

Profit 1,354 million in Q4 2021

Main results

- Margin from sale of goods and services was ISK 6,522 million compared to ISK 5,372 million in Q4 2020, increase of 21.4% YoY.
- EBITDA was ISK 2,809 million compared to ISK 1,746 million in Q4 2020, increase of 60.8% YoY.
- Gross margin from sales was 24.7% in Q4 2021 compared to 23.4% in Q4 2020.
- Profit from sales of assets amounted to ISK 276 million in Q4 2021.
- Profit in Q4 2021 was ISK 1,354 million in Q4 2021 compared to ISK 526 million Q4 2020.
- Equity was ISK 33,910 million and equity ratio 39.4% at year-end 2021 compared to 35.7% at year-end 2020.
- Net interest-bearing debt without lease liabilities ISK 23,309 million at year-end 2021 compared to ISK 29,986 million at year-end 2020, a decrease of ISK 6,677 million between years.

ISK million	Q4 2021	Q4 2020	Change	%Change	12M 2021	12M 2020	Change	%Change
Income Statement								
Sale of goods and services	26,428	22,937	3,491	15.2%	98,736	86,260	12,476	14.5%
Margin from sale of goods and services	6,522	5,372	1,150	21.4%	24,646	20,684	3,962	19.2%
Other operating income	724	473	251	53.0%	2,316	1,658	658	39.7%
EBITDA	2,809	1,746	1,062	60.8%	10,118	7,057	3,061	43.4%
EBIT	2,156	1,135	1,020	89.9%	7,660	4,429	3,232	73.0%
EBT	1,712	642	1,070	166.7%	6,161	2,778	3,383	121.8%
Profit for the period	1,354	526	828	157.5%	4,972	2,266	2,706	119.4%
Statement of Financial Position								
					31.12.2021	31.12.2020	Change	%Change
Inventories					9,545	7,668	1,877	24.5%
Trade receivables					4,757	4,924	-166	-3.4%
Interest bearing liabilities without lease liabilities					27,312	32,549	-5,237	-16.1%
Cash and cash equivalents					4,003	2,563	1,440	56.2%
Net interest bearing liabilities without lease liabilities					23,309	29,986	-6,677	-22.3%
Statement of Cash Flows								
	Q4 2021	Q4 2020	Change	%Change	12M 2021	12M 2020	Change	%Change
Cash flows from operating activities	888	18	870	4854.7%	8,292	4,387	3,905	89.0%
Investing activities	2,199	-979	3,178	-324.7%	2,104	-3,414	5,517	-161.6%
Financing activities	-3,341	-1,455	-1,886	129.7%	-8,989	-3,800	-5,189	136.5%
Cash and cash equivalents at the end of the period	4,003	2,563	1,440	56.2%	4,003	2,563	1,440	56.2%
Key indicators								
Margin from sale	24.7%	23.4%	1.3%	5.4%	25.0%	24.0%	1.0%	4.1%
EBITDA/margin from sale	43.1%	32.5%	10.6%	32.5%	41.1%	34.1%	6.9%	20.3%
Equity ratio	39.4%	35.7%	3.7%	10.4%	39.4%	35.7%	3.7%	10.5%
Salaries/margin from sale	47.1%	54.6%	-7.5%	-13.7%	47.3%	50.9%	-3.6%	-7.0%
Investments	846	1,258	-412	-32.8%	2,381	3,842	-1,461	-38.0%
Inventory turnover	8.2	8.6	-0.4	-4.7%	8.2	8.6	-0.4	-4.7%

Operations in Q4 2021

Results from operations in fourth quarter of 2021 were in line with expectations. Results from operations of N1, Krónan and ELKO were significantly better than same quarter last year and in line with management expectations. EBITDA was ISK 2,809 million which is ISK 1,062 million higher than the results of Q4 2020. The EBITDA for 2021 was ISK 10,118 million, which is in line with the updated EBITDA forecast published on October 29th, 2021, which gave EBITDA forecast of ISK 9,800 – ISK 10,200 million for the year.

