury shares is NOK 26.48.

21 Bank borrowings

Refinancing of the group's bank debt was completed in June 2015 with a five-year term loan facility. The loan is syndicated through two credit institutions: Skandinaviska Enskilda Banken and DNB Bank.

The group's bank borrowings have been reclassified from non-current to current in the consolidated balance sheet. This reflects the fact that the five-year term loan facility matures in May 2020. The group signed a new loan agreement in December 2019 and the financing was in place in January 2020. The new loan agreement is a three-year term loan and revolving credit facility agreement with options for one plus one year. The new loan is syndicated through three credit institutions: DNB Bank, Danske Bank and Nordea.

	2019		2018	
Figures are stated in NOK 1,000	Amortised cost	Nominal value	Amortised cost	Nominal value
Non-current liabilities				
Debt to financial institutions	1,642,007	1,650,000	1,644,766	1,650 000
Sub-total	**1,642,007**	**1,650,000**	**1,644,766**	**1,650 000**
Other non-current liabilities				
Financial lease	14,280	14,280	4,663	4,663
Lease liabilities (IFRS 16)	2,003,993	2,003,994	-	-
Sub-total	**2,018,273**	**2,018,274**	**4,663**	**4,663**
Total	**3,660,280**	**3,668,274**	**1,649,428**	**1,654,663**

The amortised cost of the bank debt is assessed as not differing materially from fair value. The term loan has been refinanced in 2020, and the risk premium and the interest-rate margin would not be materially changed. Fair value is therefore assumed to be approximately equal to the carrying amount at the balance sheet date. The group's business risk and credit risk have not changed significantly in the period.

Figures are stated in NOK 1,000	2019	2018
Current liabilities		
First-year instalment non-current debt	1,650,000	-
Overdraft facilities - off-balance sheet		
The loan facility includes an overdraft facility, which consists of		
Overdraft and multi-currency group account	190,000	140,000
Revolving facility loan	225,000	225,000
Guarantees	35,000	85,000
Total	**450,000**	**450,000**
Drawn guarantees	12,600	21,000
Undrawn overdraft facilities	437,400	429,000

Convenants related to bank agreement	**At 31.12.2019**
Leverage ratio – net debt/adjusted EBITDA (according to the bank agreement)	3.25
Europris leverage ratio – net debt/adjusted EBITDA (according to the bank agreement)	1.49

Covenants are measured and reported quarterly. In the bank agreement, the covenant (leverage ratio) will be at 3.25 for any test date in the remainder of the agreement period.

The group was in compliance with financial convenants in 2019.

Maturity structure including interest	**2019**	**2018**
Within one year	1,670,900	33,788
One to two years	-	1,666,894
Two to five years	-	-
After five years	-	-

See note 2.3 for the maturity structure of all financial liabilities.

Effective interest rate at 31.12	**2019**	**2018**
Term loan	2.61%	2.02%

No assets are currently pledged under the loan agreement.

22 Derivatives

Figures are stated in NOK 1,000	2019	2018
Forward exchange contracts – expiring within one year	-	13,829
Interest-rate swaps – expiring within one year	605	-
Interest-rate swaps – expiring between one and five years	-	237
Total derivatives - asset	**605**	**14,066**
Forward exchange contracts – expiring within one year	13,409	-
Interest-rate swaps – expiring between one and five years	-	-
Total derivatives - liability	**13,409**	**-**
Net derivative asset (liability)	**(12,804)**	**14,066**

Forward exchange contracts

The group faces currency risk arising from purchases in foreign currencies. The group hedges currency fluctuations by entering into forward exchange contracts. The group does not use hedge accounting. Forward exchange contracts are measured at fair value through profit and loss.

	Amount in NOK 1,000	Average exchange rate
Nominal principal forward contracts to purchase (USD)	295,919	9.11
Nominal principal forward contracts to purchase (EUR)	126,659	10.13

Interest rate swaps

The group has entered into interest-rate swap agreements to hedge part of its interest-rate risk fluctuations. The group does not use hedge accounting. The interest-rate swaps are measured at fair value through profit and loss.

