

Profit in Q2 2021 ISK 1,043 million

Main results

- Margin from sales of goods and services was ISK 6,106 million compared to ISK 5,224 million in Q2 2020.
- EBITDA was ISK 2,458 million compared to ISK 1,703 million in Q2 2020, increase of 44.3%.
- Gross margin from sales was 25.1% compared to 35.2% in Q2 2020.
- Operating expenses relating to COVID-19 was ISK 26 million compared to ISK 115 million in Q2 2020.
- Equity was ISK 29,206 million and equity ratio 35.2% compared to 35.7% at the end of 2020.
- Net interest-bearing debt without lease liabilities ISK 29,206 million in Q2 2021 compared to ISK 29,986 million at year-end 2020.
- Sale of 4 properties to Reitir at the end of the quarter. All conditions of the sale are expected to be fulfilled in Q3 2021. Estimated gain from the sale is ISK 469 million.
- EBITDA forecast for 2021 was increased July 15th by ISK 900 million and is now ISK 8,800– 9,200 million excluding estimated gain from the sale to Reitir.

ISK million	Q2 2021	Q2 2020	Change	%Change	6M 2021	6M 2020	Change	%Change
Income Statement								
Sale of goods and services	24,326	20,589	3,738	18.2%	45,244	39,419	5,824	14.8%
Margin from sales of goods and services	6,106	5,224	882	16.9%	11,249	9,527	1,722	18.1%
Other operating income	603	379	224	59.2%	1,058	753	305	40.5%
EBITDA	2,458	1,703	755	44.3%	3,963	2,724	1,240	45.5%
EBIT	1,767	1,109	658	59.4%	2,479	1,507	972	64.5%
EBT	1,249	636	613	96.5%	1,601	701	900	128.3%
Profit for the period	1,043	525	517	98.4%	1,332	578	754	130.4%
Statement of Financial Position								
					30.6.2021	31.12.2020	Change	%Change
Inventories					9,001	7,668	1,333	17.4%
Trade receivables					5,586	4,924	663	13.5%
Interest bearing liabilities without lease liabilities					32,340	32,549	-208	-0.6%
Cash and cash equivalents					3,134	2,563	571	22.3%
Net interest bearing liabilities without lease liabilities					29,206	29,986	-779	-2.6%
Statement of Cash Flows								
	Q2 2021	Q2 2020	Change	%Change	6M 2021	6M 2020	Change	%Change
Cash flows from operating activities	2,991	1,022	1,970	192.8%	3,382	1,915	1,467	76.6%
Investing activities	-81	-830	749	-90.2%	-468	-1,437	969	-67.4%
Financing activities	-2,243	-944	-1,299	137.7%	-2,360	-1,589	-771	48.5%
Cash and cash equivalents at the end of the period	3,134	4,294	-1,160	-27.0%	3,134	4,294	-1,160	-27.0%
Key indicators								
Margin from sales	25.1%	25.4%	-0.3%	-1.1%	24.9%	24.2%	0.7%	2.9%
EBITDA/margin from sales	40.3%	32.6%	7.7%	23.5%	35.2%	28.6%	6.6%	23.2%
Equity ratio	35.2%	35.7%	-0.6%	-1.6%	35.2%	35.5%	-0.3%	-0.9%
Salaries/margin from sales	49.4%	51.8%	-2.4%	-4.7%	51.9%	53.7%	-1.8%	-3.4%
Investments	538	716	-178	-24.9%	989	1,288	-299	-23.2%
Inventory turnover	8.0	8.1	-0.1	-1.2%	8.0	8.1	-0.1	-1.2%

Operations in Q2 2021

Results from operations in second quarter of 2021 are good. The EBITDA results of N1, Krónan and ELKO were all better than same quarter last year and exceeding expectations despite the negative effects of COVID-19 congregation ban on operations in the quarter. EBITDA was ISK 2,458 million which is ISK 755 million higher than the result of Q2 2020.

Revenues

- Sales of goods and services were ISK 24,326 million in Q2 2021 compared to ISK 20,589 million in Q2 2020, up by 18.2%.
- Significant increase in sales of grocery, convenience goods and electronic equipment.
- A major turnaround in N1 operations due to congregation ban removal.
- Profit from the sale of two Krónan stores amounted to 170 million, included in other operating income.
- Classification of certain operating revenue and operating expenses for the year 2020 has been changed to harmonize their classification among the Group's entities.

ISK million	Q2 2021	Q2 2020	Change	%Change	6M 2021	6M 2020	Change	%Change
Sale of goods and services								
Grocery and convenience goods	13,166	11,735	1,431	12.2%	25,409	22,102	3,307	15.0%
Fuel and electricity	5,716	4,150	1,566	37.7%	9,896	8,710	1,186	13.6%
Electronic equipment	3,512	2,886	626	21.7%	6,727	5,454	1,273	23.3%
Other goods and services	1,932	1,818	114	6.3%	3,211	3,153	58	1.8%
Total sale of goods and services	24,326	20,589	3,738	18.2%	45,244	39,419	5,824	14.8%
Total other operating income	603	379	224	59.2%	1,058	753	305	40.5%
Total income	24,930	20,968	3,962	18.9%	46,302	40,173	6,130	15.3%

Revenue from grocery and convenience goods are up by 12.2% and sale of electronic equipment are up by 21.7% between years. Revenue from new stores contribute ISK 1,143 million to the revenue increase between quarters. Revenue from fuel sales and electricity are up by 37.7% due to more impact of COVID-19 on revenue in Q2 2020. Revenues from other goods and services increased by 6.3% between years. Profit from the sale of Krónan stores in Nóatún and Hella amounted to 170 million, which is recognized as other operating income.

