

## Nýherji Third Quarter Report 2008

### Key results for the first nine months of 2008

- Sales of goods and services amounted to ISK 10,729m, an increase of 38% over the same period in 2007.
- EBITDA: ISK 393m compared to ISK 489 in 2007.
- The equity ratio is 25% despite currency losses amounting to ISK 730m.
- Losses year-to-date in 2008 amount to ISK 694m compared with a profit of ISK 302m for the same period in 2007.
- The implementation of a new business model has been initiated, which will generate economies and increase the specialisation of subsidiaries.

### Message from Thórhur Sverrisson, Managing Director:

“Nýherji’s core business operations evolved much as anticipated during the quarter and provided satisfactory returns over the first nine months of 2008. The same applies to a part of the group’s subsidiaries in Iceland and software divisions overseas. Income from Nýherji’s overseas subsidiaries is currently 22% of the group’s net income, contributing to stability in the company’s operations.

The new business model for the Nýherji group, under development since the spring, was unveiled at the beginning of October. Its implementation will be completed in November. The goal is to sharpen the focus on customer services, by specialising subsidiaries in defined areas and generating economies in the company’s operations.

Nýherji’s operations are multifaceted and diversified, its financial position is sound and its equity ratio is 25.4% despite an ISK 730m charge from currency losses during the year.”

### Operating results for the first nine months of 2008

First nine months of the year – Key figures	Amounts in ISK 000	
	9 months 2008	9 months 2007
Goods and services sold	10,729,485	7,776,720
Cost of goods and services sold	-5,158,620	-4,342,662
<b>Gross profit</b>	<b>5,570,865</b>	<b>3,434,058</b>
Salary & salary related expenses	-4,344,593	-2,382,301
Operating expenses	-1,197,345	-651,746
<b>Operating profit (EBIT)</b>	<b>233,265</b>	<b>414,563</b>
Net financial expenses	-1,058,294	-47,218
<b>Loss/Profits before income tax</b>	<b>-825,029</b>	<b>367,345</b>
Corporate tax	130,850	-65,046
<b>Profit (loss) for the period</b>	<b>-694,179</b>	<b>302,299</b>
EBITDA	393,300	489,487
EBITDA ratio	3.7%	6.3%
Full-time equivalent positions	714	464

Sales of goods and services amounted to over ISK 10,729m during the first 9 months of 2008, as compared to ISK 7,776m for the same period in 2007. Sales, therefore, have increased by 38%. Revenue from the operation in Iceland amounted to ISK 8,396m and revenue from subsidiaries abroad was ISK 2,333m.

Salary and salary-related expenses were ISK 4,345m compared to ISK 2,382m for the same period last year. The average number of full-time equivalent positions during the first nine months was 714. The increase in salaries is due to the considerable growth in the number of employees and also to the increased payroll costs for overseas employees reported in Icelandic króna.

Operating expenses totalled ISK 1,197m during the first nine months of 2008, up from ISK 652m for the same period last year. Earnings before interest, tax and depreciation (EBITDA) were ISK 393m for the period, compared to ISK 489m in 2007.

Net financial expenses totalled ISK 1,058m, compared to net financial income of ISK 47m for the same period last year. Higher financial expenses were due to a 58% depreciation of the Icelandic króna during the period and increased debt due to recent acquisitions. Losses during the first nine months of the year amounted to ISK 694m while profits for the same period last year amounted to ISK 302m.

Consolidated Balance Sheet 30 Sept 2008 – Key figures		Amounts in ISK 000	
	30.9 2008	31.12. 2007	
Non-current assets	5,258,072	2,363,717	
Current assets	3,884,514	3,297,573	
<b>Total assets</b>	<b>9,142,586</b>	<b>5,661,290</b>	
Equity	2,323,825	1,763,961	
Non-current liabilities	2,578,358	1,180,633	
Current liabilities	4,240,403	2,716,696	
<b>Total equity and liabilities</b>	<b>9,142,586</b>	<b>5,661,290</b>	

Total assets at the end of Q3 2008 were ISK 9,142m compared to ISK 5,661m at the end of 2007. Non-current liabilities increased from ISK 1,180m at year end to ISK 2,586m at the end of September, while current liabilities increased from ISK 2,716m to ISK 4,259m over the same period. Equity increased by 32% over the 9-month period, standing at ISK 2,324m at 30.09.2008. This increase is due, among other things, to the issue of new shares in April. However, losses since the beginning of the year reduced the total amount of equity raised.

## Operating Results for Q3 2008

Quarterly Overview – Key Figures		Amounts in ISK 000				
	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	
Sales of goods and services	3,600,275	3,755,771	3,373,436	3,524,707	2,750,060	
Cost of goods and services sold	-1,813,029	-1,775,323	-1,570,268	-1,975,244	-1,606,412	
<b>Gross profit</b>	<b>1,787,246</b>	<b>1,980,448</b>	<b>1,803,168</b>	<b>1,549,463</b>	<b>1,143,648</b>	
Salary & salary related expenses	-1,425,538	-1,550,423	-1,368,632	-912,601	-770,371	
Operating expenses	-360,989	-448,803	-387,553	-486,548	--217,166	
<b>Operating profit (EBIT)</b>	<b>69,625</b>	<b>63,589</b>	<b>100,051</b>	<b>190,172</b>	<b>158,892</b>	
Net financial expenses	-389,414	-155,031	-513,849	-48,680	-57,492	
<b>Profits before taxes</b>	<b>-319,789</b>	<b>-91,442</b>	<b>-413,789</b>	<b>140,843</b>	<b>101,400</b>	
Corporate tax	57,930	519	72,401	-88,258	-8,089	
<b>Profit (loss) for the period</b>	<b>-261,859</b>	<b>-90,923</b>	<b>-341,397</b>	<b>117,631</b>	<b>93,311</b>	
EBITDA	124,929	123,080	145,291	220,400	184,368	
EBITDA ratio	3.5%	3.3%	4.3%	6.3%	6.7%	
Full-time equivalent positions	737	755	734	482	464	

