

Nyherji announces profitability and year-on-year revenue increase of 16% for H1 2015

Q2 consolidated revenues increase by 19% year-on-year, with all subsidiaries profitable

REYKJAVIK — August 26, 2015 — Nyherji Group (NYHR.IC), Iceland's leading IT services provider, today announced its Q2 and H1 2015 results with net profit of ISK 69 million in the second quarter and ISK 111 million for the first half of 2015.

Financial Highlights:

- Goods and services sold in the second quarter rose to ISK 3.386 billion (19% revenue growth compared to Q2 2014) and ISK 6.649 billion for the first half year (16% revenue growth compared to H1 2014) [Q2, 2014: 2.853 billion; H1, 2014: 5.712 billion]
- Gross profit amounted to 830 million (24.5%) in Q2 and 1.638 billion (24.6%) in the first half [Q2 2014: 749 million (26.3%), H1 2014 1.502 billion (26.3%)]
- Net profit for the second quarter amounted to 69 million and 111 million in the first half [Q2 2014: 69 million, H1 2015: 125 million]
- EBITDA amounted to 227 million (6.8%) in the second quarter and 452 (6.8%) in the first half [Q2 2014: 207 million (7.3%), H1 2014: 398 (7%)]
- Operating performance was positive for all companies in the group in the first half
- Positive results for the last six quarters

"This has been a productive first half for Nyherji and its subsidiaries," commented Finnur Oddsson, Group Chief Executive, "The group's performance in the first half of the year is above budget and has improved on the same period last year. I am pleased to see strong revenue growth year to year both from domestic sales and also with our TEMPO subsidiary, where foreign income continues to build rapidly. The business has added hundreds of new customers in the last quarter, and in the light of increased activity we are also expecting to ramp up staff in TEMPO considerably this year. To support further product development, organization growth and marketing abroad, we intend to place 25% of the equity in TEMPO in Q3 of this year. We have promising developments in Nyherji's other subsidiaries, in particular coming from sales of new and exciting human resources and payroll solutions from Applicon Iceland and banking solutions from Applicon Sweden."

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OPERATING RESULTS, H1 2015

Quarterly overview - Key Figures		
ISK millions	1H 2015	1H 2014
Sold products and services	6,649	5,712
Cost of goods sold and cost of sold services	(5,011)	(4,210)
Margin	1,638	1,502
Operating costs	(1,346)	(1,252)
Operating profits before financial income and financial expenses	292	250
Net financial expenses	(112)	(82)
Profit before tax	180	167
Income tax	(37)	(36)
Profit for the period from continuing operations	143	132
(Loss) from discontinued operations	0	(26)
Profit for the period	143	106
Translation difference/foreign subsidiaries	(32)	19
Total profits for the period	111	125
EBITDA	452	398

- Sales of goods and services amounted to 6.649 billion in the first six months of the year, compared to 5.712 billion in the first half of 2014, an increase of 16.4% year on year
- Gross profit amounted to 1.638 billion (24.6%) in the first half, compared to 1.502 billion (26.3%) in the first half of 2014
- Operating profit was 292 million in the first half, compared with 250 million in the first half of 2014, an increase of 17% year on year
- Operating expenses were 1,346 million for the first half (20.2% of revenues), compared with 1.252 million (21.9% of revenues) for the same period in 2014
- Net financial expenses totaled 112 million in the first half, compared to 82 million in the same period last year. Lower expenses in the first half of 2014 are due to gains amounting to 39 million compared to 4 million loss in the first half of 2015

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- EBITDA amounted to 452 million (6.8%) in the first half, compared with 398 million (7.0%) in the same period last year
- Net profit for the first half year was 111 million, compared with 125 million the same period in 2014

Balance sheet 30.06.2015 - Key Figures

ISK millions	30.06.2015	31.12.2014
Fixed assets	3,039	3,038
Current assets	2,945	2,732
Total Assets	5,984	5,771
Equity	1,074	963
Long-term obligations	2,566	2,651
Short-term debts	2,344	2,157
Total Equity and liabilities	5,984	5,771
Current ratio	1.26	1.27
Equity ratio	17.9%	16.7%

