



Q1 2022



EUROPRIAS ASA

# Content

Highlights 2022.....	3
Key figures .....	4
Period review.....	5
Financial review.....	8
Financial statements .....	12
Alternative performance measures .....	20

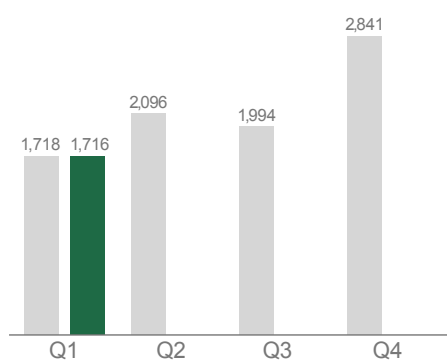
# Highlights

## Europris shows strength after a satisfactory first quarter in a challenging environment

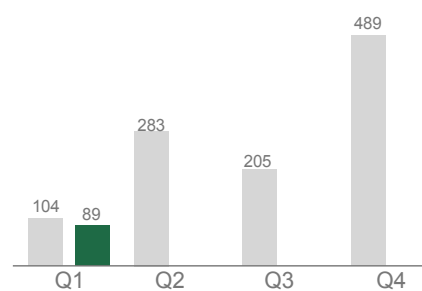
- Total sales of NOK 1,716 million, down 0.2 per cent
  - » 5.5 per cent decline in sales excluding acquisitions
  - » Mild winter season and negative timing effect from Easter
- Gross margin of 44.3 per cent, an improvement of one percentage point
  - » Positive contributions from fixed-rate agreement for inbound freight
  - » Negative effect from currency hedging
- Opex-to-sales ratio of 28.1 per cent (26.3 per cent)
  - » Opex increase of 6.6 per cent, with a rise of 1.7 per cent excluding acquired companies
- EBITDA of NOK 278 million (292 million) and EBITDA margin of 16.7 per cent (17 per cent)
- Net profit of NOK 88 million (NOK 104 million) attributable to parent
- Continued strong financial position with cash and liquidity reserves of NOK 1,383 million (NOK 1,526 million)

Figures for the corresponding period of the year before in brackets. The figures are unaudited.  
See page 20 for definition of APMs.

Total operating income, NOK million



Net profit attributable to parent, NOK million



■ 2021 ■ 2022

# Key figures

(Amounts in NOK million)

	Q1 2022	Q1 2021	FY 2021
<b>GROUP KEY INCOME STATEMENT FIGURES</b>			
Sales directly operated stores	1,467	1,538	7,438
Sales from partly owned subsidiaries	92	-	423
Sales from wholesale to franchise stores	138	162	707
Franchise fees and other income	19	18	80
<b>Total operating income</b>	<b>1,716</b>	<b>1,718</b>	<b>8,648</b>
% growth in total operating income	(0.2%)	24.3%	7.9%
Cost of goods sold	956	974	4,592
<b>Gross profit</b>	<b>760</b>	<b>744</b>	<b>4,056</b>
Gross margin	44.3%	43.3%	46.9%
Opex	482	452	1,973
Opex-to-sales ratio	28.1%	26.3%	22.8%
<b>EBITDA</b>	<b>278</b>	<b>292</b>	<b>2,083</b>
EBITDA margin	16.2%	17.0%	24.1%
<b>EBIT (Operating profit)</b>	<b>126</b>	<b>151</b>	<b>1,512</b>
EBIT margin (Operating profit margin)	7.4%	8.8%	17.5%
<b>Net profit</b>	<b>89</b>	<b>104</b>	<b>1,104</b>
<b>Profit attributable to owners of the parent</b>	<b>88</b>	<b>104</b>	<b>1,082</b>
<b>Earnings per share (in NOK)</b>	<b>0.55</b>	<b>0.65</b>	<b>6.72</b>
<b>GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES</b>			
Net change in working capital	(598)	(495)	(139)
Capital expenditure	30	20	131
Financial debt	3,012	2,890	3,010
Cash	-	141	570
<b>Net debt</b>	<b>3,012</b>	<b>2,749</b>	<b>2,440</b>
- Lease liabilities	1,912	1,895	1,914
<b>Net debt ex lease liabilities</b>	<b>1,100</b>	<b>854</b>	<b>526</b>
<b>Cash and liquidity reserves</b>	<b>1,383</b>	<b>1,526</b>	<b>1,981</b>
<b>CHAIN KEY FIGURES</b>			
Total chain sales	1,672	1,777	8,569
% growth in total chain sales	(5.9%)	24.0%	2.2%
% growth in like-for-like chain sales	(6.7%)	23.5%	1.5%
Total number of chain stores at end of period	271	267	270
- Directly operated stores	244	239	242
- Franchise stores	27	28	28

