



Condensed Consolidated Interim Financial Statements

1 January - 30 September 2023



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Endorsement and Statement by the Board of Directors and the CEO

Operations of the Group

The Condensed Consolidated Interim Financial Statements of Festi hf. for the period from 1 January to 30 September 2023 have been prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting, and should be read in conjunction with the Group's Annual Consolidated Financial Statements as at and for the year ended 31 December 2022. The interim financial statements comprise the Consolidated Interim Financial Statements of Festi hf. (the "Company") and its subsidiaries together referred to as the "Group". The Condensed Consolidated Interim Financial Statements have not been audited or reviewed by the Company's independent auditors.

Operations for the period and financial position

For the period from 1 January to 30 September 2023, profit amounted to ISK 2,463 million (2022: 3.373 million). Total comprehensive income for the period was ISK 2,360 million (2022: 3.238 million). At the end of the period equity amounted to ISK 35,084 million, including share capital in the amount of ISK 303 million. Based on the Company's 2023 Annual General Meeting resolution in March, a dividend of ISK 914 million was approved and paid to shareholders in April. Reference is made to the Consolidated Statement of Changes in Equity regarding information on changes in equity.

In terms of total turnover, sales margins, and financial results, Q3 is the most important quarter of the year. Business was good during the quarter and exceeded management expectation. Retail operations continued to be challenging due to the impact of inflation on prices and operation costs. Number of visits to our stores increased considerably in all business segments resulting in best outcome ever in terms of total turnover, sales margins, and operating profit (EBITDA) in one quarter. Turnover increased in total by 6.2%, sales margins by 21.4% and operating profit (EBITDA) increased by 27.3% compared to same period last year. Considering strong results for the quarter and with management updated forecast for the remainder of the year, EBITDA forecast for the full year of 2023 is increased to ISK 10,400 – 10,800 million.

On 13 July 2023 Festi signed an agreement on acquisition of all shares in Lyfja hf. which specializes in pharmacy operations as well as wholesale and retail sales of health-related products. The company operates 45 pharmacies and branches all around Iceland. Lyfja's turnover in 2022 was ISK 15.1 billion and EBITDA ISK 1.3 billion. The agreement is subject to approval by the Icelandic Competition Authorities. If the acquisition goes through, it is expected to be completed in the first quarter of 2024.

Statement by the Board of Directors and the CEO

The Company's Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting, as adopted by the European Union and, as applicable, additional requirements of the Icelandic Financial Statements Act.

According to the best of our knowledge, in our opinion the Condensed Consolidated Interim Financial Statements give a true and fair view of the financial performance of the Group for the nine-month period ended 30 September 2023, its assets, liabilities and Consolidated Financial Position as at 30 September 2023, and its Consolidated Cash Flows for the period then ended.

Furthermore, in our opinion the Condensed Consolidated Interim Financial Statements and the Endorsement and Statement by the Board of Directors and the CEO give a true and fair view of the development and results of the Group's operations and its position and describe the principal risk and uncertainties faced by the Group.

Endorsement and Statement by the Board of Directors and the CEO, continued:

Statement by the Board of Directors and the CEO, continued:

The Board of Directors and the CEO have today discussed the Company's Condensed Consolidated Interim Financial Statements of Festi hf. for the period from 1 January to 30 September 2023 and confirm them by means of their signatures.

Kópavogur, 25 October 2023.

