

Europoris

MER TIL OVERS

Q2 2021



EUROPRIS ASA

Content

Highlights 2021.....	3
Key figures	4
Period review.....	6
Financial review.....	10
Financial statements	14
Alternative performance measures	22

Highlights

Record high results for the second quarter 2021

- Strong sales performance in a challenging quarter
 - » Total sales of 2,096 million, a decline of 5.2 per cent compared with Q2 2020
 - » April sales negatively affected by the temporary closure of 22 per cent of the stores owing to the Covid-19 pandemic and by the timing of Easter
 - » Positive sales development in May and June, driven by strong seasonal execution
- Gross margin of 47.2 per cent, an increase of 4.6 percentage points
 - » Positive effects from hedging currency and inbound freight rates
 - » Successful category development initiatives and changes to sales mix
- Improved profitability owing to higher margins and good cost control
 - » EBITDA increased by 11.3 per cent to NOK 537 million
 - » Net profit of NOK 283 million (NOK 247 million)
- Results from employee engagement survey at all-time high
 - » Remarkable efforts by employees during the Covid-19 pandemic
- Acquired 67 per cent of Lekekassen Holding AS, Norway's largest online toy store, for NOK 501 million

First half 2021

- Solid sales growth despite following the best first half in Europris' history last year
 - » Sales of NOK 3,814 million, up by 6.2 per cent from the same period of 2020 and 33.4 per cent from 2019
 - » Nine per cent of stores on average temporarily closed
 - » Like-for-like chain sales growth of 4.7 per cent
- Gross margin of 45.4 per cent, an increase of 2.8 per cent
 - » Positive effects from hedging currency and inbound freight rates
 - » Successful category development initiatives
- Operational efficiency improved
 - » Opex-to-sales ratio of 23.7 per cent, down by 0.5 percentage points
- Strong profitability
 - » EBITDA increased by 25.5 per cent to NOK 829 million
 - » Net profit of NOK 387 million (NOK 247 million)
- Earnings per share of NOK 2.41 (NOK 1.49)
- Solid financial position
 - » Cash and liquidity reserves of NOK 1,577 million (NOK 1,315 million)
 - » Dividend of NOK 434 million (NOK 323 million) paid

Key figures

(Amounts in NOK million)	Q2 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
GROUP KEY INCOME STATEMENT FIGURES					
Sales directly operated stores	1,903	2,014	3,442	3,238	7,240
Sales from wholesale to franchise stores	171	175	333	318	689
Franchise fees and other income	22	22	40	38	84
Total operating income	2,096	2,211	3,814	3,593	8,013
% growth in total operating income	(5.2%)	36.3%	6.2%	25.7%	28.5%
Cost of goods sold	1,107	1,269	2,081	2,063	4,534
Gross profit	989	941	1,733	1,530	3,478
Gross margin	47.2%	42.6%	45.4%	42.6%	43.4%
Opex	453	459	905	870	1,773
Opex-to-sales ratio	21.6%	20.8%	23.7%	24.2%	22.1%
EBITDA	537	482	829	660	1,705
EBITDA margin	25.6%	21.8%	21.7%	18.4%	21.3%
EBIT (Operating profit)	395	345	546	389	1,166
EBIT margin (Operating profit margin)	18.8%	15.6%	14.3%	10.8%	14.5%
Net profit	283	247	388	247	804
Earnings per share (in NOK)	1.76	1.49	2.41	1.49	4.86
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES					
Net change in working capital	205	380	(289)	99	255
Capital expenditure	43	41	63	67	104
Financial debt	2,833	3,123	2,833	3,123	2,846
Cash	192	127	192	127	540
Net debt	2,641	2,996	2,641	2,996	2,306
- Lease liabilities (IFRS 16)	1,838	1,926	1,838	1,926	1,851
Net debt ex lease liabilities	803	1,070	803	1,070	455
Cash and liquidity reserves	1,577	1,315	1,577	1,315	1,926
CHAIN KEY FIGURES					
Total chain sales	2,184	2,335	3,960	3,767	8,388
% growth in total chain sales	(6.5%)	35.4%	5.1%	25.5%	27.8%
% growth in like-for-like chain sales	(6.9%)	34.6%	4.7%	24.2%	26.7%
Total number of chain stores at end of period	268	264	268	264	266
- Directly operated stores	240	235	240	235	237
- Franchise stores	28	29	28	29	29



Period review

The second quarter of 2021 produced another strong performance by Europris, despite low sales in April owing to 22 per cent of the chains stores being temporarily closed owing to Covid-19 and the timing of Easter. On average, eight per cent of the stores were temporarily closed during the quarter. Despite following the strongest second quarter in Europris' history last year, the chain had like-for-like sales growth in both May and June owing to strong execution of campaigns and the season. Strong margin development and continued good cost control offset the sales decline and led to growth in EBITDA and net profit.

