



N1 hf.

Condensed Interim Financial Statements

1 January to 30 June 2015

N1 hf.
Dalvegur 10-14
201 Kópavogur

Reg. No. 540206-2010

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Endorsement and Statement by the Board of Directors and the CEO

The condensed interim financial statements of N1 hf. for the period from 1 January to 30 June 2015 have been prepared in accordance with the International Financial Reporting Standard for interim financial reporting, IAS 34. The interim financial statements have been reviewed by the Company's auditors.

The Company's operating revenue for the first six months of the year amounted to ISK 23,614 million and decreased by 13.3% compared to the same period the previous year. Decrease in operating revenue is mainly due to decrease in the world market price of fuel. According to the statement of comprehensive income, profit from the Company's operations for the period amounted to ISK 770 million. However, when taking into account translation difference due to the operation of a foreign associated company the Company's total comprehensive income amounts to ISK 745 million. The Company's equity at the end of the period amounted to ISK 8,205 million including share capital in the amount of ISK 470 million.

Shareholders

At the end of the period the Company's shareholders were 1,585 compared to 2,403 at the beginning of the year. Following are the Company's ten biggest shareholders at the end of the period:

Lífeyrissjóður verslunarmanna	14,2%
Gildi - lífeyrissjóður	7,8%
Lífeyrissj.starfsm.rík. A-deild	6,8%
Stafir lífeyrissjóður	5,8%
Almenni lífeyrissjóðurinn	5,0%
MP banki hf.	4,7%
Helgafell ehf.	4,2%
Sameinaði lífeyrissjóðurinn	3,4%
Lífeyrissj.starfsm.rík. B-deild	2,9%
Stapi lífeyrissjóður	2,8%

Statement by the Board of Directors and the CEO

The condensed interim financial statements of N1 hf. for the period from 1 January to 30 June 2015 are prepared in accordance with the International Financial Reporting Standard for interim financial reporting, IAS 34. According to our best knowledge it is our opinion that the interim financial statements give a fair view of the Company's operating results, its assets, liabilities and financial position as at 30 June 2015 and changes in cash flows during the period from 1 January to 30 June 2015.

Furthermore, it is our opinion that the condensed interim financial statements and the Endorsement by the Board of Directors and the CEO give a fair view of the Company's results, financial position and development and describe the main risk factors and uncertainty faced by the Company.

The Board of Directors and the CEO of N1 hf. have today discussed the Company's interim financial statements for the period from 1 January to 30 June 2015 and confirm them with their signatures.

Kópavogur, 19 August 2015

The Board of Directors of N1 hf.

Margrét Guðmundsdóttir

Helgi Magnússon

Kristín Guðmundsdóttir

Jón Sigurðsson

CEO

Þórarinn V. Þórarinnsson

Eggert Þór Kristófersson

Report on Review of Interim Financial Statements

To the Board of Directors and Shareholders of N1 hf.

We have reviewed the accompanying condensed interim financial statements of N1 hf. for the period 1 January to 30 June 2015. The condensed interim financial statements which comprise, statement of financial position as of 30 June 2015, and the statement of comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting" as adopted by the EU. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU.

Kópavogur, 19 August 2015

Ernst & Young ehf.

