Europris MER TIL OVERS

Q1-20

EUROPRIS ASA

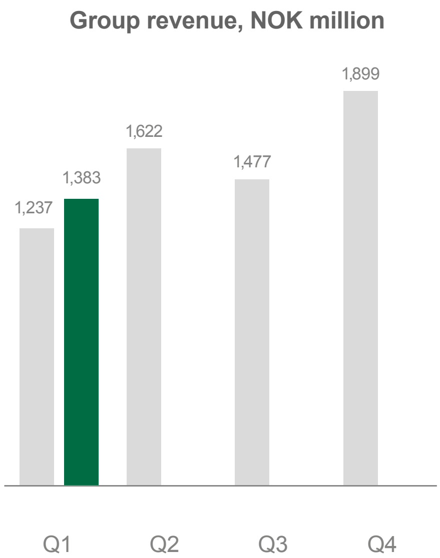
CONTENTS

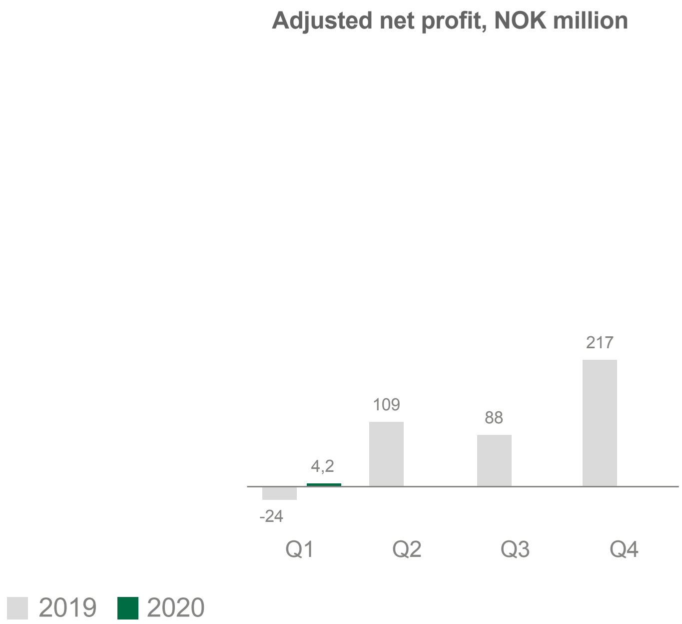
HIGHLIGHTS

FIRST QUARTER 2020

- Strong revenue growth driven in part by higher sales following the Covid-19 outbreak
  - Group revenue increased by 11.8 per cent to NOK 1,383 million (NOK 1,237 million)
  - 10.4 per cent like-for-like growth
- Gross margin reduced by one percentage point to 40.4 per cent (41.4 per cent)
  - Change in product mix owing to increased sales of low-margin groceries and other necessities
- Adjusted EBITDA rose by 21.3 per cent to NOK 152 million (NOK 125 million)
- Adjusted net profit of NOK 4.2 million (net loss of NOK 24 million)
  - Profits affected positively by an unrealised gain of NOK 31 million on hedging contracts and accounts payable (net currency loss of NOK 7 million)
  - One-off cost of NOK 8 million from refinancing long-term loans and revolving credits implemented in January
- Solid financial position – cash and available credits of NOK 966 million (NOK 437 million)
- Covid-19: Safeguarding employees and operations remains the top priority
  - Initiated business continuity plans early to secure employee health, supply of goods and store operations
  - Initiated strict procedures in case of outbreaks to ensure quick and safe re-opening of stores
  - Early indications of smaller customer traffic but larger baskets

Figures for the corresponding period last year in brackets. The figures are unaudited.
See page 24 for definitions of APMs.





KEY FIGURES

Figures are stated in NOK million	Q1 2020	Q1 2019	FY 2019
CHAIN KEY FIGURES			
Total retail sales	1,432.4	1,278.9	6,561.3
Growth (%)	12.0%	1.3%	6.4%
Like-for-like sales growth (%)	10.4%	(0.8%)	4.4%
Total number of stores at end of period	265	259	264
- Directly operated stores	235	224	231
- Franchise stores	30	35	33
GROUP KEY INCOME STATEMENT FIGURES			
Sales directly operated stores	1,223.7	1,065.1	5,490.5
Sales from wholesale to franchise stores	143.0	156.7	665.6
Franchise fees and other income	15.7	15.3	78.4
Group revenue	**1,382.5**	**1,237.1**	**6,234.4**
% growth	11.8%	3.1%	7.2%
COGS excluding unrealised foreign exchange effects	824.4	725.1	3,523.3
Gross profit	**558.0**	**512.0**	**2,711.0**
% margin	40.4%	41.4%	43.5%
Opex	411.1	386.8	1,596.4
Non-recurring items	4.9	-	18.7
Opex excluding non-recurring items	406.2	386.8	1,577.7
% of group revenue	29.4%	31.3%	25.3%
Adjusted EBITDA	**151.8**	**125.2**	**1,133.3**
% margin	11.0%	10.1%	18.2%
Adjusted EBIT	**17.6**	**3.8**	**617.7**
Adjusted profit (loss) before tax	**6.9**	**(29.6)**	**499.1**
Adjusted net profit (loss)	**4.2**	**(24.3)**	**390.0**
Adjusted earnings per share	**0.03**	**(0.15)**	**2.41**
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES			
Net change in working capital	(280.8)	(341.8)	160.6
Capital expenditure	26.7	24.2	157.0
Financial debt	1,497.0	1,649.0	1,656.3
Lease liabilities - IFRS 16 effect	2,014.0	1,554.7	2,004.0
Cash	78.4	9.9	568.0
Net debt	**3,432.6**	**3,193.8**	**3,092.2**

