

ANNUAL REPORT EUOPRIS ASA 2021

Matoppbevaring Matoppbevaring



Europris
MER TIL OVERS

Content

About Europris.....	4
Key figures	7
Letter from the CEO	9
Directors' report.....	10
The board	22
Corporate governance	24
Sustainability report.....	33
The management	63
Consolidated financial statements	65
Income statement.....	67
Balance sheet.....	68
Statement of changes in equity.....	70
Statement of cash flows	71
Notes	72
Parent company	103
Income statement.....	104
Balance sheet.....	105
Statement of changes in equity.....	107
Statement of cash flows	108
Notes	109
Declaration to the annual report.....	117
Alternative performance measures definitions	118
Auditor's report.....	120
Shareholder information.....	125

Europris – Norway's #1 discount variety retailer

30 years of consecutive growth

1992

Founded by
Wiggo Erichsen

2013

JV with Tokmanni
and opened Shanghai
sourcing office

2000

Store #100

2015

Listing on Oslo Børs

2004

Acquired by IK
Investment Partners

2017

Store #250

2006

Store #150

2021

Acquired 67% of
Lekekassen and
Lunehjem

2012

Acquired by Nordic
Capital

2021

1 million customer
club members

Number of stores
270

9
modernised stores

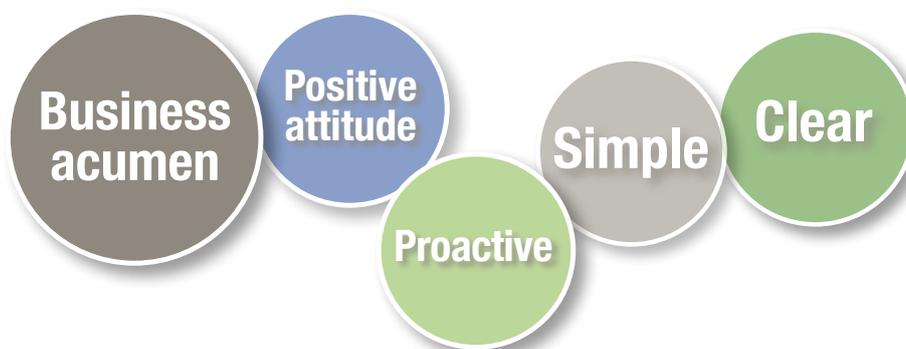
5
relocated stores

4
new stores

1
million
customer club
members



Europris' values



Key figures

(Amounts in NOK million)

	FY 2021	FY 2020
GROUP KEY INCOME STATEMENT FIGURES		
Sales directly operated stores	7,438	7,240
Sales from partly owned subsidiaries	423	-
Sales from wholesale to franchise stores	707	689
Franchise fees and other income	80	84
Total operating income	8,648	8,013
% growth in total operating income	7.9%	28.5%
Cost of goods sold	4,592	4,534
Gross profit	4,056	3,478
Gross margin	46.9%	43.4%
Opex	1,973	1,773
Opex-to-sales ratio	22.8%	22.1%
EBITDA		
EBITDA margin	24.1%	21.3%
EBIT (Operating profit)		
EBIT margin (Operating profit margin)	17.5%	14.5%
Net profit		
Profit attributable to owners of the parent	1,082	804
Earnings per share (in NOK)	6.72	4.86
Dividend per share (in NOK)	4.00	2.70
GROUP KEY CASH FLOW AND BALANCE SHEET FIGURES		
Net change in working capital	(139)	227
Capital expenditure	131	104
Financial debt	3,010	2,846
Cash	570	540
Net debt	2,440	2,306
- Lease liabilities	1,914	1,851
Net debt ex lease liabilities	526	455
Cash and liquidity reserves		
	1,981	1,926
EUROPRIS CHAIN KEY FIGURES		
Total chain sales	8,569	8,388
% growth in total chain sales	2.2%	27.8%
% growth in like-for-like chain sales	1.5%	26.7%
Total number of chain stores at end of period	270	266
- Directly operated stores	242	237
- Franchise stores	28	29

* For definitions and reconciliations of APMS, please see page 118



Letter from the CEO

30 years, but still young and promising

Europris added 2021 to our run of successful years. Since the first store opened its doors at Stavanger's Støperigata in 1992, we have enjoyed three decades of growth and success – every single year. That is impressive.

Regardless of who has owned or led our company, we have grown stronger year by year and taken ever larger market shares. The most important component for us is not the owners or the management – it is the culture and the people. That has been the formula for our success.

During another year marked by Covid-19, we succeeded in adapting to more or less continuous changes in infection control measures and pandemic effects. That was demanding for the workforce, but we collectively succeeded in adapting well and, not least, in taking good care of the opportunities offered by the market.

At Europris, we always strive to concentrate on the things we can affect ourselves. We focus our attention where we can make a difference and try not to be distracted by external factors beyond our control. At the same time, a culture has been established for continuous development and improvement where employees seek constantly to become a little better in everything they do. Overall, this yields a company which concentrates on opportunities rather than threats and which constantly strengthens its competence.

We are emerging from the Covid-19 pandemic as a stronger company. This time has been used well. We have improved our concept and the way we work, and we have produced a good plan for the future. Over the past two years, we have:

- strengthened our price position in the market by executing campaigns better
- improved the customer experience by upgrading several important categories



- safeguarded customer growth by recruiting more than a million members to our customer club
- strengthened our e-commerce commitment with the acquisition of Lunehjem and Lekekassen
- made operational improvements in our organisation which benefit both employees and customers.

This means we are well equipped to meet day-to-day life in 2022, our 30th anniversary year. The battle over customers is going to be harder. Norwegian consumers will now be lured to carefree nightlife and holiday travel in a reopened society, at the same time as power companies, service stations and banks will seize a larger share of their disposable income. The fight for their wallets will be tough.

In more difficult times, our concept should do well. When customers must watch their pennies, having good products at low prices is an advantage. A broad product range and low prices have been a relative market winner for many years – not only in Norway, but also in the rest of the world. Confidence in discount variety stores is increasing, and customers are ever more positive to trying private labels. While it used to be considered “cheap” to shop in such places, the “smart” customers are now flocking to this part of the market.

A broad range of products at low prices represent a growing part of the market, and we are a winner in this segment. As the market leader, we accept that our success will be noted and that more players will seek to emulate us. We have lived with that for 30 years, and would dare to claim that the competition sharpens us.

The trick is to concentrate on what we can influence ourselves and constantly get a little better at everything we do.


Espen Eldal
CEO of Europris ASA

Directors' report

Europris exceeded its previous record year of 2020 for both sales and profit in 2021. A cold winter gave a strong start to the year. Solid seasonal execution and good performance for upgraded categories ensured a good performance throughout the year. As in 2020, the group benefitted from closed borders as a result of Covid-19 for large parts of the year.

Towards the end of January 2021, the government imposed strict restrictions which led to temporary store closures from 23 January to 6 June. On average, nine per cent of the chain's stores were shut during the first half of 2021. Society reopened gradually from mid-June and fully by the end of September, until restrictions were reimposed in mid-December. Employees did a tremendous job in adapting to rapid changes in infection control measures and quarantines, and to a higher sick leave because of Covid-19.

Europris successfully completed two acquisitions during 2021, securing holdings of 67 per cent in the online players Lunehjem and Lekekassen. These strategic transactions have strengthened the group's online position in the home and interior and toy categories and reinforce its expertise in e-commerce. Both companies reported growth in sales and profits for 2021 on top of record performances in 2020. Synergies through joint sourcing of products and services have already begun to show results.

Owing to a favourable fixed-rate agreement for inbound freight, Europris was not affected by the supply chain crisis which caused distribution problems for retailers globally during 2021. These difficulties led to higher prices in the market, which in turn had a positive effect on the gross margin for the group.

For 2021 as a whole, total sales growth for retail and shopping centres was higher than for the Europris chain. This development must be seen in relation to the extraordinary sales growth achieved by the chain in 2020. Taking 2020 and 2021 together, Europris strengthened its position as a market leader in variety retail and was a market winner with 30 per cent growth. By comparison, variety retail achieved 17.9 per cent growth over the same two-year period.

Sales growth	2021	2020	Two years combined
Virke: total retail*	+4.6%	+10.0%	+14.6%
Virke: groceries*	-0.2%	+15.9%	+15.7%
Virke: variety retail*	-0.6%	+18.5%	+17.9%
Kvarud shopping centre index**	+3.6%	+4.0%	+7.6%
Europris chain	+2.2%	+27.8%	+30.0%

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

**Kvarud Analyse shopping centre index

Total sales were NOK 8,648 million, up by 7.9 per cent. Excluding companies acquired during 2021, sales growth was 2.6 per cent. Where the Europris chain is concerned, the basket increased while the number of customer visits declined compared with 2020, but was still well above the 2019 level. The basket was positively affected by price, the product mix and a larger number of articles.

The gross margin was very strong at 46.9 per cent, an improvement of 3.5 percentage points. The fixed-rate agreement for inbound freight affected positively, in addition to positive effects obtained from currency hedging and the product mix. The latter was from a higher share of seasonal items compared with 2020 and from sales growth in upgraded higher-margin categories.

Opex was NOK 1,973 million (NOK 1,773 million). Development was affected by the consolidation of part-owned subsidiaries, an increase in the number of directly operated stores (from 237 to 242) and higher costs from the product mix owing to a bigger share of large-volume seasonal items which are more costly to handle and transport.

The majority's share of net profit was NOK 1,082 million (NOK 804 million). The board of Europris ASA will propose an ordinary dividend of NOK 2.50 per share for 2021 to the general meeting. This represents a 13.6 per cent increase from the ordinary dividend of NOK 2.20 for 2020. To reflect the strong financial performance, the board also proposes to pay an additional dividend of NOK 1.50 per share for 2021. In total, the proposed dividend will be NOK 4.00 per share and amounts to NOK 644 million (excluding treasury shares at 31 December 2021) which represents 59.5 per cent of the majority's share of the profit.

Net cash flow for the year was an inflow of NOK 30 million (outflow of NOK 28 million). Net debt at 31 December 2021 amounted to NOK 2,440 million (NOK 2,306 million). Adjusted for lease liabilities, it was NOK 526 million (NOK 455 million). Cash and available credits were NOK 1,981 million at 31 December 2021 (NOK 1,926 million).

Business operations and strategy

Europris is Norway's largest discount variety retailer by sales. It has a flexible business model which delivers a unique value proposition for shoppers by offering 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 in all stores throughout the campaign period.

The Europris chain comprised a network of 270 stores nationwide at 31 December 2021. Of these, 242 were directly operated and 28 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.

Europris strengthened its e-commerce presence during 2021 through the acquisition of two pure online players in addition to strengthening the Europris.no platform.

The group's head office is located in Fredrikstad. Europris opened its new central warehouse in Moss in 2019. Europris has had significant volume growth in 2020 and 2021. To cope with future seasonal summer volumes, the group has decided to expand warehouse capacity in Moss.

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. Goods are mainly sourced directly from suppliers in large volumes. High-quality sourcing is central to the group's value proposition, and it benefits from its cooperation with Tokmanni and ÖoB. The acquisition of Lekekassen and Lunehjem provides synergies for all parties through joint sourcing of products and services.

The group contributes to local communities by supporting local activities and organisations such as sports clubs, humanitarian and charitable organisations, cultural festivals and other local events. Through its agreement with the City Mission of the Church of Norway since 2016, the group helps to improve conditions for people in difficult circumstances. Its membership in the Norwegian Retailers Environment Fund allows it to contribute to local and global initiatives on reducing plastic waste.

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 2021, Europris upgraded its home and interior department. This is an important category, with a high share of own brands and above-average margins. The upgrade has been well received by customers and was one of the categories with the highest growth in 2021. It upgraded the chocolate and snacks category during the third and fourth quarters of 2021. This was good timing, since the border is opening, and this category is exposed to cross-border trade.

The acquisition of Lekekassen provides access to premium toy brands for sale in the Europris chain's physical stores. A trial run in 10 stores during parts of the fourth quarter showed good results, with sales growth above the chain average in the toy category. Testing continues and a full roll-out is scheduled for the second half of 2022.

Europris works continuously to improve its concept and customer experience. It tested self-service sales of selected outdoor seasonal items during 2021, allowing customers to shop whenever it suits them by simply scanning products and paying with the aid of the Vipps mobile app. A test where customers were offered the loan of a car trailer to facilitate more convenient transport home of larger seasonal items has been well received, and more stores will offer this service in 2022.

The group initiated two projects during 2021 to increase efficiency for handling the flow of goods in the stores. These are expected to be rolled out to all stores

during the first half of 2022. The first project involves measures to improve store readiness every week ahead of campaigns, while the second aims to improve the process of restocking stores. Both involve new routines and a new way of working for store employees. Positive effects from these projects are an increase in both campaign and total sales, more efficient operations, an improved customer experience and better working conditions for employees.

Europris conducts a customer and market survey every year via Mediacom, covering both the group and key competitors. The results from the 2021 survey confirm strong progress for price perception, deals, product quality, shopping experience and service. This is very satisfying, since the group has worked on improving these areas.

For many years, Europris has worked systematically with sustainability and ethical trade in the purchase of goods. This work will continue. At the same time Europris has set the target of making it easier for customers to reach sustainable choices in its stores. With its large volumes and efficient operations, the group can ensure that ethical and sustainable products are more easily accessible to customers at competitive prices. For a start, Europris has collected 20 official sustainability certifications under a single common umbrella brand. This will make it easier for customers to locate these sustainable products. Europris is also in the process of testing the co-location of sustainable products in its stores so that these have a more prominent place and clearer labelling.

E-commerce and e-CRM

E-commerce sales from Europris.no amounted to NOK 147 million in 2021, up by 71 per cent. Customers prefer to collect their orders at the stores, and around 85 per cent of sales were click and collect. As a response to this and to improve the customer experience, the range offered for home delivery at Europris.no is in the process of being slimmed, while the number of products offered as click and collect will be increased.

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 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. On average, Europris.no had 2.6 million visitors every month during 2021 (2.3 million). Around 700,000 newsletters are distributed electronically on a weekly basis, in addition to some one million printed leaflets. Digital newsletters will gradually become more personalised and reflect products and offers relevant to the individual customer, with the aim of increasing store visit frequency and basket size.

The group has continued recruiting members to its Mer customer club. Launched in 2019, this reached over a million members during 2021, up by more than 50 per cent from the year before. Expansion of the membership base reflects successful recruitment campaigns, the conversion of fixed multibuy offers to exclusive Mer offers, and campaign prices available only to Mer members.

Lekekassen performed strongly in 2021, with record sales in Norway and a promising start in Denmark. In Sweden, competition and price pressure rose during 2021. Total sales for the Lekekassen group were NOK 591 million, an increase of 8.5 per cent. EBITDA was NOK 110 million (up by 17.1 per cent) and the EBITDA margin was 18.5 per cent (a rise of 1.4 percentage points). Improved margins illustrate that synergies from the cooperation can already be seen.

Lunehjem had a good year on top of a strong 2020, with sales of NOK 32 million in 2021 (up by 12.8 per cent) and EBITDA of NOK 4.4 million (a rise of 56.7 per cent). One new position was created during 2021, with a logistics manager hired to handle the company's growth. Warehouse capacity has reached its limits and the company will relocate during 2022 to handle future volumes.

Store estate

Europris opened four new stores in 2021, bringing the total number in the chain to 270 at 31 December 2021. The group has a healthy pipeline of new stores, with board approval for an additional 10 in 2022 and beyond. Of these, two are subject to planning permission.

New store openings in 2021

Month	Store	County
March	Austevoll	Vestland
June	Xhibition	Vestland
September	Jåttå	Rogaland
November	Selbu	Trøndelag

Europris relocated five stores and completed nine store modernisations/expansions during 2021. New stores are an important driver for growth, and continued expansion of the store base – in addition to relocations, refurbishments and expansions of existing stores – will remain important.

An analysis of stores opened in recent years showed a performance in line with similar studies carried out previously. This shows that, on average, sales growth is strong in the first four years after opening, before stabilising at the same level as the chain's like-for-like growth. The most recently opened stores have performed in accordance with their strict investment criteria.

The appeal court proceedings over the Grini store have been finalised and Europris can continue to operate there. This is one of its larger stores, with annual sales of around NOK 60 million.

Central warehouse

To cope with future volumes, Europris has decided to expand warehouse capacity in Moss by 21,000 square metres to 83,000 square metres. Finalisation of the construction phase is scheduled for the first half of 2023. Automation of the high-bay area is expected to be completed in the first quarter of 2024, and the old central warehouse in Fredrikstad can then be finally vacated. The total investment will be around NOK 100 million.

The ramp-up of automation for the low-bay area at the central warehouse in Moss, with an original deadline for finalisation before the summer of 2021, has been delayed by technical issues. To avoid risking product deliveries during the fourth-quarter high season, the ramp-up was postponed until early 2022. Savings from the total warehouse project remain intact, but are delayed as a result of this late ramp-up.

ÖoB equity transaction and operational development

Europris acquired 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.

The parties have not been able to reach an agreement on the group's EBITDA for 2019 and an arbitration process has been initiated, but no date has yet been set. The arbitration regarding the disagreement over the legal right for Europris to challenge the 2020 EBITDA was concluded in favour of Europris in February 2022.

Eva Lundqvist, the former head of HR, was appointed as the new CEO of ÖoB on 15 November 2021.

Sales declined for ÖoB in 2021, but an improved gross margin contributed to a higher EBITDA.

Key figures for ÖoB (preliminary and unadited)

SEK million	FY 2021	FY 2020
Sales	3,899.0	4,186.0
EBITDA*	70.8	62.3

* Excluding IFRS 16 effects.

Financial review

Income statement

Operating income amounted to NOK 8,648 million in 2020 (NOK 8,013 million), up by 7.9 per cent. Excluding part-owned subsidiaries, sales growth was 2.6 per cent. The key drivers for revenue growth were the acquisition of part-owned subsidiaries, a 1.5 per cent increase in the chain's like-for-like sales, and new store openings.

Gross profit was NOK 4,056 million (NOK 3,478 million). The gross margin was 46.9 per cent (43.4 per cent), an improvement of 3.5 percentage points. Gross profit was positively affected by the fixed-rate agreement on inbound freight, in addition to the product mix. The cost of goods sold included a net unrealised gain of NOK 49 million (loss of NOK 30 million) on hedging contracts and accounts payable.

Opex came to NOK 1,973 million (NOK 1,773 million). It was affected by the inclusion of part-owned subsidiaries and the increase in directly operated stores from 237 to 242. Operating expenses were 22.8 per cent (22.1 per cent) of consolidated revenue.

Operating profit amounted to NOK 1,512 million (NOK 1,166 million), up by NOK 346 million or 29.7 per cent.

