

Europris
MER TIL OVERS

Q3-19



EUROPRIS ASA

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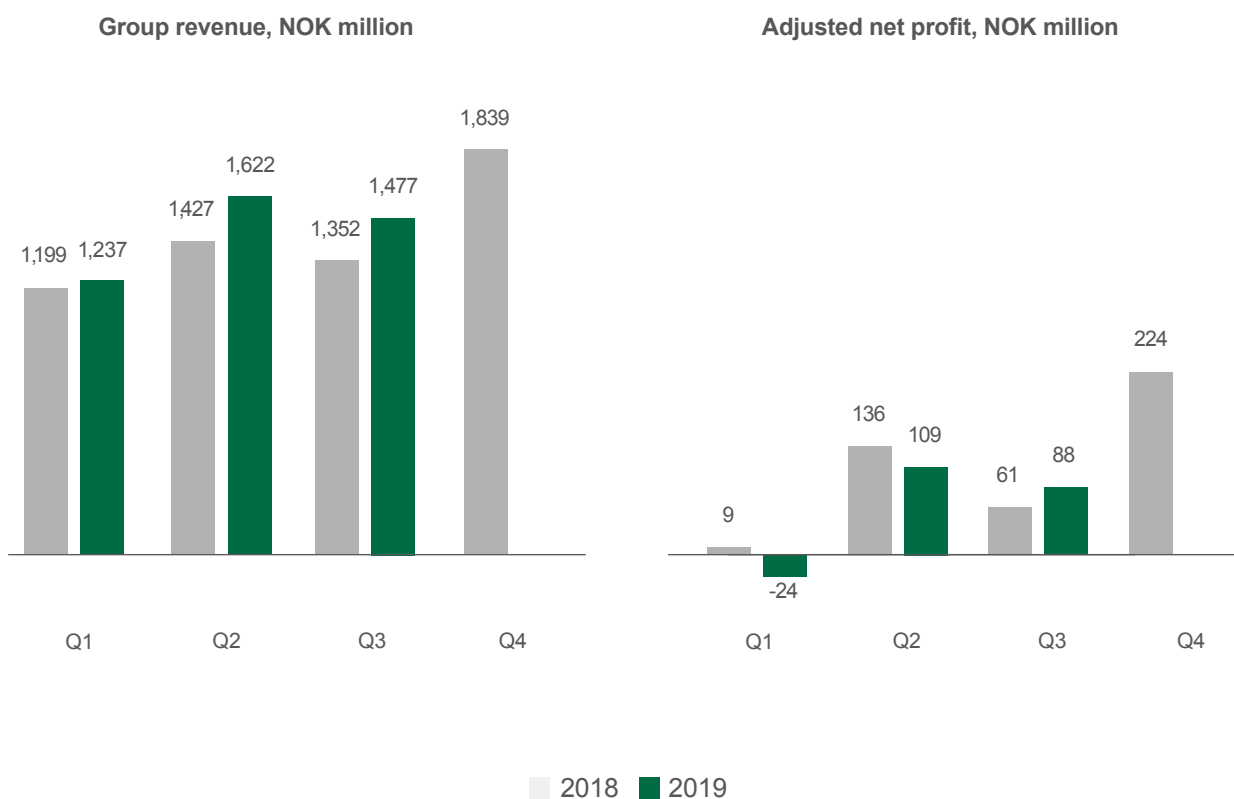


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Third quarter 2019

- Group revenue increased by 9.2 per cent to NOK 1,477 million (NOK 1,352 million)
 - » 7.5 per cent like-for-like growth, significantly above market growth of 1.3 per cent
 - » Rising customer numbers remain the key driver for sales growth
- Gross margin increased to 44.3 per cent (43.6 per cent)
 - » Positive result from annual stocktaking in the stores, like last year
 - » Adjusted for stocktaking, the gross margin was 42.6 per cent (42.0 per cent)
- Fill rate at the central warehouse still high, but Opex impact limited to NOK 5 million
- Adjusted net profit increased by 45.4 per cent to NOK 88.4 million (NOK 60.8 million)
- 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 23 for definitions of APMs.



