



Presentation of Q4 and annual results 2023/24

Strong year behind with increased sales and improved profit

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*This presentation is translated from the Icelandic version which was published on April 24th, 2024. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.

Overview

Highlights from operations

Financial statements

Status and prospects

Year in a nutshell: Key figures

12M 2023/24 (changes from 12M 2022/23)

173.3 b.ISK

sales

▲ 7.0%

13.1 b.ISK

EBITDA*

▲ 8.5%

5.0 b.ISK

profit*

▲ 1.9%

20.8%

gross margin

▲ 1.6%pt.

13.6%

salaries- and cost ratio

▲ 0.7%pt.

36.5%

equity ratio

▼ 2.3%pt.

* In Q2 and Q3 last year the effect of one-off items on EBITDA amounted to 1.417 m.ISK and profit 1.134 m.ISK.

Quarter in a nutshell: Key figures

Q4 2023/24 (change from Q4 2022/23)

42.8_{b.ISK}

sales

▲ 6.5%

2.8_{b.ISK}

EBITDA

▲ 18.0%

1.2_{b.ISK}

profit*

▲ 62.0%

20.9%

gross margin

▲ 1.7%pt.

14.6%

salaries- and cost ratio

▲ 0.9%pt.

36.5%

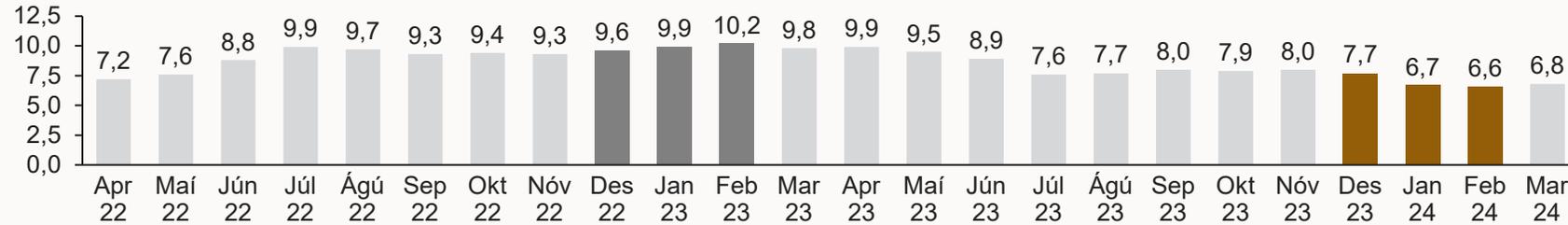
equity ratio

▼ 2.3%pt.

* Klasi Ltd. is an associated company and Klasi's profit therefore affects profit but not EBITDA

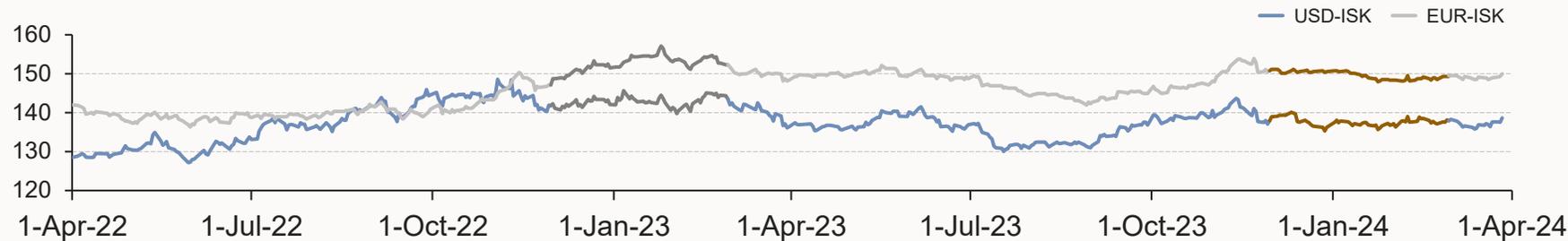
External factors : Inflation down but world fuel prices up in Q4

Consumer Price Index, annual change, %



- **Inflation decreased in the period and closed at 6.6%** - increased then slightly again at the end of the quarter (March 2024)

Exchange rate, ISK



- **The rate of ISK was quite stable** against the major currencies in the period

Price development of ULSD (Diesel), USD / mt



- **World fuel market price rose slightly in the period**, and as an example see ULSD (Diesel) at the side

