Q4 2021

EUROPRIS ASA

Content

Highlights

Successful execution of growth strategy and solid operations drive performance to new all-time high

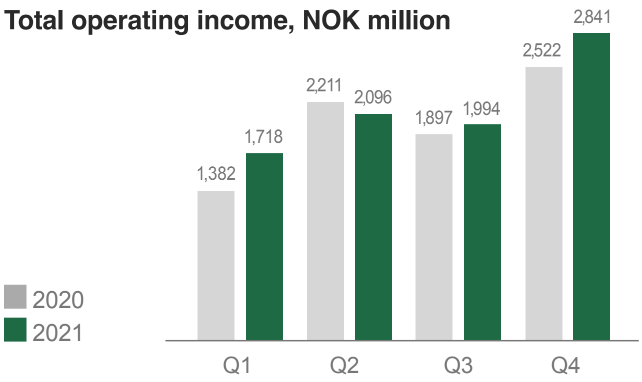
- Total sales up by 12.6 per cent in Q4 2021 to NOK 2,841 million
  - » Solid sales progress for Lekekassen
  - » Excluding acquisitions, sales declined by 1.3 per cent
- Gross margin of 50 per cent, up by 5.8 percentage points
  - » Positive contributions from the fixed-rate agreement for inbound freight and currency hedging
- Opex-to-sales ratio of 20.9 per cent (18.9 per cent)
- Record profitability
  - » EBITDA of NOK 826 million (NOK 639 million)
  - » Net profit of NOK 510 million (NOK 366 million)
- Mer customer club passed one million members

Solid performance for the full year 2021

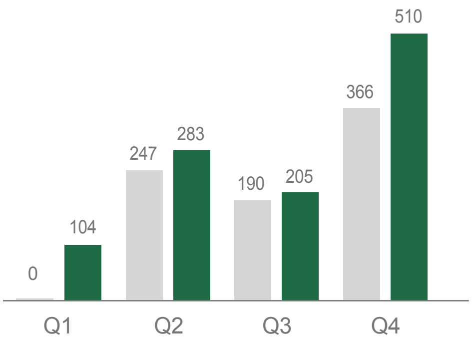
- Continued sales growth following record 28.5 per cent increase in 2020
  - » Total sales of NOK 8,649 million, up by 7.9 per cent
  - » Successful acquisitions of Lekekassen and Lunehjem
  - » Excluding acquisitions, sales grew by 2.6 per cent
- Gross margin of 47 per cent, up by 3.6 percentage points
  - » Positive contributions from the fixed-rate agreement for inbound freight and currency hedging
- Opex-to-sales ratio of 22.9 per cent (22.1 per cent)
- Record profitability
  - » EBITDA of NOK 2,084 million (NOK 1,705 million)
  - » Net profit of NOK 1,102 million (NOK 804 million)
  - » Earnings per share of NOK 6.71 excluding treasury shares (NOK 4.86)
- Strong financial position
  - » Cash and liquidity reserves of NOK 1,956 million (NOK 1,926 million)
- Board of directors proposes a dividend per share of NOK 4.00 (NOK 2.70)
  - » NOK 2.50 in ordinary dividend (2.20)
  - » Additional dividend of NOK 1.50 to reflect the strong performance

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

Total operating income, NOK million



Net profit, NOK million



Key figures

(Amounts in NOK million)	Q4 2021	Q4 2020	FY 2021	FY 2020
GROUP KEY INCOME STATEMENT FIGURES				
Sales directly operated stores	2,254	2,293	7,438	7,240
Sales from partly owned subsidiaries	350	-	424	-
Sales from wholesale to franchise stores	216	204	707	689
Franchise fees and other income	21	25	80	84
Total operating income	**2,841**	**2,522**	**8,649**	**8,013**
% growth in total operating income	12.6%	32.8%	7.9%	28.5%
Cost of goods sold	1,420	1,407	4,584	4,534
Gross profit	**1,421**	**1,116**	**4,065**	**3,478**
Gross margin	50.0%	44.2%	47.0%	43.4%
Opex	595	477	1,981	1,773
Opex-to-sales ratio	20.9%	18.9%	22.9%	22.1%
EBITDA	**826**	**639**	**2,084**	**1,705**
EBITDA margin	29.1%	25.3%	24.1%	21.3%
EBIT (Operating profit)	**681**	**506**	**1,513**	**1,166**
EBIT margin (Operating profit margin)	24.0%	20.1%	17.5%	14.5%
Net profit	**510**	**366**	**1,102**	**804**
Earnings per share *(in NOK)*	**3.04**	**2.22**	**6.71**	**4.86**
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES				
Net change in working capital	200	238	(139)	255
Capital expenditure	43	22	131	104
Financial debt	3,010	2,846	3,010	2,846
Cash	571	540	571	540
Net debt	**2,439**	**2,306**	**2,439**	**2,306**
- Lease liabilities (IFRS 16)	1,915	1,851	1,915	1,851
Net debt ex lease liabilities	**525**	**455**	**525**	**455**
Cash and liquidity reserves	**1,956**	**1,926**	**1,956**	**1,926**
EUROPRIS CHAIN KEY FIGURES				
Total chain sales	2,591	2,647	8,569	8,388
% growth in total chain sales	(2.1%)	31.9%	2.2%	27.8%
% growth in like-for-like chain sales	(3.0%)	30.5%	1.5%	26.7%
Total number of chain stores at end of period	270	266	270	266
- Directly operated stores	242	237	242	237
- Franchise stores	28	29	28	29

