



N1 hf.

Condensed Interim Financial Statements

1 January to 30 June 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 30 June 2014 have been prepared in accordance with the International Financial Reporting Standard for interim financial reporting, IAS 34. The interim financial statements have been reviewed by the company's auditors.

The Company's operating revenue for the first six months of the year amounted to ISK 27,229 million and decreased by 2.5% 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 409 million. However, when taking into account translation difference due to the operation of a foreign associated company the Company's total comprehensive profit amounts to ISK 397 million. The Company's equity at the end of June amounted to ISK 13,899 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. 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 2,853 compared to 5,164 at the beginning of the year. Following are the Company's ten biggest shareholders at the end of the period:

Lífeyrissjóður verzlunarmanna.....	14,2%
Lífeyrissj.starfsm.rík. A-deild.....	7,8%
Gildi - lífeyrissjóður.....	7,5%
Stafir lífeyrissjóður.....	5,9%
Landsbankinn hf.....	5,8%
Almenni lífeyrissjóðurinn.....	5,0%
Sameinaði lífeyrissjóðurinn.....	4,3%
Íslandsbanki hf.....	4,3%
A.C.S safnreikningur I.....	3,6%
Lífeyrissj.starfsm.rík. B-deild.....	3,3%

Statement by the Board of Directors and the CEO

The interim financial statements of N1 hf. for the period from 1 January to 30 June 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 30 June 2014 and changes in cash flows during the period from 1 January to 30 June 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 30 June 2014 and confirm them with their signatures.

Kópavogur, 28 August 2014

The Board of Directors of N1 hf.

Margrét Guðmundsdóttir

Helgi Magnússon

Kristín Guðmundsdóttir

Guðmundur Óskarsson

CEO

Eggert Benedikt Guðmundsson

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 2014. The condensed interim financial statements which comprise, statement of financial position as of 30 June 2014, 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.

Kópavogur, 28 August 2014

Ernst & Young ehf.

Jóhann Unnsteinsson
State Authorised Public Accountant

Statement of Comprehensive Income

1 January to 30 June 2014

	Notes	Second Quarter		Two Quarters	
		2014	2013	2014	2013
		1.4.-30.6.	1.4.-30.6.	1.1.-30.6.	1.1.-30.6.
Sales	7	15.679.254	14.941.044	27.004.496	27.723.910
Cost of goods sold		(12.998.295)	(12.727.014)	(22.566.345)	(23.662.344)
Gross profit	8	2.680.959	2.214.030	4.438.151	4.061.566
Other operating income		134.951	95.558	224.732	199.750
Salaries and other personnel expenses		(993.426)	(1.010.178)	(1.940.910)	(1.884.059)
Sales and distribution expenses		(620.146)	(549.756)	(1.045.777)	(981.708)
Other operating expenses		(408.805)	(462.459)	(762.202)	(829.465)
		(2.022.377)	(2.022.393)	(3.748.889)	(3.695.232)
Profit before depreciation, amortisation and finance items.....		793.533	287.195	913.994	566.084
Depreciation and amortisation		(170.513)	(160.091)	(349.713)	(345.040)
Operating income		623.020	127.104	564.281	221.044
Finance income		87.150	64.200	174.058	110.705
Finance expenses		(105.978)	(155.439)	(240.515)	(347.161)
Effect of associates		14.673	21.305	27.527	69.903
Change in fair value of shares		(12.685)	30.249	(17.490)	74.150
		(16.840)	(39.685)	(56.420)	(92.403)
Profit before income tax		606.180	87.419	507.861	128.641
Income tax	10	(119.480)	(10.001)	(98.406)	(28)
Profit for the period		486.700	77.418	409.455	128.613
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		(3.394)	4.532	(12.069)	(24.168)
Total comprehensive income for the per		<u>483.306</u>	<u>81.950</u>	<u>397.386</u>	<u>104.445</u>
Earnings per share:					
Basic and diluted earnings per share in ISK		0,49	0,08	0,41	0,13

Notes on pages 9 to 11 are an integral part of these interim financial statements.