ALTERNATIVE PERFORMANCE MEASURES

Figures are stated in NOK million	Q1 2020	Q1 2019	FY 2019
Group revenue	**1,382.5**	**1,237.1**	**6,234.4**
Cost of goods sold (COGS)	793.6	732.1	3,543.7
Unrealised foreign exchange effects	***30.9***	***(7.0)***	***(20.3)***
Gross profit	**558.0**	**512.0**	**2,711.0**
% margin	40.4%	41.4%	43.5%
Employee benefits expense	263.4	240.6	985.3
Other operating expenses	267.0	248.2	1,060.9
Other operating expenses - IFRS 16 effect	*(119.4)*	*(102.0)*	*(449.8)*
Opex	**411.1**	**386.8**	**1,596.4**
Non-recurring items	4.9	-	18.7
Opex excluding non-recurring items	**406.2**	**386.8**	**1,577.7**
% of group revenue	29.4%	31.3%	25.3%
Adjusted EBITDA	**151.8**	**125.2**	**1,133.3**
Depreciation	23.7	26.1	99.6
Depreciation - IFRS 16 effect	*110.6*	*95.3*	*416.1*
Adjusted EBIT	**17.6**	**3.8**	**617.7**
Net financial income (expense)	(23.0)	(10.7)	(51.3)
Net financial expense - IFRS 16 effect	*(13.1)*	*(10.1)*	*(46.9)*
Unrealised foreign exchange effects	**30.9**	**(7.0)**	**(20.3)**
Profit (loss) from associated companies	(5.5)	(5.5)	-
Adjusted profit (loss) before tax	**6.9**	**(29.6)**	**499.1**
Adjusted net profit (loss)	**4.2**	**(24.3)**	**390.0**
Adjusted earnings per share	**0.03**	**(0.15)**	**2.41**
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES			
Net change in working capital	(280.8)	(341.8)	160.6
Purchases of fixed assets	18.2	21.0	137.6
Purchases of intangible assets	8.5	3.2	19.4
Capital expenditure (excl. IFRS 16 effects)	**26.7**	**24.2**	**157.0**
Financial debt	3,511.0	3,203.7	3,660.3
Lease liabilities - IFRS 16	*2,014.0*	*1,554.7*	*2,004.0*
Cash	78.4	9.9	568.0
Net debt	**1,418.6**	**1,639.1**	**1,088.3**

For definitions of APMs see page 24.

COVID-19 OPERATIONAL UPDATE

Following the outbreak in China, Europris activated crisis plans during January. Attention in the first phase was on safeguarding employees at the Shanghai purchasing office as well as on securing deliveries and production in the region. As the pandemic spread globally, Europris' concentration on crisis management was strengthened and the management team established a crisis response team in late February. On 12 March, the Norwegian government introduced national infection control measures. Europris further increased its crisis management and established an operational crisis team with authority to handle the implementation of control measures and new routines as well as to provide information to all employees.

Well-being of employees and customers is the highest priority

At 31 March, four Europris employees had tested positive for Covid-19. All four have had mild to moderate symptoms and no need for hospital treatment. Europris is maintaining a good dialogue with relevant government agencies, and the employees are being well looked after. The company has routines to ensure disinfection of stores and to establish employee quarantines in the event of a positive coronavirus test. Two stores have been closed as a result of this. Both stores were reopened after disinfection by an external cleaning specialist.

Infection control measures implemented in stores, warehouses and head office

Europris adheres at all times to the guidelines issued by the Norwegian Institute of Public Health, and has established good routines for informing employees, customers and partners.

Furthermore, Europris strives to play a responsible part in minimising the spread of the coronavirus. Several mitigating measures have been introduced in the stores, the central warehouse and head office to reduce the risk of infection. Those who can are advised to work from home. Travel and physical meetings are restricted. Everyone who experiences any symptoms which could be linked to the coronavirus must self-isolate for two weeks.

Strict routines have been introduced in the chain's 265 stores for cleaning all contact surfaces, such as trollies and baskets as well as touch screens. In addition, the cleaning frequency has been increased for all premises. Government advice for safe trading is followed. Information posters are displayed at entrances and hand sanitisers are provided for customers. To ensure the recommended distance between both customers and employees, floor marking and plexiglass screens have been introduced in the checkout area.

Impact on sales

In the early days following the introduction of national measures by the Norwegian authorities, Europris experienced an abnormal increase in sales owing to hoarding tendencies for groceries and other necessities. Total sales rose almost 50 per cent that week. This emphasises the social role which Europris plays at a critical time, and such commodities accounted for 75-80 per cent of the chain's sales during this period.

