

HAGAR: HAGAR'S RESULTS IN THE 2ND QUARTER 2024/25

Good advancement in operation and sale of Olíudreifing commences

The consolidated interim financial statements of Hagar. for the second quarter 2024/25 was approved by the company's board of directors and CEO at a board meeting on October 17th 2024. The statements cover the period from March 1st 2024 to August 31st 2024. 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 46,579 m.ISK (2.8% increase from Q2 2023/24). Sales in 6M amounted to 90,646 m.ISK (4.4% growth from 6M 2023/24). [Q2 2023/24: 45,309 m.ISK, 6M 2023/24: 86,799 m.ISK.]
- **Gross margin** in Q2 amounted to 10,174 m.ISK (21.8%) and 19,711 m.ISK (21.7%) for 6M. [Q2 2023/24: 9,903 m.ISK (21.9%), 6M 2023/24: 17,975 m.ISK (20.7%)]
- **Earnings before interest, depreciation, and taxes (EBITDA)** in Q2 amounted to 4,014 m.ISK or 8.6% of sales. EBITDA 6M amounted to 7,228 m.ISK or 8.0% of sales. [Q2 2023/24: 4,472 m.ISK (9.9%), 6M 2023/24: 6,993 m.ISK (8.1%)]
- **Profit** in Q2 amounted to 1,723 m.ISK or 3.7% of sales. Profit 6M was 2,573 m.ISK or 2.8% of sales. [Q2 2023/24: 2,084 m.ISK (4.6%), 6M 2023/24: 2,737 m.ISK (3.2%)]
- **Basic earnings per share** in Q2 was 1.59 ISK and 2.37 ISK for 6M. [Q2 2023/24: 1.88 kr., 6M 2023/24: 2.47 ISK]. **Diluted earnings per share** in Q2 was 1.56 ISK and 2.33 ISK for 6M. [Q2 2023/24: 1.84 ISK, 6M 2023/24: 2.42 ISK.]
- **Equity** amounted to 28,282 m.ISK at the end of the period and **equity ratio** was 34.9%. [End of year 2023/24: 28,188 m.ISK and 36.5%]
- **Management's guidance** for the operating year 2024/25 is unchanged and assumes that EBITDA will be 13,800-14,300 m.ISK.

Operational highlights

- **Operations in second quarter proceeded well but sales increase** amounted to 2.8% between the years.
- **In Q2 sold units in groceries decreased** slightly between the years, or by just under 1.0% but **customers visits grew** by 1.6% - increase in Bónus but decrease at Hagkaup.
- **Sold fuel litres declined** by 4.2% in the quarter - large one-time projects in the comparable period offset comparison.
- **Gross margin in ISK grew** by 2.7% year on year and **the margin ratio remained nearly unchanged** at 21.8% in the quarter.
- Preparations for the opening of **a foreign online store with alcohol** continued during the period, and Hagar Wine, a subsidiary of Hagar, opened an online store with alcohol in collaboration with Hagkaup at the beginning of September.
- Bónus and KKÍ entered into a **partnership agreement where Bónus is now one of KKÍ's main partners** and the men's and women's elite leagues will bear the name of Bónus.
- In accordance with the **agreement of the shareholders' meeting** in last August 30th, share options were allocated August 31st for the total of 12.9 m. shares in the company, or which corresponds to 1.17% of the share capital. Of this, 11.0 million assigned to the executive board.
- After the end of the quarter, on last September 26th, it was announced that Hagar and co-owners had decided **to start the formal sale process of the companies' holdings in Olíudreifing**.

Finnur Oddsson, CEO:

Hagar's operations this summer, in the second quarter of the 2024/25 operating year, progressed well and as planned. Through the quarter, sales increased by 2.8% compared to the previous year and amounted to 46,579 m.ISK. The gross margin increased accordingly by 2.7% in ISK, but the gross margin ratio remained unchanged at 21.8%. Although operations progressed well, the results for the quarter declined compared to the previous year, but EBITDA amounted to 4,014 m.ISK and profit 1,723 m.ISK. It should be noted that the results for the same quarter last year were unusually strong in historical context.

