Europris

2016

EUROPRIS ASA
ANNUAL REPORT

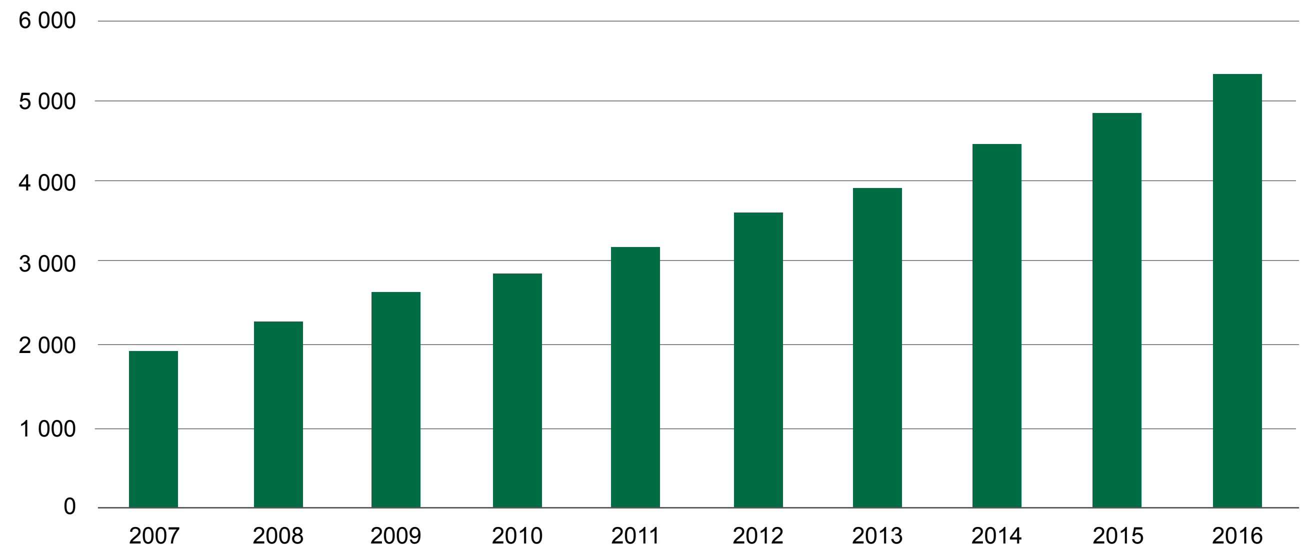
KEY FIGURES

(Amounts in NOK million)	FY 2016	FY 2015
CHAIN KEY FIGURES		
Total retail sales	5,524.8	5,128.6
Growth (%)	7.7%	8.4%
Like for like sales growth (%)	4.1%	5.4%
Number of stores at end of period	239	229
GROUP KEY INCOME STATEMENT FIGURES		
Sales directly operated stores	3,987.5	3,555.3
Sales from wholesale to franchise stores	993.1	970.4
Franchise fees and other income	104.6	103.5
Group revenue	**5,085.2**	**4,629.2**
% growth	9.8%	8.7%
COGS excluding unrealised foreign exchange effects	2,901.2	2,569.3
Gross profit	**2,184.0**	**2,059.9**
% margin	42.9%	44.5%
Opex	1,517.1	1,456.3
Nonrecurring items	-	36.7
Opex excluding nonrecurring items	1,517.1	1,419.6
% of group revenue	29.8%	30.7%
Adjusted EBITDA	**667.0**	**640.3**
Adjusted EBIT	**591.9**	**569.2**
Adjusted profit before tax	**548.9**	**461.3**
Adjusted net profit	**413.7**	**346.0**
Adjusted earnings per share (167 million shares)	**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	577.0	447.1
Net debt	**1,071.1**	**1,205.6**

Note: Alternative performance measures are defined on page 92.

STRONG REVENUE GROWTH

NOK million



11 new store openings

Total retail sales **NOK 5,525 million**

Revenue growth **9.8%**

More than **28.5 million** customer transactions

EUROPRIS AWARDS 2016

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

EUROPRIS' VALUES

- Positive attitude
- Proactive
- Clear
- Business acumen
- Simple

Europris Leknes
FRANCHISE STORE OF THE YEAR

Eli Kittilsen
Europris Seljord
SALES PERSON OF THE YEAR

Europris Ågotnes
NEW OPENING OF THE YEAR

Europris Evje
EUROPRIS STORE OF THE YEAR

CONTENT

LETTER FROM THE CEO

THE GROWTH JOURNEY CONTINUES

In 2016, we continued on our growth story, we gained market share and we improved profit. As we celebrate our 25th anniversary, we are stronger than ever before.

On top of a record-breaking 2015, we delivered another record in 2016. Top-line growth was close to 10 per cent and revenues reached NOK 5,085 million. More importantly, we grew faster than the market as a whole and improved our market position.

In Europris, we say: “Always a season, always a reason”. We are committed to offering the best selection at the best prices, and I am proud to say that we reinforced our position as the seasonal store of Norway in 2016.

Passing 250 stores in 2017

One important element in our retail growth journey is the modernisation and constant rejuvenation of the Europris concept. Last year, we developed our shop-in-shop concept further and made exciting extensions and improvements to the range in such categories as pet food, textiles, toys and outdoor products as well as grocery non-food.

Location is another important element in our growth journey. We see strong interest from our real-estate partners in offering better-than-ever opportunities to grow our store network. We have a healthy pipeline of 19 new stores today, of which 14 are planned for 2017.

This means we expect to open our store number 250 soon. That is quite a journey for a discount variety retail chain which started with one store in 1992.

..we expect to open our store number 250 soon.

Modern and upgraded

We will remain a constant source of innovation in retailing and optimise our category portfolios to cement our leadership in the market.

We will continue to challenge the “establishment”, look for areas with little competition and lack of efficiency in order to cut costs and offer customers great products at great prices. Our ultimate aim is to create something extraordinary in Norwegian retail also in the years to come.

We respect that it takes time to change buying habits and shopping patterns. However, we strongly believe there is a significantly higher probability that customers would like to try us, return to our stores and increase their basket sizes when they meet a modernised store with a wide range, high standards and the best prices.

Over the past three years, we have invested more than NOK 100 million in modernisation of our store portfolio. As a result, today we are in pole position to grasp the opportunities in a retail sector which is becoming ever more diversified.

Long-term commitment

We set out on a digital journey in 2016 where we see many exciting opportunities not only to reach out to existing customers more efficiently, but also to be able to address new, younger target audiences through digital channels. We are already experiencing strong growth through our website, and have increased the number of subscribers multiple times for our digital marketing over the last couple of years.

Recently, we launched a loyalty programme for our most steadfast customers, which will be further developed in the coming year. We are also exploring ways of capitalising on our uniquely strong brand position among Norwegian consumers through e-channels.

We also used 2016 to make important and extensive investments aimed at ensuring that Europris will continue to be the market winner far into the future. The most important event in 2016 was the signing of a lease for our new central warehouse, which is scheduled to commence operation in mid-2019. This represents the third-largest warehouse ever built in Norway, and the largest constructed as a single project. A cost-efficient supply chain is critical for us as a modern, fully-integrated retailer.

Our new warehouse will enable us to continue growing in a low-cost and competitive way, and we expect our new set-up to provide improved efficiency and scalability.

Still crazy after all these years

The strong commitment, radiant energy and massive "can-do" attitude of our hard-working employees made a big mark on 2016. Many of them took part in celebrating our 25th anniversary during March 2017. That was well deserved.

Today, we are a strong and vigorous 25-year-old. Successful years are behind us, and we look forward to the next 25 years of growth and development. I am proud of where we are today, and confident that our best years are ahead of us.

Pål Wibe
CEO, Europris ASA

DIRECTORS' REPORT

Europris performed well during 2016, with group revenues of NOK 5,085 million (NOK 4,629 million) representing an increase of 9.8 per cent compared with the year before. Growth was driven by 11 new store openings and nine franchise takeovers, on top of a like-for-like increase of 4.1 per cent for the full year. New vintages of stores performed ahead of plan.

Net profit for the year increased by 49 per cent to NOK 413.7 million, driven by strong sales growth and successful operational cost management. The increase in profit contributed to significant cash generation, with operating cash flow up by 57.5 per cent to NOK 468.1 million.

The board of Europris ASA will propose an ordinary dividend for 2016 of NOK 1.50 per share to the annual general meeting. To celebrate the company's 25th anniversary in 2017, the board also proposes the payment of an extraordinary anniversary dividend of NOK 0.50 per share. The total proposed dividend is thereby NOK 2.00 per share.

In June, Europris announced its decision to move to a new central warehouse in Moss during the second half of 2019. This solution will provide the group with the foundation for continued cost-efficient growth.

BUSINESS OPERATIONS AND STRATEGY

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

It delivers a unique value proposition for shoppers by offering a broad range of quality merchandise at low prices in destination stores across Norway.

The Europris group head office and distribution centre are located in Fredrikstad. Its merchandise is sold through the store chain, which going into 2017, comprises a network of 239 stores throughout Norway. Of these, 185 are operated directly and 54 run as franchises. Europris stores are designed to facilitate a consistent, easy and efficient shopping experience with a defined layout and a "store-in-store" concept.

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

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

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

OPERATIONAL REVIEW

Sales performance

For 2016 as a whole, Europris delivered overall retail sales of NOK 5,525 million, up 7.7 per cent from 2015. This is more than twice the performance achieved by the market, which grew by 3.0 and 3.2 per cent using Kvarud[1] and Virke[2] figures respectively. As reported by Virke, the segment "wide range – other" showed 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 the market performance of 2.4 per cent using Kvarud figures, which provide the only market measure of like-for-like growth.

	2016	
	total growth	like-for-like growth
Virke: total retail	3.2%	n/a
Virke: wide range - other	4.8%	n/a
Kvarud Shopping Centre Index	3.0%	2.4%
Europris chain	**7.7%**	**4.1%**

Marketing and electronic media

The group successfully re-introduced national television advertising during the year as one of its marketing tools. Management believes that 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.

[1] According to the Kvarud Analyse Shopping Centre Index for December 2016, which analyses the performance of the 237 largest shopping centres in Norway.
[2] According to Virke Retail Index (using figures reported by Statistics Norway).

Electronic distribution of the direct marketing leaflet grew strongly during the year. Overall, the group has experienced substantial growth in online attention, illustrated by a significant increase in electronic distribution of the direct marketing campaigns since December 2014.

An upgraded layout of 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 in the future. The online channel represents an important opportunity to reach new, price-conscious and bargain-hunting customer groups.

New store openings

The group opened 11 new stores during the year, of which three are located in shopping centres. At 31 December, the chain had a total of 239 stores, comprising 185 directly operated and 54 franchise stores. All new stores in 2016 were directly operated. One store was closed in September.

New stores in 2016

Month	Store	County
February	Ågotnes	Hordaland
May	Råde	Østfold
	Andenes	Nordland
June	Geilo	Buskerud
	Stranda	Møre og Romsdal
	Jevnaker	Oppland
	Strømmen	Akershus
August	Stovner	Oslo
	Vormsund	Akershus
September	Laksevåg	Hordaland
November	Grasmyr	Telemark

Closed stores in 2016

Month	Store	County
September	Solheimsviken	Hordaland

Concept and category development

Europris works continuously 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 very representative of these efforts.

» The introduction of "A-brand" Purina in the first quarter and Harringtons in the third quarter illustrates the group's increased focus on pet food. With the introduction of these brands, Europris now offers a complete product range in the pet food category.

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

» New elements in the shop-in-shop banners in-store were also introduced during the year. These included the extensive use of brand names and colour coding in each shop-in-shop in order to enhance the feeling of quality and to make it easier for customers to orient themselves in-store.

New central warehouse

On 5 July 2016, Europris announced the decision to move to a new central warehouse in Moss Business Park in the second half of 2019. This solution will provide the group with the foundation for cost-efficient growth. Europris has entered into a long-term rental agreement with Fabritius Gruppen AS, which will own and be responsible for the construction of the new facility.

The warehouse will be among the largest ever built in Norway. With this in place, Europris will consolidate all its five existing warehouse locations into one large-scale facility.

Management believes the new central warehouse will meet future capacity requirements as the group continues to grow in size. As part of the decision to relocate and to secure potential future capacity needs, the group also acquired an area of land covering about 31,000 square metres directly connected to the new facility. This will involve an investment of some NOK

25 million during 2017. Moss Harbour will lease part of the area for dry-port storage of incoming containers destined for Europris.

FINANCIAL REVIEW

Income statement

Europris group revenues amounted to NOK 5,085 million in 2016 (NOK 4,629 million), up by 9.8 per cent from the year before. The key drivers behind revenue growth were the positive like-for-like increase of 4.1 per cent for the chain, franchise takeovers (nine stores in 2016) and the opening of 11 new stores. One store was closed in September.

The group's gross profit was NOK 2,184 million (NOK 2,060 million), an increase of six per cent. The gross margin was 42.9 per cent, compared with 44.5 per cent last year. In 2015, the gross margin was positively influenced by foreign exchange currency rates (especially NOK/USD).

Operating expenses (excluding the cost of goods sold and depreciation/impairment) came to NOK 1,517 million (NOK 1,456 million). Figures for 2015 included non-recurring items of NOK 37 million related mostly to the IPO. Relative to group revenue, operating expenses were 29.8 per cent (30.7 per cent), a clear positive result of management's focus on operational cost efficiencies during the year.

Operating profit amounted to NOK 590 million (NOK 533 million), up by 10.8 per cent from the year before. The increase mainly reflected higher revenues and successful operational cost management throughout the year.

Net financial expenses in 2016 came to NOK 41 million (NOK 165 million). Reduced interest expenses secured by refinancing the term loan in June 2015 contributed to the positive result. In addition, figures for 2015 included:

» NOK 57 million in non-recurring cost related to the refinancing
» NOK 26 million in unrealised currency loss on hedging contracts and on accounts payable.

Profit before tax was NOK 549 million (NOK 368 million), up by 49.3 per cent from 2015.

Income tax expense in 2016 was NOK 135 million (NOK 90 million), giving an effective tax rate of 24.6 per cent (24.5 per cent).

Net profit for 2016 came to NOK 414 million (NOK 278 million).

Cash flow

Net cash flow generated from operating activities was NOK 468 million in 2016 (NOK 297 million). This was influenced by increased profit and the positive impact of net working capital, offset by a rise in income tax paid.

Net cash flow used in investing activities was negative at NOK 96 million (negative at NOK 114 million). Capital expenditure was NOK 90 million (NOK 117 million). The decrease from the year before reflects the lower level of investment activity related to the modernisation programme for directly operated stores, slightly offset by new store openings and store relocations.

Net cash flow from financing activities was negative at NOK 242 million (positive at NOK 19 million). Cash outflow is related to a dividend payment of NOK 234 million for 2016 in the second quarter. The rise in cash flow from financing activities in 2015 reflected a net capital increase of NOK 28 million in connection with the IPO.

Net change in cash for 2016 was NOK 130 million (NOK 202 million).

Financial position

Cash for the group at 31 December 2016 amounted to NOK 577 million (NOK 447 million). In addtion, the group's liquidity reserves include a revolving credit facility of NOK 450 million, of which NOK 85 million has been reserved for non-cash drawings related to guarantees and letters of credit. Of the remaining NOK 365 million set aside for liquidity purposes, NOK 0 had been drawn at 31 December 2016 (NOK 0).

Net debt at 31 December 2016 was NOK 1,071 million (NOK 1,206 million). The group is in compliance with all financial covenants.

Equity

Equity at 31 December 2016 was NOK 1,708 million, compared with NOK 1,528 a year earlier, and represented an equity ratio for the group of 38.5 per cent. The increase in equity was made up of net profit of NOK 414 million for 2016 and dividend payment of NOK 234 million.

Allocation of profit

Europris ASA (parent company) posted a profit of NOK 365 million for 2016.

The board proposes the following allocation (NOK million):

Dividend	334
Retained earnings	31
Total	**365**

The Europris group achieved a profit of NOK 414 million in 2016.

The board of Europris ASA will propose an ordinary dividend for fiscal 2016 of NOK 1.50 per share to the AGM. To celebrate the company's 25th anniversary in 2017, the board also proposes the payment of an extraordinary anniversary dividend of NOK 0.50 per share. The total proposed dividend is thereby NOK 2.00 per share. The proposed dividend amounts to a total of NOK 334 million. The dividend will take the form of a repayment of paid-in capital to the company's shareholders.

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

RISK AND RISK MANAGEMENT

The board maintains a high degree of focus on risk, risk management and internal control procedures. The risk register, which is updated annually by management and reviewed by the board, focuses on three key risk categories:

» market risk
» operational risk
» strategic risk.

For each key category, the risks are identified and classified in accordance with the likelihood of the risk occurring and potential impact if it occurs. The risk classification is subject to a quarterly review by management in order to identify any change in classification. The key risks identified are:

Market risk

Risk type	Description of risk	Internal control
Economic environment	Changes in the macro-economic environment which result in reduced consumer spending.	Europris has a wide range of products and price points which allow customers to trade up and down. Its operating model is based on low costs to keep sale prices as low as possible. Its forecasting and planning models are detailed so that the group can react in time if the economic outlook changes.
Competition	Significantly increased competition in the market affecting the group's profitability and growth.	Management closely follows developments in the market through regular reporting of market data as well as through its own competitor analysis. Price surveys are systematically performed to monitor the group's competitiveness continuously. Category development is an important element, where Europris can reduce the product offering in categories facing strong competition while introducing new products in categories where competition is weaker.
Currency	Currency rate volatility affecting the group's gross margins.	The group's financial policy includes a detailed currency strategy where all purchase orders in USD and EUR are hedged for six months. That allows sufficient time to adjust the retail price. Historically, this has proved to work well in periods with large fluctuations in the currency market.
Interest rates	Interest-rate volatility affecting the group's interest costs.	The financial policy includes a detailed description of hedging and 50 per cent of the group's long-term loans are presently hedged. Management monitors developments in the fixed income market, and regularly assesses the exposure to interest-rate risk.
Credit and liquidity risk	Increased indebtedness affecting the group's ability to grow and posing a threat of breaching financial covenants.	Europris has limited exposure to credit and liquidity risk. The vast majority of revenue transactions are settled in cash or by debit card. Trade receivables relate mainly to the group's franchisees, and losses on trade receivables have historically been limited. Projected cash flow is updated regularly and the group has sufficient credit facilities available.

