

Europris
MER TIL OVERS

Q2 2023



EUROPRIAS ASA

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Highlights

Continued sales growth in a competitive market

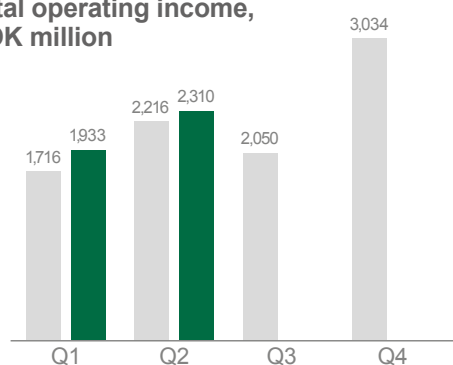
- Total sales of NOK 2,310 million, up 4.3 per cent
 - » Sales growth of 2.7 per cent excluding acquisition of Strikkemekka
 - » Like-for-like sales growth of 1.1 per cent for the Europris chain
 - » Negative effects from earlier Easter and a slow start to the quarter
- Gross margin of 44.5 per cent (48.2 per cent)
 - » Increase in cost of goods sold (COGS) and price competition for consumables
 - » Negative unrealised effect of NOK 8 million from currency hedging (positive at NOK 20 million)
- Opex-to-sales ratio of 21.5 per cent (21.7 per cent)
 - » Opex up by 3.6 per cent, or 0.1 per cent excluding acquisition of Strikkemekka
 - » Variable cost elements reduced in line with lower volumes
- EBITDA of NOK 531 million (589 million) and EBITDA margin of 23 per cent (26.6 per cent)
- Net profit of NOK 260 million (NOK 325 million) attributable to parent
 - » Positive effect of NOK 22 million from interest-rate swaps (positive at NOK 12 million)
- Refinancing completed 30 June (3+1+1-year facility arrangement)

First half 2023

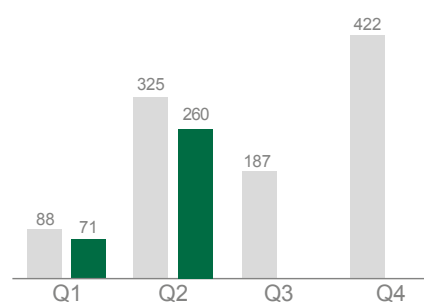
- Total sales of NOK 4,243 million (NOK 3,932 million), a 7.9 per cent increase
 - » Sales growth of 5.7 per cent excluding acquisition of Strikkemekka
- Gross margin of 44 per cent (46.5 per cent)
 - » Increase in cost of goods sold (COGS) and price competition for consumables
 - » Negative unrealised effect of NOK 3 million from currency hedging (positive at NOK 14 million)
- Opex-to-sales ratio of 24.2 per cent (24.5 per cent)
 - » Increase in Opex of 6.7 per cent, or 2.8 per cent excluding acquisition of Strikkemekka
- EBITDA of NOK 842 million (NOK 866 million) and EBITDA margin of 19.9 per cent (22 per cent)
- Net profit of NOK 331 million (NOK 413 million) attributable to parent
 - » Positive effect from interest-rate swaps of NOK 17 million (positive at NOK 42 million)
- Earnings per share of NOK 2.05 (NOK 2.57)
- Continued strong financial position, with cash and liquidity reserves of NOK 1,005 million (NOK 1,000 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**



■ 2022 ■ 2023

Key figures

(Amounts in NOK million)

