

Presentation of Q2 2019 result

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CONSOLIDATED HIGHLIGHTS

ISK 1.892 m

EBITDA Q2 2019

32,7%

Equity ratio

8,4%

Return on equity

ISK 4.950 m

Cash and cash equivalents

37,5%

EBITDA/Gross profit

51,3%

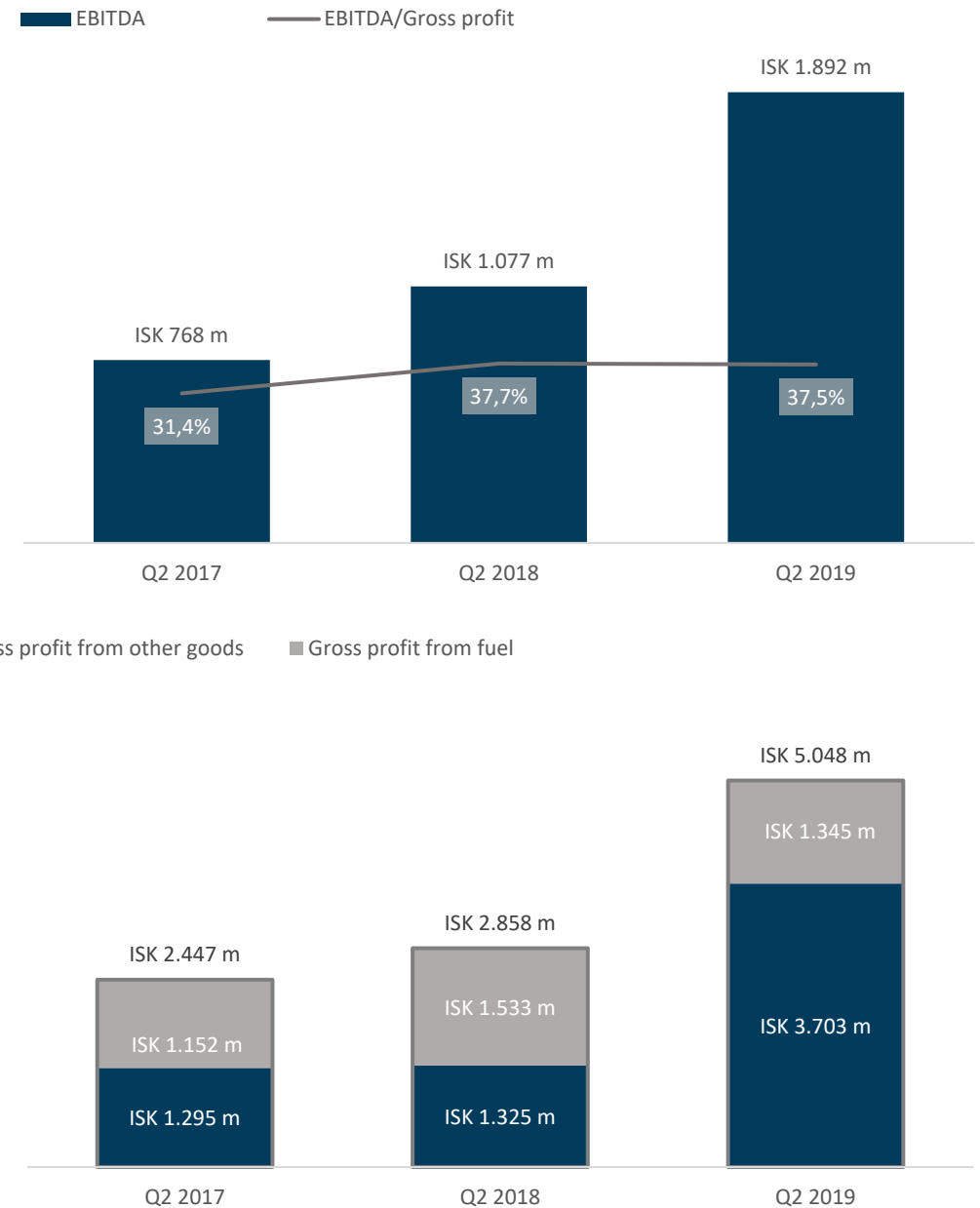
Salaries/Gross profit



FINANCIALS

CONSOLIDATED OPERATIONS IN Q2 2019

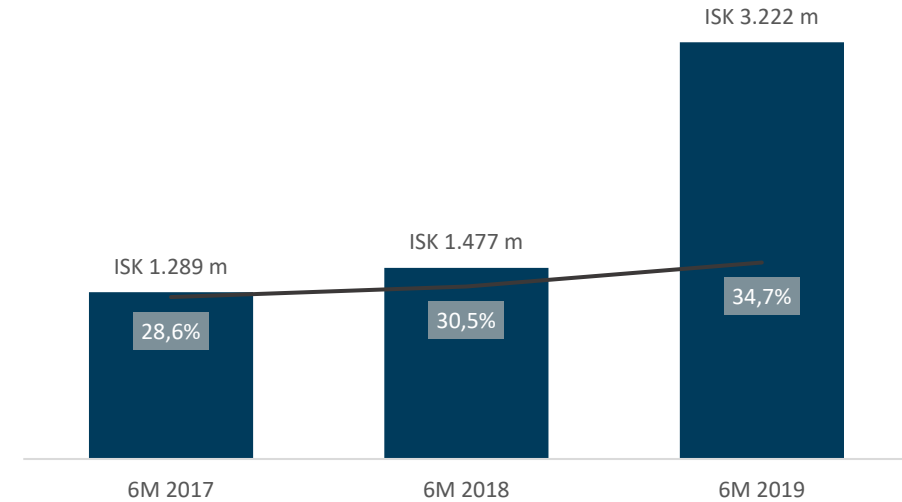
| Income statement | | | | |
|------------------------------------|---------|---------|--------|--------|
| Amounts are in ISK million | Q2 2019 | Q2 2018 | Change | % Chg. |
| Gross profit | 5.048 | 2.858 | 2.190 | 76,6% |
| Lease revenue and operating income | 639 | 124 | 516 | 417,3% |
| Salaries and personnel expenses | -2.588 | -1.237 | -1.351 | 109,2% |
| Sales expenses | -370 | -246 | -125 | 50,8% |
| Other operating expenses | -837 | -422 | -415 | 98,4% |
| EBITDA | 1.892 | 1.077 | 815 | 75,7% |
| Key Figures | | | | |
| EBITDA/Gross profit | 37,5% | 37,7% | -0,2% | -0,5% |
| Salaries/Gross profit | 51,3% | 43,3% | 8,0% | 18,4% |
| Earnings per share | 1,67 | 2,69 | -1,02 | -37,9% |



