

Europris
MER TIL OVERS

Q3 2021



EUROPRIAS ASA

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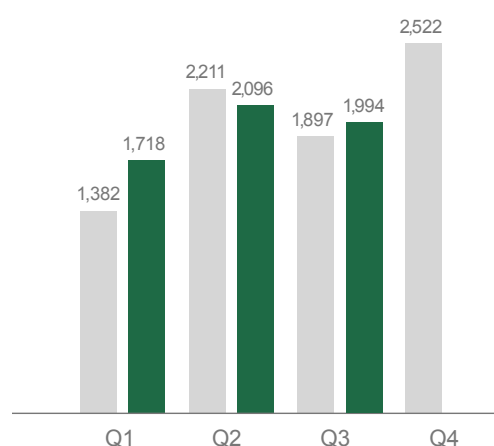
Highlights

Another record quarter, and well prepared for the Christmas season

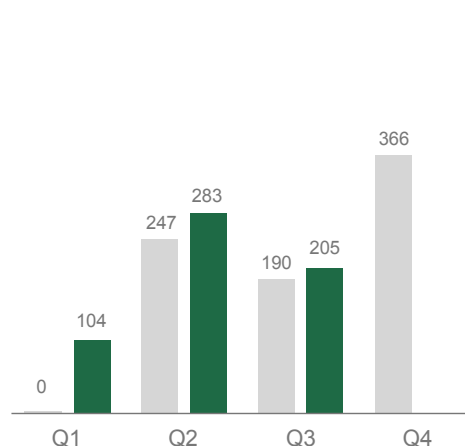
- Solid sales performance on top of record sales in Q3 2020
 - » Total sales up 5.1 per cent compared with Q3 2020 to NOK 1,994 million
 - » Sales growth of 1.9 per cent, excluding sales from partly owned subsidiaries
 - » Good performance for upgraded categories and seasonal items
- Gross margin of 45.7 per cent, an increase of 1.8 percentage points
 - » Positive contribution from the fixed agreement for inbound freight
 - » Higher share of seasonal items
- Opex up by 13.1 per cent
 - » Consolidation of partly owned subsidiaries and higher distribution costs from product mix
 - » Opex-to-sales ratio of 24.2 per cent, up by 1.7 percentage points
- Record Q3 profitability
 - » EBITDA up by 5.6 per cent to NOK 430 million
 - » Net profit of NOK 205 million (NOK 190 million)
- Strong financial position, with cash and liquidity reserves of NOK 1,254 million
- Lekekassen transaction successfully completed

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

Total operating income, NOK million



Net profit, NOK million



■ 2020 ■ 2021

Key figures

(Amounts in NOK million)

	Q3 2021	Q3 2020	YTD 2021	YTD 2020	FY 2020
GROUP KEY INCOME STATEMENT FIGURES					
Sales directly operated stores	1,756	1,709	5,184	4,946	7,240
Sales from partly owned subsidiaries	61	-	74	-	-
Sales from wholesale to franchise stores	159	168	491	485	689
Franchise fees and other income	19	21	59	59	84
Total operating income	1,994	1,897	5,809	5,490	8,013
% growth in total operating income	5.1%	28.5%	5.8%	26.6%	28.5%
Cost of goods sold	1,083	1,064	3,164	3,127	4,534
Gross profit	911	833	2,644	2,363	3,478
Gross margin	45.7%	43.9%	45.5%	43.0%	43.4%
Opex	482	426	1,386	1,296	1,773
Opex-to-sales ratio	24.2%	22.5%	23.9%	23.6%	22.1%
EBITDA	430	407	1,258	1,067	1,705
EBITDA margin	21.5%	21.4%	21.7%	19.4%	21.3%
EBIT (Operating profit)	286	271	832	660	1,166
EBIT margin (Operating profit margin)	14.3%	14.3%	14.3%	12.0%	14.5%
Net profit	205	190	592	437	804
Earnings per share (in NOK)	1.27	1.15	3.68	2.64	4.86
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES					
Net change in working capital	(50)	(81)	(339)	18	255
Capital expenditure	25	15	88	82	104
Financial debt	3,076	2,866	3,076	2,866	2,846
Cash	-	44	-	44	540
Net debt	3,076	2,822	3,076	2,822	2,306
- Lease liabilities (IFRS 16)	1,850	1,869	1,850	1,869	1,851
Net debt ex lease liabilities	1,226	953	1,226	953	455
Cash and liquidity reserves	1,254	1,430	1,254	1,430	1,926
CHAIN KEY FIGURES					
Total chain sales	2,018	1,973	5,978	5,741	8,388
% growth in total chain sales	2.3%	27.2%	4.1%	26.1%	27.8%
% growth in like-for-like chain sales	1.5%	26.5%	3.6%	25.0%	26.7%
Total number of chain stores at end of period	269	265	269	265	266
- Directly operated stores	241	236	241	236	237
- Franchise stores	28	29	28	29	29

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



Period review

Europris delivered growth in both sales and profits during the third quarter, on top of strong performance last year. The margin was positively affected by a fixed agreement for inbound freight rates, in addition to a positive product mix. Higher sales and continued margin improvement led to growth in EBITDA and net profit.

