

# Festi's profit for the third quarter of 2018 in the amount of ISK 871 million

## Main results

- The operations of the subsidiary Hlekkur and its subsidiaries are included in Festi's group as from 1 September 2018 and is the main reason for increases in revenue and expenses in Q3 2018 compared to the same quarter of 2017
- Gross profit of companies in Hlekkur's group amounted to ISK 757 million, their EBITDA was ISK 250 million and profit ISK 104 million.
- Festi's EBITDA for Q3 2018, excluding acquisition-related cost due acquisition of Hlekkur, amounted to ISK 1,784 million compared to ISK 1,461 million for the same quarter of 2017
- Gross profit from sales of goods increased by 28.7% in Q3 2018, mainly due to new entities of the Group as from 1 September. However, increase in world market price of oil and depreciation of ISK against USD also had a positive impact in Q3 2018
- At the end of Q3 2018 equity amounted to ISK 25,512 million and equity ratio was 31.8%

ISK million	Q3 2018	Q3 2017	Change	% change	9M 2018	9M 2017	Change	%Change
<b>Income Statement</b>								
Gross profit	4.501	3.497	1.004	28,7%	10.028	8.598	1.430	16,6%
Other operating income	177	93	84	90,8%	406	294	112	38,0%
EBITDA	1.621	1.409	212	15,0%	3.099	2.699	400	14,8%
EBIT	1.324	1.161	163	14,0%	2.299	1.965	334	17,0%
EBT	1.063	1.183	-120	-10,2%	1.953	1.978	-25	-1,3%
Profit for the period	871	963	-92	-9,5%	1.619	1.629	-10	-0,6%
<b>Statement of Financial Position</b>								
Inventories					7.278	3.146	4.132	131,4%
Trade receivables					4.266	3.261	1.004	30,8%
Interest bearing liabilities					37.891	8.000	29.891	373,6%
Cash and cash equivalents					6.314	3.083	3.230	104,8%
Net interest bearing liabilities					31.734	4.952	26.782	540,9%
<b>Statement of Cash Flows</b>								
Cash flows from operating activities	3.629	1.031	2.598	252,0%	4.599	2.260	2.339	103,5%
Investing activities	-12.740	-1.778	-10.962	616,5%	-13.015	-1.951	-11.064	567,0%
Financing activities	12.099	1.417	10.682	754,1%	11.909	475	11.434	2405,3%
Cash and cash equiv. at the end of the period	6.314	3.083	3.230	104,8%	6.314	3.083	3.230	104,8%
<b>Key indicators</b>								
EBITDA/gross profit	36,0%	40,3%	-4,3%	-10,6%	30,9%	31,4%	-0,5%	-1,5%
Equity ratio	0,0%	0,0%	0,0%	0,0%	31,8%	46,4%	-14,6%	-31,5%
Salaries/gross profit	35,4%	31,7%	3,7%	11,6%	39,1%	39,0%	0,1%	0,4%
Earning per share	3,16	3,85	-0,69	-17,9%	6,26	6,52	-0,26	-4,0%
Return on equity	0,0%	0,0%	0,0%	0,0%	12,7%	17,2%	-4,5%	-26,2%
Investments	-455	-1.781	1.327	74,5%	-928	-2.182	1.255	-57,5%
Inventory turnover	9,19	8,99	0,20	2,2%	8,08	7,67	0,41	5,3%

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## Operations in the third quarter

ISK million	Q3 2018	Q3 2017	Change	% change	9M 2018	9M 2017	Change	% change
<b>Income Statement</b>								
Gross profit	4.501	3.497	1.004	28,7%	10.028	8.598	1.430	16,6%
Operating income and other operating income	177	93	84	90,8%	406	294	112	38,0%
Salaries and other personnel expenses	-1.593	-1.109	484	43,6%	-3.925	-3.353	572	17,0%
Sales and distribution expenses	-849	-676	173	25,6%	-1.897	-1.756	141	8,0%
Other operating expenses	-614	-395	219	55,4%	-1.513	-1.085	429	39,5%
EBITDA	1.621	1.409	212	15,0%	3.099	2.699	400	14,8%
EBITDA N1*	1.533	1.461	72	4,9%	3.328	2.761	567	20,5%

\*EBITDA, excluding the cost related to the acquisition of Hlekk ehf.

EBITDA for Q3 2018 was in the amount of ISK 1,621 million compared to ISK 1,409 million for Q3 2017. The cost of the acquisition of Hlekk was ISK 162 million in Q3 2018 and 52 million in Q3 2017. Festi's EBITDA, excluding results of the subsidiary Hlekkur and acquisition-related cost amounted to ISK 1,533 million in Q3 2018 compared to ISK 1,461 million in Q3 2017. The main reasons for the increase are favourable development of ISK exchange rate against USD and good results of car service operations.

## Revenue in the third quarter

Thousand of litres / sales of other goods in ISK million	Q3 2018	Q3 2017	Change	% change	9M 2018	9M 2017	Change	% change
Quantity sold - gasoline	16.633	17.767	-1.134	-6,4%	41.156	46.349	-5.193	-11,2%
Quantity sold - diesel fuel	31.895	31.033	862	2,8%	78.507	76.685	1.822	2,4%
Total quantity sold - excluding JET	68.709	78.101	-9.392	-12,0%	165.710	178.655	-12.946	-7,2%
Sales of other goods	6.761	3.094	3.667	118,5%	12.091	8.266	3.825	46,3%
Gross profit on sales of fuel	2.247	2.076	172	8,3%	5.333	4.746	588	12,4%
Gross profit on sales of other goods	2.254	1.422	832	58,5%	4.695	3.853	842	21,9%

Sales volume, excluding jet fuel, decreased by 12.0% in Q3 2018 compared to the same quarter in 2017 due to decrease in foreign sales. Sales volume of gasoline and diesel fuel decreased by 0.6% in Q3 2018 when compared to the same quarter for the year 2017. Increased gross profit on sale per liter in Q3 2018 is mainly due to changes in composition of fuel sales as well as depreciation of ISK against USD. Sales of other goods increased by 118.5% in Q3 2018 compared to Q3 2017, with revenue of compaines in Hlekkur's group amounting to ISK 3,583 million in September 2018.