Operational risk

Risk type	Description of risk	Internal control
Infrastructure and IT systems	Loss of operating facilities or IT systems which affects trading or causes serious injury to employees.	The group's buildings are properly protected against fire and fire drills are conducted regularly. The group's assets are covered by full-value insurance in addition to business interruption policies. The data server park is located at the group's head office with access to emergency power. A back-up server park is located at the central warehouse. POS systems in stores can be run offline.
Supply chain	Disruption to the supply chain resulting in shortages of goods in stores.	Goods are distributed weekly to the stores, mainly by lorry using two transport firms. Some goods are delivered by ship (in northern Norway and the north-west of the country). On failure of a delivery channel, volumes may be shifted between distributors. Inventory levels in stores are sufficient to manage for some time without deliveries.
Regulation and compliance	Breach of regulatory or legislative requirements resulting in financial penalties and reputational damage.	The group has established good procedures and instructions for ethics, compliance and corporate governance. These are revised annually by the board, and management training is regularly conducted. The group conducts on-site inspections of suppliers in addition to extensive product testing.
Key management reliance	Loss of key personnel/ skills which are critical to business operations	Europris has a structured approach to "succession planning" and "talent management". In this work, all managers are evaluated and potential successors in both short and long terms are identified. In addition, plans are implemented for retention, development and training of key staff.

Strategic risk

Risk type	Description of risk	Internal control
Category management and concept development	Lack of innovation which entail lower margins and growth.	The group works systematically on category and concept development through its category teams. This work includes continuous monitoring of the market and consumer trends in order to adapt to changes and implement new ideas at an early stage.
New store rollout	Lack of profitable new store locations which affects the group's growth plans.	The property team has a long pipeline for potential locations. The group maintains good relationships with landlords and is working strategically with other retailers for co-location of stores. New store openings must be approved by the board and newly opened stores are performing well.
Omnichannel and e-commerce	Incomplete development of solutions which affects the group's growth.	The group has developed a separate strategy plan for digitalisation, including omnichannel and e-commerce. As part of this work, the board has appointed a digital advisory board to support the management.

CORPORATE GOVERNANCE

The board and executive management of Europris ASA review the group's corporate governance principles annually. Reporting accords with section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance as updated most recently on 30 October 2014. Please see page 16 for a detailed report on Europris' corporate governance.

ORGANISATION AND CORPORATE SOCIAL RESPONSIBILITY

Employees and organisation

The board considers the working environment in the group to be good. Employee surveys conducted in 2016 showed very good results related to workplace satisfaction.

	2016		2015	
	Number of employees	Full time employees	Number of employees	Full time employees
Stores	1,983	1 ,178	1,782	1,062
Head office and distribution centre	336	329	336	330
Total	**2,319**	**1,507**	**2,118**	**1,392**

The board is not satisfied with the current level of sickness absence, and follows the initiatives implemented in order to achieve the long-term ambition of a sickness absence of around five per cent.

Sickness absence	**2016**	**2015**
Stores	6.9%	6.7%
Head office	4.2%	5.5%
Distribution centre	8.2%	7.8%

A total of 9 injury reports were registered in 2016, but none involved serious injury.

Equal opportunities and discrimination

Europris is a workplace with equal opportunities in all areas. The group has traditionally recruited from environments where women and men are relatively equally represented. Where gender equality in Europris ASA (the parent company) is concerned, 50 per cent of directors are women, but the executive management group has no female members. The group has 2,319 employees, of whom 60 per cent are women. Working time arrangements are independent of gender.

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

External environment

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

Pursuant to section 3-3c of the Norwegian Accounting Act, the board has drawn up guidelines covering business ethics and corporate social responsibility. The main principles are covered in the company's sustainability policy, available on its website at www.europris.no/corporate/investor. Europris' activities in the area of corporate social responsibility, including human rights, labour rights, the working environment, equality, discrimination, anti-corruption and the external environment, are described in more detail in a separate section on page 26 of this annual report.

TRANSACTIONS WITH RELATED PARTIES

There were no significant transactions with related parties in 2016.

MARKET DEVELOPMENTS AND OUTLOOK

The board expects continued growth in revenue and profits in the future.

Europris remains the market leader in the fast-growing discount variety retail segment, which is still underpenetrated in Norway. Consumers are expected to continue to seek discount products in certain segments in order to fund increased purchases of higher-end goods and services in other segments. This trend is a structural shift seen across the market in recent years. Europris has a genuinely mixed range, which provides a large addressable market, competitive flexibility and a resilient business model.

The group has a healthy pipeline of new stores, with 19 having been approved by the board. Of these, 14 are confirmed for 2017, with four of them subject to local authority planning processes, and five stores for

2018 and beyond. The group has no plans to close any stores in 2017.

Operational costs are expected to increase slightly in 2017 compared with 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 technical accounting effects resulting from the takeover of nine franchise stores in 2016 will be incurred.

In connection with relocating to a new central warehouse in Moss Business Park, the group will invest in a site adjacent to the new warehouse in the first half year 2017. This will involve an investment of some NOK 25 million.

As part of the 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.

Dedicated and enthusiastic employees are Europris' most important asset. Training of employees and management development showed good results in 2016, and these activities will be continued on a broader scale in 2017.

The board emphasises that uncertainty prevails when assessing the outlook.

Events after the reporting period

In February 2017, Europris signed a long term lease for a new head office to be built in Fredrikstad. Completion of the new building corresponds well with the expiry of the lease for the group's current head office, in 2019.

On 3 March 2017, Nordic Capital sold all its 54,619,558 shares in Europris ASA, representing 32.7 per cent of the share capital and voting rights in the company.

No other material events have occurred since 31 December.

Fredrikstad, 29 March 2017
THE BOARD OF DIRECTORS OF EUROPRIS ASA

Tom Vidar Rygh
Chair

Michael Haaning

Hege Bømark

Christian W Jansson

Bente Sollid Storehaug

Anne Carine Tanum

Pål Wibe
CEO

BOARD

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

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

Michael Haaning is a partner in NC Advisory A/S – adviser to the Nordic Capital Funds, which he joined in September 2002. He holds a BSc in business administration and commercial law and an MSc in finance and accounting from Copenhagen Business School. From 2000 to 2002, Haaning worked in the investment banking division at Morgan Stanley in London. He has also served as a captain in the Danish Air Force.

Carl Christian Westin Jansson is chair of Apoteket AB and MD International AB (Min Doktor) and a director of Europris ASA, Carl Westin AB, Wyndit Inc, Excillum AB, Collodial Resources AB and Obicor AB. He holds a doctorate in economics h.c. from the University of Lund (2010), where he received both his graduate and undergraduate degree in 1971.

Bente Sollid Storehaug is CEO of ESV Digital, Nordic. She is an adviser on data-driven attribution and personalization technologies, and a serial entrepreneur. Member of the executive boards of Polaris Media, Cxense, Europris and Eika Gruppen. Chair and co-owner of start-up companies Dot Global, Cloudnames and EnerWE. Storehaug is a member of the new industry policy advisory board for the ministers of culture and industry in Norway. She has also been appointed by the government to an expert committee on the future funding of the Norwegian Broadcasting Corporation (NRK). Storehaug established her own internet consultancy in 1993, which is listed today on Oslo Børs as Bouvet ASA. She is the youngest member of the Norwegian Association of Editors.

Anne Carine Tanum is chair of DNB ASA, DNB Bank ASA, Nordisk Film Kino AS and E-CO Energi AS, deputy chair of Oslo Universitetssykehus HF, and a director of Cappelen Damm AS and Try AS. She has also been chair and deputy chair of NRK and Den Norske Opera. Tanum was also the CEO and owner of Tanum AS for many years. She holds a Master of Law (cand jur) degree from the University of Oslo.

CORPORATE GOVERNANCE

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

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

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

Europris is subject to reporting requirements for corporate governance under section 3-3b of the Norwegian Accounting Act as well as section 7 of the continuing obligations of stock exchange listed companies from Oslo Børs. Europris will seek to comply with the Norwegian Code of Practice for Corporate Governance (the code), last revised on 30 October 2014, which is available on the Norwegian Corporate Governance Committee's website at www.nues.no. Application of the code is based on the "comply or explain" principle. In other words, companies must comply with the individual provisions of the code or explain why they have not done so.

Europris deviated from the recommendations in one sections of the code in 2016. This relates to:

» establishment of separate guidelines regulating responses to takeover bids, section 14.

The board reviews the principles on an annual basis, and includes a report in the annual report in accordance with the requirements of the continuing obligations for listed companies from Oslo Børs and the Norwegian code.

Corporate values, code of conduct and corporate responsibility

Europris' core values are "positive attitude", "proactive", "clear", "business acumen" and "simple", and these values are well entrenched in the group culture. The group emphasise high ethical standards and will have an open culture where ethical dilemmas are regularly discussed.

Europris has developed a code of conduct, including principles for corporate social responsibility, and a sustainability policy based on its corporate values. In addition, separate policies have been developed for ethical trade, anti-bribery and money laundering, data protection, trade sanctions and whistleblowing. These are assembled in a corporate governance compliance manual adopted by the board in May 2015. Priorities are based on an assessment of the needs of both the business and its stakeholders, and form an integral part of day-to-day operations.

The code of conduct and related policies set the standards for behaviour which can be expected internally among colleagues and externally towards partners, customers and other stakeholders. The policies are considered important in order to create trust, loyalty and responsible behaviour in the group, and to prevent any violation of the law or other negative economic, legal or reputational consequences for Europris.

The code of conduct and related policies apply to all employees and representatives of Europris, including employees in subsidiaries, franchise stores, consultants, agents, procurement personnel, the executive management and directors, and all employees are expected to make a personal commitment to complying with them. Employees are requested to report any concerns and complaints through the chain of command, and should feel safe in providing such information without concern for negative consequences to themselves. A separate policy has been established to specify areas of potential misconduct, how and to whom such a report should be made, and the responsibilities of the person who receives such a report.

Violation of the code of conduct will be subject to disciplinary action, including possible termination of employment as well as potential criminal prosecution.

Europris endeavours to make its code of conduct known to its employees, suppliers and partners. In order to make these standards clear to the group's suppliers, a supplier code of conduct has been developed, describing the main requirements based on the Ethical Trading Initiative base code principles.

Europris' sustainability policy and supplier code of conduct are available from the company's website at www.europris.no/corporate, and the company's work on corporate social responsibility is described in detail on page 26 in the 2016 annual report.

Deviations from the code:
None.

2. THE BUSINESS

Europris is Norway's largest discount variety retailer by sales. The group offers a broad range of quality own-brand and brand-name merchandise across a wide span of product categories. The group's merchandise is sold through the Europris store chain, which consisted at 31 December 2016 of a network of 239 stores throughout Norway. Of these, 185 are directly owned by the group and 54 operate as franchise stores. The group's headquarters and storage facilities are located in Fredrikstad, Norway.

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

The group's business operations are further discussed in the annual report on page 37.

Deviations from the code:
None.

3. EQUITY AND DIVIDENDS

Equity

At 31 December 2016, the group's equity totalled NOK 1,708 million, which corresponded to an equity ratio of 38.5 per cent. The board considers Europris' equity to be adequate in relation to the group's objectives, strategy and risk profile.

Dividend policy

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

Based on the financial results for 2016, the board will propose a dividend of NOK 1.50 per share. To celebrate the company's 25th anniversary in 2017, the board also proposes the payment of an extraordinary anniversary dividend of NOK 0.50 per share.

Europris' leverage policy is to run the business with moderate leverage and to maintain an efficient balance sheet.

Board mandates

The general meeting of 13 May 2016 granted two separate mandates to the Europris board. Both mandates are valid until the next AGM in 2017, but in any event no longer than to 30 June 2017.

» A mandate to increase the share capital of Europris ASA by a maximum of NOK 16,696,888. The mandate corresponds to 10 per cent of the shares and share capital of the company. It may be used for necessary strengthening of the company's equity and for the issue of new shares as consideration for the acquisition of relevant businesses.

» A mandate to repurchase Europris ASA's own shares up to a total nominal value of NOK 16,696,888. The maximum amount which can be paid for each share is NOK 100 and the minimum is NOK 10. The mandate corresponds to 10 per cent of the shares and share capital. Shares acquired pursuant to the mandate may either be deleted in connection with a later reduction of the registered share capital or utilised as consideration shares for the acquisition of businesses.

Deviations from the code:
None.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Europris has one class of shares and all shares have equal rights. Each share has a nominal value of NOK 1.00 and carries one vote. Europris ASA owned no treasury shares at 31 December 2016.

The board has a mandate to increase the company's share capital which allows the board to waive the pre-emptive right of existing shareholders. In the event of such a capital increase, the reason for the transaction and the waiver will be provided in a public announcement.

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

The company will immediately make public any material transaction between the company and shareholders, directors, leading employees or any of their close relations, as well as with other companies in the group. In the event of such transactions, the board will evaluate whether it is necessary to seek a third-party valuation. An independent valuation is required for material transactions between companies in the same group where there are minority shareholders.

Directors and members of the executive management must notify the board immediately if they have a direct or indirect material interest in an agreement or transaction entered into by the company.

Transactions with related parties are discussed in note 24 to the 2016 financial statements.

Deviations from the code:
None.

5. FREELY NEGOTIABLE SHARES

The Europris share is freely transferable on Oslo Børs, and the company's articles of association do not contain any restrictions on the share's transferability. Nor are there any restrictions on the buying and selling of shares by directors and members of the company management, providing the regulations governing insider trading are complied with.

Deviations from the code:
None.

6. GENERAL MEETINGS

The general meeting is the highest authority in Europris ASA. All shareholders are entitled to attend, speak and vote at general meetings of Europris ASA, and to table draft resolutions for items to be included on the agenda for the general meeting. Extraordinary general meetings may be called by the board at any time. The auditor or shareholders representing at least five per cent of the shares may call in writing for an extraordinary general meeting to discuss a specified matter.

Notice

The annual general meeting will be held each year before 30 June, as prescribed by law. The 2016 AGM is scheduled for 23 May 2017.

Written notice of a general meeting, specifying the time, date and agenda, is sent to all shareholders with a known address at least 21 days prior to the date of the meeting.

Pursuant to article 7 of the articles of association, the notice and documents relating to matters to be considered at the general meeting need not be sent to the shareholders if they are made available to them on the company's website at www.europris.no/corporate. Any shareholder may nevertheless request that the documents are sent by mail by contacting the investor relations department at Europris ASA or by e-mail to ir@europris.no.

Registration and proxies

Shareholders intending to attend the general meeting must notify the company of this no later than five days before the general meeting, pursuant to article 7 of the articles of association. The right to participate in and vote at the general meeting after acquiring shares may only be exercised if the acquisition has been recorded in the VPS shareholder registry by the fifth business day before the general meeting.

To register for the general meeting, shareholders must submit a written confirmation, using the form provided, by post or e-mail to the company's registrar: DNB Bank ASA.

A shareholder may vote at the general meeting either in person or through a proxy appointed at their own discretion. The notice of the meeting will contain more detailed information about the procedure for appointing a proxy, including an authorisation form. In addition, a person will be appointed who can act as proxy on behalf of shareholders.

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

The requirements for notice of and admission to the AGM also apply to extraordinary general meetings. However, the AGM of a Norwegian public limited company may resolve, with a majority of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a general meeting, that extraordinary general meetings may be convened with 14 days' notice until the next AGM, providing the company has procedures in place which allow shareholders to vote electronically.

Agenda and execution

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

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

The minutes of the general meeting will be published on the Oslo Børs newsfeed at www.newsweb.no and on the company's website at www.europris.no/corporate immediately after the general meeting has taken place.

Deviations from the code:
None.

7. NOMINATION COMMITTEE

The company's nomination committee is regulated by article 6 of the articles of association. It will comprise two to three members, who will be shareholders or shareholder representatives. The majority of the committee members should be independent of the board and the company management.

Instructions for the nomination committee were adopted at the general meeting on 13 May 2015. They include the main principles for the nomination committee's work, making and supporting proposals and general procedures.

The nomination committee will make recommendations to the general meeting on the election of shareholder-elected directors, remuneration of directors, election of members to the nomination committee and remuneration of members of the nomination committee. The nomination committee will review the instructions annually, and any proposed changes will be submitted to the general meeting for approval.

The members of the nomination committee, including its chair, are elected by the general meeting for a term of two years. The following were members of the nomination committee at 31 December 2016:

- Sverre Leiro (chair)
- Mai-Lill Ibsen
- Fredrik Näslund.

The general meeting will determine the remuneration of the members of the nomination committee. Shareholders in Europris are entitled to nominate candidates for the board and the nomination committee by submitting an e-mail to ir@europris.no. Such nominations must be received four weeks before the AGM in order to be considered.

Deviations from the code:
None.

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The company does not have a corporate assembly.

Composition of the board

Article 5 of the articles of association provide that the board will consist of a minimum of three and a maximum of 10 directors, as determined by the general meeting. The board had six members at 31 December 2016, including three women. This met the gender diversity requirements specified by Norwegian law.

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

According to the instructions for the nomination committee, the board's composition will be broadly based to ensure that it has the necessary experience, qualifications and capacity to safeguard the common interests of the shareholders. Furthermore, the composition of the board should allow it to function effectively as a collegiate body and to act independently of special interests.

A detailed presentation of the expertise and background of the directors is available on the company's website at www.europris.no/corporate. Europris ASA has no direct employees and therefore no requirement to appoint employee representatives to the board. Three employees sit on the board of the Europris AS subsidiary.

Independence of the board

All shareholder-elected directors are regarded as independent of senior executives and material business associates.

Tom Vidar Rygh, the chair, is engaged as an adviser to Nordic Capital Funds, the main shareholder of Europris ASA, and therefore not deemed to be independent. Michael Haaning is a partner in NC Advisory A/S, an adviser to the Nordic Capital Funds, and therefore not deemed to be independent of the company's largest shareholder.

In March 2017, Nordic Capital sold all its shares in Europris, further details can be found in directors' report and note 26 to the financial statements.

Share ownership

An overview of shareholdings in Europris by individual directors can be found in note 18 to the 2016 annual report.

