



Condensed Consolidated Interim Financial Statements
1 January - 30 June 2020

Festi hf.
Dalvegur 10-14
201 Kópavogur
Iceland

Reg. no. 540206-2010

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Endorsement and Statement by the Board of Directors and the CEO

Operations of the Group

The condensed consolidated interim financial statements of Festi hf. for the period from 1 January to 30 June 2020 have been prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting and should be read in conjunction with the Group's Annual Consolidated Financial Statements as at and for the year ended 31 December 2019. The interim financial statements comprise the consolidated interim financial statements of Festi hf. (the "Company") and its subsidiaries together referred to as the "Group". The condensed consolidated interim financial statements have not been audited or reviewed by the Company's independent auditors.

Operations in the six-month period ended 30 June 2020

For the period from 1 January to 30 June 2020, profit amounted to ISK 578 million. Total comprehensive income for the period was ISK 723 million. At the end of the period equity amounted to ISK 29,275 million, including share capital in the amount of ISK 327 million. Reference is made to the consolidated statement of changes in equity regarding information on changes in equity.

COVID-19

The Group's focus has been during the COVID-19 outbreak on maintaining productivity while keeping its employees and customers safe. The Group is a critical infrastructure company in Iceland with its network of supermarkets and convenience stores, electronics retail stores, fuel and service stations around Iceland. The Group is working tightly with its suppliers to ensure that customers will have the same range of products as before the outbreak and is committed to find new ways to serve its customers when faced by various quarantine restrictions.

In connection with the preparation of these financial statements the COVID-19 effects on the business was assessed, both financial and non financial. At the moment it is not known what the full economic impact of COVID-19 will be on the Group for the year but the management and the board monitor the situation closely.

The Group is balanced in exposure with its diversified business mix. Parts of the Group's operation are experiencing considerable business growth, like in sale of groceries and electronics, while other parts are experiencing considerable drop, like in sale of fuel and sale of fast food and refreshments in service stations around Iceland. That part of the business showed good signs of recovery in June and July as restrictions were lifted by the Government. New signs of possible outbreak at the end of July resulted in added restrictions again. Festi is committed to achieve its mid- and long term profit and growth targets.

Statement by the Board of Directors and the CEO

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

According to the best of our knowledge, in our opinion the consolidated interim financial statements give a true and fair view of the financial performance of the Group for the six month period ended 30 June 2020, its assets, liabilities and consolidated financial position as at 30 June 2020, and its consolidated cash flows for the period then ended.

Furthermore, in our opinion the consolidated interim financial statements and the statement and endorsement of the Board of Directors and the CEO give a true and fair view of the development and results of the Group's operations and its position and describes the principal risk and uncertainties faced by the Group.

The Board of Directors and the CEO have today discussed the Company's condensed consolidated interim financial statements of Festi hf. for the period from 1 January to 30 June 2020 and confirm them by means of their signatures.

Kópavogur, 6 August 2020.

Board of Directors

Þórður Már Jóhannesson, Chairman
Guðjón Karl Reynisson, Vice-Chairman
Margrét Guðmundsdóttir
Kristín Guðmundsdóttir
Þórey G. Guðmundsdóttir

