

# ***Europpris***

**MER TIL OVERS**

**Q1-19**



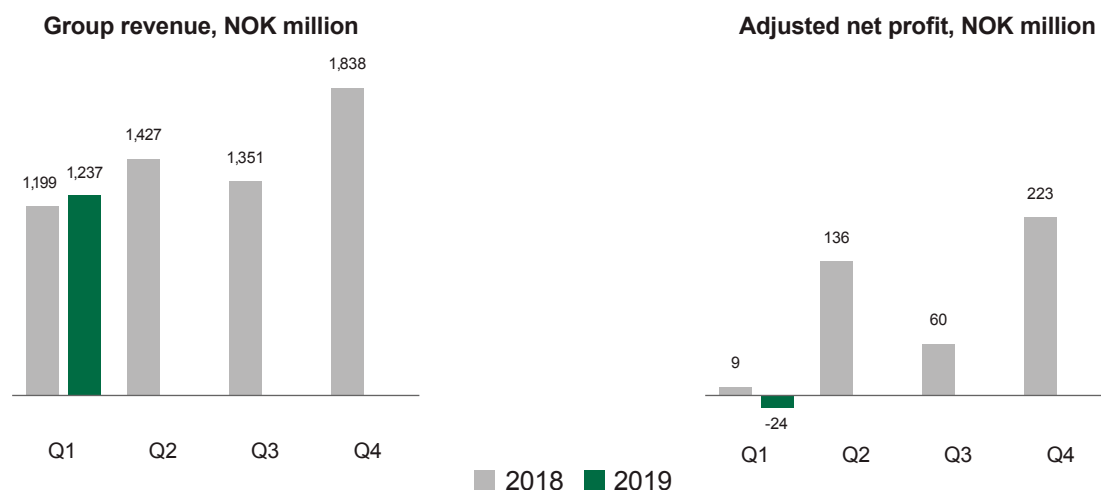
**EUROPRIAS ASA**



## FIRST QUARTER 2019

- Strong top-line growth
  - » Sales negatively affected by around five per cent (NOK 60 million) because of the timing of Easter
  - » Figures for 2018 and 2019 first became comparable in the fourth week of April, and like-for-like sales growth driven by the number of Europris customers was mid-single-digit
  - » Group revenue for the quarter was NOK 1,237 million (NOK 1,199 million)
- Stable gross margin at 41.4 per cent (41.2 per cent)
- Opex affected by increased costs related to high fill-rate at the central warehouse
  - » Additional cost of NOK 11 million
- Adjusted net loss of NOK 24 million (profit of NOK 9 million)
- Positive development of the store network
  - » Promising introduction of Europris City concept store at Gunerius
  - » Pipeline of 12 additional stores for 2019 and beyond
- New warehouse on schedule – first operations to start during May
- IFRS 16 Leases implemented 1 January 2019, last year figures not restated

Figures for the corresponding period last year in brackets. The figures are unaudited.  
See page 22 for definitions of APMs.



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# KEY FIGURES



Figures are stated in NOK million

	Q1 2019	Q1 2018	FY 2018
<b>CHAIN KEY FIGURES</b>			
Total retail sales	1,278.9	1,262.6	6,166.7
Growth (%)	1.3%	8.3%	5.3%
Like-for-like sales growth (%)	(0.8%)	5.3%	2.2%
Total number of stores at end of period	259	252	258
- Directly operated stores	224	211	221
- Franchise stores	35	41	37
<b>GROUP KEY INCOME STATEMENT FIGURES</b>			
Sales directly operated stores	1,065.1	1,020.3	5,020.4
Sales from wholesale to franchise stores	156.7	161.3	717.8
Franchise fees and other income	15.3	17.7	78.8
<b>Group revenue</b>	<b>1,237.1</b>	<b>1,199.3</b>	<b>5,817.0</b>
% growth	3.1%	8.1%	7.3%
COGS excluding unrealised foreign exchange effects	725.1	705.3	3,309.7
<b>Gross profit</b>	<b>512.0</b>	<b>494.1</b>	<b>2,507.3</b>
% margin	41.4%	41.2%	43.1%
Opex	386.8	447.8	1,840.9
Nonrecurring items	-	-	-
Opex excluding nonrecurring items	386.8	447.8	1 840,9
% of group revenue	31.3%	37.3%	31.6%
<b>Adjusted EBITDA</b>	<b>125.2</b>	<b>46.3</b>	<b>666.4</b>
<b>Adjusted EBIT</b>	<b>3.8</b>	<b>24.7</b>	<b>575.6</b>
<b>Adjusted profit (loss) before tax</b>	<b>(29.6)</b>	<b>11.0</b>	<b>552.5</b>
<b>Adjusted net profit (loss)</b>	<b>(24.3)</b>	<b>8.5</b>	<b>429.1</b>
<b>Adjusted earnings per share</b>	<b>(0.15)</b>	<b>0.05</b>	<b>2.59</b>
<b>Figures ex. IFRS 16 effects</b>			
Opex excluding nonrecurring items	488.8	447.8	1,840.9
% of group revenue	39.5%	37.3%	31.6%
<b>Adjusted EBITDA</b>	<b>23.2</b>	<b>46.3</b>	<b>666.4</b>
<b>Adjusted EBIT</b>	<b>(2.9)</b>	<b>24.7</b>	<b>575.6</b>
<b>Adjusted net profit (loss) before tax</b>	<b>(26.0)</b>	<b>11.0</b>	<b>552.5</b>
<b>Adjusted net profit (loss)</b>	<b>(20.3)</b>	<b>8.5</b>	<b>429.1</b>
<b>GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES</b>			
Net change in working capital	(341.8)	(260.4)	(169.4)
Capital expenditure	24.2	20.9	79.2
Financial debt (incl. IFRS 16 effects)	3,203.7	1,652.5	1,649.4
Cash	9.9	258.7	427.0
<b>Net debt</b>	<b>3,193.8</b>	<b>1,393.8</b>	<b>1,222.5</b>

