

ANNUAL REPORT **EUROPRIS ASA** 2020



Euopris
MER TIL OVERS

Content

Europris Awards 2020	5
Key figures	6
Letter from the CEO	8
Directors' report and presentation of the board.....	10
Corporate governance	22
Sustainability report.....	30
The management	56
Consolidated financial statements	61
Income statement.....	63
Balance sheet.....	64
Statement of changes in equity.....	66
Statement of cash flows	67
Notes	68
Europris ASA financial statements	99
Income statement.....	100
Balance sheet.....	101
Statement of changes in equity.....	103
Statement of cash flows	104
Notes	105
Declaration to the annual report.....	113
Alternative performance measures definitions	114
Auditor's report.....	116
Shareholder information.....	121

EUROPRIS' VALUES

Positive attitude

Proactive

Clear

Business acumen

Simple

Europris awards 2020

Each year we celebrate the men and women that make a difference within Europris. They are all excellent representatives of the Europris values.

Sales person of the year

Anette Bratten Michelsen,
Strusshamn



**New opening
of the year**
Europris Voss



Store of the year
Europris Bryn



**Franchise store
of the year**
Europris Notodden

Key figures

(Amounts in NOK million)

	FY 2020	FY 2019
GROUP KEY INCOME STATEMENT FIGURES		
Sales directly operated stores	7,240	5,490
Sales from wholesale to franchise stores	689	666
Franchise fees and other income	84	78
Total operating income	8,013	6,234
% growth in total operating income	28.5%	7.2%
Cost of goods sold	4,534	3,544
Gross profit	3,478	2,691
Gross margin	43.4%	43.2%
Opex	1,773	1,596
Opex-to-sales ratio	22.1%	25.6%
EBITDA	1,705	1,094
EBITDA margin	21.3%	17.6%
EBIT (Operating profit)	1,166	579
EBIT margin (Operating profit margin)	14.5%	9.3%
Net profit	804	375
Earnings per share (in NOK)	4.86	2.32
Dividend per share (in NOK)	2.70	1.95
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES		
Net change in working capital	227	133
Capital expenditure	104	157
Financial debt	2,846	3,660
Cash	540	568
Net debt	2,306	3,092
- Lease liabilities (IFRS 16)	1,851	2,004
Net debt ex lease liabilities	455	1,088
Cash and liquidity reserves	1,926	1,005
CHAIN KEY FIGURES		
Total chain sales	8,388	6,561
% growth in total chain sales	27.8%	6.4%
% growth in like-for-like chain sales	26.7%	4.4%
Total number of chain stores at end of period	266	264
- Directly operated stores	237	231
- Franchise stores	29	33

* For definitions and reconciliations of APMs, please see page 114

Revenue growth 28.5%



Net profit increase 114%

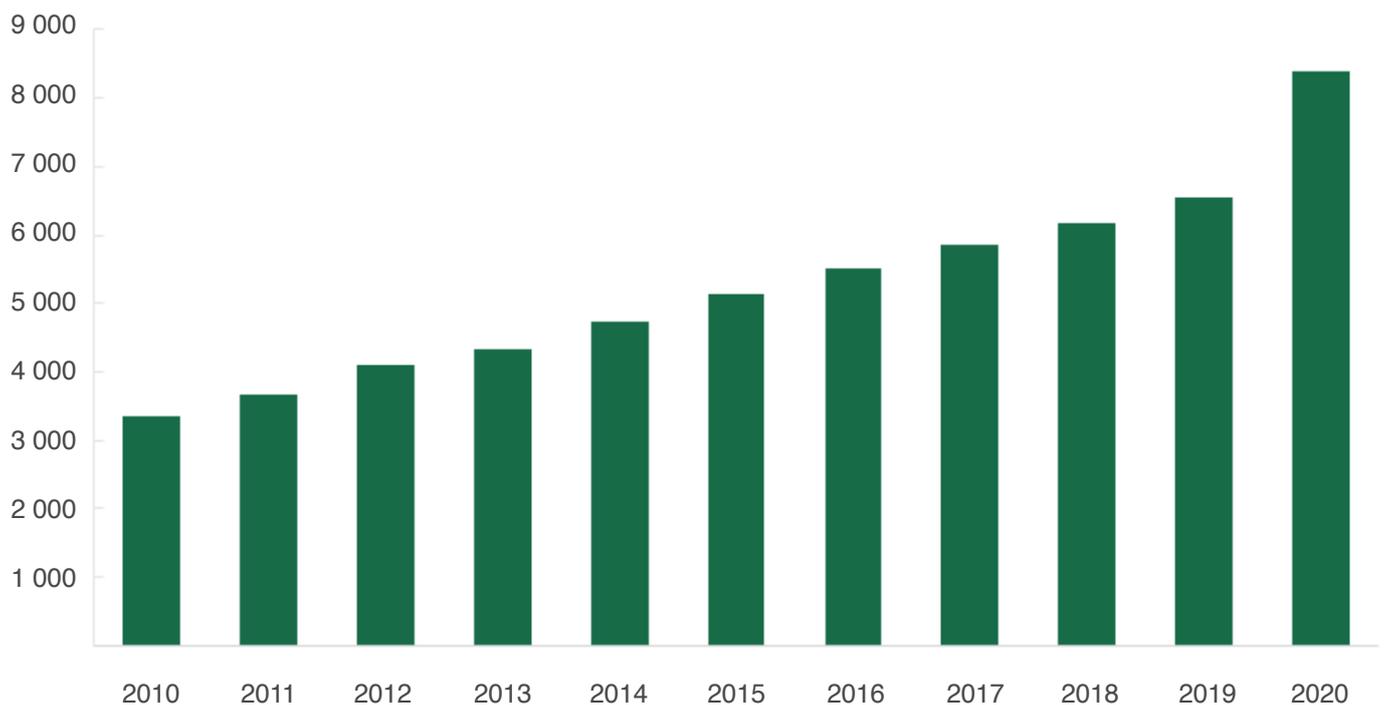


**Total retail sales
NOK 8,388 million**



**More than 36 million
customer transactions**

NOK million



Letter from the CEO

Change, choice and reward

We accepted the change, we chose to adapt and all the stakeholders in and around Europris received their reward.

The year 2020 was a time of great change. Every change offers challenges and opportunities. As a leader, I always strive to focus on the opportunities. I am pleased to say that our organisation followed suit in 2020.

In that pandemic year, we concentrated on infection control for the benefit of customers and employees alike. We demonstrated that our stores were a good and safe place to shop, and we created comfortable shopping conditions for all our customers.

And, well into 2021, I can solemnly declare that we are better positioned than ever. Regular customers increased the frequency of their visits and the size of their shopping carts, while new customers discovered all the benefits of shopping smart at low prices. They visited our network a record 36.4 million times to do their shopping in 2020.

Our valued owners and investors tend to see us as a unit comprising several stores in a national chain, a unit which by the end of the year had sold goods worth NOK 8.4 billion.

We are perceived slightly differently by our customers. They consider us more of a local store in

266 different places, where they live and where they shop.

In uncertain times, this is a very important distinction which effectively reinforces our brand value.

Because we're first and foremost retailers. As successful retailers, we must be where the people are and we must offer what they want – which is to buy quality goods at the best possible price. It's as simple as that.

We continuously encourage each other to concentrate on what we can do something about. So when the mutant virus struck at the beginning of 2021, and the Norwegian health authorities decided to close all shops in specific areas owing to a local outbreak, the reflex action in our organisation was primarily to concentrate on the other outlets in our network which were not closed down.

I'm proud of the efforts made by all our employees during the Covid-19 pandemic, and I'd like to take this opportunity to thank them all for their exceptional efforts in an exceptional year.

Unfortunately, I suspect that extra efforts will continue to be needed in the coming months. But our culture has already shown itself from its best side, with employees going to great lengths to ensure a secure workplace and a safe place to shop for

” We accepted the change, we chose to adapt and all the stakeholders in and around Europris received their reward.

customers in very challenging times. So I'm confident that we'll also manage the next phase of the pandemic in a good way.

We are a campaign-driven, low-price retailer focused on conducting campaigns and providing good customer offerings every week of the year. In 2020, we strengthened our position as the leading discount variety retailer in Norway.

We won't be put in the shade tomorrow because somebody has planted a tree today. That's why we will constantly change and try to be a bit better every day.

While doing that, we'll stick to our key strategic priorities: to strengthen our price and cost position and to improve the customer experience in order to drive customer growth.

I'm looking forward to 2021. After all, the reward for work well done is the opportunity to do more.



Espen Eldal
CEO of Europris ASA



Directors' report

Europris delivered a solid performance in a very special year. Group revenues amounted to NOK 8,013 million (NOK 6,234 million), representing an increase of 28.5 per cent. Sales growth was not only positively affected by the Covid-19 pandemic, but also driven by the organisation's impressive execution of seasons and optimisation of the campaign programme. This growth was distributed relatively evenly between an increase in the shopping basket and a rise in the number of customer visits. Basket growth was driven mainly by more items per customer, while the biggest driver for customer visits was increased frequency among existing customers.

The Covid-19 pandemic had a significant impact on market developments, and sectors of the Norwegian retail experienced an exceptionally good year. Infection control measures contributed to Norwegians spending more time at home and the closed borders temporarily halted trade leakage to Sweden. The overall result was increased demand in the Norwegian market, and Europris was well positioned to take advantage of this. Low prices combined with a wide range of goods and an easily accessible store network have made Europris a preferred shopping alternative for many customers. Europris continued to gain market share, with sales growth significantly above the rest of the market. The Europris chain delivered a total sales growth of 27.8 per cent (6.4 per cent growth in 2019) and a like-for-like sales growth of 26.7 per cent (4.4 per cent in 2019).

	2020 total growth	2020 LFL growth	2019 total growth
Europris chain	27.8%	26.7%	6.4%
Virke: total retail*	10.0%	n/a	1.4%
Virke: groceries*	15.9%	n/a	1.5%
Virke: variety retail*	18.5%	n/a	2.1%
Kvarud shopping centre index**	4.0%	3.6%	1.3%

An improvement in gross margin, despite the shift towards a larger share of groceries, and strict cost control combined with scale benefits, led to a solid improvement in net profit. Net profit for 2020 was NOK 804 million (NOK 375 million). The board of directors decided to give all employees an extra appreciation for the remarkable efforts they have shown during the Covid-19 pandemic, and NOK 12 million was expensed in 2020 in relation to this.

Net cash flow for the year was an outflow of NOK 28 million (inflow of NOK 141 million). During 2020, Europris bought back five million shares, totalling NOK 245 million, in addition to making net loan repayments of NOK 652 million. Cash and available credits were NOK 1.9 billion at 31 December 2020 (NOK 1 billion in 2019).

The board of Europris ASA has proposed an ordinary dividend for 2020 of NOK 2.20 per share to the AGM plus an additional dividend of NOK 0.50 per share, in total NOK 2.70 per share. That represents an increase of 12.8 per cent in ordinary dividend and 38.5 per cent in total dividend from the 2019 dividend of NOK 1.95.

Espen Eldal was appointed CEO of the group on 30 March 2020 and Stina Charlene Byre became CFO with effect from 18 January 2021.

Business operations and strategy

Europris is Norway's largest discount variety retailer by sales. The group offers its customers a broad range of quality private-label and branded merchandise across 15 product categories. Europris is a campaign-driven, low-price retailer focused on conducting campaigns and providing good customer offerings every week of the year. It aims to ensure that advertised products are readily available throughout the campaign period.

The Europris group head office is located in Fredrikstad, and the group opened its new central warehouse in Moss in 2019. The years from 2019 to 2022 will be a transitional period, when the group operates from several distribution centres before all warehouse operations are concentrated in the new and highly efficient central warehouse in Moss. This is expected to be in the third quarter of 2021.

Europris delivers a unique value proposition for shoppers by offering a broad range of quality merchandise at low prices in destination stores across Norway. Its merchandise is sold through the chain, which comprised a network of 266 stores nationwide at 31 December 2020. Of these, 237 were operated directly and 29 run as franchises. Europris stores are designed to facilitate a consistent, easy and efficient shopping experience with a defined layout, making use of a distinctive "shop-in-shop" concept.

E-commerce solutions are offered, with a broad range of products available for both home delivery and click and collect in the stores.

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

** December 2020 report (performance based on 196 shopping centres in Norway)

Europris employs a low-cost operating model, with attention concentrated on efficiency across the entire value chain from factory to customer. It aims to maintain a low-cost base through optimised and efficient sourcing, logistics and distribution processes. The group's experienced procurement team purchases large volumes of goods, which are principally sourced directly from suppliers. High-quality sourcing operations are central to the group's value proposition. It manages the chain's range of merchandise centrally, which results in a consistent array of products in each category at both directly operated and franchise stores as well as online.

The group's key strategic initiatives are:

- strengthen the price and cost position
- improve the customer experience
- drive customer growth.

Operational review

Concept and category development

During the first quarter of 2020, Europris launched an upgraded kitchen equipment department. This was successfully timed and the upgrade has been well received by customers. It was the category with the highest sales growth in 2020. Europris has reduced complexity in the new department by increasing the use of a basic range in sales campaigns. This makes the profile of the department easier for customers to understand and reduces the need for stock clearance after sales campaigns. It also becomes easier and more efficient for the stores to maintain a good operating standard. This programme will be used as a template for future category projects.

Europris continues to benefit from improved campaign implementation in the stores. Larger volumes of campaign products have significantly reduced the occasions when such products sell out. As a result, sales are increasing and, over time, Europris expects this initiative to increase customer satisfaction and strengthen the chain's price leadership in the market.

The focus on central control of volume and spacing in the stores was further developed during 2020. Stronger planning has made the build-up to the high season better organised and more flexible, ensuring improved utilisation of the sales area. This has contributed to

greater efficiency in stores. In addition, the central spacing has ensured a more consistent implementation of a season across the store base.

Europris continued to develop its seasonal range during 2020 to maintain its price and seasonal leadership in Norway. Over time, Europris has gained significant product expertise with Christmas lighting and trees. These goods were purchased in collaboration with Tokmanni in Finland and ÖoB in Sweden. The increased buying power and expertise this provides resulted in improved purchasing terms and product quality. Positive experience with these projects has been incorporated in the other parts of the purchasing collaboration.

E-commerce and digitalization

Europris is positioning itself as an omnichannel retailer, and the interaction between physical and digital marketing is an important factor in growing customer visits to the stores. The ambition is to create a seamless interaction between physical stores and the digital offering. The goal is to shape an environment where customers find good information online and can shop in the way which best suits them, whether online or by visiting one of the chain's physical stores. E-commerce is currently a small part of total Europris sales but continued to grow. Turnover in this channel increased by 115 per cent in 2020 to a total of NOK 86 million, representing one per cent of total chain sales. Click and collect is still the preferred alternative for customers and represented almost 85 per cent of e-commerce sales, with home deliveries accounting for just over 15 per cent.

The e-commerce platform was improved in 2020, and these operations were relocated to the new central warehouse in Moss. That permitted a larger range to be offered online and increased the level of service to customers. The group continues to see an increase in the number of visits to its website and has succeeded in recruiting members to its MER customer club. The latter had 690,000 members at 31 December 2020, more than double the number a year earlier. Digital visibility has also increased, with more and more followers on social media. Distribution of newsletters and weekly offers through digital channels is increasing, and newsletters will gradually become more personalised and reflect products and offers relevant to the individual customer.

Growing the store estate

Europris opened four new stores in 2020, bringing the total number in the chain to 266 at 31 December 2020, of which 237 were directly operated and 29 run as franchises.

New store openings in 2020

Month	Store	County
March	Tau	Rogaland
September	Lindås	Vestland
November	Kongsberg, Sølparken	Viken
December	Løren City	Oslo

Europris relocated two stores, completed four store expansions and closed two stores in 2020. The group will continue to develop the existing store base and sees this as an important value driver in the future.

The potential closure of the Europris store at Grini has been the subject of court proceedings, with a negative outcome for Europris. The group has appealed this verdict and implementation will be deferred until a final judgement is reached.

Status of the new central warehouse

The new central warehouse in Moss has performed well, and its new automated high-bay section contributed positively to operations in 2020. The proportion of rejected pallets has declined every month since the start-up in June. Operation of the system is now approaching the standard classified by the industry as "best in class".

Commissioning the automatic shuttle system in the low-bay area of the new warehouse, which will make picking of goods more efficient, is the next major milestone. Installation of the system has been completed and testing began in the fourth quarter of 2020. The first tests have revealed some errors which must be corrected before Europris can approve the work. The supplier is working continuously on this, and further tests will be conducted at the beginning of 2021.

As previously announced, the period from today until 2022 will be a transitional time for Europris, since some additional costs will be incurred before savings from the new warehouse fully materialise. These are estimated (from 2017 figures) at 0.75-1.25 percentage points of group revenues once all the stages have been completed and rent payments have ceased for all the old warehouses.

Strong sales growth in 2020, with stocks of seasonal goods sold out and large orders therefore placed for the summer season of 2021, has led to the decision to utilise the former central warehouse in Fredrikstad for handling part of the seasonal goods aimed at the summer of 2021.

Status of the ÖoB equity transaction

Europris completed its acquisition of a 20 per cent equity stake in ÖoB on 13 December 2019, with payment in Europris shares. As part of the agreement with ÖoB, the group holds an option to acquire the remaining 80 per cent of the ÖoB shares. This option runs for six months from the date the parties reach an agreement on ÖoB's 2019 EBITDA. Pricing at both stages is based on an EV/EBITDA multiple of 7.7, adjusted for net debt and average net working capital.

BOARD

Tom Vidar Rygh (chair) is an adviser to the Nordic Capital Funds. He holds a degree in economics and business administration (siviløkonom) from the Norwegian School of Economics (NHH). Rygh has held various leading executive positions in industrial and financial companies, including executive vice president of Orkla ASA, CEO of SEB Enskilda and partner in/GEO of NC Advisory AS – adviser to the Nordic Capital Funds. He has served as chair and director of several companies in a number of sectors, including Telenor ASA, Oslo Børs, Carlsberg Breweries A/S, Storebrand ASA, Aktiv Kapital ASA, Eniro AB, Netcom ASA, Helly Hansen ASA, Dyno ASA, Industri Kapital Ltd, Actinor Shipping ASA, Borregaard Forests AS, Holberg Inc, Orkla Eiendom AS, Telia Overseas AB and Baltic Beverage Holding AB. Rygh has also served as an adviser to a number of prominent investment groups, such as TPG and the John Fredriksen group. He is regarded as independent of senior executives, material business associates and the company's major shareholders. Number of shares in Europris ASA: 600,000 (through Retiro AS).



During the fourth quarter of 2020, a financial due diligence process was carried out to determine ÖoB's EBITDA for 2019. The final purchase price for the remaining 80 per cent of the shares in parent company Runsvengruppen AB will be calculated in accordance with average EBITDA for 2019 and 2020. The parties have not been able to reach agreement on the company's EBITDA for 2019 within the timeframe. A relatively large gap exists between the parties, and the 2019 accounts will be forwarded to an independent third party for consideration. That was also done with the 2018 accounts. This will delay the start of the option period, which is estimated to begin in the second quarter of 2021.

Financial review

Income statement

Group revenues amounted to NOK 8,013 million in 2020 (NOK 6,234 million), up by 28.5 per cent. The key drivers behind revenue growth were the increased demand following from the Covid-19 pandemic, as well as the organisation's impressive execution of seasons and optimisation of the campaign programme. In addition, six more directly operated stores – net two new stores and four franchise take-overs.

Gross profit was NOK 3,478 million (NOK 2,691 million), an increase of 29.3 per cent. The gross margin was 43.4 per cent, up 0.2 per cent from 2019. The cost of goods sold included a net unrealised currency loss of NOK 30 million (loss of NOK 20 million) on hedging contracts and accounts payable.

Operating expenses (excluding the cost of goods sold) were NOK 2,313 million (NOK 2,112 million), up by

9.5 per cent. Expenses were affected by higher costs for outbound freight owing to the massive volume increase, a 2.6 per cent increase in the number of directly operated stores, and the extra appreciation awarded to all employees for their strong contribution during the pandemic. Operating expenses corresponded to 28.9 per cent (33.9 per cent) of group revenues, illustrating strong cost control and scale effects from the higher volumes.

Operating profit amounted to NOK 1,166 million (NOK 579 million), an increase of 101.5 per cent.

Net financial expenses in 2020 were NOK 139 million (NOK 98 million). In connection with the transition to a new IFRS 16 system, an error was discovered during November 2020 in the interest rate calculations related to implementing IFRS 16 in January 2019. This resulted in an interest expense of NOK 32 million being booked in 2020, of which NOK 20 million was related to 2019.

Profit before tax was NOK 1,029 million (NOK 480 million).

Income tax expense in 2020 was NOK 225 million (NOK 105 million), giving an effective tax rate of 21.9 per cent – the same level as in 2019.

Net profit for 2020 was NOK 804 million, more than the double the 2019 figure of NOK 375 million.

Cash flow

Net cash flow generated from operating activities was NOK 1,705 million (NOK 1,032 million). The net change in working capital was positive at NOK 255 million (positive at NOK 161 million). The underlying

Hege Bømark is a director of AF-Gruppen ASA, OBOSbanken AS and the Institute for Eating Disorders. She has also been a director of Oslo Areal ASA, Norgani Hotels ASA, BWGHomes ASA, Norwegian Property ASA and Fornebu Utvikling ASA, all of which are or have been listed companies. Prior to becoming a full-time professional director, Bømark served as a project broker in AS Eiendomsutvikling and as a financial analyst at Fearnley Finans AS and Orkla Finans AS. She holds a degree in economics and business administration (siviløkonom) from the Norwegian School of Economics (NHH). Bømark is regarded as independent of senior executives, material business associates and the company's major shareholders.



Tone Fintland has many years of experience as a senior executive in the pharmaceutical industry. She has functioned since 2016 as global procurement Director at TEVA Pharmaceuticals, and has previously held similar positions in the Actavis Group and Alpha Inc. In addition, Fintland is a President of NIMA (the Norwegian Association for Purchasing and Logistics) and NIMA Oslo Akershus Affiliate. She holds a Bachelor in Business Administration from the BI Norwegian Business School. Fintland is regarded as independent of senior executives, material business associates and the company's major shareholders. Number of shares in Europris ASA: 2,780.



development in net working capital was positively affected by increased provisions for VAT and other accruals.

Net cash flow used in investing activities was negative at NOK 112 million (negative at NOK 160 million). The decline reflected fewer store projects in 2020 as well as higher investment in 2019 related to the new central warehouse and acquisition of equipment for the new head office. Payments related to acquisitions amounted to NOK 8 million (NOK 3 million).

Net cash from financing activities was negative at NOK 1,620 million (negative at NOK 731 million), owing to refinancing the group's term loan and repayment of old term loan. In addition, buy-back of treasury shares amounted to NOK 245 million in 2020.

The net change in cash for 2020 was an outflow of NOK 28 million (inflow of NOK 141 million).

Financial position

Financial debt at 31 December 2020 was NOK 2,846 million (NOK 3,660 million). Adjusted for the IFRS 16 effect, financial liabilities amounted to NOK 995 million (NOK 1,656 million).

The group signed a new loan agreement in December 2019, and this refinancing was in place in January 2020. Syndicated through three credit institutions – DNB Bank, Danske Bank and Nordea – the new agreement covers a three-year term loan and revolving credit facility with options for one plus one year. Europris has decided not to exercise the first option.

Net debt at 31 December 2020 was NOK 2,306 (NOK 3,092 million). Adjusted for the IFRS 16 effect, net financial liabilities were NOK 455 million (NOK 1,088 million). The group is in compliance with its financial covenant.

Cash for the group at 31 December 2020 amounted to NOK 540 million (NOK 568 million). The group's liquidity reserves were undrawn at 31 December 2020. Total cash and liquidity reserves totalled NOK 1,926 million (NOK 1,005 million).

Equity

Equity at 31 December 2020 was NOK 2,214 million (NOK 1,978 million) and represented an equity ratio for the group of 30.4 per cent. The increase in equity was made up of the net profit of NOK 803 million less NOK 245 million for the buy-back of treasury shares and NOK 323 million in dividend paid.

Allocation of profit

Europris ASA (the parent company) posted a profit of NOK 688 million for 2020.

The board proposes the following allocation (NOK million):

Ordinary dividend	367
Additional dividend	84
Retained earnings	237
Total	688

Claus Juel-Jensen is a professional board member and has extensive boardroom experience from different companies in food and non-food retail, food production and wholesale in Germany, Denmark, Sweden and Norway. In his professional carrier, he was the CEO of Netto Germany, a joint venture between Edeka Germany and Dansk Supermarked Group, from 1995-2004 and after that CEO of Netto International (DK, DE, SE, PL, UK) from 2005-2017. Juel-Jensen has extensive experience in the food-discount industry and the internationalisation of retail concepts. He holds a Master of Business Administration and an MSc from Copenhagen Business School and the University of Cologne, and has the rank of captain in the Royal Danish Guard. Juel-Jensen is regarded as independent of senior executives, material business associates and the company's major shareholders. Number of shares in Europris ASA: 4,503.



Pål Wibe joined XXL ASA as its chief executive officer in 2020. He has been the CEO of Europris from 2014 to 2020. Prior to that appointment, he served as CEO of Nille AS for almost seven years and CEO of Travel Retail Norway AS for two years. Before that, he held various executive positions at ICA Ahold AB for six years and worked for five years in McKinsey & Co. Wibe holds a degree in economics and business administration (siviløkonom) from the Norwegian School of Economics (NHH) and an MBA from the University of California at Berkeley. He is regarded as independent of senior executives, material business associates and the company's major shareholders. Number of shares in Europris ASA: 408,572 (through Nordkronen II AS).



The Europris group achieved a profit of NOK 804 million in 2020.

The board of Europris ASA will propose an ordinary dividend of NOK 2.20 per share for 2020 to the AGM. This represents a 12.8 per cent increase from the ordinary dividend of NOK 1.95 for 2019. To reflect the strong financial performance in an extraordinary year, the board proposes to pay an additional dividend of NOK 0.50 per share for 2020. In total, the proposed dividend is NOK 2.70 per share, an increase of 38.5 per cent from 2019, and amounts to NOK 451 million for all shares. The total cash outflow for dividend will be reduced by the amount falling due to treasury shares. Dividend for the 6,150,305 treasury shares amounts to NOK 16.6 million.

Pursuant to section 3-3a of the Norwegian Accounting Act, the board confirms that the financial statements have been prepared on the assumption that the group is a going concern.

Risk and risk management

The board pays great attention to risk, risk management and internal control procedures. The risk register, which is updated by management and reviewed annually by the board, focuses on three key risk categories:

1. market and financial, including credit and liquidity
2. operational
3. strategic.

For each key category, the risks are identified and classified in accordance with the likelihood of their occurrence and the potential impact should they occur. The risk classification is subject to periodic review by management to identify any change in classification. The key risks identified are presented below.

