Origo hf.

Consolidated Financial Statements
for the year 2020*

*These consolidated financial statements are translated from the original which is in Icelandic. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.

Origo hf.
Borgartún 37
105 Reykjavík

Reg. no. 530292-2079

Contents

Endorsement and Statement by the Board of Directors and the CEO

Origo hf. provides to its customers complete solutions in the fields of information technology with software development and by providing hardware, software, office equipment and technical services. The financial statements include the consolidated financial statements of Origo hf. and its subsidiaries. The Group consists of four entities. The Company's main area of operation is in Iceland, but the company also runs the company Applicon AB in Sweden. The group is divided into three segments, which sell products and services in different markets. The Company's segments are; User equipment and related services, Business solution and infrastructure, and Software soluation and related services. Each segment has about a third of the company's revenue. Around 10% of the Company's revenue comes from customers outside Iceland.

Operations in 2020

Consolidated Statement of Comprehensive Income

Sale of goods and services amounted to ISK 17,062 million during the year (2019: ISK 14,845 million) which is a 14.9% growth from the previous year. Revenue growth occurred in all of the Company's segments, but was highest in End-user equipment and related services, further discussed in Note 4. Gross margin amounted to ISK 4,215 million or 24.7% of revenue which is ISK 370 million increase from the previous year (2019: ISK 3,845 million and 25.9% of revenue). Operating expenses amounted to ISK 3,885 million. or 22.8% of income, which is a slightly lower proportion than in 2019, and this is mainly explained by revenue growth during the year, further discussed in Notes 7 and 8. Profit for the year before financial income and expenses amounted to ISK 331 million compared to ISK 419 million in 2019. Net financial expenses amounted to ISK 185 million in 2020, compared to a financial income of ISK 325 million in 2019. In 2019, a translation difference was realized due to the liquidation of Nýherji A / S, which explains this large difference between years, further discussed in Note 9. Share of profit in associate, Tempo ehf., amounted to ISK 132 million during the year (2019: ISK 9 million). Income tax amounted to ISK 26 million in 2020, compared to ISK 74 million in 2019. Operating items recognized directly in equity amounted to ISK 156 million in 2020 (2019: ISK -222 million) and therefore the total profit for the year amounted to ISK 408 million. (2019: ISK 456 million). EBITDA for the year 2020 amounted to ISK 1,078 million compared to ISK 1,006 million in 2019.

Consolidated Statement of Financial Position

Fixed assets increased by ISK 290 million in the year 2020 and amounted to ISK 8,028 million at year-end. The increase is largely explained by a higher holding in an associated company, further discussed in Note 12. Current assets increased by ISK 189 million in the year 2020 and amounted to ISK 4,336 million at year-end. The increase is due to an higher cash and inventory positions at the end of 2020, but is offset by a decrease in trade receivables and other short-term receivables, further discussed in notes 14, 15 and 16. To meet potentially lost trade receivables, the Company has increased its reserve fund against claims that may be lost from ISK 29 million at the end of 2019 to ISK 111 million at the end of 2020. Assets at the end of 2020 amounted to ISK 12,364 million (2019: ISK 11,885 million). Equity amounted to ISK 7,012 million at the end of 2020, which is an increase of ISK 195 million from the previous year. In the first quarter of 2020, the company bought 1,248 thousand own shares for ISK 33 million. In accordance with the company's repurchase plan. No repurchase program is active today, but the company has been authorized since the last Annual General Meeting on March 6, 2020 to invest up to 10% of its share capital in its own shares, ie. a maximum of ISK 45,960,000 nominal shares. At the Annual General Meeting of Origo hf. on 6 March 2020, it was agreed to reduce the company's share capital by ISK 24,600,000 in correspondence with the reduction in the Company's own shares. The conditions for the reduction were met on 7 May 2020. At the company's Annual General Meeting, it was also agreed to pay dividends to shareholders for the 2019 financial year ISK 180 million. The dividend was paid on 4 September 2020. Long-term liabilities amounted to ISK 1,945 million. kr. at year-end, which is similar to 2019. Current liabilities increased by ISK 311 million in the year 2020 due to an increase in current liabilities and other current liabilities, further discussed in Note 22. At the Annual General Meeting of Origo hf. on 6 March 2020, the Board's proposal for the Company's stock option plan was approved which authorizes the Board to distribute up to 18,384,000 shares (equivalent to 4% of the company's total share capital) at any given time due to the plan. In the event that stock options expire before their vesting date, it shall be permitted to issue new stock options in place of the previous ones. The Company's Board has not exercised the authority of the annual general meeting and therefore no stock option plan is active with the Company. On 29 January the Company announced a new market maker contract in relation to the Company's shares. The purpose of this contract is to strengthen trading of Origo's shares in order to form a market price for shares in efficient and transparent manner.

Consolidated Statement of Cash Flows for the year 2020
Changes in operating assets and liabilities amounted to ISK 514 million in 2020, the largest difference being ISK 332 million reduction in trade receivables and other short-term receivables and ISK 279 million increase in current liabilities and other current liabilities. Cash from operations amounted to ISK 1,493 million compared to ISK 629 million in 2019. ISK 334 million were invested in fixed assets and ISK 298 million in intangible assets during the year. Own shares were purchased for ISK 33 million during the year and dividends of ISK 180 million were paid. New long-term loan in amounting to ISK 100 million was taken during the year and repayments on long-term loans amounted to ISK 64 million, further discussed in Note 19. Cash increased by ISK 325 million. and was ISK 1,173 million at year-end.

The effects of Covid-19 on the operations of Origo hf.
In the first quarter of 2020, the Board and management prepared the Company for the conditions created by the Covid-19 virus pandemic and its economical consequences. The Company is well-positioned to deal with these unprecedented situations, whether in terms of customer service, financial or liquidity positions. In light of the great uncertainty surrounding the economic outlook, it is nevertheless considered necessary to exercise the utmost caution in further strengthening the Company's pillars. The management's actions have been aimed primarily at ensuring business continuity to minimize disruption to Origo's customer service. The Company serves companies and institutions, many of which have a socially important role, e.g. connected to the Icelandic health system, civil defense, transportation, financial services and trade. Special care has been taken regarding the strength of the financial and liquidity positions of the Company to meet the unforeseen circumstances referred to above. As a part of these actions the board postponed dividend payments until September 2020 and the company strengthened its access to long-term loans from its commercial banks and now has access to around ISK 800 million in unused credit lines.

Despite the Covid-19 virus pandemic, the Company's operations have good this year. Considerable structural changes have been made to meet the reduced demand from tourism and related industries. One aspect of the Origo contingency plan, which is part of the ISO 27001 Information security management system, addresses diseases and is in three stages: Preparedness Level, Danger Level and Emergency Level. The plan takes into account the preparedness levels WHO and Civil defense, in addition to following the recommendations of the Director of Health / Epidemiologist. Due to the pandemic, the Origo Preparedness Level was activated at the end of January 2020, the Danger Level was activated on 28 February and the Emergency Level on 8 March. Origo employees were informed of the response plan and recommendations were made to them in accordance with the plan. Groups of employees who do not work at the same time in Origo's offices were defined and it was assumed that some of the employees work remotely. This was done to minimize the risk of group infections.

Conferences, presentations and travel were temporarily postponed to protect employees and operations. It is important that all employees agree on minimizing the risk of infection, and it is therefore necessary to reduce traffic between work areas within the work facility as much as possible. Most of the employees have been working remotely. Employees who cannot work remotely have been encouraged to stay in their work areas as much as possible. The distance between employees and customers who seek services in shops, warehouses and workshops is in accordance with the recommendations of the Epidemiologist. Emphasis is placed on communicating as much as possible electronically instead of traditional meetings. Employees coming from abroad should contact their supervisor before arriving at the office. Visits from suppliers have been postponed or minimized as much as possible. The emphasis is on maintaining services. Despite demanding conditions, the company has managed to maintain good service to its customers and operations as a whole have been successful.