Revenues in Q4

- Revenue from sale of goods and services were ISK 26,428 million in Q4 2021 compared to ISK 22,937 million in Q4 2020, up by 15.2%.
- Sale of grocery and convenience goods amounted to ISK 12,970 million, up by 2.5% compared to Q4 2020.
- Sale of fuel and electricity amounted to ISK 6,160 million an increase of 54.1% between years.
- Sale of electronic equipment were ISK 4,783 million, an increase of 15.2% between years.
- Sale of other goods and services was ISK 2,516 million, an increase of 17.7% between years.
- The classification of certain operating revenue and operating expenses for the year 2020 has been changed to harmonize their classification among the Group's entities. The effect is only within the quarters of 2020 and have no effect on amounts for the whole year.

ISK million	Q4 2021	Q4 2020	Change	%Change	12M 2021	12M 2020	Change	%Change
Sale of goods and services								
Grocery and convenience goods	12,970	12,652	318	2.5%	51,861	47,680	4,181	8.8%
Fuel and electricity	6,160	3,998	2,162	54.1%	23,798	18,639	5,159	27.7%
Electronic equipment	4,783	4,150	633	15.2%	15,326	12,941	2,385	18.4%
Other goods and services	2,516	2,137	379	17.7%	7,751	7,000	751	10.7%
Total sale of goods and services	26,428	22,937	3,491	15.2%	98,736	86,260	12,476	14.5%
Total other operating income	724	473	251	53.0%	2,316	1,658	658	39.7%
Total income	27,152	23,858	3,294	13.8%	101,052	87,918	13,134	14.9%

Sale of grocery and convenience goods increased by ISK 318 million between years, both Krónan and N1 increase YoY. Sales of fuel and electricity are increased by ISK 2,162 million between years, while fuel prices in the global market increased by an average of 90% between years. Sales of electronic equipment increased by ISK 633 million, or 15.2% and sales of other goods and services by ISK 379 million.

ISK million	Q4 2021	Q4 2020	Change	%Change	12M 2021	12M 2020	Change	%Change
Margin from sale of goods and services								
Grocery and convenience goods	2,699	2,540	159	6.3%	12,334	10,616	1,719	16.2%
Fuel and electricity	1,251	795	456	57.4%	5,234	3,997	1,237	30.9%
Electronic equipment	1,264	1,003	261	26.0%	3,985	3,141	844	26.9%
Other goods and services	1,307	1,034	273	26.4%	3,093	2,930	163	5.6%
Total margin from sales of goods and services	6,522	5,372	1,150	21.4%	24,646	20,684	3,962	19.2%

Total margin from sale of goods and services in Q4 2021 is ISK 6,522 million compared to ISK 5,372 million for the same quarter last year, an increase of 21.4%. Margin from sale of grocery and convenience goods is ISK 2,699 million and up by 6.3%. Margin from fuel and electricity is ISK 1,251 million, an increase of 57.4%. Positive effects due to fuel hedge contracts amount to ISK 142 million between quarters.

Margin from electronic equipment sales is ISK 1,264 million, up by 26.0% and margin from other goods and services is ISK 1,307 million, an increase of 26.4% YoY.

The classification of certain operating revenue and operating expenses for the year 2020 has been changed to harmonize their classification among the Group's entities. The effect is only within quarters of 2020 where the sales of goods and the cost of goods sold increase by the same amount and products are transferred between groceries and other goods. The change did not affect the 2021 financial statements or comparative figures and did not have any impact on the performance of the Group, assets, liabilities, equity, or cash flows.

Operating expenses in Q4

- Operating expenses in Q4 2021 were ISK 4,437 million which is an increase of ISK 338 million or 8.3% YoY.
- Salaries and other personnel cost increase by ISK 139 million or 4.8% YoY.
- Total other operating expenses increase by ISK 199 million or 17.1% YoY.

