

**Europpris**  
Mer til overs i 30 år

Q2 2022



EUROPRIAS ASA

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# Highlights

## Strong second quarter for Europris

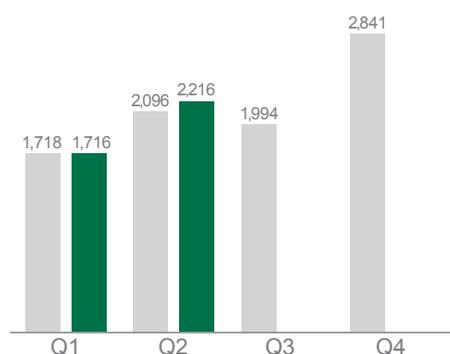
- Total sales of NOK 2,216 million (NOK 2,096 million), a 5.7 per cent increase
  - » Sales growth of 1.3 per cent excluding acquisitions
  - » Positive timing effect from Easter and an average of eight per cent of stores closed in 2021
- Gross margin of 48.2 per cent (47.2 per cent)
- Opex-to-sales ratio of 21.7 per cent (21.6 per cent)
  - » Increase in opex of 6.1 per cent, affected by acquired companies
- EBITDA of NOK 589 million (NOK 537 million) and EBITDA margin of 26.6 per cent (25.6 per cent)
- Net profit of NOK 325 million (NOK 283 million) attributable to parent company
- Strikkemekka acquired for NOK 88.4 million (transaction closed 1 July)

## First half 2022

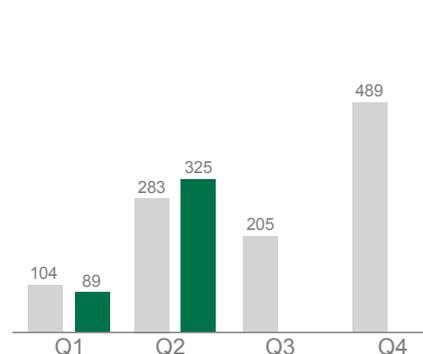
- Total sales of NOK 3,932 million (NOK 3,814 million), a 3.1 per cent increase
  - » Sales decline of 1.4 per cent excluding acquisitions
  - » An average of nine per cent of stores closed in 2021
- Gross margin of 46.5 per cent (45.4 per cent)
- Opex-to-sales ratio of 24.5 per cent (23.7 per cent)
  - » Increase in opex of 6.4 per cent, affected by acquired companies
- EBITDA of NOK 866 million (NOK 829 million) and EBITDA margin of 22 per cent (21.7 per cent)
- Net profit of NOK 413 million (NOK 387 million) attributable to parent company
- Earnings per share of NOK 2.57 (NOK 2.41)
- Strong financial position with cash and liquidity reserves of NOK 1,000 million (NOK 1,577 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)	Q2 2022	Q2 2021	YTD 2022	YTD 2021	FY 2021
<b>GROUP KEY INCOME STATEMENT FIGURES</b>					
Sales directly operated stores	1,936	1,890	3,403	3,428	7,438
Sales from partly owned subsidiaries	94	13	185	13	423
Sales from wholesale to franchise stores	164	171	303	333	707
Franchise fees and other income	22	22	41	40	80
<b>Total operating income</b>	<b>2,216</b>	<b>2,096</b>	<b>3,932</b>	<b>3,814</b>	<b>8,648</b>
% growth in total operating income	5.7%	(5.2%)	3.1%	6.2%	7.9%
Cost of goods sold	1,147	1,107	2,103	2,081	4,592
<b>Gross profit</b>	<b>1,069</b>	<b>989</b>	<b>1,829</b>	<b>1,733</b>	<b>4,056</b>
Gross margin	48.2%	47.2%	46.5%	45.4%	46.9%
Opex	480	453	962	905	1,973
Opex-to-sales ratio	21.7%	21.6%	24.5%	23.7%	22.8%
<b>EBITDA</b>	<b>589</b>	<b>537</b>	<b>866</b>	<b>829</b>	<b>2,083</b>
EBITDA margin	26.6%	25.6%	22.0%	21.7%	24.1%
<b>EBIT (Operating profit)</b>	<b>438</b>	<b>395</b>	<b>564</b>	<b>546</b>	<b>1,512</b>
EBIT margin (Operating profit margin)	19.8%	18.8%	14.4%	14.3%	17.5%
<b>Net profit</b>	<b>328</b>	<b>283</b>	<b>417</b>	<b>388</b>	<b>1,104</b>
<b>Profit attributable to owners of the parent</b>	<b>325</b>	<b>283</b>	<b>413</b>	<b>387</b>	<b>1,082</b>
<b>Earnings per share (in NOK)</b>	<b>2.02</b>	<b>1.76</b>	<b>2.57</b>	<b>2.41</b>	<b>6.72</b>
<b>GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES</b>					
Net change in working capital	15	205	(583)	(289)	(139)
Capital expenditure	32	43	62	63	131
Financial debt	3,429	2,833	3,429	2,833	3,010
Cash	-	192	-	192	570
<b>Net debt</b>	<b>3,429</b>	<b>2,641</b>	<b>3,429</b>	<b>2,641</b>	<b>2,440</b>
- Lease liabilities	1,954	1,838	1,954	1,838	1,914
<b>Net debt ex lease liabilities</b>	<b>1,475</b>	<b>803</b>	<b>1,475</b>	<b>803</b>	<b>526</b>
<b>Cash and liquidity reserves</b>	<b>1,000</b>	<b>1,577</b>	<b>1,000</b>	<b>1,577</b>	<b>1,981</b>
<b>CHAIN KEY FIGURES</b>					
Total chain sales	2,218	2,184	3,890	3,960	8,569
% growth in total chain sales	1.6%	(6.5%)	(1.8%)	5.1%	2.2%
% growth in like-for-like chain sales	0.5%	(6.9%)	(2.7%)	4.7%	1.5%
Total number of chain stores at end of period	274	268	274	268	270
- Directly operated stores	247	240	247	240	242
- Franchise stores	27	28	27	28	28

