Consolidated Financial Statements 2021

This is a translation of the Icelandic original. In the event of discrepancies between the Icelandic language version and any translation thereof, the icelandic languagge version will prevail.

FESTI

Festi hf. | Dalvegi 10-14 | 201 Kópavogi | Iceland | Reg. no. 540206-2010

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 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 the names Krónan and Kr, N1, which operates service stations for fuel and electricity sales and various facilities related to lubrication and motor vehicle services, ELKO, which is the largest electronic equipment store in the country, Festi fasteignir, which owns and operates the Group's properties, and Bakkinn vöruhótel, which specialises in warehouse services and distribution.

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, which was issued in revised edition on 1 July 2021. The guidelines are accessible on the website www.leidbeiningar.is.

Þórður Már Jóhannesson, the former Chairman of the Board of Directors of the Company, resigned from the Board of Directors on 6 January 2022. Following the resignation, the Board of Directors divided the duties among its members and Guðjón Reynisson succeeded as Chairman. The Annual General Meeting will be held in March 2022 and until then the Board of Directors will comprise four members, three females and one male. According to the Articles of Association, the members of the Board of Directors should be five. Further information about the Board of Directors and corporate governance is provided in the Statement of Corporate Governance, which is an appendix to the annual financial statements.

Operations in 2021

The Group´s operating revenue for the year 2021 amounted to ISK 101,052 million (2020: ISK 87,918 million) and increased by 14.9% between years. Operating profit before depreciation, amortisation and changes in value for the year 2021 amounted to ISK 10,118 million (2020: ISK 7,057 million) and increased by 43.3% between years. According to the statement of profit or loss and other comprehensive income, the profit for the year amounted to ISK 4,972 million (2020: ISK 2,266 million) and total comprehensive income for the year ISK 6,557 million (2020: ISK 2,481 million). The Company´s equity at year-end amounted to ISK 33,910 million (2020: ISK 29,784 million), including share capital in the nominal value of ISK 316 million. Reference is made to the statement of changes in equity regarding changes in equity during the year. The Company´s equity ratio at year-end was 39.4% (2020: 35.7%).

In connection with the publication of its annual financial statements for the year 2020, the Company released on 24 February 2021 an earnings forecast for the year 2021, where projected EBITDA was ISK 7,500 – 7,900 million. The actual EBITDA amounted to ISK 10,118 million, which is considerably better than the amount assumed in the earnings forecast. Increased business activities of all subsidiaries explain the better earnings but also optimisation was achieved in various areas, which resulted in lower operating costs. Also, it was not assumed in the initial earnings forecast a gain on sale of assets in the amount of ISK 569 million and a profit from oil and currency hedges in the amount of ISK 598 million, which are recognised in the annual financial statements.

The full-time equivalent number of employees was 1,176 and the gender ratio (male/female) was 61/39. An increase in demand in global markets and difficulties in important supply chains have lead to a shortage in product supply and higher prices in the last semesters, which will increase inflation, which is a matter of concern. Festi has a strong financial position and the Company is well prepared to address the challenges ahead.

The Company's Board of Directors proposes that a dividend of ISK 5 per share of nominal value will be paid during the year 2022 or approximately ISK 1,581 million.

The effect of COVID-19 on operations during the year

The COVID-19 pandemic had a significant effect on the operations of the Group during the year. Sales increased significantly in the market for convenience goods and electronic equipment while the sale of fuel and refreshments in the Company's service stations around the country was less than in a normal year due to fewer tourists. The Group's entities did not utilise the governmental support schemes relating to participation in salary expenses during the term of notice for layoffs, due to decrease in employment ratio or other measures which were offered.

It is the Board's and management opinion that the Group is well prepared to address the circumstances relating to the COVID-19 pandemic. Management believes that the Company has the strength to reach its financial goals regarding profit and growth in the future. Further information about the effect on the Company's operations is provided in the appendix to the annual financial statements on non-financial information.

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

Shareholders

The Company´s shareholdes at the end of the year were 1,037, compared to 880 at the beginning of the year and thus their number increased by 157 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 2020 in %**
Lífeyrissjóður starfsmanna ríkisins A -, B - og S - deild	46.500	14,7%	4,2%
Lífeyrissjóður verslunarmanna	33.474	10,6%	-1,0%
Gildi - lífeyrissjóður	31.100	9,8%	-0,3%
Brú, lífeyrissjóður starfsmanna sveitarfélaga	20.430	6,5%	3,3%
Birta lífeyrissjóður	18.592	5,9%	-0,1%
Almenni lífeyrissjóðurinn	15.219	4,8%	-0,1%
Stapi lífeyrissjóður	14.862	4,7%	-2,0%
Stefnir	14.038	4,4%	-2,4%
Frjálsi lífeyrissjóðurinn	11.459	3,6%	0,0%
Söfnunarsjóður lífeyrisréttinda	9.263	2,9%	0,1%
Festa - lífeyrissjóður	8.156	2,6%	-0,9%
Lífsverk lífeyrissjóður	8.024	2,5%	-0,3%
Landsbréf	7.613	2,4%	0,1%
Íslandsbanki hf.	5.777	1,8%	1,8%
Stormtré ehf.	6.101	1,9%	-0,1%
Lífeyrissjóður starfsmanna Reykjavíkurborgar	5.646	1,8%	0,8%
Sjávarsýn ehf.	5.313	1,7%	0,7%
Brekka Retail ehf	5.000	1,6%	0,2%
Kjálkanes ehf.	5.000	1,6%	1,6%
Sjóvá-Almennar tryggingar hf.	3.999	1,3%	-1,6%
	275.566	87,2%	4,4%
Other shareholders	40.552	12,8%	-4,4%
	316.118	100,0%	

The Company’s listed share capital amounted to ISK 324 million at the end of the year and it was decreased by ISK 9 million during the year by redemption of treasury shares. Outstanding at year-end 2021 were ISK 316 million (2020: ISK 323 million). All share capital is in one class and all shareholders enjoy the same rights. At the Company’s Annual General Meeting on 22 March 2021 the Company was granted authorisation 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 company purchased a total of 7 million shares during the year, about 2,2% of outstanding share capital, further in note 22. The company purhcased a total of ISK 7 million shares or 2.2% of the outstanding share capitalThe 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 23 March 2020. An extension for this authorisation will be requested at the Company’s Annual General Meeting next March.

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 five 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 for the meeting and what it consists of.

Non-financial information

Festi hf. is a public interest entity. According to the Act on Annual Accounts, the Company shall provide information necessary to assess its development, scope, position 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. In order to describe the current status of its social responsibilities the Company has for the past few years issued a GRI G4 "Core" report on social responsibilities. Starting from the year 2018 a report has been issued on non-financial parameters in accordance with Nasdaq´s ESG guidelines, among other things, in order to enable Festi to assess its standing on these matters as a Group, based on accepted standards. The policies and results of the Company with respect to those matters are described in the appendix to the annual financial statements on non-financial information.

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 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 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 2021, its assets, liabilities and financial position as at 31 December 2021, and changes in cash and cash equivalents during the year 2021.

Furthermore, in our opinion the consolidated annual 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, 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 2021 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, 9 February 2022.

Board of Directors of Festi hf.

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

CEO

Eggert Þór Kristófersson

INDEPENDENT AUDITOR'S 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, 2021 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, 2021, 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

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. This includes that, 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 14.7 billion and the trademarks of Krónan and Elko amount to ISK 3.4 billion. The value of goodwill and trademarks for the grocery and electronic stores 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 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.

Key Audit Matters	How the matter was addressed in our audit
Valuation of real estate	
Real estate of the Group amounts to ISK 33 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. The assets were revaluated at year-end 2021. 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 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.

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 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.

Deloitte was appointed auditor of Festi hf. by the general meeting of shareholders on 22. march. 2021. Deloitte have been elected since the general meeting 2019.

Kópavogur, February, 9, 2022

Deloitte ehf.

Þorsteinn Pétur Guðjónsson
State Authorized Public Accountant

Pétur Hansson
State Authorized Public Accountant

Statement of Profit or Loss and Other Comprehensive Income for the year 2021

	Notes	2021	2020
Sale of goods and services	5	98.736.012	86.259.698
Cost of goods sold		(74.090.382)	(65.575.588)
Gross profit from sale of goods and services	6	24.645.630	20.684.110
Other operating income	5	2.316.371	1.658.297
Salaries and other personnel expenses	7	(11.658.879)	(10.520.930)
Other operating expenses	8	(5.185.508)	(4.764.935)
		(14.528.016)	(13.627.568)
Operating profit before depreciation, amortisation and changes in value (EBITDA)		10.117.614	7.056.542
Depreciation of property and equipment and leased assets and amortisation of intangible assets	10	(3.193.261)	(2.867.889)
Changes in value of investment property	16	736.006	240.028
Operating profit before finance items (EBIT)		7.660.359	4.428.681
Finance income	11	89.856	102.110
Finance costs	11	(1.956.700)	(2.043.975)
Foreign currency differences	11	66.952	23.279
Share of profit of associates	17	300.702	267.662
		(1.499.190)	(1.650.924)
Profit before income tax (EBT)		6.161.169	2.777.757
Income tax	26	(1.189.055)	(511.454)
Profit for the year		4.972.114	2.266.303
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Translation difference arising from operations of a foreign associate		(29.356)	55.028
Net change in fair value of investments in shares		0	30.000
Effective portion of changes in fair value of cash flow hedges, net of income tax		(6.988)	129.180
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of properties, net of income tax		1.621.320	0
Total other comprehensive income		1.584.976	214.208
Total comprehensive income for the year		6.557.090	2.480.511
Basic and diluted earnings per share in ISK	23	15,48	6,95

The notes on pages 13 to 40 are an integral part of these annual financial statements

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Statement of Financial Position as at 31 December 2021

	Notes	2021	2020
Assets			
Goodwill	12	14.668.264	14.668.264
Other intangible assets	13	4.744.289	4.971.338
Property and equipment	14	32.544.092	32.297.379
Leased assets	15	6.155.337	5.419.566
Investment properties	16	6.100.291	7.466.994
Shares in associates	17	2.324.066	2.149.682
Shares in other companies		12.940	12.760
Long-term receivables	18	228.224	271.713
Non-current assets		66.777.503	67.257.696
Inventories	19	9.545.341	7.668.262
Trade receivables	28	4.757.286	4.923.709
Other short-term receivables	20	888.911	951.935
Cash and cash equivalents	21	4.002.716	2.562.942
Current assets		19.194.254	16.106.848
Total assets		85.971.757	83.364.544
Equity			
Share capital		316.118	323.091
Share premium		10.824.306	12.278.381
Other restricted equity		12.549.269	7.593.335
Retained earnings		10.220.702	9.588.818
Equity	22	33.910.395	29.783.625
Liabilities			
Loans from credit institutions	24	25.929.521	29.074.806
Lease liabilities	25	5.868.744	5.180.547
Deferred tax liability	26	5.590.021	4.663.668
Non-current liabilities		37.388.286	38.919.021
Loans from credit institutions	24	1.382.003	3.473.774
Lease liabilities	25	553.819	430.085
Trade payables		7.021.734	7.018.995
Other short-term liabilities	27	5.715.520	3.739.044
Current liabilities		14.673.076	14.661.898
Total liabilities		52.061.362	53.580.919
Total equity and liabilities		85.971.757	83.364.544

The notes on pages 13 to 40 are an integral part of these annual financial statements

Consolidated Annual Financial Statements of Festi hf. 2021 10 Amounts are in thousands of ISK

Statement of Changes in Equity for the year 2021

	Share capital	Share premium	Other restricted equity: Statutory reserve	Revaluation reserve	Unrealised profit of subsidiaries and associates	Other restricted accounts	Retained earnings	Total equity
Year 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
Profit for the year							2.266.303	2.266.303
Total other comprehensive income						214.208		214.208
Restricted due to subsidiaries and associates					1.692.285		(1.692.285)	0
Dissolution of revaluation of an associate				(20.804)			20.804	0
Dissolution of revaluation of property and equip. ...				(106.144)			106.144	0
	328.574	13.010.171	82.144	3.274.015	4.091.468	147.079	10.235.304	31.168.755
Transactions with shareholders:								
Issued new share capital	3.126	403.265						406.391
Purchased own shares	(8.609)	(1.135.055)						(1.143.664)
Transferred from statutory reserve			(1.371)				1.371	0
Dividend paid to shareholders (ISK 2 per share)							(647.857)	(647.857)
Equity 31.12.2020	323.091	12.278.381	80.773	3.274.015	4.091.468	147.079	9.588.818	29.783.625
Total other restricted equity						7.593.335		
Year 2021								
Equity 1.1.2021	323.091	12.278.381	80.773	3.274.015	4.091.468	147.079	9.588.818	29.783.625
Profit for the year							4.972.114	4.972.114
Total other comprehensive income				1.621.320		(66.344)	30.000	1.584.976
Restricted due to subsidiaries and associates					3.470.315		(3.470.315)	0
Dissolution of revaluation of an associate				(9.734)			9.734	0
Dissolution of revaluation of property and equip. ...				(57.879)			57.879	0
	323.091	12.278.381	80.773	4.827.722	7.561.783	80.735	11.188.230	36.340.715
Transactions with shareholders:								
Purchased own shares	(6.973)	(1.454.075)						(1.461.048)
Transferred from statutory reserve			(1.744)				1.744	0
Dividend paid to shareholders (ISK 3 per share)							(969.272)	(969.272)
Equity 31.12.2021	316.118	10.824.306	79.029	4.827.722	7.561.783	80.735	10.220.702	33.910.395
Total other restricted equity						12.549.269		

The notes on pages 13 to 40 are an integral part of these annual financial statements

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Statement of Cash Flows for the year 2021

	Notes	2021	2020
Cash flows from operating activities			
Profit before depreciation, amortisation and finance items		10.117.614	7.056.542
Operating items not affecting cash flows:			
(Gain) loss on sale of property and equipment		(569.112)	2.192
Gain on sale of shares in companies		(3.933)	0
		9.544.569	7.058.734
Changes in operating assets and liabilities:			
Inventories, (increase) decrease		(1.877.079)	10.151
Trade and other short-term receivables, decrease (increase)		389.812	(1.354.442)
Trade and other short-term liabilities, increase		1.859.914	209.669
Changes in operating assets and liabilities		372.647	(1.134.622)
Interest received		88.037	97.794
Interest paid		(1.460.357)	(1.340.041)
Income tax paid		(252.941)	(295.231)
Net cash from operating activities		8.291.955	4.386.634
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		0	(76.094)
Purchased intangible assets	13	(524.218)	(952.924)
Purchased property and equipment	14	(1.844.071)	(2.830.394)
Sold property and equipment	14	2.182.859	230.881
Purchase of investment properties	16	(13.027)	(59.025)
Sale of investment properties	16	2.115.736	186.527
Change in shares in companies		(68.181)	(29.111)
Dividend received		214.962	134.261
Long-term receivables, change		39.480	(17.833)
Net cash from (used in) investing activities		2.103.540	(3.413.712)
Cash flows from financing activities			
Dividend paid		(969.272)	(647.857)
Purchased own shares		(1.461.048)	(1.143.664)
Repayment of long-term loans from credit institutions	24	(4.088.804)	(1.615.525)
Repayment of lease liabilities	25	(469.573)	(390.474)
Short-term loans, change	24	(2.000.000)	(2.444)
Net cash used in financing activities		(8.988.697)	(3.799.964)
Increase (decrease) in cash and cash equivalents		1.406.798	(2.827.042)
Foreign currency difference on cash and cash equivalents		32.976	21.230
Cash and cash equivalents at the beginning of the year		2.562.942	5.368.754
Cash and cash equivalents at the end of the year		4.002.716	2.562.942
Investing and financing activities not affecting cash flows			
Purchase of shares in companies		(50.000)	(406.391)
Issued new share capital		0	406.391
New lease contracts and their remeasurement		(1.281.504)	(2.037.547)
New lease liabilities and their remeasurement		1.281.504	2.037.547
Trade and other short-term receivables		(174.000)	0
Other short-term liabilities		50.000	0
Sold property and equipment		174.000	0
New long-term loans		7.000.000	0
Repayment of long-term loans from credit institutions		(7.000.000)	0

The notes on pages 13 to 40 are an integral part of these annual financial statements

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

2. Basis of preparation

2.1 Statement of compliance with International Financial Reporting Standards

The Company's consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and, as applicable, additional requirements of the Act on Annual Accounts.