The performance of the largest sections under stores and warehouses strengthened between quarters, but the performance of Olís, however, decreased slightly. The explanation for the decline in Hagar's results compared to the previous year therefore lies on the one hand in changes at Olís and on the other in an increase in financial costs. For Olís, it is necessary to observe at the comparison with the same quarter last year, when the volume sold and results were unusually strong, a.o. due to beneficial changes in the fuel world market price and large one-off projects. Olís' income for the quarter was 14.7 b.ISK and fuel sales in litres on schedule, both on the retail market and to bulk users. A good tourist summer, new electric charging stations in partnership with Ísorka and successful cooperation with Wolt and mail delivery services resulted in increased dry goods and catering sales at Olís service stations. Overall, the underlying operations of Olís have continued to strengthen and work is still in progress to strengthen the service offered at the stations. In connection with that, the company's first car wash will open in December under the brand "Glans". Then the formal sale process of Olís and co-owners' shares in ODR has also started.

Income from the operation of stores and warehouses increased by almost 5%, and profits strengthened between quarters. Customer visits are increasing as before at Bónus, but at Hagkaup there was a decline in both units sold and visits. The large fire in Kringlan at the beginning of the summer, the closing of stores and the decrease in the number of visitors, had a negative effect on Hagar's grocery stores in the shopping centre, where the company operates both a Bónus store and a sizable Hagkaup store. It can also be assumed that high base rate of the Central Bank and the rising payment burden of property loans have started to have an effect in grocery stores, which can be seen a.o. that although the customers number continues to increase and the number is at an all-time high, the number of items that getting into each shopping basket is slightly decreasing. The number of customers using the Bónus service, Gripið & Greitt, is increasing, as it is the fastest way to shop and making life easier for customers. The service is now available in seven Bónus stores and four will be added soon. Hagkaup has special emphasis on improving service offered in recent seasons, a.o. with innovations in the store's offered products and increased selection in the online store. Customers have embraced this improved range, which, combined with the streamlining effort, is now delivering stronger quarter-on-quarter performance. The Hagar Wine's online liquor store opened in September and has been well received by customers since day one. Increased demand from satisfied customers and the mechanisation of production processes at Eldum rétt continues to improve profits and more efficient operations, a.o. due to less wrapping use. Activities of other units, i.e., Aðföng, Bananar, Stórkaup and Zara were in line with plans.

In the last few months and quarters, the buying customers behaviour, when it comes to grocery products, has changed slightly, a.o. a shift to less expensive options and moved forward each month. At Hagar's stores, especially Bónus, special emphasis has been placed on helping customers to shop economically, a.o. by offering a more cost-effective alternative to more expensive brands, facilitating purchases in the right quantity, escalating offers, etc. To the same end, retailers' restraint and good cooperation with major suppliers have contributed to falling food inflation, which will benefit households, along with hopefully further declining interest rates.

Overall, we are satisfied with Hagar's operations during the quarter, and it is pleasing that the performance of the main sections on the grocery side continues to strengthen despite the changing purchasing behaviour of customers. The situation and prospects in Hagar's operations are good, but the company's operational sections are strong, the financial status is good, and there are many opportunities for growth in new areas. As before, the company employs excellent group of staff who have the consumers interests as their guiding principle, a.o. by constantly looking for ways to increase efficiency in shopping and make it more convenient and enjoyable. The management's EBITDA guidance for the year is unchanged, 13.8 -14.3 b.ISK.