Board of Directors

Guðjón Karl Reynisson, Chairman
Sigurlína Ingvarsdóttir, Vice-Chairman
Hjörleifur Pálsson
Magnús Júlíusson
Margrét Guðmundsdóttir

CEO

Ásta Sigríður Fjeldsted

Consolidated Statement of Comprehensive Income for the period from 1 January to 30 September 2023

	Notes	2023 1.7.-30.9.	2022 1.7.-30.9.	2023 1.1.-30.9.	2022 1.1.-30.9.
Sale of goods and services	6	37.333.780	35.146.484	101.016.561	89.654.112
Cost of goods sold		(28.759.114)	(28.083.005)	(78.458.282)	(69.531.093)
Margin from sale of goods and services	7	8.574.666	7.063.479	22.558.279	20.123.019
Other operating income	6	534.774	801.265	1.549.419	1.713.703
Salaries and other personnel expenses	8	(3.676.304)	(3.306.926)	(11.486.446)	(9.720.977)
Other operating expenses	9	(1.528.514)	(1.491.306)	(4.754.199)	(4.389.314)
		(4.670.044)	(3.996.967)	(14.691.226)	(12.396.588)
Operating profit before depreciation, amortisation and changes in fair value (EBITDA)		3.904.622	3.066.512	7.867.053	7.726.431
Depreciation of property and equipment and leased assets and amortisation of intangible assets .	(	990.573)	(913.390)	(2.879.427)	(2.589.890)
Changes in value of investment property .....	(	89.030)	65.241	12.647	42.131
Operating profit before finance items (EBIT)		2.825.019	2.218.363	5.000.273	5.178.672
Finance income	10	86.251	86.905	155.559	150.149
Finance costs	10	(901.923)	(714.671)	(2.613.093)	(1.729.929)
Foreign currency differences .....	(	52.680)	85.861	(24.403)	116.845
Share of profit of associates		258.568	215.629	430.403	384.566
		(609.784)	(326.276)	(2.051.534)	(1.078.369)
Profit before income tax (EBT)		2.215.235	1.892.087	2.948.739	4.100.303
Income tax .....	(	399.140)	(329.651)	(485.666)	(726.874)
Profit for the period		1.816.095	1.562.436	2.463.073	3.373.429
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Translation difference arising from operations of a foreign associate .....	(	63.406)	7.932	(79.524)	(23.304)
Effective portion of changes in fair value of cash flow hedges, net of income tax .....	(	20.797)	1.191	(23.670)	(111.781)
Total other comprehensive (loss) profit .....	(	84.203)	9.123	(103.194)	(135.085)
Total comprehensive income for the period .		1.731.892	1.571.559	2.359.879	3.238.344
Basic and diluted earnings per share in ISK		5,96	5,10	8,09	10,90

The notes on pages 9 to 17 are an integral part of these condensed financial statements.

Consolidated Statement of Financial Position as at 30 September 2023

	Notes	30.9.2023	31.12.2022
Assets			
Goodwill		14.842.340	14.862.133
Other intangible assets		4.297.172	4.516.745
Property and equipment	11	35.358.284	34.815.148
Leased assets		8.023.667	8.012.354
Investment property		6.511.587	6.478.617
Shares in associates		2.559.963	2.600.869
Shares in other companies		14.140	14.140
Long-term receivables		146.941	150.354
Non-current assets		<u>71.754.094</u>	<u>71.450.360</u>
Inventories		13.968.454	13.085.771
Trade receivables		6.552.616	5.960.168
Other short-term receivables		778.673	764.487
Cash and cash equivalents		4.231.720	2.112.137
Current assets		<u>25.531.463</u>	<u>21.922.563</u>
Total assets		<u><u>97.285.557</u></u>	<u><u>93.372.923</u></u>
Equity			
Share capital		302.962	307.500
Share premium		8.082.413	8.900.637
Other restricted equity		11.438.360	11.791.388
Retained earnings		15.259.985	13.460.578
Equity		<u>35.083.720</u>	<u>34.460.103</u>
Liabilities			
Loans from credit institutions	12	27.541.786	28.224.162
Lease liabilities	13	7.723.300	7.714.823
Deferred tax liability		6.480.454	6.000.840
Non-current liabilities		<u>41.745.540</u>	<u>41.939.825</u>
Loans from credit institutions	12	1.803.817	1.789.733
Lease liabilities	13	815.707	711.514
Trade payables		9.279.893	8.630.348
Other short-term liabilities		8.556.880	5.841.400
Current liabilities		<u>20.456.297</u>	<u>16.972.995</u>
Total liabilities		<u>62.201.837</u>	<u>58.912.820</u>
Total equity and liabilities		<u><u>97.285.557</u></u>	<u><u>93.372.923</u></u>

The notes on pages 9 to 17 are an integral part of these condensed financial statements.

