



Condensed Consolidated Interim Financial Statements  
1 January - 31 March 2020

Festi hf.  
Dalvegur 10-14  
201 Kópavogur  
Iceland

Reg. no. 540206-2010

# Contents

---

	Page
Endorsement and Statement by the Board of Directors and the CEO .....	3
Statement of Income and Comprehensive Income .....	4
Statement of Financial Position .....	5
Statement of Changes in Equity .....	6
Statement of Cash Flows .....	7
Notes to the Consolidated Financial Statements .....	8
1. Reporting entity .....	8
2. Basis of accounting .....	8
3. Use of judgements and estimates .....	8
4. Changes in accounting policies .....	9
5. Operating segments .....	9
6. Operating income .....	11
7. Cost of goods sold .....	11
8. Salaries and other personnel expenses .....	11
9. Other operating expenses .....	11
10. Finance income and finance cost .....	12
11. Operating assets .....	12
12. Loans and borrowings .....	12
13. Group entities .....	13
14. Ratios .....	14

# Endorsement and Statement by the Board of Directors and the CEO

---

## Operations of the Group

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

## COVID-19

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

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

The Group is balanced in exposure with its diversified business mix. Parts of the Group's operation are experiencing considerable business growth, like in sale of groceries and electronics, while other parts are experiencing considerable drop, like in sale of fuel and sale of fast food and refreshments in car service stations around Iceland. In that part of the business, the Group has moved a small portion of employees to the part-time salary solution offered by the Government to be able to retain employees while the effects of the outbreak is ongoing. Festi is committed to achieve its mid- and long term profit and growth targets.

## Operations in the three-month period ended 31 March 2020

For the period from 1 January to 31 March 2020, profit amounted to ISK 52,7 million. Total comprehensive income for the period was ISK 149,0 million. At the end of the period equity amounted to ISK 28.294,2 million, including share capital in the amount of ISK 323,9 million. Reference is made to the consolidated statement of changes in equity regarding information on changes in equity.

## 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 Icelandic Financial Statements Act.

According to the best of our knowledge, in our opinion the consolidated interim financial statements give a true and fair view of the financial performance of the Group for the three month period ended 31 March 2020, its assets, liabilities and consolidated financial position as at 31 March 2020, and its consolidated cash flows for the period then ended.

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

The Board of Directors and the CEO have today discussed the Company's consolidated interim financial statements of Festi hf. for the period from 1 January to 31 March 2020 and confirm them by means of their signatures.

Kópavogur, 29 April 2020.

## Board of Directors

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

## CEO

Eggert Þór Kristófersson

# Consolidated Statement of Comprehensive Income for the period from 1 January to 31 March 2020

	Notes	2020 1.1.-31.3.	2019 1.1.-31.3.
Sale of goods and services .....	6	18.873.577	18.229.601
Cost of goods sold .....		( 14.552.115)	( 13.998.767)
<b>Profit from sale of goods and services .....</b>	<b>7</b>	<b>4.321.462</b>	<b>4.230.834</b>
Other operating income .....	6	355.778	372.102
Salaries and other personnel expenses .....	8	( 2.404.714)	( 2.290.652)
Other operating expenses .....	9	( 1.251.894)	( 983.060)
		( 3.300.830)	( 2.901.610)
<b>Operating profit before depreciation, amortisation and changes in value (EBITDA) .....</b>		<b>1.020.632</b>	<b>1.329.224</b>
Depreciation of property and equipment and leased assets and amortisation of intangible assets .....		( 622.277)	( 721.493)
Changes in value of investment property .....		0	( 45.092)
<b>Operating profit (EBIT) .....</b>		<b>398.355</b>	<b>562.639</b>
Finance income .....	10	112.713	55.764
Finance costs .....	10	( 453.010)	( 617.678)
Share of profit of associates .....		7.579	60.201
		( 332.718)	( 501.713)
<b>Profit before income tax (EBT) .....</b>		<b>65.637</b>	<b>60.926</b>
Income tax .....		( 12.979)	( 9.321)
<b>Profit for the period .....</b>		<b>52.658</b>	<b>51.605</b>
<b>Other comprehensive income</b>			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences of foreign operations .....		46.937	( 231)
Effective portion of changes in fair value of cash flow hedge, net of tax .....	4	49.416	0
<b>Total other comprehensive income .....</b>		<b>96.353</b>	<b>( 231)</b>
<b>Total comprehensive income for the period .....</b>		<b>149.011</b>	<b>51.374</b>
Basic and diluted earnings per share in ISK .....		0,16	0,16