This stands out in the quarter

- **Operations in Q4 advanced well** - continuing sales increase and better profits
- **Increased activity in groceries**, in sold units and customers visits - **slight decline in sold fuel litres** in Q4 as of decreased activities of fishing companies
- **Profit increases**, a.o. due to **increased demand**, operational **optimisation** and **revenue of Klasi associated company**
- **Gross margin at Olís increases between the years**, connected to lower world fuel market prices - **gross margin ratio of groceries is unchanged** from previous year
- **Labour agreement signed** after the quarter's end, retroactive to February 1st 2024 - **considerable effect on labour costs** at Hagar, but predictability for the next few years is important
- **Special emphasis on supply procurement in the quarter** - discussion with suppliers to counteract price increases and solidify the labour agreements criteria
- **Change of management at Bónus and Olís** on January 1st when Björgvin Víkingsson and Ingunn Svala Leifsdóttir took over
- **Evaluation of strategy and future prospects of Olíudreifing** - conclusion after end of Q4 to **commence preparations for selling procedure**



HAGKAUP

olís

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ELDUM  RÉTT

ZARA



Stores and warehouses: Improved profits due to enlarged activity and impact from Klasi

Income statement Q4 2023/24 (m.ISK)

- **Income** from groceries, specialty products and warehouses **increased by 12% year-on-year** and amounted to just under **32.2 b.ISK**
- **EBITDA strengthened and was 2.65 b.ISK** or 8.2% of revenue – **segment profit strengthens proportionally more**, but there is experienced a.o. **effects from the associated company Klasi**
- **Sold units in groceries increases** by just over 3% year-on-year, and **customer visits increase** extensively or by just over 10%
- **Activity of Eldum rétt advanced well** in the quarter with considerable increase in sold quantity and stronger profits
- **Stórkaup** in a state of growth and **increasing activity**
- **Although price escalations have slowed down** from wholesalers and manufactures **there is existing considerable pressure for price escalations**

	Q4 '23/24	Q4 '22/23	Δ	%Δ
Income	32.165	28.706	3.459	+12,0%
Expenses	-29.515	-26.603	-2.912	+10,9%
EBITDA	2.650	2.103	547	+26,0%
<i>EBITDA %</i>	<i>8,2%</i>	<i>7,3%</i>	<i>+0,9%</i>	<i>+12,5%</i>
Segment profit	2.163	1.246	917	+73,6%
<i>Profit %</i>	<i>6,7%</i>	<i>4,3%</i>	<i>+2,4%</i>	<i>+54,9%</i>

* Segment profit: profit after depreciation and share of profit of associates



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ZARA

Hagkaup: Christmas shopping excellent and profit strengthens between the years

- Sales in Q4 amounted to 7.1 b.ISK and grew by just over 8% from previous year - operations strengthen extensively between the years
- Christmas sales proceeded well and the Hagkaup-Hamburger rack ((smoked glazed pork rack) sold out for the fifth year in a row
- Visits continue to increase but sold units slightly lower - varying by categories, among others due to changes in combination of categories purchased
- Extensive focus on company's revenues, both with operational optimising but also with stores progressiveness, e.g. regarding selection offered, shelf placement, store arrangement and more
- Continuing progress in services offered at Hagkaup - Hagkaup's party dishes with upgraded and refined selections, that have returned considerable sales increase
- Hagkaup the first Icelandic food store chain carbonising all stores - also counteracting energy waste by LED installation and closure of freezers and coolers, that also decreases operational costs
- Special offers and events still well received, i.e. „Tax Free“, Health days, confirmations related events, etc.

HAGKAUP



Bónus: Continuing increased activities with extensive customers growth

- **Sales in Q4 amounted to just over 22 b.ISK** and **grew by just over 14%** from the previous year - revenue improves considerably between the years
- **Continuing increased activity - number of customers grows** and **sold units increase considerably** year-on-year
- **Bónus Christmas sales proceeded well** and the days before the holidays were quite large – **the stores handle increased visits well**, as the **extended opening hours** and **more service channels** (self service and „Gripið & Greitt“)
- Bónus **most often with the lowest commodities price** according to the ASÍ survey - **the most economical choice attractive** and customers behaviour is changing
- **Gripið & Greitt has been extremely well received** - in five stores today - 20 thousand customers have downloaded the App
- The Bónus store at Fitjar in Reykjanesbær remained **open despite lack of heating water** due to the volcanic disaster at beginning of February - “disaster container” was installed and the store is now not dependent on electric and heating plants
- **Björgvin Víkingsson took over as manager of Bónus** on January 1st



Olís: Quarter's operation under plans - strong operational year over-all

Income statement Q4 2023/24 (m.ISK)

- **Income in Q4 amounted to 11 b.ISK** and decreased by 7% year-on-year - lower world fuel prices from previous year
- **Sold fuel litres slightly fewer** - retail market similar year-on-year but slight **decline to bulk users, mainly due to the collapse of the capelin catch**
- **EBITDA amounted to 190 m.ISK (1.7%)** and decreases between the years
- **Profits in Q4 under expectations** - explained a.o. by changes in oil prices and decreased sales to bulk users - **the over-all year is on the other hand one of the strongest operating years in Olís' history**
- **Customers pleased with Olís' offered services** - massive growth year-on-year for both **Grill 66 and Lemon**, and the number of **Dropp deliveries** continues to grow
- **Continuing instalment of electric charging station** in co-operation with Ísorka - **number of stations grew by eight** in the year and will continue to grow **in number this year**
- **Partnership agreement signed between Olís and Travel club 4x4** - includes special offers to members and support for mountain huts operation in the highlands

