



**N1 hf.**

## **Condensed Interim Financial Statements**

**1 January to 30 September 2015**

N1 hf.  
Dalvegur 10-14  
201 Kópavogur

Reg. No. 540206-2010

# Contents

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	Page
Endorsement and Statement by the Board of Directors and the CEO .....	3
Statement of Comprehensive Income .....	4
Balance Sheet .....	5
Statement of Changes in Equity .....	6
Statement of Cash Flows .....	7
Notes .....	8-10

# 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 September 2015 have been prepared in accordance with the International Financial Reporting Standard for interim financial reporting, IAS 34. The interim financial statements have neither been audited nor reviewed by the Company's auditors.

The Company's operating revenue for the first nine months of the year amounted to ISK 39,587 million and decreased by 13.2% 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 1,507 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 1,467 million. The Company's equity at the end of the period amounted to ISK 8,930 million including share capital in the amount of ISK 470 million.

## Shareholders

At the end of the period the Company's shareholders were 1,427 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%
Lífeyrissjóður starfsmanna ríkisins A-deild .....	6,1%
Stafir lífeyrissjóður .....	5,9%
Almenni lífeyrissjóðurinn .....	5,0%
Landsbankinn hf. ....	5,0%
Helgafell ehf. ....	4,2%
Sameinaði lífeyrissjóðurinn .....	3,3%
Stapi lífeyrissjóður .....	2,8%
Söfnunarsjóður lífeyrisréttinda .....	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 September 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 September 2015 and changes in cash flows during the period from 1 January to 30 September 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 September 2015 and confirm them with their signatures.

Kópavogur, 29 October 2015

The Board of Directors of N1 hf.

\_\_\_\_\_  
Margrét Guðmundsdóttir

\_\_\_\_\_  
Helgi Magnússon

\_\_\_\_\_  
Kristín Guðmundsdóttir

\_\_\_\_\_  
Jón Sigurðsson

\_\_\_\_\_  
CEO

\_\_\_\_\_  
Þórarinn V. Þórarinsson

\_\_\_\_\_  
Eggert Þór Kristófersson

# Statement of Comprehensive Income

## 1 January to 30 September 2015

	Notes	Third Quarter		Three Quarters	
		2015 1.7.-30.9.	2014 1.7.-30.9.	2015 1.1.-30.9.	2014 1.1.-30.9.
Sales .....	7	15.884.465	18.270.698	39.305.153	45.275.194
Cost of goods sold .....		( 12.879.468)	( 15.188.038)	( 31.459.858)	( 37.754.383)
Gross profit .....	8	3.004.997	3.082.660	7.845.295	7.520.811
Other operating income .....		87.874	88.682	281.496	313.414
Salaries and other personnel expenses .....		( 910.690)	( 929.634)	( 2.878.913)	( 2.870.544)
Sales and distribution expenses .....		( 723.880)	( 625.346)	( 1.806.109)	( 1.671.123)
Other operating expenses .....		( 348.258)	( 364.236)	( 1.058.258)	( 1.126.438)
		( 1.982.828)	( 1.919.216)	( 5.743.280)	( 5.668.105)
Profit before depreciation, amortisation and finance items.....		1.110.043	1.252.126	2.383.511	2.166.120
Depreciation and amortisation .....		( 177.776)	( 174.056)	( 528.394)	( 523.769)
Operating income .....		932.267	1.078.070	1.855.117	1.642.351
Finance income .....		11.631	128.158	154.232	302.216
Finance expenses .....		( 111.928)	( 117.821)	( 315.248)	( 358.336)
Effect of associates .....		74.861	61.610	155.430	89.137
Change in fair value of shares .....		0	3.795	0	( 13.695)
		( 25.436)	75.742	( 5.586)	19.322
Profit before income tax .....		906.831	1.153.812	1.849.531	1.661.673
Income tax .....	9	( 166.622)	( 218.611)	( 339.810)	( 317.017)
Profit for the period .....		740.209	935.201	1.509.721	1.344.656
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 .....		( 15.810)	( 3.621)	( 39.987)	( 15.690)
Total comprehensive income for the period .....		724.399	931.580	1.469.734	1.328.966
Earnings per share:					
Basic and diluted earnings per share in ISK .....		1,57	0,94	2,60	1,34

Notes on pages 8 to 10 are an integral part of these interim financial statements.

