

Presentation of Q2 2020 results

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FESTI

CONSOLIDATED HIGHLIGHTS

ISK 1.703 m

EBITDA Q2 2020

35,5%

Equity ratio

4,02

NIBD/EBITDA

ISK 4.294 m

Cash and cash equivalents

32,5%

EBITDA/Margin Q2 2020

51,6%

Salaries/Margin Q2 2020

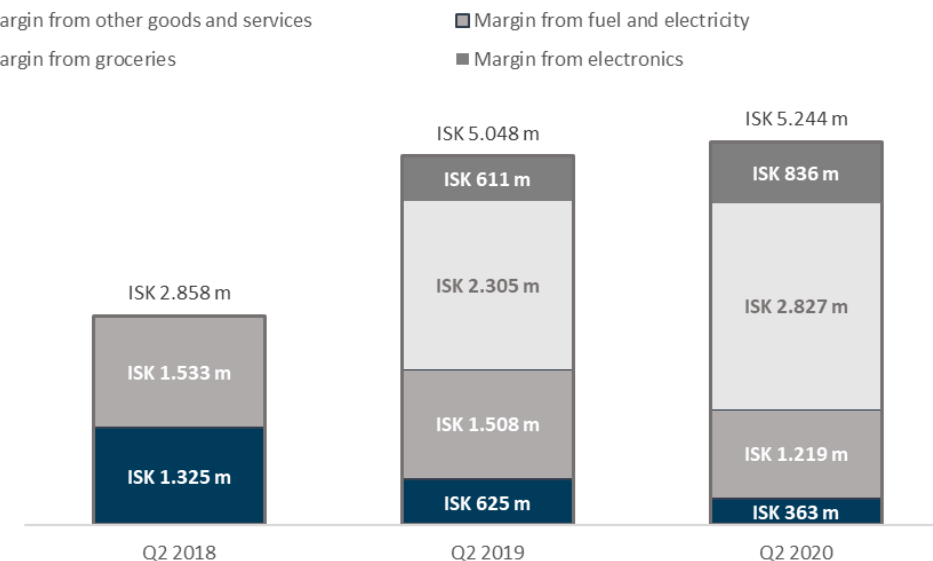
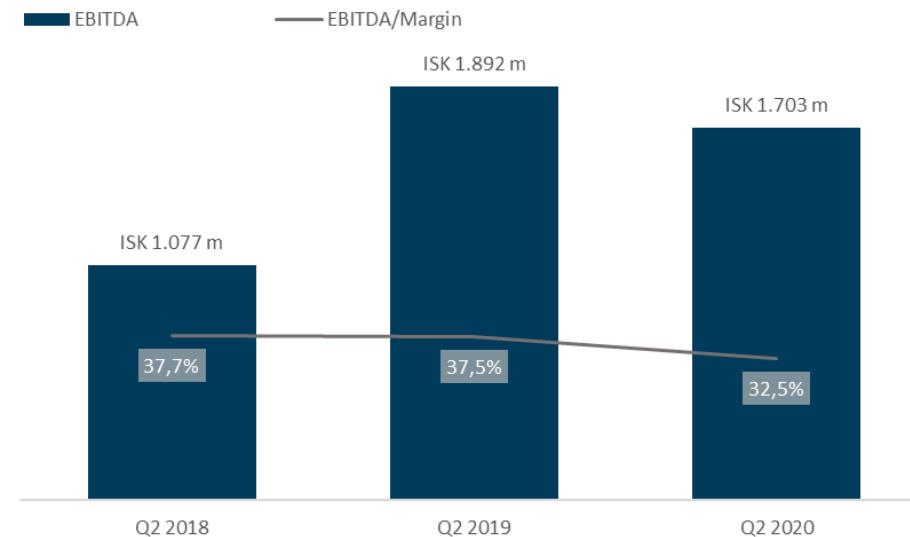
CONSOLIDATED OPERATIONS IN Q2

Amounts are in ISK million

	Q2 2020	Q2 2019	Change	% Chg.
Sale of goods and services	20.640	21.391	-751	-3,5%
Margin from sales of goods and services	5.244	5.048	196	3,9%
Lease revenue and operating income	253	639	-387	-60,5%
Salaries and personnel expenses	-2.708	-2.588	-120	4,7%
Other operating expenses	-1.085	-1.207	122	-10,1%
EBITDA	1.703	1.892	-189	-10,0%

Key Figures

EBITDA/Margin	32,5%	37,5%	-5,0%	-13,4%
Salaries/Margin	51,6%	51,3%	0,4%	0,7%
Earnings per share	1,60	1,66	-0,1	-3,6%



