ÖLGERÐIN
EGILL SKALLAGRÍMSSON

Financial Statements 2024-2025

Contents

Ölgerðin Egill Skallagrímsson hf.
Identification number 420369-7789
Grjóthálsi 7-11, 110 Reykjavík

Consolidated statement of profit and loss and other comprehensive income

for the year ended 28 February 2025

'000 ISK	Note	2024-2025	2023-2024
Revenues	3	45.723.868	45.375.363
Alcohol tax and deposit charge		(11.743.508)	(11.562.941)
Net revenues		33.980.360	33.812.423
Production expenses	5	(20.737.696)	(20.576.626)
Gross profit		13.242.664	13.235.796
Other operating income		60.944	48.976
Other operating expenses	5	(9.402.348)	(8.812.699)
Operating profit before interest and tax (EBIT)		3.901.260	4.472.074
Effects of associates	10	69.126	395.031
Financial income	6	152.111	105.214
Financial expenses	6	(971.132)	(994.048)
Exchange rate difference		(11.300)	2.407
Profit before tax		3.140.064	3.980.678
Income tax	7	(706.703)	(676.522)
Profit for the year		2.433.361	3.304.155
Attributable to:			
Shareholders of Ölgerðin hf.		2.320.555	3.220.279
Non-controlling interest		112.806	83.877
Profit for the year		2.433.361	3.304.155
Basic earnings per share	13	0,82	1,15
Diluted earnings per share	13	0,79	1,10

Notes on pages 22-39 are an essential part of these consolidated financial statements

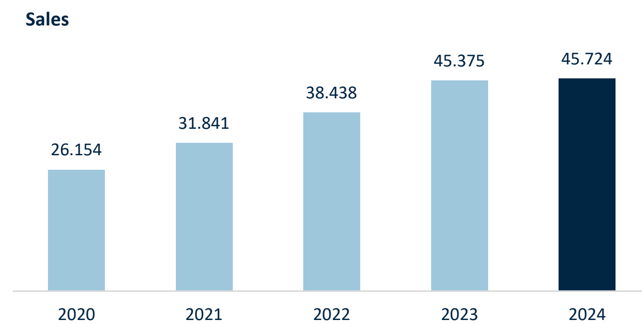
Other comprehensive income

'000 ISK	2024-2025	2023-2024
Profit for the year	2.433.361	3.304.155
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Translation of foreign operations	57.236	(24.142)
Total comprehensive income	2.490.597	3.280.014
Attributable to:		
Shareholders of Ölgerðin hf.	2.353.199	3.208.709
Non-controlling interest	137.397	71.304
Total comprehensive income	2.490.597	3.280.014

Revenues and profit for the year

Unaudited

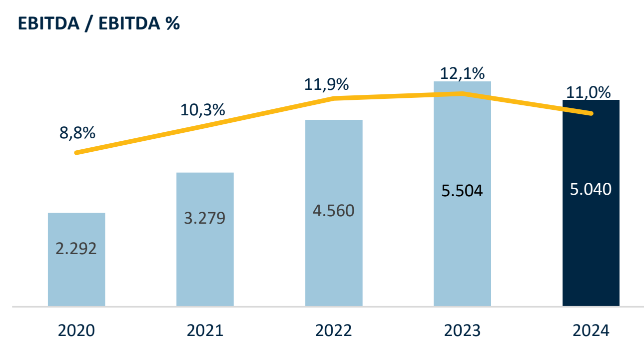
EBITDA and EBIT	2024-2025	2023-2024	Change %
EBITDA	5.040.341	5.504.444	-8%
Depreciation and amortisation	1.139.081	1.032.371	10%
EBIT	3.901.260	4.472.074	-13%
Net finance income (expense)	(830.322)	(886.427)	-6%
Effects of associates	69.126	395.031	-83%



The Group's sales amounted to ISK 45.724 million which is an 1% increase compared to prior year.

EBITDA for the financial year amounted to ISK 5.040 million compared to ISK 5.504 million in the prior year. This equals a 8% decrease from prior year.

After tax profit amounted to ISK 2.433 million which is an decrease of 26% from prior year.



Profit for the year and earnings pe	2024-2025	2023-2024	Change %
Profit before tax	3.140.064	3.980.678	-21%
Income tax	(706.703)	(676.522)	4%
Profit for the year	2.433.361	3.304.155	-26%
Earnings per share	0,82	1,15	-29%

Consolidated statement of financial position

Assets 28 / 29 February

'000 ISK	Note	2025	2024
NON-CURRENT ASSETS			
Property, plant and equipment	8	16.032.596	14.095.346
Intangible assets	9	7.362.160	7.358.548
Lease assets	17	110.366	131.905
Shares in associates	10	491.421	422.295
Bonds and other financial assets	20	819.973	396.690
Non-current assets		24.816.516	22.404.784
CURRENT ASSETS			
Inventories	11	3.600.027	3.418.505
Trade receivable	12	3.450.185	3.226.991
Other short-term receivables		43.669	91.336
Cash and cash equivalents		1.273.246	1.523.787
Current assets		8.367.127	8.260.619
Total Assets		33.183.643	30.665.403

Liabilities and equity 28 / 29 February

'000 ISK	Note	2025	2024
EQUITY	13		
Share capital		2.843.085	2.806.647
Share premium		1.292.394	1.102.553
Revaluation reserve		4.142.395	3.135.377
Other restricted equity		6.343.632	6.386.165
Attributable to owner of the parent		14.621.506	13.430.742
Non-controlling interes		1.753.702	1.616.305
Total equity		16.375.208	15.047.046
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	14	5.223.492	4.443.034
Lease liabilities	17	95.906	119.241
Deferred tax liability	15	2.771.334	2.569.057
Non-current liabilities		8.090.731	7.131.332
Current liabilities			
Short term interest bearing liabilities	14	3.032.663	2.150.147
Current maturities of long-term liab.	14	366.678	566.588
Income tax payable	7	560.552	555.873
Trade payables	16	2.445.114	2.821.983
Other current liabilities	16	2.312.697	2.392.433
Current liabilities		8.717.705	8.487.025
Total liabilities		16.808.436	15.618.356
Total liabilities and equity		33.183.643	30.665.403

Notes on pages 22-39 are an essential part of these consolidated financial statements

