# Presentation of Q3 2019 result

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# CONSOLIDATED HIGHLIGHTS

| | | |
|---|---|---|
| ISK 2.617 m<br>EBITDA Q3 2019 | 33,9%<br>Equity ratio | 10,4%<br>Return on equity 9M 2019 |
| ISK 6.839 m<br>Cash and cash equivalents | 46,4%<br>EBITDA/Gross profit Q3 2019 | 42,0%<br>Salaries/Gross profit Q3 2019 |

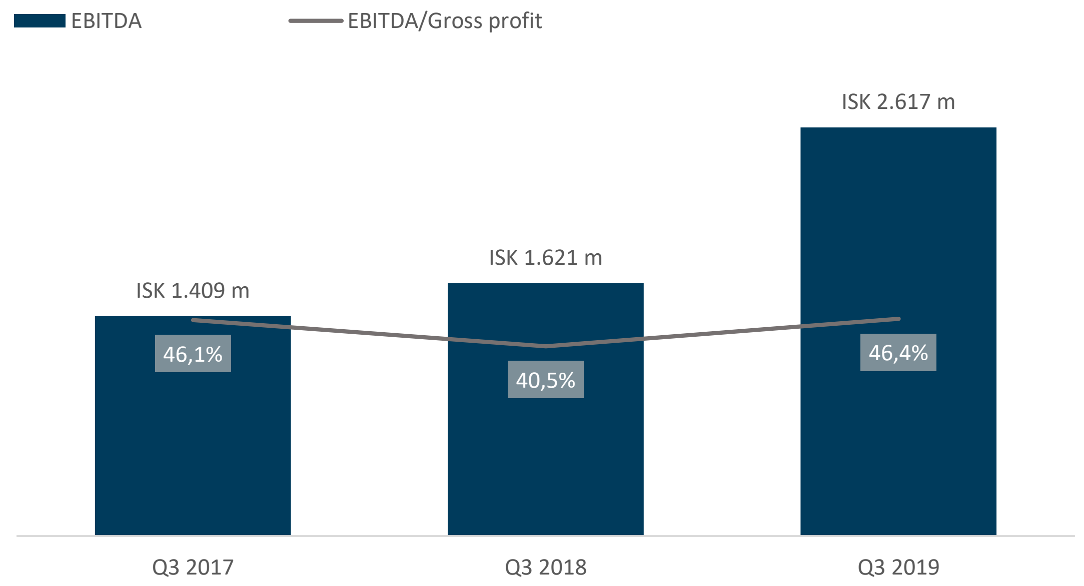


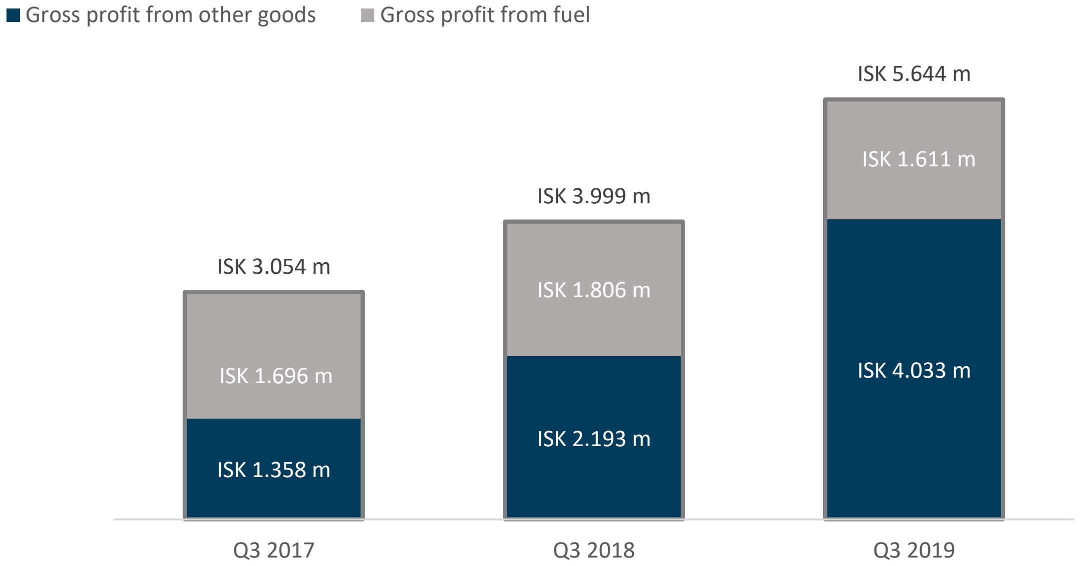

# FINANCIALS

# CONSOLIDATED OPERATIONS IN Q3 2019

**Income statement**

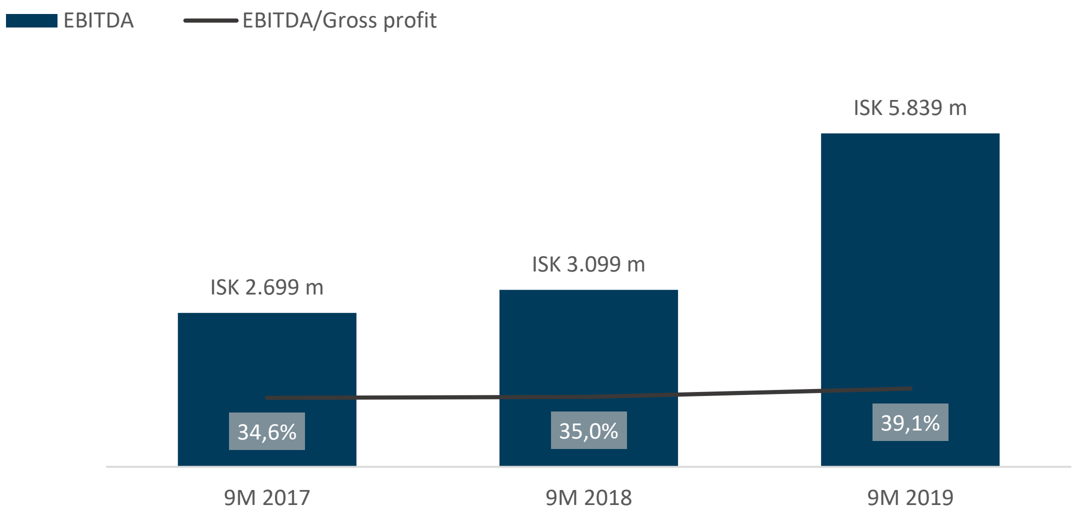
| **Amounts are in ISK million** | **Q3 2019** | **Q3 2018** | **Change** | **% Chg.** |
|---|---|---|---|---|
| Gross profit | 5.644 | 3.999 | 1.645 | 41,1% |
| Lease revenue and operating income | 412 | 177 | 235 | 133,2% |
| Salaries and personnel expenses | -2.371 | -1.593 | -778 | 48,8% |
| Sales expenses | -296 | -259 | -38 | 14,6% |
| Other operating expenses | -771 | -703 | -68 | 9,7% |
| EBITDA | 2.617 | 1.621 | 996 | 61,4% |
| | | | | |
| **Key Figures** | | | | |
| EBITDA/Gross profit | 46,4% | 40,5% | 5,8% | 14,4% |
| Salaries/Gross profit | 42,0% | 39,8% | 2,2% | 5,5% |
| Earnings per share | 4,49 | 3,16 | 1,33 | 42,1% |

