Press release
June 28th 2023

SALES IN Q1 GREW BY 8.6% AND PROFIT AMOUNTED TO 653 M.ISK.

Hagar's plc. results in the 1st quarter of 2023/24

The consolidated interim financial statements of Hagar plc. for the first quarter 2023/24 was approved by the company's board of directors and CEO at a board meeting on June 28th 2023. The statements cover the period from March 1st 2023 to May 31st 2023. 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 Q1 amounted to 41,490 m.ISK (8.6% growth from Q1 2022/23). [Q1 2022/23: 38,213 m.ISK]
- **Margin** in Q1 amounted to 8,072 m.ISK (19.5%). [Q1 2022/23: 7,564 m.ISK (19.8%)]
- **Earnings before interest, depreciation and taxes (EBITDA)** in Q1 amounted to 2,521 m.ISK or 6.1% of sales. [Q1 2022/23: 2,668 m.ISK (7.0%)]
- **Profit** in Q1 was 653 m.ISK or 1.6% of sales. [Q1 2022/23: 926 m.ISK (2.4%)]
- **Basic earnings per share** Q1 was 0.59 ISK [Q1 2022/23: 0.82 ISK]. **Diluted earnings per share** Q1 was 0.58 ISK [Q1 2022/23: 0.81 ISK]
- **Equity** amounted to 27,751 m.ISK at the end of the period and **equity ratio** is 37.4%. [End of year 2022/23: 27,931 m.ISK and 38.8%]
- **Management's guidance** for the operating year 2023/24 assumes EBITDA to be in the range of 11,000-11,500 m.ISK

Operational highlights

- **Operation in the first quarter successful,** especially in grocery and non-food sections of the Group. **Sales grew by 8.6%** between the years and total profit amounted to 653 m.ISK.
- **Sold units in groceries grew** between the years by 4.5% and **customers visits grew** as well by 11.6% in the quarter. **Decline in sold fuel litres** in Q1 amounted to 1.1%.
- **Gross margin in ISK increases** by 6.7% between the years but **the margin ratio decreases** by 0.3%-points. The margin ratio decreases both in grocery and fuel sections of the Group.
- Continuing **supply price escalation observed** in the quarter. Every effort has been made to reduce price increases and not all of these have been reflected in product prices.
- A new Bónus self-service solution, **Gripið & Greitt, was aired in Bónus at Smáratorg, at the end of the quarter**. The solution has been excellently received and will be implemented in stages in more stores through the year.
- **Bónus opened** a new 1,800 m^2 grocery store at Norðlingabraut 2 **in Norðlingaholt** on June 3rd.

Finnur Oddsson, CEO:

Hagar's operations in the first quarter of the 2023/24 operating year proceeded well. The Group's sales amounted to 41.5 b.ISK and increased by almost 9% compared to the same period last year. The EBITDA amounted to 2,521 m.ISK and the profit was 653 m.ISK. As in previous quarters, the retail operating environment was challenging, but it has been characterised by sharp increases in food prices and generally rising operating costs. Both can, at least partly, be attributed to the impact of the war in Ukraine and the remnants of the Covid-19 pandemic.

The Group's profit decline slightly between quarters, but the main reason can be attributed to the fact that Olís' operations produced lower profit than last year. Income from fuel sales amounted to 12.7 b.ISK and decreased by 8%, which is explained primarily by the fact that the world market price of fuel fell considerably between the years. The total fuel sales in litres remained stable, sales remaining strong in the retail market and to bulk users, despite the fact that the activity of fishing industry has also diminished due to lower quotas. The overall activity at Olís was in line with plans, but the drop in the world fuel market price during the quarter led to a lower margin from sales to bulk users.

