



N1 hf.

Condensed Interim Financial Statements

1 January to 30 September 2016

N1 hf.
Dalvegur 10-14
201 Kópavogur

Reg. No. 540206-2010

Contents

	Page
Endorsement and Statement by the Board of Directors and the CEO	3
Statement of Comprehensive Income	4
Statement of Financial Position	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 2016 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 26,193 million and decreased by 33.83% compared to the same period the previous year. Decrease in operating revenue is mainly due to decrease in the world market price of fuel, disappointing capelin catch and Icelandair discontinuance of trading with the Company at year-end 2015. According to the statement of comprehensive income, profit from the Company's operations for the period amounted to ISK 1.903 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 1.857 million. The Company's equity at the end of the period amounted to ISK 8,538 million including share capital in the amount of ISK 350 million.

Shareholders

At the end of the period the Company's shareholders were 1,168 compared to 1,676 at the beginning of the year. Following are the Company's ten biggest shareholders at the end of the period:

Lífeyrissjóður verslunarmanna	14,2%
Lífeyrissjóður starfsmanna ríkisins A-deild og B-deild	14,2%
Gildi - lífeyrissjóður	7,8%
Landsbréf - Úrvalsbréf	5,9%
Stafir lífeyrissjóður	5,7%
Almenni lífeyrissjóðurinn	5,0%
Helgafell ehf.	4,2%
Landsbankinn hf.	4,1%
Stapi lífeyrissjóður	2,8%
Hekla fagfjárfestisjóður	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 2016 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 2016 and changes in cash flows during the period from 1 January to 30 September 2016.

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 2016 and confirm them with their signatures.

Kópavogur, 27 Oktober 2016

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 2016

	Notes	Third Quarter		Tree Quarters	
		2016 1.7.-30.9.	2015 1.7.-30.9.	2016 1.1.-30.9.	2015 1.1.-30.9.
Sales	7	10.622.848	15.884.465	25.913.944	39.305.153
Cost of goods sold		(7.219.941)	(12.879.468)	(17.393.442)	(31.459.858)
Gross profit	8	<u>3.402.907</u>	<u>3.004.997</u>	<u>8.520.502</u>	<u>7.845.295</u>
Other operating income		91.344	87.874	279.238	281.496
Salaries and other personnel expenses		(1.032.601)	(910.690)	(3.090.346)	(2.878.913)
Sales and distribution expenses		(593.785)	(723.880)	(1.576.566)	(1.806.109)
Other operating expenses		(395.433)	(348.258)	(1.182.885)	(1.058.258)
		<u>(2.021.819)</u>	<u>(1.982.828)</u>	<u>(5.849.797)</u>	<u>(5.743.280)</u>
Profit before depreciation, amortisation and financial items		1.472.431	1.110.043	2.949.942	2.383.511
Depreciation and amortisation		(181.254)	(177.776)	(531.693)	(528.394)
Operating profit		1.291.178	932.267	2.418.250	1.855.117
Finance income		34.801	21.089	104.118	112.140
Finance expenses		(113.665)	(111.928)	(351.038)	(315.248)
Foreign currency difference		(25.076)	(9.458)	(17.480)	42.092
Share of profit from associates		111.900	74.861	195.375	155.430
Valuation changes of shares in other companies		(1.478)	0	(14.147)	0
		<u>6.482</u>	<u>(25.436)</u>	<u>(83.172)</u>	<u>(5.586)</u>
Profit before income tax		1.297.660	906.831	2.335.078	1.849.531
Income tax	9	(225.767)	(166.622)	(431.757)	(339.810)
Profit for the period		<u>1.071.893</u>	<u>740.209</u>	<u>1.903.321</u>	<u>1.509.721</u>
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		(31.164)	(15.810)	(46.190)	(39.987)
Total comprehensive income for the period		<u>1.040.729</u>	<u>724.399</u>	<u>1.857.131</u>	<u>1.469.734</u>
Earnings per share:					
Basic and diluted earnings per share in ISK		3,06	1,57	5,44	2,60

