FESTI

Consolidated Financial Statements

2024

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

FESTI HF. DALVEGI 10-14 • 201 KÓPAVOGI • KT. 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, pharmacy market and electronic equipment and smart devices market. Operation of properties, purchase and sale of securities are also part of the operations of the Group.

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

Board of Directors and Corporate Governance

The Board of Directors of Festi has established rules of procedure whereby it endeavours to comply with the "Guidelines on corporate governance" issued by the Iceland Chamber of Commerce, NASDAQ OMX Iceland and the Confederation of Icelandic Employers on 1 July 2021. The guidelines are accessible on the website www.leidbeiningar.is.

The Board of Directors consists of three males and two females. The Company’s Annual General Meeting will be held next 6 March. Further information about the Board of Directors and Corporate Governance can be found in the appendix Statement of Corporate Governance, which accompanies these annual financial statements.

Operations during the year

The Group´s operating revenue for the year 2024 amounted to ISK 156,707 million (2023: ISK 138,440 million) and increased by 13.2% between years. Operating profit before depreciation, amortisation and changes in value for the year 2024 amounted to ISK 12,511 million (2023: ISK 11,015 million) and increased by 13.6% between years. According to the Statement of Profit or Loss and Other Comprehensive Income, the profit for the year amounted to ISK 4,018 million (2023: ISK 3,438 million) and total comprehensive income for the year to ISK 6,422 million (2023: ISK 3,429 million).

The year was eventful at Festi. The Company’s operations during the year went well and better than planned. The environment continued to be challenging whereby the impact of high global commodity prices led to lower profit margins, especially in the fuel part of the operations. Due to frequent volcanic eruptions on the Reykjanes Peninsula during the year, the number of tourists decreased in the first part of the year, but there was an increase in the second half, resulting in a slight overall increase between years. It was pleasant that the number of visits and the volume sold increased in most stores between years, because a good increase was achieved in the number of liters of fuel sold. Many efficiency projects were undertaken during the year, which yielded good results in the reduction in operating costs, but the effects of high inflation and the general wage increases negotiated in the labour market increased all operating costs. Prices are expected to remain high in commodity markets amid the war in Ukraine and at the end of the Mediterranean Sea, but inflation is expected to decrease as the year 2025 progresses. There were some signs of an economic slowdown in the second half of the year, with lower sales in certain product categories, but expectations are that with lower inflation and a reduction in key interest rates, this will improve during this year.

On 14 June 2024, Festi and the Competition Authority signed a settlement regarding the acquisition by Festi of all the shares in Lyfja, which was the last condition in the purchase agreement which was signed on 13 July 2023. Lyfja became part of the Company’s consolidated annual financial statements from July 2024 and further information about the acquisition is included in Note 4.

The Company released on 7 February 2024 earnings forecast for the year 2024, where projected EBITDA was ISK 11,200 – 11,600 million. The Company increased its earnings forecast three times during the year but decreased it one, which was at the end of November to ISK 12,200 – 12,500 million, when the Company announced the settlement with the Competition Authority and acknowledged breaches relating to the merger of Festi and N1 during the year 2018. According to the settlement, the Company agreed to pay a fine of ISK 750 million, which is further explained in Note 32. The actual EBITDA for the year amounted to ISK 12,511 million, which is considerably better than the amount assumed in the first earnings forecast for the year. Increased business in all subsidiaries explain the better EBITDA, especially in the convenience goods and fuel part of the Group, where sales and gross margin increased significantly more than assumed in the budgets. In addition, Lyfja’s profit was not included in the initial earnings forecast for the year.

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

The full-time equivalent number of employees was 1,533 and increased by 13.4% between years. The average number of employees was 2,769 and the employee gender ratio (males/females) was 60/40. Management gender ratio (males/females) was also 60/40.

The Group´s equity at year-end amounted to ISK 43,493 million (2023: ISK 35,842 million), including share capital in the nominal value of ISK 311 million and the equity ratio at year-end was 37.9% (2023: 37.3%). Reference is made to the Statement of Changes in Equity regarding changes in equity during the year. Festi has a strong liquidity position, with ISK 4,575 million in cash and cash equivalents available for use at year-end, and the Company is well prepared to address the challenges ahead.

The Company's Board of Directors proposes that a dividend of ISK 4.5 per share of nominal value be paid during the year 2025 or approximately ISK 1,401 million.

The outlook for 2025 is promising. It is expected that all operating segments will improve their performance between years, especially in the first half of the year. Efforts will continue to integrate Lyfja into the Group, to achieve increased synergy with other operating segments as much as possible. There will be a continued strong emphasis on increased efficiency and effectiveness throughout the Group's value chain. Festi plans to deliver better operating results in 2025, in the form of operating profit before depreciation, amortisation and value changes (EBITDA), profit after taxes, and return on equity.

Shareholders

The Company´s shareholders at the end of the year were 1,219, compared to 1,191 at the beginning of the year, and thus their number increased by 28 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 2023 in %
Lífeyrissjóður starfsmanna ríkisins, A- og B-deild	40,103	12.9%	-0.7%
Lífeyrissjóður verzlunarmanna	38,957	12.5%	1.5%
Brú Lífeyrissjóður starfsmanna sveitarfélaga	29,260	9.4%	0.4%
Gildi - lífeyrissjóður	28,498	9.2%	-0.6%
Stapi lífeyrissjóður	17,272	5.5%	0.9%
Almenni lífeyrissjóðurinn	14,676	4.7%	-0.1%
Birta lífeyrissjóður	13,659	4.4%	-1.4%
Vanguard	10,698	3.4%	0.0%
Frjálsi lífeyrissjóðurinn	9,918	3.2%	-0.1%
Söfnunarsjóður lífeyrisréttinda	9,480	3.0%	-0.1%
Lífeyrissjóður starfsmanna Reykjavíkurborgar	8,621	2.8%	0.4%
Stefnir	7,622	2.4%	-2.3%
Festa - lífeyrissjóður	5,912	1.9%	-0.5%
Lífsverk lífeyrissjóður	5,523	1.8%	0.0%
Arion banki hf	5,344	1.7%	0.8%
Íslandssjóðir	4,848	1.6%	1.0%
Landsbréf	4,745	1.5%	1.2%
Íslandsbanki hf	4,373	1.4%	1.2%
Kjálkanes ehf	3,574	1.1%	-0.5%
Vátryggingafélag Íslands hf	3,480	1.1%	1.1%
	266,564	85.6%	2.0%
Other shareholders	44,690	14.4%	2.3%
	311,254	100.0%	

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

Share Capital and Articles of Association

The Company's listed share capital amounted to ISK 312 million at the end of the year and it was increased by ISK 10 million during the year upon the acquisition of Lyfja. Outstanding at year-end 2024 were ISK 311 million shares (2023: ISK 301 million) and the Company owned 246 thousand own shares at year-end. All share capital is in one class and all shareholders enjoy the same rights. At the Company's Annual General Meeting which was held on 6 March 2024 it was agreed to authorise the Company to repurchase up to 10% of the nominal amount of outstanding shares in accordance with Chapter VIII of the Act no. 2/1995 on Limited Liability Companies. The authorisation is valid for up to 18 months. By approving this proposal, a similar authorisation was cancelled, which was approved at the Company's Annual General Meeting on 22 March 2023 (as per Note 23). An extension for this authorisation will be requested at the Company's Annual General Meeting next March.

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

Those who intend to run for election for the Board of Directors of the Company must notify so in writing to the Board of Directors with at least ten-day notice before the beginning of the Annual General Meeting. The Company's Articles of Association can only be amended with the approval of 2/3 of votes cast in a lawfully called shareholders' meeting, provided that the intended amendment is thoroughly mentioned in the agenda for the meeting and what it consists of.

Non-Financial Information

Festi hf. is a public interest entity. According to the Icelandic Act on Annual Accounts, the Company shall provide information necessary to assess its development, scope, status, and influence in relation to environmental, social and personnel matters, its human rights policies, how it counteracts corruption and briberies in addition to a concise description of its business model, and more. To report on the Company's sustainability status, the Company has issued for the past years a report on non-financial metrics in accordance with Nasdaq's ESG guidelines. This year, the Group's report and sustainability report will be published in accordance with ESRS (European Sustainability Reporting Standard) to gain experience with it. The publication of the report and sustainability report is, among other things, to enable Festi to explain its status for the Group on these matters, based on accepted methodology. The policies and results of the Company with respect to these matters are described in the appendix to these annual financial statements on non-financial information. There is also disclosed the Company's information in accordance with the requirements of the EU Taxonomy.

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

Statement by the Board of Directors and the CEO

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

According to the best of our knowledge, in our opinion the consolidated annual financial statements give a true and fair view of the operating performance of the Group for the year 2024, its assets, liabilities and financial position as at 31 December 2024, and changes in cash and cash equivalents during the year 2024.

Furthermore, in our opinion the consolidated annual financial statements and the Endorsement and Statement of the Board of Directors and the CEO give a true and fair view of the development and results of the Group´s operations, its standing and describes the main risk factors and uncertainty that the Group faces.

The Board of Directors and the CEO of Festi hf. have today discussed the Company's consolidated annual financial statements for the year 2024 and confirm them by means of their signatures. The Board of Directors and the CEO propose that the Annual General Meeting of the Company approves the consolidated annual financial statements.

Kópavogur, 5 February 2025.

Board of Directors of Festi hf.

Guðjón Karl Reynisson, Chairman

Sigurlína Ingvarsdóttir, Vice-Chairman

Guðjón Auðunsson

Hjörleifur Pálsson

Margrét Guðmundsdóttir

CEO

Ásta S. Fjeldsted

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Festi hf.

Opinion

We have audited the Consolidated Financial Statements of Festi hf. for the year ended December 31, 2024 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, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in the Icelandic Financial Statement Act.

Our opinion in this report on the consolidated financial statements is consistent with the content of the additional report that has been submitted to the parent company´s audit committee in accordance with the EU Audit Regulation 537/2014 Article 11.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report.

We are independent of Festi hf. in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Iceland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Based on the best of our knowledge and belief, no prohibited services referred to in the EU Audit Regulation 537/2014 Article 5.1 has been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in our audit
Impairment of goodwill and trademarks	
Goodwill amounts to ISK 18.4 billion and the trademarks amount to ISK 5.6 billion. The value of goodwill and trademarks depend on key assumptions applied by the management on estimated future cash flow of cash-generating units, and other assumptions applied in the discounting rate used in the valuation of the estimated cash flow. The value of other goodwill depends on management's assumptions on fair value. Goodwill and trademarks are significant items in the consolidated balance sheet and depend on management's estimation and judgements. Due to the importance of the valuation and its magnitude, we consider goodwill and trademarks as key audit matter. No impairment loss has been recognized for intangible assets. The trademark is amortized over 10-20 years. Further information about goodwill and trademarks can be found in notes 13 and 14 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.

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INDEPENDENT AUDITORS' REPORT, contd.:

Key Audit Matters	How the matter was addressed in our audit
Valuation of real estate	
Real estate of the Group amounts to ISK 36.8 billion and are classified on the balance sheet among property & equipment and investment properties. The investment properties that are part of Yrkir eignir 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 2024. 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 15 and 17 in the Consolidated Financial Statements.	In our audit of the real estate valuation, we, and our valuation experts have examined the management valuation. We examined the methodology used in the valuation and its consistency with prior year. In our audit of the valuation, we performed the following work: • Assessed the company's calculation model and its reliability. • Assessed the assumptions used in management's budget that are used in the calculations of the valuation and whether they are appropriate. • Assessed the assumptions and calculation of the discount rate (WACC) and compared it to market conditions. • We assessed the company's policies and processes concerning revaluation. • We have examined the valuation methodology was in accordance with IFRS. • We assessed whether the notes include all necessary information in accordance with accounting policies.

Other information

Management is responsible for the other information. The other information consists of the Endorsement and statement by the board of directors and the CEO, non-financial reporting, quarterly statements and corporate governance statement, which an appendix to the Consolidated Financial Statement.

Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon, except the confirmation regarding the Endorsement and statement by the board of directors and the CEO as stated below.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In accordance with Paragraph 2 article 104 of the Icelandic Financial Statement Act no. 3/2006, we confirm to the best of our knowledge that the accompanying report of the board of directors includes all information required by the Icelandic Financial Statement Act that is not disclosed elsewhere in the Consolidated Financial Statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in the Icelandic Financial Statement Act, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT, contd.:

In preparing the Consolidated Financial Statements, management is responsible for assessing Festi hf.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Festi hf.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Festi hf.'s internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

In addition to our work as the auditors of Festi hf., Deloitte has provided the firm with permitted additional services such as consultation on accounting matters, other assurance engagements, consultation on finance matters.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT, contd.:

Report on other legal and regulatory requirements

Report on European single electronic format (ESEF Regulation)

As part of our audit of the consolidated financial statements of Festi hf. we performed procedures to be able to issue an opinion on whether the consolidated financial statements of Festi hf. for the year 2024 with the file name "5493005OLOCYXGTC7E83-2024-12-31-0-en.zip" is prepared, in all material respects, in compliance with laws no. 20/2021 disclosure obligation of issuers of securities and the obligation to flag relating torequirements regarding European single electronic format regulation EU 2019/815 which include requirements related to the preparation of the consolidated financial statements in XHTML format and iXBRL markup.

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

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

In our opinion, the consolidated financial statements of Festi hf. for the 2024 with the file name "5493005OLOCYXGTC7E83-2024-12-31-0-en.zip" is prepared, in all material respects, in compliance with the ESEF Regulation.

Deloitte was appointed auditor of Festi hf. by the general meeting of shareholders on 6. March 2024. Deloitte have been elected since the annual general meeting 2019.

Kópavogur, 5 February 2025

Deloitte ehf.