* For definitions and reconciliations of APMs, please see page 24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Period review

The fourth quarter of 2021 was another strong period for Europris, with financial performance reaching a new all-time high. This was the 10th consecutive quarter when the group could report record high sales and profitability.

This positive development was driven by solid seasonal execution, a favourable freight agreement which secured the flow of goods, and a successful growth strategy. The Europris chain experienced a slight sales decline following a very strong quarter the year before. Strong performances by the newly acquired Lekekassen and Lunehjem companies secured solid top-line growth for the group.

Owing to a favourable fixed-rate agreement for inbound freight, Europris was not affected by the supply crisis which caused distribution problems for retailers globally during 2021. These difficulties led to higher prices in the market, which in turn had a positive effect on the gross margin.

The Mer customer club passed one million members during the fourth quarter, corresponding to an increase of more than 50 per cent in 2021. Launched in 2019, the club's remarkable growth is a good illustration of the strong position Europris has among Norwegian consumers.

In the beginning of the fourth quarter, all infection control measures and travel restrictions had been lifted. However, restrictions were reimposed in mid-December, including restrictions making it less attractive to cross the border. Sales for the Europris chain declined during the first two months of the fourth quarter, while December showed slightly higher sales than in the record year of 2020.

Full-year summary

Europris has significantly strengthened its market position during the Covid-19 pandemic, driven by category development and a significant expansion of the customer base. As a result, the group managed to surpass the record sales and profitability reported in 2020 despite an average of nine per cent of the chain's stores being closed during the first half of 2021 owing to the pandemic.

This strong performance would not have been possible without extraordinary achievements by employees. During the pandemic, the workforce has made a remarkable effort in handling a significant increase in activity, and has constantly adapted to changes in the infection control measures imposed by the government.

Europris successfully completed two acquisitions during 2021, securing 67 per cent stakes in the two online players Lunehjem.no and Lekekassen. These acquisitions have strengthened Europris' online position in the home and interior and toy categories. The two companies reported growth in both sales and profits for the full year 2021 on top of record performances in 2020.

Sales performance

Group sales for the fourth quarter came to NOK 2,841 million, up by 12.6 per cent. Excluding partly owned subsidiaries, sales declined by 1.3 per cent. Like-for-like sales growth for the Europris chain was down three per cent in the fourth quarter, following an extraordinarily strong performance in the fourth quarter of 2020 when the like-for-like increase was 30.5 per cent.

For the full year 2021, total retail and shopping centres reported higher sales growth than Europris. However, this development must be seen in relation to the extraordinary sales growth achieved by Europris in 2020, which made additional growth in 2021 more challenging for the group than for other retail and shopping centres. Looking at 2020 and 2021 combined, Europris has strengthened its position as a market leader in variety retail and was a market winner with 30 per cent growth. In comparison, variety retail had 17.9 per cent growth over the same two-year period.

Sales growth to 31 December	2021	2020	Two years combined
Virke: total retail*	4.6%	10.0%	14.6%
Virke: groceries*	(0.2%)	15.9%	15.7%
Virke: variety retail*	(0.6%)	18.5%	17.9%
Kvarud shopping centre index**	3.6%	4.0%	7.6%
Europris chain	**2.2%**	**27.8%**	**30.0%**

* Virke retail index (using figures reported by Statistics Norway)
** Kvarud Analyse shopping centre index.

