



Sales growth in Q3 and profit 841 m.ISK.

Hagar's results for the 3rd quarter 2021/22

The Consolidated Interim Financial Statements of Hagar plc. for the third quarter of 2021/22 were approved by the company's board of directors and the CEO at a board meeting on January 12th 2022. The statements cover the period March 1st 2021 to November 30th 2021. 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 neither been reviewed nor audited by the company's auditors, PricewaterhouseCoopers ehf.

Key figures

- **Sales** in Q3 amounted to 33,551 m.ISK. (12.6% growth from Q3 2020/21). Sales in 9M amounted to 100,470 m.ISK. (12.9% growth from 9M 2020/21). [Q3 2020/21: 29,787 m.ISK., 9M 2020/2021: 88,952 m.ISK.]
- **Gross margin** in Q3 amounted to 6,916 m.ISK. (20.6%) and 21,149 m.ISK. (21.1%) for 9M. [Q3 2020/21: 6,395 m.ISK. (21.5%), 9M 2020/2021: 19,491 m.ISK. (21.9%)]
- **Earnings before interest, depreciation and taxes (EBITDA)** in Q3 amounted to 2,535 m.ISK. or 7.6% of sales. EBITDA in 9M amounted to 8,076 m.ISK. or 8.0% of sales. [Q3 2020/21: 1,947 m.ISK. (6.5%), 9M 2020/21: 6,263 m.ISK. (7.0%)]
- **Profit** in Q3 amounted to 841 m.ISK. or 2.5% of sales. Profit in 9M amounted to 3,277 m.ISK. or 3.3% of sales. [Q3 2020/21: 448 m.ISK. (1.5%), 9M 2020/21: 1,673 m.ISK. (1.9%)]
- **Basic earnings per share** in Q3 was 0.73 ISK. and 2.84 ISK. for 9M. [Q3 2020/21: 0.37 ISK., 9M 2020/21: 1.42 ISK.]. **Diluted earnings per share** in Q3 was 0.73 ISK. and 2.82 ISK. for 9M. [Q3 2020/21: 0.37 ISK., 9M 2020/21: 1.42 ISK.]
- **Equity** amounted to 26,502 m.ISK. at the end of the period and **equity ratio** 40.3%. [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 10,000-10,500 m.ISK.

Operational key points

- **Operations in Q3 successful** with sales and profit considerably surpassing plans and exceeding last year. **Principal KPI's improve.**
- **Customer visits grow** between years, but average basket size decreases slightly. **Volume increase in fuel litres** in Q3 is about 18.5%.
- **Group's margins in ISK increasing but margin ratio decreases** slightly. Margin in ISK from fuel sales grows but **as of worlds market price escalation and increased sale to bulk users the margin ratio decreases.** Margin in **groceries rises**, both the ratio and amount in ISK.
- **The change of Olís fuel stations service resulted in streamlining of operations.** Ongoing work to **strengthen Olís' core operations in the corporate section** and at the same time strengthen Hagar's services to bulk users.
- **The Bónus Brand** was upgraded and modernised and **store opening hours increased** to improve customer service.
- **Effects of the COVID-19 pandemic** will continue to affect the operations into the next operational year
- In December **Hagar signed a contract to purchase shares** in the property development company Klasi ehf. The purchase is subject to the Competition Authority's approval.
- A new non-indexed **3-year bond series in the amount of 2,500 m.ISK., HAGA181024, issued in Q3.** The bonds were accepted for trading on the Nasdaq Iceland Main Market at the end of December.
- **Increased emphasis on sustainability and social issues**, a.o. in cooperation with Grænvangur, a cooperative platform between the government and the business community on climate issues and green solutions.



Finnur Oddsson, CEO:

The principal characteristic of Hagar's results in the third quarter is improved operations, which can be attributed on the one hand to increased sales and on the other hand to the effect of streamlining work in recent quarters. Sales increased by almost 13% from the previous year and amounted to 33,551 m.ISK. Profitability improved considerably, as Hagar's EBITDA for the quarter was 2,535 m.ISK., or 7.6% of sales. The profit for the quarter amounted to 841 m.ISK. and increased by 88%. In the first 9 months of the year, sales amounted to just over 100 b.ISK. and EBITDA ratio 8%. So far, we are pleased with the company's operations this year and specially to see streamlining of projects result in improved profitability and stronger long-term infrastructure of the company.