In the following weeks, Europris has seen a clear change in customer buying patterns, with unusually large variations between stores in the chain. Those located in shopping centres and in typical holiday-cabin areas have experienced a decline in customer numbers but a significant increase in the shopping basket. Stores located outside city centres and close to the Swedish border have experienced growth in both customer traffic and shopping basket.

Overall, the group has experienced a positive sales trend in the wake of the crisis, driven by a significant increase in sales of groceries and other necessities.

Europris aims to keep all its stores open. A few have reduced their opening hours, either because they are located in a shopping centre or area with significantly reduced customer traffic owing to the official advice to stay at home, or because of staffing challenges resulting from many employees being in quarantine or at home with children. Forty-three stores had reduced opening hours at peak, but this was down to 30 at 31 March.

Sourcing and flow of goods

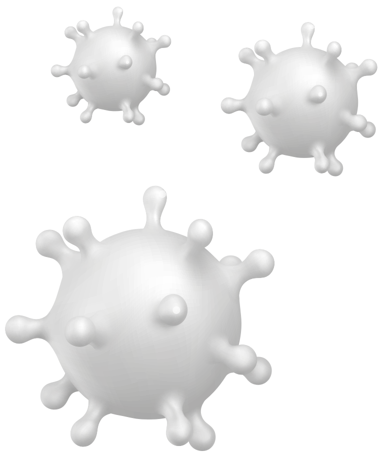
Europris has maintained a good and close dialogue with its suppliers to safeguard the incoming flow of goods, and has so far only registered minor delays with certain commodity deliveries.

Asian suppliers are managed via the purchasing office in Shanghai, which has 25 local employees. This office reports that production in China is in the process of returning to normal, and that both land transport and ports are close to regular operation. Goods for the summer season have arrived at the central warehouse and delivery to the stores has begun.

As a result of unusually high sales of certain products, the chain has experienced some circumstances when it is sold out of items. In cases where delivery times are long, the group is searching for replacement products.

Effect of currency fluctuations

The Norwegian krone has weakened significantly so far this year, which will affect purchasing prices in the long run. Europris is keeping to its currency hedging policy, which specifies that all purchase orders placed in USD and EUR are hedged six months ahead. This has historically provided sufficient time to adjust retail prices. Purchase prices are also renegotiated, particularly with suppliers who do not have their cost base in USD or EUR. In addition, such renegotiations are carried out with purchase orders already placed.



PERIOD REVIEW

Europris' strong sales growth in the first quarter of 2020 was driven by good merchandising in the early months and a positive sales impact from the effects of Covid-19 at the end of the quarter.

The period has been demanding operationally, since the exceptionally mild winter required the chain to adapt quickly and change its focus from seasonal to consumer products in order to maintain customer traffic. Furthermore, the Covid-19 outbreak has caused occasional staff shortages while simultaneously requiring all employees to observe new guidelines and routines in order to limit the spread of infection. Employees have shown a formidable commitment in adapting to these guidelines and to changes in customer behaviour.

It has become clearer that Europris plays an important role for many people and communities, and considerable efforts have been and will be made to keep all stores open to customers.

Sales and gross profit

The Europris chain increased its revenue by 12 per cent in the first quarter of 2020, driven by a strong performance during the second half of the period. Sales at the beginning of the quarter were weak owing to an unusually mild winter, particularly in southern Norway. Europris has a seasonal concept, and the absence of a normal winter affected general customer traffic as well as sales of typical seasonal products.

Europris has developed a business model which can adapt quickly to changes in market conditions, and adjustments to both product selection and marketing were implemented early. Attention shifted from seasonal winter products to groceries and necessities. This produced good results and Europris experienced growth in both customer traffic and sales.

During the quarter, Europris continued its strong focus on implementing campaigns. Over time, this has been an important contributor to sales growth while helping to strengthen the group's price position and to provide satisfied customers.

Sales growth in the overall retail market was good at the beginning of 2020, positively affected by an extra shopping day in February. However, Covid-19 has had a significantly negative impact on the retail market and many chains and stores have been forced to close down temporarily after the virus outbreak. Total market drop during the first quarter was 4.0 per cent, with a like-for-like decrease of 4.4 per cent. Corresponding figures for Europris were growth of 12 and 10.4 per cent.

	Q1	2019
Total growth Europris chain	12.0%	6.4%
Total growth market*	(4.0%)	1.3%
LFL growth Europris	10.4%	4.4%
LFL growth market*	(4.4%)	0.5%

**According to the Kvarud Analyse Shopping Centre Index.*

Europris' total growth for the quarter was distributed relatively evenly between an increase in the number of customers and a rise in basket value. Towards the end of the quarter, sales growth was mainly driven by an increase in the basket value as a result of changed consumer behaviour following the Covid-19 outbreak.

The sales mix shifted significantly towards groceries and necessities during the quarter, as a result both of Covid-19 and of the operational measures taken by Europris earlier in the quarter to compensate for the mild winter. Since gross margins for these product categories are below average, the total gross margin for the quarter was slightly weakened. However, gross profit rose as a result of the increased turnover.

