

EBITDA ISK 2,293 million in Q4 and 10.020 million for 12M 2022

Main results

- Sale of goods amounted to ISK 31,744 million, compared to ISK 26,428 million in the previous year, and increased by 20.1% between years.
- Gross profit from sale of goods and services was amounted to ISK 6,871 million. Gross profit ratio was 21.6% and decreases by 3.1 b.p. mostly due to the increase in prices of raw materials in the global market between years.
- Additional costs due to new collective wage agreement in the labour market from 1 November amounted to ISK 200 million in the quarter.
- EBITDA was amounted to ISK 2,293 million compared to ISK 2,809 million in Q4 2021, which equals to an 18.4% decrease between years but the decrease is 9.5% if the gain on sale of property of ISK 276 million which was in Q4 2021 is taken into account.
- Icelandic Food Company ehf., a 45% shareholding acquired, will become a 100% owned subsidiary from 1 January 2023.
- Equity at year-end 2022 amounted to ISK 34,460 million and equity ratio 36.9%, compared to 39.4% at year-end 2021.
- In 2022, N1, ELKO and Krónan deliver their best EBITDA results ever, if the gain on sale of property of Krónan in 2021 is not included.
- EBITDA for the year 2022 amounted to ISK 10,020 million, which is in line with the Company's median earnings forecast, if the additional costs of the new collective wage agreement from the last 1 November are taken into account, which was not included in the plans.

ISK million	Q4 2022	Q4 2021	Change	%Change	12M 2022	12M 2021	Change	%Change
Income Statement								
Sale of goods and services	31,744	26,428	5,316	20.1%	121,398	98,736	22,662	23.0%
Margin from sale of goods and services	6,871	6,522	349	5.4%	26,994	24,646	2,348	9.5%
Other operating income	673	724	-51	-7.1%	2,386	2,316	70	3.0%
EBITDA	2,293	2,809	-516	-18.4%	10,020	10,118	-98	-1.0%
EBIT	1,529	2,156	-627	-29.1%	6,707	7,660	-953	-12.4%
EBT	835	1,712	-877	-51.2%	4,936	6,161	-1,226	-19.9%
Profit for the period	708	1,354	-646	-47.7%	4,082	4,972	-890	-17.9%
Statement of Financial Position					31.12.2022	31.12.2021	Change	%Change
Inventories					13,086	9,545	3,540	37.1%
Trade receivables					5,960	4,757	1,203	25.3%
Interest bearing liabilities without lease liabilities					30,014	27,312	2,702	9.9%
Cash and cash equivalents					2,112	4,003	-1,891	-47.2%
Net interest bearing liabilities without lease liabilities					27,902	23,309	4,593	19.7%
Statement of Cash Flows								
	Q4 2022	Q4 2021	Change	%Change	12M 2022	12M 2021	Change	%Change
Cash flows from operating activities	1,830	888	942	106.1%	4,607	8,292	-3,685	-44.4%
Investing activities	-1,361	2,199	-3,560	-161.9%	-4,764	2,104	-6,867	-326.5%
Financing activities	475	-3,341	3,816	-114.2%	-1,807	-8,989	7,181	-79.9%
Cash and cash equivalents at the end of the period	2,112	4,003	-1,891	-47.2%	2,112	4,003	-1,891	-47.2%
Key indicators								
Margin from sale	21.6%	24.7%	-3.0%	-12.3%	22.2%	25.0%	-2.7%	-10.9%
EBITDA/margin from sale	33.4%	43.1%	-9.7%	-22.5%	37.1%	41.1%	-3.9%	-9.6%
Equity ratio	36.9%	39.4%	-2.5%	-6.4%	36.9%	35.7%	1.2%	3.4%
Salaries/margin from sale	54.4%	47.1%	7.3%	15.4%	49.8%	47.3%	2.5%	5.4%
Investments	1,439	846	593	70.1%	5,774	2,381	3,393	142.5%
Inventory turnover	7.6	8.2	-0.6	-7.3%	7.6	8.2	-0.6	-7.3%

Operations in Q4 2022

The company's operations were acceptable in the fourth quarter, and in accordance with Company's budget. Sale of goods increased by 20.1% between years, whereas big sales growth was in convenience goods and other goods. An increase in volume was in all areas of operations, but the huge increase in prices of raw materials had, as mentioned, an impact on the margin level, which decreased by 3.1 b.p. between years. N1's results was ISK 301 million worse than the year before. The margin on fuel decreases during the quarter between years but the difference is also explained by a negative difference in the profit from oil hedges in the amount of ISK 124 million. ELKO's results were similar to last year and Krónan's results were ISK 86 million better than in the previous year. The Company's EBITDA amounted to ISK 2,293 million, which is ISK 516 million worse than in the same quarter of the previous year.

