Press release
October 19th 2021

Net income in Q2 ISK 1.709 million

Hagar's results for the 2nd quarter 2021/22

The Consolidated Interim Financial Statements of Hagar plc. for the second quarter of 2021/22 were approved by the company's board of directors and the CEO at a board meeting on October 19th, 2021. The statements cover the period March 1st 2021 to August 31st 2021. The consolidated interim financial statements include the consolidated financial statements of the company and its subsidiaries and are prepared in accordance to International Financial Reporting Standards (IFRS). The statements have been reviewed by the company's auditors, PricewaterhouseCoopers ehf.

Key figures

- **Sales** in Q2 amounted to 34,885 m.ISK. (2020/21: 30,924 m. ISK.). Sales in 6M amounted to 66,919 m.ISK. (2020/21: 59,165 m. ISK.).
- **Gross margin** in Q2 was 21.2% (2020/21: 23.5%). Gross margin 6M was 21.3% (2020/21: 22.1%).
- **Earnings before interest, depreciation, and taxes (EBITDA)** in Q2 amounted to 3,263 m.ISK. (2020/21: 3,019 m.ISK.). EBITDA 6M amounted to 5,541 m.ISK. (2020/21: 4,316 m.ISK.).
- **Profit** in Q2 amounted to 1,709 m.ISK. or 4,9% of sales (2020/21: 1,321 m.ISK. and 4,3% of sales). Profit in 6M amounted to 2,436 m.ISK. or 3,6% of sales (2020/21: 1,225 m.ISK. and 2,1% of sales).
- **Basic earnings per share** in Q2 were 1.48 ISK. (2020/21: 1.12 ISK.). Basic earnings per share 6M was 2.11 ISK. (2020/21: 1.04 ISK.). Diluted earnings per share in Q2 were 1.47 ISK. (2020/21: 1.12 ISK.). Diluted earnings per share 6M was 2.10 ISK. (2020/21: 1.04 ISK.).
- **Equity** amounted to 26,161 m.ISK. at the end of the period and the **equity ratio** was 40.7% (Year end 2020/21: 25,187 m.ISK. and 40.9%).
- **Management's guidance** for the operating year 2021/22 assumes that EBITDA will be 9,300-9,800 m.ISK.

Operational key points

- **Successful quarter passed** with increased sales but gross margin little below plans.
- **The effect of Covid-19 pandemic** is declining on the group's operations now that Icelanders have commenced travelling again and more tourists are coming to Iceland.
- **Settlement for the sale of Útilíf** completed, and the company was handed over at the end of Q2. Sales profit stated in the income statement Q2 is about 273 m.ISK.
- **Reservations for Hagar purchase of Djús ehf. lifted** and the financial effect of the company's operations occur, in the form of share of profit from associates, as of July 2nd 2021.
- In accordance with the approval of the Annual General Meeting, **agreements on stock options were completed** with the company's key employees. The options enclosed a total of 11.8 m. shares or about 1.0% of the company's shares.
- Last June, **Hagar and Olís signed an agreement with the City of Reykjavík** for the reduction of fuel stations within the city limits, as well as future development of the sites in the Mjódd.
- In September, **Hagar, Reginn, Klasi and KLS holding signed a letter of intent** to establish and operate a robust property development company.

Finnur Oddsson, CEO:

Hagar's performance in the second quarter of the operating year 2021/2022 was good. Sales amounted to 34,885 m.ISK. and increased by 13% compared to the same period last year. Performance of the quarter improved between years, but EBITDA amounted to 3,263 m.ISK. and profit to 1,709 m.ISK., an increase of about 30%. We are pleased with the company's operations in the first half of the operating year, especially the considerable sales growth and profits increase, amounting to 2,436 m.ISK. during the period compared to 1,225 m.ISK. last year.

This turnaround in Hagar's operations in the first half of the year is explained by improved performance in all major business sections, i.e. Bonus, Hagkaup and Olís. Olís operational performance is quite better than last year, but demand has increased alongside growing activity in the society and the number of tourists in the spring and summer. In addition, systematic adjustment in service centres have generated significant efficiency in operating costs. Revenues in grocery retail have continued to grow, and margins strengthened, which delivers improved operations in retail and warehouses.