Operational review

Concept and category development

Continuous development of concepts and categories is an important element in Europris' growth strategy. During the first quarter, a major upgrade of the kitchen department was launched in all the stores with a concept called "the price-conscious chef". Preliminary sales figures show that this was well received by customers. The shop-in-shop solution at the stores has become more distinct, and electrical kitchen products in particular are being presented in a better way. Where pots and pans are concerned, a clear product stair has been developed following the “good-better-best” methodology, including both own and well-known brands.

Europris works continuously on the development of its organisation and its capabilities. Over the past year, considerable efforts have been devoted to developing a separate strategy for sustainability and a sustainability manager was hired for the group during the first quarter. This position will concentrate on sustainability throughout the value chain, and Europris will work to turn climate risk into positive impacts and opportunities.

E-commerce

Recruiting members to the chain’s Mer customer club was another priority area during the first quarter. A solution for easier recruitment at checkout has been developed, resulting in the membership base growing by 65 per cent since 31 December 2019. This solution complies with the general data protection regulation (GDPR) provisions, and most of the new members give Europris permission to use their purchase history for analytics and personal marketing.

Since the Covid-19 outbreak, shopping patterns have altered significantly and Europris has used data from the customer club to increase activity in stores with reduced customer traffic. The chain has developed e-customer relationship management (e-crm) solutions and implemented marketing efforts specifically designed for individual stores in order to increase revenue. The results of these activities were positive, and underline the value of continuously developing good e-crm solutions.

Development of the chain’s new e-commerce platform has been delayed by technical issues, with the launch postponed to the second quarter. Full-scale testing of the solution has been carried out, and only minor adjustments remain before the platform is ready to be launched. With the new solution, Europris will offer e-commerce customers a wider range for both home delivery and click and collect in the stores.

Developing the store estate

Europris opened one new store in the first quarter, at Tau in Rogaland county. It had 265 stores at 31 March, of which 235 were directly operated and 30 were franchises.

Europris relocated one store during the quarter and completed two store expansions. The group will continue to develop the existing store base as an important value driver in the future.

New stores opened in 2020

Month	Store	County
March	Tau	Rogaland

Store relocations in 2020

Month	Store	County
January	Bryne	Rogaland

Store expansions in 2020

Month	Store	County
February	Moelv	Innlandet
February	Reknes	Møre og Romsdal

The potential closure of the Europris store at Grini in Viken county is still awaiting a hearing in the district court. This was scheduled for April 2020 but has been postponed to October 2020 as a result of Covid-19.

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, marking the first milestone in the warehouse project. The automatic high-bay warehouse became operational in the first quarter of 2020 as the second milestone. So far, the project has progressed as planned and the overall storage capacity available to Europris has increased significantly. The new high-bay warehouse expanded storage capacity at the central warehouse from 34,000 to 99,000 pallet places. Operations in the warehouse are being scaled up gradually, and the current fill rate is around 50 per cent. Full operation is expected before the summer, allowing Europris to move out of two existing warehouses in Fredrikstad during June 2020. The relocation process from these warehouses has been accelerated as a result of available capacity at the new warehouse early in the quarter. Both warehouses are now empty of goods and only the handover to the landlord in June remains.

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 the third and final milestone passed, all warehouse operations will be concentrated in the new and highly efficient central warehouse in Moss. Testing of the automated picking solution was scheduled to start in late June but this has been delayed owing to the Covid-19 position and travel restrictions. While a new start date has yet to be scheduled, the delay is so far within the group's overall time frame for the project.

The period from now until 2022 will be a transitional time for Europris, since some additional costs will be incurred before the 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.

Overview of estimated rent costs and non-recurring expenses in the transitional period

		2020						
NOK million	**2019**	**Q1**	**Q2**	**Q3**	**Q4**	**2020**	**2021**	**2022**
Ordinary rent	68	17.9	~17.5	~16.5	~16.5	~68	~52	~39
Non-recurring rent	14	2.9	~3.4	-	-	~6	~13	~5
Non-recurring moving expenses	5	2.0	~1.1	~1.2	-	~4	~3-5	-

There are no material changes from previous estimates.

Ordinary rent refers to warehouses which Europris will operate from, while non-recurring rent relates to the outstanding term of leases for vacated warehouses. Non-recurring rent in 2021 and 2022 may be reduced if the premises are sub-let. Owing to the current inventory position, Europris extended rent payments during the second quarter of 2019 for part of the premises in Fredrikstad until 30 June 2020. These costs are included as non-recurring rent in the table above. In addition to non-recurring rent, Europris will have some extra operational costs in 2020 related to both new and old central warehouses.

Overview of estimated investments

		2020						
NOK million	**2019**	**Q1**	**Q2**	**Q3**	**Q4**	**2020**	**2021**	**2022**
IT, office equip. and other Capex	28	1.5	~4.5	~0.8	-	~7	-	-
Automation, high-bay (lease)	52	15.9	~43.4	-	-	~59	-	-
Automation, low-bay (Capex)	65	1.5	~15.8	~23.0	~11.5	~52	-	-

There are no material changes from previous estimates.

