



Condensed Consolidated Interim Financial Statements
1 January - 30 September 2020

Festi hf.
Dalvegur 10-14
201 Kópavogur
Iceland

Reg. no. 540206-2010

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Endorsement and Statement by the Board of Directors and the CEO

Operations of the Group

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

Operations in the nine-month period ended 30 September 2020

For the period from 1 January to 30 September 2020, profit amounted to ISK 1,740 million. Total comprehensive income for the period was ISK 1,779 million. At the end of the period equity amounted to ISK 29,682 million, including share capital in the amount of ISK 327 million. Dividend was paid in the beginning of September in the amount of 648 million. Reference is made to the consolidated statement of changes in equity regarding information on changes in equity.

COVID-19

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

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

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

Statement by the Board of Directors and the CEO

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

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

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

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

Kópavogur, 4 November 2020.

Board of Directors

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

CEO

Eggert Þór Kristófersson

Consolidated Statement of Comprehensive Income for the period from 1 January to 30 September 2020

	Notes	2020 1.7.-30.9.	2019 1.7.-30.9.	2020 1.1.-30.9.	2019 1.1.-30.9.
Sale of goods and services	6	23.524.327	24.091.734	63.037.999	63.712.205
Cost of goods sold		(17.693.622)	(18.447.709)	(47.641.897)	(48.789.020)
Margin from sale of goods and services	7	5.830.705	5.644.025	15.396.102	14.923.185
Other operating income	6	342.379	411.795	950.687	1.423.249
Salaries and other personnel expenses	8	(2.475.192)	(2.371.105)	(7.588.141)	(7.249.646)
Other operating expenses	9	(1.111.479)	(1.067.328)	(3.448.418)	(3.257.773)
		(3.244.292)	(3.026.638)	(10.085.872)	(9.084.170)
Operating profit before depreciation and amortization (EBITDA)		2.586.413	2.617.387	5.310.230	5.839.015
Depreciation and amortization		(799.335)	(541.279)	(2.075.968)	(1.886.248)
Changes in value of investment property		(875)	62.325	59.032	(54.956)
Operating profit (EBIT)		1.786.203	2.138.433	3.293.294	3.897.811
Finance income	10	957	68.064	180.510	156.737
Finance costs	10	(520.981)	(536.244)	(1.575.795)	(1.807.391)
Share of profit of associates		168.528	139.215	237.843	284.061
		(351.496)	(328.965)	(1.157.442)	(1.366.593)
Profit before income tax (EBT)		1.434.707	1.809.468	2.135.852	2.531.218
Income tax		(272.318)	(329.843)	(395.392)	(450.478)
Profit for the period		1.162.389	1.479.625	1.740.460	2.080.740
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Translation differences of foreign operations		25.179	(33.187)	74.783	6.325
Net change in fair value of equity investments ...	12	0	0	30.000	0
Effective portion of changes in fair value of cash flow hedge, net of tax	4	(131.856)	0	(66.515)	0
Total other comprehensive income		(106.677)	(33.187)	38.268	6.325
Total comprehensive income for the period ...		1.055.712	1.446.438	1.778.728	2.087.065
Basic and diluted earnings per share in ISK		3,55	4,49	5,31	6,31

