



N1 hf.
Financial Statements 2014

N1 hf.
Dalvegur 10-14
201 Kópavogur

540206-2010

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Endorsement by the Board of Directors and the CEO

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.

Operations in the year 2014

The Company's operating revenue for the year 2014 amounted to ISK 57,458 million (2013: 58,488) and decreased by 1.8% between years. Profit before depreciation, amortisation and finance items amounted to ISK 2,668 million (2013: 1,783) and increased by 49,6% between years. According to the income statement and statement of comprehensive income, the profit for the year amounted to ISK 1,628 million (2013: 670) but total comprehensive income for the year 1,617 million (2013: 638). The Company's equity at year end amounted to ISK 11,259 million (2013: 15,152), including share capital in the nominal value of ISK 700 million. Reference is made to the statement of changes in equity regarding changes of equity during the year.

At the Annual General Meeting for the year 2014 an EBITDA forecast amounting to ISK 2,600 million was published. EBITDA for the year amounted to IS 2,668 million which is 2.4% above the Company's forecast.

Full time equivalent units at year end was 560 in the year 2014 (2013: 600).

The Company's Board of Directors proposes a dividend payment to shareholders in 2015 of ISK 840 million, which represents ISK 1.2 per share.

Shareholders

At the end of the year the Company's shareholders were 2,403 compared to 5,164 at the beginning of the year. Following are the Company's 20 biggest shareholders at year end.

Lífeyrissjóður verslunarmanna.....	14.2%
Lífeyrissj.starfsm.rík. A deild og B deild.....	9.7%
Gildi - lífeyrissjóður.....	7.6%
Stafir lífeyrissjóður	5.7%
Almenni lífeyrissjóðurinn.....	5.0%
Landsbankinn hf.....	4.9%
Helgafell ehf.....	4.2%
Sameinaði lífeyrissjóðurinn.....	3.6%
MP banki hf.....	3.3%
Stapi lífeyrissjóður.....	2.7%
Íslandsbanki hf.....	2.2%
TM fé ehf.....	2.0%
Söfnunarsjóður lífeyrisréttinda.....	2.0%
Virðing safnreikningur.....	1.8%
GAMMA: Equity Fund.....	1.7%
Landsbréf - Úrvalsbréf.....	1.6%
Sindrandi ehf.....	1.5%
Festa - lífeyrissjóður.....	1.5%
Hofgarðar ehf.....	1.4%
Lífsværk lífeyrissjóður.....	1.2%

Share capital and Articles of Association

The Company's registered share capital at year end amounted to ISK 700 million. All shares are in one class and the same rights are attached to all shares.

In accordance with the decision of Shareholders Meeting of a 30% decrease in the Company's share capital, the share capital was decreased by ISK 300 million nominal value at 1 December 2014, as well as share premium of ISK 3,560 million, a total of ISK 3,860 million. The amount was paid to shareholders proportionally according to their shareholdings in the Company on 5 December. The decrease was in accordance with the Company's policy of capital structure.

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

Share capital and Articles of Association, contd.:

At the Annual General Meeting on 27 March 2014, a proposal from the Board of Directors was approved authorizing the Company to acquire up to 10% of the Company's total share capital. The authorization has not been exercised.

Those who intend to candidate at the election of the Board of Directors of the Company must notify so in writing to the Board of Directors with at least five days notice before the beginning of the annual general meeting. The Company's Articles of Association can only be amended with the approval of 2/3 of votes cast in a lawfully called shareholders' meeting, provided that the intended amendment is thoroughly mentioned in the agenda to the meeting and what it consists of.

Corporate governance

The Board of Directors of N1 hf. has established rules of procedure for the Board wherein it endeavours to comply with the "Guidelines on corporate governance" issued by the Iceland Chamber of Commerce, NASDAQ OMX Iceland and the Confederation of Icelandic Employers issued in March 2012. The guidelines are available on the website of the Iceland Chamber of Commerce www.vi.is. The Company complies with the guidelines in main respect but has though not deemed it necessary to appoint a nomination committee. Furthermore, the statement of corporate governance does neither include an analysis of environmental or social factors, nor does it include information on the Board's performance evaluation. Further information on the Board of Directors and corporate governance is included in the Chapter Corporate Governance as appendix to the Company's financial statements. 40% of the Company's Board Directors are women.

Statement by the Board of Directors and the CEO

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

According to the best of our knowledge, in our opinion the financial statements give a true and fair view of the operating profit of the Company for the year 2014, its assets, liabilities and financial position as at 31 December 2014, and changes in cash and cash equivalents during the year 2014.

Furthermore, in our opinion the financial statements and the Report of the Board of Directors and the CEO include a true and fair view of the development and results of the Company's operations, its standing and describes the main risk factors and the uncertainty faced by the Company.

The Board of Directors and the CEO of N1 hf. have today discussed the Company's financial statements for the year 2014 and confirm them by means of their signatures. The Board of Directors and the CEO propose that the Annual General Meeting of the Company approve the financial statements of the Company.

Kopavogur, 25 February 2015

The Board of Directors of N1 hf.

Margrét Guðmundsdóttir
Chairman of the Board

Helgi Magnússon

Kristín Guðmundsdóttir

Guðmundur Óskarsson

CEO

Jón Sigurðsson

Eggert Benedikt Guðmundsson

Independent Auditor's Report

To the Board of Directors and Shareholders of N1 hf.

We have audited the accompanying financial statements of N1 hf. for the year 2014, which comprise the income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and a summary of significant accounting policies and other explanatory notes.

Responsibility of the Board of Directors and the CEO for the financial statements

The Board of Directors and the CEO are responsible for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. The Board of Directors and the CEO are also responsible for the internal control which is necessary to enable the preparation and presentation of the financial statements, so that they are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's profit for the year 2014, its financial position as at 31 December 2014 and change in cash flows for the year 2014 in accordance with International Financial Reporting Standards as adopted by the European Union.

Confirmation of the Report of the Board of Directors and the CEO

Pursuant to the requirement of Paragraph 2 Article 104 of the Financial Statements Act no. 3/2006, we confirm to the best of our knowledge that the accompanying Report of the Board of Directors and the CEO includes all the information required by the Financial Statements Act that is not disclosed elsewhere in the financial statements.

Kopavogur, 25 February 2014

Ernst & Young ehf.

Jóhann Unnsteinsson
State Authorised Public Accountant

Income Statement and Statement of Comprehensive Income for the Year 2014

	Notes	2014	2013
Sales	8	56,960,198	58,122,174
Cost of goods sold		(47,355,478)	(48,994,783)
Gross profit	9	9,604,720	9,127,391
Other operating income		497,802	365,987
Salaries and other personnel expenses	10	(3,830,592)	(3,788,840)
Sales and distribution expenses	11	(2,135,611)	(2,021,189)
Other operating expenses	12	(1,467,970)	(1,900,013)
		(7,434,173)	(7,710,042)
Profit before depreciation, amortisation and finance items		2,668,349	1,783,336
Depreciation and amortisation	14	(747,196)	(716,039)
Operating income		1,921,153	1,067,297
Finance income	15	457,724	292,105
Finance expenses	15	(469,191)	(631,465)
Effect of associates	20	93,802	99,501
Change in fair value of shares	21	6,282	156,899
		88,617	(82,960)
Profit before income tax		2,009,770	984,337
Income tax	16	(382,220)	(314,264)
Profit for the year		1,627,550	670,073
Other comprehensive (expenses) income items recognised directly in equity, but will later be recognised in the income statement:			
Translation difference arising from operations of a foreign associate		(10,815)	(32,167)
Total other comprehensive (expenses) income for the year		(10,815)	(32,167)
Total comprehensive income for the year		1,616,735	637,906
Basic and diluted earnings per share in Icelandic krona	17	1.67	0.67

Notes on pages 10 to 31 are an integral part of these financial statements.

Balance Sheet 31 December 2014

	Notes	2014	2013
Assets			
Intangible assets	18	362,338	400,285
Property, plant and equipment	19	9,328,575	9,720,947
Shares in associates	20	1,460,846	1,377,860
Shares in other companies	21	2,000	286,422
Bonds		48,009	20,495
Non-current assets		11,201,768	11,806,009
Inventories	22	3,134,257	4,317,801
Trade receivables	23	3,042,593	3,150,385
Receivables from related parties		27,776	47,557
Property, plant and equipment classified as held for sale	19	0	948,142
Other short-term receivables	24	754,816	509,073
Cash and cash equivalents		4,629,100	6,019,414
Current assets		11,588,542	14,992,372
Total assets		22,790,310	26,798,381
Equity			
Share capital	25	700,000	1,000,000
Share premium		8,305,799	11,865,427
Statutory reserve		250,000	250,000
Revaluation reserve		391,831	413,237
Translation difference		(39,950)	(29,135)
Retained earnings		1,651,269	1,652,313
Total equity		11,258,949	15,151,842
Liabilities			
Payable to credit institutions	26	6,230,000	6,580,000
Deferred tax liability	27	271,285	45,439
Prepaid income		211,478	241,689
Non-current liabilities		6,712,763	6,867,128
Income tax payable		150,736	41,399
Payable to the Icelandic State	28	2,219,536	2,413,362
Payable to credit institutions	26	350,000	350,000
Trade payables		1,243,247	1,187,579
Payable to related parties		169,405	134,449
Prepaid income	29	256,477	235,676
Other short-term liabilities	30	429,197	416,946
Current liabilities		4,818,598	4,779,411
Total liabilities		11,531,361	11,646,539
Total equity and liabilities		22,790,310	26,798,381

Notes on pages 10 to 31 are an integral part of these financial statements.