Bente Sollid Storehaug is CEO of Digital Hverdag and non-executive director of Polaris Media, Hafslund E-CO, Europris, Motor Gruppen, Nortel and Eika Gruppen. She is also chair of Placewise Group, Vinje Ullvarefabrikk AS (Lanullva) and The Velixio Group. Storehaug has been a member of several policy advisory boards for government ministers in Norway. She has also been appointed by the government to an expert committee on the future funding of the Norwegian Broadcasting Corporation (NRK). Storehaug established her own internet consultancy in 1993, which is listed today on Oslo Børs as Bouvet ASA. She is the youngest member of the Norwegian Association of Editors. Storehaug is regarded as independent of senior executives, material business associates and the company's major shareholders.



Karl Svensson is a director of RuNor AS, the Svensson family's special purpose vehicle for its investment in Europris. He is a corporate finance professional, having worked for Swiss-based corporate finance institutions advising on mergers and acquisitions and private capital placements. Svensson also has operational retail experience, having previously worked for Runsvengruppen AB, the parent company of ÖoB. He graduated from Uppsala University in 2003 with an MSc in business and economics. Svensson is regarded as independent of senior executives, material business associates and the company's major shareholders, with the exception that Europris holds an option to acquire the remaining 80 per cent of the ÖoB shares. Number of shares in Europris ASA (through RuNor AS): 271,856.



Market and financial risk

Risk type	Description of risk	Internal control
Natural disaster, conflict, pandemic, etc	Natural disasters and conflicts may affect production and supply of goods. A pandemic could have a positive (as in 2020) or a negative effect if many stores are closed for a longer period.	Europris' store network is spread over a large geographical area and consists mainly of independent stores outside shopping centres, thereby limiting the risk that many of them will be affected simultaneously. The product range consists mainly of products which all households need in their everyday lives. Europris has many suppliers, who are located in different geographic regions. The probability that the entire value chain will be affected is therefore low. The group can adapt its range and campaigns on the basis of available goods. It has already established online trading and a click and collect solution.
Economic environment	Changes in the macro-economic environment which reduce consumer spending.	Europris has a wide range of products and price points which allow customers to trade up and down. Its operating model is based on low costs to keep sale prices as low as possible. Its forecasting and planning models are detailed so that the group can react in time if the economic outlook changes.
Competition	Significantly increased competition in the market.	Management follows developments in the market closely through regular reporting of market data as well as through its own competitor analyses. Own evaluations of market prices are performed regularly to ensure competitiveness. Category development is an important element, where Europris can reduce its product offering in categories facing strong competition while introducing new products in categories where competition is weaker.
Digitalization	Change in shopping patterns as a result of digitalization.	Europris has a well-functioning e-commerce solution, with a broad range of products available for both home delivery and click and collect in the stores. The number of customers in the MER loyalty programme is rising and a new e-CRM system which permits personalised direct marketing is in place. Marketing is directed to a greater extent at social and digital media. Europris sees increased digitalization as an opportunity to use e-CRM to expand traffic in the physical stores. A large part of the range is low-value products, less exposed to online shopping.
Sustainability	Change in shopping patterns as a result of sustainability.	Sustainability forms an integrated part of Europris' strategy and is taken into account in product development and strategic initiatives. More than 85 per cent of all products are sourced today from certified factories (BSCI, Sedex, ICTI). Detailed programmes for reducing waste and energy consumption are in place and a separate sustainability strategy has been developed.
Purchasing prices, including currency, and overall cost development	Increased purchasing prices, including currency rate volatility, and rise in other costs.	Purchasing prices and general cost development would also affect competitors in the same way, and prices to customers would probably rise, thereby offsetting higher costs. The group's financial policy includes a detailed currency strategy, whereby all purchase orders in USD and EUR are hedged for six months. This allows sufficient time to adjust the retail price. Historically, this has proved to work well during periods with large fluctuations in the currency market.
Interest rates	Interest-rate volatility affecting the group's interest costs.	The financial policy includes a detailed description of hedging, and 60 per cent of the group's long-term loans are currently hedged. Management monitors developments in the fixed income market, and regularly assesses the exposure to interest-rate risk.
Credit risk	Risk of customers defaulting.	Europris has limited exposure to credit risk. The clear majority of revenue transactions are settled in cash or by debit card. Trade receivables relate mainly to the group's franchisees, where losses on trade receivables have historically been limited. Sales to B2B customers are still a relatively small part of total revenues and historically involve limited losses.
Liquidity risk	Increased indebtedness affecting the group's ability to grow and posing a threat of breaching financial covenants.	Projected cash flow is updated regularly, and the group has sufficient cash and credit facilities available.

Operational risk

Risk type	Description of risk	Internal control
Central infrastructure, including property	Loss of operating facilities affect operations or cause serious injury to employees.	The group's buildings are properly protected against fire, and fire drills are conducted regularly. The group's assets are covered by full-value insurance in addition to business interruption policies.
IT infrastructure, including cyber risk	Damage to IT infrastructure.	Europris has good routines for backup and data security. Extensive IT security tests, both physical and digital, are carried out and deviations handled and improved on an ongoing basis.
Product risk, food risk, harm to people, animals, the environment or property	Risk if a product harms people, animals or the environment.	Europris uses reputable suppliers who are well-established and have good expertise in their categories and product types. More than 85 per cent of all products are sourced today from certified factories (BSCI, Sedex, ICTI). The group performs quality tests before approval and sale of products, in addition to random testing of food products. Routines for product withdrawals are established. Europris has insurance to cover product risk and any consequential damage.
Supply chain	Disruption to the supply chain leading to shortages of goods in stores.	Europris has agreements with a solid logistics company for inbound freight and with two transport firms for outbound. If one fails volumes can be shifted between distributors. Inventory levels in the stores are sufficient to manage for some time without deliveries.
Regulation and compliance	Breach of regulatory or legislative requirements resulting in financial penalties and/or reputational damage.	The group has established good procedures and instructions for ethics, compliance and corporate governance. These are revised annually by the board, and employee training is regularly conducted. More than 85 per cent of all products are sourced today from certified factories (BSCI, Sedex, ICTI). Europris conducts on-site inspections of suppliers in addition to extensive product testing.
Reliance on key management	Loss of key personnel/ skills which are critical to business operations.	Europris has a structured approach to succession planning and talent management. In this work, all managers are evaluated and potential successors in both short and long terms are identified. In addition, plans are implemented for retention, development and training of key staff.

Strategic risk

Risk type	Description of risk	Internal control
Concept and category development	Lack of innovation entailing lower margins and growth.	Europris has dedicated category teams which work systematically on concept and category development. This includes continuous monitoring of the market and consumer trends to adapt to changes and to implement new ideas at an early stage.
New store rollout	Lack of profitable new store locations which affects the group's growth plans.	The property team has a long pipeline for potential locations. The group maintains good relationships with landlords and is working strategically with other retailers for co-location of stores. New store openings must be approved by the board. Development of new stores is monitored and shows that new stores have historically performed well.
Omnichannel and e-commerce	Incomplete development of solutions.	The group has developed a separate strategic plan for digitalization, including omnichannel and e-commerce. As part of this work, the board has appointed a digital advisory board to support management.
Alliances and cooperation	Improving sourcing prices and co-developing PL range.	Europris has a collaboration with Tokmanni and ÖoB for sourcing and product development, in order to achieve better purchasing prices and to realise synergies.
New warehouse and automation	Failure in implementing the new warehouse and automation solutions, and in realising communicated cost savings.	The group has a dedicated team with sufficient expertise and resources for the project, and the board monitors progress and conducts risk reviews on a regular basis. External partners are highly rated professionals in their fields. The high-bay area is already established and working well, while the low-bay area is in progress.

Corporate governance

The board and executive management of Europris ASA review the group's corporate governance principles annually. Reporting accords with section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance as updated most recently on 17 October 2018. Please see page 22 for a detailed statement on Europris' corporate governance.

Organisation and corporate social responsibility

Employees and organisation

The year 2020 was demanding for many Europris employees. With the Covid-19 pandemic leading to a significant increase in the level of activity, operating routines were changed substantially to satisfy infection control measures. While many people worked from home, the Europris store workforce of almost 2,700 employees was physically present every day to handle

over 36 million customer visits. Europris' main focus during the pandemic has been to ensure a safe workplace for employees and a safe place to shop for customers. The organisation has handled the challenges in an impressive way, with no proven case of infection between employees and customers registered.

Europris wants to offer employees opportunities for both competence and career development within the group. A successful talent programme was introduced in 2017 and 75 per cent of new store managers were recruited internally in 2020. Several administrative and senior positions were also filled by recruitment from the group's own ranks.

Europris competitiveness and attractiveness as an employer are based on continuous development of human resources through personal experience, interaction with other employees and formal training. Approximately 90 per cent of all the in-store employees completed several new e-learning programmes focused on in-store training with customer service and product

knowledge. A mentor programme for store managers was also introduced. Other relevant training during 2020 included EHS (Environment, Health and Safety) training and e-learning based on the Covid-19 situation.

	2020		2019	
	Employees	Full time employees	Employees	Full time employees
Stores	2,694	1,571	2,432	1,436
Head office and distribution centre	426	421	386	378
Total	3,120	1,992	2,818	1,814

The biggest challenge for the organisation was absences related to quarantine and to childcare when day care nurseries and schools were closed. Sickness absence declined at head office and the distribution centres but increased in the stores, since home working is not an option for a store workforce of almost 2,700.

Sickness absence	2020	2019
Stores	9.8%	8.3%
Head office and distribution centre	4.5%	5.9%

A total of 10 injury reports were registered in 2020, but none were serious.

Equal opportunities and discrimination

Europris is a workplace with equal opportunities in all areas. The group has traditionally recruited from environments where women and men are relatively equally represented. Where gender equality in parent company Europris ASA is concerned, women accounted for 43 per cent of directors and 14 per cent of the executive management group in 2020. The group's ambition is to increase the proportion of women in senior positions.

The group has 3,120 employees, of whom 59 per cent are women. Working time arrangements are independent of gender.

Europris' policy is to promote equal human rights and opportunities, and to prevent discrimination on the grounds of gender, ethnicity, nationality, ancestry, colour or religion. The group is working actively to promote Norway's Anti-Discrimination Act in its business. These activities include recruitment, pay and working conditions, promotion, professional development and protection against harassment.

The requirement pursuant to section 26 of the Norwegian Equality and Anti-Discrimination Act to provide a statement on equal opportunities and discrimination is met in the chapter of the sustainability report on equal opportunities and a constructive work environment.

Natural environment

The group does not pollute the natural environment beyond the level considered normal for this type of business.

Pursuant to section 3-3c of the Norwegian Accounting Act, the board has drawn up guidelines covering business ethics and corporate social responsibility. The main principles are covered in the company's sustainability policy, available on its website at <https://investor.europris.no>. Europris' activities in the area of corporate social responsibility, including human rights, labour rights, the working environment, equality, discrimination, anti-corruption and the natural environment, are described in more detail in a separate section of this annual report. See page 30.

Transactions with related parties

No significant transactions were conducted with related parties in 2020.

Market developments and outlook

Europris cemented its position as the market leader in discount variety retail in Norway during 2020 and ended the abnormal year as a market winner. Discount variety is thriving and Europris is Norway's leader in this sector, with 100 per cent brand recognition as well as leadership on price perception. The group has established a unique corporate culture, where change is built into its DNA and where rapid shifts between campaigns and seasons are part of everyday life.

The long-term effects of Covid-19 are still uncertain, but Europris has focused over the past year on exceeding customer expectations so that as much as possible of the change in shopping patterns becomes permanent. Attention has concentrated on ensuring a safe and pleasant place to shop, while campaigns and product selection are adapted to customers' needs. Europris has strengthened its overall cost position to support its low-cost profile through the Nordic

partnership with ÖoB and Tokmanni and through moving operations to a single highly-automated warehouse.

The group is positioned as an omnichannel retailer with its e-commerce platform. Online shopping serves as both a channel for new sales and as a tool for driving traffic to the physical stores. While the latter will continue to be the main sales channel for the foreseeable future, e-commerce will enable Europris to expand its product offering, provide access to new customer groups and increase visibility through a new channel.

Europris continues to have a healthy pipeline of new stores. The board has approved an additional nine of them for 2021 and beyond, in addition to several store relocations and expansions. The group agreed to take over one franchise store on 1 January 2021, and an additional one or two takeovers are expected for 2021.

The market for container freight is currently suffering from a shortage of boxes. As a result, spot prices have increased significantly, and shipments of goods have been delayed to some extent. Europris has a fixed agreement with a freight carrier to fix both price and volume for 2021, and does not expect any delays with incoming shipments.

The group's long-term financial and operational ambitions remain unchanged:

- continue to deliver like-for-like growth above market performance over time
- aim to open an average of five new stores net per annum, depending on the availability of locations which meet strict requirements for the rate of return as well as the potential for relocations, expansion and refurbishment
- increase the EBITDA margin over time through improved sourcing and a more cost-effective value chain
- continue a dividend policy of paying out 50-60 per cent of net profit while maintaining an efficient balance sheet.

The board emphasises that uncertainty is faced in assessing the outlook.

Events after the reporting period

The Norwegian authorities imposed strict restrictions on retail businesses towards the end of January 2021 and Europris had to close stores temporarily for the first time during the pandemic. The situation has been changing rapidly and Europris has continuously adapted to any changes.

Fredrikstad, 26 March 2021

THE BOARD OF DIRECTORS OF EUROPRIS ASA



Tom Vidar Rygh
Chair



Claus Juel-Jensen



Hege Børmark



Pål Wibe



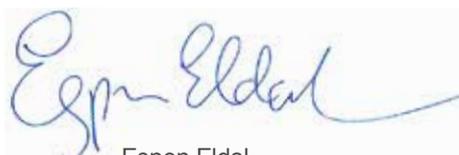
Bente Sollid Storehaug



Tone Fintland

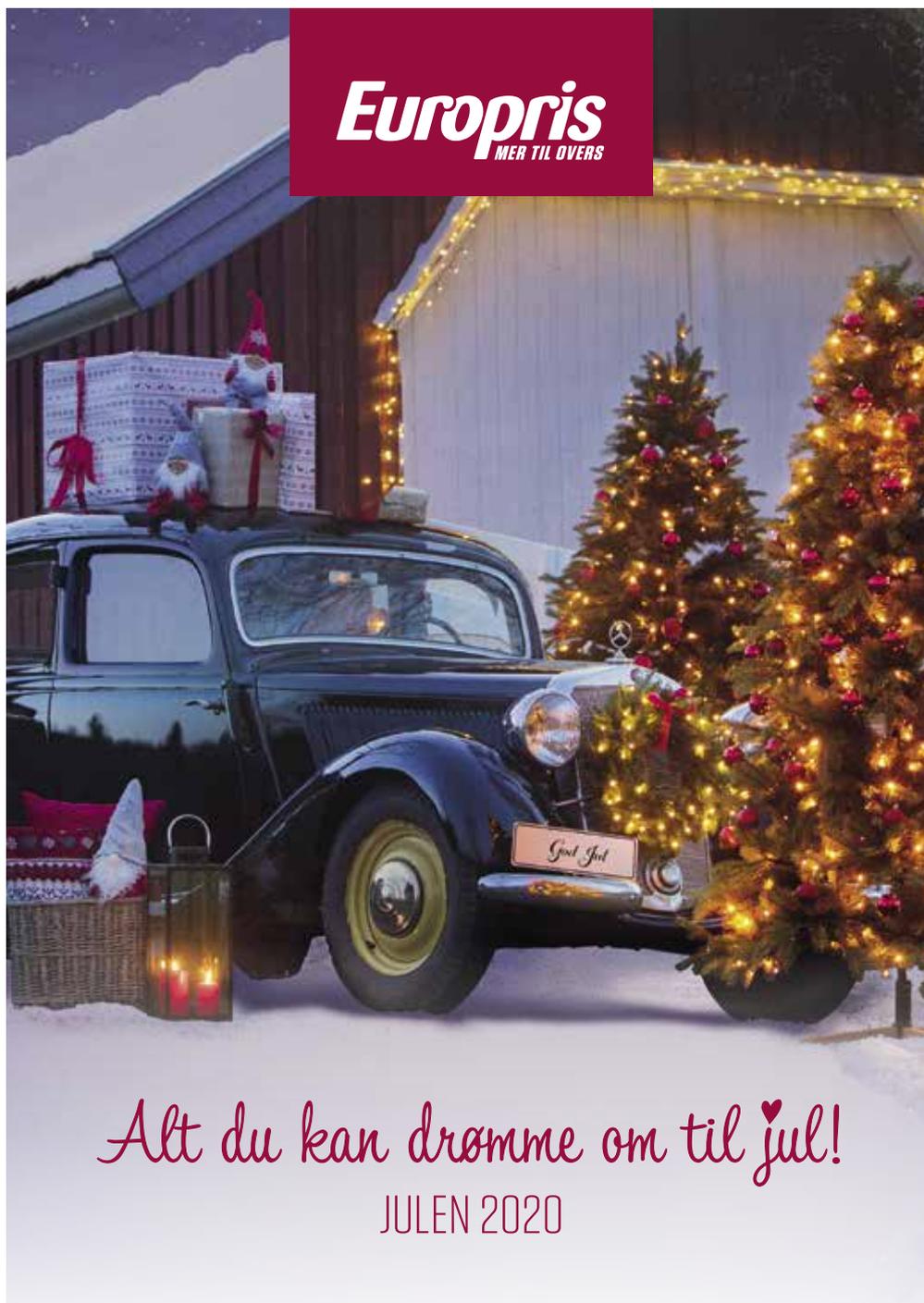


Karl Svensson



Espen Eldal
CEO

The seasonal store of Norway



Corporate governance

Europris ASA has made a strong commitment to ensuring trust in the group and to enhancing shareholder value through effective decision-making and improved communication between the management, the board of directors and the shareholders. The group's framework for corporate governance is intended to reduce business risk, maximise value and utilise the group's resources in an efficient, sustainable manner to the benefit of shareholders, employees and society.

1. Implementation and reporting on corporate governance

The board of Europris is conscious of its responsibility for the development and implementation of internal procedures and regulations to ensure that the group complies with applicable principles for corporate governance.

Europris is listed on Oslo Børs and subject to reporting requirements for corporate governance under the Norwegian Accounting Act as stock exchange regulations. Europris seeks to comply with the Norwegian Code of Practice for Corporate Governance (the code), last revised on 17 October 2018, which is available on the Norwegian Corporate Governance Committee's website at www.nues.no.

Application of the code is based on the "comply or explain" principle and any deviation from the code is explained under the relevant item. At 31 December 2020, Europris deviated from the recommendation in one section of the code in 2020 pertaining to the "establishment of separate guidelines regulating responses to takeover bids" (section 14).

The principles and implementation of the code are subject to annual reviews by the board and a statement is included in the annual report in accordance with the requirements of the continuing obligations for listed companies from Oslo Børs as well as the Norwegian code.

2. The business

Europris is Norway's largest discount variety retailer by sales. The group offers a broad range of quality own brand and branded merchandise across a wide range of product categories. The group's merchandise is sold through the Europris store chain, which consisted at 31 December 2020 of a network of 266 stores throughout Norway. Of these, 237 are directly owned by the group

and 29 operate as franchise stores. The group's headquarters and storage facilities are located in Fredrikstad and Moss, Norway.

The company's business purpose, as presented in article 3 of the company's articles of association, is as follows: "The company's business is commercial activity in the European wholesale and retail market, or business in relation to this, including issuing loans, and collateral and issuing guarantees for group companies and direct or indirect involvement in business with similar or other company object, as well as other business in relation to the above mentioned".

The board has established clear objectives, strategies and risk profiles for the group's business activities, to create value for its shareholders and to ensure that its resources are utilised in an efficient, sustainable manner to the benefit of all its stakeholders. Europris, as a consumer group, actively seeks to reduce risk and the potential for negative business effects by integrating sustainability in its business strategy. This is an approach which also creates opportunities for growth and long-term value creation. Europris has developed various policies providing business practice guidance, including on sustainability, code of conduct, ethical trade, anti-corruption, data protection, trade sanctions and whistleblowing. These policies set the standards for the behaviour which can be expected internally and externally in order to build trust, loyalty and responsible behaviour internally, and to prevent violations and negative effects externally.

Europris' sustainability policy and supplier code of conduct are available from the group's website at <https://investor.europris.no>. The group's objectives, strategies and risk profile are described on pages 10-18 of the 2020 annual report, while the group's sustainability efforts are described on pages 30-55.

Deviations from the code: None.

3. Equity and dividends

Capital structure

At 31 December 2020, the group's equity totalled NOK 2,214 million, which corresponded to an equity ratio of 30.4 per cent and a debt-to-equity ratio of 45 per cent (excluding IFRS 16 lease liabilities). The board considers Europris' capital structure to be adequate in relation to the group's objectives, strategy and risk profile.

Dividend policy

Europris aims at a dividend payout ratio of 50-60 per cent of the group's net profit while maintaining an efficient balance sheet. The group intends to provide shareholders with a competitive return on invested capital, taking into account its risk profile. It plans to pay out surplus liquidity (funds not necessary for the group's day-to-day operations) in the form of a dividend or by means of a capital reduction through distribution to the shareholders. The group considers whether the available liquidity should be used for new investment or repayment of debt, instead of being paid out as dividend. Subject to the approval of the AGM, the aim is to pay dividend annually. Dividend payments are subject to certain legal restrictions pursuant to the Norwegian Public Limited Companies Act and should also take account of the group's capital requirements and financial position as well as general business conditions.

Based on the financial results for 2020, the board will propose a dividend of NOK 2.20 per share. To reflect the strong financial performance in an extraordinary year, the board proposes to pay an additional dividend of NOK 0.50 per share for 2020. In total, the proposed dividend is NOK 2.70 per share. This corresponds to a dividend pay-out ratio of 55.6 per cent. Europris' leverage policy is to run the business with moderate leverage and to maintain an efficient balance sheet.

Board mandates

The annual general meeting on 29 April 2020 granted two separate mandates to the Europris board. Both mandates are valid until the next AGM in 2021, but in any event no longer than to 30 June 2021. A separate vote was held on each mandate. For supplementary information, reference is made to the minutes of the AGM in 2020.

- A mandate to increase the share capital of Europris ASA by a maximum of NOK 16,696,888. The mandate corresponds to 10 per cent of the shares

and share capital of the company. It may be used for necessary strengthening of the company's equity and the issue of new shares as consideration for the acquisition of relevant businesses. As of 31 December 2020, the authorisation had not been used.

- A mandate to repurchase Europris ASA's own shares up to a total nominal value of NOK 16,696,888. The maximum amount that can be paid for each share is NOK 100 and the minimum is NOK 10. The mandate corresponds to 10 per cent of the shares and share capital. Shares acquired pursuant to the mandate may either be deleted in connection with a later reduction of the registered share capital or used as consideration shares with regard to the acquisition of businesses. At 31 December 2020, the company owns 6,150,305 treasury shares.

Deviations from the code: None.

4. Equal treatment of shareholders and transactions with close associates

Europris has one class of shares and all shares have equal rights. Each share has a nominal value of NOK 1.00 and carries one vote. Europris ASA owned 6,150,305 treasury shares at 31 December 2020.

The board has a mandate to increase the company's share capital which allows the board to waive the pre-emptive right of existing shareholders. In the event of such a capital increase, the reason for the transaction and the waiver will be provided in a public announcement. There were no such events in 2020.

Transactions involving treasury shares will be undertaken on the stock exchange or otherwise at the listed price and reported immediately.

The group will immediately make public any material transaction between the group and shareholders, directors, leading employees or any of their close relations, as well as with other companies in the group. In the event of such transactions, the board will evaluate whether it is necessary to seek a third-party valuation. An independent valuation is required for material transactions between companies in the same group where there are minority shareholders. There were no transactions with close associates in 2020.

Deviations from the code: None.

5. Shares and negotiability

The Europris share is freely transferable on Oslo Børs. No restrictions are set in the articles of association on owning, trading or voting for shares.

Deviations from the code: None.

6. General meetings

The general meeting is the highest authority in Europris ASA. It is open to all shareholders, and Europris encourages shareholders to participate and exercise their rights at the company's general meetings. In order to vote, the shareholder must be registered with the Norwegian Central Securities Depository (VPS) at the time of the general meeting.

Notification

The annual general meeting will be held each year before 30 June. The 2020 AGM is scheduled for 5 May 2021. Extraordinary general meetings may be called by the board at any time. The auditor or shareholders representing at least five per cent of the shares may call in writing for an extraordinary general meeting to discuss a specified matter.

Written notice of a general meeting, along with supporting documents, is sent to all shareholders with a known address at least 21 days prior to the date of the meeting. Pursuant to article 7 of the articles of association, the notification and supporting documents need not be sent to the shareholders if they are made available to them on the group's website at <https://investor.europris.no>. Any shareholder may nevertheless request that the documents be sent by mail by contacting the investor relations department at Europris ASA or by e-mail to ir@europris.no.

Registration and proxies

The registration deadline is normally five days before the general meeting, pursuant to article 7 of the articles of association, and all the necessary registration information is provided in the notice.

Shareholders who are unable to attend may vote by proxy. The notice of the meeting will contain more detailed information about the procedure for appointing a proxy, including an authorisation form which permits separate votes for each item up for consideration at the general meeting. In addition, a person will be appointed who can act as proxy on behalf of shareholders.

The board may decide that shareholders can submit their votes in writing, including the use of electronic communication, during a period before the general meeting.

Agenda and execution

The agenda for the general meeting is determined by the board, and the main items which it must contain for the AGM are specified in article 8 of the articles of association. The agenda will include detailed information on the resolutions to be considered and the recommendations from the nomination committee.

The chair of the board, representatives of the nomination committee, the CEO, the CFO and the group's auditor will be present at general meetings under normal circumstances and unless they have valid grounds to be absent. The meeting will normally be chaired by the chair of the board. In the event of any disagreement over individual agenda items where the chair of the board belongs to one of the factions, or for some other reason is not deemed to be impartial, a different person will be selected to chair the meeting in order to ensure independence with respect to the matters concerned.

Deviations from the code: None.

7. Nomination committee

The company's nomination committee is regulated by article 6 of the articles of association. It will comprise two to three members, and the majority will be independent of the board and the group management. The composition of the committee will ensure that the interests of the shareholders are safeguarded.

Instructions for the nomination committee were adopted at the general meeting on 13 May 2015. They include the main principles for the nomination committee's work, making and supporting proposals and general procedures. The instructions are subject to annual reviews, and any proposed changes will be submitted to the general meeting for approval.

The nomination committee makes recommendations to the general meeting regarding the election of shareholder-elected directors, remuneration of directors including relevant subcommittees, the election of members and the chair of the nomination committee and remuneration of members of the nomination committee. Each proposal is justified on an individual

basis and presented with the notice documents to the AGM. Shareholders in Europris are encouraged to nominate candidates for the board. More information on this can be found on the group's website at <https://investor.europris.no>.

At 31 December 2020, the nomination committee consisted of the following members:

- Mai-Lill Ibsen (chair)
- Inger Johanne Solhaug
- Alf Inge Gjerde.

The members are elected by the general meeting for a term of two years, and all the members are up for election in 2022. All the members are considered to be independent of the board and executive management. Remuneration of the members of the nomination committee is determined by the general meeting.

Deviations from the code: None.

8. Board of directors: Composition and independence

Article 5 of the articles of association provides that the board will consist of a minimum of three and a maximum of 10 directors, as determined by the general meeting. The board had seven members at 31 December 2020, of whom three were women. All shareholder-elected directors are regarded as independent of senior executives and material business associates. Europris holds an option to acquire the remaining 80 per cent of the shares in ÖoB (Runsvengruppen), and one of the directors are related to this company. The person in question will not participate in related cases. No executives are directors.