Deviations from the code:
None.

9. THE WORK OF THE BOARD OF DIRECTORS

Board's responsibilities and tasks

The overall management of the group is vested in the board of directors and the executive management. Pursuant to Norwegian law, the board is responsible for such matters as supervising the general and day-to-day management of the group's business, ensuring proper organisation, preparing plans and budgets for its activities, ensuring that the group's activities, accounts and asset management are subject to adequate controls, and undertaking investigations necessary to the performance of its duties. Furthermore, the board determines the group's overall objectives and strategy, in addition to appointing the CEO and determining the terms and conditions of his employment.

Instructions for the board of directors

The instructions are subject to an annual review by the board. The current set of instructions was approved by the board in May 2015. It covers the following items: strategy, operations and financials, organisation and employees, information and communication, the AGM, corporate governance, financial reporting, annual accounts and report, competency of the board, planning the board's work, notification of board meetings, administrative procedures, minutes of board meetings, board committees, transactions between the company and close associates, and confidentiality.

Instructions for the chief executive officer (CEO)

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

Financial reporting

The board receives financial reports and comments from the CEO at least once a month on the group's

Name	Postion	Served since	Up for election
Tom Vidar Rygh	Chair	2012[1]	2017
Carl Christian Westin Jansson	Director	2012[1]	2017
Michael Haaning	Director	2012[2]	2017
Hege Bømark	Director	2015	2017
Anne Carine Tanum	Director	2015	2017
Bente Sollid Storehaug	Director	2015	2017
Pål Billington	Alternate director	2016	2017

[1] Served since 2012 in Europris AS and in Europris ASA since 2015.
[2] Served since 2012 in Europris AS and in Europris ASA since 2014.

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

Work of the board

The board will meet at least five times a year. It held eight meetings in 2016, with one meeting conducted by telephone. The overall attendance rate at board meetings was 98 per cent.

Use of board committees

The board has established two subcommittees, for audit and remuneration respectively. Both prepare matters for consideration for the board. Their authority is limited to making recommendations to the board.

Audit committee

The board has established an audit committee composed of three directors. Its primary purpose is to act as a preparatory and advisory body for the board on matters concerning accounting, finance, internal control, risk management and auditing. The committee reports and makes recommendations to the board, but the latter retains responsibility for deciding on and implementing such recommendations. The audit committee held five meetings in 2016, with an overall attendance rate of 100 per cent. The following were members of the audit committee at 31 December 2016:

- » Hege Bømark (chair)
- » Tom Vidar Rygh
- » Carl Christian Westin Jansson.

Remuneration committee

The board has established a remuneration committee comprising three directors. Its primary purpose is to assist the board in discharging its duties related to determining the compensation of the executive management. The committee reports and makes recommendations to the board, but the latter retains responsibility for implementing such recommendations. The remuneration committee held three meetings in 2016, with an attendance rate of 100 per cent. The following were members of the remuneration committee at 31 December 2016:

- » Tom Vidar Rygh (chair)
- » Anne Carine Tanum
- » Michael Haaning.

Board's evaluation of its own work

The board conducts an annual assessment of its own work and expertise, and presents this evaluation to the nomination committee. The assessment will include the work of the board, the work of its committees and the contribution made by the various directors. The board will set individual and collective targets against which to measure performance in order to ensure that the evaluation is an effective tool.

An evaluation of this kind was last conducted in December 2016.

Deviations from the code:
None.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The board is responsible for ensuring that the group's risk management and internal control systems are adequate in relation to the regulations governing the business. The board reviews the group's main areas of risk and internal control systems annually, including the group's values, code of conduct and corporate social responsibility. The audit committee holds at least one meeting a year with the auditor, who presents their review of the group's internal control routines, including identified weaknesses and areas subject to improvements.

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

Europris has established a treasury policy to define a framework for managing financial exposure and group treasury operations. The most recent update was approved by the board in December 2016. The policy takes account of the financial and commercial risks which Europris is exposed to. The policy will be updated and revised at least once a year and approved by the board. The policy details the allocation of responsibility for financial risk management between the board, the CEO and the CFO and within the Europris group. The policy specifies the risks which Europris is exposed to, and how they should be managed, reported, measured and controlled. The content of the treasury policy is described in detail as working procedures in the Europris finance manual, where processes and procedures are established in the form of instructions which serve as a reference for compliance with the treasury policy.

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

As a discount retailer, Europris is exposed to a range of market, operational and strategic risks which may adversely affect the group's business. Further information regarding such risk factors and how these are managed is disclosed in the directors' report for 2016.

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

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

Deviations from the code:
None.

11. REMUNERATION OF THE BOARD OF DIRECTORS

The nomination committee is responsible for proposing the remuneration of directors in order to reflect the responsibilities, expertise and time spent as well as the complexity of the business. Members of the audit committee are entitled to additional remuneration, reflecting the extra workload. The proposal is approved by the company's general meeting. Directors' fees for 2016 will be proposed to the AGM in 2017 for approval.

Directors' fees at 31 December 2016 were not linked to performance, and no director has share options in the company. Additional information relating to directors' fees can be found in note 7 to the financial statements included in the 2016 annual report.

Deviations from the code:
None.

12. REMUNERATION OF SENIOR EXECUTIVES

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

Remuneration consists of a basic salary element combined with a performance-based bonus programme. The management group participates in the company's insurance policies, and is entitled to certain fringe benefits, such as free newspaper, car and phone.

Pursuant to section 6-16a of the Public Limited Companies Act, the board has prepared a statement on the determination of salaries and other benefits payable to senior executives. In line with the said statutory provision, this statement will be laid before the company's AGM each year. The statement, as well as further details relating to the salary and benefits payable to the CEO, CFO and other senior executives, can be found in note 7 to the financial statements included in the 2016 annual report.

Deviations from the code:
None.

13. INFORMATION AND COMMUNICATIONS

Investor relations

Investor relation activities at Europris ASA aim to ensure that the information provided to financial markets gives market participants the best possible foundation for a correct valuation of the group. Europris will seek to communicate in an open, precise and transparent manner about the group's performance and market position in order to give financial markets a correct picture of its financial condition and other factors which may affect value creation.

All market participants will have access to the same information published in English. All notices sent to the stock exchange are made available on the company's website at www.europris.no/corporate and at www.newsweb.no.

Europris seeks to comply with the Oslo Børs code of practice for IR, last updated on 10 June 2014. The company has adopted an IR policy, which is available in a condensed form on the company's website at www.europris.no/corporate.

The CEO, CFO, IR director and IR coordinator are responsible for communication with shareholders and analysts in the period between general meetings.

Financial information

Europris holds open investor presentations related to the publication of its annual and interim results. These presentations are open to all, and provide an overview of the group's operational and financial performance in the previous quarter, as well as an overview of the general market outlook and the group's own future prospects. These presentations are also made available through webcasts on the company's website.

The company publishes its provisional annual accounts by the end of February each year, and a complete set of financial statements, including a directors' report, is made available at the latest 21 days before the date of the AGM, and no later than the end of April each year. The company's interim results are published no more than 60 days after the end of the quarter, in line with Oslo Børs regulations.

Quiet period

Europris will minimise contact with analysts, investors and journalists in the final six weeks before the publication of information on earnings. During this period, the company will hold no meetings with investors or analysts, and provide no comments to the media or other parties about the group's results and outlook in order to ensure equal treatment of all interested parties. This quiet period includes, but is not limited to, attendance at investor conferences, group meetings and one-on-one meetings.

Financial calendar

Europris' financial calendar is published on the company's website at www.europris.no/corporate. It is also distributed on the Oslo Børs website and through the Oslo Børs news feed at www.newsweb.no. The financial calendar specifies when financial results will be presented and the date of the AGM. It is published before 31 December each year.

Deviations from the code:
None.

14. TAKE-OVERS

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

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

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

15. AUDITOR

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

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

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

The board has established guidelines for any work performed by the company's auditor. All services, audit-related and otherwise, must be approved in advance by the audit committee. The audit committee's chair is authorised to approve such services providing that (1) services approved by the chair are reported to the next meeting of the audit committee, (2) such services must be approved at short notice to protect the company's interests and (3) such services, following a case-specific evaluation, do not affect the independence of the auditor.

The board will inform the AGM about the remuneration payable to the auditor, broken down between auditing and other services. The AGM will approve the auditor's fees. For further information about remuneration of the auditor, see note 8 in the 2016 financial statements.

Deviations from the code:
None.

THE SEASONAL STORE OF NORWAY

SUSTAINABILITY REPORT

Introduction

Since starting up in 1992 with one store in Stavanger, Europris has grown to become a leading retailer in Norway and has gained new insights, experiences and responsibilities on this journey.

Operating 239 stores across the country at 31 December 2016, the group is conscious that it plays an increasingly noticeable role in relation to people's everyday lives and needs. It could be argued that the group's reach and responsibility extends beyond its employees and customers to the workers and local communities of its international suppliers.

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

Europris shares the vision of a sustainable future as embodied by these agreements. It will work to make sure the group's continued positive development does not run counter to a sustainable future. Sustainability, including both environmental and social aspects, is therefore an integral part of the group's business strategy. Europris considers its promise of "pay less – save more" in a wide context, including not only the notion of value for money but also the aspect of promoting safety, quality and sustainability for all its stakeholders – from local communities and the environment to customers, shareholders and employees.

In keeping with its "pay less – save more" culture, Europris bases its sustainability aspirations on finding and adopting simple and measurable solutions to help meet its responsibilities as efficiently and effectively as possible. The group aims to focus on the topics which are the most important to stakeholders and material to the core business of a discount variety retailer. During 2016, Europris therefore initiated a process to prioritise topics and to improve sustainability reporting and performance management. The following topics are given priority as focus areas for ensuring appropriate and sustainable development.

The overview below illustrates Europris' three focus areas for its sustainability efforts, namely customers, the environment and society. This sets out the group's priorities for managing its impact on these dimensions in a positive way. The report aims to portray Europris' current approach to these themes now and in the future.

Customer
Pay less - save more
Product quality and safety

Environment
Green supply chain
Efficient operations and logistics
Sustainable living

Society
Ethical business conduct
Great place to work
Social responsibility in the supply chain

Customer

Europris wants to make all its customers feel at home in its stores and to provide a positive and welcoming shopping experience which makes them return again and again. Building on the group's values and positive attitude, Europris strives to maintain its strong and positive position among customers and to continue to increase its relevance and standing among all stakeholders.

Pay less – save more

Europris' core strategy is to continue to solidify its position as a leading discount variety retailer in the Norwegian market. The group aims to do this by strengthening ties with existing customers while also reaching out to new. That makes it important to build confidence and trust by providing safe quality products while still delivering on the promise to customers to "pay less – save more".

Part of what Europris delivers is to make quality products accessible for everyone, often in locations which would otherwise not have had this opportunity. Customers can find the things they need at low prices and with good quality, helping them get more while paying less. With a wide presence across Norway, not only in cities but also in smaller local communities, Europris also allows customers to access these products where they live and thereby make their lives more convenient by saving them time, money and the trouble of travelling longer distances to meet their needs. With its seasonal approach, Europris is also able to adapt to changing customer requirements throughout the year by providing new ranges of goods for different seasons.

An example is provided by Andøya in the Lofoten area of northern Norway. After experiencing great success with its stores in the neighbouring district of Vesterålen, Europris established its newest store concept at Andenes in 2016. This has already been warmly embraced by the local community, which can now enjoy shopping closer to home.

Product quality and safety

Europris is dedicated to its customers and therefore takes its responsibility for customer safety very seriously. The group works diligently to avoid hazardous substances in products, and to continue meeting high standards of quality, transparency and safety.

Policy

As a discount variety retailer, Europris sources an extensive range of merchandise from a multitude of different suppliers across the globe. That makes it important to work rigorously on ensuring appropriate standards for all products while retaining a focus on preserving low prices and affordability, and on providing customers with good-quality products at affordable prices.

To ensure this, Europris has a dedicated product quality and safety department. It systematically tests and analyses all imported products against quality standards, and ensures there are no traces of hazardous substances in violation of the EU's Reach regulation. The company also makes sure that producers and suppliers of merchandise which falls within Reach sign a statement confirming that they are in compliance with the regulation.

Europris also requests full documentation from all producers and suppliers as specified by a Bill of Materials (BOM) – an exhaustive list of product components. Based on this, Europris can better ascertain the need for further safety testing beyond the standard relevant to the product category.

Europris is therefore confident that its range maintains a high level of product safety, and provides customers with a 100% satisfaction guarantee and a 30-day full return policy.

Actions and results in 2016

Europris merchandise is carefully tested in the group's own laboratory to provide a guarantee for the safety and quality of the products it sells. The group uses the product group decision tree approach designed by the British Retail Consortium (BRC) to monitor risks in different product groups. To ensure the highest safety standards, Europris has added its own category red for toys and electronic products, which are considered to require additional safety testing.

The group carried out 1,845 tests of foodstuff products in 2016, compared with 1,721 the year before. These extensive checks cover such factors as product labelling, contents, weight and microscopic measurement of dissolved Brix – where results are set against Europris' own requirements and the Codex product standard. The same procedure is carried out for all new products, which should also be covered by additional documentation for all ingredients, origins and analysis certificates to demonstrate zero content of genetically modified organisms (GMOs), mycotoxins, histamine or other undesirable substances.

Europris works to maintain a close dialogue with its customers, using extensive Brandtracker surveys to help map their satisfaction and expectations. This helps to identify new ways of improving both service and merchandise. Since 2013, the group's consumer impression score has shown the greatest progress of all survey participants and it scored a "personal best" for 10 of 11 key performance indicators (KPIs) in 2016. Customers place great value on Europris' convenient locations and low prices. Among areas where it lags behind are "perceived product quality" – which has long been a focus area for the group and it will continue to strive for further improvements.

Ambitions and goals

Europris' ambition is to guarantee that all its merchandise always conforms with all relevant laws and requirements, and to strengthen its reputation as a trustworthy and dependable retailer of discount variety merchandise. The group will therefore continue to increase quality and product lifetime with the aim of minimising the number of complaints, recalls and refunds.

To deliver this, Europris will further improve its routines and will introduce a new system for product information management (PIM) in 2017 to monitor product risk and safety better as well as to provide enhanced communication of product information to its customers.

Europris will also continue its close dialogue with customers to improve their experience and satisfaction in order to build longer-lasting relationships and create more value for all stakeholders.

The environment

The growth in Europris' retail operations has also increased the group's responsibility to limit its environmental footprint. Efforts to promote sustainable business practices and to minimise adverse environmental impacts have therefore become even more integrated in every aspect of the business strategy – be it the products sourced from all over the world, the operations, logistics and deliveries, or even the way customers use and consume merchandise.

Efficient operations and logistics

Europris' direct environmental footprint relates mainly to its operations in running its many stores and warehouses, and to the transport of merchandise.

An extensive logistics operation is at the heart of the Europris system, with a significant part of the merchandise sourced and imported directly from factories located in Eastern Europe and Asia to the central warehouse in Fredrikstad before distribution to the numerous group stores located nationwide. Transport and logistics therefore account for the majority of Europris' emissions, and these accordingly represent an especially important focus area in efforts to limit Europris' carbon footprint.

An expanding number of stores and multiple warehouses also contribute to creating a larger environmental footprint. Europris works to minimise the environmental impact of its store operations, and seeks to reduce waste, explore opportunities to promote recycling, and limit energy use in stores and warehouses. Such moves will all reduce carbon emissions while saving money through lower electricity consumption.

and vision to the benefit of customers, shareholders and the environment.

Actions and results in 2016

The group implemented energy efficiency measures during the year, investing in state-of-the-art technical systems for monitoring energy consumption. Many Europris buildings, such as in the main central warehouse and head office in Fredrikstad, have already achieved Eco-Lighthouse (Miljøfyrtårn) certification and thereby set a standard for sustainable operation of all its stores and warehouses.

Miljøfyrtårn®

All stores also have waste handling and separation routines to limit excessive waste and promote recycling in day-to-day operations. Waste from excessive packaging is also limited through guidelines which all suppliers and carriers must comply with. Europris is a member of Grønt Punkt Norge AS (Green Dot Norway), and participates in financing recycling schemes for packaging. It also operates recycling schemes for plastic packaging, cardboard and drink cartons.