CEO

Eggert Þór Kristófersson

Consolidated Statement of Comprehensive Income

for the period from 1 January to 30 June 2020

	Notes:	2020	2019	2020	2019
		1.4.-30.6.	1.4.-30.6.	1.1.-30.6.	1.1.-30.6.
Sale of goods and services	6	20.640.095	21.390.870	39.513.672	39.620.471
Cost of goods sold		(15.396.160)	(16.342.544)	(29.948.275)	(30.341.311)
Margin from sale of goods and services	7	5.243.935	5.048.326	9.565.397	9.279.160
Other operating income	6	252.530	639.352	608.308	1.011.454
Salaries and other personnel expenses	8	(2.708.235)	(2.587.889)	(5.112.949)	(4.878.541)
Other operating expenses	9	(1.085.045)	(1.207.385)	(2.336.939)	(2.190.445)
		(3.540.750)	(3.155.922)	(6.841.580)	(6.057.532)
Operating profit before depreciation and amortization (EBITDA)		1.703.185	1.892.404	2.723.817	3.221.628
Depreciation and amortization		(654.356)	(623.476)	(1.276.633)	(1.344.969)
Changes in value of investment property		59.907	(72.189)	59.907	(117.281)
Operating profit (EBIT)		1.108.736	1.196.739	1.507.091	1.759.378
Finance income	10	67.532	32.909	180.245	88.673
Finance costs	10	(602.496)	(653.469)	(1.055.506)	(1.271.147)
Share of profit of associates		61.736	84.645	69.315	144.846
		(473.228)	(535.915)	(805.946)	(1.037.628)
Profit before income tax (EBT)		635.508	660.824	701.145	721.750
Income tax		(110.095)	(111.314)	(123.074)	(120.635)
Profit for the period		525.413	549.510	578.071	601.115
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Translation differences of foreign operations		2.667	39.743	49.604	39.512
Net change in fair value of equity investments	12	30.000	0	30.000	0
Effective portion of changes in fair value of cash flow hedge, net of tax	4	15.925	0	65.341	0
Total other comprehensive income		48.592	39.743	144.945	39.512
Total comprehensive income for the period		574.005	589.253	723.016	640.627
Basic and diluted earnings per share in ISK		1,60	1,66	1,76	1,82

The notes on pages 8 to 14 are an integral part of these financial statements

Consolidated Statement of Financial Position as at 30 June 2020

	Notes	30.6.2020	31.12.2019
Assets			
Goodwill		14.671.846	14.070.463
Other intangible assets		4.810.270	4.649.850
Property and equipment	11	31.504.775	31.433.757
Leased assets		4.720.709	3.862.182
Investment properties		7.418.335	7.354.468
Shares in associates		2.080.172	1.952.349
Shares in other companies		11.559	109.059
Long-term receivables		268.445	271.989
Non-current assets		<u>65.486.111</u>	<u>63.704.117</u>
Inventories		7.499.252	7.678.413
Trade receivables		4.066.695	3.756.324
Other short-term receivables		1.093.688	736.735
Cash and cash equivalents		4.294.304	5.368.754
Current assets		<u>16.953.939</u>	<u>17.540.226</u>
Total assets		<u><u>82.440.050</u></u>	<u><u>81.244.343</u></u>
Equity			
Share capital		327.055	328.574
Share premium		12.875.017	13.010.171
Other restricted equity		5.870.935	5.815.161
Retained earnings		10.201.580	9.534.338
Equity		<u>29.274.587</u>	<u>28.688.244</u>
Liabilities			
Loans from credit institutions	13	29.406.329	29.942.470
Lease liabilities		4.498.977	3.585.949
Deferred tax liability		4.377.723	4.270.952
Non-current liabilities		<u>38.283.029</u>	<u>37.799.371</u>
Loans from credit institutions	13	3.457.145	3.437.684
Lease liabilities		370.363	377.610
Trade payables		6.699.544	6.803.236
Other short-term liabilities		4.355.381	4.138.198
Current liabilities		<u>14.882.433</u>	<u>14.756.728</u>
Total liabilities		<u>53.165.462</u>	<u>52.556.099</u>
Total equity and liabilities		<u><u>82.440.050</u></u>	<u><u>81.244.343</u></u>

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Consolidated Statement of Changes in Equity for the period from 1 January to 30 June 2020

