

Nýherji hf. – 2008 Results

Highlights of 2008 results

- Sales of goods and services totalled ISK 14,650 million (m), a YoY increase of 30%.
- The loss for the year amounts to ISK 1,201m compared with a profit of ISK 420m in 2007.
- Revenue from operations abroad was ISK 3,517m, or 24% of total operating revenue.
- A new business model for the Nýherji Group was introduced in Q4 2008.
- The hosting and managed services of TM Software hf. were merged with Nýherji's technical service departments as Skygggnir ehf.

Publication of annual financial statements

According to the new rules of OMX Nordic Exchange in Iceland, the company now publishes the principal results of its income statement and balance sheet. The 2008 annual results were discussed at meeting of the Board of Directors of Nýherji hf. on 23 January 2009 but, in accordance with the new rules, have not yet been endorsed by the Board and the company's auditors. The final 2008 annual financial statements will be submitted to the Board of Directors and auditors for endorsement on 30 January and published that same day. The annual results have been prepared in accordance with International Financial Reporting Standards (IFRS).

Bórður Sverrisson, CEO:

"Nýherji's operations and performance in Q4 reflect the sudden tumultuous changes to the operating environment of Icelandic companies after the collapse of the Icelandic financial sector and the massive depreciation of the Icelandic krona (ISK). The abrupt transformation of the economic environment had a major impact on operations, resulting in a Q4 loss of ISK 507m and losses for the year amounting to ISK 1,201m.

In October, Nýherji introduced a variety of cost-cutting measures to improve the operations of the parent company and subsidiaries, including employee wage reductions of 10% from 1 February and postponement of further software development projects both in Iceland and abroad. The actions announced are estimated to result in operating cost reductions of over ISK 600m in 2009 for the Group in Iceland."

2008 Operating Results

2008 results - Key Figures (all amounts ISK thousands)		
	12M 2008	12M 2007
Goods and services sold	14,650,592	11,301,427
Cost of goods and services sold	(6,938,340)	(6,317,906)
Gross profit	7,712,251	4,983,521
Salaries and related expenses	(5,952,442)	(3,294,902)
Operating expense	(1,986,355)	(1,142,192)
Profit from operations (EBIT)	58,730	600,188
Net financial expense	(1,480,169)	(92,000)
Pre-tax profit/loss	(1,421,439)	508,188
Income tax	220,428	(88,258)
Profit (loss) for the year	(1,201,012)	419,930
EBITDA	309,067	705,989
EBITDA ratio	2.1%	6.2%
Avg. no. of full-time equiv. Positions	731	446

Sales of goods and services amounted to just over ISK 14,650m in 2008, compared to ISK 11,301m the previous year, a YoY increase of 30%. Income from activities in Iceland amounted to ISK 11,134m and income from foreign subsidiaries ISK 3,517m.

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Salaries and related expenses were just over ISK 5,952m, compared to just over ISK 3,294m the previous year. The average number of full-time equivalent positions was 731. Wage increases are explained by a large rise in employee numbers resulting from the acquisition of TM Software plus increases in salaries of employees abroad in ISK terms.

Operating costs totaled ISK 1,986m in 2008, compared to ISK 1,142m the previous year. EBITDA in 2008 was ISK 309m, compared to ISK 706m in 2007.

Net financial cost was ISK 1,480m, compared to just over ISK 92m in 2007. The increase in financial cost can be attributed to an 80% drop in the ISK during the year, together with increased group indebtedness due to acquisitions. The loss on the year was slightly over ISK 1,201m, compared to profit of ISK 420m the preceding year.

Balance sheet as of 31 December 2008 – Key figures (all amounts ISK thousands)		
	31 Dec. 2008	31 Dec. 2007
Fixed assets	5,577,423	2,363,717
Current assets	4,375,009	3,297,573
Total assets	9,952,433	5,661,290
Equity	1,963,966	1,763,961
Long-term liabilities	2,669,106	1,180,633
Short-term liabilities	5,319,362	2,716,696
Total liabilities and equity	9,952,433	5,661,290

At the end of the period total assets amounted to ISK 9,952m, compared to ISK 5,661m at the end of 2007. Long-term liabilities rose from ISK 1,180m at the beginning of 2008 to ISK 2,669m at year-end, while short-term liabilities increased from ISK 2,716m at the beginning of the year to ISK 5,319m at year end. Equity at the end of December 2008 was ISK 1,964m, increasing 11% from the beginning of the year. The increase is in part due to new share capital issuance in April, while losses from the beginning of the year reduce equity.

