



Condensed Consolidated Interim Financial Statements

1 January – 30 September 2024

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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 2024 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 2023. 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 in the nine-month period ended 30 September 2024

For the period from 1 January to 30 September 2024, profit amounted to ISK 3,387 million. Total comprehensive income for the period was ISK 3,399 million. At the end of the period equity amounted to ISK 40,434 million, including share capital in the amount of ISK 311 million. Based on the Company's 2024 Annual General Meeting resolution in March, a dividend of ISK 904 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.

On 14 June 2024, Festi and the Icelandic Competition Authority, reached a settlement regarding the purchase of Lyfja hf. which was the final contingency in the purchase agreement signed 13 July 2023. The operation of Lyfja hf. is therefore included in these Condensed Consolidated Interim Financial Statements from 1 July 2024. Further information is in note 6.

The operation in the third quarter was good and better than management expectation. Inflation and commodity prices remained high affecting product prices and cost overall. There was considerable increase in number of visits to our stores compared to last year. All business segments increased both sales and margin contribution levels from same quarter last year. Sale of goods and services in total increased by 18.5% from same quarter last year but 6.4% without Lyfja. Margin from sales increased by 26.3% but 9.6% without Lyfja. Margin contribution level increased by 1.5% percentage points but 0.7% without Lyfja. Considering strong results for the quarter and good outlook for the remainder of the year, EBITDA forecast for 2024 is increased by ISK 400 million to ISK 12,700 – 13,100 million.

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 2024, its assets, liabilities and Consolidated Financial Position as of 30 September 2024, 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 2024 and confirm them by means of their signatures.

Kópavogur, 30 October 2024.

Board of Directors

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

CEO

Ásta Sigríður Fjeldsted

Consolidated Statement of Comprehensive Income for the period from 1 January to 30 September 2024

	Notes	2024 1.7.-30.9.	2023 1.7.-30.9.	2024 1.1.-30.9.	2023 1.1.-30.9.
Sale of goods and services	7	44.256.657	37.333.780	112.516.841	101.016.561
Cost of goods sold		(33.427.482)	(28.759.114)	(86.061.971)	(78.458.282)
Margin from sale of goods and services	8	10.829.175	8.574.666	26.454.870	22.558.279
Other operating income	7	587.936	534.774	1.622.655	1.549.419
Salaries and other personnel expenses	9	(4.826.266)	(3.676.304)	(13.183.557)	(11.486.446)
Other operating expenses	10	(1.850.197)	(1.528.514)	(5.340.055)	(4.754.199)
		(6.088.527)	(4.670.044)	(16.900.957)	(14.691.226)
Operating profit before depreciation, amortisation and changes in fair value (EBITDA)		4.740.648	3.904.622	9.553.913	7.867.053
Depreciation of property and equipment and leased assets and amortisation of intangible assets		(1.320.726)	(990.573)	(3.483.517)	(2.879.427)
Changes in value of investment property		8.584	(89.030)	264.521	12.647
Operating profit before finance items (EBIT)		3.428.506	2.825.019	6.334.917	5.000.273
Finance income	11	109.054	86.251	267.554	155.559
Finance costs	11	(1.006.057)	(901.923)	(2.908.414)	(2.613.093)
Foreign currency differences		(36.031)	(52.680)	(19.848)	(24.403)
Share of profit of associates		250.197	258.568	470.897	430.403
		(682.837)	(609.784)	(2.189.811)	(2.051.534)
Profit before income tax (EBT)		2.745.669	2.215.235	4.145.106	2.948.739
Income tax		(513.679)	(399.140)	(758.546)	(485.666)
Profit for the period		2.231.990	1.816.095	3.386.560	2.463.073
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Translation difference arising from operations of a foreign associate		10.340	(63.406)	1.303	(79.524)
Effective portion of changes in fair value of cash flow hedges, net of income tax		12.573	(20.797)	10.787	(23.670)
Total other comprehensive income (loss)		22.913	(84.203)	12.090	(103.194)
Total comprehensive income for the period		2.254.903	1.731.892	3.398.650	2.359.879
Basic and diluted earnings per share in ISK		7,30	5,96	11,13	8,09

The notes on pages 9 to 18 are an integral part of these condensed financial statements.