Development of financial position

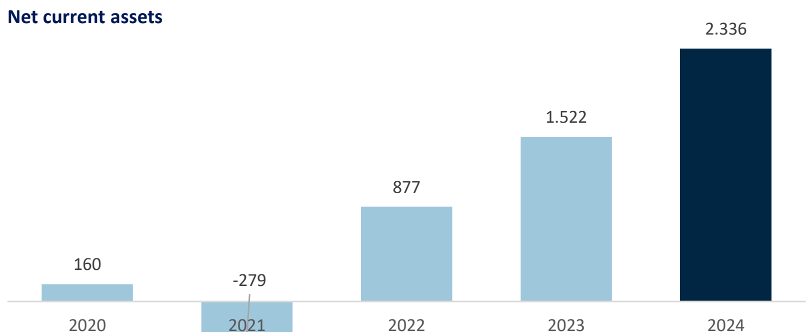
Unaudited

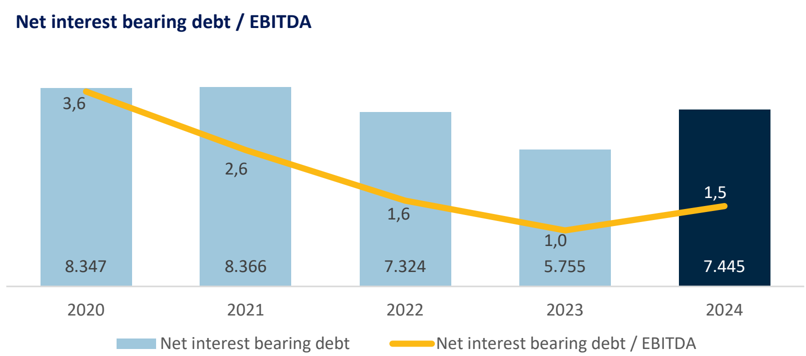
Total assets of Ölgerðin at period end amounted to ISK 33.184 million which is an increase of ISK 2.518 million from prior year-end. The increase is mainly due to the acquisition of KK6 ehf.

The Group's equity ratio is 49% and remains unchanged from prior year-end.

Net interest-bearing debt increased during the year and was 1,5 times EBITDA at year-end.

Net current assets increased by ISK 814 million during the year.





Consolidated statement of cash flows

for the year ended 28 February 2025

'000 ISK	Note	2024-2025	2023-2024
Profit for the year		2.433.361	3.304.155
Adjustmens for:			
Stock options	4	57.226	58.858
Effects of associates	10	(69.126)	(395.031)
Gain on sale of property, plant and eq.		(53.153)	(23.087)
Depreciation and amortisation	5	1.139.081	1.032.371
Change in deferred tax liabilities	15	147.958	119.458
Change in accrued interest		78.143	42.390
Net working capital from operations		3.733.490	4.139.113
Change in operating assets and liabilities:			
Trade and other receivables		(175.175)	(369.716)
Inventories		(181.522)	(233.952)
Trade and other current payables		(483.586)	358.454
Net cash from operating activities		2.893.207	3.893.899
Investing activities			
Property, plant and equipment, change	8	(1.319.652)	(1.260.260)
Purchased intangible assets	9	(3.612)	0
Bonds and other financial assets, change		(423.283)	(50.998)
Related parties, change		0	45.757
Net cash from acquisition of subsidiary	18	(1.392.976)	(72.212)
Net cash to investing activities		(3.139.523)	(1.337.712)

Other information			
Interest received		128.308	101.327
Interest paid		(954.029)	(914.758)
Income tax paid		(546.282)	(377.638)

Notes on pages 22-39 are an essential part of these consolidated financial statements

'000 ISK	Note	2024-2025	2023-2024
Financing activities			
Change in short term int.bearing liab.	14	807.083	2.107.757
Proceeds from loans	14	1.000.000	183.785
Repayments of loans	14	(601.686)	(4.552.216)
Repayments of lease liabilities	14	(25.907)	(23.520)
Issued share capital		226.279	
Paid dividends		(1.418.858)	0
Net cash to investing activities		(13.089)	(2.284.194)
(Decrease) increase in cash and cash equivalents		(259.406)	271.992
Refund from customs recognised in equity		0	81.787
Effect of exchange rates on cash held		8.864	(1.850)
Cash at beginning of period		1.523.787	1.171.857
Cash and cash equivalents at period end		1.273.246	1.523.787

Free cash flow			
Net cash from operations		2.893.207	3.893.899
Cash from investments		(3.139.523)	(1.337.712)
Repayment of lease liabilities		(25.907)	(23.520)
Free cash flow		(272.224)	2.532.666

Statement of changes in equity

for the year ended 28 February 2025

1 March 2024 - 28 February 2025 '000 ISK	Note	Share capital	Share premium	Revaluation reserve	Other restricted equity	Retained earnings	Equity attributable to owner of parent	Non-controlling interest	Total equity
Balance 1.3.2024		2.806.647	1.102.553	0	3.135.377	6.386.165	13.430.742	1.616.305	15.047.046
Adjustment	1					(27.082)	(27.082)		(27.082)
Profit for the year						2.320.555	2.320.555	112.806	2.433.361
Translation difference					32.644		32.644	24.591	57.236
Total comprehensive income					32.644	2.320.555	2.353.199	137.397	2.490.597
Exercised stock options	4	36.438	189.841		(14.453)	14.453	226.279		226.279
Stock option expense	4				57.226		57.226		57.226
Moved to restricted equity	13				931.600	(931.600)	0		0
Dividends ISK 0,5 per share						(1.418.858)	(1.418.858)		(1.418.858)
Balance 28.2.2025		2.843.085	1.292.394	0	4.142.395	6.343.632	14.621.506	1.753.702	16.375.208

1 March 2023 - 29 February 2024 '000 ISK	Note	Share capital	Share premium	Revaluation reserve	Other restricted equity	Retained earnings	Equity attributable to owner of parent	Non-controlling interest	Total equity
Balance 1.3.2023		2.806.647	1.102.553	688.464	2.168.543	3.315.180	10.081.387	0	10.081.387
Adjustment	1					81.787	81.787		81.787
Profit for the year						3.220.279	3.220.279	83.877	3.304.155
Translation difference					(11.569)		(11.569)	(12.573)	(24.142)
Total comprehensive income					(11.569)	3.220.279	3.208.710	71.304	3.280.014
Reclassification of revaluation				(688.464)		688.464	0		0
NCI on acquisition of subsidiary							0	1.545.000	1.545.000
Stock option expense	4				58.858		58.858		58.858
Moved to restricted equity	13				919.545	(919.545)	0		0
Balance 29.2.2024		2.806.647	1.102.553	0	3.135.377	6.386.165	13.430.742	1.616.305	15.047.046

Notes on pages 22-39 are an essential part of these consolidated financial statements

Notes to the consolidated financial statements

Notes

1. General information

Ölgerðin Egill Skallagrímsson hf. (hereinafter “Ölgerðin” or “the Company”) is a public limited company, and the principal operations of the Company concern production, sale and marketing in the field of foodstuffs, beverages, and related products. Ölgerðin is domiciled in Iceland. The registered address of the Group is Grjóthals 7-11, 110 Reykjavík, Iceland.

The consolidated financial statements of Ölgerðin Egill Skallagrímsson hf. Group for the year 2023 - 2024 are prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union (EU) and additional requirements in the Act on Annual Accounts no. 3/2006. The consolidated financial statements are prepared at historical cost apart from share options measured in accordance with IFRS 2 and investment in associate measure in accordance with the equity method. The consolidated financial statements for the year 2023 - 2024 contain the financial statements of the Company and its subsidiaries, which are collectively referred to as “the Group”, and individually as “Group companies”. These consolidated financial statements are prepared and presented in Icelandic króna (ISK), which is the Company's functional currency. All amounts are in Icelandic króna (ISK) and ISK thousand unless otherwise stated.

Significant accounting policies

A description of the Group's accounting policies can be found below as well as within each note with reference to amounts to amounts in the main statements. In order to increase the information value of the financial statements, notes are presented based on how relevant and important they are to the reader. This means that information deemed neither important nor relevant to the user of the financial statements is not disclosed in the notes.

