

Europpris

MER TIL OVERS

Q4-20



EUROPRIS ASA

CONTENTS



Highlights 2020	3
Key figures	4
Alternative performance measures	5
Period review	6
Financial review	12
Financial statements	16
APM definitions	24



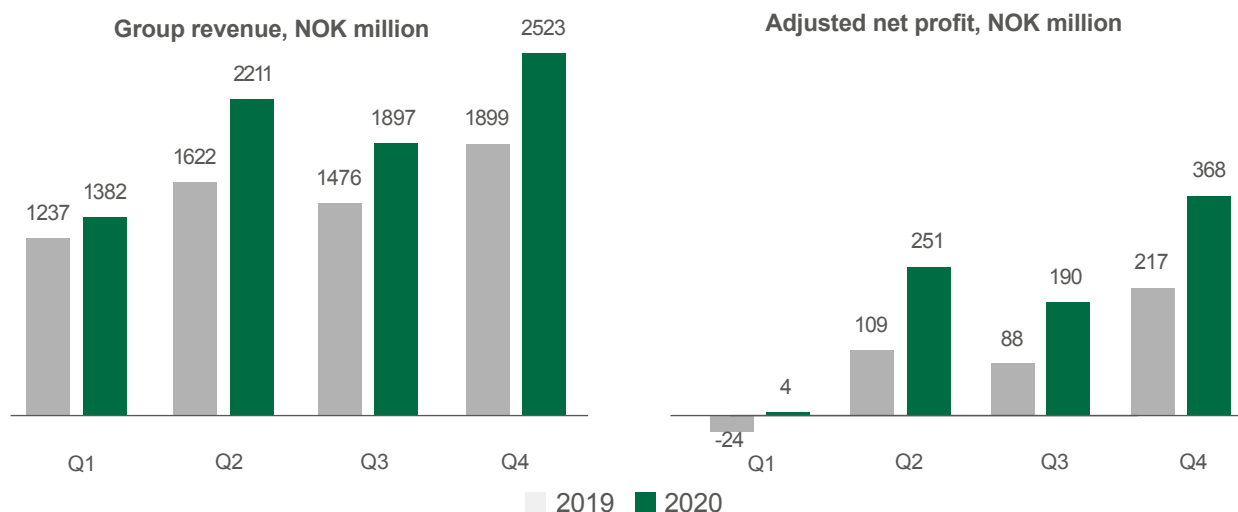
Fourth quarter 2020

- Continued outperformance of a strong market, positively affected by the Covid-19 situation
 - » Solid merchandising and successful execution of seasons and campaigns
 - » Group revenue increased by 32.8 per cent to NOK 2,523 million (NOK 1,899 million)
- Gross margin increased owing to an improved margin on seasonal goods
 - » Gross margin 45.7 per cent (45.1 per cent)
- Operational efficiency continued to improve
 - » Opex-to-sales ratio decreased to 18.8 per cent (21.4 per cent)
 - » Adjusted EBITDA rose by 50 per cent to NOK 677 million
 - » Adjusted net profit increased by 70 per cent to NOK 368 million (NOK 217 million), including one-off costs of NOK 44 million
- Strong financial position
 - » Cash and available credits of NOK 1,926 million (NOK 1,006 million)
 - » Share buy-back programme of five million shares completed at a total cost of NOK 245 million

Full year 2020

- Strong performance in a different and challenging year
 - » Group revenue increased by 28.5 per cent to NOK 8,013 million (NOK 6,234 million)
 - » Growth driven by increased demand following Covid-19 and solid execution of seasons and campaigns
- Increased gross margin despite shift in demand towards groceries
 - » Gross margin 43.8 per cent (43.5 per cent)
- High operational scalability and improved efficiency
 - » Opex-to-sales ratio decreased to 22.0 per cent (25.3 per cent)
 - » Adjusted EBITDA rose by 54 per cent to NOK 1,748 million
 - » Adjusted net profit increased by 108 per cent to NOK 813 million (NOK 390 million)
- Espen Eldal appointed CEO of the group on 30 March and Stina Charlene Byre appointed as new CFO from January 2021
- The board of directors proposes an ordinary dividend of NOK 2.20 per share for 2020 (NOK 1.95)
- To reflect the strong financial performance in an extraordinary year, the board proposes to pay an additional dividend of NOK 0.50 per share