# ALTERNATIVE PERFORMANCE MEASURES



Figures are stated in NOK 1,000

	Q1 2019	Q1 2018	FY 2018
<b>Group revenue</b>	<b>1,237.1</b>	<b>1,199.3</b>	<b>5,817.0</b>
Cost of goods sold (COGS)	732.1	711.8	3,298.3
<b>Unrealised foreign exchange effects</b>	<b>(7.0)</b>	<b>(6.6)</b>	<b>11.4</b>
<b>Gross profit</b>	<b>512.0</b>	<b>494.1</b>	<b>2,507.3</b>
% margin	41.4%	41.2%	43.1%
Employee benefits expense	240.6	222.1	898.5
Other operating expenses	248.2	225.7	942.4
<i>Other operating expenses - IFRS 16 effect</i>	<i>(102.0)</i>	<i>-</i>	<i>-</i>
<b>Opex</b>	<b>386.8</b>	<b>447.8</b>	<b>1,840.9</b>
Nonrecurring items	-	-	-
<b>Opex excluding nonrecurring items</b>	<b>386.8</b>	<b>447.8</b>	<b>1,840.9</b>
% of group revenue	31.3%	37.3%	31,6 %
<b>Adjusted EBITDA</b>	<b>125.2</b>	<b>46.3</b>	<b>666.4</b>
Depreciation	26.1	21.6	90.7
<i>Depreciation - IFRS 16 effect</i>	<i>95.3</i>	<i>-</i>	<i>-</i>
<b>Adjusted EBIT</b>	<b>3.8</b>	<b>24.7</b>	<b>575.6</b>
Net financial income (expense)	(10.7)	(7.2)	(40.9)
<i>Net financial expense - IFRS 16</i>	<i>(10.1)</i>	<i>-</i>	<i>-</i>
<b>Unrealised foreign exchange effects</b>	<b>(7.0)</b>	<b>(6.6)</b>	<b>11.4</b>
Profit (loss) from associated companies	(5.5)	-	6.4
<b>Adjusted profit (loss) before tax</b>	<b>(29.6)</b>	<b>11.0</b>	<b>552.5</b>
<b>Adjusted net profit (loss)</b>	<b>(24.3)</b>	<b>8.5</b>	<b>429.1</b>
<b>Adjusted earnings per share</b>	<b>(0.15)</b>	<b>0.05</b>	<b>2.59</b>
<b>GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES</b>			
Net change in working capital	(341.8 )	(260.4)	(169.4)
Purchases of fixed assets	21.0	18.6	59.1
Purchases of intangible assets	3.2	2.3	20.1
<i>Additions right-of-use assets - IFRS 16</i>	<i>52.7</i>	<i>-</i>	<i>-</i>
<b>Capital expenditure (incl. IFRS 16 effects)</b>	<b>76.9</b>	<b>20.9</b>	<b>79.2</b>
Financial debt	1,649.0	1,652.5	1,649.4
Lease liabilities - IFRS 16	1,554.7	-	-
Cash	9.9	258.7	427.0
<b>Net debt</b>	<b>3,193.8</b>	<b>1,393.8</b>	<b>1,222.5</b>

Unrealised foreign exchange effects are the only adjustment to IFRS figures. In addition, the IFRS 16 effects are specified on separate lines in the table above. For definitions of APMs see page 22.