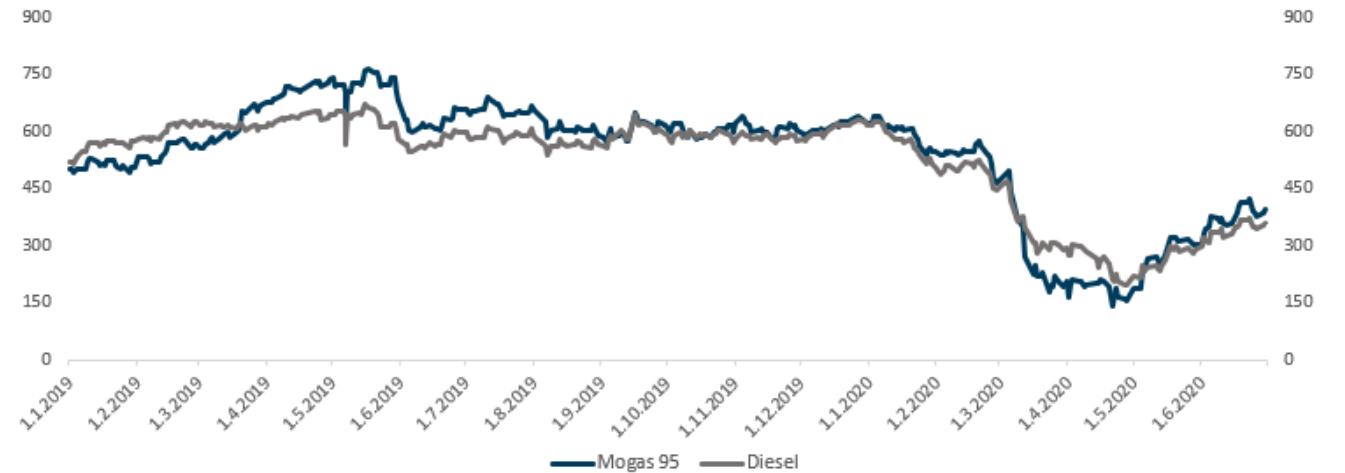
- Number of full-time employees are down by 7% between Q2 2020 and Q2 2019.
- Covid-19 related cost ISK 162 million in salaries and other operating expenses.
- Other operating expenses ISK 189 million lower than same time last year.

- Volatility in USD/ISK and EUR/ISK
- USD/ISK decreased by 2,9% and the difference between highest and lowest exchange rate in Q2 is 12,2%
- EUR/ISK decreased by 0,4% and the difference between the highest and lowest exchange rate in Q1 is 7,2%
- Diesel price 40,2% lower YOY
- Gasoline price 39,8% lower YOY

Exchange rate development



Price development of Mogas 95 and Diesel



N1 HIGHLIGHTS Q2



- Sales of fuel decreased by 40,1% in Q2 2020 compared to Q2 2019.
- The Q2 2020 average price of a diesel fuel was 284,17 USD, compared to an average of 614,77 USD in Q2 2019, a decrease of 53,8%.
- The Q2 2020 average price of USD/ISK was 141,17 compared to 122,70 in Q2 2019, an increase of 15,1%
- Sale of grocery and convenience goods is decreased by 9,9% between years.
- Sales of other goods increased by 8,3% between years
- In total other goods other than fuel increase by 0,3% between years.
- As a whole, negative impact was significant with the turmoil in global oil markets and Covid-19 restrictions during the quarter but with restrictions being lifted, business was recovering.

	Q2 2020	Q2 2019	Change	% Change
Operating revenue outside of group	7.215	9.879	-2.664	-27,0%
Other revenue within group	21	0	21	
Total segment revenue	7.236	9.879	-2.643	-26,8%
Total operating expenses of segments	-6.487	-8.923	2.435	-27,3%
Segment EBITDA	749	957	-208	-21,7%
Segment depreciation and amortisation	-563	-527	-36	6,9%
Operating result of segments	186	430	-244	-56,8%
Financial expenses	-246	-254	8	-3,2%
Income tax expense	14	-36	50	-140,6%
Profit	-45	141	-186	-132,3%
Segment assets	29.424	31.109	-1.685	-5,4%
Segment capital expenditure	288	179	109	61,1%
Segment liabilities	16.286	17.951	-1.665	-9,3%

- Sales exceeded expectations in Q2 2020,
- Margins unacceptable
- Volatility in EUR/ISK had a negative impact
- Increased cost of salaries relating to covid-19, contractual wage increases and to increased in-store activity
- Turnover rate of inventories
- MD of Krónan resigned 14th of May
- Online App launched

	Q2 2020	Q2 2019	Change	% Change
Operating revenue outside of group	10.587	9.186	1.401	15,3%
Other revenue within group	79	22	57	252,0%
Total segment revenue	10.666	9.208	1.458	15,8%
Total operating expenses of segments	-9.993	-8.722	-1.270	14,6%
Segment EBITDA	673	486	187	38,6%
Segment depreciation and amortisation	-337	-300	-37	12,2%
Operating result of segments	336	186	151	81,2%
Financial expenses	-116	-106	-10	9,2%
Income tax expense	-44	-16	-29	178,8%
Profit	176	64	112	176,3%
Segment assets	13.527	13.625	-98	-0,7%
Segment capital expenditure	308	337	-29	-8,6%
Segment liabilities	12.161	11.730	431	3,7%

- Sales and margins exceeded expectations in Q2 2020
- Congregation ban had a positive impact on sales, more people working from home.
- Cost of operations increased as the result of increased home delivery, personnel cost and covid-19 restrictions in stores.
- Volatility in NOK/ISK, currency hedges had positive effects .