The strong performance by the upgraded home and interior category continued during the fourth quarter. Seasonal products such as firewood, campfire pans and clothes also reported strong sales figures, in addition to pet food and accessories. Owing to the solid freight agreement, Christmas articles were delivered on time and the season was well executed.

Where the Europris chain is concerned, the basket increased in the fourth quarter, while number of customer visits declined compared with 2020 but was still well above 2019 level. The basket was positively affected by both price and a larger number of articles.

Operational review

Concept and category development

The fourth quarter is normally focused on executing the important high season, with limited introduction of new category development initiatives. However, a trial of articles from Lekekassen's range was staged in 10 Europris stores with a promising outcome. These stores reported sales in the toy category above the overall chain average. The trial will continue, with a full roll-out to all stores scheduled for the second half of 2022. This exercise provides a good illustration of how the strategy of acquiring specialised e-commerce companies can contribute to increased growth and profitability in Europris' physical stores.

Europris conducts a customer and market survey every year via Mediacom, covering both the group and key competitors. The latest results confirm strong progress for price perception, deals, product quality, shopping experience and service. This is very satisfying, since Europris has worked on improving these areas.

Europris devotes constant attention to improving the selection of goods offered in the chain. During the fourth quarter, two of the largest national newspapers, VG and Dagbladet, both rated Europris' Gaustablikk Christmas tree at five out of six points. Important seasonal items are sourced together with Tokmanni and ÖoB. Benefits from this cooperation are high-quality items at attractive prices.

E-commerce and e-CRM

E-commerce sales from Europris.no amounted to NOK 18 million for the fourth quarter, up by 17 per cent. For the full year 2021, e-commerce sales from Europris.no amounted to NOK 147 million, up by 71 per cent. Customers prefer to collect their orders at the stores, and around 85 per cent of sales were sold as click and collect during the full year 2021. The range offered for home delivery at Europris.no was slimmed towards the end of 2021, while the number of products offered as click and collect was increased. These changes have been implemented as a response to observed customer behaviour and will improve the customer experience.

Lekekassen had a strong performance in 2021, with record sales in Norway and a promising start in Denmark. In Sweden, competition and price pressure increased during 2021. Total sales for the Lekekassen group were NOK 591 million, an increase of 8.5 per cent. EBITDA was NOK 110 million (up by 17.1 per cent) and the EBITDA margin was 18.5 per cent (a rise of 1.4 percentage points). Improved margins illustrate that synergies from the cooperation can already be seen.

Lunehjem had a good year on top of a strong 2020, with sales of NOK 32 million in 2021 (up by 12.8 per cent) and EBITDA of NOK 4.4 million (a rise of 56.7 per cent). One new position was created during 2021, where a logistics manager was hired to handle the company's growth. Warehouse capacity has reached its limits and the company will relocate during 2022 to handle future volumes.

E-commerce sales

NOK million	Q4 2021	Q4 2020	Growth	FY 2021	FY 2020	Growth
Europris e-commerce sales*	18	15	17%	147	86	71%
Total group e-com sales**	368	15	353m	571	86	485m
Percentage of total group sales	13.0%	0.6%	12.4%-p	6.6%	1.1%	5.5%-p

** Home deliveries and click and collect.*

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

At 31 December 2021, Europris had more than one million members in its Mer customer club, an increase of more than 50 per cent (345,000 members) during 2021. This 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. Two-thirds of Mer members subscribe to the digital newsletter. Providing personalised offers to Mer members and creating extra value for them are continuously being improved. In addition, Europris will devote attention to improving the use of data to provide tailormade offers and newsletters for Mer members.

Store estate

Europris opened one new store in the fourth quarter, at Selbu in Trøndelag county. A total of four new stores were opened in 2021. Two stores were relocated during the fourth quarter, at Lade and Stjørdal, both in Trøndelag county. At 31 December 2021, the chain had a total of 270 stores, of which 242 were directly operated and 28 were franchises.

Europris has a healthy pipeline of new stores. The board has approved an additional 10 stores for 2022 and beyond. Two of the new stores are subject to planning permission.

New stores opened in 2021

Month	Store	County
March	Austevoll	Vestland
June	Xhibition	Vestland
September	Jåttå	Rogaland
November	Selbu	Trøndelag

Store relocations in 2021

Month	Store	County
March	Vågsbygd	Agder
June	Sotra	Vestland
August	Kilen	Vestfold and Telemark
November	Lade	Trøndelag
December	Stjørdal	Trøndelag

The appeal court proceedings for the Europris store at Grini were finalised, with a positive finding that the chain can continue its operations at Grini. That verdict is not legally binding at the time this report is released (the deadline for appeal is early February). Grini is one of Europris' largest stores measured by sales. The current lease expires at 31 December 2025, with an option to extend it for five more years.