Endorsement and Statement by the Board of Directors and the CEO contd.:

Information security and privacy
Origo employs a competent team of employees who use their ingenuity to enhance the success, prosperity and security of customers. Origo's largest asset is the Company's staff, but at the same time there is a certain risk associated with retaining good staff. Origo's goal in human resources is to become the most sought-after workplace and thus attract the most qualified staff on a permanent basis. To achieve this goal and minimize risk, the company has set itself an ambitious human resources policy based on our three values, Cohesive, Service-minded and Professional.

Privacy is becoming an increasingly important part of companies' risk assessment. Origo places great emphasis on the protection and security of personal information. Origo's goal is that all processing of personal information by the company is in accordance with the Act on Personal Data Protection and Processing no. 90/2018 and that appropriate procedures and processes are in place to minimize risk. Origo has appointed a privacy officer who monitors the Company's compliance with its legal obligations.

Information security is becoming an increasingly important factor when it comes to the value, risk and sensitive infrastructure of companies and public bodies, including Origo. It is extremely important that companies seek all means to minimize the threats and risks that may be posed to the information technology environment, using recognized and certified methods. Origo operates ISO 27001, which is a certified information security management system, in addition to which the company employs about 30 individuals who have been certified by the ITIL Foundation Certificate in IT Service Management. Origo conducts regular risk assessments that is based on the main and most valuable assets (assets / value) that fall within the scope of certification. The purpose of a risk assessment is to identify the risks that may exist in the environment, to understand their existence and to minimize the risks that arise from them through action, transfer or acceptance. Risk assessment and risk management delivers continuous improvement in both services and operations and ensures proper management, builds stakeholders trust in the information security management system, risk management, minimizes environmental risk, strengthens management systems and responds to changes in the right way as well as protecting the Company.

Other news
On 7 May, it was announced that Finnur Oddsson had asked for his resignation as CEO of Origo. Jón Björnsson was appointed CEO of the company and started working in August 2020. The board appointed Gunnar Már Petersen, CFO, to hold the position of CEO temporarily until Jón started working.

In June 2020, Tomas Wikström, Managing Director of Applicon AB in Sweden, a subsidiary of Origo, resigned. Hakon Nyberg temporarily took over as the company's managing director. On September 30, Victoria Sundberg was hired as the company's managing director.

Endorsement and Statement by the Board of Directors and the CEO contd.:

Share capital and Articles of Association

Shareholders at year-end were 536, compared to 519 at the beginning of the year. At year-end 2020, three shareholders owned more than 10% of the Company's outstanding share capital. The ten largest shareholders of the Company are:

	Share*
Lífeyrissjóður verslunarmanna	13,6%
Birta lífeyrissjóður	11,7%
Hvalur hf	11,6%
Lífsverk lífeyrissjóður	6,7%
Stapi lífeyrissjóður	5,4%
Frigus II ehf.	4,3%
Sjóvá - Almennar tryggingar hf.	4,2%
Kvika banki hf.	3,1%
IS Hlutabréfasjóðurinn	2,8%
Landsbréf Úrvalsbréf	2,7%

* Shares taking into account own shares

Share capital and Articles of Association, contd.

The Board of Directors proposes that no dividend be paid to shareholders in 2021. Reference is made to the financial statements for further information on allocation of profit and other changes in equity.

The share capital of the Company amounted to ISK 435 million at year-end, but the Company holds own shares of a nominal value of ISK 0.1 million at year-end 2020. The entire share capital is of the same class listed on the Iceland Stock Exchange. All shares are entitled to the same rights.

The annual general meeting on 6 March 2020, resolved to authorise the Board of Directors to purchase up to 10% of the nominal value of the shares in the Company, cf. Chapter VIII of Act No. 2/1995 on Limited Liability Companies. The purchase rate shall be based on the last registered rate of Nasdaq OMX Iceland hf. before the agreement is entered into. The authorisation is valid for up to 18 months. With the approval of this motion, a previous corresponding authorisation expired, which was approved at the annual general meeting on 7 March 2019.

Corporate governance and non-financial information

The Board of Directors of Origo hf. emphasizes maintaining good management practices and aims to comply with the Guidelines on Corporate Governance issued by the Iceland Chamber of Commerce, NASDAQ OMX Iceland and the Confederation of Icelandic Employers in June 2015. The Guidelines can be found on the website of the Iceland Chamber of Commerce www.vi.is. According to a resolution at Origos Annual General Meeting on 2 March 2018, an appointment committee was established, which appoints candidates to the Company's Board of Directors. The appointment committee's role is among other things to evaluate prospective candidates regarding competence, experience, knowledge and independence. Also to ensure gender equality within the company's Board and prepare and submit proposals, based on the above evaluation, on election of Board members at the Company's Annual General Meeting. The Company's shares are listed in the Iceland Stock Exchange and therefore the Company shall comply with the Stock Exchange's rules on corporate governance, which can be found on the Stock Exchange's website. Further information on corporate governance and non-financial information is included in appendices to the financial statements.

Endorsement and Statement by the Board of Directors and the CEO contd.:

Statement by the Board of Directors and the CEO
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional Icelandic disclosure requirements for consolidated financial statements of listed companies.

According to the best of our knowledge it is our opinion that the consolidated financial statements give a true and fair view of the consolidated financial performance of the Group for the financial year 2020, its assets, liabilities and consolidated financial position as at 31 December 2020, and its consolidated cash flows for the financial year 2020.

Furthermore, in our opinion the consolidated financial statements and the endorsement by the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describes the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO of Origo hf. have today discussed the consolidated financial statements of the Company for the year 2020 and confirm them by means of their signatures. The Board of Directors and the CEO recommend that the consolidated financial statements be approved at the Company's annual general meeting.

Reykjavík, 28 January 2021

Board of Directors:

Hjalti Þórarinsson, Chairman

Guðmundur Jóhann Jónsson

Hildur Dungal, Vice Chairman

Ívar Kristjánsson

Svafa Grönfeldt

CEO:

Jón Björnsson

Independent Auditor’s Report

To the Board of Directors and Shareholders of Origo hf.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Origo hf. ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional disclosure requirements for listed companies in Iceland.

Our opinion is consistent with the additional report submitted to the Audit Committee and the Board of Directors.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of financial statements in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We declare, to the best of our knowledge and belief, that we have not provided any prohibited non-audit services, as referred to in Article 5(1) of the Regulation (EU) 537/2014 and that we remained independent in conducting the audit.

We were first appointed as auditors by the Annual General Meeting on April 2, 1992. We have been re-appointed by resolutions passed by the annual general meeting uninterrupted since then.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
Valuation of shares in Tempo Parent LCC At year-end 2020, the carrying amount of equity in Tempo Parent LCC amounted to ISK 2.941 million. Valuation of share in Tempo Parent LCC is a key audit matter in the audit of the consolidated financial statements since the share is a large part of the Company's assets and valuation must be performed in order to determine whether there are indications of impairment of the share. Share in Tempo ehf. amounted to 24% of total assets and 42% of equity at year-end 2020. Share in associate is discussed in note 12 and significant accounting policies in note 32.	Our audit procedures were aimed ad evaluating whether there are indications of impairment of the share. This work included among other things: • Management key assumptions regarding valuation of shares in Tempo ehf. were evaluated and compared to external and internal data. • Assumptions regarding projected future growth following the projected period were evaluated. • We reviewed the notes in the financial statement and confirmed that all information required by accounting policies was included.

