



Presentation of Q1 2021/22 results

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*This presentation is translated from the Icelandic version which was published on June 28th, 2021. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.

Contents

Highlights from operations

Financial statements

Status and prospects

Quarter in a nutshell: Key figures

Q1 2021/22 (changes from Q1 2020/21)

32,0 b.ISK.

sales

▲ 13,4%

2,3 b.ISK.

EBITDA

▲ 75,6%

727 m.ISK.

profit

▲ *Loss in Q1 2020/21*

21,4%

gross margin

▲ 0,7% pt.

14,8%

salaries- and cost ratio

▼ 1,6% pt.

41,2%

equity ratio

▲ 3,6% pt.

Solid operations and turnaround between years

- **The first quarter was successful with increased sales and margins** at all of the group's business sections.
- **The comparison of results between years is favourable**, but previous year was marked by a negative effect of the weakening of the Icelandic króna's exchange rate, a fall in world oil prices and contraction in traffic due to the COVID-19 pandemic.
- **The effects of COVID-19 is still being felt, and operations in Q1** are partly affected by the authorities' disease control measures to limit the consequences of the pandemic.
- **The number of units sold in grocery stores decreases slightly** in Q1, **but customer visits are now rising again** or by almost 12% between years - the average basket size has now decreased by little over 4%.
- **Large increase in sales and margin improvement at Olís** after a difficult Q1 last year - increase in fuel litres 30% between years.



Stores and warehouses: Operations and profit increase between years

Financial statement Q1 2021/22 (b.ISK.)

- **Strong Q1** as income from groceries, specialty merchandises and warehouses **increased by 9% between years and amounted to 23.5 b.ISK.** EBITDA was 2.0 b.ISK. (8.4%).
- **Groceries retail** business **continues to grow.** Sales at Bónus amounted to almost 16 b.ISK and 5.5 b.ISK. at Hagkaup. Both exceeded expectations.
- **The number of customer visits has risen** with less restrictions, but in contradiction to that the **basket size has decreased slightly.**
- **Solid operations at Aðföng and Bananar** as before. Bananar's sales to 3rd parties grew rapidly with the decreasing effect from COVID.
- **Strong growth in sales and profit** at Útilíf and ZARA specialty stores, but the sales are still a small part of Hagar's total sales.

	Q1 '21/22	Q1 '20/21	Δ	%Δ
Income	23,5	21,7	+1,9	+9%
Expenses	-21,5	-20,1	-1,4	+7%
EBITDA	2,0	1,6	+0,4	+27%
<i>EBITDA %</i>	<i>8,4%</i>	<i>7,2%</i>	<i>+1,2%</i>	<i>+17%</i>
EBIT	1,2	0,8	+0,4	+48%
<i>EBIT %</i>	<i>5,1%</i>	<i>3,7%</i>	<i>+1,4%</i>	<i>+36%</i>



HAGKAUP



ÚTILÍF



Olíuverzlun Íslands: Robust turnaround between years



Financial statement Q1 2021/22 (b.ISK.)

- **Sales in Q1 amounted to 8.8 b.ISK.** and increases by 29% between years. **EBITDA amounted to almost 0.3 b.ISK.** (3.4%) and **increases significantly from the previous year.**
- **Substantial increase in fuel litres sold between years,** or approx. 30%. The same period in **the last operating year was characterised by the first wave of COVID.**
- **Stórkaup the supply store closed during the quarter** due to uneconomical operations, but the most popular products remain available at Hagkaup Skeifan.
- **Streamlining measures** within Olís **yielding noticeable results** in the quarter, and especially when it comes to salaries.

