

# N1's profit of 2017 in the amount of ISK 2.071 million

## Main results

- EBITDA, excluding expenses related to acquisition of Festi, amounted to ISK 3,605 million for the year 2017 compared to ISK 3,625 million in 2016
- Earnings before interest, taxes, depreciation and amortisation (EBITDA) for Q4 2017 amounted to ISK 844 million compared to ISK 675 million for the same quarter of 2016
- Gross profit from sales of goods increased by 2.3% in Q4 2017, mainly due to positive development in the international market price of fuel and an increase in car service operations
- Sale of petrol and diesel fuel decreased by 1.6% in Q4 2017 as compared to the same quarter of 2016
- Highway traffic increased by 10.8% in Q4 2017 as compared to the same quarter of 2016
- At the end of Q4 2017 equity amounted to ISK 13,806 million and equity ratio was 49.9% at the end of 2017

ISK thousand	4Q 2017	4Q 2016	Change	% change	12M 2017	12M 2016	Change	%Change
<b>Income Statement</b>								
Gross profit	2.741.699	2.680.856	60.843	2,3%	11.340.145	11.201.358	138.787	1,2%
Other operating income	147.819	91.495	56.324	61,6%	441.854	370.733	71.121	19,2%
EBITDA	836.801	674.903	161.898	24,0%	3.535.365	3.624.844	-89.479	-2,5%
EBIT	563.338	1.756.999	-1.193.661	-67,9%	2.528.476	4.175.249	-1.646.773	-39,4%
EBT	545.197	1.818.511	-1.273.315	-70,0%	2.523.693	4.153.589	-1.629.896	-39,2%
Profit for the period	442.122	1.474.696	-1.032.574	-70,0%	2.070.967	3.378.017	-1.307.050	-38,7%
<b>Statement of Financial Position</b>								
Inventories					2.840.403	3.026.753	-186.349	-6,2%
Trade receivables					2.595.230	2.303.272	291.958	12,7%
Interest bearing liabilities					8.000.000	7.008.905	991.095	14,1%
Cash and cash equivalents					2.800.082	2.266.435	533.647	23,5%
Net interest bearing liabilities					5.238.052	4.775.301	462.751	9,7%
<b>Statement of Cash Flows</b>								
Cash flows from operating activities	115.700	-61.992	177.692	-286,6%	2.375.790	3.478.115	-1.102.325	-31,7%
Investing activities	-316.866	-278.260	-38.605	13,9%	-2.268.133	-991.741	-1.276.392	128,7%
Financing activities	-82.753	-1.262.531	1.179.778	-93,4%	392.601	-2.697.916	3.090.517	-114,6%
Cash and cash equiv. at the end of the period	2.800.082	2.266.435	533.647	23,5%	2.800.082	2.266.435	533.647	23,5%
<b>Key indicators</b>								
EBITDA/gross profit	30,5%	25,2%	5,3%	21,2%	31,2%	32,4%	-1,2%	-3,7%
Equity ratio					49,9%	49,1%	0,8%	1,6%
Salaries/gross profit	43,8%	42,6%	1,2%	2,7%	40,2%	37,8%	2,4%	6,3%
Earning per share	1,77	4,25	-2,48	-58,4%	8,28	9,74	-1,46	-15,0%
Return on equity					16,1%	39,2%	-23,1%	-58,9%
Investments	-340.026	-290.280	-49.746	-17,1%	-2.525.409	-1.200.724	-1.324.685	110,3%
Inventory turnover	7,22	7,19	0,03	0,4%	7,62	8,02	-0,40	-5,0%

## Operations in the fourth quarter

ISK thousand	4Q 2017	4Q 2016	Change	% change	12M 2017	12M 2016	Change	% change
<b>Income Statement</b>								
Gross profit	2.741.699	2.680.856	60.843	2,3%	11.340.145	11.201.358	138.787	1,2%
Other operating income	147.819	91.495	56.324	61,6%	441.854	370.733	71.121	19,2%
Salaries and other personnel expenses	-1.201.185	-1.143.373	57.812	5,1%	-4.554.103	-4.233.719	320.384	7,6%
Sales and distribution expenses	-448.529	-502.028	-53.499	-10,7%	-2.058.608	-2.078.594	-19.986	-1,0%
Other operating expenses	-403.003	-452.048	-49.045	-10,8%	-1.633.923	-1.634.933	-1.010	-0,1%
EBITDA	836.801	674.903	161.898	24,0%	3.535.365	3.624.845	-89.480	-2,5%

