

Europpris

Mer til overs i 30 år

Q3 2022



EUROPRISS ASA

Content

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

Highlights

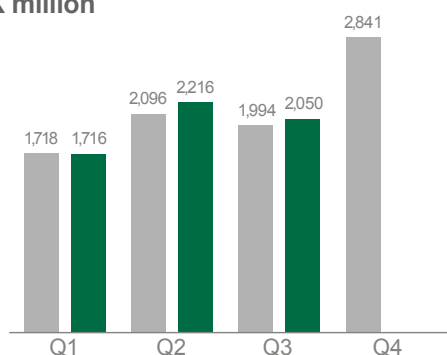
Solid performance for Europris in the third quarter

- Total sales of NOK 2,050 million (NOK 1,994 million), a 2.8 per cent increase
 - » Sales decline of 0.8 per cent, excluding structural* growth
 - » Positive sales trend during the quarter
- Gross margin of 47.6 per cent (45.7 per cent)
 - » Timing and results of inventory counting had a positive effect of 2.8 percentage points on the margin change
 - » Underlying margin decline of 0.9 per cent from higher costs for inbound freight
- Opex-to-sales ratio of 26.8 per cent (24.2 per cent)
- EBITDA almost on par with the strong third quarter of last year
 - » EBITDA of NOK 425 million (NOK 430 million) and EBITDA margin of 20.7 per cent (21.5 per cent)
- Solid profitability in the quarter
 - » Net profit of NOK 187 million (NOK 203 million) attributable to the parent company
- Strong financial position
 - » Cash and liquidity reserves of NOK 963 million (NOK 1,254 million)

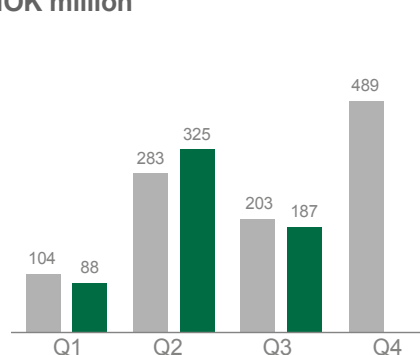
Figures for the corresponding period of the year before in brackets. The figures are unaudited.

See page 20 for definition of APMs.

**Total operating income,
NOK million**



**Net profit attributable to parent,
NOK million**



■ 2021 ■ 2022

* Lekekassen consolidated from August 2021 (ie, July 2022 considered to be structural growth) and Strikkemekka consolidated from July 2022 (ie, considered to be structural growth in full)

Key figures

(Amounts in NOK million)

	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
GROUP KEY INCOME STATEMENT FIGURES					
Sales directly operated stores	1,768	1,756	5,171	5,184	7,438
Sales from partly owned subsidiaries	110	61	296	74	423
Sales from wholesale to franchise stores	152	159	455	491	707
Franchise fees and other income	20	19	60	59	80
Total operating income	2,050	1,994	5,982	5,809	8,648
% growth in total operating income	2.8%	5.1%	3.0%	5.8%	7.9%
Cost of goods sold	1,075	1,083	3,178	3,164	4,592
Gross profit	975	911	2,804	2,644	4,056
Gross margin	47.6%	45.7%	46.9%	45.5%	46.9%
Opex	550	482	1,512	1,386	1,973
Opex-to-sales ratio	26.8%	24.2%	25.3%	23.9%	22.8%
EBITDA	425	430	1,292	1,258	2,083
EBITDA margin	20.7%	21.5%	21.6%	21.7%	24.1%
EBIT (Operating profit)	272	286	836	832	1,512
EBIT margin (Operating profit margin)	13.2%	14.3%	14.0%	14.3%	17.5%
Net profit	188	205	604	592	1,104
Net profit attributable to owners of the parent	187	203	600	591	1,082
Earnings per share (in NOK)	1.16	1.27	3.73	3.67	6.72
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES					
Net change in working capital	(211)	(50)	(793)	(339)	(139)
Capital expenditure	34	25	95	88	131
Financial debt	3,434	3,076	3,434	3,076	3,010
Cash	-	-	-	-	570
Net debt	3,434	3,076	3,434	3,076	2,440
- Lease liabilities (IFRS 16)	1,917	1,850	1,917	1,850	1,914
Net debt ex lease liabilities	1,517	1,226	1,517	1,226	526
Cash and liquidity reserves	963	1,254	963	1,254	1,981
CHAIN KEY FIGURES					
Total chain sales	1,972	2,018	5,862	5,978	8,569
% growth in total chain sales	(2.3%)	2.3%	(1.9%)	4.1%	2.2%
% growth in like-for-like chain sales	(3.7%)	1.5%	(3.0%)	3.6%	1.5%
Total number of chain stores at end of period	275	269	275	269	270
- Directly operated stores	248	241	248	241	242
- Franchise stores	27	28	27	28	28

