



N1 hf.

Condensed Interim Financial Statements

1 January to 31 March 2014

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 unaudited interim financial statements of N1 hf. for the period from 1 January to 31 March 2014 have been prepared in accordance with the International Financial Reporting Standard for interim financial reporting, IAS 34. The interim financial statements have not been audited or reviewed by the company's auditors.

The Company's operating revenue for the first three months of the year amounted to ISK 11,415 million and decreased by 11.4% compared to the same period the previous year. According to the statement of comprehensive income, loss from the Company's operations for the period amounted to ISK 77 million. However, when taking into account translation difference due to the operation of a foreign associated company the Company's total comprehensive loss amounts to ISK 86 million. The Company's equity at the end of March amounted to ISK 13,416 million including share capital in the amount of ISK 1,000 million.

At the Company's annual general meeting, held on 27 March 2014, a proposed dividend payment in the amount of ISK 1,650 million was authorised. The dividend was paid to the Company's shareholders on 28 April. In these interim financial statements the declared but unpaid dividend is recognised as a liability and a reduction of retained earnings. At the aforementioned meeting the board of directors was granted the permission to buy back up to 10% of the Company's total share capital. That permission has not been utilised.

Shareholders

At the end of the period the Company's shareholders were 3,751 compared to 5,164 at the beginning of the year. Following are the Company's ten biggest shareholders at the end of the period:

FSÍ (Framtakssjóður Íslands) slhf.	20.9%
Lífeyrissjóður verzlunarmanna.....	10.0%
Stafir lífeyrissjóður.....	6.0%
Almenni lífeyrissjóðurinn.....	5.0%
Íslandsbanki hf.....	4.4%
Sameinaði lífeyrissjóðurinn.....	4.3%
Helgafell ehf.....	4.2%
Gildi - lífeyrissjóður.....	4.0%
Júpíter - Innlend hlutabréf.....	2.8%
Stapi lífeyrissjóður.....	2.5%

Statement by the Board of Directors and the CEO

The interim financial statements of N1 hf. for the period from 1 January to 31 March 2014 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 31 March 2014 and changes in cash flows during the period from 1 January to 31 March 2014.

Furthermore, it is our opinion that the 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 31 March 2014 and confirm them with their signatures.

Kópavogur, 28 May 2014

The Board of Directors of N1 hf.

Margrét Guðmundsdóttir

Helgi Magnússon

Kristín Guðmundsdóttir

Guðmundur Óskarsson

CEO

Herdís Fjeldsted

Eggert Benedikt Guðmundsson

Statement of Comprehensive Income

1 January to 31 March 2014

	Notes	2014 1.1.-31.3.	2013 1.1.-31.3.
Sales	6	11,325,242	12,782,866
Cost of goods sold		(9,568,050)	(10,935,330)
Gross profit	7	<u>1,757,192</u>	<u>1,847,536</u>
Other operating income		89,781	104,192
Salaries and other personnel expenses		(947,484)	(873,881)
Sales and distribution expenses		(425,631)	(431,952)
Other operating expenses		(353,397)	(367,006)
		<u>(1,726,512)</u>	<u>(1,672,839)</u>
Profit before depreciation, amortisation and finance items.....		120,461	278,889
Depreciation and amortisation		(179,200)	(184,949)
Operating (loss) income		(58,739)	93,940
Finance income		86,908	46,505
Finance expenses		(134,537)	(191,722)
Effect of associates		12,854	48,598
Change in fair value of shares		(4,805)	43,901
		<u>(39,580)</u>	<u>(52,718)</u>
(Loss) profit before income tax		(98,319)	41,222
Income tax	8	<u>21,074</u>	<u>9,973</u>
(Loss) profit for the period		<u>(77,245)</u>	<u>51,195</u>
Other comprehensive income (expenses) items recognised in equity but will later be reclassified to profit or loss: Translation difference arising from operations of a foreign associate		<u>(8,675)</u>	<u>(28,700)</u>
Total comprehensive (loss) income for the period		<u>(85,920)</u>	<u>22,495</u>
(Loss) earnings per share: Basic and diluted (loss) earnings per share in ISK		(0.08)	0.05