Net financial expenses in 2021 were NOK 94 million (NOK 139 million). The group recognised a net unrealised profit of NOK 26 million on interest swaps for 2021 (profit of NOK 11 million). In 2020, the group booked a non-recurring interest expense totalling NOK 32 million related to an error in interest-rate calculations, which was discovered in connection with the transition to a new IFRS 16 system.

Profit before tax was NOK 1,418 million (NOK 1,029 million).

Income tax expense in 2021 was NOK 314 million (NOK 225 million), giving an effective tax rate of 22.1 per cent (21.9 per cent).

Net profit for 2021 was NOK 1,104 million (NOK 804 million), up by NOK 300 million. Net profit in 2021 from acquired companies was NOK 68 million. The net profit margin was 12.8 per cent (10 per cent). Profit attributable to non-controlling interests was NOK 22 million and profit attributable to owners of the parent amounted to NOK 1,082 million.

Earnings per share in 2021 were NOK 6.72, compared with NOK 4.86 in 2020.

Cash flow

Net cash flow generated from operating activities was NOK 1,591 million (NOK 1,705 million). The net change in working capital was negative at NOK 139 million (positive at NOK 227 million). Working capital was negatively affected by timing differences for accounts payable and the payment of other provisions and accruals, as well as increased inventory owing to the inclusion of part-owned subsidiaries and to shipping goods earlier.

Net cash flow used in investing activities was negative at NOK 684 million (negative at NOK 112 million). The increase is related to the automation of the low-bay area at the central warehouse in Moss, start-up investment for automation in the coming expansion of the high-bay area, and a larger number of store projects. In addition, the acquisition of 67 per cent of Lekekassen was completed during 2021, with NOK 501 million paid.

Net cash from financing activities was negative at NOK 877 million (negative at NOK 1,621 million). The year 2020 was affected by refinancing the group's term loan and the repayment of old term loan. In addition, sales of treasury shares related to share programmes for the employees, executive management and the board amounted to NOK 7 million (buy-back of treasury shares of NOK 245 million).

The net change in cash for 2021 was an inflow of NOK 30 million (outflow of NOK 28 million).

Financial position

Financial debt at 31 December 2021 was NOK 3,010 million (NOK 2,846 million).

Net debt at 31 December 2021 was NOK 2,440 million (NOK 2,306 million). Adjusted for lease liabilities, net financial liabilities were NOK 526 million (NOK 455 million). The group is in compliance with its financial covenant.

Cash and liquidity reserves for the group at 31 December 2021 amounted to NOK 1,981 million (NOK 1,926 million).

Equity

Equity at 31 December 2021 was NOK 2,889 million (NOK 2,214 million) and represented an equity ratio for the group of 33.4 per cent. The increase in equity was made up of NOK 1,104 million in net profit and NOK 7 million in the sale of treasury shares, less NOK 434 million in dividend paid.

Allocation of profit

Europris ASA (the parent company) posted a profit of NOK 639 million for 2021.

The board proposes the following allocation (NOK million):

Ordinary dividend	418
Additional dividend	251
Retained earnings	(30)
Total	639

The Europris group achieved a profit of NOK 1,104 million in 2021. Profit attributable to the owners of the parent company amounted to NOK 1,082 million.

The board of Europris ASA will propose an ordinary dividend of NOK 2.50 per share for 2021 to the general meeting. This represents a 13.6 per cent increase from the ordinary dividend of NOK 2.20 for 2020. To reflect the strong financial performance, the board also proposes to pay an additional dividend of NOK 1.50 per share for 2021. In total, the proposed dividend will be NOK 4.00 per share and amounts to NOK 644 million (excluding treasury shares at 31. December 2021). The proposed dividend represents 59.5 per cent of the majority's share of the profit.

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, and reviews the company's risk register annually. Risk classification is subject to periodic review by management to identify any change in classification and to follow up any actions agreed in order to mitigate risks. For each key category, risks are identified and classified in accordance with the likelihood of their occurrence and the potential impact should they occur.

The risk register focuses on the following key risk categories:

- financial
- market
- operational
- strategic

The key risks identified are presented in the tables below.

Financial risk

Risk type	Description of risk	Internal control
Interest rate risk.	Interest-rate volatility affecting the group's interest costs.	The financial policy includes hedging interest rates. Sixty per cent of the group's long-term loan is currently hedged.
Liquidity risk.	Increased indebtedness affecting the group's ability to grow and posing a threat of breaching financial covenants.	Projected cash flows are updated regularly, and the group has sufficient cash and credit facilities available.
Credit risk.	Risk of customers defaulting.	Europris has limited exposure to credit risk. The clear majority of revenue transactions are settled by debit card or in cash. 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. All B2B customers are subject to credit rating review.

Market risk

Risk type	Description of risk	Internal control
Natural disaster, conflict, pandemic, etc.	Natural disasters and conflicts may affect the production and supply of goods.	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 campaign offering on the basis of available goods. Online shopping and click and collect can also be offered to customers as a substitute for shopping in physical stores.
	A pandemic, depending on restrictions imposed and customer behaviour, could have either a positive or a negative effect.	Europris' store network is spread over a large geographical areas, thereby limiting the risk that many of them will be affected by the same restrictions/effects simultaneously. The product range consists mainly of products which all households need in their everyday lives.
Macroeconomic environment.	Changes in the macro-economic environment which reduce consumer spending.	The Europris concept is resilient in uncertain times, with a wide and accessible store network, a broad product offering at low prices, and attractive campaigns. The wide range of products and price points allows customers to trade up and down. The operating model is based on low costs to keep sale prices as low as possible. Forecasting and planning models are detailed so that the group can react fast if the economic outlook changes.
Competition.	Significantly increased competition in the market.	Management follow developments in the market closely through regular reporting of market data as well as through its own competitor analysis. Price surveys are conducted systematically to monitor the group's competitiveness on a continuous basis. Category development is an important element, where Europris can, if desired, reduce its product offering in categories facing strong competition while introducing new products in categories where competition is less fierce.
Digitalisation.	Change in shopping patterns as a result of digitalisation.	Europris has a well-functioning e-commerce solution, with a broad range of products available for click and collect in the stores or home delivery. The number of members in the Mer customer club has reached more than one million, 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 digitalisation 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. Europris has also strengthened its online presence in some categories through the acquisition of 67 per cent stakes in Lekekassen and Lunehjem.
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. In addition, a separate sustainability strategy has been developed. Seventy-five per cent of all products sourced from the Shanghai office were from externally certified factories (BSCI) in 2021. Europris also conducts its own audits with its team at the Shanghai office and has several employees at this office dedicated solely to sustainability and of supplier quality. In 2021, a new position was also filled with a packaging expert whose main job is to reduce packaging and contribute to more efficient transport and thereby cut CO ₂ emissions. Detailed programmes for reducing waste and energy consumption are in place for the stores, the logistics centre and the main office.
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 historically these types of cost increases have been absorbed by the market. The group's financial policy includes a currency strategy, whereby all purchase orders in USD and EUR are hedged for up to 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.

Operational risk

Risk type	Description of risk	Internal control
Central infra-structure, property.	Loss of operating facilities affecting operations or causing 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. Europris has agreements with third-party providers both for continuously monitoring logs for rapid identification of any security breaches and a cyber incident agreement which ensures swift assistance should anything arise.
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. Seventy-five per cent of all products sourced from the Shanghai office were from externally certified factories (BSCI) in 2021, in addition to audits by the team at the Shanghai office. The group performs quality tests before approval and sale of products, in addition to random testing of food products. Follow-up of suppliers with high-risk products have been intensified. 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 a fixed agreement with a solid logistics company for inbound freight for long-travelled goods. Two transport firms are used for outbound logistics and, if one fails, volumes can be shifted to the other. Other transport methods can also be evaluated if a need for this should arise. 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 policies and procedures with instructions in such areas as ethical behaviour, diversity and equality, anti-corruption, data protection, compliance and corporate governance in the company. These are revised annually by the board, and employee training is regularly conducted. Seventy-five per cent of all products sourced from the Shanghai office were from externally certified factories (BSCI) in 2021, in addition to supplier audits by the team at the Shanghai office and quality checks both at the Shanghai office and the quality office in Norway. 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 is a strategic priority area for the group. The market and consumer trends are continuously monitored and the group can rapidly adapt to changes.
New store rollout.	Lack of profitable new store locations which affects the group's growth plans.	The property development team has a pipeline of potential locations and works continuously to expand this list. The group maintains good relationships with landlords and is working strategically with other retailers for co-location of stores. New store openings must meet strict investment criteria and all are subject to board approval. Development of new stores is monitored closely and shows that these have historically performed well.
Omnichannel and e-commerce.	Incomplete development of solutions.	The group has developed a separate strategic plan for digitalisation, including omnichannel and e-commerce. As part of this work, the board has appointed a digital advisory board to support management. The group also made two acquisitions of pure online players during 2021, strengthening expertise in this field.
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. Europris and Tokmanni also have a joint venture at the Shanghai office.
Central warehouse and automation.	Failure in implementing the new warehouse and automation solutions, and in realising communicated cost savings.	Finalising automation of the low-bay area has been delayed. However, the group is confident that communicated savings are intact but at a delayed pace. A dedicated team with sufficient expertise and resources is assigned to 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. Expansion of the central warehouse in Moss will include automation of the expanded high-bay area, which works well, while expansion of the low-bay area will be conventional.

Directors' and officers' liability insurance

Europris ASA has taken out a directors' and officers' liability insurance policy for the group and its subsidiaries. This covers legal costs and personal liability for directors and officers arising out of possible claims made against them while serving on a board of directors or as an officer.

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 14 October 2021. See page 24 for a detailed statement on corporate governance at Europris.

Organisation and corporate social responsibility

Employees and organisation

The employee engagement score, which showed an all-time high in 2020, was exceeded again in 2021. During two challenging years, it is particularly pleasing that employees feel well cared for and enjoy their workplace. Europris devotes great attention to employee development. Improved virtual training during 2021, in addition to courses with physical attendance, has been greatly valued by participants.

Europris has high attention on ensuring a safe working environment. As in 2020, the pandemic continued to affect everyday working conditions for the employees in 2021. Europris' main focus during the pandemic has been to ensure a safe place for employees to work and for customers to shop. The organisation has handled the pandemic in an impressive way, especially when strict restrictions were imposed and stores were forced to close temporarily at

very short notice. Managing store closures, sick leave (from illnesses affecting both employees and their children) and quarantines has not been an easy task, but the Europris culture has again showed itself at its best.

The global supply chain market has been demanding, but this has been dealt with in an excellent manner by employees handling the logistics operations. Through hard work, the group managed to get all products to the stores in time.

Equal opportunities and discrimination

Europris is a workplace with equal opportunities in all areas. Where gender equality in parent company Europris ASA is concerned, women accounted for 43 per cent of directors and 25 per cent of the executive management group in 2021. The group's ambition is to increase the proportion of women in senior positions.

The group has 3,298 employees, of whom 60 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 age, gender, religion, ethnicity, nationality, disability, sexual orientation, sexual identity or stage of life. The group is working actively to promote Norway's Anti-Discrimination Act in its business. These activities include recruitment and promotion, training and development, pay and working conditions, and protection against any type of harassment.

The actual condition in the organisation related to gender equality and the actions implemented to fulfil the duty of activity in accordance with the Equality and Anti-Discrimination Act § 26, are described in more detail in a separate section of this annual report. See page 49.

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>.

euopris.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 33.

Transactions with related parties

No significant transactions were conducted with related parties in 2021.

Market developments and outlook

Rising energy prices, higher interest rates, continued uncertainty related to Covid-19 and turbulence in the world contribute to an uncertain macroeconomic environment. In addition, price levels for groceries and other goods are expected to increase. In total, these represent significant elements, which are expected to affect consumer spending in 2022. The Europris concept has proved resilient in uncertain times, with a wide and accessible store network, a broad product offering at low prices and attractive campaigns.

Europris significantly improved its competitive position in 2020 and 2021. With its unique and customer-friendly concept, the group is a market winner and is continuously gaining market share. It will continue to devote attention to improving the shopping experience through concept and category development, while the Mer customer club provides a unique channel for promoting activities which will bring traffic to the stores.

In addition, acquiring Lunehjem and Lekekassen have broadened Europris' exposure to the online channel for certain categories. Expertise from these acquisitions will also enhance the group's online initiatives and seamlessly integrate online shopping, digital activities and shopping in physical stores.

The market for container freight is still unstable. No indications of disruptions affecting Europris can currently be seen, but a major Covid-19 outbreak, market turbulence or other factors in the global supply chain may change this picture. Europris is monitoring the situation closely. Securing sourcing capacity is a main priority, and a two-year agreement for inbound freight from Asia has therefore been signed. This ensures guaranteed capacity for an agreed level of volumes. The annualised increase in costs for inbound freight is estimated at NOK 170-200 million, and will affect the financial figures from March 2022.

With its flexible business model, Europris has proven its ability to adapt quickly to changes, and the board is confident that the group is well positioned for the future.

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

No material events have occurred since 31 December 2021.

Fredrikstad, 24 March 2022

THE BOARD OF DIRECTORS OF EUROPRIS ASA



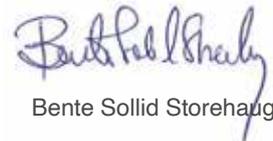
Tom Vidar Rygh
Chair



Claus Juel-Jensen



Hege Bømark



Bente Sollid Storehaug



Karl Svensson



Tone Fintland



Pål Wibe



Espen Eldal
CEO



The board

Tom Vidar Rygh (chair)

Tom Vidar Rygh 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/CEO 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: 610,035.



Hege Bømark

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. Number of shares in Europris ASA: 8,129.



Tone Fintland

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 Alpharma 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: 10,808.



Claus Juel-Jensen

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 career, 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: 7,112.



Pål Wibe

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.



Bente Sollid Storehaug

Bente Sollid Storehaug is CEO of Digital Hverdag and non-executive director of Polaris Media, Hafslund E-CO, Nortel, Questback, Motor Gruppen and Eika Gruppen. She is also chair of PlaceWiseGroup, Ocean Visioneering and Vinje Ullvarefabrikk. 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

Karl Svensson is a director of RuNor AS, the Svensson family's special purpose vehicle for its investment in Europris. He is partner of Zurich-based financial advisory firm Lilja Capital Advisory Partners. 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: 281,891.



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 complies with the Norwegian Code of Practice for Corporate Governance (the code), last revised on 14 October 2021, 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 2021 Europris deviated from the recommendation in one section of the code during 2021 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 2021 of a network of 270 stores throughout Norway. Of these, 242 are directly owned by the group

and 28 operate as franchise stores. While Europris also offers online shopping, physical stores will continue to be the main sales channel in Europris for the foreseeable future. The group's growth strategy remains unchanged, and its expansion in discount variety retailing will continue through both physical stores and the online channel. 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 10-20 of the 2021 annual report, while the group's sustainability efforts are described on pages 33-62.

Deviations from the code: None.

3. Equity and dividends

Capital structure

At 31 December 2021, the group's equity totalled NOK 2,889 million, which corresponded to an equity ratio of 33.4 per cent. 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 pay-out 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 2021 the board will propose a dividend of NOK 2.50 per share. To reflect the strong financial performance, the board proposes to pay an additional dividend of NOK 1.50 per share for 2021. In total, the proposed dividend is NOK 4.00 per share. The proposed dividend represents 59.5 per cent of the majority's share of the profit. 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 5 May 2021 granted two separate mandates to the Europris board. Both mandates are valid until the next AGM in 2022, but in any event no longer than to 30 June 2022. A separate

vote was held on each mandate. For supplementary information, reference is made to the minutes of the AGM in 2021.

- A mandate to increase the share capital of Europris ASA by a maximum of NOK 16,696,888. The mandate corresponds to ten 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 2021, 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 ten per cent of the shares and share capital. Shares acquired pursuant to the mandate may be deleted in connection with a later reduction of the registered share capital, used as consideration shares with regard to the acquisition of businesses or used in the company's incentive and investment schemes for employees, executive management and the board of directors. At 31 December 2021, the company owns 5,997,376 treasury shares.

Deviations from the code: None.

4. Equal treatment of shareholders

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 5,997,376 treasury shares at 31 December 2021.

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 2021.

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

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 2021 AGM is scheduled for 21 April 2022. 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, the chair of the nomination committee, the CEO, the CFO and the group's auditor will attend 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 2021, 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 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 ten directors, as determined by the general meeting. The board had seven members at 31 December 2021, 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 does not participate in related cases. None of the 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.

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 and as observers on the board of Europris ASA.

Directors are encouraged to hold shares in Europris. An overview of director shareholdings in the company can be found in note 22 to the 2021 annual report and on the company's website at <https://investor.europris.no>.

Deviations from the code: None.

Name	Position	Served since	Up for election
Tom Vidar Rygh	Chair	2012 ¹	2023
Bente Sollid Storehaug	Director	2015	2023
Hege Bømark	Director	2015	2023
Tone Fintland	Director	2017	2023
Claus Juel-Jensen	Director	2017	2023
Karl Svensson	Director	2019	2023
Pål Wibe	Director	2020	2022

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

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, including handling of related party transactions. 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.

Related party transactions

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 2021.

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 nine meetings in 2021, with one meeting conducted by email, four meetings were held virtually and four were physical meetings. The overall attendance rate at board meetings was 97 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 2021, with an overall

attendance rate of 100 per cent. At 31 December 2021, the audit committee consisted of three directors who all were regarded as independent of the group:

- Hege Bømark (chair)
- Tom Vidar Rygh
- Claus Juel-Jensen.

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 two meetings in 2021, with an attendance rate of 100 per cent. At 31 December 2021, 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 December 2021.

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, 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 2021.

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 2021 were approved by the AGM in 2021.

Directors' fees at 31 December 2021 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 2021 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. Salary and other remuneration for 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 annual pay-out of 12 months of gross base pay. The management group participates in the group's insurances, and may be 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. The guidelines were presented to and adopted by the 2021 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 2021 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 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 auditor normally attends all meetings in the audit committee.

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 CFO is authorised to approve such services on condition that (1) services approved by the CFO 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, (3) such services, following a case-specific evaluation, do not affect the independence of the auditor and (4) the service amount to a maximum of NOK 250,000 and is of a "normal" nature.

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 2021 financial statements.

Deviations from the code: None.



