

Profit 476 million in Q1 2022

Main results

- Margin from sale of goods and services was ISK 5,734 million. Gross margin from sales was 23.3% and decreases by 1.3% bps. between years.
- EBITDA was ISK 1,749 million compared to ISK 1,505 million in Q1 2021, increase of 16.2% YoY.
- Rising prices in commodity markets following Russia's invasion of Ukraine and increase in inflation cause for concern.
- Equity was ISK 31,879 million and equity ratio 36.6% at the end of Q1 2022 compared to 39.4% at year-end 2021.
- Net interest-bearing debt without lease liabilities ISK 25,035 million at the end of Q1 2022 compared to ISK 23,309 million at year-end 2021.
- The company's EBITDA forecast for 2022 is raised by ISK 400 million and is now ISK 9,400 - 9,800 million.

ISK million	Q1 2022	Q1 2021	Change	%Change
Income Statement				
Sale of goods and services	24,572	20,917	3,654	17.5%
Margin from sale of goods and services	5,734	5,144	590	11.5%
Other operating income	431	455	-24	-5.3%
EBITDA	1,749	1,505	244	16.2%
EBIT	951	712	239	33.6%
EBT	572	352	220	62.5%
Profit for the period	476	289	186	64.4%
Statement of Financial Position				
	31.3.2022	31.12.2021	Change	%Change
Inventories	9,515	9,545	-30	-0.3%
Trade receivables	6,370	4,757	1,613	33.9%
Interest bearing liabilities without lease liabilities	27,688	27,312	376	1.4%
Cash and cash equivalents	2,653	4,003	-1,350	-33.7%
Net interest-bearing liabilities without lease liabilities	25,035	23,309	1,726	7.4%
Statement of Cash Flows				
	Q1 2022	Q1 2021	Change	%Change
Cash flows from operating activities	983	391	592	151.4%
Investing activities	-1,617	-387	-1,231	318.4%
Financing activities	-682	-117	-565	481.2%
Cash and cash equivalents at the end of the period	2,653	2,463	190	7.7%
Key indicators				
Margin from sale	23.3%	24.6%	-1.3%	-5.1%
EBITDA/margin from sale	30.5%	29.3%	1.2%	4.3%
Equity ratio	36.6%	39.4%	-2.8%	-7.2%
Salaries/margin from sale	52.4%	54.8%	-2.4%	-4.3%
Investments	1,900	451	1,449	321.1%
Inventory turnover	8.3	7.6	0.7	8.6%

Operations in Q1 2022

The company's operations performed better in the first quarter than expected. The impact of COVID-19 was much less on the operation of the quarter than at the same time the previous year. The cost of goods sold and sales rose considerably with the rise in commodity prices following Russia's invasion of Ukraine, which lowered year-on-year margin levels. The operating results of Krónan and ELKO were similar to the year before but N1's profit increased by ISK 200 million compared to Q1 the year before. The company's EBITDA was ISK 1,749 million, which is ISK 244 million higher than in the same quarter the previous year.

Revenues in Q1 2022

- Revenue from sale of goods and services were ISK 24,572 million in Q1 2022 compared to ISK 20,917 million in Q1 2021, up by 17.5%.
- Sale of grocery and convenience goods amounted to ISK 12,399 million, up by 1.3% compared to Q1 2021.
- Sale of fuel and electricity increased by ISK 2,866 million an increase of 69% between years.
- Sale of other goods and services were ISK 1,708 million, an increase of 33.5% between years.

ISK million	Q1 2022	Q1 2021	Change	%Change
Sale of goods and services				
Grocery and convenience goods	12,399	12,242	157	1.3%
Fuel and electricity	7,067	4,180	2,886	69.0%
Electronic equipment	3,397	3,215	182	5.7%
Other goods and services	1,708	1,279	429	33.5%
Total sale of goods and services	24,572	20,917	3,654	17.5%
Total other operating income	431	455	-24	-5.3%
Total income	25,002	21,372	3,630	17.0%

Sale of grocery and convenience goods increased by 1.3% between years while Krónan had fewer stores this year after selling two of them in the middle of last year. Sale of fuel and electricity increased by 69% between years, while fuel prices in the global market increased by around 65-85%, depending on fuel type, between quarters. Volume sold amounted to ISK 47 million liters and increased by 43.7% between years due to increased activity related to capelin season and the lifting of COVID restrictions. Revenue from electronics sales increased by 5.7% and revenue from other goods and services increased by 33.5% between years, because of a sharp increase in sales of chemical products, tires and refreshments between years.

