

Europris

MER TIL OVERS

Q1 2021



EUROPRIAS ASA

Content

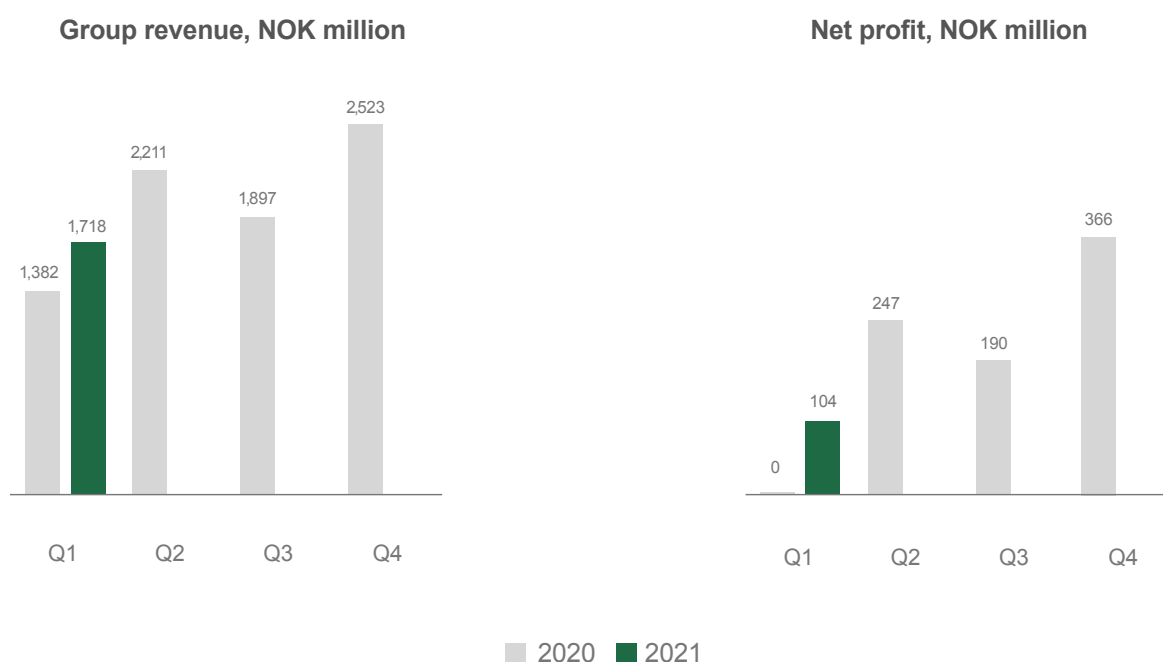
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Highlights

First quarter 2021

- Best first-quarter performance ever, driven by strong operations and top-line growth
- Sales of NOK 1,718 million, growth of 24.3 per cent
 - » Like-for-like chain sales growth of 23.5 per cent
 - » Positive effects from timing of Easter
 - » On average, 10 per cent of stores temporarily closed owing to the Covid-19 pandemic
- Gross margin of 43.3 per cent, an improvement of 0.7 percentage points
 - » High sales of winter seasonal items and category development initiatives
- Operational efficiency continued to improve
 - » Opex-to-sales ratio decreased by 3.4 percentage points to 26.3 per cent
- Strong improvement in profitability
 - » EBITDA increased by 64 per cent to NOK 292 million
 - » EBITDA margin increased to 17 per cent (12.9 per cent)
 - » Net profit of NOK 104 million (NOK 0)
- Continued strong financial position
 - » Cash and liquidity reserves of NOK 1,526 million (NOK 966 million)

Figures for the corresponding period of the year before in brackets. The figures are unaudited. See page 22 for definitions and reconciliations of APMs.