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



KEY FIGURES



Figures are stated in NOK million

	Q4 2020	Q4 2019	FY 2020	FY 2019
CHAIN KEY FIGURES				
Total retail sales	2,646.9	2,007.3	8,387.5	6,561.3
Growth (%)	31.9%	2.9%	27.8%	6.4%
Like-for-like sales growth (%)	30.5%	1.1%	26.7%	4.4%
Total number of stores at end of period	266	264	266	264
- Directly operated stores	237	231	237	231
- Franchise stores	29	33	29	33
GROUP KEY INCOME STATEMENT FIGURES				
Sales directly operated stores	2,293.5	1,686.1	7,239.6	5,490.5
Sales from wholesale to franchise stores	203.7	191.0	689.0	665.6
Franchise fees and other income	25.4	21.9	84.0	78.4
Group revenue	2,522.5	1,899.0	8,012.6	6,234.4
% growth	32.8%	3.3%	28.5%	7.2%
COGS excluding unrealised foreign exchange effects	1,370.8	1,041.7	4,504.1	3,523.3
Gross profit	1,151.7	857.3	3,508.5	2,711.0
% margin	45.7%	45.1%	43.8%	43.5%
Opex	477.1	413.2	1,773.0	1,596.4
Non-recurring items	2.2	6.2	12.5	18.7
Opex excluding non-recurring items	474.8	407.0	1,760.5	1,577.7
% of group revenue	18.8%	21.4%	22.0%	25.3%
Adjusted EBITDA	676.9	450.3	1,748.0	1,133.3
% margin	26.8%	23.7%	21.8%	18.2%
Adjusted EBIT	544.2	315.9	1,208.1	617.7
Adjusted profit before tax	470.5	275.8	1,041.6	499.1
Adjusted net profit	367.8	216.7	813.0	390.0
Adjusted earnings per share	2.23	1.34	4.92	2.41
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES				
Net change in working capital	237.5	339.2	255.3	160.6
Capital expenditure	22.2	58.1	104.1	157.0
Financial debt			995.1	1,656.3
Lease liabilities - IFRS 16 effect			1,850.6	2,004.0
Cash			540.1	568.0
Net debt			2,305.6	3,092.2

ALTERNATIVE PERFORMANCE MEASURES



APMs are used by Europris for annual and periodic financial reporting in order to provide a better understanding of the group's 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 and should not be viewed in isolation or as an alternative to the equivalent IFRS measure. Financial measures as Gross profit, Gross margin, Adjusted EBITDA, Adjusted EBIT, Adjusted net profit and Adjusted earnings per share are specified in the table below. In addition, the effects of IFRS 16 Leasing are specified within each line item in the statement of profit and loss. This applies to Opex, Depreciation and Net financial income.

Figures are stated in NOK million	Q4 2020	Q4 2019	FY 2020	FY 2019
Group revenue	2,522.5	1,899.0	8,012.6	6,234.4
Cost of goods sold (COGS)	1,406.8	1,060.2	4,534.1	3,543.7
Unrealised foreign exchange effects	(36.0)	(18.5)	(30.0)	(20.3)
Gross profit	1,151.7	857.3	3,508.5	2,711.0
% margin	45.7 %	45.1 %	43.8 %	43.5 %
Employee benefits expense	315.6	269.7	1,138.2	985.3
Other operating expenses	286.3	264.1	1,126.0	1,060.9
Other operating expenses - IFRS 16 effect	(124.8)	(120.6)	(491.2)	(449.8)
Opex	477.1	413.2	1,773.0	1,596.4
Non-recurring items	2.2	6.2	12.5	18.7
Opex excluding non-recurring items	474.9	407.0	1,760.5	1,577.7
% of group revenue	18.8%	21.4%	22.0%	25.3%
Adjusted EBITDA	676.9	450.3	1,748.0	1,133.3
Depreciation	22.7	23.3	90.3	99.6
Depreciation - IFRS 16 effect	109.9	111.1	449.6	416.1
Adjusted EBIT	544.2	315.9	1,208.1	617.7
Net financial income (expense)	9.5	(13.0)	(48.5)	(51.3)
Net financial expense - IFRS 16	(51.0)	(12.6)	(90.6)	(46.9)
Unrealised foreign exchange effects	(36.0)	(18.5)	(30.0)	(20.3)
Profit (loss) from associated companies	3.8	4.0	2.6	-
Adjusted profit before tax	470.5	275.8	1,041.6	499.1
Adjusted net profit	367.8	216.7	813.0	390.0
Adjusted earnings per share	2.23	1.34	4.92	2.41
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES				
Net change in working capital	237.5	339.2	255.3	160.6
Purchases of fixed assets	11.2	52.1	72.2	137.6
Purchases of intangible assets	10.9	6.0	31.9	19.4
Capital expenditure (excl. IFRS 16 effects)	22.1	58.1	104.1	157.0
Financial debt			2,845.6	3,660.3
Lease liabilities - IFRS 16			1,850.6	2,004.0
Cash			540.1	568.0
Net debt			454.9	1,088.3

For APM definitions and further reconciliations, se page 24.

PERIOD REVIEW



Operational performance continued to be strong in the fourth quarter of 2020, resulting in record sales and net profit for Europris. Increased demand caused by the Covid-19 pandemic in combination with solid merchandising yielded a sales growth of 32.8 per cent during the quarter. October-December is a seasonally important quarter for Europris, and thorough planning and implementation of sales campaigns were crucial for the strong sales growth and record results.

The highest sales growth was registered in the grocery categories, which have a lower gross margin than the other categories. Despite this, the gross margin strengthened by 0.6 percentage points in the quarter as a result of ongoing adjustments to campaigns and an improved margin on seasonal items since they were sold earlier in the quarter and at ordinary prices.

Strict cost control in combination with scale benefits following increased sales yielded a solid uplift in adjusted net profit, which increased by 70 per cent to NOK 368 million.

Europris is proud of the efforts made by all employees during the Covid-19 pandemic and is aware that extra efforts will continue to be required in the coming months. The group's culture has shown itself at its best, with employees going to great lengths to ensure a secure workplace and a safe place to shop for customers in very challenging times. The board of Europris ASA has decided to give all employees an extra appreciation for the efforts they have shown and NOK 12 million was expensed in that connection during the fourth quarter.

