N1 hf.

Condensed Consolidated Interim Financial Statements

1 January to 30 June 2018

This is a translation of the Icelandic original. In the event of discrepancies between the Icelandic language version and any translation thereof, the Icelandic language version will prevail.

N1 hf.
Dalvegur 10-14
201 Kópavogur

Reg. No. 540206-2010

Contents

Endorsement and Statement by the Board of Directors and the CEO

The condensed consolidated interim financial statements of N1 hf. for the period from 1 January to 30 June 2018 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 six months of the year amounted to ISK 19,144 million and increased by 19% compared to the same period of the previous year. According to the statement of income and comprehensive income, profit from the Group's operations for the period amounted to ISK 748 million. However, when taking into account translation difference due to the operation of a foreign associated company the Group's total comprehensive income amounts to ISK 742 million. The Group's equity at the end of the period amounted to ISK 14,554 million including share capital in the amount of ISK 250 million.

On 30 July 2018 the Icelandic Competition Authority (ICA) approved N1´s acquisition of all share capital of Festi hf. By the acquisition, which is subject to certain conditions, N1 obtains control over Festi which therefore becomes a subsidiary of N1. Festi operates grocery stores under the brand names of Krónan, Kr, Nóatún and Kjarval, as well as the electrical appliance store ELKO and Bakkinn warehouse hotel. The date of acquisition will be 1 September 2018. From that time Festi and its subsidiaries will be included in N1´s consolidated financial statements. The objective of the acquisition is operational optimisation and subsequently more robust and better service for customers of both companies. The purchase price is, according to the purchase agreement, in the amount of ISK 24,187 million. However, since a part of the purchase price was issued in new shares in N1 the final purchase price will be determined based on the market price of N1´s shares as at the acquisition date. Following the transaction the former shareholders of Festi will own 24.1% of all shares in N1. Half of those new shares are subject to lock-up provisions, as sale of them is prohibited to year-end 2018. Reference is made to note 16 to these interim consolidated financial statements for further information regarding the acquisition, its financing, the financial position and operational results of Festi, preliminary purchase price allocation and ICA´s conditions.

At the end of the period the Company's shareholders were 990 compared to 1,158 at the beginning of the year. Following are the Company's ten biggest shareholders at the end of the period:

Lífeyrissjóður verslunarmanna	13,3%
Lífeyrissjóður starfsmanna ríkisins A-deild og B-deild	11,6%
Gildi - lífeyrissjóður	9,3%
Lansdowne Icav Lansdowne Euro	8,1%
Birta lífeyrissjóður	6,3%
Global Macro Funds	5,0%
Almenni lífeyrissjóðurinn	4,6%
Wellington	4,5%
Landsbréf	3,5%
Íslenski lífeyrissj-Lífsbraut	2,8%

Statement by the Board of Directors and the CEO

The condensed consolidated interim financial statements of N1 hf. for the period from 1 January to 30 June 2018 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 consolidated interim financial statements give a fair view of the Group's assets, liabilities and financial position as at 30 June 2018 and operating results and changes in cash flows during the period from 1 January to 30 June 2018.

Furthermore, it is our opinion that the condensed consolidated interim financial statements and the Endorsement by the Board of Directors and the CEO give a fair view of the Group's results, financial position and development and describe the main risk factors and uncertainty faced by the Group.

The Board of Directors and the CEO of N1 hf. have today discussed the Company's consolidated interim financial statements for the period from 1 January to 30 June 2018 and confirm them with their signatures.

Endorsement and Statement of the Board of Directors and the CEO, contd.:

Kópavogur, 29 August 2018

The Board of Directors of N1 hf.

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Margrét Guðmundsdóttir
Chairman of the Board

______________________________________	______________________________________
Helgi Magnússon	Kristín Guðmundsdóttir
______________________________________	______________________________________
Jón Sigurðsson	Þórarinn V. Þórarinsson

CEO

____

Eggert Þór Kristófersson

Report on Review of Interim Financial Statements

To the Board of Directors and Shareholders of N1 hf.