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

# Consolidated Statement of Financial Position as at 31 March 2020

	Notes	31.3.2020	31.12.2019
<b>Assets</b>			
Goodwill .....		14.070.463	14.070.463
Other intangible assets .....		4.764.542	4.649.850
Property and equipment .....	11	31.382.794	31.433.757
Leased assets .....		4.004.424	3.862.182
Investment properties .....		7.358.404	7.354.468
Shares in associates .....		2.015.770	1.952.349
Shares in other companies .....		109.805	109.059
Long-term receivables .....		294.782	271.989
Non-current assets		<u>64.000.984</u>	<u>63.704.117</u>
Inventories .....		7.393.977	7.678.413
Trade receivables .....		3.439.772	3.756.324
Other short-term receivables .....		842.080	736.735
Cash and cash equivalents .....		5.022.751	5.368.754
Current assets		<u>16.698.580</u>	<u>17.540.226</u>
<b>Total assets</b>		<u><u>80.699.564</u></u>	<u><u>81.244.343</u></u>
<b>Equity</b>			
Share capital .....		323.929	328.574
Share premium .....		12.471.752	13.010.171
Other restricted equity .....		5.911.763	5.815.161
Retained earnings .....		9.586.747	9.534.338
Equity		<u>28.294.191</u>	<u>28.688.244</u>
<b>Liabilities</b>			
Loans from credit institutions .....	12	30.003.610	29.942.470
Lease liabilities .....		3.749.295	3.585.949
Deferred tax liability .....		4.296.285	4.270.952
Non-current liabilities		<u>38.049.190</u>	<u>37.799.371</u>
Loans from credit institutions .....	12	3.443.981	3.437.684
Lease liabilities .....		375.141	377.610
Trade payables .....		6.236.387	6.803.236
Other short-term liabilities .....		4.300.674	4.138.198
Current liabilities		<u>14.356.183</u>	<u>14.756.728</u>
<b>Total liabilities</b>		<u>52.405.373</u>	<u>52.556.099</u>
<b>Total equity and liabilities</b>		<u><u>80.699.564</u></u>	<u><u>81.244.343</u></u>

