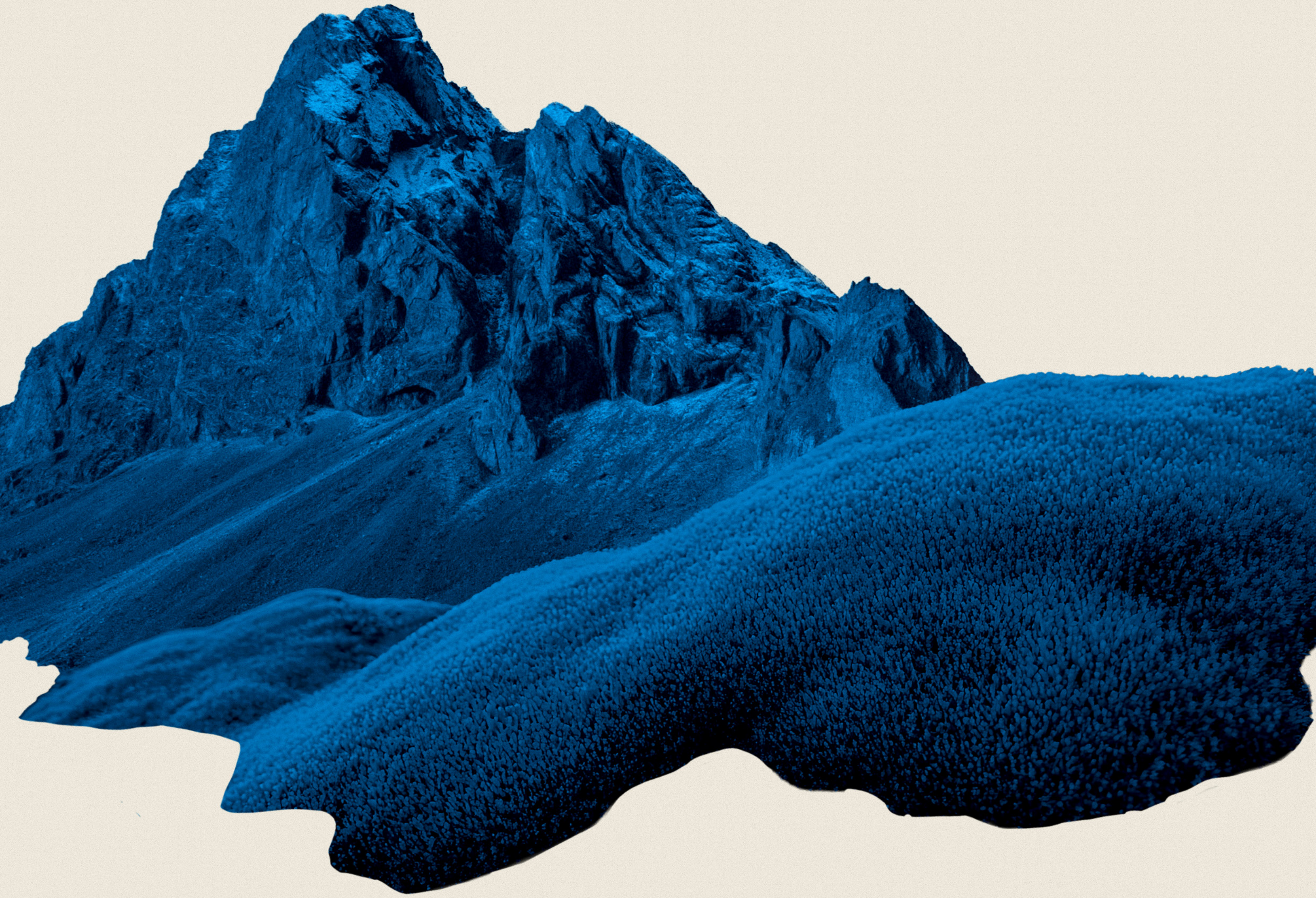

Consolidated Financial Statements

2025

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.

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, pharmacy market and electronic equipment and smart devices market. Operation of properties, purchase and sale of securities are also part of the operations of the Group.

The parent company Festi (“the Company”) owns the subsidiaries Krónan, which operates grocery stores under its own brand, N1, which operates service stations for fuel and electricity sales and various facilities related to lubrication and motor vehicle services, ELKO, which operates electronic equipment stores under its own brand, Lyfja, which operates pharmacies under its own brand, Yrkir eignir, which owns and operates the Group’s properties, and Bakkinn vöruhótel, which specialises in warehouse services and distribution for the Group’s companies.

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 on 1 July 2021. The guidelines are accessible on the website www.leidbeiningar.is.

The Company’s Annual General Meeting will be held next 5 March. The Board of Directors consists of five members. Further information about the Board of Directors and Corporate Governance can be found in the appendix Statement of Corporate Governance, which accompanies these annual financial statements.

Operations during the year

The Group´s operating revenue for the year 2025 amounted to ISK 175,727 million (2024: ISK 156,707 million) and increased by 12.1% between years. Operating profit before depreciation, amortisation and changes in value for the year 2025 amounted to ISK 16,001 million (2024: ISK 12,511 million) and increased by 27.9% between years. According to the Statement of Profit or Loss and Other Comprehensive Income, the profit for the year amounted to ISK 6,220 million (2024: ISK 4,018 million) and total comprehensive income for the year to ISK 6,295 million (2024: ISK 6,422 million). Lyfja became part of the Group from 1 July 2024 and the operating revenue for the first six months of 2024 amounts to ISK 8,756 million, operating profit before depreciation and amortisation ISK 679 million, and profit in the amount of ISK 152 million, therefore not included in the comparative amounts.

The Company’s operations went well during the year and much better than assumed in the budgets. All operating companies within the Group improved their operations significantly between the years, through increased business but the great emphasis placed on efficiency and the utilisation of synergies within the Group has also yielded significant results. It was pleasing to see that the number of visits and the quantity sold continued to increase in most stores, along with achieving a good increase in the sale of electricity, whereby an increasing number of customers use electric vehicles for home or business purposes. At the same time, the sale of fossil fuels was similar between years, which shows strength in a contracting market. The Group’s emphasis on developing smart technological solutions to improve the customer service experience is being well received and it has materialised in their loyalty along with an increase in new customers. Notable results have also been achieved in reducing unexplained inventory reduction in the stores, which increases the gross margin level and the Group’s operating performance between years.

The Company released on 5 February 2025 earnings forecast for the year 2025, where projected EBITDA was ISK 14,400 – 14,800 million. The Company increased its earnings forecast two times during the year, in July by about ISK 800 million, to ISK 15,200 – 15,600 million, and then in October, by about ISK 400 million, to ISK 15,600 – 16,000 million. The actual EBITDA for the year amounted to ISK 16,001 million, which is considerably better than the amount assumed in the first earnings forecast for the year. Increased business and efficiency in the operations of all subsidiaries of Festi explain the better EBITDA result for the year, especially in the convenience goods and fuel part of the Group, where turnover and gross margin increased much more than assumed in the budgets.

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

The full-time equivalent number of employees was 1,686 and increased by 10.0% between years. The average number of employees was 2,846 and the employee gender ratio (males/females) was 56/44. Management gender ratio (males/females) was 59/41.

The Group´s equity at year-end amounted to ISK 47,684 million (2024: ISK 43,493 million), including share capital in the nominal value of ISK 309 million and the equity ratio at year-end was 41.2% (2024: 37.9%). Reference is made to the Statement of Changes in Equity regarding changes in equity during the year. Festi has a strong liquidity position, with ISK 5,929 million in cash and cash equivalents available for use at year-end, and the Company is well prepared to address the challenges ahead.

The Company's Board of Directors proposes that a dividend of ISK 7 per share of nominal value be paid during the year 2026 or approximately ISK 2,163 million.

The outlook for the year 2026 is good despite uncertainty in economic developments, with rising inflation in the first half of the year. Festi expects a similar number of tourists as last year and it is expected that all operating segments will improve their performance between years. There will be a continued strong emphasis on increased efficiency and effectiveness throughout the Group's value chain. Work is also being carried out on numerous integration and development projects, which will be a pleasure to introduce to the Company’s customers in 2026. Festi plans to deliver a better operating result in 2026, whereas the Company’s forecast EBITDA for the year 2026 amounts to ISK 16,500 – 17,000 million.

Shareholders

The Company´s shareholders at the end of the year were 1,729, compared to 1,219 at the beginning of the year, and thus their number increased by 510 during the year. Following are the Company's 20 largest shareholders at year-end:

	Share capital in thousands of ISK	Share capital in %	Change from 2024 in %
Lífeyrissjóður verzlunarmanna	48,159	15.6%	3.1%
Lífeyrissjóður starfsmanna ríkisins, A- og B-deild	37,293	12.1%	-0.8%
Brú Lífeyrissjóður starfsmanna sveitarfélaga	33,114	10.7%	1.3%
Gildi - lífeyrissjóður	30,440	9.9%	0.7%
Stapi lífeyrissjóður	16,849	5.5%	0.0%
Almenni lífeyrissjóðurinn	14,676	4.7%	0.0%
Birta lífeyrissjóður	12,343	4.0%	-0.4%
Vanguard	12,118	3.9%	0.5%
Frjálsi lífeyrissjóðurinn	10,383	3.4%	0.2%
Söfnunarsjóður lífeyrisréttinda	8,937	2.9%	-0.1%
Landsbréf	7,098	2.3%	0.8%
Festa - lífeyrissjóður	6,597	2.1%	0.2%
Lífsverk lífeyrissjóður	6,523	2.1%	0.3%
Stefnir	5,595	1.8%	-0.6%
Arion banki hf	4,036	1.3%	-0.4%
Íslandssjóðir	2,817	0.9%	-0.7%
Kvika banki hf	2,769	0.9%	0.8%
Folketrygfondet	2,705	0.9%	0.9%
Þarabakki ehf	2,371	0.8%	0.3%
Vátryggingafélag Íslands hf	2,016	0.7%	-0.4%
	266,839	86.4%	0.8%
Other shareholders	42,170	13.6%	-0.8%
	309,009	100.0%	

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

Share Capital and Articles of Association

The Company's listed share capital amounted to ISK 312 million at the end of the year. Outstanding at year-end 2025 were ISK 309 million shares (2024: ISK 311 million). During the year, the Company purchased 3.3 million own shares for ISK 1,013 million and sold 1.0 million own shares for ISK 196 million in connection with share option agreements, and the Company owned 3.5 million own shares at year-end. All share capital is in one class, and all shareholders enjoy the same rights. At the Company's Annual General Meeting which was held on 6 March 2025 it was agreed to authorise the Company to repurchase up to 10% of the nominal amount of outstanding shares in accordance with Chapter VIII of the Act no. 2/1995 on Limited Liability Companies. 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 6 March 2024 (as per Note 22). An extension for this authorisation will be requested at the Company's Annual General Meeting next March.

At Festi's Annual General Meeting, on 6 March 2024 two share option plans were approved, one for all permanent employees of the Group and the other for the CEO and management. The Board of Directors decided to grant share options according to the specified share option plans at meetings on 23 April, 30 October 2024, 29 April 2025 and 30 July 2025, but previously, the remuneration committee had made a proposal to the Board of Directors in this regard in accordance with the content of the share option plans. This is further explained in Note 22.

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 ten-day 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, scope, status, and influence in relation to environmental, social and personnel matters, its human rights policies, how it counteracts corruption and briberies in addition to a concise description of its business model, and more. The policies and results of the Company with respect to these matters are described in the appendix to these annual financial statements on non-financial information. There is also disclosed the Company's information in accordance with the requirements of the EU Taxonomy. To report in more detail on the Company's sustainability status, a report on non-financial metrics will be additionally issued as well as a sustainability report will be published in accordance with ESRS (European Sustainability Reporting Standard) Although the standard is yet to be implemented into Icelandic law, Festi wants to be able to report on the status of these matters within the Group in accordance with recognised methodology.

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 annual financial statements have been prepared in accordance with IFRS Accounting 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 annual financial statements give a true and fair view of the operating performance of the Group for the year 2025, its assets, liabilities and financial position as at 31 December 2025, and changes in cash and cash equivalents during the year 2025.

Furthermore, in our opinion the consolidated annual financial statements and the Endorsement and Statement 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 Group faces.

The Board of Directors and the CEO of Festi hf. have today discussed the Company's consolidated annual financial statements for the year 2025 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 annual financial statements.

Kópavogur, 5 February 2026.

Board of Directors of Festi hf.

Hjörleifur Pálsson, Chairman

Guðjón Reynisson, Vice-Chairman

Edda Blumenstein

Guðjón Auðunsson

Sigurlína Ingvarsdóttir

CEO

Ásta S. Fjeldsted

INDEPENDENT AUDITORS' 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, 2025 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, 2025, 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.

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 18.4 billion and the trademarks amount to ISK 5.2 billion. The value of goodwill and trademarks 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. 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. No impairment loss has been recognized for intangible assets. The trademark is amortized over 10-20 years. Further information about goodwill and trademarks can be found in notes 12 and 13 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: • Assessed the company's valuation model and its reliability. • Assessed the assumptions in the management's budget that are used in calculations in the impairment test and whether they are appropriate. • Reviewed of assumptions for expected future growth after the forecast period. • Reviewed of variances from previous years budget. • Assessed the discount rate for each unit. • 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.

Consolidated Annual Financial Statements of Festi hf. 2025 7 Amounts are in thousands of ISK

INDEPENDENT AUDITORS' REPORT, contd.:

Key Audit Matters	How the matter was addressed in our audit
Valuation of real estate	
Real estate of the Group amounts to ISK 38 billion and are classified on the balance sheet among property & equipment and investment properties. 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. 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. 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. Further information regarding real estate, we refer to note 14 and 16 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: • Assessed the company's calculation model and its reliability. • Assessed the assumptions used in management's budget that are used in the calculations of the valuation and whether they are appropriate. • Assessed the assumptions and calculation of the discount rate (WACC) and compared it to market conditions. • We assessed the company's policies and processes concerning revaluation. • We have examined the valuation methodology was in accordance with IFRS. • 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 Consolidated 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.

INDEPENDENT AUDITORS' REPORT, contd.:

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.

Auditor's Responsibilities for the Audit of the Consolidated 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 during our audit

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.

INDEPENDENT AUDITORS' REPORT, contd.:

As part of our audit of the consolidated financial statements of Festi hf. we performed procedures to be able to issue an opinion on whether the consolidated financial statements of Festi hf. for the year 2025 with the file name "Ársreikningur Festi 2025 - ESEF skrá.zip" is prepared, in all material respects, in compliance with laws no. 20/2021 disclosure obligation of issuers of securities and the obligation to flag relating torequirements regarding European single electronic format regulation EU 2019/815 which include requirements related to the preparation of the consolidated financial statements in XHTML format and iXBRL markup.

Management is responsible for preparing the consolidated financial statements in compliance with laws no. 20/2021 disclosure obligation of issuers of securities and the obligation to flag. This responsibility includes preparing the consolidated financial statements in a XHTML format in accordance to EU regulation 2019/815 on the European single electronic format (ESEF regulation).

Our responsibility is to obtain reasonable assurance, based on evidence that we have obtained, on whether the consolidated financial statements is prepared in all material respects, in compliance with the ESEF Regulation, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirement set out in the ESEF regulation, whether due to fraud or error.

In our opinion, the consolidated financial statements of Festi hf. for the 2025 with the file name "Ársreikningur Festi 2025 - ESEF skrá.zip" is prepared, in all material respects, in compliance with the ESEF Regulation.

Deloitte was appointed auditor of Festi hf. by the general meeting of shareholders on 5. March 2025. Deloitte have been elected since the annual general meeting 2019.

Kópavogur, 5. February 2026

Deloitte ehf.