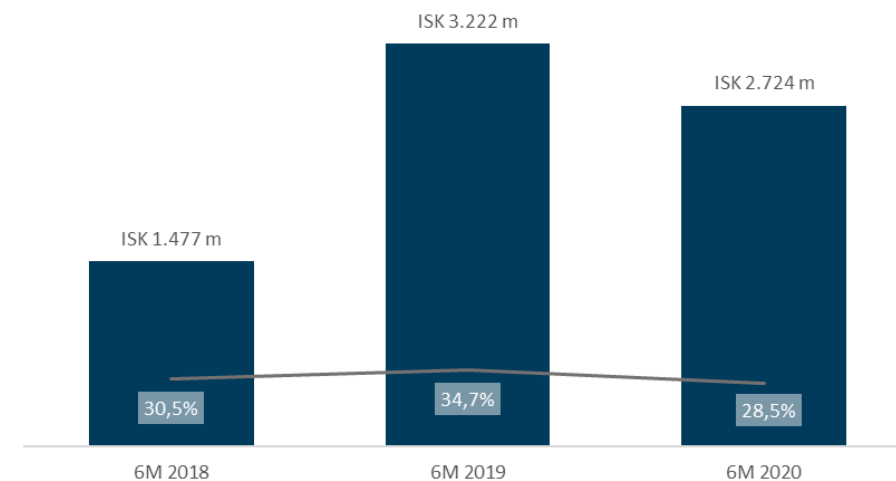
	Q2 2020	Q2 2019	Change	% Change
Operating revenue outside of group	2.905	2.526	379	15,0%
Other revenue within group	6	0	6	
Total segment revenue	2.911	2.526	385	15,3%
Total operating expenses of segments	-2.606	-2.421	-186	7,7%
Segment EBITDA	305	105	200	189,5%
Segment depreciation and amortisation	-86	-81	-5	6,6%
Operating result of segments	219	25	194	790,6%
Financial expenses	-4	-25	21	-83,7%
Income tax expense	-43	0	-43	
Profit	172	0	172	
Segment assets	4.005	3.556	449	12,6%
Segment capital expenditure	92	50	42	83,9%
Segment liabilities	3.139	2.574	566	22,0%

CONSOLIDATED OPERATIONS IN 6M 2020

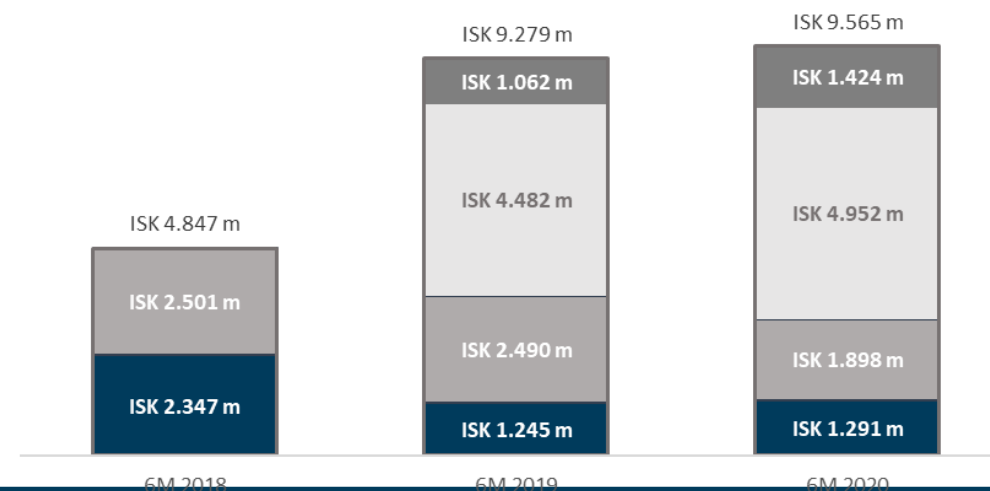
Amounts are in ISK million

	6M 2020	6M 2019	Change	% Chg.
Sale of goods and services	39.514	39.620	-107	-0,3%
Margin from sales of goods and services	9.565	9.279	286	3,1%
Lease revenue and operating income	608	1.011	-403	-39,9%
Salaries and personnel expenses	-5.113	-4.879	234	4,8%
Other operating expenses	-2.337	-2.190	146	6,7%
EBITDA	2.724	3.222	-498	-15,5%
Key Figures				
EBITDA/Margin	28,5%	34,7%	-6,2%	-18,0%
Salaries/Margin	53,5%	52,6%	0,9%	1,7%
Earnings per share	1,76	1,82	-0,06	-3,3%

■ EBITDA — EBITDA/Margin



■ Margin from other goods and services ■ Margin from fuel and electricity
■ Margin from groceries ■ Margin from electronics