The main explanation for the excellent results of the quarter and the first nine months of the year is that all of Hagar's main business units, i.e. Bónus, Hagkaup and Olís, returned significantly better operating results during the period. In relative terms, this is mainly due to improved operations at Olís, where a 33% increase in revenue and lower operating costs so far this year go hand in hand, which a.o. has been achieved with a change of emphasis in the operation of fuel stations. Olís' operating margin during the quarter and so far this year increases in line with increased volumes, but decreases proportionally due to rising world oil market prices and significantly increased sales to bulk users. Revenue in grocery stores, i.e. Bónus and Hagkaup continue to increase and margins have risen, both in percentage and ISK terms, and are now approaching the level of margins that existed before the viral pandemic began in early 2020.

Work on the implementation of Hagar's strategy and improvement projects at business units is progressing well and according to plan. Modifications in the service and product range of fuel stations have resulted in significant operational improvement, and in the third quarter work began on simplifying Olís' sales and supply structure for bulk users. The aim of the work is to strengthen Olís' core operations in this field, but at the same time strengthen Hagar's services to bulk users. Olís' branch network will be reorganised, stations in rural areas will be converted into warehouses and sales offices and customer service will be increased through direct and online sales. Sales of hygiene, operating and healthcare products will be transferred to a new sales unit at Hagar, which is based on the strong purchasing and warehouse infrastructure that already exists. The transfer of these projects will be further prepared in the coming weeks, and the new Hagar unit is expected to start operations in the spring. Simultaneously, an upgrade of the Olís brand is being prepared with changes to the appearance of service stations, product and offered services.

In recent months, the uniqueness of Hagar's brands in the consumer market has been examined and defined, with special emphasis on both external and internal appearances, product ranges and services. The first result of this work became visible in November when the Bónus brand, the piglet, was modernized and the opening hours of stores were extended. It was gratifying to see how lively the discussions were and how well the changes were accepted, as can be seen from the increase in the number of customers during the period. In the coming months, work will be undertaken to redesign Bónus' stores, both outside and inside, in addition to which customers can look forward to seeing the results of similar work for offered services and the appearance of Hagkaup and Olís.

The development of the Hagar Group for the future and response to customers' demands for increased accessibility, efficiency, information and services will to a large extent be based on digital solutions. The first phase of the development of Hagar and its subsidiaries online store will soon be completed, when a new Hagkaup cosmetics store is opened. The design and structure of a new online store serves as a foundation for other digital projects that have already been commenced and will benefit customers later this year.

At the beginning of December, agreements were signed, subject to the approval of the Competition Authority, on Hagar's purchase of new shares in the property development company Klasi ehf. and at the same time a collaboration between Hagar, Reginn hf. and KLS eignarhaldsfélag ehf. (property management company) on the operation and further development of the business. Hagar will pay for its holding with development assets that are not a part of the company's core business, e.g. properties at Stekkjarbakki, Álfabakki, Klettagarður, Álfheimar and Egilsgata. Hagar's contribution is estimated at just over 3.9 b.ISK. and the company's holding in



Klasi will be 1/3 of the issued share capital. With the contribution of the owners, Hagar, Reginn and KLS, the total volume of Klasi's development properties will be close to 280 th. square meters, in addition to the dozen or so rental properties that are intended for sale or further development. The value of Klasi's assets after the transaction will be around 14.8 b.ISK. and the company's initial equity ratio of 79%. With this agreement, an important step is taken in restructuring Hagar's valuable development assets quickly and safely, which promotes positive development in the capital area and will be beneficial to shareholders.

Towards the end of the year, Hagar became the sponsor of Grænvangur, a co-operation platform between the government and the business community on climate issues and green solutions. We look forward to participating in the work of Grænvangur, which coordinates the actions of the government and the business community to achieve carbon neutrality in Iceland in 2040. Measures to reduce greenhouse gas emissions are one of the main themes of Hagar's sustainability policy and it is our policy that Hagar will remain as a leading company in Iceland regarding environmental and social issues.

Hagar's operations have recently been successful and we have seen all key figures in the income statement and balance sheet strengthen in recent quarters. This change can be contributed, a.o. to streamlining projects that were launched towards the end of 2020 and are now having increasing impact. Ahead is similar work that is intended to further improve operations and strengthen the position of Hagar and its subsidiaries, e.g., to sharpen and adapt the brands of subsidiaries, use digital solutions to strengthen operations in all areas of the group, continue to develop product and offered services in accordance with ever-changing consumer behaviour, accelerate the advance of development zones, etc.

Hagar's financial position is strong and the company is in a good position to follow up on the aforementioned work, but at the same time deal with special circumstances created by changed behaviour and consumption patterns due to the pandemic and significant rise in food prices due to global supply chain crashes. Hagar's strength lies in its strong subsidiaries, which have staff who have shown in work, especially in the last two years, that it rises under every challenge and always strives to strengthen the customers' interests with efficient, convenient and enjoyable shopping. The outlook for Hagar's operations is therefore good.

