PRESS RELEASE
NASDAQ OMX: ORIGO

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Origo hf. Results for Q2 2021

Continued strong revenue growth and good results

Financial highlights:

- Goods and services sold totalled ISK 4,425 million in Q2 2021 (up 13.6% from Q2 2020) and ISK 8,599 million in the first half of the year (up 5.2% from H1 2020) [Q2 2020: ISK 3.897 million, H1 2020: ISK 8,174 million]
- Gross profit was ISK 1,118 million (25.3%) in Q2 2021 and ISK 2,212 million (25.7%) in the first half of 2021 [Q2 2020: ISK 934 million (24.0%), H1 2020: ISK 1,984 million (24.3%)]
- EBIT totalled ISK 158 million (3.65%) in Q2 2021 and ISK 266 million (3.1%) in the first half [Q2 2020: ISK -45 million (-1.1%), H1 2020: ISK 23 million (0.3%)]
- EBITDA totalled ISK 357 million (8.1%) in Q2 2021 and ISK 658 million (7.6%) in the first half [Q2 2020: ISK 123 million (3.2%), H1 2020: ISK 360 million (4.4%)]
- Other comprehensive income was negative by ISK 70 million in Q2 2021 and negative by ISK 88 million in the first half of 2021 [Q2 2020: ISK -50 million, H1 2020: ISK +410 million]
- Net profit of ISK 84 million in Q2 2021 and ISK 247 million in the first half [Q2 2020: ISK -53 million, H1 2020: ISK 371 million]
- Equity ratio of 57.4%, versus 56.5% at year-end 2020
- Working capital ratio of 1.22, versus 1.27 at year-end 2020

Operational highlights:

- Strong revenue growth in end-user solutions
- Tempo's Q2 revenue growth above expectations
- Development of geographically separate data centre environment completed
- 30% growth in the sale of own software
- Justly Pay equal pay certification software launched in September
- Origo acquires 70% stake in Eldhaf

Jón Björnsson, CEO of Origo hf:

"Origo achieved good results in the second quarter of 2021. A comparison with the previous year is certainly difficult due to changes in the economy, which occurred in the same quarter of last year. Revenue was up 13.6% from the prior-year quarter. The higher revenue can largely be attributed to sales of end-user equipment and a continued increase in the Company's software operations. At the same time, infrastructure sales continued to decline. Operating profit was good in the quarter with the Company delivering 8.1% EBITDA, which is in line with recent quarters and a significant improvement from last year, helping us to achieve the best Q2 result of the past three years. All segments are improved from the prior year. This success is largely built on revenue composition and lower operating costs. It is also pleasing to see a strong quarter at Tempo following a record quarter that was largely driven by changes in the terms of the Atlassian marketplace.

We took the first steps towards sharpening Origo's social focus in the second half of last year, and it is clear that the Company can make a significant contribution when it comes to gender equality, fostering innovation, environmental issues, and the health and well-being of employees. The result of this discussion is also to put technology and society at the forefront of the Company's strategy. The Company has launched a number of projects aimed at improving the community in which it operates. We have been a leader in remote working, been decisive on issues related to the carbon footprint, and have partnered with Klappir on soon offering Origo customers the ability to monitor our ecological footprint in real time. In September, we will also introduce new software (Justly Pay) that will help small and medium-sized organizations to achieve the equal pay certification digitally. Organizations with more than 90 employees must have obtained the certification by the end of this year, and all organizations with more than 25 employees must have it by next year. It is my hope that Origo can become a leader in the development of solutions that improve society. To this end, it is important to create an environment at the Company that fosters innovation. We will focus on simplifying the structure and investing in the staff and technology environment needed to achieve this.

Demand remains good for solutions and products in end-user equipment, as evidenced by the 36% uptick in revenue seen in the quarter on top of a good increase last year, despite considerable challenges on the purchasing side. The unit has undergone major changes in the past year that are now delivering great results. The Company's online store is doing particularly well with sales doubling so far this year. The plan is to strengthen the online store even further. We intend to improve the interface, provide more information and place more emphasis on green issues. End-user solutions are an important part of Origo's operations and we are fully committed to further strengthening this unit and giving it the space it needs to grow. Offering an enhanced and diverse range of products is part of that journey and, to this end, Origo has acquired a 70% stake in Eldhaf ehf., an importer of Apple products. The purpose of the investment is to broaden the product range to meet the wishes of Icelandic companies and institutions.

Major changes have taken place in the IT environment of companies as they increasingly rely on the cloud and place less emphasis on operating their own data centres. This has changed the nature of infrastructure sales at Origo, which are now fewer in number but at the same larger in size. The decline in revenue from managed services is entirely due to the decline in infrastructure sales, whereas the unit's other sources of income are up from last year. Origo's service solutions are undergoing a process of change to strengthen the product range and services. We have taken the first steps in that process with a significant strengthening of knowledge and the range of products that Origo can now offer.

