# Festi hf.
# Consolidated Financial Statements 2020

This is a translation of the Icelandic original. In the event of discrepancies between the Icelandic language version and any translation thereof, the Icelandic language version will prevail.

Festi hf.
Dalvegur 10-14
201 Kópavogur
Iceland

Reg. no. 540206-2010

# Contents

# Endorsement and Statement by the Board of Directors and the CEO

### Operations of the Group

Festi owns and operates companies which are leading in the food market, fuel and service station market and electronic equipment and smart devices market. Operation of real estate, purchase and sale of shares is also part of the operations of the Group.

The parent company Festi (“the Company”) owns the subsidiaries Krónan, which operates grocery stores under the names Krónan, Kr and Kjarval, N1, which operates service stations for fuel and energy sales and various facilities related to lubrication and car services, ELKO, which is the largest electronic equipment store in the country, Festi fasteignir, which owns and operates the Group’s real estate, and Bakkinn vöruhótel, which specialises in warehouse services and distribution. The Company merged the operations of EGO ehf. and Hlekkur ehf. with the parent company Festi hf. as of 1 January 2020.

### Board of Directors and Corporate governance

The Board of Directors of Festi has established rules of procedure whereby it endeavours to comply with the "Guidelines on corporate governance" issued by the Iceland Chamber of Commerce, NASDAQ OMX Iceland and the Confederation of Icelandic Employers, which was issued in revised edition in February 2021. The guidelines are accessible on the website of the Iceland Chamber of Commerce, www.vi.is.

There are three female and two male board members. Further information on the Board and corporate governance is included in the appendix on Corporate governance, which accompanies these financial statements.

### Operations in 2020

The Group´s operating revenue for the year 2020 amounted to ISK 87,918 million (2019: ISK 86,842 million) and increased by 1.2% between years. Operating profit before depreciation, amortisation and changes in value amounted to ISK 7,057 million for the year 2020 (2019: ISK 7,605 million) and decreased by 7.2% between years. According to the statement of profit or loss and other comprehensive income, the profit for the year amounted to ISK 2,266 million (2019: ISK 2,796 million) and total comprehensive income for the year ISK 2,481 million (2019: ISK 2,850 million). The Company´s equity at year-end amounted to ISK 29,784 million (2019: ISK 28,688 million), including share capital in the nominal value of ISK 323 million. Reference is made to the statement of changes in equity regarding changes in equity during the year. The Company´s equity ratio at year-end was 35.7% (2019: 35.3%).

The Company's Board of Directors proposes that a dividend of ISK 3 per share of nominal value will be paid in the year 2021 or approximately ISK 969 million.

### Effect of COVID-19 on the operations during the year

The COVID-19 pandemic had a significant effect on the Group’s operations during the year. Management actions aimed at maintaining productivity along with ensuring security of employees and customers. The Group’s entities are important in Iceland with regards to grocery and electronic equipment stores and facilities related to car services and fuel service stations around the country. The companies have worked in close cooperation with their suppliers in order to ensure that the customers have the same product range as before and have strived to serve their customers as best as they can in different circumstances of restrictions on gatherings during the year.

The pandemic had different effect on the operations of the Group’s entities. Sales increased significantly in groceries and electronic equipment while there was considerably decrease in sales of fuel and sale of goods in the Company’s service stations around the country. The Group’s entities did not utilise the governmental support schemes relating to taking part in salary expenses during layoff periods, due to decrease in employment ratio or other measures being offered.

For the Board of Directors, the pandemic has called for adaptability, increased frequency in meetings and rapid response. Hopefully the most difficult time is now behind but going forward there is more detailed policy formulation and continuing work regarding its implementation. It is the Board’s and management opinion that the Group is well prepared to address more demanding circumstances relating to the COVID-19 pandemic however it will develop. Management believes that the Company has the strength to reach its financial goals regarding profit and growth in the future. Further information regarding the effect on the Company’s operations is provided in the chapter on non-financial information.

# Endorsement and Statement by the Board of Directors and the CEO, contd.

## Shareholders

At the end of the year the Company´s shareholdes were 880 compared to 795 at the beginning of the year and thus their number increased by 85 during the year. Following are the Company's 20 largest shareholders at year end:

| | Share capital in ISK thousand | Share capital in % |
|---|---|---|
| Lífeyrissjóður verslunarmanna | 37.220 | 11,5% |
| Lífeyrissjóður starfsmanna ríkisins A -, B - og S - deild | 33.800 | 10,5% |
| Gildi - lífeyrissjóður | 32.672 | 10,1% |
| Stefnir - ÍS 5, ÍS 15 | 21.979 | 6,8% |
| Stapi lífeyrissjóður | 21.710 | 6,7% |
| Birta lífeyrissjóður | 19.177 | 5,9% |
| Almenni lífeyrissjóðurinn | 15.866 | 4,9% |
| Frjálsi lífeyrissjóðurinn | 11.609 | 3,6% |
| Festa - lífeyrissjóður | 11.221 | 3,5% |
| Brú, lífeyrissjóður starfsmanna sveitarfélaga | 10.195 | 3,2% |
| Sjóvá-Almennar tryggingar hf | 9.142 | 2,8% |
| Lífsverk lífeyrissjóður | 9.119 | 2,8% |
| Söfnunarsjóður lífeyrisréttinda | 9.053 | 2,8% |
| Landsbréf | 7.480 | 2,3% |
| Vátryggingafélag Íslands hf | 6.856 | 2,1% |
| Stormtré ehf | 6.501 | 2,0% |
| Júpíter | 4.516 | 1,4% |
| Brekka Retail ehf | 4.345 | 1,3% |
| Íslandssjóðir | 3.596 | 1,1% |
| Lífeyrissjóður starfsmanna Reykjavíkurborgar | 3.220 | 1,0% |
| | 279.277 | 86,4% |
| Other shareholders | 43.814 | 13,6% |
| | 323.091 | 100,0% |

The Company’s share capital amounted to ISK 333 million at the end of the year and was increased by ISK 3 million during the year due to acquisition of Íslensk Orkumiðlun. Outstanding at year-end 2020 were ISK 323 million (2019: ISK 329 million). The share capital is in one category and all shares enjoy the same rights. At the Company’s annual general meeting on 23 March 2020 the Company was granted authorisation to repurchase up to 10% of nominal amount of outstanding shares in accordance with Chapter VIII of the Act on Limited Liability Companies no. 2/1995. The authorisation is valid for up to 18 months. By approving this proposal, a similar authorisation was cancelled which was approved at the Company’s annual general meeting on 21 March 2019. An extension for this authorisation will be requested at the Company’s annual general meeting in March 2021.

Those who intend to run for election for the Board of Directors of the Company must notify so in writing to the Board of Directors with at least five days notice before the beginning of the annual general meeting. The Company's Articles of Association can only be amended with the approval of 2/3 of votes cast in a lawfully called shareholders' meeting, provided that the intended amendment is thoroughly mentioned in the agenda for the meeting and what it consists of.

## Non-financial information

Festi hf. is a public interest entity. According to the Icelandic Act on Annual Accounts, the Company shall provide information necessary to assess its development, position and influence in relation to environmental, social, personnel and human rights policies, how it counteracts corruption and briberies in addition to a concise description of its business model, and more. In order to describe the current status of its social responsibilities the Company has for the past few years issued a GRI G4 "Core" report on social responsibilities. As from the year 2018 a report has been issued on non-financial parameters in accordance with Nasdaq´s ESG guidelines, among other things, in order to enable Festi to assess its standing on these matters as a Group, based on accepted standards. The policies and results of the Company with respect to those matters are described in an appendix to these financial statements on non-financial information.

# Endorsement and Statement by the Board of Directors and the CEO, contd.

### Statement by the Board of Directors and the CEO

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, as applicable, additional requirements of the Icelandic Act on Annual Accounts.

According to the best of our knowledge, in our opinion the consolidated financial statements give a true and fair view of the operating performance of the Group for the year 2020, its assets, liabilities and financial position as at 31 December 2020, and changes in cash and cash equivalents during the year 2020.

Furthermore, in our opinion the consolidated financial statements and the statement and endorsement of the Board of Directors and the CEO give a true and fair view of the development and results of the Group´s operations, its standing and describes the main risk factors and uncertainty that the Company faces.

The Board of Directors and the CEO of Festi hf. have today discussed the Company's consolidated financial statements for the year 2020 and confirm them by means of their signatures. The Board of Directors and the CEO propose that the Annual General Meeting of the Company approves the consolidated financial statements.

Kópavogur, 24 February 2021.

### Board of Directors of Festi hf.

Þórður Már Jóhannesson, formaður
Guðjón Karl Reynisson, varaformaður
Margrét Guðmundsdóttir
Kristín Guðmundsdóttir
Þórey G. Guðmundsdóttir

### CEO

Eggert Þór Kristófersson

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of Festi hf.

**Opinion**

We have audited the Consolidated Financial Statements of Festi hf. for the year ended December 31, 2020 which comprise the statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the consolidated financial position of Festi hf. as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in the Icelandic Financial Statement Act.

Our opinion in this report on the consolidated financial statements is consistent with the content of the additional report that has been submitted to the parent company´s audit committee in accordance with the EU Audit Regulation 537/2014 Article 11.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of Festi hf. in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Iceland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the EU Audit Regulation 537/2014 Article 5.1 has been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU . We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matters | How the matter was addressed in our audit |
|---|---|
| ***Impairment of goodwill and trademarks*** | |
| Goodwill amounts to ISK 14.7 billion and the trademarks of Krónan and Elko amount to ISK 3.6 billion.<br><br>The value of goodwill and trademarks for the grocery and electronic stores depend on key assumptions applied by the management on estimated future cash flow of cash-generating units, and other assumptions applied in the discounting rate used in the valuation of the estimated cash flow. The value of other goodwill depends on management's assumptions on fair value.<br><br>Goodwill and trademarks are significant items in the consolidated balance sheet and depend on management's estimation and judgements. Due to the importance of the valuation and its magnitude, we consider goodwill and trademarks as key audit matter.<br><br>No impairment loss has been recognized for intangible assets. The trademark is amortized over 20 years. Further information about goodwill and trademarks can be found in notes 13 and 14 in the Consolidated Financial Statement. | In our audit of the valuation of goodwill and trademarks, we and our valuation experts have examined the company's management impairment test. We examined the methodology used in the impairment test and its consistency with prior year. In our audit of the impairment test, we performed the following work:<br><br>• Assessed the company's valuation model and its reliability.<br><br>• Assessed the assumptions in the management's budget that are used in calculations in the impairment test and whether they are appropriate.<br><br>• Reviewed of assumptions for expected future growth after the forecast period.<br><br>• Reviewed of variances from previous years budget.<br><br>• Assessed the discount rate for each unit.<br><br>• We reviewed whether the methodology used in the impairment test was in accordance with International Financial Reporting Standards (IFRSs) and assessed the adequacy of the disclosures for goodwill and trademarks. |

# INDEPENDENT AUDITOR'S REPORT

| Key Audit Matters | How the matter was addressed in our audit |
|---|---|
| ***Valuation of real estate*** | |
| Real estate of the Group amounts to ISK 34 billion and are classified on the balance sheet among property & equipment and investment properties.<br><br>The investment properties that are part of Festi fasteignir ehf., subsidiary of Festi hf., are those that are leased to third parties. Investment properties are recognized at fair value through profit or loss. The Group's real estates, those not classified as investment properties, are carried at revalued amount.<br><br>Revaluation is performed on a regular basis, when management assesses that its fair value has changed significantly. The estimation of the value is based on expected cash flow. The assets were revaluated at year-end 2016, in addition the assets were revaluated when Hlekkur ehf, and its subsidiaries were acquired on September 1st 2018. It is management estimation that there is no basis for revaluation at year-end 2020.<br><br>Revaluation of the Company's real estate is dependent on the management's assessment of the assumptions in the expected future cash flow and other assumptions used in discounting the estimated future cash flow. As the real estate are significant item in the company's balance sheet and its valuation is based on management estimation, we consider real estate as key audit matter.<br><br>Further information regarding real estate, we refer to note 15 and 17 in the Consolidated Financial Statements. | In our audit of the real estate valuation, we, and our valuation experts have examined the management valuation. We examined the methodology used in the valuation and its consistency with prior year. In our audit of the valuation, we performed the following work:<br><br>• Assessed the company's calculation model and its reliability.<br><br>• Assessed the assumptions used in management's budget that are used in the calculations of the valuation and whether they are appropriate.<br><br>• Assessed the assumptions and calculation of the discount rate (WACC) and compared it to market conditions.<br><br>• We assessed the company's policies and processes concerning revaluation.<br><br>• We have examined the valuation methodology was in accordance with IFRS.<br><br>• We assessed whether the notes include all necessary information in accordance with accounting policies. |

### Other information

Management is responsible for the other information. The other information consists of the Endorsement and statement by the board of directors and the CEO, non-financial reporting, quarterly statements and corporate governance statement, which an appendix to the Consolidated Financial Statement.

Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon, except the confirmation regarding the Endorsement and statement by the board of directors and the CEO as stated below.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In accordance with Paragraph 2 article 104 of the Icelandic Financial Statement Act no. 3/2006, we confirm to the best of our knowledge that the accompanying report of the board of directors includes all information required by the Icelandic Financial Statement Act that is not disclosed elsewhere in the Consolidated Financial Statements.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in the Icelandic Financial Statement Act, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, management is responsible for assessing Festi hf.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Festi hf.'s financial reporting process.

# INDEPENDENT AUDITOR'S REPORT

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Festi hf.'s internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

In addition to our work as the auditors of Festi hf., Deloitte has provided the firm with permitted additional services such as consultation on accounting matters, other assurance engagements, consultation on finance matters.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.
Deloitte was appointed auditor of Festi hf. by the general meeting of shareholders on 23. march. 2020. Deloitte have been elected since the general meeting 2019.

Kópavogur, February, 24, 2021

**Deloitte ehf.**

| | |
|---|---|
| Þorsteinn Pétur Guðjónsson | Pétur Hansson |
| State Authorized Public Accountant | State Authorized Public Accountant |

# Income
# for the year 2020

| | Notes | 2020 | 2019 |
|---|---|---|---|
| Sale of goods and services | 6 | 86.259.698 | 84.991.362 * |
| Cost of goods sold | | ( 65.575.588) | ( 64.795.660) * |
| **Gross profit from sale of goods and services** | 7 | 20.684.110 | 20.195.702 |
| Other operating income | 6 | 1.658.297 | 1.850.929 * |
| Salaries and other personnel expenses | 8 | ( 10.520.930) | ( 9.952.561) |
| Other operating expenses | 9 | ( 4.764.935) | ( 4.488.828) * |
| | | ( 13.627.568) | ( 12.590.460) * |
| **Operating profit before depreciation, amortisation and changes in value (EBITDA)** | | 7.056.542 | 7.605.242 |
| Depreciation of property and equipment and leased assets and amortisation of intangible assets | 11 | ( 2.867.889) | ( 2.697.694) |
| Changes in value of investment property | 17 | 240.028 | 290.929 |
| **Operating profit before finance items (EBIT)** | | 4.428.681 | 5.198.477 |
| Finance income | 12 | 102.110 | 173.221 |
| Finance costs | 12 | ( 2.043.975) | ( 2.353.248) |
| Foreign currency differences | 12 | 23.279 | 27.267 |
| Share of profit of associates | 18 | 267.662 | 384.829 |
| Loss from sale of shares in companies | 18 | 0 | ( 59.714) |
| | | ( 1.650.924) | ( 1.827.645) |
| **Profit before income tax (EBT)** | | 2.777.757 | 3.370.832 |
| Income tax | 27 | ( 511.454) | ( 575.284) |
| **Profit for the year** | | 2.266.303 | 2.795.548 |
| **Other comprehensive income** | | | |
| Items that are or may be reclassified subsequently to profit or loss: | | | |
| Translation difference arising from operations of a foreign associate | | 55.028 | ( 11.151) |
| Reversal of translation difference due to sale of shares | | 0 | 65.213 |
| Net change in fair value of investments in shares | | 30.000 | 0 |
| Effective portion of changes in fair value of cash flow hedges, net of income tax | | 129.180 | 0 |
| **Total other comprehensive income** | | 214.208 | 54.062 |
| **Total comprehensive income for the year** | | 2.480.511 | 2.849.610 |
| Basic and diluted earnings per share in ISK | 24 | 6,95 | 8,49 |

The notes on pages 14 to 42 are an integral part of these financial statements

* Comparatives have been changed in accordance with changed classification during the year 2020, see note 2.8

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# Statement of Financial Position as at 31 December 2020

| | Notes | 2020 | 2019 |
|---|---|---|---|
| **Assets** | | | |
| Goodwill | 13 | 14.668.264 | 14.070.463 |
| Other intangible assets | 14 | 4.971.338 | 4.649.850 |
| Property and equipment | 15 | 32.297.379 | 31.433.757 |
| Leased assets | 16 | 5.419.566 | 3.862.182 |
| Investment properties | 17 | 7.466.994 | 7.354.468 |
| Shares in associates | 18 | 2.149.682 | 1.952.349 |
| Shares in other companies | | 12.760 | 109.059 |
| Long-term receivables | 19 | 271.713 | 271.989 |
| Non-current assets | | 67.257.696 | 63.704.117 |
| Inventories | 20 | 7.668.262 | 7.678.413 |
| Trade receivables | 30 | 4.923.709 | 3.756.324 |
| Other short-term receivables | 21 | 951.935 | 736.735 |
| Cash and cash equivalents | 22 | 2.562.942 | 5.368.754 |
| Current assets | | 16.106.848 | 17.540.226 |
| **Total assets** | | 83.364.544 | 81.244.343 |
| **Equity** | | | |
| Share capital | | 323.091 | 328.574 |
| Share premium | | 12.278.381 | 13.010.171 |
| Other restricted equity | | 7.593.335 | 5.815.161 |
| Retained earnings | | 9.588.818 | 9.534.338 |
| Equity | 23 | 29.783.625 | 28.688.244 |
| **Liabilities** | | | |
| Loans from credit institutions | 25 | 29.074.806 | 29.942.470 |
| Lease liabilities | 26 | 5.180.547 | 3.585.949 |
| Deferred tax liability | 27 | 4.663.668 | 4.270.952 |
| Non-current liabilities | | 38.919.021 | 37.799.371 |
| Loans from credit institutions | 25 | 3.473.774 | 3.437.684 |
| Lease liabilities | 26 | 430.085 | 377.610 |
| Trade payables | | 7.018.995 | 6.803.236 |
| Other short-term liabilities | 28 | 3.739.044 | 4.138.198 |
| Current liabilities | | 14.661.898 | 14.756.728 |
| Total liabilities | | 53.580.919 | 52.556.099 |
| **Total equity and liabilities** | | 83.364.544 | 81.244.343 |

The notes on pages 13 to 40 are an integral part of these financial statements

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# Statement of Changes in Equity for the year 2020

| | Share capital | Share premium | Statutory reserve | Revaluation reserve | Unrealised profit of subsidiaries and associates | Other restricted accounts | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|
| | | | Other restricted equity | | | | | |
| **Year 2019** | | | | | | | | |
| Equity 1.1.2019 | 329.574 | 13.140.383 | 82.393 | 3.654.287 | 1.642.559 | (121.191) | 7.241.841 | 25.969.846 |
| Profit for the year | | | | | | | 2.795.548 | 2.795.548 |
| Total other comprehensive income | | | | | | 54.062 | | 54.062 |
| Restricted due to subsidiaries and associates | | | | | 756.624 | | (756.624) | 0 |
| Dissolution of revaluation of an associate | | | | (20.808) | | | 20.808 | 0 |
| Dissolution of revaluation of property and equip. | | | | (232.516) | | | 232.516 | 0 |
| | 329.574 | 13.140.383 | 82.393 | 3.400.963 | 2.399.183 | (67.129) | 9.534.089 | 28.819.456 |
| *Transactions with shareholders:* | | | | | | | | |
| Purchased own shares | (1.000) | (130.212) | | | | | | (131.212) |
| Transferred from statutory reserve | | | (249) | | | | 249 | 0 |
| Equity 31.12.2019 | 328.574 | 13.010.171 | 82.144 | 3.400.963 | 2.399.183 | (67.129) | 9.534.338 | 28.688.244 |
| | | | | | | | | |
| Total other restricted equity | | | | | | 5.815.161 | | |
| | | | | | | | | |
| **Year 2020** | | | | | | | | |
| Equity 1.1.2020 | 328.574 | 13.010.171 | 82.144 | 3.400.963 | 2.399.183 | (67.129) | 9.534.338 | 28.688.244 |
| Profit for the year | | | | | | | 2.266.303 | 2.266.303 |
| Total other comprehensive income | | | | | | 214.208 | | 214.208 |
| Restricted due to subsidiaries and associates | | | | | 1.692.285 | | (1.692.285) | 0 |
| Dissolution of revaluation of an associate | | | | (20.804) | | | 20.804 | 0 |
| Dissolution of revaluation of property and equip. | | | | (106.144) | | | 106.144 | 0 |
| | 328.574 | 13.010.171 | 82.144 | 3.274.015 | 4.091.468 | 147.079 | 10.235.305 | 31.168.755 |
| *Transactions with shareholders:* | | | | | | | | |
| Increase in share capital | 3.126 | 403.265 | | | | | | 406.391 |
| Purchased own shares | (8.609) | (1.135.055) | | | | | | (1.143.664) |
| Transferred from statutory reserve | | | (1.371) | | | | 1.371 | 0 |
| Dividend paid to shareholders (ISK 2 per share) | | | | | | | (647.857) | (647.857) |
| Equity 31.12.2020 | 323.091 | 12.278.381 | 80.773 | 3.274.015 | 4.091.468 | 147.079 | 9.588.818 | 29.783.625 |
| | | | | | | | | |
| Total other restricted equity | | | | | | 7.593.335 | | |

