EUROPRIS ASA
ANNUAL REPORT

2017

CONTENT

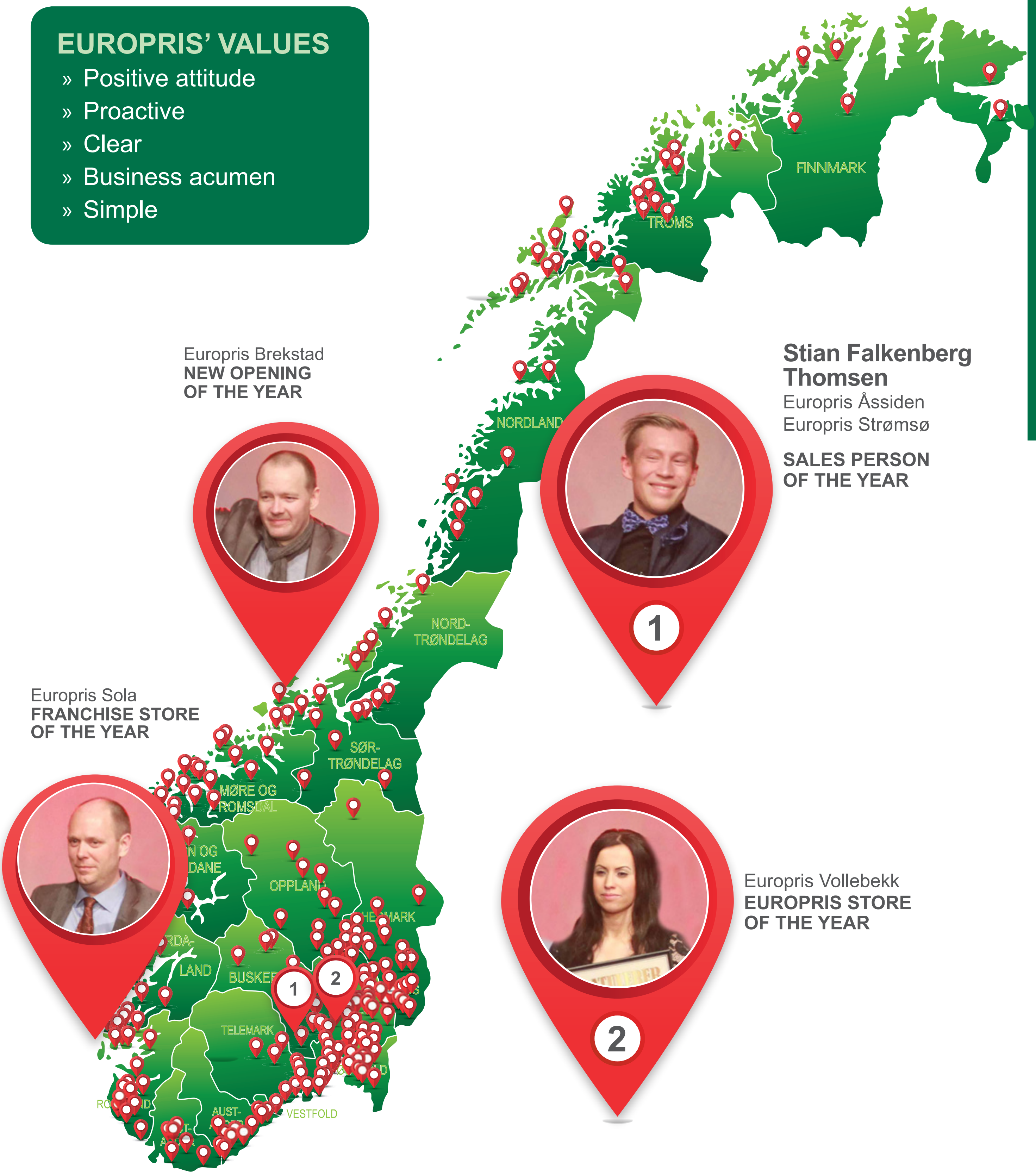
The anniversary DM

EUROPRIS AWARDS 2017

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 Brekstad
NEW OPENING OF THE YEAR

Stian Falkenberg Thomsen
Europris Åssiden
Europris Strømsø

SALES PERSON OF THE YEAR

Europris Sola
FRANCHISE STORE OF THE YEAR

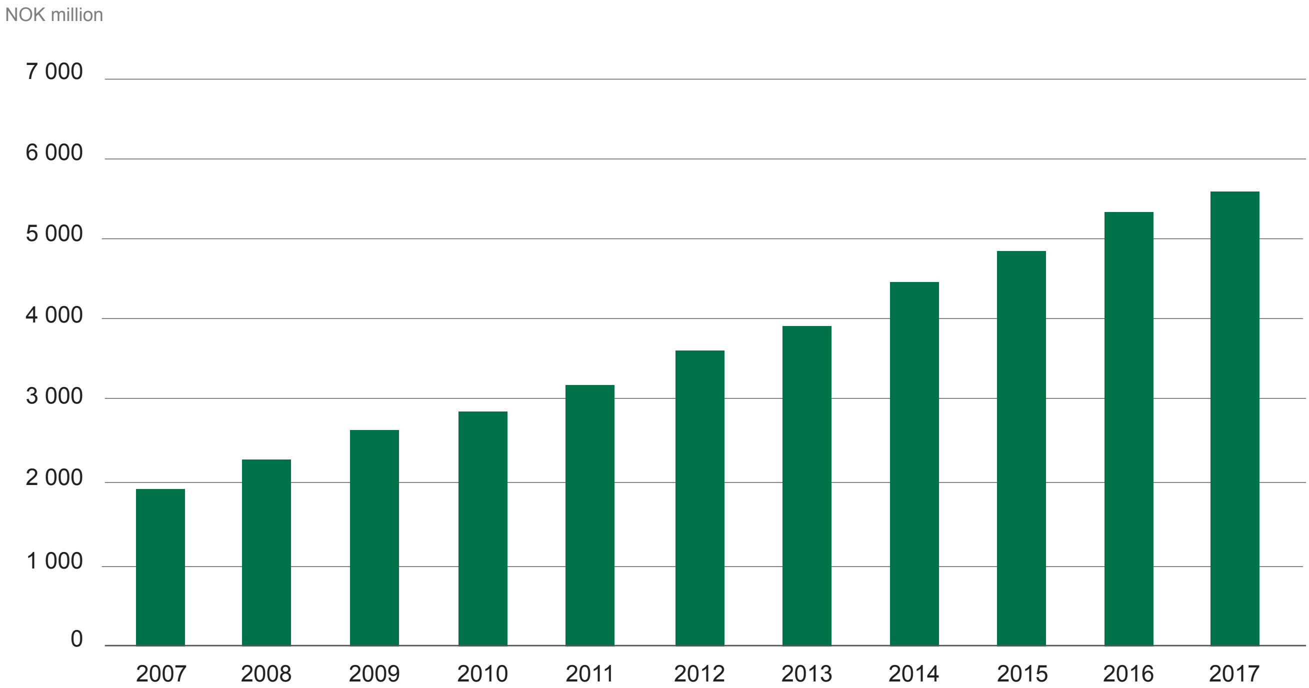
Europris Vollebekk
EUROPRIS STORE OF THE YEAR

KEY FIGURES

(Amounts in NOK million)	FY 2017	FY 2016
CHAIN KEY FIGURES		
Total retail sales	5,856.9	5,524.8
Growth (%)	6.0%	7.7%
Like-for-like sales growth (%)	3.1%	4.1%
Total number of stores at end of period	250	239
- Directly operated stores	205	185
- Franchise stores	45	54
GROUP KEY INCOME STATEMENT FIGURES		
Sales directly operated stores	4,556,1	3,987.5
Sales from wholesale to franchise stores	773.4	993.1
Franchise fees and other income	93.1	104.6
Group revenue	**5,422.5**	**5,085.2**
% growth	6.6%	9.8%
COGS excluding unrealised foreign exchange effects	3,112.1	2,901.2
Gross profit	**2,310.5**	**2,184.0**
% margin	42.6%	42.9%
Opex	1,669.5	1,517.1
Nonrecurring items	-	-
Opex excluding nonrecurring items	1,669.5	1,517.1
% of group revenue	30.8%	29.8%
Adjusted EBITDA	**641.0**	**667.0**
Adjusted EBIT	**558.3**	**591.9**
Adjusted profit before tax	**510.3**	**548.9**
Adjusted net profit	**389.8**	**413.7**
Adjusted earnings per share (167 million shares)	**2.33**	**2.48**
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES		
Net change in working capital	29.5	(42.5)
Capital expenditure	103.2	89.9
Financial debt	1,650.8	1,648.1
Cash	581.7	577.0
Net debt	**1,069.1**	**1,071.1**

Note: Alternative performance measures are defined on page 92.

STRONG REVENUE GROWTH



11 new store openings

Total retail sales **NOK 5,857 million**

Revenue growth **6.6%**

More than **30 million** customer transactions

INTERVIEW WITH THE CEO

EVOLVING IN THE ERA OF E-COMMERCE

In 2017, Europris continued its growth for the 25th consecutive year. The group captured market shares and strengthened its market position. This was also the year when e-commerce was on everybody's lips and Amazon's aggressive moves sent shivers down the spine of many experienced retailers.

We sat down for a brief chat with CEO Pål Wibe following what has been a somewhat turbulent year in Norwegian retail. The man at the helm keeps smiling and stays calm, while claiming that retailing is more exciting than ever before.

And he is clear on one thing: physical stores will not disappear.

Q: What went wrong in 2017?
A: Operationally, we're obviously not satisfied with last year's performance, more specifically in the second half of the year. There were several underlying factors, but overall our execution in the low season was unfortunately not good enough. That said, we see no need to change our strategy, but will rather speed up implementation of measures which were already planned.

Q: Are you currently experiencing challenges owing to competition from e-commerce?
A: Competition in retail is ever-present, and we're constantly evolving to deliver good value to our customers. That's the only experience which keeps customers coming back – both in stores and online. That said, we're sure the difficulties we experienced in the second half of 2017 were by no means caused by increasing competition from e-commerce.

Q: How disruptive are Amazon and other non-traditional retailers for Europris?
A: Our peers in the discount variety retail segment are experiencing strong growth in the USA, Amazon's home turf, and our segment is probably opening the largest number of new stores worldwide. We believe discount variety retailing will also be one of the most exciting retail segments to follow in the future.

Q: What does the more traditional competition look like?
A: We have no clear one-to-one competitor in Norway. Our concept lies at the boundary of several segments, and we capture a small slice from many. In fact, it's discount variety retailing against the rest of the market. Concepts which compete with ours therefore capture more market share from other retail segments than we do from each other.

Q: Will Europris keep on opening new physical stores?
A: The short answer is "yes", and the reason is simple. There's no evidence of diminishing success in the new stores we've opened over the past few years compared with earlier periods. In addition, if you look at other countries where online retailing is more mature, there's clear evidence that the discount variety retail segment remains successful and continues to grow through physical stores. However, we recognise that the increasing penetration of e-commerce will lead to a need for greater awareness among physical retailers in general. This will include a stronger need to continue sharpening retail concepts, and remaining even more vigilant in cultivating the attributes which make stores attractive destinations for physical shopping. These include such factors as offering convenience and a great experience to the customer. In our case, 250 stores and a unique shopping experience which allows customers to go hunting for great deals and products mean we are well positioned to meet this challenge in the future.

Q: How large is the online potential in Europris?
A: A huge potential undoubtedly exists in online trading over the longer term. Our concept is unique in that people expect to find "everything" when they visit one of our stores – as long as it provides good value. An online offering gives us the opportunity to capitalise on this significant and inherent strength of the concept. With the opportunities provided by e-commerce, we no longer need to be limited by the physical space in our stores. Rather, we can further extend our range to offer an even wider and more exciting range than we have been able to do so far. That said, we still believe our physical stores will remain the engine of our group and our segment for the foreseeable future. In time, however, the flexibility of our concept allows us to create a strong omni-channel retailer with a large network of stores conveniently located where our customers live, while offering a wide online range of good-value products across multiple categories.

Q: Your thoughts for 2018 and beyond?
A: I'm convinced we'll look back at 2017 and say this year turned out to be a blessing in disguise. I see lots of exciting opportunities and, as I say, we're in pole position to capitalise on these.

"We believe discount variety retailing will also be one of the most exciting retail segments to follow in the future.

Pål Wibe
CEO, Europris ASA

DIRECTORS' REPORT

Europris celebrated its 25th anniversary in 2017 by reaching a milestone of 250 stores across Norway. Group revenues amounted to NOK 5,423 million (NOK 5,085 million) representing an increase of 6.6 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 sales growth of 3.1 per cent for the full year.

Net profit for the year was NOK 390 million (NOK 414 million) representing a decrease of 5.8 per cent. Campaigns accounted for a higher proportion of total sales for the Europris chain in 2017, which had a negative effect on its gross margin. Operating expenses were also affected by planned operational initiatives related to a change in the distribution model from sea to land transport and an increased focus on digital channels.