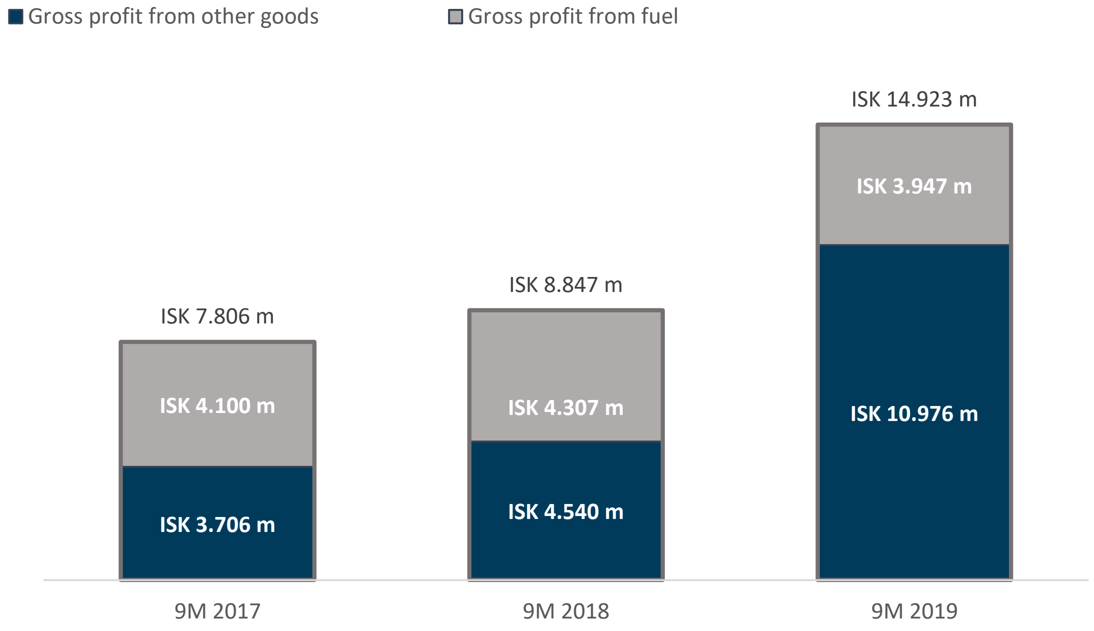


# CONSOLIDATED OPERATIONS IN 9M 2019

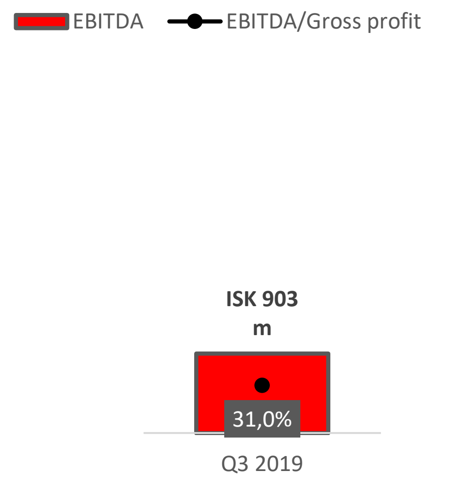
| Income statement | | | | |
|---|---|---|---|---|
| **Amounts are in ISK million** | **9M 2019** | **9M 2018** | **Change** | **% Chg.** |
| Gross profit | 14.923 | 8.847 | 6.076 | 68,7% |
| Lease revenue and operating income | 1.423 | 406 | 1.018 | 250,8% |
| Salaries and personnel expenses | -7.250 | -3.925 | 3.325 | 84,7% |
| Sales expenses | -925 | -716 | 209 | 29,2% |
| Other operating expenses | -2.333 | -1.513 | 820 | 54,2% |
| EBITDA | 5.839 | 3.099 | 2.740 | 88,4% |
| | | | | |
| **Key Figures** | | | | |
| EBITDA/Gross profit | 39,1% | 35,0% | 4,1% | 11,7% |
| Salaries/Gross profit | 48,6% | 44,4% | 4,2% | 9,5% |
| Earnings per share | 6,31 | 6,26 | 0,05 | 0,9% |

