

## EBITDA ISK 2,562 million in Q2 2023

### Main results

- Sales of goods was ISK 34,199 million, compared to ISK 29,936 million in the previous year, an increase of 14.2% between years.
- Gross profit from sales of goods and services was ISK 7,756 million, an increase of ISK 431 million or 5.9% between years.
- Profit margins from sale of goods and services were 22.7%, which is 1.6 p.p. higher than previous quarter but 1.8 p.p. lower than previous year.
- Salaries and other personnel expenses increased by 21.4% YoY. Full-time equivalents increased by 9.7% YoY as a result of new stores opening in the second half of last year. Non-recurring expenses of ISK 154 million were expensed due to severance agreements related to structural changes during the quarter.
- EBITDA amounted to ISK 2,562 million compared to ISK 2,911 million in Q2 2022, a decrease of ISK 349 million between years.
- Equity at the end of Q2 amounted to ISK 33,641 million with an equity ratio of 35.5% compared to equity ratio of 36.9% at year-end 2022.
- Net cash from operating activities was ISK 2,859 million, compared to ISK 476 million in the previous year.
- EBITDA forecast for the year is unchanged at ISK 9,750 – ISK 10,250 million.

ISK million	Q2 2023	Q2 2022	Change	%Change	6M 2023	6M 2022	Change	%Change
<b>Income Statement</b>								
Sale of goods and services	34,199	29,936	4,263	14.2%	63,683	54,508	9,175	16.8%
Margin from sale of goods and services	7,756	7,325	431	5.9%	13,984	13,060	924	7.1%
Other operating income	518	482	36	7.5%	1,015	912	102	11.2%
EBITDA	2,562	2,911	-349	-12.0%	3,962	4,660	-697	-15.0%
EBIT	1,703	2,009	-307	-15.3%	2,175	2,960	-785	-26.5%
EBT	905	1,636	-730	-44.7%	734	2,208	-1,475	-66.8%
Profit for the period	738	1,335	-597	-44.7%	647	1,811	-1,164	-64.3%
<b>Statement of Financial Position</b>								
					<b>30.6.2023</b>	<b>31.12.2022</b>	<b>Change</b>	<b>%Change</b>
Inventories					14,259	13,086	1,173	9.0%
Trade receivables					5,950	5,960	-10	-0.2%
Interest bearing liabilities without lease liabilities					29,299	30,014	-715	-2.4%
Cash and cash equivalents					2,326	2,112	214	10.1%
Net interest bearing liabilities without lease liabilities					26,973	27,902	-928	-3.3%
Equity ratio					35.5%	36.9%	-1.4 p.p.	-3.8%
<b>Statement of Cash Flows</b>								
	Q2 2023	Q2 2022	Change	%Change	6M 2023	6M 2022	Change	%Change
Cash flows from operating activities	2,859	476	2,382	500.4%	4,097	1,459	2,638	180.8%
Investing activities	-330	-959	629	-65.6%	-1,146	-2,577	1,431	-55.5%
Financing activities	-2,017	-113	-1,904	1680.9%	-2,749	-795	-1,954	245.7%
Cash and cash equivalents at the end of the period	2,326	2,085	241	11.6%	2,326	2,085	241	11.6%
<b>Key indicators</b>								
Margin from sale	22.7%	24.5%	-1.8 p.p.	-7.3%	22.0%	24.0%	-2.0 p.p.	-8.4%
EBITDA/margin from sale	33.0%	39.7%	-6.7 p.p.	-16.9%	28.3%	35.7%	-7.3 p.p.	-20.6%
Salaries/margin from sale	53.3%	46.5%	+6.8 p.p.	14.7%	55.9%	49.1%	+6.7 p.p.	13.7%
Investments	714	1,216	-502	-41.3%	1,566	3,119	-1,553	-49.8%
Inventory turnover	7.3	8.0	-0.7	-8.8%	7.3	8.0	-0.7	-8.8%