Consolidated Statement of Changes in Equity for the period from 1 January to 30 September 2023

			Other restricted equity				Retained earnings	Total equity
	Share capital	Share premium	Statutory reserve	Revaluation reserve	Unrealised profit of subsidiaries and associates	Other restricted accounts		
1 January to 30 september 2022								
Equity 1.1.2022	316.118	10.824.306	79.029	4.827.722	7.561.783	80.735	10.220.702	33.910.395
Profit for the period							3.373.429	3.373.429
Total other comprehensive loss						(135.085)	(135.085)	
Restricted due to subsidiaries and associates					(1.397.209)		1.397.209	0
Dissolution of revaluation of an associate				(15.603)			15.603	0
Dissolution of revaluation of property and equipment				(127.943)			127.943	0
	316.118	10.824.306	79.029	4.684.176	6.164.574	(54.350)	15.134.886	37.148.739
<i>Transactions with shareholders:</i>								
Purchase of own shares	(8.618)	(1.923.669)						(1.932.287)
Transferred from statutory reserves			(2.154)				2.154	0
Dividend paid (ISK 5.00 per share)							(1.562.500)	(1.562.500)
Equity 30.9.2022	307.500	8.900.637	76.875	4.684.176	6.164.574	(54.350)	13.574.540	33.653.952
Total other restricted equity						10.871.275		
1 January to 30 September 2023								
Equity 1.1.2023	307.500	8.900.637	76.875	4.701.950	7.028.539	(15.976)	13.460.578	34.460.103
Profit for the period							2.463.073	2.463.073
Total other comprehensive loss						(103.194)	(103.194)	
Restricted due to subsidiaries and associates					(164.639)		164.639	0
Dissolution of revaluation of an associate				(7.295)			7.295	0
Dissolution of revaluation of property and equipment				(76.766)			76.766	0
	307.500	8.900.637	76.875	4.617.889	6.863.900	(119.170)	16.172.351	36.819.982
<i>Transactions with shareholders:</i>								
Purchase of own shares	(4.538)	(818.224)						(822.762)
Transferred from statutory reserve			(1.135)				1.135	0
Dividend paid (ISK 3.00 per share)							(913.500)	(913.500)
Equity 30.9.2023	302.962	8.082.413	75.741	4.617.889	6.863.900	(119.170)	15.259.986	35.083.720
Total other restricted equity						11.438.360		

The notes on pages 9 to 17 are an integral part of these condensed financial statements.

Consolidated Statement of Cash Flows for the period from 1 January to 30 September 2023