\* For definitions and reconciliations of APMs, please see page 20

# Period review

**Europris has seen strong growth and lifted its performance over the past few years, and the group is satisfied with developments in the first quarter of 2022. Total sales were almost on par with last year, with a higher gross margin, although a slight underlying cost increase and costs from acquired companies reduced profit.**

Several factors affected progress compared with last year, making a comparison of the underlying performance challenging.

- On the positive side, all the chain's stores were open this year, whereas 10 per cent of them were temporarily closed in 2021 owing to Covid-19 restrictions.
- On the other hand, consumer behaviour changed as expected with the lifting of all Covid-19 restrictions from the middle of February.
- A generally mild winter had a negative effect on sales of seasonal products compared with the cold winter last year.
- The later Easter this year had a negative effect on the first quarter.

In addition to these factors, the company sees a more challenging economic scenario for consumer spending, with very high prices for electricity and fuel, a general increase in inflation, and rising interest and mortgage rates. The Europris concept has, however, proven robust in turbulent times and the group sees that its campaigns continue to drive traffic to stores. Sales in the first quarter of 2022 was 31 per cent higher than the first quarter in 2019 (pre Covid-19).

First quarter of	2019	2020	2021	2022
Europris chain sales, NOK mill	1,279	1,432	1,777	1,672
Index based on 2019 sales	100%	112%	139%	131%
Number of stores, 31 March	259	265	267	271
Average sale per store, NOK mill	4.9	5.4	6.7	6.2
<b>Effect on first-quarter sales</b>				
Timing of Easter	Neg	Neg	Pos	Neg
Winter season	Neutral	Neg	Pos	Neg
Covid-19 effect vs year before	N/A	Pos	Mixed*/pos	Mixed/neg

\* Positive effect on open stores. On average, 10 per cent of the stores were closed.

The group has not been directly affected by the war in Ukraine. It has very limited sourcing from Russia and Ukraine, and all sourcing from Russia has been stopped. Like the general market, Europris could face some agricultural raw material shortages in the coming periods.

## Sales performance

Group sales for the first quarter came to NOK 1,716 million, down by a marginal 0.2 per cent. Excluding acquisitions, sales declined by 5.5 per cent, whereas the like-for-like decline for the Europris chain in the first quarter of 2022 was 6.7 per cent.

Given the significant effects of the Covid-19 pandemic on consumer patterns, sales developments need to be evaluated in a longer perspective. The Europris chain has grown by a total of 30.1 per cent over the past three years, compared with 15.3 per cent for variety retail and 19.1 per cent for total retail.

Sales growth to 31 March	2020	2021	2022***	Three years combined
Virke: total retail*	3.8%	12.1%	3.1%	19.1%
Virke: groceries*	7.6%	13.8%	(4.2%)	17.3%
Virke: variety retail*	4.8%	9.9%	0.5%	15.3%
Kvarud shopping centre index**	(4.0%)	1.0%	11.6%	8.6%
Europris chain	12.0%	24.0%	(5.9%)	30.1%

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

\*\* Kvarud Analyse shopping centre index

\*\*\* Virke numbers are to 28 February

As described above, the Europris chain had a like-for-like sales decline of 6.7 per cent for the first quarter of 2022, with traffic slightly below last year's figures. The mild winter negatively affected the basket size, owing to fewer sales of higher value seasonal items compared with last year. The later timing of Easter also negatively affected both basket size and traffic. Cross-border trade is picking up, although it remains below the pre-pandemic level. The Europris stores closest to the Swedish border have experienced larger declines in sales than the chain average from 2021, but higher than average growth compared with 2019.

## Operational review

### Concept and category development

Europris is a campaign-driven low-price retailer and works continuously to improve the campaign concept. Its 30th anniversary this year will be celebrated with customers throughout 2022, with several very attractive campaign weeks. The first Birthday Week was completed with very good results during the first quarter. Campaign-driven discount retail is a cornerstone of Europris, and it is reassuring to see this engine continuing to drive traffic and sales even in a more challenging retail environment.

