



N1 hf.

Condensed Consolidated Interim Financial Statements

1 January to 31 March 2017

N1 hf.
Dalvegur 10-14
201 Kópavogur

Reg. No. 540206-2010

Contents

| | Page |
|---|------|
| Endorsement and Statement by the Board of Directors and the CEO | 3-4 |
| Statement of Comprehensive Income | 5 |
| Statement of Financial Position | 6 |
| Statement of Changes in Equity | 7 |
| Statement of Cash Flows | 8 |
| Notes | 9-12 |

Endorsement and Statement by the Board of Directors and the CEO

The condensed consolidated interim financial statements of N1 hf. for the period from 1 January to 31 March 2017 have been prepared in accordance with the International Financial Reporting Standard for interim financial reporting, IAS 34. The consolidated interim financial statements have neither been audited nor reviewed by the Company's auditors.

The Company's operating revenue for the first three months of the year amounted to ISK 7,081 million and increased by 8,4% compared to the same period the previous year. According to the statement of comprehensive income, profit from the Company's operations for the period amounted to ISK 225 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 231 million. The Company's equity at the end of the period amounted to ISK 12,053 million including share capital in the amount of ISK 250 million.

In December 2016 the Board of Directors of N1 decided to change the Company's organisation as from 1 January 2017 to better reflect results from operations, on one hand, and real estate activities, on the other. As a result the Company now presents operating segment disclosures. Concurrently the Company's Board of Directors decided to transfer investments to a subsidiary and to prepare next steps in its development. There are to be three segments, i.e. Operations, Real estate and Investments. Operations and Real estate will continue as a part of N1 and therefore not be transferred to subsidiaries.

During the first quarter of 2017 the operating purpose of the subsidiary EGO ehf. was changed and its share capital increased to ISK 500 million. EGO will be holding the Company's investments. The consolidated interim and annual financial statements of N1 will be published on the stock exchange.

Shareholders

At the end of the period the Company's shareholders were 1,349 compared to 1,699 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-division og B-division | 12,3% |
| Gildi - lífeyrissjóður | 8,8% |
| Birta lífeyrissjóður | 7,2% |
| Landsbréf - Úrvalsbréf | 5,8% |
| Almenni lífeyrissjóðurinn | 5,0% |
| Landsbankinn hf. | 4,7% |
| Stapi lífeyrissjóður | 4,3% |
| Hekla fagfjárfestastjóður | 2,9% |
| The Wellington Trust Company | 2,7% |

Statement by the Board of Directors and the CEO

The condensed consolidated interim financial statements of N1 hf. for the period from 1 January to 31 March 2017 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 consolidated interim financial statements give a fair view of the Company's assets, liabilities and financial position as at 31 March 2017 and operating results and changes in cash flows during the period from 1 January to 31 March 2017.

Furthermore, it is our opinion that the condensed consolidated 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 consolidated interim financial statements for the period from 1 January to 31 March 2017 and confirm them with their signatures.

Kópavogur, 26 April 2017

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 31 March 2017

| | Notes | 2017 1.1.-31.3. | 2016 1.1.-31.3. |
|--|-------|--------------------|--------------------|
| Sales | 8 | 6.977.970 | 6.442.818 |
| Cost of goods sold | | (4.672.727) | (4.363.990) |
| Gross profit | 9 | 2.305.243 | 2.078.828 |
| Other operating income | | 102.757 | 92.503 |
| Salaries and other personnel expenses | | (1.065.124) | (996.604) |
| Sales and distribution expenses | | (422.438) | (428.978) |
| Other operating expenses | | (399.433) | (372.120) |
| | | (1.886.995) | (1.797.702) |
| Profit before depreciation amortisation and financial items | | 521.005 | 373.629 |
| Depreciation and amortisation | | (242.962) | (173.017) |
| Operating profit | | 278.044 | 200.612 |
| Finance income | | 25.189 | 42.262 |
| Finance expenses | | (97.171) | (118.903) |
| Foreign currency difference | | 9.201 | (689) |
| Share of profit from associates | | 49.723 | 21.189 |
| Valuation changes of shares in other companies | | 4.163 | 0 |
| | | (8.895) | (56.141) |
| Profit before income tax | | 269.148 | 144.471 |
| Income tax | 10 | (44.205) | (24.976) |
| Profit for the period | | 224.944 | 119.495 |
| 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 | | 6.185 | (1.929) |
| Total comprehensive income for the period | | 231.129 | 117.566 |
| Earnings per share: | | | |
| Basic and diluted earnings per share in ISK | | 0,90 | 0,34 |

Notes on pages 9 to 12 are an integral part of these interim financial statements.