	Q1 '21/22	Q1 '20/21	Δ	%Δ
Income	0,0	6,8	-6,8	-
Expenses	8,8	-7,1	+15,8	+29%
EBITDA	8,8	-0,3	+9,1	+19%
<i>EBITDA %</i>	<i>#DIV/0!</i>	<i>-4,4%</i>	<i>#DIV/0!</i>	-
EBIT	0,0	-0,5	+0,5	-
<i>EBIT %</i>	<i>#DIV/0!</i>	<i>-7,4%</i>	<i>#DIV/0!</i>	-



News from operations: Agreement with Reykjavík City (1/2)

- On Friday June 25th, **Hagar and Olís signed a pact with Reykjavík City** regarding the agreements below, which are based on **Reykjavík City's stated objectives from May 2019 to reduce the number of fuel stations** within the city's perimeter.
 - Framework agreement for future changes of **Olís and ÓB** fuel stations facilities
 - Agreement regarding the future development of the site at **Álfabakki 7**
 - Agreement regarding the future development of the site at **Álfheimar 49**
 - Agreement regarding the future development of the site at **Egilsgata 5**
 - Agreement regarding the future development of the site at **Stekkjarmakki 4-6**



New from operations: Agreement with Reykjavík City (2/2)

- This implies that **12 fuel pumps for 24 cars will be removed** and **Olís service stations at Álfheimar and Álfabakki and ÓB's self-service station at Egilsgata will be closed** in the next 5 years
- The pact also contains **diverse issues regarding the future development of Hagar**
 - **New site leasing agreement** for the sites at Álfabakki 7, Álfheimar 49, Egilsgata 5 and Stekkjarbakki 4-6 - the total size of these sites is ~ 31,000 m² and therefore **excessive future possibilities for the development** of residential, commercial and service housing
 - Hagar is expected to submit a **proposal for local plan** of the sites within 2 years
 - Authorisation to install **2 pumps for 4 cars** on a joint site at Álfabakki 7 / Stekkjarbakki 4-6
 - **A grocery store** is intended at Stekkjarbakki 4-6
 - Authorisation to install **1 pump for 2 cars** on a site in Skeifan 11 or 15¹
 - **Dialog of intention to hand over a site** at Esjumelar for a multi-energy station



News from operations: Sale of Útilíf and Reykjavíkur Apótek

- **The settlement for the sale** of Reykjavíkur Apótek has been **completed** and **the company has been handed over**
- **The effect on Q1 results** due to Reykjavíkur Apótek **is positive** in the income statement
- **All reservations** involving the sale of Útilíf have **been lifted**
- **Útilíf will be handed over** to new owners in Q2



News from operations: Hagar's purchase in Lemon

- Hagar **acquired a half of shares in Djús ehf.**, which owns and operates restaurants under the brand **Lemon**
- The purchase is made **subject to the approval of the Competition Authority**
- Part of **strengthening the product range at Olís service stations**, and is in line with the **increased demand for healthy and fresh choices**
- Other **cooperative possibilities realised** , e.g. sale of Lemon products in Hagar stores



News from operations: Subsidiaries' social (ESG) reports

- **Social responsibility and sustainability** increasingly **gaining weight** within Hagar
- **Hagar's operations have been reviewed** with regard to impact on the environment and society
- Clear **objectives have been set** for Hagar's sections for the current operating year
- **Social (ESG) reports** for **Bónus, Hagkaup and Olís** were **published** for the last operating year
- **Excellent results have already been achieved**, but we are competing **to do better today than yesterday**



News from operations: The first allocation from Uppsprettan, Hagar's Innovation Fund

- **Immense interest in Uppsprettan** from a number of different groups and individuals
- **Dozens of applications** received by the fund for this first allocation
- It is gratifying to see substantial amount of **original and ambitious ideas**
- **The evaluation process completed** and contact has been made with those who receive an invitation for a grant
- **The allocation** will be announced **in the next few days**
- The strategy is **to continue with the fund** in the coming years and add to it further to promote **exciting supply of Icelandic food in grocery stores**



Contents

Highlights from operations

Financial statements

Status and prospects

Increased sales in Q1 and improved profitability between years

Consolidated Financial Statement Q1 2021/22 (b.ISK.)