Inventory levels were somewhat inflated during the first half of 2017. Europris successfully initiated measures to reduce this, and inventory per store by 31 December was lower than the year before. Operating cash flow for the year was NOK 473 million (NOK 468 million), representing an increase of one per cent from 2016.

The board of directors of Europris ASA have proposed an ordinary dividend for 2017 of NOK 1.70 per share to the AGM, an increase of 13.3 per cent from NOK 1.50 per share for 2016.

No material events have occurred since December 31.

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.

The Europris group head office and distribution centre are located in Fredrikstad. While the head office will remain in Fredrikstad, the distribution centre will be relocated to Moss in 2019-20.

Europris delivers a unique value proposition for shoppers by offering a broad range of quality merchandise at low prices in destination stores across Norway. Its merchandise is sold through the store chain, which comprises a network of 250 stores nationwide at the beginning of 2018. Of these, 205 are operated directly and 45 are being runned as franchises. Europris stores are designed to facilitate a consistent, easy and efficient shopping experience with a defined layout, making use of a distinctive "shop-in-shop" concept.

The group manages the chain's range of merchandise centrally. This 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 concentrating 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, that are principally sourced directly from suppliers. High-quality sourcing operations are central to the group's value proposition.

OPERATIONAL REVIEW

Sales performance

For the full year 2017, Europris once again exceeded the market with a like-for-like revenue increase of 3.1 per cent compared with market growth of 0.9 per cent[1]. Europris is a leading player in the discount variety retail sector, which continued to take market share in Norway during 2017.

Europris delivered overall retail sales of NOK 5,857 million, growing by six per cent from 2016. This was significantly better than the market, which grew by 1.8 and 2.3 per cent according to figures from Kvarud and Virke respectively. The segment "wide range – other", as reported by Virke, indicated a growth of 5.2 per cent for the full year[1].

The backloading of new store openings compared with the year before also negatively affected growth in total chain sales on a full-year basis, which is estimated at about 0.7 percentage points.

	2017	
	total growth	l-f-l growth
Virke: total retail[1]	2.3%	n/a
Virke: wide assortment - other[1]	5.2%	n/a
Kvarud Shopping Centre Index[1]	1.8%	0.9%
Europris chain	**6.0%**	**3.1%**

[1] According to (i) Kvarud Analyse, Shopping Centre Index, December 2017 report, which analyses the performance of the 239 largest shopping centres in Norway, and (ii) Virke Detaljhandelsindeks (using figures reported by Statistics Norway).

Marketing, digital channels and e-commerce

The relevance of the group's traditional marketing channels remains high. The products advertised on the front page of the direct marketing (DM) leaflet continue to experience significant growth, and DM retains its position as the key tool for attracting customers to Europris stores across the country.

In addition, the group is continuing to focus on digital marketing channels as customers increasingly start their purchasing journey online. Marketing communication through digital channels will also reach out to a younger audience, and potentially attract new customers to Europris.

Another important work flow in the digital area at Europris is the upgrade of its e-CRM programme. This aims to permit better analyses of customer shopping patterns and behaviour, and more sophisticated decision-making for marketing, campaigns and other customer-facing activities. The programme will also be directly linked to the group's customer loyalty programme – branded MER. This allow customer-specific communication, inspiration and offers based on online behaviour and shopping patterns. The e-CRM programme is progressing as planned, and will be implemented in the first half of 2018.

New store openings

Europris opened 11 new stores in 2017, and reached a milestone of 250 stores in total at the end of the year.

New stores in 2017

Month	Store	County
February	Gran	Oppland
March	Rælingen	Akershus
March	Brekstad	Sør-Trøndelag
April	Kokstad	Hordaland
April	Tasta	Rogaland
September	Reknes	Møre og Romsdal
October	Langevåg	Møre og Romsdal
November	Risør	Aust-Agder
November	Dale	Sogn og Fjordane
November	Grong	Trøndelag
November	Øvre Årdal	Sogn og Fjordane

Europris believes that opening new stores will remain a key value driver for the group. It maintains a good dialogue with landlords, and the group's unique concept and positioning continue to represent an attractive offering.

Concept and category development

Significant progress was made during the year in concept and category development. The results of this work were most recently illustrated by the quality of Europris' seasonal range. Europris was awarded three "best-in-test" awards for its high-end artificial Christmas tree, tea light candles and headphones in the fourth quarter[2]. In addition, Europris' private label windscreen washing fluid "Effekt spylervæske" emerged as "best-in-test" in an independent test performed by professional taxi drivers on behalf of magazine *Vi Menn* in March 2017.

Europris added a range of new products, brands and services to its portfolio in 2017. These included:

- soda from the independent Roma brand
- female underwear from the Sloggi brand
- small textiles from the Pierre Robert brand
- ready-mixed paint from Paint, its own private label
- introducing a professional veterinarian as spokes-person and customer support in the pet category.

Update on new central warehouse

Development of the group's new central warehouse is progressing as planned. Construction is well under way and the group plans to move into the low-rise part of the site by May 2019. Europris will take over the automated high-bay storage facility in June that year. In accordance with the original plans, however, operations in the high-bay area will not begin until 2020. Europris plans to allow sufficient time for necessary testing while commencing operations at the optimal time, outside peak seasons.

The new central warehouse will facilitate significant further growth in revenue and volumes through increasing the number of pallet spaces by 25,300 from today's figure of 75,400, representing a 34 per cent growth in capacity.

[2] *Artificial Christmas tree, VG, 6 December 2017; Tea light candles, TV2 Hjelper deg, 9 November 2017; Headphones, Vi Menn, no 44/2017.*

FINANCIAL REVIEW

Income statement

Europris group revenues amounted to NOK 5,423 million in 2017 (NOK 5,085 million), up by 6.6 per cent from the year before. The key drivers behind revenue growth were the like-for-like increase of 3.1 per cent for the chain, opening 11 new stores and taking over nine franchise stores.

The group's gross profit was NOK 2,304 million (NOK 2,182 million), an increase of 5.6 per cent. The gross margin was 42.5 per cent, compared with 42.9 per cent in 2016. The margin decrease is mainly explained by an increase in campaign sales, which had a negative effect on the gross margin.

Operating expenses (excluding the cost of goods sold and depreciation) came to NOK 1,669 million (NOK 1,517 million), an increase of 10 per cent. Relative to group revenue, operating expenses were 30.8 per cent (29.8 per cent). Operating expenses (Opex) were affected by an increased number of directly operated stores.

Operating profit amounted to NOK 552 million (NOK 590 million), down by 6.4 per cent from the year before.

Net financial expenses in 2017 came to NOK 42 million (NOK 41 million).

Profit before tax was NOK 510 million (NOK 549 million), down by seven per cent from 2016.

Income tax expense in 2017 was NOK 121 million (NOK 135 million), giving an effective tax rate of 23.6 per cent (24.6 per cent).

Net profit for 2017 came to NOK 390 million (NOK 414 million).

Cash flow

Net cash flow generated from operating activities was NOK 473 million in 2017 (NOK 468 million). The underlying development in net working capital was positively affected by an increase in accounts payable together with VAT and custom duties payable. Net working capital in 2016 was negatively affected by higher inventory levels. Inventory levels stabilised in 2017, despite an increased number of directly operated stores. On a like-for-like basis, inventory per store was reduced. Income tax paid rose by NOK 37 million.

Net cash flow used in investing activities was negative at NOK 128 million (negative at NOK 96 million). Payments related to acquisition of franchise stores increased by NOK 17 million.

Capital expenditure was NOK 103 million (NOK 90 million). The increase reflects an investment of NOK 20 million in land adjacent to the new warehouse in Moss, which was offset by fewer store relocations.

Net cash flow from financing activities was negative at NOK 340 million (negative at NOK 242 million). Cash outflow related to the dividend payment of NOK 334 for 2017 (NOK 234 million) made in the second quarter.

The net change in cash for 2017 was NOK 5 million (NOK 130 million).

Financial position

Cash for the group at 31 December 2017 amounted to NOK 582 million (NOK 577 million). 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 2017 (NOK 0).

Net debt at 31 December 2017 was NOK 1,069 million (NOK 1,071 million). The group is in compliance with all financial covenants.

Equity

Equity at 31 December 2017 was NOK 1,764 million, compared with NOK 1,708 a year earlier, and represented an equity ratio for the group of 38.8 per cent. The increase in equity was made up of the net profit of NOK 390 million for 2017 and the dividend payment of NOK 334 million.

Allocation of profit

Europris ASA (the parent company) posted a profit of NOK 349 million for 2017.

The board proposes the following allocation (NOK million):

Dividend	284
Retained earnings	65
Total	**349**

The Europris group achieved a profit of NOK 390 million in 2017.

The board of directors of Europris ASA have proposed an ordinary dividend for fiscal 2017 of NOK 1.70 per share to the AGM. This amounts to a payout of NOK 284 million. The dividend will take the form of a repayment of paid-in capital to the company's shareholders. It will therefore not be treated as a dividend distribution from a Norwegian tax perspective.

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 pays great attention to 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:

1. market and financial risk
2. operational risk
3. strategic risk.

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

Market and financial 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 follows developments in the market closely 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.
Change in customer behaviour	Change in shopping patterns as a result of digitalisation affecting the group's growth	Europris has developed an e-commerce strategy and increased its investments in and focus on digital channels during 2017. A customer loyalty programme has been launched and an e-CRM system is underway as well as a full e-commerce offering.
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. Point-of-sale (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. Europris will adapt to the GDPR, and the board will conduct a review prior to implementation of the new regulations.
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 entails 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 to 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. This work progressed as planned in 2017, and will remain high on the agenda in 2018.

Viborg Loungeset – one of the bestsellers in 2017

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 18 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. Dedicated and enthusiastic employees are Europris' most important asset. Results from the annual employee survey show positive results and score high for both employee engagement and the employer promoter index.

Europris continued to invest in employee training during 2017. The simulator-based training programmes introduced in 2015 have been further developed with the addition of several new modules. The management training programme has been extended to include store managers and shift leaders at the central warehouse. In addition, a talent programme has been developed to promote internal recruitment of managers.

A key focus area has been to develop and improve HR work in Europris. Kristine Frøberg was appointed HR Director, a new position in the executive management group, in late 2017.

	2017		2016	
	Employees	Full time employees	Employees	Full time employees
Stores	2,283	1,285	1,983	1,178
Head office and distribution centre	353	349	336	329
Total	**2,636**	**1,634**	**2,319**	**1,507**

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

Sickness absence	2017	2016
Stores	7.8%	6.9%
Head office and distribution centre	6.9%	6.3%

A total of 15 injury reports were registered in 2017, but none involved serious injury. All injuries are followed up, as the group strives to ensure a safe working environment.

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 had no women members at 31 December 2017. Europris' ambition is to increase the proportion of women in senior positions.

The group has 2,636 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 or harassment 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.

Natural environment

Europris focuses on efficiency and sustainability in all store operations, in logistics and throughout the supply chain to minimise the enviromental footprint. The group does not pollute the natural 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 natural environment, are described in more detail in a separate section on page 28 of this annual report.

TRANSACTIONS WITH RELATED PARTIES

No significant transactions were conducted with related parties in 2017.

MARKET DEVELOPMENTS AND OUTLOOK

Macro indications for the development of the Norwegian economy are positive for 2018. Oil prices have started to rise, and activity in the economy generally seems to be picking up. However, the housing market has experienced, and may continue to experience, some pressure. On a positive note, interest rates are expected to remain at a relatively low level in the near- and mid-term. The expectation is that real pay will develop positively in 2018, mainly driven by lower inflation.

Europris expects continued growth in long-term revenue and profits, supported by the group's leadership position in a solid market segment.

The group has a healthy pipeline of new stores, with 15 having been approved by the board. Of these, nine are confirmed for 2018. Two are subject to local authority planning processes. The group has no plans to close any stores in 2018.

The measures initiated in response to the execution challenges during the third and fourth quarters are under way. This includes increased central control of volumes and spacing, especially in the periods outside the main seasons. Management expects to see improvements in execution during the year, with the full effect expected from the third quarter of 2018.

The group believes that e-commerce represents a future opportunity, and will continue to invest in digital channels. Management's focus will be on strengthening Europris' marketing through the e-CRM programme as well as launching an online shopping facility with home delivery.

The new warehouse is progressing as planned. In the longer term, management expects to realise efficiencies resulting in a reduction of between 0.5 to one percentage points from today's level in the ratio of operational expenditure to group revenue.

The board emphasises that uncertainty is faced in assessing the outlook.

Fredrikstad, 18 April 2018

THE BOARD OF DIRECTORS OF EUROPRIS ASA

Tom Vidar Rygh
Chair

Claus Juel-Jensen

Hege Bømark

Christian W Jansson

Bente Sollid Storehaug

Tone Fintland

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).

Tone Fintland has many years of experience as a director in the pharmaceutical industry. She has functioned since 2016 as global procurement director at TEVA Pharmaceuticals, and has previously held similar positions in the Actavis Group and Alpharma Inc. In addition, Fintland is a vice president of NIMA, chairperson of NIMA Oslo Akershus Affiliate and a director of NIMA Utdanning AS. She holds a Bachelor in Business Administration from the BI Norwegian Business School.