Employees and organisation

During the first quarter, sickness absence in the stores increased significantly as a result of Covid-19. The government's quarantine rules, as well as the closure of schools and day care nurseries, have meant that many employees are prevented from going to work. Sickness absence for the quarter in the stores was 11.4 per cent (8.4 per cent).

Head office and the distribution centre experienced a slight decrease in absences from work, which continued the positive trend from 2019. Head office employees have largely been able to work from home even if quarantined or needing to look after children. Sickness absence for the quarter at head office and the distribution centre was 5.3 per cent (6.7 per cent).

Sickness absence	Q1 2020	Q1 2019	FY 2019
Stores	11.4%	8.4%	8.3%
Head office and distribution centre	5.3%	6.7%	5.9%

One lost-time injury was recorded in the quarter.

Update on 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 at both stages is based on an EV/EBITDA multiple of 7.7, adjusted for net debt and average net working capital.

Europris expects to receive ÖoB's financial statements for 2019 at the start of May 2020. A financial due diligence will then be carried out to determine the company's EBITDA for 2019, which forms the basis for the preliminary purchase price for the remaining 80 per cent of the shares in parent company Runsvengruppen AB. The final purchase price will be calculated in accordance with average EBITDA for 2019 and 2020.

Europris' option runs for six months from the date the parties reach agreement on ÖoB's 2019 EBITDA. During this period, Europris will complete a full due diligence of the company before the board of directors decides whether to exercise the option. Europris will update stakeholders and the market on a continuous basis.

ÖoB operational and sales update

On 1 March, Magnus Carlsson joined ÖoB as its new CEO. Carlsson is an experienced retailer and came from the position of CEO at Reitan Convenience Sweden AB.

ÖoB's sales developed positively during the first quarter, with a like-for-like growth of 10 per cent. Sales growth was relatively low at the beginning of the quarter and then increased significantly in the wake of the Covid-19 outbreak. Like Europris, ÖoB experienced a period with hoarding of groceries and other necessities. As the hoarding subsided, big differences emerged between the stores in the chain. Those located on the Norwegian border and some in central Stockholm made weak progress, while stores in suburban areas are performing well. While all stores are being kept open at 31 March, ÖoB is considering closing stores experiencing significantly reduced customer traffic.

Sales growth is driven mainly by an increase in the shopping basket and by purchases of goods in the grocery categories. The latter have a negative effect on gross margin, but overall gross profit has increased as a result of higher sales.

FINANCIAL REVIEW

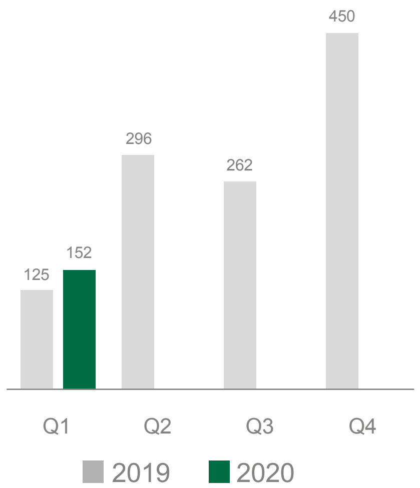
Profit and loss – first quarter

Group revenue in the first quarter amounted to NOK 1,383 million (NOK 1,237 million), an increase of 12 per cent. Revenue growth was driven by the 10.4 per cent rise in the chain's like-for-like sales, reflecting increased sales following the Covid-19 outbreak as well as new store openings and franchise takeovers. The quarter had one more sales day than the same period of last year.

Gross profit for the group came to NOK 558 million (NOK 512 million). The gross margin was 40.4 per cent (41.4 per cent). The reduced margin reflected a shift in the product mix towards groceries and other necessities, which have a below-average gross margin.

Operating expenditure (opex) excluding non-recurring items, was NOK 406 million in the first quarter (NOK 387 million), a rise of 5 per cent. Opex was affected by the 4.9 per cent increase in the number of directly operated stores from 224 to 235. Opex amounted to 29.4 per cent of group revenue (31.3 per cent). The first quarter of 2019 was affected by logistics costs of NOK 11 million owing to the high fill-rate at the central warehouse. Non-recurring items came to NOK 5 million in the quarter, and relate to rent for vacated warehouses and moving costs.

Adjusted EBITDA was NOK 152 million (NOK 125 million), up by NOK 27 million or 21.3 per cent.



Adjusted profit before tax came to NOK 7 million (loss of NOK 30 million), an increase of NOK 37 million.

Depreciation increased by NOK 13 million owing to leases for the new central warehouse and the new head office which commenced in the second quarter of 2019.

The group recognised a net unrealised currency gain of NOK 31 million on hedging contracts and accounts payable (net currency loss of NOK 7 million).

During the first quarter, bank borrowings were refinanced and NOK 8 million in one-off costs were booked. Group interest costs under the new agreement have risen by about NOK 3-4 million per quarter in addition to potential changes in the floating interest rates.

The group recorded an estimated loss of NOK 6 million (NOK 6 million) on its 20 per cent stake in Runsvengruppen AB (ÖoB). This is based on preliminary and non-audited figures from the associated company.

