

INCREASED ACTIVITIES AND IMPROVED RESULTS FROM OPERATIONS

Hagar's plc results in 2nd quarter of 2023/24

The consolidated interim financial statements of Hagar plc. for the second quarter 2023/24 was approved by the company's board of directors and CEO at a board meeting on October 18th 2023. The statements cover the period from March 1st 2023 to August 31st 2023. The consolidated interim financial statements include the consolidated financial statements of the company and its subsidiaries and are prepared according to International Financial Reporting Standards (IFRS). The statements have been reviewed by the company's auditors, PricewaterhouseCoopers Ltd.

Key figures

- **Sales** in Q2 amounted to 45,309 m.ISK (4.4% increase from Q2 2022/23). Sales in 6M amounted to 86,799 m.ISK (6.4% growth from 6M 2022/23). [Q2 2022/23: 43,399 m.ISK, 6M 2022/23: 81,612 m.ISK.]
- **Gross margin** in Q2 amounted to 9,903 m.ISK (21.9%) and 17,975 m.ISK (20.7%) for 6M. [Q2 2022/23: 8,383 m.ISK (19.3%), 6M 2022/23: 15,947 m.ISK (19.5%)]
- **Earnings before depreciation, interest, and taxes (EBITDA)** in Q2 amounted 4,472 m.ISK or 9.9% of sales. EBITDA 6M amounted to 6,993 m.ISK or 8.1% of sales. [Q2 2022/23: 4,369 m.ISK (10.1%), 6M 2022/23: 7,037 m.ISK (8.6%)]
- **Profit** in Q2 was 2,084 m.ISK or 4.6% of sales. Profit 6M was 2,737 m.ISK or 3.2% of sales. [Q2 2022/23: 2,378 m. ISK (5.5%), 6M 2022/23: 3,304 m. ISK (4.0%)]
- **Basic earnings per share** in Q2 was 1.88 ISK and 2.47 ISK for 6M. [Q2 2022/23: 2.10 ISK, 6M 2022/23: 2.92 ISK.] **Diluted earnings per share** in Q2 was 1.84 ISK and 2.42 ISK for 6M. [Q2 2022/23: 2.03 ISK, 6M 2022/23: 2.84 ISK.]
- **Equity** amounted to 27,381 m.ISK at the end of the period and **equity ratio** was 36.3%. [End of year 2022/23: 27,931 m.ISK and 38.8%]
- **Management's guidance** for the operating year 2023/24 estimates EBITDA to be 12,250-12,750 m.ISK.

Operational highlights

- **Operations in this past quarter successful**, and were quite exceeding plans, especially in the company's fuel section. **Sales increased by 4.4%** between the years and EBITDA grew by 2.4% between the years.
- **During last year, one-off items amounted to 966 m.ISK** due to the Klasi transactions. **Without effects from one-off items** due to Klasi in previous year the EBITDA increased by 31.4% between the years.
- **Sold units in groceries grew** between the years by 6.9% and **customers visits grew** also, or by 12.5% in the quarter. **Slight increase in sold fuel litres** in the quarter or amounting to 0.3%.
- **Gross margin in ISK increased** by 18.1% between the years and **the margin ratio increased** by 2.5% points. The increase in the margin ratio can mostly be attributed to Olís' bulk users purchases, while the margin ratio in grocery products remains the same.
- **Bónus opened** a new 2,500 m² grocery store in **Holtagarðar** on July 22nd and the older store in the building was closed at the same time.
- **Hagkaup** set up a catering service on its website, **Veisluréttir Hagkaups**, where delicious catering trays are offered in an online store.
- In June **Olís** opened a new and elegant **service station** at Fitjar in Reykjanesbær.

Finnur Oddsson, CEO:

Hagar's operations during the summer months, the second quarter of the operating year 2023/24, proceeded well. The Group sales amounted to 45.3 b.ISK and increased by 4.4% compared to the same period last year. Results during the quarter was strong, but EBITDA amounted to 4,472 m.ISK and profit to 2,084 m.ISK. We are pleased with the company's operations this summer and the first half of the year, considering that for the most part the environment is still challenging; supplies in daily groceries have continued to rise, operational costs have also risen and there have been considerable fuel price fluctuations.

Results from Hagar's operations improved between the years. EBITDA amounted to 9.9% of sales and increased by 31% after deducting one-off items that increased the EBITDA last year. Margin has increased by 18% in ISK, but also as a percentage of revenue.