- Current assets increased by ISK 213 million since the end of 2014, from ISK 2.732 billion to ISK 2.945 billion, with an increase in receivables (ISK 140 million) and cash (ISK 44 million)
- Interest-bearing liabilities decreased by ISK 21 million from the beginning of the year to ISK 3.049 billion
- Nyherji's equity ratio at the end of the half year stands at 17.9%

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Cash Flow - Key Figures		
ISK millions	H1 2015	H1 2014
Cash from operations	274	88
Investing activities	(226)	(69)
Financing activities	(3)	(183)
Net increase (decrease) in cash	45	(164)
Impact of FX rate changes on cash	(1)	(5)
Cash at beginning of year	79	451
Cash at end of year	123	282

- Cash flow from operations is ISK 274 million for the first six months, compared with ISK 88 million during the same period in 2014
- Financing activities are higher than in 2014 due to the change in the interest-bearing liabilities arising from the sale of Applicon AS
- Cash and cash equivalents at the end of the period totalled ISK 123 million compared to ISK 282 million for the same period in 2014

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OPERATING RESULTS FOR Q1, 2015

Quarterly Overview - Key Figures					
ISK millions	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Sold products and services	3,386	3,263	3,315	2,545	2,853
Cost of goods sold and cost of sold services	(2,556)	(2,456)	(2,475)	(1,876)	(2,104)
Margin	830	808	840	669	749
Operating costs	(685)	(661)	(674)	(558)	(616)
Operating profits before financial income and financial expenses	145	147	167	112	133
Net financial expenses	(80)	(33)	(111)	(98)	(52)
Profit before tax	66	114	55	13	82
Income tax	(14)	(23)	69	(2)	(17)
Profit for the period from continuing operations (Loss from discontinued operations)	52	91	124	12	65
Foreign exchange conversion adjustment	18	(50)	(2)	0,5	4
Total profit for the period	69	41	122	12	69
EBITDA	227	225	241	188	207

- Sales of goods and services amounted to ISK 3.386 billion in the second quarter, compared with ISK 2.853 billion in the same period in 2014, an increase of 18.7% year on year
- Gross profit amounted to ISK 830 million (24.5%) in the second quarter, compared to ISK 749 million (26.3%) in the second quarter of 2014
- Operating expenses were ISK 685 million in the second quarter (20.2% of revenues), compared to ISK 616 million (21.6% of revenues) for the same period in 2014
- Net financial expenses totalled ISK 80 million in the second quarter, compared to 52 million for the same period last year
- EBITDA amounted to ISK 227 million (6.7%) in the second quarter, compared with ISK 207 million (7.2%) in the same period last year
- Net profit in the second quarter was ISK 69 million

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Nyherji: Revenue Growth and Good Profitability

Nyherji's revenue improved by 19% for the quarter compared with the same period last year. Product and service sales are progressing well, especially larger centralized solutions, audio-visual equipment and printing solutions. Sales of personal computers from Lenovo have soared, largely through the wholesale channel and a strong network of resellers. Lenovo has strengthened its position in the smartphone market with the acquisition of Motorola and has recently introduced a new phone on the market in partnership with resellers.

The new organization at Nyherji, which became effective this year, has strengthened sales efforts and improved customer service experience, while at the same time managing to keep operating costs under budget.

Nyherji increased its stake from 42% to finalize the acquisition of Focal Software (Hopvinnukerfi ehf.) Nyherji's goal with this acquisition is to increase availability of their solutions and all staff at Hópvinnukerfi will transition to Nyherji in September.

Sales prospects for Nyherji are good, but work will continue to improve service and streamline operations.

TM Software ehf.: Revenue Growth and Profitability Expectations

TM Software revenues for the second quarter increased significantly between years, at over 18%. Overall however TM Software performed slightly below expectations over the quarter. Demand for professional services in the Icelandic healthcare sector was lower than expected, but revenue and profits in the web application area, however, were in line with expectations. TM Software expects to increase the number of staff in the web application area in line with project demand during the second half of the year.

