

## **Net profit of ISK 1,816 million in Q3 2023**

### **Main results**

- Profit of the year is 1,816 million, 21.2% of margin, an increase by 16.2% from previous year.
- Sales of goods was ISK 37,334 million, compared to ISK 35,146 million in the previous year, an increase of 6.2% between years.
- Gross profit from sales of goods and services was ISK 8,575 million, an increase of ISK 1,511 million or 21.4% between years.
- Profit margins from sale of goods and services were 23.0%, which is 0.3 p.p. higher than previous quarter but 2.9 p.p. higher than previous year.
- EBITDA amounted to ISK 3,905 million compared to ISK 3,067 million in Q3 2022, increase of 27.3% between years. Excluding non-recurring revenue and expenses incurred in the previous year, the increase is 40.2%
- Equity at the end of Q3 amounted to ISK 35,084 million with an equity ratio of 36.1%.
- Net cash from operating activities was ISK 3.383 million or 39.5% of margin, compared to ISK 1,318 million in the previous year.
- EBITDA forecast for the year 2023 is raised by 600 million and is now ISK 10,400 – ISK 10,800 million.

<b>ISK million</b>	<b>Q3 2023</b>	<b>Q3 2022</b>	<b>Change</b>	<b>%Change</b>	<b>9M 2023</b>	<b>9M 2022</b>	<b>Change</b>	<b>%Change</b>
<b>Income Statement</b>								
Sale of goods and services	37,334	35,146	2,187	6.2%	101,017	89,654	11,362	12.7%
Margin from sale of goods and services	8,575	7,063	1,511	21.4%	22,558	20,123	2,435	12.1%
Other operating income	535	801	-266	-33.3%	1,549	1,714	-164	-9.6%
EBITDA	3,905	3,067	838	27.3%	7,867	7,726	141	1.8%
EBIT	2,825	2,218	607	27.3%	5,000	5,179	-178	-3.4%
EBT	2,215	1,892	323	17.1%	2,949	4,100	-1,152	-28.1%
Profit for the period	1,816	1,562	254	16.2%	2,463	3,373	-910	-27.0%
<b>Statement of Financial Position</b>					<b>30.9.2023</b>	<b>31.12.2022</b>	<b>Change</b>	<b>%Change</b>
Inventories					13,968	13,086	883	6.7%
Trade receivables					6,553	5,960	592	9.9%
Cash and cash equivalents					4,232	2,112	2,120	100.4%
Interest bearing liabilities without lease liabilities					29,346	30,014	-668	-2.2%
Net interest bearing liabilities without lease liabilities					25,114	27,902	-2,788	-10.0%
Net interest bearing debt/EBITDA					2.5	2.7	-20.1	-7.5%
Equity ratio					36.1%	36.9%	-0.8 p.p.	-2.3%
Return on equity					9.3%	15.0%	-5.6 p.p.	-37.7%
<b>Statement of Cash Flows</b>					<b>Q3 2023</b>	<b>Q3 2022</b>	<b>Change</b>	<b>%Change</b>
Cash flows from operating activities	3,383	1,318	2,065	156.6%	7,480	2,777	4,703	169.3%
Investing activities	-937	-826	-111	13.4%	-2,083	-3,403	1,320	-38.8%
Financing activities	-503	-1,487	984	-66.2%	-3,252	-2,282	-970	42.5%
Cash and cash equivalents at the end of the period	4,232	1,144	3,087	269.8%	4,232	1,144	3,087	269.8%
<b>Key indicators</b>								
Margin from sale	23.0%	20.1%	+2.9 p.p.	14.3%	22.3%	22.4%	-0.1 p.p.	-0.5%
Personel expenses/margin from sale	42.9%	46.8%	-3.9 p.p.	-8.4%	50.9%	48.3%	+2.6 p.p.	5.4%
EBITDA/margin from sale	45.5%	43.4%	+2.1 p.p.	4.9%	34.9%	38.4%	-3.5 p.p.	-9.2%
Profit/margin from sale	21.2%	22.1%	-0.9 p.p.	-4.3%	10.9%	16.8%	-5.8 p.p.	-34.9%
Earnings per share	6.0	5.1	86.0	16.9%	8.1	10.9	-281.0	-25.8%
Cash flows from operations/margin from sale	39.5%	18.7%	+20.8 p.p.	111.4%	33.2%	13.8%	+19.4 p.p.	140.3%
Investments	1,028	1,270	-243	-19.1%	2,593	4,364	-1,771	-40.6%