	Q2 2023	Q2 2022	YTD 2023	YTD 2022	FY 2022
GROUP KEY INCOME STATEMENT FIGURES					
Retail sales	2,142	2,030	3,908	3,588	8,263
Wholesale sales	145	164	290	303	666
Other	23	22	44	41	87
Total operating income	2,310	2,216	4,243	3,932	9,016
% growth in total operating income	4.3%	5.7%	7.9%	3.1%	4.3%
Cost of goods sold	1,282	1,147	2,375	2,103	4,833
Gross profit	1,028	1,069	1,869	1,829	4,183
Gross margin	44.5%	48.2%	44.0%	46.5%	46.4%
Opex	497	480	1,026	962	2,132
Opex-to-sales ratio	21.5%	21.7%	24.2%	24.5%	23.6%
EBITDA	531	589	842	866	2,051
EBITDA margin	23.0%	26.6%	19.9%	22.0%	22.8%
EBIT (Operating profit)	362	438	507	564	1,440
EBIT margin (Operating profit margin)	15.7%	19.8%	12.0%	14.4%	16.0%
Net profit	259	328	330	417	1,042
Profit attributable to owners of the parent	260	325	331	413	1,020
Earnings per share (in NOK)	1.61	2.02	2.05	2.57	6.34
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES					
Net change in working capital	195	15	(267)	(583)	(374)
Capital expenditure	23	32	94	62	143
Financial debt*	4,251	3,954	4,251	3,954	3,627
Cash	-	-	-	-	464
Net debt	4,251	3,954	4,251	3,954	3,163
- Lease liabilities*	2,634	2,479	2,634	2,479	2,537
Net debt ex lease liabilities	1,617	1,475	1,617	1,475	626
Cash and liquidity reserves	1,005	1,000	1,005	1,000	1,896
CHAIN KEY FIGURES					
Total chain sales	2,277	2,218	4,092	3,890	8,586
% growth in total chain sales	2.7%	1.6%	5.2%	(1.8%)	0.2%
% growth in like-for-like chain sales	1.1%	0.5%	3.5%	(2.7%)	(1.1%)
Total number of chain stores at end of period	280	274	280	274	276
- Directly operated stores	255	247	255	247	249
- Franchise stores	25	27	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 delivered sales growth in a competitive market during the second quarter. As expected, the gross margin fell from a record level in the same period of last year, but was still above the pre-pandemic level. The lower gross margin yielded a decline in profits, but the group is satisfied with the performance and with the improvements maintained during recent years. After a slow start to the period in April, both sales and gross margin improved during May and June.

The consumer attention given to prices was intense in the first quarter, especially for consumables, and this continued into the second quarter. The fact that consumers are becoming more price-conscious is generally beneficial for the Europris concept where sales are concerned. However, the fierce price competition in the market has a negative effect on the gross margin. The price pressure began to ease from May as the market started to adjust selling prices to reflect the increased purchase prices, especially for consumables.

As expected, consumers remain cautious about investment purchases. While total chain sales increased by 2.7 per cent (up 1.6 per cent), seasonal items with a price point above NOK 1,000 saw a sales decline of 3.9 per cent (down 25.1 per cent). These items only constituted 6.6 per cent of total sales (seven per cent) in the second quarter. The group had planned for this development and had adjusted purchase orders accordingly. The inventory level is normalised, with the value and volume of seasonal summer products well below last year. The seasonal sales volumes were supported by campaigns which had a somewhat negative effect on the gross margin. In addition, seasonal summer carry-overs from last year were burdened by the cost of the old freight agreement.

Sales performance

Second quarter

Group sales in the second quarter came to NOK 2,310 million, an increase of 4.3 per cent. Growth was 2.7 per cent when the structural effect of acquiring Strikkemekka is excluded.

The Europris chain had a total sales growth of 2.7 per cent and like-for-like growth of 1.1 per cent, with the timing of Easter and one less sales day having a negative effect compared with the same period of last year. Sales improved in May and June after a slow

start to the quarter in April. Growth in sales was higher for consumables than for non-food categories, and the share of consumables in total sales increased slightly. While footfall to the stores was negatively affected by the timing of Easter in April, it increased in May and June. Basket value rose slightly, since a higher average price per item offset a smaller number of articles.

First half

Group sales in the first half came to NOK 4,243 million, an increase of 7.9 per cent. Growth was 5.7 per cent when the structural effect of acquiring Strikkemekka is excluded. The Europris chain had a like-for-like sales growth of 3.5 per cent.