	Q4 '23/24	Q4 '22/23	Δ	%Δ
Income	11.051	11.929	-878	-7,4%
Expenses	-10.861	-11.626	765	-6,6%
EBITDA	190	303	-113	-37,3%
<i>EBITDA %</i>	<i>1,7%</i>	<i>2,5%</i>	<i>-0,8%</i>	<i>-32,3%</i>
Segment profit	-96	132	-228	-172,7%
<i>Profit %</i>	<i>-0,9%</i>	<i>1,1%</i>	<i>-2,0%</i>	<i>-178,5%</i>

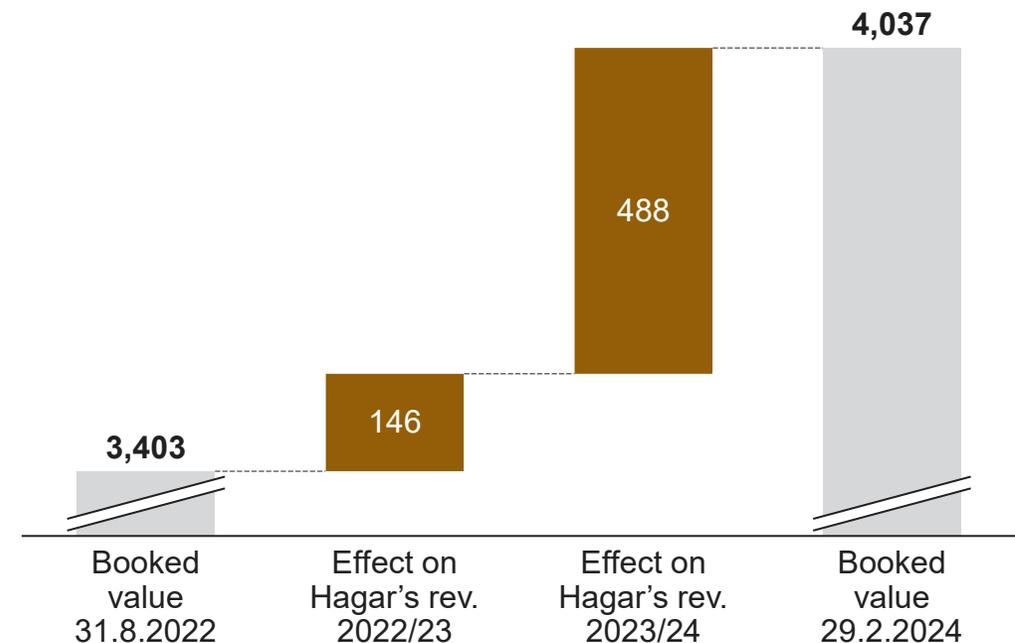
*Segment profit: profit after depreciation and share of profit of associates



Klasi: Klasi's projects proceeding well and still over 300.000 sqm being developed

- Projects of the property management company Klasi **proceeded well last year**
- The company continued to **develop attractive building sites**, prepared **own construction projects**, and proceeded with **sales of already completed sites** to constructors
- As can be observed from Hagar's share in Klasi's revenue, the **Hagar's objectives to escalate value creation on basis of development properties of the group has been successful**
- **The Klasi development projects include building volume of just over 300.000 m²**, but the majority of this space can be ready for constructors **within a year or is already prepared for construction today**
- **Expectations are for Klasi to continue to have positive effects on Hagar's revenue in the coming years**

33,3% ownership of Hagar in associated company Klasi Ltd., *m.ISK*



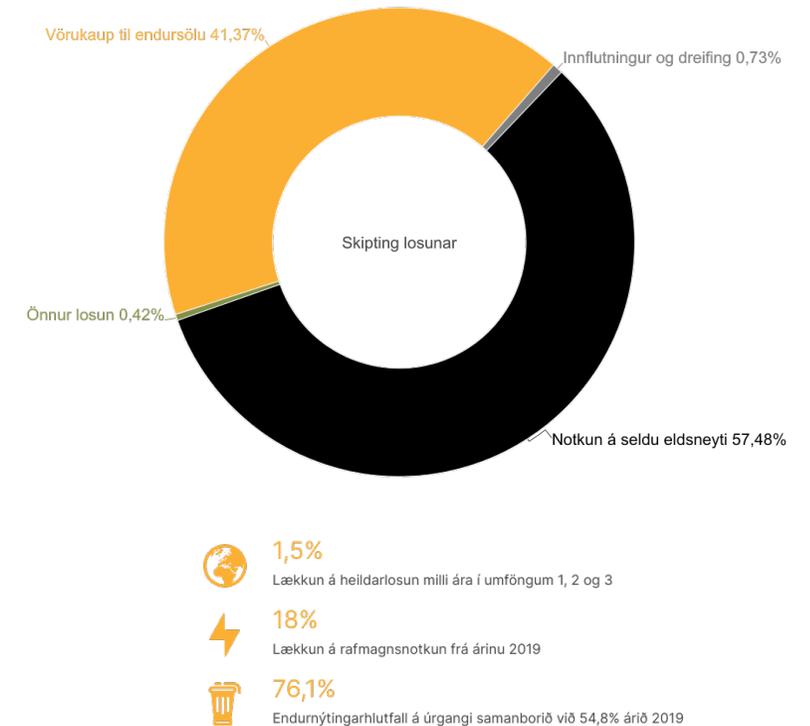
Olíudreifing: Preparations for selling of Hagar's share in progress