New and amended IFRS issued but not effective

The adoption of amended Standards that became effective for annual accounting periods beginning on or after 1 January 2024 has not had any material impact on the disclosures or on the amounts reported in these Consolidated Financial Statements. The Group has not early adopted new standards or amendments to IFRSs that are not effective for these financial statements, but have been issued and are permitted for early adoption. The Management of the Company do not expect that the adoption of the amended Standards or other issued new standards and amendments scheduled that become effective in subsequent periods will have a material impact on the Consolidated Financial Statements of the Group in future periods, with the exception of IFRS 18 effective from 1 January 2027 for wich the effects have not been fully estimated.

Consolidation

The financial statements include Ölgerðin Egill Skallagrímsson hf. and its subsidiaries, Danól ehf., domiciled at Fosshals 17-25, 110 Reykjavík, G7-11 Fasteignafélag ehf., Iceland Spring ehf. and Collab ehf. all with registered address at Grjóthals 7-11, 110 Reykjavík, Collab DK ApS registered at Rådmansgade 45, 2200 Copenhagen and KK6 fasteignafélag ehf. registered at Köllunarklettsvegur 6, 104 Reykjavík. At the end of the period, the Company owned 100% of all subsidiaries apart from 51% of shares owned in Iceland Spring ehf.

The subsidiaries Agla Gosgerð ehf., Borg Brugghús ehf., Sól ehf. and Kveldúlfur Distillery ehf. which are 100% owned by the Company, are not consolidated in these financial statements as their total impact is of little significance to the operations and financial position of the Group due to their small size. The companies are recognised at cost.

The subsidiaries Collab ehf. and Collab DK ApS, established in 2023, are for the first time included in the consolidated financial statements of Ölgerðin. These companies were not consolidated in previous inancial statements due to immaterial significance. An adjustment to retained earnings in the amount of ISK 27,1 million reflects the negative equity of the Collab Group as of 1 March 2024. An adjustment to equity at 1 March 2023 in the amount of ISK 81 million is due to a refund from the Director of Customs that relates to prior periods.

Subsidiaries are all companies where the Group has the power to determine financial and administrative policy which, all things being equal, is based on a share ownership that represents more than half of votes. Subsidiaries are fully part of the Group from the day on which control is transferred to the Group. They are removed from the Group as of the day on which control ends.

The purpose of the consolidated financial statements is to show only the income, expenses, assets and liabilities of the consolidated entities as a whole. Hence, intragroup balances have been eliminated in the presentation of the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those applied in the consolidated financial statements.

Transactions denominated in foreign currencies are translated at the exchange prevailing at the date of transaction. Financial assets and liabilities denominated in foreign currencies are translated to ISK at the exchange rate listed at year-end. Exchange difference from the translation of foreign operations is recognised directly in equity.

2. Assessment and judgement

When preparing consolidated financial statements in accordance with IFRS, management will have to make decisions, evaluate and make assumptions that affect the application of accounting policies and the recorded amounts of assets, liabilities, income and expenses. Final results may differ from these estimates. Information where management judgement can have the greatest impact on the recorded amounts of assets and liabilities in the financial statements can be found in the following notes:

- Note 8, estimation of the useful life of property, plant and equipment and estimation of recoverable amounts of water source with an indefinite useful life.
- Note 9, estimation of recoverable amounts of intangible assets with indefinite useful lives.
- Note 11, assessment of inventories write down.
- Note 12, measurement of expected credit loss of trade receivables.
- Note 17, assessment of incremental borrowing rate and lease period for measurement of lease liabilities.

Management has assessed the possible impact of climate risk on the consolidated financial statements and determined that the impact of climate-related risk does not have a significant impact on the estimates and assumptions in the financial statements.

3. Operating segments

1 March- 28 February 2025	Egils alcoholic [1]	Egils non-alcoholic [2]	Danol [3]	Export [4]	Total
Operating and other income	20.446.798	12.115.489	10.699.392	2.523.132	45.784.811
EBITDA	1.717.692	2.342.450	703.825	276.374	5.040.341
Operating profit	1.159.962	1.893.959	617.754	229.585	3.901.260
Finance inc/exp and assoc.					(761.196)
Income tax					(706.703)
Profit for the year					2.433.361

1 March- 29 February 2024	Egils alcoholic [1]	Egils non-alcoholic [2]	Danol [3]	Export [4]	Total
Operating and other income	20.130.178	12.459.075	10.502.716	2.332.371	45.424.340
EBITDA	1.869.438	2.544.259	772.222	318.526	5.504.444
Operating profit	1.356.246	2.126.668	720.225	268.935	4.472.074
Finance inc/exp and assoc.					(491.396)
Income tax					(676.522)
Profit for the year					3.304.155

[1] Income for Egils alcoholic comes from the production, sale and marketing of beverages and related products for customers who mainly trade in alcoholic beverages.

[2] Income for Egils non-alcoholic comes from the production, sale and marketing of beverages and related products for customers who mainly trade in non-alcoholic beverages.

[3] Income for Danol comes from the sale and marketing of food and various specialty products.

[4] Includes income from all exports of the Group, mainly from Iceland Spring and Collab. In addition revenues for the paren from productions for Iceland Spring which previously have been recognise din the Egils segments were recognised in the export segment in the current period.

Operating segments
A business segment is a separable part of the Group due to different material or geographical factors that concern risk and performance of other business segments of the Group. Business segments are defined in accordance with internal reporting to management that is used in decision-making. The Group splits the operations into four business segments.

Common expenses are allocated to the Company's income divisions in proportion to turnover less alcohol tax and deposit charges.

Revenue recognition
Revenues are recognised when rigth to ownership and risks have been transferred to the buyer, and the amount can be assessed in a reliable manner. Revenues are recorded at the fair value of the consideration received, and reflect the amount received for goods or services sold minus discount, returned goods and value-added-tax.

4. Salaries and related expenses

Salaries and related expenses are presented within production expenses and other operating expenses.

	2024-2025	2023-2024
Salaries	4.210.322	3.986.127
Pension fund contribution	557.280	513.339
Other salary-related expenes	445.517	373.134
Stock option expense	57.226	58.858
Total	5.270.346	4.931.458
Full time employees on average	404	399

The Group is obligated to pay statutory and contractual premiums with contributions to general pension funds and private pension funds. The Group has no further payment obligations beyond these contributions. The Group records these premiums among payroll-related expenses when they accrue.

Stock options

The Company has entered into stock option agreements with management and certain key employees. The fair value of stock options is assessed on contract date and expense as salaries and related expenses in the period in which vesting takes place. The stock options expense is accrued in other restricted equity over the vesting period. The fair value of stock options is estimated using the Black-Scholes method. Key assumptions applied in the calculations are share price on the valuation date, the strike price of the options, the expected volatility of the Company's share price, the vesting period of the options and the risk-free interest rate.

In accordance with the remuneraton policy approved by the general meeting on 19 May 2021, the board of directors decided on 20 August 2021 to grant management and certain key employees 91.875.000 stock options in the Company. 40% of those options are exercisable on 19 May 2024 at the strike price of 5,98, 30% on 19 May 2025 at the strike price of 6,46 and 30% on 19 May 2026 at the strike price of 6,98.