Strong growth continues in store and warehouse sales, but sales increased by 18% between the quarters. This growth can be attributed, on the one hand, to inflation, the rising supply prices from wholesalers and manufacturers, which has been a continuing issue in the last quarters. On the other hand, it is enjoyable that sales growth has also occurred due to increased activity in the Group's groceries and non - food specialty products sections, because the number of units sold and customer visits increased significantly during the period. This is especially noticeable at Bónus, but in the last few quarters, the number of people utilising the most economical shopping options in the grocery market has increased significantly. In the same way, the number of Hagkaup's customers increased, and there is a large increase in Eldum rétt online store, as more and more customers are looking for the convenience, efficiency and quality of home-delivered food packages every week. Profit from stores and warehouses increased, compared to the same quarter last year.

Milestones were achieved during the quarter, with the aim to strengthen customer service and further to strengthen Hagar's operations. A new and spacious Bónus' store was opened in Norðlingaholt at the beginning of June, and Hagkaup continued to add a selection of convenient, simple and delicious solutions, now with party dishes for online sale and home delivery. Olís opened a new and elegant service centre at Fitjar in Reykjanesbær and increased the number of Lemon mini shops, including at Hella, Fitjar and at Reyðarfjörður. Work is still underway on a number of digital projects with the aim to ensure the basic systems operation and enhance the customer service. Within this topic, Bónus introduced a new version of scanning solutions, Gripið & Greitt, excellently received, as the solution will significantly improve the customer experience and enable Hagar to tailor services more thoroughly to their needs.

We are satisfied with Hagar's performance in the first quarter of the operating year, especially in the light of how challenging the operating environment in our sector is and has been. If we ignore the effect of the decline in the world market fuel price during the quarter, which has a negative effect on Olís's performance, the operations of other units are in actuality getting stronger. Our task ahead will be to continue the company's forward development in all fields, while at the same time taking care of efficiency in purchases and all activities, thus contributing to the struggle against price increases and inflation. As before, Hagar has financial strength, strong operational units and excellent staff whose objective is to promote the customers benefits by making shopping effective, convenient and fun.

The Group's Consolidated Statement of Comprehensive Income

in ISK million	Q1 2023/24 01.03-31.05	Q1 2022/23 01.03-31.05	Change	%
Sales	41.490	38.213	3.277	8,6%
Cost of goods sold	(33.418)	(30.649)	(2.769)	9,0%
Gross profit	**8.072**	**7.564**	**508**	**6,7%**
Gross profit %	**19,5%**	**19,8%**	**-**	**-0,3%**
Other operating income	194	202	(8)	-4,0%
Salaries and related expenses	(3.932)	(3.443)	(489)	14,2%
Other operating expenses	(1.813)	(1.655)	(158)	9,5%
Profit from operating activities before depreciation and amortisation (EBITDA)	**2.521**	**2.668**	**(147)**	**-5,5%**
EBITDA %	**6,1%**	**7,0%**	**-**	**-0,9%**
Depreciation and amortisation	(1.129)	(1.021)	(108)	10,6%
Profit from operating activities (EBIT)	**1.392**	**1.647**	**(255)**	**-15,5%**
Net finance expense	(626)	(544)	(82)	15,1%
Effect of results of associates	40	44	(4)	-9,1%
Profit before income tax	**806**	**1.147**	**(341)**	**-29,7%**
Income tax	(153)	(221)	68	-30,8%
Comprehensive income for the period	**653**	**926**	**(273)**	**-29,5%**

Comprehensive Income for Q1

Sales in Q1 amounted to 41,490 m.ISK, compared to 38,213 m.ISK in the previous year. Year-on-year sales growth amounted to 8.6%. The increase in store and warehouse sales amounted to 17.7%, but a decline was observed in Olís sales by 8.0% between the years.

Increased sales is partly powered by inflation, though the number of items sold in the grocery stores has increased by 4.5% during the quarter. The number of customer visits also increased, or by 11.6%. A decline was in sold fuel litres at Olís amounting to 1.1%.

