Financial statements

1.3.2023 – 29.2.2024

Ölgerðin Egill Skallagrímsson hf. • Grjóthálsi 7-11 • 110 Reykjavík • Iceland • olgerdin.is • Kt. 420369 7789 • VSK NR.11211

Contents

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

Consolidated statement of profit and loss and other comprehensive income

for the year ended 29 February 2024

'000 ISK	Note	2023-2024	2022-2023
Revenues	3.	45.375.363	38.437.856
Alcohol tax and deposit charge		(11.562.941)	(10.335.961)
Net revenues		33.812.423	28.101.895
Production expenses	5.	(20.576.626)	(16.996.335)
Gross profit		13.235.796	11.105.560
Other operating income		48.976	34.035
Other operating expenses	5.	(8.812.699)	(7.430.537)
Operating profit before interest and tax (EBIT)		4.472.074	3.709.058
Effects of associates	10.	395.031	135.536
Financial income	6.	105.214	62.041
Financial expenses	6.	(994.048)	(762.693)
Exchange rate difference		2.407	(98.396)
Profit before tax		3.980.678	3.045.545
Income tax	7.	(676.522)	(558.265)
Profit for the year		3.304.155	2.487.280
Attributable to:			
Shareholders of Ölgerðin hf.		3.220.279	2.487.280
Non-controlling interest		83.877	0
Profit for the year		3.304.155	2.487.280
Basic earnings per share	13.	1,15	0,89
Diluted earnings per share	13.	1,10	0,86

Comprehensive income

'000 ISK	2023-2024	2022-2023
Profit for the year	3.304.155	2.487.280
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Translation of foreign operations	(24.142)	85.363
Total comprehensive income	3.280.014	2.572.642
Attributable to:		
Shareholders of Ölgerðin hf.	3.208.709	2.572.642
Non-controlling interest	71.304	0
Total comprehensive income	3.280.014	2.572.642

-

Revenues and profit for the year (unaudited)

Development of EBITDA and EBIT

	2023-2024	2022-2023	Change %
EBITDA	5.504.444	4.559.820	21%
Depreciation and amortisation	1.032.371	850.763	21%
EBIT	4.472.074	3.709.057	21%
Net finance income (expense)	(886.427)	(799.048)	11%
Effects of associates	395.031	135.536	191%

The Group's sales amounted to ISK 45.375 million which is an 18% increase compared to prior year. The increase is in part due to the acquisition of Iceland Spring, but excluding those effects the increase in revenue is 12%.

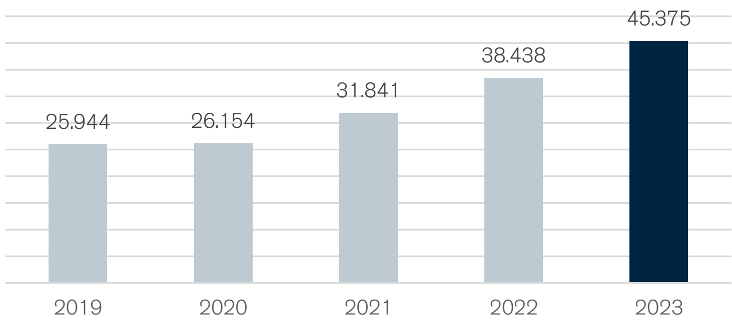
EBITDA for the financial year amounted to ISK 5.504 million compared to ISK 4.560 million in the prior year. This equals a 21% increase from prior year.

After tax profit amounted to ISK 3.304 million which is an increase of 33% from prior year.

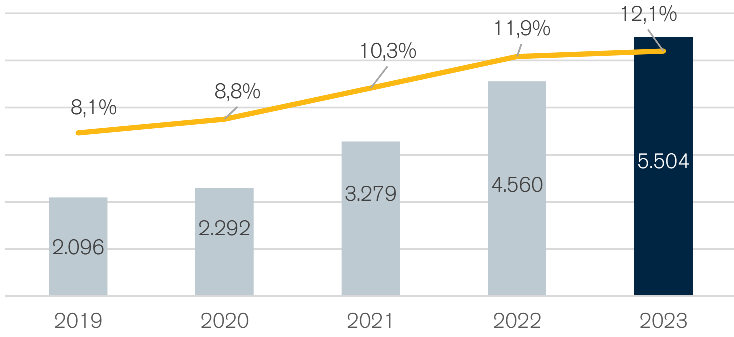
Profit for the year and earnings per share