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

Period review

Europris is satisfied with its third-quarter results in the challenging retail market environment which currently prevails. Like-for-like sales for the chain declined by 3.7 per cent for the third quarter. As for the overall market, the group had a tough start to the quarter, with many Norwegians travelling abroad. Sales for the Europris chain improved during the quarter and exceeded last year's performance in both August and September.

Campaign sales performed well. Europris has shifted attention in its direct marketing leaflet towards a greater emphasis on everyday consumables, which has driven traffic to the stores and generated sales. As in the previous quarter, higher-value items saw a significant sales decline. Products with a price point above NOK 1,000 declined by 23 per cent, but it should be noted that these items represented only three per cent of total sales.

Timing and results of inventory counting had a positive effect of 2.8 percentage points on the margin change. Operating expenses (Opex) were affected by structural growth and inflation. The quarter also had a timing effect from higher accruals for performance-based pay to store managers, reflecting stronger performance than budgeted. The increased Opex offset the effect of sales growth and the improvement in gross margin, and EBITDA ended up slightly below the record results of the third quarter of last year.

Sales performance

Third quarter

Group sales for the third quarter came to NOK 2,050 million, up by 2.8 per cent from the same period of 2021. Excluding structural growth, sales were 0.8 per cent below last year's figure. Like-for-like sales for the Europris chain were down by 3.7 per cent, with a clear improvement over the quarter after a weak July.

Where the Europris chain is concerned, the sales decline in the third quarter was higher for non-food than for groceries, and seasonal summer items accounted for almost two-thirds of the sales decline. This segment includes the majority of the higher-value tickets, and reflected increased consumer caution about making investment purchases.

Typical border-trade products, such as soft drinks and tobacco, also experienced a sales decline compared with last year. The four stores closest to the Swedish border developed less strongly than the overall chain.

Like-for-like traffic for the chain fell behind last year in the third quarter. The basket was slightly above last year, with a higher average price per item offsetting a smaller number of articles in the average basket. Sales from campaigns increased in the quarter, driven by the front page of the marketing leaflet. The organisation has done

a great job in fine-tuning the product offering through the marketing leaflet in order to drive traffic to the stores.

Viewing the third quarter in isolation, market developments are becoming more comparable with last year. Although the Kvarud shopping centre index is not directly comparable with the Europris chain, developments for shopping centres and the total Europris chain both showed a decline of 2.3 per cent. However, stores in the shopping centres developed more weakly than the overall index, since services and serving performed better than these. The Europris chain performed better than the stores in the shopping centres.

First nine months

Group sales amounted to NOK 5,982 million for the first nine months, an increase of three per cent year-on-year. Excluding structural* growth, sales were down by 1.2 per cent from last year, while like-for-like sales for the Europris chain declined by three per cent.

Given the significant effects of the Covid-19 pandemic on consumer patterns, sales developments for the year to date should be evaluated in a longer perspective. Up to 30 September, sales for the Europris chain grew by a total of 28.3 per cent over the past three years, compared with 18.8 per cent for variety retail and 17.5 per cent for total retail.

* Lunehjem consolidated from March 2021 (ie, January and February considered to be structural growth), Lekekassen consolidated from August 2021 (ie, January-July 2022 considered to be structural growth) and Strikkemekka consolidated from July 2022 (ie, considered to be structural growth in full)

Sales growth to September	2020	2021	2022	Three years combined
Virke: total retail*	9.2%	5.5%	2.8%	17.5%
Virke: groceries*	15.4%	1.8%	(4.9%)	12.3%
Virke: variety retail*	17.7%	(0.3%)	1.4%	18.8%
Kvarud shopping centre index**	3.7%	2.2%	6.1%	12.0%
Europris chain	26.1%	4.1%	(1.9%)	28.3%

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

** Kvarud Analyse shopping centre index

to delivery options. These have affected the sales negatively, as expected, but improved the customer experience and the profitability of online sales.