A gradual reopening of Norwegian society has been under way since mid-June this year, and the government announced a full opening on 25 September, with the end of all infection control measures, and the border to Sweden fully opened from 6 October. It is still too early to judge the full effects of a post-Covid environment.

The strategic acquisition of Lekekassen Holding AS, Norway's largest online toy store, was finalised at 30 July and figures have been consolidated with effect from August. Cooperation has started well in all parts of both organisations. Lekekassen was quickly included in Europris' inbound freight agreement, securing the delivery of goods ahead of the important fourth quarter season and at significantly improved rates. Lekekassen launched in Denmark in mid-September, and the start has been promising.

Sales performance

Group sales came to NOK 1,994 million for the third quarter, up by 5.1 per cent. Excluding sales from partly owned subsidiaries the sales growth was 1.9 per cent. The upgraded home and interior and kitchen categories continued to perform well, in addition to strong sales of seasonal summer items and continued growth for pet food and accessories. The like-for-like Europris chain sales growth was 1.5 per cent for the third quarter, a solid performance on top of the like-for-like growth in the third quarter last year of 26.5 per cent.

For the first nine months, the group delivered a total sales growth of 5.8 per cent. Like-for-like chain sales growth was 3.6 per cent, on top of record sales in the same period of 2020. The underlying sales performance was even stronger, since up to 94 stores were closed during the first half of this year. Compared with 2019, the group has delivered a total sales growth of 34 per cent.

Market developments show that Europris continues to perform well in an overall strong retail market. As a variety retailer, the group is still outperforming the market and has continued to take market shares. Looking at the development two years stacked, Europris has significantly outperformed the market.

Sales growth to 30 september	2021	2020	Two-years stacked
Virke: total retail*	5.5%	9.2%	14.7%
Virke: groceries*	1.8%	15.4%	17.2%
Virke: variety retail*	(0.3%)	17.7%	17.4%
Kvarud shopping centre index**	2.2%	3.7%	5.9%
Europris chain	4.1%	26.1%	30.2%

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

** Kvarud Analyse shopping centre index.

Both in the third quarter and for the first nine months, the total number of customers visiting the stores was lower than in 2020 but well above 2019 level, while the basket size has increased. The latter rise is driven both by more articles and by price. During the third quarter of 2021, pricing was positively affected by a product mix with an increased share of seasonal summer items at higher price points per item this year.

Operational review

Concept and category development

Towards the end of the quarter, Europris started upgrading its chocolate and snacks category. Plans call for the new Knallgodtland (Super Sweet Country) concept to be fully implemented during the first part of the fourth quarter. The timing fits well with the reopening of the border since this category is exposed to cross-border trade.

Europris has initiated two projects to increase efficiency for handling the flow of goods in the stores. The first involves measures to improve store readiness every week ahead of campaigns, while the second aims to improve the process of restocking stores. Both involve new routines and a new way of working for all store employees. Roll-out in all stores will continue during the fourth quarter and in the first half of 2022. Positive effects from these projects are an increase of both campaign and total sales, more efficient operations, improved customer experience and improved working conditions for employees.

E-commerce and e-CRM

E-commerce sales from Europris.no amounted to NOK 30 million for the third quarter, up by 77 per cent, and accounted for 1.5 per cent of total chain sales. Customers prefer to collect their orders at the stores,

and 90 per cent of sales were sold as click and collect. The shopping-cart value increased by 27 per cent, mainly from positive product mixes leading to a higher average price, but also from the inclusion of more articles in the basket.

At 30 September, Lekekassen had achieved growth in sales and profits. The main season for this company is the fourth quarter, when sales normally amount to around 60 percent of the annual total. Lekekassen has secured product deliveries and is ready for the important Christmas season. It launched in Denmark during mid-September this year and, although it is still too early for an evaluation, the start has been very promising.

