



October 3, 2017

N1 hf.: A purchase agreement has been signed on the acquisition by N1 hf. of all share capital in Festi hf.

Today, 3 October, 2017, a purchase agreement was signed on the acquisition by N1 hf. of all share capital in Festi hf. The purchase agreement is based on a letter of intent which N1 hf. and SF V slhf. signed on 9 June 2017 on the main terms of business and the results of a due diligence review of Festi hf.

Festi specializes in managing retail companies and runs 27 stores under the brands Króna, ELKO, Nóatún, Kjarval and Kr, and the company also owns and runs Bakkinn warehouse hotel. Festi owns 18 real estate properties which are either leased to the company's retail stores or to a third party and the company owns property totalling 71,500 square metres. The total turnover of Festi was approximately ISK 39 billion in the operating year ending on 28 February 2017.

According to the purchase agreement the enterprise value of Festi is ISK 37.9 billion, but the final purchase price of the share capital will be determined by the company's debts at the end of the current financial year on 28 February 2018. The estimated EBITDA for the current operating year amount to ISK 3,340 million, of which ISK 2,125 million relate to the operating companies of Festi and ISK 1,215 million to its real estate operation. The company's enterprise value could change in relation to the financial results of the operating companies of Festi. If the EBITDA of the operating companies for the operating year ending on 28 February 2018 turn out to be higher than ISK 2,125 million, the purchase price shall increase, but never by more than ISK 1 billion, i.e. if the EBITDA are ISK 2,250 million or more. However, should the EBITDA of the operating companies turn out to be lower than ISK 2,050 million, the purchase price shall decrease but never by more than ISK 1 billion, i.e. if EBITDA are ISK 1,925 million or lower. As previously announced the management of N1 forecast that the company's EBITDA will be ISK 3,500 million to ISK 3,600 million in 2017, excluding cost relating to the acquisition of Festi, and the estimated EBITDA of a merged company for the current operating year, excluding cost relating to the acquisition of Festi, are therefore estimated to be approximately ISK 6,840 million to ISK 6,940 million, but these figures do not take into account synergy. Estimated synergies from the acquisition is estimated to be in the range of ISK 500 – 600 million.

The share purchase price will be paid with 76,086,957 shares in N1 at a price of 115, or ISK 8,750 million, and also with new borrowings. Half of the shares are subject to a lock-up provision until 31 December 2018 but the seller is permitted to transfer the shares with these rights to a final owner. In the event of an additional payment owing to a better financial performance by Festi hf., this payment will be in the form of shares in N1 at a price of 115, and these shares will also be subject to the aforementioned lock-up provision.

The transaction is subject to the condition that the board and shareholders' meetings of both parties approve the acquisition and also to the approval of the Icelandic Competition Authority. If the transaction goes ahead it is expected to be completed during the second quarter of 2018.

Arion Bank Corporate Finance acted as advisor to N1 regarding the acquisition.



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A shareholders' meeting of N1 will be called at which the transaction is presented and the authorization of the meeting will be sought to issue new shares in the company in respect of the transaction. The meeting will be held on 26 October 2017 at 4:00 p.m. at the headquarters of N1, Dalvegur 10-14, 3rd floor, Kópavogur.

A public meeting for market participants and shareholders will be held on Tuesday 3 October 2017 at the headquarters of N1, Dalvegur 10-14, 3rd floor, Kópavogur. Eggert Kristófersson, CEO, will discuss the main details of the transaction and answer questions. The meeting starts at 4:00 p.m. Material concerning the meeting will be available at the end of the meeting on N1's website: <http://www.n1.is/umn1/fjarfestar/> and in the news system of Nasdaq OMX Iceland hf.

Eggert Kristófersson, CEO of N1

"We are pleased to announce that agreement has been made today on the N1 acquisition of Festi with the signing of a share purchase agreement. Through this acquisition we have created larger and more effective company with the ability to service its client better across Iceland with integration of both companies and their strategic locations."

For further information please contact Eggert Kristófersson, CEO (eggert@n1.is)