E-commerce sales

NOK million	Q3 2022	Q3 2021	Change	YTD 2022	YTD 2021	Change
Europris e-com sales*	23	30	(23%)	88	129	(32%)
Total group e-com sales**	177	91	96%	427	203	111%
Percentage of total group sales	8.6%	4.5%	4.1%-p	7.1%	3.5%	3.7%-p

* Home deliveries and click-and-collect.

** Europris, Lunehjem (from March 2021), Lekekassen (from August 2021) and the Strikkemekka group (from July 2022).

Operational review

Concept and category development

Europris is devoting continuous attention to category and concept development, and upgraded the handyman and DIY category towards the end of the third quarter. The group has taken over the distribution of carpets and the new range has been well received by customers. The pet food and accessories category continued to perform well after a revitalisation during the first quarter of this year.

Europris' 30th anniversary this year was again celebrated with customers during the third quarter. Strong campaigns are an important part of the Europris concept, and it is reassuring to see that this also continues to drive traffic and sales in a more challenging retail environment.

E-commerce and e-CRM

Lekekassen's sales developed strongly during the third quarter in both Norway and Sweden. Sales to 30 September showed a decline in Norway, reflecting the fact that comparable figures for 2021 were heavily boosted by Covid-19, but were higher than last year in Sweden. The company is well positioned for the seasonally important fourth quarter, which typically accounts for the majority of annual sales.

The Strikkemekka group has been consolidated from July. It achieved sales growth in both the third quarter and the year to 30 September.

Online sales from Europris.no declined 23 per cent to NOK 23 million in the quarter and by 32 per cent to NOK 88 million for the first nine months. They were boosted last year by the closure of physical stores during the pandemic. As communicated in the report for the first quarter, the group has also made deliberate changes

Europris' MER customer club now has 1.2 million members, who are overall more loyal to Europris and have a higher shopping frequency with the group than non-members. Continuous efforts are being devoted to making commercial use of data from MER. Europris has tested distributing customised digital newsletters to some members. Results show that the opening rate was the same as for those who did not receive a customised newsletter, but that the click rate was higher and that the basket for those who shopped was bigger. Segmented digital newsletters are distributed together with social media (SoMe) campaigns to drive traffic to the stores. Autosync linking segmented MER customers directly to different SoMe platforms is a cost-effective way to ensure more relevant communication.

Customer information for some of the higher-value items on Europris.no has been improved by combining the use of text, video and augmented reality (AR) technology. The AR functionality allows customers to use their mobile phones to place products where they wish to see them and to find out if they fit. In addition, users can zoom in to see product details close up. Customers using this technology have a higher conversion rate than those who do not. Store employees can also use this to give customers live demonstrations of products which are not displayed in the stores.

Store estate

Europris opened one new store during the third quarter, at Ensjo in Oslo county. More stores in Oslo are part of the strategy to expand the network in this densely populated area.

At 30 September 2022, the chain had a total of 275 stores, of which 248 were directly operated and 27 were franchises.

Europris has a healthy pipeline of new stores, and the board has approved an additional nine 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	Froya	Trøndelag
May	Lagunen	Vestland
June	Fjellhamar	Viken
June	Setermoen	Troms
September	Ensjø	Oslo

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 as scheduled. As previously communicated, total investment in automating the expanded high bay area is NOK 100 million, although some changes have been made to the timing of expected future Capex. NOK 15 million of this was paid in 2021. Capex for 2022 will be NOK 10 million and is expected to be NOK 45 million in 2023 and NOK 30 million in 2024.

Automating the shuttle system has continued to make good progress and has improved picking efficiency. During the third quarter, the group made changes to hardware components which improved the stability of the solution.

Europris is currently testing more sustainable distribution through two initiatives – placing 10-15 truckloads per week on electric ferries between Moss and Horten, and testing an electric truck for deliveries in Oslo and eastern Norway.