## Operations in Q2 2023

The company's operations were good in the second quarter and are in line with the forecast. Retail operations continued to be challenging due to the impact of inflation on prices and all operation costs. Sales of goods and services increased by 14.2% year-over-year with increases in both visits and volumes sold across all business sectors YoY. Profit margins from sales were 22.7% and increased by 1.6 p.p. from the last quarter with improvements in all business segments. N1's EBITDA decreased by ISK 583 million compared to the year before. Profit of oil hedging contracts was ISK 232 million lower than Q2 2022 and non-recurring expenses ISK 84 million. Krónan's EBITDA was ISK 219 million better than previous year and ELKO's EBITDA was ISK 36 million better than the previous year. The company's EBITDA was ISK 2,562 million, which is an ISK 349 million decrease compared to the same quarter of the previous year.

## Revenues in Q2 2023

- Revenue from sales of goods and services was ISK 34,199 million in Q2 2023, an increase of 14.2% between years.
- Sales of grocery and convenience goods amounted to ISK 17,477 million, up by 25.7% between years.
- Sales of fuel and electricity amounted to ISK 9,642 million, a decrease of 1.6% between years.
- Sales of electronic equipment amounted to ISK 4,374 million, an increase of 11.6% between years.
- Sales of other goods and services were ISK 2,706 million, an increase of 16.8% between years.

ISK million	Q2 2023	Q2 2022	Change	%Change	6M 2023	6M 2022	Change	%Change
<b>Sale of goods and services</b>								
Grocery and convenience goods	17,477	13,905	3,572	25.7%	32,860	26,305	6,555	24.9%
Fuel and electricity	9,642	9,794	-152	-1.6%	18,003	16,861	1,142	6.8%
Electronic equipment	4,374	3,919	455	11.6%	8,220	7,316	903	12.3%
Other goods and services	2,706	2,317	389	16.8%	4,600	4,025	574	14.3%
<b>Total sale of goods and services</b>	<b>34,199</b>	<b>29,936</b>	<b>4,263</b>	<b>14.2%</b>	<b>63,683</b>	<b>54,508</b>	<b>9,175</b>	<b>16.8%</b>
<b>Total other operating income</b>	<b>518</b>	<b>482</b>	<b>36</b>	<b>7.5%</b>	<b>1,015</b>	<b>912</b>	<b>102</b>	<b>11.2%</b>
<b>Total income</b>	<b>34,717</b>	<b>30,418</b>	<b>4,299</b>	<b>14.1%</b>	<b>64,697</b>	<b>55,420</b>	<b>9,277</b>	<b>16.7%</b>

Sales of grocery and convenience goods increased by 25.7% between years, 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 a new and bigger store in Skeifan and simultaneously closed an older store in Skeifan. Icelandic Food Company operations joined the group from January 1<sup>st</sup>, 2023, with revenue in the Grocery and convenience sector. Sales of fuel and electricity decreased by 1.6% between years, mainly due to fuel prices in the global market decreasing by around 30-40%, depending on fuel type, between years. Volume sold amounted to 53.9 million liters, which is an increase of 9% between years. Revenue from electronics sales increased by 11.6% with the greatest increase coming from stores at Keflavik Airport and Skeifan. Revenue from other goods and services increased by 16.8% between years, with N1 opening a new car service workshop in Klettagarðar which was launched last September.

## Margins from sales of goods and services in Q2 2023

- Margins from sales of goods and services amounted to ISK 7,756 million, an increase of 5.9% between years.
- Margins from grocery and convenience goods were ISK 4,021 million, an increase of 19.8% between years.
- Margins from fuel and electricity were ISK 1,562 million, a decrease of ISK 401 million between years. The margins level was 16.2% and decreased by 1.8 p.p. between years.
- Margins from electronics was ISK 1,099 million, an increase of 11.3% between years.
- Margins from other goods and services were ISK 1,075 million, an increase of 5.4% between years.