- Hagar published on December 1st that **Olís and Festi had in cooperation hired Íslandsbanki Corporate Management Service** to advise on **strategy and future prospects regarding the ownership** of the companies in **Olíudreifing, EAK and EBK**
- **The companies are important insider traders regarding supply and distribution of fuel in Iceland** - the main operation of Olíudreifing is supply and distribution of fuel throughout the country but the main operation of EAK and EBK is supplying and distributing of aviation fuel on the Keflavík Airport
- **This strategy work is now completed** and Olís and Festi have reached an agreement to **commence preparations to offer the companies ownership in Olíudreifing, EAK and EBK for sale. Olís owns 40% share in Olíudreifing, 33,33% share in EAK and 25% share in EBK**
- **Booked value** of these shares at Hagar is about **1,295 m.ISK**
- **Further information on the progress** of the sale will be provided as appropriate



Sustainability: New environmental settlement for non-financial information

- **Strategy and new frame** for Hagar about **sustainability** matters and **non-financial information**
- Analysis of **sustainable related effects, risk and opportunities** in Hagar's operation with the purpose to determine **which sustainable matters are the most important for the company**
- Main emphasis in the company's strategy were upgraded in accordance with results in: **Environment, Human Capital, Customers and Governance**
- New **objectives set and actions for these defined**
- **More extensive information presented on sustainability in Annual Report** than before - the company's sustainability consequences **verified by limited assurance**
- The carbon records have been extended considerably - **include now majority of emission** in the group's value chain
- Noteworthy **success achieved to decrease emission** in recent years



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Decent sales increase and better profits in Q4

Income statement Q4 2023/24 (m.ISK)

- **Sales in Q4 amounted to 42.8 b.ISK and grew** by 6.5% between the years or by 2.6 b.ISK
- **Gross margin in ISK** amounted to 9,0 b.ISK and **grew by 15.7%** between the years
- **Gross margin amounted to 20.9% and grew** by 1.7%-points that **may be traced to Olís' operation** and fluctuations in world fuel market price - the margin ratio for groceries is unchanged
- **Salaries rose** by 11,2% in Q4 - **effects of newly made labour agreements visible**
- **EBITDA grew by 18.0%** between the years
- **Effects from Klasi on profit** amounted to 418 m.ISK in Q4
- **Profit** amounted to 1.2 b.ISK and **grew by 62.0%** from previous year

	Q4 '23/24	Q4 '22/23	Δ	%Δ
Sales	42.788	40.160	2.628	+6,5%
Gross profit	8.952	7.739	1.213	+15,7%
Other operating income	139	179	-40	-22,3%
Salaries	-4.322	-3.886	-436	+11,2%
Other operating expenses	-1.929	-1.626	-303	+18,6%
EBITDA	2.840	2.406	434	+18,0%
Depreciation	-1.261	-1.248	-13	+1,0%
Net finance expense	-731	-503	-228	+45,3%
Profit for the period	1.191	735	456	+62,0%

Strong operating year behind with increased income and profits

Income statement 12M 2023/24 (m.ISK)

- **Annual sales** amounted to 173 b. ISK and **grew by 7.0%** between the years
- **Stores and warehouses sales increases** amounted to 15.1% but **decline at Olís** amounted to 8.7%
- **Gross margin** was 20.8% and increased by 1.6%-points from the previous year - **lies in the fuel section of the Group** but the gross margin in groceries had increased slightly
- **Effects of one-off items** last year was 1.4 b.ISK - booked with other operating income
- **EBITDA increased** by 8.5% between the years - **increased by 23.0% excluding one-off items** last year
- **Profit** amounted to 5.0 b.ISK and **increased** by 1.9% between the years - **increased by 32.2% excluding one-off items**

