

Europ pris

MER TIL OVERS

Q1 2023



EUROPRIS ASA

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Highlights

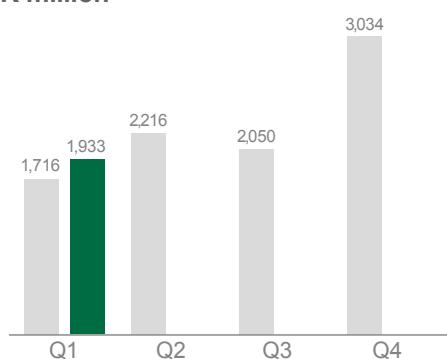
Europis continued its profitable growth journey

- Total sales of NOK 1,933 million, up 12.7 per cent
 - » Sales growth of 9.6 per cent excluding acquisition of Strikkemekka
 - » Like-for-like sales growth of 6.7 per cent for the Europis chain
 - » Positive effects from earlier Easter and hoarding at end-January
- Gross margin of 43.5 per cent (44.3 per cent)
 - » Increase in cost of goods sold (COGS) paired with intense price competition
 - » Positive unrealised effect from currency hedging (negative last year)
- Opex-to-sales ratio of 27.4 per cent (28.1 per cent)
 - » Opex up by 9.7 per cent, or 5.5 per cent excluding Strikkemekka
- EBITDA of NOK 311 million (278 million) and EBITDA margin of 16.1 per cent (16.2 per cent)
 - » Improvement reflected continued sales growth and cost containment
- Net profit of NOK 71 million (NOK 88 million) attributable to parent
 - » Negative effect from interest rate swaps of NOK 5 million (positive at NOK 30 million)
- Acquired remaining 33 per cent of Lekekassen for NOK 212 million
- Continued strong financial position, with cash and liquidity reserves of NOK 1,092 million (NOK 1,383 million)

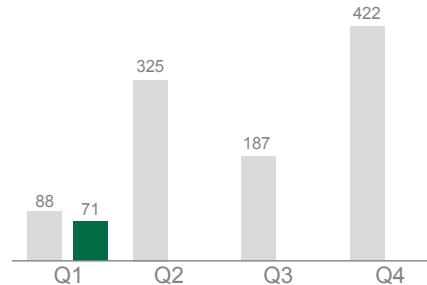
Figures for the corresponding period of the year before in brackets. The figures are unaudited.

See page 20 for definition of APMs.

**Total operating income,
NOK million**



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



Key figures

(Amounts in NOK million)	Q1 2023	Q1 2022	FY 2022
GROUP KEY INCOME STATEMENT FIGURES			
Retail sales	1,767	1,559	8,263
Wholesale sales	145	138	666
Other	21	19	87
Total operating income	1,933	1,716	9,016
% growth in total operating income	12.7%	(0.2%)	4.3%
Cost of goods sold	1,093	956	4,833
Gross profit	840	760	4,183
Gross margin	43.5%	44.3%	46.4%
Opex	529	482	2,132
Opex-to-sales ratio	27.4%	28.1%	23.6%
EBITDA	311	278	2,051
EBITDA margin	16.1%	16.2%	22.8%
EBIT (Operating profit)	145	126	1,440
EBIT margin (Operating profit margin)	7.5%	7.4%	16.0%
Net profit	71	89	1,042
Profit attributable to owners of the parent	71	88	1,020
Earnings per share (in NOK)	0.44	0.55	6.34
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES			
Net change in working capital	(462)	(598)	(374)
Capital expenditure	70	30	143
Financial debt*	4,107	3,531	3,627
Cash	-	-	464
Net debt	4,107	3,531	3,163
- Lease liabilities*	2,677	2,432	2,537
Net debt ex lease liabilities	1,430	1,100	626
Cash and liquidity reserves	1,092	1,383	1,896
CHAIN KEY FIGURES			
Total chain sales	1,815	1,672	8,586
% growth in total chain sales	8.5%	(5.9%)	0.2%
% growth in like-for-like chain sales	6.7%	(6.7%)	(1.1%)
Total number of chain stores at end of period	278	271	276
- Directly operated stores	253	244	249
- Franchise stores	25	27	27

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

* From the first quarter of 2023 lease liabilities include both non-current and current lease liabilities, and last year figures are restated to also include current lease liabilities.