We have reviewed the accompanying condensed interim group financial statements of N1 hf. for the period 1 January to 30 June 2018. The condensed interim group financial statements which comprise, statement of financial position as of 30 June 2018, and the statement of income and comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these condensed interim group financial statements in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting" as adopted by the EU. Our responsibility is to express a conclusion on these condensed interim group financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying condensed interim group financial statements are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU.

Reykjavík, 29 August 2018

Ernst & Young ehf.

Ingunn H. Hauksdóttir

State Authorized Public Accountant

Statement of income and comprehensive Income
1 January to 30 June 2018

	Notes	2018 * 1.4.-30.6.	2017 * 1.4.-30.6.	2018 1.1.-30.6.	2017 1.1.-30.6.
Sales	9	10.931.549	8.897.383	18.914.736	15.875.353
Cost of goods sold		(7.686.715)	(6.101.639)	(13.387.618)	(10.774.366)
Gross profit	10	3.244.834	2.795.744	5.527.118	5.100.987
Other operating income		123.584	98.732	229.088	201.489
Salaries and other personnel expenses		(1.237.296)	(1.178.497)	(2.331.470)	(2.243.621)
Sales and distribution expenses		(580.756)	(567.463)	(1.048.081)	(989.901)
Other operating expenses		(473.392)	(380.261)	(899.156)	(779.694)
		(2.291.444)	(2.126.222)	(4.278.707)	(4.013.217)
Profit before depreciation, amortisation and financial items		1.076.975	768.254	1.477.499	1.289.259
Depreciation and amortisation		(254.368)	(242.331)	(502.237)	(485.293)
Operating profit		822.607	525.923	975.262	803.967
Finance income		16.436	13.282	39.714	38.471
Finance expenses		(107.128)	(101.491)	(209.852)	(198.662)
Foreign currency difference		42.686	(16.197)	28.905	(6.997)
Share of profit from associates		29.142	104.982	58.660	154.705
Fair value changes of shares in other companies		(2.228)	(588)	(2.443)	3.574
		(21.093)	(13)	(85.017)	(8.908)
Profit before income tax		801.514	525.910	890.245	795.059
Income tax	11	(129.822)	(84.705)	(142.124)	(128.910)
Profit for the period		671.692	441.205	748.121	666.149
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Translation difference arising from operations of a foreign associate		9.609	(23.115)	(5.819)	(16.930)
Total comprehensive income for the period		681.301	418.090	742.302	649.219
Basic and diluted earnings for the period		2,69	1,76	2,99	2,66

* The quarterly statement and the split between quarters were not reviewed or audited by the Company´s auditor.

Notes on pages 10 to 17 are an integral part of these consolidated interim financial statements.

Amounts are in ISK thousand

Statement of Financial Position as at 30 June 2018

	Notes	30.6.2018	31.12.2017
Assets			
Intangible assets		196.368	214.987
Property and equipment		16.886.958	16.940.226
Shares in associates		1.894.333	1.839.908
Shares in other companies		13.353	15.668
Bonds		118.396	120.914
Non-current assets		19.109.408	19.131.703
Inventories		4.027.628	2.840.403
Trade receivables		3.760.622	2.595.230
Receivable from related parties		70.348	152.147
Other short-term receivables	12	351.121	136.852
Cash and cash equivalents		3.318.979	2.800.082
Current assets		11.528.698	8.524.714
Total assets		30.638.106	27.656.418
Equity			
Share capital		250.000	250.000
Share premium		3.153.857	3.153.857
Other restricted equity		3.985.418	4.131.579
Retained earnings		7.164.805	6.276.344
Total equity		14.554.080	13.811.779
Liabilities			
Payable to credit institutions	13	8.000.000	8.000.000
Deferred tax liabilities	14	1.447.799	1.484.715
Non-current liabilities		9.447.799	9.484.715
Current tax		405.546	444.276
Payable to the Icelandic State		2.927.500	2.058.077
Payable to credit institutions	13	1.100.000	0
Trade payables		1.211.092	1.066.927
Payable to related parties		249.416	113.198
Deferred income		177.545	182.958
Other short-term liabilities		565.128	494.488
Current liabilities		6.636.227	4.359.923
Total liabilities		16.084.026	13.844.638
Total equity and liabilities		30.638.106	27.656.418

Notes on pages 10 to 17 are an integral part of these consolidated interim financial statements.