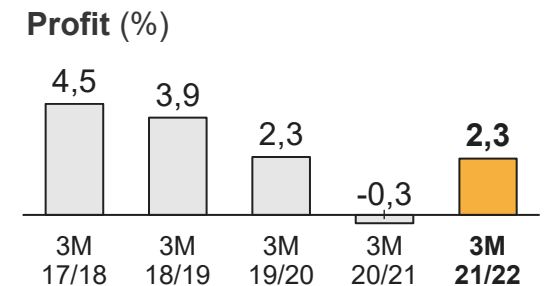
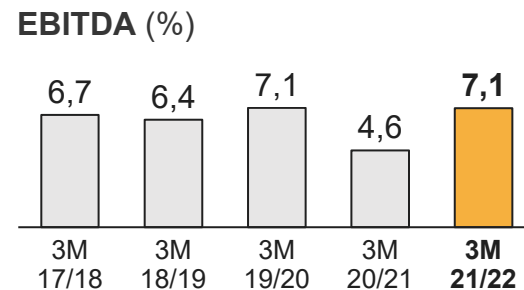
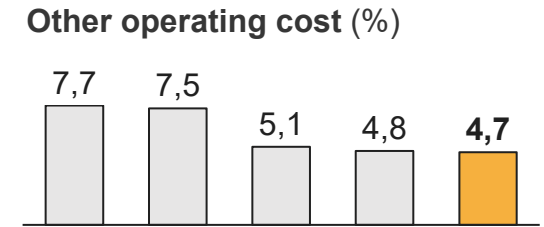
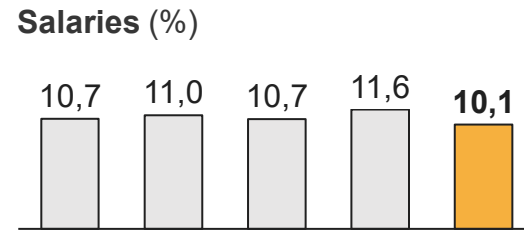
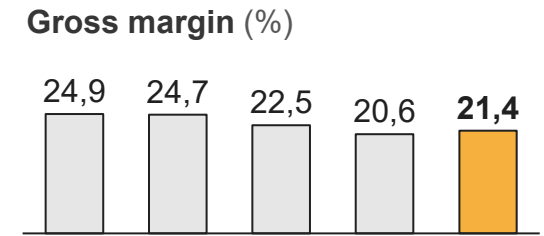
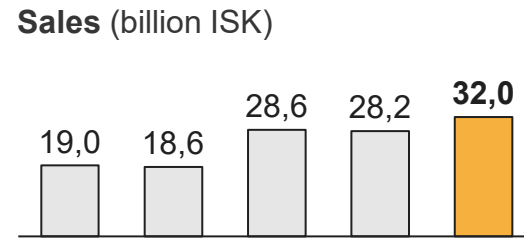
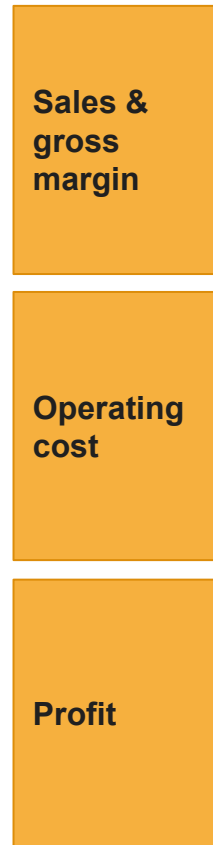
- **Sales increase** about 13.4% between years or 3,8 b. ISK.
- **Gross margin increases** about 17.5% and **margin ratio** increases from 20.6% to 21.4%.
- **Profit from the sale of Reykjavíkur Apótek** was realised at the end of Q1 and amounted to 80 m.ISK.
- **Salaries remained nearly unchanged** despite a 6% collective wage increase.
- **EBITDA** increases about 75.6% from previous year.
- **A sharp turnaround in total profit**, which increased by 823 m.ISK. between years.

