

Profit in Q2 2020 ISK 525 million

Main results

- Margin from sales of goods and services was ISK 5,244 million compared to ISK 5,048 million in Q2 2019, an increase of 3.9%
- EBITDA ISK 1,703 million compared to ISK 1,892 million in Q2 2019, a decrease of 10%
- Decline in performance as a result of Covid-19 restrictions
- Equity ISK 29,274 million and equity ratio 35.5% compared to 35.3% at the end of year 2019.
- Net interest-bearing debt without lease liabilities ISK 28,569 million compared to ISK 28,011 million at end of year 2019.
- EBITDA guidance for 2020 is unchanged at ISK 7,100 – 7,700 million

ISK million	Q2 2020	Q2 2019	Change	% Change	6M 2020	6M 2019	Change	%Change
Income Statement								
Sale of goods and services	20.640	21.391	-751	-3,5%	39.514	39.620	-107	-0,3%
Margin from sales of goods and services	5.244	5.048	196	3,9%	9.565	9.279	286	3,1%
Other operating income	253	639	-387	-60,5%	608	1.011	-403	-39,9%
EBITDA	1.703	1.892	-189	-10,0%	2.724	3.222	-498	-15,5%
EBIT	1.109	1.197	-88	-7,4%	1.507	1.759	-252	-14,3%
EBT	636	661	-25	-3,8%	701	722	-21	-2,9%
Profit for the period	525	550	-24	-4,4%	578	601	-23	-3,8%
Statement of Financial Position								
					30.6.2020	31.12.2019	Change	%Change
Inventories					7.499	7.678	-179	-2,3%
Trade receivables					4.067	3.756	310	8,3%
Interest bearing liabilities without lease liabilities					32.863	33.380	-517	-1,5%
Cash and cash equivalents					4.294	5.369	-1.074	-20,0%
Net interest bearing liabilities without lease liabilities					28.569	28.011	558	2,0%
Statement of Cash Flows								
	Q2 2020	Q2 2019	Change	% Change	6M 2020	6M 2019	Change	%Change
Cash flows from operating activities	1.022	1.308	-286	-21,9%	1.915	1.998	-82	-4,1%
Investing activities	-830	1.895	-2.725	-143,8%	-1.437	1.662	-3.098	-186,5%
Financing activities	-944	-2.649	1.705	-64,4%	-1.589	-2.994	1.405	-
Cash and cash equiv. at the end of the period	4.294	4.950	-656	-13,3%	4.294	4.950	-656	-13,3%
Key indicators								
EBITDA/gross profit	32,5%	37,5%	-5,0%	-13,4%	28,5%	34,7%	-6,2%	-18,0%
Equity ratio					35,5%	35,3%	0,2%	0,6%
Salaries/gross profit	51,6%	51,3%	0,4%	0,7%	53,5%	52,6%	0,9%	1,7%
Earning per share	1,60	1,66	-0,06	-3,6%	1,76	1,82	-0,06	-3,3%
Investments	-525	-363	-163	44,8%	-857	-692	-165	23,8%
Inventory turnover	8,1	8,4	-0,32	-3,8%	8,1	7,9	0,20	2,5%

Operations in the second quarter

Our second quarter EBITDA results declined between years but are in line with the EBITDA guidance published at the end of April. EBITDA was in the amount of ISK 1,703 million compared to ISK 1,892 million in Q2 2019 a decrease of 189 million. The COVID-19 outbreak had significant economic impact during the quarter, but the Group is balanced in exposure with its diversified business mix. Krónan and Elko had strong results while N1 operations suffered because of Covid-19 restrictions. With restrictions being lifted at the end of the quarter, that part of the business showed good signs of recovery.

Revenues

- Sales of goods and services were ISK 20,640 million in Q2 2020 compared to ISK 21,391 million in Q2 2019, down by 3.5%.
- Diversified business mix. Increase in grocery, convenience goods, electronic equipment and other goods other than fuel sales.
- Electricity sales started from 1 June 2020 with the purchase of Íslensk orkumiðlun.