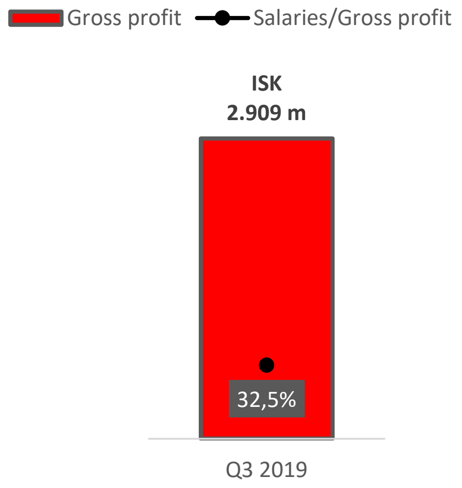


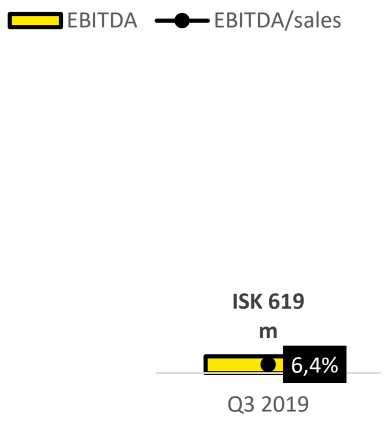
# HIGHLIGHTS

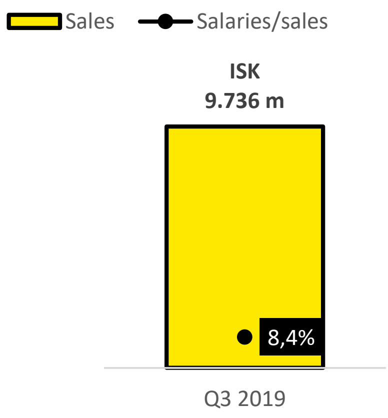
## N1



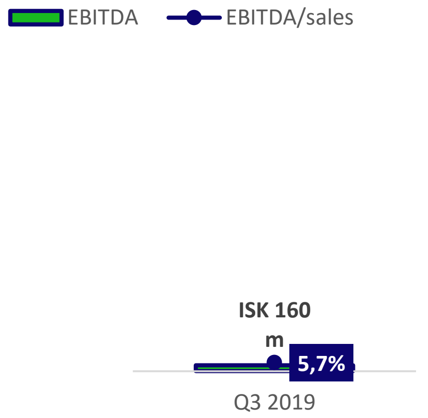



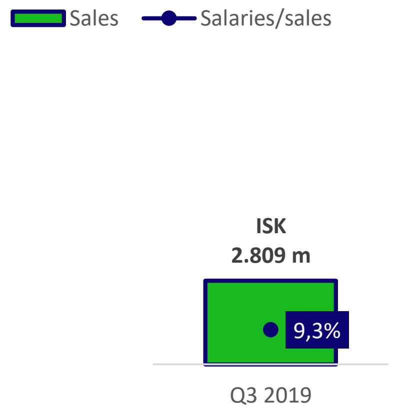

## KRÓNAN




## ELKO



# HIGHLIGHTS

## N1

- Sale of gasoline and diesel fuel decreased by 5.1% in Q3 2019 compared to Q3 2018
- Less sale of goods other than the fuel
- Development in world market price of oil had negative impact on gross margin in Q3 2019

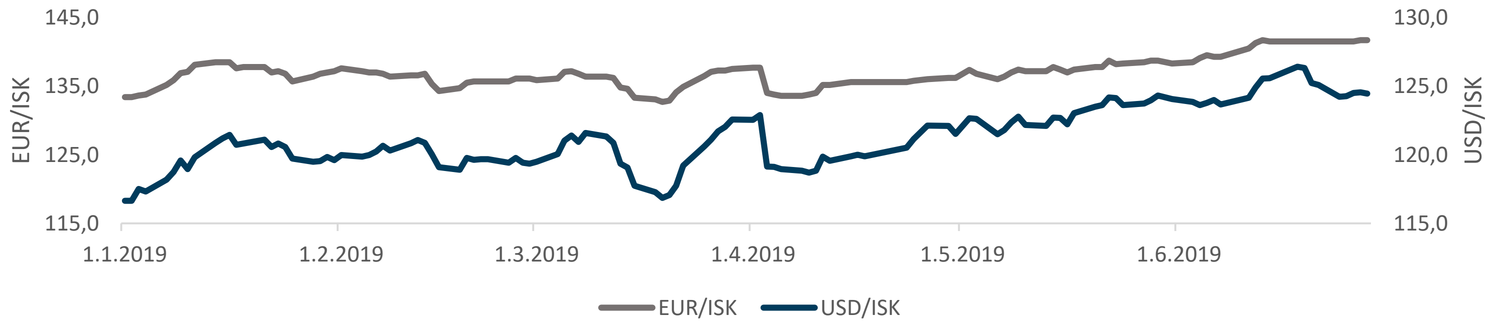
## KRÓNAN

- Sales exceeded expectations in Q3 2019
- Profit margin was less than expected in Q3 2019
- Growth opportunities in opening of new stores
- Krónan received the Enviromental award for business sector.

## ELKO

- Sales as expectations in Q3 2019
- Margin level is moving in the right direction on Q3 2019 but was less than expected much competition and difficult economic environment in Q3 2019,
- Elko won ISAVIA´s tender for electronics store at Leifur Eiríksson Air Terminal

Exchange rate development



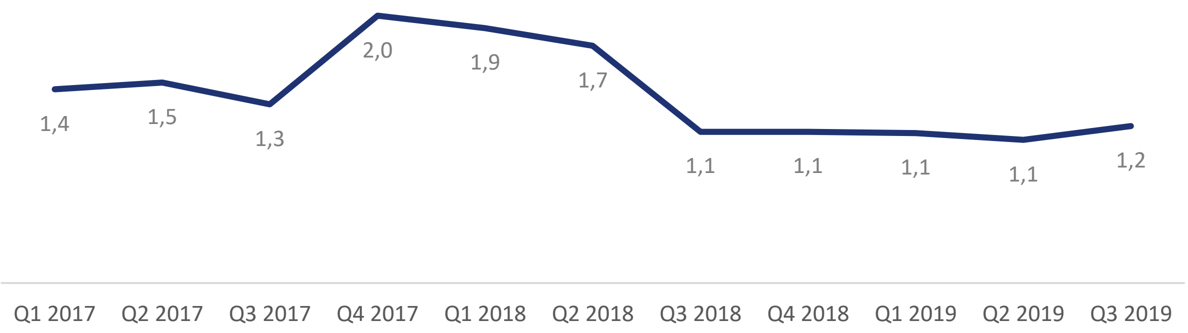

- USD weakens by 1.1% against ISK and difference between lowest and highest exchange rate is 5.2%
- EUR strengthens by 9.8% against ISK and differnce between lowest and highest exchange rate is 5.3%

