

N1's profit for the first quarter of 2018 in the amount of ISK 76 million

Main results

- EBITDA excluding cost of acquisition of Festi for Q1 2018 amounted to ISK 436 million compared to ISK 521 million for the same quarter of 2017
- Gross profit from sales of goods decreased by 1.0% in Q1 2018
- Sale of petrol and diesel fuel decreased by 2.2% in Q1 2018 as compared to the previous year, mainly due to increased competition in the consumer market
- Highway traffic increased by 5.9% in Q1 2018 as compared to the same quarter of 2017
- At the end of Q1 2018 equity amounted to ISK 13,873 million and equity ratio was 49.0%

ISK thousand	1Q 2018	1Q 2017	Change	% change
Income Statement				
Gross profit	2.282.283	2.305.243	-22.960	-1,0%
Other operating income	105.504	102.757	2.747	2,7%
EBITDA	400.524	521.005	-120.481	-23,1%
EBIT	152.655	278.044	-125.389	-45,1%
EBT	88.731	269.148	-180.417	-67,0%
Profit for the period	76.429	224.944	-148.515	-66,0%
Statement of Financial Position				
Inventories	3.251.747	3.086.549	165.198	5,4%
Trade receivables	3.050.667	2.717.951	332.716	12,2%
Interest bearing liabilities	8.000.000	6.500.000	1.500.000	23,1%
Cash and cash equivalents	2.386.883	1.841.753	545.130	29,6%
Net interest bearing liabilities	5.660.917	4.690.078	970.839	20,7%
Statement of Cash Flows				
Cash flows from operating activities	-166.032	-163.671	-2.361	1,4%
Investing activities	-163.343	-170.683	7.340	-4,3%
Financing activities	-86.032	-95.755	9.723	-10,2%
Cash and cash equiv. at the end of the period	2.386.883	1.841.753	545.130	29,6%
Key indicators				
EBITDA/gross profit	17,5%	22,6%	-5,1%	-22,4%
Equity ratio	49,0%	46,7%	2,3%	4,9%
Salaries/gross profit	47,9%	46,2%	1,7%	3,8%
Earning per share	0,31	0,90	-0,59	-65,6%
Return on equity	2,2%	7,3%	-5,1%	-69,9%
Investments	-170.581	-200.431	29.850	14,9%
Inventory turnover	7,49	6,11	1,37	22,4%

Operations in the first quarter

ISK thousand	1Q 2018	1Q 2017	Change	% change
Income Statement				
Gross profit	2.282.283	2.305.243	-22.960	-1,0%
Other operating income	105.504	102.757	2.747	2,7%
Salaries and other personnel expenses	-1.094.175	-1.065.124	29.051	2,7%
Sales and distribution expenses	-467.325	-422.438	44.887	10,6%
Other operating expenses	-425.763	-399.433	26.330	6,6%
EBITDA	400.524	521.005	-120.481	-23,1%

EBITDA for Q1 2018 was in the amount of ISK 401 million compared to ISK 521 million for Q1 2017. The cost of the planned acquisition of Festi was ISK 35 million in Q1 2018. The decrease in gross profit is mainly due to increased competition in the consumer market. Contractual salary increases were the main reason for an increase in salaries and other personnel expenses in Q1 2018 compared to the same period in 2017. Increase in sales and distribution is due to increased sales volume of jet fuel. Increase in other operating expenses is mainly related to the cost of the planned acquisition of Festi.

Revenue in the first quarter

Thousand of litres / sales of other goods in ISK thousand	1Q 2018	1Q 2017	Change	% change
Quantity sold - gasoline	10.967	12.641	-1.673	-13,2%
Quantity sold - diesel fuel	20.523	19.555	969	5,0%
Total quantity sold - excluding JET	43.094	41.187	1.907	4,6%
Sales of other goods	2.381.091	2.295.628	85.463	3,7%
Gross profit on sales of fuel	1.216.729	1.232.123	-15.394	-1,2%
Gross profit on sales of other goods	1.065.554	1.073.120	-7.566	-0,7%

Sales volume, excluding jet fuel, increased by 4.6% in Q1 2018 compared to the same quarter in 2017. A fishermen's strike had a negative effect in sold volume in Q1 2017. Sales volume of gasoline and diesel fuel decreased by 2.2% in Q1 2018 when compared to the same quarter for the year 2017 and is mainly due to increased competition in the consumer market and renewal of vehicle by the Company's customer as the average fuel consumption of new cars has decreased. A change in the composition of sales of gasoline and diesel is the main reason for lower gross profit margins in Q1 2018 when compared to Q1 2017. In addition, the company had a high fuel inventory at the beginning of 2017 due to increased business. Fishermen's strike also had a positive effect on gross profit margins of gasoline and diesel per liter in 1F 2017. Sales of other goods increased by 3.7% in Q1 2018 compared to Q1 2017. A change in the composition of sales of other goods as well as increased competition is the reason for lower gross profit margin in Q1 2018 when compared to Q1 of 2017.