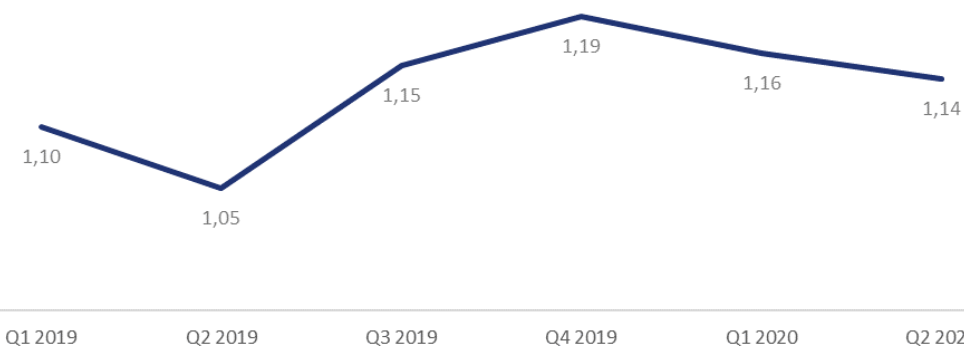


CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts are in ISK million	30.6.2020	31.12.2019	Change	% Chg.
Goodwill	14.672	14.070	601	4,3%
Other Intangible assets	4.810	4.650	160	3,5%
Property and equipment	31.505	31.434	71	0,2%
Leased assets	4.721	3.862	859	22,2%
Investment properties	7.418	7.354	64	0,9%
Shares in associates	2.080	1.952	128	6,5%
Securities	12	109	-98	-89,4%
Long-term receivables	268	272	-4	-1,3%
Non-current assets	65.486	63.704	1.786	2,8%
Inventories	7.499	7.678	-179	-2,3%
Trade receivables	4.067	3.756	310	8,3%
Other short-term receivables	1.094	737	357	48,5%
Cash and cash equivalents	4.294	5.369	-1.074	-20,0%
Current assets	16.954	17.540	-586	-3,3%
Total assets	82.440	81.244	1.196	1,5%

- Increase in goodwill because of purchase of shares in Íslensk orkumiðlun.
- Decrease in cash because of repayment of long-term loans and investments.

Current ratio



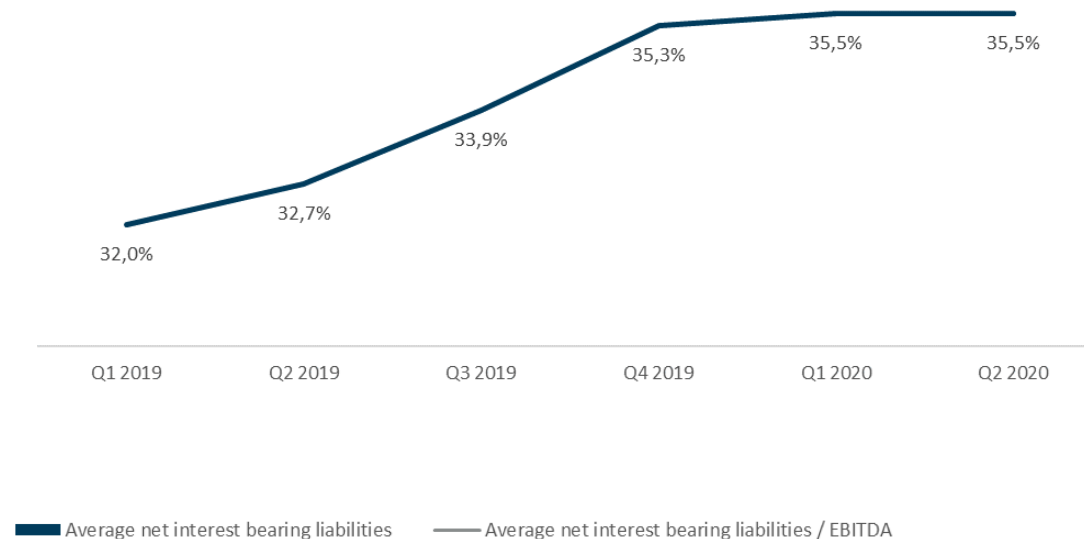
Inventory turnover



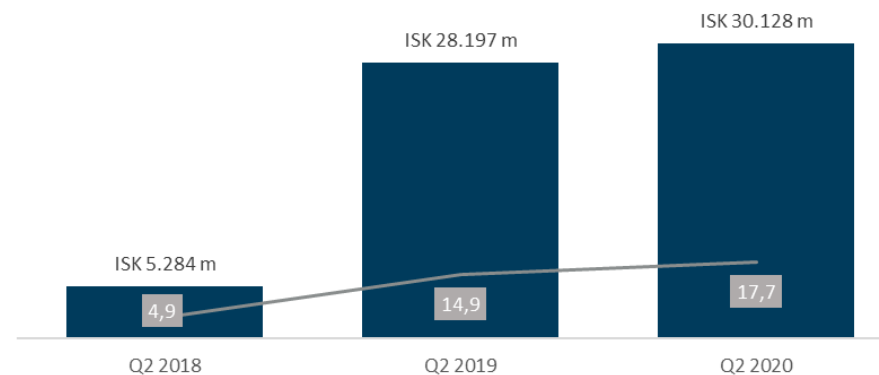
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts are in ISK million	30.6.2020	31.12.2019	Change	% Chg.
Equity	29.275	28.688	586	2,0%
Payable to credit institutions	29.406	29.942	-536	-1,8%
Lease liabilities	4.499	3.586	913	25,5%
Deferred tax liabilities	4.378	4.271	107	2,5%
Non-current liabilities	38.283	37.799	484	1,3%
Payable to credit institutions	3.457	3.438	19	0,6%
Lease liabilities	370	378	-7	-1,9%
Trade payables	6.700	6.803	-104	-1,5%
Other short-term liabilities	4.355	4.138	217	5,2%
Current liabilities	14.882	14.757	126	0,9%
Total equity and liabilities	82.440	81.244	1.196	1,5%

