

Presentation of Q1 2020 results

Eggert Þór Kristófersson, CEO



FESTI

CONSOLIDATED HIGHLIGHTS

ISK 1.021 m

EBITDA Q1 2020

35,1%

Equity ratio

3,90

NIBD/EBITDA 3M 2020

ISK 5.023 m

Cash and cash equivalents

23,6%

EBITDA/Gross profit Q1 2020

41,6%

Salaries/Gross profit Q1 2020

CONSOLIDATED OPERATIONS IN Q1

Amounts are in ISK million

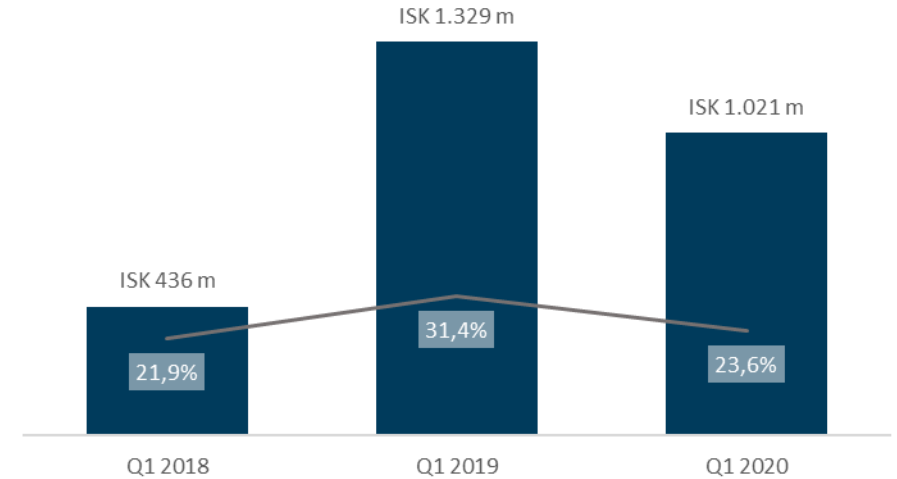
	Q1 2020	Q1 2019	Change	% Chg.
Gross profit	4.321	4.231	91	2,1%
Lease revenue and operating income	356	372	-16	-4,4%
Salaries and personnel expenses*	-2.405	-2.291	-114	5,0%
Other operating expenses	-1.252	-983	-269	27,3%
EBITDA	1.021	1.329	-309	-23,2%

Key Figures

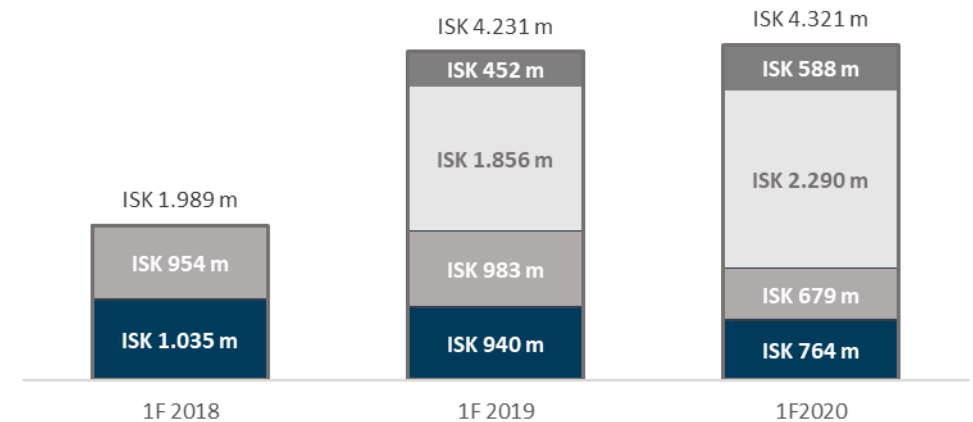
EBITDA/Gross profit	23,6%	31,4%	-7,8%	-24,8%
Salaries/Gross profit	55,6%	54,1%	1,5%	2,8%
Earnings per share	0,16	0,16	0,0	0,0%

- Number of full-time employees are down by 2% between Q1 2020 and Q1 2019.
- Increased operating expenses are from bad debt and allowance for bad debt (ISK 62 m), operating cost of real estate (ISK 52 m.), communication cost (ISK 42 m) as well as increased sales and marketing expenditure (ISK 51 m) where marketing supports are now accounted for in gross profit (ISK 30 m).

