

Profit in Q4 2020 ISK 526 million

Main results

- Margin from sales of goods and services was ISK 5,288 million compared to ISK 5,273 million in Q4 2019, increase of 0.3%.
- EBITDA ISK 1,746 million compared to ISK 1,766 million in Q4 2019, decrease of 1.1%.
- Decline in results is related to COVID-19 restrictions enforced beginning Q4 2020.
- Gross margin from sales 22.8% in Q4 2020 compared to 24.8% in Q4 2019.
- Gross margin from sales 24% in 2020 compared to 23.8% in 2019.
- Operating expenses related to COVID19 was 153 million in Q4 2020 and 394 million in 2020.
- Equity ISK 29,784 million and equity ratio 35.7% compared to 35.3% at the end of 2019.
- Net interest-bearing debt without lease liabilities ISK 29,986 million compared to ISK 28,011 million at the end of 2019.

ISK million	Q4 2020	Q4 2019	Change	% Change	2020	2019	Change	% Change
Income Statement								
Sale of goods and services	23,222	21,279	1,943	9.1%	86,260	84,991	1,268	1.5%
Margin from sales of goods and services	5,288	5,273	15	0.3%	20,684	20,196	488	2.4%
Other operating income	708	428	280	65.5%	1,658	1,851	-193	-10.4%
EBITDA	1,746	1,766	-20	-1.1%	7,057	7,605	-549	-7.2%
EBIT	1,135	1,301	-165	-12.7%	4,429	5,198	-770	-14.8%
EBT	642	840	-198	-23.5%	2,778	3,371	-593	-17.6%
Profit for the period	526	715	-189	-26.4%	2,266	2,796	-529	-18.9%
Statement of Financial Position								
Inventories					7,668	7,678	-10	-0.1%
Trade receivables					4,924	3,756	1,167	31.1%
Interest bearing liabilities without lease liabilities					32,549	33,380	-832	-2.5%
Cash and cash equivalents					2,563	5,369	-2,806	-52.3%
Net interest bearing liabilities without lease liabilities					29,986	28,011	1,974	7.0%
Statement of Cash Flows								
Cash flows from operating activities	18	1,279	-1,261	-98.6%	4,387	5,556	-1,170	-21.1%
Investing activities	-979	-865	-113	13.1%	-3,414	478	-3,891	-814.6%
Financing activities	-1,455	-1,888	433	-22.9%	-3,800	-4,961	1,161	-23.4%
Cash and cash equiv. at the end of the period	2,563	5,369	-2,806	-52.3%	2,563	5,369	-2,806	-52.3%
Key indicators								
Margin from sales	22.8%	24.8%	-2.0%	-8.1%	24.0%	23.8%	0.2%	0.9%
EBITDA/gross profit	33.0%	33.5%	-0.5%	-1.4%	34.1%	37.7%	-3.5%	-9.4%
Equity ratio					35.7%	35.3%	0.4%	1.2%
Salaries/gross profit	55.5%	51.3%	4.2%	8.2%	50.9%	49.3%	1.6%	3.2%
Return on equity					7.8%	10.2%	-2.4%	-24.0%
Investments	1,258	761	497	65.2%	3,842	2,258	1,585	70.2%
Inventory turnover	8.8	8.6	0	2.3%	8.6	8.6	0	0.0%

Operations in the fourth quarter

Our fourth quarter EBITDA results were good despite significant effects on the operation because of COVID-19 congregation ban had on the operations. EBITDA was in the amount of ISK 1,746 million which was 1,1% lower than same time last year. The COVID-19 outbreak had significant economic impact during the quarter, but the Group is balanced in exposure with its diversified business mix. Elko had strong results while N1 and Krónan operations were slightly below expectations. Overall results for Festi are 2% lower than the EBITDA guidance published 4th of November 2020.

Revenues

- Sales of goods and services were ISK 23,222 million in Q4 2020 compared to ISK 21,279 million in Q4 2019, up by 9.1%.
- Diversified business mix. Increase in grocery, convenience goods and electronic equipment.
- Significant growth in online stores.
- The classification of certain operating revenue and operating expenses for the year 2019 has been changed to harmonize their classification among the Group's entities.

ISK million	Q4 2020	Q4 2019	Change	% Change	2020	2019	Change	% Change
Sale of goods and services								
Grocery and convenience goods	12,996	10,156	2,840	28.0%	47,680	41,205	6,475	15.7%
Fuel and Electricity	3,998	5,789	-1,790	-30.9%	18,639	26,085	-7,446	-28.5%
Electronic Equipment	4,091	3,291	800	24.3%	12,941	10,911	2,030	18.6%
Other goods and services	2,137	2,044	93	4.6%	7,000	6,790	210	3.1%
Total Sale of goods and services	23,222	21,279	1,943	9.1%	86,260	84,991	1,268	1.5%
Total Other Operating income	708	428	280	65.5%	1,658	1,851	-193	-10.4%
Total Income	23,929	21,707	2,222	10.2%	87,918	86,842	1,076	1.2%

Revenue from grocery and convenience goods are up by 28,0%, sale of electronic equipment, up by 24,3% between years. Revenue from fuel sales and electricity are down by 30,9% between years but sold quantity is down by 24%. Lower revenues from fuel sales are further explained by lower fuel prices on the world market, which decreased by an average of 35.2% between years. Revenues from other goods and services increased by 4,6%.