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

# Period review

Europris is very pleased to have delivered the best second quarter in its history. The combination of sales growth, margin improvement and good cost control resulted in increased profit for the quarter. Compared with last year, sales were positively affected by the timing of Easter and by the fact that an average of eight per cent of the stores were closed owing to Covid-19 in the second quarter of 2021.

Sales in both 2020 and 2021 were significantly affected by effects related to Covid-19, and a comparison with pre-Covid figures shows that sales for the Europris chain during the period were up by 28.7 per cent from the second quarter of 2019.

Consumers are currently cautious about making investments, and higher-value seasonal items have been negatively affected at Europris as well. However, these products constitute only a small proportion of total sales. The main range offered in the Europris stores comprises low-value consumables, and the concept is well positioned in the current market environment with its low prices and strong campaigns. Sixty per cent of sales derive from items with price points below NOK 100, and sales of these low-price items increased by 8.5 per cent in the second quarter.

Reflecting seasonal variations, the second quarter is the period when high-value items have their highest share of sales. Seven per cent of sales in the quarter were products priced at more than NOK 1,000, compared with three per cent over the past 12 months. While sales of these high-value items declined by 25 per cent year-on-year, sales of items priced between NOK 100-1,000 fell by 2.8 per cent.

*Table illustrating sales developments, based on a range of price points per item*

Range - price point per item (incl VAT)	Change in sales, Q2	Share of sales, Q2 2022	Share of sales, L12M at June 2022
< NOK 100	+8.5%	60%	62%
NOK 100-1,000	(2.8%)	33%	34%
> NOK 1,000	(25.1%)	7%	3%

The Europris concept is flexible and the organisation has adjusted and adapted to the change in market sentiment, with a shift in focus from higher-value seasonal items to consumables, while balancing sales versus margins. Margin improvement is a result of active work with price management, campaigns and product mix. The fixed two-year agreement for inbound freight from 2022 has led to higher costs, but is competitive. Europris has adapted to market pricing while having

a relative advantage on the cost side from the freight agreement.

## Sales performance

Group sales for the second quarter came to NOK 2,216 million, up by 5.7 per cent. Excluding acquisitions, sales increased by 1.3 per cent. Like-for-like sales for the Europris chain were up by 0.5 per cent.

Given the significant effects of the Covid-19 pandemic on consumer patterns, sales developments must be evaluated in a longer perspective. Up to May, year-to-date sales for the Europris chain grew by a total of 27.4 per cent over the past three years, compared with 17.5 per cent for variety retail and 17.7 per cent for total retail.

