

Nýherji hf.'s total comprehensive income for the year 2010 was ISK 321m

Principal results for the year 2010

- Total comprehensive income 2010 totalled ISK 321m as compared to a net loss of ISK 686m in the preceding year.
- EBITDA amounted to ISK 518m for the year, including ISK 190m in the fourth quarter.
- The total revenue of the Nýherji Group was ISK 14,261m, remaining virtually unchanged from the previous year.
- Equity at year-end amounted to ISK 2,420m; the equity ratio now stands at 30.3% as compared to 13.2% at the end of 2009.
- ISK 840m was raised from the sale of new shares.
- Refinancing agreements were completed with the Company's bankers in conjunction with the sale of real estate owned by the Company.

Thordur Sverrisson, CEO:

"Nýherji hf. achieved important operational milestones in 2010. The Company posted an EBITDA of ISK 518m and a net profit of ISK 321m, representing a good turnaround from the year before. The Company furthermore concluded agreements with its bankers on long-term debt structure, in addition to selling new shares for ISK 840m and real estate for ISK 1,650m. This reduced the Company's interest bearing debt by about ISK 2.5 billion from the beginning of the year. The Company's operating performance showed steady improvement as the year wore on and was very good in the fourth quarter. Nýherji is in an excellent position to continue to provide high quality products and services to its customers."

2010 Operating Results

2010 – Key figures		
Amounts in ISK thousand		
	2010	2009
Goods and services sold	14,261,184	14,332,361
Cost of goods and services sold	6,554,223	(6,355,377)
Gross profit	7,706,961	7,976,984
Salary and salary-related expenses	5,589,404	(6,080,445)
Operating expenses	(1,904,509)	(2,567,722)
Operating profit (loss) (EBIT)	228,871	(657,001)
Net financial expenses	(112,081)	(667,302)
Pre-tax profit (loss)	440,605	(1,324,303)
Income tax	(45,259)	(36,949)
Profit (loss) for period	395,346	(1,361,252)
Other comprehensive income	(73,928)	675,355
Total comprehensive income (loss)	321,418	(685,897)
EBITDA	517,561	(62,207)
EBITDA ratio	3.6%	(0.4%)
Average number of full-time equivalent positions	587	641

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The sale of goods and services in 2010 totalled ISK 14,261m, as compared to ISK 14,332m in 2009. Salary and salary-related expenses totalled ISK 5,589m, down from ISK 6,080m the year before. The average number of full-time equivalent positions in 2010 was 587, compared with 641 in 2009. Other operating expenses amounted to ISK 1,616m, down from 1,973m in 2009. Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to ISK 518m for the period, as compared to a negative EBITDA of ISK 62m in 2009.

Net financial expenses were ISK 112m, compared with ISK 667m in 2009. The total comprehensive income for the year 2010 was ISK 321m, as compared to a net loss of ISK 686m in 2009.

Statement of financial position as at 31.12. 2010 – key figures		
Amounts in ISK thousand		
	31.12. 2010	31.12. 2009
Fixed assets	4,292,246	6,173,554
Current assets	3,688,274	3,421,368
Total assets	7,980,520	9,594,922
Equity	2,419,911	1,263,981
Long-term debt	2,373,525	1,526,221
Short-term debt	3,187,084	6,804,720
Total equity and liabilities	7,980,520	9,594,922

Total assets at the end of the period were ISK 7,981m as compared with ISK 9,595m at the end of 2009. Long-term debt increased since the end of the year from ISK 1,526m to ISK 2,374m. At the same time short-term debt decreased from ISK 6,805m to ISK 3,187m as a result of financial restructuring and improved operational performance. Interest-bearing debt totalled ISK 2,996m, down from ISK 5,537m at the beginning of 2010. Equity at the end of December was ISK 2,420m. The current equity ratio is 30.3%, up from 13.2% at the beginning of the year.