ISK million	Q4 2020	Q4 2019	Change	% Change	2020	2019	Change	% Change
Margin from sales of goods and services								
Grocery and convenience goods	2,516	2,265	251	11.1%	10,616	9,727	889	9.1%
Fuel and Electricity	795	1,311	-516	-39.4%	3,997	5,249	-1,252	-23.9%
Electronic Equipment	943	845	99	11.7%	3,141	2,561	580	22.7%
Other goods and services	1,034	852	182	21.4%	2,930	2,659	272	10.2%
Total margin from sales of goods and services	5,288	5,273	15	0.3%	20,684	20,196	488	2.4%

Total margin from sales of goods and services in Q4 is ISK 5,288 million compared to ISK 5,273 million for the same quarter last year, an increase of 0.3%. Margin from grocery and convenience goods is ISK 2,516 million and up by 11.1%. Margin from electronic equipment sales is ISK 943 million and is up by 11.7% and margin from

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other goods is ISK 1,034 million and up by 21.4%. Margin from fuel and electricity is ISK 795 million and down by 39.4%.

The classification of certain operating revenue and operating expenses has been changed to harmonize their classification among the Group's entities. Comparative figures have been restated accordingly. The change did not have any impact on the performance of the Group, its assets, liabilities, equity or cash flows.

Operating expenses

- Operating expenses in Q4 2020 was ISK 4,249 million compared to ISK 3,934 million in Q4 2019
- COVID-19 added cost of ISK 152 million in Q4 2020.

ISK million	Q4 2020	Q4 2019	Change	% Change	2020	2019	Change	% Change
Operating expenses								
Salaries and other personnel expenses	2,933	2,703	230	8.5%	10,521	9,953	568	5.7%
Other operating expenses								
Operating costs of real estate	369	301	68	22.4%	1,530	1,538	-7	-0.5%
Maintenance expenses	164	109	55	50.6%	672	579	93	16.1%
Sales and marketing expenses	441	425	16	3.7%	991	994	-3	-0.4%
Office and administrative expenses	123	75	48	64.0%	477	460	17	3.7%
Communication expenses	204	223	-19	-8.7%	653	593	60	10.1%
Insurance and damage cost	64	25	39	153.9%	154	83	71	86.1%
Other expenses	-55	59	-115	-193.8%	270	172	98	57.3%
Expenses due to acquisition of Hlekkur ehf.	7	12	-6	-45.9%	18	71	-52	-73.9%
Total Other operating expenses	1,317	1,231	85	6.9%	4,765	4,489	276	6.2%
Total Operating Expenses	4,249	3,934	315	8.0%	15,286	14,441	844	5.8%

Salaries and other personnel expenses amount to ISK 2,933 million in Q4 2020 compared to ISK 2,703 million in Q4 2019 which is an increase of 8.5% over years. Full-time equivalents were 1,180, an increase of 92 between years, which is explained by the opening of two new Krónan stores and one new ELKO store in Akureyri. Added COVID-19 personnel expenses in the quarter is ISK 107 million. The table below illustrates the difference between years in millions ISK.

Salaries and other personnel expenses Q4 2019	2,703
Change in full-time position equivalents	68
Contractual wage increases	64
Accrued vacation, change	-16
Covid-19 effects	107
Other	7
Salaries and other personnel expenses Q4 2020	2,933

Other operating expenses were ISK 1,317 million compared to ISK 1,231 million in Q4 2019, an increase of 6.9%. Included is COVID-19 related cost of ISK 45 million.

Financial items

- Net finance cost ISK 493 million in Q4 2020 compared to ISK 461 million in Q4 2019.
- Interest paid in 2020 ISK 1,340 million compared to ISK 1,864 million in 2019 which is 28% down YoY due to lower interest rates.

ISK million	Q4 2020	Q4 2019	Change	% Change	2020	2019	Change	% Change
Finance income	24	94	-70	-74.1%	102	173	-71	-41.1%
Finance expenses	-468	-546	-78	-14.2%	-2,044	-2,353	-309	-13.1%
Foreign currency difference	-80	-51	-29	56.9%	23	27	-4	-14.6%
Share of profit from associates	30	101	-71	-70.4%	268	385	-117	-30.4%
Loss of shares in other companies	0	-60	60		0	-60	60	
Total	-493	-461	-32	7.0%	-1,651	-1,828	177	-9.7%

Statement of financial position

- Total assets amounted to ISK 83,365 million at end of Q4 2020.
- Equity ratio was 35.7%.
- Cash and cash equivalents amounted to ISK 2,563 million at end of 2020.

