

Festi's profit for the first quarter of 2019 in the amount of ISK 52 million

Main results

- Increased number of subsidiaries in Festi's group is the main reason for increases in revenue and expenses in Q1 2019 compared to the same quarter of 2018, therefore comparison between periods is difficult
- EBITDA, excluding acquisition-related cost due to acquisition of Hlekkur, amounted to ISK 1,367 million in Q1 2019 compared to ISK 436 million in Q1 2018
- Less sale of goods other the fuel by the group's entities than expected in Q1 2019, except for Krónan where sales exceeded expectations
- Sale of gasoline and diesel fuel decreased by 2.4% in Q1 2019 compared to Q1 2018, mainly in the capital area
- At the end of Q1 2019 equity amounted to ISK 26,021 million and equity ratio was 32.0%

ISK million	Q1 2019	Q1 2018	Change	% Change
Income Statement				
Gross profit	4.231	1.989	2.242	112,7%
Lease revenue from real estate and other operating income	372	106	267	252,7%
EBITDA	1.329	401	929	231,9%
EBIT	563	153	410	268,6%
EBT	61	89	-28	-31,3%
Profit for the period	52	76	-25	-32,5%
Statement of Financial Position				
Inventories	7.092	3.252	3.840	118,1%
Trade receivables	3.607	3.051	556	18,2%
Interest bearing liabilities	41.002	8.000	33.002	412,5%
Cash and cash equivalents	4.411	2.387	2.024	84,8%
Net interest bearing liabilities	36.709	5.661	31.048	548,5%
Statement of Cash Flows				
Cash flows from operating activities	690	-252	942	-373,6%
Investing activities	-233	-163	-70	42,9%
Financing activities	-345	0	-345	
Cash and cash equiv. at the end of the period	4.411	2.387	2.024	84,8%
Key indicators				
EBITDA/gross profit	31,4%	20,1%	11,3%	56,0%
Equity ratio	32,0%	49,0%	-17,0%	-34,7%
Salaries/gross profit	54,1%	55,0%	-0,9%	-1,6%
Earning per share	0,16	0,31	-0,15	-49,5%
Return on equity	0,8%	2,2%	-1,4%	-63,6%
Investments	-454	-171	-283	-166,1%
Inventory turnover	7,61	7,49	0,12	1,7%

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Operations in the first quarter

ISK million	Q1 2019	Q1 2018	Change	% Change
Income Statement				
Gross profit	4.231	1.989	2.242	112,7%
Lease revenue from real estate and other operating income	372	106	267	252,7%
Salaries and other personnel expenses	-2.291	-1.094	1.196	109,3%
Sales and distribution expenses	-258	-211	46	21,9%
Other operating expenses	-725	-389	337	86,6%
EBITDA	1.329	401	929	231,9%

EBITDA for Q1 2019 was in the amount of ISK 1,329 million compared to ISK 401 million for Q1 2018. Expenses related to acquisition of Hlekkur was ISK 37 million in Q1 2019 and 35 million in Q1 2018. Less sale of other goods other than fuel by the group's entities than expected in Q1 2019, except for Krónan where sales exceeded expectations.

Revenue in the first quarter

Thousand of litres / sales of other goods in ISK million	Q1 2019	Q1 2018	Change	% Change
Quantity sold - gasoline	10.104	10.967	-864	-7,9%
Quantity sold - diesel fuel	20.637	20.523	114	0,6%
Total quantity sold - excluding JET	42.007	43.094	-1.088	-2,5%
Sales of other goods	12.949	2.381	10.568	443,8%
Gross profit on sales of fuel	991	968	23	2,4%
Gross profit on sales of other goods	3.240	1.022	2.218	217,1%

Sales volume, excluding jet fuel, decreased by 2.5% in Q1 2019 compared to the same quarter in 2018 due to decreased sales to fisheries. Sales volume of gasoline and diesel fuel decreased by 2.4% in Q1 2019 compared to Q1 2018, mainly in the capital area. A change in composition of fuel sales explains for the most part increase in gross profit per liter in Q1 2019 when compared to Q1 2018. Sales of other goods increased by 443.8% in Q1 2019 compared to Q1 2018 due to increased number of subsidiaries in the group. Less sale of other goods by the group's entities than expected in Q1 2019, except for Krónan where sales exceeded expectations.