Adjusted net profit for the first quarter of 2020 was NOK 4 million (loss of NOK 24 million).

Cash flow

Net change in working capital for the period was negative at NOK 281 million (negative at NOK 342 million) owing to normal inventory build-up ahead of the summer season. Net working capital in the first quarter of last year was affected by a rise in inventory levels, mainly at the central warehouse.

Capital expenditure was NOK 27 million (NOK 24 million). The increase from the year before reflected investment in the new e-commerce platform.

Financial position and liquidity

Financial debt at 31 December 2019 was NOK 3,511 million (NOK 3,204 million). Adjusted for the IFRS 16 effect, financial liabilities amounted to NOK 1,497 million (NOK 1,649 million).

The group signed a new loan agreement in December 2019, and the refinancing was in place in January 2020. It involves a three-year term loan of NOK 1,000 million and revolving credit facilities for a total of NOK 1,200 million. The agreement also includes options for one- plus one-year extensions. In addition, the group has an overdraft facility of NOK 200 million. The new loan is syndicated through three credit institutions: DNB Bank, Danske Bank and Nordea. Covenants are unchanged from the previous agreement, and are measured and reported quarterly. The agreed leverage ratio is 3.25 (net debt/adjusted EBITDA excluding IFRS 16 effects).

Net debt at 31 March 2020 was NOK 3,433 million (NOK 3,194 million). Adjusted for the IFRS 16 effect, net financial liabilities were NOK 1,418 million (NOK 1,639 million).

Cash and liquidity reserves for the group at 31 March 2020 amounted to NOK 966 million (NOK 437 million).

Changes to the executive management team

On 27 March, the board of directors of Europris ASA resolved to appoint Espen Eldal as acting CEO of the company. Eldal has held the position of CFO since 2014 and is part of a very solid and experienced leadership team in Europris.

The Covid-19 virus outbreak has resulted in extraordinary times, making it impossible for practical reasons to bring the recruitment process to an end within the planned time frame. Since the board intends to conclude this process as circumstances allow, it was decided to constitute Eldal as acting CEO in Europris. Alongside the former CEO, Eldal has been instrumental in building a strong team and solid operational processes in the company for many years.

Outlook

Under any market conditions, Europris will be the first choice for anyone who wants to shop intelligently, conveniently, on a large scale and at a low price. In addition, it has become clearer that Europris plays an important role for many people and communities in the current uncertain and difficult times. Considerable efforts have been and will be made to keep all the stores open to customers.

The short-term effects of the Covid-19 outbreak have been positive for sales performance while simultaneously requiring extra efforts from all Europris employees to ensure the continuance of a normal and safe customer experience. Sales at the beginning of April have been good, showing a continued positive trend with an increased shopping basket while the number of customers has normalised.

Looking further ahead, sales performance will depend on the length and magnitude of the extraordinary virus control measures, the depth and length of the expected economic recession, and the impact on consumers' disposable income. It is too early to draw any conclusions about the long-term financial effects of the current situation.

Nevertheless, the overall trend is still one of change in an increasingly challenging retail market, where discount variety is thriving. Europris is Norway's leader in this sector with 100-per-cent brand recognition as well as leadership on price perception.

Europris has strengthened its competitive position in the challenging and changing retail landscape through its Nordic partnership with ÖoB and Tokmanni. Despite minor delays, Europris is in the process of moving all operations to a single highly automated warehouse which will also strengthen its overall cost position. This will increase Europris' 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. Full-scale testing of the new e-commerce platform has been carried out, and only minor adjustments remain before the launch. With the new platform, Europris will offer e-commerce customers a wider range for both home delivery and click and collect in the stores.

Europris continues to have a pipeline of new stores. The board has approved an additional four stores for 2020 and beyond, with two subject to planning permission. The group took over three franchise stores in the first quarter and another on 1 April. An additional one or two takeovers are expected for 2020.

Europris' key strategic priority areas are:

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

Long-term financial and operational ambitions:

- continue to deliver like-for-like growth above the market figure over time
- aim to open an average of five new stores net per annum, depending on the availability of locations which meet strict requirements for the rate of return, potential for relocations, expansion and refurbishment
- increase the EBITDA margin over time through improved sourcing and a more cost-effective value chain
- dividend policy of paying out 50-60 per cent of net profit while maintaining an efficient balance sheet.

EUROPRIS ASA
Q1-2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Figures are stated in NOK 1,000	Notes	Q1 2020	Q1 2019	FY 2019
		Unaudited	Unaudited	Audited
Total operating income (group revenue)		**1,382,467**	**1,237,063**	**6,234,389**
Cost of goods sold (COGS)		793,561	732,072	3,543,730
Employee benefits expense		263,396	240,621	985,347
Depreciation	5	134,262	121,426	515,673
Other operating expenses		147,740	146,196	611,057
Operating profit		**43,507**	**(3,251)**	**578,582**
Net financial income (expense)		**(36,050)**	**(20,812)**	**(98,172)**
Profit (loss) from associated companies	7	(5,500)	(5,500)	-
Profit (loss) before tax		**1,957**	**(29,563)**	**480,410**
Income tax expense		1,641	(5,294)	104,974
Profit (loss) for the period		**316**	**(24,269)**	**375,436**
Attributable to the equity holders of the parent		316	(24,269)	375,436
Interim condensed consolidated statement of comprehensive income				
Profit (loss) for the period		316	(24,269)	375,436
Total comprehensive income		**316**	**(24,269)**	**375,436**
Attributable to the equity holders of the parent		316	(24,269)	375,436