KEY FIGURES



Figures are stated in NOK million

	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
CHAIN KEY FIGURES					
Total retail sales	1,551.3	1,416.7	4,554.1	4,215.1	6,166.7
Growth (%)	9.5%	2.8%	8.0%	3.2%	5.3%
Like-for-like sales growth (%)	7.5%	(0.7%)	5.8%	0.2%	2.2%
Total number of stores at end of period	264	257	264	257	258
- Directly operated stores	230	219	230	219	221
- Franchise stores	34	38	34	38	37
GROUP KEY INCOME STATEMENT FIGURES					
Sales directly operated stores	1,299.7	1,156.8	3,804.4	3,416.6	5,020.4
Sales from wholesale to franchise stores	160.1	176.6	474.5	506.6	717.8
Franchise fees and other income	16.9	18.6	56.5	55.1	78.8
Group revenue	1,476.7	1,351.9	4,335.4	3,978.3	5,817.0
% growth	9.2%	5.8%	9.0%	4.9%	7.3%
COGS excluding unrealised foreign exchange effects	822.8	762.0	2,481.6	2,269.4	3,309.7
Gross profit	653.9	589.9	1,853.8	1,708.9	2,507.3
% margin	44.3%	43.6%	42.8%	43.0%	43.1%
Opex	395.9	470.7	1,183.2	1,346.2	1,840.9
Non-recurring items	4.4	-	12.4	-	-
Opex excluding non-recurring items	391.5	470.7	1,170.7	1,346.2	1,840.9
% of group revenue	26.5%	34.8%	27.0%	33.8%	31.6%
Adjusted EBITDA	262.4	119.2	683.1	362.8	666.4
Adjusted EBIT	132.5	97.0	301.7	297.3	575.6
Adjusted profit before tax	113.7	78.9	223.3	266.8	552.5
Adjusted net profit	88.4	60.8	173.3	205.5	429.1
Adjusted earnings per share	0.55	0.36	1.07	1.23	2.59
Figures ex. IFRS 16 effects					
Opex excluding non-recurring items	507.3	470.7	1,499.9	1,346.2	1,840.9
% of group revenue	34.4%	34.8%	34.6%	33.8%	31.6%
Adjusted EBITDA	146.6	119.2	353.9	362.8	666.4
Adjusted EBIT	123.4	97.0	277.6	297.3	575.6
Adjusted net profit before tax	116.9	78.9	233.4	266.8	552.5
Adjusted net profit	90.9	60.8	181.2	205.5	429.1
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES					
Net change in working capital	17.3	(77.6)	(178.6)	(300.4)	(169.4)
Capital expenditure	25.8	18.2	98.9	61.2	79.2
Financial debt			1,658.1	1,646.5	1,649.4
Lease liabilities - IFRS 16 effect			1,947.9	-	-
Cash			27.2	92.6	427.0
Net debt			3,578.8	1,553.9	1,222.5

ALTERNATIVE PERFORMANCE MEASURES



Figures are stated in NOK million	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
Group revenue	1,476.7	1,351.9	4,335.4	3,978.3	5,817.0
Cost of goods sold (COGS)	813.8	770.0	2,483.5	2,274.8	3,298.3
Unrealised foreign exchange effects	9.0	(7.9)	(1.9)	(5.4)	11.4
Gross profit	653.9	589.9	1,853.8	1,708.9	2,507.3
% margin	44.3%	43.6%	42.8%	43.0%	43.1%
Employee benefits expense	256.2	227.5	715.6	648.5	898.5
Other operating expenses	255.5	243.2	796.7	697.7	942.4
<i>Other operating expenses - IFRS 16 effect</i>	<i>(115.8)</i>		<i>(329.2)</i>	-	-
Opex	395.9	470.7	1,183.2	1,346.2	1,840.9
Non-recurring items	4.4	-	12.4	-	-
Opex excluding non-recurring items	391.5	470.7	1,170.7	1,346.2	1,840.9
% of group revenue	26.5%	34.8%	27.0%	33.8%	31.6%
Adjusted EBITDA	262.4	119.2	683.1	362.8	666.4
Depreciation	23.2	22.2	76.3	65.5	90.7
<i>Depreciation - IFRS 16 effect</i>	<i>106.6</i>	-	<i>305.1</i>	-	-
Adjusted EBIT	132.5	97.0	301.7	297.3	575.6
Net financial income (expense)	(14.4)	(10.2)	(38.3)	(25.0)	(40.9)
<i>Net financial expense - IFRS 16</i>	<i>(12.4)</i>	-	<i>(34.3)</i>	-	-
Unrealised foreign exchange effects	9.0	(7.9)	(1.9)	(5.4)	11.4
Profit (loss) from associated companies	(1.1)	-	(4.0)	-	6.4
Adjusted profit before tax	113.7	78.9	223.3	266.8	552.5
Adjusted net profit	88.4	60.8	173.3	205.5	429.1
Adjusted earnings per share	0.55	0.36	1.07	1.23	2.59
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES					
Net change in working capital	17.3	(77.6)	(178.6)	(300.4)	(169.4)
Purchases of fixed assets	20.9	11.3	85.5	43.4	59.1
Purchases of intangible assets	4.9	6.8	13.4	17.8	20.1
Capital expenditure (incl. IFRS 16 effects)	25.8	18.2	98.9	61.2	79.2
Financial debt			3,606.0	1,646.5	1,649.4
<i>Lease liabilities - IFRS 16</i>			1,947.9	-	-
Cash			27.2	92.6	427.0
Net debt			1,630.9	1,553.9	1,222.5