## Operations in Q3 2023

The third quarter is always largest in terms of sales and overall activity of the business. The company's operations were good in the third 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 6.2% year-over-year with increases in both visits and volumes sold across all business sectors YoY. Profit margins from sales were 23.0% and increased by 0.3 p.p. from the last quarter. Margin from sales in ISK increases by 21.4% YoY but at the same time operating expenses increased by 8.5%. The company's EBITDA was ISK 3,905 million, which is an increase of 27.3% from the previous year and 40.2% non-recurring income and expenses from the previous year are excluded. N1's EBITDA increased by ISK 622 million compared to the previous year. Krónan's EBITDA was ISK 325 million better than the previous year and ELKO's EBITDA decreased by ISK 13 million worse than the previous year.

Finance cost increased by 86.9% between years due to raised key interest rates by the Central Bank of Iceland. Net profit for the quarter was ISK 1,816 million, an increase of 16.2% between years. The main focus is still on finding ways to increase margin and lower cost.

## Revenues in Q3 2023

- Total revenue was 37,869 million, an increase of 5.3% from the previous year and 6.4% if non-recurring expenses from previous year is excluded.
- Revenue from sales of goods and services was ISK 37,334 million in Q3 2023, an increase of 6.2% between years.
- Sales of grocery and convenience goods amounted to ISK 18,289 million, up by 19.8% between years.
- Sales of fuel and electricity amounted to ISK 12,147 million, a decrease of 8.5% between years.
- Sales of electronic equipment amounted to ISK 4,402 million, a decrease of 1.1% between years.
- Sales of other goods and services were ISK 2,496 million, an increase of 15.7% between years.
- Other revenues decreased by 266 million between years. Non-recurring revenue from last year amounted to 358 million in Q3 2022.

ISK million	Q3 2023	Q3 2022	Change	%Change	9M 2023	9M 2022	Change	%Change
<b>Sale of goods and services</b>								
Grocery and convenience goods	18,289	15,261	3,028	19.8%	51,149	41,566	9,583	23.1%
Fuel and electricity	12,147	13,280	-1,133	-8.5%	30,150	30,141	9	0.0%
Electronic equipment	4,402	4,449	-47	-1.1%	12,622	11,765	856	7.3%
Other goods and services	2,496	2,156	339	15.7%	7,095	6,182	914	14.8%
<b>Total sale of goods and services</b>	<b>37,334</b>	<b>35,146</b>	<b>2,187</b>	<b>6.2%</b>	<b>101,017</b>	<b>89,654</b>	<b>11,362</b>	<b>12.7%</b>
<b>Total other operating income</b>	<b>535</b>	<b>801</b>	<b>-266</b>	<b>-33.3%</b>	<b>1,549</b>	<b>1,714</b>	<b>-164</b>	<b>-9.6%</b>
<b>Total income</b>	<b>37,869</b>	<b>35,948</b>	<b>1,921</b>	<b>5.3%</b>	<b>102,566</b>	<b>91,368</b>	<b>11,198</b>	<b>12.3%</b>

Sales of grocery and convenience goods increased by 19.8% between years, the number of Krónan stores increased by one from the previous year with the opening of a new store in Akureyri in December. 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 8.5% between years, mainly due to fuel prices in

the global market decreasing by around 6-18%, depending on fuel type, between years. Volume sold amounted to 70 million liters, which is an increase of 7% between years. Revenue from electronics sales decreased by 1.1% and revenue from other goods and services increased by 15.7% between years, with N1 opening a new car service workshop in Klettagarðar which was launched last September. Other revenue decreased by 266 million, non-recurring revenue from last year due to refund from the transport equalization fund were 358 million in Q3 2022.