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

## Consolidated Statement of Changes in Equity for the period from 1 January to 31 March 2020

	Other restricted equity							
	Share capital	Share premium	Statutory reserve	Revaluation reserve	Unrealised profit of subsidiaries and associates	Other reserves	Retained earnings	Total equity
1 January to 31 March 2019								
Equity 1.1.2019 .....	329.574	13.140.383	82.393	3.654.286	1.642.560	( 121.191)	7.241.841	25.969.846
Total comprehensive income for the year .....						( 231)	51.605	51.374
Restricted due to subsidiaries and associates ....					254.222	( 254.222)		0
Dissolution of revaluation of an associate .....				( 8.371)			8.371	0
Dissolution of revaluation of property and equip. .				( 20.435)			20.435	0
Equity 31.3.2019 .....	<u>329.574</u>	<u>13.140.383</u>	<u>82.393</u>	<u>3.625.480</u>	<u>1.896.782</u>	<u>( 121.422)</u>	<u>7.068.030</u>	<u>26.021.220</u>
Total other restricted equity .....						<u>5.483.233</u>		
1 January to 31 March 2020								
Equity 1.1.2020 .....	328.574	13.010.171	82.144	3.400.963	2.399.183	( 67.129)	9.534.338	28.688.244
Transferred from statutory reserve .....			( 1.162)				1.162	0
Total comprehensive income for the year .....						96.353	52.658	149.011
Restricted due to subsidiaries and associates ....					1.230.024	( 1.230.024)		0
Dissolution of revaluation of an associate .....				( 5.202)			5.202	0
Dissolution of revaluation of property and equip. .				( 17.973)			17.973	0
	<u>328.574</u>	<u>13.010.171</u>	<u>80.982</u>	<u>3.377.788</u>	<u>3.629.207</u>	<u>29.224</u>	<u>8.381.309</u>	<u>28.837.255</u>
Transactions with shareholders:								
Purchase of own shares .....	( 4.645)	( 538.419)						( 543.064)
Equity 31.3.2020 .....	<u>323.929</u>	<u>12.471.752</u>	<u>80.982</u>	<u>3.377.788</u>	<u>3.629.207</u>	<u>29.224</u>	<u>8.381.309</u>	<u>28.294.191</u>
Total other restricted equity .....						<u>7.117.201</u>		

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

# Consolidated Statement of Cash Flows

## for the period 1 January to 31 March 2020

	Notes	2020 1.1.-31.3.	2019 1.1.-31.3.
<b>Cash flows from operating activities</b>			
Profit before depreciation, amortisation and finance items .....		1.020.632	1.329.224
Operating items not affecting cash flows:			
Loss (gain) on sale of property and equipment .....		2.761	( 9.910)
		<u>1.023.393</u>	<u>1.319.314</u>
Changes in operating assets and liabilities:			
Inventories, decrease .....		284.436	524.371
Trade and other short-term receivables, decrease (increase) .....		212.183	( 373.410)
Trade and other short-term liabilities, decrease .....		( 112.767)	( 245.657)
Changes in operating assets and liabilities		<u>383.852</u>	<u>( 94.696)</u>
Interest received .....		45.691	22.844
Interest paid .....		( 387.383)	( 482.887)
Income tax paid .....		( 171.827)	( 74.823)
Net cash from operating activities		<u>893.726</u>	<u>689.752</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets .....		( 239.701)	( 26.953)
Purchase of property and equipment .....	11	( 329.201)	( 311.424)
Sale of property and equipment .....		4.250	220.645
Purchase of investment properties .....		( 2.655)	( 18.027)
Purchase of shares in other companies .....		( 11.841)	( 97.500)
Long-term receivables and securities, change .....		( 27.500)	0
Net cash used in investing activities		<u>( 606.648)</u>	<u>( 233.259)</u>
<b>Cash flows from financing activities</b>			
Purchase of own shares .....		( 543.064)	0
Repayment of long-term loans from credit institutions .....		0	( 246.981)
Payment of the principal portion of lease liabilities .....		( 101.140)	( 98.055)
Short term loans, change .....		( 1.021)	0
Net cash used in financing activities		<u>( 645.225)</u>	<u>( 345.036)</u>
<b>(Decrease) increase in cash and cash equivalents .....</b>		<b>( 358.147)</b>	<b>111.457</b>
<b>Effect of movements in exchange rates on cash held .....</b>		<b>12.144</b>	<b>32.176</b>
<b>Cash and cash equivalents at the beginning of the year .....</b>		<b>5.368.754</b>	<b>4.266.925</b>
<b>Cash and cash equivalents at the end of the period .....</b>		<b><u>5.022.751</u></b>	<b><u>4.410.558</u></b>

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

# Notes

---

## 1. Reporting entity

Festi hf. (the "Company") is a Icelandic public limited liability company incorporated and domiciled in Iceland. The Company's headquarters are located at Dalvegur 10-14, Kópavogur, Iceland. The main operation of the Company consists of sale of fuel, goods and service to entities, groceries and related products, sale of electronic equipment and leasing of properties. These interim consolidated annual financial statements of the Company as at and for the three months ended 31 March 2020 comprise of the Company and its subsidiaries (together referred to as the "Group" and the Group's interests in associates. The Company is listed on Nasdaq Iceland.