For definitions of APMs see page 23.

PERIOD REVIEW



Europris has strengthened its position as Norway's leading discount variety retailer with another quarter of strong sales growth. At a time with uncertainties in the macro environment and an otherwise challenging retail market, the group is well positioned to offer value for money to price-conscious customers. The strong sales growth continues to be driven by customer traffic and improvements in the execution of seasonal sales and campaigns.

A high level of inventory at the central warehouse remains an issue, but the measures taken to reduce the negative impact on costs have quickly produced results and cost overruns were reduced to NOK 5 million in the quarter, mostly booked in July. The effort to improve processes related to volume control in the supply chain has made good progress in the quarter, but the most important work and results still lie ahead.

Like last year, profits in the quarter were positively affected by the annual calculation of actual cost prices during stocktaking in the stores. Over the year, Europris reports calculated gross margin for the stores and any calculation differences are adjusted at the annual stocktaking in the third quarter. The high gross margin reported in this quarter reflects adjustments to compensate for the reported gross margin being too low in previous quarters.

Capacity constraints at the central warehouse

The high fill rate at the central warehouse remains an issue, but the measures taken to increase warehouse capacity have temporarily resolved the position and limited the negative impact on costs. During the third quarter, cost overruns amounted to NOK 5 million and related mainly to extra personnel costs for goods handling.

A large part of the increased inventory consists of excess seasonal items, and a full business cycle will be required to normalise their level. The inventory of this summer's seasonal products is continuously considered when goods are ordered for next year's season. Attention in the purchasing department has been concentrated on improving work routines and tools to ensure that this year's inventory issues are not repeated. To secure improvement, major resources have been initiated in collaboration with external consultants, with all routines and processes associated with the supply of goods methodically reviewed and improved. In addition, the number of stock keeping units (SKUs) will be reduced. These initiatives are expected to resolve the inventory position, but the full effect is not expected until after the second quarter of 2020 when the high-bay area of the new warehouse will be open.

To secure warehouse capacity in this period, Europris has extended rent payments for part of the vacated warehouse facilities in Fredrikstad until 30 June 2020. The additional rent is estimated at NOK 2 million per quarter from the fourth quarter

of 2019 and will be recognised as non-recurring rent. The increased capacity will be used to store seasonal items during the winter. This will permit more efficient operation at the central warehouse and reduce the need for containers in the port, particularly during the spring/summer season – the most demanding in terms of goods volume.

Sales performance

The solid sales performance experienced in the previous three quarters continued during the third quarter, with total growth of 9.5 per cent. The previous year's comparable figures are rather weak, owing to unfavourable weather. This year also had one additional sales day. The number of sales days is comparable on a year-to-date basis, and Europris had a total growth of 8.0 per cent. On a like-for-like basis, Europris had a growth of 7.5 per cent in the quarter and 5.8 per cent for the year to date. According to Kvarud Analyse, corresponding figures for the market were 1.3 per cent and 0.2 per cent.

	Q3	YTD
Total growth Europris chain	9.5%	8.0%
Total growth market	2.2%	1.2%
LFL growth Europris	7.5%	5.8%
LFL growth market	1.3%	0.2%

Sources: Kvarud Analyse and Europris.

Both in the quarter and for the year to date, Europris had a healthy sales development with growth in both the number of customers and the shopping basket. The basket increase is driven by a rise in the number of items per customer.

The strong sales performance by Europris has been achieved in a retail environment which remains challenging. Shoppers are increasing their focus on price as macroeconomic conditions, with increased interest rates and a weak Norwegian currency, gradually affect the consumer economy.

