

A turning point in Origo's operations

Origo hf. Results – Full Year 2022

Financial highlights:

- **Goods and services sold** totalled ISK 5,974 million in the fourth quarter of 2022 (up 12.0% from Q4 2021) and ISK 20,119 million for the full year (up 10.6% from 12M 2021) [Q4 2021: ISK 5,335 million, 12M 2021: ISK 18,191 million]
- **Gross profit** was ISK 1,582 million (26.5%) in the fourth quarter of 2022 and ISK 5,389 million (26.8%) for the full year [Q4 2021: ISK 1,466 million (27.5%), 12M 2021: ISK 4,819 million (26.5%)]
- **EBITDA** totalled ISK 495 million (8.3%) in the fourth quarter of 2022 and ISK 1,679 million (8.3%) for the full year [Q4 2021: ISK 503 million (9.4%), 12M 2021: ISK 1,601 million (8.8%)]
- **EBIT** totalled ISK 244 million (4.1%) in the fourth quarter of 2022 and ISK 671 million (3.3%) for the full year [Q4 2021: ISK 263 million (4.9%), 12M 2021: ISK 732 million (4.0%)]
- **The effect of the sale of an interest in Tempo** amounted to ISK 22,315 million in the fourth quarter.
- **The effect of an associate (Tempo)** thus amounted to ISK 588 million for the full year.
- **Other comprehensive income** was negative by ISK 806 million in the fourth quarter of 2022 and negative by ISK 351 million for the full year [Q4 2021: ISK -15 million, 12M 2021: ISK 70 million]
- **Net profit** of ISK 22,682 million in the fourth quarter of 2022 and ISK 23,948 million for the full year [Q4 2021: ISK 952 million, 12M 2021: ISK 1,564 million]
- **Equity ratio** of 54.1% at year-end 2022, versus 56.9% at year-end 2021
- **Working capital ratio** of 2.20 at year-end 2022, versus 1.42 at year-end 2021

Jón Björnsson, CEO of Origo hf:

"Behind us is a year that marks a true milestone in Origo's operations. Two years ago, we set out on a journey aimed at strengthening the independence of our teams, making our product offering better and more focused, greatly increasing our emphasis on innovation and addressing the social issues that we believed we could influence through Origo's activities. We wasted no time in beginning this journey, but 2022 is the year that we really began seeing the fruits of our labour. Our work resulted in sound revenue growth of 10.6% and one of the Company's best operating years with a very satisfactory EBITDA margin of 8.3%. Also, we now have a better vision of how we want to foster innovation and successfully address social issues. Better yet, our employees' satisfaction with Origo as a company and a place to work is the highest we have seen in recent years, with Origo ranking in the top three in this area of more than 60 companies that we compare ourselves against in Iceland. And of course, the sale of our holding in Tempo stands out as an extraordinary event in the Company's history.

There continues to be good demand for products and solutions in End-User Equipment, with sales increasing by 8.2% in the fourth quarter. There was robust sales growth across the unit, but generally higher in the enterprise segment

Operational highlights:

- 12.0% revenue growth in the fourth quarter, 10.6% revenue growth and good profitability for the full year.
- 8.2% revenue growth in the fourth quarter, 12.7% revenue growth for the full year in sales of end-user equipment.
- 3.4% revenue decline in the fourth quarter, 1.6% revenue growth for the full year at software units.
- 38.0% revenue growth in the fourth quarter, 17.5% revenue growth for the full year in managed services and infrastructure.
- Sale of Tempo confirmed in October and sale proceeds of ISK 28 billion paid in full.
- Origo reduced its share capital from 435 million shares to 140 million shares and paid out ISK 23.5 billion to shareholders in the fourth quarter.
- Origo received the Creditinfo incentive award for outstanding innovation.
- A fund managed by Alfa Framtak announced a voluntary offer to Origo shareholders on 19 January 2023.
- The Fremri education fund established by Origo and will start out with ISK 500 million in capital.
- The Board of Directors proposes that a dividend of up to ISK 2 billion be paid to shareholders in 2023.

PUBLISHED ON FRIDAY 2 FEBRUARY 2023

origo.is/um-origo/fjarfestar/

than in the consumer segment. This part of our operations enjoys good profitability, with EBITDA coming in at 8.7% of sales for the year. The Company has made significant strides in equipment that helps companies create better working conditions and has become a leader when it comes to solutions related to conference facilities, remote meetings and the audio and visual experience in the digital world. Origo took the first major steps in the sustainability journey of End-User Equipment during the year. More than 1,500 devices were exported for recycling and reuse and we aim to multiply that number, thus saving money for our customers while reducing the carbon footprint.