Europris strengthened its position as the leading discount variety retailer in Norway during 2020. Regular customers increased their frequency of visits and shopping carts, while new customers discovered all the benefits of shopping smart at low prices.

Sales performance

Sales were up by 32.8 per cent in the fourth quarter of 2020, and sales in the chain's stores, both directly owned and franchise, grew by 31.9 per cent to NOK 2,647 million (NOK 2,008 million). Like-for-like retail sales growth was 30.5 per cent.

The Covid-19 pandemic continued to have a significant impact on market development in the fourth quarter, as has been the case since March 2020. Infection control measures have contributed to Norwegians spending more time at home and the closed borders have temporarily stopped trade leakage to Sweden. The overall result has been increased demand in the Norwegian market, and Europris has been well positioned to take advantage of this. Low prices combined with a wide range of goods and an easily accessible store network have made Europris a preferred shopping alternative for many customers.

The government encouraged Norwegians to plan this year's Christmas shopping well and recommended an early shopping start. This is reflected in Europris' sales growth for the quarter, which was very strong in its first two months. The

early start to the Christmas season resulted in seasonal goods being sold earlier and at ordinary prices in 2020, which contributed to an increased gross margin for the quarter.

Europris is a campaign-driven, low-price retailer focused on conducting campaigns and providing good customer offerings every week of the year. It aims to ensure that advertised products are readily available throughout the campaign period. Owing to the high sales growth and long lead times for seasonal items, campaigns were successfully shifted towards consumer goods in the grocery categories with higher base inventory and shorter lead times in order to ensure product availability for campaigns.

Europris continued to gain market share, with sales growth significantly above the rest of the market. Norwegian retail has had an exceptionally good year, with sales growth of almost 10 per cent. The largest growth has been in groceries and variety retail, with sales growth of 15.7 and 19.2 per cent respectively. Europris is defined as a variety retail business and, being positioned in the sweet spot of the market, the chain delivered a solid 27.8 per cent growth in sales for 2020.

Sales growth compared with the market in 2020

	Q4 2020	2020	2019
Virke: total retail*	N/A	10.0%	1.4%
Virke: groceries*	N/A	15.9%	1.5%
Virke: variety retail*	N/A	18.5%	2.1%
Kvarud shopping centre index**	4.8%	4.0%	1.3%
Europris chain	31.9%	27.8%	6.4%

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

** Kvarud Analyse shopping centre index

Europris' sales growth has been in double digits for all categories and across all counties in Norway. The largest growth has been in the grocery categories, where Covid-19 infection control measures have contributed to a significant rise in demand. Geographically, growth has been greatest in the central part of eastern Norway, where the absence of cross-border trade has increased demand.

Sales growth in 2020 was relatively evenly distributed between an increase in the shopping basket and a rise in the number of customer visits. Basket growth was mainly driven by more items per customer, while the biggest driver for customer visits was increased frequency among existing customers.

Operational review

Concept and category development

All attention in the fourth quarter is concentrated on implementing the high season. Few other concepts and category projects are pursued in this period, apart from the introduction of new seasonal elements.

This year's seasonal Christmas items were well received in the market and the Hemsedal artificial Christmas tree was voted the best in a test by the national broadcaster TV 2. The other Europris Christmas trees also received very positive reviews in the national dailies VG and Dagbladet.

Over time, Europris has gained significant product expertise with Christmas lighting and trees. These goods were purchased in collaboration with Tokmanni in Finland and ÖoB in Sweden under the expert guidance of the Norwegian product manager. The increased buying power and

expertise resulted in improved purchasing terms and product quality. The positive experiences with these projects have been incorporated in the other parts of the purchasing collaboration, such as the development and purchase of other goods from the Far East together with the Europris partners in Finland and Sweden.

During the first quarter of 2020, Europris launched an upgraded kitchen equipment department. This was successfully timed, with the upgrade well received by customers. The category showed above-average sales growth in 2020 while its gross margin also expanded. Europris has reduced complexity in the new department by increasing the use of a basic range in sales campaigns. This makes the profile of the department easier for customers to understand and reduces the need for stock clearance after sales campaigns. It also becomes easier and more efficient for the stores to maintain a good operating standard. This programme will be used as a template for future category projects.

E-commerce and e-CRM

Progress in the digital area continued in the fourth quarter, with sales up by 259 per cent to reach an overall share of 0.6 per cent compared with 0.2 per cent the year before. Click and collect continues to be the preferred e-commerce solution for Europris customers, with a 78 per cent share of such sales in the quarter.

Fourth quarter e-commerce sales

NOK million	Q4 2020	Q4 2019	Growth
Home deliveries	3.3	2.4	40%
Click and collect	12.0	1.9	535%
Total e-commerce sales	15.3	4.3	259%
Percentage of total chain sales	0.6%	0.2%	

Full year e-commerce sales

NOK million	2020	2019	Growth
Home deliveries	13.4	8.6	55%
Click and collect	72.4	31.2	132%
Total e-commerce sales	85.8	39.8	115%
Percentage of total chain sales	1.0%	0.6%	

Digitalisation work extends far beyond e-commerce, and Europris continues to see an increase in the number of visits to its website and in members of its customer club. The latter totalled 690,000 at 31 December 2020, more than double the figure for a year earlier. Digital visibility has also increased, with more and more followers on social media.