Statement of Financial Position as at 31 March 2017

| | Notes | 31.3.2017 | 31.12.2016 |
|---------------------------------------|-------|------------|------------|
| Assets | | | |
| Intangible assets | | 245.065 | 258.165 |
| Property and equipment | | 15.722.395 | 15.773.467 |
| Shares in associates | | 1.803.818 | 1.747.910 |
| Shares in other companies | | 15.703 | 16.540 |
| Bonds | | 32.490 | 58.151 |
| Non-current assets | | 17.819.470 | 17.854.234 |
| Inventories | | 3.086.549 | 3.026.753 |
| Trade receivables | | 2.717.951 | 2.303.272 |
| Receivable from related parties | | 14.272 | 14.843 |
| Other short-term receivables | 11 | 304.902 | 156.725 |
| Cash and cash equivalents | | 1.841.753 | 2.266.435 |
| Current assets | | 7.965.427 | 7.768.027 |
| Total assets | | 25.784.897 | 25.622.261 |
| Equity | | | |
| Share capital | | 250.000 | 250.000 |
| Share premium | | 3.153.856 | 3.153.856 |
| Other restricted equity | | 4.346.985 | 4.315.391 |
| Retained earnings | | 4.302.236 | 4.852.702 |
| Total equity | | 12.053.077 | 12.571.949 |
| Liabilities | | | |
| Payable to credit institutions | 12 | 6.500.000 | 6.500.000 |
| Deferred tax liabilities | 13 | 1.490.304 | 1.499.323 |
| Deferred income | | 143.503 | 151.056 |
| Non-current liabilities | | 8.133.807 | 8.150.379 |
| Current tax | | 493.070 | 512.383 |
| Payable to the Icelandic State | | 2.554.242 | 2.046.570 |
| Payable to credit institutions | 12 | 0 | 508.905 |
| Trade payables | | 919.046 | 895.995 |
| Payable to related parties | | 185.465 | 201.623 |
| Deferred income | | 227.674 | 237.425 |
| Unpaid declared dividend..... | | 750.000 | 0 |
| Other short-term liabilities | | 468.515 | 497.032 |
| Current liabilities | | 5.598.012 | 4.899.933 |
| Total liabilities | | 13.731.819 | 13.050.312 |
| Total equity and liabilities | | 25.784.896 | 25.622.260 |

Notes on pages 9 to 12 are an integral part of these interim financial statements.

Statement of Changes in Equity 1 January to 31 March 2017

| | Share Capital | Share premium | Other restricted equity | | | Translation reserve | Retained earnings | Total equity |
|---|------------------|------------------|-------------------------|------------------------|---|------------------------|----------------------|-----------------|
| | | | Statutory reserve | Revaluation reserve | Unrealised profit of associated companies | | | |
| 1 January to 31 March 2017 | | | | | | | | |
| Equity 1.1.2017 | 250.000 | 3.153.856 | 62.500 | 4.122.522 | 295.951 | (165.582) | 4.852.702 | 12.571.949 |
| Total comprehensive income for the period | | | | | | 6.185 | 224.944 | 231.129 |
| Restricted due to associated companies | | | | | 49.723 | 0 | (49.723) | 0 |
| Dissolution of revaluation of an associated company | | | | (11.798) | | | 11.798 | 0 |
| Dissolution of revaluation of property and equipment | | | | (12.516) | | | 12.516 | 0 |
| Dividend paid (3.00 ISK per share) | | | | | | | (750.000) | (750.000) |
| Equity 31.3.2017 | 250.000 | 3.153.856 | 62.500 | 4.098.208 | 345.674 | (159.397) | 4.302.236 | 12.053.077 |
| 1 January to 31 March 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 | | | | | | (1.929) | 119.495 | 117.566 |
| Dissolution of revaluation of an associated company | | | | (7.079) | | | 7.079 | 0 |
| Dividend paid (3.00 ISK per share) | | | | | | | (1.050.000) | (1.050.000) |
| Equity 31.3.2016 | 350.000 | 4.152.900 | 250.000 | 370.305 | 0 | (87.104) | 1.762.536 | 6.798.636 |

Notes on pages 9 to 12 are an integral part of these interim financial statements.

