



N1 hf.

Condensed Consolidated Interim Financial Statements

1 January to 30 June 2017

**This is traslation of the Icelandic original. In the event of discrepancies between the Icelandic-language version and any translation thereof, the Icelandic language version will prevail.*

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 consolidated interim financial statements of N1 hf. for the period from 1 January to 30 June 2017 have been prepared in accordance with the International Financial Reporting Standard for interim financial reporting, IAS 34.

The Company's operating revenue for the first six months of the year amounted to ISK 16,077 million and increased by 3.9% 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 666 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 649 million. The Company's equity at the end of the period amounted to ISK 12,471 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 will 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.

On 9 June 2017 N1 hf. and SF V slhf. signed an agreement specifying the principal terms of N1's hf. planned acquisition of all issued share capital of Festi hf., a company operating 28 stores under the brand names of Krónan, ELKO, Nóatún and Kjarval. Festi also owns 17 real estates that are rented out, both to its stores and third parties. The total turnover of Festi for the operating year of 2016, ended on 28 February 2017, was in excess of ISK 39 billion. The transactions is based on the presumption that a final purchase agreement being approved by the parties, the acquisition being endorsed by the Board of Directors and shareholders of both companies, results of due diligence procedures and the approval of the Icelandic Competition Authority. According to the agreement the total value of Festi hf. is in the amount of ISK 37.9 billion. However, the final purchase price will be based of the company's liability position as at the transfer date. For further details of the main assumptions upon which the transaction is based a reference is made to a statement issued by N1 hf. to NASDAQ OMX Iceland on 9 June. If completed the transaction is expected to be finalised in the first quarter of next year.

Shareholders

At the end of the period the Company's shareholders were 1,476 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	13,3%
Lífeyrissjóður starfsmanna ríkisins A-divisonog B-divison	11,1%
Gildi - lífeyrissjóður	9,2%
Landsbréf - Úrvalsbréf	7,2%
Birta lífeyrissjóður	6,8%
Almenni lífeyrissjóðurinn	5,0%
Stapi lífeyrissjóður	4,6%
The Wellington Trust Company	3,6%
Kvika banki hf.	3,3%
Helgafell ehf.	2,6%

Report of the Board of Directors and the CEO, contd.:

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 30 June 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 30 June 2017 and operating results and changes in cash flows during the period from 1 January to 30 June 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 30 June 2017 and confirm them with their signatures.

Kópavogur, 23 August 2017

The Board of Directors of N1 hf.

Margrét Guðmundsdóttir

Helgi Magnússon

Kristín Guðmundsdóttir

Jón Sigurðsson

CEO

Þórarinn V. Þórarinsson

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 2017. The condensed interim financial statements which comprise, statement of financial position as of 30 June 2017, 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.

Reykjavík, 23 August 2017

Ernst & Young ehf.

Ingunn H. Hauksdóttir
State Authorized Public Accountant

Statement of Comprehensive Income

1 January to 30 June 2017

	Notes	2017 1.4.-30.6.	2016 1.4.-30.6.	2017 1.1.-30.6.	2016 1.1.-30.6.
Sales	8	8.897.383	8.848.278	15.875.353	15.291.096
Cost of goods sold		(6.101.639)	(5.809.511)	(10.774.366)	(10.173.501)
Gross profit	9	2.795.744	3.038.767	5.100.987	5.117.595
Other operating income		98.732	95.391	201.489	187.894
Salaries and other personnel expenses		(1.178.497)	(1.061.141)	(2.243.621)	(2.057.745)
Sales and distribution expenses		(567.463)	(553.803)	(989.901)	(982.781)
Other operating expenses		(380.261)	(415.332)	(779.694)	(787.452)
		(2.126.222)	(2.030.276)	(4.013.217)	(3.827.978)
Profit before depreciation, amortisation and financial items.....		768.254	1.103.882	1.289.259	1.477.511
Depreciation and amortisation		(242.331)	(177.422)	(485.293)	(350.439)
Operating profit		525.923	926.460	803.967	1.127.072
Finance income		13.282	27.055	38.471	69.317
Finance expenses		(101.491)	(118.470)	(198.662)	(237.373)
Foreign currency difference		(16.197)	8.285	(6.997)	7.596
Share of profit from associates		104.982	62.286	154.705	83.475
Valuation changes of shares in other companies		(588)	(12.669)	3.574	(12.669)
		(12)	(33.513)	(8.908)	(89.654)
Profit before income tax		525.911	892.947	795.059	1.037.418
Income tax	10	(84.705)	(181.014)	(128.910)	(205.990)
Profit for the period		441.205	711.933	666.149	831.428
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		(23.115)	(15.026)	(16.930)	(15.026)
Total comprehensive income for the period		418.090	696.907	649.219	816.402
Earnings per share:					
Basic and diluted earnings per share in ISK		1,76	2,03	2,66	2,38

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

Notes on pages 10 to 13 are an integral part of these interim financial statements.