Carl Christian Westin Jansson is chair of Collodial Resources AB and Random Walk Imaging AB and a director of Europris ASA, Carl Westin AB, Excillum AB, Frögurka AB and Accumbo Medical 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 Wizaly Nordic. She is an adviser on data-driven attribution and personalization technologies, and a serial entrepreneur.
Member of the executive boards of Polaris Media, Hafslund, Europris and Eika Gruppen.
She is also chairman of Boostcom Group and Hitch. Storehaug has been member of the several policy advisory boards for ministers 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.

Claus Juel-Jensen has been the CEO of Netto International since 2005-16 and has extensive experience in the discount retail business. He holds an MBA and MSc from the Copenhagen Business School, and the rank of captain in the Royal Danish Guard.
In addition, Juel-Jensen is a director of DanskReturSystem AS and has previously been a director of Netto and DanskSupermarked AS.

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 2017. 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 emphasises 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. 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.

In order to promote openness and transparency, Europris has also put in place whistleblowing routines through an external provider which allows employees to notify any misconduct or discrepancies properly and safely.

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 28 in the 2017 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 2017 of a network of 250 stores throughout Norway. Of these, 205 are directly owned by the group and 45 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 and main strategies are further discussed in the directors report on page 10.

Deviations from the code: None.

3. EQUITY AND DIVIDENDS

Equity

At 31 December 2017, the group's equity totalled NOK 1,764 million, which corresponded to an equity ratio of 38.8 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 2017, the board will propose a dividend of NOK 1.70 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 23 May 2017 granted two separate mandates to the Europris board. Both mandates are valid until the next AGM in 2018, but in any event no longer than to 30 June 2018.

- » 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 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 that 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 used as consideration shares with regard to 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 2017.

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 2017 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 2017 AGM is scheduled for 23 May 2018.

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 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 2017:

» Sverre Leiro (chair)
» Mai-Lill Ibsen
» Tom Rathke

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 by mid-March 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 2017, 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.

Share ownership

An overview of shareholdings in Europris by individual directors can be found in note 18 to the 2017 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 are 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 operations, economic position and financial status. The board will also be kept continuously informed of any material legal disputes, contract terminations, changes

Name	Postion	Served since	Up for election
Tom Vidar Rygh	Chair	2012[1]	2019
Carl Christian Westin Jansson	Director	2012[1]	2019
Bente Sollid Storehaug	Director	2015	2019
Hege Bømark	Director	2015	2019
Tone Fintland	Director	2017	2019
Claus Juel-Jensen	Director	2017	2019

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

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 2017, with two conducted by telephone. The overall attendance rate at board meetings was 94 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. They are responsible only to the board as a whole and 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, auditing and finance. 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 2017, with an overall attendance rate of 93 per cent. The following were members of the audit committee at 31 December 2017:

» 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 2017, with an attendance rate of 100 per cent. The following were members of the remuneration committee at 31 December 2017:

» Tom Vidar Rygh (chair)
» Bente Sollid Storehaug
» Tone Fintland

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 to measure performance against in order to ensure that the evaluation is an effective tool.

An evaluation of this kind was last conducted in January 2018.

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 the group's internal control routines, including identified weaknesses and areas subject to improvements, for review by the committee.

The board works to a plan which ensures that all the various areas of the operations 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 January 2018. 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 that 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 2017.

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 legal & CSR director is responsible for conducting unbiased, complete audits of the group's compliance programme, including guidelines for anticorruption, 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 2017 will be proposed to the AGM in 2018 for approval.

Directors' fees at 31 December 2017 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 2017 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 insurances, 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 and other senior executives, can be found in note 7 to the financial statements included in the 2017 annual report.

Deviations from the code: None.

13. INFORMATION AND COMMUNICATIONS

Investor relations

Investor relations 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 in March 2017. 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 manager 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.

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. TAKEOVERS

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 a 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 presents 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 on condition 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 6 in the 2017 financial statements.

Deviations from the code: None.

The seasonal store of Norway

Sustainability in Europris at a glance

Our objectives	What we do	How we perform	Our goals and ambitions
We help customers pay less and save more	We work actively on sourcing products and the expansion of retail networks to provide low-priced quality products to customers all over Norway, and seek to enable customers to make greener choices where possible	We opened 11 new stores in 2017 to bring the total to 250. A push was also made to improve the quality of sourced products and to strengthen safety routines in partnership with the SGS product testing lab in Shanghai	We will work to expand our store network to bring products closer to customers – shortening travel distances to the benefit of local communities and the environment. Efforts are also being made to raise product quality and safety in order to reduce complaints, claims and returns in order to help meet the 12th UN sustainable development goal (SDG) on responsible consumption.
Protecting more of the environment	We maintain a focus on efficiency and sustainability in all store operations, in logistics and throughout the supply chain to minimise our environmental footprint	We were awarded a B score by the CDP, a solid performance well above the industry average. Efficiency gains have been achieved for waste and energy, reducing total emissions by 23 per cent since 2014. Logistics are also being improved by opting for more freight transport with lower emissions	We are close to achieving our energy intensity goals and aim to improve both energy and waste systems further in 2018. A new project will investigate prospects for using electric vehicles for transport between shipping ports and the main warehouse in Moss (from 2019). Our overall aim is to contribute to UN SDGs 13 on climate action, and 15, concerning life on land
Giving back to employees and society	To us, giving more to employees and society means fostering inclusive, safe and constructive workplaces to grow local communities, both in relation to retail operations and in the supply chain	With our belief in giving everyone a chance, we have expanded our cooperation with NAV to help even more people develop constructive careers. Work has also been done to make sourcing operations more sustainable through extensive training of all procurement staff	We aim to improve employee satisfaction and grow the Europris family, support local community initiatives and provide workplace training through NAV. We are also continuing our efforts to ensure supply chain compliance with ethical guidelines in order to contribute to more social equality and the eighth UN SDG of decent work and economic development

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.

Europris celebrated its 25th year by opening 11 new stores, bringing its total to 250 in Norway. With a rapidly expanding market, the group is conscious that it plays an increasingly noticeable role in relation to people's everyday lives and needs. And 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.

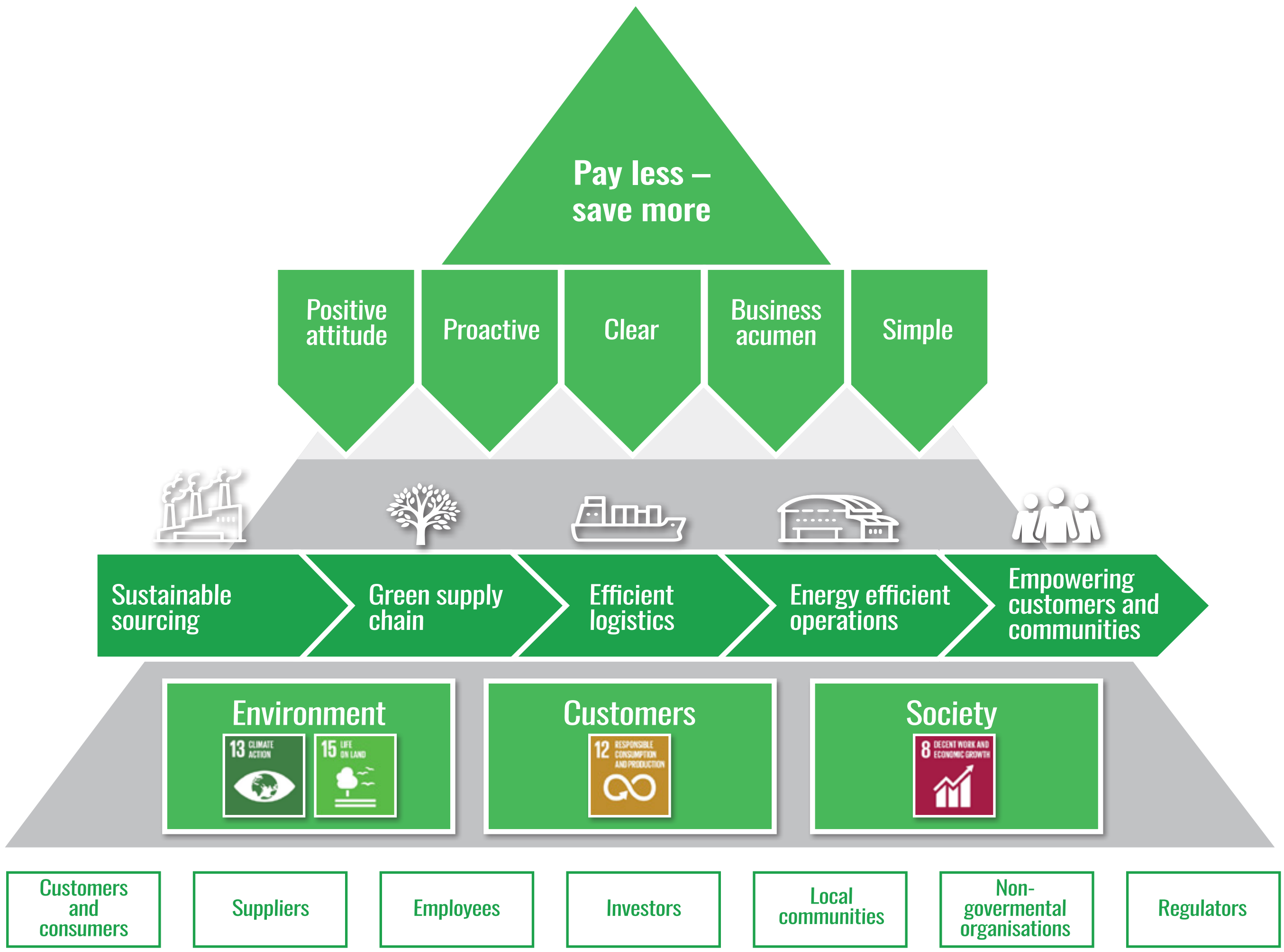
Growth inevitably creates a somewhat larger environmental footprint. In a world where the climate is rapidly changing and natural resources are under increasing pressure, remaining conscious of the common responsibility we all share for our planet is more important than ever. In 2015, the global community 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 (SDGs), dealing with a wider range of global issues which include human rights, good governance, peace and stability. Achieving these will require a concerted effort by 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 which are material to the core business of a discount variety retailer. Europris therefore initiated a process during 2016 to prioritise topics and to improve sustainability reporting and performance management. The following topics are priority areas for ensuring appropriate and sustainable development.

Europris manages sustainability to turn risk into opportunity

The model below highlights how Europris' business model and value chain incorporate many input factors and stakeholders to deliver on the group's promise to customers: "pay less – save more". These relationships contain many opportunities for growth and expansion. Unless tended correctly, however, they might also represent major risks and negative impacts. Europris therefore believes that meeting the future in a conscious and sustainable way will be part and parcel of creating long-term value and returns for all stakeholders. To best manage this, three key priority areas have been defined as the backbone of the group's work to manage sustainability issues and turn risks into opportunities.



Customers bring life to Europris. By building positive and constructive customer experiences, the group is able to create a lasting relationship and mutual gain. This means keeping in mind the safety, health and preferences of customers at all times, leveraging Europris' agile business model, and conducting sourcing operations which allow it quickly to meet new demands and react to new environmental risks.

Society provides the context which Europris operates in. By contributing as a responsible and caring partner, the group can give back to its surroundings while strengthening itself. This is especially true in relation to employees and to smaller communities where Europris forms an important part of the social fabric. The group is also connected globally through its sourcing operations and, in order to create real value, must also play its part in ensuring that its good working standards are applied wherever possible by its partners in other countries.

Environment embraces everything which sustain us. Fields of flowers in Norway, rain forests in Indonesia or rivers in China are all essential for providing food, raw materials or locations for stores. If taxed too hard by extraction or changing climate, however, these ecosystems will break down. Europris therefore believes in minimising the environmental footprint of its supply chain. This benefits the planet while minimising reputational or regulatory risk related to unsustainable use of materials.

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 increasing its relevance and standing among all stakeholders.

Pay less – save more

Europris' core strategy is to continue solidifying 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 ones. 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 to 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. Through its wide presence across Norway, not only in cities but also in smaller communities, Europris allows customers to access these products where they live and thereby makes 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.

Europris continued to expand its network of stores to new locations throughout Norway in 2017, setting up 11 stores in such places as Gran, Rælingen and Brekstad. The group also celebrated its 25th birthday during the year, together with its enthusiastic employees. This occasion was also marked by the opening of store number 250 in Øvre Årdal, hailed by CEO Pål Wibe as an important step in bringing quality goods closer to consumers in every part of Norway.

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. In additon, Europris focuses 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 that the risk of hazardous substances in violation of the EU's Reach regulation is limited. 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 merchandise is carefully tested in the group's own laboratory to ensure the safety and quality of the products it sells. These extensive checks cover such factors as product labelling, contents, net weight, microscopic measurements and refractometric analyses, and results are compared with Europris' own requirements and the Codex product standard. This procedure is carried out for all new products, which should also be covered by additional documentation on all ingredients, origins and analysis certificates to demonstrate that they contain no genetically modified organisms (GMOs), mycotoxins, histamine or other undesirable substances.