# PERIOD REVIEW



Europris' position as Norway's leading discount variety retailer continues to improve, in line with the positive development experienced through the end of 2018. Growth is driven by customer traffic, signalling demand for the concept in an otherwise challenging retail environment.

During the quarter, Europris increased its group revenue by 3.1 per cent on an unfavourable comparison because of the timing of Easter.

## First quarter

Europris continued the strong performance observed at the end of 2018 during the first quarter of 2019. High sales activity driven by increased customer traffic resulted in another quarter with continued revenue growth despite a soft retail market and the negative Easter effect. The timing of Easter distorts the comparability of the figures. After adjusting for this, Europris delivered like-for-like sales growth in the mid-single-digit range during the first quarter.

Gross margin was negatively affected by a reversal of last year's increase in the sugar tax. The rise in this tax accounted for savings of about NOK 12 million during 2018, of which NOK 5 million was booked in the first quarter. In the first quarter of 2019, the reversal of the tax increase accounted for a total one-off loss of around NOK 8 million on purchases of sugar-taxable products made in 2018.

Following high sales activity and the imminent upgrade of the central warehouse, current utilisation is high. Europris has experienced a high fill-rate since the end of 2018. Most of the inventory increase derives from the over-early arrival of summer seasonal products, in combination with a late Easter. In addition, base-range inventory has been too high in some categories. This has led to capacity constraints. Specifically, extra costs for container hire, third-party handling and personnel amounted to NOK 11 million during the quarter. Management has taken initiatives to reduce inventory and secure better timing of the flow of incoming goods, but these are not expected to yield effects for three to six months. Additional costs of about NOK 15 million are therefore expected in the second quarter and around NOK 5-10 million in the third.

## Sales performance

Europris has experienced strong sales growth in the quarter when adjusted for the timing effect of Easter. The Easter effect is estimated to be around five per cent (NOK 60 million), which is somewhat higher than usual as one of the additional non-Easter sales days fell into the second quarter. The Europris chain delivered like-for-like sales growth in the mid-single-digit range in the first two months of the quarter. By the fourth week of April, the figures for 2018 and 2019 are again comparable and Europris has like-for-like sales growth in the mid-single-digit range for the year to that date. The high like-for-like growth is mainly driven by an increase in the number of customers.

The first three months are the slowest quarter in Europris, with no major seasonal events. Sales of winter-season items were affected by less favourable weather conditions, resulting in lower sales of seasonal textiles, handyman products and sport/leisure articles.

During 2018, the group increased central control of volumes and spacing in the stores to improve performance in the low season and in the periods building up to peak seasons. The positive effect of these efforts materialised in the fourth quarter of last year and has continued into the new year. Utilisation of sales space in the stores has been improved and the chain's focus on "everyday products at low prices" has been a success.

The strengthened attention paid to implementing the weekly sales campaigns has continued, and was a key contributor to sales growth during the quarter. This initiative has reduced occasions when products sell out and improved the display of campaign products in the stores. Over time, this initiative is expected

to increase customer satisfaction and further strengthen Europris' price leadership in the market.

According to Kvarud Analyse, the market was soft during the first quarter with a total growth of 0.3 per cent compared with Europris chain growth of 1.3 per cent. On a like-for-like basis, the market declined by 0.6 per cent and the corresponding figure for Europris was a fall of 0.8 per cent. As a seasonal market leader, Europris is more affected than many by the timing of Easter and the figures are therefore not directly comparable.

	Q1	Adjusted for Easter
Total growth Europris chain	1.3%	<b>High-single-digit</b>
Total growth market	0.3%	-
LFL growth Europris	(0.8%)	<b>Mid-single-digit</b>
LFL growth market	(0.6%)	-

## Operational review

### Concept and category development

Europris pays constant attention to concept and category development, and has a long pipeline of initiatives which will support growth in the years to come.

During the first quarter, the group implemented a new concept for non-prescription medications and health care as well as a new bijouterie product range in the grocery category. The product range in the handyman category has been adjusted. Paint, which was introduced in 2017, has been de-listed owing to low sales, providing more space for other products with higher sales and a greater profitability potential.

Significant efforts have been devoted to developing the new City concept and to opening the first Europris City store at the Gunerius shopping centre in downtown Oslo. The new store has a sales space of 400 square metres compared with around 1,200 square metres for an ordinary Europris store. The first City concept store at Gunerius has got off to a good start, with sales above expectations.

The City concept entails a more streamlined product range, focused on consumables and home and interior products, and has terminals for online shopping of products not offered in the store. With its smaller sales area, the concept entails lower sales walls to give customers a better overview and

to enhance the shopping experience.