Statement of Cash Flows 1 January to 31 March 2017

| | Notes | 2017 1.1.-31.3. | 2016 1.1.-31.3. |
|---|-------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Profit before depreciation, amortisation and financial items | | 521.005 | 373.629 |
| Operating items not affecting cash flows: | | | |
| (Gain) loss on sale of operating assets | (| 8.106) | 444 |
| Deferred income | (| 7.553) | (7.553) |
| | | <u>505.346</u> | <u>366.520</u> |
| Changes in operating assets and liabilities: | | | |
| Inventories, change | (| 59.797) | 150.892 |
| Trade and other receivables, change | (| 502.318) | (349.961) |
| Trade and other payables, change | (| 18.501) | 416.522 |
| Changes in operating assets and liabilities | (| <u>580.615)</u> | <u>217.453</u> |
| Interest income received | | 27.849 | 27.161 |
| Interest expense paid on short-term liabilities | (| 43.715) | (2.685) |
| Paid income tax | (| 72.536) | (25.625) |
| Cash flows (to) from operating activities | (| <u>163.671)</u> | <u>582.824</u> |
| Cash flows from investing activities | | | |
| Purchase of intangible assets | | 0 | (32.410) |
| Purchase of property and equipment | (| 200.431) | (247.492) |
| Sale of property and equipment | | 29.748 | 29.424 |
| Investing activities | (| <u>170.683)</u> | <u>(250.478)</u> |
| Cash flows from financing activities | | | |
| Interest expense paid on long-term loans from credit institutions | (| 95.755) | (152.880) |
| Financing activities | (| <u>95.755)</u> | <u>(152.880)</u> |
| Change in cash and cash equivalents | (| 430.109) | 179.466 |
| Currency exchange difference on cash and cash equivalents | | 5.428 | 439 |
| Cash and cash equivalents at the beginning of the year | | <u>2.266.435</u> | <u>2.472.372</u> |
| Cash and cash equivalents at the end of the period | | <u>1.841.753</u> | <u>2.652.277</u> |
| Financing without cash flow effect | | | |
| Dividend declared | (| 750.000) | (1.050.000) |
| Unpaid dividend declared..... | | 750.000 | 1.050.000 |

Notes on pages 9 to 12 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.

In the interim financial statements information about the Group is now presented for the first time. The Group consists of N1 and its subsidiary, EGO ehf. The subsidiary is to be an investment company. However, its operations had not yet begun as at the end of first quarter of 2017. All comparative figures are those of the parent company's interim and annual financial statements, since the parent company was the only entity of the Group during 2016.

2. Statement of compliance

The consolidated 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 consolidated 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 2016.

The Board of Directors of N1 hf. approved the consolidated interim financial statements on 26 April 2017.

3. Significant accounting policies

The consolidated interim financial statements are prepared based on the same accounting policies as the Company's annual financial statements for the year 2016. 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 consolidated 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 consolidated 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.

Notes, contd.:

7. Operating segment

The Company now presents operating segment information for the first time. An operating segment is a component of the Group that engages in business activity from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group. Segments are determined by the Company's CEO, which regularly reviews the Group's segments so as to decide upon how assets are allocated as well as to monitor their financial performance.

Operating results of segments, their assets and liabilities consist of items directly attributable to individual segments as well as those items which can be allocated in a logical way.

Capital expenditure of segments consist of the total cost of acquisition of operating and intangible assets.

Inter-segment pricing is determined on an arm's length basis.

Comparative figures are not presented since the necessary information is not available.

| | Real estate | Operations | Inter-segment revenue | Total |
|---|-------------|-------------|-----------------------|-------------|
| First quarter | | | | |
| Operating revenue | | 6.977.970 | | 6.977.970 |
| Other revenue | 462.549 | 102.757 | (462.549) | 102.757 |
| Total segment revenue | 462.549 | 7.080.727 | (462.549) | 7.080.727 |
| Total operating expenses | (82.632) | (6.939.639) | 462.549 | (6.559.722) |
| Segment EBITDA | 379.917 | 141.087 | 0 | 521.005 |
| Segment depreciation and amortisation | (135.964) | (106.998) | 0 | (242.962) |
| Effect of associates | | 49.723 | | 49.723 |
| Operating result of segments | 243.953 | 83.812 | 0 | 327.766 |
| Net finance expenses | | | | (58.618) |
| Income tax | | | | (44.205) |
| Profit for the period | | | | 224.944 |
| 31 March 2017 | | | | |
| Segment assets | 13.703.575 | 10.239.569 | 0 | 23.943.144 |
| Unallocated assets | | | | 1.841.753 |
| Total assets | | | | 25.784.897 |
| Unallocated liabilities | | | | 13.731.819 |
| Capital expenditure | 40.289 | 160.142 | 0 | 200.431 |
| Depreciation and amortization | (135.964) | (106.998) | 0 | (242.962) |