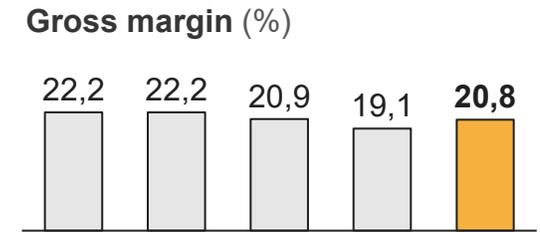
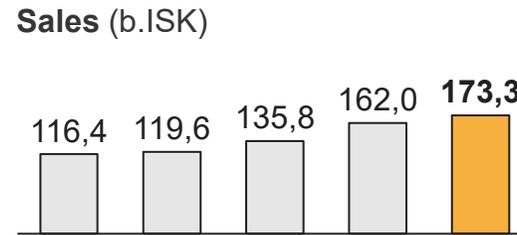
	12M '23/24	12M '22/23	Δ	%Δ
Sales	173.270	161.992	11.278	+7,0%
Gross profit	35.989	30.987	5.002	+16,1%
Other operating income	682	1.997	-1.315	-65,8%
Salaries	-16.229	-14.345	-1.884	+13,1%
Other operating expenses	-7.379	-6.598	-781	+11,8%
EBITDA	13.063	12.041	1.022	+8,5%
Depreciation	-5.028	-4.453	-575	+12,9%
Net finance expense	-2.621	-1.887	-734	+38,9%
Profit for the period	5.044	4.949	95	+1,9%

Good sales increase characteristics of recent years

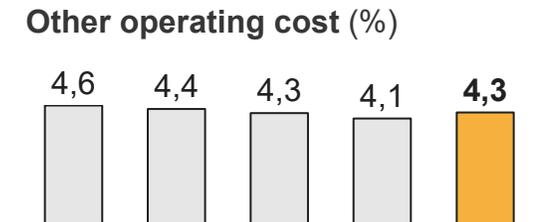
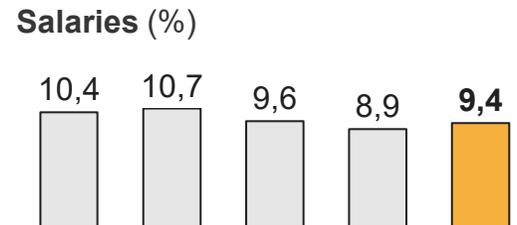
Operational key factors (12M 2019/20 – 12M 2023/24)

- **Good sales increase between the years** - driven by increased activities in operations and inflation effects
- **The gross margin ratio rose** between the years - effects of Olis' stronger operation and due to consequences of **world fuel market prices**
- **Salaries and cost ratios** increased compare to previous year - a.o. due to **effects of extensive salaries and cost ratios** in recent quarters
- **EBITDA ratio** 7.5% in the year in comparison to 7.4% last year (6.6% excluding one-off items) and **profit ratio** 2.9% compared to 3.1% last year (2.4% excluding one-off items)

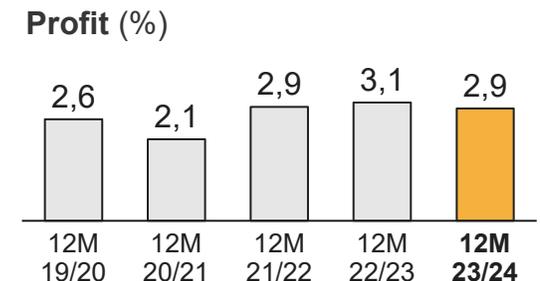
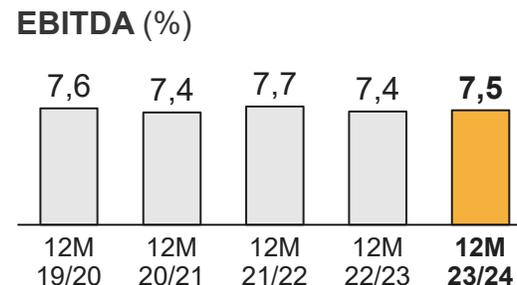
Sales and gross margin



Operating cost



Profit



Cash from operation amounted to 8.7 b.ISK in the operational year

Cash flow statement 12M 2023/24 (m.ISK)

- **Cash from operating activities** amounted to 8.7 b.ISK in the year and decreased in comparison to the previous year by 448 m.ISK
- **Investment activities** amounted to 4.8 b.ISK in the year
- **Invested in property** at Norðlingabraut, including opening of **three new Bónus stores**, a new **Olís' service station** at Fitjar, **sustainably projects, digital development and information technology**
- **Financing activities** amounted to 4.9 b. ISK - there of **buy back by 2.3 b.ISK** and **dividend payment 2.5 b.ISK**
- **Cash decreased** by 1.0 b.ISK in the year and amounted to 1.8 b.ISK at the end of the year