Jóhann Unnsteinsson
State Authorised Public Accountant

Statement of Comprehensive Income

1 January to 30 June 2015

	Notes	Second Quarter		Two Quarters	
		2015 *	2014 *	2015	2014
		1.4.-30.6.	1.4.-30.6.	1.1.-30.6.	1.1.-30.6.
Sales	7	13.543.378	15.679.254	23.420.688	27.004.496
Cost of goods sold		(10.686.001)	(12.998.295)	(18.580.390)	(22.566.345)
Gross profit	8	2.857.377	2.680.959	4.840.298	4.438.151
Other operating income		92.511	134.951	193.622	224.732
Salaries and other personnel expenses		(975.936)	(993.426)	(1.968.223)	(1.940.910)
Sales and distribution expenses		(595.406)	(620.146)	(1.082.229)	(1.045.777)
Other operating expenses		(374.383)	(408.805)	(710.000)	(762.202)
		(1.945.725)	(2.022.377)	(3.760.452)	(3.748.889)
Profit before depreciation, amortisation and finance items.....		1.004.163	793.533	1.273.468	913.994
Depreciation and amortisation		(175.904)	(170.513)	(350.618)	(349.713)
Operating income		828.259	623.020	922.850	564.281
Finance income		36.717	87.150	142.601	174.058
Finance expenses		(102.635)	(105.978)	(203.320)	(240.515)
Effect of associates		25.451	14.673	80.569	27.527
Change in fair value of shares		0	(12.685)	0	(17.490)
		(40.467)	(16.840)	19.850	(56.420)
Profit before income tax		787.792	606.180	942.700	507.861
Income tax	9	(152.855)	(119.480)	(173.188)	(98.406)
Profit for the period		634.937	486.700	769.512	409.455
Other comprehensive income (expense) items recognised in equity but will later be reclassified to profit or loss:					
Translation difference arising from operations of a foreign associate		606	(3.394)	(24.177)	(12.069)
Total comprehensive income for the period		635.543	483.306	745.335	397.386
Earnings per share:					
Basic and diluted earnings per share in ISK		1,11	0,49	1,21	0,41

* The half year results were reviewed by the Company's auditor.

The quarterly statements were not audited or reviewed by the Company's auditor.

Notes on pages 9 to 11 are an integral part of these interim financial statements.

Balance Sheet as at 30 June 2015

	Notes	30.6.2015	31.12.2014	
Assets				
Intangible assets		334.923	362.338	
Property, plant and equipment		9.227.702	9.328.575	
Shares in associates		1.517.237	1.460.846	
Shares in other companies		30.212	2.000	
Bonds		74.022	48.009	
Non-current assets		<u>11.184.096</u>	<u>11.201.768</u>	
Inventories		4.018.818	3.134.257	
Trade receivables		4.330.639	3.042.593	
Receivable from related parties		72.509	27.776	
Other short-term receivables	10	1.163.151	754.816	
Cash and cash equivalents		1.246.919	4.629.100	
Current assets		<u>10.832.036</u>	<u>11.588.542</u>	
Total assets		<u><u>22.016.132</u></u>	<u><u>22.790.310</u></u>	
Equity				
Share capital		470.000	700.000	
Share premium		5.576.751	8.305.799	
Statutory reserve		250.000	250.000	
Revaluation reserve		377.367	391.831	
Translation reserve	(64.128)	(39.950)
Retained earnings		1.595.246	1.651.269	
Total equity	11	<u>8.205.236</u>	<u>11.258.949</u>	
Liabilities				
Payable to credit institutions	13	6.370.000	6.230.000	
Deferred tax liabilities	12	290.230	271.285	
Deferred income		196.373	211.478	
Non-current liabilities		<u>6.856.603</u>	<u>6.712.763</u>	
Current tax		284.865	150.736	
Payable to the Icelandic State		3.094.993	2.219.536	
Payable to credit institutions	13	1.097.499	350.000	
Trade payables		1.436.299	1.243.247	
Payable to related parties		208.176	169.405	
Deferred income		257.200	256.477	
Other short-term liabilities		575.261	429.197	
Current liabilities		<u>6.954.293</u>	<u>4.818.598</u>	
Total liabilities		<u>13.810.896</u>	<u>11.531.361</u>	
Total equity and liabilities		<u><u>22.016.132</u></u>	<u><u>22.790.310</u></u>	

Notes on pages 9 to 11 are an integral part of these interim financial statements.

Statement of Changes in Equity 1 January to 30 June 2015

	Share Capital	Share premium	Statutory reserve	Revaluation reserve	Translation reserve	Retained earnings	Total equity
1 January to 30 June 2015							
Equity 1.1.2015	700.000	8.305.799	250.000	391.831	(39.950)	1.651.269	11.258.949
Total comprehensive income for the period					(24.177)	769.512	745.335
Dissolution of revaluation of an associated company				(14.464)		14.464	0
Decrease in share capital	(230.000)	(2.729.048)					(2.959.048)
Dividend paid (1.20 ISK per share)						(840.000)	(840.000)
Equity 30.6.2015	<u>470.000</u>	<u>5.576.751</u>	<u>250.000</u>	<u>377.367</u>	<u>(64.128)</u>	<u>1.595.246</u>	<u>8.205.236</u>
1 January to 30 June 2014							
Equity 1.1.2014	1.000.000	11.865.427	250.000	413.237	(29.135)	1.652.313	15.151.842
Total comprehensive income for the period					(12.069)	409.455	397.386
Dissolution of revaluation of an associated company				(14.474)		14.474	0
Dividend paid (1.65 ISK per share)						(1.650.000)	(1.650.000)
Equity 30.6.2014	<u>1.000.000</u>	<u>11.865.427</u>	<u>250.000</u>	<u>398.763</u>	<u>(41.204)</u>	<u>426.242</u>	<u>13.899.228</u>

Notes on pages 9 to 11 are an integral part of these interim financial statements.