On 21 April 2023, the board decided in accordance with the remuneration policy to grant management and certain key employees stock options to a total of 59.500.000 shares in the Company, or which corresponds to about 2,1% of the Company's share capital. The strike price of the options is 11,9, and was set by the share price on the grant date. The options vest over the course of three years from the grant date and are exercisable in stages on 21 April each year in the years 2026-2028.

At each reporting date, the group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves. Upon excercise of share options, the purchase price is recognised in share capital and share premium.

Outstanding stock options at 28 February 2025 amount to 97.625 thousand, or 3,4% of the Company's share capital (29 February 2024: 136.375 thousand or 4,9% of share capital). In the financial year the Company expensed ISK 57 million (2023-24: ISK 59 milllion) from stock options. Estimated total expenses for stock option agreements are ISK 202 million based on Black-Scholes calculations.

5. Expenses broken down by nature

	2024-2025	2023-2024
Presentation in statement of profit and loss		
Production expenses	20.737.696	20.576.626
Other operating expenses	9.402.348	8.812.699
Total	**30.140.044**	**29.389.325**
Break down by nature of expense		
Cost of materials	17.784.910	17.996.940
Other production costs	890.203	657.206
Sales and marketing expenses	2.579.419	2.402.157
Salaries and related expenses	5.270.346	4.931.458
Depreciation and amortisation	1.139.081	1.032.371
Other operating expenses	2.476.086	2.369.193
Total	**30.140.044**	**29.389.325**
Depreciation and amortisation is presented as follows in the statement of profit and loss		
Production expenses	640.503	581.146
Other operating expenses	498.578	451.224
Total	**1.139.081**	**1.032.371**
Salaries and related expenses are presented as follows in the statement of profit and loss		
Production expenses	1.089.214	770.775
Other operating expenses	4.181.132	4.160.683
Total	**5.270.346**	**4.931.458**

Production expenses consist of direct and indirect costs of producing finished goods that generate income during the year. Production expenses include raw materials, salaries andrelated expenses and other production expenses that consists of housing costs, rent and depreciation for property, pland and equipment used in production.

Other operating expenses consist of the costs of distribution and sale of finished goods and services that generate income during the year, together with the costs of managing and operating the Group. Other operating expenses also include salaries and related expenses, housing costs, rent, depreciation of fixed and intangible assets, insurance as well as other general and administrative expenses.

6. Finance income and expense

Finance income	2024-2025	2023-2024
Interest income from bonds receivable	61.180	29.830
Interest income from bank accounts	73.807	55.558
Interes income from other financial assets	17.124	19.825
Total	152.111	105.214

Finance expense	2024-2025	2023-2024
Interest expense from interest bearing liabilities	890.088	907.123
Interest expense from lease liabilities	7.444	8.486
Other interest expense and service charges	73.600	78.438
Total	971.132	994.048

Interest income and interest expense is recognised in profit or loss in accordance with the effective interest method for all financial instruments measured at amortised cost. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

7. Income tax

	2024-2025	2023-2024
Income tax payable	560.552	555.873
Deferred tax	146.151	120.649
Total	706.703	676.522

	2024-2025	%	2023-2024	%
Profit before tax	3.140.064		3.980.678	
Tax at prevailing tax rate (20%)	659.414	21%	796.136	20%
Effects of foreign subsidiaries	(7.983)	-0,3%	(13.824)	-0,3%
Effects of associates	(14.516)	-0,5%	(79.006)	-2,0%
Prior period adjustment	69.291	2,2%	(10.663)	-0,3%
Other items	497	0,0%	(16.120)	-0,4%
Total	706.703	22,5%	676.522	17%

Income tax is calculated and entered into the consolidated financial statements. The calculation thereof is based on profit or loss before tax, taking into account permanent differences between taxable results and results according to the consolidated financial statements. The parent's current income tax rate is 21%.

Income tax payable is an estimate of tax payable next year due to the taxable profits of the period, in addition to adjustments to the income tax payable for previous periods. Income tax payable is presented as a current liability in the statement of financial position.

8. Property, plant and equipment

	Real estate	Water source	Vehicles	Machinery and equipment	Total
Cost 1.3.2024	7.568.221	3.372.591	1.016.174	9.473.454	21.430.439
Additions	167.093		300.787	939.846	1.407.727
Disposals			(75.761)	(23.578)	(99.339)
Acquisition of KK6 (note 18)	1.621.792				1.621.792
Translation difference		49.517		6.483	56.000
Cost 28.2.2025	9.357.106	3.422.108	1.241.200	10.396.205	24.416.619
Accumulated depreciation 1.3.2024	2.004.279	-	459.723	4.871.094	7.335.097
Depreciation for the year	249.259		130.044	733.231	1.112.535
Disposals			(46.931)	(17.487)	(64.418)
Translation difference				809	809
Accumulated depreciation 28.2.2025	2.253.539	-	542.836	5.587.647	8.384.022
Book value 28.2.2025	7.103.567	3.422.108	698.364	4.808.558	16.032.596

A water source owned by Iceland Spring is not depreciated as it is considered to have an indefinite useful life. The value of the spring consists of a tangible asset, which is the spring itself, and an intangible asset, which is the right to market the water as spring water. It is not possible to separate these tangible and intangible factors that make up the value of the spring, and its value as a whole is therefore presented among property, plant and equipment. The water spring will be tested for impairment at least annually. The recoverable amount of the water source was measured by reference to its value in use. Value in use measurement is measured as the present value of estimated future cash flows based on a budget for 2024, a future growth rate of 5% (2024: 5%) and weighted average cost of capital of 10,8% (2024: 11,8%)

Companies within the Group have entered into a long-term lease agreement for the lease of commercial premises in the property at Fossháls 25, 110 Reykjavík, which is valid until the year 2029. Lease payments are indexed and change monthly in proportion with changes in the building index. For further information on right-of-use assets from lease agreements, refer to note 17.

The subsidiary G7-11 Fasteignafélag ehf. has granted its lenders a mortgage on a property at Grjótháls 7-11 to guarantee payments of interest-bearing loans, see further in note 22.

Assets are recognised as property, plant and equipment when it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the assets can be measured reliably. Additional investment that occurs at a later stage is included in cost of the asset or entered as a seperate asset, as applicable, only when it is likely that the economic gain associated with the asset will in future flow to the Group, and cost can be measured reliably. Repair and maintenance is expensed to profit or loss statement in the period during which it is incurred.
The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.
Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, taking into account their expected residual value. Major renovations are depreciated in the useful life period of the asset or the time that passes until the next major renovations take place, whichever is the shorter. The gain or loss arising on the sale of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset on the disposal date, and entered into the profit and loss statement.