### **Margins from sales of goods and services in Q3 2023**

- Margins from sales of goods and services amounted to ISK 8,575 million, an increase of 21.4% between years. The margin level was 23.0%, an increase of 0.3 p.p. from the last quarter and 2.9 p.p. between years.
- The margins from grocery and convenience goods were ISK 4,251 million, an increase of 17.7% between years. Margin level was 23.2 an increase of 0.2 p.p. from last quarter and 0.5 p.p. between years.
- Margins from fuel and electricity were ISK 2,367 million, an increase of ISK 911 million between years. The margins level was 19.5%, an increase of 3.3 p.p. from last quarter and increased by 8.5 p.p. between years.
- Margins from electronics were ISK 1,131 million, a decrease of 0.6% between years. The margin level was 25.7%, like last year.
- Margins from other goods and services were ISK 825 million, a decrease of 3.8% between years. The margin level was 33.1%, a decrease of 6.6 p.p. from the last quarter and 6.7 p.p. between years.

ISK million	Q3 2023	Q3 2022	Change	%Change	9M 2023	9M 2022	Change	%Change
<b>Margin from sale of goods and services</b>								
Grocery and convenience goods	4,251	3,611	640	17.7%	11,743	9,846	1,897	19.3%
Fuel and electricity	2,367	1,457	911	62.5%	5,059	4,694	365	7.8%
Electronic equipment	1,131	1,137	-6	-0.6%	3,156	3,039	117	3.9%
Other goods and services	825	858	-33	-3.8%	2,600	2,544	56	2.2%
<b>Total margin from sales of goods and services</b>	<b>8,575</b>	<b>7,063</b>	<b>1,511</b>	<b>21.4%</b>	<b>22,558</b>	<b>20,123</b>	<b>2,435</b>	<b>12.1%</b>

Total margins from sale of goods and services in Q3 2023 is ISK 8,575 million compared to ISK 7,363 million for the same quarter last year, an increase of 21.4%. Margins from sales of grocery and convenience goods were ISK 4,251 million, up by 17.7% YoY. Margins from fuel and electricity were ISK 2,367 million, an increase of ISK 911 million between years. The global market price for fuel increased by 10-40%, depending on fuel type, compared to a decrease of 18-30% at the same time last year. Margins from electronics sales were ISK 1,131 million, a decrease of 0.6% and the margin of other goods and services was ISK 825 million, a decrease of 3.8% between years. The margin level was 33.1% a decrease by 6.7 p.p. from previous year, mainly due to non-recurring sales contract with the government for trash bins.

### **Operating expenses in Q3 2023**

- Operating expenses in Q3 2023 were ISK 5,205 million which is an increase of ISK 407 million or 8.5% YoY.
- Salaries and other personnel expenses increased by ISK 369 million or 11.2% YoY but 13.8% excluding impact of non-recurring expenses during the quarter.
- The number of full-time equivalents was 1,412 in Q3 2023, an increase of 6.5% YoY.
- Total other operating expenses increased by ISK 37 million or 2.5% YoY.

**October 25<sup>th</sup> 2023 – Festi Q3 2023 Interim Report**

ISK million	Q3 2023	Q3 2022	Change	%Change	9M 2023	9M 2022	Change	%Change
<b>Operating expenses</b>								
Salaries and other personnel expenses	3,676	3,307	369	11.2%	11,486	9,721	1,765	18.2%
<b>Other operating expenses</b>								
Operating costs of real estate	496	446	50	11.3%	1,531	1,305	226	17.3%
Maintenance expenses	235	261	-26	-9.9%	776	690	86	12.5%
Sales and marketing expenses	388	399	-12	-2.9%	1,114	1,110	4	0.4%
Office and administrative expenses	100	91	9	9.4%	355	291	63	21.6%
Communication expenses	203	209	-6	-3.0%	647	604	44	7.2%
Insurance and claims	27	26	1	5.5%	70	144	-74	-51.2%
Other expenses	80	59	21	34.7%	261	245	16	6.5%
<b>Total other operating expenses</b>	<b>1,529</b>	<b>1,491</b>	<b>37</b>	<b>2.5%</b>	<b>4,754</b>	<b>4,389</b>	<b>365</b>	<b>8.3%</b>
<b>Total operating Expenses</b>	<b>5,205</b>	<b>4,798</b>	<b>407</b>	<b>8.5%</b>	<b>16,241</b>	<b>14,110</b>	<b>2,130</b>	<b>15.1%</b>