Market data covering total retail, groceries and variety retail for the year to June was not available when this report was prepared, and the table below presents information to 31 May. Note that there was one less sales day in the year to 31 May 2023 than in 2022. Groceries showed the highest increase, at 6.6 per cent, while the growth rate of 3.9 per cent for the Europris chain exceeded that reported for total retail, variety retail and shopping centres. Note that growth figures in 2022 were influenced by the Covid-19 pandemic.

Sales growth to 31 May***	2023	2022
Virke: total retail*	1.0%	4.0%
Virke: groceries*	6.6%	(6.7%)
Virke: variety retail*	2.3%	6.4%
Kvarud shopping centre index**	3.2%	14.7%
Europris chain	3.9%	0.1%

* 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

Operational review

Concept and category development

Category management and continuous category upgrades drive sales, and it is rewarding to see that recently upgraded categories show above-average sales growth. Laundry and cleaning, which were upgraded at the end of the first quarter of this year, made the strongest progress in the second quarter, followed by DIY (upgraded in Q3 2022) and pet food and accessories (upgraded in Q1 2022). Toys also showed good progress after the upgrade in the fourth quarter of last year.

Seasons also continue to be an important driver of footfall and sales and, although the timing of Easter had a negative impact in the second quarter of this year, the summer season has performed as planned. As expected, consumer appetite has not been strong for higher-value seasonal items like garden furniture, trampolines and spas, and the organisation has therefore devoted its efforts to boost sales of lower-value seasonal items and accessories, such as inflatable toys, soil, bark, fertilisers, seeds, garden tools and parasols. Sales in these product areas increased from last year.

E-CRM

The Mer customer club now has more than 1.3 million members, up from 1.1 million at 30 June last year. Europris continues to focus on personalised information when targeting its Mer members. Members living in flats or houses, for instance, have received differentiated digital newsletters for the summer season. More relevant communication and marketing increase both opening and click rates.

The group is testing other formats for digital advertising in order to reach customers not members of the customer club as well, and cooperation with Snapchat during the summer season resulted in a broader reach.

E-commerce

Total e-commerce sales for the group grew by 20 per cent in the second quarter. Adjusted for the acquisition of Strikkemekka, e-commerce sales declined by 2.6 per cent.

The Lekekassen group reported sales growth in the second quarter after continued good progress in Sweden and Denmark. Norway continued to be

challenging and sales fell behind last year, but the decline was smaller than in the first quarter. The Strikkemekka group saw sales decline in the second quarter as a result of lower yarn sales in Norway.

The product range available for online shopping at Europris.no has been narrowed on the basis of customer sales and search history. Categories prioritised for online shopping now include carpets and home textiles, candles, and interior and kitchen, in addition to seasonal ranges in travel, sport and leisure, and house and garden. The majority of the range in these categories will be made available for shopping online.

NOK million	Q2 2023	Q2 2022	Change
E-com sales*	176	147	+20%
Percentage of total group sales	7.6%	6.6%	1.0%-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.

Store estate

Europris opened two new stores during the second quarter – one at Dombås and one in Hamar, both in Innlandet county. At 30 June, the chain had a total of 280 stores, including 255 directly operated and 25 franchises. This count includes the store at Melhus, which has been closed since the end of January owing to an accident. It is too early to say when, or if, it may reopen.

Europris has a healthy pipeline of new stores. The board has approved an additional seven for 2023 and beyond, with three of the planned new stores subject to a planning permission process.

New stores opened in 2023

Month	Store	County
January	Froland	Agder
March	Grensens – city store	Oslo
June	Dombås	Innlandet
June	Hamar	Innlandet

Europris continuously pays close attention to the health of the store portfolio and its attractiveness to customers. Two stores were relocated during the second quarter and three were modernised.

Organisation

Sustainability

Europris continues to strengthen the attention it devotes to sustainability and has established two new posts in addition to the two existing positions.