Statement of Changes in Equity for the Year 2014

	Share capital	Share premium	Statutory reserve	Revaluation reserve	Translation difference	Retained earnings	Total equity
Year 2013							
Equity as at 1 January 2013	1,000,000	11,865,427	0	443,752	3,032	1,201,725	14,513,936
Total comprehensive income for the year					(32,167)	670,073	637,906
Contribution to statutory reserve			250,000		(250,000)		
Dissolution of revaluation reserve of an associate				(30,515)		30,515	0
Equity as at 31 December 2013	<u>1,000,000</u>	<u>11,865,427</u>	<u>250,000</u>	<u>413,237</u>	<u>(29,135)</u>	<u>1,652,313</u>	<u>15,151,842</u>
Year 2014							
Equity as at 1 January 2014	1,000,000	11,865,427	250,000	413,237	(29,135)	1,652,313	15,151,842
Total comprehensive income for the year					(10,815)	1,627,550	1,616,735
Dividend to shareholders (ISK 1.65 per share)						(1,650,000)	(1,650,000)
Decrease in share capital	(300,000)	(3,559,628)					(3,859,628)
Dissolution of revaluation reserve of an associate				(21,406)		21,406	0
Equity as at 31 December 2014	<u>700,000</u>	<u>8,305,799</u>	<u>250,000</u>	<u>391,831</u>	<u>(39,950)</u>	<u>1,651,269</u>	<u>11,258,949</u>

Notes on pages 10 to 31 are an integral part of these financial statements.

Statement of Cash Flows for the Year 2014

	Notes	2014	2013	
Cash flows from operating activities				
Profit before depreciation, amortisation and finance items		2,668,349	1,783,336	
Operating items not affecting cash flows:				
Gain on sale of property, plant and equipment	(154,178)	(8,082)
Prepaid income	(30,211)	(30,211)
		<u>2,483,960</u>	<u>1,745,043</u>	
Changes in operating assets and liabilities:				
Inventories, decrease		1,238,050	1,456,596	
Trade and other short-term receivables, decrease		13,796	1,477,767	
Trade and other short-term payables, decrease	(66,458)	(161,175)
Changes in operating assets and liabilities		<u>1,185,388</u>	<u>2,773,188</u>	
Interest income received		342,780	279,494	
Interest expense paid on short-term liabilities	(6,544)	(23,704)
Income tax paid	(47,037)	(220,332)
Cash flows from operating activities		<u>3,958,547</u>	<u>4,553,689</u>	
Cash flows from investing activities				
Purchase of intangible assets .....	(	48,903)	0
Purchase of property, plant and equipment	(395,642)	(1,474,536)
Sale of property, plant and equipment		1,081,987	1,951,670	
Purchase of shares in other companies		0	(3,656)
Sale of shares in other companies		290,705	5,683	
Dividends received		9,718	11,726	
Investing activities		<u>937,865</u>	<u>490,887</u>	
Cash flows from financing activities				
Decrease in share capital .....	(	3,859,628)	0
Dividend paid .....	(	1,650,000)	0
New long term loans from credit institutions		0	7,000,000	
Repayment of long-term loans	(350,000)	(7,890,000)
Interest expense paid on long term loans	(467,740)	(631,657)
Financing activities		<u>(6,327,368)</u>	<u>(1,521,657)</u>	
Net (decrease) increase in cash and cash equivalents.....	(	1,430,956)	3,522,919
Currency exchange gain (loss) on cash and cash equivalents		40,642	(11,010)
Cash and cash equivalents at the beginning of the year.....		<u>6,019,414</u>	<u>2,507,505</u>	
Cash and cash equivalents at the end of the year		<u>4,629,100</u>	<u>6,019,414</u>	
Investing and financing activities not affecting cash flows				
Sale of property, plant and equipment		148,000	0	
Receivable due to sale of property, plant and equipment .....	(	148,000)	0

Notes on pages 10 to 31 are an integral part of these financial statements.

Notes

1. Reporting entity

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.

2. Basis of preparation

a. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The financial statements of N1 hf. were approved by the Board of Directors on 25 February 2015.

b. Going concern

Management has evaluated the Company's going concern. It is the opinion of management that its operations is ensured and that it is able to meet its obligations in the foreseeable future. Therefore, the financial statements are presented on a going concern basis.

c. Basis of measurement

The financial statements have been prepared on the historical cost basis, except for shares in other companies, derivatives and bonds, which are recognised at fair value.

d. Presentation and functional currency

The financial statements are prepared and presented in Icelandic Krona (ISK), which is the Company's functional currency. All amounts have been rounded to the nearest thousand unless otherwise stated.

e. Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions, which affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognised in the period in which the estimate is changed and in those future periods which are affected by the changes.

Information about important judgements that have the most significant effect on the amounts recognised in the financial statements is disclosed in note 3.e.(iv) regarding classification of leases, note 22 on inventories and note 31 on write down of trade receivables.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a. Associates

Associates are entities where the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting rights. Associated companies are accounted for using the equity method and are recognised initially at cost. The Company's investment includes the goodwill arising from the acquisition, if any, less impairment, if any. The Company's financial statements include the Company's share of profit and equity movements of associates from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has provided guarantees in respect of the associate or has financed it. Unrealised profit arising on transactions with associated companies is recognised as a reduction in their book value. Unrealised loss is recognised in the same way as unrealised profit, but only to the extent that there is no indication of impairment of these companies.

Notes, contd.:

3. Significant accounting policies, contd.:

b. Foreign currencies

(i) Transactions in foreign currencies

Transactions in foreign currencies are translated to Icelandic Krona at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at the reporting date. Exchange differences arising from transactions in foreign currencies are recognised in the income statement. At year end there were no open forward exchange contracts. The Company does not apply hedge accounting.

(ii) Foreign associates

The share of income of foreign associates is recognised at the average exchange rate of the year. The share of the equity is recognised at the exchange rate at the reporting date. Exchange differences arising from the translation to Icelandic Krona are recognised as a separate line item in the statement of comprehensive income. When a foreign associate is sold, partially or entirely, the related exchange difference is transferred to the income statement.

c. Financial instruments

(i) Financial assets and financial liabilities

The Company's financial assets and liabilities comprise cash and cash equivalents, shares in other companies, bonds, trade and other receivables, borrowings and trade and other short-term payables.

Financial instruments are initially recognised at fair value. They are recognised at the transaction date, which is the date the Company becomes a party to the contractual provisions of the instrument. For financial instruments not recognised at fair value through profit and loss all direct transaction costs are taken into account upon initial recognition. After initial recognition the Company's financial instruments are recognised as follows.

Financial assets at fair value through profit and loss

Shares in other companies and bonds are recognised at fair value through profit and loss. A financial instrument is classified as a financial instrument at fair value through profit and loss if it is held for trading or if it is designated as a financial instrument at fair value through profit and loss upon initial recognition. Financial instruments are designated at fair value through profit and loss if decisions regarding purchase and sale are based on their fair value. Financial assets at fair value through profit and loss are recognised at fair value in the balance sheet and fair value changes are recognised in the income statement. Direct transaction costs are recognised in the income statement when incurred. The Company's shares on other companies are not classified as held for trading but as financial assets designated as at fair value through profit and loss. Fair value changes of the shares are recognised under the item change in fair value of shares in the income statement and statement of comprehensive income but fair value changes of bonds are recognised as part of finance income.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value plus all related transaction costs. After initial recognition loans and receivables are recognised at amortised cost using the effective interest method, less impairment when appropriate. Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand bank deposits and short-term securities on maturity within 90 days from date of purchase and which uncertainty with respect to value is insignificant.

Financial liabilities

The Company's financial liabilities are recognised at amortised cost using the effective interest method. They comprise borrowings, trade and other short-term payables.

Notes, contd.:

3. Significant accounting policies, contd.:

c. Financial instruments, contd.:

(ii) Share capital

Share capital is classified as equity. Direct costs due to issue of share capital is recognised as reduction from equity, net of income tax effects.

Upon purchase of treasury shares the acquisition price, including direct costs, is recognised as reduction from equity. When treasury shares are sold the sale is recognised as increase in equity.

d. Intangible assets

(i) Software

Capitalised software licenses are recognised at cost less accumulated depreciation. Software is amortised on a straight line basis over 7 years.

(ii) Trademarks

Cost of procuring trademarks is capitalised and amortised on a straight line basis over the estimated useful life, taking into account impairment if any, over maximum 20 years.

e. Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment is recognised at cost less accumulated depreciation and impairment.

When property, plant and equipment consists of parts which have different useful lives, the parts are separated and depreciated based on the useful life of each part.