Þorsteinn Pétur Guðjónsson	Pétur Hansson
State Authorized Public Accountant	State Authorized Public Accountant

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Statement of Profit or Loss and Other Comprehensive Income for the year 2024

	Notes	2024	2023
Sale of goods and services	6	154,462,646	136,251,201
Cost of goods sold		(117,740,819)	(105,584,236)
Gross profit from sale of goods and services	7	36,721,827	30,666,965
Other operating income	6	2,244,546	2,188,839
Salaries and other personnel expenses	8	(18,385,130)	(15,440,292)
Other operating expenses	9	(8,070,682)	(6,400,028)
		(24,211,266)	(19,651,481)
Operating profit before depreciation, amortisation and changes in value (EBITDA)		12,510,561	11,015,484
Depreciation of property and equipment and leased assets and amortisation of intangible assets	11	(5,089,807)	(4,101,691)
Changes in value of investment property	17	302,291	138,893
Operating profit before finance items (EBIT)		7,723,045	7,052,686
Finance income	12	482,994	244,017
Finance costs	12	(3,768,437)	(3,544,491)
Foreign currency differences	12	65,737	(34,296)
Share of profit of associates	18	608,187	418,125
		(2,611,519)	(2,916,645)
Profit before income tax (EBT)		5,111,526	4,136,041
Income tax	27	(1,093,291)	(697,847)
Profit for the year		4,018,235	3,438,194
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Translation difference arising from operations of a foreign associate		(42,074)	(6,464)
Effective portion of changes in fair value of cash flow hedges, net of income tax		8,383	(3,077)
Items that will not be reclassified to profit or loss:			
Revaluation of properties, net of income tax		2,437,353	0
Total other comprehensive income		2,403,662	(9,541)
Total comprehensive income for the year		6,421,897	3,428,653
Basic earnings per share in ISK	24	13.13	11.31
Diluted earnings per share in ISK	24	13.05	11.31

The notes on pages 15 to 48 are an integral part of these annual financial statements

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Statement of Financial Position as at 31 December 2024

	Notes	2024	2023
Assets			
Goodwill	13	18,367,104	14,842,339
Other intangible assets	14	8,196,611	4,260,081
Property and equipment	15	41,217,494	35,778,736
Leased assets	16	10,535,014	8,096,618
Investment properties	17	7,012,240	6,646,805
Shares in associates	18	2,914,790	2,620,746
Shares in other companies		14,140	14,140
Long-term receivables	19	35,336	145,176
Non-current assets		88,292,729	72,404,641
Inventories	20	14,117,878	13,557,248
Trade receivables	29	7,167,970	5,984,828
Other short-term receivables	21	1,180,705	723,185
Cash and cash equivalents	22	4,075,358	3,362,212
Current assets		26,541,911	23,627,473
Total assets		114,834,640	96,032,114
Equity			
Share capital		311,254	301,254
Share premium		9,803,982	7,773,982
Other restricted equity		18,258,010	12,938,209
Retained earnings		15,119,951	14,828,910
Equity	23	43,493,197	35,842,355
Liabilities			
Loans from credit institutions	25	29,339,934	26,680,829
Lease liabilities	26	10,001,415	7,793,320
Deferred tax liability	27	7,763,839	6,185,105
Non-current liabilities		47,105,188	40,659,254
Loans from credit institutions	25	3,227,122	1,807,014
Lease liabilities	26	1,387,796	859,276
Trade payables		11,787,327	9,760,363
Other short-term liabilities	28	7,834,010	7,103,852
Current liabilities		24,236,255	19,530,505
Total liabilities		71,341,443	60,189,759
Total equity and liabilities		114,834,640	96,032,114

The notes on pages 15 to 48 are an integral part of these annual financial statements

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Statement of Changes in Equity for the year 2024

			Other restricted equity					
	Share capital	Share premium	Statutory reserve	Revaluation reserve	Unrealised profit of subsidiaries and associates	Other restricted accounts	Retained earnings	Total equity
Year 2023								
Equity 1.1.2023	307,500	8,900,637	76,875	4,701,950	7,028,539	(15,976)	13,460,578	34,460,103
Profit for the year							3,438,194	3,438,194
Total other comprehensive income				0		(9,541)	0	(9,541)
Restricted due to subsidiaries and associates					1,293,875		(1,293,875)	0
Dissolution of revaluation of an associate				(14,709)			14,709	0
Dissolution of revaluation of property and equipment				(121,243)			121,243	0
	307,500	8,900,637	76,875	4,565,998	8,322,414	(25,517)	15,740,849	37,888,756
Transactions with shareholders:								
Purchased own shares	(6,246)	(1,126,655)						(1,132,901)
Transferred from statutory reserve			(1,561)				1,561	0
Dividend paid to shareholders (ISK 3 per share)							(913,500)	(913,500)
Equity 31.12.2023	301,254	7,773,982	75,314	4,565,998	8,322,414	(25,517)	14,828,910	35,842,355
Total other restricted equity						12,938,209		
Year 2024								
Equity 1.1.2024	301,254	7,773,982	75,314	4,565,998	8,322,414	(25,517)	14,828,910	35,842,355
Profit for the year							4,018,235	4,018,235
Total other comprehensive income				2,437,353		(33,691)	0	2,403,662
Restricted due to subsidiaries and associates					3,082,587		(3,082,587)	0
Dissolution of revaluation of an associate				(14,194)			14,194	0
Dissolution of revaluation of property and equipment				(154,754)			154,754	0
	301,254	7,773,982	75,314	6,834,403	11,405,001	(59,208)	15,933,506	42,264,252
Transactions with shareholders:								
Sold new shares	10,000	2,030,000						2,040,000
Share options							92,706	92,706
Transferred to statutory reserve			2,500				(2,500)	0
Dividend paid to shareholders (ISK 3 per share)							(903,761)	(903,761)
Equity 31.12.2024	311,254	9,803,982	77,814	6,834,403	11,405,001	(59,208)	15,119,951	43,493,197
Total other restricted equity						18,258,010		

The notes on pages 15 to 48 are an integral part of these annual financial statements

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Statement of Cash Flows for the year 2024

	Notes	2024	2023
Cash flows from operating activities			
Operating profit before depreciation, amortisation and changes in value (EBITDA)		12,510,561	11,015,484
Operating items not affecting cash flows:			
Gain on sale of property and equipment		(99,836)	(36,095)
Gain on sale of shares in companies		(65,342)	(1,756)
		12,345,383	10,977,633
Changes in operating assets and liabilities:			
Inventories, decrease (increase)		795,522	(471,477)
Trade and other short-term receivables, increase		(469,737)	(23,056)
Trade and other short-term liabilities, (decrease) increase		(271,642)	2,205,840
Changes in operating assets and liabilities		54,143	1,711,307
Interest received		358,927	217,133
Interest paid		(3,154,740)	(3,156,513)
Income tax paid		(550,674)	(335,938)
Net cash from operating activities		9,053,039	9,413,622
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	4	(4,141,321)	0
Purchased intangible assets	14	(835,376)	(523,223)
Purchased property and equipment	15	(3,743,373)	(3,462,154)
Sold property and equipment		239,002	196,259
Purchase of investment properties	17	(63,144)	(29,295)
Purchase of shares in other companies	18	(42,342)	0
Sale of shares in other companies	18	81,516	1,756
Dividend received		298,238	391,784
Long-term receivables, change		98,567	29,052
Net cash used in investing activities		(8,108,233)	(3,395,821)
Cash flows from financing activities			
Dividend paid		(903,761)	(913,500)
Purchased own shares		0	(1,132,901)
New long-term loans from credit institutions	25	3,985,802	0
Repayment of long-term loans from credit institutions	25	(2,083,084)	(1,817,321)
Repayment of lease liabilities	26	(1,158,555)	(841,407)
Net cash used in financing activities		(159,598)	(4,705,129)
Increase in cash and cash equivalents		785,208	1,312,672
Foreign currency difference on cash and cash equivalents		(72,062)	(62,597)
Cash and cash equivalents at the beginning of the year		3,362,212	2,112,137
Cash and cash equivalents at the end of the year		4,075,358	3,362,212
Investing and financing activities not affecting cash flows			
Purchase of shares in companies	4	2,040,000	0
Issued new share capital	4	(2,040,000)	0
New long-term loans from credit institutions		(2,279,719)	0
Repayment of long-term loans from credit institutions		2,279,719	0
New lease agreements and their remeasurement	16	(1,619,626)	(1,067,666)
New lease liabilities and their remeasurement	26	1,619,626	1,067,666

The notes on pages 14 to 48 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 business activities of the Group consist of sale of fuel, goods and service to businesses, groceries and related products, sale of medicines, sale of electronic equipment and leasing of buildings. These consolidated annual financial statements consist of the annual financial statements of the Company and its subsidiaries. Further information about individual companies within the Group and their business activities is disclosed in Note 3.

2. Basis of preparation

2.1. Statement of compliance with IFRS Accounting Standards

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

The Board of Directors of Festi hf. approved the consolidated annual financial statements on 5 February 2024.

2.2. Presentation of accounting policies and other notes

Information about accounting policies is presented in the same notes as the applicable items. Management believes that such presentation provides a clearer view and improved context between accounting policies and financial information. As applicable, notes disclosing information that relate to both the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Financial Position are presented in conjunction, such as income from sale of goods and trade receivables on the one hand, and income tax expense and deferred tax on the other.

An overview of the Group's risk management is disclosed in a separate section (see Note 29). When relevant, cross references are made between notes regarding individual items and notes on risk management applicable to those same items. The Group endeavours to describe in these annual financial statements the accounting policies in a clear manner instead of repeating the actual text of paragraphs in IFRS Accounting Standards. The following IFRS Accounting Standards are the most important ones for the Group:

Item	Notes	Standard
Operating segments	Note 5. *Operating segments*	IFRS 8
Revenue from sale of goods and services	Note 6. *Operating revenue*	IFRS 15
Impairment testing	Note 13. *Goodwill*	IAS 36
Fair value measurement of properties and investment properties	Notes 15. and 17. *Property and equipment and Investment properties*	IFRS 13
Lease contracts	Note 16 and 26. *Lease contracts*	IFRS 16

2.3. New IFRS Accounting Standards or changes to them.

The Group has applied the same accounting policies during the years 2023 and 2024.

The Group has adopted changes and improvements to IFRS Accounting Standards which are effective for reporting periods beginning on or after 1 January 2024. The effect of their adoption on these consolidated annual financial statements was immaterial. The Group has not adopted new or improved standards which have been issued but are not yet effective. Management's assessment is that their adoption will not have material effects on the consolidated annual financial statements.

Consolidated Annual Financial Statements of Festi hf. 2024 15 Amounts are in thousands of ISK

2. Basis of preparation, contd.:

It is the management´s opinion that the implementation of IFRS 18 Presentation and Disclosure in the Financial Statements which is effective 1 January 2027 will affect the presentation of information in the financial statements without affecting the accounting assessment of assets and liabilities. Festi is in the process of preparing for the implementation of the standard, but the effect is not yet known. The European Union has not confirmed the implementation of the IFRS 18 at the moment, but confirmation is expected before the effective date of the standard. It is also management´s opinion that implementation of other standards or improvements to standards in current version which is not yet effective will have none or insignificant effect on the financial statements.

2.4. Going concern

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

2.5. Basis of measurement

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

2.6. Presentation and functional currency

The consolidated annual financial statements are prepared and presented in Icelandic krona (ISK), which is the Company's functional currency. All amounts are presented in thousands of Icelandic krona unless otherwise stated. Definitions in operations are as follows:

EBITDA

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

EBIT

Profit before finance income and finance costs

EBT

Profit before income tax

2.7. Use of estimates and judgements

The preparation of the consolidated annual financial statements in accordance with IFRS Accounting Standards requires management to make judgements, estimates and assumptions, which affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Information about judgements applied and estimation uncertainty, as applicable, is disclosed in the notes about the individual accounting items. The following table specifies the items which are most challenging for the application of judgement and use of estimates by management:

Item	Notes	
Estimation of impairment of goodwill and other intangible assets	13. and 14.	Goodwill and other intangible assets
Estimation of fair value of revalued properties, their useful lives and residual values	15.	Property and equipment
Determination of lease term and discount rates used in the calculation of lease liabilities	16.	Lease contracts
Estimation of fair value of investment properties	17.	Investment property
Estimation of allowance for expected credit losses on trade receivables	29.	Risk management

3. Group entities

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, and it has right to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

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, contd.:

Company	Business activity
Festi hf.	Festi is a holding company that specialises in operating companies that are leading in the retail and fuel sale in Iceland. Festi's role is to support its operating companies in fulfilling customers´ demands so as to enable them to continue to be at the forefront in providing goods and services across the country. Festi provides its subsidiaries with supporting services, among other things in the area of finance, operations and business development.
Bakkinn vöruhótel ehf.	Bakkinn vöruhótel specialises in product storage, packaging, labelling, handling and distribution of products for customers that elect to outsource their warehouse activities.
ELKO ehf.	ELKO specialises in selling household appliances and electronic equipment. The company operates stores in the capital region, Akureyri and at the Leifur Eiríksson International Airport in Keflavik, as well as an online shop.
Krónan ehf.	Krónan is a retail company that operates convenience stores in Iceland. The company operates stores throughout the country under the brand name of Krónan and Smart shop with home deliveries.
Icelandic Food Company ehf.	Icelandic Food Company sepcialises in production of convenience goods sold in Krónan and N1.
Vínportið ehf.	Vínportið specialises in imports and wholesales of alcohol to ÁTVR stores and to hotels and restaurants.
Lyfja hf.	Lyfja specialises in pharmacy operations as well as wholesale and retail sales of health-related products. The company operates 45 pharmacies and branches as well as an online store and app.
Heilsa ehf.	Heilsa specilises in imports and wholesales of pharmacy products and cosmetic and health releated products sold in stores all arround the country.
Mengi ehf.	Mengi leases non-residential real estate to retail companies.
N1 ehf.	N1 specialises in wholesale and retail of fuel, 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., a subsidiary of N1, was merged in to N1 from 1 January 2023, whereas the operations consist of puchases of electricity in the wholesale market and the retail sale to individuals and companies in Iceland.
Yrkir eignir ehf.	Yrkir eignir runs the property operations of the Group and leases out non-residential buildings to retail companies, both within and outside the Group. The company also operates the security and development departments, which run projects related to security matters, maintenance of properties and their development with the objective of profitability.

Notes, contd.:

4. Acquisition of subsidiary

On 13 July 2023 the Company signed a contract to acquire the entire share capital of Lyfja hf., which operates 45 pharmacies and branches all around the country as well as an online store and app. On 14 June 2024 Festi signed a settlement agreement with the Competition Authority regarding the acquisition, which was the last condition in the acquisition contract. The purchase price for the company amounted to ISK 7,117 million, which specifies as follows:

Issued new share capital with a total nominal amount of ISK 10 million in July 2024	2,040,000
Cash payment in July 2024	5,077,435
Total purchase price	7,117,435

Lyfja is included in the Company's consolidated financial statements from 1 July 2024, when all conditions for the acquisition were satisfied. The impact on the Statement of Profit or Loss and Other Comprehensive Income for the year 2024 is an increase in operating revenue by ISK 9,224 million, an increase in EBITDA by ISK 842 million and increase in profit for the year by ISK 267 million. Had Lyfja been part of the group all of the year 2024, the impact on the Statement of Profit or Loss and Other Comprehensive Income would have been an increase in operating revenue by ISK 8,889 million, an increase in EBITDA by ISK 679 million and increase in profit for the year by ISK 152 million.