Revenues in Q4 2022

- Revenue from sale of goods and services amounted to ISK 31,744 million in Q4 2022, an increase of 20.1% between years.
- Revenue from sale of convenience goods amounted to ISK 15,286 million, an increase of 17.9% between years.
- Revenue from sales of fuel and electricity increased by ISK 2,263 million, an increase of 36.7% between years.
- Revenue from sales of electronic equipment amounted to ISK 4,995 million, an increase of 4.4% between years.
- Revenue of sales of other goods and services were ISK 3,039 million, an increase of 20.8% between years.

ISK million	Q4 2022	Q4 2021	Change	%Change	12M 2022	12M 2021	Change	%Change
Sale of goods and services								
Grocery and convenience goods	15,286	12,970	2,316	17.9%	56,852	51,861	4,991	9.6%
Fuel and electricity	8,423	6,160	2,263	36.7%	38,564	23,798	14,766	62.0%
Electronic equipment	4,995	4,783	213	4.4%	16,761	15,326	1,435	9.4%
Other goods and services	3,039	2,516	524	20.8%	9,221	7,751	1,470	19.0%
Total sale of goods and services	31,744	26,428	5,316	20.1%	121,398	98,736	22,662	23.0%
Total other operating income	673	724	-51	-7.1%	2,386	2,316	70	3.0%
Total income	32,417	27,152	5,265	19.4%	123,785	101,052	22,732	22.5%

Revenue from convenience goods increased by 17.9% between years but the number of Krónan stores increased by two from the previous year, with the opening of a new store in Borgartún last May and in Akureyri in December. Krónan also opened new and bigger store in Skeifan in the beginning of July and closed another smaller store in the same neighborhood at the same time. Revenue from fuel and electricity increased by 36.7% between years, whereas the increase in fuel prices in the global market was between 18-60%, depending on fuel type. The volume sold amounted to 41.8 million liters and increased slightly between years. Revenue from sale of electronic equipment increased by 4.4% between years, which is explained mainly by the increase coming from the online store and the store at Keflavik Airport. Revenue from other goods and services increased by 20.8% between years, as N1 opened a new car service workshop in Klettagarðar in September, which had a great start.

Margin from sale of goods and services in Q4 2022

- Margin from sale of goods and services amounted to ISK 6,871 million, an increase of 5.4% between years.
- Margin from convenience goods was amounted to ISK 3,367 million, an increase of 13.5% between years.
- Margin from fuel and electricity was amounted to ISK 1,017 million, a decrease of ISK 233 million between years. Margin percentage was 12.1% and decreases by 8.2 b.p. between years.
- Margin from electronics amounted to ISK 1,279 million, an increase of 16.2% between years.
- Margin from other goods and services amounted to ISK 1,208 million, an increase of 16.2%, between years.

ISK million	Q4 2022	Q4 2021	Change	%Change	12M 2022	12M 2021	Change	%Change
Margin from sale of goods and services								
Grocery and convenience goods	3,367	2,967	400	13.5%	13,213	12,334	879	7.1%
Fuel and electricity	1,017	1,251	-233	-18.7%	5,711	5,234	478	9.1%
Electronic equipment	1,279	1,264	14	1.1%	4,318	3,985	333	8.4%
Other goods and services	1,208	1,040	168	16.2%	3,751	3,093	658	21.3%
Total margin from sales of goods and services	6,871	6,522	349	5.4%	26,994	24,646	2,348	9.5%

Total margin from sale of goods and services in Q4 2022 amounted to ISK 6,871 million, compared to ISK 6,522 million for the same quarter last year, an increase of 5.4%. Margin from sale of convenience goods amounted to ISK 3,367 million, an increase of 13.5% between years. Margin from fuel and electricity amounted to ISK 1,017 million, a decrease of ISK 233 million between years, where margin percentage drops from 20.3% to 12.1% or 8.2 b.p. Negative difference in the profit from oil hedges amounts to ISK 124 million between years, along with lower margin per ISK on sold liter between years, especially in the sale of gasoline. The margin of sale of electronic equipment amounted to ISK 1,279 million, an increase of 1.1% and the margin of other goods and services amounted to ISK 1,208 million, an increase of 16.2% between years.

Operating expenses in Q4 2022

- Operating expenses in Q4 2022 amounted to ISK 5,250 million, an increase of ISK 814 million from Q4 2021 or about 18.3%.
- Salaries and other personnel expenses increase by ISK 663 million between years, or about 21.6%.
- Other operating expenses increase by ISK 151 million between years, or about 11.1%.