## Balance Sheet as at 30 September 2015

	Notes	30.9.2015	31.12.2014	
<b>Assets</b>				
Intangible assets .....		322.460	362.338	
Property, plant and equipment .....		9.147.706	9.328.575	
Shares in associates .....		1.576.290	1.460.846	
Shares in other companies .....		30.212	2.000	
Bonds .....		70.767	48.009	
Non-current assets		<u>11.147.435</u>	<u>11.201.768</u>	
Inventories .....		3.307.925	3.134.257	
Trade receivables .....		3.445.832	3.042.593	
Receivable from related parties .....		56.800	27.776	
Other short-term receivables .....	10	934.575	754.816	
Cash and cash equivalents .....		3.387.500	4.629.100	
Current assets		<u>11.132.632</u>	<u>11.588.542</u>	
Total assets		<u><u>22.280.067</u></u>	<u><u>22.790.310</u></u>	
<b>Equity</b>				
Share capital .....		470.000	700.000	
Share premium .....		5.576.750	8.305.799	
Statutory reserve .....		250.000	250.000	
Revaluation reserve .....		370.158	391.831	
Translation reserve .....	(	79.937)	(	39.950)
Retained earnings .....		2.342.663	1.651.269	
Total equity	11	<u>8.929.634</u>	<u>11.258.949</u>	
<b>Liabilities</b>				
Payable to credit institutions .....	13	6.370.000	6.230.000	
Deferred tax liabilities .....	12	275.497	271.285	
Deferred income .....		188.820	211.478	
Non-current liabilities		<u>6.834.317</u>	<u>6.712.763</u>	
Current tax .....		454.153	150.736	
Payable to the Icelandic State .....		3.848.593	2.219.536	
Payable to credit institutions .....	13	0	350.000	
Trade payables .....		1.334.352	1.243.247	
Payable to related parties .....		249.501	169.405	
Deferred income .....		225.935	256.477	
Other short-term liabilities .....		403.582	429.197	
Current liabilities		<u>6.516.116</u>	<u>4.818.598</u>	
Total liabilities		<u>13.350.433</u>	<u>11.531.361</u>	
Total equity and liabilities		<u><u>22.280.067</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 September 2015

	Share Capital	Share premium	Statutory reserve	Revaluation reserve	Translation reserve	Retained earnings	Total equity
<b>1 January to 30 September 2015</b>							
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 .....					( 39.987)	1.509.721	1.469.734
Dissolution of revaluation of an associated company .....				( 21.673)		21.673	0
Decrease in share capital .....	( 230.000)	( 2.729.049)					( 2.959.049)
Dividend paid ( 1.20 ISK per share) .....						( 840.000)	( 840.000)
Equity 30.9.2015 .....	<u>470.000</u>	<u>5.576.750</u>	<u>250.000</u>	<u>370.158</u>	<u>( 79.937)</u>	<u>2.342.663</u>	<u>8.929.634</u>
<b>1 January to 30 September 2014</b>							
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 .....					( 15.690)	1.344.656	1.328.966
Dissolution of revaluation of an associated company .....				( 21.714)		21.714	0
Dividend paid ( 1.65 ISK per share) .....						( 1.650.000)	( 1.650.000)
Equity 30.9.2014 .....	<u>1.000.000</u>	<u>11.865.427</u>	<u>250.000</u>	<u>391.523</u>	<u>( 44.825)</u>	<u>1.368.683</u>	<u>14.830.808</u>

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

# Statement of Cash Flows 1 January to 30 September 2015

	Notes	2015 1.1.-30.9.	2014 1.1.-30.9.
<b>Cash flows from operating activities</b>			
Profit before depreciation, amortisation and finance items .....		2.383.511	2.166.120
Operating items not affecting cash flows:			
Gain on sale of operating assets .....	(	4.391)	( 39.237)
Deferred income .....	(	22.658)	( 22.658)
		2.356.462	2.104.225
<b>Changes in operating assets and liabilities:</b>			
Inventories, change .....	(	169.360)	620.190
Trade and other receivables, change .....	(	682.198)	( 2.269.688)
Trade and other short-term payables, change .....		1.801.278	2.210.095
		949.720	560.597
Interest income received .....		106.838	224.265
Interest expense paid on short-term liabilities .....	(	10.779)	( 9.610)
Paid income tax .....	(	32.182)	( 149.439)
Cash flows from operating activities		3.370.059	2.730.038
<b>Cash flows from investing activities</b>			
Purchase of intangible assets .....	(	30.718)	( 12.289)
Purchase of property, plant and equipment .....	(	292.480)	( 330.489)
Sale of property, plant and equipment .....		67.943	112.532
Dividend received .....		0	9.717
Purchase of shares in other companies .....	(	28.212)	0
Investing activities	(	283.467)	( 220.529)
<b>Cash flows from financing activities</b>			
Decrease in share capital .....	(	2.959.048)	0
Dividend paid .....	(	840.000)	( 1.650.000)
Repayment of loans from credit institutions .....	(	210.000)	( 280.000)
Interest expense paid on loans from credit institutions .....	(	342.703)	( 391.265)
Financing activities	(	4.351.751)	( 2.321.265)
Change in cash and cash equivalents .....	(	1.265.159)	188.244
Currency exchange gain on cash and cash equivalents .....		23.559	25.438
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 .....		3.387.500	6.233.096