Its dedication to quality and safety means that Europris is confident 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 2017

To ensure the most efficient application of tests, Europris implemented a new system for product information management (PIM) in 2017 to monitor product risk and safety better and to enhance the communication of product information to its customers. This allows for more targeted testing and increases consumer protection, while reducing the total amount of testing by 30 per cent (down from 1 845 tests to 1 314) in line with the group's principles of effective and cost-efficient operation. The testing follows the approach taken by British Retail Consortium (BRC) for monitoring risk in different product groups. To ensure the highest safety standards, Europris has added its own red category for toys and electronic products, which are considered to require additional safety testing. New routines will improve product quality and detect critical errors earlier in the purchasing process.

To further minimise risk and ensure quality and safety, the testing regime will also be expanded to the procurement function. Europris has therefore started a collaboration with SGS, a Shanghai-based inspection, testing and certification company, which has carried out more than 300 product tests ahead of procurement.

Only a handful of cases where products did not comply with health and safety standards were registered in 2017. One of these, which received some media attention, concerned a line of slippers where the Norwegian Environmental Agency found traces of a prohibited substance. However, the slippers were surplus stock dating from before the relevant regulations came into force in 2009, and Europris quickly responded by removing the remaining merchandise from its stores. The other example related to the recall of a stove fan after the Europris consumer quality department uncovered a fault in the electronics which could have posed a fire hazard. While unfortunate, this nevertheless displays the ability of the Europris system with regard to testing and responding to ensure consumer safety.

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. This year's survey shows that a growing number of customers recognise Europris as a place with good products at reasonable prices. Consumers also increasingly appreciate Europris as a seasonal store, which offers a large variety of merchandise. It has traditionally lagged behind for "perceived product quality" but this has seen steady improvement over the past four years as a particular priority area, and Europris will work to maintain this progress.

Ambitions and goals

Europris' ambition is to ensure that all its merchandise conforms with 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 lifetimes with the aim of minimising the number of complaints and refunds.

Development of the testing and assurance system will also continue, with even more products being tested by SGS in Shanghai to ensure optimal quality.

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


HYUNDAI
Europris
Jeg er
Europris

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.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

15 LIFE ON LAND

13 CLIMATE ACTION

In this respect, Europris is seeking to contribute to three of the UN's SDGs. Where number 15 – life on land – is concerned, this particularly involves measures to prevent harmful pollutants as well as substances and materials from unsustainable forestry or agriculture, while number 13 on climate action is being pursued through Europris' work to reduce greenhouse gas (GHG) emissions and to promote new technology and low-emission solutions. Finally, its sustainable sourcing operations seek to contribute to goal 12 on responsible consumption and production by promoting resource and energy efficiency and the principle of giving the group's consumers "more and better with less".

Efficient operations and logistics

Europris' direct environmental footprint relates mainly to 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 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 priority 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.

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

The group aims to improve energy efficiency, and maintains state-of-the-art technical systems for monitoring energy consumption. Its headquarters in Fredrikstad and its logistic centre have both achieved Eco-Lighthouse (Miljøfyrtårn) certification and thereby set a standard for sustainable operation which should be achieved by all its stores and warehouses. The certification was revised during 2017, with satisfying results for both locations.

Eco-lighthouse®

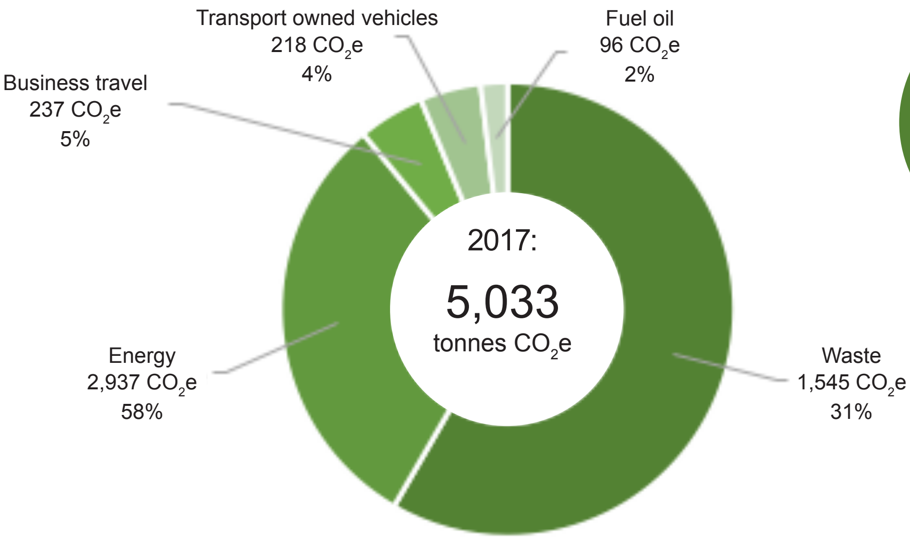
All stores also have waste handling and separation routines to limit excessive waste and promote recycling in day-to-day operations. Waste from excessive packaging is also limited through guidelines which all suppliers and carriers must comply with. Europris is a member of Grønt Punkt Norge AS (Green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

GRØNT PUNKT

RENAS

Actions and results in 2017

In order to achieve its environmental strategy objectives in the best possible way, Europris needs to measure and assess its emissions and environmental impact accurately. This is done in partnership with Cemasys, which collects data on energy use and calculates its carbon emission equivalent (CO_2e) in accordance with the GHG protocol in order to provide a detailed overview of total emissions. Europris' emissions come mainly from direct energy use and waste management, and to a lesser extent from business travel, transport and fuel. The group always adopts a proactive stance, and has thereby taken teps to help reduce GHG emissions through energy efficiency measures in all its stores. This work has so far proved a resounding success.



The overall carbon footprint measured by carbon equivalent was 5,119 in total in 2016.

A reduction of as much as 13 per cent in total direct electricity use has been achieved through a collaboration with energy consultant Entro. This cooperation has also been further extended to include waste management with the aim of improving the recycling rate from today's 64 per cent to meet a goal of 75 per cent through efficient monitoring and best-practice learning. Europris also routinely works on improving logistics and business travel practices to limit emissions. Taken together, these efforts have achieved an overall reduction of 23 per cent in total emissions since 2014, despite 30 additional stores being opened during the period.

CDP
DRIVING SUSTAINABLE ECONOMIES

To contribute to climate action, Europris reports annually to the CDP – an international initiative for enterprises which seek to disclose and address the climate footprint of their operations. It received a prize in 2016 for best newcomer, with a score of A-. Despite the CDP implementing more stringent demands and grading in 2017, Europris still repeated its success last year with a score of B. Although slightly lower than in 2016, this still places the group at the head of the pack in the retail market, where the average score is a C.

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 action 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 a significant proportion of the goods by sea. On land, Europris relies on new, low-emission goods vehicles to help limit its environmental impact. A new initiative has also been launched to make more use of rail transport. At 1 February 2018, Europris will replace all road freight from Italy with train transport and open a new rail connection from the central warehouse in Fredrikstad to stores in the Bodø region which will significantly cut transport costs and emissions.

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 2019-20, this facility will improve logistics and thereby limit Europris' overall environmental footprint.

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 with Entro to reduce waste from store operations and aims to promote recycling through improving waste handling and separation routines and through implementing best practice to ensure that at least 75 per cent of all waste is recycled.

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. A new project will be launched in 2018 to investigate the prospects for using electric vehicle alternatives for all transport between shipping ports and the main warehouse in Moss, which will be in use from 2019.

Green supply chain

While retailing does not directly use significant natural resources compared with other industries, product supply chains certainly do. The way suppliers or manufacturers operate can have 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. Instead, it 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 2017. 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.

Europris also provides separate packaging guidelines for all its suppliers, specifying requirements for the type, amount and method of packaging. These are designed to minimise waste and energy use for transport.

Actions and results in 2017

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, the group also seeks to stay on top of trends and minimise future risk by monitoring developments relating to sustainable raw materials and sourcing.

Europris set to contribute to plastic bag fund

The harmful effects of plastics have received increasing attention in recent years, since the UN and a range of NGOs began highlighting the massive environmental impact of plastic waste on a global basis – to the point where the EU now has declared a "war on plastic waste". In a society and with global production which are heavily dependent on plastics to produce the goods used in our daily lives, change will not be achieved overnight. Suitable and cost-efficient alternatives will take time to develop and implement.

However, Europris still wants to contribute where it can. In addition to handling plastic waste from stores and its membership of Grønt Punkt Norge, Europris will therefore join the newly established Norwegian Business Environmental Fund. Starting in 2018, this will collect a fee of NOK 0.50 for each plastic bag sold by its members, which will be used to counter plastic waste both locally and globally. It will thereby act as a Norwegian equivalent to the EU's plastic bag directive. In this way, Europris can also help the war on plastic waste outside its own organisation and make the world a greener place.

In 2016, this allowed Europris to respond quickly to the public outcry over the negative impact of palm oil production. The group continues to monitor this position in order to find new ways of removing unsustainable palm oil from its products. Such sustainability work will help to limit deforestation and protect critical natural habitats.

In order to be as pre-emptive as possible when operating in less regulated areas, such as China, all procurement staff have received training on sustainability issues and risks. This will help them to choose products which comply with Norwegian regulations and Europris' own standards for quality, safety and sustainability.

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.

Work will continue during 2018 on a system which can identify any potential red flags in ensuring that the supply chain becomes more sustainable. This will also provide input for a new policy on sustainable materials, which will be integrated into Europris' procurement guidelines. The aim is to enhance the promotion of sustainability in all sourcing and thereby raise the overall share of certified suppliers. Continued training and development of purchasing staff will also be a key approach for improving work 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 them sustainable quality alternatives wherever possible. The group's sourcing function therefore makes active efforts to find products which will allow consumers to make sustainable decisions while ensuring a low price. Similarly, dedicated work to raise product quality will provide longer product lifetimes and thereby cut waste and reduce the overall environmental impact of the group's customers. To help with this, Europris 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 2017

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. The catalogue of environment-friendly products has also been expanded in 2017, with biodegradable products making up an even larger portion of the stock than before. All Europris' Q-tips, for example, are now made from biodegradable paper. New plates and cutleries in biodegradable material have also been introduced, helping to avoid unnecessary plastic waste for a more sustainable summer picnic. In addition, Europris is 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.

Light a candle – for the environment?

More efficient and longer-lived products allow customers to reduce their overall environmental footprint. A good example is LED lighting, which reduces electricity consumption by as much as 25 per cent and has a lifespan 25 times longer than a conventional lightbulb.

Europris is also offering another sustainable illumination option in 2018. A large consumer test has shown that tea candles, one of the most popular products offered by Europris, have a significantly longer burn time than candles sold by other retailers. That makes them more environment-friendly. They also emit lower levels of black soot, and are therefore better for interior air quality and consumer health.

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. In particular, efforts will be made to restrict and replace products containing microplastics. These were shown during 2017 to have a range of harmful effects on marine life and ecosystems. 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 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 help to improve the lives of all its stakeholders. In its contact with society through its sourcing and retail operations, Europris seeks to contribute to the eighth UN SDG on decent work and economic growth – particularly by upholding ethical guidelines and International Labour Organisation (ILO) requirements for all employees, both internally and at suppliers.

8 DECENT WORK AND ECONOMIC GROWTH

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 accorded them by labour law and regulations, and are paid in accordance with the current collective agreement between the Confederation of Norwegian Enterprise (NHO) 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 (read more about this in the box headed Europris believes in the best in everyone).

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 has an ambition to increase the proportion of women in management positions, and a policy has been introduced that a female candidate must be included in the final assessment for all senior and middle management positions.

KIRKENS BYMISJON

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. A close partnership is maintained with the City Mission of the Church of Norway (Kirkens Bymisjon), with the group making significant annual financial contributions to the work of improving conditions for those in need. These funds are devoted primarily to social and humanitarian initiatives in Bergen, Fredrikstad, Oslo and Stavanger.

Actions and results in 2017

A key focus in 2017 has been to develop and improve HSE and HR work in Europris, where a landmark has been the hiring of a new dedicated HSE Director, Kristine Frøberg. She joined the executive management group at 1 January 2018 with the task of continuing the good work in the areas listed below.

One of society's current challenges is to reduce sickness absence among workers. Europris has seen that this remains stubbornly above the desired level, including in 2017. However, the group wants to play a leading role in reversing this trend through offering extensive individual follow-up of employees through its HR department and through working solutions which are better tailored for and adapted to employees facing health issues. A new and improved digital approach has been 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 sound diet which can enable its employees to lead healthy working lives.

In line with the group's values, all Europris employees should have the scope to thrive and feel good about their work. A consumer satisfaction survey is therefore used to identify what employees feel about their workplace, how they are motivated, and how to deal with such issues as conflict and workplace bullying. The results of this survey have risen in recent years to reach a high overall level of employee satisfaction. Overall results for 2017 were on par with the 2016 level. More than 70 per cent of employees are now categorised as "ambassadors" – personnel who identify strongly with the Europris brand, who speak fondly of their workplace, and who are dedicated to achieving collective success. Only four per cent of employees report that they are "frustrated", the lowest satisfaction category, down from five per cent in 2016. This is also reflected in job applications, where Europris remains 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 2017, 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, where more than 4 200 hours of training were logged in 2017. 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.