	Share capital	Share premium	Other restricted equity				Retained earnings	Total equity
			Statutory reserve	Revaluation reserve	Unrealised profit of subsidiaries and associates	Other reserves		
1 January to 30 June 2019								
Equity 1.1.2019	329.574	13.140.383	82.393	3.654.286	1.642.560	(121.191)	7.241.841	25.969.846
Total comprehensive income for the period						39.512	601.115	640.627
Restricted due to subsidiaries and associates					567.527	(567.527)		0
Dissolution of revaluation of an associate				(10.405)			10.405	0
Dissolution of revaluation of property				(236.401)			236.401	0
Equity 30.6.2019	<u>329.574</u>	<u>13.140.383</u>	<u>82.393</u>	<u>3.407.480</u>	<u>2.210.087</u>	<u>(81.679)</u>	<u>7.522.235</u>	<u>26.610.473</u>
Total other restricted equity						<u>5.618.281</u>		
1 January to 30 June 2020								
Equity 1.1.2020	328.574	13.010.171	82.144	3.400.963	2.399.183	(67.129)	9.534.338	28.688.244
Transferred from statutory reserve			(380)				380	0
Total comprehensive income for the period						144.945	578.071	723.016
Restricted due to subsidiaries and associates					(42.441)		42.441	0
Dissolution of revaluation of an associate				(10.404)			10.404	0
Dissolution of revaluation of property				(35.946)			35.946	0
Equity 30.6.2020	<u>328.574</u>	<u>13.010.171</u>	<u>81.764</u>	<u>3.354.613</u>	<u>2.356.742</u>	<u>77.816</u>	<u>10.201.580</u>	<u>29.411.260</u>
<i>Transactions with shareholders:</i>								
Issued new share capital	3.126	403.265						406.391
Purchase of own shares	(4.645)	(538.419)						(543.064)
Equity 30.6.2020	<u>327.055</u>	<u>12.875.017</u>	<u>81.764</u>	<u>3.354.613</u>	<u>2.356.742</u>	<u>77.816</u>	<u>10.201.580</u>	<u>29.274.587</u>
Total other restricted equity						<u>5.870.935</u>		

The notes on pages 8 to 14 are an integral part of these financial statements

Consolidated Statement of Cash Flows

for the period 1 January to 30 June 2020

	Note:	2020	2019	2020	2019
		1.4.-30.6.	1.4.-30.6.	1.1.-30.6.	1.1.-30.6.
Cash flows from operating activities					
Operating profit before depreciation & amortization (EBITDA)		1.703.185	1.892.404	2.723.817	3.221.628
Operating items not affecting cash flows:					
Gain on sale of property and equipment		(3.399)	(230.006)	(638)	(239.916)
		<u>1.699.786</u>	<u>1.662.398</u>	<u>2.723.179</u>	<u>2.981.712</u>
Changes in operating assets and liabilities:					
Inventories, (increase) decrease		(105.275)	(1.340.117)	179.161	(815.746)
Trade and short-term receivables, (increase)		(842.816)	(676.087)	(630.633)	(1.049.497)
Trade and other short-term liabilities, increase		722.098	2.066.283	609.331	1.820.626
Changes in operating assets and liabilities		<u>(225.993)</u>	<u>50.079</u>	<u>157.859</u>	<u>(44.617)</u>
Interest received		19.062	37.333	64.753	60.177
Interest paid		(364.214)	(367.266)	(751.597)	(850.153)
Income tax paid		(106.975)	(74.735)	(278.802)	(149.558)
Net cash from operating activities		<u>1.021.666</u>	<u>1.307.809</u>	<u>1.915.392</u>	<u>1.997.561</u>
Cash flows from investing activities					
Purchase of intangible assets		(190.788)	(262.878)	(430.489)	(289.831)
Purchase of property and equipment	11	(524.076)	(328.229)	(853.277)	(639.653)
Sale of property and equipment		9.542	13.016	13.792	233.661
Purchase of investment properties		(1.305)	(34.498)	(3.960)	(52.525)
Sale of investment properties		0	2.507.379	0	2.507.379
Purchase of shares in other companies		(16.070)	0	(27.911)	(97.500)
Purchase of subsidiary, net of cash acquired	12	(76.094)	0	(76.094)	0
Long-term receivables and securities, change		(31.517)	0	(59.017)	0
Net cash (used in) from investing activities		<u>(830.308)</u>	<u>1.894.790</u>	<u>(1.436.956)</u>	<u>1.661.531</u>
Cash flows from financing activities					
Purchase of own shares		0	0	(543.064)	0
New long-term loans from credit institutions		0	13.371.000	0	13.371.000
Repayment of long-term loans from credit institutions		(867.625)	(16.946.124)	(867.625)	(17.193.105)
Payment of the principal portion of lease liabilities		(75.603)	(73.869)	(176.743)	(171.924)
Short term loans, change		(493)	1.000.000	(1.514)	1.000.000
Net cash used in financing activities		<u>(943.721)</u>	<u>(2.648.993)</u>	<u>(1.588.946)</u>	<u>(2.994.029)</u>
(Decrease) increase in cash and cash equivalents		(752.363)	553.606	(1.110.510)	665.063
Effect of movements in exchange rates on cash held		23.916	(13.881)	36.060	18.295
Cash and cash equivalents at the beginning of the period		<u>5.022.751</u>	<u>4.410.558</u>	<u>5.368.754</u>	<u>4.266.925</u>
Cash and cash equivalents at the end of the period		<u>4.294.304</u>	<u>4.950.283</u>	<u>4.294.304</u>	<u>4.950.283</u>
Investing and financing activities not affecting cash flows					
Purchase of shares in other companies		(406.391)	0	(406.391)	0
Issued new share capital		406.391	0	406.391	0

