

Festi's profit for the second quarter of 2019 in the amount of ISK 550 million

Main results

- Increased number of subsidiaries in Festi's group is the main reason for increases in revenue and expenses in Q2 2019 compared to the same quarter of 2018, therefore comparison between periods is difficult
- EBITDA amounted to ISK 1,892 million in Q2 2019 compared to ISK 1,077 million in Q2 2018
- Krónan's sales exceeded expectations but sales were below expectations in ELKO in Q2 2019
- Less sale of goods other than fuel at N1 than expected in Q2 2019
- Sale of gasoline and diesel fuel decreased by 3.9% in Q2 2019 compared to Q2 2018, to a large extent due to the sale of Dælan
- EBITDA of real estate was ISK 756 million in Q2 2019 and total assets 37,120 million at the end of Q2 2019
- At the end of Q2 2019 equity amounted to ISK 26,610 million and equity ratio was 32.7%

ISK million	Q2 2019	Q2 2018	Change	% Change	6M 2019	6M 2018	Change	%Change
Income Statement								
Gross profit	5,048	2,858	2,190	76,6%	9,279	4,847	4,432	91,4%
Other operating income	639	124	516	417,3%	1,011	229	782	341,5%
EBITDA	1,892	1,077	815	75,7%	3,222	1,477	1,744	118,0%
EBIT	1,197	823	374	45,5%	1,759	975	784	80,4%
EBT	661	802	-141	-17,6%	722	890	-168	-18,9%
Profit for the period	550	672	-122	-18,2%	601	748	-147	-19,6%
Statement of Financial Position								
Inventories					8,432	4,028	4,405	109,4%
Trade receivables					4,622	3,761	862	22,9%
Interest bearing liabilities					38,536	9,100	29,436	323,5%
Cash and cash equivalents					4,950	3,319	1,631	49,2%
Net interest bearing liabilities					33,687	5,832	27,855	477,6%
Statement of Cash Flows								
Cash flows from operating activities	1,308	1,032	276	26,8%	1,998	780	1,218	156,2%
Investing activities	1,895	-112	2,007	-1792,4%	1,662	-275	1,937	-703,5%
Financing activities	-2,649	0	-2,649	-	-2,994	0	-2,994	-
Cash and cash equiv. at the end of the period	4,950	3,319	1,631	49,2%	4,950	3,319	1,631	49,2%
Key indicators								
EBITDA/gross profit	37,5%	37,7%	-0,2%	-0,5%	34,7%	30,5%	4,2%	13,9%
Equity ratio					32,7%	47,5%	-14,8%	-31,2%
Salaries/gross profit	51,3%	43,3%	8,0%	18,4%	52,6%	48,1%	4,5%	9,3%
Earning per share	1,67	2,69	-1,02	-37,9%	1,82	2,99	-1,17	-39,1%
Return on equity					4,6%	10,6%	-6,0%	-56,6%
Investments	-626	-303	-323	106,7%	-1,080	-473	-606	128,1%
Inventory turnover	8,42	8,87	-0,45	-5,1%	7,87	7,94	-0,07	-0,9%

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Operations in the second quarter

ISK million	Q2 2019	Q2 2018	Change	% Change	6M 2019	6M 2018	Change	% change
Income Statement								
Gross profit	5.048	2.858	2.190	76,6%	9.279	4.847	4.432	91,4%
Lease revenue from real estate and other operating income	639	124	516	417,3%	1.011	229	782	341,5%
Salaries and other personnel expenses	-2.588	-1.237	1.351	109,2%	-4.879	-2.331	-2.547	109,2%
Sales expenses	-370	-246	125	50,8%	-628	-457	-171	37,4%
Other operating expenses	-837	-422	415	98,4%	-1.562	-810	-752	92,8%
EBITDA	1.892	1.077	815	75,7%	3.222	1.477	1.744	118,0%

EBITDA for Q2 2019 was in the amount of ISK 1,892 million compared to ISK 1,077 million for Q2 2018. Profit on sale of real estate amounted to ISK 231 million in Q2 2019, arising from sale of two properties. There was less sale than expected of goods other than fuel by the group's entities in Q2, except for Krónan where sales exceeded expectations. However, Krónan's profit margin was less than expected in Q2 2019.