Amounts are in ISK thousand

Statement of Changes in Equity 30 June 2018

	Share Capital	Share premium	Statutory reserve	Revaluation reserve	Unrealised profit of associated companies	Translation reserve	Retained earnings	Total equity
			Other restricted equity					
1 January to 30 June 2018								
Equity 1.1.2018	250.000	3.153.857	62.500	3.846.730	376.857	(154.490)	6.276.324	13.811.779
Total comprehensive income for the period						(5.819)	748.121	742.302
Restricted due to associated companies					(44.440)	0	44.440	0
Dissolution of revaluation of an associated company				(17.342)			17.342	0
Dissolution of revaluation of property and equipment				(78.559)			78.559	0
Equity 30.6.2018	250.000	3.153.857	62.500	3.750.810	332.417	(160.308)	7.164.805	14.554.080
1 January to 30 June 2017								
Equity 1.1.2017	250.000	3.153.857	62.500	4.122.522	295.951	(165.582)	4.852.702	12.571.950
Total comprehensive income for the period						(16.930)	666.149	649.219
Restricted due to associated companies					(37.295)		37.295	0
Dissolution of revaluation of an associated company				(17.573)			17.573	0
Dissolution of revaluation of property and equipment				(80.894)			80.894	0
Dividend paid (3.00 ISK per share)							(750.000)	(750.000)
Equity 30.6.2017	250.000	3.153.857	62.500	4.024.055	258.656	(182.512)	4.904.612	12.471.169

Notes on pages 10 to 17 are an integral part of these consolidated interim financial statements.

Amounts are in ISK thousand

Statement of Cash Flows 1 January to 30 June 2018

	Notes	2018 1.1.-30.6.	2017 1.1.-30.6.
Cash flows from operating activities			
Profit before depreciation, amortisation and financial items		1.477.499	1.289.259
Operating items not affecting cash flows:			
Gain on sale of operating assets		(35.050)	(10.363)
Deferred income		0	(15.106)
		1.442.449	1.263.791
Changes in operating assets and liabilities:			
Inventories, change		(1.187.225)	(139.546)
Trade and other receivables, change		(1.367.730)	(1.095.938)
Trade and other payables, change		2.261.786	1.359.721
Changes in operating assets and liabilities		(293.169)	124.237
Interest income received		39.707	29.743
Interest expense paid on short-term liabilities		(1.427)	(7.244)
Paid income tax		(217.770)	(181.340)
Cash flows from operating activities		969.789	1.229.186
Cash flows from investing activities			
Purchase of property and equipment		(473.314)	(404.267)
Sale of property and equipment		78.014	39.032
Dividend received		120.000	192.000
Investing activities		(275.300)	(173.235)
Cash flows from financing activities			
Dividend paid		0	(750.000)
Interest expense paid on long-term loans from credit institutions		(190.146)	(191.221)
Financing activities		(190.146)	(941.221)
Increase in cash and cash equivalents		504.344	114.730
Currency exchange difference on cash and cash equivalents		14.553	13.010
Cash and cash equivalents at the beginning of the year		2.800.082	2.266.435
Cash and cash equivalents at the end of the period		3.318.979	2.394.175

Notes on pages 10 to 17 are an integral part of these consolidated interim financial statements.

Amounts are in ISK thousand

Notes

1. Operations

N1 hf. („the Company“) is an Icelandic limited liability company. The Company's headquarters are located at Dalvegur 10-14, Kópavogur. 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. The consolidated interim financial statements of the Group consists of the Company and its subsidiary EGO ehf., referred to together as the Group and individually as a Group entity.

2. Statement of compliance

The consolidated 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 consolidated 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 Company for the year ended 31 December 2017.

The Board of Directors of N1 hf. approved the consolidated interim financial statements on 29 August 2018.