Syndis Öryggislausnir is now operating as an independent company, with 20 specialists in the field of IT security, following its merger with Origo's security solutions earlier this year. This is a robust unit that offers comprehensive digital security services and consulting, and develops protection against cyber attacks and data and identity theft, among other services. Syndis has a strong societal vision to increase the safety awareness of the public, companies and institutions and now has the economies of scale to take on more large projects as well as work systematically on product development. Emphasis on automation and cloud solutions for customers is the key focus of Origo's managed services. Automation will result in less manual work, increased speed and enhanced security for customers. The division has been adding staff with expertise in cloud solutions to better meet the demand and ensure a smooth transition to the cloud for our customers. Emphasis is placed on consultation on the utilization of cloud solutions, with a focus on safety, efficiency and that the solutions in question support customers' operations as much as possible. Managed services are rapidly changing thanks to cloud computing, and we are meeting these changes with systematic development and adaptation of solution offerings and customer consultation. We will reduce the operation of specialised IT systems where there are no economies of scale or opportunities for improvement.

At the same time, we have completed the development of Origo's geographically separate data centre environment. We believe that this investment will prove worthwhile as more and more organizations are realising the benefit of a duplication of critical systems and secure data storage.

The Company's software units are seeing continued growth. Origo continues to strengthen its position in third-party enterprise software, not least through the continuous development of its own solutions within enterprise software such as SAP, SAP S/4Hana and Microsoft Business Central. During the period, we added five new software products for Business Central to the Microsoft marketplace and have been successful in developing and selling additional products for SAP. Emphasis is placed on the development of cloud solutions that are easy to implement and where strong integration of development and operations yields great benefits. Own software, which is fairly well defined around the healthcare sector, human resources solutions, quality systems and solutions for the travel industry, has performed well, with about a 30% increase in revenue between years. The greatest growth is within the start-up segment, or 54%, where we offer six different solutions at a fairly broad stage of development. Kjarni, our human resources and payroll system, is a clear example of a leading cloud solution in Iceland, where the product range and number of customers continue to increase. We have also been successful in strengthening knowledge and securing projects in the field of business intelligence, in addition to which new and exciting solutions in that field are emerging. In health solutions, it is exciting to see the development of the home nursing app Smásaga, which has been enthusiastically received by users. It is used by all major clinics in Iceland and has proven to improve their services. The same can be said for Justly Pay, the equal pay certification software discussed earlier.

Tempo's second quarter was very strong and exceeded expectations. Sales were up 35% from the same quarter last year and EBITDA rose 51%, which is partly explained by lower costs due to delays in hiring. Tempo aims to be a leader in the field of digital time tracking and also gain a foothold outside the Atlassian marketplace. The company continues to work on product development, especially connections and further automation, as well as stepping up its efforts to get even more customers to try the software.

Origo expects a good continuation from the second quarter into the third quarter of the year. The Company's efforts to make units more independent and increase flexibility and efficiency have the goal of building a stronger company and improved operations. With a strategic approach to sales and marketing, we will be able to utilize the economies of scale that the

Company has at its disposal and further build on our strong position as a service company with a future in helping enterprises and consumers to cope with and take advantage of the opportunities and changes that the digital environment provides. At the same time, we are very excited about projects related to information security and believe it is vital to help organizations increase their security awareness and address digital security issues, just as they address other security issues."

Income Statement

In ISK million	Q2 2021	Q2 2020	%	H1 2021	H1 2020	%
Goods and services sold	4,425	3,897	*13.6%*	8,599	8,174	5.2%
Cost of goods and services sold	(3,308)	(2,963)	*11.6%*	(6,387)	(6,189)	3.2%
Gross profit	**1,118**	**934**	*19.7%*	**2,212**	**1,984**	11.5%
Gross profit/revenue (%)	*25.3%*	*24.0%*		*25.7%*	*24.3%*	
Operating costs	(960)	(978)	*-1.9%*	(1,946)	(1,961)	-0.8%
Operating profit	**158**	**(45)**		**266**	**23**	
Operating profit/revenue (%)	*3.6%*	*-1.1%*		*3,1%*	*0.3%*	
Net financial expenses	(17)	(1)		(33)	(127)	
Share of profit of associate	47	35		150	46	
Income tax	(33)	6		(47)	18	
Profit (loss) for the period	**154**	**(4)**		**335**	**(39)**	
Other comprehensive income	(70)	(50)		(88)	410	
Net profit for the period	**84**	**(53)**		**247**	**371**	
EBITDA	**357**	**123**		**658**	**360**	
EBITDA%	*8.1%*	*3.2%*		*7.6%*	*4.4%*	