Consolidated Statement of Financial Position as at 30 September 2024

	Notes	30.9.2024	31.12.2023
Assets			
Goodwill		21.947.103	14.842.339
Other intangible assets		4.519.458	4.260.081
Property and equipment	12	36.928.275	35.778.736
Leased assets		10.769.230	8.096.618
Investment property		6.948.951	6.646.805
Shares in associates		2.837.052	2.620.746
Shares in other companies		14.140	14.140
Long-term receivables		45.494	145.176
Non-current assets		84.009.703	72.404.641
Inventories		14.836.402	13.557.248
Trade receivables		7.105.606	5.984.828
Other short-term receivables		1.119.796	723.185
Cash and cash equivalents		6.064.448	3.362.212
Current assets		29.126.252	23.627.473
Total assets		113.135.955	96.032.114
Equity			
Share capital		311.254	301.254
Share premium		9.803.982	7.773.982
Other restricted equity		14.139.116	12.938.209
Retained earnings		16.179.958	14.828.910
Equity		40.434.310	35.842.355
Liabilities			
Loans from credit institutions	13	30.894.247	26.680.829
Lease liabilities	14	10.227.100	7.793.320
Deferred tax liability		7.140.457	6.185.105
Non-current liabilities		48.261.804	40.659.254
Loans from credit institutions	13	2.470.532	1.807.014
Lease liabilities	14	1.353.906	859.276
Trade payables		11.716.616	9.760.363
Other short-term liabilities		8.898.786	7.103.852
Current liabilities		24.439.840	19.530.505
Total liabilities		72.701.644	60.189.759
Total equity and liabilities		113.135.955	96.032.114

The notes on pages 9 to 18 are an integral part of these condensed financial statements.

Consolidated Statement of Changes in Equity for the period from 1 January to 30 September 2024

	Other restricted equity							
	Share capital	Share premium	Statutory reserve	Revaluation reserve	Unrealised profit of subsidiaries and associates	Other restricted accounts	Retained earnings	Total equity
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 reserves			(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		
1 January to 30 September 2024								
Equity 1.1.2024	301.254	7.773.982	75.314	4.565.998	8.322.414	(25.517)	14.828.910	35.842.355
Profit for the period							3.386.560	3.386.560
Total other comprehensive income							12.090	12.090
Restricted due to subsidiaries and associates					1.338.086		(1.338.086)	0
Dissolution of revaluation of an associate				(22.064)			22.064	0
Dissolution of revaluation of property and equipment				(127.205)			127.205	0
	301.254	7.773.982	75.314	4.416.729	9.660.500	(13.427)	17.026.653	39.241.005
<i>Transactions with shareholders:</i>								
Issued new share capital	10.000	2.030.000						2.040.000
Stock options							57.066	57.066
Dividend paid (ISK 3.00 per share)							(903.761)	(903.761)
Equity 30.9.2024	311.254	9.803.982	75.314	4.416.729	9.660.500	(13.427)	16.179.958	40.434.310
Total other restricted equity						14.139.116		

The notes on pages 9 to 18 are an integral part of these condensed financial statements.