Period review

Europris is satisfied with its performance in the first quarter. The chain demonstrated the relevance of its campaign-driven low-price model and managed to deliver solid like-for-like sales growth in a tough retail environment. Direct comparison with last year is not straightforward. An earlier Easter and hoarding in the last part of January ahead of anticipated price hikes had positive effects. On the other hand, sales in the first half of the same quarter last year were positively affected by Covid-19 restrictions.

Intense attention has been paid to prices, especially for consumables, in the media and among consumers. This has been positive for a concept such as Europris. Media coverage ahead of expected price increases in grocery stores from 1 February led to hoarding, which affected sales positively in the latter part of January. On the other hand, fierce price competition has been seen both generally and for seasonal Easter items in particular, and had a negative effect on the gross margin.

Sales performance

Group sales in the first quarter came to NOK 1,933 million, an increase of 12.7 per cent. This rise was 9.6 per cent when structural growth from the acquisition of Strikkemekka is excluded.

The Europris chain had a like-for-like sales growth of 6.7 per cent, with the timing of Easter and one extra sales day making positive contributions. Europris deliberately concentrated on everyday consumables in its marketing leaflet, combined with strong campaigns. This paid off, with higher footfall in stores and sales growth. The chain also experienced growth for non-food items, although this was not as strong as for consumables. The size of the average basket increased, with a higher average price per item more than offsetting a smaller number of articles in the basket.

Market data covering total retail, groceries and variety retail for the year to March had not been made available when this report was prepared and have therefore not been included. Shopping centres saw 5.8 per cent growth (Kvarud Analyse shopping centre index) year to March, compared with a total increase of 8.5 per cent for the Europris chain.

Operational review

Concept and category development

Delivering strong campaigns to customers is a vital part of the Europris concept. Attention in the prevailing market conditions has been on ensuring a high level

of campaign activity for everyday consumables – an important driver of footfall to stores. Seasons are also an important driver of footfall and sales, and turnover ahead of Easter had a positive impact in the first quarter.

Europris devotes continuous attention to improving the customer experience in order to drive sales. One tool in this respect is category upgrades. The laundry and cleaning category was upgraded during the first quarter, with a modernisation of the shop-in-shop layout and expression in addition to the introduction of sales-promoting elements which have proved successful in other category upgrades. The category performed well in the quarter, with growth above the chain average.

E-CRM

The Mer customer club continues to recruit members, with 1.3 million people signed up at 31 March. This represented increases of five per cent from 31 December 2022 and 21 per cent from a year earlier.

Use of social media locally by the stores has led to an increase in number of viewings on these platforms. Europris has insourced programmatic advertising in order to operate more cost-efficiently and to be more agile.

Targeted activities and initiatives have been implemented with customers that have changed behaviour in terms of shopping frequency and/or recency, by “nudging” towards more frequent shopping. Personalised product recommendations are being tested on a small scale as a learning exercise. Enrichment of customer data is part of the strategy for improving communication by making it more relevant.

E-commerce

With Europris.no, attention is concentrated on providing customers with the information they need, starting them on their customer journey and attracting them to the stores. The group continues to optimise the range available for online shopping, and only selected categories will be available for purchase online in the

future. The main delivery option will be click and collect in stores, with fewer items available for home deliveries. This should support store footfall.

The Lekekassen group reported sales growth in the first quarter after strong progress in Sweden and Denmark. With a tough market in Norway, sales fell behind last year owing to reduced traffic to the site. The Strikkemekka group also increased sales in the first quarter, with higher purchases for the yarn business in Norway and entry into the Swedish and Danish markets.