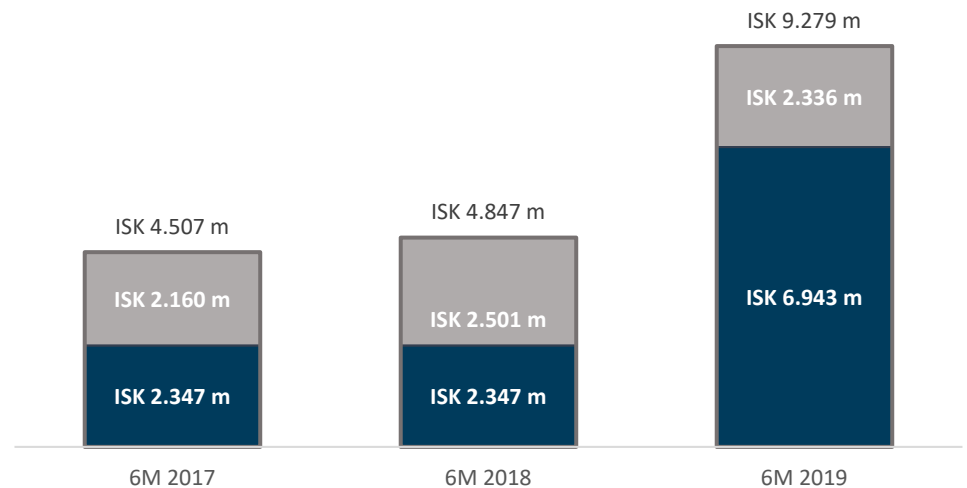
CONSOLIDATED OPERATIONS IN 6M 2019

| Income statement | | | | |
|------------------------------------|---------|---------|--------|--------|
| Amounts are in ISK million | 6M 2019 | 6M 2018 | Change | % Chg. |
| Gross profit | 9.279 | 4.847 | 4.432 | 91,4% |
| Lease revenue and operating income | 1.011 | 229 | 782 | 341,5% |
| Salaries and personnel expenses | -4.879 | -2.331 | 2.547 | 109,2% |
| Sales expenses | -628 | -457 | 171 | 37,4% |
| Other operating expenses | -1.562 | -810 | 752 | 92,8% |
| EBITDA | 3.222 | 1.477 | 1.744 | 118,0% |
| Key Figures | | | | |
| EBITDA/Gross profit | 34,7% | 30,5% | 4,2% | 13,9% |
| Salaries/Gross profit | 52,6% | 48,1% | 4,5% | 9,3% |
| Earnings per share | 1,82 | 2,99 | -1,17 | -39,1% |

■ EBITDA — EBITDA/Gross profit



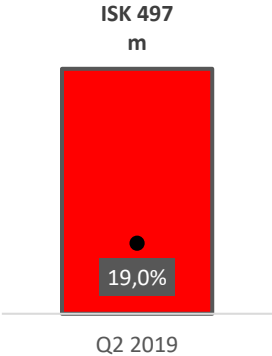
■ Gross profit from other goods ■ Gross profit from fuel



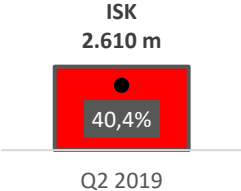
HIGHLIGHTS



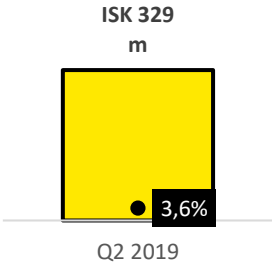
EBITDA EBITDA/Gross profit



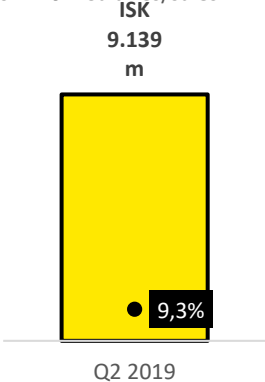
Gross profit Salaries/Gross profit



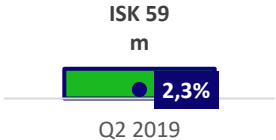
EBITDA EBITDA/sales



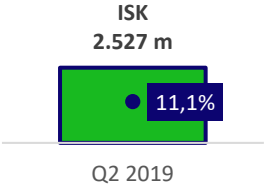
Sales Salaries/sales



EBITDA EBITDA/sales



Sales Salaries/sales



HIGHLIGHTS



- Sale of gasoline and diesel fuel decreased by 3.9% in Q2 2019 compared to Q2 2018
- The company sold the operations of Dælan which explains most of the decrease, but the rural area is similar between the time periods
- Less sale of goods other than the fuel
- Development in world market price of oil had positive impact on gross margin in Q2 2019