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

Consolidated Statement of Financial Position as at 30 September 2020

	Notes	30.9.2020	31.12.2019
Assets			
Goodwill		14.668.264	14.070.463
Other intangible assets		4.987.967	4.649.850
Property and equipment	11	31.908.424	31.433.757
Leased assets		5.269.893	3.862.182
Investment properties		7.237.463	7.354.468
Shares in associates		2.273.878	1.952.349
Shares in other companies		11.559	109.059
Long-term receivables		269.037	271.989
Non-current assets		<u>66.626.485</u>	<u>63.704.117</u>
Inventories		8.671.515	7.678.413
Trade receivables		4.216.958	3.756.324
Other short-term receivables		788.737	736.735
Cash and cash equivalents		4.990.769	5.368.754
Current assets		<u>18.667.979</u>	<u>17.540.226</u>
Total assets		<u>85.294.464</u>	<u>81.244.343</u>
Equity			
Share capital		327.055	328.574
Share premium		12.875.017	13.010.171
Other restricted equity		6.310.717	5.815.161
Retained earnings		10.169.653	9.534.338
Equity		<u>29.682.442</u>	<u>28.688.244</u>
Liabilities			
Loans from credit institutions	13	29.635.391	29.942.470
Lease liabilities		5.041.752	3.585.949
Deferred tax liability		4.730.139	4.270.952
Non-current liabilities		<u>39.407.282</u>	<u>37.799.371</u>
Loans from credit institutions	13	3.463.971	3.437.684
Lease liabilities		406.006	377.610
Trade payables		7.341.778	6.803.236
Other short-term liabilities		4.992.984	4.138.198
Current liabilities		<u>16.204.739</u>	<u>14.756.728</u>
Total liabilities		<u>55.612.021</u>	<u>52.556.099</u>
Total equity and liabilities		<u>85.294.464</u>	<u>81.244.343</u>

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

	Other restricted equity							
	Share capital	Share premium	Statutory reserve	Revaluation reserve	Unrealised profit of subsidiaries and associates	Other reserves	Retained earnings	Total equity
1 January to 30 September 2019								
Equity 1.1.2019	329.574	13.140.383	82.393	3.654.286	1.642.560	(121.191)	7.241.841	25.969.846
Total comprehensive income for the period						6.325	2.080.740	2.087.065
Restricted due to subsidiaries and associates					1.526.213	(1.526.213)		0
Dissolution of revaluation of an associate				(19.076)			19.076	0
Dissolution of revaluation of property				(274.290)			274.290	0
Equity 30.9.2019	<u>329.574</u>	<u>13.140.383</u>	<u>82.393</u>	<u>3.360.920</u>	<u>3.168.773</u>	<u>(114.866)</u>	<u>8.089.734</u>	<u>28.056.911</u>
Total other restricted equity						<u>6.497.220</u>		
1 January to 30 September 2020								
Equity 1.1.2020	328.574	13.010.171	82.144	3.400.963	2.399.183	(67.129)	9.534.338	28.688.244
Transferred from statutory reserve			(380)				380	0
Total comprehensive income for the period						38.268	1.740.460	1.778.728
Restricted due to subsidiaries and associates					555.397	(555.397)		0
Dissolution of revaluation of an associate				(15.606)			15.606	0
Dissolution of revaluation of property				(82.122)			82.122	0
Equity 30.9.2020	<u>328.574</u>	<u>13.010.171</u>	<u>81.764</u>	<u>3.303.235</u>	<u>2.954.580</u>	<u>(28.861)</u>	<u>10.817.510</u>	<u>30.466.972</u>
<i>Transactions with shareholders:</i>								
Issued new share capital	3.126	403.265						406.391
Purchase of own shares	(4.645)	(538.419)						(543.064)
Dividend paid (ISK 2.00 per share)							(647.857)	(647.857)
Equity 30.9.2020	<u>327.055</u>	<u>12.875.017</u>	<u>81.764</u>	<u>3.303.235</u>	<u>2.954.580</u>	<u>(28.861)</u>	<u>10.169.653</u>	<u>29.682.442</u>
Total other restricted equity						<u>6.310.717</u>		