Europris sales growth is driven mainly by an increase in the number of customers, which underpins the group's market leadership for discount variety retail in Norway. The rise is significantly above the general market, and the gap between the two in the first nine months is higher than in previous years.

While market developments are positive for Europris this year, the internal measures taken to improve performance in the execution of seasons and sales campaigns have been decisive for sales growth.

Operational review

Concept and category development

Europris is continuously improving its seasonal concept. Over the past year, a key focus has been on improving execution of the seasonal concept in both the supply chain and in the stores. This includes implementing further central control of volumes and spacing in the stores. That has resulted in better implementation of the concept across the chain's store base, especially towards the end of the seasons, through better availability of goods in the stores. The same methodology has also been applied to mid-seasons, where central spacing of the floor plan in the stores has ensured a smoother transition between the seasons and accommodated better utilisation of the sales space in the stores.

Europris operates a campaign-based concept, and the increased attention paid to campaign implementation has been an important driver for growth over the past year. Better models for estimating campaign volumes in the supply chain have resulted in fewer cases where products are sold out, while improved merchandising in the stores has increased sales per customer significantly. Europris also expects this initiative to

enhance customer satisfaction over time and to help strengthen the chain's price leadership in the market.

E-commerce

Europris is making progress with the new e-commerce platform, which is expected to be rolled out in early 2020. At the same time, the group plans to relocate e-commerce operations from the store in Moss to the mezzanine floor in the new central warehouse. This will facilitate more efficient operations and permit a broader range to be offered online.

During the third quarter, e-commerce sales have been concentrated around the click-and-collect offering with good sales results. Total e-commerce sales are still low, but are gradually moving towards one per cent of total sales for the chain.

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.

Developing the store estate

Europris opened one new store in the third quarter, bringing the total to 264 at 30 September. Of these, 230 were directly operated and 34 were franchises. Europris has opened six new stores over the year to date. For every new store, Europris does thorough research on the location. Strict criteria must also be met after opening. The new stores opened in 2018 and 2019 continue to perform well, with sales exceeding expectations.

In addition to the new stores, Europris relocated one store during the quarter and completed two store modernisations. The group will continue to develop the existing store base and sees this as an important value driver.

New stores opened in 2019

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

Store relocations in 2019

Month	Store	County
April	Mosjøen	Nordland
May	Bjugn	Trøndelag
June	Elverum	Hedmark
September	Notodden	Telemark

Store expansions in 2019

Month	Store	County
March	Stord	Hordaland

A potential closure of the Europris store at Grini in Akershus county is still awaiting the pending judgment of the district court. The case has been scheduled for 21-23 April 2020. This 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 closure and termination of the lease. Total costs in the event of a closure are expected to be in the NOK 5-8 million range.



The team at Europris Etna

Status of the new central warehouse

Operations in the new central warehouse were as planned during the quarter. The premises are functional and facilitate efficient operations and logistics.

The next milestone is the automation of the high-bay area, which will significantly increase warehouse capacity. Testing the equipment continued in the third quarter, with good results. The project is progressing as planned, and operations in the high-bay area are scheduled to start in the first half of 2020.

The third and final milestone is the automation of picking in the low-bay area. Improving the efficiency of goods picking, the automated shuttle solution will be delivered by the same supplier

providing automation for the high-bay area. During the third quarter, the project completed design and layout work for the solution. This project is progressing as planned and is scheduled to start 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 period from now until 2022 will be a transitional time for Europris, when some additional costs will be incurred before the savings from the new warehouse materialise. The latter are estimated at 0.75-1.25 percentage points of group revenues once all the stages have been completed.

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	18.5	18.2	~ 18.2	~ 69	~ 70	~ 52	~ 39
Non-recurring rent	-	1.4	4.2	~ 2.0	~ 8	~ 4	~ 13	~ 5
Non-recurring moving expenses	-	6.6	0.1	-	~ 5-10	~ 3-5	~ 3-5	-

Ordinary rent relates to warehouses which Europris will operate from, while non-recurring rent relates to the outstanding duration 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 for part of the premises in Fredrikstad until 30 June 2020. These costs are included as non-recurring rent in the table above.