Europris has reason to believe a potential exists for more City stores, and has decided to explore this further.

### E-commerce

E-commerce continued to develop according to plan. The e-crm initiatives show promising results and the Europris MER customer club is demonstrating high growth. MER currently has more than 300 000 members and subscribers to its weekly newsletters. During the first quarter, members benefitted from unique offers advertised in the weekly leaflet and online. In addition, tailor-made special offers communicated through personalised marketing are distributed to MER members.

E-commerce sales are concentrated around the click-and-collect offering and, since the launch of e-commerce in June last year, Europris has continuously monitored performance and evaluated customer feedback. Based on this valuable input, the group launched an upgrade of its e-commerce platform in the first quarter. The new platform is expected to be rolled out towards the end of the year.

### Developing the store estate

Europris opened one new store in the first quarter, at the Gunerius shopping centre in downtown Oslo. This is the group's first City concept store. In addition to the new store opening, Europris expanded the store at Stord and completed 14 smaller store development projects. There were no store relocations during the quarter.

#### New stores opened in 2019

Month	Store	County
March	Gunerius	Oslo

#### Store expansions in 2019

Month	Store	County
March	Stord	Hordaland

The chain had 259 stores at 31 March, of which 224 were directly operated and 35 were franchises.

According to the local authority, the Europris store at Grini in Akershus county has been operating in violation of local planning permissions since it opened in 2010. This dispute has been going on for several years, but the local authority decided in the first quarter of 2019 that the store must be closed.

Europris has appealed against that decision and is seeking a temporary injunction until the dispute has been settled by the court. If the court rules against Europris, the store will be closed by 1 July 2019. The store has annual sales of NOK 51 million and the lease expires in 2020. A closure would cost Europris lost sales and one-off expenses in connection with closing down and lease termination. Total costs are expected to be in the NOK 5-8 million range.

### Status of the new central warehouse

Construction of the new central warehouse in Moss is progressing as planned in terms of both schedule and budget. Europris will take over the premises in May and start operations in the low-bay part of the warehouse that month. The official opening is scheduled for 23 May.

Installation of the high-bay storage automation system is nearly complete, with testing due to commence during the second quarter. Europris plans to start operations in the high-bay area during the first half of 2020.

As previously announced, Europris has decided to invest further in warehouse automation by

including the low-bay storage area. An automated shuttle solution to improve the efficiency of the picking area has been selected. During the first quarter, Europris selected a supplier for this solution. The total investment is estimated at NOK 116 million, which will be booked as capital expenditure. Installation and testing of the solution will be completed during 2019-20, and operations are scheduled to start in the first half of 2021.

With the new warehouse, Europris will significantly improve its logistical set-up and capacity. The group currently operates out of five warehouses, and combining all these activities into a single entity will provide significant savings. Additional cost efficiencies from automation in both high-bay and low-bay areas of the new warehouse will give Europris a leading position in retail logistics for the discount variety retail segment.

In terms of warehouse costs and savings, 2019-22 will be a transitional time for Europris. At the beginning of this period, rental costs will increase as Europris relocates operations step by step to the new warehouse. In addition, some non-recurring expenses will arise in relation to moving expenses and rent for vacated warehouses.

After the transitional period, annual cost savings are estimated at 0.75-1.25 percentage points of group revenues.

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

NOK million	2019				2019	2020	2021	2022
	Q1	Q2	Q3	Q4				
Ordinary rent	13.6	18.7	18.5	18.5	69	71	53	41
Non-recurring rent	-	1.4	4.2	-	6	-	13	5
Non-recurring moving expenses	-	5-10	-	-	5-10	3-5	3-5	-

Ordinary rent includes rent for warehouses which Europris will operate from, while non-recurring rent represents rent for the remaining lease duration at vacated warehouses. Non-recurring rent in 2021 and 2022 may be reduced if the premises are sub-let.

### Overview of estimated investments

NOK million	2019				2019	2020	2021	2022
	Q1	Q2	Q3	Q4				
IT, office equip. and other CAPEX	-	10	5	-	15	5	-	-
Automation, high-bay (lease)	15	25	30	40	110	5	-	-
Automation, low-bay (CAPEX)	-	20	10	35	65	50	-	-





## Profit and loss – first quarter

**Group revenue** in the first quarter amounted to NOK 1,237 million (NOK 1,199 million), up by 3.1 per cent. The timing of Easter distorts comparability with last year. The Easter effect is estimated to be around NOK 60 million, which is somewhat higher than normal because one of the additional sales days fell into the second quarter. The key drivers behind revenue growth were the new store openings and franchise takeovers.