The notes on pages 13 to 40 are an integral part of these financial statements

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# Statement of Cash Flows for the year 2020

| | Notes | 2020 | 2019 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before depreciation, amortisation and finance items | | 7.056.542 | 7.605.242 |
| Operating items not affecting cash flows: | | | |
| Loss (gain) on sale of property and equipment | | 2.192 | ( 239.616) |
| | | 7.058.734 | 7.365.626 |
| Changes in operating assets and liabilities: | | | |
| Inventories, decrease (increase) | | 10.151 | ( 62.027) |
| Trade and other short-term receivables, (increase) | | ( 1.354.442) | ( 140.265) |
| Trade and other short-term liabilities, increase | | 209.669 | 580.967 |
| Changes in operating assets and liabilities | | ( 1.134.622) | 378.675 |
| Interest received | | 97.794 | 168.707 |
| Interest paid | | ( 1.340.041) | ( 1.863.882) |
| Income tax paid | | ( 295.231) | ( 492.702) |
| Net cash from operating activities | | 4.386.634 | 5.556.424 |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiary, net of cash acquired | 4 | ( 76.094) | 0 |
| Purchased intangible assets | 13 | ( 952.924) | ( 601.988) |
| Purchased property and equipment | 15 | ( 2.830.394) | ( 1.601.211) |
| Sold property and equipment | 15 | 230.881 | 1.026.379 |
| Purchase of investment properties | 17 | ( 59.025) | ( 54.557) |
| Sale of investment properties | 17 | 186.527 | 1.742.792 |
| Purchase of shares in other companies | | ( 29.111) | 0 |
| Dividend received | | 134.261 | 194.000 |
| Long-term receivables, change | | ( 17.833) | ( 227.710) |
| Net cash (used in) from investing activities | | ( 3.413.712) | 477.705 |
| **Cash flows from financing activities** | | | |
| Dividend paid | | ( 647.857) | 0 |
| Purchased own shares | | ( 1.143.664) | ( 131.212) |
| Proceeds from new long-term loans from credit institutions | 25 | 0 | 13.429.328 |
| Repayment of long-term loans from credit institutions | | ( 1.615.525) | ( 17.913.413) |
| Payment of the principal portion of lease liabilities | 26 | ( 390.474) | ( 345.804) |
| Short-term loans, change | 26 | ( 2.444) | 0 |
| Net cash used in financing activities | | ( 3.799.964) | ( 4.961.101) |
| **(Decrease) increase in cash and cash equivalents** | | ( 2.827.042) | 1.073.028 |
| **Effect of movements in exchange rates on cash held** | | 21.230 | 28.801 |
| **Cash and cash equivalents at the beginning of the year** | | 5.368.754 | 4.266.925 |
| **Cash and cash equivalents at the end of the year** | | 2.562.942 | 5.368.754 |
| **Investing and financing activities not affecting cash flows** | | | |
| Purchase of shares in other companies | | ( 406.391) | 0 |
| Issued new share capital | | 406.391 | 0 |
| New lease contracts and their remeasurement | | ( 2.037.547) | ( 607.302) |
| New lease liabilities and their remeasurement | | 2.037.547 | 607.302 |
| Trade and other short-term receivables | | 0 | ( 325.495) |
| Long-term receivables and securities, change | | 0 | 325.495 |

The notes on pages 13 to 40 are an integral part of these financial statements

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# Notes

## 1. Operations of the Group

Festi hf. ("the Company" or "the Group") is an Icelandic limited liability company. The Group's headquarters are located at Dalvegur 10-14, Kópavogur, Iceland. The main operations of the Company consist of sale of fuel, goods and service to businesses, groceries and related products, sale of electronic equipment and leasing of properties. These consolidated annual financial statements consists of the annual financial statements of the Company and its subsidiaries. Further information about individual companies within the Group and their operations is disclosed in Note 3.

## 2. Basis of preparation

### 2.1 Statement of compliance with International Financial Reporting Standards

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as applicable, additional requirements of the Icelandic Act on Annual Accounts.

The Board of Directors of Festi hf. approved the consolidated annual financial statements on 24 February 2021.

### 2.2 Presentation of accounting policies and other notes

Accounting policies are presented along with financial information in the notes for the applicable items. Management believes that such presentation provides a clearer view and improved context between accounting policies and financial information. As applicable, notes disclosing information that relate to both the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Financial Position are thus presented in conjunction, such as income from sale of goods and trade receivables on the one hand, and income tax expense and deferred tax on the other.

An overview of the Group's risk management is disclosed in a separate section (see Note 29). When relevant, cross references are made between notes regarding individual items and notes on risk management applicable to those same items. The Group endeavors to describe in these financial statements the accounting policies in a clear manner instead of repeating the actual text of paragraphs in IFRSs. The following accounting standards are the most important ones for the Group:

| Item | Notes | Standard |
|---|---|---|
| Operating segments | Note 5<br>*Operating segments* | IFRS 8 |
| Revenue from sale of goods and services | Note 6<br>*Operating revenue* | IFRS 15 |
| Impairment testing | Note 13<br>*Goodwill* | IAS 36 |
| Fair value measurement of real estate and investment properties | Notes 15 and 17<br>*Property and equipment and Investment properties* | IFRS 13 |
| Lease contracts | Note 16<br>*Lease contracts* | IFRS 16 |

### 2.3 Changes in accounting policies

Except as disclosed below, the Group has applied the same accounting policies in 2019 and 2020.

In 2020 the Group entered into forward contracts for purchases of fuel and currencies. The Group applies hedge accounting whereby fair value changes of forward contracts are recognised in other comprehensive income, net of income tax, and in a restricted account within equity. Fair value changes of ineffective hedges are transferred from other comprehensive income and recognised among finance items in profit or loss. Since the Group did not apply hedge accounting in 2019, fair value changes of forward contracts were recognised directly in profit or loss. The fair value of forward contracts recognised in a restricted account within equity amounted to ISK 129 million as at year-end 2020.

### 2.4 Going concern

Management has evaluated the Group's going concern. It is the opinion of management that its operations is ensured and that it is able to meet its obligations in the foreseeable future. Therefore, the financial statements are presented on a going concern basis.

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# Notes, contd.:

### 2.5 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties, securities and derivative instruments, which are recognised at fair value. Furthermore, real estate is recognised at revalued cost.

### 2.6 Presentation and functional currency

The consolidated financial statements are prepared and presented in Icelandic krona (ISK), which is the Company's functional currency. All amounts are presented in thousand of Icelandic krona unless otherwise stated.

### 2.7 Use of estimates and judgements

The preparation of the consolidated financial statements in accordance with IFRSs requires management to make judgements, estimates and assumptions, which affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Information about judgement applied and estimation uncertainty that have the most significant effect on the amounts recognised in the consolidated financial statements is disclosed in the applicable notes. The following table specifies the items which are most challenging for the application of judgement and use of estimates by management:

| Item | Notes | |
|---|---|---|
| Estimation of impairment of goodwill and other intangible assets | 13 and 14 | Goodwill and other intangible assets |
| Estimation of fair value of revalued property, useful life of property and equipment and residual value | 15 | Property and equipment |
| Determination of lease term and discount rates used in the calculation of lease liabilities | 16 | Lease contracts |
| Estimation of fair value of investment properties | 17 | Investment property |
| Estimation of allowance for expected credit losses on trade receivables | 29 | Risk management |

### 2.8 Changes in classification of operating expenses

The classification of certain operating revenue and operating expenses has been changed in order to harmonise their classification among the Group´s entities. Comparative figures have been restated accordingly. The change did not have any impact on the performance of the Group, its assets, liabilities, equity or cash flows. The most significant change is that commission income is now recognised among other operating income, but was previously recognised as part of sale of goods and services, reimbursed discounts are now recognised as a decrease of cost of goods sold and market grants are recognised among other operating income but those two items were previously recognised as a decrease of sale and marketing expenses.

## 3. Group entities

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, and it has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### Entities within the Group

The consolidated financial statements include the following entities. All subsidiaries are directly or indirectly fully owned by the Parent Company, Festi. Information regarding the acquisition by N1 ehf. of Íslensk Orkumiðlun ehf. during the year 2020 is disclosed Note 4. The Parent Company merged its operations with those of Ego ehf. and Hlekkur ehf. as of 1 January 2020.

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# Notes, contd.:

### 3. Group entities, cont.:

| Company | Activity |
|---|---|
| Festi hf. | Festi is a holding company that specialises in operating companies that are leading in the retail and fuel sale in Iceland. Festi's role is to support its operating companies in fulfilling customers´ needs so as to enable them to continue to be at the forefront in providing goods and services across the country. Festi provides its subsidiaries with supporting services, such as financial, operating and business development services. |
| Bakkinn vöruhótel ehf. | Bakkinn vöruhótel specialises in product storage, packaging, labelling and distribution of products for customers that elect to outsource their warehouse activities. |
| Elko ehf. | Elko is an electronic equipment retail store which operates stores in the capital region and at Keflavik Airport as well as an online shop. |
| Festi fasteignir ehf. | Festi fasteignir specialises in leasing of non-residential real estate to retail companies. |
| Krónan ehf. | Krónan is a retail company that operates convenience stores in Iceland. The company operates stores throughout the country under the brand names of Krónan, Kr. and Kjarval. |
| N1 ehf. | N1 specialises in wholesale and retail of fuel, operation of service stations, including tire and lubrication service stations around the country. The Company’s service stations sell fuel in addition to refreshments and sale of various convenience goods. |
| Íslensk Orkumiðlun ehf. | Íslensk Orkumiðlun is a company that purchases electricity on the wholesale market and sells it on the retail market to individuals and companies in Iceland. |

# Notes, contd.:

## 4. Acquisition of a subsidiary

On 1 March 2020 the Group acquired 85% of the share capital of Íslensk Orkumiðlun ehf. for ISK 723 million and had thereby acquired all the share capital of that company. The total consideration paid for 100% shareholding in the company was in the amount of ISK 850 million which was allocated to cash-generation units in accordance with IFRS 3 Business Combinations. Fair value changes of the 15% shareholding previously acquired was in the amount of ISK 30 million, which was recognised in other comprehensive income. The consideration paid is specified as

| | |
|---|---|
| Fair value of 15% of the shares, which were purchased previously | 127.500 |
| New share capital issued on 1 June 2020 | 406.391 |
| Cash payment on 1 June 2020 | 316.109 |
| Total acquisition price | 850.000 |

The operations of Íslensk Orkumiðlun is recognised in the financial statements as from 1 June 2020 when all the conditions of the purchase aggrement were fulfilled. The impact on profit or loss is an increase in revenue in the amount of ISK 1,012 million, an increase in EBITDA in the amount of ISK 58 million and increase of profit for the year in the amount of ISK 45 million.

The impact on the statement of financial position was that the assets and liabilities of Íslensk Orkumiðlun were recognised at fair value at the acquisition date. The purchase price allocation to goodwill was not completed at the date these financial statements were approved. The fair value of assets and liabilities according to the provisional purchase price allocation was as follows:

| | |
|---|---|
| Property and equipment | 4.936 |
| Business relationships | 183.221 |
| Trade and other short-term receivables | 200.935 |
| Cash and cash equivalents | 240.015 |
| Deferred tax liability | ( 11.570) |
| Trade and other short-term liabilities | ( 195.338) |
| Total net assets | 422.199 |
| Goodwill | 427.801 |
| Acquisition price | 850.000 |

## 5. Operating segments

An operating segment is a component of the Group that engages in business activity from which it may earn revenue and incur expenses, including revenue and expenses relating to transactions with other segments of the Group. Segments are determined by the Company´s management, which regularly reviews the Group´s segments so as to decide upon how assets are allocated as well as to monitor their performance.

Operating results of segments, their assets and liabilities consist of items directly attributable to individual segments as well as those items which can be allocated to segment in a logical way. Capital expenditure of segments consist of the total cost of acquisition of operating and intangible assets. Transactions between segments are priced on an arm's length basis.

The operating companies of N1, Krónan and ELKO in the Group are individual operating segments and the Group´s other entities comprise the fourth segment. That segment consists of the operations of the Parent Company, Festi, Bakkinn vöruhótel and Festi fasteignir (see Note 3 for further information).

The operating segments overview for the year 2019 has been modified in accordance with changes in classification of revenue and expenses in 2020. Elimination entries between segments are now disclosed separately.

*Consolidated Financial Statements of Festi hf. 2020* 16 *Amounts are in thousands of ISK*

# Notes, contd.:

### 5. Operating segments, contd.:

| | N1 | Krónan | ELKO | Other companies | Segments total |
|---|---|---|---|---|---|
| **Year 2020** | | | | | |
| External revenue | 30.969.400 | 43.104.229 | 13.100.667 | 743.699 | 87.917.995 |
| Intra-group revenue | 129.953 | 10.817 | 11.433 | 5.949.705 | 6.101.908 |
| Total segment revenue | 31.099.353 | 43.115.046 | 13.112.100 | 6.693.404 | 94.019.903 |
| Operating profit before depreciation, amortisation and changes in value (EBITDA) | 2.968.709 | 3.067.053 | 1.167.547 | 3.193.016 | 10.396.325 |
| Segment depreciation and amortisation | ( 2.317.039) | ( 1.463.866) | ( 382.665) | ( 1.028.739) | ( 5.192.309) |
| Changes in value of investment properties | | | | 240.028 | 240.028 |
| Operating profit of segments (EBIT) | 651.670 | 1.603.187 | 784.882 | 2.404.305 | 5.444.044 |
| Net finance costs | ( 926.281) | ( 461.848) | ( 103.478) | ( 2.028.586) | ( 3.520.193) |
| Share of profit of associates and loss from sale of shares | | | | 267.662 | 267.662 |
| Income tax | 54.492 | ( 238.746) | ( 138.302) | ( 71.649) | ( 394.205) |
| Profit for the year | ( 220.119) | 902.593 | 543.102 | 571.732 | 1.797.308 |
| **31 December 2020** | | | | | |
| Segment assets | 28.889.584 | 15.663.519 | 4.971.425 | 33.840.016 | 83.364.544 |
| Segment capital expenditure | 909.704 | 1.417.822 | 313.858 | 1.200.959 | 3.842.343 |
| Segment liabilities | 15.371.113 | 13.759.655 | 3.752.851 | 20.697.300 | 53.580.919 |
| **Year 2019** | | | | | |
| External revenue | 38.108.123 | 36.327.865 | 11.125.810 | 1.280.493 | 86.842.291 |
| Intra-group revenue | 36.735 | 127.795 | 13.018 | 5.661.598 | 5.839.146 |
| Total segment revenue | 38.144.858 | 36.455.660 | 11.138.828 | 6.942.091 | 92.681.437 |
| Operating profit before depreciation, amortisation and changes in value (EBITDA) | 3.735.300 | 2.550.205 | 691.458 | 3.848.115 | 10.825.078 |
| Segment depreciation and amortisation | ( 1.973.883) | ( 1.240.600) | ( 312.090) | ( 1.405.528) | ( 4.932.101) |
| Changes in value of investment properties | | | | 290.929 | 290.929 |
| Operating profit of segments | 1.761.417 | 1.309.605 | 379.368 | 2.733.516 | 6.183.906 |
| Net finance costs | ( 1.012.482) | ( 411.925) | ( 87.296) | ( 2.325.158) | ( 3.836.861) |
| Share of profit of associates and loss from sale of shares | | | | 325.115 | 325.115 |
| Income tax | ( 152.468) | ( 156.929) | ( 47.456) | ( 78.696) | ( 435.550) |
| Profit for the year | 596.467 | 740.751 | 244.616 | 654.777 | 2.236.610 |
| **31 December 2019** | | | | | |
| Segment assets | 15.816.000 | 17.593.165 | 6.164.960 | 41.670.218 | 81.244.343 |
| Segment capital expenditure | 522.425 | 633.819 | 125.769 | 975.743 | 2.257.756 |
| Segment liabilities | 5.494.366 | 7.705.869 | 4.355.829 | 35.000.035 | 52.556.099 |

*Consolidated Financial Statements of Festi hf. 2020* 17 *Amounts are in thousands of ISK*

# Notes, contd.:

## 5. Operating segments, contd.:

**Reconciliation of segments to revenue, profit or loss and other significant items in the statement of profit or loss and other comprehensive income**

**Year 2020**

| | Segments total | Elimination entries | According to the financial statements |
|---|---|---|---|
| Operating profit before depreciation, amortisation and changes in value (EBITDA) | 10.396.325 | ( 3.339.783) | 7.056.542 |
| Depreciation of property and equipment and leased assets and amortisation of intangible assets | ( 5.192.309) | 2.324.420 | ( 2.867.889) |
| Changes in value of investment property | 240.028 | | 240.028 |
| Operating profit (EBIT) | 5.444.044 | ( 1.015.363) | 4.428.681 |
| Net finance costs | ( 3.520.193) | 1.601.607 | ( 1.918.586) |
| Share of profit of associates | 267.662 | | 267.662 |
| Income tax | ( 394.205) | ( 117.249) | ( 511.454) |
| Profit for the year | 1.797.308 | 468.995 | 2.266.303 |

**Year 2019**

| | Segments total | Elimination entries | According to the financial statements |
|---|---|---|---|
| Operating profit before depreciation, amortisation and changes in value (EBITDA) | 10.825.078 | ( 3.219.836) | 7.605.242 |
| Depreciation of property and equipment and leased assets and amortisation of intangible assets | ( 4.932.101) | 2.234.407 | ( 2.697.694) |
| Changes in value of investment property | 290.929 | | 290.929 |
| Operating profit (EBIT) | 6.183.906 | ( 985.429) | 5.198.477 |
| Net finance costs | ( 3.836.861) | 1.684.101 | ( 2.152.760) |
| Share of profit of associates and loss on sale of shares | 325.115 | | 325.115 |
| Income tax | ( 435.550) | ( 139.734) | ( 575.284) |
| Profit for the year | 2.236.610 | 558.938 | 2.795.548 |

## 6. Operating income

### Sale of goods and services

Sale of goods and services are recognised based on the fundamental principle of recognising revenue as or when control of goods and services are transferred to the customer.

### Income from lease of real estate

Real estate leased to parties outside the Group are classified as investment properties. An investment property is a real estate held to earn rentals or for capital appreciation. Investment properties are recognised at fair value. Fair value changes of investment properties are presented separately in profit or loss, and therefore presented separately from lease income from those same assets. Further information about investment properties is provided in Note 17.

### Other operating income

Income from leases, warehouse services, commissions, gain on sale of property and equipment, market grants and other income are presented in other operating income.

| Operating income is specified as follows: | 2020 | 2019 |
|---|---|---|
| Sale of goods and services: | | |
| Convenience goods | 47.679.540 | 41.204.977 |
| Fuel and electricity | 18.638.945 | 26.085.259 |
| Electronic equipment | 12.941.243 | 10.911.358 |
| Sale of other goods and services | 6.999.970 | 6.789.768 |
| Total sale of goods and services | 86.259.698 | 84.991.362 |

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# Notes, contd.:

### 6. Operating income, contd.:

| | | |
|---|---|---|
| Other operating income: | | |
| Income from leases of real estate | 751.180 | 772.595 |
| Warehouse services | 337.585 | 404.672 |
| Commissions | 260.985 | 216.156 |
| Gain on sale of property and equipment | 0 | 239.616 |
| Other operating income | 308.547 | 217.890 |
| Total other operating income | 1.658.297 | 1.850.929 |
| | | |
| Total operating revenue | 87.917.995 | 86.842.291 |

Comparative amounts have been changed in accordance with changes in classification made during the year 2020.