The gain on sale of property, plant and equipment, which is the difference between their sale proceeds and carrying amount, is recognised in the income statement among other operating income and the loss on sale among other operating expenses.

(ii) Subsequent costs

Costs of replacing single components of property, plant and equipment is capitalised when it is considered likely that the benefits associated with the asset will flow to the Company and the costs can be measured reliably. The carrying amount of the replaced component is expensed. All other costs are expensed in the income statement as they incurred.

(iii) Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost less estimated residual value. Depreciation is calculated on a straight line basis over the estimated useful lives of each component of property, plant and equipment. Estimated useful lives are specified as follows:

Real estates.....	33 years
Signs and tanks.....	10 - 20 years
Machines, tools, equipment and vehicles.....	5 - 15 years
Furnishings.....	6 - 7 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and changed if appropriate.

Notes, contd.:

3. Significant accounting policies, contd.:

e. Property, plant and equipment, contd.:

(iv) Leased assets

The Company is the lessee in leasing of real estates. The leasing contracts are classified as operating leases and therefore the real estates are not capitalised in the balance sheet. Lease payments are expensed in the income statement as they incur. In case of sale and leaseback where the sales price is higher than the carrying amount and fair value, recognition of gain on sale is deferred and recognised as reduction in lease expense over the lease term. Deferred gain on sale is recognised in the balance sheet among prepaid income.

f. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out rule, and includes expenditure incurred in acquiring the inventories and in bringing them to the location and condition in which they are at the reporting date. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

g. Impairment

(i) Financial assets

At each reporting date it is assessed whether there is objective evidence of impairment of financial assets which are not measured at fair value. A financial asset is impaired if there is objective evidence that one or more events that occurred after initial recognition indicate that the estimated future cash flows of the asset is lower than previously expected.

The impairment loss on financial assets measured at amortised cost is the difference between, on the one hand, their carrying amount, and on the other hand, the present value of the estimated future cash flows discounted at the original effective interest rate. Individual significant financial assets are tested specifically for impairment. Other financial assets are classified together based on credit risk characteristics and each group is tested specifically for impairment.

Impairment is expensed in the income statement.

An impairment is reversed if the reversal can be related objectively to an event that occurred after the impairment was recognised.

(ii) Other assets

The carrying amount of other assets of the Company, except for inventories and tax asset, is reviewed at each reporting date to determine whether there are indications of their impairment. If there is any such indication the recoverable amount of the asset is estimated.

h. Contribution to defined contribution pension plans

The Company pays contributions to independent defined contribution pension funds due to its employees. The Company has no responsibility for the funds' obligations. Contributions are expensed in the income statement among salaries and salary related expenses when incurred.

i. Provisions

A provision is recognised when the Company has a legal or constructive obligation due to past events if it is likely that payment will be required and if it is possible to estimate the obligation reliably. Provisions are measured by discounting the estimated future cash flows using pre-tax discount rates that reflect current market assessments of the time value of money and the risks specific to individual provisions.

Notes, contd.:

3. Significant accounting policies, contd.:

j. Revenue

(i) Sold goods and services

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the payment received or receivable, net of trade discounts and refunds. Revenue is recognised in the income statement when a significant portion of the risks and rewards of ownership are transferred to the buyer, it is probable that the consideration will be collected and the cost of sale and possible return of goods can be estimated reliably. Revenue is in general recognised upon delivery of the goods as the risk and rewards are in general transferred to the buyer when delivery occurs.

(ii) Customer points programme

The Company has a customer points programme where customers that have a N1-card accumulate points ("N1-points") when they buy goods from the Company. An N1-point is a valid currency with the Company, i.e. one point equals one Icelandic krona in all transactions with N1 hf. Furthermore, card holders are offered on regular basis the opportunity to multiply the value of their points with offers on certain products.

When a sale of goods includes the accumulation of customer points the consideration is allocated in such a way so that the fair value of the points granted parallel to the sale is recognised as deferred revenue and it is not realised until the customers have utilised the points. When calculating the fair value of granted points, i.e. the part of the revenue from sale which is deferred, it is estimated how big a portion of the points will not be utilised since granted points which are not utilised expire in three years or if no points are used for one year. Obligation due to customer points granted is recognised as prepaid income.

(iii) Other operating income

Other operating income comprises commissions, gain on sale of assets, lease income and other income.

(iv) Operating lease income

The Company rents part of its premises to other companies under operating lease contracts. Lease income is recognised in the income statement on a straight line basis over the lease term under the line item other operating income.

k. Expenses

Cost of goods sold

Cost of goods sold consists of the purchase price of sold inventories together with the related transportation cost, excise tax and duties.

l. Operating lease expense

Operating lease payments are due to leasing of buildings. They are expensed among other operating expenses as they are incurred, taking into account deferral of gain on sale, when appropriate, see note 3.e.(iv).

m. Finance income and finance expenses

Finance income comprises interest income on investments, dividend income and fair value changes of bonds. Interest income is recognised in the income statement as it accrues based on effective interest. Dividend income is recognised in the income statement when the right to receive payment has been established.

Finance expenses comprise interest expenses and borrowing costs on borrowings and recognised according to effective interest rate. Foreign exchange differences are recognised net among finance income or finance expenses, as appropriate.

Notes, contd.:

3. Significant accounting policies, contd.:

n. Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to operating items recognised directly in equity or in other comprehensive income, in which case the income tax is recognised together with those items.

Current tax is the income tax estimated to be payable next year in respect of the taxable income for the year, based on the tax rate at the reporting date, besides adjustments to tax payable in respect of previous years, if any.

Deferred tax is recognised using the balance sheet method in respect of temporary differences between, on the one hand, the carrying amounts of assets and liabilities in the financial statements and, on the other hand, their tax bases. The amount of deferred tax is based on the estimated realisation or settlement of the carrying amounts of assets and liabilities using the tax rate in effect at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that it is possible to utilise future profits against the asset. Deferred tax asset is reviewed at each reporting date and are reduced to the extent that it is considered that it will not be utilised.

o. Earnings per share

In the financial statements are presented basic and diluted earnings per share for ordinary shares in the Company. Basic earnings per share is based on the weighted average number of effective shares during the year. No share option contracts have been made with employees nor have financial instruments been issued, such as convertible bonds, which could lead to dilution of earnings per share. Diluted earnings per share is therefore the same as basic earnings per share.

p. New standards and interpretations not yet effective

A few new standards and amendments to standards are effective as from 1 January 2014. They did not have a significant effect on the Company's financial statements except that the disclosure of the Company's holdings in associated companies has been increased in accordance with IFRS 12 Disclosure of Interests in Other Entities. A few new standards and amendments to standards have been adopted by the EU and are effective for annual periods beginning after 1 January 2015, with permission to earlier adoption. These standards have not been applied in preparing these financial statements. The adoption of these standards and amendments to standards is not expected to have significant effect on the Company's financial statements.

4. Determination of fair values

Shares in other companies and bonds are recognised at fair value. In addition, International Financial Reporting Standards require the disclosure of the fair values of financial assets and financial liabilities even though they are not recognised at fair value. Fair values have been determined for measurement and/or disclosure purposes according to the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes about the respective assets and liabilities.

(i) Shares in other companies

For a share in a company quoted in an active market the quoted market price at the reporting date is used. For unlisted shares the fair value is determined by using valuation models which are based on the carrying amount of the share of the companies' equity.

(ii) Trade and other receivables

The fair value of trade and other receivables, which is only determined for disclosure purposes, is the estimated future cash flows discounted at the market interest rate at the reporting date. Short-term receivables are however not discounted as the difference between their fair value and their carrying amount is insignificant.

Notes, contd.:

4. Determination of fair values, contd.:

(iii) Payable to credit institutions and other financial liabilities

The fair value of payable to credit institutions, which is only determined for disclosure purposes, is the estimated future cash flows discounted at the market interest rate at the reporting date. Interest on payables to credit institutions are market rates. Therefore the difference between their book value and fair value is insignificant each period. Short-term payables are however not discounted as the difference between their fair value and their carrying amount is insignificant.