The Groups Consolidated Statement of Comprehensive Income

in ISK million	Q3 2021/22		Q3 2020/21		9M 2021/22		9M 2020/21	
	01.09-30.11	01.09-30.11	Change	%	01.03-30.11	01.03-30.11	Change	%
Sales	33.551	29.787	3.764	12,6%	100.470	88.952	11.518	12,9%
Cost of goods sold	(26.635)	(23.392)	(3.243)	13,9%	(79.321)	(69.461)	(9.860)	14,2%
Gross profit	6.916	6.395	521	8,1%	21.149	19.491	1.658	8,5%
Gross profit %	20,6%	21,5%	-	-0,9%	21,1%	21,9%	-	-0,9%
Other operating income	125	96	29	30,2%	354	279	75	26,9%
Profit from the sale of companies	--	--	--	-	349	--	349	-
Salaries and related expenses	(3.132)	(3.197)	65	-2,0%	(9.564)	(9.537)	(27)	0,3%
Other operating expenses	(1.374)	(1.347)	(27)	2,0%	(4.212)	(3.970)	(242)	6,1%
Profit from operating activities before depreciation and amortisation (EBITDA)	2.535	1.947	588	30,2%	8.076	6.263	1.813	28,9%
EBITDA %	7,6%	6,5%	-	1,0%	8,0%	7,0%	-	1,0%
Depreciation and amortisation	(1.105)	(1.038)	(67)	6,5%	(3.007)	(3.130)	123	-3,9%
Profit from operating activities (EBIT)	1.430	909	521	57,3%	5.069	3.133	1.936	61,8%
Net finance expense	(373)	(381)	8	-2,1%	(1.104)	(1.231)	127	-10,3%
Effect of results of associates	23	25	(2)	-8,0%	144	150	(6)	-4,0%
Profit before income tax	1.080	553	527	95,3%	4.109	2.052	2.057	100,2%
Income tax	(239)	(105)	(134)	127,6%	(832)	(379)	(453)	119,5%
Comprehensive income for the period	841	448	393	87,7%	3.277	1.673	1.604	95,9%
Total comprehensive income for the period is attributable to:								
Shareholders of Hagar hf.	841	448	393	87,7%	3.267	1.676	1.591	94,9%
Non-controlling interest	--	--	--	-	10	(3)	13	-
	841	448	393	87,7%	3.277	1.673	1.604	95,9%

Comprehensive Income for the first 9 months

Sales during the period amounted to 100,470 m.ISK. compared to 88,952 m.ISK. the year before. Sales growth between year was 12.9%. Retail and warehouse sales growth was 6.0% and Olís sales growth amounted to 32.9%.

The Group's gross profit was 21,149 m.ISK., compared to 19,491 m.ISK. the year before or a 21.1% margin ratio compared to 21.9% the year before.

The profit from the sale of Reykjavíkur Apótek ehf. and the sale of Útilíf's assets amounted to a total of 349 m.ISK. during the period.

Salaries rose by only 0.3% between years, despite an increase in salaries due to labour agreements, one-off items due to severance payments regarding the retirement of two managing directors and accrued cost of stock option agreements. Olís' streamlining measures have returned excellent results.

Other operating expenses increased by 6.1% between years, but the cost ratio is 4.2% compared to 4.5% the year before.

Earnings before interest, depreciation and taxes (EBITDA) amounted to 8,076 m.ISK., compared to 6,263 m.ISK. the year before. The EBITDA ratio was 8.0%, compared to 7.0% the previous year. EBITDA of retail and warehouses rose by 18.1% between the years and EBITDA Olís increased by 97.1%.

Comprehensive income for the period amounted to 3,277 m.ISK., which is equivalent to 3.3% of sales, while the comprehensive income for the previous year was 1,673 m.ISK. or 1.9% of sales.

Key figures in Q3

- Sales in Q3 grew by 12.6% between the years. Insignificant changes in the number of units sold in Q3, but customer visits rose by 9.3%. The average basket size decreased by 6.7% during the quarter. The volume increase in fuel litres at Olís was 18.5% between years.
- The Q3 gross profit in ISK increased by 8.1% between years, but the margin ratio decreased from 21.5% to 20.6%. The margin reduction lies in the fuel part of the group, which is mainly due to rising world oilmarket prices and a change in customers configuration.
- Salaries in Q3 were 2.0% lower than in the previous year, mainly due to the effect of streamlining measures at Olís. Other operating expenses increased by 2.0%.
- The salaries and cost ratio in Q3 is 13.4% but was 15.3% the previous year.
- EBITDA in Q3 increased by 30.2% from the previous year. The EBITDA ratio is 7.6% but was 6.5% last year.
- The Q3 total profit increases by 87.7% between years.

