

7.7% Revenue Growth in First Half of 2022

Origo hf. Interim Results – Q2 2022

Financial highlights:

- **Goods and services sold** totalled ISK 4,516 million in the second quarter of 2022 (up 2.1% from Q2 2021) and ISK 9,262 million in the first half of the year (up 7.7% from 1H 2021) [Q2 2021: ISK 4,425 million, 1H 2021: ISK 8,599 million]
- **Gross profit** was ISK 1,215 million (26.9%) in the second quarter of 2022 and ISK 2,506 million (27.1%) in the first half of the year [Q2 2021: ISK 1,118 million (25.3%), 1H 2021: ISK 2,506 million (25.7%)]
- **EBITDA** totalled ISK 370 million (8.2%) in the second quarter of 2022 and ISK 708 million (7.6%) in the first half of the year [Q2 2021: 357 million (8.1%), 1H 2021: ISK 658 million (7.6%)]
- **EBIT** totalled ISK 119 million (2.6%) in the second quarter of 2022 and ISK 223 million (2.4%) in the first half of the year [Q2 2021: ISK 158 million (3.6%), 1H 2021: ISK 266 million (3.1%)]
- **The impact of an associate** was ISK 261 million in the quarter and ISK 427 million in the first half of the year. Tempo delivered 25% revenue growth and total revenue of USD 46 million in first half of the year. The company's adjusted EBITDA amounted to 28% over the same period.
- **Other comprehensive income** was positive by ISK 119 million in the second quarter of 2022 and positive by ISK 26 million in the first half of 2022 [Q2 2021: - ISK 70 million, 1H 2021: - ISK 88 million]
- **Net profit** of ISK 416 million in the second quarter of 2022 and ISK 562 million in the first half of the year [Q2 2021: ISK 84 million, 1H 2021: ISK 247 million]
- Origo repurchased shares for around ISK 300 million in the first half of 2022
- **Equity ratio** of 60.0%, versus 56.9% at year-end 2021
- **Working capital ratio** of 1.48, versus 1.42 at year-end 2021

Jón Björnsson. CEO of Origo hf:

"The first half 2022 results were quite good, with revenue up 7.7% from the same period last year. It is our assessment that demand fell somewhat at the beginning of the summer due to market conditions, but now, in late summer, it seems to have recovered. The first half operating earnings are satisfactory, with EBITDA improving by more than 7.6% from the first half of last year. It is also pleasing to see Tempo's good results following the acquisition of ALM and Roadmunk, as the company continues to deliver good revenue growth despite a degree of uncertainty in the global markets.

There continues to be good demand for products and solutions in End-User Equipment, with sales increasing by 10.4% in the first half of the year. Product flow has been somewhat irregular since the war in Ukraine and Covid and therefore a considerable portion of our revenue will shift to the second half of the year; we are currently seeing a similar turnover increase in the first weeks of the third quarter as we experienced at the beginning of the year. The unit is performing well, with EBITDA up more than 15% over

Operational highlights:

- 7.7% revenue growth and good earnings in the first half of the year
- 10.4% increase in sales of end-user equipment
- 2.1% revenue increase at software units
- Strong quarter at Tempo

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last year. The outlook is overall quite good, the product flow seems to be getting more normal and the tourism industry is experiencing a considerable uptick in business.

Origo's Service Solutions unit has been in a transformation phase over the last 12-18 months, with changes to the product and service offering delivering improved results as well as creating several good opportunities for growth. The first half delivered a 3% increase in revenue and a 138% improvement in EBITDA profitability. Priorities have been better defined and a stronger framework has been created around service delivery, combined with better utilization of the opportunities presented by the transformation needs of our customers. Today, customers are much more aware of the importance of IT security and the demands on service providers are ever increasing. Origo intends to be the first choice when it comes to secure operations, and with that in mind we will ensure that our message to the market serves that objective.

In addition to these changes to the core operations of Service Solutions, we have invested in three growth companies related to digital infrastructure:

- **Syndis** is a leader in IT security consulting and, like other Origo companies, has been focused on building a more scalable operation alongside an excellent consulting business. Syndis has established a security centre in Poland that maintains 24/7 security services for a large number of enterprises. Syndis has also invested in developing software that evaluates how vulnerable enterprises are to hacking. Initial testing of the solution will begin in the autumn.
- The company **Responsible Compute** was founded with Borelais Data Center and in collaboration with the US company Rescale, which specialises in cloud supercomputing. Responsible Compute's strategy is to provide sustainable HPC infrastructure services with the best carbon reporting available, based on established and standardised calculation methods. This allows our customers to reduce their environmental footprint, assess emission trends and weigh possible options towards carbon neutrality. The company, which has been doing testing in recent months, has now obtained its first customer.
- **Datalab** is a start-up company that focuses on providing improved data exploitation through ever smarter solutions. The company is in a unique position in the Icelandic market and is currently introducing solutions for Icelandic enterprises that provide better information on the status of business relationships. The solution is called Lifsmörk, and Datalab also creates customised data stories that make it easier for enterprises to reach customers in a more personal and memorable way.

