

6 November 2019

Festi's profit for the third quarter of 2019 in the amount of ISK 1,480 million

Main results

- Increased number of subsidiaries in Festi's group is the main reason for increases in revenue and expenses in Q3 2019 compared to the same quarter of 2018, therefore comparison between periods is difficult as Hlekkur became part of the group 1 September 2018.
- EBITDA amounted to ISK 2,617 million in Q3 2019 compared to ISK 1,621 million in Q3 2018
- Krónan's sales exceeded expectations Q3 2019
- Less sale of goods other than fuel at N1 than expected in Q3 2019
- Sale of gasoline and diesel fuel decreased by 5.1% in Q3 2019 compared to Q3 2018
- EBITDA of real estate was ISK 770 million in Q3 2019 and total assets ISK 35,301 million at the end of Q3 2019
- At the end of Q3 2019 equity amounted to ISK 28,057 million and equity ratio was 33.9%

ISK million	Q3 2019	Q3 2018	Change	% Change	9M 2019	9M 2018	Change	%Change
Income Statement								
Gross profit	5.644	3.999	1.645	41,1%	14.923	8.847	6.076	68,7%
Other operating income	412	177	235	133,2%	1.423	406	1.018	250,8%
EBITDA	2.617	1.621	996	61,4%	5.839	3.099	2.740	88,4%
EBIT	2.138	1.324	814	61,5%	3.898	2.299	1.599	69,5%
EBT	1.809	1.203	606	50,4%	2.531	2.093	438	20,9%
Profit for the period	1.480	983	497	50,5%	2.081	1.731	350	20,2%
Statement of Financial Position								
Inventories					7.600	7.278	322	4,4%
Trade receivables					4.786	4.334	451	10,4%
Interest bearing liabilities					38.570	37.751	819	2,2%
Cash and cash equivalents					6.839	6.314	525	8,3%
Net interest bearing liabilities					31.833	31.594	238	0,8%
Statement of Cash Flows								
Cash flows from operating activities	2.280	3.564	-1.284	-36,0%	4.278	4.343	-66	-1,5%
Investing activities	-318	-12.740	12.421	-97,5%	1.343	-13.015	14.358	-110,3%
Financing activities	-79	12.164	-12.243	-	-3.073	12.164	-15.237	-
Cash and cash equiv. at the end of the period	6.839	6.314	525	8,3%	6.839	6.314	525	8,3%
Key indicators								
EBITDA/gross profit	46,4%	40,5%	5,8%	14,4%	39,1%	35,0%	4,1%	11,7%
Equity ratio					33,9%	32,0%	1,9%	6,1%
Salaries/gross profit	42,0%	39,8%	2,2%	5,5%	48,6%	44,4%	4,2%	9,5%
Earning per share	4,49	3,16	1,33	42,1%	6,31	6,26	0,05	0,9%
Return on equity					10,4%	13,6%	-3,2%	-23,5%
Investments	-527	-478	-49	10,2%	-1.496	-951	-545	57,3%
Inventory turnover	9,21	10,25	-1,04	-10,2%	8,46	8,45	0,02	0,2%

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Operations in the third quarter

ISK million	Q3 2019	Q3 2018	Change	% Change	9M 2019	9M 2018	Change	% change
Income Statement								
Gross profit	5.644	3.999	1.645	41,1%	14.923	8.847	6.076	68,7%
Lease revenue from real estate and other operating income	412	177	235	133,2%	1.423	406	1.018	250,8%
Salaries and other personnel expenses	-2.371	-1.593	778	48,8%	-7.250	-3.925	-3.325	84,7%
Sales expenses	-296	-259	38	14,6%	-925	-716	-209	29,2%
Other operating expenses	-771	-703	68	9,7%	-2.333	-1.513	-820	54,2%
EBITDA	2.617	1.621	996	61,4%	5.839	3.099	2.740	88,4%

EBITDA for Q3 2019 was in the amount of ISK 2,617 million compared to ISK 1,621 million for Q3 2018. There was less sale than expected of goods other than fuel by the group's entities in Q3, except for Krónan where sales exceeded expectations. However, Krónan's profit margin was less than expected in Q3 2019.