Overview of estimated investments

NOK million	2019				2019	2020	2021	2022
	Q1	Q2	Q3	Q4				
IT, office equip. and other CAPEX	6	16	4	~ 2	~ 28	~ 5	-	-
Automation, high-bay (lease)	9	41	-	~ 70	~ 120	~ 5	-	-
Automation, low-bay (CAPEX)	-	18	12	~ 35	~ 65	~ 50	-	-



Profit and loss – third quarter

Group revenue in the third quarter amounted to NOK 1,477 million (NOK 1,352 million), up by 9.2 per cent. The key drivers behind the revenue growth were the 7.5 per cent increase in the chain's like-for-like sales driven by increased customer traffic. The quarter had one additional sales day compared with the same period of 2018. Other drivers of revenue growth were new store openings and franchise takeovers.

Gross profit for the group was NOK 654 million (NOK 590 million). The gross margin was 44.3 per cent (43.6 per cent). Over the year, the group reports a calculated gross margin for the stores and any calculation differences are adjusted at the annual stocktaking in the third quarter. The quarter includes NOK 33 million in positive calculation differences, with about NOK 29 million related to the previous three quarters from the fourth quarter of 2018.

Adjusted for the stocktaking, the gross margin was 42.6 per cent (42.0 per cent). Twenty-eight directly operated stores will complete their annual stocktaking in the fourth quarter.

The group has implemented the new IFRS 16 Leases with effect from 1 January 2019. Figures for 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.

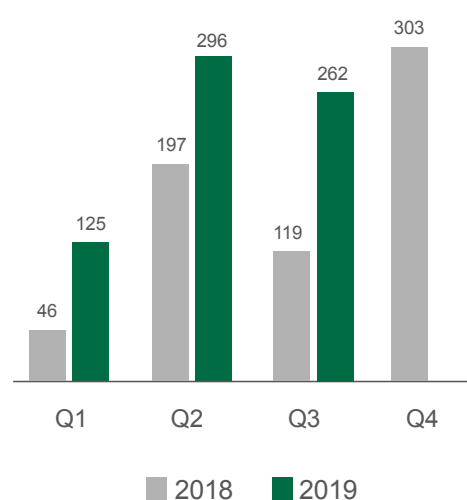
Operating expenditure (Opex), excluding non-recurring items, came to NOK 392 million in the third quarter. Rent costs of NOK 116 million have been reclassified, partly as depreciation and partly as interest expense. Adjusted for the IFRS 16 effect, Opex came to NOK 507 (NOK 471 million), an increase of 7.8 per cent.

Opex was affected by the increase in the number of directly operated stores from 219 to 230. In addition, logistical costs rose by NOK 5 million owing to the high fill rate at the central warehouse. Europris took over the new central warehouse in Moss in May and rent costs related to these premises amounted to NOK 6 million in the quarter.

Operating expenses amounted to 26.5 per cent of group revenue. Adjusted for the IFRS 16 effect, the Opex ratio was 34.4 per cent (34.8 per cent).

Non-recurring items of NOK 4 million are related to rent for vacated warehouses.

Adjusted EBITDA, NOK million



Adjusted EBITDA was NOK 262 million. Excluding the IFRS 16 effect, it came to NOK 147 million (NOK 119 million), up by NOK 28 million.

The adjusted profit before tax was NOK 114 million (NOK 79 million), an increase of NOK 35 million.

Depreciation increased by NOK 108 million, with NOK 107 million relating to IFRS 16.

Net financial expense rose by NOK 17 million, with NOK 12 million reflecting the IFRS 16 effect. The group recognised a net unrealised currency gain of NOK 9 million on hedging contracts and accounts payable (net currency loss of NOK 8 million).

Adjusted net profit for the third quarter of 2019 was NOK 88 million (NOK 61 million).

Profit and loss – first nine months

Group revenue for the first nine months of 2019 amounted to NOK 4,335 million (NOK 3,978 million), up by nine per cent. The key drivers for revenue growth were the 5.8 per cent increase in the chain's like-for-like sales as well as new store openings and franchise takeovers.

Gross profit for the group was NOK 1,854 million (NOK 1,709 million). The gross margin was 42.8 per cent, compared with 43 per cent for the same period of last year.

Opex excluding non-recurring items came to NOK 1,171 million. Adjusted for the IFRS 16 effect, Opex was NOK 1,500 million (NOK 1,346 million). This represented an increase of 11.4 per cent from the same period of last year. Operating expenses were 34.6 per cent (33.8 per cent) of group revenue. Opex in the first nine months was affected by the increase from 219 to 230 directly operated stores. In addition, logistical costs rose by NOK 50 million owing to the high fill rate at the central warehouse.