Key figures

(Amounts in NOK million)

	Q1 2021	Q1 2020	FY 2020
GROUP KEY INCOME STATEMENT FIGURES			
Sales directly operated stores	1,538	1,224	7,240
Sales from wholesale to franchise stores	162	143	689
Franchise fees and other income	18	16	84
Total operating income	1,718	1,382	8,013
% growth in total operating income	24.3%	11.8%	28.5%
Cost of goods sold	974	794	4,534
Gross profit	744	589	3,478
Gross margin	43.3%	42.6%	43.4%
Opex	452	411	1,773
Opex-to-sales ratio	26.3%	29.7%	22.1%
EBITDA	292	178	1,705
EBITDA margin	17.0%	12.9%	21.3%
EBIT (Operating profit)	151	44	1,166
EBIT margin (Operating profit margin)	8.8%	3.1%	14.5%
Net profit	104	0	804
Earnings per share (in NOK)	0.65	0	4.86
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES			
Net change in working capital	(495)	(281)	255
Capital expenditure	20	27	104
Financial debt	2,890	3,511	2,846
Cash	141	78	540
Net debt	2,749	3,433	2,306
- Lease liabilities (IFRS 16)	1,895	2,014	1,851
Net debt ex lease liabilities	854	1,419	455
Cash and liquidity reserves	1,526	966	1,926
CHAIN KEY FIGURES			
Total chain sales	1,777	1,432	8,388
% growth in total chain sales	24.0%	12.0%	27.8%
% growth in like-for-like chain sales	23.5%	10.4%	26.7%
Total number of chain stores at end of period	267	265	266
- Directly operated stores	239	235	237
- Franchise stores	28	30	29

* For definitions and reconciliations of APMs, please see page 22



Period review

The first three months of 2021 were another strong quarter for Europris, with significant top-line growth, improved margin, good cost control and increased net profit. A cold winter led to high sales of seasonal items, in addition to continued positive domestic demand driven by the closure of borders owing to Covid-19. The timing of Easter also contributed positively to the overall performance, while temporary store closures affected sales and operations negatively.

At the end of January, Europris was forced to close stores temporarily in some regions after strict infection control measures were imposed by the government. It was decided to shut down all retail trade other than food shops, pharmacies and other important supply functions. Measures imposed to control the pandemic changed rapidly during the quarter, and Europris adapted continuously to new regulations and guidelines. An average of 10 per cent of the chain's stores were closed during the first quarter.

In these challenging times for society, Europris plays an important role when serving peoples' needs. The organisation continued to demonstrate its ability to adapt rapidly to any changes in market conditions. New solutions and action plans were introduced to ensure continued sales from closed stores, and measures to reduce costs were quickly and successfully implemented.

Sales and gross margin

Group sales were NOK 1,718 million, up by 24.3 per cent. Europris continued to outperform the market by a significant margin. The market demonstrated a solid growth of 12.1 per cent, but with large variations. Due to infection control measures, shopping centres has to a large extent been closed in the Eastern part of Norway, and delivered market growth of one per cent. Groceries, which have not been subject to store closures, had a growth of 13.9 per cent. The Europris chain delivered a total sales growth of 24 per cent.

	Q1 2021	2020
Virke: total retail*	12.1%	10.0%
Virke: groceries*	13.9%	15.9%
Virke: variety retail*	9.9%	18.5%
Kvarud shopping centre index**	1.0%	4.0%
Europris chain	24.0%	27.8%

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

** Kvarud Analyse shopping centre index

The main part of the sales growth was from an increased basket size, driven by both more articles and a higher average price from the increased sale of seasonal goods. All categories reported sales growth. Total gross margin increased by 0.7 per cent to 43.3 per cent, positively affected by good seasonal sales from the cold winter and category development initiatives.

Sales growth was strongest at the beginning of the quarter, affected by a cold winter with higher sales of

seasonal goods. In addition, demand continued to be positively affected by the Covid-19 pandemic. Sales were negatively affected by the closure of five to 31 stores between 24 January and 15 March owing to the pandemic, and up to 94 closed stores (35 per cent of the total chain) in the second half of March. Eastern Norway, where the majority of the temporarily closed stores were located, saw sales grow by 16 per cent in the quarter, compared with 31 per cent for the remainder of the chain.

Several initiatives were implemented during the first quarter to compensate for the store closures. An improved click and collect solution was launched in the latter half of March and systems to handle incoming customer calls or e-mails were established. The total number of products available for click and collect was also expanded. Communications to members of the Mer customer club were ramped up from each closed store via newsletters in addition to the frequent use of social media in order to inform people of alternative shopping possibilities.

A large part of the Europris range can also be found in grocery shops, and sales of these products will therefore be lost during the period when stores are closed. Sales from closed stores was 10 to 15 per cent of normal sales.

Initiatives to increase the number of B2B customers, in addition to introduction of B2B deals, led to a solid increase in this segment. The B2B sales channel was also used to promote sales of seasonal Easter goods after the temporary store closures were imposed before Easter.