Europris has decided to replace fossil fuel with green biofuel for deep sea shipping between Asia and Europe, which will reduce these emissions by 90 per cent.

Measures to improve the recycling rate in stores and at head office have been implemented, with an increase in the recycling rate compared with the same time last year.

During the second quarter, representatives from the supply chain management visited the sourcing office in Shanghai, and a project to reduce waste from packaging was initiated.

Training of employees

All employees carried out mandatory training ahead of the summer season. The virtual training programme focused on the important summer season, with attention given to accessories rather than the higher-value items, a strategy which has served well in the current retail environment.

All regions have appointed mentors to assist regional managers in training and coaching other store managers. A full day was dedicated to preparing mentors ahead of a management programme which will be rolled out to all store managers during the autumn.

Health and safety

Sickness absence for the group was 7.8 per cent year to 30 June, a decline of 2 percentage points. Great attention has been paid by the group to reducing sickness absence over the past year. The reduction encompassed a decline in both short-term and long-term absences. Short-term absences in 2022 reflected the impact of Covid-19 in that year.

Sickness absence	2023	2022
Group	7.8%	9.8%

One lost-time injury was recorded during the quarter, bringing the total to three in the year to 30 June. Preventive measures to avoid this type of accident have been implemented.

Refinancing

Europris' previous financing structure was due to expire in January 2024. On 30 June 2023, Europris completed a refinancing with its three current banks – DNB, Nordea and Danske Bank. The agreement has a 3 + 1 + 1-year structure. The term loan of NOK 1 billion and the revolving credit facility of NOK 1.2 billion have been retained, while the overdraft facility has been increased from NOK 200 million to NOK 300 million.



Financial review

Profit and loss – second quarter

Total operating income for the second quarter amounted to NOK 2,310 million (NOK 2,216 million), up by 4.3 per cent year-on-year. Excluding the acquisition of the Strikkemekka group, sales increased by 2.7 per cent. The chain had like-for-like growth of 1.1 per cent. An earlier Easter and a slow start to the quarter in April affected sales negatively. The quarter also had one less sales day than the same period of last year.

Gross profit came to NOK 1,028 million (NOK 1,069 million), with a gross margin of 44.5 per cent compared to the strong gross margin of 48.2 per cent last year. The lower gross margin reflects higher input costs combined with tough price competition in the market. Seasonal carry-overs from last year's summer period also affected the gross margin negatively, reflecting higher costs in the old freight agreement and campaign activities to support sales volumes. The group recognised a net unrealised loss of NOK 8 million on hedging contracts and accounts payable (gain of NOK 20 million).

Last year, the group reported the calculated gross margin for the stores and adjusted for calculation differences during the annual stocktaking in the third and fourth quarters. With effect from the first quarter of this year, these calculation differences are booked in the same quarter as they occur, and the group booked a positive effect of NOK 20 million in calculation differences for the second quarter.

Operating expenditure (Opex) was NOK 497 million in the second quarter (NOK 480 million), up by 3.6 per cent and by a marginal 0.1 per cent excluding the acquisition of the Strikkemekka group. Opex amounted to 21.5 per cent of total operating income for the group

(21.7 per cent). A reduction of variable cost elements in line with the volume decline and lower costs for transport to the stores had a positive impact on Opex development. The number of directly operated stores increased from 247 to 255.

EBITDA was NOK 531 million (NOK 589 million), down by NOK 58 million or 9.8 per cent. The EBITDA margin was 23 per cent (26.6 per cent).

The group recognised a net unrealised profit on interest-rate swaps amounting to NOK 22 million for the quarter (unrealised profit of NOK 12 million).

Net profit for the second quarter of 2023 was NOK 259 million (NOK 328 million). Net profit attributable to owners of the parent company was NOK 260 million (NOK 325 million).