Adjusted EBITDA was NOK 683 million. Excluding the IFRS 16 effect, it amounted to NOK 354 million (NOK 363 million), down by NOK 9 million. The adjusted EBITDA margin was 8.2 per cent (9.1 per cent).

Net financial expense rose by NOK 48 million, with NOK 34 million reflecting the IFRS 16 effect.

Adjusted net profit for the nine months of 2019 was NOK 173 million (NOK 206 million).

Cash flow

Net change in working capital for the period was negative at NOK 179 million (negative at NOK 300 million). Last year, other working capital was affected by a higher inventory increase at the central warehouse owing to early shipment of seasonal goods for Christmas.

Capital expenditure was NOK 99 million (NOK 61 million). The increase from the year before reflected investment in the new central warehouse together with equipment for the new head office.

Financial position and liquidity

Financial debt at 30 September 2019 was NOK 3,606 million. Adjusted for the IFRS 16 effect, financial liabilities amounted to NOK 1,658 million (NOK 1,647 million).

The group's bank borrowings of NOK 1,645 million have been reclassified from non-current to current. This reflects the fact that the five-year term-loan facility matures in May 2020 and will be refinanced within the next 12 months. The refinancing tender process is progressing as planned. The group has received committed offers from the banks and is now working on the selection process.

Net debt at 30 September 2019 was NOK 3,579 million. Adjusted for the IFRS 16 effect, net financial liabilities were NOK 1,631 million (NOK 1,554 million).

Cash and liquidity reserves for the group at 30 September 2019 amounted to NOK 463 million (NOK 519 million).

Settlement of the acquisition cost of a 20 per cent stake in Runsvengruppen AB

The process of determining the final purchase price of the shares in Runsvengruppen AB has been delayed because of a disagreement concerning the provision for shrinkage in the accounts. An independent expert has been engaged to assist the parties in resolving the matter. The purchase price cannot increase as a result of this disagreement.

Changes to the executive management team

As part of its strategic organisational development, the group is making changes to the purchasing department. This means that operational procurement is more closely linked to logistics and responsibility is being transferred to VP Supply Chain Pål Christian Andersen. In addition, responsibility for strategic procurement is being moved to VP Commercial Jon Boye Borgersen.

Petter Wilschow, VP CSR and legal affairs, has resigned from Europris with effect from 31 December 2019 after 13 years with the group. The main reason for his departure is the opportunity to start his own business as an independent legal adviser and investor. However, Wilschow will be hired in as an independent consultant after his departure to assist Europris in relevant areas such as the handling of franchise contracts.

Maria Borge Andreassen, VP Corporate strategy and business development, has also resigned from Europris in order to accept an offer to become commercial director with a smaller Norwegian retailer which is not in competition with Europris. However, she will continue to work in her current capacity until the end of her period of notice on 31 December 2019.

The Europris executive management team with effect from 1 January 2020 will consist of:

Pål Wibe	CEO
Espen Eldal	CFO
Pål Christian Andersen	VP Supply Chain
Jon Boye Borgersen	VP Commercial
Kristine Frøberg	VP HR, Strategy & Sustainability
Øyvind Haakerud	VP Store Operations
Ole Petter Harv	VP Technology & IT
Knut Spæren	VP International Sourcing

Outlook

The open Norwegian economy is currently experiencing increased macroeconomic uncertainty owing to risks related to international trade in general, and to the combination of increased interest rates and foreign exchange rates in particular. This will probably influence consumer purchasing power.

Europris aims to be the first choice of anyone who wants to shop smart, convenient, big and at a low price. Discount variety retailing is thriving in the current challenging retail market and being Norway's number one in this sector with 100-per-cent brand recognition – as well as number one on price perception – provides Europris with ample opportunities to continue its growth journey.

Furthermore, Europris has strengthened its competitive position in the challenging and changing retail landscape through its Nordic partnership with ÖoB and Tokmanni. Collectively, these three companies represent a significant purchase volume with more than NOK 17 billion in annual retail sales across the Nordic region. By moving operations to a single highly-automated warehouse, Europris will also strengthen its overall cost position. This will increase its purchasing power and support the group's low-cost profile.

Europris is positioned as an omnichannel retailer with its e-commerce platform. Online shopping serves 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.

