

## Nýherji's results for Q3 2009

### Highlights of 9M results 2009

- EBITDA amounted to ISK 107 million in Q3
- Good performance in new software projects abroad
- Operations of Applicon companies in Denmark and Sweden are stable
- Net result for the quarter was negative by ISK 107 million, compared to a negative outcome of ISK 258 million in 2008
- Plans for a new share issue

### Thordur Sverrisson, CEO:

"There was a turnaround in operating profit at Nýherji in Q3 after three difficult quarters and the group is now moving in a more positive direction. The company's EBITDA for the quarter amounted to ISK 107 million, and is approaching that of Q2 and Q3 2008. Sales of equipment and solutions in Iceland increased as the quarter progressed, giving a cautious indication of better prospects for sales of operating and technical services. Nýherji has focused strongly on lowering operating expense this year, which has resulted in improved performance as the year has advanced. Continuing restraint will reinforce operating performance in Q4.

The operations of Applicon companies in Denmark and Sweden are steady and their outlook acceptable, despite contraction in the economy of both countries. Approximately one-third of group income originates from the activities of foreign subsidiaries.

The situation on the Icelandic market for software services and consultancy in Iceland has prompted the Icelandic arm of the group to seek opportunities elsewhere. Applicon ehf. and TM Software ehf., both Nýherji subsidiaries in software services, have responded to the sharp domestic downturn by actively seeking projects abroad. As the situation stands today, over one-third of these companies' income comes from project for clients overseas. The Nýherji group has adopted a strategy of further increasing the number of projects undertaken abroad by the group's consultants and technical personnel, for instance, by taking advantage of the strong market position of its subsidiaries in Denmark and Sweden.

As a step towards reinforcing Nýherji's financial position, the company's Board of Directors has decided to begin preparations for a new share issue."

## Operating results for the first 9M of 2009

9M results - Key Figures (all amounts ISK thousands)		
	9M 2009	9M 2008
Sales of goods and services	10,338,850	10,918,849
Cost of goods and services sold	(4,343,304)	(5,040,477)
<b>Gross profit</b>	<b>5,995,546</b>	<b>5,878,372</b>
Salaries and related expense	(4,520,953)	(4,344,593)
Operating expense	(1,483,949)	(1,140,452)
Depreciation	(151,533)	(160,035)
Impairment of goodwill	(179,827)	0
<b>(Loss) profit from operations</b>	<b>(340,716)</b>	<b>233,292</b>
Net financial expense	(503,919)	(1,058,294)
<b>Pre-tax loss (EBT)</b>	<b>(844,635)</b>	<b>(825,002)</b>
Income tax	(69,715)	(130,850)
<b>Loss for the period</b>	<b>(914,350)</b>	<b>(694,152)</b>
Other comprehensive income	736,414	195,564
<b>Total comprehensive income and expense for the period</b>	<b>(177,936)</b>	<b>(498,588)</b>
EBITDA	(9,356)	393,327
EBITDA ratio	(0.090%)	3.7%
Avg. no. of full-time equiv. positions	598	714

Sales of goods and services amounted to ISK 10,339 million (m) in the first 9M of 2009, compared to ISK 10,918m in the previous year, or a YoY contraction in turnover of 5.3%. Income from activities in Iceland amounted to ISK 6,960m and income of foreign subsidiaries ISK 3,379m.

Salaries and related expenses were ISK 4,520m, compared to ISK 4,345m for the same period the previous year. As a result of exchange rate movements, salaries of employees abroad have risen 46% in ISK terms during the first 9M of 2009 compared with the same period of 2008, or by ISK 648m. The average number of full-time equivalent positions in the first 9M of 2009 was 598, compared to 714 during the same period of 2008. Operating expense was ISK 1,484m, compared to ISK 1,140m during the same period of 2008. EBITDA was negative by ISK 9m during the first three quarters, compared with a positive EBITDA of ISK 393m in 2008.

Net financial expense was ISK 504m, compared to ISK 1,058m in the same period of 2008. The loss in the first 9M of 2009 was ISK 914m, compared to a loss of ISK 694m during the first 9M of 2008. The final loss on the period was ISK 178m, compared to a final loss of ISK 499m during the first nine months of 2008.