	2019	2018
Lowest fixed interest rate in interest-rate swap agreement	1.288%	1.090%
Highest fixed interest rate in interest-rate swap agreement	1.288%	1.288%
Nominal principal in interest-rate swaps	412,500	412,500

23 Financial instruments by category

Figures are stated in NOK 1,000	2019	2018
Financial assets measured at amortised cost		
Non-current receivables	24,400	24,073
Trade receivables and other receivables	258,191	273,605
Cash	568,036	426,967
Financial liabilities measured at amortised cost		
Non-current debt	(14,280)	(1,649,428)
First year instalment non-current debt	(1,642,007)	-
Lease liabilities	(2,003,993)	-
Current lease liabilities	(414,088)	-
Accounts payable and other current payables	(1,115,347)	(1,149,695)
Assets/liabilities measured at fair value through profit and loss		
Derivatives - asset	605	14,066
Derivatives - liability	(13,409)	-
Net financial instruments	**(4,351,892)**	**(2,060,412)**

All the group's financial instruments measured at fair value are classified as level 2. Level 2 consists of financial instruments with no quoted prices in active markets for identical assets or liabilities which are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Level 2 assets and liabilities are measured by using valuation methods. These valuation methods utilise observed data and the group's own estimates. If all significant data required to measure the fair value of an instrument is observable data, then the instrument is classified as level 2.

Special valuation methods which are 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 the observable yield curve
- fair value of forward exchange contracts is measured as 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.

24 Accounts payable and other current debt

Figures are stated in NOK 1,000	2019	2018
Current lease liabilities	414,088	-
Accounts payable	616,769	553,643
Social security taxes and VAT	243,072	251,540
Other current debt	255,506	344,512
Total	**1,529,434**	**1,149,695**

25 Reconciliation of liabilities arising from financing activities

Figures are stated in NOK 1,000	Financial liabilities 01.01.	Impact of IFRS16 implementation	Cash flows	Non-cash changes: Leases	Non-cash changes: Other changes	Total 31.12
2019						
Borrowings	1,644,766	-	(1,275)	-	(1,484)	1,642,007
Current liabilities	-	-	-	-	-	-
Lease liabilities	4,663	1,988,873	(428,734)	846,338	21,221	2,432,361
Derivatives	(237)	-	-	-	(368)	(605)
Financial liabilities	**1,649,192**	**1,988,873**	**(430,009)**	**846,338**	**19,369**	**4,073,763**
2018						
Borrowings	1,641,306	-	(5,838)	-	9,298	1,644,766
Current liabilities	-	-	-	-	-	-
Financial lease	7,261	-	(2,791)	-	193	4,663
Derivatives	1,419	-	-	-	(1,656)	(237)
Financial liabilities	**1,649,986**	-	**(8,629)**	**-**	**7,835**	**1,649,192**

26 Related parties

The group's related parties include its associates, key management personnel, directors and major shareholders.

All subsidaries included in note 1.3 are related parties of Europris ASA.

For management remuneration, refer to note 7 – Management remuneration.

No significant transactions were conducted with related parties in 2019.

27 Contingent liabilities

There are no significant contingent liabilities at 31.12.2019.

28 Events after the balance-sheet date

The board has proposed the distribution of an ordinary dividend of NOK 1.95 per share for fiscal 2019.

The group signed a new loan agreement in December 2019 and the financing was in place in January 2020. The new loan agreement is a three-year term loan and revolving credit facility agreement with options for one plus one year. The new loan is syndicated through three credit institutions: DNB Bank, Danske Bank and Nordea.

No other events have occured after the balance-sheet date and before the date when the financial statements were approved which provide new information about conditions which existed at the balance sheet date (which are not currently reflected in the financial statements), nor have any significant events occurred after the balance sheet date which require further disclosures.

EUROPRIS ASA
PARENT COMPANY 2019

INCOME STATEMENT

Figures are stated in NOK 1,000	Note	2019	2018
Total operating income		**-**	**-**
Employee benefits expense	2	2,148	2,177
Other operating expenses	2	2,408	3,161
Total operating expenses		4,556	5,339
Operating income		**(4,556)**	**(5,339)**
Group contribution from subsidiary	5	330,189	392,614
Other interest income		458	44
Other financial income		-	43,500
Total financial income		**330,647**	**436,158**
Other interest expense		1,319	198
Other financial expenses		98	121
Total financial expenses		**1,418**	**319**
Net financial income (expenses)		**329,230**	**435,839**
Profit/(loss) from associated company	4	-	6,400
Profit before income tax		**324,673**	**436,900**
Income tax expense	6	-	-
Profit for the year		**324,673**	**436,900**
Statement of comprehensive income			
Profit for the year		324,673	436,900
Other comprehensive income		-	-
Total comprehensive income for the year		**324,673**	**436,900**

Notes 1 to 10 are an integral part of the financial statements.

