

HAGAR: HAGAR'S RESULTS IN THE 3RD QUARTER 2024/25

Operations successful and have been expanded to the Faroe Islands.

Hagar's consolidated interim financial statements for the third quarter 2024/25 was approved by the company's board of directors and CEO at a board meeting on January 16th, 2025. The statements cover the period from March 1st 2024 to November 30th 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 neither been reviewed nor audited by the company's auditors, PricewaterhouseCoopers Ltd.

Key figures

- **Sales** in Q3 amounted to 43,659 m.ISK (0.1% decrease from Q3 2023/24). Sales 9M amounted to 134,305 m.ISK (2.9% growth from 9M 2023/24). [Q3 2023/24: 43,683 m.ISK, 9M 2023/24: 130,482 m.ISK.]
- **Gross Margin** in Q3 amounted to 9,885 m.ISK (22.6%) and 29,596 m.ISK (22.0%) for 9M. [Q3 2023/24: 9,062 m.ISK (20.7%), 9M 2023/24: 27,037 m.ISK (20.7%)]
- **Earnings before depreciation, interest and taxes (EBITDA)** in Q3 was 3,653 m.ISK or 8.4% of sales. EBITDA 9M was 10,881 m.ISK or 8.1% of sales. [Q3 2023/24: 3,230 m.ISK (7.4%), 9M 2023/24: 10,223 m.ISK (7.8%)]
- **Profit** in Q3 amounted to 1,391 m.ISK or 3.2% of sales. Profit 9M amounted to 3,964 m.ISK or 3.0% of sales. [Q3 2023/24: 1,116 m.ISK (2.6%), 9M 2023/24: 3,853 m.ISK (3.0%)]
- **Basic earnings per share** Q3 was 1.29 ISK and 3.66 ISK for 9M. [Q3 2023/24: 1.03 ISK., 9M 2023/24: 3.50 ISK.]. **Diluted earnings per share** in Q3 was 1.26 ISK and 3.59 ISK for 9M. [Q3 2023/24: 1.01 ISK, 9M 2023/24: 3.43 ISK.]
- **Equity** amounted to 29,669 m.ISK at the end of the period and **equity ratio** was 35.4%. [End of year 2023/24: 28,188 m.ISK and 36.5%]
- **Management's guidance** for the operating year 2024/25 assumes for EBITDA to be 14,000-14,500 m.ISK. The EBITDA guidance was updated in conjunction with the announcement of the company's acquisition of SMS in Faroe Islands at the end of Q3.

Operational highlights

- **Operations in Q3 were successful**, sales were on a par with the previous year and profits as planned. Stores and warehouse sales increased but reduction was at Olís.
- **Gross Margin in ISK increased** by 9.1% year on year and the **Gross Margin ratio grew by 1.9%-points**, from 20.7% to 22.6%. Gross Margin strengthened both for the groceries and fuel sections of the Group.
- Profits stronger compared to previous year, **but EBITDA grew by 13.1% year on year and profit by 24.6%**. EBITDA-ratio grew by 1.0%-points year on year.
- **In Q3 the visits of customers grew in groceries** by 1.3% year on year while **sold units decreased** by 1.6%, a.o. due to changed product purchase combinations.
- **Sold fuel litres decreased** by 2.6% in the quarter - increase in the quarters retail sales but contraction to bulk users compared to strong previous year.
- **At the end of Q3 Hagar completed an agreement to purchase all shares in P/F SMS in Faroe Islands** - SMS is a leading trading company with extensive operations in groceries, restaurant operations, manufacturing and properties.
- Just after the end of Q3, on December 3rd, announcement was made that a **non-binding offer had been received for Olíudreifing and it was decided to invite three parties to continue in the sales process**.
- In accordance with the **approval of the shareholders' meeting** on August 30th, **stock options were granted to key management** on November 15th **for a total of 3.25 million shares** in the company, or equivalent to 0.29% of the share capital.