NOK million	Q3 2021	Q3 2020	Growth	YTD 2021	YTD 2021	Growth
Europris e-commerce sales*	30	17	77%	129	71	83%
Total group e-com sales**	91	17	436%	203	71	188%
Percentage of total group sales	4.5%	0.9%	3.7%-p	3.5%	1.3%	2.2%-p

* Home deliveries and click and collect.

** Europris, Lunehjem and Lekekassen (Lunehjem included from March 2021 and Lekekassen from August 2021).

The Mer customer club had 958,000 members at 30 September, up from 863,000 at 30 June and 690,000 at 31 December 2020. Launched in 2019, the club's remarkable growth is a good illustration of the strong position occupied by Europris among Norwegian consumers. The expansion of the membership base reflects successful recruitment campaigns, the conversion of fixed multibuy offers to exclusive Mer offers, and campaign prices available only to Mer members. Attention continues to be focused on improving the use of data to provide tailor-made offers and newsletters for Mer members.

Store estate

Europris opened one new store during the quarter, at Jåttå in Rogaland county, bringing the total number of stores to 269. Of these, 241 are directly operated.

The group has a healthy pipeline of new stores. An additional 10 have received board approval for 2021 and beyond. Four of the planned new stores are subject to planning permission.

A study issued from the Norwegian School of Economics (NHH) by Charlotte B Evensen, Frode Steen

and Simen A Ulsaker confirms the smartness of the established Europris strategy of locating stores next or in close proximity to grocery stores. The study shows a 10 per cent rise in grocery-store sales when an Europris store locates next door.

New stores opened in 2021

Month	Store	County
March	Austevoll	Vestland
June	Xhibition	Vestland
September	Jåttå	Rogaland

Store relocations in 2021

Month	Store	County
March	Vågsbygd	Agder
June	Sotra	Vestland
August	Kilen	Vestfold and Telemark

Central warehouse

The exceptional volume growth in 2020, which has continued in 2021, has led to insufficient capacity at the new central warehouse for handling future summer seasons. In order to cope with future volumes, Europris has decided on a further expansion in warehouse capacity at Moss. To secure sufficient capacity until this project is finalised, the lease for the former central warehouse in Fredrikstad has been prolonged until 30 September 2023. More details on the new warehouse, expected Capex and rent levels will be provided later.

Ramping up the newly constructed warehouse in Moss is making slower progress than anticipated, since the previously reported issues related to the software used for automation in the low bay area have not been fully resolved. These issues have not caused any delays in product deliveries to the stores, but are postponing efficiency gains. Estimated savings remain intact but at a delayed pace.

Employees and organisation

Europris has implemented an employee share programme for the first time. All employees were offered the opportunity to invest in Europris shares for a maximum market value of NOK 30,000 at a 25 per cent discount covered by Europris. The programme was successful and a total of 213 employees subscribed. Of these, 69 per cent subscribed for the maximum amount offered.

At 1 October, Renate Brattested Spernes joined the management team with responsibility for strategy and sustainability. She has been internally recruited and previously served as strategy manager. The HR function has been placed under CFO Stina Charlene Byre. These changes were implemented as a consequence of the resignation of Kristine Frøberg, who was previously responsible for strategy, sustainability and HR.

Europris received an A- score from the Governance Group following an evaluation of sustainability reports from the 100 largest companies on the Oslo Stock Exchange. The group is very proud of this recognition, and devotes great attention to increasing expertise on and knowledge about sustainability throughout its organisation. Europris has also improved information to customers about the sustainable products available on Europris.no. The group truly believes it is in a position to make sustainability commercially viable, and can play a vital role in making sustainable products in its categories available at low prices which everyone can afford.

Sickness absence rose slightly for store employees, related to short-term illness owing to seasonal flu. Increased sickness absence for personnel at head office and the distribution centre was also related to more short-term illness because of seasonal flu, absence after receiving the Covid-19 vaccine and quarantine because of Covid-19.

Sickness absence	Q3 2021	Q3 2020	FY 2020
Stores	9.0%	8.8%	9.8%
Head office and distribution centre	5.9%	4.8%	4.5%

Two lost-time injuries were recorded during the quarter.

ÖoB equity transaction and operational development

Europris acquired 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.

The parties have not been able to reach an agreement on the group's EBITDA for 2019 and an arbitration process has been initiated. Furthermore, disagreement has prevailed over the legal right of Europris to challenge the 2020 EBITDA and arbitration on this matter is scheduled for the first quarter of 2022.

Third-quarter figures for ÖoB show the same trend as in previous quarters of this year – a decline in sales and EBITDA, but an improved gross margin.