EBITDA — EBITDA/Gross profit



Gross profit groceries Gross profit from fuel Gross profit groceries Gross profit electronics



HIGHLIGHTS Q1



- Sales of gasoline and diesel decreased by 12,5% in Q1 2020 compared to Q1 2019.
- The Q1 2020 average price of a diesel fuel was 475,02 USD, compared to an average of 593,62 USD in Q1 2019. A decrease of 20,5%.
- Sales of goods other than fuel decreased by 2.8% in Q1 2020 compared to Q1 2019
- The recent turmoil in global oil markets, Covid-19 and the congregation ban had a negative impact on N1 operations in Q1 and there is considerable uncertainty about the coming months.

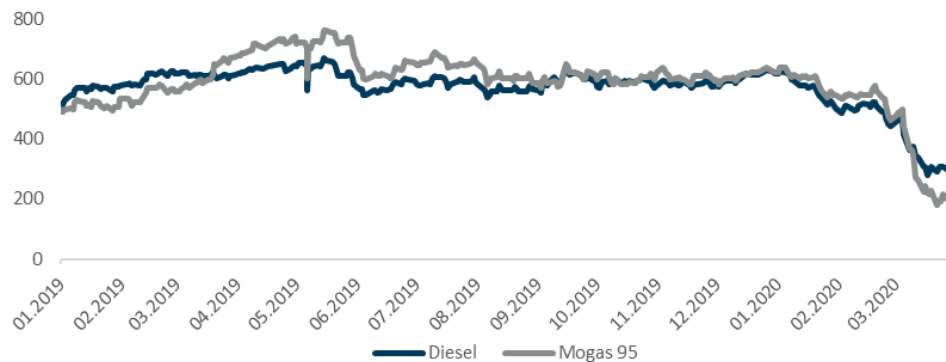


- Sales exceeded expectations in Q1 2020, partly due to the congregation ban.
- Congregation ban had a positive impact on sales, people staying at home and restaurants closed.
- Increased cost of salaries relating to increased in-store activity.



- Sales and margin exceeded expectations on Q1 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 and personnel cost

Price development of Mogas 95 and Diesel



Exchange rate development



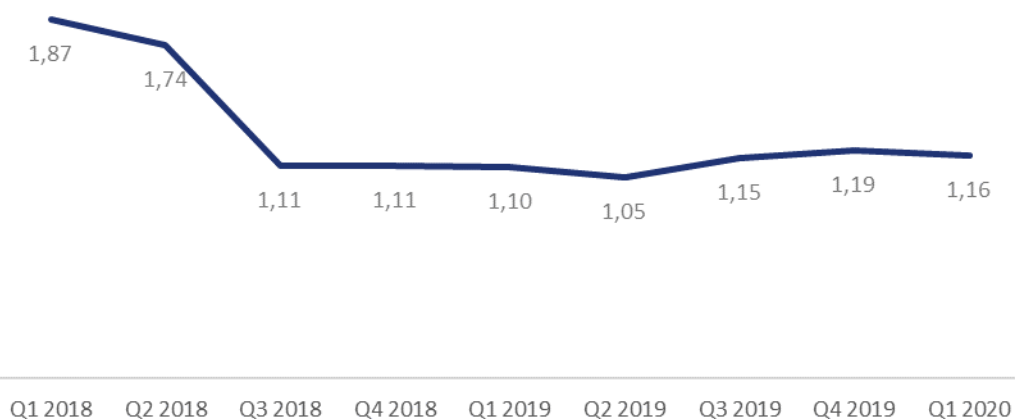
- USD/ISK increased by 16,2% and the difference between highest and lowest exchange rate in Q1 is 17%
- EUR/ISK increased by 13,8% and the difference between the highest and lowest exchange rate in Q1 is 14,3%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

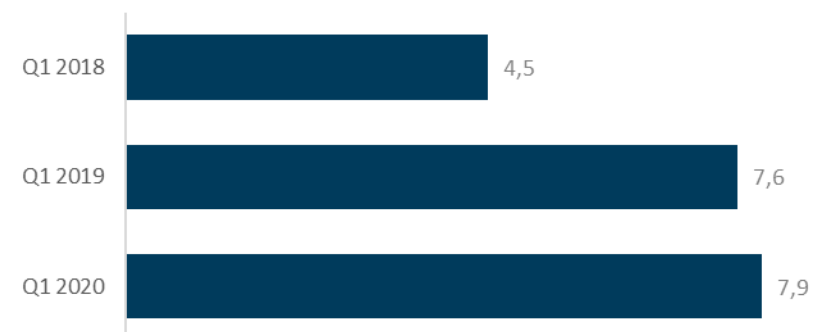
Statement of Financial Position (Assets)