	2023-2024	2022-2023	Change %
Profit before tax	3.980.678	3.045.545	31%
Income tax	(676.522)	(558.265)	21%
Profit for the year	3.304.155	2.487.280	33%
Earnings per share	1,15	0,89	29%

Sales



EBITDA / EBITDA %



Consolidated statement of financial position

Assets 29 / 28 February

'000 ISK	Note	2024	2023
NON-CURRENT ASSETS			
Property, plant and equipment	8.	14.095.346	10.004.905
Intangible assets	9.	7.358.548	7.358.548
Lease assets	17.	131.905	150.813
Shares in associates	10.	422.295	1.122.942
Receivables from associated companies		0	45.757
Long term bond and other financial assets		396.690	345.692
Non-current assets		22.404.784	19.028.657
CURRENT ASSETS			
Inventories	11.	3.418.505	2.717.645
Trade receivable	12.	3.226.991	2.742.932
Other short-term receivables		91.336	15.298
Cash and cash equivalents		1.523.787	1.171.857
Current assets		8.260.619	6.647.730
Total Assets		30.665.403	25.676.387

Liabilities and equity 29 / 28 February

'000 ISK	Note	2024	2023
EQUITY	13.		
Share capital		2.806.647	2.806.647
Share premium		1.102.553	1.102.553
Revaluation reserve		0	688.464
Other restricted equity		3.135.377	2.168.543
Retained earnings		6.386.165	3.315.180
Attributable to owner of the parent		13.430.742	10.081.387
Non-controlling interes		1.616.305	0
Total equity		15.047.046	10.081.387
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	14.	4.443.034	7.917.593
Lease liabilities	17.	119.241	138.670
Deferred tax liability	15.	2.569.057	2.068.392
Non-current liabilities		7.131.332	10.124.655
Current liabilities			
Short term interest bearing liabilities	14.	2.150.147	0
Current maturities of long-term liab.	14.	566.588	439.331
Income tax payable	7.	555.873	432.160
Trade payables	16.	2.821.983	2.492.111
Other current liabilities	16.	2.392.433	2.106.742
Current liabilities		8.487.025	5.470.345
Total liabilities		15.618.356	15.595.000
Total liabilities and equity		30.665.403	25.676.387

Development of financial position (unaudited)

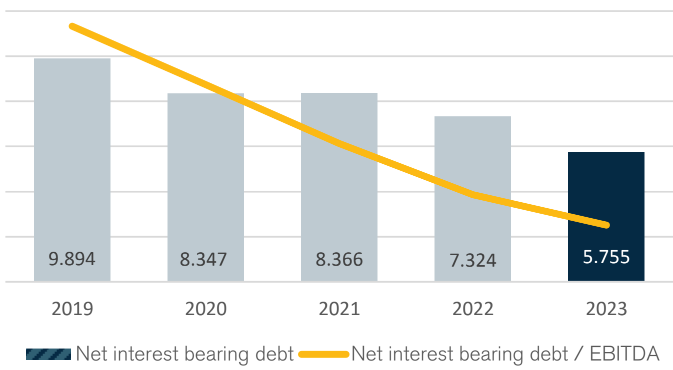
Total assets of Ölgerðin at period end amounted to ISK 30.665 million which is an increase of ISK 4.989 million from prior year-end. The increase is mainly due to the acquisition of majority share in Iceland Spring ehf. at the beginning of the year.

The Group's equity ratio strengthened considerably during the year and rose from 39% at beginning of the year to 49% at period year-end.

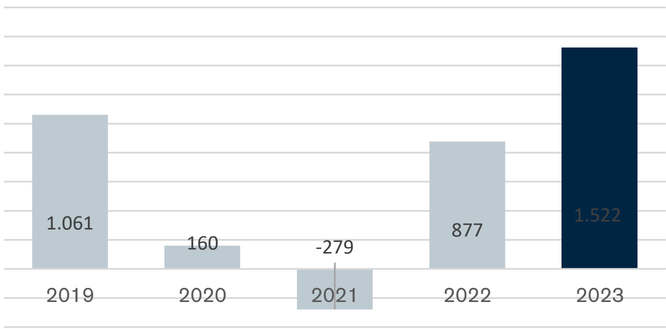
Net interest-bearing debt decreased during the year and was 1.0 times EBITDA at year-end.