Finnur Oddsson, CEO:

The Hagar's plc. operations in the third quarter of the 2024/25 operating year were successful. The Group's sales were on a par with the previous year, 43.7 b.ISK, but the profits strengthened during the quarter, with EBITDA amounting to 3,653 m.ISK and profit to 1,391 m.ISK, together significant increases from the previous year.

Hagar's operations performed well in all sections, but the improved profits between years can be accredited to a significant extent, to sturdier operations at Olís. Olís's revenue amounted to just over 12.7 b.ISK and decreased between the periods. Profits were nevertheless good and exceeded expectations. The decline in revenue can largely be attributed to the sharp decline in the world market fuel price between years. Sales in litres decreased slightly, mainly due to reduced activity by bulk users, but on the other hand there was a considerable increase on the retail market. Customers are reacting well to improved service and products offered, and there was a considerable increase in sales of dry goods and catering, including at Grill 66 and Lemon Mini. Continuation of service stations development work, and in connection with this, new Olís car wash stations will be opened in 2025 under the brand "Glans". The ODR sales process is proceeding according to plan, but following non-binding offers, three parties were invited to continue in the sales process.

Revenues related to stores and warehouses, i.e., Bónus, Hagkaup, Eldum rétt, Aðföng, Bananar, Zara and Stórkaup, were just over 31.5 b.ISK and grew by 4.2% compared to the same quarter last year. Customer visits to grocery stores continue to increase, but the number of items sold decreased slightly. This is due, a.o. to the changed arrangement of product purchases, but no less to the enlarged supply of larger and more economical units that have been well received by customers, however complicating partly comparisons of items sold. At Bónus, continuing work to facilitate customers to shop more economically is in progress through improved service, but now Gripið & Greitt self-checkout is available in 11 stores and is well suited for large-scale shopping. In addition, special emphasis on upgrades in presenting and handling fruit and vegetables has resulted in greater freshness, improved selection, quality and increased sales. Hagkaup's revenue increased slightly, but the company has recently made efforts to strengthen customer service in numerous ways. In collaboration with the National Registry, citizens can now pick up passports and ID cards at Hagkaup's store in Skeifan, 24 hours a day, every day of the week. Significant increase in Hagkaup's online store materialised, partly due to successful special offer days in November. Veigar opened an online store with alcohol in September, where Hagkaup manages the service for the company, but customers can pick up orders at Hagkaup in Skeifan, have them shipped to other Hagkaup stores, Olís service centres or Dropp delivery points. Eldum rétt's operations continue to strengthen, as demand is high and management has achieved good results in production through automation and mechanisation. Activities of other sections, i.e. Aðföng, Bananar, Stórkaup and Zara proceeded well and overall the profits have grown stronger year on year.

The Q3 biggest news was that towards the quarter's end, an agreement was completed for Hagar to acquire all shares in the Faroese retail company P/F SMS, which, among other things, operates 13 stores in the islands, restaurants, meat processing, a factory bakery, fitness centres and a shopping centre. In addition, the company has a property portfolio of over 11,000 m², which is added to Hagar's large property portfolio, which now amounts to well over 60 thousand m². The acquisition of SMS is in line with our objectives and strategy of looking for new opportunities to strengthen operations, both related to the core business and new revenue streams. With the acquisition, we are adding a new pillar to Hagar's operations and strengthening the company in the grocery sector, with increased activities and opportunities that involve strengthening Hagar's services in Iceland and SMS in the Faroe Islands. Particular attention will be paid to opportunities that involve expanding products offered, cost synergies and financing, and we look forward to working on these projects with our new colleagues in the Faroe Islands.

Overall, we are satisfied with the Group's operations in the quarter and the financial year and are pleased with the strategic steps involved in the acquisition of SMS in the Faroe Islands. Throughout this year, we have persistently been combatting against the constant price increases in grocery supplies and thus contributing to the decrease of food inflation last year. This will continue to be noticeable focal point in our work, but in the short term we still have some concerns about the development of supply prices from suppliers. As before, we rely on good cooperation with wholesalers and manufacturers, on fairness in price increases, so price stability can be assured, which is still one of the utmost interests of households and businesses in the country.