Local community initiatives have also been promoted actively by Europris in a new and innovative way during 2017 through cooperating with the Spond mobile application. This provides a service for organising local initiatives such as sports teams, marching bands and other groups. It has more than 200 000 active users, 80 per cent of them parents who actively back such initiatives. All Spond members shopping at Europris will now receive a Spond cashback payment of two per cent of their total purchases, which passes to their organisation. In this way, the application allows Europris to partner directly with the local community in creating added benefit for all.

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.

Europris believes in the best in everyone

While unemployment is generally low in Norway today, many people still fall outside the world of work for various reasons. This issue is particularly pressing for young people, who are just at the start of their working lives. With the proportion of youth unemployment rising, this is rapidly becoming one of society's biggest challenges. Similarly, workplace integration of the many refugees who have come to Norway in recent years is one the most important ways they can be helped to learn about, engage with and integrate in Norwegian society.

Europris believes in the best in everyone, and thinks everyone should have a chance. To help put this into action, the group has maintained a long-standing collaboration with the Norwegian Labour and Welfare Service (NAV) to facilitate job training and experience for people seeking a way back into working life. Through this activity, the group has learned that everyone has a value and a potential. The majority of those concerned thrive in their jobs, and a large number also continue to build long careers in the Europris family.

A welcome example can be found in the group's Drøbak store, for instance, which has helped young people in the local community to gain workplace experience. It has also hosted several refugees to help them develop their Norwegian language skills and acquire cultural understanding. Some of these placements have also resulted in permanent hires, demonstrating how Europris can help to reward people making a good effort.

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 – thereby 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.

Europris regularly reviews and tests 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.

In order to promote openness and transparency, Europris has also put in place whistleblowing routines through an external provider (BDO) so that employees can notify any misconduct or discrepancies properly and safely. This helps Europris to identify problems and get better at implementing constructive solutions and measures.

Actions and results in 2017

Europris' ethical guidelines have been implemented during 2017 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. Europris has also started work on a new training module in its Staff simulation programme, which will allow all employees to undergo extensive training in compliance, anti-corruption and ethical trading.

Ambitions and goals

Europris will continue to focus on internal routines for ethical business conduct in 2018, and on implementing the new training module for its employees. The group will also work to maintain a large number of own supplier audits and reviews to ensure that all systems work in accordance with Europris' ethical guidelines.

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 Ethical Trading Initiative Norway

This code has been developed in cooperation with the Ethical Trading Initiative (ETI), and contains requirements based on the 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 2017

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.

A large proportion 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.

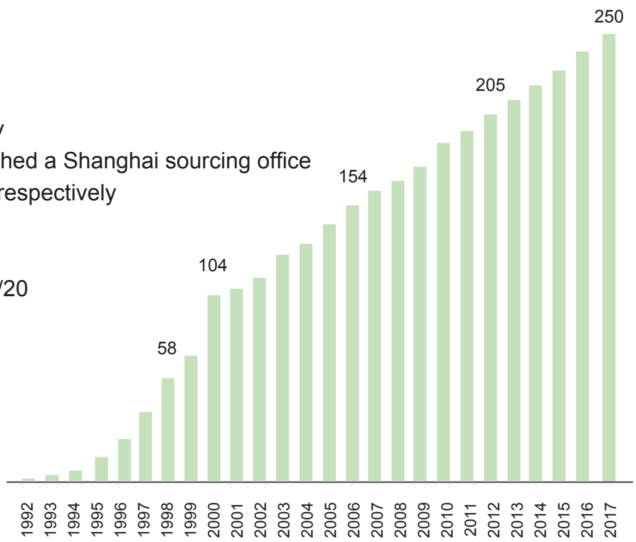
Ambitions and goals

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 related to securing better selection and certification of its suppliers and to eliminate negative social impacts from the supply chain.

CELEBRATING 25 YEARS OF GROWTH

The Europris adventure kicked off in May 1992 with the opening of the chain's first store. Low prices, attractive bargains and a wide range have served as its backbone since day one. Now, 25 years later, the chain has become an integrated sourcing and retail group and can look back on a quarter-century of continuous growth. To round off a milestone year in the group's history, the chain celebrated the opening of its 250th store.

1992	Wiggo Erichsen founded Europris 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
2006	Europris passed a new milestone with 150 stores in Norway
2007	Europris opened central warehouse in Fredrikstad, Norway
2012	Nordic Capital acquired Europris
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
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
2017	Celebrating 25 years of growth and the opening of store number 250



Preparing for further growth

New store openings

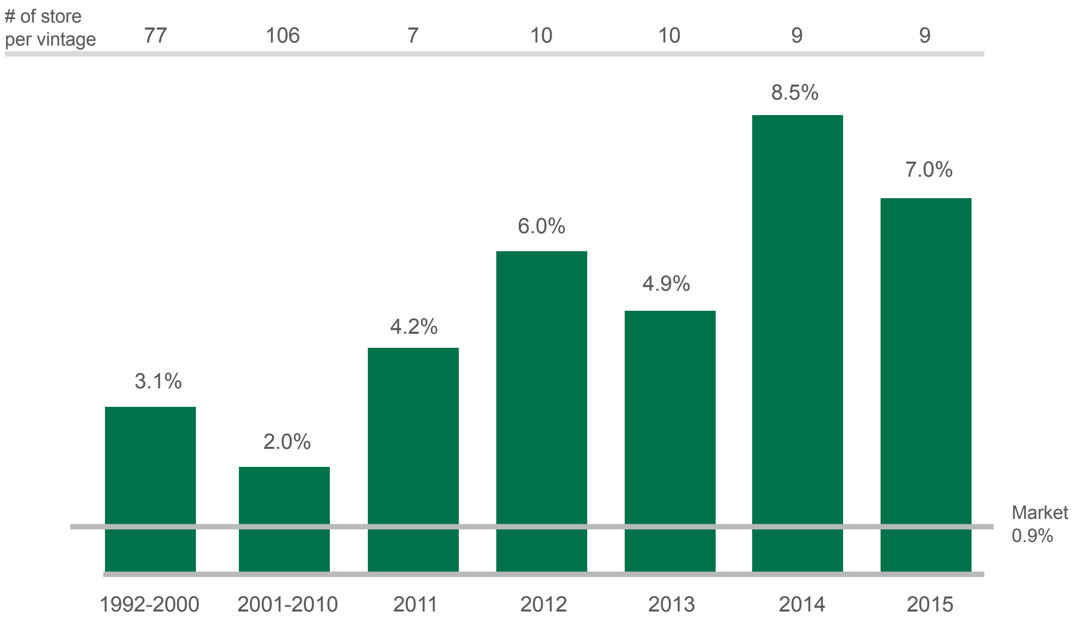
Europris has a healthy pipeline of new stores with nine already confirmed for 2018 and seven for the years beyond. New stores, together with category and concept development, will be important elements in the group's growth strategy for the years to come.

New stores are subject to strict investment criteria, the results of which are reviewed by the board of directors prior to approval. Each year, the group evaluates the actual performance of its new stores against the group's initial expectations in order to facilitate continuous learning and improvement in the process of new store selection.

The latest store vintages continue to perform well and to demonstrate solid growth. It normally takes four to five years for new stores to mature.

The team in the 250th store in Øvre Årdal.

2017 LFL growth by store vintage (years represents time of opening)



New central warehouse

On 5 July 2016, Europris announced its decision to move to a new central warehouse in Moss Næringspark in the latter half of 2019. The new central warehouse solution will provide Europris with the foundation for cost-efficient growth. The group has secured a long-term lease from Fabritius Gruppen AS, which will own the new warehouse and be responsible for its construction.

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

Development of the group's new central warehouse is progressing as planned. Construction is well under way and the group is planning to move into the low-rise part of the site in May 2019. Europris will also take over the automated high-bay storage facility in June that year. In accordance with original plans, however, operations in the high-bay area will not begin until 2020. Management plans to allow sufficient time for necessary testing while also commencing operations at the optimal time outside peak seasons.

The new central warehouse will facilitate significant further growth in revenue and volumes through increasing the number of potential pallet spaces by 25,300 from today's figure of 75,400, representing a 34 per cent growth in capacity.

Four of the existing warehouses will be vacated when their respective leases expire in 2019. That relates to the occupation of the low-rise part of the site in May that year. The group's present central warehouse, located at Øra in Fredrikstad, will be vacated in 2022 when its lease expires. The group plans to explore opportunities to sublet parts or all of the facility at Øra during the final two years of the lease.

Management expects the new central warehouse to contribute to significant efficiencies in warehouse operation and general efficiencies in logistics. In addition to the automated high-bay storage facility, the group plans to introduce automated picking stations in the low-rise part of the site. Specifically, the group expects to realise savings in total rental expenses as well as efficiencies in transport and operation, resulting in a reduction of 0.5 to one percentage points from today's level in the ratio of operational expenses to group revenue over the longer term (assuming the normal course of business).

The move to the new warehouse will involve a transitional period, specifically in 2019 and 2020, when additional costs will be incurred.

The new central warehouse (illustration)

CONTENT

EUROPRIS ASA GROUP 2017

CONSOLIDATED INCOME STATEMENT

Figures are stated in NOK 1,000	Note	2017	2016
Revenue	5	5,329,467	4,980,625
Other income	5	93,063	104,580
Total operating income		**5,422,530**	**5,085,205**
Cost of goods sold (COGS)	16	3,118,345	2 903,030
Employee benefit expenses	6,7,8	826,847	752,498
Depreciation	12,13	82,690	75,089
Other operating expenses	6,9,13	842,641	764,590
Total operating expenses		**4,870,523**	**4,495,207**
Operating profit		**552,007**	**589,998**
Interest income	10	4,080	4,679
Other financial income	10	53	284
Total financial income		**4,133**	**4,963**
Interest expense	10	37,880	39,085
Other financial expense	10	7,935	6,930
Total financial expense		**45,815**	**46,014**
Net financial income (expense)		**(41,682)**	**(41,052)**
Profit before tax		**510,325**	**548,946**
Income tax expense	11	120,526	135,285
Profit for the year	14	**389,799**	**413,661**
Earnings per share (basic and diluted)	14	**2.33**	**2.48**
Consolidated statement of comprehensive income			
Profit for the year		389,799	413,661
Other income and expense		-	-
Total comprehensive income for the year		**389,799**	**413,661**

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

CONSOLIDATED BALANCE SHEET

Figures are stated in NOK 1,000	Note	31-12-2017	31-12-2016
ASSETS			
Non-current assets			
Intangible assets			
Software	12	42,617	39,929
Trademark	12	387,573	387,573
Goodwill	12	1,599,106	1,589,402
Total intangible assets		**2,029,297**	**2,016,904**
Fixed assets			
Land	13	20,481	-
Fixtures and fittings	13	252,059	246,377
Total fixed assets		**272,540**	**246,377**
Financial assets			
Other investments		374	374
Other receivables	15,21	24,008	1,808
Derivatives	15,20,21	794	51
Total financial assets		**25,175**	**2,234**
Total non-current assets		**2,327,012**	**2,265,515**
Current assets			
Inventories	16	1,368,361	1,324,103
Trade and other receivables			
Trade receivables	15,21	207,755	203,346
Other receivables	15,21	61,343	59,089
Derivatives	15,20,21	2,243	7,450
Total trade and other receivables		**271,342**	**269,885**
Cash	17,21	581,663	576,964
Total current assets		**2,221,366**	**2 170 952**
Total assets		**4,548,378**	**4,436,467**

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

CONSOLIDATED BALANCE SHEET

Figures are stated in NOK 1,000	Note	31-12-2017	31-12-2016
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	18	166,969	166,969
Share premium	18	335,499	669,437
Total paid-in capital		**502,468**	**836,406**
Retained equity			
Other equity		1,261,765	871,966
Total retained equity		**1,261,765**	**871,966**
Total shareholders' equity		**1,764,233**	**1,708,372**
Liabilities			
Non-current liabilities			
Provisions			
Deferred tax liability	11	48,250	45,575
Total provisions		**48,250**	**45,575**
Other non-current liabilities			
Borrowings	19,21	1,648,567	1,646,874
Derivatives	20,21	2,213	1,272
Total other non-current liabilities		**1,650,780**	**1,648,146**
Total non-current liabilities		**1,699,030**	**1,693,721**
Current liabilities			
Borrowings	19,21	-	-
Accounts payable	21,22	580,795	555,651
Tax payable	11	116,767	145,446
Public duties payable	22	205,279	149,167
Other current liabilities	21,22	179,563	183,849
Derivatives	20,21	2,712	261
Total current liabilities		**1,085,116**	**1,034,373**
Total liabilities		**2,784,145**	**2,728,095**
Total equity and liabilities		**4,548,378**	**4,436,467**

Fredrikstad, 18 April 2018

THE BOARD OF DIRECTORS OF EUROPRIS ASA

Tom Vidar Rygh
Chair

Bente Sollid Storehaug

Claus Juel-Jensen

Hege Bømark

Tone Fintland

Christian W. Jansson

Pål Wibe
CEO

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Figures are stated in NOK 1,000	Share capital	Share premium	Retained earnings	Total
Equity 01.01.2017	**166,969**	**669,437**	**871,966**	**1,708,372**
Profit for the period	-	-	389,799	389,799
Dividend	-	(333,938)	-	(333,938)
Other comprehensive income	-	-	-	-
Equity 31.12.2017	**166,969**	**335,499**	**1,261,765**	**1,764,233**
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**

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 specific conditions.