ISK million	31.12.2020	31.12.2019	Change	% Change
Goodwill	14,668	14,070	598	4.2%
Other intangible assets	4,971	4,650	321	6.9%
Property and equipment	32,297	31,434	864	2.7%
Leased assets	5,420	3,862	1,557	40.3%
Investment properties	7,467	7,354	113	1.5%
Inventories	7,668	7,678	-10	-0.1%
Trade receivables	4,924	3,756	1,167	31.1%
Cash and cash equivalents	2,563	5,369	-2,806	-52.3%
Interest bearing liabilities without lease liabilities	32,549	33,380	-832	-2.5%
Net interest bearing liabilities without lease liabilities	29,986	28,011	1,974	7.0%
Net interest bearing liabilities	35,596	31,975	3,621	11.3%
Equity ratio	35.7%	35.3%	0%	1.2%
Inventory turnover	8.3	8.6	-0.3	-3.5%

Goodwill is ISK 14,668 million and other intangible assets ISK 4,971 million at end of Q4 2020. Properties and equipment amounted to ISK 32,297 million and investment properties to ISK 7,467 million at end of Q4 2020. Trade receivables increase by ISK 1,167 million due to a new agreement on settlement of credit card claims.

Net interest-bearing liabilities without lease liabilities amount to ISK 29,986 million which is an increase of ISK 1,974 million from year-end 2019. Equity ratio was 35.7% at the end of Q4 2020 compared to 35.3% at year-end 2019. The cash position remains strong as well as the balance sheet.

Cash flow and investments

- Net cash from operating activities ISK 18 million compared to ISK 1,279 million in Q4 2019.
- Cash used for investments was ISK 1.258 million.

ISK million	Q4 2020	Q4 2019	Change	% Change	2020	2019	Change	% Change
Cash flow								
Cash and cash equivalents, beginning of period	4,991	6,839	-1,848	-27.0%	5,369	4,267	1,102	25.8%
Net cash to operating activities	18	1,279	-1,261	-98.6%	4,387	5,556	-1,170	-21.1%
Net cash used in investing activities	-979	-865	-113	13.1%	-3,414	478	-3,891	-814.6%
Net cash used in financing activities	-1,455	-1,888	433	-22.9%	-3,800	-4,961	1,161	-23.4%
Effect of movements in exchange rates on cash	-12	4	-17	-378.9%	21	29	-8	-26.3%
Cash and cash equivalents change	-2,428	-1,470	-958	65.1%	-2,806	1,102	-3,908	-354.7%
Cash and cash equivalents, end of period	2,563	5,369	-2,806	-52.3%	2,563	5,369	-2,806	-52.3%

Net cash from operating activities was ISK 18 million in Q4 2020 compared to ISK 1.261 million in same quarter last year. Increase in trade receivables due to changes in the contract with the record keeper to reduce costs has a one-time negative impact on this component by over ISK 1,100 million. Investments amounted to ISK 1,258 million which is an increase of ISK 497 million between years. Krónan opened a new store in Austurver in Reykjavík and Norðurlhella Hafnarfjörður, as well as a new ELKO store was opened in Akureyri in Q4 2020. Investment is expected to be considerably smaller in 2021. Net Cash and cash equivalents decreased by ISK 2.428 million in Q4 2020.

Future outlook and EBITDA guidance for 2021

EBITDA guidance for the year 2021 is in the range of ISK 7,500 – 7,900 million.

Following factors may affect the ongoing business:

- Uncertainties related to COVID19 and the ongoing congregation ban.
- Volatility in fuel prices and the ISK.
- Unemployment rates and drop in GDP.
- The Icelandic economy will be affected for some months/years.

The company has an equity ratio of 35.7% and a strong cash position. The business outlook is good, and the company is well equipped to handle the projects that lie ahead

Shareholders

- The Company's market capitalization was ISK 57.4 billion at the end of Q4 2020.
- Buy-back program started 5th of October for up to 1.2% of own shares.
- Capex is expected to be 2,800 million in 2021 compared to 3,842 million in 2020.
- No. of shareholders were 880 at end of Q4 2020.

Investor meeting - Presentation on Thursday the 25th of February 2021

A presentation will be held online on Thursday the 25th of February 2021 due to COVID restrictions. Eggert Kristófersson CEO of Festi will present the results and answer questions. Registration is here https://origo.zoom.us/webinar/register/WN_bexqqMsuQ2iimGAX_RURyw

The meeting will begin at 08:30 local time. The presentation and related material will be accessible on Festi website following the presentation, see <https://festi.is/r/fjarhagsupplysingar> as well as on the company news section on Nasdaq OMX Iceland hf. webpage.

Financial calendar

- Annual general meeting 2021: 22 March 2021
- Quarterly Financial statement for Q1 2021: 28 April 2021
- Quarterly Financial statement for Q2 2021: 28 July 2021
- Quarterly Financial statement for Q3 2021: 28 October 2021
- Annual Financial statement for the year 2021: 4 February 2022
- Annual general meeting 2021: 2 March 2022

For further information please contact Eggert Þór Kristófersson, CEO, (eggert@festi.is) or Magnús Kr. Ingason, CFO, (mki@festi.is).