Sustainability report 2021

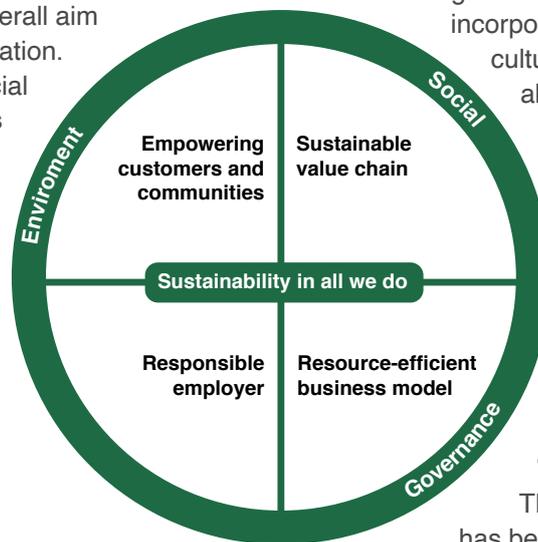
The Europris approach – sustainability in all we do

Sustainability topics	Main priority areas	Commitments	UN SDGs
Sustainable value chain	<ol style="list-style-type: none"> 1. Sustainable products 2. Safe and good-quality products 3. Responsible supply chain management 	<p>Europris' recognises that its main impacts on ESG issues comes 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"> 4. Climate-friendly operations and logistics 5. 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 the business through resource-efficient operations and logistics.</p>	
Responsible employer	<ol style="list-style-type: none"> 6. Equal opportunities and an inclusive work environment 7. Health and safety at the workplace 	<p>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. Local value creation and community engagement 	<p>Europris cares about its customers and the local communities in which it operates. The group commits itself to ensuring its customers' wellbeing and satisfaction and to giving back the 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 and the UN sustainable development goals (SDGs). Europris believes it can play a key role in providing affordable and sustainable choices for everyone.

The group 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.



Sustainability as an integrated part of the corporate culture

The group is continuing its efforts to discuss sustainability issues with employees in day-to-day work and to integrate sustainability into its corporate culture through information and training. The internal “sustainability week” held for the first time in 2020 was repeated in 2021, with increased participation by employees and building on the objective of increasing the understanding of and engagement with sustainability in Europris. Employees held presentations in the priority areas – unlike 2020, when external partners were invited to present throughout the week. This shows an increased and growing understanding of sustainability across the organisation. Recordings are published on the group’s social media channel (Workplace), which is available to all employees. Moreover, sustainability newsletters have been introduced and sent to all employees with facts and updates on these issues. In addition, a monthly challenge is passed from one store to another, where each shares and explains

how it works with a particular sustainability issue in order to increase knowledge about and inspiration for work done in this area.

Knowledge of sustainability has increased among employees in general. An evaluation after the internal sustainability week and from questions on this subject in the annual employee satisfaction survey show that knowledge about and interest in this topic have increased. The group believes that creating a better understanding of sustainability in the organisation is a vital step towards incorporating this in the corporate culture and ensuring that sustainability is part of everything it does. As employees increase their understanding of sustainability, the group is experiencing improvements in the priority areas and sees greater progress towards its goals.

Reporting standards and achievements

The sustainability report for 2021 has been prepared in accordance with the core option in the Global Reporting Initiative (GRI) standards. Europris is updated on the new 2021 GRI standards. The recommendations of the task force on climate change (TCFD) are being used to identify, assess and mitigate the climate-related risks the group is exposed to. Since 2014, Europris has also incorporated reporting of its greenhouse gas (GHG) emissions in alignment with the GHG protocol in order to manage the climate impact of both its own operations and its value chain.

The group is proud to be recognised for its sustainability work, with a B score for its climate reporting from the CDP, the global non-profit environmental organisation, for the third year in a row.

	2018	2019	2020	2021
	C	B	B	B

Europris received an A- score for its 2020 sustainability report from the Governance Group following an evaluation of such presentations from the 100

largest companies on the Oslo Stock Exchange. The group is very proud of this recognition and devotes great attention to increasing expertise on and knowledge about sustainability throughout its organisation.

A focus on the most material sustainability aspects

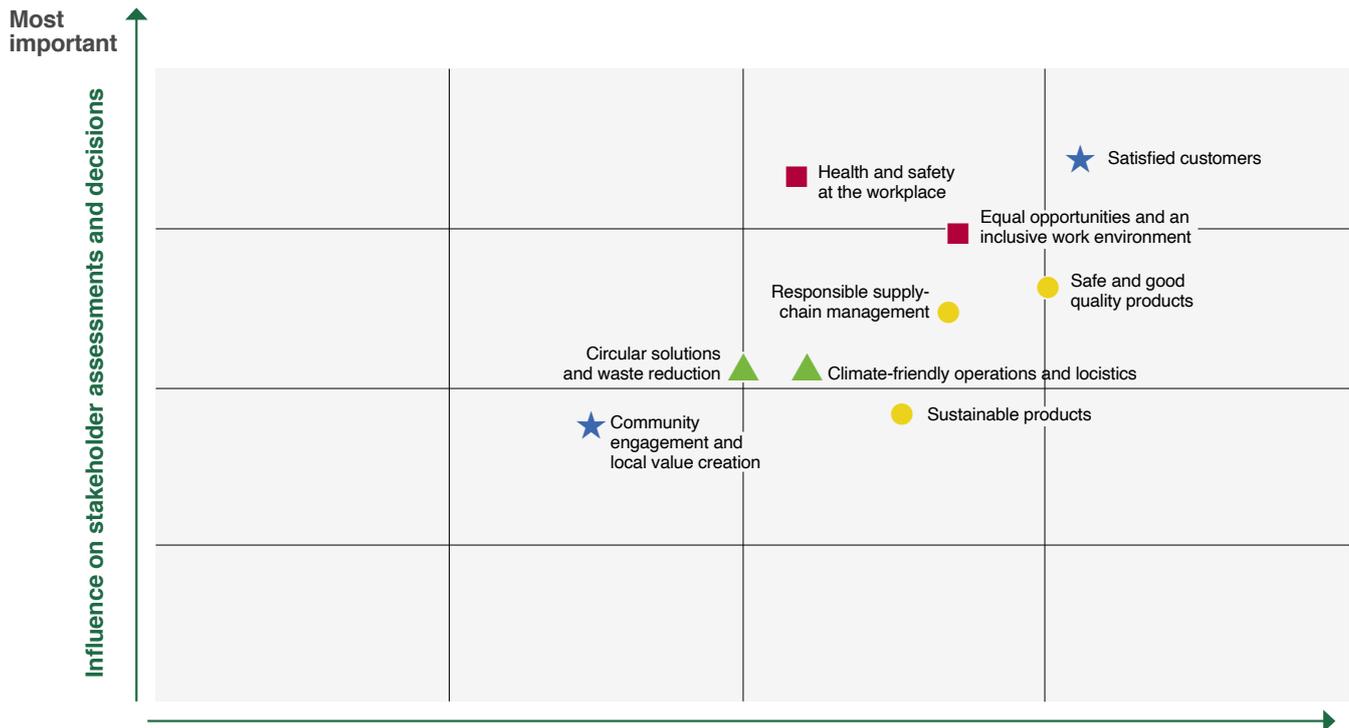
Europris has identified key sustainability impacts in its value chain. These were mapped in the materiality matrix (see next page). Where the position of each topic depends on its relevance to Europris and

the group's stakeholders. The most relevant stakeholders were identified through workshops with representatives from all parts of the organisation. Europris is in continuous dialogue with key stakeholders, both internal and external, as part of its daily operations. This gives it valuable input and knowledge about how to adapt the business even further in a sustainable direction in order to ensure that its sustainability goals are met. An illustration of key stakeholder groups, the type of dialogue Europris has with them and the frequency of the dialogue is presented below.

Stakeholders	Type of dialogue	Frequency
Employees	Meetings Newsletters Committees on priority sustainability areas Sustainability week Employer survey	Weekly/monthly Monthly Quarterly Annually Annually
Customers	Brand tracker survey Sustainability customer survey Newsletter Website and Social Media	Annually Annually Weekly Daily
Investors	Roadshows Investor seminars Meetings	Quarterly Two - four per year On request
Other partners, such as Green Dot, Amfori, Norwegian Retailers' Environment Fund, Ethical Trade Norway	Meetings Information meetings Webinars, courses	Semi-annually, annually Semi-annually, annually Bi-monthly/semi-annually as required (regulatory updates)
Local community, such as charities and local partnerships	Meetings	Regularly
Suppliers	One-to-one meetings Vendor meetings Code of conduct	At least twice a year, normally more often Annually Annually, related to contracts

Information acquired through communication with stakeholders is used to update the materiality matrix to show the sustainability effects which the various stakeholders have on the group’s sustainability

focus. It also presents the direction being taken by Europris’ sustainability strategy and provides the foundation for the sustainability report.



● **Sustainable value chain:** sourcing and providing sustainable products at affordable prices

■ **Responsible employer:** being an ethical, inclusive and safe workplace

▲ **Resource-efficient business model:** more efficient operations and logistics to reduce the environmental footprint

★ **Empowering customers and communities:** contributing to local communities in order to foster long-lasting relationships

Adjustments from 2021

As a result of the updated stakeholder assessment and internal discussions, the material topic “satisfied customers” has been moved upwards in the matrix. Satisfied customers have been and will remain the top priority in all the work Europris does. At the same time, “data protection” and “business ethics and

anti-corruption” have been removed from the matrix, since these topics are considered a prerequisite for good performance on customer satisfaction and ESG issues. Furthermore, “community engagement” and “local value creation” have been merged into “community engagement and local value creation”.

Sustainable value chain



8 DECENT WORK AND ECONOMIC GROWTH



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



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 sourcing and production of products. Both the manufacturing processes and the raw materials may negatively affect forests, water supplies, local eco-systems and the people involved in the group's supply chain. Europris seeks to decrease the environmental footprint of these products by continuously improving its sourcing strategy in terms not only of responsible and ethical trade but also of the manufacturing processes, raw materials, the packaging used in the products, and the quality of the products sold by the group.

Sustainable products

As a leading retailer in Norway, Europris has the opportunity to influence its customers to make more sustainable choices which are better for people and the planet. As a group selling thousands of products in many different product categories, Europris sees it as its responsibility to provide customers with more sustainable options. By offering these, and through clear communication to help shoppers find such products in its stores, the group can make real changes together with its customers.

Europris aims to achieve annual growth for sales of sustainable products in its stores. Turnover reported as sustainable is products verified by third-party certifications. Twenty such certifications have been considered relevant to the product range



offered by the group with regard to the environment and/or ethical trade, quality and health. An updated list of these third-party certifications can be found at Europris.no.

Packaging

Waste from packaging is an environmental issue worldwide, including in Norway. Every year, millions of tonnes of packaging end up in the oceans, and most of this stems from land. Europris sells thousands of products every year, enclosed in different types of packaging. As a large retailer in Norway, the group has a responsibility to ensure that the packaging used with its products is made from recycled or sustainable materials, and that this is reduced as much as possible. Europris' consumers are demanding more sustainable packaging, and dialogue with other stakeholders has also made it very clear that this is a topic of great importance to them as well. Packaging is an important part of making Europris products more sustainable, but is not yet defined as a criterion to be communicated under the group's sustainability symbol.

The group has a responsibility to help customers increase recycling through proper labelling.

Since the group took the plastic pledge in 2019 through its membership of Green Dot Norway, the following three goals have been its priorities for directly sourced products:

1. reduce packaging used
2. increase the use of recycled plastic
3. design for recycling – which starts with the use of recyclable materials and proper labelling of products in order to increase the recycling rate at the end of the product's lifecycle

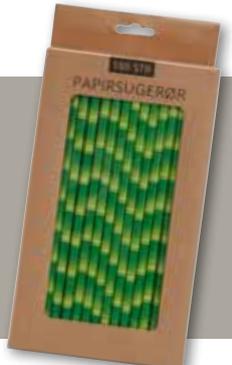
Actions and results

For the third year in a row, the group has increased the share of sustainable products in its total sales. They accounted for 7.8 per cent in 2021, a growth from 7.3 per cent in 2020 and 5.9 per cent in 2019. A corporate project was initiated at the end of 2021 with the aim of intensifying work on sustainable products and communication. Among other things,

this project will define sustainability criteria in different categories, and develop and implement work processes and solutions which will facilitate a further increase in sustainable products.

The group launched its own umbrella sustainability symbol in April 2021, covering twenty third party-certified products at 31 December 2021. The aim was help customers find sustainable products more easily, since these are marked with the sustainability symbol on shelves and in marketing material. Europris also signed the Norwegian Guide Against Greenwashing¹, an initiative by several organisations to promote honest communication on sustainability.

Kilograms	2020	2021
Recycled plastic	491,256	445,132
Reduced amount of plastic	1,496	7,762



A significant step in working with the group's packaging and plastic goals in 2021 was the employment of a packaging engineer to work on the defined priority areas for packaging. During 2021, the group used 445,132 kilograms of recycled plastic in its products and reduced the amount of plastic by 7,762 kilograms. In addition to the three initial goals in terms of packaging, the group has also selected increased filling rate in product packaging as an additional goal within this area.

Targets and ambitions

Europris' overall aim is to continue work on increasing the sustainable options offered to customers year by year. The corporate project created to pursue sustainable products and communication will be working regularly and in a dedicated way through workshops, sprints, pilots and regular reporting on outcomes and milestones to the management.

Important ambitions for the group within this area in the coming year is to improve sustainability within its product categories, increase awareness of its

umbrella sustainability symbol, improve its processes for optimising packaging for directly sourced goods and enhancing data quality for packaging.

Safe and good quality products

Europris takes its responsibility for customer safety seriously. The group works to ensure safe and good quality products, and has a dedicated product quality and safety department. All high-risk products are tested to ensure that they comply with international and national legislation. 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 as merchandise is sourced from a multitude of suppliers across the globe, which increases the risk that certain products may fail to meet national requirements.

Products are tested at the production site in accordance with Norwegian product regulations. In addition, all high-risk items, such as electrical products, toys, chemicals, food items, food contact materials and pet food, undergo strict checks by the quality assurance department before production can take place. The group wants to ensure that all its products are safe and of good quality and has zero tolerance for recalls and withdrawals.

Actions and results

The quality assurance department in Norway has concentrated attention on optimising routines and testing in collaboration with the quality team in the Shanghai office, the group's joint sourcing office with Tokmanni in Asia. The quality team at the Shanghai office ensures pre-shipment inspections are carried out for products produced in Asia. Reports from these inspections must be approved by the quality assurance department at the head office in Norway before the shipment is released. This provides time for corrections to be made before products leave the production site and reduces the risk of faulty or defective products being transported to Norway.

Increased attention has also been paid to improving quality on the basis of feedback on product defects through follow-up at regular meetings with product managers. In 2021, a total of 1,875 third-party quality inspections were carried out in

¹ Guide Against Greenwashing (gronnvasking.no)

Asia (1,190 in 2020). No incidents of non-compliance were found concerning products and services in 2021. Five incidents involving incorrect labelling of products occurred in 2021. These errors were detected and corrected by the quality assurance department before the products were sent to the stores.

Europris has implemented a new system which enables improved tracking and reporting of customer complaints and product defects. Greater data accuracy will allow the group to work more efficiently on reducing defects and improving quality. This is an important aspect for sustainability and will improve perceived quality for customers.

The group has intensified the attention it devotes to suppliers of high-risk products or product categories which exceed a claim rate of three per cent over the year. This aims to improve the quality of unsatisfactory products. With time, it will improve the overall perception of the quality of Europris merchandise.

Targets and ambitions

Europris' ambition is to continue improving its work on quality. The group aims to strengthen its reputation as a trustworthy and dependable retailer of discount variety merchandise, while making quality an important criterion for sustainability in specific categories.

Responsible supply chain management

Europris' products are sourced from suppliers with production sites across the world. The group has a supplier code of conduct based on UN and International Labour Organisation (ILO) conventions. Suppliers in the group's identified risk areas are pre-screened to map whether they meet at least minimum criteria under the Europris code of conduct before it will do business with them.

All suppliers are required to sign agreements and the Europris supplier code of conduct. In addition to upholding excellent standards for business ethics and anti-corruption, suppliers are required by this code to minimise adverse effects on human health, animals or the environment throughout their value chains.

National and international environmental legislation must be respected. In the event of any violation, suppliers will be given a warning and remedial action will be followed up. If a supplier shows no intention of taking remedial action within the specified time frame, the contract will be terminated. The group's code of conduct can be found at [Europris.no](https://www.europris.no).

Actions and results

Products sourced from east Asia are provided by about 45 per cent of total suppliers and account for some 40 per cent of Europris merchandise sales. Remaining merchandise comes from producers in Norway or Europe. Europris has identified Asia as the source of the group's highest risk of failing to meet social and ethical standards. The group has implemented several important initiatives to reduce this risk and continues to work purposefully to improve in this area.

The group's inspection team works systematically on screening suppliers through Amfori or the supplier's own inspections, and follows up suppliers with a low score. Europris' ambition is that all goods sourced through the Shanghai office by the end of 2023 come from suppliers and factories which have been audited (Amfori BSCI², for instance). Despite stricter measures and difficulties in carrying out planned audits over the past two years because of the Covid-19 pandemic, Europris increased the proportion of its goods sourced from BSCI-audited factories by 12 percentage points, from 63 per cent in 2020 to 75 per cent in 2021. Europris maintains a whistle-blower system, available to all stakeholders via [Europris.no](https://www.europris.no), to make sure that important issues can be reported anonymously. This measure is aimed at managing potential problems related to breaches of the group's ethical guidelines.

Targets and ambitions

Europris will continue to improve its approach to sustainable supply management and to raise environmental, labour and human rights standards among its suppliers in order to ensure that no harm is done in its supply chain. This will be achieved by continuing and improving the work already begun and through the collaboration with Amfori and Ethical Trade Norway.

² Amfori BSCI is a monitor system that enables companies to trade with purpose by improving social performance in their supply chain. For more information, visit: <https://www.amfori.org/content/amfori-bsci>





Resource-efficient business model



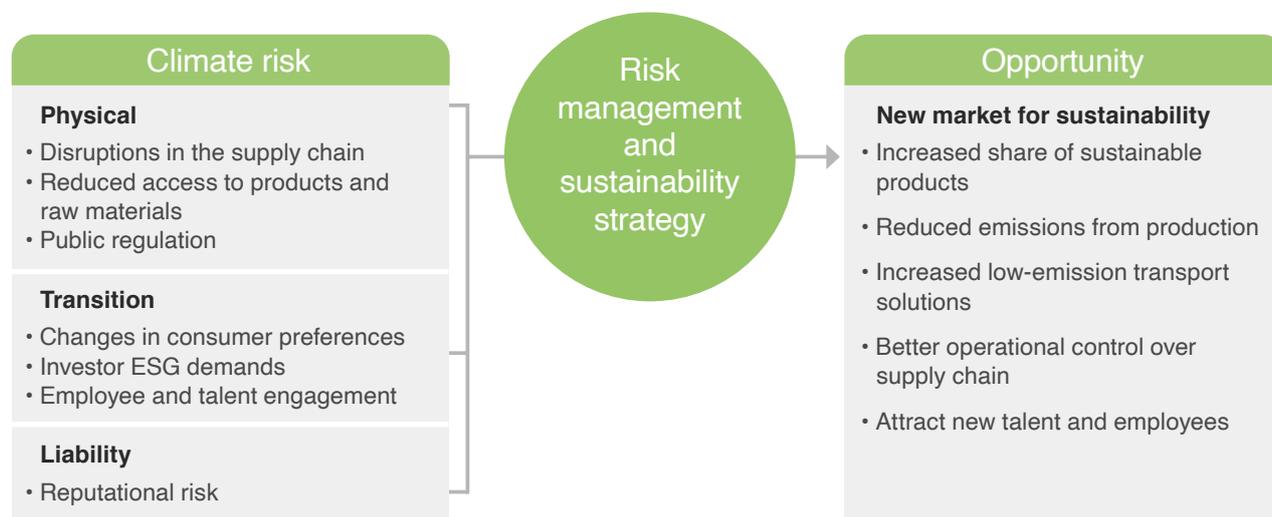
COMMITMENT: limit the impact of the business through resource-efficient operations and logistics.