Tempo ehf.: 500 New Customers and Organisational Growth

The operation of TEMPO operation proceeded very well in the second quarter. Dynamic product development has continued and new versions of all the company's products (Tempo Time Sheets, Tempo Planner, Tempo and Tempo Folio Books) were introduced. Revenues continue to build rapidly, with over 500 new customers added during the quarter. The outlook is for continued revenue growth and the company anticipates growing by 30 employees during the year. TEMPO today has 70 staff both in Iceland and Canada with revenues for the first six months amounting to USD 4.6 million, a 62% increase compared with the same period last year.

Nyherji, currently the sole owner of TEMPO, has announced its decision to sell a 25% stake in TEMPO. The company has retained Icora Partners as manager for the private placement and the sale process is anticipated to begin at the end of the third quarter of 2015. The purpose of the offering is to further support the rapid growth of TEMPO with additional resources and expertise, which should accelerate product development, increase marketing resources and strengthen the TEMPO brand abroad.

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Applicon ehf.: Successful Sales of Human Resources and Payroll Solutions

Applicon's performance was in line with expectations. Positive results were achieved with sales of Kjarna, a new cloud-based human resources and payroll solution with a landmark sale of Kjarna to the City of Reykjavik, where the company was selected in an open tender. Two major Icelandic construction companies, ISAVIA and ÁTVR, have also adopted Kjarna. Excellent results were also achieved for sales of SAP HANA, the leading database solution and income from such projects will start to be realised during the second half of the year. The operating outlook is positive.

Applicon AB in Sweden: New projects in H2

Applicon Sweden's performance was positive and in line with expectations. Considerable effort has gone into the preparation of new projects during the quarter and it is expected that they will generate revenue growth and improved performance in the second half. The company has worked for Aman Bank and SAP in preparation for the installation of a banking system for the newly established bank. Operating prospects are good.

Group Prospects

The outlook for Nyherji Group overall is positive. Moderate growth of revenue is expected to continue for Nyherji and its subsidiaries in 2015.

Shareholders

The market value of the company at the end of the second quarter of 2015 was ISK 4.346 billion. The closing price for the quarter was ISK 10.6 per share, with total outstanding shares issued on March 31, 2015 standing at 410 million and 335 employees as shareholders.

Analyst and Investor Presentation on August 27, 2015

A presentation for investors and analysts will be held on Thursday, August 27, 2015 at the company's headquarters at Borgartun 37 in Reykjavik, starting at 09:00 local time. Finnur Oddsson, Group CEO, will present the results which will be streamed live via the company's website. The presentation of the meeting will be accessible at the company's website, www.nyherji.is, after the meeting.

Financial Calendar 2015

Scheduled publication dates for the financial year 2015:

- October 28, 2015: Q3 and the first nine months of 2015

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- January 28, 2016: Full-year and Q4, 2015

Approval of Financial Results

This interim statement was approved by Nýherji hf. on the 26th August 2015, in accordance with International Financial Reporting Standards (IFRS). The interim financial report has neither been audited nor reviewed by the Company's auditors.

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ABOUT NYHERJI HF

Nyherji hf. (NASDAQ OMX: NYHR.IC) is an established listed Nordic IT services provider with offices in Iceland and Sweden. For over two decades the company has been a world-class technology supplier, application developer, systems integrator, facilities manager and expert business process consultancy, with corporate roots that can be traced back to 1899 and the inception of “office machines”. Nyherji aims to be the technology partner of choice for businesses, from the smallest to the largest enterprises. With expertise in understanding and linking the needs of enterprise customers to competitive technology solutions, Nyherji uses its deep knowledge of mission-critical processes, hardware and application requirements, to focus on government and industries sectors with high support needs such as healthcare, financial services, logistics and aviation.

The board comprises Benedikt Johannesson, Chairman, Hildur Dungal, Marta Lárusdóttir, August Karlsson and Loftur Gislason, with Gudmundur Jonsson is an alternate member; Finnur Oddsson is the Group CEO of Nyherji.

For more information, please visit www.nyherji.is/english/investor-relations/

FORWARD LOOKING STATEMENTS

Statements in this press release that are not based on historical facts are forward-looking statements. Although such statements are based on management’s current estimates and expectations, forward-looking statements are inherently uncertain. We therefore caution the reader that there are a variety of factors that could cause business conditions and results to differ materially from what is contained in our forward-looking statements, and that we do not undertake to update any forward-looking statements. All forward-looking statements are qualified in their entirety by this cautionary statement.

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