

Europris

MER TIL OVERS

Q4 2023



EUROPRIAS ASA

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Highlights

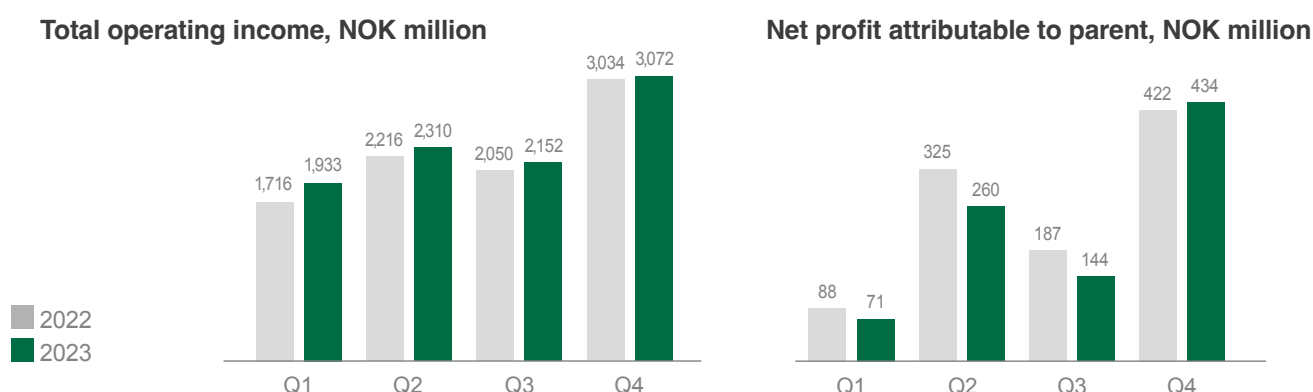
Fourth quarter 2023 – mixed conclusion to a solid year

- Total sales of NOK 3,072 million, up 1.2 per cent
 - » Good progress for campaign sales and consumables
 - » In retrospect, too conservative volume estimates applied ahead of the Christmas season
 - some best-sellers sold out early
- Gross margin of 43.9 per cent (45.5 per cent)
 - » Changes to product mix and increased campaign sales
 - » Lower unrealised loss from currency hedging had a positive effect of 0.9 percentage points on the margin change
 - » Timing of inventory counting last year (booking of calculation differences) had a negative effect of 0.7 percentage points on the margin change
- Opex-to-sales ratio of 20.3 per cent (20.4 per cent)
 - » Continued strong cost control with only 0.9 per cent Opex increase
 - » Booked NOK 11 million reversal of legal costs to be reimbursed following the ÖoB arbitration
- Lower earnings reflecting the lower gross margin
 - » EBITDA of NOK 723 million (NOK 760 million) and EBITDA margin of 23.5 per cent (25 per cent)
 - » EBIT of NOK 554 million (NOK 604 million) and EBIT margin of 18 per cent (19.9 per cent)
 - » Net profit of NOK 434 million (NOK 422 million) attributable to parent
 - A writedown of NOK 43 million has been booked on the 20 per cent stake in ÖoB following weaker results, more than offset by a booked value of NOK 102 million for the valid option to acquire the remaining 80 per cent
 - Negative effect of NOK 24 million from interest rate swaps (negative of NOK 9 million)
 - » Earnings per share of NOK 2.69 (NOK 2.62)
- The group has decided to exercise its option to acquire the remaining 80 per cent of the Swedish retailer ÖoB

Full year 2023 – solid performance in a challenging retail environment

- Total sales of NOK 9,467 million, up five per cent
 - » Growth of four per cent excluding acquisition of Strikkemekka*
 - » Relevant concept and product mix, and higher footfall to stores
- Gross margin of 44.3 per cent (46.4 per cent)
 - » Changes to product mix and increased campaign sales
 - » Increase in cost of goods sold, including seasonal overliers
 - » Increased price competition, particularly for consumables and some seasonal items
- Opex-to-sales ratio of 23.5 per cent (23.6 per cent)
 - » Moderate Opex increase of 4.2 per cent, or only 2.5 per cent excluding the acquisition of Strikkemekka*
- Earnings reduction reflecting lower gross margin as expected, as well as higher lease depreciation and increased interest rates
 - » EBITDA of NOK 1,970 million (NOK 2,051 million) and EBITDA margin of 20.8 per cent (22.8 per cent)
 - » EBIT of NOK 1,295 million (NOK 1,440 million) and EBIT margin of 13.7 per cent (16 per cent)
 - » Net profit of NOK 908 million (NOK 1,020 million) attributable to parent
 - A writedown of NOK 43 million has been booked on the 20 per cent stake in ÖoB following weaker results, more than offset by a booked value of NOK 102 million for the valid option to acquire the remaining 80 per cent
 - Negative effect of NOK 5 million from interest rate swaps (positive at NOK 39 million)
 - » Earnings per share of NOK 5.64 (NOK 6.34)
- Strong financial position, with cash and liquidity reserves of NOK 2,205 million (NOK 1,897 million)
 - » Refinancing completed (3+1+1 year facility arrangement)
 - » Improved net working capital, yielding a positive development in cash flow from operating activities
 - » Acquired remaining 33 per cent of Lekekassen for NOK 212 million
- Board of directors proposes a total dividend per share of NOK 3.25 (NOK 3.75)

Figures for the corresponding period of the year before in brackets. The figures are unaudited.
See page 26 for definition of APMs.