The impact of the acquisition on the Statement of Financial Position was that the value of Lyfja's assets and liabilities at acquisition date was measured at fair value. The purchase price allocation is not completed at the time of approval of these annual financial statements. The fair value of the assets and liabilities in the provisional purchase price allocation is the following:

Intangible assets	4,160,217
Property and equipment	1,521,658
Leased assets	2,117,416
Inventories	1,356,152
Trade and other short-term receivables	526,156
Cash and cash equivalents	936,114
Interest-bearing loans with credit institutions	(1,563,782)
Lease liabilities	(2,275,544)
Deferred tax liability	(1,088,606)
Trade and other short-term liabilities	(2,097,111)
Total net identified assets	3,592,670
Goodwill	3,524,765
Purchase price	7,117,435

Acquisition cost for Lyfja in the amount of ISK 36 million was expensed in the Statement of Profit or Loss during the year 2024 as an increase in office costs. Cash related to the acquisition of Lyfja specifies as follows:

Cash payment in July 2024	5,077,435
Cash acquired from subsidiary	(936,114)
Purchase of subsidiary, net of cash received	4,141,321

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Notes, contd.:

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 assess their performance.

Operating results of segments, their assets and liabilities consist of items directly attributable to individual segments as well as those items which can be allocated to segment in a logical way. Capital expenditure of segments 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, ELKO, Lyfja and Yrkir eignir in the Group are individual operating segments and the Group´s other entities comprise the sixth segment. That segment consists of the operations of the Parent Company, Festi, and Bakkinn vöruhótel (see Note 3 for further information). The operations of Lyfja were included in the Group from July 2024 (see Note 4). Yrkir eignir took over all property operations of the Group from 1 January 2024. The company was included in the operating segment “Other companies” during the year 2023 but it is now disclosed as a separate operating segment in the comparison amounts.

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

	ELKO	Krónan	Lyfja	N1	Yrkir eignir	Other companies	Segments total
Year 2023							
External revenue	18,238,287	63,158,437	-	55,923,166	545,386	574,764	138,440,040
Intra-group revenue	15,064	1,401,060	-	343,927	1,323,795	5,779,129	8,862,975
Total segment revenue	18,253,351	64,559,497	-	-		6,353,893	147,303,015
Operating profit before depreciation, amortisation and changes in value (EBITDA)	1,754,595	4,852,813	-	1,591,201	1,435,741	2,389,641	12,023,991
Segment depreciation and amortisation	(575,368)	(2,279,415)	-	0	(321,255)	(807,451)	(3,983,489)
Changes in value of investment properties	0	0	-	(990,165)	138,893	0	(851,272)
Operating profit of segments (EBIT)	1,179,227	2,573,398	-	-	1,253,379	1,582,190	7,189,230
Net finance costs	(153,924)	(401,487)	-	489,753	(1,156,942)	(2,026,870)	(3,249,470)
Share of profit of associates						418,125	418,125
Income tax	(205,075)	(426,661)	-	-	(19,034)	117,788	(532,982)
Profit for the year	820,228	1,745,250	-	-		91,233	3,824,903
31 December 2023							
Segment assets	6,753,306	22,639,293	-	-	23,622,536	70,360,064	123,375,199
Segment capital expenditure	259,585	995,295	-	-	862,274	663,833	2,780,987
Segment liabilities	4,806,961	17,537,219	-	-	16,609,790	32,098,077	71,052,047

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Notes, contd.:

5. Operating segments, contd.:

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

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

Year 2023	Segments total	Eliminations	According to financial statements
Operating profit before depreciation, amortisation and changes in value (EBITDA)	14,937,656	(3,922,172)	11,015,484
Depreciation of property and equipment and leased assets and amortisation of intangible assets	(6,897,154)	2,795,463	(4,101,691)
Changes in value of investment property	138,893		138,893
Operating profit (EBIT)	8,179,395	(1,126,709)	7,052,686
Net finance costs	(4,729,388)	1,394,618	(3,334,770)
Share of profit of associates	418,125		418,125
Income tax	(644,265)	(53,582)	(697,847)
Profit for the year	3,223,867	214,327	3,438,194
31 December 2023			
Eignir starfsþátta	151,628,784	(55,596,670)	96,032,114
Fjárfestingar starfsþátta	4,181,315	(166,643)	4,014,672
Skuldir starfsþátta	89,341,640	(29,151,881)	60,189,759

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Notes, contd.:

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 is transferred to the customer.

Lease income from properties

Properties leased to parties outside the Group are recognised as investment properties. Investment properties are properties held to earn rentals or for capital appreciation. Investment properties are recognised at fair value. Fair value changes of investment properties are presented separately in the Statement of Profit or Loss and therefore presented separately from lease income from those same assets. Further information about investment properties is provided in Note 17.

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:	2024	2023
Sale of goods and services:		
Convenience goods	78,357,014	69,178,041
Fuel and electricity	39,865,987	38,849,064
Electronic equipment	19,245,570	18,060,761
Prescription and over-the-counter medicine	6,840,653	0
Sale of other goods and services	10,153,422	10,163,335
Total sale of goods and services	154,462,646	136,251,201
Other operating income:		
Lease income from properties	769,508	695,563
Warehouse services	421,487	399,574
Commissions	496,974	496,834
Gain on sale of property and equipment	99,836	36,095
Other operating income	456,741	560,773
Total other operating income	2,244,546	2,188,839
Total operating revenue	156,707,192	138,440,040

7. Cost of goods sold and gross profit from sale of goods and services

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

Gross profit from sale of goods and services is specified as follows:	2024	2023
Convenience goods	18,189,845	15,798,771
Fuel and electricity	7,760,328	6,273,218
Electronic equipment	4,865,636	4,609,161
Prescription and over-the-counter medicine	1,887,270	0
Sale of other goods and services	4,018,748	3,985,815
Total gross profit from sale of goods and services	36,721,827	30,666,965

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8. Salaries and other personnel expenses

Salaries and other personnel expenses are specified as follows:	2024	2023
Salaries	14,239,139	12,104,458
Contributions to pension funds	1,839,417	1,557,217
Cost of share options	92,706	0
Other salary-related expenses	1,323,273	1,088,323
Other personnel expenses	890,595	690,294
Total salaries and other personnel expenses	18,385,130	15,440,292
Average number of employees	2,769	2,259
Average full-time equivalent number of employees	1,533	1,352
Employee gender ratio (males/females)	60/40	61/39

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 31 on related parties.

9. Other operating expenses

Other operating expenses are specified as follows:	2024	2023
Operating expenses of properties	2,218,162	2,008,362
Maintenance expenses	1,071,812	1,026,548
Sales and marketing expenses	1,824,466	1,545,384
Office and administrative expenses, including fees to auditors	528,591	528,250
Communication expenses	1,173,352	882,525
Insurance and claims expenses	155,307	103,210
Administrative fine, see Note 32	750,000	0
Other expenses	348,992	305,749
Total other operating expenses	8,070,682	6,400,028

10. Fees to auditors of the Group

Fees to auditors are specified as follows:	Auditors of the Group		Other auditors	
	2024	2023	2024	2023
Audit of annual financial statements	56,375	53,775	6,383	0
Other services	14,968	34,545	1,524	0
Total fees to auditors	71,343	88,320	7,907	0

11. Depreciation and amortisation

Depreciaton and amortisation are specified as follows:	2024	2023
Amortisation of intangible assets, as per Note 14	1,058,412	779,621
Depreciation of property and equipment, as per Note 15	2,732,749	2,338,668
Depreciation of leased assets, as per Note 16	1,298,646	983,402
Total depreciation and amortisation	5,089,807	4,101,691

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12. Finance income and finance costs

Finance income is specified as follows:	2024	2023
Interest income on cash and cash equivalents	310,371	133,942
Interest income on receivables	105,281	106,319
Gain on sale of shares in companies	65,342	1,756
Dividend income	2,000	2,000
Total finance income	482,994	244,017

Finance costs are specified as follows:		
Interest expense and CPI-indexation on loans from credit institutions	3,063,821	2,986,147
Interest expense on lease liabilities	578,882	471,873
Other interest expense	125,734	86,471
Total finance costs	3,768,437	3,544,491

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 2024 was 137.9 (2023: 138.0) and the exchange rate at year-end 2024 was 138.2 (2023: 136.2).

13. Goodwill

The goodwill recognised in the consolidated annual financial statements resulted from the acquisition by the Company of Hlekkur and its subsidiaries during the year 2018, of Íslensk Orkumiðlun during the year 2020, of the Krónan store located at Hallveigarstígur in Reykjavík during the year 2020, of Icelandic Food Company during the year 2023, and of Lyfja and its subsidiaries in the middle of the year 2024. The provisional allocation of the premium for the acquisition of Lyfja has taken place, as per Note 4. For the purpose of purchase price allocation, four cash-generating units were identified and goodwill was allocated to grocery stores, electronic equipment stores, pharmacies and sale of electricity.

Accounting policy

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

Impairment test at year-end 2024

Goodwill was tested for impairment at year-end 2024. According to the results of the test, there was no indication of impairment. Impairment would also not occur even if realistic changes were made to the main assumptions of the assessment.

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

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13. 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 2024	EBITDA-growth	Terminal-growth	Discount rate	Carrying amount at year-end
Grocery stores	6.1%	3.5%	10.3%	11,642,359
Pharmacies	14.3%	3.5%	12.5%	3,524,765
Electronic equipment stores	6.7%	3.5%	11.1%	2,772,179
Sale of electricity	4.4%	3.5%	11.9%	427,801
Total goodwill				18,367,104
Year-end 2023				
Grocery stores	7.5%	3.5%	10.9%	11,642,359
Electronic equipment stores	5.8%	3.5%	12.4%	2,772,179
Sale of electricity	3.7%	3.5%	12.4%	427,801
Total goodwill				14,842,339

14. Other intangible assets

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

Accounting policy

The cost of purchased and acquired trademarks is capitalised and amortised on a straight-line basis over 10 - 20 years. The estimated useful life of trade agreements is 8 years and they are amortised on a straight-line basis. Capitalised software licenses are recognised at cost less accumulated amortisation. Software is amortised on a straight-line basis over 3-5 years.

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Notes, contd.:

14. Other intangible assets, contd.:

Other intangible assets are specified as follows:

	Trademarks	Trade agreements	Software	Total
Gross carrying amount				
Gross carrying amount 1.1.2023	3,426,790	134,239	2,233,583	5,794,612
Additions during the year	0	3,028	520,195	523,223
Sold and disposed of	0	(4,726)	(152,754)	(157,480)
Gross carrying amount 31.12.2023	3,426,790	132,541	2,601,024	6,160,355
Additions during the year	0	0	835,376	835,376
Taken over on acquisition of subsidiary	2,931,000	718,000	511,217	4,160,217
Sold and disposed of	(35,000)	(5,781)	(391,778)	(432,559)
Gross carrying amount 31.12.2024	6,322,790	844,760	3,555,839	10,723,389
Amortisation				
Accumulated amortisation 1.1.2023	224,530	17,763	1,035,574	1,277,867
Amortisation for the year	231,395	16,382	531,844	779,621
Sold and disposed of	0	(4,461)	(152,752)	(157,213)
Accumulated amortisation 31.12.2023	455,925	29,684	1,414,666	1,900,275
Amortisation for the year	325,321	56,476	676,615	1,058,412
Sold and disposed of	(35,000)	(3,083)	(393,824)	(431,907)
Accumulated amortisation 31.12.2024	746,246	83,077	1,697,457	2,526,780
Carrying amount				
Carrying amount 1.1.2023	3,202,260	116,476	1,198,009	4,516,745
Carrying amount 31.12.2023	2,970,865	102,857	1,186,360	4,260,081
Carrying amount 31.12.2024	5,576,544	761,683	1,858,383	8,196,611
Amortisation rates	5-10%	14%	20-33%	

15. Property and equipment

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

Accounting policy

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

When property and equipment consist of parts which have different useful lives, the parts are separated and depreciated based on the useful life of each part.

The gain on sale of property and equipment, which is the difference between their sale proceeds and carrying amount, is recognised in the Statement of Profit or Loss among other operating income and the loss on sale among other operating expenses.

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

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15. Property and equipment, contd.:

Depreciation

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

Properties	50 years
Other property and equipment	3 – 20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and changed if appropriate.

Revaluation of properties

Revalued assets are recognised at the fair value on the date of revaluation. Fair value assessment is carried out on a regular basis, so as to ensure that their carrying amount does not deviate significantly from fair value. The increase in carrying amount due to revaluation is recognised in other comprehensive income, net of income tax. The revaluation reserve within equity is decreased via transfer to retained earnings, the amount each year being equal to the annual depreciation of revaluation recognised in profit or loss. If revaluation results in a decrease of carrying amount, the decrease is recognised in profit or loss, except to the extent that the decrease reverses a previous increase due to revaluation, in which case the downward revaluation is recognised in other comprehensive income.

Revaluation methods for properties

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

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

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

b. Sale prices of assets similar to those revalued by the Group, if such information is available.

c. Inflation.

d. Changes in official real estate value, if applicable as a benchmark for similar revalued assets by the Group.

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

The fair value measurement at year-end 2024 was over the 10% benchmark for the difference between fair value and carrying amount of properties, and a revaluation in the amount of ISK 3,047 million was added to the properties of the Company at year-end 2024.

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15. Property and equipment, contd.:

Determination of fair value of properties

The Company´s measurement of the fair value of properties was determined with assistance from independent specialists. The fair value measurement is based on discounted future cash flows of individual assets. The cash flow model applied is based on free cash flows, discounted by the weighted average cost of capital for individual assets (WACC). The projected cash flows in the model are up to 50 years. The return on equity is estimated using the CAPM (Capital Asset Pricing Model), which is based on risk-free inflation-adjusted interest rate with a premium added to reflect the risk of underlying operations. Interest rates on borrowings are estimated considering the general terms for interest rates which are offered in the market. It is assumed a debt ratio of 65% for the future and the expected weighted cost of capital (WACC) which is applied is in the range of 6.3% - 7.7% (weighted average 6.5%). The result of the fair value measurement was over 10% of the carrying amount of properties and therefore a revaluation was recognised according to the result at year-end 2024.

