



N1 hf.

Condensed Interim Financial Statements

1 January to 31 March 2013

N1 hf.
Dalvegi 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 1 January to 31 March 2013 have been prepared in accordance with the International Financial Reporting Standard for interim financial reporting, IAS 34.

The Company's operating revenue for the first three months of the year amounted to ISK 12,783 million and increased by 2.9% compared to the same period the previous year. According to the income statement and statement of comprehensive income, profit from the Company's operations for the period amounted to ISK 51 million. However when taking into account translation difference due to the operation of a foreign associated company the Company's total comprehensive income amounts to ISK 22 million. The Company's equity at the end of March amounted to ISK 14,536 million including share capital in the amount of ISK 1,000 million.

Statement by the Board of Directors and the CEO

The interim financial statements of N1 hf. for the period 1 January to 31 March 2013 are prepared in accordance with the International Financial Reporting Standard for interim financial reporting, IAS 34. According to our best knowledge it is our opinion that the interim financial statements give a fair view of the Company's operating results, its assets, liabilities and financial position as at 31 March 2013 and changes in cash flows during the period from 1 January to 31 March 2013.

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 1 January to 31 March 2013 and hereby confirm them with their signatures.

Kópavogur, 29 May 2013

The Board of Directors of N1 hf.

Margrét Guðmundsdóttir

Helgi Magnússon

Kristín Guðmundsdóttir

Hreinn Jakobsson

Þór Hauksson

The CEO

Eggert Benedikt Guðmundsson

Income Statement and Statement of Comprehensive Income 1 January to 31 March 2013

	Notes	2013 1.1.-31.3.	2012 1.1.-31.3.
Sales		12.782.866	12.419.380
Cost of goods sold .....	(	10.935.330)	(10.185.652)
Gross profit		<u>1.847.536</u>	<u>2.233.728</u>
Other operating income		104.192	45.935
Salaries and other personnel expenses .....	(	873.881)	(947.930)
Sales and distribution expenses .....	(	431.952)	(396.126)
Other operating expenses .....	(	367.006)	(361.326)
		<u>(1.672.839)</u>	<u>(1.705.382)</u>
Profit before depreciation, amortisation and finance items		278.889	574.280
Depreciation and amortisation	7 (	184.949)	(177.256)
Operating income		93.940	397.024
Finance income		46.505	88.042
Finance expenses .....	(	191.722)	(148.493)
Effect of associates		43.901	46.578
Change in fair value of shares		48.598	16.990
		<u>(52.718)</u>	<u>(13.873)</u>
Profit before income tax		41.222	383.151
Income tax	6	9.973	(68.508)
Profit for the period		<u>51.195</u>	<u>314.644</u>
Other comprehensive (expenses) income:			
Translation difference arising from operations of a foreign associate .....	(	28.700)	25.821
Other comprehensive (expenses) income .....	(	28.700)	25.821
Total comprehensive income for the period		<u><u>22.495</u></u>	<u><u>340.465</u></u>
Earnings per share:			
Basic and diluted earnings per share in ISK		0,05	0,31

Notes on page 8 to 11 are an integral part of these interim financial statements.

Balance Sheet 31 March 2013

	Notes	31.3.2013	31.12.2012
Assets			
Intangible assets		445.434	460.484
Property, plant and equipment	7	10.341.019	10.589.982
Shares in associates		1.325.672	1.310.526
Shares in other companies		179.517	131.549
Deferred tax asset	8	237.399	227.426
Bonds		49.584	77.889
Non-current assets		<u>12.578.625</u>	<u>12.797.856</u>
Inventories		5.508.943	5.955.441
Trade receivables		4.601.445	4.208.932
Receivables from related parties		1.012.460	23.290
Other short-term receivables		844.896	2.275.553
Cash and cash equivalents		3.517.026	2.507.504
Current assets		<u>15.484.770</u>	<u>14.970.720</u>
Total assets		<u><u>28.063.395</u></u>	<u><u>27.768.576</u></u>
Equity			
Share capital		1.000.000	1.000.000
Share premium		11.865.427	11.865.427
Revaluation reserve		433.536	443.752
Translation difference .....	(	25.669)	3.031
Retained earnings		1.263.137	1.201.725
Total equity		<u>14.536.431</u>	<u>14.513.935</u>
Liabilities			
Payable to credit institutions	9	7.026.667	7.253.333
Prepaid income		287.820	295.200
Non-current liabilities		<u>7.314.487</u>	<u>7.548.533</u>
Current tax		220.332	220.332
Payable to the Icelandic State		3.373.712	2.588.252
Payable to credit institutions	9	566.667	566.667
Trade payables		1.440.716	1.079.868
Payable to related parties		55.006	47.224
Other short-term liabilities		556.044	1.203.765
Current liabilities		<u>6.212.477</u>	<u>5.706.108</u>
Total liabilities		<u>13.526.964</u>	<u>13.254.641</u>
Total equity and liabilities		<u><u>28.063.395</u></u>	<u><u>27.768.576</u></u>

Notes on page 8 to 11 are an integral part of these interim financial statements.

