

SALES IN Q2 INCREASED BY 24,4%

Hagar's plc. results in 2nd quarter 2022/23

The Consolidated Interim Financial Statements of Hagar plc. for the second quarter of 2022/23 were approved by the company's board of directors and the CEO at a board meeting on October 19th, 2022. The statements cover the period March 1st 2022 to August 31st 2022. The consolidated interim financial statements include the consolidated financial statements of the company and its subsidiaries and are prepared in accordance to International Financial Reporting Standards (IFRS). The statements have been reviewed by the company's auditors, PricewaterhouseCoopers ehf.

Key figures

- **Sales** in Q2 amounted to 43,399 m.ISK (24.4% growth from Q2 2021/22). Sales in 6M amounted to 81,612 m.ISK (22.0% growth from 6M 2021/22). [Q2 2021/22: 34,885 m.ISK, 6M 2021/22: 66,919 m.ISK.]
- **Gross margin** in Q2 amounted to 8,383 m.ISK (19.3%) and 15,947 m.ISK (19.5%) for 6M. [Q2 2021/22: 7,384 m.ISK (21.2%), 6M 2021/22: 14,233 m.ISK (21.3%)]
- **Earnings before depreciation, interest, and taxes (EBITDA)** in Q2 was 4,369 m.ISK or 10.1% of sales. EBITDA 6M was 7,037 m.ISK or 8.6% of sales. [2F 2021/22: 3,263 m.ISK (9.4%), 6M 2021/22: 5,541 m.ISK. (8.3%)]
- **Profit** Q2 amounted to 2,378 m.ISK or 5.5% of sales. Profit 6M amounted to 3,304 m.ISK or 4.0% of sales. [2F 2021/22: 1,709 m.ISK (4.9%), 6M 2021/22: 2,436 m.ISK (3.6%)]
- **Basic earnings per share** in Q2 was 2.10 ISK and 2.92 ISK for 6M. [Q2 2021/22: 1.48 ISK, 6M 2021/22: 2.11 ISK]. **Diluted profit per share** Q2 was 2.03 ISK and 2.84 ISK for 6M. [2F 2021/22: 1.47 ISK, 6M 2021/22: 2.10 ISK.]
- **Equity** amounted to 26,786 m.ISK at the end of the period and **equity ratio** 38.2%. [End of year 2021/22: 26,726 m.ISK and 41.0%]
- **Managements guidance** for the operating year 2022/23 estimates that the EBITDA will be 10,200-10,700 m.ISK, excluding the effect of the Klasi transactions. The influence of the transactions on the company's EBITDA is about 966 m.ISK.

Operational key points

- **Extensive sales growth (24.4%) in the quarter** compared to the same period last year and the total profit increases considerably, especially due to the Klasi transactions.
- **Units sold in grocery stores in Q2 rose** by 6.2% between years and **customer visits increased** by 12.3% comparing to previous years. **Sold fuel litres** in Q2 decreased by 0.9%.
- **Gross margin in ISK increases** by 13.5% between the years but **the margin ratio decreases** by 1.9%-points, mainly due to increased world fuel marked price compared to previous year.
- Hagar does its best to **counteract rising product prices** and to offer customers products and services at the most **cost-effective prices**. In this way, Hagar contributes to **keeping inflation at bay**.
- In June 2022 **Hagar and the Competition Authority signed a settlement** due to the purchase of new shares in Klasi Ltd. The transactions were finalised at the end of the 2nd quarter and its influence on the EBITDA amounts to 966 m.ISK in the quarter.
- **Mjöll-Frigg Ltd. was sold from the group** in August. The influence of the transaction on the EBITDA were negative by 84 m.ISK.
- On last October 17th **the Competition Authority accepted the Hagar's purchase of all shares of Eldum rétt Ltd.** It is planned that Hagar will take over the company's operations on coming October 31st.

Finnur Oddsson, CEO:

Hagar's operations in the second quarter of the 2022/23 operating year progressed well. Sales increased by more than 24% compared to the same period last year and amounted to 43.4 b.ISK. The profit in the quarter improved between the years, i.a. due to one-off items, but the EBITDA amounted to 4.4 b.ISK and profit to 2,378 m.ISK. We are absolutely satisfied with the company's activities in the first half of the operating year, especially the strong revenue increase and that important milestones have been reached that will strengthen the company for the future.