Revenue at Managed Services and Infrastructure was up 17.5% year-on-year, with Q4 revenue coming in unusually high due to a one-time sale. The increased sales can also be attributed to higher revenue at Syndis, which is not fully comparable between years. Origo's Service Solutions, which are part of our Managed Services, have been undergoing a major transformation over the past 12 to 18 months with changes in the product and service offering that have resulted in much improved operations as well as creating several good opportunities for growth. Revenue at Service Solutions was up 14.8% and EBITDA improved substantially. Priorities have been better defined and a stronger framework has been created around service delivery, coupled with better utilisation of opportunities created by our customers' transformation needs. The core project status is robust and efforts to simplify the product offering and to scale up in areas of strength for Origo have been successful. Revenue from service contracts and billed services is up considerably, due largely to demand for secure hosting as well as for the experience and expertise of our specialists in helping to carry out improvement and optimisation projects for customers. Demand and the projects status heading into the year are sound.

Three growth units within Origo's Managed Services and Infrastructure are now operated as separate companies: Responsible Compute, a specialised cloud services company that provides computing services to partners and customers around the world; Data lab Ísland ehf., which is 51% owned by Origo with the founders holding the remaining interest; and Syndis ehf., which is wholly owned by Origo. During the year, we invested about ISK 250 million in developing and building the operations of these companies. Responsible Compute now has a foundation that should foster internal growth, while Datalab needs to develop further to realize their exciting future vision. We will continue to invest in the growth of Syndis, a wholly-owned subsidiary of Origo, and we are confident in the company's ability to make further strides in the provision of security services and software development to go along with the excellent consultation services that the company provides in the field of digital security.

Origo's sales in Software and Related Services continue to grow, with revenue increasing by 1.6% during the year. The revenue growth slowed somewhat during the year due to one-time license sales in the prior year. The EBITDA margin came in at a similar level as in recent years. It is particularly pleasing to see a 26% increase in revenue from own software. Revenue continues to rise in core software units such as human resource solutions, quality management systems and financial management systems. Consulting and development of customised solutions for customers has also been successful, both in terms of projects related to digital transformation as well as the development of specific, scalable products in the field of business intelligence. The Company has utilised its knowledge in the area of data science and HR and payroll systems to create added value for the users of information systems. The sales pipeline for software projects generally looks good.

Applicon's operations are stable as compared to the prior year, albeit with a slight decrease in profitability due to investments in product development. In recent years, the company has increased its focus on hire-purchase companies as well as enterprise treasury management. Applicon is also currently working on the development of two software products that will affect the future revenue mix. Investments in new products were about ISK 30 million higher than last year.

At Origo, work is now underway on close to 20 innovation projects across nine teams. Many of these projects have made significant progress and attracted a large number of customers, but their development will continue as long as there are opportunities for growth. A number of these projects involve software solutions and cover software in areas such as fintech, HR and quality management solutions. Other projects are being handled by separate teams that possess expertise within certain industries where specific software is needed. We have increased our discipline and requirements for the commercial results of software and technology development. While we remain excited about and committed to investing in new and innovative solutions, we want to see such solutions achieve technological capability, foothold and scalability within a certain timeframe. If these targets are not met, it is better to divest or discontinue such solutions. Origo has decided that further development of the travel management system PaxFlow will not continue within Origo and the system will be sold to a start-up company for further development. Origo would be a minority owner in such a company. Origo will focus on further development and sales within the car rental system Caren, the hotel booking system Booking Factory and the travel marketplace Rerserva. The progress of these products has been promising and it is pleasing that there we have seen a doubling of turnover and we believe that these products will be sustainable in the third quarter of 2023.

PUBLISHED ON FRIDAY 2 FEBRUARY 2023

origo.is/um-origo/fjarfestar/

Revenues at Healthcare Solutions have declined somewhat since Covid, but the project status is good and Origo is focused on expanding the development of its own software products for the healthcare sector. The Smásaga app has now been adopted for use by all home nursing staff in Iceland. The adoption of Smásaga exceeded expectations and the feedback from users has been very positive. Home nursing workers in Iceland have embraced the solution, both to make their work easier and increase the safety of their clients. A significant update of the Saga medical records system will be undertaken to improve the user experience alongside other development work, with up to five new products expected to launch in the coming year. The Institute of Economic Studies at the University of Iceland was commissioned to analyse the economic benefit of Origo's digital Covid solutions and concluded that the benefit of digital registration for sampling and delivery of test results amounted to ISK 8.7 billion. This only applies to this specific functionality, not solutions at the border, vaccinations and more. It is our hope that this will serve as an incentive for politicians to make sure that the investments already made are utilized to their fullest, not only to reduce costs but also to improve services to those who need the assistance of government bodies. The potential is substantial and there are great opportunities to further build upon the existing investments instead of letting them deteriorate due to lack of ownership and a future vision.