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

Statement of Financial Position as at 30 September 2016

	Notes	30.9.2016	31.12.2015
Assets			
Intangible assets		305.662	316.689
Property, plant and equipment		9.520.911	9.166.834
Shares in associates		1.681.550	1.594.365
Shares in other companies		16.065	30.212
Bonds		62.391	67.896
Non-current assets		11.586.580	11.175.996
Inventories		2.731.101	2.604.007
Trade receivables		3.106.694	2.275.197
Receivable from related parties		47.099	20.663
Other short-term receivables	10	208.679	236.596
Cash and cash equivalents		3.867.222	2.472.372
Current assets		9.960.795	7.608.835
Total assets		21.547.375	18.784.831
Equity			
Share capital		350.000	350.000
Share premium		4.152.900	4.152.900
Other restricted equity		655.083	542.209
Retained earnings		3.380.218	2.685.961
Total equity		8.538.202	7.731.070
Liabilities			
Payable to credit institutions	12	6.370.000	6.370.000
Deferred tax liabilities	13	264.810	263.333
Deferred income		158.609	181.267
Non-current liabilities		6.793.419	6.814.600
Current tax		757.326	429.547
Payable to the Icelandic State		3.439.260	1.773.111
Trade payables		1.099.885	1.158.399
Payable to related parties		199.970	150.458
Deferred income		237.207	225.464
Other short-term liabilities		482.107	502.182
Current liabilities		6.215.755	4.239.161
Total liabilities		13.009.173	11.053.761
Total equity and liabilities		21.547.375	18.784.831

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

Statement of Changes in Equity 1 January to 30 September 2016

	Other restricted equity					Translation reserve	Retained earnings	Total equity
	Share Capital	Share premium	Statutory reserve	Revaluation reserve	Unrealised profit of associated companies			
1 January to 30 September 2016								
Equity 1.1.2016	350.000	4.152.900	250.000	377.384	0	(85.175)	2.685.961	7.731.070
Total comprehensive income for the period						(46.190)	1.903.321	1.857.131
Restricted due to associated companies					195.375	0	(195.375)	0
Dissolution of revaluation of an associated company				(36.311)			36.311	0
Dividend paid (3.00 ISK per share)							(1.050.000)	(1.050.000)
Equity 30.9.2016	<u>350.000</u>	<u>4.152.900</u>	<u>250.000</u>	<u>341.073</u>	<u>195.375</u>	<u>(131.365)</u>	<u>3.380.218</u>	<u>8.538.202</u>
1 January to 30 September 2015								
Equity 1.1.2015	700.000	8.305.799	250.000	391.831	0	(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>0</u>	<u>(79.937)</u>	<u>2.342.663</u>	<u>8.929.634</u>

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

Statement of Cash Flows 1 January to 30 September 2016

	Notes	2016 1.1.-30.9.	2015 1.1.-30.9.
Cash flows from operating activities			
Profit before depreciation, amortisation and financial items		2.949.942	2.383.511
Operating items not affecting cash flows:			
Loss (gain) on sale of operating assets		737 (4.391)
Deferred income		(22.658)	(22.658)
		<u>2.928.021</u>	<u>2.356.462</u>
Changes in operating assets and liabilities:			
Inventories, change		(127.094)	(169.360)
Trade and other receivables, change		(938.913)	(682.198)
Trade and other short-term payables, change		1.716.418	1.801.278
Changes in operating assets and liabilities		<u>650.411</u>	<u>949.720</u>
Interest income received		69.059	106.838
Interest expense paid on short-term liabilities		(4.882)	(10.779)
Paid income tax		(102.501)	(32.182)
		<u>3.540.108</u>	<u>3.370.059</u>
Cash flows from investing activities			
Purchase of intangible assets		(44.131)	(30.718)
Purchase of property, plant and equipment		(866.313)	(292.480)
Sale of property, plant and equipment		134.963	67.943
Dividend received		62.000	0
Purchase of shares in other companies		0	(28.212)
Investing activities		<u>(713.480)</u>	<u>(283.467)</u>
Cash flows from financing activities			
Decrease in share capital		0	(2.959.049)
Dividend paid		(1.050.000)	(840.000)
Repayment of loans from credit institutions		0	(210.000)
Interest expense paid on long-term loans from credit institutions		(385.385)	(342.702)
Financing activities		<u>(1.435.385)</u>	<u>(4.351.751)</u>
Change in cash and cash equivalents		1.391.243	(1.265.159)
Currency exchange difference on cash and cash equivalents		3.607	23.559
Cash and cash equivalents at the beginning of the year		<u>2.472.372</u>	<u>4.629.100</u>
Cash and cash equivalents at the end of the period		<u>3.867.222</u>	<u>3.387.500</u>

Notes on pages 8 to 10 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 moveable 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 2015.

