Europris
MER TIL OVERS

Q4-16

EUROPRIS ASA



HIGHLIGHTS

FOURTH QUARTER 2016

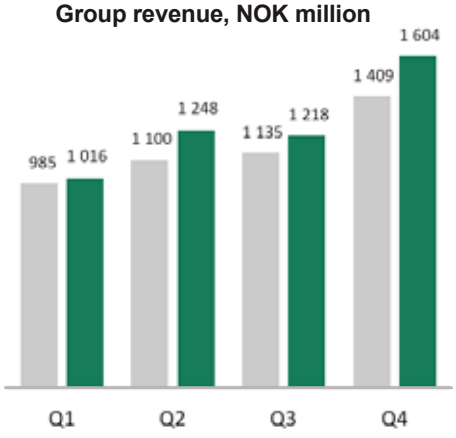
- Strong sales growth in the fourth quarter
  - Group revenue increased 13.8 per cent to NOK 1,604 million (1,409 million)
  - 4.7 per cent like-for-like growth, more than three times market performance of 1.5 per cent
- One new store opening and six franchise takeovers
  - One-off effects from franchise takeovers negatively impacting gross margin
- Adjusted net profit was up 11.9 per cent to NOK 209 million (187 million)
- Significant cash generation reducing leverage to 1.6x at year end

FULL YEAR 2016

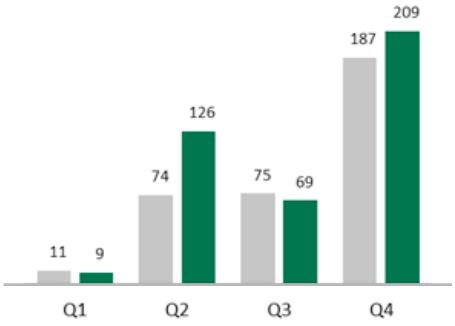
- The Europris group expanded in line with long term growth ambition
  - 9.8 per cent growth in group revenues to NOK 5,085 million (4,629 million)
  - 4.1 per cent on a like-for-like basis
  - Newly opened stores performing well
- Gross margin stabilised at level pre period of volatile FX rates
- Successful operational cost management throughout the year
- Adjusted net profit up 19.6 per cent to NOK 414 million (346 million)
- The board of directors proposes a dividend of NOK 1.50 per share for 2016
- In addition, to celebrate the company's 25th year anniversary, the board proposes to pay an extraordinary anniversary dividend of NOK 0.50 per share
- Preparing for long term growth through new central warehouse

Figures for the corresponding period of last year in brackets. The figures are unaudited.
For non-IFRS figures (e.g adjusted figures), see page 15 for definitions.

Group revenue, NOK million



Adjusted net profit, NOK million



2015 2016

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KEY FIGURES

(Amounts in NOK million)	Q4 2016	Q4 2015	FY 2016	FY 2015
CHAIN KEY FIGURES				
Total retail sales	1,729.9	1,591.4	5,524.8	5,128.6
Growth (%)	8.7%	9.6%	7.7%	8.4%
Like for like sales growth (%)	4.7%	6.2%	4.1%	5.4%
Number of stores at end of period	239	229	239	229

	Q4 2016	Q4 2015	FY 2016	FY 2015
GROUP KEY INCOME STATEMENT FIGURES				
Sales directly operated stores	1,281.8	1,114.0	3,987.5	3,555.3
Sales from wholesale to franchise stores	290.1	261.2	993.1	970.4
Franchise fees and other income	32.0	33.8	104.6	103.5
Group revenue	**1,603.8**	**1,409.0**	**5,085.2**	**4,629.2**
% growth	13.8%	8.6%	9.8%	8.7%
COGS excluding unrealised foreign exchange effects	894.2	762.9	2,901.2	2,569.3
Gross profit	**709.6**	**646.1**	**2,184.0**	**2,059.9**
% margin	44.2%	45.9%	42.9%	44.5%
Opex	418.7	362.9	1,517.1	1,456.3
Nonrecurring items				36.7
Opex excluding nonrecurring items	418.7	362.9	1,517.1	1,419.6
% of group revenue	26.1%	25.8%	29.8%	30.7%
Adjusted EBITDA	**290.8**	**283.2**	**667.0**	**640.3**
% margin	18.1%	20.1%	13.1%	13.8%
Adjusted EBIT	**271.5**	**265.2**	**591.9**	**569.2**
% margin	16.9%	18.8%	11.6%	12.3%
Adjusted profit before tax	**276.4**	**249.5**	**548.9**	**461.3**
Adjusted net profit	**209.3**	**187.0**	**413.7**	**346.0**
Adjusted earnings per share (167 million shares)	**1.25**	**1.12**	**2.48**	**2.07**
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES				
Net change in working capital			(42.5)	(40.3)
Capital expenditure			89.9	117.3
Financial debt			1,648.1	1,652.7
Cash and cash equivalents			577.0	447.1
Net debt			**1,071.1**	**1,205.6**