Europris continues to have a healthy pipeline of new stores. The board has approved an additional five for 2020 and beyond, two of which are subject to planning permission. Six new stores have been opened in 2019. The group has agreed to take over one franchise store on 1 October. No further take-overs are expected for 2019.

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

EUROPRIS ASA

Q3-2019



INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS



Figures are stated in NOK 1,000						
	Notes	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
		Unaudited	Unaudited	Unaudited	Unaudited	Audited
Total operating income (group revenue)		1,476,696	1,351,935	4,335,408	3,978,305	5,816,984
Cost of goods sold (COGS)		813,781	769,967	2,483,526	2,274,807	3,298,296
Employee benefits expense		256,193	227,471	715,601	648,479	898,504
Depreciation	5	129,830	22,167	381,343	65,511	90,743
Other operating expenses		139,719	243,232	467,556	697,680	942,369
Operating profit		137,174	89,097	287,383	291,826	587,073
Net financial income (expense)		(26,802)	(10,181)	(72,564)	(24,984)	(40,942)
Profit (loss) from associated companies	7	(1,100)	-	(4,000)	-	6,400
Profit before tax		109,272	78,916	210,818	266,842	552,531
Income tax expense		24,282	18,151	47,260	61,374	123,400
Profit for the period		84,990	60,765	163,558	205,469	429,132
Attributable to the equity holders of the parent		84,990	60,765	163,558	205,469	429,132
Interim condensed consolidated statement of comprehensive income						
Profit for the period		84,990	60,765	163,558	205,469	429,132
Total comprehensive income		84,990	60,765	163,558	205,469	429,132
Attributable to the equity holders of the parent		84,990	60,765	163,558	205,469	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	30 Sept 2019	30 Sept 2018	31 Dec 2018
			Unaudited	Unaudited	Audited
ASSETS					
Total intangible assets	5		2,043,270	2,040,315	2,040,688
Total fixed assets	1,5		2,638,403	269,220	262,063
Total financial assets	6,7		164,982	227,353	166,952
Total non-current assets			4,846,655	2,536,887	2,469,702
Inventories			1,823,390	1 761,113	1,573,233
Trade receivables			129,635	154,145	185,712
Other receivables	6		87,612	79,826	101,722
Cash			27,225	92,569	426,967
Total current assets			2,067,863	2,087,653	2,287,634
Total assets			6,914,517	4,624,540	4,757,337
EQUITY AND LIABILITIES					
Total paid-in capital	8		213,121	216,621	213,251
Total retained equity			1,437,673	1,425,961	1,575,677
Total shareholders' equity			1,650,794	1,642,582	1,788,928
Provisions			90,452	107,353	45,146
Borrowings	6		13,406	1,646,459	1,649,428
Lease liabilities	1,6		1,947,852	-	-
Total non-current liabilities			2,051,710	1,753,812	1,694,574
Borrowings	6		1,644,766	-	-
Current lease liabilities	1,6		398,637	-	-
Accounts payable			628,196	683,445	553,643
Tax payable			12,203	1,892	124,140
Public duties payable			192,664	170,048	251,540
Other current liabilities	6,7		335,548	372,761	344,512
Total current liabilities			3,212,013	1,228,146	1,273,835
Total liabilities			5,263,723	2,981,958	2,968,409
Total equity and liabilities			6,914,517	4,624,540	4,757,337

Fredrikstad, 31 October 2019
THE BOARD OF DIRECTORS OF EUROPRIS ASA

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



Figures are stated in NOK 1,000

Attributed to equity holders of the parent

	Share capital	Treasury shares	Share premium	Retained earnings	Total equity
At 1 January 2019	166,969	(5,370)	51,652	1,575,677	1,788,928
Profit for the period	-	-	-	163,558	163,558
Dividend	-	-	-	(298,717)	(298,717)
Net purchase of treasury shares	-	(130)	-	(2,845)	(2,975)
Other comprehensive income	-	-	-	-	-
At 30 September 2019	166,969	(5,500)	51,652	1,437,673	1,650,794
(unaudited)					