The Board of Directors of N1 hf. approved the interim financial statements on 27 Oktober 2016.

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 2015. 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

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

	2016	2015
	1.1.-30.9.	1.1.-30.9.
Fuel.....	17.818.755	31.704.243
Other goods.....	8.095.189	7.600.910
Total sales.....	<u>25.913.944</u>	<u>39.305.153</u>

8. Gross profit

Fuel.....	4.826.496	4.470.045
Other goods.....	3.694.005	3.375.250
Total gross profit.....	<u>8.520.502</u>	<u>7.845.295</u>

Notes, contd.:

9. Income tax

Effective income tax in profit or loss is specified as follows:

	2016		2015	
	1.1.-30.9.		1.1.-30.9.	
Profit before income tax		2.335.078		1.849.531
Income tax based on current tax rate	20,0%	(467.016)	20,0%	(369.906)
Non-deductible expenses	0,2%	(3.817)	0,1%	(990)
Non-taxable income on shares	(1,7%)	39.075	(1,7%)	31.086
Effective income tax	18,5%	(431.757)	18,4%	(339.810)

10. Other short-term receivables

Other short-term receivables are specified as following:

	30.9.2016	31.12.2015
Prepaid expenses.....	110.395	81.825
VAT refund and other receivables from the Icelandic State.....	82.978	53.213
Other short-term receivables.....	15.306	101.558
Total other short-term receivables.....	208.678	236.596

11. Unrealised profit of associated companies

In June 2016 the Icelandic parliament passed a law on changes to the Icelandic Annual Accounts Act. One of the changes made to the act relates to income from equity accounted investees whereby it is required that an amount corresponding to any share of income from associated companies or subsidiaries in excess of dividends received from those companies, or the dividend that has been decided to distribute, is to be transferred to a restricted reserve among equity. If a company's shareholding in its subsidiary or associated company is sold or written-off the aforementioned reserve is to be dissolved via transfer to retained earnings or accumulated deficit, as applicable. The changes to the act are retrospective since the effective date is 1 January 2016. ISK 195 million has been transferred from retained earnings to this restricted reserve due to share of profit of associates for the first 9 months of the year.

12. Payable to credit institutions

Interest bearing borrowings are specified as follows:

	30.9.2016		31.12.2015	
	Interest rate	Book value	Interest rate	Book value
Non-indexed loan in ISK on floating interests.....	7,3%	6.370.000	7,1%	6.370.000
Total payable to credit institutions.....		6.370.000		6.370.000

Loan maturities are specified as follows over the next years:

	30.9.2016	31.12.2015
Year 2020.....	140.000	140.000
Later.....	6.230.000	6.230.000
Total payable to credit institutions.....	6.370.000	6.370.000

Notes, contd.:

13. Deferred tax liabilities

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

	30.9.2016	31.12.2015
Assets		
Inventories.....	16.787	18.979
	<u>16.787</u>	<u>18.979</u>
Liabilities		
Property, plant and equipment.....	230.827	221.387
Intangible assets.....	37.105	43.035
Unrealised foreign exchange rate difference.....	3.588	14.278
Trade payables.....	10.076	3.612
	<u>281.597</u>	<u>282.312</u>
Deferred tax liabilities.....	264.810	263.333

14. Ratios

The Company's key ratios are specified as follows:

	2016	2015
	1.1.-30.9.	1.1.-30.9.
Statement of comprehensive income		
Inventory turnover: cost of goods sold * / average inventories of the period.....	8,40	12,38
Sales days in trade receivables: average trade receivables of the period / goods and services sold *.....	29	25
Profit before depreciation, amortisation and financial items / gross profit.....	34,6%	30,4%
Salaries and other personnel expenses / gross profit.....	36,3%	36,7%
Sales and distribution expenses / gross profit.....	18,5%	23,0%
Other operating expenses / gross profit.....	13,9%	13,5%
	30.9.2016	31.12.2015
Statement of Financial Position		
Current ratio: current assets / current liabilities.....	1,60	1,79
Liquidity ratio: (current assets - inventories) / current liabilities.....	1,16	1,18
Leverage: Net interest bearing liabilities ** / EBITDA***.....	1,02	1,14
Equity ratio: Equity / total capital.....	39,6%	41,2%
Return on equity: Profit for the period * / average equity for the period.....	33,2%	19,9%

* Operating figures are calculated on annual basis.

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

*** EBITDA for the last 12 months.