3. Significant accounting policies

Two accounting standards became effective as at the beginning of the year, *IFRS 15 Revenue from Contracts with Customers* and *IFRS 9 Financial Instruments*.

Based on current operations of the Group IFRS 9 has limited effect. However, if the Group´s operations change in the near future, e.g. by more focus on investment activities, the standard will have an impact on Group´s recognition and measurement of financial instruments.

IFRS 15 applies to sale of goods and services. It includes a comprehensive framework the purpose of which is to provide information on the nature, amounts, timing and uncertainty related to revenue and cash flows from contracts with customers. IFRS 15 did not impact the interim financial statements except that more detailed breakdown of revenue is presented, see note 9.

4. Risk management

A part of its risk management the Group enters into derivative contracts to mitigate the effect of fluctuations in the world market price of oil. According to contractual provisions of the contracts, whose duration range from one to two months, the price of fuel is fixed in foreign currency. Those contracts only cover part of the Group´s purchase of oil. The contracts are cash-settled.

5. Presentation and functional currency

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

6. Use of estimates and judgements

The preparation of consolidated 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.

7. 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.

8. Operating segments

An operating segment is a component of the Group that engages in business activity from which it may earn revenue and incur expenses, including revenue and expenses relating to transactions with other components of the Group. Segments are determined by the Company´s CEO, which regularly reviews the Group´s segments so as to decide upon how assets are allocated as well as to monitor their financial performance.

Operating results of segments, their assets and liabilities consist of items directly attributable to individual segments as well as those items which can be allocated in a logical way.

Capital expenditure of segments consist of the total cost of acquisition of operating and intangible assets.

Inter-segment pricing is determined on an arm´s length basis.

First half 2018	Real estate	Operations	Inter-segment revenue	Total
Operating revenue	0	18.914.736	0	18.914.736
Other revenue	1.028.762	229.088	(1.028.762)	229.088
Total segment revenue	1.028.762	19.143.824	(1.028.762)	19.143.824
Total operating expenses of segments	(214.335)	(18.480.753)	1.028.762	(17.666.325)
Segment EBITDA	814.428	663.071	0	1.477.499
Segment depreciation and amortisation	(295.686)	(206.551)	0	(502.237)
Share of profit from associates	0	58.660	0	58.660
Operating result of segments	518.742	515.180	0	1.033.921
Net finance expenses				(143.677)
Income tax				(142.124)
Profit for the period				748.121
30 June 2018				
Segment assets	14.865.300	12.453.827	0	27.319.127
Unallocated assets				3.318.979
Total assets				30.638.106
Unallocated liabilities				16.084.026
Capital expenditure	186.823	286.491	0	473.314
Depreciation and amortization	(295.686)	(206.551)	0	(502.237)

Amounts are in ISK thousand

8. Operating segments, contd.:

First half 2017	Real estate	Operations	Inter-segment revenue	Total
Operating revenue	0	15.875.353	0	15.875.353
Other revenue	928.580	201.489	(928.580)	201.489
Total segment revenue	928.580	16.076.842	(928.580)	16.076.842
Total operating expenses of segments	(172.623)	(15.543.540)	928.580	(14.787.583)
Segment EBITDA	755.957	533.302	0	1.289.259
Segment depreciation and amortisation	(272.409)	(212.884)	0	(485.293)
Share of profit from associates	0	154.705	0	154.705
Operating result of segments	483.548	475.123	0	958.671
Net finance expenses				(163.613)
Income tax				(128.910)
Profit for the period				666.149
30 June 2017				
Segment assets	13.702.761	10.752.003	0	24.454.764
Unallocated assets				2.394.175
Total assets				26.848.939
Unallocated liabilities				14.377.771
Capital expenditure	80.853	323.414	0	404.267
Depreciation and amortization	(272.409)	(212.884)	0	(485.293)