Origo's operations are now at an exciting crossroads. A major step was taken in October when Origo sold its holding in Tempo to Diversis Capital. Origo's profit from this transaction was exceptional and Origo's shareholders realized great value, as it could be said that the interest in Tempo accounted for at least 70% of Origo's market value at the time. Origo has already paid its shareholders ISK 24 billion in the wake of this transaction and the Board of Directors intends to pay up to ISK 2 billion more if a proposal to that effect is approved at the Annual General Meeting. The sale will also strengthen the Company itself, as the journey of Tempo clearly demonstrates how much value can be unleashed by a combination of an outstanding staff, Icelandic ingenuity and the support of owners and the government in the software field. We received further encouragement in October when Origo was bestowed with the Creditinfo incentive award for outstanding innovation. We are proud that a Company that traces its history back 70 years has managed to repeatedly reinvent itself and is currently a leading innovator in Iceland in the field of software.

Origo will continue to develop game-changing solutions as Tempo has done and we are hopeful that more software products can have the same successful journey as Tempo. The Origo Board of Directors has decided to further strengthen the Company's software development and invest in faster development of Origo's technical environment while placing increased focus on the development of products for the healthcare sector and expediting the development of a new product at Syndis which is designed to help enterprises strengthen their defences by increasing their awareness and making them better prepared when it comes to their digital security. This increased investment in development will be on top of the more than one billion ISK that Origo already invests annually in software development. Along with this, the Board of Directors has approved the establishment of an education fund within Origo which will receive a contribution of ISK 500 million from the Tempo sale. We see providing Origo employees with further opportunities for education in the field of innovation and technology as an investment that will continue to benefit our staff, customers and shareholders well into the future. The fund has already started its activities and will distribute the first grants in the spring.

The outlook for our operations remains good despite various uncertainties related to world affairs. The Company is operationally strong and has good control of the investments that it has embarked on and can reduce these if there is a change in the favourable IT environment. We are in the implementation phase of the strategy that we developed last year and have a lot of work to do, which will further strengthen the Company going forward - for the benefit of our customers, employees and shareholders. We will now place even more emphasis on the Company's sales efforts and highlighting the great benefits that our solutions can provide to our customers. We will place increased focus on innovation both in software and general technological development, while at the same setting more concrete targets for the commercial results of innovation. Last but not least, we will strive to become an even better workplace that attracts top talent and assemble teams that are adept at creating, selling and operating technology solutions that improve life".

Income Statement

| In ISK million | Q4 2022 | Q4 2021 | % | 12M 2022 | 12M 2021 | % |
|-------------------------------------|---------------|--------------|-------------|---------------|--------------|--------------|
| Goods and services sold | 5,974 | 5,335 | 12.0% | 20,119 | 18,191 | 10.6% |
| Cost of goods and services sold | (4,392) | (3,869) | 13.5% | (14,731) | (13,372) | 10.2% |
| Gross profit | 1,582 | 1,466 | 7.9% | 5,389 | 4,819 | 11.8% |
| <i>Gross profit/revenue (%)</i> | <i>26.5%</i> | <i>27.5%</i> | | <i>26.8%</i> | <i>26.5%</i> | |
| Operating costs | (1,338) | (1,203) | 11.2% | (4,718) | (4,087) | 15.4% |
| Operating profit | 244 | 263 | | 671 | 732 | |
| <i>Operating profit/revenue (%)</i> | <i>4.1%</i> | <i>4.9%</i> | | <i>3.3%</i> | <i>4.0%</i> | |
| Net financial expenses | 994 | (29) | | 860 | (98) | |
| Effect of sale of interest in Tempo | 22,315 | 0 | | 22,315 | 0 | |
| Share in profit of associate | 0 | 756 | | 588 | 966 | |
| Income tax | (65) | (22) | | (136) | (105) | |
| Profit for the period | 23,488 | 967 | | 24,298 | 1,494 | |
| Other comprehensive income | (806) | (15) | | (351) | 70 | |
| Net profit for the period | 22,682 | 952 | | 23,948 | 1,564 | |
| EBITDA | 495 | 503 | | 1,679 | 1,601 | |
| <i>EBITDA%</i> | <i>8.3%</i> | <i>9.4%</i> | | <i>8.3%</i> | <i>8.8%</i> | |