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

Balance Sheet 31 March 2014

	Notes	31.3.2014	31.12.2013	
Assets				
Intangible assets		385,236	400,285	
Property, plant and equipment		9,755,188	9,720,947	
Shares in associates		1,382,039	1,377,860	
Shares in other companies		281,618	286,422	
Bonds		25,518	20,495	
Non-current assets		11,829,599	11,806,009	
Inventories		3,804,909	4,317,801	
Trade receivables		3,649,257	3,150,385	
Receivable from related parties		7,496	47,557	
Property, plant and equipment classified as held for sale		948,142	948,142	
Other short-term receivables		985,317	509,073	
Cash and cash equivalents		5,836,756	6,019,414	
Current assets		15,231,877	14,992,372	
Total assets		27,061,476	26,798,381	
Equity				
Share capital		1,000,000	1,000,000	
Share premium		11,865,427	11,865,427	
Statutory reserve		250,000	250,000	
Revaluation reserve		401,137	413,237	
Translation reserve	(37,810)	(29,135)
(Accumulated deficit) retained earnings	(62,832)	(1,652,313)
Total equity		13,415,922	15,151,842	
Liabilities				
Payable to credit institutions		6,440,000	6,580,000	
Deferred tax liabilities	9	24,365	45,439	
Deferred income		234,137	241,689	
Non-current liabilities		6,698,502	6,867,128	
Current tax		4,039	41,399	
Payable to the Icelandic State		2,990,241	2,413,362	
Payable to credit institutions		350,000	350,000	
Trade payables		1,089,488	1,187,579	
Payable to related parties		198,773	134,449	
Deferred income		242,951	235,676	
Other short-term liabilities		421,560	416,946	
Unpaid declared dividend.....		1,650,000	0	
Current liabilities		6,947,052	4,779,411	
Total liabilities		13,645,554	11,646,539	
Total equity and liabilities		27,061,476	26,798,381	

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

Statement of Changes in Equity 31 March 2014

	Share Capital	Share premium	Statutory reserve	Revaluation reserve	Translation reserve	Retained earnings (accumulated deficit)	Total equity
1 January to 31 March 2014							
Equity 1.1.2014	1,000,000	11,865,427	250,000	413,237	(29,135)	1,652,313	15,151,842
Total comprehensive loss for the period					(8,675)	(77,245)	(85,920)
Dissolution of revaluation of an associated company				(12,100)		12,100	0
Dividend declared (1.65 ISK per share)						(1,650,000)	(1,650,000)
Equity 31.3.2014	1,000,000	11,865,427	250,000	401,137	(37,810)	(62,832)	13,415,922
1 January to 31 March 2013							
Equity 1.1.2013	1,000,000	11,865,427	0	443,752	3,031	1,201,725	14,513,935
Total comprehensive income for the period					(28,700)	51,195	22,495
Dissolution of revaluation of an associated company				(10,216)		10,216	0
Equity 31.3.2013	1,000,000	11,865,427	0	433,536	(25,669)	1,263,136	14,536,430

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

Statement of Cash Flows 1 January to 31 March 2014

	2014	2013
	1.1.-31.3.	1.1.-31.3.
Cash flows from operating activities		
Profit before depreciation, amortisation and finance items	120,461	278,889
Operating items not affecting cash flows:		
Gain on the sale of operating assets	(1,744)	(8,309)
Deferred income	(7,553)	(7,380)
	111,164	263,200
Changes in operating assets and liabilities:		
Inventories, change	528,249	(277,406)
Trade and other receivables, change	(993,103)	(516,915)
Trade and other short-term payables, change	624,798	909,263
Changes in operating assets and liabilities	159,944	114,942
Interest income received	84,514	45,869
Interest expense paid on short-term liabilities	(4,534)	(4,533)
Paid income tax	(37,359)	0
Cash flows from operating activities	313,729	419,478
Cash flows from investing activities		
Purchase of property, plant and equipment	(203,531)	(575,686)
Sale of property, plant and equipment	6,884	1,641,732
Sale of shares in other companies	0	685
Loan to related party	0	(30,000)
Investing activities	(196,647)	1,036,731
Cash flows from financing activities		
Repayment of loans from credit institutions	(140,000)	(226,667)
Interest expense paid on loans from credit institutions	(159,740)	(220,020)
Financing activities	(299,740)	(446,687)
(Decrease) increase in cash and cash equivalents	(182,658)	1,009,522
Cash and cash equivalents at the beginning of the year	6,019,414	2,507,504
Cash and cash equivalents at the end of the period	5,836,756	3,517,026
Financing without cash flow effect		
Dividend declared	(1,650,000)	0
Unpaid declared dividend.....	1,650,000	0