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

Consolidated Statement of Cash Flows

for the period 1 January to 30 September 2020

	Note	2020 1.7.-30.9.	2019 1.7.-30.9.	2020 1.1.-30.9.	2019 1.1.-30.9.
Cash flows from operating activities					
Operating profit before depreciation & amortization (EBITDA)		2.586.413	2.617.387	5.310.230	5.839.015
Operating items not affecting cash flows:					
Loss (gain) on sale of property and equipment		3.472	(365)	2.834	(240.281)
		<u>2.589.885</u>	<u>2.617.022</u>	<u>5.313.064</u>	<u>5.598.734</u>
Changes in operating assets and liabilities:					
Inventories, (increase) decrease		(1.172.263)	831.819	(993.102)	16.073
Trade and short-term receivables, decrease (increase)		135.054	(256.770)	(495.579)	(1.306.267)
Trade and other short-term liabilities, increase (decrease) ..		1.197.874	(449.614)	1.807.205	1.371.012
Changes in operating assets and liabilities		<u>160.665</u>	<u>125.435</u>	<u>318.524</u>	<u>80.818</u>
Interest received		11.583	29.497	76.336	89.674
Interest paid		(308.815)	(383.986)	(1.060.412)	(1.234.139)
Income tax paid		0	(107.762)	(278.802)	(257.320)
Net cash from operating activities		<u>2.453.318</u>	<u>2.280.206</u>	<u>4.368.710</u>	<u>4.277.767</u>
Cash flows (used in) from investing activities					
Purchase of intangible assets		(275.870)	(100.487)	(706.359)	(390.318)
Purchase of property and equipment	11	(1.015.796)	(427.012)	(1.869.073)	(1.066.665)
Sale of property and equipment		54.377	14.499	68.169	248.160
Purchase of investment properties		(4.883)	13.162	(8.843)	(39.363)
Sale of investment properties		184.880	0	184.880	2.507.379
Purchase of shares in other companies		0	(12.500)	(27.911)	(110.000)
Dividend received from associates		0	194.000	0	194.000
Purchase of subsidiary, net of cash acquired	12	0	0	(76.094)	0
Long-term receivables and securities, change		59.184	0	167	0
Net cash (used in) from investing activities		<u>(998.108)</u>	<u>(318.338)</u>	<u>(2.435.064)</u>	<u>1.343.193</u>
Cash flows used in financing activities					
Dividend paid		(647.857)	0	(647.857)	0
Purchase of own shares		0	0	(543.064)	0
New long-term loans from credit institutions		0	0	0	13.371.000
Repayment of long-term loans from credit institutions		0	0	(867.625)	(17.193.105)
Payment of the principal portion of lease liabilities		(107.280)	(79.240)	(284.023)	(251.164)
Short term loans, change		(930)	0	(2.444)	1.000.000
Net cash used in financing activities		<u>(756.067)</u>	<u>(79.240)</u>	<u>(2.345.013)</u>	<u>(3.073.269)</u>
Increase (decrease) in cash and cash equivalents		699.143	1.882.628	(411.367)	2.547.691
Effect of movements in exchange rates on cash held		(2.678)	6.149	33.382	24.444
Cash and cash equivalents at the beginning of the period		4.294.304	4.950.283	5.368.754	4.266.925
Cash and cash equivalents at the end of the period		<u>4.990.769</u>	<u>6.839.060</u>	<u>4.990.769</u>	<u>6.839.060</u>
Investing and financing activities not affecting cash flows					
Purchase of shares in other companies		0	0	(406.391)	0
Issued new share capital		0	0	406.391	0
Acquisition of right-of-use assets		(1.768.255)	0	(1.768.255)	0
New and renewed leases		1.768.255	0	1.768.255	0

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

Notes to the Consolidated Financial Statements

1. Reporting entity

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

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

2. Basis of preparation

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

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

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

The Board of Directors of Festi hf. approved the consolidated interim financial statements on 4 November 2020.

3. Use of estimates and judgements

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

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

Estimated impairment

The Group annually tests, in accordance with the Group's accounting policies whether the financial and non-financial assets, including goodwill are impaired. At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. COVID-19 classifies as such an impairment indicator and therefore the financial and non-financial assets, including goodwill, were assessed if there was any indication of impairment. The Group's goodwill is allocated on three Cash Generating Units ("CGU"), grocery stores, electronic equipment stores and the Group as a whole. Both business in grocery stores and electronic equipment are experiencing considerable growth but sale in fuel and sale of fast food and refreshments in service stations around Iceland has experienced considerable drop. In management opinion the market should recover there fully in the next 9 to 15 months given the introduction of vaccine. A full impairment test on goodwill was therefore not performed.