The pet food and accessories category has been a strong performer over time, and was revitalised in the stores during the first quarter. The shop-in-shop was renewed and rebuilt to improve the customer experience and drive sales. New sales-promoting elements were introduced to make the category more attractive and enhance the overall customer impression.

### E-commerce and e-CRM

Sales from the acquired Lekekassen and Lунehjem online companies accounted for NOK 92 million in the first quarter. The first quarter is a relatively modest quarter for Lekekassen in seasonal terms. Online volumes have generally been boosted by the pandemic over the past two years and, as expected, the company saw a decline in sales during the first quarter in Norway. In Sweden, Lekekassen (ToySpace) achieved flat growth for the first quarter, reflecting several successful changes aimed at boosting customer loyalty in a competitive market. In Denmark, Lekekassen (ToySpace) is still in its early stages after the launch in September 2021, and is performing as planned.

Sales from Europris.no were down by NOK 4 million from the first quarter of last year. This decline related mainly to lower click and collect sales from stores which were temporarily closed in 2021.

NOK million	Q1 2021	Q1 2022	Change
Europris e-com sales*	16	12	(28%)
Total group e-com sales**	16	103	87
Percentage of total group sales	0.9%	6.4%	5.4%-p

\* Home deliveries and click and collect.

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

Europris continued to improve the customer interface on its website during the first quarter by making it easier for customers to navigate across the different categories. That also improves the experience for customers navigating via their mobile phones, which is the most-used platform. Europris also launched ratings and reviews on the website. This function is currently at an early stage, with only customers shopping online able to review products, but it will be expanded to include MER customers shopping in physical stores as well.

Europris is also making changes to its online shopping delivery options. Customers have previously been able to order goods online with free shipment to an Europris store. Delivery time was considered to be too long with this option, and it was removed in late February to improve customer service. Delivery of products purchased online is now available as either shipment to the customer's home or to a pick-up-point, or as click and collect at an Europris store within two business hours. While this change is expected to have a negative effect on online sales, it is expected to enhance the customer's online shopping experience and to improve the profitability of online sales.

Europris' MER customer club has more than one million members, giving the group a direct marketing channel to around 700,000 of these members. Analysis of membership data will be used to improve digital marketing as part of a planned gradual transition from printed leaflets to digital messaging. Over time, the aim is also to increase frequency of store visits, both from existing customers and by reaching new customers, through better-targeted digital communication.

### Store estate

Europris opened one new store during the first quarter, at Frøya in Trøndelag county. Two stores were relocated during the period, at Rakkestad in Viken county and Volda in Møre og Romsdal county respectively. At 31 March 2021, the chain had a total of 271 stores, of which 244 were directly operated and 27 were franchises.

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



### New stores opened in 2022

Month	Store	County
March	Frøya	Trøndelag

### Store relocations in 2022

Month	Store	County
January	Rakkestad	Viken
March	Volda	Møre og Romsdal

## Central warehouse

A construction permit has been granted for the expansion of the warehouse in Moss, and the project is progressing on schedule. Suppliers have confirmed that building materials and logistics are available, although possible delays cannot be ruled out given current macroeconomic developments. The lease of the old central warehouse at Øra in Fredrikstad has been extended to 30 June 2024, securing capacity until the expansion in Moss has been finalised. After vacating the Øra facility, Europris will operate from one central warehouse.

Testing of the automated shuttle system for picking goods in the low bay area has made progress, but it is not yet operating at full speed. The company will continue working to resolve software-related issues in the second quarter. Some hardware components will also be changed to improve the stability of the solution, which will take place during the third quarter of this year.

## Employees and organisation

Europris launched a combined strategy and leadership programme for managers in 2021, to prepare managers for changing market trends. A two-day session was held in the first quarter, where the main topic was how Europris can improve and contribute to the circular economy.

All store managers and assistant store managers were gathered for physical meetings during the quarter, with extra attention devoted to preparing for the important spring/summer season, sales training, concept discipline and improved understanding of the importance of a local presence. In addition, all employees participated in a virtual kick-off presenting the summer/spring season.

The group is giving great attention to avoiding and reducing sick leave, and store managers also took various training sessions on this issue during the first

quarter. Higher sick leave for the first quarter reflected Covid-19 and the related quarantine requirements. The employees did a fantastic job to ensure that operations could run as normal.