Equity ratio

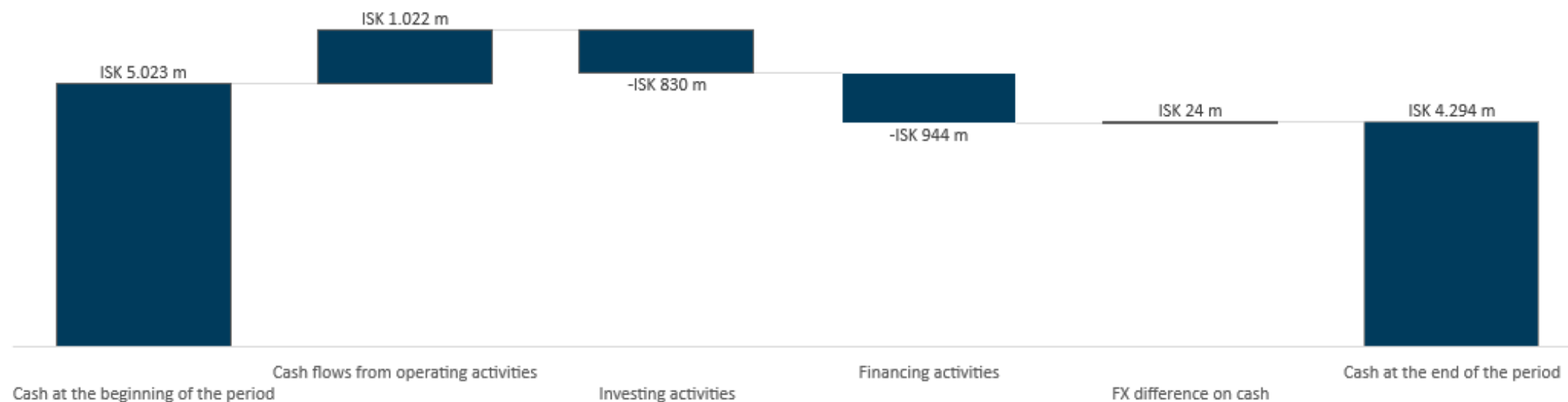


- The current capital structure is in line with the company strategy and well within the covenant agreements with credit institutions.



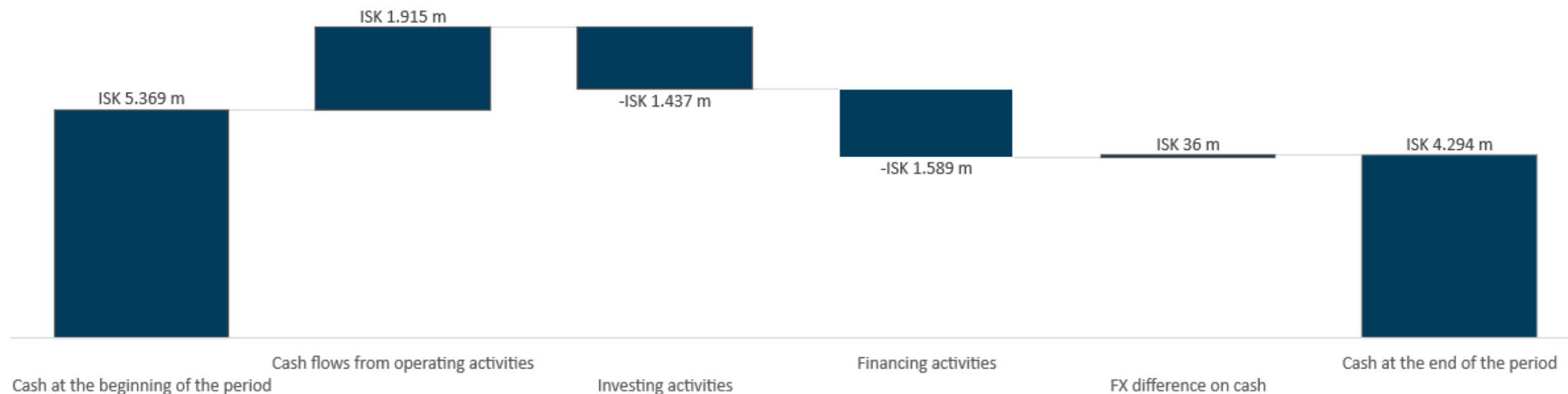
CONSOLIDATED STATEMENT OF CASH FLOWS Q2

Amounts are in ISK million	Q2 2020	Q2 2019	Change	% Chg.
Cash at the beginning of the period	5.023	4.411	612	13,9%
Cash flows from operating activities	1.022	1.308	-286	-21,9%
Investing activities	-830	1.895	-2.725	-143,8%
Financing activities	-944	-2.649	1.705	-64,4%
FX difference on cash	24	-14	38	-272,3%
Cash at the end of the period	4.294	4.950	-656	-13,3%