The notes on pages 8 to 14 are an integral part of these financial statements

Notes to the Consolidated Financial Statements

1. Reporting entity

Festi hf. (the "Company") is a Icelandic public limited liability company incorporated and domiciled in Iceland. The Company's headquarters are located at Dalvegur 10-14, Kópavogur, Iceland. The main operation of the Company consists of sale of fuel, goods and service to entities, groceries and related products, sale of electronic equipment and leasing of properties. These consolidated interim financial statements of the Company as at and for the six months ended 30 June 2020 comprise of the Company and its subsidiaries (together referred to as the "Group" and the Group's interests in associates. The Company is listed on Nasdaq Iceland.

The Group's consolidated financial statements as at and for the year ended 31 December 2019 is available at its website address, www.festi.is and at The Icelandic Stock Exchange website www.nasdaqomx.com.

2. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting as adopted by the European Union and, as applicable, additional requirements of the Icelandic Financial Statements Act. The condensed consolidated interim Financial Statements have been prepared under the historical cost convention, except for financial assets and liabilities, which are valued at fair value through other Comprehensive Income and the Company's real estate are revalued to fair value. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2019.

The accounting policies and methods of computation applied in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2019 except for the changes stated in note 4.

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

The Board of Directors of Festi hf. approved the consolidated interim financial statements on 6 August 2020.

3. Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions, which affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the in all major matters the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2019. The estimates and assumptions that are affected by COVID-19 and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current financial year are the following:

Estimated impairment

The Group annually tests, in accordance with the Group's accounting policies whether the financial and non-financial assets, including goodwill are impaired. At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. COVID-19 classifies as such an impairment indicator and therefore the financial and non-financial assets, including goodwill, were assessed if there was any indication of impairment. The Group's goodwill is allocated on three Cash Generating Units ("CGU"), grocery stores, electronic equipment stores and the Group as a whole. Both business in grocery stores and electronic equipment are experiencing considerable growth but sale in fuel and sale of fast food and refreshments in service stations around Iceland has experienced considerable drop but is recovering. In management opinion the market should recover there fully in the next 6 to 12 months given a new similar outbreak will not come. A full impairment test on goodwill was therefore not performed.

The buildings and investment properties of the Group are real estate used for its own business and as rented space to third parties. Investment properties are recognised at fair value at the reporting date. Fair value measurement is based on discounted cash flows of individual assets. The forecast period applied in the model is 50 years. All the lessees were evaluated based on COVID-19 effects on their business and possible contract termination. The result showed that with lower weighted average cost of capital (WACC) which the Group is experiencing, there is no impairment on these assets and therefore no reason to deviate from the conclusion at year-end 2019.