Attributed to equity holders of the parent

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS



Figures are stated in NOK 1,000		Notes	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
			Unaudited	Unaudited	Unaudited	Unaudited	Audited
Cash flows from operating activities							
Profit before income tax			109,272	78,916	210,818	266,842	552,531
Adjusted for:							
Depreciation of fixed and intangible assets	5		129,830	22,167	381,343	65,511	90,743
Profit/loss from associated companies			1,100	-	4,000	-	(6,400)
Changes in net working capital			17,258	(77,609)	(178,582)	(300,396)	(169,407)
Income tax paid			-	48	(111,936)	(115,177)	(117,069)
Net cash generated from operating activities			257,460	23,522	305,643	(83,219)	350,398
Cash flows from investing activities							
Purchases of fixed and intangible assets	5		(25,755)	(18,155)	(98,892)	(61,248)	(79,152)
Acquisition			(560)	(5,393)	514	(9,376)	(12,875)
Net cash used in investing activities			(26,315)	(23,548)	(98,377)	(70,624)	(92,027)
Cash flows from financing activities							
Revolving Credit Facility			(100,000)	-	-	-	-
Repayment of debt to financial institutions			(4,668)	(494)	(6,009)	(8,131)	(8,629)
Changes in lease liabilities IFRS 16			(103,619)	-	(299,307)	-	-
Dividend			-	-	(298,717)	(283,847)	(283,847)
Buy-back of treasury shares			-	(43,273)	(2,975)	(43,273)	(120,590)
Net cash from financing activities			(208,287)	(43,768)	(607,008)	(335,251)	(413,067)
Net increase (decrease) in cash			22,858	(43,793)	(399,743)	(489,094)	(154,696)
Cash at beginning of period			4,367	136,363	426,967	581,663	581,663
Cash at end of period			27,225	92,569	27,224	92,569	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



Note 1 Corporate information

The interim condensed consolidated financial statements of Europris ASA and its subsidiaries (collectively, the group) for the third quarter and the nine months ended 30 September 2019 were authorised for issue by the board on 31 October 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 third quarter and the nine months ended 30 September 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
Assets	
Right-of-use asset	1,988,873
Total assets increase	1,988,873
EQUITY AND LIABILITIES	
Lease liabilities	1,594,553
Current lease liabilities	394,320
Total liabilities increase	1,988,873

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 nine months of 2019:

Figures are stated in NOK 1,000	1 January 2019	△	30 September 2019
Assets			
Right-of-use asset	1,988,873	347,479	2,336,352
Depreciation		(305,053)	
Additions/disposals		652 531	
EQUITY AND LIABILITIES			
Lease liabilities	1,594,553	353,299	1,947,852
Changes in lease liabilities		(294,915)	
Additions/disposals		648,214	
Current lease liabilities	394,320	4,317	398,637
Additions/disposals		4,317	

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	1,544	-	21,291	-	-	4,947	27,782
Additions	97,792	1,227	631,240	13,350	-	-	743,609
Disposals	-	-	-	-	-	-	-
Depreciation	(60,575)	-	(305,053)	(15,715)	-	-	(381,343)
Carrying amount 30 September 2019	277,085	24,966	2,336,352	44,802	387,573	1,610,895	4,681,672

	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	5,293	-	-	-	-	6,482	11,774
Additions	41,450	2,175	-	17,809	-	-	61,434
Disposals	-	-	-	-	-	-	-
Depreciation	(52,240)	-	-	(13,272)	-	-	(65,511)
Carrying amount 30 September 2018	246,563	22,656	-	47,154	387,573	1,605,588	2,309,534

Note 6 Financial instruments - fair value

Set out below is a comparison of the carrying amounts and fair values of financial assets and liabilities at 30 September 2019 and 31 December 2018:

Figures are stated in NOK 1,000

	30 September 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables				
Non-current receivables	24,295	24,295	24,073	24,073
Total	24,295	24,295	24,073	24,073
Financial liabilities				
Other financial liabilities				
Borrowings	1,658,171	1,658,171	1,649,428	1,649,428
Lease liabilities	1,947,852	1,947,852	-	-
Current lease liabilities	398,637	398,637	-	-
Total	4,004,661	4,004,661	1,649,428	1,649,428
Financial instruments measured at fair value through profit and loss				
Derivatives - asset				
Interest rate swaps	1,096	1,096	237	237
Foreign exchange forward contracts	10,569	10,569	13,829	13,829
Total	11,664	11,664	14,066	14,066

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 2.8 million in transaction expenses has also been recognised as part of the acquisition cost, bringing the total investment to NOK 136.8 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 4 million in the first nine months 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 half 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 30 September 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	-
Treasury shares 30 September 2019	5,500,000

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 non-recurring expenses.
- **Adjusted profit before tax** is profit before tax adjusted for non-recurring 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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