PERIOD REVIEW

FOURTH QUARTER

Europris secured a strong end to the year, with group revenues increasing 13.8 per cent to NOK 1,604 million (1,409 million) in the fourth quarter – the most important selling period of the year. Performance was positively affected by one additional sales day during the quarter compared to the fourth quarter of 2015.

Europris outperformed the market in all three months of the fourth quarter, a period marked by significant seasonal events such as Halloween, Black Friday and Christmas.

FULL YEAR

Europris performed well during 2016, with group revenues of NOK 5,085 million (NOK 4,629 million), representing an increase of 9.8% compared with 2015. Growth was driven by eleven new store openings and nine franchise takeovers, on top of a like-for-like performance of 4.1 per cent for the full year. New vintages of stores performed ahead of plan.

Significant increase in Adjusted net profit of 19.6 per cent vs. last year, driven by strong sales growth and successful operational cost management.

SALES PERFORMANCE

Christmas trading was relatively soft in the Norwegian retail market during the fourth quarter, growing 2.4 per cent on an overall basis vs. last year looking at the Kvarud Shopping Centre Index ("Kvarud") figures.[1] Figures from Virke show a similar trend, with overall retail growth of 2.3 per cent during the quarter compared to last year. The segment "wide assortment – other" grew by 5.3 per cent.[2] On a like-for-like basis, Kvarud indicates a market growth of 1.5 per cent vs. last year.

Europris significantly outperformed the market during the period, with total retail sales growing 8.7 per cent compared with the same period last year. On a like-for-like basis, growth came in at 4.7 per cent compared with last year. Europris' strong performance during the period is testament to a well prepared and well executed seasonal calendar.

For the full year 2016, Europris delivered overall retail sales of NOK 5,525 million, growing 7.7 per cent vs. 2015. This This is more than twice the performance achieved by the market which grew by 3.0 and 3.2 per cent

	Q4 TOTAL GROWTH	Q4 LFL GROWTH	2016 TOTAL GROWTH	2016 LFL GROWTH
Virke: total retail	2.3%	NA	3.2%	NA
Virke: wide assortment – other	5.3%	NA	4.8%	NA
Kvarud Shopping Centre Index	2.4%	1.5%	3.0%	2.4%
Europris chain	8.7%	4.7%	7.7%	4.1%

[1] According to Kvarud Analyse, Shopphing Centre Index, December 2016; report analyses the performance of the 237 largest shopping centres in Norway.

[2] According to Virke Detaljhandelsindeks (using figures reported from Statistics Norway).

using Kvarud and Virke figures, respectively. The segment “wide assortment – other”, as reported by Virke, indicated a growth of 4.8 per cent for the full year.

On a like-for-like basis, Europris grew by 4.1 per cent, significantly better than market performance of 2.4 per cent using Kvarud figures, the only market measure of like-for-like growth.

OPERATIONAL REVIEW

Marketing and electronic media

The group continued its successful use of national television advertisements during the fourth quarter. Management believes the selective use of television adverts is a good way to continue to build the Europris brand name and to promote the group’s new and upgraded store portfolio.

The electronic distribution of the direct marketing leaflet grew significantly in the fourth quarter of last year. Overall, the group has experienced substantial growth in online attention, illustrated by the 380 per cent increase in electronic distribution of the direct marketing campaigns since December 2014.

An upgraded layout to the group’s website as well as the introduction of version 1.0 of the digital direct marketing leaflet highlight the group’s increasing focus on e-channels. Management believes the online channel will become an increasingly important customer venue going forward. The online channel represents an important opportunity to reach new, price conscious and bargain hunting customer groups.