War conflicts in the eastern part of Europe and disturbance on the raw material and energy markets continue to have a significant impact on all company's activities. Increases and fluctuations in the price of supplies for Hagar's operations remained therefore one of the main issues of the company's management, who have placed special emphasis on ensuring product range while at the same time counteracting rising supply prices and inflation with effective procurement and operations. The escalating price of raw materials to some extent explains the growth in revenues between the quarters, but the main explanations for the improved performance in the quarter are due to two reasons. Firstly, Olís returned considerably better results than last year, but this is achieved due to the benefits of streamlining the company's operations in recent quarters, the impact of growth of foreign tourists and increased activity by bulk users, especially shipping and in tourism. Secondly, there was a profit during the quarter due to the sale of assets related to Hagar's purchase of 1/3 of the shares in Klasi ehf., but the effect on EBITDA is positive by 966 m.ISK. Finally, new strategic focuses and general optimisation measures in recent quarters have resulted in an improvement in operations across the Group.

There continues to be a strong growth in the Group's sale of groceries, around 12%, which is considerably more growth than in the first quarter of the operating year. This increase in sales can be partly attributed to the fact that more customers visit Hagar's stores, a 12% increase in total, and that the number of units sold increased by 6%. We especially observe that the number of Bónus customers is rapidly increasing, as the number of those who look for the most economical shopping option has steadily increased in recent months. The increase in sales can also be attributed to the rising prices of supplies from wholesalers and manufacturers, which leads to higher product prices in Hagar's stores. The performance in grocery sales during the quarter was similar year-on-year.

During the quarter, essential steps were taken in accordance with Hagar's strategic priorities of the last quarters. The most important is competition of the purchase of the Klasi ehf. shares, but the ownership and collaboration through the company aims to accelerate and increase the efficiency of Hagar's development properties progress while making Hagar's operations more concise. After the transaction, Klasi is one of the most potent development companies in the country, whose assets include development sites in the capital area with an estimated building volume of around 280 thousand square metres. In October, the Competition Authority authorised Hagar's purchase of all the shares in Eldum rétt ehf. The purchase is part of Hagar's and its subsidiaries response to a changing consumption behaviour and an increased focus on healthy but simple solutions that save time and reduce food waste. More products of Hagar's digital drive came afloat, but Hagkaup's new online store with toys became live this week. Work on other digital projects is progressing well and aims to ensure the basic operation of information systems even better across the Hagar Group, while at the same time enhancing customer service. Updating the image and service offering of Hagar's companies in the last few months has been successful. The longer opening hours in most of Bónus' stores have been extremely well received, and the same can be said for the updated appearance and product range of Olís service stations. Service stations have been better adapted to the needs of customers with changed service offerings and improved facilities, but there are further improvements to come, e.g. with the development of a network of fast charging stations in collaboration with Ísorka. At Hagkaup the selection of convenient and delicious options has been increased, i.a. with an exciting collaboration with Sælkerabúðin and Icelandic small producers and entrepreneurs in food production.

All in all, we are satisfied with the results we achieved last quarter, to say the least, in challenging conditions, rising supply prices and general uncertainty regarding the development of important



operational features. Our biggest task will continue to be to ensure the supply of necessities while at the same time taking care of efficiency in all our activities, to restrain price increases for consumers and inflation. The excellent staff of Hagar and its subsidiaries are observant, day and night, over this project, and the increasing number of customers is an incentive for us to continue that path. Hagar's financial position is sound, and the company is well equipped to deal with the challenging conditions and uncertainty that lies ahead in the Icelandic economy.