Key Audit Matters	How the matter was addressed in the audit
Impairment test of goodwill At year-end 2020, the Company's goodwill amounted to ISK 1,837 million. Goodwill must be tested annually for impairment in order to evaluate whether the value of goodwill will be recovered through future cash flow. Goodwill is 15% of the Group's total assets and 26% of the Group's equity at year-end. Goodwill has arisen upon acquisition of entities and has been divided between the relevant smallest separable cash generating units by the Company's management. Impairment test of goodwill is a key audit matter in the audit of the consolidated financial statements since goodwill is a large part of total assets and due to inherent uncertainties in management's plans for performance and other management key assumptions regarding present value of the projected cash flows for each cash generating unit Information on impairment test performed on the Group's goodwill at year-end is in note 11 and information on significant accounting policies is in note 32.	We along with our valuation experts evaluated the management's key assumptions in calculating present value of projected cash flows for each cash generating unit. This work included among other things: • Key assumptions for projected cash flows and operating plans for the next 5 years were reviewed. This work entailed an evaluation of key assumptions regarding income, operating expenses, gross profit and investments for the projected period. • Key assumptions regarding projected future growth following the projected period were evaluated. • In reviewing the projected cash flows and operating plans, among other things deviations from previous years' plans are taken into account. • WACC for each cash generating unit was reviewed which is used in evaluating present value of cash generating units. WACC was compared to the Company's finance expenses and other market related assumptions. • Management key assumptions were compared to external and internal data. • The Company's calculation model was reviewed and results recalculated. • We reviewed the note in the financial statements and confirmed that all information required by accounting policies was included.

Other information in the annual report

The Board of Directors and CEO are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor’s report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. The annual report is not available at our reporting date but is expected to be made available to us after that date.

Responsibilities of the Board of Directors and CEO for the Consolidated Financial Statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union and additional disclosure requirements for listed companies in Iceland, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors and CEO are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and CEO are responsible for overseeing the Group’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with The Board of Directors and audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide The Board of Directors [and audit committee] with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with The Board of Directors and audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statements Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and CEO accompanying the consolidated financial statements includes the information required by the Financial Statements Act if not disclosed elsewhere in the consolidated financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Jón Arnar Óskarsson.

Reykjavík, 28 January 2021

KPMG ehf.

Jón Arnar Óskarsson

Consolidated Statement of Comprehensive Income for the year 2020

	Notes	2020	2019
Sales of goods and services	5	17.062.346	14.845.075
Cost of goods sold and cost of services	6	(12.847.087)	(10.999.874)
Gross profit		4.215.259	3.845.201
Operating expenses	7	(3.884.533)	(3.425.768)
Profit before finance income and finance expenses		330.726	419.433
Finance income		30.793	476.024
Finance expenses		(215.501)	(151.478)
Net finance income	9	(184.708)	324.546
Share of profit in associate	12	131.543	8.779
Profit before income tax		277.561	752.758
Income tax	21	(25.512)	(74.493)
Profit for the year		252.049	678.265
Other comprehensive income:			
Foreign currency translation difference of foreign operations		155.736	117.884
Realized foreign transl. difference from liquidation/sale of subsidiary	12	0	(339.969)
Total other comprehensive income		155.736	(222.085)
Total comprehensive income for the year		407.785	456.180
EBITDA*		1.078.485	1.006.261
Breakdown of profit:			
Shareholders in parent company		250.326	684.537
Minority interest		1.723	(6.272)
Profit for the year		252.049	678.265
Breakdown of total comprehensive income:			
Shareholders in parent company		406.062	462.452
Minority interest		1.723	(6.272)
Total comprehensive income for the year		407.785	456.180
Earnings per share:			
Basic earnings per share	18	0,58	1,50
Diluted earnings per share	18	0,58	1,50

* EBITDA is profit before finance income and finance expenses less depreciation and impairment
The notes on pages 16 - 45 are an integral part of these consolidated financial statements.

Consolidated Financial Statements of Origo hf. 2020 12 Amounts are in ISK thousand

Consolidated Statement of Financial Position as at 31 December 2020

	Notes	2020	2019
Assets:			
Property and equipment	10	1.875.914	2.029.410
Intangible assets	11	2.906.019	2.844.893
Deferred income tax asset	21	4.797	18.051
Investment in associate	12	2.940.938	2.684.027
Securities and long-term receivables	13	300.288	161.222
Non-current assets		8.027.956	7.737.603
Inventories	14	1.453.309	1.321.497
Trade receivables and other receivables	15	1.709.999	1.999.686
Cash and cash equivalents	16	1.172.714	825.847
Current assets		4.336.022	4.147.030
Total assets		12.363.978	11.884.633
Equity:			
Share capital		434.857	436.105
Share premium		121.456	152.936
Reserves		3.133.371	2.632.498
Retained earnings		3.294.060	3.568.871
Equity of shareholders in the parent company	17	6.983.744	6.790.410
Minority interest		28.692	26.969
Total Equity	17	7.012.436	6.817.379
Liabilities:			
Non-current loans and borrowings	19	640.789	579.439
Lease liabilities	20	1.304.446	1.392.432
Non-current liabilities		1.945.235	1.971.871
Current maturities of lease liabilities	20	326.193	310.118
Current loans and borrowings	19	102.469	60.702
Trade payables and other payables	22	2.977.645	2.724.563
Current liabilities		3.406.307	3.095.383
Total liabilities		5.351.542	5.067.254
Total equity and liabilities		12.363.978	11.884.633

The notes on pages 16 - 45 are an integral part of these consolidated financial statements.

Consolidated Financial Statements of Origo hf. 2020 13 Amounts are in ISK thousand

Consolidated Statement of Changes in Equity for the year 2020

	Notes	Share Capital	Share premium	Reserves*	Retained earnings	Equity of shareholders in the parent company	Minority interest	Total equity
Year 2019								
Equity at 31 December 2018		462.918	821.044	2.701.942	4.175.131	8.161.035	33241	8.194.276
Effects of adoption of IFRS 16					(141.186)	(141.186)		(141.186)
Equity at 1 January 2019		462.918	821.044	2.701.942	4.033.945	8.019.849	33.241	8.053.090
Total comprehensive income				(222.085)	684.537	462.452	(6.272)	456.180
Recognised in restricted reserves .	17			152.641	(152.641)	0		0
Accrued cost due to share purchase agreements					3.113	3.113		3.113
Dividends paid	17				(1.000.083)	(1.000.083)		(1.000.083)
Sold treasury shares	17	4.253	68.447			72.700		72.700
Acquisition of treasury shares	17	(31.066)	(736.555)			(767.621)		(767.621)
Equity at 31 December 2019	17	436.105	152.936	2.632.498	3.568.871	6.790.410	26.969	6.817.379
Year 2020								
Equity at 31 December 2019		436.105	152.936	2.632.498	3.568.871	6.790.410	26.969	6.817.379
Total comprehensive income				155.736	250.326	406.062	1.723	407.785
Recognised in restricted reserves .	17			171.916	(171.916)	0		0
Dividends paid	17				(180.000)	(180.000)		(180.000)
Acquisition of treasury shares	17	(1.248)	(31.480)			(32.728)		(32.728)
Equity at 31 December 2020	17	434.857	121.456	2.960.150	3.467.281	6.983.744	28.692	7.012.436

Consolidated Financial Statements of Origo hf. 2020 14 Amounts are in ISK thousand