CONSOLIDATED STATEMENT OF CASH FLOWS 6M

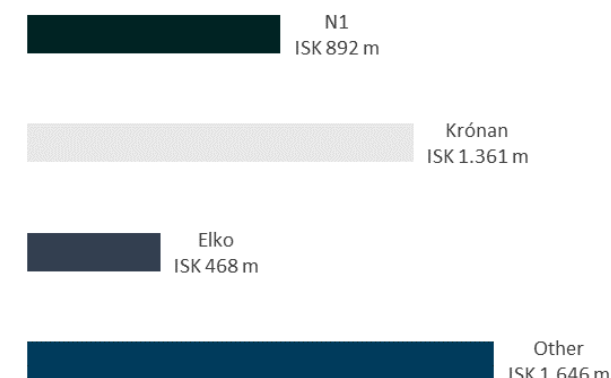
Amounts are in ISK million	6M 2020	6M 2019	Change	% Chg.
Cash at the beginning of the period	5.369	4.267	1.102	25,8%
Cash flows from operating activities	1.915	1.998	-82	-4,1%
Investing activities	-1.437	1.662	-3.098	-186,5%
Financing activities	-1.589	-2.994	1.405	-46,9%
FX difference on cash	36	18	18	97,1%
Cash at the end of the period	4.294	4.950	-656	-13,3%



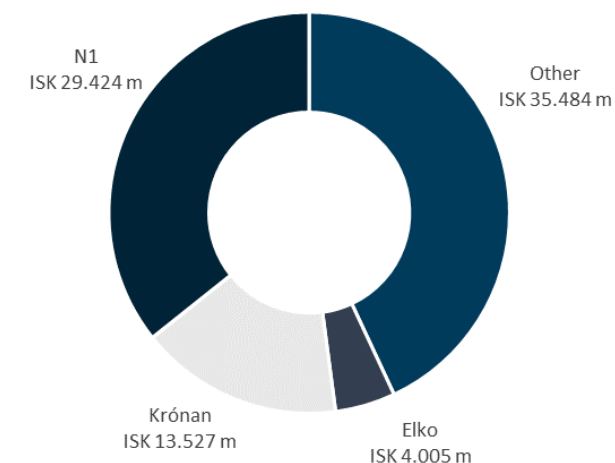
OPERATING SEGMENTS OF THE GROUP – Q2 2020

Amounts are in ISK million	N1	Krónan	Elko	Other	Total
Operating revenue outside of group	7.215	10.587	2.905	155	20.863
Other revenue within group	21	79	6	1.817	1.924
Total segment revenue	7.236	10.666	2.911	1.972	22.786
Total operating expenses of segments	-6.487	-9.993	-2.606	-1.174	-20.258
Segment EBITDA	749	673	305	798	2.528
Segment depreciation and amortisation	-563	-337	-86	-357	-1.343
Fair value changes of investment properties	0	0	0	60	60
Operating result of segments	186	336	219	501	1.244
Financial expenses	-246	-116	-4	-576	-941
Share of profit from associates	0	0	0	62	62
Income tax expense	14	-44	-43	16	-57
Profit	-45	176	172	3	308
Segment assets	29.424	13.527	4.005	35.484	82.406
Segment capital expenditure	288	308	92	600	572
Segment liabilities	16.286	12.161	3.139	21.580	53.165

Segment EBITDA



Segment Assets



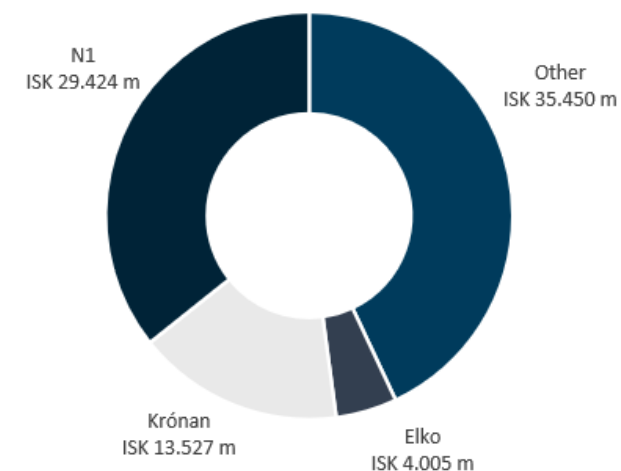
OPERATING SEGMENTS OF THE GROUP – Q2 2019

