

# Skeljungur hf.

Consolidated Financial Statements

1 January to 31. March 2018

*These financial statements are translated from the original which is in Icelandic. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.*

Skeljungur hf.  
Borgartún 26  
105 Reykjavík

Reg.no. 590269 -1749

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## Endorsement by the Board of Directors and the CEO

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The Consolidated Financial Statements of Skeljungur hf. (the “Company” or “Skeljungur”) for the period 1 January to 31 March 2018 include the Company and its subsidiaries (Group). The Condensed Consolidated Interim Financial Statements are prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group’s Annual Consolidated Financial Statements. The Condensed Consolidated Interim Financial Statements have not been audited or reviewed by the Company’s independent auditors.

Total operating revenue for the period 1 January to 31 March 2018 amounted to ISK 9.909 million (2017: 11.236 million) and profit for the period amounted to ISK 416 million (2017: 255 million). According to the Statement of Financial Position, the Group’s total assets amounted to ISK 21.174 million (2017: 20.999 million) and debt amounted to ISK 13.591 million (2017: 13.118 million). Total Equity amounted to ISK 7.583 million (2017: 7.881 million) and the equity ratio was 36% (2017: 38%).

The Board of Directors and the CEO of Skeljungur hf. hereby confirm the Condensed Consolidated Interim Financial Statements for the period 1 January to 31 March 2018 by means of their signatures.

Reykjavik, 8 May 2018.

### The Board of Directors

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Jón Diðrik Jónsson, chairman

---

Birna Ósk Einarsdóttir

---

Gunn Ellefsen

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Jens Meinhard Rasmussen

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Baldur Már Helgason

### CEO

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Hendrik Egholm

# Consolidated Income Statement

## 1 January to 31 March 2018

|  | Notes | 2018<br>1.1 - 31.3. | 2017<br>1.1 - 31.3. |
|--|-------|---------------------|---------------------|
| Sales .....  | 4     | 9.909               | 11.236              |
| Cost of goods sold .....   | 5     | ( 8.163)            | ( 9.576)            |
| <b>Gross profit</b>  |       | <b>1.746</b>        | <b>1.660</b>        |
| Other income .....   |       | 151                 | 26                  |
| Salaries and salary related expenses .....                                 | (     | 459)                | ( 477)              |
| Sales and distribution expenses .....                                      | (     | 499)                | ( 437)              |
| Operating expenses .....   | (     | 124)                | ( 144)              |
|  | (     | 1.082)              | ( 1.059)            |
| <b>Profit before depreciation and financial items (EBITDA).....</b>        |       | <b>815</b>          | <b>627</b>          |
| Depreciation of operating assets .....                                     | (     | 198)                | ( 190)              |
| <b>Operating profit before financial items (EBIT) .....</b>                |       | <b>617</b>          | <b>437</b>          |
| Financial income .....   |       | 6                   | 5                   |
| Financial expenses .....   | (     | 81)                 | ( 127)              |
|  | (     | 75)                 | ( 122)              |
| Share of loss from associated companies .....                              | (     | 16)                 | 0                   |
| <b>Profit before income tax .....</b>                                      |       | <b>526</b>          | <b>315</b>          |
| Income tax expense .....   | 6     | ( 110)              | ( 60)               |
| <b>Profit for the period.....</b>  |       | <b>416</b>          | <b>255</b>          |
| <b>Net earnings for the period attributable to:</b>                        |       |                     |                     |
| Owners of the Company .....  |       | 399                 | 255                 |
| Non-controlling interest .....   |       | 17                  | 0                   |
|  |       | 416                 | 255                 |
| <b>Earnings per share:</b>   |       |                     |                     |
| Earnings per each ISK one of share capital and diluted share capital ..... |       | 0,20                | 0,12                |
| Diluted earnings per each ISK one of share capital .....                   |       | 0,20                | 0,12                |