Key figures for ÖoB (preliminary and unadited)

SEK million	30 Sep 2021	30 Sep 2020	FY 2020
Sales	2,790	3,076	4,186
EBITDA*	11.7	24.6	62.3

* Excluding IFRS 16 effects



Financial review

Profit and loss – third quarter

Total operating income in the third quarter amounted to NOK 1,994 million (NOK 1,897 million), up by 5.1 per cent. Excluding sales from partly owned subsidiaries the sales growth was 1.9 per cent. Revenue growth was driven by the 1.5 per cent rise in the chain's like-for-like sales, new store openings, solid merchandising and the inclusion of partly owned subsidiaries this year.

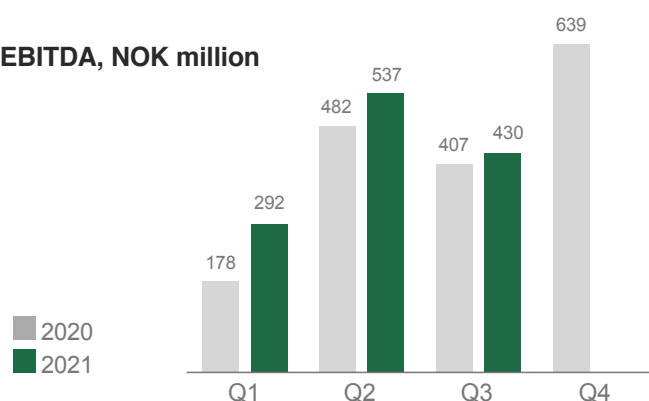
Gross profit came to NOK 911 million (NOK 833 million). The gross margin was 45.7 per cent (43.9 per cent), an improvement of 1.8 percentage points. The increase in gross profit was positively affected by the fixed agreement for inbound freight, in addition to changes to the sales mix from a higher share of seasonal items this year following an extraordinarily high share of groceries in 2020 owing to the pandemic.

Over the year, the group reports a calculated gross margin for the stores and any calculation differences are adjusted at the annual stocktaking in the third and fourth quarters. Stocktaking has been delayed this year owing to issues with getting UK workers into the country following Brexit, and only 18 per cent of the stores had completed stocktaking during the third quarter (compared with about 55 per cent last year). This quarter includes NOK 4 million in positive calculation differences (positive effect of NOK 22 million).

The group recognised a net unrealised currency gain of NOK 4 million on hedging contracts and accounts payable (net currency gain of NOK 5 million).

Operating expenditure (Opex) was NOK 482 million in the third quarter (NOK 426 million), a rise of 13.1 per cent. Opex amounted to 24.2 per cent of group revenue (22.5 per cent). It was affected by the inclusion of partly owned subsidiaries, higher distribution costs from a product mix with more voluminous seasonal items and the increase from 236 to 241 directly operated stores.

EBITDA, NOK million



EBITDA was NOK 430 million (NOK 407 million), up by NOK 23 million or 5.6 per cent.

The group recognised a net unrealised gain of NOK 9 million on interest swaps for the quarter (loss of NOK 6 million).

The group recorded an estimated loss of NOK 1 million (profit of NOK 4.3 million) on its 20 per cent holding in Runsvengruppen AB (ÖoB). This is based on preliminary and non-audited figures from the associated company.

Net profit was NOK 205 million (NOK 190 million), an improvement of NOK 15 million or 7.6 per cent.

Profit and loss – first nine months

Total operating income for the first nine months of 2021 amounted to NOK 5,809 million (NOK 5,490 million), up by 5.8 per cent. The key drivers for revenue growth were the 3.6 per cent increase in the chain's like-for-like sales as well as new store openings. The first nine months had two fewer sales days than the same period of last year.

Gross profit for the group was NOK 2,644 million (NOK 2,363 million). The gross margin was 45.5 per cent (43 per cent), an improvement of 2.5 percentage points. The group recognised a net unrealised currency gain of NOK 49 million on hedging contracts and accounts payable (gain of NOK 6 million). Excluding this effect, growth in the gross margin was 1.8 percentage points. The increase in gross profit reflects the hedging agreement for inbound freight as well as category development initiatives and the sales mix.

Opex came to NOK 1,386 million (NOK 1,296 million). This represented an increase of 7 per cent from the same period of last year. Opex amounted to 23.9 per cent (23.6 per cent) of group revenue. For the first nine months, Opex was affected by higher costs following increased sales, the inclusion of partly owned subsidiaries and the expansion from 236 to 241 directly operated stores. The group continued its good overall cost control.

EBITDA was NOK 1,258 million (NOK 1,067 million), up by NOK 191 million or 17.9 per cent. The EBITDA margin was 21.7 per cent (19.4 per cent).