Sensitivity analysis of fair value measurement at year-end 2024:

	Increase	Decrease
Increase / (decrease) of EBITDA from operations of properties by 5%	1,296,555	(1,296,555)
(Increase) / decrease of return on equity and interest rates by 1.0%-point	(3,170,466)	4,245,127

Property and equipment are specified as follows:

	Properties and land	Other property and equipment	Total
Cost or assessed value			
Cost or assessed value 1.1.2023	30,950,749	13,134,212	44,084,961
Additions during the year	1,099,251	2,362,903	3,462,154
Sold and disposed of during the year	(398,032)	(674,980)	(1,073,012)
Cost or assessed value 31.12.2023	31,651,968	14,822,135	46,474,103
Revaluation during the year	3,046,691	0	3,046,691
Taken over on acquisition of subsidiary	442,609	3,300,764	3,743,373
Additions during the year	780,232	741,426	1,521,658
Sold and disposed of during the year	(419,501)	(526,257)	(945,758)
Cost or assessed value 31.12.2024	35,501,999	18,338,068	53,840,067
Depreciation			
Accumulated depreciation 1.1.2023	4,678,958	4,590,853	9,269,811
Depreciation for the year	668,444	1,670,224	2,338,668
Sold and disposed of during the year	(158,836)	(754,278)	(913,114)
Accumulated depreciation 31.12.2023	5,188,566	5,506,799	10,695,365
Depreciation for the year	663,044	2,069,705	2,732,749
Sold and disposed of during the year	(109,091)	(696,452)	(805,543)
Accumulated depreciation 31.12.2024	5,742,519	6,880,052	12,622,571

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15. Property and equipment, contd.:

	Properties and land	Other property and equipment	Total
Carrying amount			
Carrying amount 31.12.2023	26,463,402	9,315,336	35,778,736
Carrying amount 31.12.2024	29,759,480	11,458,016	41,217,494
Carrying amount excluding revaluation			
Carrying amount 1.1.2023	20,420,674	8,543,359	28,964,033
Carrying amount 31.12.2023	20,908,895	9,315,336	30,224,231
Carrying amount 31.12.2024	21,351,725	11,458,016	32,809,741
Depreciation rates	0 - 2%	5 - 33%	

The Company’s properties are pledged for debt which amounted to ISK 32,567 million at year-end 2024. Furthermore, there is an amount of ISK 2,987 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:	2024	2023
Insurance value of real estate	38,009,550	34,990,120
Insurance value of machinery and equipment, cabinetry and vehicles	12,859,958	10,156,525

16. Lease contracts

A. The Group as lessee

The Group leases buildings, land, machinery and equipment for its operations and the lease contracts extend up to the year 2077. The contracts are with various parties and are indexed to the consumer price index or not indexed.

Accounting policies

At the inception date of a lease contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

At the commencement date of a lease contract, the Group recognises a leased asset and a lease liability in the Statement of Financial Position. On that date or upon modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, the Group has elected not to recognise leased assets and lease liabilities for lease contracts whose lease term is 12 months or less and for lease contracts for which the underlying asset is of low value. Lease payments arising from these contracts are expensed in the Statement of Profit or Loss on a straight-line basis and included in other operating expenses.

The Group determines the lease term as the non-cancellable period of a lease contract together with periods covered by options to extend the lease if the Group is reasonably certain to exercise those options. If there are termination options for the contracts, which the Group is certain to exercise, then they are taken into consideration.

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16. Lease contracts, contd.:

Leased assets are initially measured at cost, which comprises the initial amount of the lease liability, plus any lease payments made at or before the commencement date, plus initial direct costs and an estimate of costs of the Group to dismantle and remove the underlying asset or the restore the underlying asset or the site on which it is located at the end of the lease contract, less any lease incentives received.

Leased assets are subsequently measured in accordance with the cost model. They are depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership to the Group at the end of the lease term or the cost of the leased assets reflects that the Group will exercise a purchase option of the underlying assets. In that case the leased assets are depreciated over the useful life of the underlying assets, which is determined on the same basis as those of property and equipment of the Group. The carrying amount of leased assets is reduced by impairment losses, when applicable, and adjusted for certain remeasurements of the carrying amount of lease liabilities.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date of the lease contracts, discounted using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses the incremental borrowing rate.

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

Variable lease payments that depend on sales or usage of underlying assets are not included in the measurement of lease liabilities, except to the extent that they are accrued and unpaid at the reporting date. Variable lease payments that depend on sales or usage of underlying assets are expensed in the Statement of Profit or Loss as they accrue and included in the line other operating expenses.

Subsequent to initial recognition, the carrying amount of lease liabilities is increased by interest expense and decreased by lease payments made. Furthermore, the carrying amount is remeasured when there is a change in future lease payments arising from changes in indices or rates, in the estimate of the amount expected to be payable by the Group under residual value guarantees, or when appropriate, changes in the assessment of whether it is reasonably certain that purchase options or extension options will be exercised, or termination options will not be exercised. When the carrying amount of lease liabilities is remeasured in this way, the corresponding adjustment is made to the carrying amount of leased assets or recognised in income statement if the carrying amount of leased assets has been reduced to zero.

Leased assets are presented separately within non-current assets in the Statement of Financial Position. Lease liabilities are presented separately in the Statement of Financial Position and split into non-current and current portions. Depreciation of leased assets is presented in Statement of Profit or Loss under depreciation, as per Note 10. Interest expense on lease liabilities is presented in the Statement of Profit or Loss under finance costs, as per Note 12.

Leased assets

Leased assets are specified as follows:

	Buildings	Land	Other	Total
Carrying amount 1.1.2023	6,700,374	1,041,871	270,109	8,012,354
New lease contracts	143,494	78,648	281,446	503,588
Changes to lease contracts and impact of CPI-indexation	532,987	1,491	29,600	564,078
Depreciation for the year	(825,631)	(26,974)	(130,797)	(983,402)
Carrying amount 31.12.2023	6,551,224	1,095,036	450,358	8,096,618
New lease contracts	666,500	7,536	123,289	797,325
Taken over on acquisition of subsidiary	2,117,416	0	0	2,117,416
Changes to lease contracts and impact of CPI-indexation	818,104	46,867	(42,670)	822,301
Depreciation for the year	(1,129,342)	(28,794)	(140,510)	(1,298,646)
Carrying amount 31.12.2024	9,023,902	1,120,645	390,467	10,535,014

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16. Lease contracts, contd.:

B. The Group as lessor

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

Lease revenues are specified as follows:	2024	2023
Year 2024	-	740,637
Year 2025	668,672	636,421
Year 2026	422,235	418,404
Year 2027	404,994	411,237
Year 2028	389,460	395,914
Year 2029	379,111	386,168
Due later	669,232	635,100
Rental income total	2,933,704	3,623,881

17. Investment properties

Properties intended for rent to third parties and for capital appreciation are classified as investment properties.

Accounting policies

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

Determination of fair value of investment properties

The Company´s measurements of fair value for the years 2024 and 2023 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% (2023:65%) for the future and the expected weighted cost of investment (WACC) which is applied is in the range of 6.3% - 7.7% (weighted average 6.5%) (2023: 6.5% - 7.7% and weighted average 6.6%).

Estimated cash flows are based on lease income from existing lease contracts and their expected development. Each lease contract is assessed, and relevant risk factors are considered. Utilisation rate is estimated to be 95-96% after a lease contract expires (2023: 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 2024 was an increase in the value of investment properties in the amount of ISK 302 million (2023: ISK 139 million), which is recognised in the Statement of Profit or Loss. Direct operating expenses of investment properties amounted to ISK 56 million for the year 2024 (2023: ISK 54 million).

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17. Investment properties, contd.:

Investment properties are specified as follows:

Carrying amount at 1 January 2023	6,478,617
Additions during the year	29,295
Fair value change	138,893
Carrying amount at 31 December 2023	6,646,805
Additions during the year	63,144
Fair value change	302,291
Carrying amount at 31 December 2024	7,012,240

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

Sensitivity analysis of fair value measurement at year-end 2024:	Increase	Decrease
Increase / (decrease) of EBITDA from operations of properties by 5%	350,612	(350,612)
(Increase) / decrease of return on equity and interest rates by 1.0%-point	(916,177)	1,255,994
Sensitivity analysis of fair value measurement at year-end 2023:		
Increase / (decrease) of EBITDA from operations of properties by 5%	332,340	(332,340)
(Increase) / decrease of return on equity and interest rates by 1.0%-point	(844,140)	1,144,804

18. Associates

The Company had seven associates at year-end 2024, both domestic and foreign. The Company recognises in the annual financial statements its share of profit or loss of those associates.

Accounting policies

Associates are entities where the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting rights. Associates are accounted for using the equity method and are recognised initially at cost. The Company's investment includes the goodwill arising from the acquisition, if any, less impairment, if any. The annual financial statements include the Company’s share of profit or loss and equity movements of associates from the date that significant influence commences until the date that significant influence ceases. When the Company’s share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has provided guarantees in respect of the associate or has financed it. Unrealised profit arising on transactions with associated companies is recognised as a reduction in their book value. Unrealised loss is recognised in the same way as unrealised profit, but only to the extent that there is no indication of impairment of these companies.

The share of profit or loss of foreign associates is recognised at the average exchange rate of the year. The share in equity is recognised at the exchange rate at the reporting date. Exchange differences arising from the translation to Icelandic Krona are recognised as a separate line item in the statement of comprehensive income. When a foreign associate is sold, partially or entirely, the related exchange difference is transferred to profit or loss.

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18. Associates, contd.:

Ownership in associates and share of profit or loss

The Group's share in profit or loss of associates amounted to ISK 608 million in 2024 (2023: ISK 418 million).

Ownership in associates is specified as follows:

	Ownership	2024	2023
Olíudreifing ehf.	60.0%	1,540,247	1,436,759
Malik Supply A/S, Danmörku	24.6%	940,660	799,568
EAK ehf.	33.3%	177,088	161,010
EBK ehf.	25.0%	175,642	162,021
Shares in other associates - 3 companies (2023: 3)	-	81,153	61,388
Total shares in associates at the end of the year		2,914,790	2,620,746

Change in the carrying amount of associates during the year:

	2024	2023
Carrying amount at the beginning of the year	2,620,746	2,600,869
Share of profit	608,187	418,125
Dividend	(298,238)	(391,784)
Purchase of shares	42,342	0
Sale of shares	(16,173)	0
Translation difference	(42,074)	(6,464)
Carrying amount at the end of the year	2,914,790	2,620,746

It was announced on 1 December 2023 that Festi hf. and Olís ehf. have jointly initiated an assessment of the strategy and future possibilities with respect to their ownership in Olíudreifing ehf., EAK ehf. and EBK ehf. This entails the evaluation of the possibility of a changed ownership, as applicable in cooperation with other shareholders of the companies, with the aim to maximise shareholder value, simplify ownership and at the same time ensure a favourable future development of their infrastructure. It was decided to initiate the formal sales process of the shares of the companies in Olíudreifing. After the deadline for submitting non-binding offers had passed, it was announced on 3 December 2024, that three parties had been invited to continue in the sales process. The results of whether the sale of the shares will proceed are expected to be available by mid-2025. It is expected that the conclusions as to whether the sale of shares will occur will be available by mid-year 2025.

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

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18. Associates, contd.:

Olíudreifing ehf.

The Company owns 60% share in Olíudreifing ehf. The Company does not have control over Olíudreifing ehf., which is therefore not classified as a subsidiary of the Company. This is because the Competition Authority decided that the company should have board members which are independent from N1 ehf. However, N1 ehf.´s business has significant influence on the operations of Olíudreifing ehf. Accordingly, the Company accounts for its ownership interest according to the equity method. The financial statements of Olíudreifing ehf. are prepared in accordance with the Icelandic Act on Annual Accounts and the established accounting rules.

	2024*	2023*
Non-current assets	4,170,837	3,800,179
Current assets	1,520,411	1,166,089
Non-current liabilities	(2,085,533)	(1,630,453)
Current liabilities	(1,038,636)	(941,216)
Net assets (100%)	2,567,079	2,394,599
Carrying amount at year-end (60%)	1,540,247	1,436,759
Revenue (100%)	6,066,104	5,472,110
Profit (100%)	472,480	353,233
Share in total comprehensive income (60%)	283,488	211,940

* Draft annual financial statements

Malik Supply A/S

Malik Supply A/S was founded in 1989 to service the fleet of trawlers on the waters of Greenland and in the North Atlantic Ocean with oil, lubricants, and other products. N1 sells Malik ship fuel which it then sells to major fisheries in Greenland. The financial statements of Malik Supply A/S are prepared in accordance with the Danish Act on Annual Accounts and the established accounting rules.

	2024*	2023*
Non-current assets	1,293,981	1,318,017
Current assets	7,115,822	6,063,493
Non-current liabilities	(289,425)	(717,457)
Current liabilities	(4,561,029)	(3,721,025)
Net assets (100%)	3,559,349	2,943,029
Share in equity	875,600	731,479
Premium	65,060	68,088
Carrying amount at year-end (24.6%)	940,660	799,568
Revenue (100%)	73,668,332	69,495,414
Profit (100%)	940,667	513,574
Share in total comprehensive income (24.6%)	231,404	127,647

* Draft annual financial statements

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Notes, contd.:

19. Long-term receivables

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

Long-term receivables are specified as follows:	Interest rates for the year	Outstanding at year-end 2024	2023
Receivables from related parties in Danish krona	10%/10%	0	100,985
Other receivables in Danish krona	4%/4%	23,538	22,755
Receivables in Icelandic krona	0%/0%	11,798	21,436
Total long-term receivables		35,336	145,176

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

Due in 2029 and later	35,336	145,176
Total long-term receivables	35,336	145,176

20. Inventories

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

Accounting policy

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out rule, and includes expenditure incurred in acquiring the inventories and in bringing them to the location and condition in which they are at the reporting date. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Purchases of goods during the year are specified as follows:	2024	2023
Inventories at beginning of year	13,557,248	13,085,771
Purchases during the year	118,301,449	106,055,713
Expensed inventories	(117,740,819)	(105,584,236)
Inventories at year-end	14,117,878	13,557,248

Inventories at year-end are specified as follows:	2024	2023
Convenience goods	4,796,689	4,142,097
Fuel	3,138,045	4,559,287
Electronic equipment	2,946,911	2,677,617
Prescription and over-the-counter medicine	550,995	0
Other goods	2,685,238	2,178,247
Total inventories	14,117,878	13,557,248
Insurance value of inventories	16,225,353	12,830,855

The write-down of inventories amounted to ISK 561 million at year-end 2024 (2023: ISK 556 million) and increased by ISK 5 million during the year (2023: increase by ISK 65 million).

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Notes, contd.:

21. Other short-term receivables

Other short-term receivables at year-end are specified as follows:	2024	2023
Prepaid expenses	300,147	231,303
Receivables from the Icelandic State	253,717	150,005
Receivables from suppliers	130,795	96,452
Market value of forward contracts	6,330	0
Other short-term receivables	489,716	245,425
Total other short-term receivables	1,180,705	723,185

22. Cash and cash equivalents

Cash and cash equivalents at year-end are specified as follows:	2024	2023
Bank accounts	2,971,374	2,154,883
Cash	100,581	106,225
Marketable securities	1,003,403	1,101,104
Total cash and cash equivalents	4,075,358	3,362,212

23. Equity and capital management

Share capital

The Company's total share capital according to its Articles of Association amounts to ISK 311.5 million and was increased by ISK 10 million during the year due to the acquisition of Lyfja. 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. The Company owns 0.2 million own shares or 0.1% at year-end 2024.