EBITDA for Q4 2017 was in the amount of ISK 837 million compared to ISK 675 million for Q4 2016. The increase in gross profit of sales is for the most part attributable to favourable development in world market price of oil and an increase in car service operations. Contractual salary increases were the main reason for an increase in salaries and other personnel expenses in Q4 2017 compared to the same period in 2016 as well as an increase in the number of staff. Sales- and distribution cost and other operating expenses decreased about 11% in Q4 2017 compared to the same period in 2016. Cost related to the planned acquisition of Festi was ISK 7 million in Q4 2017 and in total ISK 69 million for the year 2017. EBITDA, excluding expenses related to N1's acquisition of Festi, amounted to ISK 3,605 million for the year 2017 compared to ISK 3,625 million in 2016.

## Revenue in the fourth quarter

Thousand of litres / sales of other goods in ISK thousand	4Q 2017	4Q 2016	Change	% change	12M 2017	12M 2016	Change	% change
Quantity sold - gasoline	11.499	13.282	-1.783	-13,4%	57.848	60.827	-2.979	-4,9%
Quantity sold - diesel fuel	22.072	20.821	1.251	6,0%	98.757	91.360	7.397	8,1%
Total quantity sold - excluding JET	46.345	49.028	-2.684	-5,5%	225.000	234.497	-9.497	-4,0%
Sales of other goods	3.057.182	2.899.571	157.612	5,4%	11.322.993	10.994.760	328.233	3,0%
Gross profit on sales of fuel	1.357.105	1.362.689	-5.584	-0,4%	6.102.802	6.189.185	-86.383	-1,4%
Gross profit on sales of other goods	1.384.593	1.318.168	66.426	5,0%	5.237.342	5.012.173	225.169	4,5%

Sales volume, excluding jet fuel, decreased by 5.5% in Q4 2017 compared to the same quarter for the previous year. Sales volume of gasoline and diesel fuel decreased by 1.6% in Q4 2017 when compared to the same quarter for the year 2016, mainly due to increased competition in the consumer market. Increased gross profit on sale per liter in Q4 2017 is mainly due to price development in the international fuel market compared to Q4 2016 but a more competitive environment in the consumer market had an impact in the opposite direction. The world market price of gasoline increased in Q4 2017 by 17.0% and price of diesel by 13.0%, compared to an increase of 5.0% in the price of gasoline and an increase of 7.0% of diesel fuel in the same period of 2016.

Sale of other goods increased by 5.0%, in Q4 2017 compared to Q4 2016, mainly due to an increase in car service operations. A change in the composition of sales of other goods is the main reason for higher gross profit margin in Q4 2017 when compared to Q4 of 2016

## Operating expenses in the fourth quarter

ISK thousand	4Q 2017	4Q 2016	Change	% change
Salaries and other personnel expenses	-1.201.185	-1.143.373	57.812	5,1%
Sales and distribution expenses	-448.529	-502.028	-53.499	-10,7%
Other operating expenses	-403.003	-452.048	-49.045	-10,8%

In Q4 2017 the average number of employees in full time equivalent units was 516 compared to 512 in Q4 2016. Contractual salary increases are the main reasons for increase in salaries and other personnel expenses in Q4 2017 compared to the same period for the year 2016. Sales and distribution expenses was 10.7% lower in Q4 2017 than in the same quarter for the year 2016 due to a decrease in marketing cost and maintenance expenses. Other operating expenses were 10.9% lower in Q4 2017 than in Q4 2016. Cost related to the aquisition of Festi was ISK 7 million in Q4 2017 and in total ISK 69 million for the year 2017.

## Finance items

Due to a decrease in cash and cash equivalents position and lower interest on deposits, finance income was lower in Q4 2017 than in the same period for the previous year. Finance expenses were lower in Q4 2017 than Q4 2016 due to a decrease of interest rate on a long-term borrowing. Currency exchange gain due to development of the USD exchange rate was in the amount of ISK 10 million in Q4 2017. During the forth quarter of 2016 foreign exchange gain amounted to ISK 16 million. Results of associates decreased between Q4 of 2017 and 2016.