<b>Balance sheet as of 30 September 2009 – Key figures (all amounts ISK thousands)</b>		
	<b>30 Sep. 2009</b>	<b>31 Dec. 2008</b>
Non-current assets	6,392,258	5,577,424
Current assets	3,666,165	4,375,010
<b>Total assets</b>	<b>10,058,423</b>	<b>9,952,434</b>
Equity	1,785,121	1,963,966
Non-current liabilities	2,378,617	2,669,106
Current liabilities	5,894,685	5,319,362
<b>Total liabilities and equity</b>	<b>10,058,423</b>	<b>9,952,434</b>

At the end of the period total assets amounted to ISK 10,058m, compared to ISK 9,952m at year-end 2008. Non-current liabilities have decreased from ISK 2,669m to ISK 2,379 since year-end 2008. Current liabilities have increased from ISK 5,319m to ISK 5,895 since year-end 2008. Equity amounted to ISK 1,785m at the end of September and the equity ratio was 17.8% at the end of Q3 compared to 19.7% at the end of last year.

## Operating outcome in Q3 2009

Quarterly results - Key Figures (all amounts ISK thousands)					
	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Sales of goods and services	3,301,404	3,479,234	3,558,212	3,993,762	3,663,945
Cost of goods and services sold	(1,369,377)	(1,457,235)	(1,516,692)	(1,779,720)	(1,813,029)
<b>Gross profit</b>	<b>1,932,027</b>	<b>2,021,999</b>	<b>2,041,520</b>	<b>2,214,042</b>	<b>1,850,916</b>
Salaries and related expense	(1,356,518)	(1,601,522)	(1,562,913)	(1,607,849)	(1,425,538)
Operating expense	(468,135)	(529,380)	(486,434)	(690,453)	(300,422)
Depreciation	(55,294)	(53,371)	(42,868)	(90,302)	(55,304)
Impairment of goodwill	0	(179,827)	0	0	
<b>Profit (loss) from operations</b>	<b>52,080</b>	<b>(342,101)</b>	<b>(50,695)</b>	<b>(174,562)</b>	<b>69,652</b>
Net financial expense	(171,361)	(256,739)	(75,819)	(421,875)	(389,414)
<b>Pre-tax loss</b>	<b>(119,281)</b>	<b>(598,840)</b>	<b>(126,514)</b>	<b>(596,437)</b>	<b>(319,762)</b>
Income tax	(1,700)	(84,431)	16,416	89,577	57,930
<b>Profit (loss) for the period</b>	<b>(120,981)</b>	<b>(683,271)</b>	<b>(110,098)</b>	<b>(506,860)</b>	<b>(261,832)</b>
Other comprehensive income	14,068	771,134	(48,788)	246,563	61,004
<b>Total comprehensive income and expense for the period</b>	<b>(106,913)</b>	<b>87,863</b>	<b>(158,886)</b>	<b>(260,297)</b>	<b>(200,828)</b>
EBITDA	107,374	(108,903)	(7,827)	(84,260)	124,956
EBITDA ratio	3.3%	(3.13%)	(0.22%)	(2.1%)	3.4%
Avg. no. of full-time equiv. positions	630	649	667	701	737

Sales of goods and services amounted to ISK 3,301m in Q3 2009, compared to ISK 3,664m during the same quarter of the previous year, or a YoY drop of 9.9% for the quarter.

Salaries and related expenses were ISK 1,357m, compared to ISK 1,426m for the same period the previous year. The total number of full-time equivalent positions was 628 at the end of Q2 compared to 721 for the same period the previous year. Due to exchange rate movements, salaries of foreign employees have risen by 43% in ISK terms over those of Q3 2008, or by ISK 197m.

Operating costs totalled ISK 527m in Q3 2009, compared to ISK 361m in the same quarter of 2008. EBITDA was positive by ISK 107m during the quarter, compared to a positive figure of ISK 125m for the third quarter of 2008.

Net financial cost was ISK 171m, compared to ISK 389m in the third quarter of 2008. Final loss for the quarter was ISK 107m, whereas in Q3 2008 the final loss amounted to ISK 258m.

## Summary of Q3 operations

Nýherji's software sales were well above estimates in Q3 and considerably better than in Q3 last year. Sales of servers are slightly below forecasts, as the market has contracted substantially YoY. Demand for computers and communications equipment has also fallen. Sales of operating supplies and accessories to corporates have been good and have risen as the year progresses, while sales of print solutions are below forecast. Performance of the parent company Nýherji was positive but below forecast.