The Group's Consolidated Income Statement

| in ISK million | Q2 2024/25 | | Q2 2023/24 | | 6M 2024/25 | | 6M 2023/24 | |
|---|---------------|--------------|--------------|---------------|---------------|---------------|--------------|--------------|
| | 01.06-31.08 | 01.06-31.08 | Change | % | 01.03-31.08 | 01.03-31.08 | Change | % |
| Sales | 46.579 | 45.309 | 1.270 | 2,8% | 90.646 | 86.799 | 3.847 | 4,4% |
| Cost of goods sold | (36.405) | (35.406) | (999) | 2,8% | (70.935) | (68.824) | (2.111) | 3,1% |
| Gross profit | 10.174 | 9.903 | 271 | 2,7% | 19.711 | 17.975 | 1.736 | 9,7% |
| Gross profit % | 21,8% | 21,9% | - | 0,0% | 21,7% | 20,7% | - | 1,0% |
| Other operating income | 121 | 210 | (89) | -42,4% | 263 | 404 | (141) | -34,9% |
| Salaries and related expenses | (4.248) | (3.881) | (367) | 9,5% | (8.625) | (7.813) | (812) | 10,4% |
| Other operating expenses | (2.033) | (1.760) | (273) | 15,5% | (4.121) | (3.573) | (548) | 15,3% |
| Profit from operating activities before depreciation and amortisation (EBITDA) | 4.014 | 4.472 | (458) | -10,2% | 7.228 | 6.993 | 235 | 3,4% |
| EBITDA % | 8,6% | 9,9% | - | -1,3% | 8,0% | 8,1% | - | -0,1% |
| Depreciation and amortisation | (1.231) | (1.353) | 122 | -9,0% | (2.612) | (2.482) | (130) | 5,2% |
| Profit from operating activities (EBIT) | 2.783 | 3.119 | (336) | -10,8% | 4.616 | 4.511 | 105 | 2,3% |
| Net finance expense | (746) | (639) | (107) | 16,7% | (1.535) | (1.265) | (270) | 21,3% |
| Effect of results of associates | 127 | 109 | 18 | 16,5% | 152 | 149 | 3 | 2,0% |
| Profit before income tax | 2.164 | 2.589 | (425) | -16,4% | 3.233 | 3.395 | (162) | -4,8% |
| Income tax | (441) | (505) | 64 | -12,7% | (660) | (658) | (2) | 0,3% |
| Comprehensive income for the period | 1.723 | 2.084 | (361) | -17,3% | 2.573 | 2.737 | (164) | -6,0% |

Key figures in the 2nd quarter 2024/25

Sales in Q2 amounted to 46,579 m.ISK and grew by 2.8% year on year. Store and warehouse sales increase amounted to 4.8% but recession in sales at Olís amounting to 1.8% year on year.

Sold units in groceries dropped slightly or by 1.0% year on year but customers visits grew by 1.6% in the quarter. Decline in sold fuel litres at Olís was 4.2% year on year.

Gross margin in Q2 amounted to 10,174 m.ISK and increased by 2.7% from previous year. Gross margin ratio amounted to 21.8% and remained nearly unchanged between the years. Gross margin ratio for groceries grew slightly at the same time as the ratio for the fuel section of the Group declined.

Salaries costs grew by 9.5% and other operating costs increased by 15.5% in Q2. The salaries and cost ratio during the period increases from 12.5% to 13.5% year on year.

EBITDA in Q2 amounted to 4,014 m.ISK and decreased by 10.2% between the years. EBITDA increased by 8.1% in stores and warehouses but downturn in EBITDA at Olís amounted to 39.6%. The Q2 in the previous year was exceptionally strong for Olís in historical context.

The profit for the period amounted to 1,723 m.ISK and decreased by 17,3% year on year.

Operation in the first half year of 2024/25

Sales for the first half of the year amounted to 90,646 m.ISK, compared to 86,799 m.ISK the year before. Sales increase between the years was 4.4%. Sales increase of stores and warehouses was 6.2% and sales increase at Olís amounted to 0.3%.

The gross margin of the Group amounted to 19,711 m.ISK, compared to 17,975 m.ISK the year before, or an increase amounting to 9.7%. The gross margin ratio amounted to 21.7% and grew by 1,0%-point from the previous year. The growth in gross margin ratio applies both to the grocery and fuel sections of the Group.

Salaries costs increased by 10.4% year on year and other operating costs grew by 15.3%. Salaries and cost ratio for the period grew from 13.1% to 14.1%.

EBITDA amounted to 7,228 m.ISK, compared to 6,993 m.ISK the year before. EBITDA-ratio was 8.0%, compared to 8.1% in the previous year. EBITDA of stores and warehouses grew by 9.0% year on year but EBITDA at Olís declined by 10.6%.

Depreciations increased 5.2% year on year and finance expense increased by 21.3%.

The total profit for the period amounted to 2,573 m.ISK, which is equivalent to 2.8% of sales but total profit in the previous year was 2,737 m.ISK or 3.2% of sales.