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## Operating expenses in the third quarter

ISK million	Q3 2018	Q3 2017	Change	% change
Salaries and other personnel expenses	-1.593	-1.109	484	43,6%
Sales and distribution expenses	-849	-676	173	25,6%
Other operating expenses	-614	-395	219	55,4%

As previously mentioned the operations of Hlekkur's group is included in Festi's group as from 1 September. That is the main reason for increases in expenses in Q3 2018 as compared to Q3 of 2017. Expenses related to the acquisition amounted to ISK 162 million in Q3 2018 compared to ISK 52 million in Q3 2017.

## Finance items

ISK million	Q3 2018	Q3 2017	Change	% Change
Finance income	29	17	13	78,2%
Finance expenses	-412	-98	314	321,3%
Foreign currency difference	20	20	-1	-3,0%
Share of profit from associates	116	83	33	39,8%
Valuation changes of shares in other companies	-13	1	-14	-2038,0%
Total	-261	22	-283	-1271,9%

Finance expenses were higher in Q3 2018 than Q3 2017 due to increases in long-term borrowings related to the acquisition of Hlekkur. Share of profit from associates was higher in Q3 2018 than in Q3 2017.

## Statement of financial position

ISK million	9M 2018	9M 2017	Change	% Change
Goodwill	13.919	0	13.919	
Other intangible assets	4.735	222	4.513	
Properties	32.251	16.940	15.311	90,4%
Investment properties	8.739	0	8.739	
Inventories	7.278	3.146	4.132	131,4%
Trade receivables	4.266	3.261	1.004	30,8%
Cash and cash equivalents	6.314	3.083	3.230	104,8%
Net interest bearing liabilities	31.734	4.952	26.782	540,9%
Equity ratio	31,8%	46,4%	-14,6%	-31,5%
Inventory turnover	8,08	7,67	0,41	5,3%

Assets and liabilities increase due to acquisition of Hlekkur's group. The acquisition was financed with new borrowings, on one hand, and issue of new share capital in Festi on the other. Furthermore, Festi used some of its current cash to finance part of the acquisition. Festi issued 79,573, 913 shares to the previous shareholders of Hlekkur. Purchase price allocation has been completed. However, if new information becomes evident within one year from the acquisition date regarding the position of assets and / or liabilities at the acquisition date the purchase price allocation could change. Goodwill amounted of ISK 13,919 million, other intangible assets to ISK 4,735 million, properties and equipment to ISK 32,251 million and investment properties to ISK 8,739 million as at end of Q3 2018. Net interest bearing liabilities were in the amount of ISK 31,734 million and equity ratio 31.8% at the end of the period. Festi's Board of Directors will, in accordance with the Company's capital structure strategy, propose to the general meeting that no dividend is to be paid from results of the year 2018.

## Future outlook in Festi's operations and estimated EBITDA for the year 2018

- Increase in the number of tourists has had less impact than expected at the beginning of the year
- Increase in domestic operating expenses, even if inflation rate is moderate, will have an impact on operations in competitive markets such as the one in which the Company operates
- Turmoil in oil markets and ISK foreign exchange rate could cause fluctuations in gross profit and working capital position

EBITDA forecast for the year 2018 is unchanged. EBITDA is assumed to be in the range of ISK 3,800 – 4,000 million, excluding expenditures related to the acquisition of Hlekkur. Results of Hlekkur are not included in the aforementioned EBITDA estimation of Festi for the year 2018.

The forecast is based on the assumptions of oil price being relatively stable and the exchange rate of USD/ISK close to 123. The Company's operations are seasonal and most of its EBITDA are related to the second and third quarters.

According to budget total turnover of Hlekkur, as from the date of acquisition to the end of the year, is estimated to be ISK 15,100 million and EBITDA to be ISK 1,270. Million.

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## **Shareholders**

- The Company's market capitalisation was ISK 38.9 billion as at the end of September 2018
- Currently divestment procedures are under way regarding the assets of Dælan and Kjarval's grocery store at Hella. Sale of those assets is estimated to be finalised in Q1 2019

## **Meeting on Thursday 29 November 2018**

An open meeting for market participants and shareholders will be held on Thursday 29 November 2018 at Festi's headquarters at Dalvegur 10-14 in Kópavogur (3rd floor). Eggert Kristófersson, the Company's CEO, will present the Company's results and answer questions. The meeting will start at 8:30. A light breakfast is available from 8:00. Presentations will be available following the meeting on Festi website: <http://festi.is/fjarfestar/fjarhagsupplysingar/> as well as on the company news section on Nasdaq OMX Iceland hf.'s webpage.

## **Financial calendar**

- Annual Financial Statements for the year 2018: 27 February 2019
- Annual general meeting 2019: 21 March 2019

For further information please contact Eggert Kristófersson, CEO ([eggert@festi.is](mailto:eggert@festi.is)) or Pétur Hafsteinsson, CFO, ([petur@festi.is](mailto:petur@festi.is)).