Statement of Cash Flows 1 January to 30 June 2015

	2015	2014
Notes	1.1.-30.6.	1.1.-30.6.
Cash flows from operating activities		
Profit before depreciation, amortisation and finance items	1.273.468	913.994
Operating items not affecting cash flows:		
Gain on sale of operating assets	(4.509)	(39.197)
Deferred income	(15.106)	(15.106)
	1.253.853	859.691
Changes in operating assets and liabilities:		
Inventories, change	(880.252)	(169.721)
Trade and other receivables, change	(1.797.844)	(2.898.533)
Trade and other short-term payables, change	1.240.481	1.553.208
Short-term loan from credit institutions, change	1.097.499	233.373
	(340.116)	(1.281.673)
Interest income received	87.875	164.477
Interest expense paid on short-term liabilities	(6.176)	(7.186)
Paid income tax	(20.114)	(93.399)
Cash flows from (to) operating activities	975.322	(358.090)
Cash flows from investing activities		
Purchase of intangible assets	(19.227)	(11.869)
Purchase of property, plant and equipment	(217.538)	(288.402)
Sale of property, plant and equipment	66.946	112.343
Dividend received	0	7.854
Purchase of shares in other companies	(28.212)	0
Investing activities	(198.031)	(180.074)
Cash flows from financing activities		
Decrease in share capital	(2.959.048)	0
Dividend paid	(805.998)	(1.505.947)
Repayment of loans from credit institutions	(210.000)	(210.000)
Interest expense paid on loans from credit institutions	(207.871)	(237.825)
Financing activities	(4.182.917)	(1.953.772)
Change in cash and cash equivalents	(3.405.626)	(2.491.936)
Currency exchange gain on cash and cash equivalents	23.445	14.251
Cash and cash equivalents at the beginning of the year	4.629.100	6.019.414
Cash and cash equivalents at the end of the period	1.246.919	3.541.729

Notes on pages 9 to 11 are an integral part of these interim financial statements.

Notes

1. Reporting entity

N1 hf. („the Company“) is an Icelandic limited liability company with headquarters at Dalvegur 10-14, Kópavogur. The objective of the Company is sale of fuel, oils and lubricants in fixed, liquid and gaseous form, wholesale and retail, purchase, sale, ownership and operation of real estates and movable property, purchase, sale and ownership of securities, together with lending activities related to the Company's operations and other related operations.

2. Statement of compliance

The interim financial statements of N1 hf. have been prepared in accordance with the International Financial Reporting Standard for interim financial reporting, IAS 34. The condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2014.

The Board of Directors of N1 hf. approved the interim financial statements on 19 August 2015.

3. Significant accounting policies

The interim financial statements are prepared based on the same accounting policies as the Company's annual financial statements for the year 2014. The Company's annual financial statements are available at the company's headquarter and on its website; www.n1.is as well as at the homepage of NASDAQ OMX Iceland hf.'s website; www.nasdaqomxnordic.com

A few new standards and amendments to standards became effective at the beginning of the year but did not have an effect on the Company's financial statements.

4. Presentation and functional currency

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

5. Use of estimates and judgements

The preparation of interim financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

6. Seasonality

The company's operations are generally more extensive during the second and third quarters of the year than in the first and fourth quarters. Therefore the carrying amounts of the Company's operating assets and liabilities are generally lower at the end of the first and fourth quarters than at the end of the second and third quarters.