	Notes	2023 1.7.-30.9.	2022 1.7.-30.9.	2023 1.1.-30.9.	2022 1.1.-30.9.
Cash flows from operating activities					
Operating profit before depreciation, amortisation and changes in fair value (EBITDA)		3.904.622	3.066.512	7.867.053	7.726.431
Operating items not affecting cash flows:					
Gain on sale of property and equipment		(2.643)	(5.857)	(10.240)	(20.837)
		<u>3.901.979</u>	<u>3.060.655</u>	<u>7.856.813</u>	<u>7.705.594</u>
Changes in operating assets and liabilities:					
Inventories, decrease (increase)		290.715	(1.527.864)	(882.682)	(4.445.000)
Trade and short-term receivables, increase		(741.230)	(990.893)	(636.616)	(1.880.075)
Trade and other short-term liabilities, increase		840.016	1.468.036	3.699.269	2.937.687
Changes in operating assets and liabilities		<u>389.501</u>	<u>(1.050.721)</u>	<u>2.179.971</u>	<u>(3.387.388)</u>
Interest received		34.132	23.552	98.548	105.094
Interest paid		(844.262)	(671.979)	(2.263.392)	(1.473.299)
Income tax paid		(97.928)	(43.200)	(391.712)	(172.800)
Net cash from operating activities		<u>3.383.422</u>	<u>1.318.307</u>	<u>7.480.228</u>	<u>2.777.201</u>
Cash flows used in investing activities					
Purchased intangible assets		(111.894)	(159.984)	(360.771)	(438.160)
Purchased property and equipment	11	(910.814)	(1.052.094)	(2.212.356)	(3.322.423)
Sold property and equipment		46.128	423.662	89.594	490.237
Purchased investment properties		(4.794)	(7.439)	(20.322)	(574.174)
Sold investment properties		0	0	0	220.000
Change in shares in companies		0	0	0	(4.000)
Dividend received from associates		44.000	20.000	391.784	251.000
Long-term receivables and securities, change		0	(50.606)	29.052	(25.543)
Net cash used in investing activities		<u>(937.374)</u>	<u>(826.461)</u>	<u>(2.083.019)</u>	<u>(3.403.063)</u>
Cash flows used in financing activities					
Dividend paid		0	0	(913.500)	(1.562.500)
Purchase of own shares		(289.639)	(901.302)	(822.762)	(1.932.287)
Repayment of long-term loans from credit institutions		(1.114)	0	(908.089)	(894.268)
Repayment of lease liabilities		(212.412)	(185.502)	(607.860)	(492.882)
Short term loan, changes		0	(400.000)	0	2.600.000
Net cash used in financing activities		<u>(503.165)</u>	<u>(1.486.804)</u>	<u>(3.252.211)</u>	<u>(2.281.937)</u>
Increase (decrease) in cash and cash equivalents		1.942.883	(994.958)	2.144.998	(2.907.799)
Foreign currency difference on cash and cash equivalents .		(36.852)	54.706	(25.415)	49.348
Cash and cash equivalents at the beginning of the period ...		2.325.689	2.084.517	2.112.137	4.002.716
Cash and cash equivalents at the end of the period		<u>4.231.720</u>	<u>1.144.265</u>	<u>4.231.720</u>	<u>1.144.265</u>
Investing and financing activities not affecting cash flows					
Purchase of shares in other companies		0	(40.000)	0	(40.000)
Long-term receivables and securities, change		0	40.000	0	40.000
New lease contracts and their remeasurement		(138.124)	(275.893)	(720.530)	(2.413.165)
New lease liabilities and their remeasurement		138.124	275.893	720.530	2.413.165

The notes on pages 9 to 17 are an integral part of these condensed financial statements.

Notes to the Condensed Interim Consolidated Financial Statements

1. Reporting entity

Festi hf. (the "Company" or the "Group") is an Icelandic public limited liability company incorporated and domiciled in Iceland. The Company's headquarters are located at Dalvegur 10-14, Kópavogur, Iceland. The main operation of the Company and its subsidiaries (together referred to as the Group) consists of sale of fuel, goods and service in service stations, groceries and related products, sale of electronic equipment and leasing of properties. These Condensed Consolidated Interim Financial Statements of the Company as at and for the nine months ended 30 September 2023 comprise of the Company and its subsidiaries. The Company is listed on Nasdaq Iceland.

2. Basis of preparation

The Condensed Consolidated Interim Financial Statements for the nine months ended 30 September 2023 have been prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting, as adopted by the European Union and, as applicable, additional requirements of the Icelandic Financial Statements Act. The Condensed Consolidated Interim Financial Statements have been prepared under the historical cost convention, except for financial assets and liabilities, which are valued at fair value through Other Comprehensive Income and the Company's real estate leased to third parties are revalued to fair value. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual Consolidated Financial Statements as at and for the year ended 31 December 2022.