### 7. Cost of goods sold

Cost of goods sold consists of the purchase price of inventories sold as well as related transportation cost, excise tax, duties and distribution costs. Any decrease of inventories to net realisable value is expensed as part of cost of goods sold.

| Gross profit from sale of goods and services is specified as follows: | 2020 | 2019 |
|---|---|---|
| Convenience goods | 10.615.585 | 9.726.749 |
| Fuel and electricity | 3.997.070 | 5.249.402 |
| Electronic equipment | 3.141.057 | 2.560.773 |
| Other goods and services | 2.930.398 | 2.658.778 |
| Total gross profit from sale of goods and services | 20.684.110 | 20.195.702 |

Comparative amounts have been changed in accordance with changes in classification made during the year 2020.

### 8. Salaries and other personnel expenses

| | 2020 | 2019 |
|---|---|---|
| Salaries | 8.247.000 | 7.754.427 |
| Contributions to pension funds | 1.050.591 | 1.003.596 |
| Other salary-related expenses | 767.170 | 745.352 |
| Other personnel expenses | 456.169 | 449.186 |
| Total salaries and other personnel expenses | 10.520.930 | 9.952.561 |
| | | |
| Average number of employees | 1.819 | 1.872 |
| Full time equivalent average units at year end | 1.145 | 1.158 |
| Employee gender ratio (male/female) | 64/36 | 66/34 |

Contributions to defined contribution pension plans

The Group pays contributions to independent defined contribution pension funds due to its employees. The Group has no responsibility for the funds' obligations. Contributions are expensed in the income statement among salaries and salary-related expenses when incurred.

Information about salaries and benefits of the members of the Board of Directors and management is disclosed in Note 31 on related parties.

### 9. Other operating expenses

| Other operating expenses are specified as follows: | 2020 | 2019 |
|---|---|---|
| Operating costs of real estate | 1.530.308 | 1.537.735 |
| Maintenance expenses | 671.762 | 578.656 |
| Sales and marketing expenses | 990.536 | 994.029 |
| Office and administrative expenses (including fees to auditors) | 476.961 | 460.146 |
| Communication expenses | 652.893 | 592.918 |
| Insurance and claims costs | 154.197 | 82.875 |
| Other expenses | 269.806 | 171.567 |
| Expenses due to acquisition of Hlekkur ehf. (see Note 4 in the consolidated financial statements for the year 2019) | 18.472 | 70.902 |
| Total other operating expenses | 4.764.935 | 4.488.828 |

Comparative amounts have been changed in accordance with changes in classification made during the year 2020.

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# Notes, contd.:

## 10. Fees to auditors of the Group and subsidiaries

Fees to auditors are specified as follows:

| | | |
|---|---|---|
| Audit of annual financial statements | 70.183 | 55.462 |
| Review of interim financial statements | 0 | 13.152 |
| Other services | 18.469 | 74.271 |
| Total fees to auditors | 88.652 | 142.885 |

## 11. Depreciation and amortisation

| | | |
|---|---|---|
| Amortisation of intangible assets, as per Note 14 | 631.437 | 451.368 |
| Depreciation of property and equipment, as per Note 15 | 1.756.289 | 1.799.145 |
| Depreciation of leased assets, as per Note 16 | 480.163 | 447.181 |
| Total depreciation and amortisation | 2.867.889 | 2.697.694 |

## 12. Finance income and finance costs

| Finance income is specified as follows: | 2020 | 2019 |
|---|---|---|
| Interest income on cash and cash equivalents | 38.307 | 159.759 |
| Interest income on receivables | 57.203 | 13.462 |
| Dividend income | 6.600 | 0 |
| Total finance income | 102.110 | 173.221 |

Finance costs are specified as follows:

| | | |
|---|---|---|
| Interest expense and CPI-indexation on loans from credit institutions | 1.649.809 | 2.018.641 |
| Interest expense on lease liabilities | 281.630 | 224.464 |
| Other interest expense | 112.536 | 110.143 |
| Total finance costs | 2.043.975 | 2.353.248 |

### Foreign currency differences and assets and liabilities denominated in foreign currencies

Foreign currency differences arise from transactions in foreign currencies, predominantly USD. Transactions in foreign currencies are translated to Icelandic krona at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at the reporting date. The average ISK/USD exchange rate for the year 2020 was 128.66 (2019: 122.94) and the exchange rate at year-end 2020 was 127.21 (2019: 121.39).

## 13. Goodwill

Goodwill in the consolidated financial statements is due to the Company´s acquisition of Hlekkur and its subsidiaries during the year 2018, Íslensk Orkumiðlun during the year 2020 and purchase of the Krónan store located at Hallveigarstígur in Reykjavík. For the purpose of impairment testing, goodwill is allocated to the cash-generating units it relates to. Four cash-generating units were identified in the purchase price allocation and part of the goodwill was allocated to grocery stores, electronic equipment stores and sale of electricity. The remaining goodwill is due to synergy and optimisation arising from acquisition of different retail operations and allocated to the Group as a whole.

### Accounting policy

Goodwill is not amortised but tested annually for impairment or more often if there are any impairment indicators. When testing for impairment goodwill is allocated to the cash-generating units it relates to.

### Impairment test at year-end 2020

Goodwill was tested for impairment at year-end 2020. According to the results of the test there was no indication of impairment. When testing for impairment the recoverable amount is estimated. In the case of grocery stores, electronic equipment stores and sale of electricity the testing was based on determining value in use of the cash-generating units but for the Group as a whole the test was based on fair value less costs of disposal. Value in use is determined by discounting estimated future cash flows of the relevant cash-generating unit. Calculation of fair value less costs of disposal for the Group as a whole is based on the market value of the Group at year-end 2020 with control premium added to arrive at an estimated value of 100% shareholding. Control premium was estimated as 10% and costs of disposal as 1.5%.

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# Notes, contd.:

### 13. Goodwill, contd.:

The following table specifies the key assumptions applied when estimating value in use. Estimated EBITDA-growth is the average growth for the next five years.

| Year-end 2020 | EBITDA-growth | Terminal growth | Discount rate | Carrying amount at year-end |
|---|---|---|---|---|
| Grocery stores | 6,4% | 3,0% | 8,3% | 6.198.119 |
| Electronic equipment stores | 5,9% | 3,0% | 10,3% | 1.445.746 |
| Sale of electricity | 5,3% | 3,0% | 9,2% | 427.801 |
| The Group as a whole | E/V | E/V | E/V | 6.596.598 |
| Total goodwill | | | | 14.668.264 |

| Year-end 2019 | EBITDA-growth | Terminal growth | Discount rate | Carrying amount at year-end |
|---|---|---|---|---|
| Grocery stores | 6,3% | 3,0% | 9,5% | 6.028.119 |
| Electronic equipment stores | 7,8% | 3,0% | 10,1% | 1.445.746 |
| The Group as a whole | E/V | E/V | E/V | 6.596.598 |
| Total goodwill | | | | 14.070.463 |

### 14. Other intangible assets

Other intangible assets consist of the trademarks of Krónan and Elko, trade agreements and software.

Accounting policy

Cost of purchased and acquired trademarks is capitalised and amortised on a straight line basis over 20 years. The estimated useful life of trade agreements is 7 years. They are amortised on a straight line basis. Capitalised software licenses are recognised at cost less accumulated amortisation. Software is amortised on a straight line basis over 3-5 years.

Other intangible assets are specified as follows:

| | Trademarks | Trade agreements | Software | Total |
|---|---|---|---|---|
| **Gross carrying amount** | | | | |
| Gross carrying amount 1.1.2019 | 4.206.395 | 196.729 | 1.189.177 | 5.592.301 |
| Additions during the year | 2.000 | 25.000 | 574.988 | 601.988 |
| Sold and disposed of | ( 66.259) | ( 117.836) | ( 688.277) | ( 872.372) |
| Gross carrying amount 31.12.2019 | 4.142.136 | 103.893 | 1.075.889 | 5.321.918 |
| Additions during the year | 48.816 | 164.342 | 739.766 | 952.924 |
| Sold and disposed of | ( 389.236) | ( 74.208) | ( 68.094) | ( 531.538) |
| Gross carrying amount 31.12.2020 | 3.801.716 | 194.027 | 1.747.561 | 5.743.304 |
| **Amortisation** | | | | |
| Amortised 1.1.2019 | 193.224 | 135.836 | 759.229 | 1.088.289 |
| Amortisation for the year | 215.505 | 31.704 | 204.159 | 451.368 |
| Sold and disposed of | ( 66.259) | ( 125.636) | ( 675.694) | ( 867.589) |
| Amortised 31.12.2019 | 342.470 | 41.904 | 287.694 | 672.068 |
| Amortisation for the year | 226.745 | 37.304 | 367.388 | 631.437 |
| Sold and disposed of | ( 389.236) | ( 74.208) | ( 68.094) | ( 531.538) |
| Amortised 31.12.2020 | 179.979 | 5.000 | 586.988 | 771.967 |
| **Carrying amount** | | | | |
| Carrying amount 1.1.2019 | 4.013.171 | 60.893 | 429.949 | 4.504.011 |
| Carrying amount 31.12.2019 | 3.799.666 | 61.989 | 788.196 | 4.649.850 |
| Carrying amount 31.12.2020 | 3.621.737 | 189.027 | 1.160.573 | 4.971.338 |
| Amortisation rates | 5% | 14% | 20-33% | |

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## 15. Property and equipment

The Group´s property and equipment consists of real estate, vehicles, machinery and equipment, cabinetry, signs and supply tanks.

### Accounting policy

The Group´s real estates for own use, i.e. those not classified as investment properties, are recognised at revalued cost amount but other property and equipment at cost less accumulated depreciation and impairment, if any.

When property and equipment consists of parts which have different useful lives, the parts are separated and depreciated based on the useful life of each part.

The gain on sale of property and equipment, which is the difference between their sale proceeds and carrying amount, is recognised in the income statement among other operating income and the loss on sale among other operating expenses.

Costs of replacing single components of property, plant and equipment is capitalised when it is considered likely that the benefits associated with the asset will flow to the Group and the costs can be measured reliably. The carrying amount of the replaced component is expensed. All other costs are expensed in the income statement when incurred.

### Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost less estimated residual value. Depreciation is calculated on a straight line basis over the estimated useful lives of each component of property, plant and equipment. Estimated useful lives are specified as follows:

| | |
|---|---|
| Real estate | 50 years |
| Other property and equipment | 3 - 20 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and changed if appropriate.

### Revaluation of real estate

Revalued assets are recognised at the fair value on the date of revaluation. Fair value assessment is carried out on a regular basis, so as to ensure that their carrying amount does not deviate significantly from fair value. The increase in carrying amount due to revaluation is recognised in other comprehensive income, net of income tax. The revaluation reserve within equity is decreased via transfer to retained earnings, the amount each year being equal to the annual depreciation of revaluation recognised in profit or loss. If revaluation results in a decrease of carrying amount the decrease is recognised in profit or loss, except to the extent that the decrease reverses a previous increase due to revaluation, in which case the downward revaluation is recognised in other comprehensive income.

### Real estate revaluation methods

The Group recognises the real estate for own use at revalued cost. A revaluation was carried out on 31 December 2016. According to the revaluation method an entity shall assess if there are any indicators of there being a significant difference between fair value and carrying amount. At year-end 2020 there were no such indicators present.

The Board of Directors has implemented a policy for the revaluation of property and equipment to ensure that at any given time the carrying amount of revalued assets does not differ significantly from fair value. The policy demands that a fair value estimate is performed if there are indications present that the difference between fair value and carrying amount of revalued assets is or exceeds 20%. However, fair value shall be determined at least every five years. When fair value is estimated the carrying amount of revalued assets is set to their fair value, even if the difference between fair value and carrying amount at measurement date does not exceed the aforementioned threshold.

# Notes, contd.:

**15. Property and equipment, contd.:**

The main factors that management considers in the assessment of the need for revaluation are:
a. Depreciation of revalued assets since they were last revalued.
b. Sales price of assets similar to those revalued by the Group, if such information is available.
c. Inflation.
d. Changes in official real estate value, if applicable as a benchmark for similar revalued assets of the Group.
e. The assumptions upon which revaluation is based, e.g. growth or decline in sales of goods and changes in discount rates due to changes in benchmark interest rates and/or risk margin.

Property and equipment are specified as follows:

| | Real estate | Other property and equipment | Total |
|---|---|---|---|
| **Cost or assessed value** | | | |
| Cost 1.1.2019 | 31.842.542 | 9.431.755 | 41.274.297 |
| Additions during the year | 588.995 | 1.012.216 | 1.601.211 |
| Reclassification | ( 1.423.168) | 1.423.168 | 0 |
| Sold and disposed of during the year | ( 726.852) | ( 424.726) | ( 1.151.578) |
| Cost or assessed value 31.12.2019 | 30.281.517 | 11.442.413 | 41.723.930 |
| Additions during the year | 838.226 | 1.992.168 | 2.830.394 |
| Reclassification | ( 369.663) | 369.663 | 0 |
| Sold and disposed of during the year | ( 332.824) | ( 3.493.350) | ( 3.826.174) |
| Cost or assessed value 31.12.2020 | 30.417.256 | 10.310.894 | 40.728.150 |
| **Depreciation** | | | |
| Depreciated 1.1.2019 | 3.781.762 | 5.073.655 | 8.855.417 |
| Depreciation for the year | 576.457 | 1.222.688 | 1.799.145 |
| Reclassification | ( 764.974) | 764.974 | 0 |
| Sold and disposed of during the year | ( 127.131) | ( 237.261) | ( 364.392) |
| Depreciated 31.12.2019 | 3.466.114 | 6.824.056 | 10.290.170 |
| Depreciation for the year | 618.391 | 1.137.898 | 1.756.289 |
| Reclassification | ( 26.291) | 26.291 | 0 |
| Sold and disposed of during the year | ( 183.177) | ( 3.432.513) | ( 3.615.690) |
| Depreciated 31.12.2020 | 3.875.037 | 4.555.732 | 8.430.769 |
| **Carrying amount** | | | |
| Carrying amount 1.1.2019 | 28.060.780 | 4.358.100 | 32.418.880 |
| Carrying amount 31.12.2019 | 26.815.403 | 4.618.357 | 31.433.758 |
| Carrying amount 31.12.2020 | 26.542.219 | 5.755.162 | 32.297.379 |
| Depreciation rates | 0-2% | 5 - 33% | |

The Company’s real estate is pledged for debt which amounted to ISK 30,549 million at year-end 2020. Furthermore, there is VAT encumbrance related to the Groups real estate for ISK 2,513 million. This encumbrance is not recognised as a liability in the statement of financial position since it will only become payable if the real estate would be used in operations which are exempt of VAT or if it is sold without the buyer taking over the encumbrance.

Insurance and official real estate value of property and equipment at year-end:

| | 2020 | 2019 |
|---|---|---|
| Official real estate value | 21.904.554 | 21.759.644 |
| Insurance value of real estate | 29.741.427 | 29.920.114 |
| Insurance value of machinery and equipment, cabinetry, and vehicles | 6.143.488 | 6.136.984 |

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# Notes, contd.:

**16. Lease contracts**

**A.** ***The Group as lessee***

The Group leases buildings, land and equipment for its operations and the lease contracts extend up to the year 2068. The contracts are with various parties and are indexed to the consumer price index or not indexed.

*Accounting policies*

At the inception date of a lease contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

At the commencement date of a lease contract, the Group recognises a leased asset and a lease liability in the statement of financial position. On that date or upon modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, the Group has elected not to recognise leased assets and lease liabilities for lease contracts whose lease term, determined in accordance with IFRS 16 rules, is 12 months or less and for lease contracts for which the underlying asset is of low value. Lease payments arising from these contracts are expensed in the income statement on a straight-line basis and included in other operating expenses.

The Group determines the lease term as the non-cancellable period of a lease contract together with periods covered by options to extend the lease if the Group is reasonably certain to exercise those options. If there are termination options for the contracts, which the Group is certain to exercise, then they are taken into consideration. Management uses its judgement to determine whether the Group is reasonably certain to exercise extension options or termination options. When making that determination management considers all relevant facts and circumstances that create an economic incentive for the Group.

Leased assets are initially measured at cost, which comprises the initial amount of the lease liability, plus any lease payments made at or before the commencement date, plus initial direct costs and an estimate of costs of the Group to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located at the end of the lease contract, less any lease incentives received.

Leased assets are subsequently measured in accordance with the cost model. They are depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership to the Group at the end of the lease term or the cost of the leased assets reflects that the Group will exercise a purchase option of the underlying assets. In that case the leased assets are depreciated over the useful life of the underlying assets, which is determined on the same basis as those of property and equipment of the Group. The carrying amount of lease assets is reduced by impairment losses, when applicable, and adjusted for certain remeasurements of the carrying amount of lease liabilities.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date of the lease contracts, discounted using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses the incremental borrowing rate. The determination of the incremental borrowing rate is based on various factors, in particular on the types of assets leased, their location and condition and the lease term.

The lease payments included in the measurement of lease liabilities can be both fixed or variable that depend on an indices or rates. In the same way, extension options, which the Group is reasonably certain to exercise, and termination options, which the Group has decided to exercise, are taken into account.

## Notes, contd.:

**16. Lease contracts, contd.:**

Variable lease payments that depend on sales or usage of underlying assets are not included in the measurement of lease liabilities, except to the extent that they are accrued and unpaid at the reporting date. Variable lease payments that depend on sales or usage of underlying assets are expensed in the income statement as they accrue and included in the line other operating expenses.

Subsequent to initial recognition the carrying amount of lease liabilities is increased by interest expense and decreased by lease payments made. Furthermore, the carrying amount is remeasured when there is a change in future lease payments arising from changes in indices or rates, in the estimate of the amount expected to be payable by the Group under residual value guarantees, or as appropriate, changes in the assessment of whether it is reasonably certain that purchase options or extension options will be exercised or termination options will not be exercised. When the carrying of lease liabilities is remeasured in this way, the corresponding adjustment is made to the carrying amount of leased assets, or recognised in income statement if the carrying amount of leased assets has been reduced to zero.

Leased assets are presented separately within non-current assets in the statement of financial position. Lease liabilities are presented separately in the statement of financial position and split into non-current and current portions. Depreciation of leased assets is presented in income statement under depreciation, as per Note 11. Interest expense on lease liabilities is presented in income statement under finance costs, as per Note 12.

*Leased assets*

Leased assets are specified as follows:

| | Buildings | Land | Other | Total |
|---|---|---|---|---|
| Carrying amount 1.1.2019 | 3.158.939 | 543.122 | 0 | 3.702.061 |
| New lease contracts | 516.622 | 0 | 0 | 516.622 |
| Change due to remeasurement of lease liabilities | 90.577 | 103 | 0 | 90.680 |
| Depreciation for the year | ( 391.991) | ( 55.190) | 0 | ( 447.181) |
| Carrying amount 31.12.2019 | 3.374.147 | 488.035 | 0 | 3.862.182 |
| New lease contracts | 977.249 | 0 | 236.405 | 1.213.654 |
| Change due to remeasurement of lease liabilities | 24.659 | 799.199 | 35 | 823.893 |
| Depreciation for the year | ( 436.277) | ( 26.888) | ( 16.998) | ( 480.163) |
| Carrying amount 31.12.2020 | 3.939.778 | 1.260.346 | 219.442 | 5.419.566 |

**B. *The Group as lessor***

The Group leases buildings to many parties. Revenue from those leases is included under other revenue.

**17. Investment properties**

Real estate used for rent to third parties and for capital appreciation are classified as investment properties.

Accounting policies

Investment properties are recognised at fair value at the reporting date. Valuation changes of those assets are recognised in profit or loss as they occur. Investment properties are not depreciated. Changes in fair value of investment properties are presented seperately in profit or loss but lease income is presented as other operating income.

Determination of fair value of investment properties

Independent specialists assisted the Group with its fair value measurements for the years 2020 and 2019. Fair value measurement of investment properties is based on discounted cash flows of individual assets. The cash flow model applied is based on free cash flows to the Group, discounted by the weighted average cost of capital for individual assets (WACC). The forecast period applied in the model is 50 years. Required return on equity is based on the CAPM (Capital Asset Pricing Model), i.e. risk-free inflation adjusted interest rate with a premium added to reflect the risk of the underlying operations. Interest rates on borrowings are assessed based on general market rate of interest. A future debt ratio of 70% (2019: 70%) is assumed and the WACC applied is in the range of 4.9% - 6.1% (weighted average 5.1%) (2019: 5.8 - 7.0% and weigthed average 6.2%).