Sustainable sourcing
Ethical guidelines in global sourcing operations limit social and environmental impacts from production

Green supply chain
Screening of all products to prevent the use of ingredients which have a negative impact on nature and eco-systems

Efficient logistics
Efficient logistics like shipping and natural-gas-powered vehicles for lower transport emissions

Energy-efficient operations
Reducing energy use and waste in stores and warehouses, limiting the environ-mental footprint

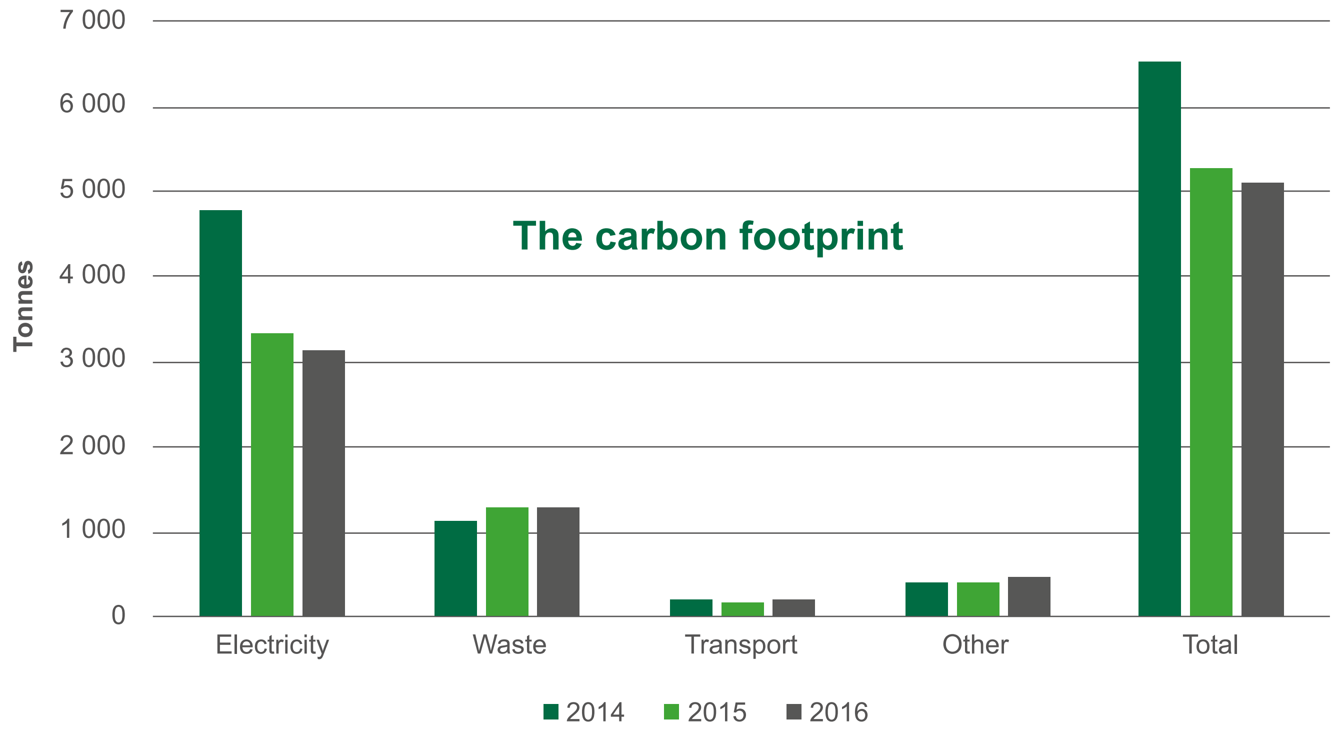
Empowering customers
Bringing products closer to customers across Norway to enable more sustain-able living

Policy

Europris operates on a simplicity principle which seeks always to prioritise correctly and to think and work intelligently in finding the best solutions. This mindset also guides the group's sustainability strategy, where it has adopted an internal energy and environment strategy for 2016-20 at all its stores. Based on measurable, specific activities to promote sustainable operation, technical solutions and optimised energy use, this aims to align Europris' environmental commitment with its corporate values

As a seller of electrical and electronic (EE) products, Europris is also a member of Renas, a non-profit organisation and Norway's leading EE recycling group.

As part of the wider strategy to reduce the environmental impact of its operations, Europris started the development of five pilot stores in 2016 which will set the standard for the group's energy efficiency and energy management and allow it to develop best practice in achieving its goals for 2020.



Note: Electricity figures from 2014 and 2015 have been recalculated according to the GHG Protocol 2015. Reported waste figures for 2015 were incorrect and have been updated.

Europris has saved energy and costs

The group always takes a proactive stance, and has thereby taken steps to help reduce greenhouse gas emissions through energy efficiency measures in all its stores. This work has so far proved a resounding success.

By implementing new and improved routines for energy use in cooperation with specialists from Entro, Europris has managed to reduce its total energy consumption by as much as 13 per cent. This amounts to no less than 6.3 million kWh saved over one year. Good environmental sense also makes sound economic sense, with annual energy bills reduced with NOK 4.7 million.

In order to measure and assess emissions and environmental impact accurately, Europris cooperates with CO2focus, a Norwegian consultancy which specialises in collecting environmental data and recalculating the carbon dioxide equivalent of energy consumption. CO2focus uses relevant international standards in its work, and ensures that the reported figures for Europris consumption are highly accurate.

The overall carbon footprint for 2016 stands at 356 tonnes of direct and 4,763 tonnes of indirect emissions measured by carbon equivalent, totalling 5,119 tonnes. This represents a reduction of 147.7 tonnes from 5,266 tonnes in 2015 (Figures for air transport and waste are included in the graph at the top of this page).

Europris' sustainability work also received recognition in 2016 with the award of the prize for best newcomer by the Climate Disclosure Project (CDP). The CDP is an international initiative for enterprises which seek to disclose and address the climate footprint of their operations. Europris received solid scores for its disclosure level and climate change awareness, earning an overall score of A-. That placed the group in the top tier of Norwegian enterprises, alongside such companies as DNB and Marine Harvest.

A separate analysis was also conducted to assess the total footprint from all transport operations. This will help to improve targeting of efficient solutions and secure further reductions through targeted actions to optimise fuel use and route planning as well as promoting environmental driving. To achieve this, Europris works closely with logistics providers to find the most efficient solutions for importing and distributing products, such as transporting 30 per cent of goods by sea using natural-gas-powered eco-ships for the most sustainable result. On land, Europris relies on new, low-emission goods vehicles to help limit its environmental impact.

A big step has been taken to realise the improvement potential in Europris warehouse logistics. Warehousing is currently spread across five different locations, involving unnecessary transport and wasted energy in older facilities. The decision was therefore taken to construct a new central warehouse in Moss, with total storage space of around 60,000 square metres. Due to open in 2019, this facility will improve logistics and reduce energy use and thereby limit Europris' overall environmental footprint.

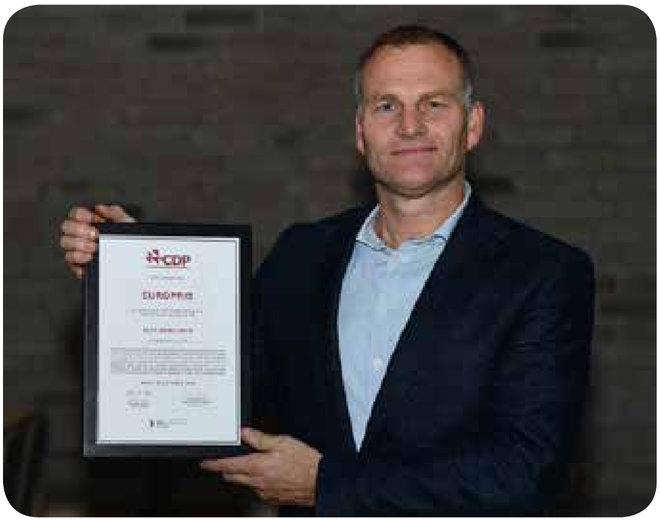


Photo: Petter Chr Wilskow, on behalf of Europris, received the prize for best newcomer by the Climate Disclosure Project (CDP) in 2016.

Ambitions and goals

Europris will remain dedicated to its energy and environmental strategy. With a goal of reducing energy intensity in its stores by as much as 20 per cent up to 2020 (compared with 2014 levels), it will also move towards making renewables a significant share of its total energy consumption. Energy efficiency will be promoted by incorporating it as part of tenancy agreements. Europris will also start the process of moving its head office to new premises in Fredrikstad, which will include the region's largest solar power facility for in-house electricity generation.

Envisioning a zero-waste future, Europris will work actively to reduce waste from store operations and aims to promote recycling by improving waste handling and separation routines to ensure that at least 75 per cent of all waste is recycled. And to reduce transport emissions even further, the group will continue to promote environmentally sound transport solutions where possible and incorporate environmental requirements in agreements with all its distribution and logistics partners.

Green supply chain

While retail does not directly use significant natural resources compared with other industries, product supply chains certainly do. The way suppliers or manufacturers operate can cause potentially negative impacts on forests, water supplies and local ecosystems in various places around the globe. Europris therefore takes a holistic view of sustainability, and believes its environmental footprint is not limited to the operation of stores and logistics, but should take a wider approach to conserving the natural resources used in creating the products it sells to its customers. The group therefore strives for sustainability in all parts of its supply chain and aims to limit the adverse impacts which its merchandise might have on the environment in order to help preserve nature for the benefit of its stakeholders as well as future generations.

Policy

Europris is dedicated to achieving a supply chain which is as environment-friendly as possible. Managing the entire supply chain is demanding, since the group sources its goods and merchandise globally and traded with more than 650 different suppliers in 2016. Given the large number of trading partners and goods imported, it is crucial that Europris works systematically with its suppliers to uphold sustainable and transparent sourcing operations.

The group's vision for a green supply chain is based on its ethical guidelines, which state that all procurement must be weighted in relation to whether it promotes environmentally sound solutions and the use of sustainable materials.

These principles are clearly communicated to all stakeholders and suppliers through the Europris code of conduct, which states that the group and all its suppliers must minimise adverse impacts on human health and the environment throughout the value chain. That includes minimising pollution, promoting efficient and sustainable use of resources – including energy and water – and minimising greenhouse gas emissions in production and transport. All national and international environmental legislation must also be respected, and relevant discharge permits have to be obtained. Finally, all suppliers must conform to EU regulations for timber, paper and pulp, so that no products or merchandise are created from illegally exploited or endangered forests or natural habitats.

Actions and results in 2016

In line with its ambition to preserve natural resources, Europris has taken measures to reduce the use of such environmentally harmful materials as PVC, which has a significantly smaller presence throughout its product range. Always taking a proactive stance, Europris also seeks to stay on top of trends and minimise future risk by monitoring developments relating to sustainable raw materials and sourcing.

That helped Europris to respond quickly to the public outcry over the negative impact of palm oil production, and the group has now managed to remove this component from most of its products, including candles – one of the biggest commodities utilising palm oil. Europris can now proudly say that it has contributed to limiting deforestation and protecting critical natural habitats through its sustainability work.

The group has also introduced a new set of packaging guidelines for all its suppliers, specifying requirements related to the type, amount and method of packaging which are designed to minimise waste and energy use for transport.

Ambitions and goals

Europris will remain dedicated to making the supply chain greener, and to preserving natural resources by restricting the use of raw materials which have an unacceptably negative impact on the environment. Work to reduce the use of palm oil and other harmful substances will be continued, and Europris will move towards using only certified materials in its merchandise – with a goal of becoming wholly palm-oil free.

"Europris helps customers save more – of the rainforest"

Palm oil is often used as a fat additive in many products, because of its relatively low price and positive advantages such as benefiting the conservation of products and versatility. In recent years, however, consumers, the media and various organisations have focused attention on palm oil to uncover some unpleasant drawbacks with the product.

The rapid growth in demand for palm oil has had a negative impact on critical rainforests and natural habitats, as new ground is cleared to make room for palm-tree plantations. This increases carbon emissions because natural rainforests sequester significantly larger amounts of CO_2. From a conservation viewpoint, it also means that the unique biodiversity found in parts of the rainforest is lost. Furthermore, native and local communities are compromised since the expansion of the palm-oil industry upsets their traditional livelihoods and cultures.

Europris has therefore taken steps to remove palm oil from its products, either by finding substitutes or by sourcing it sustainably from certified production without a negative impact on protected natural habitats and local communities. This was made possible owing to the clear requirements which Europris communicated to its suppliers, who were then able to provide sustainable substitutes.

A risk assessment will also be conducted during 2017 to identify any potential red flags in ensuring that the supply chain becomes more sustainable. This work will also provide input for a new policy on sustainable materials which will be integrated into Europris' procurement guidelines to enhance the promotion of sustainability in all sourcing with the aim of raising the overall share of certified suppliers. All purchasing staff will also be trained on issues related to sustainability in order to boost awareness of such issues and to ensure the most effective application of the group's policy.

Sustainable living

Europris wants to facilitate sustainable consumption for customers by offering products which can help them minimise their own environmental footprint through such means as reduced electricity use, waste generation and use of environmentally harmful chemicals. These efforts also enable Europris to limit its environmental footprint. In many cases, products which contribute to more sustainable living will also help customers to "pay less – save more".

Policy

Europris believes in providing more freedom of choice for its customers, and works to offer sustainable, quality alternatives for them where possible. The group also pursues a policy of offering spare parts for all products costing more than NOK 500 in order to extend product life and prevent unnecessary waste.

Actions and results in 2016

Europris increasingly offers products which contribute to more sustainable living, and also makes efforts to promote their environmental benefits. Some products, such as energy-efficient lightbulbs and LED lights, contribute both to the environment and to customer wallets, and Europris therefore wants to promote them to its customers. More environmental products were also introduced during the year in such additional areas as biodegradable cutlery and lightweight suitcases. Europris is also offering a wider range of products carrying the Nordic Ecolabel (Svanemerket), which allows customers to make an informed and sustainable choice when shopping for their everyday needs.

"Small choices make a sustainable future"

Energy efficiency is being promoted as "the first fuel" and the best opportunity for cutting greenhouse gas emissions. Among steps being taken to improve energy efficiency, the use of LED lights is perhaps one of the most effective – using as little as 25 per cent of the energy consumed by a normal lightbulb while lasting as much as 25 times longer. This illustrates perfectly how promoting sustainability in many small choices can have a large and lasting impact to the benefit of the environment.

Ambitions and goals

Promoting sustainable living will continue to be important for Europris, and further investigations will be conducted to ensure that customers are provided with as many environment-friendly choices as possible. The group will also work to improve quality, product life and product labelling – helping customers to make better use of and care for their products and thereby enabling them to live more sustainable lives.

Society

Europris comes into contact through its operations with thousands of people who live and work not only in Norway but also all over the world, particularly in China and eastern Europe. As the group has grown, it has sought to develop ways in which it can use its strengths to serve and empower local communities and people better in ways which go beyond its retail mission and thereby helping to improve the lives of all its stakeholders.

Great place to work – great place to live

Dedicated employees are the group's most important asset. Through fostering inclusive, safe and constructive workplaces, Europris sees great growth potential for the group, for shareholders and, most importantly, for employees. Looking beyond its store doors, Europris also plays an active role in local communities, building on the foundation which creates lasting bonds and relationships.

Policy

All Europris employees should feel appreciated and cared for, and efforts to increase work attendance and promote employee health are key elements in the group's business strategy. In this way, it aims to provide a secure and responsible workplace where store staff have all the rights accord them by labour law regulations and are paid in accordance with the current collective agreement between the Enterprise Federation of Norway and the Union of Employees in Commerce and Offices.

Health, safety and environmental (HSE) work is of central importance at Europris in order to prevent accidents and to ensure the safety of its workforce. The group uses a number of effective tools for this purpose. These include training store staff, running in-house HSE courses and providing more specialised courses for safety delegates. All store managers have an instruction manual which aims to ensure good and consistent practice at all the stores. Europris also has a policy on internal recruitment which allows employees to grow within its system by taking on new and important responsibilities for successful careers in the group.

Europris believes in people. By giving them an opportunity, the group can help realise their talent and potential. Europris is therefore an inclusive workplace (IA) employer, and offers job experience opportunities in close cooperation with the Norwegian Labour and Welfare Service (NAV) and other labour-market organisations. This provides a key benefit to Europris, people in the local community and society as a whole, since many work placements lead to long-term employment with the group.

Seeing the value of diversity, Europris has a transparent and open recruitment policy which aims to promote the most inclusive employment processes in such areas as gender balance and ethnic diversity. In line with its ethical guidelines, the group also shows zero tolerance of discrimination on any grounds, including religion, gender, ethnicity or political affiliation. Nor does the group accept any form of harassment or other behaviour which can be interpreted as threatening or demeaning.

Europris also works to build a community by supporting local activities and organisations, such as sports clubs, humanitarian and charitable organisations, cultural festivals and other events which take place in the areas where the group has a presence.

Through this work, the group hopes to provide more than a workplace. It welcomes employees into the "Europris family", encouraging long and lasting careers in its systems.

Actions and results in 2016

A key concern for Europris is that all employees should have scope to thrive and feel good about their work. This year's employee survey yielded a total score of 6.5 out of seven for overall workplace satisfaction. The highest score was achieved for the questions "I talk well about my job to others" and "I would recommend others to work at Europris". Indeed, Europris saw a big increase during 2016 in job applications to its stores. This indicates that it is viewed as an attractive employer.

Europris sees the benefit of investing in its employees, so that they can build and reinforce their expertise and align their personal growth with that of the group. An extensive management training programme based on the group's vision and values was run for all managers throughout the year, as well as seasonal training and training of new managerial store staff. Europris also cooperates with an external professional education and training provider to run simulation-based training programmes for all employees. More than 8,000 hours of training in total was completed during 2016. The majority of participants reported that this was a useful and positive experience. These measures have also had a measurable in-store effect, with better-trained staff providing improved service and ensuring more satisfied customers.

One of society's current challenges is to reduce sickness absence in the workforce. Europris has seen this rate grow slightly over the past three years. It wants to show responsibility as a leader in reversing this trend by offering extensive individual follow-up of employees through its HR department and through better tailored and adapted working solutions for employees facing health issues. A new and improved digital approach was implemented to enhance follow-up of employee health and safety by giving all personnel access to the HSE handbook on their mobile devices. In addition, Europris supports extensive measures to promote exercise and healthy diet which can enable its employees to lead healthy working lives.

Europris has also engaged actively in local communities. A close partnership is maintained with the City Mission of the Church of Norway, where the group provides significant annual financial contributions to the work of enhancing conditions for those in need. The funds are primarily devoted to social and humanitarian initiatives in Bergen, Fredrikstad, Oslo and Stavanger.

Ambitions and goals

Europris will continue to work towards its ideal of an inclusive, involving and constructive workplace, and to foster employees and local communities. A significant ambition for the future will be to reduce sickness absence among employees, with a long-term goal of getting this below five per cent. Europris will therefore continue to improve routines and measures which can make the workplace a constructive platform for promoting health and reducing sickness absence.

Further training and education programmes will also be implemented. Europris is currently developing a new simulation-based training programme designed specifically to help boost the skill and expertise of store managers.

Case study: Europris Evje – a local champion

Europris wants to give back to its local communities and create a vibrant society around its stores.

The store at Evje in the Setesdal valley of southern Norway embodies this ideal. It has acquired a unique position in the local community – sponsoring events large and small, and acting as a contributor to and resource for the people around it. The store cooperates closely with local Otra sports team, and is the biggest contributor to the annual spring cup (Europris vårcup). This competition is open to children aged from six to 12, and welcomes teams from all over the region – totalling more than 2,000 participants. Through this activity, Europris can promote healthy and constructive activities for a whole generation.

Europris also hosted a large auction in 2016 where more than half the receipts were donated to building a new multi-sports facility, with the other half going to a local voluntary organisation for disabled people.

The Evje store has also championed those who need a hand to get back into a job. Working closely with local NAV offices, it offers such help to a number of people. A third of all employees are recruited through this scheme. Some of the candidates are also recent immigrants who want to integrate into Norwegian working life. The store accordingly offers language training up to five times a week for some of its staff.