Hagar's standing is generally good and has been strengthened by the acquisition of a new and powerful operating unit of SMS in the Faroe Islands. The financial status is solid, the position of the main operating units is strong and clear new opportunities to strengthen operations have been created with the emergence of SMS. The operating outlook is excellent.

The Group's Consolidated Income Statement

in ISK million	Q3 2024/25		Q3 2023/24		9M 2024/25		9M 2023/24	
	01.09-30.11	01.09-30.11	Change	%	01.03-30.11	01.03-30.11	Change	%
Sales	43.659	43.683	(24)	-0,1%	134.305	130.482	3.823	2,9%
Cost of goods sold	(33.774)	(34.621)	847	-2,4%	(104.709)	(103.445)	(1.264)	1,2%
Gross profit	9.885	9.062	823	9,1%	29.596	27.037	2.559	9,5%
Gross profit %	22,6%	20,7%	-	1,9%	22,0%	20,7%	-	1,3%
Other operating income	341	139	202	145,3%	604	543	61	11,2%
Salaries and related expenses	(4.444)	(4.094)	(350)	8,5%	(13.069)	(11.907)	(1.162)	9,8%
Other operating expenses	(2.129)	(1.877)	(252)	13,4%	(6.250)	(5.450)	(800)	14,7%
Profit from operating activities before depreciation and amortisation (EBITDA)	3.653	3.230	423	13,1%	10.881	10.223	658	6,4%
EBITDA %	8,4%	7,4%	-	1,0%	8,1%	7,8%	-	0,3%
Depreciation and amortisation	(1.283)	(1.285)	2	-0,2%	(3.895)	(3.767)	(128)	3,4%
Profit from operating activities (EBIT)	2.370	1.945	425	21,9%	6.986	6.456	530	8,2%
Net finance expense	(658)	(625)	(33)	5,3%	(2.193)	(1.890)	(303)	16,0%
Effect of results of associates	40	60	(20)	-33,3%	192	209	(17)	-8,1%
Profit before income tax	1.752	1.380	372	27,0%	4.985	4.775	210	4,4%
Income tax	(361)	(264)	(97)	36,7%	(1.021)	(922)	(99)	10,7%
Comprehensive income for the period	1.391	1.116	275	24,6%	3.964	3.853	111	2,9%

Key figures in the 3rd quarter 2024/25

Sales in Q3 amounted to 43,659 m.ISK and remained nearly unchanged between the years. Sales growth in stores and warehouses amounted to 4.2% but a decline in Olís' sales amounting to 9.6% between the years, mainly due to considerable decrease in the world fuel market price from previous year.

In Q3 the number of customer visits to grocery stores increased by 1.3%, while number of units sold concurrently decreased by 1.6%. The number of fuel litres sold at Olís decreased by 2.6% in the quarter - an increase in the retail section but a decline to bulk users.

The Gross margin in Q3 amounted to 9,885 m.ISK and grew by 9.1% from previous year. The margin ratio was 22.6% and grew by 1.9%-points year on year. The margin ratio grew both in the Group's groceries and fuel sections in the period.

Other operational revenue grew by 202 m.ISK year on year, to a significant extent due to profit from the sale of property at Olís.

Salaries grew by 8.5% and other operating cost rose by 13.4% in Q3. Salaries- and cost ratio grew from 13.7% to 15,1% year on year.

EBITDA in Q3 increased by 13.1% as EBITDA of stores and warehouses increased by 3.7% and Olís' EBITDA by 39.3%.

Profit of the quarter amounted to 1,391 m.ISK and increased by 24.6% year on year.

Operations first nine months of 2024/25

Sales in the period amounted to 134,305 m.ISK, compared to 130,482 m.ISK the year before. Sales increase between the years was 2.9%. Increased sales in stores and warehouses by 5.5% but decline in Olís' sales were 3.0%.