Net current assets increased by ISK 645 million during the year. The increase is mostly due to the acquisition of majority share in Iceland Spring.

Net interest bearing debt/ EBITDA



Net current assets



Consolidated statement of cash flows

for the year ended 29 February 2024

'000 ISK	Note	2023-2024	2022-2023
Profit for the year		3.304.155	2.487.280
Adjustmens for:			
Stock options	4.	58.858	15.142
Effects of associates	10.	(395.031)	(135.536)
Gain on sale of property, plant and eq.		(23.087)	(10.421)
Depreciation and amortisation	5.	1.032.371	850.763
Change in deferred tax liabilities	15.	119.458	125.980
Change in accrued interest from bills		42.390	0
Net working capital from operations		4.139.113	3.333.207
Change in operating assets and liabilities:			
Trade and other receivables		(369.716)	(469.375)
Inventories		(233.952)	(352.767)
Trade and other current payables		358.454	(100.198)
Net cash from operating activities		3.893.899	2.410.868
Investing activities			
Property, plant and equipment, change	8.	(1.260.260)	(1.336.935)
Purchased intangible assets	9.	0	(17.711)
Bonds and other financial assets, change		(50.998)	71.450
Related parties, change		45.757	(63.581)
Net cash from acquisition of subsidiary	18.	(72.212)	0
Net cash to investing activities		(1.337.712)	(1.346.777)

Other information			
Interest received		101.327	60.568
Interest paid		(914.758)	(772.258)
Income tax paid		(377.638)	(289.514)

'000 ISK	Note	2023-2024	2022-2023
Financing activities			
Change in short term int.bearing liab.	14.	2.107.757	(207.523)
Proceeds from loans	14.	183.785	28.653
Repayments of loans	14.	(4.552.216)	(348.763)
Repayments of lease liabilities	14.	(23.520)	(20.754)
Transactions with own shares		0	(2.822)
Net cash to investing activities		(2.284.194)	(551.209)
Increase in cash and cash equivalents		271.992	512.882
Refund from customs recognised in equity		81.787	-
Effect of exchange rates on cash held		(1.850)	-
Cash at beginning of period		1.171.857	658.974
Cash and cash equivalents at period end		1.523.787	1.171.857

Free cash flow			
Net cash from operations		3.893.899	2.410.868
Cash from investments		(1.337.712)	(1.346.777)
Repayment of lease liabilities		(23.520)	(20.754)
Free cash flow		2.532.666	1.043.337

Statement of changes in equity

for the year ended 29 February 2024

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	23.					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	3.208.709	71.304	3.280.014
Reclassification of revaluation	18.			(688.464)		688.464	0		0
NCI on acquisition of subsidiary	18.						0	1.545.000	1.545.000
Stock options	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	1.616.304	15.047.046

1 March 2022- 28 February 2023 '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 1.3.2022		2.806.965	1.105.058	321.888	1.389.818	1.794.867	7.418.596	0	7.418.596
Profit for the year						2.487.280	2.487.280		2.487.280
Translation difference					85.363		85.363		85.363
Total comprehensive income					85.362	2.487.280	2.572.642	0	2.572.642
Osn shares acquired		(317)	(2.505)				(2.822)		(2.822)
Stock options	4.				15.142		15.142		15.142
Moved to restricted equity	13.				678.220	(678.220)	0		0
Recorded on acquisition of Icel.Spring	10.			366.576		(288.747)	77.829		77.829
Balance 28.2.2023		2.806.647	1.102.553	688.464	2.168.543	3.315.180	10.081.387	0	10.081.387

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 Grjótháls 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 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.

Significant accounting policies

These consolidated financial statements are prepared in accordance with IFRS, and the Group's accounting policies remain unchanged from the previous financial statements. 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 Group has not early adopted new standards or amendments to IFRSs that are not effective for these financial statements, buthave 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.