Ethical business conduct

All stakeholders should feel assured that Europris complies with all relevant laws and regulations, and that no ethical breaches are taking place in the group – maintaining its reputation as a trustworthy and responsible business.

Policy

Europris is dedicated to a high standard of ethics in all its undertakings, and strives to uphold honesty, integrity, loyalty and fairness at the core of its business practices and to prevent all such incidents as corruption and unfair competition.

The group wants to act in a transparent and open way, and to communicate information to its stakeholders in a clear and reliable manner. All information reported through its websites or the annual report must be factual and verifiable to limit room for error and the possibility of misconduct. Ethical standards must be properly communicated to all employees in Europris to ensure a shared understanding of the group's ethics. Internal routines and systems should also reflect the need for ethical considerations in the group's operations, such as procurement, staffing and leadership, where zero tolerance exists for corruption of any kind.

Actions and results in 2016

Europris has reviewed and tested internal payment procedures in order to ensure transparency, and all payments must be approved by two instances. To make oversight simpler and easier to monitor, the group has taken steps to source directly from manufacturers and to reduce the use of sourcing agents. It cooperates closely with the purchasing offices in Shanghai to ensure oversight and compliance with all ethical guidelines.

The ethical guidelines are also implemented in the existing training programmes offered to all employees in order to teach them how to make better ethical judgements in their day-to-day activities. In order to promote openness and transparency, Europris has also put in place whistleblowing routines so that employees can properly and safely notify any misconduct or discrepancies. This helps Europris to identify problems and get better at implementing constructive solutions and measures.

Ambitions and goals

Europris will continue to focus on internal routines for ethical business conduct in 2017. To avoid corruption in sourcing operations, the group will cooperate with Tokmanni, its Far East sourcing partner, to undertake training of staff in the Shanghai sourcing office in order to ensure better ethical standards.

Social responsibility in the supply chain

Europris has become a global player through its sourcing, and many of the group's trading partners are located in countries and areas with less regulatory oversight and a greater risk of non-compliance with those standards which Europris considers material and which it outlines in its code of ethics. Ethical breaches in its supply chain are not acceptable and could also result in unfortunate consequences for the group's staff or associated workers and local communities, in addition to harming its standing with stakeholders.

The group therefore takes a global view of work to promote its principles, and considers that its responsibilities as an ethical and responsible business do not simply stop at its own front door, but should extend to the people and communities involved all along its supply chain.

Policy

To guide its work for an ethical supply chain, Europris relies on a code of conduct which communicates the group's ethical standards clearly to all suppliers and stakeholders and minimises the risk of non-compliance throughout the supply chain.

IEH Initiativ for etisk handel

This code has been developed in cooperation with the Ethical Trading Initiative (ETI) and contains requirements based on the International Labour Organisation (ILO) convention on upholding fair competition, preventing corruption, money laundering, tax evasion and other work-related crimes, limiting trade sanctions, respecting privacy and data security, and maintaining independence without conflicts of interest. Where employee rights are concerned, the convention demands free choice of employment, freedom of association, and safe and hygienic working conditions. Europris also enforces the strictest compliance with child labour laws, and insists that all suppliers conform with requirements for providing regular employment, a living wage, non-excessive working hours, zero discrimination, and no harsh or inhumane treatment in the workplace. The full text of the code can be found at Europris' websites.

National laws in all countries where Europris operates must also be respected and, where legal provisions and the IEH's ethical trade principles address the same subject, the most stringent standards will apply. That provides an additional safeguard against the risk of ethical breaches in Europris' business operations.

Actions and results in 2016

In addition to securing signed declarations from them, Europris also conducts its own oversight and auditing of all suppliers to assure better compliance with the code of conduct.

Particular attention has been paid to sourcing operations in China, owing to the substantial purchases being made in a regulatory environment which presents increased risks of non-compliance with the group's sustainability guidelines. Through its purchasing office in Shanghai, Europris can communicate and oversee all its suppliers better and uphold the requirements for sustainability more effectively. The Chinese purchasing office carried out 33 supplier audits in 2016, covering the majority of the new suppliers. In instances where breaches were detected, manufacturers were given notice to improve conditions. Contracts were even cancelled in some cases owing to non-compliance with the Europris requirements.

A large part of the products sold by Europris are also covered by the risk assessment and audit methodology of the Business Social Compliance Initiative (BSCI) through sourcing cooperation with Finland's Tokmanni. Based on turnover, 90 per cent of Europris suppliers and Tokmanni consolidated suppliers were BSCI certified. The BSCI approach screens companies on the basis of an extensive set of risk factors – including social issues, safety and the environment – to identify at-risk companies for auditing. This allows Europris to join forces with other companies using the BSCI approach to improve oversight and accountability and to strengthen ethical safeguards in international sourcing operations.

Ambitions and goals

Europris will continue to make a dedicated contribution to the work of raising labour and human-rights standards in the countries it sources from. The group will work to communicate and uphold its code of conduct, and will continue to carry out regular audits to make sure that all suppliers comply with its requirements. Europris will also undertake extensive risk assessments of its supply chain to address challenges connected to securing better selection and certification of its suppliers and to eliminate negative social impacts from the supply chain.

Photo: In 2016, a joint team from Europris and Relex Soutions received two prestigious technology prizes for a replenishment project within the supply chain in Europris. Europris / Relex won the highest prize in the category "Technology Team of the Year" under the Retail Systems Awards.

A FAST-GROWING DISCOUNT RETAILER

Europris opened its first store in Stavanger in May 1992, marking the start of a unique and successful story in the Norwegian retail sector.

Date	Important event
1992	Europris founded in Sandnes, Norway, with its first store opening in May 1992 in nearby Stavanger
1993	Europris entered into wholesale agreement with Terje Høili AS to purchase large volumes of products
2000	Europris established a closer relationship with Terje Høili AS to create a unique supply chain from factory to customers
2000	Europris passed a new milestone with 100 stores in Norway
2004	Acquired by IK Investment Partners from Terje Høili AS and company founders
2006	Europris passed a new milestone with 150 stores in Norway
2007	Europris opened central warehouse in Fredrikstad, Norway
2012	Nordic Capital acquired Europris Holding AS from IK Investment Partners
2012	Europris achieved a new milestone with 200 stores in Norway
2013	Europris entered into a joint venture with Tokmanni and launched a Shanghai sourcing office
2014	Pål Wibe and Espen Eldal joined Europris as CEO and CFO respectively
2014	Europris chain processed more than 26 million customer transactions
2015	Europris ASA listed on Oslo Børs
2016	Europris was preparing for long-term growth and decided to build a new central warehouse in Moss to be opened in 2019/20

Expansion and customer growth have been key features of Europris right from the start. An increasing number of Norwegians have learned that the group's promise to let customers "pay less and save more" is not an empty one, and that there really is no need to pay more for products of the same good quality. Over the past 24 years, the business has therefore grown continuously by opening an increasing number of popular discount stores throughout Norway to become a nationwide discount variety retail chain.

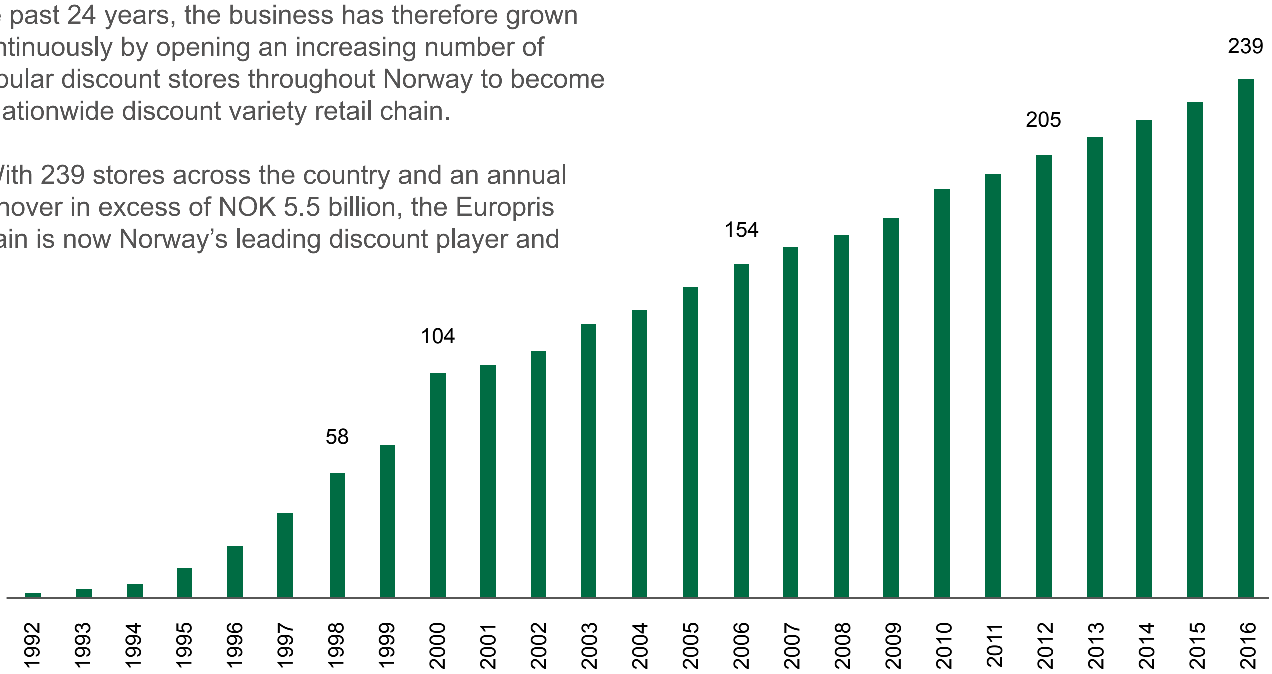
With 239 stores across the country and an annual turnover in excess of NOK 5.5 billion, the Europris chain is now Norway's leading discount player and offers a wide range of goods. Store number 250 is expected to be opened in 2017, when the chain will celebrate its 25th anniversary.

The Europris headquarters and central warehouse are located in Fredrikstad, Norway.

New store openings

In recent years, Europris has successfully continued its new store roll-out. This has been achieved through a systematic and professional approach. The group performs detailed market analyses of each catchment area for potential new stores, in addition to making careful estimates of sales, growth and profitability. Based on previous experience and knowledge of existing Europris shopping patterns within each region, the group also takes account of the expected cannibalisation impact of new store openings on the existing estate. All investments are subject to strict criteria, one of which is that each new store needs to be EBITDA-positive for the group in the first year of operation. Each year, the group evaluates actual performance in its new stores measured against the group's initial expectations in order to facilitate continuous learning and improvement in the process of new store selection. The evaluation is reviewed by the board of directors.

	2012	2013	2014	2015	2016
New stores	11	10	9	9	11
Closed stores	2	2	2	0	1
Net new stores	9	8	7	9	10



Store payback analysis for stores opened 2012 - 2015

		Stores opened[1]			
		2012	2013	2014	2015
Average revenue	Year 1 (12 months)	13.5 million	15.6 million	14.4 million	18.3 million
	Year 2 (12-24 months)	15.2 million	16.7 million	15.9 million	n/a
Average EBITDA	Year 1 (12 months)	0.5 million	0.9 million	1.0 million	1.4 million
	Year 2 (12-24 months)	1.1 million	1.2 million	1.4 million	n/a
Average capex per store		1.5 million	1.8 million	1.7 million	2.1 million
Average inventory per store		3.3 million	3.0 million	3.1 million	3.9 million
Payback period (excl. inventory) Based on Year 2 EBITDA		~1.4 years	~1.5 years	~1.2 years	n/a
Payback period (incl. inventory) Based on Year 2 EBITDA		~4.6 years	~4.0 years	~3.4 years	n/a

The group has a healthy pipeline of new stores for the future, with 19 approved by the board. Of these, 14 are confirmed for 2017 and four of these are subject to local authority planning processes. The group has no plans to close any stores in 2017.

New stores delivering strong results

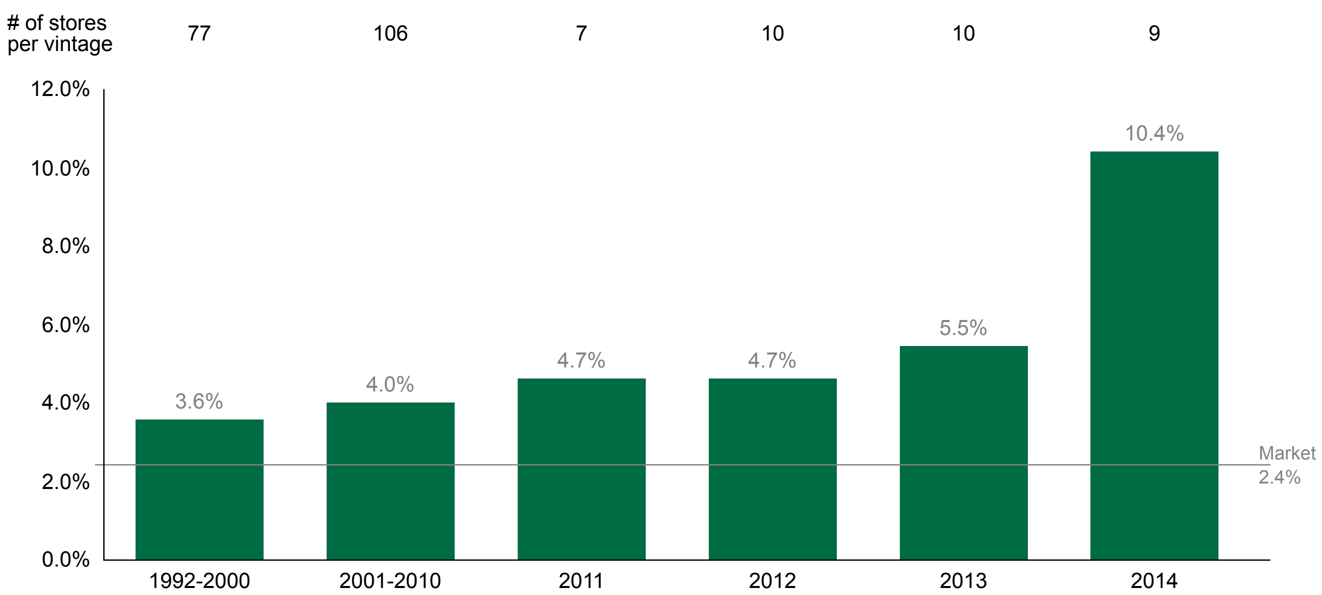
The newly opened stores continue to deliver on both sales and profits. Revenue for the first calendar year is increasing, and the stores demonstrate strong growth in their second year of operation. The same holds true for EBITDA. This has led to a shorter payback time for investment in terms of both capex on fixtures and fittings and working capital for inventory.

General note: Please refer to the appendix for important terms and definitions which apply on this page.

The 2014 store vintage includes two smaller city-format stores opened in Oslo. These are performing well but, given their relatively smaller sales areas, revenue per store is lower than for other vintages.

All annual Europris store vintages are delivering like-for-like growth above the market average. Naturally, the youngest vintages have the highest growth since it normally takes four to five years for stores to mature.

2016 LFL growth by store vintage (years represent time of opening)



Source: Europris analysis

AN ATTRACTIVE PARTNER FOR LANDLORDS

"A first-class tenant"

Access to good premises in attractive areas is crucial for a successful growth strategy at Europris.

Originating at Hønefoss north of Oslo, AKA was a flourishing food chain with proud mercantile traditions. Its 43 shops with a total annual turnover of about NOK 2.3 billion were merged with Norgesgruppen in 2000.

As part of the settlement, AKA founder Aage Thoresen and his family received a number of commercial properties tailored to the retail sector.

AKA ranks today among Norway's leaders for operation and management of retail property, with the emphasis on groceries. As a building owner, its goal is to be among the most able and trusted in the sector.

"We're going to be the Norwegian leader for operation and management of first-class retail properties for first-class partners," explains Jane Gravbråten, AKA's finance vice president.

She is a proud administrator of a property empire which today embraces no less than 161 premises nationwide. At 39 properties, the biggest concentration is not unexpectedly in its home county of Buskerud.

AKA is very pleased to be able to lease so many properties to an expanding Europris chain, which is becoming an ever-larger tenant in the system. It ranks today as the company's third-largest lessee, behind the Rema and Kiwi grocery chains.

"Risk considerations mean we're interested as a landlord in large national chains with a history of being sound and dynamic," says Gravbråten. *"In other words, they must be assertive and market-oriented."*

She emphasises the importance for AKA of acquiring tenants with good and secure concepts which are constantly tailored to the market. Noting, moreover, that property is a long-term business, and she stresses that AKA also wants to bring this dimension into its relationship with the lessees.

Gravbråten regards Europris as the perfect tenant for AKA.

"I consider the chain to be very professional. It's good at continuing to develop and to position its chain stores in the right places. All in all, Europris is a first-class tenant."

Wants to be the best with the best.
Finance vice president Jane K Gravbråten in AKA.

At the same time, the company is seen as a demanding and quality-conscious customer which is very concerned with the specifications for the buildings it occupies.

"We pursue a number of building measures together, and Europris knows how it wants things," Gravbråten acknowledges with a knowing smile on her lips.

One of the most recent collaboration projects, in 2016, is in Hvervenmoen outside Hønefoss. This building was ready in March/April last year, and has been completed to specifications submitted by all the tenants – including Europris.

"We found the chain's personnel to be very committed," Gravbråten acknowledges.

Asked whether she shops at Europris herself, the AKA executive has to admit that she did not do so earlier but began to buy things there on a small scale – particularly for birthdays.

"As my family's daily life has become ever busier, I've started shopping more and more at the chain, which offers a good and wide range of products.
Generally speaking, I feel that Europris runs good sales campaigns and that the quality of its range is steadily improving."

Given her role as a demanding property manager, Gravbråten naturally also wants to "pay less and save more."