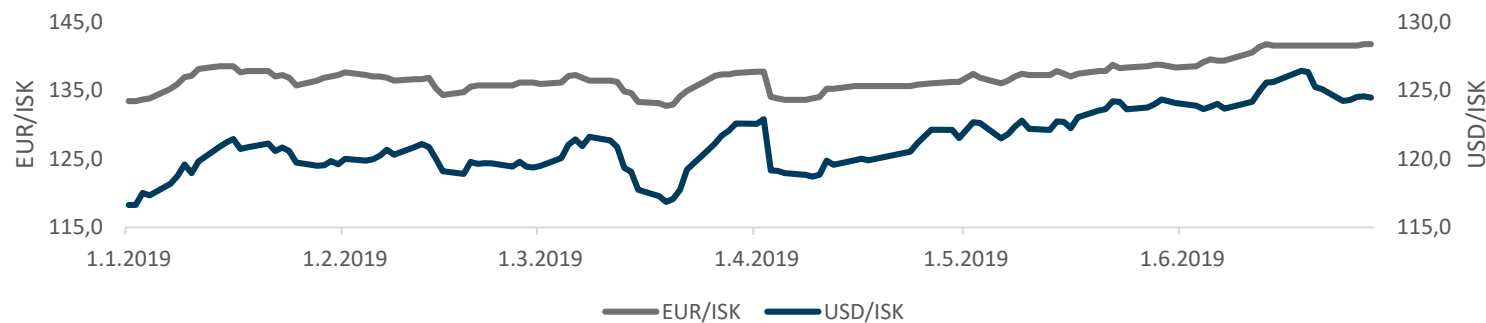


- Sales exceeded expectations in Q2 2019
- Profit margin was less than expected in Q2 2019
- Growth opportunities in opening of new stores
- Krónan received the “Kuðungurinn” (e. Conch) award for outstanding contribution to environmental matters



- Sales and gross margin were below expectations in Q2 2019
- Leifsstöð (at Keflavik Airport) with over 20% less business between the years
- Much competition and difficult economic environment in Q2 2019

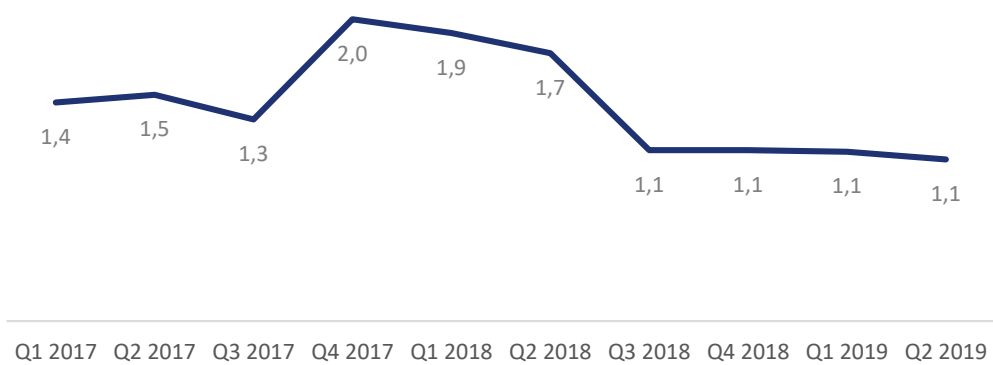
Exchange rate development



- USD strengthens by 1.6% against ISK and difference between lowest and highest exchange rate is 6.5%
- EUR strengthens by 2.9% against ISK and difference between lowest and highest exchange rate is 6.1%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Current ratio



Inventory turnover



Statement of Financial Position (Assets)

| Amounts are in ISK million | Q2 2019 | Q2 2018 | Change | % Chg. |
|------------------------------|---------------|---------------|---------------|---------------|
| Goodwill | 14.070 | 0 | 14.070 | - |
| Other Intangible assets | 4.579 | 196 | 4.383 | 2232,0% |
| Property and equipment | 31.370 | 16.887 | 14.483 | 85,8% |
| Leased assets | 3.623 | 0 | 3.623 | - |
| Investment properties | 6.944 | 0 | 6.944 | - |
| Shares in associates | 2.264 | 1.908 | 356 | 18,7% |
| Securities | 187 | 118 | 69 | 58,3% |
| Non-current assets | 63.039 | 19.109 | 43.929 | 229,9% |
| Inventories | 8.432 | 4.028 | 4.405 | 109,4% |
| Trade receivables | 4.622 | 3.761 | 862 | 22,9% |
| Other short-term receivables | 401 | 421 | -20 | -4,8% |
| Cash and cash equivalents | 4.950 | 3.319 | 1.631 | 49,2% |
| Current assets | 18.406 | 11.529 | 6.877 | 59,7% |
| Total assets | 81.445 | 30.638 | 50.806 | 165,8% |