The margin on e-commerce sales and sales from the closed stores was lower than the group average, since sales through these channels were dominated by campaign sales and the additional impulse shopping normally experienced in the physical stores was lost.

In addition to the measures taken to support sales, deliveries of goods to closed stores were quickly adjusted after new guidelines were imposed. This included relocation of a large volume of consumable Easter products from closed to open stores. To ensure flexibility in handling incoming seasonal spring and summer goods, planned deliveries of products by lorry to the warehouses have been temporarily paused.

Operational review

Concept and category development

Concept and category development is at the core of operations in Europris. During the first quarter, the Home category (candles, interior, carpets and home textiles) was upgraded on the basis of experience from the successful upgrade of the Kitchen category in 2020. This is an important category, with a high share of own brands and above-average margins. The range is now more focused on the base selection, which makes this category easier to maintain in stores. The successful upgrade of the Home category, resulted in strong sales growth. Further development of shop-in-shop for this category will continue in 2021.

Europris acquired 67 per cent of the online player Lunehjem.no in March. Lunehjem.no is a pure e-commerce player established in 2005 which specialises in the high-growth interior segment. It offers a large selection of products in furniture, candles and interiors, with an emphasis on Scandinavian design. It is a profitable company characterised by strong growth, with sales of NOK 29 million in 2020. The acquisition contributes to revenue growth in a strategically important product category with strong online growth. It also provides attractive positioning towards younger and more quality-conscious customer segments. In addition, the acquisition will strengthen Europris' expertise in online shopping.

E-commerce and e-CRM

Total e-commerce sales increased by 317 per cent, and accounted for 0.9 per cent of total sales. Growth occurred in all product categories, and especially for seasonal products such as Easter products, garden

furniture and fire pans. The sales growth was especially strong after the stricter Covid-19 pandemic measures were imposed in mid-March.

NOK million	Q1 2021	Q1 2020	Growth Q1	FY 2020
Home deliveries	5.9	1.8	220%	13.4
Click and collect	10.4*	2.1	404%	72.4
Total e-commerce sales	16.3	3.9	317%	85.8
Percentage of total chain sales	0.9%	0.3%	0.6%-p	1.0%

* Not including sales from B2B or customers calling or e-mailing closed stores.

A new search engine was launched during the quarter which provided better and more detailed insights from the Mer customer club for e-CRM work. Fixed Mer member deals were launched in February and had a positive effect on the growth in Mer membership. The total number of Mer members increased from 690,000 at 31 December 2020 to 780,000 at 31 March.

The launch of the previously mentioned improved click and collect solution has been stress-tested, and a potential exists for further improvement of the digital solution in order to ensure a more flexible and improved customer journey.

Store estate

Europris opened one new store in the quarter, at Austevoll in Vestland county. The new store has been well received by customers in the region. Europris relocated one store in the first quarter, at Vågsbygd in Agder county. The Europris chain now has 267 stores, of which 239 are directly operated and 28 are franchises.

Analysis of stores opened over the last years showed performance in line with similar analysis done previously; showing that on average, sales growth is strong in the first four years after opening, before stabilising at the same level as the chain's like-for-like growth. The latest vintages of new stores has performed in accordance with their strict investment criteria. New stores are an important driver for growth, and continued expansion of the store base, in addition to relocations, refurbishments and expansions of existing stores, will also be important in the future.

Europris has a healthy pipeline of new stores. The board has approved an additional nine stores for 2021

and beyond, including a city concept store in Bergen. Three of the planned new stores are subject to planning permission.

New stores opened in 2021

Month	Store	County
March	Austevoll	Vestland

Store relocations in 2021

Month	Store	County
March	Vågsbygd	Agder

Central warehouse

The automated high-bay warehouse continued to contribute positively to operations during the quarter. The next major milestone for the automatic shuttle system in the low-bay area, which will make picking

goods more efficient, was reached in the quarter when the acceptance test was approved. Migration started in April and a slow ramp-up is in progress. The project is still within its projected timeframe and cost assumptions.

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 materialise fully. Savings are estimated at 0.75-1.25 percentage points of group revenues (compared to 2017 figures) once all the stages have been completed and rent payments have ceased for all the old warehouses. In order to ensure sufficient capacity to handle increased volumes, the old central warehouse in Fredrikstad will be used to manage seasonal products for the summer of 2021. This has delayed the process on exiting the old central warehouse and a new date for vacating this warehouse will be decided after the season.