Consolidated Statement of Cash Flows

for the period from 1 January to 30 September 2024

	Notes	2024 1.7.-30.9.	2023 1.7.-30.9.	2024 1.1.-30.9.	2023 1.1.-30.9.
Cash flows from operating activities					
Operating profit before depreciation, amortisation and changes in fair value (EBITDA)		4.740.648	3.904.622	9.553.913	7.867.053
Operating items not affecting cash flows:					
Gain on sale of property and equipment		(78.797)	(2.643)	(82.159)	(10.240)
		<u>4.661.851</u>	<u>3.901.979</u>	<u>9.471.754</u>	<u>7.856.813</u>
Changes in operating assets and liabilities:					
Inventories, (increase) decrease		(221.738)	290.715	76.998	(882.682)
Trade and short-term receivables, increase		(612.690)	(741.230)	(950.783)	(636.616)
Trade and other short-term liabilities, increase		1.659.087	410.062	2.070.774	3.699.269
Changes in operating assets and liabilities		<u>824.659</u>	<u>(40.453)</u>	<u>1.196.989</u>	<u>2.179.971</u>
Interest received		39.694	34.132	115.699	98.548
Interest paid		(820.927)	(414.308)	(2.369.441)	(2.263.392)
Income tax paid		(62.143)	(97.928)	(171.373)	(391.712)
Net cash from operating activities		<u>4.643.134</u>	<u>3.383.422</u>	<u>8.243.628</u>	<u>7.480.228</u>
Cash flows used in investing activities					
Purchase of subsidiary, net of cash received	6	(4.141.321)	0	(4.141.321)	0
Purchased intangible assets		(213.326)	(111.894)	(609.818)	(360.771)
Purchased property and equipment	12	(1.004.356)	(910.814)	(2.293.529)	(2.212.356)
Sold property and equipment		169.405	46.128	204.616	89.594
Purchased investment properties		(26.659)	(4.794)	(37.625)	(20.322)
Purchase of shares in other companies		(42.341)	0	(42.341)	0
Dividend received from associates		0	44.000	298.238	391.784
Long-term receivables and securities, change		1	0	99.486	29.052
Net cash used in investing activities		<u>(5.258.597)</u>	<u>(937.374)</u>	<u>(6.522.294)</u>	<u>(2.083.019)</u>
Cash flows used in financing activities					
Dividend paid		0	0	(903.761)	(913.500)
Purchased own shares		0	(289.639)	0	(822.762)
New long-term loans from credit institutions		3.981.311	0	3.985.802	0
Repayment of long-term loans from credit institutions		(338.351)	(1.114)	(1.257.686)	(908.089)
Repayment of lease liabilities		(331.329)	(212.412)	(796.532)	(607.860)
Net cash from (used in) financing activities		<u>3.311.631</u>	<u>(503.165)</u>	<u>1.027.823</u>	<u>(3.252.211)</u>
Increase in cash and cash equivalents		2.696.168	1.942.883	2.749.157	2.144.998
Foreign currency difference on cash and cash equivalents		(26.716)	(36.852)	(46.921)	(25.415)
Cash and cash equivalents at the beginning of the period		3.394.996	2.325.689	3.362.212	2.112.137
Cash and cash equivalents at the end of the period		6.064.448	4.231.720	6.064.448	4.231.720
Investing and financing activities not affecting cash flows					
Purchase of subsidiary		2.040.000	0	2.040.000	0
Issued new share capital		(2.040.000)	0	(2.040.000)	0
New long-term loans from credit institutions		(2.279.719)	0	(2.279.719)	0
Repayment of long-term loans from credit institutions		2.279.719	0	2.279.719	0
New lease contracts and their remeasurement		(439.566)	(138.124)	(1.448.909)	(720.530)
New lease liabilities and their remeasurement		439.566	138.124	1.448.909	720.530

The notes on pages 9 to 18 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, sale of prescription and over the counter medicine and leasing of properties. These Condensed Consolidated Interim Financial Statements of the Company as at and for the nine months ended 30 September 2024 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 2024 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 2023.

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 2023.

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 30 October 2024.

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 2023.

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 2023. A few new standards are effective for annual periods beginning after 1 January 2024 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 so as 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 to a segment in a logical way. Capital expenditure of segments consist of the total cost of acquisition of operating property and equipment and intangible assets. Transactions between segments are priced on an arm's length basis.

The operating companies of N1, Krónan, ELKO, Lyfja and Yrkir eignir in the Group are individual operating segments. The Group's other entities comprise the sixth segment. That segment consists of the operations of the parent company Festi and Bakkinn Vöruhótel. The operations of Lyfja is part of the Group from July 2024, see note 6. Yrkir eignir took over from 1 January 2024 all of the real estate business of the Group. It was a part of other companies' segment in 2023 but is now restated and shown separately in comparative figures below.