Statement of Changes in Equity 31 March 2013

	Share Capital	Share premium	Revaluation reserve	Translation difference	Retained earnings	Total equity
1 January to 31 March 2013						
Equity 1.1.2013	1.000.000	11.865.427	443.752	3.031	1.201.725	14.513.935
Profit for the period					51.195	51.195
Translation difference due to a foreign associated company				(28.700)	(28.700)	(28.700)
Dissolution of revaluation of an associated company			(10.216)		10.216	
Equity 31.3.2013	1.000.000	11.865.427	433.536	(25.669)	1.263.136	14.536.431
1 January to 31 March 2012						
Equity 1.1.2012	1.000.000	11.865.427	484.617	(26.792)	0	13.323.252
Profit for the period					331.633	331.633
Translation difference due to a foreign associated company				25.821		25.821
Dissolution of revaluation of an associated company			(12.094)		12.094	
Equity 31.3.2012	1.000.000	11.865.427	472.523	(971)	343.727	13.680.706

Notes on page 8 to 11 are an integral part of these interim financial statements.

Statement of Cash Flows 1 January to 31 March 2013

	Notes	2013 1.1.-31.3.	2012 1.1.-31.3.
Cash flows from operating activities			
Profit before depreciation, amortisation and finance items		278.889	574.280
Operating items not affecting cash flows:			
Gain on the sale of operating assets	7	(8.309)	0
Prepaid income		(7.380)	0
		<u>263.200</u>	<u>574.280</u>
Changes in operating assets and liabilities:			
Inventories, (increase)		(277.406)	(355.199)
Trade and other receivables, (increase)		(516.915)	(984.978)
Trade and other short-term payables, decrease		909.263	960.011
Changes in operating assets and liabilities		<u>114.942</u>	<u>(380.166)</u>
Interest income received		45.869	25.206
Interest expense paid on short-term liabilities		(4.533)	(2.151)
Cash flows from operating activities		<u>419.478</u>	<u>217.169</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(575.686)	(65.429)
Sale of property, plant and equipment		1.641.732	0
Sales of shares in other companies		685	0
Loan to related party		(30.000)	0
Investing activities		<u>1.036.731</u>	<u>(65.429)</u>
Cash flows from financing activities			
Repayment of loans from credit institutions		(226.667)	(226.667)
Interest expense paid on loans from credit institutions		(220.020)	(197.178)
Financing activities		<u>(446.687)</u>	<u>(423.845)</u>
Increase (decrease) in cash and cash equivalents		1.009.522	(272.104)
Cash and cash equivalents at the beginning of the year		<u>2.507.504</u>	<u>2.191.295</u>
Cash and cash equivalents at the end of the period		<u>3.517.026</u>	<u>1.919.191</u>

Notes on page 8 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 the 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 29 May 2013.

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 2012.

3. Significant accounting policies

The accounting policies applied by the Company in these interim financial statements are the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2012. The Company's financial statements can be found at its website www.n1.is.

4. Presentation and functional currency

These interim financial statements are prepared and presented in Icelandic krona, which is the Company's functional currency. All amounts are presented in thousand of Icelandic krona unless otherwise stated.

The presentation of the statement of cash flows has been changed from the previous year. The main change consists in that interest expenses paid on long-term loans is now recognised among financing activities but was previously recognised among operating activities. It is the opinion of the Company's management that changed classification provides fairer view of origin and disbursement of cash flows.

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. Income tax

Effective income tax in the income statement is specified as follows:

		2013		2012	
		1.1-31.3.		1.1-31.3.	
Profit before income tax		41.222		383.151	
Income tax based on current tax rate	20,00%	8.244	20,00%	80.028	
Non-deductible expenses	0,69%	283	0,31%	1.193	
Non-taxable income on shares in other companies	(44,88%)	(18.500)	(3,32%)	(12.714)	
Effective income tax	(24,19%)	(9.973)	16,99%	68.508	

Notes, contd.:

7. Property, plant and equipment

Items of property, plant and equipment are specified as follows:

	Real estate signs and tanks	Furnishings, machines tools and equipment	Total
Total value			
Total value 1.1.2012	11.880.365	3.856.337	15.736.702
Addition during the year	1.127.872	412.592	1.540.464
Adjusted total value due to previous years	0	49.489	49.489
Sold and disposed of during the year	(1.200.467)	(136.238)	(1.336.705)
Total value 1.1.2013	11.807.770	4.182.180	15.989.950
Addition during the period	70.475	125.210	195.685
Sold and disposed of during the period	(312.393)	(487.472)	(799.865)
Total value 31.3.2013	11.565.852	3.819.918	15.385.770
Depreciation			
Depreciated 1.1.2012	2.495.872	2.126.324	4.622.196
Depreciation for the year	502.306	378.908	881.214
Adjusted due to previous years	0	49.489	49.489
Sold and disposed of during the year	(24.423)	(128.508)	(152.931)
Total depreciated 1.1.2013	2.973.755	2.426.213	5.399.968
Depreciated during the period	94.281	75.618	169.899
Sold and disposed of during the period	(150.804)	(374.312)	(525.116)
Total depreciation 31.3.2013	2.917.232	2.127.519	5.044.751
Carrying amount			
Carrying amount 1.1.2012	9.384.493	1.730.013	11.114.506
Carrying amount 1.1.2013	8.834.015	1.755.967	10.589.982
Carrying amount 31.3.2013	8.648.620	1.692.399	10.341.019

Depreciation and amortisation in the income statement is specified as follows:

	2013 1.1-31.3.	2012 1.1-31.3.
Depreciation of items of property and equipment	169.899	162.206
Amortisation of intangible assets	15.050	15.050
Total depreciation and amortisation in the income statement	184.949	177.256

8. Deferred tax asset

Deferred tax asset at the end of the period is specified as following:

	31.3.2013	31.12.2012
Asset		
Property, plant and equipment.....	250.543	193.438
Trade receivables.....	2.084	8.302
Deferred gain on sale.....	0	101.790
Other items.....	0	15.712
Tax losses carried forward.....	77.317	0
	329.944	319.242
Liability		
Intangible assets.....	59.673	60.861
Foreign exchange rate difference.....	20.970	30.955
Other items.....	11.902	0
	92.545	91.816
Deferred tax asset.....	237.399	227.426

Notes, contd.:

9. Payable to credit institutions

Interest bearing borrowings are specified as follows:

	31.3.2013		31.12.2012	
	Interest rate	Book value	Interest rate	Book value
Non-indexed loans in ISK.....	8,5%	7.593.334	8,5%	7.820.000
Current maturities in ISK.....		(566.667)		(566.667)
Skuldir við lánastofnanir samtals.....		7.026.667		7.253.333

Loan maturities are specified as follows over the next years:

	31.3.2013	31.12.2012
Year 2013.....	340.000	566.667
Year 2014.....	566.667	566.667
Year 2015.....	566.667	566.667
Year 2016.....	566.667	566.667
Year 2017.....	566.667	566.667
Later.....	4.986.667	4.986.667
	7.593.334	7.820.000

10. Pledges, guarantees and other obligations

The Company has pledged all its real estates as collateral for a syndicated bank loan from Arion banki hf. and Íslandsbanki hf. and the Company may not according to provisions of the loan agreement pledge other property and equipment.

The Company has a line of credit with Íslandsbanki hf. in the amount of ISK 2,981 million and inventories and trade receivables in the amount of ISK 3,591 million are pledged as collateral for the line of credit. The company did not use the line of credit during the period.

The Company's rental obligation amounted to ISK 1,804 million at the end of March 2013.

11. Ratios

The Company's key ratios are specified as follows:

	31.3.2013	31.3.2012
Income statement		
Turnover rate of inventories at period end: utilisation of goods * / inventories at period end	7,94	6,48
Sales days in trade receivables: trade receivables at period end / goods and services sold *	32	37
Profit before depreciation, amortisation and finance items / gross profit.....	15,1%	25,7%
Salaries and salary related expenses / gross profit.....	47,3%	42,4%
Sales and distribution expense / gross profit.....	23,4%	17,7%
Other operating expenses / gross profit.....	19,9%	16,2%
	31.3.2013	31.12.2012
Balance sheet		
Current ratio: current assets / current liabilities.....	2,49	2,62
Liquidity ratio: (current assets - inventories) / current liabilities.....	1,61	1,58
Leverage: Net interest bearing liabilities / EBITDA*.....	3,70	2,04
Solvency: Free cash flow / total payment on long term loan.....	3,26	1,25
Equity ratio: Equity / total capital.....	51,8%	52,3%
Return on equity: Profit for the period * / equity at the beginning of period.....	1,4%	8,7%

* operating figures are calculated on annual basis.

Notes, contd.:

12. Subsequent events

At a board meeting on 7 May 2013 the board of directors signed a contract with the company Efstasund Holding ehf. regarding the sale of all operations of Bílanaust ehf.