Overview of estimated rental costs and expenses

NOK million	Actual 2019	Actual 2020	Actual Q1 21	Est Q2 21	Est Q3 21	Est Q4 21	Est 2021	Est 2022
Ordinary rent	68	67	16.5	16.5	16.5	10.1	60	41
Non-recurring rent	14	9	-	-	-	10.7	11	-
Non-recurring moving expenses	5	4	-	-	-	2.4	2	-

Overview of estimated investments (no material changes since last reporting)

NOK million	Actual 2019	Actual 2020	Actual Q1 21	Est Q2 21	Est Q3 21	Est Q4 21	Est 2021	Est 2022
IT, office equipment and other Capex	28	8	1.5	1.9	1.9	1.9	7	7
Automation, high-bay (lease)	52	28	-	-	-	-	-	-
Automation, low-bay (Capex)	65	24	0.2	35.2	-	-	35	-

Employees and organisation

The Europris culture has shown itself at its best, and the organisation has once again demonstrated that it adapts quickly to a rapidly changing environment. Impressive efforts and stamina have been shown during a first quarter which was challenging because of the many temporary store closures. Long hours have been put in by many employees, ensuring the rapid establishment of an improved click and collect solution and the ability to handle a significant increase in volume at warehouse from the increase in online shopping, in addition to managing the flow of goods both into the warehouses and out to stores.

As a consequence of the temporary store closures, Europris had to lay off many store employees tempo-

rarily as well as taking action to reduce the cost base where possible. In addition, individuals commuting between Sweden and Norway were not allowed to cross the border for a period, but Europris granted them paid leave of absence during the time they were unable to get to work. Quick implementation of "call or e-mail" the store and improvements to the click and collect solution enabled Europris to reverse several of the temporary lay-offs and thus allow more employees to continue working.

Towards the end of the first quarter, most employees conducted virtual training and all store managers and regional managers participated in a virtual kick-off for the spring and summer season. Europris is thus well prepared for the important upcoming season.

The reduction in sickness absence for store employees was related to a high level last year, since the closure of schools and day care nurseries for some weeks owing to Covid-19 prevented many employees from going to work.

Increased sickness absence for the head office and distribution centre was related to Covid-19 due to quarantines.

So far during the pandemic, 66 employees have been registered as infected, none of whom have been hospitalised.

Sickness absence	Q1 2021	Q1 2020	FY 2020
Stores	10.7%	11.0%	9.8%
Head office and distribution centre	6.0%	5.3%	4.5%

One lost-time injury was recorded in the quarter.

ÖoB equity transaction & operational development

Europris acquired 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.

The parties have not been able to reach agreement on the group's EBITDA for 2019 and a relatively large gap exists between the parties. Securing an independent third party to consider this is still ongoing and will thus delay the start of the option period. Europris will update the market when progress is made.

Preliminary numbers for ÖoB in the first quarter show a decline in sales and EBITDA, but an improved gross margin.

Key figures for ÖoB (preliminary and unaudited)

SEK million	Q1 2021	Q1 2020	FY 2020
Sales	839	937	4,186
EBITDA*	(36.6)	(25.3)	62.3

* Excluding IFRS 16 effects



Financial review

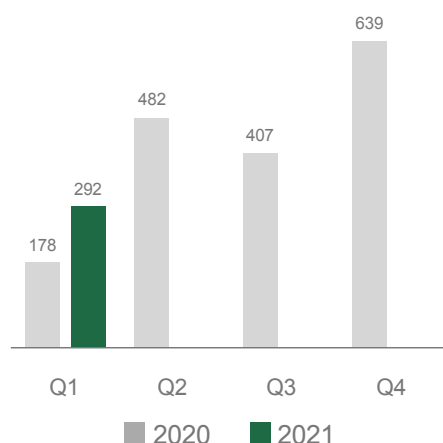
Profit and loss – first quarter

Total operating income for the group in the first quarter amounted to NOK 1,718 million (NOK 1,382 million), up by 24.3 per cent. Sales growth was mainly driven by the 23.5 per cent rise in the chain's like-for-like sales, reflecting high sales of seasonal items related to the cold winter in combination with positive demand from the closure of borders owing to the Covid-19 pandemic. In addition, the timing of Easter had a positive effect while temporary store closures contributed negatively.