Sickness absence	Q1 2021	Q1 2022
Group*	9.5%	11.5%

\* Excluding partly owned subsidiaries

Two lost-time injuries were recorded during the quarter.

## ÖoB equity transaction

Europris acquired a 20 per cent equity stake in ÖoB in 2018, and the acquisition closed on 13 December 2019 with payment in Europris shares. As part of the agreement with ÖoB, the group secured an option to acquire the remaining 80 per cent of the ÖoB shares, which runs for six months from the date the parties reach an agreement on ÖoB's 2019 EBITDA.

Pricing is based on an EV/EBITDA multiple of 7.7, adjusted for net debt and average net working capital, with the final price for the remaining 80 per cent to be based on an average of 2019 and 2020 EBITDA.

The financial development of ÖoB has not been as anticipated when the parties entered into the agreement, and disagreements about how to interpret the terms for pricing the remaining 80 per cent of the company have delayed a decision on exercising the option.

An arbitration process on the dispute concerning the 2019 EBITDA has been initiated, to decide i) whether the option period has expired, and ii) if an accountant's decision from September 2021 on the 2019 EBITDA was correct. Europris' position is that the decision by the accountant is erroneous and that the option period has not begun. ÖoB takes the view that the option period commenced when the accountant made their statement and that it has now expired.

No date has yet been set for this arbitration. It is likely to take at least 12 months before a ruling is made, and it will consequently take time before any exercise of the option can and will be decided on. In January 2022, the arbitration decision regarding Europris' right to challenge the 2020 EBITDA went in the group's favour.

This process does not affect operational developments or the execution of Europris' strategy in any way.

# Financial review

## Profit and loss – first quarter

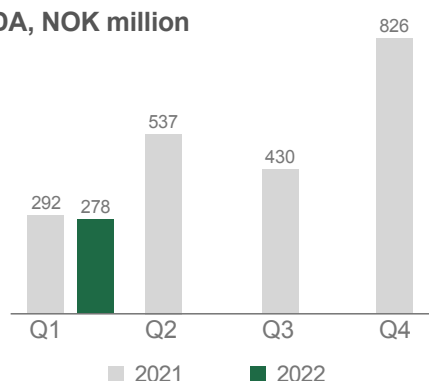
**Total operating income** for the group amounted to NOK 1,716 million (NOK 1,718 million) in the first quarter, down by 0.2 per cent year-on-year. Excluding acquisitions, sales declined by 5.5 per cent. The chain had a like-for-like decline of 6.7 per cent, following like-for-like growth of 23.5 per cent last year. The mild winter and the timing of Easter had a negative effect on sales in the quarter.

**Gross profit** came to NOK 760 million (NOK 744 million). The gross margin was 44.3 per cent (43.3 per cent), affected positively by a fixed-rate agreement on inbound freight. The group recognised a net unrealised loss of NOK 5 million on hedging contracts and accounts payable (gain of NOK 21 million). In addition, the gross margin was somewhat diluted by the margin from acquired companies.

**Operating expenditure (Opex)** was NOK 482 million in the first quarter (NOK 452 million), up by 6.6 per cent. The increase is mainly explained by the inclusion of acquired companies. Excluding the acquisitions, operating costs increased by 1.7 per cent, which mainly reflects the increase from 239 to 244 directly operated stores. Opex amounted to 28.1 per cent of total operating income for the group (26.3 per cent).

**EBITDA** was NOK 278 million (NOK 292 million), down by NOK 14 million or 4.9 per cent from the first quarter last year.

EBITDA, NOK million



The group recognised a net unrealised profit on interest swaps, which amounted to NOK 30 million for the quarter (gain of NOK 22 million).

The group recorded an estimated loss of NOK 9 million (loss of NOK 8 million) on its 20 per cent stake in Runsvengruppen (ÖoB). This is based on preliminary and unaudited figures.

**Net profit** for the first quarter of 2022 was NOK 89 million (NOK 104 million). Net profit attributable to owners of the parent was NOK 88 million (NOK 104 million).

## Cash flow

**Net change in working capital** was negative at NOK 598 million (negative at NOK 495 million). Working capital was negatively affected by shipping goods earlier and increased purchase prices.

**Capital expenditure** was NOK 30 million (NOK 20 million). The increase is related to more store projects and IT investments.