Profit and loss – first half

Total operating income for the first half of 2023 amounted to NOK 4,243 million (NOK 3,932 million), an increase of 7.9 per cent. Excluding the acquisition of the Strikkemekka group, sales increased by 5.7 per cent, and the chain saw a like-for-like sales increase of 3.5 per cent.

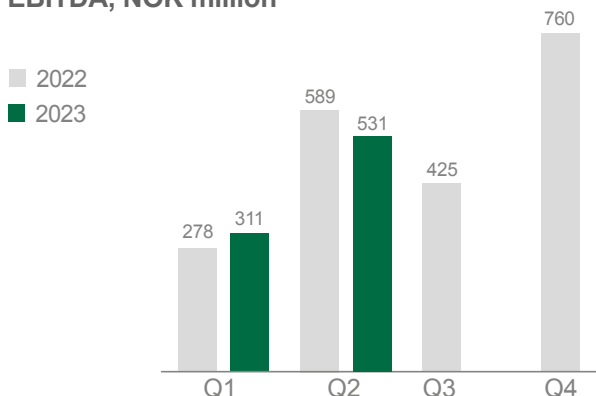
Gross profit for the group was NOK 1,869 million (NOK 1,829 million), up by 2.2 per cent. The gross margin was 44 per cent (46.5 per cent), a decrease of 2.5 percentage points. The lower gross margin reflects higher input costs paired with price competition in the market. The group recognised a net unrealised currency loss of NOK 3 million on hedging contracts and accounts payable (gain of NOK 14 million). A positive effect of NOK 35 million in calculation differences for the first half of this year was booked.

Opex came to NOK 1,026 million (NOK 962 million) for the first half year. This represented an increase of 6.7 per cent from the same period of last year, reflecting inflation, an increase from 247 to 255 directly operated stores, and the acquisition of Strikkemekka. Opex as a proportion of total operating income was 24.2 per cent (24.5 per cent).

EBITDA was NOK 842 million (NOK 866 million), down by NOK 24 million or 2.8 per cent. The EBITDA margin was 19.9 per cent (22 per cent).

The group recognised a net unrealised profit on interest-rate swaps, amounting to NOK 17 million (unrealised profit of NOK 42 million). The group has

EBITDA, NOK million



interest-rate swap agreements totalling NOK 600 million and covering 60 per cent of Europris' term loan.

Net profit for the first half of 2023 was NOK 330 million (NOK 417 million). Net profit attributable to owners of the parent company was NOK 331 million (NOK 413 million).

Cash flow

Cash from operating activities for the first half year was NOK 208 million (negative at NOK 8 million).

The change in net working capital for the first half year was negative at NOK 267 million (negative at NOK 583 million). A less negative development this year is mostly explained by the development in inventory. Last year, development for the first half was affected by increased purchase prices, resulting in a negative cash effect. This year, development for the first half was impacted by excess volumes of seasonal summer items at 30 December 2022 compared to a normalised level at 30 June 2023, resulting in a positive cash effect.

The net change in cash was negative at NOK 593 million (negative at NOK 603 million). Remaining 33 per cent of Lekekassen was acquired for NOK 212 million in the first quarter and a dividend of NOK 604 million was paid in the second quarter (NOK 644 million).

Capital expenditure for the first half year was NOK 94 million (NOK 62 million). The increase related mainly to the expansion of the central warehouse in Moss.

Financial position and liquidity

Financial debt was NOK 4,251 million at 30 June 2023 (NOK 3,954 million). Adjusted for the IFRS 16 effect, financial liabilities amounted to NOK 1,617 million (NOK 1,475 million).

Net debt amounted to NOK 4,251 million at 30 June 2023 (NOK 3,954 million). Adjusted for the IFRS 16 effect, net financial liabilities were NOK 1,617 million (NOK 1,475 million).

Cash and liquidity reserves for the group amounted to NOK 1,005 million at 30 June 2023 (NOK 1,000 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 2022. There have been no material changes since then.