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# Notes, contd.:

## 17. Investment properties, contd.:

Estimated cash flows take into account current lease contracts and expected development of those. Each lease contract is analysed and relevant risk factors taken into account. Utilisation rate is estimated to be 95-96% subsequent to the lease contract expire date (2019: 95-96%). Estimated operating expenses are deducted from estimated rent income. With this methodology each asset of the Group is assessed as an independent unit. The inputs applied in the valuation model are based on operational experience of the Group as well as a forecast of development of key factors in the future.

In accordance with the results of the fair value measurement at year-end 2020 an increase in fair value of investment properties in the amount of ISK 240 million (2019: ISK 291 million) was recognised in profit or loss.

Investment properties are specified as follows:

| | |
|---|---|
| Carrying amount at 1 January 2019 | 8.751.774 |
| Additions during the year | 54.557 |
| Sale during the year | ( 1.742.792) |
| Fair value change | 290.929 |
| Carrying amount at 31 December 2019 | 7.354.468 |
| Additions during the year | 59.025 |
| Sale during the year | ( 186.527) |
| Fair value change | 240.028 |
| Carrying amount at 31 December 2020 | 7.466.994 |

The fair value measurement of investment properties fall under level 3 in the fair value hierarchy of International Financial Reporting Standards since the valuation is based on significant inputs other than market information. Reasonable changes in key inputs, i.e. assumptions regarding financing cost and EBITDA, would have resulted in a different fair value estimation with the following impact on profit or loss:

Sensitivity analysis of fair value measurement at year-end 2020:

| | Increase | Decrease |
|---|---|---|
| Increase / (Decrease) of EBITDA from the operations of the properties by 5% | 373.350 | ( 373.350) |
| (Increase) / Decrease of required return on equity and interest by 1.0%-point | ( 994.263) | 1.384.681 |

Sensitivity analysis of fair value measurement at year-end 2019:

| | Increase | Decrease |
|---|---|---|
| Increase / (Decrease) of EBITDA from the operations of the properties by 5% | 367.849 | ( 367.849) |
| (Increase) / Decrease of required return on equity and interest by 1.0%-point | 1.016.471 | 1.404.601 |

## 18. Associates

The Group´s associates at year-end 2020 are 7, both domestic and foreign. The Group recognises its share of profit or loss of those associates.

Accounting policies

Associates are entities where the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting rights. Associates are accounted for using the equity method and are recognised initially at cost. The Group's investment includes the goodwill arising from the acquisition, if any, less impairment, if any. The Group's consolidated financial statements include the Group’s share of profit and equity movements of associates from the date that significant influence commences until the date that significant influence ceases. When the Group’s share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has provided guarantees in respect of the associate or has financed it. Unrealised profit arising on transactions with associated companies is recognised as a reduction in their book value. Unrealised loss is recognised in the same way as unrealised profit, but only to the extent that there is no indication of impairment of these companies.

The share of profit or loss of foreign associates is recognised at the average exchange rate of the year. The share in equity is recognised at the exchange rate at the reporting date. Exchange differences arising from the translation to Icelandic Krona are recognised as a separate line item in the statement of comprehensive income. When a foreign associate is sold, partially or entirely, the related exchange difference is transferred to profit or loss.

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# Notes, contd.:

## 18. Associates, contd.:

Ownership in associates and share of profit or loss

On 1 January 2020 Festi hf. merged two of its associates into its operations. The associates were Gúmmívinnustofan ehf. and Staðarskáli ehf. The effect on the financial position was that shares in associates decreased by ISK 19 million, property and equipment increased by ISK 6 million, cash and cash equivalents increased by ISK 17 million and other short-term liabilities increased by ISK 4 million. The Group's share in profit or loss of associates amounted to ISK 268 million in 2020 (2019: ISK 385 million).

Ownership in associates is specified as follows:

| | Ownership | 2020 | 2019 |
|---|---|---|---|
| Olíudreifing ehf. | 60,0% | 1.401.719 | 1.301.870 |
| Malik Supply A/S, Danmörku | 24,0% | 511.472 | 329.396 |
| EAK ehf. | 33,3% | 77.330 | 120.627 |
| EBK ehf. | 25,0% | 128.057 | 157.672 |
| Shares in associates - 3 companies (2019: 6) | - | 31.104 | 42.784 |
| Total shares in other associates at year-end | | 2.149.682 | 1.952.349 |

Change in the carrying amount of associates during the year:

| | 2020 | 2019 |
|---|---|---|
| Carrying amount at the beginning of the year | 1.952.349 | 2.079.666 |
| Merger at 1 January 2020 | ( 19.007) | 0 |
| Share of profit | 267.662 | 384.829 |
| Dividend | ( 134.261) | ( 194.000) |
| Purchase of shares | 27.911 | 13.000 |
| Sale of shares | 0 | ( 385.208) |
| Translation difference | 55.028 | 54.062 |
| Carrying amount at the end of the year | 2.149.682 | 1.952.349 |

Following is financial information of the associates Olíudreifing ehf. and Malik Supply A/S. The information is based on their annual financial statements by taking into account the unamortised premium paid upon acquisition of the share in Malik Supply A/S.

*Olíudreifing ehf.*

The Company owns 60% share in Olíudreifing ehf. The Company has not control over Olíudreifing ehf. which is therefore not a subsidiary of the Company. This is because the Competition Authority decided that the company should have board members independent from N1 hf. However the Company´s operations have significant influence on the operations of Olíudreifing ehf. Accordingly the Company accounts for its ownership interest according to the equity method. The financial statements of Olíudreifing ehf. are prepared in accordance with the Icelandic Act on Annual Accounts and the established accounting rules.

| | 2020* | 2019* |
|---|---|---|
| Non-current assets | 3.866.592 | 3.858.820 |
| Current assets | 1.196.875 | 947.585 |
| Non-current liabilities | ( 2.020.323) | ( 1.943.534) |
| Current liabilities | ( 706.945) | ( 693.088) |
| Net assets (100%) | 2.336.199 | 2.169.783 |
| Carrying amount at year-end (60%) | 1.401.719 | 1.301.870 |
| Revenue (100%) | 3.553.993 | 3.857.217 |
| Profit (100%) | 390.184 | 223.768 |
| Share in total comprehensive income (60%) | 234.110 | 134.261 |

* Draft annual financial statements

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# Notes, contd.:

### 18. Associates, contd.:

*Malik Supply A/S*

Malik Supply A/S was founded in 1989 to service the international fleet of trawlers on the waters of Greenland and in the North Atlantic ocean with oil, lubricants and other products. N1 sells Malik fuel oil sold to major fisheries in Greenland. The financial statements of Malik Supply A/S are prepared in accordance with the Danish Act on Annual Accounts and the established accounting rules.

| | 2020* | 2019* |
|---|---|---|
| Non-current assets | 1.143.557 | 962.717 |
| Current assets | 5.020.556 | 4.289.182 |
| Non-current liabilities | ( 545.459) | ( 610.873) |
| Current liabilities | ( 3.845.424) | ( 3.563.101) |
| Net assets (100%) | 1.773.230 | 1.077.926 |
| Share in equity | 440.730 | 267.910 |
| Premium | 70.742 | 61.486 |
| Carrying amount at year-end 24% | 511.472 | 329.396 |
| Revenue (100%) | 1.851.390 | 1.248.112 |
| Profit (100%) | 511.164 | 260.366 |
| Share in total comprehensive income 24% | 127.048 | 127.579 |

* Draft annual financial statements

### 19. Long-term receivables

The Group’s long-term receivables are denominated both in Icelandic and Danish krona. Receivables from related parties in the amount of ISK 100 million are convertible into share capital of the corresponding company at a certain conversion ratio at any time during the loan period. The following is an analysis of the Group´s long-term receivables.

| | Interest rate at year-end 2020 | Outstanding amounts at year-end 2020 | 2019 |
|---|---|---|---|
| Receivables from related parties in Danish krona | 10% | 135.745 | 118.059 |
| Other receivables in Danish krona | 4% | 20.980 | 18.235 |
| Receivables from related parties in Icelandic krona | 7% / 8% | 155.333 | 112.500 |
| Other receivables in Icelandic krona | 0% | 50.000 | 75.000 |
| | | 362.058 | 323.794 |
| Current portion | | ( 90.345) | ( 51.805) |
| Total long-term receivables | | 271.713 | 271.989 |

The maturities of long-term receivables are specified as follows:

| | 2020 | 2019 |
|---|---|---|
| Year 2020 | 0 | 51.805 |
| Year 2021 | 90.345 | 37.500 |
| Year 2022 | 143.333 | 125.000 |
| Year 2023 | 2.500 | 0 |
| Due in 2026 and later | 125.880 | 109.489 |
| Total long-term receivables | 362.058 | 323.794 |

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# Notes, contd.:

## 20. Inventories

The Group's inventories consist of convenience goods, fuel, electronic equipment and inventory related to the Group's lubrication and car services.

Accounting policy

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out rule, and includes expenditure incurred in acquiring the inventories and in bringing them to the location and condition in which they are at the reporting date. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

| Inventories at year-end are specified as follows: | 2020 | 2019 |
|---|---|---|
| Fuel | 1.065.752 | 2.053.553 |
| Convenience goods | 2.907.083 | 2.418.191 |
| Electronic equipment | 2.232.116 | 1.857.870 |
| Other goods | 1.463.311 | 1.348.799 |
| Total inventories | 7.668.262 | 7.678.413 |
| | | |
| Insurance value of inventories | 8.510.122 | 6.348.614 |

Inventories are pledged as security for liabilities with an outstanding amount of ISK 2,000 million at year-end 2020 (2019: 2,002). The write-down of inventories at year-end 2020 amounted to ISK 535 million (2019: 387) and increased by ISK 148 million during the year (2019:33).

## 21. Other short-term receivables

| Other short-term receivables at year-end are specified as follows: | 2020 | 2019 |
|---|---|---|
| Prepaid expenses | 144.517 | 11.236 |
| Receivables from the Icelandic State | 327.504 | 226.772 |
| Receivables from related parties | 9.697 | 14.065 |
| Receivable due to sale of shares in a company | 0 | 325.495 |
| Market value of forward contracts | 161.475 | 0 |
| Current portion of long-term receivables | 90.345 | 51.805 |
| Other short-term receivables | 218.397 | 107.362 |
| Total other short-term receivables | 951.935 | 736.735 |

## 22. Cash and cash equivalents

| Cash and cash equivalents at year-end are specified as follows: | 2020 | 2019 |
|---|---|---|
| Bank accounts | 2.511.210 | 5.346.499 |
| Cash | 51.732 | 15.462 |
| Market securities | 0 | 6.793 |
| Total cash and cash equivalents | 2.562.942 | 5.368.754 |

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# Notes, contd.:

## 23. Equity and capital management

### Share capital

The Company's total share capital according to its Articles of Association amounts to ISK 333 million. One vote is attached to each share of ISK one in the Company. Shareholders in the Company have the right to receive dividends in proportion to their shareholding upon dividend distribution. Costs directly associated with issue of share capital are deducted from equity. Purchase price of treasury shares, including direct costs associated, are deducted from equity. Equity is increased upon the sale of treasury shares. In accordance with the authorisation granted by the annual general meetings of Festi hf. on 21 March 2019 and 23 March 2020, the Company continued to purchase own shares in 2020. The Company purchased a total of ISK 8.6 million shares in nominal amount at the average share price of 132.85 for a total of ISK 1,144 million or 2.6% of the outstanding share capital. The Company owns 9.6 million own shares or 2.9% at year-end 2020. Furthermore, the Company issued 3.1 million shares for an amount of ISK 406 million in connection with the acquisition of Íslensk Orkumiðlun during the year.

### Share premium

Share premium consists of the difference between the nominal value of share capital and the amount of paid-in share capital at any given time, less the premium on acquisition of own shares. Share premium was decreased during the years 2014 to 2016 by a total amount of ISK 8,847 million due to loss equalisation and decrease of share capital.

### Statutory reserve

In accordance with the Act on Limited Liability Companies, companies are required to retain a certain percentage of their profit for the year in a statutory reserve, up to the limit of the reserve being in the amount of 25% of the nominal value of share capital.

### Revaluation reserve

The revaluation of the Group's real estate as well as its share in the revaluation of real estate of an associate is recognised in the revaluation reserve. The revaluation is dissolved in accordance with annual depreciation of the revaluation in the statement of profit or loss. Dissolution of the revaluation is recognised in retained earnings.

### Unrealised profit of subsidiaries and associates

If the share of profit of subsidiaries and associates which is recognised in the statement of profit or loss is in excess of the dividends received from them, or the dividends that has been decided to distribute, the difference is to be transferred from retained earnings to a restricted reserve among equity. If a company’s shareholding in its subsidiary or associate is sold or written off the reserve is to be dissolved via transfer to retained earnings or accumulated deficit, as applicable.

### Translation reserve

Translation reserve consists of exchange differences arising from the translation into Icelandic krona of the financial statements of a foreign associate.

### Retained earnings

Profit (loss) for the year is recognised as an increase (decrease) in retained earnings. Dividend payments are recognised as a decrease in retained earnings. Dissolution of revaluation is recognised as an increase in retained earnings. The amount of unrealised profit of subsidiaries and associates in excess of dividend payments is recognised in the restricted reserve as a decrease in retained earnings.

### Capital management and dividends

The Board of Directors of Festi has established a policy on the capital structure and dividend payments, according to which dividend payments to shareholders or purchase of own shares should amount to at least 50% of the profit for each year. The Board has also established a policy that EBITDA should be 35% of gross profit, net interest bearing liabilities should be 3.5 x EBITDA and equity ratio should be between 30 - 35%. The Group´s loan covenants require a minimum equity ratio of 25%. The equity ratio at year-end 2020 was 35.7% (year-end 2019: 35.3%).

# Notes, contd.:

## 24. Earnings per share

Basic and diluted earnings per share for ordinary shares in the Company are presented in the financial statements. Basic earnings per share is based on the weighted average number of effective shares during the year. No share option contracts have been made with employees nor have financial instruments been issued, such as convertible bonds, which could lead to dilution of earnings per share. Diluted earnings per share is therefore the same as basic earnings per share.

| | 2020 | 2019 |
|---|---|---|
| Profit for the year | 2.266.303 | 2.795.548 |
| Share capital at the beginning of the year | 328.574 | 329.574 |
| Effect of changes in share capital | ( 2.641) | ( 126) |
| Weighted-average of outstanding shares | 325.933 | 329.448 |
| Basic and diluted earnings per share in ISK | 6,95 | 8,49 |

## 25. Loans from credit institutions

All loans from credit institutions are denominated in Icelandic krona. The loans are secured by pledge in real estate and inventories. The loans are specified as follows:

| | 2020 | 2019 |
|---|---|---|
| **Long-term loans** | | |
| Balance at the beginning of the year | 29.942.470 | 33.593.033 |
| Repayments | ( 1.615.525) | ( 17.913.413) |
| New loans | 0 | 13.429.328 |
| Amortisation of borrowing costs | 28.609 | 31.610 |
| CPI-indexation | 757.786 | 516.622 |
| Change in current portion | ( 38.534) | 285.290 |
| Balance at year-end | 29.074.806 | 29.942.470 |
| **Short-term loans** | | |
| Current portion of long-term loans | 1.473.774 | 1.435.240 |
| Short-term loans from a bank | 2.000.000 | 2.002.444 |
| Balance at year-end | 3.473.774 | 3.437.684 |
| Total loans from credit institutions | 32.548.580 | 33.380.154 |

| | Interest rates at year-end | | Outstanding amounts at year-end | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Non-indexed loans on floating interest rates | 1,9% | 4,0% | 8.791.278 | 9.312.383 |
| CPI-indexed loans on floating interest rates | 2,2% | 3,3% | 21.757.302 | 22.065.327 |
| Short-term loan on floating interest rates | 2,4% | 4,0% | 2.000.000 | 2.002.444 |
| Total loans from credit institutions | | | 32.548.580 | 33.380.154 |

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# Notes, contd.:

**25. Loans from credit institutions, contd.:**

The maturities of the loans are specified as follows:

| | 2020 | 2019 |
|---|---|---|
| Year 2020 | - | 3.437.684 |
| Year 2021 | 3.473.774 | 1.436.647 |
| Year 2022 | 1.475.181 | 1.438.054 |
| Year 2023 | 1.476.587 | 1.439.461 |
| Year 2024 | 1.477.994 | 1.440.868 |
| Year 2025 | 1.481.820 | 1.442.256 |
| Due for payment onwards | 23.163.224 | 22.745.184 |
| Total loans from credit institutions | 32.548.580 | 33.380.154 |

**26. Lease liabilities**

Lease liabilities are specified as follows:

| | | |
|---|---|---|
| Carrying amount at the beginning of the year | 3.963.559 | 3.702.061 |
| New lease contracts | 1.213.654 | 516.622 |
| Increase due to indexation of lease payments | 823.893 | 90.680 |
| Payment of lease liabilities during the year | ( 390.474) | ( 345.804) |
| Total lease liabilities | 5.610.632 | 3.963.559 |
| Current portion | ( 430.085) | ( 377.610) |
| Total non-current portion of lease liabilities | 5.180.547 | 3.585.949 |

The maturity analysis of lease liabilities is specified as follows at year-end:

| | | |
|---|---|---|
| Year 2020 | - | 377.610 |
| Year 2021 | 430.085 | 400.181 |
| Year 2022 | 457.779 | 415.415 |
| Year 2023 | 443.346 | 403.932 |
| Year 2024 | 458.912 | 425.612 |
| Year 2025 | 477.403 | 446.703 |
| Due for payment onwards | 3.343.107 | 1.494.106 |
| Total | 5.610.632 | 3.963.559 |

All lease liabilities are denominated in Icelandic krona.

**27. Income tax**

Accounting policy

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case the income tax is recognised together with those items.

Current tax is the income tax estimated to be payable next year in respect of the taxable income for the year, based on the tax rate at the reporting date, besides adjustments to tax payable in respect of previous years, if any.

Deferred tax is recognised using the balance sheet method in respect of temporary differences between, on the one hand, the carrying amounts of assets and liabilities in the financial statements and, on the other hand, their tax bases. The amount of deferred tax is based on the estimated realisation or settlement of the carrying amounts of assets and liabilities using the tax rate in effect at the reporting date.

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# Notes, contd.:

## 27. Income tax, contd.:

A deferred tax asset is recognised only to the extent that it is probable that it is possible to utilise future profits against the asset. Deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is considered that it will not be utilised.

### Income tax recognised in the statement of profit or loss

| The income tax in income statement is specified as follows: | | 2020 | | 2019 |
|---|---|---|---|---|
| Profit before income tax | | 2.777.757 | | 3.370.832 |
| Income tax based on current tax rate | 20,0% | 555.551 | 20,0% | 674.166 |
| Non-deductible expenses | 0,1% | 1.486 | 0,5% | 16.036 |
| Non-taxable income from shares | ( 1,9% ) | ( 53.532) | ( 2,3% ) | ( 76.966) |
| Other changes | 0,3% | 7.949 | ( 1,1% ) | ( 37.953) |
| Effective income tax rate | 18,4% | 511.454 | 17,1% | 575.283 |

### Deferred tax liability

| | 2020 | 2019 |
|---|---|---|
| Property and equipment and investment properties | 4.285.417 | 4.236.404 |
| Intangible assets | 336.985 | (42.636) |
| Lease contracts | (38.213) | (22.275) |
| Trade receivables | 19.787 | 12.246 |
| Inventories | (19.729) | 34.688 |
| Other items | 79.421 | 52.525 |
| Deferred tax liability | 4.663.668 | 4.270.952 |

## 28. Other short-term liabilities

Other short-term liabilities are specified as follows at year-end:

| | 2020 | 2019 |
|---|---|---|
| Unpaid salaries and salary-related expenses | 1.172.390 | 934.448 |
| Other unpaid taxes (VAT, tariffs, oil charge, gasoline charge, carbon charge) | 1.666.546 | 2.287.675 |
| Unpaid income tax | 268.524 | 420.488 |
| Unpaid accrued interest | 55.345 | 89.045 |
| Deferred income | 262.529 | 175.933 |
| Other short-term liabilities | 313.710 | 230.609 |
| Total other short-term liabilities | 3.739.044 | 4.138.198 |

## 29. Risk management

Following is information about the Group‘s risks, objectives, policies and processes for measuring and managing the risk as well as information regarding operating risk. The Group’s risk management objective is to minimise the risk it faces by analysing the risk, measuring it and controlling it.