CONTENTS

EUROPRIS ASA GROUP 2016

CONSOLIDATED INCOME STATEMENT

Figures are stated in NOK 1,000	Note	2016	2015
Net sales	5	4,980,625	4,525,748
Other income	5	104,580	103,483
Total operating income		**5,085,205**	**4,629,232**
Cost of goods sold (COGS)	16	2,903,030	2,569,337
Employee benefits expense	6,7,8	752,498	702,336
Depreciation	12,13	75,089	71,061
Other operating expenses	6,9,13	764,590	753,932
Total operating expenses		**4,495,207**	**4,096,665**
Operating profit		**589,998**	**532,567**
Interest income	10	4,679	5,740
Other financial income	10	284	7,269
Total financial income		**4,963**	**13,009**
Interest expense	10	39,085	123,206
Other financial expense	10	6,930	54,759
Total financial expense		**46,014**	**177,966**
Net financial income (expense)		**(41,052)**	**(164,956)**
Profit before tax		**548,946**	**367,610**
Income tax expense	11	135,285	90,029
Profit for the year	14	**413,661**	**277,582**
Consolidated statement of comprehensive income			
Profit for the year		413,661	277,582
Other income and expense		-	-
Total comprehensive income for the year		**413,661**	**277,582**
Earnings per share (basic and diluted)	14	**2.48**	**1.51**

Notes 1 to 26 are an integral part of the consolidated financial statements

CONSOLIDATED BALANCE SHEET

Figures are stated in NOK 1,000	Note	31-12-2016	31-12-2015
ASSETS			
Non-current assets			
Intangible assets			
Software	12	39,929	40,744
Trademark	12	387,573	387,573
Goodwill	12	1,589,402	1,582,487
Total intangible assets		**2,016,904**	**2,010,804**
Fixed assets			
Fixtures and fittings	13	246,377	225,178
Total fixed assets		**246,377**	**225,178**
Financial assets			
Other investments		374	372
Other receivables	15,21	1,808	1,977
Derivatives	20,21	51	2,862
Total financial assets		**2,234**	**5,211**
Total non-current assets		**2,265,515**	**2,241,193**
Current assets			
Inventories	16	1,324,103	1,109,189
Trade and other receivables			
Trade receivables	15,21	203,346	239,627
Other receivables	15,21	59,089	47,261
Derivatives	20,21	7,450	9,615
Total trade and other receivables		**269,885**	**296,504**
Cash	17,21	576,964	447,116
Total current assets		**2,170,952**	**1,852,808**
Total assets		**4,436,467**	**4,094,001**

Notes 1 to 26 are an integral part of the consolidated financial statements

CONSOLIDATED BALANCE SHEET

Figures are stated in NOK 1,000	Note	**31-12-2016**	**31-12-2015**
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	18	166,969	166,969
Share premium	18	669,437	903,193
Total paid-in capital		**836,406**	**1,070,162**
Retained equity			
Other equity		871,966	458,305
Total retained equity		**871,966**	**458,305**
Total shareholders' equity		**1,708,372**	**1,528,467**
Liabilities			
Non-current liabilities			
Provisions			
Deferred tax liability	11	45,575	57,920
Total provisions		**45,575**	**57,920**
Other non-current liabilities			
Borrowings	19,21	1,646,874	1,648,385
Derivatives	20,21	1,272	4,266
Total other non-current liabilities		**1,648,146**	**1,652,651**
Total non-current liabilities		**1,693,721**	**1,710,572**
Current liabilities			
Borrowings	19,21	-	-
Accounts payable	21,22	555,651	444,888
Tax payable	11	145,446	107,985
Public duties payable	22	149,167	127,154
Other current liabilities	21,22	183,849	174,935
Derivatives	20,21	261	-
Total current liabilities		**1,034,373**	**854,962**
Total liabilities		**2,728,095**	**2,565,534**
Total equity and liabilities		**4,436,467**	**4,094,001**

Notes 1 to 26 are an integral part of the consolidated financial statements

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2016 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit and loss of the entity and the group taken as a whole. We also confirm that the directors' report includes a true and fair view of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Fredrikstad, 29 March 2017
THE BOARD OF DIRECTORS OF EUROPRIS ASA

Tom Vidar Rygh
Chair

Michael Haaning

Hege Bømark

Christian W. Jansson

Bente Sollid Storehaug

Anne Carine Tanum

Pål Wibe
CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Figures are stated in NOK 1,000	Share capital	Share premium	Retained earnings	Total
Equity 01.01.2016	**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	-	-	-	-
Equity 31.12.2016	**166,969**	**669,437**	**871,966**	**1,708,372**
Equity 01.01.2015	**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	-	-	-	-
Equity 31.12.2015	**166,969**	**903,193**	**458,305**	**1,528,467**

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

[2] The share capital was increased by NOK 144,378 through increasing the par value of the company's 148,080,000 shares by NOK 0.975 from NOK 0.025 to NOK 1 per share with a transfer from other equity, whereof 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 to investors at an average subscription price of NOK 44.99.

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

Notes 1 to 26 are an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Figures are stated in NOK 1,000	Note	2016	2015
Cash flows from operating activities			
Profit before income tax		548,946	367,610
Adjusted for:			
– Depreciation fixed assets	13	59,772	54,414
– Depreciation intangible assets	12	15,317	16,647
– Changes in pension liabilities		-	(55)
– Unrealised (gain) and loss on derivatives	10,16	2,244	27,720
– Net interest expense exclusive change in fair value of derivatives	10	32,163	137,236
Changes in net working capital			
(exclusive effect of acquistions and inclusive translation differences):			
– Inventory		(178,837)	(107,641)
– Accounts receivable and other short-term receivables		12,657	5,610
– Accounts payable and other short-term debt		121,596	(30,442)
Cash generated from operations		**613,858**	**471,099**
Interest paid	10	(37,019)	(78,569)
Income tax paid	11	(108,772)	(95,254)
Net cash generated from operating activities		**468,067**	**297,276**
Cash flows from investing activities			
Purchases of fixed assets	13	(75,433)	(92,324)
Purchases of intangible assets	12	(14,502)	(24,998)
Acquisition of franchise stores		(11,229)	(2,656)
Interest received	10	4,679	5,740
Net cash used in investing activities		**(96,485)**	**(114,238)**
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		**129,848**	**202,100**
Cash at beginning of year (01.01)		**447,116**	**245,016**
Cash at end of year (31.12)		**576,964**	**447,116**

Notes 1 to 26 are an integral part of the consolidated financial statements

NOTE 1 ACCOUNTING PRINCIPLES

1.1 Basis of preparation

The consolidated financial statements for Europris ASA ("the group") have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, as well as Norwegian disclosure requirements pursuant to section 3-9 of the Norwegian Accounting Act at 31 December 2016.

The board approved the consolidated financial statements on 29 March 2017.

The consolidated financial statements have been prepared in accordance with the historical cost convention, modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit and loss:

» Derivative instruments are recognised at fair value through profit and loss.

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

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

1.2 Consolidation

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

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

Acquisition-related costs are expensed as incurred.

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

The consolidated financial statements include Europris ASA and its subsidiaries:

Company	Ownership/voting share
Europris ASA	parent company
Europris Holding AS	100%
Europris AS	100%
Europris Butikkdrift AS	100%
Kvala Lavpris AS	100%
Lyngdal Lavpris AS	100%
Orkanger Lavpris AS	100%
Nordfjordeid Lavpris AS	100%
Vikaleirane Lavpris AS	100%
Sandane Lavpris AS	100%
Vinstra Lavpris AS	100%

The companies Kvinesdal Lavpris AS and Levanger Lavpris AS were both acquired in 2015 and merged at 1 January 2016.

The company Lund Lavpris AS was acquired and merged with effect from 1 January 2016. All mergers have been accounted for as business combinations under common control implying continuity of group values.

Kvala Lavpris AS, Lyngdal Lavpris AS, Orkanger Lavpris AS, Nordfjordeid Lavpris AS, Vikaleirane Lavpris AS, Sandane Lavpris AS and Vinstra Lavpris AS were acquired in 2016 and will be merged with effect from 1 January 2017.

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

IFRS 10 "Consolidated financial statements" is based on the principle of using the control term as the decisive criteria to decide whether a company should be included in the consolidated financial statements. The application guidance to the standard provides guidance when determining whether an entity has control over a franchisee. Based on the guidance in IFRS 10, the group has determined that it does not control its franchisees and the franchises are therefore not consolidated. This is based on a judgement of the criteria in IFRS 10 of whether or not Europris controls the franchises. Through the franchise agreements Europris essentially only has control and rights related to protection of the brand name and the concept. Such rights are not sufficient to gain control under the provisions of IFRS 10. The franchisees make independent decisions regarding relevant activities for the franchisee, e.g. purchases, investments and employee activities. The decision-making rights that affect variable returns are primarily held by the franchisee and Europris has only a small portion of the rights to variable returns from its involvement with the franchisee. Based on an assessment of these criteria in IFRS 10, it is not clear that Europris controls the franchises and they are thus not consolidated.

1.3 Segment reporting

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

1.4 Foreign currency translation

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

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

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

1.5 Revenue recognition

The group operates a chain of stores, within the discount variety retail sector, selling consumer goods, including sales to franchise stores. Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash or by debit or credit cards. The fees received from franchises are recorded as "other income".

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, net of discounts, returns and value added taxes. The group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities. The group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The returns only regard sales to end customers.

1.6 Current and deferred income tax

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

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

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

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

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

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

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

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

1.7 Property, plant and equipment

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

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

Technical and electrical installations	5-15 years
Fixture and fittings	7-10 years
Vehicles	5 years
Machinery and equipment	3 years
IT equipment	3 years

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

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

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

1.8 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as financial leases. Financial leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other non-current liabilities. The interest element of the finance cost is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

1.9 Intangible assets

GOODWILL

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

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

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

TRADEMARKS AND CONTRACTUAL RIGHTS

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

Contractual rights have been written down to nil at 31 December 2014.

SOFTWARE

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

» it is technically feasible to complete the software product so that it will be available for use

» management intends to complete the software product and use or sell it

» there is an ability to use or sell the software product it can be demonstrated how the software product will generate probable future economic benefits

» adequate technical, financial and other resources to complete the development and to use or sell the software product are available

» expenditure attributable to the software product during its development can be reliably measured.

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

1.10 Financial assets

CLASSIFICATION

The group classifies its financial assets in the following categories: at fair value through profit and loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the balance sheet.

c) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category at initial recognition or are not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

RECOGNITION AND MEASUREMENT

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit and loss" category are presented in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary securities classified as available-for-sale are recognised in other comprehensive income.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

1.11 Inventories and cost of goods sold

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

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

1.12 Trade receivables

Trade receivables are initially recognised at fair value. They are subsequently measured at amortised cost using the effective interest method minus the allowance for uncollectible accounts. If immaterial, the interest element is not considered.

1.13 Cash

Cash includes cash in hand and bank deposits.

Bank overdrafts are presented in the statement of cash flows less cash.

1.14 Trade payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. If immaterial, the interest element is not considered.

1.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

1.16 Post-employment benefits

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

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

1.17 Provisions

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

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

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

1.18 Contingent liabilities and assets

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

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

1.19 Subsequent events

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

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

IFRS 9 "Financial Instruments" addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The standard is effective for accounting periods beginning on or after 1 January 2018. The group is assessing the impact of IFRS 9.

IFRS 15 "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The group's revenue is made up from sale of goods to consumers and franchise stores. The group's current assessment of IFRS 15 is that it will not have any impact on revenue recognition. The group is still assessing the impact on disclosures.

IFRS 16 "Leases" specifies how to recognise, measure, present and disclose leases. The new standard is effective for annual reporting periods beginning on or after 1 January 2019, with early application permitted but only if the entity is also applying IFRS 15 "Revenue from contracts with customers". IFRS 16 replaces IAS 17, IFRIC 4, SIC 15 and SIC 27. IFRS 16 was issued in January 2016.

The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses). Interest expense on the lease liability will be presented as finance cost. The implementation of IFRS 16 will affect the statement of cash flows. Variable lease payments and interest payments will be shown in operating activities and interest payments and down payments will be shown within financing cash flows. Cash flows from operating activities will improve and cash flow from financing activities will decrease.

Operating lease payments in 2016 amounted to NOK 392 million. When applying IFRS 16 this amount would have been transferred from other operating expenses to depreciation and other financial expense. Note 13 in the financial statements gives information on the lease commitment at year end.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. At this stage, the group does not intend to adopt the standard before its effective date. The group is currently assessing the full impact of IFRS 16.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. FINANCIAL RISK MANAGEMENT

The group's core business is low-price retail. This exposes the group to a variety of financial risks: market (including currency, fair value interest-rate and price risk), credit and liquidity risk. The goal of the group's overall risk management programme is to minimise potential adverse financial performance effects of these risks, which result from unpredictable changes in capital markets. The group uses financial derivatives to hedge against certain risks.

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

2.1 Market risk

2.1.a Currency exchange risk

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

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

Figures are stated in NOK 1,000

Foreign currency sensitivity	Changes in currency	Effect on post-tax profit	
		2016	2015
USD / NOK	+/-1%	+/- 4,442	+/- 6,271
EUR / NOK	+/-1%	+/- 1,431	+/- 1,421

The simulations above do not include potential changes in the fair value of forward contracts. The profit changes reflected above will have the same effect on the group's equity.

The hedge does not qualify for hedge accounting.

2.1.b Price risk

The group has limited exposure to price risk.

2.1.c Interest rate risk

The group's exposure to interest-rate risk arises from its non-current borrowings. The interest-rate risk that arises from loans with floating interest-rate is managed by using interest-rate swaps.

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

Figures are stated in NOK 1,000

Interest-rate sensitivity	Changes in interest-rate	Effect on post-tax profit
2016	+/-1%	+/- 6,143
2015	+/-1%	+/- 6,023

These simulations do not include potential changes in the fair value of interest-rate swaps arising from the change in floating market interest-rates. The profit changes reflected above will have the same effect on the group's equity.

2.2 Credit risk

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

2.3 Liquidity risk

The treasury department prepares and monitors cash flow forecasts of the groups's liquidity requirements to ensure that the group has sufficient cash and cash equivalents to meet operational commitments, and to maintain sufficient flexibility to meet unused credit facilitiy requirements (see note 19) without breaching financial covenants.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Critical accounting estimates and assumptions

The group prepares estimates and assumptions regarding future expectations. The resulting accounting estimates will by definition seldom equal the related actual results. Estimates and assumptions that represent a significant risk of causing material adjustments to the book value of assets and liabilities within the next financial year are discussed below.

3.1.a Estimated impairment of goodwill and trademark

The group tests annually whether goodwill and trademark have suffered any impairment, in accordance with the accounting policy stated in note 1.9. Recoverable amounts of cash generating units have been determined on the basis of value-in-use calculations. These calculations require the use of estimates (see note 12 for further information). The group has not recognised any impairment of goodwill and trademark in 2016.

3.1.b Provision for obsolescence

The group makes provision for impairment. These provisions are estimate-based and require in-depth knowledge about goods and market.

3.2 Judgements in applying the group's accounting principles

IFRS 10 (Consolidated financial statements) requires entities to consolidate entities they control. The standard provides extended guidance to determine whether control is present. Franchising is explicitly mentioned in the standard. The franchises are not included in the consolidated financial statements of Europris ASA. This is based on a judgement of the criteria in IFRS 10 of whether Europris controls the franchises. Through the franchise agreements, Europris essentially has control and rights related to protection of the brand name and the concept. Such rights are not sufficient to gain control under the provisions of IFRS 10. The franchisees make independent decisions regarding relevant activities for the franchisee, e.g. purchases, investments and employee activities. The decision-making rights that affect variable returns are primarily held by the franchisee and Europris has only a small portion of the rights to variable returns from its involvement with the franchisee. Based on an assessment of these criteria in IFRS 10, it is not clear that Europris controls the franchises, and they are thus not consolidated.

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

4. SEGMENT INFORMATION

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

5. TOTAL OPERATING REVENUE

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

Figures are stated in NOK 1,000	2016	2015
Net sales	**4,980,625**	**4,525,748**
Income from franchise fees	103,793	102,229
Other income	786	1,254
Total other income	**104,580**	**103,483**
Total operating revenue	**5,085,205**	**4,629,232**

6. EMPLOYEE BENEFIT EXPENSE

Figures are stated in NOK 1,000	2016	2015
Salary expenses	640,130	597,917
Social security costs	87,974	80,529
Pension expenses	13,887	12,343
Other benefits	10,508	11,547
Total	**752,498**	**702,336**
Number of employees	2,319	2,118
Full-time employees	1,507	1,392

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

Figures are stated in NOK 1,000	2016	2015
AUDITOR REMUNERATION		
Audit services	1,257	1,029
Technical services related to financial reporting	191	602
Audit services related to the IPO process for the Europris ASA group	-	2,371
Total	**1,448**	**4,002**

Auditor fees are presented excluding VAT. No auditor remuneration has been recorded in equity in connection with equity transactions.

7. MANAGEMENT REMUNERATION

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

Figures are stated in NOK 1,000	Title	Salary	Bonus	Pension	Other	Total
Pål Wibe	CEO	4,311	3,183	80	223	7,796
Espen Eldal	CFO	1,899	611	77	111	2,698

Remuneration of the executive management group (nine individuals)

Figures are stated in NOK 1,000	2016	2015
Salary expenses, including paid-out bonuses	21,590	21,931
Social security costs	3,669	3,520
Pension expenses	728	643
Other benefits	1,441	1,503
Total	**27,428**	**27,598**

In addition, NOK 5,550 in accrued bonus, inclusive of social costs, for the executive management group for 2016 is recognised in the financial statements.

Remuneration statement

The board will provide a statement on salary and other remuneration for senior executives at the annual general meeting on 23 May 2017.

Remuneration guidelines

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

Bonus programme

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

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

The CEO and the director of marketing have a 12-month and six-month severance packages respectively. Apart from the aforementioned, no members of the executive management group have severance packages.

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

Remuneration of the board of directors

Annual compensation in 2016 for the board of directors determined in the AGM in May 2016:

Board of directors			
Chair	NOK	500,000	per year
Director	NOK	250,000	per year
Audit committee			
Chair	NOK	65,000	per year
Member	NOK	40,000	per year
Remuneration committee			
Chair	NOK	30,000	per year
Member	NOK	20,000	per year

8. PENSION LIABILITIES

Figures are stated in NOK 1,000

The group has a contractual early retirement pension scheme (AFP). Pension costs in 2016 were NOK 4,580 (NOK 4,100 in 2015). A total of 1,507 employees are members of the scheme (1,393 in 2015).