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

## 2. Basis of preparation

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

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

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

The Board of Directors of Festi hf. approved the consolidated interim financial statements on 29 April 2020.

## 3. Use of estimates and judgements

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

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

### *Estimated impairment*

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

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

### *Expected credit losses*

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



## Notes, continued:

### 4. Changes in the accounting policies

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

#### *IFRS 9 Financial Instruments*

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

In March 2020 the Group entered into forward swap agreements in fuel and foreign currency. The Group is now applying cash flow hedge accounting, whereby the effective portion of changes in fair value of the forward swap agreements is recognised in other comprehensive income, net of tax and accumulated in hedging reserve in equity. Any ineffective portion of changes in the fair value of the agreements is recognised immediately in profit or loss. Since the Group did not apply hedge accounting in prior accounting periods, it recognised the changes in fair value of forward agreements directly in profit and loss. At the end of March 2020, ISK 49,4 million was the cumulative net change in hedging reserve in equity with respect to forward swap agreements.

### 5. Operating segments

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

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

The operating companies of Krónan, N1 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.

#### Reportable segments for the three months ended 31 March 2020

	N1	Krónan	ELKO	Other companies	Total
External revenue .....	6.945.902	9.400.025	2.585.536	327.976	19.259.439
Intra-group revenue .....	12.386	824	1.597	1.086.571	1.101.378
Total segment revenue .....	6.958.288	9.400.849	2.587.133	1.414.547	20.360.817
Operating profit before depreciation, amortisation and changes in value (EBITDA)	143.513	687.676	162.658	847.889	1.841.736
Segment depreciation and amortisation .....	( 564.206)	( 322.664)	( 86.296)	( 340.081)	( 1.313.247)
Operating (loss) profit of segments (EBIT) .....	( 420.693)	365.012	76.362	507.808	528.489
Net finance costs .....	( 149.702)	( 112.050)	( 21.630)	( 463.160)	( 746.542)
Share of profit of associates .....	0	0	0	7.579	7.579
Income tax .....	114.079	( 50.264)	( 10.947)	( 10.625)	42.243
(Loss) profit for the period .....	( 456.316)	202.698	43.785	41.602	( 168.231)

#### 31 March 2020

Segment assets .....	29.090.182	13.274.616	3.914.861	34.419.905	80.699.564
Segment capital expenditure .....	146.745	160.797	30.915	233.100	571.557
Segment liabilities .....	16.030.542	11.275.523	2.674.910	22.424.398	52.405.373

## Notes, continued:

### 5. Operating segments, continued:

#### Reportable segments for the three months ended 31 March 2019

	N1	Krónan	ELKO	Other companies	Total
External revenue .....	7.624.278	8.313.637	2.291.685	372.103	18.601.703
Intra-group revenue .....	1.650	5.558	213	1.055.531	1.062.952
Total segment revenue .....	7.625.928	8.319.195	2.291.898	1.427.634	19.664.655
Operating profit before depreciation, amortisation and changes in value (EBITDA)	556.988	591.853	52.455	909.572	2.110.868
Segment depreciation and amortisation .....	( 628.253)	( 292.793)	( 80.142)	( 366.031)	( 1.367.219)
Changes in value of investment properties .....	0	0	0	( 45.092)	( 45.092)
Operating (loss) profit of segments (EBIT) .....	( 71.265)	299.060	( 27.687)	498.449	698.557
Net finance costs .....	( 265.844)	( 104.045)	( 18.938)	( 605.707)	( 994.534)
Share of profit of associates .....	0	0	0	60.201	60.201
Income tax .....	67.033	( 39.003)	9.325	12.665	50.020
(Loss) profit for the period .....	( 270.076)	156.012	( 37.300)	( 34.392)	( 185.756)