5. Financial assets and financial liabilities

Financial assets and liabilities are classified into certain categories. The classification of financial assets and financial liabilities affects how the respective financial instruments are measured after initial recognition. The classification of financial assets and financial liabilities of the Company and their measurement basis is specified as follows:

- * Financial assets designated as at fair value through profit or loss are recognised at fair value
- * Loans and receivables are recognised at amortised cost
- * Other financial liabilities are recognised at amortised cost

The following table shows the classification of the Company's financial assets and liabilities:

31 December 2014

	Designated at fair value	Loans and receivables	Other financial liabilities	Carrying amount
Assets:				
Cash and cash equivalents.....		4,629,100		4,629,100
Trade receivables.....		3,042,593		3,042,593
Receivables from related parties.....		27,776		27,776
Other short-term receivables.....		754,816		754,816
Bonds.....	48,009			48,009
Shares in other companies.....	2,000			2,000
	<u>50,009</u>	<u>8,454,285</u>		<u>8,504,294</u>
Liabilities:				
Payable to credit institutions.....			6,580,000	6,580,000
Payable to the Icelandic State.....			2,219,536	2,219,536
Trade payables.....			1,243,247	1,243,247
Payable to related parties.....			169,405	169,405
Other short-term liabilities.....			429,197	429,197
			<u>10,641,385</u>	<u>10,641,385</u>

31 December 2013

Assets:				
Cash and cash equivalents.....		6,019,414		6,019,414
Trade receivables.....		3,150,385		3,150,385
Receivables from related parties.....		47,557		47,557
Other short-term receivables.....		509,073		509,073
Bonds.....	20,495			20,495
Shares in other companies.....	286,422			286,422
	<u>306,917</u>	<u>9,726,429</u>		<u>10,033,346</u>
Liabilities:				
Payable to credit institutions.....			6,930,000	6,930,000
Payable to the Icelandic State.....			2,413,362	2,413,362
Trade payables.....			1,187,579	1,187,579
Payable to related parties.....			134,449	134,449
Other short-term liabilities.....			416,946	416,946
			<u>11,082,336</u>	<u>11,082,336</u>

Notes, contd.:

6. Financial risk management

Overview

The following risks arise from the Company's financial instruments.

- * Credit risk
- * Liquidity risk
- * Market risk (price risk, currency risk and interest rate risk)
- * Operating risk

Following is information about the above risks, the Company's objectives, policies and processes for measuring and managing the risk. Quantitative disclosures are included throughout the financial statements.

The Company's risk management objective is to minimise the risk it faces by analysing the risk, measure limits and control it.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk arises principally from the Company's trade receivables and other receivables.

Credit risk mainly depends on the age of trade receivables, the financial standing and operations of individual customers and the standing of the industries in which the Company's biggest customers operate, which are transportation, fishing industry and contractors. Approximately 44% (2013: 35%) of the Company's trade receivables at year end is attributable to 30 of the Company's biggest customers. Thereof, receivable from the biggest customer was 4% (2013: 4%).

The Company has established credit rules. All of the Company's customers with charge accounts have credit limits on their account which they cannot exceed. Legal entities must in general provide a self guarantee of the owner for an amount corresponding to supplies for two months. This does however not apply to bigger customers which have a with good credit rating at CreditInfo.

The Company establishes an allowance for estimated impairment on trade receivables and other receivables. The allowance includes both a specific allowance for individual customers and a collective allowance. The estimation of impairment from the collective allowance is based on historical loss experience, the age of receivables and general economic conditions.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objective is to always have sufficient liquidity to meet its payment obligations as they become due.

The Company's liquidity position was strong at year end 2014. The Company's management believes that it is in a good position to meet its obligations as they become due. The repayment period of long-term loans is 20 years and loan term is 14 years. In addition to that the Company has access to a credit line for three years, ISK 1 billion and USD 25 million that together amount to ISK 4,2 million in total.

Market risk

Market risk consists of price risk, interest rate risk and currency risk. The Company's objective is to manage and confine market risk within defined limits.

Price risk

The Company is exposed to significant price risk due to changes in world market oil price, which has fluctuated significantly in the past few years. Significant changes in the world market price are reflected in frequent price changes at the Company's service stations. The Company limits price risk by means of specific agreements with its largest customers.

Notes, contd.:

6. Financial risk management, contd.:

Currency risk

All of the Company's transactions denominated in foreign currencies create currency risk. In evaluating currency risk both payment risk and settlement risk is taken into account. The objective is to manage currency risk in order to best insure the Company's benefits. The major part of imports is purchase of oil, denominated in USD from foreign suppliers but the sale is in great part in ISK. Sales in ISK constitute 56% (2013: 59%), USD 42% (2013: 40%) and other currencies 2% (2013: 1%).

Interest rate risk

The Company is exposed to cash flow interest rate risk due to changes in interest rates of floating rate financial liabilities. As stated before, the Company endeavours to ensure it always has sufficient liquidity to meet its liabilities as they become due. The Company's long-term loan and its line of credit are not indexed to inflation.

Other price risk

Other price risk which arises from financial instruments recognised at fair value is not material since the Company's investments in other companies and bonds are not a significant part of the balance sheet or 0.2% at year end 2014 (2013: 1.1%).

Operating risk

Operating risk is the risk of direct or indirect loss due to various factors in the Company's operations. Among the risk factors are employees' work, technology and method applied.

In order to reduce operating risk, among other things, there has been established an appropriate segregation of duties, transactions on charge accounts and compliance with law are monitored and training of personnel. A part of operating risk management is the operation of the N1-school, where employees receive appropriate training relating to their work for the Company. Effective work procedures and rules on back-up of IT systems have been implemented. Furthermore, effective operating budgets and monthly statements are prepared for individual divisions and deviations from approved operating budgets are analysed.

7. Segment reporting

Internal reporting to the Company's key management is based on both classification of sale by products and sale by divisions, which are corporate division and consumer division. However, a significant part of sale to the corporate division's customers is from the consumer division and therefore the operation of the two divisions is intertwined. Therefore, it is the opinion of the Company's management that despite the division into corporate and consumer division there is only one operating segment within the Company. Notes 8 and 9 specify sale and gross margin by products.

8. Sales

	2014	2013
Fuel	46,792,675	46,755,706
Other goods	10,167,523	11,366,468
Total net sales	<u>56,960,198</u>	<u>58,122,174</u>

Sale to one customer was in excess of 10.0% of the companies total sale for the year 2013 or 25.1% (2013: 23.5%).

9. Gross profit

Fuel	5,278,548	4,973,098
Other goods	4,326,172	4,154,293
Total gross profit	<u>9,604,720</u>	<u>9,127,391</u>

Notes, contd.:

10. Salaries and other personnel expenses	2014	2013
Salaries	3,112,965	3,076,934
Contributions to pension funds	287,106	287,294
Other salary related expenses	301,399	309,311
Other personnel expenses	129,122	115,301
Total salaries and other personnel expenses	<u>3,830,592</u>	<u>3,788,840</u>

Number of employees in full time equivalent units	560	600
Full time equivalent units at year end	454	489

11. Sales and distribution expenses

Distribution expenses	1,499,711	1,391,031
Marketing expenses	301,122	350,489
Maintenance expenses	334,778	279,669
Total sales and distribution expenses	<u>2,135,611</u>	<u>2,021,189</u>

12. Other operating expenses

Office and administrative expenses	274,152	520,562
Operations of premises	432,989	413,230
Lease expense	276,359	251,922
Computer hardware and software	230,523	255,320
Write-off and impairment of trade receivables (see note 31)	22,181	25,636
Other expenses	231,766	433,343
Total other operating expenses	<u>1,467,970</u>	<u>1,900,013</u>

Other operating expenses in 2013 include one-off expenses due to the Company's listing on stock exchange and the sale of Bílanaust ehf., totally amounting of ISK 372 million.

13. Fees to the Company's auditor

Audit of the financial statement	11,187	10,528
Audit of the interim financial statement	0	9,296
Review of interim financial statement	1,994	0
Other services	1,739	3,510
Total fees to auditors	<u>14,920</u>	<u>23,334</u>

14. Amortisation and depreciation

Amortisation of intangible assets, see note 18	86,850	60,199
Depreciation of property, plant and equipment, see note 19	660,346	655,840
Total amortisation and depreciation	<u>747,196</u>	<u>716,039</u>

Notes, contd.:

15. Finance income and finance expenses	2014	2013
Finance income is specified as follows:		
Interest income on bank accounts	244,137	198,038
Interest income and fair value changes on bonds	24,575	7,786
Interest income on receivables	70,752	71,973
Currency exchange gain	108,542	2,582
Dividend income	9,718	11,726
Total finance income	457,724	292,105

Finance expenses are specified as follows:

Interest expenses	469,191	631,465
Total finance expenses	469,191	631,465

The Company refinanced its interest bearing loans in September 2013 which decreases the Company's interest expenses by more than ISK 100 million per year.

16. Income tax

Income tax in the income statements is specified as follows:	2014	2013
Income tax payable	150,736	41,399
Deferred income tax	231,484	272,865
	382,220	314,264

Effective income tax is specified as follows:

Profit before income tax		2,009,770		984,337
Income tax based on current tax rate	20.0%	401,954	20.0%	196,867
Non-deductible expenses	0.1%	2,226	0.4%	3,901
Non-taxable income	(1.1%)	(21,960)	(5.5%)	(53,725)
Items not recognised				
in the income statement	0.0%	0	0.3%	2,823
Corrections of tax due to previous years	0.0%	0	16.6%	163,777
Other changes	0.0%	0	0.1%	621
Effective income tax rate	19.0%	382,220	31.9%	314,264

17. Earnings per share

Basic earnings per share is the ratio of the profit attributable to the Company's shareholders and the weighted average number of ordinary shares outstanding, and shows the earnings per each ISK share. Diluted earnings per share are the same as basic earnings per share as the Company has neither entered into share option contracts nor taken loans convertible into shares.

