

# **PROSPECTUS SUMMARY**

**24 August 2018**

This is an English translation from the Icelandic original version of the Summary. If any discrepancies occur the Icelandic versions of the summary shall prevail.

## A. INTRODUCTION AND RESERVATIONS

This summary is prepared in accordance with Annex XXII to Commission Regulation (EC) No. 809/2004 as amended, which has been transposed into Icelandic law through Regulation No. 243/2006 on the transposition of Commission Regulation (EC) No. 809/2004, as regards the presentation and content of prospectuses, base prospectuses, summaries and final terms as regards disclosure obligations, and subsequent regulations, including Regulation No. 901/2013 which transposed into Icelandic law amendments to Commission Regulation (EC) No. 809/2004 with Regulation No. 901/2013.

The summary is in five parts labelled with the letters A–E (A1–E7). The summary contains all the information items that are to be included in a prospectus summary which is prepared in accordance with Annexes I–III to the aforementioned Regulation. The numerical order of the information segments may be broken, as information is not required for all information items for prospectuses prepared according to Annexes I–III to the above Regulation. Although the summary is to contain certain information elements, there is the possibility that the information element does not apply in the case of the issuer and the securities to which the prospectus applies, in which case the text “not applicable” is entered next to the element in question.

Information element	Information requirement	Information
A.1	Reservation	<p>This summary should be read as an introduction to the prospectus of N1 hf. (hereinafter N1, the Issuer or the Company) which consists of this summary, a registration document and securities note, both dated 24 August 2018.</p> <p>Investors should make their decision on investments in the shares of N1 on the basis of information in the prospectus in its entirety.</p> <p>If a claim relating to the information contained in the prospectus is brought before a court, the plaintiff might have to bear the costs of translating the prospectus before the legal proceedings are initiated.</p> <p>Individuals and legal entities that have prepared the summary, including any translation thereof, and who have applied for validation of the summary from the FME (Icelandic Financial Supervisory Authority), may be held liable according to general rules thereto, but only if the summary is misleading, inaccurate or inconsistent with the other parts of the prospectus or if it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>
A.2	Approval for the use of financial intermediaries of the prospectus on the subsequent resale of or invitation to tender for the securities in the issuer	<p>This prospectus is issued in connection with a share increase in N1 of 79,573,913 shares and an application to submit the shares for trading on the Main Market of Nasdaq Iceland hf.</p> <p>The use of financial intermediaries of the prospectus on the subsequent resale of or invitation to tender for the securities in the issuer is not permitted.</p>

## B – ISSUER

Information element	Information requirement	Information
B.1	The legal and commercial name of the issuer	The legal and commercial name of the issuer is N1 hf.
B.2	Domicile and legal form of the issuer	The domicile of the issuer is Dalvegur 10-14, 201 Kópavogur, Iceland. N1 is a registered public limited company in accordance with Act No. 2/1995 on Public Limited Companies.
B.3	Activities	<p>The object of N1 according to Article 3 of the Articles of Association of the company is trading with solid, liquid and gaseous fuel and oil-based goods; wholesale and retail; ownership and operation of real property; the purchase, sale and ownership of securities, together with lending activities related to the operation of the company and other related activities.</p> <p>Following the purchase of Festi hf. by N1, the company's operations are in five holding companies, which are at the same time income divisions, i.e. N1, Krónan, Elko, Bakkinn vöruhótel and Festi fasteignir. The role of the company is to be the first choice for retail and fuel customers throughout Iceland.</p> <p><b>Main markets and competition</b></p> <p><b>N1</b></p> <p>N1 operates in the competitive Icelandic fuel market. The company's main competitors are the four other companies selling fuel in Iceland, i.e. Olíuverslun Íslands, under the Olís and ÓB, Skeljungur hf., under the brands Shell and Orkan, and Atlantsólía ehf. In spring 2017, Costco commenced the retail sale of fuel at its branch in Garðabær.</p> <p><b>Krónan</b></p> <p>Krónan operates grocery stores under the brands Krónan, Kjarval, Kr. and Nóatún. The grocery stores are mainly located in the greater Reykjavik area, South Iceland and Reykjanes, but Krónan also has stores in Akranes, Reyðarfjörður and the Vestmannaeyjar.</p> <p>Krónan's main competitors have been the stores of Hagi hf., Samkaup hf. (Samkaup and Nettó), Fjarðakaup ehf., Basko ehf. (10-11 and Iceland) og Víðir ehf, the last of which has now ceased operations. There are also various smaller neighbourhood stores on the market. In spring 2017, Costco opened its branch in Garðabær.</p> <p><b>Elko</b></p> <p>Elko operates in a very dynamic market, as the availability of electric appliances is constantly changing. Among Elko's main competitors are Costco, Ormsson, Skakkiturn, Tölvutek, Tölvulistinn, Heimilistæki, Rafha, Smith &amp; Norland, Sjóvarpmiðstöðin and Rafland. There is considerable competition from abroad as online shopping is widespread and it is easy to order products online.</p>