ISK million	Q2 2023	Q2 2022	Change	%Change	6M 2023	6M 2022	Change	%Change
<b>Margin from sale of goods and services</b>								
Grocery and convenience goods	4,021	3,356	665	19.8%	7,492	6,235	1,257	20.2%
Fuel and electricity	1,562	1,963	-401	-20.4%	2,692	3,237	-546	-16.9%
Electronic equipment	1,099	987	112	11.3%	2,025	1,902	123	6.5%
Other goods and services	1,075	1,019	55	5.4%	1,775	1,685	89	5.3%
<b>Total margin from sales of goods and services</b>	<b>7,756</b>	<b>7,325</b>	<b>431</b>	<b>5.9%</b>	<b>13,984</b>	<b>13,060</b>	<b>924</b>	<b>7.1%</b>

Total margins from sale of goods and services in Q2 2023 is ISK 7,756 million compared to ISK 7,325 million for the same quarter last year, an increase of 5.9%. Margins from sales of grocery and convenience goods is ISK 4,021 million, up by 19.8% YoY. Margins from fuel and electricity are ISK 1,562 million, a decrease of ISK 401 million between years. Negative effects due to fuel hedge contracts this quarter amount to ISK 232 million. Margins from electronics sales were ISK 1,099 million, an increase of 11.3% and the margin of other goods and services was ISK 1,075 million, an increase of 5.4% between years.

## Operating expenses in Q2 2023

- Operating expenses in Q2 2023 were ISK 5,713 million which is an increase of ISK 816 million or 16.7% YoY.
- Salaries and other personnel expenses increase by ISK 730 million or 21.4% YoY but 16.9% excluding impact of non-recurring expenses during the quarter.
- The number of full-time equivalents was 1,359 in Q2 2023, an increase of 9.7% YoY.
- Total other operating expenses increased by ISK 86 million or 5.8% YoY and there is a great emphasis on reducing operating costs within the group.

ISK million	Q2 2023	Q2 2022	Change	%Change	6M 2023	6M 2022	Change	%Change
<b>Operating expenses</b>								
Salaries and other personnel expenses	4,138	3,408	730	21.4%	7,810	6,414	1,396	21.8%
<b>Other operating expenses</b>								
Operating costs of real estate	523	430	93	21.6%	1,035	860	175	20.4%
Maintenance expenses	239	198	41	20.4%	541	429	112	26.2%
Sales and marketing expenses	378	405	-28	-6.9%	726	710	16	2.2%
Office and administrative expenses	132	91	41	44.5%	255	200	54	27.2%
Communication expenses	208	197	11	5.5%	444	394	50	12.6%
Insurance and claims	10	55	-46	-82.8%	43	119	-75	-63.4%
Other expenses	86	111	-25	-22.4%	181	186	-5	-2.5%
<b>Total other operating expenses</b>	<b>1,575</b>	<b>1,489</b>	<b>86</b>	<b>5.8%</b>	<b>3,226</b>	<b>2,898</b>	<b>328</b>	<b>11.3%</b>
<b>Total operating Expenses</b>	<b>5,713</b>	<b>4,897</b>	<b>816</b>	<b>16.7%</b>	<b>11,036</b>	<b>9,312</b>	<b>1,724</b>	<b>18.5%</b>

**July 26<sup>th</sup> 2023 – Festi Q2 2023 Interim Report**

Salaries and other personnel expenses amounted to ISK 4,138 million in Q2 2023 compared to ISK 3,408 million in Q2 2022 which is an increase of 21.4%. Full-time equivalents were 1,359 in the quarter, an increase of 120 full-time equivalents or 9.7% YoY. Contractual wage increases between the periods had an effect of ISK 250 million on the YoY increase. The cost due to the increase in full-time equivalents is ISK 308 million between years. Costs related to severance agreements expensed in the quarter amounted to ISK 154 million. The table below shows an analysis of the increase in wages and other personnel expenses in ISK million between years:

<b>Salaries and other personnel expenses Q2 2022</b>	<b>3,408</b>
Change in full-time position equivalents	308
Contractual wage increases	250
Accrued vacation, change	16
Other changes	155
<b>Salaries and other personnel expenses Q2 2023</b>	<b>4,138</b>

Other operating expenses were ISK 1,575 million compared to ISK 1,489 million in Q2 2022, which is an increase of 5.8% between years. The operating costs of real estate increased by 21.6%, mainly due to increased number of stores and effects of turnover based leases. Office and administrative expenses have increased by ISK 41 million between years, partly due to the impact of costs related to the purchase of Lyfja. Inflation and increased sales also affects comparison of cost items between years and the focus is on reducing all operating costs in the current environment.