8. Property, plant and equipment (continued)

	Real estate	Water source	Vehicles	Machinery and equipment	Total
Cost 1.3.2023	7.478.168	-	890.140	8.024.170	16.392.478
Additions	90.053		249.329	1.016.038	1.355.420
Disposals			(123.295)		(123.295)
Acquisition of Iceland Spring (note 18)		3.397.848		436.590	3.834.438
Translation difference		(25.257)		(3.344)	(28.602)
Cost 29.2.2024	7.568.221	3.372.591	1.016.174	9.473.454	21.430.439
Accumulated depreciation 1.3.2023	1.777.389	-	451.578	4.158.608	6.387.575
Depreciation for the year	226.890		67.010	713.128	1.007.029
Disposals			(58.866)		(58.866)
Translation difference				(645)	(645)
Accumulated depreciation 29.2.2024	2.004.279	-	459.723	4.871.092	7.335.094
Book value 29.2.2024	5.563.942	3.372.591	556.452	4.602.362	14.095.346

The estimated useful lives are as follows:

	28.2.2025	29.2.2024
Real estate	30 year	30 years
Water source	Indefinite	Indefinite
Vehicles	3-9 years	3-9 years
Machinery and equipment	3-15 years	3-15 years
Right-of-use assets	7 years	8 years

Real estate assessment and insurance value

	28.2.2025	29.2.2024
Assessment value of buildings	6.227.400	4.777.400
Assessment value of lot	1.231.250	947.400
Insurance value	11.043.050	9.294.081
Book value	7.103.567	5.563.942

9. Intangible assets

	Trade marks	Business relation-ships	Carbon units pending	Total
Kostnaðarverð 1.3.2023	6.111.542	1.247.007	-	7.358.548
Kostnaðarverð 29.2.2024	6.111.542	1.247.007	-	7.358.548
Viðbót á tímabilinu	-	-	3.612	3.612
Kostnaðarverð 28.2.2025	6.111.542	1.247.007	3.612	7.362.160

Intangible assets are recognised when it is probable that the future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably.

Intangible assets consist of trade marks,, business relationships and pending carbon units. The Company's trademarks and business relationships have indefinite useful lives, and the Company carries out an impairment test annually. Any impairment indicated by impairment testing is recognised in profit and loss. Carbon units pending are expensed upon their release.

The recoverable amount of trademarks and business relationships is based on estimated future cash flows and margin percentages are based on the management's budgeted plans for the future contribution of the trademarks and business relationships. The management's budget for the trademarks and business relationships is discounted at a rate representing the Company's weighted average cost of capital (WACC). The results of impairment testing are compared to the book value of each trademark and business relationship to assess potential impairment.

The impairment test was based on a one-year budget for the profit margin of the product categories, which has been approved by the Company's Board. Growth of profit margin of brands is projected at 7,5% in the forecast period 2026-2029 (2025-2028: 7,5%), and future growth of profit margin following the forecast period was estimated at 5% (2024: 5%). Growth of profit margin of business relationships is projected at 5% in the forecast period 2026-2029 (2024: 5%), and future growth of profit margin following the forecast period was estimated at 2,5% (2024: 2,5%). The weighted average cost of capital for trademarks is 9,76% (2024: 9,99%). The weighted average cost of capital for business relationships is 11,11% (2023: 11,53%).

A sensitivity analysis reveals that reasonable changes in key inputs would not lead to impairment. Sensitivity is highest towards weighted average cost of capital.

10. Investment in associates

	Share		Book value	
	28.2.2025	29.2.2024	28.2.2025	29.2.2024
Endurvinnslan	21,50%	20,0%	491.421	422.296

Investment in associates	**2024-2025**	**2023-2024**
Book value at beginning of period	422.295	1.122.942
Share in profit	9.495	27.492
Adjustment to prior year's share in profit	26.008	-
Change in active shares	33.623	-
Adjustment of share*	-	367.540
Derecognised*	-	(1.095.678)
Total	491.421	422.295

In April of 2023, Ölgerðin increased its stake in Iceland Spring ehf. (Iceland Spring) from 40% to 51%, which changed the classification of the holding from an associate to a subsidiary. Remeasurement of the previosly held share resulted in a ISK 368 million fair value change recognised in profit and loss in the comparative period.

The final results on the operating performance of associated companies are not available at the time of publishing Ölgerðin's financial statements. Due to this, an estimate of the amount is made at the time of publication, along with an adjustment to the previous year's share in the performance when the final figures are available.

Associates include entities in which the investor has a significant influence on operational and financial policies. Generally, a company is considered to have significant influence in another company if it holds 20% or more of the voting rights, without being considered to have control. According to the equity method, investments in associates are recognised at cost, taking into account their share in the operations, other changes in equity and impairment of individual investments. Loss of associates in excess of the original investment is only recognised if the Group provided a guarantee or incurred obligations on the associate's behalf. Investments in associated companies are recognised in accordance with the equity method.

11. Inventories

	28.2.2025	29.2.2024
Finished goods	2.819.827	2.911.249
Raw materials and packaging	631.777	482.383
Other inventories	170.133	54.643
Total	3.621.737	3.448.276
Write-down of inventories	(21.710)	(29.770)
Total inventories	3.600.027	3.418.505

The insurance valuation of inventories amounted to ISK 3.372 million at period end (2024: ISK 3.006).

Changes in invenories write-down are recognised in production expenses.

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

12. Trade receivables

	28.2.2025	29.2.2024
Domestic trade receivables	3.498.726	3.275.895
Foreign trade receivables	142.746	180.224
Total	3.641.472	3.456.118
Allowance for doubtful accounts	(191.287)	(229.128)
Total trade receivables	3.450.185	3.226.991

Trade receivables are recognised at fair value taking into account any transaction costs. After initial recognition trade receivables are measured at amortised cost in accordance with the effective interest rate method, net of any allowances for doubtful return. Trade receivables are derecognised when the contractual rights to the cash flows from the asset expire, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Trade receivables are written down to compensate for inherent credit risk. The allowance does not represent a final write-off, but is intended to meet possible future losses. The allowance does not represent a final write-off, but is intended to meet possible future losses.

The Group assesses expected credit losses related to its trade receivables and other debt instruments that are carried at amortised cost. The methodology used for assessing impairment depends on whether there has been a significant increase in credit risk. With regard to trade receivables, the Group uses the simplified approach permitted by IFRS 9, which requires the Group to measure impairment equal to the expected credit loss over the life of the trade receivables.

12. Trade receivables (continued)

Collective and individual impairment is recognised. In the assessment of collective impairment, the Group's trade receivables are categorised by the number of days passed their due dates. In the assessment of expected credit loss rate for each category, the Company's loss history is considered and adjusted for future expectations of economic developments if needed. The Group also assesses individual customers or groups of customers particularly if there are indications of increase in credit risk.

Impairment is recognised in an allowance account for financial assets in the statement of financial position and expensed in the statement of profit and loss. If previously recognised impairment no longer applies, the carrying amount of the asset is increased and the allowance reversed from the profit and loss statement.