* The Strikkemekka group was consolidated from July 2022 (ie, figures exclude January to June 2023 numbers)

Key figures

(Amounts in NOK million)

	Q4 2023	Q4 2022	FY 2023	FY 2022
GROUP KEY INCOME STATEMENT FIGURES				
Retail sales	2,852	2,796	8,745	8,263
Wholesale sales	194	211	634	666
Other	26	27	88	87
Total operating income	3,072	3,034	9,467	9,016
% growth in total operating income	1.2%	6.8%	5.0%	4.3%
Cost of goods sold	1,724	1,655	5,276	4,833
Gross profit	1,348	1,379	4,191	4,183
Gross margin	43.9%	45.5%	44.3%	46.4%
Opex	625	619	2,222	2,132
Opex-to-sales ratio	20.3%	20.4%	23.5%	23.6%
EBITDA	723	760	1,970	2,051
EBITDA margin	23.5%	25.0%	20.8%	22.8%
EBIT (Operating profit)	554	604	1,295	1,440
EBIT margin (Operating profit margin)	18.0%	19.9%	13.7%	16.0%
Net profit	435	440	908	1,042
Net profit attributable to owners of the parent	434	422	908	1,020
Earnings per share (in NOK)	2.69	2.62	5.64	6.34
Dividend per share (in NOK)			3.25	3.75
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES				
Net change in working capital	385	419	281	(374)
Capital expenditure	15	47	142	143
Financial debt	3,715	3,627	3,715	3,627
Cash	676	464	676	464
Net debt	3,039	3,163	3,039	3,163
- Lease liabilities*	2,669	2,537	2,669	2,537
Net debt ex lease liabilities	371	626	371	626
Cash and liquidity reserves	2,205	1,897	2,205	1,897
EUROPRIIS CHAIN KEY FIGURES				
Total chain sales	2,774	2,723	8,945	8,586
% growth in total chain sales	1.8%	5.1%	4.2%	0.2%
% growth in like-for-like chain sales	0.4%	3.3%	2.6%	(1.1%)
Total number of chain stores at end of period	282	276	282	276
- Directly operated stores	257	249	257	249
- Franchise stores	25	27	25	27

For definitions and reconciliations of APMs, please see page 24.

* 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

The group delivered a mixed performance in the fourth quarter of an otherwise solid year. Campaign execution was strong, with particularly good sales progress for the front page of the marketing leaflet. Europris has a relevant base range of products that customers need in their everyday lives regardless of seasons, and these products continued to sell well in the fourth quarter. However, price competition remains tough and, combined with more campaign sales and a higher share of consumables in the product mix, this affected the margin negatively.

The Christmas season is important for performance in the fourth quarter. With hindsight, it is clear that the group had applied too conservative estimates for certain seasonal best-sellers and thereby saw these sell out early in the season. That had a negative effect on both sales and margins, since these products typically have above-average margins. Purchase orders for these seasonal items were placed almost a year in advance, on the basis of 2022 volumes and a cautious outlook with household finances remaining very difficult. On the positive side, the group exited 2023 with healthy inventory levels, and the improvements in net working capital had a positive effect on cash development.

Full-year summary

The Europris concept proved relevant in a challenging retail market during 2023, as demonstrated by a higher footfall and a continued increase in members for the Mer customer club. That reflects a consistent execution of the strategy, with continuous product-category upgrades and the strengthening of Europris as a shopping destination. The group's highly competent and capable employees demonstrate a strong operational performance, and the EssenceMediacom Brand Tracker for 2023 found that customers have never had a more positive impression of Europris.

At the end of 2022, the outlook was that 2023 would be difficult for household finances, and the group was prepared to fight for its share of the consumer's wallet. Attention was accordingly shifted more towards everyday consumables and private labels, and to campaign sales. Predicting volumes has become something of an art in the prevailing market conditions - as expected, customers held back on investment purchases through the summer season, while certain seasonal items sold better than the group had expected in the run-up to Christmas. The group's strategic choices for volumes and product mix supported sales growth during 2023, and it also exited the year with healthy inventories.

Margins were under pressure for a variety of reasons throughout 2023, reflecting both external factors and the group's strategic decision to concentrate more on consumables and campaign sales. Price competition was intense during the first half of the year, and the effect of this was enhanced by the skewing of the product mix towards consumables. Margins on summer sales were negatively affected by seasonal product overliers from 2022 which carried higher freight costs. Throughout the year, margins have also been under pressure from higher input costs owing to a weak NOK. Overall, the group is satisfied to have kept margins above pre-pandemic levels despite the contrary headwinds and a dilutive effect from acquisitions of pure play companies in recent years.

The year 2023 was the first full 12 months since 2019 with no restrictions in society related to Covid-19. Chain sales were up 36 per cent compared with 2019, thereby outperforming the variety retail discount market (measured as a stacked growth of 23 per cent for the years 2019 to 2023, according to Statistics Norway).