The Gross margin of the period was 29,596 m.ISK, compared to 27,037 m.ISK the year before, or an increase amounting to 9.5%. The Gross margin ratio was 22.0% and grew by 1.3%-points from previous year. The increase in the Gross margin ratio both accredited to the Group's groceries and fuel sections.

Salaries costs rose by 9.8% year on year and other operating cost grew by 14.7%. Salaries and cost ratio in the period rose from 13.3% to 14.4%.

EBITDA amounted to 10,881 m.ISK, compared to 10,223 m.ISK the year before. The EBITDA ratio was 8.1%, compared to 7.8% in the previous year. The EBITDA stores and warehouses grew by 7.3% between the years and Olís' EBITDA grew by 4.2%.

Depreciation increased by 3.4% year on year and financial costs increased by 16.0%.

The total profit for the period amounted to 3,964 m.ISK, equivalent to 3.0% of sales but the total profit in the previous year was 3,853 m.ISK also equivalent to 3.0% of sales. The profit increased by 2.9% year on year.

The Group's Consolidated Balance Sheet

in ISK million	30.11.2024	29.02.2024	Change	%
Assets				
Non-current assets	56.323	56.085	238	0,4%
Current assets	27.567	21.129	6.438	30,5%
Total assets	83.890	77.214	6.676	8,6%
Equity and liabilities				
Share capital	1.084	1.084	--	0,0%
Other equity	28.585	27.104	1.481	5,5%
Equity total	29.669	28.188	1.481	5,3%
Non-current liabilities	27.006	23.139	3.867	16,7%
Current borrowings	6.027	5.818	209	3,6%
Other payables	21.188	20.069	1.119	5,6%
Total liabilities	54.221	49.026	5.195	10,6%
Total equity and liabilities	83.890	77.214	6.676	8,6%

Financial key figures 30.11.2024

- The Group's total assets at the end of the period amounted to 83,890 m.ISK, an increase of 6,676 m.ISK from the end of 2023/24.
- Non-current assets amounted to 56,323 m.ISK, an increase of 238 m.ISK from the end of year 2023/24, and current assets amounted to 27,567 m.ISK, an increase of 6,438 m.ISK so far this year.
- Inventories are generally the largest part of current assets and amounted to 13,562 m.ISK at the end of November. Inventories increase by 494 m.ISK from the end of year 2023/24 and have increased by 633 m.ISK from the end of Q3 2023/24. The inventory turnover ratio is now 10.5, compared to 10.0 the previous year.
- Accounts receivable and other short-term receivables amounted to 12,471 m.ISK, increasing by 6,237 m.ISK during the period, but accounts receivable is 4,957 m.ISK higher than at the end of Q3 last year. This results from the company's acquisition of SMS in the Faroe Islands, as part of the transaction was settled at the end of Q3 when cash was paid into escrow account upon signing the purchase agreement. However, the booking of SMS's shares in the Hagar Group and the impact on operations will not be apparent until the last quarter of the operating year.
- The credit period for account receivables is now 12.3 days, compared to 11.9 days in the previous year.
- The current ratio is 1.01 and liquidity ratio is 0.51 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 with a commercial bank is secured, but the company also uses short term financing by issuing promissory notes.
- Equity at the end of the period was 29,669 m.ISK and the equity ratio was 35.4%. Return on equity was 19.1%. The equity ratio at the end of the last operating year was 36.5% and the return on equity was 18.1%. The company had own shares with a nominal value of 22.1 m.ISK at the end of Q3. Delivery of own shares in the SMS acquisition took place in Q4.
- The Group's total liabilities at the end of the period amounted to 54,221 m.ISK, of which interest-bearing debts were 19,783 m.ISK and leasing liabilities were 12,667 m.ISK. Net interest bearing debts, including leasing liabilities, at the end of the period were 30,916 m.ISK or 2.3 x 12-month EBITDA.
- Interest-bearing short-term debts amounted to 6,027 m.ISK, of which promissory notes amounted to 1,660 m.ISK and short-term financing in DKK due to the company's acquisition of SMS amounted to 3,907 m.ISK.