The Board of Directors of Festi hf. approved the consolidated annual financial statements on 9 February 2022.

2.2 Presentation of accounting policies and other notes

Accounting policies are presented along with financial information in the notes for 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 endeavors to describe in these annual financial statements the accounting policies in a clear manner instead of repeating the actual text of paragraphs in IFRS. The following 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. *Lease contracts*	IFRS 16

2.3 Change in accounting policies and change in presentation of operating revenue and expenses

The Group has applied the same accounting policies during the years 2020 and 2021.

The classification of certain operating revenue and expenses was changed in the last quarter of the year 2020 to harmonise the classification of operating revenue and expenses by the companies within the Group. The comparison amounts in the interim financial statements for the year 2020 have been changed in accordance with the new classification in the Quarterly Statement, which is an appendix to the annual financial statements. The change has no effect on the financial results of the Group, assets, liabilities, equity or cash flows.

2.4 Going concern

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

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Notes, contd.:

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.

2.7 Use of estimates and judgements

The preparation of the consolidated annual financial statements in accordance with IFRS 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	28.	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 has the ability to 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.

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.

Notes, contd.:

3. Group entities, cont.:

Company	Activity
Festi hf.	Festi is a holding company that specialises in operating companies that are leading in the retail and fuel sale in Iceland. Festi's role is to support its operating companies in fulfilling customers´ demands so as to enable them to continue to be at the forefront in providing goods and services across the country. Festi provides its subsidiaries with supporting services, among other things in the area of finance, operations and business development.
Bakkinn vöruhótel ehf.	Bakkinn vöruhótel specialises in product storage, packaging, labelling and distribution of products for customers that elect to outsource their warehouse activities.
ELKO ehf.	ELKO specialises in selling household appliances and electronic equipment. The company operates stores in the capital region, Akureyri and at the Leifur Eiríksson International Airport in Keflavik, as well as an online shop.
Festi fasteignir ehf.	Festi fasteignir specialises in leasing of non-residential real estate to retail companies.
Krónan ehf.	Krónan is a retail company that operates convenience stores in Iceland. The company operates stores throughout the country under the brand names of Krónan, Kr. and smart shop with home deliveries.
N1 ehf.	N1 specialises in wholesale and retail of fuel, operation of service stations, including tire and lubrication service stations around the country. The Company's service stations sell fuel in addition to refreshments and sale of various convenience goods.
N1 Rafmagn ehf.	N1 Rafmagn is a company that purchases electricity on the wholesale market and sells it on the retail market to individuals and companies in Iceland.

Notes, contd.:

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 monitor 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 consist 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 and ELKO in the Group are individual operating segments and 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 (see Note 3 for further information).

	N1	Krónan	ELKO	Other companies	Segments total
Year 2021					
External revenue	37.437.574	46.784.415	15.430.741	1.399.653	101.052.383
Intra-group revenue	317.796	39.714	13.640	5.868.089	6.239.239
Total segment revenue	37.755.370	46.824.129	15.444.381	7.267.742	107.291.622
Operating profit before depreciation, amortisation and changes in value (EBITDA)	4.207.902	3.937.720	1.719.866	3.738.122	13.603.610
Segment depreciation and amortisation	(2.456.059)	(1.514.085)	(484.893)	(1.115.306)	(5.570.343)
Changes in value of investment properties				736.006	736.006
Operating profit of segments (EBIT)	1.751.843	2.423.635	1.234.973	3.358.822	8.769.273
Net finance costs	(842.517)	(418.414)	(94.494)	(1.981.591)	(3.337.016)
Share of profit of associates				300.702	300.702
Income tax	(203.912)	(396.754)	(228.047)	(274.700)	(1.103.413)
Profit for the year	705.414	1.608.467	912.432	1.403.233	4.629.546
31 December 2021					
Segment assets	26.464.903	17.663.670	5.135.377	36.707.807	85.971.757
Segment capital expenditure	863.740	699.589	214.601	603.386	2.381.316
Segment liabilities	16.479.933	12.622.608	3.552.606	19.406.215	52.061.362

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Notes, contd.:

4. Operating segments, contd.:

	N1	Krónan	ELKO	Other companies	Segments total
Year 2020					
External revenue	30.969.400	43.104.229	13.100.667	743.699	87.917.995
Intra-group revenue	129.953	10.817	11.433	5.949.705	6.101.908
Total segment revenue	31.099.353	43.115.046	13.112.100	6.693.404	94.019.903
Operating profit before depreciation, amortisation and changes in value (EBITDA)	2.968.709	3.067.053	1.167.547	3.193.016	10.396.325
Segment depreciation and amortisation	(2.317.039)	(1.463.866)	(382.665)	(1.028.739)	(5.192.309)
Changes in value of investment properties				240.028	240.028
Operating profit of segments (EBIT)	651.670	1.603.187	784.882	2.404.305	5.444.044
Net finance costs	(926.281)	(461.848)	(103.478)	(2.028.586)	(3.520.193)
Share of profit of associates and loss from sale of shares				267.662	267.662
Income tax	54.492	(238.746)	(138.302)	(71.649)	(394.205)
(Loss) profit for the year	(220.119)	902.593	543.102	571.732	1.797.308
31 December 2020					
Segment assets	28.889.584	15.663.519	4.971.425	33.840.016	83.364.544
Segment capital expenditure	909.704	1.417.822	313.858	1.200.959	3.842.343
Segment liabilities	15.371.113	13.759.655	3.752.851	20.697.300	53.580.919

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

Year 2021	Segments total	Eliminations	According to financial statements
Operating profit before depreciation, amortisation and changes in value (EBITDA)	13.603.610	(3.485.996)	10.117.614
Depreciation of property and equipment and leased assets and amortisation of intangible assets	(5.570.343)	2.377.082	(3.193.261)
Changes in value of investment property	736.006		736.006
Operating profit (EBIT)	8.769.273	(1.108.914)	7.660.359
Net finance costs	(3.337.016)	1.537.124	(1.799.892)
Share of profit of associates	300.702		300.702
Income tax	(1.103.413)	(85.642)	(1.189.055)
Profit for the year	4.629.546	342.568	4.972.114

Year 2020	Segments total	Eliminations	According to financial statements
Operating profit before depreciation, amortisation and changes in value (EBITDA)	10.396.325	(3.339.783)	7.056.542
Depreciation of property and equipment and leased assets and amortisation of intangible assets	(5.192.309)	2.324.420	(2.867.889)
Changes in value of investment property	240.028		240.028
Operating profit (EBIT)	5.444.044	(1.015.363)	4.428.681
Net finance costs	(3.520.193)	1.601.607	(1.918.586)
Share of profit of associates and loss from sale of shares	267.662		267.662
Income tax	(394.205)	(117.249)	(511.454)
Profit for the year	1.797.308	468.995	2.266.303

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Notes, contd.:

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 are 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.

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:	2021	2020
Sale of goods and services:		
Convenience goods	51.860.754	47.679.540
Fuel and electricity	23.798.175	18.638.945
Electronic equipment	15.326.281	12.941.243
Sale of other goods and services	7.750.802	6.999.970
Total sale of goods and services	98.736.012	86.259.698
Other operating income:		
Lease income from properties	742.204	751.180
Warehouse services	394.047	337.585
Commissions	316.960	260.985
Gain on sale of property and equipment	569.112	0
Other operating income	294.048	308.547
Total other operating income	2.316.371	1.658.297
Total operating revenue	101.052.383	87.917.995

6. Cost of goods sold

Cost of goods sold consists of the purchase price of inventories sold 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.

Gross profit from sale of goods and services is specified as follows:	2021	2020
Convenience goods	12.334.098	10.615.585
Fuel and electricity	5.233.813	3.997.070
Electronic equipment	3.984.579	3.141.057
Other goods and services	3.093.140	2.930.398
Total gross profit from sale of goods and services	24.645.630	20.684.110

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Notes, contd.:

7. Salaries and other personnel expenses

	2021	2020
Salaries	9.182.394	8.247.000
Contributions to pension funds	1.160.710	1.050.591
Other salary-related expenses	811.287	767.170
Other personnel expenses	504.488	456.169
Total salaries and other personnel expenses	11.658.879	10.520.930
Average number of employees	1.956	1.819
Average full-time equivalent number of employees	1.176	1.117
Employee gender ratio (males/females)	61/39	64/36

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:

	2021	2020
Operating expenses of properties	1.518.830	1.530.308
Maintenance expenses	908.338	671.762
Sales and marketing expenses	1.217.354	990.536
Office and administrative expenses, including fees to auditors	417.226	476.961
Communication expenses	698.934	652.893
Insurance and claims expenses	200.902	154.197
Other expenses	204.580	269.806
Expenses due to acquisition of Hlekkur ehf. (see Note 4 in the consolidated annual financial statements for the year 2019)	19.344	18.472
Total other operating expenses	5.185.508	4.764.935

9. Fees to auditors of the Group and subsidiaries

Fees to auditors are specified as follows:

Audit of annual financial statements	63.485	70.183
Other services	454	18.469
Total fees to auditors	63.939	88.652

10. Depreciation and amortisation

Amortisation of intangible assets, as per Note 13	751.073	631.437
Depreciation of property and equipment, as per Note 14	1.896.455	1.756.289
Depreciation of leased assets, as per Note 15	545.733	480.163
Total depreciation and amortisation	3.193.261	2.867.889

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Notes, contd.:

11. Finance income and finance costs

Finance income is specified as follows:

	2021	2020
Interest income on cash and cash equivalents	23.776	38.307
Interest income on receivables	62.146	57.203
Gain on sale of shares in companies	3.934	0
Dividend income	0	6.600
Total finance income	89.856	102.110

Finance costs are specified as follows:

	2021	2020
Interest expense and CPI-indexation on loans from credit institutions	1.609.516	1.649.809
Interest expense on lease liabilities	298.001	281.630
Other interest expense	49.183	112.536
Total finance costs	1.956.700	2.043.975

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 2021 was 127.05 (2020: 128.66) and the exchange rate at year-end 2021 was 130.38 (2020: 127.21).

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 and of Íslensk Orkumiðlun and the Krónan store located at Hallveigarstígur in Reykjavík during the year 2020. For the purpose of impairment testing, goodwill is allocated to the cash-generating units it relates to. Three cash-generating units were identified in the purchase price allocation and part of the goodwill was allocated to grocery stores, electronic equipment stores and sale of electricity. The remaining goodwill is due to synergies and optimisation arising from acquisition of different retail companies has now been changed and is now shown with each cash generated unit.

Accounting policy

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

Impairment test at year-end 2021

Goodwill was tested for impairment at year-end 2021. According to the results of the test there was no indication of impairment. When testing for impairment the recoverable amount is estimated and the estimation 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.

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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 2021	EBITDA-growth	Terminal-growth	Discount rate	Carrying amount at year-end
Grocery stores	9,2%	3,5%	8,7%	11.468.284
Electronic equipment stores	6,9%	3,5%	10,9%	2.772.179
Motor vehicle services and sale of electricity	3,4%	3,5%	9,9%	427.801
Total goodwill				14.668.264

Year-end 2020				
Grocery stores	6,4%	3,0%	8,3%	11.468.284
Electronic equipment stores	5,9%	3,0%	10,3%	2.772.179
Sale of electricity	5,3%	3,0%	9,2%	427.801
Total goodwill				14.668.264

13. Other intangible assets

Other intangible assets consist of the trademarks of Krónan and ELKO, trade agreements and software.

Accounting policy

The cost of purchased and acquired trademarks is capitalised and amortised on a straight line basis over 20 years. The estimated useful life of trade agreements is 7 years. 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.

Other intangible assets are specified as follows:

	Trademarks	Trade agreements	Software	Total
Gross carrying amount				
Gross carrying amount 1.1.2020	4.142.136	103.893	1.075.889	5.321.918
Additions during the year	48.816	164.342	739.766	952.924
Sold and disposed of	(389.236)	(74.208)	(68.094)	(531.538)
Gross carrying amount 31.12.2020	3.801.716	194.027	1.747.562	5.743.305
Additions during the year	0	0	524.218	524.218
Sold and disposed of	(203.969)	(37.049)	(326.298)	(567.316)
Gross carrying amount 31.12.2021	3.597.747	156.978	1.945.482	5.700.207
Amortisation				
Accumulated amortisation 1.1.2020	342.470	41.904	287.694	672.068
Amortisation for the year	226.745	37.304	367.388	631.437
Sold and disposed of	(389.236)	(74.208)	(68.094)	(531.538)
Accumulated amortisation 31.12.2020	179.979	5.000	586.988	771.967
Amortisation for the year	226.077	42.049	482.947	751.073
Sold and disposed of	(203.969)	(37.049)	(326.103)	(567.121)
Accumulated amortisation 31.12.2021	202.087	10.000	743.832	955.919
Carrying amount				
Carrying amount 1.1.2020	3.799.666	61.989	788.195	4.649.850
Carrying amount 31.12.2020	3.621.737	189.027	1.160.575	4.971.338
Carrying amount 31.12.2021	3.395.660	146.978	1.201.650	4.744.289
Amortisation rates	5%	14%	20-33%	

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Notes, contd.:

14. Property and equipment

The Group´s property and equipment consists 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 amount but other property and equipment at cost less accumulated depreciation and impairment, if any.