Basic earnings and diluted earnings per share	2014	2013
Profit for the year.....	1,627,550	670,073
Share capital at the beginning of the year.....	1,000,000	1,000,000
Effect of decrease in share capital.....	(27,945)	0
Weighted-average of issued share capital.....	972,055	1,000,000
Basic earnings and diluted earnings per share in ISK.....	1.67	0.67

Notes, contd.:

18. Intangible assets

Intangible assets and amortisation is specified as follows:

	Software	Trademarks	Total
Total value			
Total value 1.1.2013	486,563	230,850	717,413
Total value 31.12.2013	486,563	230,850	717,413
Additions during the year	48,903	0	48,903
Total value 31.12.2014	535,466	230,850	766,316
Amortisation			
Amortisation 1.1.2013	199,217	57,712	256,929
Amortisation for the year	48,657	11,542	60,199
Total amortisation 31.12.2013	247,874	69,254	317,128
Amortisation of the year	75,308	11,542	86,850
Total amortisation 31.12.2014	323,182	80,796	403,978
Carrying amount			
Carrying amount 1.1.2013	287,346	173,138	460,484
Carrying amount 31.12.2013	238,689	161,596	400,285
Carrying amount 31.12.2014	212,284	150,054	362,338
Amortisation rates	15%	5%	

Amortisation rates on software was changed in 2014 from 10% to 15% due to changes in the estimated useful life.

19. Property, plant and equipment

Property, plant and equipment, and depreciation is specified as follows:

	Real estates, signs and tanks	Furnishings, machines, tools and equipment	Total
Total value			
Total value 1.1.2013	11,807,770	4,182,180	15,989,950
Additions during the year	305,913	788,624	1,094,537
Sold and disposed of during the year	(401,037)	(555,269)	(956,306)
Reclassified as held for sale	(1,034,743)	0	(1,034,743)
Total value 31.12.2013	10,677,903	4,415,535	15,093,438
Additions during the year	42,483	353,159	395,642
Sold and disposed of during the year	(87,539)	(335,804)	(423,343)
Total value 31.12.2014	10,632,847	4,432,890	15,065,737
Depreciation			
Depreciated 1.1.2013	2,973,755	2,426,213	5,399,968
Depreciation for the year	313,521	342,319	655,840
Sold during the year	(168,534)	(428,182)	(596,716)
Reclassified as held for sale	(86,601)	0	(86,601)
Total depreciation 31.12.2013	3,032,141	2,340,350	5,372,491
Depreciation for the year	265,365	394,981	660,346
Sold and disposed of during the year	(21,559)	(274,116)	(295,675)
Total depreciation 31.12.2014	3,275,947	2,461,215	5,737,162

Notes, contd.:

Carrying amount

Carrying amount 1.1.2013	8,834,015	1,755,967	10,589,982
Carrying amount 31.12.2013	7,645,762	2,075,185	9,720,947
Carrying amount 31.12.2014	7,356,900	1,971,675	9,328,575

Depreciation rates	3-10%	6-20%
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On 18 December 2014 the Company's sale Bíldshöfði 9 was finalized, the gain on the sale amounted to ISK 81 million.

Insurances and valuation of assets

Insurance value and value for taxation of property, plant and equipment is specified as follows at year end:

	2014	2013
Value for taxation of real estates	4,479,879	5,154,676
Value for fire insurance of real estates	7,093,384	8,644,856
Insurance value of tools, equipment and furnishings	2,045,911	2,054,191
Insurance value of inventories	2,134,827	2,101,945

The associate Olíudreifing ehf. insures the part of liquid inventory in its possession. Those inventories are part of inventories in the Company's balance sheet but are not included in the above insurance value.

Pledged assets

The Company refinanced long-term loans and a line of credit with Íslandsbanki hf. at the end of September 2013. The line of credit amounts to ISK 1,000 million and USD 25 million. The Company has not utilised the line of credit.

Íslandsbanki hf. holds complete pledge in the Company's main real estates, inventories and trade receivables in the amount of ISK 15,555 million as collateral for long-term loans and the line of credit.

20. Shares in associates

Shares in associates are specified as follows:

Year 2014	Share	Nominal value	Carrying amount
Olíudreifing ehf.	60.0%	249,000	973,050
Malik Supply A/S, Denmark *	49.0%	24,021	446,509
EAK ehf	33.3%	6,000	23,628
Shares in four associates	-	3,340	17,659
Total shares in associates at year end			<u>1,460,846</u>

*The nominal value of shares in Malik Supply A/S is in DKK

Change in the carrying amount of associates during the year:

Carrying amount at the beginning of the year	1,377,860
Share of profit	93,802
Translation difference	(10,815)
Carrying amount at year end	<u>1,460,846</u>

Notes, contd.:

20. Shares in associates, contd.:

Year 2013	Share	Nominal value	Carrying amount
Olíudreifing ehf.	60.0%	249,000	941,703
Malik Supply A/S, Denmark *	49.0%	24,021	399,111
EAK ehf.	33.3%	6,000	20,062
Shares in four associates	-	3,340	16,984
Total shares in associates at year end			<u>1,377,860</u>

*The nominal value of shares in Malik Supply A/S is in DKK

Change in the carrying amount of associates during the year:

Carrying amount at the beginning of the year	1,310,526
Share of profit	99,501
Translation difference	(32,167)
Carrying amount at year end	<u>1,377,860</u>

Following are the financial information of associated companies Olíudreifing ehf. and Malik Supply A/S. The information is based on their annual financial statements by taking into account the unamortized premium paid upon acquisition of the share in Malik Supply A/S.

Olíudreifing ehf.

The Company owns 60% share in Olíudreifing ehf. The Company has not control over Olíudreifing ehf. which is therefore not a subsidiary of the Company. This is because the Competition Authority decided that the company should have board members independent from N1 hf. However the Company's operations have significant influence on the operations of Olíudreifing ehf. Accordingly the Company accounts for its ownership interest according to the equity method. The financial statements of Olíudreifing ehf. are prepared in accordance with the Icelandic Financial Statements Act.

	2014*	2013*
Non-current assets	3,419,556	3,249,912
Current assets	617,898	659,630
Non-current liabilities	(1,952,370)	(1,825,421)
Current liabilities	(441,665)	(471,279)
Net asset (100%)	<u>1,643,419</u>	<u>1,612,842</u>
Fair value adjustment of property	13,001	26,002
Carrying amount of the share (60%)	<u>973,050</u>	<u>941,703</u>
Income (100%)	3,035,494	2,888,216
Profit (100%)	37,131	108,483
Share in total comprehensive income (60%)	22,279	65,090

* Draft of Financial Statements

Notes, contd.:

20. Shares in associates, contd.:

Malik Supply A/S

Malik Supply A/S was founded in 1989 to service the international fleet of trawlers on the waters of Greenland and in the North Atlantic ocean with oil, lubricants and other products. N1 sells Malik fuel oil sold to major fisheries in Greenland. The financial statements of Malik Supply A/S are prepared in accordance with the Danish Financial Statements Act.

	2014*	2013*
Non-current assets	280,142	198,598
Current assets	1,414,390	1,352,620
Non-current loans	(263,428)	(81,842)
Current loans	(820,407)	(971,272)
Net asset (100%)	610,697	498,104
Fair value adjustment	147,267	155,040
Carrying amount of the share (49%)	446,509	399,111
Income (100%)	294,748	189,286
Profit (100%)	125,614	51,590
Share in total comprehensive income (49%)	61,551	25,279

* Draft of Financial Statements

21. Shares in other companies

Shares in other companies are specified as follows:

	Share	Nominal value	Carrying amount
Year 2014			
Shares in other companies			2,000
Total shares in other companies at year end			2,000
Year 2013			
Icelandair Group hf.	0.3%	15,526	282,580
Shares in 13 other companies	-	-	3,842
Total shares in other companies at year end			286,422

Shares in other companies are recognised at fair value. Fair value changes are recognised in the income statement as change in fair value of shares. Received dividend is recognised among finance income.

22. Inventories

Inventories at year end are specified as follows:

	2014	2013
Fuel.....	1,924,571	2,820,532
Other goods.....	1,209,686	1,497,269
Total inventories.....	3,134,257	4,317,801

23. Trade receivables

Trade receivables are specified as follows at year end:

Nominal value of trade receivables.....	3,172,050	3,309,542
Bonds.....	18,430	85,474
Allowance for impairment.....	(147,887)	(244,631)
Carrying amount of trade receivables.....	3,042,593	3,150,385

Note 31 includes further information on impairment (write down) of trade receivables.

Notes, contd.:

24 Other short-term receivables

Other short-term receivables at year end are specified as follows:	2014	2013
Prepaid expenses.....	275,264	74,017
VAT refund and other receivables from the Icelandic State.....	325,389	364,040
Other short-term receivables.....	154,163	71,016
Total other short-term receivables.....	<u>754,816</u>	<u>509,073</u>

25 Equity

(i) Share capital

The Company's total share capital according to its Articles of Association amounts to ISK 700 million. One vote is attached to each ISK one share in the Company. Shareholders in the Company have the right to receive dividends in proportion to their shareholding upon dividend distribution.