Central warehous

To cope with future volumes, Europris has decided to expand warehouse capacity in Moss with 21.000 square metres. Contracts have been signed with key partners – Fabritius for the lease of the expanded area and Swisslog for automation of the high-bay area. Finalisation of the construction phase is scheduled for the first half of 2023 for both low-bay and high-bay areas (this timeline is dependent on permits from Moss local authority). Automation of the high bay area is expected to be finalised during the first quarter of 2024. The total investment will be around NOK 100 million, of which 15 per cent was due in 2021, 40 per cent in 2022, 35 per cent in 2023 and the remaining 10 per cent in 2024.

The ramp-up of automation for the low-bay area at the central warehouse in Moss has been delayed owing to technical issues from the original timeline with finalisation before the summer 2021. Since the fourth quarter is a high-season period, the ramp-up was postponed in order not to risk problems with product deliveries. A new ramp-up is planned during the first quarter of 2022.

Employees and organisation

Restrictions owing to Covid-19 were once again imposed, and employees have shown remarkable efforts in adapting to and complying with a rapidly changing environment. Strict government regulations on quarantine mean that good routines for minimising the risk of being in close contact during work hours has been important. This has paid off, and all stores were fully open during the fourth quarter. Europris has devoted significant attention to ensuring a safe environment for both employees and customers.

Sick leave was affected by the pandemic in the fourth quarter as well as in the full years of 2020 and 2021. Employees have done a tremendous job in dealing with quarantine-related absences. A larger number of employees were infected with Covid-19 during 2021 than in 2020, which is in line with overall developments in society.

Sickness absence	Q4 2021	Q4 2020	FY 2021	FY 2020
Stores	9.5%	10.1%	9.7%	9.8%
Head office and distribution centre	6.8%	4.8%	5.7%	4.6%

Three lost-time injuries were recorded during the quarter, bringing the total number of lost-time injuries for the full year 2021 to nine.

Europris devotes great attention to increasing expertise on and knowledge about sustainability throughout the organisation, and compliance with international standards is a key element in these efforts. The group is therefore proud to have also maintained a B score on its CDP reporting for 2021. In October, Europris held a “sustainability week” for its employees, where information was provided on initiatives pursued by Europris in the four areas of i) sustainable value chain, ii) resource-efficient business model, iii) responsible employer and iv) empowering customers and communities.

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, but no date has yet been set. The disagreement over the legal right for Europris to challenge the 2020 EBITDA has been taken to arbitration and a conclusion is expected during the first quarter of 2022.

Eva Lundqvist, the former head of HR, was appointed as the new CEO of ÖoB on 15 November 2021.

For the full year 2021 ÖoB had decline in sales, but an improved gross margin contributed to a higher EBITDA .

Key figures for ÖoB (preliminary and unadited)

SEK million	FY 2021	FY 2020
Sales	3,899.0	4,186.0
EBITDA*	70.8	62.3

** Excluding IFRS 16 effects*

Financial review

Profit and loss – fourth quarter

Operating income for the fourth quarter amounted to NOK 2,841 million (NOK 2,523 million), up by 12.6 per cent. Excluding partly owned subsidiaries, sales growth was negative at 1.3 per cent. The chain had like-for-like decline of three per cent, following like-for-like growth of 30.5 per cent last year. Sales performance was driven by solid execution of the Christmas season but also limited by restrictions imposed as a result of the Covid-19 pandemic.

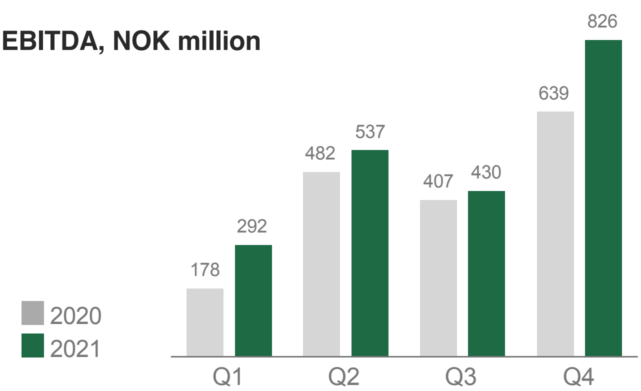
Gross profit came to NOK 1,421 million (NOK 1,116 million). The gross margin was 50 per cent (44.2 per cent), an improvement of 5.8 percentage points. Gross profit was positively affected by the fixed-rate agreement on inbound freight.