Gross profit came to NOK 744 million (NOK 589 million). The gross margin was 43.3 per cent (42.6 per cent), and was positively affected by good sales of winter seasonal items and category development initiatives. The group recognised a net unrealised gain of NOK 21 million on hedging contracts and accounts payable (gain of NOK 31 million).

Operating expenditure (Opex) was NOK 452 million in the first quarter (NOK 411 million), up by 10 per cent. Opex was affected by the 1.7 per cent increase in the number of directly operated stores from 235 to 239 and amounted to 26.3 per cent of total operating income for the group (29.7 per cent). Cost control was good and operational efficiency continued to improve.

EBITDA was NOK 292 million (NOK 178 million), up by NOK 114 million or 64 per cent.



Profit before tax was NOK 136 million (NOK 2 million), an increase of NOK 134 million.

The group recognised a net unrealised profit on the interest swaps, which amounted to NOK 22 million for the quarter (loss of NOK 1 million). Bank borrowings

were refinanced last year and NOK 8 million in one-off costs were booked.

The group recorded an estimated loss of NOK 8 million (loss of NOK 6 million) on its 20 per cent stake in Runsvengruppen (ÖoB). This is based on preliminary and unaudited numbers.

Net profit for the first quarter of 2021 was NOK 104 million (NOK 0).

Cash flow

Net change in working capital was negative at NOK 495 million (negative at NOK 281 million). Working capital was negatively affected by a decrease in accounts payable and other accruals in addition to higher inventory. Inventory level is increased to meet the higher demand.

Capital expenditure was NOK 20 million (NOK 27 million). The decrease is related to fewer store projects as well as to higher investment in 2020 related to the new e-commerce platform.

Financial position and liquidity

Financial debt at 31 March 2021 was NOK 2,890 million (NOK 3,511 million). Adjusted for IFRS 16, financial debt amounted to NOK 995 million (NOK 1,497 million).

Net debt at 31 March 2021 was NOK 2,749 million (NOK 3,433 million). Adjusted for IFRS 16, net debt came to NOK 854 million (NOK 1,419 million).

Cash and liquidity reserves for the group at 31 March 2021 amounted to NOK 1,526 million (NOK 966 million).

Outlook

During the Covid-19 pandemic, Europris has significantly expanded the number of customers visiting its stores and a growing share of the Norwegian population has experienced this smart way of shopping. The group will continue to develop the store concept so that as much as possible of the change in shopping patterns becomes permanent. Europris will strengthen its position as an omnichannel retailer, with attention concentrated on improving the click and collect solution and ensuring a smooth customer journey regardless of sales channel.

The long-term effects of the Covid-19 pandemic are

still uncertain. Europris will continue to adapt to infection control measures imposed by the government. Sales in the first quarter were negatively affected by the temporary closure of stores, and it is uncertain how long these measures will last. Europris will provide continuous updates on the number of open and closed stores on its website.

As expected, sales in April have been negatively impacted by timing of Easter and temporary store closures. In April, an average of 22 per cent of the chains stores have been closed. At 27 April, year-to-date sales growth was 5.5 per cent for the chain, and 19 stores were still temporarily closed. The open stores continue to perform well.

The group has established a strong culture where rapid shifts between campaigns and seasons are part of everyday life, and the board is confident that the organisation is well prepared for future changes in market conditions.

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.

EUROPRIS ASA

Q1 2021

Interim condensed consolidated statement of profit and loss

Figures are stated in NOK 1,000

	Notes	Q1 2021	Q1 2020	FY 2020
		Unaudited	Unaudited	Audited
Total operating income		1,718,236	1,382,467	8,012,629
Cost of goods sold		974,405	793,561	4,534,134
Employee benefit expenses		311,224	263,396	1,138,193
Depreciation	5	141,153	134,262	539,927
Other operating expenses		140,813	147,740	634,794
Operating profit		150,641	43,507	1,165,580
Net financial income (expense)		(6,721)	(36,050)	(139,068)
Profit (loss) from associated companies	7	(8,000)	(5,500)	2,600
Profit (loss) before tax		135,920	1,957	1,029,112
Income tax expense		31,662	1,641	225,489
Profit for the period		104,257	316	803,624
Attributable to the equity holders of the parent		104,257	316	803,624
Interim condensed consolidated statement of comprehensive income				
Profit for the period		104,257	316	803,624
Total comprehensive income		104,257	316	803,624
Attributable to the equity holders of the parent		104,257	316	803,624