(ii) Share premium

Share premium consists of contributions by shareholders, after taking into account loss equalisation amounting to 1,135 million in excess of the nominal value of share capital and decrease in share capital amounting 3,560 million.

(iii) Revaluation reserve

The Company's share in the revaluation of real estates of an associate is recognised in the revaluation reserve. The revaluation is dissolved in accordance with annual depreciation of the revaluation in the income statement. Dissolution of the revaluation is recognised in retained earnings.

(iv) Statutory reserve

In accordance with Icelandic Company act, statutory reserve consists of an amount corresponding to 25% of the nominal value of share capital of the company. This amount can not be distributed to shareholders as dividend. The Company's statutory reserve is 35.7% at year end, due to decrease in share capital in 2014.

(iv) Translation difference

Translation difference consists of exchange difference arising from the translation of the financial statements of a foreign associate.

(v) Retained earnings

Profit (loss) for the year is recognised as increase (decrease) in retained earnings. Dividend payments are recognised as reduction in retained earnings. Dissolution of revaluation is recognised as increase in retained earnings.

(vi) Capital management

The Board of Directors of N1 has established a policy on the Company's capital structure and dividend payments. According to the policy the Board of Directors will propose to annual general meetings that at least 50% of the profit for each year be paid to shareholders as dividend. Furthermore, the Company aims at an equity ratio of 40%. The Company's loan agreements do not include provisions that restrict dividend payments but there is a requirement of at least 35% equity ratio. At year end 2014, the Company's equity ratio was 49.4%

Notes, contd.:

26. Payable to credit institutions

Interest bearing liabilities are specified as follows at year end:

	2014		2013	
	Interest rate	Carrying amount	Interest rate	Carrying amount
Non-indexed loan in ISK on floating interests.....	6.90%	6,580,000	7.00%	6,930,000
Current maturities.....		(350,000)		(350,000)
Total long-term liabilities.....		<u>6,230,000</u>		<u>6,580,000</u>

Maturities are specified as follows over the next years:

	2014	2013
Year 2014.....	-	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
Year 2019.....	350,000	350,000
Later.....	<u>4,830,000</u>	<u>4,830,000</u>
	<u>6,580,000</u>	<u>6,930,000</u>

27. Deferred tax liability

Deferred tax liability is specified as follows by individual items:

Asset

Trade and other receivables.....	0	40,284
Inventories.....	<u>12,258</u>	<u>3,574</u>
	<u>12,258</u>	<u>43,858</u>

Liability

Property, plant and equipment.....	209,517	4,756
Intangible assets.....	56,274	69,983
Unrealised currency exchange difference.....	14,644	14,558
Trade receivables.....	<u>3,108</u>	<u>0</u>
	<u>283,543</u>	<u>89,297</u>
Deferred tax liability.....	<u>271,285</u>	<u>45,439</u>

28. Payable to the State

Payable to the Icelandic State consists of unpaid value added tax and duties in customs, oil tax, fuel tax, carbon tax and other taxes.

29. Prepaid income

Prepaid income is specified as follows at year end:

Points programme.....	167,206	164,858
Prepaid cards.....	59,060	39,200
Klettagarðar 13.....	30,211	30,211
Other prepaid income.....	<u>0</u>	<u>1,407</u>
Total prepaid income.....	<u>256,477</u>	<u>235,676</u>

Notes, contd.:

30. Other short-term liabilities

Other short term liabilities are specified as follows at year end:	2014	2013
Unpaid salaries and salary related expenses.....	123,288	122,812
Accrued vacation.....	222,884	214,033
Unpaid accrued interests.....	74,409	79,503
Other short term liabilities.....	8,616	598
Total other short-term liabilities.....	<u>429,197</u>	<u>416,946</u>

31. Financial instruments

Credit risk

The Company's maximum possible loss due to financial assets with inherent credit risk is their carrying amount, which is specified as follows at year end:

Bonds.....	48,009	20,495
Trade receivables.....	3,042,593	3,150,385
Receivables from related parties.....	27,776	47,557
Other short-term receivables.....	479,552	435,056
Cash and cash equivalents.....	4,629,100	6,019,414
	<u>8,227,030</u>	<u>9,672,907</u>

Approximately 44% (2013: 35%) of balances of trade receivables are with the 30 largest customers of the Company. Thereof the largest trade receivable was 4% (2013: 4%).

Age analysis of trade receivables and impairment loss

The age of trade receivables at year end is specified as follows:

	Nominal value	Write-down	Carrying amount
Year 2014			
Not due.....	2,327,405	(43,418)	2,283,987
Past due by 30 days or less.....	424,292	(25,621)	398,671
Past due by 31 - 120 days.....	308,281	(23,811)	284,470
Past due by more than 120 days.....	130,503	(55,038)	75,465
	<u>3,190,481</u>	<u>(147,888)</u>	<u>3,042,593</u>
Year 2013			
Not due.....	2,454,727	(50,052)	2,404,675
Past due by 30 days or less.....	543,550	(39,144)	504,406
Past due by 31 - 120 days.....	215,385	(26,646)	188,739
Past due by more than 120 days.....	181,354	(128,789)	52,565
	<u>3,395,016</u>	<u>(244,631)</u>	<u>3,150,385</u>

Impairment on trade receivables is specified as follows:

	2014	2013
Balance at the beginning of the year.....	244,631	266,426
Receivables written-off during the year.....	(118,925)	(47,431)
Expensed impairment during the year.....	22,181	25,636
Balance at year end.....	<u>147,887</u>	<u>244,631</u>

Notes, contd.:

31. Financial instruments, contd.:

The Company's trade receivables are specified as follows at year end by clients:

Year 2014	Nominal value	Specific write-down	General write-down	Carrying amount at year end
Fishing industry.....	768,054	(25,052)	(9,667)	733,335
Transportation.....	106,113	(15,986)	(1,336)	88,791
Contractors.....	314,568	(29,717)	(3,959)	280,892
Other industries and individuals.....	1,572,983	(36,976)	(19,798)	1,516,209
Foreign sale.....	428,763	0	(5,397)	423,366
	<u>3,190,481</u>	<u>(107,731)</u>	<u>(40,157)</u>	<u>3,042,593</u>

Year 2013

Fishing industry.....	737,428	(41,722)	(9,598)	686,108
Transportation.....	140,506	(28,690)	(1,829)	109,987
Contractors.....	402,385	(86,547)	(5,237)	310,601
Other industries and individuals.....	1,897,905	(43,483)	(24,703)	1,829,719
Foreign sale.....	216,792	0	(2,822)	213,970
	<u>3,395,016</u>	<u>(200,442)</u>	<u>(44,189)</u>	<u>3,150,385</u>

Liquidity risk

The following table shows an overview of when the Company's contractual future payments on liabilities fall due. The payment flow includes estimated future interests where appropriate.

Year end 2014	Within a year	1 - 2 years	3 - 5 years	Over 5 years
Payable to credit institutions.....	793,558	769,408	2,163,324	6,845,746
Payable to the Icelandic State.....	2,219,536			
Trade payables.....	1,243,247			
Payable to related parties.....	169,405			
Other short term liabilities.....	429,197			
	<u>4,854,943</u>	<u>769,408</u>	<u>2,163,324</u>	<u>6,845,746</u>

Year end 2013

Payable to credit institutions.....	746,086	725,670	2,054,509	7,180,862
Payable to the Icelandic State.....	2,413,362			
Trade payables.....	1,187,579			
Payable to related parties.....	134,449			
Other short term liabilities.....	416,946			
	<u>4,898,422</u>	<u>725,670</u>	<u>2,054,509</u>	<u>7,180,862</u>

The Company's long term loans contain covenants on financial conditions regarding equity ratio, liquidity ratio and leverage. If financial conditions are not met the loan in question will fall due.

Notes, contd.:

31. Financial instruments, contd.:

Currency risk

The Company's exposure to foreign exchange risk is specified as follows at year end:

Year 2014	USD	EUR	Other currencies	Total
Bonds.....	0	0	30,372	30,372
Trade receivables.....	835,790	13,092	10,900	859,782
Cash and cash equivalents.....	333,875	857	3,180	337,912
Trade payables.....	(269,966)	(44,258)	(94,994)	(409,218)
Risk in balance sheet.....	899,699	(30,309)	(50,542)	818,848

Year 2013

Bonds.....	0	0	31,143	31,143
Trade receivables.....	494,700	19,841	49,173	563,714
Cash and cash equivalents.....	309,672	716	853	311,241
Trade payables.....	(239,337)	(61,025)	(92,444)	(392,806)
Risk in balance sheet.....	565,035	(40,468)	(11,274)	513,292

Sensitivity analysis

A 10% strengthening of the ISK against the following currencies at year end would have increased (decreased) the Company's results before income tax by the following amounts.

	2014	2013
USD.....	(89,970)	(56,504)
EUR.....	3,031	4,047
Other currencies.....	5,054	1,128
Total.....	(81,885)	(51,329)

A 10% weakening of the ISK against the above mentioned currencies at year end would have the same effect in the opposite direction.