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

The attention paid to price by consumers has increased significantly, and this is expected to continue. Rising interest rates and a generally high level of inflation put pressure on household finances. With a weak NOK, a summer holiday abroad may prove more expensive than expected. This means consumer spending behaviour may prove even more cautious in the autumn.

Viewed overall, these market conditions should be supportive of low-price, campaign-driven retail concepts like Europris, and the footfall to the group's stores is expected to remain strong. The board is confident that the Europris group will remain a consumer favourite and a relative winner under the tough conditions prevailing in the retail market.

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 2023 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, 12 July 2023

THE BOARD OF DIRECTORS OF EUROPRIS ASA

Tom Vidar Rygh
Chair

Hege Bømark

Claus Juel-Jensen

Bente Sollid Storehaug

Tone Fintland

Jon Martin Klafstad

Pål Wibe

Espen Eldal
CEO

EUROPRIS ASA

Q2 and first half 2023

Interim condensed consolidated statement of profit and loss

Figures are stated in NOK 1,000

	Notes	Q2 2023	Q2 2022	YTD 2023	YTD 2022	FY 2022
		Unaudited	Unaudited	Unaudited	Unaudited	Audited
Total operating income		2,310,467	2,216,164	4,243,158	3,931,730	9,015,766
Cost of goods sold		1,282,041	1,147,089	2,374,623	2,103,142	4,832,783
Employee benefit expenses		290,549	269,986	625,550	576,703	1,295,131
Depreciation	5	168,807	151,020	335,079	302,139	611,035
Other operating expenses		206,920	210,174	400,575	385,417	836,461
Operating profit		362,150	437,894	507,331	564,329	1,440,356
Net financial income (expense)		(29,715)	(24,398)	(73,465)	(25,260)	(107,394)
Profit (loss) from associated companies	7	(158)	5,266	(8,072)	(3,960)	4,047
Profit before tax		332,277	418,763	425,793	535,109	1,337,009
Income tax expense		73,136	90,969	95,450	118,595	295,153
Profit for the period		259,142	327,794	330,343	416,514	1,041,856
Profit attributable to non-controlling interests		(662)	2,457	(473)	3,478	21,887
Profit attributable to owners of the parent		259,803	325,337	330,815	413,036	1,019,969
Interim condensed consolidated statement of comprehensive income						
Profit for the period		259,142	327,794	330,343	416,514	1,041,856
Total comprehensive income		259,142	327,794	330,343	416,514	1,041,856
Profit attributable to non-controlling interests		(662)	2,457	(473)	3,478	21,887
Profit attributable to owners of the parent		259,803	325,337	330,815	413,036	1,019,969
Earnings per share (basic and diluted - in NOK)		1.61	2.02	2.05	2.57	6.34

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 2023	30 June 2022	31 Dec 2022
			Unaudited	Unaudited	Audited
ASSETS					
Total intangible assets	5		2,873,901	2,746,834	2,875,288
Total fixed assets	5		3,029,143	2,852,435	2,906,989
Total financial assets	6,7		257,449	241,828	246,617
Total non-current assets			6,160,493	5,841,097	6,028,893
Inventories			2,254,313	2,234,997	2,383,837
Trade receivables			148,090	140,499	215,175
Other receivables	6		98,128	133,047	132,863
Cash			-	-	464,488
Total current assets			2,500,531	2,508,544	3,196,363
Total assets			8,661,024	8,349,641	9,225,256
EQUITY AND LIABILITIES					
Total paid-in capital	9		234,738	233,342	234,738
Total retained equity			2,731,438	2,156,167	2,725,783
Total shareholders' equity			2,966,176	2,389,509	2,960,521
Non-controlling interests			49,962	255,957	322,082
Total equity			3,016,138	2,645,466	3,282,603
Provisions			152,921	170,866	57,622
Borrowings	6		1,083,448	1,092,782	1,085,349
Lease liabilities	6		2,050,060	1,953,754	2,015,033
Total non-current liabilities			3,286,430	3,217,401	3,158,004
Borrowings	6		533,141	382,598	5,000
Current lease liabilities	6		584,212	525,175	521,958
Accounts payable			648,136	737,462	876,419
Tax payable			(1,383)	57,435	291,305
Public duties payable			305,968	260,921	393,683
Put option liability	6,8		43,541	246,528	281,221
Other current liabilities	6		244,842	276,654	415,063
Total current liabilities			2,358,456	2,486,773	2,784,650
Total liabilities			5,644,885	5,704,176	5,942,654
Total equity and liabilities			8,661,024	8,349,641	9,225,256