28.2.2025	**Not past due**	**1-90 days**	**90 days+**	**Total**
Trade receivables (gros	3.411.419	147.553	82.500	3.641.472
Allowance	(136.849)	(15.747)	(38.691)	(191.287)
Net balance	3.274.570	131.806	43.809	3.450.185
Loss ratio %	-4,0%	-10,7%	-46,9%	-5,3%

Allowance at beginning of year	(229.128)
Change in allowance	(6.000)
Recevables written off	43.841
Total allowance at year-end	(191.287)

29.2.2024	**Not past due**	**1-90 days**	**90 days+**	**Total**
Trade receivables (gros	3.210.289	203.508	42.320	3.456.118
Allowance	(190.418)	(13.129)	(25.581)	(229.128)
Net balance	3.019.871	190.379	16.739	3.226.991
Loss ratio %	-5,9%	-6,5%	-60,4%	-6,6%

Allowance at beginning of year	(263.936)
Change in allowance	(6.000)
Recevables written off	40.808
Total allowance at year-end	(229.128)

13. Equity

Share capital according to the Company's articles of association is ISK 2.843 million on 28 February 2025. Par value of each share is ISK 1, which carries one vote.

	Ratio	Shares '000
Total share capital at year-end	100%	2.843.402
Own shares (presented as deduction from share capital)	0%	317

Share capital has been paid in full.

Share premium
Share premium represent the amount of paid in capital in excess of par value.

Revaluation reserve
Revaluation reserve is the Company's share in the revaluation of an associate's water source.

Translation reserve
Translation reserve consists of exchange rate difference due to subsidiaries and associated companies with other functional currencies than ISK.

Changes in other restricted equity during the period are as follows:

	Stock options	Translation reserve	Restricted share reserve	Total
Balance 1.3.2024	83.149	63.979	2.988.249	3.135.377
Translation difference		32.644		32.644
Stock options expense	42.774			42.774
Share in profit of associate			69.126	69.126
Share in profit of subsidiaries			862.474	862.474
Balance 28.2.2025	125.923	96.623	3.919.849	4.142.395

Restricted share reserve consists of the Company's share in profit of subsidiaries and associates in excess of dividends received or declared. Restricted share reserve is dissolved and transferred to retained earnings upon disposal of a subsidiary or associate.

Earnings per share

Basic earnings per share is based on profits allocated to shareholders in the parent company and the weighted average of active shares during the year, and shows the profits per ISK 1 of share capital.

Basic earnings per share	**2024-2025**	**2023-2024**
Profit attributable to owners of the parent	2.320.555	3.220.279
Weighted avg. of outstanding shares past 12 months*	2.838.281	2.806.647
Basic earnings per share	0,82	1,15

* *Number of shares in thousands*

Diluted earnings per share is basic earnings per share taking into account dilution due to outstanding stock option agreements.

Diluted earnings per share	**2024-2025**	**2023-2024**
Profit attributable to owners of the parent	2.320.555	3.220.279
Weighted avg. of outstanding shares past 12 months*	2.951.107	2.935.061
Diluted earnings per share	0,79	1,10

* *Number of shares in thousands taking into account outstanding stock option agreements*

14. Loans

	28.2.2025	29.2.2024
Borrowings in ISK	5.562.449	4.700.491
Borrowings in USD	-	283.846
Total borrowings	5.562.449	4.984.337
Current maturities	(338.958)	(541.303)
Total non-current liabilities	5.223.492	4.443.034

Bills in ISK	2.754.104	1.927.934
Short-term interest bearing debt in USD	278.559	222.213
Total interest bearing current liabilities	3.032.663	2.150.147

Current maturities of borrowings	338.958	541.303
Current maturities of lease liabilities	27.720	25.285
Total current maturities	366.678	566.588

Liabilities, including borrowings, are initially recognised at fair value less transaction cost and subsequently at amortised cost according to the effective interest rate method. Liabilities are recognised at the exchange rate or index prevailing at the end of the reporting period. Interest exchange rate differences and indexation are recognised in the statement of profit and loss. Transaction costs are capitalised when incurred and charged to the statement of profit and loss over the maturity of the loan in accordance with the effective interest rate method. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired.

Part of long-term liabilities is subject to specific covenants regarding equity, profit margin and financial leverage. At period end, the Company was in compliance with all debt covenants.

Loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the debt for at least 12 months after the reporting period.

The Company issued bills during the period that are due within 12 months. All borrowings in ISK are at non-indexed variable interest rates. The average interest rate on borrowings at 28 February 2025 was 9,7% (29 February 2024: 11,1%).

Other liabilities, including trade payables, payables to related parties, value added tax and other current liabilities are measured at amortised cost, which normally corresponds to their nominal value.

Changes in interest bearing liabilities

	1.3.2024	From acquisition	Repayments	Proceeds from new loans	Other changes*	28.2.2025
Non-current interest bearing liabilities	4.984.337	170.272	(601.686)	1.000.000	9.526	5.562.449
Current interest bearing liabilities	2.150.147		(5.560.000)	6.367.083	75.432	3.032.663
Total	7.134.485	170.272	(6.161.686)	7.367.083	84.958	8.595.112
Lease liabilities	144.525		(25.907)		5.008	123.627
Total	7.279.010	170.272	(6.187.593)	7.367.083	89.966	8.718.738

**Other changes include translation difference, accrued interest and indexation.*

Instalments on long-term liabilities are specified as follows:	28.2.2025	29.2.2024
Instalments within 12 months	338.958	541.303
Instalments in 12-24 months	340.179	269.970
Instalments in 24-36 months	1.404.168	273.013
Instalments in 36-48 months	189.920	1.333.789
Subsequent instalments	3.289.224	2.566.262
Total	**5.562.449**	**4.984.337**

15. Deferred tax liabilities

	2024-2025	2023-2024
Balance 1.3	2.569.057	2.068.392
Income tax expense	706.703	676.522
Acquisition of subsidiary	54.318	381.207
Income tax payable	(560.552)	(555.873)
Translation difference	1.807	(1.191)
Total	**2.771.334**	**2.569.057**

The Group's deferred tax liability is itemised as follows:		
Property, plant and equipment	1.535.318	1.388.450
Intangible assets	1.450.618	1.428.784
Inventoris	31.315	30.134
Trade receivables	(2.500)	(12.836)
Exchange rate difference	(920)	(5.895)
Leases	(2.652)	(2.524)
Carry-forward tax losses	(221.447)	(257.056)
Other items	(18.398)	0
Total	**2.771.334**	**2.569.057**

Deferred income tax on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements is recognised in full as a liability or asset. Deferred income tax is, however, not recognised if it arises from the original recognition of an asset or liability in a transaction other than a merger of companies, which affects neither its accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted before the balance sheet date or known to be enacted at a later date or expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are only recognised to such extent as it is likely that it will be possible to utilise temporary differences against future taxable profits. The Group has capitalised tax losses carried forward in the amount of ISK 1.105 million which expire in the period 2025-2032.

16. Trade and other receivables

	28.2.2025	29.2.2024
Domestic trade payables	1.455.057	1.436.578
Foreign trade payables	990.057	1.385.405
Total	**2.445.114**	**2.821.983**
Salaries and related expenses payable	644.670	679.807
Accrued interest payable	37.170	43.057
Other current payables	1.630.858	1.669.568
Total	**2.312.697**	**2.392.433**

Trade and other payables are recognised at amortised cost according to the effective interest rate method. Trade and other payables in foreign currencies are recognised at the exchange rate prevailing at the end of the reporting period. Exchange rate differences are recognised in the statement of profit and loss.