Share premium

Share premium consists of the difference between the nominal value of share capital and the amount of paid-in share capital at any given time, less the premium on acquisition of own shares.

Statutory reserve

In accordance with the Act on Limited Liability Companies, companies are required to retain a certain percentage of their profit for the year in a statutory reserve, up to the limit of the reserve being in the amount of 25% of the nominal value of share capital.

Revaluation reserve

The revaluation of the Group's properties as well as its share in the revaluation of properties of an associate is recognised in the revaluation reserve. The revaluation is dissolved in accordance with annual depreciation of the revaluation in the Statement of Profit or Loss. Dissolution of the revaluation is recognised in retained earnings.

Unrealised profit of subsidiaries and associates

If the share of profit of subsidiaries and associates which is recognised in the Statement of Profit or Loss is in excess of the dividends received from them, or the dividends that has been decided to distribute, the difference must be transferred from retained earnings to a restricted reserve among equity. If a company's shareholding in its subsidiary or associate is sold or written off, the reserve must be dissolved via transfer to retained earnings or accumulated deficit, as applicable.

Other restricted accounts

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

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23. Equity and capital management, contd.:

Share options

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

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

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

Movements of share options are specified as follows:	Nominal shares	Exercise price at year end
Share options granted 2024	14,469	
Forfeited share options	(1,488)	
Shares outstanding at 31 December 2024 for vesting in the coming years	12,981	197.1

The fair value of share options granted to employees is estimated using the Black-Scholes formula, taking into account the share price on the grant date, risk-free interest rates (7.8% – 8.1%), volatility in the share price of Festi (19.6% – 19.8%), the maturity and exercise price of the options, expected dividends, estimated employee departures, and conditions in the share option contracts regarding marketability. The total cost of the options is estimated at ISK 259 million over their vesting period, of which ISK 93 million is expensed as salary cost during the year 2024, as per Note 7.

Based on the exercise of outstanding share options, they would correspond to 4.2% of the issued share capital at year-end 2024. The exercise right is specified as follows over the coming years:

Share options granted during the year 2024:	Nominal shares	Exercise price at year end
100% exercisable in May 2025	2,624	191.5
100% exercisable in May 2026	2,501	191.5
100% exercisable in May 2027	3,956	196.2
100% exercisable in November 2027	1,785	205.1
100% exercisable in May 2028	1,785	205.1
100% nýtanlegir í November 2028	330	232.9
	12,981	

Retained earnings

Profit (loss) for the year is recognised as an increase (decrease) in retained earnings. Dividend payments are recognised as a decrease in retained earnings. Dissolution of revaluation is recognised as an increase in retained earnings. The amount of unrealised profit of subsidiaries and associates in excess of dividend payments is recognised in the restricted reserve as a decrease in retained earnings.

Capital management and dividends

The Board of Directors of Festi has established a policy on the capital structure and dividend payments, according to which dividend payments to shareholders or purchase of own shares should amount to at least 50% of the profit for each year. Furthermore, the aim is for EBITDA to be 35% of gross profit, return on equity is over 11%, the ratio net interest-bearing liabilities / EBITDA to be less than 3.5 and equity ratio to be in the range of 30 - 35%. The Company´s loan covenants require a minimum equity ratio of 25%. The equity ratio at year-end 2024 was 37.9% (year-end 2023: 37.3%).

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24. Earnings per share

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

	2024	2023
Profit for the year	4,018,235	3,438,194
Share capital at the beginning of the year	301,254	307,500
Effect of changes in share capital	4,767	(3,463)
Weighted-average of outstanding shares	306,021	304,037
Effect of outstanding share options	1,883	0
Adjusted weighted-average number of outstanding shares due to effect of outstanding share options	307,904	304,037
Basic earnings per share in ISK	13.13	11.31
Diluted earnings per share in ISK	13.05	11.31

25. Loans from credit institutions

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

	2024	2023
Long-term loans		
Balance at the beginning of the year	26,680,829	28,224,162
Repayments	(2,083,084)	(1,817,321)
New loans	3,985,802	0
Taken over on acquisition of subsidiary	1,563,782	0
Expensed borrowing costs	18,566	16,449
CPI-indexation	594,147	274,820
Change in current portion	(1,420,108)	(17,281)
Balance at year-end	29,339,934	26,680,829
Short-term loans		
Current portion of long-term loans	3,227,122	1,807,014
Balance at year-end	3,227,122	1,807,014
Total loans from credit institutions	32,567,056	28,487,843

	Weighted rates for the year		Outstanding at year-end	
	2024	2023	2024	2023
Non-indexed loans on floating interest rates	10.8%	9.9%	15,407,277	24,952,417
CPI-indexed loans on floating interest rates	4.7%	2.5%	17,159,779	3,535,426
Total loans from credit institutions			32,567,056	28,487,843

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Notes, contd.:

25. Loans from credit institutions, contd.:

The maturities of the loans are specified as follows:

	2024	2023
Year 2024	-	1,807,014
Year 2025	3,227,122	7,649,460
Year 2026	2,275,502	1,809,770
Year 2027	2,275,719	1,809,953
Year 2028	2,075,511	1,611,636
Year 2029	1,876,444	1,412,569
Due for payment onwards	20,836,758	12,387,441
Total loans from credit institutions	32,567,056	28,487,843

26. Lease liabilities

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

Lease liabilities are specified as follows:

	2024	2023
Carrying amount at the beginning of the year	8,652,596	8,426,337
New lease contracts	797,325	503,588
Taken over on acquisition of subsidiary	2,275,544	0
Increase due to indexation and changes to lease contracts	822,301	564,078
Payment of lease liabilities during the year	(1,158,555)	(841,407)
Total lease liabilities	11,389,211	8,652,596
Current portion	(1,387,796)	(859,276)
Total non-current portion of lease liabilities	10,001,415	7,793,320

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

	2024	2023
Year 2024	-	859,276
Year 2025	1,387,796	915,771
Year 2026	1,376,195	869,501
Year 2027	1,299,119	833,540
Year 2028	1,051,443	660,715
Year 2029	730,951	446,992
Due for payment onwards	5,543,707	4,066,801
Total	11,389,211	8,652,596

The impact of lease contracts in the Statement of Profit or Loss is as follows:

	2024	2023
Depreciation of leased assets	1,298,647	983,402
Interest expensed on lease liabilities	578,882	471,873

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

Property rent	312,562	276,733
Other rent payments	5,996	8,299

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

Paid due to lease contracts, principal and interest	1,737,437	1,313,280

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27. Income tax

Accounting policy

Income tax comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss except to the extent that it relates to items recognised directly in equity or in Other Comprehensive Income, in which case the income tax is recognised together with those items.

Current tax is the income tax estimated to be payable next year in respect of the taxable income for the year, based on the tax rate at the reporting date, besides adjustments to tax payable in respect of previous years, if any.

Deferred tax is recognised using the balance sheet method in respect of temporary differences between, on the one hand, the carrying amounts of assets and liabilities in the financial statements and, on the other hand, their tax bases. The amount of deferred tax is based on the estimated realisation or settlement of the carrying amounts of assets and liabilities using the tax rate in effect at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that it is possible to utilise future profits against the asset. Deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is considered that it will not be utilised.

Income tax recognised in the statement of profit or loss is specified as follows:

		2024		2023
Profit before income tax		5,111,526		4,136,041
Income tax based on current tax rate	21.0%	1,073,420	20.0%	827,208
Non-deductible expenses	3.7%	189,526	0.1%	3,947
Non-taxable income	(0.3%)	(14,708)	(0.6%)	(24,352)
Share of profit of associates	(2.5%)	(127,719)	(2.0%)	(83,625)
Other changes	(0.5%)	(27,228)	(0.6%)	(25,332)
Effective income tax rate	21.4%	1,093,291	16.9%	697,847

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

	2024	2023
Property and equipment and investment properties	6,416,252	5,555,462
Intangible assets	1,521,886	716,475
Lease contracts	(170,841)	(111,195)
Trade receivables	63,399	39,649
Inventories	46,617	32,289
Tax loss carried forward	(86,429)	0
Other items	(27,045)	(47,575)
Deferred tax liability	7,763,839	6,185,105

28. Other short-term liabilities

Other short-term liabilities are specified as follows at year-end:	2024	2023
Unpaid salaries and salary-related expenses	2,197,872	1,759,066
Duties (VAT, tariffs, oil charge, gasoline charge, carbon charge)	3,173,944	3,186,586
Unpaid income tax	1,214,021	524,171
Obligation due to goods in transit	261,579	742,848
Accrued interest	268,146	235,076
Deferred income	275,449	248,616
Other short-term liabilities	442,999	407,489
Total other short-term liabilities	7,834,010	7,103,852

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29. Risk management

Following is information about the Group's risks, objectives, policies and processes for measuring and managing the risk as well as information regarding operating risk. The Company's risk management objective is to minimise the risk it faces by analysing the risk, measuring it and controlling it.

Overview

The following risks arise from the Group's financial instruments:

- Credit risk
- Liquidity risk
- Market risk (price risk and interest rate risk)
- Currency risk
- Operating risk

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk arises principally from trade receivables and other receivables.

Credit risk mainly depends on the age of trade receivables, the financial standing and operations of individual customers and the standing of the industries in which the Company's biggest customers operate, which are transportation, fishing industry and contractors. Approximately 22% (2023: 24%) of the balance of trade receivables at year-end is attributable to 30 of the Company's biggest customers. Thereof, receivable from the biggest customer was 3% (2023: 3%).

The Company has established credit rules. All of the Company's customers with charge accounts have credit limits on their account which they cannot exceed. Legal entities must in general provide a personal guarantee of the owner for an amount corresponding to supplies for two months. This does however not apply to bigger customers which have good credit rating at CreditInfo.

The Group recognises an allowance for expected credit losses on trade receivables and other receivables. The estimation of the allowance is based on historical loss experience, the age of receivables, current economic conditions, and future prospects.

	2024	2023
Credit card receivables	2,558,971	1,968,375
Other trade receivables	4,608,999	4,016,453
Total trade receivables	7,167,970	5,984,828

Age analysis of trade receivables and impairment loss

Year 2024	Nominal amount	Loss allowance	Carrying amount	Allowance ratio
Not yet due	7,126,610	(106,917)	7,019,693	1.5%
Past due by 30 days or less	47,754	(2,502)	45,252	5.2%
Past due by 31 - 120 days	92,966	(9,354)	83,612	10.1%
Past due by more than 120 days	28,963	(9,550)	19,413	33.0%
	7,296,293	(128,323)	7,167,970	1.8%
Year 2023				
Not yet due	5,885,816	(95,039)	5,790,777	1.6%
Past due by 30 days or less	160,927	(2,892)	158,035	1.8%
Past due by 31 - 120 days	36,824	(3,536)	33,288	9.6%
Past due by more than 120 days	61,561	(58,833)	2,728	95.6%
	6,145,128	(160,300)	5,984,828	2.6%

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Notes, contd.:

29. Risk management, contd.:

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations that will be settled with cash or other financial assets. The Group's objective is to always have sufficient liquidity to meet its payment obligations as they become due.

The Group's liquidity position at year-end 2024 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 10 years and all loans are prepayable during the loan term. The Group also has access to a line of credit for a maximum amount of ISK 500 million. No amount was drawn at year-end 2024.

Further information about the Group's financial liabilities is disclosed in Note 30 about financial instruments.

Market risk

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

Price risk

An important market risk of the Company is price risk due to changes in the oil price in the world market, which has been very volatile in the past years. The price risk is reduced by means of specific agreements with the largest customers of the Company but also by the Parent Company entering into derivative contracts to hedge part of the price risk arising from purchases of oil. The contracts have maturities of up to several months, whereas the oil price is fixed in foreign currency and they cover the part of the Group's oil purchases which is not hedged with specific agreements. The contracts are settled in cash and are presented in the Statement of Profit or Loss as part of the cost of oil to which they relate. The loss from oil hedges amounted to ISK 1 million during the year (2023: loss of ISK 63 million). The fair value of forward contracts recognised in restricted reserves in equity amounted to ISK 5 million at year-end 2024 (2023: ISK 3 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 326 million (2023: ISK 285 million) due to effects on the borrowings of the Company at floating interest rates. The calculation is for the impact on profit or loss on an annual basis. A decrease in interest rates by one percentage point would have the same effect but in the opposite direction.

Currency risk

All of the Company's transactions denominated in foreign currencies give rise to currency risk. In evaluating currency risk both payment risk and settlement risk is considered. The objective is to manage currency risk in order to best insure the Company's benefits. The major part of imports is purchase of goods for resale from foreign suppliers denominated in USD and EUR, but the sale is for the most part in ISK. Sales in ISK constitute 96% (2023: 96%), USD 3% (2023: 3%) and other currencies 1% (2023: 1%).

29. Risk management, contd.:

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

Year 2024	USD	EUR	Other Currenceies	Total
Long-term receivables	0	0	23,538	23,538
Trade receivables	246,378	32,284	68,266	346,928
Cash and cash equivalents	276,549	10,259	57,957	344,765
Trade payables	(603,000)	(294,200)	(456,750)	(1,353,950)
Risk in the statement of financial position	(80,073)	(251,657)	(306,989)	(638,719)

Year 2023	USD	EUR	Other Currenceies	Total
Long-term receivables	0	0	123,740	123,740
Trade receivables	173,747	47,480	181,673	402,900
Cash and cash equivalents	211,939	4,603	95,819	312,361
Trade payables	(63,744)	(161,910)	(1,163,782)	(1,389,436)
Risk in the statement of financial position	321,942	(109,827)	(762,550)	(550,435)

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.

	2024	2023
USD	(8,007)	32,194
EUR	(25,166)	(10,983)
Other currencies	(30,699)	(76,255)
Total	(63,872)	(55,044)

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 and deviations from approved budgets are analysed.

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30. Financial instruments and fair value

Assets at fair value

Securities are recognised at fair value. The fair value estimate is categorised in level 3 of the fair value hierarchy, since the information about their fair value is based on the Company's own assumptions. The properties are recognised at revalued cost. This entails that their fair value is determined regularly to ensure that at any given time it does not differ significantly from their book value. Further information about the remeasurement of properties is disclosed in Note 15. Investment properties are recognised at fair value. Further information about their fair value is disclosed in Note 17.