The global climate challenge is growing more acute as emissions rise and changing climates cause negative effects around the globe. This inevitably presents new risks for business and for society at large – but also opportunities for those contributing to the green transition. Europris acknowledges that its operations have an impact on the environment and strives to reduce its environmental footprint by reducing waste and energy consumption in its own operations and by seeking ways to cut CO₂ emissions.

Selected priority areas:

- reduce energy use per square metre in stores by 15 per cent by the end of 2022, compared with 2018
- reach an overall recycling rate of 85 per cent for the group by the end of 2022

Europris has conducted a workshop to identify its most significant climate-related risks and opportunities in accordance with the TCFD framework. A summary of the results is presented in the figure below.



Physical climate-related risks, such as increased frequency and severity of extreme weather events, can have a negative effect on the Europris value chain. Transitional and liability risks are linked to changing customer preferences. To mitigate the effect of the identified risks, Europris carries out ongoing assessments of its product portfolio and logistics operations. Regular dialogue with stake-

holders is conducted to ensure that their expectations are met.

Europris will also experience several climate-related opportunities such as increased market share by offering more sustainable products. Working on making its value chain more sustainable will result in reduced indirect emissions, for example

from the production of its products and through low-emission transport solutions. Sustainability is an important criteria also for existing employees. Working on these areas contributes to employee satisfaction which can contribute to employee retention and to attracting new talent and employees to the company.

Climate-friendly operations and logistics

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. Its 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 purchased or leased for its employees.

Scope 2 includes indirect emissions related to purchased energy – electricity and heating/cooling. Where Europris is concerned, this represents all energy consumed in its stores, head office and warehouses.

Scope 3 includes indirect emissions resulting from the group's upstream and downstream value chain activities which it does not control. Europris currently measures downstream transport and distribution, waste and business travel within this scope.

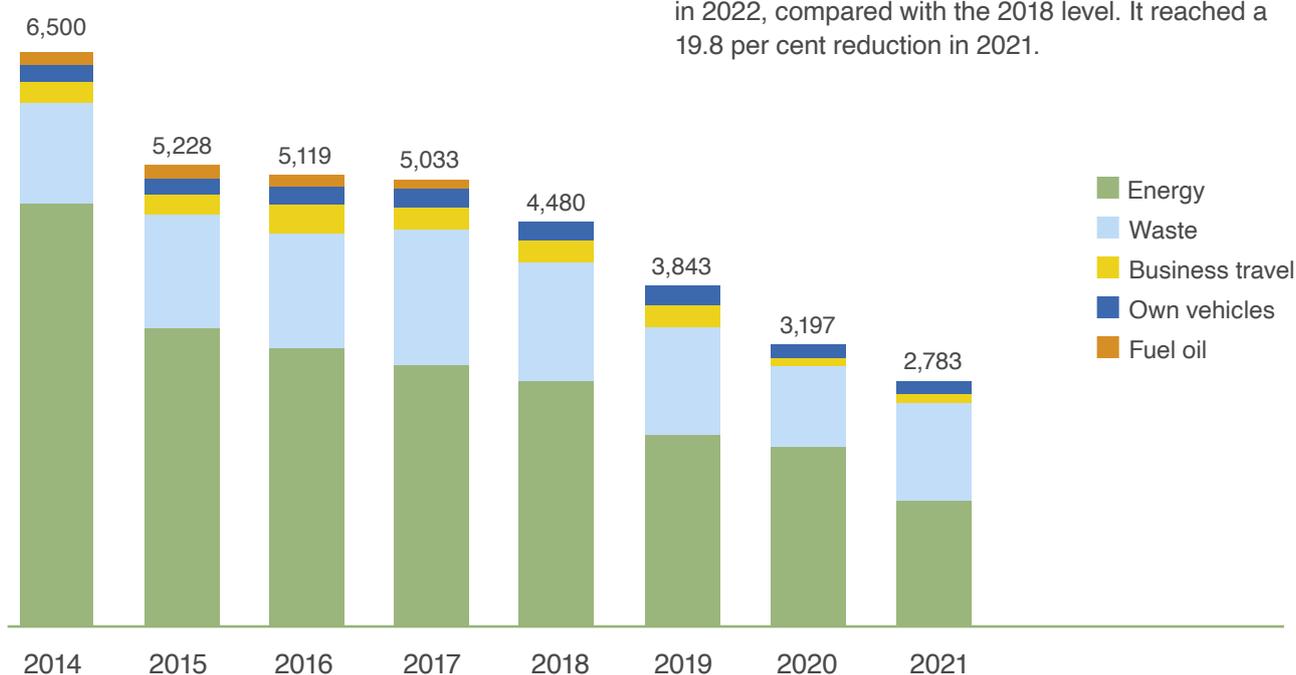
Europris is pleased to see results from the action it has taken to cut energy consumption. The group has gone from five to two warehouses, and has implemented energy efficiency measures in stores. It has measurable specific activities for promoting sustainable operations, technical solutions and optimised energy use.

The group's head office in Fredrikstad and its logistic centre are both Eco-Lighthouse certified. Its head office moved to new premises in 2019. This building is constructed with energy-saving measures such as good insulation, external sunshading, LED lighting, motion detectors to control lights, a ventilation system which switches off after working hours, and solar panels.

Actions and results

Europris reduced its total GHG emissions (scopes 1 and 2, and selected scope 3 categories) by 1.9 per cent in 2021 despite opening additional stores during the same period. This decrease primarily reflects energy efficiency measures and lower energy consumption. The group has a target to reduce energy use per square metre in stores by 15 per cent in 2022, compared with the 2018 level. It reached a 19.8 per cent reduction in 2021.

Greenhouse gas emissions (tCO₂e)



Total energy-related emissions decreased by 30 per cent from 2020 to 2021 as a result of targeted emission-reduction activities and using less fossil fuel in the energy mix. Goods transport, energy use and waste were the group's main sources of carbon emissions during this period, while business travel and transport using own vehicles accounted for only 2.7 per cent.

Own vehicles

Europris updated its vehicle policy in June 2021. When the group enters into lease agreements for employee vehicles, zero-emission models will be the preferred option. Requirements which indicate that alternative-fuel vehicles need to be chosen must be approved by the departmental head from the management team. Seventy per cent of new cars leased in 2021 were electric. Non-electric vehicles were only used where required by the mileage/range needs of district managers. This cut scope 1 emissions in tCO₂e by 6.9 per cent in 2021.

Energy

The group was very pleased to see the first results from self-generated renewable electricity using solar panels at its head office in 2020. This represents a small but meaningful measure in efforts to reduce the group's CO₂ footprint. The

solar panels generated 45.2 MWh in 2021 (47.7 MWh in 2020).

Europris warehouses achieved a 13 per cent cut in electricity consumption while consumption of district heating was reduced by 16 per cent. There was a drop in emissions from the warehouses of 33 per cent.

The year 2021 saw much attention devoted to energy-saving measures in stores, with close monitoring of energy use and best practice shared across stores and districts. These efforts led to an 8 per cent drop in electricity consumption in the stores. Specific measures taken during 2021 to contribute to these results included:

- better monitoring technology
- improved routines for energy use and follow-up of saving measures in stores
- additional LED light installation in 38 stores, bringing the total to 81 per cent of stores.

Combined with emission reductions in the Nordic electricity grid, driven primarily by increased use of renewable energy, these efforts contributed to a reduction in scope 2 emissions of 30% in 2021.

Pilot project with second-hand use of batteries for energy storage

Through its partnership with Energima, Europris has embarked on a pilot project for storing electrical energy. This work is partly funded by Enova SF, a company owned by the Ministry of Climate and the Environment. The project will help to cut greenhouse gas emissions, develop energy and climate technology, and strengthen security of supply.

The pilot aims to learn how to improve the lifecycle of both new and second-hand batteries, while handling peak load management (peak shifting) in

a building's power grid. An installation at Europris Råde will primarily be used for testing and optimising a cloud-based energy management system (EMS). This controls charging and discharging of the battery pack to avoid peak tariffs or to buy energy when prices are low over a 24-hour cycle. Using the batteries smoothens the load on the mains supply and reduces losses in the electrical transmission system. Local electrical capacity is effectively increased without the need to upgrade the building's power intake.

Transport

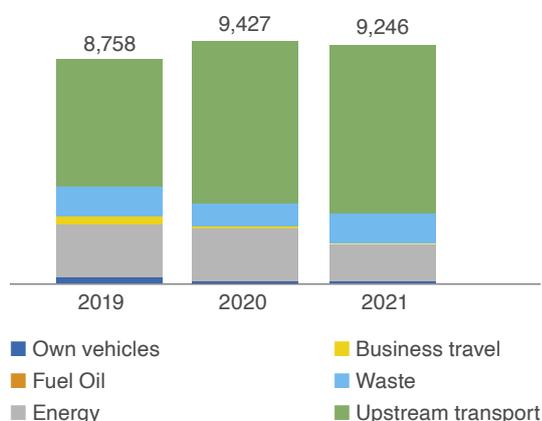
Emissions from transporting sourced goods were included in the climate report for the first time in 2019, and showed that goods transport released more GHGs than Europris’ own direct emissions. The group recognises that it shares this impact with suppliers, and is working to find efficient logistical solutions with low emissions. Monitoring emissions from transporting sourced goods provides a basis for further dialogue with partners on finding more sustainable solutions.

Higher sales volumes and a larger number of stores have led to an increase in CO₂ emissions from transportation of goods from the warehouses to the stores. Initiatives have been taken to reduce the number of heavy goods vehicles (HGVs) on the road by expanding the size of modular semi-trailers. This removed an average of 350 HGVs from the road in 2021. Increasing the load factor on HGVs removed another 75 in 2021. Europris evaluates alternative transport methods where viable options are feasible.

Emissions from upstream goods transport was included from 2019, resulting in a significant increase in reported emissions of CO₂. The total carbon footprint for Europris in 2021 was 9,246.4 tonnes of CO₂e, including upstream goods transport.

The table below shows CO₂ emissions, including goods transport.

Greenhouse gas emissions (tCO₂e)



Targets and ambitions

The group will continue to look at ways of reducing its emission from energy consumption and transport by identifying internal initiatives and by collaborating

with external partners to reduce amounts emitted in these areas.

Europris intends to set science-based targets (SBT) in 2021 approved by the SBT initiative. A workshop on scope 3 was conducted with an interdisciplinary group in 2021. This identified overcoming a lack of data as a first step, and work on improvements here will start in 2022. A challenge in this area is the lack of existing information required to calculate emissions in the relevant indirect areas, especially for purchased goods. Ensuring reliable data will be the first step towards establishing SBTs and establishing the basis for further strategic work on reducing direct and indirect CO₂ emissions.

Circular solutions and waste reduction

An expanding number of stores puts pressure on Europris to decouple business growth and environmental impact. This underlines the importance of waste management and circular solutions. The group is committed to reducing waste in its own operations. It will continue to seek solutions for reducing waste in its operations and for helping its customers to do the same.

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

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 2021 were up by 24 per cent compared with 2020, while the recycling rate rose from 73 to 75 per cent over the same period. The rise in emissions from waste reflects the inclusion of estimates for the remaining stores where Europris does not have data and which have not been included previously. Excluding these estimates there was a reduction of 2 per cent.

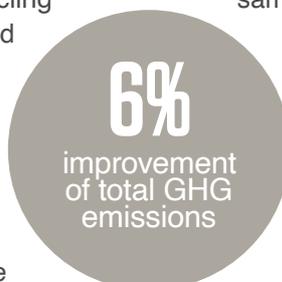
Recycling rate	2020	2021
Stores	73%	74%
Warehouse	83%	86%
Head office	53%	89%

Recycling rate in the stores increased to 74 per cent during 2021, compared with 73 per cent in 2020. Europris understands that more attention needs to be devoted to further increasing the recycling rate and reducing waste in its stores, and this will be done in 2022.

The central warehouse had a recycling rate of 86 per cent in 2021, up from 83 per cent in 2020, which demonstrates the high level of attention paid to waste management. Amongst the specific measures contributing to these results were an increased number of waste disposal points and the introduction of a compactor for cardboard.

The Europris head office had a recycling rate of less than 45 per cent at the beginning of 2020. Subsequent measures contributed to a solid improvement, with a recycling rate of 53 per cent at the end of the 2020 and 89 per cent at the end of 2021. Amongst the specific measures contributing to these results were clear labelling and information about waste disposal on all bins as well as the installation

of textile containers and strengthening the partnership with the local City Mission of the Church of Norway, which has reduced waste from product samples.



Evaluation of the pilot project with Too-Good-To-Go revealed that other initiatives are more significant in terms of reducing food waste, and greater attention will therefore be paid to these. When several stores were required to close temporarily because of the pandemic in 2021, the Too-Good-To-Go cooperation was beneficial for minimising food waste.

Targets and ambitions

The group is pleased with the improvements made to the recycling rate at its warehouses and head office. It understands that reaching its total recycling rate of 85 per cent by 31 December 2022 requires a big concentration on finding solutions and further improvements. Europris will continue to increase efforts together with its waste management partner Ragn-Sells to achieve further gains in this area.

GHG emission, tCO ₂ e	2019	2020	2021	Change from previous year
Scope 1				
Transport total	210.6	163.3	152.1	(6.9%)
Scope 2				
Location-based electricity	2,150.0	2,038.3	1,425.7	(30.1%)
Market-based electricity	11,246.3	13,075.9	10,403.3	(12.8%)
District heating	15.1	3.6	4.2	16.7%
Location based indirect energy consumption	2,165.1	2,041.9	1,429.9	(30.0%)
Market based indirect energy consumption	11,261.4	13,078.5	11,409.6	(12.8%)
Scope 3				
Upstream transport and distribution	4,914.6	6,230.6	6,462.1	3.7%
Waste	1,203.9	889.8	1,106.6	24.4%
Business travel	262.9	101.6	95.7	(5.8%)
Total location based GHG emissions	8,757.1	9,427.2	9,246.4	(1.9%)
Total market based GHG emissions	17,853.4	20,463.8	19,226.1	(6.0%)

Note: 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, N₂O, 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.



Responsible employer



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

Dedicated employees are the groups most important asset. The workforce will be assured an inclusive and safe working environment, where personnel can develop and have long and meaningful careers. The group's core values and business ethics are communicated regularly and clearly so that employees can use them as guidelines in their working day. The policies and guidelines in place apply to all employees, whether they are full-time, part-time, permanent, or temporary hires.

The group maintains a whistle-blower system which is available to all stakeholders, both internal and external, via its website. This ensures that important matters can be reported anonymously – such as any breaches of the group's ethical guidelines, including discrimination, harassment and sexual harassment. Five cases were reported in 2021, none involving discrimination. All incidents were handled and resolved by the HR and legal departments.

Equal opportunities and an inclusive work environment

The group believes in equal opportunities for all people, regardless of age, gender, religion, ethnicity, nationality, disability, sexual orientation, sexual identity, or stage of life. A separate policy on diversity and non-discrimination has been approved by the board. Previously this topic was covered in the ethical policy but has been separated to underline the importance of this area and to strengthen how Europris will work to prevent any harassment or discrimination and work for equality.



The group has a working environment committee (AMU), which holds four meetings a year. It comprises representatives from the head office, the stores and the warehouses. AMU plays an important part when it comes to how the group works with i) investigating risk for discrimination, non-equality or risk within HSE, ii) analysing any causes for the identified risks, iii) suggest and ensure implementation of appropriate measures and iv) evaluate results from measures taken. AMU took part in drawing up the group's improvement strategy for a health-promoting workplace. Through participation in workshops and meetings, employee representatives play a natural role in producing all processes or policies affecting the workforce. The annual employee engagement survey is also an important channel to receive feedback from employees.

In order to map risks, safety hazards or breaches to policies the group uses an electronic deviation system and regularly performs employee interviews, risk assessments, conducts physical inspection rounds, and performs a climate survey and an employee satisfaction survey on an annual basis. Employees can also report work-related risks or any deviations/breaches via their managers, the HSE manager or the HR department. In addition, risk and deviations can be reported anonymously through the external whistle-blower system. The HSE managers, accompanied by the safety delegates and other employees, follow up any identified deviations.

Actions and results

Recruitment and promotion

The group works with diversity through a transparent and open recruitment policy and has a zero-discrimination policy. The group works to provide all employees with the opportunity for growth in the organisation. Europris has an ambition that at least

50 per cent of store managers are internally recruited. Internal recruitment of store managers was 85 per cent in 2021 (75 per cent in 2020). Although the group devotes attention to internal recruitment, every recruitment process is advertised externally to ensure that all aspects of diversity are maintained. A new system for testing candidates was implemented in 2021 to ensure the candidates are ranked on the basis of their personal traits and skills and to reduce the risk of discrimination and unconscious prejudice during the recruitment process. Whenever possible, the aspiration is to have at least one candidate from each gender in the final round of the recruiting process.

Europris welcomed 1,147 new employees in 2021 (1,004 in 2020). The employee turnover rate was 19.8 per cent, down from 22.6 per cent in 2020.

Turnover	Women	Men	Total
Group	19.7%	20.0%	19.8%

Europris collaborates with social welfare schemes such as the one run by the Norwegian Labour and Welfare Administration (NAV). The group welcomed 27 new employees under this scheme in 2021 (18 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 return to the workforce.

Training and development

The Europris Academy was revitalised in 2020 and provides relevant learning for employees across the organisation. A learning management system (LMS) was put in place to ensure that competence development and training are documented, followed up, systematised and available at all times.

Store employees participate in training across a diverse range of areas during a year, both virtually and physically, depending on the topic to be covered. The main training given to store employees falls within the following categories:

- Product, concept and seasonal execution
- Leadership and store management
- Onboarding of new employees
- Health, Safety and Environment

To ensure a good onboarding process for new store

managers, Europris introduced a mentor programme in 2020 with the aim of inspiring and supporting such personnel. A total of 17 mentors had been trained at 31 December 2021.