Amounts are in ISK million	31.03.20	31.12.19	Change	% Chg.
Goodwill	14.070	14.070	0	0,0%
Other Intangible assets	4.765	4.650	115	2,5%
Property and equipment	31.383	31.434	-51	-0,2%
Leased assets	4.004	3.862	142	3,7%
Investment properties	7.358	7.354	4	0,1%
Shares in associates	2.016	1.952	63	3,2%
Securities	110	109	1	0,7%
Long-term receivables	295	272	23	8,4%
Non-current assets	64.001	63.704	274	0,4%
Inventories	7.394	7.678	-284	-3,7%
Trade receivables	3.440	3.756	-317	-8,4%
Other short-term receivables	842	737	105	14,3%
Cash and cash equivalents	5.023	5.369	-346	-6,4%
Current assets	16.699	17.540	-842	-4,8%
Total assets	80.700	81.244	-545	-0,7%

Current ratio



Inventory turnover



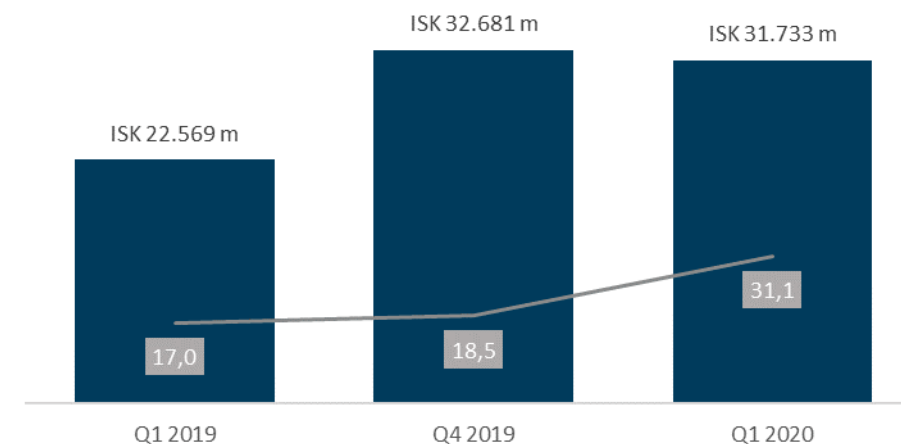
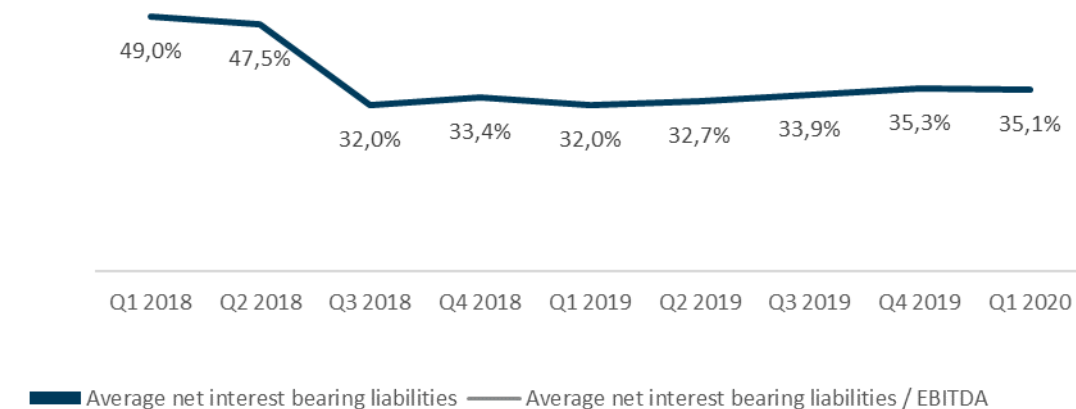
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Statement of Financial position (equity and liabilities)