ISK million	Q2 2020	Q2 2019	Change	% Change	6M 2020	6M 2019	Change	% Change
Sale of goods and services								
Grocery and convenience goods	11.770	10.463	1.307	12,5%	22.163	19.802	2.361	11,9%
Fuel and Electricity	4.150	6.698	-2.548	-38,0%	8.710	11.979	-3.268	-27,3%
Electronic Equipment	2.903	2.525	378	15,0%	5.487	4.817	670	13,9%
Other goods and services	1.818	1.705	113	6,6%	3.153	3.023	130	4,3%
Total Sale of goods and services	20.640	21.391	-751	-3,5%	39.514	39.620	-107	-0,3%
Total Other Operating income	253	639	-387	-60,5%	608	1.011	-403	-39,9%
Total Income	20.893	22.030	-1.138	-5,2%	40.122	40.632	-510	-1,3%

Sales of grocery and convenience goods are up by 12.5%, sale of electronic equipment, up by 15% and other goods and services by 7% between years while sales from fuel sales are down by 38%. Fuel sales are down because of lower fuel price and less quantity sold, but business showed good recovery at the end of quarter after COVID restrictions were lifted.

ISK million	Q2 2020	Q2 2019	Change	% Change	6M 2020	6M 2019	Change	% Change
Margin from sales of goods and services								
Grocery and convenience goods	2.396	2.305	91	3,9%	4.952	4.482	470	10,5%
Fuel and Electricity	1.219	1.438	-219	-15,2%	1.898	2.490	-592	-23,8%
Electronic Equipment	836	594	242	40,7%	1.424	1.062	362	34,1%
Other goods and services	794	711	82	11,5%	1.291	1.245	47	3,7%
Total margin from sales of goods and services	5.244	5.048	196	3,9%	9.565	9.279	286	3,1%

Total margin from sales of goods and services is ISK 5.244 compared to ISK 5.048 for same quarter last year, an increase of 4%. Margin from grocery and convenience goods is ISK 2.396 and up by 4%. Margin from electronic equipment sales is ISK 836 and is up by 41% and margin from other goods is ISK 794 and up by 11% but margin from fuel and electricity is ISK 1.219 and down by 15%.

Operating expenses

- Operating expenses ISK 3.793 million compared to ISK 3.795 million in Q2 2019
- Covid-19 added cost of ISK 162 million in Q2 2020.

6 August 2020 – Festi Q2 2020 Interim Report

ISK million	Q2 2020	Q2 2019	Change	% Change	6M 2020	6M 2019	Change	% Change
Operating expenses								
Salaries and other personnel expenses	2.708	2.588	120	4,7%	5.113	4.879	234	4,8%
Other operating expenses								
Operating costs of real estate	327	400	-74	-18,4%	780	801	-21	-2,6%
Maintenance expenses	186	156	29	18,8%	356	314	42	13,3%
Sales and marketing expenses	184	251	-66	-26,4%	372	387	-15	-3,9%
Office and administrative expenses	102	128	-26	-20,2%	273	284	-11	-3,9%
Communication expenses	157	135	22	16,2%	295	230	65	28,1%
Bad debt and change in allowance for bad debt	-3	4	-7	-182,3%	37	-18	55	-302,9%
Other expenses	133	134	-1	-1,0%	225	193	32	16,3%
Total Other operating expenses	1.085	1.207	-122	-10,1%	2.337	2.190	146	6,7%
Total Operating Expenses	3.793	3.795	-2	-0,1%	7.450	7.069	381	5,4%

Salaries and other personnel expenses amount to ISK 2,708 million compared to ISK 2,588 million in Q2 2019 which is an increase of 4.7%. Full time employees are 1,109 and down by 7% between same quarter last year but added Covid-19 cost in the quarter is ISK 117 million. The table below illustrates the increase between years.

Salaries and other personnel expenses Q2 2019	2.588
Change in full-time position equivalents	-200
Contractual wage increases	109
Accrued vacation, change	59
Covid-19 effects	117
Other	35
Salaries and other personnel expenses Q2 2020	2.708

Other operating expenses were ISK 1,085 million compared to ISK 1,207 million in Q2 2019, a decrease of 10,1%. Included is Covid-19 related cost of ISK 45 million.

Financial items

- Net finance cost ISK 473 million in Q2 2020 compared to ISK 536 million in Q2 2019

ISK million	Q2 2020	Q2 2019	Change	% Change
Finance income	68	33	35	105,2%
Finance expenses	-602	-653	-51	-7,8%
Share of profit from associates	62	85	-23	-27,1%
Total	-473	-536	63	-11,7%

Net finance cost amounted to ISK 473 million in Q2 2020 compared to ISK 536 million in Q2 2019, a decrease of 11.7% between years due to lower interest rates and foreign currency gains.

