

Nýherji's Q3 operating profit (EBITDA) was ISK 169m

Highlights

- The EBITDA in the third quarter was ISK 169 million, but for the same period in 2009 EBITDA was by ISK 107 million.
- Total profit in the first nine months was ISK 132 million, while for the same period last year the total loss was ISK 178 million.
- Nýherji hf. increased its share capital by ISK 840 million at market value.
- Agreements with the company's commercial bank on restructuring of long-term loans are finished.
- Nýherji's real-estate will be sold for ISK 1650 million, in parallel with the company entering into a 15-year lease agreement.
- Plans call for lowering the company's debt by ISK 2600 million.

Thordur Sverrisson, CEO:

"During the year there has been very positive development in the operations of Nýherji and its domestic subsidiaries, and the performance is excellent in the third quarter of 2010. The demand for computers and technical equipment has increased, and sales are above plan. After a considerable decrease in the number of software consultants, a balance has been achieved with the demand for domestic software services, and these operations are now profitable.

Nýherji increased its share capital by ISK 120 million at nominal price and sold it to investors at an price per share of 7.0. At the same time agreements with the company's commercial bank on restructuring of long-term loans were signed. The overall impact of the measures is that the company's equity will be strengthened by nearly ISK 1 billion. The increase in share capital, sale of real-estate and decrease in debt will lower interest-bearing debt by ISK 2600 million. At the conclusion of these measures, Nýherji's financial position will again be strong, and the company's equity ratio will exceed 30% at the end of the year. The company's main emphasis will be on further improving performance with the continuing rationalization of operations."

Nýherji hf.'s Q3 Settlement 2010

Operating results for Q3 2010

First 9 months – key figures Amounts in thousands of ISK		
	9 months 2010	9 months 2009
Goods and services sold	10,272,770	10,338,850
Cost of goods and services sold	(4,598,017)	(4,343,304)
Gross profit	5,674,753	5,995,546
Wages and payroll-related costs	(4,162,401)	(4,520,953)
Operating costs	(1,413,127)	(1,826,478)
Operating profit (losses) (EBIT)	111,442	(340,716)
Net financial expenses	(150,732)	(503,919)
Pre-tax profit (loss)	206,897	(884,635)
Income tax	2,714	(69,715)
Profit (loss) for period	209,611	(914,350)
Items entered directly into equity capital	(77,670)	736,414
Total profit (loss)	131,941	(177,936)
EBITDA	326,952	(9,356)
EBITDA ratio	3.2%	0.09%
Average number of full-time equivalent positions	565	652

The sale of goods and services the first nine months of 2010 totalled ISK 10,273 million, compared with ISK 10,339 million for the same period the year before. Wages and payroll-related costs totalled ISK 4162 million as opposed to ISK 4521 million for the same period the year before. Wages because of foreign operations have decreased by ISK 125 million. The average number of full-time equivalent positions the first 9 months of 2010 was 565 but was 652 for the same period the year before. Operating costs were about ISK 1413 million as opposed to ISK 1826 million for the same period last year. Operating profit was ISK 327 million (EBITDA) for the period, but was negative the year before by 9 million (EBITDA).

Net financial expenses were ISK 151 million, compared with ISK 504 million for the same period in 2009. Total profit the first 9 months of 2010 was ISK 132 million, but the first 9 months of 2009 there was a total loss of ISK 178 million.

Balance sheet as of 30.09. 2010 – key figures Amounts in thousands of ISK		
	30.09. 2010	31.12. 2009
Fixed assets	5,923,872	6,173,554
Circulating assets	4,046,622	3,421,368
Total assets	9,970,494	9,594,922
Equity capital	2,222,802	1,263,981
Long-term debt	2,564,211	1,526,221
Short-term debt	5,183,481	6,804,720
Total assets and liabilities	9,970,494	9,594,922

The total assets at the end of the period were ISK 9970 million, compared with ISK 9595 million at year-end 2009. The total long-term debt increased since the end of the year from ISK 1526 million to ISK 2564 million; at the same time, short-term debt decreased since the end of the year from ISK 6805 million to ISK 5183 million. Interest-bearing debt totalled ISK 5100 million, but was ISK 5537 million at the start of 2010. Equity capital at the end of September 2010 was ISK 2223 million, and the equity ratio is now 22.3% vs. 13.2% at the beginning of the year.

Nýherji hf.'s Q3 Settlement 2010

Operating results for Q3 2010

Quarterly summary – key figures					
In thousands of ISK					
	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009
Goods and services sold	3,234,284	3,529,521	3,508,965	3,993,511	3,301,404
Cost of goods and services sold	(1,521,173)	(1,575,069)	(1,501,775)	(2,012,073)	(1,369,377)
Gross profit	1,713,111	1,954,452	2,007,190	1,981,438	1,932,027
Wages and wage-related costs	(1,187,414)	(1,462,384)	(1,512,639)	(1,559,492)	(1,356,518)
Operating costs	(434,058)	(449,871)	(529,198)	(741,244)	(526,670)
Operating profit (loss) (EBIT)	95,826	46,728	(31,112)	(316,285)	52,080
Effect of subsidiary's bankruptcy	0	246,187	0	0	0
Net financial expenses	(73,240)	318	(77,810)	(163,383)	(171,361)
Pre-tax profit (loss)	22,586	293,233	(108,922)	(479,668)	(119,281)
Income tax	4,183	(8,288)	6,819	32,766	(1,700)
Profit (loss)	26,769	284,945	(102,103)	(446,902)	(120,981)
Items entered directly into equity capital	4,836	(54,173)	(28,333)	(61,059)	14,068
Total profit (loss)	31,605	230,772	(130,436)	(507,961)	(106,913)
EBITDA	169,125	122,875	34,952	(52,851)	107,374
EBITDA ratio	5.2%	3.48%	1.00%	(1.32%)	3.30%
Average number of full-time equivalent positions	553	558	579	607	631

Goods and services sold in Q3 2010 totalled 3234 million, compared with ISK 3301 million for the same period in 2009, and income has therefore decreased by 2% since Q3 2009.