CONSOLIDATED STATEMENT OF CASH FLOWS

Figures are stated in NOK 1,000	Note	2017	2016
Cash flows from operating activities			
Profit before income tax		510,326	548,946
Adjusted for:			
– Depreciation fixed assets	13	66,062	59,772
– Depreciation intangible assets	12	16,628	15,317
– Unrealised (gain) and loss on derivatives	10,16	(1,186)	2,244
– Net interest expense exclusive of change in fair value of derivatives	10	33,252	32,163
Changes in net working capital			
(exclusive effect of acquistions and inclusive of translation differences):			
– Inventory		4,076	(178,837)
– Accounts receivable and other short-term receivables		(43,304)	12,657
– Accounts payable and other short-term debt		68,755	121,596
Cash generated from operations		**654,608**	**613,858**
Interest paid	10	(36,146)	(37,019)
Income tax paid	11	(145,832)	(108,772)
Net cash generated from operating activities		**472,630**	**468,067**
Cash flows from investing activities			
Purchases of fixed assets	13	(83,880)	(75,433)
Purchases of intangible assets	12	(19,316)	(14,502)
Acquisition of franchise stores		(28,403)	(11,229)
Interest received	10	4,080	4,679
Net cash used in investing activities		**(127,519)**	**(96,485)**
Cash flows from financing activities			
Repayment of debt to financial institutions		(6,475)	(7,978)
Dividend		(333,938)	(233,756)
Net cash from financing activities		**(340,413)**	**(241,734)**
Net decrease/increase in cash		**4,699**	**129,848**
Cash at beginning of year (01.01)		**576,964**	**447,116**
Cash at end of year (31.12)		**581,663**	**576,964**

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 2017.

The board approved the consolidated financial statements on 18 April 2018.

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 amount 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%
Hillevåg Lavpris AS	100%
Ålgård Lavpris AS	100%
Sandnes Lavpris AS	100%
Bogafjell Lavpris AS	100%
Kleppelundsveien Lavpris AS	100%
Førde Lavpris AS	100%

The Kvala Lavpris AS, Lyngdal Lavpris AS, Orkanger Lavpris AS, Nordfjordeid Lavpris AS, Vikaleirane Lavpris AS, Sandane Lavpris and Vinstra Lavpris AS companies were all acquired in 2016 and merged with Europris Butikkdrift AS at 1 January 2017.

The Bjugn Lavpris AS, Ørsta Lavpris AS and Brattøra Lavpris AS companies were acquired and merged with Europris Butikkdrift AS with effect from 1 January 2017. All mergers have been accounted for as business combinations under common control implying continuity of group values.

Hillevåg Lavpris AS, Ålgård Lavpris AS, Sandnes Lavpris AS, Bogafjell Lavpris AS, Kleppelundsveien Lavpris AS and Førde Lavpris AS were acquired in 2017 and will be merged with Europris Butikkdrift AS with effect from 1 January 2018.

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.

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 in the discount variety retail sector which sell 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.

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 related 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
Land	Not depreciated

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.

This applies to Europris as a lessee.

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 trademarks 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

» the 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 and 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" 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. The group does not use hedge accounting.

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 contractual retirement scheme. The contractual retirement scheme is effective from 1 January 2011 and is deemed to be a defined benefit collective arrangement, but 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 2017, and have not been applied in preparing these consolidated financial statements.

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. IFRS 9 do not have a significant effect on the consolidated financial statements for the group.

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 has assessed the effects of applying IFRS 15 and this standard do not have a significant effect on the consolidated financial statements for the group.

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. IFRS 16 replaces IAS 17, IFRIC 4, SIC 15 and SIC 27. IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, since the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rent are recognised. The only exceptions are short-term and low-value leases.

The standard will primarily affect the accounting for the group's operating leases. Operating lease payments in 2017 amounted to NOK 456 million. When applying IFRS 16 this amount would have been transferred from other operating expenses to depreciation and other financial expenses. Note 13 in the financial statements gives information on the lease commitment at the reporting date. The group has signed a 15-year lease for the new central warehouse, which will be in operation from May 2019. In addition, the opening of new stores and franchise takeovers will increase the group's operating leases in the years to come.

The group is assessing the impact of IFRS 16, but has not yet assessed what other adjustments, are necessary because of the change in the definition of the lease term, for example, and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the group's future profit or loss and classification of cash flows. IFRS 16 is expected to have a significant effect on the consolidated financial statements for the group, with a negative effect on equity ratio.

IFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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. Hedge accounting is not applied.

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	
		2017	2016
USD/NOK	+/-1%	+/-3,012	+/-4,442
EUR/NOK	+/-1%	+/-0,859	+/-1,431

The simulations above do not include potential changes in the fair value of forward contracts.

Hedge accounting is not applied.

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 group's financial policy includes a detailed descripton of hedging and 50 per cent of the group's long-term loans are presently hedged. Management monitors developments in the market, and regularly assesses the exposure to interest-rate risk. The interest-rate risk that arises from loans with a floating interest rate is managed by using interest-rate swaps.

The following table illustrates the sensitivity of the group to potential interest-rate changes.

Figures are stated in NOK 1,000

Interest-rate sensitivity	Changes in interest rate	Effect on post-tax profit
2017	+/-1%	+/-6,224
2016	+/-1%	+/-6,143

These simulations do not include potential changes in the fair value of interest-rate swaps arising from the change in floating market interest rates.

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 to meet operational commitments, and to maintain sufficient flexibility to meet unused credit facilitiy requirements (see note 19) without breaching financial covenants.

The following table sets out the contractual maturities (representing undiscounted cash flows) of financial liabilities:

Figures are stated in NOK 1,000

At 31.12.2017	Up to 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years
Trade and other payables	760,358	-	-	-
Borrowings including interest	15,000	15,000	30,000	1,665,000
Leasing	1,210	1,210	2,420	2,420
Derivatives	2,712	-	-	2,213
Total	**779,280**	**16,210**	**32,420**	**1,669,633**

At 31.12.2016	Up to 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years
Trade and other payables	739,500	-	-	-
Borrowings including interest	16,500	16,500	33,000	1,700,000
Leasing	3,238	3,238	827	-
Derivatives	261	-	-	1,272
Total	**759,499**	**19,738**	**33,827**	**1,701,272**

2.4 Capital management risk

The group's objectives when managing capital are to ensure the ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital, including compliance with covenants in the loan agreements (see note 19 for further information).

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 the 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 the trademark in 2017.

3.1.b Provision for obsolescence

The group makes provision for obsolescence. These provisions are based on a detailed assessment of the age distribution of inventory items and whether the goods are part of an active or expired product range. Write-down for obsolesence is made when the cost of the goods is higher than the expected net sales value. 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 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 manangement is the group's chief operating decision-maker. Reporting to the group management, which is responsible for evaluating profitability and achivements, is on a consolidated basis that 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	2017	2016
Revenue	**5,329,467**	**4,980,625**
Income from franchise fees	89,344	103,793
Other income	3,719	786
Total other income	**93,063**	**104,580**
Total operating revenue	**5,422,530**	**5,085,205**

6. EMPLOYEE BENEFIT EXPENSES

Figures are stated in NOK 1,000	2017	2016
Salary expenses	703,532	640,130
Social security costs	98,188	87,974
Pension expenses	15,643	13,887
Other benefits	9,484	10,508
Total	**826,847**	**752,498**
Number of employees	2,636	2,319
Full-time employees	1,634	1,507

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

Figures are stated in NOK 1,000	2017	2016
AUDITOR REMUNERATION		
Audit services	1,288	1,257
Technical services related to financial reporting	20	191
Total	**1,308**	**1,448**

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	4,331	825	100	236	5,492
Espen Eldal	CFO	1,862	223	76	112	2,273

Remuneration of the executive management group (nine individuals)

Figures are stated in NOK 1,000	2017	2016
Salary expenses, including paid-out bonuses	16,737	22,849
Social security costs	2,940	3,669
Pension expenses	748	728
Other benefits	136	182
Total	**20,560**	**27,428**

No accrued bonus is recognised in the financial statements for the executive management group for 2017.

Remuneration statement

The board will provide a statement on salary and other remuneration for senior executives at the annual general meeting on 23 May 2018.

Remuneration guidelines

The board has established guidelines for the remuneration of 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 the 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 a six-month severance package 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 2017 for the board of directors determined by the AGM in May 2017:

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 retirement pension scheme (AFP). Pension costs in 2017 were NOK 5,184 (NOK 4,580 in 2016). A total of 1,634 employees are members of the scheme (1,507 in 2016).

In addition, the group has a pension agreement with DNB Forsikring that fullfills the legal requirement under Norwegian laws and covers all employees. The scheme is a defined contribution plan. Pension costs in 2017 were NOK 10,459 (NOK 9,307 in 2016).

In 2017, the scheme had 1,634 members (1,507 in 2016).

9. OTHER OPERATING EXPENSES

Figures are stated in NOK 1,000	2017	2016
Leasing and other cost of premises	436,969	379,506
Transport/distribution	134,142	126,055
Marketing and other expenses	271,530	259,029
Total	**842,641**	**764,590**

10. FINANCIAL INCOME AND EXPENSES

Figures are stated in NOK 1,000	2017	2016
Financial income:		
– Interest income on cash	2,688	2,783
– Other interest income	1,392	1,896
Other financial income	53	101
Gain in fair value of financial instruments:		
– Unrealised interest-rate swap income	-	183
Total	**4,133**	**4,963**
Financial expenses:		
– Interest to financial institutions	35,529	36,046
– Financial leasing	194	271
– Other interest expense	423	702
Amortised interest on bank loan	1,734	2,066
Other financial expenses	7,737	6,930
Loss in fair value of financial instruments:		
– Unrealised interest-rate swap loss	198	-
Total	**45,815**	**46,014**
Net financial income (expense)	**(41,682)**	**(41,052)**

11. INCOME TAX EXPENSE

Figures are stated in NOK 1,000	2017	2016
TAX PAYABLE		
Current tax on profits for the year	116,767	145,446
Total tax payable in the balance sheet	**116,767**	**145,446**
DEFERRED TAX		
Change in temporary differences	4,773	(10 447)
Change in temporary differences related to mergers and acquisitions	1,084	1 736
Effect of change in Norwegian tax rate	(2,098)	(1,984)
Total deferred tax	**3,759**	**(10,695)**
Incorrect tax provision last year	-	534
Total income tax expense	**120,526**	**135,285**

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	2017	2016
Profit before tax	**510,325**	**548,946**
Tax calculated at domestic tax rates applicable to profits (24%/25%)	122,478	137,237
Tax effects from:		
- Non-taxable income	(692)	(646)
- Non-deductible expenses	838	641
- Losses carried forward	-	37
Effect on valuation of temporary differences from change in Norwegian tax rate	(2,098)	(1,984)
Tax expense recognised in the income statement	**120,526**	**135,285**
Effective tax rate	23.6%	24.6%

Figures are stated in NOK 1,000	2017	2016
The analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax assets:		
- Deferred tax assets to be recovered later than 12 months	(3,947)	(5,285)
- Deferred tax assets to be recovered within 12 months	(60,446)	(63,522)
Deferred tax assets	**(64,394)**	**(68,807)**
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered later than 12 months	112,657	114,395
- Deferred tax liabilities to be recovered within 12 months	-	-
Deferred tax liabilities	**112,657**	**114,395**
Loss carried forward	(13)	(14)
Deferred tax liabilities (net)	**48,250**	**45,575**
Deferred tax asset/liability rates	23%	24%
Change in deferred tax liabilities recognised in the balance sheet:		
Balance at 01.01	45,575	57,920
Change during the year recognised in the income statement	2,675	(12,345)
Balance at 31.12	**48,250**	**45,575**

Specification of change in deferred tax liabilities/tax assets:

Figures are stated in NOK 1,000	Tangible fixed assets	Non-current debt	Total
DEFERRED TAX LIABILITIES			
Balance at 01.01.2016	108,859	3,124	111,983
Recognised deferred tax in profit for the period	3,033	(621)	2,412
Balance at 31.12.2016	**111,892**	**2,503**	**114,395**
Balance at 01.01.2017	111 892	2 503	114,395
Recognised deferred tax in profit for the period	(1,235)	(503)	(1,738)
Balance at 31.12.2017	**110,657**	**2,000**	**112,657**