	12M 2023/24	12M 2022/23	Change
Profit for the period	5,044	4,949	95
Adjustments	7,897	6,103	1,794
Working capital	12,941	11,052	1,889
Change in current assets	-648	-1,796	1,148
Change in current liabilities	25	2,253	-2,228
Interest and taxes paid	-3,628	-2,371	-1,257
Cash prov. by operating activities	8,690	9,138	-448
Investment activities	-4,825	-3,962	-863
Financing activities	-4,097	-3,090	-1,817
Change in cash	-1,042	2,086	-3,128
Net cash at the end of year	1,827	2,869	-1,042

Leasing properties and leasing liabilities rise in the year

Balance statement February 29th 2024 (m.ISK)

- **Non-current assets increased** by 5.6 b.ISK between the year - mainly due to investment in properties, operational assets and increase of leasing properties
- **Current assets decreased** by 376 m.ISK in the year due to the reduction of cash
- **Inventory increased** by 351 m.ISK due to inflation effects and increased number of stores - **inventory turnover** 10.6 compared to 11.2 last year
- **Total liabilities amounted to 49.0 b.ISK** and grew by 5.0 b.ISK - increase of leasing liabilities and interest bearing debts
- **Equity** amounted to 28.2 b.ISK and the company held **own shares of** 22.1 m.ISK at nominal value at the end of the year

	29. 2. 2024	28. 2. 2023	%Δ		29. 2. 2024	28. 2. 2023	%Δ
Property, plant and equipment	22.410	21.236	+6%	Borrowings	11.286	11.829	-5%
Intangible assets	12.835	12.430	+3%	Lease liabilities	9.660	7.056	+37%
Other non-current assets	20.840	16.836	+24%	Income tax	2.193	2.216	-1%
Non-current assets	56.085	50.502	+11%	Non-current liabilities	23.139	21.101	+10%
Inventories	13.068	12.717	-	Borrowings	5.818	3.325	+75%
Trade receivables	6.234	5.919	+5%	Lease liabilities	2.579	2.012	+28%
Cash	1.827	2.869	-36%	Trade payables	17.490	17.638	-1%
Current assets	21.129	21.505	-2%	Current liabilities	25.887	22.975	+13%
Total assets	77.214	72.007	+7%	Total liabilities	49.026	44.076	+11%
Liabilities and equity	77.214	72.007	+7%	Total equity	28.188	27.931	+1%

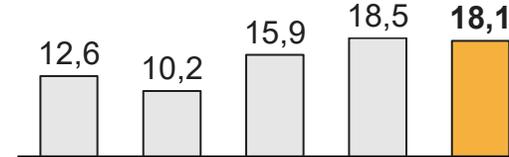
Return on equity high with a historical view

Economic key factors (12M 2019/20 – 12M 2023/24)

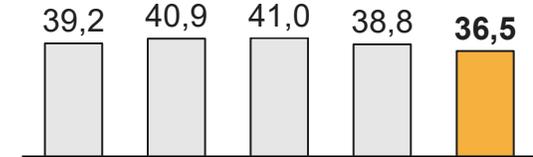
- **Return on equity 18,1%** over the last 12 months
- **Equity ratio** at the end of year was 36,5% - the **board's target is a ratio** of 35,0%
- **Net interest-bearing debt** at the end of year, including leasing liabilities, were 27.5 b.ISK or 2.1 x 12 month EBITDA
- **Current ratio** at the end of year was 0.82 compared to 0.94 the previous year
- **Cash conversion cycle** was 14.4 days compared to 14.5 days the previous year
- **Assets turnover ratio** was 2.3 at year end compared to 2.4 the previous year

Shareholders return

Return on equity (%)

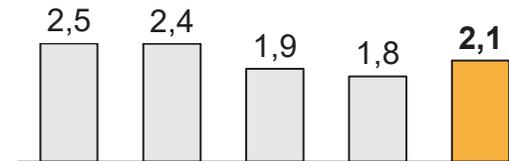


Equity ratio (%)

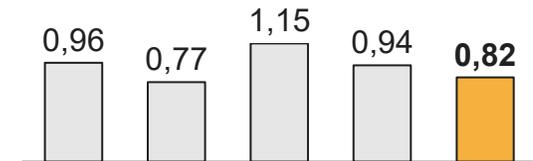


Risk in operations

Net debt/EBITDA¹

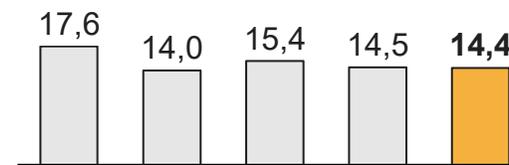


Current ratio²

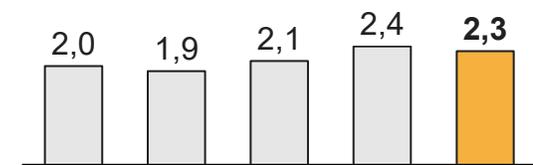


Efficiency of assets

Cash conversion cycle(days)³



Assets turnover ratio⁴



1) Net interest bearing liabilities (including leasing liabilities) / 12 months EBITDA 2) Current assets/ current liabilities
 3) Cash conversion cycle = number of inventory days + number of days for accounts receivables – number of days for accounts payable 4) Sale / assets