BALANCE SHEET

Figures are stated in NOK 1,000	Note	31-12-2019	31-12-2018
ASSETS			
Non-current assets			
Financial assets			
Investments in subsidiaries	3	925,500	925,500
Investment in associated companies	4	125,887	142,268
Total financial assets		**1,051,387**	**1,067,768**
Total non-current assets		**1,051,387**	**1,067,768**
Current assets			
Trade and other receivables			
Receivable from group companies	5, 9	337,307	392,635
Other receivables	9	129	340
Total trade and other receivables		**337,436**	**392,974**
Cash	9	2	2
Total current assets		**337,438**	**392,975**
Total assets		**1,388,825**	**1,460,743**

Notes 1 to 10 are an integral part of the financial statements.

BALANCE SHEET

Figures are stated in NOK 1,000	Note	31-12-2019	31-12-2018
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	7	166,969	166,969
Treasury shares	7	(1,150)	(5,370)
Share premium		51,652	51,652
Other paid-in capital		17,476	-
Total paid-in capital		**234,946**	**213,251**
Retained earnings			
Other equity		1,152,264	1,035,781
Total retained earnings		**1,152,264**	**1,035,781**
Total shareholders' equity		**1,387,211**	**1,249,032**
Liabilities			
Current liabilities			
Accounts payable	9	317	1,294
Tax payable	6	-	-
Current debt to group companies	5, 9	-	75,280
Other current liabilities	4, 9	1,297	135,138
Total current liabilities		**1,614**	**211,711**
Total liabilities		**1,614**	**211,711**
Total equity and liabilities		**1,388,825**	**1,460,743**

Fredrikstad, 25 March 2020

THE BOARD OF DIRECTORS OF EUROPRIS ASA

Tom Vidar Rygh *Chair*	Hege Bømark	Bente Sollid Storehaug	Claus Juel-Jensen
Karl Svensson	Tone Fintland	Sverre R Kjær	Pål Wibe *CEO*

Notes 1 to 10 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Figures are stated in NOK 1,000	Share capital	Treasury shares	Share premium	Other paid-in capital	Other equity	Total
Equity 01.01.2019	**166,969**	**(5,370)**	**51,652**	**-**	**1,035,781**	**1,249,032**
Profit for the period	-	-	-	-	324,673	324,673
Dividend	-	-	-	-	(298,717)	(298,717)
Net purchase/sale of treasury shares	-	4,220	-	17,475	90,527	112,222
Other comprehensive income	-	-	-	-	-	-
Equity 31.12.2019	**166,969**	**(1,150)**	**51,652**	**17,475**	**1,152,264**	**1,387,211**
Equity 01.01.2018	**166,969**	**-**	**335,499**	**-**	**714,101**	**1,216,569**
Profit for the period	-	-	-	-	436,900	436,900
Dividend	-	-	(283,847)	-	-	(283,847)
Net purchase/sale of treasury shares	-	(5,370)	-	-	(115,220)	(120,590)
Other comprehensive income	-	-	-	-	-	-
Equity 31.12.2018	**166,969**	**(5,370)**	**51,652**	**-**	**1,035,781**	**1,249,032**

In accordance with sections 9-4 and 9-5 of the Norwegian Public Limited Liability Companies Act, the board is mandated to acquire the company's own shares on specific conditions. See note 7 for details of treasury shares.

Notes 1 to 10 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Figures are stated in NOK 1,000	2019	2018
Cash flows from operating activities		
Profit before income tax	324,673	436,900
Share of the (profit)/loss of associates	-	(6,400)
Change in account payable	(978)	1,276
Change in other working capital	62,695	(104,866)
Net cash from operating activities	**386,391**	**326,910**
Cash flows from investing activities		
Payments to group companies	(7,097)	(12)
Net purchases and proceeds from other investments	(2,321)	(1,968)
Net cash used in investing activities	**(9,418)**	**(1,980)**
Cash flows from financing activities		
Change in group cash pool deposits	(75,280)	79,508
Dividend	(298,717)	(283,847)
Buy-back of treasury shares	(2,975)	(120,590)
Net cash from financing activities	**(376,972)**	**(324,930)**
Net increase in cash	**1**	**-**
Cash at beginning of year (01.01)	**1**	**1**
Cash at end of year (31.12)	**2**	**1**

Notes 1 to 10 are an integral part of the financial statements.