When property and equipment consists 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.

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 Group recognises the properties for own use at revalued cost. A revaluation was carried out as at 31 December 2021. According to the revaluation method an entity shall assess 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 ensure that at any given time the carrying amount of revalued assets does 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 fair value and carrying amount of revalued assets is in exceeds of the 10% benchmark of the Board of Directors. However, fair value shall be determined at least every five years.

Notes, contd.:

14. Property and equipment, contd.:

The main factors that management considers in the assessment of the need for revaluation are:
a. Depreciation of revalued assets since they were last revalued.
b. Sales price 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 of the Group.
e. The assumptions upon which revaluation is based, e.g. growth or decline in sales of goods and changes in discount rates due to changes in benchmark interest rates and/or risk margin.

The Company has revalued the properties at fair value at year-end 2021. Fair value in excess of carrying amount is recognised in other comprehensive income. The revaluation resulted in an increase of ISK 2,026 million in properties, which is recognised in other comprehensive income as revaluation to fair value. The Company's equity increases by ISK 1,621 million due to the revaluation.

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 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 investment (WACC) which is applied is in the range of 5.4% - 6.6% (weighted average 5.5%).

Sensitivity analysis of fair value measurement at year-end 2021:

	Increase	Decrease
Increase / (decrease) of EBITDA from operations of properties by 5%	1.120.928	(1.120.928)
(Increase) / decrease of return on equity and interest rates by 1.0%-point	(3.275.671)	4.698.584

Property and equipment are specified as follows:

	Properties and land	Other property and equipment	Total
Cost or assessed value			
Cost 1.1.2020	30.281.517	11.442.413	41.723.930
Additions during the year	838.226	1.992.168	2.830.394
Reclassification	(369.663)	369.663	0
Sold and disposed of during the year	(332.824)	(3.493.350)	(3.826.174)
Cost or assessed value 31.12.2020	30.417.256	10.310.894	40.728.150
Additions during the year	417.952	1.426.119	1.844.071
Revaluation during the year	2.026.649	0	2.026.649
Reclassification	(707.871)	707.871	0
Sold and disposed of during the year	(2.037.041)	(2.097.519)	(4.134.560)
Cost or assessed value 31.12.2021	30.116.945	10.347.365	40.464.310
Depreciation			
Accumulated depreciation 1.1.2020	3.466.114	6.824.056	10.290.170
Depreciation for the year	618.391	1.137.898	1.756.289
Reclassification	(26.291)	26.291	0
Sold and disposed of during the year	(183.177)	(3.432.513)	(3.615.690)
Accumulated depreciation 31.12.2020	3.875.037	4.555.732	8.430.769
Depreciation for the year	703.145	1.193.310	1.896.455
Reclassification	(27.439)	27.439	0
Sold and disposed of during the year	(404.754)	(2.002.254)	(2.407.008)
Accumulated depreciation 31.12.2021	4.145.989	3.774.227	7.920.216

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Notes, contd.:

14. Property and equipment, contd.:

	Properties and land	Other property and equipment	Total
Carrying amount			
Carrying amount 1.1.2020	26.815.403	4.618.357	31.433.760
Carrying amount 31.12.2020	26.542.219	5.755.162	32.297.379
Carrying amount 31.12.2021	25.970.956	6.573.138	32.544.092
Carrying amount excluding revaluation			
Carrying amount 1.1.2020	22.785.907	4.618.357	27.404.264
Carrying amount 31.12.2020	22.645.404	5.755.162	28.400.566
Carrying amount 31.12.2021	20.119.839	6.573.138	26.692.977
Depreciation rates	0 - 2%	5 - 33%	

The Company’s properties are pledged for debt which amounted to ISK 27,312 million at year-end 2021. Furthermore, there is an amount of ISK 2,818 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:	2021	2020
Official property value	20.453.662	21.904.554
Insurance value of real estate	27.364.384	29.741.427
Insurance value of machinery and equipment, cabinetry and vehicles	6.306.187	6.143.488

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 2068. 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, determined in accordance with IFRS 16 rules, 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 income statement 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

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.

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Notes, contd.:

15. Lease contracts, contd.:

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 lease 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 determination of the incremental borrowing rate is based on various factors, in particular on the types of assets leased, their location and condition and the lease term.

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 income statement 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 as 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 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 income statement under depreciation, as per Note 10. Interest expense on lease liabilities is presented in income statement under finance costs, as per Note 11.

Leased assets

Leased assets are specified as follows:

	Buildings	Land	Other	Total
Carrying amount 1.1.2020	3.374.147	488.035	0	3.862.182
New lease contracts	977.249	0	236.405	1.213.654
Change due to remeasurement of lease liabilities	24.659	799.199	35	823.893
Depreciation for the year	(436.277)	(26.888)	(16.998)	(480.163)
Carrying amount 31.12.2020	3.939.778	1.260.346	219.442	5.419.566
New lease contracts	1.622.220	0	76.143	1.698.363
Change due to remeasurement of lease liabilities	(259.416)	(166.616)	9.173	(416.859)
Depreciation for the year	(477.082)	(19.647)	(49.004)	(545.733)
Carrying amount 31.12.2021	4.825.500	1.074.083	255.754	6.155.337

B. *The Group as lessor*

The Group leases buildings to many parties. The revenue from the leases is included in other revenue.

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Notes, contd.:

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 those assets are recognised in profit or loss in the period in which they occur. Investment properties are not depreciated. Changes in fair value of investment properties are presented seperately 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 2021 and 2020 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% (2020:70%) for the future and the expected weighted cost of investment (WACC) which is applied is in the range of 5.4% - 6.6% (weighted average 5.6%) (2020: 4.9% - 6.1% and weighted average 5.1%).

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 taken into account. Utilisation rate is estimated to be 95-96% after a lease contract expires (2020: 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 2021 was an increase in the value of investment properties in the amount of ISK 736 million (2020: ISK 240 million), which is recognised in the statement of profit or loss.

Investment properties are specified as follows:

Carrying amount at 1 January 2020	7.354.468
Additions during the year	59.025
Sale during the year	(186.527)
Fair value change	240.028
Carrying amount at 31 December 2020	7.466.994
Additions during the year	13.027
Sale during the year	(2.115.736)
Fair value change	736.006
Carrying amount at 31 December 2021	6.100.291

The fair value measurement of investment properties falls under level 3 in the fair value hierarchy of International Financial Reporting 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 revaluation recognised in the statement of profit or loss as specified in the following table:

Sensitivity analysis of fair value measurement at year-end 2021:

	Increase	Decrease
Increase / (decrease) of EBITDA from operations of properties by 5%	(305.015)	305.015
(Increase) / decrease of return on equity and interest rates by 1.0%-point	(877.444)	1.258.152

Sensitivity analysis of fair value measurement at year-end 2020:

	Increase	Decrease
Increase / (decrease) of EBITDA from operations of properties by 5%	373.350	(373.350)
(Increase) / decrease of return on equity and interest rates by 1.0%-point	(994.263)	1.384.681

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Notes, contd.:

17. Associates

The Company had eight associates at year-end 2021, 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 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.

Ownership in associates and share of profit or loss

On 1 February 2021 the Company acquired 45% of the shares in IMF ehf. for ISK 18 million. IMF ehf. specialises in production of convenience goods sold in Krónan and N1 stores. The Company also participated in the increase in share capital in Dropp ehf. for ISK 100 million. The Group's share in profit or loss of associates amounted to ISK 301 million in 2021 (2020: ISK 268 million.)

Ownership in associates is specified as follows:

	Ownership	2021	2020
Olíudreifing ehf.	60,0%	1.449.267	1.401.719
Malik Supply A/S, Danmörku	24,9%	515.451	511.472
EAK ehf.	33,3%	109.101	77.330
EBK ehf.	25,0%	133.921	128.057
Shares in associates - 4 companies (2020: 3)	-	116.326	31.104
Total shares in associates at the end of the year		2.324.066	2.149.682

Change in the carrying amount of associates during the year:

	2021	2020
Carrying amount at the beginning of the year	2.149.682	1.952.349
Merger at 1 January 2020	0	(19.007)
Share of profit	300.702	267.662
Dividend	(214.962)	(134.261)
Purchase of shares	118.000	27.911
Translation difference	(29.356)	55.028
Carrying amount at the end of the year	2.324.066	2.149.682

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

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Notes, contd.:

17. Associates, contd.:

Olíudreifing ehf.

The Company owns 60% share in Olíudreifing ehf. The Company has not control over Olíudreifing ehf. which is therefore not a subsidiary of the Company. This is because the Competition Authority decided that the company should have board members independent from N1 hf. However the Company´s operations have 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 Act on Annual Accounts and the established accounting rules.

	2021*	2020*
Non-current assets	3.799.487	3.866.592
Current assets	1.255.232	1.196.875
Non-current liabilities	(1.834.473)	(2.020.323)
Current liabilities	(804.801)	(706.945)
Net assets (100%)	2.415.445	2.336.199
Carrying amount at year-end (60%)	1.449.267	1.401.719
Revenue (100%)	4.088.140	3.553.993
Profit (100%)	389.246	390.184
Share in total comprehensive income (60%)	233.548	234.110

* Draft annual financial statements

Malik Supply A/S

Malik Supply A/S was founded in 1989 to service the international fleet of trawlers on the waters of Greenland and in the North Atlantic ocean with oil, lubricants and other products. N1 sells Malik fuel oil sold 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.

	2021*	2020*
Non-current assets	1.123.618	1.143.557
Current assets	6.976.459	5.020.556
Non-current liabilities	(516.022)	(545.459)
Current liabilities	(5.779.446)	(3.845.424)
Net assets (100%)	1.804.608	1.773.230
Share in equity	448.529	440.730
Premium	66.922	70.742
Carrying amount at year-end 24.9%	515.451	511.472
Revenue (100%)	52.537.477	37.403.632
Profit (100%)	250.643	511.164
Share in total comprehensive income 24.9%	62.296	127.048

* Draft annual financial statements

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Notes, contd.:

18. Long-term receivables

The Group's long-term receivables are denominated both in Icelandic and Danish krona. Receivables from related parties in the amount of ISK 100 million are convertible into share capital of the corresponding company at a certain conversion ratio at any time during the loan period. The following is an analysis of the Group´s long-term receivables.

	Interest rates at year-end	Outstanding at year-end 2021	2020
Receivables from related parties in Danish krona	10%/10%	128.412	135.745
Other receivables in Danish krona	4%/4%	21.490	20.980
Receivables from related parties in Icelandic krona	7% / 7%	120.832	155.333
Other receivables in Icelandic krona	0%/0%	30.000	50.000
		300.734	362.058
Current portion		(72.510)	(90.345)
Total long-term receivables		228.224	271.713
Year 2021		-	90.345
Year 2022		72.510	143.333
Year 2023		102.500	2.500
Due in 2026 and later		125.724	125.880
Total long-term receivables		300.734	362.058

19. Inventories

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

Accounting policy

Inventories are measured 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.

Inventories at year-end are specified as follows:	2021	2020
Convenience goods	3.080.438	2.907.083
Fuel	2.599.583	1.065.752
Electronic equipment	2.282.174	2.232.116
Other goods	1.583.146	1.463.311
Total inventories	9.545.341	7.668.262
Insurance value of inventories	10.489.709	8.510.122

Inventories are pledged as security for liabilities that was fully paid for during the year 2021 (2020: 2,000). The write-down of inventories at year-end 2021 amounted to ISK 441 million (2020: 535) and decreased by ISK 93 million during the year (2020: increase 148).

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Notes, contd.:

20. Other short-term receivables

Other short-term receivables at year-end are specified as follows:	2021	2020
Prepaid expenses	82.132	144.517
Receivables from the Icelandic State	117.663	327.504
Receivable due to sale of property and equipment	174.000	0
Receivables from related parties	13.410	9.697
Market value of forward contracts	152.740	161.475
Current portion of long-term receivables	72.510	90.345
Other short-term receivables	276.456	218.397
Total other short-term receivables	888.911	951.935

21. Cash and cash equivalents

Cash and cash equivalents at year-end are specified as follows:	2021	2020
Bank accounts	3.954.802	2.511.210
Cash	47.914	51.732
Total cash and cash equivalents	4.002.716	2.562.942

22. Equity and capital management

Share capital

The Company's total share capital according to its Articles of Association amounts to ISK 324 million and it was decreased by ISK 9 million during the year. 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 treasury shares, including direct costs associated, are deducted from equity. Equity is increased upon the sale of treasury shares. In accordance with the authorisation granted by the annual general meetings of Festi hf. on 23 March 2020 and 22 March 2021, the Company continued to purchase own shares during the year 2021. The Company purchased a total of ISK 7 million shares in nominal amount at the average share price of 209.5 for a total of ISK 1,461 million or 2.2% of the outstanding share capital. The Company owns 7.4 million own shares or 2.3% at year-end 2021.

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

Translation reserve

Translation reserve consists of exchange differences arising from the translation into Icelandic krona of the financial statements of a foreign associate.

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. The Board has also established a policy that EBITDA should be 35% of gross profit, net interest bearing liabilities should be 3.5 x EBITDA and equity ratio should be between 30 - 35%. The Company´s loan covenants require a minimum equity ratio of 25%. The equity ratio at year-end 2021 was 39.4% (year-end 2020: 35.7%).

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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. No share option contracts have been made with employees nor have financial instruments been issued, such as convertible bonds, which could lead to dilution of earnings per share. Diluted earnings per share is therefore the same as basic earnings per share.