As in 2020, Europris continued to profit from the general pandemic restrictions and closed borders. A gradual opening of society started towards the end of the quarter. The group maintained its continuous adaption to infection control measures imposed by the government during the quarter, and employees made a tremendous effort in quickly adjusting to any changes and taking the necessary action.

Europris has acquired the well-run and fast growing company Lekekassen Holding AS, Norway's largest online toy store. This is a strategic acquisition which strengthens the group's expertise in e-commerce, gives it access to premium toy brands for sale in the chains' physical stores, and provides identified synergies through joint sourcing of products and services.

Sales performance

Group sales in the second quarter came to NOK 2,096 million, down by 5.2 per cent from the same period of last year. Sales were negatively affected by temporary store closures and the timing of Easter.

However, market developments (to 31 May) show that Europris continued to outperform the variety retail market, which was down 2.4 per cent compared with a growth of 4.9 per cent for the chain. While Europris experienced lower growth than the grocery sector, the latter was not subject to any temporary closures. On average, 11 per cent of the chain's stores were temporarily closed at 31 May.

Sales growth to 31 May	2021	2020	Two-years stacked
Virke: total retail*	8.1%	5.5%	13.6%
Virke: groceries*	6.0%	11.4%	17.4%
Virke: variety retail*	(2.4%)	13.6%	11.1%
Kvarud shopping centre index**	1.7%	(4.6%)	(2.9%)
Europris chain	4.9%	22.3%	27.2%

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

** Kvarud Analyse shopping centre index

Note: market data to 30 June not available at time of reporting

Sales of chocolate and snacks were negatively affected by the timing of Easter, while the upgraded kitchen and home and interior categories continued to perform well. In addition, sales growth was strong for pet food and accessories as well as for spring and summer seasonal items.

The total number of customers visiting the stores declined as a natural consequence of temporary closures. However, the basket size increased, driven both by more articles and by high-value seasonal products.

Operational review

Concept and category development

The successful upgrade of the home and interior category initiated in the first three months continued in the second quarter, leading to growth in both sales and margins. In addition, the kitchen category upgraded in 2020 performed well.

Europris works continuously to improve its concept and customer experience. One initiative currently being tested is self-service sales of selected outdoor seasonal items, allowing customers to shop whenever it suits them by simply scanning products and paying with the aid of Vipps. In certain stores, the group is also testing the loan of car trailers to customers for convenient home transport of larger seasonal items.

Many certifications for sustainable products have been developed over time. In order to help customers navigate in this landscape, Europris has launched its own umbrella symbol for sustainable products. Twenty externally certified symbols, such as the Nordic Ecolabel (Svanemerket), the EU Ecolabel, GOTS and Fairtrade, are currently gathered under this one symbol.

Acquisitions of Lunehjem and Lekekassen

The home and interior category has developed well over time. In order to profit from this and to learn more about e-commerce, Europris acquired 67 per cent of the Lunehjem.no e-commerce store in March. Sales for the first half of 2021 came to NOK 17.3 million (NOK 13.1 million), a growth of 31 per cent. This company is well run and in a good position to maintain sales and profitability growth. Synergies can be achieved through joint sourcing of services and the development of common solutions.

On 30 June, Europris announced the strategic e-commerce acquisition of 67 per cent of Lekekassen Holding AS, Norway's largest online toy store, for NOK 501 million in cash. Europris has pre-emptive rights to acquire the remaining shares. The seller, Andreas Skalleberg, will remain CEO and the owner of a 33 per cent shareholding, while Espen Eldal will become chair of the board.

Lekekassen had sales of NOK 545 million and an EBITDA of NOK 94 million in 2020 (NGAAP figures). The company has demonstrated strong growth in both sales and profitability during recent years, and growth continued in the first half of 2021. Its main season is the fourth quarter, which has historically accounted for around 60 per cent of sales. The main market is Norway, but the company moved into Sweden in 2019, reaching sales of almost SEK 100 million in 2020, and plans to launch in Denmark during the fourth quarter of this year.