A new platform for virtual training was introduced for administrative personnel in 2021. It comprises a wide range of courses in several categories. All product managers underwent a certification course during 2021 in negotiating techniques, while IT personnel attended project management training. To prepare leaders for changing market trends, a combined strategy and leadership programme was developed and rolled out to all mid-level managers in 2021. This programme will continue in 2022 and 2023.

Pay and working conditions

The group devotes attention to its gender balance and strives to have at least one candidate of each gender in the final round of all recruitment processes. Generally speaking, more women work in the stores and more men in the warehouses, which is representative for this type of industry. So is the high proportion of part-time contracts. Europris has started to map involuntary part-time work and will address this topic more closely in the future.

The pay gap for the group show that men are paid on average 12 per cent more than women. This reflects a larger number of men in more senior positions and an age differential where men on average have greater seniority. The group monitors that employees with individual pay agreements receive equal pay for equal work. Any deviations must be explained by differences in education, training, competence, age or other relevant criteria. Should any inequitable pay gap be discovered, such differences will be handled on a case-by-case basis. Many employees are covered by collective pay agreements. This ensures equal pay for equal work for most of the personnel in the group.

Targets and ambitions

The group will continue to work towards constant improvement in fostering an inclusive and safe workplace, without discrimination or non-equality. The gender pay gap is part of the annual pay adjustment process, where any inequitable differences will be addressed. Diversity is taken into account in recruitment and promotion processes. The group will also maintain its partnership with NAV to continue including people who have dropped out of the working life.

Gender balance, number of employees		Temporary contracts		Part-time contracts		Involuntary part-time work		Parental Leave (average weeks)	
Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
1,978	1,320	17%	12%	44%	22%	9%	3%	22	6

Share of women and men are based on the total number of employees in the group.

Gender balance and pay difference	Number of women	Number of men	Pay difference men vs women
Group ¹	1,920	1,281	12.0%
Executive management ²	2	6	NA
Central management	8	35	10.7%
Store managers	137	111	4.2%
Remaining staff on individual pay agreements	77	92	17.3%
Employees on collective agreements	1,696	1,037	1.7%

¹ Excluding Lekekassen and Lunehjem.

² Pay difference is not published as there is less than five women in this group.

Employees, age distribution	Under 30 years	30-50 years	Over 50 years
Group	45.8%	40.9%	13.2%
Executive management	-	37.5%	62.5%
Central management	2.3%	60.5%	37.2%
Store managers	7.7%	68.5%	23.8%
Remaining staff on individual pay agreements	11.8%	58.6%	29.6%
Employees on collective agreements	52.2%	37.0%	10.8%

Employees, gender distribution	Women	Men
Group	60.0%	40.0%
Executive management	25.0%	75.0%
Central management	18.6%	81.4%
Store managers	55.2%	44.8%
Remaining staff on individual pay agreements	45.6%	54.4%
Employees on collective agreements	62.1%	37.9%

Board of directors, age and gender distribution	Women	Men
Under 30 years	-	-
30-50 years	-	1
Over 50 years	3	3

The group has established two projects to pursue further improvements in diversity and equal opportunities. One revolves around more accurate data for better analysis and for enabling the group to work more strategically on this topic. The other aims at a better structuring the work already being done in this field. The group will work continuously on diversity, equality, non-discrimination and a healthy and safe working environment in the areas of recruitment, promotion, training and development, pay and working conditions, including unwanted part-time contracts, accommodation of special needs, stages of life, harassment and sexual harassment.



Health and safety at the workplace

Most of the group's employees work in the stores and warehouses. Ensuring that the stores are welcoming and stocked with the merchandise customers want requires physical work, and the group's employees are therefore prone to occupational injuries and illness. HSE measures are accordingly of central importance to Europris in promoting a safe working environment and preventing accidents. The group has a dedicated human resources (HR) department and two designated HSE managers who work continuously to follow up any issues and to ensure learning and improvement.

Actions and results

The workplace must never pose health and/or safety hazards for employees. To ensure safe and healthy working conditions, the group devotes great efforts to preventative and rehabilitative measures – including e-training, in-house HSE courses and specialised courses for elected safety delegates.

Preventive initiatives are important for creating a workplace which promotes good health. All employees are covered by a management system for human resources.

This contains several modules which ensure easy management of employees and provide a solid foundation of secure master data on human resources in accordance with the general data protection regulation (GDPR). All employees have access to information, processes and routines in internal handbooks, which are updated in accordance with current laws and regulations.

Work on strengthening the group as a health promoting workplace in 2021 involved increasing the awareness and training of employees in key roles. Other important priority areas encompass preventive, rehabilitative and inclusive initiatives.

The pandemic affected the level of sick leave in both 2020 and 2021.

More employees caught Covid-19 in 2021 than the year before, which was in line with overall developments in society. Employees have done a tremendous job in handling all the quarantine-related absences, since working from home is not an option for the majority of the group's workforce.

Sick leave	2020	2021
Group	8.6%	8.8%

A total of nine lost-time injuries was recorded for 2021, none resulting in long term absence.

Targets and ambitions

The group works continuously on being a safe and health promoting workplace. A significant ambition up to 2025 is to improve attendance and reduce sick leave among employees. To achieve this, the group will facilitate HSE-related learning and training programmes for all managers and employees. It will conduct more ergonomic reviews and seek to identify the root causes of work-related sick leave. Specific initiatives targeting mental health are high on the agenda, since absences related to this cause have increased during the pandemic.





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. It engages with local communities through sponsorships, partnerships and other community-building activities, and with charities contributing to both social and environmental causes.

Satisfied customers

Europris' works to strengthen and maintain its leading position in the Norwegian discount variety retail market. The group is dependent on a strong customer base and therefore strives to provide customers with a positive and welcoming shopping experience. Europris has conducted an annual market and customer survey since 2007 through an external agency (Mediacom brand tracker) to evaluate its performance on important parameters.

Europris' slogan "pay less – save more" promises to help customers save both time and money. When visiting an Europris store, customers should have a good shopping experience with helpful and friendly staff and the opportunity to choose between a wide range of products.

Actions and results

The group is pleased to see an increase in customer satisfaction in the annual market and customer survey from Mediacom in 2021. This is a result of the great attention paid to important areas such as price perception, deals/promotions, product quality, the shopping experience and service.



Several categories, such as kitchen, home and interior, and chocolate and candy, have been upgraded in recent years. A shop-in-shop strategy, combined with reduced complexity through greater use of a basic range in campaigns, improves the shopping experience and makes it easier for customers, while being at the same time more efficient for the stores in maintaining a good operating standard.

Several projects based on Lean methodology have also been run throughout the organisation in recent years. This improves the working day for employees. A project concentrated on centralising and improving customer service was launched in 2021. This involved more standardised procedures, updating customer system and increased training.

Targets and ambitions

The group will continue having customer satisfaction as a high priority in all areas of the organisation, with the aim of strengthening the positive perception of Europris each year. The road ahead will still involve analysing the results of customer surveys and customer data to keep apace with evolving customer needs and expectations.

Local value creation and community engagement

Europris' stores are located across Norway, including many in smaller communities. The group recognises its position as a local value creator, will always comply with local tax regulations and will strive to create value through local job creation and through supporting the local community via indirect

value creation. Europris contributes to the latter 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 it 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. Europris also contributes to this partnership for instance through supplying products for specific projects at cost price, providing surplus products, distributing their marketing campaigns through the groups communication platforms, and placing clothes containers outside its stores.

Europris has been a member of the Norwegian Retailers Environment Fund since 2018. All the members donated NOK 0.50 to the fund per plastic bag sold in 2021, and these proceeds are invested in local and global initiatives to reduce plastic waste, particularly in the sea.

Actions and results

Europris continued its efforts to raise awareness among its employees of the group's main partnerships in this area. In addition, action taken locally by the stores has been highlighted and communicated to all employees. During the internal sustainability week, three store managers were invited to share what they do locally in order to inspire other store owners while helping to raise awareness and build a sense of pride in belonging to a group which contributes to the community. A monthly newsletter where store managers share stories on this topic is also distributed to all employees.

A questionnaire sent to store employees showed that they regard helping the local community as motivating and important. They would like to increase their contribution to local communities instead of having it centralised. However, they want defined guidelines to help facilitate this work. The

group has therefore created a corporate project starting in 2022 with the aim of standardising procedures and providing local store managers with tools which make them better able to serve the communities they are part of.

Moreover, Europris supplied products to several projects initiated locally by the City Mission, the Helping Heart and other local organisations, together with local sponsorship of sports clubs.

Europris contributed NOK 8 million to the Norwegian Retailers Environment Fund in 2021. The fund has participated in several initiatives this year, including:

- initiating Clean Norway, the country's first comprehensive national clean-up programme, in 10 counties
- helping to clear away 1,000 tonnes of plastic waste from the natural environment
- helping to clean up 5,000 kilometres of coastline
- launching and conducting Norway's largest campaign to address the use of plastic bags, which has already reached out to millions of Norwegians through many channels.

Targets and ambitions

Europris will continue to strengthen its local presence by establishing stores in new locations throughout Norway. This allows people to access products where they live, making their lives more convenient and providing sustainability for everyone.

The group will continue to foster strategic partnerships with local initiatives, and thereby encourage social and environmental value creation outside its immediate operations. Its corporate project in this area will produce plans to create and provide a tool kit which enables local stores to achieve better results by positioning themselves as important contributors to their community.

Store openings in 2021



Austevoll, March



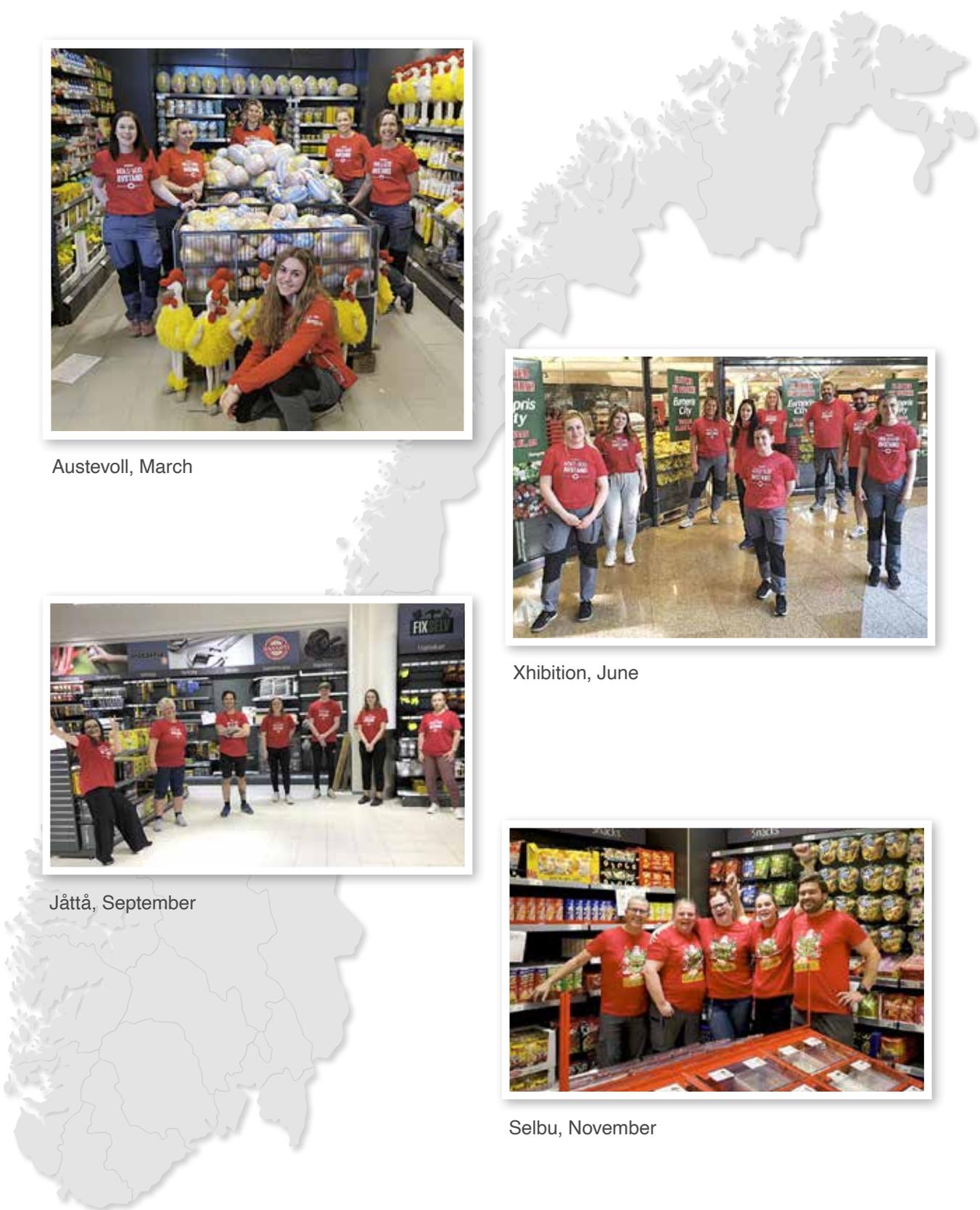
Xhibition, June



Jättå, September



Selbu, November



Europris GRI index 2021

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	Comments	Page
Organisational profile			
102-1	Name of the organisation	Europris ASA	-
102-2	Activities, brands, products and services	In the directors' report	10
102-3	Location of headquarters	Dikeveien 57, 1661 Rolvsøy, Norway	-
102-4	Location of operations	In the directors' report	10
102-5	Ownership and legal form	In the directors' report	10
102-6	Markets served	In the directors' report	10
102-7	Scale of the organisation	In the directors' report	10
102-8	Information on employees and other workers	In the sustainability report	49
102-9	Supply chain	In the directors' report and sustainability report	10,37
102-10	Significant changes to the organisation and its supply chain	In the directors' report	10
102-11	Precautionary principle or approach	The precautionary principle is applied	-
102-12	External initiatives	In the sustainability report	55
102-13	Membership of associations	In the sustainability report	55
Strategy			
102-14	Statement from senior decision-maker	Message from the CEO	9
Ethics and integrity			
102-16	Values, principles, standards and norms of behaviour	In the sustainability report	6,33
Governance			
102-18	Governance structure	In the corporate governance report	24
Stakeholder engagement			
102-40	List of stakeholder groups	Employees, customers, shareholders, investors & financial community, local communities, NGOs, suppliers	35
102-41	Collective bargaining agreements	In the consolidated financial statements, note 8	85
102-42	Identifying and selecting stakeholders	In the sustainability report	33
102-43	Approach to stakeholder engagement	In the sustainability report	33
102-44	Key topics and concerns raised	In the sustainability report	33
Reporting practice			
102-45	Entities included in the consolidated financial statements	In the consolidated financial statements, note 1.2	72
102-46	Defining report content and topic boundaries	In the sustainability report	33
102-47	List of material topics	In the sustainability report and GRI index	33,58-62
102-48	Restatements of information	NA	-
102-49	Changes in reporting	NA	-
102-50	Reporting period	01.01.21-31.12.21	-
102-51	Date of most recent report	Annual Report 2020	-
102-52	Reporting cycle	Anually	-
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 - 2021	58-62

Material topics

GRI section	Description	Comments	Page
Sustainable value chain			
Sustainable 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"	38
103-2	The management approach and its components	In the sustainability report, section "Sustainable value chain"	38
103-3	Evaluation of the management approach	In the sustainability report, section "Sustainable value chain"	38
<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 2022	-
<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"	38
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 "Safe and good quality products"	39
103-2	The management approach and its components	In the sustainability report, section "Safe and good quality products"	39
103-3	Evaluation of the management approach	In the sustainability report, section "Safe and good quality products"	39
<i>GRI 416 - Customer health and safety</i>			
416-1	Assessment of the health and safety impacts is done for all high risk products	In the sustainability report, section "Safe and good quality products"	39
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"	39
<i>GRI 417 - Marketing and labelling</i>			
417-2	Incidents of non-compliance concerning products and service information labelling	In the sustainability report, section "Safe and good quality products"	39
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"	40
103-2	The management approach and its components	In the sustainability report, section "Sustainable value chain"	40
103-3	Evaluation of the management approach	In the sustainability report, section "Sustainable value chain"	40
<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	-

GRI section	Description	Comments	Page
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"	43
103-2	The management approach and its components	In the sustainability report, section "Resource-efficient business model"	43
103-3	Evaluation of the management approach	In the sustainability report, section "Resource-efficient business model"	43
<i>GRI 302 - Energy</i>			
302-1	Energy consumption within the organisation	Table "GHG emissions"	47
<i>GRI 305 - Emissions</i>			
305-1	Direct (scope 1) GHG emissions	Table "GHG emissions"	47
305-2	Energy indirect (scope 2) GHG emissions	Table "GHG emissions"	47
305-3	Other indirect (scope 3) GHG emissions	Table "GHG emissions"	47
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"	43
103-2	The management approach and its components	In the sustainability report, section "Resource-efficient business model"	43
103-3	Evaluation of the management approach	In the sustainability report, section "Resource-efficient business model"	43
<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"	46
Responsible employer			
Equal opportunities and an inclusive 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"	49
103-2	The management approach and its components	In the sustainability report, section "Responsible employer"	49
103-3	Evaluation of the management approach	In the sustainability report, section "Responsible employer"	49
<i>GRI 401 - Employment</i>			
401-1	New employee hires and employee turnover	In the sustainability report, section "Equal opportunities and an inclusive work environment" - "Recruitment and promotion"	49
401-3	Parental leave	In the sustainability report, section "Equal opportunities and an inclusive work environment"	51
<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"	50
<i>GRI 405 - Diversity and equal opportunity</i>			
405-1	Diversity of governance bodies and employees	In the sustainability report, section "Equal opportunities and an inclusive work environment"	51
405-2	Ratio of basic pay and remuneration of women to men	In the sustainability report, section "Equal opportunities and an inclusive work environment"	51
<i>GRI 406 - Non-discrimination</i>			
406-1	Incidents of discrimination and corrective actions taken	In the sustainability report, section "Equal opportunities and an inclusive work environment"	49

GRI section	Description	Comments	Page
Health and safety at 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"	52
103-2	The management approach and its components	In the sustainability report, section "Responsible employer"	52
103-3	Evaluation of the management approach	In the sustainability report, section "Responsible employer"	52
<i>GRI 403 - Occupational health and safety (2016)</i>			
403-1	Occupational health and safety management system	In the sustainability report, section "Health and safety at the workplace"	52
403-2	Hazard identification, risk assesment and incident investigation	In the sustainability report, section "Health and safety at the workplace"	52
403-3	Occupational health services	In the sustainability report, section "Health and safety at the workplace"	52
403-4	Worker participation, consultation and communication on occupational health and safety	In the sustainability report, section "Health and safety at the workplace"	52
403-5	Worker training on occupational health and safety	In the sustainability report, section "Health and safety at the workplace"	52
403-6	Promotion of worker health	In the sustainability report, section "Health and safety at the workplace"	52
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	In the sustainability report, section "Health and safety at the workplace"	52
403-10	Work-related ill health	In the sustainability report, section "Health and safety at the workplace"	52
Empowering customers and communities			
Satisfied customers			
<i>GRI 103 - Management approach</i>			
103-1	Explanation of the material topic and its boundary	In the sustainibility report, section "Empowering customers and communities"	55
103-2	The management approach and its components	In the sustainibility report, section "Empowering customers and communities"	55
103-3	Evaluation of the management approach	In the sustainibility report, section "Empowering customers and communities"	55
<i>Europris - own indicator</i>			
1	Mediacom customer survey results	In the sustainibility report, section "Satisfied customers"	55
2	Number of customer complaints	In the sustainibility report, section "Satisfied customers"	55
GRI section	Description	Comments	Page
Local value creation and community engagement			
<i>GRI 103 - Management approach</i>			
103-1	Explanation of the material topic and its boundary	In the sustainibility report, section "Empowering customers and communities"	55
103-2	The management approach and its components	In the sustainibility report, section "Empowering customers and communities"	55
103-3	Evaluation of the management approach	In the sustainability report, section "Empowering customers and communities"	55
<i>GRI 201 - Economic performance</i>			
201-1	Direct economic value generated and distributed	In the sustainibility report, section "Local value creation and community engagement"	55
<i>Europris - own indicator</i>			
3	Description of approach	In the sustainibility report, section "Local value creation and community engagement"	55



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 started her career 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.