The group did not recognise any net unrealised gain/ loss on hedging contracts and accounts payable in the fourth quarter of 2021, but had a loss of NOK 36 million in the fourth quarter of 2020.

Over the year, the group reports a calculated gross margin for the stores. These calculations are normally adjusted at the annual stocktaking in the third and fourth quarters. The stocktaking was completed in the fourth quarter with a net positive result of NOK 24.2 million (NOK 21.5 million). In addition, last year was negatively affected by a write-down in inventories of NOK 17.9 million following changes to the sugar tax from 1 January 2021.

Operating expenditure (Opex) was NOK 595 million in the fourth quarter (NOK 477 million). It was affected by the inclusion of partly owned subsidiaries and the increase from 237 to 242 directly operated stores. Opex amounted to 20.9 per cent of group revenue (18.9 per cent).

EBITDA, NOK million



EBITDA was NOK 826 million (NOK 639 million), up by NOK 187 million or 29.3 per cent.

The group recognised a net unrealised profit on interest swaps of NOK 2 million (profit of NOK 18 million).

In 2020, the group booked a non-recurring interest expense totalling NOK 32 million related to an error in the interest rate calculations which was discovered in connection with the transition to a new IFRS 16 system.

Net profit was NOK 510 million (NOK 366 million), an improvement of NOK 143 million or 39.1 per cent.

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

Total operating income for 2021 amounted to NOK 8,649 million (NOK 8,013 million), up by 7.9 per cent. Excluding partly owned subsidiaries, sales growth was 2.6 per cent. The key drivers for revenue growth were the acquisition of partly owned subsidiaries, a 1.5 per cent increase in the chain's like-for-like sales, and new store openings.

Gross profit for the group was NOK 4,065 million (NOK 3,478 million). The gross margin was 47 per cent (43.4 per cent), an improvement of 3.6 percentage points. The gross profit was positively affected by the fixed-rate agreement on inbound freight.

The group recognised a net unrealised gain of NOK 49 million (loss of NOK 30 million) on hedging contracts and accounts payable.

Opex came to NOK 1,981 million (NOK 1,773 million). Opex was affected by the inclusion of partly owned subsidiaries and the increase from 237 to 242 directly operated stores. Operating expenses were 22.9 per cent (22.1 per cent) of group revenue.

EBITDA was NOK 2,084 million (NOK 1,705 million), up by NOK 379 million or 22.2 per cent. EBITDA from acquired companies was NOK 93 million during 2021. The EBITDA margin was 24.1 per cent (21.3 per cent), up by 2.8 percentage points.

The group recognised a net unrealised profit on interest swaps of NOK 26 million for 2021 (profit of NOK 11 million).

Net profit for the full year was NOK 1,102 million (NOK 803 million), up by NOK 299 million. Net profit from acquired companies was NOK 69 million during 2021. Profit attributable to non-controlling interests were NOK 22.5 million. The net profit margin was 12.7 per cent (10 per cent).

Cash flow

Net change in working capital was negative at NOK 139 million (positive at NOK 255 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 and to shipping goods earlier.

Capital expenditure was NOK 131 million (NOK 104 million). The increase is related to the automation of the low-bay area at the central warehouse in Moss, start-up investment for automation in the coming expansion of the high-bay area, and a larger number of store projects.

Financial position and liquidity

Financial debt at 31 December 2021 was NOK 3,010 million (NOK 2,846 million). Adjusted for the IFRS 16 effect, it came to NOK 1,095 million (NOK 995 million).

Net debt at 31 December 2021 amounted to NOK 2,439 million (NOK 2,306 million). Adjusted for the IFRS 16 effect, it was NOK 525 million (NOK 455 million).

Cash and liquidity reserves for the group at 31 December 2021 amounted to NOK 1,956 million (NOK 1,926 million).

The acquisition of 67 per cent of Lekekassen was completed during 2021, with NOK 501 million paid.