Consolidated Statement of Cash Flows for the year 2020

	Notes	2020	2019
Operating activities:			
Profit for the year		252.049	678.265
Adjustments for:			
Revaluation commitment	11	(85.000)	0
Depreciation and impairment	11	832.759	586.828
Net finance expenses	9	184.708	(324.546)
Share of profit of associate	12	(131.543)	(8.779)
Income tax	21	25.512	74.493
		1.078.485	1.006.261
Changes in operating assets and liabilities:			
Inventories, (increase) decrease		(97.751)	389.466
Trade receivables and other receivables, decrease		317.959	(163.078)
Trade payables and other payables, increase (decrease)		293.518	(532.586)
Changes in operating assets and liabilities		513.726	(306.198)
Interest income received		30.793	58.055
Interest expenses paid		(129.951)	(129.332)
Net cash provided by operating activities		1.493.053	628.786
Investing activities:			
Investment in property and equipment	10	(333.660)	(332.915)
Proceeds from sale of property and equipment	10	13.895	0
Investment in intangible assets	11	(298.209)	(192.626)
Investment in operating units less cash from aquisition		0	(337.654)
Share decrease in associate	12	0	63.574
Sale of Tempo less cash equivalents at sale	12	0	77.578
Securities and long-term receivables, change		(2.508)	(39)
Investing activities		(620.482)	(722.082)
Financing activities:			
Acquisition of treasury share	17	(32.728)	(767.621)
Sold treasury shares	17	0	72.700
Dividends paid	17	(180.000)	(1.000.083)
New long-term borrowings	19	100.000	0
Repayment of long-term of borrowings	19	(64.136)	(245.213)
Payments of lease liability	20	(370.747)	(316.277)
Financing activities		(547.611)	(2.256.494)
Increase (decrease) in cash and cash equivalents		324.960	(2.349.790)
Effect of exchange rate fluctuations on cash held		21.907	183
Cash and cash equivalents at beginning of the year		825.847	3.175.454
Cash and cash equivalents at the end of the year	16	1.172.714	825.847

The notes on pages 16 - 45 are an integral part of these consolidated financial statements.

Consolidated Financial Statements of Origo hf. 2020 15 Amounts are in ISK thousand

Notes

1. Reporting entity

Origo hf. (the "Company") is an Icelandic limited liability company. The address of the Company's main office is Borgartún 37, Reykjavik. The consolidated financial statements of the Company as at and for the year ended 31 December 2020 comprise the Company and its subsidiaries, together referred to as the "Group" and individually as "Group entities".

The Company´s aim is to provide to its customers complete solutions in the fields of information technology with software development and by providing hardware, software, office equipment, technical advice and related services.

2. Basis of preparation

a. *Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. The consolidated financial statements also comply with the Icelandic Financial Statements Act and regulation on presentation and content of financial statements and consolidated financial statements. Summary of significant accounting policies is presented in note 32.

The financial statements were approved by the Board of Directors on 28 January 2021.

b. *Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis except for forward contracts, which are measured at fair value. The methods used to measure fair values are discussed further in note 3.

c. *Functional and presentation currency*

These consolidated financial statements are presented in Icelandic króna (ISK), which is the Company's functional currency. All financial information presented has been rounded to the nearest thousand.

d. *Use of estimates and judgements*

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation where uncertainty in applying accounting policies has the most significant effect on the amounts recognised in the financial statements is included in note 11 on measurement of the recoverable amounts of cash generating units containing goodwill.

The determination of fair value is based on presumptions which are dependent on the judgement of management on development of various factors regarding future events. Actual results of sale of assets and settlement payments of debt can be different from this estimation.

3. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property and equipment

Property and equipment and intangible assets which are taken over at merger are recognised at fair value at the date of acquisition.

(ii) Forward contracts

The fair value of forward contracts is recognised through profit or loss and is evaluated at a price provided by a broker.

3. Determination of fair values

(iii) Non-derivative financial liabilities

Fair value of financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, taking into account the market rate of interest at the reporting date.

4. Segment reporting

Business segments

The Group comprises the following three main business segments which sell goods and services in different markets:

- End-User solutions and related services
- Business solutions and infrastructure
- Software solutions and related services

2020	**End-User solutions and related services**	**Business solutions and infrastructure**	**Software solutions and related services**	**Total**
Sales of goods and services	6.710.168	5.235.155	5.117.023	17.062.346
Segment results (EBITDA)	378.395	195.277	504.813	1.078.485
Revaluation of commitment	0	0	85.000	85.000
Depreciation	(211.142)	(339.087)	(282.530)	(832.759)
Finance expenses				(184.708)
Share of profit (loss) of associates				131.543
Income tax				(25.512)
Profit for the year				252.049
Foreign currency translation differences of foreign operations				155.736
Total comprehensive income for the year				407.785

2019				
Sales of goods and services	5.568.050	4.606.672	4.670.353	14.845.075
Segment results (EBITDA)	(37.794)	275.438	768.617	1.006.261
Depreciation	(92.580)	(298.702)	(195.546)	(586.828)
Finance expenses				324.546
Share of profit (loss) of associates				8.779
Income tax				(74.493)
Profit for the year				678.265
Foreign currency translation differences of foreign operations				(222.085)
Total comprehensive income for the year				456.180

The Group's assets are not distinguishable to segments.

Geographical division - revenue

	2020	**2019**
Iceland	15.442.824	13.570.508
Other countries	1.619.522	1.274.567
Total income	17.062.346	14.845.075

Consolidated Financial Statements of Origo hf. 2020 17 Amounts are in ISK thousand

5. Sales of goods and services

Sales of goods and services are specified as follows:

	2020	2019
Sales of goods	10.285.982	8.487.037
Sales of services	6.776.364	6.358.038
Total sales of goods and services	17.062.346	14.845.075

6. Product use and cost of sale

Product use and cost of sale is specified as follows:

Product use	7.952.086	6.409.053
Salaries and salary related expenses	4.423.916	4.309.402
Depreciation	471.086	281.419
Product use and cost of sale	12.847.087	10.999.874

7. Operating expenses

Operating expenses are specified as follows:

Salaries and salary related expenses	2.595.944	2.092.434
Operation of properties	90.822	73.960
Sales and marketing expenses	207.339	208.661
Depreciation	361.673	305.409
Other employee related expenses	119.802	155.937
Travelling expenses	15.937	69.871
Contracted advise and services	165.293	124.321
Other operating expenses	327.722	395.175
Total operating expenses	3.884.533	3.425.768

8. Salaries and salary-related expenses

Salaries and salary-related expenses are specified as follows:

	2020	2019
Salaries	6.249.021	5.569.551
Contributions to defined contribution plans	640.025	601.664
Other salary-related expenses	417.152	448.588
Total salaries and salary-related expenses	7.306.198	6.619.803
Reimbursed development costs, tax benefits (Rannís)	(102.001)	(92.682)
Salaries and salary-related expenses capitalised as development costs	(184.337)	(125.285)
Salaries and salary-related expenses in statement of comprehensive income	7.019.860	6.401.836
Average number of employees	521	519
Positions at the end of the year	519	532

Salaries and salary-related expenses are allocated in the statement of comprehensive income as follows:

Cost of goods and cost of sold services	4.423.916	4.309.402
Operating expenses	2.595.944	2.092.434
Total salaries and salary-related expenses	7.019.860	6.401.836

In accordance with resolution of the Annual General Meeting on 4 March 2016, a share purchase scheme was finalised which applies to all full-time employees of the Company. In the year 2019, ISK 3 million were expensed in the statement of comprehensive income due to the share purchase agreements. The purchase scheme expired in 2019 but the share purchase rate according to it was 17.095 per share.

Fair value of share purchase agreements is estimated by using the Black-Scholes method. The estimation takes into account exchange rate of shares at the valuation date, share purchase rate, expected fluctuation, duration of the agreements, expected dividend payments and risk free interests.

Consolidated Financial Statements of Origo hf. 2020 18 Amounts are in ISK thousand

9. Finance income and finance expenses

Finance income is specified as follows:

	2020	2019
Interest income on receivables and long-term notes	30.793	58.055
Change in commitment due to investments	0	58.000
Realized foreign translation difference from liquidation of subsidiary	0	339.969
Other financial income	0	20.000
Total finance income	30.793	476.024

Finance expenses are specified as follows:

	2020	2019
Lease interest expenses	(71.553)	(71.034)
Interest expenses	(58.398)	(58.298)
Exchange loss	(85.550)	(22.146)
Total finance expenses	(215.501)	(151.478)
Total net finance income (expenses)	(184.708)	324.546

* In the year 2019 the subsidiary Nyherji A/S was liquidated and thus accumulated foreign translation difference is recognised among retained earnings through finance expenses. There has been no operation in Denmark in the last years.