Pétur Hansson

State Authorized Public Accountant

Statement of Profit or Loss and Other Comprehensive Income for the year 2025

	Notes	2025	2024
Sale of goods and services	5	173,413,534	154,462,646
Cost of goods sold		(129,721,869)	(117,740,819)
Gross profit from sale of goods and services	6	43,691,665	36,721,827
Other operating income	5	2,313,355	2,244,546
Salaries and other personnel expenses	7	(21,675,531)	(18,385,130)
Other operating expenses	8	(8,328,141)	(8,070,682)
		(27,690,317)	(24,211,266)
Operating profit before depreciation, amortisation and changes in value (EBITDA)		16,001,348	12,510,561
Depreciation of property and equipment and leased assets and amortisation of intangible assets	10	(6,049,106)	(5,089,807)
Changes in value of investment property	16	158,671	302,291
Operating profit before finance items (EBIT)		10,110,913	7,723,045
Finance income	11	584,639	482,994
Finance costs	11	(3,574,811)	(3,768,437)
Foreign currency differences	11	(92,377)	65,737
Share of profit of associates	17	574,611	608,187
		(2,507,938)	(2,611,519)
Profit before income tax (EBT)		7,602,975	5,111,526
Income tax	26	(1,383,395)	(1,093,291)
Profit for the year		6,219,580	4,018,235
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Translation difference arising from operations of a foreign associate		(9,735)	(42,074)
Reversal of translation difference due to sale of shares		74,005	0
Effective portion of changes in fair value of cash flow hedges, net of income tax		10,727	8,383
Items that will not be reclassified to profit or loss:			
Revaluation of properties, net of income tax		0	2,437,353
Total other comprehensive income		74,997	2,403,662
Total comprehensive income for the year		6,294,577	6,421,897
Basic earnings per share in ISK	23	20.00	13.13
Diluted earnings per share in ISK	23	19.77	13.05

The notes on pages 15 to 46 are an integral part of these annual financial statements

Consolidated Annual Financial Statements of Festi hf. 2025 11 Amounts are in thousands of ISK

Statement of Financial Position as at 31 December 2025

	Notes	2025	2024
Assets			
Goodwill	12	18,367,104	18,367,104
Other intangible assets	13	7,659,020	8,196,611
Property and equipment	14	43,654,738	41,217,494
Leased assets	15	10,509,753	10,535,014
Investment properties	16	6,731,281	7,012,240
Shares in associates	17	2,078,910	2,914,790
Shares in other companies		44,140	14,140
Long-term receivables	18	50,972	35,336
Non-current assets		89,095,918	88,292,729
Inventories	19	14,178,995	14,117,878
Trade receivables	28	5,435,100	7,167,970
Other short-term receivables	20	1,122,164	1,180,705
Cash and cash equivalents	21	5,928,914	4,075,358
Current assets		26,665,173	26,541,911
Total assets		115,761,091	114,834,640
Equity			
Share capital		309,009	311,254
Share premium		8,988,824	9,803,982
Other restricted equity		20,758,820	18,258,010
Retained earnings		17,627,190	15,119,951
Equity	22	47,683,843	43,493,197
Liabilities			
Interest bearing loans	24	24,015,932	29,339,934
Lease liabilities	25	10,029,389	10,001,415
Deferred tax liability	26	7,620,470	7,763,839
Non-current liabilities		41,665,791	47,105,188
Interest bearing loans	24	3,392,579	3,227,122
Lease liabilities	25	1,437,761	1,387,796
Trade payables		12,875,525	11,787,327
Other short-term liabilities	27	8,705,592	7,834,010
Current liabilities		26,411,457	24,236,255
Total liabilities		68,077,248	71,341,443
Total equity and liabilities		115,761,091	114,834,640

The notes on pages 15 to 46 are an integral part of these annual financial statements

Consolidated Annual Financial Statements of Festi hf. 2025 12 Amounts are in thousands of ISK

Statement of Changes in Equity for the year 2025

	Share capital	Share premium	Other restricted equity				Retained earnings	Total equity
			Statutory reserve	Revaluation reserve	Unrealised profit of subsidiaries and associates	Other restricted accounts		
Year 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 year							4,018,235	4,018,235
Total other comprehensive income				2,437,353		(33,691)	0	2,403,662
Restricted due to subsidiaries and associates					3,082,587		(3,082,587)	0
Dissolution of revaluation of an associate				(14,194)			14,194	0
Dissolution of revaluation of property and equipment				(154,754)			154,754	0
	301,254	7,773,982	75,314	6,834,403	11,405,001	(59,208)	15,933,506	42,264,252
Transactions with shareholders:								
Sold new shares	10,000	2,030,000						2,040,000
Share options							92,706	92,706
Transferred to statutory reserve			2,500				(2,500)	0
Dividend paid to shareholders (ISK 3 per share)							(903,761)	(903,761)
Equity 31.12.2024	311,254	9,803,982	77,814	6,834,403	11,405,001	(59,208)	15,119,951	43,493,197
Total other restricted equity						18,258,010		
Year 2025								
Equity 1.1.2025	311,254	9,803,982	77,814	6,834,403	11,405,001	(59,208)	15,119,951	43,493,197
Profit for the year							6,219,580	6,219,580
Total other comprehensive income						74,997	0	74,997
Restricted due to subsidiaries and associates					2,633,296		(2,633,296)	0
Dissolution of revaluation of an associate				(36,001)			36,001	0
Dissolution of revaluation of property and equipment				(170,920)			170,920	0
	311,254	9,803,982	77,814	6,627,482	14,038,297	15,789	18,913,156	49,787,774
Transactions with shareholders:								
Purchased own shares	(3,294)	(1,010,189)						(1,013,483)
Sold shares due to share options	1,049	195,031						196,080
Share options							114,114	114,114
Decrease of statutory reserve			(562)				562	0
Dividend paid to shareholders (ISK 4.5 per share)							(1,400,642)	(1,400,642)
Equity 31.12.2025	309,009	8,988,824	77,252	6,627,482	14,038,297	15,789	17,627,190	47,683,843
Total other restricted equity						20,758,820		

The notes on pages 15 to 46 are an integral part of these annual financial statements

Consolidated Annual Financial Statements of Festi hf. 2025 13 Amounts are in thousands of ISK

Statement of Cash Flows for the year 2025

	Notes	2025	2024
Cash flows from operating activities			
Operating profit before depreciation, amortisation and changes in value (EBITDA)		16,001,348	12,510,561
Operating items not affecting cash flows:			
Gain on sale of property and equipment		(23,412)	(99,836)
Gain on sale of shares in companies		(125,388)	(65,342)
		15,852,548	12,345,383
Changes in operating assets and liabilities:			
Inventories, (increase) decrease		(61,117)	795,522
Trade and other short-term receivables, decrease (increase)		1,812,372	(469,737)
Trade and other short-term liabilities, increase (decrease)		1,912,637	(271,642)
Changes in operating assets and liabilities		3,663,892	54,143
Interest received		321,049	358,927
Interest paid		(2,919,643)	(3,154,740)
Income tax paid		(1,134,317)	(550,674)
Net cash from operating activities		15,783,529	9,053,039
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		0	(4,141,321)
Purchased intangible assets	13	(843,166)	(835,376)
Purchased property and equipment	14	(5,054,168)	(3,743,373)
Sold property and equipment		90,689	239,002
Purchase of investment properties	16	(173,268)	(63,144)
Purchase of shares in other companies	17	(30,000)	(42,342)
Sale of shares in other companies	17	1,099,564	81,516
Dividend received		500,586	298,238
Long-term receivables, change		(15,160)	98,567
Net cash used in investing activities		(4,424,923)	(8,108,233)
Cash flows from financing activities			
Dividend paid		(1,400,642)	(903,761)
Sold shares due to share options		196,080	0
Purchased own shares		(1,013,483)	0
New interest bearing loans	24	40,272	3,985,802
Repayment of interest bearing loans	24	(5,871,194)	(2,083,084)
Repayment of lease liabilities	25	(1,477,657)	(1,158,555)
Net cash used in financing activities		(9,526,624)	(159,598)
Increase in cash and cash equivalents		1,831,982	785,208
Foreign currency difference on cash and cash equivalents		21,574	(72,062)
Cash and cash equivalents at the beginning of the year		4,075,358	3,362,212
Cash and cash equivalents at the end of the year		5,928,914	4,075,358
Investing and financing activities not affecting cash flows			
Purchase of shares in companies		0	2,040,000
Increase in share capital		0	(2,040,000)
New interest bearing loans		(1,253,150)	(2,279,719)
Repayment of long-term loans from credit institutions		1,253,150	2,279,719
New lease agreements and their remeasurement	15	(1,555,596)	(1,619,626)
New lease liabilities and their remeasurement	25	1,555,596	1,619,626

The notes on pages 15 to 46 are an integral part of these annual financial statements

Consolidated Annual Financial Statements of Festi hf. 2025 14 Amounts are in thousands of ISK

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 business activities of the Group consist of sale of fuel, goods and service to businesses, groceries and related products, sale of medicines, sale of electronic equipment and leasing of buildings. These consolidated annual financial statements consist of the annual financial statements of the Company and its subsidiaries. Further information about individual companies within the Group and their business activities is disclosed in Note 3.

2. Basis of preparation

2.1. Statement of compliance with IFRS Accounting Standards

The Company's consolidated annual financial statements have been prepared in accordance with IFRS Accounting Standards 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 5 February 2026.

2.2. Presentation of accounting policies and other notes

Information about accounting policies is presented in the same notes as 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 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 28). When relevant, cross references are made between notes regarding individual items and notes on risk management applicable to those same items. The Group endeavours to describe in these annual financial statements the accounting policies in a clear manner instead of repeating the actual text of paragraphs in IFRS Accounting Standards. The following IFRS Accounting Standards are the most important ones for the Group:

Item	Notes	Standard
Operating segments	Note 4. *Operating segments*	IFRS 8
Revenue from sale of goods and services	Note 5. *Operating revenue*	IFRS 15
Impairment testing	Note 12. *Goodwill*	IAS 36
Fair value measurement of properties and investment properties	Notes 14. and 16. *Property and equipment and Investment properties*	IFRS 13
Lease contracts	Note 15 and 25. *Lease contracts*	IFRS 16

Consolidated Annual Financial Statements of Festi hf. 2025 15 Amounts are in thousands of ISK

2. Basis of preparation, contd.:

2.3. New IFRS Accounting Standards or changes to them

The Group has adopted International Financial Reporting Standards as adopted by the European Union, including amendments thereto and new interpretations, that are effective for financial reporting periods beginning on or after 1 January 2025. The following amendments became effective on 1 January 2025.

Standard	Description
- IAS 21 The Effects of Changes in Foreign Exchange Rates	Guidance on assessing the exchangeability of currencies and exchange rates

Management considers that the adoption of the above amendments to standards did not have a material effect on the consolidated financial statements.

The Group has not adopted the following new or amended standards that have been issued but are not yet effective for the financial year 2025:

Standard	Effective date
- IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
- IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2028

Management considers that the adoption of IFRS 18 will affect the presentation of information in the financial statements without affecting accounting measurement and the Group’s income. Preparations for the implementation of the standard are ongoing; however, the final impact has not yet been determined. The European Union has not yet endorsed IFRS 18 and IFRS 19; however, endorsement of IFRS 18 is expected in the first quarter of 2026. Furthermore, management considers that the adoption of other standards or amendments to standards that have been issued but are not yet effective will have no or an immaterial effect on the financial statements.

2.4. Going concern

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

2.5. Basis of measurement

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

2.6. Presentation and functional currency

The consolidated annual 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. Definitions in operations are as follows:

EBITDA

Profit before finance income and finance costs excluding depreciation, amortisation, and impairment

EBIT

Profit before finance income and finance costs

EBT

Profit before income tax

2. Basis of preparation, contd.:

2.7. Use of estimates and judgements

The preparation of the consolidated annual financial statements in accordance with IFRS Accounting Standards 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 judgements applied and estimation uncertainty, as applicable, is disclosed in the notes about the individual accounting items. 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	12. and 13	Goodwill and other intangible assets
Estimation of fair value of revalued properties, their useful lives and residual values	14	Property and equipment
Determination of lease term and discount rates used in the calculation of lease liabilities	15	Lease contracts
Estimation of fair value of investment properties	16	Investment property
Estimation of allowance for expected credit losses on trade receivables	29	Risk management

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 can 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.

Notes, contd.:

3. Group entities, contd.:

Entities within the Group

The consolidated annual financial statements include the following entities. All subsidiaries are directly or indirectly fully owned by the Parent Company, Festi.

Company	Business 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, handling 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 six stores in the capital region, Akureyri and at the Leifur Eiríksson International Airport in Keflavik, under its own name, as well as an online shop with home deliveries across Iceland.
Krónan ehf.	Krónan is a retail company that operates 26 convenience stores across Iceland under its own name. The company also services its customers with an online shop and mobile app with home deliveries from its stores across Iceland.
Icelandic Food Company ehf.	Icelandic Food Company sepcialises in production of convenience goods sold in Krónan and N1.
Vínportið ehf.	Vínportið specialises in imports and wholesales of alcohol to ÁTVR stores and to hotels and restaurants.
Lyfja hf.	Lyfja specialises in pharmacy operations as well as wholesale and retail sales of health-related products. The company operates 45 pharmacies and branches as well as an online shop and mobile app with home deliveries across Iceland.
Heilsa ehf.	Heilsa specilises in imports and wholesales of pharmacy products and cosmetic and health-related products sold in stores all arround the country.
Mengi ehf.	Mengi leases non-residential real estate to retail companies.
N1 ehf.	N1 specialises in wholesale and retail of fuel and electricity, operation of service stations, including tire and lubrication service stations around the country. At the company's service stations, in addition to fuel sale, there are also food-service operations and sale of various convenience goods.
Yrkir eignir ehf.	Yrkir eignir runs the property operations of the Group and leases out non-residential buildings to retail companies, both within and outside the Group. The company also operates the security and development departments, which run projects related to security matters, maintenance of properties and their development with the objective of profitability.

4. 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 assess 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 consists of the total cost of acquisition of property and equipment and intangible assets. Transactions between segments are priced on an arm's length basis.

The operating companies N1, Krónan, ELKO, Lyfja and Yrkir eignir in the Group are individual operating segments and the Group´s other entities comprise the sixth segment. That segment consists of the operations of the Parent Company, Festi, and Bakkinn vöruhótel (see Note 3 for further information). The operations of Lyfja were included in the Group from July 2024.

	ELKO	Krónan	Lyfja	N1	Yrkir eignir	Other companies	Segments total
Year 2025							
External revenue	20,890,678	78,601,881	19,571,716	55,725,388	589,139	348,087	175,726,889
Intra-group revenue	16,431	1,892,893	404,345	504,851	3,942,805	5,759,640	12,520,965
Total segment revenue	20,907,109	80,494,774	19,976,061	56,230,239	4,531,944	6,107,727	188,247,854
Operating profit before depreciation, amortisation and changes in value (EBITDA)	1,986,729	6,392,573	1,632,609	6,364,867	3,567,556	1,816,654	21,760,988
Segment depreciation and amortisation	(714,272)	(2,469,310)	(1,122,633)	(3,137,692)	(2,129,601)	(921,506)	(10,495,014)
Changes in value of investment properties					158,671		158,671
Operating profit of segments (EBIT)	1,272,457	3,923,263	509,976	3,227,175	1,596,626	895,148	11,424,645
Net finance costs	(167,664)	(276,295)	(129,343)	(589,186)	(1,551,828)	(1,616,213)	(4,330,529)
Share of profit of associates						574,611	574,611
Income tax	(223,368)	(713,165)	(82,987)	(516,591)	(4,479)	144,045	(1,396,545)
Profit (loss) for the year	881,425	2,933,803	297,646	2,121,398	40,319	(2,409)	6,272,182
31 December 2025							
Segment assets	7,672,627	26,232,246	11,027,453	26,659,285	32,022,819	86,867,693	190,482,123
Segment capital expenditure	343,833	1,588,205	406,101	1,462,155	1,178,531	1,091,777	6,070,602
Segment liabilities	5,189,518	19,298,307	4,983,867	14,862,371	23,751,982	37,869,225	105,955,270

	ELKO	Krónan	Lyfja	N1	Yrkir eignir	Other companies	Segments total
Year 2024							
External revenue	19,472,721	70,903,237	9,224,093	55,968,972	597,897	540,272	156,707,192
Intra-group revenue	17,576	1,662,458	128,384	455,410	3,697,069	5,481,683	11,442,580
Total segment revenue	19,490,297	72,565,695	9,352,477	56,424,382	4,294,966	6,021,955	168,149,772
Operating profit before depreciation, amortisation and changes in value (EBITDA)	1,685,836	5,672,021	842,324	5,060,136	3,421,603	1,307,884	17,989,804
Segment depreciation and amortisation	(627,327)	(2,432,726)	(538,125)	(2,868,155)	(1,979,719)	(861,807)	(9,307,859)
Changes in value of investment properties	0	0	0	0	302,291	0	302,291
Operating profit of segments (EBIT)	1,058,509	3,239,295	304,199	2,191,981	1,744,175	446,077	8,984,236
Net finance costs	(111,652)	(239,704)	(111,302)	(725,579)	(1,710,502)	(1,743,801)	(4,642,540)
Share of profit of associates						608,187	608,187
Income tax	(193,950)	(626,024)	(44,461)	(305,500)	(4,172)	113,145	(1,060,962)
Profit for the year	752,907	2,373,567	148,436	1,160,902	29,501	(576,392)	3,888,921
31 December 2024							
Segment assets	6,649,904	24,175,485	11,694,275	26,443,447	31,746,790	81,453,065	182,162,966
Segment capital expenditure	697,207	1,337,062	136,650	1,518,356	356,584	631,226	4,677,085
Segment liabilities	4,499,437	18,025,141	6,091,934	15,844,398	24,051,208	36,044,345	104,556,463