Dividend

The board of Europris ASA will propose an ordinary dividend of NOK 2.50 per share for 2021 to the general meeting. This represents a 13.6 per cent increase from the ordinary dividend of NOK 2.20 for 2021. To reflect the strong financial performance, the board proposes to pay an additional dividend of NOK 1.50 per share for 2021. In total, the proposed dividend will be NOK 4.00 per share and amounts to NOK 644 million. The proposed dividend represents 59.6 per cent of the majority's share of the profit.

Outlook

Rising energy prices, higher interest rates and continued uncertainty related to Covid-19 contribute to an uncertain macroeconomic environment. In addition, price levels for groceries and other goods are expected to increase. In total, these are significant elements which are expected to affect consumer spending in 2022. The Europris concept has proved resilient in uncertain times, with a wide and accessible store network, a broad product offering at low prices and attractive campaigns.

Europris significantly improved its competitive position during 2020 and 2021. With its unique and customer-friendly concept, the group is a market winner and is continuously gaining market share. Europris will continue to devote attention to improving the shopping experience through concept and category development, while the Mer customer club provides a unique channel for promoting activities which will bring traffic to the stores.

In addition, the acquisitions of Lunehjem and Lekekassen have broadened Europris' exposure to the online channel for certain categories. The expertise from these acquired companies will also enhance the group's online initiatives and seamlessly integrate online shopping, digital activities and shopping in physical stores.

The market for container freight is still unstable. No indications of disruptions affecting Europris can currently be seen, but a major Covid-19 outbreak or other factors in the global supply chain may change this picture. Europris is monitoring the situation closely. Securing sourcing capacity is a main priority, and a two-year agreement for inbound freight from Asia has therefore been signed. This ensures guaranteed capacity for an agreed level of volumes. The annualised increase in costs for inbound freight is estimated at NOK 170-200 million, and will affect the financial figures from March 2022.

With its flexible business model, Europris has proven its ability to adapt quickly to changes, and the board is confident that the group is well positioned for the future.

Fredrikstad, 2 February 2022
THE BOARD OF DIRECTORS OF EUROPRIS ASA

EUROPRIS ASA
Q4–2021

Interim condensed consolidated statement of profit and loss

Figures are stated in NOK 1,000	Notes	Q4 2021	Q4 2020	FY 2021	FY 2020
		Unaudited	Unaudited	Unaudited	Audited
Total operating income		**2,840,564**	**2,522,498**	**8,649,146**	**8,012,629**
Cost of goods sold		1,419,589	1,406,796	4,583,816	4,534,134
Employee benefit expenses		344,208	315,596	1,230,302	1,138,193
Depreciation	5	144,910	132,688	571,223	539,927
Other operating expenses		250,799	161,476	750,996	634,794
Operating profit		**681,057**	**505,943**	**1,512,808**	**1,165,580**
Net financial income (expense)		(30,081)	(41,509)	(94,428)	(139,068)
Profit (loss) from associated companies	7	2,016	3,800	(4,386)	2,600
Profit before tax		**652,992**	**468,234**	**1,413,995**	**1,029,112**
Income tax expense		143,231	102,175	312,060	225,489
Profit for the period		**509,762**	**366,058**	**1,101,935**	**803,624**
Profit attributable to non-controlling interests		20,977	-	22,454	-
Profit attributable to owners of the parent		488,785	366,058	1,079,481	803,624
Interim condensed consolidated statement of comprehensive income					
Profit for the period		509,762	366,058	1,101,935	803,624
Total comprehensive income		**509,762**	**366,058**	**1,101,935**	**803,624**
Profit attributable to non-controlling interests		20,977	-	22,454	-
Profit attributable to owners of the parent		488,785	366,058	1,079,481	803,624

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

Interim condensed consolidated statement of financial position

Figures are stated in NOK 1,000	Notes	31 Dec 2021	31 Dec 2020
		Unaudited	Audited
ASSETS			
Total intangible assets	5	2,730,061	2,063,334
Total fixed assets	5	2,814,094	2,588,921
Total financial assets	6,7	190,534	168,886
Total non-current assets		**5,734,688**	**4,821,141**
Inventories		1,999,111	1,633,927
Trade receivables		215,534	195,287
Other receivables	6	116,534	87,816
Cash		570,775	540,056
Total current assets		**2,901,955**	**2,457,086**
Total assets		**8,636,643**	**7,278,227**
EQUITY AND LIABILITIES			
Total paid-in capital	9	233,342	229,946
Total retained equity		2,385,534	1,983,662
Total shareholders' equity		**2,618,876**	**2,213,608**
Non-controlling interests		268,981	-
Total equity		**2,887,858**	**2,213,608**
Provisions		50,339	4,726
Borrowings	6	1,095,282	995,082
Lease liabilities	6	1,914,794	1,850,561
Total non-current liabilities		**3,060,414**	**2,850,369**
Current lease liabilities	6	490,164	473,739
Accounts payable		843,733	742,753
Tax payable		324,057	251,879
Public duties payable		376,036	323,511
Put option liability	6,8	246,528	-
Other current liabilities	6	407,854	422,368
Total current liabilities		**2,688,371**	**2,214,250**
Total liabilities		**5,748,785**	**5,064,619**
Total equity and liabilities		**8,636,643**	**7,278,227**