The directors are elected for a term of two years and may be re-elected. The general meeting elects the chair of the board.

Name	Position	Served since	Up for election
Tom Vidar Rygh	Chair	2012 ¹	2021
Bente Sollid Storehaug	Director	2015	2021
Hege Bømark	Director	2015	2021
Tone Fintland	Director	2017	2021
Claus Juel-Jensen	Director	2017	2021
Karl Svensson	Director	2019	2021
Pål Wibe	Director	2020	2022

¹ Served since 2012 in Europris AS and in Europris ASA since 2015.

According to the instructions for the nomination committee, the board's composition will be broadly based to ensure that it has the necessary experience, qualifications and capacity to safeguard the common interests of the shareholders. Furthermore, the composition of the board should allow it to function effectively as a collegiate body and to act independently of special interests. A detailed presentation of the expertise and background of the directors is available on the group's website at <https://investor.europris.no>.

Europris ASA has no direct employees and therefore no requirement to appoint employee representatives to the board. Three employees are represented on the board of the Europris AS subsidiary.

Directors are encouraged to hold shares in Europris. An overview of director shareholdings in the company can be found in note 20 to the 2020 annual report and on the company's website at <https://investor.europris.no>.

Deviations from the code: None

9. The work of the board of directors

Board's responsibilities and tasks

The board is responsible for supervising the general and day-to-day management of the group's business, ensuring proper organisation, preparing plans and budgets for its activities, ensuring that the group's activities, accounts and asset management are subject to adequate controls, and undertaking investigations necessary to the performance of its duties. Furthermore, the board determines the group's overall objectives and strategy, in addition to appointing the CEO and determining the terms and conditions of his or her employment.

Instructions for the board of directors

The board has adopted instructions which describe its responsibilities, duties and administrative procedures. The instructions also regulate the distribution of duties between the chair and the CEO. The current instructions were approved by the board in May 2015 and are subject to annual reviews.

Instructions for the chief executive officer (CEO)

The instructions for the CEO regulate the day-to-day management of the group's operations to ensure that the group pursues and seeks to reach the strategic targets set by the board. The CEO is also responsible for keeping the group's accounts in accordance with prevailing Norwegian legislation and regulations, and for managing the group's assets in a responsible manner. The CEO briefs the board about the group's activities, financial position and operating results at least once a month. The current instructions for the CEO were approved by the board in May 2015 and are subject to annual reviews.

Conflicts of interests and disqualification

Directors and members of the executive management must notify the board immediately if they have a direct or indirect material interest in an agreement or transaction entered into by the group. The board's consideration of material matters in which the chair of the board is, or has been, personally involved will be chaired by some other director.

Financial reporting

The board receives financial reports and comments from the CEO at least once a month on the group's operations, economic position and financial status. The board will also be kept continuously informed of any material legal disputes, contract terminations, changes in management and material conflicts related to clients, suppliers and employees. The financial report forms the basis for enabling the board to maintain an informed view of the group's results, capital adequacy and financial position. Quarterly financial reports are reviewed at board meetings, and these provide the basis for external financial reporting.

The work of the board of directors

The board will meet at least five times a year. It held 11 meetings in 2020, with one meeting conducted by

telephone, eight meetings were held virtually and two were physical meetings. The overall attendance rate at board meetings was 95 per cent.

Audit committee

The group's audit committee is governed by the Norwegian Public Limited Liability Companies Act and a separate instruction has been adopted by the board. The members of the audit committee are appointed by and among the directors.

The audit committee's primary purpose is to act as a preparatory and advisory body for the board on matters concerning accounting, auditing and finance. The committee reports and makes recommendations to the board, but the latter retains responsibility for deciding on and implementing such recommendations. The audit committee held five meetings in 2020, with an overall attendance rate of 100 per cent. At 31 December 2020, the audit committee consisted of two directors who all were regarded as independent of the group:

- Hege Bømark (chair)
- Tom Vidar Rygh

Remuneration committee

The group's remuneration committee is governed by a separate instruction adopted by the board. The members are appointed by and among the directors. Its primary purpose is to assist the board in discharging its duties related to determining the compensation of the executive management. The committee reports and makes recommendations to the board, but the latter retains responsibility for implementing such recommendations. The remuneration committee held three meetings in 2020, with an attendance rate of 100 per cent. At 31 December 2020, the remuneration committee consisted of three directors:

- Tom Vidar Rygh (chair)
- Bente Sollid Storehaug
- Tone Fintland.

Board's evaluation of its own work

The board conducts an annual assessment of its own work and expertise, which is presented to the nomination committee. The assessment includes the work of the board, the work of its committees and the contribution made by the various directors. The board sets individual and collective targets to measure

performance, in order to ensure that the evaluation is an effective tool. An evaluation of this kind was last conducted in September 2020.

Deviations from the code: None.

10. Risk management and internal control

The board is responsible for ensuring that the group's risk management and internal control systems are adequate in relation to the regulations governing the business. The board reviews the group's main areas of risk and internal control systems annually, including the group's guidelines and practices on sustainability and how consideration for its stakeholders is integrated into the group's value creation. The audit committee holds at least one meeting a year with the auditor, who presents the group's internal control routines, including identified weaknesses and areas subject to improvements, for review by the committee.

The board works to a plan which ensures that all the various operational areas are subject to a more in-depth review at least once a year. Management follows a similar schedule in performing an evaluation of the same topics ahead of the board's review, in addition to a periodic risk review.

Europris has established a treasury policy to define a framework for managing financial exposure and group treasury operations. The most recent update was approved by the board in March 2021. The policy takes account of the financial and commercial risks that Europris is exposed to, and details the allocation of responsibility for financial risk management between the board, the CEO and the CFO and within the Europris group. The policy further specifies the risks that Europris is exposed to, and how they should be managed, reported, measured and controlled. The content of the treasury policy is described in detail as working procedures in the Europris finance manual, where processes and procedures are established in the form of instructions which serve as a reference for compliance with the treasury policy. The policy is subject to annual reviews by the board.

Europris prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), which are intended to give a true and fair view of the company's and the group's assets, liabilities, financial position and results of operations.

The board receives reports at least once a month on the group's business and financial results, providing a good overview of the group's strategic and operational performance as well as plans for the forthcoming period. In addition, quarterly reports are prepared in accordance with Oslo Børs' recommendations, which are reviewed by the audit committee before the board meeting and subsequent publication.

As a discount retailer, Europris is exposed to a range of market, operational and strategic risks which may adversely affect the group's business. Further information regarding such risk factors and how these are managed is disclosed in the directors' report and the notes to the annual accounts for 2020.

Europris furthermore monitors attendance by employees and promotes the health and wellbeing of its workforce. In addition, it devotes attention to the training and education of employees across all aspects of its business.

The group's CFO is responsible for conducting unbiased, complete audits of the group's compliance programme, including guidelines for anti-corruption, on a regular basis in light of the group's specific business areas, geographical location and legal obligations.

Deviations from the code: None.

11. Remuneration of the board of directors

The nomination committee is responsible for proposing the remuneration of directors in order to reflect the responsibilities, expertise and time spent as well as the complexity of the business. Members of the audit committee and remuneration committee are entitled to additional remuneration, reflecting the extra workload. The proposal is approved by the company's general meeting. Directors' fees for 2020 were approved by the AGM in 2020.

Directors' fees at 31 December 2020 were not linked to performance, and the company does not grant share options to its directors. Additional information relating to directors' fees can be found in note 7 to the financial statements included in the 2020 annual report.

Directors and/or companies with which they are associated should not take on specific assignments for the group in addition to their board appointment. If they

do, however, this must be disclosed to and approved by the full board.

Deviations from the code: None.

12. Remuneration of executive personnel

Europris has a policy of offering competitive remuneration for the executive management based on current market standards as well as on group and individual performance. The board has established guidelines for determining pay and other remuneration for members of the executive management.

Remuneration consists of a basic pay element combined with a performance-based bonus scheme linked to the group's financial and operational performance. The bonus scheme is limited to 12 months of gross base pay. The management group participates in the group's insurances, and is entitled to certain fringe benefits, such as free newspaper, car and phone.

The board has prepared a statement on the determination of salaries and other benefits payable to senior executives, which was presented to and adopted by the 2020 AGM. Further details relating to the pay and benefits payable to the CEO and other senior executives can be found in note 7 to the financial statements included in the 2020 annual report.

Deviations from the code: None.

13. Information and communications

Investor relations

Investor relation activities at Europris ASA aim to ensure that the information provided to financial markets gives market participants the best possible foundation for a correct valuation of the group. Europris communicates in an open, precise and transparent manner about the group's performance and market position in order to give financial markets a correct picture of its financial condition and other factors which may affect value creation. Europris complies with the Oslo Børs code of practice for IR, last updated in March 2021. The group has adopted an IR policy, which is available in a condensed form on the website at <https://investor.europris.no>.

All market participants will have access to the same information published in English. All notices sent to the stock exchange are made available on the group's website at <https://investor.europris.no> and at <https://newsweb.oslobors.no>. The CEO, CFO and IR manager are responsible for communication with shareholders and analysts in the period between general meetings.

Financial information

Interim reports are published on a quarterly basis, in line with Oslo Børs' recommendations. In connection with the publication of its interim results, Europris holds open investor presentations to provide an overview of the group's operational and financial performance, market outlook and its own future prospects. These presentations are also made available through webcasts on the group's website.

Deviations from the code: None.

14. Take-overs

No defensive mechanisms against takeover bids are provided in Europris' articles of association. Nor are any other measures implemented specifically to hinder the acquisition of shares.

Deviations from the code: The board has not established written guidelines for how it should act in the event of a takeover bid. Since such circumstances are normally one-off by nature, drawing up general guidelines is challenging.

Were a takeover bid to be made, the board would consider the relevant recommendations in the code and whether the specific circumstances permit compliance with the recommendations in the code.

15. Auditor

The group's auditor, BDO AS, is appointed by the general meeting and is independent of Europris ASA. The board has received a written confirmation from the auditor that requirements for independence and objectivity have been met.

The board requires the auditor annually to present to the board and the audit committee a plan covering its main auditing activities and a review of the group's internal control systems, including identified weaknesses and proposals for improvement.

In addition, the board requires the auditor to attend the board meeting dealing with the group's annual accounts in order to highlight any material changes to accounting principles, comment on any material estimates, and report on any topics where a significant difference of opinion exists between auditor and management.

At least once a year, the auditor and the board hold a meeting without any representatives of the group's executive management being present.

The board has established guidelines for any work performed by the auditor. All material services, audit-related and otherwise, must be approved in advance by the audit committee. The audit committee's chair is

authorised to approve such services on condition that (1) services approved by the chair are reported to the next meeting of the audit committee, (2) such services must need to be approved at short notice to protect the group's interests and (3) such services, following a case-specific evaluation, do not affect the independence of the auditor.

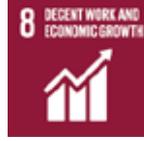
The board will inform the AGM about the remuneration payable to the auditor, broken down between auditing and other services. The AGM approves the auditor's fees. For further information about remuneration of the auditor, see note 6 in the 2020 financial statements.

Deviations from the code: None.



Sustainability report

Our approach – sustainability in all we do

Sustainability topics	Main priority areas	Commitments	UN SDGs
Sustainable value chain	<ol style="list-style-type: none"> 1. Sustainable low-impact products 2. Responsible supply chain management 	<p>Europris recognises that its main impacts in ESG issues come from the products sourced and sold in the stores. The group commits itself to ensuring that merchandise in all stores is produced and sourced in a sustainable manner and that this is communicated clearly to encourage customers to make sustainable choices.</p>	
Resource-efficient business model	<ol style="list-style-type: none"> 3. Climate-friendly operations and logistics 4. Circular solutions and waste reductions 	<p>Europris acknowledges that its operations have an impact on the environment and strives to reduce its environmental footprint by promoting circular initiatives in its operations. The group seeks to limit the impact of its business through resource-efficient operations and logistics.</p>	
Responsible employer	<ol style="list-style-type: none"> 5. Equal opportunities and a constructive work environment 6. Health and safety in the workplace 7. Business ethics and anti-corruption 	<p>Employees are part of the Europris family. The group commits itself to being an ethical and responsible business which develops and cares for its employees.</p>	 
Empowering customers and communities	<ol style="list-style-type: none"> 8. Satisfied customers 9. Safe and good-quality products 10. Data protection 11. Local value creation 12. Community engagement 	<p>Europris cares about its customers and the local communities in which it operates. The group commits itself to ensuring the wellbeing and satisfaction of its customers and to giving back to local communities.</p>	

Sustainability in all we do

Europris shares the vision of a sustainable future and recognises that sustainable development can only be realised through a concerted effort by all businesses and markets. The group supports international initiatives such as the Paris agreement, the UN Global Compact and the UN sustainable development goals (SDGs). To ensure that this commitment is integrated in the organisation, Europris authored a sustainability strategy in 2018. That defines the group's path to sustainable growth for the years to come.

The mission

Provide sustainable choices for everyone

The vision

Become the most sustainable variety retailer in Europe by 2025

To realise its mission and vision, Europris takes a broad approach to sustainable development with the overall aim of ensuring long-term value creation. It integrates environmental, social and governance (ESG) aspects in its value chain and operations, and in its engagements with customers and communities. These four aspects provide the structure for this sustainability report, which is divided into four main chapters: *sustainable value chain*, *resource-efficient business model*, *responsible employer*, and *empowering customers and communities*.

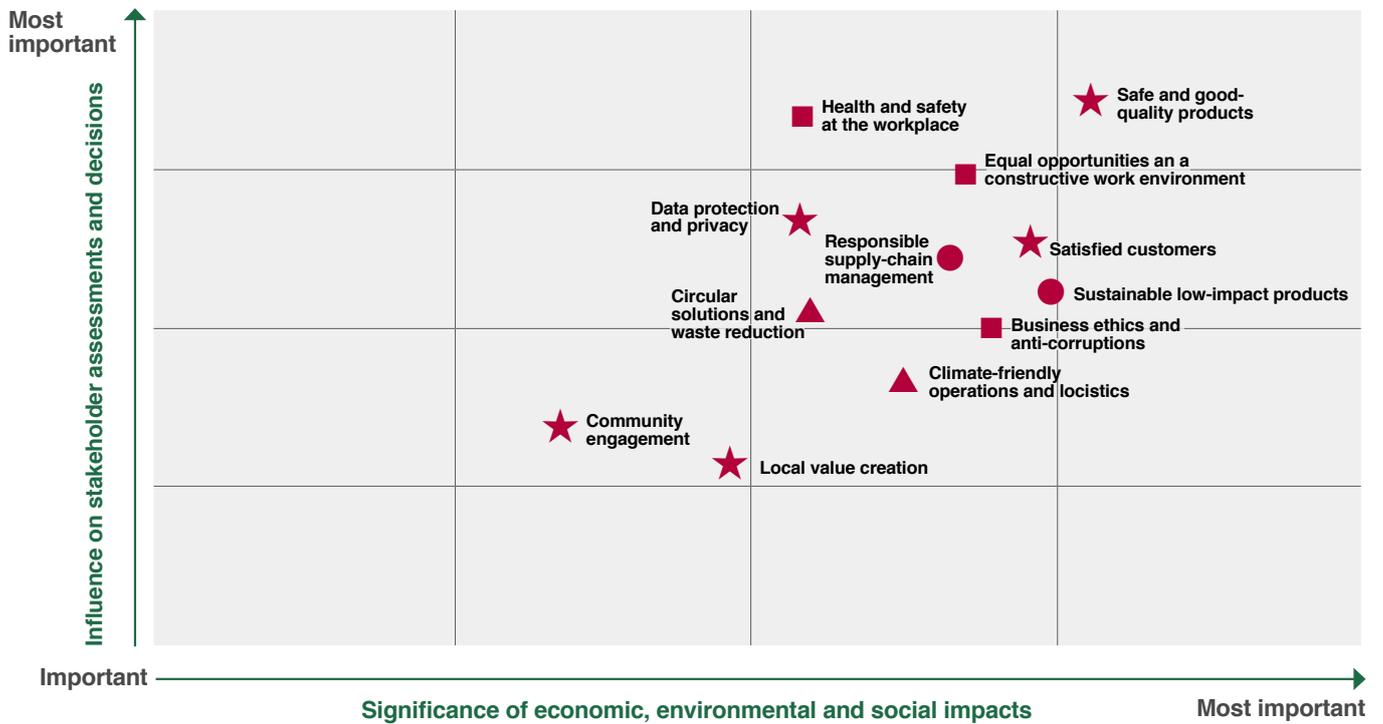


Figure: Europris' main focus areas for sustainability

A focus on the most material sustainability aspects

Europris identified key sustainability impacts in its value chain during 2018, and these were mapped in the materiality matrix below. The position of each topic depends on its relevance to Europris and the group's stakeholders, where both employees and management were consulted. The opinions and expectations of external stakeholders, such as customers, regulators and investors, were also explored to learn what they believe to be the most important ways in which Europris can contribute to a more sustainable future. One of the focus areas in 2020 was to provide and obtain in-depth information from stakeholders regarding sustainability. This information has been used to update the matrix below, which presents the direction for Europris' sustainability strategy and provides the foundation for the sustainability report. It shows the sustainability impacts which the different stakeholders have on the group's sustainability focus.

- **Sustainable value chain:** the bulk of Europris' impact is found in the products it sources
- ▲ **Resource-efficient business model:** more efficient operations and logistics to reduce the environmental footprint
- **Responsible employer:** being an ethical, inclusive and constructive workplace
- ★ **Empowering customers and communities:** contributing to local communities in order to foster long-lasting relationships.



The group increased its efforts in 2020 to discuss sustainability issues with employees in day-to-day work and to integrate sustainability into its corporate culture. A good example of this was a week dedicated to sustainability information in the group. Called the Sustainability Days, this initiative's objective was to increase understanding of sustainability in Europris, its

strategy, and what sustainability means to each department. The group believes that creating an understanding of sustainability in the organisation is a vital step towards incorporating this in the whole corporate culture and reaching the sustainability goals for the business.



The Sustainability Days

An event held on 12-16 October 2020

- Aimed to communicate Europris' sustainability to all employees, to inform how the group works with sustainability, to inspire.
- Held live at Europris headquarters and streamed to workplace for all employees to access.
- The week had a theme from each focus areas in Europris' sustainability strategy.
- A result of great teamwork across all levels of the organisation.

”

We have a unique commitment to the sustainability work we do. I believe it's infectious for everyone to a greater or lesser extent. The Sustainability Days were a good and necessary measure for involving the entire group in the important work done both internally and externally.

Trine Engebretsen, graphic designer and team leader, packaging design department.

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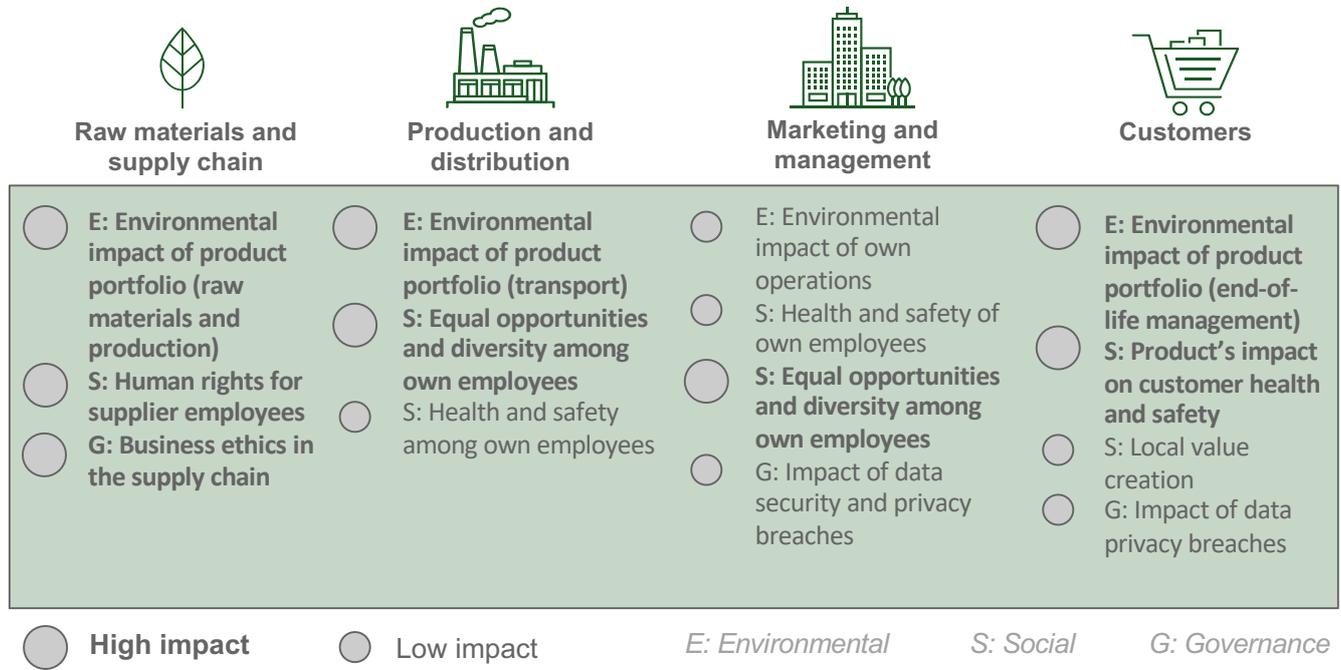
A great and interesting opportunity to learn more about how much focus we have on sustainability in Europris, not to mention all the measures we're working on to make us a sustainable group.

Lise Nyseth Bakke, payroll consultant, HR department.

Europris strives for transparency and aims constantly to develop the way the group defines material sustainability topics. It broadened its understanding in 2020 by including double materiality when looking at its ESG impacts throughout the value chain. The table below shows more specifically the significant impacts of Europris' operations in terms of environmental, social and governance (ESG) aspects along the whole value chain. It provides a clear picture of where most material impacts are found (raw materials and supply chain), and

which types of impacts the group can have by focusing on its chosen strategy (social – S – being the one it can have the biggest effect on in all areas, as shown across the whole table). Both the analysis above through the group's stakeholder interests and the one below for its material impact on the value chain confirm that the sustainability strategy is focused correctly and highlights where attention is needed from an ESG and stakeholder perspective.

Material ESG impacts



Working to turn climate risk into positive impacts and opportunities

The global climate challenge is growing more acute as emissions rise and changing climates cause negative impacts around the globe. This inevitably presents new risks for business and society at large – but also opportunities for those contributing to the green transition.

Europris has conducted a climate risk analysis to ensure its long-term value creation and protect the interests of key stakeholders. The complete risk assessment can be found in the Europris CDP report for 2020, which received a score of B.

	2018	2019	2020
	C	B	B

The risk analysis builds on the main recommendations of the task force for climate-related financial disclosures (TCFD), which was initiated by the G20 financial stability board to help businesses respond to a lack of information on how climate change will impact them. The TCFD guidelines advise that climate risk should be assessed and reported for two mutually exclusive scenarios. One of these is based on a world which fails to achieve a green transition, where temperature rises will be high and climate change devastating – representing a physical risk to business. The other is focused on a successful green transition where the world limits warming to below 2°C. This will present transition risks for businesses which fail to switch from carbon-intensive or environmentally harmful models in time. A brief outline of both physical climate and transitional risks identified by Europris is presented below.

Physical climate risk

An acute physical risk scenario will imply increased volatility in the supply chain owing to negative impacts on sourced products. Heatwaves, drought or changes in precipitation can destroy crops or delay production, which can disrupt access to key ingredients and cause price hikes or shortages. Logistics could be disrupted by storms or damage to transport infrastructure because of flooding and rising sea levels.

Management approach

In response, Europris carries out ongoing assessments of its product portfolio and logistic operations, which tie into ongoing sustainability work. Strong operational control is provided through active product-category management and routines for quality and close coordination with the Shanghai sourcing office. This permits fast and dynamic responses to changes in market supply, which will minimise any adverse effects and supply shortages.

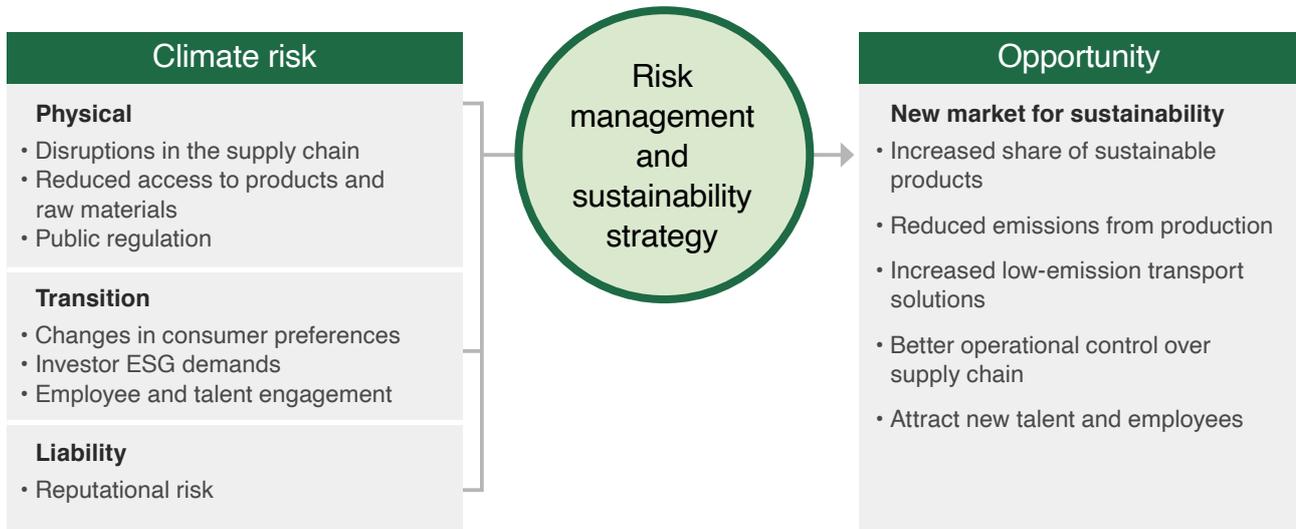
Transition risk

As a retailer, Europris’ own operations have relatively low direct emissions. The transition risk is expected to manifest primarily as market risks, such as changing preferences of key stakeholders like investors, customers and employees. New laws and regulations, such as environmental regulation relating to different products, are another example of probable transitional risks. As the world moves to a low-carbon economy, pressure on Europris to contribute will increase. Failure to comply may lead to reputational risks, such as loss of market share or investment support. That could potentially result in substantial financial losses.

Management approach

To avoid transition risk, Europris followed up its stakeholders much more closely in 2020. One example is a questionnaire sent to more than 1,500 respondents nationwide exclusively to monitor customer preferences and barriers with regard to sustainability. This allows for value creation while understanding potential new customers. Keeping up to date on policy and legal trends at a national and international level is also important. This is done by working more closely with business partners such as the Ethical Trade Initiative and Green Dot Norway, as well as other consultants in certain focus areas.