Reportable segments for the nine months ended 30 September 2024

	N1	Krónan	ELKO	Lyfja	Yrkir eignir	Other companies	Segments total
External revenue	42.534.589	52.711.358	13.443.330	4.602.726	446.511	400.982	114.139.496
Intra-group revenue	329.568	1.274.276	12.355	326.914	2.755.856	4.065.680	8.764.649
Total segment revenue	42.864.157	53.985.634	13.455.685	4.929.640	3.202.367	4.466.662	122.904.145
Operating profit before depreciation, amortisation and changes in value (EBITDA) ..	3.671.906	4.241.016	1.103.837	473.018	2.540.741	1.612.152	13.642.670
Segment depreciation and amortisation	(2.127.763)	(1.768.702)	(459.176)	(189.217)	(1.474.209)	(624.941)	(6.644.008)
Changes in value of investment property	0	0	0	0	264.521	0	264.521
Operating profit of segments (EBIT)	1.544.143	2.472.314	644.661	283.801	1.331.053	987.211	7.263.183
Net finance costs	(634.229)	(216.793)	(73.170)	(71.484)	(1.317.979)	(1.431.831)	(3.745.486)
Share of profit of associates	0	0	0	0	0	470.897	470.897
Income tax	(191.005)	(474.709)	(120.493)	(27.595)	(2.745)	89.303	(727.244)
Profit for the period	718.909	1.780.812	450.998	184.722	10.329	115.580	3.261.350
30 September 2024							
Segment assets	29.501.094	23.549.102	6.615.093	11.636.563	31.745.560	79.921.336	182.968.748
Segment capital expenditure	1.161.650	747.823	381.161	102.583	251.351	331.595	2.976.163
Segment liabilities	19.331.878	18.115.430	4.780.915	6.179.585	24.202.734	37.456.411	110.066.953

Reportable segments for the nine months ended 30 September 2023

	N1	Krónan	ELKO	Lyfja	Yrkir eignir	Other companies	Segments total
External revenue	42.627.360	46.399.794	12.735.115	-	402.887	400.824	102.565.980
Intra-group revenue	252.842	1.008.899	11.718	-	984.295	4.280.121	6.537.875
Total segment revenue	42.880.202	47.408.693	12.746.833	-	1.387.182	4.680.945	109.103.855
Operating profit before depreciation, amortisation and changes in value (EBITDA) ..	3.427.755	3.472.515	1.075.109	-	1.064.393	1.741.953	10.781.725
Segment depreciation and amortisation	(2.165.678)	(1.590.897)	(422.257)	-	(239.070)	(550.131)	(4.968.033)
Changes in value of investment property	0	0	0	-	12.647	0	12.647
Operating profit of segments (EBIT)	1.262.077	1.881.618	652.852	-	837.970	1.191.822	5.826.339
Net finance costs	(823.255)	(292.297)	(76.910)	-	(826.890)	(1.518.008)	(3.537.360)
Share of profit of associates	0	0	0	-	0	430.403	430.403
Income tax	(87.764)	(317.864)	(115.188)	-	(2.216)	83.237	(439.795)
Profit for the period	351.058	1.271.457	460.754	-	8.864	187.454	2.279.587
30 September 2023							
Segment assets	31.436.988	21.941.228	5.548.297	-	23.105.257	65.234.224	147.265.994
Segment capital expenditure	856.083	809.909	183.254	-	735.924	174.922	2.760.092
Segment liabilities	21.623.728	17.338.541	3.974.231	-	16.492.012	27.572.950	87.001.462

Notes, continued:

5. Operating segments, continued

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

1.1.-30.9.2024	Segments total	Eliminations	According to financial statements
Operating profit before depreciation, amortisation and changes in fair value (EBITDA)	13.642.670 (	4.088.757)	9.553.913
Depreciation of property and equipment and leased assets and amortisation of intangible assets	(6.644.008)	3.160.491 (	3.483.517)
Changes in fair value of investment property	264.521		264.521
Operating profit (EBIT)	7.263.183 (	928.266)	6.334.917
Net finance costs	(3.745.486)	1.084.778 (	2.660.708)
Share of profit of associates	470.897		470.897
Income tax	(727.244) (	31.302) (	758.546)
Profit for the period	3.261.350	125.210	3.386.560
30 September 2024			
Segment assets	182.968.748 (	69.832.793)	113.135.955
Segment capital expenditure	2.976.163 (	35.191)	2.940.972
Segment liabilities	110.066.953 (	37.365.308)	72.701.645
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 fair value of investment property	12.647		12.647
Operating profit (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
30 September 2023			
Segment assets	147.265.994 (	49.980.437)	97.285.557
Segment capital expenditure	2.760.092 (	166.643)	2.593.449
Segment liabilities	87.001.462 (	24.799.625)	62.201.837

Notes, continued:

6. Business combination

On 13 July 2023, Festi signed purchase agreement for the entire share capital of 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. On 14 June 2024, Festi and the Icelandic Competition Authority, reached a settlement regarding the purchase which was the final contingency in the purchase agreement. The purchase price for the acquisition amounted to ISK 7,117 million, Following is breakdown of the purchase price:

Issued new share capital in July 2024	2.040.000
Cash payment in July 2024	5.077.435
Total purchase price	<u>7.117.435</u>

The operation of Lyfja is included in these Financial Statements from 1 July 2024 when all conditions of the purchase agreement were met. The impact on Comprehensive Income is increase in revenues from sales by ISK 4,602 million, EBITDA is increased by ISK 473 million and profit for the period by ISK 168 million.