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 movable property, purchase, sale and ownership of securities, together with lending activities related to the Company's operations and other related operations.

The Board of Directors of N1 hf. approved the interim financial statements on 28 May 2014

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 2013.

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 2013. 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

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. Sales

	2014 1.1.-31.3.	2013 1.1.-31.3.
Fuel.....	9,284,452	9,764,829
Other goods.....	2,040,790	3,018,037
Total sales.....	<u>11,325,242</u>	<u>12,782,866</u>

7. Gross profit

Fuel.....	936,175	1,062,731
Other goods.....	821,017	784,805
Total gross profit.....	<u>1,757,192</u>	<u>1,847,536</u>

Notes, contd.:

8. Income tax

Effective income tax in profit or loss is specified as follows:		2014		2013
		1.1.-31.3.		1.1.-31.3.
(Loss) profit before income tax		(98,319)		41,222
Income tax based on current tax rate	20.00%	19,664	20.00%	(8,244)
Non-deductible expenses	(1.18%) (1,161)	0.69%	(283)
Non-taxable income on shares	2.61%	2,571	(44.88%)	18,500
Effective income tax	21.43%	21,074	(24.19%)	9,973

9. Deferred tax liabilities

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

		31.3.2014	31.12.2013
Assets			
Trade receivables.....		2,091	40,284
Other items.....		9,863	3,574
Carryforward tax loss.....		49,329	0
		<u>61,283</u>	<u>43,858</u>
Liabilities			
Property, plant and equipment.....		9,853	4,756
Intangible assets.....		67,033	69,983
Foreign exchange rate difference.....		8,762	14,558
		<u>85,648</u>	<u>89,297</u>
Deferred tax liabilities.....		<u>24,365</u>	<u>45,439</u>

10. Ratios

The Company's key ratios are specified as follows:

		2014	2013
		1.1.-31.3.	1.1.-31.3.
Statement of comprehensive income			
Turnover rate of inventories at period end: utilisation of goods * / inventories at period end		10.06	7.94
Sales days in trade receivables: trade receivables at period end / goods and services sold		29	32
Profit before depreciation, amortisation and finance items / gross profit.....		6.9%	15.1%
Salaries and other personnel expenses / gross profit.....		53.9%	47.3%
Sales and distribution expense / gross profit.....		24.2%	23.4%
Other operating expenses / gross profit.....		20.1%	19.9%

Balance sheet

		31.3.2014	31.12.2013
Current ratio: current assets / current liabilities.....		2.19	3.14
Liquidity ratio: (current assets - inventories) / current liabilities.....		1.64	2.23
Leverage: Net interest bearing liabilities / EBITDA**.....		0.61	0.56
Equity ratio: Equity / total capital.....		49.6%	56.5%
Return on equity: Profit for the period * / equity at the beginning of period.....	(2.2%)	4.5%

* Operating figures are calculated on annual basis.

** EBITDA for the last 12 months.

Notes, contd.:

11. Subsequent events

In May the Company accepted a purchase offer made for its premises at Ægisíða 102. The gain on the sale is estimated to be at least ISK 260 million. The Company plans to cease its operations at Ægisíða when the sale agreement has been finalised next autumn. It is not expected that the closure of the Company's operations at Ægisíða will have a material effect on the Company's EBITDA.