Total e-commerce sales for the group grew by 60 per cent in the first quarter. Adjusted for the acquisition of Strikkemekka, growth was 11 per cent.

NOK million	Q1 2023	Q1 2022	Change
E-com sales*	165	103	+60%
Percentage of total group sales	8.5%	6.0%	2.5%-p

** Europris online sales and sales from pure play online companies (the Lekekassen group, the Strikkemekka group and Lunehjem). Note: Strikkemekka was consolidated from July 2022.*

Acquisition of remaining 33 per cent of Lekekassen

Europris exercised the option to acquire the remaining 33 per cent of Lekekassen for NOK 212 million, which was paid in the first quarter. The group thereby owns this business 100 per cent for a total investment of NOK 713 million, including the acquisition of the first 67 per cent in 2021.

The option was exercised following the resignation of Andreas Skalleberg, the founder and CEO of Lekekassen. He will remain CEO to the end of September 2023 and will remain an adviser to the company throughout 2024. Severin Baugstø Hanssen will succeed Skalleberg as CEO. He joined Lekekassen in December 2021 as chief operating officer with a plan to develop as a successor to Skalleberg. The remaining core management of Lekekassen will continue in their current roles.

Store estate

Europris opened two new stores during the first quarter – one at Froland in Agder county and the other a city store at Grensen in Oslo. The latter is the fourth city store in the chain. Centrally located in downtown Oslo, it will be an important location for continued testing of

this concept. Europris sees a potential for more stores in the Oslo area, and city stores may play an important part in this. At 31 March, the chain had a total of 278 stores. Of these, 253 were directly operated and 25 were franchises.

Europris has a healthy pipeline of new stores, and the board has approved an additional nine for 2023 and beyond. Three of the planned new stores are subject to a planning permission process.

New stores opened in 2023

Month	Store	County
January	Froland	Agder
March	Grensen – city store	Oslo

Europris continuously pays attention to the health of the store portfolio. Two stores were relocated during the first quarter, one was expanded and three were modernised.

Organisation

All store managers attended two full days of various forms of training in the first quarter, including preparation for the important spring/summer season. The combined strategy and leadership programme for around 60 managers which began in 2021 has continued. This aims to ensure a leadership culture which contributes to relevant innovation. Attention in 2023 will be devoted to implementing Europris' recently launched leadership principles, combined with how to develop the business model in order to stay relevant in the future. Special attention is being given to strengthening Europris as an important contributor to the local communities it forms part of.

Sickness absence for the group was 8.8 per cent in the first quarter, a decline of 2.7 percentage points. Great attention has been paid by the group to reducing sickness absence over the past year. The bulk of the reduction reflected fewer short-term absences. Greater absences in 2022 reflected the impact of Covid-19 that year.

Sickness absence	Q1 2023	Q1 2022
Group	8.8%	11.5%

Two lost-time injuries were recorded during the quarter. While neither of the accidents caused serious injury, both led to longer-term absence. The two cases have been reviewed and measures taken to avoid similar accidents.

Upgrade of the IT platform

Europis' IT platform is on a modernisation journey, and the group went live with its ERP upgrade in February after two years of planning and preparation. The project was very well run and delivered on time, at 20 per cent below budget with a total investment of NOK 17 million. There were no unplanned disturbances to operations, either during the project phase or after going live.

The group is currently building a new data warehouse, a process which will continue over the coming years. A project to modernise point-of-sale technology in the stores is also ongoing, involving changes to both software and hardware. This will ensure a modern technological platform and provide flexibility for additional functionality in the future. The pilot phase is due to kick off in the second quarter of this year, with completion planned for the first half of 2024. The next step on this technological journey will be to upgrade the accounting and reporting system. Mapping of processes has started, and the project is expected to be finalised in 2025.



Financial review

Profit and loss – first quarter

Total operating income for the first quarter amounted to NOK 1,933 million (NOK 1,716 million), up by 12.7 per cent year-on-year. Excluding the acquisition of the Strikkemekka group, the increase was 9.6 per cent. The chain had a like-for-like increase of 6.7 per cent. An earlier Easter and hoarding at the end of January affected sales positively. The quarter had one more sales day than in 2022.