Outcome in Q4 2008

Q4 results - Key Figures (all amounts ISK thousands)					
	Q4 2008	F3 2008	F2 2008	F1 2008	Q4 2007
Goods and services sold	3,921,110	3,600,275	3,755,771	3,373,436	3,524,707
Cost of goods and services sold	(1,779,720)	(1,813,029)	(1,775,323)	(1,570,268)	(1,975,244)
Gross profit	2,141,390	1,787,246	1,980,448	1,803,168	1,549,463
Salaries and related expenses	(1,607,849)	(1,425,538)	(1,550,423)	(1,368,632)	(912,601)
Operating expense	(789,010)	(360,989)	(448,803)	(387,553)	(486,548)
Profit from operations (EBIT)	174,533	69,625	63,589	100,051	190,172
Net financial expense	(421,875)	(389,414)	(155,031)	(513,849)	(48,680)
Pre-tax profit	(596,437)	(319,789)	(91,442)	(413,789)	140,843
Income tax	89,577	57,930	519	72,401	(88,258)
Profit (loss) for the year	(506,860)	(261,859)	(90,923)	(341,397)	117,631
EBITDA	84,260	124,929	123,080	145,291	220,400
EBITDA ratio	(2.1%)	3.5%	3.3%	4.3%	6.3%
Avg. no. of full-time equiv. positions	701	737	755	734	482

Sales of goods and services amounted to over ISK 3,921m in Q4 2008, compared to ISK 3,524m during the same quarter of the previous year, an increase of 11%.

Salaries and related expenses were ISK 1,608m, compared to just over ISK 913m for the same period the previous year. The total number of full-time equivalent positions at the end of the quarter was 704.

Operating costs totalled ISK 789m in Q4 2008, compared to ISK 487m in the same quarter of 2007. EBITDA in Q4 2008 was ISK 84m, compared to ISK 220m in Q4 2007.

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Net financial cost was ISK 422m, compared to ISK 49m in Q4 2007. The loss on the quarter was ISK 507m, compared to a Q4 profit of ISK 118m in 2007.

Summary of operations

The Nýherji group introduced a new business model in Iceland in Q4, transferring the majority of group operations to six main subsidiaries. Nýherji will be the parent company, and continue to handle sales and management of computers and IT equipment and supplies. All technical and software services and consultation will be in the hands of subsidiaries. In parallel to this, part of Nýherji's activities were moved to Urðarhvarf 6 in Kópavogur, however, the company will continue to have operations in Borgartún 37.

The overall performance of the Nýherji Group in 2008 is unsatisfactory, since EBITDA was only ISK 309m, or 2.1% of income. In addition, it has very substantial financing cost, the greatest share of which can be attributed to ISK 1,023m exchange rate losses on foreign loans.

TM Software hf. was acquired by Nýherji hf. at the beginning of February. In H2 2008. TM Software reported a considerable loss, most of which resulted from the company's operating services, while its software activities returned a good results. These include, for example, the companies eMR ehf., which operates in the healthcare sector, and Vigor ehf., which focuses primarily on ERP solutions for energy utilities.

During Q4 2008, TM Software's hosting and managed services were merged with those of Nýherji's technical service department under the name Skygggnir ehf. Skygggnir ehf. is now one of the largest hosting and technical services companies in Iceland, with significant opportunities to expand and achieve operating synergies.

Nýherji's sales of IBM servers, software and APC security solutions were good, as were sales of technical services divisions, and overall performance satisfactory. Sales of operating supplies exceeded estimates and sales of managed printing solutions have also been rising.

Sense and Linkur ehf. were merged under the name Sense ehf. near the end of the year. Sense ehf. provides digital solutions for audio and visual equipment. The company operates retail outlets in Hlíðarsmári in Kópavogur and the Sony Center in the shopping centre Kringlan. Sales and installations of audio, visual and control equipment to companies and institutions were very successful in 2008.

The operations and performance of Nýherji's subsidiaries Applicon A/S in Denmark and Applicon A/B in Sweden were successful and returned a good profit in 2008. These companies serve primarily larger corporations and banks in Denmark and Sweden and their project pipeline is strong. Applicon ehf. in Iceland reported a loss in 2008, but in Q4 a variety of changes were made to its activities to improve performance. There was a substantial loss on operations of Dansupport A/S in Denmark, particularly in H1 2008. Following the appointment of a new MD and restructuring of its operations, the company's activities are regaining more balance.

Outlook

The operating outlook for Nýherji's companies abroad is good, their project pipeline is strong and their activities are likely to show good results. Due to losses on the operations of three foreign subsidiaries, a decision was taken to suspend new development projects and the activities of unprofitable operating units.

In Iceland the economic uncertainty is greater than ever before, making it very difficult to predict operating results. Extensive measures have been taken to reduce the company's expenses, and as a result an acceptable operating performance is expected in 2009, despite a contraction in sales of goods and more limited fluctuation in service income.

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 17 companies in Iceland and abroad, with a total of 695 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 Pórður Sverrisson.