NOTE 1 ACCOUNTING PRINCIPLES

Europris ASA is the parent company of the Europris group, consisting of Europris Holding AS and subsidiaries.

The financial statements of Europris ASA have been prepared in accordance with the simplified IFRS pursuant to section 3-9 of the Norwegian Accounting Act and the directive on simplified IFRS issued by the Norwegian Ministry of Finance on 21 January 2008.

The board approved the financial statements on 25 March 2020.

1.1 Simplified IFRS

The company has applied the following simplifications to the IFRS recognition and measurement principles:

- IFRS 1 First-time adoption of IFRS no 7 regarding use of continuity of historical acquisition cost of investments in subsidiaries

- dividends and group contributions are recognised as income in the same year as the dividend or group contribution is recognised in the financial statements of the group company which pays the dividend or group contribution, in accordance with Norwegian generally accepted accounting principles.

1.2 Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention. The company has applied the going concern assumption when preparing its financial statements.

1.3 Investment in associates

The group has investments in associates. Associates are entities over which the group has significant influence, but does not exercise control over the financial and operating management.

The considerations made in determining whether the group has significant influence over an entity are similar to those necessary to determine control over subsidiaries.

Associates are accounted for using the equity method from the date when significant influence is achieved until such influence ceases.

Investments in an associate are initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the group's share of the net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the group's share of the results of operations of the associate. In addition, when there has been a change recognised directly in the equity of the associate, the group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

If an indication exists that the investment in the associate is impaired, the group will perform an impairment test of the carrying amount of the investment. Any impairment losses are recognised as share of profit of an associate in the statement of profit or loss.

If the group's share of the loss surpasses the carrying amount of the associate, the carrying amount is set to zero and further loss is not recognised unless the group has an obligation to make up for the loss.

Upon loss of significant influence over the associate, such that the equity method ceases to apply, the group measures and recognises any retained investment at its fair value. No new measurement of remaining ownership interests will be performed if the equity method is still applicable.

1.4 Revenue recognition

Group contributions and dividends received from subsidiaries are recognised as income if the amount is within the net income of the subsidiary after the acquisition date. Group contributions and dividends which exceed the net income of the subsidiary after the acquisition date are recognised as a reduction of the carrying value of the subsidiary. When recognising income, the gross group contribution (before tax) is presented on a separate line in the income statement.

Group contributions to subsidiaries from the company increase the carrying value of the investment. Group contributions to subsidiaries are recognised net, after tax.

1.5 Current and deferred income tax

Tax expense for the period comprises current and deferred tax. Deferred tax/deferred tax asset is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The company recognises previously deferred tax assets to the extent that it has become probable that the company can utilise the deferred tax asset. Similarly, the company will reduce deferred tax assets to the extent that the company no longer considers it probable that it can utilise the deferred tax asset.

Deferred tax liabilities and deferred tax assets are measured on the basis of the anticipated future tax rate relating to items where the temporary difference has arisen.

Deferred tax liabilities and deferred tax assets are recognised at nominal value and are classified as fixed assets (non-current liabilities) in the balance sheet.

Current tax and deferred tax are recognised directly in equity to the extent that the tax items relate to equity transactions or changes in accounting principles.

1.6 Cash

Cash includes cash in hand and bank deposits.

1.7 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable (more likely than not) that an outflow of economic resources will be required from the company, and amounts can be estimated reliably. If the effect is material, provisions are calculated by discounting the expected future cash flows at a pre-tax discount rate which reflects current market assessments of the time value of money and, if relevant, the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and an assessment of all possible outcomes and the accompanying probabilities.

1.8 Contingent liabilities and assets

A contingent liability is recorded in the books of accounts only if the contingency is probable and the amount of the liability can be estimated. In cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is disclosed.

A contingent asset is not recognised in the financial statements, but disclosed if it is probable that the benefit will flow to the company.

