



N1 hf.

Condensed Consolidated Interim Financial Statements

1 January to 31 March 2018

**This is translation 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
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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 31 March 2018 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 8,089 million and increased by 14,2% compared to the same period of the previous year. According to the statement of comprehensive income, profit from the Company's operations for the period amounted to ISK 76 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 61 million. The Company's equity at the end of the period amounted to ISK 13,873 million including share capital in the amount of ISK 250 million.

For the past several months the Icelandic Competition Authority (ICA) has been investigating the competitive effects of N1's planned merger with Festi. The ICA's preliminary assessment is that the merger, as planned, would lead to distortion of competition. N1 has submitted a draft document specifying the conditions the Company is willing to accept and believes that those conditions can eliminate the potential competitive impediments to the merger.

The ICA has informed N1 that it is not possible to fully assess N1's proposal within the remaining legally specified time frame of the investigation. Because of this, the Board of Directors of N1 decided to revoke the acquisition announcement. Subsequently, the Company will submit a new merger announcement and conditions to the ICA.

In light of the extensive work already carried out by the ICA on the merger, it is N1's hope that further investigation by the ICA will be fast and that the conclusion will be reached before the end of second quarter of 2018.

Shareholders

At the end of the period the Company's shareholders were 1,029 compared to 1,158 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-division og B-division	11,6%
Gildi - lífeyrissjóður	9,3%
Lansdowne IcaV Lansdowne Euro.....	8,1%
Wellington.....	7,0%
Birta lífeyrissjóður.....	6,2%
Landsbréf.....	6,1%
Almenni lífeyrissjóðurinn.....	4,6%
Kvika banki hf.....	3,0%
Stapi lífeyrissjóður.....	2,8%

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 2018 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 2018 and operating results and changes in cash flows during the period from 1 January to 31 March 2018.

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 2018 and confirm them with their signatures.

Endorsement and Statement of the Board of Directors and the CEO, contd.:

Kópavogur, 25 April 2018

The Board of Directors of N1 hf.

Margrét Guðmundsdóttir
Chairman of the Board

Helgi Magnússon

Kristín Guðmundsdóttir

Jón Sigurðsson

CEO

Þórarinn V. Þórarinsson

Eggert Þór Kristófersson

Statement of Comprehensive Income

1 January to 31 March 2018

	Notes	2018 1.1.-31.3.	2017 1.1.-31.3.
Sales	8	7.983.187	6.977.970
Cost of goods sold		(5.700.904)	(4.672.727)
Gross profit	9	2.282.283	2.305.243
Other operating income		105.504	102.757
Salaries and other personnel expenses		(1.094.175)	(1.065.124)
Sales and distribution expenses		(467.325)	(422.438)
Other operating expenses		(425.763)	(399.433)
		(1.987.263)	(1.886.995)
Profit before depreciation amortisation and financial items		400.524	521.005
Depreciation and amortisation		(247.869)	(242.962)
Operating profit		152.655	278.044
Finance income		23.278	25.189
Finance expenses		(102.724)	(97.171)
Foreign currency difference		(13.781)	9.201
Share of profit from associates		29.518	49.723
Valuation changes of shares in other companies		(214)	4.163
		(63.924)	(8.895)
Profit before income tax		88.731	269.148
Income tax	10	(12.303)	(44.205)
Profit for the period		76.429	224.944
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Translation difference arising			
from operations of a foreign associate		(15.428)	6.185
Total comprehensive income for the period		61.001	231.129
Basic and diluted earnings per share in ISK		0,31	0,90

Notes on pages 9 to 13 are an integral part of these interim financial statements.

Statement of Financial Position as at 31 March 2018

	Notes	31.3.2018	31.12.2017
Assets			
Intangible assets		205.678	214.987
Property and equipment		16.870.359	16.940.226
Shares in associates		1.853.737	1.839.908
Shares in other companies		15.453	15.668
Bonds		116.437	120.914
Non-current assets		<u>19.061.664</u>	<u>19.131.703</u>
Inventories		3.251.747	2.840.403
Trade receivables		3.050.667	2.595.230
Receivable from related parties		155.365	152.147
Other short-term receivables	11	391.383	136.852
Cash and cash equivalents		2.386.883	2.800.082
Current assets		<u>9.236.045</u>	<u>8.524.714</u>
Total assets		<u><u>28.297.709</u></u>	<u><u>27.656.418</u></u>
Equity			
Share capital		250.000	250.000
Share premium		3.153.857	3.153.857
Other restricted equity		4.108.201	4.131.579
Retained earnings		6.360.723	6.276.344
Total equity		<u>13.872.780</u>	<u>13.811.779</u>
Liabilities			
Payable to credit institutions	12	8.000.000	8.000.000
Deferred tax liabilities	13	1.473.710	1.484.715
Non-current liabilities		<u>9.473.710</u>	<u>9.484.715</u>
Current tax		380.479	444.276
Payable to the Icelandic State		2.675.536	2.058.077
Trade payables		1.145.841	1.066.927
Payable to related parties		67.079	113.198
Deferred income		176.733	182.958
Other short-term liabilities		505.551	494.488
Current liabilities		<u>4.951.219</u>	<u>4.359.923</u>
Total liabilities		<u>14.424.928</u>	<u>13.844.638</u>
Total equity and liabilities		<u><u>28.297.709</u></u>	<u><u>27.656.418</u></u>

Notes on pages 9 to 13 are an integral part of these interim financial statements.