The Group's Consolidated Balance Sheet

| in ISK million | 31.08.2024 | 29.02.2024 | Change | % |
|-------------------------------------|---------------|---------------|--------------|-------------|
| Assets | | | | |
| Non-current assets | 56.460 | 56.085 | 375 | 0,7% |
| Current assets | 24.505 | 21.129 | 3.376 | 16,0% |
| Total assets | 80.965 | 77.214 | 3.751 | 4,9% |
| Equity and liabilities | | | | |
| Share capital | 1.084 | 1.084 | -- | 0,0% |
| Other equity | 27.198 | 27.104 | 94 | 0,3% |
| Equity total | 28.282 | 28.188 | 94 | 0,3% |
| Non-current liabilities | 24.608 | 23.139 | 1.469 | 6,3% |
| Current borrowings | 6.110 | 5.818 | 292 | 5,0% |
| Other payables | 21.965 | 20.069 | 1.896 | 9,4% |
| Total liabilities | 52.683 | 49.026 | 3.657 | 7,5% |
| Total equity and liabilities | 80.965 | 77.214 | 3.751 | 4,9% |

Financial key figures 31.08.2024

- The Group's total assets at the end of the period amounted to 80,965 m.ISK and increased by 3,751 m.ISK from the end of the year 2023/24.
- Non-current assets were 56,460 m.ISK and increased by 375 m.ISK from the end of the year 2023/24 and current assets amounted to 24,505 m.ISK and have increased by 3,376 m.ISK so far this year.
- Inventories are the largest part of current assets and amounted to 13,085 m.ISK at the end of August. Inventories are just about the same from the years end 2023/24 but have increased by 1,065 m.ISK from the end of Q2 2023/24. The fuel inventory remains nearly the same but grocery and specialty products have increased between the years. The inventory turnover rate is now 11.1 but was 11.0 in the previous year.
- Accounts receivables and other short-term receivables amounted to 8,436 m.ISK and grew by 2,202 m.ISK in the period but accounts receivables are 711 m.ISK higher than at the end of Q2 in the previous year. The credit period for trade receivables is now 13.3 days compared to 12.9 days last year.
- The current ratio is 0.87 and the liquidity ratio 0.41 at the end of the first half year. Access to short-term financing in the form of credit lines in the amount of 6.2 b.ISK at a commercial bank is secured but in addition the company finances itself in the short term by issuing promissory notes.
- Equity at the end of the period was 28,282 m.ISK and equity ratio 34.9%. Return on equity was 17.8%. The equity ratio at the end of the last operating year was 36.5% and the return on equity was 18.1%. The company held own shares of nominal value 22,1 m.ISK at the end of the period.
- The Group's total liabilities at the end of the first half of the year amounted to 52,683 m.ISK of which interest-bearing debts were 17,418 m.ISK and leasing liabilities of 13,062 m.ISK Net interest-bearing debts, including leasing liabilities, at the end of the period was 27,496 m.ISK or 2,1 x 12 months EBITDA.
- Interest-bearing short-term liabilities amounted to 6,110 m.ISK but promissory notes amounted to 2,940 m.ISK and the bond class series HAGA181024 amounted to 2.500 m.ISK. The bond class series have now been refinanced by issuing HAGA 161127 and expansion of the older bond class HAGA 120926 1. The bond class HAGA 161127 amounting to 1,560 m.ISK is bearing fixed interest of 8.60% but HAGA 120926 1 will be of the amount of 3.000 m.ISK following enlargement and will carry variable interest connected to 1 months REIBOR including 1.30% premium.

The Group's Consolidated Cash Flow Statement

| in ISK million | Q2 2024/25 | | Q2 2023/24 | | 6M 2024/25 | | 6M 2023/24 | |
|---|----------------|--------------|----------------|---------------|--------------|--------------|--------------|----------------|
| | 01.06-31.08 | 01.06-31.08 | Change | % | 01.03-31.08 | 01.03-31.08 | Change | % |
| Net cash provided by operating activities | 1.667 | 2.451 | (784) | -32,0% | 5.557 | 5.786 | (229) | -4,0% |
| Net cash used in investing activities | (485) | (777) | 292 | -37,6% | (1.099) | (3.127) | 2.028 | -64,9% |
| Net cash used in financing activities | (2.772) | (1.904) | (868) | 45,6% | (3.301) | (2.802) | (499) | 17,8% |
| Net increase in cash and cash equivalents | (1.590) | (230) | (1.360) | 591,3% | 1.157 | (143) | 1.300 | -909,1% |
| Cash and cash equivalents at beginning of the period | 4.574 | 2.956 | 1.618 | 54,7% | 1.827 | 2.869 | (1.042) | -36,3% |
| Cash and cash equivalents at the end of the period | 2.984 | 2.726 | 258 | 9,5% | 2.984 | 2.726 | 258 | 9,5% |