1.9 Subsequent events

New information after the reporting date regarding the company's financial position at the reporting date is taken into consideration in the financial statements. Events after the reporting date which do not affect the company's financial position at the reporting date, but which will affect the financial position of the company in the future, are disclosed if they are considered to be significant.

NOTES TO THE FINANCIAL STATEMENTS

2 Employees, pensions and remuneration to auditor

The company has no employees. As a result, it has no obligation to have a pension scheme according to the Norwegian Act on mandatory occupational pensions.

No salaries or other remunerations have been paid to the CEO.

Compensation for directors is stipulated at NOK 2,148 in 2019.

There are no obligations to pay the directors a settlement in the event of a termination of service.

No loans or guarantees have been provided for any related parties.

Figures are stated in NOK 1,000	2019	2018
Audit fees, divided by type of service (exclusive VAT)		
Statutory audit	183	123
Technical services related to financial reporting	149	8
Total audit fees	**332**	**131**

3 Investments in subsidiaries

Investments in subsidiaries are stated at acquisition cost and accounted for using the cost method.

Figures are stated in NOK 1,000	Registered office	Ownership share	Equity 31.12.2019	Net income 2019	Carrying value
Subsidiary					
Europris Holding AS	Fredrikstad	100%	1,356,001	1,510	925,500

4 Investments in associated companies

In June 2018, the group acquired 20 per cent of Runsvengruppen AB (ÖoB), a Swedish discount variety retailer. ÖoB has its headquarters in Skänninge and runs 94 stores across Sweden.

The Europris group owns 20 per cent of the shares and voting rights in Runsvengruppen AS.

Based on equity value, using a fixed multiple of 7.7 on adjusted EBITDA for ÖoB in 2018, the purchase price was determined as NOK 115.2 million. NOK 4.3 million in transaction expenses has also been recognised as part of the acquisition cost, bringing the total investment to NOK 119.5 million. In addition, the group recorded an estimated profit of NOK 6.4 million from its 20 per cent stake in 2018. No profit or loss are recorded in 2019.

The vendor note issued when closing the deal is converted to 4,349,695 Europris shares, corresponding to 2.61 per cent of the share capital.

A summary of the financial information from Runsvengruppen AB, based on 100 per cent figures (preliminary figures for 2019):

Figures are stated in SEK million	2019	2018
	Unaudited	Audited
Total operating income	4,022.8	3,974.0
Profit for the year	3.6	17.7
Current assets	1,072.8	1,004.3
Non-current assets	153.5	155.8
Current liabilities	608.6	515.5
Non-current liabilities	199.9	230.4
Equity	417.8	414.2

Figures are stated in NOK million	2019
The group's share of equity	78.9
Goodwill	47.0
Book value 31.12.2019	125.9

Europris holds an option to acquire the remaining 80 per cent of the shares in Runsvengruppen AB. Whether the option is to be exercised will be decided in 2020. The fair value of the option is considered immaterial and is not recognised in the balance sheet.

5 Non-current liabilities and receivables to group companies

Liabilities and receivables to group companies is included with the following amounts

Figures are stated in NOK 1,000	2019	2018
Liabilities		
Debt in the group's cash pool agreement	-	75,280
Total liabilities	**-**	**75,280**
Receivables		
Group contribution	330,189	392,614
Deposits in the group's cash pool agreement	7,118	-
Other current receivables to subsidiaries	-	21
Total receivables	**337,307**	**392,635**

6 Income tax expense

Figures are stated in NOK 1,000	2019	2018
Basis for income tax expense and tax payable		
Profit before tax	324,673	436,900
Non-deductible expenses	(324,673)	(436,900)
Basis for the tax expense	**-**	**-**
Reconciliation of the income tax expense		
Tax payable (22/23% of the basis for tax payable in the income statement)	71,428	100,487
Income tax expense	-	-
Difference	**(71,428)**	**(100,487)**
Difference consists of:		
22/23% of non-deductible expenses	(71,428)	(100,487)
Total explained difference	**(71,428)**	**(100,487)**
Tax payable in the balance sheet		
Tax payable in income tax expense	-	-
Tax payable in balance sheet	**-**	**-**

7 Share capital and shareholder information

The share capital of Europris ASA is NOK 166,968,888, consisting of 166,968,888 shares with par value of NOK 1. The company's share capital consists of one class of shares, whereby all shares have the same voting rights.