## Nýherji Third Quarter Report 2008

Sales of goods and services in the third quarter amounted to ISK 3,600m, representing an increase of 42% compared to ISK 2,750m for the same period last year. Sales, therefore, have increased by 31% from Q3 last year.

Salary and salary-related expenses were ISK 1,426m compared to ISK 770m for the same period last year. The total number of full-time equivalent positions at the end of the period was 721.

Operating expenses amounted to ISK 361m in Q3 2008, up from ISK 217m in Q3 2007. Earnings before interest, tax and depreciation (EBITDA) were ISK 125m for the period, compared to ISK 188m for the same period in 2007.

Net financial expenses over the period amounted to ISK 389m, compared to ISK 57m the previous year. Losses over the quarter amounted to ISK 262m, compared to a profit of ISK 93m for Q3 2007.

### Business Overview

A new business model for the Nýherji group was unveiled at the beginning of October and will be implemented in November. The model will be used to sharpen the focus and emphasis on selected specialisations and thereby ensure greater flexibility and opportunities for subsidiaries. Additional benefits include economies on expenses and synergy in sales activities.

Nýherji will be the parent company of six main subsidiaries. Moreover, Nýherji will be responsible for the sales and logistics of computer and technical equipment.

Nýherji's main subsidiaries after the changes are:

- Skyggvir ehf., specialising in the field of IT optimisation, unified communications and outsourcing services;
- Sense ehf., for digital solutions, such as for audio and video equipment;
- TM Software ehf., focusing on software development and software integration;
- Applicon ehf., focusing on business software, financial solutions and specialised sector-based solutions;
- A new company to be established for the entire group's joint support services;
- ParX ehf. which will continue to specialise in the field of business consultancy.

A portion of the operation will move to Urdarhvarf 6 in Kópavogur, where TM Software is currently located, although the company will continue to have operations in Nýherji's premises at Borgartún 37.

The operational performance of Nýherji's core business has been very satisfactory over the year so far and results are, for the most part, in line with projections. Sales in the areas of servers, storage solutions and in the design and development of data centers have been quite good. Furthermore, there has been considerable demand for communications solutions, such as IP telephony and teleconferencing solutions, as well as hosting services. Sales of printing solutions have been in line with projections. However, PC sales are down from the same time in 2007.

The results of the Applicon companies are positive, particularly at Applicon AB in Sweden and Applicon A/S in Denmark. The project pipeline in these companies is good and in tune with expectations. However, the operation of Applicon ehf. in Iceland has proven difficult. Moreover, the operation of Applicon Solutions A/S in Denmark and Applicon Solutions Ltd. in the U.K. returned losses.

The operation of Dansupport A/S in Denmark has undergone restructuring, resulting in good sales projections and the expectation that this operation will reach a break even point by the end of the year.

The software development operations of TM Software have returned acceptable results. However, work is underway on various changes in its outsourcing services aimed at improving the company's results. Among other things, Skyggvir will be operated as a separate company and the activities of Nýherji's technical departments will be transferred to the new company. This change will open up many opportunities for the company, such as projects overseas.

## Prospects

The business outlook in Iceland is not as clear as it has been. Greater uncertainty is due to changes in the operation of commercial banks and circumstances on financial markets. Although there may be a downturn in sales in the domestic market, service income remains more or less stable. In addition, the income and results of Nýherji's overseas subsidiaries is quite good. Due to uncertainty, the Q4 results of the Nýherji group may now be expected to be somewhat below original projections. Changes in circumstances will be met with streamlining activities. It must be emphasised that the foundations of Nýherji's operation are sound and leverage is moderate. However, given the current economic situation, it is very difficult provide reliable projections for operational results over the coming months.

## Approval of the interim financial report

The Q3 2008 interim financial report for Nýherji hf. was approved at a meeting of the Board of Directors on 22 October. The interim financial report is prepared in accordance with IFRS.

## 2008 Financial Calendar

Proposed publication of interim financial statements for 2008

Fourth quarter	23 January 2009
Nýherji Annual General Meeting 2009	6 February 2009

## Further information

Further details are available from:

Thórdur Sverrisson, Managing Director of Nýherji, telephone: +354 893 3630.

## Nýherji hf

Nýherji's role is to create added value for its customers through the expertise of its staff in IT and business operations and their understanding of client requirements. Nýherji offers first class IT consultancy and professional services as well as quality software, computer and office equipment and reliable technical and business consultancy services. Subsidiaries of the Nýherji group number 20, both in Iceland and abroad and the total number of full-time equivalent positions is 721. Nýherji hf.'s shares are listed on OMX Nordic Exchange Iceland.

Nýherji Board of Directors: Benedikt Jóhannesson, Chairman, Árni Vilhjálmsson and Gudmundur Jóh. Jónsson. Thórdur Sverrisson is the Managing Director of Nýherji.