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

Expected credit losses

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

Notes, continued:

4. Changes in the accounting policies

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

IFRS 9 Financial Instruments

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

In 2020 the Group entered into forward swap agreements in fuel and foreign currency. The Group is now applying cash flow hedge accounting, whereby the effective portion of changes in fair value of the forward swap agreements is recognised in other comprehensive income, net of tax and accumulated in hedging reserve in equity. Any ineffective portion of changes in the fair value of the agreements is recognised immediately in profit or loss. Since the Group did not apply hedge accounting in prior accounting periods, it recognised the changes in fair value of forward agreements directly in profit and loss. At the end of September 2020, ISK 67 million was the cumulative net change in hedging reserve in equity with respect to forward swap agreements.

5. Operating segments

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

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

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

Reportable segments for the nine months ended 30 September 2020

	N1	Krónan	ELKO	Other companies	Total
External revenue	23.500.523	30.893.994	8.861.963	732.206	63.988.686
Intra-group revenue	199.705	87.049	10.602	4.257.232	4.554.588
Total segment revenue	23.700.228	30.981.043	8.872.565	4.989.438	68.543.274
Operating profit before depreciation, and amortization (EBITDA)	2.401.463	2.177.421	762.035	2.456.415	7.797.334
Segment depreciation and amortisation	(1.722.757)	(1.087.307)	(264.025)	(1.092.518)	(4.166.607)
Changes in value of investment properties ..	0	0	0	59.032	59.032
Operating profit of segments (EBIT)	678.706	1.090.114	498.010	1.422.929	3.689.759
Net finance costs	(639.181)	(346.251)	(60.160)	(1.556.447)	(2.602.039)
Share of profit of associates	0	0	0	237.843	237.843
Income tax	(10.063)	(159.665)	(89.433)	25.827	(233.334)
Profit for the period	29.462	584.198	348.417	130.152	1.092.229

30 September 2020

Segment assets	30.789.462	15.061.436	4.318.582	35.124.984	85.294.464
Segment capital expenditure	556.039	860.473	178.678	989.085	2.584.275
Segment liabilities	17.351.906	13.522.957	3.305.138	21.432.020	55.612.021

Notes, continued:

5. Operating segments, continued:

Reportable segments for the nine months ended 30 September 2019

	N1	Krónan	ELKO	Other companies	Total
External revenue	29.125.186	27.234.320	7.624.406	1.151.542	65.135.454
Intra-group revenue	38.424	56.022	535	9.030.341	9.125.322
Total segment revenue	29.163.610	27.290.342	7.624.941	10.181.883	74.260.776
Operating profit before depreciation, and amortization (EBITDA)	2.896.321	1.920.523	364.654	7.917.081	13.098.579
Segment depreciation and amortisation	(1.650.303)	(907.864)	(242.939)	(1.108.564)	(3.909.670)
Changes in value of investment properties	0	0	0	(54.956)	(54.956)
Operating profit of segments (EBIT)	1.246.018	1.012.659	121.715	6.753.561	9.133.953
Net finance costs	(750.477)	(321.708)	(63.146)	(1.801.646)	(2.936.977)
Share of profit of associates	0	0	0	284.061	284.061
Income tax	(99.360)	(138.190)	(11.714)	(991.178)	(1.240.442)
Profit for the period	396.181	552.761	46.855	4.244.798	5.240.595

30 September 2019

Segment assets	32.021.328	12.833.260	3.533.943	34.342.431	82.730.962
Segment capital expenditure	257.375	522.485	72.047	644.439	1.496.346
Segment liabilities	18.337.824	11.254.582	2.614.740	22.466.905	54.674.051

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

1.1.-30.9.2020

	Reportable segment totals	Intercompany adjustments	Consolidated totals
EBITDA	7.797.334	(2.487.104)	5.310.230
Depreciation and amortisation	(4.166.607)	2.090.639	(2.075.968)
Changes in value of investment property	59.032		59.032
EBIT	3.689.759	(396.465)	3.293.294
Net finance costs	(2.602.039)	1.206.754	(1.395.285)
Share of profit of associates	237.843		237.843
Income tax	(233.334)	(162.058)	(395.392)
Profit for the period	1.092.229	648.231	1.740.460