With this acquisition, Europris has entered a strategically important product category which is growing rapidly online, as well as further strengthening its expertise in e-commerce by combining resources for joint development. Lekekassen's access to well-known brands will contribute positively to the range and customer experience in the physical Europris stores, in addition to improving access to the attractive family segment. Furthermore, opportunities exist for significant synergies through joint purchasing of goods and services. The transaction has been approved by the Norwegian Competition Authority and closing is scheduled at 30 July.

Europris sees a considerable potential for synergies within technology development and joint sourcing of products and services, in addition to sharing best practice through the acquisition of two well-run e-commerce companies.

E-commerce and e-CRM

Total Europris e-commerce sales amounted to NOK 82.5 million in the second quarter, up by 66 per cent, and accounted for 3.8 per cent of total chain sales. Customers prefer to pick up their orders in the stores rather than having them delivered to their home or a pick-up point. The bulk of e-commerce sales related to seasonal spring and summer items, such as garden furniture and trampolines.

NOK million	Q2 2021	Q2 2020**	1H 2021	1H 2020
Home deliveries	9.3	5.6	15.2	7.4
Click and collect	73.2*	44.1	83.6*	46.2
Total e-commerce sales	82.5	49.7	98.8	53.6
Percentage of total chain sales	3.8%	2.1%	2.5%	1.4%

* Excluding sales to customers calling or e-mailing closed stores.

** Updated versus Q2 2020 reporting

During the first quarter, Europris expanded the product offering and improved the click and collect service, which was well received by the customers. To compensate for store closures, Europris also introduced an opportunity for customers to phone in orders or send them by e-mail to temporarily closed stores. On average, 10-15 per cent of normal sales were secured from the closed stores, a satisfactory result considering the proportion of products also found in the grocery shops – which were allowed to stay open. Europris is continuously working on improving the technical solution and the customer journey.

The Mer customer club had 863,000 members at 30 June, up from 780,000 at 31 March and from 690,000 at 31 December 2020. This expansion in the membership base reflects successful recruitment campaigns and the conversion of fixed multibuy offers to exclusive Mer offers.

Store estate

Europris opened one new store during the quarter, bringing the total number of stores to 268. Of these, 240 are directly operated. The newcomer is a city concept store at Xhibition Centre in Bergen in Vestland county, and is the third of this kind.

The group has a healthy pipeline of new stores. An additional 11 stores have received board approval for 2021 and beyond. Five of the planned new stores are subject to planning permission.

New stores opened in 2021

Month	Store	County
March	Austevoll	Vestland
June	Xhibition	Vestland

Store relocations in 2021

Month	Store	County
March	Vågsbygd	Agder
June	Sotra	Vestland

Central warehouse

Following approval of the acceptance test in the first quarter of this year, a slow ramp-up of the new automatic shuttle system in the low-bay area was initiated. This final phase has encountered some technical issues related to the new software. In addition, travel restrictions have made it more challenging to get the right personnel from the supplier on site.

Finalisation of the project has consequently been delayed. These issues have not led to any delays in product deliveries to the stores. The supplier has increased the use of resources to solve the problem, and ramp-up will continue in a controlled manner after the summer.

When Europris launched the strategic project of building a new central warehouse in 2015, this was scaled for the volume growth projected at the time the decision was taken. The exceptional volume growth in 2020, which has continued in 2021, means that capacity at the new central warehouse will be insufficient to handle future summer seasons. Alternative solutions are currently under evaluation.

Although finalisation of the project has been slightly delayed, estimated savings remain intact. However, escalated volume growth has brought forward the time when additional warehousing capacity will be needed. As the original project is now approaching finalisation the tables below will not be reported going forward.