Consolidation

The financial statements include Ölgerðin Egill Skallagrímsson hf. and its subsidiaries, Danól ehf., ID no. 530802-2640, domiciled at Fosshàls 17-25, 110 Reykjavík, G7-11 Fasteignafélag ehf., ID no. 490911-2510 with registered address at Grjóthàls 7-11, 110 Reykjavík, and Iceland SPring ehf. also registered at Grjóthàls 7-11, 110 Reykjavík. At the end of the period, the Company owned 100% of the shares in Danól ehf. and G7-11 fasteignafélag ehf and 51% of shares in Iceland Spring ehf.
The subsidiaries Agla Gosgerð ehf., Borg Brugghús ehf., Sól ehf., Kveldúlfur Distillery ehf. and Collabe 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.

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.

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- 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.	-				(491.397)
Income tax	-				(676.522)
Profit for the period					3.304.155

1 March- 28 February 2023	Egils alcoholic [1)]	Egils non-alcoholic [2)]	Danol [3)]	Export [4)]	Total
Operating and other income	18.227.477	10.866.254	9.378.159		38.471.890
EBITDA	1.672.493	2.239.261	648.065		4.559.819
Operating profit	1.243.906	1.861.570	603.581		3.709.057
Finance inc/exp and assoc.					(663.512)
Income tax					(558.265)
Profit for the period					2.487.280

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) Export is a new operating segment which includes income from all exports of the Group, mainly from Iceland Spring.

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.

	2023-2024	2022-2023
Salaries	3.986.127	3.550.390
Pension fund contribution	513.339	468.809
Other salary-related expenes	373.134	357.050
Stock option expense	58.858	15.142
Total	4.931.458	4.391.390
Full time employees on average	395	375

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 stock options in the Company. Outstanding stock options from 2021 are 76.875.000 shares 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.

Outstanding stock options in the Company on 29 February 2024 amount to 136.375.000 shares or about 4,9% of the Company's share capital.

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.

In the financial year the Company expensed ISK 59 million 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

	2023-2024	2022-2023
Presentation in statement of profit and loss		
Production expenses	20.576.626	16.996.335
Other operating expenses	8.812.699	7.430.537
Total	29.389.325	24.426.872
Break down by nature of expense		
Cost of materials	17.996.940	14.522.191
Other production costs	657.206	771.101
Sales and marketing expenses	2.402.157	1.858.129
Salaries and related expenses	4.931.458	4.391.390
Depreciation and amortisation	1.032.371	850.763
Other operating expenses	2.369.193	2.033.298
Total	29.389.325	24.426.872
Depreciation and amortisation is presented as follows in the statement of profit and loss		
Production expenses	581.146	478.915
Other operating expenses	451.224	371.848
Total	1.032.371	850.763
Salaries and related expenses are presented as follows in the statement of profit and loss		
Production expenses	770.775	731.068
Other operating expenses	4.160.683	3.660.322
Total	4.931.458	4.391.390

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	2023-2024	2022-2023
Interest income from bonds receivable	29.830	39.141
Interest income from bank accounts	55.558	13.393
Interes income from other financial assets	19.825	9.507
Total	105.214	62.041

Finance expense	2023-2024	2022-2023
Interest expense from interest bearing liabilities	907.123	609.298
Interest expense from lease liabilities	8.486	9.006
Other interest expense and service charges	78.438	144.389
Total	994.048	762.693

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

	2023-2024	2022-2023
Income tax payable	555.873	432.160
Deferred tax	120.649	126.105
Total	676.522	558.265

	2023-2024	%	2022-2023	%
Profit before tax	3.980.678		3.045.545	
Tax at prevailing tax rate (20%)	796.136	20%	609.109	20%
Effects of foreign subsidiaries	(13.824)	-0,3%	0	0,0%
Effects of associates	(79.006)	-2,0%	(27.107)	-0,9%
Prior period adjustment	(10.663)	-0,3%	(7.001)	-0,2%
Other items	(16.120)	-0,4%	(16.736)	-0,5%
	676.522	17%	558.265	18,3%

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 current income tax percentage is 20%.

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 1.3.2023	7.478.168	0	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	0	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	0	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

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% and weighted average cost of capital of 11,8%.

Companies within the Group have entered into a long-term lease agreement for the lease of commercial premises in the property at Fosshálsi 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 Grjóthálsi 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.