Cash flow for first half of the operating year 2024/25

- Cash from operating activities in the first half of the year amounted to 5,557 m.ISK, compared to 5,786 m.ISK the previous year.
- Investing activities for the period were 1,099 m.ISK, compared to 3,127 m.ISK the previous year. Investments were mainly made in equipment and internal furnishings, including enlargement and renovations of the Bónus store in Ísafjörður. Further investments were made in digital shelf price tags in Hagkaup and renovations at Hagkaup in Skeifan.
- Financing activities for the period were 3.301 m.ISK, compared to 2,802 m.ISK in the previous year. Own shares have not been bought through the period but in the previous year buy-back amounted to 833 m.ISK. Dividends were paid in June 2024 amounting to 2,522 m.ISK.
- Cash at the end of August 2024 amounted to 2,984 m.ISK, compared to 2,726 m.ISK in August last year.

Status and future prospects

Operation in the second quarter of 2024/25 was in line with plans but slightly below the last years. Is it mainly because of Olís, but performance of Olís last year was unusually strong in a historical context, a.o. due to favourable developments in the world fuel market price and extensive one-off projects. The Group's sales increased by 2.8% from the previous year and the gross margin increased by 2.7% in ISK. Operational costs grew by 11.4% year on year and the EBITDA result for the quarter decreased by 10.2% from the previous year. The group's finance expense rose by 16.7% year on year. Interest rates and inflation are still historically high, and interest charges due to leasing liabilities have risen somewhat between the periods.

The management's profit guidance for the operating year 2024/25 assumes that earnings before interest, depreciation, and taxes (EBITDA) will be in the range of 13,800-14,300 m.ISK. The group's financial position is strong and financing is secured. Access to short-term financing in the form of credit lines, in the amount of 4.5 b.ISK and USD 12.5 m. is secured, but the company has also recently used short-term financing in the form of promissory notes. The issue of the notes is in accordance with the basic description of 10 b.ISK issuing framework approved by the company's board of directors. It can be assumed that the company will continue to use market financing in the coming seasons.

On September 26th, 2024, it was announced that Olís, a subsidiary of Hagar, had reached an agreement with its co-owners to commence the formal sale process of the companies' holdings in Olíudreifing. Olís owns a 40% share, but Olíudreifing is an important infrastructure company in terms of stockpiling and distribution of fuel in Iceland.

Share capital and shareholders

- Hagar's market value at the end of the period amounted to 88.5 b.ISK and closing price on August 31st 2024 was 80.0 ISK/share.
- Hagar's share capital at the end of the period amounted to 1,106 m.ISK. The company had 22.1 million own shares at the end of the period and the outstanding share capital is therefore ISK 1,084 m.ISK.
- On May 30th, 2024, the company's annual general meeting agreed that a dividend would be paid to shareholders amounting to 50.0% of the last fiscal year's profit, or a total of 2,522 m.ISK. The total dividend therefore amounted to 2.33 ISK per share of the outstanding share capital. The dividend was paid on June 7th, 2024.
- In accordance with the agreement of the shareholders' meeting on August 30th, 2024, it was announced on August 31st, 2024 the decision to grant key employees of the company stock options for a total of 12,918,615 shares in the company, or which corresponds to 1.17% of Hagar's share capital when the stock option system was accepted. Of these, 11,037,686 shares were allocated to the Executive Board.
- At the beginning of the period, 968 held shares in the company and 915 at the end. The company's 10 largest shareholders owned 77.58% of the company shares at the end of the second quarter.

Online presentation Friday October 18th 2024

An online presentation for market participants and shareholders will be held on Friday October 18th 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 2024/25

Financial information will be published after the market closing.

| Accounting period | Weekday | Publication day |
|---|-----------|-------------------------------|
| Q3 - March 1 st to November 30 th | Thursday | 16 th January 2025 |
| Q4 - March 1 st to February 28 th | Tuesday | 15 th April 2025 |
| Annual Meeting 2025 | Wednesday | 21 st May 2025 |

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 17th, 2024. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.