The effect on Financial Position is the values of assets and liabilities recognized on acquisition as their estimated fair values. Purchase price allocation of calculated goodwill on acquisition has not been finalized. The following table describes the consideration paid for Lyfja and the recognized provisional amount of assets acquired and liabilities assumed at the acquisition date:

Property and equipment	881.658
Leased assets	2.117.416
Shares in other companies	3.700
Inventories	1.356.152
Trade and other receivables	493.461
Cash and cash equivalents	936.114
Loans from credit institutions	(1.563.782)
Lease liabilities	(2.276.033)
Deferred tax liability	(161.958)
Trade and other payables	(2.097.574)
Total net identified assets	<u>12.671</u>
Goodwill	<u>7.104.764</u>
Purchase price	<u>7.117.435</u>

During the first nine months of 2024, cost relating to the purchase of Lyfja in the amount of ISK 36 million was expensed in the operating expenses in the Comprehensive Income Statement.

Cash payment for the purchase of Lyfja is specified as follows:

Cash payment in July 2024	5.077.435
Cash acquired from subsidiary	(936.114)
Purchase of subsidiary, net of cash received	<u>4.141.321</u>

Notes, continued:

7. 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:

	2024	2023	2024	2023
	1.7.-30.9.	1.7.-30.9.	1.1.-30.9.	1.1.-30.9.
Sale of goods and services:				
Convenience goods	20.984.210	18.289.381	58.157.698	51.149.364
Fuel and electricity	12.508.592	12.146.709	30.964.172	30.149.999
Electronic equipment	4.796.108	4.401.930	13.291.298	12.621.713
Medicine, prescription and over the counter	3.340.981	0	3.340.981	0
Sale of other goods and services	2.626.766	2.495.760	6.762.692	7.095.485
Total sale of goods and services	<u>44.256.657</u>	<u>37.333.780</u>	<u>112.516.841</u>	<u>101.016.561</u>
Other operating income:				
Lease income from properties	204.727	176.834	563.757	517.349
Warehouse services	103.893	99.667	315.264	293.277
Commissions	121.199	122.099	355.874	345.740
Gain on sale of property and equipment	78.797	2.643	82.159	10.240
Other operating income	79.320	133.531	305.601	382.813
Total other operating income	<u>587.936</u>	<u>534.774</u>	<u>1.622.655</u>	<u>1.549.419</u>
Total operating revenue	<u>44.844.593</u>	<u>37.868.554</u>	<u>114.139.496</u>	<u>102.565.980</u>

8. 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:

	2024	2023	2024	2023
	1.7.-30.9.	1.7.-30.9.	1.1.-30.9.	1.1.-30.9.
Convenience goods	5.091.954	4.251.312	13.581.003	11.743.090
Fuel and electricity	2.624.965	2.367.324	5.918.744	5.059.046
Electronic equipment	1.229.785	1.130.869	3.413.847	3.156.076
Medicine, prescription and over the counter	937.106	0	937.106	0
Other goods and services	945.365	825.161	2.604.170	2.600.067
Margin from sale of goods and services	<u>10.829.175</u>	<u>8.574.666</u>	<u>26.454.870</u>	<u>22.558.279</u>

Notes, continued:

9. Salaries and other personnel expenses

Salaries and other personnel expenses are specified as follows:

	2024	2023	2024	2023
	1.7.-30.9.	1.7.-30.9.	1.1.-30.9.	1.1.-30.9.
Salaries	3.910.348	3.016.434	10.341.137	9.048.611
Salary-related expenses	691.825	519.211	2.274.045	1.994.426
Other personnel expenses	224.093	140.659	568.375	443.409
Total salaries and other personnel expenses	<u>4.826.266</u>	<u>3.676.304</u>	<u>13.183.557</u>	<u>11.486.446</u>