Overview

Highlights from operations

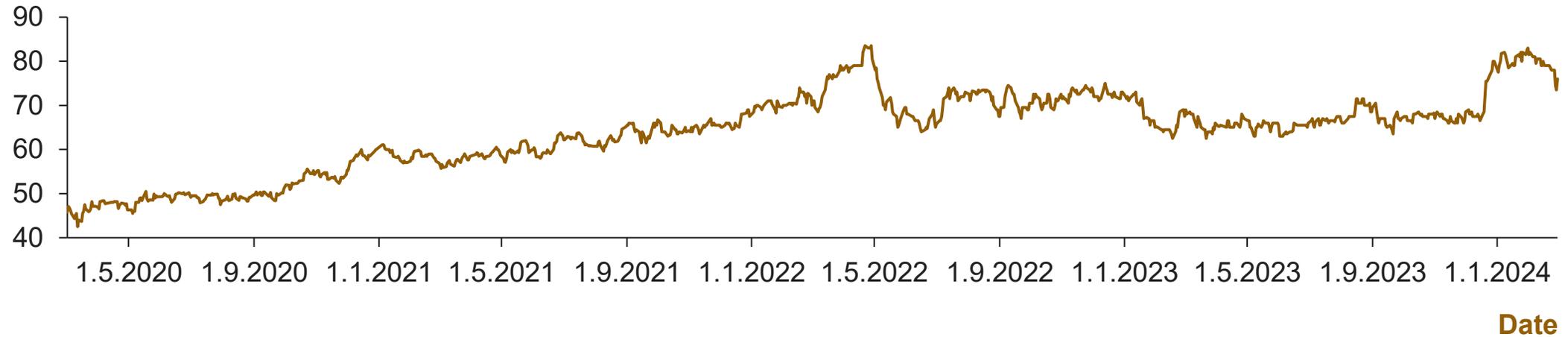
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Market price and largest shareholders

Market price

Closing price 29.02.2024: 76.0 ISK/share



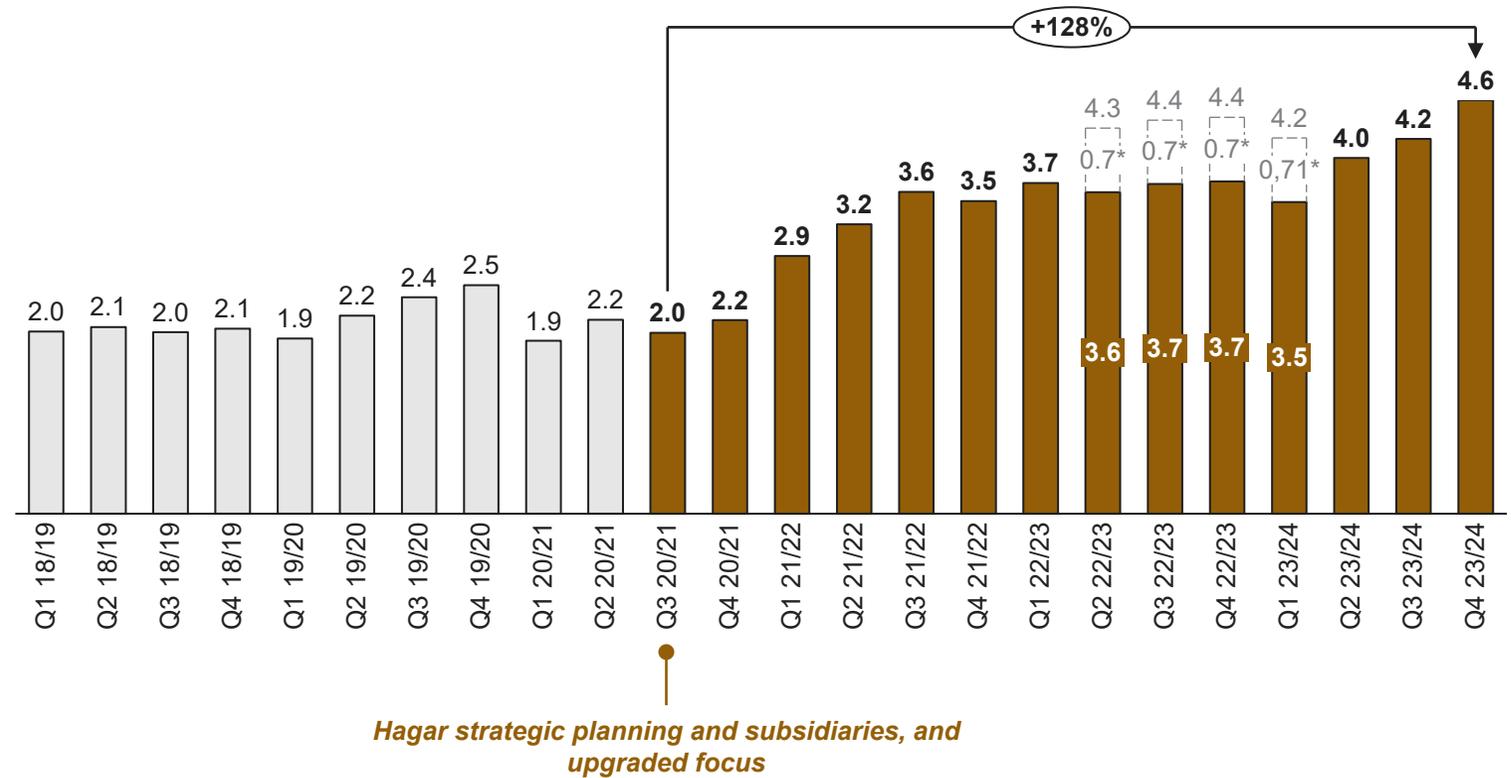
Largest shareholders, shares held at end of 29.02.2024