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures are stated in NOK 1,000	Notes	31 March 2020	31 March 2019	31 Dec 2019
		Unaudited	Unaudited	Audited
ASSETS				
Total intangible assets	5	2,052,326	2,039,891	2,044,669
Total fixed assets	5	2,749,441	2,208,513	2,743,235
Total financial assets	6,7	145,248	162,456	151,266
Total non-current assets		**4,947,015**	**4,410,860**	**4,939,170**
Inventories		1,736,530	1,881,339	1,550,331
Trade receivables		130,268	156,432	181,774
Other receivables	6	115,624	66,474	76,417
Cash		78,392	9,862	568,036
Total current assets		**2,060,814**	**2,114,108**	**2,376,558**
Total assets		**7,007,829**	**6,524,968**	**7,315,727**
EQUITY AND LIABILITIES				
Total paid-in capital	8	234,946	213,121	234,946
Total retained equity		1,743,240	1,548,563	1,742,923
Total shareholders' equity		**1,978,186**	**1,761,684**	**1,977,870**
Provisions		32,949	39,232	31,763
Borrowings	6	997,000	1,648,961	14,280
Lease liabilities	6	2,014,027	1,554,696	2,003,993
Total non-current liabilities		**3,043,976**	**3,242,889**	**2,050,036**
Borrowings	6	500,000	-	1,642,007
Current lease liabilities	6	428,152	395,067	414,088
Accounts payable		589,771	576,067	616,769
Tax payable		57,234	68,180	116,380
Public duties payable		148,887	141,815	243,072
Other current liabilities	6	261,623	339,266	255,505
Total current liabilities		**1,985,667**	**1,520,395**	**3,287,821**
Total liabilities		**5,029,643**	**4,763,284**	**5,337,857**
Total equity and liabilities		**7,007,829**	**6,524,968**	**7,315,727**

Fredrikstad, 22 April 2020
THE BOARD OF DIRECTORS OF EUROPRIS ASA

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Figures are stated in NOK 1,000	Attributed to equity holders of the parent					
	Share capital	Treasury shares	Share premium	Other paid-in capital	Retained earnings	Total equity
At 1 January 2020	**166,969**	**(1,150)**	**51,652**	**17,475**	**1,742,923**	**1,977,870**
Profit for the period	-	-	-	-	316	316
Other comprehensive income	-	-	-	-	-	-
At 31 March 2020	**166,969**	**(1,150)**	**51,652**	**17,475**	**1,743,240**	**1,978,186**
(unaudited)						

	Attributed to equity holders of the parent					
	Share capital	Treasury shares	Share premium	Other paid-in capital	Retained earnings	Total equity
At 1 January 2019	**166,969**	**(5,370)**	**51,652**	**-**	**1,575,677**	**1,788,928**
Profit for the period	-	-	-	-	(24,269)	(24,269)
Net purchase/sale of treasury shares	-	(130)	-	-	(2,845)	(2,975)
Other comprehensive income	-	-	-	-	-	-
At 31 March 2019	**166,969**	**(5,500)**	**51,652**	**-**	**1,548,563**	**1,761,684**
(unaudited)						

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Figures are stated in NOK 1,000	Notes	Q1 2020	Q1 2019	FY 2019
		Unaudited	Unaudited	Audited
Cash flows from operating activities				
Profit before income tax		1,957	(29,563)	480,410
Adjusted for:				
Depreciation of fixed and intangible assets	5	134,262	121,426	515,673
Profit/loss from associated companies		5,500	5,500	-
Changes in net working capital		(280,782)	(341,839)	160,602
Income tax paid		(59,512)	(55,960)	(124,173)
Net cash generated from operating activities		**(198,574)**	**(300,436)**	**1,032,512**
Cash flows from investing activities				
Purchases of fixed and intangible assets	5	(26,685)	(24,150)	(157,029)
Acquisition		(5,600)	3,498	(2,711)
Net cash used in investing activities		**(32,285)**	**(20,652)**	**(159,740)**
Cash flows from financing activities				
Proceeds from borrowings		1,700,000	-	-
Repayment of debt to financial institutions		(1,851,675)	-	-
Principal paid on lease liabilities		(107,111)	(93,041)	(430,009)
Dividend		-	-	(298,717)
Buy-back of treasury shares		-	(2,975)	(2,975)
Net cash from financing activities		**(258,786)**	**(96,016)**	**(731,702)**
Net (decrease) increase in cash		(489,644)	(417,104)	141,070
Cash at beginning of period		568,036	426,967	426,967
Cash at end of period		**78,392**	**9,862**	**568,036**

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

NOTES

Note 1 Corporate information

The interim condensed consolidated financial statements of Europris ASA and its subsidiaries (collectively, the group) for the three months ended 31 March 2020 were authorised for issue by the board on 22 April 2020.