9. Sales

	2018 1.1.-30.6.	2017 1.1.-30.6.
Fuel	13.584.177	10.703.630
Other goods	5.330.558	5.171.723
Total sales	18.914.736	15.875.353
Breakdown of revenue by the Group´s customers :		
Fishing industry	1.986.200	1.440.546
Transportation	2.716.606	639.973
Contractors	1.184.673	955.685
Foreign sale	1.259.938	1.301.941
Other industries and individuals	11.767.319	11.537.208
	18.914.736	15.875.353

Amounts are in ISK thousand

10. Gross profit

	2018 1.1.-30.6.	2017 1.1.-30.6.
Fuel	3.086.029	2.670.189
Other goods	2.441.089	2.430.798
Total gross profit	5.527.118	5.100.987

11. Income tax

Effective income tax in profit or loss is specified as follows:

		2018 1.1.-30.6.		2017 1.1.-30.6.
Profit before income tax		890.245		795.059
Income tax based on current tax rate	20,0%	(178.049)	20,0%	(159.012)
Non-deductible expenses	(0,1%)	(1.257)	0,1%	(823)
Non-taxable income on shares	(1,3%)	11.428	(3,9%)	30.941
Corrections due to prior years	(2,9%)	25.754	0,0%	0
Other items	0,0%	0	0,0%	(16)
Effective income tax	16,0%	(142.124)	16,2%	(128.910)

12. Other short-term receivables

Other short-term receivables are specified as following:

	30.6.2018	31.12.2017
Prepaid expenses	130.285	34.627
VAT refund and other receivables from the Icelandic State	120.179	64.021
Other short-term receivables	100.658	38.204
Total other short-term receivables	351.121	136.852

13. Payable to credit institutions

Interest bearing borrowings are specified as follows:

	30.6.2018		31.12.2017	
	Interest rate	Book value	Interest rate	Book value
Non-indexed loan in ISK on floating interests	5,1%	8.000.000	5,1%	8.000.000
Short-term loan in ISK	5,3%	1.100.000		0
Total payable to credit institiutions		9.100.000		8.000.000

Loan maturities of the non-indexed loan is specified as follows:

	30.6.2018	31.12.2017
Year 2021	68.000	68.000
Year 2022	408.000	408.000
Subsequent	7.524.000	7.524.000
Total payable to credit insitutions	8.000.000	8.000.000

Amounts are in ISK thousand

Notes, contd.:

14. Deferred tax liabilities

Deferred tax liabilities at the end of the period are specified as follows:

	30.6.2018	31.12.2017
Assets		
Trade receivables and other receivables	1.479	4.496
Inventories	0	1.660
	1.479	6.156
Liabilities		
Property and equipment	1.415.126	1.464.297
Intangible assets	21.562	23.592
Inventories	5.503	0
Unrealised foreign exchange rate difference	7.087	2.983
	1.449.277	1.490.872
Deferred tax liabilities	1.447.799	1.484.715

15. Ratios

The Company's key ratios are specified as follows:

	2018 1.1.-30.6.	2017 1.1.-30.6.
Statement of income and comprehensive income		
Inventory turnover: cost of goods sold * / average inventories of the period	7,94	6,97
Sales days in trade receivables: average trade receivables of the period / goods and services sold *	30	32
Profit before depreciation, amortisation and financial items / gross profit	26,7%	25,3%
Salaries and other personnel expenses / gross profit	42,2%	44,0%
Sales and distribution expenses / gross profit	19,0%	19,4%
Other operating expenses / gross profit	16,3%	15,3%

	30.6.2018	31.12.2017
Statement of Financial Position		
Current ratio: Current assets / current liabilities	1,74	1,96
Liquidity ratio: (Current assets - inventories) / current liabilities	1,13	1,30
Leverage: Net interest bearing liabilities ** / EBITDA***	1,42	1,38
Equity ratio: Equity / total capital	47,5%	49,9%
Return on equity: Profit for the period * / average equity for the period	10,6%	16,1%

* Operating figures are calculated on annual basis.
** Average net interest bearing liabilities for the last 12 months.
*** EBITDA for the last 12 months.