Wages and payroll-related expenses totalled ISK 1187 million as opposed to ISK 1357 million for the same period in 2009. The average number of full-time equivalent positions in Q3 was 553, but was 631 for the same period last year. Domestic payroll costs have decreased by ISK 47 million since Q3 2009. The wages of employees in other countries has decreased by ISK 123 million between Q3 2009 and 2010.

The operating costs in Q3 were ISK 434 million but were ISK 527 million for the same period in 2009. Operating profit was ISK 169 million EBITDA for the period, but EBITDA was 107 million for the same period in 2009.

Net financial expenses in Q3 totalled ISK 73 million, compared with ISK 171 million in Q3 2009. The total profit in the quarter was ISK 32 million vs. a total loss in Q3 last year of ISK 107 million.

Agreements with banks and increase in share capital

In Q3 Nýherji increased share capital by ISK 120 million at nominal par. The company signed agreements with investors on purchase of this share capital at an price per share of 7.0, and the total sales value was therefore ISK 840 million. Agreements were also signed with Arion Bank, on one hand, and Islandsbanki, on the other, on the reorganization of the company's long-term loans, lengthening the payment time. To further decrease the company's indebtedness, Nýherji has entered into an agreement to sell the company's real-estate at Borgartún 37 at a price of ISK 1650 million. At the same time the company has signed a 15-year lease agreement on Borgartún 37.

Summary of operations

The demand for computer equipment and technical solutions rose during Q3 for the group, especially on the corporate market. The sales of IBM network servers and database solutions and Lenovo computer equipment were considerably above plan. Demand also increased during the quarter for IBM software and Canon multipurpose printing equipment. The sales for audiovisual solutions were on plan; for example, projects were done for the University of Akureyri. Sales of consumer equipment, such as televisions and cameras from Canon and Sony, were steady.

The group's operational and hosting services have emphasized rationalization and lowering of operating costs, which has produced better performance for three quarters in a row, and equilibrium is being reached for these operations. There is increased demand for external branch services and comprehensive print service operations. Also, an

Nýherji hf.'s Q3 Settlement 2010

agreement has been signed with the National Electoral Commission of Iceland on the electronic scanning and counting of ballots for the Constitutional Assembly in November.

The operation of domestic units in business software went well during the period. Service and product sales considerably exceeded expectations. The supply of products was strengthened with the creation of solutions and increased knowledge of policy-shaping factors, such as in the field of business intelligence. The project status and outlook, both in Iceland and other countries, are promising.

There was good sales performance for software solutions developed by the group's software companies. There was development of Saga, a medical records system, in collaboration with Landspítali University Hospital and the Ministry of Health, in addition to projects related to electronic transfers over Hekla Health Network; electronic transfer of health data can achieve great rationalization for health sector parties and improve patient services. Also, smaller software solutions were sold on the Internet to companies in many parts of the world, and software projects were done in Sweden, Denmark Britain and the Middle East. Balance is being achieved in domestic software development, and performance is better than at the same time last year.

The performance of Applicon's operations in Sweden is fine and on-plan; agreements with companies worth mentioning include ones with Bank of Åland, Nordea and TeliaSonera. Applicon's operations in Denmark are performing in the black but are below plan. Dansupport is now performing in the black, but there was a loss on this company's operations last year. According to forecasts by research companies, the demand for IT services in the Nordic countries will grow, and this will strengthen the companies' operations abroad.

Outlook

The operations of Nýherji and its subsidiaries have strengthened in recent quarters, and the outlook for the fourth quarter is good. Equilibrium is developing in the company's operations, based on current demand and the economic situation. The outlook is quite good for continuing improvement in the group's operational performance the next several quarters if there is no backslide in domestic economic development.

Financial Calendar fort 2010:

28 January 2011 – Annual results

Approval of Interim Financial Statement

The interim financial statement for Q3 2010 was approved at a meeting of Nýherji hf.'s Board of Directors on 22 October 2010. Nýherji hf.'s annual settlement is done in accordance with IFRS-International Financial Reporting Standards. The interim settlement has been neither audited nor checked by the company's chartered accountants.

Further information

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

Nýherji hf.

Nýherji hf.'s mission is to create value for its customers with employees' knowledge of IT, corporate operations and customers' needs. Nýherji offers top-quality consulting and professional services in the field of IT as well as professional computer equipment, office equipment and software. The Nýherji Group comprises 18 companies, operating in both in Iceland and other countries and having 540 full-time equivalent positions. Nýherji hf.'s shares are registered on NASDAQ OMX Iceland hf.

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