Content

About Europris.....	4
Key figures	7
Letter from the CEO	9
Directors' report.....	10
The board	22
Corporate governance	24
Sustainability report.....	33
The management.....	63
Consolidated financial statements	65
Income statement.....	67
Balance sheet.....	68
Statement of changes in equity.....	70
Statement of cash flows	71
Notes	72
Parent company	103
Income statement.....	104
Balance sheet.....	105
Statement of changes in equity.....	107
Statement of cash flows	108
Notes	109
Declaration to the annual report.....	117
Alternative performance measures definitions	118
Auditor's report.....	120
Shareholder information.....	125

EUROPRIS ASA GROUP 2021

Consolidated income statement

Figures are stated in NOK 1,000	Note	2021	2020
Revenue	5	8,568,379	7,928,658
Other income	5	79,798	83,971
Total operating income	5	8,648,177	8,012,629
Cost of goods sold (COGS)	20	4,592,143	4,534,134
Employee benefit expenses	6,7,8	1,230,303	1,138,193
Depreciation	12,13,14	571,223	539,927
Other operating expenses	6,9,14	742,749	634,794
Total operating expenses		7,136,420	6,847,049
Operating profit		1,511,758	1,165,580
Interest income	10	102	181
Other financial income	10	28,253	11,227
Total financial income		28,354	11,408
Interest expense	10,14	101,548	131,583
Other financial expense	10	21,201	18,893
Total financial expense		122,750	150,476
Net financial income (expense)		(94,395)	(139,068)
Profit/(loss) from associated companies	16	189	2,600
Profit before tax		1,417,551	1,029,112
Income tax expense	11	313,588	225,489
Profit for the year	18	1,103,963	803,624
Profit attributable to non-controlling interests		22,152	-
Profit attributable to owners of the parent		1,081,811	803,624
Earnings per share (basic and diluted) – in NOK	18	6.72	4.86
Consolidated statement of comprehensive income			
Profit for the year		1,103,963	803,624
Other income and expense		-	-
Total comprehensive income for the year		1,103,963	803,624
Profit attributable to non-controlling interests	17	22,152	-
Profit attributable to owners of the parent		1,081,811	803,624

Notes 1 to 29 are an integral part of the consolidated financial statements

Consolidated balance sheet

Figures are stated in NOK 1,000	Note	31-12-2021	31-12-2020
ASSETS			
Non-current assets			
Software	12	65,421	58,030
Trademark	12	591,266	387,573
Goodwill	12,15	2,073,373	1,617,731
Land	13,15	46,190	24,966
Buildings	13,15	119,362	-
Fixtures and fittings	13	328,520	301,400
Right-of-use assets	14	2,320,022	2,262,555
Investment in associated companies	16	128,844	128,487
Other investments		383	424
Other receivables	19,25	28,391	28,179
Derivatives	19,24,25	37,676	11,796
Total non-current assets		5,739,449	4,821,141
Current assets			
Inventories	20	1,997,312	1,633,927
Trade receivables	19,25	215,480	195,287
Other receivables	19,25	44,241	50,514
Provisions	19,25	60,816	37,302
Derivatives	19,24,25	11,494	-
Cash	21,25	570,286	540,056
Total current assets		2,899,629	2,457,086
Total assets		8,639,078	7,278,227

Consolidated balance sheet

Figures are stated in NOK 1,000	Note	31-12-2021	31-12-2020
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium	22	212,624	212,471
Other paid-in capital	22	20,718	17,475
Other equity		2,386,704	1,983,662
Total shareholders' equity		2,620,046	2,213,608
Non-controlling interests	17	268,680	-
Total equity		2,888,726	2,213,608
Liabilities			
Non-current liabilities			
Deferred tax liability	11	52,332	4,726
Borrowings	2,23,25	1,091,521	995,082
Lease liabilities	14,23	1,913,555	1,850,561
Total non-current liabilities		3,057,407	2,850,369
Current liabilities			
Borrowings	2,23,25	5,000	-
Current lease liabilities	14	490,164	473,739
Accounts payable	2,25	843,854	742,753
Tax payable	11	324,057	251,879
Public duties payable	25	376,023	323,511
Put option liability	2,15	246,528	-
Other current liabilities	2,23	404,379	380,788
Derivatives	24,25	2,940	41,580
Total current liabilities		2,692,945	2,214,250
Total liabilities		5,750,352	5,064,619
Total equity and liabilities		8,639,078	7,278,227

Fredrikstad, 24 March 2022

THE BOARD OF DIRECTORS OF EUROPRIS ASA



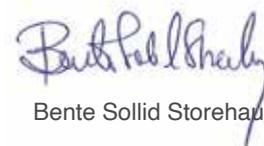
Tom Vidar Rygh
Chair



Claus Juel-Jensen



Hege Børmark



Bente Sollid Storehaug



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	Non-controlling interests	Total equity
Equity 01.01.2021	166,969	(6,150)	51,652	17,475	1,983,661	2,213,608	-	2,213,608
Profit for the period	-	-	-	-	1,081,811	1,081,811	22,152	1,103,963
Dividend	-	-	-	-	(434,207)	(434,207)	-	(434,207)
Net purchase/sale of treasury shares	-	153	-	3,243	3,874	7,270	-	7,270
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	246,528	246,528
Put option liability	-	-	-	-	(246,528)	(246,528)	-	(246,528)
Translation differences	-	-	-	-	(1,907)	(1,907)	-	(1,907)
Other comprehensive income	-	-	-	-	-	-	-	-
Equity 31.12.2021	166,969	(5,997)	51,652	20,718	2,386,704	2,620,046	268,680	2,888,726
Equity 01.01.2020	166,969	(1,150)	51,652	17,475	1,742,923	1,977,870	-	1,977,870
Profit for the period	-	-	-	-	803,624	803,624	-	803,624
Dividend	-	-	-	-	(323,346)	(323,346)	-	(323,346)
Net purchase/sale of treasury shares	-	(5,000)	-	-	(239,539)	(244,539)	-	(244,539)
Other comprehensive income	-	-	-	-	-	-	-	-
Equity 31.12.2020	166,969	(6,150)	51,652	17,475	1,983,661	2,213,608	-	2,213,608

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 subject to specific conditions. See note 22 for details of treasury shares.

Consolidated statements of cash flows

Figures are stated in NOK 1,000	Note	2021	2020
Cash flows from operating activities			
Profit before income tax		1,417,551	1,029,112
Adjusted for:			
– Depreciation fixed assets	13,14	546,123	520,350
– Amortisation intangible assets	12	25,100	19,578
– Unrealised gain and loss on derivatives	10,17	(25,880)	11,191
– Net interest expense exclusive of change in fair value derivatives	10	124,877	144,608
– Profit from associated companies	16	(189)	(2,600)
Changes in net working capital (exclusive effect of acquisitions):		(138,706)	227,127
– Inventory		(184,661)	(63,509)
– Accounts receivable and other current receivables		(17,334)	(40,969)
– Accounts payable and other current debt		139,302	314,625
– Decrease/(increase) in financial assets at fair value through profit or loss		(76,013)	16,980
Interest received		102	181
Interest paid	10	(99,099)	(127,809)
Income tax paid	11	(258,529)	(116,814)
Net cash generated from operating activities		1,591,351	1,704,924
Cash flows from investing activities			
Proceeds from sale of fixed assets	13	176	-
Purchases of fixed assets	13	(98,450)	(72,238)
Purchases of intangible assets	12	(32,490)	(31,908)
Acquisitions	15	(553,204)	(7,979)
Proceeds from sale of financial assets		62	-
Net cash used in investing activities		(683,906)	(112,125)
Cash flows from financing activities			
Proceeds from borrowings		2,636	1,000,000
Repayment of debt to financial institutions		(3,750)	(1,651,675)
Principal paid on lease liabilities	12	(449,162)	(401,218)
Dividend		(434,207)	(323,346)
Sale/buy-back of treasury shares		7,270	(244,539)
Net cash from financing activities		(877,214)	(1,620,778)
Net decrease/increase in cash		30,231	(27,979)
Cash at beginning of year (01.01)		540,056	568,036
Cash at end of year (31.12)		570,286	540,056

Notes 1 to 29 are an integral part of the consolidated financial statements

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 2021. The accounting policies adopted are consistent with those of the previous financial year.

The board approved the consolidated financial statements on 24 March 2022.

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%
Lunehjem.no AS	67%
Lekekassen Holding AS	67%

The subsidiaries acquired by Europris AS in 2020 – Kilen Lavpris AS and Vågsbygd Lavpris AS – were both merged with Europris Butikkdrift AS at 1 January 2021.

The Stjørdal Lavpris AS company was acquired by Europris AS at January 2021 and 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 and online stores 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
buildings	5-25 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. Store profitability is monitored on an ongoing basis and stores that deliver below expectations are followed up and necessary measures implemented.

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” and “Lekekassen”) 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 recog-

niton 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 substantially 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 for the goods. 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 Written put options over non-controlling interest

The group has a written put option over a non-controlling interest in Lekekassen Holding AS ("Lekekassen"). The holder of the non-controlling shares

is also the CEO of Lekekassen. If the CEO resigns, the group has a right and an obligation to purchase the shares in Lekekassen for a cash consideration. The consideration to be paid is based on a multiple of EBITDA. At initial recognition, a financial liability is recognised for the present value of the redemption amount, with a corresponding charge directly to shareholders' equity. The present value of the redemption amount is estimated to be no less than equal to the amount payable if the put option were exercised at the end of the period. The financial liability is remeasured to reflect changes in the estimated redemption amount, with a corresponding charge to shareholders' equity.

The non-controlling interest continues to be recognised, and is attributed its share of profit and loss and total comprehensive income.

1.18 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.

1.19 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.

1.20 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	
		2021	2020
USD/NOK	+10%	-53,844	-48,471
	-10%	+53,844	+48,471
EUR/NOK	+10%	-14,364	-16,023
	-10%	+14,364	+16,016

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
2021	+1%	-3,890
	-1%	+3,890
2020	+1%	-3,120
	-1%	+3,120

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 23) 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 31.12.2021	Up to 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Total
Accounts payable	843,854	-	-	-	843,854
Other current liabilities	404,379	-	-	-	404,379
Borrowings including interest	15,745	14,480	114,672	1,022,000	1,166,897
Put option liability	246,528	-	-	-	246,528
Derivatives	2,940	-	-	-	2,940
Total	1,263,978	14,480	114,672	1,022,000	2,415,130

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

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 23 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 2021, the group's equity totalled NOK 2,889 million, which corresponded to an equity ratio of 33.4 per cent. 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. The assessment is made on each individual inventory item and the obsolescence provision increases the longer the item remains in stock. Goods older than three years have the highest write-down rate. 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.

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.

3.1.c Written put options over non-controlling interest

The group has a written put option over a non-controlling interest in Lekekassen Holding AS (“Lekekassen”). The holder of the non-controlling shares is also the CEO of Lekekassen. If the CEO resigns, the group has a right and an obligation to purchase the shares in Lekekassen for a cash consideration. The consideration to be paid is based on a multiple of EBITDA. According to IAS 32 Financial Instruments: Presentation, a financial liability should initially be recognised at the present value of the redemption amount with a corresponding charge to equity. The IFRS does not provide guidance on which component of equity should be charged, and on whether the non-controlling interest should continue to be recognised. The group has thus exercised judgement in developing its accounting policy.

The group has considered that the present ownership interest of the non-controlling shares remains with the non-controlling shareholder. The group has thus considered it appropriate to continue to recognise the non-controlling interest in the statement of financial position, and to attribute its share of profit and loss and other comprehensive income to the non-controlling interest. The financial liability for the put option over the non-controlling interest is therefore recognised with a corresponding charge to shareholders’ equity.

IAS 32 provides limited guidance on how the financial liability for the written put option over the non-controlling interest should be measured when the purchase date and/or the redemption amount are/is not known, but subject to a formula. When developing an accounting principle, the group has considered guidance in other IFRSs, more specifically the guidance in IFRS 13 Fair Value Measurement, which states that the fair value of a financial liability with a demand feature is no less than the amount payable on demand, discounted from the first date that the amount could be required to be paid. The group has established an accounting principle where the financial liability is estimated to be no less than equal to the amount payable if the put option were exercised at the end of the period.

The financial liability for the put option over the non-controlling interest is remeasured to reflect changes in the estimated redemption amount. The adjustment to the financial liability is recorded with a corresponding charge to shareholders’ equity. When establishing the policy of recording the adjustment against equity, the group has considered the guidance in IFRS 10, which states that changes in a parent’s ownership interest in a subsidiary which do not result in the parent losing control of the subsidiary are equity transactions.

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 consolidated 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 and the financial risk of the business lies with 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 operates a chain of stores in the discount variety retail sector and online stores which sells consumer goods, including sales to franchise stores.

Figures are stated in NOK 1,000	2021	2020
Revenue	8,568,379	7,928,658
Income from franchise fees	78,404	79,381
Other income	1,395	4,590
Total other income	79,798	83,971
Total operating income	8,648,177	8,012,629

6 Employee benefit expenses and remuneration to auditor

Figures are stated in NOK 1,000	2021	2020
Pay expenses	1,051,020	972,018
Social security costs	140,392	128,412
Pension expenses	24,560	21,496
Other benefits	14,332	16,267
Total	1,230,303	1,138,193
Number of employees	3,298	3,120
Full-time employees	2,116	1,992

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.

Discounted shares for employees

In 2021, the group had a programme which gave employees, including the executive management, the opportunity to buy a limited number of shares at a discount in relation to the market price. Europris ASA sold in total 85,099 shares in this programme. The share price was NOK 45.65 per share, including a 25 per cent discount on the market price. The lock-in period for shares purchased in this programme is one year. The costs of the employee share programme amounted to approximately NOK 1.3 million.

Figures are stated in NOK 1,000

	2021	2020
Auditor fees		
Audit services	1,684	1,206
Technical services related to financial reporting	110	666
Total	1,794	1,873

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	3,722	1,463	129	40	5,355
Stina Charlene Byre	CFO	1,566	-	124	155	1,845

Remuneration of the executive management group (eight individuals)

Figures are stated in NOK 1,000

	2021	2020
Pay expenses, including bonuses	34,099	27,851
Social security costs	4,809	3,929
Pension expenses	1,191	1,044
Other benefits	26	-
Total	40,125	32,824

NOK 13,809 in accrued bonus is recognised in the financial statements for the executive management group for 2021 (NOK 9,636 in 2020).

Remuneration statement

The board will provide a statement on salary and other remuneration for senior executives to the annual general meeting on 21 April 2022.

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 can be entitled to certain fringe

benefits. 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 grant for a financial year under this scheme is 13.5 months of gross base salary for the CEO and up to nine months of gross base salary for the other executive management. Maximum bonus payment during any single financial year is 12 months gross pay.

Sharebased remuneration

In accordance with the remuneration guidelines, directors and senior executives may participate in a restricted share programme for an investment amount limited to NOK 500,000. This programme is subject to annual approval by the board. Shares acquired through this programme are subject to a two-year lock-up period. Each restricted share will be issued at a purchase price corresponding to the volume-weighted average price of the company's shares on the Oslo Stock Exchange during the 10 trading days before the award, adjusted for the reduction in value from the two-year transfer restriction. The reduced value applicable to the programme run in 2021 was 19 per cent. Share purchases are borne by the participants, and the company does not provide credit or financing. The share programme was run for the first time in 2021 and completed on 16 September 2021. Europris ASA sold in total 68,941 shares in this programme. The market price for the shares, ie, the volume weighted average for the 10 trading days before the allocation date (2-15 September 2021), was NOK 61.51. The purchase price, adjusted for the reduced value from the restrictions, was NOK 49.82.

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 members of the board or other related parties.

Remuneration of the board of directors

Annual fees in 2021 for the board of directors:

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 10,000 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. Pension cost (premium) in 2021 was NOK 7,810 (2020: NOK 6,784).

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 2021 were NOK 16,749 (2020: NOK 14,712).

Both schemes had 2,116 members in 2021 (2020: 1,992).