- **End-User Equipment and Related Services:** Revenue of ISK 2,620 million in the fourth quarter of 2022 (up 8.2% from Q4 2021) and ISK 8,815 million for the full year 2022, up 12.7% from the prior year. EBITDA of ISK 194 million (7.4%) in the fourth quarter and ISK 765 million (8.7%) for the full year 2022 [Revenue 12M 2021: ISK 7,823 million, EBITDA 12M 2021: ISK 731 million (9.3%)].
- **Managed Services and Infrastructure:** Revenue of ISK 1,801 million in the fourth quarter of 2022 (up 38% from Q4 2021) and ISK 5,672 million for the full year 2022, up 17.5% from 2021. EBITDA of ISK 112 million (6.2%) in the fourth quarter and ISK 375 million (6.6%) for the full year 2022 [Revenue 12M 2021: ISK 4,827 million, EBITDA 12M 2021: ISK 339 million (7.0%)].
- **Software and Related Services:** Revenue of ISK 1,553 million in the fourth quarter of 2022 (down 3.4% from Q4 2021) and ISK 5,632 million for the full year 2022, up 1.6% from 2021. EBITDA of ISK 189 million (12.2%) in the fourth quarter and ISK 540 million (9.6%) for the full year 2022 [Revenue 12M 2021: ISK 5,542 million EBITDA 12M 2021: ISK 532 million (9.6%)].
- **Operating costs:** The increase in operating costs in the period can be attributed to the addition of three new companies to the consolidated figures as compared to the previous year; Syndis, Eldhaf and Datalab. Syndis has grown rapidly during the year with the employee count increasing by 23 over the period, resulting in a corresponding rise in payroll and operating costs. In addition, the year was characterised by substantial investment in capacity and software development at the Group, in particular at Syndis, Applicon and in software-related projects at Origo, which were largely expensed during the year.
- **The effect of the sale of holding in Tempo:** The Company sold its ownership interest in Tempo in the fourth quarter. The sale has a significant effect on the consolidated income statement. Net financial income for the year amounted to ISK 860 million, including interest income of ISK 284 million and an exchange rate gain of ISK 783 million as compared to net financial income of ISK 47 million in the prior year. Interest expense increased by ISK 61 million and so the net year-over-year change was ISK 959 million. The sale also had an effect of ISK 22,315 million which is recorded through the income statement. There was a significant difference in other comprehensive income due to a material change in translation difference amounting to about ISK 421 million.

Balance Sheet

| In ISK million | 31.12.2022 | 31.12.2021 |
|-------------------------------------|---------------|---------------|
| Fixed assets | 5,942 | 9,742 |
| Current assets | 9,734 | 5,402 |
| Total assets | 15,676 | 15,144 |
| Equity | 8,486 | 8,619 |
| Long-term liabilities | 2,773 | 2,733 |
| Short-term liabilities | 4,417 | 3,793 |
| Total equity and liabilities | 15,676 | 15,144 |
| Working capital ratio | 2.20 | 1.42 |
| Equity ratio | 54.1% | 56.9% |

- Fixed assets decreased by ISK 3,800 million from year-end 2021, due mainly due to the sale of Origo's interest in Tempo, with shares in associates decreasing by ISK 3,865 million.
- Current assets decreased by ISK 4,332 million from year-end 2021. Inventory increased by ISK 1,146 million, trade and other receivables increased by ISK 928 million and cash increased by ISK 4,332 million.
- Equity declined by ISK 133 million during the period. In the fourth quarter, the Company reduced its share count from 435 million shares to 140 million shares and paid out ISK 23.5 billion to shareholders.
- Long-term liabilities increased by ISK 40 million during the year.
- Other short-term liabilities increased by ISK 543 million during the year while lease liabilities increased by ISK 81 million. In aggregate, short-term liabilities increased by ISK 625 million.
- Equity ratio of 54.1%, versus 56.9% at year-end 2021
- Working capital ratio of 2.2, versus 1.42 at year-end 2021.

Shareholders

At year-end 2022, the Company had a market value of ISK 13,860 million. The share price at the close of the quarter was ISK 99 per share. Outstanding shares on 31 December 2022 were 140 million and there were 917 shareholders. Origo hf. holds own shares in the nominal value of ISK 2,596,235.

Origo invites investors and market participants to an investor meeting on Friday, 3 February, at 8:30 am. 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 at 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

| | |
|-----------------|-----------------|
| 2 February 2023 | FY 2022 results |
| 21 March 2023 | Origo AGM |
| 4 May 2023 | Q1 results |
| 24 August 2023 | Q2 results |
| 2 November 2023 | Q3 results |
| 1 February 2024 | FY 2023 results |
| 7 March 2024 | Origo AGM |

Approval of financial statements

The annual financial statements were approved at a meeting of the Board of Directors of Origo hf. on 2 February 2023. Origo hf.'s financial statements comply with International Financial Reporting Standards (IFRS).



PUBLISHED ON FRIDAY 2 FEBRUARY 2023
origo.is/um-origo/fjarfestar/

Origo hf.

Origo is a cutting-edge IT service company that employs a talented group of experts 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

CFO Gunnar Petersen at +354 825 9001 or gp@origo.is and CEO Jón Björnsson at +354 693 5000 or jb@origo.is

Cautionary Statement

Forward-looking statements contained in this press release 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.