The notes on pages 9-13 are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

## 1 January to 31 March 2018

|   | Notes | 2018<br>1.1 - 31.3. | 2017<br>1.1 - 31.3. |
|---|-------|---------------------|---------------------|
| Profit for the period .....   |       | <u>416</u>          | <u>255</u>          |
| Other comprehensive income that will be reclassified to profit or loss: |       |                     |                     |
| Translation difference of associates and subsidiaries .....             | (     | 95)                 | 49                  |
| Translation difference of net investment hedge .....                    |       | 59                  | 0                   |
| Income tax relating to net investment hedge .....                       | (     | <u>12)</u>          | <u>0</u>            |
|   | (     | 48)                 | 49                  |
| Total comprehensive income .....  |       | <u>368</u>          | <u>305</u>          |
| Total comprehensive income for the period attributable to:              |       |                     |                     |
| Owners of the Company .....   |       | 351                 | 255                 |
| Non-controlling interest .....  |       | <u>17</u>           | <u>0</u>            |
|   |       | 368                 | 255                 |

The notes on pages 9-13 are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position as of 31.3.2018

|  | Notes | 31.03.2018           | 31.12.2017           |
|--|-------|----------------------|----------------------|
| <b>Non-current assets</b>  |       |                      |                      |
| Goodwill .....   |       | 3.162                | 3.217                |
| Other intangible assets .....  |       | 659                  | 689                  |
| Operating assets .....   |       | 9.578                | 9.589                |
| Shares in associated companies .....   |       | 515                  | 450                  |
| Long term receivables .....  |       | 5                    | 7                    |
| Non-current assets   |       | <u>13.920</u>        | <u>13.952</u>        |
| <b>Current assets</b>  |       |                      |                      |
| Inventories .....  |       | 2.467                | 2.869                |
| Trade receivables .....  |       | 4.057                | 3.409                |
| Other receivables .....  | 7     | 354                  | 341                  |
| Cash and cash equivalents .....  |       | 375                  | 428                  |
| Current assets   |       | <u>7.253</u>         | <u>7.047</u>         |
| <b>Total assets</b>  |       | <u><b>21.174</b></u> | <u><b>20.999</b></u> |
| <b>Consolidated Financial Statements</b>                                     |       |                      |                      |
| Share capital .....  |       | 2.053                | 2.077                |
| Share premium .....  |       | 3.210                | 3.210                |
| Statutory reserve .....  |       | 427                  | 407                  |
| Reserve for share options .....  |       | 1                    | 1                    |
| Translation difference of shares in companies .....                          | (     | 1.154)               | ( 1.132)             |
| Reserve for share in profit from subsidiaries and associated companies ..... |       | 863                  | 867                  |
| Retained earnings .....  |       | 2.153                | 2.442                |
| Total equity attributable to equity holders of the Company                   |       | <u>7.553</u>         | <u>7.872</u>         |
| Non-controlling interest .....   |       | 30                   | 9                    |
| Total equity   |       | <u>7.583</u>         | <u>7.881</u>         |
| <b>Liabilities</b>   |       |                      |                      |
| Deferred tax liability .....   | 8     | 612                  | 609                  |
| Loans and borrowings .....   | 9     | 4.697                | 4.875                |
| Non-current liabilities  |       | <u>5.309</u>         | <u>5.484</u>         |
| <b>Current liabilities</b>   |       |                      |                      |
| Short term borrowings .....  | 9     | 1.840                | 2.017                |
| Trade payables .....   |       | 1.956                | 2.086                |
| Current maturities of long-term debt .....                                   | 9     | 357                  | 366                  |
| Related party debt .....   |       | 10                   | 83                   |
| Taxes for the year .....   |       | 334                  | 255                  |
| Other current liabilities .....  |       | 3.286                | 2.827                |
| Dividends payable .....  |       | 500                  | 0                    |
| Current liabilities  |       | <u>8.282</u>         | <u>7.635</u>         |
| Total liabilities  |       | <u>13.591</u>        | <u>13.118</u>        |
| <b>Total equity and liabilities</b>  |       | <u><b>21.174</b></u> | <u><b>20.999</b></u> |