Overview of estimated rental costs and expenses (change in ordinary versus non-recurring rent since the most recent report, and expected additional capacity requirements in 2022)

NOK million	Actual 2019	Actual 2020	Actual Q1 21	Actual Q2 21	Est Q3 21	Est Q4 21	Est 2021	Est 2022
Ordinary rent	68	67	16.5	16.5	16.5	16.5	66	64
Non-recurring rent	14	9	-	-	-	-	-	-
Non-recurring moving expenses	5	4	-	-	-	-	-	-

Overview of estimated investments (change in timing between Q2 and Q3 since the previous report)

NOK million	Actual 2019	Actual 2020	Actual Q1 21	Actual Q2 21	Est Q3 21	Est Q4 21	Est 2021	Est 2022
IT, office equipment and other Capex	28	8	1.5	1.1	2.3	2.3	7	7
Automation, high-bay (lease)	52	28	-	-	-	-	-	-
Automation, low-bay (Capex)	65	24	0.2	23.9	11.3	-	35	-

Employees and organisation

The Europris workforce once again adapted well to rapidly changing infection control measures imposed by the government, and took the necessary action promptly. During the quarter, results from the employee engagement survey reached an all-time high. Given the Covid-19 position, management is especially pleased that these results show employees feel they have a safe working environment, that well-functioning routines have been established, and that personnel have received good information on an ongoing basis.

Virtual training based on gaming technology has been offered by the group to employees for several years. The bulk of this training has been aimed at store employees. During the second quarter, an expanded catalogue of virtual courses was made available to administrative staff, allowing them to select training based on individual needs at a time which suits them. This initiative has been very well received by the employees.

Sickness absence increased slightly for both store employees and personnel at head office and the

distribution centre. This rise reflects higher short-term absences related to quarantining because of Covid-19, while long-term absences have decreased.

So far during the pandemic, 67 employees have been registered as infected with Covid-19. None of them have been hospitalised.

Sickness absence	Q2 2021	Q2 2020	FY 2020
Stores	9.6%	9.4%	9.8%
Head office and distribution centre	3.8%	3.4%	4.5%

Three lost-time injuries were recorded during the quarter.

ÖoB equity transaction and operational development

Europis acquired a 20 per cent equity stake in ÖoB on 13 December 2019, with payment in Europis 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. An independent third party was brought in towards the end of the second quarter and is expected to reach a conclusion during the third quarter.

Preliminary second-quarter figures for ÖoB show a decline in sales and EBITDA but an improved gross margin.

Key figures for ÖoB (preliminary and unadited)

SEK million	1H 2021	1H 2020	FY 2020
Sales	1,831	2,064	4,186
EBITDA*	1.2	13.9	62.3

** Excluding IFRS 16 effects*

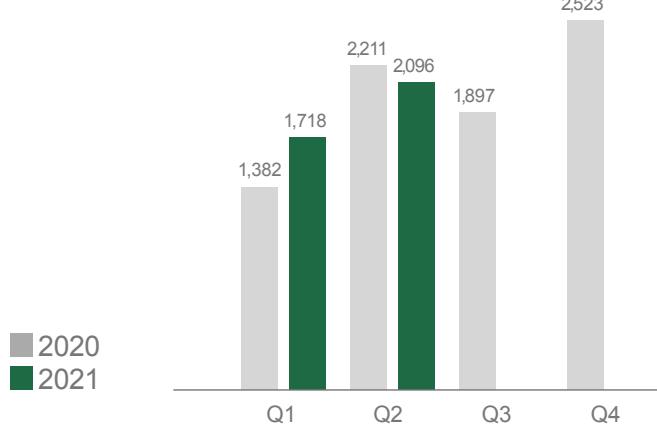


Financial review

Profit and loss – second quarter

Total operating income in the second quarter amounted to NOK 2,096 million (NOK 2,211 million), a decrease of 5.2 per cent. Revenue decline was attributable to the temporary closure of eight per cent of the stores on average owing to Covid-19, and to the timing of Easter. Group sales developed positively in May and June, driven by strong seasonal execution. The quarter had one less sales day than the same period of last year.

Total operating income, NOK million

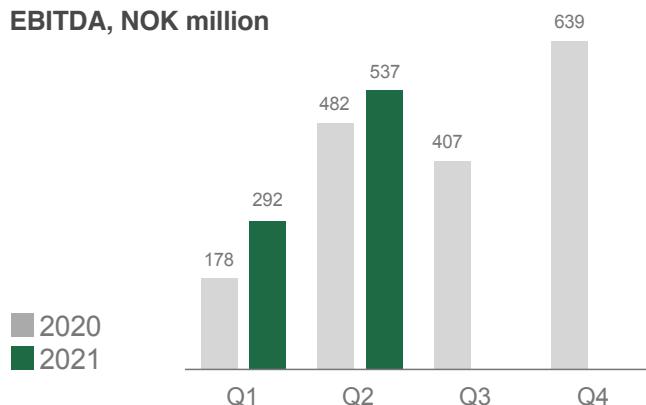


Gross profit came to NOK 989 million (NOK 941 million), an improvement of 5.1 per cent. The gross margin was 47.2 per cent (42.6 per cent), an improvement of 4.6 percentage points. The group recognised a net unrealised currency gain of NOK 24 million on hedging contracts and accounts payable (loss of NOK 30 million). Excluding this effect, the growth in gross margin was 2.1 percentage points. The group has a fixed agreement with a freight carrier which has secured prices well below spot market rates for inbound freight. In addition, the increase in gross profit reflects successful category development initiatives and changes to the sales mix.