9 Other operating expenses

Figures are stated in NOK 1,000

	2021	2020
Leasing and other cost of premises	83,703	88,054
Transport/distribution	246,047	196,293
Marketing and other expenses	412,999	350,447
Total	742,750	634,794

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	2021	2020
Financial income:		
Other interest income	102	181
Other financial income	2,373	36
Gain in fair value of financial instruments		
– Unrealised interest-rate swap income	25,880	11,191
Total	28,354	11,408
Financial expenses:		
Interest to financial institutions	26,304	33,253
Leasing interest cost	72,702	92,245
Other interest expense	92	10
Amortised interest on bank loan	2,450	6,075
Other financial expenses	21,201	18,893
Total	122,749	150,476
Net financial income (expense)	(94,395)	(139,068)

11 Income tax expense

Figures are stated in NOK 1,000	2021	2020
Tax payable		
Current tax on profit for the year	321,941	251,872
Tax from acquired companies	2,117	7
Total tax payable in the balance sheet	324,057	251,879
Deferred tax		
Change in temporary differences	47,631	(26,948)
Change in temporary differences related to mergers and acquisitions	(58,100)	558
Total deferred tax	(10,469)	(26,390)
Total income tax expense	313,588	225,489

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	2021	2020
Profit before tax	1,417,551	1,029,112
Tax calculated at domestic tax rates applicable to profits (22%)	311,861	226,405
Tax effects from:		
- Non-taxable income	(15,898)	(4,617)
- Non-deductible expenses	1,019	7,527
- Other directly recognised differences	16,605	(3,826)
Tax expense recognised in the income statement	313,588	225,489
Effective tax rate	22,1%	21,9%

	2021	2020
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	(15,276)	(16,648)
- Deferred tax assets to be recovered within 12 months	(79,980)	(65,011)
Deferred tax assets	(95,257)	(81,659)
Deferred tax liabilities		
- Deferred tax liabilities to be recovered later than 12 months	137,430	92,924
- Deferred tax liabilities to be recovered within 12 months	-	-
Deferred tax liabilities	137,430	92,924
Loss carried forward	(12)	(12)
Deferred tax related to directly recognised differences	10,170	(6,552)
Unrecognised deferred tax asset	-	25
Deferred tax liabilities (net)	52,332	4,726
Deferred tax asset/liability rates	22%	22%
Change in deferred tax liabilities recognised in the balance sheet		
Balance at 01.01	4,726	31,763
Change during the year recognised in the income statement	47,606	(27,038)
Balance at 31.12	52,332	4,726

Specification of change in deferred tax liabilities/tax assets

	Tangible fixed assets	Non- current debt	Total
Figures are stated in NOK 1,000			
Deferred tax liabilities			
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
Balance at 01.01.2021	91,843	1,082	92,924
Recognised deferred tax in profit for the period	44,824	(319)	44,505
Balance at 31.12.2021	136,667	763	137,430

	Inventories	Receivables	Provision for other liabilities	Loss carried forward	Total
Figures are stated in NOK 1,000					
Deferred tax assets					
Balance at 01.01.2020	(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)
Balance at 31.12.2021	(64,592)	(420)	(16,648)	(12)	(81,671)
Recognised deferred tax in profit for the period	(14,968)	(1)	1,371	-	(13,598)
Balance at 31.12.2021	(79,560)	(421)	(15,276)	(12)	(95,269)

12 Intangible assets

Figures are stated in NOK 1,000

	Software	Trademark	Contractual rights	Goodwill	Total
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	2,063,334
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	2,063,334
Financial year 2021					
Carrying amount at 01.01.2021	58,030	387,573	-	1,617,731	2,063,334
Additions through the acquisition of subsidiaries	2	203,694	-	455,641	659,337
Additions	32,490	-	-	-	32,490
Amortisation	(25,100)	-	-	-	(25,100)
Carrying amount at 31.12.2021	65,421	591,267	-	2,073,373	2,730,061
At 31.12.2021					
Acquisition cost	237,887	622,140	250,700	2,073,373	3,184,099
Accumulated amortisation	(172,466)	(30,873)	(172,356)	-	(375,695)
Accumulated impairment	-	-	(78,344)	-	(78,344)
Net carrying amount 31.12.2021	65,421	591,267	-	2,073,373	2,730,061

The group's trademarks is linked to the brand names "Europris" and "Lekekassen". The "Europris" name has existed for a long time and has shown a healthy development since its origination. The "Lekekassen" name is a strong brand which is linked to the online store Lekekassen - Norway's largest online toy store. There are clear intentions to retain and further develop both brand names for the foreseeable future. As a consequence, the brand names are not depreciated, but tested for impairment annually.

The contractual rights are related to franchise agreements.

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. The skilled workforce, as well as supplier and customer relations (non-contractual), are also important elements.

Impairment testing of goodwill and trademarks

Goodwill and the trademarks 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 (2022-2026). The gross margin is stable in the period, and in range with the

historical performance. EBITDA percentages of sales are also stable in the 2022-2026 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 7.6 per cent (5.5 per cent in 2020) before tax is derived using the weighted average cost of capital (WACC) model.

Lekekassen was acquired in 2021 and is defined as a separate cash-generating unit and the brand name Lekekassen will be tested for impairment at this level.

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

13 Property, plant and equipment

Figures are stated in NOK 1,000

	Land	Buildings	Fixtures and fittings	Total
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 through the acquisition of subsidiaries	-	-	2,605	2,605
Additions	-	-	72,242	72,242
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
Accumulated depreciation	-	-	(538,512)	(538,512)
Net carrying amount 31.12.2020	24 966	-	301,400	326,366
Financial year 2021				
Carrying amount at 01.01.2021	24,966	-	301,400	326,366
Additions through the acquisition of subsidiaries	21,224	118,776	3,787	143,787
Additions	-	2,823	95,627	98,450
Disposals	-	-	(176)	(176)
Depreciation charge for the year	-	(2,237)	(72,118)	(74,355)
Carrying amount at 31.12.2021	46,190	119,362	328,520	494,072
At 31.12.2021				
Accumulated cost	46,190	121,599	752,714	920,502
Disposals at cost	-	-	(176)	(176)
Accumulated depreciation	-	(2,237)	(424,018)	(426,254)
Net carrying amount 31.12.2021	46,190	119,362	328,520	494,072

14 Leases

Figures are stated in NOK 1,000

	Buildings	Vehicles	Fixtures and fittings	Total
Right-of-use assets				
Carrying amount at 01.01.2021	2,146,047	16,753	99,754	2,262,554
Additions	412,855	3,522	9 408	425,784
Additions through the acquisition of subsidiaries	18,242	-	-	18,242
Adjustments (CPI)	85,210	-	-	85,210
Depreciation	(451,505)	(4,842)	(15,422)	(471,769)
Terminations	-	-	-	-
Net carrying amount 31.12.2021	2,210,848	15,433	93,741	2,320,022
Lease liabilities				
			2021	2020
Carrying amount at 01.01.			2,324,300	2,418,081
Additions			425,129	267,302
Additions through the acquisition of subsidiaries			18,242	12,300
Adjustments (CPI)			85,210	27,212
Interest expense			72,702	90,560
Lease payments			(521,864)	(491,156)
Net carrying amount 31.12.			2,403,718	2,324,300
Undiscounted lease liabilities and maturity of cash outflows				
Less than one year			518,195	485,890
One-five years			1,470,243	1,386,091
More than five years			697,832	731,221
Total undiscounted lease liabilities at 31.12.			2,686,269	2,603,201
Current lease liabilities			490,164	473,739
Non-current lease liabilities			1,913,555	1,850,561
Total lease liabilities at 31.12.			2,403,718	2,324,300
Lease expenses recognised in consolidated income statement				
Interest expense on lease liabilities			72,702	90,560
Variable lease payments			3,258	4,663
Operating expenses related to short-term leases			12,120	20,827
Operating expenses related to low-value assets			1,415	1,596
Payments in lease agreements			538,657	518,242

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 2021.

15 Acquisitions of companies

On 30 June 2021, the group acquired 67 per cent of Lekekassen Holding AS (Lekekassen) – Norway's largest player in online shopping for toys. Through this acquisition, Europris entered a strategically important product category and strengthened its expertise in e-commerce. Lekekassen is one of the fastest growing online retailers in Norway and entered the Swedish market with the ToySpace.se brand in May 2019 and Denmark with ToySpace.dk in September 2021. Synergies are expected from joint sourcing and development of products and services. Through this acquisition Europris will also improve its product offering, both in physical stores and online, with access to an improved and broader range of well-known brands within the toy category.

The remaining 33 per cent of Lekekassen Holding AS is owned by Andreas Skalleberg through his company Andrino Invest AS. Andreas Skalleberg is employed as CEO of Lekekassen. Europris has a right and obligation to buy Skalleberg's share if Skalleberg's employment is terminated by either of the parties. The price to be paid is based on a multiple of EBITDA, and is consistent with the price formula used in the original purchase of 67 per cent. A financial liability has been recognised for Europris obligation to purchase Skalleberg's share if Skalleberg resigns, with a corresponding charge directly to shareholders equity. The liability shall be estimated at the present value of the redemption amount, which is estimated to the consideration to be paid if the employment is terminated at period end. In the statement of financial position, the liability is recognised separately as put option liability.

In March 2021, Europris acquired 67 per cent of the online player Lnehjem.no. Lnehjem.no is a pure e-commerce player established in 2005 which specialises in the high-growth interior segment. It offers a large selection of products in furniture, candles and interiors, with an emphasis on Scandinavian design. The acquisition contributes to revenue growth in a strategically important product category with strong online growth. It also provides attractive positioning towards younger and more quality-conscious customer segments. In addition, the acquisition will strengthen Europris' expertise in online shopping.

Acquired companies	Acquisitions			Allocation of excess values				After acquisition date	
	Date of control	Ownership and voting rights	Acquisition cost	Buildings	Trademarks	Deferred tax	Goodwill	Operating income	Net profit
<i>Figures in NOK million</i>									
Lekekassen Holding AS	August 2021	67%	501	26	204	(51)	448	395	64
Lunehjem.no AS	March 2021	67%	10	-	-	-	8	28	3

Both acquisitions are paid in cash.

Acquired companies statement of financial position	Total fair value
Total intangible assets	204
Total fixed assets	160
Total financial assets	-
Inventories	174
Receivables	12
Cash	95
Total assets	646
Provisions	(51)
Non-current liabilities	(112)
Current liabilities	(165)
Non-controlling interests	(269)
Net assets	48
Goodwill	456
Net asset acquired 31.12.2021	504

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. The skilled workforce, as well as supplier and customer relations (non-contractual), are also important elements.

16 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 in SEK million	2021	2020
	Unaudited	Audited
Total operating income	3,899.0	4,186.0
Profit for the year	NA	1.9
Current assets	NA	847.1
Non-current assets	NA	1,170.6
Current liabilities	NA	740.0
Non-current liabilities	NA	893.1
Equity	NA	384.6
Book value 01.01	128.5	125.9
Estimated profit for the period	0.2	2.6
Book value 31.12	128.7	128.5
The group's share of equity	77.1	78.7
Goodwill	49.8	49.8
Goodwill adjustment	1.8	-
Book value 31.12	128.7	128.5

Europris holds an option to acquire the remaining 80 per cent of the shares in Runsvengruppen AB. Whether the option is to be exercised has been further delayed.

The fair value of the option is considered immaterial and is not recognised in the balance sheet.

17 Non-controlling interests

Figures are stated in NOK 1,000

	2021	2020
Changes in non-controlling interests		
Non-controlling interests 01.01	-	-
Increase due to acquisitions in companies with non-controlling interests	246,528	-
Non-controlling interests' share of profit/loss	22,152	-
Non-controlling interests 31.12	268,680	-
Breakdown of non-controlling interests' share of profit/loss		
Lunehjem.no AS	1,086	-
Lekekassen Holding AS	21,067	-
Total non-controlling interests' share of profit/loss	22,152	-
Breakdown of non-controlling interests		
Lunehjem.no AS	1,812	-
Lekekassen Holding AS	266,868	-
Total non-controlling interests	268,680	-

18 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

	2021	2020
Profit for the period	1,103,963	803,624
Profit available to holders of ordinary shares	1,081,811	803,624
Number of ordinary shares	166,969	166,969
Weighted average of ordinary shares outstanding	160,870	165,189
Earnings per ordinary share (basic)	6.72	4.86
Earnings per ordinary share (diluted)	6.72	4.86

19 Trade receivables and other receivables

Figures are stated in NOK 1,000

	2021	2020
Trade receivables		
Trade receivables	216,080	195,887
Provision for impairment	(600)	(600)
Net trade receivables	215,480	195,287
		-
Other receivables		
Unbilled receivables	38,242	48,267
Prepaid expenses	215	47
Other receivables	5,784	2,200
Other receivables	44,241	50,514
Provisions	60,816	37,302
Total	320,538	283,103
		-
Non-current receivables		
Deposits and loans to franchisees	28,391	28,179
Other receivables	28,391	28,179
Total current and non-current receivables	348,929	311,282

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

	2021	2020
Provision for impairment of trade receivables		
At 01.01	600	600
Change in provision	-	-
At 31.12	600	600
Ageing of trade receivables		
Not due	206,870	190,946
Due	8,610	4,342
Total	215,480	195,287

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

20 Inventories and cost of goods sold

Figures are stated in NOK 1,000	2021	2020
Inventories	2,025,769	1,669,210
- Provision for obsolescence	(28,457)	(35,283)
Booked value	1,997,312	1,633,927
Provision for obsolescence		
At 01.01	(35,283)	(32,171)
Change in accruals	6,826	(3,112)
Provision for impairment at 31.12	(28,457)	(35,283)
Carrying amount of inventory which has been impaired	323,854	404,865

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	2021	2020
Cost of goods sold	4,638,884	4,494,243
Foreign exchange currency effects	(46,741)	39,891
Net cost of goods sold	4,592,143	4,534,134

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.

21 Cash

Figures are stated in NOK 1,000	2021	2020
Cash	570,286	540,056
Total	570,286	540,056

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

Figures are stated in NOK 1,000	2021	2020
Cash	567,347	539,780
Bank deposits restricted for employee tax withholdings	2,939	276
Net cash	570,286	540,056

The group has established a guarantee for employee tax withholdings of a total of NOK 65 million.

The group has overdraft facilities of NOK 1,425 million in all. See note 23 for further information.

22 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 2021		Number of shares	Share of capital
FOLKETRYGDFONDET		19,590,839	11.7%
VERDIPAPIRFONDET ALFRED BERG GAMBA		6,554,850	3.9%
THE BANK OF NEW YORK (ARCTIC FUNDS)	Nominee	6,448,013	3.9%
EUOPRIS ASA		5,997,376	3.6%
RUNOR AS		4,349,695	2.6%
STATE STREET BANK AND TRUST COMPANY	Nominee	3,974,302	2.4%
VERDIPAPIRFONDET STOREBRAND NORGE		3,164,738	1.9%
STATE STREET BANK AND TRUST COMPANY	Nominee	3,130,774	1.9%
SKANDINAVISKA ENSKILDA BANKEN AB	Nominee	2,850,000	1.7%
VERDIPAPIRFONDET HOLBERG NORDEN		2,400,000	1.4%
THE BANK OF NEW YORK MELLON	Nominee	2,377,257	1.4%
VERDIPAPIRFONDET ALFRED BERG NORGE		2,250,716	1.3%
BROWN BROTHERS HARRIMAN & CO	Nominee	2,250,000	1.3%
THE NORTHERN TRUST COMPANY, LONDON	Nominee	2,139,800	1.3%
THE BANK OF NEW YORK MELLON	Nominee	2,129,606	1.3%
VPF DNB AM NORSKE AKSJER		2,036,069	1.2%
VEVLEN GÅRD AS		2,000,000	1.2%
STATE STREET BANK AND TRUST COMPANY	Nominee	1,969,350	1.2%
SKANDINAVISKA ENSKILDA BANKEN AB	Nominee	1,926,927	1.2%
VERDIPAPIRFONDET HOLBERG NORGE		1,900,000	1.1%
OTHER SHAREHOLDERS		87,528,576	52.4%
Total shares		166,968,888	100.0%

Shares held by directors, CEO and CFO	Title	Number of shares
Tom Vidar Rygh (directly and indirectly through Retiro AS)	Chair	610,035
Pål Wibe (Nordkronen II AS)	Director	408,572
Karl Svensson (directly and indirectly through RuNor AS)	Director	281,891
Tone Fintland	Director	10,808
Hege Børmark	Director	8,129
Claus Juel-Jensen	Director	7,112
Espen Eldal (directly and indirectly through Knipen AS)	CEO	610,528
Stina C Byre	CFO	10,528

Treasury shares at 31 December 2021	Nominal value	Number of shares	Fair value (NOK)
Shares owned by Europris ASA	5,997,376	5,997,376	419,666,386

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 2021	6,150,305
Buy-back of treasury shares	1,111
Sale of treasury shares to employees	(85,099)
Sale of treasury shares to senior executives and directors	(68,941)
Treasury shares 31 December 2021	5,997,376

Average cost price for treasury shares is NOK 44.47.

23 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, while the second option to extend for one year has been exercised and the loan agreement runs until January 2024. The loan is syndicated through three credit institutions: DNB Bank, Danske Bank and Nordea.

Figures are stated in NOK 1,000	2021		2020	
	Amortised cost	Nominal value	Amortised cost	Nominal value
Non-current liabilities				
Debt to financial institutions	1,091,521	1,099,989	995,082	1,000,000
Sub-total	1,091,521	1,099,989	995,082	1,000,000
Other non-current liabilities				
Lease liabilities	1,913,555	1,913,555	1,850,561	1,850,561
Sub-total	1,913,555	1,913,555	1,850,561	1,850,561
Total	3,005,075	3,013,544	2,845,643	2,850,561

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

	2021	2020
Current liabilities		
First-year instalment non-current debt	5,000	-
Overdraft facilities - off-balance sheet		
The loan facility includes an overdraft facility, which consists of		
Overdraft and multi-currency group account	225,000	200,000
Revolving facility loan	1,174,000	1,174,000
Guarantees	26,000	26,000
Total	1,425,000	1,400,000
Drawn guarantees	14,544	14,029
Undrawn overdraft facilities	1,410,456	1,385,971

Convenants related to bank agreement

At 31.12.2021

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)	0.34

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 2021.

Maturity structure including interest	2021	2020
Within one year	30,225	22,000
One to two years	114,672	22,000
Two to five years	1,022,000	1,017,082
After five years	-	-

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

Effective interest rate at 31.12	2021	2020
Term loan	2.04%	2.20%

No assets are currently pledged under the loan agreement.

24 Derivatives

Figures are stated in NOK 1,000

	2021	2020
Interest-rate swaps – expiring within one year	-	-
Interest-rate swaps – expiring after five years	37,676	11,796
Total derivatives - asset	37,676	11,796
Forward exchange contracts – expiring within one year	2,940	41,580
Total derivatives - liability	2,940	41,580
Net derivative asset (liability)	34,736	(29,784)

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)	466,399	8.64	Jan-May 2022
Nominal principal forward contracts to purchase (EUR)	105,803	10.12	Jan-May 2022

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.

	2021	2020
Lowest fixed interest rate in interest-rate swap agreement	0.780%	0.780%
Highest fixed interest rate in interest-rate swap agreement	0.917%	0.917%
Nominal principal in interest-rate swaps	600,000	600,000

25 Financial instruments by category

Figures are stated in NOK 1,000

	2021	2020
Financial assets measured at amortised cost		
Non-current receivables	28,391	28,179
Trade receivables	215,480	195,287
Other receivables	44,241	50,514
Cash	570,286	540,056
Financial liabilities measured at amortised cost		
Non-current debt	(1,091,521)	(995,082)
First year instalment non-current debt	(5,000)	-
Accounts payable	(843,854)	(742,753)
Put option liability	(246,528)	-
Other current payables	(780,402)	(704,300)
Assets/liabilities measured at fair value through profit and loss		
Derivatives - asset	49,169	11,796
Derivatives - liability	(2,940)	(41,580)
Net financial instruments	(2,062,676)	(1,657,882)

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.