The group recognised a net unrealised gain on interest swaps amounting to NOK 24 million (loss of NOK 7 million).

Net profit for the first nine months of 2021 was NOK 592 million (NOK 437 million).

Cash flow

Net change in working capital for the period was negative at NOK 339 million (positive at NOK 18 million). Working capital was affected by timing differences for accounts payable and the payment of other provisions and accruals, as well as increased inventory owing to the inclusion of partly owned subsidiaries.

Capital expenditure was NOK 88 million (NOK 82 million). The increase from the year before reflected more store projects.

Acquisition of 67 per cent of Lekekassen was completed and paid with NOK 501 million.

Financial position and liquidity

Financial debt at 30 September 2021 amounted to NOK 3,076 million. Adjusted for the IFRS 16 effect, they came to NOK 1,226 million (NOK 953 million).

Net debt at 30 September 2021 was NOK 3,076 million (NOK 2,822 million). Adjusted for the IFRS 16 effect, net debt was NOK 1,226 million (NOK 953 million).

Cash and liquidity reserves for the group at 30 September 2021 amounted to NOK 1,254 million (NOK 1,430 million).

Outlook

Europris has done well during the pandemic and outperformed the market during this period. The group has taken advantage of this momentum by upgrading several important product categories, making e-commerce improvements and significantly expanding the number of members in its customer club.

Through continued category upgrades and a flexible business model, Europris is well positioned to maintain

a good performance in a competitive market. The Norwegian society has been gradually reopening since mid-June, and the authorities ended all infection control measures in late September and fully opened the borders to Sweden early October. It is still too early for Europris to see the effects of a fully reopened society.

A supply crisis evolving during 2021 has caused a global distribution problem for retailers. The group benefits from a solid freight agreement, and both Europris and Lekekassen are fully stocked and ready for the important fourth quarter.

To minimise the risk of delays to future deliveries, Europris is working with suppliers to ship goods earlier than originally planned. This will probably result in higher-than-normal inventory levels in the time to come. The group's present freight agreement expires at the end of 2021, and Europris is currently in the process of negotiating new contracts. Negotiations have not been finalised, but freight costs will increase in 2022. A large part of the gross margin improvement to 30 September derived from the hedging agreement on inbound freight rates.

Rising energy prices, higher interest rates, and a reopened society with increased competition are all elements which are expected to affect consumer spending in the time to come. However, the Europris concept has also proved historically to be successful in more challenging times, since customers can shop smart at everyday low prices combined with strong campaigns and a broad product selection.

Europris has been a market winner over time and 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.

EUROPRIS ASA

Q3-2021

Interim condensed consolidated statement of profit and loss

Figures are stated in NOK 1,000

	Notes	Q3 2021	Q3 2020	YTD 2021	YTD 2020	FY 2020
		Unaudited	Unaudited	Unaudited	Unaudited	Audited
Total operating income		1,994,261	1,897,006	5,808,582	5,490,131	8,012,629
Cost of goods sold		1,083,090	1,064,294	3,164,226	3,127,338	4,534,134
Employee benefit expenses		308,749	282,117	886,095	822,597	1,138,193
Depreciation	5	143,434	135,859	426,313	407,240	539,927
Other operating expenses		172,908	143,754	500,197	473,318	634,794
Operating profit		286,080	270,981	831,751	659,637	1,165,580
Net financial income (expense)		(22,598)	(32,707)	(64,347)	(97,559)	(139,068)
Profit (loss) from associated companies	7	(971)	4,300	(6,402)	(1,200)	2,600
Profit before tax		262,511	242,574	761,002	560,879	1,029,112
Income tax expense		57,966	52,420	168,829	123,657	225,489
Profit for the period		204,545	190,154	592,173	437,221	803,624
Profit attributable to non-controlling interests		1,083	-	1,477	-	-
Profit attributable to owners of the parent		203,462	190,154	590,697	437,221	803,624
Interim condensed consolidated statement of comprehensive income						
Profit for the period		204,545	190,154	592,173	437,221	803,624
Total comprehensive income		204,545	190,154	592,173	437,221	803,624
Profit attributable to non-controlling interests		1,083	-	1,477	-	-
Profit attributable to owners of the parent		203,462	190,154	590,697	437,221	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	30 Sept 2021	30 Sept 2020	31 Dec 2020
			Unaudited	Unaudited	Audited
ASSETS					
Total intangible assets	5		2,749,288	2,058,103	2,063,334
Total fixed assets	5		2,737,412	2,609,500	2,588,921
Total financial assets	6,7		186,901	149,620	168,886
Total non-current assets			5,673,601	4,817,223	4,821,141
Inventories			2,090,445	1,764,668	1,633,927
Trade receivables			133,684	149,176	195,287
Other receivables	6		124,056	98,564	87,816
Cash			-	44,283	540,056
Total current assets			2,348,185	2,056,691	2,457,086
Total assets			8,021,786	6,873,914	7,278,227
EQUITY AND LIABILITIES					
Total paid-in capital	9		233,342	234,946	229,946
Total retained equity			1,897,255	1,856,799	1,983,662
Total shareholders' equity			2,130,597	2,091,745	2,213,608
Non-controlling interests			248,004	-	-
Total equity			2,378,601	2,091,745	2,213,608
Provisions			252,991	154,773	4,726
Borrowings	6		1,092,582	997,000	995,082
Lease liabilities	6		1,849,769	1,869,363	1,850,561
Other non-current liabilities	6			6,437	
Total non-current liabilities			3,195,343	3,027,574	2,850,369
Borrowings	6		133,484	-	-
Current lease liabilities	6		487,176	434,186	473,739
Accounts payable			826,488	773,173	742,753
Tax payable			137,046	-	251,879
Public duties payable			264,227	241,608	323,511
Put option liability	6,8		246,528	-	-
Other current liabilities	6		352,895	305,627	422,368
Total current liabilities			2,447,843	1,754,595	2,214,250
Total liabilities			5,643,185	4,782,169	5,064,619
Total equity and liabilities			8,021,786	6,873,914	7,278,227