10. Other operating expenses

Other operating expenses are specified as follows:

Operating expenses of properties	569.718	496.003	1.624.104	1.530.644
Maintenance expenses	276.695	234.996	823.711	776.310
Sales and marketing expenses	446.437	387.720	1.299.743	1.113.748
Office and administrative expenses	99.316	99.899	357.256	354.558
Communication expenses	314.157	202.951	817.414	647.098
Insurance and claims cost	47.863	26.932	149.327	70.393
Other expenses	96.011	80.013	268.500	261.448
Total other operating expenses	<u>1.850.197</u>	<u>1.528.514</u>	<u>5.340.055</u>	<u>4.754.199</u>

11. Finance income and finance costs

Finance income is specified as follows:

Interest income on cash and cash equivalents	82.393	51.626	187.440	70.616
Interest income on receivables	24.661	32.625	78.114	82.943
Total finance income	<u>109.054</u>	<u>86.251</u>	<u>267.554</u>	<u>155.559</u>

Finance costs are specified as follows:

Interest expense and CPI-index on loans	817.937	765.761	2.413.148	2.210.507
Interest expense on lease liabilities	162.762	115.121	416.925	344.022
Other interest expense	25.358	21.041	78.341	58.564
Total finance costs	<u>1.006.057</u>	<u>901.923</u>	<u>2.908.414</u>	<u>2.613.093</u>

12. Operating assets

Acquisition of operating assets and investment properties in the first nine months of 2024 amounted to ISK 2,294 million (2023 9M: ISK 2,212 million). Thereof investment in buildings is ISK 934 million (2023 9M: ISK 1,068 million), interiors, equipment and tools was ISK 1,256 million (2023 9M: ISK 986 million) and investment in computers and other IT hardware was ISK 104 million (2023 9M: ISK 158 million).

Notes, continued:

13. 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:

	2024	2023
	1.1.-30.9.	1.1.-31.12.
Long-term		
Balance at the beginning of the year	26.680.829	28.224.162
From acquired subsidiary.....	1.563.782	0
New long-term loans.....	3.985.802	0
Repayments	(1.257.686)	(1.817.321)
Expensed borrowing costs.....	13.369	16.449
CPI-indexation.....	571.669	274.820
Change in current portion.....	(663.518)	(17.281)
Balance at the end of the period.....	<u>30.894.247</u>	<u>26.680.829</u>
Short-term		
Current portion of long-term loans	2.470.532	1.807.014
Balance at the end of the period.....	<u>2.470.532</u>	<u>1.807.014</u>
Total loans from credit institutions	<u>33.364.779</u>	<u>28.487.843</u>

	Weighted average interest rates		Outstanding amounts at	
	2024	2023	30.9.2024	31.12.2023
Non-indexed loans at floating interest rates	10,9%	9,9%	15.900.767	24.952.417
CPI-indexed loans at floating interest rates	4,5%	2,5%	17.464.012	3.535.426
Total loans from credit institutions			<u>33.364.779</u>	<u>28.487.843</u>

The maturities of the loans are specified as follows:

Year 2024.....	925.175	1.807.014
Year 2025.....	3.423.272	7.649.460
Year 2026.....	2.470.795	1.809.770
Year 2027.....	2.470.978	1.809.953
Year 2028.....	2.182.053	1.611.636
Year 2029.....	1.673.594	1.412.569
Due for payment onwards	20.218.912	12.387.441
Total loans from credit institutions	<u>33.364.779</u>	<u>28.487.843</u>

As at 30 September 2024, the Group had ISK 3,000 million in undrawn credit lines.