Fredrikstad, 2 February 2022
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	-	-	-	-	1,079,481	1,079,481	22,454	1,101,935
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	-	-	-	-	(747)	(747)	-	(747)
Other comprehensive income	-	-	-	-	-	-	-	-
At 31 December 2021	**166,969**	**(5,997)**	**51,652**	**20,718**	**2,385,534**	**2,618,877**	**268,981**	**2,887,858**

(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	-	-	-	-	803,624	803,624	-	803,624
Dividend	-	-	-	-	(323,346)	(323,346)	-	(323,346)
Net purchase of treasury shares	-	(5,000)	-	-	(239,539)	(244,539)	-	(244,539)
Other comprehensive income	-	-	-	-	-	-	-	-
At 31 December 2020	**166,969**	**(6,150)**	**51,652**	**17,475**	**1,983,661**	**2,213,608**	**-**	**2,213,608**

(audited)

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

Interim condensed consolidated statement of cash flows

Figures are stated in NOK 1,000	Notes	Q4 2021	Q4 2020	FY 2021	FY 2020
		Unaudited	Unaudited	Unaudited	Audited
Cash flows from operating activities					
Profit before income tax		652,992	468,234	1,413,995	1,029,112
Adjusted for:					
Depreciation of fixed and intangible assets	5	144,910	132,688	571,223	539,927
Profit/loss from associated companies		(2,016)	(3,800)	4,386	(2,600)
Changes in net working capital		200,164	237,536	(139,235)	255,298
Income tax paid		(134,929)	2,243	(258,529)	(116,814)
Net cash generated from operating activities		**861,121**	**836,901**	**1,591,840**	**1,704,924**
Cash flows from investing activities					
Purchases of fixed and intangible assets	5	(42,568)	(22,155)	(130,764)	(104,146)
Acquisition		-	-	(553,204)	(7,979)
Proceeds from sale of financial assets		12	-	62	-
Net cash used in investing activities		**(42,556)**	**(22,155)**	**(683,906)**	**(112,125)**
Cash flows from financing activities					
Net change RCF (Revolving Credit Facility)		(100,000)	-	-	-
Proceeds from borrowings		-	-	-	1,000,000
Repayment of debt to financial institutions		(2,500)	-	(3,750)	(1,651,675)
Principal paid on lease liabilities		(111,806)	(74,433)	(446,577)	(401,218)
Dividend		-	-	(434,207)	(323,346)
Buy-back of treasury shares		-	(244,539)	7,320	(244,539)
Net cash from financing activities		**(214,306)**	**(318,972)**	**(877,214)**	**(1,620,778)**
Net increase (decrease) in cash		604,259	495,773	30,719	(27,980)
Cash at beginning of period		(33,484)	44,283	540,056	568,036
Cash at end of period		**570,775**	**540,056**	**570,775**	**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 fourth quarter and the period ended 31 December 2021 were authorised for issue by the board on 2 February 2022.

Europris ASA is domiciled in Norway and is a discount variety retailer with stores across Norway. The group also offers online shopping.

These condensed interim financial statements have not been audited.

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

Basis of preparation

The interim condensed consolidated financial statements for the fourth quarter and the period ended 31 December 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 intepretations 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 the CEO 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 achivements, 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 Jan 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	203,694	455,642	821,367
Additions	95,452	-	2,823	510,994	32,490	-	-	641,759
Disposals	-	-	-	-	-	-	-	-
Depreciation	(72,118)	-	(2,237)	(471,769)	(25,100)	-	-	(571,223)
Carrying amount 31 Dec 2021	**328,521**	**46,190**	**119,362**	**2,320,023**	**65,421**	**591,267**	**2,073,373**	**5,544,156**