The Group's Consolidated Financial Statement

in ISK million	30.11.2021	28.02.2021	Change	%
Assets				
Non-current assets	45.283	47.816	(2.533)	-5,3%
Current assets	20.493	13.832	6.661	48,2%
Total assets	65.776	61.648	4.128	6,7%
Equity and liabilities				
Share capital	1.146	1.154	(8)	-0,7%
Other equity	25.356	24.035	1.321	5,5%
Total	26.502	25.189	1.313	5,2%
Non-controlling interest	--	(2)	2	-100,0%
Equity total	26.502	25.187	1.315	5,2%
Non-current liabilities	21.732	18.592	3.140	16,9%
Current borrowings	455	2.957	(2.502)	-84,6%
Bank borrowings	--	601	(601)	-100,0%
Other payables	17.087	14.311	2.776	19,4%
Total liabilities	39.274	36.461	2.813	7,7%
Total equity and liabilities	65.776	61.648	4.128	6,7%

Financial key figures 30.11.2021

- The Group's total assets at the end of the period amounted to 65,776 m.ISK. and grew by 4,128 m.ISK. from end of year 2020/21.
- Non-current assets were 45,283 m.ISK. and decreased by 2,533 m.ISK. from end of year, which is mainly explained by the reclassification of assets that will be handed over to Klasi as payment for shares in the company. The assets are now classified as assets held for sale and entered at booked value as current assets. Investment in fixtures and equipment amounted to 1,168 m.ISK. during the period.
- Current assets were 20,493 m.ISK. and grew by 6,661 m.ISK. from end of year
- Inventory at the end of the year was 10,776 m.ISK. and inventory turnover 10.2, but seasonal increase in inventory, due to the Christmas season, characterises most of the inventory situation now. Inventory have grown by 1.985 m.ISK. in the operational year, and are 1,355 m.ISK. higher than for the same time last year. The increase in inventories between years can by largest part be attributed to higher fuel inventories, which are caused by higher fuel prices and increased activity. Inventory turnover last year was also 10.2.
- The credit period of receivables is 10.2 days compared to 9.9 days for the same period last year.
- The current ratio is 1.17 and liquidity ratio 0,55 at the end of the period. 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.
- Equity at the end of the period was 26,502 m.ISK. and the equity ratio 40.3%. Return on equity for the period was 16.3%. Last operating year's equity ratio was 40.9% and return on equity 10.2%. The company had 7.8 m. own shares at the end of the period.
- The Group's total liabilities at the end of the period amounted to 39,274 m.ISK. but of that interest-bearing debts amounted to 12,214 m.ISK. and leasing liabilities 9,057 m.ISK. Net interest-bearing debts, including leasing liabilities, at the end of the period amounted to 21,271 m.ISK or 1.8x12 months EBITDA. Net interest bearing debts, excluding leasing liabilities, was 1,0x12 months EBITDA.
- Non-indexed bond series, HAGA181024, in the amount of 2,500 m.ISK. was issued in October to refinance HAGA181021 bond series. The bond series is for 3 years, but the bonds are interest-bearing bonds maturing twice a year and bear a fixed interest rate of 3.72%. The bonds were admitted to trading on the Nasdaq Iceland Main Market on December 29th.

The Group's Consolidated Cash Flow Statement

in ISK million	Q3 2021/22		Q3 2020/21		9M 2021/22		9M 2020/21	
	01.09-30.11	01.09-30.11	Change	%	01.03-30.11	01.03-30.11	Change	%
Net cash provided by operating activities	2.478	2.328	150	6,4%	7.035	5.931	1.104	18,6%
Net cash used in investing activities	(367)	(794)	427	-53,8%	(1.221)	(2.934)	1.713	-58,4%
Net cash used in financing activities	(1.006)	(1.050)	44	-4,2%	(4.146)	(3.856)	(290)	7,5%
Net (decrease) increase in cash and cash equivalents	1.105	484	621	128,3%	1.668	(859)	2.527	-294,2%
Cash and cash equivalents at beginning of the period	951	889	62	7,0%	388	2.232	(1.844)	-82,6%
Cash and cash equivalents at the end of the period	2.056	1.373	683	49,7%	2.056	1.373	683	49,7%