In addition, the group has a pension agreement with Vital Forsikring that fullfills the legal requirement under Norwegian laws and covers all employees. The scheme is a defined contribution plan. Pension costs in 2016 were NOK 9,307 (NOK 8,243 in 2015).

In 2016, the scheme had 1,507 members (1,393 in 2015).

9. OTHER OPERATING EXPENSES

Figures are stated in NOK 1,000	2016	2015
Leasing and other cost of premises	379,506	337,311
Transport/distribution	126,055	118,427
Marketing and other expenses	259,029	298,195
Total	**764,590**	**753,932**

10. FINANCIAL INCOME AND EXPENSES

Figures are stated in NOK 1,000	2016	2015
Financial income:		
– Interest income on cash	2,783	3,719
– Other interest income	1,896	2,022
Other financial income	101	4,875
Gain in fair value of financial instruments:		
– Unrealised income forward exchange contract	-	-
– Unrealised interest-rate swap income	183	2,394
Total	**4,963**	**13,009**
Financial expenses:		
– Interest to financial institutions	36,046	76,939
– Financial leasing	271	497
– Other interest expense	702	1,134
Amortised interest on bank loan	2,066	44,637
Other financial expenses	6,930	10,020
Deferred arrangement fee	-	14,625
Loss in fair value of financial instruments:		
– Unrealised loss forward exchange contracts	-	30,114
– Unrealised interest-rate swap loss	-	-
Total	**46,014**	**177,966**
Net financial income (expense)	**(41,052)**	**(164,956)**

Unrealised income/loss on forward exchange contracts is included in cost of goods sold in 2016.

11. INCOME TAX EXPENSE

Figures are stated in NOK 1,000	2016	2015
TAX PAYABLE		
Current tax on profits for the year	145,446	107,985
Total tax payable in the balance sheet	**145,446**	**107,985**
DEFERRED TAX		
Change in temporary differences	(10,447)	(10,113)
Change in temporary differences related to mergers and acquisitions	1,736	1,226
Effect from change in Norwegian tax rate	(1,984)	(4,779)
Total deferred tax	**(10,695)**	**(13,666)**
Incorrect tax provision last year	534	-
Reversed tax provision related to tax audit settlement	-	(4,290)
Total income tax expense	**135,285**	**90,029**

The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Figures are stated in NOK 1,000	2016	2015
Profit before tax	**548,946**	**367,610**
Tax calculated at domestic tax rates applicable to profits (25/27%)	137,237	99,255
Tax effects from:		
- Non-taxable income	(646)	(328)
- Non-deductible expenses	641	172
- Losses carried forward	37	-
Effect on valuation of temporary differences from change in Norwegian tax rate	(1,984)	(4,779)
Reversed tax provision related to tax audit settlement	-	(4,290)
Tax expense recognised in the income statement	**135,285**	**90,029**
Effective tax rate	24.6%	24.5%

Figures are stated in NOK 1,000	2016	2015
The analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax asset:	(5,285)	(5,575)
- Deferred tax asset to be recovered later than 12 months	(63,522)	(48,487)
- Deferred tax asset to be recovered within 12 months	(68,807)	(54,062)
Deferred tax assets		
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered later than 12 months	114,395	111,983
- Deferred tax liabilities to be recovered within 12 months	-	-
Deferred tax liabilities	**114,395**	**111,983**
Loss carried forward	(14)	-
Deferred tax liabilities (net)	**45,575**	**57,920**
Deferred tax asset/liability rates	24%	25%
Change in deferred tax liabilities recognised in the balance sheet:		
Balance at 01.01	57,920	72,762
Change during the year recognised in the income statement	(12,345)	(14,842)
Balance at 31.12	**45,575**	**57,920**

Specification of change in deferred tax/tax asset:

Figures are stated in NOK 1,000	Tangible fixed assets	Receivables	Non-current debt	Total
DEFERRED TAX LIABILITIES				
Balance at 01.01.2015	106,499	3,096	11,907	121,502
Recognised deferred tax in profit for the period	2,360	(3,901)	(8,783)	(10,324)
Balance at 31.12.2015	**108,859**	**(805)**	**3,124**	**111,178**
Balance at 01.01.2016	108,859	(805)	3,124	111,178
Recognised deferred tax in profit for the period	3,033	32	(621)	2,444
Balance at 31.12.2016	**111,892**	**(773)**	**2,503**	**113,622**

Figures are stated in NOK 1,000	Inventories	Financial instruments	Provision for pension and other liabilities	Loss carried forward	Total
DEFERRED TAX ASSETS					
Balance at 01.01.2015	(48,155)	3,950	(4,629)	-	(48,834)
Recognised deferred tax in profit for the period	(1,579)	(1,897)	(946)	-	(4,422)
Balance at 31.12.2015	**(49,734)**	**2,053**	**(5,575)**	**-**	**(53,256)**
Balance at 01.01.2016	(49,734)	2,053	(5,575)	-	(53,256)
Recognised deferred tax in profit for the period	(14,447)	(621)	290	(13)	(14,791)
Balance at 31.12.2016	**(64,181)**	**1,432**	**(5,285)**	**(14)**	**(68,047)**

12. INTANGIBLE ASSETS

Figures are stated in NOK 1,000	Software	Trademark	Contractual rights	Goodwill	Total
Financial year 2015					
Carrying amount at 01.01.2015	32,393	387,573	-	1,579,928	1,999,894
Additions	24,998	-	-	2,559	27,557
Sales/disposals	-	-	-	-	-
Amortisation	16,647	-	-	-	16,647
Impairment	-	-	-	-	-
Carrying amount at 31.12.2015	**40,744**	**387,573**	**-**	**1,582,487**	**2,010,805**
At 31.12.2015					
Acquisition cost	96,396	411,352	250,700	1,582,487	2,340,934
Accumulated amortisation	55,652	23,779	172,356	-	251,787
Accumulated impairment	-	-	78,344	-	78,344
Net carrying amount 31.12.2015	**40,744**	**387,573**	**-**	**1,582,487**	**2,010,804**
Financial year 2016					
Carrying amount at 01.01.2016	40,744	387,573	-	1,582,487	2,010,804
Additions	14,502	-	-	6,915	21,417
Sales/disposals	-	-	-	-	-
Amortisation	15,317	-	-	-	15,317
Impairment	-	-	-	-	-
Carrying amount at 31.12.2016	**39,929**	**387,573**	**-**	**1,589,402**	**2,016,905**
At 31.12.2016					
Acquisition cost	110,898	411,352	250,700	1,589,402	2,362,351
Accumulated amortisation	70,969	23,779	172,356	-	267,104
Accumulated impairment	-	-	78,344	-	78,344
Net carrying amount 31.12.2016	**39,929**	**387,573**	**-**	**1,589,402**	**2,016,904**

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

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

Impairment testing of goodwill and trademark

Goodwill and trademark are annually tested for impairment by comparing book value and recoverable amount (greater of fair value less costs to sell and value in use). Even though the group generates separated incoming cash flows, these are totally dependent on each other. The cash-flow-generating units are defined as being related to the group on an aggregated basis.

The recoverable amount of a cash-generating unit is calculated on the basis of the value that the asset will provide to the business (value in use). In this calculation, the forecasts of future cash flows are based on budgets and long-term plans approved by the management covering a five-year period. The gross profit is stable in the period. EBITDA percentages of sales are also stable in the 2017-2021 period. Cash flows beyond the five-year period are calculated using the expected inflation rate as a long-term growth rate. A market-based rate of return of 8.9% (8.9% in 2015) before tax is derived using the weighted average cost of capital (WACC) model.

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

13. FIXED ASSETS

Figures are stated in NOK 1,000	Fixtures and fittings
Financial year 2015	
Carrying amount at 01.01.2015	185,784
Additions	92,324
Additions through the acquisition of subsidiaries	1,484
Disposals	-
Depreciation charge for the year	54,414
Carrying amount at 31.12.2015	**225,178**
At 31.12.2015	
Cost	398,049
Accumulated depreciation	172,871
Net carrying amount at 31.12.2015	**225,178**

Figures are stated in NOK 1,000	Fixtures and fittings
Financial year 2016	
Carrying amount at 01.01.2016	225,178
Additions	75,716
Additions through the acquisition of subsidiaries	5,255
Disposals	-
Depreciation charge for the year	59,772
Carrying amount at 31.12.2016	**246,377**
At 31.12.2016	
Cost	479,020
Accumulated depreciation	232,643
Net carrying amount at 31.12.2016	**246,377**

The group has financial leasing agreements. These agreements relate to stores and warehouse computer systems. The booked value of leased fixed assets is NOK 6,424 (NOK 9,973 in 2015).

The corresponding leasing debt is presented as long-term debt. Store computer systems are leased to franchisees. Lease costs are expensed by the respective company. The leased fixed assets are depreciated over four years, which is consistent with the leasing period.

Figures are stated in NOK 1,000	Leasing period	2016	2015
Operating lease payments			
Fixtures	Ongoing agreements	17,073	12,137
Offices, shops and warehouses	Ongoing agreements	375,365	337,311

The group leases offices, shops and warehouses under irrevocable operating lease agreements. The rental period is between one and 15 years.

Figures are stated in NOK 1,000	
Commitment operating lease at 31 December 2016	
Within 1 year	309,821
1 to 5 years	1,002,737
After 5 years	260,467

14. EARNINGS PER SHARE

Earnings per share are calculated by dividing profit attributable to ordinary shareholders by a weighted average of ordinary shares outstanding during the period.

Figures are stated in NOK 1 000, except per share amounts	2016	2015
Profit for the period	413,661	277,581
Dividends to holders of preference shares	-	(43,828)
Profit available to holders of ordinary shares	413,661	233,754
Weighted average of ordinary shares outstanding	166,969	154,999
Earnings per ordinary share (basic and diluted) [1]	**2.48**	**1.51**
Calculation of weighted average of ordinary shares outstanding		
Number of ordinary shares opening	166,969	37,020
Share split (ratio 1:4) 22.05.2015	-	111,060
Adjusted number of ordinary shares after share split	166,969	148,080
Share issue initial public offering 22.06.2015	-	18,889
Number of shares closing	166,969	166,969
Adjusted number of ordinary shares opening including share split	166,969	148,080
Weighted number of shares from IPO effective 22.06.2015 (actual)	-	6,919
Weighted average of ordinary shares outstanding	**166,969**	**154,999**

[1] There are no instruments with a dilutive effect.

15. TRADE RECEIVABLES AND OTHER RECEIVABLES

Figures are stated in NOK 1,000	2016	2015
Other receivables		
Trade receivables	205,186	241,467
Provision for impairment	(1,840)	(1,840)
Net trade receivables	**203,346**	**239,627**
Accrued revenue	26,259	16,208
Prepaid expenses	28,242	27,360
Other receivables	4,589	3,693
Forward exchange contracts	7,450	9,615
Other receivables	**66,539**	**56,877**
Total	**269,885**	**296,504**
Non-current receivables		
Deposits and loans to franchisees	1,808	1,977
Interest-rate swap agreement	51	2,863
Total	**1,859**	**4,840**
Total current and non-current receivables	**271,744**	**301,343**

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

Figures are stated in NOK 1,000	2016	2015
PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES		
At 01.01	1,840	1,840
Change in provision	-	-
At 31.12	**1,840**	**1,840**
AGEING OF TRADE RECEIVABLES		
Not due	179,788	221,692
Due	23,559	17,935
Total	**203,346**	**239,627**

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

16. INVENTORIES AND COST OF GOODS SOLD

Figures are stated in NOK 1,000	2016	2015
Inventories	1,367,646	1,149,069
- Provision for obsolescence	(43,543)	(39,881)
Booked value	**1,324,103**	**1,109,189**
Provision for obsolescence		
At 01.01	(39,881)	(34,824)
Change in accruals	(3,662)	(5,057)
Provision for impairment at 31.12	**(43,543)**	**(39,881)**

The group makes provisions for impairment on inventory. These provisions are estimated and require in-depth knowledge of the goods and market conditions.

Figures are stated in NOK 1,000	2016	2015
Cost of goods sold	2,908,087	2,635,697
Foreign exchange currency effects	(5,057)	(66,361)
Net cost of goods sold	**2,903,030**	**2,569,337**

The classification of unrealised gains and losses on foreign currency derivatives that are economic hedges of inventory purchases changed in 2016. These unrealised gains and losses are now classified as part of cost of goods sold (COGS) in the profit or loss statement. Gains and losses were previously 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. If the new principle had been applied during 2015, the unrealised foreign currency exchange effects that would have been included in COGS in 2015, were NOK 25,548.

17. CASH

Figures are stated in NOK 1,000	2016	2015
Cash	576,964	447,116
Total	**576,964**	**447,116**

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

Cash	554,489	426,684
Bank deposits restricted for employee tax witholdings	22,475	20,432
Net cash	**576,964**	**447,116**

The group has overdraft facilities of NOK 450 million in all. See note 19 for further information.

18. SHARE CAPITAL AND SHAREHOLDER INFORMATION

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

Major shareholders at 31 December 2016		Number of shares	% of capital
NC EUROPRIS HOLDING BV[1]		54,619,558	32.7%
FOLKETRYGDFONDET		10,536,488	6.3%
JPMORGAN CHASE BANK	Nominee account	4,675,000	2.8%
SKANDINAVISKA ENSKILDA BANKEN AB	Nominee account	4,124,397	2.5%
VERDIPAPIRFONDET DNB		3,875,720	2.3%
KLP AKSJENORGE		2,748,035	1.6%
STATE STREET BANK AND TRUST CO.	Nominee account	2,747,186	1.6%
VERDIPAPIRFONDET DNB		2,463,496	1.5%
CANICA AS		2,450,000	1.5%
STATE STREET BANK AND TRUST CO.	Nominee account	2,309,608	1.4%
STOREBRAND NORGE I V		2,273,649	1.4%
NORDKRONEN II AS		2,008,572	1.2%
FONDITA NORDIC MICRO		2,000,000	1.2%
STATE STREET BANK AND TRUST CO.	Nominee account	1,683,842	1.0%
ARCTIC FUNDS PLC		1,656,183	1.0%
VERDIPAPIRFONDET DNB		1,635,902	1.0%
KOMMUNAL LANDSPENSJONSKASSE		1,601,423	1.0%
DNB LIVSFORSIKRING ASA		1,517,971	0.9%
HOLBERG NORDEN VERDIPAPIRFONDET		1,500,000	0.9%
KII EUROPAEISKE SMALL CAP		1,478,429	0.9%
OTHER SHAREHOLDERS		59,063,429	35.4%
Total shares		**166,968,888**	**100.0%**

[1] *Full holding sold on 3 March 2017.*

Shares held by directors and CEO	Title	Number of shares
Tom Vidar Rygh (Retiro AS)	Chair	600,000
Christian W Jansson (Carl Westin Ltd)	Director	256,180
Pål Wibe (Nordkronen II AS)	CEO	2,008,572
Espen Eldal (Knipen AS)	CFO	600,000

19. BANK BORROWINGS

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

	2016		2015	
Figures are stated in NOK 1,000	Amortised cost	Nominal value	Amortised cost	Nominal value
Non-current liabilities				
Debt to financial institutions	1,639,572	1,650,000	1,637,506	1,650,000
Total	**1,639,572**	**1,650,000**	**1,637,506**	**1,650,000**

The amortised cost of the bank debt is assessed to not differ materially from fair value. This is because of the refinancing in June 2015 and a low probability that the risk premium would materially change if the bank agreement had been entered into today. The group's business risk and credit risk have not changed significantly in the period.

Figures are stated in NOK 1,000	2016	2015
Current liabilities		
First-year instalment non-current debt	-	-
Overdraft facilities		
Overdraft and multi-currency group account	140,000	140,000
Revolving facility loan	225,000	225,000
Guarantees	85,000	85,000
Total	**450,000**	**450,000**
Undrawn overdraft facilities	405,600	414,200
Other non-current borrowings		
Leasing	7,302	10,880
Total	**7,302**	**10,880**

Convenants related to bank agreement		
Leverage ratio - net debt/EBITDA	4th quarter 2016	3.86

Covenants are measured and reported quarterly. In the bank agreement, the covenant (leverage ratio) will be at the same level until June 2017. Thereafter, the covenant level will be at 3.50 for the next eight quarters.

The group was in compliance with financial convenants in 2016.

Maturity structure including interest	2016	2015
Within 1 year	33,000	35,000
1 to 2 years	33,000	35,000
2 to 5 years	1,700,000	1,737,500
After 5 years	-	-

Effective interest-rate at 31.12	2016	2015
Term loan	2.2%	2.12%

No assets are currently pledged under the loan agreement.

20. DERIVATIVES

Figures are stated in NOK 1,000	2016	2015
Forward exchange contracts - expiring within 1 year	7,450	9,615
Interest-rate swaps - expiring between 1 and 5 years	51	2,862
Total derivatives - asset	**7,501**	**12,477**
Forward exchange contracts - expiring within 1 year	261	-
Interest-rate swaps - expiring between 1 and 5 years	1,272	4,266
Total derivatives - liability	**1,534**	**4,266**
Net derivative asset (liability)	**5,967**	**8,211**

Forward exchange contracts

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

	Amount in NOK	Average exchange rate
Nominal principal forward contracts (USD)	328,427	8.42
Nominal principal forward contracts (EUR)	77,541	9.12

Interest rate swaps

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

	2016	2015
Lowest fixed interest-rate in interest-rate swap agreement	1.090%	1.090%
Highest fixed interest-rate in interest-rate swap agreement	1.288%	1.288%
Nominal principal in interest-rate swaps	825,000	825,000

21. FINANCIAL INSTRUMENTS BY CATEGORY

Figures are stated in NOK 1,000	2016	2015
Loans and receivables		
Non-current receivables	1,808	1,977
Trade receivables and other receivables	262,436	286,889
Cash	576,964	447,116
Financial liabilities measured at amortised cost		
Non-current debt	(1,646,874)	(1,648,385)
Other non-current debt	-	-
Short-term debt (first year instalment)	-	-
Accounts payable and other short-term payables	(739,762)	(619,823)
Assets/liabilities measured at fair value through profit and loss		
Derivatives - asset	7,501	12,477
Derivatives - liability	(1,534)	(4,266)
Net financial instruments	**(1,539,461)**	**(1,524,016)**

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

Special valuation methods that are being used to value financial instruments include:

» fair value of interest-rate swaps are measuread as the net present value of estimated future cash flows based on the observable yield curve

» fair value of forward exchange contracts is measured as the net present value of the difference between the contractual forward rate and the forward rate of the currency at the balance-sheet date, multiplied by the contractual volume in foreign currency.