7. Sales

	2015	2014
	1.1.-30.6.	1.1.-30.6.
Fuel.....	18.654.877	22.211.206
Other goods.....	4.765.811	4.793.290
Total sales.....	<u>23.420.688</u>	<u>27.004.496</u>

8. Gross profit

Fuel.....	2.769.306	2.430.057
Other goods.....	2.070.992	2.008.094
Total gross profit.....	<u>4.840.298</u>	<u>4.438.151</u>

Notes, contd.:

9. Income tax

Effective income tax in profit or loss is specified as follows:		2015		2014
		1.1.-30.6.		1.1.-30.6.
Profit before income tax		942.700		507.861
Income tax based on current tax rate	20,0%	(188.540)	20,0%	(101.572)
Non-deductible expenses	0,1%	(761)	0,8%	(3.910)
Non-taxable income on shares	(1,7%)	16.113	(1,4%)	7.076
Effective income tax	18,4%	(173.188)	19,4%	(98.406)

10. Other short-term receivables

Other short-term receivables are specified as following:

		30.6.2015	31.12.2014
Prepaid expenses.....		508.672	275.264
VAT refund and other receivables from the Icelandic State.....		539.216	325.389
Other short-term receivables.....		115.263	154.163
Total other short-term receivables.....		1.163.151	754.816

11. Equity

At a the Company's annual general meeting, held on 23 March 2015 it was approved to decrease share capital by ISK 230 million of the nominal value of shares, i.e. by 32.9%, which entails payment to shareholders in the amount of ISK 2,959 million. The decrease in share capital was paid to shareholders on 15 May 2015 based on their shareholding as at 8 May.

12. Deferred tax liabilities

Deferred tax liabilities at the end of the period are specified as following:

		30.6.2015	31.12.2014
Assets			
Inventories.....		5.295	12.258
		5.295	12.258
Liabilities			
Property, plant and equipment.....		212.405	209.517
Intangible assets.....		48.797	56.274
Foreign exchange rate difference.....		19.532	14.644
Trade receivables.....		14.791	3.108
		295.525	283.543
Deferred tax liabilities.....		290.230	271.285

13. Payable to credit institutions

Interest bearing borrowings are specified as follows:

		30.6.2015		31.12.2014	
		rate	Book value	Interest rate	Book value
Non-indexed loan in ISK on floating interests.....	6,1%		6.370.000	6,9%	6.230.000
Current maturities.....			0		350.000
			6.370.000		6.580.000
Short-term loan in ISK.....	5,7%		1.097.499		0
Total payable to credit institutions.....			7.467.499		6.580.000

Notes, contd.:

13. Payable to credit institutions, contd.:

Loan maturities are specified as follows over the next years:	30.6.2015	31.12.2014
Year 2015, to year end.....	0	350.000
Year 2016.....	0	350.000
Year 2017.....	0	350.000
Year 2018.....	0	350.000
Year 2019.....	0	350.000
Later.....	6.370.000	4.830.000
	<u>6.370.000</u>	<u>6.580.000</u>

On 3 June changes were made to the provisions of the Company's long-term loan from Íslandsbanki. According to the new provisions the Company will only pay interest when due on the loan for the next five years but no repayments of principal. Interest margin, loan maturity and other loan terms were not changed.

14. Ratios

The Company's key ratios are specified as follows:

	2015	2014
	1.1.-30.6.	1.1.-30.6.
Statement of comprehensive income		
Turnover rate of inventories: utilisation of goods * / average inventories of the period.....	10,89	10,71
Sales days in trade receivables: average trade receivables of the period / goods and services sold *.....	28	26
Profit before depreciation, amortisation and finance items / gross profit.....	26,3%	20,6%
Salaries and other personnel expenses / gross profit.....	40,7%	43,7%
Sales and distribution expense / gross profit.....	22,4%	23,6%
Other operating expenses / gross profit.....	14,7%	17,2%
	30.6.2015	31.12.2014
Balance sheet		
Current ratio: current assets / current liabilities.....	1,56	2,40
Liquidity ratio: (current assets - inventories) / current liabilities.....	0,98	1,75
Leverage: Net interest bearing liabilities ** / EBITDA***.....	0,93	0,60
Equity ratio: Equity / total capital.....	37,3%	49,4%
Return on equity: Profit for the period * / average equity of the period.....	15,4%	11,9%

Average numbers are calculated as the average of the relevant figures in the published financial statements of the Company for the period. Comparative figures have been changed accordingly

* Operating figures are calculated on annual basis.

** Average net interest bearing liabilities for the last 12 months.

*** EBITDA for the last 12 months.