Consolidated Annual Financial Statements of Festi hf. 2025 19 Amounts are in thousands of ISK

Notes, contd.:

4. Operating segments, contd.:

Reconciliation of operating segments to revenue, profit and loss and other material items in the Statement of Profit or Loss

Year 2025	Segments total	Eliminations	According to financial statements
Operating profit before depreciation, amortisation and changes in value (EBITDA)	21,760,988	(5,759,640)	16,001,348
Depreciation of property and equipment and leased assets and amortisation of intangible assets	(10,495,014)	4,445,908	(6,049,106)
Changes in value of investment property	158,671		158,671
Operating profit (EBIT)	11,424,645	(1,313,732)	10,110,913
Net finance costs	(4,330,529)	1,247,980	(3,082,549)
Share of profit of associates	574,611		574,611
Income tax	(1,396,545)	13,150	(1,383,395)
Profit for the year	6,272,182	(52,602)	6,219,580
31 December 2025			
Segment assets	190,482,123	(74,721,032)	115,761,091
Segment capital expenditure	6,070,602	0	6,070,602
Segment liabilities	105,955,270	(37,878,022)	68,077,248

Year 2024			
Operating profit before depreciation, amortisation and changes in value (EBITDA)	17,989,804	(5,479,243)	12,510,561
Depreciation of property and equipment and leased assets and amortisation of intangible assets	(9,307,859)	4,218,052	(5,089,807)
Changes in value of investment property	302,291		302,291
Operating profit (EBIT)	8,984,236	(1,261,191)	7,723,045
Net finance costs	(4,642,540)	1,422,834	(3,219,706)
Share of profit of associates	608,187		608,187
Income tax	(1,060,962)	(32,329)	(1,093,291)
Profit for the year	3,888,921	129,314	4,018,235
31 December 2024			
Segment assets	182,162,966	(67,328,326)	114,834,640
Segment capital expenditure	4,677,085	(35,192)	4,641,893
Segment liabilities	104,556,463	(33,215,020)	71,341,443

5. 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 is transferred to the customer.

Lease income from properties

Properties leased to parties outside the Group are recognised as investment properties. Investment properties are properties 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 the Statement of Profit or Loss and therefore presented separately from lease income from those same assets. Further information about investment properties is provided in Note 16.

Consolidated Annual Financial Statements of Festi hf. 2025 20 Amounts are in thousands of ISK

Notes, contd.:

5. Operating income, contd.:

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:	2025	2024
Sale of goods and services:		
Convenience goods	87,548,115	78,357,014
Fuel and electricity	39,278,480	39,865,987
Electronic equipment	20,656,936	19,245,570
Prescription and over-the-counter medicine	14,622,169	6,840,653
Sale of other goods and services	11,307,834	10,153,422
Total sale of goods and services	173,413,534	154,462,646
Other operating income:		
Lease income from properties	830,423	769,508
Warehouse services	312,390	421,487
Commissions	548,114	496,974
Gain on sale of property and equipment	23,412	99,836
Other operating income	599,016	456,741
Total other operating income	2,313,355	2,244,546
Total operating revenue	175,726,889	156,707,192

6. Cost of goods sold and gross profit 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 the cost 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:	2025	2024
Convenience goods	20,696,533	18,189,845
Fuel and electricity	9,061,019	7,760,328
Electronic equipment	5,501,539	4,865,636
Prescription and over-the-counter medicine	3,819,857	1,887,270
Sale of other goods and services	4,612,717	4,018,748
Total gross profit from sale of goods and services	43,691,665	36,721,827

Consolidated Annual Financial Statements of Festi hf. 2025 21 Amounts are in thousands of ISK

7. Salaries and other personnel expenses

Salaries and other personnel expenses are specified as follows:	2025	2024
Salaries	16,723,746	14,239,139
Contributions to pension funds	2,169,421	1,839,417
Cost of share options	114,114	92,706
Other salary-related expenses	1,604,924	1,323,273
Other personnel expenses	1,063,326	890,595
Total salaries and other personnel expenses	21,675,531	18,385,130
Average number of employees	2,846	2,769
Average full-time equivalent number of employees	1,686	1,533
Employee gender ratio (males/females)	56/44	60/40

Contributions to defined contribution pension plans

The Company pays contributions to independent defined contribution pension funds due to its employees. The Company has no responsibility for the funds' obligations. Contributions are expensed in the statement of profit or loss 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 30 on related parties.

8. Other operating expenses

Other operating expenses are specified as follows:	2025	2024
Operating expenses of properties	2,447,660	2,218,162
Maintenance expenses	1,270,819	1,071,812
Sales and marketing expenses	2,039,139	1,824,466
Office and administrative expenses, including fees to auditors	612,848	528,591
Communication expenses	1,376,570	1,173,352
Insurance and claims expenses	151,828	155,307
Administrative fine	0	750,000
Other expenses	429,277	348,992
Total other operating expenses	8,328,141	8,070,682

9. Fees to auditors of the Group

Fees to auditors are specified as follows:	Auditors of the Group		Other auditors	
	2025	2024	2025	2024
Audit of annual financial statements	64,500	56,375	9,230	6,383
Other services	20,025	14,968	0	1,524
Total fees to auditors	84,525	71,343	9,230	7,907

10. Depreciation and amortisation

Depreciaton and amortisation are specified as follows:	2025	2024
Amortisation of intangible assets, as per Note 13	1,305,703	1,058,412
Depreciation of property and equipment, as per Note 14	3,162,546	2,732,749
Depreciation of leased assets, as per Note 15	1,580,857	1,298,646
Total depreciation and amortisation	6,049,106	5,089,807

Consolidated Annual Financial Statements of Festi hf. 2025 22 Amounts are in thousands of ISK

11. Finance income and finance costs

Finance income is specified as follows:	2025	2024
Interest income on cash and cash equivalents	342,996	310,371
Interest income on receivables	114,255	105,281
Gain on sale of shares in companies, see note 17	125,388	65,342
Dividend income	2,000	2,000
Total finance income	584,639	482,994

Finance costs are specified as follows:		
Interest expense and CPI-indexation on loans from credit institutions	2,828,049	3,063,821
Interest expense on lease liabilities	656,329	578,882
Other interest expense	90,433	125,734
Total finance costs	3,574,811	3,768,437

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 recognised at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are recognised at the exchange rate at year-end. The average ISK/USD exchange rate for the year 2025 was 128.4 (2024: 137.9) and the exchange rate at year-end 2025 was 125.2 (2024: 138.2).

12. Goodwill

The goodwill recognised in the consolidated annual financial statements resulted from the acquisition by the Company of Hlekkur and its subsidiaries during the year 2018, of Íslensk Orkumiðlun during the year 2020, of the Krónan store located at Hallveigarstígur in Reykjavík during the year 2020, of Icelandic Food Company during the year 2023, and of Lyfja and its subsidiaries in the middle of the year 2024.

For the purpose of purchase price allocation, four cash-generating units were identified, and goodwill was allocated to grocery stores, electronic equipment stores, pharmacies and sale of electricity. No changes were made to the allocation of the premium and goodwill during the year 2025 due the acquisition of Lyfja hf. during the year 2024.

Accounting policy

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

Impairment test at year-end 2025

Goodwill was tested for impairment at year-end 2025. According to the results of the test, there was no indication of impairment. Impairment would also not occur even if realistic changes were made to the main assumptions of the assessment.

When testing for impairment the recoverable amount is estimated and the assessment was based on the value in use of cash-generating units. Value in use is calculated by discounting the estimated future cash flows of cash-generating units.

Consolidated Annual Financial Statements of Festi hf. 2025 23 Amounts are in thousands of ISK

Notes, contd.:

12. 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 2025	EBITDA-growth	Terminal-growth	Discount rate	Carrying amount at year-end
Grocery stores	8.6%	3.5%	10.8%	11,642,359
Pharmacies	6.3%	3.5%	12.1%	3,524,765
Electronic equipment stores	6.2%	3.5%	11.9%	2,772,179
Sale of electricity	0.6%	3.5%	11.4%	427,801
Total goodwill				18,367,104
Year-end 2024				
Grocery stores	6.1%	3.5%	10.3%	11,642,359
Pharmacies	14.3%	3.5%	12.5%	3,524,765
Electronic equipment stores	6.7%	3.5%	11.1%	2,772,179
Sale of electricity	4.4%	3.5%	11.9%	427,801
Total goodwill				18,367,104

13. Other intangible assets

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

Accounting policy

The cost of purchased and acquired trademarks is capitalised and amortised on a straight-line basis over 10 - 20 years. The estimated useful life of trade agreements is 8 years, and 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.

Consolidated Annual Financial Statements of Festi hf. 2025 24 Amounts are in thousands of ISK

Notes, contd.:

13. Other intangible assets, contd.:

Other intangible assets are specified as follows:

	Trademarks	Trade agreements	Software	Total
Gross carrying amount				
Gross carrying amount 1.1.2024	3,426,790	132,541	2,601,025	6,160,356
Additions during the year	0	0	835,376	835,376
From acquired subsidiary	2,931,000	718,000	511,217	4,160,217
Sold and disposed of	(35,000)	(5,780)	(391,778)	(432,558)
Gross carrying amount 31.12.2024	6,322,790	844,761	3,555,840	10,723,391
Additions during the year	2,100	0	841,066	843,166
Sold and disposed of	(52,917)	(11,799)	(483,362)	(548,078)
Gross carrying amount 31.12.2025	6,271,973	832,962	3,913,544	11,018,479
Amortisation				
Accumulated amortisation 1.1.2024	455,925	29,684	1,414,666	1,900,275
Amortisation for the year	325,321	56,476	676,615	1,058,412
Sold and disposed of	(35,000)	(3,083)	(393,824)	(431,907)
Accumulated amortisation 31.12.2024	746,246	83,077	1,697,457	2,526,780
Amortisation for the year	376,134	96,350	833,219	1,305,703
Sold and disposed of	(52,917)	(11,799)	(408,308)	(473,024)
Accumulated amortisation 31.12.2025	1,069,463	167,628	2,122,368	3,359,459
Carrying amount				
Carrying amount 1.1.2024	2,970,865	102,857	1,186,359	4,260,081
Carrying amount 31.12.2024	5,576,544	761,684	1,858,384	8,196,611
Carrying amount 31.12.2025	5,202,510	665,334	1,791,176	7,659,020
Amortisation rates	5-10%	14%	20-33%	

14. Property and equipment

The Group´s property and equipment consist of properties, vehicles, machinery and equipment, cabinetry, signs and supply tanks.

Accounting policy

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

When property and equipment consist 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 Statement of Profit or Loss among other operating income and the loss on sale among other operating expenses.

The cost of replacing single components of property and equipment is capitalised when it is considered likely that the benefits associated with the asset will flow to the Company and the costs can be measured reliably. The carrying amount of the replaced component is expensed. All other costs are expensed in the Statement of Profit or Loss when incurred.

Consolidated Annual Financial Statements of Festi hf. 2025 25 Amounts are in thousands of ISK

Notes, contd.:

14. Property and equipment, contd.:

Depreciation

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

Properties	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 properties

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.

Revaluation methods for properties

The Company recognises properties at revalued cost. The latest revaluation was carried out as at 31 December 2024. According to the revaluation method an entity shall assess at the reporting date if there are any indicators of there being a significant difference between fair value and carrying amount.

The Board of Directors of the Company has implemented a policy for the revaluation of property and equipment to fulfil the requirements for the application of the revaluation method for the carrying amount at any given time to not differ significantly from fair value. According to the policy, a fair value measurement must be performed if there are indications that the difference between the carrying amount of revalued properties and their fair value is 10% or more. However, fair value shall be determined at least every five years. Every time a fair value assessment is performed, properties shall be measured at fair value regardless of the results of the assessment indicating that the difference between fair value and carrying amount is over or under the aforementioned 10% benchmark. As part of the assessment various factors are considered but in particular the following:

a. Depreciation of revalued assets since they were last revalued.

b. Sale prices 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 by the Group.

e. The assumptions upon which revaluation is based, such as growth (or decline) in sales of goods and changes in discount rates due to changes in benchmark interest rates and / or risk margin.

The fair value measurement at year-end 2025 was under the 10% benchmark for the difference between fair value and carrying amount of properties, and no revaluation was recorded for the properties of the Company at year-end 2025.

Consolidated Annual Financial Statements of Festi hf. 2025 26 Amounts are in thousands of ISK

14. Property and equipment, contd.:

Determination of fair value of properties

The Company´s measurement of the fair value of properties was determined with assistance from independent specialists. The fair value measurement is based on discounted future cash flows of individual assets. The cash flow model applied is based on free cash flows, discounted by the weighted average cost of capital for individual assets (WACC). The projected cash flows in the model are up to 50 years. The return on equity is estimated using the CAPM (Capital Asset Pricing Model), which is based on risk-free inflation-adjusted interest rate with a premium added to reflect the risk of underlying operations. Interest rates on borrowings are estimated considering the general terms for interest rates which are offered in the market. It is assumed a debt ratio of 65% for the future and the expected weighted cost of capital (WACC) which is applied is in the range of 6.3% - 7.8% (weighted average 6.5%). The result of the fair value measurement was under 10% of the carrying amount of properties and therefore no revaluation was recorded at year-end 2025.

Sensitivity analysis of fair value measurement at year-end 2025:

	Increase	Decrease
Increase / (decrease) of EBITDA from operations of properties by 5%	460,245	(460,245)
(Increase) / decrease of return on equity and interest rates by 1.0%-point	(976,773)	1,224,020

Property and equipment are specified as follows:

	Properties and land	Other property and equipment	Total
Cost or assessed value			
Cost or assessed value 1.1.2024	31,651,968	14,822,135	46,474,103
Revaluation during the year	3,046,691	0	3,046,691
Additions during the year	442,609	3,300,764	3,743,373
From acquired subsidiary	780,232	741,426	1,521,658
Sold and disposed of during the year	(419,501)	(526,257)	(945,758)
Cost or assessed value 31.12.2024	35,501,999	18,338,068	53,840,067
Additions during the year	1,373,467	3,680,701	5,054,168
Reclassified from investment properties, leased intra-group	612,898	0	612,898
Sold and disposed of during the year	(41,097)	(1,392,648)	(1,433,745)
Cost or assessed value 31.12.2025	37,447,267	20,626,121	58,073,388
Depreciation			
Accumulated depreciation 1.1.2024	5,188,566	5,506,799	10,695,365
Depreciation for the year	663,044	2,069,705	2,732,749
Sold and disposed of during the year	(109,091)	(696,452)	(805,543)
Accumulated depreciation 31.12.2024	5,742,519	6,880,052	12,622,571
Depreciation for the year	766,515	2,396,031	3,162,546
Sold and disposed of during the year	(41,097)	(1,325,372)	(1,366,469)
Accumulated depreciation 31.12.2025	6,467,937	7,950,711	14,418,648

Consolidated Annual Financial Statements of Festi hf. 2025 27 Amounts are in thousands of ISK

14. Property and equipment, contd.:

	Properties and land	Other property and equipment	Total
Carrying amount			
Carrying amount 1.1.2024	26,463,402	9,315,336	35,778,738
Carrying amount 31.12.2024	29,759,480	11,458,016	41,217,494
Carrying amount 31.12.2025	30,979,330	12,675,410	43,654,738
Carrying amount excluding revaluation			
Carrying amount 1.1.2024	20,908,895	9,315,336	30,224,231
Carrying amount 31.12.2024	21,351,725	11,458,016	32,809,741
Carrying amount 31.12.2025	22,785,226	12,675,410	35,460,636
Depreciation rates	0 - 2%	5 - 33%	

The Company's properties are pledged for debt which amounted to ISK 26,155 million at year-end 2025. Furthermore, there is an amount of ISK 3,347 million in VAT encumbrance on the Group's properties. This encumbrance is not recognised as a liability in the Statement of Financial Position since it will only become payable if the properties would be used in operations which are exempt of VAT or if they are sold without the buyer taking over the encumbrance.