	Q1 '21/22	Q1 '20/21	Δ	%Δ
Sales	32,0	28,2	3,8	+13%
Gross profit	6,8	5,8	+1,0	+17%
Other operating income	0,2	0,1	0,1	+88%
Salaries	-3,3	-3,3	0,0	-1%
Other operating expenses	-1,5	-1,4	-0,2	+11%
EBITDA	2,3	1,3	+1,0	+76%
Depreciation	-1,0	-1,0	0,0	-2%
Net finance expense	-0,4	-0,4	0,0	-10%
Profit for the period	0,7	-0,1	+0,8	-

Operational Indicators improve compared to the previous period

Operational key factors (3M 2017/18 – 3M 2021/22)

- **It is imperative to keep in mind that Olís' results** on the group's sales first appeared in Q4 2018/19 and **the impact of the leasing standard IFRS 16** on operating expenses and EBITDA first appeared in Q1 2019/20.
- **Gross margin** has been **declining** in recent years, partly due to the company's changed structure .
- **Salaries and cost ratios** have improved in recent quarters, e.g. due to increased sales and streamlining of operations.
- **The EBITDA ratio** at the end of Q1 was 7.1%, compared to 4.6% in the previous year.
- **Profit ratio** was 2.3% compared to -0.3% last year.



Net cash decreases between comparative periods

Cash flow overview 3M 2021/22 (b.ISK.)

- **Cash from operating activities** at the end of Q1 amounted to 2.5 b.ISK. and decreased compared to the previous year by 154 m.ISK.
- **Investing activities** during the period amounted to 438 m.ISK. **Investment in fixtures and equipment** amounted to 489 m.ISK.
- **The major investments in the period** were the renovation of the Bónus store in Hveragerði and Hagkaup at Akureyri, a change of warehouse in Skútuvogur and purchase of machinery.
- **Financing activities** amounted to 1.1 b.ISK. during the period.
- **Cash increased** by 943 m.ISK. during the quarter and was 1.3 b.ISK. at the end of the period.

	3M 2021/22	3M 2020/21	Change
Profit (loss) for the period	0,7	-0,1	0,8
Adjustments	1,4	1,4	-
Working Capital	2,1	1,3	0,8
Change in current assets	-0,7	-0,1	-0,6
Change in current liabilities	1,5	2,1	-0,6
Interest and taxes paid	-0,5	-0,6	0,1
Cash provided by operating activities	2,5	2,7	-0,2
Investing activities	-0,4	-0,9	0,5
Financing activities	-1,1	-0,6	-0,5
Change in cash	0,9	1,2	-0,3
Cash at the end of Q1	1,3	3,5	-2,2

Strong financial position at the end of the period

Balance sheet May 31st 2021 (b.ISK.)

- **Non-current assets decreased** by 362 m.ISK. from the end of the year, a.o. due to a reduction in leasing properties.
- **Inventories at the end of the period** were 9.0 b.ISK. and **inventory turnover rate** 11.2. Inventories at the end of Q1 last year amounted to 8.1 b.ISK. and a turnover rate of 11.2.
- **Trade receivables increased** by 749 m.ISK. between years and the **credit period of claims** is 10.8 days, which is the unchanged number of days from previous year.
- **Non-indexed bond series** amounting to 2.5 b.ISK. is due next October.
- **Accounts payable increased by** 1.1 b.ISK. from the end of the year but were 677 m.ISK. lower than at the end of Q1 last year.