Margin from sale of goods and services in Q1 2022

- Margin from sale of goods and services amounted to ISK 5,734 million, an increase of 11.5% between years.
- Margin from grocery and convenience goods was ISK 2,879 million, an increase of 2.1% between years.
- Margin from fuel and electricity was ISK 1,274 million, an increase of 33.5% between years. Margin level decreases by 4.8 bps. between years.
- Margin from electronics was ISK 915 million, an increase of 8.2% between years,

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ISK million	Q1 2022	Q1 2021	Change	%Change
Margin from sale of goods and services				
Grocery and convenience goods	2,879	2,819	60	2.1%
Fuel and electricity	1,274	954	320	33.5%
Electronic equipment	915	845	69	8.2%
Other goods and services	666	525	141	26.9%
Total margin from sales of goods and services	5,734	5,144	590	11.5%

Total margin from sale of goods and services in Q1 2022 is ISK 5,734 million compared to ISK 5,144 million for the same quarter last year, an increase of 11.5%. Margin from sale of grocery and convenience goods is ISK 2,879 million and up by 2.1%. Margin from fuel and electricity is ISK 1,274 million, an increase of ISK 320 million between years. Positive effects due to fuel hedge contracts this quarter amount to ISK 230 million, an increase of ISK 192 million between years. Margin level decreases from 22.8% to 18% between years due to inflation on the global market. The profit margin on electronics sales was ISK 915 million, an increase of 8.2% and the margin of other goods and services was ISK 666 million, an increase of 26.9% between years.

Operating expenses in Q1 2022

- Operating expenses in Q1 2022 were ISK 4,416 million which is an increase of ISK 322 million or 7.9% YoY.
- Salaries and other personnel cost increase by ISK 189 million or 6.7% YoY.
- Total other operating expenses increase by ISK 133 million or 10.4% YoY.

ISK million	Q1 2022	Q1 2021	Change	%Change
Operating expenses				
Salaries and other personnel expenses	3,006	2,818	189	6.7%
Other operating expenses				
Operating costs of real estate	430	377	52	13.9%
Maintenance expenses	231	200	30	15.1%
Sales and marketing expenses	305	262	42	16.2%
Communication expenses	198	178	20	11.2%
Office and administrative expenses	109	143	-34	-24.0%
Insurance and claims	63	59	4	7.4%
Bad debt and change in allowance for bad debt	24	15	9	57.3%
Other expenses	51	41	9	22.5%
Total other operating expenses	1,409	1,276	133	10.4%
Total operating Expenses	4,416	4,094	322	7.9%

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Salaries and other personnel expenses amount to ISK 3,006 million in Q1 2022 compared to ISK 2,818 million in Q1 2021 which is an increase of 6.7%. Full-time equivalents were 1,154 in the quarter, an increase of 30 full-time equivalents YoY. One contractual wage increase came into effect between the periods in January 2022 and had an effect of ISK 84 million for the year-on-year increase. The table below shows an analysis of the increase in wages and other employee expenses in ISK million between years:

Salaries and other personnel expenses Q1 2021	2,818
Change in full-time position equivalents	74
Contractual wage increases	84
Accrued vacation, change	7
Other	24
Salaries and other personnel expenses Q1 2022	3,006

Other operating expenses was ISK 1,409 million compared to ISK 1,276 million in Q1 2021, which is an increase of 10.4% between years.

Financial items in Q1 2022

- Net finance expenses and the impact of affiliates were negative by ISK 379 million in Q1 2022 compared to ISK 360 million in Q1 2021, an increase of ISK 19 million between years.
- Finance expenses amounted to ISK 471 million, an increase of ISK 31 million between years.
- The impact of affiliates amounted to ISK 63 million, an increase of ISK 18 million between years.

ISK million	Q1 2022	Q1 2021	Change	%Change
Finance income	29	35	-6	-17.6%
Finance expenses	-471	-440	-31	7.0%
Share of profit from associates	63	45	18	39.3%
Total	-379	-360	-19	5.3%

Statement of financial position

- Total assets amounted to ISK 87,093 million at the end of Q1 2022, an increase of ISK 1,121 million from year-end 2021.
- Dividend issued ISK 1,562 million included in liabilities.
- Equity ratio was 36.6% at the end of Q1 2022 in comparison with 39.4% at year-end 2021.
- Cash and cash equivalents amounted to ISK 2,653 million at the end of Q1 2022, a decrease of 1,350 million from year-end 2021.