Operating expenses in the first quarter

ISK million	Q1 2019	Q1 2018	Change	% Change
Salaries and other personnel expenses	-2.291	-1.094	1.196	109,3%
Sales expenses	-258	-211	46	21,9%
Other operating expenses	-725	-389	337	86,6%

Increased number of subsidiaries in Festi's group is the main reason for increases in expenses in Q1 2019 compared to the same quarter of 2018. Expenses related to the acquisition of Hlekkur amounted to ISK 37 million in Q1 2019 compared to ISK 35 million in Q1 2018.

Finance items

Finance income decreases in Q1 2019 because of lower cash balance. Finance expenses were higher in Q1 2019 than Q1 2018 due to increases in long-term borrowings and adoption of IFRS 16. Interest expenses increased by ISK 50 million due to application of the standard.

ISK million	Q1 2019	Q1 2018	Change	% Change
Finance income	19	23	-4	-17,2%
Finance expenses	-618	-103	515	501,3%
Foreign currency difference	36	-14	50	-364,7%
Share of profit from associates	60	30	31	103,9%
Total	-502	-64	-438	684,9%

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Statement of financial position

ISK million	Q1 2019	Q1 2018	Change	% Change
Goodwill	14.070	0	14.070	
Other intangible assets	4.519	206	4.313	2097,2%
Property and equipment	31.911	16.870	15.041	89,2%
Investment properties	8.725	0	8.725	
Inventories	7.092	3.252	3.840	118,1%
Trade receivables	3.607	3.051	556	18,2%
Cash and cash equivalents	4.411	2.387	2.024	84,8%
Net interest bearing liabilities	36.709	5.661	31.048	548,5%
Net interest bearing liabilities without lease liabilities	32.890	5.661	27.229	481,0%
Equity ratio	32,0%	49,0%	-17,0%	-34,7%
Inventory turnover	7,61	7,49	0,12	1,7%

Assets and liabilities increase due to new companies in the group. The equity ratio is 32,0% and net interest bearing liabilities were in the amount of ISK 36,709 million, thereof lease liabilities in the amount of ISK 3,819 million. In Q1 2019 the operations of Dælan were sold in accordance with a settlement agreement with the Icelandic Competition Authority. The sale had immaterial effect. At beginning of April the group sold real estate for approximately ISK 2,500 million. A portion of the consideration will be used to repay interest bearing liabilities. At the end of April the company finished refinancing of the group.

Future outlook in Festi's operations and estimated EBITDA for the year 2019

- Business from tourists is expected to be similar to that of 2018
- Increased uncertainty around the number of tourists visiting the country in 2019
- Turmoil in oil markets and ISK foreign exchange rate could cause fluctuations in gross profit and working capital position

EBITDA for the year 2019 is unchanged and is assumed to be in the range of ISK 7,400 – 7,700 million, excluding expenditures related to the acquisition of Hlekkur, which have mostly been realised.

Shareholders

- The Company's market capitalisation was ISK 37.1 billion as at the end of March 2019
- General meeting was held on 21 March where the Board was elected

20 May 2019**Meeting on Tuesday 21 May 2019**

An open meeting for market participants and shareholders will be held on Tuesday 21 May 2019 at Festi's headquarters at Dalvegur 10-14 in Kópavogur (3rd floor). Eggert Kristófersson, the Company's CEO, will present the Company's results and answer questions. The meeting will start at 8:30. A light breakfast is available from 8:00. Presentations will be available following the meeting on Festi's website: <http://festi.is/fjarfestar/fjarhagsupplysingar/> as well as on the company news section on Nasdaq OMX Iceland hf.'s webpage.

Financial calendar

- Interim Financial Statements Q2 2019: 28 August 2019
- Interim Financial Statements Q3 2019: 6 November 2019
- Annual Financial Statements for the year 2019: 27 February 2020
- Annual general meeting 2020: 19 March 2020

For further information please contact Eggert Kristófersson, CEO (eggert@festi.is) or Pétur Hafsteinsson, CFO, (petur@festi.is).