New store openings

Europris opened one new store in the fourth quarter at Grasmyr in the county of Telemark on 10 November.

Overall, the group opened eleven new stores during the year, [three] of which are located in shopping centres. At the end of the year, the total number of stores in the chain was 239, comprising 185 directly operated and 54 franchise stores. One store was closed in September.

Concept and category development

Europris continuously work to improve concept and category development in order to drive customer and sales growth. Significant progress was made in concept and category development during the year. The following three examples are good representations of these efforts.

The introduction of “A-brand” Purina in the first quarter and Harringtons in the third quarter illustrate the group’s increased focus on pet food. With the introduction of these brands, Europris now offers a complete product assortment within the pet food category.

In textiles, products from the brand Janus were introduced late in the third quarter / early fourth quarter in a similar effort to build momentum and value-for-money within the small textiles category.

Also during the year, new elements to the shop-in-shop banners in-store were introduced. This included the extensive use of brand names and colour coding within each shop-in-shop in order to improve the feeling of quality and to make it easier for the customers to orient themselves in-store.

FINANCIAL REVIEW

PROFIT AND LOSS – FOURTH QUARTER

Group revenue in the fourth quarter of 2016 amounted to NOK 1,604 million (1,409 million), up by 13.8 per cent. The key drivers behind revenue growth were new store openings, franchise takeovers and successful sales campaigns driving the chain's like-for-like sales increase of 4.7 per cent.

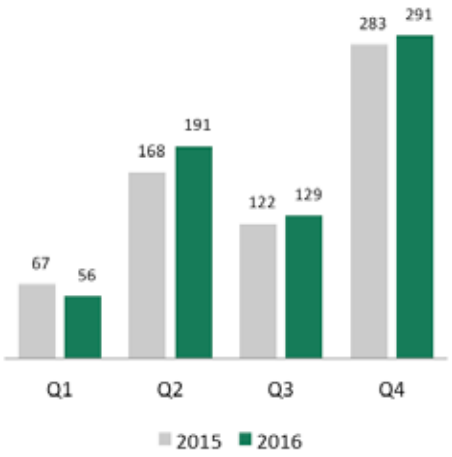
Gross profit for the group was NOK 710 million (646 million). The gross margin was 44.2 per cent in the fourth quarter of 2016, compared with 45.9 per cent in the same period last year. The margin decrease is explained by the franchise takeovers, which had a one-off negative impact on COGS in the quarter. In addition, the margin in 2015 was positively affected by currency changes.

Operating expenditure (opex) excluding nonrecurring items in the fourth quarter came to NOK 419 million (363 million). This represented an increase of NOK 56 million, of which NOK 9.4 million came from takeover of franchise stores. Relative to group revenue, operating expenses was 26.1 per cent (25.8 per cent).

Adjusted EBITDA was NOK 291 million (283 million) in the fourth quarter, up by 2.7 per cent compared with last year. The Adjusted EBITDA margin was 18.1 per cent (20.1 per cent).



Adjusted EBITDA, NOK million



Adjusted profit before tax for the fourth quarter of 2016 was NOK 276 million (250 million), up by 10.8 per cent. The group recorded an unrealised gain of NOK 15 million on currency hedging contracts and on accounts payable in foreign currencies in the quarter. Last year, the group recorded an unrealised loss of NOK 4 million in the corresponding period.

PROFIT AND LOSS – FULL YEAR (01.01 – 31.12)

Group revenue for the full year 2016 amounted to NOK 5,085 million (4,629 million), up by 9.8 per cent. The key drivers behind revenue growth were the positive like-for-like development of 4.1 per cent for the chain, franchise takeovers (nine stores in 2016) and the opening of eleven new stores. One store was closed in September.

Gross profit for the group was NOK 2,184 million (2,060 million). The gross margin was 42.9 per cent in 2016, compared with 44.5 per cent in the same period last year. Gross margin was positively influenced by foreign exchange currency rates (especially NOK/USD) in 2015.

Opex excluding nonrecurring items in the full year 2016 came to NOK 1,517 million (1,420 million). This represented an increase of 6.9 per cent from last year. Relative to

group revenue, operating expenses were 29.8 per cent (30.7 per cent), a clear positive result from management's focus on operational cost efficiencies during the year.