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ISK million	Q4 2022	Q4 2021	Change	%Change	12M 2022	12M 2021	Change	%Change
Operating expenses								
Salaries and other personnel expenses	3,735	3,072	663	21.6%	13,456	11,659	1,797	15.4%
Other operating expenses								
Operating costs of real estate	446	396	50	12.5%	1,751	1,519	232	15.3%
Maintenance expenses	275	254	21	8.3%	964	908	56	6.2%
Sales and marketing expenses	413	329	85	25.7%	1,523	1,217	306	25.1%
Communication expenses	204	203	2	0.9%	808	699	109	15.6%
Office and administrative expenses	164	142	22	15.4%	455	417	38	9.1%
Insurance and claims	6	8	-2	-25.1%	150	201	-51	-25.4%
Bad debt and change in allowance for bad debt	-53	-47	-6	13.2%	-15	-11	-4	41.0%
Other expenses	61	81	-20	-24.5%	268	235	34	14.3%
Total other operating expenses	1,515	1,364	151	11.1%	5,905	5,186	719	13.9%
Total operating Expenses	5,250	4,437	814	18.3%	19,361	16,844	2,516	14.9%

Salaries and other personnel expenses amounted to ISK 3,735 million in Q4 2022, compared to ISK 3,072 million in Q4 2021, an increase of 21.6%. Full-time equivalent positions were 1,284 for the quarter, an increase of 129 full-time equivalent positions between years. Three contractual wage increase came into effect between the periods, in January 2022, April 2022 and November 2022, which led to an increase of ISK 315 million between years. The additional costs due to the increase in full time equivalent positions amounted to 321 million. The table below shows an analysis of the increase in wages and other personnel expenses between years, in ISK million:

Salaries and other personnel expenses Q4 2021	3,072
Change in full-time position equivalents	321
Contractual wage increases	248
Accrued vacation, change	67
Personel expenses	27
Salaries and other personnel expenses Q4 2022	3,735

Other operating expenses amounted to ISK 1,515 million compared to ISK 1,364 million in Q4 2021, an increase of 11.1% between years. The increase is due mainly to sale-related expenses, such as costs of payment processing and house rent based on turnover.

Financial items in Q4 2022

- Net finance expenses and the impact of associates were negative by ISK 693 million in Q4 2022, compared to ISK 443 million in Q4 2021, an increase of ISK 250 million between years.
- Finance income amounted to ISK 28 million, unchanged between years.
- Finance costs amounted to ISK 678 million, an increase of ISK 158 million between years.
- Share of profit from associates amounted to ISK 69 million, an increase of ISK 61 million between years.

ISK million	Q4 2022	Q4 2021	Change	%Change	12M 2022	12M 2021	Change	%Change
Finance income	28	28	0	-0.9%	178	90	88	97.9%
Finance expenses	-678	-519	-158	30.5%	-2,408	-1,957	-451	23.0%
Share of profit from associates	69	8	61	793.2%	453	301	153	50.8%
Total	-693	-443	-250	56.3%	-1,772	-1,499	-272	18.2%

Finance income amounted to ISK 28 million, similar to last year. Finance costs amounted to ISK 678 million, an increase of ISK 158 million between years, mostly due to the effect of increased policy interest rates by the

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Central Bank of Iceland between years. The share of profit from associates amounted to ISK 69 million, an increase of ISK 61 million between years.

Financial position at the end of Q4 2022

- Total assets amounted to ISK 93,373 million at year-end, an increase of ISK 7,401 million from year-end 2021.
- Non-current assets amounted to ISK 71,450 million, an increase of 4,673 million from year-end 2021.
- Current assets amounted to 21,923 million, an increase of 2,728 million from year-end 2021.
- Company's equity ratio was 36.9% at year-end 2022, compared to 39.4% at year-end 2021.
- Cash and cash equivalents amounted to ISK 2,112 million at year-end 2022, a decrease of ISK 1,891 million from year-end 2021.

ISK million	31.12.2022	31.12.2021	Change	%Change
Goodwill	14,862	14,668	194	1.3%
Other intangible assets	4,517	4,744	-228	-4.8%
Property and equipment	34,815	32,544	2,271	7.0%
Leased assets	8,012	6,155	1,857	30.2%
Investment properties	6,479	6,100	378	6.2%
Inventories	13,086	9,545	3,540	37.1%
Trade receivables	5,960	4,757	1,203	25.3%
Cash and cash equivalents	2,112	4,003	-1,891	-47.2%
Interest bearing liabilities without lease liabilities	30,014	27,312	2,702	9.9%
Net interest bearing liabilities without lease liabilities	27,902	23,309	4,593	19.7%
Net interest bearing liabilities	36,328	29,731	6,597	22.2%
Equity ratio	36.9%	39.4%	-2.5 p.p.	-6.4%
Inventory turnover	7.6	8.2	-0.6	-7.3%

Goodwill amounted to ISK 14,862 million and other intangible assets to ISK 4,517 million at the end of Q4 2022. Properties and equipment amounted to ISK 34,815 million, an increase of 2,271 million from year-end 2021. Investment properties amounted to ISK 6,479 million, an increase of ISK 378 million from year-end 2021.