Expected credit losses

Under IFRS 9, loss allowances are measured based on Expected Credit Losses ("ECL") that result from all possible default events over the expected life of a financial instrument. As a result of COVID-19, the Group reassessed the ECL used in calculating its loss allowances. Based on the industry which the Group operates in and current market insights, it is expected that impairment losses will increase slightly short term, which is reflected in these financial statements.

Notes, continued:

4. Changes in the accounting policies

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated interim financial statements.

IFRS 9 Financial Instruments

IFRS 9 "Financial Instruments" became effective as of 1 January 2018, and replaced IAS 39 "Financial Instruments: Recognition and Measurement". The standard's three main projects are classification and measurement, impairment, and hedge accounting. In 2017 Festi performed a review and an assessment of the effects on financial assets and liabilities. The conclusion was that there was no impact of IFRS 9 on the financial reporting at that time.

In 2020 the Group entered into forward swap agreements in fuel and foreign currency. The Group is now applying cash flow hedge accounting, whereby the effective portion of changes in fair value of the forward swap agreements is recognised in other comprehensive income, net of tax and accumulated in hedging reserve in equity. Any ineffective portion of changes in the fair value of the agreements is recognised immediately in profit or loss. Since the Group did not apply hedge accounting in prior accounting periods, it recognised the changes in fair value of forward agreements directly in profit and loss. At the end of June 2020, ISK 65 million was the cumulative net change in hedging reserve in equity with respect to forward swap agreements.

5. Operating segments

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

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

The operating companies of N1, Krónan and ELKO in the Group are individual operating segments. Íslensk Orkumidlun which was acquired on 1st of June 2020 is included in N1 segment as part of its operation. The Group's other entities comprise the fourth segment. That segment consists of the operations of the parent company Festi, Bakkinn Vöruhótel and Festi fasteignir.

Reportable segments for the six months ended 30 June 2020

	N1	Krónan	ELKO	Other companies	Total
External revenue	14.160.941	19.987.018	5.490.575	483.446	40.121.980
Intra-group revenue	33.564	80.021	7.958	2.903.411	3.024.954
Total segment revenue	14.194.505	20.067.039	5.498.533	3.386.857	43.146.934
Operating profit before depreciation, and amortization (EBITDA)	892.258	1.360.989	467.848	1.646.065	4.367.160
Segment depreciation and amortisation	(1.127.114)	(659.490)	(172.498)	(697.542)	(2.656.644)
Changes in value of investment properties ..	0	0	0	59.907	59.907
Operating (loss) profit of segments (EBIT) ..	(234.856)	701.499	295.350	1.008.430	1.770.423
Net finance costs	(395.318)	(227.828)	(25.676)	(1.038.733)	(1.687.555)
Share of profit of associates	0	0	0	69.315	69.315
Income tax	128.493	(94.734)	(53.935)	5.574	(14.602)
(Loss) profit for the period	(501.681)	378.937	215.739	44.586	137.581

30 June 2020

Segment assets	29.423.845	13.527.248	4.005.057	35.483.900	82.440.050
Segment capital expenditure	288.182	308.255	91.542	599.747	1.287.726
Segment liabilities	16.285.924	12.160.545	3.139.455	21.579.538	53.165.462

Notes, continued:

5. Operating segments, continued:

Reportable segments for the six months ended 30 June 2019

	N1	Krónan	ELKO	Other companies	Total
External revenue	17.503.257	17.499.446	4.817.475	811.747	40.631.925
Intra-group revenue	1.974	28.054	535	7.640.231	7.670.794
Total segment revenue	<u>17.505.231</u>	<u>17.527.500</u>	<u>4.818.010</u>	<u>8.451.978</u>	<u>48.302.719</u>
Operating profit before depreciation, and amortization (EBITDA)	1.513.643	1.077.711	157.891	6.928.177	9.677.422
Segment depreciation and amortisation	(1.154.912)	(592.910)	(160.989)	(740.408)	(2.649.219)
Changes in value of investment properties ..	0	0	0	(117.281)	(117.281)
Operating (loss) profit of segments (EBIT) ..	<u>358.731</u>	<u>484.801</u>	<u>(3.098)</u>	<u>6.070.488</u>	<u>6.910.922</u>
Net finance costs	(519.650)	(210.043)	(43.704)	(1.270.279)	(2.043.676)
Share of profit of associates	0	0	0	144.846	144.846
Income tax	31.491	(54.952)	9.360	(964.602)	(978.703)
(Loss) profit for the period	<u>(129.428)</u>	<u>219.806</u>	<u>(37.442)</u>	<u>3.980.453</u>	<u>4.033.389</u>

