

## Nýherji's earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to ISK 376 million for the first nine months of 2011

### Highlights

- EBITDA was ISK 77 million in Q3, as compared to ISK 169 million for the corresponding period last year.
- Net profits totalled ISK 18 million for the first nine months of the year.
- Applicon Denmark posted a loss of ISK 90 million during the quarter due to delays in the delivery of a software solution.
- The operation and performance of all other business units and subsidiaries of the Group was in line with projections.
- Nýherji has entered into an agreement with Landsbanki Íslands to act as a market maker for the Company's shares.

### Thórdur Sverrisson, CEO:

"The performance of the Nýherji Group was below expectations during the quarter. All the Group's units and subsidiaries performed as projected, with the exception of Applicon A/S in Denmark. In collaboration with a partner in Denmark, the company has been working on the implementation and delivery of an extensive solution for a public entity, and delays in delivery have resulted in substantial additional costs for Applicon. The performance of the Group's other units has been fine and the outlook for the fourth quarter is good."

## Operating results for the first three quarters of 2011

First 9 months of 2011 – Key figures		
Amounts in ISK thousand		
	9 months 2011	9 months 2010
Goods and services sold	11,175,326	10,272,770
Cost of goods and services sold	(8,922,825)	(8,032,639)
Gross profit	2,252,501	2,240,131
Operating expenses	(2,092,916)	(2,140,906)
Operating profit (EBIT)	170,023	111,442
Effect of subsidiary's bankruptcy	0	246,187
Net finance expenses	(165,587)	(150,732)
Profit before income tax	4,436	206,897
Income tax	(1,397)	2,714
Profit for the period	3,039	209,611
Other comprehensive income	14,854	(77,670)
Total comprehensive income for the period	17,893	131,941
EBITDA	376,337	326,952
EBITDA margin	3.36%	3.18%
Average number of full-time equivalent positions	531	565

The sale of goods and services totalled ISK 11,175 million in the first nine months of the year, as compared to ISK 10,273 million over the same period in 2010. Revenues thus rose 9.3% year on year. Cost of goods and services sold amounted to ISK 8,923 million in the first nine months of the year, up from ISK 8,033 year on year. The average number of full-time equivalent positions in the first nine months of 2011 was 531, as compared to 565 for the same period last year

Operating expenses amounted to ISK 2,093 million, down from ISK 2,141 million year on year. Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to ISK 376 million for the period, as compared to ISK 327 million for the same period in 2010.

Net financial expenses totalled ISK 166 million, up from ISK 151 million in the first nine months of 2010. Total comprehensive income for the first nine months of the year was ISK 18 million, down from ISK 132 million over the same period last year, when a credit entry of ISK 246 million due to the bankruptcy of a subsidiary had a substantial impact on the Group's results.

## Balance sheet as at 30.09. 2011 – Key figures Amounts in ISK thousand

	30.09. 2011	31.12. 2010
Fixed assets	4,307,337	4,292,246
Current assets	3,743,027	3,688,274
<b>Total assets</b>	<b>8,053,364</b>	<b>7,980,520</b>
Equity	2,323,839	2,419,911
Long-term liabilities	2,237,421	2,373,525
Short-term liabilities	3,489,104	3,187,084
<b>Total equity and liabilities</b>	<b>8,050,364</b>	<b>7,980,520</b>

Total assets at the end of period were ISK 8,053 million, as compared to ISK 7,981 million at year-end 2010. Long-term debt has decreased since the beginning of the year from ISK 2,373 million to ISK 2,237 million. Short-term debt has increased since the beginning of the year from ISK 3,187 million to ISK 3,489 million. Long term Interest-bearing debt totalled ISK 2,223 million, down from ISK 2,365 million at the beginning of 2011. Equity at the end of September 2011 was ISK 2,324 million. The current equity ratio is 28.9%, down from 30.3% at the beginning of the year. The reduction in the equity ratio is due to the parent company's acquisition of minority interests in its subsidiaries; Nýherji now owns the entire share capital of Applicon Sweden.

## Operating results for Q3 2011

Quarterly summary – Key figures					
Amounts in ISK thousand					
	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
<b>Goods and services sold</b>	3,505,552	3,977,088	3,692,686	3,988,414	3,234,284
<b>Cost of goods and services sold</b>	(2,844,276)	(3,206,653)	(2,871,896)	(3,116,866)	(2,509,561)
<b>Gross profit</b>	661,276	770,435	820,790	871,548	724,723
<b>Operating expenses</b>	(658,500)	(704,165)	(730,251)	(757,725)	(633,084)
<b>Operating profit (EBIT)</b>	4,068	68,994	96,961	117,429	95,826
<b>Net financial expenses</b>	48,943	(68,545)	(48,099)	38,651	(73,240)
<b>(Loss) profit before income tax</b>	(41,455)	449	48,862	233,708	22,586
<b>Income tax</b>	9,480	1,069	(11,946)	(47,973)	4,183
<b>Profit (loss) for the period</b>	(35,395)	1,518	36,916	185,735	26,769
<b>Other comprehensive income</b>	(24,705)	12,828	26,731	3,742	4,836
<b>Total comprehensive income (loss) for the period</b>	(60,100)	14,346	63,647	189,477	31,605
<b>EBITDA</b>	76,640	140,109	159,587	190,609	169,125
<b>EBITDA margin</b>	2.19%	3.52%	4.32%	4.8%	5.2%
<b>Average number of full-time equivalent positions</b>	534	528	531	539	553

The sale of goods and services totalled ISK 3,506 million in Q3, as compared to ISK 3,234 million in 2010, representing an increase of nearly 10% year on year. The cost of goods and services sold totalled ISK 2,844 million, up from ISK 2,510 million during the same period in 2010. The average number of full-time equivalent positions in Q3 was 534, as compared to 553 for the same period last year.