Figures are stated in NOK 1,000	Inventories	Receivables	Financial instruments	Provision for other liabilities	Loss carried forward	Total
DEFERRED TAX ASSETS						
Balance at 01.01.2016	(49,734)	(805)	2,053	(5,575)	(0)	(54,061)
Recognised deferred tax in profit for the period	(14,447)	32	(621)	290	(13)	(14,759)
Balance at 31.12.2016	**(64,181)**	**(773)**	**1,432**	**(5,285)**	**(14)**	**(68,820)**
Balance at 01.01.2017	(64,181)	(773)	1,432	(5,285)	(14)	(68,820)
Recognised deferred tax in profit for the period	4,893	50	(1,866)	1,337	0	4,413
Balance at 31.12.2017	**(59,289)**	**(723)**	**(434)**	**(3,947)**	**(13)**	**(64,407)**

12. INTANGIBLE ASSETS

Figures are stated in NOK 1,000	Software	Trademark	Contractual rights	Goodwill	Total
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	127,751	411,352	250,700	1,589,402	2,379,205
Accumulated amortisation	87,822	23,779	172,356	-	283,957
Accumulated impairment	-	-	78,344	-	78,344
Net carrying amount 31.12.2016	**39,929**	**387,573**	**-**	**1,589,402**	**2,016,904**
Financial year 2017					
Carrying amount at 01.01.2017	39,929	387,573	-	1,589,402	2,016,904
Additions	19,316	-	-	9,704	29,020
Sales/disposals	-	-	-	-	-
Amortisation	16,628	-	-	-	16,628
Impairment	-	-	-	-	-
Carrying amount at 31.12.2017	**42,617**	**387,573**	**-**	**1,599,106**	**2,029,297**
At 31.12.2017					
Acquisition cost	147,067	411,352	250,700	1,599,106	2,408,225
Disposals at cost	1,250	-	-	-	1,250
Disposals accumulated amortisation	1,250	-	-	-	1,250
Accumulated amortisation	104,450	23,779	172,356	-	300,584
Accumulated impairment	-	-	78,344	-	78,344
Net carrying amount 31.12.2017	**42,617**	**387,573**	**-**	**1,599,106**	**2,029,297**

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 the 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). Goodwill are allocated to the groups of cash-generating units that are expected to benefit from the synergies of the combination. The group has one operating segment and goodwill are tested for impairment on this level which represents the lowest level within the entity at which goodwill is monitored for internal management purposes.

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 four-year period (2018-2021). The gross margin is stable in the period. EBITDA percentages of sales are also stable in the 2018-2021 period. Cash flows beyond the four-year period are calculated using the expected inflation rate as a long-term growth rate. A market-based rate of return of 8.5% (8.9% in 2016) 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	Land	Fixtures and fittings	Total
Financial year 2016			
Carrying amount at 01.01.2016	-	225,178	225,178
Additions	-	75,716	75,716
Additions through the acquisition of subsidiaries	-	5,255	5,255
Disposals	-	-	-
Depreciation charge for the year	-	59,772	59,772
Carrying amount at 31.12.2016	**-**	**246,377**	**246,377**
At 31.12.2016			
Cost	-	579,694	579,694
Accumulated depreciation	-	333,316	333,316
Net carrying amount at 31.12.2016	**-**	**246,377**	**246,377**
Financial year 2017			
Carrying amount at 01.01.2017	-	246,377	246,377
Additions	20,481	67,465	87,946
Additions through the acquisition of subsidiaries	-	4,680	4,680
Disposals	-	402	402
Depreciation charge for the year	-	66,062	66,062
Carrying amount at 31.12.2017	**20,481**	**252,059**	**272,540**
At 31.12.2017			
Cost	20,481	651,839	672,320
Disposals at cost	-	54,992	54,992
Disposals accumulated amortisation	-	54,592	54,592
Accumulated depreciation	-	399,378	399,378
Net carrying amount at 31.12.2017	**20,481**	**252,059**	**272,540**

The group has financial leases. These agreements relate to stores and warehouse computer systems. The booked value of leased fixed assets is NOK 6,412 (NOK 6,424 in 2016).

The corresponding leasing debt is presented as non-current debt. Store computer systems are leased to franchisees. Lease costs are expensed by the respective companies. 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	2017	2016
Operating lease payments			
Fixtures	Ongoing agreements	16,228	17,073
Offices, shops and warehouses	Ongoing agreements	436,313	375,365

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

Figures are stated in NOK 1,000	
Commitment operating lease at 31 December 2017	
Within 1 year	381,971
1 to 5 years	1,379,707
After 5 years	386,769

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	2017	2016
Profit for the period	389,799	413,661
Profit available to holders of ordinary shares	389,799	413,661
Weighted average of ordinary shares outstanding	166,969	166,969
Earnings per ordinary share (basic and diluted) [1]	**2.33**	**2.48**
Calculation of weighted average of ordinary shares outstanding		
Number of ordinary shares opening	166,969	166,969
Number of shares closing	**166,969**	**166,969**

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

15. TRADE RECEIVABLES AND OTHER RECEIVABLES

Figures are stated in NOK 1,000	2017	2016
Trade receivables		
Trade receivables	209,595	205,186
Provision for impairment	(1,840)	(1,840)
Net trade receivables	**207,755**	**203,346**
Other receivables		
Accrued revenue	23,157	26,259
Prepaid expenses	35,318	28,242
Other receivables	2,868	4,589
Other receivables	**61,344**	**59,089**
Forward exchange contracts	2,243	7,450
Derivatives	**2,243**	**7,450**
Total	**271,342**	**269,885**
Non-current receivables		
Deposits and loans to franchisees	24,008	1,808
Other receivables	**24,008**	**1,808**
Interest-rate swap agreement	794	51
Derivatives	**794**	**51**
Total	**24,801**	**1,859**
Total current and non-current receivables	**296,143**	**271,744**

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	2017	2016
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	198,533	179,788
Due	9,222	23,559
Total	**207,755**	**203,346**

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	2017	2016
Inventories	1,402,095	1,349,392
- Provision for obsolescence	(33,734)	(25,289)
Booked value	**1,368,361**	**1,324,103**
Provision for obsolescence		
At 01.01	(25,289)	(26,075)
Change in accruals	(8,445)	786
Provision for impairment at 31.12	**(33,734)**	**(25,289)**

The group makes provisions for impairment on inventory. These provisions are estimated and require in-depth knowledge of the goods and market conditions. See more details in note 3.1.b.

Figures are stated in NOK 1,000	2017	2016
Booked value of inventory which have been impaired	**422,804**	**383,206**

Figures are stated in NOK 1,000	2017	2016
Cost of goods sold	3,112,352	2,908,087
Foreign exchange currency effects	5 993	(5,057)
Net cost of goods sold	**3,118,345**	**2,903,030**

Unrealised gains and losses are classified as part of cost of goods sold (COGS) in the profit or loss statement. Similarly, unrealised foreign currency exchange gains and losses on inventory trade payables are also included as part of COGS. All gains and losses, both realised and unrealised, related to the acquisition of inventory are included as part of COGS.

17. CASH

Figures are stated in NOK 1,000	2017	2016
Cash	581,663	576,964
Total	**581,663**	**576,964**

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

Cash	556,809	554,489
Bank deposits restricted for employee tax witholdings	24,855	22,475
Net cash	**581,663**	**576,964**

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 2017		Number of shares	% of capital
FOLKETRYGDFONDET		12,036,488	7.2%
VERDIPAPIRFONDET DNB (DNB NORGE 4)		6,556,644	3.9%
JPMORGAN CHASE BANK	Nominee account	6,289,882	3.8%
MORGAN STANLEY & CO	Nominee account	6,023,213	3.6%
VARMA MUTUAL PENSION		5,975,563	3.6%
SKANDINAVISKA ENSKILDA BANKEN	Nominee account	4,658,364	2.8%
STOREBRAND NORGE I V		4,168,708	2.5%
STATE STREET BANK AND TRUST CO	Nominee account	3,915,243	2.3%
KLP AKSJENORGE		3,805,052	2.3%
HOLBERG NORGE VERDIPAPIRFONDET		3,639,185	2.2%
SKANDINAVISKA ENSKILDA BANKEN	Nominee account	3,011,280	1.8%
ARCTIC FUNDS PLC		2,760,365	1.7%
CITIBANK, N.A.	Nominee account	2,756,900	1.7%
FONDITA NORDIC MICRO		2,430,000	1.5%
DANSKE INVEST NORSKE		2,280,950	1.4%
DNB NOR MARKETS		2,225,117	1,3 %
KOMMUNAL LANDSPENSJONSKASSE		2,172,767	1,3 %
HOLBERG NORDEN VERDIPAPIRFONDET		2,162,924	1,3 %
STATE STREET BANK AND TRUST CO	Nominee account	2,114,439	1,3 %
VERDIPAPIRFONDET DNB (SELEKTIV 3)		2,112,950	1,3 %
OTHER SHAREHOLDERS		85,872,854	51.4%
Total shares		**166,968,888**	**100.0%**

Shares held by directors, CEO and CFO	Title	Number of shares
Tom Vidar Rygh (Retiro AS)	Chair	600,000
Christian W Jansson (Carl Westin Ltd)	Director	100,000
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.

	2017		2016	
Figures are stated in NOK 1,000	Amortised cost	Nominal value	Amortised cost	Nominal value
Non-current liabilities				
Debt to financial institutions	1,641,306	1,650,000	1,639,572	1,650,000
Sub-total	**1,641,306**	**1,650,000**	**1,639,572**	**1,650,000**
Other non-current liabilities				
Leasing	7,261	7,261	7,302	7,302
Sub-total	**7,261**	**7,261**	**7,302**	**7,302**
Total	**1,648,567**	**1,657,261**	**1,646,874**	**1,657,302**

The amortised cost of the bank debt is assessed not to differ materially from fair value. This is because of the refinancing in June 2015 and a low probability that the risk premium and the interest-rate margin 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	2017	2016
Current liabilities		
First-year instalment non-current debt	-	-
Overdraft facilities - off-balance sheet		
The loan facility includes an overdraft facility, which consists of:		
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**
Drawn guarantees	22,900	44,400
Undrawn overdraft facilities	427,100	405,600

Convenants related to bank agreement	At 31.12.2017
Leverage ratio - net debt / EBITDA (covenant level in the bank agreement)	3.50
Europris leverage ratio - net debt / EBITDA	1.68

Covenants are measured and reported quarterly. In the bank agreement, the covenant (leverage ratio) will be at 3.50 for the next six quarters. Any test date falling thereafter will be at covenant level 3.25.

The group was in compliance with financial convenants in 2017.

Maturity structure including interest	2017	2016
Within 1 year	30,000	33,000
1 to 2 years	30,000	33,000
2 to 5 years	1,665,000	1,700,000
After 5 years	-	-

See note 2.3 for maturity structure for all financial liabilities.

Effective interest rate at 31.12	2017	2016
Term loan	2.09%	2.2%

No assets are currently pledged under the loan agreement.

20. DERIVATIVES

Figures are stated in NOK 1,000	2017	2016
Forward exchange contracts - expiring within 1 year	2,243	7,450
Interest-rate swaps - expiring between 1 and 5 years	794	51
Total derivatives - asset	**3,037**	**7,501**
Forward exchange contracts - expiring within 1 year	2,712	261
Interest-rate swaps - expiring between 1 and 5 years	2,213	1,272
Total derivatives - liability	**4,925**	**1,534**
Net derivative asset (liability)	**(1,888)**	**5,967**

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)	271,344	8.22
Nominal principal forward contracts (EUR)	72,891	9.72

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.

	2017	2016
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	2017	2016
Loans and receivables		
Non-current receivables	24,008	1,808
Trade receivables and other receivables	269,098	262,436
Cash	581,663	576,964
Financial liabilities measured at amortised cost		
Non-current debt	(1,648,567)	(1,646,874)
Other non-current debt	-	-
Short-term debt (first year instalment)	-	-
Accounts payable and other short-term payables	(763,069)	(739,762)
Assets/liabilities measured at fair value through profit and loss		
Derivatives - asset	3,037	7,501
Derivatives - liability	(4,925)	(1,534)
Net financial instruments	**(1,538,754)**	**(1,539,461)**

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 measured 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	2017	2016
Accounts payable	580,795	555,651
Social security taxes and VAT	205,279	149,167
Other current debt	179,563	183,849
Net financial instruments	**965,637**	**888,667**

23. GUARANTEES

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

Figures are stated in NOK 1,000	2017	2016
Supplier guarantees	9,539	30,727
Bank guarantees DNB	13,357	13,687
Bank guarantees Sandnes Sparebank	1,042	6,142
Total	**23,937**	**50,556**

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.

There have been no significant transactions with related parties in 2017.

25. CONTINGENT LIABILITIES

There are no significant contingent liabilities at 31.12.2017.

26. EVENTS AFTER BALANCE-SHEET DATE

The board has proposed the distribution of an ordinary dividend of NOK 1.70 per share for fiscal 2017.

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 2017

INCOME STATEMENT

Figures are stated in NOK 1,000	Note	2017	2016
Total operating income		**-**	**-**
Employee benefit expenses	2	2,037	3,162
Other operating expenses	2	1,644	1,741
Total operating expenses		3,681	4,902
Operating income		**(3,681)**	**(4,902)**
Group contribution from subsidiary	4	288,008	279,840
Other interest income		1	81
Other financial income		65,000	90,100
Total financial income		**353,008**	**370,021**
Other interest expenses		325	14
Other financial expenses		2	4
Total financial expense		**327**	**18**
Net financial income (expenses)		**352,681**	**370,003**
Profit before income tax		**349,000**	**365,101**
Income tax expense	5	-	-
Profit for the year		**349,000**	**365,101**
Statement of comprehensive income			
Profit for the year		349,000	365,101
Other comprehensive income		-	-
Total comprehensive income for the year		**349,000**	**365,101**

Notes 1 to 9 are an integral part of the financial statements.