Hagar's operational modifications, in line with the new strategic emphases, are successful, but they target among others increased focus on the company's core operations, promoting customers connection and reinforce the uniqueness of subsidiaries brands. Sales and settlement of the business sections Útilíf and Reykjavíkur Apótek is completed. Work is continuing to adapt and strengthen the product offering of service centres and stores, including clearer demarcation of offered services, support for innovation and new parties in food production, and the acquisition of Djús ehf. that runs the Lemon restaurant. Work on the development of Hagar's online sales and its subsidiaries is progressing well but is regarded as long-term development and simultaneously the basis will be laid for further utilisation of information technology for decision making and to improve customer services. It is quite pleasant to receive new team members to participate in this journey, but last month, Jóhanna Jónsdóttir became Managing Director of Bananar and Frosti Ólafsson, Managing Director of Olís.

At the end of September, a letter of intent was completed between Hagar, Klasi and Reginn to establish and operate a robust property management company, where Hagar pays for the shares in the company with development assets. This is in line with the present policy, which is expected to involve specialised parties to support the structure and value creation associated with Hagar's sites and properties. It is expected that each owner, i.e. Hagar, Reginn and KLS Holding Company, the present owner of Klasi, will hold about 1/3 of issued shares and that the value of the underlying investment assets will be about 15 b. ISK. We expect that planned co-operation contributes to both faster and more cost-effective growth of developing zones and thus strengthening the value creation for shareholders.

Hagar's operational outlook remains good. The negative impact of Covid-19 is fading, and it is expected that demand on the fuel market will continue to grow with increased activity and growing tourism. It is also assumed that demand for groceries will be fairly stable, but it can be expected that more Icelanders travel abroad in the near future, compared to the previous year, which could slow revenue growth. There is also a reason to draw attention to the forthcoming price increases in raw materials and consumer goods that are disturbing the distribution chains with increased demand in the global economy.

The management's operating guidance for the operational year, is that the group's EBITDA will be in the range of 9,300-9,800 m.ISK. The financial position is strong and the company is therefore well placed to follow new strategic emphases and deal with challenging conditions in the Icelandic economy. As before, it is our objective to promote the customers benefits by making the retail cost-effective, convenient and enjoyable.

The Groups Consolidated Statement of Comprehensive Income

in ISK million	Q2 2021/22 01.06-31.08	Q2 2020/21 01.06-31.08	Change	%	6M 2021/22 01.03-31.08	6M 2020/21 01.03-31.08	Change	%
Sales	34.885	30.924	3.961	12,8%	66.919	59.165	7.754	13,1%
Cost of goods sold	(27.501)	(23.657)	(3.844)	16,2%	(52.686)	(46.069)	(6.617)	14,4%
Gross profit	**7.384**	**7.267**	**117**	**1,6%**	**14.233**	**13.096**	**1.137**	**8,7%**
Gross profit %	**21,2%**	**23,5%**	**-**	**-2,3%**	**21,3%**	**22,1%**	**-**	**-0,9%**
Other operating income	125	85	40	47,1%	229	183	46	25,1%
Profit from the sale of companies	269	--	269	-	349	--	349	-
Salaries and related expenses	(3.182)	(3.064)	(118)	3,9%	(6.432)	(6.340)	(92)	1,5%
Other operating expenses	(1.333)	(1.269)	(64)	5,0%	(2.838)	(2.623)	(215)	8,2%
Profit from operating activities before depreciation and amortisation (EBITDA)	**3.263**	**3.019**	**244**	**8,1%**	**5.541**	**4.316**	**1.225**	**28,4%**
EBITDA %	**9,4%**	**9,8%**	**-**	**-0,4%**	**8,3%**	**7,3%**	**-**	**1,0%**
Depreciation and amortisation	(897)	(1.068)	171	-16,0%	(1.902)	(2.092)	190	-9,1%
Profit from operating activities (EBIT)	**2.366**	**1.951**	**415**	**21,3%**	**3.639**	**2.224**	**1.415**	**63,6%**
Net finance expense	(341)	(419)	78	-18,6%	(731)	(850)	119	-14,0%
Effect of results of associates	90	95	(5)	-5,3%	121	125	(4)	-3,2%
Profit before income tax	**2.115**	**1.627**	**488**	**30,0%**	**3.029**	**1.499**	**1.530**	**102,1%**
Income tax	(406)	(306)	(100)	32,7%	(593)	(274)	(319)	116,4%
Comprehensive income for the period	**1.709**	**1.321**	**388**	**29,4%**	**2.436**	**1.225**	**1.211**	**98,9%**
Total comprehensive income for the period is attributable to:								
Shareholders of Hagar hf.	1.709	1.322	**387**	**29,3%**	2.426	1.228	**1.198**	**97,6%**
Non-controlling interest	--	(1)	**1**	-	10	(3)	**13**	-
	1.709	**1.321**	**388**	**29,4%**	**2.436**	**1.225**	**1.211**	**98,9%**

Comprehensive Income in Q2 2021/22

Sales in the period amounted to 66,919 m.ISK. compared to 59,165 m.ISK. the year before. Sales increase between the years was 13.1%. Retail and warehouse sales increased by 9.5% and sales at Olís increased by 28.1%.