Operating results for Q4 2010

Quarterly summary – key figures					
Amounts in ISK thousand					
	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009
Goods and services sold	3,988,414	3,234,284	3,529,521	3,508,965	3,993,511
Cost of goods and services sold	(1,956,206)	(1,521,173)	(1,575,069)	(1,501,775)	(2,012,073)
Gross profit	2,032,208	1,713,111	1,954,452	2,007,190	1,981,438
Salary and salary-related expenses	(1,427,003)	(1,187,414)	(1,462,384)	(1,512,639)	(1,559,492)
Operating expenses	(491,382)	(434,058)	(449,871)	(529,198)	(741,244)
Operating profit (-loss) (EBIT)	117,429	95,826	46,728	(31,112)	(316,285)
Profit from the sale of fixed assets	77,628	0	0	0	0
Effect of bankrupt subsidiary	0	0	246,187	0	0
Net financial expenses	38,651	(73,240)	318	(77,810)	(163,383)
Pre-tax profit (loss)	233,708	22,586	293,233	(108,922)	(479,668)
Income tax	(47,973)	4,183	(8,288)	6,819	32,766
Profit (loss) for period	185,735	26,769	284,945	(102,103)	(446,902)
Other comprehensive income	3,742	4,836	(54,173)	(28,333)	(61,059)
Total comprehensive income (loss)	189,477	31,605	230,772	(130,436)	(507,961)
EBITDA	190,609	169,125	122,875	34,952	(52,851)
EBITDA ratio	4.8%	5.2%	3.48%	1.00%	(1.32%)

Goods and services sold in the fourth quarter totalled ISK 3,988m as compared to ISK 3,993m in 2009, with revenue thus remaining virtually unchanged.

Salary and salary-related expenses totalled ISK 1,427m, down from ISK 1,559m during the same period in 2009. The average number of full-time equivalent positions in Q4 was 540, as compared to 607 for the same period last year. Domestic payroll costs have decreased by ISK 132m from Q4 2009.

Q4 operating costs were ISK 491m, down from ISK 741m for the same period in 2009. Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to ISK 191m for the period, as compared to a negative EBITDA of ISK 53m during the same period in 2009.

Net financial income in Q4 totalled ISK 39m, compared to net net financial expenses amounting to ISK 163m in Q4 2009. Net profit for the quarter amounted to ISK 189, as compared to a net loss of ISK 508m in Q4 2009.

Overview of performance

Icelandic companies faced a challenging economic and competitive environment in 2010. The economic outlook for the year was uncertain and measures designed to help businesses have been delayed considerably. Under these circumstances the focus was placed on improving the Nýherji Group's operating performance, as well as reorganising its finances by increasing share capital, selling assets and restructuring long-term debt. Thus, extensive efforts have been undertaken to streamline operations together with measures to improve market share with the goal of improving the results of all of the Group's divisions and subsidiaries.

Sales of computers and computer hardware were above projections during the year, with most product categories posting significant year-to-year increases. Demand for Lenovo products was high with sales increasing by 60% measured in ISK from the previous year. Moreover, sales of IBM servers, IBM data storage solutions and Canon multi-purpose printers increased substantially. Sales of consumer products such as Canon cameras and Sony televisions exceeded projections, with lower prices and continuous technological advances contributing to a growing consumer interest and demand. General demand for audiovisual solutions also grew, in addition to special projects being undertaken in connection with the Meeting of the Nordic Council in November and the National Forum 2010.

The market conditions for the Group's managed and hosting services were difficult in 2010. Restructuring and streamlining measures undertaken in January were successful, resulting in improved performance each quarter. Demand for Rent a Prent printing solutions grew. In addition, the Company provided electronic vote counting services in connection with the Constitutional Assembly elections held in November.

The operations of domestic business software units were successful in 2010, with results exceeding expectations. Sales of consulting services and the Company's own software solutions were above projections. Business software services are based on the sale and provision of products and consulting services suitable for a wide range of companies, thereby promoting operational stability. The Company has undertaken projects abroad for SAP AG in connection with the development of banking solutions. The extensive knowledge and experience of Icelandic consultants in this field prompted SAP AG to engage the services of Nýherji. Sales of larger business solutions and application services lagged in 2010 but the market outlook appears to be improving.