Loans from credit institutions and other financial liabilities

The fair value of loans from credit institutions is the estimated future cash flows discounted at the market interest rate at the reporting date. The loans from credit institutions are on market interest rates and therefore the difference between their carrying amount and fair value is insignificant at any given time. Short-term liabilities are not discounted as the difference between their fair value and their carrying amount is insignificant.

Financial assets and financial liabilities are classified into certain categories. The classification of financial assets and financial liabilities affects how financial instruments are measured after initial recognition. The classification of financial assets and financial liabilities of the Group and their measurement basis are specified in the following table.

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

Financial instruments are initially recognised at fair value. They are recognised at the transaction date, which is the date the Group becomes a party to the contractual provisions of the instrument. For financial instruments not recognised at fair value through profit and loss all direct transaction costs are taken into account upon initial recognition.

Classification of financial instruments and their measurement basis

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

Financial instrument	Classification	Carrying amount at year-end 2024	Carrying amount at year-end 2023
Cash and cash equivalents	Financial assets at amortised cost	4,075,358	3,362,212
Trade and other receivables classified as financial instruments, including receivables from related parties	Financial assets at amortised cost	8,048,528	6,476,710
Shares in other companies	Fair value	14,140	14,140
Long-term receivables	Financial assets at amortised cost	35,336	145,176
Loans from credit institutions	Financial liabilities at amortised cost	32,567,056	28,487,843
Trade payables and other short-term liabilities classified as financial instruments	Financial liabilities at amortised cost	19,345,888	16,615,599

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30. Financial instruments and fair value, contd.:

Financial conditions

In the loan agreements there is the condition that the Group's equity ratio must always be higher than 25% at the end of each operating year. The equity ratio was 37.9% at year-end 2024 (year-end 2023: 37.3%) and the condition was fulfilled.

Maturity analysis

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

Year-end 2024	**Within a year**	**After 1 - 3 years**	**After 3 - 5 years**	**After more then 5 years**
Loans from credit institutions	5,582,060	8,601,252	7,394,566	24,292,228
Lease liabilities	1,985,277	3,595,061	2,442,096	7,713,090
Trade payables	11,787,327			
Payable to the Icelandic State	3,173,944			
Current tax liability	1,214,021			
Other short-term liabilities	3,170,596			
	26,913,225	12,196,313	9,836,662	32,005,318

Year-end 2023				
Loans from credit institutions	4,625,978	13,773,365	6,543,821	18,077,797
Lease liabilities	1,334,635	2,514,944	2,034,201	6,567,062
Trade payables	9,760,363			
Payable to the Icelandic State	3,186,586			
Current tax liability	524,171			
Other short-term liabilities	3,144,479			
	22,576,212	16,288,309	8,578,022	24,644,859

31. Related parties

Definition of related parties

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

Transactions with related companies

Transactions with associates are specified as follows:	**2024**	**2023**
Purchased goods and services	2,977,344	2,594,010
Sold goods and services	554,586	896,442
Interest revenue from receivables	3,159	10,659
Long-term receivables at year-end	0	100,985
Short-term receivables at year-end	9,696	6,212
Trade payables at year-end	96,758	103,324

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Notes, contd.:

31. Related parties, contd.:

Board of Directors and key management personnel

The salaries and benefits of the members of the Board of Directors and key management personnel for their work for the Group, the nominal amount of their shareholding and granted share options at year-end are specified as follows:

2024	Salary	Benefits	Performance-based salary	Nominal amount of shares at year-end	Share options at year-end
Board of Directors					
Guðjón Karl Reynisson, Chairman of the Board of Directors	12,047			609,391	
Sigurlína Ingvarsdóttir, Vice-Chairman	8,875			0	
Guðjón Auðunsson, Board member	5,264			0	
Hjörleifur Pálsson, Board member	7,344			40,000	
Margrét Guðmundsdóttir, Board member	5,946			178,014	
Magnús Júlíusson, former Board member	1,102			45,000	
Key management personnel					
Ásta S. Fjeldsted, CEO	58,864	5,670	14,700	96,000	270,000
Six managing directors	198,103	16,801	38,711	500,935	1,620,000
Three former managing directors	81,303	4,921	8,412	0	
Total	378,848	27,392	61,823	1,469,340	1,890,000
2023					
Board of Directors					
Guðjón Karl Reynisson, Chairman of the Board of Directors	10,929			609,391	
Sigurlína Ingvarsdóttir, Vice-Chairman	8,486				
Hjörleifur Pálsson, Board member	6,293			40,000	
Magnús Júíusson, Board member	6,053			215,861	
Margrét Guðmundsdóttir, Board member	4,757			178,014	
Key management personnel					
Ásta S. Fjeldsted, CEO	53,097	6,300	14,400	96,000	
Eggert Þór Kristófersson, former CEO	35,092	2,522	12,900	0	
Five managing directors	144,097	11,468	29,032	500,000	
Two former managing directors	32,112	2,749	17,550	74,902	
Total	300,916	23,039	73,882	1,714,168	0

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

	2024	2023
Key management personnel gender ratio (males/females)	50/50	67/33

Transactions with other related parties

There are no shareholders with significant influence at year-end 2024. Companies controlled by members of the Board of Directors and key management personnel are five at year-end 2024 and they were defined as related parties. Transactions with them during both years 2024 and 2023 were very immaterial and they consist of normal sales and purchases and the pricing in such transactions is comparable to other transactions of Group companies.

Transactions with employees

The Group has granted loans to its employees due to general purchase of goods and the receivables amounted to ISK 7 million at year-end 2024 (2023: ISK 7 million). Other liabilities of employees towards the Company amounted to ISK 1 million at year-end (2023: ISK 3 million).

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32. Other matters

Settlement between Festi and the Competition Authority regarding the acquisition of Hlekkur during the year 2018

Festi hf. (then N1 hf.) made a settlement with the Competition Authority on 30 July 2018 because of the acquisition by the Company of Hlekkur hf. (then Festi hf.). According to the settlement, Festi committed, among other things, to selling certain specified assets but it also included certain other behavioural conditions. In December 2020 the Competition Authority announced it would initiate an investigation into potential breaches of the settlement by Festi. The Competition Authority delivered to Festi on 20 December 2023 an objection document in which it was explained that the Authority's preliminary assessment was that Festi has breached several terms of the articles of the settlement, and also referred to.

On 29 October 2024, Festi requested formal discussions with the Competition Authority about whether, with reference to article 17.f. of the Competition Act, it would be possible to conclude the investigation with a settlement, and that request was approved. On 28 November 2024, Festi and the Competition Authority reached a settlement on the matter. In the settlement, Festi acknowledged that it had breached certain articles of the agreement from 30 July 2018. Furthermore, Festi acknowledged that it had breached the articles of the Competition Act regarding the duty to provide information by not timely providing the necessary documents for the investigation of the acquisition and by not adequately informing the Competition Authority of the Company's views during the settlement process in 2018. According to the settlement, it was agreed that the matter should be concluded with Festi paying an administrative fine of ISK 750 million. Festi paid the fine to the Icelandic State Treasury on 27 December 2024.

The matter is considered finally closed with respect to Festi, and there will be no further investigation or proceedings against the Company, employees, or other individuals by the Competition Authority.

Settlement between Festi and the Competition Authority regarding the acquisition of Lyfja during the year 2024

On 14 June 2024, Festi and the Competition Authority signed a settlement regarding the acquisition by Festi of all the shares in Lyfja. In the settlement, the Competition Authority approved the acquisition with conditions set to enhance and protect effective competition in those markets considered to be affected by the acquisition, and which were intended to remove the competition barriers that the acquisition would otherwise lead to according to the preliminary assessment of the Competition Authority.

The settlement between Festi and the Competition Authority consists mainly of the following aspects:

- Festi must ensure that employment contracts between Lyfja and pharmacists working at the company do not contain non-compete clauses or other competition restrictions.
- Festi must ensure the operational separation of Heilsa, a subsidiary of Lyfja. This includes, among other things, that Heilsa continues to operate as an independent legal entity and that all of its operations, business decision-making, and daily management are separated from the activities of other subsidiaries of Festi. The settlement also stipulates that Heilsa's operations take place in premises separate from those of certain subsidiaries of Festi, and that separation is also ensured through access control to Heilsa's computer and information systems. However, Festi is permitted to provide Heilsa with defined support services, provided that the provision of such services does not conflict with the objectives of the settlement. Furthermore, it stipulates certain specific conditions regarding the appointment of the Board of Directors of Heilsa.
- Festi must ensure that Heilsa sells products in wholesale on a commercial basis, to those retailers who request them. Heilsa is required to ensure equality and objectivity towards those retailers who purchase products from the company on a wholesale basis. Furthermore, Heilsa is required to keep confidential any information regarding its customers and ensure that sensitive information is not provided to other companies within the Festi Group or competitors of Heilsa's customers.
- The conditions regarding Heilsa will expire five years after the signing date of the settlement, 14 June 2024.

Sales process for the shares of the Company in Olíudreifing

On 26 September 2024 it was announced that Festi and Olís have reached an agreement to initiate the preparation of the sales process of the shares of the companies in Olíudreifing, whereas 60% of Olíudreifing is owned by Festi and 40% by Olís. On 3 December 2024 it was announced that non-binding offers had been received for all shares in Olíudreifing and that a decision had been made to invite three parties to continue in the sales process and provide them with access to further information. The sales process is still ongoing, but it is not certain at this stage whether the aforementioned process will lead to binding offers for Olíudreifing, which could result in the sale of the company.

33. Financial ratios

The Group's key financial ratios

Operations	2024	2023
Turnover rate of inventories		
Utilisation of goods / average balance of inventories during the year	8.3	7.6
Sales days in trade receivables:		
Average balance of trade receivables during the year / goods and services sold	13.2	13.3
Salaries and salary related expenses / gross profit	50.1%	50.3%
Operating profit before depreciation, amortisation and changes in value / gross profit	34.1%	35.9%
Financial position		
Current ratio: current assets / current liabilities	1.10	1.21
Liquidity ratio: (current assets - inventories) / current liabilities	0.51	0.52
Leverage: net interest-bearing liabilities excluding lease liabilities / EBITDA	2.28	2.28
Equity ratio: equity / total capital	37.9%	37.3%
Return on equity: profit for the year / average balance of equity	10.5%	10.0%

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Quarterly Statement – unaudited

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

	Q1	Q2	Q3	Q4	2024 Total
Sale of goods and services	32,223,073	36,037,111	44,256,657	41,945,805	154,462,646
Cost of goods sold	(25,190,249)	(27,444,240)	(33,427,482)	(31,678,848)	(117,740,819)
Gross profit from sale of goods and serv.	7,032,824	8,592,871	10,829,175	10,266,957	36,721,827
Other operating income	508,027	526,692	587,936	621,891	2,244,546
Salaries and other personnel expenses	(3,946,862)	(4,410,429)	(4,826,266)	(5,201,573)	(18,385,130)
Other operating expenses	(1,696,180)	(1,793,678)	(1,850,197)	(2,730,627)	(8,070,682)
	(5,135,015)	(5,677,415)	(6,088,527)	(7,310,309)	(24,211,266)
Operating profit before depreciation, amortisation and changes in value (EBITDA)	1,897,809	2,915,456	4,740,648	2,956,648	12,510,561
Depreciation and amortisation	(1,037,639)	(1,125,152)	(1,320,726)	(1,606,290)	(5,089,807)
Changes in value of investment properties	113,825	142,112	8,584	37,770	302,291
Operating profit (EBIT)	973,995	1,932,416	3,428,506	1,388,128	7,723,045
Finance income	84,458	74,042	109,054	215,440	482,994
Finance costs	(939,896)	(962,461)	(1,006,057)	(860,023)	(3,768,437)
Foreign currency differences	24,685	(8,502)	(36,031)	85,585	65,737
Share of profit of associates	87,152	133,548	250,197	137,290	608,187
	(743,601)	(763,373)	(682,837)	(421,708)	(2,611,519)
Profit before income tax (EBT)	230,394	1,169,043	2,745,669	966,420	5,111,526
Income tax	(28,638)	(216,229)	(513,679)	(334,745)	(1,093,291)
Profit for the period	201,756	952,814	2,231,990	631,675	4,018,235
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Translation difference arising from the operations of a foreign associate	(3,482)	(5,555)	10,340	(43,377)	(42,074)
Effective portion of changes in fair value of cash flow hedges, net of income tax	3,319	(5,105)	12,573	(2,404)	8,383
Items that will not be reclassified to profit or loss:					
Revaluation of properties, net of income tax	0	0	0	2,437,353	2,437,353
Total other comprehensive income	(163)	(10,660)	22,913	2,391,572	2,403,662
Total comprehensive income for the period	201,593	942,154	2,254,903	3,023,247	6,421,897
Basic earnings per share in ISK	0.67	3.16	7.30	2.00	13.13
Diluted earnings per share in ISK	0.67	3.16	7.28	1.94	13.05

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Quarterly Statement – unaudited, contd.:

The Group´s operations for the year 2023 are specified by quarters as follows:

	Q1	Q2	Q3	Q4	2023 Total
Sale of goods and services	29,483,531	34,199,250	37,333,780	35,234,640	136,251,201
Cost of goods sold	(23,256,243)	(26,442,925)	(28,759,114)	(27,125,954)	(105,584,236)
Gross profit from sale of goods and serv.	6,227,288	7,756,325	8,574,666	8,108,686	30,666,965
Other operating income	496,934	517,711	534,774	639,420	2,188,839
Salaries and other personnel expenses	(3,672,552)	(4,137,590)	(3,676,304)	(3,953,846)	(15,440,292)
Other operating expenses	(1,650,753)	(1,574,932)	(1,528,514)	(1,645,829)	(6,400,028)
	(4,826,371)	(5,194,811)	(4,670,044)	(4,960,255)	(19,651,481)
Operating profit before depreciation, amortisation and changes in value (EBITDA)	1,400,917	2,561,514	3,904,622	3,148,431	11,015,484
Depreciation and amortisation	(943,764)	(945,090)	(990,573)	(1,222,264)	(4,101,691)
Changes in value of investment properties	15,546	86,131	(89,030)	126,246	138,893
Operating profit (EBIT)	472,699	1,702,555	2,825,019	2,052,413	7,052,686
Finance income	27,255	42,053	86,251	88,458	244,017
Finance costs	(817,897)	(893,273)	(901,923)	(931,398)	(3,544,491)
Foreign currency differences	23,989	4,288	(52,680)	(9,893)	(34,296)
Share of profit of associates	122,064	49,771	258,568	(12,278)	418,125
	(644,589)	(797,161)	(609,784)	(865,111)	(2,916,645)
(Loss) profit before income tax (EBT)	(171,890)	905,394	2,215,235	1,187,302	4,136,041
Income tax	80,825	(167,351)	(399,140)	(212,181)	(697,847)
(Loss) profit for the period	(91,065)	738,043	1,816,095	975,121	3,438,194
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	(17,887)	1,769	(63,406)	73,060	(6,464)
Effective portion of changes in fair value of cash flow hedges, net of income tax	30	(2,903)	(20,797)	20,593	(3,077)
Total other comprehensive income	(17,857)	(1,134)	(84,203)	93,653	(9,541)
Total comprehensive income for the period	(108,922)	736,909	1,731,892	1,068,774	3,428,653
Basic and diluted earnings per share in ISK	(0.30)	2.43	5.96	3.22	11.31

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Statement of Corporate Governance

Board of Directors and Corporate Governance

Festi (“Festi” or “the Company”) complies with the Guidelines on Corporate Governance, revised edition from 1 July 2021, issued by the Icelandic Chamber of Commerce, Nasdaq Iceland and the Confederation of Icelandic Employers. The Guidelines are available on 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 rules of procedure of the Board of Directors were most recently reviewed at a Board meeting on 6 March 2024. The rules are based on provisions in Article 70, paragraph 5 in the Act on Public Limited Companies No. 2/1995 and Article 18, paragraph 4 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 6 March 2024. The policy applies to the terms of employment for the members of the Board of Directors, the CEO and the senior management of the Company.