1. Gildi – Pension fund	18,5%	6. Birta Pension fund	7,7%
2. The Pen.fund for state employees A-div.	11,2%	7. Festa – Pension fund	4,5%
3. The Pension fund of commerce	10,2%	8. SL Pension fund	3,0%
4. Brú Pen. fund, municipalities employees	8,8%	9. Stapi Pension fund	2,8%
5. Kaldbakur Ltd.	7,8%	10. The Pen.fund for state employees B-div.	2,1%

Earning per share continue to grow

Accumulated earnings per share last 12 months (ISK per share)

- **Earnings per share continue to grow** - accumulated profit now **4,59 ISK per share** for the last 12 months, which is a 107% increase from Q3 2020/21
- **Hagar's improved revenue** in the last quarter is based on a general **streamlining of operations, strategic decisions** that have proven to be successful, **new sections and increased activity** in the main operating sections
- Continued focus on **projects that affect short-term operations**, but also on **larger projects that affect the medium and long-term operations**



* Effect of Klasi transaction

Status and prospects



- **Operation has proceeded well** the last months and **prospects are good**
 - **Operational sections doing well** - increased demand and decent profits
 - **The most economical food basket** has hardly ever been more attractive
 - **New pillars in operation and subsidiaries**, e.g. Eldum rétt and Klasi, have **positive effects on profits**
 - **Better balance** (hopefully) being achieved on **supply prices** for stores
 - Improved **predictability** in operation by **new labour agreements** and prospects for **better economical balance in the country**
- Traditional **uncertainties** will impact operation and profits, e.g. **world fuel prices, currency exchange rate, inflation, interests and labour agreements**
- **The management's guidance** for the operating year 2024/25 predicts EBITDA to be in the range of **13,800 - 14,300 m.ISK**
- **Investment plan for the year 2024/25 amounts to 4,500 - 4,800 m.ISK**, which is a decrease from the previous year
- **The standing of the Group is strong** and the company is well positioned to deal with circumstances that may arise in the Icelandic economy





Companies within the Hagar Group



Bónus is a chain of discount stores that, from its founding, has offered the customers the lowest possible food price in Iceland. There are in total 33 stores but the product range covers all the primary household needs.



Hagkaup is a leading retail company which emphasises on excellent service and a wide range of products. There are 7 stores, plus an online store, but the main product categories are food, cosmetics and toys.



Olís specialises in the sale and service of fuel and other oil products, as well as fast food, various essential products for car owners, products for outdoor activities and travel as well as multi-faceted services for e.g. fishing, contracting and transport enterprises throughout the country.



Eldum rétt offers its customers food packages through an online and Hagkaup's stores, with recipes and ingredients in the right amount to cook healthy and tasty meals, with as little effort as possible.



Aðföng is a purchasing and logistics centre for the retail and bulk consumer market, but the company's activities consist of purchases, inventory management and distribution for Bónus, Hagkaup, Olís and Stórkaup stores.



Bananas is the largest importer and distributor of fresh vegetables, fruits and berries in Iceland and also one of the largest import companies in the country. Bananas is also the largest buyer and distributor of domestic vegetable and berry products.



Stórkaup is a wholesaler servicing bulk users with supplies on a broad basis, with operational guiding principles in efficiency, modern level of service and a simple sales organisation and distribution. The main product categories are operational supplies, health products and food products.



Zara is one of the world's largest fashion store chains selling clothing for adults as well as children at decent prices. Hagar manages the elegant Zara store in Smáralind.



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Disclaimer

On behalf of Hagar, attention is drawn to that the statements and information in this presentation are based on, as appropriate, the plans and estimates of the company's directors, but not on facts that may be verified at the publication of the presentation or by any discussion by the company of the presentation. For these reasons the said statements and information constitute a degree of uncertainty.

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