Fredrikstad, 12 July 2023
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 2023	166,969	(5,938)	51,652	22,054	2,725,784	2,960,521	322,082	3,282,603
Profit for the period	-	-	-	-	330,815	330,815	(473)	330,343
Dividend	-	-	-	-	(603,865)	(603,865)	(19,800)	(623,665)
Changes of non-controlling interests on acquisition of subsidiary	-	-	-	-	278,000	278,000	(252,054)	25,946
Translation differences	-	-	-	-	705	705	207	912
Other comprehensive income	-	-	-	-	-	-	-	-
At 30 June 2023	166,969	(5,938)	51,652	22,054	2,731,439	2,966,176	49,962	3,016,138

(unaudited)

	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	-	-	-	-	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	-	-	-	-	-	-	-	-
At 30 June 2022	166,969	(5,997)	51,652	20,718	2,156,167	2,389,509	255,957	2,645,466

(unaudited)

Interim condensed consolidated statement of cash flows

Figures are stated in NOK 1,000		Notes	Q2 2023	Q2 2022	YTD 2023	YTD 2022	FY 2022
			Unaudited	Unaudited	Unaudited	Unaudited	Audited
Cash flows from operating activities							
Profit before income tax			332,277	418,763	425,793	535,109	1,337,009
Adjusted for:							
Depreciation of fixed and intangible assets	5		168,807	151,020	335,079	302,139	611,035
Loss on sale of fixed assets			-	-	-	945	945
Profit/loss from associated companies			158	(5,266)	8,072	3,960	(4,047)
Changes in net working capital			194,880	15,108	(267,383)	(582,763)	(374,048)
Income tax paid			(121,764)	(153,353)	(293,171)	(266,957)	(323,191)
Net cash generated from operating activities			574,358	426,272	208,390	(7,567)	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		(23,296)	(31,931)	(93,745)	(61,691)	(142,677)
Acquisition	8		-	(5 626)	(216,598)	(4,989)	(92,351)
Net cash used in investing activities			(23,296)	(37,557)	(310,343)	(40,659)	(209,007)
Cash flows from financing activities							
Net change RCF (Revolving Credit Facility)			90,000	350,000	400,000	350,000	-
Repayment of debt to financial institutions			(1,250)	(1,250)	(2,500)	(2,500)	(5,000)
Principal paid on lease liabilities			(133,176)	(120,309)	(264,512)	(241,772)	(482,008)
Dividend			(603,865)	(643,886)	(603,865)	(643,886)	(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			(648,291)	(415,445)	(490,676)	(554,658)	(1,144,494)
Net increase (decrease) in cash			(97,230)	(26,729)	(592,629)	(602,884)	(105,798)
Cash at beginning of period			(30,911)	(5,868)	464,488	570,286	570,286
Cash at end of period			(128,141)	(32,598)	(128,141)	(32,598)	464,488

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 2023 were authorised for issue by the board on 12 July 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 second quarter and the six months ended 30 June 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, see note 3 for more details.