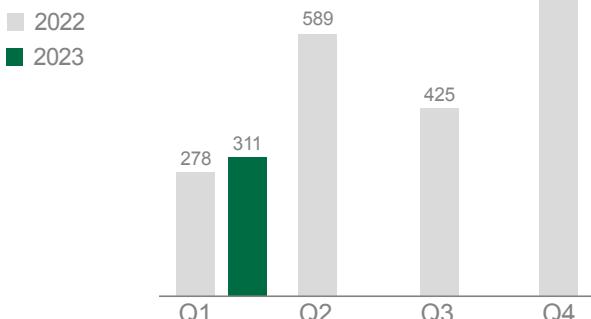
Gross profit came to NOK 840 million (NOK 760 million). The gross margin was 43.5 per cent (44.3 per cent). The lower gross margin reflects increased input costs combined with price pressure and promotions in the market. The group recognised a net unrealised gain of NOK 5 million on hedging contracts and accounts payable, compared with a loss of NOK 5 million in the same quarter of last year.

Previously, the group has followed the principle of reporting the calculated gross margin for the stores and adjusting for any calculation differences during the annual stocktaking in the third and fourth quarters. With effect from the first quarter of this year, calculation differences are booked in the same quarter as they occur. The group thereby booked a positive effect of NOK 15 million in calculation differences for the first quarter.

Operating expenditure (Opex) was NOK 529 million in the first quarter (NOK 482 million), up by 9.7 per cent. Excluding the acquisition of the Strikkemekka group, the increase was 5.5 per cent. This rise reflected a growth from 244 to 253 directly operated stores as well as inflation. Opex amounted to 27.4 per cent of total operating income for the group (28.1 per cent).

EBITDA was NOK 311 million in the first quarter (NOK 278 million), up by NOK 34 million or 12.2 per cent.

EBITDA, NOK million



The group recognised a net unrealised loss on interest swaps, which amounted to NOK 5 million for the quarter (gain of NOK 30 million).

Net profit for the first quarter was NOK 71 million (NOK 89 million). Net profit attributable to the owners of the parent company was NOK 71 million (NOK 88 million).

Cash flow

Net change in working capital was negative at NOK 462 million (negative at NOK 598 million). Last year, working capital was negatively affected by earlier shipment of goods.

Capital expenditure was NOK 70 million (NOK 30 million). The increase related mainly to the expansion of the central warehouse in Moss.

The group has acquired the remaining 33 per cent of Lekekassen for NOK 212 million, which was paid in the first quarter.

Financial position and liquidity

Financial debt at 31 March 2023 was NOK 4,107 million (NOK 3,531 million). Adjusted for lease liabilities, financial debt amounted to NOK 1,430 million (NOK 1,100 million).

Net debt at 31 March 2023 was NOK 4,107 million (NOK 3,531 million). Adjusted for lease liabilities, net debt came to NOK 1,430 million (NOK 1,100 million).

Cash and liquidity reserves for the group at 31 March 2023 amounted to NOK 1,092 million (NOK 1,383 million).

Outlook

An earlier Easter had a positive effect on sales for the first quarter and will have a correspondingly negative timing effect in the second quarter. Sales progress for the Europris chain to 25 April, which eliminates the timing effect of Easter, showed a growth of 4.1 per cent.

While it is still too early to evaluate the summer season, the group expects to see a small appetite for investment purchases and has planned accordingly by ordering lower volumes of high-value items. These products account for only a smaller part of sales, since a mere seven per cent of chain sales had a price point above NOK 1,000 in the second quarter of last year.

The attention being paid to pricing has never been higher, and daily media coverage on this topic has become the new normal. As a low-price retailer, Europris devotes constant attention to price levels and thrives in such an environment. Despite tough times, the prevailing conditions are thereby positive for a concept like Europris, where its low prices are paired with strong campaigns.