Sales growth to 31 May***	2020	2021	2022	Three years combined
Virke: total retail*	5.5%	8.1%	4.0%	17.7%
Virke: groceries*	11.4%	6.0%	(6.7%)	10.8%
Virke: variety retail*	13.6%	(2.4%)	6.4%	17.5%
Kvarud shopping centre index**	(4.6%)	1.7%	14.7%	11.8%
Europris chain	22.3%	4.9%	0.1%	27.4%

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

\*\* Kvarud Analyse shopping centre index

\*\*\* Market data to 30 June not available at the time of reporting

Higher traffic in the second quarter reflected the timing of Easter and temporary store closures last year. Cross-border trade has picked up, and progress for the four stores closest to the Swedish frontier was weaker than the chain average.

The basket price has declined somewhat, because a reduced number of articles in the basket has only been partly offset by a higher average price per item. The majority of the 15 product categories showed sales growth, and categories upgraded over the past few years – such as kitchen, home and interior, and pet food – continued to perform well.

The product mix showed a higher share of groceries compared with non-food, affected by the timing of Easter

and from sales decline for higher-value seasonal items such as garden furniture, trampolines and spas. Sales grew for lower-value seasonal items like seasonal lighting, cultivation and fishing. More people are also purchasing suitcases and other typical travel-related products as society reopens and travel picks up. Seasonal summer items witnessed an overall sales decline of 17 per cent from the second quarter of last year.

## Operational review

### Concept and category development

The new toy concept will be fully rolled out during the second half of this year in time for the high season in the fourth quarter. Pilots conducted with the new concept showed better-than-chain-average performance in this category. Upgraded stores with the new "Lekeplassen" concept have shown good sales progress compared with the overall chain, illustrating the power of the concept. These results support the confidence in future positive sales developments for the toy category, where an updated product range will also be introduced.

As part of its work to improve the concept and customer experience on a continuous basis, Europris tested the loan of car trailers to customers in 2021 for convenient home transport of larger seasonal items. This was appreciated by customers and has therefore been extended to more stores this year.

### Acquisition of Strikkemekka

Europris has acquired 67 per cent of Strikkemekka for NOK 88.4 million in cash, a transaction which was closed on 1 July. Founder Eirik Fuglestad will continue as CEO and remain owner of 33 per cent.

The main revenue contributor is Strikkemekka.no, with revenues of NOK 153 million in 2021. The knitting category is a good match with Europris' existing business, and a potential exists for synergies through both joint purchasing of goods and services and the development of e-commerce solutions. The acquisition also includes Designhandel, an online store in Norway and Sweden for kitchenware and smaller home interior products, which achieved total revenues of NOK 27 million in 2021. EBITDA for the business to be continued was NOK 16.5 million in 2021. Strikkemekka saw sales increase in the first half year of 2022.

### E-commerce and e-CRM

Online sales declined in the second quarter, reflecting the very strong progress made during the Covid-19 pandemic. Just like the overall online market, comparative sales figures for Europris and its pure online concepts are down by comparison with the previous year, but show strong growth compared with pre-pandemic figures from 2019.

Temporary store closures in Norway affected online sales positively in 2021, while the effect of reopening society this year has been negative for sales. In Norway, Lekekassen saw sales decline in the first two months of the quarter but growth in June. Sales grew throughout the period for the company in Sweden.

#### E-commerce sales

NOK million	Q2 2022	Q2 2021	Change	YTD 2022	YTD 2021	Change
Europris e-com sales*	53	83	(36%)	65	99	(34%)
Total group e-com sales**	147	96	53%	250	112	123%
Percentage of total group sales	6.6%	4.6%	2.0%-p	6.4%	2.9%	3.4%-p

\* Home deliveries and click-and-collect

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

Europris launched an app for its MER customer-club members during the quarter. Current functionality includes an overview of campaigns, access to the digital direct marketing leaflet, visibility of fixed MER deals, overview of any personal coupons, a store locator and receipts from all previous shopping trips. Communication with MER members is being more personalised on a continuous basis in order to improve its relevance.

A collaboration between Europris and Lekekassen was tested by offering MER members a discount for shopping at Lekekassen.no. Sales at Lekekassen during the week in question showed that MER members had more items in their basket than other customers, and this type of cooperation will be explored further.

### Store estate

Europris opened three new stores during the second quarter, at Lagunen in Bergen in Vestland county, at Fjellhamar outside Oslo in Viken county and at Setermoen in Troms county. The store at Lagunen is located in the largest shopping centre in Norway and has been a desired location for a long time.

Two stores were relocated during the period, at Lena in Innlandet county and at Forus outside Stavanger in Rogaland county respectively. At 30 June 2022, the chain had a total of 274 stores, of which 247 were directly operated and 27 were franchises.