Insurance and official property value of property and equipment at year-end:	2025	2024
Official value of properties	27,674,200	26,054,070
Insurance value of real estate	40,627,345	38,009,550
Insurance value of machinery and equipment, cabinetry and vehicles	18,627,604	12,859,958

15. Lease contracts

A. The Group as lessee

The Group leases buildings, land, machinery and equipment for its operations and the lease contracts extend up to the year 2077. 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 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 Statement of Profit or Loss 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.

Consolidated Annual Financial Statements of Festi hf. 2025 28 Amounts are in thousands of ISK

15. Lease contracts, contd.:

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 the 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 leased 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 lease payments included in the measurement of lease liabilities can be both fixed or variable that depend on an indices or rates.

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 Statement of Profit or Loss 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 when 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 amount 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 Statement of Profit or Loss under depreciation, as per Note 10. Interest expense on lease liabilities is presented in the Statement of Profit or Loss under finance costs, as per Note 11.

Leased assets

Leased assets are specified as follows:

	Buildings	Land	Other	Total
Carrying amount 1.1.2024	6,551,224	1,095,036	450,358	8,096,618
New lease contracts	666,500	7,536	123,289	797,325
Taken over on acquisition of subsidiary	2,117,416	0	0	2,117,416
Changes to lease contracts and impact of CPI-indexation	818,104	46,867	(42,670)	822,301
Depreciation for the year	(1,129,342)	(28,794)	(140,510)	(1,298,646)
Carrying amount 31.12.2024	9,023,902	1,120,645	390,467	10,535,014
New lease contracts	1,096,556	0	81,079	1,177,635
Changes to lease contracts and impact of CPI-indexation	283,488	103,625	(9,152)	377,961
Depreciation for the year	(1,394,817)	(31,582)	(154,458)	(1,580,857)
Carrying amount 31.12.2025	9,009,129	1,192,688	307,936	10,509,753

Consolidated Annual Financial Statements of Festi hf. 2025 29 Amounts are in thousands of ISK

15. Lease contracts, contd.:

B. The Group as lessor

The Group leases buildings to many parties. The revenue from the leases is included in other revenue. The contractual lease payments are specified as follows for the next years:

Lease revenues are specified as follows:	2025	2024
Year 2025	-	668,672
Year 2026	654,226	422,235
Year 2027	414,007	404,994
Year 2028	401,049	389,460
Year 2029	390,331	379,111
Year 2030	390,331	379,111
Due later	392,745	290,121
Rental income total	2,642,689	2,933,704

16. Investment properties

Properties intended 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 investment property are recognised in the Statement of Profit or Loss in the period in which they occur. Investment properties are not depreciated. Changes in fair value of investment properties are presented separately in the Statement of Profit or Loss but lease income is presented as other operating income.

Determination of fair value of investment properties

The Company´s measurements of fair value for the years 2025 and 2024 were determined with assistance from independent specialists. The 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 projected cash flows in the model are up to 50 years. The return on equity is estimated using the CAPM (Capital Asset Pricing Model), which is based on risk-free inflation-adjusted interest rate with a premium added to reflect the risk of underlying operations. Interest rates on borrowings are estimated considering the general terms for interest rates which are offered in the market. It is assumed a debt ratio of 65% (2024:65%) for the future and the expected weighted cost of investment (WACC) which is applied is in the range of 6.3% - 7.5% (weighted average 6.4%) (2024: 6.3% - 7.7% and weighted average 6.5%).

Estimated cash flows are based on lease income from existing lease contracts and their expected development. Each lease contract is assessed, and relevant risk factors are considered. Utilisation rate is estimated to be 95-96% after a lease contract expires (2024: 95-96%). Estimated operating expenses are deducted from estimated lease income. In this way each asset of the Company is assessed as an independent unit. The inputs of the valuation model are based on amounts experienced in the operations of the Company as well as on a forecast of the development of key factors in the future.

The conclusion of the measurement at year-end 2025 was an increase in the value of investment properties in the amount of ISK 159 million (2024: ISK 302 million), which is recognised in the Statement of Profit or Loss. Direct operating expenses of investment properties amounted to ISK 50 million for the year 2025 (2024: ISK 56 million).

Consolidated Annual Financial Statements of Festi hf. 2025 30 Amounts are in thousands of ISK

16. Investment properties, contd.:

Investment properties are specified as follows:

Carrying amount at 1 January 2024	6,646,805
Additions during the year	63,144
Fair value change	302,291
Carrying amount at 31 December 2024	7,012,240
Additions during the year	173,268
Reclassified to property and equipment, leased intra-group	(612,898)
Fair value change	158,671
Carrying amount at 31 December 2025	6,731,281

The fair value measurement of investment properties falls under level 3 in the fair value hierarchy of IFRS Accounting Standards since the valuation is based on significant inputs other than market information. If the key inputs of the fair value measurement, i.e. the assumptions regarding financing cost and EBITDA, were changed, it would change the fair value changes recognised in the Statement of Profit or Loss as specified in the following table:

Sensitivity analysis of fair value measurement at year-end 2025:	**Increase**	**Decrease**
Increase / (decrease) of EBITDA from operations of properties by 5%	329,884	(329,884)
(Increase) / decrease of return on equity and interest rates by 1.0%-point	(861,047)	1,178,373
Sensitivity analysis of fair value measurement at year-end 2024:		
Increase / (decrease) of EBITDA from operations of properties by 5%	350,612	(350,612)
(Increase) / decrease of return on equity and interest rates by 1.0%-point	(916,177)	1,255,994

17. Associates

The Company had six associates at year-end 2025, both domestic and foreign. The Company recognises in the annual financial statements its share of profit or loss of those associates.

Accounting policies

Associates are entities where the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company 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 Company's investment includes the goodwill arising from the acquisition, if any, less impairment, if any. The annual financial statements include the Company's share of profit or loss and equity movements of associates from the date that significant influence commences until the date that significant influence ceases. When the Company'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 Company 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.

Consolidated Annual Financial Statements of Festi hf. 2025 31 Amounts are in thousands of ISK

17. Associates, contd.:

Ownership in associates and share of profit or loss

The Group's share in profit or loss of associates amounted to ISK 575 million in 2025 (2024: ISK 608 million). The Company's entire ownership in Malik Supply was sold during the year for approximately ISK 1,100 million. Upon the sale, a translation difference amounting to ISK 74 million was transferred to profit or loss. The gain on sales of the shares amounted to ISK 125 million and is recognized among finance income. Ownership in associates is specified as follows:

	Ownership	2025	2024
Olíudreifing ehf.	60.0%	1,616,471	1,540,247
Malik Supply A/S, Danmörku	- / 24,6%	-	940,660
EAK ehf.	33.3%	191,841	177,088
EBK ehf.	25.0%	189,289	175,642
Shares in other associates - 3 companies (2023: 3)	-	81,309	81,153
Total shares in associates at the end of the year		2,078,910	2,914,790

Change in the carrying amount of associates during the year:

	2025	2024
Carrying amount at the beginning of the year	2,914,790	2,620,746
Share of profit	574,611	608,187
Dividend	(500,586)	(298,238)
Purchase of shares	0	42,342
Sale of shares	(974,176)	(16,173)
Translation difference	64,271	(42,074)
Carrying amount at the end of the year	2,078,910	2,914,790

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

Olíudreifing ehf.

The Company owns 60% share in Olíudreifing ehf. The Company does not have control over Olíudreifing ehf., which is therefore not classified as a subsidiary of the Company. This is because the Competition Authority decided that the company should have board members which are independent from N1 ehf. However, N1 ehf.´s business has 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.

	2025*	2024*
Non-current assets	4,316,091	4,170,837
Current assets	1,689,661	1,520,411
Non-current liabilities	(1,999,918)	(2,085,533)
Current liabilities	(1,311,716)	(1,038,636)
Net assets (100%)	2,694,118	2,567,079
Carrying amount at year-end (60%)	1,616,471	1,540,247
Revenue (100%)	6,376,527	6,066,104
Profit (100%)	577,039	472,480
Share in total comprehensive income (60%)	346,223	283,488

* Draft annual financial statements

Consolidated Annual Financial Statements of Festi hf. 2025 32 Amounts are in thousands of ISK

Notes, contd.:

17. Associates, contd.:

Malik Supply A/S

Malik Supply A/S was founded in 1989 to service the fleet of trawlers on the waters of Greenland and in the North Atlantic Ocean with oil, lubricants, and other products. N1 sells Malik ship fuel which it then sells 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. The ownership in the company was sold in October 2025.

	2025	2024*
Non-current assets	-	1,293,981
Current assets	-	7,115,822
Non-current liabilities	-	(289,425)
Current liabilities	-	(4,561,029)
Net assets (100%)	-	3,559,349
Share in equity	-	875,600
Premium	-	65,060
Carrying amount at year-end (24.6%)	-	940,660
Revenue (100%)	-	73,668,332
Profit (100%)	-	940,667
Share in total comprehensive income (24.6%)	-	231,404

* Draft annual financial statements

18. Long-term receivables

The Company's long-term receivables are denominated both in Icelandic and Danish krona.

Long-term receivables are specified as follows:	Interest rates for the year	Outstanding at year-end 2025	2024
Receivables in Icelandic krona	10,4%/0%	50,972	11,798
Other receivables in Danish krona	4%	0	23,538
Receivables in Danish krona		50,972	35,336

The maturity analysis of long-term receivables is specified as follows:

Year 2027	15,393	0
Year 2028	24,543	0
Year 2029	960	0
Due in 2031 and later	10,076	35,336
Total long-term receivables	50,972	35,336

Consolidated Annual Financial Statements of Festi hf. 2025 33 Amounts are in thousands of ISK

19. Inventories

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

Accounting policy

Inventories are valued 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.

Purchases of goods during the year are specified as follows:	2025	2024
Inventories at beginning of year	14,117,878	13,557,248
Purchases during the year	129,782,986	118,301,449
Expensed inventories	(129,721,869)	(117,740,819)
Inventories at year-end	14,178,995	14,117,878

Inventories at year-end are specified as follows:	2025	2024
Convenience goods	5,624,353	4,796,689
Fuel	2,556,220	3,138,045
Electronic equipment	3,026,620	2,946,911
Prescription and over-the-counter medicine	494,701	550,995
Other goods	2,477,101	2,685,238
Total inventories	14,178,995	14,117,878
Insurance value of inventories	15,142,620	16,225,353

The write-down of inventories amounted to ISK 581 million at year-end 2025 (2024: ISK 561 million) and increased by ISK 20 million during the year (2024: increase by ISK 5 million).

20. Other short-term receivables

Other short-term receivables at year-end are specified as follows:	2025	2024
Prepaid expenses	354,735	300,147
Receivables from the Icelandic State	191,831	253,717
Receivables from suppliers	200,000	130,795
Market value of forward contracts	19,741	6,330
Other short-term receivables	355,857	489,716
Total other short-term receivables	1,122,164	1,180,705

21. Cash and cash equivalents

Cash and cash equivalents at year-end are specified as follows:	2025	2024
Bank accounts	4,485,688	2,971,374
Cash	122,365	100,581
Marketable securities	1,320,861	1,003,403
Total cash and cash equivalents	5,928,914	4,075,358

Consolidated Annual Financial Statements of Festi hf. 2025 34 Amounts are in thousands of ISK

22. Equity and capital management

Share capital

The Company's total share capital according to its Articles of Association amounts to ISK 312.5 million. During the year, the Company purchased 3.3 million own shares for ISK 1,013 million and sold 1.0 million own shares for ISK 196 million in connection with share option agreements. The Company owned 3.5 million own shares at year-end. 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 own shares, including direct costs associated, are deducted from equity. Equity is increased upon the sale of own shares. The Company owns 3.5 million own shares or 1.1% at year-end 2025.

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.

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 properties as well as its share in the revaluation of properties 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 must 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 must be dissolved via transfer to retained earnings or accumulated deficit, as applicable.

Other restricted accounts

In other restricted accounts are recognised the translation differences arising from the translation into Icelandic krona of the financial statements of a foreign associate and the effective portion of changes in fair value of cash flow hedges, net of income tax.

Upon the sale of the foreign associate during the year, the cumulative amount of translation differences that were recognised in equity in respect of this item, was reclassified from equity to the Statement of Profit or Loss and Other Comprehensive Income through other comprehensive income. The remaining balance is the effective portion of changes in fair value of cash flow hedges, net of income tax.

Share options

At the annual general meeting of Festi on 6 March 2024, two share option plans were approved, one for all permanent employees of the Group and the other for management. The Board of Directors decided to grant share options according to the specified share option plans at meetings on 23 April, 30 October 2024, 29 April 2025 and 30 July 2025. The exercise price of the share options is initially set equal to the market price of the shares on the day they were granted. After the stock options were granted, their exercise price is reduced in accordance with dividends paid per share along with corresponding allocations to shareholders from the Company's assets. In the share option plan for management, the exercise price is also increased by 5.5% each year.

The exercise of share options depends on the employee working for the Company for a certain period of time (the vesting period) and are forfeited if the employee leaves before the right has vested. Managers who have received share option contracts according to the management share option plan are required to hold shares after exercising share options equivalent to the net profit (after taxes) until the following ownership conditions have been met. For the Executive Board, the total value of shares multiplied by monthly salaries should be nine times, and three times the monthly salary for other managers.

22. Equity and capital management, contd.:

Movements in the number of outstanding share options and their related weighted average exercise price are as follows:

Movements of share options are specified as follows:	Nominal shares	Exercise price at year end
Share options granted 2024	14,469	194.2
Forfeited share options	(1,488)	
Shares outstanding at 31 December 2024 for vesting in the coming years	12,981	197.1
Share options granted	1,697	298.5
Exercised share options	(1,049)	187.0
Forfeited share options	(1,680)	
Shares outstanding at 31 December 2025 for vesting in the coming years	11,949	210.7

The fair value of share options granted to employees is estimated using the Black-Scholes formula, taking into account the share price on the grant date, risk-free interest rates (7.8% – 8.1%), volatility in the share price of Festi (19.6% – 19.8%), the maturity and exercise price of the options, expected dividends, estimated employee departures, and conditions in the share option contracts regarding marketability. The total cost of the options is estimated at ISK 284 million over their vesting period, of which ISK 114 million is expensed as salary cost during the year 2025, as per Note 7.

Based on the exercise of outstanding share options, they would correspond to 3.9% of the issued share capital at year-end 2025. The exercise right is specified as follows over the coming years:

Outstanding share options at year-end	Nominal shares		Exercise price at year end	
	2025	2024	2025	2024
100% exercisable in May 2025	-	2,624	-	191.5
100% exercisable in May 2026	3,959	2,501	204.3	191.5
100% exercisable in May 2027	4,180	3,956	209.3	196.2
100% exercisable in November 2027	1,635	1,785	211.0	205.1
100% exercisable in May 2028	1,635	1,785	211.0	205.1
100% exercisable in August 2028	90	-	312.7	-
100% nýtanlegir í November 2028	270	330	241.1	232.9
100% exercisable in February 2029	90	-	312.7	-
100% nýtanlegir í August 2029	90	-	312.7	-
	11,949	12,981		

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. Furthermore, the aim is for EBITDA to be 35% of gross profit, return on equity is over 12%, the ratio net interest-bearing liabilities / EBITDA to be less than 3.5 and equity ratio to be in the range of 30 - 35%. The Company´s loan covenants require a minimum equity ratio of 25%. The equity ratio at year-end 2025 was 41.2% (year-end 2024: 37.9%).

Consolidated Annual Financial Statements of Festi hf. 2025 36 Amounts are in thousands of ISK

Notes, contd.:

23. Earnings per share

Basic and diluted earnings per share for ordinary shares in the Company are presented in the annual financial statements. Basic earnings per share is based on the weighted average number of effective shares during the year. Share option contracts have been made with employees during the year and diluted earnings per share take their effect into consideration. No financial instruments have been issued, such as convertible bonds, which could lead to dilution of earnings per share.