Revenue in the second quarter

Thousand of litres / sales of other goods in ISK million	Q2 2019	Q2 2018	Change	% Change	6M 2019	6M 2018	Change	% change
Quantity sold - gasoline	12.621	13.556	-934	-6,9%	22.725	24.523	-1.798	-7,3%
Quantity sold - diesel fuel	25.491	26.089	-598	-2,3%	46.128	46.612	-485	-1,0%
Total quantity sold - excluding JET	47.785	53.907	-6.121	-11,4%	89.792	97.001	-7.209	-7,4%
Sales of other goods	14.684	2.949	11.734	397,8%	27.633	5.331	22.302	418,4%
Gross profit on sales of fuel	1.345	1.533	-188	-12,3%	2.336	2.501	-165	-6,6%
Gross profit on sales of other goods	3.703	1.325	2.378	179,5%	6.943	2.347	4.596	195,9%

Sales volume, excluding jet fuel, decreased by 11.4% in Q2 2019 compared to the same quarter in 2018 due to decreased sales to fisheries. Sales volume of gasoline and diesel fuel decreased by 3.9% in Q2 2019 compared to Q2 2018, mainly in the capital area, but the company sold the operations of Dælan which explains most of the decrease. Sales of other goods increased by 397.8% in Q2 2019 compared to Q2 2018 due to increased number of subsidiaries in the group. There was less sale than expected of goods other than fuel by the group's entities than expected in Q2 2019, except for Krónan where sales exceeded expectations. However, Krónan's profit margin was less than expected in Q2 2019.

Operating expenses in the second quarter

ISK million	Q2 2019	Q2 2018	Change	% Change
Salaries and other personnel expenses	-2.588	-1.237	1.351	109,2%
Sales expenses	-370	-246	125	50,8%
Other operating expenses	-837	-422	415	98,4%

Increased number of subsidiaries in Festi's group is the main reason for increases in expenses in Q2 2019 compared to the same quarter of 2018. Expenses related to the acquisition of Hlekkur amounted to ISK 14 million in Q2 2019 compared to ISK 31 million in Q2 2018.

Finance items

Finance income is almost the same in Q2 2019 as for the same quarter of 2018. Finance expenses were higher in Q2 2019 than Q2 2018 due to increases in long-term borrowings and adoption of IFRS 16. Interest expenses increased by ISK 100 million due to application of the standard.

ISK million	Q2 2019	Q2 2018	Change	% Change
Finance income	16	16	-1	-4,8%
Finance expenses	-653	-107	546	510,0%
Foreign currency difference	17	43	-25	-59,6%
Share of profit from associates	85	29	56	190,5%
Valuation changes of shares in other companies	0	-2	2	-100,0%
Total	-536	-21	-515	2440,7%

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Statement of financial position

ISK million	Q2 2019	Q2 2018	Change	% Change
Goodwill	14.070	0	14.070	-
Other intangible assets	4.579	196	4.383	2232,0%
Property and equipment	31.370	16.887	14.483	85,8%
Investment properties	6.944	0	6.944	-
Inventories	8.432	4.028	4.405	109,4%
Trade receivables	4.622	3.761	862	22,9%
Interest bearing liabilities	38.536	9.100	29.436	323,5%
Cash and cash equivalents	4.950	3.319	1.631	49,2%
Net interest bearing liabilities	33.687	5.832	27.855	477,6%
Net interest bearing liabilities without lease liabilities	30.014	5.832	24.182	414,6%
Equity ratio	32,7%	47,5%	-14,8%	-31,2%
Inventory turnover	7,87	7,94	-0,07	-0,9%

Assets and liabilities increase due to new companies in the group. The equity ratio is 32.7% and net interest bearing liabilities were in the amount of ISK 33,687 million, thereof lease liabilities in the amount of ISK 3,673 million. In Q2 2019 the group sold real estate for ISK 2,507 million. A portion of the consideration will be used to repay interest bearing liabilities. The company invested for ISK 1,080 million, Thereof ISK 263 million in intangible assets when a new information system was adopted at Krónan in Q2 2019.

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. The EBITDA forecast is specified as follows:

EBITDA forecast 2019 ISK million	Operations	Real estate	Impact of IFRS 16	Total
Lower limit	3.750	3.150	500	7.400
Higher limit	4.000	3.200	500	7.700

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Meeting on Thursday 29 August 2019

An open meeting for market participants and shareholders will be held on Thursday 29 August 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 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).