Amounts are in ISK million	31.03.20	31.12.19	Change	% Chg.
Equity	28.294	28.688	-394	-1,4%
Payable to credit institutions	30.004	29.942	61	0,2%
Lease liabilities	3.749	3.586	163	4,6%
Deferred tax liabilities	4.296	4.271	25	0,6%
Non-current liabilities	38.049	37.799	250	0,7%
Payable to credit institutions	3.444	3.438	6	0,2%
Lease liabilities	375	378	-2	-0,7%
Trade payables	6.236	6.803	-567	-8,3%
Other short-term liabilities	4.301	4.138	162	3,9%
Current liabilities	14.356	14.757	-401	-2,7%
Total equity and liabilities	80.700	81.244	-545	-0,7%

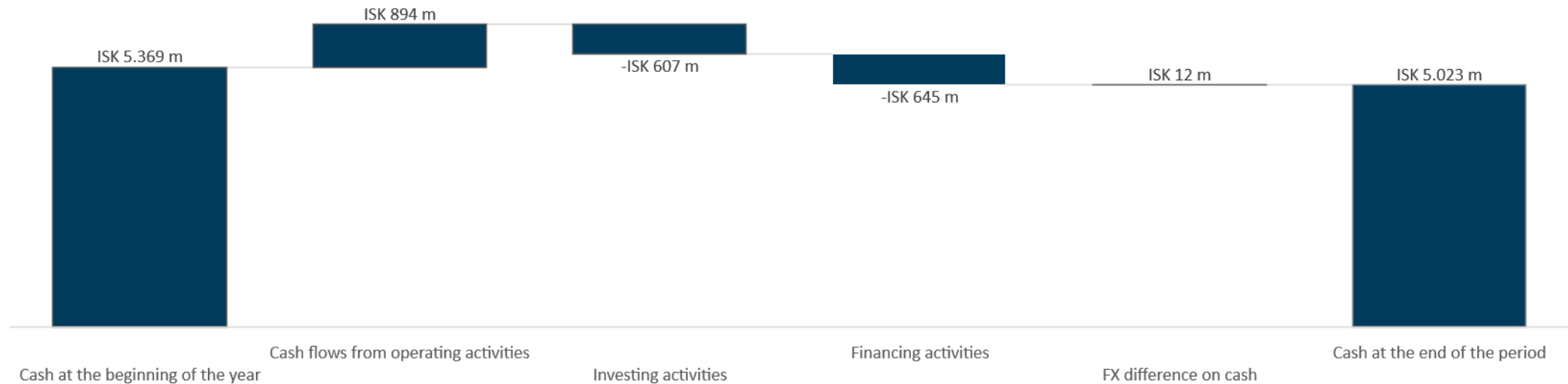
- The current capital structure is in line with the company strategy and well within the covenant agreements with credit institutions.

Equity ratio



CONSOLIDATED STATEMENT OF CASH FLOWS

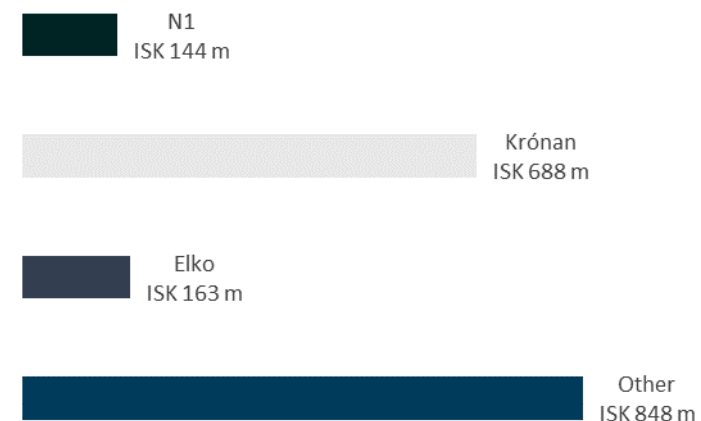
Amounts are in ISK million	3M 2020	3M 2019	Change	% Chg.
Cash at the beginning of the year	5.369	4.267	1.102	25,8%
Cash flows from operating activities	894	690	204	29,6%
Investing activities	-607	-233	-373	160,1%
Financing activities	-645	-345	-300	87,0%
FX difference on cash	12	32	-20	-62,3%
Cash at the end of the period	5.023	4.411	612	13,9%