Adjusted EBITDA was NOK 667 million in 2016 (640 million), up by 4.2 per cent compared with last year. The Adjusted EBITDA margin was 13.1 per cent (13.8 per cent).

Adjusted profit before tax for the full year 2016 was NOK 549 million (461 million).

CASH FLOW

Net change in working capital was negative NOK 43 million in 2016 (negative 40 million). In 2015, the net change in other working capital was influenced by one-off effects from the refinancing in connection with the IPO (total of NOK 92 million). Management believes the underlying development in net working capital is good.

Capital expenditure was NOK 90 million (117 million). The decrease from last year is explained by the lower level of investment activity related to the modernisation programme for directly operated stores, slightly offset by new store openings and store relocations.

FINANCIAL POSITION AND LIQUIDITY

Financial debt was NOK 1,648 million at the end of 2016 (1,653 million).

Net debt at 31 December 2016 was NOK 1,071 million (1,206 million).

Cash and cash equivalents for the group at 31 December 2016 were NOK 577 million (447 million), reducing leverage ratio for the group to 1.6 at year end.

The group's liquidity reserves were unused at the end of the 2016.

DIVIDEND

The board of Europris ASA will propose to the General Assembly an ordinary dividend for 2016 of NOK 1.50 per share. In addition, to celebrate the company's 25th year anniversary in 2017, the board proposes to pay an extraordinary anniversary dividend of NOK 0.50 per share. In total, the proposed dividend is NOK 2.00 per share. The proposed dividend amounts to a total of NOK 334 million. The dividend distribution will be carried out by way of a repayment of paid-in capital to the company's shareholders. The dividend distribution will therefore not be considered as a dividend distribution from a Norwegian tax perspective.

OUTLOOK

Management expects continued growth in revenue and profits going forward.

The group has a healthy pipeline of new stores, with nineteen having been approved by the board. Of these, fourteen are confirmed for 2017, of which four are subject to municipal zoning regulations. Performance by the group's newly opened stores are positive with strong returns for the latest store vintages. The group has no plans to close any stores in 2017.

Operational costs are expected to increase slightly in 2017 compared to last year mainly as a result of (i) a change in distribution from sea to road transport which commenced on 1 January this year; and (ii) an increased focus on digital channels. Certain accounting effects resulting from the takeover of nine franchise stores in 2016 will be incurred.

As part of the plan to relocate to a new central warehouse in Moss Næringspark, the group will invest in a land area adjacent to the new warehouse in the first half year. This will involve an investment of c. NOK 25 million.

As part of increasing focus on digitalisation, management expects improvements to the group's e-channel offering during 2017. This includes improvements to product information online and the launch of a customer loyalty programme (MER) in February.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Figures are stated in NOK 1,000	Notes	Q4 2016	Q4 2015	FY 2016	FY 2015
		Unaudited	Unaudited	Unaudited	Audited
Total operating income (group revenue)		**1,603,823**	**1,408,995**	**5,085,205**	**4,629,232**
Cost of goods sold (COGS)	2	879,494	762,910	2,903,030	2,569,337
Employee benefits expense		214,208	196,242	752,498	702,336
Depreciation	5	19,321	18,000	75,089	71,061
Other operating expenses		204,540	166,649	764,590	753,932
Operating profit		**286,259**	**265,195**	**589,998**	**532,567**
Net financial income (expense)	2	**(9,838)**	**(15,745)**	**(41,052)**	**(164,956)**
Profit before tax		**276,421**	**249,450**	**548,946**	**367,610**
Income tax expense		67,153	62,400	135,285	90,029
Profit for the period		**209,267**	**187,049**	**413,661**	**277,582**
Attributable to the equity holders of the parent		209,267	187,049	413,661	277,582
Interim condensed consolidated statement of comprehensive income					
Profit for the period		209,267	187,049	413,661	277,582
Total comprehensive income		**209,267**	**187,049**	**413,661**	**277,582**
Attributable to the equity holders of the parent		209,267	187,049	413,661	277,582