Fredrikstad, 3 November 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

	Share capital	Treasury shares	Share premium	Other paid-in capital	Retained earnings	Total	Non-controlling interests	Total equity
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	-	-	-	-	590,697	590,697	1,477	592,173
Dividend	-	-	-	-	(434,207)	(434,207)	-	(434,207)
Net purchase/sale of treasury shares	-	153	-	3,243	3,874	7,270	-	7,270
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	246,528	246,528
Put option liability	-	-	-	-	(246,528)	(246,528)	-	(246,528)
Translation differences	-	-	-	-	(243)	(243)	-	(243)
Other comprehensive income	-	-	-	-	-	-	-	-
At 30 Sept 2021	166,969	(5,997)	51,652	20,718	1,897,254	2,130,596	248,004	2,378,601

(unaudited)

Figures are stated in NOK 1,000

	Share capital	Treasury shares	Share premium	Other paid-in capital	Retained earnings	Total	Non-controlling interests	Total equity
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	-	-	-	-	437,221	437,221	-	437,221
Dividend	-	-	-	-	(323,346)	(323,346)	-	(323,346)
Other comprehensive income	-	-	-	-	-	-	-	-
At 30 Sept 2020	166,969	(1,150)	51,652	17,475	1,856,798	2,091,745	-	2,091,745

(unaudited)

Interim condensed consolidated statement of cash flows

Figures are stated in NOK 1,000		Notes	Q3 2021	Q3 2020	YTD 2021	YTD 2020	FY 2020
			Unaudited	Unaudited	Unaudited	Unaudited	Audited
Cash flows from operating activities							
Profit before income tax			262,511	242,574	761,002	560,879	1,029,112
Adjusted for:							
Depreciation of fixed and intangible assets	5		143,434	135,859	426,313	407,240	539,927
Profit/loss from associated companies			971	(4,300)	6,402	1,200	(2,600)
Changes in net working capital			(50,041)	(81,370)	(339,399)	17,762	255,298
Income tax paid			(6,979)	(51,174)	(123,600)	(119,057)	(116,814)
Net cash generated from operating activities			349,895	241,588	730,718	868,023	1,704,924
Cash flows from investing activities							
Purchases of fixed and intangible assets	5		(25,121)	(14,618)	(88,196)	(81,991)	(104,146)
Acquisition			(543,530)	-	(553,204)	(7,979)	(7,979)
Proceeds from sale of financial assets			-	-	50	-	-
Net cash used in investing activities			(568,650)	(14,618)	(641,350)	(89,970)	(112,125)
Cash flows from financing activities							
Net change RCF (Revolving Credit Facility)			100,000	(200,000)	100,000	-	-
Proceeds from borrowings			-	-	-	1,000,000	1,000,000
Repayment of debt to financial institutions			(1,250)	-	(1,250)	(1,651,675)	(1,651,675)
Principal paid on lease liabilities			(113,162)	(109,567)	(334,771)	(326,785)	(401,218)
Dividend			-	-	(434,207)	(323,346)	(323,346)
Buy-back of treasury shares			7,370	-	7,320	-	(244,539)
Net cash from financing activities			(7,042)	(309,567)	(662,908)	(1,301,806)	(1,620,778)
Net increase (decrease) in cash			(225,797)	(82,597)	(573,540)	(523,753)	(27,980)
Cash at beginning of period			192,313	126,880	540,056	568,036	568,036
Cash at end of period			(33,484)	44,283	(33,484)	44,283	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 third quarter and the nine months ended 30 September 2021 were authorised for issue by the board on 3 November 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 third quarter and the nine months ended 30 September 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, with the addition of the following additional accounting judgement:

Written put options over non-controlling interest

The group has a written put option over non-controlling interest in Lekekassen Holding AS ("Lekekassen"). The holder of the non-controlling shares is also CEO of Lekekassen. If Skalleberg resigns, the group has a right and an obligation to purchase the shares in Lekekassen for cash consideration. The consideration to be paid, is based on a multiple of EBITDA. According to IAS 32 Financial Instruments: Presentation, a financial liability should initially be recognised at the present value of the redemption amount with a corresponding charge to equity. IFRS does not provide guidance to which component of equity that should be charged, and whether non-controlling interest should continue to be recognised. The group has thus applied judgement in developing its accounting policy.

The group has considered that the present ownership interest of the non-controlling shares remains with the non-controlling shareholder. The group has thus considered it appropriate to continue to recognise non-controlling interest in the statement of financial position, and to attribute non-controlling interest its share of profit and loss and other comprehensive income. The financial liability for the put option over non-controlling interest is therefore recognised with a corresponding charge to shareholder equity.

IAS 32 provides limited guidance on how the financial liability for the written put option over non-controlling interest should be measured when the purchase date and/or the redemption amount is not known, but subject to a formula. When developing an accounting principle, the group has considered guidance in other IFRS's, more specifically the guidance in IFRS 13 Fair value measurement which states that the fair value of a financial liability with a demand feature is no less than the amount payable on demand, discounted from the first date that the amount could be required to be paid. The group has established an accounting principle where the financial liability is estimated to be no less than equal to the amount payable if the put option was exercised at the end of the period.

The financial liability for the put option over non-controlling interest is remeasured to reflect changes in the estimated redemption amount. The adjustment to the financial liability is recorded with a corresponding charge to shareholders equity. When establishing the policy of recording the adjustment against equity, the group has considered the guidance in IFRS 10 that states that changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions.

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	Buildings	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	3,787	21,224	118,776	18,242	2	312,522	370,383	844,936
Additions	64,944	-	1,390	327,627	21,862	-	-	415,822
Disposals	-	-	-	-	-	-	-	-
Depreciation	(54,465)	-	(1,017)	(352,016)	(18,815)	-	-	(426,313)
Carrying amount 30 Sept 2021	315,666	46,190	119,149	2,256,408	61,079	700,095	1,988,114	5,486,700

Figures are stated in NOK 1,000	Fixtures and fittings	Land	Buildings	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	(14,141)	-	-	14,141	-	-	-	-
Acquisition of subsidiaries	640	-	-	15,925	-	-	6,334	22,899
Additions	60,678	-	-	195,412	21,350	-	-	277,440
Disposals	-	-	-	(13,400)	-	-	-	(13,400)
Depreciation	(53,351)	-	-	(339,638)	(14,251)	-	-	(407,240)
Carrying amount 30 Sept 2020	307,221	24,966	-	2,277,313	52,798	387,573	1,617,731	4,667,603

Note 6 Financial instruments - fair value

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

Figures are stated in NOK 1,000	30 September 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables				
Non-current receivables	28,421	28,421	28,180	28,180
Total	28,421	28,421	28,180	28,180
Financial liabilities				
Other financial liabilities				
Borrowings	1,092,582	1,092,582	995,082	995,082
Lease liabilities	1,849,769	1,849,769	1,850,561	1,850,561
Borrowings - overdraft and revolving credit facility	133,484	133,484	-	-
Current lease liabilities	487,176	487,176	473,739	473,739
Put option liability	246,528	246,528	-	-
Total	3,809,539	3,809,539	3,319,382	3,319,382
Financial instruments measured at fair value through profit and loss				
Derivatives - asset				
Interest rate swaps	36,000	36,000	11,796	11,796
Foreign exchange forward contracts	10,022	10,022	-	-
Total	46,022	46,022	11,796	11,796
Derivatives - liabilities				
Foreign exchange forward contracts	2,114	2,114	41,580	41,580
Total	2,114	2,114	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 6.4 million from its 20 per cent stake in the first nine months 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 has been further delayed and not expected decided until 2022. The fair value of the option is considered immaterial and is not recognised in the balance sheet.