Cash flow in the first nine months of the operational year

- Net cash from operations in the period amounted to 7,035 m.ISK. compared to 5,931 m.ISK. the year before, but the change between years can primarily be attributed to the group's better performance.
- Investing activities for the period amounted to 1,221 m.ISK. compared to 2,934 m.ISK. the previous year. Investments during the period are somewhat lower than in the previous year when investment in properties, e.g., construction of the new cold storage warehouse Aðföng, amounted to 1,694 m.ISK. Investment in fixtures and equipment during the period amounted to 1,168 m.ISK. which was largely due to the renewal of Bónus and Hagkaup stores.
- Financing activities for the period were 4,146 m.ISK. compared to 3,856 m.ISK. the previous year. Dividend was paid to shareholders in June, for the last operating year, amounting to 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 measures 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 positive on the grocery segment of the group, as sales and profit have increased slightly. The effect on operations in the group's fuel segment, however, has been rather negative, especially in the first quarter of the last operating year, but sales and results are now approaching what can be expected in a normal year.

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 devaluation of the Icelandic króna and the fall in world oil prices had a major impact on Olís and Hagar's results. The operating result for the second quarter was above expectations and slightly better than last year, which a.o. can be traced to the sale of assets related to Útílf's operations. Operations in the third quarter were good with total sales and results well above expectations and last year. It can be assumed that the impact of the COVID-19 pandemic could affect the group's operations until the next operating year. The management's guidance for the operating year, which is now coming to an end, assumes that the group's EBITDA will be 10,000-10,500 m.ISK.

The financial position of the Hagar plc. is strong and the company is well positioned to deal with extraordinary circumstances in the Icelandic economy. The group's financing is mostly secured for the long term and access to short-term financing in the form of credit lines in the amount of 4.5 b.ISK. and USD 12.5 m.

On the 3rd December Hagar signed an agreement to purchase shares in the property development company Klasi ehf. but as announced on the last September 24th Hagar, Reginn, Klasi and KLS eignarhaldsfélag signed a statement of intent for further development and operation of the property development company Klasi ehf.

Hagar will pay for its holding in Klasi with development properties that are not part of the company's core business, but the properties are Stekkjarbakki 4-6, Álfabakki 7, Klettagarðar 27, Álfheimar 49, Egilsgata 5, Tjarnarvellir 5 and Nýbýlavegur 1. Hagar's contribution to the transaction is evaluated at just over 3.9 b.ISK. and Hagar's holding in Klasi will be 1/3 of the issued share capital, similar to the holding of Reginn and KLS eignarhaldsfélag. The value of Klasi's assets after the transaction will be around 14.8 b.ISK. and the company's



equity ratio initially 79%. The proposed transactions are made subject to the approval of the Competition Authority, but the due diligence has now been completed.

The effect of the estimated realised profit on the sale of Hagar's properties, less estimated costs of sale, on EBITDA results is approximately 940 m.ISK. and the estimated positive effect on the company's profit after taxes is around 750 m.ISK. There is uncertainty as to whether the financial impact will be felt in the current operating year 2021/22, but the final timing of the transaction is subject to the approval of the Competition Authority.

Share capital and shareholders

- Hagar's market value at the end of the period amounted to 75.6 b.ISK. and the closing price on November 30th was 65.5 ISK. / share.
- Hagar's registered capital at the end of the period amounted to 1,154 m.ISK. The company had 7.8 m. 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 dividend to shareholders for last year amounting to 1.27 ISK per share or 1,466 m.ISK. The dividend was paid on June 16th, 2021.
- Based on 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 at the beginning of the operating year were 784 and 910 at end of November. The company's 10 largest shareholders held about 73.7% of the company's shares at the end of the period.

Online presentation Thursday January 13th, 2022

Online presentation for market participants and shareholders will be held Thursday January 13th at 8:30. The meeting will be cast online, <https://vimeo.com/event/1696586/embed/7dfccd7e38>, where Finnur Oddsson, CEO, and Guðrún Eva Gunnarsdóttir, CFO, will present the company's operations and results, as well as answer questions.

Questions referring to the statements will be accepted while the meeting is in progress at e-mail address fiarfestakynning@hagar.is and will be answered as possible at the end of the meeting.

Presentation papers will be available at the commencement of the meeting at Hagar's webpage, www.hagar.is.

Financial calendar 2021/22

Financial information will be published after the market closes.

Accounting period	Weekday	Publication day
4Q and 1 st December - 28 th February	Thursday	28 th April 2022
Annual General Meeting 2022	Wednesday	1 st June 2022

Press release
12th January 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 January 12th, 2022. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.