		<p><b>Festi fasteignir</b></p> <p>Festi fasteignir owns properties that are suitable for retail and related business. Retail outlets are Festi fasteignir's single largest lessee. The listed real estate companies Fasteignafélagið Reginn hf., Reitir fasteignafélag hf. and Eik fasteignafélag hf. are considerably larger than Festi fasteignir with an estimated combined total of over one million square metres of leased commercial properties in the greater Reykjavik area. This is much more than Festi fasteignir has to offer.</p> <p><b>Bakkinn vöruhótel</b></p> <p>Bakkinn vöruhótel offers companies within the group, and others to some extent, warehousing services. The warehouse hotel is constantly close to full capacity, so there is little leeway to offer services to third parties in this area.</p>
B.4a	A description of the most significant recent trends affecting the issuer and the industries in which it operates	<p>On 3 October 2017, N1 announced the company's purchase of all shares in Festi hf. The Competition Authority approved the purchase on 30 July 2018, with conditions listed in the agreement signed by N1 and the Competition Authority.</p> <p>The purchasing price of share capital in Festi was ISK 23,707 million, adjusted according to the adjustment provisions of the purchase agreement pertaining to Festi hf.'s debt position at the close of the company's financial year, i.e. 28 February 2018, and the performance of Festi hf.'s operating companies in the operating year. The purchase is paid for with the delivery of 79,573,913 new shares in N1 at the rate of 115, or ISK 9,151 million, and ISK 14,556 million in cash.</p> <p>N1 has prepared, as means of explanation, a pro forma financial statement to describe the effects if the purchase of Festi hf. had taken place on 1 January 2017.</p>
B.5	Description of the issuer's group	<p>The N1 group consists of the parent company N1 and nine subsidiaries which are all wholly owned by the parent company. By purchasing Festi, the number of subsidiaries increased from six to nine. Following the purchase of Festi, the plan is to change the name of the parent company from N1 to Festi.</p>
B.6	Shareholders	

Shareholders N1, 23 August 2018		Before share increase		After share increase	
Shareholder	Number of shares	Shareholding		Number of shares	Shareholding (%)
		Number of shares	(%)		
<b>SF V slhf.</b>		-	-	<b>79.573.913</b>	<b>24,14%</b>
Lífeyrissjóður verslunarmanna .....	33.250.000		13,30%	33.250.000	10,09%
Lífeyrissjóður starfsmanna ríkisins .....	26.000.000		10,40%	26.000.000	7,89%
The Wellington Trust Company Na .....	23.887.857		9,56%	23.887.857	7,25%
Gildi - lífeyrissjóður .....	23.263.491		9,31%	23.263.491	7,06%
Lansdowne .....	20.141.000		8,06%	20.141.000	6,11%
Birta lífeyrissjóður .....	15.729.610		6,29%	15.729.610	4,77%
Almenni lífeyrissjóðurinn .....	11.498.889		4,60%	11.498.889	3,49%
Landsbréf .....	8.459.111		3,38%	8.459.111	2,57%
Akta sjóðir .....	8.153.712		3,26%	8.153.712	2,47%
Íslenski lífeyrissjóðurinn .....	5.981.692		2,39%	5.981.692	1,81%
Kvika banki hf. ....	7.523.141		3,01%	7.523.141	2,28%
Stapi lífeyrissjóður .....	6.581.213		2,63%	6.581.213	2,00%
Helgafell ehf. ....	6.516.928		2,61%	6.516.928	1,98%
Sjóvá-Almennar tryggingar hf. ....	5.438.703		2,18%	5.438.703	1,65%
Söfnunarsjóður lífeyrisréttinda .....	4.925.800		1,97%	4.925.800	1,49%
Arion banki hf. ....	3.869.924		1,55%	3.869.924	1,17%
Hofgarðar ehf. ....	3.598.955		1,44%	3.598.955	1,09%
Vátryggingarfélag Íslands hf. ....	2.779.000		1,11%	2.779.000	0,84%
Júpiter - innlend hlutabréf .....	2.664.982		1,07%	2.664.982	0,81%
Fagfjárfestisjóðurinn IHF .....	2.160.179		0,86%	2.160.179	0,66%
<b>Total of the 20 largest</b>	<b>222.424.187</b>		<b>88,97%</b>	<b>301.998.100</b>	<b>91,63%</b>
<b>914 other shareholders</b>	<b>27.575.813</b>		<b>11,03%</b>	<b>27.575.813</b>	<b>8,37%</b>
<b>Total</b>	<b>250.000.000</b>		<b>100,00%</b>	<b>329.573.913</b>	<b>100,00%</b>
B.7	Summary of financial information				