	2021	2020
Profit for the year	4.972.114	2.266.303
Share capital at the beginning of the year	323.091	328.574
Effect of changes in share capital	(1.798)	(2.641)
Weighted-average of outstanding shares	321.293	325.933
Basic and diluted earnings per share in ISK	15,48	6,95

24. Loans from credit institutions

All loans from credit institutions are denominated in Icelandic krona. The Company converted debt amounting to ISK 15,733 million from CPI-indexed loans to non-indexed loans during the year. The Company paid additional loan payments in the amount of ISK 2,587 million due to sale of assets during the year. The balance of the loans at year-end is secured by pledge in the properties of the Company. The loans are specified as follows:

	2021	2020
Long-term loans		
Balance at the beginning of the year	29.074.806	29.942.470
Repayments	(11.088.804)	(1.615.525)
New loans	7.000.000	0
Amortisation of borrowing costs	141.880	28.609
CPI-indexation	709.868	757.786
Change in current portion	91.771	(38.534)
Balance at year-end	25.929.521	29.074.806
Short-term loans		
Current portion of long-term loans	1.382.003	1.473.774
Short-term loans from a bank	0	2.000.000
Balance at year-end	1.382.003	3.473.774
Total loans from credit institutions	27.311.524	32.548.580

	Interest rates at year-end		Outstanding at year-end	
	2021	2020	2021	2022
Non-indexed loans on floating interest rates	3,9%	1,9%	23.739.246	8.791.278
CPI-indexed loans on floating interest rates	2,2%	2,2%	3.572.278	21.757.302
Short-term loan on floating interest rates		2,4%	0	2.000.000
Total loans from credit institutions			27.311.524	32.548.580

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Notes, contd.:

24. Loans from credit institutions, contd.:

The maturities of the loans are specified as follows:	2021	2020
Year 2021	-	3.473.774
Year 2022	1.382.003	1.475.181
Year 2023	1.382.186	1.476.587
Year 2024	1.382.369	1.477.994
Year 2025	7.226.611	7.323.460
Year 2026	1.389.991	1.488.064
Due for payment onwards	14.548.364	15.833.520
Total loans from credit institutions	27.311.524	32.548.580

25. Lease liabilities

Lease liabilities are specified as follows:

Carrying amount at the beginning of the year	5.610.632	3.963.559
New lease contracts	1.698.363	1.213.654
Increase due to indexation of lease payments	(416.859)	823.893
Payment of lease liabilities during the year	(469.573)	(390.474)
Total lease liabilities	6.422.563	5.610.632
Current portion	(553.819)	(430.085)
Total non-current portion of lease liabilities	5.868.744	5.180.547

The maturity analysis of lease liabilities is specified as follows at year-end:

Year 2021	-	430.085
Year 2022	553.819	457.779
Year 2023	557.450	443.346
Year 2024	565.654	458.912
Year 2025	585.575	477.403
Year 2026	561.075	496.220
Due for payment onwards	3.598.990	2.846.887
Total	6.422.563	5.610.632

All lease liabilities are denominated in Icelandic krona.

26. Income tax

Accounting policy

Income tax comprises current and deferred tax. Income tax is recognised in 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.

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Notes, contd.:

26. Income tax, contd.:

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

Income tax recognised in the statement of profit or loss

The income tax in the statement of profit or loss is specified as follows:

		2021		2020
Profit before income tax		6.161.169		2.777.757
Income tax based on current tax rate	20,0%	1.232.234	20,0%	555.551
Non-deductible expenses	0,0%	843	0,1%	1.485
Non-taxable income from shares	(1,0%)	(60.140)	(1,9%)	(53.532)
Other changes	0,3%	16.119	0,3%	7.949
Effective income tax rate	19,3%	1.189.055	18,4%	511.454

Deferred tax liability

Deferred tax liability isspecified as follows at year-end:

	2021	2020
Property and equipment and investment properties	5.114.858	4.285.417
Intangible assets	433.865	336.985
Lease contracts	(53.445)	(38.213)
Trade receivables	25.288	19.787
Inventories	14.599	(19.729)
Other items	54.856	79.421
Deferred tax liability	5.590.021	4.663.668

27. Other short-term liabilities

Other short-term liabilities are specified as follows at year-end:

Unpaid salaries and salary-related expenses	1.326.378	1.172.390
Other unpaid taxes (VAT, tariffs, oil charge, gasoline charge, carbon charge)	2.682.535	1.666.546
Unpaid income tax	680.785	268.524
Unpaid accrued interest	82.923	55.345
Deferred income	241.059	262.529
Other short-term liabilities	701.840	313.710
Total other short-term liabilities	5.715.520	3.739.044

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

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Notes, contd.:

28. Risk management, contd.:

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 24% (2020: 16%) of the Company's trade receivables at year-end is attributable to 30 of the Company's biggest customers. Thereof, receivable from the biggest customer was 3% (2020: 2%).

The Group 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.

The Group establishes 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. During the year a new contract was entered into with a payment processor which delays the payment of credit card receivables in exchange for lower fees. This explains the increase in credit card receivables between the years.

The Company's trade receivables at year end are specified as follows:	2021	2020
Credit card receivables	1.527.147	1.998.564
Other trade receivables	3.230.139	2.925.145
Total trade receivables	4.757.286	4.923.709

Age analysis of trade receivables and impairment loss

The age of trade receivables at year-end was specified as follows:

Year 2021	Nominal amount	Loss allowance	Carrying amount	Allowance ratio
Not yet due	4.530.100	(56.490)	4.473.610	1,2%
Past due by 30 days or less	191.979	(8.537)	183.442	4,4%
Past due by 31 - 120 days	43.958	(6.761)	37.197	15,4%
Past due by more than 120 days	158.649	(95.612)	63.037	60,3%
	4.924.686	(167.400)	4.757.286	3,4%
Year 2020				
Not yet due	3.846.589	(47.779)	3.798.810	1,2%
Past due by 30 days or less	738.971	(16.965)	722.006	2,3%
Past due by 31 - 120 days	350.554	(26.445)	324.109	7,5%
Past due by more than 120 days	197.315	(118.531)	78.784	60,1%
	5.133.429	(209.720)	4.923.709	4,1%

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations that are settled by delivering 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 2021 was strong. The Group’s management considers that the Group is capable to meet its financial obligations as they become due. The weighted-average repayment period of the Group’s long-term loans is about 11 years and all loans are prepayable during the loan term. The Group also has access to lines of credit for up to next 8 months for a maximum amount of ISK 3,000 million. No amount was drawn at year-end 2021.

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

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Notes, contd.:

28. Risk management, contd.:

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 the purchase 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 532 million during the year (2020: loss of ISK 11 million). The fair value of derivatives recognised in restricted reserves in equity amounted to ISK 122 million at year-end 2021 (2020: ISK 129 million).

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 273 million (2020: ISK 325 million) due to effects on the borrowings of the Company at floating interest rates. The calculation is based on operating effect on an annual basis. A decrease 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 taken into account. 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 97% (2020: 96%), USD 2% (2020: 3%) and other currencies 1% (2020: 1%).

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

Year 2021	USD	EUR	Other currencies	Total
Long-term receivables	0	0	120.724	120.724
Trade receivables	326.387	22.115	67.544	416.046
Cash and cash equivalents	225.894	12.336	220.862	459.092
Trade liabilities	(10.045)	(180.367)	(734.344)	(924.756)
Risk in the statement of financial position	542.236	(145.916)	(325.214)	71.106

Árið 2020	USD	EUR	Other currencies	Total
Long-term receivables	0	0	125.880	125.880
Trade receivables	106.320	20.365	112.581	239.266
Cash and cash equivalents	146.509	1.368	63.226	211.103
Trade liabilities	(6.291)	(88.937)	(342.101)	(437.329)
Risk in the statement of financial position	246.538	(67.204)	(40.414)	138.920

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Notes, contd.:

28. Risk management, contd.:

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.

	2021	2020
USD	54.224	24.654
EUR	(14.592)	(6.720)
Other currencies	(32.521)	(4.041)
Total	7.111	13.892

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

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 for individual divisions and deviations from approved operating 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. Securities are an immaterial part of the Group's assets. The properties are recognised at revalued cost. This entails that their fair value is determined regularly to ensure that book value does not differ significantly from fair value at any given time. Further information about the fair value measurement 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 liabilities are classified into certain categories. The classification of financial assets and financial liabilities affects how the respective 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 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.

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Notes, contd.:

29. Financial instruments and fair value, contd.:

Classification of financial instruments and their measurement basis

The following table shows the classification of the Group's financial instruments, their measurement basis and where gains and losses arising from them are recognised in the statement of profit or loss.

Financial instrument	Classification	Carrying amount at year-end 2021	Carrying amount at year-end 2020
Cash and cash equivalents	Financial assets at amortised cost	4.002.716	2.562.942
Trade and other receivables classified as financial instruments, including receivables from related parties	Financial assets at amortised cost	5.564.065	5.731.127
Long-term receivables	Financial assets at amortised cost	228.224	271.713
Loans from credit institutions	Financial liabilities at amortised cost	27.311.524	32.548.580
Trade and other short-term liabilities classified as financial instruments	Financial liabilities at amortised cost	12.496.195	10.495.510

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 39.4% at year-end 2021 (year-end 2020: 35.7%) and the condition was fulfilled.

Maturity analysis

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

Year-end 2021	**Within a year**	**After 1 - 3 years**	**After 3 - 5 years**	**After more then 5 years**
Loans from credit institutions	2.566.909	4.586.253	9.980.124	16.694.480
Lease liabilities	900.780	1.696.166	1.589.874	5.537.354
Trade payables	7.021.734			
Payable to the Icelandic State	2.682.535			
Current tax liability	680.785			
Other short-term liabilities	2.111.141			
	15.963.884	6.282.419	11.569.998	22.231.834

Year-end 2020				
Loans from credit institutions	4.102.427	4.113.067	9.805.639	18.862.451
Lease liabilities	722.094	1.402.116	1.336.716	5.347.133
Trade payables	7.018.995			
Payable to the Icelandic State	1.666.546			
Current tax liability	268.524			
Other short-term liabilities	1.541.445			
	15.320.031	5.515.183	11.142.355	24.209.584

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Notes, contd.:

30. Related parties

Definition of related parties

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

Transactions with related companies

Transactions with related companies are specified as follows:

	2021	2020
Purchased goods and services	2.215.364	2.087.152
Sold goods and services	297.210	169.747
Interest revenue from receivables	15.212	14.813
Long-term receivables at year-end	249.245	291.078
Short-term receivables at year-end	13.410	9.697
Trade receivables at year-end	232.609	5.488

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 and the nominal amount of their shareholding at year-end is specified as follows:

2021	**Salary**	**Benefits**	**Performance-based salary**	**Number of shares at year-end**
Board of Directors				
Guðjón Karl Reynisson, Chairman of the Board of Directors	7.685			609.391
Margrét Guðmundsdóttir, Vice-Chairman	5.787			83.014
Kristín Guðmundsdóttir	5.772			6.028
Þórey G. Guðmundsdóttir	5.502			
Þórður Már Jóhannesson, former Chairman	13.323			5.000.000
Key management personnel				
Eggert Þór Kristófersson, CEO	50.548	4.116	4.200	600.000
Five managing directors	173.926	16.682	8.529	384.902
Total	262.543	20.798	12.729	6.683.335

2020	**Salary**	**Benefits**	**Performance-based salary**	**Number of shares at year-end**
Board of Directors				
Þórður Már Jóhannesson, Chairman of the Board of Directors	11.635			4.345.463
Guðjón Karl Reynisson, Vice-Chairman	6.905			349.391
Kristín Guðmundsdóttir	5.577			6.028
Margrét Guðmundsdóttir	8.068			22.014
Þórey G. Guðmundsdóttir	3.411			
Key management personnel				
Eggert Þór Kristófersson, CEO	50.400	4.573	12.745	90.000
Five managing directors	163.562	13.392	25.925	34.902
Total	249.558	17.965	38.670	4.847.798

The numbers above include shares owned by their spouses and companies controlled by the members of the Board of Directors and key management personnel.

	2021	2020
Key management personnel gender ratio (males/females)	83/17	83/17

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Notes, contd.:

30. Related parties, contd:

Transactions with other related parties

There are no shareholders with significant influence at year-end 2021. Companies controlled by members of the Board of Directors and key management personnel are five at year-end 2021 and they were defined as related parties. Transactions with them during both years 2021 and 2020 were very insignificant 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 in the amount of ISK 8 million at year-end 2021 (2020: ISK 9 million). Other liabilities of employees amounted to ISK 1 million at year-end (2020: ISK 1 million).

31. Litigation and other claims

At year-end 2018 the Internal Revenue Board ruled that Festi had incorrectly classified certain fuel deliveries for custom purposes during the years 2013 – 2018. Subsequently, the Revenue and Customs authority re-determined in December 2019 import duties for the years 2013-2014 and in March 2020 for the years 2015 – 2018. Consequently, the Company paid in total ISK 110 million including charges and penalty interests. The Company appealed the case to the Internal Revenue Board, which ruled in favor of the Company in December 2020. The Revenue and Customs authority accepted the ruling partially and paid partial compensation of ISK 15 million in 2021 but it withheld the remaining ISK 95 million based on a re-determination. The Company does not agree and has appealed again to the Internal Revenue Board, which is expected to rule in the second half of 2022. The receivable is capitalised among other short-term receivables in the statement of financial position at year-end 2021.

In 2020, ELKO initiated at the District Court a litigation against the inspection fees levied by the Icelandic State for the import of electronic equipment during the years 2016 – 2020. The District Court ruled the case in ELKO's favor in November 2020. The State appealed the case to the Court of Appeal and its ruling is expected in the first half of the year 2022. If the Court of Appeal agrees with the District Court, ELKO will be repaid between ISK 30 – 40 million including penalty interests. No amount is recognised in the annual financial statements with respect to this litigation.

32. Other matters

Festi hf. made a settlement with the Competition Authority on 30 July 2018 as a consequence of the acquisition by the Company of Hlekkur hf. According to the settlement, Festi committed, amont other things, to selling five self-service stations within the Capital Region and the convenient store Kjarval located in Hella. On 14 February 2019, Festi reached an agreement for the sale of the self-service stations which was approved by the Competition Authority. The delivery of self-service stations occurred on 28 February 2019. Festi completed the sale of the convenience store in the first half of the year 2021 as the sale was delayed because the store's lessor did not accept the previous buyers.

In December 2020 the Competition Authority announced it would initiate an investigation on potential violations of the settlement by Festi and requested information and further explanations from the Company regarding several aspects, including the sale of the convenience store in Hella, which was subsequently answered. It the Company's view, all conditions of the settlement have been fulfilled.