The accounting policies and methods of computation applied in these Condensed Consolidated Interim Financial Statements are the same as those applied by the Group in its Consolidated Financial Statements as at and for the year ended 31 December 2022.

The Condensed Consolidated Interim Financial Statements are prepared and presented in Icelandic krona (ISK), which is the Company's functional currency. All amounts are presented in thousands of Icelandic krona unless otherwise stated. The Board of Directors of Festi hf. approved the Condensed Consolidated Interim Financial Statements on 25 October 2023.

3. Use of estimates and judgements

The preparation of the Condensed Consolidated Interim Financial Statements in conformity 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.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were in all major matters the same as those applied to the Consolidated Financial Statements as at and for the year ended 31 December 2022.

4. New and revised IFRS's

The accounting policies and methods of computation applied in these Condensed Consolidated Interim Financial Statements are the same as those applied by the Group in its Consolidated Financial Statements as at and for the year ended 31 December 2022. A few new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these Condensed Consolidated Interim Financial Statements as they are not considered to have significant impact on the Condensed Consolidated Interim Financial Statements.

Notes, continued:

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 to decide upon how assets are allocated as well as to monitor their financial 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 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. 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.

Reportable segments for the nine months ended 30 September 2023

	N1	Krónan	ELKO	Other companies	Total
External revenue	42.627.360	46.399.794	12.735.115	803.711	102.565.980
Intra-group revenue	252.842	1.008.899	11.718	5.264.416	6.537.875
Total segment revenue	42.880.202	47.408.693	12.746.833	6.068.127	109.103.855
Operating profit before depreciation, amortisation and changes in fair value (EBITDA)	3.427.755	3.472.515	1.075.109	2.806.346	10.781.725
Segment depreciation and amortisation	(2.165.678)	(1.590.897)	(422.257)	(789.201)	(4.968.033)
Changes in value of investment property	0	0	0	12.647	12.647
Operating profit of segments (EBIT)	1.262.077	1.881.618	652.852	2.029.792	5.826.339
Net finance costs	(823.255)	(292.297)	(76.910)	(2.344.898)	(3.537.360)
Share of profit of associates	0	0	0	430.403	430.403
Income tax	(87.764)	(317.864)	(115.188)	81.021	(439.795)
Profit for the period	351.058	1.271.457	460.754	196.318	2.279.587
30 September 2023					
Segment assets	31.436.988	21.941.228	5.548.297	38.359.044	97.285.557
Segment capital expenditure	856.083	643.266	183.254	910.846	2.593.449
Segment liabilities	21.623.728	17.338.541	3.974.231	19.265.337	62.201.837

Notes, continued:

5. Operating segments, continued:

Reportable segments for the nine months ended 30 September 2022

	N1	Krónan	ELKO	Other companies	Total
External revenue	41.323.039	37.245.999	11.856.206	922.995	91.348.239
Intra-group revenue	190.698	70.559	9.178	4.758.860	5.029.295
Total segment revenue	41.513.737	37.316.558	11.865.384	5.681.855	96.377.534
Operating profit before depreciation, amortisation and changes in fair value (EBITDA)	3.690.743	2.838.115	1.144.482	2.687.936	10.361.276
Segment depreciation and amortisation	(1.951.326)	(1.302.754)	(383.781)	(769.064)	(4.406.925)
Changes in value of investment property	0	0	0	42.131	42.131
Operating profit of segments (EBIT)	1.739.417	1.535.361	760.701	1.961.003	5.996.482
Net finance costs	(560.750)	(316.665)	(62.217)	(1.598.205)	(2.537.837)
Share of profit of associates	0	0	0	384.566	384.566
Income tax	(235.733)	(243.216)	(139.697)	(56.810)	(675.456)
Profit for the period	942.934	975.480	558.787	690.554	3.167.755