ISK million	Q2 2021	Q2 2020	Change	%Change	6M 2021	6M 2020	Change	%Change
Margin from sales of goods and services								
Grocery and convenience goods	3,176	2,558	618	24.2%	5,995	5,112	883	17.3%
Fuel and electricity	1,210	1,054	157	14.9%	2,165	1,733	432	24.9%
Electronic equipment	927	819	108	13.2%	1,772	1,392	381	27.4%
Other goods and services	792	794	-1	-0.2%	1,317	1,291	26	2.0%
Total margin from sales of goods and services	6,106	5,224	882	16.9%	11,249	9,527	1,722	18.1%

Total margin from sales of goods and services in Q2 2021 is ISK 6,106 million compared to ISK 5,224 million for the same quarter last year, an increase of 16.9%. Margin from grocery and convenience goods is ISK 3,176 million and up by 24.2%. Margin from fuel and electricity is ISK 1,210 million, an increase of 14.9%.

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Positive effects due to fuel hedge contracts amounted to ISK 188 million between Q2 2020 and Q2 2021. In Q2 2020 ISK 140 million was realized as income due to write-down of fuel inventories in Q1 2020 relating to the price collapse in oil markets in that quarter.

Margin from electronic equipment sales is ISK 927 million and is up by 13.2% and margin from other goods and services is ISK 792 million, a decrease of 0.2%.

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 Q2 2021 was ISK 4,251 million, an increase of ISK 351 million from Q2 2020
- Salaries and other personnel cost increase of ISK 308 million between quarters, an increase of 11.4%.
- Total other operating expenses increase by ISK 43 million, an increase of 3.6%

ISK million	Q2 2021	Q2 2020	Change	% Change	6M 2021	6M 2020	Change	% Change
Operating expenses								
Salaries and other personnel expenses	3,017	2,708	308	11,4%	5,834	5,113	721	14,1%
Other operating expenses								
Operating costs of real estate	349	380	-31	-8,2%	726	780	-54	-6,9%
Maintenance expenses	231	186	45	24,4%	431	356	76	21,3%
Sales and marketing expenses	324	223	101	45,1%	586	479	107	22,4%
Office and administrative expenses	157	147	10	6,9%	335	295	40	13,6%
Communication expenses	59	107	-48	-45,0%	202	273	-71	-26,0%
Insurance and claims cost	40	40	1	2,0%	99	77	23	29,5%
Bad debt and change in allowance for bad debt	9	-3	12	-379,0%	24	37	-13	-35,8%
Other expenses	65	112	-47	-41,6%	107	148	-41	-27,9%
Total Other operating expenses	1,234	1,191	43	3,6%	2,510	2,444	66	2,7%
Total Operating Expenses	4,251	3,899	351	9,0%	8,344	7,557	788	10,4%

Salaries and other personnel expenses amount to ISK 3,017 million in Q2 2021 compared to ISK 2,708 million in Q2 2020 which is an increase of 11.4% between same quarter last year. Full-time equivalents were 1,195, an increase of 85 between years. Contractual wage increases were in April 2020 and in January 2021. The increase in cost is ISK 116 million between quarters. The table below illustrates the difference between years in millions of ISK.

Salaries and other personnel expenses Q2 2020	2,708
Change in full-time position equivalents	200
Contractual wage increases	116
Accrued vacation, change	-54
Other	46
Salaries and other personnel expenses Q2 2021	3,017

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Other operating expenses were ISK 1,234 million compared to ISK 1,191 million in Q2 2020, an increase of 3.6%. Included is COVID-19 related cost of ISK 17 million, which was ISK 36 million in the same quarter the year before.

Financial items

- Net finance cost was ISK 518 million in Q2 2021 compared to ISK 473 million in Q2 2020.

ISK million	Q2 2021	Q2 2020	Change	%Change	6M 2021	6M 2020	Change	%Change
Finance income	13	68	-54	-80.3%	48	180	-132	-73.1%
Finance expenses	-612	-602	10	1.6%	-1,052	-1,056	3	-.3%
Share of profit from associates	81	62	19	30.9%	126	69	57	81.8%
Total	-518	-473	-45	9.5%	-878	-806	-72	8.9%

Statement of financial position

- Total assets amounted to ISK 85,038 million at end of Q2 2021, an increase of ISK 1,673 million at year-end 2020
- Equity ratio was 35.2% at end of Q2 2021 in comparison with 35.7% at year-end 2020
- Cash and cash equivalents amounted to ISK 3,134 million at end Q2 2021, an increase of 571 million from year-end 2020.