Statement of Changes in Equity 31 March 2018

	Share Capital	Share premium	Other restricted equity				Retained earnings	Total equity
			Statutory reserve	Revaluation reserve	Unrealised profit of associated companies	Translation reserve		
1 January to 31 March 2018								
Equity 1.1.2018	250.000	3.153.857	62.500	3.846.730	376.857	(154.490)	6.276.324	13.811.779
Total comprehensive income for the period						(15.428)	76.429	61.001
Restricted due to associated companies					40.549	0	(40.549)	0
Dissolution of revaluation of an associated company				(8.671)			8.671	0
Dissolution of revaluation of property and equipment				(39.828)			39.828	0
Equity 31.3.2018	250.000	3.153.857	62.500	3.798.231	417.406	(169.918)	6.360.702	13.872.780
1 January to 31 March 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						6.185	224.944	231.129
Restricted due to associated companies					49.723		(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	
Dividend paid (3.00 ISK per share)							(750.000)	(750.000)
Equity 31.3.2017	250.000	3.153.857	62.500	4.098.208	345.674	(159.397)	4.302.236	12.053.078

Notes on pages 9 to 13 are an integral part of these interim financial statements.

Statement of Cash Flows 1 January to 31 March 2018

	Notes	2018 1.1.-31.3.	2017 1.1.-31.3.
Cash flows from operating activities			
Profit before depreciation, amortisation and financial items		400.524	521.005
Operating items not affecting cash flows:			
Gain on sale of operating assets .....	(	5.350)	(8.106)
Deferred income		0	(7.553)
		<u>395.175</u>	<u>505.346</u>
Changes in operating assets and liabilities:			
Inventories, change .....	(	411.344)	(59.797)
Trade and other receivables, change .....	(	725.696)	(502.318)
Trade and other payables, change		645.229	(18.501)
Changes in operating assets and liabilities	(	491.811)	(580.615)
Interest income received		19.434	27.849
Interest expense paid on short-term liabilities .....	(	1.724)	(43.715)
Paid income tax .....	(	87.105)	(72.536)
		<u>166.032</u>	<u>163.671</u>
Cash flows from investing activities			
Purchase of property and equipment .....	(	170.581)	(200.431)
Sale of property and equipment		7.238	29.748
Investing activities	(	163.343)	(170.683)
Cash flows from financing activities			
Interest expense paid on long-term loans from credit institutions .....	(	86.032)	(95.755)
Financing activities	(	86.032)	(95.755)
Decrease in cash and cash equivalents .....	(	415.407)	(430.109)
Currency exchange difference on cash and cash equivalents		2.207	5.428
Cash and cash equivalents at the beginning of the year		<u>2.800.082</u>	<u>2.266.435</u>
Cash and cash equivalents at the end of the period		<u>2.386.883</u>	<u>1.841.753</u>
Financing without cash flow effect			
Dividend declared		0	(750.000)
Unpaid dividend declared.....		0	750.000

Notes on pages 9 to 13 are an integral part of these interim financial statements.

Notes

1. Operations

N1 hf. („the Company“) is an Icelandic limited liability company. The Company's headquarters are located at Dalvegur 10-14, Kopavogur. The objective of the Company is sale of fuel and lubricants in fixed, liquid and gaseous form, wholesale and retail, purchase, sale and ownership of securities, purchase, sale, ownership and operation of real estates and movable property, together with lending activities related to the Company's operations and other related operations. The consolidated interim financial statements of the Group consists of the Company and its subsidiary EGO ehf., referred to together as the Group and individually as a Group entity.

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 2017.

The Board of Directors of N1 hf. approved the consolidated interim financial statements on 25 April 2018.

3. Significant accounting policies

Two accounting standards became effective as at the beginning of the year, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. Based on current operations of the Group IFRS 9 has limited effect. However, if the Group's operations change in the near future, e.g. by more focus on investment activities, the standard will have an impact on Group's recognition and measurement of financial instruments. IFRS 15 applies to sale of goods and services. It includes a comprehensive framework the purpose of which is to provide information on the nature, amounts, timing an uncertainty related to contracts with customers. IFRS 15 did not impact the interim financial statements except that more detailed breakdown of revenue is presented, see note 8.

Otherwise, the condensed consolidated interim financial statements are prepared based on the same accounting policies as the Company's annual financial statements for the year 2017. 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

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.