Real estate assessment and insurance value 29.2.2024

	Grjótháls 7-11
Assessment value of buildings	4.777.400
Assessment value of lot	947.400
Insurance value	9.294.081
Book value	5.563.942

8. Property, plant and equipment (continued)

	Real estate	Vehicles	Machinery and equipment	Total
Cost 1.3.2022	7.191.342	688.286	7.191.214	15.070.843
Additions	286.826	225.994	829.906	1.342.726
Disposals		(24.140)	3.050	(21.090)
Cost 28.2.2023	7.478.168	890.140	8.024.170	16.392.479
Accumulated depreciation 1.3.2022	1.576.486	349.124	3.622.107	5.547.717
Depreciation for the year	200.903	94.222	533.453	828.578
Disposals		8.232	3.048	11.280
Accumulated depreciation 28.2.2023	1.777.389	451.578	4.158.608	6.387.572
Book value 28.2.2023	5.700.780	438.563	3.865.561	10.004.905

The estimated useful lives are as follows (same as in prior period):

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

Real estate assessment and insurance value 28.2.2023

	Grjótháls 7-11
Assessment value of buildings	4.657.000
Assessment value of lot	920.700
Insurance value	8.799.065
Book value	5.700.780

9. Intangible assets

	Trade marks	Business relation-ships	Total
Cost 1.3.2022	6.111.542	1.229.296	7.340.838
Additions		17.711	17.711
Cost 28.2.2023	6.111.542	1.247.007	7.358.548
Cost 29.2.2024	6.111.542	1.247.007	7.358.548

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 and business relationships. 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.

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 2025-2028 (2024-2027: 7,5%), and future growth of profit margin following the forecast period was estimated at 5% (2023: 5%). Growth of profit margin of business relationships is projected at 5% in the forecast period 2025-2028 (2023: 5%), and future growth of profit margin following the forecast period was estimated at 2,5% (2023: 2,5%). The weighted average cost of capital for trademarks is 9,99% (2023: 11,2%). The weighted average cost of capital for business relationships is 11,53% (2023: 13,01%).

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	
	29.2.2024	28.2.2023	29.2.2024	28.2.2023
Endurvinnslan	20,00%	20,0%	422.296	394.803
Iceland Spring ehf.**	51,00%	40,0%	0	728.139

Investment in associates	2023-2024	2022-2023
Book value at beginning of	1.122.942	737.138
Share in profit	27.492	135.536
Fair value change of share**	367.540	0
Adjustment of share*	0	164.905
Derecognised**	(1.095.678)	0
Translation difference	0	85.363
Total	422.296	1.122.942

*In the prior year (2022-2023), it became clear that a convertible bond issued by Iceland Spring would not be converted into shares. Ölgerðin's holding, which had previously been recognised at 30% share because of the bond, was restated at 40%. The change in shareholding is recognised in effects of associates in profit and loss and retained earnings.

**On 11 April 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. Ölgerðin's older holding in Iceland Spring (40%) is measured at fair value on the acquisition date, which was estimated at ISK 1.092 million, resulting in a ISK 368 million fair value change recognised in profit and loss presented in the line *Effects of associates*. For further information regarding the acquisition, refer to note 18.

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

	29.2.2024	28.2.2023
Finished goods	2.911.249	2.259.611
Raw materials and packaging	482.383	437.830
Other inventories	54.643	46.308
Total	3.448.275	2.743.750
Write-down of inventories	(29.770)	(26.105)
Total inventories	3.418.505	2.717.645

The insurance valuation of inventories amounted to ISK 3.006 million at period end (2023: ISK 2.860).

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

	29.2.2024	28.2.2023
Domestic trade receivables	3.275.895	2.930.760
Foreign trade receivables	180.224	76.108
Total	3.456.118	3.006.868
Allowance for doubtful accounts	(229.128)	(263.936)
Total trade receivables	3.226.991	2.742.932

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.

29.2.2024	Not past due	1-90 days	90 days+	Total
Trade receivables (gross)	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 %	-6%	-6%	-60%	-7%

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

28.2.2023	Not past due	1-90 days	90 days+	Total
Trade receivables (gross)	2.792.074	153.284	61.509	3.006.867
Allowance	(221.626)	(16.589)	(25.721)	(263.936)
Net balance	2.570.448	136.695	35.788	2.742.932
Loss ratio %	-8%	-11%	-42%	-9%

Allowance at beginning of year	(195.413)
Change in allowance	(80.100)
Recevables written off	11.577
Total allowance at year-end	(263.936)

13. Equity

Share capital according to the Company's articles of association is ISK 2.807,0 million on 29 February 2024. Par value of each share is ISK 1, which carries one vote.