### Overview

The following risks arise from the Group's financial instruments:

* Credit risk
* Liquidity risk
* Market risk (price risk, currency risk and interest rate risk)
* Currency risk
* Operating risk

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# Notes, contd.:

**29. Risk management, contd.:**

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk arises principally from trade receivables and other receivables.

Credit risk mainly depends on the age of trade receivables, the financial standing and operations of individual customers and the standing of the industries in which the Group's biggest customers operate, which are transportation, fishing industry and contractors. Approximately 16% (2019: 22%) of the Group's trade receivables at year-end is attributable to 30 of the Group's biggest customers. Thereof, receivable from the biggest customer was 2% (2019: 3%).

The Group has established credit rules. All of the Group's customers with charge accounts have credit limits on their account which they cannot exceed. Legal entities must in general provide a personal guarantee of the owner for an amount corresponding to supplies for two months. This does however not apply to bigger customers which have good credit rating at CreditInfo.

The Group establishes an allowance for expected credit losses on trade receivables and other receivables. The estimation of the allowance is based on historical loss experience, the age of receivables, current economic conditions and future prospects. During the year a new contract was entered into with a payment processor which delays the payment of credit card receivables in exchange for lower fees. This explains the increase in credit card receivables between the years.

| The Group's trade receivables at year end are specified as follows: | **2020** | **2019** |
|---|---|---|
| Credit card receivables............................................................................................ | 1.998.564 | 635.103 |
| Other trade receivables............................................................................................ | 2.925.145 | 3.121.221 |
| Total trade receivables............................................................................................ | 4.923.709 | 3.756.324 |

Age analysis of trade receivables and impairment loss

The age of trade receivables at year-end was specified as follows:

| **Year 2020** | **Nominal amount** | **Loss allowance** | **Carrying amount** | **Allowance ratio** |
|---|---|---|---|---|
| Not yet due........................................................ | 3.846.589 | ( 47.779) | 3.798.810 | 1,2% |
| Past due by 30 days or less................................ | 738.971 | ( 16.965) | 722.006 | 2,3% |
| Past due by 31 - 120 days................................. | 350.554 | ( 26.445) | 324.109 | 7,5% |
| Past due by more than 120 days....................... | 197.315 | ( 118.531) | 78.784 | 60,1% |
| | 5.133.429 | ( 209.720) | 4.923.709 | 4,1% |
| **Year 2019** | | | | |
| Not yet due........................................................ | 2.804.473 | ( 100.625) | 2.703.848 | 3,6% |
| Past due by 30 days or less................................ | 719.248 | ( 50.141) | 669.107 | 7,0% |
| Past due by 31 - 120 days................................. | 292.748 | ( 30.612) | 262.136 | 10,5% |
| Past due by more than 120 days....................... | 148.528 | ( 27.295) | 121.233 | 18,4% |
| | 3.964.997 | ( 208.673) | 3.756.324 | 5,3% |

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations that are settled by delivering cash or other financial assets. The Group’s objective is to always have sufficient liquidity to meet its payment obligations as they become due.

The Group's liquidity position was strong at year-end 2020. The Group’s management considers that the Group is capable to meet its financial obligations as they become due. The weighted-average repayment period of the Group’s long-term loans is about 12 years and all loans are prepayable during the loan term. The Group also has access to lines of credit for up to next 8 months for a maximum amount of ISK 3,000 million, of which ISK 2,000 were drawn at year-end 2020.

Further information about the Group's financial liabilities is disclosed in Note 30 about financial instruments.

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# Notes, contd.:

**29. Risk management, contd.:**

### Market risk

Market risk consists of price risk, interest rate risk and currency risk. The Group's objective is to manage and confine market risk within defined limits.

### Price risk

An important market risk of the Group is price risk due to changes in the oil price in the world market, which has fluctuated significantly in the past few years. The Group limits price risk by means of specific agreements with its largest customers but also by the Parent Company entering into derivative contracts to hedge part of the price risk arising from the purchase of oil. The contracts have maturities of up to 18 months, whereas the oil price is fixed in foreign currency and they cover the part of the Group’s oil purchases which is unhedged. The contracts are settled net in cash. From 1 January 2020 the Group started to apply hedge accounting for the recognition of these contracts, see further Note 2.3.

### Interest rate risk

The Group is exposed to cash flow interest rate risk due to changes in interest rates of floating rate financial liabilities. In order to diversify the risk, the Group’s financing is a mix of non-indexed and CPI-indexed loans.

An increase in interest rates at the reporting date by one percentage point (100 basis points) would decrease profit before income tax by ISK 325 million (2019: ISK 334 million) due to effects on the Group's borrowings at floating interest rates. The calculation is based on operating effect on an annual basis. A decrease by one percentage point would have the same effect but in the opposite direction.

### Currency risk

All of the Group's transactions denominated in foreign currencies give rise to currency risk. In evaluating currency risk both payment risk and settlement risk is taken into account. The objective is to manage currency risk in order to best insure the Group's benefits. The major part of imports is purchase of goods for resale from foreign suppliers denominated in USD and EUR, but the sale is for the most part in ISK. Sales in ISK constitute 96% (2019: 94%), USD 3% (2019: 5%) and other currencies 1% (2019: 1%).

Assets and liabilities denominated in foreign currencies at year-end are specified as follows:

| Year 2020 | USD | EUR | Other currencies | Total |
|---|---|---|---|---|
| Long-term receivables | 0 | 0 | 125.880 | 125.880 |
| Trade receivables | 106.320 | 20.365 | 112.581 | 239.266 |
| Cash and cash equivalents | 146.509 | 1.368 | 63.226 | 211.103 |
| Trade liabilities | ( 6.291) | ( 88.937) | ( 342.101) | ( 437.329) |
| Risk in the statement of financial position | 246.538 | ( 67.204) | ( 40.414) | 138.920 |

| Year 2019 | USD | EUR | Other currencies | Total |
|---|---|---|---|---|
| Bonds | 0 | 0 | 136.294 | 136.294 |
| Trade receivables | 282.478 | 53.655 | 101.440 | 437.573 |
| Cash and cash equivalents | 241.254 | 52.052 | 143.388 | 436.694 |
| Trade liabilities | ( 399.051) | ( 195.960) | ( 440.881) | ( 1.035.892) |
| Risk in the statement of financial position | 124.681 | ( 90.253) | ( 59.759) | ( 25.331) |

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### 29. Risk management, contd.:

Sensitivity analysis

A 10% strengthening of the ISK against the following currencies at year-end would have increased (decreased) the Group's profit before income tax by the following amounts.

| | 2019 | 2019 |
|---|---|---|
| USD | 24.654 | 12.468 |
| EUR | ( 6.720) | ( 9.025) |
| Other currencies | ( 4.041) | ( 5.976) |
| Total | 13.892 | ( 2.534) |

A 10% weakening of the ISK against these currencies would have the same effect but in the opposite direction.

Operating risk

Operating risk is the risk of direct or indirect loss due to various factors in the Group's operations. Among the risk factors are employees' work, technology and methods applied.

In order to reduce operating risk, among other things, there has been established an appropriate segregation of duties and transactions on charge accounts and compliance with laws are monitored. Furthermore, effective training activities are performed with the objective of giving the necessary training to all employees relating to their work for the Company. Effective work procedures and rules on back-up of IT systems have been implemented. Furthermore, effective operating budgets and monthly statements are prepared for individual divisions and deviations from approved operating budgets are analysed.

### 30. Financial instruments and fair value

Assets at fair value

Securities are recognised at fair value. The fair value estimate is categorised in level 3 of the fair value hierarchy, since the information about their fair value is based on the Group's own assumptions. Securities are an immaterial part of the Group's assets. The Group's real estate is recognised according to the revaluation model. This entails that their fair value is determined regularly to ensure that book value does not differ significantly from fair value at any given time. Further information about the fair value measurement of real estate is disclosed in note 15. Investment properties are recognised at fair value. Further information about their fair value is disclosed in note 17.

Loans from credit institutions and other financial liabilities

The fair value of loans from credit institutions is the estimated future cash flows discounted at the market interest rate at the reporting date. The loans from credit institutions are on market interest rates and therefore the difference between their carrying amount and fair value is insignificant at any given time. Short-term liabilities are not discounted as the difference between their fair value and their carrying amount is insignificant.

Financial assets and liabilities are classified into certain categories. The classification of financial assets and financial liabilities affects how the respective financial instruments are measured after initial recognition. The classification of financial assets and financial liabilities of the Group and their measurement basis are specified in the table below.

The Group's financial assets and liabilities include cash and cash equivalents, shares in other companies and long-term receivables, trade and other receivables, derivatives, borrowings, trade payables and certain other current liabilities.

Financial instruments are initially recognised at fair value. They are recognised at the transaction date, which is the date the Group becomes a party to the contractual provisions of the instrument. For financial instruments not recognised at fair value through profit and loss all direct transaction costs are taken into account upon initial recognition.

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# Notes, contd.:

### 30. Financial instruments and fair value, contd.:

Classification and measurement basis of financial instruments

The following table shows the classification of the Group's financial instruments, their measurement basis and where gains and losses arising from them are recognised in profit or loss.

| Financial instrument | Classification | Carrying amount at year-end 2020 | Carrying amount at year-end 2019 |
|---|---|---|---|
| Cash and cash equivalents | Financial assets at amortised cost | 2.562.942 | 5.368.754 |
| Trade and other receivables classified as financial instruments, including receivables from related parties | Financial assets at amortised cost | 5.875.644 | 4.493.059 |
| Long-term receivables | Financial assets at amortised cost | 271.713 | 271.989 |
| Loans from credit institutions | Financial liabilities at amortised cost | 32.548.580 | 33.380.154 |
| Trade and other short-term liabilities classified as financial instruments | Financial liabilities at amortised cost | 10.495.510 | 10.765.501 |

Financial conditions

In the loan agreements there is the condition that the Group's equity ratio must always be higher than 25% at the end of each operating year. The equity ratio was 35.7% at year-end 2020 (year-end 2019: 35.3%) and the condition was fulfilled.

Maturity analysis

The following table shows when the future payments of the Group's liabilities and income tax become due. The cash flow includes estimated future interest payments where appropriate.

| **Year-end 2020** | **Within a year** | **After 1 - 3 years** | **After 3 - 5 years** | **After more then 5 years** |
|---|---|---|---|---|
| Loans from credit institutions | 4.102.427 | 4.113.067 | 9.805.639 | 18.862.451 |
| Lease liabilities | 722.094 | 1.402.116 | 1.336.716 | 5.347.133 |
| Trade payables | 7.018.995 | | | |
| Payable to the Icelandic State | 1.666.546 | | | |
| Current tax liability | 268.524 | | | |
| Other short-term liabilities | 1.541.445 | | | |
| | 15.320.031 | 5.515.183 | 11.142.355 | 24.209.584 |

| **Year-end 2019** | | | | |
|---|---|---|---|---|
| Loans from credit institutions | 4.566.987 | 4.975.668 | 4.774.896 | 28.444.866 |
| Lease liabilities | 590.034 | 1.168.037 | 1.090.745 | 2.193.727 |
| Trade payables | 6.803.236 | | | |
| Payable to the Icelandic State | 2.287.675 | | | |
| Current tax liability | 420.488 | | | |
| Other short-term liabilities | 1.254.102 | | | |
| | 15.922.522 | 6.143.705 | 5.865.641 | 30.638.593 |

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# Notes, contd.:

### 31. Related parties

Definition of related parties

The Group's related parties are large shareholders in the Company, associates, members of the Board of Directors and management, their close family members and companies owned by them.

Transactions with related companies

Transactions with related companies are speficied as follows:

| | 2020 | 2019 |
|---|---|---|
| Purchased goods and services | 2.087.152 | 1.812.411 |
| Sold goods and services | 169.747 | 290.598 |
| Interest revenue from long-term receivables | 14.813 | 8.191 |
| Long-term receivables at year-end | 291.078 | 230.559 |
| Short-term receivables at year-end | 9.697 | 14.065 |
| Trade receivables at year-end | 5.488 | 186.219 |

Board of Directors and key management personnel

The salaries and benefits of the members of the Board of Directors and key management personnel for their work for the Group and the nominal amount of their shareholding at year-end is specified as follows:

| **2020** | **Salary** | **Benefits** | **Performance-based salary** | **Number of shares at year-end** |
|---|---|---|---|---|
| Board of Directors | | | | |
| Þórður Már Jóhannesson, Chairman of the Board of Directors | 11.635 | | | 4.345.463 |
| Guðjón Karl Reynisson, Vice-Chairman | 6.905 | | | 349.391 |
| Kristín Guðmundsdóttir | 5.577 | | | 6.028 |
| Margrét Guðmundsdóttir | 8.068 | | | 22.014 |
| Þórey G. Guðmundsdóttir | 3.411 | | | |
| Key management personnel | | | | |
| Eggert Þór Kristófersson, CEO | 50.400 | 4.573 | 12.745 | 90.000 |
| Five managing directors | 163.562 | 13.392 | 25.925 | 34.902 |
| Total | 249.558 | 17.965 | 38.670 | 4.847.798 |
| **2019** | | | | |
| Board of Directors | | | | |
| Margrét Guðmundsdóttir, Chairman of the Board of Directors | 10.047 | | | 22.014 |
| Þórður Már Jóhannesson, Vice-Chairman | 10.188 | | | 4.345.463 |
| Björgólfur Jóhannsson | 4.936 | | | 80.000 |
| Guðjón Karl Reynisson | 5.028 | | | 349.391 |
| Kristín Guðmundsdóttir | 5.388 | | | 6.028 |
| Key management personnel | | | | |
| Eggert Þór Kristófersson, CEO | 46.968 | 3.031 | 23.400 | 90.000 |
| Six managing directors | 167.386 | 14.434 | 40.279 | 43.670 |
| Total | 249.941 | 17.465 | 63.679 | 4.936.566 |

The numbers above include shares owned by their spouses and companies controlled by the members of the Board of Directors and key management personnel.

| | 2020 | 2019 |
|---|---|---|
| Key management personnel gender ratio (male/female) | 83/17 | 71/29 |

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# Notes, contd.:

**31. Related parties, contd:**

Transactions with other related parties

There are no shareholders with significant influence at year-end 2020. Companies controlled by members of the Board of Directors and key management personnel are nine at year-end 2020 and they were defined as related parties. Transactions with them during both years 2020 and 2019 were very insignificant and they consist of normal sales and purchases and the pricing in such transactions is comparable to other transactions of Group companies.

Transactions with employees

The Group has granted loans to its employees due to general purchase of goods in the amount of ISK 9 million at year-end 2020 (2019: ISK 8 million). Other liabilities of employees amounted to ISK 1 million at year-end (2019: ISK 1 million).

**32. Litigation and other claims**

The Internal Revenue Board ruled at the end of 2018 that Festi had incorrectly customs classified certain shipments of fuel in the years 2013 up to and including 2018. Subsequently, the Tax authorities redetermined in December 2019 import levies of these shipments for the years 2013 and 2014 and in March 2020 for the years 2015 to 2018. In total, the Group has paid approximately ISK 110 million with premium and penalty interest because of this. The Group appealed to case to the Internal Revenue Board, which ruled in favor of Festi in December 2020. The Tax authorities have not repaid the money following the ruling of the Internal Revenue Board and they say that they are further reviewing the case internally. The claim is capitalised among other short-term receivables in the statement of financial position at year-end 2020.

During the year ELKO submitted a case to the District Court regarding the monitoring fees of the Icelandic State for the import of electronic equipment. These are fees for the years 2016 until and including 2020. The Court ruled at the end of November 2020 where all ELKO’s claims were accepted. The Icelandic State decided to appeal the case to the Appeals Court and a ruling is expected at the end of the year 2021.  If the Appeals Court will uphold the ruling of the District Court, then ELKO will be repaid between ISK 30 and 40 million with penalty interests. Nothing has been recognised in these financial statements because of this case.

**33. Other matters**

In June 2013 the Icelandic Competition Authority announced that it had decided to initiate market research on the Icelandic fuel market. This is a new form of research, which includes consideration of a need for action against circumstances or conduct that prevents, restricts or adversely affects competition to the detriment of the public. Thus, the Competition Authority’s investigation is not specifically aimed at the Company but the fuel market as a whole. The Competition Authority’s report on preliminary findings was issued in November 2015. Market participants have submitted their opinions regarding the report and following that the Competition Authority conducted an open meeting where the various opinions were discussed. Subsequently, the Competition Authority issued several opinions which were aimed at governmental entities in addition to that market participants were invited to comment on the potential results of the market research. The research was postponed while the merger of N1 hf. and Festi hf. and the merger of Hagar hf. with Olíuverzlun Íslands hf. and DGV ehf. was under discussion. At the end of December 2020 the Competition Authority published the conclusions of its investigation according to which it was believed that the market changes that occured during the period covered by the investigation were all towards improvement and that there were no premises for any special intervention.

Festi hf. reached a settlement with the Icelandic Competition Authority on 30 July 2018 concerning the Company’s purchase of the company Hlekkur hf. According to the settlement, Festi committed among other things to selling five self-service stations in the capital area in addition to the brand name Dælan. On 14 February 2019 Festi reached an agreement on the sale of Dælan and five self-service stations, which was approved by the Icelandic Competition Authority. The self-service stations were delivered on 28 February 2019.

Furthermore, according to the settlement, Festi should also sell the grocery store Kjarval in Hella. An agreement was reached about the sale, but it was not delivered due to resistance from the landlord of the real estate in Hella. Festi then reached an agreement on the sale of the grocery store Krónan in Hvolsvöllur. In February 2020 the municipality Rangárþing eystra declined to sublease the lease agreement and therefore the transaction did not occur. The Icelandic Competition Authority announced in December 2020 that it intends to investigate possible breaches of the settlement by Festi and requested information and further explanations from the Company for certain aspects, including the sale of the store in Hella.

Briefly before that, in the beginning of December 2020, an agreement was reached with another party for the purchase of the store Kjarval in Hella and the landlord agreed the sale in January 2021. The transaction awaits the approval of the Competition Authority but Festi formally answered its questions in February 2021. In the Company´s opionion, if the sale will be approved all the conditions of the settelement will be fulfilled in accordance with their substance.