10. Property and equipment

Property and equipment and their depreciation is specified as follows:

	Leased properies	Properties	Tools, equipment and interiors	Total
Cost				
Balance at 31.12.2018	0	28.348	1.588.078	1.616.426
Effect of transition to IFRS 16	1.099.720	0	0	1.099.720
Balance at 1.1.2019	1.099.720	28.348	1.588.078	2.716.146
Additions during the year	466.302	0	332.915	799.217
Acquisition of operating units	0	0	19.419	19.419
Remeasured due to acquisition of operating units	0	0	20.000	20.000
Reclassified	0	0	(10.965)	(10.965)
Effect of remeasurement of lease liabilities	32.254	0	0	32.254
Effect of changes in foreign exchange rates	(458)	0	(10)	(468)
Balance at 31.12.2019	1.597.818	28.348	1.949.437	3.575.603
Effect of transition to IFRS 16	89.075	0	333.660	422.735
Additions during the year	0	0	(186.107)	(186.107)
Reclassified	(187.051)	0	(18.280)	(205.331)
Effect of remeasurement of lease liabilities	177.813	0	0	177.813
Effect of changes in foreign exchange rates	0	0	1.679	1.679
Balance at 31.12.2020	1.677.655	28.348	2.080.389	3.786.392
Depreciation and impairment losses				
Balance at 1.1.2019	0	7.443	1.075.909	1.083.352
Depreciation	250.288	378	212.178	462.844
Effect of changes in foreign exchange rates	0	0	(3)	(3)
Balance at 31.12.2019	250.288	7.821	1.288.084	1.546.193
Depreciation	300.291	378	235.472	536.141
Disposals	0	0	(172.212)	(172.212)
Effect of changes in foreign exchange rates	0	0	356	356
Balance at 31.12.2020	550.579	8.199	1.351.700	1.910.478

Consolidated Financial Statements of Origo hf. 2020 19 Amounts are in ISK thousand

10. Property and equipment, contd.:

	Leased properies	Properties	Tools, equipment and interiors	Total
Carrying amounts				
At 1.1.2019	1.099.720	20.905	512.169	1.632.794
At 31.12.2019	1.347.530	20.527	661.353	2.029.410
At 31.12.2020	1.127.076	20.149	728.689	1.875.914
Depreciation ratios		1,3%	15 - 25%	

Insurance value and valuation of assets

Insurance value, official tax valuation and carrying amounts of buildings and land at year-end were as follows:

	2020	2019
Insurance value of buildings	53.517	51.688
Official tax valuation of buildings and land	21.140	21.040
Carrying amount of buildings and land	20.149	20.527
Insurance value of inventory, tools, equipment and interiors	2.619.148	2.258.001

Mortgages and guarantees

There are no mortgages and guarantees on remaining debt against the Group´s assets at year-end 2019 and 2020.

11. Intangible assets

Intangible assets, amortisation and impairment losses are specified as follows:

	Goodwill	Software	Total intangible assets
Cost			
Balance at 1.1.2019	1.754.175	984.767	2.738.942
Taken over at acquisition of operating units	263.389	95.922	359.311
Investment in internal software	0	125.285	125.285
Additions during the year	0	67.341	67.341
Reclassified	0	(20.565)	(20.565)
Effect of changes in foreign exchange rates	634	0	634
Balance at 31.12.2019	2.018.198	1.252.750	3.270.948
Investment in internal software	0	184.337	184.337
Additions during the year	0	113.872	113.872
Reclassified	0	18.280	18.280
Effect of changes in foreign exchange rates	41.255	0	41.255
Balance at 31.12.2020	2.059.453	1.569.239	3.628.692
Amortisation and impairment losses			
Balance at 1.1.2019	137.481	164.590	302.071
Amortisation	0	123.984	123.984
Balance at 31.12.2019	137.481	288.574	426.055
Impairment	85.115	0	85.115
Amortisation	0	211.503	211.503
Balance at 31.12.2020	222.596	500.077	722.673

Consolidated Financial Statements of Origo hf. 2020 20 Amounts are in ISK thousand

11. Intangible assets, contd.

	Goodwill	Software	Total intangible assets
Carrying amounts			
At 1.1.2019	1.616.694	820.177	2.436.871
At 31.12.2019	1.880.717	964.176	2.844.893
At 31.12.2020	1.836.857	1.069.162	2.906.019
Depreciation ratios		10 - 25%	

A part of Origo hf.'s operations is developing and selling software. In accordance with international financial reporting standards ISK 184 million were capitalised due to development of own software and in addition the Company invested in other software for ISK 114 million during the year. When estimating the values of development costs, costs are measured from the day a project fulfils all requirements for capitalisation.

Intangible assets developed within the Group are recognised at historical costs less the accumulated depreciation as if a purchased asset. The carrying amount of intangible assets is reviewed at each reporting date in order to estimate possible impairment. If there is a possible impairment the recoverable amount of the asset is revalued. Impairment tests for goodwill are conducted at least annually.

Depreciation and amortisation are specified as follows in the statement of comprehensive income:

	2020	2019
Depreciation of property and equipment, note 10	536.141	462.844
Amortisation of intangible assets	211.503	123.984
Impairment on goodwill	85.115	0
Total depreciation and impairment	832.759	586.828

Depreciation and amortisation are allocated to line items as follows:

Cost of goods and cost of sold services	471.086	281.419
Operating expenses	361.673	305.409
Total depreciation and impairment	832.759	586.828

Impairment test

At year-end 2020, the Company's goodwill was tested for impairment. Goodwill arising upon acquisition has been divided between the relevant subsidiaries, which are defined as the smallest separable cash generating units by the Group's management. The result of the impairment test was to impair the value of the Company's goodwill due to Bustravel totaling ISK 85 million. The impairment is recognized in Cost of goods sold and cost of services on the Consolidated Statement of Comprehensive Income. Alont with the impairment the Company recognized revenue of ISK 85 million due to decrease of the obligation the Company held regarding the acquisition of Bustravel as the estimated purchase price decreased. The revenue relating to Bustravel's decreased obligation is recognized in operating income. The effect from the impairment are therefore non-existent.

Consolidated Financial Statements of Origo hf. 2020 21 Amounts are in ISK thousand

11. Intangible assets, contd.

The aggregate carrying amount of goodwill allocated to each cash generating unit is as follows:

	2020	2019
Goods and related services	1.577.798	1.662.913
Software, related services and consultancy	259.059	217.804
Total goodwill	1.836.857	1.880.717

The recoverable amounts for cash generating units are based on their value in use. Value in use is determined by discounting the future cash flows generated from the continuing use of the units. Cash flows were projected based on actual operating results and a 5-year business plan, and after the projected period a constant future growth rate is presumed in calculating residual value. The main presumptions are growth in income, EBIDTA ratio, future investments and growth rate after the 5 year projection period. WACC is taken into account in estimating present value. WACC is based on each cash generating unit where external and internal data is relied upon. The same methodology is used as in prior year.

Operating plans are reviewed and approved by the Company's Board of Directors. According to the results of the tests at year-end 2020, goodwill has not been impaired.

