

Annual General Meeting of Festi hf.

The Annual General Meeting of Festi hf. will be held on Monday 23 March 2020 at 10:00 at the company's headquarters at Dalvegur 10-14, Kópavogur, Iceland.

Agenda:

1. Board of Directors' report on the company's activities in the preceding operating year.
2. CEO report and annual financial statement.
3. Annual financial statement for the previous accounting year submitted for approval and decision taken on the handling of the company's profits.
4. Decision on payment of a dividend from the operating year 2019.
5. The Nomination Committee presents its report and proposals.
6. Election of the Board of Directors.
7. Board of Directors' proposal for the appointment of two members to the Nomination Committee.
8. Election of an Auditor or auditing company.
9. Decision on remuneration to the Board of Directors, the Board sub-committees and the Nomination Committee.
10. Board of Directors proposal for amendments to the company's remuneration policy.
11. Board of Directors proposal for an authorization to purchase own shares.
12. Proposal for an authorization to the Board of Directors to raise share capital in order to partially meet the purchase contract payments for the purchase of Íslensk Orkumidlun ehf.
13. Amendments to the Articles of Association.
14. Other matters lawfully submitted.

Proposals:

- a) Annual financial statement (item 3)

The Board of Directors proposes to the Annual General Meeting that the annual financial statement for the operating year 2019 be approved.

- b) Payment of dividend (item 4)

The Board of Directors proposes to the Annual General Meeting that dividends in the amount of 2 ISK per share shall be paid to shareholders, the total amount of dividends amounting to 657 000 000 ISK.

- c) Proposals of the Nomination Committee (item 5)

The Nomination Committee proposed that Guðjón Reynisson, Kristín Guðmundsdóttir, Margrét Guðmundsdóttir, Þórður Már Jóhannesson and Þórey G. Guðmundsdóttir be elected to the Board of Directors.

d) Nomination Committee

The Board of Directors proposes to the Annual General Meeting that Sigrún Ragna Ólafsdóttir and Tryggvi Pálsson be elected for the Nomination Committee.

e) Election of Auditors (item 8)

The Board of Directors proposes that Deloitte ehf. be the auditing company and that Þorsteinn Pétur Guðjónsson and Rúnar Dór Daniélsson be the Auditors of Festi.

f) Remuneration of Board Directors (item 9)

The Board of Directors proposes to the Annual General Meeting that Board Director remuneration for the next operating year be as follows:

The Chairman of the Board receive ISK 760,000 per month.

The Deputy Chairman of the Board receive ISK 570,000 per month.

Other Board Directors receive ISK 380,000 per month.

Members of the Remuneration Committee receive ISK 53,000 per month and its Chairman receive ISK 106,000 per month.

Members of the Audit Committee receive ISK 85,000 per month and its Chairman receive ISK 150,000 per month.

The Chairman of the Investment Council receive ISK 150,000 per month.

The Chairman of the Nomination Committee receive ISK 130,000 per month, Committee members ISK 110,000 per month and the Board of Directors' representative on the Committee receive ISK 74,000 per month.

g) Remuneration Policy (item 10)

The Board of Directors proposes the following amendment to the remuneration policy.

Article 7 Paragraph 6 will read:

„ The Remuneration Committee shall propose to the Board predefined and precise performance benchmarks for the coming operating year, within the framework laid out above and these shall be in three steps. Upon reaching the first step a payment of up to 33% of the total bonus may be paid, upon reaching the second step a payment of up to 67% of the total bonus may be paid and upon reaching the third step a payment of up to 100% of the bonus may be paid.

Comments:

The total bonus payment to executives of the company under Article 7 Paragraph 6 amounts to 3 monthly salaries of each executive. The Board wishes to align the steps for payment of bonuses to the monthly salary. No change in the total bonus payments is suggested.
Authorization for the purchase of own shares (item 12)

h) Board of Directors proposal for an authorisation to purchase own shares (item 11)

The Board of Directors proposes that

“The Annual General Meeting of Festi hf. held on 23 March 2020 approves an authorisation for the Board, based on article 55 of Act No. 2/1995 concerning Public Limited Companies, to purchase on behalf of the company up to 10% of its share capital. This authorization shall be used to set up a formal repurchase schedule or make a general offer to shareholders for the company’s purchase of its own shares, for example through a tender, provided that shareholders’ equality be ensured in the invitation to participate in such transactions.

Upon repurchase the highest permitted price for each share shall not exceed the price of the last independent transaction or the highest established independent purchase offer in the trading systems where the shares are traded, whichever is higher. The company's transactions with own shares shall be notified in accordance with laws and regulations. This authorization is valid until the company’s Annual General Meeting in 2021, however, no longer than until 21 September 2021. Other previous authorizations to purchase own shares are cancelled upon approval of this authorization.”