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**Statement of Financial Position (Assets)**

| Amounts are in ISK million | 9M 2019 | 9M 2018 | Change | % Chg. |
|---|---|---|---|---|
| Goodwill | 14.070 | 13.919 | 151 | 1,1% |
| Other Intangible assets | 4.674 | 4.735 | -61 | -1,3% |
| Property and equipment | 31.341 | 32.251 | -911 | -2,8% |
| Leased assets | 3.534 | 0 | 3.534 | - |
| Investment properties | 6.993 | 8.739 | -1.746 | -20,0% |
| Shares in associates | 2.176 | 2.031 | 145 | 7,1% |
| Securities | 172 | 153 | 19 | 12,1% |
| **Non-current assets** | 62.961 | 61.829 | 1.132 | 1,8% |
| | | | | |
| Inventories | 7.600 | 7.278 | 322 | 4,4% |
| Trade receivables | 4.786 | 4.334 | 451 | 10,4% |
| Other short-term receivables | 544 | 407 | 138 | 33,9% |
| Cash and cash equivalents | 6.839 | 6.314 | 525 | 8,3% |
| **Current assets** | 19.770 | 18.333 | 1.437 | 7,8% |
| | | | | |
| **Total assets** | 82.731 | 80.162 | 2.569 | 3,2% |