Major shareholders at 31 December 2019		Number of shares	Share of capital
FOLKETRYGDFONDET		16,299,426	9.8%
ARCTIC FUNDS PLC		8,155,917	4.9%
RUNOR AS		4,349,695	2.6%
STATE STREET BANK AND TRUST COMPANY	Nominee	4,296,202	2.6%
VARMA MUTUAL PENSION INSURANCE CO.		3,785,431	2.3%
VERDIPAPIRFONDET PARETO INVESTMENT		3 768,000	2.3%
STOREBRAND NORGE I VERDIPAPIRFOND		3,279,451	2.0%
VERDIPAPIRFONDET KLP AKSJENORGE		3,093,801	1.9%
J.P. MORGAN BANK LUXEMBOURG S.A.	Nominee	3,025,693	1.8%
SEB PRIME SOLUTIONS SISSENER CANOPUS		3,000,000	1.8%
VERDIPAPIRFONDET HOLBERG NORGE		3,000,000	1.8%
VERDIPAPIRFONDET NORGE SELEKTIV		2,704,217	1.6%
HANDELSBANKEN NORDISKA SMABOLAG		2,535,000	1.5%
MORGAN STANLEY & CO. INTERNATIONAL		2,408,307	1.4%
VERDIPAPIRFONDET HOLBERG NORDEN		2,325,000	1.4%
KOMMUNAL LANDSPENSJONSKASSE		2,165,265	1.3%
NORDKRONEN II AS		2,008,572	1.2%
VERDIPAPIRFONDET NORDEA NORGE VERDI		1,914,466	1.1%
J.P. MORGAN BANK LUXEMBOURG S.A.	Nominee	1,913,810	1.1%
VERDIPAPIRFONDET EIKA SPAR		1,846,129	1.1%
OTHER SHAREHOLDERS		91,094,506	54.6%
Total shares		**166,968,888**	**100,0 %**

Shares held by directors, CEO and CFO	Title	Number of shares
Tom Vidar Rygh (Retiro AS)	Chair	600,000
Karl Svensson (RuNor AS)	Director	271,856
Claus Juel-Jensen	Director	3,000
Sverre R Kjær (Bien Invest AS)	Director	3,000
Tone Fintland	Director	2,780
Pål Wibe (Nordkronen II AS)	CEO	2,008,572
Espen Eldal (Knipen AS)	CFO	600,000

Treasury shares at 31 December 2019	Nominal value	Number of shares	Fair value (NOK)
Shares owned by Europris ASA	1,150,305	1,150,305	39,340,431

Treasury shares have been deducted from equity at cost. The nominal value of the shares has been deducted from paid-in capital.

Change in number of treasury shares	
Treasury shares 1 January 2019	5,370,000
Buy-back of treasury shares	130,000
Sale of treasury shares	4,349,695
Treasury shares 31 December 2019	**1,150,305**

Average cost price for treasury shares is NOK 22.47.
Average selling price for treasury shares is NOK 26.48.

8 Transactions with related parties

Information regarding salaries of senior executives is disclosed in note 2. Information on intercompany receivables and liabilities is disclosed in note 5. No material transactions were conducted with related parties in 2019 other than the information included in the notes.

9 Financial instruments by category

Figures are stated in NOK 1,000	2019	2018
Financial assets measured at amortised cost		
Accounts receivable and other current receivables	337,436	392,974
Cash	2	1
Financial liabilities measured at amortised cost		
Other current liabilities	(1,297)	(210,417)
Accounts payable	(317)	(1,294)
Net financial instruments	**335,824**	**181,264**

10 Subsequent events

The board has proposed the distribution of an ordinary dividend of NOK 1.95 per share for fiscal 2019.

There were no subsequent events after the balance sheet date and before the date of the approval of the financial statements which provide new information about conditions which existed at the balance sheet date (which are not currently reflected in the financial statements), or significant events after the balance sheet date which require further disclosures.

DECLARATION TO THE ANNUAL REPORT 2019

Responsibility statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 january to 31 December 2019 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit and loss of the entity and the group taken as a whole. We also confirm that the directors' report includes a true and fair view of the development and performance of the business and the position of the entity and the group, togehter with a description of the principal risks and uncertainties facing the entity and the group.