The notes on pages 9-13 are an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity 2018

|  | Share capital | Share premium | Statutory reserve | Share option reserve | Translation difference | Reserve for share in profit from subsidiaries | Retained earnings | Total equity of the Company | Non controlling Interest | Total Equity |
|--|---------------|---------------|-------------------|----------------------|------------------------|---|-------------------|-----------------------------|--------------------------|--------------|
| <b>2017</b>                                      |               |               |                   |                      |                        |   |                   |                             |                          |              |
| Shareholders' equity 31. 12.2016 .....           | 2.100         | 3.115         | 370               | 37                   | ( 1.150)               | 633   | 2.008             | 7.112                       | 0                        | 7.112        |
| Profit for the period .....                      |               |               |                   |                      |                        |   | 255               | 255                         |                          | 255          |
| Other earnings .....                             |               |               |                   |                      | 49                     |   |                   | 49                          |                          | 49           |
| Total comprehensive income .....                 |               |               |                   |                      | 49                     | 0   | 255               | 305                         | 0                        | 305          |
| Balance at 31 March 2017 .....                   | 2.100         | 3.115         | 370               | 37                   | ( 1.100)               | 633   | 2.263             | 7.417                       | 0                        | 7.417        |
| <b>2018</b>                                      |               |               |                   |                      |                        |   |                   |                             |                          |              |
| Shareholders' equity 31. 12 2017 .....           | 2.077         | 3.210         | 407               | 1                    | ( 1.132)               | 867   | 2.442             | 7.872                       | 9                        | 7.881        |
| Profit for the period .....                      |               |               |                   |                      |                        |   | 399               | 399                         | 17                       | 416          |
| Other earnings .....                             |               |               |                   |                      | ( 48)                  |   |                   | ( 48)                       | (                        | ( 48)        |
| Total comprehensive income .....                 |               |               |                   |                      | ( 48)                  | 0   | 399               | 351                         | 17                       | 368          |
| <b>Transaction with owners of the Company ..</b> |               |               |                   |                      |                        |   |                   |                             |                          |              |
| Consolidated Financial Statements                |               |               |                   |                      |                        |   |                   |                             |                          |              |
| subsidiaries and associated comp. ....           |               |               |                   |                      | 27                     | ( 3)  | ( 23)             | 0                           |                          | 0            |
| Contribution to statutory reserve .....          |               |               | 20                |                      |                        |   | ( 20)             | 0                           |                          | 0            |
| Allocated dividends .....                        |               |               |                   |                      |                        |   | ( 500)            | ( 500)                      | (                        | ( 500)       |
| Purchased own shares .....                       | ( 25)         |               |                   |                      |                        |   | ( 145)            | ( 169)                      | (                        | ( 169)       |
| Changes in non-controlling interest .....        |               |               |                   |                      |                        |   |                   | 0                           | 4                        | 4            |
| Balance at 31 March 2018 .....                   | 2.053         | 3.210         | 427               | 1                    | ( 1.154)               | 863   | 2.153             | 7.553                       | 30                       | 7.583        |

The notes on pages 9-13 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows 1 January to 31 March 2018