Digital distribution of newsletters and weekly offers is increasing. Newsletters will gradually become more personalised and reflect products and offers relevant to the individual customer. Extra attention was paid in the fourth quarter to digital newsletters for those customers who buy sustainable products. The printed direct marketing leaflet is still the most important marketing channel but, with the rising proportion of digital subscribers and visibility, its significance is likely to decrease gradually over time.

Europris' ambition is to create a seamless interaction between the physical stores and the digital offering. The goal is to shape an environment where customers find good information online and can shop in the way which best suits them, whether online or by visiting one of the chain's physical stores.

Developing the store estate

Europris opened two new stores in the fourth quarter, at Kongsberg in Viken county and a city store at Løren in Oslo. In connection with the opening of the new Kongsberg store, which is located at the Sølvparken shopping park in the city centre, the old store at Skollenborg outside the city centre was closed.

The chain had 266 stores at 31 December. Of these, 237 were directly operated and 29 were franchises.

Europris completed one store expansion during the quarter. The group has a clear ambition to develop the existing store base as an important growth and value driver in the future.

During the fourth quarter, the board approved a further three new stores and two store relocations. However, one new city concept store already planned in Oslo has been postponed indefinitely.

New stores opened in 2020

Month	Store	County
March	Tau	Rogaland
September	Lindås	Vestland
November	Kongsberg, Sølvparken	Viken
December	Løren City	Oslo

Store closures in 2020

Month	Store	County
June	Haugenstua	Oslo
October	Kongsberg	Viken

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
November	Sørkjosen	Troms og Finnmark

The potential closure of the Europris store at Grini has been the subject of court proceedings, with a negative outcome for Europris. The group has appealed this verdict and implementation will be deferred until a final judgement is reached. However, a significant risk exists that the store will be closed after 2021. Europris can terminate the lease with effect from the fourth quarter of 2021. The Grini store had sales of NOK 60 million and an annual rent charge of NOK 4.6 million in 2020.

New central warehouse progressing as planned

The new central warehouse in Moss performed well in the fourth quarter, with the new automated high-bay warehouse contributing positively to operations. The proportion of rejected pallets has declined every month since start-up. Operation of the system is now approaching the standard classified by the industry as “best in class”.

Commissioning the automatic shuttle system in the low-bay area of the new warehouse, which will make picking of goods more efficient, is the next major milestone. Installation of the system has been completed and testing began in the fourth quarter. The first tests have revealed some errors which must be corrected before Europris can approve the work. The supplier is working continuously on this, and further tests will be conducted at the beginning of 2021. Similar shuttle systems have been installed by the supplier at other customers, and it has the necessary expertise to complete the project. However, some of this expertise is located abroad and access to it has been restricted owing to Covid-19. Europris expects that the tests will be passed in the first quarter and that the system can be put into operation as planned during the first half of 2021.

As previously announced, the period from now until 2022 will be a transitional time for Europris, 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 (estimated from 2017 figures) once all the stages have been completed and rent payments have ceased for all the old warehouses.

Costs have not changed materially from previous estimates, but part of the rent to be paid in 2021 has been reclassified from non-recurring to ordinary rent. That reflects strong sales growth in 2020, with stocks of seasonal goods sold out and large orders therefore placed for the summer season of 2021. To ensure sufficient capacity to handle these volumes, the decision has been taken to use the old central warehouse in Fredrikstad to hold part of the seasonal products for the summer of 2021.

The investment in automating the low-bay warehouse has been delayed to 2021 since the installation was not approved in the fourth quarter. In addition, the estimated Capex has increased by 9.8 per cent to NOK 128.5 million owing to currency changes.

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	16,1	67	~55	~39
Non-recurring rent	14	2,9	3,4	-	2,2	9	~15	-
Non-recurring moving expenses	5	2,0	1,5	0,5	-	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 for the second half of 2021 may be reduced if the premises are sub-let. In addition to non-recurring rent, Europris will have some extra operational costs in 2021 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	1,5	3,9	1,0	1,9	8,3	-	-
Automation, high-bay (lease)	52	15,9	-	2,8	9,4	28,1	-	-
Automation, low-bay (CAPEX)	65	1,5	21,6	0,6	0,8	24,4	~39,1	-

Employees and organisation

The year 2020 was demanding for many of Europris' employees. The Covid-19 pandemic has led to a significantly increased level of activity, and operating routines were changed substantially to satisfy infection control measures. While many people worked from home, the Europris store workforce of more than 2,000 employees has been physically present every day to handle more than 36 million customer visits.

Europris' main focus during the pandemic has been to ensure a safe workplace for employees and a safe place to shop for customers. The organisation has handled the challenges in an impressive way, with no proven case of infection between employees and customers registered. At 31 December 2020, a total of 25 Covid-19 cases had been registered among Europris employees. None were serious. During the year, three stores were temporarily closed for one to three days because of Covid-19.

The biggest challenge for the organisation has been absences related to quarantine and to childcare when day care nurseries and schools are closed. This was particularly challenging in the second and fourth quarters. Sickness absence increased in the stores and declined at head office and the distribution centres. Two lost-time injuries were recorded during the quarter, but none of the injuries were serious.