Employees and organisation

Europris celebrated its 30th anniversary with an exciting day and a grand party for 1,600 of its workforce. This inspiring event was greatly appreciated by the employees. Awards were presented and a total of seven proud winners acclaimed. Collective celebration of the

group's success is an important part of strengthening the culture and unity in Europris.

All store managers assembled in September to prepare for the upcoming important fourth quarter. In addition meetings were held for all store managers and assistant store managers in the various sales districts. One of the main topics on the agenda was a reduction in sick leave, which has been heavily affected by the pandemic in recent years. Year-to-date statistics reflect this, although absence in the third quarter was lower than last year. Europris devotes great attention to reducing sickness absence, and representatives from the HR department have visited all the sales districts and provided training for all store managers over the past six months.

Sickness absence	YTD 2022	YTD 2021	FY 2021
Group*	9.3%	8.7%	8.8%

* Excluding partly owned subsidiaries

One lost-time injury was recorded during the quarter, bringing the total to four up to 30 September. None of these have resulted in long term absence.

Europris started a combined strategy and leadership programme for more than 60 employees in 2021. Attention this year has concentrated on how Europris can contribute to the circular economy and to innovation. The employees have worked on several suggestions for future ideas, which will be developed further.

ÖoB equity transaction

The arbitration process for the dispute over the EBITDA for 2019, which affects the price of the option and marks the start of the option period, has been scheduled for the end of the third quarter of 2023.

Europris acquired a 20 per cent equity stake in ÖoB in 2018, and this 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. This runs for six months from the date when the parties reach 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.

Financial review

Profit and loss – third quarter

Total operating income for the group amounted to NOK 2,050 million (NOK 1,994 million) in the third quarter, up by 2.8 per cent. Excluding structural growth, operating income declined by 0.8 per cent. The chain had a like-for-like decline of 3.7 per cent.

Gross profit came to NOK 975 million (NOK 911 million) in the third quarter. The gross margin was 47.6 per cent (45.7 per cent), an improvement of 1.9 percentage points. Over the year, the group reports a calculated gross margin for the stores, and any calculation differences are adjusted during the annual stocktaking in the third and fourth quarters. Last year, stocktaking was delayed and only 18 per cent of the stores completed the process during the third quarter. This year, 73 per cent of the stores finished it in that period, with positive calculation differences of NOK 62 million (positive effect of NOK 4 million). This had a positive effect of 2.8 percentage points on the margin change. Underlying margin declined by 0.9 percentage points, impacted by higher costs for inbound freight. The group recognised a net unrealised gain of NOK 11 million on hedging contracts and accounts payable (gain of NOK 4 million).

Operating expenditure (Opex) was NOK 550 million in the third quarter (NOK 482 million), up by 14.2 per cent. Excluding structural growth, the Opex increase was nine per cent. Stronger-than-budgeted sales and margin performance have raised expected performance-based pay for store managers, which affected accruals in the third quarter. This timing effect amounted to NOK 18 million in the third quarter. Opex was also affected by higher transport costs, an increase in the number of directly operated stores from 241 to 248, and overall inflation. Opex amounted to 26.8 per cent of total operating income for the group (24.2 per cent).

EBITDA was NOK 425 million (NOK 430 million), down one per cent from the third quarter of last year.

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

Net profit for the third quarter of 2022 was NOK 188 million (NOK 205 million). Net profit attributable to owners of the parent amounted to NOK 187 million (NOK 203 million).

Profit and loss – first nine months

Total operating income for the first nine months of 2022 amounted to NOK 5,982 million (NOK 5,809 million), an increase of three per cent. Operating income fell by 1.2 per cent excluding structural growth, and the chain saw a like-for-like sales decline of three per cent.

Gross profit for the group was NOK 2,804 million (NOK 2,644 million), up by six per cent. The gross margin was 46.9 per cent (45.5 per cent), an improvement of 1.3 percentage points. Positive calculation differences of NOK 62 million (positive effect of NOK 4 million) from stocktaking had a positive effect of one percentage point on the change in gross margin. The group recognised a net unrealised currency gain of NOK 26 million on hedging contracts and accounts payable (gain of NOK 49 million).