30 June 2019

Segment assets	31.109.166	13.625.320	3.555.676	33.154.390	81.444.552
Segment capital expenditure	178.855	337.345	49.770	416.039	982.009
Segment liabilities	17.951.272	11.729.508	2.573.574	22.579.725	54.834.079

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

1.1.-30.6.2020	Reportable segment totals	Intercompany adjustments	Consolidated totals
EBITDA	4.367.160	(1.643.343)	2.723.817
Depreciation and amortisation	(2.656.644)	1.380.011	(1.276.633)
Changes in value of investment property	59.907		59.907
EBIT	<u>1.770.423</u>	<u>(263.332)</u>	<u>1.507.091</u>
Net finance cost	(1.687.555)	812.294	(875.261)
Share of profit of associates	69.315		69.315
Income tax	(14.602)	(108.472)	(123.074)
Profit for the period	<u>137.581</u>	<u>440.490</u>	<u>578.071</u>

1.1.-30.6.2019	Reportable segment totals	Intercompany adjustments	Consolidated totals
EBITDA	9.677.422	(6.455.794)	3.221.628
Depreciation and amortisation	(2.649.219)	1.304.250	(1.344.969)
Changes in value of investment properties	(117.281)		(117.281)
EBIT	<u>6.910.922</u>	<u>(5.151.544)</u>	<u>1.759.378</u>
Net finance cost	(2.043.676)	861.202	(1.182.474)
Share of profit of associates	144.846		144.846
Income tax	(978.703)	858.068	(120.635)
Profit for the period	<u>4.033.389</u>	<u>(3.432.274)</u>	<u>601.115</u>

Notes, continued:

6. Operating income

Sale of goods and services

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

Income from lease of real estate

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

Other operating revenue

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

Operating income is specified as follows:	Restated	Restated	2020	2019
	2020	2019		
	1.4.-30.6.	1.4.-30.6.	1.1.-30.6.	1.1.-30.6.
Sale of goods and services:				
Grocery and convenience goods	11.769.557	10.462.720	22.163.066	19.801.931
Fuel and electricity	4.150.032	6.698.270	8.710.415	11.978.783
Electronic equipment	2.902.505	2.524.630	5.486.957	4.816.528
Sale of other goods and services	1.818.001	1.705.250	3.153.234	3.023.229
Total sale of goods and services	<u>20.640.095</u>	<u>21.390.870</u>	<u>39.513.672</u>	<u>39.620.471</u>

Changes have been made where goods previously classified as sale of other goods and services are now included in other segments. Amounts from Q1 2020 and Q1 2019 have been restated accordingly. This affects also amounts in note 7 which have been restated accordingly.

Other operating income:

Lease income from leasing of real estate	134.426	204.293	383.335	451.171
Warehouse services	83.532	112.157	163.614	205.371
Other operating income	34.572	322.902	61.359	354.912
Total other operating income	<u>252.530</u>	<u>639.352</u>	<u>608.308</u>	<u>1.011.454</u>
Total operating revenue	<u>20.892.625</u>	<u>22.030.222</u>	<u>40.121.980</u>	<u>40.631.925</u>