Balance Sheet 30 June 2014

	Notes	30.6.2014	31.12.2013
Assets			
Intangible assets		381.601	400.285
Property, plant and equipment		9.617.043	9.720.947
Shares in associates		1.393.318	1.377.860
Shares in other companies		268.932	286.422
Bonds		24.093	20.495
Non-current assets		<u>11.684.987</u>	<u>11.806.009</u>
Inventories		4.516.180	4.317.801
Trade receivables		4.943.509	3.150.385
Receivable from related parties		8.066	47.557
Property, plant and equipment classified as held for sale		948.142	948.142
Other short-term receivables	9	1.559.673	509.073
Cash and cash equivalents		3.541.729	6.019.414
Current assets		<u>15.517.299</u>	<u>14.992.372</u>
Total assets		<u>27.202.286</u>	<u>26.798.381</u>
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		398.763	413.237
Translation reserve	(41.205)	(29.135)
Retained earnings		426.243	1.652.313
Total equity		<u>13.899.228</u>	<u>15.151.842</u>
Liabilities			
Payable to credit institutions	12	6.370.000	6.580.000
Deferred tax liabilities	11	87.846	45.439
Deferred income		226.584	241.689
Non-current liabilities		<u>6.684.430</u>	<u>6.867.128</u>
Current tax		3.999	41.399
Payable to the Icelandic State		3.605.856	2.413.362
Payable to credit institutions	12	583.373	350.000
Trade payables		1.312.377	1.187.579
Payable to related parties		227.104	134.449
Deferred income		252.532	235.676
Other short-term liabilities		633.387	416.946
Current liabilities		<u>6.618.628</u>	<u>4.779.411</u>
Total liabilities		<u>13.303.058</u>	<u>11.646.539</u>
Total equity and liabilities		<u>27.202.286</u>	<u>26.798.381</u>

Notes on pages 9 to 11 are an integral part of these interim financial statements.

Statement of Changes in Equity 30 June 2014

	Share Capital	Share premium	Statutory reserve	Revaluation reserve	Translation reserve	Retained earnings	Total equity
1 January to 30 June 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 income for the period					(12.069)	409.455	397.386
Dissolution of revaluation of an associated company				(14.474)		14.474	0
Dividend paid (1.65 ISK per share)						(1.650.000)	(1.650.000)
Equity 30.6.2014	1.000.000	11.865.427	250.000	398.763	(41.205)	426.243	13.899.228
1 January to 30 June 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					(24.168)	128.613	104.445
Dissolution of revaluation of an associated company				(20.433)		20.433	0
Equity 30.6.2013	1.000.000	11.865.427	0	423.319	(21.137)	1.350.771	14.618.380

Notes on pages 9 to 11 are an integral part of these interim financial statements.

Statement of Cash Flows 1 January to 30 June 2014

	2014	2013
	1.1.-30.6.	1.1.-30.6.
Cash flows from operating activities		
Profit before depreciation, amortisation and finance items	913.994	566.084
Operating items not affecting cash flows:		
Gain on the sale of operating assets	(39.197)	(5.230)
Deferred income	(15.106)	(15.106)
	859.691	545.748
Changes in operating assets and liabilities:		
Inventories, change	(169.721)	246.270
Trade and other receivables, change	(2.882.640)	(864.805)
Trade and other short-term payables, change	1.780.745	1.111.849
	(1.271.616)	493.314
Interest income received	168.671	114.193
Interest expense paid on short-term liabilities	(7.186)	(10.402)
Paid income tax	(93.399)	0
Cash flows (to) from operating activities	(343.839)	1.142.853
Cash flows from investing activities		
Purchase of intangible assets	(11.869)	0
Purchase of property, plant and equipment	(288.402)	(933.451)
Sale of property, plant and equipment	112.343	1.938.515
Dividend received	7.854	0
Purchase of shares in other companies	0	(1.656)
Sale of shares in other companies	0	685
Loan to related party	0	(30.000)
Repayment of loan to a related party	0	30.000
Investing activities	(180.074)	1.004.093
Cash flows from financing activities		
Dividend paid	(1.505.947)	0
Repayment of loans from credit institutions	(210.000)	(340.000)
Interest expense paid on loans from credit institutions	(237.825)	(330.480)
Financing activities	(1.953.772)	(670.480)
(Decrease) increase in cash and cash equivalents	(2.477.685)	1.476.466
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	3.541.729	3.983.970

Notes on pages 9 to 11 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 August 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. 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 higher at the end of June than at year-end.