<b>Income Statement and Statement of Comprehensive Income (ISK.m)</b>	<b>1 F 2018</b>	<b>1 F 2017</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Sales .....	7.983	6.978	34.608	33.768	49.018
Cost of goods sold .....	(5.701)	(4.673)	(23.268)	(22.567)	(38.850)
<b>Gross profit .....</b>	<b>2.282</b>	<b>2.305</b>	<b>11.340</b>	<b>11.201</b>	<b>10.169</b>
Other operating income .....	106	103	442	371	392
Salaries and other personnel expenses .....	(1.094)	(1.065)	(4.554)	(4.234)	(3.883)
Sales and distribution expenses .....	(467)	(422)	(2.059)	(2.079)	(2.268)
Other operating expenses .....	(426)	(399)	(1.634)	(1.635)	(1.397)
	<b>(1.987)</b>	<b>(1.887)</b>	<b>(8.247)</b>	<b>(7.947)</b>	<b>(7.549)</b>
<b>Profit before depreciation, amortization and finance items .....</b>	<b>401</b>	<b>521</b>	<b>3.535</b>	<b>3.625</b>	<b>3.012</b>
Depreciation and amortization .....	(248)	(243)	(1.007)	(773)	(717)
Reversal of impairment of real estates .....	0	0	0	1.323	0
	<b>(248)</b>	<b>(243)</b>	<b>(1.007)</b>	<b>550</b>	<b>(717)</b>
<b>Operating income .....</b>	<b>153</b>	<b>278</b>	<b>2.528</b>	<b>4.175</b>	<b>2.295</b>
Finance income .....	23	25	91	166	185
Finance expenses .....	(103)	(97)	(398)	(468)	(430)
Currency exchange gain (loss) .....	(14)	9	23	(2)	53
Effect of associates .....	30	50	275	296	179
Change in fair value of shares .....	(0)	4	4	(14)	0
	<b>(64)</b>	<b>(9)</b>	<b>(5)</b>	<b>(22)</b>	<b>(13)</b>
<b>Profit before income tax .....</b>	<b>89</b>	<b>269</b>	<b>2.524</b>	<b>4.154</b>	<b>2.282</b>
Income tax .....	(12)	(44)	(453)	(776)	(422)
<b>Profit for the year .....</b>	<b>76</b>	<b>225</b>	<b>2.071</b>	<b>3.378</b>	<b>1.860</b>
<b>Other comprehensive income</b>					
Items that are or may be reclassified subsequently to profit or loss:					
Translation difference arising from operations of a foreign associate .....	(15)	6	11	(80)	(45)
Items that will not be reclassified to profit or loss:					
Revaluation of real estates (reversal) .....	0	0	(115)	4.850	0
Tax on revaluation of real estates .....	0	0	23	(970)	0
Total other comprehensive income .....	<b>(15)</b>	<b>6</b>	<b>(81)</b>	<b>3.799</b>	<b>(45)</b>
<b>Total comprehensive income for the year .....</b>	<b>61</b>	<b>231</b>	<b>1.990</b>	<b>7.177</b>	<b>1.815</b>
Basic and diluted earnings per share in Icelandic krona .....	0,31	0,90	8,28	9,74	3,39

Balance Sheet N1 (ISK.m)	31.3.2018	31.12.2017	31.12.2016	31.12.2015
<b>Assets</b>				
Intangible assets .....	206	215	258	317
Property and equipment .....	16.870	16.940	15.773	9.167
Shares in associates .....	1.854	1.840	1.748	1.594
Shares in other companies .....	15	16	17	30
Bonds .....	116	121	58	68
<b>Non-current assets</b>	<b>19.062</b>	<b>19.132</b>	<b>17.854</b>	<b>11.176</b>
Inventories .....	3.252	2.840	3.027	2.604
Trade receivables .....	3.051	2.595	2.303	2.275
Receivables from related parties .....	155	152	15	21
Other short-term receivables .....	391	137	157	237
Cash and cash equivalents .....	2.387	2.800	2.266	2.472
<b>Current assets</b>	<b>9.236</b>	<b>8.525</b>	<b>7.768</b>	<b>7.609</b>
<b>Total assets</b>	<b>28.298</b>	<b>27.656</b>	<b>25.622</b>	<b>18.785</b>
<b>Equity</b>				
Share capital .....	250	250	250	350
Share premium .....	3.154	3.154	3.154	4.153
Other restricted equity .....	4.108	4.132	4.315	542
Retained earnings .....	6.361	6.276	4.853	2.686
<b>Total equity</b>	<b>13.873</b>	<b>13.812</b>	<b>12.572</b>	<b>7.731</b>
<b>Liabilities</b>				
Payable to credit institutions .....	8.000	8.000	6.500	6.370
Deferred tax liability .....	1.474	1.485	1.499	263
Prepaid income .....	0	0	151	181
<b>Non-current liabilities</b>	<b>9.474</b>	<b>9.485</b>	<b>8.150</b>	<b>6.815</b>
Income tax payable .....	380	444	512	430
Payable to the Icelandic State .....	2.676	2.058	2.047	1.773
Payable to credit institutions .....	0	0	509	0
Trade payables .....	1.146	1.067	896	1.158
Payable to related parties .....	67	113	202	150
Prepaid income .....	177	183	237	225
Other short-term liabilities .....	506	494	497	502
<b>Current liabilities</b>	<b>4.951</b>	<b>4.360</b>	<b>4.900</b>	<b>4.239</b>
<b>Total liabilities</b>	<b>14.425</b>	<b>13.845</b>	<b>13.050</b>	<b>11.054</b>
<b>Total equity and liabilities</b>	<b>28.298</b>	<b>27.656</b>	<b>25.622</b>	<b>18.785</b>