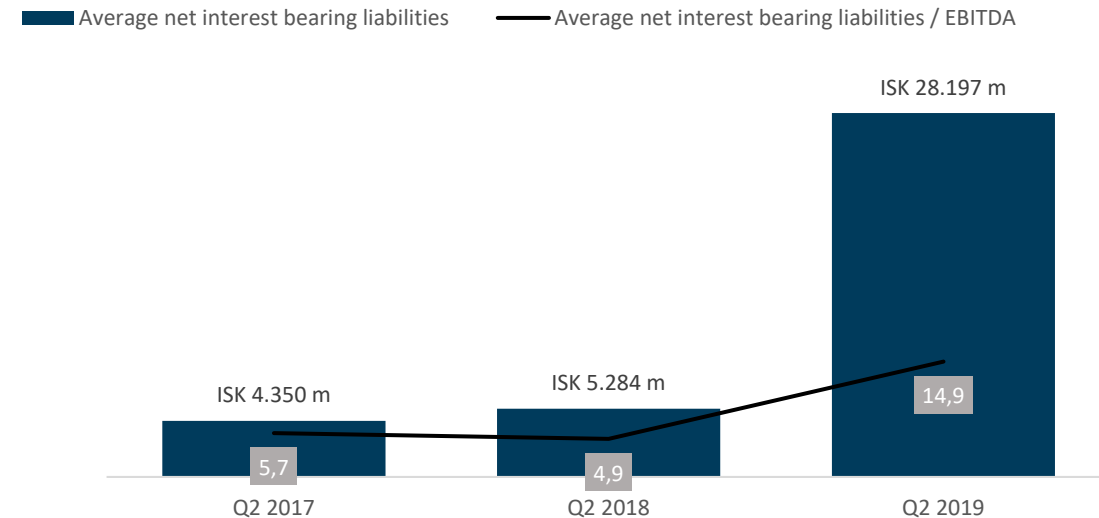
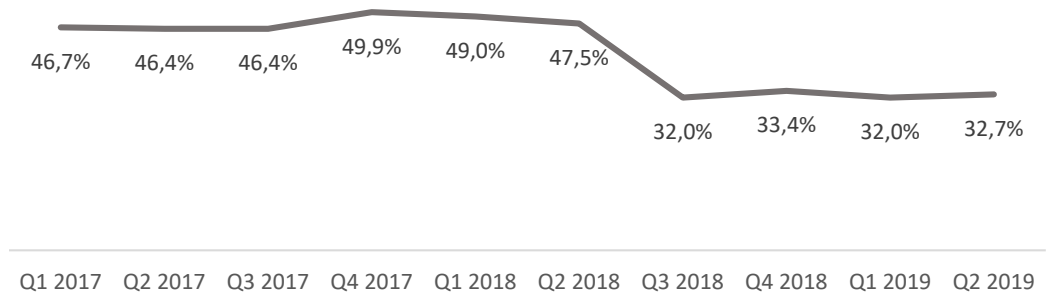
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Statement of Financial position (equity and liabilities)

