

Europ pris

MER TIL OVERS

Q3-20



EUROPRIS ASA

CONTENTS



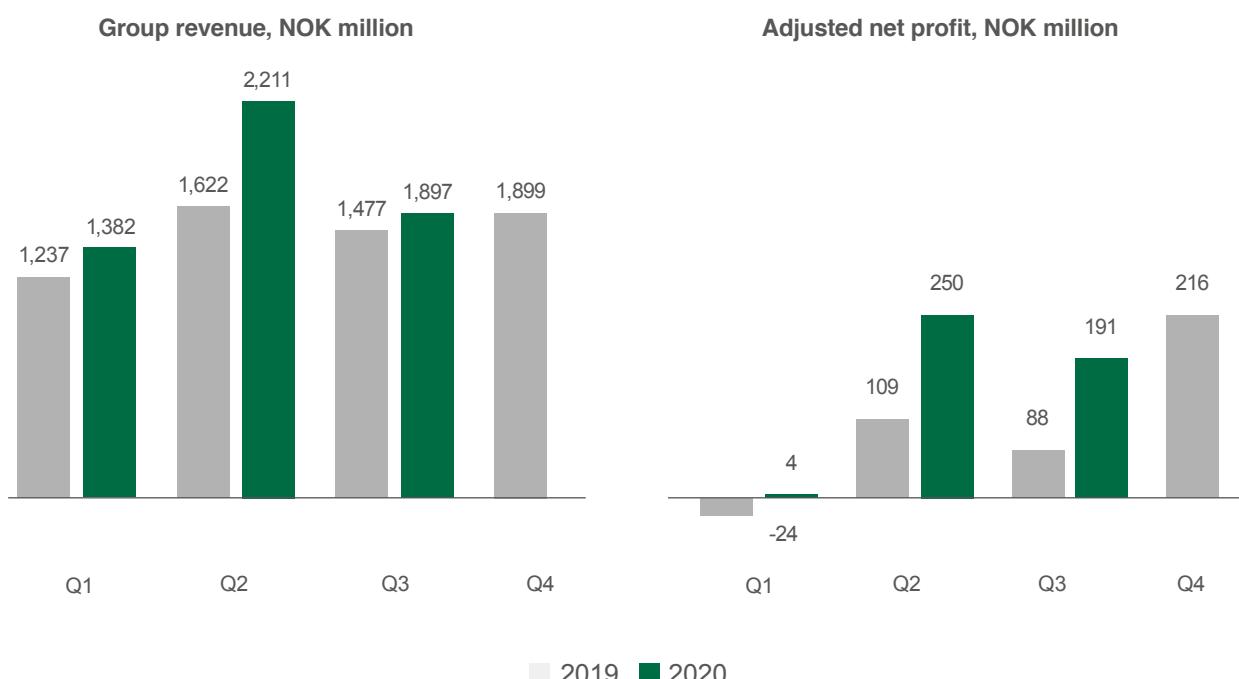
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Third quarter 2020

- Gaining market share in a strong market
 - » Solid merchandising and successful campaigns
 - » Group revenue increased by 28.5 per cent to NOK 1,897 million (NOK 1,477 million)
 - » Stable and high growth during the quarter with 26.5 per cent like-for-like growth
- Stable gross margin despite shift towards groceries
 - » Gross margin 42.8 per cent (42.6 per cent) excluding stocktaking effects
- Scalability and improved efficiency
 - » Opex-to-sales ratio decreased to 22.4 per cent (26.5 per cent)
 - » Adjusted EBITDA rose by 53 per cent to NOK 402 million
 - » Adjusted net profit increased by 115 per cent to NOK 191 million (NOK 88 million)
- One new store opened at Lindås in Vestland county, and another three store openings approved by the board
- Strong financial position
 - » Cash and available credits of NOK 1,430 million (NOK 463 million)
- Well prepared for the important Christmas season
 - » Solid start to the fourth quarter
- Stina Charlene Byre appointed CFO – due to start by 1 April 2021

Figures for the corresponding period of last year in brackets. The figures are unaudited. See page 24 for definitions of APMs.



KEY FIGURES



Figures are stated in NOK million

	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
CHAIN KEY FIGURES					
Total retail sales	1,973.3	1,551.3	5,740.7	4,554.1	6,561.3
Growth (%)	27.2%	9.5%	26.1%	8.0%	6.4%
Like-for-like sales growth (%)	26.5%	7.5%	25.0%	5.8%	4.4%
Total number of stores at end of period	265	264	265	264	264
- Directly operated stores	236	230	236	230	231
- Franchise stores	29	34	29	34	33
GROUP KEY INCOME STATEMENT FIGURES					
Sales directly operated stores	1,708.5	1,299.7	4,946.2	3,804.4	5,490.5
Sales from wholesale to franchise stores	167.5	160.1	485.3	474.5	665.6
Franchise fees and other income	20.9	16.9	58.6	56.5	78.4
Group revenue	1,897.0	1,476.7	5,490.1	4,335.4	6,234.4
% growth	28.5%	9.2%	26.6%	9.0%	7.2%
COGS excluding unrealised foreign exchange effects	1,069.5	822.8	3,133.4	2,481.6	3,523.3
Gross profit	827.6	653.9	2,356.8	1,853.8	2,711.0
% margin	43.6%	44.3%	42.9%	42.8%	43.5%
Opex	425.9	395.9	1,295.9	1,183.2	1,596.4
Non-recurring items	0.5	4.4	10.3	12.4	18.7
Opex excluding non-recurring items	425.4	391.5	1,285.6	1,170.7	1,577.7
% of group revenue	22.4%	26.5%	23.4%	27.0%	25.3%
Adjusted EBITDA	402.1	262.4	1,071.1	683.1	1,133.3
% margin	21.2%	17.8%	19.5%	15.8%	18.2%
Adjusted EBIT	266.3	132.5	663.9	301.7	617.7
Adjusted profit before tax	243.0	113.7	571.2	223.3	499.1
Adjusted net profit	190.5	88.4	445.2	173.3	390.0
Adjusted earnings per share	1.15	0.55	2.69	1.07	2.41
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES					
Net change in working capital	(81.4)	18.0	17.8	(178.6)	160.6
Capital expenditure	14.6	25.8	82.0	98.9	157.0
Financial debt			997.0	1,658.1	1,656.3
Lease liabilities - IFRS 16 effect			1,869.4	1,947.9	2,004.0
Cash			44.3	27.2	568.0
Net debt			2,822.1	3,578.8	3,092.2