The Group's gross profit in Q1 was 8,072 m.ISK, compared to 7,564 m.ISK in the previous year, or an increase of 6.7%. However, the margin ratio decreased and was 19.5% compared to 19.8% in the previous year. The margin has decreased in both the Group's grocery and fuel sections.

Salaries expenses increased by 14.2% year-on-year and the salary-ratio increases from 9.0% to 9.5% in the quarter.

Other operating costs rose by 9.5% between the years and the cost ratio is now 4.4% compared to 4.3% for the previous year.

Earnings before interest, depreciation, amortisation and taxes (EBITDA) amounted to 2,521 m.ISK, compared to 2,668 m.ISK for the previous year. The EBITDA ratio was 6.1%, compared to 7.0% in the previous year. The EBITDA of stores and warehouses increased by 19.0% between the years, while Olís' EBITDA decreased by 62.6%, or from 800 m.ISK to 299 m.ISK.

The total profit for the period amounted to 653 m.ISK, which is equivalent to 1.6% of sales, while the total profit in the previous year was 926 m.ISK or 2.4% of sales.

The Group's Consolidated Financial Statement

in ISK million	31.05.2023	28.02.2023	Change	%
Assets				
Non-current assets	53.062	50.502	2.560	5,1%
Current assets	21.235	21.505	(270)	-1,3%
Total assets	**74.297**	**72.007**	**2.290**	**3,2%**
Equity and liabilities				
Share capital	1.106	1.119	(13)	-1,2%
Other equity	26.645	26.812	(167)	-0,6%
Equity total	**27.751**	**27.931**	**(180)**	**-0,6%**
Non-current liabilities	21.989	21.101	888	4,2%
Current borrowings	3.814	3.325	489	14,7%
Other payables	20.743	19.650	1.093	5,6%
Total liabilities	**46.546**	**44.076**	**2.470**	**5,6%**
Total equity and liabilities	**74.297**	**72.007**	**2.290**	**3,2%**

Financial key figures 31.05.2023

- The group's total assets at the end of the period amounted to 74,297 m.ISK and grew by 2,290 m.ISK from the end of the year 2022/23.
- Non-current assets were 53,062 m.ISK and increased by 2,560 m.ISK from the end of the year 2022/23. The increase can mostly be attributed to investments in properties and other operating assets, but also an increase in leasing properties due to new lease agreements.
- Current assets were 21,235 m.ISK and decreased by 270 m.ISK from the end of the year 2022/23.
- Inventories at the end of the quarter were 11,541 m.ISK and inventory turnover rate 11.3. Inventories have decreased by 694 m.ISK from the end of Q1 2022/23 and about 1,176 m.ISK from the end of the year 2022/23. The decrease in inventories can almost entirely be attributed to the lower fuel inventory value due to the decrease in world market prices. The inventory turnover rate last year was 10.6.
- Accounts receivable and other short-term receivables increase by 819 m.ISK during the period and the credit period for trade receivables is now 11.3 days compared to 11.5 days last year.
- The current ratio is 0.86 and the liquidity ratio 0.39 at the end of the quarter. 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 27,751 m.ISK and equity ratio 37.4%. Return on equity was 17.2%. The equity ratio at the end of the last operating year was 38.8% and the return on equity was 18.5%. The company had 26.2 million own shares at the end of the period.
- The group's total liabilities at the end of the first quarter were 46,546 m.ISK of which interest-bearing debts were 15,738 m.ISK and leasing liabilities 9,811 m.ISK. Net interest-bearing debts, including leasing liabilities, at the end of the period were 25,549 m.ISK or 1.9 x 12 months EBITDA.