Amounts are in ISK million	N1	Krónan	Elko	Other	Total
Operating revenue outside of group	9.879	9.186	2.526	440	22.030
Other revenue within group	0	22	0	6.585	6.608
Total segment revenue	9.879	9.208	2.526	7.024	28.638
Total operating expenses of segments	-8.923	-8.722	-2.421	-1.006	-21.072
Segment EBITDA	957	486	105	6.019	7.567
	0	0	0	0	0
Segment depreciation and amortisation	-527	-300	-81	-374	-1.282
Fair value changes of investment properties	0	0	0	-72	-72
Operating result of segments	430	186	25	5.572	6.212
Financial expenses	-254	-106	-25	-665	-1.049
Share of profit from associates	0	0	0	85	85
Income tax expense	-36	-16	0	-977	-1.029
Profit	141	64	0	4.015	4.219
Segment assets	31.109	13.625	3.556	33.154	81.445
Segment capital expenditure	179	337	50	416	982
Segment liabilities	17.951	11.730	2.574	22.580	54.834

Segment EBITDA



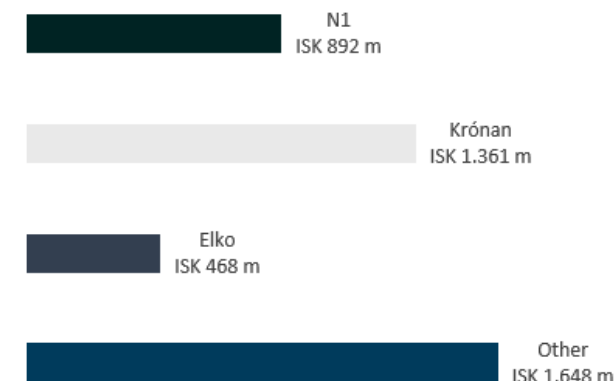
Segment Assets



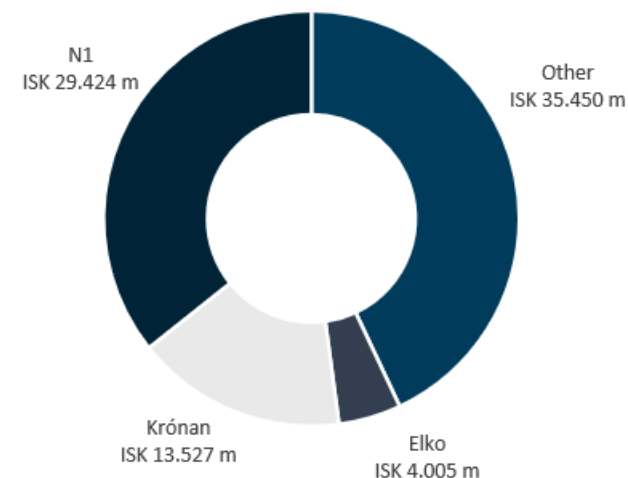
OPERATING SEGMENTS OF THE GROUP – 6M 2020

Amounts are in ISK million	N1	Krónan	Elko	Other	Total
Operating revenue outside of group	14.161	19.987	5.491	483	40.122
Other revenue within group	34	80	8	2.903	3.025
Total segment revenue	14.195	20.067	5.499	3.387	43.147
Total operating expenses of segments	-13.302	-18.706	-5.031	-1.741	-38.777
Segment EBITDA	892	1.361	468	1.646	4.370
Segment depreciation and amortisation	-1.127	-659	-172	-698	-2.657
Fair value changes of investment properties	0	0	0	60	60
Operating result of segments	-235	701	295	1.008	1.773
Financial expenses	-395	-228	-26	-1.039	-1.688
Share of profit from associates	0	0	0	69	69
Income tax expense	128	-95	-54	6	-15
Profit	-502	379	216	45	140
Segment assets	29.424	13.527	4.005	35.484	82.406
Segment capital expenditure	288	308	92	600	572
Segment liabilities	16.286	12.161	3.139	21.580	53.165

Segment EBITDA



Segment Assets



OPERATING SEGMENTS OF THE GROUP – 6M 2019

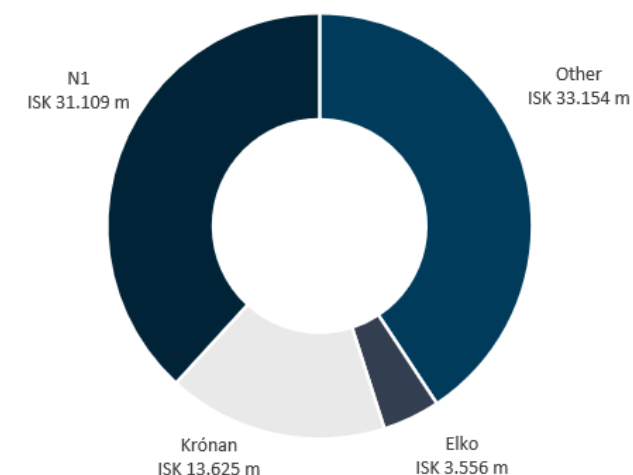
Amounts are in ISK million

	N1	Krónan	Elko	Other	Total
Operating revenue outside of group	17.503	17.499	4.817	812	40.632
Other revenue within group	2	28	1	7.640	7.671
Total segment revenue	17.505	17.528	4.818	8.452	48.303
Total operating expenses of segments	-15.992	-16.450	-4.660	-1.524	-38.625
Segment EBITDA	1.514	1.078	158	6.928	9.677
Segment depreciation and amortisation	-1.155	-593	-161	-740	-2.649
Fair value changes of investment properties	0	0	0	-117	-117
Operating result of segments	359	485	-3	6.070	6.911
Financial expenses	-520	-210	-44	-1.270	-2.044
Share of profit from associates	0	0	0	145	145
Income tax expense	31	-55	9	-965	-979
Profit	-129	220	-37	3.980	4.033
Segment assets	31.109	13.625	3.556	33.154	81.445
Segment capital expenditure	179	337	50	416	982
Segment liabilities	17.951	11.730	2.574	22.580	54.834