ALTERNATIVE PERFORMANCE MEASURES



Figures are stated in NOK million

	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
Group revenue	1,897.0	1,476.7	5,490.1	4,335.4	6,234.4
Cost of goods sold (COGS)	1,064.3	813.8	3,127.3	2,483.5	3,543.7
Unrealised foreign exchange effects	5.2	9.0	6.0	(1.9)	(20.3)
Gross profit	827.6	653.9	2,356.8	1,853.8	2,711.0
% margin	43.6%	42.4%	42.9%	42.0%	43.5%
Employee benefits expense	282.1	256.2	822.6	715.6	985.3
Other operating expenses	268.2	255.5	839.7	796.7	1,060.9
Other operating expenses - IFRS 16 effect	(124.4)	(115.8)	(366.4)	(329.2)	(449.8)
Opex	425.9	395.9	1,295.9	1,183.2	1,596.4
Non-recurring items	0.5	4.4	10.3	12.4	18.7
Opex excluding non-recurring items	425.4	391.5	1,285.6	1,170.7	1,577.7
% of group revenue	22.4%	26.5%	23.4%	27.0%	25.3%
Adjusted EBITDA	402.1	262.4	1,071.1	683.1	1,133.3
Depreciation	20.4	23.2	67.6	76.3	99.6
Depreciation - IFRS 16 effect	115.4	106.6	339.6	305.1	416.1
Adjusted EBIT	266.3	132.5	663.9	301.7	617.7
Net financial income (expense)	(19.4)	(14.4)	(58.0)	(38.3)	(51.3)
Net financial expense - IFRS 16	(13.3)	(12.4)	(39.6)	(34.3)	(46.9)
Unrealised foreign exchange effects	5.2	9.0	6.0	(1.9)	(20.3)
Profit (loss) from associated companies	4.3	(1.1)	(1.2)	(4.0)	-
Adjusted profit before tax	243.0	113.7	571.2	223.3	499.1
Adjusted net profit	190.5	88.4	445.2	173.3	390.0
Adjusted earnings per share	1.15	0.55	2.69	1.07	2.41
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES					
Net change in working capital	(81.4)	18.0	17.8	(178.6)	160.6
Purchases of fixed assets	10.3	20.9	61.0	85.5	137.6
Purchases of intangible assets	4.4	4.9	21.0	13.4	19.4
Capital expenditure (excl IFRS 16 effects)	14.6	25.8	82.0	98.9	157.0
Financial debt			2,866.4	3,606.0	3,660.3
Lease liabilities - IFRS 16			1,869.4	1,947.9	2,004.0
Cash			44.3	27.2	568.0
Net debt			952.8	1,630.9	1,088.3

For definitions of APMs see page 24.

PERIOD REVIEW



Europis has delivered another strong quarter. Group sales increased by 27.2 per cent (26.5 per cent like-for-like), significantly higher than the market which grew by 12.2 per cent, according to Kvarud Analyse. Growth was stable throughout the quarter.

During the first nine months, Europis significantly outperformed the market and is gaining market share in a strong market.

Operationally, gross margin remained stable during the quarter despite a shift towards groceries with generally lower margins. Europis also experienced improved scalability and efficiency since the Opex-to-sales ratio decreased to 22.4 per cent (26.5 per cent). Adjusted net profit rose by 115 per cent to NOK 191 million.

At 30 September, Europis was in a strong financial position with cash and available credits of NOK 1,430 million (NOK 463 million).

Before the close of the quarter, Europis also announced the appointment of Stina Charlene Byre as CFO. Byre has a solid financial background combined with leading-edge management consulting and retail industry experience.

Sales performance

The Europis chain increased total sales by 27.2 per cent in the third quarter, significantly above the strong market. Sales at like-for-like stores grew by 26.5 per cent, with a similar number of sales days in both years. Sales growth was fairly stable throughout the quarter.

The Covid-19 pandemic continues to impact Norwegian markets. Relaxation of national infection control measures experienced a setback during the third quarter, and regulators had to revert to stricter rules. Travel outside the country has virtually ceased, with the exception of some regions in Sweden for certain periods. Overall, many people are continuing to work from home and plans for summer holidays abroad were severely restricted, which increased domestic consumption. The mostly closed frontiers have also put a temporary stop to cross-border trade, especially with Sweden. All this has led to increased sales for Norwegian retailers and Europis in particular.