7. Cost of goods sold

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

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

	Restated	Restated	2020	2019
	2020	2019		
	1.4.-30.6.	1.4.-30.6.	1.1.-30.6.	1.1.-30.6.
Grocery and convenience goods	2.395.900	2.305.134	4.952.032	4.482.036
Fuel and electricity	1.218.582	1.437.786	1.897.824	2.490.253
Electronic equipment	835.919	594.016	1.424.400	1.062.249
Other goods and services	793.534	711.390	1.291.141	1.244.622
Total margin from sale of goods and services	<u>5.243.935</u>	<u>5.048.326</u>	<u>9.565.397</u>	<u>9.279.160</u>

Notes, continued:

8. Salaries and other personnel expenses

Salaries and other operating expenses are specified as follows:

	2020	2019	2020	2019
	1.4.-30.6.	1.4.-30.6.	1.1.-30.6.	1.1.-30.6.
Salaries	2.087.141	1.992.350	3.884.050	3.694.270
Salary-related expenses	505.803	487.059	1.007.122	991.705
Other personnel expenses	115.291	108.480	221.777	192.566
Total salaries and other personnel expenses	<u>2.708.235</u>	<u>2.587.889</u>	<u>5.112.949</u>	<u>4.878.541</u>

9. Other operating expenses

Other operating expenses are specified as follows:

Operating costs of real estate	326.722	400.263	779.730	800.558
Maintenance expenses	185.615	156.228	355.618	313.891
Sales and marketing expenses	184.463	250.629	371.954	386.907
Office and administrative expenses	101.902	127.740	272.902	284.051
Communication expenses	156.765	134.863	294.713	230.072
Bad debt and change in allowance for bad debt	(3.053)	3.709	37.165	(18.314)
Other expenses	132.631	133.953	224.857	193.280
Total other operating expenses	<u>1.085.045</u>	<u>1.207.385</u>	<u>2.336.939</u>	<u>2.190.445</u>

10. Finance income and finance costs

Finance income is specified as follows:

Interest income on cash and cash equivalents	10.875	2.511	32.118	5.036
Interest income on long-term receivables	6.057	(300)	12.238	0
Interest income on other receivables	11.332	13.440	25.730	29.901
Dividend income	0	0	6.600	0
Net foreign exchange gain	39.268	17.258	103.559	53.736
Total finance income	<u>67.532</u>	<u>32.909</u>	<u>180.245</u>	<u>88.673</u>

Finance costs are specified as follows:

Interest expense and CPI-index on loans	497.401	549.061	864.833	1.098.274
Interest expense on lease liabilities	75.273	56.226	133.261	97.447
Other interest expense	29.822	48.182	57.412	75.426
Total finance costs	<u>602.496</u>	<u>653.469</u>	<u>1.055.506</u>	<u>1.271.147</u>

11. Operating assets

Acquisition of operating assets in the first six months of 2020 amounted to ISK 853 million. Thereof investment in buildings ISK 399 million, interiors, equipment and tools was ISK 362 million and investment in computers and other IT hardware was ISK 92 million.

12. Business combination

On 1st of March 2020 the Company bought the 85% outstanding shares in Íslensk Orkumiðlun for 723 million making it a fully owned subsidiary. The purchase price of Íslensk Orkumiðlun will be allocated to identifiable assets and liabilities acquired in accordance with IFRS 3 Business Combinations. Total purchase price for 100% share of the company was ISK 850 million. Change in fair value of ISK 30 million on 15% shares previously bought is identified through comprehensive income. Following is breakdown of the purchase price:

Fair value of previously purchased 15% shares	127.500
Issued new share capital 1 June 2020	406.391
Cash payment on 1 June 2020	316.109
Total purchase price	<u>850.000</u>

The operation of Íslensk Orkumiðlun is included in these Financial Statements from 1 June 2020 when all conditions of the purchase agreement were met. The impact on Comprehensive Income is increase in revenues from sales by ISK 104 million, EBITDA is increased by ISK 12 million and profit for the period by ISK 12 million.