	Share	No.of shares (thous.)
Total share capital at year-end	100%	2.806.965
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 1.3.2023	24.291	75.548	2.068.704	2.168.543
Adjustment*			81.787	81.787
Translation difference		(11.569)		(11.569)
Stock option expense	58.858			58.858
Share in profit of associates			27.492	27.492
Share in profit of subsidiaries			810.266	810.266
Balance 29.2.2024	83.149	63.979	2.988.249	3.135.377

**See further in note 23*

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	2023-2024	2022-2023
Profit attributable to owners of the parent	3.220.279	2.487.280
Weighted avg. of outstanding shares past 12 months*	2.806.647	2.805.621
Basic earnings per share	1,15	0,89

**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	2023-2024	2022-2023
Profit attributable to owners of the parent	3.220.279	2.487.280
Weighted avg. of outstanding shares past 12 months*	2.935.061	2.894.393
Diluted earnings per share	1,10	0,86

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

14. Loans

	29.2.2024	28.2.2023
Borrowings in ISK	4.700.491	8.333.983
Borrowings in USD	283.846	0
Total borrowings	4.984.337	8.333.983
Current maturities	(541.303)	(416.390)
Total non-current liabilities	4.443.034	7.917.593

Bills in ISK	1.927.934	0
Short-term interest bearing debt in USD	222.213	0
Total interest bearing current liabilities	2.150.147	0

Current maturities of borrowings	541.303	416.390
Current maturities of lease liabilities	25.285	22.942
Total current maturities	566.588	439.331

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. The weighted average rate is 10,35% flat interest.

All borrowings in ISK are at non-indexed variable interest rates. The average interest rate on 29 February 2024 was 11,1% (28 February 2023: 8,7%).

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

	1.3.2023	From acquisition	Repayments	Proceeds from new loans	Other changes*	29.2.2024
Non-current interest bearing liabilities	8.333.983	1.016.811	(4.552.216)	183.785	1.975	4.984.337
Current interest bearing liabilities	0			2.107.757	42.390	2.150.147
Total	8.333.983	1.016.811	(4.552.216)	2.291.542	44.365	7.134.484
Lease liabilities	161.612		(23.520)		6.433	144.525
Total	8.495.595	1.016.811	(4.575.736)	2.291.542	50.798	7.279.010

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

Instalments on long-term liabilities are specified as follows:	29.2.2024	28.2.2023
Instalments within 12 months	541.303	416.390
Instalments in 12-24 months	269.970	415.837
Instalments in 24-36 months	273.013	404.096
Instalments in 36-48 months	1.333.789	394.767
Subsequent instalments	2.566.262	6.702.893
Total	4.984.337	8.333.983

15. Deferred tax liabilities

	29.2.2024	28.2.2023
Balance 1.3	2.068.392	1.942.412
Income tax expense	676.522	558.265
Acquisition of Iceland Spring (see note 18)	381.207	0
Income tax payable	(555.873)	(432.160)
Prior year adjustment	0	(125)
Translation difference	(1.191)	0
Total	2.569.057	2.068.392

The Group's deferred tax liability is itemised as follows:

	29.2.2024	28.2.2023
Property, plant and equipment	1.388.450	688.812
Intangible assets	1.428.784	1.406.070
Inventoris	30.134	24.319
Trade receivables	(12.836)	(19.860)
Exchange rate difference	(5.895)	(10.709)
Leases	(2.524)	(2.160)
Carry-forward tax losses	(257.056)	(18.080)
Other items	0	0
Total	2.569.057	2.068.392

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 239 million which expire in the period 2024-2032 and ISK 18 million with not expiry date. The Group has not recognised tax losses carried forward from Iceland Spring ehf. in the amount of ISK 20 million.