## Financial position and liquidity

**Financial debt** at 31 March 2022 was NOK 3,012 million (NOK 2,890 million). Adjusted for lease liabilities, financial debt amounted to NOK 1,100 million (NOK 995 million).

**Net debt** at 31 March 2022 was NOK 3,012 million (NOK 2,749 million). Adjusted for lease liabilities, net debt came to NOK 1,100 million (NOK 854 million).

**Cash and liquidity reserves** for the group at 31 March 2022 amounted to NOK 1,383 million (NOK 1,526 million).

## Outlook

Europris has so far been shielded from the unstable market for container freight, with a fixed-rate agreement on inbound freight and on-time deliveries. Major Covid-19 outbreaks or other factors in the global supply chain could change the situation, and a long-lasting shutdown of important ports in China could affect future deliveries. Europris continuously monitors the situation in close cooperation with the shipping agent and employees at the sourcing office in Shanghai.

The broad variety retail segment has performed well over time, and Europris has been a market winner with 30 years of consecutive growth. Although such an environment naturally attracts increasing competition, the group's competitive position is stronger than ever with upgraded categories and a significant expansion of the customer base over the past few years.

Norwegian society has finally opened up and is gradually returning to normal after two years of pandemic, and product sales must now compete with



services, travel, entertainment and experiences for consumer attention and wallet share. At the same time, consumers have to deal with record prices for electricity and fuel, generally higher inflation and rising interest rates. The macroeconomic environment is unstable and uncertain. Summing up, these significant elements must be expected to have a negative effect on consumer spending.

The Europris concept has proven resilient in uncertain times, with a wide and accessible store network, a broad product offering at low prices, and attractive

campaigns. Europris has a flexible business model and a demonstrated ability to adapt quickly to changes, and the board remains confident that the group also continues to be well positioned for the future in a more challenging environment.

Year-to-date sales growth for the Europris chain was 4.6 per cent at 26 April. During the same period last year, an average of 13 per cent of the chain's stores were temporarily closed. Goods for the summer have already been delivered and Europris is ready for the important season ahead.



# EUROPRIS ASA

## Q1 2022

# Interim condensed consolidated statement of profit and loss

Figures are stated in NOK 1,000

	Notes	Q1 2022	Q1 2021	FY 2021
		Unaudited	Unaudited	Audited
<b>Total operating income</b>		<b>1,715,566</b>	<b>1,718,236</b>	<b>8,648,177</b>
Cost of goods sold		956,053	974,405	4,592,143
Employee benefit expenses		306,716	311,224	1,230,303
Depreciation	5	151,119	141,153	571,223
Other operating expenses		175,243	140,813	742,749
<b>Operating profit</b>		<b>126,435</b>	<b>150,641</b>	<b>1,511,758</b>
<b>Net financial income (expense)</b>		<b>(862)</b>	<b>(6,721)</b>	<b>(94,395)</b>
Profit (loss) from associated companies	7	(9,226)	(8,000)	189
<b>Profit before tax</b>		<b>116,346</b>	<b>135,920</b>	<b>1,417,551</b>
Income tax expense		27,626	31,662	313,588
<b>Profit for the period</b>		<b>88,720</b>	<b>104,257</b>	<b>1,103,963</b>
Profit attributable to non-controlling interests		1,021	-	22,152
Profit attributable to owners of the parent		87,699	104,257	1,081,811
<b>Interim condensed consolidated statement of comprehensive income</b>				
Profit for the period		88,720	104,257	1,103,963
<b>Total comprehensive income</b>		<b>88,720</b>	<b>104,257</b>	<b>1,103,963</b>
Profit attributable to non-controlling interests		1,021	-	22,152
Profit attributable to owners of the parent		87,699	104,257	1,081,811