Figures are stated in NOK 1,000	Fixtures and fittings	Land	Buildings	Right-of-use asset	Software	Trademarks	Goodwill	Total
Carrying amount 1 Jan 2020	313,396	24,966	-	2,404,873	45,699	387,573	1,611,397	4,787,904
Financial leases reclassified from IAS 17	(14,102)	-	-	14,102	-	-	-	-
Acquisition of subsidiaries	640	-	-	15,925	-	-	6,334	22,899
Additions	72,242	-	-	290,637	31,908	-	-	394,787
Disposals	(8)	-	-	(13,400)	-	-	-	(13,408)
Depreciation	(70,767)	-	-	(449,583)	(19,578)	-	-	(539,927)
Carrying amount 31 Dec 2020	**301,400**	**24,966**	**-**	**2,262,555**	**58,030**	**387,573**	**1,617,731**	**4,652,254**

Note 6 Financial instruments - fair value

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

Figures are stated in NOK 1,000	31 December 2021		31 December 2020	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Loans and receivables				
Non-current receivables	28,374	28,374	28,180	28,180
Total	**28,374**	**28,374**	**28,180**	**28,180**
Financial liabilities				
Other financial liabilities				
Borrowings	1,095,282	1,095,282	995,082	995,082
Lease liabilities	1,914,794	1,914,794	1,850,561	1,850,561
Current lease liabilities	490,164	490,164	473,739	473,739
Put option liability	246,528	246,528	-	-
Total	**3,746,767**	**3,746,767**	**3,319,382**	**3,319,382**
Financial instruments measured at fair value through profit and loss				
Derivatives - asset				
Interest rate swaps	37,676	37,676	11,796	11,796
Foreign exchange forward contracts	11,494	11,494	-	-
Total	**49,169**	**49,169**	**11,796**	**11,796**
Derivatives - liabilities				
Foreign exchange forward contracts	2,940	2,940	41,580	41,580
Total	**2,940**	**2,940**	**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 4.4 million from its 20 per cent stake in 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 entered a strategically important product category and strengthened its expertise in e-commerce. Lekekassen is one of the fastest growing online retailers in Norway and had revenues of NOK 591 million and EBITDA of NOK 110 million in 2021 (unaudited). Lekekassen entered the Swedish market with the ToySpace.se brand in May 2019 and Denmark with ToySpace.dk 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 Andrino Invest 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 Skalleberg´s share if Skalleberg resignes, 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 31 December 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 31 December 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.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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-know 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)	Q4 2021	Q4 2020	FY 2021	FY 2020
Total operating income	2,841	2,522	8,649	8,013
- Cost of goods sold	1,420	1,407	4,584	4,534
= Gross profit	**1,421**	**1,116**	**4,065**	**3,478**
Gross margin	50.0%	44.2%	47.0%	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)	Q4 2021	Q4 2020	FY 2021	FY 2020
Employee benefits expense	344	316	1,230	1,138
+ Other operating expense	251	161	751	635
= OPEX	**595**	**477**	**1,981**	**1,773**
Opex-to-sales ratio	20.9%	18.9%	22.9%	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)	Q4 2021	Q4 2020	FY 2021	FY 2020
Operating profit	681	506	1,513	1,166
+ Depreciation	145	133	571	540
= EBITDA	**826**	**639**	**2,084**	**1,706**
EBITDA margin	29.1%	25.3%	24.1%	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)	Q4 2021	Q4 2020	FY 2021	FY 2020
Change in Inventory	91	131	(186)	(64)
Change in accounts receivable and other current receivables	(76)	(53)	(55)	(52)
Change in accounts payable and other current debt	185	160	102	371
Net change in working capital	**200**	**238**	**(139)**	**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)	Q4 2021	Q4 2020	FY 2021	FY 2020
Purchases of fixed asets	32	12	98	72
Purchases of intangible assets	11	11	32	32
= Capital expenditure	**43**	**22**	**131**	**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)	FY 2021	FY 2020
Borrowings	1,095	995
Current borrowings	-	-
Lease liabilities (IFRS 16)	1,915	1,851
= Financial debt	**3,010**	**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)	FY 2021	FY 2020
Cash	571	540
+ Total facilities	1,400	1,400
- Total drawn	(15)	(14)
= Cash and liquidity reserves	**1,956**	**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)	Q4 2021	Q4 2020	FY 2021	FY 2020
Sales directly operated stores	2,254	2,293	7,438	7,240
Sales franchise stores	337	353	1,131	1,148
= Total chain sales	**2,591**	**2,647**	**8,569**	**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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