Amounts are in ISK thousand

Notes, contd.:

16. Subsequent events

Acquisition of Festi

On 30 July 2018 the Icelandic Competition Authority (ICA) approved N1´s acquisition of all share capital of Festi hf. subject to certain conditions in a settlement agreement approved by N1 and ICA. Festi operates grocery stores under the brand names of Krónan, Kr, Nóatún and Kjarval, as well as the electrical appliance store ELKO and Bakkinn warehouse hotel. The date of acquisition will be 1 September 2018. From that time Festi and its subsidiaries will be included in N1´s consolidated financial statements.

The objective of the acquisition is operational optimisation and subsequently more robust and better service for customers of both companies. Significant changes have, and will continue, to take place in those markets in which the companies operate. Annual synergy of the acquisition are in the range of ISK 500 to 600 million. Synergy effect will be obtained in the next 12 to 18 months.

ICA´s conditions

ICA´s main conditions related to N1's acquisition of Festi are as follows:

1. New resellers are to get improved access to wholesale of liquid fuel.
2. Better access to the service of Olíudreifing ehf.
3. Sale of five self-service stations to new and independent parties in the fuel market. More specifically, three self-service fuel stations currently operated under the brand name of Dælan, located at Fellsmúli and Staldrið in Reykjavík, the station at Hæðarsmári 8 in Kópavogur, and two stations operated under the brand name of N1, i.e. those at Salarvegur in Kópavogur and Vatnagarðar in Reykjavík.
4. Sale of the grocery store of Kjarval located at Hella.

Acquisition price, its payment and financing

The acquisition will be financed with new borrowings, on one hand, and issue of new share capital in N1 on the other. Furthermore, N1 will use some of its current cash to finance part of the acquisition. N1 has issued 79,573,913 shares to shareholders of Festi. In the final purchase agreement it is assumed that the shares are issued at a price of 115 ISK per share and the total purchase price of the share capital of Festi is estimated ISK 24,187 million.

However, according to International Financial Reporting Standards (IFRS), the value of the portion of the purchase price paid my means of issue of new share capital is to be based on the market value of shares as at the acquisition date, even though the purchase price agreement states that new shares in N1 will be delivered at the price of 115. If the market price differs from that assumed in the purchase price agreement it will have an impact on the determination of purchase price and the purchase price allocation. Following is a breakdown of the purchase price based on the assumption in the purchase price agreement of price of 115 per share. Amounts are in ISK million:

Acquisition price of all share capital of Festi	24.187
Cash payment, cash currently at N1's disposal	2.356
Cash payment, financed via new borrowings of N1	12.680
Paid via new share capital of N1 hf.*	9.151
Total	24.187

*Following the transaction the former shareholders of Festi will own 24.1% of all shares in N1. Half of those new shares are subject to lock-up provisions, as sale of them is prohibited to year-end 2018.

In addition to the purchase price, direct acquisition-related cost in the amount ISK 66 million has been expensed in 2018 (2017: 69 million).

16. Subsequent events, contd.:

Assets and liabilities of Festi and purchase price premium

The following table specifies the carrying amount of Festi´s assets and liabilities according to the company´s consolidated financial statements at the annual reporting date of 28 February 2018. However, the acquisition will be based on the fair value of acquired assets and liabilities of Festi as at the acquistion date of 1 September 2018. The estimated purchase price, as specified in the table, is based on the aforementioned assumption in the purchase price agreement of the price of N1´s share capital being 115 per share. However, on the acquistion date it shall be based on the market price of shares in N1 at that date. Amounts are in ISK million:

Property and equipment	12.077
Investment properties	8.805
Goodwill	7.258
Intangible assets	3.797
Shares in other companies	32
Inventories	3.735
Trade receivables	484
Other short-term receivables	197
Cash and cash equivalents	1.673
Loans from credit institutions	(15.029)
Deferred tax liabilities	(1.824)
Trade payables	(3.822)
Current tax payable	(286)
Other short-term liabilities	(1.187)
Equity	15.909
Estimated purchase price of share capital of Festi	24.187
Estimated purchase price in excess of book value of Festi´s equity at 28 February 2018	8.278

Purchase price allocation

As stated above the purchase price of share capital in Festi is estimated to be ISK 8,278 million in excess of the company´s equity as at 28 February 2018. According to International Financial Reporting Standards N1 is to carry out a purchase price allocation at the acquisition date, i.e. value identifiable acquired assets and liabilities as at the acquisition date of 1 September 2018, where the identifiable assets' and liabilities' fair value is determined. Goodwill in an acquired company is not assumed to be an identifiable asset. To the extent that the purchase price of the shareholding in Festi is in excess of the fair value of identifiable assets less acquired liabilities the difference is recognised as a goodwill in N1´s consolidated financial statements.