Notes, contd.:

33. Financial ratios

The Group's key financial ratios

Operations	2021	2020
Turnover rate of inventories		
Utilisation of goods / average balance of inventories during the year	8,2	8,6
Sales days in trade receivables:		
Average balance of trade receivables during the year / goods and services sold	18,9	13,8
Profit before depreciation, amortisation and finance items / gross profit	41,1%	34,1%
Salaries and salary related expenses / gross profit	47,3%	50,9%
Other operating expenses / gross profit	21,0%	23,0%
Financial position		
Current ratio: current assets / current liabilities	1,31	1,10
Liquidity ratio: (current assets - inventories) / current liabilities	0,66	0,58
Leverage: net interest bearing liabilities / EBITDA	2,30	4,25
Equity ratio: equity / total capital	39,4%	35,7%
Return on equity: profit for the year / average balance of equity	15,6%	7,8%

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Quarterly Statement - unaudited

The Group´s operations for the year 2021 is specified by quarters as follows:

	Q1	Q2	Q3	Q4	2021 Total
Sale of goods and services	20.917.226	24.326.416	27.063.982	26.428.388	98.736.012
Cost of goods sold	(15.773.505)	(18.220.853)	(20.189.203)	(19.906.821)	(74.090.382)
Gross profit from sale of goods and serv.	5.143.721	6.105.563	6.874.779	6.521.567	24.645.630
Other operating income	455.018	603.412	534.144	723.797	2.316.371
Salaries and other personnel expenses	(2.817.658)	(3.016.679)	(2.752.260)	(3.072.282)	(11.658.879)
Other operating expenses	(1.276.106)	(1.233.879)	(1.311.155)	(1.364.368)	(5.185.508)
	(3.638.746)	(3.647.146)	(3.529.271)	(3.712.853)	(14.528.016)
Operating profit before depreciation, amortisation and changes in value (EBITDA)	1.504.975	2.458.417	3.345.508	2.808.714	10.117.614
Depreciation and amortisation	(728.794)	(714.239)	(754.370)	(995.858)	(3.193.261)
Changes in value of investment properties	(64.123)	22.695	434.678	342.756	736.006
Operating profit (EBIT)	712.058	1.766.873	3.025.816	2.155.612	7.660.359
Finance income	17.941	21.691	22.328	27.896	89.856
Finance costs	(440.128)	(612.266)	(385.076)	(519.230)	(1.956.700)
Foreign currency differences	17.229	(8.416)	18.004	40.135	66.952
Share of profit of associates	45.221	80.787	166.978	7.716	300.702
	(359.737)	(518.204)	(177.766)	(443.483)	(1.499.190)
Profit before income tax (EBT)	352.321	1.248.669	2.848.050	1.712.129	6.161.169
Income tax	(62.993)	(206.147)	(562.071)	(357.844)	(1.189.055)
Profit for the period	289.328	1.042.522	2.285.979	1.354.285	4.972.114
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	(27.140)	(5.021)	14.164	(11.359)	(29.356)
Changes in fair value of cash flow hedges	150.934	43.118	(68.418)	(132.622)	(6.988)
Items that will not be reclassified subsequently to profit or loss:					
Revaluation of properties, net of tax	0	0	0	1.621.320	1.621.320
Total other comprehensive income	123.794	38.097	(54.254)	1.477.339	1.584.976
Total comprehensive income for the period	413.122	1.080.619	2.231.725	2.831.624	6.557.090
Basic and diluted earnings per share in ISK	0,91	3,21	7,10	4,26	15,48

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Quarterly Statement - unaudited

The Group´s operations for the year 2020 is specified by quarters as follows:

	Q1	Q2	Q3	Q4	2020 Total
Sale of goods and services	18.955.760	20.764.238	23.602.332	22.937.368	86.259.698
Cost of goods sold	(14.651.994)	(15.540.552)	(17.817.262)	(17.565.780)	(65.575.588)
Gross profit from sale of goods and serv.	4.303.766	5.223.686	5.785.070	5.371.588	20.684.110
Other operating income	374.148	378.973	432.038	473.138	1.658.297
Salaries and other personnel expenses	(2.404.714)	(2.708.235)	(2.475.192)	(2.932.789)	(10.520.930)
Other operating expenses	(1.252.568)	(1.191.239)	(1.155.503)	(1.165.625)	(4.764.935)
	(3.283.134)	(3.520.501)	(3.198.657)	(3.625.276)	(13.627.568)
Operating profit before depreciation, amortisation and changes in value (EBITDA)	1.020.632	1.703.185	2.586.413	1.746.312	7.056.542
Depreciation and amortisation	(622.277)	(654.356)	(799.335)	(791.921)	(2.867.889)
Changes in value of investment properties	0	59.907	(875)	180.996	240.028
Operating profit (EBIT)	398.355	1.108.736	1.786.203	1.135.387	4.428.681
Finance income	48.422	28.264	957	24.467	102.110
Finance costs	(453.010)	(602.496)	(520.289)	(468.180)	(2.043.975)
Foreign currency differences	64.291	39.268	(692)	(79.588)	23.279
Share of profit of associates	7.579	61.736	168.528	29.819	267.662
	(332.718)	(473.228)	(351.496)	(493.482)	(1.650.924)
Profit before income tax	65.637	635.508	1.434.707	641.905	2.777.757
Income tax	(12.979)	(110.095)	(272.318)	(116.062)	(511.454)
Profit for the period	52.658	525.413	1.162.389	525.843	2.266.303
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	46.937	2.667	25.179	(19.755)	55.028
Change in fair value of investments in shares	0	30.000	0	0	30.000
Changes in fair value of cash flow hedges	49.416	15.925	(131.856)	195.695	129.180
Total other comprehensive income	96.353	48.592	(106.677)	175.940	214.208
Total comprehensive income for the period	149.011	574.005	1.055.712	701.783	2.480.511
Basic and diluted earnings per share in ISK	0,16	1,60	3,55	1,64	6,95

* The classification of revenue and expenses for the year 2020 has been changed in accordance with the presentation for the year 2021, see further information in Note 2.3.

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Statement of Corporate Governance

Board of Directors and Corporate Governance

Festi complies with the Guidelines on Corporate Governance, audited 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 www.leidbeiningar.is

The corporate governance of Festi is laid down in the rules of procedure of the Board of Directors, the Company‘s Articles of Association and the Act on Public Limited Companies No. 2/1995. The current rules of procedure of the Board of Directors were approved at a Board meeting on 28 April 2021. The rules are based on provisions in Article 70, paragraph 4 in the Act on Public Limited Companies No. 2/1995 and Article 17, paragraph 2 of the Company‘s Articles of Association. The Company‘s Articles of Association describe 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 22 March 2021. The policy applies to the terms of employment for the members of the Board of Directors, the CEO and the senior

The Company’s rules of procedure for the Board of Directors, Articles of Association and information regarding the remuneration policy are accessible on the Company’s website, www.festi.is/fjarfestatengsl. The Company’s highest authority is with its shareholders. The Annual General Meeting of shareholders shall be held 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 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 direct 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 finances or operations 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 directors appointed annually at the Annual General Meeting. The Board of Directors now consists of three women and one man whereas Þróður Már Jóhannesson, the former Chairman of the Board of Directors resigned on the 6 January 2022. The Board of Directors subsequently divided tasks between its remaining members and Guðjón Reynisson took over as Chairman of the Board. The Annual General Meeting will be held in March 2022 and until then four members will comprise the Board of Directors. Therefore, the Company does not, until then, comply with the provisions of the Act on Public Limited Companies on gender ratios which entered into effect on 1 September 2013. Members of the Board have diverse education and extensive professional experience.

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 five 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, and the Chairman of the Board directs the meetings. The CEO attends Board meetings and may at the meetings discuss matters and present motions, 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 and a Remuneration Committee. The Nomination Committee of the Company operates according to a mandate granted by the Annual General Meeting.

Statement of Corporate Governance, contd.

Board of Directors and Corporate Governance, contd.

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

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. The information includes board membership in other companies, shareholding in the Company, whether directly or indirectly through related parties, and possible conflict of interest. All Board members are independent of both the Company and the large shareholders.

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. 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 tp the Remuneration Committee. Two of three members shall be independent from the Company and its day-to-day managers. Neither the CEO nor other employees may be a member of the Remuneration Committee. Independent Board members may be members of the Remuneration Committee. 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 rules of procedure of the Board of Directors shall stipulate the tasks of the Committee. The Committee consists of Margrét Guðmundsdóttir, Chairman of the Committee, and Guðjón Karl Reynisson and Þórður Már Jóhannesson up until 6 January 2022.

Audit committee

The Board of Directors of Festi hf. has appointed an Audit Committee in accordance with provisions of the Financial Statements Act. The Committee must consist of at least three members and the majority of the members shall be independent from Festi. The Committee shall be appointed for a one year term at the first Board meeting following the Annual General Meeting. The majority of Committee members shall be members of the Board of Directors of Festi and the chairman of the Committee shall be appointed by the Company's Board of Directors. 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 Company’s financial statements and evaluate the performance of the auditor to ensure further safety and quality of work methods during the audit. According to the Committee's rules of procedure two Board members shall be appointed to the Committee in addition to an external expert. The Committee shall meet at least four times a year and additional meetings shall be called when deemed necessary by the Chairman. The Committee consists of Þórey Guðmundsdóttir, member of Board of Directors, Kristín Guðmundsdóttir, member of the Board of Directors, and Björgólfur Jóhannsson, Chairman of the Committee.

The Audit Committee´s tasks are as follows:
• To monitor the financial reporting process.
• To monitor the organisation and effectiveness of Festi´s internal control, risk management and other control procedures.
• To monitor the external audit of Festi´s financial statements.
• To make recommendation to the Board of Directors regarding the selection of auditors or audit firm.
• To evaluate the independence of external auditors or the audit firm and monitor other tasks performed by them.

Statement of Corporate Governance, contd.

Nomination committee

Festi has appointed a Nomination Committee, elected at the Annual General Meeting. The Nomination Committee has an advisory role regarding the election of Board members and presents its recommendations to the shareholder meeting where Board members are scheduled to be appointed. The Nomination Committee presents a reasoned proposal for the election of Board members, taking into account their competency, experience and knowledge with regards to the Guidelines on Corporate Governance and the results of the Board's performance appraisal. The committee´s proposal shall be in accordance with provisions of the Act on Limited Liability Companies and the company's Articles of Assocation regarding the appointment of the Board of Directors.The Nomination Committee's recommendations shall be aimed at a Board composition of diverse knowledge and experience that will serve well for setting the Company´s policies and for monitoring the business environment of the Company at any given time. The Nomination Committee shall conduct its work with the overall interests of all the shareholders of the Company in mind.

The Nomination Committee consists of three members that are appointed for a one-year term; two who are elected at the Annual General Meeting and one member of the Board of Directors. The majority of Committee members are independent from the Company and its day-to-day managers. The same guidelines are applied in assessing the independence of Committee members as for assessing the independence of Board members, i.e. the Guidelines on Corporate Governance issued by the Icelandic Chamber of Commerce, Nasdaq Iceland and the Confederation of Icelandic Employers. At least one Committee member shall be independent from the Company’s large shareholders.

The Nomination Committee consists of Sigrún Ragna Ólafsdóttir, Chairman of the Committee, Tryggvi Pálsson and Margrét Guðmundsdóttir, Vice-Chairman of the Board of Directors. Any queries are received through e-mail, tilnefningarnefnd@festi.is.

Investment committee

The Board of Directors has appointed an Investment Committee. Its purpose is to provide the Board with analysis and recommendations regarding investments. The Committee consists of Guðjón Reynisson, Chairman of the Board of Directors, and Eggert Kristófersson, CEO.

During the year 2021, the Board of Directors held 18 meetings, the Audit Committee 9 meetings, the Remuneration Committee 3 meetings. The majority of members of the Board of Directors, the Audit Committee, the Remuneration Committee attended all meetings. The Audit Committee calls meetings with the Company's auditors on a regular basis and auditors attend Board meetings when reviewed or audited financial statements are discussed.

The Board of Directors of Festi

Guðjón Reynisson, Chairman of the Board of Directors
Guðjón Reynisson holds an MBA from the University of Iceland from 2002 and completed Operating- and business studies from Endurmenntunarstofnuna Háskóla Íslands in 1999. Guðjón graduated with an athletic education degree from Íþróttakennaraskóli Íslands in 1986. Currently, Guðjón is an independent investor and a member of the Board of Directors. Between 2008 and 2017 he was the CEO of Hamleys of London. As CEO, Guðjón was responsible to develop and implement the company's strategy which aimed at the business's expansion from one store to becoming an international chain. He lead the sales process of the company in 2011 to 2012 and again in 2015 to 2016. Between 2003 and 2007 Guðjón was the executive director of 10-11 convenience stores. Prior to that, from 1998 to 2003, he was the executive director of sales at Tal. Guðjón has been a member of the Board of Directors of Festi since 2014, of Kvika banki since 2018, of Securitas since 2018 and as chairman of Dropp since 2021.

Margrét Guðmundsdóttir, member of the Board of Directors
Margrét holds a Cand. oecon. degree in Business Administration from the University of Iceland, Cand. merc. degree from Copenhagen Business School and an Executive education from CEDEP Insead in France. Margrét held the position of CEO of Austurbakki, later Icepharma hf., during the period from 2005 to 2016. Before that she was an executive director at Skeljungur from 1995 to 2005, executive director at Kuwait Petroleum (Danmark) A/S from 1986 to 1995 and the office director at Dansk ESSO, later Statoil, from 1982 to 1986. She was the deputy CEO of AIESEC International Brussel from 1978 to 1979. Margrét is a member of the Board of Directors of Eignarhaldsfélagið Lyng ehf., Hekla hf., Hekla Fasteignir ehf. and Paradís ehf. She was the chairman of European Surgical Trade Association from 2011 to 2013 and sat on the Association’s Board of Directors from 2009 to 2015. She was the chairman of the Icelandic Federation of Trade. Margrét was also a member of the Board of Directors at Reiknistofa bankanna from 2010 to 2011 and from 2016 to 2018, and a member of the Board of Directors at ISAVIA from 2017 to 2018 and at SPRON 2008 to 2009. Margrét has also been a member of the Board of the following companies: Skýrr hf., Frigg hf. and Q8 A/S in Denmark and Dansk Institut for Personalerådgivning. Margrét has been a member of the Board of Directors of N1 from 2011. Margrét was the Chairman of the Board of Directors of Festi until March 2020.