Europris has a healthy pipeline of new stores, and the board has approved an additional seven stores for 2022 and beyond. One of the planned new stores is subject to a planning permission process.

#### *New stores opened in 2022*

Month	Store	County
March	Frøya	Trøndelag
May	Lagunen	Vestland
June	Fjellhamar	Viken
June	Setermoen	Troms

#### *Store relocations in 2022*

Month	Store	County
January	Rakkestad	Viken
March	Volda	Møre og Romsdal
April	Lena	Innlandet
May	Forus	Rogaland

### Central warehouse

Expansion of the main warehouse in Moss is progressing on schedule. Automation of the shuttle system in the low-bay area has made good progress and improves picking efficiency. Changes of some hardware components in order to improve the stability

of the solution are scheduled for the third quarter. The plan then is to move even more of production into the system.

### Employees and organisation

The employee engagement survey yielded results which even exceeded last year's strong showing. Employees are very satisfied with their working day, have a high level of job satisfaction, and feel well equipped to manage their work. It is also reassuring that employees report they are very satisfied with their managers.

The pandemic was far from over in China during the second quarter, and employees at the Shanghai sourcing office really stepped up during challenging times. Employees were regularly followed up and the company ensured delivery of food during the long period of shielding at home.

Employee well-being and work presence has high attention in the group. Sickness absence has over the last years been heavily impacted by Covid-19 and the higher absence year to 30 June reflected this, in addition to quarantine requirements during the first quarter.

Sickness absence	YTD 2022	YTD 2021	FY 2021
Group*	9.9%	8.9%	8.8%

\* Excluding partly owned subsidiaries

One lost-time injury was recorded during the quarter, bringing the total to three during the year to 30 June.



# Financial review

## Profit and loss – second quarter

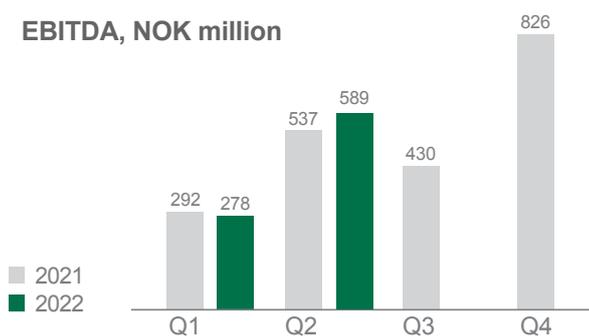
**Total operating income** for the group amounted to NOK 2,216 million (NOK 2,096 million) in the second quarter, up by 5.7 per cent. Excluding acquisitions, sales increased by 1.3 per cent. The chain had like-for-like growth of 0.5 per cent, which was positively affected by the timing of Easter and the temporary closure of an average of eight per cent of the stores owing to Covid-19 in the second quarter of 2021. The quarter had one more sales day than the same period of last year.

**Gross profit** came to NOK 1,069 million (NOK 989 million). The gross margin was 48.2 per cent (47.2 per cent). The group recognised a net unrealised gain of NOK 20 million on hedging contracts and accounts payable (gain of NOK 24 million).

**Operating expenditure (Opex)** was NOK 480 million in the second quarter (NOK 453 million), up by 6.1 per cent. This increase mainly reflects the inclusion of acquired companies. The number of directly operated stores increased from 240 to 247. Opex amounted to 21.7 per cent of total operating income for the group (21.6 per cent).

**EBITDA** was NOK 589 million (NOK 537 million), up by NOK 52 million or 9.7 per cent from the second quarter of last year.

### EBITDA, NOK million



The group recognised a net unrealised profit on interest swaps amounting to NOK 12 million for the quarter (unrealised loss of NOK 6 million).

**Net profit** for the second quarter of 2022 was NOK 328 million (NOK 283 million). Net profit attributable to owners of the parent company was NOK 325 million (NOK 283 million).

## Profit and loss – first half

**Total operating income** for the first half of 2022 amounted to NOK 3,932 million (NOK 3,814 million), an increase of 3.1 per cent. Excluding acquisitions, sales fell by 1.4 per cent, and the chain saw a like-for-like sales decline of 2.7 per cent. On average, nine per cent of the stores were temporarily closed during the first half of last year. The first half had one more sales day than the same period of 2021.

**Gross profit** for the group was NOK 1,829 million (NOK 1,733 million), up by 5.5 per cent. The gross margin was 46.5 per cent (45.4 per cent), an improvement of 1.1 percentage points. The group recognised a net unrealised currency gain of NOK 14 million on hedging contracts and accounts payable (gain of NOK 45 million).