ISK thousand	4Q 2017	4Q 2016	Change	% Change
Finance income	36.226	61.897	-25.671	-41,5%
Finance expenses	-101.841	-116.996	-15.154	-13,0%
Foreign currency difference	10.201	15.559	-5.358	-34,4%
Share of profit from associates	37.422	100.577	-63.154	-62,8%
Valuation changes of shares in other companies	-149	475	-624	-131,3%
Total	-18.141	61.513	-79.654	-129,5%

## Statement of financial position

ISK thousand	2017	2016	Change	% Change
Inventories	2.840.403	3.026.753	-186.349	-6,2%
Trade receivables	2.595.230	2.303.272	291.958	12,7%
Interest bearing liabilities	8.000.000	7.008.905	991.095	14,1%
Cash and cash equivalents	2.800.082	2.266.435	533.647	23,5%
Net interest bearing liabilities	5.238.052	4.775.301	462.751	9,7%
Equity ratio	49,9%	49,1%	0,8%	1,6%
Inventory turnover	7,62	8,02	-0,40	-5,0%

Inventories decreased by 6.2% between 2016 and 2017. Inventories of fuel decreased between years while the price in the international fuel market has increased. Trade receivables increased by 12.7% between years mainly due to increase in price in the international fuel market. Cash and cash equivalents decreased by 23.5% between years. Investments in Q4 2017 were in the amount of ISK 276 million after taking into account the proceeds from sale of operating assets. Net interest bearing liabilities were higher at end of Desember 2017 compared to same time of 2016. N1 purchased Klettagarðar 13 for ISK 1,650 million, which was financed with a long-term loan amounting to ISK 1,500 million.

## N1's acquisitions of Festi

On 3 October 2017 a purchase agreement was signed for N1's acquisitions of all share capital in Festi hf. The Purchase agreement was based on a letter of intent signed by N1 hf. and SF V slhf. on 9 June the same year, where the principal terms of the transaction and results of a due diligence procedure were specified.

Festi specialises in managing retail business and operates 27 stores under the brand names of Krónan, ELKO, Nóatún, Kjarval and Kr. The company also owns and operates Bakkinn warehouse hotel. Festi owns 18 real estates that are rented out, both to its stores and third parties, the total square meters of which are 71,500. The total turnover of Festi for the operating year ended on 28 February 2017, was in excess of ISK 39 billion.

The transaction is subject, among other, to the approval of the Icelandic Competition Authority. On 31 October 2017 the Icelandic Competition Authority was provided with the Company's acquisition file. The Icelandic Competition Authority is currently assessing the potential impact on the acquisition on competition. The Icelandic Competition Authority's conclusions are expected on 16 March 2018, except if further information required for review in case of which conclusions are expected on 18 April 2018. If completed, the transaction is expected to be finalised in the end of second quarter 2018.

**Future outlook in N1's operations and estimated EBITDA for the year 2018**

- Increase in the number of foreign tourists expected to continue in 2018, however it will be less than in previous years
- Increase in domestic operating expenses, even if inflation rate is moderate, will have an impact on operations in competitive markets such as the one in which the Company operates
- Contractual wage agreements will be unchanged
- Turmoil in oil markets and the ISK exchange rate will cause fluctuations in gross profit and working capital position

EBITDA forecast for N1 the year 2018 is assumed to be in range of ISK 3,500 – 3,700 million, excluding expenditures related to the planned acquisition of Festi hf.

The forecast is based on the assumptions of oil price being relatively stable and the exchange rate of USD/ISK close to 102. The Company's operations are seasonal and most of its EBITDA are related to the second and third quarters.

**Shareholders**

- The Company's market capitalisation was ISK 28.5 billion as at the end of Desember 2017
- The Board of Directors proposes to the annual general meeting that no dividends are to be paid to shareholders due to the year 2017.

**Meeting on Thursday 22 February 2018**

An open meeting for market participants and shareholders will be held on Thursday 22 February 2018 at N1's headquarters at Dalvegur 10-14 in Kópavogur (3rd floor). Eggert Kristófersson, the Company's CEO, will present the Company's results and answer questions. The meeting will start at 8:30. A light breakfast is available from 8:00. Presentations will be available following the meeting on N1's website: <http://www.n1.is/um-n1/fjarfestar/> as well as on the Company's news section on Nasdaq OMX Iceland hf.'s webpage.

**Financial calendar**

- Annual Financial Statements for the year 2017: 21 February 2018
- Annual general meeting 2018: 19 March 2018
- Q1 Interim Financial Statements: 25 April 2018
- Q2 Interim Financial Statements: 29 August 2018
- Q3 Interim Financial Statements: 14 November 2018
- Annual Financial Statements for the year 2018: 27 February 2019
- Annual general meeting 2019: 21 March 2019

For further information please contact Eggert Kristófersson, CEO ([eggert@n1.is](mailto:eggert@n1.is)) and Pétur Hafsteinsson, CFO, ([petur@n1.is](mailto:petur@n1.is)).