Amounts are in ISK million

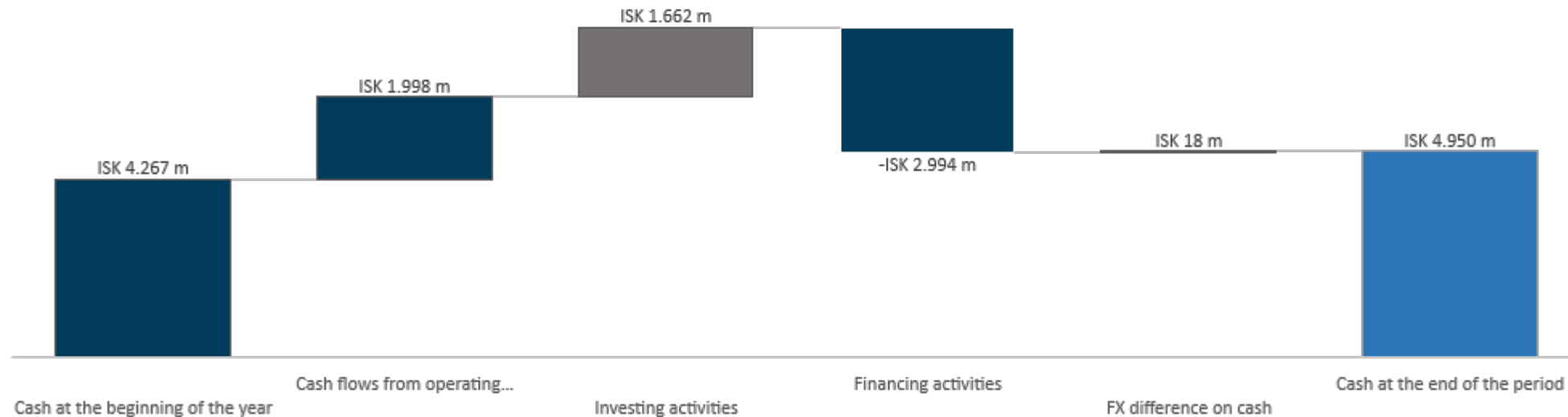
| | Q2 2019 | Q2 2018 | Change | % Chg. |
|-------------------------------------|---------|---------|--------|--------|
| Equity | 26.610 | 14.554 | 12.056 | 82,8% |
| Payable to credit institutions | 30.393 | 8.000 | 22.393 | 279,9% |
| Lease liabilities | 3.169 | 0 | 3.169 | - |
| Deferred tax liabilities | 3.745 | 1.448 | 2.297 | 158,7% |
| Non-current liabilities | 37.307 | 9.448 | 27.859 | 294,9% |
| Current tax | 761 | 406 | 355 | 87,6% |
| Payable to the Icelandic State | 3.382 | 2.927 | 454 | 15,5% |
| Payable to credit institutions | 4.471 | 1.100 | 3.371 | 306,4% |
| Lease liabilities | 504 | 0 | 504 | - |
| Trade payables | 6.663 | 1.211 | 5.452 | 450,2% |
| Other short-term liabilities | 1.747 | 992 | 755 | 76,1% |
| Current liabilities | 17.527 | 6.636 | 10.891 | 164,1% |
| Total equity and liabilities | 81.445 | 30.638 | 50.806 | 165,8% |

Equity ratio



CONSOLIDATED STATEMENT OF CASH FLOWS

| Amounts are in ISK million | Q2 2019 | Q2 2018 | Change | % Chg. |
|--------------------------------------|---------|---------|--------|---------|
| Cash at the beginning of the year | 4.267 | 2.800 | 1.467 | 52,4% |
| Cash flows from operating activities | 1.998 | 780 | 1.218 | 156,2% |
| Investing activities | 1.662 | -275 | 1.937 | -703,5% |
| Financing activities | -2.994 | 0 | -2.994 | - |
| FX difference on cash | 18 | 15 | 4 | 25,7% |
| Cash at the end of the period | 4.950 | 3.319 | 1.631 | 49,2% |