In addition to the abnormal growth in demand driven by the Covid-19 pandemic, Europis continues to work tirelessly to improve its offering and to drive customer growth and satisfaction through various initiatives. While hard to measure, solid merchandising was probably a key factor in the strong sales growth during the quarter. The group has shown flexibility in developing its concept in an extraordinary period, while the organisation has adapted well in order to provide customers with the best experience. Buyers have made significant efforts to secure the right products in the right

quantities. Replacements for sold-out products have been purchased whenever possible. Campaigns and product selection have been carefully adjusted to meet the increased demand and new customers, while seasonal product promotions have been optimised. Finally, store staff have provided customers with a safe shopping environment, making it possible for Europis to maintain its important societal role in this critical period.

During the quarter, Europis saw stable and high sales growth across its store network and all regions of the country delivered solid double-digit increases. The best performance was in the central part of eastern Norway, which has benefited most from the disappearance of cross-border trade.

All categories witnessed strong sales growth in the quarter, but with a shift towards groceries compared with last year. The typical summer season categories – house and garden as well as travel, sports and leisure – had the least positive development. Assumptions when planning purchases of goods in these categories were based on normal growth. The abnormal rise in demand subsequently meant that several seasonal goods were sold out early. Since these products have long lead times, it was not possible to reorder during the season. To counteract this and avoid a negative effect on sales, Europis had to take action in changing its campaign plans and in purchasing replacement goods in other categories. The organisation handled this in a good manner, and managed to maintain a good product and campaign offering throughout the summer season.

Both in the third quarter and for the first nine months, Europris growth was relatively evenly distributed between a rise in the number of customers and an increase in the shopping basket. Customer growth has been driven by both an increase in frequency and unique newcomers, while the basket expansion was mainly driven by an increase in items per customer.

Sales growth compared to the market in 2020

	YTD Q1	YTD Q2	YTD Q3
Virke: total retail*	3.8%	7.6%	9.2%
Virke: groceries*	7.6%	13.6%	15.4%
Virke: wide range – other*	4.8%	16.6%	17.7%
Kvarud shopping centre index**	(4.0%)	(1.1%)	3.7%
Europris chain	12.0%	25.5%	26.1%

*Virke Retail index (using figures reported by Statistics Norway)

** Kvarud Analyse shopping centre index

The year 2020 has turned out to be one of high growth for Norwegian retailers, and Europris continues to outperform the market by a significant margin.

Operational review

Concept and category development

Every year, the third quarter is used by grocery suppliers as a launch window for new products. Many of these have been introduced at Europris as well. The group has also expanded its range of private label products and launched a series of sustainable products in the washing and cleaning category under the Effekt brand, where the content is 100 per cent vegan and the packaging uses 100 per cent recycled Norwegian plastic. Effekt is one of the own brands also sold in ÖoB's stores in Sweden. Combining these volumes drives down production costs and allows the products to be sold at a very competitive price. Being able to offer sustainable products at competitive prices is an important part of the Europris strategy.

As in the second quarter, the flexibility of Europris' concept was decisive for the way sales growth was achieved in the third quarter. At a time when demand increased more than expected and the purchases were planned for, being able to adjust the product offering at short notice has been crucial. Promotions are an important part of the Europris concept. It has been important that

all customers, new and existing, can as always expect great offerings through campaigns when visiting the stores even at this exceptional time. The chain has therefore maintained its campaigns under Covid-19, but has adjusted the promotional products they included in some cases to ensure that there are enough for all its customers. In this way, Europris has tried to ensure a positive shopping experience for all new and regular customers. This strategy pays off in the long term by strengthening loyalty to the concept.

E-commerce and e-CRM

Europris' e-commerce solution has continued its positive sales trend after the launch of the new platform in April, with a growth of 106 per cent in the third quarter. Although expanding strongly, it still constitutes a modest part of the chain's turnover and had a share of 0.9 per cent in the quarter. Click and collect is the preferred way of shopping for customers, and this accounts for 84 per cent of e-commerce sales in the quarter.

Third quarter e-commerce sales

NOK million	Q3 2020	Q3 2019	Growth
Home deliveries	2.7	1.7	57%
Click and collect	14.2	6.5	119%
Total e-commerce sales	16.9	8.2	106%
Percentage of total chain sales	0.9%	0.5%	

In recent years, Europris has experienced a large increase in traffic on its websites. This has now reached about 2.2 million sessions a month. The group's primary goal is to take advantage of its increased digital visibility by converting internet traffic into sales. In this context, it is important to have a functional and user-friendly e-commerce solution so that customers can shop in the way that suits them best. It is still the case that most of the customers who start their shopping trip by searching for information online end up as customers in one of the chain's physical stores. In this way, Europris sees that its digital investment also acts as a significant traffic generator for the chain's bricks and mortar outlets.

The Mer customer club continues to attract newcomers, and had 612,000 members at 30 September. This gives Europris increased insight into customer behaviour and facilitates more personalised marketing.

Developing the store estate

Europis opened one new store in the third quarter, at Lindås in Vestland county. At 30 September, the chain had 265 stores. Of these, 236 were directly operated and 29 were franchises.

Europis relocated one store during the quarter and one store had its sales area reduced. The group will continue to develop the existing store base as an important growth and value driver in the future.

The location of Europis stores has a significant impact on the group's visibility and footfall. Europis is constantly on the look-out for prime store locations and is in negotiations at any time over a number of such sites. Given the post-Covid-19 market conditions, the group believes it can negotiate better terms with potential landlords from a position of strength based on its market-winning retail concept.

During the third quarter, the board approved another three new stores and two store relocations.