Activities continues to increase across all of Hagar's business sections, but the main reason for improved margin and operating results exceeding plans is accredited to stronger operations of Olís during the quarter. Olís' revenue during the quarter amounted to 15 b.ISK and fuel litres sales were historically strong, a slight increase compared to last year's very strong quarter. Sales to bulk users and a large tourist summer in Iceland had a positive effect on total fuel sales and dry goods, both in the retail and corporate markets. The decrease in revenue between the years is explained by the fact that the world fuel market price was considerably lower this year than the same time last year. However, the margin and profit increased considerably, but the main reasons for this lie in the fact that beneficial structural changes of the last few quarters are now fully realised in operations, and the increase in the world fuel market price in the summer months of 2023, together with effective inventory management, resulted in an increased margin.

As before, there is a strong revenue growth in stores and warehouses, but this includes a.o. Bónus and Hagkaup stores, Eldum rétt, Aðföng and Bananar. Revenue increased by just under 17% between the quarters, but as before, this increase can partly be attributed to inflation, rising supply prices from wholesalers and manufacturers, which has been an ongoing issue in recent years and especially in the last 12 months. It is, however, pleasing that the number of customer visits to Hagar's grocery stores continued to rise, as has the number of items sold, which largely explains this strong revenue growth.

Bónus' new stores that opened this summer, in Norðlingaholt and Holtagarðar, are starting excellently, but in general, Bónus' customers have rapidly increased in recent months. We consider that the emphasis in the company's operations and the promise always to strive to offer the most cost-effective grocery basket are appropriate, especially in times of inflation such as the present. As stated, we will lose a good team member in this fight at the end of the year when Mr. Guðmundur Marteinnsson, manager of Bónus for 25 years, retires. I thank him for his excellent collaboration and great contribution to Bónus and Hagar throughout the years. It is, however, a pleasure to have another to take his place, but Mr. Björgvin Víkingsson, assistant manager of Bónus, has been appointed to the manager's position from the beginning of the year. Björgvin's extensive experience in purchasing, logistics and leadership in demanding operations will strengthen Bónus' operations and further strengthen the company's position as a leading participant in the grocery market.

The number of Hagkaup's customers continues to grow, which confirms that the increased selection in stores, new online stores and good service are well received. The number of households that receive food packages from Eldum rétt's online store or buy individual dishes from the subsidiary in Hagkaup, increased considerably this summer, even more than in the first half of the year. We believe that Eldum rétt's growing customer base reflects that the service is both convenient and affordable, and that perfectly cooked food is very tasty. The results of the business sections; stores and warehouses are also strengthening between quarters, primarily due to increased sales.

The development and structure of the Hagar Group is progressing well, and a number of projects that have been launched in recent seasons are moving well ahead. Bónus' operation has been strengthened, with the opening of new stores and increased customer service, i.e., in the form of technical solutions such as Gripið & Greitt. Likewise, the product range in Hagkaup has been greatly increased, the online stores have been strengthened and the facilities in the stores have been improved, both for increased customers convenience but also to make Hagkaup one of the most environmentally friendly retail chain in the country. Olís' operation has been streamlined in recent quarters, i.a. with a new organisation in the service to bulk users and an improved experience at the service stations, both of which are reflected in the improved performance of the company recently. Stórkaup's first year of operation proceeded well, and there is an additional drive into the growing market of operators and bulk users ahead. With the acquisition of Eldum rétt, Hagar's activities in the grocery market have been expanded and so has its customer base, as Eldum rétt is probably one of the largest online grocery stores in the country. Related, important steps have been taken in the use of information technology to serve customers, but the development of digital solutions is now one of the key aspects of our activities. Development of online stores for Hagkaup, Stórkaup, etc. and the development of Gripið & Greitt for Bónus has formed an important basis for a technical environment that will be used to further strengthen the services of Hagar's business sections to customers, and we look forward to a number of new and exciting opportunities. The development and property projects organised by Klasi are proceeding excellently, and it is expected that interesting development sites will come out of planning stage into construction in the coming months.

Overall, we are pleased with the operating results of the quarter and the development of the Hagar Group in recent quarters. Revenue has continued to strengthen, primarily due to general streamlining of operations, strategic decisions that have proven successful and generally increased activity at all of Hagar's sections. Our forward task is on the one hand to support the continued development of the Group and on the other hand to deal with and counteract price increases in daily food, and inflation which has persisted for too long. Hagar's position to continue this work is strong, financially, market-wise and not least knowledge-wise, but the company has experienced group of employees who care about the interests of the customers and who have the ambition to make shopping profitable, comfortable and fun.