Sickness absence	Q4 2020	Q4 2019	FY 2020	FY 2019
Stores	10.1%	8.4%	9.8%	8.3%
Head office and distribution centre	4.7%	5.5%	4.5%	5.9%

This demanding year showed the Europris culture at its absolute best. Employees displayed an impressive ability to adapt to new guidelines while handling a significant increase in volumes. The extraordinary efforts made by employees during the pandemic have been crucial for the group's strong financial performance. The Europris ASA board has decided to give an extra appreciation to all employees for the remarkable efforts they have made, and which will continue to be required of them while the pandemic lasts. NOK 12 million was expensed in that connection during the fourth quarter.

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. This option runs for six months from the date the parties reach an 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.

During the fourth quarter, a financial due diligence process was carried out to determine ÖoB's EBITDA for 2019. This forms the basis for calculating 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.

The parties have not been able to reach agreement on the company's EBITDA for 2019 within the timeframe. A relatively large gap exists between the parties, and the 2019 accounts will be forwarded to an independent third party for consideration. That was also done with the 2018 accounts. This will delay the start of the option period, which is now estimated to begin in the second quarter of 2021.

Europris will complete a full due diligence of ÖoB before the board of directors decides whether to exercise the option. A commercial due diligence of the company was conducted by Europris in collaboration with a leading consultancy. The report from this process was submitted to the board of Europris ASA in December, and will help form the basis for a possible exercise of the option. Europris will update stakeholders and the market when progress is made.

ÖoB operational and financial update

ÖoB increased its turnover by 4.1 per cent in 2020, which represents a significant improvement in sales growth compared with previous years. Covid-19 has had a strong impact on the Swedish market and on ÖoB, with relatively large differences in performance between its stores. While shops on the outskirts of city centres have experienced very positive progress, some city stores, especially in Stockholm, as well as shops close to the Norwegian border have developed negatively.

Growth was driven by an increase in the shopping basket, with a rise in the number of items per customer outweighing reduced customer traffic. Lower customer traffic related to

the city centre stores and the shops at Nordby and Charlottenberg close to the Norwegian border.

A large number of the stores in southern Sweden have been modernised with a clearer shop-in-shop solution for the various categories. The result of this work is encouraging, and the stores can report sales growth above the average for the chain. Positive progress with the sales mix in these stores has also contributed to an increased gross margin. Modernisation of ÖoB's stores will continue in 2021.

Overall, gross margin decreased somewhat in 2020 because of the clearance of old stock, negative currency effects and increased transport costs from the central warehouse to the stores.

Opex developed positively during the year, with rental costs in particular reduced. Where the central warehouse and head office in Skänninge are concerned, a new lease of 12 plus five years was negotiated to reduce annual costs by SEK 10 million.

Key figures for ÖoB (preliminary and unaudited)

SEK million	2017	2018	2019	2020*
Revenue	3,924	3,974	4,022	4,186
EBITDA	85	108	75	68
Number of stores at 31 Dec	93	93	94	93
Sales growth	(2.3%)	1.0%	1.2%	4.1%
EBITDA margin	2.2%	2.7%	1.9%	1.6%

**Excluding IFRS 16 effects.*



FINANCIAL REVIEW



Profit and loss – fourth quarter

Group revenue in the fourth quarter amounted to NOK 2,523 million (NOK 1,899 million), up by 32.8 per cent. Revenue growth was mainly driven by the 30.5 per cent rise in the chain's like-for-like sales, reflecting increased demand following the Covid-19 pandemic in combination with solid merchandising and implementation of sales campaigns as well as the important seasons during the quarter.

Gross profit for the group came to NOK 1,152 million (NOK 857 million). The gross margin was 45.7 per cent (45.1 per cent). The main reason for the positive margin development was improved margins on seasonal items, since these sold out early in the season at ordinary prices and outside of sales campaigns.

Annual stocktaking became delayed owing to Covid-19, and was completed in the quarter with a net positive result of NOK 21.5 million (NOK 2 million). In addition, the change in sugar tax effective from 1 January 2021 led to a write-down of NOK 17.9 million in inventories at 31 December.

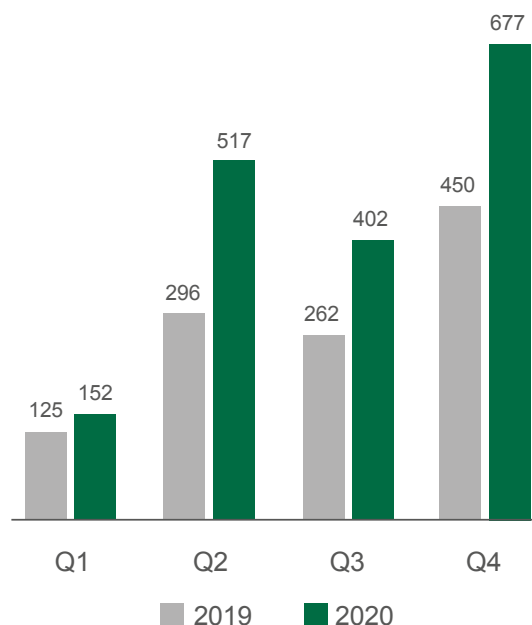
Operating expenditure (Opex), excluding non-recurring items, was NOK 475 million in the fourth quarter (NOK 407 million), a rise of 16.7 per cent. Opex was affected by the 2.6 per cent increase in the number of directly operated stores from 231 to 237 and amounted to 18.8 per cent of group revenue (21.4 per cent). An extra appreciation totalling NOK 12 million to all employees for their efforts during the Covid-19 pandemic was approved by the board, and expensed in the fourth quarter.