New stores opened in 2020

Month	Store	County
March	Tau	Rogaland
September	Lindås	Vestland

Store closures in 2020

Month	Store	County
June	Haugenstua	Oslo

Store relocations in 2020

Month	Store	County
January	Bryne	Rogaland
August	Stryn	Vestland

Store expansions in 2020

Month	Store	County
February	Moelv	Innlandet
February	Reknes	Møre og Romsdal
April	Strusshamn	Vestland

The potential closure of the Europis store at Grini in Viken county is still awaiting a hearing in the district court. This was scheduled for April 2020 but has been postponed to November 2020 as a result of Covid-19.

New central warehouse progressing as planned

During the first half of 2019, Europis moved into the new central warehouse in Moss and commenced operations from the low-bay area, taking it past the first milestone in the warehouse project.

The automatic high-bay warehouse became operational in the first quarter of 2020 as the second milestone to be passed. It increased storage capacity at the central warehouse from 34,000 to 99,000 pallet places. Operations in the high-bay warehouse have commenced as planned and the final performance test was completed and approved on 2 October.

The third and final milestone is the automation of goods picking in the low-bay area, which will improve efficiency. This project is progressing as planned and is scheduled to start up in the first half of 2021. Testing the automated picking solution commenced in the third quarter of 2020, after a short delay owing to travel restrictions as a result of Covid-19. This is within the group's overall time frame for the project. With the third and final milestone, all warehouse operations will be concentrated in the new and highly efficient central warehouse in Moss.

From now until 2022 will be a transitional period for Europis, since some additional costs will be incurred before savings from the new warehouse fully materialise. These are estimated at 0.75-1.25 percentage points of group revenues once all the stages have been completed and rent payments for all the old warehouses have ceased. There are no material changes to costs and investments from previous estimates.

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

NOK million	2019	2020				2020	2021	2022
		Q1	Q2	Q3	Q4			
Ordinary rent	68	17.9	17.1	16.3	~ 16.3	~ 68	~ 45	~ 39
Non-recurring rent	14	2.9	3.4	-	-	~ 6	~ 26	-
Non-recurring moving expenses	5	2.0	1.5	0.3	-	~ 4	~ 3-5	-

Ordinary rent refers to warehouses which Europris will operate from, while non-recurring rent relates to the outstanding term of leases for vacated warehouses. Non-recurring rent in 2021 may be reduced if the premises are sub-let. In addition to non-recurring rent, Europris will have some extra operational costs in 2020 related to both new and old central warehouses.

Overview of estimated investments

NOK million	2019	2020				2020	2021	2022
		Q1	Q2	Q3	Q4			
IT, office equip. and other Capex	28.0	1.5	3.9	1.0	-	~ 6.4	-	-
Automation, high-bay (lease)	52.0	15.9	-	2.8	~ 9.4	~ 28.1	-	-
Automation, low-bay (Capex)	65.0	1.5	21.6	0.6	~ 28.4	~ 52.0	-	-

Employees and organisation

During the Covid-19 pandemic, the top priority at Europris is to make sure that the chain adheres to all national guidelines for infection control, and to ensure a safe working environment for employees and a safe shopping experience for customers. The group has established an emergency team which coordinates all infection control measures taken as well as providing information to employees.

Three Europris employees tested positive for Covid-19 during the third quarter. All had mild symptoms, are currently recovered and have returned to work. Europris is collaborating with the local authorities in cases where employees have tested positive to ensure that the situation is handled in the best possible way, and abides by the regulations.

Sick leave in stores is still higher than last year, mainly owing to the advice from the authorities for people to stay at home if they feel possible symptoms of Covid-19, in addition to employees who have been quarantined. Sick leave at the head office and distribution centre was down from last year. One lost-time injury was recorded during the quarter.

Sickness absence	Q3 2020	Q3 2019	FY 2019
Stores	8.8%	7.9%	8.3%
Head office and distribution centre	4.9%	6.4%	5.9%

The third quarter is a time when Europris historically conducts a lot of employee training and education. This year, much of the training has been done digitally. Kick-off gatherings in connection with the Christmas season were carried out with small groups in the various districts. This has worked surprisingly well and the employees have given good feedback on how the chain has adapted to a more digitalised working life.

Update on the ÖoB equity transaction

Europris completed its acquisition of a 20 per cent equity stake in ÖoB on 13 December 2019, with payment in Europris shares. As part of the agreement with ÖoB, the group holds an option to acquire the remaining 80 per cent of the ÖoB shares. The option period runs for six months from the date the parties reach agreement on ÖoB's 2019 EBITDA.

Pricing at both stages is based on an EV/EBITDA multiple of 7.7, adjusted for net debt and average net working capital.

A financial due diligence process to determine the company's EBITDA for 2019 is scheduled to commence in the fourth quarter of 2020. This forms the basis of the preliminary purchase price for the remaining 80 per cent of the shares in parent company Runsvengruppen AB. The final purchase price will be calculated in accordance with average EBITDA for 2019 and 2020.

Europis will complete a full due diligence of the company before the board of directors decides whether to exercise the option. The group will update stakeholders and the market on a continuous basis.

ÖoB operational and financial update

ÖoB has experienced a positive sales development in the first nine months of 2020, with a growth of 6.7 per cent which increased revenues to SEK 3,076 million (SEK 2,882 million). The chain has opened one new store so far this year and operated 92 stores across Sweden at 30 September 2020.