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 March 2021	31 March 2020	31 Dec 2020
		Unaudited	Unaudited	Audited
ASSETS				
Total intangible assets	5	2,062,290	2,052,326	2,063,334
Total fixed assets	5	2,641,325	2,749,440	2,588,921
Total financial assets	6,7	183,240	145,248	168,886
Total non-current assets		4,886,854	4,947,014	4,821,141
Inventories		1,891,656	1,736,530	1,633,927
Trade receivables		167,599	130,268	195,287
Other receivables	6	84,782	115,624	87,816
Cash		140,975	78,392	540,056
Total current assets		2,285,012	2,060,814	2,457,086
Total assets		7,171,866	7,007,829	7,278,227
EQUITY AND LIABILITIES				
Total paid-in capital	8	229,945	234,946	229,946
Total retained equity		2,087,870	1,743,240	1,983,662
Total shareholders' equity		2,317,815	1,978,186	2,213,608
Provisions		36,334	32,949	4,726
Borrowings	6	995,082	997,000	995,082
Lease liabilities	6	1,894,950	2,014,027	1,850,561
Total non-current liabilities		2,926,366	3,043,976	2,850,369
Borrowings	6	-	500,000	-
Current lease liabilities	6	491,504	428,152	473,739
Accounts payable		661,706	589,771	742,753
Tax payable		193,734	57,234	251,879
Public duties payable		218,298	148,887	323,511
Other current liabilities	6	362,442	261,623	422,368
Total current liabilities		1,927,684	1,985,667	2,214,250
Total liabilities		4,854,050	5,029,643	5,064,619
Total equity and liabilities		7,171,866	7,007,829	7,278,227

Fredrikstad, 28 April 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 2021	166,969	(6,150)	51,652	17,475	1,983,661	2,213,608
Profit for the period	-	-	-	-	104,257	104,257
Net purchase/sale of treasury shares	-	(1)	-	-	(49)	(50)
Other comprehensive income	-	-	-	-	-	-
At 31 March 2021	166,969	(6,151)	51,652	17,475	2,087,870	2,317,815

(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 2020	166,969	(1,150)	51,652	17,475	1,742,923	1,977,869
Profit for the period	-	-	-	-	316	316
Other comprehensive income	-	-	-	-	-	-
At 31 March 2020	166,969	(1,150)	51,652	17,475	1,743,239	1,978,186

(unaudited)

Interim condensed consolidated statement of cash flows

Figures are stated in NOK 1,000

	Notes	Q1 2021	Q1 2020	FY 2020
		Unaudited	Unaudited	Audited
Cash flows from operating activities				
Profit before income tax		135,920	1,957	1,029,112
Adjusted for:				
Depreciation of fixed and intangible assets	5	141,153	134,262	539,927
Profit/loss from associated companies		8,000	5,500	(2,600)
Changes in net working capital		(494,657)	(280,782)	255,298
Income tax paid		(58,310)	(59,512)	(116,814)
Net cash generated from operating activities		(267,895)	(198,574)	1,704,924
Cash flows from investing activities				
Purchases of fixed and intangible assets	5	(20,093)	(26,685)	(104,146)
Acquisition		(1,112)	(5,600)	(7,979)
Proceeds from sale of financial assets		50	-	-
Net cash used in investing activities		(21,155)	(32,285)	(112,125)
Cash flows from financing activities				
Proceeds from borrowings		-	1,700,000	1,000,000
Repayment of debt to financial institutions		-	(1,851,675)	(1,651,675)
Principal paid on lease liabilities		(109,981)	(107,111)	(401,218)
Dividend		-	-	(323,346)
Buy-back of treasury shares		(50)	-	(244 539)
Net cash from financing activities		(110,031)	(258,786)	(1,620,778)
Net increase (decrease) in cash		(399,081)	(489,644)	(27,980)
Cash at beginning of period		540,056	568,036	568,036
Cash at end of period		140,975	78,392	540,056

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

NOTES

Note 1 Corporate information

The interim condensed consolidated financial statements of Europris ASA and its subsidiaries (collectively, the group) for the three months ended 31 March 2021 were authorised for issue by the board on 28 April 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 three months ended 31 March 2021 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 2020.