Sales performance

Fourth quarter

Group sales came to NOK 3,072 million for the fourth quarter, an increase of 1.2 per cent. The quarter had two fewer sales days than the year before (Christmas Eve and New Year's Eve).

The Europris chain had total sales growth of 1.8 per cent and like-for-like growth of 0.4 per cent. As in the previous quarter, sales from the front page of the marketing leaflet performed particularly well. The combination of low-price-point products and sharp campaigns on relevant products has proven valuable for drawing customer traffic, and sales of consumables and private labels developed positively.

The Christmas season is a main priority in the fourth quarter. Sales of seasonal items performed well and above expectations, with the result that some best-sellers were sold out early in the season. The group also saw high volume growth for higher-valued items like Christmas trees.

Like-for-like traffic was slightly below the year before, although this would have shown growth if adjusted for the loss of two sales days. The basket value rose slightly, with higher average prices per item offsetting a smaller average number of articles.

Full year

Group sales came to NOK 9,467 million for the full year, an increase of five per cent. The rise was four per cent when the structural effect of acquiring Strikkekka is excluded (consolidated from July 2022).

The Europris chain had total sales growth of 4.2 per cent and like-for-like growth of 2.6 per cent for the full year. Growth was driven by sales from the front page of the marketing leaflet, consumables and private labels. Like-for-like traffic was higher than the year before. The basket was also larger, with an increased average price per item offsetting a reduced number of articles.

As expected, consumers were cautious about investment purchases in the summer season. Sales of products with a price point above NOK 1,000 declined by 6.7 per cent in 2023, but constituted only three per cent of the chain's total sales.

Growth for the Europris chain in 2023 developed favourably compared with the overall variety retail segment and total retail. Chain performance was almost on a par with total growth for shopping centres, while groceries showed higher growth.

Sales growth to 31 December	2023	2022
Virke: total retail*	2.2%	2.6%
Virke: groceries*	7.7%	(3.0%)
Virke: variety retail*	2.9%	1.8%
Kvarud shopping centre index**	4.3%	4.4%
Europris chain	4.2%	0.2%

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

** Kvarud Analyse shopping centre index

Operational review

Concept and category development

The personal care category was upgraded at the end of the third quarter in 2023. This has been well received by customers and the category made good progress during the fourth quarter.

The toy category was upgraded in the fourth quarter of 2022, with both a modernised lay-out and an updated product range developed in cooperation with Lekekassen. The fourth quarter is important for this category, and it was rewarding to see that this upgrade was well received by customers and generated strong sales growth during all quarters of 2023.

E-CRM

Europris had almost 1.5 million members in its Mer customer club at 31 December 2023, up by 19 per cent over the year. Mer accounted for almost 50 per cent of chain sales for the full year of 2023. Members have a higher frequency of purchases and a greater average basket value than other customers. More than 800,000 people subscribe to weekly digital newsletters.

The group works to improve the personal experience for customers exposed to the electronic newsletters. These efforts continued in the Christmas season for typical seasonal products and showed good results. During the fourth quarter, the group started testing product recommendations, using employees as a test in the initial phase before launching to Mer members.

E-commerce

E-commerce sales in the group amounted to NOK 406 million in the fourth quarter, down by 4.5 per cent. Full year sales increased by 6.4 per cent to NOK 907 million. Excluding structural growth from the acquisition of Strikkemekka, sales declined by 3.4 per cent in 2023.

The fourth quarter is the most important period for Lekekassen. Sales declined in all three markets, primarily due to continued intense price competition, particularly in Sweden and Denmark.

For the full year of 2023, the Lekekassen group had sales of NOK 609 million (NOK 622 million), a decline of 2.1 per cent. Sales fell in Norway and Sweden while Denmark witnessed a slight increase. Sales in Norway lagged behind the year before throughout 2023, whereas Sweden and Denmark had a more difficult second half after a good first six months. The gross margin declined, but lower volumes and strict cost control resulted in a lower Opex. EBITDA was NOK 93 million (NOK 99 million).

Strikkemekka's yarn sales in Norway declined, but overall sales growth was recorded in the fourth quarter. Sales for the full year of 2023 amounted to NOK 188 million (NOK 193 million), down by 2.6 per cent. Sales from the knitting business fell in Norway but rose in the Swedish and Danish markets, which were entered in the fourth quarter of 2022. EBITDA was NOK 9 million for 2023 (NOK 7 million).

E-commerce sales

NOK million	Q4 2023	Q4 2022	Change	FY 2023	FY 2022	Change
E-com sales*	406	425	(4.5%)	907	853	6.4%
Percentage of total group sales	13.2%	14.0%	(0.8%-p)	9.6%	9.5%	0.1%-p

* Europris online sales and sales from pure play companies (the Lekekassen group, the Strikkemekka group and Lunehjem).

Note: Strikkemekka was consolidated from July 2022.

Store estate

Europris opened two new stores in the fourth quarter, at CC in Drammen in Viken county and at Rognan in Nordland county. A total of seven new stores were opened during 2023.

At 31 December 2023, the chain had a total of 282 stores, of which 257 were directly operated and 25 were franchises.