The growth in sales was highest in the first quarter at 10 per cent, strongly driven by hoarding in connection with the Covid-19 outbreak. In the following months, sales growth stabilised at a somewhat lower level. ÖoB's stores have experienced very mixed effects from the Covid-19 pandemic. While stores in retail parks and on the outskirts of cities achieved strong growth, some downtown stores in Stockholm

as well as stores located close to the Norwegian border saw a sharp decline in sales. All stores have been kept open, but some operate with reduced opening hours.

Sales growth has been driven by an increase in sales per customer, while the total number of customers fell slightly, mainly owing to reduced cross-border trade from Norway and fewer customers in the city stores which normally have a small shopping basket. Non-food categories account for the largest growth, since the summer season was successful. However, ÖoB also has had growth in groceries.

ÖoB's accounts for the first nine months of 2020 showed an EBITDA of SEK 24.6 million (SEK 20.3 million). Figures are unaudited and exclude IFRS 16 effects. Changes in the sales mix in the categories had a negative effect on the gross margin, while costs related to transport of goods to the stores and between warehouses increased.



Sustainable quality in the product range

FINANCIAL REVIEW



Profit and loss – third quarter

Group revenue in the third quarter amounted to NOK 1,897 million (NOK 1,477 million), up by 28.5 per cent. Revenue growth was mainly driven by the 26.5 per cent rise in the chain's like-for-like sales, reflecting solid merchandising and increased demand following the Covid-19 outbreak.

Gross profit for the group was NOK 828 million (NOK 654 million). The gross margin was 43.6 per cent (44.3 per cent).

Over the year, the group reports a calculated gross margin for the stores and any calculation differences are adjusted at the annual stocktaking in the third and fourth quarters. This quarter includes NOK 22 million in positive calculation differences (NOK 33 million), with about NOK 16 million (NOK 29 million) related to the previous three quarters from the fourth quarter of 2019. Adjusted for the stocktaking, the gross margin was 42.8 per cent (42.6 per cent).

Stocktaking this year has been delayed by Covid-19, with 107 directly operated stores (28 stores last year) completing this annual process in the fourth quarter. In the third quarter, the average positive calculation difference per store was on same level as last year, but the total was reduced since fewer stores have completed stocktaking.

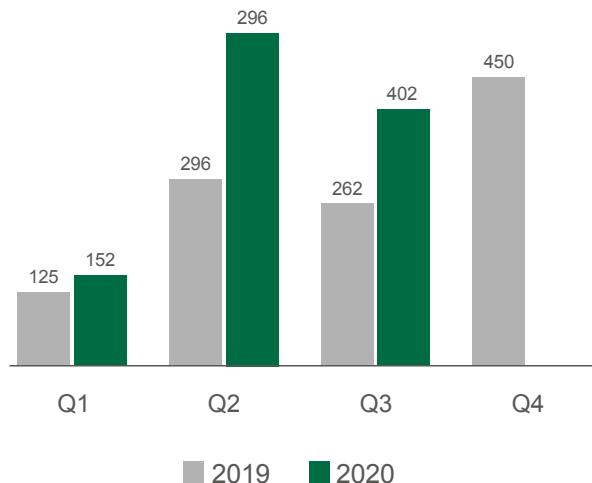
Operating expenditure (Opex), excluding non-recurring items, was NOK 425 million in the third quarter (NOK 392 million), a rise of 8.7 per cent. Opex was affected by the 2.6 per cent increase in the number of directly operated stores from 230 to 236, and amounted to 22.4 per cent of group revenue (26.5 per cent).

Adjusted EBITDA was NOK 402 million (NOK 262 million), up by NOK 140 million or 53 per cent.

The adjusted profit before tax was NOK 243 million (NOK 114 million), an increase of NOK 129 million.

The group recognised a net unrealised currency gain of NOK 5 million on hedging contracts and accounts payable (net currency gain of NOK 9 million).

Adjusted EBITDA, NOK million



In accordance with its finance policy, the group has entered into interest-rate agreements to hedge part of the interest-rate fluctuations related to its term loan. A net unrealised loss on the interest swaps amounted to NOK 6 million for the quarter.

The group recorded an estimated profit of NOK 4.3 million (loss of NOK 1.1 million) on its 20 per cent stake in Runsvengruppen AB (ÖoB). This is based on preliminary and non-audited figures from the associated company.

Adjusted net profit for the third quarter of 2020 was NOK 191 million (NOK 88 million).

Profit and loss – first nine months

Group revenue for the first nine months of 2020 amounted to NOK 5,490 million (NOK 4,335 million), up by 26.6 per cent. The key drivers for revenue growth were the 25 per cent increase in the chain's like-for-like sales as well as new store openings and franchise takeovers. The first nine months had two more sales days than the same period of last year.

Gross profit for the group was NOK 2,357 million (NOK 1,854 million). The gross margin was 42.9 per cent, compared with 42.8 per cent for the same period of last year.

Opex excluding non-recurring items came to NOK 1,286 million (NOK 1,171 million). This represented an increase of 9.8 per cent from the same period of last year. Operating expenses were 23.4 per cent (27 per cent) of group revenue. Opex in the first nine months was affected by the increase from 230 to 236 directly operated stores. The group has continued its good overall cost control.

Adjusted EBITDA was NOK 1,071 million (NOK 683 million), up by NOK 388 million or 57 per cent. The adjusted EBITDA margin was 19.5 per cent (15.8 per cent).

Adjusted net profit for the first nine months of 2020 was NOK 445 million (NOK 173 million).

Cash flow

Net change in working capital for the period was positive at NOK 18 million (negative at NOK 179 million). Working capital was affected by timing differences for accounts payable and payment of other provisions and accruals.