Operating expenditure (Opex) was NOK 453 million (NOK 459 million), a decrease of NOK 6 million. This was affected by the 2.1 per cent increase in the number of directly operated stores from 235 to 240. Opex as a proportion of revenues amounted to 21.6 per cent (20.8 per cent).

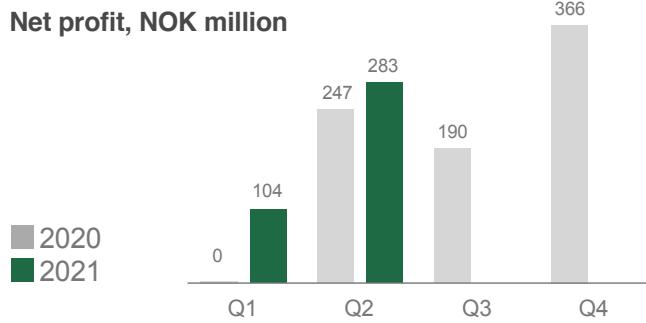
EBITDA was NOK 537 million (NOK 482 million), up by NOK 54 million or 11.3 per cent.

EBITDA, NOK million



The group recognised a net unrealised loss on the interest swaps amounting to NOK 6 million for the quarter (NOK 0 million).

Net profit, NOK million



Net profit for the second quarter of 2021 was NOK 283 million (NOK 247 million), an improvement of NOK 36 million or 14.7 per cent.

Profit and loss – first half

Total operating income for the first half of 2021 amounted to NOK 3,814 million (NOK 3,593 million), an increase of 6.2 per cent. The key driver for revenue growth was the 4.7 per cent increase in the chain's like-for-like sales as a result of good sales of seasonal items and strong execution of campaigns, combined with closed borders. On average, nine per cent of the stores were temporarily closed during the period. The first half had two less sales days than the same period of last year.

Gross profit for the group was NOK 1,733 million (NOK 1,530 million), up by 13.3 per cent. The gross margin was 45.4 per cent (42.6 per cent), an improvement of 2.9 percentage points. The group recognised a net unrealised currency gain of NOK 45 million on hedging contracts and accounts payable (gain of NOK 1 million).

Excluding this effect, the growth in gross margin was 1.7 percentage points. The increase in gross profit reflects the fixed agreement for inbound freight rates as well as category development initiatives.

Opex came to NOK 905 million (NOK 870 million). This represented an increase of four per cent from the same period of last year. Opex in the first half was affected by the rise from 235 to 240 directly operated stores. Opex as a proportion of revenues was 23.7 per cent (24.2 per cent). The group continues to deliver improved operational efficiency.

EBITDA was NOK 829 million (NOK 660 million), up by NOK 169 million or 25.5 per cent. The EBITDA margin was 21.7 per cent (18.4 per cent).

The group recognised a net unrealised gain on interest swaps, which amounted to NOK 16 million (loss of NOK 1 million). Bank borrowings were refinanced last year and NOK 8 million in one-off costs was booked.

Net profit for the first half of 2021 was NOK 388 million (NOK 247 million), an improvement of NOK 140 million or 57 per cent.

Cash flow

Net change in working capital for the first half was negative at NOK 289 million (positive at NOK 99 million). Net working capital was negatively affected by timing differences in the payment of accounts payable and increased inventory in order to meet higher demand. Last year, working capital was positively affected by the postponed payment of public duties payable.

Capital expenditure was NOK 63 million (NOK 67 million).

Financial position and liquidity

Financial debt at 30 June 2021 was NOK 2,833 million (NOK 3,123 million). Adjusted for the IFRS 16 effect, financial liabilities amounted to NOK 995 million (NOK 1,197 million).

Net debt at 30 June 2021 was NOK 2,641 million (NOK 2,996 million). Adjusted for the IFRS 16 effect, net financial liabilities were NOK 803 million (NOK 1,070 million).