Europris ASA is domiciled in Norway. The group is a discount variety retailer with stores across Norway.

These condensed interim financial statements have not been audited.

Note 2 Basis of preparation and changes to the group's accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the three months ended 31 March 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements at 31 December 2019.

New standards, interpretations and amendments adopted by the group

The accounting policies adopted in preparing the interim condensed consolidated financial statements are consistent with those followed in the preparation of the group's annual consolidated financial statements for the year ended 31 December 2019. New standards and intepretations effective at 1 January 2020 do not impact the annual consolidated financial statements of the group or the interim condensed financial statements of the group.

Note 3 Critical accounting estimates and judgements

The preparation of interim condensed financial statements requires management to make accounting judgements and estimates that impact how accounting policies are applied and the reported amounts for assets, liabilities, income and expenses. Actual results may differ from these estimates. The critical accounting estimates and judgements are consistent with those in the consolidated financial statements for 2019.

Note 4 Segment information

The group management is the group's chief operating decision-maker. Reporting to the group management, which is responsible for evaluating profitability and achivements, is on a consolidated basis that forms the basis for the group management's assessment of profitability at a strategic level. The group as a whole is therefore defined and identified as one segment.

Note 5 Fixed and intangible assets

Figures are stated in NOK 1,000	Fixtures and fittings	Land	Right-of-use asset	Software	Trademarks	Goodwill	Total
Carrying amount 1 January 2020	313,396	24,966	2,404,873	45,699	387,573	1,611,397	4,787,904
Acquisition of subsidiaries	569	-	13,142	-	-	3,944	17,655
Additions	18,236	-	103,787	8,449	-	-	130,472
Disposals	-	-	-	-	-	-	-
Depreciation	(18,926)	-	(110,602)	(4,734)	-	-	(134,262)
Carrying amount 31 March 2020	**313,275**	**24,966**	**2,411,200**	**49,414**	**387,573**	**1,615,340**	**4,801,768**

	Fixtures and fittings	Land	Right-of-use asset	Software	Trademarks	Goodwill	Total
Carrying amount 1 January 2019	238,323	23,739	1,988,873	47,167	387,573	1,605,947	4,291,624
Acquisition of subsidiaries	55	-	-	-	-	1,292	1,348
Additions	21,008	-	52,696	3,155	-	-	76,859
Disposals	-	-	-	-	-	-	-
Depreciation	(20,849)	-	(95,332)	(5,244)	-	-	(121,426)
Carrying amount 31 March 2019	**238,537**	**23,739**	**1,946,237**	**45,078**	**387,573**	**1,607,240**	**4,248,404**

Note 6 Financial instruments - fair value

Set out below is a comparison of the carrying amounts and fair values of financial assets and liabilities at 31 March 2020 and 31 December 2019:

Figures are stated in NOK 1,000	31 March 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables				
Non-current receivables	24,486	24,486	24,400	24,400
Total	**24,486**	**24,486**	**24,400**	**24,400**
Financial liabilities				
Other financial liabilities				
Borrowings	1,497,000	1,497,000	1,656,287	1,656,287
Lease liabilities	2,014,027	2,014,027	2,003,993	2,003,993
Current lease liabilities	428,152	428,152	414,088	414,088
Total	**3,939,179**	**3,939,179**	**4,074,368**	**4,074,368**
Financial instruments measured at fair value through profit and loss				
Derivatives - asset				
Interest rate swaps	-	-	605	605
Foreign exchange forward contracts	33,654	33,654	-	-
Total	**33,654**	**33,654**	**605**	**605**
Derivatives - liabilities				
Foreign exchange forward contracts	3,964	3,964	13,409	13,409
Total	**3,964**	**3,964**	**13,409**	**13,409**

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised at fair value on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

All the group's financial instruments measured at fair value are classified as level 2.

Specific valuation methods being used to value financial instruments include:

- fair value of interest rate swaps is measured as the net present value of estimated future cash flows based on observable yield curves
- fair value of foreign exchange forward contracts is measured by the net present value of the difference between the contractual forward rate and the forward rate of the currency at the balance sheet date, multiplied by the contractual volume in foreign currency.

Note 7 Investment in associated company

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. An estimated loss of NOk 5.5 million was booked in the first quarter of 2020.

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.

Note 8 Treasury shares

The number of treasury shares held by Europris ASA changed as follows in the period from 1 January to 31 March 2020.

Change in number of treasury shares	
Treasury shares 1 January 2020	1,150,305
Buy-back of treasury shares	-
Sale of shares	-
Treasury shares 31 March 2020	**1,150,305**

Average cost price for treasury shares are NOK 22.47.

Forward looking statements

The condensed interim report contains forward-looking statements, based on various assumptions. These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risk and uncertainties because they relate to events and depend on circumstances that will occur in the future. Although Europris believes that these assumptions were reasonable when made, it cannot provide assurances that its future results, level of activity or performances will meet these expectations.

ALTERNATIVE PERFORMANCE MEASURES

APMs are used by Europris for annual and periodic financial reporting in order to provide a better understanding of Europris financial performance and are also used by management to measure operating performance. 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.

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