The Group's Consolidated Cash Flow Statement

in ISK million	Q1 2023/24 01.03-31.05	Q1 2022/23 01.03-31.05	Change	%
Net cash provided by operating activities	3.335	1.970	1.365	69,3%
Net cash used in investing activities	(2.350)	(504)	(1.846)	366,3%
Net cash used in financing activities	(898)	(1.036)	138	-13,3%
Net increase in cash and cash equivalents	**87**	**430**	**(343)**	**-79,8%**
Cash and cash equivalents at beginning of the period	2.869	783	2.086	266,4%
Cash and cash equivalents at the end of the period	**2.956**	**1.213**	**1.743**	**143,7%**

Cash flow the first three months of the operating year 2023/24

- Net cash from operations in the first quarter amounted to 3,335 m.ISK, compared to 1,970 m.ISK in the previous year, but the increase in cash between years can, among other things, be attributed to the decreasing fuel stock level due to the decrease in world market prices.
- Investing activities for the period were 2,350 m.ISK, compared to 504 m.ISK in the previous year. Investment in property at Norðlingabraut in Reykjavík amounted to 1,180 m.ISK and it was the largest single investment of the quarter together with the investment for the opening of a new Bónus store in the building.
- Financing activities for the period were 898 m.ISK, compared to 1,036 m.ISK in the previous year.
- Cash at the end of the quarter amounted to 2,956 m.ISK, compared to 1,213 m.ISK. at the end of the first quarter last year.

Status and future prospects

Continued price escalations in supplies and product prices, as well as rising interest rates, characterised the recent quarter, as it has been in the past quarters. Sales have increased slightly in ISK, including in the group's grocery section, where the effect of inflation has been considerable. The margin ratio has slightly decreased, which shows that cost increases have not been fully transferred to product sale prices. Sales and margins in the group's fuel section have also shrunk due to falling world fuel market prices.

The management's guidance for the operating year 2023/24 assumes that the operating earnings before depreciation (EBITDA) will be in the range of 11,000-11,500 m.ISK. The Group's financial position is strong and financing is secured for the long term. Also, an access to short-term financing in the form of credit lines, for 4.5 b.ISK and $ 12.5 million is secured. Recently, the company has used short-term financing in the form of bills of exchange, but the bills are issued in accordance with the basic description of 10 b.ISK issuance framework, approved by the company's board of directors. It can be assumed that the company will increasingly look to market financing in the coming quarters.

Share capital and shareholders

- Hagar's market value at the end of the period amounted to 74.8 b.ISK. and closing price on the May 31st 2023 was 66.0 ISK/share.
- Hagar's registered share capital at the end of the period amounted to 1,133 m.ISK. The company had 26.2 million own shares at the end of the period.
- On the June 1st 2023 the Annual General Meeting agreed to reduce the company's share capital by cancellation of own shares with a nominal value of 26.2 m.ISK. The reduction will be implemented today, June 28th2023 and the Hagar's share capital will be reduced from 1,133 m.ISK at nominal value to 1,106 m.ISK at nominal value.
- The Annual General Meeting also agreed that dividend would be paid to shareholders for the past year, amounting to 2,24 ISK per share or 2,475 m.ISK. Dividend was paid on June 13th 2023.
- Shareholders were 1,055 at the beginning of the period and 1,045 at the end. The company's 10 largest shareholders had 73,1% shares in the company at the end of the first quarter.

Online presentation Wednesday June 28th 2023

An online presentation for market participants and shareholders will be held on Wednesday, June 28th at 16:00, where Finnur Oddsson, CEO, and Guðrún Eva Gunnarsdóttir, CFO, will present the company's operations and results as well as answer questions.

The meeting will be streamed and one can register for the meeting here: https://www.hagar.is/skraning.

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

Financial calendar 2023/24

Financial information will be published after the market closing.

Accounting period	Weekday	Publication day
Q2 - March 1st to August 31st	Wednesday	October 18th 2023
Q3 - March 1st to November 30th	Thursday	January 11th 2024
Q4 - March 1st to February 29th	Tuesday	April 23rd 2024
Annual Meeting 2024	Thursday	May 30th 2024

For further information will be forwarded by Finnur Oddsson, CEO (fo@hagar.is), and Guðrún Eva Gunnarsdóttir, CFO (geg@hagar.is), by phone 530-5500 or by email.