Statement of Corporate Governance, contd.

The Board of Directors of Festi, contd.

Kristín Guðmundsdóttir, member of the Board of Directors
Kristín holds a Cand. oecon. degree in business administration from the University of Iceland and she is the CEO of KG slf. In 2011 she was the CEO of Skipti hf. Prior she was the CFO of Síminn hf. and Skipti hf. from 2003 to 2010. Kristín was the CFO of Grandi hf. from 1994 to 2002. Kristín was also for many years an executive at Íslandsbanki and Iðnaðarbanki Íslands. Kristín has been a member of many Boards of Directors. She was the Chairman of the Board of Directors of Sparisjóður Vestmannaeyja from 2011 to 2013, a member of the Board of Directors of Síminn hf. and Míla ehf. from 2007 to 2011, a member of the Board of Directors of Straumur investment bank from 2013 to 2015 and of Kvika bank from 2015 to 2016 and again in 2018 and on the board of the Golf Association of Iceland 2013 - 2021. She has also been a member of the Board of Directors of the following companies: Skjá miðlar, Fasteignafélagið Jörfi, Sjóminjasafnið, Farsímagreiðslur, Straumur, Verslunarráð Íslands, Verðbréfaskráning Íslands and Lífeyrissjóður verkstjóra. She is a member of the Board of Directors of Farice since 2013, Rvk Studios since 2015, Eyrir Venture Management since 2020 and Eyrir Ventures since 2019. She has been a member of the Board of Directors of Eyrir Sprotar since 2020 and a member of the investment committee of Eyrir Sprotar since 2015. Krístín was the president of Rótarý Reykjavík Miðborg from 2013 to 2014. Kristín has been a member of the Board of Directors of N1 since 2011 and became a member of the Board of Directors of Festi in 2018.

Þórey G. Guðmundsdóttir, member of the Board of Directors
Þórey holds a Cand.oecon. degree in Business Administartion from the University of Iceland. Þórey was the CFO of Bláa Lónið hf. from 2013 to 2021. Þórey was the Head of the Economics Department of Samskip from 2012 to 2013 and the CFO of Straumur Fjárfestingabanki, which operated in four countries for a period, from 2004 to 2011. She was the assistant and substitute for the Manager of Operations and Finance of Alþingi from 1999 to 2000 and worked for KPMG Endurskoðun hf. from 1995 to 1999. Þórey is a member of the Board of Directors of DecideAct A/S which is listed on Nasdaq First North Danmark and sells software that supports corporations to implement and follow their strategy. Þórey was elected to the Board of Directors of Festi in March 2020.

Executive Board of Festi

The Executive Board is comprised of the CEO and five managing directors of the Company, whereby each managing director is responsible for a certain division towards the CEO.

Eggert Þór Kristófersson, CEO
Eggert was employed as a consultant in personal service at VÍB hf. from 1995 to 1997. He acted as the executive director for sales and service at Lánasýsla ríkisins from 1997 to 1999 and Íslandsbanki hf. from 2000 to 2007, first being responsible for bond positions and later he was the managing director of Islandsbanki's investment funds. During the year 2008 Eggert acted as director of asset management at Glitnir bank in Iceland and in Finland but a year later he joined the investment company Sjávarsýn ehf., where he acted as the CEO. Eggert was the acting CFO of N1 from June 2011 and took over as CEO of N1 in February 2015. Eggert is the Chairman of the Board of Directors at Malik Supply A/S and Nordic Marine Oil where Festi holds a 24% share and he is the Chairman of the Board of Directors in Festi‘s subsidiaries. Eggerts holds a Cand. oecon. degree from the accounting department at the University of Iceland and is also a certified securities trader.

Magnús Kristinn Ingason, CFO
Kolbeinn Finnsson, managing director of Operations
Ásta Sigríður Fjeldsted, CEO of Krónan
Hinrik Bjarnason, CEO of N1
Óttar Örn Sigurbergsson, CEO of ELKO

According to the Companie's Articles of Association, it is the role of the Board of Directors is to hire the CEO and decide the terms on the employment contract. The Board of Directors and CEO are responsible for the governance of the Company.

It should be noted that members of the Executive Board of Festi do not have share option agreements with the Company. There are no conflicts of interest between members of the Executive Board and the Company’s main customers, competitors or large shareholders.

Festi´s values, code of conduct and policy on social responsibility

Festi's values are:
Value
Cooperation
Trust

Statement of Corporate Governance, contd.

Festi´s values, code of conduct and policy on social responsibility, contd.

The Company’s policy is to be a leader for the future, which includes being socially responsible. Concurrently to the issue of the financial statements, a social report will be issued in accordance with the ESG Reporting Guide 2.0 from February 2022. Festi endeavours to minimise the environmental impact of its operations by relentlessly applying disciplined and accepted measures. On 19 June 2015 Festi was granted VR´s certificate of equal salary which all subsidiaries of Festi have been granted in accordance with the ÍST 85:2012 standard. The certificate confirms that the Company´s employees working comparable jobs are not being discriminated against in determination of their salaries. Every year a number of non-profit organisations and individuals ask the Company for financial support for their good causes. Festi puts emphasis on preventative measures and sport activities.

Festi´s code of conduct was approved on 27 February 2020. The code of conduct is accessible on the Company´s website.

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.

The main components of internal control and risk management are reviewed by the Board of Directors annually.

The Company does not have an internal auditor. However, the Company´s 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 its homepage, www.festi.is.

Non-Financial Information

Non-Financial Information ESG

Since the merger of the companies, Festi hf. (Festi) has been publishing alongside the annual consolidated financial statements a comprehensive sustainability report, based on the Nasdaq ESG Reporting guide for Iceland and the Nordic countries introduced in February 2020. These guidelines reflect the existing recommendations issued in 2015 by the United Nations (UN) and its Sustainable Stock Exchanges (SSE) initiative, the World Federation of Exchanges' Sustainability Working Group.

These annual accounts contain an excerpt from the Sustainability Report of Festi and its operating subsidiaries which will be published in detail in a separate document. The sustainability performance of Bakkinn, ELKO, Krónan, and N1 will also be published.

The information in the Sustainability Report is produced by employees and experts in applicable divisions of Festi. The report is not audited or reviewed by a third party. The report covers the entire operations of Festi and its operating subsidiaries based on the operating year 2021.

Greenhouse gas emissions and other environmental metrics are provided by Klappir's online solution. The metrics include the following information: number of flights provided by each relevant airline company, fuel litres from N1 customers accounting systems, data on waste disposal from the waste management companies, and data on energy and water usage from applicable utilities. Metrics for the years 2018 to 2020 are provided for comparison. However, the data provided for comparison may change between years if updated information has been streamed through the database of Klappir.

ESG Risk Assessment

Reitun prepared and issued a report on the ESG risk assessment for Festi in 2020 and 2021. The Group had a positive outcome from the risk assessment with an improvement from grade B3 in 2020 to grade B2 in 2021 (i.e. from 68 to 72 points out of 100 possible).

The purpose of the assessment is to analyze and evaluate Festi's performance in selected main ESG aspects (environmental, social and governance). In Icelandic, the term is UFS (umhverfismál, félagslegir þættir and stjórnarhættir). The risk of each factor, which are given different weights, is assessed from the perspective of management and performance results. Festi's overall score is 72 points, category B2. At the time of publication, this score was above the average of the 34 Icelandic companies which had been assessed by Reitun through similar ESG analysis.

A summary of Reitun's report can be found on Festi's website.

Festi's operations

Festi owns and operates companies that are leaders in the market for food products, sale of fuel and related services, electricity and electronic equipment. The Company's operations regard investments in and provision of core services to its subsidiaries, the operation of real estate and the purchasing and selling of shares. The subsidiaries are Bakkinn vöruhótel, ELKO, Festi fasteignir, Krónan and N1.

The company's policy is to manage investments, support value creation and develop new opportunities. Doing so will provide Festi's subsidiaries with the necessary surpport so that they will stay at the forefront of services and product offerings in the whole of Iceland.

Festi is listed on the main market of the stock exchange of NASDAQ OMX Iceland and has approximately one thousand shareholders and diverse ownership.

Values of Festi:

Value - Cooperation - Trust

Festi's policy includes:

Community: We have a positive impact on our community and local environment by being guided by sustainability in all of our decision-making.

Employees: We want to be an outstanding and sought after workplace by supporting career development and a healthy work culture.

Subsidiaries : We support our companies under management to grow and constantly seek new opportunities in efficient infrastructure services for operations, financing, human resources, digital solutions and sustainability.

Partners: We build long-term business relationships with our customers, suppliers and other partners.

Shareholders: We create value for our shareholders with sustainable long-term investments.

Non-Financial Information, continued:

Vision of Festi:

We are trustworthy and sustainable leaders
We increase value, happiness and the quality of life

Festi's, and its subsidiaries', risk assessment is updated twice a year. The assessment covers all material risk issues in which both likelihood and financial impact is assessed. Issues which have developed and progressed from last assessment are especially analyzed to further decrease impacts of those risk issues. An action list is then updated which lists out actions until the next assessment. Festi's CFO is responsible for the risk assessment.

Sustainable Development Goals	Festi Target					Reference
8	Policy	Indicator	2019	2020	2021	ESG
Decent work and Economic growth	Create value for shareholder	Total segment revenue ma. ISK	87	87	101	NA
	Promote good business practices	Publish a sustainability report	Krónan, Festi and N1	Festi, Bakkinn, ELKO, Krónan and N1	Festi, Bakkinn, ELKO, Krónan and N1	G8
		Grade A from Reitun		B3	B2	G8

Festi’s daily operations are divided into operating of infrastructure services for the Group’s operating entities and investment operations. The tasks associated with Festi’s operations include the Group’s IT, finance, including daily treasury and financing, human resources, the operations of real estate, as well as quality management and security operations. The Executive Committee of Festi is an integrated part of the management team of the Group’s operating entities. As such the Executive Committee of Festi participates in monthly management meetings of its subsidiaries and the Boards of the operating entities consist of representatives of Festi.

Festi's operating subsidiaries

The Group operates more than 200 operating units around Iceland. Furthermore, it leases out real estate assets which are not used for own operation. Most of the Group's companies are subject to operating permits, in addition to having have to comply to several laws and regulations which are monitored. Operations subject to permits are annually reviewed by relevant supervisory bodies in relevant municipalities. Feedback and comments by such supervisory bodies are addressed in cooperation with them.

Festi Real Estate owns and operates the Group's real estate with the objective of return on investment and/or to support its core operation.

Bakkinn vöruhús are two warehouses specialised in storage and distribution of products for customers who either partly or fully outsource their warehousing operations, both within and outside of the conglomerate. Bakkinn's operations are an important link in the Group's supply chain through the distribution and delivery of products for Festi's operating subsidiaries. Bakkinn emphasizes quality, safety and efficiency in both services and processes. Bakkinn will publish its second sustainability report in accordance with the Nasdaq ESG Reporting guide in March 2022. It will further describe operations, environmental goals, greenhouse gas emissions and goals related to the 17 UN Sustainable Development Goals.

Elko is the largest electronics retail chain in the country and operates seven stores, including an online store. Elko's objectives are to offer quality brand names in electronics at competitive prices, as well as to offer customers excellent services. Its supply agreement with Elkjöp helps to provide the lowest prices for electronics in Iceland. Elko promotes environmental practices in multiple ways such as tacking back used products, such as laptops and mobiles, for refurbishment and reselling in return for a voucher. Elko has received thousands of used electric products from Icelandic consumers which have been resold or refurbished abroad. Other environmental practices include electronic invoicing, waste management, and energy efficiency through investments in environmentally friendly tools and equipment.

Next March, ELKO will publish its second sustainability report prepared in accordance with the Nasdaq ESG Reporting guide in March 2022. It further described its activities, environmental goals, CO2 emissions and its goals related to the UN Sustainable Development Goals.

Non-Financial Information, continued:

Festi's operating subsidiaries, continued:

Krónan is a discount super market which emphasizes fresh produce. Krónan runs 25 convenience stores under the brand names Krónan, Kr and Krónan online store. Their objective is to provide a wide variety of products at low prices to its customers. All the stores have been the first in Iceland to be awarded the Swan Ecolabel environmental certificate. The Swan Ecolabel for convenience stores covers all environmental aspects of the stores' operations such as food waste, waste sorting, energy consumption and offer of organic and environmentally certified products. Krónan supports the national campaign Þjóðþrif by collecting the recyclable plastic generated by its operations and sending it to Pure North Recycling. The project promotes sustainability, aligns with the circular economy and ensures, through a certified process, that plastics are duly recycled and not landfilled, incinerated or sent unprocessed to foreign countries.

Krónan will publish its third sustainability report, prepared in accordance with the Nasdaq ESG Reporting guide in March 2022, the first of which was awarded CSR Report of the Year by Festa Center for Corporate Social Responsibility, Stjórnvisi and the Iceland Chamber of Commerce. It further described its activities, environmental goals, CO2 emissions and its goals related to the UN Sustainable Development Goals.

N1 is energy supplier for the Group and provides people, households and companies with fuel, electricity, supplies, tires and lubrification services, catering and leisure services at the service stations accross the country. The N1's objective is to enhance the mobility of society with a customized service and a targeted product range that meets the requirements of customers in all circumstances. N1's policy is to be a leader in Icelandic transportation and to serve all types of clients regardless of whether they use petrol, diesel, eletricity or methane driven vehicles. N1 Rafmagn distributes eletricity to residential homes, corporations and common property. The electricity originates from renewable ernergy sources. N1 operates 86 fuel service stations, 13 electricity service stations in its brand name N1 Rafmagn (12) or in collaboration with Telsa (2), and one methane service station for vehicles. Out of these, 29 offer refreshments and healthy snacks under the brand names Nesti og Ísey Bar, including offering pick-up for online purchases through the delivery service Dropp. 18 of N1's stations are certified in line with the ISO 14001 standard on environmental management. N1 also runs 11 lubrication and tire service stations. All of the tire service stations have quality assurances by Michelin. In addition, N1 operates 3 corporate stores, 6 corporate stores through agents, 5 tire service stations and 41 maritime fuel pumps around the country.

N1 will publish its sustainability report prepared in accordance with the Nasdaq ESG Reporting guide in March 2022 for the third consecutive year. It further describe its activities, environmental goals, grenhouse gas emissions and its goals related to the UN Sustainable Development Goals. Since 2014, N1 has been publishing a corporate social responsibility report.