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 2020. New standards and interpretations effective at 1 January 2021 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 2020.

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 2021	301,400	24,966	2,262,555	58,030	387,573	1,617,731	4,652,255
Acquisition of subsidiaries	58	-	2,652	-	-	227	2,936
Additions	15,122	-	169,483	4,971	-	-	189,577
Disposals	-	-	-	-	-	-	-
Depreciation	(18,597)	-	(116,313)	(6,242)	-	-	(141,153)
Carrying amount 31 March 2021	297,983	24,966	2,318,377	56,759	387,573	1,617,958	4,703,616

	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
Acquisition of subsidiaries	569	-	13,142	-	-	3,944	17,655
Additions	18,236	-	103,787	8,449	-	-	130,472
Disposals	-	-	-	-	-	-	-
Depreciation	(18,926)	-	(110,602)	(4,734)	-	-	(134,262)
Carrying amount 31 March 2020	313,275	24,966	2,411,200	49,414	387,573	1,615,340	4,801,768

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 March 2021 and 31 December 2020:

Figures are stated in NOK 1,000

	31 March 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables				
Non-current receivables	28,533	28,533	28,180	28,180
Total	28,533	28,533	28,180	28,180
Financial liabilities				
Other financial liabilities				
Borrowings	995,082	995,082	995,082	995,082
Lease liabilities	1,894,950	1,894,950	1,850,561	1,850,561
Current lease liabilities	491,504	491,504	473,739	473,739
Total	3,381,536	3,381,536	3,319,382	3,319,382
Financial instruments measured at fair value through profit and loss				
Derivatives - asset				
Interest rate swaps	33,845	33,845	11,796	11,796
Foreign exchange forward contracts	1,229	1,229	-	-
Total	35,074	35,074	11,796	11,796
Derivatives - liabilities				
Foreign exchange forward contracts	21,518	21,518	41,580	41,580
Total	21,518	21,518	41,580	41,580

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.

The group has recorded an estimated loss of NOK 8 million from its 20 per cent stake in the first quarter of 2021.

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.

Europris holds an option to acquire the remaining 80 per cent of the shares in Runsvengruppen AB. Whether the option is to be exercised will be decided in 2021. The fair value of the option is considered immaterial and is not recognised in the balance sheet.

Note 8 Treasury shares

The number of treasury shares held by Europris ASA changed as follows in the period from 1 January to 31 March 2021.

Change in number of treasury shares

Treasury shares 1 January 2021	6,150,305
Buy-back of treasury shares	1,111
Sale of shares	-
Treasury shares 31 March 2021	6,151,416

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 the group's financial performance. APMs are considered as well-known and frequently used by users of the financial statements and are also used in internal reporting and by management to measure operating performance.

Europris has decided to make changes to its use of alternative performance measures (APMs) in order to present financial data in accordance with IFRS, and thereby make its financial statements easier to use. The company will, however, provide information on substantial effects in written statements and comments to the financial results, instead of presenting figures adjusted for these effects (APMs).

As a consequence, Europris will no longer use the following APMs:

- Non-recurring items. This change has been made because Europris has not had many items classified as non-recurring, and does not expect this to alter in the foreseeable future.
- Cost of goods sold (COGS) excluding unrealised foreign exchange. Europris has decided to present COGS in accordance with the IFRS – in other words, without adjusting for unrealised foreign exchange.

As a result of the above-mentioned changes, Europris will no longer refer to the adjusted figures, and the following APMs have been removed: opex excluding non-recurring items, adjusted EBITDA, adjusted EBIT, adjusted profit before tax, adjusted net profit and adjusted earnings per share (in NOK).

Gross profit / gross margin

Gross profit is defined as Total operating income minus the cost of goods sold (COGS). The gross profit represents revenue that the group retains after incurring the direct costs associated with the purchase of the goods. Gross margin is defined as gross profit divided by total revenue and is useful for benchmarking direct costs associated with the purchase of the goods vs total revenues.

(Amounts in NOK million)	Q1 2021	Q1 2020	FY 2020
Total operating income	1,718	1,382	8,013
- Cost of goods sold	974	794	4,534
= Gross profit	744	589	3,478
Gross margin	43.3%	42.6%	43.4%

Opex

Operating expenses (Opex) is the sum of employee benefits expense and other operating expenses. It is useful to look at cost of these two components combined, as they compose a large part of the fixed operating costs. The Opex-to-sales ratio divides the Opex by Total operating income and is useful for benchmarking this cost base vs the development in sales.