In evaluating value in use management relies on projections on future development in the field of information technology, based on both internal and external data. Last years' experience is taken into account. Following are the key assumptions for evaluation of value in use:

Assumptions at year end 2020:	**Goods, software, related services and consultancy - domestic**	**Software, related services and consultancy - abroad**
Future growth rate	5,5%	3,5%
Revenue growth rate:		
Weighted average 2021	(1,9%)	(4,0%)
2022 - 2025	5,0 - 5,7%	3,7 - 4,0%
WACC	8,9%	5,7%
Debt leverage	10,0%	10,0%
Interest rate	5,0%	2,6%
Assumptions at year end 2019:		
Future growth rate	4,9%	3,0%
Revenue growth rate:		
Weighted average 2020	7,4%	15,9%
2021 - 2024	5.0 - 5.3%	4.0 -4.5%
WACC	8,1%	5,8%
Debt leverage	9,0%	9,0%
Interest rate	5,3%	2,9%

Realistic changes in key assumptions would not have led to impairment at year-end 2020 and 2019.

Consolidated Financial Statements of Origo hf. 2020 22 Amounts are in ISK thousand

12. Share in associate

Share in associate is divided as follows:

	2020	2019
Share in Tempo ehf.'s equity	614.212	424.163
Goodwill	1.459.449	1.407.650
Other intangible assets	867.277	852.214
Share in associate	2.940.938	2.684.027

Effects on statement of comprehensive income are specified as follows:

Share in profit/loss of associate	131.543	(68.799)
Settlement of sale of Tempo ehf. - profit of sale	0	77.578
Share in profit/loss of associate according to financial statements	131.543	8.779

Tempos revenue for the year 2020 amounted to $33 millions which is about 18% increase from previous year.

13. Securities and long-term receivables

Securities holdings and other long-term receivables are specified as follows:

	2020	2019
Lease assets	341.263	181.910
Current maturities of lease assets	(56.544)	(33.749)
Other long-term receivables	15.569	13.061
Total Securities holdings and other long-term receivables:	300.288	161.222

Work in progress comprises of accrued service costs at year-end.

14. Inventories

Inventories at year-end are specified as follows:

	2020	2019
Inventories in warehouse and shops	1.306.525	1.239.765
Spare parts	17.540	51.942
Work in progress	231.053	167.068
Allowances for impairments	(101.809)	(137.278)
Total inventories	1.453.309	1.321.497

Work in progress consists of cost of service projects accrued at year-end.

Consolidated Financial Statements of Origo hf. 2020 23 Amounts are in ISK thousand

15. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:

	2020	2019
Trade receivables	1.624.343	1.806.545
Allowance for impairments	(111.000)	(28.400)
Other receivables	196.656	221.541
Total trade receivables and other receivables	1.709.999	1.999.686

The Group's exposure to credit and currency risks and impairment losses related to trade receivables and other receivables is disclosed in notes 24 and 26.

Trade receivables and inventories amounting to ISK 643 million (2019: ISK 640 million) are pledged for loans to the Company.

16. Cash and cash equivalents

Cash and cash equivalents are specified as follows:

	2020	2019
Demand deposits	1.172.594	820.238
Cash	120	5.609
Cash and cash equivalents	1.172.714	825.847

17. Equity

(i) Share capital

The Company's share capital according to its Articles of Association amounts to ISK 435 million. Each share has the nominal value of one ISK. One vote is attached to each share in the Company. The Company holds treasury shares in the nominal value of ISK 0,1 million, recognised as decrease in equity.

The Company acquired 1,248 thousand share at ISK 33 million in the year 2020 in accordance with the Company's repurchase scheme.

(ii) Share premium

Share premium represents excess of payments above nominal value that shareholders have paid for shares sold by the Company. According to the Icelandic Act on Limited Liability Companies, 25% of the nominal share capital must be held in reserve which may not be paid out as dividend to shareholders.

According to law, share premium of paid in share capital can be offset against accumulated deficit.

(iii) Reserves

Reserves consist of translation differences of subsidiaries and restricted share reserve at year end.

Restricted share reserve contain share in aggregate profit of subsidiaries and associates which are in excess of paid dividend from these entities at the reporting date.

Reserves are specified as follows:

	Translation reserve	Restricted share reserve	Restricted equity due to development costs	Total
Balance at 1.1.2019	392.358	2.309.584	0	2.701.942
Changes during the year	(222.085)	27.356	125.285	(69.444)
Balance at 31.12.2019	170.273	2.336.940	125.285	2.632.498
Changes during the year	155.736	204.484	140.653	500.873
Balance at 31.12.2020	326.009	2.541.424	265.938	3.133.371

Consolidated Financial Statements of Origo hf. 2020 24 Amounts are in ISK thousand

17. Equity, contd.:

(iv) Retained earnings

Retained earnings consist of the Group's retained profit and accumulated deficit from the establishment of the parent company, less dividend payments and transfers to and from other equity items.

(v) Capital management

The Board of Directors has established an equity management policy to ensure a strong equity position and support stable future operating development. The Board's aim is that, as a rule, 20-40% of the profit for each year be paid as dividend to shareholders. The Board's long-term objective is that the Group's equity ratio will not be lower than 40.0%. The Company's equity ratio was 56.5% at year-end 2020 compared to 57,4% at year-end 2019. Capital management takes into account the carrying amount of equity.

The Annual General Meeting on 6 March 2020 resolved to authorise the Board of Directors to purchase up to 10% of the nominal value of the shares in the Company, cf. Chapter VIII of Act No. 2/1995 on Limited Liability Companies. The purchase rate shall be based on the last registered rate at Nasdaq OMX Iceland hf. before the agreement is concluded. The authorisation is valid for 18 months. With the approval of this motion a previous similar authorisation expired, which was approved at the Company's Annual General Meeting on 7 March 2019.

No amendments were made to the Group's capital management policy in the year.

The Company and its subsidiaries are not required to meet with external rules on minimum equity balance.

(vi) Dividend

In the year 2020 a dividend was paid to shareholders amounting to ISK 180 million (2019: ISK 1,000 million). The Company's Board of Directors proposes that no dividend be paid to shareholders in 2021.

18. Earnings per share

Earnings per share is based on the profit attributable to shareholders of the parent company and weighted average number of shares outstanding during the year and reflects the earnings per each share of ISK one. Diluted earnings per share is based on the profit attributable to shareholders of the parent company and weighted average number of shares outstanding during the year after adjustment for the effects of the dilutive potential shares of share options of the Company´s employees.

	2020	2019
Profit attributable to the shareholders of the parent company	252.049	678.265
Shares at the beginning of the year	436.105	462.918
Effects of issued shares	0	3.146
Effects of acquisition of treasury shares	(1.040)	(15.073)
Weighted average of outstanding shares in the year	435.065	450.991
Effect of share purchase agreements	0	0
Weighted average number of outstanding shares prior to diluted earnings	435.065	450.991
Earnings per share	0,58	1,50
Diluted earnings per share	0,58	1,50

Consolidated Financial Statements of Origo hf. 2020 25 Amounts are in ISK thousand

19. Loans and borrowings

This note provides information on the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see notes 23 to 26.

Non-current loans and borrowings are specified as follows:	2020	2019
Loans and borrowings	743.258	640.141
Current maturities of non-current liabilities	(102.469)	(60.702)
Total non-current loans and borrowings	640.789	579.439

Loans and borrowings at year-end are specified as follows by currencies:

		2020		2019	
	Final maturity	Average interest rate	Carrying amount	Average interest rate	Carrying amount
Loans in ISK, unindexed	2030	3,3%	318.754	4,9%	241.191
Loans in SEK	2030	3,8%	239.984	3,6%	221.974
Loans in EUR	2030	3,4%	145.423	3,4%	139.497
Loans in DKK	2021	3,4%	37.708	3,4%	36.017
Loans in USD	2030	4,6%	1.389	5,5%	1.462
Total loans and borrowings			743.258		640.141

Non-current loans and borrowings are payable in the following years as follows:	2020	2019
Year 2020	-	60.702
Year 2021	102.469	59.239
Year 2022	84.136	59.239
Year 2023	84.136	59.239
Year 2024	84.136	59.239
Year 2025	65.803	59.239
Later payments	322.578	283.244
Total	743.258	640.141

Interest bearing debt changed as follows in the year:

Interest bearing loans 1 January	640.141	881.041
Unpaid purchase price reclassified	0	0
New borrowings	100.000	0
Repayments	(64.136)	(245.213)
Foreign exchange difference	67.253	4.313
Interest bearing loans 31 December	743.258	640.141

The Company's loan agreements contain covenants on financial conditions and the Company meets all of its covenants at year end 2020.