<b>Statement of Cash Flows N1 (ISK.m)</b>	<b>1 F 2018</b>	<b>1 F 2017</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>					
Profit before depreciation, amortisation and finance items .....	401	521	3.535	3.625	3.012
Operating items not affecting cash flows:					
(Gain) loss on sale of property, plant and equipment .....	(5)	(8)	(67)	6	(15)
Prepaid income .....	0	(8)	(20)	(30)	(30)
	<b>395</b>	<b>505</b>	<b>3.448</b>	<b>3.600</b>	<b>2.966</b>
Changes in operating assets and liabilities:					
Inventories, decrease (increase) .....	(411)	(60)	186	(423)	535
Trade and other short-term receivables, (increase) .....	(726)	(502)	(335)	(72)	1.227
Trade and other short-term payables, (decrease) increase .....	645	(19)	(449)	667	(492)
<b>Changes in operating assets and liabilities</b>	<b>(492)</b>	<b>(581)</b>	<b>(598)</b>	<b>172</b>	<b>1.269</b>
Interest income received .....	19	28	73	150	181
Interest expense paid on short-term liabilities .....	(2)	(44)	(36)	(18)	(15)
Income tax paid .....	(87)	(73)	(512)	(427)	(151)
<b>Cash flows from operating activities</b>	<b>(166)</b>	<b>(164)</b>	<b>2.376</b>	<b>3.478</b>	<b>4.250</b>
<b>Cash flows from investing activities</b>					
Purchase of intangible assets .....	0	0	(10)	(47)	(49)
Purchase of property, plant and equipment .....	(171)	(200)	(2.516)	(1.154)	(487)
Sale of property, plant and equipment .....	7	30	63	147	91
Purchase of shares in other companies .....	0	0	0	0	(28)
Dividends from associated companies .....	0	0	194	62	2
<b>Investing activities</b>	<b>(163)</b>	<b>(171)</b>	<b>(2.268)</b>	<b>(992)</b>	<b>(472)</b>
<b>Cash flows from financing activities</b>					
Decrease in share capital .....	0	0	0	(1.287)	(4.503)
Dividend paid .....	0	0	(750)	(1.050)	(840)
Repayment of long-term loans .....	0	0	0	(6.370)	(210)
New long term loans from credit institutions .....	0	0	1.500	6.500	0
Interest expense paid on long term loans .....	(86)	(96)	(357)	(491)	(416)
<b>Financing activities</b>	<b>(86)</b>	<b>(96)</b>	<b>393</b>	<b>(2.698)</b>	<b>(5.969)</b>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>(415)</b>	<b>(430)</b>	<b>500</b>	<b>(212)</b>	<b>(2.190)</b>
<b>Currency exchange gain on cash and cash equivalents .....</b>	<b>2</b>	<b>5</b>	<b>33</b>	<b>6</b>	<b>33</b>
<b>Cash and cash equivalents at the beginning of the year .....</b>	<b>2.800</b>	<b>2.266</b>	<b>2.266</b>	<b>2.472</b>	<b>4.629</b>
<b>Cash and cash equivalents at the of the financial period .....</b>	<b>2.387</b>	<b>1.842</b>	<b>2.800</b>	<b>2.266</b>	<b>2.472</b>
<b>N1 Ratios</b>	<b>1 F 2018</b>	<b>1 F 2017</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Income statement</b>					
Turnover rate of inventories at the end of the period:					
Utilisation of goods / weighted average inventories .....	7,49	6,11	7,62	8,02	12,03
Sales days in trade receivables:					
weighted average trade receivables / goods and services sold .....	32*	33*	30	29	25
Profit before depreciation, amortisation and finance items / gross profit ....	17,5%	22,6%	31,2%	32,4%	29,6%
Salaries and salary related expenses / gross profit .....	47,9%	46,2%	40,2%	37,8%	38,2%
SSales and distribution cost / gross profit .....	20,5%	18,3%	18,2%	18,6%	22,3%
Other operating expenses / gross profit .....	18,7%	17,3%	14,4%	14,6%	13,7%
<b>Balance sheet</b>					
Current ratio: current assets / current liabilities .....	1,87	-	1,96	1,59	1,79
Liquidity ratio: (current assets - inventories) / current liabilities .....	1,21	-	1,30	0,97	1,18
Leverage: Net interest bearing liabilities / EBITDA .....	1,48**/**	-	1,38	1,10	1,14
Equity ratio: Equity / total capital .....	49,0%	-	49,9%	49,1%	41,2%
Return on equity: Return of the year / weighted average equity .....	2,2%	-	16,1%	39,2%	19,9%
*Operating amounts are calculated on annual basis					
**Average net bearing liabilities are the average amount last year					
*** EBITDA last twelve months					