(Amounts in NOK million)	Q1 2021	Q1 2020	FY 2020
Employee benefits expense	311	263	1,138
+ Other operating expenses	141	148	635
= OPEX	452	411	1,773
Opex-to-sales ratio	26.3%	29.7%	22.1%

EBITDA / EBITDA margin

EBITDA is earnings before interests, tax, depreciation of property, plant and equipment and right-of-use assets and amortisation of other intangibles. EBITDA is a well-known and widely used term among users of the financial statements and is useful when evaluating operational efficiency on a more variable cost basis as they exclude amortisation and depreciation expense related to capital expenditure. EBITDA margin is EBITDA divided by Total operating income and is useful for benchmarking this profitability parameter vs the development in sales.

(Amounts in NOK million)	Q1 2021	Q1 2020	FY 2020
Operating profit	151	44	1,166
+ Depreciation	141	134	540
= EBITDA	292	178	1,706
EBITDA margin	17.0%	12.9%	21.3%

EBIT

EBIT is earnings before interest and taxes and is the same as the IFRS definition of operating profit. EBIT is a well-known and widely used term among the users of the financial statements and is useful when evaluating operational profitability. EBIT margin is EBIT divided by Total operating income, and thus the same as Operating profit divided by Total operating income.

Working capital

Working capital is the sum of inventories and trade receivables and other receivables less the sum of accounts payable and other current liabilities. Net

change in working capital is the change in the mentioned parameters; i.e., net change in working capital is the sum of change in inventories and trade receivables and change in other receivables less the sum of change in accounts payable and other current liabilities. Net change in working capital is a well-known and widely used term among the users of the financial statements and is useful for measuring the group's liquidity, operational efficiency and short-term financial conditions.

(Amounts in NOK million)	Q1 2021	Q1 2020	FY 2020
Change in Inventory	(254)	(172)	(64)
Change in accounts receivable and other current receivables	6	4	(52)
Change in accounts payable and other current debt	(247)	(113)	371
Net change in working capital	(495)	(281)	255

Capital expenditure

Capital expenditure (Capex) is the sum of purchases of fixed assets and intangible assets as used in the cash flow. Capex is a well-known and widely used term among the users of the financial statements and is a useful measure of investments made in the operations when evaluating the capital intensity.

(Amounts in NOK million)	Q1 2021	Q1 2020	FY 2020
Purchases of fixed assets	15	18	72
Purchases of intangible assets	5	8	32
= Capital expenditure	20	27	104

Financial debt

Financial debt is the sum of borrowings and lease liabilities. Financial debt is useful to see total debt as defined by IFRS.

(Amounts in NOK million)	Q1 2021	Q1 2020	FY 2020
Borrowings	995	997	995
Current borrowings	-	500	-
Lease liabilities (IFRS 16)	1,895	2,014	1,851
= Financial debt	2,890	3,511	2,846

Cash and liquidity reserves

Cash and liquidity reserves is defined as available cash plus available liquidity through overdraft and credit facilities. This measure is useful to see total funds available short term.

(Amounts in NOK million)	Q1 2021	Q1 2020	FY 2020
Cash	141	78	540
+ Total facilities	1,400	1,400	1,400
- Total drawn	(15)	(513)	(14)
= Cash and liquidity reserves	1,526	966	1,926

Total chain sales

Total chain sales are sales from all chain stores, that is both directly operated and franchise stores. This KPI is an important measure of the performance of the total Europris chain and considered useful in order to understand the development of the entire chain, regardless of ownership structure of stores. Like-for-like growth is defined as the growth in total chain sales for stores that have been open for every month of both the previous and the current calendar year.

(Amounts in NOK million)	Q1 2021	Q1 2020	FY 2020
Sales directly operated stores	1,538	1,224	7,240
Sales franchise stores	238	208	1,148
= Total chain sales	1,777	1,432	8,388

Definition of other terms used

Directly operated store

Directly operated store means a store owned and directly operated by the group.

Franchise store

Franchise store means a store operated by a franchisee under a franchise agreement with the group.

Chain

Chain means the sum of directly operated stores and franchise stores.

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