Salaries and other personnel expenses amounted to ISK 3,676 million in Q3 2023 compared to ISK 3,307 million in Q3 2022 which is an increase of 11.2%. The retirement cost of the former CEO was charged to Q3 last year, excluding that cost salaries and other personnel expenses increased by 13.8%. Full-time equivalents were 1,412 in the quarter, an increase of 86 full-time equivalents or 6.5% YoY. Contractual wage increases between the periods had an effect of ISK 237 million on the YoY increase. The cost due to the increase in full-time equivalents is ISK 207 million between years. 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 Q3 2022</b>	<b>3,307</b>
Change in full-time position equivalents	207
Contractual wage increases	237
Accrued vacation, change	-16
Other changes	-59
<b>Salaries and other personnel expenses Q3 2023</b>	<b>3,676</b>

Other operating expenses were ISK 1,529 million compared to ISK 1,491 million in Q3 2022, which is an increase of 2.5% between years. The operating costs of real estate increased by 11.3%, mainly due to the increased number of stores and effects of turnover based leases and impact of inflation on contract based services like cleaning and trash service etc. Inflation and increased sales also affect comparison of cost items between years and the focus is on reducing all operating costs in the current environment.

## Financial items in Q3 2023

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- Net finance expenses and the impact of affiliates were negative by ISK 610 million in Q3 2023 compared to ISK 326 million in Q3 2022, an increase of ISK 284 million between years.
- Finance income amounted to ISK 86 million, a decrease of ISK 1 million between years.
- Finance expenses amounted to ISK 902 million, an increase of ISK 187 million between the years.
- Exchange rate difference was negative by 53 million a decrease by 139 million between years,
- The share of profit from associates amounted to ISK 259 million, an increase of ISK 43 million between years.

ISK million	Q3 2023	Q3 2022	Change	%Change	9M 2023	9M 2022	Change	%Change
Finance income	86	87	-1	-0.8%	156	150	5	3.6%
Finance expenses	-902	-715	-187	26.2%	-2,613	-1,730	-883	51.1%
Foreign currency differences	-53	86	-139	-161.4%	-24	117	-141	-120.9%
Share of profit from associates	259	216	43	19.9%	430	385	46	11.9%
<b>Total</b>	<b>-610</b>	<b>-326</b>	<b>-284</b>	<b>86.9%</b>	<b>-2,052</b>	<b>-1,078</b>	<b>-973</b>	<b>90.2%</b>

Finance income amounted to ISK 86 million, a decrease of ISK 1 million between years. Finance expenses amounted to ISK 902 million, an increase of ISK 187 million between years, mostly because of raised key interest rates by the Central Bank of Iceland. Exchange rate difference was negative by 53 million but positive by 86 million the previous year. The share of profit from associates amounted to ISK 259 million, an increase of ISK 43 million between years.

## Statement of financial position at the end of the third quarter 2023

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- Total assets amounted to ISK 97,286 million at the end of Q3 2023, an increase of ISK 3,913 million from year-end 2022.
- Non-current assets amounted to ISK 71,754 million, an increase of ISK 304 million from year-end 2022.
- Current assets amounted to 25,531 million, an increase of ISK 3,609 million from year-end 2022.
- Net interest-bearing liabilities without amounted to ISK 33,653 million and decreased by ISK 2,675 million from year-end 2022.
- Equity ratio was 36.1% at the end of Q3 2023 in comparison with 36.9% at year-end 2022.
- Cash and cash equivalents amounted to ISK 4,232 million at the end of Q3 2023, an increase of ISK 2,120 million from year-end 2022.

<b>ISK million</b>	<b>30.9.2023</b>	<b>31.12.2022</b>	<b>Change</b>	<b>%Change</b>
Goodwill	14,842	14,862	-20	-0.1%
Other intangible assets	4,297	4,517	-220	-4.9%
Property and equipment	35,358	34,815	543	1.6%
Leased assets	8,024	8,012	11	0.1%
Investment properties	6,512	6,479	33	0.5%
Inventories	13,968	13,086	883	6.7%
Trade receivables	6,553	5,960	592	9.9%
Cash and cash equivalents	4,232	2,112	2,120	100.4%
Interest bearing liabilities	37,885	38,440	-556	-1.4%
Net interest bearing liabilities	33,653	36,328	-2,675	-7.4%
Equity ratio	36.1%	36.9%	-0.8 p.p.	-2.3%
Inventory turnover	7.5	7.7	-0.2	-2.6%

Goodwill amounted to ISK 14,842 million and other intangible assets ISK 4,297 million at the end of Q3 2023. Properties and equipment amounted to ISK 35,358 million, an increase of 543 million and investment properties amounted to ISK 6,512 million at the end of Q3 2023, an increase of ISK 33 million from year-end 2022.

