



N1's ACQUISITION OF FESTI



FESTI IN A NUTSHELL

- Festi is a robust group which specializes in managing retail businesses
- Strong image and market position
- The company runs 27 stores
- Festi owns 18 properties which are either leased to the company's stores or third parties.
- The company owns and runs Bakkinn warehouse hotel



Group turnover	ISK 39.4 billion
Total assets	ISK 39.3 billion
Equity	ISK 15.2 billion
Number of stores	27
Real estate owned	71,500 m2
Number of employees	600

* Information based on annual financial statement of Festi group 2016/17

FESTI – RETAIL BUSINESS

- Strong brands in foods, retail and warehousing
- Current operating year's budget estimates EBITDA of retail business at ISK 2,125 million



17 stores under Krónan brand (12 stores in capital city area)



4 stores under Kjarval brand and one store under brand Kr. Stores are located outside the capital city area



1 Nóatún store in Austurver in Reykjavík



4 stores plus online store. The stores are located in capital city area and stores at Keflavík International Airport. Works under franchise from Elkjöp A/S



Bakkinn warehouse hotel specializes in warehousing, packaging, labelling, dispatching and distribution of goods. Services Festi stores

FESTI – RETAIL BUSINESS

16 stores in capital city area



11 stores outside capital city area



FESTI – REAL ESTATE BUSINESS

- Solid real estate portfolio which gives good support to underlying business
- Current operating year's budget estimates EBITDA of real estate business at ISK 1,215 million

Number of properties	18
Size	71,500 m ²
Number of leased spaces	76
EBITDA (Est.) current year	ISK 1,215 m
Lease income within group	60%
Lease income from third parties	40%
Leasing ratio	97.7%



Company's largest properties are at Bildshöfði and Fiskislóð in Reykjavík and Skógarlind in Kópavogur



WHY IS N1 ACQUIRING FESTI

- In line with company's new strategy which was announced on 8th of December 2016
- Strengthens robust business foundations of N1
 - Retail business
 - Real estate portfolio
- Improved efficiency
 - Purchasing
 - Better utilization of both companies' locations
 - Integration
- Synergy
 - ISK 500 – 600 million a year
 - Locations

THE TRANSACTION

- Enterprise value of Festi is ISK 37.9 billion
- Final purchase price of share capital will depend on company's level of debt on 28 February 2018
- Purchase price adjusted if EBITDA excluding real estate business in current operating years are:
 - Higher than ISK 2,125 million, but maximum increase of ISK 1,000 million if EBITDA ISK 2,250 million
 - Lower than ISK 2,050 million, but maximum decrease of ISK 1,000 million if EBITDA ISK 1,925 million
- Acquisition is funded through borrowing and issuing shares in N1
 - Sellers receive 76,086,957 shares at price of 115
 - Landsbankinn hf. has secured funding
- Sellers undertake not to sell nor transfer ownership of half of the shares in N1 they receive before 31.12.2018.
- In the event of additional payment owing to better financial performance by Festi hf., this payment will be in form of shares in N1 at a price of 115, and these shares will also be subject to lock-up provision until 31.12.2018.

MERGED COMPANY – N1 AFTER THE TRANSACTION

Income statement

Based on last financial statement

Amounts are in ISK thousand	N1 Q2 – 12month	Festi 2016/17	Total
Sales	34.352	39.389	73.741
Gross profit	11.185	8.047	19.232
Other operating income	384	1.330	1.714
Operating profit	-8.132	-5.716	-13.848
EBITDA	3.437	3.661	7.098
<i>EBITDA/gross profit</i>	<i>30,7%</i>	<i>45,5%</i>	<i>36,9%</i>

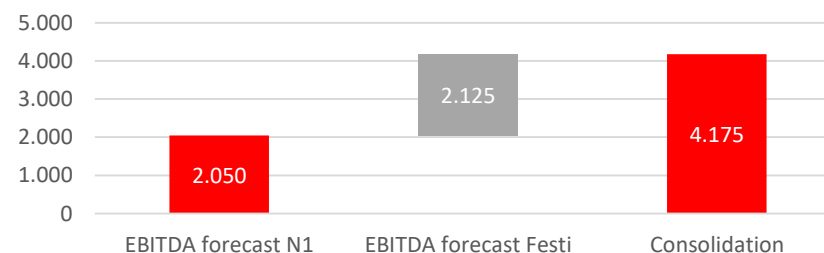
Property – EBITDA forecast 2017**



* Information based on N1's financial statement for last 4 quarters and annual financial statement of Festi 2016/17

** Information based on N1's EBITDA forecast 2017 and forecast for Festi 2017/18

Operation – EBITDA forecast 2017**



MERGED COMPANY – N1 AFTER THE TRANSACTION

Consolidated balance sheet

Amounts are in ISK thousand	Consolidation
Non-current assets	58.390
Current assets	13.688
Total assets	72.079
Total equity	21.221
Non-current liabilities	38.935
Current liabilities	11.923
Total equity and liabilities	72.079

- Based on the companies' last financial statement, the group's total assets will amount to ISK 72 billion following the transaction.
 - Changes have occurred since last financial statement from Festi, e.g. properties have been sold and dividends paid to shareholders
 - Final purchase price will depend on final balance sheet
- 71,500 square metres of property added to N1's current portfolio
- Group's equity would be approx. ISK 21 billion
 - Share capital increased by ISK 76 million nominal value
- Capital ratio of merged company estimated at 29.4%
- Purchase price could increase by up to ISK 1,000 million and this would be paid by issuing shares.
 - potential increase in share capital could be up to 8.7 million shares if operating results exceed company's estimates
- Purchase price could decrease by up to ISK 1,000 million

* Information based on N1's financial statement for last 4 quarters and annual financial statement of Festi 2016/17

NEXT STEPS

- Shareholders' meeting in N1
 - Will be held on 26 October 2017 in Dalvegur at 16.00
 - Issue of new shares proposed to meeting
- Icelandic Competition Authority
 - Purchase agreement submitted to Icelandic Competition Authority
 - It will be expected to be completed in second quarter of 2018
- Delivery of sold assets and payment expected to be completed in second quarter of 2018. Settlement based on end of year position of Festi on 28 February 2018



DISCLAIMER

- All information in this presentation is based on sources which N1 hf. considers reliable at the time of publication, but it cannot be guaranteed that the information is infallible.
- All information in this presentation is owned by N1 hf. It is not permitted to copy, change or distribute in any way information from this presentation, in part or its entirety.
- This presentation is only intended for information purposes and is not part of, or a basis for, any decisions made by the recipient. Recipients should not interpret information in this presentation as a promise or as instructions. N1 hf. is not obliged to provide recipients of this presentation with further information about the company or to make changes or corrections to the presentation if information upon which it is based changes.
- The company's future outlook is dependent in a number of risks and uncertainties which may have the effect that the actual result in the future is considerably different to the scenario described in this presentation. This includes factors such as exchange rates, the global price of fuels, the availability of funding, the coming into effect of new legislation and the impact of regulators, etc.
- N1 hf. wishes to point out that recipients of the presentation should not rely on statements contained within in the future since they are only applicable on the date of publication of the presentation. All statements concerning the company's future prospects are entirely valid with respect to this proviso.
- By receiving this presentation the recipient agrees that they are bound by the above provisos and limitations.