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures are stated in NOK 1,000	Notes	31 Dec 2016	31 Dec 2015
		Unaudited	Audited
ASSETS			
Total intangible assets	5	2,016,904	2,010,804
Total fixed assets	5	246,377	225,178
Total financial assets	6	2,233	5,211
Total non-current assets		**2,265,515**	**2,241,193**
Inventories		1,324,103	1,109,189
Trade receivables		203,346	239,627
Other receivables	6	66,539	56,877
Cash and cash equivalents		576,964	447,116
Total current assets		**2,170,952**	**1,852,808**
Total assets		**4,436,467**	**4,094,001**
EQUITY AND LIABILITIES			
Total paid-in capital		836,406	1,070,162
Total retained equity		871,966	458,305
Total shareholders' equity		**1,708,372**	**1,528,467**
Provisions		45,575	57,920
Borrowings	6	1,646,874	1,648,385
Other non-current liabilities	6	1,272	4,266
Total non-current liabilities		**1,693,721**	**1,710,572**
Accounts payable		555,651	444,888
Tax payable		145,446	107,985
Public duties payable		149,167	127,154
Other current liabilities	6	184,111	174,935
Total current liabilities		**1,035,725**	**854,962**
Total liabilities		**2,729,446**	**2,565,534**
Total equity and liabilities		**4,436,467**	**4,094,001**

Fredrikstad, 16 February 2017

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	Share premium	Retained earnings	Total equity
At 1 January 2016	**166,969**	**903,193**	**458,305**	**1,528,467**
Profit for the period	-	-	413,661	413,661
Dividend	-	(233,756)	-	(233,756)
Other comprehensive income	-	-	-	-
At 31 December 2016	**166,969**	**669,437**	**871,966**	**1,708,372**

(unaudited)

	Attributed to equity holders of the parent			
	Share capital	Share premium	Retained earnings	Total equity
At 1 January 2015	**9,255**	**916,245**	**279,102**	**1,204,602**
Capital reduction [1]	(5,553)	(797,974)	-	(803,527)
Capital contribution by transfer from distributable equity (bonus issue) [2]	144,378	(46,000)	(98,378)	-
Proceeds from shares issued (Initial public offering) [3]	18,889	830,922	-	849,811
Profit for the period	-	-	277,581	277,581
Other comprehensive income	-	-	-	-
At 31 December 2015	**166,969**	**903,193**	**458,305**	**1,528,467**

(unaudited)

[1] Restructuring of the company's share capital implemented by redemption of 222,120,000 preference shares, cf, the Norwegian Public Limited Companies Act, cf. Section 12-1 paragraph 2.

[2] The share capital increased with NOK 144,378 by increasing the par value of the company's 148,080,000 shares from NOK 0.025 with NOK 0.975 to NOK 1 per share by way of transfer from other equity, wereof NOK 98,378 from retained earnings and NOK 46,000 from previously paid in capital.

[3] In the Offering Europris ASA issued a total of 18,888,888 new shares issued to investors at an average subscription price of NOK 44.99.

In accordance with the Norwegian Public Limited Liability Companies Act sections 9-4 and 9-5, the board of directors is authorised to acquire the company's own shares on given conditions.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Figures are stated in NOK 1,000	Notes	FY 2016	FY 2015
		Unaudited	Audited
Cash flows from operating activities			
Profit before income tax		548,946	367,610
Adjusted for:			
Depreciation of fixed and intangible assets	5	75,089	71,061
Changes in pension liabilities		-	(55)
Changes in net working capital		(42,517)	(40,346)
Income tax paid		(108,772)	(95,254)
Net cash generated from operating activities		**472,746**	**303,016**
Cash flows from investing activities			
Purchases of fixed and intangible assets	5	(89,935)	(117,322)
Acquisition of franchise stores		(11,229)	(2,656)
Net cash used in investing activities		**(101,164)**	**(119,978)**
Cash flows from financing activities			
Proceeds from borrowings		-	1,642,318
Payment of shareholder loan		-	(17,735)
Repayment of debt to financial institutions		(7,978)	(1,651,806)
Dividend		(233,756)	-
Net capital increase		-	46,284
Net cash from financing activities		**(241,734)**	**19,061**
Net (decrease)/increase in cash and cash equivalents		129,848	202,100
Cash and cash equivalents at 1 January		447,116	245,016
Cash and cash equivalents at end of period		**576,964**	**447,116**

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

NOTES

NOTE 1 CORPORATE INFORMATION

The interim condensed consolidated financial statements of Europris ASA and its subsidiaries (collectively, the group) for the fourth quarter and the period ended 31 December 2016 were authorised for issue by the board on 16 February 2017.