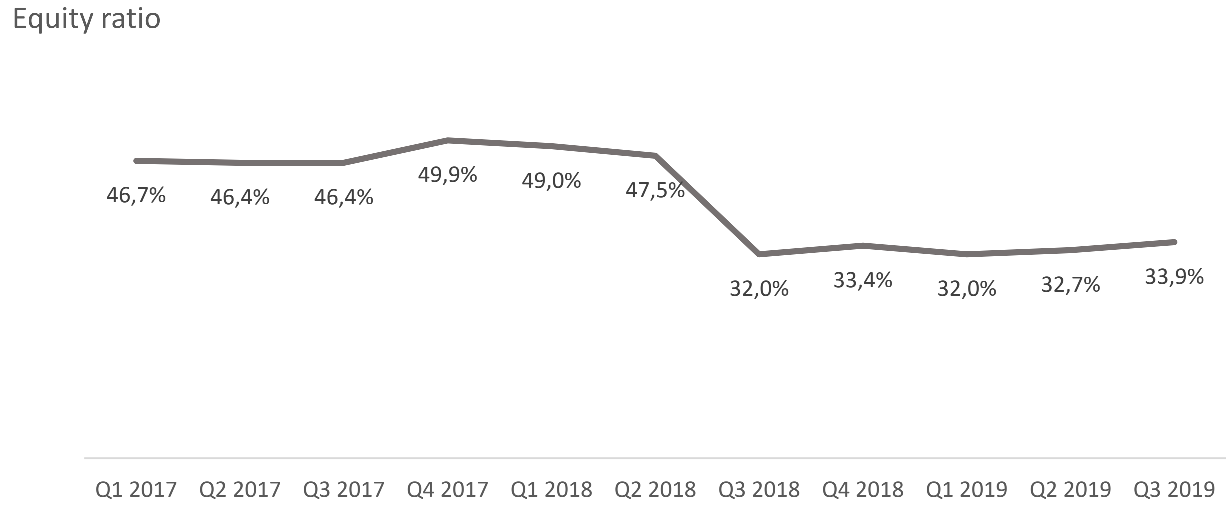
Current ratio

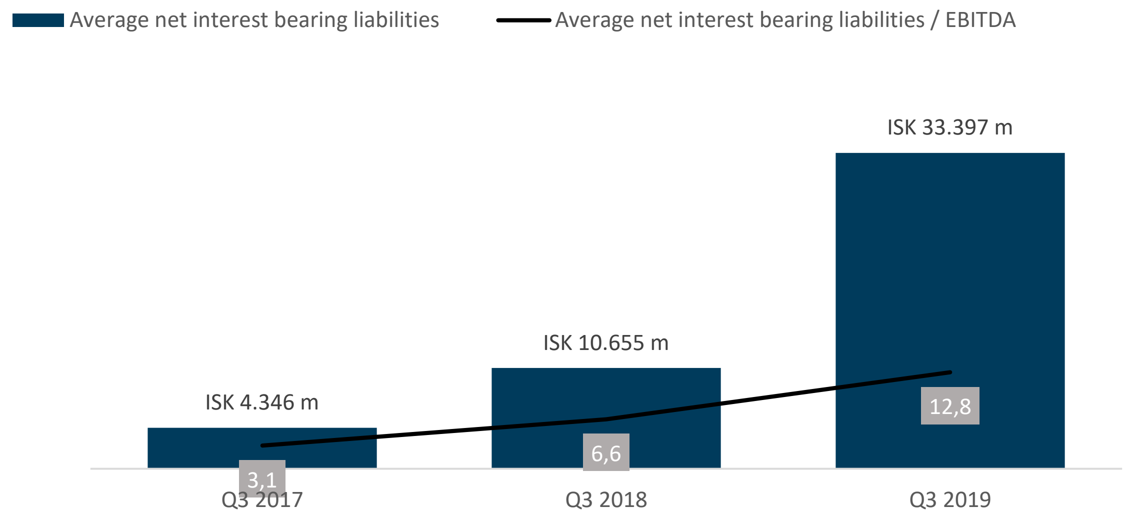



Inventory turnover

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

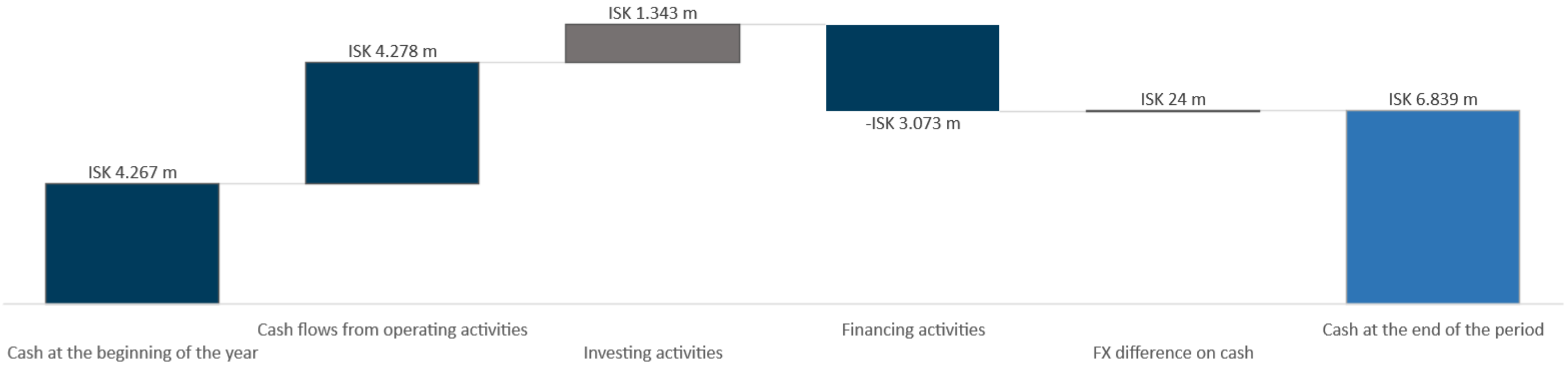
| Statement of Financial position (equity and liabilites) | | | | |
|---|---|---|---|---|
| **Amounts are in ISK million** | **9M 2019** | **9M 2018** | **Change** | **% Chg.** |
| **Equity** | 28.057 | 25.624 | 2.433 | 9,5% |
| Payable to credit institutions | 30.497 | 34.015 | -3.518 | -10,3% |
| Lease liabilities | 3.101 | 0 | 3.101 | - |
| Deferred tax liabilities | 3.851 | 3.964 | -113 | -2,8% |
| **Non-current liabilities** | 37.448 | 37.978 | -530 | -1,4% |
| Current tax | 879 | 798 | 81 | 10,1% |
| Payable to the Icelandic State | 3.760 | 3.934 | -174 | -4,4% |
| Payable to credit institutions | 4.475 | 3.737 | 739 | 19,8% |
| Lease liabilites | 498 | 0 | 498 | - |
| Trade payables | 6.028 | 6.203 | -175 | -2,8% |
| Other short-term liabilities | 1.586 | 1.888 | -302 | -16,0% |
| **Current liabilities** | 17.226 | 16.560 | 666 | 4,0% |
| **Total equity and liabilities** | 82.731 | 80.162 | 2.569 | 3,2% |



# CONSOLIDATED STATEMENT OF CASH FLOWS

| Amounts are in ISK million | 9M 2019 | 9M 2018 | Change | % Chg. |
|---|---|---|---|---|
| Cash at the beginning of the year | 4.267 | 2.800 | 1.467 | 52,4% |
| Cash flows from operating activities | 4.278 | 4.343 | -66 | -1,5% |
| Investing activities | 1.343 | -13.015 | 14.358 | -110,3% |
| Financing activities | -3.073 | 12.164 | -15.237 | -125,3% |
| FX difference on cash | 24 | 21 | 4 | 17,3% |
| Cash at the end of the period | 6.839 | 6.314 | 525 | 8,3% |