The group's gross profit was 14,233 m.ISK. compared to 13,096 m.ISK. the year before or 21.3% margin ratio compared to 22.1% the previous year.

Profit from the sale of Reykjavíkur Apótek ehf. was 76 m.ISK. and profit from the sale of Útilíf was 273 m.ISK. or total sales profit of 349 m.ISK.

Salaries rose by 1.5% between years, despite a 6% collective wage increase. Non-recurring items during the period amounted to 108.9 m.ISK. kr. due to the accrued cost of stock option agreements and severance payments regarding the retirement of two managing directors. Non-recurring items in the previous year amounted to 86.4 m.ISK.

Other operating expenses increased by 8.2% between years, but the expense ratio is 4.2% compared to 4.4% the year before.

Earnings before interest, depreciation, and taxes (EBITDA) amounted to ISK 5,541 m.ISK, compared to 4,316 m.ISK. the year before. The EBITDA ratio was 8.3%, compared to 7.3% the previous year. EBITDA of retail and warehouses increased by 20.5% between years and EBITDA of Olís increased by 76.9%.

Comprehensive income for the period amounted to 2,436 m.ISK, which is equivalent to 3.6% of sales but comprehensive income in the previous year was 1,225 m.ISK. or 2.1% of sales.

Key figures in Q2

- Sales in Q2 increased by 12.8% between years. Sold units in groceries increased slightly in Q2, but customer visits increased by 1.7%. The average basket size grew by 3.8% in the quarter. The volume increase in fuel litres at Olís was 22.5% between years.
- The gross profit in Q2 in ISK increased by 1.6% between years, but the margin ratio decreased from 23.5% to 21.2%.
- Salaries in Q2 grew by 3.9% from the previous year and other operating expenses grew by 5.0%.
- Salary and cost ratio in Q2 is 12.9% but was 14.0% last year.
- EBITDA in Q2 increases by 8.1% from the previous year. The EBITDA ratio is 9.4% but was 9.8% last year.
- Total profit in Q2 increased by 29.4% between years.

The Group's Consolidated Financial Statement

in ISK million	31.08.2021	28.02.2021	Change	%
Assets				
Non-current assets	48.155	47.816	339	0,7%
Current assets	16.195	13.832	2.363	17,1%
Total assets	**64.350**	**61.648**	**2.702**	**4,4%**
Equity and liabilities				
Share capital	1.154	1.154	--	0,0%
Other equity	25.007	24.035	972	4,0%
Total	**26.161**	**25.189**	**972**	**3,9%**
Non-controlling interest	--	(2)	2	-100,0%
Equity total	**26.161**	**25.187**	**974**	**3,9%**
Non-current liabilities	19.366	18.592	774	4,2%
Current borrowings	2.950	2.957	(7)	-0,2%
Bank borrowings	--	601	(601)	-100,0%
Other payables	15.873	14.311	1.562	10,9%
Total liabilities	**38.189**	**36.461**	**1.728**	**4,7%**
Total equity and liabilities	**64.350**	**61.648**	**2.702**	**4,4%**