	2025	2024
Profit for the year	6,219,580	4,018,235
Share capital at the beginning of the year	311,254	301,254
Effect of changes in share capital	(276)	4,767
Weighted-average of outstanding shares	310,978	306,021
Effect of outstanding share options	3,584	1,883
Adjusted weighted-average number of outstanding shares due to effect of outstanding share options	314,562	307,904
Basic earnings per share in ISK	20.00	13.13
Diluted earnings per share in ISK	19.77	13.05

24. Interest bearing loans

Interest bearing loans are denominated in Icelandic krona. The balance of the loans at year-end is secured by pledge in the properties of the Company. The loans are specified as follows:

	2025	2024
Long-term loans		
Balance at the beginning of the year	29,339,934	26,680,829
Repayments	(7,124,343)	(2,083,084)
New loans	40,272	3,985,802
Taken over on acquisition of subsidiary	0	1,563,782
Expensed borrowing costs	46,265	18,566
CPI-indexation	626,111	594,147
Change in current portion	1,087,693	(1,420,108)
Balance at year-end	24,015,932	29,339,934
Short-term loans		
Current portion of long-term loans	2,139,429	3,227,122
Notes payable	1,253,150	0
Balance at year-end	3,392,579	3,227,122
Total interest bearing loans	27,408,511	32,567,056

Consolidated Annual Financial Statements of Festi hf. 2025 37 Amounts are in thousands of ISK

24. Interest bearing loans, contd.:

	Weighted rates for the year		Outstanding at year-end	
	2025	2024	2025	2024
Non-indexed loans on floating interest rates	9.4%	10.8%	12,118,541	15,407,277
Non-indexed loans on floating interest rates	5.1%	4.7%	14,036,820	17,159,779
Notes payable...	7.9%		1,253,150	0
Total interest bearing loans			27,408,511	32,567,056

The maturities of the loans are specified as follows:	2025	2024
Year 2025	-	3,227,122
Year 2026	3,392,579	2,275,502
Year 2027	2,141,655	2,275,719
Year 2028	1,928,378	2,075,511
Year 2029	1,727,887	1,876,444
Year 2030	1,728,070	1,876,627
Due for payment onwards	16,489,942	18,960,131
Total interest bearing loans	27,408,511	32,567,056

25. Lease liabilities

The Group leases buildings, vehicles and equipment, with duration of contracts until the year 2077. Most of the lease contracts are CPI-indexed.

Lease liabilities are specified as follows:	2025	2024
Carrying amount at the beginning of the year	11,389,211	8,652,596
New lease contracts	1,177,635	797,325
Taken over on acquisition of subsidiary	0	2,275,544
Increase due to indexation and changes to lease contracts	377,961	822,301
Payment of lease liabilities during the year	(1,477,657)	(1,158,555)
Total lease liabilities	11,467,150	11,389,211
Current portion	(1,437,761)	(1,387,796)
Total non-current portion of lease liabilities	10,029,389	10,001,415

All lease liabilities are denominated in Icelandic krona and are specified as follows at year-end:

	2025	2024
Year 2025	-	1,387,796
Year 2026	1,437,761	1,376,195
Year 2027	1,390,522	1,299,119
Year 2028	1,127,642	1,051,443
Year 2029	855,728	730,951
Year 2030	776,626	649,432
Due for payment onwards	5,878,871	4,894,275
Total	11,467,150	11,389,211

Consolidated Annual Financial Statements of Festi hf. 2025 38 Amounts are in thousands of ISK

25. Lease liabilities, contd.:

The impact of lease contracts in the Statement of Profit or Loss is as follows:	2025	2024
Depreciation of leased assets	1,580,857	1,298,647
Interest expensed on lease liabilities	656,329	578,882

Lease expenses due to lease contracts which are not capitalised are specified as follows:

Property rent	340,923	312,562
Other rent payments	12,942	5,996

The impact of lease contracts in the Statement of Cash Flows is specified as follows:

Paid due to lease contracts, principal and interest	2,133,986	1,737,437

26. Income tax

Accounting policy

Income tax comprises current and deferred tax. Income tax is recognised in the Statement of 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.

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 is specified as follows:

		2025		2024
Profit before income tax		7,602,975		5,111,526
Income tax based on current tax rate	20.0%	1,520,595	21.0%	1,073,420
Non-deductible expenses	0.3%	24,516	3.7%	189,526
Non-taxable income	(0.0%)	(1,852)	(0.3%)	(14,708)
Share of profit of associates	(1.5%)	(114,922)	(2.5%)	(127,719)
Other changes	(0.6%)	(44,942)	(0.5%)	(27,228)
Effective income tax rate	18.2%	1,383,395	21.4%	1,093,292

Consolidated Annual Financial Statements of Festi hf. 2025 39 Amounts are in thousands of ISK

26. Income tax, contd.:

Deferred tax liability relates to individual items as follows at year-end:

	2025	2024
Property and equipment and investment properties	6,430,884	6,416,252
Intangible assets	1,415,737	1,521,886
Lease contracts	(191,479)	(170,841)
Trade receivables	47,886	63,399
Inventories	34,131	46,617
Tax loss carried forward	(78,414)	(86,429)
Other items	(38,275)	(27,045)
Deferred tax liability	7,620,470	7,763,839

27. Other short-term liabilities

Other short-term liabilities are specified as follows at year-end:	2025	2024
Unpaid salaries and salary-related expenses	2,456,987	2,197,872
Duties (VAT, tariffs, oil charge, gasoline charge, carbon charge)	3,069,733	3,173,944
Unpaid income tax	1,514,166	1,214,021
Obligation due to goods in transit	349,584	261,579
Accrued interest	207,331	268,146
Deferred income	378,514	275,449
Other short-term liabilities	729,277	442,999
Total other short-term liabilities	8,705,592	7,834,010

28. 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 Company’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 and interest rate risk)
- Currency risk
- Operating risk

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company'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 Company's biggest customers operate, which are transportation, fishing industry and contractors. Approximately 18% (2024: 22%) of the balance of trade receivables at year-end is attributable to 30 of the Company's biggest customers. Thereof, receivable from the biggest customer was 2% (2024: 3%).

The Company has established credit rules. All of the Company'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.

Consolidated Annual Financial Statements of Festi hf. 2025 40 Amounts are in thousands of ISK

28. Risk management, contd.:

The Group recognises 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.

The Company's trade receivables at year-end are specified as follows:	2025	2024
Credit card receivables	1,235,062	2,558,971
Other trade receivables	4,200,038	4,608,999
Total trade receivables	5,435,100	7,167,970

Age analysis of trade receivables and impairment loss

Year 2025	Nominal amount	Loss allowance	Carrying amount	Allowance ratio
Not yet due	5,368,726	(83,630)	5,285,096	1.6%
Past due by 30 days or less	61,095	(3,056)	58,039	5.0%
Past due by 31 - 120 days	65,712	(6,175)	59,537	9.4%
Past due by more than 120 days	42,167	(9,739)	32,428	23.1%
	5,537,700	(102,600)	5,435,100	1.9%
Year 2024				
Not yet due	7,126,610	(106,917)	7,019,693	1.5%
Past due by 30 days or less	47,754	(2,502)	45,252	5.2%
Past due by 31 - 120 days	92,966	(9,354)	83,612	10.1%
Past due by more than 120 days	28,963	(9,550)	19,413	33.0%
	7,296,293	(128,323)	7,167,970	1.8%

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations that will be settled with 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 at year-end 2025 was strong. The Group’s management considers that the Group is capable to meet its obligations as they become due. The weighted-average repayment period of the Group’s long-term loans is about 9 years and all loans are prepayable during the loan term. The Group also has access to a line of credit for a maximum amount of ISK 500 million. No amount was drawn at year-end 2025.

Further information about the Group's financial liabilities is disclosed in Note 29 about financial instruments.

Market risk

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

Price risk

An important market risk of the Company is price risk due to changes in the oil price in the world market, which has been very volatile in the past years. The price risk is reduced by means of specific agreements with the largest customers of the Company but also by the Parent Company entering into derivative contracts to hedge part of the price risk arising from purchases of oil. The contracts have maturities of up to several months, whereas the oil price is fixed in foreign currency and they cover the part of the Group’s oil purchases which is not hedged with specific agreements. The contracts are settled in cash and are presented in the Statement of Profit or Loss as part of the cost of oil to which they relate. The gain from oil hedges amounted to ISK 129 million during the year (2024: loss of ISK 1 million). The fair value of forward contracts recognised in restricted reserves in equity amounted to ISK 21 million at year-end 2025 (2024: ISK 5 million).

Consolidated Annual Financial Statements of Festi hf. 2025 41 Amounts are in thousands of ISK

28. Risk management, contd.:

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 Company'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 or loss before income tax by ISK 262 million (2024: ISK 326 million) due to effects on the borrowings of the Company at floating interest rates. The calculation is for the impact on profit or loss on an annual basis. A decrease in interest rates by one percentage point would have the same effect but in the opposite direction.

Currency risk

All of the Company's transactions denominated in foreign currencies give rise to currency risk. In evaluating currency risk both payment risk and settlement risk is considered. The objective is to manage currency risk in order to best insure the Company'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% (2024: 96%), USD 3% (2024: 3%) and other currencies 1% (2024: 1%).

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

Year 2025	USD	EUR	Other Currenceies	Total
Trade receivables	432,533	112,059	65,734	610,326
Cash and cash equivalents	61,592	8,545	381,732	451,869
Trade payables	(40,467)	(322,491)	(610,259)	(973,217)
Risk in the statement of financial position	453,658	(201,887)	(162,793)	88,978
Year 2024				
Long-term receivables	0	0	23,538	23,538
Trade receivables	246,378	32,284	68,266	346,928
Cash and cash equivalents	276,549	10,259	57,957	344,765
Trade payables	(603,000)	(294,200)	(456,750)	(1,353,950)
Risk in the statement of financial position	(80,073)	(251,657)	(306,989)	(638,719)

Sensitivity analysis

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

	2025	2024
USD	(45,366)	8,007
EUR	20,189	25,166
Other currencies	16,279	30,699
Total	(8,898)	63,872

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

Consolidated Annual Financial Statements of Festi hf. 2025 42 Amounts are in thousands of ISK

28. Risk management, contd.:

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 and deviations from approved budgets are analysed.

29. 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 Company's own assumptions. The properties are recognised at revalued cost. This entails that their fair value is determined regularly to ensure that at any given time it does not differ significantly from their book value. Further information about the remeasurement of properties is disclosed in Note 14. Investment properties are recognised at fair value. Further information about their fair value is disclosed in Note 16.

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 financial liabilities are classified into certain categories. The classification of financial assets and financial liabilities affects how 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 following table.

The Group's financial assets and financial liabilities include cash and cash equivalents, shares in other companies and long-term receivables, trade and other receivables, derivative contracts, 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.

Classification of financial instruments and their measurement basis

The following table shows the classification of the Group's financial instruments and their measurement basis.

Financial instrument	Classification	Carrying amount at year-end 2025	Carrying amount at year-end 2024
Cash and cash equivalents	Financial assets at amortised cost	5,928,914	4,075,358
Trade and other receivables classified as financial instruments, including receivables from related parties	Financial assets at amortised cost	6,202,529	8,048,528
Shares in other companies	Fair value	44,140	14,140
Long-term receivables	Financial assets at amortised cost	50,972	35,336
Interest bearing loans	Financial liabilities at amortised cost	27,408,511	32,567,056
Trade payables and other short-term liabilities classified as financial instruments	Financial liabilities at amortised cost	21,202,603	19,345,888

Consolidated Annual Financial Statements of Festi hf. 2025 43 Amounts are in thousands of ISK

29. Financial instruments and fair value, contd.:

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 41.2% at year-end 2025 (year-end 2024: 37.9%) and the condition was fulfilled.

Maturity analysis

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

Year-end 2025	**Within a year**	**After 1 - 3 years**	**After 3 - 5 years**	**After more then 5 years**
Interest bearing loans	5,168,666	7,133,712	6,083,563	18,339,555
Lease liabilities	2,059,382	3,464,744	2,350,357	8,122,112
Trade payables	12,875,525			
Payable to the Icelandic State	3,069,733			
Current tax liability	1,514,166			
Other short-term liabilities	3,743,179			
	28,430,651	10,598,456	8,433,920	26,461,667
Year-end 2024				
Interest bearing loans	5,582,060	8,601,252	7,394,566	24,292,228
Lease liabilities	1,985,277	3,595,061	2,442,096	7,713,090
Trade payables	11,787,327			
Payable to the Icelandic State	3,173,944			
Current tax liability	1,214,021			
Other short-term liabilities	3,170,596			
	26,913,225	12,196,313	9,836,662	32,005,318

30. Related parties

Definition of related parties

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

Transactions with related companies

Transactions with associates are specified as follows:	**2025**	**2024**
Purchased goods and services	3,167,974	2,977,344
Sold goods and services	497,262	554,586
Interest revenue from receivables	0	3,159
Short-term receivables at year-end	8,842	9,696
Trade payables at year-end	285,579	96,758

Consolidated Annual Financial Statements of Festi hf. 2025 44 Amounts are in thousands of ISK

30. Related parties, contd.:

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, the nominal amount of their shareholding and granted share options at year-end are specified as follows:

2025	Salary	Benefits	Performance-based salary	Nominal amount of shares in ISK	Share options in ISK
Board of Directors					
Hjörleifur Pálsson, Chairman of the Board of Directors	11,459			40,000	
Guðjón Karl Reynisson, Vice-Chairman	11,126			609,391	
Edda Blumenstein, Board member	5,281				
Guðjón Auðunsson, Board member	6,815				
Sigurlína Ingvarsdóttir, Board member	8,022				
Margrét Guðmundsdóttir, former Board member	1,065			178,014	
Key management personnel					
Ásta S. Fjeldsted, CEO	67,440	4,716	22,010	98,673	275,347
Seven managing directors	257,568	20,978	48,637	516,973	1,925,447
Total	368,776	25,694	70,647	1,443,051	2,200,794
2024					
Board of Directors					
Guðjón Karl Reynisson, Chairman of the Board of Directors	12,047			609,391	
Sigurlína Ingvarsdóttir, Vice-Chairman	8,875				
Guðjón Auðunsson, Board member	5,264				
Hjörleifur Pálsson, Board member	7,344			40,000	
Margrét Guðmundsdóttir, Board member	5,946			178,014	
Magnús Júlíusson, former Board member	1,102			45,000	
Key management personnel					
Ásta S. Fjeldsted, CEO	58,864	5,670	14,700	96,000	270,000
Six managing directors	198,103	16,801	38,711	500,935	1,620,000
Three former managing directors	81,303	4,921	8,412		
Total	378,848	27,392	61,823	1,469,340	1,890,000

The number of shares includes shares owned by spouses and companies controlled by members of the Board of Directors and key management personnel.

	2025	2024
Key management personnel gender ratio (males/females)	50/50	50/50

Transactions with other related parties

There are no shareholders with significant influence at year-end 2025. Companies controlled by members of the Board of Directors and key management personnel are five at year-end 2025 and they were defined as related parties. Transactions with them during both years 2025 and 2024 were very immaterial 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 and the receivables amounted to ISK 5 million at year-end 2025 (2024: ISK 7 million). Other liabilities of employees towards the Company amounted to ISK 1 million at year-end (2024: ISK 1 million).

Consolidated Annual Financial Statements of Festi hf. 2025 45 Amounts are in thousands of ISK

Notes, contd.:

31. Other matters

Court litigation

On 5 September 2025, Festi was served with a summons and complaint in an action brought by Bergorka ehf., in which the Company is sued for the acknowledgement of liability for damages, without stating an amount. Bergorka's claim is based on alleged breaches by Festi of Article 3 of the settlement made by the Company with the Competition Authority on 30 July 2018. Festi considers Bergorka's claim to be unfounded and is defending the case. A judgment from the district court can be expected during the year 2026.

Sales process for the shares owned by the Company in Olíudreifing

On 26 September 2024 it was announced that Festi and Olís have reached an agreement to initiate the preparation of the sales process of the shares owned by the companies in Olíudreifing, whereas 60% of Olíudreifing is owned by Festi and 40% by Olís. On 3 December 2024 it was announced that non-binding offers had been received for all shares in Olíudreifing and that a decision had been made to invite three parties to continue in the sales process and provide them with access to further information. On 30 April 2025 it was announced that Festi and Olís had decided to discontinue the sales process, as it had become clear that no agreement would be reached. The formal sales process for the shares has therefore been terminated.