Europris has a healthy pipeline of new stores, and the board has approved an additional six for 2024 and beyond. Two 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
June	Dombås	Innlandet
June	Hamar	Innlandet
September	Triaden (Lørenskog)	Viken
October	CC Drammen	Viken
November	Rognan	Nordland

Europris constantly pays close attention to the health of the store portfolio and its attractiveness to customers, and one store was modernised during the fourth quarter. A total of five stores were relocated, one expanded and nine modernised in 2023. One store was closed, following an accident whereby the shopping centre has now been demolished.

Organisation

Sustainability

Europris repeated its annual sustainability week for all employees in October 2023. The goal is to increase awareness of and knowledge about environmental, social and governance (ESG) issues throughout the organisation.

It is important for the group to be transparent to customers about the group's efforts as a socially and environmentally responsible organisation, and initiatives to improve in-store communication for reaching customers were launched during the fourth quarter. The group has also improved the information published on its websites.

Employees

Europris conducts annual employee surveys to monitor satisfaction and to ensure a structured approach to honest and anonymous feedback. The results in recent years have been very strong, and it is gratifying to see that employees continue to be very satisfied.

All store employees received training ahead of the important Christmas season. The aim was to strengthen their ability to assist and provide service to customers by improving their product knowledge.

The combined strategy and leadership programme for managers continued through 2023. A physical gathering was held over two days in the fourth quarter, with extra attention paid to how Europris can strengthen its role as a socially responsible local player. With its 282 stores nationwide, the group can play an important role in many local communities.

All managers spent at least half a day working in one of the chain's stores during the fourth quarter. This annual event is important and appreciated by both store personnel and head office staff.

Europris has a joint-venture sourcing office with Tokmanni in Shanghai. This office celebrated its 10th anniversary in October 2023 with a celebration and a vendor summit.

Health and safety

The group pays great attention to avoiding and reducing sickness absence, and it was rewarding to see a decline of 1.3 percentage points to 7.8 per cent in 2023. Structured efforts to prevent and reduce absences will continue in 2024.

Sickness absence	FY 2023	FY 2022
Group	7.8%	9.1%

A total of nine lost-time injuries were recorded in 2023. Europris has a zero vision for injuries, and each case is evaluated immediately so that any possible corrective actions can be implemented as soon as possible in order to avoid injuries from similar situations in the future.

ÖoB equity transaction

Europris owns 20 per cent of Runsvengruppen AB, and Europris and RuNor have disagreed over the expiry of the option to acquire the remaining 80 per cent. An arbitration procedure to decide i) whether the option period had expired and ii) if the accountant's decision

in September 2021 on the 2019 EBITDA was correct ended in September 2023 and the final results were announced on 18 December 2023. The tribunal decided in favour of Europris, meaning that the group's option to acquire RuNor's shareholding in Runsvengruppen has not expired and may therefore still be exercised within six months from that date.

The tribunal decided that Runsvengruppen's EBITDA for 2019, which will form the basis for calculating the option strike price, is to be adjusted down to SEK 64.6 million. This lays the basis for an option strike price of about NOK 211 million for the remaining 80 per cent of the shares in Runsvengruppen, reflecting the NOK/SEK exchange rate, net debt and normalised working capital.

The option strike price will be settled with shares in Europris, valued on the basis of a volume-weighted average prior to the final settlement. The final purchase price for the remaining 80 per cent of the shares in Runsvengruppen will be based on an average of Runsvengruppen's EBITDA for 2019 and 2020. The EBITDA for 2020 has yet to be agreed between the parties.

ÖoB is one of the leading discount variety retailers in Sweden. The chain has around 90 stores and an annual turnover of about SEK 4 billion. The ÖoB concept is similar to that used by Europris, with a large product overlap – particularly for non-food items. However, Europris' assessment is that ÖoB needs a turnaround after several years of limited sales growth and weak profitability.

Europris has decided to exercise its option and the process to finalise the acquisition will now be initiated. The group will provide the market with information on closing and when the final purchase price has been settled. More information about operational plans for ÖoB will be shared at a later stage.

Financial review

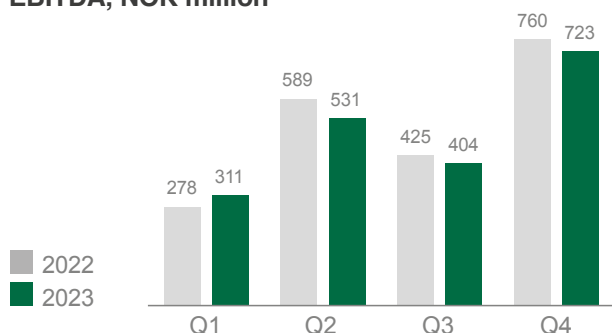
Profit and loss – fourth quarter

Operating income for the fourth quarter amounted to NOK 3,072 million (NOK 3,034 million), up by 1.2 per cent. The chain had a like-for-like sales growth of 0.4 per cent. The quarter had two fewer sales days than the same period of the year before.