**Opex** came to NOK 962 million (NOK 905 million). This represented an increase of 6.4 per cent from the same period of last year, affected by the inclusion of acquired companies. The number of directly operated stores increased from 240 to 247. Opex as a proportion of total operating income was 24.5 per cent (23.7 per cent).

**EBITDA** was NOK 866 million (NOK 829 million), up by NOK 38 million or 4.6 per cent. The EBITDA margin was 22 per cent (21.7 per cent).

The group recognised a net unrealised profit on interest swaps, amounting to NOK 42 million (unrealised profit of NOK 16 million). The group has interest rate swap agreements of a total of NOK 600 million, covering 60 per cent of the group's bank loans.

**Net profit** for the first half of 2022 was NOK 417 million (NOK 388 million). Net profit attributable to owners of the parent company was NOK 413 million (NOK 387 million).

## Cash flow

**The net change in working capital** for the first half was negative at NOK 583 million (negative at NOK 289 million). Net working capital was negatively affected by timing differences in the payment of accounts payable and other liabilities, in addition to a higher inventory level as a result of increased purchase prices and higher volumes of seasonal items.

**Capital expenditure** was NOK 62 million (NOK 63 million).

## Financial position and liquidity

**Financial debt** at 30 June 2022 was NOK 3,429 million (NOK 2,833 million). Adjusted for the IFRS 16 effect, financial liabilities amounted to NOK 1,475 million (NOK 995 million).

**Net debt** at 30 June 2022 was NOK 3,429 million (NOK 2,641 million). Adjusted for the IFRS 16 effect, net financial liabilities were NOK 1,475 million (NOK 803 million).

**Cash and liquidity reserves** for the group amounted to NOK 1,000 million at 30 June 2022 (NOK 1,577 million). A total dividend of NOK 644 million was paid in the second quarter (NOK 434 million).

## Risk factors

The Europris group is exposed to a variety of risks, as described in the directors' report and note 2 of the consolidated financial statements in the annual report for 2021.

## Related parties

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

## Outlook

Europris has been shielded from disturbances in the supply chain. Capacity for overseas transport from Asia has been secured through a direct agreement with the Maersk shipping company, and the company is carefully monitoring the sourcing situation.

In the current economic environment, consumers face higher prices wherever they turn, as well as rising

interest rates. A reopened society also means that borders are open and consumer demand for services such as travel, experiences and so forth is growing in competition with consumer products. The Europris concept is well suited to times like these, with a high share of sales from consumables at low prices coupled with strong campaigns.

Europris will continue to tune its customer offering, campaigns and price levels carefully in order to secure sales at a best possible margin. The Europris chain has over the last years had successful category upgrades and expects that the gross margin (excluding unrealised currency effects) going forward will stabilise at a somewhat higher level than before the pandemic.

The group is grateful to its employees for their hard work and first-class retail craftsmanship. It believes that the greater the uncertainty and the tougher the battle for people's wallets, the more the art of retailing increases in importance. Europris this year celebrates its 30th anniversary as the market leader. It is ready to develop further and to maintain its market leadership while balancing customers needs with delivering profitable growth. The board remains confident that the group is well positioned in the current retail environment.

## Statement by the board of directors

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2022 has been prepared in accordance with current applicable accounting standards and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the group. We also confirm that the directors' report contains a true and fair review of the development and performance of the group, together with the risks and uncertainties facing the group.