30 September 2022

Segment assets	28.199.602	18.733.024	4.895.501	41.386.665	93.214.792
Segment capital expenditure	816.000	1.243.962	470.509	1.804.286	4.334.757
Segment liabilities	18.629.300	13.393.717	3.159.497	24.378.325	59.560.839

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities, and other material items

	Reportable segment totals	Intercompany adjustments	Consolidated totals
1.1.-30.9.2023			
Operating profit before depreciation, amortisation and changes in fair value (EBITDA)	10.781.725	(2.914.672)	7.867.053
Depreciation of property and equipment and leased assets and amortisation of intangible assets	(4.968.033)	2.088.606	(2.879.427)
Changes in value of investment property	12.647		12.647
Operating profit before finance items (EBIT)	5.826.339	(826.066)	5.000.273
Net finance costs	(3.537.360)	1.055.423	(2.481.937)
Share of profit of associates	430.403		430.403
Income tax	(439.795)	(45.871)	(485.666)
Profit for the period	2.279.587	183.486	2.463.073
1.1.-30.9.2022			
Operating profit before depreciation, amortisation and changes in fair value (EBITDA)	10.361.276	(2.634.845)	7.726.431
Depreciation of property and equipment and leased assets and amortisation of intangible assets	(4.406.925)	1.817.035	(2.589.890)
Changes in value of investment property	42.131		42.131
Operating profit before finance items (EBIT)	5.996.482	(817.810)	5.178.672
Net finance costs	(2.537.837)	1.074.902	(1.462.935)
Share of profit of associates	384.566		384.566
Income tax	(675.456)	(51.418)	(726.874)
Profit for the period	3.167.755	205.674	3.373.429

Notes, continued:

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 property. An investment property is a real estate held to earn rentals or for capital appreciation or both. Investment property is recognised at fair value. Fair value changes of investment property are presented separately in the income statement, and therefore presented separately from lease income from those same assets.

Other operating revenue

Revenue from warehouse activities, commissions, gain on sale of assets and other income are presented in other operating income.

Operating income is specified as follows:

	2023	2022	2023	2022
	1.7.-30.9.	1.7.-30.9.	1.1.-30.9.	1.1.-30.9.
Sale of goods and services:				
Convenience goods	18.289.381	15.261.222	51.149.364	41.566.025
Fuel and electricity	12.146.709	13.279.882	30.149.999	30.140.866
Electronic equipment	4.401.930	4.449.021	12.621.713	11.765.382
Sale of other goods and services	2.495.760	2.156.359	7.095.485	6.181.839
Total sale of goods and services	<u>37.333.780</u>	<u>35.146.484</u>	<u>101.016.561</u>	<u>89.654.112</u>
Other operating income:				
Lease income from properties	176.834	164.444	517.349	479.758
Warehouse services	99.667	94.885	293.277	272.599
Commissions	122.099	78.749	345.740	266.153
Gain on sale of property and equipment	2.643	5.857	10.240	20.837
Other operating income	133.531	457.330	382.813	674.356
Total other operating income	<u>534.774</u>	<u>801.265</u>	<u>1.549.419</u>	<u>1.713.703</u>
Total operating revenue	<u>37.868.554</u>	<u>35.947.749</u>	<u>102.565.980</u>	<u>91.367.815</u>

7. Margin from sale of goods and services

Cost of goods sold consists of the purchase price 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.