#### 31 March 2019

Segment assets .....	29.587.975	12.980.188	3.695.992	34.936.516	81.200.671
Segment capital expenditure .....	74.023	173.011	22.461	68.882	338.377
Segment liabilities .....	16.570.728	11.171.354	2.726.552	24.710.816	55.179.450

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

##### 1.1.-31.3.2020

	Reportable segment totals	Intercompany adjustments	Consolidated totals
EBITDA .....	1.841.736	( 821.104)	1.020.632
Depreciation and amortisation .....	( 1.313.247)	690.970	( 622.277)
EBIT .....	528.489	( 130.134)	398.355
Net finance cost .....	( 746.542)	406.245	( 340.297)
Share of profit of associates .....	7.579		7.579
Income tax .....	42.243	( 55.222)	( 12.979)
(Loss) profit for the period .....	( 168.231)	220.889	52.658

##### 1.1.-31.3.2019

	Reportable segment totals	Intercompany adjustments	Consolidated totals
EBITDA .....	2.110.868	( 781.644)	1.329.224
Depreciation and amortisation .....	( 1.367.219)	645.726	( 721.493)
Changes in value of investment properties .....	( 45.092)		( 45.092)
EBIT .....	698.557	( 135.918)	562.639
Net finance cost .....	( 994.534)	432.620	( 561.914)
Share of profit of associates .....	60.201		60.201
Income tax .....	50.020	( 59.341)	( 9.321)
(Loss) profit for the period .....	( 185.756)	237.361	51.605

## Notes, continued:

### 6. Operating income

#### Sale of goods and services

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

#### Income from lease of real estate

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

#### Other operating revenue

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

#### Operating income is specified as follows:

	2020	2019
	1.1.-31.3.	1.1.-31.3.
Sale of goods and services:		
Grocery and convenience goods .....	10.123.385	8.319.195
Fuel .....	4.560.383	5.280.513
Electronic equipment .....	2.584.452	2.291.898
Sale of other goods and services .....	1.605.357	2.337.995
Total sale of goods and services .....	18.873.577	18.229.601
Other operating income:		
Lease income from leasing of real estate .....	248.909	246.878
Warehouse services .....	80.082	93.214
Other operating income .....	26.787	32.010
Total other operating income .....	355.778	372.102
Total operating revenue .....	19.229.355	18.601.703

### 7. Cost of goods sold

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

#### Gross profit from sale of goods and services is specified as follows:

	2020	2019
	1.1.-31.3.	1.1.-31.3.
Grocery and convenience goods .....	2.289.847	1.855.983
Fuel .....	679.242	982.675
Electronic equipment .....	588.481	451.685
Other goods and services .....	763.892	940.491
Total gross profit from sale of goods and services .....	4.321.462	4.230.834

### 8. Salaries and other personnel expenses

#### Salaries and other operating expenses are specified as follows:

Salaries .....	1.796.909	1.701.920
Salary-related expenses .....	501.319	504.646
Other personnel expenses .....	106.486	84.086
Total salaries and other personnel expenses .....	2.404.714	2.290.652

## Notes, continued:

### 9. Other operating expenses

	2020	2019
	1.1.-31.3.	1.1.-31.3.
Other operating expenses are specified as follows:		
Operating costs of real estate .....	453.008	400.295
Maintenance expenses .....	170.003	157.663
Sales and marketing expenses .....	187.491	136.278
Office and administrative expenses .....	171.000	156.311
Communication expenses .....	137.948	95.209
Bad debt and change in allowance for bad debt .....	40.218 (	22.023)
Other expenses .....	92.226	59.327
Total other operating expenses .....	1.251.894	983.060