17. Leases

Changes in right-of-use assets during the year are as follows	2024-2025	2023-2024
Book value at beginning of year	131.905	150.813
Depreciation	(26.547)	(25.342)
Indexation	5.008	6.433
Book value at year-end	110.366	131.905

Changes in lease liabilites during the year are as follows	2024-2025	2023-2024
Book value at beginning of year	144.525	161.612
Repayments	(25.907)	(23.520)
Indexation	5.008	6.433
Book value at year-end	123.627	144.525

Maturities of lease liabilities	28.2.2025	29.2.2024
Instalments within 12 months (current maturities)	27.721	25.285
Instalments in 12-24 months	29.314	26.737
Instalments in 24-36 months	30.998	28.274
Instalments in 36-48 months	32.779	29.898
Instalments in 48-60 months	2.815	31.616
Subsequent instalments	-	2.715
Total	123.627	144.525

Cash flows from leases	2024-2025	2023-2024
Repayment of principal of lease liabilities (financing activity)	25.907	23.520
Interest payments (operating activity)	7.444	8.486
Total cash flows from leases	33.351	32.006

Lease payments for the Group's largest lease are indexed based on the building index. The Group is a party to short-term lease agreements that have an insignificant effect on the financial statements.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (12 months or less) and for low value assets for which lease payments are recognised in profit and loss when incurred.

The lease liability and corresponding right-of-use asset is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the relevant Group entity uses its incremental borrowing rate. The Group remeasures the lease liability if changes are made to lease payments, lease period or when other changes that lead to recognition of a new lease incur.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

18. Acquisition of subsidiary

G7-11 fasteignafélag ehf., a subsidiary of Ölgerðin, purchased all shares of KK6 fasteignafélag ehf. (formerly Á.Ó. eignarhaldsfélag ehf.) during the period. The purchase price amounted to ISK 1.550 million and was fully paid in cash on 18 October. KK6 fasteignafélag owns a 2.300 square metre warehouse at Köllunarklettsvegur 6 and building rights for an equivalent space. The purchase is considered an asset acquisition according to IFRS 3, and the premium in the transaction is attributed to the real estate property and building rights at Köllunarklettsvegur. The value of KK6 assets on the acquisition date amounted to ISK 1.779 million, including ISK 157 million in cash, and the value of liabilities amounted to ISK 229 million.

19. Related parties

Related-party transactions are specified as follows:	2024-2025	2023-2024
Sales of goods and services	9.423	1.905
Purchases of goods and services	27.228	9.770
Trade receivables at period end	100	-
Trade payables at period end	5.030	-

Related parties are those who own a share of 20% or more in the Company, associates, subsidiaries, board members and close relatives, the chief executive officer (CEO) and managing director along with their spouses and financially connected parties. Transactions between the Company and its subsidiaries, which are defined as related parties, have been eliminated in the consolidated financial statements and are not included in this note.

19. Related parties (continued)

Salaries and benefits of the CEO, key management personnel and the Group's board are itemised as follows:

2024-2025	Salaries	Benefits	Performance related salaries	Pension fund contribution	Shareholding	Stock options (shares)
Bogi Þór Siguroddsson, chairman of the board	7.711			887	602.795	
Magnús Árnason, vice chairman of the board	7.048			811	785	
Rannveig Eir Einarsdóttir, board member	5.510			634	113.109	
Gerður Huld Arinbjarnardóttir, board member	5.936			683		
Sigríður Elín Sigfúsdóttir, board member	4.785			550		
Októ Einarsson, former chairman of the board	3.240			373	39.545	
Hermann Már Þórisson, former vice chairman c	1.815			209		
Andri Þór Guðmundsson, CEO	56.924	2.641	4.730	13.256	118.769	8.000
Key management (8)*	231.687	10.270	15.475	35.473	14.802	48.575

*This concerns 6 managers with Ölgerðin's parent company, the managing director of Danól ehf. and one former key manager, or a total of eight key management personnel.
Sigríður Elín and Gerður Huld are members of the audit committee. Rannveig Eir and Magnús are members of the remuneration committee.

2023-2024	Salaries	Benefits	Performance related salaries	Pension fund contribution	Shareholding	Stock options (shares)
Októ Einarsson, chairman of the board	11.712			1.347	158.182	
Hermann Már Þórisson, vice chairman of the	7.120			819		
Rannveig Eir Einarsdóttir, board member	4.762			548	113.109	
Gerður Huld Arinbjarnardóttir, board member	3.907			449		
Magnús Árnason, board member	3.723			428	785	
Jóhannes Hauksson, former board member**	1.110					
Berglínd Ósk Guðmundsdóttir, former board r	1.170			135		
Andri Þór Guðmundsson, CEO	51.759	2.935	12.470	13.809	158.314	11.000
Key management (9)*	233.253	12.973	49.485	39.071	22.178	75.625

*This concerns 7 managers with Ölgerðin's parent company, the managing director of Danól ehf. and one former key manager, or a total of nine key management personnel.

**Payments for board participation are made to Íslandssjóðir hf. as per invoice up to and including May 2023.

Hermann Már and Gerður Huld are members of the audit committee. Rannveig Eir and Magnús are members of the remuneration committee.

20. Financial risk management

The operations of Ölgerðin involve various financial risks, such as fluctuations in the exchange rate of foreign currencies, interest-rate changes, credit risk and liquidity risks. The aforesaid factors can have an effect on the Group's performance and its value. Ölgerðin's risk management includes analysing, assessing and controlling these risk factors.

The board of directors and CEO of the parent company monitor the Group's risk management. The Group's goal with risk management is to identify, define and analyse the risks it is exposed to, establish criteria for risk appetite and to monitor such risks. The processes for risk management are regularly reviewed to reflect changes in market conditions and the operations of the Group. It can have a negative effect on the Group if monitoring and controls prove unsatisfactory.

Fiancial assets and liabilities are specified as follows:

Financial assets measured at amortised cost	**28.2.2025**	**29.2.2024**
Bonds receivable	819.973	396.690
Trade receivables	3.450.185	3.226.991
Other current receivables	43.669	91.336
Cash and cash equivalents	1.273.246	1.523.787
Total	5.587.073	5.238.803

Financial assets at amortised cost are initially recognised at fair value adjusted by associated transaction costs. After initial registration, such financial assets are valued at amortised cost based on effective interest method, less impairment. The Group's financial assets measured at amortised cost are bonds receivable, trade receivables, other current receivables, receivables from associates and cash. Financial assets in foreign currencies are recorded at the exchange rate prevailing at the reporting date. The resulting exchange rate difference is recognised in the statement of profit and loss.

Financial liabilities measured at amortised cost	**28.2.2025**	**29.2.2024**
Trade payables	2.445.114	2.821.983
Other current liabilities	2.312.697	2.392.433
Borrowings	5.223.492	4.443.034
Short term interest bearing liabilities and current maturities of borrowings	3.371.620	2.691.450
Total	13.352.924	12.348.900

Foreign currency and settlement risk

Foreign currency risk is considered a financial risk factor in the Group's operations. Foreign currency risk is the risk that fluctuations in the market price of foreign currencies have an effect on the Group's profit or loss in connection with cash and cash equivalents, import and export of goods, holdings in associates and currency swap agreements. The objective of foreign currency risk management is to limit risk to defined limits while optimising returns.