	31. 5. 2021	28. 2. 2021	%Δ		31. 5. 2021	28. 2. 2021	%Δ
Property, plant and equipment	0,0	23,4	-100%	Borrowings	0,0	9,4	-100%
Intangible assets	23,1	10,5	+119%	Lease liabilities	9,4	7,0	+33%
Other non-current assets	10,5	13,8	-24%	Income tax	6,7	2,2	+203%
Non-current assets	33,6	47,8	-30%	Non-current liabilities	16,1	18,6	-14%
Inventories	0,0	8,8	-100%	Borrowings	0,0	3,6	-100%
Trade receivables	9,0	4,7	+93%	Trade payables	3,0	11,8	-75%
Cash	5,1	0,4	+1212%	Other	12,9	2,5	+417%
Current assets	14,1	13,8	+2%	Current liabilities	15,8	17,9	-11%
Total assets	47,7	61,6	-23%	Total liabilities	31,9	36,5	-13%
Liabilities and equity	47,7	61,6	-23%	Total equity	15,8	25,2	-37%

Return on equity grows between periods

Economical key factors (3M 2017/18 – 3M 2021/22)

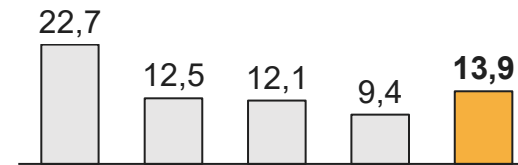
- **Return on equity 13,9%** last 12 months.
- **Equity ratio** at end of Q1 was 41.2% compared to 37.6% at the end of Q1 last year.
- **Net interest-bearing debts** at end of Q1, including leasing debts, were 19.7 b.ISK. or 2,0 x EBITDA.
- **Net interest-bearing debts** at end of Q1, excluding leasing debts were 1.1 x EBITDA.
- **Current ratio** at end of Q1 0,84. The company has access to 6.2 b.ISK. credit lines in ISK and USD.
- **Cash conversion cycle** was 9.6 days compared to 9.1 days for the previous year.
- **Asset turnover ratio** 1.9 at end of Q1 compared to 1.8 at end of Q1 last year. 2019/20.

Shareholder return

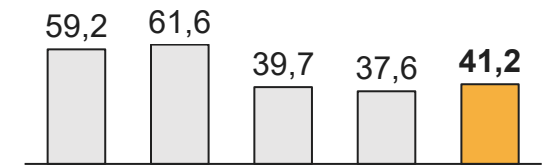
Risk in operations

Efficiency of assets

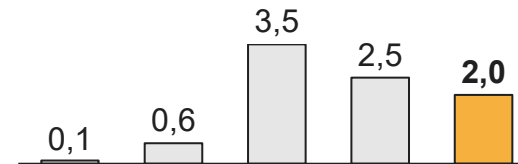
Return on equity (%)



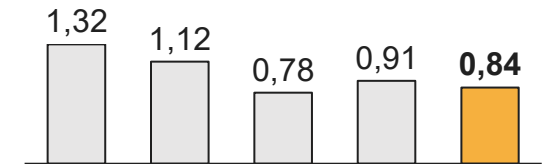
Equity ratio (%)



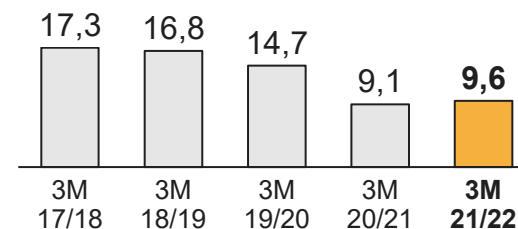
Net debt/EBITDA¹



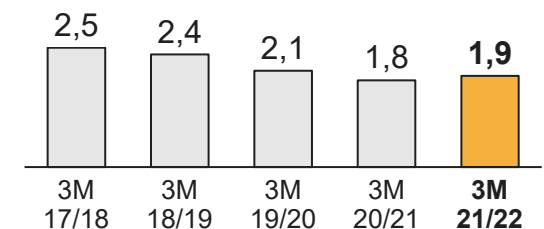
Current ratio²



Cash conversion cycle(days)³



Asset turnover ratio⁴



1) Net interest-bearing debt / EBITDA 2) Current assets / current liabilities 3) Cash conversion cycle = number of inventory days + number of days for accounts receivable - number of days for accounts payable 4) Sales / assets