The Group's Consolidated Statement of Comprehensive Income

in ISK million	Q2 2022/23	Q2 2021/22	Change	%	6M 2022/23	6M 2021/22	Change	%
	01.06-31.08	01.06-31.08			01.03-31.08	01.03-31.08		
Sales	43.399	34.885	8.514	24,4%	81.612	66.919	14.693	22,0%
Cost of goods sold	(35.016)	(27.501)	(7.515)	27,3%	(65.665)	(52.686)	(12.979)	24,6%
Gross profit	8.383	7.384	999	13,5%	15.947	14.233	1.714	12,0%
Gross profit %	19,3%	21,2%	-	-1,9%	19,5%	21,3%	-	-1,7%
Other operating income	147	125	22	17,6%	349	229	120	52,4%
Profit from sale of assets	882	269	613	227,9%	882	349	533	152,7%
Salaries and related expenses	(3.438)	(3.182)	(256)	8,0%	(6.881)	(6.432)	(449)	7,0%
Other operating expenses	(1.605)	(1.333)	(272)	20,4%	(3.260)	(2.838)	(422)	14,9%
Profit from operating activities before depreciation and amortisation (EBITDA)	4.369	3.263	1.106	33,9%	7.037	5.541	1.496	27,0%
EBITDA %	10,1%	9,4%	-	0,7%	8,6%	8,3%	-	0,3%
Depreciation and amortisation	(1.099)	(697)	(202)	22,5%	(2.120)	(1.902)	(218)	11,5%
Profit from operating activities (EBIT)	3.270	2.366	904	38,2%	4.917	3.639	1.278	35,1%
Net finance expense	(426)	(341)	(85)	24,9%	(970)	(731)	(239)	32,7%
Effect of results of associates	94	90	4	4,4%	138	121	17	14,0%
Profit before income tax	2.938	2.115	823	38,9%	4.085	3.029	1.056	34,9%
Income tax	(560)	(406)	(154)	37,9%	(781)	(593)	(188)	31,7%
Comprehensive income for the period	2.378	1.709	669	39,1%	3.304	2.436	868	35,6%
Total comprehensive income for the period is attributable to:								
Shareholders of Hagar hf.	2.378	1.709	669	39,1%	3.304	2.426	878	36,2%
Non-controlling interest	--	--	--	-	--	10	(10)	-
	2.378	1.709	669	39,1%	3.304	2.436	868	35,6%

Key figures in Q2

Sales in Q2 increased by 24.4% between the years. Units sold in grocery stores grew by 6.2% and customers visits rose by 12.3%. Fuel litres sales at Olís in Q2 decreased by 0.9% between the years.

Gross Margin in Q2, measured in ISK, grew by 13.5% between years but the margin ratio fell from 21.2% to 19.3%, mainly due to higher fuel world marked price compared to previous year.

Profit from sales of assets amounted to 882 m.ISK in Q2 but thereof the realised profit minus sales costs on the sale of assets in the Klasi transactions amounted in total to 966 m.ISK. Sale loss of the amount 84 m.ISK was realised due to the sale of Mjöll Frigg in the period. Útilíf's assets sales profit in the previous year amounted to 269 m.ISK.

Salaries costs ratio in Q2 is 11,6% but was 12,9% in the previous year.

EBITDA in Q2 was 4,369 m.ISK compared to 3,263 the previous year. EBITDA-ratio was 10.1% but was 9.4% the previous year.

Total profit in Q2 amounted to 2,378 m.ISK and rose by 39.1% between the years.

Comprehensive Income in Q2 2022/23

Sales for the period amounted to 81,612 m.ISK, compared to 66,919 m.ISK the year before. Sales increase between the years amounted to 22.0%. Sales increase of stores and

warehouses amounted to 7.8% and sales increase at Olís was 52.8%.

Units sold in grocery stores increased by 3.9% and customers visits grew by 11.3%. Increased fuel volume sales at Olís in the first half of the year was 6.8%.

The groups gross margin was 15,947 m.ISK, compared to 14,233 m.ISK the year before, or an increase amounting to 12.0%. Margin ratio decreased on the other hand and was 19.5% compared to 21.3% in the previous year. Margin in ISK for the period increased mainly due to increased sales to fuel bulk users and increased sales at Bónus.

Salary costs grew by 7.0% between the years but the salary cost ratio fell from 9.6% to 8.4% in the period. Other operational expenses grew by 14.9% between the years but the costs ratio is now 4.0% compared to 4.2% the year before.

Earnings before depreciation, interest, and taxes (EBITDA) amounted to 7,037 m.ISK, compared to 5,541 m.ISK the year before. EBITDA-ratio was 8.6%, compared to 8.3% in the previous year. EBITDA of stores and warehouses fell by 0.8% between the years but Olís EBITDA grew by 143.9%, a.o. due to sold assets in the Klasi transactions.

Total profit for the period amounted to 3,304 m.ISK, which is equivalent to 4.0% of sales but the total profit in the previous year was 2,436 m.ISK or 3.6% of sales.

