

Festi profit for Q1 of 2020 in the amount of ISK 53 million

Main results

- Gross profit from sales in Q1 2020 amounted to ISK 4,321 million compared to ISK 4,231 million in Q1 2019, an increase of 2.1%
- Due to falling fuel price loss of 140 million is reported in gross profit
- Operating expenses in Q1 2020 ISK 3,301 million compared to ISK 2,902 million on Q1 2020, an increase of 13.8%
- Interest bearing liabilities (excluding lease liabilities) amounted to ISK 33,448 million at the end of Q1 2020 compared to ISK 37,183 million in Q1 2019.
- Net interest-bearing liabilities without lease liabilities ISK 28,425 million at the end of Q1 2020 compared to ISK 36,709 million end of Q1 2019 A decrease of 22,6% between years.
- Equity ISK 28,294 million and equity ratio 35.1% at the end Q1 2020 compared to 32,0% at the end of Q1 2019.

ISK million	Q1 2020	Q1 2019	Change	% Change
Income Statement				
Gross profit	4.321	4.231	91	2,1%
Other operating income	356	372	-16	-4,4%
EBITDA	1.021	1.329	-309	-23,2%
EBIT	398	563	-164	-29,2%
EBT	66	61	5	7,7%
Profit for the period	53	52	1	2,0%
Statement of Financial Position				
Inventories	7.394	7.092	302	4,3%
Trade receivables	3.440	3.607	-167	-4,6%
Interest bearing liabilities without lease liabilities	33.448	37.183	-3.735	-10,0%
Cash and cash equivalents	5.023	4.411	612	13,9%
Net interest bearing liabilities without lease liabilities	28.425	36.709	-8.284	-22,6%
Statement of Cash Flows				
Cash flows from operating activities	914	690	224	32,5%
Investing activities	-607	-233	-373	160,1%
Financing activities	-645	-345	-300	87,0%
Cash and cash equiv. at the end of the period	5.023	4.411	612	13,9%
Key indicators				
EBITDA/gross profit	23,6%	31,4%	-7,8%	-24,8%
Equity ratio	35,1%	32,0%	3,1%	9,6%
Salaries/gross profit	55,6%	54,1%	1,5%	2,8%
Earning per share	0,16	0,16	0,00	0,0%
Investments	-607	-233	-373	160,1%
Inventory turnover	7,90	7,61	28,6%	3,8%

29. april 2020

Operations in the first quarter

ISK million	Q1 2020	Q1 2019	Change	% Change
Income Statement				
Gross profit	4.321	4.231	91	2,1%
Lease revenue from real estate and other operating income	356	372	-16	-4,4%
Salaries and other personnel expenses	-2.405	-2.291	114	5,0%
Other operating expenses	-1.252	-983	269	27,3%
EBITDA	1.021	1.329	-309	-23,2%
Key indicators				
EBITDA/gross profit	23,6%	31,4%	-7,8%	-24,8%
Salaries/gross profit	55,6%	54,1%	1,5%	2,8%
Earnings per share	0,16	0,16	0,0%	0,0%

EBITDA for Q1 2020 was in the amount of ISK 1,021 million compared to ISK 1,329 million in Q1 2019, a decrease of 23.2%. Krónan and Elko exceeded expectations in Q1 while N1 operations were below expectations. COVID-19 and the ensuing congregation ban had a significant impact on the group during the period. Restriction on number of clients in Krónan and ELKO stores, restrictions on travelling within Iceland and the stay-at-home instruction has a negative impact on N1 fuel sales and convenience products.

Operating expenses in the first quarter

ISK million	Q1 2020	Q1 2019	Change	% Change
Salaries and other personnel expenses	-2.405	-2.291	114	5,0%
Other operating expenses	-1.252	-983	269	27,3%

Salaries and other personnel expense amount to ISK 2,405 million in Q1 2020 compared to ISK 2,291 million in Q1 2019 which is an increase of 5,0% but number of fulltime employers went down by 3% at the end of Q1 2020. Other operating expenses were ISK 1,252 million in Q1 2020 compared to ISK 983 million in Q1 2019, an increase of 27,3%, the main reason are higher real-estate taxes, higher maintenance cost and sales and marketing costs. Also increased write-offs of trade receivables on tourism companies.