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 Mar 2022	31 Mar 2021	31 Dec 2021
			Unaudited	Unaudited	Audited
<b>ASSETS</b>					
Total intangible assets	5		2,732,237	2,062,290	2,730,061
Total fixed assets	5		2,812,759	2,641,325	2,814,094
Total financial assets	6,7		224,773	183,240	195,294
<b>Total non-current assets</b>			<b>5,769,769</b>	<b>4,886,854</b>	<b>5,739,449</b>
Inventories			2,350,732	1,891,656	1,997,312
Trade receivables			145,801	167,599	215,480
Other receivables	6		93,643	84,782	116,551
Cash			-	140,975	570,286
<b>Total current assets</b>			<b>2,590,176</b>	<b>2,285,012</b>	<b>2,899,629</b>
<b>Total assets</b>			<b>8,359,945</b>	<b>7,171,866</b>	<b>8,639,078</b>
<b>EQUITY AND LIABILITIES</b>					
Total paid-in capital	8		233,342	229,945	233,342
Total retained equity			2,474,424	2,087,870	2,386,704
<b>Total shareholders' equity</b>			<b>2,707,766</b>	<b>2,317,815</b>	<b>2,620,046</b>
Non-controlling interests			253,357	-	268,680
<b>Total equity</b>			<b>2,961,123</b>	<b>2,317,815</b>	<b>2,888,726</b>
Provisions			79,898	36,334	52,332
Borrowings	6		1,089,032	995,082	1,091,521
Lease liabilities	6		1,911,869	1,894,950	1,913,555
<b>Total non-current liabilities</b>			<b>3,080,799</b>	<b>2,926,366</b>	<b>3,057,407</b>
Borrowings	6		10,868	-	5,000
Current lease liabilities	6		519,632	491,504	490,164
Accounts payable			780,811	661,706	843,854
Tax payable			183,216	193,734	324,057
Public duties payable			210,788	218,298	376,023
Put option liability	6		246,528	-	246,528
Other current liabilities	6		366,179	362,442	407,319
<b>Total current liabilities</b>			<b>2,318,023</b>	<b>1,927,684</b>	<b>2,692,945</b>
<b>Total liabilities</b>			<b>5,398,822</b>	<b>4,854,051</b>	<b>5,750,352</b>
<b>Total equity and liabilities</b>			<b>8,359,945</b>	<b>7,171,866</b>	<b>8,639,078</b>

Fredrikstad, 27 April 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

Attributed to equity holders of the parent

	Share capital	Treasury shares	Share premium	Other paid-in capital	Retained earnings	Total	Non-controlling interests	Total equity
<b>At 1 January 2022</b>	<b>166,969</b>	<b>(5,997)</b>	<b>51,652</b>	<b>20,718</b>	<b>2,386,704</b>	<b>2,620,046</b>	<b>268,680</b>	<b>2,888,726</b>
Profit for the period	-	-	-	-	87,699	87,699	1,021	88,720
Translation differences	-	-	-	-	21	21	156	177
Other comprehensive income	-	-	-	-	-	-	-	-
<b>At 31 March 2022</b>	<b>166,969</b>	<b>(5,997)</b>	<b>51,652</b>	<b>20,718</b>	<b>2,474,424</b>	<b>2,707,766</b>	<b>253,357</b>	<b>2,961,123</b>

(unaudited)

Attributed to equity holders of the parent

	Share capital	Treasury shares	Share premium	Other paid-in capital	Retained earnings	Total	Non-controlling interests	Total equity
<b>At 1 January 2021</b>	<b>166,969</b>	<b>(6,150)</b>	<b>51,652</b>	<b>17,475</b>	<b>1,983,661</b>	<b>2,213,608</b>	<b>-</b>	<b>2,213,608</b>
Profit for the period	-	-	-	-	104,257	104,257	-	104,257
Net purchase of treasury shares	-	(1)	-	-	(49)	(50)	-	(50)
Other comprehensive income	-	-	-	-	-	-	-	-
<b>At 31 March 2021</b>	<b>166,969</b>	<b>(6,151)</b>	<b>51,652</b>	<b>17,475</b>	<b>2,087,870</b>	<b>2,317,815</b>	<b>-</b>	<b>2,317,815</b>

(unaudited)