1.1.-30.9.2019

	Reportable segment totals	Intercompany adjustments	Consolidated totals
EBITDA	13.098.579	(7.259.564)	5.839.015
Depreciation and amortisation	(3.909.670)	2.023.422	(1.886.248)
Changes in value of investment properties	(54.956)		(54.956)
EBIT	9.133.953	(5.236.142)	3.897.811
Net finance costs	(2.936.977)	1.286.323	(1.650.654)
Share of profit of associates	284.061		284.061
Income tax	(1.240.442)	789.964	(450.478)
Profit for the period	5.240.595	(3.159.855)	2.080.740

Notes, continued:

6. Operating income

Sale of goods and services

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

Income from lease of real estate

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

Other operating revenue

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

Operating income is specified as follows:	2020	Restated 2019	2020	Restated 2019
	1.7.-30.9.	1.7.-30.9.	1.1.-30.9.	1.1.-30.9.
Sale of goods and services:				
Grocery and convenience goods	12.520.251	11.246.610	34.683.317	31.048.541
Fuel and electricity	5.930.365	8.317.926	14.640.780	20.296.709
Electronic equipment	3.363.741	2.804.188	8.850.698	7.620.716
Other goods and services	1.709.970	1.723.010	4.863.204	4.746.239
Total sale of goods and services	23.524.327	24.091.734	63.037.999	63.712.205

Changes have been made where goods previously classified as fuel and sale of other goods and services are now included in other segments. Amounts from Q3 2019 and Q1-Q3 2019 have been restated accordingly. This affects also amounts in note 7 which have been restated accordingly.

Other operating income:

Lease income from leasing of real estate	196.947	287.419	580.282	738.590
Warehouse services	96.224	114.302	259.838	319.673
Other operating income	49.208	10.074	110.567	364.986
Total other operating income	342.379	411.795	950.687	1.423.249
Total operating revenue	23.866.706	24.503.529	63.988.686	65.135.454

7. Cost of goods sold

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

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

	2020	Restated 2019	2020	Restated 2019
	1.7.-30.9.	1.7.-30.9.	1.1.-30.9.	1.1.-30.9.
Grocery and convenience goods	3.147.412	2.979.630	8.099.444	7.461.666
Fuel and electricity	1.304.731	1.448.256	3.202.555	3.938.509
Electronic equipment	773.188	653.562	2.197.588	1.715.811
Other goods and services	605.374	562.577	1.896.515	1.807.199
Total margin from sale of goods and services	5.830.705	5.644.025	15.396.102	14.923.185

Notes, continued:

8. Salaries and other personnel expenses

Salaries and other operating expenses are specified as follows:

	2020	2019	2020	2019
	1.7.-30.9.	1.7.-30.9.	1.1.-30.9.	1.1.-30.9.
Salaries	2.054.027	1.944.695	5.938.077	5.638.965
Salary-related expenses	340.130	344.380	1.347.252	1.336.085
Other personnel expenses	81.035	82.030	302.812	274.596
Total salaries and other personnel expenses	2.475.192	2.371.105	7.588.141	7.249.646

9. Other operating expenses

Other operating expenses are specified as follows:

Operating costs of real estate	381.590	435.746	1.161.320	1.236.304
Maintenance expenses	152.246	155.909	507.864	469.800
Sales and marketing expenses	177.628	181.701	549.582	568.608
Communication expenses	154.160	139.409	448.873	369.481
Office and administrative expenses	81.029	101.096	353.931	385.147
Bad debt and change in allowance for bad debt	27.754	28.431	64.919	10.117
Other expenses	137.072	25.036	361.929	218.316
Total other operating expenses	1.111.479	1.067.328	3.448.418	3.257.773

10. Finance income and finance costs

	2020	2019	2020	2019
	1.7.-30.9.	1.7.-30.9.	1.1.-30.9.	1.1.-30.9.
Finance income is specified as follows:				
Interest income on cash and cash equivalents	(4.781)	32.244	27.337	37.280
Interest income on long-term receivables	(1.063)	1.250	11.175	1.250
Interest income on other receivables	6.801	10.299	32.531	40.200
Dividend income	0	0	6.600	0
Net foreign exchange gain	0	24.271	102.867	78.007
Total finance income	957	68.064	180.510	156.737