Income Statement and Statement of Comprehensive Income Festi hf. (ISK.m)	1.3.2017 - 28.2.2018	1.3.2016 - 28.2.2017	1.3.2015 - 28.2.2016
Sales .....	39.976	39.389	35.708
Cost of goods sold .....	(31.159)	(30.756)	(28.038)
<b>Gross profit</b> .....	<b>8.817</b>	<b>8.633</b>	<b>7.670</b>
Lease income of investment properties and other operating income .....	1.090	1.330	1.256
Gain on sale of properties .....	0	0	204
Salaries and other personnel expenses .....	(4.339)	(4.060)	(3.578)
Other operating expenses .....	(2.131)	(2.242)	(2.085)
<b>Profit before depreciation, amortisation and fair value changes in investment property</b>	<b>3.438</b>	<b>3.661</b>	<b>3.466</b>
Depreciation .....	(618)	(492)	(359)
Fair value changes of investment property .....	266	591	0
<b>Operating income</b>	<b>3.086</b>	<b>3.760</b>	<b>3.107</b>
Finance income .....	198	25	60
Finance expenses .....	(1.118)	(1.178)	(1.317)
Foreign currency difference .....	1	1	(1)
<b>Profit before income tax</b>	<b>2.168</b>	<b>2.609</b>	<b>1.848</b>
Income tax .....	(471)	(505)	(370)
<b>Profit and other comprehensive income for the financial year</b>	<b>1.697</b>	<b>2.104</b>	<b>1.479</b>

<b>Balance Sheet Festi hf. (ISK m)</b>		<b>28.2.2018</b>	<b>28.2.2017</b>	<b>28.2.2016</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Equipment .....		2.232	2.022	1.617
Properties .....		9.845	9.347	8.862
Investment properties .....		8.805	12.329	11.356
Intangible assets .....		11.055	11.074	11.105
Shares in companies .....		32	12	13
<b>Total non-current assets</b>		<b>31.968</b>	<b>34.783</b>	<b>32.953</b>
<b>Current assets</b>				
Inventories .....		3.735	3.321	2.863
Trade receivables .....		484	465	785
Other short-term receivables .....		197	127	130
Cash and cash equivalents .....		1.673	589	602
<b>Total current assets</b>		<b>6.089</b>	<b>4.502</b>	<b>4.381</b>
<b>Assets</b>		<b>38.057</b>	<b>39.285</b>	<b>37.333</b>
<b>Equity and liabilities</b>				
<b>Total equity</b>				
Share capital .....		882	882	882
Share premium .....		7.938	7.938	7.938
Other restricted equity .....		889	931	178
Retained earnings .....		5.555	5.409	4.049
<b>Total equity</b>		<b>15.264</b>	<b>15.160</b>	<b>13.046</b>
<b>Non-current liabilities</b>				
Payable to credit institutions .....		15.029	16.749	17.692
Deferred tax liability .....		1.824	1.718	1.507
<b>Non-current liabilities</b>		<b>16.853</b>	<b>18.467</b>	<b>19.199</b>
<b>Current liabilities</b>				
Trade payables .....		3.822	3.789	3.460
Current maturities of long-term debt .....		939	661	635
Income tax payable .....		360	351	227
Other short-term liabilities .....		819	857	767
<b>Total current liabilities</b>		<b>5.940</b>	<b>5.658</b>	<b>5.088</b>
<b>Total liabilities</b>		<b>22.793</b>	<b>24.125</b>	<b>24.287</b>
<b>Total equity and liabilities</b>		<b>38.057</b>	<b>39.285</b>	<b>37.333</b>
B.8	Pro forma financial information			