Capital expenditure was NOK 82 million (NOK 99 million). The decrease from the year before reflected fewer store projects.

Financial position and liquidity

Financial debt at 30 September 2020 was NOK 2,866 million. Adjusted for the IFRS 16 effect, financial liabilities amounted to NOK 997 million (NOK 1,658 million).

Net debt at 30 September 2020 was NOK 2,822 million (NOK 3,579 million). Adjusted for the IFRS 16 effect, net financial liabilities were NOK 953 million (NOK 1,631 million).

Cash and liquidity reserves for the group at 30 September 2020 amounted to NOK 1,430 million (NOK 463 million).

Changes to the executive management team

Europis has appointed Stina Charlene Byre as its CFO. She comes from Cowi AS, where she has been CFO since 2019. Before joining Cowi, Byre spent 10 years with Orkla, where she held various financial management positions – ending as CFO of Orkla Health Group. She will take up her new role in Europis on a date to be determined later, but no later than 1 April 2021.

In addition to serving as CFO for Orkla Health Group, her management positions within finance at Orkla included CFO of Pierre Robert Group and financial manager at Lilleborg. Before her time with Orkla, Byre spent three years as a consultant at McKinsey & Company. She holds an MBA from the BI Norwegian School of Management and Texas A&M University in the USA. Byre is a Norwegian citizen and resident in Norway.

Outlook

Europis has experienced strong progress in 2020, with profitable growth under current Covid-19 conditions. The sales growth trend has been stable throughout the third quarter and into the first weeks of October.

In October 2020, it appears the pandemic is once again spreading in most European countries, including Norway. It is therefore difficult to provide short-term sales projections for Europis. Based on experience from the early phase of the pandemic and from numerous years of selling goods in high seasons, however, the group is very confident that the team is well prepared for the fourth quarter, which is the most important of the year.

Europis continues to have a healthy pipeline of new stores in the Norwegian market.

Where ÖoB is concerned, Europis has scheduled a financial due diligence process to commence in the fourth quarter.

The group's long-term financial and operational ambitions remain unchanged.

Europis' key strategic priority areas are:

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

Long-term financial and operational ambitions are:

- continue to deliver like-for-like growth above the market performance over time
- aim to open an average of five new stores net per annum, depending on the availability of locations which meet strict requirements for the rate of return as well as the potential for relocations, expansion and refurbishment
- increase the EBITDA margin over time through improved sourcing and a more cost-effective value chain
- continue a dividend policy of paying out 50-60 per cent of net profit while maintaining an efficient balance sheet.

Fredrikstad, 29 October 2020

THE BOARD OF DIRECTORS OF EUROPIS ASA

EUROPRIS ASA

Q3-2020



INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS



Figures are stated in NOK 1,000

Notes	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Total operating income (group revenue)	1,897,006	1,476,696	5,490,131	4,335,408	6,234,389
Cost of goods sold (COGS)	1,064,294	813,781	3,127,338	2,483,526	3,543,730
Employee benefits expense	282,117	256,193	822,597	715,601	985,347
Depreciation	5	135,859	129,830	407,240	381,343
Other operating expenses		143,754	139,719	473,318	467,556
Operating profit	270,981	137,174	659,637	287,383	578,582
Net financial income (expense)	(32,707)	(26,802)	(97,559)	(72,564)	(98,172)
Profit (loss) from associated companies	7	4,300	(1,100)	(1,200)	(4,000)
Profit before tax	242,574	109,272	560,879	210,818	480,410
Income tax expense		52,420	24,282	123,657	47,260
Profit for the period	190,154	84,990	437,221	163,558	375,436
Attributable to the equity holders of the parent		190,154	84,990	437,221	163,558
Interim condensed consolidated statement of comprehensive income					
Profit for the period		190,154	84,990	437,221	163,558
Total comprehensive income	190,154	84,990	437,221	163,558	375,436
Attributable to the equity holders of the parent		190,154	84,990	437,221	163,558

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION



Figures are stated in NOK 1,000

	Notes	30 Sept 2020	30 Sept 2019	31 Dec 2019
		Unaudited	Unaudited	Audited
ASSETS				
Total intangible assets	5	2,058,103	2,043,270	2,044,669
Total fixed assets	5	2,609,500	2,638,403	2,743,235
Total financial assets	6,7	149,620	164,982	151,266
Total non-current assets		4,817,223	4,846,655	4,939,170
Inventories		1,764,668	1,823,390	1,550,331
Trade receivables		149,176	129,635	181,774
Other receivables	6	98,563	87,612	76,417
Cash		44,283	27,225	568,036
Total current assets		2,056,691	2,067,863	2,376,558
Total assets		6,873,914	6,914,517	7,315,727
EQUITY AND LIABILITIES				
Total paid-in capital	8	234,946	213,121	234,946
Total retained equity		1,856,799	1,437,673	1,742,923
Total shareholders' equity		2,091,745	1,650,794	1,977,870
Provisions		154,773	90,452	31,763
Borrowings	6	997,000	13,406	14,280
Lease liabilities	6	1,869,363	1,947,852	2,003,993
Other non-current liabilities	6	6,437	-	-
Total non-current liabilities		3,027,574	2,051,710	2,050,036
Borrowings	6	-	1,644,766	1,642,007
Current lease liabilities	6	434,186	398,637	414,088
Accounts payable		773,173	628,196	616,769
Tax payable		-	12,203	116,380
Public duties payable		241,608	192,664	243,072
Other current liabilities	6	305,627	335,548	255,505
Total current liabilities		1,754,595	3,212,013	3,287,821
Total liabilities		4,782,169	5,263,723	5,337,857
Total equity and liabilities		6,873,914	6,914,517	7,315,727