Operating expenses in the first quarter

ISK thousand	1Q 2018	1Q 2017	Change	% change
Salaries and other personnel expenses	-1.094.175	-1.065.124	29.051	2,7%
Sales and distribution expenses	-467.325	-422.438	44.887	10,6%
Other operating expenses	-425.763	-399.433	26.330	6,6%

In Q1 2018 the average number of employees in full time equivalent units was 498 compared to 508 in Q1 2017. Contractual salary increases are the main reasons for increase in salaries and other personnel expenses in Q1 2018 compared to the same period for the year 2017. Sales and distribution expenses was 10.6% higher in Q1 2018 than in the same quarter for the year 2017 due to increase in the sale of JET fuel. Other operating expenses was 6.6% higher in Q1 2018 than in Q1 2017, due to cost of the planned purchase of Festi which was ISK 35 million in Q1 2018.

Finance items

ISK thousand	1Q 2018	1Q 2017	Change	% Change
Finance income	23.278	25.189	-1.911	-7,6%
Finance expenses	-102.724	-97.171	5.553	5,7%
Foreign currency difference	-13.781	9.201	-22.982	-249,8%
Share of profit from associates	29.518	49.723	-20.205	-40,6%
Fair value changes of shares in other companies	-214	4.163	-4.377	-105,1%
Total	-63.924	-8.895	-55.029	618,6%

Finance income was lower in Q1 2018 than Q1 2017 due to lower interest rate. Finance expenses were higher in Q1 2018 than Q1 2017 due to higher long-term borrowing in Q1 2018. Currency exchange loss due to development of the USD exchange rate was in the amount of ISK 14 million in Q1 2018. During the first quarter of 2017 foreign exchange gain amounted to ISK 9 million. Results of associates decreased between Q1 of 2017 and 2018.

Statement of financial position

ISK thousand	1Q 2018	1Q 2017	Change	% Change
Inventories	3.251.747	3.086.549	165.198	5,4%
Trade receivables	3.050.667	2.717.951	332.716	12,2%
Interest bearing liabilities	8.000.000	6.500.000	1.500.000	23,1%
Cash and cash equivalents	2.386.883	1.841.753	545.130	29,6%
Net interest bearing liabilities	5.660.917	4.690.078	970.839	20,7%
Equity ratio	49,0%	46,7%	2,3%	4,9%
Inventory turnover	7,49	6,11	1,37	22,4%

Inventories increased by 5.4% between Q1 2017 and Q1 2018 mainly due to increase in price in the international fuel market and an increase in the sale of JET fuel. Cash and cash equivalents increased by 29.6% between Q1 2017 and Q1 2018. Investments in Q1 2018 were in the amount of ISK 163 million after taking into account the proceeds from sale of operating assets. Net interest bearing liabilities were higher at end of March 2018 mainly due to higher interest bearing liabilities.

N1's acquisitions of Festi

For the past several months the Icelandic Competition Authority (ICA) has been investigating the competitive effects of N1's planned merger with Festi. The ICA's preliminary assessment is that the merger, as planned, would lead to distortion of competition. N1 has submitted a draft document specifying the conditions the Company is willing to accept and believes that those conditions can eliminate the potential competitive impediments to the merger.

The ICA has informed N1 that it is not possible to fully assess N1's proposal within the remaining legally specified time frame of the investigation. Because of this, the Board of Directors of N1 decided on 17 April 2018 to revoke the acquisition announcement. Subsequently, the Company will submit a new merger announcement and conditions to the ICA.

In light of the extensive work already carried out by the ICA on the merger, it is N1's hope that further investigation by the ICA will be fast and that the conclusion will be reached before the end of second quarter of 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 Q1 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
- Turmoil in oil markets would cause fluctuations in gross profit and working capital position.

EBITDA forecast for the year 2018 is unchanged. EBITDA 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 29.8 billion as at the end of March 2018 and increased by 4.4% in 2018.
- The Company's annual general meeting was held at 19 March 2018 at which it was accepted not to pay any dividend due to the operational year 2017 since the Company is purchasing Festi.

Meeting on Thursday 26 April 2018

An open meeting for market participants and shareholders will be held on Thursday 26 April 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 news section on Nasdaq OMX Iceland hf.'s webpage.

Financial calendar

- 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) and Pétur Hafsteinsson, CFO, (petur@n1.is).