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	-	-	-	-	-	323	671
Additions	76,922	-	701	361,429	16,122	-	-	455,173
Disposals	-	-	-	-	-	-	-	-
Depreciation	(39,085)	-	(3,112)	(275,048)	(17,833)	-	-	(335,079)
Carrying amount 30 June 2023	376,255	21,225	110,819	2,520,845	91,256	591,267	2,191,378	5,903,044

	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)
Carrying amount 30 June 2022	327,338	21,224	116,251	2,387,622	75,569	591,267	2,079,999	5,599,269

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 2023 and 31 December 2022:

Figures are stated in NOK 1,000

	30 June 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables				
Non-current receivables	38,383	38,383	36,651	36,651
Total	38,383	38,383	36,651	36,651
Financial liabilities				
Other financial liabilities				
Borrowings	1,083,448	1,083,448	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	528,141	528,141	-	-
Lease liabilities	2,050,060	2,050,060	2,015,033	2,015,033
Current lease liabilities	584,212	584,212	521,958	521,958
Put option liability	43,541	43,541	281,221	281,221
Total	4,294,403	4,294,403	3,908,561	3,908,561
Financial instruments measured at fair value through profit and loss				
Derivatives - asset				
Interest rate swaps	93,840	93,840	76,667	76,667
Foreign exchange forward contracts	1,994	1,994	4,725	4,725
Total	95,834	95,834	81,392	81,392
Derivatives - liabilities				
Foreign exchange forward contracts	8,460	8,460	8,973	8,973
Total	8,460	8,460	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 8.1 million from its 20 per cent stake in 2023.

The vendor note issued to the owner company Runor AS when closing the deal was converted to 4,349,695 Europris shares, corresponding to 2.61 per cent of the share capital. In May 2023, Runor AS sold 2,899,797 shares and holds now 1,449,898 shares, corresponding to 0.87 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. 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 30 June 2023.

Change in number of treasury shares

Treasury shares 1 January 2023	5,938,263
Sale/buy-back of treasury shares	-
Treasury shares 30 June 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)	Q2 2023	Q2 2022	YTD 2023	YTD 2022	FY 2022
Total operating income	2,310	2,216	4,243	3,932	9,016
- Cost of goods sold	1,282	1,147	2,375	2,103	4,833
= Gross profit	1,028	1,069	1,869	1,829	4,183
Gross margin	44.5%	48.2%	44.0%	46.5%	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)	Q2 2023	Q2 2022	YTD 2023	YTD 2022	FY 2022
Employee benefits expense	291	270	626	577	1,295
+ Other operating expense	207	210	401	385	836
= OPEX	497	480	1,026	962	2,132
Opex-to-sales ratio	21.5%	21.7%	24.2%	24.5%	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 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 2023	Q2 2022	YTD 2023	YTD 2022	FY 2022
Operating profit	362	438	507	564	1,440
+ Depreciation	169	151	335	302	611
= EBITDA	531	589	842	866	2,051
EBITDA margin	23.0%	26.6%	19.9%	22.0%	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)	Q2 2023	Q2 2022	YTD 2023	YTD 2022	FY 2022
Change in Inventory	245	116	143	(233)	(345)
Change in accounts receivable and other current receivables	(10)	(46)	84	9	(61)
Change in accounts payable and other current debt	(40)	(55)	(494)	(358)	32
= Net change in working capital	195	15	(267)	(583)	(374)

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 2023	Q2 2022	YTD 2023	YTD 2022	FY 2022
Purchases of fixed assets	18	15	78	36	85
Purchases of intangible assets	5	17	16	26	58
= Capital expenditure	23	32	94	62	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)	YTD 2023	YTD 2022	FY 2022
Borrowings	1,033	1,093	1,092
Current borrowings	533	383	5
Lease liabilities	2,050	1,954	2,015
= Financial debt	4,251	3,954	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)	YTD 2023	YTD 2022	FY 2022
Cash	-	-	464
+ Total facilities	1,536	1,400	1,435
- Total drawn	(530)	(400)	(3)
= Cash and liquidity reserves	1,005	1,000	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)	Q2 2023	Q2 2022	YTD 2023	YTD 2022	FY 2022
Sales directly operated stores	2,012	1,936	3,623	3,403	7,519
Sales franchise stores	266	282	468	487	1,066
= Total chain sales	2,277	2,218	4,092	3,890	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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