The group will continue to concentrate attention on everyday consumables and affordable seasonal products. Europris has attracted new customers in recent years, and its concept has proved to generate footfall. The board is confident that the group will retain its relevance for consumers in the time ahead.

Fredrikstad, 26 April 2023
THE BOARD OF DIRECTORS OF EUROPRIS ASA

EUROPRIS ASA

Q1 2023

Interim condensed consolidated statement of profit and loss

Figures are stated in NOK 1,000

	Notes	Q1 2023	Q1 2022	FY 2022
		Unaudited	Unaudited	Audited
Total operating income		1,932,691	1,715,566	9,015,766
Cost of goods sold		1,092,582	956,053	4,832,783
Employee benefit expenses		335,001	306,716	1,295,131
Depreciation	5	166,272	151,119	611,035
Other operating expenses		193,655	175,243	836,461
Operating profit		145,181	126,435	1,440,356
Net financial income (expense)		(43,751)	(862)	(107,394)
Profit (loss) from associated companies	7	(7,915)	(9,226)	4,047
Profit before tax		93,515	116,346	1,337,009
Income tax expense		22,315	27,626	295,153
Profit for the period		71,201	88,720	1,041,856
Profit attributable to non-controlling interests		189	1,021	21,887
Profit attributable to owners of the parent		71,012	87,699	1,019,969
Interim condensed consolidated statement of comprehensive income				
Profit for the period		71,201	88,720	1,041,856
Total comprehensive income		71,201	88,720	1,041,856
Profit attributable to non-controlling interests		189	1,021	21,887
Profit attributable to owners of the parent		71,012	87,699	1,019,969

Interim condensed consolidated statement of financial position

Figures are stated in NOK 1,000	Notes	31 Mar 2023	31 Mar 2022	31 Dec 2022
		Unaudited	Unaudited	Audited
ASSETS				
Total intangible assets	5	2,877,760	2,732,237	2,875,288
Total fixed assets	5	3,080,754	2,812,759	2,906,989
Total financial assets	6,7	234,010	224,773	246,617
Total non-current assets		6,192,524	5,769,769	6,028,893
Inventories		2,499,389	2,350,732	2,383,837
Trade receivables		157,956	145,801	215,175
Other receivables	6	101,585	93,643	132,863
Cash		-	-	464,488
Total current assets		2,758,929	2,590,176	3,196,363
Total assets		8,951,453	8,359,945	9,225,256
EQUITY AND LIABILITIES				
Total paid-in capital	9	234,738	233,342	234,738
Total retained equity		3,075,425	2,474,424	2,725,783
Total shareholders' equity		3,310,163	2,707,766	2,960,521
Non-controlling interests		50,726	253,357	322,082
Total equity		3,360,889	2,961,123	3,282,603
Provisions		79,580	79,898	57,622
Borrowings	6	1,083,918	1,089,032	1,085,349
Lease liabilities	6	2,094,547	1,911,869	2,015,033
Total non-current liabilities		3,258,045	3,080,799	3,158,004
Borrowings	6	345,911	10,868	5,000
Current lease liabilities	6	582,678	519,632	521,958
Accounts payable		645,229	780,811	876,419
Tax payable		120,381	183,216	291,305
Public duties payable		226,297	210,788	393,683
Put option liability	6	43,541	246,528	281,221
Other current liabilities	6	368,481	366,179	415,063
Total current liabilities		2,332,519	2,318,023	2,784,650
Total liabilities		5,590,564	5,398,823	5,942,654
Total equity and liabilities		8,951,453	8,359,945	9,225,256