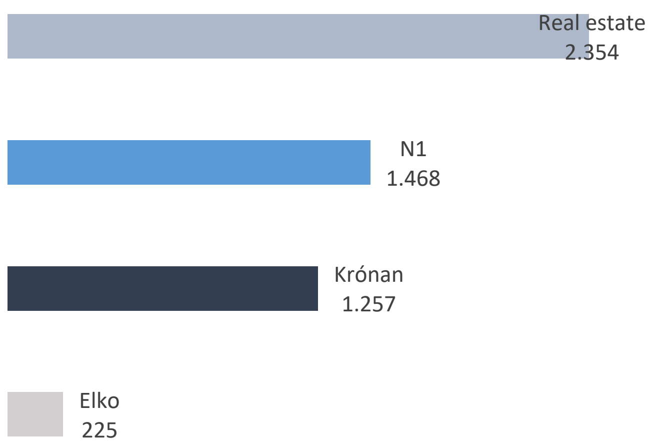


# OPERATING SEGMENTS OF THE GROUP

**First nine months 2019**

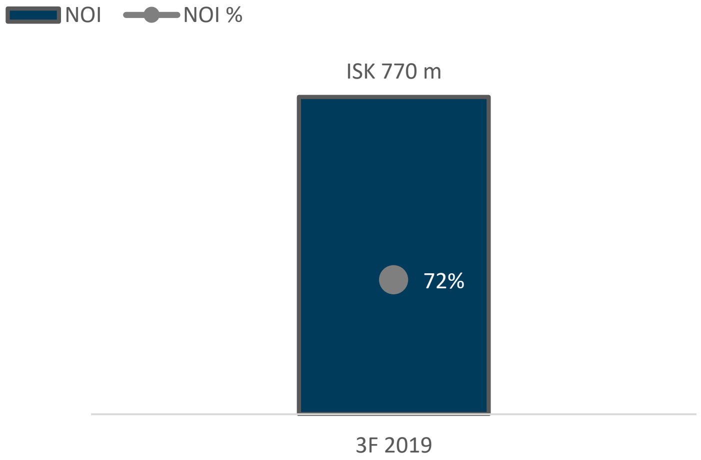
| Amounts are in ISK million | Festi | Krónan | Elko | Real estate | Other | Elimination entries | Application of IFRS 16 | Total |
|---|---|---|---|---|---|---|---|---|
| Operating revenue | 28.992 | 27.111 | 7.628 | 0 | 0 | -18 | 0 | 63.712 |
| Other revenue | 172 | 96 | 4 | 3.011 | 2.072 | -3.932 | 0 | 1.423 |
| Total segment revenue | 29.164 | 27.207 | 7.631 | 3.011 | 2.072 | -3.950 | 0 | 65.135 |
| Total operating expenses of segments | -27.696 | -25.951 | -7.407 | -658 | -2.147 | 4.182 | 379 | -59.296 |
| Segment EBITDA | 1.468 | 1.257 | 225 | 2.354 | -75 | 232 | 379 | 5.839 |
| Segment depreciation and amortisation | -376 | -384 | -125 | -584 | -119 | 0 | -298 | -1.886 |
| Fair value changes of investment properties | 0 | 0 | 0 | -55 | 0 | 0 | 0 | -55 |
| Share of profit from associates | 0 | 0 | 0 | 0 | 284 | 0 | 0 | 284 |
| Operating result of segments | 1.092 | 872 | 100 | 1.715 | 90 | 232 | 81 | 4.182 |
| Segment assets | 19.594 | 8.986 | 3.387 | 35.301 | 13.412 | -11.617 | 3.534 | 72.598 |
| Unallocted assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10.133 |
| Total assets | | | | | | | | 82.731 |

Segment EBITDA



# REAL ESTATE OPERATIONS OF THE GROUP

| Properties, key figures | Q3 2019 |
|---|---|
| NOI* | ISK 770 m |
| NOI ratio | 72% |
| Utization ratio | 97% |
| LTV** | 61% |
| Number of Festi's properties | 90 |
| Total square meters | 112 thousand $m^2$ |
| Own use | 80% |
| Leased to third parties | 20% |