The Company’s rules of procedure for the Board of Directors, Articles of Association and information regarding the remuneration policy are accessible on the Company’s website, www.festi.is/cc/stjornarhættir. The Company’s highest authority is with its shareholders. The Annual General Meeting of shareholders shall be held no later than by the end of August each year. The Board of Directors has the highest authority in the Company’s affairs between shareholders meetings and is ultimately responsible for its operations. The Board of Directors executes an appraisal of its performance annually. Communication between the Board and shareholders takes place at shareholders meetings. Members of the Board are independent in their work and do not accept instructions from shareholders in the Company or other stakeholders. Members of the Board must also observe confidentiality in performing their duties and are not allowed to provide information to shareholders concerning the Company’s 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 Board members appointed annually at the Annual General Meeting. According to the conclusion of the Annual General Meeting from 6 March 2024, the Board of Directors consists of: Guðjón Reynisson, Guðjón Auðunsson, Hjörleifur Pálsson, Margrét Guðmundsdóttir and Sigurlína V Ingvarsdóttir. The Board of Directors now consists of three men and two women. Therefore, the Company complies with the provisions of the Act on Public Limited Companies on gender ratios. Members of the Board have diverse education and extensive business experience.

The Annual General Meeting will be held on 5 March 2025. Those who intend to candidate at the election of the Board of Directors of the Company must notify so in writing to the Board of Directors with at least 10 days’ notice before the beginning of the Annual General Meeting. The Company's Articles of Association can only be amended with the approval of 2/3 of votes cast in a lawfully called shareholders' meeting, provided that the intended amendment is thoroughly mentioned in the agenda to the meeting as well as what it consists of.

The Board of Directors has laid down rules of procedure for the Board which are reviewed on an annual basis. In the rules of procedure, the competences of the Board and its purview with respect to the CEO are defined. The rules contain, among other things, provisions on the appointment of Board members, communication with shareholders, calling of meetings and quorum, minutes of meetings and their content, rules on Board members' obligation of confidentiality and secrecy and rules on eligibility of Board members to participate in decision making. The Board elects a Chairman and a Vice-Chairman for the Board in addition to appointing members of sub-committees. Board meetings shall be called as often as necessary but in general no less than eight times per year. Board meetings are held at the headquarters of Festi hf. at Dalvegur 10-14, 201 Kópavogur. The Chairman of the Board directs the meetings. The CEO 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.

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 but, according to The Guidelines of Corporate Governance issued 1 July 2021.

Statement of Corporate Governance, contd.:

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 to the Remuneration Committee and they shall all be independent from the Company. Neither the CEO nor other employees may be a member 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 Hjörleifur Pálsson - Chairman of the Committee, Guðjón Karl Reynisson and Margrét Guðmundsdóttir.

Audit committee

The Board of Directors of Festi hf. has appointed an Audit Committee in accordance with provisions of the Icelandic Financial Statements Act. The Committee must consist of at least three members and the majority of the members shall be independent from Festi and its day-to-day managers. The Committee shall be appointed no less than a month following the Annual General Meeting. 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. The Chairman of the Committee calls for meetings at his own initiative or upon request from other members of the Committee but no less than four times a year. The Committee consists of Guðjón Auðunsson, member of Board, Sigurlína Ingvarsdóttir, member of the Board, and Björgólfur Jóhannsson, Chairman of the Committee.

The Audit Committee´s tasks are as follows:

- To monitor the financial reporting process.
- To monitor the structure and effectiveness of Festi´s internal control, risk management and other control procedures.
- To monitor the external audit of Festi´s 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.

During the year 2024, the Board of Directors held 18 meetings, the Audit Committee 8 meetings and the Remuneration Committee 6 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.

Investment Committee

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

Statement of Corporate Governance, contd.:

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

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

Nomination committee

The Nomination committee bases its work on the Company’s Articles of Association and rules of procedure in accordance with resolution of the Annual General Meeting. The Committee consists of three members appointed for one year at a time. In accordance with rules of procedures in effect at the time, two members are elected at the Company´s Annual General Meeting on 6 March 2024, but the third one was appointed by the Board of Directors directly after the Annual General Meeting. According to rules of procedures, all members of the Committee shall be appointed at the Company´s Annual General Meeting. The principle shall be that a committee member appointed by the Board shall not be a Board member of the Company. 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 Association regarding the appointment of the Board of Directors. The Nomination Committee's recommendations shall be aimed at the Board composition of diverse knowledge and experience that will serve well for setting the Company´s policies and 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 Sigrún Ragna Ólafsdóttir, Chairman of the Committee, Inga Björg Hjaltadóttir, and Ólafur Arinbjörn Sigurðsson. Any queries are received through email, tilnefningarnefnd@festi.is.

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 Operational- and Business Studies from Endurmenntunarstofnun 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. 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, and the Board's Chairman since 2022; board member of Kvika banki and of Securitas since 2018 and a board member of Dropp from 2019. Guðjón is independent of the Company, its day-to-day managers, and major shareholders.

Sigurlína Invarsdóttir, Vice-Chairman of the Board of Directors

Sigurlína Invarsdóttir, holds a B.Sc degree in Industrial Engineering from the University of Iceland. Currently she works as an independent advisor in her own company, Ingvarsdottir ehf. and a member of its board. Additionally, she is an investor in Behold VC, where she is one of the owners. The fund invests in Nordic Countries in computer games companies in the early stages of their development. Between 2006 and 2020 Sigurlína worked as a manager in computer game manufacturing in Iceland, Sweden, Canada and the USA. Earlier she worked as a pharmaceutical development project manager in Actavis and in business development, and also implementing new technical solutions at Hagar. Sigurlína is the Chairman of the Boards of Directors of Carbon Recycling in addition she is also a board member of Icelandic and foreign computer games companies the Behold Ventures have invested in. Sigurlína became a Board member of Festi in July 2022. She is independent of the Company, its day-to-day managers, and major shareholders.

Guðjón Auðunsson, member of the Board of Directors

Guðjón graduated with a master's degree in international business economics and marketing from Aalborg University in Denmark in 1989. He completed the AMP program at IESE University in Barcelona in 2018. Guðjón worked as a lecturer at Bifröst University for two years after completing his studies in Denmark. From 1991 to 1999, he worked for Eimskip in various management positions, including as the company's managing director in the United States and later in Hamburg, Germany. From 2000 to 2002, Guðjón served as the managing director of the software company Landsteinar and at the end of this period as the CEO of Samvinnuferðir Landsýn. From 2002 to 2010, Guðjón was the managing director of the Corporate Division of the Oil Company Esso, later N1. From 2010 to March 2024, he held the position of CEO of Reitir fasteignafélag. Guðjón has held various board positions over the years, including Chairman of the Board of Bifröst University, a board member of Icelandair, Malik Supply A/S, Flutningajöfnunarsjóður, Chairman of the Board of Kringlan for about 13 years, and on the boards of several other companies related to Reitir. Became a Board member of Festi in March 2024.

Hjörleifur Pálsson, member of the Board of Directors

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

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 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, between 1982 and 1986. She was the deputy CEO of AIESEC International Brussel from 1978 to 1979. Margrét is a board member of Eignarhaldsfélagið Lyng ehf., Eimskip hf. and Paradís ehf. Margrét 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 between 2009 and 2013, a board member of Reiknistofa bankanna from 2010 to 2011 and from 2016 to 2018, a board member of ISAVIA from 2017 to 2018 and a board member of SPRON from 2008 to 2009. Additionally, Margrét has been a board member of Skýrr hf., Frigg hf., Q8 A/S in Denmark and Dansk Institut for Personaleradgivning. Margrét started as member of the Board of Directors of N1 in 2011, the Chairman of the Board of Directors from 2012, which later became Festi, until March 2020. She is independent of the Company, day-to-day managers, and major shareholders.

Executive Board of Festi

The Executive Board is composed of the CEO and seven managing directors of the Company, whereby each managing director is responsible for a certain division under the CEO.

Ásta Sigríður Fjeldsted, CEO

Ásta Sigríður is a Mechanical Engineer with an M.Sc. degree from DTU, Technical University of Denmark. Between the years 2007 to 2012 she worked for IBM in Denmark and Össur hf. the orthopaedic manufacturer, both in France and Iceland. From 2012 to 2017 she worked for the consulting firm McKinsey & Company, at both its offices in Tokyo and Copenhagen. From 2017 she worked as the Secretary-General of Iceland Chamber of Commerce. Ásta Sigríður held the position of CEO of Krónan from 2020 and became CEO of Festi in September 2022. Ásta Sigríður is a member of the Corporate Advisory Council of the Icelandic National Committee for UNICEF and is a board member at Transition Labs.

Other members of the Executive Board

Magnús Kristinn Ingason, CFO and COO

Eva Guðrún Torfadóttir, CEO of Bakkinn vöruhótel

Guðrún Aðalsteinsdóttir, CEO of Krónan

Karen Ósk Gylfadóttir, CEO of Lyfja

Óðinn Árnason, CEO of Yrkir eignir

Óttar Örn Sigurbergsson, CEO of ELKO

Ýmir Örn Finnbogason stepped down as CEO of N1 in June 2024. It has been announced that Magnús Hafliðason has been appointed as the new CEO of N1, and he will commence his duties in the first quarter of 2025.

Statement of Corporate Governance, contd.:

According to the Company’s Articles of Association, it is the role of the Board of Directors 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 have stock option agreements with the Company that were made in 2024, and the number of stock options is stated in note 31. There are no conflicts of interest between members of the Executive Board and the Company’s main customers, competitors, or large shareholders.

Main components of internal control and the Company´s risk management

Monitoring the main risks faced by the Company is an integral and ongoing part of the Company´s day-to-day operations intended to secure its operational continuity and minimise risk. Risk management is integrated in the day-to-day operation of the Company.

To ensure that the Company's financial statements are in accordance with IFRS Accounting Standards the Company 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 a 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.

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 external auditors carry out limited reviews of its processes.

Company's Shareholders

The Company is a limited liability company. Information regarding its largest shareholders is disclosed on its homepage, www.festi.is.

Festi’s Business Model

Festi is a holding company that owns and operates companies which are leading in the food market, fuel and service station market, and electronic equipment and smart device market. Operation of properties, purchase and sale of securities are also part of the Group’s operations. The Parent Company, Festi, owns the subsidiaries ELKO, which is the largest electronic equipment store in the country, Krónan, which operates grocery stores under the name Krónan, Lyfja which sells pharmaceuticals, health, and medical products, N1, which operates service stations for fuel and charging of electric vehicles as well as various facilities related to lubrication and motor vehicle services, Yrki eignir, which owns and operates the Group's properties, and Bakkinn vöruhótel, which specialises in in warehouse services and distribution.

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

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

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

Focus, Goals, and Achievements in Sustainability

In recent years, the Group has set defined goals related to environmental, social, and governance factors that also shape the focus of the year. An example of a key goal for the year was to analyze the impact on the Company's value chain, assess sustainability-related risks within the Group, and begin work on an action plan to reduce the Group's greenhouse gas emissions.

To ensure that the Group's focus aligns with the new European sustainability legislation (CSRD and ESRS) and to achieve a comprehensive approach for all Festi companies in sustainability, it was decided to embark on an ambitious effort for double materiality and gap analysis. This work also involved increased emphasis on collecting and analyzing sustainability data on key factors such as energy consumption, greenhouse gas emissions, and waste. This data has enabled the Company to monitor progress more effectively, as well as facilitate goal setting and reporting. Festi will publish its 2024 sustainability report according to the ESRS standard to gain experience with it and prepare for the future. The report will be found in the Company's annual report for the year 2024, which will be published in March.

At the end of 2024, the analysis and assessment company Reitun UFS conducted a sustainability assessment of Festi, which reports on how companies stand in environmental, social, and governance factors. Festi scored 80 points out of a possible 100, an increase of four points from the previous year. The Company also moved up one category from the previous year and is now above average in all categories. Key explanations for the improved score are linked to advances in data collection.

Sustainability policy of Festi and its operating companies

The policy‘s purpose is to serve as a guide to more sustainable operations for the Group. The policy lays the foundation for the Group’s vision and strategic priority of having sustainability as a guiding principle in all decision making regarding its future growth. Additionally, the policy supports the UN Sustainable Development Goals the Company the company puts emphasis on, specifically the goals on gender equality (5), decent work and economic growth (8), reduced inequalities (10), responsible consumption and production (12) and climate action (13).

Until now, the internationally recognized Nasdaq guidelines on environmental, social, and governance (ESG) factors have formed the basis of the policy. However, the policy will soon be revised in accordance with the priorities of the CSRD and ESRS.

Non-Financial Information, contd.:

Environmental factors

Festi and its operating companies are aware of the impact of their operations on the environment and strive to minimise their negative impact as much as possible. Festi and its operating companies are all members of Festa, the Centre for Corporate Social Responsibility and Sustainability, and have all signed Festa's and the City of Reykjavík's Climate Declaration on reducing greenhouse gas emissions and minimising negative environmental impacts through targeted actions.

Amongst other things, the Group emphasizes responsible use of resources, reducing waste, increasing the availability of environmentally friendly products and services, managing indirect emissions of greenhouse gases from operations (in addition to direct emissions) as well as reducing them, mapping and responding to sustainability risks, improving employee education and having a positive impact on the supply chain.