Financial items

ISK million	Q1 2020	Q1 2019	Change	% Change
Finance income	113	56	57	102,1%
Finance expenses	-453	-618	-165	-26,7%
Share of profit from associates	8	60	-53	-87,4%
Loss of shares in other companies	0	0	0	0,0%
Total	-333	-502	169	-33,7%

29. april 2020

Net Financial item cost amounted to ISK 333 million in Q1 2020 compared to ISK 502 million in Q1 2019, a decrease of 33.7% between years, due to lower interest rates and net interest-bearing liabilities and foreign currency profits.

Statement of financial position

ISK million	Q1 2020	Q1 2019	Change	% Change
Goodwill	14.070	14.070	0	0,0%
Other intangible assets	4.765	4.519	245	5,4%
Property and equipment	31.383	31.911	-529	-1,7%
Investment properties	7.358	8.725	-1.366	-15,7%
Inventories	7.394	7.092	302	4,3%
Trade receivables	3.440	3.607	-167	-4,6%
Interest bearing liabilities	33.448	41.002	-7.554	-18,4%
Cash and cash equivalents	5.023	4.411	612	13,9%
Net interest bearing liabilities	32.549	36.709	-4.160	-11,3%
Net interest bearing liabilities without lease liabilities	28.425	32.890	-4.466	-13,6%
Equity ratio	35,1%	32,0%	3,1%	9,6%
Inventory turnover	7,90	7,61	0,29	3,8%

Goodwill is ISK 14,070 million and other intangible assets ISK 4,765 million. Other intangible assets are brand names of acquired companies and have a finite useful life of 20 years. End of Q1 2020 properties and equipment amounted to ISK 31,383 million and investment properties to ISK 7,354 million.

Cashflow from operating activities in Q1 2020 was 914 million compared to 690 million in Q1 2019 or 23.5% increase. Net interest-bearing liabilities without lease liabilities were in the amount of ISK 28,425 million and equity ratio 35.1% end of Q1 2020. The cash position remains strong and the balance sheet is healthy.

COVID 19

The Group's focus during the COVID-19 outbreak is on maintaining productivity while keeping its employees and customers safe. The Group is a critical infrastructure company in Iceland with its network of supermarkets and convenience stores, electronics retail stores, fuel and car service stations around Iceland. The Group works closely with its suppliers to ensure that customers will have the same range of products as before the outbreak and is fully committed to finding new ways to serve its customers when faced by various quarantine restrictions.

In connection with the preparation of these financial statements the COVID-19 effects on the business was assessed, both financial and non financial. The Group is balanced in exposure with its diversified business mix. Parts of the Group's operation are experiencing considerable business growth while other parts are experiencing considerable drop. In that part of the business, the Group has moved a small portion of employees to the part-time salary solution offered by the Government to be able to retain employees while the effects of the outbreak is ongoing. At the moment the full economic impact of COVID-19 is unknown but the management and the board are monitoring the situation closely. Festi is committed to achieve its mid- and long term growth targets.

29. april 2020

Future outlook in Festi operations and estimated EBITDA for 2020

EBITDA for the year 2020 is assumed to be 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.

Uncertainties related to COVID-19 and the ongoing congregation ban

- Falling fuel prices and the ISK
- The Icelandic economy will be affected for some months
- Unemployment will rise, and GDP will drop significantly
- Due to uncertainties the guidance range is expanded to ISK 600 million

Shareholders

- The Company's market capitalization was ISK 39,2 billion at the end of Q1 2020
- General meeting took place on March 23rd 2020.
- Guðjón Reynisson, Kristín Guðmundsdóttir, Margrét Guðmundsdóttir, Þórey G. Guðmundsdóttir and Þórður Már Jóhannesson were elected as members of the Board. Other candidates did not attend the meeting to present themselves to the shareholders. Þórður Már Jóhannesson was selected to be the Chairman of the Board and Guðjón Reynisson Vice-Chairman.
- The Board of Directors of Festi hf. has decided to defer the decision on the payments of dividends for the fiscal year 2019.
- Buy-back of 4.645.407 shares in Q1 2020 and Festi holds 1,41% of own shares.

Presentation on Thursday 30 April 2020

A presentation will be held on Thursday 30 April 2020 online due to the congregation ban. The presentation will start at 8:30 and participants can register at the following

link https://origo.zoom.us/webinar/register/WN_w0sFeBWPRRuA3qBaU89JTg.

Eggert Kristófersson, CEO of Festi, will present the results and answer questions.

The presentation and related material will be accessible on Festi website following the online 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 Q2 2020: 26 August 2020
- Interim Financial Statements Q3 2020: 4 November 2020
- Annual Financial statement for the year 2020: 25 February 2021
- Annual general meeting 2021: 22 March 2020

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