# Interim condensed consolidated statement of cash flows

Figures are stated in NOK 1,000

	Notes	Q1 2022	Q1 2021	FY 2021
		Unaudited	Unaudited	Audited
<b>Cash flows from operating activities</b>				
Profit before income tax		116,346	135,920	1,417,551
Adjusted for:				
Depreciation of fixed and intangible assets	5	151,119	141,153	571,223
Loss on sale of fixed assets		945	-	-
Profit/loss from associated companies		9,226	8,000	(189)
Changes in net working capital		(597,871)	(494,657)	(138,706)
Income tax paid		(113,604)	(58,310)	(258,529)
<b>Net cash generated from operating activities</b>		<b>(433,839)</b>	<b>(267,895)</b>	<b>1,591,351</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of fixed assets		26,021	-	176
Purchases of fixed and intangible assets	5	(29,760)	(20,093)	(130,940)
Acquisition		637	(1,112)	(553,204)
Proceeds from sale of financial assets		-	50	62
<b>Net cash used in investing activities</b>		<b>(3,102)</b>	<b>(21,155)</b>	<b>(683,906)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings		-	-	2,636
Repayment of debt to financial institutions		(1,250)	-	(3,750)
Principal paid on lease liabilities		(121,463)	(109,981)	(449,162)
Dividend		-	-	(434,207)
Buy-back of treasury shares		-	(50)	(7,270)
Dividends paid to non-controlling interests in subsidiaries		(16,500)	-	-
<b>Net cash from financing activities</b>		<b>(139,213)</b>	<b>(110,031)</b>	<b>(877,214)</b>
Net increase (decrease) in cash		(576,154)	(399,081)	30 231
Cash at beginning of period		570,286	540,056	540,056
<b>Cash at end of period</b>		<b>(5,868)</b>	<b>140,975</b>	<b>570,286</b>

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

# NOTES

## Note 1 Corporate information

The interim condensed consolidated financial statements of Europris ASA and its subsidiaries (collectively, the group) for the three months ended 31 March 2022 were authorised for issue by the board on 27 April 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 three months ended 31 March 2022 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 2021.

### 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 2021. New standards and interpretations effective at 1 January 2022 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 2021.

## 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	Buildings	Land	Right-of-use asset	Software	Trademarks	Goodwill	Total
Carrying amount 1 January 2022	328,520	46,190	119,362	2,320,022	65,421	591,267	2,073,373	5,544,155
Acquisition of subsidiaries	158	-	-	-	-	-	1,000	1,158
Additions	18,841	2,000	-	148,007	8,920	-	-	177,768
Disposals	-	(26,966)	-	-	-	-	-	(26,966)
Depreciation	(17,502)	-	(1,556)	(124,317)	(7,744)	-	-	(151,119)
<b>Carrying amount 31 March 2022</b>	<b>330,016</b>	<b>21,224</b>	<b>117,806</b>	<b>2,343,712</b>	<b>66,597</b>	<b>591,267</b>	<b>2,074,373</b>	<b>5,544,996</b>

	Fixtures and fittings	Buildings	Land	Right-of-use asset	Software	Trademarks	Goodwill	Total
Carrying amount 1 January 2021	301,400	24,966	-	2,262,555	58,030	387,573	1,617,731	4,652,255
Acquisition of subsidiaries	58	-	-	2,652	-	-	227	2,936
Additions	15,122	-	-	169,483	4,971	-	-	189,577
Disposals	-	-	-	-	-	-	-	-
Depreciation	(18,597)	-	-	(116,313)	(6,242)	-	-	(141,153)
<b>Carrying amount 31 March 2021</b>	<b>297,983</b>	<b>24,966</b>	<b>-</b>	<b>2,318,377</b>	<b>56,759</b>	<b>387,573</b>	<b>1,617,958</b>	<b>4,703,616</b>

## Note 6 Financial instruments - fair value

Set out below is a comparison of the carrying amounts and fair values of financial assets and liabilities at 31 March 2022 and 31 December 2021:

Figures are stated in NOK 1,000

	31 March 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
<b>Loans and receivables</b>				
Non-current receivables	36,785	36,785	28,391	28,391
<b>Total</b>	<b>36,785</b>	<b>36,785</b>	<b>28,391</b>	<b>28,391</b>
<b>Financial liabilities</b>				
<b>Other financial liabilities</b>				
Borrowings	1,094,032	1,094,032	1,096,521	1,096,521
Lease liabilities	1,911,869	1,911,869	1,913,555	1,913,555
Current lease liabilities	519,632	519,632	490,164	490,164
Put option liability	246,528	246,528	246,528	246,528
<b>Total</b>	<b>3,772,061</b>	<b>3,772,061</b>	<b>3,746,767</b>	<b>3,746,767</b>
<b>Financial instruments measured at fair value through profit and loss</b>				
<b>Derivatives - asset</b>				
Interest rate swaps	67,988	67,988	37,676	37,676
Foreign exchange forward contracts	3,631	3,631	11,494	11,494
<b>Total</b>	<b>71,619</b>	<b>71,619</b>	<b>49,169</b>	<b>49,169</b>
<b>Derivatives - liabilities</b>				
Foreign exchange forward contracts	7,379	7,379	2,940	2,940
<b>Total</b>	<b>7,379</b>	<b>7,379</b>	<b>2,940</b>	<b>2,940</b>

### 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 9.2 million from its 20 per cent stake in 2022.

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. The fair value of the option is considered immaterial and is not recognised in the balance sheet.