|  | Notes | 2018   | 2017     |
|--|-------|--------|----------|
| <b>Cash flows from operating activities:</b>                       |       |        |          |
| Profit for the year .....  |       | 416    | 255      |
| Adjustments:   |       |        |          |
| Depreciation and impairment .....                                  |       | 198    | 190      |
| Loss from associated companies .....                               |       | 16     | 0        |
| Financial income and financial expenses .....                      |       | 70     | 122      |
| Loss (gain) on sale of assets .....                                | (     | 104)   | 1        |
| Income tax .....   | 6     | 110    | 60       |
| Cash flow from operations less interest and taxes                  |       | 707    | 629      |
| <b>Changes in operating assets and liabilities:</b>                |       |        |          |
| Inventories, change .....  |       | 383    | 54       |
| Trade and other receivables, change .....                          | (     | 739)   | ( 1.015) |
| Trade and other payables, change .....                             |       | 335    | 556      |
|  | (     | 21)    | ( 404)   |
| Cash generated from operating activities                           |       | 685    | 224      |
| Interest income received .....                                     |       | 6      | 8        |
| Interest expenses .....  | (     | 76)    | ( 130)   |
| Taxes paid .....   | (     | 28)    | ( 18)    |
|  |       | 587    | 84       |
| <b>Investing activities</b>  |       |        |          |
| Investment in operating assets .....                               | (     | 155)   | ( 167)   |
| Proceeds from sale of operating assets .....                       |       | 124    | 6        |
| Investment in associated companies .....                           | (     | 122)   | 0        |
| Securities, change .....   |       | 2      | 5        |
| Net cash used in investing activities                              |       | ( 152) | ( 157)   |
| <b>Financing activities</b>  |       |        |          |
| Share capital increase in subsidiaries .....                       |       | 12     | 0        |
| Purchase of own shares .....                                       | (     | 169)   | 0        |
| Amortisation of long-term liabilities .....                        | (     | 66)    | ( 101)   |
| New long-term liabilities .....                                    | (     | 37)    | 0        |
| Payables to associated companies .....                             | (     | 66)    | 0        |
| Cash from subsidiaries .....                                       |       | 9      | 0        |
| Short-term borrowing, change .....                                 | (     | 167)   | 329      |
| Net cash from financing activities                                 |       | ( 485) | 227      |
| <b>Net increase (decrease) in cash and cash equivalents .....</b>  | (     | 49)    | 154      |
| <b>Cash and cash equivalents at the beginning of the year.....</b> |       | 428    | 185      |
| <b>Effects of movements in exchange rates on cash held .....</b>   | (     | 4)     | 2        |
| <b>Cash and cash equivalents at the end of period.....</b>         |       | 375    | 341      |

The notes on pages 9-13 are an integral part of these consolidated financial statements.



# Notes to the Consolidated Financial Statements

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## 1. Reporting entity

Skeljungur hf. (the "Company") is an Icelandic limited liability company domiciled in Iceland. The address of the Company's registered office is at Borgartun 26, Reykjavik. The Consolidated Financial Statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates.

The main activities of the Company are import, storage, sale, and distribution of oil and oil related products. In addition, the Company sells chemical products, fertilizer and various commodity products. Skeljungur's main geographical areas of operations are Iceland and the Faroe Islands. The Company is also active in the North Atlantic region as provider of ship bunkering, both via own depots and from partners in the neighbouring countries. In Iceland, Skeljungur owns and operates 65 gas stations and 4 oil depots. In the Faroe Island the company owns and operates 11 retail stations and 2 oil depots. In both countries the customer base is a wide variety of sectors and industries, both in B2B and B2C. Skeljungur owns the brand names Orkan in Iceland and Magn in the Faroe Islands.

## 2. Basis of preparation

### a. Statement of compliance with International Financial Reporting Standards

The Group's interim financial statements are prepared according to IFRS as adopted by the EU for interim financial reporting, IAS 34 and additional requirements in the Icelandic Financial Statement Act.

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 consolidated financial statements of the Group for the year ended 2017, which is available at the Company's website; [www.skeljungur.is](http://www.skeljungur.is)

The Board of Directors of Skeljungur confirmed the Group's interim financial statements on 8. May 2018.

### b. Significant accounting policies

The interim financial statements are prepared based on the same accounting policies as the Group's annual financial statements for the year 2017, except for two new standards that took effect at the beginning of 2018, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments.

The effects of IFRS 9 on the Group considering the current operations are mainly that approach to measuring provision for losses on receivables will change somewhat, but according to the standard expected credit losses must be taken into account instead of losses already occurred. This changed approach has insignificant effect on the Group's accounting. If the Group's operations would change, e.g. with increased emphasis on investments, the standard will as appropriate have an effect on the classification of financial assets and measurements of its financial instruments. IFRS 15 applies to the sale of goods and services and contains a new framework for providing information to users of the financial statements on the nature, amount, timing and uncertainties in revenue and cash flow in relation to contracts with customers. According to the five-step model framework in IFRS 15 revenue recognition is to reflect the delivery of goods and services to the customer and thus transfer of authority. The revenue model of IFRS 15 is therefore different from previous accounting policies where revenue recognition was based on transfer of risk and reward. Adoption of IFRS 15 had no effect on the interim financial statements except for that revenue is itemized in more detail in these interim financial statements compared to previous interim financial statements, see note 4.