Cash and liquidity reserves for the group at 30 June 2021 amounted to NOK 1,577 million (NOK 1,315

million). A total dividend of NOK 434 million was paid in the second quarter, up by NOK 111 million from last year.

Risk factors

The Europris group is exposed to a variety of risks, as described in the directors' report and note 2 of the consolidated financial statements in the annual report for 2020.

Related parties

Related parties of the Europris group include its associates, key management personnel, directors and major shareholders. No significant transactions were conducted with related parties during the first half of 2021.

Outlook

The Norwegian government began a gradual opening of society towards the end of the second quarter, but the long-term effects of the Covid-19 pandemic are still uncertain.

Customer visits to Europris stores have expanded significantly since the outbreak of Covid-19. In order to ensure that a large proportion of this change in shopping patterns becomes permanent, the group will continue to develop the store concepts and strengthen its position as an omnichannel retailer. Europris believes this strategy has been successful and the group has been a market winner over time with constant gains in market share.

During the pandemic, Europris has demonstrated operational flexibility by adapting product offerings and campaigns continuously in line with changes in consumer demand. Combined with a strong corporate culture and a broad product range less exposed to e-commerce competition, this flexibility positions Europris well in a competitive market. The board believes that the organisation is well prepared for the future.

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.

Statement by the board of directors

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2021 has been prepared in accordance with current applicable accounting standards, and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the group. We also confirm that the directors' report contains a true and fair review of the development and performance of the group, together with the risks and uncertainties facing the group.

Fredrikstad, 14 July 2021
THE BOARD OF DIRECTORS OF EUROPRISS ASA

Tom Vidar Rygh
Chair

Hege Børmark

Claus Juel-Jensen

Bente Sollid Storehaug

Tone Fintland

Karl Svensson

Pål Wibe

Espen Eldal
CEO

EUROPRIS ASA

Q2 and first half 2021

Interim condensed consolidated statement of profit and loss

Figures are stated in NOK 1,000

	Notes	Q2 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
		Unaudited	Unaudited	Unaudited	Unaudited	Audited
Total operating income		2,096,085	2,210,658	3,814,321	3,593,125	8,012,629
Cost of goods sold		1,106,731	1,269,483	2,081,136	2,063,044	4,534,134
Employee benefit expenses		266,122	277,084	577,346	540,480	1,138,193
Depreciation	5	141,726	137,118	282,879	271,381	539,927
Other operating expenses		186,476	181,824	327,289	329,564	634,794
Operating profit		395,030	345,149	545,671	388,656	1,165,580
Net financial income (expense)		(35,028)	(28,801)	(41,749)	(64,852)	(139,068)
Profit (loss) from associated companies	7	2,569	-	(5,431)	(5,500)	2,600
Profit (loss) before tax		362,571	316,348	498,491	318,305	1,029,112
Income tax expense		79,201	69,596	110,863	71,237	225,489
Profit for the period		283,371	246,751	387,628	247,068	803,624
Profit attributable to non-controlling interests		393	-	393	-	-
Profit attributable to owners of the parent		282,977	246,751	387,235	247,068	803,624
Interim condensed consolidated statement of comprehensive income						
Profit for the period		283,371	246,751	387,628	247,068	803,624
Total comprehensive income		283,371	246,751	387,628	247,068	803,624
Profit attributable to non-controlling interests		393	-	393	-	-
Profit attributable to owners of the parent		282,977	246,751	387,235	247,068	803,624