The Group's Consolidated income statement

in ISK million	Q2 2023/24		Q2 2022/23		6M 2023/24		6M 2022/23	
	01.06-31.08	01.06-31.08	Change	%	01.03-31.08	01.03-31.08	Change	%
Sales	45,309	43,399	1,910	4,4%	86,799	81,612	5,187	6,4%
Cost of goods sold	(35,406)	(35,016)	(390)	1,1%	(68,824)	(65,665)	(3,159)	4,8%
Gross profit	9,903	8,383	1,520	18,1%	17,975	15,947	2,028	12,7%
Gross profit %	21,9%	19,3%	-	2,5%	20,7%	19,5%	-	1,2%
Other operating income	210	147	63	42,9%	404	349	55	15,8%
Profit from sale of assets	--	882	(882)	-	--	882	(882)	-
Salaries and related expenses	(3,881)	(3,438)	(443)	12,9%	(7,813)	(6,881)	(932)	13,5%
Other operating expenses	(1,760)	(1,605)	(155)	9,7%	(3,573)	(3,260)	(313)	9,6%
Profit from operating activities before depreciation and amortisation (EBITDA)	4,472	4,369	103	2,4%	6,993	7,037	(44)	-0,6%
EBITDA %	9,9%	10,1%	-	-0,2%	8,1%	8,6%	-	-0,6%
Depreciation and amortisation	(1,353)	(1,099)	(254)	23,1%	(2,482)	(2,120)	(362)	17,1%
Profit from operating activities (EBIT)	3,119	3,270	(151)	-4,6%	4,511	4,917	(406)	-8,3%
Net finance expense	(639)	(426)	(213)	50,0%	(1,265)	(970)	(295)	30,4%
Effect of results of associates	109	94	15	16,0%	149	138	11	8,0%
Profit before income tax	2,589	2,938	(349)	-11,9%	3,395	4,085	(690)	-16,9%
Income tax	(505)	(560)	55	-9,8%	(658)	(781)	123	-15,7%
Comprehensive Income for the period	2,084	2,378	(294)	-12,4%	2,737	3,304	(567)	-17,2%

Operation in the second quarter 2023/24

Sales in Q2 amounted to 45,309 m.ISK and grew by 4.4% between the years. Stores and warehouses sales increase by 15.5% but sales reduction occurred at Olís that was 14.1% between the years.

Sold units in grocery stores grew by 6.9% between the years and customers visits grew also, or by 12.5% in the quarter. Sold fuel litres at Olís grew slightly or by 0.3%.

Margin in Q2 amounted to 9,903 m.ISK and increased by 18.1% between the years. The margin ratio was 21.9% and increased by 2.5% points from previous year. The margin ratio increase can mostly be accredited to bulk users purchase at Olís, but the margin ratio in grocery remains the same.

In Q2 for the previous year the profit from assets sales amounted to 882 m.ISK but of which the realised profit from the sale of assets with Klasi amounted to 966 m.ISK.

Labour and labour cost ratio in Q2 increased from 11.6% to 12.5% between the years.

EBITDA in Q2 amounted to 4,472 m.ISK and grew by 2,4% between the years. EBITDA increases by 31.4% between the years excluding one-time transaction with Klasi last year. EBITDA-ratio is 9.9% but was 10.1% last year (7.8% excluding one-time items).

The quarter's profit amounted to 2,084 m.ISK and decreased by 12.4% between the years.

Operation in the first half year of 2023/24

Sales for the period amounted to 86,799 m.ISK, compared to 81,612 m.ISK the year before. Sales increase between the years was 6.4%. Stores and warehouse sales increase was 16.5% but 11.4% reduction observed in Olís' sales.

The margin of the Group amounted to 17,975 m.ISK, compared to 15,947 m.ISK the year before, or increase amounting to 12.7%. The margin ratio was 20.7% and grew by 1,2% points from previous year. The increase in the margin ratio results from the fuel section of the Group but in daily products the margin ratio has decreased slightly.

Labour costs increased by 13.5% year-on-year and other operating costs increased by 9.6%. The labour and cost ratio during the period increases from 12.4% to 13.1%.

EBITDA amounted to 6,993 m.ISK, compared to 7,037 m.ISK the previous year. The EBITDA ratio was 8.1%, compared to 8.6% in the previous year. The EBITDA of stores and warehouses increased by 11.9% between the years, while the EBITDA of Olís decreased by 22.1%, mainly due to one-time items due to Klasi last year.

Depreciation increases by 17.1% between the years and capital costs increase by 30.4%.

The total profit for the period amounted to 2,737 m.ISK, which is equivalent to 3.2% of sales, while the total profit in the previous year was 3,304 m.ISK or 4.0% of sales.