Fredrikstad, 25 March 2020
THE BOARD OF DIRECTORS OF EUROPRIS ASA

Tom Vidar Rygh
Chair

Claus Juel-Jensen

Hege Bømark

Sverre R Kjær

Bente Sollid Storehaug

Tone Fintland

Karl Svensson

Pål Wibe
CEO

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. In the discussion of the reported operating results, financial position and cash flows, Europris refers to these measures which are not defined by generally accepted accounting principles (GAAP) such as IFRS. Europris management makes regular use of these Alternative Performance Measures and is of the opinion that this information, alongside with comparable IFRS measures, is useful to investors who evaluate the group's financial performance. APMs are adjusted IFRS figures defined, calculated and used in a consistent and transparent manner and should not be viewed in isolation or as an alternative to the equivalent IFRS measure.

- **Total retail sales** are retail sales from all stores, both directly operated and franchise stores.
- **COGS excluding unrealised foreign exchange effect** is the cost of goods sold except for unrealised gains or losses on the foreign currency derivatives and unrealised foreign currency exchange gains and losses on inventory trade payables.
- **Gross profit** represents group revenue less the cost of goods sold excluding unrealised foreign currency effects.
- **Gross margin** is gross profit represented as a percentage of group revenue.
- **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.
- **Non-recurring items** are expenses which by nature are related to special events outside normal course of business (e.g IPO costs, moving cost, rent for vacated warehouse)
- **Adjusted EBITDA** is EBITDA adjusted for non-recurring items.
- **Adjusted profit before tax** is profit before tax adjusted for non-recurring items.
- **Adjusted net profit** is net profit adjusted for non-recurring items.
- **Adjusted earnings per share** is Adjusted net profit divided by the current number of shares, adjusted by the 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.
- **Financial debt** is the sum of term loans and financial leases.
- **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.

BDO AS
Munkedamsveien 45
Postboks 1704 Vika
0121 Oslo

Independent Auditor's Report

To the General Meeting in Europris ASA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Europris ASA.

The financial statements comprise:	In our opinion:
• The financial statements of the parent company, which comprise the balance sheet as at 31 December 2019, income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and • The financial statements of the group, which comprise the balance sheet as at 31 December 2019, and income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.	• The financial statements are prepared in accordance with the law and regulations. • The accompanying financial statements give a true and fair view of the financial position of Europris ASA as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway. • The accompanying financial statements give a true and fair view of the financial position of the group Europris ASA as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventory	
Description of key audit matter Inventory amounts to NOK 1 550 million in the Financial Statements of 2019 and is a material amount. We refer to note 18 for more information on provisions for impairment on inventory. Inventory is measured at the lower of cost and net realisable value. When determining the provisions for impairment on inventory, judgements is used to assess the items which may be ultimately sold below cost due to reduced customer demand and in estimating the net realisable value of these items. Different categories are assessed individually and subject to specific provisions for impairment based on information of historical and statistical sales data. These assessments are also based on management's expectations for future sales. The complexity and judgement involved has led us to define this as a high risk area for the audit.	How the key audit matter was addressed in the audit We have reviewed management's policy for assessing the impairment of inventory and reviewing that management applies the impairment policies consistently year on year. We have reviewed the documentation of obsolescence for both inventory in stores and central warehouse, and tested the assumptions used for reasonableness. We have also tested the arithmetical accuracy of the Group's calculation of the profit margin on older goods. Our audit procedures include observing the stocktaking in a selection of stores and reviewing internal controls and procedures as well as performing re-counts. We have also tested internal controls and procedures related to stocktaking at the central warehouse. In addition, we have tested the calculation of cost of goods sold.
Valuation of intangible assets	
Description of key audit matter Intangible assets include goodwill and trademark, amounting to NOK 1 611 million and NOK 388 million respectively. We refer to note 12 for more information. Both items are material to the financial statements and consequently defined as key areas to the audit. Under IFRS, the Group is required to test the amount of intangible assets for impairment annually.	How the key audit matter was addressed in the audit Our audit procedures include, among others, reviewing management's documentation of the group's impairment assessment for intangible assets. The impairment test includes significant judgements and assumptions made by management. We have reviewed the methodology used and assessed the WACC against criteria in IAS 36. We have compared the cash-flows used in the impairment test with the Group's budget and