Financial key figures 31.08.2021

- The Group's total assets at the end of the period amounted to 64,350 m.ISK. and grew by 2,702 m.ISK. from end of year 2020/21.
- Non-current assets were 48,155 m.ISK. and grew by 339 m.ISK. from end of year. Investment in fixtures and equipment amounted to 854 m.ISK. in the period.
- Current assets were 16,195 m.ISK. and rose by 2,363 m.ISK. from the end of the year.
- Inventories at the end of the period were 9,817 m.ISK. and inventory turnover rate 11.0. Inventories have increased by 1,026 m.ISK. during the operating year and are 1,458 m.ISK. higher than at the same time last year. The inventories increase can largely be attributed to higher fuel inventories. Inventory turnover rate last year was 11.1.
- The credit period for claims is 11.4 days compared to 11.1 day for the same period last year.
- The current ratio is 0.86 and the liquidity ratio is 0.34 at the end of the period. Available short-term financing in the form of credit lines, for the amount of 6.2 b.ISK. at a commercial bank, is secured.
- Equity at the end of the period was 26,161 m.ISK. and the equity ratio 40.7%. Return on equity for the period was 14.7%. Last operating year's equity ratio was 40.9% and return on equity 10.2%. The company had held no own shares at the end of the period.
- The Group's total liabilities at the end of the period amounted to 38,189 m.ISK. but of those, interest-bearing debts amounted to 12,236 m.ISK. and leasing liabilities to 9,356 m.ISK. Net interest-bearing debts, including leasing liabilities, at the end of the period amounted to 21,592 m.ISK. or 2.1xEBITDA. Net interest-bearing debts, excluding leasing liabilities were 1.1xEBITDA.
- Non-indexed bond series, HAGA181021, in the amount of 2,500 m.ISK. was due yesterday, October 18th 2021. The bond series was refinanced by issuing a new 3-year non-indexed bond series, HAGA181024. The issue date of the bonds was October 18th 2021, but the bonds bear a fixed interest rate of 3.72%, paid semi-annually but the principal of the bond is paid in one payment at maturity.

The Group´s Consolidated Cash Flow statement

in ISK million	Q2 2021/22 01.06-31.08	Q2 2020/21 01.06-31.08	Change	%	6M 2021/22 01.03-31.08	6M 2020/21 01.03-31.08	Change	%
Net cash provided by operating activities	2.050	942	1.108	117,6%	4.557	3.603	954	26,5%
Net cash used in investing activities	(416)	(1.282)	866	-67,6%	(854)	(2.140)	1.286	-60,1%
Net cash used in financing activities	(2.014)	(2.246)	232	-10,3%	(3.140)	(2.806)	(334)	11,9%
Net (decrease) increase in cash and cash equivalents	**(380)**	**(2.586)**	**2.206**	**-85,3%**	**563**	**(1.343)**	**1.906**	**-141,9%**
Cash and cash equivalents at beginning of the period	1.331	3.475	(2.144)	-61,7%	388	2.232	(1.844)	-82,6%
Cash and cash equivalents at the end of the period	**951**	**889**	**62**	**7,0%**	**951**	**889**	**62**	**7,0%**

Cash Flow first half of year 2021/22

- Net cash provided by operating activities in the period amounted to 4,557 m.ISK. compared to 3,603 m.ISK. the year before but the change between years can primarily be attributed to the group's improved performance.
- Net cash used in investing activities in the period amounted to 854 m.ISK. compared to 2,140 m.ISK the previous year. Investments for the period are slightly lower than in the previous year when investment in properties, e.g. construction of the new Aðföng cold storage warehouse, amounted to 1,341 m.ISK. The warehouse became operational before last Christmas. Investment in fixtures and equipment amounted to 854 m.ISK., the majority was for renovation of Bónus and Hagkaup stores.
- Net cash used in financing activities for the period were 3,140 m.ISK., compared to 2,806 m.ISK. last year. In June, dividends were paid to shareholders, for the last operating year, in the amount of 1,466 m.ISK. but last year no dividend was paid.

Status and prospects

Hagar and its subsidiaries have in recent quarters been affected by the COVID-19 pandemic, and activities have been marked by actions to limit the consequences of the pandemic and ensure the safety of employees, customers and other partners of the Group. The effect of the pandemic has been rather positive on the grocery section of the group, as sales and results have strengthened slightly. The impact on the Group's fuel section, on the other hand, has been operationally rather negative, especially in the first quarter of the last operating year, but sales and profit are now approaching a normal annual situation.

In light of the circumstances, operations were successful in the first quarter of 2021/22. The comparison with the first quarter of the last operating year was favourable, as that quarter was hit when the declining rate of the Icelandic króna and the global fall in oil prices had a major impact on Olís and Hagar's results. The operating result for the second quarter of 2021/22 was above estimates and somewhat better than last year, which i.a. can be traced to the sale of assets connected to Útilíf's operations. The negative impact of the COVID-19 pandemic on the group's operations has faded, however, as demand for fuel has increased with greater activity in the community and a growth in tourism.

The management's guidance for the operating year assumes that the Group's EBITDA results will be ISK 9,300-9,800 m.ISK. The financial position of the Hagar group is strong and the company is well positioned to deal with challenging economic conditions in Iceland. The group's financing is predominantly secured for the long term and the group has access to short-term financing in the form of credit lines in the amount of 4.5 b.ISK. and USD 12.5 million.