**Fredrikstad, 13 July 2022**

THE BOARD OF DIRECTORS OF EUROPRIS ASA

Tom Vidar Rygh  
*Chair*

Hege Bømark

Claus Juel-Jensen

Bente Sollid Storehaug

Tone Fintland

Karl Svensson

Pål Wibe

Espen Eldal  
*CEO*



# EUROPRIS ASA

## Q2 and first half 2022

# Interim condensed consolidated statement of profit and loss

Figures are stated in NOK 1,000	Notes	Q2 2022	Q2 2021	YTD 2022	YTD 2021	FY 2021
		Unaudited	Unaudited	Unaudited	Unaudited	Audited
<b>Total operating income</b>		<b>2,216,164</b>	<b>2,096,085</b>	<b>3,931,730</b>	<b>3,814,321</b>	<b>8,648,177</b>
Cost of goods sold		1,147,089	1,106,731	2,103,142	2,081,136	4,592,143
Employee benefit expenses		269,986	266,122	576,703	577,346	1,230,303
Depreciation	5	151,020	141,726	302,139	282,879	571,223
Other operating expenses		210,174	186,476	385,417	327,289	742,749
<b>Operating profit</b>		<b>437,894</b>	<b>395,030</b>	<b>564,329</b>	<b>545,671</b>	<b>1,511,758</b>
<b>Net financial income (expense)</b>		<b>(24,398)</b>	<b>(35,028)</b>	<b>(25,260)</b>	<b>(41,749)</b>	<b>(94,395)</b>
Profit (loss) from associated companies	7	5,266	2,569	(3,960)	(5,431)	189
<b>Profit before tax</b>		<b>418,763</b>	<b>362,571</b>	<b>535,109</b>	<b>498,491</b>	<b>1,417,551</b>
Income tax expense		90,969	79,201	118,595	110,863	313,588
<b>Profit for the period</b>		<b>327,794</b>	<b>283,371</b>	<b>416,514</b>	<b>387,628</b>	<b>1,103,963</b>
Profit attributable to non-controlling interests		2,457	393	3,478	393	22,152
Profit attributable to owners of the parent		325,337	282,977	413,036	387,235	1,081,811
<b>Interim condensed consolidated statement of comprehensive income</b>						
Profit for the period		327,794	283,371	416,514	387,628	1,103,963
<b>Total comprehensive income</b>		<b>327,794</b>	<b>283,371</b>	<b>416,514</b>	<b>387,628</b>	<b>1,103,963</b>
Profit attributable to non-controlling interests		2,457	393	3,478	393	22,152
Profit attributable to owners of the parent		325,337	282,977	413,036	387,235	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	30 June 2022	30 June 2021	31 Dec 2021
		Unaudited	Unaudited	Audited
<b>ASSETS</b>				
Total intangible assets	5	2,746,834	2,073,192	2,730,061
Total fixed assets	5	2,852,435	2,591,579	2,814,094
Total financial assets	6,7	241,828	179,426	195,294
<b>Total non-current assets</b>		<b>5,841,097</b>	<b>4,844,198</b>	<b>5,739,449</b>
Inventories		2,234,997	1,711,699	1,997,312
Trade receivables		140,499	150,839	215,480
Other receivables	6	133,047	85,599	116,551
Cash		-	192,313	570,286
<b>Total current assets</b>		<b>2,508,544</b>	<b>2,140,449</b>	<b>2,899,629</b>
<b>Total assets</b>		<b>8,349,641</b>	<b>6,984,647</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		2,156,167	1,936,640	2,386,704
<b>Total shareholders' equity</b>		<b>2,389,509</b>	<b>2,166,585</b>	<b>2,620,046</b>
Non-controlling interests		255,957	393	268,680
<b>Total equity</b>		<b>2,645,466</b>	<b>2,166,978</b>	<b>2,888,726</b>
Provisions		170,866	115,518	52,332
Borrowings	6	1,092,782	995,082	1,091,521
Lease liabilities	6	1,953,754	1,837,862	1,913,555
<b>Total non-current liabilities</b>		<b>3,217,401</b>	<b>2,948,462</b>	<b>3,057,407</b>
Borrowings	6	382,598	-	5,000
Current lease liabilities	6	525,175	489,004	490,164
Accounts payable		737,462	674,152	843,854
Tax payable		57,435	135,649	324,057
Public duties payable		260,921	279,417	376,023
Put option liability	6	246,528	-	246,528
Other current liabilities	6	276,654	290,983	407,319
<b>Total current liabilities</b>		<b>2,486,773</b>	<b>1,869,206</b>	<b>2,692,945</b>
<b>Total liabilities</b>		<b>5,704,175</b>	<b>4,817,669</b>	<b>5,750,352</b>
<b>Total equity and liabilities</b>		<b>8,349,641</b>	<b>6,984,647</b>	<b>8,639,078</b>

Fredrikstad, 13 July 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
<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	-	-	-	-	413,036	413,036	3,478	416,514
Dividend	-	-	-	-	(643,886)	(643,886)	(16,500)	(660,386)
Translation differences	-	-	-	-	313	313	299	612
Other comprehensive income	-	-	-	-	-	-	-	-
<b>At 30 June 2022</b>	<b>166,969</b>	<b>(5,997)</b>	<b>51,652</b>	<b>20,718</b>	<b>2,156,167</b>	<b>2,389,509</b>	<b>255,957</b>	<b>2,645,466</b>