ISK million	30.6.2021	31.12.2020	Change	%Change
Goodwill	14,668	14,668	0	0.0%
Other intangible assets	4,910	4,971	-61	-1.2%
Property and equipment	32,058	32,297	-239	-0.7%
Leased assets	4,965	5,420	-454	-8.4%
Investment properties	7,428	7,467	-39	-0.5%
Inventories	9,001	7,668	1,333	17.4%
Trade receivables	5,586	4,924	663	13.5%
Cash and cash equivalents	3,134	2,563	571	22.3%
Interest bearing liabilities without lease liabilities	32,340	32,549	-208	-0.6%
Net interest bearing liabilities without lease liabilities	29,206	29,986	-779	-2.6%
Net interest bearing liabilities	34,390	35,596	-1,206	-3.4%
Equity ratio	35.2%	35.7%	-0.9%	-2.5%
Inventory turnover	8.0	8.1	-0.1	-1.2%

Goodwill is ISK 14,668 million and other intangible assets ISK 4,910 million at end of Q2 2021. Properties and equipment amounted to ISK 32,058 million and investment properties to ISK 7,428 million at end of Q2 2021. Inventory increase because of seasonal fluctuations in the business.

Net interest-bearing liabilities without lease liabilities amount to ISK 29,206 million which is a decrease of ISK 779 million from year-end 2020. Equity ratio was 35.2% at the end of Q2 2021 compared to 35.7% at year-end

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2020. Dividend issued in the amount of ISK 969 million included in liabilities as it was paid on 8 April 2021. The company's cash position remains strong as well as the balance sheet.

Cash flow and investments

- Net cash from operating activities ISK 2,991 million compared to ISK 1,022 million in Q2 2020.
- Cash used for investments a total of ISK 538 million.
- Dividends paid amounted to ISK 969 million during the quarter.
- Purchase of own shares a total of ISK 402 million during the quarter
- Repayment of loans amounted to ISK 758 million during the quarter.

ISK million	Q2 2021	Q2 2020	Change	%Change	6M 2021	6M 2020	Change	%Change
Cash flow								
Cash and cash equivalents, beginning of period	2,463	5,023	-2,560	-51.1%	2,563	5,369	-2,806	-52.3%
Net cash to operating activities	2,991	1,022	1,970	192.8%	3,382	1,915	1,467	76.6%
Net cash used in investing activities	-81	-830	749	-90.2%	-468	-1,437	969	-67.4%
Net cash used in financing activities	-2,243	-944	-1,299	137.7%	-2,360	-1,589	-771	48.5%
Effect of movements in exchange rates on cash	4	24	-20	-82.5%	17	36	-19	-52.4%
Cash and cash equivalents change	671	-728	1,400	-192.1%	571	-1,074	1,646	-153.2%
Cash and cash equivalents, end of period	3,134	4,294	-1,160	-27.0%	3,134	4,294	-1,160	-27.0%

Net cash from operating activities was ISK 2,991 million in Q2 2021 which is an increase of ISK 1,970 million from same quarter last year. Positive effects from trade payables of ISK 850 million due to payments made at the end of March with due date in April, which negatively affected Q1 2021 for the same amount. Net cash used in investing activities amounted to ISK 81 million which is a decrease of ISK 749 million between years. Investments in the quarter were ISK 538 million and the total investment for the year is increased by ISK 200 million to ISK 3,000 million in 2021 because of shift of projects between years. Dividends paid were ISK 969 million, purchase of own shares ISK 402 million and repayment of loans ISK 758 million during Q2 2021. Net cash and cash equivalents increased by ISK 671 million in Q2 2021.

Future outlook and EBITDA guidance for 2021

Given the improved performance in the second quarter of 2021 and management's assessment on the outlook, the EBITDA guidance for the year 2021 was raised by ISK 900 million with an announcement to Nasdaq OMX Iceland Hf. on the 15th of July and EBITDA is now in the range of ISK 8,800 – 9,200 million excluding estimated gain from the sale of properties to Reitir.

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.

At the end of the quarter an agreement was reached with the City of Reykjavík regarding reduction of petrol stations within city limits and further development of this land. It is the management opinion that the contract is good for Festi as it gives opportunity to further develop and build other parts of its business.

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The company has an equity ratio of 35,2% and a strong cash position. The business outlook is good, and the company is well equipped to face challenges that lie ahead

Shareholders

- The Company's market capitalization was ISK 65.0 billion at the end of Q2 2021.
- The number of shareholders was 935 at end of Q2 2021.

Investor meeting - Presentation on Thursday the 29th of July 2021

A meeting will be held on Thursday the 29th of July on Dalvegur 10-14, 3rd floor. Eggert Kristófersson CEO of Festi will present the results and answer questions.

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

- Quarterly Interim Financial Statements for Q3 2021: 28 October 2021
- Annual Financial Statements for the year 2021: 4 February 2022
- Annual general meeting 2022: 2 March 2022

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