Pro forma Income Statement (ISK.m)		N1 hf. Consolidated Income statement 1/1-31/12 2017	Festi hf. Consolidated Income statement 1/1-31/12 2017	Pro forma N1 hf. Consolidated Income statement 1/1-31/12 2017
Sales .....		34.608	40.656	75.264
Cost of goods sold .....		(23.268)	(31.915)	(55.183)
<b>Gross profit .....</b>		<b>11.340</b>	<b>8.741</b>	<b>20.081</b>
Other operating income .....		442	1.120	1.562
Salaries and other personnel expenses .....		(4.554)	(4.377)	(8.931)
Sales and distribution expenses .....		(2.059)	0	(2.059)
Other operating expenses .....		(1.634)	(2.157)	(3.791)
<b>Profit before depreciation, amortisation and fair value changes in investment property .....</b>		<b>3.535</b>	<b>3.327</b>	<b>6.862</b>
Depreciation and amortisation .....		(1.007)	(608)	(1.615)
Fair value changes of investment properties .....		0	28	28
<b>Operating income .....</b>		<b>2.528</b>	<b>2.747</b>	<b>5.275</b>
Finance income .....		91	110	201
Finance expenses .....		(398)	(1.053)	(1.451)
Foreign currency difference .....		23	(1)	22
		(284)	(944)	(1.228)
Share of profit from subsidiaries .....		275	0	275
Change in fair value of shares .....		4	0	4
<b>Profit before income tax .....</b>		<b>2.524</b>	<b>1.802</b>	<b>4.326</b>
Income tax .....		(453)	(348)	(801)
<b>Profit for the year .....</b>		<b>2.071</b>	<b>1.454</b>	<b>3.525</b>
B.9	Operating plan or estimated results	Not applicable.		
B.10	Qualifications in audit reports	There are no qualifications in audit reports for historical financial information provided in the prospectus.		
B.11	Working capital	The Chairman of the Board and the Managing Director of N1 declare, on behalf of the company, that they believe the working capital of N1 is sufficient to fulfil the present needs of the company. The purchase of Festi hf. does not have an impact on the above declaration.		

## C – THE SECURITIES

Information element	Information requirement	Information
C.1	Type and the class of the securities being offered and/or admitted to trading	The securities for which the request for admittance to trading on the Main Market of the stock exchange is made are shares in N1. All shares in the N1 are of the same class.
C.2	Currency of the securities issue	Icelandic kronur (ISK).

C.3	Number of issued shares	Issued shares in N1 amount to ISK 250,000,000 on the publication of the prospectus. The Board of N1 approved, during its meeting on 20 August 2018, to issue 79,573,913 shares in the company in accordance with authorisation granted by a shareholders meeting for the share increase. N1's total number of shares after the share increase will be 329,573,913 shares. The new shares will be issued to SF V slhf., due to N1's purchase of all shares in Festi hf.
C.4	Rights	All shares in the company carry equal rights and no privileges are attached to them. Each share of ISK 1.00 shall carry one vote at shareholders' meetings. The rights attached to shares in the company are subject to legislation in force and the Articles of Association of the company as current from time to time.
C.5	Restrictions to the transferability of shares	No restrictions have been established on shareholder disposal of shares in the company in excess of that provided for by law. The provisions of Icelandic law as current apply to the sale of shares to foreign entities. Shares in the company may be sold and pledged without limitations unless otherwise provided for by law.  A ban on sales applies to 39,786,956 shares in N1, or half the shares that will be issued to SF V slhf. in connection with N1's purchase of Festi hf. The sales ban will remain in effect to 31 December 2018. SF V slhf. may, however, assign the shares with the aforementioned restrictions to the shareholders of SF V slhf.
C.6	Admission for trading in a regulated securities market	All issued N1 shares have been accepted for trading in the Main Market of the Stock Exchange. An application will be submitted to the effect that the Stock Exchange accept 79,573,913 new shares in N1 for trading in the Main Market of the Stock Exchange as soon as they have been issued.
C.7	Dividend policy	The company's Board of Directors has formulated a policy on the company's financial arrangements and dividend payments. According to the policy, the plan is to pay at least 50% of each year's profits to shareholders. At the same time, the aim is to ensure that the company's equity ratio is 40%.