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ISK million	31.3.2022	31.12.2021	Change	%Change
Goodwill	14,668	14,668	0	0.0%
Other intangible assets	4,715	4,744	-30	-0.6%
Property and equipment	33,237	32,544	693	2.1%
Leased assets	6,108	6,155	-47	-0.8%
Investment properties	6,451	6,100	351	5.8%
Inventories	9,515	9,545	-30	-0.3%
Trade receivables	6,370	4,757	1,613	33.9%
Cash and cash equivalents	2,653	4,003	-1,350	-33.7%
Interest bearing liabilities without lease liabilities	27,688	27,312	376	1.4%
Net interest bearing liabilities without lease liabilities	25,035	23,309	1,726	7.4%
Net interest bearing liabilities	31,435	29,731	1,704	5.7%
Equity ratio	36.6%	39.4%	-2.8 bps	-7.2%
Inventory turnover	8.3	7.6	0.7	8.6%

Goodwill is ISK 14,668 million and other intangible assets ISK 4,715 million the end of Q1 2022. Properties and equipment amounted to ISK 33,237 million and investment properties to ISK 6,451 million at the end of the quarter and increase by ISK 1,044 million from year-end. Accounts receivable is up by ISK 1,613 million from the beginning of the year in line with seasonal fluctuations.

Net interest-bearing liabilities without lease liabilities amount to ISK 25,035 million which is an increase of ISK 1,726 million from year-end 2021. Equity ratio was 36.6% at the end of Q1 2022 compared to 39.4% at year-end 2021. Dividend issued in the amount of ISK 1,562 million included in liabilities as it was paid on 8 April 2022. The company's cash position remains strong as well as the balance sheet.

Cashflow and investments in Q1 2022

- Net cash from operating activities was ISK 983 million compared to ISK 391 million in Q1 2021.
- Net cash from investing activities was ISK 1,617 million, increase of 1,231 million YoY.
- Net cash used in financing activities was ISK 682 million, an increase of ISK 565 million YoY.

ISK million	Q1 2022	Q1 2021	Change	%Change
Cash flow				
Cash and cash equivalents, beginning of period	4,003	2,563	1,440	56.2%
Net cash to operating activities	983	391	592	151.4%
Net cash used in investing activities	-1,617	-387	-1,231	318.4%
Net cash used in financing activities	-682	-117	-565	481.2%
Effect of movements in exchange rates on cash	-34	13	-47	-358.9%
Cash and cash equivalents change	-1,350	-100	-1,250	1249.8%
Cash and cash equivalents, end of period	2,653	2,463	190	7.7%

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Net cash from operations in Q1 2022 amounted to ISK 983 million, an increase of ISK 592 million between years. Investments amounted to ISK 1,900 million, an increase of ISK 1,449 million between years. The purchase of own shares amounted to ISK 836 million and instalments on interest-bearing loans amounted to approximately ISK 200 million. Cash and cash equivalents decreased by ISK 1,350 million in the first quarter of 2022 and amounted to ISK 2,653 million at the end of March 2022.

Future outlook and EBITDA guidance for 2022

Given the improved performance in the first quarter of 2022 and management's assessment on the outlook, the EBITDA guidance for the year 2022 is raised by ISK 400 million and is now in the range of ISK 9,400 – 9,800 million.

Following factors may affect the ongoing business:

- Impact of Russia's invasion of Ukraine of supply of goods
- Major changes in global commodity prices and exchange rates
- High inflation in international markets and Iceland
- Number of tourist arrivals to Iceland

The company has an equity ratio of 36.6% at the end of the quarter and a strong financial position. The outlook for the business is good and the company is well equipped to handle the tasks ahead.

Shareholders

- The Company's market capitalization at the end of 2021 amounted to ISK 78.9 billion.
- The number of shareholders were 1,154 at end of Q1 2022.

Investor meeting - Presentation on Thursday the 5th of May 2022

An open investor meeting for market participants and shareholders will be held on Thursday the 5th of May 2022 at Festi's headquarters at Dalvegur 10-14, 3rd floor. Eggert Kristófersson, CEO of Festi will present the results and answer questions with Magnús Kr. Ingason, CFO of Festi. 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

- Q2 2022: 27th of July 2022
- Q3 2022: 28th of October 2022
- Q4 2022: 8th of February 2023
- Annual general meeting 2023: 22nd of March 2023

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