By keeping ahead of the curve, Europris can demonstrate leadership in the green transition and create an opportunity by expanding market share while achieving a positive impact and long-term value.



Governance

The CSR director is responsible for overseeing climate risk, ensuring compliance with existing and emerging climate and environmental laws, and proposing new initiatives. The board is presented with the risks, and reviews these on an annual basis.

Risk management

Climate-related issues are covered by the 2020-25 sustainability strategy. This was initiated by the board because it saw the need to create a plan with a stronger focus on action, implementation and follow-up of material issues related to climate. Management decided in 2019 to create a dedicated sustainability department to follow up all strategic ESG matters, which was in place by early 2020.

Metrics and targets

The group's greenhouse gas (GHG) report is used as a metric to measure exposure to carbon-related risks. See page 39 for the full GHG report. The number of sustainability-certified product lines is used as a metric to meet changing customer demand. See page 40 for how the group works to improve in this area.

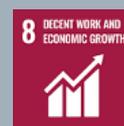
In 2021, Europris intends to set a science-based target approved by the Science-Based Target initiative.

The group's sustainability report has been developed in accordance with the core option of the Global Reporting Initiative (GRI) standards. As an international standard for reporting non-financial information, the GRI

provides a useful guide when defining which topics to report on and how to report them. The GRI index – a complete list of the GRI indicators chosen on the basis of the group's materiality assessment – can be found at the end of this sustainability report. The section on sustainability focus areas describes the current Europris approach, results and ambitions for the sustainability topics which are material to it.

Sustainable value chain

COMMITMENT: ensure that merchandise in all stores is produced and sourced in a sustainable manner and communicated clearly in order to encourage customers to make sustainable choices.



Europris' main impact on ESG issues relates to the production of products. The group seeks to improve the environmental footprint of these products by continuously improving its sourcing strategy. The supplier code of conduct ensures that ESG issues are prioritised when engaging with suppliers. Limiting the group's ecological footprint and its commitment to business ethics contribute to UN SDGs 12 – responsible consumption and production – and 8 – decent work and economic growth.

Sustainable low-impact products

While retail does not directly use significant natural resources compared with other industries, its product value chains certainly do. Both manufacturing processes and raw materials may negatively affect forests, water supplies and local ecosystems.

Policy

Europris believes in providing freedom of choice to its customers and works to offer sustainable alternatives wherever possible. Overall, the group seeks to increase the proportion of environmentally certified products, and will only communicate products to customers which are certified by relevant third parties as sustainable.

Actions and results

Since sustainability involves many factors in addition to environmental considerations, Europris has opened for a wider range of third-party certifications in 2020. Their number rose from two (EU Ecolabel and Nordic Swan Label) to 20, which include category-specific certifications such as those focused on ethical trade. Total sales of sustainable products accounted for 6.2 per cent of 2020 revenues.

Specifying sustainable products in the product range

has been a critical step in being able to measure the number of products and sales. This represents an essential tool for increasing the sustainable product range in the future.

Targets and ambitions

The overall aim is to increase the sustainable options offered to the customers. A substantial amount of work remains to be done in reducing the footprint of the remaining product ranges, which is why Europris has started a sustainability evaluation of each range. In 2021, it plans to review its main categories in detail and identify the most important sustainability aspects as the first step towards adopting a more specific sustainable-product strategy in 2025.

Another important target in terms of products is to reduce packaging and increase conscious sourcing of product packaging in order to facilitate circular solutions. A packaging strategy will be created, and information will be provided to everyone involved in the process. Projects will be carried out by the sustainability department in liaison with the packaging team to maintain a high level of attention on this issue, while direct training for and information to the group's sourcing office in Shanghai will be provided.

Helping customers to make sustainable choices

Focus on packaging

Europris has signed a Plastic Pledge through Green Dot Norway which commits it to increase the use of recycled plastic, avoid unnecessary use of plastics, and design for recycling.

A new product range under the group's own Effekt private label was sourced with recycled plastic, saving the planet from 7,256 kilograms of virgin material. This range also focuses on design for recycling by using the latest Nordic labelling symbols to help customers easily identify the proper disposal method for the packaging.

The Europris packaging team worked on sustainable solutions for a number of products in 2020, with the following results:

- increased recycled plastic in packaging by 491,256 kg
- reduced plastic in packaging by 1,496 kg.

Better labelling and identification of sustainable products in Europris stores

Europris has improved exposure and labelling of its Eco Vie private label for sustainable candles in the stores, increasing sales for these products.

All candles sold by Europris are produced without palm oil.



Responsible supply-chain management

Europris' products are sourced from suppliers with production sites across the world. The sheer number of suppliers increases the group's responsibility for ensuring that sourcing activities do not violate its own code of conduct. Such violations could result in poor labour conditions or operations with a significantly negative environmental impact. Preventing corruption is a priority in the Europris supply chain and a key factor in making sure that incidents do not affect the group's ability to provide merchandise to customers, have a negative effect on the brand or give rise to financial litigation.

Products sourced from the Far East, which comprise roughly 45 per cent of total suppliers, account for about a third of Europris merchandise sales. Remaining merchandise comes from producers in Norway or Europe, who devote attention to sustainability and operate in regulated environments. These provide a comparatively lower level of supply chain risk.

In cooperation with Finland's Tokmanni, Europris has its own sourcing office in Shanghai which serves as the group's extended arm locally and is an enormous resource through its understanding of the language and culture. Employees at the office work closely with product managers and the quality department in Norway to find suppliers, audit them, and develop products and relationships with suppliers in all areas. Meetings of CSR managers in Europris, Tokmanni and Shanghai are held monthly.

Policy

All suppliers are required to sign agreements and the supplier code of conduct. In addition to upholding excellent business ethics and anti-corruption standards, all suppliers are required by this code to minimise adverse impacts on human health and the environment throughout their value chains. National and international environmental legislation must be respected. The supplier code of conduct requires all suppliers to adhere to the eight fundamental International Labour Organisation (ILO) conventions protecting workers' rights. Should national laws cover topics similar to those of the ILO convention, the most stringent standards will apply.

Actions and results

The Covid-19 pandemic led to stricter measures for maintaining the health and safety of local office staff.

Audits were therefore limited owing to travel restrictions. Given the situation, Europris managed to increase the number of its suppliers certified to the business social compliance initiative (BSCI) to 63 per cent of the total sourced from the Far East. That met the 2020 objective on the road to achieving the main goal of having only BSCI certified suppliers by 2023. This includes Europris' private label products sourced in China.

As part of this development, training is completed by employees at the local office in Shanghai. The merchandisers received training in 2020 on electrical and chemical testing as well as inspection of diverse categories. All employees received training on the business environmental performance initiative (BEPI), a business-driven service provided by the Foreign Trade Association for retailers, importers and brands committed to improving their environmental performance in supplying factories and farms worldwide.

Despite the pandemic, all work continued in the sourcing office and its importance was reaffirmed.

Through its partnership with Factlines, Europris sent audit questionnaires to 285 of its European suppliers. With a 40 per cent response rate, this survey covered the requirements of the UN Global Compact, suppliers' chain insights and follow-up practices, and risks related to breaches of ethical guidelines in the relevant producer countries. This was a major step towards establishing good accountability contacts in the supplier companies.

Targets and ambitions

Europris will continue to raise environmental, labour and human rights standards among its suppliers to ensure that all of them are aligned with the code of conduct.

The group will also go on working to improve its approach to sustainable supply management by increasing the portion of BSCI or other certified factories, in cooperation with BSCI Amfori.

In addition, Europris will focus on strengthening its partnerships with Ethical Trade Norway in order to improve its work on increased screening and auditing processes in 2021.

Resource-efficient business model

COMMITMENT: limit the impact of the business through resource-efficient operations and logistics.

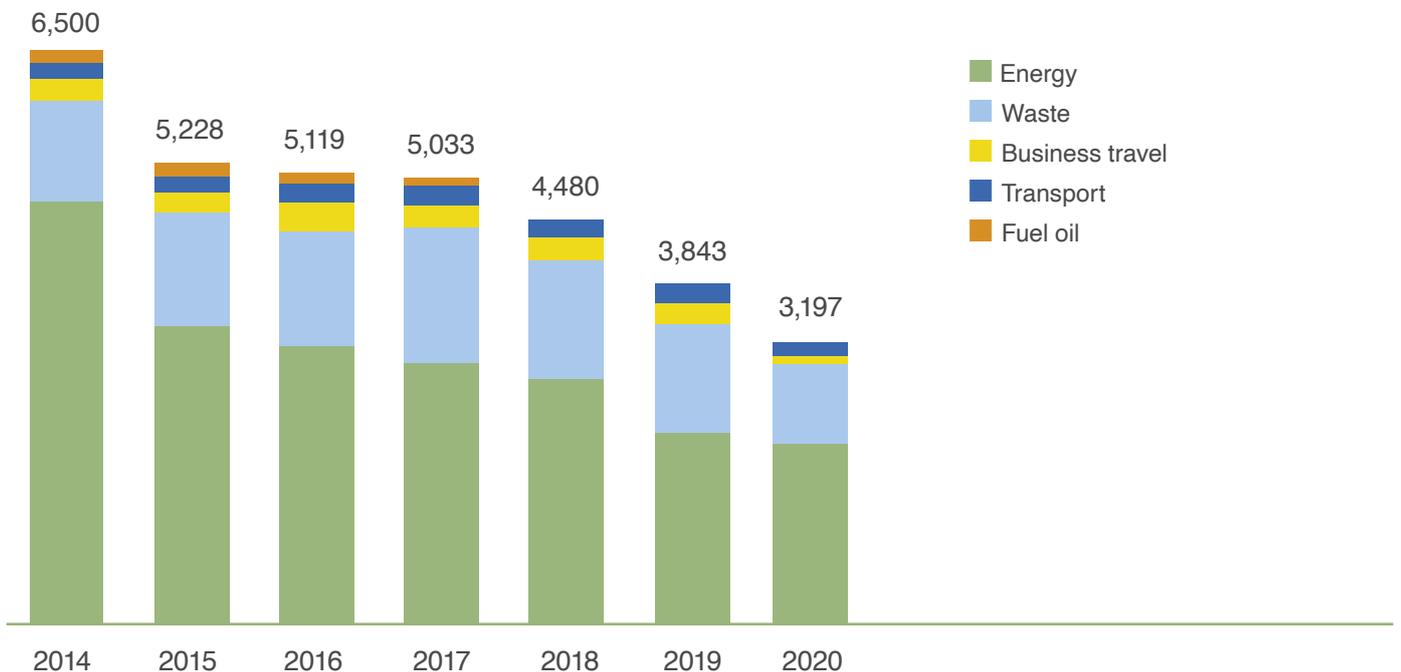


Europris acknowledges that its operations have an impact on the environment and strives to reduce its environmental footprint by seeking new and innovative solutions which ensure efficient logistics and facility management. By reducing waste and energy consumption in its own operations and implementing renewable and new low-carbon transport, Europris contributes to UN SDGs 12 – responsible consumption and production – and 13 – climate action.

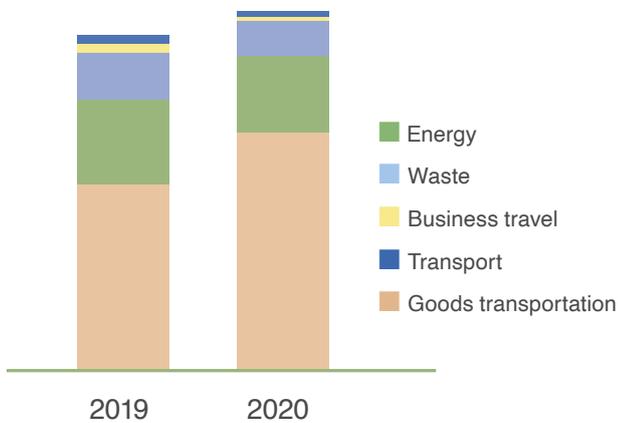
To achieve its environmental strategy objectives, Europris measures and assesses its emissions and energy use and utilises the GHG protocol initiative to report its emissions. The carbon inventory is divided into three main scopes of direct and indirect emissions. Scope 1 covers all direct emission sources, including all

use of fossil fuels for stationary combustion or transport in owned, leased or rented assets. Where Europris is concerned, this represents vehicles owned or leased for its employees. Scope 2 includes indirect emissions related to purchased energy – electricity and heating/cooling. Scope 3 includes indirect emissions resulting from group upstream and downstream value-chain activities which are not controlled by Europris. Examples include business travel, goods transport and waste handling.

Europris reduced its total GHG emissions (scopes 1 and 2 and selected scope 3 categories) by 51 per cent in 2014-20 despite opening 46 additional stores over the same period. This decrease primarily reflects energy efficiency measures, lower energy consumption and waste reductions. Total energy-related emissions decreased by 57 per cent over the same period through targeted emission-reduction activities as well as from using less fossil fuels in the energy mix. During this period, energy use and waste were the group’s main sources of carbon emissions, while business travel and transport using group-owned vehicles represented a smaller proportion (see the figure below).



Emissions from transporting sourced goods were included for the first time in the climate report for 2019, which showed that goods transport releases more GHGs than Europris' own direct emissions. The group recognises the impact it shares with suppliers, and is committed to finding efficient logistical solutions with low emissions. Monitoring emissions from transporting sourced goods provide a basis for further dialogue with partners on finding more sustainable solutions. The table below shows CO₂ emissions, including goods transport.



Climate-friendly operations and logistics

Policy

The group's internal energy and environmental strategy for 2019-23 applies to all its stores. This strategy covers measurable, specific activities for promoting sustainable operations, technical solutions and optimised energy use.

Europris' headquarters in Fredrikstad and its logistic centre are both Eco-Lighthouse certified, and thereby set a standard for sustainable operation which should be achieved by all stores and warehouses.

Actions and results

The total carbon footprint for Europris in 2020 was 9,427.1 tonnes of CO₂e, including upstream goods transport. The latter was the biggest source of emissions (scope 3), increasing by 27 per cent from 2019 to 2020. This probably reflects volume rotation, with 3,500 more departures in 2020 than in 2019 owing to an increase in sales volumes.

Electricity consumption in stores and warehouses has continued to be a priority for the group. Europris is happy to see a total reduction of 10 per cent in such usage owing to the closure of warehouses, the transition to a centralised warehouse, and energy efficiency measures in stores. This has led to a five per cent reduction in emissions from total electricity consumption. The decline was nine per cent in stores, corresponding to a four per cent reduction in emissions. Group warehouses achieved a 17 per cent decline in electricity consumption and a 34 per cent reduction in the use of energy for heating, which corresponded to a combined 16 per cent cut in emissions. These results were positive, given the uncertainty over the energy intensity required for a fully automated warehouse. At the same time, it confirmed that centralising warehouse operations has improved energy efficiency. The group also saw the first results in 2020 from self-generated renewable electricity using solar panels at its headquarters – a small but meaningful measure in its efforts to reduce the group's CO₂ footprint.

In order to reduce the environmental footprint of store management, the group reached its goal of installing LEDs in 29 per cent of these facilities in 2020. Combined with energy follow-up through the distribution of bi-monthly reports throughout the year, this was the main reason for the nine per cent reduction in electricity consumption by stores in 2020.

Energy consumption (GJ)	2020
Total fuel consumption from non-renewable sources	2,652.8
Total electricity consumption	34,097.8
Total heating consumption	2,382.1
Self-generated renewable electricity	15.5
Total energy consumption	39,148.2

Europris is working to reduce its emissions from transporting sourced goods. Examples of the efforts made in 2020 include a rise in the number of modular semitrailers, continuous work to ensure full filling of the trailers, and increasing the number of remote warehouses. The latter avoid road transport by shipping directly to ports by sea.

The specific scope emissions are presented in the table below.

GHG emission, tCO ₂ e	2019	2020	Change from previous year
Scope 1			
Transportation - Direct energy consumption	210.6	163.3	(22.5%)
Scope 2			
Location based electricity	2,150.0	2,038.3	(5.2%)
Market based electricity	11,246.3	13,075.9	16.3%
District heating	15.1	3.6	(76.2%)
Location based indirect energy consumption	2,165.1	2,041.9	(5.7%)
Market based indirect energy consumption	11,261.4	13,078.5	16.1%
Scope 3			
Downstream transportation and distribution	4,914.6	6,230.6	26.8%
Waste	1,203.9	889.8	(26.1%)
Business travel	262.9	101.6	(61.4%)
Indirect energy consumption	6,381.4	7,222.0	13.2%
Total location based GHG emissions	8,757.1	9,427.2	7.7%
Total market based GHG emissions	17,853.4	20,463.8	14.6%

Europris reporting of GHG emissions and energy consumption accords with a corporate accounting and reporting standard. It takes account of the GHGs, all converted to CO₂e: CO₂, CH₄ (methane), N₂O (laughing gas), SF₆, HFCs, PFCs and NF₃. Statistics from the International Energy Agency (IEA Stat) provide electricity emission factors. These are based on either local averages in heating/cooling or average IEA statistics. GHG emissions are consolidated on the basis of where the group has operational control.

Targets and ambitions

Europris is satisfied with the decrease in energy consumption by stores. The group has set a target of reducing energy use per square metre by 15 per cent by 2022, compared with 2018. It has already reached seven per cent, which has saved NOK 2.8 million in addition to the positive environmental effects.

To reduce logistical emissions, the group will continue to investigate opportunities for using alternative domestic transport methods and collaborating with its partners to find greener transport solutions.

Europris has also initiated a Scope 3 screening project in order to measure the full climate change impact of its supply chain. In a preliminary screening, the categories deemed most relevant were purchased goods and services and upstream transport and distribution. This screening will be completed in 2021 and included in

subsequent sustainability reporting, and form the basis for further strategic work on making product sourcing and the group's supply chain more sustainable.

To set further goals in this area, Europris has also started a process to establish a science-based target (SBT) in 2021. The group thereby hopes to gain better understanding of how much and how quickly its GHG emissions need to be reduced in order to prevent the worst effects of climate change and to fulfil national and international ambitions on transitioning to a zero-carbon economy.

Circular solutions and waste reduction

An expanding number of stores and warehouses puts pressure on Europris to decouple business growth and environmental impact. That makes waste management and circular solutions important. The group is therefore committed to reducing waste in its own operations. It will continue to seek solutions for making cuts at suppliers and to help its customers do the same.

Policy

Europris has a partnership with Ragn-Sells to increase its efforts with waste management. This applies to all stores, its logistic centre and its head office with the aim of reaching a recycling rate of 85 per cent by 2022.

Packaging for the group's own brands should comply with the principles of its Green Dot pledge in this area.

Actions and results

Europris has significantly reduced emissions from waste management by cutting the total weight of waste and increasing recycling. Emissions from waste in 2020 were down by 26 per cent compared with 2019, while the recycling rate increased from 70 to 73 per cent over the same period.

The central warehouse had an impressive recycling rate of 83 per cent, demonstrating the high level of attention paid to waste management. Employees have received training on recycling, while steps such as increasing the number of recycling bins in every driveway resulted in a reduction of waste and an increased recycling rate.

Recycling at the stores reached 73 per cent during 2020, up from 69 per cent in 2019. A pilot project was started with Too Good To Go (TGTG) in October at

selected stores in Fredrikstad and Oslo. This has served as a learning process, and its results will be used to plan for waste reduction in 2021.

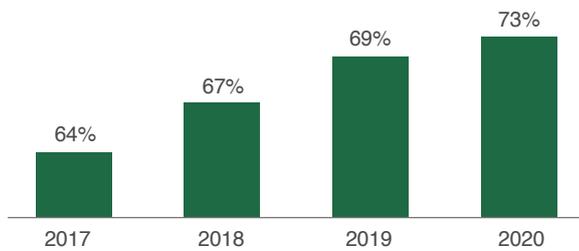


Figure: Recycling rate per year in stores

Europris introduced recycling stations at its head office with the aim of reaching the same recycling goal as the stores and the central warehouse, which is 85 per cent by 2022. Clear labelling and information on waste disposal on all bins, positioning of textile containers and strengthening the partnership with the local City Mission of the Church of Norway has reduced waste from samples, which now go to the mission and are sold in second-hand stores or given away to people in need. All these measures contributed to a radical expansion in recycling by 31 December and increased motivation for meeting the ambitious recycling goal. The cumulative recycling rate in 2020 at the head office was 53 per cent.

Targets and ambitions

The group is pleased by the improvements made with regards to the recycling rate. However, reaching the goal of an 85 per cent recycling rate by 2022 requires further improvements and a focus on waste management. One aim is to improve current practice in all Europris' establishments, including the head office and warehouses. The group is looking at ways to establish common routines for proper electrical disposal in stores, making sure all stores are properly equipped to meet minimum standards.

Actions for 2021 involve cooperating with Ragn-Sells, improving the recycling stations in stores and creating a better system for measuring and reducing food waste.

Responsible employer

COMMITMENT:
be an ethical and responsible business which develops and cares for its employees.



Employees are part of the Europris family. The group works for an inclusive, safe and constructive workspace. Its core values and business ethics are communicated so that employees can use them as guidelines in their working day. The group promotes diversity and ensures the health and wellbeing of employees, providing opportunities to develop long and meaningful careers. The policies and guidelines in place apply to all employees, whether they are full-time or part-time, permanent or temporary hires. Through its work for gender equality, employee wellbeing and workplace inclusivity, Europris contributes to UN SDGs 3 – good health and wellbeing – 5 – gender equality and 8 – decent work and economic growth.

Dedicated employees are Europris' most important asset. Through fostering inclusive, safe, and constructive workplaces, the group should be a place where employees thrive.

Equal opportunities and a constructive work environment

Policy

Europris believes in the equality of all people, regardless of gender, sex, religion, ethnicity, nationality or political affiliation. The group promotes diversity through a transparent and open recruitment policy. Diversity is pursued in recruitment practices by requiring that at least one male and one female candidate are presented at the final round of new hires.

The group has a policy on internal recruitment which allows employees to grow within its system by taking on new and important responsibilities for successful careers in the group. Its belief in people is reflected in hiring and pay practices, and in the development programmes offered to employees. In line with group policies, internal recruitment accounted for 75 per cent of store manager appointments in 2020.

Europris also maintain a whistleblower system, available to all stakeholders via its website, to make sure that important matters are reported anonymously. This measure is aimed at better identification and management of any potential problems related to breaches of the group's ethical guidelines.

Actions and results

Europris welcomed 1,004 new employees in 2020. The group's staff turnover rate was 22.6 per cent, marking an increase from 17.2 per cent the year before.

One way Europris manages the turnover rate is by working to minimise temporary contracts. However, their number increased in 2020. This was heavily influenced by the Covid -19 pandemic through increased sales and the need for extra help in the stores.

Contract	Men	Women	Total
Temporary	374	514	888
Permanent	896	1,336	2,232
Total	1,270	1,850	3,120

Contract	Men	Women	Total
Full-time	547	460	1,007
Part-time	723	1,390	2,113
Total	1,270	1,850	3,120

Another important step Europris takes in handling workforce changes is a focus on learning and development by offering its employees opportunities for learning and for constructive long-term careers. Europris is dependent on a predictable workforce, and dedicated employees are dependent on stable employment relationships.

Europris introduced a mentor training programme in 2020 where the best store managers are given the role of inspiring and supporting other managers in the same district while maintaining their own training and skill development. A total of 16 mentors were trained, with attention focused on what constitutes an excellent store manager. This will be followed up with training on how to establish good routines.

In response to the Covid situation, an e-learning programme was created. Europris also launched an e-learning course for all employees as a part of its heavy focus on sustainability. This has a participation rate of 73 per cent.

The group achieved a very important goal in learning and development with the revitalisation of its Europris Academy in 2020. Its aim is that competence will continue to grow with the organisation. A learning management system (LMS) was put in place to ensure that all future competence and training will be documented, followed up, systematised and available.

Training of store managers achieved an average completion rate



of 90 per cent. Europris employed 12 new store managers, representing 30 per cent of those appointed, through internal recruitment processes. This shows that professional training for employees is an important driver for retaining talent. Employees who are familiar with the Europris culture and values represent important contributors to value creation.

The group has a zero-discrimination policy and works to improve its gender balance, both in the workforce and in terms of the pay gap. Europris is making conscious efforts to close this gap, and sees a positive trend. This results from a recruitment policy where all final interview rounds for the extended corporate management group must include both a male and a female candidate, while one target is that 50 per cent of new hires in 2020 onwards will be female. As for the gender pay gap of 2.6 per cent, Europris has a policy of equal pay for equal work. The group has a conscious attitude to pay differentials and uses its annual pay settlements as an arena to offset differences where possible. The gender pay gap can also be influenced by the employee's seniority and various external factors such as regional differences in pay levels.

	Men		Women	
	2019	2020	2019	2020
Executive management	80%	86%	20%	14%
Central management	81%	78%	19%	22%
Store managers	47%	54%	53%	46%
Store employees	36%	34%	64%	66%

To follow up this zero-discrimination policy, the group monitors its whistleblower mechanisms. All incidents in 2020 were handled by the HR and legal departments. In addition, interviews and surveys were conducted where relevant. All incidents were resolved by the end of 2020. Europris is satisfied with the way these incidents were

handled. However, it recognises the importance of maintaining efforts to prevent further discrimination of all kinds in order to sustain the good working environment which the group values.

Europris is very happy with the level of participation in its 2020 employee survey, which was the highest so far. Results improved slightly compared with 2019. The number of employees saying they would "go the extra mile" in their work remained high, which demonstrates the importance of paying continuous attention to employee satisfaction.

Europris also collaborates with social welfare schemes such as that run by the Norwegian Labour and Welfare Administration (NAV). The group welcomed 51 new employees through the scheme in 2020. This is an important partnership for Europris because it allows the group to contribute to an extended aspect of value creation by providing people with the opportunity to gain work experience and get back into the workforce.

Targets and ambitions

One goal for the future is to set a quantitative target with specific actions for improving equality and diversity in the organisation. Mentor training will continue, and there should be at least one of these mentors in each district by the end of 2021. The group will continue to provide training for employees to aid professional development and performance, with the Europris Academy due to be relaunched in the spring of 2021. This is an online knowledge platform intended to help shape the competent and resourceful employees who make up Europris.

The group will continue to work towards its ideal of an inclusive and constructive workplace. To demonstrate its dedication to equal opportunities, non-discrimination and a reduced pay gap, it will continue to work on increasing the proportion of women employed in leading management positions.

Health and safety in the workplace

The majority of Europris' employees work in the stores and warehouses. Ensuring that the stores are welcoming and stocked with the merchandise customers desire requires physical work, and Europris employees are therefore prone to work-related injuries and illness. That makes health, safety and environmental (HSE) efforts of central importance to Europris in

preventing accidents and ensuring the safety of its employees. The management team also has a committed HSE director to lead the groups responsible in following up and improving on issues.

Policy

The workplace must never be a health and/or safety hazard for employees. To ensure a healthy and safe workplace, Europris devotes great efforts to preventative measures – including e-training of store staff, in-house HSE courses and specialised courses for safety delegates.