## D – RISK

Information element	Information requirement	Information
D.1	Main risk elements of the issuer and the industry in which it operates	<p><b>The economic and political environment</b></p> <p>The development of the economic environment in Iceland as well as overseas has an impact on the company. The general economic situation in Iceland, conditions in the labour market and collective wage agreements have an effect on the demand of goods and services from the company and the possibilities of the company for pricing with regard to an acceptable rate of return and profitability as well as affecting the costs that the company needs to pay. Inflation expectations have an impact on interest rate levels and can thereby have an impact on the company's financial items.</p>

		<p>Demand and pricing of oil is dependent on international economic conditions. The global market price of oil and the exchange rate of the ISK against other currencies, particularly the USD, has a significant impact on the company's operation.</p> <p>The decisions of the authorities can have direct or indirect effects on the operation of N1. In addition, the company is subject to numerous different laws and regulations, and changes to important fields can be subject to the political environment at any given time.</p> <p><b>Inflation risk</b></p> <p>Inflation can have an effect on the operation of the company. The widespread use of price indexation in Iceland can result in various increases in operating costs. Inflation can also cause more pressure to raise wages and increase the principle of price-indexed loans. It is not certain that the company could fully respond to such increases in costs or finance charges with price changes.</p> <p><b>Risk management and internal controls</b></p> <p>The object of N1's risk management is to minimise the risks posed to the company by identifying, assessing and monitoring them. Account is taken of the risk management policy approved by the company's Board of Directors on 27 February 2013.</p> <p>The results of risk management can have a considerable effect on the company's operating results. The company endeavours to maintain adequate internal controls in various fields.</p> <p>If monitoring, safety measures and risk management seem insufficient or do not work according to plan, this can have negative financial results for the company.</p> <p><b>Legal risk</b></p> <p>The company's operations are subject to numerous laws, regulations and rules and the supervision of numerous authorities. This applies to both the company's core operations and the operation of shops and service stations all across Iceland. Amendments of laws in effect regarding the company, or new laws that are enacted on its operations, could have a financial impact on the company and the way in which it conducts its operations.</p> <p>Court rulings, amendments to laws and regulations and changes to administrative practice may have a negative impact on the company's results, and political instability may bring about changes to laws and regulations that apply to the company.</p> <p><b>Competition</b></p> <p>The company's operations are governed by the Competition Act No. 44/2005 and supervised by the Competition Authority, which enforces the provisions of the Act and whose intervention may have a financial impact on the company.</p> <p>N1 has reached a settlement with the Competition Authority regarding the company's purchase of Festi. Violations may result in administrative penalties.</p> <p><b>Litigation and disputes</b></p>
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	<p>There are not currently any administrative, judicial or arbitration proceedings that may have a substantial effect on N1's financial position or profitability, nor have there been any such proceedings in the past twelve months.</p> <p><b>Securities regulation</b></p> <p>N1 shares have been accepted for trading in the Main Market of the Iceland Stock Exchange. The provisions of the Act on Securities Transactions and regulations derived from the Act therefore apply to the company and trading with its shares. Any violations of the aforementioned laws and regulations may have a negative effect on N1's financial position and reputation.</p> <p><b>Tax risk</b></p> <p>Amendments to laws and regulations on direct and indirect taxation of legal entities may have an effect on the company and reduce its profitability.</p> <p><b>Risk related to the markets in which N1 operates</b></p> <p>The majority of the company's income is from domestic operations and is therefore dependant on developments and conditions in the Icelandic economy. There is great competition in the markets in which N1 operates, and this competition may result in loss of market share, lower margins and increased costs.</p> <p><b>Oil price risk</b></p> <p>Oil price risk is the risk of oil prices on the world market developing adversely for the company, which would lead to financial losses and a difficult competitive position. The oil price risk forms due to the difference in the global purchase and sales price of oil, which has a direct impact on the company's margins.</p> <p><b>Financial risk</b></p> <p>N1's operations entail various financial risks, such as fluctuations in the exchange rate of foreign currencies, interest rate changes, credit risk and liquidity risk. The aforementioned factors may have an effect on the company's performance and value. One of the aims of N1's risk management is to analyse, assess and manage these risk factors.</p> <p>Refinancing risk is always present for companies like N1 that are financed through borrowing.</p> <p><b>Operational risk</b></p> <p>Operational risk may be created due to various factors in the company's immediate environment, including the work of employees, information technology, organisation and processes. It also includes and outside factors, including changes in laws, rules and general attitudes towards the company's operations.</p> <p><b>Contract risk and important contracts</b></p> <p>A contractual obligation rests upon the company to fulfil various provisions of finance agreements. It could have a negative financial impact on the company if it were unable to fulfil its obligations.</p>
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		<p>The company's operating results are not based on any single contract, but the company's contracts and business relations with its biggest suppliers are important for the company's operations.</p> <p><b>Collective wage agreements</b></p> <p>Collective wage agreements expire at the end of December 2018 and new agreements have not been made. Such conditions always carry with them an uncertainty regarding wage developments and the effects on economic developments, particularly inflation and purchasing, which in turn have an effect on demand among the company's customers.</p> <p><b>Trademarks</b></p> <p>The company owns numerous trademarks on which it believes it holds ownership rights. It could have an impact on the operations of the company if, for some reason, it could not rely on such rights.</p> <p><b>Real property, leased premises, location</b></p> <p>The company owns most of the real estate that houses the company's core operations, based on convenient locations. The company therefore has limited risk of not being able to acquire suitable premises for its operations in convenient areas at reasonable terms.</p> <p>Just less than half of Festi fasteignir ehf.'s lease income is due to leasing outside the group. In such instances, the company bears the risk of counterparties defaulting on agreements.</p> <p><b>Insurance</b></p> <p>N1 purchases insurance for its operations. All fuel is imported to Iceland according to the CIF terms, meaning that the company's supplier is responsible for the good until its arrival in Iceland. Despite the above, it cannot be guaranteed that the company's insurance will provide perfect protection against damages in all instances.</p> <p><b>Fuel tanks, pumps, information technology and other infrastructure</b></p> <p>N1's operations require specialised property, plant and equipment for the stock keeping and sale of fuel. Any malfunctions would have a negative impact on the company's operations, and the same applies if property, plant and equipment does not fulfil the requirements of health authorities, resulting in limitations of their use or lack of required permits from the authorities.</p> <p>The operations of N1 call for efficient computer systems. Malfunctions in computer systems, e.g. in connection with the sales and customer systems, payment systems and bar code readers, fuel pumps or the supply chain, would have a negative impact on the company's operations.</p> <p>Although N1 believes that its employees carry out their work in an honest and professional manner, the company's operations are extensive, leading to the risk, on all levels of operation, that fraudulent activities could occur. To minimise this risk, the company monitors various aspects of its operations.</p> <p><b>Suppliers</b></p>
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D.3	Key risks that are specific to shares in the issuer	<p>Investment in securities includes a number of risk factors. The value of shares can decline as well as increase, and investors can lose their entire investment in shares or, as the case may be, a part thereof.</p> <p><b>Selling risk and ownership risk</b></p> <p>It cannot be guaranteed that N1 shareholders will be able to sell their shares to the extent that they wish and for their real value on the market. Arion Bank hf. and Landsbankinn hf. have agreed to act as market makers for N1 shares, reducing the selling risk of the shares.</p> <p>There will be sales restrictions for 39,786,956 new N1 shares, i.e. half of the shares issued to the seller of Festi hf. until 31 December 2018. The sales restrictions have an effect on the floating of N1 shares in the Stock Exchange, i.e. the number of shares that can be traded at each time.</p> <p>An overview of N1's 20 biggest shareholders can be seen in the prospectus. Ownership in the company may change rapidly and without notice. Investors should note that the takeover rules, flagging rules and insider trading rules of Act No. 108/2007 on Securities Transactions apply to trading with these shares. These are intended to ensure provision of information and investor protection in relation to ownership changes of shares listed on a regulated securities market.</p> <p><b>Dilution</b></p> <p>The issue of new N1 shares reduces the proportional shareholding of current shareholders unless they purchase new shares in proportion to their shareholding. The Board meeting of N1 held on 20 August 2018 agreed to utilise the authorisation in the</p>