Statement of financial position

- Total assets amounted to ISK 82,440 million at end of 6M 2020
- Equity ratio 35.5%
- Cash and cash equivalents ISK 4,294 million

ISK million	30.6.2020	31.12.2019	Change	% Change
Goodwill	14.672	14.070	601	4,3%
Other intangible assets	4.810	4.650	160	3,5%
Property and equipment	31.505	31.434	71	0,2%
Leased assets	4.721	3.862	859	22,2%
Investment properties	7.418	7.354	64	0,9%
Inventories	7.499	7.678	-179	-2,3%
Trade receivables	4.067	3.756	310	8,3%
Cash and cash equivalents	4.294	5.369	-1.074	-20,0%
Interest bearing liabilities without lease liabilities	32.863	33.380	-517	-1,5%
Net interest bearing liabilities without lease liabilities	28.569	28.011	558	2,0%
Net interest bearing liabilities	33.439	31.975	1.464	4,6%
Equity ratio	35,5%	35,3%	0,2%	0,6%
Inventory turnover	8,1	8,6	-0,50	-5,8%

Goodwill is ISK 14,672 million and other intangible assets ISK 4,810 million at end of Q2 2020. Properties and equipment amounted to ISK 31,505 million and investment properties to ISK 7,418 million at end of Q2 2020.

Net interest-bearing liabilities without lease liabilities amount to ISK 28,569 million. Equity ratio was 35.5% at the end of Q2 2020 compared to 35.3% at year-end 2019. The cash position remains strong and the balance sheet healthy.

Cash flow and investments

- Net cash from operating activities ISK 1,022 million compared to ISK 1,308 million in Q2 2019
- Total investments ISK 716 million.
- Purchase of subsidiary, net of cash acquired ISK 76 million.
- Repayment of long-term loans from credit institutions 868 million.

ISK million	Q2 2020	Q2 2019	Change	% Change	6M 2020	6M 2019	Change	% Change
Cash flow								
Cash and cash equivalents, beginning of period	5.023	4.411	612	13,9%	5.369	4.267	1.102	25,8%
Net cash to operating activities	1.022	1.308	-286	-21,9%	1.915	1.998	-82	-4,1%
Net cash used in investing activities	-830	1.895	-2.725	-143,8%	-1.437	1.662	-3.098	-186,5%
Net cash used in financing activities	-944	-2.649	1.705	-64,4%	-1.589	-2.994	1.405	-46,9%
Effect of movements in exchange rates on cash	24	-14	38	-272,3%	36	18	18	97,1%
Cash and cash equivalents change	-728	540	-1.268	-235,0%	-1.074	683	-1.758	-257,2%
Cash and cash equivalents, end of period	4.294	4.950	-656	-13,3%	4.294	4.950	-656	-13,3%

Net cash from operating activities was ISK 1,022 million. Cash and cash equivalents decreased by ISK 728 million in the quarter because of investments and repayments of loans.

Future outlook and EBITDA guidance for 2020

EBITDA guidance for the year 2020 is unchanged in the range of ISK 7,100 – 7,700 million, excluding expenditures related to the agreement with The Competition Authority (Samkeppniseftirlitið) from July 30th, 2018.

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 35.5% 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 43,4 billion at the end of Q2 2020
- Number of total shares in Festi was increased due to the acquirement of Íslensk orkumiðlun as of 1 June 2020.
- Enterprise value of Íslensk orkumiðlun was ISK 850 million and net cash was ISK 230 million 1 June 2020. Expected profit for 2020 is ISK 120 million and P/E ratio 5,2.
- The Board of Directors of Festi hf. has decided that the payments of dividend for 2019 will take place on 2nd September 2020.
- No. of shareholders were 1,005 at end of Q2 and 945 at end of Q1 2020.

Presentation on Friday 7 August 2020

A presentation meeting will be held on Friday 7 August 2020 at Dalvegur 10-14, Kópavogur, at the company's headquarters. Eggert Kristófersson CEO of Festi will present the results and answer questions.

The meeting will begin at 08:30 local time. Refreshments will be available from 08:00. The presentation and related material will be accessible on Festi website following the presentation, see <http://festi.is/fjarfestar/fjarhagsupplysingar/> as well as on the company news section on Nasdaq OMX Iceland hf. webpage.

Financial calendar

- Interim Financial Statements Q3 2020: 4 November 2020
- Annual Financial statement for the year 2020: 25 February 2021
- Annual general meeting 2021: 22 March 2021

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