The book value of assets and liabilities subject to foreign currency risk is specified as follows:

2024-2025	**EUR**	**DKK**	**USD**	**Other currencies**
Trade receivables	46.261	61.903	4.365	3.936
Cash	2.630	2.534	0	2.647
Trade payables	(487.756)	(146.207)	(26.484)	(151.956)
Total	(438.864)	(81.770)	(22.120)	(145.372)

2023-2024	**EUR**	**DKK**	**USD**	**Other currencies**
Trade receivables	57.858	0	0	24.728
Cash	150.831	2	0	3.701
Trade payables	(591.583)	(263.212)	(33.168)	(135.682)
Total	(382.894)	(263.210)	(33.168)	(107.253)

Sensitivity analysis

Strengthening of the Icelandic krona (ISK) by 10% against the following currencies on the reporting dates would have affected the Group's pre-tax profits by the following amounts. The weakening of the ISK would have the opposite effects. The analysis is based on all other variables, particularly interest rates, remaining constant.

	2024-2025	**2023-2024**
EUR	43.886	38.289
DKK	8.177	26.321
USD	2.212	3.317
Other currencies	14.537	10.725
Total	68.813	78.653

20. Financial risk management (continued)

Interest rate and funding risk

Interest rate risk is the risk of interest rate changes having a negative effect on operations due to interest bearing assets and liablities of the Group. Exchange rate fluctuations, inflation and inflation expectations may have an effect on interest rates and consequently the Group's financing costs. The Group's exposure to interest rate risk is due to its interest-bearing assets and liabilities. Interest on the Group's long term borrowings in ISK is in the form of non-indexed floating-rate interest in ISK. Interest bearing liabilities in USD and short term bills in ISK bear fixed interest. Interest on assets is in the form of non-indexed short-term variable or fixed-rate interest.

Based on balances at period end the effects of a 1% increase in floating interest rates on finance expenses in the profit and loss statement would have amounted to ISK 56 million (2024: ISK 47 million) (1% decrease would have the opposite effects).

Risk regarding refinancing is always present with companies that are financed through borrowings. There is both the risk that the Group will not be able to finance itself at terms that are comparable to or more favourable than previous terms, and also the risk that the Group will fail to refinance its loans before the due dates or negotiate continued financing and consequently being unable to meet its financial commitments.

Credit risk

Credit risk is the risk of the Group suffering financial losses if a customer or a counterparty cannot meet their contractual obligations. The Group's credit risk is due to cash and cash equivalents, trade receivables, receivables from related parties, bond assets and other current receivables, and is mostly determined by the financial position and activities of the counterparty. The Group's management monitors collections of trade receivables regularly and an allowance is recorded for doubtful returns.

The Group applies methods described in note 12 to assess expected credit losses of trade receivables. Note 12 includes information about amounts of trade receivables and allowances for doubtful returns. At period end, the amount of receivables past due is insignificant. Historically losses have been very low.

The maximum credit risk of the Group was as follows at period end:

	28.2.2025	29.2.2024
Trade receivables, bond assets and other current receivables	819.973	396.690
Receivables from associates	3.493.854	3.318.327
Cash and cash equivalents	1.273.246	1.523.787
Total	5.587.073	5.238.803

Operational risk

Operational risk can lead to direct or indirect loss that can occur due to a number of factors in the Group's operations. Among the risk factors are the work performed by the Group's employees, the technology and organisational structure applied, and external factors other than credit, market and liquidity risk.

The Group is at risk with regard to changes in prices of purchased goods and services.

The Group's board of directors and management endeavour to control operational risk in an efficient manner in order to avoid financial loss and to protect its reputation. Efforts to reduce operational risk include appropriate segregation of duties, monitoring of transactions and compliance with law, training of employees, organising and recording of processes and purchasing of insurance when appropriate.

Management perform risk assessments annually and outline actions in order to minimise operational risk.

Equity management

The board of directors' policy is to maintain a strong equity position for the Group to support stability in the future development of the operation. The Group's equity ratio was approximately 49% at year-end (29.2.2024: 49%).

20. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The objective of the Group is to manage liquidity risk so as to ensure that it has, at all times, sufficient liquid funds to meet its obligations as they become due and thus avoid damaging the reputation of the Group. The Group's liquidity position is strong, as evidenced by the statement of financial position, and it is the Group's policy to maintain this strong position.

Cash and cash equivalents at 28 February 2025 amounted to ISK 1.273 million (28.2.2024: ISK 1.524 million) and the Group has credit lines available if necessary. The Group endeavours to have sufficient funds to cover the payment of instalments on loans. If the Group's access to liquid assets is restricted, this can have a negative effect on cash flow and performance and consequently the Group's ability to meet its obligations.

The following summary shows the Group's financial liabilities other than derivative liabilities and non-discounted future cash flow due to those liabilities. Cash flow is based on the terms of the loan agreements at year-end.

28.2.2025	Book value	Contractual cash flows	Within 1 year	1-2 years	2-5 years	More than 5 years
Borrowings	5.562.449	9.734.499	868.304	848.470	2.818.885	5.198.840
Interest bear. short-term liab.	3.032.663	3.098.559	3.098.559			
Lease liabilities	123.627	171.293	32.853	32.853	68.443	37.145
Trade payables	2.445.114	2.445.114	2.445.114			
Other current liabilties	2.312.697	2.312.697	2.312.697			
Total	13.476.549	17.762.162	8.757.526	881.323	2.887.328	5.235.985

29.2.2024	Book value	Contractual cash flows	Within 1 year	1-2 years	2-5 years	More than 5 years
Borrowings	4.984.337	9.230.646	1.095.547	767.938	2.366.698	5.000.463
Interest bear. short-term liab.	2.150.147	2.222.213	2.222.213			
Lease liabilities	144.525	165.632	31.687	31.687	95.061	7.197
Trade payables	2.821.983	2.821.983	2.821.983			
Other current liabilties	2.392.433	2.392.433	2.392.433			
Total	12.493.426	16.832.907	8.563.863	799.625	2.461.759	5.007.660

21. Remuneration of auditors

	2024-2025	2023-2024
Auditing and assurance services	31.806	22.479
Other services	1.535	3.205
Total	33.341	25.684

Auditing and assurance services relate to the audit and assurance work for consolidated financial statements of the Company and parent and subsidiary individual financial statements.

22. Guarantees and insurance

Collaterals

The Company has provided creditors with collateral in the Group's real estate in guarantee of prompt payment of interest-bearing loans that amounted to ISK 3.942 million at the reporting date (2024: ISK 2.869,3 million). The amount of the fidelity bond at year-end is ISK 7.384 million (2024:ISK 6.397,6 million).

Business interruption insurance

The Group has purchased business interruption insurance that is intended to compensate for loss and damages due to cessation of operations for up to 12 months based on the terms and conditions of the insurance. The collective insurance amount for the Group is up to ISK 9.164 million (2024: ISK 9.163 million)

23. Events after the reporting date

No events have occurred after the reporting date that affect the financial position and information in the financial statements.