Opex came to NOK 1,512 million (NOK 1,386 million). This represented an increase of 9.1 per cent from the same period of last year. Excluding structural growth, the Opex increase was 4.3 per cent. The number of directly-operated stores rose from 241 to 248. Opex as a proportion of total operating income was 25.3 per cent (23.9 per cent).

EBITDA was NOK 1,292 million (NOK 1,258 million), an increase of 2.7 per cent. The EBITDA margin was 21.6 per cent (21.7 per cent).

Interest expenses, including leasing interest costs, came to NOK 93 million (NOK 74 million). The group has interest-rate swap agreements totalling NOK 600 million. These cover 60 per cent of the group's term loan. Net unrealised profit on interest swaps was NOK 48 million (unrealised profit of NOK 24 million), and has thereby lowered total interest expenses booked.

Net profit for the first nine months of 2022 was NOK 604 million (NOK 592 million). Net profit attributable to owners of the parent amounted to NOK 600 million (NOK 591 million).

Cash flow

The net change in working capital for the period was negative at NOK 793 million (negative at NOK 339 million). Net working capital was negatively affected by a higher level of inventory as a result of increased purchase prices and greater volumes of seasonal items, in addition to timing differences in the payment of accounts payable and other accrued expenses.

Capital expenditure was NOK 95 million (NOK 88 million). The increase from the year before reflected more store projects.

Acquisition of 67 per cent of Strikkemekka was completed and paid with NOK 88 million.

Financial position and liquidity

Financial debt at 30 September 2022 was NOK 3,434 million (NOK 3,076 million). Adjusted for the IFRS 16 effect, financial liabilities amounted to NOK 1,517 million (NOK 1,226 million).

Net debt at 30 September 2022 was NOK 3,434 million (NOK 3,076 million). Adjusted for the IFRS 16 effect, net financial liabilities came to NOK 1,517 million (NOK 1,226 million).

Cash and liquidity reserves for the group amounted to NOK 963 million at 30 September 2022 (NOK 1,254 million).

Outlook

The current economic environment is tough for many consumers, and the combination of “all round” higher prices and rising interest rates is affecting consumer behaviour. The majority of products sold at Europris are consumables and low-priced products needed on a daily basis. As an example, only 1.5 per cent of products sold in the fourth quarter 2021 had a price point above NOK 1,000. The Europris concept is well positioned in the current retail market environment, and the group has spent recent months reinforcing its low-price position.

Europris hedges electricity costs 12-21 months ahead. As a result of price increases this year, these costs are estimated to rise by NOK 20 million to approximately NOK 60 million for the 2023 financial year.

The group is ready for the important seasons in the fourth quarter, and the board is confident that Europris is well positioned in the retail market. All stakeholders are welcome to hear more about the group’s strategic development in a capital markets update on 8 December 2022.