32. Financial ratios

The Group's key financial ratios

Operations	**2025**	**2024**
Turnover rate of inventories		
Utilisation of goods / average balance of inventories during the year	9.0	8.3
Sales days in trade receivables:		
Average balance of trade receivables during the year / goods and services sold	10.0	13.2
Salaries and salary related expenses / gross profit	49.6%	50.1%
Operating profit before depreciation, amortisation and changes in value / gross profit	36.6%	34.1%
Financial position		
Current ratio: current assets / current liabilities	1.01	1.10
Liquidity ratio: (current assets - inventories) / current liabilities	0.47	0.51
Leverage: net interest-bearing liabilities excluding lease liabilities / EBITDA	1.34	2.28
Equity ratio: equity / total capital	41.2%	37.9%
Return on equity: profit for the year / average balance of equity	13.9%	10.5%

Consolidated Annual Financial Statements of Festi hf. 2025 46 Amounts are in thousands of ISK

Quarterly Statement – unaudited

The Group´s operations for the year 2025 are specified by quarters as follows:

	Q1	Q2	Q3	Q4	2025 Total
Sale of goods and services	37,785,855	43,579,093	47,093,027	44,955,559	173,413,534
Cost of goods sold	(28,573,796)	(32,571,112)	(35,036,015)	(33,540,946)	(129,721,869)
Gross profit from sale of goods and serv.	9,212,059	11,007,981	12,057,012	11,414,613	43,691,665
Other operating income	548,922	569,216	544,788	650,429	2,313,355
Salaries and other personnel expenses	(5,304,694)	(5,584,970)	(5,225,073)	(5,560,794)	(21,675,531)
Other operating expenses	(1,967,041)	(2,054,546)	(2,057,334)	(2,249,220)	(8,328,141)
	(6,722,813)	(7,070,300)	(6,737,619)	(7,159,585)	(27,690,317)
Operating profit before depreciation, amortisation and changes in value (EBITDA)	2,489,246	3,937,681	5,319,393	4,255,028	16,001,348
Depreciation and amortisation	(1,438,808)	(1,550,326)	(1,494,962)	(1,565,010)	(6,049,106)
Changes in value of investment properties	49,234	82,167	(28,049)	55,319	158,671
Operating profit (EBIT)	1,099,672	2,469,522	3,796,382	2,745,337	10,110,913
Finance income	121,487	87,107	124,698	251,347	584,639
Finance costs	(960,025)	(1,014,406)	(913,690)	(686,690)	(3,574,811)
Foreign currency differences	(19,015)	6,637	(13,934)	(66,065)	(92,377)
Share of profit of associates	86,751	186,698	250,939	50,223	574,611
	(770,802)	(733,964)	(551,987)	(451,185)	(2,507,938)
Profit before income tax (EBT)	328,870	1,735,558	3,244,395	2,294,152	7,602,975
Income tax	(49,698)	(316,192)	(593,531)	(423,974)	(1,383,395)
Profit for the period	279,172	1,419,366	2,650,864	1,870,178	6,219,580
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	(9,252)	(4,995)	4,590	(78)	(9,735)
Translation difference arising from the operations of a foreign associate	0	0	0	74,005	74,005
Effective portion of changes in fair value of cash flow hedges, net of income tax	24,219	62,302	(58,935)	(16,859)	10,727
Total other comprehensive income	14,967	57,307	(54,345)	57,068	74,997
Total comprehensive income for the period	294,139	1,476,673	2,596,519	1,927,246	6,294,577
Basic earnings per share in ISK	0.90	4.55	8.52	6.03	20.00
Diluted earnings per share in ISK	0.88	4.51	8.42	5.96	19.77

Consolidated Annual Financial Statements of Festi hf. 2025 47 Amounts are in thousands of ISK

Quarterly Statement – unaudited, contd.:

The Group´s operations for the year 2024 are specified by quarters as follows:

	Q1	Q2	Q3	Q4	2024 Total
Sale of goods and services	32,223,073	36,037,111	44,256,657	41,945,805	154,462,646
Cost of goods sold	(25,190,249)	(27,444,240)	(33,427,482)	(31,678,848)	(117,740,819)
Gross profit from sale of goods and serv.	7,032,824	8,592,871	10,829,175	10,266,957	36,721,827
Other operating income	508,027	526,692	587,936	621,891	2,244,546
Salaries and other personnel expenses	(3,946,862)	(4,410,429)	(4,826,266)	(5,201,573)	(18,385,130)
Other operating expenses	(1,696,180)	(1,793,678)	(1,850,197)	(2,730,627)	(8,070,682)
	(5,135,015)	(5,677,415)	(6,088,527)	(7,310,309)	(24,211,266)
Operating profit before depreciation, amortisation and changes in value (EBITDA)	1,897,809	2,915,456	4,740,648	2,956,648	12,510,561
Depreciation and amortisation	(1,037,639)	(1,125,152)	(1,320,726)	(1,606,290)	(5,089,807)
Changes in value of investment properties	113,825	142,112	8,584	37,770	302,291
Operating profit (EBIT)	973,995	1,932,416	3,428,506	1,388,128	7,723,045
Finance income	84,458	74,042	109,054	215,440	482,994
Finance costs	(939,896)	(962,461)	(1,006,057)	(860,023)	(3,768,437)
Foreign currency differences	24,685	(8,502)	(36,031)	85,585	65,737
Share of profit of associates	87,152	133,548	250,197	137,290	608,187
	(743,601)	(763,373)	(682,837)	(421,708)	(2,611,519)
(Loss) profit before income tax (EBT)	230,394	1,169,043	2,745,669	966,420	5,111,526
Income tax	(28,638)	(216,229)	(513,679)	(334,745)	(697,847)
Profit for the period	201,756	952,814	2,231,990	631,675	4,018,235
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	(3,482)	(5,555)	10,340	(43,377)	(42,074)
Translation difference reclassified to profit or loss due to sale of shares	3,319	(5,105)	12,573	(2,404)	8,383
Effective portion of changes in fair value of cash flow hedges, net of income tax	0	0	0	2,437,353	2,437,353
Total other comprehensive income	(163)	(10,660)	22,913	2,391,572	2,403,662
Total comprehensive income for the period	201,593	942,154	2,254,903	3,023,247	6,421,897
Basic earnings per share in ISK	0.67	3.16	7.30	2.00	13.13
Diluted earnings per share in ISK	0.67	3.16	7.28	1.94	13.05

Consolidated Annual Financial Statements of Festi hf. 2025 48 Amounts are in thousands of ISK

Statement of Corporate Governance

Board of Directors and Corporate Governance

Festi complies with the Guidelines on Corporate Governance, revised edition from 1 July 2021, issued by the Icelandic Chamber of Commerce, Nasdaq Iceland and the Confederation of Icelandic Employers. The Guidelines are available on the website www.leidbeiningar.is

The corporate governance of Festi is laid down in the Act no. 2/1995 on Public Limited Companies, the Company‘s Articles of Association and the rules of procedure of the Board of Directors. The rules of procedure of the Board of Directors were last reviewed and approved at a Board meeting on 5 March 2025. The rules are set in accordance with provisions in Article 70, paragraph 5 in the Act no. 2/1995 on Public Limited Companies No. and Article 18, paragraph 4 of the Company‘s Articles of Association. The Company‘s Articles of Association stipulate 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 5 March 2025. 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 procedure for the Board of Directors, Articles of Association and the remuneration policy are accessible on the Company’s website, https://www.festi.is/stefnur-og-reglur. The Company’s highest authority is with its shareholders. The Annual General Meeting of shareholders shall be held no later than 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 ultimately 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 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 operation or activities 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 Board members appointed annually at the Annual General Meeting. According to the conclusion of the Annual General Meeting from 5 March 2025, the Board of Directors consists of: Edda Blumenstein, Guðjón Auðunsson, Guðjón Reynisson, Hjörleifur Pálsson, and Sigurlína V Ingvarsdóttir. The Board of Directors now consists of three men and two women. Therefore, the Company complies with the provisions of the Act on Public Limited Companies on gender ratios of the board. Members of the Board have diverse education and extensive business experience.

The Annual General Meeting will be held on 5 March 2026. 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 10 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 procedure 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 rules contain, among other things, provisions on the appointment of Board members, communication with shareholders, calling of meetings and quorum, 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. The Chairman of the Board directs the meetings. The CEO has a seat at Board meetings and the right to discuss matters and make proposals, 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, an Investment Committee, and a Remuneration Committee. The Nomination Committee operates according to a mandate granted by the Annual General Meeting.

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 of other companies, shareholding in the Company, whether directly or indirectly through related parties, and possible related interest. All Board members are independent of the Company and the large shareholders according to The Guidelines of Corporate Governance issued by the Icelandic Chamber of Commerce, Nasdaq Iceland and the Confederation of Icelandic Employers on 1 July 2021.

During the year 2025, thirteen Board meetings were held at Festi. A majority of the Board attended all Board meetings during the year .

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 for approval. 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 three members to the Remuneration Committee and they shall all be independent from the Company. Neither the CEO nor other employees may have a seat in the Remuneration Committee. It shall be a guiding principle that 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 Board has set rules of procedure for the Remuneration Committee in accordance with the content of the Company's remuneration policy. The Committee consists of Guðjón Reynisson, who is the Chairman of the Committee, Edda Blumenstein, and Sigurlína Ingvarsdóttir.. During the year 2025, six meetings were held by Festi's Remuneration Committee and a majority of the members attended all the meetings during the year.

Audit Committee

The Board of Directors of Festi hf. has appointed an Audit Committee in accordance with provisions of the Icelandic Act on Annual Accounts. The Committee must consist of at least three members and the majority of the members shall be independent from Festi and its day-to-day managers. The Committee shall be appointed no less than a month following the Annual General Meeting. If a committee member is an external party, that member shall be nominated by the Annual General Meeting. 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 the audit of the annual financial statements and evaluate the performance of the auditor to ensure further safety and quality of work methods during the audit. The Chairman of the Committee calls for meetings at his own initiative or upon request from other members of the Committee but no less than four times a year. The Committee consists of Guðjón Auðunsson, member of Board, Sigurlína Ingvarsdóttir, member of the Board, and Björgólfur Jóhannsson, who was nominated by the Annual General Meeting on 5 March 2025. Björgólfur is the Chairman of the Committee in accordance with the decision taken by Festi's Board of Directors.

The Audit Committee´s role is, among other things, the following:

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

During the year 2025, nine meetings were held by Festi's Audit Committee and a majority of the members attended all the meetings during the year. The Audit Committee calls meetings with the Company's external auditors on a regular basis and they also attend Board meetings when audited or reviewed financial statements are discussed.

Investment Committee

The Board of Director appointed an Investment Committee which operates under the responsibility and mandate of the Board, which sets its working procedures. According to the rules of procedure, the Board shall appoint two Board Members to the Investment Committee, and they shall be independent of the Company. Members of the Committee shall be appointed for one year at a time and no later than at the second Board Meeting after the Shareholders' Meeting where Board remuneration is on the agenda. The remuneration of Committee Members shall be decided at the Annual General Meeting. The Investment Committee is composed of the following Board Members; Guðjón Karl Reynisson and Hjörleifur Pálsson, who is the Chairman of the Committee.

The purpose of the Investment Committee is to support the Board and make its work more efficient by focusing more closely and in a smaller group on the investment and sale of companies and on larger investment or sales opportunities. The main role of the Investment Committee is the following according to approved working procedures:

- To handle the initial assessment of opportunities in the acquisitions or sales of companies and to prepare discussions on such matters by Festi's Board.
- To prepare discussions by Festi's Board about larger investment opportunities or opportunities for the sale of assets if they are considered to fall outside the previously approved investment plan.
- To monitor that the Group's investments are generally in accordance with the strategy of Festi's Board and investment plans that have been approved.
- Other tasks that the Board requests and fall within the scope of the Committee's intended work.

During the year 2025, four meetings were held by the Investment Committee and both members attended all the meetings during the year.

Nomination committee

The Nomination Committee bases its work on the Company's Articles of Association and rules of procedure in accordance with resolution of the Annual General Meeting. The Committee consists of three members appointed for one year at a time. In accordance with rules of procedures of the Committee, all members were elected at the Company´s Annual General Meeting on 5 March 2025.Board members are not eligible to serve on the Nomination Committee. The Nomination Committee's role is to prepare and make recommendations for candidates for the election of the Company's Board and presents its recommendations to the shareholder meeting where the election of Board members is on the agenda. The assessment of candidates shall take into account competency, experience and knowledge, among other things, with regards to the Guidelines on Corporate Governance and the results of the Board's performance appraisal. It shall be ensured that the recommendation is in accordance with the provisions of the Act on Limited Liability Companies and the Company's Articles of Association regarding the appointment of the Board of Directors. The Nomination Committee's recommendations shall be aimed at the Board composition of diverse knowledge and experience that will serve well for setting the Company´s policies and monitoring in the business environment in which the Company operates at any given time. In its work, the Nomination Committee shall be guided by the overall interests of all shareholders of the Company.

The Nomination Committee consists of Inga Björg Hjaltadóttir, Chairman of the Committee, Halla Thoroddsen, and Tómas Eiríksson. Inquiries shall be sent to the e-mail: **tilnefningarnefnd@festi.is**.

The Board of Directors of Festi

Hjörleifur Pálsson, Chairman of the Board of Directors

Hjörleifur graduated from the University of Iceland in 1988 and holds a Cand. Oecon. degree. He became a certified public accountant in 1989 and worked as an accountant until 2001. He held the CFO position in Össur hf. from 2001 to 2013. Hjörleifur is a board member and the Chairman of the Audit Committee of the international biotech pharmaceutical company Alvotech SA, a board member of Brunnur vaxtarsjóður slhf. and a board member of Brandr Global ehf. He is also the Chairman of the Audit Committee of Harpa tónlistarhús ohf. and a member of the Audit Committee of Landsbankinn hf. and the vice-Chairman of UNICEF Iceland. Hjörleifur was for many years the Chairman of the Board of Directors and University Council of Reykjavík University ehf., former Chairman of the Board of Directors of Sýn hf., board member of Lotus Pharmaceuticals & Co. Ltd., in Taiwan, Ragnar hf., and more companies. Hjörleifur became a Board member of Festi in July 2022. Hjörleifur is independent of the Company, its day-to-day managers, and its major shareholders.

Statement of Corporate Governance, contd.:

The Board of Directors of Festi, contd.

Guðjón Reynisson, Vice-Chairman of the Board of Directors

Guðjón Reynisson holds an MBA from the University of Iceland from 2002 and completed Operational- and Business Studies from Endurmenntunarstofnun Háskóla Íslands in 1999. Guðjón graduated with an athletic education degree from Íþróttakennaraskóli Íslands in 1986. Guðjón is an independent investor and a member of the Board of Directors. Between the years 2008 and 2017 he was the CEO of Hamleys of London. The role consisted of shaping and implementing the company's strategy aimed at expanding it from a single store into an international chain of stores. Guðjón led the sale of the Company during the year 2011–2012 and again in 2015–2016. Between the years 2003 and 2007 Guðjón was the executive director of 10-11 convenience stores. Prior to that, from the year 1998 to 2003, he was the executive director of sales at Tal. He has served on the boards of Kvika banki and Securitas since 2018, Dropp since 2019, Vara fasteignafélag since 2021, and Harpa framtakssjóður since 2024. Guðjón has been a member of the Board of Directors of Festi since 2014. Guðjón is independent of the Company, its day-to-day managers, and its major shareholders.

Edda Blumenstein, member of the Board of Directors

Edda works as an assistant professor and program director of the BS program in Commerce and Services at Bifröst University and at her own company, beOmni Consulting, from 2017. From the year 2021 to 2023, Edda worked as Managing Director of Retail and Customer Development at BYKO, from 2012 to 2014 she was Managing Director of Smáratívolí, from 2007 to 2012 as Head of Marketing and Business Development at Icepharma and as Brand Manager for Coca-Cola at Vífilfell from 1999 to 2007. Edda is the Chairman of the Board of Útilíf. She has also been on the board of TT3 ehf., SRX ehf., and Ormsson ehf., the Centre for Retail Research and the Digital Advisory Council of the Federation of Commerce and Services. Edda holds a PhD degree in Management from Leeds University Business School, an MA degree in Fashion, Business and Society from Leeds University and a BSc degree in International Marketing from Reykjavik University. Edda has been a member of the Board of Directors of Festi since 2025. Edda is independent of the Company, its day-to-day managers, and its major shareholders.