**Gross profit** for the group was NOK 512 million (NOK 494 million). The gross margin was 41.4 per cent (41.2 per cent). Last year, the gross margin was affected by sales of lower-margin seasonal Easter products. Gross profit was also affected by the decrease in the sugar tax from 1 January 2019, which accounted for a one-off loss of around NOK 8 million in the first quarter on purchases of sugar-taxable products made in 2018. Last year included a positive impact of NOK 5 million from increase of the sugar tax.

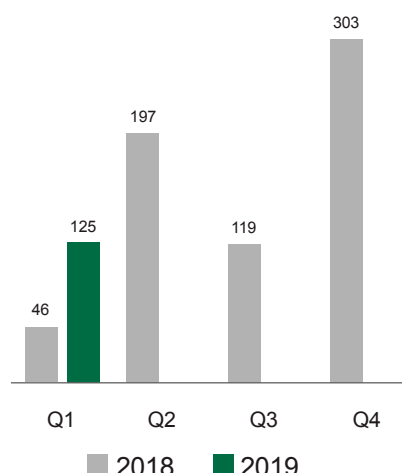
### Implementing IFRS 16 Leases

The group has implemented the new IFRS 16 Leases standard with effect from 1 January 2019. Figures from last year have not been adjusted, and are therefore not fully comparable with those presented for 2019. Operating expenses, depreciation and interest expenses are the items affected in the profit and loss statement.

**Operating expenditure (opex) excluding nonrecurring items** came to NOK 387 million in the first quarter. Rent costs of NOK 102 million have been reclassified, partly as depreciation and partly as interest expense. Adjusted for the IFRS 16 effect, Opex came to NOK 489 (NOK 448 million), an increase of nine per cent.

Opex was affected by the rise in the number of directly operated stores from 211 to 224. In addition, logistical costs rose by NOK 11 million owing to the high fill-rate at the central warehouse.

Operating expenses amounted to 31.3 per cent of group revenue. Adjusted for the IFRS 16 effect, the Opex ratio was 39.5 per cent (37.3 per cent).



**Adjusted EBITDA** was NOK 125 million. Excluding the IFRS 16 effect, it amounted to NOK 23 million (NOK 46 million), down by NOK 23 million.

**Adjusted loss before tax** was NOK 30 million (profit of NOK 11 million), a reduction of NOK 41 million.

Depreciation increased by NOK 100 million, with NOK 95 million relating to IFRS 16. Interest expense rose by NOK 14 million, with NOK 10 million reflecting the IFRS 16 effect.

The group recorded an estimated loss of NOK 5.5 million from its 20 per cent stake in Runsvengruppen AB (ÖoB). This is based on preliminary and non-audited figures from the associated company.

**Adjusted net loss** for the first quarter of 2019 was NOK 24 million (profit of NOK 9 million).

## Cash flow

**Net change in working capital** in the period was negative at NOK 342 million (NOK 260 million). Net working capital was affected by an increase in inventory. The high fill-rate at the central warehouse from last year continued into 2019. The inventory increase is related to the early arrival of summer season products and excessively high inventory levels for the base range in some categories.

**Capital expenditure** was NOK 24 million (NOK 21 million). The increase from the year before reflected investment in IT projects and equipment for the new head office.

## Financial position and liquidity

**Financial debt** at 31 March 2019 was NOK 3,204 million. Adjusted for the IFRS 16 effect, the financial debt was NOK 1,649 million (NOK 1,653 million).

**Net debt** at 31 March 2019 was NOK 3,194 million. Adjusted for the IFRS 16 effect, the net financial debt was NOK 1,639 million (NOK 1,394 million).

**Cash** for the group at 31 March 2019 amounted to NOK 10 million (NOK 259 million). The group's liquidity reserves were unused at 31 March. These facilities amounted to NOK 428 million. Total available liquidity amounted to NOK 437 million.

## Outlook

Europris is well positioned to capitalise on global trends which are continuously pushing retailers to improve their offering. The greater attention being given to price, accessibility and trust in private labels favours discount variety retailers. In this segment, Europris is Norway's best recognised brand with a leading price perception.

Europris' key strategic focus areas are:

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

Through its partnership with ÖoB, Europris has strengthened its competitive position in a changing retail landscape. Furthermore, by moving operations to a single highly-automated warehouse, the group will strengthen its cost position. Increased purchasing power and lower costs will support the low-price profile, and the international footprint provides a basis for continued growth.

The launch of the group's e-commerce solution positions Europris as an omnichannel retailer with online shopping as both a channel for new sales and 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 to new customer groups and increase visibility through a new channel.

Combined with the group's unique offering and strategy, management therefore expects continued growth in revenue and profits.