Actions and results

Europris has made efforts to improve the quality of data related to employee health and safety. Sick leave has been carved out as a focus area in the Europris Academy and the mentor programme. A good example of this is the introduction of role playing as a way for store managers to practise handling private and sensitive issues. The figure below presents the percentage of sick leave over the past five years. By recording this data, Europris is already better equipped to understand where such absence originates. Reducing sick leave has been a focus area during recent years. In 2020, however, the Covid-19 pandemic required that all efforts in this area were preventive, and the group is very proud of the results achieved during this challenging time. Europris recorded sick-leave statistics in 2020 which show an increase of 1.5 per cent for store employees and a decrease of 1.4 per cent for administrative personnel. Both results are affected by the pandemic and the increased safety measures taken by employees. Owing to the nature of their jobs, these have opposite effects for their respective categories.

Sick leave	2016	2017	2018	2019	2020
Store employees	6.9%	7.8%	7.8%	8.3%	9.8%
Head office and distribution centre	6.3%	6.9%	6.7%	5.9%	4.5%

All in all, the pandemic has shown the group's corporate culture at its best – employees who are willing to go the extra mile to ensure a secure workplace and a safe place to shop for customers. As a result, no employees were infected at work and no stores closed in 2020.

Targets and ambitions

Europris works continuously to improve attendance at work and to promote employee health. A significant ambition for 2025 is to reduce sick leave among employees to the average for the industry by 2025. To achieve this, Europris will incorporate more HSE-related training for store managers and introduce new policies for inclusiveness and workplace customisation for employees with special health concerns and for older personnel. It will also work to improve injury data to include injuries among store employees.

Business ethics and anti-corruption

Compliance with environmental and socioeconomic regulations and with business ethics is fundamental if Europris is to maintain its strong brand position. Breaches of such issues may also damage its ability to attract and retain the right talent.

Policy

Stakeholders should feel assured that Europris complies with all relevant laws and regulations, and that no ethical breaches are taking place in the group. The group's code of conduct is communicated to all employees to ensure a shared understanding of its ethics. Europris maintains an anonymous whistle-blowing portal. To reduce the risk of corruption in the organisation, the anti-corruption policy and guidelines are communicated to and signed by all procurement staff and by personnel in high-risk positions.

Actions and results

No breaches were reported in 2020 of internal guidelines or relevant laws and regulations related to business ethics and corruption, or to other laws and regulations which apply to the group's operations.

Targets and ambitions

Europris will continue to devote attention to internal routines for ethical business conduct and anti-corruption measures. Its ambition is always to have zero incidents of unethical business conduct. To reach that goal, however, it needs to define a plan for training employees in relevant positions. Europris will explore the possibility of introducing compulsory training in its code of conduct.

Empowering customers and communities

COMMITMENT: ensure the wellbeing and satisfaction of customers and give back to local communities.



Europris cares about its customers and the local communities in which it operates. The group works to enable customers to make more sustainable choices, at low prices and with better quality. It engages with local communities through sponsorships, partnerships and other community-building activities, and with charities helping those who are worst off in society. Through this involvement, Europris contributes to UN SDGs 1 – no poverty – and 17 – partnerships for the goals.

Satisfied customers

Europris works to solidify its position as a leading discount variety retailer in the Norwegian market. To achieve this, the group goes beyond saying that it is dependent on a strong customer base and strives therefore to provide customers with a positive and welcoming shopping experience.

Policy

In keeping with its "pay less – save more" culture, Europris extended that slogan in 2018 to read "pay less – save more for yourself and the planet" as part of its sustainability strategy. This builds on its sustainability aspirations of finding and adopting simple and measurable solutions to meet its responsibilities and also to help its customers to move forward in making sustainable choices.

Actions and results

Europris conducts an annual survey of its customers to understand the direction the group should take in order to remain their store of choice. Carried out by the marketing department, this poll revealed in 2020 that the area of "perceived product quality" was still improving at a slow rate and that the group's sustainability profile remained stable. That shows more work is needed in this area to strengthen customer perception.

The marketing department also carried out an in-depth sustainability survey in 2020. This revealed that

customers have high expectations of Europris' sustainability profile. That reaffirms the importance of devoting more attention to improving its image in this area, with products to accommodate customers who want to live a greener lifestyle. As a result, the Europris communication and marketing department initiated a project aimed at developing a logo which will make it easy for customers to identify the sustainable options in the stores and in all communication channels. This is to be launched in 2021.

Targets and ambitions

Part of the Europris value proposition is making quality and sustainable products accessible to everyone. The road ahead will involve analysing the results of customer surveys and their reports of product defects in order to identify the direction which needs to be taken to keep well abreast of evolving customer needs and expectations.

Achieving the sustainability ambition by 2025 requires greater attention to be paid to creating a sustainability image, and to encouraging employees to get better at serving customers with what they want and at creating

longer lasting relationships. An important step in this direction is to provide employees with substantial information on and training in sustainability.

Safe and good quality products

Europris takes its responsibility for customer safety seriously. The group works diligently to avoid hazardous substances in products and to continue meeting high standards of quality, transparency and safety. This is particularly important because it sources merchandise from a multitude of suppliers across the globe, which increases the risk that certain products will fail to meet national requirements.

Policy

To ensure safe and good quality products, Europris has a dedicated product quality and safety department. All imported products are tested to ensure that they comply with international and national legislation. Producers subject to the Reach regulation must sign a statement confirming compliance. Europris also requests full documentation from all producers and suppliers in the form of a bill of materials (BOM) – an



exhaustive list of product components. On this basis, Europris is better equipped to determine the need for further safety testing beyond the standard relevant for the product category.

Europris merchandise is carefully tested in the group's own laboratory to provide a guarantee for the safety and quality of the products it sells. These extensive checks cover such factors as product labelling, contents, net weight, microscopic measurements and refractometric analyses – where results are compared with Europris' own requirements and with the Codex product standard. The same procedure is carried out for all new products, which should also be covered by additional documentation for all ingredients, origins and analysis certificates to demonstrate a zero content of genetically modified organisms (GMOs), mycotoxins, histamine or other undesirable substances.

Actions and results

Europris has improved its testing method for product quality and made it more efficient. The Shanghai office tests product quality with an additional check in Norway. The head office receives quality reports when 80 per cent of the production is completed in Shanghai. This provides an opportunity to discover breaches and faults at an early stage.

Two incidents occurred in 2020 regarding incorrect labelling of products. One error was detected by pre-shipment inspection in China and the other by internal quality control. Both errors were corrected before the products were deployed to the stores. These cases confirm that good procedures are in place for quality control of labelling, as well as the importance of the collaboration between the quality department at head office and the Shanghai sourcing office.

Targets and ambitions

Europris' ambition is to guarantee that all its merchandise conforms with relevant laws and requirements, and to strengthen its reputation as a trustworthy and dependable retailer of discount variety merchandise.

The group continues to strive for full compliance with laws and regulations on product quality and safety, and also devotes attention to finding ways of improving efficient resource use. It plans to pay more attention to high-risk products and to test these thoroughly before

they enter the stores. This will improve on the current practice, where Europris tests a wide range of products, including ones with a relatively low safety risk profile. Safety comes first, and a better testing method will be able to strengthen the safety of the group's product portfolio.

Data protection and privacy

The digital age poses new challenges to consumer rights in terms of the responsible treatment of consumer data. Consumers are also increasingly aware of and informed about their rights, putting greater demands on retailers to ensure that these are observed. Europris wishes to contribute to maintaining the trust of its customers in order to build long-lasting relationships and mutual value.

Policy

Europris' data privacy and protection policy is publicly available on its website and is reviewed annually. The policy should always be compliant with relevant regulations, such as the GDPR.

Actions and results

No reported incidents in 2020.

Targets and ambitions

Europris will always work to safeguard the integrity and security of customer data, and be up to date on the most recent general data protection regulation (GDPR) requirements. The group will also work to improve cyber security.

Local value creation

Europris' stores are located across Norway, including many in smaller communities. As a local goods provider and value creator, Europris emphasises the importance of good relationships with these communities. Such relationships are fundamental to its licence to operate.

Policy

To make quality products at low prices accessible to everyone, a key part of Europris' strategy is to establish stores in locations where such outlets do not already exist. This means that Europris is present across Norway, often outside the urban centres. Europris recognises its role as a local value creator, will always

comply with local tax regulations and will strive to create value through local job creation.

Actions and results

In line with the group's core value of listening to customer needs and adapting accordingly, Europris launched a new e-commerce solution in April 2020. Europris.no allows its customers to shop online and offers home delivery and pickup at delivery points across the country.

During the Covid-19 pandemic, it has been important for Europris to offer its customers safe home delivery of products they usually buy in the physical stores. While online sales represented 1.0 per cent of Europris' total chain sales in 2020, this channel has experienced a growth of 293 per cent since its launch in 2018. The click and collect function grew by 66 per cent. More than 50 per cent of the purchases through Europris.no are made via click and collect at a Europris store, which uses the same mode of transport as ordinary goods delivery. That protects the environment from unnecessary shipments, allowing Europris to live up to its slogan of "pay less – save more for yourself and the planet".

The online platform was also used in 2020 to communicate and promote the Church of Norway's Christmas campaign for the first time, in addition to the physical stores.



www.europris.no/kirkens-bymisjon

Europris added net two new stores to its chain in 2020, bringing the total across Norway to 266.

Targets and ambitions

Europris will continue to strengthen its local presence by establishing stores in new locations throughout Norway. In this way, people can access products where they live. That makes their lives more convenient and provides sustainability for ordinary people.

Community engagement

Policy

Europris contributes to indirect value creation by supporting local activities and organisations, such as sports clubs, humanitarian and charitable organisations, cultural festivals and other events which take place in the areas where the group has a presence.

Through its agreement with the City Mission since 2016, the group provides annual financial contributions to help improve conditions for those in need. These funds are primarily devoted to social and humanitarian initiatives in Oslo, Viken, Hordaland, Rogaland, Drammen and Kongsberg. Europris also commits itself through this partnership to finding other ways of collaborating with the organisation through the purchase of services it provides, supplying products for projects at cost price, providing it with surplus products which Europris might have, distributing marketing campaigns through Europris communication platforms, and placing clothes containers where possible outside its stores.

Europris has been a member of the Norwegian Retailers Environment Fund since 2018. All the members donate NOK 0.50 per plastic bag sold to the fund, and these proceeds are invested in local and global initiatives to reduce plastic waste, particularly in the sea. That contributes to UN SDG 14 – life in water.

Actions and results

Europris aimed in 2020 to raise internal awareness of its main partnerships in this area. During the Sustainability Days, both the City Mission and the Norwegian Retailers Environment Fund participated by presenting themselves to Europris employees and explaining what the partnership involves. Raising awareness among employees of the help provided by the group builds a sense of pride in belonging to a group which contributes to the community.

Moreover, Europris supplied products to a number of projects initiated by the City Mission, such as the distribution of Easter eggs with activity books and hygiene products at Easter 2020 to families during the lockdown imposed because of the pandemic.

The Helping Heart is a local organisation which seeks to help people in need in eastern Norway, and has been supported by Europris since 2015. Such assistance is provided through funds and a variety of products required for different projects, such as Kids Activity Days every summer, when the organisation provides children from lower income groups with free social activities.

Europris' sustainability department discovered during 2020 that many of its employees pursue a number of activities aimed at helping their community as best they can. One example from head office is the income from the Christmas lottery, which was donated to the local Blue Cross organisation devoted to helping children and their families. This was an important discovery, which will contribute to activities in the coming year.

Through its sale of plastic bags, Europris contributed NOK 7.5 million to the Norwegian Retailers Environment

Fund in 2020. As another step in helping its customers become conscious about their use of plastic bags, Europris will be marking these from the summer of 2021 with a request for customers to reutilise them for various purposes.

Targets and ambitions

The group will continue to foster strategic partnerships with local initiatives, and thereby encourage social and environmental value creation outside its immediate operations.

An important step in this area for 2021 will be to obtain an overview of what contributions are being made to the community throughout the organisation. The aim will be to inspire and help everyone in the group to contribute in the best possible way by also using resources properly in this area.

Europris aims to distribute the remainder of the textile containers to stores by 2021. This project started in 2019 with the aim of helping to increase employment opportunities through the City Mission. It is also in line with the group's responsibility to provide a circular solution for customers who buy textiles.



Europris GRI index 2020

Global Reporting Initiative (GRI) is an independent international standards organisation which has developed the world's most widely used framework for sustainability reporting. These guidelines consist of reporting principles, aspects and indicators which organisations can use to disclose information related to their financial, environmental and social performance.

This report has been prepared in accordance with the GRI Standards: core option.

The table below shows Europris reporting relative to the GRI Standards.

General disclosures

GRI section	Description	Source
Organisational profile		
102-1	Name of the organisation	Europris ASA
102-2	Activities, brands, products and services	In the director's report
102-3	Location of headquarters	Dikeveien 57, 1661 Rolvsøy, Norway
102-4	Location of operations	In the sustainability report
102-5	Ownership and legal form	In the director's report
102-6	Markets served	In the director's report
102-7	Scale of the organisation	In the director's report
102-8	Information on employees and other workers	In the sustainability report
102-9	Supply chain	In the director's report and sustainability report
102-10	Significant changes to the organisation and its supply chain	In the director's report
102-11	Precautionary principle or approach	The precautionary principle is applied
102-12	External initiatives	In the sustainability report
102-13	Membership of associations	In the sustainability report
Strategy		
102-14	Statement from senior decision-maker	Message from the CEO
Ethics and integrity		
102-16	Values, principles, standards and norms of behaviour	In the sustainability report
Governance		
102-18	Governance structure	In the corporate governance report
Stakeholder engagement		
102-40	List of stakeholder groups	Employees, customers, shareholders, investors & financial community, local communities, NGOs, suppliers
102-41	Collective bargaining agreements	In the consolidated financial statements, note 8
102-42	Identifying and selecting stakeholders	In the sustainability report
102-43	Approach to stakeholder engagement	In the sustainability report
102-44	Key topics and concerns raised	In the sustainability report
Reporting practice		
102-45	Entities included in the consolidated financial statements	In the consolidated financial statements, note 1.3
102-46	Defining report content and topic boundaries	In the sustainability report
102-47	List of material topics	In the sustainability report and GRI index
102-48	Restatements of information	NA
102-49	Changes in reporting	NA
102-50	Reporting period	01.01.20-31.12.20
102-51	Date of most recent report	Annual Report 2019
102-52	Reporting cycle	Annually
102-53	Contact point for questions regarding the report	Tatiana Gutierrez Eide - tatiana.eide@europris.no
102-54	Claims of reporting in accordance with the GRI Standards	GRI standards core
102-55	GRI content index	Europris GRI index - 2020

Material topics

GRI section	Description	Source	Explanation
Sustainable value chain			
Sustainable low-impact products			
<i>GRI 103 - Management approach</i>			
103-1	Explanation of the material topic and its boundary	In the sustainability report, section "Sustainable value chain"	
103-2	The management approach and its components	In the sustainability report, section "Sustainable value chain"	
103-3	Evaluation of the management approach	In the sustainability report, section "Sustainable value chain"	
<i>G4 FP1- Procurement/sourcing practices</i>			
FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy		Information not available - Europris will work on a sourcing policy in 2021
<i>G4 FP2 - Procurement/sourcing practices</i>			
FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognised responsible production standards, broken down by standard	In the sustainability report, section "Sustainable value chain"	
Responsible supply-chain management			
<i>GRI 103 - Management approach</i>			
103-1	Explanation of the material topic and its boundary	In the sustainability report, section "Sustainable value chain"	
103-2	The management approach and its components	In the sustainability report, section "Sustainable value chain"	
103-3	Evaluation of the management approach	In the sustainability report, section "Sustainable value chain"	
<i>GRI 308 - Supplier environmental assessment</i>			
308-1	New suppliers which were screened using environmental criteria		Information not available - Europris is currently screening suppliers post contract signing, according to BSCI principles
<i>GRI 414 - Supplier social assessment</i>			
414-1	New suppliers which were screened using social criteria		Information not available - Europris is currently screening suppliers post contract signing, according to BSCI principles
Resource-efficient business model			
Climate-friendly operations and logistics			
<i>GRI 103 - Management approach</i>			
103-1	Explanation of the material topic and its boundary	In the sustainability report, section "Resource-efficient business model"	
103-2	The management approach and its components	In the sustainability report, section "Resource-efficient business model"	
103-3	Evaluation of the management approach	In the sustainability report, section "Resource-efficient business model"	
<i>GRI 302 - Energy</i>			
302-1	Energy consumption within the organisation	Table "Energy consumption", page 42	
<i>GRI 305 - Emissions</i>			
305-1	Direct (scope 1) GHG emissions	Table "GHG emissions", page 43	
305-2	Energy indirect (scope 2) GHG emissions	Table "GHG emissions", page 43	
305-3	Other indirect (scope 3) GHG emissions	Table "GHG emissions", page 43	
Circular solutions and waste reduction			
<i>GRI 103 - Management approach</i>			
103-1	Explanation of the material topic and its boundary	In the sustainability report, section "Resource-efficient business model"	
103-2	The management approach and its components	In the sustainability report, section "Resource-efficient business model"	
103-3	Evaluation of the management approach	In the sustainability report, section "Resource-efficient business model"	

GRI section	Description	Source	Explanation
<i>GRI 306 - Effluents and waste (2016)</i>			
306-2	Waste by type and disposal method	In the sustainability report, section "Circular solutions and waste reduction", page 43	Currently disclosing waste by disposal method (recycling rate), Europris is working to improve its waste management and reporting system
Responsible employer			
Equal opportunities and a constructive work environment			
<i>GRI 103 - Management approach</i>			
103-1	Explanation of the material topic and its boundary	In the sustainability report, section "Responsible employer"	
103-2	The management approach and its components	In the sustainability report, section "Responsible employer"	
103-3	Evaluation of the management approach	In the sustainability report, section "Responsible employer"	
<i>GRI 401 - Employment</i>			
401-1	New employee hires and employee turnover	In the sustainability report, section "Equal opportunities and a constructive work environment"	Currently disclosing turnover rate, not reporting per age group, gender or region
<i>GRI 404 - Training and education</i>			
404-1	Average hours of training per year per employee	In the sustainability report, section "Equal opportunities and a constructive work environment"	Currently reporting type of training and participation rate
<i>GRI 405 - Diversity and inclusion</i>			
405-1	Diversity of governance bodies and employees	In the sustainability report, section "Equal opportunities and a constructive work environment"	Diversity is not broken down by age group
405-2	Ratio of basic pay and remuneration of women to men	In the sustainability report, section "Equal opportunities and a constructive work environment"	Norway is the significant location of operations
<i>GRI 406 - Non-discrimination</i>			
406-1	Incidents of discrimination and corrective actions taken	In the sustainability report, section "Equal opportunities and a constructive work environment"	
Health and safety in the workplace			
<i>GRI 103 - Management approach</i>			
103-1	Explanation of the material topic and its boundary	In the sustainability report, section "Responsible employer"	
103-2	The management approach and its components	In the sustainability report, section "Responsible employer"	
103-3	Evaluation of the management approach	In the sustainability report, section "Responsible employer"	
<i>GRI 403 - Occupational health and safety (2016)</i>			
403-2	Types of injury and rated of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	In the sustainability report, section "Health and safety in the workplace"	Sick leave is reported, data is not broken down by region or gender. Europris is working to get better data to disclose other relevant metrics
Business ethics and anti-corruption			
<i>GRI 103 - Management approach</i>			
103-1	Explanation of the material topic and its boundary	In the sustainability report, section "Responsible employer"	
103-2	The management approach and its components	In the sustainability report, section "Responsible employer"	
103-3	Evaluation of the management approach	In the sustainability report, section "Responsible employer"	
<i>GRI 205 - Anti-corruption</i>			
205-2	Communication and training about anti-corruption policies and procedures	In the sustainability report, section "Business ethics and anti-corruption"	Only indicative data available. Europris will work to provide more reliable data.
205-3	Confirmed incidents of corruption and actions taken	In the sustainability report, section "Business ethics and anti-corruption"	
<i>GRI 206 - Anti-competitive behavior</i>			
206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices	In the sustainability report, section "Business ethics and anti-corruption"	

GRI section	Description	Source	Explanation
<i>GRI 417 - Marketing and labelling</i>			
417-3	Incidents of non-compliance concerning marketing communications	In the sustainability report, section "Business ethics and anti-corruption"	
<i>GRI 419 - Socioeconomic compliance</i>			
419-1	Non-compliance with laws and regulations in the social and economic area	In the sustainability report, section "Business ethics and anti-corruption"	
Empowering customers and communities			
Satisfied customers			
<i>GRI 103 - Management approach</i>			
103-1	Explanation of the material topic and its boundary	In the sustainability report, section "Empowering customers and communities"	
103-2	The management approach and its components	In the sustainability report, section "Empowering customers and communities"	
103-3	Evaluation of the management approach	In the sustainability report, section "Empowering customers and communities"	
<i>Europris - own indicator</i>			
1	Brandtracker survey results	In the sustainability report, section "Satisfied customers"	
2	Number of customer complaints	In the sustainability report, section "Satisfied customers"	
Safe and good quality products			
<i>GRI 103 - Management approach</i>			
103-1	Explanation of the material topic and its boundary	In the sustainability report, section "Empowering customers and communities"	
103-2	The management approach and its components	In the sustainability report, section "Empowering customers and communities"	
103-3	Evaluation of the management approach	In the sustainability report, section "Empowering customers and communities"	
<i>GRI 416 - Customer health and safety</i>			
416-1	Assessment of the health and safety impacts of product and service categories		Information not available - Europris plans to roll out a more efficient health and safety assessment of products in 2021
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	In the sustainability report, section "Safe and good quality products"	
<i>GRI 417 - Marketing and labelling</i>			
417-2	Incidents of non-compliance concerning products and service information labelling	In the sustainability report, section "Empowering customers and communities"	
Data protection and privacy			
<i>GRI 103 - Management approach</i>			
103-1	Explanation of the material topic and its boundary	In the sustainability report, section "Data protection and privacy"	
103-2	The management approach and its components	In the sustainability report, section "Data protection and privacy"	
103-3	Evaluation of the management approach	In the sustainability report, section "Data protection and privacy"	
<i>GRI 418 - Customer privacy</i>			
418-1	Substantiated complaints breaches of customer privacy and losses of customer data	In the sustainability report, section "Data protection and privacy"	
Local value creation			
<i>GRI 103 - Management approach</i>			
103-1	Explanation of the material topic and its boundary	In the sustainability report, section "Empowering customers and communities"	
103-2	The management approach and its components	In the sustainability report, section "Empowering customers and communities"	
103-3	Evaluation of the management approach	In the sustainability report, section "Empowering customers and communities"	

GRI section	Description	Source	Explanation
<i>GRI 201 - Economic performance</i>			
201-1	Direct economic value generated and distributed	In the sustainability report, section "Local value creation"	Information partially available - please refer to financial statement for revenue, operating costs and wages
Community engagement			
<i>GRI 103 - Management approach</i>			
103-1	Explanation of the material topic and its boundary	In the sustainability report, section "Empowering customers and communities"	
103-2	The management approach and its components	In the sustainability report, section "Empowering customers and communities"	
103-3	Evaluation of the management approach	In the sustainability report, section "Empowering customers and communities"	
<i>Euopris - own indicator</i>			
3	Description of approach	In the sustainability report, section "Community engagement"	

The management



Espen Eldal - CEO

Espen Eldal was appointed CEO of Europris in April 2020. He has been the Chief Financial Officer of the company since 2014. Prior to his appointments in Europris, he served as managing director of Berendsen Tekstil Service AS, and Sales & Marketing Director and Finance Manager of PartnerTech, Norway. Prior to this, Mr Eldal worked as a Finance Manager in Travel Retail Norway, prior to which he held various executive positions in Gate Gourmet both in Scandinavia and in Switzerland. Mr Eldal holds a Bachelor in Finance and Administration from Oslo University College, is a certified auditor and has completed the Officers' Training School. Mr Eldal is a Norwegian citizen and resides in Norway.



Stina C. Byre - CFO

Stina Charlene Byre started as CFO of Europris in January 2021. Ms Byre came from the position as CFO of COWI AS, where she had been CFO since 2019. Prior to this, she spent 10 years in Orkla, holding various financial management positions; CFO of Orkla Health Group, CFO of Pierre Robert Group, Financial Manager of Lilleborg and Financial Manager of Orkla Brands. Ms Byre also spent three years as a management consultant at McKinsey & Company. She holds a Master of Business and Economics from BI Norwegian Business School, including exchange program at Texas A&M University in the USA. Ms Byre is a Norwegian citizen and resides in Norway.



Pål Christian Andersen - VP Supply Chain

Pål Christian Andersen has been the VP Supply Chain of Europris since August 2019 and before that the Logistic Director of Europris since 2013. Prior to his appointment in Europris, Mr Andersen served as Chief Operations Officer with Projectiondesign AS / Barco NV from 2010 to 2013, as Vice President Supply Chain with Helly Hansen AS from 2001 to 2010, and has prior to 2001 held several positions related to logistic management; including with InFocus ASA, Unitor and Linjegods AS. Mr Andersen holds a degree in IT, Marketing economy, Business degree in economics, a three year college degree in business and administration, and has completed the Supply Chain Management Programme, Insead (Fontainebleau). Mr Andersen is a Norwegian citizen and resides in Norway.



Jon Boye Borgersen - VP Commercial

Jon Boye Borgersen has been the VP Commercial of Europris since August 2019 and before that the Marketing & Business Development Director of Europris since 2012. Mr Borgersen joined Europris in 2005, and held several executive positions in the company. Prior to joining Europris, Mr Borgersen worked in Brynild Salg AS in 14 years, the last 3 of which as managing director. Mr Borgersen holds a Master of General Business from BI Norwegian Business School and has completed the Officers' School of Engineering. Mr Borgersen is a Norwegian citizen and resides in Norway.



Kristine Frøberg - VP HR, Strategy & Sustainability

Kristine Frøberg was appointed VP HR and Organisational Development in January 2018. January 2020, she also became responsible for strategy and sustainability. Ms Frøberg joined Europris in 2012, and has held various positions including Development Manager and Head of Human Resources. Prior to joining Europris, Ms Frøberg worked as a consultant at Totalconsult and the Euro Business School. She has also worked for 5 years at Mester Grønn in a senior position. Ms Frøberg holds a Master of Higher Education from the University of Oslo. Ms Frøberg is a Norwegian citizen and lives in Norway.



Øyvind Haakerud - VP Store Operations

Øyvind Haakerud has been the VP Store Operations of Europris since 2014. Prior to his appointment as VP Store Operations of Europris, Mr Haakerud worked for Reitan Convenience Norway AS for 7 years where held positions as Regional Director and Implementation Manager. Prior to this, Mr Haakerud held executive positions in Rosing Industrier AS, Prelude AS and Hydro Texaco AS respectively. Mr Haakerud holds a Master of Business and Economics from the Norwegian School of Management and has completed the Sergeant School in the Norwegian Army. Mr Haakerud is a Norwegian citizen and resides in Norway.



Ole Petter Harv - VP Technology & IT

Ole Petter Harv has been the VP Technology & IT of Europris since April 2014. Prior to his appointment as VP Technology & IT of Europris, Mr Harv served as CIO of the Skeidar Living Group and as the CIO Sport1 Gruppen. Prior to this, Mr Harv worked in Hakon Gruppen/ICA for 13 years where he held various positions. Mr Harv holds a degree in computer science from NKI School of engineering. Mr Harv is a Norwegian citizen and resides in Norway.