Adjusted EBITDA was NOK 677 million (NOK 450 million), up by NOK 227 million or 50 per cent.

Adjusted profit before tax was NOK 471 million (NOK 276 million), an increase of NOK 195 million.

In connection with the transition to a new IFRS 16 system in November, an error was discovered in the interest rate calculations. This resulted in a non-recurring interest expense totalling NOK 32 million, which was incurred in the period from the implementation of IFRS 16 in January 2019 to November 2020.

Adjusted EBITDA, NOK million



The group recognised a net unrealised currency loss of NOK 36 million (NOK 19 million) on hedging contracts and accounts payable. A net unrealised profit on the interest swaps amounted to NOK 18 million for the quarter.

Adjusted net profit for the fourth quarter of 2020 was NOK 368 million (NOK 217 million).

Profit and loss – full year (1 January-31 December)

Group revenue for 2020 amounted to NOK 8,013 million (NOK 6,234 million), up by 28.5 per cent. The key drivers for revenue growth were the 26.7 per cent increase in the chain's like-for-like sales together new store openings and franchise takeovers.

Gross profit for the group was NOK 3,509 million (NOK 2,711 million). The gross margin was 43.8 per cent, compared with 43.5 per cent for 2019.

Opex excluding non-recurring items came to NOK 1,761 million (NOK 1,578 million). This represented an increase of 11.6 per cent from the year before. Operating expenses were 22.0 per cent (25.3 per cent) of group revenue. Opex was affected by the increase from 231 to 237 directly operated stores. The group has continued to maintain its strict cost control.

Adjusted EBITDA was NOK 1,748 million (NOK 1,133 million), up by NOK 615 million or 54 per cent. The adjusted EBITDA margin was 21.8 per cent (18.2 per cent).

Adjusted net profit for the full year was NOK 813 million (NOK 390 million), an increase of NOK 423 million.

Cash flow

Net change in working capital was positive at NOK 255 million (NOK 161 million). Working capital was positively affected by increased provisions for VAT and other accruals. In addition, the rise in accounts payable was somewhat offset by higher inventory.

Capital expenditure was NOK 104 million (NOK 157 million). The decrease is related to fewer store projects. Higher investment in 2019 related to equipment for the new central warehouse and the new head office.

Financial position and liquidity

Financial debt at 31 December 2020 was NOK 2,846 million. Adjusted for the IFRS 16 effect, financial liabilities amounted to NOK 995 million (NOK 1,656 million).

Net debt at 31 December 2020 was NOK 2,306 million (NOK 3,092 million). Adjusted for the IFRS 16 effect, net financial liabilities came to NOK 455 million (NOK 1,088 million).

Cash and liquidity reserves for the group at 31 December 2020 amounted to NOK 1,926 million (NOK 1,006 million).

Dividend and buy-back of own shares

The board of Europris ASA will propose an ordinary dividend of NOK 2.20 per share for 2020 to the general meeting. This represents a 12.8 per cent increase from the ordinary dividend of NOK 1.95 for 2019. To reflect the strong financial performance in an extraordinary year, the board proposes to pay an additional dividend of NOK 0.50 per share for 2020. In total, the proposed dividend is NOK 2.70 per share and amounts to NOK 451 million for all the shares.

During the fourth quarter, the company implemented a repurchase programme for its own shares. A total of five million shares were purchased at an average price of NOK 48.90, and the total purchase price was NOK 245 million.

The proposed dividend for 2020 and the repurchase of the group's own shares totalled NOK 696 million, which represents 87.3 per cent of the profit for the period.

Outlook

Europris cemented its position as the market leader in discount variety retail in Norway during 2020, and ended the abnormal year as a market winner. The group has established a unique corporate culture, where change is built into its DNA and where rapid shifts between campaigns and seasons are part of everyday life. This strong culture, combined with formidable efforts by the employees, made it possible to improve the concept even further and deliver record results in 2020.

The long-term effects of Covid-19 are still uncertain, but Europris has focused over the past year on exceeding customer expectations so that as much as possible of the change in shopping patterns becomes permanent. Attention has concentrated on ensuring a safe and pleasant place to shop while campaigns and product selection are adapted to customers' needs.

Solid progress has continued into the start of 2021, with strong sales growth compared with 2020 in the first month of the new year. On 24 January, the Norwegian authorities imposed strict restrictions on retail business around greater Oslo region. As a result, up to 31 stores were affected and temporarily closed in the period 23 January to 2 February. Currently 259 out of 266 stores are opened. Seven stores, located in shopping centres, are expected to re-open 10 February. The situation may change rapidly and Europris will continuously adapt to any changes.

The market for container freight is currently suffering from a shortage of boxes. As a result, spot prices have increased significantly and shipments of goods have been delayed to some extent. Europris has a fixed agreement with a freight carrier to fix both price and volume for 2021. So far, the group has not recorded any delays with incoming shipments, but is monitoring the situation closely.