22. ACCOUNTS PAYABLE AND OTHER CURRENT DEBT

Figures are stated in NOK 1,000	2016	2015
Accounts payable	555,651	444,888
Social security taxes and VAT	149,167	127,154
Other current debt	184,111	174,935
Net financial instruments	**888,929**	**746,977**

23. GUARANTEES

The group had the following off-balance-sheet guarantees at 31.12:

Figures are stated in NOK 1,000	2016	2015
Supplier guarantees	13,687	12,790
Bank guarantees	6,142	22,490
Total	**19,829**	**35,280**

24. RELATED PARTIES

The group's related parties include its associates, key management personnel, directors and major shareholders. All subsidaries included in note 1.2 are related parties of Europris ASA. For management remuneration, refer to note 7 - Management remuneration.

Figures are stated in NOK 1,000	2016	2015
Shareholder loan from NC Europris Holding BV (related parties)		
Book value 01.01	-	16,773
Interest	-	962
Loans repaid during the year	-	(17,735)
Book value 31.12	**-**	**-**

Loans from related parties were repaid in full in connection with the IPO in June 2015. The loan from NC Europris Holding BV had an interest-rate of 12% per annum. There have been no significant transactions with related parties in 2016.

25. CONTINGENT LIABILITIES

There are no significant contingent liabilities at 31.12.2016.

26. EVENTS AFTER BALANCE-SHEET DATE

The board will propose the distribution of an ordinary dividend of NOK 1.50 per share for fiscal 2016. To celebrate the company's 25th anniversary in 2017, the board also proposes the payment of an extraordinary dividend of NOK 0.50 per share. The total proposed dividend is thereby NOK 2.00 per share.

In February 2017, Europris signed a long term lease for a new head office to be built in Fredrikstad. Completion of the new building corresponds well with the expiry of the lease for the group's current head office, in 2019.

On 3 March 2017, Nordic Capital sold all its 54,619,558 shares in Europris ASA, representing 32.7 per cent of the share capital and voting rights in the company.

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

EUROPRIS ASA PARENT COMPANY 2016

INCOME STATEMENT

Figures are stated in NOK 1,000	Note	2016	2015
Total operating revenue		**-**	**-**
Employee benefits expense	2	3,162	-
Other operating expenses	2,3	1,741	30,317
Total operating expenses		**4,902**	**30,317**
Operating income		**(4,902)**	**(30,317)**
Group contribution from subsidiary	5	279,840	29,516
Interest income from group companies	5	-	962
Other interest income		81	711
Other financial income		90,100	100
Total financial income		**370,021**	**31,289**
Interest expense to group companies	5	-	962
Other interest expense		14	-
Other financial expenses		4	10
Total financial expenses		**18**	**973**
Net financial income (expenses)		**370,003**	**30,317**
Profit before income tax		**365,101**	**-**
Income tax expense	6	-	-
Profit for the year		**365,101**	**-**
Statement of comprehensive income			
Profit for the year		365,101	-
Other comprehensive income		-	-
Total comprehensive income for the year		**365,101**	**-**

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

BALANCE SHEET

Figures are stated in NOK 1,000	Note	31-12-2016	31-12-2015
ASSETS			
Non-current assets			
Financial assets			
Investments in subsidiaries	4	925,500	925,500
Loans to group companies	5,9	-	-
Total financial assets		**925,500**	**925,500**
Total non-current assets		**925,500**	**925,500**
Current assets			
Trade and other receivables			
Receivables from group companies	5,9	279,875	152,167
Other receivables		72	35
Total trade and other receivables		**279,946**	**152,201**
Cash		-	284
Total current assets		**279,946**	**152,485**
Total assets		**1,205,446**	**1,077,985**

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

BALANCE SHEET

Figures are stated in NOK 1,000	Note	31-12-2016	31-12-2015
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	7	166,969	166,969
Share premium		669,437	903,193
Total paid-in capital		**836,406**	**1,070,162**
Retained earnings			
Other equity		365,101	1
Total retained earnings		**365,101**	**1**
Total shareholders' equity		**1,201,507**	**1,070,163**
Liabilities			
Total non-current liabilities		**-**	**-**
Current liabilities			
Accounts payable		197	7,821
Tax payable	6	-	-
Current debt to group companies	5,9	2,577	-
Other current liabilities		1,164	-
Total current liabilities		**3,938**	**7,821**
Total liabilities		**3,938**	**7,821**
Total equity and liabilities		**1,205,446**	**1,077,985**

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

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2016 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit and loss of the entity and the group taken as a whole. We also confirm that the directors' report includes a true and fair view of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Fredrikstad, 29 March 2017
THE BOARD OF DIRECTORS OF EUROPRIS ASA

Tom Vidar Rygh
Chair

Michael Haaning

Hege Bømark

Christian W. Jansson

Bente Sollid Storehaug

Anne Carine Tanum

Pål Wibe
CEO

STATEMENT OF CHANGES IN EQUITY

Figures are stated in NOK 1,000	Share capital	Share premium	Retained earnings	Total
Equity 01.01.2016	**166,969**	**903,193**	**1**	**1,070,163**
Profit for the period	-	-	365,101	365,101
Dividend	-	(233,756)	-	(233,756)
Other comprehensive income	-	-	-	-
Equity 31.12.2016	**166,969**	**669,437**	**365,101**	**1,201,507**

Figures are stated in NOK 1,000	Share capital	Share premium	Retained earnings	Total
Equity 01.01.2015	**9,255**	**916,245**	**98,379**	**1,023,879**
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	-	-	-	-
Other comprehensive income	-	-	-	-
Equity 31.12.2015	**166,969**	**903,193**	**1**	**1,070,164**

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

[2] The share capital was increased by NOK 144,378 through increasing the par value of the company's 148,080,000 shares by NOK 0.975 from NOK 0.025 to NOK 1 per share with a transfer from other equity, whereof 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 to investors at an average subscription price of NOK 44.99.

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

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

STATEMENT OF CASH FLOWS

Figures are stated in NOK 1,000	Note	2016	2015
Cash flows from operating activities			
Profit before income tax		365,101	-
Income tax paid		-	(226)
Change in accounts payable		(7,626)	7,823
Change in other working capital		(249,195)	(29,651)
Net cash from operating activities		**108,280**	**(22,055)**
Cash flows from investing activities			
Payments received from loans to group companies		-	17,735
Payments to group companies		(35)	-
Net cash used in investing activities		**(35)**	**17,735**
Cash flows from financing activities			
Change in group cash pool deposits		125,227	(24,123)
Payment of shareholder loan		-	(17,735)
Dividend		(233,756)	-
Net capital increase		-	46,284
Net cash from financing activities		**(108,529)**	**4,427**
Net increase in cash		**(284)**	**107**
Cash at 1 January		284	177
Cash at 31 December		**-**	**284**

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

NOTE 1 ACCOUNTING PRINCIPLES

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

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

The board approved the financial statements on 29 March 2017.

1.1 Simplified IFRS

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

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

» IAS 10 Events after the reporting period nos 12 and 13 and IAS 18 Operating revenues no 30 are waived regarding recognition of dividends and group contribution from group companies. Dividends and group contributions are recognised as income in the same year as the dividend or group contribution is recognised in the financial statements of the group company that pays the dividend or group contribution, in accordance with generally accepted accounting principles in Norway.

1.2 Basis of preparation

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

1.3 Revenue recognition

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

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

1.4 Current and deferred income tax

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

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

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

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

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

1.5 Cash

Cash includes cash in hand and bank deposits.

1.6 Provisions

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

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

1.7 Contingent liabilities and assets

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

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

1.8 Subsequent events

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

NOTES TO THE FINANCIAL STATEMENTS

2. EMPLOYEES, PENSIONS AND REMUNERATION TO AUDITOR

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

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

Compensation for directors is stipulated at NOK 1,996 in 2016. In 2015, compensation for directors was booked in the subsidiary Europris AS.

No obligation exists to pay the directors a settlement in the event of a termination of service.

No loans or guarantees have been provided for any related parties except as disclosed in note 3.

Figures are stated in NOK 1,000	2016	2015
Audit fees, divided by type of service (exclusive of VAT)		
Statutory audit	283	-
Technical services related to financial reporting	66	-
Audit services related to IPO process for Europris ASA group	-	2,371
Total audit fees	**349**	**2,371**

3. OTHER OPERATING EXPENSES

Non-recurring items of NOK 30 million related to the IPO in June 2015 are included in other operating expenses last year.

4. INVESTMENTS IN SUBSIDIARIES

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

Figures are stated in NOK 1,000	Registered office	Ownership share	Equity 31.12.2016	Net income 2016	Carrying value
SUBSIDIARY					
Europris Holding AS	Fredrikstad	100%	1,355,942	151,833	925,500

5. NON-CURRENT LIABILITIES TO PARENT COMPANY, LOANS TO SUBSIDIARIES AND INTEREST

Liabilities and receivables to group companies are included with the following amounts:

Figures are stated in NOK 1,000	2016	2015
Liabilities		
Debt in the group's cash pool agreement	2,577	-
Total liabilities	**2,577**	**-**
Receivables		
Group contribution	279,840	29,516
Deposits in the group's cash pool agreement	-	122,650
Other current receivables to subsidiaries	35	-
Total receivables	**279,875**	**152,167**

Loans from related parties were repaid in full in connection with the IPO in June 2015. These loans had an interest-rate of 12% per annum.

Figures are stated in NOK 1,000	2016	2015
Interest expense		
Interest expense on loans from shareholders	-	962
Total interest expense to group companies	**-**	**962**
Interest income		
Interest income from loans to subsidiaries	-	962
Total interest income from group companies	**-**	**962**

6. INCOME TAX EXPENSE

Figures are stated in NOK 1,000	2016	2015
Basis for income tax expense and tax payable		
Profit before tax	365,101	-
Non-deductible expenses	(365,101)	-
Basis for the tax expense	**-**	**-**
Reconciliation of the income tax expense		
Tax payable (25% of the basis for tax payable in the income statement)	91,275	-
Income tax expense	-	-
Difference	**(91,275)**	**-**

Figures are stated in NOK 1,000	2016	2015
Difference consists of:		
25% of non-deductible expenses	(91,275)	-
Total difference explained	**(91,275)**	**-**
Tax payable in the balance sheet		
Tax payable in income tax expense	-	-
Tax payable in balance sheet	**-**	**-**

7. SHARE CAPITAL AND SHAREHOLDER INFORMATION

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

Major shareholders at 31 December 2016		Number of shares	% of capital
NC EUROPRIS HOLDING BV[1]		54,619,558	32.7%
FOLKETRYGDFONDET		10,536,488	6.3%
JPMORGAN CHASE BANK	Nominee account	4,675,000	2.8%
SKANDINAVISKA ENSKILDA BANKEN AB	Nominee account	4,124,397	2.5%
VERDIPAPIRFONDET DNB		3,875,720	2.3%
KLP AKSJENORGE		2,748,035	1.6%
STATE STREET BANK AND TRUST CO.	Nominee account	2,747,186	1.6%
VERDIPAPIRFONDET DNB		2,463,496	1.5%
CANICA AS		2,450,000	1.5%
STATE STREET BANK AND TRUST CO.	Nominee account	2,309,608	1.4%
STOREBRAND NORGE I V		2,273,649	1.4%
NORDKRONEN II AS		2,008,572	1.2%
FONDITA NORDIC MICRO		2,000,000	1.2%
STATE STREET BANK AND TRUST CO.	Nominee account	1,683,842	1.0%
ARCTIC FUNDS PLC		1,656,183	1.0%
VERDIPAPIRFONDET DNB		1,635,902	1.0%
KOMMUNAL LANDSPENSJONSKASSE		1,601,423	1.0%
DNB LIVSFORSIKRING ASA		1,517,971	0.9%
HOLBERG NORDEN VERDIPAPIRFONDET		1,500,000	0.9%
KII EUROPAEISKE SMALL CAP		1,478,429	0.9%
OTHER SHAREHOLDERS		59,063,429	35.4%
Total shares		**166,968,888**	**100.0%**

[1] *Full holding sold on 3 March 2017.*

Shares held by directors and CEO	Title	Number of shares
Tom Vidar Rygh (Retiro AS)	Chair	600,000
Christian W Jansson (Carl Westin Ltd)	Director	256,180
Pål Wibe (Nordkronen II AS)	CEO	2,008,572
Espen Eldal (Knipen AS)	CFO	600,000

8. TRANSACTIONS WITH RELATED PARTIES

Information regarding salaries of senior executives is disclosed in note 1. Information on intercompany receivables and liabilities is disclosed in note 3. No material transactions occurred with related parties in 2016 other than the information included in the notes.

9. FINANCIAL INSTRUMENTS BY CATEGORY

Figures are stated in NOK 1,000	2016	2015
Deposits and receivables		
Accounts receivable and other current receivables	279,875	152,201
Cash	-	284
Financial liabilities measured at amortised cost		
Other current liabilities	(2,577)	-
Accounts payable	(197)	(7,821)
Net financial instruments	**277,100**	**144,664**

10. SUBSEQUENT EVENTS

The board will propose the distribution of an ordinary dividend of NOK 1.50 per share for fiscal 2016. To celebrate the company's 25th anniversary in 2017, the board also proposes the payment of an extraordinary dividend of NOK 0.50 per share. The total proposed dividend is thereby NOK 2.00 per share.

On 3 March 2017, Nordic Capital sold all its 54,619,558 shares in Europris ASA, representing 32.7 per cent of the share capital and voting rights in the company.

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

BDO AS
Munkedamsveien 45
Postboks 1704 Vika
0121 Oslo

Independent Auditor's Report

To the General Meeting of Europris ASA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Europris ASA.

The financial statements comprise:	*In our opinion:*
• The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and • The financial statements of the group, which comprise the balance sheet as at 31 December 2016 and income statement, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.	• The financial statements are prepared in accordance with the law and regulations. • The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to § 3-9 of the Norwegian Accounting Act. • The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

BDO

Key Audit Matters

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

Description of the key audit matter	*How the key audit matter was addressed in the audit*
Valuation of inventory	
Inventory amounts to NOK 1,324 million in the Financial Statements of 2016 and is a material amount. We refer to note 16 for more information on inventory and provisions. When determining the inventory provision judgement is used to assess the items which may be ultimately destroyed or lost or sold below cost due to reduced customer demand. The judgement is based on information of historical and statistical sales data to categorize specific items. Different categories are assessed individually and subject to specific provisions. These assessments are also based on management's expectations for future sales. The complexity and judgement involved has led us to define this as a high risk area for the audit.	Our audit procedures include observing the stocktaking in a selection of stores and reviewing internal controls and procedures as well as performing re-counts. We have also tested internal controls and procedures related to stocktaking at the central warehouse. In addition, we have tested the calculation of cost of goods sold. Further, we have reviewed management's documentation of obsolescence for both inventory in stores and central warehouse, and tested the assumptions used for reasonableness. We have also tested the arithmetical accuracy of the group's calculation of the profit margin on older goods compared to the book value of these goods.
Valuation of intangible assets	
Intangible assets include goodwill and trademark, amounting to NOK 1,589 million and NOK 388 million respectively. We refer to note 12 for more information. Both items are material to the financial statements and consequently defined as key areas in the audit. Under IFRS, the Group is required to test the value of intangible assets for impairment annually. The impairment test was significant to our audit due to the complexity of the assessment process and the significant judgements and assumptions involved. The impairment test is based on a value in use calculation for defined cash generating units. Value in use is calculated based on a pre-tax free cash flow and discounted with a pre-tax WACC.	Our audit procedures include, among others, reviewing management's documentation of the group's impairment assessment for intangible assets. The impairment test includes significant judgements and assumptions made by management. We have reviewed the methodology used and assessed the WACC against criteria in IAS36. We have compared the figures in the assessment with the group's business plan and considered if there are factors that indicates that these estimates are not realistic. We have also tested the arithmetical accuracy of the calculations in the impairment test. We have involved our internal valuation experts to assist us in evaluating the assumptions and methodologies used by the Group.

BDO

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, statements on Corporate Governance and Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, 29 March 2017
BDO AS

Roger Telle-Hansen
State Authorised Public Accountant

SHAREHOLDER INFORMATION

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

The share price closed year-end 2016 at NOK 36.90, which implies a market value of NOK 6,161 million. The highest share price was NOK 43.60 and the lowest was NOK 33.20 in 2016. A dividend of NOK 1.40 per share was paid out in May 2016.

Europris ASA had 3,514 registered shareholders in the Norwegian Central Securities Depository (VPS) at 31 December 2016. The company's shareholders are located in fifteen different countries together with Norway. About 95% of the company's shareholders are based in Norway, while 67% of the shares are registered to foreign shareholders.

Financial calendar

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

27 April 2017	First quarter 2017
23 May 2017	Annual general meeting
14 July 2017	Second quarter 2017
1 November 2017	Third quarter 2017

Analyst coverage

11 equity analysts have covered Europris ASA in 2016:

ABG Sundal Collier	petter.nystrom@abgsc.no andreas.lundberg@abgsc.no
Arctic Securities	magnus.berg@arcticsec.no
Bank of America Merrill Lynch	shelly.xie@baml.com
Carnegie	preras@carnegie.no
Danske Bank	msten@danskebank.com
DNB Markets	ole.martin.westgaard@dnb.no erik.lundby@dnb.no
Goldman Sachs	rob.joyce@gs.com charles.burrows@gs.com
Nordea	rauli.juva@nordea.com
Pareto Securities	jon@paretosec.com
SEB	markus.bjerke@seb.no stefan.nelson@seb.se
Swedbank Research	marius.gaard@swedbank.no hans.ludvigsen@swedbank.no

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

Share price 2016 - EPR

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.

NOTES

CONTACT

Europris ASA
Hjalmar Bjørges vei 105, P O Box 1421
NO-1602 Fredrikstad

switchboard: +47 971 39 000
email: ir@europris.no

www.europris.no

Europris MER TIL OVERS