Inventories increased by ISK 883 million from year-end due to seasonal fluctuations. Trade receivables increased by ISK 592 million and short-term receivables increased by ISK 14 million from the beginning of the year. Cash and cash equivalents increased by 2,120 million from year-end 2022.

Net interest-bearing amounted to ISK 33,653 million which is a decrease of ISK 2,675 million from year-end 2022. Equity ratio was 36.1% at the end of Q3 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 Q3 2023

- Net cash from operating activities was ISK 3,383 million or 39.5% of margin, compared to 1,318 million the year before.
- Net cash used in investing activities was negative amount ISK 937 million, an increase of ISK 111 million from Q3 2022.
- Net cash used in financing activities was ISK 503 million, a decrease of ISK 984 million from last year.

<b>ISK million</b>	<b>Q3 2023</b>	<b>Q3 2022</b>	<b>Change</b>	<b>%Change</b>	<b>9M 2023</b>	<b>9M 2022</b>	<b>Change</b>	<b>%Change</b>
<b>Cash flow</b>								
<b>Cash and cash equivalents, beginning of period</b>	<b>2,326</b>	<b>2,085</b>	<b>241</b>	<b>11.6%</b>	<b>2,112</b>	<b>4,003</b>	<b>-1,891</b>	<b>-47.2%</b>
Net cash to operating activities	3,383	1,318	2,065	156.6%	7,480	2,777	4,703	169.3%
Net cash used in investing activities	-937	-826	-111	13.4%	-2,083	-3,403	1,320	-38.8%
Net cash used in financing activities	-503	-1,487	984	-66.2%	-3,252	-2,282	-970	42.5%
Effect of movements in exchange rates on cash	-37	55	-92	-167.4%	-25	49	-75	-151.5%
<b>Cash and cash equivalents change</b>	<b>1,943</b>	<b>-995</b>	<b>2,938</b>	<b>-295.3%</b>	<b>2,145</b>	<b>-2,908</b>	<b>5,053</b>	<b>-173.8%</b>
<b>Cash and cash equivalents, end of period</b>	<b>4,232</b>	<b>1,144</b>	<b>3,087</b>	<b>269.8%</b>	<b>4,232</b>	<b>1,144</b>	<b>3,087</b>	<b>269.8%</b>

Net cash from operations in Q3 2023 amounted to ISK 3,383 million, an increase of ISK 2,065 million between years. Net cash used in Investments amounted to ISK 1,028 million, a decrease of ISK 192 million between years. The purchase of own shares amounted to ISK 290 million and installments on interest-bearing loans amounted to ISK 214 million. Cash and cash equivalents increased by ISK 1,943 million in the third quarter of 2023 and amounted to ISK 4,232 million at the end of Q3 2023.

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

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EBITDA guidance for the year 2023 is raised by ISK 600 million and is now in the range of ISK 10,400 – 10,800 million.

CAPEX forecast is ISK 3,600 – ISK 4,000 million, a decrease of ISK 900 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 36.1% at the end of Q3 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 Q3 2023 amounted to ISK 54.8 billion an increase of 5.2% from last quarter.
- The number of shareholders was 1,215 at the end of Q3 2023 a decrease of 33 from last quarter.

**Investor meeting and online presentation on Thursday the 26<sup>th</sup> of October 2023**

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An investor meeting and online presentation for market participants will take place on Thursday, October 26<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/cc/uppgjor-3f-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**

- Q4 2023: February 7<sup>th</sup>, 2024
- Annual general meeting 2024: March 20<sup>th</sup>, 2024
- Q1 2024: April 29<sup>th</sup>, 2024
- Q2 2024: July 31<sup>st</sup>, 2024
- Q3 2024: October 30<sup>th</sup>, 2024
- Q4 2024: February 5<sup>th</sup>, 2025
- Annual general meeting 2025: March 5<sup>th</sup>, 2025

For further information please contact Ásta S. Fjeldsted, CEO ([asta@festi.is](mailto:asta@festi.is)) or Magnús Kr. Ingason, CFO ([mki@festi.is](mailto:mki@festi.is)).