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

Europris' 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 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, 3 February 2021

THE BOARD OF DIRECTORS OF EUROPRIS ASA

EUROPRIS ASA

Q4-2020



INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS



Figures are stated in NOK 1,000		Notes	Q4 2020	Q4 2019	FY 2020	FY 2019
			Unaudited	Unaudited	Unaudited	Audited
Total operating income (group revenue)			2,522,498	1,898,981	8,012,629	6,234,389
Cost of goods sold (COGS)			1,406,796	1,060,205	4,534,134	3,543,730
Employee benefits expense			315,596	269,746	1,138,193	985,347
Depreciation		5	132,688	134,330	539,927	515,673
Other operating expenses			161,476	143,500	634,794	611,057
Operating profit			505,943	291,199	1,165,580	578,582
Net financial income (expense)			(41,509)	(25,608)	(139,068)	(98,172)
Profit/loss from associated companies		7	3,800	4,000	2,600	-
Profit before tax			468,234	269,592	1,029,112	480,410
Income tax expense			102,175	57,808	225,833	104,974
Profit for the period			366,058	211,784	803,280	375,436
Attributable to the equity holders of the parent			366,058	211,784	803,280	375,436
Interim condensed consolidated statement of comprehensive income						
Profit for the period			366,058	211,784	803,280	375,436
Total comprehensive income			366,058	211,784	803,280	375,436
Attributable to the equity holders of the parent			366,058	211,784	803,280	375,436

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION



Figures are stated in NOK 1,000		Notes	31 Dec 2020	31 Dec 2019
			Unaudited	Audited
ASSETS				
Total intangible assets	5		2,063,334	2,044,669
Total fixed assets	5		2,588,921	2,743,235
Total financial assets	6,7		168,887	151,266
Total non-current assets			4,821,141	4,939,170
Inventories			1,633,927	1,550,331
Trade receivables			195,286	181,774
Other receivables	6		87,816	76,417
Cash			540,056	568,036
Total current assets			2,457,085	2,376,558
Total assets			7,278,226	7,315,727
EQUITY AND LIABILITIES				
Total paid-in capital	8		229,946	234,946
Total retained equity			1,983,318	1,742,923
Total shareholders' equity			2,213,264	1,977,870
Provisions			5,070	31,763
Borrowings	6		995,082	14,280
Lease liabilities	6		1,850,561	2,003,993
Total non-current liabilities			2,850,713	2,050,036
Borrowings	6		-	1,642,007
Current lease liabilities	6		473,739	414,088
Accounts payable			742,753	616,769
Tax payable			251,879	116,380
Public duties payable			323,511	243,072
Other current liabilities	6		422,368	255,505
Total current liabilities			2,214,250	3,287,821
Total liabilities			5,064,963	5,337,857
Total equity and liabilities			7,278,226	7,315,727

Fredrikstad, 3 February 2021
THE BOARD OF DIRECTORS OF EUROPRIS ASA

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



Figures are stated in NOK 1,000

Attributed to equity holders of the parent

	Share capital	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	-	-	-	-	803,280	803,280
Dividend	-	-	-	-	(323,346)	(323,346)
Net purchase of treasury shares	-	(5,000)	-	-	(239,539)	(244,539)
Other comprehensive income	-	-	-	-	-	-
At 31 December 2020	166,969	(6,150)	51,652	17,475	1,983,318	2,213,264

(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	-	-	-	-	375,436	375,436
Dividend	-	-	-	-	(298,717)	(298,717)
Net purchase/sale of treasury shares	-	4,220	-	17,475	90,527	112,222
Other comprehensive income	-	-	-	-	-	-
At 31 December 2019	166,969	(1,150)	51,652	17,475	1,742,923	1,977,870

(audited)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS



Figures are stated in NOK 1,000		Notes	Q4 2020	Q4 2019	FY 2020	FY 2019
			Unaudited	Unaudited	Unaudited	Audited
Cash flows from operating activities						
Profit before income tax			468,234	269,592	1,029,112	480,410
Adjusted for:						
Depreciation of fixed and intangible assets	5		132,688	134,330	539,927	515,673
Profit/loss from associated companies			(3,800)	(4,000)	(2,600)	-
Changes in net working capital			237,536	339,183	255,298	160,601
Income tax paid			2,243	(12,237)	(116,814)	(124,173)
Net cash generated from operating activities			836,901	726,868	1,704,924	1,032,511
Cash flows from investing activities						
Purchases of fixed and intangible assets	5		(22,155)	(58,137)	(104,146)	(157,029)
Acquisition			-	(3,226)	(7,979)	(2,711)
Net cash used in investing activities			(22,155)	(61,363)	(112,125)	(159,740)
Cash flows from financing activities						
Proceeds from borrowings			-	-	1,000,000	-
Repayment of debt to financial institutions			-	(832)	(1,651,675)	-
Principal paid on lease liabilities			(74,433)	(123,861)	(401,218)	(430,009)
Dividend			-	-	(323,346)	(298,717)
Buy-back of treasury shares			(244,539)	-	(244,539)	(2,975)
Net cash from financing activities			(318,972)	(124,693)	(1,620,778)	(731,702)
Net increase/(decrease) in cash			495,773	540,812	(27,980)	141,070
Cash at beginning of period			44,283	27,224	568,036	426,967
Cash at end of period			540,056	568,036	540,056	568,036

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



Note 1 Corporate information

The interim condensed consolidated financial statements of Europris ASA and its subsidiaries (collectively, the group) for the fourth quarter and the period ended 31 December 2020 were authorised for issue by the board on 3 February 2021.