Notes, contd.:

| 8. Sales | 2017 | | 2016 | |
|------------------|------------------|--|------------------|--|
| | 1.1.-31.3. | | 1.1.-31.3. | |
| Fuel..... | 4.682.342 | | 4.236.884 | |
| Other goods..... | 2.295.628 | | 2.205.934 | |
| Total sales..... | <u>6.977.970</u> | | <u>6.442.818</u> | |

| 9. Gross profit | 2017 | | 2016 | |
|-------------------------|------------------|--|------------------|--|
| | 1.1.-31.3. | | 1.1.-31.3. | |
| Fuel..... | 1.232.123 | | 1.105.826 | |
| Other goods..... | 1.073.120 | | 973.002 | |
| Total gross profit..... | <u>2.305.243</u> | | <u>2.078.828</u> | |

| 10. Income tax | Effective income tax in profit or loss is specified as follows: | | | |
|--|---|------------------|--------------|------------------|
| | 2017 | | 2016 | |
| | 1.1.-31.3. | | 1.1.-31.3. | |
| Profit before income tax | | 269.148 | | 144.471 |
| Income tax based on current tax rate | 20,0% | (53.830) | 20,0% | (28.894) |
| Non-deductible expenses | (0,1%) | (136) | 0,2% | (320) |
| Non-taxable income on shares | (3,6%) | 9.777 | (2,9%) | 4.238 |
| Other items | 0,0% | (16) | 0,0% | 0 |
| Effective income tax | <u>16,4%</u> | <u>(44.205)</u> | <u>17,3%</u> | <u>(24.976)</u> |

11. Other short-term receivables

Other short-term receivables are specified as following:

| | 31.3.2017 | 31.12.2016 |
|--|----------------|----------------|
| Prepaid expenses..... | 225.697 | 76.185 |
| VAT refund and other receivables from the Icelandic State..... | 47.502 | 44.780 |
| Other short-term receivables..... | 31.703 | 35.760 |
| Total other short-term receivables..... | <u>304.902</u> | <u>156.725</u> |

12. Payable to credit institutions

Interest bearing borrowings are specified as follows:

| | 31.3.2017 | | 31.12.2016 | |
|--|---------------|------------------|---------------|------------------|
| | Interest rate | Book value | Interest rate | Book value |
| Non-indexed loan in ISK on floating interests..... | 6,8% | 6.500.000 | 6,8% | 6.500.000 |
| Short-term loan in USD..... | | 0 | 4,3% | 508.905 |
| Total payable to credit institutions..... | | <u>6.500.000</u> | | <u>7.008.905</u> |

Loan maturities are specified as follows over the next years:

| | 31.3.2017 | 31.12.2016 |
|---|------------------|------------------|
| Year 2020..... | 55.250 | 55.250 |
| Subsequent..... | 6.444.750 | 6.444.750 |
| Total payable to credit institutions..... | <u>6.500.000</u> | <u>6.500.000</u> |

Notes, contd.:

13. Deferred tax liabilities

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

| | 31.3.2017 | 31.12.2016 |
|--|------------------|------------------|
| Assets | | |
| Inventories..... | 6.327 | 6.686 |
| | <u>6.327</u> | <u>6.686</u> |
| Liabilities | | |
| Property and equipment..... | 1.467.922 | 1.479.109 |
| Intangible assets..... | 27.454 | 28.940 |
| Unrealised foreign exchange rate difference..... | 4.103 | 3.265 |
| Trade payables..... | (2.849) | (5.289) |
| | <u>1.496.630</u> | <u>1.506.025</u> |
| Deferred tax liabilities..... | 1.490.304 | 1.499.323 |

14. Ratios

The Company's key ratios are specified as follows:

| | 2017 | 2016 |
|--|------------------|-------------------|
| | 1.1.-31.3. | 1.1.-31.3. |
| Statement of comprehensive income | | |
| Inventory turnover: cost of goods sold * / average inventories of the period..... | 6,11 | 6,90 |
| Sales days in trade receivables: average trade receivables of the period / goods and services sold *..... | 33 | 33 |
| Profit before depreciation, amortisation and financial items / gross profit..... | 22,6% | 18,0% |
| Salaries and other personnel expenses / gross profit..... | 46,2% | 47,9% |
| Sales and distribution expenses / gross profit..... | 18,3% | 20,6% |
| Other operating expenses / gross profit..... | 17,3% | 17,9% |
| | 31.3.2017 | 31.12.2016 |
| Statement of Financial Position | | |
| Current ratio: Current assets / current liabilities..... | 1,42 | 1,59 |
| Liquidity ratio: (Current assets - inventories) / current liabilities..... | 0,87 | 0,97 |
| Leverage: Net interest bearing liabilities ** / EBITDA***..... | 1,10 | 1,10 |
| Equity ratio: Equity / total capital..... | 46,7% | 49,1% |
| Return on equity: Profit for the period * / average equity for the period..... | 7,3% | 39,2% |

* Operating figures are calculated on annual basis.

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

*** EBITDA for the last 12 months.