Operations of Sense ehf., which specialises in audio-visual solutions and operates the Sony Center and Sense Center in Kringlan, were successful. Sales of consumer equipment, e.g. from Canon, Sony and Vivanco, have been stable in 2009. The project pipeline of the company's technical services in Iceland is back on track and the outlook for Q4 is good.

There was a positive turnaround in Q3 at Skyggfir ehf., which provides technical and operating services. Projects have grown in number as the period advanced and demand has increased for various customised services, such as IT optimization projects. Skyggfir also began to offer managed services in Denmark, in co-operation with its sister company Dansupport and it is hoped that this venture will bring positive results in Q4. The improvement in performance in Q3 gives cause to expect that Q4 performance will be acceptable.

TM Software ehf. has placed greater emphasis on projects abroad due to the drop in sales of software solutions in Iceland. Due to both the sharp contraction and difficult operating environment in Iceland, the company reported a loss in this quarter. The increase in projects abroad, however, reached a sufficient level in the latter part of Q3 to give reason to expect that the bottom has been reached and a slow improvement and positive operating performance lies ahead. Operations of EMR ehf., TM Software's subsidiary specialising in healthcare-related IT services, performed well during the period. Healthcare companies and institutions in Iceland have, to a growing extent, been utilising IT from EMR to increase the cost-efficiency of their activities.

The uncertain market situation in software development has impacted the operations of Vigor ehf., which has responded by cutting operating expense. This is expected to deliver an improved performance in Q4. Vigor, which sells comprehensive business software, has a strong position in serving most of the country's large energy companies.

Activities of Applicon ehf. returned a good profit in Q3, which is generally the company's most difficult quarter. Restructuring in H1 this year, together with strong marketing efforts in Iceland and abroad, have resulted in lower cost and improved the company's deal flow. Income exceeded expectations, in particular thanks to projects overseas during the summer months. Almost half of the quarter's service income resulted from new projects for foreign clients, and the project pipeline and outlook for Q4 are positive.

Operations at Nýherji's subsidiaries in Denmark and Sweden proceeded at a good pace. Income of Applicon in Denmark in Q3 was good, as the company holds a strong position in the Danish market and is working on obtaining

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additional contracts for larger Danish companies. Although the Danish IT market has been stagnant this year, analysts expect growth to pick up in 2010. Operations at Applicon in Sweden are in line with forecasts. Recently the company has undertaken projects for several of the largest Nordic banks, Nordea, Swedbank and Handelsbanken. The outlook for Q4 performance is positive. Close co-operation between Applicon companies in Denmark, Sweden and Iceland has resulted in additional projects, for example, for the banks ING in the Netherlands and Nationwide in the UK.

Dansupport's efforts to lower its operating costs have resulted in improved Q3 performance. Its project flow is acceptable and its Q4 performance is expected to be positive.

### Outlook

Extensive cost cutting, strong marketing efforts and improved utilisation of consultants and technical personnel have resulted in a turnaround in Nýherji's operation profit. The aim is to improve operating performance further in Q4 2009 and the outlook for next year is positive.

### 2009 financial calendar

Scheduled presentation of quarterly results in 2009

**4<sup>th</sup> quarter:**      **29 January**

### Approval of quarterly results

The results for Q3 2009 were adopted at a meeting of the Board of Directors of Nýherji hf. on 23 October 2009. The quarterly financial statements of Nýherji hf. are prepared in accordance with International Financial Reporting Standards (IFRS). Translation from foreign subsidiaries has been recognised separately in the summary of overall performance of the quarterly results, in accordance with IFRS provisions.

### Further information

For further information contact:

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### Nýherji hf.

Nýherji hf. creates added value for its customers by applying the expertise of its employees in IT, corporate operations and client needs. The company offers leading-edge consultancy and professional IT services, together with high quality computer, office and software solutions and dependable technical and operating services. The Nýherji Group includes 20 companies with operations in Iceland and abroad, with a total of 628 full-time equivalent employee positions. Shares in Nýherji hf. are listed on the OMX Nordic Exchange in Iceland.

Nýherji's Board of Directors: Benedikt Jóhannesson (Chairman of the Board), Árni Vilhjálmsson and Guðmundur Jóh. Jónsson. Nýherji's CEO is Thordur Sverrisson.