26 Reconciliation of liabilities arising from financing activities

Figures are stated in NOK 1,000

	Financial liabilities 01.01.	Acquisition of subsidiaries	Cash flows	Non-cash changes		Total 31.12
				Leases	Other changes	
2021						
Borrowings	995,082	102,553	(3,750)	-	2,636	1,096,521
Current liabilities	-	-	-	-	-	-
Lease liabilities	2,324,300	18,242	(449,162)	510,339	-	2,403,718
Financial liabilities	3,319,382	120,795	(452,912)	510,339	2,636	3,500,239
2020						
Borrowings	-	-	1,000,000	-	(4,918)	995,082
Current liabilities	1,642,007	-	(1,651,675)	-	9,668	-
Lease liabilities	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

27 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 2021.

28 Contingent liabilities

There are no significant contingent liabilities at 31.12.2021.

29 Events after the balance-sheet date

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.

EUROPRIS ASA PARENT COMPANY 2021

Income statement

Figures are stated in NOK 1,000	Note	2021	2020
Total operating income		-	-
Employee benefits expense	2	2,869	2,111
Other operating expenses	2	9,754	7,152
Total operating expenses		12,623	9,263
Operating income		(12,623)	(9,263)
Group contribution from subsidiary	5	659,264	702,172
Other interest income		1	393
Other financial income		-	4
Total financial income		659,265	702,569
Other interest expense		1,813	3,764
Other financial expenses		5,583	4,542
Total financial expenses		7,397	8,306
Net financial income (expenses)		651,868	694,263
Profit/(loss) from associated company	4	189	2 600
Profit before income tax		639,434	687,600
Income tax expense	6	-	-
Profit for the year		639,434	687,600
Statement of comprehensive income			
Profit for the year		639,434	687,600
Other comprehensive income		-	-
Total comprehensive income for the year		639,434	687,600

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

Balance sheet

Figures are stated in NOK 1,000

	Note	31-12-2021	31-12-2020
ASSETS			
Non-current assets			
Investments in subsidiaries	3	925,500	925,500
Investment in associated companies	4	128,676	128,487
Total non-current assets		1,054,176	1,053,987
Current assets			
Receivable from group companies	5, 9	668,275	702,172
Other receivables	9	606	933
Cash	9	-	2
Total current assets		668,880	703,108
Total assets		1,723,056	1,757,095

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

Balance sheet

Figures are stated in NOK 1,000

	Note	31-12-2021	31-12-2020
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium		212,623	212,471
Other paid-in capital		20,718	17,476
Other equity		1,486,081	1,276,979
Total shareholders' equity		1,719,422	1,506,925
Liabilities			
Current liabilities			
Accounts payable	9	1,061	853
Tax payable	6	-	-
Current debt to group companies	5,9	-	246,698
Other current liabilities	4,9	2,573	2,617
Total liabilities		3,634	250,169
Total equity and liabilities		1,723,056	1,757,095

Fredrikstad, 24 March 2022

THE BOARD OF DIRECTORS OF EUROPRIS ASA



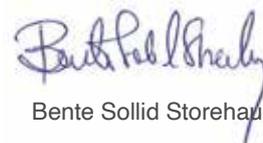
Tom Vidar Rygh
Chair



Claus Juel-Jensen



Hege Bømark



Bente Sollid Storehaug



Karl Svensson



Tone Fintland



Pål Wibe



Espen Eldal
CEO

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 01.01.2021	166,969	(6,150)	51,652	17,475	1,276,977	1,506,923
Profit for the period	-	-	-	-	639,434	639,434
Dividend	-	-	-	-	(434,207)	(434,207)
Net purchase/sale of treasury shares	-	153	-	3,243	3,874	7,270
Other comprehensive income	-	-	-	-	-	-
Equity 31.12.2021	166,969	(5,997)	51,652	20,718	1,486,080	1,719,422
Equity 01.01.2020	166,969	(1,150)	51,652	17,475	1,152,264	1,387,210
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	1,506,923

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

	2021	2020
Cash flows from operating activities		
Profit before income tax	639,434	687,600
Share of the (profit)/loss of associates	(189)	(2,600)
Change in account payable	208	537
Change in other working capital	(658,981)	(701,656)
Net cash from operating activities	(19,529)	(16,119)
Cash flows from financing activities		
Change in group cash pool deposits	(255,292)	253,400
Payments from group companies	(417)	417
Payments of group contribution	702,172	330,189
Dividend	(434,207)	(323,346)
Sale/buy-back of treasury shares	7,270	(244,539)
Net cash from financing activities	19,526	16,120
Net increase in cash	(2)	-
Cash at beginning of year (01.01)	2	2
Cash at end of year (31.12)	-	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 24 March 2022.

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.

Note 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 2,869 in 2021.

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

	2021	2020
Audit fees, divided by type of service (exclusive VAT)		
Statutory audit	373	186
Technical services related to financial reporting	38	647
Total audit fees	410	833

Note 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 31.12.2021	Net profit 2021	Carrying value
Subsidiary					
Europris Holding AS	Fredrikstad	100%	1,502,177	8,174	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	2021	2020
	Unaudited	Audited
Total operating income	3,899.0	4,186.0
Profit for the year	NA	1.9
Current assets	NA	847.1
Non-current assets	NA	1,170.6
Current liabilities	NA	740.0
Non-current liabilities	NA	893.1
Equity	NA	384.6
Book value 01.01	128.5	125.9
Estimated profit for the period	0.2	2.6
Book value 31.12	128.7	128.5
The group's share of equity	77.1	78.7
Goodwill	49.8	49.8
Goodwill adjustment	1.8	-
Book value 31.12	128.7	128.5

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

Note 5 Non-current 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	2021	2020
Liabilities		
Debt in the group's cash pool agreement	-	246,281
Other current debt to subsidiaries	-	417
Total liabilities	-	246,698
Receivables		
Group contribution	659,264	702,172
Deposits in the group's cash pool agreement	9,011	-
Total receivables	668,275	702,172

Note 6 Income tax expense

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

Figures are stated in NOK 1,000	2021	2020
Basis for income tax expense and tax payable		
Profit before tax	639,434	687,600
Non-deductible expenses	(639,434)	(687,600)
Basis for the tax expense	-	-
Reconciliation of the income tax expense		
Tax payable (22% of the basis for tax payable in the income statement)	140,675	151,272
Income tax expense	-	-
Difference	(140,675)	(151,272)
Difference consists of:		
22% of non-deductible expenses	(140,675)	(151,272)
Total explained difference	(140,675)	(151,272)
Tax payable in the balance sheet		
Tax payable in income tax expense	-	-
Tax payable in balance sheet	-	-

Note 7 Share capital and shareholder information

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

Major shareholders at 31 December 2021		Number of shares	Share of capital
FOLKETRYGDFONDET		19,590,839	11.7%
VERDIPAPIRFONDET ALFRED BERG GAMBA		6,554,850	3.9%
THE BANK OF NEW YORK (ARCTIC FUNDS)	Nominee	6,448,013	3.9%
EUOPRIS ASA		5,997,376	3.6%
RUNOR AS		4,349,695	2.6%
STATE STREET BANK AND TRUST COMPANY	Nominee	3,974,302	2.4%
VERDIPAPIRFONDET STOREBRAND NORGE		3,164,738	1.9%
STATE STREET BANK AND TRUST COMPANY	Nominee	3,130,774	1.9%
SKANDINAVISKA ENSKILDA BANKEN AB	Nominee	2,850,000	1.7%
VERDIPAPIRFONDET HOLBERG NORDEN		2,400,000	1.4%
THE BANK OF NEW YORK MELLON	Nominee	2,377,257	1.4%
VERDIPAPIRFONDET ALFRED BERG NORGE		2,250,716	1.3%
BROWN BROTHERS HARRIMAN & CO	Nominee	2,250,000	1.3%
THE NORTHERN TRUST COMPANY, LONDON	Nominee	2,139,800	1.3%
THE BANK OF NEW YORK MELLON	Nominee	2,129,606	1.3%
VPF DNB AM NORSKE AKSJER		2,036,069	1.2%
VEVLEN GÅRD AS		2,000,000	1.2%
STATE STREET BANK AND TRUST COMPANY	Nominee	1,969,350	1.2%
SKANDINAVISKA ENSKILDA BANKEN AB	Nominee	1,926,927	1.2%
VERDIPAPIRFONDET HOLBERG NORGE		1,900,000	1.1%
OTHER SHAREHOLDERS		87,528,576	52.4%
Total shares		166,968,888	100.0%

Shares held by directors, CEO and CFO	Title	Number of shares
Tom Vidar Rygh (directly and indirectly through Retiro AS)	Chair	610,035
Pål Wibe (Nordkronen II AS)	Director	408,572
Karl Svensson (directly and indirectly through RuNor AS)	Director	281,891
Tone Finland	Director	10,808
Hege Børmark	Director	8,129
Claus Juel-Jensen	Director	7,112
Espen Eldal (directly and indirectly through Knipen AS)	CEO	610,528
Stina C Byre	CFO	10,528

Treasury shares at 31 December 2021	Nominal value	Number of shares	Fair value (NOK)
Shares owned by Europris ASA	5,997,376	5,997,376	419,666,386

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 01.01.2021	6,150,305
Buy-back of treasury shares	1,111
Sale of treasury shares	(85,099)
Sale of treasury share to senior executives and directors	(68,941)
Treasury shares 31.12.2021	5,997,376

Average cost price for treasury shares is NOK 44.47.

Note 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 2021 other than the information included in the notes.

Note 9 Financial instruments by category

Figures are stated in NOK 1,000

	2021	2020
Financial assets measured at amortised cost		
Other current receivables	668,880	703,106
Cash	-	2
Financial liabilities measured at amortised cost		
Other current liabilities	-	(249,316)
Accounts payable	(1,061)	(853)
Net financial instruments	667,819	452,939

Note 10 Subsequent events

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.



Europris head office in Fredrikstad.

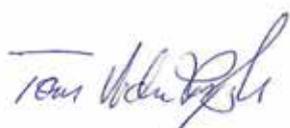
Declaration to the annual report 2021

Responsibility statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2021 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, 24 March 2022

THE BOARD OF DIRECTORS OF EUROPRIS ASA



Tom Vidar Rygh
Chair



Claus Juel-Jensen



Hege Børmark



Bente Sollid Storehaug



Karl Svensson



Tone Fintland



Pål Wibe



Espen Eldal
CEO

Definitions of Alternative Performance Measures (APM)

APMs are used by Europris for annual and periodic financial reporting in order to provide a better understanding of the group's financial performance. APMs are considered as well-known and frequently used by users of the financial statements and are also used in internal reporting and by management to measure operating performance.

Gross profit / gross margin

Gross profit is defined as Total operating income minus the cost of goods sold (COGS). The gross profit represents revenue that the group retains after incurring the direct costs associated with the purchase of the goods. Gross margin is defined as gross profit divided by total revenue and is useful for benchmarking direct costs associated with the purchase of the goods vs total revenues.

(Amounts in NOK million)	FY 2021	FY 2020
Total operating income	8,648	8,013
- Cost of goods sold	4,592	4,534
= Gross profit	4,056	3,478
Gross margin	46.9%	43.4%

Opex

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

(Amounts in NOK million)	FY 2021	FY 2020
Employee benefits expense	1,230	1,138
+ Other operating expenses	743	635
= OPEX	1,973	1,173
Opex-to-sales ratio	22.8%	21.1%

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 2021	FY 2020
Operating profit	1,512	1,166
+ Depreciation	571	540
= EBITDA	2,083	1,706
EBITDA margin	24.1%	21.3%

EBIT

EBIT is earnings before interest and taxes and is the same as the IFRS definition of operating profit. EBIT is a well-known and widely used term among the users of the financial statements and is useful when evaluating operational profitability. EBIT margin is EBIT divided by Total operating income, and thus the same as Operating profit divided by Total operating income.

Working capital

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.

(Amounts in NOK million)	FY 2021	FY 2020
Change in Inventory	(185)	(64)
Change in accounts receivable and other current receivables	(17)	(41)
Change in accounts payable and other current debt	139	315
Decrease/(increase) in financial assets at fair value through profit og loss	(76)	17
Net change in working capital	(139)	227

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 2021	FY 2020
Purchases of fixed assets	98	72
Purchases of intangible assets	32	32
= Capital expenditure	131	104

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 2021	FY 2020
Borrowings	1,092	995
Current borrowings	5	-
Lease liabilities	1,914	1,851
= Financial debt	3,010	2,846

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 2021	FY 2020
Cash	570	540
+ Total facilities	1,425	1,400
- Total drawn	(15)	(14)
= Cash and liquidity reserves	1,981	1,926

Equity ratio

Equity ratio is a financial ratio indicating the relative proportion of equity used to finance a company's assets; calculated as 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 2021	FY 2020
Total shareholder's equity	2,889	2,214
Total assets	8,639	7,248
= Equity ratio	33.4%	30.4%

Total chain sales

Total chain sales are sales from all chain stores, that is both directly operated and franchise stores. This KPI is an important measure of the performance of the total Europris chain and considered useful in order to understand the development of the entire chain, regardless of ownership structure of stores.

(Amounts in NOK million)	FY 2021	FY 2020
Sales directly operated stores	7,438	7,240
Sales franchise stores	1,131	1,148
= Total chain sales	8,569	8,388

Definition of other terms used

Directly operated store

Directly operated store means a store owned and directly operated by the group.

Franchise store

Franchise store means a store operated by a franchisee under a franchise agreement with the group.

Chain

Chain means the sum of directly operated stores and franchise stores under the Europris brand name.

Like-for-like sales growth

Like-for-like growth is defined as the growth in total Europris chain sales for stores that have been open for every month of both the previous and the current calendar year.



Independent Auditor's Report

To the General Meeting in Europris ASA

Report on the Financial Statements

Opinion

We have audited the financial statements of Europris ASA.

<p>The financial statements comprise:</p> <ul style="list-style-type: none"> • The financial statements of the parent company, which comprise the balance sheet as at 31 December 2021, 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 2021, 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. 	<p>In our opinion:</p> <ul style="list-style-type: none"> • The financial statements comply with applicable statutory requirements, • The accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2021, 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 as at 31 December 2021, 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. <p>Our opinion is consistent with our additional report to the Audit Committee.</p>
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Basis for Opinion

We conducted our audit in accordance with 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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.



We have been the auditor of Europris ASA for 6 years from the election by the general meeting of the shareholders on May 13, 2016 for the accounting year 2016.

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 the current period. 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><u>Valuation of inventory</u></p> <p>Inventory amounts to NOK 1 997 million in the Financial Statements for 2021. We refer to note 20 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 be ultimately 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 the judgements 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 that management applies the impairment policies consistently year on year. We have also reviewed the documentation of obsolescence for both inventory in stores and in central warehouse, and evaluated the assumptions used, for reasonableness. We have also tested the arithmetical accuracy of the Group's calculation of the profit margin on older goods. Our audit procedures included 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><u>Valuation of intangible assets</u></p> <p>Intangible assets include goodwill and trademark, amounting to NOK 2 073 million and NOK 591 million respectively. We refer to note 12 for more information.</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</p>	<p>Our audit procedures included, among others, reviewing management's documentation of the group's impairment assessment for intangible assets.</p> <p>We have reviewed the methodology used and assessed the WACC against the criteria in IAS 36. We have also compared the cash-flows used in the impairment test with the Group's budget and business plan and considered if there are factors indicating that these estimates are not realistic. We have also tested the arithmetical</p>



<p>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.</p>	<p>accuracy of the calculations in the impairment test.</p> <p>We have involved our internal valuation experts to assist us in evaluating the assumptions and methodologies applied by the Group.</p>
<p><u>Purchase price allocation</u></p> <p>The group acquired 67% of the shares in Lekekassen Holding AS and 67% of the shares in Lunehjem.no AS during 2021. The total purchase price amounts to NOK 511 million in the Financial Statements of 2021. We refer to note 15 for more information.</p> <p>Under IFRS, the Group is required to allocate the purchase price to the identified assets and liabilities acquired.</p> <p>The purchase price allocation was significant to our audit due to the complexity involved in identifying all relevant assets and liabilities, and the significant judgements and assumptions involved in measuring the fair value of assets at the acquisition date.</p>	<p>Our audit procedures included, among others, reviewing management's documentation of the purchase price allocation.</p> <p>We have reviewed the methodology used and assessed the purchase price allocation against the criteria in IFRS 3. We have reviewed an external valuation related to the excess value for buildings. Moreover, we have assessed the relief from royalty valuation method applied by management for measuring fair value of trademarks. Our assessment included, among others, an assessment of forecasted cash flows, of royalty rate applied and of WACC discount rate used. We have also tested the arithmetical accuracy of the calculations in the purchase price allocation.</p> <p>We have involved our internal valuation experts to assist us in evaluating the assumptions and methodologies used by the Group.</p>

Other information

The Board of Directors and the Managing Director (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. The other information in the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

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 consolidated 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.



Opinion on the Board of Director's report

Based on our knowledge obtained in the audit, in our opinion the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly for the statements on Corporate Governance and Corporate Social Responsibility.

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

Board of Directors and the Managing Director (management) are responsible for the preparation of financial statements that give a true and fair view, for in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, and for the preparation and fair presentation of the financial statements 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 compliance with Regulation on European Single Electronic Format (ESEF)

Opinion

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name *5967007LIEEXZXGA8G28-2021-12-31-en.zip* have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandeloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.



Management's Responsibilities

Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: <https://revisorforeningen.no/revisjonsberetninger>

BDO AS

24 March 2022

Roger Telle-Hansen
State Authorised Public Accountant
(This document is signed electronically)

Shareholders 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.

21 April 2022	Annual General Meeting
28 April 2022	First quarter 2022
14 July 2022	Second quarter 2022
03 November 2022	Third quarter 2022

EPR share price development 2021



The share price closed year-end 2021 at NOK 69.98, which implies a market value of NOK 11.7 billion. The highest share price was NOK 70.50 and the lowest was NOK 47.14 in 2021. An ordinary dividend of NOK 2.20 per share and an additional dividend of NOK 0.50 per share to reflect the strong financial performance, was paid out in May 2021.

Europris ASA had 12,395 registered shareholders in the Norwegian Central Securities Depository (VPS) at 31 December 2021. The company's shareholders are located in 25 different countries together with Norway. About 97 per cent of the company's shareholders are based in Norway, while 61 per cent of the shares are registered to foreign shareholders.

Analyst coverage

10 equity analysts have covered Europris ASA in 2021:

ABG Sundal Collier	Petter Nystrøm 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
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
Nordea	Kristoffer Pedersen	kristoffer.b.pedersen@nordea.com
Pareto Securities	Gard Aarvik	gard.aarvik@paretosec.no
SEB	Markus Bjerke Stefan Nelson	markus.bjerke@seb.no stefan.nelson@seb.se
Sparebank 1 Markets	Øyvind Mossige	oyvind.mossige@sb1markets.no

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Europris
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