Interim condensed consolidated statement of financial position

Figures are stated in NOK 1,000

	Notes	30 June 2021	30 June 2020	31 Dec 2020
ASSETS		Unaudited	Unaudited	Audited
Total intangible assets	5	2,073,192	2,058,147	2,063,334
Total fixed assets	5	2,591,579	2,673,558	2,588,921
Total financial assets	6,7	179,426	145,311	168,886
Total non-current assets		4,844,198	4,877,016	4,821,141
Inventories		1,711,699	1,591,257	1,633,927
Trade receivables		150,839	146,517	195,287
Other receivables	6	85,599	82,335	87,816
Cash		192,313	126,880	540,056
Total current assets		2,140,449	1,946,989	2,457,086
Total assets		6,984,647	6,824,006	7,278,227
EQUITY AND LIABILITIES				
Total paid-in capital	8	234,946	234,946	229,946
Total retained equity		1,932,033	1,666,645	1,983,662
Total shareholders' equity		2,166,979	1,901,591	2,213,608
Provisions		115,518	102,353	4,726
Borrowings	6	995,082	997,000	995,082
Lease liabilities	6	1,837,862	1,925,769	1,850,561
Total non-current liabilities		2,948,462	3,025,122	2,850,369
Borrowings	6	-	200,000	-
Current lease liabilities	6	489,004	430,209	473,739
Accounts payable		674,152	672,464	742,753
Tax payable		135,649	48,931	251,879
Public duties payable		279,417	279,759	323,511
Other current liabilities	6	290,983	265,929	422,368
Total current liabilities		1,869,206	1,897,293	2,214,250
Total liabilities		4,817,668	4,922,415	5,064,619
Total equity and liabilities		6,984,647	6,824,006	7,278,227

Fredrikstad, 14 July 2021
THE BOARD OF DIRECTORS OF EUROPRAIS ASA

Interim condensed consolidated statement of changes in equity

Figures are stated in NOK 1,000

	Share capital	Treasury shares	Share premium	Other paid-in capital	Retained earnings	Total equity	Attributed to equity holders of the parent	Non-controlling interests
At 1 January 2021	166,969	(6,150)	51,652	17,475	1,983,661	2,213,608	2,213,608	-
Profit for the period	-	-	-	-	387,628	387,628	387,235	393
Dividend	-	-	-	-	(434,207)	(434,207)	(434,207)	-
Net purchase/sale of treasury shares	-	(1)	-	-	(49)	(50)	(50)	-
Other comprehensive income	-	-	-	-	-	-	-	-
At 30 June 2021	166,969	(6,151)	51,652	17,475	1,937,033	2,166,978	2,166,585	393
(unaudited)								

Figures are stated in NOK 1,000

	Share capital	Treasury shares	Share premium	Other paid-in capital	Retained earnings	Total equity	Attributed to equity holders of the parent	Non-controlling interests
At 1 January 2020	166,969	(1,150)	51,652	17,475	1,742,923	1,977,869	1,977,869	-
Profit for the period	-	-	-	-	247,068	247,068	247,068	-
Dividend	-	-	-	-	(323,346)	(323,346)	(323,346)	-
Other comprehensive income	-	-	-	-	-	-	-	-
At 30 June 2020	166,969	(1,150)	51,652	17,475	1,666,645	1,901,591	1,901,591	-
(unaudited)								

Interim condensed consolidated statement of cash flows

Figures are stated in NOK 1,000	Notes	Q2 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
		Unaudited	Unaudited	Unaudited	Unaudited	Audited
Cash flows from operating activities						
Profit before income tax		362,571	316,348	498,491	318,305	1,029,112
Adjusted for:						
Depreciation of fixed and intangible assets	5	141,726	137,118	282,879	271,381	539,927
Profit/loss from associated companies		(2,569)	-	5,431	5,500	(2,600)
Changes in net working capital		205,299	379,913	(289,358)	99,132	255,298
Income tax paid		(58,310)	(8,371)	(116,620)	(67,883)	(116,814)
Net cash generated from operating activities		648,718	825,008	380,823	626,435	1,704,924
Cash flows from investing activities						
Purchases of fixed and intangible assets	5	(42,982)	(40,688)	(63,075)	(67,373)	(104,146)
Acquisition		(8,562)	(2,380)	(9,674)	(7,979)	(7,979)
Proceeds from sale of financial assets		-	-	50	-	-
Net cash used in investing activities		(51,545)	(43,068)	(72,700)	(75,353)	(112,125)
Cash flows from financing activities						
Net change RCF (Revolving Credit Facility)		-	(300,000)	-	200,000	-
Proceeds from borrowings		-	-	-	1,000,000	1,000,000
Repayment of debt to financial institutions		-	-	-	(1,651,675)	(1,651,675)
Principal paid on lease liabilities		(111,627)	(110,107)	(221,608)	(217,218)	(401,218)
Dividend		(434,207)	(323,346)	(434,207)	(323,346)	(323,346)
Buy-back of treasury shares		-	-	(50)	-	(244,539)
Net cash from financing activities		(545,834)	(733,453)	(655,866)	(992,239)	(1,620,778)
Net increase (decrease) in cash		51,339	48,488	(347,742)	(441,157)	(27,980)
Cash at beginning of period		140,975	78,392	540,056	568,036	568,036
Cash at end of period		192,313	126,880	192,313	126,880	540,056