### c. Presentation and functional currency

The consolidated financial statements are presented in Icelandic krona (ISK), which is the Company's functional currency. All financial information presented in ISK has been rounded to the nearest million except when otherwise indicated.

### d. Management's use of judgements and estimates

In preparing these consolidated financial statements in accordance with IFRSs, management has made judgements, estimates and assumptions that effect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

### d. Seasonality

The Group's operations are generally more extensive during the second and third quarters of the year than in the first and fourth quarters. Therefore the carrying amounts of the Group's operating assets and liabilities are generally lower at the end of the first and fourth quarters than at the end of the second and third quarters.

## Notes, contd.:

### 3. Geographic information

The geographic information below shows the Group by the companies' countries of domicile.

#### Year 2018

##### Income Statement 01.01. - 31.3.

|                            | Iceland | Faroe Islands | Total |
|----------------------------|---------|---------------|-------|
| Total revenue .....        | 6.508   | 3.419         | 9.928 |
| Inter-Group revenues ..... | ( 19)   | 0             | ( 19) |
| Revenue .....              | 6.490   | 3.419         | 9.909 |
| Gross profit .....         | 1.162   | 584           | 1.746 |
| EBITDA .....               | 498     | 317           | 815   |
| EBIT .....                 | 342     | 275           | 617   |

##### Balance Sheet 31.3.

|                             |        |       |        |
|-----------------------------|--------|-------|--------|
| Non-current assets .....    | 10.087 | 3.833 | 13.920 |
| Current assets .....        | 5.442  | 1.811 | 7.253  |
| Total assets .....          | 15.529 | 5.644 | 21.174 |
| Long term liabilities ..... | 3.987  | 1.321 | 5.309  |
| Current liabilities .....   | 6.431  | 1.851 | 8.282  |
| Total liabilities .....     | 10.418 | 3.172 | 13.591 |

#### Year 2017

##### Income Statement 01.01. - 31.3.

|                            | Iceland | Faroe Islands | Total  |
|----------------------------|---------|---------------|--------|
| Total revenue .....        | 8.418   | 3.050         | 11.468 |
| Inter-Group revenues ..... | ( 232)  | 0             | ( 232) |
| Revenue .....              | 8.186   | 3.050         | 11.236 |
| Gross profit .....         | 1.187   | 473           | 1.660  |
| EBITDA .....               | 384     | 243           | 627    |
| EBIT .....                 | 234     | 204           | 437    |

##### Balance Sheet 31.12.

|                             |        |       |        |
|-----------------------------|--------|-------|--------|
| Non-current assets .....    | 9.968  | 3.984 | 13.952 |
| Current assets .....        | 5.133  | 1.914 | 7.047  |
| Total assets .....          | 15.101 | 5.898 | 20.999 |
| Long term liabilities ..... | 4.090  | 1.394 | 5.484  |
| Current liabilities .....   | 5.656  | 1.979 | 7.635  |
| Total liabilities .....     | 9.746  | 3.373 | 13.118 |

### 4. Sales

Sales are specified as follows:

|                   | 2018<br>1.1. - 31.3. | 2017<br>1.1. - 31.3. |
|-------------------|----------------------|----------------------|
| Fuel .....        | 9.047                | 10.373               |
| Other goods ..... | 862                  | 863                  |
| Total sales ..... | 9.909                | 11.236               |

Sales is attributable to the following products:

|                           |       |        |
|---------------------------|-------|--------|
| Gasoline and Diesel ..... | 4.697 | 3.815  |
| Jet fuel .....            | 609   | 3.657  |
| Marine fuel .....         | 2.741 | 2.086  |
| Other Fuel .....          | 1.000 | 815    |
| Other Products .....      | 862   | 863    |
| Total sales .....         | 9.909 | 11.236 |

## Notes, contd.:

### 5. Cost of goods sold

Cost of goods sold is specified as follows:

|                                |       |       |
|--------------------------------|-------|-------|
| Fuel .....                     | 7.558 | 8.966 |
| Other goods .....              | 605   | 610   |
| Total cost of goods sold ..... | 8.163 | 9.576 |

### 6. Income tax

Expensed income tax is specified as follows:

**31.3.2018      31.12.2017**

|                           |        |        |
|---------------------------|--------|--------|
| Income tax payable .....  | 334    | 172    |
| Deferred income tax ..... | ( 224) | ( 112) |
| Expensed income tax ..... | 110    | 60     |

Effective income tax is specified as follows:

|   | <b>1.1.- 31.3.2018</b> |              | <b>1.1.- 31.3.2017</b> |
|---|------------------------|--------------|------------------------|
| Profit before income tax .....                      | 526                    |              | 315                    |
| Income tax using the corporate tax rate .....       | 20,00% ( 105)          | 20,00% ( 63) |                        |
| Effects of tax rates in foreign jurisdictions ..... | ( 0,84%) 4             | ( 0,33%) 1   |                        |
| Other items .....                                   | 1,75% ( 9)             | ( 0,64%) 2   |                        |
| Income tax in .....                                 | 20,91% ( 110)          | 19,03% ( 60) |                        |

### 7. Other receivables

Other receivables are specified as follows:

**31.3.2018      31.12.2017**

|  |     |         |
|--|-----|---------|
| Receivables due from the government .....          | 249 | 319.230 |
| Current maturities for long term receivables ..... | 12  | 12.323  |
| Other receivables .....                            | 92  | 9.802   |
| Total other receivables .....                      | 354 | 341.354 |

### 8. Deferred tax liability

Deferred tax liability is specified as follows:

**31.3.2018      31.12.2017**

|   |        |        |
|---|--------|--------|
| Deferred tax liability at the beginning of the year ..... | 609    | 612    |
| Translation difference .....                              | ( 1)   | 16     |
| Income tax expensed from change in equity .....           | ( 4)   | ( 28)  |
| Income tax expensed from continuing operations .....      | 271    | 271    |
| Income tax payable .....                                  | ( 263) | ( 263) |
| Deferred tax liability at period/year end .....           | 612    | 609    |

The Group's deferred tax liability is attributable to the following items:

|  |       |       |
|--|-------|-------|
| Operating assets .....                                     | 537   | 535   |
| Intangible assets .....                                    | 68    | 71    |
| Inventories .....  | 11    | 16    |
| Trade receivables .....                                    | 19    | 5     |
| Currency adjustments according to Icelandic tax laws ..... | ( 17) | ( 21) |
| Other items .....  | ( 5)  | 4     |
| Deferred tax liability at period/year end .....            | 612   | 609   |

## Notes, contd.:

### 9. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortized cost.

|  |                | 31.3.2018             |                 | 31.12.2017            |                  |
|--|----------------|-----------------------|-----------------|-----------------------|------------------|
|  | Final due date | Average interest rate | Carrying amount | Average interest rate | Carrying amount  |
| Loans in foreign currency:   |                |                       |                 |                       |                  |
| Loans in DKK .....   | 2027           | 2,5%                  | 3.160           | 2,5%                  | 3.340            |
| Current loans in USD .....   | 2019           | 5,0%                  | 512             | 4,7%                  | 509              |
| Current loans in DKK .....   | 2018           | 2,5%                  | 369             | 2,5%                  | 203              |
|  |                |                       | 4.041           |                       | 4.052            |
| Loans in ISK:  |                |                       |                 |                       |                  |
| Non-indexed loans in ISK .....   | 2022           | 5,0%                  | 1.894           | 5,0%                  | 1.901            |
| Current loans in ISK .....   | 2019           | 5,2%                  | 958             | 5,2%                  | 1.305            |
|  |                |                       | 2.852           |                       | 3.206            |
| Total interest-bearing loans .....                                       |                |                       | 6.894           |                       | 7.258            |
| Aggregated annual maturities of long-term debt are specified as follows: |                |                       |                 |                       | <b>31.3.2018</b> |
| 1.4.2018 - 31.3.2019 .....   |                |                       |                 |                       | 357              |
| 1.4.2019 - 30.3.2020 .....   |                |                       |                 |                       | 360              |
| 1.4.2020 - 31.3.2021 .....   |                |                       |                 |                       | 367              |
| 1.4.2021 - 31.3.2022 .....   |                |                       |                 |                       | 366              |
| 1.4.2022 - 31.3.2023 .....   |                |                       |                 |                       | 2.153            |
| Later .....  |                |                       |                 |                       | 1.450            |
| Long-term debt including current maturities .....                        |                |                       |                 |                       | 5.054            |

### 10. Hedge accounting

Starting from 21st of April 2017 the Group applied net investment hedge accounting to foreign currency differences arising between the functional currency of its Faroe Islands subsidiary (DKK), Magn and the Company's functional currency (ISK).