Gross profit came to NOK 1,348 million (NOK 1,379 million). The gross margin was 43.9 per cent (45.5 per cent), a reduction of 1.6 percentage points. This reflected a larger campaign share and changes to the product mix, in addition to price competition. The group recognised a net unrealised loss of NOK 14 million (loss of NOK 39 million) on hedging contracts and accounts payable, which had a positive effect of 0.9 percentage points on the margin change. The timing of inventory counting last year (booking of calculation differences) had a negative effect of 0.7 percentage points on the margin change.

Operating expenditure (Opex) was NOK 625 million in the fourth quarter (NOK 619 million), an increase of 0.9 per cent. The number of directly operated stores rose from 249 to 257. Opex amounted to 20.3 per cent of group revenue (20.4 per cent). The group has booked a reversal of legal costs of NOK 11 million following the arbitration between Europris and RuNor (Runsvengruppern/ÖoB).

EBITDA, NOK million



EBITDA was NOK 723 million (NOK 760 million), down by NOK 37 million or 4.9 per cent. The EBITDA margin was 23.5 per cent (25 per cent).

EBIT was NOK 554 million (NOK 604 million), down by NOK 51 million or 8.4 per cent. Depreciation increased by NOK 14 million, mainly from lease liabilities. The EBIT margin was 18 per cent (19.9 per cent).

Total financial expenses came to NOK 72 million, up by NOK 23 million. The group recognised a net unrealised loss on interest swaps of NOK 24 million (loss of NOK 9 million). A writedown of NOK 43 million has been booked

on the 20 per cent stake in ÖoB because of weaker results. This was more than offset by the booked value of NOK 102 million from the valid option to acquire the remaining 80 per cent, resulting in a net positive effect of NOK 59 million (see note 7 for more information).

Net profit amounted to NOK 435 million (NOK 440 million). Net profit attributable to owners of the parent company amounted to NOK 434 million (NOK 422 million). Lower share of profit to minority in 2023 compared to the year before, due to the acquisition of the remaining 33 per cent of Lekekassen in 2023.

Profit and loss – full year (1 January - 31 December)

Total operating income for 2023 amounted to NOK 9,467 million (NOK 9,016 million), up by five per cent. Excluding the acquisition of the Strikkemekka group, which was consolidated from July 2022, sales rose by four per cent. The Europris chain saw a like-for-like sales increase of 2.6 per cent.

Gross profit for the group amounted to NOK 4,191 million (NOK 4,183 million). The gross margin was 44.3 per cent (46.4 per cent), a reduction of 2.1 percentage points, reflecting a higher campaign share and changes to the product mix, in addition to higher input costs and price competition. The group recognised a net unrealised loss of NOK 14 million (loss of NOK 14 million) on hedging contracts and accounts payable.

Opex came to NOK 2,222 million (NOK 2,132 million). This represented an increase of 4.2 per cent from the same period of the year before - but up by 2.5 per cent excluding the acquisition of the Strikkemekka group. The number of directly operated stores rose from 249 to 257. Operating expenses came to 23.5 per cent (23.6 per cent) of group revenue.

EBITDA was NOK 1,970 million (NOK 2,051 million), down by NOK 81 million or four per cent. The EBITDA margin was 20.8 per cent (22.8 per cent), down by two percentage points.

EBIT was NOK 1,295 million (NOK 1,440 million), down by NOK 145 million or ten percent. Depreciation increased by NOK 64 million, mainly from lease liabilities. The EBIT margin was 13.7 per cent (16 per cent).

Total financial expenses came to NOK 191 million, up by NOK 83 million. Net unrealised loss on interest swaps was NOK 5 million in 2023 (unrealised profit of NOK 39 million). The group has interest-rate swap agreements

totalling NOK 600 million, covering 60 per cent of the Europris term loan.

The group recorded an estimated loss of NOK 11 million (profit of NOK 4 million) on its 20 per cent stake in Runsvengruppen AB (ÖoB). This is based on preliminary and non-audited figures from this associated company. In addition, a writedown of NOK 43 million has been booked on the 20 per cent stake in ÖoB because of weaker results. This was more than offset by a booked value of NOK 102 million from the valid option to acquire the remaining 80 per cent. See note 7 for more information.

Net profit for the full year was NOK 908 million (NOK 1,042 million). Net profit attributable to owners of the parent company was NOK 908 million (NOK 1,020 million). Lower share of profit to minority in 2023 compared to the year before, due to the acquisition of the remaining 33 per cent of Lekekassen in 2023.

Cash flow

Cash flow from operating activities for 2023 was NOK 1,769 million (NOK 1,248 million). The improvement from the same period of the year before reflected the net change in working capital.

Net change in working capital was positive at NOK 281 million (negative at NOK 374 million). Net working capital in 2023 was positively affected by reduced inventory levels while 2022 was negatively affected by seasonal summer overliers. The inventory level is healthy, with value and volume lower than the year before.

Capital expenditure amounted to NOK 142 million (NOK 143 million).

Financial position and liquidity

Financial debt at 31 December 2023 came to NOK 3,715 million (NOK 3,627 million). The group completed its refinancing at 30 June 2023 (3+1+1 year facility arrangement).

Net debt at 31 December 2023 amounted to NOK 3,039 million (NOK 3,163 million). Adjusted for lease liabilities, net debt was NOK 371 million (NOK 626 million).