Q3 operating expenses totalled ISK 659 million, up from ISK 633 million year on year. Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to ISK 77 million for the period, as compared to ISK 169 million for the same period in 2010.

Net financial expenses in Q3 totalled ISK 49 million, as compared to a net financial income of ISK 73 million in Q3 2010. Total comprehensive loss for the quarter amounted to ISK 60 million, as compared to a total comprehensive income of ISK 32 million in Q3 2010.

## Overview of performance

Sales of technical equipment increased somewhat from the same period last year. In the corporate market there was an increase in the sale of large IBM servers and software. Sales of telephony and communication solutions were also robust. In the consumer market, sales of Sony products and Canon cameras have been stable during the year. In addition, sales of Lenovo computers have grown steadily during the year in parallel with a significant increase in marketing. Nýherji changed the name of its Sense retail outlet in the Kringlan shopping mall to "Verslun Nýherja" as part of the Group's strategy to improve product selection and the performance of its retail operations.

Nýherji's IT services division provides hosting and managed services in addition to offering a broad range of specialised solutions in the area of IT and communications. The results of IT services were slightly below expectations in the quarter, although it still performed better than over the corresponding period last year. Extensive changes in the operations of IT services should result in improved profitability in the coming months.

TM Software performed well during the quarter, posting higher than expected revenues and good profits. Sales of the company's internally developed software solutions to companies abroad increased substantially. The company has increasingly been involved in the development of specialised software for customers in Iceland and abroad and the project pipeline is good. However, revenues from the sale of software solutions and services to the healthcare sector declined.

The operation of Applicon ehf., which specialises in the sale and servicing of business software, was affected by investments in connection with the development and preparation for an extensive SAP implementation at a medium-sized Swedish bank. The company has also been preparing the sale of specialised software and services to customers in Scandinavia and the Middle East. The company performed below expectations during the period, but prospects are good for the sale of the SAP and Vigor business solutions in Iceland.

Applicon Sweden performed in line with projections, with revenues well exceeding the targets set at the beginning of the year. Due to increased business, the company added four new employees during the period, with five more slated to be added in Q4. Work has begun on a large project related to the implementation of the SAP business solution for the Swedish lending institution Landshypotek, which has around 50 thousand fund members. The project is expected to be completed in the fall of 2012. Applicon Sweden has also been hired by a large hedge fund in Stockholm for a software project. The company furthermore concluded a maintenance contract with the financial company Öhman Fondkommission. The sales outlook for Q4 is good.

For the past 18 months, Applicon A/S Denmark has been working on the design and implementation of an extensive SAP solution for a number of hospitals operated by a public entity. Due to delays in the delivery of the software, additional costs of about ISK 90 million were incurred in Q3, resulting in the company posting substantial losses. A new managing director, Karl Peter Vilandt, assumed the reins of the company on 1 September. The status of projects for other clients is good and the outlook for next year is favourable.

The Danish company Dansupport A/S, which specialises in IT infrastructure and telephony solutions, performed in line with projections in Q3 and is in a much better position than at the same time last year. Although the need for new investments in the Danish IT sector is considerable, companies are still reluctant to spend due to the state of the economy. Dansupport is expected to perform in line with projections in Q4 2011.

## Outlook

The unexpected losses posted by Applicon Denmark will have an adverse effect on the Group's performance in the second half of the year. Despite this setback, the effect on EBIDTA for the year as a whole may be minimal as the outlook for Q4 is quite good.

### Financial calendar for 2011:

Annual financial statements for the year 2011 are scheduled to be published on 27 January 2011

### Approval of interim financial report

The interim financial report for the third quarter of 2011 was approved at a meeting of the Board of Directors of Nýherji hf. on 28 October 2011. Nýherji hf.'s interim financial report was prepared in accordance with International Financial Reporting Standards (IFRS). Translation from foreign subsidiaries is recognised in the summary of overall performance in the interim report in accordance with IFRS provisions. The interim results have neither been audited nor reviewed by the company's auditors.

## Further information

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

### 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 leading edge consulting and professional services in the field of IT, high quality computer and office equipment and software, as well as reliable technical and managed services. The Nýherji Group currently comprises 14 companies in Iceland and abroad. Nýherji hf.'s shares are listed on NASDAQ OMX Iceland hf.

Nýherji's Board of Directors is composed of: Benedikt Jóhannesson, Chairman, Árni Vilhjálmsson, Gudmundur Jóh. Jónsson, Hildur Dungal and Marta Kristín Lárusdóttir. The CEO of Nýherji hf. is Thórdur Sverrisson.