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

These condensed interim financial statements have not been audited.

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

Basis of preparation

The interim condensed consolidated financial statements for the fourth quarter and the period ended 31 December 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	(14,102)	-	14,102	-	-	-	-
Acquisition of subsidiaries	640	-	15,925	-	-	6,334	22,899
Additions	72,242	-	290,637	31,908	-	-	394,787
Disposals	(8)	-	(13,400)	-	-	-	(13,408)
Depreciation	(70,767)	-	(449,583)	(19,578)	-	-	(539,927)
Carrying amount 31 December 2020	301,400	24,966	2,262,555	58,030	387,573	1,617,731	4,652,254

	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	2,183	-	26,154	-	-	5,450	33,786
Additions	151,604	1,227	805,955	19,381	-	-	978,166
Disposals	-	-	-	-	-	-	-
Depreciation	(78,715)	-	(416,109)	(20,849)	-	-	(515,673)
Carrying amount 31 December 2019	313,396	24,966	2,404,873	45,699	387,573	1,611,397	4,787,904

Note 6 Financial instruments - fair value

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

Figures are stated in NOK 1,000

	31 December 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables				
Non-current receivables	28,180	28,180	24,400	24,400
Total	28,180	28,180	24,400	24,400
Financial liabilities				
Other financial liabilities				
Borrowings	995,082	995,082	1,656,287	1,656,287
Lease liabilities	1,850,561	1,850,561	2,003,993	2,003,993
Current lease liabilities	473,739	473,739	414,088	414,088
Total	3,319,382	3,319,382	4,074,368	4,074,368
Financial instruments measured at fair value through profit and loss				
Derivatives - asset				
Interest rate swaps	11,796	11,796	605	605
Foreign exchange forward contracts	-	-	-	-
Total	11,796	11,796	605	605
Derivatives - liabilities				
Interest rate swaps	-	-	-	-
Foreign exchange forward contracts	41,580	41,580	13,409	13,409
Total	41,580	41,580	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 93 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 profit of NOK 2.6 million was booked in 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 31 December 2019.

Change in number of treasury shares:

Treasury shares 1 January 2020	1,150,305
Buy-back of treasury shares	5,000,000
Sale of shares	-
Treasury shares 31 December 2020	6,150,305

Average cost price for treasury shares are NOK 43.92.

Forward looking statements

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

ALTERNATIVE PERFORMANCE MEASURES

APMs are used by Europris for annual and periodic financial reporting in order to provide a better understanding of Europris financial performance and are also used by management to measure operating performance. In the discussion of the reported operating results, financial position and cash flows, Europris refers to these measures which are not defined by generally accepted accounting principles (GAAP) such as IFRS. Europris 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.

(Amounts in NOK million)	Q4 2020	Q4 2019	FY 2020	FY 2019
Cost of goods sold (COGS)	1,406.8	1,060.2	4,534.1	3,543.7
- Unrealised foreign exchange effects	(36.0)	(18.5)	(30.0)	(20.3)
= COGS excluding unrealised foreign exchange effects	1,370.8	1,041.7	4,504.1	3,523.4

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.

(Amounts in NOK million)	Q4 2020	Q4 2019	FY 2020	FY 2019
Total operating income	2,522.5	1,899.0	8,012.6	6,234.4
- COGS excluding unrealised foreign exchange effects	1,370.8	1,041.7	4,504.1	3,523.4
= Gross profit	1,151.7	857.3	3,508.5	2,711.0
Gross margin (% margin)	45.7%	45.1%	43.8%	43.5%

Opex is the sum of employee benefits expense and other operating expenses.

(Amounts in NOK million)	Q4 2020	Q4 2019	FY 2020	FY 2019
Employee benefits expense	315.6	269.7	1,138.2	985.3
+ Other operating expenses	161.5	143.5	634.8	611.1
= OPEX	477.1	413.2	1,773.0	1,596.4
- Non-recurring items	2.2	6.2	12.5	18.7
= Opex excluding non-recurring items	474.9	407.0	1,760.5	1,577.7

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.

(Amounts in NOK million)	Q4 2020	Q4 2019	FY 2020	FY 2019
Operating profit	505.9	291.2	1,165.6	578.6
+ Depreciation	132.7	134.3	539.9	515.7
= EBITDA	638.6	425.5	1,705.5	1,094.3
+ Unrealised foreign exchange effects	36.0	18.5	30.0	20.3
+ Non-recurring items	2.2	6.2	12.5	18.7
= Adjusted EBITDA	676.9	450.3	1,748.0	1,133.3

Adjusted profit before tax is profit before tax adjusted for non-recurring items.

(Amounts in NOK million)	Q4 2020	Q4 2019	FY 2020	FY 2019
Profit before tax	468.2	269.6	1,029.1	480.4
+ Non-recurring items	2.2	6.2	12.5	18.7
= Adjusted profit before tax	470.5	275.8	1,041.6	499.1

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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