The Group's Consolidated Financial Statement

in ISK million	31.08.2022	28.02.2022	Change	%
Assets				
Non-current assets	48.484	45.064	3.420	7,6%
Current assets	21.597	17.740	3.857	21,7%
Assets held for sale	--	2.388	(2.388)	-
Total assets	70.081	65.192	4.889	7,5%
Equity and liabilities				
Share capital	1.126	1.139	(13)	-1,1%
Other equity	25.660	25.587	73	0,3%
Equity total	26.786	26.726	60	0,2%
Non-current liabilities	21.543	20.950	593	2,8%
Current borrowings	2.194	451	1.743	386,5%
Other payables	19.558	17.065	2.493	14,6%
Total liabilities	43.295	38.466	4.829	12,6%
Total equity and liabilities	70.081	65.192	4.889	7,5%

Financial key figures 31.08.2022

- The Group's total assets at the end of the period amounted to 70,081 m.ISK and grew by 4,889 m.ISK from the end of 2021/22.
- Non-current assets amounted to 48,484 m.ISK and increased by 3,420 m.ISK from the end of year 2021/22. A major factor is Hagar's ownership in Klasi, which is accounted for in the books at the end of August.
- Current assets, including properties for sale, were 21,597 m.ISK and grew by 1,469 m.ISK from the end of 2021/22.
- Inventory at the end of August was 12,419 m.ISK and inventory turnover rate was 10.8. Inventory has grown by 2,602 m.ISK from the end of Q2 2021/22, but the increase in inventory can almost entirely be attributed to higher fuel inventory, which is caused by a sharp fuel price rise between years and greater activity. The inventory turnover ratio last year was 11.0. Inventory has increased by 1,712 m.ISK from the end of 2021/22, for the same reason as outlined above.
- Receivables decrease by 833 m.ISK during the period and the credit period of receivables is now 12 days, compared to 11.4 days last year.
- The current ratio is 0.99 and the liquidity ratio 0.42 at the end of the 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.
- Equity at the end of the period was 26,786 m.ISK and an equity ratio of 38.2%. Return on equity was 18.6%. The equity ratio at the end of the last operating year was 41.0% and the return on equity was 15.9%. The company held 7.0 m. of own shares at the end of the period.
- The Group's total liabilities at the end of the first half year amounted to 43,295 m.ISK of which interest-bearing debts were 14,073 m.ISK and leasing liabilities 9,234 m.ISK. Net interest-bearing debt, including leasing liabilities, at the end of the period was 21,212 m.ISK or 1.8 x 12 months EBITDA. Net interest-bearing debt, excluding leasing liabilities, was 1.0 x 12-month EBITDA.

The Group's Consolidated Cash Flow Statement

in ISK million	Q2 2022/23 01.06-31.08	Q2 2021/22 01.06-31.08	Change	%	6M 2022/23 01.03-31.08	6M 2021/22 01.03-31.08	Change	%
Net cash provided by operating activities	2.785	2.050	735	35,9%	4.755	4.557	198	4,3%
Net cash used in investing activities	(353)	(416)	63	-15,1%	(857)	(854)	(3)	0,4%
Net cash used in financing activities	(1.550)	(2.014)	464	-23,0%	(2.586)	(3.140)	554	-17,6%
Net increase in cash and cash equivalents	882	(380)	1.262	-332,1%	1.312	563	749	133,0%
Cash and cash equivalents at beginning of the period	1.213	1.331	(118)	-8,9%	783	388	395	101,8%
Cash and cash equivalents at the end of the period	2.095	951	1.144	120,3%	2.095	951	1.144	120,3%

Cash flow for the first half of the operating year 2022/23

- Net cash provided by operating activities in the first half year 2022/23 amounted to 4,755 m.ISK compared to 4,557 m.ISK in the previous year.
- Net cash used in investing activities in the first half of the year were 857 m.ISK compared to 854 m.ISK last year. Investment in fixtures and equipment amounted to 992 m.ISK during the first half of the year, which among others is due to the opening of a new Bónus store at Norðurtorg in Akureyri, the renovation of Bónus' and Hagkaup's stores, as the renovations of Olís service stations.
- Net cash used in financing activities for the period were 2,586 m.ISK, compared to 3,140 m.ISK last year. Buy-back of own shares in the first half of the year amounted to 1,000 m.ISK and dividend payment in June 2022 amounted to 2,265 m.ISK.

Status and future prospects

It can be said that the group's operations have returned to more normal shape compared to the last two operating years, as the effects of the COVID-19 pandemic have been declining. Travel by nationals abroad has increased and the number of foreign tourists in Iceland has grown, which affects demand in the markets for daily groceries and fuel. However, disruptions are still felt in food production and in the supply chain, both due to the remnants of the pandemic and the war in Ukraine, which has led to rise in food prices, increased inflation, and higher interest rates. Hagar will, as before, place particular emphasis on contesting rising product prices for consumers and thus contribute to keeping inflation low and ensuring customers products and services at the most affordable prices.

The management's guidance assumes that the operating profit before depreciation (EBITDA) of the Hagar group for the operating year 2022/23 will be in the range of 10,200-10,700 m.ISK, excluding the effects related to the sale of assets to Klasi. The effect of those transactions on the group's EBITDA is about 966 m.ISK.