The Group's financial statement

in ISK million	31.08.2023	28.02.2023	Change	%
Assets				
Non-current assets	53.016	50.502	2.514	5,0%
Current assets	22.471	21.505	966	4,5%
Total assets	75.487	72.007	3.480	4,8%
Equity and liabilities				
Share capital	1.106	1.119	(13)	-1,2%
Other equity	26.275	26.812	(537)	-2,0%
Equity total	27.381	27.931	(550)	-2,0%
Non-current liabilities	22.276	21.101	1.175	5,6%
Current borrowings	4.966	3.325	1.641	49,4%
Other payables	20.864	19.650	1.214	6,2%
Total liabilities	48.106	44.076	4.030	9,1%
Total equity and liabilities	75.487	72.007	3.480	4,8%

Financial key figures 31.08.2023

- The Group's total assets at the end of the period amounted to 75,487 m.ISK and increased by 3,480 m.ISK from the end of the year 2022/23.
- Fixed assets were 53,016 m.ISK and increased by 2,514 m.ISK from the end of the year 2022/23. The increase can mostly be attributed to investments in properties and other operating assets, but also an increase in rental properties due to new leasing agreements.
- Current assets were 22,471 m.ISK and increased by 966 m.ISK from the end of the year 2022/23.
- Inventories are the largest part of current assets and amounted to 12,020 m.ISK at the end of August. Inventories have decreased by 399 m.ISK from the end of Q2 2022/23 and around 697 m.ISK from the end of the year 2022/23. The decrease in inventories can almost entirely be attributed to the lower fuel inventory value, mainly due to the decrease in world market prices. The inventory turnover rate is now 11.0, but it was 10.8 last year.
- Trade receivables and other short-term receivables amounted to 7,725 m.ISK and increase by 1,806 m.ISK during the period, but trade receivables are 642 m.ISK higher than at the end of Q2 last year. The credit period for trade receivables is now 12.9 days compared to 12.0 days last year.
- The current ratio is 0.87 and the liquidity ratio is 0.40 at the end of the second half of the year. Access to short-term financing in the form of credit lines in the amount of 6.2 b.ISK with a commercial bank is guaranteed, but in addition the company finances itself in the short term by issuing promissory notes.
- Equity at the end of the period was 27,381 m.ISK and equity ratio of 36.3%. Return on equity was 16.4%. The equity ratio at the end of the last operating year was 38.8% and the return on equity was 18.5%. The company had no own shares at the end of the period, but the shares that had been purchased during the year were cancelled according to the decision of the General Meeting to reduce the share capital last June.
- The Group's total liabilities at the end of the first half of the year amounted to 48,106 m.ISK of which interest-bearing liabilities were 16,857 m.ISK and leasing liabilities of 9,655 m.ISK. Net interest-bearing liabilities, including leasing liabilities, at the end of the period was 23,786 m.ISK or 2.0 x trailing 12 months EBITDA.
- Interest-bearing short-term liabilities amounted to 4,966 m.ISK of which the credit line amounted to 1,630 m.ISK and promissory notes of 2,900 m.ISK.

The Group's consolidated cash flow statement

in ISK million	Q2 2023/24	Q2 2022/23	Change	%	6M 2023/24	6M 2022/23	Change	%
	01.06-31.08	01.06-31.08			01.03-31.08	01.03-31.08		
Net cash provided by operating activities	2.451	2.785	(334)	-12,0%	5.786	4.755	1.031	21,7%
Net cash used in investing activities	(777)	(353)	(424)	120,1%	(3.127)	(857)	(2.270)	264,9%
Net cash used in financing activities	(1.904)	(1.550)	(354)	22,8%	(2.802)	(2.586)	(216)	8,4%
Net increase in cash and cash equivalents	(230)	882	(1.112)	-126,1%	(143)	1.312	(1.455)	-110,9%
Cash and cash equivalents at beginning of the period	2.956	1.213	1.743	143,7%	2.869	783	2.086	266,4%
Cash and cash equivalents at the end of the period	2.726	2.095	631	30,1%	2.726	2.095	631	30,1%

Cash flow for half the operational year 2023/24

- Cash from operations in the first half of the year amounted to 5,786 m.ISK, compared to 4,755 m.ISK the previous year.
- Investment movements for the period amounted to 3,127 m.ISK, compared to 857 m.ISK the previous year. Investment in properties amounted to 1,431 m.ISK mostly in properties at Norðlingabraut in Reykjavík. Additionally, investments were made in the opening of new Bónus stores at Norðlingabraut and Holtagarðar and a new Olís service station at Fitjar in Reykjanesbær. Investments were also made in important sustainability-related projects, such as carbonation of cooling systems, etc.
- Financial activities for the period were 2,802 m.ISK, compared to 2,586 m.ISK in the previous year. Repurchases of own shares in the first half of the year amounted to 833 m.ISK and dividend payment in June 2023 amounted to 2,475 m. ISK.
- Cash at the end of August 2023 amounted to 2,726 m.ISK, compared to 2,095 m.ISK at the end of August last year.