Contents

Highlights from operations

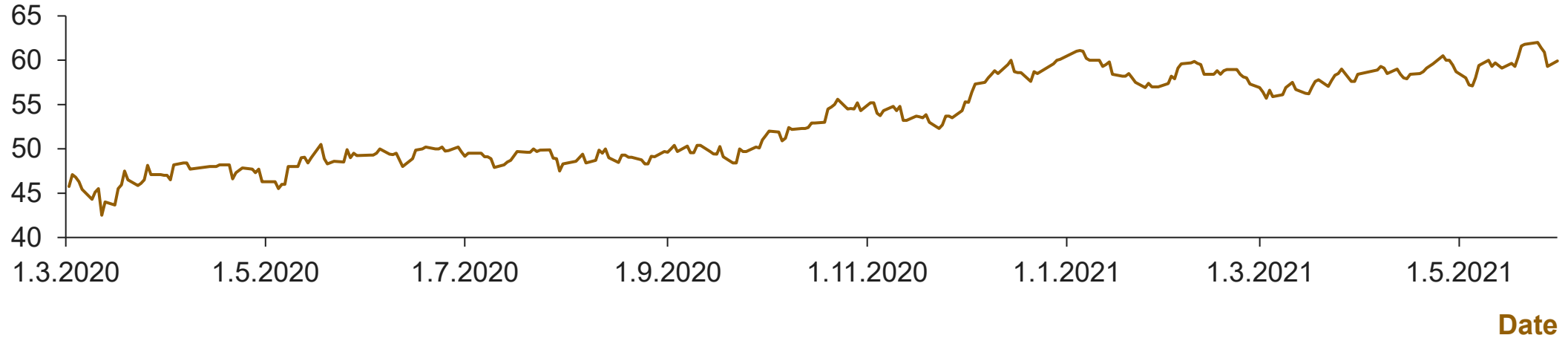
Financial statements

Status and prospects

Market price and largest shareholders

Market price

Market price 31.5.2021: 59.9 ISK/share



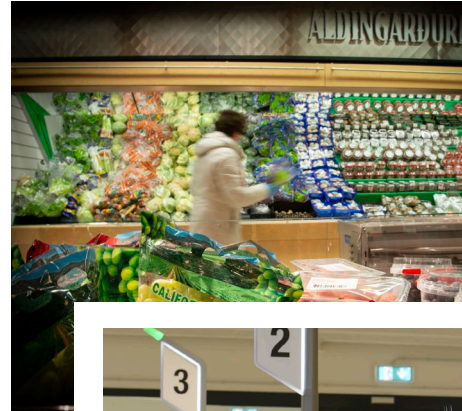
Largest shareholders, shares at closing 31.5.2021

1. Gildi – Pension Fund	17,0%	6. Brú Pension Fund	4,6%
2. LV – Pension Fund of Commerce	11,7%	7. Samherji Ltd.	4,3%
3. LSR – Pension Fund A for State Employees	8,6%	8. Festa – Pension Fund	4,2%
4. Birta Pension Fund	7,4%	9. Icelandic Securities - accounts	2,8%
5. Stapi Pension Fund	5,6%	10. SL Pension Fund	2,8%

Status and prospects



- **Management's guidance** for the year is that EBITDA will be in the range of 8.6 to 9.1 b.ISK.
- **The impact of COVID-19 will probably fade** in the coming weeks and months, and **we expect the tourist summer in Iceland to be good**, both for domestic and foreign tourists.
- **It is likely that Icelanders will increasingly go abroad this summer and autumn**, which will have some effect on **grocery sales in stores**, but to what degree is still uncertain.
- **Strong position of Hagar and its subsidiaries to deal with potential challenges** and changing customer needs.
- **Ongoing follow-up of new strategic emphases**, e.g. Hagar branding, operational efficiency and increased investment in technological solutions.





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