Fredrikstad, 26 April 2023
THE BOARD OF DIRECTORS OF EUROPRA ASA

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
At 1 January 2023	166,969	(5,938)	51,652	22,054	2,725,784	2,960,521	322,082	3,282,603
Profit for the period	-	-	-	-	71,012	71,012	189	71,201
Dividend	-	-	-	-	-	-	(19,800)	(19,800)
Changes of non-controlling interests on acquisition of subsidiary	-	-	-	-	278,000	278,000	(252,054)	25,946
Translation differences	-	-	-	-	630	630	309	939
Other comprehensive income	-	-	-	-	-	-	-	-
At 31 March 2023	166,969	(5,938)	51,652	22,054	3,075,426	3,310,163	50,726	3,360,889
(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
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	-	-	-	-	87,699	87,699	1,021	88,720
Dividend	-	-	-	-	-	-	(16,500)	(16,500)
Translation differences	-	-	-	-	21	21	156	177
Other comprehensive income	-	-	-	-	-	-	-	-
At 31 March 2022	166,969	(5,997)	51,652	20,718	2,474,424	2,707,766	253,357	2,961,123
(unaudited)								

Interim condensed consolidated statement of cash flows

Figures are stated in NOK 1,000

	Notes	Q1 2023	Q1 2022	FY 2022
		Unaudited	Unaudited	Audited
Cash flows from operating activities				
Profit before income tax		93,515	116,346	1,337,009
Adjusted for:				
Depreciation of fixed and intangible assets	5	166,272	151,119	611,035
Loss on sale of fixed assets		-	945	945
Profit/loss from associated companies		7,915	9,226	(4,047)
Changes in net working capital		(462,264)	(597,871)	(374,048)
Income tax paid		(171,407)	(113,604)	(323,191)
Net cash generated from operating activities		(365,968)	(433,839)	1,247,703
Cash flows from investing activities				
Proceeds from sale of fixed assets		-	26,021	26,021
Purchases of fixed and intangible assets	5	(70,448)	(29,760)	(142,677)
Acquisition		(216,598)	637	(92,351)
Net cash used in investing activities		(287,046)	(3,102)	(209,007)
Cash flows from financing activities				
Net change RCF (Revolving Credit Facility)		310,000	-	-
Repayment of debt to financial institutions		(1,250)	(1,250)	(5,000)
Principal paid on lease liabilities		(131,335)	(121,463)	(482,008)
Dividend		-	-	(643,886)
Buy-back of treasury shares		-	-	2,900
Dividends paid to non-controlling interests in subsidiaries		(19,800)	(16,500)	(16,500)
Net cash from financing activities		157,615	(139,213)	(1,144,494)
Net increase (decrease) in cash		(495,399)	(576,154)	(105,798)
Cash at beginning of period		464,488	570,286	570,286
Cash at end of period		(30,911)	(5,868)	464,488

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 2023 were authorised for issue by the board on 26 April 2023.

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 2023 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 2022.

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 2022. New standards and interpretations effective at 1 January 2023 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 2022.

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 2023	338,070	21,225	113,230	2,434,465	92,967	591,267	2,191,053	5,782,277
Acquisition of subsidiaries	348	-	-	-	-	-	324	672
Additions	59,006	-	701	271,389	10,741	-	-	341,837
Disposals	-	-	-	-	-	-	-	-
Depreciation	(19,427)	-	(1,556)	(136,697)	(8,593)	-	-	(166,273)
Carrying amount 31 March 2023	377,998	21,225	112,375	2,569,157	95,115	591,267	2,191,377	5,958,513

	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	-	-	-	-	-	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)
Carrying amount 31 March 2022	330,016	21,224	117,806	2,343,712	66,597	591,267	2,074,373	5,544,996

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 2023 and 31 December 2022:

Figures are stated in NOK 1,000	31 March 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables				
Non-current receivables	36,631	36,631	36,651	36,651
Total	36,631	36,631	36,651	36,651
Financial liabilities				
Other financial liabilities				
Borrowings	1,083,918	1,083,918	1,085,349	1,085,349
First year instalment non-current debt	5,000	5,000	5,000	5,000
Borrowings - overdraft and revolving credit facility	340,911	340,911	-	-
Lease liabilities	2,094,547	2,094,547	2,015,033	2,015,033
Current lease liabilities	582,678	582,678	521,958	521,958
Put option liability	43,541	43,541	281,221	281,221
Total	4,150,595	4,150,595	3,908,561	3,908,561
Financial instruments measured at fair value through profit and loss				
Derivatives - asset				
Interest rate swaps	71,995	71,995	76,667	76,667
Foreign exchange forward contracts	9,257	9,257	4,725	4,725
Total	81,252	81,252	81,392	81,392
Derivatives - liabilities				
Foreign exchange forward contracts	6,169	6,169	8,973	8,973
Total	6,169	6,169	8,973	8,973

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 92 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 7.9 million from its 20 per cent stake in 2023.