Europris continues to have a healthy pipeline of new stores. The board has approved an additional 12 for 2019 and beyond, four of which are subject to planning permission. So far in 2019, Europris has opened one new store and another five are scheduled to follow during the year.

The group took over two franchise stores on 1 January 2019, with a negative one-off effect on the gross margin of about NOK 1.9 million. Europris expects an additional two-three takeovers in 2019. One was completed in April, with corresponding accounting effects.

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

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

# EUROPRIS ASA

## Q1-2019



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS



Figures are stated in NOK 1,000	Notes	Q1 2019	Q1 2018	FY 2018
		Unaudited	Unaudited	Audited
<b>Total operating income (group revenue)</b>		<b>1,237,063</b>	<b>1,199,349</b>	<b>5,816,984</b>
Cost of goods sold (COGS)		732,072	711,809	3,298,296
Employee benefits expense		240,621	222,074	898,504
Depreciation	5	121,426	21,570	90,743
Other operating expenses		146,196	225,729	942,369
<b>Operating profit</b>		<b>(3,251)</b>	<b>18,167</b>	<b>587,073</b>
<b>Net financial income (expense)</b>		<b>(20,812)</b>	<b>(7,161)</b>	<b>(40,942)</b>
Profit (loss) from associated companies	7	(5,500)	-	6,400
<b>Profit (loss) before tax</b>		<b>(29,563)</b>	<b>11,006</b>	<b>552,531</b>
Income tax expense		(5,294)	2,531	123,400
<b>Profit (loss) for the period</b>		<b>(24,269)</b>	<b>8,475</b>	<b>429,132</b>
Attributable to the equity holders of the parent		(24,269)	8,475	429,132
<b>Interim condensed consolidated statement of comprehensive income</b>				
Profit (loss) for the period		(24,269)	8,475	429,132
<b>Total comprehensive income</b>		<b>(24,269)</b>	<b>8,475</b>	<b>429,132</b>
Attributable to the equity holders of the parent		(24,269)	8,475	429,132

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 2019	31 March 2018	31 Dec 2018
		Unaudited	Unaudited	Audited
<b>ASSETS</b>				
Total intangible assets	5	2,039,891	2,030,142	2,040,688
Total fixed assets	5	2,208,513	277,835	262,063
Total financial assets	6,7	162,456	24,883	166,952
<b>Total non-current assets</b>		<b>4,410,860</b>	<b>2,332,860</b>	<b>2,469,702</b>
Inventories		1,881,339	1,571,586	1,573,233
Trade receivables		156,432	162,210	185,712
Other receivables	6	66,474	50,062	101,722
Cash		9,862	258,677	426,967
<b>Total current assets</b>		<b>2,114,108</b>	<b>2,042,535</b>	<b>2,287,634</b>
<b>Total assets</b>		<b>6,524,968</b>	<b>4,375,394</b>	<b>4,757,337</b>
<b>EQUITY AND LIABILITIES</b>				
Total paid-in capital		213,121	502,468	213,251
Total retained equity		1,548,563	1,270,241	1,575,677
<b>Total shareholders' equity</b>		<b>1,761,684</b>	<b>1,772,709</b>	<b>1,788,928</b>
Provisions		39,232	49,581	45,146
Borrowings	6	1,648,961	1,652,446	1,649,428
Lease liabilities	6	1,554,696	-	-
Other non-current liabilities	6	-	27	-
<b>Total non-current liabilities</b>		<b>3,242,889</b>	<b>1,702,054</b>	<b>1,694,574</b>
Current lease liabilities	6	395,067	-	-
Accounts payable		576,067	520,192	553,643
Tax payable		68,180	47,148	124,140
Public duties payable		141,815	138,951	251,540
Other current liabilities	6	339,266	194,340	344,512
<b>Total current liabilities</b>		<b>1,520,395</b>	<b>900,631</b>	<b>1,273,835</b>
<b>Total liabilities</b>		<b>4,763,284</b>	<b>2,602,685</b>	<b>2,968,409</b>
<b>Total equity and liabilities</b>		<b>6,524,968</b>	<b>4,375,394</b>	<b>4,757,337</b>