NOTES

Note 1 Corporate information

The interim condensed consolidated financial statements of Europris ASA and its subsidiaries (collectively, the group) for the second quarter and the six months ended 30 June 2021 were authorised for issue by the board on 14 July 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 second quarter and the six months ended 30 June 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	100	-	4,186	-	-	8,047	12,332
Additions	48,734	-	219,989	14,341	-	-	283,064
Disposals	-	-	-	-	-	-	-
Depreciation	(36,710)	-	(233,639)	(12,530)	-	-	(282,879)
Carrying amount 30 June 2021	313,524	24,966	2,253,091	59,842	387,573	1,625,778	4,664,773

	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	640	-	15,925	-	-	6,334	22,899
Additions	50,737	-	138,310	16,637	-	-	205,684
Disposals	-	-	(13,400)	-	-	-	(13,400)
Depreciation	(37,694)	-	(224,194)	(9,493)	-	-	(271,381)
Carrying amount 30 June 2020	327,078	24,966	2,321,514	52,843	387,573	1,617,731	4,731,706

Note 6 Financial instruments - fair value

Set out below is a comparison of the carrying amounts and fair values of financial assets and liabilities at 30 June 2021 and 31 December 2020:

Figures are stated in NOK 1,000	30 June 2021	31 December 2020		
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables				
Non-current receivables	28,502	28,502	28,180	28,180
Total	28,502	28,502	28,180	28,180
Financial liabilities				
Other financial liabilities				
Borrowings	995,082	995,082	995,082	995,082
Lease liabilities	1,837,862	1,837,862	1,850,561	1,850,561
Current lease liabilities	489,004	489,004	473,739	473,739
Total	3,321,948	3,321,948	3,319,382	3,319,382
Financial instruments measured at fair value through profit and loss				
Derivatives - asset				
Interest rate swaps	27,492	27,492	11,796	11,796
Foreign exchange forward contracts	8,456	8,456	-	-
Total	35,948	35,948	11,796	11,796
Derivatives - liabilities				
Foreign exchange forward contracts	259	259	41,580	41,580
Total	259	259	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 AB.

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 5.4 million from its 20 per cent stake in the first half 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 is expected to be decided in the first half of 2022. 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 30 June 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 30 June 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)	Q2 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
Total operating income	2,096	2,211	3,814	3,593	8,013
- Cost of goods sold	1,107	1,269	2,081	2,063	4,534
= Gross profit	989	941	1,733	1,530	3,478
Gross margin	47.2%	42.6%	45.4%	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)	Q2 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
Employee benefits expense	266	277	577	540	1,138
+ Other operating expense	186	182	327	330	635
= OPEX	453	459	905	870	1,773
Opex-to-sales ratio	21.6%	20.8%	23.7%	24.2%	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)	Q2 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
Operating profit	395	345	546	389	1,166
+ Depreciation	142	137	283	271	540
= EBITDA	537	482	829	660	1,706
EBITDA margin	25.6%	21.8%	21.7%	18.4%	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)	Q2 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
Change in Inventory	183	151	(70)	(21)	(64)
Change in accounts receivable and other current receivables	23	13	30	18	(52)
Change in accounts payable and other current debt	(1)	216	(249)	102	371
Net change in working capital	205	380	(289)	99	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)	Q2 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
Purchases of fixed assets	34	33	49	51	72
Purchases of intangible assets	9	8	14	17	32
= Capital expenditure	43	41	63	67	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)	YTD 2021	YTD 2020	FY 2020
Borrowings	995	997	995
Current borrowings	-	200	-
Lease liabilities (IFRS 16)	1,838	1,926	1,851
= Financial debt	2,833	3,123	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)	YTD 2021	YTD 2020	FY 2020
Cash	192	127	540
+ Total facilities	1,400	1,400	1,400
- Total drawn	(15)	(212)	(14)
= Cash and liquidity reserves	1,577	1,315	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)	Q2 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
Sales directly operated stores	1,890	2,014	3,428	3,238	7,240
Sales franchise stores	294	321	532	530	1,148
= Total chain sales	2,184	2,335	3,960	3,767	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.

Europris ASA
Dikeveien 57, P O Box 1421
NO-1661 Rolvsøy

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

www.europris.no

Europris
MER TIL OVERS