7. Sales

	2014	2013
	1.1.-30.6.	1.1.-30.6.
Fuel.....	22.211.206	21.969.319
Other goods.....	4.793.290	5.754.591
Total sales.....	<u>27.004.496</u>	<u>27.723.910</u>

8. Gross profit

Fuel.....	2.430.057	2.176.083
Other goods.....	2.008.094	1.885.483
Total gross profit.....	<u>4.438.151</u>	<u>4.061.566</u>

Notes, contd.:

9. Other short-term receivables

Other short-term receivables are specified as following:

	30.6.2014	31.12.2013
Prepaid inventories.....	416.681	23.404
Prepaid expenses.....	139.925	74.017
Refundable value-added-tax and other receivables from the Icelandic state.....	867.249	364.040
Other short-term receivables.....	135.818	47.612
Total other short-term receivables.....	<u>1.559.673</u>	<u>509.073</u>

10. Income tax

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

	2014		2013	
	1.1.-30.6.		1.1.-30.6.	
Profit before income tax		<u>507.861</u>		<u>128.641</u>
Income tax based on current tax rate	20,0%	(101.572)	20,0%	(25.728)
Non-deductible expenses	0,8%	(3.910)	3,8%	(4.936)
Non-taxable income on shares	(1,4%)	7.076	(23,1%)	29.656
Other items	0,0%	0	(0,8%)	980
Effective income tax	<u>19,4%</u>	<u>(98.406)</u>	<u>(0,0%)</u>	<u>(28)</u>

11. Deferred tax liabilities

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

	30.6.2014	31.12.2013
Assets		
Trade receivables.....	0	40.284
Other items.....	4.150	3.574
	<u>4.150</u>	<u>43.858</u>
Liabilities		
Property, plant and equipment.....	14.839	4.756
Intangible assets.....	64.407	69.983
Trade receivables.....	4.675	0
Foreign exchange rate difference.....	8.075	14.558
	<u>91.996</u>	<u>89.297</u>
Deferred tax liabilities.....	<u>87.846</u>	<u>45.439</u>

12. Payable to credit institutions

Interest bearing borrowings are specified as follows:

	30.6.2014		31.12.2013	
	Interest rate	Book value	Interest rate	Book value
Non-indexed loans (long-term).....	6,8%	6.370.000	7,0%	6.580.000
Non-indexed loans (short-term).....	6,8%	350.000	7,0%	350.000
		<u>6.720.000</u>		<u>6.930.000</u>
Short-term loan USD.....	3,3%	233.373		0
Total payable to credit institutions.....		<u>6.953.373</u>		<u>6.930.000</u>

Notes, contd.:

12. Payable to credit institutions, contd.:

Loan maturities are specified as follows over the next years:	30.6.2014	31.12.2013
Year 2014.....	140.000	350.000
Year 2015.....	350.000	350.000
Year 2016.....	350.000	350.000
Year 2017.....	350.000	350.000
Year 2018.....	350.000	350.000
Later.....	5.180.000	5.180.000
	<u>6.720.000</u>	<u>6.930.000</u>

13. Ratios

The Company's key ratios are specified as follows:	2014	2013
	1.1.-30.6.	1.1.-30.6.

Statement of comprehensive income

Turnover rate of inventories at period end: utilisation of goods * / inventories at period end	9,99	8,64
Sales days in trade receivables: trade receivables at period end / goods and services sold	33	32
Profit before depreciation, amortisation and finance items / gross profit.....	20,6%	13,9%
Salaries and other personnel expenses / gross profit.....	43,7%	46,4%
Sales and distribution expense / gross profit.....	23,6%	24,2%
Other operating expenses / gross profit.....	17,2%	20,4%

	30.6.2014	31.12.2013
Balance sheet		
Current ratio: current assets / current liabilities.....	2,34	3,14
Liquidity ratio: (current assets - inventories) / current liabilities.....	1,66	2,23
Leverage: Net interest bearing liabilities / EBITDA**.....	1,64	0,56
Equity ratio: Equity / total capital.....	51,1%	56,5%
Return on equity: Profit for the period * / equity at the beginning of period.....	5,6%	4,5%

* Operating figures are calculated on annual basis.

** EBITDA for the last 12 months.

14. Subsequent events

In May the Company accepted a purchase offer made for its premises at Ægisíða 102. The Company expected to cease its operations at Ægisíða next autumn. However, it is doubtful that the sale will be completed and it is likely that the Company's operations at Ægisíða will continue.