Statement of Financial Position as at 30 June 2017

	Notes	30.6.2017	31.12.2016
Assets			
Intangible assets		231.965	258.165
Property and equipment		15.689.973	15.773.467
Shares in associates		1.693.686	1.747.910
Shares in other companies		15.114	16.540
Bonds		31.790	58.151
Non-current assets		<u>17.662.528</u>	<u>17.854.234</u>
Inventories		3.166.299	3.026.753
Trade receivables		3.242.427	2.303.272
Receivables from related parties		48.176	14.843
Other short-term receivables	11	335.335	156.725
Cash and cash equivalents		2.394.175	2.266.435
Current assets		<u>9.186.412</u>	<u>7.768.027</u>
Total assets		<u><u>26.848.939</u></u>	<u><u>25.622.261</u></u>
Equity			
Share capital		250.000	250.000
Share premium		3.153.857	3.153.857
Other restricted equity		4.162.700	4.315.391
Retained earnings		4.904.612	4.852.702
Total equity		<u>12.471.169</u>	<u>12.571.949</u>
Liabilities			
Payable to credit institutions	12	6.500.000	6.500.000
Deferred tax liabilities	13	1.476.733	1.499.323
Deferred income		135.950	151.056
Non-current liabilities		<u>8.112.683</u>	<u>8.150.379</u>
Current tax		482.543	512.383
Payable to the Icelandic State		2.934.611	2.046.570
Payable to credit institutions	12	600.000	508.905
Trade payables		1.174.429	895.995
Payable to related parties		203.147	201.623
Deferred income		224.747	237.425
Other short-term liabilities		645.611	497.032
Current liabilities		<u>6.265.088</u>	<u>4.899.933</u>
Total liabilities		<u>14.377.771</u>	<u>13.050.312</u>
Total equity and liabilities		<u><u>26.848.939</u></u>	<u><u>25.622.261</u></u>

Notes on pages 10 to 13 are an integral part of these interim financial statements.

Statement of Changes in Equity 1 January to 30 June 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 30 June 2017								
Equity 1.1.2017	250.000	3.153.857	62.500	4.122.522	295.951	(165.582)	4.852.702	12.571.950
Total comprehensive income for the period						(16.930)	666.149	649.219
Restricted due to associated companies					(37.295)	0	37.295	0
Dissolution of revaluation of an associated company				(17.573)			17.573	0
Dissolution of revaluation of property and equipment				(80.894)			80.894	0
Dividend paid (3.00 ISK per share)							(750.000)	(750.000)
Equity 30.6.2017	250.000	3.153.857	62.500	4.024.055	258.656	(182.512)	4.904.612	12.471.169
1 January to 30 June 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						(15.026)	831.428	816.402
Translation difference due to a foreign associated company					23.475		(23.475)	0
Dissolution of revaluation of an associated company				(28.941)			28.941	0
Dividend paid (3.00 ISK per share)							(1.050.000)	(1.050.000)
Equity 30.6.2016	350.000	4.152.900	250.000	348.443	23.475	(100.201)	2.472.856	7.497.473

Notes on pages 10 to 13 are an integral part of these interim financial statements.

Statement of Cash Flows 1 January to 30 June 2017

	Notes	2017 1.1.-30.6.	2016 1.1.-30.6.
Cash flows from operating activities			
Profit before depreciation, amortisation and financial items		1.289.259	1.477.511
Operating items not affecting cash flows:			
(Gain) loss on sale of operating assets .....	(	10.363)	627
Deferred income .....	(	15.106)	(15.106)
		<u>1.263.791</u>	<u>1.463.032</u>
Changes in operating assets and liabilities:			
Inventories, change .....	(	139.546)	(648.541)
Trade and other receivables, change .....	(	1.095.938)	(1.344.514)
Trade and other payables, change		1.359.721	1.330.679
Changes in operating assets and liabilities		<u>124.237</u>	<u>(662.376)</u>
Interest income received		29.743	42.347
Paid interest expense on short-term liabilities .....	(	7.244)	(2.814)
Paid income tax .....	(	181.340)	(64.063)
Cash flows from operating activities		<u>1.229.186</u>	<u>776.126</u>
Cash flows from investing activities			
Purchase of intangible assets		0	(42.061)
Purchase of property and equipment .....	(	404.267)	(544.103)
Sale of property and equipment		39.032	31.264
Dividend received		192.000	60.000
Investing activities		<u>(173.235)</u>	<u>(494.900)</u>
Cash flows from financing activities			
Dividend paid .....	(	750.000)	(1.050.000)
Paid interest expense on long-term loans from credit institutions .....	(	191.221)	(232.470)
Financing activities		<u>(941.221)</u>	<u>(1.282.470)</u>
Change in cash and cash equivalents		114.730	(1.001.244)
Currency exchange difference on cash and cash equivalents		13.010	4.972
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>2.394.175</u>	<u>1.476.100</u>

Notes on pages 10 to 13 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 presented for the first time in 2017. 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 second 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 23 August 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 headquarters 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, 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 segments

The Company now presents operating segment information for the first time in 2017. 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.