**Fredrikstad, 24 April 2019**  
THE BOARD OF DIRECTORS OF EUROPRIS ASA

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



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



Figures are stated in NOK 1,000

## Attributed to equity holders of the parent

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

## Attributed to equity holders of the parent

	Share capital	Treasury shares	Share premium	Retained earnings	Total equity
<b>At 1 January 2018</b>	<b>166,969</b>	<b>-</b>	<b>335,499</b>	<b>1,261,765</b>	<b>1,764,233</b>
Profit for the period	-	-	-	8,475	8,475
Other comprehensive income	-	-	-	-	-
<b>At 31 March 2018</b>	<b>166,969</b>	<b>-</b>	<b>335,499</b>	<b>1,270,240</b>	<b>1,772,709</b>
(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 2019	Q1 2018	FY 2018
		Unaudited	Unaudited	Audited
<b>Cash flows from operating activities</b>				
Profit before income tax		(29,563)	11,006	552,531
Adjusted for:				
Depreciation of fixed and intangible assets	5	121,426	21,570	90,743
Profit/loss from associated companies		5,500	-	(6,400)
<b>Changes in net working capital</b>				
Changes in net working capital		(342,586)	(260,393)	(169,407)
Income tax paid		(55,960)	(69,945)	(117,069)
<b>Net cash generated from operating activities</b>		<b>(301,183)</b>	<b>(297,762)</b>	<b>350,398</b>
<b>Cash flows from investing activities</b>				
Purchases of fixed and intangible assets	5	(24,150)	(20,896)	(79,152)
Additions IFRS 16	5	(52,696)	-	-
Acquisition		3,498	(3,033)	(12,875)
<b>Net cash used in investing activities</b>		<b>(73,348)</b>	<b>(23,929)</b>	<b>(92,027)</b>
<b>Cash flows from financing activities</b>				
Repayment of debt to financial institutions		(480)	(1,296)	(8,629)
Changes in lease liabilities IFRS 16		(39,118)	-	-
Dividend		-	-	(283,847)
Buy-back of treasury shares		(2,975)	-	(120,590)
<b>Net cash from financing activities</b>		<b>(42,578)</b>	<b>(1,296)</b>	<b>(413,067)</b>
Net (decrease) increase in cash		(417,104)	(322,987)	(154,696)
Cash at 1 January		426,967	581,663	581,663
<b>Cash at end of period</b>		<b>9,862</b>	<b>258,677</b>	<b>426,967</b>

Implementing IFRS 16 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. Additions under investing activities relate to new contracts and other changes in the contract portfolio.

# 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 2019 were authorised for issue by the board on 24 April 2019.

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

These condensed interim financial statements have not been audited.

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

### Basis of preparation

The interim condensed consolidated financial statements for the three months ended 31 March 2019 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 2018.

### 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 2018, except for the new IFRS 16 Leases standard which has been implemented with effect from 1 January 2019.

IFRS 16 Leases specifies how to recognise, measure, present and disclose leases. It will result in almost all leases being recognised on the balance sheet, since the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rent are recognised. The only exception is short-term and low-value leases. Europris has chosen to adopt this exception.

Extension options in the lease contracts are not included in the IFRS 16 calculation as it is not considered reasonably certain that the options will be exercised. Contracts are mainly renegotiated to secure better terms, in the form of both shorter duration and lower rent.

The group has implemented the standard by applying the modified retrospective approach and has not restated comparative amounts for the year before first adoption.

The Europris group holds a significant number of leases, and IFRS 16 will have a significant effect on the consolidated financial statements. This will be negative for the equity ratio, which has been reduced from 37.6 per cent to 26.5 per cent.

## IFRS 16 implementation effects 1 January 2019:

Figures are stated in NOK 1,000	1 January 2019
<b>Assets</b>	
Right-of-use asset	1,988,873
<b>Total assets increase</b>	<b>1,988,873</b>
<b>EQUITY AND LIABILITIES</b>	
Lease liabilities	1,594,553
Current lease liabilities	394,320
<b>Total liabilities increase</b>	<b>1,988,873</b>

At the date of implementation, 1 January 2019, lease obligations are measured at the present value of future lease payments. Lease payments are discounted using the incremental borrowing rate as the implicit interest rate of the lease cannot be easily determined. Interest rates used when calculating the implementation effect are as follows:

Duration	Interest rate
1-3 years	2.15%
3-5 years	2.49%
5-10 years	3.11%
Over 10 years	3.62%

## Specifications of changes in the first quarter of 2019:

Figures are stated in NOK 1,000	1 January 2019	△Q1	31 March 2019
<b>Assets</b>			
Right-of-use asset	1,988,873	(42,636)	1,946,237
Depreciation		(95,332)	
Additions/disposals		52,696	
<b>EQUITY AND LIABILITIES</b>			
Lease liabilities	1,594,553	(39,857)	1,554,696
Changes in lease liabilities		(91,806)	
Additions/disposals		51,949	
Current lease liabilities	394,320	747	395,067
Additions/disposals		747	

Further details of the IFRS 16 effects on the financial statement can be found on page 5 Alternative performance measures.