Note 8 Acquisition of subsidiary

On 30 June 2021, the group acquired 67 per cent of Lekekassen Holding AS (Lekekassen) – Norway's largest player in online shopping for toys. Through this acquisition, Europris will be entering a strategically important product category and strengthen its expertise in e-commerce. Lekekassen is one of the fastest growing online retailers in Norway and had revenues of NOK 545 million and EBITDA of NOK 94 million in 2020. Lekekassen entered the Swedish market with the ToySpace.se brand in May 2019 and Denmark in September 2021. Synergies are expected from joint sourcing and development of products and services. Through this acquisition Europris will also improve its product offering, both in physical stores and online, with access to an improved and broader range of well-known brands within the toy category.

The purchase price was NOK 501 million, based on equity value for 67 per cent, and Europris has a pre-emptive right to acquire the remaining shares in Lekekassen. The excess value of the acquisition mainly relates to buildings, trademark and goodwill in the preliminary purchase price allocation. Lekekassen was consolidated into the Europris group's financial statements as of 1 August 2021.

The remaining 33 per cent of Lekekassen Holding AS is owned by Andreas Skalleberg through his company Skalleberg Holding AS. Andreas Skalleberg is employed as CEO of Lekekassen. Europris has a right and obligation to buy Skalleberg's share if Skalleberg's employment is terminated by either of the parties. The price to be paid is based on a multiple of EBITDA, and is consistent with the price formula used in the original purchase of 67 per cent. A financial liability has been recognised for Europris obligation to purchase Skallebergs share if Skalleberg resigns, with a corresponding charge directly to shareholders equity. The liability shall be estimated at the present value of the redemption amount, which is estimated to the consideration to be paid if the employment is terminated at period end. In the statement of financial position, the liability is recognised separately as put option liability.

Note 9 Treasury shares

The number of treasury shares held by Europris ASA changed as follows in the period from 1 January to 30 september 2021.

Change in number of treasury shares

Treasury shares 1 January 2021	6,150,305
Buy-back of treasury shares	1,111
Sale of treasury shares to employees	(85,099)
Sale of treasury shares to senior executives and directors	(68,941)
Treasury shares 30 September 2021	5,997,376

Average cost price for treasury shares are NOK 44.47.

Forward looking statements

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

Alternative performance measures

APMs are used by 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)	Q3 2021	Q3 2020	YTD 2021	YTD 2020	FY 2020
Total operating income	1,994	1,897	5,809	5,490	8,013
- Cost of goods sold	1,083	1,064	3,164	3,127	4,534
= Gross profit	911	833	2,644	2,363	3,478
Gross margin	45.7%	43.9%	45.5%	43.0%	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)	Q3 2021	Q3 2020	YTD 2021	YTD 2020	FY 2020
Employee benefits expense	309	282	886	823	1,138
+ Other operating expense	173	144	500	473	635
= OPEX	482	426	1,386	1,296	1,773
Opex-to-sales ratio	24.2%	22.5%	23.9%	23.6%	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)	Q3 2021	Q3 2020	YTD 2021	YTD 2020	FY 2020
Operating profit	286	271	832	660	1,166
+ Depreciation	143	136	426	407	540
= EBITDA	430	407	1,258	1,067	1,706
EBITDA margin	21.5%	21.4%	21.7%	19.4%	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)	Q3 2021	Q3 2020	YTD 2021	YTD 2020	FY 2020
Change in Inventory	(207)	(173)	(278)	(194)	(64)
Change in accounts receivable and other current receivables	(9)	(17)	21	1	(52)
Change in accounts payable and other current debt	166	109	(83)	211	371
Net change in working capital	(50)	(81)	(339)	18	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)	Q3 2021	Q3 2020	YTD 2021	YTD 2020	FY 2020
Purchases of fixed assets	18	10	66	61	72
Purchases of intangible assets	8	5	22	21	32
= Capital expenditure	25	15	88	82	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	1,093	997	995
Current borrowings	133	-	-
Lease liabilities (IFRS 16)	1,850	1,869	1,851
= Financial debt	3,076	2,866	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	-	44	540
+ Total facilities	1,400	1,400	1,400
- Total drawn	(146)	(14)	(14)
= Cash and liquidity reserves	1,254	1,430	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)	Q3 2021	Q3 2020	YTD 2021	YTD 2020	FY 2020
Sales directly operated stores	1,756	1,709	5,184	4,946	7,240
Sales franchise stores	262	265	794	794	1,148
= Total chain sales	2,018	1,973	5,978	5,741	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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