16. Trade and other receivables

	29.2.2024	28.2.2023
Domestic trade payables	1.436.578	1.366.200
Foreign trade payables	1.385.405	1.125.911
Total	2.821.983	2.492.111

Salaries and related expenses payable	679.807	743.569
Accrued interest payable	43.057	32.622
Other current payables	1.669.568	1.330.551
Total	2.392.433	2.106.742

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	2023-2024	2022-2023
Book value at beginning of year	150.813	153.629
Depreciation	(25.342)	(22.184)
Indexation	6.433	19.368
Book value at year-end	131.904	150.813

Changes in lease liabilites during the year are as follows	2023-2024	2022-2023
Book value at beginning of year	161.612	162.998
Repayments	(23.520)	(20.753)
Indexation	6.433	19.368
Book value at year-end	144.525	161.612

Maturities of lease liabilities		
Instalments within 12 months (current maturities)	25.285	22.942
Instalments in 12-24 months	26.737	24.260
Instalments in 24-36 months	28.274	25.654
Instalments in 36-48 months	29.898	27.128
Instalments in 48-60 months	31.616	28.687
Subsequent instalments	2.715	32.941
Total	144.525	161.612

Cash flows from leases	2023-2024	2022-2023
Repayment of principal of lease liabilities (financing activity)	23.520	20.753
Interest payments (operating activity)	8.486	9.006
Total cash flows from leases	32.006	29.759

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 Iceland Spring

Below is the book value of Iceland Spring's assets and liabilities together with their fair value on 1 January 2023 according to the purchase price allocation. Included in cash is new share capital that Ölgerðin paid into the company on 11 April in the amount of ISK 411 million (USD 3 million).

	Book value	Adjustment to fair value	Fair value
Property, plant and equipment (including water source)	2.494.890	1.339.548	3.834.438
Intangible assets	85.808	(85.808)	0
Deferred tax assets	17.839		17.839
Inventories	466.908		466.908
Trade receivables	149.620		149.620
Other current receivables	41.800		41.800
Cash and cash equivalents	439.936		439.936
Total assets	3.696.801	1.253.740	4.950.541
Interest bearing liabilities	1.016.811		1.016.811
Deferred tax liablities	175.788	223.258	399.046
Trade payables	338.153		338.153
Other current payables	42.667		42.667
Total liabilities	1.573.419	223.258	1.796.677
Net assets	2.123.382	1.030.482	3.153.864

On 11 April 2023 Ölgerðin increased its share in Iceland Spring ehf. (Iceland Spring) from 40% to 51%. The increase was made both through the direct purchase of share capital and the purchase of newly issued share capital from the company, for a total of USD 3,7 million or ISK 512 million. The purchase price has been paid in full in cash. After the transaction, Ölgerðin will have the majority of voting rights and thus control over Iceland Spring.

According to IFRS 3 Business combinations, the acquisition method is applied and Ölgerðin's management will identify Iceland Spring's separately identifiable assets and liabilities along with the minority interest. Assets and liabilities are measured at fair value on 1 January 2023. According to the purchase price allocation, the premium (acquisition price in excess of book value of equity) is a total of ISK 1.340 million was assigned to the Iceland Spring water source. Income tax effects of ISK 223 million are recognized as an increase in deferred tax liabilities.

Reconciliation of the acquisition transactions	1.1.2023
Purchase price	512.146
Fair value of previously held equity interest*	1.096.717
Non-controlling interest (49%) measured at fair value	1.545.000
Total	3.153.864
Fair value of net assets in accordance with purchase price allocation	3.153.864

*Previously held interest (40%) is measured at fair value at the acquisition date. The fair value was determined to be ISK 1.097 million and a total measurement gain of ISK 368 million were recognised in the statement of profit or loss included in the line item *Effect of associates*.

19. Related parties

Related-party transactions are specified as follows:	2023-2024	2022-2023
Sales of goods and services	1.905	359.806
Purchases of goods and services	9.770	22.289
Trade receivables at period end	-	69.151
Trade payables at period end	-	23.680

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.

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

2023-2024	Salaries [1)]	Pension fund contribution	Shareholding
Októ Einarsson, chairman of the board	11.712	1.347	158.182
Hermann Már Þórisson, vice chairman of the board	7.120	819	0
Rannveig Eir Einarsdóttir, board member	4.762	548	113.109
Gerður Huld Arinbjarnardóttir, board member	3.907	449	0
Magnús Árnason, board member	3.723	428	785
Jóhannes Hauksson, former board member**	1.110	0	0
Berglínd Ósk Guðmundsdóttir, former board member	1.170	135	0
Andri Þór Guðmundsson, CEO	67.164	13.809	158.314
Key management (9)*	295.711	39.071	22.178

[1)] Includes salaries, benefits and performance based bonuses

*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.