### 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 2018.

### Note 4 Segment information

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

### Note 5 Fixed and intangible assets

Figures are stated in NOK 1,000	Fixtures and fittings	Land	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)
<b>Carrying amount 31 March 2019</b>	<b>238,537</b>	<b>23,739</b>	<b>1,946,237</b>	<b>45,078</b>	<b>387,573</b>	<b>1,607,240</b>	<b>4,248,404</b>

	Fixtures and fittings	Land	Right-of-use asset	Software	Trademarks	Goodwill	Total
Carrying amount 1 January 2018	252,060	20,481	-	42,617	387,573	1,599,106	2,301,837
Acquisition of subsidiaries	3,763	-	-	-	-	2,975	6,738
Additions	17,606	1,057	-	2,307	-	-	20,971
Disposals	-	-	-	-	-	-	-
Depreciation	(17,133)	-	-	(4,437)	-	-	(21,570)
<b>Carrying amount 31 March 2018</b>	<b>256,297</b>	<b>21,538</b>	<b>-</b>	<b>40,487</b>	<b>387,573</b>	<b>1,602,081</b>	<b>2,307,976</b>



## 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 2019 and 31 December 2018:

Figures are stated in NOK 1,000

	31 March 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
<b>Loans and receivables</b>				
Non-current receivables	24,141	24,141	24,073	24,073
<b>Total</b>	<b>24,141</b>	<b>24,141</b>	<b>24,073</b>	<b>24,073</b>
<b>Financial liabilities</b>				
<b>Other financial liabilities</b>				
Borrowings	1,648,961	1,648,961	1,649,428	1,649,428
Lease liabilities	1,554,696	1,554,696	-	-
Current lease liabilities	395,067	395,067	-	-
<b>Total</b>	<b>3,598,724</b>	<b>3,598,724</b>	<b>1,649,428</b>	<b>1,649,428</b>
<b>Financial instruments measured at fair value through profit and loss</b>				
<b>Derivatives - asset</b>				
Interest rate swaps	784	784	237	237
Foreign exchange forward contracts	4,472	4,472	13,829	13,829
<b>Total</b>	<b>5,256</b>	<b>5,256</b>	<b>14,066</b>	<b>14,066</b>
<b>Derivatives - liabilities</b>				
Interest rate swaps	-	-	-	-
Foreign exchange forward contracts	314	314	-	-
<b>Total</b>	<b>314</b>	<b>314</b>	<b>-</b>	<b>-</b>

### 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 95 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 is calculated to be NOK 134 million. NOK 2.4 million in transaction expenses has also been recognised as part of the acquisition cost, bringing the total investment to NOK 136.4 million.

In addition, the group recorded an estimated profit of NOK 6.4 million from its 20 per cent stake in 2018 and an estimated loss of NOK 5.5 million in the first quarter of 2019. All calculations and estimates are based on preliminary and unaudited figures from ÖoB, and might be subject to change.

A vendor note was issued when closing the deal. This will be converted to Europris shares following agreement on the adjusted 2018 EBITDA for ÖoB. It is expected that the deal will be closed during the second quarter of 2019.

## 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 2019.

### Change in number of treasury shares:

Treasury shares 1 January 2019	5,370,000
Buy-back of treasury shares	130,000
Sale of shares	-
<b>Treasury shares 31 March 2019</b>	<b>5,500,000</b>

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. APMs are adjusted IFRS figures defined, calculated and used in a consistent and transparent manner.

- **Gross profit** represents group revenue less the cost of goods sold excluding unrealised foreign currency effects.
- **Opex** is the sum of employee benefits expense and other operating expenses.
- **EBITDA** (earnings before interest, tax, depreciation and amortisation) represents Gross profit less Opex.
- **Adjusted EBITDA** is EBITDA adjusted for nonrecurring expenses.
- **Adjusted profit before tax** is profit before tax adjusted for nonrecurring items.
- **Adjusted net profit** is net profit adjusted for nonrecurring items.
- **Adjusted earnings per share** is Adjusted net profit divided by the current number of shares (166,968,888).
- **Working capital** is the sum of inventories, trade receivables and other receivables less the sum of accounts payable and other current liabilities.
- **Capital expenditure** is the sum of purchases of fixed assets and intangible assets.
- **Net debt** is the sum of term loans and financial leases less bank deposits and cash.

## OTHER DEFINITIONS

- **Directly operated store** means a store owned and operated by the group.
- **Franchise store** means a store operated by a franchisee under a franchise agreement with the group.
- **Chain** means the sum of directly operated stores and franchise stores.
- **Like-for-like** are stores which have been open for every month of the current calendar year and for every month of the previous calendar year.





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