The Group saw a turnaround in the development of domestic software solutions and consulting in 2010. Emphasis was placed on cutting costs and selling the Group's internally developed software abroad. By the end of the year, software solutions developed by Nýherji companies had been sold to over 40 countries. The division responsible for the development of software solutions for the medical industry performed in line with expectations. It completed a project relating to the development of electronic medical records, one of the largest ever undertaken in the field of electronic data transmission in the medical industry.

Nýherji owns four subsidiaries abroad, three in Denmark and one in Sweden. It appears that the downturn that the Scandinavian information technology market has been experiencing of late is coming to an end, although it has yet to stabilise fully. A number of measures have been taken to improve the operations of these subsidiaries. Applicon A/S in Denmark experienced difficult times in 2010, with the company failing to turn a profit for the first time. This is primarily because a large project commissioned by the Region Hovedstaden administrative unit proceeded at a much slower pace than originally envisioned. While the first phase was completed by the middle of 2010, the commencement of phase two was delayed until early December. This unexpected delay meant that consultants were poorly utilized during the second half of the year. However, the outlook for 2011 is good since work on the Region Hovedstaden project is expected to continue at full speed over the coming months.

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Applicon in Sweden performed in line with expectations in 2010 and better than in 2009. There was increased demand for consultants in the financial services industry. New customers were added and more projects were commissioned by existing customers, including Handelsbanken, De Lage Landen, Nordea and Swedbank. New projects were undertaken for Brummer and Partners, TeliaSonera and Volvo Financials Services. The software solution Petra, designed to ensure secure working procedures and compliance with rules on bank employees' personal trading, was sold to two of Sweden's largest banks during the year. Due to the increased scope of business, full-time position equivalents at Applicon increased by seven in 2010, totalling 52 at the end of the year.

Dansupport A/S saw a turnaround in 2010 after suffering losses the year before. This was achieved through a focus on streamlining and new sales and marketing methods, in particular in relation to services offered to energy companies and small and medium-sized businesses. The company performed slightly below expectations, but it must be taken into account that the Danish market has still not fully recovered from the economic downturn of the past few years.

It is a general policy of Nýherji to pay out a third of the Company's profits as dividends. However, in view of the difficulties recently encountered by the Company and the newly completed refinancing agreements, the Company's Board of Directors has decided not to pay out a dividend this year. This does not, however, mean that the dividend policy has been abandoned. The Board expects 2011 profits to be sufficiently robust to resume dividend payments in accordance with Company policy.

Outlook

Expectations are that the Nýherji Group will perform better in 2011 than 2010. The Company projects EBITDA of more than ISK 150m for each 2011 quarter. This projection is premised on the assumption that the labour market will remain stable and improvements in the economic and business environment.

Financial calendar for 2011:

Scheduled publication of financial information in 2011

29 April	Quarterly financial statement
27 July	Six-month financial statement
28 October	Nine-month financial statement
27 January 2012	Annual financial statement

Approval of Annual Report

The Annual Report for the year 2010 was approved at a meeting of the Board of Directors of Nýherji hf on 28 January 2011. The Annual Report was prepared in accordance with International Financial Reporting Standards and audited by KPMG. The Annual General Meeting of Nýherji hf. is scheduled to be held at 4.00 PM on 18 February at Borgartún 37, Reykjavík.

Further information

Thordur Sverrisson, CEO of Nýherji, Tel. +354 893 3630.

About Nýherji hf.

Nýherji hf's mission is to create value for customers through its employees' knowledge of IT, corporate operations and customer needs. Nýherji offers first class consulting and professional services in the field of IT, high quality computer equipment, office equipment and software, as well as reliable technical and managed services. Nýherji hf. owns 18 subsidiaries in Iceland and abroad with a total of 546 full-time position equivalents. Nýherji hf's shares are listed on NASDAQ OMX Iceland hf.

Board of Directors of Nýherji: Benedikt Jóhannesson, Chairman, Árni Vilhjálmsson and Gudmundur Jóh. Jónsson. The CEO of Nýherji is Thordur Sverrisson.