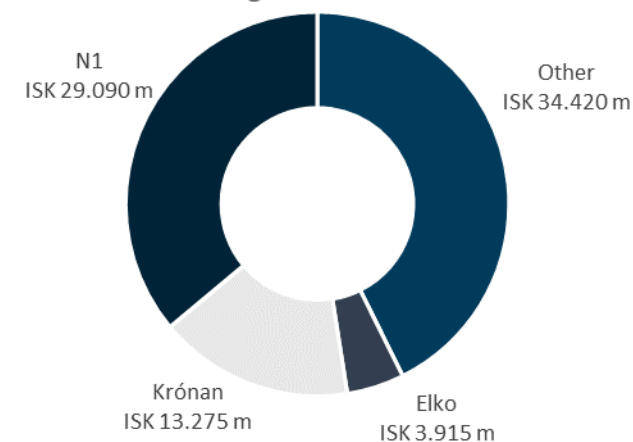
OPERATING SEGMENTS OF THE GROUP – Q1 2020

Amounts are in ISK million	N1	Krónan	Elko	Other	Total
Operating revenue outside of group	6.946	9.400	2.586	328	19.259
Other revenue within group	12	1	2	1.087	1.101
Total segment revenue	6.958	9.401	2.587	1.415	20.361
Total operating expenses of segments	-6.815	-8.713	-2.424	-567	-18.519
Segment EBITDA	144	688	163	848	1.842
Segment depreciation and amortisation	-564	-323	-86	-340	-1.313
Fair value changes of investment properties	0	0	0	0	0
Operating result of segments	-421	365	76	508	528
Financial expenses	-150	-112	-22	-463	-747
Share of profit from associates	0	0	0	8	8
Income tax expense	114	-50	-11	-11	42
Profit	-456	203	44	42	-168
Segment assets	29.090	13.275	3.915	34.420	80.700
Segment capital expenditure	147	161	31	233	572
Segment liabilities	16.031	11.276	2.675	22.424	52.405

Segment EBITDA



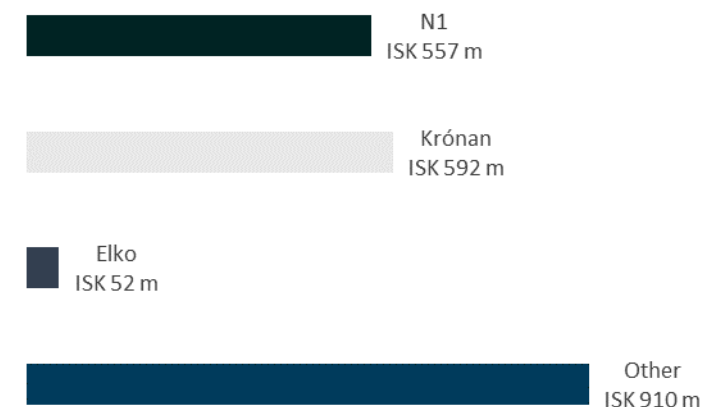
Segment Assets



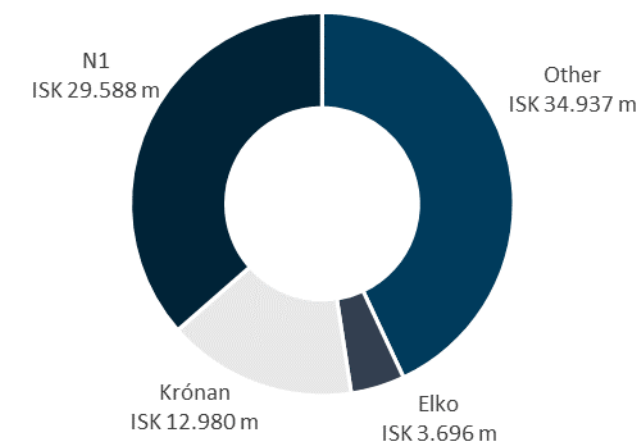
OPERATING SEGMENTS OF THE GROUP – Q1 2019

Amounts are in ISK million	N1	Krónan	Elko	Other	Total
Operating revenue outside of group	7.624	8.314	2.292	372	18.602
Other revenue within group	2	6	0	1.056	1.063
Total segment revenue	7.626	8.319	2.292	1.428	19.665
Total operating expenses of segments	-7.069	-7.727	-2.239	-518	-17.554
Segment EBITDA	557	592	52	910	2.111
Segment depreciation and amortisation	-628	-293	-80	-366	-1.367
Fair value changes of investment properties	0	0	0	-45	-45
Operating result of segments	-71	299	-28	498	699
Financial expenses	-266	-104	-19	-606	-995
Share of profit from associates	0	0	0	60	60
Income tax expense	67	-39	9	13	50
Profit	-270	156	-37	-34	-186
Segment assets	29.588	12.980	3.696	34.937	81.201
Segment capital expenditure	74	173	22	69	338
Segment liabilities	16.571	11.171	2.727	24.711	55.179