		<p>company's Articles of Association and issue 79,573,913 new shares in N1, to be issued to SF V slhf., the seller of Festi hf.</p> <p><b><i>The legal framework for admission for trading in a regulated securities market</i></b></p> <p>N1 shares have been accepted for trading in the Main Market of the Iceland Stock Exchange, which is a regulated securities market in the meaning of Act No. 110/2007 on Stock Exchanges. The provisions of the Act on Securities Transactions and regulations derived from the Act therefore apply to the company and trading with its shares. In addition, the Stock Exchange's rules for issuers of financial instruments, as current, and the Financial Supervisory Authority's Rules No. 1050/2012 on Treatment of Inside Information and Insider Transactions apply to N1.</p>
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## E – THE OFFER

Information element	Information requirement	Information
E.1	Net proceeds of the issue/offer	Not applicable
E.2a	Reasons for the offer, use of proceeds and estimated net amount of the proceeds	Not applicable
E.3	Terms and conditions of the offer	Not applicable
E.4	Any conflicting interests material to the issue/offer	Landsbankinn which is N1's largest individual lender, is one of two market makers of N1 shares and has a 0,6% ownership share in N1 as of the date of the prospectus. Landsbankinn hf.'s Corporate Finance division oversees the listing of N1 shares on the Main Market of the Stock Exchange. This includes the preparation of the prospectus and other documents necessary for the listing of the shares. N1 pays Landsbankinn hf.'s Corporate Finance a commission for this.
E.5	Name of the person or entity offering to sell the security and lock-up agreements	This is regarding new share capital in the issuer. A ban on sales applies to 39,786,956 new shares in N1, issued to SF V slhf. in connection with N1's purchase of Festi hf. The sales ban will remain in effect to 31 December 2018. SF V slhf. may, however, assign the shares with the aforementioned restrictions to SF V slhf. shareholders.
E.6	Dilution resulting from the offer	Not applicable
E.7	Expenses charged to the investor	Not applicable