Knut Spæren - VP International Sourcing

Knut Spæren has been the VP International Sourcing of Europris since August 2019 and before that the Purchasing Director/CPO of Europris since April 2011. Prior to his appointment in Europris, Mr Spæren served as Regional Merchandising Director of CE Nordic Region and as Purchasing Director of ATG (Andvord Tybring-Gjedde), prior to which he worked in Hakon Gruppen/ICA for 13 years holding several key positions. Mr Spæren holds a degree in sale and marketing from Gjerdes College. Mr Spæren is a Norwegian citizen and resides in Norway.

Store openings in 2020



Tau



Lindås



Kongsberg



Løren

CONTENT

Europris Awards 2020	5
Key figures	6
Letter from the CEO	8
Directors' report and presentation of the board.....	10
Corporate governance	22
Sustainability report.....	30
The management	56
Consolidated financial statements	61
Income statement.....	63
Balance sheet.....	64
Statement of changes in equity.....	66
Statement of cash flows	67
Notes	68
Europris ASA financial statements	99
Income statement.....	100
Balance sheet.....	101
Statement of changes in equity.....	103
Statement of cash flows	104
Notes	105
Declaration to the annual report.....	113
Alternative performance measures definitions	114
Auditor's report.....	116
Shareholder information.....	121

EUROPRIS ASA GROUP 2020

Consolidated income statement

Figures are stated in NOK 1,000	Note	2020	2019
Revenue	5	7,928,658	6,156,037
Other income	5	83,971	78,352
Total operating income	5	8,012,629	6,234,389
Cost of goods sold (COGS)	18	4,534,134	3,543,730
Employee benefit expenses	6, 7, 8	1,138,193	985,347
Depreciation	12, 13, 14	539,927	515,673
Other operating expenses	6, 9, 13, 14	634,794	611,057
Total operating expenses		6,847,049	5,655,807
Operating profit		1,165,580	578,582
Interest income	10	181	810
Other financial income	10	11,227	775
Total financial income		11,408	1,585
Interest expense	10, 14	131,583	88,344
Other financial expense	10	18,893	11,413
Total financial expense		150,476	99,757
Net financial income (expense)		(139,068)	(98,172)
Profit/(loss) from associated companies	15	2,600	-
Profit before tax		1,029,112	480,410
Income tax expense	11	225,489	104,974
Profit for the year	16	803,624	375,436
Earnings per share (basic and diluted) – in NOK	16	4.86	2.32
Consolidated statement of comprehensive income			
Profit for the year		803,624	375,436
Other income and expense		-	-
Total comprehensive income for the year		803,624	375,436

Notes 1 to 27 are an integral part of the consolidated financial statements

Consolidated balance sheet

Figures are stated in NOK 1,000

	Note	31-12-2020	31-12-2019
ASSETS			
Non-current assets			
Software	12	58,030	45,699
Trademark	12	387,573	387,573
Goodwill	12	1,617,731	1,611,397
Land	13	24,966	24,966
Fixtures and fittings	13	301,400	313,396
Right-of-use assets	14	2,262,555	2,404,873
Investment in associated companies	15	128,487	125,887
Other investments		424	374
Other receivables	17,23	28,179	24,400
Derivatives	17,22,23	11,796	605
Total non-current assets		4,821,141	4,939,170
Current assets			
Inventories	18	1,633,927	1,550,331
Trade receivables	17,23	195,287	181,774
Other receivables	17,23	87,816	76,417
Derivatives	17,22,23	-	-
Cash	19,23	540,056	568,036
Total current assets		2,457,086	2,376,558
Total assets		7,278,227	7,315,727

Consolidated balance sheet

Figures are stated in NOK 1,000	Note	31-12-2020	31-12-2019
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium	20	212,471	217,471
Other paid-in capital	20	17,475	17,475
Other equity		1,983,662	1,742,923
Total shareholders' equity		2,213,608	1,977,870
Liabilities			
Non-current liabilities			
Deferred tax liability	11	4,726	31,763
Borrowings	2,21,24	995,082	14,280
Lease liabilities	14,1	1,850,561	2,003,993
Total non-current liabilities		2,850,369	2,050,036
Current liabilities			
Borrowings	2,21,23	-	1,642,007
Current lease liabilities	14	473,739	414,088
Accounts payable	2,23	742,753	616,769
Tax payable	11	251,879	116,380
Public duties payable	23	323,511	243,072
Other current liabilities	2,15,23	380,788	242,096
Derivatives	22,23	41,580	13,409
Total current liabilities		2,214,250	3,287,821
Total liabilities		5,064,619	5,337,857
Total equity and liabilities		7,278,227	7,315,727

Fredrikstad, 26 March 2021

THE BOARD OF DIRECTORS OF EUROPRIS ASA

Tom Vidar Rygh
Chair

Hege Bømark

Bente Sollid Storehaug

Claus Juel-Jensen

Karl Svensson

Tone Fintland

Pål Wibe

Espen Eldal
CEO

Consolidated statement of changes in equity

Figures are stated in NOK 1,000

	Share capital	Treasury shares	Share premium	Other paid-in capital	Other equity	Total
Equity 01.01.2020	166,969	(1,150)	51,652	17,475	1,742,923	1,977,870
Profit for the period	-	-	-	-	803,624	803,624
Dividend	-	-	-	-	(323,346)	(323,346)
Net purchase/sale of treasury shares	-	(5,000)	-	-	(239,539)	(244,539)
Other comprehensive income	-	-	-	-	-	-
Equity 31.12.2020	166,969	(6,150)	51,652	17,475	1,983,661	2,213,608
Equity 01.01.2019	166,969	(5,370)	51,652	-	1,575,677	1,788,928
Profit for the period	-	-	-	-	375,436	375,436
Dividend	-	-	-	-	(298,717)	(298,717)
Net purchase/sale of treasury shares	-	4,220	-	17,475	90,527	112,222
Other comprehensive income	-	-	-	-	-	-
Equity 31.12.2019	166,969	(1,150)	51,652	17,475	1,742,923	1,977,870

In accordance with sections 9-4 and 9-5 of the Norwegian Public Limited Liability Companies Act, the board is mandated to acquire the company's own shares on specific conditions. See note 20 for details of treasury shares.

Consolidated statement of cash flows

Figures are stated in NOK 1,000	Note	2020	2019
Cash flows from operating activities			
Profit before income tax		1,029,112	480,410
Adjusted for:			
– Depreciation fixed assets	13,14	520,350	494,824
– Amortisation intangible assets	12	19,578	20,849
– Unrealised gain and loss on derivatives	10,17	16,980	26,870
– Net interest expense exclusive of change in fair value derivatives	10	138,819	90,661
– Profit from associated companies	15	(2,600)	-
Changes in net working capital (exclusive effect of acquisitions):		227,127	133,363
– Inventory		(63,509)	44,411
– Accounts receivable and other current receivables		(52,160)	6,014
– Accounts payable and other current debt		342,796	82,938
Interest received		181	810
Interest paid	10	(127,809)	(91,103)
Income tax paid	11	(116,814)	(124,173)
Net cash generated from operating activities		1,704,924	1,032,512
Cash flows from investing activities			
Purchases of fixed assets	13	(72,238)	(137,648)
Purchases of intangible assets	12	(31,908)	(19,381)
Acquisitions		(7,979)	(2,711)
Net cash used in investing activities		(112,125)	(159,740)
Cash flows from financing activities			
Proceeds from borrowings		1,000,000	-
Repayment of debt to financial institutions		(1,651,675)	(6,840)
Principal paid on lease liabilities		(401,218)	(423,169)
Dividend		(323,346)	(298,717)
Buy-back of treasury shares		(244,539)	(2,975)
Net cash from financing activities		(1,620,778)	(731,702)
Net decrease/increase in cash		(27,979)	141,070
Cash at beginning of year (01.01)		568,036	426,967
Cash at end of year (31.12)		540,056	568,036

Note 1 Accounting principles

1.1 Basis of preparation

The consolidated financial statements for Europris ASA ("the group") have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, as well as Norwegian disclosure requirements pursuant to section 3-9 of the Norwegian Accounting Act at 31 December 2020. The accounting policies adopted are consistent with those of the previous financial year.

The board approved the consolidated financial statements on 26 March 2021.

The consolidated financial statements have been prepared on a historical cost basis with the following exceptions:

- derivative instruments are recognised at fair value through profit and loss.

The group has applied the going concern assumption in preparing its consolidated financial statements. When assessing this assumption, management has assessed all available information regarding future expectations.

The preparation of financial statements in conformity with the IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity or where the assumptions and estimates are significant for the consolidated financial statements are disclosed in note 3.

1.2 Consolidation

The consolidated financial statements include the parent company Europris ASA and all its subsidiaries.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. Subsequent changes to the fair value of the contingent

consideration which is deemed to be an asset or liability is recognised in profit or loss. A contingent consideration which is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the aggregate consideration transferred and the amount of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit and loss.

Intercompany transactions, balances, revenue and expenses arising from transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The consolidated financial statements include Europris ASA and its subsidiaries.

Company	Ownership/voting share
Europris ASA	parent company
Europris Holding AS	100%
Europris AS	100%
Europris Butikkdrift AS	100%
Kilen Lavpris AS	100%
Vågsbygd Lavpris AS	100%

The subsidiaries acquired by Europris AS in 2019 – Sortland Lavpris AS and Flekkefjord Lavpris AS – were both merged with Europris Butikkdrift AS at 1 January 2020.

The Melhus Lavpris AS and Sørkjosen Lavpris AS companies were acquired by Europris AS at January 2020 and merged with Europris Butikkdrift AS with effect from 1 January 2020.

Europris AS acquired Kilen Lavpris AS and Vågsbygd Lavpris AS in 2020. These companies will be merged

with Europris Butikkdrift AS with effect from 1 January 2021.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date on which that control ceases. When the group ceases to have control, any remaining interest in the entity is re-measured to its fair value at the date when control ceases, with the change in carrying amount recognised in profit and loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the remaining interest as an associate, joint venture or financial asset.

IFRS 10 Consolidated financial statements is based on the principle of using the control term as the decisive criterion to decide whether a company should be included in the consolidated financial statements. The application guidance to the standard provides guidance when determining whether an entity has control over a franchisee. Based on the guidance in IFRS 10, the group has determined that it does not control its franchisees and the franchises are therefore not consolidated. This is based on a judgement of the criteria in IFRS 10 as to whether or not Europris controls the franchises.

1.3 Investment in associates

The group has investments in associates. Associates are entities over which the group has significant influence, but not control over financial and operating management.

The considerations made in determining whether the group has significant influence over an entity are similar to those necessary to determine control over subsidiaries.

Associates are accounted for using the equity method from the date when significant influence is achieved until such influence ceases.

Investments in an associate are initially recognised at cost. The contingent consideration is included in cost and changes in estimated contingent consideration will be recognised as an adjustment of cost. The carrying amount of the investment is adjusted to recognise changes in the group's share of the net assets of the associate since the acquisition date. Goodwill relating to

the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the group's share of the results of operations of the associate. In addition, when there has been a change recognised directly in the equity of the associate, the group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

If there are indications that the investment in the associate is impaired, the group will perform an impairment test of the carrying amount of the investment. Any impairment losses are recognised as share of profit of an associate in the statement of profit or loss.

If the group's share of the loss surpasses the carrying amount of the associate, the carrying amount is set to zero and further loss is not recognised unless the group has an obligation to make up for the loss.

Upon loss of significant influence over the associate, such that the equity method ceases to apply, the group measures and recognises any retained investment at its fair value. A new measurement of remaining ownership interests will not be performed if the equity method is still applicable.

1.4 Segment reporting

The Europris group as a whole is defined and identified as one operating segment. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the group management. Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker.

1.5 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the respective group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the income statement. Non-monetary items are not re-translated at year-end and are measured at

historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Non-monetary items which are measured at fair value in foreign currency are translated into the functional currency at the reporting date. Changes in exchange rates are recognised continuously in operating profit.

The consolidated financial statements are presented in NOK, which is the group's presentation and functional currency.

1.6 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount which reflects the consideration which the group expects to be entitled to in exchange for those goods or services. The group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue from the sale of goods

The group operates a chain of stores in the discount variety retail sector which sells consumer goods, including sales to franchise stores.

The group recognises revenue from the sale of goods at the point in time when control of the goods is transferred to the customer. Control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits from the asset, and the ability to prevent others from directing the use of and receiving the benefits from the asset. Revenue is generally recognised on delivery of the goods. Revenue from the sale of goods over the internet is recognised at the point that control of the inventory have passed to the customer, which is the point of delivery. Retail sales are usually in cash or by debit or credit cards.

Certain contracts provide a customer with a right to return the goods within a specified period. The group uses the expected value method to estimate the goods which will not be returned, because this method best predicts the amount of variable consideration to which the group will be entitled.

Franchise fee

The fees received from franchises are recorded as "other income".

1.7 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Norway, where the company and its subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised with regard to goodwill arising from business combinations. Deferred income tax is determined using tax rates (and laws) which have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for the deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the group is unable to control the reversal of the temporary difference for associates.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

1.8 Property, plant and equipment

Property, plant and equipment are recorded at historical cost less depreciation. Historical cost includes expenditure which is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of replaced parts is derecognised when replaced. All other repairs and maintenance expenditures are recognised in profit and loss in the period when the expense is incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to depreciate their cost to their residual value over the estimated useful lives, as follows:

technical and electrical installations	5-15 years
fixture and fittings	7-10 years
vehicles	5 years
machinery and equipment	3 years
IT equipment	3 years
land	not depreciated

The residual values and useful lives of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

1.9 Leases

Identifying a lease

At the inception of a contract, the group assesses whether the contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

The group as a lessee

Separating components in the lease contract

For contracts which constitute or contain a lease, the group separates lease components if it benefits from the use of each underlying asset either on its own or together with other resources which are readily available, and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract. The group then accounts for each lease component in the contract as a lease separately from non-lease components of the contract.

Recognition of leases and exemptions

At the lease commencement date, the group recognises a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- short-term leases (defined as 12 months or less)
- low-value assets

For these leases, the group recognises the lease payments as other operating expenses in the statement of profit or loss when they are incurred.

Lease liabilities

The lease liability is recognised at the commencement date of the lease. The group measures the lease liability at the present value of the lease payments for the right to use the underlying asset during the lease term which were not paid at the commencement date. The lease term represents the non-cancellable period of the lease together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option.

The lease payments included in the measurement comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments which depend on an index or a rate, initially measured using the index or rate as at the commencement date
- the exercise price of a purchase option, if the group is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the group exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

The group does not include variable lease payments in the lease liability. Instead, the group recognises these variable lease expenses in profit or loss.

The group presents its lease liabilities as separate line items in the statement of financial position.

Right-of-use assets

The group measures the right-of use asset at cost, less any accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. The cost of the right-of-use asset comprises:

- the amount of the initial measurement of the lease liability recognised
- any lease payments made at or before the commencement date, less any incentives received
- any initial direct costs incurred by the group
- an estimate of the costs to be incurred by the group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The group applies the depreciation requirements in

IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset, except that the right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset.

The group applies IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

1.10 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value at the acquisition date of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value are less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash generating unit (CGU) which is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are performed annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Trademarks and contractual rights

Separately acquired trademarks and contractual rights are recognised at cost. Trademarks and contractual rights acquired in a business combination are recognised at fair value at the acquisition date. Trademarks (the brand name "Europris") are deemed to have an

indefinite lifetime and are not amortised as a consequence, but tested for impairment annually. Contractual rights and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of contractual rights over their estimated useful life.

Software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs which are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use
- management intends to complete the software product and use or sell it
- there is an ability to use or sell the software product
- it can be demonstrated how the software product will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available
- the expenditure attributable to the software product during its development can be reliably measured.

Computer software development costs recognised as assets are amortised over their estimated useful lives of three years.

1.11 Financial instruments

A financial instrument is any contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The group's financial assets are derivatives, trade receivables, other receivables and cash.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. With the exception of trade receivables which do not contain a significant financing component, the group initially measures a financial asset at its fair

value plus, in the case of a financial asset not at fair value through other comprehensive income, transaction costs.

The group classifies its financial assets in these categories:

- financial assets at amortised cost
- derivatives at fair value through profit and loss.

The group does not apply hedge accounting.

Financial assets at amortised cost

The group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- the contractual terms of the financial asset give rise on specified dates to cash flows which are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The group's financial assets at amortised cost include trade receivables and other current deposits. Trade receivables which do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers. Receivables are subsequently measured at amortised cost using the EIR method minus provision for expected credit losses.

Derivatives at fair value through profit and loss

Derivatives at fair value are carried in the statement of financial position at fair value with net changes in fair value in profit or loss. The category includes foreign exchange contracts and interest rate swaps.

Derecognition of financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is primarily derecognised (in other words, removed from the group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either
 - a. the group has transferred substantially all the risks and rewards of the asset, or
 - b. the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables, or derivatives through profit and loss. Derivatives are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Derivatives are financial liabilities when the fair value is negative, accounted for in the same way as derivatives as assets.

Loans, borrowings and payables

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs which are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. Payables are measured at their nominal amount when the effect of discounting is not material.

Borrowings are classified as current unless the group has an unconditional right to delay the payment of the debt for more than 12 months from the reporting date.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substan-

tially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

1.12 Inventories and cost of goods sold

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated sales price less the estimated transaction costs. Historical cost is calculated using a weighted average historical cost and includes expenditures directly linked to getting the goods to their final location and condition. Foreseeable obsolescence is assessed continuously. The group's inventories consist solely of goods purchased for resale.

Goods for sale are often purchased in currencies other than Norwegian kroner, and the purchase price in Norwegian kroner is locked in through the use of foreign currency derivative contracts. Both unrealised and realised gains or losses on the foreign currency derivatives which are economic hedges for inventory purchases are included as part of cost of goods sold (COGS). Similarly, unrealised foreign currency exchange gains and losses on inventory trade payables and realised foreign currency exchange gains or losses at the time of payment are also included as part of COGS.

1.13 Cash

Cash includes cash in hand and bank deposits. Bank overdrafts are presented in the statement of cash flows less cash.

1.14 Treasury shares

When treasury shares are repurchased, the purchase price including directly attributable costs is recognised in equity. Treasury shares are presented as a reduction in equity. Losses or gains on transactions involving treasury shares are not recognised in the statement of comprehensive income.

1.15 Post-employment benefits

The group has two post-employment schemes: one defined contribution and one contractual retirement scheme. The contractual retirement scheme is effective from 1 January 2011 and is deemed to be a defined

benefit multi-employer plan, but recognised as a defined contribution agreement since insufficient reliable information is available to estimate the group's proportionate share of pension expense, liability and funds in the collective scheme.

In a defined contribution arrangement, the group contributes to a public or private insurance plan. The group has no remaining liabilities after the contribution to the insurance plan has been made. The contributions are recognised as a personnel expense when they are incurred.

1.16 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the group has an existing legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are recognised when the group has an existing obligation (legal or constructive) as a result of a past event, it is probable (more likely than not) that an outflow of economic resources will be required from the group, and the amount can be estimated reliably. The timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the existing obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the existing obligation.

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and an assessment of all possible outcomes and the accompanying probabilities.

1.17 Contingent liabilities and assets

Contingent liabilities are not recognised in the financial statements. In cases where the possible outflow of economic resources as a result of existing obligations is considered improbable or remote, no liability is recognised.

A contingent asset is not recognised in the financial statements, but disclosed if it is probable that the benefit will flow to the group.

1.18 Subsequent events

New information after the reporting date regarding the group's financial position at the reporting date is taken into consideration in the consolidated financial statements. Events after the reporting date which do not affect the group's financial position at the reporting date, but which will affect the financial position of the group in the future, are noted if they are considered significant.

1.19 New standards, amendments and interpretations not yet adopted by the group

The group's intention is to adopt the relevant new and amended standards and interpretations when they become effective.

There are no IFRSs or IFRIC interpretations which are not yet effective which would be expected to have a material impact on the group.

Notes to the consolidated financial statements

2 Financial risk management

The group's core business is discount variety retail. This exposes the group to a variety of financial risks: market (including currency, fair value interest-rate and price), credit and liquidity risk. The goal of the group's overall risk management programme is to minimise potential adverse financial performance effects of these risks, which result from unpredictable changes in capital markets. The group uses financial derivatives to hedge against certain risks. Hedge accounting is not applied.

The financial risk management programme for the group is carried out by its central treasury department under policies approved and monitored by the board. The treasury department identifies, evaluates, hedges and reports financial risks in cooperation with the various operating units in the group. The board approves the principles of overall risk management as well as policies covering specific areas, such as currency exchange risk, interest-rate risk, credit risk, the use of financial derivatives and liquidity management.

2.1 Market risk

2.1.a Currency exchange risk

The group is exposed to currency exchange risk arising from the import of goods for sale. These transactions are mainly settled in USD and EUR. The group aims to achieve predictable cash outflows in NOK by using forward contracts as a hedging strategy for its exposure to USD and EUR. The hedging strategy is based on an assessment of the possibilities and estimated time period required to adjust the business to the changes in foreign exchange rates.

The following table illustrates the sensitivity of the group to potential currency changes.

Figures are stated in NOK 1,000

Foreign currency sensitivity	Changes in currency	Effect on post-tax profit	
		2020	2019
USD/NOK	+10%	-48,471	-25,789
	-10%	+48,471	+25,789
EUR/NOK	+10%	-16,023	-17,016
	-10%	+16,016	+17,016

Hedge accounting is not applied.

2.1.b Price risk

The group has limited exposure to price risk.

2.1.c Interest-rate risk

The group's exposure to interest-rate risk arises from its bank borrowings. The interest-bearing debt has floating rates, which means it is affected by changes in interest-rates. The group's financial policy includes a detailed description of hedging, and 60 per cent of the principal of the group's bank loans is presently hedged. The current interest-rate swaps expire in July 2027 and 2030. Management monitors development in the market, and regularly assesses the exposure to interest-rate risk. The interest-rate risk which arises from loans with a floating interest rate is managed by using interest-rate swaps.

The following table illustrates the sensitivity of the group to potential interest-rate changes.

Figures are stated in NOK 1,000

Interest-rate sensitivity	Changes in interest rate	Effect on post-tax profit
2020	+1%	-3,120
	-1%	+3,120
2019	+1%	-9,653
	-1%	+9,653

Hedge accounting is not applied.

2.2 Credit risk

The group has limited exposure to credit risk, since most of its revenue transactions are settled by cash or debit cards. However, a small share of its revenue comes from franchise agreements, where each franchisee is granted credit. As a franchisor, the group monitors its franchisees closely to mitigate the credit risk. Losses on trade receivables have historically been limited.

2.3 Liquidity risk

The treasury department prepares and monitors cash flow forecasts of the groups's liquidity requirements to ensure that the group has sufficient cash to meet operational commitments, and to maintain sufficient flexibility to meet unused credit facility requirements (see note 21) without breaching financial covenants.

The following table sets out the contractual maturities (representing undiscounted cash flows) of financial liabilities.

Figures are stated in NOK 1,000

At 31.12.2020	Up to 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Total
Accounts payable	742,753	-	-	-	742,753
Other current liabilities	380,788	-	-	-	380,788
Borrowings including interest	11,000	11,000	22,000	1,017,082	1,061,082
Derivatives	41,580	-	-	-	41,580
Total	1,134,541	11,000	22,000	1,017,082	2,184,623

At 31.12.2019	Up to 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Total
Accounts payable	616,769	-	-	-	616,769
Other current liabilities	242,096	-	-	-	242,096
Borrowings including interest	1,670,900	-	-	-	1,670,900
Derivatives	13,409	-	-	-	13,409
Total	2,529,765	-	-	-	2,529,765

2.4 Capital management risk

The group's objectives when managing capital are to ensure the ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital, including compliance with covenants in the loan agreements (see note 21 for further information). The long-term financial ambition is a dividend policy of paying out 50-60 per cent of net profit while maintaining an efficient balance sheet.

At 31 December 2020, the group's equity totalled NOK 2,214 million, which corresponded to an equity ratio of 30.4 per cent and a debt-to-equity ratio of 45 per cent (excluding IFRS 16 lease liabilities). The board considers Europris' capital structure to be adequate in relation to the group's objectives, strategy and risk profile.

3 Critical accounting estimates and judgements

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events which are believed to be reasonable.

3.1 Critical accounting estimates and assumptions

The group prepares estimates and assumptions regarding future expectations. The resulting accounting estimates will by definition seldom equal the related actual results. Estimates and assumptions which represent a significant risk of causing material adjustments to the book value of assets and liabilities within the next financial year are discussed below.

3.1.a Provision for obsolescence

The group makes provision for obsolescence. These provisions are based on a detailed assessment of the age distribution of inventory items and whether the goods are part of an active or expired product range. Write-down for obsolescence is made when the cost of the goods is higher than the expected net sales value. These provisions are estimate-based and require in-depth knowledge about goods and market. See note 18 for more details.

3.1.b IFRS 16 Leases

In determining the lease term for each contract, the group must continuously assess whether there are extension options and termination rights which should

be taken into account when determining the rental period. The group has established guidelines for these assessments. Typically, lease contracts are renegotiated at the end of the non-cancellable period, and a new contract is entered into on better terms in the form of both shorter duration and lower rent. This means that extension options in the lease contracts are not normally included in the IFRS 16 calculation.

Determination of the discount rate as a basis for calculating the present value of future lease liabilities also involves the use of discretion. A fixed methodology has also been established for this process. The approach is based on interval division of the leases according to the remaining term of the contracts. The basis for the discount rate calculation is a risk free interest rate plus a margin reflecting the maturity of the contracts.

3.2. Judgements in applying the group's accounting principles

IFRS 10 (Consolidated financial statements) requires entities to consolidate entities they control. The standard provides extended guidance to determine whether control is present. Franchising is explicitly mentioned in the standard. The franchises are not included in the consoli-

dated financial statements of Europris ASA. This is based on a judgement of the criteria in IFRS 10 of whether Europris controls the franchises. Through the franchise agreements, Europris essentially has control and rights related to protection of the brand name and the concept. Such rights are not sufficient to gain control under the provisions of IFRS 10. The decision-making rights which affect variable returns are primarily held by the franchisee. Based on an assessment of these criteria in IFRS 10, Europris does not control the franchises, and they are thus not consolidated.

The group confirms that there have not been any other judgements which are deemed to have a significant impact on the consolidated financial statements.

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 which 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.

5 Total operating income

The group's business area is discount variety retail in the Norwegian market.

Figures are stated in NOK 1,000

	2020	2019
Revenue	7,928,658	6,156,037
Income from franchise fees	79,381	73,364
Other income	4,590	4,988
Total other income	83,971	78,352
Total operating income	8,012,629	6,234,389

6 Employee benefit expenses

Figures are stated in NOK 1,000

	2020	2019
Pay expenses	972,018	843,347
Social security costs	128,412	111,121
Pension expenses	21,496	19,941
Other benefits	16,267	10,938
Total	1,138,193	985,347
Number of employees	3,120	2,818
Full-time employees	1,992	1,814

The group is required by Norwegian law to have a mandatory occupational pension plan. The group has a pension plan which fulfills the legal requirements, which covers all employees and is a defined contribution plan.