The Group's investment in Magn is hedged by a DKK-denominated bank borrowing of the Company with a carrying amount as at 31 March 2018 of DKK 117 million. The Group has designated the entire borrowing as a hedging instrument against the foreign currency risk arising from the corresponding amount of the total net investment in Magn.

The Group measures the effectiveness of the hedge based on the amount of the net assets hedged. To the extent that the hedge is effective, foreign currency differences arising on the translation of the entire bank borrowing designated as the hedging instrument are recognised in other comprehensive income and accumulated in the hedge reserve. The Group will reclassify these foreign currency differences from equity to profit or loss upon disposal of Magn. The Group recognises any ineffectiveness in profit or loss immediately. No ineffectiveness arose from this net investment hedge during the reporting period."

### 11. Subsidiaries

The consolidated financial statements include the following subsidiaries:

|   | Shares    |            |
|---|-----------|------------|
|   | 31.3.2018 | 31.12.2017 |
| Bensínorkan ehf., Reykjavík .....               | 100%      | 100%       |
| Tollvörugeymsla Skeljungs ehf., Reykjavík ..... | 100%      | 100%       |
| P/F Magn, Færeyjar .....                        | 100%      | 100%       |
| Íslenska vetnisfélagið ehf. ....                | 90%       | 90%        |
| Barkur ehf, Reykjavík .....                     | 67%       | 67%        |

## Notes, contd.:

### 12. Other matters

The Icelandic Competition Authority's preliminary findings on whether there is need to take action against circumstances and conduct which are considered to impede competition, to the detriment of the public, was published on 30 November 2015. It should be noted that this investigation was not aimed at the Company but towards the fossil fuel market as a whole. All interested parties in the fossil fuel market were invited to submit their opinion regarding the report and Skeljungur's observations included strong objections regarding the outcome, calculation methodology and presumptions. On 21 September 2016 the Competition Authority conducted an open meeting where the results of the report were introduced and discussions conducted with specialists and parties related to the fossil fuel market. It is expected that the Competition Authority will publish its findings before the end of the year.

A comparable investigation was conducted by the Competition Authority in the Faroe Islands. There is no information available regarding further investigation by the Faroese Competition Authority.

These investigations had no effect on the Groups operations or financial position in the period.

### 13. Financial Ratios

The Group's key ratios are as follows:

|  | 2018             | 2017              |
|--|------------------|-------------------|
|  | 1.1. - 31.3.     | 1.1. - 31.3.      |
| <b>Operations:</b>   |                  |                   |
| Average margin - contribution margin / sales .....                     | 17,6%            | 14,8%             |
| EBITDA / gross profit .....  | 46,7%            | 37,8%             |
| EBIT / gross profit .....  | 35,3%            | 26,3%             |
| Salaries / gross profit .....  | 26,3%            | 28,8%             |
| Sales and distribution / gross profit .....                            | 28,6%            | 26,3%             |
| Opex / gross profit .....  | 62,0%            | 63,8%             |
| Return on equity .....   | 22,6%            | 14,8%             |
|  | <b>31.3.2018</b> | <b>31.12.2017</b> |
| <b>Balance Sheet:</b>  |                  |                   |
| Current ratio - Current assets / current liabilities .....             | 0,88             | 0,92              |
| Quick ratio - (Current assets - inventory) / current liabilities ..... | 0,58             | 0,55              |
| NIBD/EBITDA (TTM) .....  | 2,32             | 2,61              |
| Equity ratio - Shareholders' equity / total capital .....              | 35,8%            | 37,5%             |
| Internal value of share capital .....                                  | 3,7              | 3,8               |