BALANCE SHEET

Figures are stated in NOK 1,000	Note	31-12-2017	31-12-2016
ASSETS			
Non-current assets			
Financial assets			
Investments in subsidiaries	3	925,500	925,500
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	4,8	292,245	279,875
Other receivables	8	18	72
Total trade and other receivables		**292,263**	**279,946**
Cash	8	1	-
Total current assets		**292,264**	**279,946**
Total assets		**1,217,764**	**1,205,446**

Notes 1 to 9 are an integral part of the financial statements

BALANCE SHEET

Figures are stated in NOK 1,000	Note	31-12-2017	31-12-2016
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	6	166,969	166,969
Share premium		335,499	669,437
Total paid-in capital		**502,468**	**836,406**
Retained equity			
Other equity		714,101	365,101
Total retained equity		**714,101**	**365,101**
Total shareholders' equity		**1,216,569**	**1,201,507**
Liabilities			
Current liabilities			
Accounts payable	8	18	197
Tax payable	5	-	-
Current debt to group companies	4,8	-	2,577
Other current liabilities	8	1,176	1,164
Total current liabilities		**1,194**	**3,938**
Total liabilities		**1,194**	**3,938**
Total equity and liabilities		**1,217,764**	**1,205,446**

Fredrikstad, 18 April 2018
THE BOARD OF DIRECTORS OF EUROPRIS ASA

Tom Vidar Rygh
Chair

Bente Sollid Storehaug

Claus Juel-Jensen

Hege Bømark

Tone Fintland

Christian W. Jansson

Pål Wibe
CEO

Notes 1 to 9 are an integral part of the consolidated financial statements

STATEMENT OF CHANGES IN EQUITY

Figures are stated in NOK 1,000	Share capital	Share premium	Retained earnings	Total
Equity 01.01.2017	**166,969**	**669,437**	**365,101**	**1,201,507**
Profit for the period	-	-	349,000	349,000
Dividend	-	(333 938)	-	(333,938)
Other comprehensive income	-	-	-	-
Equity 31.12.2017	**166,969**	**335,499**	**714,101**	**1,216,569**
Equity 01.01.2016	**166,969**	**903,193**	**1**	**1,070,164**
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**

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 specific conditions.

Notes 1 to 9 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Figures are stated in NOK 1,000	2017	2016
Cash flows from operating activities		
Profit before income tax	349,000	365,101
Change in accounts payable	(179)	(7,626)
Change in other working capital	(8,103)	(249,195)
Net cash from operating activities	**340,718**	**108,280**
Cash flows from investing activities		
Payments received from loans to group companies	26	-
Payments to group companies	-	(35)
Net cash used in investing activities	**26**	**(35)**
Cash flows from financing activities		
Change in group cash pool deposits	(6,805)	125,227
Dividend	(333,938)	(233,756)
Net cash from financing activities	**(340,743)**	**(108,529)**
Net increase in cash	**1**	**(284)**
Cash at beginning of year (01.01)	**0**	**284**
Cash at end of year (31.12)	**1**	**0**

Notes 1 to 9 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 18 April 2018.

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 with regard to 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 Norwegian generally accepted accounting principles.

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 the 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 increase 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. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash with a maximum term of three months.

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 books of 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 to be 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 salaries or other remuneration have been paid to the CEO.

Compensation for directors is stipulated at NOK 2,037 in 2017.

There are no obligations 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.

Figures are stated in NOK 1,000	2017	2016
Audit fees, divided by type of service (exclusive of VAT)		
Statutory audit	151	283
Technical services related to financial reporting	20	66
Total audit fees	**171**	**349**

3. INVESTMENTS IN SUBSIDIARIES

Figures are stated in NOK 1,000	Registered office	Ownership share	Equity 31.12.2017	Net income 2017	Carrying value
SUBSIDIARY					
Europris Holding AS	Fredrikstad	100%	1,354,931	63,989	925,500

4. NON-CURRENT LIABILITIES TO AND RECEIVABLES FROM GROUP COMPANIES

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

Figures are stated in NOK 1,000	2017	2016
Liabilities		
Debt in the group's cash pool agreement	-	2,577
Total liabilities	**-**	**2,577**
Receivables		
Group contribution	288,008	279,840
Deposits in the group's cash pool agreement	4,228	-
Other current receivables from subsidiaries	9	35
Total receivables	**292,245**	**279,875**

5. INCOME TAX EXPENSE

Figures are stated in NOK 1,000	2017	2016
Basis for income tax expense and tax payable		
Profit before tax	349,000	365,101
Non-deductible expenses	(349,000)	(365,101)
Basis for the tax expense	**-**	**-**
Reconciliation of the income tax expense		
Tax payable (24%/25% of the basis for tax payable in the income statement)	83,760	91,275
Income tax expense	-	-
Difference	**(83,760)**	**(91,275)**
Difference consists of:		
24%/25% of non-deductible expenses	(83,760)	(91,275)
Total explained difference	**(83,760)**	**(91,275)**
Tax payable in the balance sheet		
Tax payable in income tax expense	-	-
Tax payable in balance sheet	**-**	**-**

6. SHARE CAPITAL AND SHAREHOLDER INFORMATION

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

Major shareholders at 31 December 2017		Number of shares	% of capital
FOLKETRYGDFONDET		12,036,488	7.2%
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STATE STREET BANK AND TRUST CO	Nominee account	3,915,243	2.3%
KLP AKSJENORGE		3,805,052	2.3%
HOLBERG NORGE VERDIPAPIRFONDET		3,639,185	2.2%
SKANDINAVISKA ENSKILDA BANKEN	Nominee account	3,011,280	1.8%
ARCTIC FUNDS PLC		2,760,365	1.7%
CITIBANK, N.A.	Nominee account	2,756,900	1.7%
FONDITA NORDIC MICRO		2,430,000	1.5%
DANSKE INVEST NORSKE		2,280,950	1.4%
DNB NOR MARKETS		2,225,117	1.3%
KOMMUNAL LANDSPENSJONSKASSE		2,172,767	1.3%
HOLBERG NORDEN VERDIPAPIRFONDET		2,162,924	1.3%
STATE STREET BANK AND TRUST CO	Nominee account	2,114,439	1.3%
VERDIPAPIRFONDET DNB (SELEKTIV 3)		2,112,950	1.3%
OTHER SHAREHOLDERS		85,872,854	51.4%
Total shares		**166,968,888**	**100.0%**

Shares held by directors, CEO and CFO	Title	Number of shares
Tom Vidar Rygh (Retiro AS)	Chair	600,000
Christian W Jansson (Carl Westin Ltd)	Director	100,000
Pål Wibe (Nordkronen II AS)	CEO	2,008,572
Espen Eldal (Knipen AS)	CFO	600,000

7. 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 4. No material transactions have been conducted with related parties in 2017 other than the information included in the notes.

8. FINANCIAL INSTRUMENTS BY CATEGORY

Figures are stated in NOK 1,000	2017	2016
Deposits and receivables		
Accounts receivables and other current receivables	292,263	279,946
Cash	1	-
Financial liabilities measured at amortised cost		
Other current liabilities	(1,176)	(3,741)
Accounts payable	(18)	(197)
Net financial instruments	**291,070**	**277,100**

9. SUBSEQUENT EVENTS

The board has proposed the distribution of an ordinary dividend of NOK 1.70 per share for the fiscal 2017.

There were no subsequent events after the balance sheet date and before the date of the approval of the financial statements which provide new information about conditions that existed at the balance sheet date (that are not currently reflected in the financial statements), or significant events after the balance sheet date that require further disclosures.

Europris was awarded "best-in-test" award for its high-end artificial Christmas tree (VG, 6 December 2017)

DECLERATION TO THE ANNUAL REPORT 2017

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2017 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, 18 April 2018
THE BOARD OF DIRECTORS OF EUROPRIS ASA

Tom Vidar Rygh
Chair

Claus Juel-Jensen

Hege Bømark

Christian W Jansson

Bente Sollid Storehaug

Tone Fintland

Pål Wibe
CEO

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

OTHER DEFINITIONS

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

ALTERNATIVE PERFORMANCE MEASURES

Amounts in NOK 1,000	FY 2017	FY 2016
Group revenue	**5,422.5**	**5,085.2**
Cost of goods sold (COGS)	3,118.3	2,903.0
Unrealised foreign exchange effects	***(6.3)***	***(1.9)***
Gross profit	**2,310.5**	**2,184.0**
% margin	42.6%	42.9%
Employee benefits expense	826.8	752.5
Other operating expenses	842.6	764.6
Opex	**1,669.5**	**1,517.1**
Nonrecurring items	-	-
Opex excluding nonrecurring items	**1,669.5**	**1,517.1**
% of group revenue	30.8%	29.8%
Adjusted EBITDA	**641.0**	**667.0**
Depreciation	82.7	75.1
Adjusted EBIT	**558.3**	**591.9**
Net financial income (expense)	41.7	41.1
Unrealised foreign exchange effects	***6.3***	***1.9***
Adjusted profit before tax	**510.3**	**548.9**
Adjusted net profit	**389.8**	**413.7**
Adjusted earnings per share (167 million shares)	**2.33**	**2.48**
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES		
Net change in working capital	29.5	(42.5)
Purchases of fixed assets	83.9	75.4
Purchases of intangible assets	19.3	14.5
Capital expenditure	**103.2**	**89.9**
Financial debt	1,650.8	1,648.1
Cash	581.7	577.0
Net debt	**1,069.1**	**1,071.1**

Unrealised foreign exchange effects are the only adjustment to IFRS figures.

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 2017, 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 2017 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 2017, 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 2017, 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, including 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 and the Group 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.

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 key audit matter	*How the key audit matter was addressed in the audit*
Valuation of inventory	
Inventory amounts to NOK 1 368 million in the Financial Statements of 2017 and is a material amount. We refer to note 16 for more information on inventory and provisions. When determining the inventory provision, judgements are 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 historical and statistical sales data to categorize specific items. Different categories are assessed individually and subjected 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 sample 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 for obsolescence for both inventory in stores and the 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 for older items, and compared this to the book value of these goods.
Valuation of intangible assets	
Intangible assets include goodwill and trademark, amounting to NOK 1 599 million and NOK 387 million respectively. We refer to note 12 for more information. Both items are material to the financial statements. Under IFRS, the Group is required to test the amount of intangible assets for impairment annually. 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. The impairment test was significant to our audit due to the complexity of the assessment process and the significant judgements and assumptions involved and consequently defined as a key audit area.	Our audit procedures include, among others, reviewing management's documentation of the group's impairment assessment for intangible assets. We have reviewed the methodology used and assessed the WACC against relevant criteria in IAS 36. We have involved our internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group. Further, we have compared the figures in the assessment with the group's business plan and considered if there are any factors indicating that these estimates are not realistic. We have also tested the arithmetical accuracy of the calculations in the impairment test.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, the statements on Corporate Governance and Corporate Social Responsibility and information in the annual report, 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 in accordance with law and regulations, including fair presentation of the financial statements 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, including 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 Company's and the Group'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 and the Group'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 and the Group 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 the Board of Directors 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 the Board of Directors 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 the Board of Directors, 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.

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 in the 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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 18 April 2018
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 2017 at NOK 33.40, which implies a market value of NOK 5,577 million. The highest share price was NOK 40.00 and the lowest was NOK 32.40 in 2017. An ordinary dividend of NOK 1.50 per share and an extraordinary dividend of NOK 0.50 per share to celebrate the group's 25th anniversary, was paid out in June 2017.

Europris ASA had 4,223 registered shareholders in the Norwegian Central Securities Depository (VPS) at 31 December 2017. The company's shareholders are located in twenty different countries together with Norway. About 94% of the company's shareholders are based in Norway, while 53% 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.

19 April 2018	First quarter 2018
23 May 2018	Annual general meeting
13 July 2018	Second quarter 2018
31 October 2018	Third quarter 2018

Analyst coverage

11 equity analysts have covered Europris ASA in 2017:

ABG Sundal Collier	petter.nystrom@abgsc.no andreas.lundberg@abgsc.no
Arctic Securities	magnus.berg@arcticsec.no
Carnegie	preras@carnegie.no
Danske Bank	msten@danskebank.com
DNB Markets	ole.martin.westgaard@dnb.no erik.lundby@dnb.no
Goldman Sachs	tushar.jain@gs.com
Kepler Cheuvreux	hludvigsen@keplercheuvreux.com
Nordea	harri.paakkola@nordea.com
Pareto Securities	kenneth.sivertsen@paretosec.com
SEB	markus.bjerke@seb.no stefan.nelson@seb.se
Sparebank 1 Markets	oyvind.mossige@sb1markets.no

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

Share price 2017 - EPR

NOTES

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CONTACT

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Europris
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