ISK million	Q4 2021	Q4 2020	Change	%Change	12M 2021	12M 2020	Change	%Change
Operating expenses								
Salaries and other personnel expenses	3,072	2,933	139	4.8%	11,659	10,521	1,138	10.8%
Other operating expenses								
Operating costs of real estate	396	369	27	7.4%	1,519	1,530	-11	-0.8%
Maintenance expenses	254	164	90	54.7%	908	672	237	35.2%
Sales and marketing expenses	329	290	39	13.4%	1,217	991	227	22.9%
Communication expenses	203	204	-1	-0.7%	699	653	46	7.1%
Office and administrative expenses	142	123	19	15.4%	417	477	-60	-12.5%
Insurance and claims	8	24	-16	-68.2%	201	154	47	30.3%
Bad debt and change in allowance for bad debt	-26	-12	-14	116.2%	11	53	-42	-79.8%
Other expenses	59	3	56	1601.1%	213	235	-22	-9.3%
Total other operating expenses	1,364	1,166	199	17.1%	5,186	4,765	421	8.8%
Total operating Expenses	4,437	4,098	338	8.3%	16,844	15,286	1,559	10.2%

Salaries and other personnel expenses amount to ISK 3,072 million in Q4 2021 compared to ISK 2,933 million in Q4 2020 which is an increase of 4.8%. Full-time equivalents were 1,155 in the quarter, a decrease of 14 full-time equivalents YoY. Other personnel expenses increased in the quarter between years. The table below illustrates the difference in salaries and other personnel expenses between years in millions of ISK.

Salaries and other personnel expenses Q4 2020	2,933
Change in full-time position equivalents	-26
Contractual wage increases	88
Accrued vacation, change	6
Other	72
Salaries and other personnel expenses Q4 2021	3,072

Other operating expenses was ISK 1,364 million compared to ISK 1,166 million in Q4 2020, which is an increase of ISK 199 million or 17.1% YoY. Maintenance expenses increase by ISK 90 million due to less regular maintenance performed last year due to COVID-19 congregation ban. Sales and marketing expenses increase by ISK 39 million which is in line with increased sales and more marketing.

Financial items in Q4

- Net finance cost was ISK 443 million in Q4 2021 compared to ISK 493 million in Q4 2020.

ISK million	Q4 2021	Q4 2020	Change	%Change	12M 2021	12M 2020	Change	%Change
Finance income	28	24	3	14.0%	90	102	-12	-12.0%
Finance expenses	-519	-468	-51	10.9%	-1,957	-2,044	87	-4.3%
Foreign currency difference	40	-80	120	-150.4%	67	23	44	187.6%
Share of profit from associates	8	30	-22	-74.1%	301	268	33	12.3%
Total	-443	-493	50	-10.1%	-1,499	-1,651	152	-9.2%

Statement of financial position at year-end

- Total assets amounted to ISK 85,972 million at year-end 2021, an increase of ISK 2,607 million from year-end 2020.
- Property and equipment is increased by ISK 2,207 million, due to fair value revaluation of real estate used in own operations.
- Equity ratio was 39.4% at year-end 2021 in comparison with 35.7% at year-end 2020.
- Cash and cash equivalents amounted to ISK 4,003 million at year-end 2021, an increase of 1,440 million from year-end 2020.

ISK million	31.12.2021	31.12.2020	Change	%Change
Goodwill	14,668	14,668	0	0.0%
Other intangible assets	4,744	4,971	-227	-4.6%
Property and equipment	32,544	32,297	247	0.8%
Leased assets	6,155	5,420	736	13.6%
Investment properties	6,100	7,467	-1,367	-18.3%
Inventories	9,545	7,668	1,877	24.5%
Trade receivables	4,757	4,924	-166	-3.4%
Cash and cash equivalents	4,003	2,563	1,440	56.2%
Interest bearing liabilities without lease liabilities	27,312	32,549	-5,237	-16.1%
Net interest bearing liabilities without lease liabilities	23,309	29,986	-6,677	-22.3%
Net interest bearing liabilities	29,731	35,596	-5,865	-16.5%
Equity ratio	39.4%	35.7%	3.7%	10.4%
Inventory turnover	8.2	8.6	-0.4	-4.7%

Goodwill is ISK 14,668 million and other intangible assets ISK 4,744 million at year-end 2021. Properties and equipment amounted to ISK 32,554 million and investment properties to ISK 6,100 million at year-end 2021. The fair value revaluation of real estate in own operations amounted to ISK 2,027 million and offset by increasing equity of 1,621 million and increasing income tax liability of ISK 406 million. The company's inventory increases

9th February 2022 – Festi Q4 2021 Interim Report

by ISK 1,877 million between years, of which fuel supplies increased by ISK 1,534 million, which is explained mostly by the increase in fuel prices between years.