The revised investment plan for the year amounts to 3.0 b.ISK. The initial investment plan amounted to 4.0 b.ISK but now it is clear that the investment in a property at Norðlingabraut 2 will be transferred to the next operating year. The main points of the plan are due to investments in digital development and information technology, the renovation of Bónus and Hagkaup stores together with the renovation of Olís service stations.

The financial status of the Hagar's plc group. is strong and the company is well prepared to deal with challenging conditions in the Icelandic economy. The group's financing is largely guaranteed 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 million is guaranteed.

On December 3rd, 2021, Hagar signed a contract for subscription of share capital in the property development company Klasi Ltd. but as was announced on September 24, 2021, Hagar plc., Reginn plc., Klasi Ltd. and KLS holding company Ltd. signed a declaration of intent regarding extending the development and operation of the property development company Klasi Ltd. On June 10th, 2022, Hagar

signed an agreement with the Competition Authority regarding the transactions, with three conditions that Hagar accepts to comply to. Hagar's contribution to the transaction is properties and sites and is valued at 3,912 m.ISK. Hagar's share in Klasi is 1/3 of the issued share capital, similar to Reginn's and KLS holding company's stake. The value of Klasi's assets following the transaction is about 14.8 b.ISK and the company's equity ratio is 79%. The transaction was completed at the end of the 2nd quarter, on August 31st, 2022, when all reservations had been lifted. The financial impact of the transaction was realised in the 2nd quarter, but the effect of realised profit, minus selling costs, on the group's EBITDA is 966 m.ISK. Hagar's share in Klasi amounts to 3,403 m.ISK, less the unrealised profit on the sale of the assets, which is entered as a share in an associated company on the balance sheet.

During the period, Mjöll Frigg Ltd., a subsidiary of Olís Ltd., was sold from the Group. The financial impact of the transaction was a loss of the amount of 84 m.ISK.

In March 2022, Hagar reached an agreement with the owners of Eldum rétt Ltd. about the purchase of Hagar's entire share capital of Eldum rétt. Eldum rétt specialises in preparing meal packages that customers can order online, but every week customers can choose between new recipes. Eldum rétt was founded in 2013, but the management and staff of the company have created a strong brand in a short time. The purchase was made subject to the approval of the Competition Authority, which approved the merger on October 17th, 2022. It is expected that Hagar will take over the operation of the company on October 31st.

Shares and shareholders

- Hagar's market value at the end of the period was 76.5 b.ISK and the closing price on August 31st, 2022, was 67.5 ISK / share.
- Hagar's registered share capital at the end of the period amounted to 1,133 m.ISK. The company held 7,0 m. own shares at the end of the period.
- On June 1st, 2022, the Annual General Meeting decided to reduce the company's share capital by the annulment of own shares to the nominal value of 21.6 m.ISK. The reduction was implemented on June 23rd, 2022, reducing Hagar's share capital from 1,154 m.ISK nominal value to 1,133 m. ISK nominal value.
- The Annual General Meeting also decided to pay dividends to shareholders for the previous year, which amounted to 2.00 ISK per share or 2,265 m.ISK. The dividend was paid on June 15th, 2022.
- Based on the approval of the Annual General Meeting from June 1st, 2022, Hagar's Board of Directors has decided to initiate a buy-back program to decrease the issued share capital. The buy-back program is completed but it amounted to 500 m.ISK or 7,0 m. shares. Following a new buy-back program was initiated on September 2nd 2022.
- The number of shareholders was 986 at the beginning of the operating year and 1,044 at the end of August. The company's 10 largest shareholders owned 76.6% of the company at the end of August.

Online presentation Thursday October 20th, 2022

An online presentation meeting for market participants and shareholders will be held on Thursday October 20th at 8:30. The meeting will be cast online, 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 during the meeting to the e-mail address fjarfestakynning@hagar.is and will be answered as possible at the end of the meeting.

The meeting will be streamed and registration for the meeting is here: <https://www.hagar.is/skraning>



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

Financial calendar 2022/23

Financial information will be published after the market closes.

Accounting period	Weekday	Publication day
Q3 - March 1 st to November 30 th .	Wednesday	January 11 th 2023
Q4 - March 1 st to February 28 th	Thursday	April 27 th 2023
Annual meeting 2023	Thursday	June 1 st 2023

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

This press release is translated from the Icelandic version which was published on October 19th, 2022. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.