Interest rate risk

An interest increase at the reporting date by one percentage (100 basis points) would decrease results before income tax by ISK 66 million (2013: 69) due to effects of the Company's borrowings on floating interests. The calculation is based on operating effect on annual basis. A decrease by one percentage would have the same effect in the opposite direction.

32. Operating lease

Rental obligation

The Company rents premises from various parties and the total obligation in relation thereto amounts to ISK 1,493 million until the year 2020. Future rent payments, without taking into account future inflation, are specified as follows at year end:

	2014	2013
Within one year.....	304,774	300,928
After 1 - 5 years.....	862,368	931,973
After 5 years.....	551,351	714,657
Total.....	1,718,493	1,947,558

Notes, contd.:

32. Operating lease, contd.:

Rental income

The Company rents premises to various parties. Some of the rental agreements are indeterminate but the lease term of other agreements are from 1 - 15 years. Rental income in the year 2014 amounted to ISK 161 million. Most of the rental agreements are price indexed. Total obligation of lessees without taking into account future inflation is specified as follows. Obligation of lessees due to indeterminate agreements is only calculated for one year.

	2014	2013
Within one year.....	135,464	158,715
After 1 - 5 years.....	267,767	239,837
After 5 years.....	191,896	116,867
Total.....	<u>595,127</u>	<u>515,419</u>

33. Related parties

Definition of related parties

The Company's related parties are significant shareholders, associated companies, Board members and management personnel and close family members.

Transactions with associated companies

Transactions with associated companies are specified as follows:

Purchased goods and services	1,220,866	1,192,785
Sold goods and services.....	424,161	1,542,294
Bonds.....	30,372	34,301
Receivables at year end.....	27,776	46,405
Payables at year end.....	169,405	134,449

Transactions with significant shareholders

The Company has a long term loan from Íslandsbanki hf. and the remaining balance on the loan at year end amounted to ISK 6,580 million (2013: 6,930). Íslandsbanki hf. was a related party until the company was listed in in December 2013.

Interest income from shareholders.....	0	10,123
Interest expenses to shareholders.....	0	322,275
Services sold to shareholders.....	0	12,364
Receivable from shareholders at year end.....	0	1,152
Deposits with shareholders at year end.....	0	966,667

Salaries and benefits of the Board of Directors and management is specified as follows:

	2014	2013	Shares at year end 2014
Margrét Guðmundsdóttir, Chairman of the Board.....	7,320	7,720	8,438
Helgi Magnússon, Board member.....	4,808	3,320	10,017,500
Kristín Guðmundsdóttir, Board member.....	3,900	4,400	16,876
Guðmundur Arnar Óskarsson, Board member.....	2,925	0	
Jón Sigurðsson, Board member.....	1,300	0	29,455,835
Hreinn Jakobsson, former Board member.....	975	4,400	
Þór Hauksson, former Board member *.....	0	3,863	
Kristinn Pálmason, former Board member *.....	875	1,985	
Eggert Benedikt Guðmundsson, CEO.....	55,886	51,700	228,758
Eggert Þór Kristófersson, Head of Finance Division.....	33,827	31,462	457,516
Ingunn Sveinsdóttir, Head of Customer Services.....	25,962	25,658	
Hinrik Örn Bjarnason, Head of Corporate Services.....	25,164	21,813	183,006
Total salaries and benefits of the Board of Directors and management.....	<u>162,942</u>	<u>156,321</u>	<u>40,367,929</u>

* Paid to Framtakssjóður Íslands slhf. due to board membership of Þór Hauksson and Kristinn Pálmason, its employees.

Notes, contd.:

33. Related parties, cond.:

Included in the above shares are shares of spouses, financially dependent children and independent parties with same legal residence, and shares owned by companies controlled by members of the management as well as companies owned by these individuals.

No loans have been granted to Board members or the CEO of the Company.

Transaction with other related parties

Transactions with other related parties were insignificant during the periods covered by the financial statements. Such transactions were carried out on an arm's length basis.

Transactions with employees

The Company has provided loans to its employees due to general purchase of goods in the amount of ISK 17 million at year end 2014 (2013: ISK 21 million). Other liabilities of employees with the Company amounted to ISK 1 million at year end (2013: ISK 2 million).

34. Ratios

The Company's key ratios are specified as follows:

	2014	2012
Income statement		
Turnover rate of inventories at the end of the period: utilisation of goods / inventories at year end.....	15.11	11.35
Sales days in trade receivables: trade receivables at year end / goods and services sold.....	19	20
Profit (loss) before depreciation, amortisation and finance items / gross profit.....	27.8%	19.5%
Salaries and salary related expenses / gross profit.....	39.9%	41.5%
Sales and distribution cost / gross profit.....	22.2%	22.1%
Other operating expenses / gross profit.....	15.3%	20.8%
Balance sheet		
Current ratio: current assets / current liabilities.....	2.40	3.14
Liquidity ratio: (current assets - inventories) / current liabilities.....	1.75	2.23
Leverage: Net interest bearing liabilities / EBITDA.....	0.76	0.56
Equity ratio: Equity / total capital.....	49.4%	56.5%
Return on equity: Return of the year / weighted average balance of equity.....	12.3%	4.5%

35. Other issues

In June 2013 the Icelandic Competition Authority announced that it had decided to initiate market research on the Icelandic fuel market. This is a new form of research, which includes consideration of a need for action against conditions or conduct that prevent, restrict or adversely affect competition to the detriment of the public. The study does not focus specifically on the Company itself, but the fuel market as a whole. According to an updated schedule it is expected that by the end of 2014 the gathering of information and assessment of data will be finalized and that an initial report will be published on the first half of 2015. The study did not affect the operations or financial position of N1 hf. in the year 2014.

Statement of Corporate Governance

Board of Directors and corporate governance

The Board of Directors

Corporate governance of N1 is laid down in rules of procedures for the Board, the Company's Articles of Association and the Act on Public Limited Companies No. 2/1995. The current rules of procedures for the Board were approved on a Board meeting at 9 April 2013. The rules are based on provisions in Article 70, paragraph 4 in the Act on Public Limited Companies No. 2/1995 and Article 17, paragraph 2 of the Company's Articles of Association. The Company's Articles of Association describe the Company's objective, its share capital, shareholders meetings, board of directors, CEO, accounting and audit. The current policy on terms of employment for N1 was approved by the Annual General Meeting on 7 May 2013. The policy applies to the terms of employment for members of the Board, CEO and senior management of the Company.

The Company's rules of procedures for the Board, Articles of Association and policy on terms of employment are accessible on the Company's website, www.n1.is/fjarfestatengsl. N1 complies with the Guidelines on Corporate Governance, 4th edition, issued by the Icelandic Chamber of Commerce, Nasdaq OMX Iceland hf. and the Confederation of Icelandic Employers, in all instances except for the following;

- The Board of Directors of N1 has not appointed a nomination committee.
- The Statement of Corporate Governance does not include an analysis of environmental and social factors needed to understand the development, success and position of the Company.
- The Statement of Corporate Governance does not include information on main points affecting the appraisal of the Board's success.

The Board of Directors of N1 is the highest authority in the Company's affairs between shareholders meetings and is responsible for its operations. Communication between the Board and shareholders is at shareholders meetings. Members of the Board are independent in their work and do not accept direct instructions from shareholders in the Company or other stakeholders. Members of the Board must also observe confidentiality in performing their duties and are not allowed to provide information to shareholders concerning the Company's finances or operations unless it is presented by the Board.

The Board of Directors of N1 hf. consists of five directors and one reserve director appointed for a one year term in the Annual General Meeting. Margrét Guðmundsdóttir is the Chairman of the Board and has been on the Company's Board since 2011 and as Chairman since 2012. Kristín Guðmundsdóttir has been on the Board since 2011 and Helgi Magnússon since 2012. Jón Sigurðsson and Guðmundur Arnar Óskarsson have on the Board since 2014. The Board of Directors of N1 hf consists of two women and three men and therefore complies with provisions of law on gender ratio which entered into effect on 1 September 2013. Members of the Board have diverse education and extensive professional experience.

Those who intend to candidate at the election of the Board of Directors of the Company must notify so in writing to the Board of Directors with at least five days notice before the beginning of the Annual general meeting. The Company's Articles of Association can only be amended with the approval of 2/3 of votes cast in a lawfully called shareholders' meeting, provided that the intended amendment is thoroughly mentioned in the agenda to the meeting and what it consists of.

Statement of Corporate Governance, continued

Board of Directors and corporate governance, continued

Corporate governance

The Board of Directors has laid down rules of procedures for the Board which are reviewed on annual basis. In the rules of procedure the competences of the Board and its purview with respect to the CEO are defined. The procedures contain among other things provisions on the appointment of Board members, communication with shareholders, calling of meetings and order, minutes of meetings and their content, rules on Board members' obligation of confidentiality and secrecy and rules on eligibility of Board members to participate in decision making. The Board elects a Chairman and Vice Chairman for the Board in addition to appointing members of sub-committees. Board meetings shall be called as often as necessary but no less than once a every month. Board meetings are held at the headquarters of N1 at Dalvegur 10-14, 201 Kopavogur, and the Chairman of the Board directs the meetings. The CEO attends Board meetings and may at the meetings discuss matters and present motions, unless otherwise decided by the Board in specific matters. The Company's Board of Directors among others determines the CEO's terms of employment and meets regularly with the Company's auditors. The Board of Directors has appointed an audit committee and a remuneration committee.