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

These condensed interim financial statements have not been audited.

NOTE 2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

BASIS OF PREPARATION

The interim condensed consolidated financial statements for the fourth quarter and the period ended 31 December 2016 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 2015 and the following changes to the accounting principles adopted at 1 January 2016.

In the 2016 reporting the classification of unrealised gains and losses on foreign currency derivatives that are economic hedges of inventory purchases has changed. These unrealised gains and losses are now classified as part of cost of goods sold (COGS) in the profit and loss statement. Previously the gains and losses were presented as other financial income / other financial expense. Similarly, unrealised foreign currency exchange gains and losses on inventory trade payables are now also included as part of COGS. All gains and losses, both realised and unrealised related to the acquisition of inventory are now included as part of COGS. Prior period figures are not restated in the financial statements. The following table gives the unrealised foreign currency exchange effects that would have been included in COGS each quarter in 2015, if the new principle had been applied during 2015:

Figures are stated in NOK 1,000	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2015
Unrealised foreign currency exchange	5,009	26,860	(10,635)	4,314	25,548

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the group's annual consolidated financial statements for the year ended 31 December 2015. New standards and interpretations effective at 1 January 2016 do not impact the annual consolidated financial statements of the group or the interim condensed consolidated 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 2015.

NOTE 4 SEGMENT INFORMATION

The group manangement is the group's chief operating decision-maker. Reporting to the group management, which is responsible for evaluating profitability and achivements, is on a consolidated basis that is 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	Software	Trademarks	Contractual rights	Goodwill	Total
Carrying amount 1 January 2016	225,178	40,744	387,573	-	1,582,487	2,235,982
Acquisition of subsidiaries	5,255	-	-	-	6,915	12,170
Additions	75,716	14,502	-	-	-	90,218
Disposals	-	-	-	-	-	-
Depreciation	(59,772)	(15,317)	-	-	-	(75,089)
Impairment	-	-	-	-	-	-
Carrying amount 31 December 2016	**246,377**	**39,929**	**387,573**	**-**	**1,589,402**	**2,263,282**
Carrying amount 1 January 2015	185,784	32,393	387,573	-	1,579,928	2,185,678
Acquisition of subsidiaries	1,484	-	-	-	2,559	4,043
Additions	92,324	24,998	-	-	-	117,322
Disposals	-	-	-	-	-	-
Depreciation	(54,414)	(16,647)	-	-	-	(71,061)
Impairment	-	-	-	-	-	-
Carrying amount 31 December 2015	**225,178**	**40,744**	**387,573**	**-**	**1,582,487**	**2,235,982**

NOTES

NOTE 6 FINANCIAL INSTRUMENTS - FAIR VALUE

Set out below is a comparison of the carrying amounts and fair values of financial assets and liabilities at 31 December 2016 and 31 December 2015:

Figures are stated in NOK 1,000	31 December 2016		31 December 2015	
Financial assets	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Loans and receivables				
Non-current receivables	1,808	1,808	1,977	1,977
Total	**1,808**	**1,808**	**1,977**	**1,977**
Financial liabilities				
Other financial liabilities				
Borrowings	1,646,874	1,646,874	1,648,385	1,648,385
Total	**1,646,874**	**1,646,874**	**1,648,385**	**1,648,385**
Financial instruments measured at fair value through profit and loss				
Derivatives - asset				
Interest rate swaps	51	51	2,862	2,862
Foreign exchange forward contracts	7,450	7,450	9,615	9,615
Total	**7,501**	**7,501**	**12,477**	**12,477**
Derivatives - liabilities				
Interest rate swaps	1,272	1,272	4,266	4,266
Foreign exchange forward contracts	261	261	-	-
Total	**1,534**	**1,534**	**4,266**	**4,266**

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.

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 and additional financial expenses related to the refinancing in connection with the IPO.
- **Adjusted net profit** is net profit adjusted for nonrecurring items and additional financial expenses related to the refinancing in connection with the IPO.
- **Adjusted earnings per share** is Adjusted net profit divided by the current number of shares (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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