Segment EBITDA

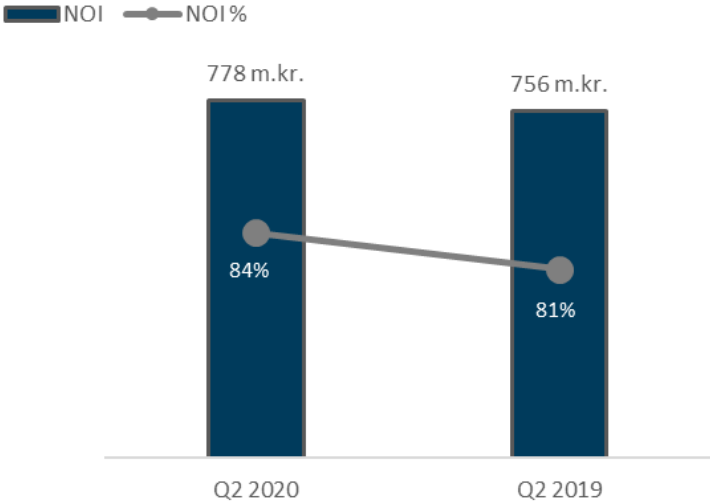


Segment Assets



REAL ESTATE OPERATIONS OF THE GROUP

Properties, key figures	Q2 2020	Q2 2019
NOI*	ISK 778 m	ISK 756 m
NOI ratio	84%	81%
Utization ratio	97%	97%
LTV**	61%	56%
Number of Festi's properties	89	90
Total square meters	106 thousand m ²	112 thousand m ²
Own use	84%	80%
Leased to third parties	16%	20%



* Net operating income
** Loan-to-value ratio

SHARE PRICE DEVELOPMENT



Shareholders (10 largest)

Lífeyrissjóður verslunarmanna	11,2%
Lífeyrissjóður starfsmanna ríkisins A-, B- og S-deild	10,0%
Gildi - Lífeyrissjóður	9,9%
Stapi Lífeyrissjóður	6,8%
Birta Lífeyrissjóður	5,6%
Almenni Lífeyrissjóðurinn	4,8%
Stefnir - ÍS 15	4,5%
Frjálsi Lífeyrissjóðurinn	3,5%
Festa - Lífeyrissjóður	3,3%
Stefnir - ÍS 5	3,1%

Market information

Issued shares	327 m.
Market cap at the end of June 2020	ISK 43.417 M
Market cap at the end of June 2019	ISK 41.856 M
Number of shareholders	1.005

ACQUISITION OF ÍSLENSK ORKUMIÐLUN

Acquisition of Íslensk Orkumiðlun

- 1 June 2020, Festi hf. completed the purchase of all shares in Íslensk Orkumiðlun hf. a licensed electricity distributor.
- Its operations have been joined with N1 operations, thus extending its range of energy products to include both fossil fuels and renewable energy.
- The Enterprise value of ÍOM hf. was ISK 850 million and net cash was ISK 230 million 1 June 2020.
- Expected profit for 2020 is ISK 120 million and P/E ratio 5,2
- Strategic acquisition for N1 – N1 is the group's energy supplier
 - Fossil fuel and electricity





POSITION AND OUTLOOK



POSITION AND OUTLOOK FOR 2020

Financial forecast

- EBITDA guidance is unchanged, in range of 7.100 – 7.700 m.kr. 2020, excluding expenditures related to the agreement with Samkeppniseftirlitið from 30 July 2018.
- Uncertainties related to COVID19, the ongoing congregation ban and further social restrictions.

Assumptions:

- Estimated that 12-15% negative GDP growth 2020 and increased unemployment.
- Less activity in seafood sector due to market disruptions.
- 90% drop in tourism to Iceland.
- Turmoil in the oil market and ISK exchange rate can lead to fluctuations of gross margin and working capital.
- ISK Exchange rate can cause fluctuations in operations of Festi's subsidiaries.

Highlights:

- Krónan sales up 16% YoY.
- ELKO sales up 15% YoY.
- N1 showing good signs of recovery with restrictions being lifted.
- Ongoing work on decreasing operating expenses.

Investments:

- Consolidated investments of approximately ISK 2,000 million in 2020.
- Krónan Online Smart-store launched in the summer
- Krónan new 3 stores in the fall
- Purchase of all shares in Íslensk orkumiðlun ehf from 1 June 2020
- EV **850** and net cash at ÍOM **230** m.kr. – EV net of cash **620** m.kr. – Expected profit 2020 120 m.kr. – P/E **5,2**.
- Purchase of Ísey Skeyr Bar operations in N1 stores from 1 August 2020.

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