Figures are stated in NOK 1,000	2020	2019
Auditor fees		
Audit services	1,206	1,182
Technical services related to financial reporting	666	149
Total	1,873	1,331

Auditor fees are presented exclusive of VAT. No auditor fees have been recorded in equity in connection with equity transactions.

7 Management remuneration

Remuneration of chief executive officer (CEO) and chief financial officer (CFO).

Figures are stated in NOK 1,000	Title	Salary	Bonus	Pension	Other	Total
Espen Eldal	CEO and CFO	3,018	263	-	36	3,317

Espen Eldal, the former CFO, was appointed acting CEO from 27 March 2020 and CEO from 29 April 2020. Eldal retained his duties as CFO for the remaining of 2020.

Remuneration of the executive management group (7 individuals)

Figures are stated in NOK 1,000	2020	2019
Pay expenses, including bonuses	27,851	24,907
Social security costs	3,929	3,512
Pension expenses	1,044	1,358
Other benefits	-	83
Total	32,824	29,860

NOK 17,515 in accrued bonus is recognised in the financial statements for the executive management group for 2019 (NOK 6,991 in 2019).

Remuneration guidelines

The board has established guidelines for the remuneration of the members of the executive management. The company's policy is to offer the executive management competitive remuneration based on current market standards as well as on group and individual performance. The remuneration consists of a basic salary element combined with a performance-based bonus programme as set out below. The

executive management participates in the company's insurance policies and is entitled to certain fringe benefits, such as free newspaper, car and phone. The remuneration committee is a sub-committee of the board which acts as a preparatory and advisory body in relation to the group's remuneration of the executive management and ensures thorough and independent preparation of matters relating to the compensation of executive personnel.

Bonus programme

Europris has established a bonus scheme for the executive management, which is based on financial and operational performance. The maximum bonus under this scheme is 12 months of gross base salary.

The executive management group is employed by the Europris Holding AS subsidiary.

The CEO and the VP Commercial have severance packages of 12 and six months respectively. Apart from these, no members of the executive management group have severance packages.

No loans or issued guarantees have been provided to the executive management group, the chair of the board or other related parties.

Remuneration of the board of directors

Annual fees in 2020 for the board of directors, determined by the AGM in April 2020:

Board of directors			
Chair	NOK	556,000	per year
Director	NOK	283,000	per year
Audit committee			
Chair	NOK	74,000	per year
Member	NOK	48,000	per year
Remuneration committee			
Chair	NOK	34,000	per year
Member	NOK	23,000	per year

Through a related company, a director has received NOK 25,000 for digital services.

8 Pension liabilities

Figures are stated in NOK 1,000

The group has a contractual retirement pension scheme (AFP). This is a multi-employer plan, and accounted for as a defined contribution plan. The annual premium is expensed. The entity pays a premium currently set at 2.5 per cent of the employee's salary. Future premiums may increase. Pension cost (premium) in 2020 was NOK 6,784 (2019: NOK 6,142).

In addition, the group has a pension agreement with DNB Forsikring which fulfills the legal requirement under Norwegian law and covers all employees. The scheme is a defined contribution plan. Pension costs in 2020 were NOK 14,712 (2019: NOK 13,799).

Both schemes had 1,992 members in 2020 (2019: 1,814).

9 Other operating expenses

Figures are stated in NOK 1,000

	2020	2019
Leasing and other cost of premises	88,054	89,122
Transport/distribution	196,293	165,464
Marketing and other expenses	350,447	356,471
Total	634,794	611,057

Leasing and other cost of premises relates to variable lease payments, in addition to payments for short-term leases and low-value assets.

10 Financial income and expenses

Figures are stated in NOK 1,000

	2020	2019
Financial income:		
– Interest income on cash	-	163
– Other interest income	181	648
Other financial income	36	407
Gain in fair value of financial instruments		
– Unrealised interest-rate swap income	11,191	368
Total	11,408	1,585
Financial expenses:		
– Interest to financial institutions	33,253	42,610
– Leasing interest cost	92,245	48,458
– Other interest expense	10	35
Amortised interest on bank loan	6,075	(2,759)
Other financial expenses	18,893	11,413
Total	150,476	99,757
Net financial income (expense)	(139,068)	(98,172)

In connection with the transition to a new IFRS 16 system, an error was discovered during November 2020 in the interest rate calculations related to implementing IFRS 16 in January 2019. This resulted in an interest expense of NOK 32 million being booked in 2020, of which NOK 20 million was related to 2019.

11 Income tax expense

Figures are stated in NOK 1,000

	2020	2019
Tax payable		
Current tax on profit for the year	251,872	116,414
Tax from acquired companies	7	(34)
Total tax payable in the balance sheet	251,879	116,380
Deferred tax		
Change in temporary differences	(26,948)	(13,369)
Change in temporary differences related to mergers and acquisitions	558	1,963
Total deferred tax	(26,390)	(11,406)
Total income tax expense	225,489	104,974

The tax on the group's pre-tax profit differs from the theoretical amount which would arise from using the weighted average tax rate applicable to the profits of the consolidated entities as follows.

Figures are stated in NOK 1,000

	2020	2019
Profit before tax	1,029,112	480,410
Tax calculated at domestic tax rates applicable to profits (22%)	226,405	105,690
Tax effects from:		
- Non-taxable income	(4,617)	(9,179)
- Non-deductible expenses	7,527	14,389
- Other directly recognised differences	(3,826)	(5,925)
Tax expense recognised in the income statement	225,489	104,974
Effective tax rate	21.9%	21.9%
The analysis of deferred tax assets and deferred tax liabilities is as follows		
Deferred tax assets		
- Deferred tax assets to be recovered later than 12 months	(16,648)	(6,185)
- Deferred tax assets to be recovered within 12 months	(65,011)	(64,922)
Deferred tax assets	(81,659)	(71,107)
Deferred tax liabilities		
- Deferred tax liabilities to be recovered later than 12 months	92,924	105,584
- Deferred tax liabilities to be recovered within 12 months	-	-
Deferred tax liabilities	92,924	105,584
Loss carried forward	(12)	(12)
Deferred tax related to directly recognised differences	(6,552)	(2,817)
Unrecognised deferred tax asset	25	114
Deferred tax liabilities (net)	4,726	31,763
Deferred tax asset/liability rates	22%	22%
Change in deferred tax liabilities recognised in the balance sheet		
Balance at 01.01	31,763	45,146
Change during the year recognised in the income statement	(27,038)	(13,383)
Balance at 31.12	4,726	31,763

Specification of change in deferred tax liabilities/tax assets

Figures are stated in NOK 1,000

	Tangible fixed assets	Non-current debt	Total
Deferred tax liabilities			
Balance at 01.01.2019	107,341	1,152	108,492
Recognised deferred tax in profit for the period	(3,515)	607	(2,908)
Balance at 31.12.2019	103,826	1,759	105,584
Balance at 01.01.2020	103,826	1,759	105,584
Recognised deferred tax in profit for the period	(11,983)	(677)	(12,660)
Balance at 31.12.2020	91,843	1,082	92,924

Figures are stated in NOK 1,000

	Inventories	Receivables	Provision for other liabilities	Loss carried forward	Total
Deferred tax assets					
Balance at 01.01.2019	(61,074)	(662)	(4,821)	(12)	(66,569)
Recognised deferred tax in profit for the period	(3,446)	261	(1,364)	-	(4,549)
Balance at 31.12.2019	(64,521)	(401)	(6,185)	(12)	(71,118)
Balance at 31.12.2020	(64,521)	(401)	(6,185)	(12)	(71,118)
Recognised deferred tax in profit for the period	(71)	(19)	(10,463)	-	(10,553)
Balance at 31.12.2020	(64,592)	(420)	(16,648)	(12)	(81,671)

12 Intangible assets

Figures are stated in NOK 1,000

	Software	Trademark	Contractual rights	Goodwill	Total
Financial year 2019					
Carrying amount at 01.01.2019	47,167	387,573	-	1,605,947	2,040,688
Additions	19,381	-	-	5,450	24,830
Amortisation	(20,849)	-	-	-	(20,849)
Carrying amount at 31.12.2019	45,699	387,573	-	1,611,397	2,044,669
At 31.12.2019					
Acquisition cost	183,871	411,352	250,700	1,611,397	2,457,320
Disposals at cost	(207)	-	-	-	(207)
Disposals accumulated amortisation	207	-	-	-	207
Accumulated amortisation	(138,172)	(23,779)	(172,356)	-	(334,307)
Accumulated impairment	-	-	(78,344)	-	(78,344)
Net carrying amount 31.12.2019	45,699	387,573	-	1,611,397	2,044,669
Financial year 2020					
Carrying amount at 01.01.2020	45,699	387,573	-	1,611,397	2,044,669
Additions	31,908	-	-	6,334	38,242
Amortisation	(19,578)	-	-	-	(19,578)
Carrying amount at 31.12.2020	58,030	387,573	-	1,617,731	2,063,333
At 31.12.2020					
Acquisition cost	215,572	411,352	250,700	1,617,731	2,495,355
Accumulated amortisation	(157,542)	(23,779)	(172,356)	-	(353,677)
Accumulated impairment	-	-	(78,344)	-	(78,344)
Net carrying amount 31.12.2020	58,030	387,573	-	1,617,731	2,063,333

The group's trademark is linked to the brand name "Europris". This name has existed for a long time and has shown a healthy development since its origination. There are clear intentions to retain and further develop the Europris brand name for the foreseeable future. As a consequence, the brand name is not depreciated, but tested for impairment annually.

Goodwill comprises a number of elements which individually cannot be quantified. Most significant is the well positioned business and the established reputation in the market. Europris' skilled workforce, as well as its supplier and customer relations (non-contractual), are also important elements.

Impairment testing of goodwill and trademark

Goodwill and the trademark are annually tested for impairment by comparing their carrying amount and recoverable amount (greater of fair value less costs to sell and value in use). Goodwill is allocated to the groups of cash-generating units which are expected to benefit from the synergies of the combination. The group has one operating segment and goodwill is tested for impairment at this level, which represents the lowest level in the entity at which goodwill is monitored for internal management purposes.

The recoverable amount of a cash-generating unit is calculated on the basis of the value which the asset will provide to the business (value in use). In this calculation, the forecasts of future cash flows are based on budgets and long-term plans approved by the management covering a five-year period (2021-2025). The gross margin is stable in the period, and in range with the historical performance. EBITDA percentages of sales are also stable in the 2021-2025 period. Cash flows beyond the

five-year period are calculated using the expected inflation rate as a long-term growth rate. A market-based rate of return of 5.5 per cent (7.7 per cent in 2019) before tax is derived using the weighted average cost of capital (WACC) model.

The recoverable amount is significantly above the carrying amount of the group's goodwill and trademark.

13 Property, plant and equipment

Figures are stated in NOK 1,000

	Land	Fixtures and fittings	Total
Financial year 2019			
Carrying amount at 01.01.2019	23,739	238,323	262,063
Additions	1,227	151,604	152,831
Additions through the acquisition of subsidiaries	-	3,635	3,635
Disposals	-	(1,452)	(1,452)
Depreciation charge for the year	-	(78,715)	(78,715)
Carrying amount at 31.12.2019	24,966	313,396	338,362
At 31.12.2019			
Cost	24,966	801,060	826,026
Disposals at cost	-	(21,883)	(21,883)
Disposals accumulated amortisation	-	21,883	21,883
Accumulated depreciation	-	(487,664)	(487,664)
Net carrying amount 31.12.2019	24,966	313,396	338,362
Financial year 2020			
Carrying amount at 01.01.2020	24,966	313,396	338,362
Financial leases (IAS 17) reclassified to leases IFRS 16	-	(14,102)	(14,102)
Additions	-	72,242	72,242
Additions through the acquisition of subsidiaries	-	2,605	2,605
Disposals	-	(1,974)	(1,974)
Depreciation charge for the year	-	(70,767)	(70,767)
Carrying amount at 31.12.2020	24,966	301,400	326,366
At 31.12.2020			
Accumulated cost	24,966	839,921	864,887
Disposals at cost	-	(186,622)	(186,622)
Disposals accumulated amortisation	-	186,613	186,613
Accumulated depreciation	-	(538,512)	(538,512)
Net carrying amount 31.12.2020	24,966	301,400	326,366

14 Leases

Figures are stated in NOK 1,000

	Buildings	Vehicles	Fixtures and fittings	Total
Right-of-use assets				
Carrying amount at 01.01.2020	2,386,642	17,728	503	2,404,873
Financial leases reclassified from IAS 17	-	-	14,102	14,102
Additions	169,837	7,726	89,486	267,049
Additions through the acquisition of subsidiaries	12,300	-	-	12,300
Adjustments (CPI)	27,212	-	-	27,212
Depreciation	(436,960)	(8,701)	(3,921)	(449,583)
Terminations	(12,984)	-	(415)	(13,400)
Net carrying amount 31.12.2020	2,146,047	16,753	99,754	2,262,554

Lease liabilities	2020	2019
Carrying amount at 01.01.	2,418,081	1,988,873
Additions	267,302	781,334
Additions through the acquisition of subsidiaries	12,300	-
Adjustments (CPI)	27,212	50,775
Interest expense	90,560	46,889
Lease payments	(491,156)	(449,789)
Net carrying amount 31.12.	2,324,300	2,418,081

Undiscounted lease liabilities and maturity of cash outflows	2020	2019
Less than one year	485,890	468,862
One-five years	1,386,091	1,636,632
More than five years	731,221	605,241
Total undiscounted lease liabilities at 31.12.	2,603,201	2,710,736

Current lease liabilities	473,739	414,088
Non-current lease liabilities	1,850,561	2,003,993
Total lease liabilities at 31.12.	2,324,300	2,418,081

Lease expenses recognised in consolidated income statement

Interest expense on lease liabilities	90,560	46,889
Variable lease payments	4,663	535
Operating expenses related to short-term leases	20,827	47,147
Operating expenses related to low-value assets	1,596	1,667
Payments in lease agreements	518,242	499,138

Practical expedients applied

The group also leases smaller machinery and equipment with contract terms of 1 to 3 years. The group has elected to apply the practical expedient of low value assets for some of these leases and does not recognise lease liabilities or right-of-use assets. The leases are instead expensed when they incur. The group has also applied the practical expedient to not recognise lease liabilities and right-of-use assets for short-term leases, presented in the table above.

Variable lease payments

In addition to the lease liabilities above, the group is committed to pay variable lease payments for some of their leases. The variable lease payments are expensed as incurred.

Extension options

The lease term represents the non-cancellable period of the lease together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option.

Generally it is not considered reasonable certain that extension options will be exercised. Typically, lease contracts are renegotiated at the end of the non-cancellable period, and a new contract is entered into on better terms, in the form of both shorter duration and lower rent. This means that extension options in the lease contracts are not normally included in the IFRS 16 calculation.

There are no indications of a need for impairment of right-of-use assets in 2020.

15 Investments in associated companies

In June 2018, the group acquired 20 per cent of Runsvengruppen AB (ÖoB), a Swedish discount variety retailer. ÖoB has its headquarters in Skänninge and runs 93 stores across Sweden.

The Europris group owns 20 per cent of the shares and voting rights in Runsvengruppen AS.

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 vendor note issued when closing the deal is converted to 4,349,695 Europris shares, corresponding to 2.61 per cent of the share capital.

A summary of the financial information from Runsvengruppen AB group, based on 100 per cent figures:

Figures are stated in SEK million

	2020	2019
	Unaudited	Audited
Total operating income	NA	4,022.8
Profit for the year	NA	2.5
Current assets	NA	1,007.8
Non-current assets	NA	1,111.2
Current liabilities	NA	824.6
Non-current liabilities	NA	891.3
Equity	NA	403.1

Figures are stated in NOK million

Book value 01.01	125.9	142.3
Adjusted acquisition cost	-	(16.4)
Estimated profit for the period	2.6	-
Book value 31.12	128.5	125.9

Figures are stated in NOK million

The group's share of equity	78.7	76.1
Goodwill	49.8	49.8
Book value 31.12	128.5	125.9

Europris holds an option to acquire the remaining 80 per cent of the shares in Runsvengruppen AB. Whether the option is to be exercised will be decided in 2021. The fair value of the option is considered immaterial and is not recognised in the balance sheet.

16 Earnings per share

Earnings per share are calculated by dividing profit attributable to ordinary shareholders by a weighted average of ordinary shares outstanding during the period. The average number of shares outstanding was adjusted to take account of the holding of treasury shares.

Figures are stated in NOK 1,000, except per share amounts

	2020	2019
Profit for the period	803,624	375,436
Profit available to holders of ordinary shares	803,624	375,436
Number of ordinary shares	166,969	166,969
Weighted average of ordinary shares outstanding	165,189	161,831
Earnings per ordinary share (basic)	4.86	2.32
Earnings per ordinary share (diluted)	4.86	2.32

17 Trade receivables and other receivables

Figures are stated in NOK 1,000

	2020	2019
Trade receivables		
Trade receivables	195,887	182,374
Provision for impairment	(600)	(600)
Net trade receivables	195,287	181,774
Other receivables		
Accrued revenue	48,267	32,319
Prepaid expenses	37,349	38,278
Other receivables	2,200	5,820
Other receivables	87,816	76,417
Total	283,103	258,191
Non-current receivables		
Deposits and loans to franchisees	28,179	24,400
Other receivables	28,179	24,400
Total current and non-current receivables	311,282	282,591

The carrying amount of trade receivables, prepayments and other receivables is assessed as not differing materially from fair value.

Figures are stated in NOK 1,000

	2020	2019
Provision for impairment of trade receivables		
At 01.01	600	1,840
Change in provision	-	(1,240)
At 31.12	600	600
Ageing of trade receivables		
Not due	190,946	175,121
Due	4,342	6,653
Total	195,287	181,774

Accounts receivable older than 90 days constituted an insignificant portion of overdue items at 31.12. This applies to both years.

18 Inventories and cost of goods sold

Figures are stated in NOK 1,000	2020	2019
Inventories	1,669,210	1,582,502
- Provision for obsolescence	(35,283)	(32,171)
Booked value	1,633,927	1,550,331
Provision for obsolescence		
At 01.01	(32,171)	(33,522)
Change in accruals	(3,112)	1,352
Provision for impairment at 31.12	(35,283)	(32,171)
Carrying amount of inventory which has been impaired	404,865	467,097

The group makes provisions for impairment of inventory. These provisions are estimated and require in-depth knowledge of the goods and market conditions. See more details in note 3.1.a.

Figures are stated in NOK 1,000	2020	2019
Cost of goods sold	4,574,025	3,551,713
Foreign exchange currency effects	(39,891)	(7,983)
Net cost of goods sold	4,534,134	3,543,730

Unrealised gains and losses are classified as part of the cost of goods sold (COGS) in the profit or loss statement. Similarly, unrealised foreign currency exchange gains and losses on inventory trade payables are also included as part of COGS. All gains and losses, both realised and unrealised, related to the acquisition of inventory are included as part of COGS.

19 Cash

Figures are stated in NOK 1,000	2020	2019
Cash	540,056	568,036
Total	540,056	568,036

Net cash in the consolidated statement of cash flows includes the following

Figures are stated in NOK 1,000	2020	2019
Cash	539,780	539,563
Bank deposits restricted for employee tax withholdings	276	28,473
Net cash	540,056	568,036

The group has established a guarantee for employee tax withholdings of a total of NOK 40 million. The group has overdraft facilities of NOK 1,400 million in all. See note 21 for further information.

20 Share capital and shareholder information

The share capital of Europris is NOK 166,968,888, consisting of 166,968,888 shares with a par value of NOK 1. The company's share capital consists of one class of shares, where all shares have the same voting rights.

Major shareholders at 31 December 2020		Number of shares	Share of capital
FOLKETRYGDFONDET		20,532,496	12.3%
STATE STREET BANK AND TRUST COMPANY	Nominee	6,765,318	4.1%
THE BANK OF NEW YORK (ARCTIC FUNDS)	Nominee	6,240,282	3.7%
EUOPRIS ASA		6,150,305	3.7%
VERDIPAPIRFONDET ALFRED BERG GAMBA		6,043,850	3.6%
RUNOR AS		4,349,695	2.6%
SEB PRIME SOLUTIONS SISSENER CANOPUS		3,000,000	1.8%
STOREBRAND NORGE I VERDIPAPIRFOND		2,869,757	1.7%
VERDIPAPIRFONDET HOLBERG NORDEN		2,500,000	1.5%
VERDIPAPIRFONDET ALFRED BERG NORGE		2,250,716	1.3%
VERDIPAPIRFONDET NORDEA NORGE VERDI		2,189,466	1.3%
VERDIPAPIRFONDET HOLBERG NORGE		2,100,000	1.3%
VEVLEN GÅRD AS		2,095,699	1.3%
VPF DNB AM NORSKE AKSJER		2,057,939	1.2%
JP MORGAN CHASE BANK N.A.	Nominee	2,043,367	1.2%
JP MORGAN BANK LUXEMBOURG S.A.	Nominee	1,947,020	1.2%
STATE STREET BANK AND TRUST COMPANY	Nominee	1,754,931	1.1%
VERDIPAPIRFONDET KLP AKSJENORGE INDEKS		1,719,260	1.0%
JP MORGAN BANK LUXEMBOURG S.A.	Nominee	1,686,550	1.0%
VERDIPAPIRFONDET KLP AKSJENORGE		1,587,963	1.0%
OTHER SHAREHOLDERS		87,084,274	52.2%
Total shares		166,968,888	100.0%

Shares held by directors and CEO	Title	Number of shares
Tom Vidar Rygh (Retiro AS)	Chair	600,000
Pål Wibe (Nordkronen II AS)	Director	408,572
Karl Svensson (RuNor AS)	Director	271,856
Claus Juel-Jensen	Director	4,503
Tone Fintland	Director	2,780
Espen Eldal (Knipen AS)	CEO	600,000

Treasury shares at 31 December 2020	Nominal value	Number of shares	Fair value (NOK)
Shares owned by Europris ASA	6,150,305	6,150,305	311,512,942

Treasury shares have been deducted from equity at cost. The nominal value of the shares has been deducted from paid-in capital.

Change in number of treasury shares

Treasury shares 1 January 2020	1,150,305
Buy-back of treasury shares	5,000,000
Sale of treasury shares	-
Treasury shares 31 December 2020	6,150,305

Average cost price for treasury shares is NOK 43.92.

21 Bank borrowings

The group signed a new loan agreement in December 2019 and the financing was in place in January 2020. The new loan agreement is a three-year term loan and revolving credit facility agreement with options for one plus one year. One option period is already expired and was not exercised.

The new loan is syndicated through three credit institutions: DNB Bank, Danske Bank and Nordea.

The group's bank borrowings was reclassified from non-current to current in the consolidated balance sheet in 2019. This reflected the fact that the five-year term loan facility matured in May 2020.

Figures are stated in NOK 1,000	2020		2019	
	Amortised cost	Nominal value	Amortised cost	Nominal value
Non-current liabilities				
Debt to financial institutions	995,082	1,000,000	1,642,007	1,650,000
Sub-total	995,082	1,000,000	1,642,007	1,650,000
Other non-current liabilities				
Financial lease	-	-	14,280	14,280
Lease liabilities (IFRS 16)	1,850,561	1,850,561	2,003,993	2,003,994
Sub-total	1,850,561	1,850,561	2,018,273	2,018,274
Total	2,845,643	2,850,561	3,660,280	3,668,274

The amortised cost of the bank debt is assessed as not differing materially from fair value. The term loan has been refinanced in 2020, and the risk premium and the interest-rate margin would not be materially changed. Fair value is therefore assumed to be approximately equal to the carrying amount at the balance sheet date. The group's business risk and credit risk have not changed significantly in the period.

Figures are stated in NOK 1,000

	2020	2019
Current liabilities		
First-year instalment non-current debt	-	1,650,000
Overdraft facilities - off-balance sheet		
The loan facility includes an overdraft facility, which consists of		
Overdraft and multi-currency group account	200,000	190,000
Revolving facility loan	1,174,000	225,000
Guarantees	26,000	35,000
Total	1,400,000	450,000
Drawn guarantees	14,029	12,600
Undrawn overdraft facilities	1,385,971	437,400

Convenants related to bank agreement

At 31.12.2020

Leverage ratio – net debt/adjusted EBITDA (according to the bank agreement)	3.25
Europris leverage ratio – net debt/adjusted EBITDA (according to the bank agreement)	0.35

Covenants are measured and reported quarterly. In the bank agreement, the covenant (leverage ratio) will be at 3.25 for any test date in the remainder of the agreement period.

The group was in compliance with financial convenants in 2020.

Maturity structure including interest	2020	2019
Within one year	22,000	1,670,900
One to two years	22,000	-
Two to five years	1,017,082	-
After five years	-	-

See note 2.3 for the maturity structure of all financial liabilities.

Effective interest rate at 31.12	2020	2019
Term loan	2.20%	2.61%

No assets are currently pledged under the loan agreement.

22 Derivatives

Figures are stated in NOK 1,000

	2020	2019
Interest-rate swaps – expiring within one year	-	605
Interest-rate swaps – expiring after five years	11,796	-
Total derivatives - asset	11,796	605
Forward exchange contracts – expiring within one year	41,580	13,409
Total derivatives - liability	41,580	13,409
Net derivative asset (liability)	(29,784)	(12,804)

Forward exchange contracts

The group faces currency risk arising from purchases in foreign currencies. The group hedges currency fluctuations by entering into forward exchange contracts. The group does not use hedge accounting. Forward exchange contracts are measured at fair value through profit and loss.

	Amount in NOK 1,000	Average exchange rate	Termination
Nominal principal forward contracts to purchase (USD)	530,256	9.14	Jan-Jun 2021
Nominal principal forward contracts to purchase (EUR)	136,067	10.89	Jan-Jun 2021

Interest rate swaps

The group has entered into interest-rate swap agreements of a total of NOK 600 million to hedge part of its interest-rate risk fluctuations. Of these contracts, NOK 300 million expires in June 2027 and NOK 300 million in June 2030. With these contracts 60 per cent of the principal of the group's bank loans is presently hedged. The group does not use hedge accounting. The interest-rate swaps are measured at fair value through profit and loss.

	2020	2019
Lowest fixed interest rate in interest-rate swap agreement	0.780%	1.288%
Highest fixed interest rate in interest-rate swap agreement	0.917%	1.288%
Nominal principal in interest-rate swaps	600,000	412,500

23 Financial instruments by category

Figures are stated in NOK 1,000

	2020	2019
Financial assets measured at amortised cost		
Non-current receivables	28,179	24,400
Trade receivables	195,287	181,774
Other receivables	87,816	76,417
Cash	540,056	568,036
Financial liabilities measured at amortised cost		
Non-current debt	(995,052)	(14,280)
First year instalment non-current debt	-	(1,642,007)
Accounts payable	(742,753)	(616,769)
Other current payables	(745,879)	(498,577)
Assets/liabilities measured at fair value through profit and loss		
Derivatives - asset	11,796	605
Derivatives - liability	(41,580)	(13,409)
Net financial instruments	(1,662,160)	(1,933,810)

All the group's financial instruments measured at fair value are classified as level 2. Level 2 consists of financial instruments with no quoted prices in active markets for identical assets or liabilities which are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Level 2 assets and liabilities are measured by using valuation methods. These valuation methods utilise observed data and the group's own estimates. If all significant data required to measure the fair value of an instrument is observable data, then the instrument is classified as level 2.