Net interest-bearing liabilities without lease liabilities amount to ISK 23,309 million which is a decrease of ISK 6,677 million from year-end 2020. Equity ratio was 39.4% at year-end 2021 compared to 35.7% at year-end 2020. The company's cash position remains strong as well as the balance sheet.

Cashflow and investments in Q4

- Net cash from operating activities was ISK 888 million compared to ISK 18 million in Q4 2020.
- Net cash from investing activities was ISK 2,199 million, increase of 3,178 million YoY.
- Net cash used in financing activities was ISK 3,341 million, an increase of ISK 1,886 million YoY.

ISK million	Q4 2021	Q4 2020	Change	%Change	12M 2021	12M 2020	Change	%Change
Cash flow								
Cash and cash equivalents, beginning of period	4,245	4,991	-746	-14.9%	2,563	5,369	-2,806	-52.3%
Net cash to operating activities	888	18	870	4854.7%	8,292	4,387	3,905	89.0%
Net cash used in investing activities	2,199	-979	3,178	-324.7%	2,104	-3,414	5,517	-161.6%
Net cash used in financing activities	-3,341	-1,455	-1,886	129.7%	-8,989	-3,800	-5,189	136.5%
Effect of movements in exchange rates on cash	12	-12	24	-196.9%	33	21	12	55.3%
Cash and cash equivalents change	-242	-2,428	2,186	-90.0%	1,440	-2,806	4,246	-151.3%
Cash and cash equivalents, end of period	4,003	2,563	1,440	56.2%	4,003	2,563	1,440	56.2%

Net cash from operating activities was ISK 888 million in Q4 2021 which is an increase of ISK 870 million from same quarter last year. The company signed a new contract with a credit card acquirer during the quarter where credit card collections time is shortened. Positive impact on cash flows in the quarter amount to ISK 400 million. Investments in the quarter were ISK 846 million and sale of assets ISK 1,405 million. Purchase of own shares amount to ISK 669 million and repayment of loans ISK 2,544 million during Q4 2021. Net cash and cash equivalents decreased by ISK 242 million in Q4 2021.

Future outlook and EBITDA guidance for 2022

EBITDA forecast for the year 2022 is estimated to be ISK 9,000 – ISK 9,400 million

Following factors may affect the ongoing business:

- Increased cost of imported goods and global supply chain delays.
- Volatility in fuel prices and the ISK currency.
- Uncertainties related to COVID-19.

The company has an equity ratio of 39.4% and a strong cash position. Festi has a clear policy regarding its capital structure and will for instance in sale of assets, pay out funds to stockholders by purchase of own stock, dividend payment and/or reduction of own share capital.

Shareholders

- The Company's market capitalization at the end of 2021 amounted to ISK 73.1 billion.
- The number of shareholders were 1,037 at end of 2021.

Investor meeting - Presentation on Thursday the 10th of February 2022

An open investor meeting for market participants and shareholders will be held on Thursday the 10th of February 2022 at Festi's headquarters at Dalvegur 10-14, 3rd floor. Eggert Kristófersson, CEO of Festi will present the results and answer questions with Magnús Kr. Ingason, CFO of Festi.

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/fjarhagsupplýsingar> as well as on the company news section on Nasdaq OMX Iceland hf. webpage.

Financial calendar

- Annual general meeting 2022: 22 March 2022
- Q1 2022: 4th of May 2022
- Q2 2022: 27th of July 2022
- Q3 2022: 28th of October 2022
- Q4 2022: 8th of February 2023
- Annual general meeting 2023: 22nd of March 2023

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