### 10. Finance income and finance costs

	2020	2019
	1.1.-31.3.	1.1.-31.3.
Finance income is specified as follows:		
Interest income on cash and cash equivalents .....	35.366	18.787
Interest income on long-term receivables .....	6.181	300
Interest income on other receivables .....	275	199
Dividend income .....	6.600	0
Net foreign exchange gain .....	64.291	36.478
Total finance income .....	112.713	55.764

Finance costs are specified as follows:

Interest expense and CPI-indexation on loans from credit institutions .....	367.432	549.213
Interest expense on lease liabilities .....	57.988	41.221
Other interest expense .....	27.590	27.244
Total finance costs .....	453.010	617.678

### 11. Operating assets

Acquisition of operating assets in the first three months of 2020 amounted to ISK 329,2 million. Thereof investment in buildings ISK 111,8 million, interiors, equipment and tools was ISK 118,7 million and investment in computers and other IT hardware was ISK 52,2 million.

### 12. Loans from credit institutions

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

	31.3.2020	31.12.2019
<b>Long-term loans</b>		
Balance at the beginning of the year .....	29.942.470	33.593.033
Repayments .....	0 (	17.913.413)
New loans .....	0	13.429.328
Amortisation of borrowing costs .....	7.299	31.610
CPI-indexation .....	61.158	516.622
Change in current portion .....	( 7.317)	285.290
Balance at the end of the period.....	30.003.610	29.942.470
<b>Short-term loans</b>		
Current portion of long-term loans .....	1.442.558	1.435.240
Short-term loans from bank .....	2.001.423	2.002.444
Balance at the end of the year .....	3.443.981	3.437.684
Total loans from credit institutions .....	33.447.591	33.380.154

## Notes, continued:

### 12. Loans from credit institutions, continued:

	Interest rate at 31.3.2020	31.3.2020	31.12.2019
Non-indexed loans on floating interest rates .....	4,0%	9.315.417	9.312.383
CPI-indexed loans on floating interest rates .....	3,0%	22.130.750	22.065.327
Short-term loan on floating interest rates .....	2,7%	2.001.424	2.002.444
Total loans from credit institutions .....		33.447.591	33.380.154

The maturities of the loans are specified as follows:

Year 2020 (9 months) (2019: 12 months).....	3.443.981	3.437.684
Year 2021 .....	1.444.450	1.436.647
Year 2022 .....	1.442.793	1.438.054
Year 2023 .....	1.444.200	1.439.461
Year 2024 .....	1.445.607	1.440.868
Due for payment onwards .....	24.226.560	24.187.440
Total loans from credit institutions .....	33.447.591	33.380.154

### 13. Group entities

At 1 January 2020, the Company merged Hlekkur and Ego, two of its subsidiaries with its operation. The Company held five subsidiaries at end of March 2020. The subsidiaries are all fully owned by the parent.

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

## Notes, continued:

---

### 14. Financial ratios

The Group's key financial ratios

	2020	2019
	1.1.-31.3.	1.1.-31.3.
<b>Operations</b>		
Turnover rate of inventories		
Utilisation of goods / average balance of inventories during the period.....	7,9	7,6
Sales days in trade receivables:		
Average balance of trade receivables during the year / goods and services sold .....	14,4	15,0
EBITDA / profit from sales of goods and services.....	23,6%	31,4%
Salaries and other personnel expenses / profit from sales of goods and services.	55,6%	54,1%
Other operating expenses / profit from sales of goods and services.....	29,0%	23,2%
	<b>31.3.2020</b>	<b>31.12.2019</b>
<b>Financial position</b>		
Current ratio: current assets / current liabilities.....	1,16	1,19
Liquidity ratio: (current assets - inventories) / current liabilities.....	0,65	0,67
Intrinsic value of share capital .....	87,35	87,31
Equity ratio: equity / total capital.....	35,1%	35,3%