# Notes, contd.:

### 34. Financial ratios

The Group's key financial ratios

| Operations | 2020 | 2019 |
|---|---|---|
| Turnover rate of inventories | | |
| Utilisation of goods / average balance of inventories during the year ................. | 8,6 | 8,6 |
| Sales days in trade receivables: | | |
| Average balance of trade receivables during the year / goods and services sold .................................................................................................... | 13,8 | 15,2 |
| Profit before depreciation, amortisation and finance items / gross profit.................. | 34,1% | 37,7% |
| Salaries and salary related expenses / gross profit .................................................. | 50,9% | 49,3% |
| Other operating expenses / gross profit ................................................................... | 23,0% | 22,2% |
| Financial position | | |
| Current ratio: current assets / current liabilities......................................................... | 1,10 | 1,19 |
| Liquidity ratio: (current assets - inventories) / current liabilities................................. | 0,58 | 0,67 |
| Leverage: net interest bearing liabilities / EBITDA.................................................... | 5,04 | 4,20 |
| Equity ratio: equity / total capital............................................................................... | 35,7% | 35,3% |
| Return on equity: profit for the year / average balance of equity.............................. | 7,8% | 10,2% |

*Consolidated Financial Statements of Festi hf. 2020* 40 *Amounts are in thousands of ISK*

# Quarterly Statement - unaudited

The Group´s operations for the year 2020 is specified by quarters as follows:

| | Q1 | Q2 | Q3 | Q4 | 2020 Total |
|---|---|---|---|---|---|
| Sale of goods and services | 18.873.577 | 20.640.095 | 23.524.327 | 23.221.699 | 86.259.698 |
| Cost of goods sold | ( 14.552.115) | ( 15.396.160) | ( 17.693.622) | ( 17.933.691) | ( 65.575.588) |
| **Gross profit from sale of goods and serv.** | 4.321.462 | 5.243.935 | 5.830.705 | 5.288.008 | 20.684.110 |
| | | | | | |
| Other operating income | 355.778 | 252.530 | 342.379 | 707.610 | 1.658.297 |
| Salaries and other personnel expenses | ( 2.404.714) | ( 2.708.235) | ( 2.475.192) | ( 2.932.789) | ( 10.520.930) |
| Other operating expenses | ( 1.251.894) | ( 1.085.045) | ( 1.111.479) | ( 1.316.517) | ( 4.764.935) |
| | ( 3.300.830) | ( 3.540.750) | ( 3.244.292) | ( 3.541.696) | ( 13.627.568) |
| | | | | | |
| **Operating profit before depreciation, amortisation and changes in value (EBITDA)** | 1.020.632 | 1.703.185 | 2.586.413 | 1.746.312 | 7.056.542 |
| | | | | | |
| Depreciation and amortisation | ( 622.277) | ( 654.356) | ( 799.335) | ( 791.921) | ( 2.867.889) |
| Changes in value of investment properties | 0 | 59.907 | ( 875) | 180.996 | 240.028 |
| | | | | | |
| **Operating profit (EBIT)** | 398.355 | 1.108.736 | 1.786.203 | 1.135.387 | 4.428.681 |
| | | | | | |
| Finance income | 48.422 | 28.264 | 957 | 24.467 | 102.110 |
| Finance cost | ( 453.010) | ( 602.496) | ( 520.289) | ( 468.180) | ( 2.043.975) |
| Foreign currency differences | 64.291 | 39.268 | ( 692) | ( 79.588) | 23.279 |
| Share of profit of associates | 7.579 | 61.736 | 168.528 | 29.819 | 267.662 |
| Loss from sale of shares in companies | 0 | 0 | 0 | 0 | 0 |
| | ( 332.718) | ( 473.228) | ( 351.496) | ( 493.482) | ( 1.650.924) |
| | | | | | |
| **Profit before income tax** | 65.637 | 635.508 | 1.434.707 | 641.905 | 2.777.757 |
| | | | | | |
| Income tax | ( 12.979) | ( 110.095) | ( 272.318) | ( 116.062) | ( 511.454) |
| | | | | | |
| **Profit for the period** | 52.658 | 525.413 | 1.162.389 | 525.843 | 2.266.303 |
| | | | | | |
| **Other comprehensive income** | | | | | |
| Items that are or may be reclassified subsequently to profit or loss: | | | | | |
| Translation difference arising from the operations of a foreign associate | 46.937 | 2.667 | 25.179 | ( 19.755) | 55.028 |
| Change in fair value of investments in shares | 0 | 30.000 | 0 | 0 | 30.000 |
| Changes in fair value of cash flow hedges | 49.416 | 15.925 | ( 131.856) | 195.695 | 129.180 |
| **Total other comprehensive income** | 96.353 | 48.592 | ( 106.677) | 175.940 | 214.208 |
| | | | | | |
| **Total comprehensive income** | 149.011 | 574.005 | 1.055.712 | 701.783 | 2.480.511 |
| Basic and diluted earnings per share in ISK | 0,16 | 1,60 | 3,55 | 1,64 | 6,95 |

*Consolidated Financial Statements of Festi hf. 2020* 41 *Amounts are in thousands of ISK*

# Quarterly Statement - unaudited

The Group´s operations for the year 2019 by quarters is specified as follows:

| | Q1 | Q2 | Q3 | Q4 | 2019 Total |
|---|---|---|---|---|---|
| Sale of goods and services | 18.229.601 | 21.390.870 | 24.091.734 | 21.279.157 | 84.991.362 |
| Cost of goods sold | ( 13.998.768) | ( 16.342.543) | ( 18.447.709) | ( 16.006.640) | ( 64.795.660) |
| **Gross profit from sale of goods and serv.** | 4.230.833 | 5.048.327 | 5.644.025 | 5.272.517 | 20.195.702 |
| | | | | | |
| Other operating income | 372.102 | 639.352 | 411.795 | 427.680 | 1.850.929 |
| Salaries and other personnel expenses | ( 2.290.652) | ( 2.587.889) | ( 2.371.105) | ( 2.702.915) | ( 9.952.561) |
| Other operating expenses | ( 983.060) | ( 1.207.386) | ( 1.067.327) | ( 1.231.055) | ( 4.488.828) |
| | ( 2.901.610) | ( 3.155.923) | ( 3.026.637) | ( 3.506.290) | ( 12.590.460) |
| | | | | | |
| **Operating profit before depreciation, amortisation and changes in value (EBITDA)** | 1.329.223 | 1.892.404 | 2.617.388 | 1.766.227 | 7.605.242 |
| | | | | | |
| Depreciation and amortisation | ( 721.493) | ( 623.476) | ( 541.279) | ( 811.446) | ( 2.697.694) |
| Changes in value of investment properties | ( 45.092) | ( 72.189) | 62.325 | 345.885 | 290.929 |
| | | | | | |
| **Operating profit (EBIT)** | 562.638 | 1.196.739 | 2.138.434 | 1.300.666 | 5.198.477 |
| | | | | | |
| Finance income | 19.285 | 15.652 | 43.793 | 94.491 | 173.221 |
| Finance cost | ( 617.678) | ( 653.470) | ( 536.243) | ( 545.857) | ( 2.353.248) |
| Foreign currency differences | 36.478 | 17.258 | 24.271 | ( 50.740) | 27.267 |
| Share of profit of associates | 60.203 | 84.645 | 139.213 | 100.768 | 384.829 |
| Loss from sale of shares in companies | 0 | 0 | 0 | ( 59.714) | ( 59.714) |
| | ( 501.712) | ( 535.915) | ( 328.966) | ( 461.052) | ( 1.827.645) |
| | | | | | |
| **Profit before income tax (EBT)** | 60.926 | 660.824 | 1.809.468 | 839.614 | 3.370.832 |
| | | | | | |
| Income tax | ( 9.320) | ( 111.315) | ( 329.843) | ( 124.806) | ( 575.284) |
| | | | | | |
| **Profit for the period** | 51.606 | 549.509 | 1.479.625 | 714.808 | 2.795.548 |
| | | | | | |
| **Other comprehensive income** | | | | | |
| Items that are or may be reclassified subsequently to profit or loss: | | | | | |
| Translation difference arising from the operations of a foreign associate | ( 231) | 39.743 | ( 33.187) | ( 17.476) | ( 11.151) |
| Reversal of translation difference due to sale of shares | 0 | 0 | 0 | 65.213 | 65.213 |
| **Total other comprehensive income** | ( 231) | 39.743 | ( 33.187) | 47.737 | 54.062 |
| | | | | | |
| **Total comprehensive income** | 51.375 | 589.252 | 1.446.438 | 762.545 | 2.849.610 |
| | | | | | |
| Basic and diluted earnings per share in ISK | 0,15 | 1,67 | 4,49 | 2,18 | 8,49 |

*Consolidated Financial Statements of Festi hf. 2020* 42 *Amounts are in thousands of ISK*

# Statement of Corporate Governance

## Board of Directors and Corporate Governance

Festi complies with the Guidelines on Corporate Governance, 5th edition 2015, issued by the Icelandic Chamber of Commerce, Nasdaq OMX Iceland hf. and the Confederation of Icelandic Employers (hereafter referred to as "Guidelines on Corporate Governance").

The corporate governance of Festi is laid down in the rules of procedures of the Board of Directors, the Company‘s Articles of Association and the Act on Public Limited Companies No. 2/1995. The current rules of procedures of the Board of Directors were approved at a Board meeting on 29 April 2020. The rules are based on provisions in Article 70, paragraph 4 in the Act on Public Limited Companies No. 2/1995 and Article 17, paragraph 2 of the Company‘s Articles of Association. The Company‘s Articles of Association describe the Company’s objective, its share capital, shareholders meetings, Board of Directors, CEO, accounting and audit. The current remuneration policy for Festi was approved by the Annual General Meeting on 23 March 2020. The policy applies to the terms of employment for the members of the Board of Directors, the CEO and the senior management of the Company.

The Company’s rules of procedures for the Board of Directors, Articles of Association and information regarding the remuneration policy are accessible on the Company’s website, www.festi.is/fjarfestatengsl. The Company’s highest authority is with its shareholders. The Annual General Meeting of shareholders shall be held by the end of August each year. The Board of Directors has the highest authority in the Company’s affairs between shareholders meetings and is responsible for its operations. The Board of Directors executes an appraisal of its performance annually. Communication between the Board and shareholders takes place at shareholders meetings. Members of the Board are independent in their work and do not accept direct instructions from shareholders in the Company or other stakeholders. Members of the Board must also observe confidentiality in performing their duties and are not allowed to provide information to shareholders concerning the Company’s finances or operations unless it is presented by the Board of Directors.

According to the Articles of Association of Festi, the Board of Directors of the Company shall consist of five directors appointed for a one year term at the Annual General Meeting. The Board of Directors now consists of three women and two men. The Company complies with the provisions of Act on Public Limited Companies on gender ratio which entered into effect on 1 September 2013. Members of the Board have diverse education and extensive professional experience.

Those who intend to candidate at the election of the Board of Directors of the Company must notify so in writing to the Board of Directors with at least five days notice before the beginning of the Annual General Meeting. The Company's Articles of Association can only be amended with the approval of 2/3 of votes cast in a lawfully called shareholders' meeting, provided that the intended amendment is thoroughly mentioned in the agenda to the meeting as well as what it consists of.

The Board of Directors has laid down rules of procedures for the Board which are reviewed on an annual basis. In the rules of procedure the competences of the Board and its purview with respect to the CEO are defined. The procedures contain among other things provisions on the appointment of Board members, communication with shareholders, calling of meetings and order, minutes of meetings and their content, rules on Board members' obligation of confidentiality and secrecy and rules on eligibility of Board members to participate in decision making. The Board elects a Chairman and a Vice-Chairman for the Board in addition to appointing members of sub-committees. Board meetings shall be called as often as necessary but in general no less than eight times per year. Board meetings are held at the headquarters of Festi hf. at Dalvegur 10-14, 201 Kópavogur, and the Chairman of the Board directs the meetings. The CEO attends Board meetings and may at the meetings discuss matters and present motions, unless otherwise decided by the Board in specific matters. The Company's Board of Directors determines among other things the CEO's terms of employment and meets regularly with the Company's auditors. The Board of Directors has appointed an Audit Committee and a Remuneration Committee. The Nomination Committee of the Company operates according to a mandate granted by the Annual General Meeting.

# Statement of Corporate Governance, contd.

To ensure that the Company's financial statements are in accordance with International Financial Reporting Standards the Company places emphasis on carefully defined responsibilities, appropriate separation of tasks and regular reporting and transparency in its operations. The process of monthly reporting and review for individual divisions is an important factor in the controls for earnings and other key aspects of the operation. Monthly statements are prepared and presented to the Company's Board of Directors. The Company has established work procedures to ensure controls for income recognition, operating expenses and other items affecting the Company's operation. Risk management is reviewed on regular basis in order to reflect changes in market conditions and the Company's operation. Through personnel training and work procedures the Company aims at maintaining disciplined controls where all employees are aware of their roles and responsibilities. Operating risk is addressed by monitoring transactions and compliance with law. The Board of Directors has established an equity management policy to ensure a strong equity position and to support stability in the future development of the company´s operations.

All members of the Board of Directors have provided personal information in order to enable an evaluation of their qualification for membership on the Board. The information includes board membership in other companies, shareholding in the Company, whether directly or indirectly through related parties, and possible conflict of interest. All Board members are independent of both the Company and the large shareholders.

### Remuneration committee

The Board of Directors has appointed a Remuneration Committee. The role of the Remuneration Committee is to provide guidance to the Board of Directors regarding employment terms for Board members and Company's management and advise on the Company's remuneration policy, which shall be reviewed every year and presented to the Company's Annual General Meeting. Furthermore, the Committee shall monitor that employment terms of senior management is within the framework of the Company's remuneration policy and report thereon to the Board of Directors on an annual basis in relation to the Annual General Meeting. The Board of Directors shall appoint two members in the Remuneration Committee. One of two members shall be independent from the Company and its day-to-day managers. Neither the CEO nor other employees may be a member of the Remuneration Committee. Independent Board members may be members of the Remuneration Committee. Committee members should preferably have experience and knowledge of the criteria and customs that relate to the determination of the employment terms of managers. The employment terms of the members of the Committee shall be decided at the Annual General Meeting. The Rules of Procedure of the Board of Directors shall stipulate the tasks of the Committee. The committee consists of Margrét Guðmundsdóttir, Chairman of the Committee, and Guðjón Karl Reynisson. Þórður Már Jóhannesson has also been present at the meetings of the committee in the operating period.

### Audit Committee

The Board of Directors of Festi hf. has appointed an Audit Committee in accordance with provisions of the Financial Statements Act. The Committee must consist of at least three members and the majority of the members shall be independent from Festi. The Committee shall be appointed for a one year term at the first Board meeting following the annual general meeting. The majority of Committee members shall be members of the Board of Directors of Festi and the chairman of the Committee shall be appointed by the Company's Board of Directors. Committee members must have qualifications and experience in accordance with the activities of the Committee, and at least one member must have sufficient expertise in the field of accounting or auditing. Employment terms of committee members shall be decided at the annual general meeting. The Committee shall monitor and check the auditing of the Company’s financial statements and assess the auditors' work to ensure further safety and quality of work methods during the audit. According to the Committee's rules of procedure two Board members shall be appointed to the Committee in addition to one external expert. The Committee shall meet at least four times a year and additional meetings shall be called when deemed necessary by the chairman. The Committee consists of Margrét Guðmundsdóttir, member of Board of Directors, Kristín Guðmundsdóttir, member of the Board of Directors, and Margret Flóvenz, State Authorised Public Accountant and Chairman of the Committee.

The Audit Committee´s tasks are as follows:

- To monitor the financial reporting process.
- To monitor the organisation and effectiveness of Festi´s internal control, risk management and other control procedures.
- To monitor the external audit of Festi´s financial statements.
- To make recommendation to the Board of Directors regarding the selection of auditors or audit firm.
- To evaluate the independence of external auditors or audit firm and monitor other tasks performed by them.

# Statement of Corporate Governance, contd.

### Nomination Committee

Festi has appointed a Nomination Committee, elected at the shareholders meeting. The Nomination Committee has an advisory role regarding the election of Board members and presents its recommendations to the shareholder meeting where Board members are scheduled to be appointed. The Nomination Committee presents a reasoned proposal for the election of Board members, taking into account their competency, experience and knowledge with regards to the Guidelines on Corporate Governance and the results of the Board's performance appraisal. The committee´s proposal shall be in accordance with provisions of Act on Lmited Liability Companies and the company's articles of assocation regarding the appointment of the Board of Directors.The Nomination Committee's recommendations shall be aimed at a Board composition of diverse knowledge and experience that will serve well for setting the Company´s policies and for monitoring the business environment of the Company at any given time. The Nomination Committee shall conduct its work with the overall interests of all the shareholders of the Company in mind.

The Nomination Committee consists of three members that are appointed for a one year term. The majority of Committee members are independent from the Company and its day-to-day managers. The same guidelines are applied in assessing the independence of Committee members as for assessing the independence of Board members, i.e. the Guidelines on Corporate Governance. At least one Committe member shall be independent from large shareholders.

The Nomination Committee consists of Sigrún Ragna Ólafsdóttir, Chairman of the Committee, Tryggvi Pálsson and Þórður Már Jóhannesson, Chairman of the Board of Directors. Any queries are received through e-mail, tilnefningarnefnd@festi.is.

### Investment Committee

The Board of Directors has appointed an Investment Committee. Its purpose is to provide the Board with analysis and recommendations regarding investments. The Committee consists of Þórður Már Jóhannesson, Chairman of the Board of Directors, and Eggert Kristófersson, CEO.

During the year 2020, the Board of Directors held 12 meetings, the Audit Committee 11 meetings, the Remuneration Committee 5 meetings and the Nomination Committee 26 meetings. The majority of members of the Board of Directors, the Audit Committee, the Remuneration and the Nomination Committee attended all meetings. The Audit Committee calls meetings with the Company's auditors on regular basis and auditors attend Board meetings when reviewed or audited financial statements are discussed.

### The Board of Directors of Festi

*Þórður Már Jóhannesson, Chairman of the Board of Directors*
Þórður Már was the CEO of Straumur Fjárfestingabanki from 2001 to 2006 where he lead the founding and build-up of the company. Between 1996 and 2001 he was employed at Kaupþing. Since 2006 he has been involved in personal investments. In 2014 his company invested in Festi (Hlekkur) and subsequently Þórður Már became a leading shareholder of the company. Þórður Már has been a member of the Board of Direcors of various companies during recent years which include among others Olíufélagið, Sölumiðstöð Hraðfrystihúsanna and at Festi. He was the Chairman of the Board of Directors at Festi fasteignir and Höfðaeignir from 2014 to 2018. Þórður Már became a member of the Board of Directors of Festi in 2018.

*Guðjón Reynisson,Vice-Chairman of the Board of Directors*
Guðjón is an independent investor and a member of the Board of Directors. Between 2008 and 2017 he was the CEO of Hamleys of London. He lead the sales process of the company in 2011 to 2012 and again in 2015 to 2016. Between 2003 and 2007 Guðjón was the executive director of 10-11 convenience stores. Prior to that from 1998 to 2003 he was the executive director of sales at Tal. He has been a member of the Board of Directors of Kvika banki since 2018 and in Festi (Hlekkur) from 2014 and subsequently in Festi from 2018. Guðjón holds an MBA from the University of Iceland from 2002 and completed Operating- and business studies from Endurmenntunarstofnun Háskóla Ísland in 1999. Guðjón graduated with an Athletic education degree from Íþróttakennaraskóli Íslands in 1986.

# Statement of Corporate Governance, contd.

*Kristín Guðmundsdóttir, member of the Board of Directors*

Kristín holds a Cand. oecon. degree in Business Administration from the University of Iceland. Kristín has been a member of the Board of N1/Festi since 2011. She is a member of the Board of Directors of Farice since 2013 and RKV Studios since 2015. She is a member of the Board of Directors of Eyrir Venture Management ehf. from 2020, Eyrir Ventures ehf. from 2019 and Eyrir Sprotar slhf. since 2020. She is a member of the invemstment committee of Eyrir sprotar since 2014. She is a member of the Board of Golfsamband Íslands since 2013. Kristín is the acting CEO of KG slf. which is her privatly held conculting company. In 2011 she was the CEO of Skipti hf. Prior she was the CFO of Síminn hf. and Skipti hf. from 2003 to 2010. Kristín was the CFO of Grandi hf. from 1994 to 2003. Kristín was also an executive at Íslandsbanki and Iðnaðarbanki Íslands for a number of years. Kristín was the Chairman of the Board of Directors of Sparisjóður Vestmannaeyja from 2011 to 2013 and a member of the Board of Directors of Síminn hf. and Míla ehf. from 2007 to 2011 as well as the Chairman of the Board of Directors in 2011. Kristín was the Vice-Chairman of the Board of Directors of Straumur fjárfestingabanki from 2013 to 2015, a member of the Board of Directors of Kvika banki from 2015 to 2018, a Board substitute in Kvika until 2020 and a Board substitute in FBA from 1998 to 2000. Kristín has also been a member of the Board of Directors of the following companies: Skjár miðlar ehf., Fasteiganfélagið Jörfi ehf., Sjóminjasafnið, Farsímagreiðslur ehf., Straumur hf., Verslunarráð Íslands, Verðbréfaskráning Íslands hf., Eignarhaldsfélag hlutafélaga og Lífeyrissjóður verkstjóra. Krístín was the president of Rótarý Reykjavík Miðborg from 2013 to 2014.

*Margrét Guðmundsdóttir, member of the Board of Directors*

Margrét holds a Cand. oecon. degree in Business Administration from the University of Iceland, Cand. merc. degree from Copenhagen Business School and an Executive education from CEDEP Insead in France. Margrét held the position of CEO of Austurbakki, later Icepharma hf., during the period from 2005 to 2016. Priorly she was an executive director at Skeljungur from 1995 to 2005, executive director at Kuwait Petroleum (Danmark) A/S from 1986 to 1995 and the office director at Dansk ESSO, later Statoil, from 1982 to 1986. She was the deputy CEO of AIESEC International Brussel from 1978 to 1979. Margrét is a member of the Board of Directors of Eignarhaldsfélagið Lyng ehf., Hekla hf., Hekla Fasteignir ehf. and Paradís ehf. She was the chairman of European Surgical Trade Association from 2011 to 2013 and sat on the Association's Board of Directors from 2009 to 2015. She was the chairman of the Icelandic Federation of Trade and was the member of the Board of Directors at Reiknistofa bankanna from 2010 to 2011 and 2016 to 2018, ISAVIA 2017 to 2018 and SPRON 2008 to 2009. Margrét has also been a member of the Board of the following companies: Skýrr hf., Frigg hf. and Q8 A/S in Denmark and Dansk Institut for Personalerådgivning. Margrét has been a member of the Board of Directors of N1 from 2011 and was the chairman from 2012 to 2018. Margrét was the Chairman of the Board of Directors of Festi from 2018 to 2020.