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

2022-2023	Salaries [1)]	Pension fund contrib.	Share-holding
Októ Einarsson, chairman of BoD	7.510	864	158.182
Hermann Már Þórisson, vice chairm.**	5.994	64	0
Rannveig Eir Einarsdóttir, board m.	4.100	472	113.033
Jóhannes Hauksson, board member***	4.100	0	179.287
Berglind Ósk Guðmundsdóttir, b.m.	4.445	511	0
Andri Þór Guðmundsson, CEO	62.912	12.825	158.314
Key management (9)*	301.417	39.779	27.263

[1)] Includes salaries, benefits and performance based bonuses

*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 Horns III slhf. as per invoice up to and including January 2023.

***Payments for board participation are made to Íslandssjóðir hf. as per invoice. Shareholding is based on the holding of Akur ÖES ehf.

Hermann Már and Berglind Ósk are members of the audit committee. Rannveig Eir and Jóhannes 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	29.2.2024	28.2.2023
Bonds receivable	396.690	345.692
Trade receivables	3.226.991	2.742.932
Other current receivables	91.336	15.298
Receivables from associate	-	45.757
Cash and cash equivalents	1.523.787	1.171.857
Total	5.238.803	4.321.536

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	29.2.2024	28.2.2023
Trade payables	2.821.983	2.492.111
Other current liabilities	2.392.433	2.106.742
Borrowings	4.443.034	7.917.593
Short term interest bearing liabilities and current maturities of borrowings	2.691.450	439.331
Total	12.348.900	12.955.777

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:

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)

2022-2023	EUR	DKK	USD	Other currencies
Trade receivables	80.662	0	0	29.092
Cash	1.751	9.532	102	1.153
Trade payables	(572.817)	(314.259)	(42.489)	(229.993)
Total	(490.404)	(304.727)	(42.387)	(199.748)

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.

	2023-2024	2022-2023
EUR	38.289	49.040
DKK	26.321	30.473
USD	3.317	4.239
Other currencies	10.725	19.975
Total	78.653	103.727

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 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:

	29.2.2024	28.2.2023
Trade receivables, bond assets and other current receivables	3.715.016	3.103.922
Receivables from associates	-	45.757
Cash and cash equivalents	1.523.787	1.171.857
Total	5.238.803	4.321.536

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 (28.2.2023: 39%).

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 29 February 2024 amounted to ISK 1.524 million (28.2.2023: ISK 1.171 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.

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

29.2.2023	Book value	Contractual cash flows	Within 1 year	1-2 years	2-5 years	More than 5 years
Borrowings	8.333.983	12.897.739	1.123.333	1.086.579	2.966.181	7.721.646
Lease liabilities	161.612	190.186	31.263	31.263	93.790	33.869
Trade payables	2.492.111	2.492.111	2.492.111			
Other current liabilties	2.106.742	2.106.742	2.106.742			
Total	13.094.448	17.686.778	5.753.449	1.117.842	3.059.971	7.755.515

21. Remuneration of auditors

	2023-2024	2022-2023
Auditing and assurance services	22.479	23.403
Other services	3.205	0
Total	25.684	23.403

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 2.869,3 million at the reporting date. The amount of the fidelity bond at year-end is ISK 6.397,6 million.

Business interruption insurance

The Company 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 insurance amount is up to ISK 9.163 million.

23. Other matters

The Supreme Tax Committee ruled in case no. 118/2022 where Danól ehf. appealed the decision of the director of customs from 24 May 2022 regarding the redetermination of import duties. The Supreme Tax Committee accepted the claims of Danól ehf. in part and on 29 September 2023 reimbursed the surcharge that was applied to the reassessment in the amount of ISK 81 million which was transferred to equity, plus late interest in the amount of ISK 8 million which are recognised in financial expense in the statement of profit and loss.

The Supreme Tax Committee ruled in case no. 30/2023 on 27 September 2023, where Ölgerðin appealed against the decision of the director of customs from 9 December 2022 regarding import duties. Ölgerðin's claims were rejected, but this has no effect on the financial statements, as the 2022 financial statements had already assumed that negative conclusion.

24. Events after the reporting date

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