Special valuation methods which are 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 the observable yield curve
- fair value of forward exchange contracts is measured as 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.

24 Reconciliation of liabilities arising from financing activities

Figures are stated in NOK 1,000

	Financial liabilities 01.01.	Impact of IFRS16 implementation	Cash flows	Non-cash changes		Total 31.12
				Leases	Other changes	
2020						
Borrowings	-	-	1,000,000	-	(4,918)	995,082
Current liabilities	1,642,007	-	(1,651,675)	-	9,668	-
Lease liabilities (IFRS 16)	2,432,361	-	(401,218)	306,814	(13,658)	2,324,300
Financial liabilities	4,074,368	-	(1,052,893)	306,814	(8,908)	3,319,382
2019						
Borrowings	1,644,766	-	(1,275)	-	(1,484)	1,642,007
Current liabilities	-	-	-	-	-	-
Lease liabilities (IFRS 16)	4,663	1,988,873	(428,734)	846,338	21,221	2,432,361
Financial liabilities	1,649,429	1,988,873	(430,009)	846,338	19,737	4,074,368

25 Related parties

The group's related parties include its associates, key management personnel, directors and major shareholders.

All subsidiaries included in note 1.3 are related parties of Europris ASA.

For management remuneration, refer to note 7 – Management remuneration.

No significant transactions were conducted with related parties in 2020.

26 Contingent liabilities

There are no significant contingent liabilities at 31.12.2020.

27 Events after the balance-sheet date

The board has proposed the distribution of an ordinary dividend of NOK 2.20 per share for fiscal 2020. To reflect the strong financial performance in an extraordinary year, the board proposes to pay an additional dividend of NOK 0.50 per share for 2020. In total, the proposed dividend is NOK 2.70 per share.

There were no subsequent events after the balance sheet date and before the date of the approval of the financial statements which provide new information about conditions which existed at the balance sheet date which are not currently reflected in the financial statements, or significant events after the balance sheet date which require further disclosures.

The Norwegian authorities imposed strict restrictions on retail businesses towards the end of January 2021 and Europris had to close stores temporarily for the first time during the pandemic. The situation has been changing rapidly and Europris has continuously adapted to any changes.



EUROPRIS ASA PARENT COMPANY 2020

Income statement

Figures are stated in NOK 1,000

	Note	2020	2019
Total operating income		-	-
Employee benefits expense	2	2,111	2,148
Other operating expenses	2	7,152	2,408
Total operating expenses		9,263	4,556
Operating income		(9,263)	(4,556)
Group contribution from subsidiary	5	702,172	330,189
Other interest income		393	458
Other financial income		4	-
Total financial income		702,569	330,647
Other interest expense		3,764	1,319
Other financial expenses		4,542	98
Total financial expenses		8,306	1,418
Net financial income (expenses)		694,263	329,230
Profit/(loss) from associated company	4	2,600	-
Profit before income tax		687,600	-
Income tax expense	6	-	-
Profit for the year		687,600	324,673
Statement of comprehensive income			
Profit for the year		687,600	324,673
Other comprehensive income		-	-
Total comprehensive income for the year		687,600	324,673

Notes 1 to 10 are an integral part of the financial statements.

Balance sheet

Figures are stated in NOK 1,000	Note	31-12-2020	31-12-2019
ASSETS			
Non-current assets			
Financial assets			
Investments in subsidiaries	3	925,500	925,500
Investment in associated companies	4	128,487	125,887
Total financial assets		1,053,987	1,051,387
Total non-current assets		1,053,987	1,051,387
Current assets			
Trade and other receivables			
Receivable from group companies	5, 9	702,172	337,307
Other receivables	9	933	129
Total trade and other receivables		703,106	337,436
Cash	9	2	2
Total current assets		703,108	337,438
Total assets		1,757,095	1,388,825

Notes 1 to 10 are an integral part of the financial statements.

Balance sheet

Figures are stated in NOK 1,000

Note

31-12-2020

31-12-2019

EQUITY AND LIABILITIES

Equity

Paid-in capital

Share capital	7	166,969	166,969
Treasury shares	7	(6,150)	(1,150)
Share premium		51,652	51,652
Other paid-in capital		17,476	17,476
Total paid-in capital		229,946	234,946

Retained earnings

Other equity		1,276,979	1,152,264
Total retained earnings		1,276,979	1,152,264
Total shareholders' equity		1,506,925	1,387,211

Liabilities

Current liabilities

Accounts payable	9	853	317
Tax payable	6	-	-
Current debt to group companies	5, 9	246,698	-
Other current liabilities	4, 9	2,617	1,297
Total current liabilities		250,169	1,614
Total liabilities		250,169	1,614

Total equity and liabilities		1,757,095	1,388,825
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Fredrikstad, 26 March 2021

THE BOARD OF DIRECTORS OF EUROPRIS ASA

Tom Vidar Rygh
Chair

Hege Bømark

Bente Sollid Storehaug

Claus Juel-Jensen

Karl Svensson

Tone Fintland

Pål Wibe

Espen Eldal
CEO

Notes 1 to 10 are an integral part of the financial statements.

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
Equity 01.01.2020	166,969	(1,150)	51,652	17,475	1,152,264	1,387,211
Profit for the period	-	-	-	-	687,600	687,600
Dividend	-	-	-	-	(323,346)	(323,346)
Net purchase/sale of treasury shares	-	(5,000)	-	-	(239,539)	(244,539)
Other comprehensive income	-	-	-	-	-	-
Equity 31.12.2020	166,969	(6,150)	51,652	17,475	1,276,977	1,506,925
Equity 01.01.2019	166,969	(5,370)	51,652	-	1,035,781	1,249,032
Profit for the period	-	-	-	-	324,673	324,673
Dividend	-	-	-	-	(298,717)	(298,717)
Net purchase/sale of treasury shares	-	4,220	-	17,475	90,527	112,222
Other comprehensive income	-	-	-	-	-	-
Equity 31.12.2019	166,969	(1,150)	51,652	17,475	1,152,264	1,387,211

In accordance with sections 9-4 and 9-5 of the Norwegian Public Limited Liability Companies Act, the board is mandated to acquire the company's own shares on specific conditions. See note 7 for details of treasury shares.

Statement of cash flows

Figures are stated in NOK 1,000

	2020	2019
Cash flows from operating activities		
Profit before income tax	687,600	324,673
Share of the (profit)/loss of associates	(2,600)	-
Change in account payable	537	(978)
Change in other working capital	(371,467)	62,695
Net cash from operating activities	314,069	386,391
Cash flows from investing activities		
Payments to group companies	-	(7,097)
Net purchases and proceeds from other investments	-	(2,321)
Net cash used in investing activities	-	(9,418)
Cash flows from financing activities		
Change in group cash pool deposits	253,400	(75,280)
Payments from group companies	417	-
Dividend	(323,346)	(298,717)
Buy-back of treasury shares	(244,539)	(2,975)
Net cash from financing activities	(314,069)	(376,972)
Net increase in cash	-	1
Cash at beginning of year (01.01)	2	1
Cash at end of year (31.12)	2	2

Note 1 Accounting principles

Europris ASA is the parent company of the Europris group, consisting of Europris Holding AS and subsidiaries.

The financial statements of Europris ASA have been prepared in accordance with the simplified IFRS pursuant to section 3-9 of the Norwegian Accounting Act and the directive on simplified IFRS issued by the Norwegian Ministry of Finance on 21 January 2008.

The board approved the financial statements on 26 March 2021.

1.1 Simplified IFRS

The company has applied the following simplifications to the IFRS recognition and measurement principles:

- IFRS 1 First-time adoption of IFRS no 7 regarding use of continuity of historical acquisition cost of investments in subsidiaries
- dividends and group contributions are recognised as income in the same year as the dividend or group contribution is recognised in the financial statements of the group company which pays the dividend or group contribution, in accordance with Norwegian generally accepted accounting principles.

1.2 Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention. The company has applied the going concern assumption when preparing its financial statements.

1.3 Investment in associates

The company has investments in associates. Associates are entities over which the company has significant influence, but not control over financial and operating management.

The considerations made in determining whether the company has significant influence over an entity are similar to those necessary to determine control over subsidiaries.

Associates are accounted for using the equity method from the date when significant influence is achieved until such influence ceases.

Investments in an associate are initially recognised at cost. The contingent consideration is included in cost and changes in estimated contingent consideration will be recognised as an adjustment of cost. The carrying amount of the investment is adjusted to recognise changes in the company's share of the net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the company's share of the results of operations of the associate. In addition, when there has been a change recognised directly in the equity of the associate, the company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the company and the associate are eliminated to the extent of the interest in the associate.

If there are indications that the investment in the associate is impaired, the company will perform an impairment test of the carrying amount of the investment. Any impairment losses are recognised as share of profit of an associate in the statement of profit or loss.

If the company's share of the loss surpasses the carrying amount of the associate, the carrying amount is set to zero and further loss is not recognised unless the company has an obligation to make up for the loss.

Upon loss of significant influence over the associate, such that the equity method ceases to apply, the company measures and recognises any retained investment at its fair value. A new measurement of remaining ownership interests will not be performed if the equity method is still applicable.

1.4 Revenue recognition

Group contributions and dividends received from subsidiaries are recognised as income if the amount is within the net income of the subsidiary after the acquisition date. Group contributions and dividends which exceed the net income of the subsidiary after the acquisition date are recognised as a reduction of the carrying value of the subsidiary. When recognising income, the gross group contribution (before tax) is presented on a separate line in the income statement.

Group contributions to subsidiaries from the company increase the carrying value of the investment. Group contributions to subsidiaries are recognised net, after tax.

1.5 Current and deferred income tax

Tax expense for the period comprises current and deferred tax. Deferred tax/deferred tax asset is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The company recognises previously deferred tax assets to the extent that it has become probable that the company can utilise the deferred tax asset. Similarly, the company will reduce deferred tax assets to the extent that the company no longer considers it probable that it can utilise the deferred tax asset.

Deferred tax liabilities and deferred tax assets are measured on the basis of the anticipated future tax rate relating to items where the temporary difference has arisen.

Deferred tax liabilities and deferred tax assets are recognised at nominal value and are classified as fixed assets (non-current liabilities) in the balance sheet.

Current tax and deferred tax are recognised directly in equity to the extent that the tax items relate to equity transactions or changes in accounting principles.

1.6 Cash

Cash includes cash in hand and bank deposits.

1.7 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable (more likely than not) that an outflow of economic resources will be required from the

company, and amounts can be estimated reliably. If the effect is material, provisions are calculated by discounting the expected future cash flows at a pre-tax discount rate which reflects current market assessments of the time value of money and, if relevant, the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and an assessment of all possible outcomes and the accompanying probabilities.

1.8 Contingent liabilities and assets

A contingent liability is recorded in the books of accounts only if the contingency is probable and the amount of the liability can be estimated. In cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is disclosed.

A contingent asset is not recognised in the financial statements, but disclosed if it is probable that the benefit will flow to the company.

1.9 Subsequent events

New information after the reporting date regarding the company's financial position at the reporting date is taken into consideration in the financial statements. Events after the reporting date which do not affect the company's financial position at the reporting date, but which will affect the financial position of the company in the future, are disclosed if they are considered to be significant.

Notes to the financial statements

2 Employees, pensions and remuneration to auditor

The company has no employees. As a result, it has no obligation to have a pension scheme according to the Norwegian Act on mandatory occupational pensions.

No salaries or other remunerations have been paid to the CEO.

Compensation for directors is stipulated at NOK 2,111 in 2020.

There are no obligations to pay the directors a settlement in the event of a termination of service.

No loans or guarantees have been provided for any related parties.

Figures are stated in NOK 1,000

	2020	2019
Audit fees, divided by type of service (exclusive VAT)		
Statutory audit	186	183
Technical services related to financial reporting	647	149
Total audit fees	833	332

3 Investments in subsidiaries

Investments in subsidiaries are stated at acquisition cost and accounted for using the cost method.

Figures are stated in NOK 1,000

	Registered office	Ownership share	Equity 31.12.2020	Net profit 2020	Carrying value
Subsidiary					
Europris Holding AS	Fredrikstad	100%	1,494,003	138,083	925,500

Note 4 Investments in associated companies

In June 2018, the group acquired 20 per cent of Runsvengruppen AB (ÖoB), a Swedish discount variety retailer. ÖoB has its headquarters in Skänninge and runs 93 stores across Sweden.

The Europris group owns 20 per cent of the shares and voting rights in Runsvengruppen AS.

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 vendor note issued when closing the deal is converted to 4,349,695 Europris shares, corresponding to 2.61 per cent of the share capital.

A summary of the financial information from Runsvengruppen AB group, based on 100 per cent figures:

Figures are stated in SEK million	2020	2019
	Unaudited	Audited
Total operating income	NA	4,022.8
Profit for the year	NA	2.5
Current assets	NA	1,007.8
Non-current assets	NA	1,111.2
Current liabilities	NA	824.6
Non-current liabilities	NA	891.3
Equity	NA	403.1
Figures are stated in NOK million		
Book value 01.01	125.9	142.3
Adjusted acquisition cost	-	(16.4)
Estimated profit for the period	2.6	-
Book value 31.12	128.5	125.9
Figures are stated in NOK million		
The group's share of equity	78.7	76.1
Goodwill	49.8	49.8
Book value 31.12	128.5	125.9

Europris holds an option to acquire the remaining 80 per cent of the shares in Runsvengruppen AB. Whether the option is to be exercised will be decided in 2021. The fair value of the option is considered immaterial and is not recognised in the balance sheet.

Note 5 Liabilities and receivables to group companies

Liabilities and receivables to group companies is included with the following amounts:

Figures are stated in NOK 1,000	2020	2019
Liabilities		
Debt in the group's cash pool agreement	246,281	-
Other current debt to subsidiaries	417	-
Total liabilities	246,281	-
Receivables		
Group contribution	702,172	330,189
Deposits in the group's cash pool agreement	-	7,118
Total receivables	702,172	337,307

Note 6 Income tax expense

Figures are stated in NOK 1,000	2020	2019
Basis for income tax expense and tax payable		
Profit before tax	687,600	324,673
Non-deductible expenses	(687,600)	(324,673)
Basis for the tax expense	-	-
Reconciliation of the income tax expense		
Tax payable (22% of the basis for tax payable in the income statement)	151,272	71,428
Income tax expense	-	-
Difference	(151,272)	(71,428)
Difference consists of:		
22% of non-deductible expenses	(151,272)	(71,428)
Total explained difference	(151,272)	(71,428)
Tax payable in the balance sheet		
Tax payable in income tax expense	-	-
Tax payable in balance sheet	-	-

7 Share capital and shareholder information

The share capital of Europris is NOK 166,968,888, consisting of 166,968,888 shares with a par value of NOK 1. The company's share capital consists of one class of shares, where all shares have the same voting rights.

Major shareholders at 31 December 2020		Number of shares	Share of capital
FOLKETRYGDFONDET		20,532,496	12.3%
STATE STREET BANK AND TRUST COMPANY	Nominee	6,765,318	4.1%
THE BANK OF NEW YORK (ARCTIC FUNDS)	Nominee	6,240,282	3.7%
EUROPRI ASA		6,150,305	3.7%
VERDIPAPIRFONDET ALFRED BERG GAMBA		6,043,850	3.6%
RUNOR AS		4,349,695	2.6%
SEB PRIME SOLUTIONS SISSENER CANOPUS		3,000,000	1.8%
STOREBRAND NORGE I VERDIPAPIRFOND		2,869,757	1.7%
VERDIPAPIRFONDET HOLBERG NORDEN		2,500,000	1.5%
VERDIPAPIRFONDET ALFRED BERG NORGE		2,250,716	1.3%
VERDIPAPIRFONDET NORDEA NORGE VERDI		2,189,466	1.3%
VERDIPAPIRFONDET HOLBERG NORGE		2,100,000	1.3%
VEVLEN GÅRD AS		2,095,699	1.3%
VPF DNB AM NORSKE AKSJER		2,057,939	1.2%
JP MORGAN CHASE BANK N.A.	Nominee	2,043,367	1.2%
JP MORGAN BANK LUXEMBOURG S.A.	Nominee	1,947,020	1.2%
STATE STREET BANK AND TRUST COMPANY	Nominee	1,754,931	1.1%
VERDIPAPIRFONDET KLP AKSJENORGE INDEKS		1,719,260	1.0%
JP MORGAN BANK LUXEMBOURG S.A.	Nominee	1,686,550	1.0%
VERDIPAPIRFONDET KLP AKSJENORGE		1,587,963	1.0%
OTHER SHAREHOLDERS		87,084,274	52.2%
Total shares		166,968,888	100.0%

Shares held by directors and CEO

	Title	Number of shares
Tom Vidar Rygh (Retiro AS)	Chair	600,000
Pål Wibe (Nordkronen II AS)	Director	408,572
Karl Svensson (RuNor AS)	Director	271,856
Claus Juel-Jensen	Director	4,503
Tone Fintland	Director	2,780
Espen Eldal (Knipen AS)	CEO	600,000

Treasury shares at 31 December 2020	Nominal value	Number of shares	Fair value (NOK)
Shares owned by Europris ASA	6,150,305	6,150,305	311,512,942

Treasury shares have been deducted from equity at cost. The nominal value of the shares has been deducted from paid-in capital.

Change in number of treasury shares

Treasury shares 01.01.2020	1,150,305
Buy-back of treasury shares	5,000,000
Sale of treasury shares	-
Treasury shares 31.12.2020	6,150,305

Average cost price for treasury shares is NOK 43.92.

8 Transactions with related parties

Information regarding salaries of senior executives is disclosed in note 2. Information on intercompany receivables and liabilities is disclosed in note 5. No material transactions were conducted with related parties in 2020 other than the information included in the notes.

9 Financial instruments by category

Figures are stated in NOK 1,000

	2020	2019
Financial assets measured at amortised cost		
Accounts receivable and other current receivables	703,106	337,436
Cash	2	2
Financial liabilities measured at amortised cost		
Other current liabilities	(249,316)	(1,297)
Accounts payable	(853)	(317)
Net financial instruments	452,939	335,824

10 Subsequent events

The board has proposed the distribution of an ordinary dividend of NOK 2.20 per share for fiscal 2020. To reflect the strong financial performance in an extraordinary year, the board proposes to pay an additional dividend of NOK 0.50 per share for 2020. In total, the proposed dividend is NOK 2.70 per share.

There were no subsequent events after the balance sheet date and before the date of the approval of the financial statements which provide new information about conditions which existed at the balance sheet date which are not currently reflected in the financial statements), or significant events after the balance sheet date which require further disclosures.



Declaration to the annual report 2020

Responsibility statement

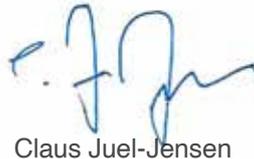
We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2020 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit and loss of the entity and the group taken as a whole. We also confirm that the directors' report includes a true and fair view of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Fredrikstad, 26 March 2021

THE BOARD OF DIRECTORS OF EUROPRIS ASA



Tom Vidar Rygh
Chair



Claus Juel-Jensen



Hege Bømark



Pål Wibe



Bente Sollid Storehaug



Tone Fintland



Karl Svensson



Espen Eldal
CEO

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.

Europris has decided to make changes to its use of alternative performance measures (APMs) in order to present financial data in accordance with the IFRS, and thereby make its financial statements easier to use. However, the company will provide information on substantial effects in written statements and comments to the financial results, instead of presenting figures adjusted for these effects (APMs).

Europris will no longer use the following APMs.

- Non-recurring items. This change has been made because Europris has not had many items classified as non-recurring, and does not expect this to alter in the foreseeable future.
- Cost of goods sold (COGS) excluding unrealised foreign exchange. Europris has decided to present COGS in accordance with the IFRS – in other words, without adjusting for unrealised foreign exchange.

As a result of the above-mentioned changes, Europris will no longer refer to the adjusted figures, and the following APMs have been removed: opex excluding non-recurring items, adjusted EBITDA, adjusted EBIT, adjusted profit before tax, adjusted net profit and adjusted earnings per share (in NOK).

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)	FY 2020	FY 2019
Total operating income	8,013	6,234
- Cost of goods sold	4,534	3,544
= Gross profit	3,478	2,691
Gross margin	43.4%	43.2%

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)	FY 2020	FY 2019
Employee benefits expense	1,138	985
+ Other operating expenses	635	611
= OPEX	1,773	1,596
Opex-to-sales ratio	22.1%	25.6%

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)	FY 2020	FY 2019
Operating profit	1,166	579
+ Depreciation	540	516
= EBITDA	1,706	1,094
EBITDA margin	21.3%	17.6%

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 income divided by Total operating income.

Working capital

Working capital is the sum of inventories and trade receivables and other receivables less the sum of accounts payable and other current liabilities. Net change in working capital is the change in the

mentioned parameters; i.e., 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.

Net change in working capital

(Amounts in NOK million)	FY 2020	FY 2019
Change in Inventory	(64)	44
Change in accounts receivable and other current receivables	(52)	6
Change in accounts payable and other current debt	343	83
Net change in working capital	227	133

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)	FY 2020	FY 2019
Purchases of fixed assets	72	138
Purchases of intangible assets	32	19
= Capital expenditure	104	157

Financial debt

Financial debt is the sum of borrowings and lease liabilities. Financial debt is useful to see total debt as defined by IFRS.

(Amounts in NOK million)	FY 2020	FY 2019
Borrowings	995	14
Current borrowings	-	1,642
Lease liabilities (IFRS 16)	1,851	2,004
= Financial debt	2,846	3,660

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 2020	FY 2019
Cash	540	568
+ Total facilities	1400	450
- Total drawn	(14)	(13)
= Cash and liquidity reserves	1,926	1,005

Equity ratio

Equity ratio is a financial ratio indicating the relative proportion of equity used to finance a company's assets; calculated as shareholder's equity divided by total assets. Equity ratio is a well-known and widely used term among the users of the financial statements and is useful when evaluating financial robustness.

(Amounts in NOK million)	FY 2020	FY 2019
Total shareholder's equity	2,214	1,978
Total assets	7,278	7,316
= Equity ratio	30.4%	27.0%

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. 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.

(Amounts in NOK million)	FY 2020	FY 2019
Sales directly operated stores	7,240	5,490
Sales franchise stores	1,148	1,071
= Total chain sales	8,388	6,561

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.



Independent Auditor's Report

To the General Meeting in Europris ASA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Europris ASA.

The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2020, income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2020, and income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of Europris ASA as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying financial statements give a true and fair view of the financial position of the group Europris ASA as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of 2020. These matters were addressed in the context of our



audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How the key audit matter was addressed in the audit
<p>Inventory amounts to NOK 1 634 million in the Financial Statements of 2020 and is a material amount. We refer to note 18 for more information on provisions for impairment on inventory.</p> <p>Inventory is measured at the lower of cost and net realisable value. When determining the provisions for impairment on inventory, judgements are applied to assess the items which may ultimately be sold below cost due to reduced customer demand and in estimating the net realisable value of these items. Different categories are assessed individually and are subject to specific provisions for impairment based on information of historical and statistical sales data. These assessments are also based on management's expectations for future sales.</p> <p>The complexity and judgement involved has led us to define this as a high-risk area for the audit.</p>	<p>We have reviewed management's policy for assessing the impairment of inventory and reviewed that management applies the impairment policies consistently year on year. We have reviewed the documentation of obsolescence for both inventory in stores and the central warehouse, and tested the assumptions used for reasonableness. We have also tested the arithmetical accuracy of the Group's calculation of the profit margin on older goods.</p> <p>Our audit procedures include observing the stocktaking in a selection of stores and reviewing internal controls and procedures as well as performing re-counts. We have also tested internal controls and procedures related to stocktaking at the central warehouse. In addition, we have tested the calculation of cost of goods sold.</p>
<p>Intangible assets include goodwill and trademarks, amounting to NOK 1 618 million and NOK 388 million respectively. We refer to note 12 for more information. Both items are material to the financial statements.</p> <p>Under IFRS, the Group is required to test the amount of intangible assets for impairment annually.</p> <p>The impairment test was significant to our audit due to the complexity of the assessment process and the significant judgements and assumptions involved. The impairment test is based on a value in use calculation for defined cash generating units. Value in use is calculated based on a pre-tax free cash flow and discounted with a pre-tax WACC. Due to the complexity within these areas and the material amounts involved, they were defined as key areas to the audit.</p>	<p>Our audit procedures include, among others, reviewing management's documentation of the group's impairment assessment for intangible assets.</p> <p>Further we have reviewed the methodology applied and assessed the WACC against criteria in IAS 36. We have compared the cash-flows used in the impairment test to the Group's budgets and business plan and considered if there are factors that indicate that these estimates are not realistic. We have also tested the arithmetical accuracy of the calculations in the impairment test.</p> <p>We have involved our internal valuation specialists to assist us in evaluating the assumptions and methodologies applied by the Group.</p>



Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report and other information in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements for the parent company in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, and for the preparation of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to:

<https://revisorforeningen.no/revisjonsberetninger>



Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 26 March 2021

BDO AS

A handwritten signature in blue ink, appearing to read 'Roger Telle-Hansen'.

Roger Telle-Hansen
State Authorised Public Accountant



The Hemsedal artificial Christmas tree was voted the best in a test by the national broadcaster TV2.

Shareholder information

Europris ASA was listed on the Oslo Stock Exchange in 2015.

Share information

Number of shares	166,968,888
Nominal value per share	NOK 1.00
Ticker at Oslo Børs	EPR

Financial calendar

Europris publishes its quarterly result 07:00 am CET. The report and presentation will be available at the company's web page and at Oslo Børs' Newsweb.

29 April 2021	First quarter 2021
05 May 2021	Annual General Meeting
15 July 2021	Second quarter 2021
04 November 2021	Third quarter 2021

EPR share price development 2020



The share price closed year-end 2020 at NOK 50.65, which implies a market value of NOK 8.5 billion. The highest share price was NOK 52.00 and the lowest was NOK 25.70 in 2020. An ordinary dividend of NOK 1.95 per share was paid out in May 2020.

Europris ASA had 9,760 registered shareholders in the Norwegian Central Securities Depository (VPS) at 31 December 2020. The company's shareholders are located in 25 different countries together with Norway. About 96 per cent of the company's shareholders are based in Norway, while 43.5 per cent of the shares are registered to foreign shareholders.

Analyst coverage

11 equity analysts have covered Europris ASA in 2020:

ABG Sundal Collier	Petter Nystrom Andreas Lundberg	petter.nystrom@abgsc.no andreas.lundberg@abgsc.no
Arctic Securities	Carl Frederick Bjercke	cfb@arctic.com
Carnegie	Eirik Rafdal	eirik.rafdal@carnegie.no
Danske Bank	Erik Ehrenpohl Sand	esan@danskebank.com
DNB Markets	Ole Martin Westgaard Erik Lundby	ole.martin.westgaard@dnb.no erik.lundby@dnb.no
Handelsbanken Capital Markets	Nicklas Skogman	nisk03@handelsbanken.se
Kepler Cheuvreux	Markus Borge Heiberg	mheiberg@keplercheuvreux.com
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