Fredrikstad, 29 October 2020
THE BOARD OF DIRECTORS OF EUROPRA ASA

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



Figures are stated in NOK 1,000

Attributed to equity holders of the parent

	Share capital	Treasury shares	Share premium	Other paid-in capital	Retained earnings	Total equity
At 1 January 2020	166,969	(1,150)	51,652	17,475	1,742,923	1,977,870
Profit for the period	-	-	-	-	437,221	437,221
Dividend	-	-	-	-	(323,346)	(323,346)
Other comprehensive income	-	-	-	-	-	-
At 30 September 2020	166,969	(1,150)	51,652	17,475	1,856,799	2,091,745

(unaudited)

Attributed to equity holders of the parent

	Share capital	Treasury shares	Share premium	Other paid-in capital	Retained earnings	Total equity
At 1 January 2019	166,969	(5,370)	51,652	-	1,575,677	1,788,929
Profit for the period	-	-	-	-	163,558	163,558
Dividend	-	-	-	-	(298,717)	(298,717)
Net purchase of treasury shares	-	(130)	-	-	(2,845)	(2,975)
Other comprehensive income	-	-	-	-	-	-
At 30 September 2019	166,969	(5,500)	51,652	-	1,437,673	1,650,794

(unaudited)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS



Figures are stated in NOK 1,000	Notes	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
		Unaudited	Unaudited	Unaudited	Unaudited	Audited
Cash flows from operating activities						
Profit before income tax		242,574	109,272	560,879	210,818	480,410
Adjusted for:						
Depreciation of fixed and intangible assets	5	135,859	129,830	407,240	381,343	515,673
Profit/loss from associated companies		(4,300)	1,100	1,200	4,000	-
Changes in net working capital		(81,370)	18,004	17,762	(178,582)	160,602
Income tax paid		(51,174)	-	(119,057)	(111,936)	(124,173)
Net cash generated from operating activities		241,588	258,206	868,023	305,643	1,032,512
Cash flows from investing activities						
Purchases of fixed and intangible assets	5	(14,618)	(25,755)	(81,991)	(98,892)	(157,029)
Acquisition		-	(560)	(7,979)	514	(2,711)
Net cash used in investing activities		(14,618)	(26,315)	(89,970)	(98,377)	(159,740)
Cash flows from financing activities						
Net change RCF (Revolving Credit Facility)		(200,000)	(100,000)	-	-	-
Proceeds from borrowings		-	-	1,000,000	-	-
Repayment of debt to financial institutions		-	(4,188)	(1,651,675)	(6,009)	-
Principal paid on lease liabilities		(109,567)	(104,846)	(326,785)	(299,307)	(430,009)
Dividend		-	-	(323,346)	(298,717)	(298,717)
Buy-back of treasury shares		-	-	-	(2,975)	(2,975)
Net cash from financing activities		(309,567)	(209,034)	(1,301,806)	(607,008)	(731,702)
Net increase (decrease) in cash		(82,597)	22,857	(523,753)	(399,743)	141,070
Cash at beginning of period		126,880	4,367	568,036	426,967	426,967
Cash at end of period		44,283	27,224	44,283	27,224	568,036

NOTES



Note 1 Corporate information

The interim condensed consolidated financial statements of Europris ASA and its subsidiaries (collectively, the group) for the third quarter and the nine months ended 30 September 2020 were authorised for issue by the board on 29 October 2020.

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

These condensed interim financial statements have not been audited.

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

Basis of preparation

The interim condensed consolidated financial statements for the third quarter and the nine months ended 30 September 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements at 31 December 2019.

New standards, interpretations and amendments adopted by the group

The accounting policies adopted in preparing the interim condensed consolidated financial statements are consistent with those followed in the preparation of the group's annual consolidated financial statements for the year ended 31 December 2019. New standards and interpretations effective at 1 January 2020 do not impact the annual consolidated financial statements of the group or the interim condensed financial statements of the group.

Note 3 Critical accounting estimates and judgements

The preparation of interim condensed financial statements requires management to make accounting judgements and estimates that impact how accounting policies are applied and the reported amounts for assets, liabilities, income and expenses. Actual results may differ from these estimates. The critical accounting estimates and judgements are consistent with those in the consolidated financial statements for 2019.

Note 4 Segment information

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

Note 5 Fixed and intangible assets

Figures are stated in NOK 1,000	Fixtures and fittings	Land	Right-of-use asset	Software	Trademarks	Goodwill	Total
Carrying amount 1 January 2020	313,396	24,966	2,404,873	45,699	387,573	1,611,397	4,787,904
Financial leases reclassified from IAS 17	(14,142)	-	14,142	-	-	-	-
Acquisition of subsidiaries	640	-	15,925	-	-	6,334	22,899
Additions	60,678	-	195,412	21,350	-	-	277,440
Disposals	-	-	(13,400)	-	-	-	(13,400)
Depreciation	(53,351)	-	(339,638)	(14,251)	-	-	(407,240)
Carrying amount 30 September 2020	307,221	24,966	2,277,313	52,798	387,573	1,617,731	4,667,603