Guðjón Auðunsson, member of the Board of Directors

Guðjón graduated with a master's degree in international business economics and marketing from Aalborg University in Denmark in 1989. He completed the AMP program at IESE University in Barcelona in 2018. Guðjón worked as a lecturer at Bifröst University for during the years 1989 to 1991. From 1991 to 1999, he worked for Eimskip as the company's managing director in the United States and later in Hamburg and in Germany. From the year 2000 to 2002, Guðjón served as the managing director of the software company Landsteinar and at the end of this period as the CEO of Samvinnuferðir Landsýn. From the year 2002 to 2010, Guðjón was the managing director of the Corporate Division of the Olíufélagið Esso hf. From the year 2010 to March 2024, he held the position of CEO of Reitir fasteignafélag hf. Since September 2024, Guðjón has held the position of managing director of Ísey Útflutningur ehf. and serves on the boards of several companies related to that activity. Guðjón is on the board of directors of Landsbyggð hf., which is mainly related to the development of the new town center in Selfoss. Guðjón has held various board positions over the years, including Chairman of the Board of Bifröst University, a board member of Flugfélag Íslands ehf., Malik Supply A/S, Flutningajöfnunarsjóður, Chairman of the Board of Kringlan for about 13 years, and on the boards of many other companies related to Reitir. Guðjón has been a member of the Board of Directors of Festi since March 2024. Guðjón is independent of the Company, its day-to-day managers, and its major shareholders.

Sigurlína Invarsdóttir, member of the Board of Directors

Sigurlína Invarsdóttir, holds a B.Sc degree in Industrial Engineering from the University of Iceland. Sigurlína works as an investor at Behold VC, where she is one of the owners. The fund invests in Nordic Countries in computer games companies in the early stages of their development. Between the years 2006 and 2020 Sigurlína worked as a manager in computer game manufacturing in Iceland, Sweden, Canada and the USA, and managed, among other things, the production of Star Wars Battlefront, one of the best-selling video games of the year 2015 and sold over 20 million copies. In addition, Sigurlína managed strategy for EA Sports FIFA, one of the largest video game brands in the world, in 2017 and 2018. Before turning to video game production, she worked as a pharmaceutical development project manager in Actavis and in business development, and also implementing new technical solutions at Hagar. Sigurlína is a board member of Icelandic and foreign computer games companies the Behold Ventures have invested in. Sigurlína has been a member of the Board of Directors of Festi since July 2022. Sigurlína is independent of the Company, its day-to-day managers, and its major shareholders.

Statement of Corporate Governance, contd.:

Executive Board of Festi

The Executive Board is composed of the CEO and seven managing directors of the Company, whereby each managing director is responsible for a certain division under the CEO. According to the Company's Articles of Association, it is the role of the Board of Directors to hire the CEO of the Company and to decide the terms of the CEO´s employment contract. The Board of Directors and the CEO are responsible for the governance of the Company.

Ásta Sigríður Fjeldsted, CEO

Ásta Sigríður was born in 1982. From the year 2007 to 2012 she worked at IBM in Denmark and the orthopaedic manufacturer Össur hf., both in France and Iceland. From 2012 to 2017 she worked for the consulting firm McKinsey & Company, at both its offices in Tokyo and Copenhagen, where she led a number of minor and major analysis, improvement and transformation projects. From the year 2017 she worked as the Secretary-General of Iceland Chamber of Commerce. Ásta Sigríður held the position of CEO of Krónan from 2020 and became CEO of Festi in September 2022. She is a board member of the of Iceland Chamber of Commerce and a board member at Transition Labs. Ásta Sigríður is a Mechanical Engineer with an M.Sc. degree from DTU, Technical University of Denmark.

Other members of the Executive Board

Magnús Kr. Ingason, CFO and COO of Festi

Eva Guðrún Torfadóttir, CEO of Bakkinn vöruhótel

Guðrún Aðalsteinsdóttir, CEO of Krónan

Karen Ósk Gylfadóttir, CEO of Lyfja

Magnús Hafliðason, CEO of N1

Óðinn Árnason, CEO of Yrkir eignir

Óttar Örn Sigurbergsson, CEO of ELKO

The members of the Executive Board of Festi have share option contracts with the Company that were entered into during the years 2024 and 2025, whereas the number of share options is disclosed in Note 30. There are no related interests between the members of the Executive Board and the Company's main business partners or competitors, nor with the large shareholders of the Company.

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. Risk management is integrated in the day-to-day operation of the Company.

To ensure that the Company's financial statements are in accordance with IFRS Accounting Standards, the Company has placed emphasis on carefully defined responsibilities, appropriate segregation of duties, as well as regular reporting and transparency in its operations. The process of monthly reporting and review for individual divisions is an important factor in the control of earnings and other key aspects of the operation. Monthly financial statements are prepared and presented to the Company's Board of Directors. The Company has established work procedures to ensure control of revenue recognition and operating expenses, as well as other items affecting the Company's operation. Risk management is reviewed on a regular basis 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 a policy for capital management in order for the Company's equity position to be strong and to support stability in the future development of the operations.

The main components of internal control and risk management are reviewed by the Board of Directors once per operating year. The Company does not have an internal auditor, but the Company´s external 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 the Company's homepage, www.festi.is.

Non-Financial Information

Festi’s Business Model

Festi is a holding company that owns and operates companies which are leading in their own market; grocery, electronics, pharmacy, fuel, electricity sale and service station market. Operation of properties and warehouses, purchase and sale of securities are also part of the Group’s operations. The Parent Company, Festi, owns the subsidiaries ELKO, which is the largest electronic equipment store in the country, Krónan, which operates grocery stores under the brand Krónan, Lyfja which sells pharmaceuticals, health, and medical products, N1, which operates service stations, sale of fuel and electricity as well as various services related to lubrication and motor vehicle services, Yrkir eignir, which owns and operates the Group's properties, and Bakkinn vöruhótel, which specialises in warehouse services and distribution.

Festi's Executive Board is made up of the Group's CEO and managing directors, and Festi's representatives also make up the subsidiary companies' boards**.**

The main role of Festi as the parent company is to manage investments, support value creation, and create new opportunities for the Group.

Festi services all companies of the Group in various ways and thus achieves optimisation due to size and increased quality through coordination of processes. In addition, the Company provides its operating companies with the necessary support to be able to consistently be at the forefront of service and product offerings, all over the country. The services are in the field of finance, information technology, legal, human resources, and sustainability.

Focus, Goals, and Achievements in Sustainability

The Company’s main focus in sustainability during the year 2025 was on setting targets for the Group, prioritising actions and reviewing the Group’s sustainability policy with regard to the outcome from the double materiality assessment which was conducted during the previous year. Festi's Board of Directors and Executive Board approved a new sustainability policy for the Group at the end of the year 2025. The policy sets clear goals for the Company in addition to addressing various supporting measures in environmental, social, and governance areas. It supports our long-term vision of more responsible operations and a more sustainable future, thereby strengthening the Group in its journey to be among the leading companies in sustainability in Iceland. The Group’s sustainability policy is available on the Company’s website, www.festi.is/sustainabilitypolicy.

During the year 2025, a review of the CSRD directive (Corporate Sustainability Reporting Directive) by the European Union began (which was named Omnibus). Due to Festi’s size and turnover, the Company will continue to be required to publish sustainability information according to the European Sustainability Reporting Standards (ESRS). On the other hand, the Company is below the limits with respect to CSDDD (Corporate Sustainability Due Diligence Directive) whereas this directive is primarily focused on the value chains of large companies. Drafts have been presented for updated ESRS standards for simplification, but the finalised versions of the standards have not yet been published. CSRD is also yet to be implemented into Icelandic law. Therefore, the Company will publish its sustainability report for the year 2025 in a way similar to how it did for the year 2024. The report will be included in the Company’s Annual Report for the year 2025 which will be published in March 2026.

At the end of 2025, the analysis and assessment company Reitun conducted a sustainability assessment of Festi, which reports on how companies stand in environmental, social, and governance factors. Festi scored 82 points out of a possible 100, an increase of two points from the previous year. The Company continues to be in category B1 and above average in all categories. Key explanations for the improved score are linked to advances in data collection and processing in environmental accounting, sustainability in the supply chain, and more detailed work on the double materiality assessment.

Double Materiality Assessment

During the year 2024, a double materiality assessment was conducted, which entails a detailed analysis of the impact of sustainability factors on the Group’s operations, as well as the impact of the group’s entire value chain on the environment and society. The impact on operations entails evaluating how sustainability factors, such as climate issues, social responsibility, and ethical standards, affect, or could potentially affect, the Company’s operations, profitability, and long-term development. Conversely, the impact on the environment and society entails analysing how the activities of Festi and its subsidiaries influence the environment, the communities in which we operate, and our customers.

Non-Financial Information, contd.:

The following ESRS categories are considered material for the Festi group:

- ESRS E1 – Climate Change
- ESRS E2 – Pollution
- ESRS E3 – Water and Marine Resources
- ESRS E4 – Biodiversity and Ecosystems
- ESRS E5 – Resource Use and Circular Economy
- ESRS S1 – Own Workforce
- ESRS S2 – Workers in the Value Chain
- ESRS S4 – Consumers and End Users
- ESRS G1 – Business Conduct

Environmental and climate factors

Festi and its operating companies are aware of the impact of their operations on the environment and strive to minimise their negative impact as much as possible. The Group places emphasis on reducing greenhouse gas emissions, protecting resources, and promoting a circular economy. Festi's key objective related to this is to achieve net-zero emissions by the year 2050, and in the company's own operations by the year 2031. In addition, the Company has, for example, set targets to increase the waste sorting rate to 90% by the year 2030, to increase the share of sustainable products and services as a proportion of sales year on year, to increase the proportion of recyclable packaging for its own products, and to have ongoing projects related to the circular economy across all companies within the Group.

In addition to the goal of minimising the impact on the environment, the Company is working on a project in certified afforestation on the land of Fjarðarhorn in Hrútafjörður, which is carried out according to the requirements of Skógarkolefni's quality system. It is estimated that in the next 50 years, the carbon sequestration of Festi associated with this project will amount to about 70,000 tons of CO2. It should also be noted that in recent years the Company has offset measured emissions from its activities with purchased carbon credits and intends to continue offsetting measured emissions from its operations with certified credits.

Social factors – internal factors

With regard to the Group's human capital, emphasis is placed on equality, safety, and well-being in the workplace. The Company's objective is to be a health-promoting workplace by supporting improved quality of life and employee health. Other objectives include, among other things, active employee participation in workplace surveys, continued equality and diversity in management positions, and employee inclusion. The Group operates a zero-accident policy, under which no accidents are acceptable.

All companies in the Group are equal pay certified according to the ÍST 85:2012 standard and the requirements of the Directorate of Equality. It confirms that at the Company's employees who do the same or equally valuable work are not discriminated against in pay. Festi and its operating companies have implemented a welfare package, which takes a holistic approach to the well-being of employees. The objective is to increase the quality of life, promote improved mental and physical health, and reduce the likelihood of illness and absenteeism due to illness among the Group's employees.

Social factors – external factors

Festi has defined focus areas for consumers and human rights in the value chain, emphasizing the promotion of increased quality of life for consumers, responsible business practices, and good collaboration with suppliers and service providers to ensure the human rights of workers in the value chain. The main objectives in this category relate to the safety and confidentiality of personal data of customers and employees, as well as an increased emphasis on the approval of the Group's supplier and service-provider code of conduct, and on responding to supplier assessments.

Festi and its operating companies support and respect the protection of international human rights in accordance with Icelandic laws as well as the United Nations Declaration of Human Rights in all their activities. The Group respects the United Nations Convention on the Rights of the Child and rejects all human rights violations such as forced and slave labour, including child slavery.

Non-Financial Information, contd.:

Corporate Governance

Festi and its operating companies are aware of the impact they have on society through their activities and place great emphasis on practicing healthy business practices in every respect. Good governance provides the foundation for strong stakeholder relationships and promotes integrity, transparency, and accountability in management. The Company's objectives that are related to governance include, among other things, to ensuring that employees are familiar with the Group's code of conduct and whistleblowing procedures, working effectively against money laundering and terrorist financing, as well as against all forms of corruption and bribery.

Festi is a limited liability company registered on the Iceland Stock Exchange and follows the approved guidelines for corporate governance, issued by the Icelandic Chamber of Commerce, Nasdaq Iceland and the Confederation of Icelandic Employers. In addition, the Group prepares its financial statements in accordance with IFRS Accounting Standards. Festi hf.'s Code of Conduct applies to all activities of Festi and its operating companies, all employees as well as contractors who carry out tasks for the Group. In addition, both the Board of Director's Code of Conduct and the Board of Directors' Working Procedures apply, which also include procedures for assessing reputational risk and conflicts of interest. More information about the Company's governance can be found in the Statement of Corporate Governance within these financial statements.

Sustainability risks

Once a year, a formal assessment of the main risk factors in the Group's operations is carried out, including sustainability risks. The assessment is carried out for each operating unit, together with the management of each unit. The main findings from the Group's risk assessment are presented to Festi's Audit Committee. Sustainability risks vary greatly depending on the operations of the operating companies, but the greatest risk is related to the sale of fossil fuels at N1. The Company also evaluates this risk as an opportunity and has, for example, worked diligently on the installation of fast-charging stations throughout the country.

The Company´s due diligence process

Over the past four years, Festi's Sustainability Report has been reviewed by Deloitte ehf., with a limited assurance. Given that the 2025 Sustainability Report will, like last year, be based on ESRS standards, which have not yet been legislated in Iceland, this time, limited assurance will be provided on sustainability metrics in the report. The methodology and outcomes of the Company's double materiality assessment were reviewed during the year 2025. While there is no legal requirement for this, Festi seeks to obtain an evaluation and review of the reliability of its sustainability data and disclosures relating to the Group's sustainability performance. Furthermore, Festi's annual financial statements are audited by an external auditor, reviewed by the Audit Committee, and approved by the Company's Board of Directors and CEO.

More information regarding the Company's sustainability journey and reporting can be found in Festi's unaudited Annual Report for the year 2025, which will be published in March 2026 and made available on the Company's website, www.festi.is. Additionally, Festi's subsidiaries will publish more detailed insights on their sustainability performance, goals, and priorities for the year 2025 in reports available on their respective websites.

EU Taxonomy reporting

EU Taxonomy regulation entered into force in Iceland on 1 June 2023 with Act. no. 25/2023 on Sustainable Finance Disclosure Regulation (SFDR) and taxonomy for sustainable investments.

The aim of the regulation is to define which business activities are considered environmentally sustainable based on the technical assessment criteria and to promote transparency in sustainability information. For companies to be considered environmentally sustainable within the meaning of the regulation, they must meet the criteria for environmentally sustainable economic activity according to Article 3 of the regulation. First, the economic activity must make a substantial contribution to one or more environmental objectives, while at the same time it may do no significant harm to other goals. The activity must be carried out in accordance with minimum safeguards and finally comply with technical screening criteria.

The environmental objectives are six:

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

Assessment criteria for climate change mitigation and adaptation have been implemented in Icelandic law by regulation no. 10/2024, as changed by regulation no. 1207/2024. With the entry into force of Regulation no. 1207/2024 on 1 January 2025, technical screening criteria were introduced for the four environmental objectives that had previously been missing (water, circular economy, pollution, and biodiversity), along with additional criteria for climate matters. Economic activities that fall under these criteria are therefore required to disclose information about them in accordance with Icelandic law.

Companies are required to disclose the proportion of turnover, capital expenditure and operating expenses for the most recent operating period on eligible activities, that is, activities covered by the EU Taxonomy regulation. Similarly, the same key performance indicators must be disclosed for activities that meet all the criteria of the regulation and are considered to be aligned activities or environmentally sustainable.

In Iceland, the regulation applies to companies subject to non-financial information disclosure requirements according to Article 66. d. in the Icelandic Annual Accounts Act no. 3/2006 and Festi is among them.