First six months	Real estate	Operations	Inter-segment revenue	Total
Operating revenue		15.875.353		15.875.353
Other revenue	928.580	201.489	(928.580)	201.489
Total segment revenue	928.580	16.076.842	(928.580)	16.076.842
Total operating expenses	(172.623)	(15.543.540)	928.580	(14.787.583)
Segment EBITDA	755.957	533.302	0	1.289.259
Segment depreciation and amortisation	(272.409)	(212.884)	0	(485.293)
Effect of associates		154.705		154.705
Operating result of segments	483.548	475.123	0	958.671
Net finance expenses				(163.613)
Income tax				(128.910)
Profit for the period				666.149
30 June 2017				
Segment assets	13.702.761	10.752.003	0	24.454.764
Unallocated assets				2.394.175
Total assets				26.848.939
Unallocated liabilities				14.377.771
Capital expenditure	80.853	323.414	0	404.267
Depreciation and amortization	(272.409)	(212.884)	0	(485.293)

Notes, contd.:

8. Sales	2017	2016
	1.1.-30.6.	1.1.-30.6.
Fuel.....	10.703.630	10.276.810
Other goods.....	5.171.723	5.014.286
Total sales.....	<u>15.875.353</u>	<u>15.291.096</u>

9. Gross profit		
Fuel.....	2.670.189	2.853.482
Other goods.....	2.430.798	2.264.113
Total gross profit.....	<u>5.100.987</u>	<u>5.117.595</u>

10. Income tax	2017		2016	
	1.1.-30.6.		1.1.-30.6.	
Effective income tax in profit or loss is specified as follows:				
Profit before income tax		<u>795.059</u>		<u>1.037.418</u>
Income tax based on current tax rate	20,0%	(159.012)	20,0%	(207.484)
Non-deductible expenses	0,1%	(823)	0,3%	(3.308)
Non-taxable income on shares	(3,9%)	30.941	(0,5%)	4.803
Other items	0,0%	(16)	0,0%	0
Effective income tax	<u>16,2%</u>	<u>(128.910)</u>	<u>19,9%</u>	<u>(205.990)</u>

11. Other short-term receivables

Other short-term receivables are specified as following:

	30.6.2017	31.12.2016
Prepaid expenses.....	169.618	76.185
VAT refund and other receivables from the Icelandic State.....	128.953	44.780
Other short-term receivables.....	36.764	35.760
Total other short-term receivables.....	<u>335.335</u>	<u>156.725</u>

12. Payable to credit institutions

Interest bearing borrowings are specified as follows:

	30.6.2017		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.....	5,3%	600.000	4,3%	508.905
Total payable to credit institutions.....		<u>7.100.000</u>		<u>7.008.905</u>

Loan maturities are specified as follows over the next years:

	30.6.2017	31.12.2016
Year 2021.....	55.250	55.250
Subsequent.....	6.444.750	6.444.750
Total payable to credit insitutions.....	<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:

	30.6.2017	31.12.2016
Assets		
Trade payables and other short-term receivables.....	0	5.289
Inventories.....	5.720	6.686
	5.720	11.975
Liabilities		
Property and equipment.....	1.453.794	1.479.109
Intangible assets.....	25.968	28.940
Trade payables and other short-term receivables.....	2.288	0
Unrealised foreign exchange rate difference.....	402	3.265
	1.482.452	1.511.314
Deferred tax liabilities.....	1.476.733	1.499.323

14. Ratios

The Company's key ratios are specified as follows:

	2017	2016
	1.1.-30.6.	1.1.-30.6.
Statement of comprehensive income		
Inventory turnover: cost of goods sold * / average inventories of the period.....	6,97	7,35
Sales days in trade receivables: average trade receivables of the period / goods and services sold *	32	32
Profit before depreciation, amortisation and financial items / gross profit.....	25,3%	28,9%
Salaries and other personnel expenses / gross profit.....	44,0%	40,2%
Sales and distribution expenses / gross profit.....	19,4%	19,2%
Other operating expenses / gross profit.....	15,3%	15,4%
	30.6.2017	31.12.2016
Statement of Financial Position		
Current ratio: Current assets / current liabilities.....	1,47	1,59
Liquidity ratio: (Current assets - inventories) / current liabilities.....	0,96	0,97
Leverage: Net interest bearing liabilities ** / EBITDA***	1,26	1,10
Equity ratio: Equity / total capital.....	46,4%	49,1%
Return on equity: Profit for the period * / average equity for the period.....	10,8%	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.