	Fixtures and fittings	Land	Right-of-use asset	Software	Trademarks	Goodwill	Total
Carrying amount 1 January 2019	238,323	23,739	1,988,873	47,167	387,573	1,605,947	4,291,624
Acquisition of subsidiaries	1,544	-	21,291	-	-	4,947	27,782
Additions	97,792	1,227	631,240	13,350	-	-	743,609
Disposals	-	-	-	-	-	-	-
Depreciation	(60,575)	-	(305,053)	(15,715)	-	-	(381,343)
Carrying amount 30 September 2019	277,085	24,966	2,336,352	44,802	387,573	1,610,895	4,681,672

Note 6 Financial instruments - fair value

Set out below is a comparison of the carrying amounts and fair values of financial assets and liabilities at 30 September 2020 and 31 December 2019:

Figures are stated in NOK 1,000	30 September 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables				
Non-current receivables	24,509	24,509	24,400	24,400
Total	24,509	24,509	24,400	24,400
Financial liabilities				
Other financial liabilities				
Borrowings	997,000	997,000	1,656,287	1,656,287
Lease liabilities	1,869,363	1,869,363	2,003,993	2,003,993
Current lease liabilities	434,186	434,186	414,088	414,088
Total	3,300,550	3,300,550	4,074,368	4,074,368
Financial instruments measured at fair value through profit and loss				
Derivatives - asset				
Interest rate swaps	-	-	605	605
Foreign exchange forward contracts	10,338	10,338	-	-
Total	10,338	10,338	605	605
Derivatives liabilities				
Interest rate swaps	6,437	6,437	-	-
Foreign exchange forward contracts	5,687	5,687	13,409	13,409
Total	12,124	12,124	13,409	13,409

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised at fair value on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

All the group's financial instruments measured at fair value are classified as level 2.

Specific valuation methods being used to value financial instruments include:

- fair value of interest rate swaps is measured as the net present value of estimated future cash flows based on observable yield curves
- fair value of foreign exchange forward contracts is measured by the net present value of the difference between the contractual forward rate and the forward rate of the currency at the balance sheet date, multiplied by the contractual volume in foreign currency.

Note 7 Investment in associated company

In June 2018, the group acquired 20 per cent of Runsvengruppen AB (ÖoB), a Swedish discount variety retailer. ÖoB has its headquarters in Skänninge and runs 92 stores across Sweden.

The Europris group owns 20 per cent of the shares and voting rights in Runsvengruppen AS.

Based on equity value, using a fixed multiple of 7.7 on adjusted EBITDA for ÖoB in 2018, the purchase price was determined as NOK 115.2 million. NOK 4.3 million in transaction expenses has also been recognised as part of the acquisition cost, bringing the total investment to NOK 119.5 million. In addition, the group recorded an estimated profit of NOK 6.4 million from its 20 per cent stake in 2018. No profit or loss are recorded in 2019. An estimated loss of NOK 1.2 million was booked in the first nine months of 2020.

The vendor note issued when closing the deal is converted to 4,349,695 Europris shares, corresponding to 2.61 per cent of the share capital.

Note 8 Treasury shares

The number of treasury shares held by Europris ASA changed as follows in the period from 1 January to 30 September 2020.

Change in number of treasury shares:

Treasury shares 1 January 2020	1,150,305
Buy-back of treasury shares	-
Sale of shares	-
Treasury shares 30 September 2020	1,150,305

Average cost price for treasury shares are NOK 22.47.

Forward looking statements

The condensed interim report contains forward-looking statements, based on various assumptions. These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risk and uncertainties because they relate to events and depend on circumstances that will occur in the future. Although Europris believes that these assumptions were reasonable when made, it cannot provide assurances that its future results, level of activity or performances will meet these expectations.

ALTERNATIVE PERFORMANCE MEASURES



APMs are used by Europis for annual and periodic financial reporting in order to provide a better understanding of Europis financial performance and are also used by management to measure operating performance. In the discussion of the reported operating results, financial position and cash flows, Europis refers to these measures which are not defined by generally accepted accounting principles (GAAP) such as IFRS. Europis management makes regular use of these Alternative Performance Measures and is of the opinion that this information, alongside with comparable IFRS measures, is useful to investors who evaluate the group's financial performance. APMs are adjusted IFRS figures defined, calculated and used in a consistent and transparent manner and should not be viewed in isolation or as an alternative to the equivalent IFRS measure.

- **Total retail sales** are retail sales from all stores, both directly operated and franchise stores.
- **COGS excluding unrealised foreign exchange effect** is the cost of goods sold except for unrealised gains or losses on the foreign currency derivatives and unrealised foreign currency exchange gains and losses on inventory trade payables.
- **Gross profit** represents group revenue less the cost of goods sold excluding unrealised foreign currency effects.
- **Gross margin** is gross profit represented as a percentage of group revenue.
- **Opex** is the sum of employee benefits expense and other operating expenses.
- **EBITDA** (earnings before interest, tax, depreciation and amortisation) represents Gross profit less Opex.
- **Non-recurring items** are expenses which by nature are related to special events outside normal course of business (e.g IPO costs, moving cost, rent for vacated warehouse)
- **Adjusted EBITDA** is EBITDA adjusted for non-recurring items.
- **Adjusted profit before tax** is profit before tax adjusted for non-recurring items.
- **Adjusted net profit** is net profit adjusted for non-recurring items.
- **Adjusted earnings per share** is Adjusted net profit divided by the current number of shares, adjusted by the average of treasury shares.
- **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.
- **Financial debt** is the sum of term loans and financial leases.
- **Net debt** is the sum of term loans and financial leases less bank deposits and cash.

Other definitions

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



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