The Group's Consolidated Cash Flow Statement

in ISK million	Q3 2024/25		Q3 2023/24		9M 2024/25		9M 2023/24	
	01.09-30.11	01.09-30.11	Change	%	01.03-30.11	01.03-30.11	Change	%
Net cash provided by operating activities	2.695	1.244	1.451	116,6%	8.252	7.030	1.222	17,4%
Net cash used in investing activities	(6.058)	(880)	(5.178)	588,4%	(7.157)	(4.007)	(3.150)	78,6%
Net cash used in financing activities	1.913	(1.207)	3.120	-258,5%	(1.388)	(4.009)	2.621	-65,4%
Net increase in cash and cash equivalents	(1.450)	(843)	(607)	72,0%	(293)	(986)	693	-70,3%
Cash and cash equivalents at beginning of the period	2.984	2.726	258	9,5%	1.827	2.869	(1.042)	-36,3%
Cash and cash equivalents at the end of the period	1.534	1.883	(349)	-18,5%	1.534	1.883	(349)	-18,5%

Cash flow the first nine months of the operating year 2024/25

- Cash from operations during the period amounted to 8,252 m.ISK, compared to 7,030 m.ISK in the previous year.
- Investing activities in the period were 7,157 m.ISK, compared to 4,007 m.ISK in the previous year. Investments were primarily in equipment and furnishings during the period, but also significantly in new IT systems and digital development. There is also an impact from the investment in SMS in the Faroe Islands, the purchase price of which was largely paid to an escrow account at the end of the quarter, although the impact of SMS's operations and ownership in the company will not be apparent until the fourth quarter.
- Financing activities for the period were 1,388 m.ISK, compared to 4,009 m.ISK in the previous year. No own shares were purchased during the period, while buy back amounted to 2,333 m.ISK in the previous year. Dividends were paid in June 2024 and amounted to 2,522 m.ISK, compared to the dividend payment in the previous year, which amounted to 2,475 m.ISK.
- Cash at the end of November 2024 amounted to 1,534 m.ISK, compared to 1,883 m.ISK at the end of November last year.

Status and future prospects

Operations were good in the third quarter of 2024/25 and in line with plans. The profits for the period was fairly better than in the previous year. This is due, among other things, to a strong quarter at Olís, where developments in the world market fuel price and one-off profit from property sale supported the profits. The Group's overall product sales remained unchanged in the quarter, but gross margin in ISK increased by just over 9%. Operating expenses grew by 10.1% year on year, while EBITDA performance for the quarter increased by 13.1% from the previous year. Total profit grew by 24.6% year-on-year.

On October 22nd, 2024, it was announced that Hagar and the owners of P/F SMS in the Faroe Islands had signed a conditional agreement for the purchase and sale of all shares in SMS. On November 27th, 2024, the final purchase agreement for the transaction was signed. The settlement date of the transaction was Monday, December 2nd 2024 and SMS will therefore become part of Hagar's consolidated financial statements in the last quarter of the 2024/25 financial year, i.e., the impact on operations will be integrated from that time onwards, in addition to the shareholding being booked at that time. The enterprise value in the transaction amounted to almost 467 m.DKK and the equity value to almost 327 m.DKK. The enterprise value was based, a.o., on SMS's operations and plans for the 2024 operating year, with revenues for the year estimated at around 730 m.DKK and earnings before interest, taxes, depreciation and amortization (EBITDA) estimated at around 63 m.DKK. The enterprise value was also based on valuation of SMS's property portfolio. It must be noted that the impact of the IFRS 16 leasing standard is not reflected in SMS's reported earnings. Hagar paid the purchase price in cash amounting to 267 m.DKK and delivered 13,867,495 shares of own shares worth 60 m.DKK in the transaction. A part of the purchase price in cash was paid at the end of the 3rd quarter (to an escrow account), while the delivery of the shares took place on December 2nd, 2024, i.e. at the beginning of the 4th quarter. Hagar financed part of the purchase price with a new 200 m.DKK, 12 months loan, but long-term financing will be finalised