**Financial items in Q2 2023**

- Net finance expenses and the impact of affiliates were negative by ISK 801 million in Q2 2023 compared to ISK 432 million in Q2 2022, an increase of ISK 369 million between years.
- Finance income amounted to ISK 42 million, an increase of ISK 8 million between years.
- Finance expenses amounted to ISK 893 million, an increase of ISK 321 million between years.
- The share of profit from associates amounted to ISK 50 million, a decrease of ISK 56 million between years.

ISK million	Q2 2023	Q2 2022	Change	%Change	6M 2023	6M 2022	Change	%Change
Finance income	42	34	8	22.8%	69	63	6	9.6%
Finance expenses	-893	-572	-321	56.0%	-1,711	-1,015	-696	68.5%
Share of profit from associates	50	106	-56	-53.0%	172	169	3	1.7%
<b>Total</b>	<b>-801</b>	<b>-432</b>	<b>-369</b>	<b>85.4%</b>	<b>-1,470</b>	<b>-783</b>	<b>-687</b>	<b>87.7%</b>

Finance income amounted to ISK 42 million, or ISK 8 million increase between years. Finance expenses amounted to ISK 893 million, an increase of ISK 321 million between years, mostly because of raised key interest rates by the Central Bank of Iceland. The share of profit from associates amounted to ISK 50 million, a decrease of ISK 56 million between years.

**Statement of financial position at the end of the second quarter**

- Total assets amounted to ISK 94,771 million at the end of Q2 2023, an increase of ISK 1,398 million from year-end 2022.
- Non-current assets amounted to ISK 71,562 million, an increase of ISK 112 million from year-end 2022.
- Current assets amounted to 23,209 million, an increase of ISK 1,286 million from year-end 2022.
- Net interest-bearing liabilities without lease liabilities amounted to ISK 26,973 million and decreased by ISK 928 million from year-end 2022.
- Equity ratio was 35.5% at the end of Q2 2023 in comparison with 36.9% at year-end 2022.
- Cash and cash equivalents amounted to ISK 2,326 million at the end of Q2 2023, an increase of ISK 214 million from year-end 2022.

<b>ISK million</b>	<b>30.6.2023</b>	<b>31.12.2022</b>	<b>Change</b>	<b>%Change</b>
Goodwill	14,842	14,862	-20	-0.1%
Other intangible assets	4,387	4,517	-130	-2.9%
Property and equipment	35,036	34,815	221	0.6%
Leased assets	8,130	8,012	118	1.5%
Investment properties	6,596	6,479	117	1.8%
Inventories	14,259	13,086	1,173	9.0%
Trade receivables	5,950	5,960	-10	-0.2%
Cash and cash equivalents	2,326	2,112	214	10.1%
Interest bearing liabilities without lease liabilities	29,299	30,014	-715	-2.4%
Net interest bearing liabilities without lease liabilities	26,973	27,902	-928	-3.3%
Net interest bearing liabilities	35,587	36,328	-742	-2.0%
Equity ratio	35.5%	36.9%	-1.4 p.p.	-3.8%
Inventory turnover	7.3	8.0	-0.7	-8.8%

Goodwill amounted to ISK 14,842 million and other intangible assets ISK 4,387 million at the end of Q2 2023. Properties and equipment amounted to ISK 35,036 million, an increase of 221 million and investment properties amounted to ISK 6,596 million at the end of Q2 2023, an increase of ISK 117 million from year-end 2022.

Inventories increased by ISK 1,173 million from year-end. Due to seasonal fluctuations, gasoline inventories increased by ISK 732 million and in groceries by ISK 443 million. Trade receivables decreased by ISK 10 million and short-term receivables decreased by ISK 90 million from the beginning of the year.