Segment EBITDA

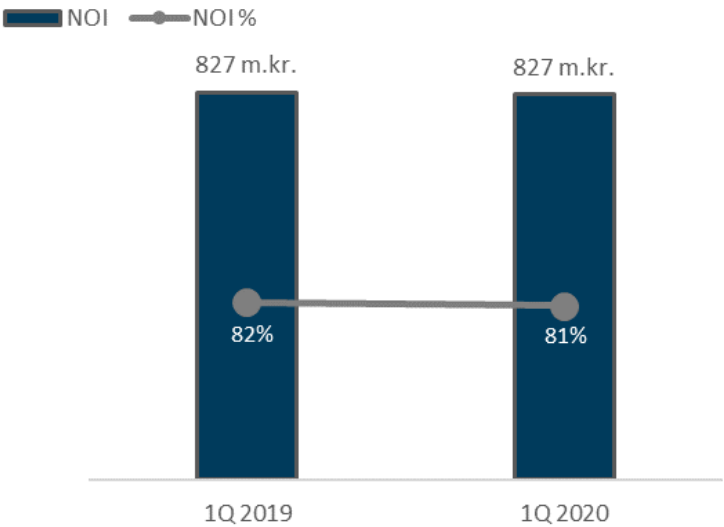


Segment Assets



REAL ESTATE OPERATIONS OF THE GROUP

Properties, key figures	Q1 2020	Q1 2019
NOI*	ISK 827 m	ISK 827 m
NOI ratio	81%	82%
Utization ratio	97%	97%
LTV**	63%	51%
Number of Festi's properties	89	90
Total square meters	101 thousand m ²	112 thousand m ²
Own use	80%	78%
Leased to third parties	20%	22%



* Net operating income

** Loan-to-value ratio

SHARE PRICE DEVELOPMENT



Shareholders (10 largest)

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

Market information

Issued shares	324 m.
Market cap at the end of March 2020	ISK 39.219 M
Market cap at the end of March 2019	ISK 37.077 M
Number of shareholders	949



POSITION AND OUTLOOK



POSITION AND OUTLOOK FOR 2020

Financial forecast

- EBITDA estimate Festi expected to be in range of 7.100 – 7.700 m.kr. 2020, excluding expenditures related to the agreement with Samkeppniseftirlitið from 30 July 2018
- Due to uncertainties the guidance range is expanded to ISK 600 million

Uncertainties related to COVID-19 and the ongoing congregation ban

- The Icelandic economy will be affected for some months
- 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 13% YoY
- ELKO sales up 12,8% YoY
- ELKO store in Kefairport in lockdown
- Ongoing work on decreasing operating expenses

Investments:

- Consolidated investments of approximately ISK 2,000 million in 2020
- Krónan Smart-store launched in the summer
- Purchase of all shares in Íslensk orkumiðlun ehf
- Purchase of Ísey skyrbar operations in N1 stores

DISCLAIMER

- All information in this presentation is based on sources which Festi hf. considers reliable at the time of publication, but it cannot be guaranteed that the information is infallible.
- All information in this presentation is owned by Festi hf. It is not permitted to copy, change or distribute in any way information from this presentation, in part or its entirety.
- This presentation is only intended for information purposes and is not part of, or a basis for, any decisions made by the recipient. Recipients should not interpret information in this presentation as a promise or as instructions. Festi hf. is not obliged to provide recipients of this presentation with further information about the company or to make changes or corrections to the presentation if information upon which it is based changes.
- The company's future outlook is dependent on a number of risks and uncertainties which may have the effect that the actual result in the future is considerably different to the scenario described in this presentation. This includes factors such as exchange rates, the global price of fuel, the availability of funding, new legislation coming into effect and the impact of regulators, etc.
- Festi hf. wishes to point out that recipients of the presentation should not rely on statements contained within in the future since they are only applicable on the date of publication of the presentation. All statements concerning the company's future prospects are entirely valid with respect to this proviso.
- By receiving this presentation the recipient agrees that they are bound by the above provisos and limitations.