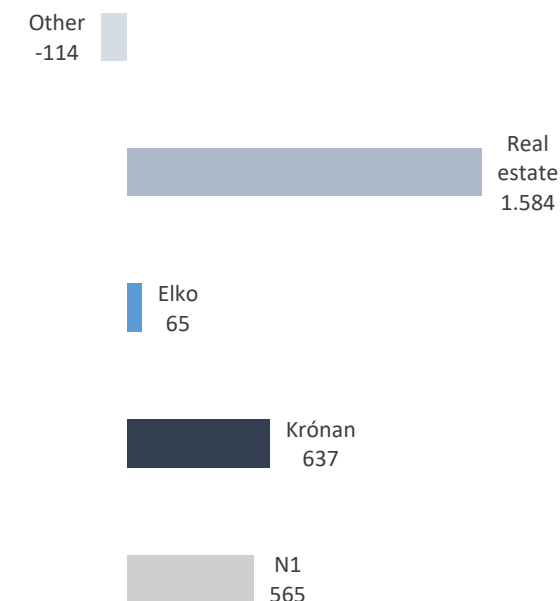


OPERATING SEGMENTS OF THE GROUP

First half of the year 2019

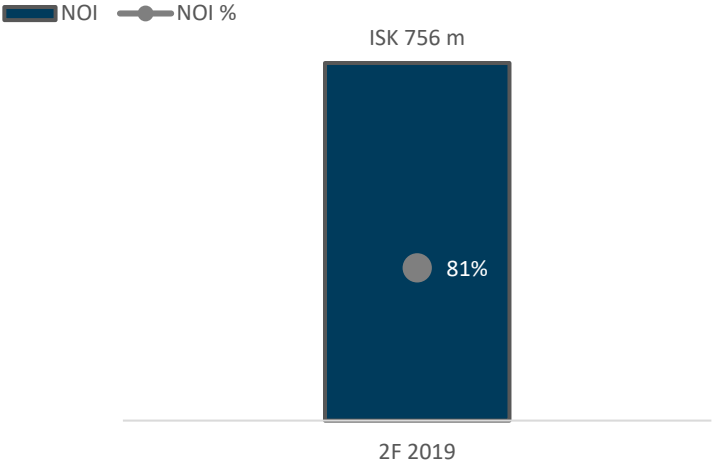
| Amounts are in ISK million | Festi | Krónan | Elko | Real estate | Other | Elimination entries | Application of IFRS 16 | Total |
|---|---------|---------|--------|-------------|--------|---------------------|------------------------|---------|
| Operating revenue | 17.376 | 17.458 | 4.819 | 0 | 0 | -32 | 0 | 39.620 |
| Other revenue | 130 | 69 | 1 | 1.946 | 1.409 | -2.543 | 0 | 1.011 |
| Total segment revenue | 17.505 | 17.527 | 4.819 | 1.946 | | | | 40.632 |
| Total operating expenses of segments | -16.940 | -16.890 | -4.754 | -362 | -1.523 | 2.806 | 254 | -37.410 |
| Segment EBITDA | 565 | 637 | 65 | 1.584 | -1.523 | 2.806 | 254 | 3.222 |
| Segment depreciation and amortisation | -308 | -256 | -83 | -398 | -96 | 0 | -204 | -1.345 |
| Fair value changes of investment properties | 0 | 0 | 0 | -117 | 0 | 0 | 0 | -117 |
| Share of profit from associates | 0 | 0 | 0 | 0 | 145 | 0 | 0 | 145 |
| Operating result of segments | 257 | 381 | -18 | 1.068 | -1.475 | 2.806 | 50 | 1.904 |
| Segment assets | 18.403 | 9.655 | 3.390 | 37.120 | 13.699 | -6.493 | 3.623 | 79.396 |
| Unallocated assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2.048 |
| Total assets | | | | | | | | 81.445 |

Segment EBITDA



REAL ESTATE OPERATIONS OF THE GROUP

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



* Net operating income

** Loan-to-Value

SHARE PRICE DEVELOPMENT



Shareholders (10 largest)

| | |
|---|-------|
| Stefnir | 14,2% |
| Lífeyrissjóður verslunarmanna | 10,1% |
| Gildi - lífeyrissjóður | 8,9% |
| Lífeyrissjóður starfsmanna ríkisins A-division, B-division & S-division | 8,1% |
| Lansdowne Ícav Lansdowne Euro | 6,1% |
| Birta lífeyrissjóður | 5,4% |
| Almenni lífeyrissjóðurinn | 4,8% |
| Stapi lífeyrissjóður | 4,7% |
| Landsbréf | 4,4% |
| Kvika banki hf. | 2,6% |

Market information

| | |
|--|--------------|
| Issued shares | 330 M |
| Market cap at the end of March 2019 | ISK 41.856 M |
| Market cap at the end of March 2018 | ISK 27.750 M |
| Number of shareholders | 765 |
| Annual return from the beginning of the year | 27,5% |
| Annual return from 2015 | 30,3% |



POSITION AND OUTLOOK

POSITION AND OUTLOOK

Financial forecast for the year 2019

- Unchanged estimate of EBITDA, expected to be in the range of ISK 7,400 to 7,700 million in 2019, excluding expenses related to the acquisition of Hlekkur, which has for the most part already been realised

| 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 |

Assumptions:

- Operations related to tourism expected to be similar to 2018
- Uncertainty with respect to the number of tourists visiting the country 2019
- Depreciation of the ISK had a negative impact on the gross margin of ELKO and Krónan
- Turmoil in the oil market and ISK exchange rate can lead to fluctuations of gross margin and working capital

Intergration:

- Combining of headquarters at Dalvegur in October 2019
- Realisation of synergy well underway
- Opportunity to integrate the business of the Group
- Ongoing work on decreasing operating expenses

Investments:

- Annual consolidated investments of approximately ISK 1,900 million
- Operations of Dælan sold in Q1 2019
- Real estate sold at the beginning of April in the amount of approximately ISK 2,500 million

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