Net interest-bearing liabilities without lease liabilities amounted to ISK 26,973 million which is a decrease of ISK 928 million from year-end 2022. Equity ratio was 35.5% at the end of Q2 2023 compared to 36.9% at year-end 2022. The company's cash position remains strong as well as the balance sheet.

## Cashflow and investments in Q2 2023

- Net cash from operating activities was ISK 2,859 million, an increase of ISK 2,382 million from Q2 2022.
- Net cash used in investing activities was ISK 330 million, a decrease of ISK 629 million from Q2 2022.
- Net cash used in financing activities was ISK 2,017 million, an increase of ISK 1,904 million from last year.
- Dividend payment of ISK 914 million to shareholders, approved at the Annual General Meeting in March was paid in April.

ISK million	Q2 2023	Q2 2022	Change	%Change	6M 2023	6M 2022	Change	%Change
<b>Cash flow</b>								
<b>Cash and cash equivalents, beginning of period</b>	<b>1,823</b>	<b>2,653</b>	<b>-829</b>	<b>-31.3%</b>	<b>2,112</b>	<b>4,003</b>	<b>-1,891</b>	<b>-47.2%</b>
Net cash to operating activities	2,859	476	2,382	500.4%	4,097	1,459	2,638	180.8%
Net cash used in investing activities	-330	-959	629	-65.6%	-1,146	-2,577	1,431	-55.5%
Net cash used in financing activities	-2,017	-113	-1,904	1680.9%	-2,749	-795	-1,954	245.7%
Effect of movements in exchange rates on cash	-9	28	-37	-130.5%	11	-5	17	-313.5%
<b>Cash and cash equivalents change</b>	<b>511</b>	<b>-596</b>	<b>1,107</b>	<b>-185.7%</b>	<b>202</b>	<b>-1,913</b>	<b>2,115</b>	<b>-110.6%</b>
<b>Cash and cash equivalents, end of period</b>	<b>2,326</b>	<b>2,085</b>	<b>241</b>	<b>11.6%</b>	<b>2,326</b>	<b>2,085</b>	<b>241</b>	<b>11.6%</b>

Net cash from operations in Q2 2023 amounted to ISK 2,859 million, an increase of ISK 2,382 million between years. Net cash used in Investments amounted to ISK 330 million, a decrease of ISK 629 million between years. Installments of lease liabilities amounted to ISK 198 million. Cash and cash equivalents increased by ISK 511 million in the second quarter of 2023 and amounted to ISK 2,326 million at the end of Q2 2023.

## Outlook in Festi hf. operations, EBITDA and CAPEX forecast for 2023

EBITDA forecast is unchanged or ISK 9,750 – ISK 10,250 million.

CAPEX forecast is ISK 4,250 – ISK 4,750 million, a decrease of ISK 250 million.

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

- 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 in Iceland.
- Uncertainty in number of tourist arrivals to Iceland and Icelanders travelling abroad.

The company has an equity ratio of 35.5% at the end of Q2 2023 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

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- The Company's market capitalization at the end of Q2 2023 amounted to ISK 52.1 billion.
- The number of shareholders was 1,248 at the end of Q2 2023.

## Investor meeting and online presentation on Thursday the 27<sup>th</sup> of July 2023

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An investor meeting and online presentation for market participants will take place on Thursday, July 27<sup>th</sup> at Dalvegur 10-14, 3<sup>rd</sup> floor.

Ásta S. Fjeldsted, CEO of Festi and Magnús Kr. Ingason, CFO of Festi will present the Group's performance and answer questions in Icelandic. The meeting starts at 08:30 local time.

Registration for the web stream takes place at: <https://www.festi.is/en/cc/results-q2-2023>

Participants who watch online can ask questions during the meeting via the e-mail [fjarfestatengsl@festi.is](mailto:fjarfestatengsl@festi.is). Questions will be answered after the presentation.

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

## Financial calendar

- Q3 2023: October 25<sup>th</sup>, 2023
- Q4 2023: February 7<sup>th</sup>, 2024
- Annual general meeting 2024: March 20<sup>th</sup>, 2024

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