	Real estate	Operations	Inter-segment revenue	Total
First quarter 2018				
Operating revenue	0	7.983.187	0	7.983.187
Other revenue	511.999	105.504	(511.999)	105.504
Total segment revenue	511.999	8.088.691	(511.999)	8.088.691
Total operating expenses	(103.658)	(8.096.508)	511.999	(7.688.167)
Segment EBITDA	408.341	(7.817)	0	400.524
Segment depreciation and amortisation	(147.343)	(100.526)	0	(247.869)
Share of profit from associates		29.518	0	29.518
Operating result of segments	260.998	(78.825)	0	182.173
Net finance expenses				(93.441)
Income tax				(12.303)
Profit for the period				76.429
31 March 2018				
Segment assets	14.897.602	11.013.224	0	25.910.826
Unallocated assets				2.386.883
Total assets				28.297.709
Unallocated liabilities				14.424.928
Capital expenditure	32.326	138.255	0	170.581
Depreciation and amortization	(147.343)	(100.526)	0	(247.869)

Notes, contd.:

7. Operating segment, contd.:

First quarter 2017	Real estate	Operations	Inter-segment revenue	Total
Operating revenue	0	6.977.970	0	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)
Share of profit from associates	0	49.723	0	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)

8. Sales

	2018 1.1.-31.3.	2017 1.1.-31.3.
Fuel.....	5.602.096	4.682.342
Other goods.....	2.381.091	2.295.628
Total sales.....	7.983.187	6.977.970
Breakdown of revenue by the Group's customers :		
Fishing industry.....	934.058	657.133
Transportation.....	978.273	317.654
Contractors.....	492.945	418.099
Foreign sale.....	456.303	485.832
Other industries and individuals.....	5.121.608	5.099.251
	7.983.187	6.977.970

Notes, contd.:

9. Gross profit	2018		2017	
	1.1.-31.3.		1.1.-31.3.	
Fuel.....		1.216.729		1.232.123
Other goods.....		1.065.554		1.073.120
Total gross profit.....		<u>2.282.283</u>		<u>2.305.243</u>

10. Income tax	Effective income tax in profit or loss is specified as follows:				2018		2017	
					1.1.-31.3.		1.1.-31.3.	
Profit before income tax					88.731			269.148
Income tax based on current tax rate		20,0%	(17.746)		20,0%	(53.830)		
Non-deductible expenses .....	(	0,3%)	(309)			0,1%	(136)	
Non-taxable income on shares .....	(	6,5%)	5.753		(	3,6%)	9.777	
Other items		0,0%	0			0,0%	(16)	
Effective income tax		13,2%	(12.303)			16,4%	(44.205)	

11. Other short-term receivables

Other short-term receivables are specified as following:

	31.3.2018	31.12.2017
Prepaid expenses.....	189.574	34.627
VAT refund and other receivables from the Icelandic State.....	59.794	64.021
Other short-term receivables.....	142.015	38.204
Total other short-term receivables.....	<u>391.383</u>	<u>136.852</u>

12. Payable to credit institutions

Interest bearing borrowings are specified as follows:

	31.3.2018		31.12.2017	
	Interest rate	Book value	Interest rate	Book value
Non-indexed loan in ISK on floating interests.....	5,1%	8.000.000	5,1%	8.000.000
Total payable to credit institutions.....		<u>8.000.000</u>		<u>8.000.000</u>

Loan maturities are specified as follows over the next years:

	31.3.2018	31.12.2017
Year 2021.....	68.000	68.000
Year 2022.....	408.000	408.000
Subsequent.....	7.524.000	7.524.000
Total payable to credit institutions.....	<u>8.000.000</u>	<u>8.000.000</u>

Notes, contd.:

13. Deferred tax liabilities

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

	31.3.2018	31.12.2017
Assets		
Trade receivables and other receivables.....	959	4.496
Inventories.....	0	1.660
	959	6.156
Liabilities		
Property and equipment.....	1.450.964	1.464.297
Intangible assets.....	22.577	23.592
Inventories.....	1.027	0
Unrealised foreign exchange rate difference.....	100	2.983
	1.474.668	1.490.872
Deferred tax liabilities.....	1.473.710	1.484.715

14. Ratios

The Company's key ratios are specified as follows:

	2018	2017
	1.1.-31.3.	1.1.-31.3.
Statement of comprehensive income		
Inventory turnover: cost of goods sold * / average inventories of the period.....	7,49	6,11
Sales days in trade receivables: average trade receivables of the period / goods and services sold *.....	32	33
Profit before depreciation, amortisation and financial items / gross profit.....	17,5%	22,6%
Salaries and other personnel expenses / gross profit.....	47,9%	46,2%
Sales and distribution expenses / gross profit.....	20,5%	18,3%
Other operating expenses / gross profit.....	18,7%	17,3%
	31.3.2018	31.12.2017
Statement of Financial Position		
Current ratio: Current assets / current liabilities.....	1,87	1,96
Liquidity ratio: (Current assets - inventories) / current liabilities.....	1,21	1,30
Leverage: Net interest bearing liabilities ** / EBITDA***.....	1,48	1,38
Equity ratio: Equity / total capital.....	49,0%	49,9%
Return on equity: Profit for the period * / average equity for the period.....	2,2%	16,1%

* Operating figures are calculated on annual basis.

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

*** EBITDA for the last 12 months.