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 29 October 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](http://www.n1.is) as well as at the homepage of NASDAQ OMX Iceland hf.'s website; [www.nasdaqomxnordic.com](http://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.-30.9.	1.1.-30.9.
Fuel.....	31.704.243	37.634.028
Other goods.....	7.600.910	7.641.166
Total sales.....	<u>39.305.153</u>	<u>45.275.194</u>

## 8. Gross profit

Fuel.....	4.470.045	4.261.314
Other goods.....	3.375.250	3.259.497
Total gross profit.....	<u>7.845.295</u>	<u>7.520.811</u>



## Notes, contd.:

### 9. Income tax

Effective income tax in profit or loss is specified as follows:	2015		2014	
	1.1.-30.9.		1.1.-30.9.	
Profit before income tax .....	1.849.531		1.661.673	
Income tax based on current tax rate .....	20,0%	( 369.906)	20,0%	( 332.335)
Non-deductible expenses .....	0,1%	( 990)	0,3%	( 4.453)
Non-taxable income on shares .....	( 1,7%)	31.086	( 1,2%)	19.771
Effective income tax .....	18,4%	( 339.810)	19,1%	( 317.017)

### 10. Other short-term receivables

Other short-term receivables are specified as following:

	30.9.2015	31.12.2014
Prepaid expenses.....	266.515	275.264
VAT refund and other receivables from the Icelandic State.....	565.181	325.389
Other short-term receivables.....	102.879	154.163
Total other short-term receivables.....	934.575	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 entailed 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:

	30.9.2015	31.12.2014
<b>Assets</b>		
Inventories.....	11.772	12.258
	11.772	12.258
<b>Liabilities</b>		
Property, plant and equipment.....	215.057	209.517
Intangible assets.....	45.515	56.274
Foreign exchange rate difference.....	15.402	14.644
Trade receivables.....	11.295	3.108
	287.269	283.543
Deferred tax liabilities.....	275.497	271.285

### 13. Payable to credit institutions

Interest bearing borrowings are specified as follows:

	30.9.2015		31.12.2014	
	rate	Book value	Interest rate	Book value
Non-indexed loan in ISK on floating interests.....	7,05%	6.370.000	6,9%	6.230.000
Current maturities.....		0		350.000
Total payable to credit institutions.....		6.370.000		6.580.000

## Notes, contd.:

### 13. Payable to credit institutions, contd.:

Loan maturities are specified as follows over the next years:	30.9.2015	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 2015 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.-30.9.	1.1.-30.9.
<b>Statement of comprehensive income</b>		
Turnover rate of inventories: utilisation of goods * / average inventories of the period.....	12,38	12,29
Sales days in trade receivables: average trade receivables of the period / goods and services sold *.....	25	25
Profit before depreciation, amortisation and finance items / gross profit.....	30,4%	28,8%
Salaries and other personnel expenses / gross profit.....	36,7%	38,2%
Sales and distribution expense / gross profit.....	23,0%	22,2%
Other operating expenses / gross profit.....	13,5%	15,0%

	30.9.2015	31.12.2014
<b>Balance sheet</b>		
Current ratio: current assets / current liabilities.....	1,71	2,40
Liquidity ratio: (current assets - inventories) / current liabilities.....	1,20	1,75
Leverage: Net interest bearing liabilities ** / EBITDA***.....	0,95	0,60
Equity ratio: Equity / total capital.....	40,1%	49,4%
Return on equity: Profit for the period * / average equity of the period.....	20,7%	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.

### 15. Subsequent events

Icelandair has announced its decision to appoint a new fuel supplier at Keflavik Airport when its contract with N1 expires on 31 December 2015. For the first nine months of the year the Company's operating revenue from transactions with Icelandair amounted to ISK 9,200 million. These transactions had insubstantial effect on the Company's EBITDA for the first nine months of the year.