Festi’s EU Taxonomy eligible activities

The Company's activities were compared to the technical assessment criteria already disclosed based on the environmental objective of *climate change mitigation, adaptation to climate change*, and *the transition to a circular economy*. Festi's core business is retail, which currently does not fall under the technical assessment criteria. However, the assessment revealed that Festi and its subsidiaries engage in activities related to the following categories:

Climate Change Mitigation

- 1.1 Afforestation
- 4.9. Transmission and distribution of electricity
- 6.4. Operation of personal mobility devices, cycle logistics
- 6.6. Freight transport services by road
- 6.15 Infrastructure Enabling Low-Carbon Road Transport and Public Transport
- 7.1. Construction of new buildings
- 7.2. Renovation of existing buildings
- 7.3. Installation, maintenance and repair of energy efficient equipment
- 7.4. Installation, Maintenance, and Repair of Charging Stations for Electric Vehicles in Buildings (and parking spaces attached to buildings)
- 7.7. Acquisition and ownership of buildings

Transition to a Circular Economy

- 5.4. Sale of used goods

Environmentally sustainable activities according to the regulation

For an activity to be considered aligned and thereby meet the requirements of the EU Taxonomy regulation to be environmentally sustainable, it must make a substantial contribution and do no significant harm, in addition to meeting minimum safeguards. The requirements are detailed and it is clear that if companies want to disclose in good conscience that objectives are met and pass inspection, a considerable amount of preparatory work needs to have taken place.

Festi considers that the minimum safeguard measures concerning human rights in the value chain are not fully met. As a result, no investments, revenues, or operating expenditure will be considered sustainable under the regulation for the year 2025. Below, the company outlines its eligible activities according to the technical assessment criteria for substantial contribution and ensuring no significant harm. Additionally, further clarification will be provided regarding Festi's stance on the requirements for minimum safeguard measures.

Non-Financial Information, contd.:

A substantial contribution

Climate Change Mitigation

1.1. Afforestation

Festi has an afforestation project in Fjarðarhorn in Hrútafjörður. The project follows the methodology and standards of Skógarkolefni, which was compared with the requirements of the EU Taxonomy regulation and confirmed that the methodology meets the requirements of the technical assessment criteria when it comes to a substantial contribution to climate change mitigation.

4.9. Transmission and distribution of electricity

N1 supplies electricity to households and businesses and considers its operations to meet the criteria for environmental sustainability.

6.4. Operation of personal mobility devices, cycle logistics

ELKO sales of electric scooters, where the driving force comes from a combination of a zero-emission engine and users' physical movement. Festi considers that the operations meet the criteria for being environmentally sustainable.

6.6. Freight Transport Services by Road

It was not possible to meet the requirements of the regulation in the category of *freight transport services by road*, even though the Company operates zero-emission cars. The requirements of the regulation regarding tires are such that it is very difficult to meet the safety requirements in Icelandic conditions.

6.15. Infrastructure Enabling Low-Carbon Road Transport and Public Transport

The construction and operation of charging stations for electric vehicles by N1, which operates both home charging stations and fast-charging stations across the country, is considered by Festi to meet the criteria for being environmentally sustainable.

7.1. Construction of New Buildings and 7.2. Renovation of Existing Buildings

As a class A energy efficiency certificate is required according to EU directive 2010/31 to determine a significant contribution for the categories: *construction of new buildings, renovation of existing buildings,* and *acquisition and ownership of buildings*, it was not possible to go further with those elements. This is due to the fact that Iceland has a total exemption from the implementation of the directive and it has not been implemented into Icelandic law. As a result, no energy efficiency certificates are issued for buildings in Iceland, making it impossible to determine primary energy needs based on the directive. Since requirements related to energy efficiency are the only requirements set forth for the environmental sustainability of these categories, it is impossible for Icelandic companies to demonstrate environmentally sustainable activities in these categories.

7.3. Installation, maintenance and repair of energy efficient equipment

LED bulbs in Krónan, ELKO and N1 stores are classified as installation and replacement of energy-efficient light sources.

7.4. Installation, Maintenance, and Repair of Charging Stations for Electric Vehicles in Buildings (and parking spaces attached to buildings)

Festi and its subsidiaries manage the installation and operation of charging stations for their own electric vehicles. Festi considers this activity to meet the criteria for being environmentally sustainable.

7.7. Acquisition and Ownership of Buildings

Similar to the categories of 7.1 and 7.2, the requirement for energy efficiency certificates in class A, according to EU Directive 2010/31, is necessary to determine substantial contribution. Therefore, it was not possible to demonstrate environmentally sustainable activities in this category.

Transition to a Circular Economy

5.4. Sale of Used Goods

ELKO sells used goods in its stores. The sale of used products (electrical appliances) at ELKO does not meet the packaging requirements and, therefore, does not meet the criteria for being environmentally sustainable.

Non-Financial Information, contd.:

Do no significant harm

This section provides an overview of the analysis on whether investments meet the criteria of not causing significant harm. Only those investments that meet the criteria for substantial contribution are discussed.

Climate change adaptation and mitigation

Changes in climatic conditions because of climate change will affect all infrastructure. Festi conducted a climate risk and vulnerability assessment on the activities that are defined as aligned and has evaluated the main climate risks related to the activities. Similarly, the Company has identified which adaptation solutions are in place and where improvements are needed. Furthermore, a risk assessment has been conducted by Skógarkolefni on Festi's afforestation project that is considered to meet the requirements of the EU Taxonomy regulation.

Sustainable use and protection of water and marine resources

The criteria for sustainable use and protection of water and marine resources are related to the EU Water Framework directive where strain on water resources shall be defined. The body of water on Stórisandur is the body of water that is closest to Fjarðarhorn and is related to activity *1.1. Afforestation*. The body of water is groundwater and is considered to have an adequate quantitative status of water, however the chemical status of the body of water has not been analysed. Other business activities of Festi that are classified as environmentally sustainable are not required to fulfil the requirements of sustainable use and protection of water and marine resources.

Transition to a circular economy

The transition to a circular economy relates to the distribution and transmission of electricity, the establishment and operation of charging stations, and the sale of electric scooters. The requirements for electricity transmission and distribution do not apply to the Company as they are not part of its operations. A waste management plan that ensures reuse is in place for both categories. Festi also believes the requirement that at least 70% (by mass) of non-hazardous waste be sorted/prepared for recycling and/or reuse is met.

Pollution prevention and control

No significant harm is permitted in pollution prevention and pollution prevention control in relation to afforestation, the transmission and distribution of electricity and charging stations. Pesticides are not used in Icelandic forestry and the use of fertiliser is in accordance with Icelandic law. Measures are taken to mitigate noise, air, and chemical pollution at the sites of charging infrastructure installations.

Protection and restoration of biodiversity and ecosystems

This requirement also applies to afforestation, the transmission and distribution of electricity and charging stations. The cultivation plan of the forestry project in Fjarðarhorn fulfils and explains the requirements that apply to afforestation. Before charging stations are installed it is examined whether permits from public authorities are required and ensured that the instalment fulfils all applicable law and regulations, such as civil engineering structure law, law on environmental impact assessment etc.

Minimum safeguards

Article 18 of the EU Taxonomy regulation prescribes the minimum safeguards where the OECD guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, including the principles set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work are considered. The Sustainable Finance Forum has identified core subjects in accordance with these requirements: human rights, corruption and bribery, taxation and fair competition. To meet the minimum safeguard requirements, it is necessary to conduct a due diligence assessment on human rights, which is a comprehensive and in-depth process addressing the risks related to human rights within the value chain.

Festi operates in accordance with Icelandic tax law and labour law which takes into account the UN's Convention on the Rights of the Child and the Act of the Child no. 73/2003. The Company also follows various policies and guidelines related to human rights, ethics, sustainability, and good business practices, which are detailed on their website, www.festi.is. In 2024, Festi undertook significant work in analysing its value chain, conducting supplier assessments, implementing a supplier code of conduct, and adopting the European Sustainability Reporting Standards (ESRS), among other things by performing a double materiality assessment.

Non-Financial Information, contd.:

Festi considers that the minimum safeguards measures concerning human rights due diligence in the value chain have not yet been fully met within the Group. This results in no investments, revenues, or operating expenditures being considered sustainable for the year 2025. However, Festi has put considerable effort into this matter during the year and aims to be able to meet the requirements for the year 2026.

Key performance indicators

The following methodology is used for the calculation of the key performance indicators of turnover, capital expenditure and operating expenditure for eligible activities. The European Union has published guidelines for the calculation of key performance indicators in delegated regulation 2021/2178. However, it is possible that requirements or methodology will change as the regulation is updated and that can affect the future calculations for Festi, also if it turns out that the Company's activities fit better with other environmental objectives than those that have already been published.

The Group's financial statements are prepared in accordance with IFRS Accounting Standards as disclosed in Note 2 in the annual financial statements. The calculation of key performance indicators is disclosed on a consolidated basis where internal transactions have been eliminated to avoid double counting.

The following methodology was used in the calculation of key performance indicators, turnover, capital expenditure and operating expenditure, that are disclosed hereafter in tables on p. 61, 62 and 633.

As previously mentioned, the core operation of Festi is retail, but that sector has not yet been included in the technical screening criteria of the EU Taxonomy regulation. For that reason, only a small part of the Group's turnover, capital expenditure and operating expenditure is eligible in accordance with the Taxonomy regulation.

Additionally, the Company provides information about its operations in relation to nuclear and natural gas, in accordance with paragraphs 6 and 7 of Article 8 of EU Regulation 2021/2178. As can be seen in the table on p. 64, the Group has no activities related to nuclear energy or natural gas.

Turnover

The proportion of turnover in accordance with the definition of the taxonomy regulation includes income that is presented in accordance with paragraph 82A of the International Accounting Standard (IAS) 1. Total turnover in accordance with the definition is in accordance with the Group's total turnover for the year 2025 as it is disclosed in Note 6 in these consolidated annual financial statements. There of 3.2% is from activities that are taxonomy eligible. Proportions are presented in the table for turnover on p. 61.

Capital expenditure

Capital expenditure has been allocated to eligible activities in accordance with the EU Taxonomy regulation. According to Article 8 of the Taxonomy regulation, capital expenditure entails additions to tangible and intangible assets during the financial year considered before depreciation, amortisation, write-down and revaluation, excluding fair value changes. Capital expenditure amounted to a total of ISK 7,248 million for the year 2025 in accordance with additions during the year in Notes 14, 15 and 17 in these consolidated annual financial statements. There of 27.0% is from aligned activities. Proportions are presented in the table for capital expenditures on p. 62.

Operating expenditure

The Taxonomy regulation defines operating expenditure more narrowly than generally applies to operating expenditure from an accounting perspective. Operating expenditure are direct, non-capitalised costs that relate to research and development, building renovation measures, short-term leasing, maintenance and repair and any other direct expenditures relating to the day-to-day servicing of assets of property, plant, and equipment by the undertaking or third party to whom activities are outsourced, that are necessary to ensure the continued and effective functioning of such assets. Operating expenditure according to this definition amounted to ISK 1,342million for the year 2025 and was due to maintenance and repairs. There of 6.0% is from aligned activities. Proportions are presented in a table for operational expenditures on p. 63.

Activities Related to Nuclear Energy and Natural Gas

Since the Company does not have any activities related to nuclear energy or natural gas, no key performance indicators are presented for these sectors.

Non-Financial Information, contd.:

Turnover

Financial Year N		2025		Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic Activities (1)	Code (2)	Absolute turnover (3)	Proportion of Turnover (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and Ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water and Marine Resources (13)	Pollution (14)	Circular Economy (15)	Biodiversity and Ecosystems (16)	Minimum Safeguards (17)	Taxo-nomy aligned pro-portion of total turn-over, year N (18)	Taxo-nomy aligned pro-portion of turn-over, year N-1 (19)	Category (enabling activity) (20)	Cate-gory (trans-itional act-ivity) (21)
Text	#	ISK, thousands	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES			**3,2%**																	
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	N	N	N	N	N	N	N	**0%**	**0%**		
Of which Enabling		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	N	N	N	N	N	N	N	**0%**	**0%**	**0%**	
Of which Transitional		**0**	**0%**							N	N	N	N	N	N	N	**0%**	**0%**		**0%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL											
Afforestation	CCM 1.1	0	0,0%																	
Transmission and distribution of electricity	CCM 4.9	4.396.053	2,5%																	
Sale of second-hand goods	CE 5.4	349.871	0,2%																	
Operation of personal mobility devices, cycle logistics	CCM 6.4	65.147	0,0%																	
Freight transport services by road	CCM 6.6	20.702	0,0%																	
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15	92.842	0,1%																	
Construction of new buildings	CCM 7.1	0	0,0%																	
Renovation of existing buildings	CCM 7.2	0	0,0%																	
Installation, maintenance and repair of energy efficient equipment	CCM 7.3	0	0,0%																	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	0	0,0%																	
Acquisition and ownership of buildings	CCM 7.7	678.176	0,4%																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**5.602.790**	**3,2%**																	
A. Revenue Total (A.1+A.2)		**5.602.790**	**3,2%**																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities		**170.124.099**	**96,8%**																	
Total (A+B)		**175.726.889**	**100%**																	

Consolidated Annual Financial Statements of Festi hf. 2025 61 Amounts are in thousands of ISK

Non-Financial Information, contd.:

CapEx

Financial Year N	2025			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic Activities (1)	Code (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and Ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water and Marine Resources (13)	Pollution (14)	Circular Economy (15)	Biodiversity and Ecosystems (16)	Minimum Safeguards (17)	Taxonomy aligned proportion of total CapEx, year N (18)	Taxonomy aligned proportion of CapEX, year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
Text	*#*	*ISK, thousands*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES			**27,0%**																	
A.1. CapEx of environmentally sustainable activities (Taxonomy-aligned)																				
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	N	N	N	N	N	N	N	**0%**	**0%**		
Of which Enabling		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	N	N	N	N	N	N	N	**0%**	**0%**	**0%**	
Of which Transitional		**0**	**0%**							N	N	N	N	N	N	N	**0%**	**0%**		**0%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned)																				
				EL; N/EL	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*											
Afforestation	CCM 1.1	1.640	0,0%																	
Transmission and distribution of electricity	CCM 4.9	0	0,0%																	
Sale of second-hand goods	CE 5.4	0	0,0%																	
Operation of personal mobility devices, cycle logistics	CCM 6.4	0	0,0%																	
Freight transport services by road	CCM 6.6	75.374	1,0%																	
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15	138.040	1,9%																	
Construction of new buildings	CCM 7.1	148.743	2,1%																	
Renovation of existing buildings	CCM 7.2	499.162	6,9%																	
Installation, maintenance and repair of energy efficient equipment	CCM 7.3	40.708	0,6%																	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	10.638	0,1%																	
Acquisition and ownership of buildings	CCM 7.7	1.044.656	14,4%																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**1.958.961**	**27,0%**																	
Total (A.1+A.2)		**1.958.961**	**27,0%**																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Capex of Taxonomy-non-eligible activities		**5.289.276**	**73,0%**																	
Total (A+B)		**7.248.237**	**100%**																	

Consolidated Annual Financial Statements of Festi hf. 2025 62 Amounts are in thousands of ISK

Non-Financial Information, contd.:

OpEx

Financial Year N	2025			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic Activities (1)	Code (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and Ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water and Marine Resources (13)	Pollution (14)	Circular Economy (15)	Biodiversity and Ecosystems (16)	Minimum Safeguards (17)	Taxonomy aligned proportion of total OpEx, year N (18)	Taxonomy aligned proportion ofOpEx, year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
Text	#	ISK, thousands	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES			**6,0%**																	
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	N	N	N	N	N	N	N	**0%**	**0%**		
Of which Enabling		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	N	N	N	N	N	N	N	**0%**	**0%**	**0%**	
Of which Transitional		**0**	**0%**							N	N	N	N	N	N	N	**0%**	**0%**		**0%**
A1. OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)																				
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL											
Afforestation	CCM 1.1	0	0,0%																	
Transmission and distribution of electricity	CCM 4.9	0	0,0%																	
Sale of second-hand goods	CE 5.4	0	0,0%																	
Operation of personal mobility devices, cycle logistics	CCM 6.4	0	0,0%																	
Freight transport services by road	CCM 6.6	6.748	0,5%																	
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15	14.939	1,1%																	
Construction of new buildings	CCM 7.1	0	0,0%																	
Renovation of existing buildings	CCM 7.2	28.062	2,1%																	
Installation, maintenance and repair of energy efficient equipment	CCM 7.3	1.165	0,1%																	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	0	0,0%																	
Acquisition and ownership of buildings	CCM 7.7	29.546	2,2%																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**80.460**	**6,0%**																	
A. OpEx of Taxonomy-eligible activities (A.1+A.2)		**80.460**	**6,0%**																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		**1.261.533**	**94,0%**																	
Total (A+B)		**1.341.993**	**100%**																	

Consolidated Annual Financial Statements of Festi hf. 2025 63 Amounts are in thousands of ISK

Non-Financial Information, contd.:

Nuclear and fossil gas related activities

Row	Nuclear energy related activities	Yes/No
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No
	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	No
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No