Society and Environment

It is Festi's policy to have positive impacts on society and the local environment by focusing on sustainability in all decison-making. Social responsibility plays an important part in that journey. The company's policy is to treat the environment with respect, minimize negative externalities and seek to provide environmentally friendly products and services. Festi and its subsidiaries are all members to Festa , the center for social responsibility in Iceland.

Festi and its operating subsidiaires work constantly to increase social responsibility accross the core activities of the companies. Social responsibility is an increasingly important factor in the operations and covers all aspects of the Group. Various fields fall under the term, such as environmental issues, codes of conduct, fair practices, communal activity, and development and relations with the society. Festi and its subsidiaries are developing a Community and climate policy which supports and strengthens the existing policies of Festi. It is estimated that the policy will be presented during the first quarter of 2022.

Festi and its operating subsidiaries strive to operate in accordance with issued operating licenses, internationally certified standards and approved methods. All of Krónan's convenient stores are certified by Swan Eco Label, 18 of N1 fuel service stations are certified pursuant to the ISO 14001 standard on environmental management by Vottun hf. All nine N1 tire workshops are certified Michelin Quality Dealers by SCA in Denmark. Bakkinn and lubrication oil service stations operate in accordance with the requirements of Exxon Mobil certified by Exxon Mobil.

Festi and its operating subsidiaries have in various ways reduced their environmental footprint, among other things through targets on waste sorting, responsible procurement, product selection, innovation, services and training, and other measures. These activities are outlined in more detail in the sustainability report of Festi and its subsidiaries with the annual report during the first quarter of the year.

Sustainable Development Goals	Festi Target					Reference
12	Policy	Indicator	2019	2020	2021	ESG
Ensure sustainable consumption and production patterns	Positive impact on the community	90% of all waste sorted by 2030	Percentage of sorted waste 70,4%	Percentage of sorted waste 72,8%	Percentage of sorted waste 75,8%	E1, E7
	Positive impact on the community	Certifications, internal reviews of licensed operations	Swan Ecolabel at 2 Krónan stores, 18 N1 service	Swan Ecolabel at all Krónan stores, 18 N1 service stations certified ISO 14001, all tire service stations certified by Michelin, Bakkinn Klettagarðar	Swan Ecolabel at all Krónan stores, 18 N1 service	G5

Non-Financial Information, continued:

Society and Environment, continued:

This year, all of Festi's subsidiaries will publish their second sustainability report including non-financial information, environmental and waste management , as well as their goals in connection with the 17 United Nations Sustainable Development Goals. Those reports are part of the commitments of Festi, Krónan, Bakkinn and ELKO under their signature for the Climate Declaration of Festa (Loftlagsyfirlýsing Festa) and the city of Reykjavík this year. N1 signed the declaration in 2015.

Since the merger, Festi has offset the direct emissions of the day-to-day operations of the conglomerate (Scope 1 emissions). For the year 2021, Festi hf. has also offset indirect emissions, including from energy use, flights and waste (Scope 2 and 3). Information on the source of the data from suppliers is traceable through Klappir's software.

The report is not audited by a third party in accordance with paragraph 66.d. of act 3/2006 on annual accounts but there are plans to do so in 2022.

During the year of 2021, Festi hf was the first of all companies in Iceland to register its carbon sequestration in the Icelandic Climate Register in accordance with the requirements of the Skógarkolefni quality system by signing a contract with the Icelandic Climate Register and Skógrækt. The project is transparent, measurable and will be confirmed and certified by an independent party. Responsible carbon offsetting is an important part of Festi's and its operating companies' policy and part of the journey towards the Group's carbon neutrality in 2035.

The project starts in 2022 with the certified planting of about half a million trees over the next three to four years at Fjarðarhorn in Hrútafjörður. With this first project, it is estimated that over the next 50 years Festi's carbon sequestration will amount to 70,000 tonnes of Co2, which comprises ca. 85% of expected emissions due to the operations of Festi and its subsidiaries during the same period. Festi's investment related to this one project is around 100 million ISK, but the aim is to invest in further projects related to forestry in each part of the country. In this way, Festi hf not only aims to develop new forests, but also to strengthen the level of employment in the areas where the new forests will rise. The forests are also designed to promote exercise and outdoor life with benches, tables and outdoor recreation facilities for people all around the country.

Sustainable Development Goals	Festi Target					Reference
13	Policy	Indicator	2019	2020	2021	ESG
Take urgent action to combat climate change and its impacts	We have a positive impact on our community and local environment by being guided by sustainability in all decision-making.	Energy insenty kWh/FTE	44,3	43,1	42,0	E4
		Energy intensity kWh/m2	505,0	459,4	474,6	E4
		Emissions kgCO2/million ISK	19,1	19,6	15,7	E2
		Emissions tCOs/FTE	1,43	1,49	1,34	E2
		Carbon offsetts through reforestation			Signature of contract with the	E1
		Carbon neutrality by 2035	Offset Scope 1 emissions tCO2e 441,8	Offset Scope 1 emissions tCO2e 470,5	Carbon offsets for Scope 1, 2 og 3 tCO2e .583,0	E1
		Procurement policy			Preparing for presentation in 2022	S9, S10
		Supplier assessment on the largest suppliers of Festi and its subsidiaries		Not yet started	Preparing	S9, S10
		Eletricity provider	Purchase of share of Íslensk Orkumiðlun	Purchase of all remaining shares of Íslensk Orkumiðlun	N1 Rafmagn	E10

Non-Financial Information, continued:

The procurement policy of Festi and its subsidiaries is being formulated. It is estimated that it will be published and implemented in 2022. Krónan requires its suppliers to certify that their products are manufactured in accordance with laws and regulations, to respect the protection of international human rights and to assure no human rights violations have been taken place. This provision is further described in Krónan's procurement rules in its sustainability report. Suppliers who service ISO 14001 certified N1 establishments have undergone supplier assessment in accordance with the requirements of N1 and the standard. Some N1 suppliers make reciprocal requirements for N1 to meet certain conditions in order to obtain a license to sell their products, such as the training of N1 staff in accordance with their standards but also the fulfillment of their requirements for environmental, safety and security, personnel and health issues. These processes are reviewed annually.

Numerous non-profits, humanitarian organizations and individuals contact the Group annually with enquiries for all sorts of support to its causes and projects. Festi emphasizes support to preventional activities and sports. Further details on these activities will be detailed in the Group's individual subsidiaries' sustainability reports.

Cleaning measures on behalf of N1 ehf. and Festi hf. due to a leak from a fuel tank at the N1 self-service station at Suðurbraut 9 in Hofsós have been going on since 2020 and are still in progress. The precautionary measures and proposals were preceded by extensive research into soil, soil air, indoor air as well as regular monitoring of organic compounds in defined areas in accordance with the instructions of the Environment and Food Agency. N1 nor Festi are not authorized to undertake any actions in the area except on the basis of instructions from the Environment Agency and with the consent of the municipality and the relevant site owner. Work is now underway to comply with instructions for improvements issued by the Environment Agency on 22 November 2021. To prevent a similar incidence like the one in Hofsós, N1 has implemented a special tank measurement and monitoring system at 85 service points that measures and reports the smallest deviations in the fuel tank contents to prevent any accidents like this in the future.

Human resources

Festi's policy is to attract and retain qualified and trustworthy employees. This strategy involves creating a positive and motivating work environment for employees as well as empowering and supporting them through purposeful training and career development. Emphasis is put on the awareness and knowledge of employees on the respective company's role and responsibility, policy and values in order to achieve greater success.

Human resources, non-discrimination, and equal pay policies that apply to Festi and its subsidiaries are available on the relevant websites.

Festi places great emphasis on ensuring that employees performing the same or equivalent jobs are not discriminated against in terms of pay or

This year, Festi and its subsidiaries harmonized their equal pay system in accordance with IST 85: 2012 and the criteria of the Ministry of Welfare for equal salary. The equal pay certification was reviewed by Icert in January 2021. No deviations were identified.
Results of salary gap at Festi and its subsidiaries:

In January 2021, the equal pay system of Festi and its subsidiaries, based on the IST 85:2012 standard and the requirements of the Ministry of Welfare on equal pay certifications, was evaluated by Icert in January of 2021. No issues were identified during the assessment.

The results of the pay analysis for Festi and its subsidiaries;

Gender Pay Ratio	Unit	2019	2020	2021
compensation for women	X:1	-	-	
Outcome of pay analysis - Festi	%	-	0,79%	0,35%
Outcome of equal pay certification - Bakkinn	%	4,3%	0,11%	1,31%
Outcome of equal pay certification - ELKO	%	2,51%	0,67%	0,64%
Outcome of equal pay certification - Krónan	%	3,59%	0,71%	0,2%
Outcome of equal pay certification - N1	%	1,1%	0,33%	0,95%
S2				

In 2019 Festi and its subsidiaries were the first companies to enter into contract with the ethics platform of Hagvangur (Hagvangur's Siðferðisgátt). The objective is to provide employees of companies and institution a platform to report to an independent party any misconduct or harassment at the workplace. Promotion of this co-operation is available on the companies internal workpage, and promotional cards are available at all establishments where there is no easy access to Relysis' internal or educational website. One notification was received through the portal in the year 2020. In 2021 they were 8 notifications for the entire Group. Not all of them were related to misconduct, bullying or harassment but all received notifications were resolved.

Non-Financial Information, continued:

Human resources, continued:

Festi has a zero-accident policy. Safety and occupational safety courses are held annually as it is important to strengthen the safety and health awareness of employees. Emphasis is placed on safety in the work environment and attention is drawn to health and exercise. Courses and educational lectures are e.g. related to first aid, fire protection, chemicals and chemical products, quality, environment and security issues, responses to robbery and theft, threatening behavior and degradation as well as lectures on health, discrimination, bullying and harassment. The goal of the human resource department is to increase the e-learning in order to provide better access to all of the Group's employees throughout the country and as a key element in the on-boarding process of new employees. Through these measures, Festi believes that the Group's employees become more powerful and employee turnover ratio will decrease. A new Relysis electronic training and communication system is currently being implemented with good promise. Educational material is tailored to operations and can be used by all of the Group's companies.

Sustainable Development Goals	Festi Target					Reference
5 and 10	Policy	Indicator	2019	2020	2021	ESG
Achieve gender equality and empower all women and girls	We want to be an outstanding and sought after workplace by supporting career development and a healthy work culture.	Equal pay for similar and equally valuable jobs		Gender Pay Gap 0,73%	Gender Pay Gap 0,35%	S2
		Equal pay certification for Festi and its subsidiaires	Launch of the project	Project completed	No deviation found in the review of the equal pay certification	S2
		Equal gender ratio at board level	50% women	66% women	60% women	G1
Reduce inequality within and among countries		Increase the proportion of women in senior management	Senior management Festi 17% Women (1 of 6)	Senior management Festi 17% Women (1 of 6)	Senior management Festi 17% Women (1 of 6)	S4
		Increase the proportion of women in senior management	Head of divisions Festi 80% women (4 of 5)	Head of divisions Festi 80% women (4 of 5)	Head of divisions Festi 83% women (5 of 6)	S4
		Anti-harassment	Agreement with Siðferðisgáttin	One notification received through the system	Eight notifications received through the system	S6 S7 S10

A big step was taken towards a holistic approach regarding the wellbeing of employees this year through the implementation of Festi's and its subsidiaries' wellbeing package (Velferðarpakki). The package offers all full time employees a range of different services. The services include therapy sessions, sport grants, the ethics platform (siðferðisgátt), retirement courses, trauma care, counseling of various professionals such as with a nutritionist or social worker. An agreement between the Group and the Health Protection Agency on the registration of illness and health-related counseling is also in force.

Satisfied employees are the foundation for outstanding services. In co-operation with Gallup, Festi, and its subsidiaries perform an annual workplace analysis. The purpose is to measure the well-being and employee satisfaction. Gallup´s Q12 questionaire is used in addition selected question from Festi. Ratings range from 1 to 5 (5 being the highest). Once available, the results are analysed, compared to previous years, to peers or to the other companies of the Group. Then, the results are reviewed by the management and presented to the employees. Potential actions are taken if appropriate.

The employee satisfaction assessment was conducted in October 2021.

The workplace analysis was last conducted in October 2021;

Results of the work satisfaction survey Overall satisfaction	2021	Svar-hlutfall	2020	Svar-hlutfall
Total	4,07	73,7%	4,21	67%
Festi	4,27	94,1%	4,34	91%
Bakkinn	3,87	85,7%	4,03	69%
ELKO	4,17	77,1%	4,17	90%
Krónan	4,04	69,9%	4,15	58%
N1	4,08	74,1%	4,33	72%

Non-Financial Information, continued:

Anti-corruption and bribery policy

Festi and its subsidiaries are aware of their impact on the society. Festi acknowledges that the reputation of Festi and its subsidiaries is one of the most valuable asset of the Company. The Code of Conduct of Festi, approved on 27 February 2020, applies to all activities of the Group, all employees, its board of directors as well as contractors which perform tasks for the Companies. The Code of Conduct is available on the Company's website, www.festi.is.

In accordance with Act no. 40/2020 on the Protection of Whistleblowers the e-mail addresses uppljostrun@festi.is, uppljostrun@bakkinn.is, uppljostrun@elko.is, uppljostrun@kronan.is, uppljostrun@n1.is are active and the Company's privacy representative receives the notifications.

Everyone can proposed suggestions to the company through Festi's website, www.festi.is. External suggestions are recorded, managed and resolved by the responsible party.