Software sales continue to grow with revenue up 2.1% in the first half of the year. However, as in End-User Equipment, we noticed a slight decrease in demand at the start of summer. This can probably be attributed to increased summer holidays following Covid. Nevertheless, own software subscription revenue grew more than other software revenue in both quarters of the first half of the year, and there was particularly strong revenue growth in core areas such as HR solutions, quality management systems, banking solutions and financial solutions. During this period, we concluded contracts with large organizations such as Digital Iceland, KPMG, Öryggismiðstöðin, the Icelandic Meteorological Office, the Icelandic Welfare Office and the Town of Hafnarfjörður.

Applicon is in a similar position as last year. Revenue declined slightly due to one-time license sales last year, but the operating results are similar due to higher consulting revenue. Applicon has traditionally generated most of its revenue from license sales and consultancy within the banking sector. In recent years, the company has increased its focus on financial leasing companies and treasury management in general industries. The project status for the second half of the year is quite good. Applicon is also currently working on the development of two software products with the aim of changing its revenue composition for the future. Investment in new products was about ISK 20 million higher compared to first half of 2021.

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Tempo performed well in the first half of the year, delivering 25% revenue growth and total revenue of USD 46 million. The company's adjusted EBITDA amounted to 28% over the same period. The company's revenue figures now reflect last year's acquisition of ALM Works and Roadmunk; over the past months, the company has been focused on the consolidation of the three businesses along with the restructuring of Roadmunk's operations. The marketing, sales, operations and finance teams of the three companies are now working together, and the next phase is achieving the same for their product and software teams. The year has been somewhat affected by the market uncertainty created by the war in Ukraine and the company has had to put considerable energy and effort into relocating ALM's Russia operations, causing some delays. This has resulted in more caution in the company's operations. However, the company continues to see a good trend in subscription income and its profitability targets are being met. The company continues to focus on increasing revenue with special emphasis on cross-selling between units and further strengthening of relationships with partners.

The outlook for our operations is good despite some signs of a slowdown in the IT market at the beginning of summer. We are in the implementation phase of the strategy we developed last year and have the building blocks for success, which will further strengthen the Company going forward - for the benefit of our customers, employees and shareholders. In the short term, we are exploring the opportunities created by the transformation of our Managed Services and Infrastructure division: To achieve increased productization so that we can more easily maintain the quality of our services, lower prices, create a stronger framework for business software development, as well as making use of our strength in the end-user equipment market. In the long term, we are working according to clear future goals and will continue to develop our staff and technical environment to deliver products that improve life. The Company is operationally sound and is well placed to adjust to any adverse changes to the current favourable IT environment."

Income Statement

In ISK million	Q2 2022	Q2 2021	%	1H 2022	1H 2021	%
Sales of goods and services	4,516	4,425	2.1%	9,262	8,599	7.7%
Cost of goods sold and cost of services	(3,301)	(3,308)	-0.2%	(6,755)	(6,387)	5.8%
Gross profit	1,215	1,118	8.7%	2,506	2,212	13.3
<i>Gross profit/revenue (%)</i>	26.9%	25.3%		27.1%	25.7%	
Operating expenses	(1,095)	(960)	14.1%	(2,284)	(1,946)	17.3%
Profit before finance income and finance exp.	119	158		223	266	
<i>Operating profit/revenue (%)</i>	2.6%	3.6%		2.41%	3.1%	
Net financial expenses	(46)	(17)		(83)	(33)	
Effect of associates	261	47		427	150	
Income tax	(37)	(33)		(31)	(47)	
Profit for the period	297	154		535	335	
Other comprehensive income	119	(70)		26	(88)	
Total comprehensive profit for the period	416	84		562	247	
EBITDA	370	357		708	658	
<i>EBITDA%</i>	8.2%	8.1%		7.6%	7.6%	

- **End-user equipment and related services:** Revenue of ISK 1,831 million in the second quarter of 2022 (up 3.1% from Q2 2021) and ISK 3,891 million in the first half of the year, up 10.4% from 1H 2021. EBITDA of ISK 162 million (8.9%) in the second quarter and ISK 355 million (9.1%) in the first half of the year [Revenue 1H 2021: ISK 3,525 million, EBITDA 1H 2021: ISK 308 million (8.8%)]
- **Operational service and infrastructure:** Revenue of ISK 1,322 million in the second quarter of 2022 (up 8.3% from Q2 2021) and ISK 2,559 million in the first half of the year, up 10.3% from 1H 2021. EBITDA of ISK 89 million (6.7%) in the second quarter and ISK 121 million (4.8%) in the first half of the year [Revenue 1H 2021: ISK 2,321 million, EBITDA 1H 2021: ISK 112 million (4.9%)]