Fredrikstad, 2 November 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

Q3 - 2022

Interim condensed consolidated statement of profit and loss

Figures are stated in NOK 1,000		Notes	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
			Unaudited	Unaudited	Unaudited	Unaudited	Audited
Total operating income			2,050,002	1,994,261	5,981,732	5,808,582	8,648,177
Cost of goods sold			1,074,708	1,083,090	3,177,849	3,164,226	4,592,143
Employee benefit expenses			348,402	308,749	925,105	886,095	1,230,303
Depreciation		5	153,608	143,434	455,747	426,313	571,223
Other operating expenses			201,716	172,908	587,133	500,197	742,749
Operating profit			271,569	286,080	835,898	831,751	1,511,758
Net financial income (expense)			(32,744)	(22,598)	(58,004)	(64,347)	(94,395)
Profit (loss) from associated companies		7	1,403	(971)	(2,557)	(6,402)	189
Profit before tax			240,228	262,511	775,337	761,002	1,417,551
Income tax expense			52,541	57,966	171,137	168,829	313,588
Profit for the period			187,686	204,545	604,200	592,173	1,103,963
Profit attributable to non-controlling interests			1,021	1,083	4,499	1,477	22,152
Profit attributable to owners of the parent			186,666	203,462	599,701	590,697	1,081,811
Interim condensed consolidated statement of comprehensive income							
Profit for the period			187,686	204,545	604,200	592,173	1,103,963
Total comprehensive income			187,686	204,545	604,200	592,173	1,103,963
Profit attributable to non-controlling interests			1,021	1,083	4,499	1,477	22,152
Profit attributable to owners of the parent			186,666	203,462	599,701	590,697	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 Sep 2022	30 Sep 2021	31 Dec 2021
			Unaudited	Unaudited	Audited
ASSETS					
Total intangible assets	5		2,860,238	2,749,288	2,730,061
Total fixed assets	5		2,812,835	2,737,412	2,814,094
Total financial assets	6,7		249,018	186,901	195,294
Total non-current assets			5,922,091	5,673,601	5,739,449
Inventories			2,607,803	2,090,445	1,997,312
Trade receivables			137,581	133,684	215,480
Other receivables	6		172,364	124,056	116,551
Cash			-	-	570,286
Total current assets			2,917,748	2,348,185	2,899,629
Total assets			8,839,840	8,021,786	8,639,078
EQUITY AND LIABILITIES					
Total paid-in capital	9		234,737	233,342	233,342
Total retained equity			2,300,809	1,897,255	2,386,704
Total shareholders' equity			2,535,546	2,130,597	2,620,046
Non-controlling interests			300,746	248,004	268,680
Total equity			2,836,292	2,378,601	2,888,726
Provisions			222,653	252,991	52,332
Borrowings	6		1,092,970	1,092,582	1,091,521
Lease liabilities	6		1,917,489	1,849,769	1,913,555
Total non-current liabilities			3,233,112	3,195,343	3,057,407
Borrowings	6		423,998	133,484	5,000
Current lease liabilities	6		523,962	487,176	490,164
Accounts payable			843,500	826,488	843,854
Tax payable			73,164	137,046	324,057
Public duties payable			265,217	264,227	376,023
Put option liability	6,8		290,069	246,528	246,528
Other current liabilities	6		350,526	352,895	407,319
Total current liabilities			2,770,436	2,447,843	2,692,945
Total liabilities			6,003,547	5,643,185	5,750,352
Total equity and liabilities			8,839,840	8,021,786	8,639,078

Fredrikstad, 2 November 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 2022	166,969	(5,997)	51,652	20,718	2,386,704	2,620,046	268,680	2,888,726
Profit for the period	-	-	-	-	599,701	599,701	4,499	604,200
Dividend	-	-	-	-	(643,886)	(643,886)	(16,500)	(660,386)
Net purchase/sale of treasury shares	-	59	-	1,336	1,505	2,900	-	2,900
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	43,540	43,540
Put option liability	-	-	-	-	(43,540)	(43,540)	-	(43,540)
Translation differences	-	-	-	-	325	325	527	852
Other comprehensive income	-	-	-	-	-	-	-	-
At 30 Sep 2022	166,969	(5,938)	51,652	22,054	2,300,810	2,535,546	300,746	2,836,293

(unaudited)

	Share capital	Treasury shares	Share premium	Other paid-in capital	Retained earnings	Total	Non-controlling interests	Total equity
At 1 January 2021	166,969	(6,150)	51,652	17,475	1,983,661	2,213,608	-	2,213,608
Profit for the period	-	-	-	-	590,697	590,697	1,477	592,173
Dividend	-	-	-	-	(434,207)	(434,207)	-	(434,207)
Net purchase of treasury shares	-	153	-	3,243	3,874	7,270	-	7,270
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	246,528	246,528
Put option liability	-	-	-	-	(246,528)	(246,528)	-	(246,528)
Translation differences	-	-	-	-	(243)	(243)	-	(243)
Other comprehensive income	-	-	-	-	-	-	-	-
At 30 Sep 2021	166,969	(5,997)	51,652	20,718	1,897,254	2,130,596	248,004	2,378,601

(unaudited)