in the coming quarters. SMS is a leading retail company in the Faroe Islands and operates, a.o, eight Bónus discount stores throughout the Faroe Islands, four smaller grocery stores in Torshavn under the name Mylnan and the department store Miklagarður in Torshavn. SMS is also extensively active in other operations, including the operation of the largest shopping centre in the Faroe Islands, a number of restaurants, retail stores, bread and cake factory, meat processing plant and fitness centres. In addition, the company has a diverse property portfolio of approximately 11,000 m², which is mostly used for own operations but partly leased to third parties. The aim of the acquisition is to further support and strengthen Hagar's operations in the grocery store sector and increase the efficiency of operations and product range of SMS in the Faroe Islands.

The Management's guidance for the 2024/25 financial year assumes that operating profit before depreciation (EBITDA) to be in the range of 14,000-14,500 m.ISK, but the guidance was raised at the end of the quarter in conjunction with the announcement of the company's acquisition of SMS in the Faroe Islands. The group's financial status is strong and financing is secured. Access to short-term financing in the form of credit lines, amounting to 4.5 b.ISK and US\$ 12.5 m., is secured, but the company has also recently utilised short-term financing in the form of a promissory notes issue. The issuance of the promissory notes is in accordance with the basic description of the 10 b.ISK issuance framework that the company's board of directors has approved. It can be assumed that the company will continue to utilise market financing in the coming quarters.

On September 26th, 2024, it was announced that Olís, a subsidiary of Hagar, and its co-owners had reached an agreement to commence formal sale process for the companies' holdings in Olíudreifing. Non-binding offers for the company have been received and three parties have been invited to continue in the sale process. At this stage, there is not certain whether the sale process will lead to binding offers for Olíudreifing, which could result with the sale of the company.

Share capital and shareholders

- Hagar's market value at the end of the period amounted to 110.6 b.ISK and the closing price on 30th November 2024 was 100.0 ISK/share.
- Hagar's registered capital at the end of the period amounted to 1,106 m.ISK. The company held 22.1 m. own shares at the end of the period and outstanding share capital is therefore 1.084 m.ISK.
- On May 30th, 2024, the company's Annual General Meeting approved the payment of a dividend to shareholders amounting to 50.0% of the profit for the previous financial year, or a total of 2,522 m.ISK. The dividend payment therefore amounted to 2.33 ISK per share of outstanding share capital. The dividend was paid on June 7th, 2024.
- In accordance with the decision of the shareholders' meeting on August 30th 2024, it was announced on August 31st 2024 that a decision to grant certain key employees of the company stock options for a total of 12,918,615 shares in the company, or corresponding to 1.17% of Hagar's share capital at the time the stock option system was approved. Of this, 11,037,686 shares were allocated to the Executive board. On November 15th 2024, an additional 3,250,000 shares were allocated to key employees, or equivalent to 0.29% of Hagar's share capital.
- Shareholders at the beginning of the period were 968 and 909 at the end. The company's 10 largest shareholders owned 77.74% of the company at the end of the third quarter.

Online presentation Friday January 17th, 2025

An online presentation for market participants and shareholders will be held on Friday, January 17th at 08:30, where Finnur Oddsson, CEO, and Guðrún Eva Gunnarsdóttir, CFO, will present the company's operations and results as well as answer questions.



Questions related to the results will be accepted through the webcast 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 commencement of the meeting.

Financial calendar 2024/25

Financial information will be published after the market closing.

Accounting period	Weekday	Publication day
Q4 - March 1 st to February 28 th	Tuesday	April 15 th 2025
Annual General Meeting 2025	Wednesday	May 21 st 2025

For further information contact 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 January 16th, 2025. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.