Revenue in the third quarter

Thousand of litres / sales of other goods in ISK million	Q3 2019	Q3 2018	Change	% Change	9M 2019	9M 2018	Change	% change
Quantity sold - gasoline	14.897	16.633	-1.736	-10,4%	37.622	41.156	-3.534	-8,6%
Quantity sold - diesel fuel	31.167	31.895	-728	-2,3%	77.295	78.507	-1.212	-1,5%
Total quantity sold - excluding JET	63.315	68.709	-5.393	-7,8%	153.107	165.710	-12.603	-7,6%
Sales of other goods	15.620	6.761	8.859	131,0%	43.253	12.091	31.162	257,7%
Gross profit on sales of fuel	1.611	2.832	-1.222	-43,1%	3.947	5.333	-1.386	-26,0%
Gross profit on sales of other goods	4.033	1.167	2.866	245,6%	10.976	3.513	7.463	212,4%

Sales volume, excluding jet fuel, decreased by 7.8% in Q3 2019 compared to the same quarter in 2018 due to decreased sales to fisheries, reduced sales to foreign vessels and reduced retail sales. Sales volume of gasoline and diesel fuel decreased by 5.1% in Q3 2019 compared to Q3 2018. Sales decreased both in the capital area and countryside. Sales of other goods increased by 131.0% in Q3 2019 compared to Q3 2018 due to increased number of subsidiaries in the group. There was less sale than expected of goods other than fuel by the group's entities than expected in Q3 2019, except for Krónan where sales exceeded expectations. However, Krónan's profit margin was less than expected in Q3 2019.

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Operating expenses in the third quarter

ISK million	Q3 2019	Q3 2018	Change	% Change
Salaries and other personnel expenses	2.371	1.593	-778	48,8%
Sales expenses	296	259	-38	14,6%
Other operating expenses	771	703	-68	9,7%

Increased number of subsidiaries in Festi's group is the main reason for increases in expenses in Q3 2019 compared to the same quarter of 2018.

Finance items

Finance expenses were higher in Q3 2019 than Q3 2018 due to increases in long-term borrowings and adoption of IFRS 16. Interest expenses increased by ISK 46 million due to application of the standard.

ISK million	Q3 2019	Q3 2018	Change	% Change
Finance income	44	29	14	48,8%
Finance expenses	-536	-272	264	97,0%
Foreign currency difference	24	20	5	24,2%
Share of profit from associates	139	116	24	20,3%
Valuation changes of shares in other companies	0	-13	13	-100,0%
Total	-329	-121	-208	172,1%

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Statement of financial position

ISK million	Q3 2019	Q3 2018	Change	% Change
Goodwill	14,070	13,919	151	1,1%
Other intangible assets	4,674	4,735	-61	-1,3%
Property and equipment	31,341	32,251	-911	-2,8%
Investment properties	6,993	8,739	-1,746	-20,0%
Inventories	7,600	7,278	322	4,4%
Trade receivables	4,786	4,334	451	10,4%
Interest bearing liabilities	38,570	37,751	819	2,2%
Cash and cash equivalents	6,839	6,314	525	8,3%
Net interest bearing liabilities	31,833	31,594	238	0,8%
Net interest bearing liabilities without lease liabilities	28,234	31,594	-3,360	-10,6%
Equity ratio	33,9%	32,0%	1,9%	6,1%
Inventory turnover	8,46	8,45	0,02	0,2%

The equity ratio is 33.9% and net interest bearing liabilities were in the amount of ISK 31,833 million, thereof lease liabilities in the amount of ISK 3,598 million. The company invested for ISK 527 million in Q3 2019.

Future outlook in Festi's operations and estimated EBITDA for the year 2019

- Turmoil in oil markets and ISK foreign exchange rate could cause fluctuations in gross profit and working capital position

EBITDA for the year 2019 is unchanged and is assumed to be in the range of ISK 7,400 – 7,700 million, excluding expenditures related to the acquisition of Hlekkur, which have mostly been realised. The EBITDA forecast is specified as follows:

EBITDA forecast 2019 ISK million	Operations	Real estate	Impact of IFRS 16	Total
Lower limit	3.750	3.150	500	7.400
Higher limit	4.000	3.200	500	7.700

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Meeting on Thursday 7 November 2019

An open meeting for market participants and shareholders will be held on Thursday 7 November 2019 at Festi's headquarters at Dalvegur 10-14 in Kópavogur (3rd floor). Eggert Kristófersson, the Company's CEO, will present the Company's results and answer questions. The meeting will start at 8:30. A light breakfast is available from 8:00. Presentations will be available following the meeting on Festi's website: <http://festi.is/fjarfestar/fjarhagsupplysingar/> as well as on the company news section on Nasdaq OMX Iceland hf.'s webpage.

Financial calendar

- Annual Financial Statements for the year 2019: 27 February 2020
- Annual general meeting 2020: 19 March 2020

For further information please contact Eggert Kristófersson, CEO (eggert@festi.is) or Pétur Hafsteinsson, CFO, (petur@festi.is).