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

On 30 June 2021, the group acquired 67 per cent of Lekekassen Holding AS (Lekekassen) – Norway's largest player in online shopping for toys. Through this acquisition, Europris entered a strategically important product category and strengthened its expertise in e-commerce. The purchase price was NOK 501 million, and Europris had a pre-emptive right to acquire the remaining shares in Lekekassen. The excess value of the acquisition was related to buildings, trademark and goodwill in the purchase price allocation. Lekekassen was consolidated into the Europris group's financial statements as of 1 August 2021.

On 28 March 2023, the group acquired the remaining 33 per cent of the shares in Lekekassen for a purchase price of NOK 212 million. Following the resignation from the CEO of Lekekassen, Andreas Skalleberg, the remaining shares were purchased from his company Andrino Invest AS. Consequently the put option liability which was recognised for Europris' obligation to purchase these shares, with a corresponding charge directly to shareholders equity, has been reversed.

Note 9 Treasury shares

The number of treasury shares held by Europris ASA changed as follows in the period from 1 January to 31 March 2023.

Change in number of treasury shares

Treasury shares 1 January 2023	5,938,263
Sale/buy-back of treasury shares	-
Treasury shares 31 March 2023	5,938,263

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 2023	Q1 2022	FY 2022
Total operating income	1,933	1,716	9,016
- Cost of goods sold	1,093	956	4,833
= Gross profit	840	760	4,183
Gross margin	43.5%	44.3%	46.4%

Opex

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

(Amounts in NOK million)	Q1 2023	Q1 2022	FY 2022
Employee benefits expense	335	307	1,295
+ Other operating expenses	194	175	836
= Opex	529	482	2,132
Opex-to-sales ratio	27.4%	28.1%	23.6%

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 amorti-

sation 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 2023	Q1 2022	FY 2022
Operating profit	145	126	1,440
+ Depreciation	166	151	611
= EBITDA	311	278	2,051
EBITDA margin	16.1%	16.2%	22.8%

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)	Q1 2023	Q1 2022	FY 2022
Change in Inventory	(103)	(349)	(345)
Change in accounts receivable and other current receivables	94	54	(61)
Change in accounts payable and other current debt	(454)	(303)	32
= Net change in working capital	(462)	(598)	(375)

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 2023	Q1 2022	FY 2022
Purchases of fixed assets	60	21	85
Purchases of intangible assets	11	9	58
= Capital expenditure	70	30	143

Financial debt

Financial debt is the sum of borrowings and lease liabilities. From the first quarter of 2023 lease liabilities include both non-current and current lease liabilities, and last year figures are restated to also include current lease liabilities. Financial debt is useful to see total debt as defined by IFRS.

(Amounts in NOK million)	Q1 2023	Q1 2022	FY 2022
Borrowings	1,084	1,089	1,085
Current borrowings	346	11	5
Lease liabilities	2,095	1,912	2,015
Current lease liabilities	583	520	522
= Financial debt	4,107	3,531	3,627

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)	Q1 2023	Q1 2022	FY 2022
Cash	-	-	464
+ Total facilities	1,435	1,400	1,435
- Total drawn	(343)	(17)	(3)
= Cash and liquidity reserves	1,092	1,383	1,896

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 2023	Q1 2022	FY 2022
Sales directly operated stores	1,612	1,467	7,519
Sales franchise stores	203	205	1,066
= Total chain sales	1,815	1,672	8,586

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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