Notes, continued:

12. Business combination, continued:

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

Property and equipment	4.936
Trade and other receivables	200.935
Cash and cash equivalents	240.015
Deferred tax liability	(1.930)
Trade and other payables	(195.338)
Total net identified assets	248.618
Goodwill	601.382
Purchase price	850.000

13. Loans from credit institutions

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

	30.6.2020	31.12.2019	
Long-term loans			
Balance at the beginning of the year	29.942.470	33.593.033	
Repayments	(867.625)	(17.913.413)	
New loans	0	13.429.328	
Amortisation of borrowing costs	14.545	31.610	
CPI-indexation	337.914	516.622	
Change in current portion	(20.975)	285.290	
Balance at the end of the period.....	29.406.329	29.942.470	
Short-term loans			
Current portion of long-term loans	1.456.215	1.435.240	
Short-term loans from bank	2.000.930	2.002.444	
Balance at the end of the year	3.457.145	3.437.684	
Total loans from credit institutions	32.863.474	33.380.154	
	Interest rate		
	at 30.6.2020		
Non-indexed loans on floating interest rates	2,2%	8.985.450	9.312.383
CPI-indexed loans on floating interest rates	2,3%	21.877.094	22.065.327
Short-term loan on floating interest rates	2,0%	2.000.930	2.002.444
Total loans from credit institutions		32.863.474	33.380.154

The maturities of the loans are specified as follows:

Year 2020 (6 months) (2019: 12 months).....	2.726.939	3.437.684
Year 2021	1.453.073	1.436.647
Year 2022	1.454.479	1.438.054
Year 2023	1.455.886	1.439.461
Year 2024	1.457.293	1.440.868
Due for payment onwards	24.315.804	24.187.440
Total loans from credit institutions	32.863.474	33.380.154

As at 30 June 2020, the Group had undrawn credit lines in the amount of ISK 1,000 million.

Notes, continued:

14. Group entities

At 1 January 2020, the Company merged Hlekkur and Ego, two of its subsidiaries with its operation. In March 2020 The Company bought the remaining 85% outstanding shares in Íslensk Orkumiðlun. At 1 June 2020 all conditions of the purchase were met and the company became a fully owned subsidiary. The operations and financial position of Íslensk Orkumiðlun are included from that day in the interim Financial Statements. The Company held six subsidiaries at end of June 2020. The subsidiaries are all fully owned by the parent.

Company	Activity
Bakkinn vöruhótel ehf.	Bakkinn vöruhótel specialises in product storage, packing, labeling and distribution of products for customers that elect to outsource their warehouse activities.
Elko ehf.	Elko is an electronic equipment retail store which operates stores in the capital region and at Keflavik Airport as well as an online shop.
Festi fasteignir ehf.	Festi fasteignir specialises in leasing of non-residential real estate to retail companies.
Íslensk Orkumiðlun ehf.	Íslensk Orkumiðlun is a retail company that buys electricity on the wholesale market and sells it to end users in Iceland.
Krónan ehf.	Krónan is a retail company that operates supermarkets and convenience stores in Iceland. The company operates stores throughout the country under the brand names of Krónan, Kr., Kjarval and Nóatún.
N1 ehf.	N1 specialises in wholesale and retail of fuel, operation of service stations including tire and lubrication service stations around the country. The Company's service stations sell fuel in addition to refreshments and sale of various convenience goods.

15. Financial ratios

The Group's key financial ratios

	2020	2019
	1.1.-30.6.	1.1.-30.6.
Operations		
Turnover rate of inventories		
Utilisation of goods / average balance of inventories during the period.....	8,1	7,9
Sales days in trade receivables:		
Average balance of trade receivables during the year /		
goods and services sold	14,1	15,0
EBITDA / profit from sales of goods and services.....	28,5%	34,7%
Salaries and personnel expenses / profit from sales of goods and services.....	53,5%	52,6%
Other operating expenses / profit from sales of goods and services.....	24,4%	23,6%
	30.6.2020	31.12.2019
Financial position		
Current ratio: current assets / current liabilities.....	1,14	1,19
Liquidity ratio: (current assets - inventories) / current liabilities.....	0,64	0,67
Intrinsic value of share capital	89,51	87,31
Equity ratio: equity / total capital.....	35,5%	35,3%