Cash and liquidity reserves for the group at 31

December 2023 amounted to NOK 2,205 million (NOK 1,897 million).

Dividend

The board of Europris ASA will propose an ordinary dividend of NOK 3.25 per share for 2023 to the general meeting. This represents an 18 per cent increase from the ordinary dividend of NOK 2.75 for 2022, but is 13 per cent below the total dividend of NOK 3.75 in that year. The dividend amounts to NOK 523 million excluding treasury shares (NOK 604 million) and represents a pay-out ratio of 57.6 per cent of the majority's share of the profit (59.1 per cent).

Outlook

Owing to the attacks on vessels in the Red Sea, shipping from Asia to Europe has been routed around the Cape of Good Hope, with an increase of up to two weeks in transit time. Because of this, some market participants report capacity constraints in the market because of a shortage of containers. Europris' main priority is to continue getting goods delivered on time. However, the group is exposed to the rise in shipping costs as a result of the situation.

Household finances in Norway continue to be strained, with yet another interest-rate hike in December 2023 adding to the challenge. Although this will take some time to filter through to mortgage payments, consumer spending is expected to remain cautious in 2024 as well – particularly in the first half, as inflation and interest rates will remain key issues for consumers.

These kinds of market conditions represent opportunities for a concept like Europris, and the group is ready to continue fighting hard for its share of the wallet. It is well positioned, with a well-recognised low-price concept, strong campaigns, and a broad and relevant product offering. Over time, the chain has outperformed the retail market and the board is confident that Europris will continue to play an important role and remain a leader in the variety discount retail market.

Europris has decided to exercise its option to acquire the remaining 80 per cent of the Swedish retailer ÖoB. The board is intrigued by the opportunities this gives for Nordic expansion. The board is confident that this will serve as a platform for further growth and the creation of significant shareholder values.

EUROPRIS ASA

Q4 2023

Interim condensed consolidated statement of profit and loss

Figures are stated in NOK 1,000		Notes	Q4 2023	Q4 2022	FY 2023	FY 2022
			Unaudited	Unaudited	Unaudited	Audited
Total operating income			3,071,806	3,034,033	9,466,921	9,015,766
Cost of goods sold			1,724,058	1,654,925	5,275,652	4,832,783
Employee benefit expenses			389,180	370,026	1,373,081	1,295,131
Depreciation	5		169,268	155,288	674,608	611,035
Other operating expenses			235,695	249,348	848,421	836,461
Operating profit			553,604	604,447	1,295,159	1,440,356
Net financial income (expense)			(72,325)	(49,423)	(190,515)	(107,394)
Profit/(loss) from associated companies	7		(41,902)	6,604	(54,489)	4,047
Change in fair value of option	7		101,789	-	101,789	-
Profit before tax			541,165	561,628	1,151,943	1,337,009
Income tax expense			106,323	122,105	243,463	295,153
Profit for the period			434,842	439,523	908,480	1,041,856
Profit attributable to non-controlling interests			1,065	17,388	259	21,887
Profit attributable to owners of the parent			433,778	422,135	908,220	1,019,969
Interim condensed consolidated statement of comprehensive income						
Profit for the period			434,842	439,523	908,480	1,041,856
Total comprehensive income			434,842	439,523	908,480	1,041,856
Profit attributable to non-controlling interests			1,065	17,388	259	21,887
Profit attributable to owners of the parent			433,778	422,135	908,220	1,019,969
Earnings per share (basic and diluted - in NOK)			2.69	2.62	5.64	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	31 Dec 2023	31 Dec 2022
		Unaudited	Audited
ASSETS			
Total intangible assets	5	2,861,038	2,875,288
Total fixed assets	5	3,050,724	2,906,989
Total financial assets	6,7	253,910	246,617
Total non-current assets		6,165,671	6,028,893
Inventories		2,142,699	2,383,837
Trade receivables		217,673	215,175
Other receivables	6	109,848	132,863
Cash		676,323	464,488
Total current assets		3,146,543	3,196,363
Total assets		9,312,214	9,225,256
EQUITY AND LIABILITIES			
Total paid-in capital	9	235,171	234,738
Total retained equity		3,325,642	2,725,783
Total shareholders' equity		3,560,814	2,960,521
Non-controlling interests		50,617	322,082
Total equity		3,611,430	3,282,603
Provisions		46,703	57,622
Borrowings	6	1,041,843	1,085,349
Lease liabilities	6	2,079,997	2,015,033
Total non-current liabilities		3,168,542	3,158,004
Borrowings	6	5,000	5,000
Current lease liabilities	6	588,626	521,958
Accounts payable		879,851	876,419
Tax payable		254,838	291,305
Public duties payable		396,594	393,683
Put option liability		27,980	281,221
Other current liabilities	6	379,353	415,063
Total current liabilities		2,532,241	2,784,650
Total liabilities		5,700,784	5,942,654
Total equity and liabilities		9,312,214	9,225,256