Finance costs are specified as follows:

Interest expense and CPI-index on loans	431.870	449.296	1.296.703	1.547.570
Interest expense on lease liabilities	74.449	48.724	207.710	146.171
Other interest expense	13.970	38.224	71.382	113.650
Net foreign exchange loss	692	0	0	0
Total finance costs	520.981	536.244	1.575.795	1.807.391

11. Operating assets

Acquisition of operating assets in the first nine months of 2020 amounted to ISK 1,878 million. Thereof investment in buildings is ISK 710 million, interiors, equipment and tools was ISK 787 million and investment in computers and other IT hardware was ISK 129 million.

12. Business combination

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

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

The operation of Íslensk Orkumiðlun is included in these Financial Statements from 1 June 2020 when all conditions of the purchase agreement were met. The impact on Comprehensive Income is increase in revenues from sales by ISK 546 million, EBITDA is increased by ISK 32 million and profit for the period by ISK 24 million.

Notes, continued:

12. Business combination, continued:

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

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

13. Loans from credit institutions

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

		30.9.2020	31.12.2019
Long-term loans			
Balance at the beginning of the year		29.942.470	33.593.033
Repayments		(867.625)	(17.913.413)
New loans		0	13.429.328
Amortisation of borrowing costs		21.765	31.610
CPI-indexation		567.512	516.622
Change in current portion		(28.731)	285.290
Balance at the end of the period.....		<u>29.635.391</u>	<u>29.942.470</u>
Short-term loans			
Current portion of long-term loans		1.463.971	1.435.240
Short-term loans from bank		2.000.000	2.002.444
Balance at the end of the year		<u>3.463.971</u>	<u>3.437.684</u>
Total loans from credit institutions		<u>33.099.362</u>	<u>33.380.154</u>
	Interest rate at 30.9.2020		
Non-indexed loans on floating interest rates	2,1%	8.988.484	9.312.383
CPI-indexed loans on floating interest rates	2,3%	22.110.878	22.065.327
Short-term loan on floating interest rates	2,0%	2.000.000	2.002.444
Total loans from credit institutions		<u>33.099.362</u>	<u>33.380.154</u>

The maturities of the loans are specified as follows:

Year 2020 (3 months) (2019: 12 months).....	2.738.757	3.437.684
Year 2021	1.464.323	1.436.647
Year 2022	1.465.730	1.438.054
Year 2023	1.467.137	1.439.461
Year 2024	1.468.544	1.440.868
Due for payment onwards	24.494.871	24.187.440
Total loans from credit institutions	33.099.362	33.380.154

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

Notes, continued:

14. Group entities

At 1 January 2020, the Company merged Hlekkur and Ego, two of its subsidiaries with its operation. In March 2020 the Company bought the remaining 85% outstanding shares in Íslensk Orkumiðlun. At 1 June 2020 all conditions of the purchase were met and the company became a fully owned subsidiary. The operations and financial position of Íslensk Orkumiðlun are included from that day in the interim Financial Statements as a subsidiary of N1. The Company held five subsidiaries at end of September 2020. The subsidiaries are all fully owned by the parent.

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

15. Financial ratios

The Group's key financial ratios

	2020 1.1.-30.9.	2019 1.1.-30.9.
Operations		
Turnover rate of inventories		
Utilisation of goods / average balance of inventories during the period.....	8,3	8,5
Sales days in trade receivables:		
Average balance of trade receivables during the period / goods and services sold	13,6	14,9
EBITDA / margin from sales of goods and services.....	34,5%	39,1%
Salaries and personnel expenses / margin from sales of goods and services.....	49,3%	48,6%
Other operating expenses / margin from sales of goods and services.....	22,4%	21,8%
	30.9.2020	31.12.2019
Financial position		
Current ratio: current assets / current liabilities.....	1,15	1,19
Liquidity ratio: (current assets - inventories) / current liabilities.....	0,62	0,67
Intrinsic value of share capital	90,76	87,31
Equity ratio: equity / total capital.....	34,8%	35,3%