To ensure that the Company's financial statements are in accordance with International Financial Reporting Standards the Company places emphasis on carefully defined responsibilities, appropriate separation of tasks and regular reporting and transparency in the operation. The process of monthly reporting and review for individual divisions is an important factor in the control on return and other key aspects of the operation. Monthly statements are prepared and presented to the Company's Board of Directors. The Company has established work procedures to ensure control in income recognition, operating expenses and other items affecting the Company's operation. Risk management is reviewed on regular basis in order to reflect changes in market conditions and the Company's operation. With personnel training and work procedures the Company aims at maintaining disciplined control where all employees are aware of their role and responsibilities. Operating risk is addressed by monitoring transactions and compliance with law. The Board of Directors has established equity management policy to ensure strong equity position and support stable future operating development.

All members of the Board of Directors have provided personal information to enable an evaluation of their qualification for membership on the Board of Directors in other companies, shareholding in the Company, whether directly or indirectly through related parties, and possible conflict of interest. Helgi Magnússon is not regarded as being independent of the large shareholders in the Company. Helgi is the alternate Chairman of the Board of Directors of Lífeyrissjóður verslunarmanna, which owns 14.2% of the share capital of the Company. All other Board members are independent of both the Company and the large shareholders.

Remuneration committee

The Board of Directors has appointed a remuneration committee. The role of the Remuneration Committee is to provide guidance to the Board of Directors regarding employment terms for Board members and management and advise on the Company's remuneration policy, which shall be reviewed every year and presented to the Company's annual general meeting. Furthermore, the committee shall monitor that employment terms of executive management is in accordance with the Company's remuneration policy and report thereon to the Board of Directors on annual basis in relation to the annual general meeting. The Remuneration Committee shall consist of three members appointed by the Company's Board of Directors. The majority of the members shall be independent from the Company and its day-to-day managers. Neither the CEO nor other employees may be a member of the Remuneration Committee. Independent Board members may be a member of the Remuneration Committee. Committee members should preferably have experience and knowledge of the criteria and customs that relate to the determination of the employment terms of managers. The Rules of Procedure of the committee shall state on its main tasks. The committee consists of Margrét Guðmundsdóttir, Chairman, Jón Sigurðsson and Helgi Magnússon.

Statement of Corporate Governance, continued

Audit committee

The Board of Directors of N1 hf. has appointed an Audit Committee in accordance with provisions of the Financial Statements Act. The committee must consist of at least three members and the majority of the members shall be independent from N1. The committee shall be appointed for a one year term at the first Board meeting following the annual general meeting. Majority of committee members shall be members of the Board of Directors of N1 and the chairman of the committee shall be appointed by the Company's Board of Directors. Committee members must have qualifications and experience in accordance with the activities of the Committee, and at least one member must have sufficient expertise in the field of accounting or auditing. Employment terms of committee members shall be decided at the annual general meeting. The committee shall monitor and check the auditing of the Company's financial statements and assess the auditors' work to ensure further safety and quality of work methods during the audit. According to the committee's rules of procedure two Board members shall be appointed to the committee in addition to one external expert. The committee shall meet at least four times a year and additional meetings shall be called when deemed necessary by the chairman. The committee consists of Kristín Guðmundsdóttir, board member, Guðmundur Arnar Óskarsson, board member and Guðmundur Frímansson, auditor and Chairman of the committee.

The audit committee's tasks are as follows:

- To monitor the financial reporting process.
- To monitor the organisation and effectiveness of N1's internal control, risk management and other control procedures.
- To monitor the external audit of N1's financial statements.
- To make recommendation to the Board of Directors regarding selection of auditors or audit firm.
- Evaluate the independence of external auditors or audit firm and monitor other tasks performed by them.

Executive Board

The executive board of N1 comprises key senior management personnel where each managing director is responsible for a certain section towards the CEO.

It should be noted that members of the executive board of N1 do not have share option agreements with the Company. There are no conflicts of interest between members of the executive board and the Company's main customers, competitors or large shareholders.

In the year 2014, 14 Board meetings were held, 9 meetings in the Audit Committee and 3 meetings in the Remuneration committee. The majority of the Board, the Audit Committee and the Remuneration committee attended all meetings. The audit committee calls meetings with the Company's auditors on regular basis and auditors attend Board meetings when financial accounts are discussed.

Quarterly Statement - unaudited

The company's operating results for the year 2014 by quarters

	Q1	Q2	Q3	Q4	2014 Total
Sales	11,325,242	15,679,254	18,270,698	11,685,004	56,960,198
Cost of goods sold	(9,568,050)	(12,998,295)	(15,188,038)	(9,601,095)	(47,355,478)
Gross profit	1,757,192	2,680,959	3,082,660	2,083,909	9,604,720
Other operating income	89,781	134,951	88,682	184,388	497,802
Salaries and other personnel expenses	(947,484)	(993,426)	(929,634)	(960,048)	(3,830,592)
Sales and distribution expenses	(425,631)	(620,146)	(625,346)	(464,488)	(2,135,611)
Other operating expenses	(353,397)	(408,805)	(364,236)	(341,532)	(1,467,970)
	(1,726,512)	(2,022,377)	(1,919,216)	(1,766,068)	(7,434,173)
Profit before depreciation, amortisation and finance items .	120,461	793,533	1,252,126	502,229	2,668,349
Depreciation and amortisation	(179,200)	(170,513)	(174,056)	(223,427)	(747,196)
Operating income	(58,739)	623,020	1,078,070	278,802	1,921,153
Finance income	86,908	87,150	128,158	155,508	457,724
Finance expenses	(134,537)	(105,978)	(117,821)	(110,855)	(469,191)
Effect of associates	12,854	14,673	61,610	4,665	93,802
Change in fair value of shares	(4,805)	(12,685)	3,795	19,977	6,282
	(39,580)	(16,840)	75,742	69,295	88,617
Profit (loss) before income tax	(98,319)	606,180	1,153,812	348,097	2,009,770
Income tax	21,074	(119,480)	(218,611)	(65,203)	(382,220)
Profit (loss) for the period.....	(77,245)	486,700	935,201	282,894	1,627,550
Other comprehensive income (expenses) Translation difference arising from operations of a foreign associate	(8,675)	(3,394)	(3,621)	4,875	(10,815)
Total other comprehensive (expenses) income of the period	(8,675)	(3,394)	(3,621)	4,875	(10,815)
Total comprehensive income (expense) for the period	(85,920)	483,306	931,580	287,769	1,616,735
Basic and diluted earnings per share in Icelandic krona	(0.08)	0.49	0.94	0.28	1.67

Quarterly statement - unaudited

The company's operating results for the year 2013 by quarters

	Q1	Q2	Q3	Q4	2013 Total
Sales	12,782,866	14,941,044	17,833,219	12,565,045	58,122,174
Cost of goods sold	(10,935,330)	(12,727,014)	(14,782,619)	(10,549,820)	(48,994,783)
Gross profit	1,847,536	2,214,030	3,050,600	2,015,225	9,127,391
Other operating income	104,192	95,558	77,326	88,911	365,987
Salaries and other personnel expenses	(873,881)	(1,010,178)	(943,083)	(961,698)	(3,788,840)
Sales and distribution expenses	(431,952)	(549,756)	(612,117)	(427,364)	(2,021,189)
Other operating expenses	(367,006)	(462,459)	(411,460)	(659,088)	(1,900,013)
	(1,672,839)	(2,022,393)	(1,966,660)	(2,048,150)	(7,710,042)
Profit before depreciation, amortisation and finance items .	278,889	287,195	1,161,266	55,986	1,783,336
Depreciation and amortisation	(184,949)	(160,091)	(174,811)	(196,188)	(716,039)
Operating income	93,940	127,104	986,455	(140,202)	1,067,297
Finance income	46,505	64,200	106,887	74,513	292,105
Finance expenses	(191,722)	(155,439)	(158,046)	(126,258)	(631,465)
Effect of associates	48,598	21,305	60,051	(30,453)	99,501
Change in fair value of shares	43,901	30,249	38,595	44,154	156,899
	(52,718)	(39,685)	47,487	(38,044)	(82,960)
Profit (loss) before income tax	41,222	87,419	1,033,942	(178,246)	984,337
Income tax	9,973	(10,001)	(351,162)	36,926	(314,264)
Profit (loss) for the period.....	51,195	77,418	682,780	(141,320)	670,073
Other comprehensive income (expenses) Translation difference arising from operations of a foreign associate	(28,700)	4,532	6,900	(14,899)	(32,167)
Total other comprehensive (expenses) income of the period	(28,700)	4,532	6,900	(14,899)	(32,167)
Total comprehensive income (expense) for the period	22,495	81,950	689,680	(156,219)	637,906
Basic and diluted earnings per share in Icelandic krona	0.05	0.08	0.68	(0.14)	0.67