The Company's borrowings from financial institutions are insured with pledges in trade receivables, inventories and ownership in specific subsidiaries, see note 15.

Consolidated Financial Statements of Origo hf. 2020 26 Amounts are in ISK thousand

20. Leases

The Group leases office premises and warehouses. These leases are generally for 10-20 years with extension options at the end of the lease term. Most of the leases are connected to the consumer price index. The Group subleases part of its office premises at Borgartún 37 to Tempo ehf. Leases were previously classified as operating leases according to IAS 17.

Right-of-use assets are specified as follows:	Real estate 2020	2019
Right-of-use assets 1.1	1.702.550	1.099.720
Depreciation	(370.747)	(250.288)
Additions to right-of-use assets	89.075	466.302
Effect of remeasurement of leases and change in f/x differences	209.761	31.796
Right-of-use assets 31.12	1.630.639	1.347.530

Effects of leases in statement of comprehensive income is divided as follows:

	2020	2019
Interest payments of lease liabilities	71.553	71.034
Interest income from receivables	10.359	8.418
Depreciation of right-of-use assets	300.291	250.288

Effect of leases in cash flow are are specified as follows:	2020	2019
Payments according to leases	372.683	350.315
Receivables according to leases	43.998	34.037

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Consolidated Financial Statements of Origo hf. 2020 27 Amounts are in ISK thousand

20. Leases, contd.

The Group does not expect to exercise extention options of leases since there is uncertainty regarding whether the options will be exercised.

Lease liabilities

Lease liabilities are specified as follows:	**2020**	**2019**
Payments 2020	-	334.529
Payments 2021	427.302	321.156
Payments 2022	336.882	278.130
Payments 2023	288.310	278.010
Payments 2024	286.626	276.551
Payments 2025	281.595	276.551
Subsequent payments	208.209	197.489
Total undiscounted lease liabilities	1.828.924	1.962.416
Unrealised interest expense	(198.285)	(260.166)
Net liabilities in leases	1.630.639	1.702.250

Lease assets

The Group leases out a part of Borgartúni 37 to Tempo ehf. and interest income due to lease assets amounted to a total of ISK 10,4 million. In the following table, the aging of lease receivables is specified for payments due after the end of the accounting period. The lease receivables are undiscounted.

Payments 2020	-	34.429
Payments 2021	56.962	34.429
Payments 2022	56.962	34.429
Payments 2023	56.962	34.429
Payments 2024	56.962	34.429
Payments 2025	56.962	34.429
Subsequent payments	113.856	-
Total undiscounted lease receivables	113.856	206.574
Unrealised interest income	(57.405)	(24.664)
Net investment in leases	341.263	181.910

The Group does not expect to exercise extention options of leases since there is uncertainty regarding whether the options will be exercised.

Consolidated Financial Statements of Origo hf. 2020 28 Amounts are in ISK thousand

Notes, contd.:

21. Income tax

Income tax in the statement of comprehensive income is specified as follows:

	2020	2019
Income tax recognised in the statement of comprehensive income	(25.512)	(74.493)

Effective income tax is specified as follows:

		2020		2019
Profit before income tax		277.561		752.758
Income tax according to the current tax ratio	20,0%	(55.512)	20,0%	(150.552)
Effect of translation difference on receivables from a subsidiary	0,0%	0	0,5%	(3.441)
Realised translation difference	(9,0%)	0	(9,0%)	67.994
Non-taxable income	(8,8%)	24.540	(1,8%)	13.756
Share of profit in associate	(9,5%)	26.309	(0,2%)	1.756
Impairment of intangible assets	6,1%	(17.023)	0,0%	0
Effect of tax ratios of foreign tax regions	1,0%	(2.874)	0,6%	(4.516)
Other	0,3%	(952)	(0,1%)	510
Effective income tax	9,2%	(25.512)	9,9%	(74.493)

Income tax asset is specified as follows:

	2020	2019
Income tax asset at 1 January	18.051	78.722
Income tax for the year	(25.512)	(74.493)
Unpaid income tax	7.514	14.123
Foreign exchange difference and other changes	4.744	(301)
Income tax asset at 31 December	4.797	18.051

Income tax asset is specified as follows at year-end:

	Assets	Liabilities	Net
2020			
Property and equipment	587	(225.415)	(224.828)
Intangible assets	0	(82.933)	(82.933)
Trade receivables and other receivables	22.200	(68.253)	(46.053)
Deferred taxable foreign exchange difference	12.290	0	12.290
Lease liabilities	325.973	0	325.973
Carry forward taxable loss	20.348	0	20.348
Income tax asset (liability)	381.398	(376.601)	4.797
Offsetting	(376.601)	376.601	0
Income tax asset at 31 December	4.797	0	4.797
2019			
Property and equipment	14.561	(269.506)	(254.945)
Intangible assets	0	(30.796)	(30.796)
Trade receivables and other receivables	5.538	(36.382)	(30.844)
Deferred taxable foreign exchange difference	0	(5.873)	(5.873)
Carry forward taxable loss	340.509	0	340.509
Income tax asset (liability)	360.608	(342.557)	18.051
Offsetting	(342.557)	342.557	0
Income tax asset at 31 December	18.051	0	18.051

Consolidated Financial Statements of Origo hf. 2020 29 Amounts are in ISK thousand

22. Income tax, contd.:

Carry forward taxable loss utilisable against future profit over the next years is specified as follows:

	2020	2019
Taxable loss due to 2019, utilisable until 2029	30.289	0
Taxable loss due to 2020, utilisable until 2030	71.451	0
Total carry forward taxable loss	101.740	0

Origo hf. and Tempo ehf. were under joint taxation until the sale of 55% of equity shares.

22. Trade payables and other payables

Trade payables and other payables are specified as follows:

	2020	2019
Trade payables	1.254.741	1.232.887
Other payables	1.722.904	1.491.676
Total trade payables and other payables	2.977.645	2.724.563

Risk management

23. Overview

The Group is exposed to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information on each of the above risks, objectives, policies and processes of the Group for measuring and managing risk.

The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and to monitor it. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

24. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and cash equivalents.

Trade receivables and other receivables

The Group's exposure to credit risk is influenced mainly by the financial position and operations of each customer. The industry and location in which customers operate have less of an influence on credit risk. Approximately 18% (2019: 21%) of the Group's revenue is attributable to sales and services to its five biggest customers.

The Group has established a credit policy under which new customers are analysed individually for creditworthiness before they are offered credit. Credit history of new customers is reviewed and purchase limits are established.

Consolidated Financial Statements of Origo hf. 2020 30 Amounts are in ISK thousand

24. Credit risk, contd.:

Most of the Group's customers have been transacting with the Group for many years, and losses have been immaterial in proportion to turnover. In monitoring customer credit risk, aging profile and financial position of the individual customer is studied. Trade and other receivables relate mainly to the Group's wholesale customers and resellers. Customers that are graded as high risk or have used their credit limits either have to pay down their debts or get permission from the Group's finance department to conduct further withdrawals.

Goods are sometimes sold subject to retention of title clauses, so that in the event of non-payment the Group can reclaim the item. The Group does in most cases not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component relating to individual customers and a collective loss component taking into account the age of claims which have not been connected to individual customers. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. Trade and other receivables are written-off when credit events such as bankruptcy occurs

Guarantees

The Group's policy is to provide financial guarantees only to its subsidiaries. At year-end 2019 and 2020 the parent company had provided no guarantees to its subsidiaries.