(unaudited)

	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	-	-	-	-	387,235	387,235	393	387,628
Dividend	-	-	-	-	(434,207)	(434,207)	-	(434,207)
Net purchase of treasury shares	-	(1)	-	-	(49)	(50)	-	(50)
Other comprehensive income	-	-	-	-	-	-	-	-
<b>At 30 June 2021</b>	<b>166,969</b>	<b>(6,151)</b>	<b>51,652</b>	<b>17,475</b>	<b>1,936,640</b>	<b>2,166,585</b>	<b>393</b>	<b>2,166,978</b>

(unaudited)

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	Q2 2022	Q2 2021	YTD 2022	YTD 2021	FY 2021
			Unaudited	Unaudited	Unaudited	Unaudited	Audited
<b>Cash flows from operating activities</b>							
Profit before income tax			418,763	362,571	535,109	498,491	1,417,551
Adjusted for:							
Depreciation of fixed and intangible assets		5	151,020	141,726	302,139	282,879	571,223
Loss on sale of fixed assets			-	-	945	-	-
Profit/loss from associated companies			(5,266)	(2,569)	3,960	5,431	(189)
Changes in net working capital			15,108	205,299	(582,763)	(289,358)	(138,706)
Income tax paid			(153,353)	(58,310)	(266,957)	(116,620)	(258,529)
<b>Net cash generated from operating activities</b>			<b>426,272</b>	<b>648,718</b>	<b>(7,567)</b>	<b>380,823</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	(31,931)	(42,982)	(61,691)	(63,075)	(130,940)
Acquisition			(5,626)	(8,562)	(4,989)	(9,674)	(553,204)
Proceeds from sale of financial assets			-	-	-	50	62
<b>Net cash used in investing activities</b>			<b>(37,557)</b>	<b>(51,545)</b>	<b>(40,659)</b>	<b>(72,700)</b>	<b>(683,906)</b>
<b>Cash flows from financing activities</b>							
Net change RCF (Revolving Credit Facility)			350,000	-	350,000	-	-
Proceeds from borrowings			-	-	-	-	2,636
Repayment of debt to financial institutions			(1,250)	-	(2,500)	-	(3,750)
Principal paid on lease liabilities			(120,309)	(111,627)	(241,772)	(221,608)	(449,162)
Dividend			(643,886)	(434,207)	(643,886)	(434,207)	(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>(415,445)</b>	<b>(545,834)</b>	<b>(554,658)</b>	<b>(655,866)</b>	<b>(877,214)</b>
Net increase (decrease) in cash			(26,729)	51,339	(602,884)	(347,742)	30 231
Cash at beginning of period			(5,868)	140,975	570,286	540,056	540,056
<b>Cash at end of period</b>			<b>(32,598)</b>	<b>192,313</b>	<b>(32,598)</b>	<b>192,313</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 second quarter and the six months ended 30 June 2022 were authorised for issue by the board on 13 July 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 second quarter and the six months ended 30 June 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	Land	Buildings	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	-	-	-	-	-	6,626	6,784
Additions	34,099	2,000	-	315,745	25,592	-	-	377,436
Disposals	-	(26,966)	-	-	-	-	-	(26,966)
Depreciation	(35,439)	-	(3,111)	(248,144)	(15,445)	-	-	(302,139)
<b>Carrying amount 30 June 2022</b>	<b>327,338</b>	<b>21,224</b>	<b>116,251</b>	<b>2,387,622</b>	<b>75,569</b>	<b>591,266</b>	<b>2,079,999</b>	<b>5,599,269</b>

	Fixtures and fittings	Land	Buildings	Right-of-use asset	Software	Trademarks	Goodwill	Total
Carrying amount 1 January 2021	301,400	24,966	-	2,262,555	58,030	387,573	1,617,731	4,652,255
Acquisition of subsidiaries	100	-	-	4,186	-	-	8,047	12,332
Additions	48,734	-	-	219,989	14,341	-	-	283,064
Disposals	-	-	-	-	-	-	-	-
Depreciation	(36,710)	-	-	(233,639)	(12,530)	-	-	(282,879)
<b>Carrying amount 30 June 2021</b>	<b>313,524</b>	<b>24,966</b>	<b>-</b>	<b>2,253,091</b>	<b>59,842</b>	<b>387,573</b>	<b>1,625,778</b>	<b>4,664,773</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 30 June 2022 and 31 December 2021:

Figures are stated in NOK 1,000

	30 June 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
<b>Loans and receivables</b>				
Non-current receivables	36,734	36,734	28,391	28,391
<b>Total</b>	<b>36,734</b>	<b>36,734</b>	<b>28,391</b>	<b>28,391</b>
<b>Financial liabilities</b>				
<b>Other financial liabilities</b>				
Borrowings	1,092,782	1,092,782	1,096,521	1,096,521
Lease liabilities	1,953,754	1,953,754	1,913,555	1,913,555
Borrowings - overdraft and revolving credit facility	382,598	382,598	-	-
Current lease liabilities	525,175	525,175	490,164	490,164
Put option liability	246,528	246,528	246,528	246,528
<b>Total</b>	<b>4,200,837</b>	<b>4,200,837</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	79,827	79,827	37,676	37,676
Foreign exchange forward contracts	30,993	30,993	11,494	11,494
<b>Total</b>	<b>110,819</b>	<b>110,819</b>	<b>49,169</b>	<b>49,169</b>
<b>Derivatives - liabilities</b>				
Foreign exchange forward contracts	672	672	2,940	2,940
<b>Total</b>	<b>672</b>	<b>672</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 4 million from its 20 per cent stake in the first half of 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 30 June 2022.

### Change in number of treasury shares

Treasury shares 1 January 2022	5,997,376
Sale/buy-back of treasury shares	-
<b>Treasury shares 30 June 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)	Q2 2022	Q2 2021	YTD 2022	YTD 2021	FY 2021
Total operating income	2,216	2,096	3,932	3,814	8,648
- Cost of goods sold	1,147	1,107	2,103	2,081	4,592
<b>= Gross profit</b>	<b>1,069</b>	<b>989</b>	<b>1,829</b>	<b>1,733</b>	<b>4,056</b>
Gross margin	48.2%	47.2%	46.5%	45.4%	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)	Q2 2022	Q2 2021	YTD 2022	YTD 2021	FY 2021
Employee benefits expense	270	266	577	577	1,230
+ Other operating expense	210	186	385	327	743
<b>= OPEX</b>	<b>480</b>	<b>453</b>	<b>962</b>	<b>905</b>	<b>1,973</b>
Opex-to-sales ratio	21.7%	21.6%	24.5%	23.7%	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)	Q2 2022	Q2 2021	YTD 2022	YTD 2021	FY 2021
Operating profit	438	395	564	546	1,512
+ Depreciation	151	142	302	283	571
<b>= EBITDA</b>	<b>589</b>	<b>537</b>	<b>866</b>	<b>829</b>	<b>2,083</b>
EBITDA margin	26.6%	25.6%	22.0%	21.7%	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

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

(Amounts in NOK million)	Q2 2022	Q2 2021	YTD 2022	YTD 2021	FY 2021
Change in Inventory	116	183	(233)	(70)	(185)
Change in accounts receivable and other current receivables	(46)	23	9	30	(55)
Change in accounts payable and other current debt	(55)	(1)	(358)	(249)	101
<b>= Net change in working capital</b>	<b>15</b>	<b>205</b>	<b>(583)</b>	<b>(289)</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)	Q2 2022	Q2 2021	YTD 2022	YTD 2021	FY 2021
Purchases of fixed assets	15	34	36	49	98
Purchases of intangible assets	17	9	26	14	32
<b>= Capital expenditure</b>	<b>32</b>	<b>43</b>	<b>62</b>	<b>63</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)	YTD 2022	YTD 2021	FY 2021
Borrowings	1,093	995	1,092
Current borrowings	383	-	5
Lease liabilities	1,954	1,838	1,914
<b>= Financial debt</b>	<b>3,429</b>	<b>2,833</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)	YTD 2022	YTD 2021	FY 2021
Cash	-	192	570
+ Total facilities	1,400	1,400	1,425
- Total drawn	(400)	(15)	(15)
<b>= Cash and liquidity reserves</b>	<b>1,000</b>	<b>1,577</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)	Q2 2022	Q2 2021	YTD 2022	YTD 2021	FY 2021
Sales directly operated stores	1,936	1,890	3,403	3,428	7,438
Sales franchise stores	282	294	487	532	1,131
<b>= Total chain sales</b>	<b>2,218</b>	<b>2,184</b>	<b>3,890</b>	<b>3,960</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 under the Europris brand.

#### Like-for-like sales growth

Like-for-like growth is defined as the growth in total Europris chain sales for stores that have been open for every month of both the previous and the current calendar year.





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