Inventories increase by ISK 3,540 million due to rise in prices of raw materials and openings of new stores during the year. Capital investment in gasoline inventories increases by ISK 1,780 million or 70% and quantity in liters increased by 8%. Trade receivables increase by ISK 1,203 million from the year-end 2021, in line with the increase in global market prices and increased turnover.

Net interest-bearing liabilities excluding lease liabilities amounted to ISK 27,902 million, an increase of ISK 4,593 million from year-end 2021. Company's equity ratio was 36.9% at year-end 2022, compared to 39.4% at year-end 2021. The Company's liquidity position is good and its financial position is strong.

Cash flows and investments in Q4 2022

- Net cash from operating activities was ISK 1,830 million, compared to ISK 888 million in Q4 2021.
- Net cash used in investing activities was ISK 1,361 million, but it was positive in the amount of ISK 2,199 million in Q4 2021.
- Net cash from financing activities was positive, in the amount of ISK 475 million, but it was negative in the amount of ISK 3,341 million in Q4 2021.

ISK million	Q4 2022	Q4 2021	Change	%Change	12M 2022	12M 2021	Change	%Change
Cash flow								
Cash and cash equivalents, beginning of period	1,144	4,245	-3,101	-73.0%	4,003	2,563	1,440	56.2%
Net cash to operating activities	1,830	888	942	106.1%	4,607	8,292	-3,685	-44.4%
Net cash used in investing activities	-1,361	2,199	-3,560	-161.9%	-4,764	2,104	-6,867	-326.5%
Net cash used in financing activities	475	-3,341	3,816	-114.2%	-1,807	-8,989	7,181	-79.9%
Effect of movements in exchange rates on cash	24	12	12	105.4%	74	33	41	123.0%
Cash and cash equivalents change	968	-242	1,210	-499.4%	-1,891	1,440	-3,330	-231.3%
Cash and cash equivalents, end of period	2,112	4,003	-1,891	-47.2%	2,112	4,003	-1,891	-47.2%

Net cash from operating activities in Q4 2022 amounted to ISK 1,830 million, a increase of ISK 942 million between years. Investments amounted to ISK 1,439 million, an increase of ISK 593 million between years. A new long-term loan was taken during the quarter in the amount of ISK 3.960 million, to fund the investments of the year and to strengthen the liquidity position. Installments of interest-bearing loans amounted to ISK 3,300 million and of lease liabilities to ISK 186 million. Cash and cash equivalents increased by ISK 968 million in the fourth quarter of 2022 and amounted to ISK 2,112 million at year-end.

EBITDA forecast for 2023

Company's EBITDA forecast for the year 2023 amounts to ISK 9,750 – ISK 10,250 million.

The following external factors can have a major impact on Company's operations:

- Wage disputes in the labour market.
- Impact of Russia's invasion of Ukraine on supply of goods.
- Major changes in global commodity prices and exchange rates.
- High inflation in international markets, as well as Iceland.
- Uncertainty in number of tourist arrivals to Iceland and Icelanders travelling abroad.

The Company's equity ratio is 36,9% at the end of the quarter and the Company has a strong financial position. The outlook for the business is good and the Company is in a good position to handle the tasks ahead.

Shareholders

- The Company's market capitalisation at the end of 2022 amounted to ISK 56.9 billion.
- The number of shareholders were 1,269 at year-end 2022.

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–Web streaming for market participants, Thursday, 9 February 2023

A webstream for market participants will take place on Thursday, 9 February, where Magnús Kr. Ingason, CFO of Festi and Deputy CEO, will present the Group's results and answer questions in Icelandic. The meeting starts at 08:30.

Registration for the meeting takes place here: <https://vimeo.com/webinars/events/01df3ef7-1a92-444a-b812-e9138603c7ac>

Participants who follow electronically can ask questions during a meeting via a forum that appears below the web feed. Questions will be answered after the presentation.

Promotional material for the meeting will be available after that on the Festi's website: <https://www.festi.is/en/r/reports-and-presentations>

Financial calendar

- Annual General Meeting 2023: 22 March 2023
- Q1 2023: 3 May 2023
- Q2 2023: 26 July 2023
- Q3 2023: 25 October 2023
- Q4 2023: 7 February 2024
- Annual General Meeting 2024: 20 March 2024

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