*Þórey G. Guðmundsdóttir, member of the Board of Directors*

Þórey G. Guðmundsdóttir is the CFO of Bláa Lónið hf. since 2013. Þórey is a member of the Board of Directors of DecideAct A/S which is listed on Nasdaq First North Danmark. She is also a member of the Board of Directors of Íslenskar Heilsulindir ehf., Bláa Lónið Heilsuvörur ehf., Eldvörp ehf., Vænting ehf., Jarðvangur ehf., Hraunsetur ehf. and Blue Lagoon NL B.V. Þórey became a member of the Board of Directors of Festi in March 2020. Þórey was the Head of the Economics Department of Samskip from 2014 to 2011 and the CFO of Straumur Fjárfestingabanki from 2004 to 2011. She was the assistant and substitute for the Manager of Operations and Finance of Alþingi from 1999 to 2000 and with KPMG Endurskoðun hf. from 1995 to 1999. Þórey was elected to the Board of Directors of Festi in 2020. Þórey holds a Cand.oecon. degree in Business Administartion from the University of Iceland.

### Executive Board of Festi

The Executive Board is comprised of the CEO and five managing directors of the Company, whereby each managing director is responsible for a certain division towards the CEO.

*Eggert Þór Kristófersson, CEO*
Eggert was employed as a consultant in personal service at VÍB hf. from 1995 to 1997. He acted as the executive director for sales and service at Lánasýsla ríkisins from 1997 to 1999 and Íslandsbanki hf. from 2000 to 2007, first as being responsible for bond positions and later as the managing director of Islandsbanki's investment funds. During the year 2008 Eggert acted as director of asset management at Glitnir bank in Iceland and in Finland but a year later he joined the investment company Sjávarsýn ehf., where he acted as the CEO. Eggert was the acting CFO of N1 from 2011 and took over as CEO of N1 in February 2015. Eggert is the Chairman of the Board of Directors at Malik Supply A/S and Nordic Marine Oil where Festi holds a 24% share and the Chairman of the Board of Directors in Festi‘s subsidiaries. He holds a Cand. oecon. degree from the accounting department at the University of Iceland and is also a certified securities trader.

*Kolbeinn Finnsson, managing director of Operations*
*Magnús Kristinn Ingason, CFO*
*Ásta Sigríður Fjelsted, CEO of Krónan*
*Gestur Hjaltason, CEO of ELKO*
*Hinrik Bjarnason, CEO of N1*

According to the Companie's Articles of Association, it is the role of the Board of Directors is to hire the CEO and decide the terms on the employment contract. The Board of Directors and CEO are responsible for the governance of the Company.

It should be noted that members of the Executive Board of Festi do not have share option agreements with the Company. There are no conflicts of interest between members of the Executive Board and the Company’s main customers, competitors or large shareholders.

### Festi´s values, code of conduct and policy on social responsibility

Festi’s values are:
Value
Efficiency
Trust

The Company’s policy is to be a leader for the future, which includes being socially responsible. Concurrently to the issue of the financial statements, a social report will be issued in accordance with ESG Reporting Guide 2.0 from February 2020. Festi endeavours to minimise the environmental impact of its operations by relentlessly applying disciplined and accepted measures. On 19 June 2015 Festi was granted VR´s certificate of equal salary which all subsidiaries of Festi have been granted in accordance with the ÍST 85:2012 standard. The certificate confirms that the Company´s employees working comparable jobs are not being discriminated against in determination of their salaries. Every year a number of non-profit organisations and individuals ask the Company for financial support for their good causes. Festi puts emphasis on preventative measures and sport activities.
Festi´s code of conduct was approved on 27 February 2020. The code of conduct is accessible on the Company´s website.

### Main components of internal control and the Company´s risk management

Monitoring the main risks faced by the Company is an integral and ongoing part of the Company´s day-to-day operations intended to secure its operational continuity and minimise risk.

The main components of internal control and risk management are reviewed by the Board of Directors annually.

The Company does not have an internal auditor. However, the Company´s auditors carry out limited reviews of its processes.

### Company's Shareholders

The Company is a limited liability company. Information regarding its largest shareholders is disclosed on its homepage, www.festi.is.

# Non-Financial Information

### Non-Financial Information ESG

Since the merger of the companies, Festi hf. (Festi) has been publishing alongside the annual consolidated financial statements a comprehensive sustainability report, based on the Nasdaq ESG Reporting guide for Iceland and the Nordic countries introduced in March 2017. These fuidelines reflect the existing recommendations issued in 2015 by the United Nations (UN) and its Sustainable Stock Exchanges (SSE) initiative, the World Federation of Exchanges' Sustainability Working Group.

These annual accounts contain an excerpt from the Sustainability Report of Festi and its operating subsidiaries which will be published in details in a separate document. The sustainability performance of Bakkinn, ELKO, Krónan, and N1 will also be published.

The information in the Sustainability Report is produced by employees and experts in applicable divisions of Festi. The report is not audited or reviewed by a third party. The report covers the entire operations of Festi and its operating subsidiaries based on the operating year 2020. The results for the financial years 2018 and 2019 are presented for comparison only.

Greenhouse gas emissions and other environmental metrics are provided by Klappir's online solution. Those information are: number of flights were provided by each relevant airline company, fuel litres from N1 customers accounting systems, data on waste disposal from the waste management companies, and data on energy and water usage from applicable utilities.

### ESG Risk assessment

Reitun prepared and issued a report on the ESG risk assessment for Festi in 2020. The group had a positive outcome from the risk assessment with a grade of B3 (68 points out of 100 possible).

The purpose of the assessment is to analyze and evaluate Festi's performance in selected main ESG aspects (environmental, social, and governance). In Icelandic, the term is UFS (umhverfismál, félagslegir þættir og stjórnarhættir). The risk of each factor, which are given different weights, is assessed from the perspective of management and results.

Festi's overall score is 68 points, category B3. At the time of publication, this score was above the average of the 30 Icelandic companies which had been assessed by Reitun.

A summary of Reitun's report can be found on Festi's website.

### Festi's operations

Festi is a holding company that specialises in the operation of companies that are leading in the retail of convenience goods, electronic equipment and the sale of fuel and energizers in Iceland through its' subsidiaries Krónan, ELKO, N1, Festi fasteignir, and Bakkinn vöruhótel.

Festi is listed on the main market of the stock exchange of NASDAQ OMX Iceland and has a diversified ownership.

The role of Festi hf. is to support its subsidiaries in meeting customers´ requirements to enable them to continue to be at the forefront in providing services and a wide selection of goods to customers accross Iceland.

The company's policy is to be a future leader in its markets and social responsibility plays a part in that. Festi's policy provides a roadmap towards the future and it is implemented through continuous development of strategic and improvement projects which support the progress of its subsidiaries. Festi strives to minimize environmental impacts from its operations through organized and recognised efforts.

Festi's core values are value, efficiency, and trust which are reflected in the Company's goals.

# Non-Financial Information, cont.:

The goal of Festi is to manage the group's investments in a value enhancing manner and to support a value realization of operating entities within the group through efficient infrastructure services and thus facilitating a collective long term value creation within the group.

Festi hf. reports and communicates to the public and investors. The interest of shareholders and, depending on the situation, stakeholders are considered when potential investments are evaluated. Investment cases are evaluated on a case by case basis and, depending on the situation, potential synergies through improved efficiency / productivity in infrastructure services are considered. The aim of Festi hf.'s investment strategy is to be a trustworty investment alternative and owner.

| **Emphasis** | | | **Festi Target** | | | | **Re-ference** |
|---|---|---|---|---|---|---|---|
| **UN Sustainable Development Goals** | **Iceland Priority Target** | **Festi Policy** | **Objective name** | **Indicator** | **2019** | **2020** | **ESG** |
| 8 GÓÐ ATVINNA OG HAGVÖXTUR | **Decent work and Economic growth** | **Festi Purpose** | Deliver profitable and good operatio | Total segment revenue ma. ISK | 86.7 | 87.3 | NA |
| | 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors. | | Promote business good practices | Publish a sustainability report | Krónan, Festi and N1 | Festi, Bakkinn, ELKO, Krónann and N1 | G8 |

An enterprise risk management for Festi and its operating subsidiaires was carried out in collaboration with KPMG for the years 2019 and 2020. The assessment covers all the key risk elements in operations, competitive environment, and unforeseen risks. The impact and likelihood were evaluted for each risk and risks mitigating procedures were identified. Based on that, an action plan was developed in order to mitigate risks under the responsibility of Festi's CFO.

Festi's daily operations are divided into operating of infrastructure services for the group's operating entities and investment operations. The tasks associated with Festi's operations include the group's IT, finance, including daily treasury and financing, human resources, the operations of real estate, as well as quality management and security operations. The Executive Committee of Festi is an integrated part of the management team of the Group's operating entities. As such the Executive Committee of Festi participates in monthly management meetings of its subsidiaries and the Boards of the operating entities consist of representatives of Festi.

### Festi's operating subsidiaries

Festi and its subsidiaries consist of 200 business locations operating around the country, as well as leased real estates. The company's activities are of such a nature that it is necessary to obtain various licenses and permits from the relevant competent authorities. Some workplaces of most of the operating entities of Festi are subject to opertating licences, various laws, rules and regulation and the supervision of different regulators. Annual review are carried out on the authorized activities by the relevant supervisory body in the municipality in question. The results of the reviews are processed in cooperation with the regulator in question.

Festi owns and operates the group's real estates and it is the company's objective that the emphasis of real estate investments shall be profitability and/or support to the core operation of the Group.

# Non-Financial Information, cont.:

| Number of workplaces and operating entities of Festi | |
|---|---|
| Headquarter Festi and its susbidiaires | 2 |
| Bakkinn vöruhús | 2 |
| ELKO electronic retail chain stores and online store | 6 |
| Krónan and Kr. convenience stores and online store | 26 |
| N1 service and fuel service station | 29 |
| N1 self-service stations and agents | 57 |
| Electric service stations N1, Tesla and ON | 13 |
| N1 methane service station | 1 |
| N1 maritime fuel pumps | 49 |
| N1 lubrification and tire service | 11 |
| N1 stores | 4 |

Bakkinn vöruhús are two warehouses specialised in storage and distribution of products for customers outsourcing partly or fully their warehousing operations. Bakkinn's operations are an important link in the group's supply chain through the distribution and delivery of products for Festi's operating subsidiaries. Bakkinn emphasizes on efficiency in service and processes. This year, a new warehouse system was implemented to strengthen the safety and ensure real-time delivery. Bakkinn will publish its first sustainability report in accordance with the Nasdaq ESG Reporting guide in March 2021. It will further describe operations, environmental goals, greenhouse gas emissions and goals related to the 17 UN Sustainable Development Goals.

Elko is the largest electronics retail chain in the country and operates six stores, including an online store. Elko's objectives are to offer quality brand names in electronics at low prices and facilitate the access to advanced technology. Its supply agreement with Elkjöp helps to provide the lowest prices in electronics in Iceland. Over the year, the company opened a brand-new electronic store, ELKO in Akureyri. Elko promotes environmental practices in multiple ways such as by sorting and recycling used products. Customers can return their old phones or computers to the extent that the device is considered reusable, and receive a credit. By this initiative, 2.000 used products from Icelandic customers integrated the circular economy with a second-hand sale at Replace. Following the increased sales of electric scooters, ELKO published a guide on a safe-use of the electronic scooters to promote safety accross the community.
ELKO will publish its first sustainability report prepared in accordance with the Nasdaq ESG Reporting guide in March 2021. It further described its activities, environmental goals, CO2 emissions and its goals related to the 17 UN Sustainable Development Goals.

Krónan is a discount super market which emphasizes fresh produce. Krónan runs 26 convenience stores under the brand names Krónan, Kr and Krónan online store. Their objective is to provide wide variety of products at low prices to its customers. All the stores have been the first in Iceland to be awarded the Swan Ecolabel environmental certificate. The Swan Ecolabel for convenience stores covers all environmental aspects of the operations such as the food waste, the waste sorting, the energy consumption and the offer of organic and environmentally certified products. Krónan supports the national campaign Þjóðþrif by collecting the recyclable plastic generated by its operations and sending it to Pure North Recycling. The project promotes sustainability, circular economy and ensures through a certified process, that plastics are duly recycled and not landfilled, incinerated or sent unprocessed to foreign countries.
Krónan will publish its second sustainability report prepared in accordance with the Nasdaq ESG Reporting guide in March 2021, the first of which was awarded CSR Report of the Year by Festa Center for Corporate Social Responsibility, Stjórnvisi and the Iceland Chamber of Commerce. It further described its activities, environmental goals, CO2 emissions and its goals related to the 17 UN Sustainable Development Goals.

# Non-Financial Information, cont.:

N1 is Festi's energy supplier and provides people, households and companies with fuel, electricity, supplies, tires and lubrification services, catering and services at the service stations accross the country. The N1's objective is to enhance the of society mobility with a customized service and a targeted product range that meets the requirements of customers in all circumstances. N1’s policy is to be a leader in Icelandic transportation and to serve all types of clients relying on traditional (petrol, diesel) or alternative energy (i.e. methane or electric). Festi is supporting this goal through investments. With the acquisition of all shares in Íslensk Orkumiðlun ehf., N1 is also authorized to distribute eletricity. The electricity sold comes from renewable ernergy sources, either hydropower of geothermal energy. N1 operates 86 fuel service stations, 13 electricity service stations in its brand name or in collaboration with Telsa and ON, and one methane service station for vehicles. Out of 86 fuel service stations, 27 offer refreshments and healthy snacks under the brand names Nesti og Ísey. Eighteen of N1’s stations are certified pursuant to the ISO 14001 standard on environmental management. N1 also runs 11 lubrication and tire service stations. All of the tire service stations have quality assurances by Michelin. In addition, N1 operates 4 corporate stores, 6 corporate stores "in store" or with agents, 5 tire service stations and 42 maritime fuel pumps around the country.
N1 will publish its sustainability report prepared in accordance with the Nasdaq ESG Reporting guide in March 2021 for the second consecutive year. It further describe its activities, environmental goals, grenhouse gas emissions and its goals related to the 17 UN Sustainable Development Goals. Since 2014, N1 is publishing a corporate social responsibility report. N1 received recognition for its outstanding performance in corporate social responsibility for the operating year 2016, the first that Creditinfo awarded to an Oustanding company.

### Society and Environment

It is Festi's policy to be a future leader in its markets and social responsibility plays an important part in that. The company’s policy is to treat the environment with respect, minimize negative externalities and seek to provide environmentally friendly products and services. Festi and its subsidiaries are all members to Festa – A center for social responsibility.

Festi and its operating subsidiaires work constantly to increase social responsibility accross the core activities of the companies. Social responsibility is an increasingly important factor in the operations and covers all aspects of the group. Various fields fall under the term, such as environmental issues, codes of conduct, fair practices, communal activity, and development and relations with the society.

Festi and its operating subsidiaries strive to operate in accordance with issued operating licenses, internationally certified standards and approved methods. All of Krónan's convenient stores are certified by Swan Eco Label, 18 of N1 fuel service stations are certified pursuant to the ISO 14001 standard on environmental management by Vottun hf. All eleven N1 tire workshops are certified Michelin Quality Dealer by SCA in Denmark. Bakkinn and lubrication oil service stations operate in accordance with the requirements of Exxon Mobil certified by Exxon Mobil.

Festi and its operating subsidiaries have in various ways reduced their environmental footprint, among other things through targets on waste sorting, responsible procurement, product selection, innovation, services and training, and other measures. Festi, formerly N1, has since 2015 reported on their progress in published sustainability reports. This year, all of Festi's subsidiaries will publish a sustainability report including non-financial information, environmental and waste management , as well as their goals in connection with the 17 United Nations Sustainable Development Goals.

For the third consecutive year Festi hf. has engaged in activities to offset its greenhouse gas emissions from Scope 1 numbers in its Sustainability Report for its operations and of its subsidiaries through the reforestation with planting trees with Kolviður. The Scope 1 numbers are prepared by employees and experts in applicable divisions of Festi hf. and its subsidiaires with the assistance of Klappir. The report is not reviewed or audited by a third party. The report covers the entire operations of Festi and its operating subsidiaries in the operating year 2020. The information is collected by Klappir's software and can be traced to the suppliers.

# Non-Financial Information, cont.:

| Emphasis | | | Festi Target | | | | Re-ference |
|---|---|---|---|---|---|---|---|
| **UN Sustainable Development Goals** | **Iceland Priority Target** | **Festi Policy** | **Objective name** | **Indicator** | **2019** | **2020** | **ESG** |
| | **Ensure sustainable consumption and production patterns** | | | | | | |
| 12 ÁBYRG NEYSLA | 12.3 By 2030, halve per capital global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses. | Enviromnment | **Food waste** | Reduce food waste (Krónan) | 48% decrease | Information provided into Krónan's sustainability report | E7 |
| | 12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment. | | **Recycling** | Recycling process for all Festi's business units to the extent it is possible in the nearest municipality | Percentage of sorted waste 70,4% | Percentage of sorted waste 73,1 % | E1, E7 |
| | 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse. | | **Prevention** | Certifications, Exxon Mobil, internal reveiws of licensed operations with the objective to comply with requirements and fully compliant audits/reviews. | Swan Ecolabel 2 Krónan stores, 18 N1 service stations certified ISO 14001, 11 tire service stations certified by Michelin, Bakkinn Klettagarðar certified by ExxonMobil, sales of Swan Eco Label products | Swan Ecolabel 2 Krónan stores, 18 N1 service stations certified ISO 14001, 11 tire service stations certified by Michelin, Bakkinn Klettagarðar certified by ExxonMobil, sales of Swan Eco Label products | G5 |

During the year, Pure North Recycling analyzed the process of recycling the sorted plastic generated by Krónan, N1, Bakkinn, and ELKO with the aim to identify opportunities to participate in the national campaign Þjóðþrif. The project promotes sustainability, circular economy and ensures through a certified process, that plastics are duly recycled and not landfilled, incinerated or sent unprocessed to foreign countries.

Festi does not require its subsdiaries to conduct formal supplier assessments. Krónan requires its suppliers to certify that their products are manufactured in accordance with laws and regulations, respect the protection of international human rights and that they ensure that they are not complicit in human rights violations or abuses. This provision is further described in Krónan's procurement rules in the Krónan's sustainability report. The suppliers to certified ISO 14001 N1 business units have undergone an assessment in accordance with the requirements of N1 and the standards. Some N1 suppliers requests also for N1 to meet certain conditions in order to be licensed resellers, such as the training of N1 staff in accordance with their standards but also the fulfillment of their requirements for environmental, safety and security, personnel and health issues and those processes are taken out annually.

# Non-Financial Information, cont.:

| Emphasis | | | Festi Target | | | | Re-ference |
|---|---|---|---|---|---|---|---|
| UN Sustainable Development Goals | Iceland Priority Target | Festi Policy | Objective name | Indicator | 2019 | 2020 | ESG |
| 13 VERNDUN JARÐARINNAR | **Take urgent action to combat climate change and its impacts**<br>13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries | Environment | Estimate and targets | Energy insenty kWh/FTE | 43.108 | 41.515 | E4 |
| | | | | Energy intensity kWh/m2 | 491,1 | 442,5 | E4 |
| | | | | Estimate emission decrease tCO2/FTE | 1,42 | 1,46 | E2 |
| | | | GHG Emission Scope 1 | Agreement with Kolviður | 441,8 tCO2 | 470,8 tCO2 | E1 |
| | 13.2 Integrate climate change measures into national policies, strategies and planning | | Supplier Assessment | Suppliers assessment for Krónan and ISO 14001 certification for N1. Objective to review the largest suppliers of Festi og its subsidiaries | Not started, preparation for 2020 | In progress | G5 |
| | | | N1 footprint in electricity market | Acquisition of Hlöðu | Increased access to charging station | N1 approved as energy reseller | E10 |
| | | | | Ownership interests in Íslensk Orkumiðlun | Accelearation of energy transition | Festi acquires all 100% of Íslensk Orkumiðlun | E10 |

Annually a variety of NGOs, associations and individuals seek a support from the company. Festi emphasizes supporting preventive measures and sports activities. Information on grants and allocations will be detailed in the sustainability report of Festi's subsidiaries.