Notes, continued:

14. Lease liabilities

Lease liabilities are specified as follows:

	2024	2023
	1.1.-30.9.	1.1.-31.12.
Carrying amount at the beginning of the year.....	8.652.596	8.426.337
From acquired subsidiary.....	2.276.033	0
New lease contracts.....	932.380	503.588
Increase due to indexation of lease payments.....	516.529	564.078
Payment of lease liabilities during the year.....	(796.532)	(841.407)
Total lease liabilities.....	11.581.006	8.652.596
Current portion.....	(1.353.906)	(859.276)
Total non-current portion of lease liabilities.....	10.227.100	7.793.320

The maturity analysis of lease liabilities is specified as follows:

Year 2024.....	338.476	859.276
Year 2025.....	1.357.333	915.771
Year 2026.....	1.334.355	869.501
Year 2027.....	1.144.302	833.540
Year 2028.....	1.083.631	660.715
Year 2029.....	869.587	446.992
Due for payment onwards.....	5.453.322	4.066.801
Total.....	11.581.006	8.652.596

	2024	2023
	1.1.-30.9.	1.1.-31.12.
Impact of lease liabilities in profit or loss are as follows:		
Deprecation of lease assets.....	894.156	983.402
Interest expensed on lease liabilities.....	416.925	471.873

Expensed rent due to lease agreements not capitalised:

Real estate rent.....	249.731	276.733
Other rent payments.....	13.036	8.299

Impact of rental agreements on Statement of Cash Flows:

Payments due to lease contracts.....	1.209.995	1.313.280
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All lease liabilities are denominated in Icelandic krona.

Notes, continued:

15. Group entities

The Company held six subsidiaries at end of September 2024. The subsidiaries are all fully owned by the parent.

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' 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 shop.
Lyfja hf.	Lyfja specializes in pharmacy operations as well as wholesale and retail sales of health-related products. The company currently operates 45 pharmacies and branches all around the country as well as an online store and app.
Heilsa ehf.	Heilsa specialises in imports and wholesales of pharmacy products and cosmetic and health related products sold in stores all around the country.
Mengi ehf.	Mengi 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.
Vínportið ehf.	Vínportið specialises in imports and wholesales of wines and spirits containing alcohol to ÁTVR stores and to hotels and restaurants.
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 in the wholesale market and sells in retail electricity to individuals and companies in Iceland.
Yrkir eignir ehf.	Yrkir eignir specialises in leasing of non-residential real estate to retail companies.

Notes, continued:

16. Other matters

Festi hf. (then N1 hf.) made a settlement with the Icelandic Competition Authority (the "ICA") on 30 July 2018 because of the acquisition of Hlekkur hf. (then Festi hf.). According to the settlement, Festi committed, among other things, to selling five self-service stations within the Capital Region and the convenience store Kjarval located in Hella. The settlement also included behavioural conditions. In December 2020 the ICA announced it would initiate an investigation on potential breaches of the settlement by Festi and requested information and further explanations from the Company regarding several aspects, to which the Company answered at the time.

Festi received on 20 December 2023 a Statement of Objections from ICA in which it was explained that the Authority's preliminary assessment was that Festi has breached several terms of the articles of the settlement, and referred to presumed breaches of article 19, as per article 17 of the Icelandic Competition Act no. 44/2005. Festi submitted its response to ICA's preliminary assessment in March 2024, where arguments and objections were presented.

On 29 October 2024, Festi requested to start formal discussions with ICA on whether it is possible, with reference to Article 17 (f) of the Competition Act, to conclude the investigation with a settlement which ICA accepted. If a conclusion is reached in the coming settlement negotiations, it will entail the final conclusion towards Festi of the investigation and procedures described in the ICA's Statement of Objection. Festi is aware that the outcome of the case may mean that the Company will be subject to payment of a fine.

17. Financial ratios

The Group's key financial ratios

	2024	2023
	1.1.-30.9.	1.1.-30.9.
Operations		
Turnover rate of inventories		
Utilisation of goods / average balance of inventories during the period.....	8,4	7,5
Sales days in trade receivables:		
Average balance of trade receivables during the period /		
goods and services sold	12,3	13,6
EBITDA / margin from sales of goods and services.....	36,1%	34,9%
Salaries and personnel expenses / margin from sales of goods and services.....	49,8%	50,9%
Other operating expenses / margin from sales of goods and services.....	20,2%	21,1%
	30.9.2024	31.12.2023
Financial position		
Current ratio: current assets / current liabilities.....	1,19	1,21
Liquidity ratio: (current assets - inventories) / current liabilities.....	0,58	0,52
Leverage: net interest bearing liabilities excluding lease liabilities / EBITDA.....	2,15	2,28
Intrinsic value of share capital	129,91	118,98
Equity ratio: equity / total capital.....	35,7%	37,3%
Return on equity: profit for last 12 months / average balance of equity.....	11,8%	10,0%