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

Social factors

It is important for Festi and its operating companies to be desirable workplaces that attract and retain qualified and dependable staff. Emphasis is placed on equality in the workplace as well as objective and fair communication but the Group does not tolerate any form of bullying, violence or harassment and has put in place a response plan related to those matters. Every effort is made to ensure the satisfaction, safety, and well-being of employees with good workplace conditions as well as regular training and career development. Workplace analyses are regularly carried out to measure well-being at the workplace, and the development of customer satisfaction is also monitored in various ways. Festi operates a zero-accident policy, which means that no accidents are acceptable. Safety and occupational safety courses are held annually to promote safety and health awareness among employees, together with lectures related to health, communication and well-being in the workplace. Festi cooperates with Siðferðisgáttin (the Ethics Gateway), which gives the Group's employees the possibility to report, in a safe way to a third party, if they are subjected to unwanted behaviour or experience discomfort in the workplace.

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

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

Corporate Governance

Festi and its operating companies are aware of the impact they have on society through their activities and place great emphasis on practicing healthy business practices in every respect. During the year a new Code of Conduct for Suppliers and Service Providers was introduced, and supplier assessments were carried out for both domestic and international suppliers. The assessment was designed to be simple to increase response rates, focusing on ensuring that companies are aware of their environmental impact, their social responsibility toward employees, and the importance of ethical business practices and preventing all forms of corruption.

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

Non-Financial Information, contd.:

Double Materiality Assessment

In 2024, the Group placed a strong emphasis on deepening its understanding of sustainability in relation to its operations. A double materiality assessment was conducted, providing a detailed analysis of the impact of sustainability factors on the Group's business, as well as the impact of the group's entire value chain on the environment and society. The impact on operations involves evaluating how sustainability factors—such as climate issues, social responsibility, and ethical standards—affect, or could potentially affect, the Company's performance, profitability, and long-term development. Conversely, the impact on the environment and society involves analyzing how the activities of Festi and its subsidiaries influence the environment, the communities in which we operate, and our customers.

This initiative is part of the Company's commitment to strengthening corporate social responsibility and promoting sustainability across all areas of its operations. The findings of this assessment were finalized at the end of 2024 and are already influencing the Group's action prioritization, as well as shaping its policies. The following ESRS categories are considered material for the Festi group:

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

Further results will be presented in the Company's 2024 annual report, which will be published in March.

Sustainability risks

At least twice a year, an assessment of the main risk factors in the Group's operations is updated. The assessment is carried out for each operating unit and by relevant members of management at each company. In 2024, the focus on sustainability risks was enhanced by utilizing the results of a double materiality assessment to expand and refine the subcategories of sustainability risks being evaluated. The key findings from the Group's risk assessment are presented to Festi's Audit Committee. Sustainability risks vary greatly depending on the operations of the operating companies, but the greatest risk is related to the sale of fossil fuels at N1. The Company also evaluates this risk as an opportunity and intends to be a leading player in Iceland's energy exchange by helping companies and individuals switch from fossil fuels to green energy sources. Examples of supporting projects that are well underway include the installation of fast charging stations all over the country.

Due diligence process

Over the past two years, Festi's Sustainability Report has been reviewed by Deloitte ehf., with a limited assurance. Given that the 2024 Sustainability Report will take significant steps towards ESRS reporting— which has not yet been legislated in Iceland—this time, limited assurance will be provided specifically on the sustainability metrics in the report. Additionally, the methodology and outcomes of the Company's double materiality assessment will be reviewed. While there is no legal requirement for this, Festi seeks to obtain an independent evaluation of the reliability of its sustainability data and disclosures. Furthermore, Festi's annual financial statements are audited by an external auditor, reviewed by the Audit Committee, and approved by the Bompany's Board of Directors and CEO.

More information regarding the Company's sustainability journey and performance reporting can be found in Festi's unaudited 2024 Annual Report, which will be published in March 2025 and made available on the Company's website, www.festi.is. Additionally, Festi's subsidiaries will publish more detailed insights on their sustainability performance, goals, and priorities for 2024 in reports available on their respective websites.

Non-Financial Information, contd.:

EU Taxonomy reporting

EU Taxonomy regulation entered into force in Iceland on 1 June 2023 with Act. no. 25/2024 on Sustainable Finance Disclosure Regulation (SFDR) and taxonomy for sustainable investments.

The aim of the regulation is to define which business activities are considered environmentally sustainable based on the technical assessment criteria set out in the delegated regulation 2021/2139 as well as to promote transparency in sustainability information. For companies to be considered environmentally sustainable within the meaning of the regulation, they must meet the criteria for environmentally sustainable economic activity according to Article 3 of the regulation. First, the economic activity must make a substantial contribution to one or more environmental objectives, while at the same time it may do no significant harm to other goals. It must be carried out in accordance with minimum safeguards and finally comply with technical screening criteria.

The environmental objectives are six:

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

Assessment criteria for climate change mitigation and adaptation have been implemented by delegated regulation 2021/2139. Business activities carried out there are subject to information disclosure requirements in Iceland, but the delegated regulation 2023/2486 on other environmental objectives entered into force within the EU in 2023 and is awaiting implementation in Iceland. Regulation 2024/10 was adopted during the year, expanding the range of business activities that can be classified as sustainable.

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

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

Festi’s EU Taxonomy eligible activities

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

Climate Change Mitigation:

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

Non-Financial Information, contd.:

Transition to a Circular Economy:

- 5.4. Sale of used goods

Environmentally sustainable activities according to the regulation

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

Over the past year, various aspects of the taxonomy regulation have been further clarified, and understanding of it has increased. Festi has concluded that the minimum safeguard measures concerning human rights in the value chain are not fully met. As a result, no investments, revenues, or operating costs will be considered sustainable under the regulation for the year 2024. Moving forward, the company will outline its eligible activities according to the technical assessment criteria for substantial contribution and ensuring no significant harm. Additionally, further clarification will be provided regarding Festi's stance on the requirements for minimum safeguard measures.

A substantial contribution

Climate Change Mitigation

1.1. Afforestation

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

4.9. Transmission and distribution of electricity

Construction and operation of N1 charging stations for electric vehicles, but N1 operates both home charging stations and fast charging stations all over the country.

5.8. Composting of Bio-waste

Krónan operates composting machines and produces and sells compost made from organic waste generated in its operations. However, it cannot be confirmed that this activity meets the criteria for being environmentally sustainable.

6.4. Operation of personal mobility devices, cycle logistics

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

6.6. Freight Transport Services by Road

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

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

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

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

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

7.3. Installation, maintenance and repair of energy efficient equipment

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

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

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

7.7. Acquisition and Ownership of Buildings

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

Transition to a Circular Economy

5.4. Sale of Used Goods

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

Do no significant harm

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

Climate change adaptation and mitigation

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

Sustainable use and protection of water and marine resources

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

Transition to a circular economy

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

Pollution prevention and control

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

Protection and restoration of biodiversity and ecosystems

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

Non-Financial Information, contd.:

Minimum safeguards

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

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

As previously noted, understanding of the Classification Regulation has increased over the past year, leading to the conclusion that the minimum safeguards regarding human rights due diligence in the value chain have not yet been fully met within the Group. This represents an updated approach from 2023, which results in no investments, revenues, or operating expenditures being classified as sustainable according to the regulation's framework for 2024. However, Festi has committed considerable effort to the matter and has set clear goals to meet the requirements by 2025.

Key performance indicators

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

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

The following methodology was used in the calculation of key performance indicators, turnover, capital expenditure and operating expenditure, that are disclosed hereafter in tables on p. 65, 66 and 67.

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

Additionally, the Company provides information about its operations in relation to nuclear and natural gas, in accordance with paragraphs 6 and 7 of Article 8 of EU Regulation 2021/2178. As can be seen in the table on p. 68, the Group has no activities related to nuclear energy or natural gas.

Turnover

The proportion of turnover in accordance with the definition of the taxonomy regulation includes income that is entered in accordance with paragraph 82A of IAS 1. Total turnover in accordance with the definition is in accordance with the Group's total turnover for the year 2024 as it is presented in note 6 in the consolidated financial statements. There of 2.9% is from activities that are taxonomy eligible. Proportions are presented in table for turnover on p. 65.

Capital expenditure

Capital expenditure has been allocated to eligible activities in accordance with the EU Taxonomy regulation. According to article 8 of the taxonomy regulation capital expenditure entails additions to tangible and intangible assets during the financial year considered before depreciation, amortisation, and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. Investments including new leases amounted to a total of 5,439 m. ISK in 2024 in accordance with additions during the year in note 14, 15 and 17 in the consolidated financial statements. There of 14.4% is from aligned activities. Proportions of capital expenditures are presented in a table for capital expenditures on p. 66.

Non-Financial Information, contd.:

Operational expenditure

The taxonomy regulation's definition of operational expenditure is narrower than the general accounting definition. Operational expenditure are direct non-capitalised costs that relate to research and development, building renovation measures, short-term leasing, maintenance and repair and any other direct expenditures relating to the day-to-day servicing of assets of property, plant, and equipment by the undertaking or third party to whom activities are outsourced, that are necessary to ensure the continued and effective functioning of such an asset. Operation expenditure according to this definition amounted to ISK 1,078 million during the year 2024 and was due to maintenance and repairs. There of 8.0% is from aligned activities. Proportions are presented in a table for operational expenditures on p. 67.

Activities Related to Nuclear Energy and Natural Gas

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

Non-Financial Information, contd.:

Turnover

Financial Year N	2025			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic Activities (1)	Code (2)	Absolute turnover (3)	Proportion of Turnover (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Taxo-nomy aligned pro-portion of total turn-over, year N (18)**	Taxo-nomy aligned pro-portion of turn-over, year N-1 (19)	Category (enabling activity) (20)	Cate-gory (trans-itional act-ivity) (21)
Text	*#*	*ISK, thousands*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES			**2,9%**																	
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	N	N	N	N	N	N	N	**0%**	-		
Of which Enabling		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	N	N	N	N	N	N	N	**0%**		**0%**	
Of which Transitional		**0**	**0%**							N	N	N	N	N	N	N	**0%**			**0%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
				EL; N/EL	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*											
Afforestation	CCM 1.1	0	0,0%																	
Transmission and distribution of electricity	CCM 4.9	3.548.235	2,3%																	
Sale of second-hand goods	CE 5.4	255.423	0,2%																	
Composting of bio-waste	CCM 5.8	115	0,0%																	
Operation of personal mobility devices, cycle logistics	CCM 6.4	80.364	0,1%																	
Freight transport services by road	CCM 6.6	14.461	0,0%																	
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15	64.361	0,0%																	
Construction of new buildings	CCM 7.1	0	0,0%																	
Renovation of existing buildings	CCM 7.2	0	0,0%																	
Installation, maintenance and repair of energy efficient equipment	CCM 7.3	0	0,0%																	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	1.352	0,0%																	
Acquisition and ownership of buildings	CCM 7.7	627.932	0,4%																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**4.592.242**	**2,9%**																	
A. Revenue Total (A.1+A.2)		**4.592.242**	**2,9%**																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities		**152.243.334**	**97,1%**																	
Total (A+B)		**156.835.576**	**100%**																	

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Non-Financial Information, contd.:

CapEx

Financial Year N	2025			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic Activities (1)	Code (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Taxo-nomy aligned pro-portion of total CapEx, year N (18)**	Taxo-nomy aligned pro-portion of CapEX, year N-1 (19)	Category (enabling activity) (20)	Cate-gory (trans-itional act-ivity) (21)
Text	*#*	*ISK, thousands*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES			**14,4%**																	
A.1. CapEx of environmentally sustainable activities (Taxonomy-aligned)																				
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	N	N	N	N	N	N	N	**0%**	-		
Of which Enabling		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	N	N	N	N	N	N	N	**0%**		**0%**	
Of which Transitional		**0**	**0%**							N	N	N	N	N	N	N	**0%**			**0%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned)																				
				EL; N/EL	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*											
Afforestation	CCM 1.1	11.311	0,2%																	
Transmission and distribution of electricity	CCM 4.9	0	0,0%																	
Sale of second-hand goods	CE 5.4	0	0,0%																	
Composting of bio-waste	CCM 5.8	22.950	0,4%																	
Operation of personal mobility devices, cycle logistics	CCM 6.4	0	0,0%																	
Freight transport services by road	CCM 6.6	119.653	2,2%																	
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15	44.005	0,8%																	
Construction of new buildings	CCM 7.1	35.333	0,6%																	
Renovation of existing buildings	CCM 7.2	283.032	5,2%																	
Installation, maintenance and repair of energy efficient equipment	CCM 7.3	77.470	1,4%																	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	1.124	0,0%																	
Acquisition and ownership of buildings	CCM 7.7	189.896	3,5%																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**784.774**	**14,4%**																	
Total (A.1+A.2)		**784.774**	**14,4%**																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Capex of Taxonomy-non-eligible activities		**4.654.444**	**85,6%**																	
Total (A+B)		**5.439.218**	**100%**																	

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Non-Financial Information, contd.:

OpEx

Financial Year N	2025			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic Activities (1)	Code (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Taxonomy aligned proportion of total OpEx, year N (18)**	Taxonomy aligned proportion ofOpEx, year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
Text	*#*	*ISK, thousands*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES			**8,0%**																	
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	N	N	N	N	N	N	N	**0%**	-		
Of which Enabling		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	N	N	N	N	N	N	N	**0%**		**0%**	
Of which Transitional		**0**	**0%**							N	N	N	N	N	N	N	**0%**			**0%**
A1. OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)																				
				EL; N/EL	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*											
Afforestation	CCM 1.1	0	0,0%																	
Transmission and distribution of electricity	CCM 4.9	0	0,0%																	
Sale of second-hand goods	CE 5.4	0	0,0%																	
Composting of bio-waste	CCM 5.8	0	0,0%																	
Operation of personal mobility devices, cycle logistics	CCM 6.4	0	0,0%																	
Freight transport services by road	CCM 6.6	28.952	2,7%																	
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15	14.440	1,3%																	
Construction of new buildings	CCM 7.1	0	0,0%																	
Renovation of existing buildings	CCM 7.2	29.960	2,8%																	
Installation, maintenance and repair of energy efficient equipment	CCM 7.3	0	0,0%																	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	0	0,0%																	
Acquisition and ownership of buildings	CCM 7.7	12.754	1,2%																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**86.106**	**8,0%**																	
A. Total (A.1+A.2)		**86.106**	**8,0%**																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities		**991.916**	**92,0%**																	
Total (A+B)		**1.078.022**	**100%**																	

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Non-Financial Information, contd.:

Nuclear and fossil gas related activities

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