* Net operating income

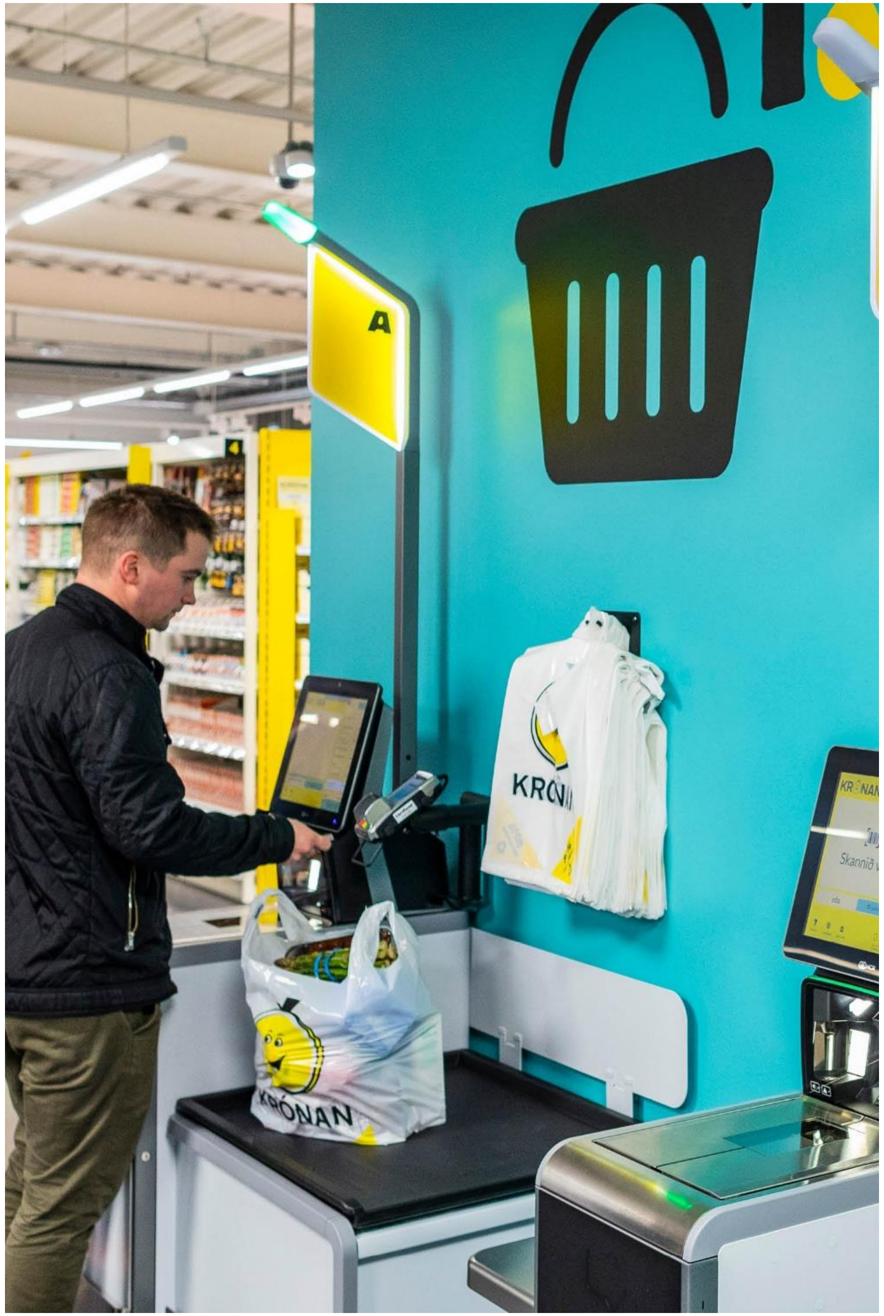
** Loan-to-Value

# SHARE PRICE DEVELOPMENT


| **Shareholders (10 largest)** | |
|---|---|
| Lífeyrissjóður verslunarmanna | 10,1% |
| Gildi - lífeyrissjóður | 8,9% |
| Lífeyrissjóður starfsmanna ríkisins A-, B- og S-division | 8,8% |
| Stefnir | 8,0% |
| SÍA slhf. | 6,6% |
| Lansdowne Icav Lansdowne Euro | 6,1% |
| Birta lífeyrissjóður | 5,4% |
| Stapi lífeyrissjóður | 4,9% |
| Almenni lífeyrissjóðurinn | 4,8% |
| Landsbréf | 3,9% |

| **Market information** | |
|---|---|
| Issued shares | 330 M |
| Market cap at the end of September 2019 | ISK 39.055 M |
| Market cap at the end of September 2018 | ISK 29.500 M |
| Number of shareholders | 787 |
| Annual return from registration | 25,4% |
| Annual return from 2015 | 27,0% |

FESTI





# POSITION AND OUTLOOK

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**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 acquistion of Hlekkur, which has 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:**

- 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

**Highligts:**

- Net Payments of long term loans by ISK 2.8 billion
- Festi submitted a proposal to city of Reykjavik on reduction of number of gas stations
- Elko has made a new contract at Leifstöð
- Ongoing work on decreasing operating expenses

**Investments:**

- Annual consolidated investments of approximately ISK 1,900 million
- Less investments in 2019
- Policy in a real estate company aimed at reducing square footage and better utilization of capital

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