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- **Software and related services:** Revenue of ISK 1,363 million in the second quarter of 2022 (down 4.6% from Q2 2021) and ISK 2,811 million in the first half of the year, up 2.1% from 1H 2021. EBITDA of ISK 119 million (8.7%) in the second quarter and ISK 231 million (8.2%) in the first half of the year [Revenue 1H 2021: ISK 2,752 million, EBITDA 1H 2021: ISK 237 million (8.6%)]
- **Operating costs:** The increase in operating costs can be attributed to the addition of three new companies to the consolidated figures: Syndis, Eldhaf and Datalab. The operation of these companies is characterised by large investment in the development of the companies and software development. In addition to these costs, the increased operating costs can be attributed to higher wage costs due to the increase in the number of employees. Depreciation increased during the period, which can be attributed to a larger depreciation base due to the capitalisation of development costs, as well as investment in income-generating assets.

Balance Sheet

In ISK million	30.06.2022	31.12.2021
Non-current assets	10,154	9,742
Current assets	4,715	5,402
Total assets	14,869	15,144
Equity	8,925	8,619
Non-current liabilities	2,752	2,733
Current liabilities	3,191	3,793
Total equity and liabilities	14,869	15,144
Working capital ratio	1.48	1.42
Equity ratio	60.0%	56.9%

- Non-current assets increased by ISK 412 million from year-end 2021, due mainly to an ISK 455 million increase in the recorded value of interests in associates.
- Current assets decreased by ISK 687 million from year-end 2021. Inventory decreased by ISK 55 million, trade and other receivables decreased by ISK 117 million and cash decreased by ISK 626 million.
- Equity increased by ISK 307 million during the period.
- Long-term liabilities increased by ISK 20 million in the first half of the year.
- Short-term liabilities have decreased by ISK 601 million during the year, with other short-term liabilities decreasing by ISK 605 million.
- Equity ratio of 60.0%, versus 57.4% at year-end 2021.
- Working capital ratio of 1.48, versus 1.42 at year-end 2021.

Cash Flow

In ISK million	1.1-30.06.2022	1.1-30.06.2021
Net cash provided by operating activities	267	150
Investing activities	(336)	(337)
Financing activities	(552)	(234)
Decrease in cash	(620)	(422)
Effect of exchange rate fluctuations on cash	(5)	(11)
Cash at beginning of year	1,795	1,173
Cash at end of period	1,169	740

- Cash from operations amounted to ISK 267 million at the end of the second quarter 2022, as compared to ISK 150 million at the end of the second quarter 2021.
- Investing activities amounted to ISK 336 million in the first 6 months of the year, versus ISK 337 million over the same period in 2021.
- Financing activities were negative by ISK 552 million in the first 6 months of the year, versus a negative figure of ISK 234 million in 2021. The difference can mainly be explained by share repurchases in the amount of ISK 300 million during the period.
- Cash decreased by ISK 620 million during the period.

Shareholders

At the end of Q2 2022, the Company had a market value of ISK 23,925 million. The share price at the close of the quarter was ISK 55.0 per share. Outstanding shares on 30 June 2022 were 435 million and there were 1,044 shareholders. Origo hf. holds own shares in the nominal value of 4,066,935.

Origo invites investors and market participants to an investor presentation on 31 August

At the meeting, management will present the Company's operations and results and respond to questions. The meeting will be held at the offices of Origo, Borgartún 37, 105 Reykjavik, and it will also be possible a live stream of the meeting.

Registration for the meeting takes place here: <https://www.origo.is/fjarfestakynning>

Financial calendar

28 October 2022 Results for Q3 2022

2 February 2022 Results for Q4 2022

9 March 2023 Origo AGM

Approval of financial statements

These interim financial statements were approved at a meeting of the Board of Directors of Origo hf. on 30 August 2022. Origo hf.'s financial statements comply with International Financial Reporting Standards (IFRS).

Origo hf.

Origo is a cutting-edge IT service company Origo employs a talented group of specialists who assist customers in improving their operations, performance and security. Shares in Origo hf. are listed on NASDAQ OMX Iceland hf. (the Iceland Stock Exchange) under the ticker symbol ORIGO.

Further information

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Cautionary Statement

Forward-looking statements contained in this presentation may be based on management's current estimates and expectations, and not on facts that may be verified after its publication. Such 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. These forward-looking statements speak only as of the date of this presentation and are qualified in their entirety by this cautionary statement.