FESTI HF. - ESG Statement 2021

Operational parameters

Operational Parameters	Unit	2018	2019	2020	2021
Total Revenue	ISK thousands	59.700.000	86.700.000	87.392.899	101.052.383
Total Equity	ISK thousands	26.000.000	28.700.000	29.783.625	33.910.395
Number of full time equivalent employee	FTEs	764	1.158	1.145	1.176
Total space for own operation	m^2	112.000	101.644	107.423	104.144

GHG emissions	Unit	2018	2019	2020	2021
GhG emissions per megawatt-hour consumed	$kgCO_2e$/MWh	40,1	32,3	34,7	32
GhG emissions per full-time equivalent (FTEe) employee	$kgCO_2e$/FTEs	2.438,23	1.430,8	1.495,99	1.346,08
GhG emissions per unit of revenue	$kgCO_2e$/ISK thousands	0,03	0,02	0,02	0,02
GhG emissions per unit of equity	$kgCO_2e$/ISK thousands	0,07	0,06	0,06	0,05
GhG emissions per unit of space (m^2)	$kgCO_2e/m^2$	16,63	16,3	15,95	15,2
Nasdaq: E2					

Energy Intensity	Unit	2018	2019	2020	2021
Energy per full-time equivalent (FTEe) employee	kWh/FTEs	60.795,8	44.327,7	43.101,7	42.026,7
Energy per unit of revenue	kWh/ISK thousa	0,8	0,6	0,6	0,5
Energy per square meter	kWh/m^2	414,7	505	459,4	474,6
Nasdaq: E4					

Waste Intensity	Unit	2018	2019	2020	2021
Total waste per full-time equivalent (FTEe) employee	kg/FTEs	5.632	3.594,2	3.728	3.423,6
Total waste per unit of revenue	kg/ISK thousand	0,1	0	0	0

Accounting of emissions

Emissions neutralized by carbon offset projects	Unit	2018	2019	2020	2021
Total emissions offset	tCO_2e	509	441,8	470,8	1.583
Emissions offset by forestry	tCO_2e	509	441,8	470,8	1.583
Mitigation efforts through wetland restoration	tCO_2e	0	0	0	0
Other emissions offset	tCO_2e	0	0	0	0

Greenhouse Gases	Unit	2018	2019	2020	2021
Scope 1	tCO_2e	535,1	441,8	470,5	474,8
Scope 2 (location-based)	tCO_2e	401,1	462,6	459,8	456,8
Scope 1 and 2	tCO_2e	936,2	904,5	930,3	931,6
Scope 3	tCO_2e	926,6	752,4	782,6	651,4
Greenhouse Gas Emissions	tCO_2e	1.862,8	1.656,9	1.712,9	1.583
Nasdaq: E1					

Non-Financial Information, continued:

Scope 1 - Composition of emissions	Unit	2018	2019	2020	2021
Total emissions	tCO_2e	535,1	441,8	470,5	474,8
Fuel consumption of vehicles	tCO_2e	525,2	422,2	412	439,1

Scope 2 - Composition of emissions	Unit	2018	2019	2020	2021
Total emissions	tCO_2e	401,1	462,6	459,8	456,8
Electricity	tCO_2e	225,8	244,5	253,8	231,2
Heating	tCO_2e	175,3	218,1	206,1	225,6

Scope 3 - Composition of emissions	Unit	2018	2019	2020	2021
Category 5: Waste generated in operations					
Total emissions	tCO_2e	879,1	727,5	766,5	634
Transport, disposal and treatment	tCO_2e	879,1	727,5	766,5	634
Category 6: Business travel					
Total emissions	tCO_2e	47,5	24,9	16,1	17,4
Flights	tCO_2e	47,5	24,9	16,1	17,4

Environmental parameters

Energy Usage	Unit	2018	2019	2020	2021
Total energy consumption	kWh	46.447.974	51.331.534	49.351.456	49.423.451
Of which energy from fossil fuel	kWh	2.099.645	1.734.360	1.898.995	1.909.942
Of which energy from bio fuel	kWh	497	2.921	3.759	2.992
Of which energy from electricity	kWh	24.541.146	24.952.973	24.168.116	22.021.289
Of which energy from hot water	kWh	19.806.686	24.641.280	23.280.586	25.489.228
Direct Energy Consumption	kWh	2.100.142	1.737.281	1.902.754	1.912.934
Indirect Energy Consumption	kWh	44.347.832	49.594.253	47.448.702	47.510.517

Nasdaq: E3

Energy Mix	Unit	2018	2019	2020	2021
Total energy consumption	kWh	46.447.974	51.331.534	49.351.456	49.423.451
Fossil Fuel	%	4,5%	3,4%	3,8%	3,9%
Renewable Energy	%	95,5%	96,6%	96,2%	96,1%
Nuclear	%	0%	0%	0%	0%

Nasdaq: E5

Fuel consumption	Unit	2018	2019	2020	2021
Total fuel consumption	liters	214.180,6	177.258,2	193.964,5	194.123,6
Petroleum	liters	62.859	53.021	59.279	50.171
Diesel oil	liters	150.968,8	123.709,6	134.342,4	143.679,2
Methane	liters	48	266	343	273

Water Usage	Unit	2018	2019	2020	2021
Total water consumption	m^3	571.255,9	693.312,1	633.565,4	672.492,3
Cold water	m^3	229.761,3	268.462,5	232.175,9	233.022,8
Hot water	m^3	341.494,6	424.849,7	401.389,4	439.469,5

Nasdaq: E6

Electricity Mix	Unit	2018	2019	2020	2021
Total electricity use	kWh	24.541.145,8	24.952.972,5	24.168.115,8	22.021.288,9
Fossil fuels	%	0%	0%	0%	0%
Renewable energy	%	100%	100%	100%	100%
Nuclear	%	0%	0%	0%	0%

Waste Management	Unit	2018	2019	2020	2021
Total waste generated	kg	4.302.852	4.162.058	4.268.519	4.026.164
Of which sorted waste	kg	2.699.675	2.923.957	3.107.779	3.051.870
Of which unsorted waste	kg	1.507.642	1.238.101	1.160.740	971.748
Recycled/recovery	kg	2.668.603	2.806.409	2.944.355	2.248.371
Landfill/disposal	kg	1.623.906	1.355.649	1.324.164	1.775.247
Percentage of sorted waste	%	62,7%	70,3%	72,8%	75,8%
Percentage of recycled waste	%	62%	67,4%	69%	55,8%

Non-Financial Information, continued:

Business travel	Unit	2018	2019	2020	2021
Total distance	km	489.624	281.715	154.034	197.113
Flights	km	489.624	281.715	154.034	197.113

Environmental Operations	Unit	2018	2019	2020	2021
Does your company follow a formal Environmental Policy?	yes/no	yes	yes	yes	-
Does your company follow specific waste, water, energy, and/or recycling policies?	yes/no	-	-	-	-
Does your company use a recognized energy management system?	yes/no	no	no	no	no
Nasdaq: E7					

Environmental Management

Climate Oversight / Board	Unit	2018	2019	2020	2021
Does your Executive Management oversee and/or manage climate-related risk?	yes/no	-	no	no	no
Does your Board of Directors oversee and/or manage climate-related risk?	yes/no	-	no	no	no
Nasdaq: E8, E9					

Climate Risk Mitigation	Unit	2018	2019	2020	2021
Total annual investment in climate-related infrastructure, resilience, and product development	ISK thousands	-	-	-	230.670,3
Nasdaq: E10					

Social parameters

CEO Pay Ratio	Unit	2018	2019	2020	2021
CEO Salary & Bonus (X) to median FTE Salary	X:1	-	-	-	-
Does your company report this metric in regulatory filings?	yes/no	-	no	no	no
Nasdaq: S1					

Gender Pay Ratio	Unit	2018	2019	2020	2021
Median total compensation for men (X) to median total compensation for women	X:1	-	-	-	-
Outcome of pay analysis - Festi	%	-	-	0,79%	0,35%
Outcome of equal pay certification - Bakkinn	%	-	4,3%	0,11%	1,31%
Outcome of equal pay certification - ELKO	%	-	2,51%	0,67%	0,64%
Outcome of equal pay certification - Krónan	%	-	3,59%	0,71%	0,2%
Outcome of equal pay certification - N1	%	-	1,1%	0,33%	0,95%
Nasdaq: S2					

Employee Turnover	Unit	2018	2019	2020	2021
Full-time Employees					
Year-over-year change for full-time employees- Festi	%	-	-	4,5%	5,6%
Employee turnover women	%	-	-	-	2,8%
Employee turnover men	%	-	-	-	2,8%
Year-over-year change for full-time employees- Bakkinn	%	-	-	29,1%	27,1%
Employee turnover women	%	-	-	-	1,1%
Employee turnover men	%	-	-	-	26%
Year-over-year change for full-time employees- ELKO	%	-	-	21,5%	23,5%
Employee turnover women	%	-	-	-	7,9%
Employee turnover men	%	-	-	-	15,6%
Nasdaq: S2					

Non-Financial Information, continued:

Employee Turnover, cont.	Unit	2018	2019	2020	2021
Full-time Employees					
Year-over-year change for full-time employees- Krónan	%	-	-	87,6%	58,4%
Employee turnover women	%	-	-	-	22,7%
Employee turnover men	%	-	-	-	35,6%
Year-over-year change for full-time employees- N1	%	-	-	26,2%	38,2%
Employee turnover women	%	-	-	-	22,6%
Employee turnover men	%	-	-	-	15,6%
Nasdaq: S3					

Gender Diversity	Unit	2018	2019	2020	2021
Enterprise Headcount					
Percentage of women in enterprise	%	-	34%	36%	39%
Festi	%	-	-	-	53%
Bakkinn	%	-	-	-	10%
ELKO	%	-	-	-	29%
Krónan	%	-	-	-	41%
N1	%	-	-	-	43%
Executive Board					
Percentage of women on executive board	%	-	-	-	17%
Festi	%	-	-	-	0%
Bakkinn	%	-	-	-	0%
ELKO	%	-	-	-	0%
Krónan	%	-	-	-	100%
N1	%	-	-	-	0%
Management team					
Percentage of women in senior- and executive-level positions	%	-	-	-	42%
Festi	%	-	-	-	83%
Bakkinn	%	-	-	-	0%
ELKO	%	-	-	-	17%
Krónan	%	-	-	-	67%
N1	%	-	-	-	38%
Other management positions					
Percentage of women with other management positions	%	-	-	-	28%
Bakkinn	%	-	-	-	0%
ELKO	%	-	-	-	20%
Krónan	%	-	-	-	33%
N1	%	-	-	-	30%
Nasdaq: S4					

Temporary Worker Ratio	Units	2018	2019	2020	2021
Total enterprise headcount held by part-time employees	%	-	-	-	0%
Total enterprise headcount held by contractors and/or consultants	%	-	-	-	0,4%
Nasdaq: S5					

Non-Discrimination	Unit	2018	2019	2020	2021
Does your company follow a sexual harrassment and/or non-discriminatory policy?	yes/no	-	yes	yes	yes
Nasdaq: S6					

Non-Financial Information, continued:

Injury Rate	Unit	2018	2019	2020	2021
Total number of injuries and fatalities, relative to the total workforce - Festi	%	-	-	0%	0%
Total number of injuries and fatalities, relative to the total workforce - Bakkinn	%	-	-	0,09%	0%
Total number of injuries and fatalities, relative to the total workforce - ELKO	%	-	-	0,06%	0%
Total number of injuries and fatalities, relative to the total workforce - Krónan	%	-	-	0,03%	0,2%
Total number of injuries and fatalities, relative to the total workforce - N1	%	-	-	0,09%	0,28%
Nasdaq: S7					

Global Health & Safety	Unit	2018	2019	2020	2021
Does your Company publish and follow an occupational health and/or global health & safety policy	yes/no	yes	yes	yes	yes
Absence from work due to illness (X) as a percentage of all employees' working hours - Festi	X:1	-	-	-	0,015
Absence from work due to illness (X) as a percentage of all employees' working hours - Bakkinn	X:1	-	-	-	0,029
Absence from work due to illness (X) as a percentage of all employees' working hours - ELKO	X:1	-	-	-	0,03
Absence from work due to illness (X) as a percentage of all employees' working hours - Krónan	X:1	-	-	-	0,028
Absence from work due to illness (X) as a percentage of all employees' working hours -	X:1	-	-	-	0,035
Nasdaq: S8					

Child & Forced Labor	Units	2018	2019	2020	2021
Does your company follow a child labor policy?	yes/no	-	yes	yes	yes
Does your company follow a forced labor policy?	yes/no	-	yes	yes	yes
If yes, do your child and/or forced labor policy cover suppliers and vendors?	yes/no	-	no	no	no
Nasdaq: S9					

Human Rights	Units	2018	2019	2020	2021
Does your company publish and follow a human rights policy?	yes/no	yes	yes	yes	yes
If yes, does your human rights policy cover suppliers and vendors?	yes/no	-	-	no	no
Nasdaq: S10					

Governance parameters

Board Diversity	Units	2018	2019	2020	2021
Total board seats occupied by women (as compared to men)	%	-	50%	66%	60%
Committee chairs occupied by women (as compared to men)	%	-	75%	100%	33%
Nasdaq: G1					

Board Independence	Units	2018	2019	2020	2021
Does the company prohibit CEO from serving as board chair?	yes/no	-	yes	yes	yes
Total board seats occupied by independents	%	-	100%	100%	100%
Nasdaq: G2					

Non-Financial Information, continued:

Incentivized Pay	Units	2018	2019	2020	2021
Are executives formally incentivized to perform on sustainability	yes/no	yes	no	no	no
Nasdaq: G3					

Collective Bargaining	Units	2018	2019	2020	2021
Total enterprise headcount covered by collective bargaining agreements (X) to the total employee population	%	-	86	99	100
Nasdaq: G4					

Supplier Code of Conduct	Units	2018	2019	2020	2021
Are your vendors or suppliers required to follow a Code of Conduct	yes/no	-	no	no	no
If yes, what percentage of your suppliers have formally certified their compliance with the code?	%	-	-	-	-
Nasdaq: G5					

Ethics & Anti-Corruption	Units	2018	2019	2020	2021
Does your company follow an Ethics and/or Anti-Corruption policy?	yes/no	-			
If yes, what percentage of your workforce has formally certified its compliance with the	%	-	-	-	-
Nasdaq: G6					

Data Privacy	Units	2018	2019	2020	2021
Does your company follow a Data Privacy policy	yes/no	-	yes	yes	yes
Has your company taken steps to comply with	yes/no	-	yes	yes	yes
Nasdaq: G7					

ESG Reporting	Units	2018	2019	2020	2021
Does your company publish a sustainability report?	yes/no	yes	yes	yes	yes
Is sustainability data included in your regulatory filings?	yes/no	-	-	yes	yes
Nasdaq: G8					

Disclosure Practices	Units	2018	2019	2020	2021
Does your company provide sustainability	yes/no	-	no	no	no
Does your company focus on specific UN Sustainable Development Goals (SDGs)?	yes/no	-	yes	yes	yes
Does your company set targets and report progress on the UN SDGs?	yes/no	-	yes	yes	yes
Nasdaq: G9					

External Assurance	Units	2018	2019	2020	2021
Are your sustainability disclosures assured or validated by a third party?	yes/no	-	no	no	no
Nasdaq: G10					