## Note 8 Treasury shares

The number of treasury shares held by Europris ASA changed as follows in the period from 1 January to 31 March 2022.

### Change in number of treasury shares

Treasury shares 1 January 2022	5,997,376
Sale/buy-back of treasury shares	-
<b>Treasury shares 31 March 2022</b>	<b>5,997,376</b>

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.

## Gross profit / gross margin

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

(Amounts in NOK million)	Q1 2022	Q1 2021	FY 2021
Total operating income	1,716	1,718	8,648
- Cost of goods sold	956	974	4,592
<b>= Gross profit</b>	<b>760</b>	<b>744</b>	<b>4,056</b>
Gross margin	44.3%	43.3%	46.9%

## Opex

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

(Amounts in NOK million)	Q1 2022	Q1 2021	FY 2021
Employee benefits expense	307	311	1,230
+ Other operating expenses	175	141	743
<b>= Opex</b>	<b>482</b>	<b>452</b>	<b>1,973</b>
Opex-to-sales ratio	28.1%	26.3%	22.8%

## EBITDA / EBITDA margin

EBITDA is earnings before interests, tax, depreciation of property, plant and equipment and right-of-use assets and amortisation of other intangibles. EBITDA is a well-known and widely used term among users of the financial statements and is useful when evaluating operational efficiency on a more variable cost basis as they exclude amortisation and depreciation expense related to capital

expenditure. EBITDA margin is EBITDA divided by Total operating income and is useful for benchmarking this profitability parameter vs the development in sales.

(Amounts in NOK million)	Q1 2022	Q1 2021	FY 2021
Operating profit	126	151	1,512
+ Depreciation	151	141	571
<b>= EBITDA</b>	<b>278</b>	<b>292</b>	<b>2,083</b>
EBITDA margin	16.2%	17.0%	24.1%

## EBIT = Operating profit

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

## Working capital

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

(Amounts in NOK million)	Q1 2022	Q1 2021	FY 2021
Change in Inventory	(349)	(254)	(185)
Change in accounts receivable and other current receivables	54	6	(55)
Change in accounts payable and other current debt	(303)	(247)	101
<b>= Net change in working capital</b>	<b>(598)</b>	<b>(495)</b>	<b>(139)</b>

## Capital expenditure

Capital expenditure (Capex) is the sum of purchases of fixed assets and intangible assets as used in the cash flow. Capex is a well-known and widely used term among the users of the financial statements and is a

useful measure of investments made in the operations when evaluating the capital intensity.

(Amounts in NOK million)	Q1 2022	Q1 2021	FY 2021
Purchases of fixed assets	21	15	98
Purchases of intangible assets	9	5	32
<b>= Capital expenditure</b>	<b>30</b>	<b>20</b>	<b>131</b>

### Financial debt

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

(Amounts in NOK million)	Q1 2022	Q1 2021	FY 2021
Borrowings	1,089	995	1,092
Current borrowings	11	-	5
Lease liabilities	1,912	1,895	1,914
<b>= Financial debt</b>	<b>3,012</b>	<b>2,890</b>	<b>3,010</b>

### Cash and liquidity reserves

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

(Amounts in NOK million)	Q1 2022	Q1 2021	FY 2021
Cash	-	141	570
+ Total facilities	1,400	1,400	1,425
- Total drawn	(17)	(15)	(15)
<b>= Cash and liquidity reserves</b>	<b>1,383</b>	<b>1,526</b>	<b>1,981</b>

### 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.

(Amounts in NOK million)	Q1 2022	Q1 2021	FY 2021
Sales directly operated stores	1,467	1,538	7,438
Sales franchise stores	205	238	1,131
<b>= Total chain sales</b>	<b>1,672</b>	<b>1,777</b>	<b>8,569</b>

## 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.

### Like-for-like sales growth

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.









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