Comments:

This motion proposes that the Board of Directors be given a repurchase authorisation with the purpose of establishing a formal repurchase schedule and presenting shareholders with a general purchase offer on own shares, for example through a tender, with the purpose of lowering the company’s share capital. In any case, shareholder equality shall be ensured in an invitation to participate in such transactions. This authorisation to repurchase own shares is conditional to meeting requirements of laws and regulations on repurchase as they are laid out at any given time. Formal repurchase schedules are subject to the Act on Securities Transactions No. 108/2007, and regulations based thereon. The decision and implementation of a repurchase schedule shall be in accordance with their provisions as they are laid out at any given time and its implementation shall ensure the transparency of such transactions with own shares. This motion proposes that the company also be authorised to make a general offer to its shareholders on purchase of own shares, for example by means of a tender. The same authorisation was afforded to the Board of Directors in the preceding year of operations and was the basis for the execution of a reverse tender offer. Any execution of this authorisation is subject to compliance with existing laws and regulations, the securing of equal treatment of shareholders and a financial institution shall be charged with the implementation according to contract. It is proposed that the repurchase authorisation be temporary and subject to revision at the next Annual General Meeting, however it shall expire no later than on 15 September 2012.

i) Proposal for an authorization to the Board of Directors to raise share capital (item 12)

The Board of Directors proposes to the Annual General Meeting that it be authorised to raise share capital in order to partially meet the purchase contract payments for the purchase of Íslensk Orkumidlun ehf.

„The Annual General Meeting of Festi held on 23 March 2020 approves the authorisation of the Board of Directors to issue new shares in the company not exceeding the nominal value of ISK 3,200,000. The shareholders waive pre-emptive rights to the new shares whereas the sellers of all shares in Íslensk Orkumiðlun ehf. to Festi hf., should it take place, shall have a

pre-emptive right to the shares as payment. The authorisation shall only be executed in connection with Festi's purchase of the shares of other shareholders in Íslensk Orkumiðlun. The Board shall decide on the value of the shares in accordance with the recorded share price on trading venues at the time of issuance. This authorisation is valid for six months from the Annual General Meeting 23 March 2020.

j) Amendment of the Articles of Association (item 13)

The Board of Directors proposes two amendments, one being amending the objective of the company as defined in Article 3 due to the changes in operations following the merger with Festi, the other being a new Paragraph in Article 17 on the establishment of a Nomination Committee.

Proposal for a new Article 3:

„The company's purpose is the ownership and operation of companies leading in the respective markets, inter alia sale of fuel and groceries, sale, ownership and operation of real estate, purchase, sale and ownership of securities, as well as credit operations related to the operation of the company and other related operations.”

Proposal for a new Paragraph 4 in Article 17. Other paragraphs of the Article shall be renumbered accordingly.

„A Nomination Committee for the company is established in accordance with its Rules of Procedure approved by a shareholders' meeting. The Nomination Committee shall operate according to the Rules of Procedure approved by the shareholder's meeting. The work of the Nomination Committee does not affect the rights and obligations related to procedures on candidacy for the Board of Directors or the procedure on the treatment of candidacies pursuant to other paragraphs of Article 17.”

Comments:

N1 hf.'s purchase of Festi hf. Including the subsidiaries, Elco, Krónan and real estate companies, lead to a significant change in the operations of N1. The merged company is now named Festi hf. and is a holding company for the subsidiaries. The Article describing the purpose of N1 was aligned to the operations of a petroleum company. The proposal for a new Article 3 thus reflects the purpose and operations of Festi at present.

In the autumn of 2018 the shareholders' meeting of N1, now Festi, decided to establish a Nomination Committee, adopted Rules of Procedure and appointed members. No amendments to the Articles of Association were enacted at the time as it was considered normal to monitor the utility of the Committee. The Committee has now operated for almost two years and it is clear that it will be permanently established. Therefore the Board of Directors considers it appropriate to propose that the Articles of Association provide for the establishment of the Committee and that reference is made to the Rules of Procedure adopted by the shareholders' meeting in Article 17.

Other information:

All documents and motions presented at the Annual General Meeting will be available on the company's web page www.festi.is/fjarfestatengsl. The Nomination Committee report can also be

found there. Shareholders may also obtain the documents at the company headquarters at Dalvegur 10-14, Kópavogur, weekdays between 9:00 and 16:00. The meeting will be held in Icelandic and meeting documents will also be in Icelandic.

Shareholders may have their representative attend the shareholders' meeting on their behalf. Representatives shall submit a written mandate.

Voting at the meeting will be held electronically. Shareholders may cast their vote on matters on the agenda by letter. A request for such a vote shall be received at the company offices or at the email address hluthafar@festi.is no later than five days prior to the meeting, that is before 10:00 on Wednesday 18 March 2020.

Shareholders have the right to have certain matters taken on the agenda at a shareholders' meeting provided that they have made a written or electronic request thereon. Should a shareholder wish to have a matter or proposal included on the shareholder meeting agenda, such a request should be received at the company office or email address hluthafar@festi.is no later than two weeks prior to the meeting, that is before 10:00 on Monday 9 March 2020.

The final agenda and proposals will be published one week prior to the meeting.

The Nomination Committee proposes that the company Board of Directors next year be composed of the following persons, Guðjón Reynisson, Kristín Guðmundsdóttir, Margrét Guðmundsdóttir, Þórður Már Jóhannesson and Þórey G. Guðmundsdóttir. This proposal does not limit any additional candidacies to the Board. According to article 63a of the Act No. 2/1995 concerning Public Limited Companies, candidacies for the Board of Directors shall be notified in writing with at least a five days' notice prior to the Annual General Meeting, or before 10:00 on Wednesday 18 March 2020. Candidacies shall be received at the offices of Festi hf., Dalvegur 10-14, Kópavogur, or at the email address hluthafar@festi.is. Information on candidates to the Board of Directors will be published no later than two days prior to the Annual General Meeting. Shareholders have a right to demand proportional representation or cumulative voting in elections of Board Directors for two days from the notification of the candidacies to the Board, if they are elected by acclamation.

Tickets, ballots and other meeting documents will be delivered from 9:30 at the Annual General Meeting.

The Board of Directors of Festi hf.