- Goods and services sold totalled ISK 8,599 million in H1 2021 versus ISK 8.174 million in H1 2020. Revenues were up in End-User Equipment and Related Services as well as Software and Related Services, but down in Managed Services and Infrastructure. Goods and services sold totalled ISK 4,425 million in Q2 2021 compared with ISK 3,897 million in Q2 2020.
- Gross profit was ISK 2,212 million (25.7%) in H1 2021, as compared to ISK 1,984 million (24.3%) in H1 2020. Gross profit was ISK 1,118 million (25.3%) in Q2 2021, versus ISK 934 million (24.0%) in Q2 2020.
- Operating costs were ISK 1,946 million in H1 2021, versus ISK 1,961 million in H1 2020, a decrease of 0.8%. Operating costs were ISK 960 million in Q2 2021, as compared to ISK 978 million in Q2 2020, a decrease of 1.9%.
- EBITDA was ISK 658 million (7.6%) in H1 2021, versus ISK 360 million (4.4%) in H1 2020. EBITDA was ISK 357 million (8.1%) in Q2 2021, as compared to ISK 123 million (3.2%) in Q2 2020.
- Net financial expenses amounted to ISK 33 million in H1 2021, versus ISK 127 million in H1 2020. There was an ISK 100 million foreign exchange loss in Q1 2020.
- Origo's share of the profit of an associate was ISK 150 million in H1 2021, versus ISK 46 million in H1 2020
- Other comprehensive income was negative by ISK 88 million in H1 2021, versus a positive figure of ISK 410 million in H1 2020; this is explained by a translation difference in respect of Tempo.
- There was a net profit of ISK 247 million in H1 2021, as compared to a net profit of ISK 371 million in H1 2020. There was a net profit of ISK 84 million in Q2 2021, as compared to a loss of ISK 53 million in Q2 2020.

Balance Sheet

In ISK million	30.06.2021	31.12.2020
Fixed assets	8,178	8,028
Current assets	4,481	4,336
Total assets	**12,658**	**12,364**
Equity	7,265	7,012
Long-term liabilities	1,717	1,945
Short-term liabilities	3,676	3,406
Total equity and liabilities	**12,658**	**12,364**
Working capital ratio	1.22	1.27
Equity ratio	57.4%	56.5%

- Fixed assets increased by ISK 150 million in the first half, due mainly to an increase in intangible assets and in the recorded value of an interest in an associate.
- Current assets increased by ISK 145 million in the first half, due mainly to an increase in inventory during the period.
- Equity increased by ISK 252 million in the first half.
- Interest-bearing long-term liabilities decreased by ISK 69 million in the first half and lease liabilities decreased by ISK 194 million
- Short-term liabilities increased by ISK 270 million in the first half of 2021
- The equity ratio stands at 57.4%, versus 56.5% at year-end 2020
- The working capital ratio stands at 1.22, versus 1.27 at year-end 2020

Cash Flow Statement

In ISK million	1.1.-30.06. 2021	1.1.-30.06. 2020
Cash from operations	150	336
Investing activities	(337)	(198)
Financing activities	(234)	(248)
Decrease in cash	**(422)**	**(110)**
Effect of exchange rate changes on cash	(11)	11
Cash at beginning of year	1,173	826
Cash at end of period	**740**	**727**

- Cash from operations amounted to ISK 150 million at the end of H1 2021, as compared to ISK 336 million at the end of H1 2020
- Investing activities amounted to ISK 337 million in H1 2021, versus ISK 198 million over the corresponding period in 2020. The main difference is related to investments in business operations and investments in associates in Q1 2021
- Financing activities amounted to ISK 234 million in H1 2021, versus ISK 248 million over the corresponding period in 2020
- Cash decreased by ISK 422 million in H1 2021

Shareholders
At the end of Q2 2021, the Company had a market value of ISK 21,968 million. The share price at the close of the quarter was ISK 50.5 per share. Outstanding shares on 30 June 2021 were 435 million and there were 576 shareholders.

Presentation on 27 August 2021
A presentation of the results for market participants and investors will be held on Friday, 27 August. At the meeting, management will present the Company's operations and results and respond to questions. The presentation will commence at 8:30 a.m. local time and will be conducted via teleconference equipment, and it may also be viewed via a live web stream.
Registration takes place here: https://www.origo.is/fjarfestakynning

Financial calendar

21 October 2021	Results for Q3 2021
27 January 2022	Results for Q4 2022
3 March 2022	Origo AGM

Approval of financial statements
The interim financial statements were approved at a meeting of the Board of Directors of Origo hf. on 26 August 2021. Origo hf.'s financial statements comply with International Financial Reporting Standards (IFRS).

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