Purchase price allocation is yet to be finalised but below is a preliminary assessment of the fair value of acquired assets affected by the purchase price allocation. That assessment is subject to changes. It is estimated that the purchase price allocation will be finalised as at the end of november. However, if new information becomes evident within one year from the acquisition date regarding the position of assets and / or liabilities at the acquistion date the purchae price allocation could change.

16. Subsequent events, contd.:

Purchase price allocation, contd.:

Assets acquired	Changes in value and assumption upon which preliminary purchase price allocation is based
Property and equipment	According to a preliminary assessment the fair value of Festi´s real estates and premises is ISK 2,479 million in excess of the estimated carrying amount at the acquisition date 1 September 2018. Fair value of equipment is estimated to be close to carrying amount and was therefore not estimated. Fair value of real estates and premises was estimated in accordance with the International Financial Reporting Standard IFRS 13 Fair value Measurement. The fair value assessment of those assets fall under level 3 in the fair value hierarchy. The fair value assessment is based on discounted cash flows using fixed prices. Future revenue from assets is estimated based on current lease agreements and estimated market lease prices after the expiration of current lease agreements. A full utilisation of real estates is not assumed. Furthermore, it is assumed in the estimation of revenue that a part of lease revenue will not be collected. The most significant expenses in the cash flows assessment are property tax, maintenance, insurance premiums and administrative costs. Property tax is based on rateable value for the year 2019 and municipalities´ rate of levy for the year 2018. Other expense items are estimated based on common benchmarks applied in the real estate market. The estimated cash flows from assets is discounted based on estimated weighted average cost of capital (WACC). Required rate of return on equity is based on market rate of return on government backed market debt securities, risk premium for the real estate market and a specific risk premium for individual properties. A 30% equity ratio is assumed. The assessment of real rate of return on debt is based on estimated interest term for individual real estate assets. Festi´s real estates and premises for own use will be recognised applying the revaluation method in N1´s consolidated financial statements, as N1´s real estates and premises are recognised. Other fixed tangible non-current assets of Festi will be recognised at amortised cost. Deferred tax will be recognised due to the difference between fair value and carrying amount.
Investment property	Some of Festi´s real estates are leased out to third parties and recognised as investment properties in Festi´s consolidated financial statements. Investment properties are recognised at fair value through profit or loss. The same accounting policy will be applied in N1´s consolidated financial statements. According to preliminary fair value assessment the fair value of investment properties is ISK 358 million lower than the estimated carrying amount at the acquisition date. Fair value of investment properties was assessed applying the same valuation model as for the assessment of fair value of real estate and premises of assets for own use. Deferred tax will be recognised due to the difference between fair value and carrying amount of investment properties.
Intangible assets	Purchase price allocation has not yet been performed with respect to intangible assets but will be carried out following the acquisition date of 1 September 2018. Intangible assets will subsequently be recognised at amortised cost and deferred tax recognised due to the difference between book value and fair value.
Goodwill	Goodwill is the excess of purchase price over fair value of identifiable acquired assets and liabilities. Goodwill is not amortised but will be tested annually for impairment.

Operating results of Festi

In the financial year 1 March 2017 to 28 February 2018 the operating revenue of Festi´s group amounted to ISK 40,000 million, EBITDA amounted to ISK 3,436 million and profit to ISK 1,695 million. According to budget for the financial year ending on 28 February 2019 total turnover of Festi is assumed to be ISK 43,000 million and EBITDA to be ISK 3,350 million.

Amounts are in ISK thousand