Cleaning measures on behalf of N1 ehf. and Festi hf. due to a leak from a fuel tank at the N1 self-service station at Suðurbraut 9 in Hofsós have been going on since 9 June, as soon as a permit was obtained. As soon as the leak was confirmed in December 2019, the tank in question was removed and emptied to prevent further leaks. It was not possible to start cleaning operations earlier due to weather and subsequent conditions created by the Covid-19 epidemic. Purification measures and proposals have been prepared in collaboration with Heilbrigðiseftirlit Norðurlands vestra (HNV) and Sveitarfélagið Skagafjörð, following Verkís' oil pollution investigation, working meetings with Olíudreifing ehf. and meetings between representatives of N1 and Festi with HNV as well as other health inspectors who have undergone clean-up operations due to oil spills at residential buildings. N1 ehf. has entrusted experts at Verkís with sampling and research at Hofsós in accordance with the recommendations of the Environment Agency, which has used the a permission in Act no. 55/2012, on Environmental Responsibility, to issue instructions on information and research in the area.

### Human resources

Festi seeks to attract and keep qualified and reliable personnel. This is obtained through providing good and encouraging work environment and strengthening the employees by effective training and development. Festi emphasizes that employees know the role, policy and values of the company, which results in improved performance.

# Non-Financial Information, cont.:

This year, Festi and its subsidiaries harmonized their equal pay system in accordance with IST 85: 2012 and the criteria of the Ministry of Welfare for equal salary. It was completed in December and the companies started a certification review with Icert in January 2021. The results of the review were positive and comments are being processed. Older certificates for Equal Pay Certification were issued by BSI in Iceland for N1 but Vottun issued certificates number 85-3 for Krónan, ELKO, and Bakkinn.
Results of salary gap at Festi and its subsidiaries:

| Gender Pay Ratio | Unit | 2019 | 2020 |
|---|---|---|---|
| Median total compensation for men (X) to median total compensation for women | X:1 | - | - |
| Outcome of pay analysis - Festi | % | - | 0.79% |
| Outcome of equal pay certification - Bakkinn | % | 4.3% | 0.11% |
| Outcome of equal pay certification - ELKO | % | 2.51% | 0.67% |
| Outcome of equal pay certification - Krónan | % | 3.59% | 0.71% |
| Outcome of equal pay certification - N1 | % | 1.1% | 0.33% |
| *S2* | | | |

Human resources, non-discrimination, and equal pay policies applicable to Festi and its subsidiaries are available on the relevant websites.

Festi places great emphasis on ensuring that employees performing the same or equivalent jobs are not discriminated against in terms of pay or pay by gender or other factors, thus supporting UN SDG 5 on Gender Equality and UN SDG 10 on Inequality.

| **Emphasis** | | | **Festi Target** | | | | **Re-ference** |
|---|---|---|---|---|---|---|---|
| **UN Sustainable Development Goals** | **Iceland Priority Target** | **Festi Policy** | **Objective name** | **Indicator** | **2019** | **2020** | **ESG** |
| 5 JAFNRÉTTI KYNJANNA | **Achieve gender equality and empower all women and girls**<br>5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life. | **Anti-discrimination** | Anti-discrimination policy of all companies | Pay gap analysis | Certification of Equal Pay for subsidiairies | Yes | S2 |
| | | | Harmonization of equal pay system | Equal pay certification for Festi and its subsidiaires | Launch of the project | Project performed, certification in progress Icert in January 2021. | S2 |
| | | | Governance | Board diversity | 50% women | 66% women | G1 |
| 10 AUKINN JÖFNUÐUR | **Reduce inequality within and among countries**<br>10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard. | **Human resources and equal pay** | Measurement | ESG report / sustainability report | Krónan, Festi and N1 | Festi, Bakkinn, ELKO, Krónann and N1 | G8 |
| | | | Equal opportunities | Increase the proportion of women in senior management | Senior management Festi 17% Women (1 of 6) | Senior management Festi 17% Women (1 of 6) | S4 |
| | | | | Increase the proportion of women in senior management | Head of divisions Festi 80% women (4 of 5) | Head of divisions Festi 80% women (4 of 5) | S4 |
| | | | Anti-harassment | Agreement with Siðferðisgáttin | Done | One notification received in the group | S6 S7 S10 |

# Non-Financial Information, cont.:

In 2019 Festi and its subsidiaries were the first companies to enter into contract with Siðferðisgáttin, now part of Hagvangur. The objective is to provide employees of companies and institution a platform to report to an independent party any misconduct or harassment at the workplace. The initiative was presented mid year 2019 with information boards placed in all of Festi's and its subsidiaries' locations. One notification was received by the portal in the year 2020 for the entire group and it was resolved successfully.

Festi has a zero-accident policy. Safety and occupational safety courses are held annually as it is important to strengthen the safety and health awareness of employees. Emphasis is placed on safety in the work environment and attention is drawn to health and exercise. Courses and educational lectures are e.g. related to first aid, fire protection, chemicals and chemical products, quality, environment and security issues, responses to robbery and theft, threatening behavior and degradation as well as lectures on health, discrimination, bullying and harassment. The goal of the human resource department is to increase the e-learning in order to provide better access to the Group's employees throughout the country, a key element in the on-boarding process of new employees. Through these measures we believe that the Group's employees become more valuable and employee turnover ratio will decrease. Two specific electronic on-line courses are currently being organised at Krónan to start this journey.

Health promotion is an important aspect of the wellbeing of employees. All permanent employees are offered an annual ISK 20,000 reimbursement of fitness expenses. In addition, Festi and its subsidiaries have a contract with Heilsuvernd for the logging of illnesses and health related advisory for employees.

Satisfied employees are the foundation for outstanding services. In co-operation with Gallup, Festi, and its subsidiaries perform an annual workplace analysis. The purpose is to measure the well-being and employee satisfaction using Gallup´s Q12 questionaire as well as selected question from Festi. Ratings range from 1 to 5 (5 being the highest). Once available, the results are analysed, compared to previous years, to peers or to the other companies of the group. Then, the results are reviewed by the management and presented to the employees. Potential actions are taken if appropriate.
Workplace analysis, October 2020;

| | Total | Festi | Bakkinn | ELKO | Krónan | N1 |
|---|---|---|---|---|---|---|
| Overall satisfaction | 4,21 | 4,34 | 4,03 | 4,17 | 4,15 | 4,33 |
| Participation rate | 67% | 91% | 69% | 90% | 58% | 72% |

### Anti-corruption and bribery policy

Festi and its subsidiaries are aware of their impact on the society. We know that the reputation of Festi and its subsidiaries is one of the most valuable asset of the Company. The Code of Conduct of Festi, approved on 27 February 2019, applies to all activities of the Group, all employees, its board of directors as well as contractors which perform tasks for the Company. The Code of Conduct is available on the Company's website, www.festi.is.

Due to the intorduction of Act no. 40/2020 on the Protection of Whistleblowers, a draft of the relevant process was presented to Festi's employees and its subsdiaries. No comments were received. The e-mail addresses uppljostrun@festi.is, uppljostrun@bakkinn.is, uppljostrun@elko.is, uppljostrun@kronan.is, uppljostrun@n1.is are active and the company's privacy representative receives notifications.

Everyone can proposed suggestions to the company through Festi's website, www.festi.is. External suggestions are recorded, managed and resolved by the responsible party.

# Non-Financial Information, cont.:

### FESTI HF. - ESG Statement 2020

Operational parameters

| Operational Parameters | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Total Revenue | ISK m | 59.700 | 86.700 | 87.392,9 |
| Total Assets | ISK m | - | - | 83.335,69 |
| Total Equity | ISK m | 26.000 | 28.700 | 29.783,63 |
| Number of full time equivalent employee | FTEs | 764 | 1.158 | 1.145 |
| Total space for own operation | m² | 112.000 | 101.644 | 107.423 |
| Total investment in sustainability | ISK m | - | - | - |

| Key performance indicators | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| GHG emissions per FTE | $kgCO_2e$ /FTEs | 2.435,9 | 1.418,4 | 1.455,9 |
| Development of GHG emissions per FTE | % | 100% | 58,2% | 59,8% |
| GHG emissions per unit of revenue | $kgCO_2e$ /ISK m | 31,2 | 18,9 | 19,1 |
| Development of GHG per revenue | % | 100% | 60,8% | 61,2% |

| Asset Management | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Number of cars and trucks | no. | - | - | 141 |
| Of which EVs | no. | - | - | 3 |
| Of which hybrids | no. | - | - | 6 |
| Of which bio-methane vehicles | no. | - | - | 1 |

**Environmental**

| Greenhouse Gas Emissions | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Scope 1 | $tCO_2e$ | 535,1 | 441,8 | 470,8 |
| Scope 2 (location-based) | $tCO_2e$ | 399,4 | 449,6 | 426,5 |
| Scope 3 | $tCO_2e$ | 926,6 | 751,1 | 769,8 |
| Gross operational carbon emission | $tCO_2e$ | 1.861,1 | 1.642,6 | 1.667 |
| Total emissions neutralized by carbon offset projects | $tCO_2e$ | 509 | 468 | 470,8 |
| Net operational carbon emissions | $tCO_2e$ | 1.352,1 | 1.174,6 | 1.196,2 |
| *E1* | | | | |

| Emissions Intensity | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| GhG emissions per megawatt-hour consumed | $kgCO_2e$ /MWh | 40,2 | 32,9 | 35,1 |
| GhG emissions per full-time equivalent (FTEe) employee | $tCO_2e$/ FTEs | 2,44 | 1,42 | 1,46 |
| GhG emissions per unit of revenue | $kgCO_2e$ /ISK m | 31,17 | 18,95 | 19,08 |
| GhG emissions per unit of equity | $kgCO_2e$ /ISK m | 71,58 | 57,23 | 55,97 |
| GhG emissions per unit of space (m²) | $kgCO_2e$/ | 16,62 | 16,16 | 15,52 |
| GhG emissions per unit of space (m³) | $kgCO_2e$/ | - | - | - |
| *E2* | | | | |

# Non-Financial Information, cont.:

| Energy Usage | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Total energy consumption | kWh | 46.264.043 | 49.919.188 | 47.535.103 |
| Of which energy from bio fuel | kWh | 497 | 2.921 | 3.759 |
| Of which energy from fossil fuel | kWh | 2.099.645 | 1.734.360 | 1.900.156 |
| Of which energy from electricity | kWh | 24.220.294 | 24.425.848 | 23.791.829 |
| Of which energy from hot water | kWh | 19.943.607 | 23.756.059 | 21.839.359 |
| Direct Energy Consumption | kWh | 2.100.142 | 1.737.281 | 1.903.915 |
| Indirect Energy Consumption | kWh | 44.163.901 | 48.181.907 | 45.631.188 |
| *E3* | | | | |

| Energy Intensity | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Energy per full-time equivalent (FTEe) employee | kWh/FTEs | 60.555 | 43.108 | 41.515 |
| Energy per unit of revenue | kWh/ISK m | 774,9 | 575,8 | 543,9 |
| Energy per square meter | kWh/m² | 413,1 | 491,1 | 442,5 |
| *E4* | | | | |

| Energy Mix | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Fossil Fuel | % | 4,5% | 3,5% | 4% |
| Renewable Energy | % | 95,5% | 96,5% | 96% |
| *E5* | | | | |

| Water Usage | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Total water consumption | m³ | 573.617 | 678.050 | 608.406 |
| Cold water | m³ | 229.762 | 268.462 | 231.865 |
| Hot water | m³ | 343.855 | 409.587 | 376.541 |
| *E6* | | | | |

| Environmental Operations | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Does your company follow a formal Environmental Policy? | yes/no | Yes | Yes | Yes |
| Does your company follow specific waste, water, energy, and/or recycling policies? | yes/no | - | - | - |
| Does your company use a recognized energy management system? | yes/no | No | No | No |
| *E7* | | | | |

| Climate Oversight / Board | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Does your Board of Directors oversee and/or manage climate-related risk? | yes/no | - | No | No |
| *E8* | | | | |

| Climate Oversight / Management | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Does your Senior Management Team oversee and/or manage climate-related risks? | yes/no | - | No | No |
| *E9* | | | | |

# Non-Financial Information, cont.:

| Climate Risk Mitigation | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Total annual investment in climate-related infrastructure, resilience, and product development | ISK m | - | - | - |
| *E10* | | | | |

| Waste Management | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Total waste generated | kg | 4.302.851,5 | 4.152.727,9 | 4.229.382 |
| Of which sorted waste | kg | 2.699.674,5 | 2.922.006,9 | 3.092.181 |
| Of which unsorted waste | kg | 1.507.642 | 1.230.721 | 1.137.152 |
| Recycled/recovery | kg | 3.402.561,5 | 2.804.524 | 2.325.161 |
| Landfill/disposal | kg | 2.788.707,5 | 1.348.203,9 | 1.904.221 |
| Percentage of sorted waste | % | 62,7% | 70,4% | 73,1% |
| Percentage of recycled waste | % | 79,1% | 67,5% | 55% |

| Waste Intensity | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Total waste per full-time equivalent (FTEe) employee | kg/FTEs | 5.632 | 3.586,1 | 3.693,8 |
| Total waste per unit of revenue | kg/ISK m | 72,1 | 47,9 | 48,4 |

| Business Trips | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Emissions from business trips | $tCO_2e$ | 47,5 | 24,9 | 16,1 |
| Flights | $tCO_2e$ | 47,5 | 24,9 | 16,1 |

| Commuting | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Does your company reimburse eco-friendly commuting? | yes/no | - | No | No |

| Primary energy source | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Total fuel consumption in litres | litres | 213.876 | 176.997 | 194.091 |
| Methane | litres | 48 | 266 | 343 |
| Petrol | litres | 62.859 | 53.021 | 59.406 |
| Diesel oil | litres | 150.969 | 123.710 | 134.342 |
| Total fuel consumption in kg | kg | 175.504 | 145.112 | 158.995 |
| Methane | kg | 36 | 193 | 249 |
| Petrol | kg | 47.144 | 39.766 | 44.555 |
| Diesel oil | kg | 128.324 | 105.153 | 114.191 |

| Emissions neutralized by carbon offset projects | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Total emissions offset | $tCO_2e$ | 509 | 468 | 470,8 |
| Emissions offset by forestry | $tCO_2e$ | 509 | 468 | 470,8 |

# Non-Financial Information, cont.:

| Asset Management | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Number of vehicles and machinery | no. | - | - | 146 |
| Petrol / Diesel | no. | - | - | 137 |
| Electrical vehicles | no. | - | - | 3 |
| Other alternative fuel sources (hybrid, methane, hydrogen, etc) | no. | - | - | 6 |

| Carbon Taxes | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Carbon tax, gas- and diesel oil | ISK/litre | 9,45 | 10,4 | 11,45 |
| Carbon tax, gasoline | ISK/litre | 8,25 | 9,1 | 10 |
| Carbon tax, fuel oil | ISK/kg | 11,65 | 12,8 | 14,1 |
| Carbon tax, crude oil, etc | ISK/kg | 10,35 | 11,4 | 12,55 |
| Total Carbon Tax (ESR) | ISK | 1.945.243,8 | 1.769.075,1 | 2.132.275,9 |

**Social**

| CEO Pay Ratio | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| CEO Compensation | ISK | - | - | - |
| CEO Salary & Bonus (X) to median FTE Salary | X:1 | - | - | - |
| Does your company report this metric in regulatory filings? | yes/no | - | No | No |
| *S1* | | | | |

| Gender Pay Ratio | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Median total compensation for men (X) to median total compensation for women | X:1 | - | - | - |
| Outcome of pay analysis - Festi | % | - | - | 0,79% |
| Outcome of equal pay certification - Bakkinn | % | - | 4,3% | 0,11% |
| Outcome of equal pay certification - ELKO | % | - | 2,51% | 0,67% |
| Outcome of equal pay certification - Krónan | % | - | 3,59% | 0,71% |
| Outcome of equal pay certification - N1 | % | - | 1,1% | 0,33% |
| *S2* | | | | |

| Employee Turnover | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| *Full-time Employees* | | | | |
| Year-over-year change for full-time employees- Festi | % | - | - | 4,5% |
| Year-over-year change for full-time employees- Bakkinn | % | - | - | 29,1% |
| Year-over-year change for full-time employees- ELKO | % | - | - | 21,5% |
| Year-over-year change for full-time employees- Krónan | % | - | - | 87,6% |
| Year-over-year change for full-time employees- N1 | % | - | - | 26,2% |
| *S3* | | | | |

# Non-Financial Information, cont.:

| Gender Diversity | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| *Enterprise Headcount* | | | | |
| Percentage of women in enterprise | % | - | 34% | 36% |
| Women | no. | - | - | 651 |
| Men | no. | - | - | 1.169 |
| *Entry- and Mid-level Positions* | | | | |
| Percentage of women in entry- and mid-level position | % | - | - | 30% |
| Women | no. | - | - | 20 |
| Men | no. | - | - | 47 |
| *Yfirmenn og stjórnendur* | | | | |
| Percentage of women in senior- and executive-level positions | % | - | 39% | 34% |
| Women | no. | - | - | 12 |
| Men | no. | - | - | 23 |
| *S4* | | | | |

| Temporary Worker Ratio | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Total enterprise headcount held by part-time employees | % | - | - | - |
| Total enterprise headcount held by contractors and/or consultants | % | - | - | - |
| *S5* | | | | |

| Non-Discrimination | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Does your company follow a sexual harrassment and/or non-discriminatory policy? | yes/no | - | Yes | Yes |
| *S6* | | | | |

| Injury Rate | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Total number of injuries and fatalities, relative to the total workforce - Festi | % | - | - | 0% |
| Total number of injuries and fatalities, relative to the total workforce - Bakkinn | % | - | - | 0,09% |
| Total number of injuries and fatalities, relative to the total workforce - ELKO | % | - | - | 0,06% |
| Total number of injuries and fatalities, relative to the total workforce - Krónan | % | - | - | 0,03% |
| Total number of injuries and fatalities, relative to the total workforce - N1 | % | - | - | 0,09% |
| *S7* | | | | |

| Global Health & Safety | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Does your Company publish and follow an occupational health and/or global health & safety policy | yes/no | Yes | Yes | Yes |
| *S8* | | | | |

| Child & Forced Labor | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Does your company follow a child labor policy? | yes/no | - | Yes | Yes |
| Does your company follow a forced labor policy? | yes/no | - | Yes | Yes |
| If yes, do your child and/or forced labor policy cover suppliers and vendors? | yes/no | - | No | No |
| *S9* | | | | |

# Non-Financial Information, cont.:

| Human Rights | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Does your company publish and follow a human rights policy? | yes/no | Yes | Yes | Yes |
| If yes, does your human rights policy cover suppliers and vendors? | yes/no | - | - | No |
| *S10* | | | | |

**Governance**

| Board Diversity | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Total board seats occupied by women (as compared to men) | % | - | 50% | 66% |
| Committee chairs occupied by women (as compared to men) | % | - | 75% | 100% |
| *G1* | | | | |

| Board Independence | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Does the company prohibit CEO from serving as board chair? | yes/no | - | Yes | Yes |
| Total board seats occupied by independents | % | - | 100% | 100% |
| *G2* | | | | |

| Incentivized Pay | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Are executives formally incentivized to perform on sustainability | yes/no | Yes | No | No |
| *G3* | | | | |

| Collective Bargaining | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Total enterprise headcount covered by collective bargaining agreements (X) to the total employee population | % | - | 86 | 99 |
| *G4* | | | | |

| Supplier Code of Conduct | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Are your vendors or suppliers required to follow a Code of Conduct | yes/no | - | No | No |
| If yes, what percentage of your suppliers have formally certified their compliance with the code | % | - | - | - |
| *G5* | | | | |

| Ethics & Anti-Corruption | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Does your company follow an Ethics and/or Anti-Corruption policy? | yes/no | - | Yes | Yes |
| If yes, what percentage of your workforce has formally certified its compliance with the policy? | % | - | - | - |
| *G6* | | | | |

| Data Privacy | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Does your company follow a Data Privacy policy? | yes/no | - | Yes | Yes |
| Has your company taken steps to comply with GDPR rules? | yes/no | - | Yes | Yes |
| *G7* | | | | |

# Non-Financial Information, cont.:

| ESG Reporting | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Does your company publish a sustainability report? | yes/no | Yes | Yes | Yes |
| Is sustainability data included in your regulatory filings? | yes/no | - | - | Yes |
| *G8* | | | | |

| Disclosure Practices | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Does your company provide sustainability data to sustainability reporting frameworks? | yes/no | - | No | No |
| Does your company focus on specific UN Sustainable Development Goals (SDGs)? | yes/no | - | Yes | Yes |
| Does your company set targets and report progress on the UN SDGs? | yes/no | - | Yes | Yes |
| *G9* | | | | |

| External Assurance | Unit | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Are your sustainability disclosures assured or validated by a third party? | yes/no | - | No | No |
| *G10* | | | | |