Margin from sale of goods and services is specified as follows:

	2023	2022	2023	2022
	1.7.-30.9.	1.7.-30.9.	1.1.-30.9.	1.1.-30.9.
Convenience goods	4.251.312	3.611.496	11.743.090	9.846.411
Fuel and electricity	2.367.324	1.456.634	5.059.046	4.693.998
Electronic equipment	1.130.869	1.137.269	3.156.076	3.039.032
Other goods and services	825.161	858.080	2.600.067	2.543.578
Margin from sale of goods and services	<u>8.574.666</u>	<u>7.063.479</u>	<u>22.558.279</u>	<u>20.123.019</u>

Notes, continued:

8. Salaries and other personnel expenses

Salaries and other personnel expenses are specified as follows:

	2023	2022	2023	2022
	1.7.-30.9.	1.7.-30.9.	1.1.-30.9.	1.1.-30.9.
Salaries	3.016.434	2.711.278	9.048.611	7.637.695
Salary-related expenses	519.211	466.344	1.994.426	1.682.195
Other personnel expenses	140.659	129.304	443.409	401.087
Total salaries and other personnel expenses	<u>3.676.304</u>	<u>3.306.926</u>	<u>11.486.446</u>	<u>9.720.977</u>

9. Other operating expenses

Other operating expenses are specified as follows:

Operating expenses of properties	496.003	445.532	1.530.644	1.305.051
Maintenance expenses	234.996	260.925	776.310	689.927
Sales and marketing expenses	387.720	399.416	1.113.748	1.109.727
Office and administrative expenses	99.899	91.294	354.558	291.466
Communication expenses	202.951	209.226	647.098	603.508
Insurance and claims cost	26.932	25.527	70.393	144.200
Other expenses	80.013	59.386	261.448	245.435
Total other operating expenses	<u>1.528.514</u>	<u>1.491.306</u>	<u>4.754.199</u>	<u>4.389.314</u>

10. Finance income and finance costs

Finance income is specified as follows:

Interest income on cash and cash equivalents	51.626	7.857	70.616	15.772
Interest income on receivables	32.625	79.048	82.943	134.377
Total finance income	<u>86.251</u>	<u>86.905</u>	<u>155.559</u>	<u>150.149</u>

Finance costs are specified as follows:

Interest expense and CPI-index on loans	765.761	580.312	2.210.507	1.377.266
Interest expense on lease liabilities	115.121	111.909	344.022	302.928
Other interest expense	21.041	22.450	58.564	49.735
Total finance costs	<u>901.923</u>	<u>714.671</u>	<u>2.613.093</u>	<u>1.729.929</u>

11. Operating assets

Acquisition of operating assets and investment properties in the first nine months of 2023 amounted to ISK 2,212 million (2022 9M: ISK 3,322 million). Thereof investment in buildings is ISK 1,068 million (2022 9M: ISK 1,085 million), interiors, equipment and tools was ISK 986 million (2022 9M: ISK 2,186 million) and investment in computers and other IT hardware was ISK 158 million (2022 9M: ISK 51 million).

Notes, continued:

12. 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:

	2023 1.1.-30.9.	2022 1.1.-31.12.
Long-term		
Balance at the beginning of the year	28.224.162	25.929.521
Repayments	(908.089)	(1.593.965)
New loans	0	3.960.000
From acquired subsidiary.....	0	12.716
Expensed borrowing costs.....	12.356	12.633
CPI-indexation.....	227.441	310.987
Change in current portion.....	(14.084)	(407.730)
Balance at the end of the period.....	<u>27.541.786</u>	<u>28.224.162</u>
Short-term		
Current portion of long-term loans	1.803.817	1.789.733
Balance at the end of the period.....	<u>1.803.817</u>	<u>1.789.733</u>
 Total loans from credit institutions	 <u>29.345.603</u>	 <u>30.013.895</u>

	Interest rates at		Outstanding amounts at	
	30.9.2023	31.12.2022	30.9.2023	31.12.2022
Non-indexed loans at floating interest rates	9,6%	5,3%	25.744.627	26.532.580
CPI-indexed loans at floating interest rates	3,2%	2,4%	3.600.976	3.481.315
Total loans from credit institutions			<u>29.345.603</u>	<u>30.013.895</u>

The maturities of the loans are specified as follows:

Year 2023.....	904.741	1.789.733
Year 2024.....	1.803.983	1.790.002
Year 2025.....	7.646.429	7.632.823
Year 2026.....	1.806.739	1.792.758
Year 2027.....	1.806.922	1.792.941
Year 2028.....	1.608.605	1.594.624
Due for payment onwards	13.768.184	13.621.014
Total loans from credit institutions	<u>29.345.603</u>	<u>30.013.895</u>

Notes, continued:

13. Lease liabilities

Lease liabilities are specified as follows:

	2023	2022
	1.1.-30.9.	1.1.-31.12.
Carrying amount at the beginning of the year.....	8.426.337	6.422.563
New lease contracts.....	158.701	1.780.255
From acquired subsidiary.....	0	198.911
Increase due to indexation of lease payments.....	561.829	703.183
Payment of lease liabilities during the year.....	(607.860)	(678.575)
Total lease liabilities.....	8.539.007	8.426.337
Current portion.....	(815.707)	(711.514)
Total non-current portion of lease liabilities.....	7.723.300	7.714.823

The maturity analysis of lease liabilities is specified as follows:

Year 2023.....	203.927	711.514
Year 2024.....	826.489	749.319
Year 2025.....	852.082	773.159
Year 2026.....	828.182	749.690
Year 2027.....	772.124	728.811
Year 2028.....	598.261	574.670
Due for payment onwards.....	4.457.943	4.139.174
Total.....	8.539.008	8.426.337

Impact of lease liabilities in profit or loss are as follows:

	2023	2022
	1.1.-30.9.	1.1.-30.9.
Depreciation of lease assets.....	709.218	590.834
Interest expensed on lease liabilities.....	344.022	302.928

Expensed rent due to lease agreements not capitalised:

Real estate rent.....	202.253	136.707
Other rent payments.....	5.785	3.195

Impact of rental agreements on Statement of Cash Flows:

Payments due to lease contracts.....	951.882	795.810
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All lease liabilities are denominated in Icelandic krona.

Notes, continued:

14. Group entities

The Company held five subsidiaries at end of September 2023. The subsidiaries are all fully owned by the parent.

<u>Company</u>	<u>Activity</u>
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' demands 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, among other things in the area of finance, operations and business development.
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 specialises in selling household appliances and electronic equipment. The company operates stores in the capital region, Akureyri and at the Leifur Eiríksson International Airport in Keflavik, as well as an online store with home deliveries.
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. It also operates online store with home deliveries.
Icelandic Food Company ehf.	Icelandic Food Company specialises in production of convenience goods sold in Krónan and N1. The company became part of the Group from 1 January 2023.
Vínportið ehf.	Vínportið specialises in imports and wholesales of wines and spirits containing alcohol to ÁTVR stores and to hotels and restaurants. Vínportið began its operations in 2022.
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. N1 also purchases electricity on the wholesale market and sells it on the retail market to individuals and companies in Iceland.

Notes, continued:

15. Financial ratios

The Group's key financial ratios

	2023	2022
	1.1.-30.9.	1.1.-30.9.
Operations		
Turnover rate of inventories last 12 months		
Utilisation of goods / average balance of inventories.....	7,5	7,7
Average collection period in days		
365 days / accounts receivable turnover.....	13,6	15,2
EBITDA / margin from sales of goods and services.....	34,9%	38,4%
Salaries and personnel expenses / margin from sales of goods and services.....	50,9%	48,3%
Other operating expenses / margin from sales of goods and services.....	21,1%	21,8%
	30.9.2023	31.12.2022
Financial position		
Current ratio: current assets / current liabilities.....	1,25	1,29
Liquidity ratio: (current assets - inventories) / current liabilities.....	0,57	0,52
Leverage: net interest bearing liabilities excluding lease liabilities / EBITDA.....	2,47	2,78
Intrinsic value of share capital	115,80	112,07
Equity ratio: equity / total capital.....	36,1%	36,9%
Return on equity: profit for the period / average balance of equity.....	9,4%	11,9%