Fredrikstad, 31 January 2024
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	-	-	-	-	908,220	908,220	259	908,480
Dividend	-	-	-	-	(603,865)	(603,865)	(20,034)	(623,899)
Net sale of treasury shares	-	16	-	418	416	850	-	850
Non-controlling interests on acquisition of subsidiary	-	-	-	-	293,561	293,561	(252,054)	41,507
Translation differences	-	-	-	-	1 526	1,526	364	1,890
Other comprehensive income	-	-	-	-	-	-	-	-
At 31 December 2023	166,969	(5,922)	51,652	22,472	3,325,642	3,560,814	50,617	3,611,430

(unaudited)

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	-	-	-	-	1,019,969	1,019,969	21,887	1,041,856
Dividend	-	-	-	-	(643,886)	(643,886)	(16,500)	(660,386)
Net sale of treasury shares	-	59	-	1,336	1,505	2,900	-	2,900
Non-controlling interests on acquisition of subsidiary	-	-	-	-	(4,437)	(4,437)	47,977	43,540
Put option liability	-	-	-	-	(34,693)	(34,693)	-	(34,693)
Translation differences	-	-	-	-	622	622	38	660
Other comprehensive income	-	-	-	-	-	-	-	-
At 31 December 2022	166,969	(5,938)	51,652	22,054	2,725,784	2,960,521	322,082	3,282,603

(audited)

Interim condensed consolidated statement of cash flows

Figures are stated in NOK 1,000

	Notes	Q4 2023	Q4 2022	FY 2023	FY 2022
		Unaudited	Unaudited	Unaudited	Audited
Cash flows from operating activities					
Profit before income tax		541,165	561,628	1,151,943	1,337,009
Adjusted for:					
Depreciation of fixed and intangible assets	5	169,268	155,288	674,608	611,035
Loss on sale of fixed assets		-	-	-	945
Change in fair value of option	7	(101,789)	-	(101,789)	-
Profit/loss from associated companies		41,902	(6,604)	54,489	(4,047)
Changes in net working capital		385,114	419,481	280,938	(374,048)
Income tax paid		(689)	(71,079)	(291,182)	(323,191)
Net cash generated from operating activities		1,034,972	1,058,714	1,769,008	1,247,703
Cash flows from investing activities					
Proceeds from sale of fixed assets		84	-	84	26,021
Purchases of fixed and intangible assets	5	(15,380)	(47,198)	(141,700)	(142,677)
Acquisition	8	-	-	(216,598)	(92,351)
Net cash used in investing activities		(15,296)	(47,198)	(358,214)	(209,007)
Cash flows from financing activities					
Net change RCF (Revolving Credit Facility)		(250,000)	(300,000)	-	-
Repayment of debt to financial institutions		(41,988)	(1,250)	(45,738)	(5,000)
Principal paid on lease liabilities		(132,560)	(121,781)	(530,171)	(482,008)
Dividend		-	-	(603,865)	(643,886)
Sale of treasury shares		-	-	850	2,900
Dividends paid to non-controlling interests in subsidiaries		-	-	(20,034)	(16,500)
Net cash from financing activities		(424,548)	(423,031)	(1,198,959)	(1,144,494)
Net increase (decrease) in cash		595,127	588,485	211,835	(105,798)
Cash at beginning of period		81,196	(123,998)	464,488	570,286
Cash at end of period		676,323	464,488	676,323	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 fourth quarter and the period ended 31 December 2023 were authorised for issue by the board on 31 January 2024.

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 fourth quarter and the period ended 31 December 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	21,224	113,230	2,434,465	92,967	591,267	2,191,054	5,782,277
Acquisition of subsidiaries	348	-	-	-	-	-	323	671
Additions	119,282	-	701	661,804	21,718	-	-	803,504
Disposals	(84)	-	-	-	-	-	-	(84)
Depreciation	(77,084)	-	(6,201)	(555,032)	(36,291)	-	-	(674,608)
Carrying amount 31 December 2023	380,532	21,224	107,730	2,541,237	78,394	591,267	2,191,378	5,911,762

Figures are stated in NOK 1,000	Fixtures and fittings	Land	Buildings	Right-of- use asset	Software	Trademarks	Goodwill	Total
Carrying amount 1 January 2022	328,520	46,190	119,362	2,320,022	65,421	591,267	2,073,373	5,544,155
Acquisition of subsidiaries	2,214	-	-	24,449	-	-	117,681	144,343
Additions	82,750	2,000	-	589,102	57,927	-	-	731,779
Disposals	-	(26,966)	-	-	-	-	-	(26,966)
Depreciation	(75,414)	-	(6,132)	(499,108)	(30,381)	-	-	(611,035)
Carrying amount 31 December 2022	338,070	21,224	113,230	2,434,465	92,967	591,267	2,191,054	5,782,277

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 December 2023 and 31 December 2022:

	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables				
Non-current receivables	1,990	1,990	36,651	36,651
Total	1,990	1,990	36,651	36,651
Financial liabilities				
Other financial liabilities				
Borrowings	1,041,843	1,041,843	1,085,349	1,085,349
First year instalment non-current debt	5,000	5,000	5,000	5,000
Lease liabilities	2,079,997	2,079,997	2,015,033	2,015,033
Current lease liabilities	588,626	588,626	521,958	521,958
Put option liability	27,980	27,980	281,221	281,221
Total	3,743,445	3,743,445	3,908,561	3,908,561
Financial instruments measured at fair value through profit and loss				
Derivatives - asset				
Interest rate swaps	71,322	71,322	76,667	76,667
Foreign exchange forward contracts	446	446	4,725	4,725
Total	71,768	71,768	81,392	81,392
Derivatives - liabilities				
Foreign exchange forward contracts	31,274	31,274	8,973	8,973
Total	31,274	31,274	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 some 90 stores across Sweden. The Europris group owns 20 per cent of the shares and voting rights in Runsvengruppen AB. The vendor note issued to 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 Europris shares and now holds 1,449,898 shares corresponding to 0.87 per cent of the share capital. At initial recognition of Europris' 20 per cent stake, an excess value was identified as goodwill. In addition to the 20 per cent holding of shares in ÖoB, Europris holds an option to acquire the remaining 80 per cent of the shares. In previous periods, the fair value of the option has been considered immaterial.

An arbitration procedure to decide i) whether the option period had expired and ii) if the accountant's decision in September 2021 on the 2019 EBITDA was correct ended in September 2023 and the final results were announced on 18 December 2023. The tribunal decided in favour of Europris, meaning that the group's option to acquire RuNor's shareholding in Runsvengruppen has not expired and may therefore still be exercised within six months from that date.

Operationally, Runsvengruppen AB has lost market share over time, has seen profitability decline and will, in Europris' opinion, be dependent on a turnaround to operate profitably in the future. Performance has been below the expectations expressed in the initial investment case in 2018.

In light of the positive ruling from the arbitration tribunal in December 2023 and the operational challenges in ÖoB, Europris has carried out an assessment of the value of its shares in ÖoB and the option to acquire the remaining 80 per cent. The valuation represents an estimate for IFRS accounting purposes, based on information available to management. The management is still in the process of assessing whether it will exercise the option.

The group has recorded an estimated loss of NOK 11.3 million on its 20 per cent stake in 2023. The valuation assessment made by management resulted an impairment of NOK 43 million, reducing the excess values (goodwill) identified at initial recognition to NOK 78 million. The total loss from associated companies for 2023 amounts to NOK 54 million.

Applying a consistent approach to valuing the option to acquire 80 per cent of ÖoB results in the recognition of NOK 102 million. An EBITDA of SEK 64.6 million provides for an option strike price of about NOK 211 million for the remaining 80 per cent of the shares in Runsvengruppen, reflecting the NOK/SEK exchange rate, net debt and normalised working capital. The option strike price will be settled with shares in Europris, valued on the basis of a volume-weighted average prior to final settlement. The final purchase price for the remaining 80 per cent of the shares in Runsvengruppen will be based on an average of Runsvengruppen's EBITDA for 2019 and 2020. The EBITDA for 2020 has yet to be agreed between the parties. A decision on whether to exercise the option had not been made at the time of this reporting.

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 December 2023.

Change in number of treasury shares

Treasury shares 1 January 2023	5,938,263
Sale of treasury shares to senior executives	(16,328)
Treasury shares 31 December 2023	5,921,935

Average cost price for treasury shares are NOK 44.75.

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)	Q4 2023	Q4 2022	FY 2023	FY 2022
Total operating income	3,072	3,034	9,467	9,016
- Cost of goods sold	1,724	1,655	5,276	4,833
= Gross profit	1,348	1,379	4,191	4,183
Gross margin	43.9%	45.5%	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)	Q4 2023	Q4 2022	FY 2023	FY 2022
Employee benefits expense	389	370	1,373	1,295
+ Other operating expense	236	249	848	836
= Opex	625	619	2,222	2,132
Opex-to-sales ratio	20.3%	20.4%	23.5%	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)	Q4 2023	Q4 2022	FY 2023	FY 2022
Operating profit	554	604	1,295	1,440
+ Depreciation	169	155	675	611
= EBITDA	723	760	1,970	2,051
EBITDA margin	23.5%	25.0%	20.8%	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)	Q4 2023	Q4 2022	FY 2023	FY 2022
Change in Inventory	221	224	254	(345)
Change in accounts receivable and other current receivables	(34)	(29)	62	(61)
Change in accounts payable and other current debt	198	225	(35)	32
Net change in working capital	385	419	281	(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)	Q4 2023	Q4 2022	FY 2023	FY 2022
Purchases of fixed assets	13	25	120	85
Purchases of intangible assets	2	22	22	58
= Capital expenditure	15	47	142	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)	FY 2023	FY 2022
Borrowings	1,042	1,085
Current borrowings	5	5
Lease liabilities	2,080	2,015
Current lease liabilities	589	522
= Financial debt	3,715	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)	FY 2023	FY 2022
Cash	676	464
+ Total facilities	1,536	1,436
- Total drawn	(7)	(3)
= Cash and liquidity reserves	2,205	1,897

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)	Q4 2023	Q4 2022	FY 2023	FY 2022
Sales directly operated stores	2,461	2,389	7,932	7,519
Sales franchise stores	312	335	1,013	1,066
= Total chain sales	2,774	2,723	8,945	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 Europris chain sales for stores that have been open for every month of both the previous and the current calendar year.

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