Status and future prospects

Operations in the recent quarter proceeded well and quite exceeded plans. The reason can be attributed mainly to stronger results at Olís, but in addition there is increased activity at Hagar's other business section. The increased turnover in groceries has been driven by the effects of inflation on the one hand and increased activity on the other, but the number of items sold has increased and customers visit the stores more frequently than before. In the fuel section of the Group, turnover has decreased considerably, due to the effect of the falling world fuel market price, but the number of litres sold increased slightly during the quarter. The Group's margin in the quarter increases between the years, which can be accredited to Olís, but the margin in grocery remains the same.

Last September, announcement was made that there will be changes to the Group's executive board from the beginning of the next year. Then Mr. Björgvin Víkingsson will take the post of Bónus' manager from Mr. Guðmundur Marteinsson, but he is retiring after more than 30 years with the company.

In January 2023, Hagar entered into a purchase agreement, with reservations, with the owners of Dista ehf. about the purchase of all the capital of the wholesaler. Hagar has now abandoned the agreement and it will therefore not be implemented.

The management's revenue forecast for the operating year 2023/24 assumes that the operating profit before depreciation (EBITDA) will be in the range of 12,250-12,750 m.ISK. The Group's financial position is strong and financing is guaranteed for the long term. There is also short-term financing available in the form of credit lines, amounting to 4.5 b.ISK and USD 12.5. short-term financing is also secured. Recently, the company used short-term financing in the form of promissory notes, but the promissory notes are issued in accordance with the basic description of 10 b.ISK publishing framework approved by the company's board of directors. It can be assumed that the company will look to market financing to a

greater extent in the coming seasons, as evidenced by the issue of a new bond class HAGA120926 1 last September.

Share capital and shareholders

- Hagar's market value at the end of the period amounted to 75.8 b.ISK and the closing price on 31st August 2023 was ISK 68.5/share.
 - On June 1st 2023, the General Meeting agreed to reduce the company's share capital by cancellation of its own shares with a nominal value of 26.2 m.ISK. The reduction was implemented on June 28th 2023, and thus reduced Hagar's share capital from 1,133 m.ISK at a nominal value to 1,106 m.ISK at nominal value, which is registered share capital at the end of the period.
 - The General Meeting also agreed that a dividend would be paid to shareholders for the past year, which amounted to 2.24 ISK per share or 2,475 m.ISK. The dividend was paid on June 13th 2023.
 - The company held no own shares at the end of the period. On August 30th 2023, the company bought its own shares at a nominal value of 7.2 m.ISK with a settlement date and delivery on September 1st 2023. The own shares purchased in the first quarter were part of the shares that were cancelled following the decision of the 2023 General Meeting to reduce the share capital.
 - There were 1,055 shareholders at the beginning of the period and 1,022 at the end. The company's 10 largest shareholders owned 77.0% of the company at the end of the second quarter.
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Online presentation Thursday October 19th 2023

An online presentation for market participants and shareholders will be held on Thursday, October 19 at 08:30, where Finnur Oddsson, CEO, and Guðrún Eva Gunnarsdóttir, CFO, will present the company's operations and performance as well as answer questions.

Questions related to the results will be accepted during the meeting by e-mail address fjarfestakynning@hagar.is and will be answered as possible at the end of the meeting.

The meeting will be streamed and one can register for the meeting here: <https://www.hagar.is/skraning>

Presentation materials will be available on Hagar's website, www.hagar.is, at the beginning of the meeting.

Financial calendar 2023/24

Financial information will be published after the market closing.

Accounting period	Weekday	Publication day
Q3 - March 1 st to November 30 th	Thursday	January 11 th 2024
Q4 - March 1 st to February 29 th	Tuesday	April 23 rd 2024
Annual Meeting 2024	Thursday	May 30 th 2024

Press release
18th October 2023

For further information will be provided by Finnur Oddsson, CEO (fo@hagar.is), and Guðrún Eva Gunnarsdóttir, CFO (geg@hagar.is), by phone 530-5500 or by eMail.

This press release is translated from the Icelandic version which was published on October 19th, 2022. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.