On June 25th 2021, Hagar and Olís signed an agreement with the Municipality of Reykjavík for a reduction in number of fuel stations within the city limits, as well as Hagar's future development of the sites in Mjóddin. More specifically, this is a framework agreement due to planned changes to the facilities of the Olís and ÓB fuel stations and an agreement regarding the planned development of the sites at Álfabakki 7, Álfheimar 49, Egilsgata 5 and Stekkjarbakki 4-6. The agreements will reduce the number of fuel pumps and service stations at Olís and ÓB over the next five years, but the agreement also contains some issues regarding Hagar's future development, a.o. new site lease agreements and licenses for a grocery store at Stekkjarbakki.

At the end of last September Hagar hf., Reginn hf., Klasi ehf. and KLS eignarhaldsfélag ehf. signed a letter of intent for the development and operation of a robust property development company. The letter of intent was made in connection with Hagar and Reginn's planned acquisition of new shares in the property development company Klasi. According to the letter of intent, it is estimated that each owner's holding, i.e. Hagar, Reginn and KLS holding company, the current owner of Klasi, will be about 1/3 of the issued share capital.

Hagar and Reginn will pay for their holdings with development assets. Among Hagar's assets in question is a development zone in Mjódd, i.e. Álfabakki 7 and Stekkjarbakki 4-6, and in the business zone of Sundahöfn, i.e. Klettagarður 27. Simultaneously with Hagar's and Reginn's planned investment in the property development company Klasi, it will be split up so that Klasi's older projects, which are not regarded as development projects, will be transferred to another company that is separate from the planned business. The estimated value of Klasi's underlying investment assets after the proposed transaction will be around 15 b.ISK. and the initial equity ratio is expected to be around 70%. The proposed transactions are made a.o. subject to the results of due diligence and the approval of the Competition Authority.

Share capital and shareholders

- Hagar's market value at the end of the period amounted to 75.1 b.ISK. and the closing price on August 31st was 65.1 ISK. / share.
- Hagar's registered capital at the end of the period amounted to 1,154 m.ISK. The company held no own shares at the end of the period.
- On June 3rd 2021 the Annual Meeting decided to reduce the company's share capital by invalidating own shares at the nominal value of 26.4 m.ISK. The invalidation was effective on July 5th 2021 and the share capital was decreased from 1,181 m.ISK at nominal value to 1,154 m.ISK. at nominal value.
- The Annual Meeting also decided to pay out dividend to shareholders for the last year amounting to 1.27 ISK per share or 1,466 m.ISK. The dividend was paid out on last June 16th.
- On the basis of the agreement of the Annual General Meeting from June 3rd 2021, Hagar's Board of Directors has decided to initiate a buy-back program in the amount of 500 m.ISK. for the purpose of reducing the issued share capital of the company. The implementation of the buy-back program will be announced in more detail in the next few days.
- The number of shareholders were 784 at the beginning of the operating year and 852 at the end of August. The 10 largest shareholders in the company own about 72% of the shares.

Presentation on Wednesday, October 20th 2021

Presentation for the market participants and shareholders will be held at Nauthóll, Nauthólsvegur 106 in Reykjavík on October 20th at 8:30. Finnur Oddsson, CEO, and Guðrún Eva Gunnarsdóttir, CFO, will present the company's operations and results, as well as answer questions.

The meeting will also be cast over the internet at the following URL:
https://vimeo.com/event/1366935/embed/250950380e

Financial calendar 2021/22

Changes have been made in the date of publication of the annual financial statements, which will be published on April 28th 2022, but the announcement of the financial calendar for the year 2021/22 estimated that the publication of the annual financial statements would take place on May 10th 2022. Then the date of the Annual General Meeting has been changed and it will be held on June 1st 2022 but was previously scheduled for June 2nd 2022. Financial information is published after the market closes.

Accounting period	Weekday	Publication day
3Q – September 1st to November 30th.	Wednesday	January 12th 2022
4Q – December 1st to February 28th.	Thursday	April 28th 2022
Annual General Meeting 2022	Wednesday	June 1st 2022

For further information contact Finnur Oddsson, CEO (fo@hagar.is) and Guðrún Eva Gunnarsdóttir, CFO (geg@hagar.is), by telephone 530-5500 or email.

This press release is translated from the Icelandic version which was published on October 19th, 2021. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.