Interim condensed consolidated statement of cash flows

Figures are stated in NOK 1,000		Notes	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
			Unaudited	Unaudited	Unaudited	Unaudited	Audited
Cash flows from operating activities							
Profit before income tax			240,228	262,511	775,337	761,002	1,417,551
Adjusted for:							
Depreciation of fixed and intangible assets	5		153,608	143,434	455,747	426,313	571,223
Loss on sale of fixed assets			-	-	945	-	-
Profit/loss from associated companies			(1,403)	971	2,557	6,402	(189)
Changes in net working capital			(210,652)	(50,041)	(793,414)	(339,399)	(138,706)
Income tax paid			14,774	(6,979)	(252,183)	(123,600)	(258,529)
Net cash generated from operating activities			196,555	349,895	188,988	730,718	1,591,351
Cash flows from investing activities							
Proceeds from sale of fixed assets			-	-	26,021	-	176
Purchases of fixed and intangible assets	5		(33,788)	(25,121)	(95,479)	(88,196)	(130,940)
Acquisition			(87,362)	(543,530)	(92,351)	(553,204)	(553,204)
Proceeds from sale of financial assets			-	-	-	50	62
Net cash used in investing activities			(121,150)	(568,650)	(161,809)	(641,350)	(683,906)
Cash flows from financing activities							
Net change RCF (Revolving Credit Facility)			(50,000)	100,000	300,000	100 000	-
Proceeds from borrowings			-	-	-	-	2,636
Repayment of debt to financial institutions			(1,250)	(1,250)	(3,750)	(1,250)	(3,750)
Principal paid on lease liabilities			(118,456)	(113,162)	(360,227)	(334,771)	(449,162)
Dividend			-	-	(643,886)	(434,207)	(434,207)
Buy-back of treasury shares			2,900	7,370	2,900	7,320	7,270
Dividends paid to non-controlling interests in subsidiaries			-	-	(16,500)	-	-
Net cash from financing activities			(166,806)	(7,042)	(721,463)	(662,908)	(877,214)
Net increase (decrease) in cash			(91,400)	(225,797)	(694,284)	(573,540)	30 231
Cash at beginning of period			(32,598)	192,313	570,286	540,056	540,056
Cash at end of period			(123,998)	(33,484)	(123,998)	(33,484)	570,286

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

NOTES

Note 1 Corporate information

The interim condensed consolidated financial statements of Europris ASA and its subsidiaries (collectively, the group) for the third quarter and the nine months ended 30 September 2022 were authorised for issue by the board on 2 November 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 third quarter and the nine months ended 30 September 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	591,266	2,073,373	5,544,155
Acquisition of subsidiaries	2,214	-	-	24,449	-	-	117,681	144,343
Additions	57,782	2,000	-	371,808	35,697	-	-	467,287
Disposals	-	(26,966)	-	-	-	-	-	(26,966)
Depreciation	(55,462)	-	(4 667)	(372,416)	(23,201)	-	-	(455,747)
Carrying amount 30 Sep 2022	333,053	21,224	114,695	2,343 863	77,918	591,266	2,191,054	5,673,072

	Fixtures and fittings	Land	Buildings	Right-of-use asset	Software	Trademarks	Goodwill	Total
Carrying amount 1 January 2021	301,400	24,966	-	2,262,555	58,030	387,573	1,617,731	4,652,255
Acquisition of subsidiaries	3,787	21,224	118,776	18,242	2	312,522	370,383	844,936
Additions	64,944	-	1,390	327,627	21,862	-	-	415,822
Disposals	-	-	-	-	-	-	-	-
Depreciation	(54,465)	-	(1,017)	(352,016)	(18,815)	-	-	(426,313)
Carrying amount 30 Sep 2021	315,665	46,190	119,149	2,256,408	61,079	700,095	1,988,114	5,486,700

Note 6 Financial instruments - fair value

Set out below is a comparison of the carrying amounts and fair values of financial assets and liabilities at 30 September 2022 and 31 December 2021:

Figures are stated in NOK 1,000

	30 September 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables				
Non-current receivables	36,682	36,682	28,391	28,391
Total	36,682	36,682	28,391	28,391
Financial liabilities				
Other financial liabilities				
Borrowings	1,092,970	1,092,970	1,096,521	1,096,521
Lease liabilities	1,917,489	1,917,489	1,913,555	1,913,555
Borrowings - overdraft and revolving credit facility	423,998	423,998	-	-
Current lease liabilities	523,962	523,962	490,164	490,164
Put option liability	290,069	290,069	246,528	246,528
Total	4,248,487	4,248,487	3,746,767	3,746,767
Financial instruments measured at fair value through profit and loss				
Derivatives - asset				
Interest rate swaps	85,666	85,666	37,676	37,676
Foreign exchange forward contracts	51,375	51,375	11,494	11,494
Total	137,041	137,041	49,169	49,169
Derivatives - liabilities				
Foreign exchange forward contracts	1,689	1,689	2,940	2,940
Total	1,689	1,689	2,940	2,940

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 2.6 million from its 20 per cent stake in the first nine months 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 Acquisition of subsidiary

Europris has acquired 67 per cent of Strikkemekka for NOK 88.4 million in cash, a transaction which was closed on 1 July 2022. 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.

The purchase price was NOK 88.4 million, based on equity value for 67 per cent, and Europris has a pre-emptive right to acquire the remaining shares in Strikkemekka. The excess value of the acquisition mainly relates to goodwill in the preliminary purchase price allocation. Strikkemekka was consolidated into the Europris group's financial statements as of 1 July 2022.

The remaining 33 per cent of Strikkemekka Holding AS is owned by the founder Eirik Fuglestad. Fuglestad is employed as CEO of Strikkemekka. Europris has a right and obligation to buy Fuglestad's share if Fuglestad'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 Fuglestad's share if he resigns, with a corresponding charge directly to shareholders equity. The liability shall be estimated at the present value of the redemption amount, which is estimated to the consideration to be paid if the employment is terminated at period end. In the statement of financial position, the liability is recognised separately as put option liability.

Note 9 Treasury shares

The number of treasury shares held by Europris ASA changed as follows in the period from 1 January to 30 September 2022.

Change in number of treasury shares

Treasury shares 1 January 2022	5,997,376
Sale of treasury shares to senior executives and directors	(59,113)
Treasury shares 30 September 2022	5,938,263

Average cost price for treasury shares are NOK 44.47.

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)	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
Total operating income	2,050	1,994	5,982	5,809	8,648
- Cost of goods sold	1,075	1,083	3,178	3,164	4,592
= Gross profit	975	911	2,804	2,644	4,056
Gross margin	47.6%	45.7%	46.9%	45.5%	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)	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
Employee benefits expense	348	309	925	886	1,230
+ Other operating expense	202	173	587	500	743
= OPEX	550	482	1,512	1,386	1,973
Opex-to-sales ratio	26.8%	24.2%	25.3%	23.9%	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)	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
Operating profit	272	286	836	832	1,512
+ Depreciation	154	143	456	426	571
= EBITDA	425	430	1,292	1,258	2,083
EBITDA margin	20.7%	21.5%	21.6%	21.7%	24.1%

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

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

(Amounts in NOK million)	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
Change in Inventory	(336)	(207)	(569)	(278)	(185)
Change in accounts receivable and other current receivables	(40)	(9)	(32)	21	(55)
Change in accounts payable and other current debt	165	166	(193)	(83)	101
= Net change in working capital	(211)	(50)	(793)	(339)	(139)

Capital expenditure

Capital expenditure (Capex) is the sum of purchases of fixed assets and intangible assets as used in the cash flow. Capex is a well-known and widely used term among the users of the financial statements and is a useful measure of investments made in the operations when evaluating the capital intensity.

(Amounts in NOK million)	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
Purchases of fixed assets	24	18	60	66	98
Purchases of intangible assets	10	8	36	22	32
= Capital expenditure	34	25	95	88	131

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	1,093	1,092
Current borrowings	383	-	5
Lease liabilities	1,917	1,850	1,914
= Financial debt	3,434	3,076	3,010

Cash and liquidity reserves

Cash 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	-	-	570
+ Total facilities	1,400	1,400	1,425
- Total drawn	(437)	(146)	(15)
= Cash and liquidity reserves	963	1,254	1,981

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)	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
Sales directly operated stores	1,727	1,756	5,131	5,184	7,438
Sales franchise stores	245	262	732	794	1,131
= Total chain sales	1,972	2,018	5,862	5,978	8,569

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 name.

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.



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

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

www.euopris.no

Europris
MER TIL OVERS