The impairment test was significant to our audit due to the complexity of the assessment process and the significant judgements and assumptions involved. The impairment test is based on a value in use calculation for defined cash generating units. Value in use is calculated based on a pre-tax free cash flow and discounted with a pre-tax WACC.	business plan and consider if there are factors that indicates that these estimate are not realistic. We have also tested the arithmetical accuracy of the calculations in the impairment test. We have involved our internal valuation experts to assist us in evaluating the assumptions and methodologies used by the Group.
First time adoption of IFRS 16	
Description of key audit matter Lease liabilities and right-of-use assets recognized by the Group at initial adoption on 1 January 2019 was NOK 1 989 million (recognized lease liability was NOK 2004 million and right-of-use assets was NOK 2 405 million at 31 December 2019). A liability is recognized in the financial statements based on the present value of lease payments during the lease term. The lease term is the non-cancellable period of the lease together with periods covered by an option to extend the lease if it is reasonably certain that the option will be exercised. Right-of-use assets is recognized in the financial statement at cost, less any accumulated depreciation and impairment losses. We consider the first-time adoption of IFRS 16 as a key audit matter as the lease liability and the right-of-use asset is material to the financial statement, as well as due to the significance of judgement involved in determining the lease term and discount rate.	How the key audit matter was addressed in the audit Our audit procedures related to the calculation of right-of-use assets and lease liabilities in accordance with IFRS 16 on the Group's leasing contracts have included the following: • Assessment of the model used to calculate the accounting effects of IFRS 16 • Detailed review of the inputs used in the calculations on a sample of leases • Assessment of the assumptions taken in the calculations • Assessment of the adequacy of the information provided in the notes to the requirements of IFRS 16

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report and other information in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with

the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements for the parent company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to:

https://revisorforeningen.no/revisjonsberetninger

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 25 March 2020
BDO AS

Roger Telle-Hansen
State Authorised Public Accountant

BDO AS, a Norwegian liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. The Register of Business Enterprises: NO 993 606 650 VAT.

SHAREHOLDER INFORMATION

Europris ASA was listed on the Oslo Stock Exchange in 2015.

Share information

Number of shares	166,968,888
Nominal value per share	NOK 1.00
Ticker at Oslo Børs	EPR

Financial calendar

Europris publishes its quarterly result 07:00 am CET. The report and presentation will be available at the company's web page and at Oslo Børs' Newsweb.

23 April 2020	First quarter 2020
29 April 2020	Annual General Meeting
10 July 2020	Second quarter 2020
30 October 2020	Third quarter 2020

EPR share price development 2019

The share price closed year-end 2019 at NOK 34.20, which implies a market value of NOK 5,7 billion. The highest share price was NOK 34.88 and the lowest was NOK 22.55 in 2019. An ordinary dividend of NOK 1.85 per share was paid out in June 2019.

Europris ASA had 6,890 registered shareholders in the Norwegian Central Securities Depository (VPS) at 31 December 2019. The company's shareholders are located in 24 different countries together with Norway. About 95 per cent of the company's shareholders are based in Norway, while 41 per cent of the shares are registered to foreign shareholders.

Analyst coverage

12 equity analysts have covered Europris ASA in 2019:

ABG Sundal Collier	Petter Nystrøm Andreas Lundberg	petter.nystrom@abgsc.no andreas.lundberg@abgsc.no
Arctic Securities	Carl Frederick Bjercke	cfb@arctic.com
Carnegie	Eirik Rafdal	eirik.rafdal@carnegie.no
Danske Bank	Martin Stenshall	msten@danskebank.com
DNB Markets	Ole Martin Westgaard Erik Lundby	ole.martin.westgaard@dnb.no erik.lundby@dnb.no
Goldman Sachs	Tushar Jain	tushar.jain@gs.com
Handelsbanken Capital Markets	Nicklas Skogman	nisk03@handelsbanken.se
Kepler Cheuvreux	Markus Borge Heiberg	mheiberg@keplercheuvreux.com
Nordea	Oliver Schüler Pisani	oliver.pisani@nordea.com
Pareto Securities	Gard Aarvik	gard.aarvik@paretosec.no
SEB	Markus Bjerke Stefan Nelson	markus.bjerke@seb.no stefan.nelson@seb.se
Sparebank 1 Markets	Øyvind Mossige	oyvind.mossige@sb1markets.no

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

Europris
MER TIL OVERS