Exposure to credit risk

The Group's maximum exposure to credit risk of financial assets is their carrying amount which at year-end was as follows:

		Carrying amount	
	Notes	**2020**	**2019**
Securities and long-term receivables		300.288	161.222
Trade receivables and other receivables	13	1.709.999	1.999.686
Cash and cash equivalents	14	1.172.714	825.847
		3.183.001	2.986.755

The Group's maximum exposure to credit risk for trade receivables is specified as follows by geographic regions:

Iceland	1.338.730	1.686.216
Other countries	174.613	91.929
	1.513.343	1.778.145

At year-end the Group's five most significant customers account for ISK 353 million of trade receivables (2019: ISK 381 million).

Impairment losses

The aging of trade receivables at year-end was as follows:

	Gross		Impairment	
	2020	**2019**	**2020**	**2019**
Not past due	1.197.671	1.566.826	682	7.834
Past due 0 - 30 days	144.475	150.874	6.877	7.610
Past due 31 - 120 days	81.357	79.193	11.044	6.415
Past due more than 120 days	200.840	9.652	92.397	6.541
	1.624.343	1.806.545	111.000	28.400

Consolidated Financial Statements of Origo hf. 2020 31 Amounts are in ISK thousand

24. Credit risk, contd.:

Changes in allowance for impairment in respect of trade receivables during the year were as follows:

	2020	2019
Balance at 1 January	28.400	41.400
Changes during the year	82.600	(13.000)
Balance at 31 December	111.000	28.400

Management does not assess risk of loss on other short term receivables.

25. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due and not risking damage to the Group's reputation.

The Group maintains lines of credit with two Icelandic commercial banks and one foreign commercial bank. Unused credit lines amount to up to ISK 800 million at year-end 2020 (2019: ISK 400 million).

Contractual instalments of liabilities, including expected interest payments, are specified as follows:

2020

	Carrying amount	Contractual cash flows	Less than 1 year	2-5 years	3-5 years
Non-derivative financial liabilities:					
Current loans	743.258	873.666	130.456	391.923	351.287
Lease liabilities	1.630.639	1.969.775	427.302	1.316.582	225.891
Trade payables and other payables	2.977.645	2.977.645	2.977.645		
	5.351.542	5.821.086	3.535.403	1.708.505	577.178

2019

	Carrying amount	Contractual cash flows	Less than 1 year	2-5 years	3-5 years
Non-derivative financial liabilities:					
Current loans	640.141	843.832	46.727	389.686	407.419
Lease liabilities	1.702.550	2.222.194	402.198	1.315.716	504.280
Trade payables and other payables	2.724.563	2.724.563	2.724.563		
	5.067.254	5.790.589	3.173.488	1.705.402	911.699

Consolidated Financial Statements of Origo hf. 2020 32 Amounts are in ISK thousand

26. Market risk

Market risk is the risk that changes in market prices of foreign currencies and interests will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Icelandic krona (ISK) and the Swedish krona (SEK). The currencies which mainly create currency risk are euro (EUR), USD, Danish krona (DKK) and SEK.

The Group is exposed to currency risk due to transactions within the Group. The currency risk arises when companies within the Group trade with each other and the functional currency is not the same. The parent company's functional currency is the Icelandic Krona (ISK) and the consolidated financial statements are presented in ISK. The parent company has claims on subsidiaries with a functional currency other than its own and is therefore exposed to currency risk displayed in the table above.

The Group's exposure to foreign currency risk was as follows based on nominal amounts:

2020	**EUR**	**DKK**	**SEK**	**USD**
Trade and other receivables	48.415	27.958	103.232	6.814
Cash and cash equivalents	20.010	49	84.450	40.882
Loans and borrowings	(145.423)	(37.708)	(239.984)	(1.389)
Trade and other payables	(179.496)	(347.568)	(2.909)	(59.980)
Gross balance sheet exposure	(256.494)	(357.269)	(55.211)	(13.673)
Balances within the Group	0	0	314.062	0
The Group's currency risk exposure	(256.494)	(357.269)	258.851	(13.673)

2019	**EUR**	**DKK**	**SEK**	**USD**
Trade receivables	57.705	26.381	7	18
Cash and cash equivalents	5.137	1.180	0	2.215
Loans and borrowings	(139.497)	(36.017)	(221.974)	(1.462)
Trade and other payables	(211.412)	(371.143)	(16.477)	(50.678)
Gross balance sheet exposure	(288.067)	(379.599)	(238.444)	(49.907)
Balances within the Group	0	(17.207)	174.302	0
The Group's currency risk exposure	(288.067)	(396.806)	(64.142)	(49.907)

The following significant exchange rates were applied during the year:

	Average rate		**Reporting date spot rate**	
	2020	**2019**	**2020**	**2019**
EUR	157,07	136,92	156,56	136,21
DKK	20,87	18,44	21,05	18,24
SEK	14,85	12,98	15,57	13,06
USD	135,60	122,73	127,39	121,64

Consolidated Financial Statements of Origo hf. 2020 33 Amounts are in ISK thousand

26. Market risk, contd.:

Sensitivity analysis

A 10% strengthening of ISK against the following currencies at 31 December would have increased (decreased) the Group's results before income tax by the amounts shown below. This analysis assumes that all other variables remain constant. This analysis was performed on the same basis as for the year 2019.

	2020	2019
EUR	25.649	28.807
DKK	35.727	39.681
SEK	(25.885)	6.414
USD	1.367	4.991

A 10% weakening of ISK against the above currencies would have had equal but opposite effect on the basis that all other variables remain constant.

Currency risk due to investment in subsidiaries and associates

In addition to currency risk presented in finance income and finance expenses the Group is also exposed to currency risk from its investments in subsidiaries and associates where the functional currency is not the same as the parent company's. The currency risk is presented in other comprehensive income as foreign currency translation differences for subsidiaries and associates. This stems primarily from investment in Tempo ehf. Translation difference in other comprehensive income is positive by ISK 155 million for the year 2020 (2019: positive by ISK 118 million.) Investment in subsidiaries and associates is specified as follows:

	2020	2019
Equity in Tempo ehf. - Investment in USD	2.940.938	2.684.027
Equity in Applicon in Sweden - Investment in SEK	272.963	201.498

Sensitivity analysis

A 10% weakening of ISK against the following currencies at 31 December would have increased (decreased) the Group's foreign translation difference before income tax by the amounts shown below. This analysis assumes that all other variables remain constant. This analysis was performed on the same basis as for the year 2019.

	2019	2019
USD	294.094	268.403
SEK	27.296	20.150

A 10% strengthening of ISK against the above currencies would have had equal but opposite effect on the basis that all other variables remain constant.

Interest rate risk

All of the Group's borrowings are on floating interests and the Group does not hedge specifically against interest rate risk. The Group's interest rate risk only pertains to cash flow risk.

Consolidated Financial Statements of Origo hf. 2020 34 Amounts are in ISK thousand

26. Market risk, contd.:

At year-end the interest rate profile of the Group's interest bearing financial instruments is specified as follows:

	Carrying amount	
	2020	2019
Financial assets on floating interest	1.172.714	825.847
Financial liabilities on floating interest	(743.258)	(640.141)
	429.456	185.706

A change of 100 basis points in interest rates at the reporting date would have increased results before income tax by ISK 4 million (2019: ISK 2 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis as for the year 2019. The Group does not account for any fixed rate financial assets and liabilities.

Other market price risk

Other market price risk is limited as investments in bonds and shares is an insignificant part of the Group's operations.

Fair values

The following table shows a comparison of fair values and carrying amounts of financial assets and liabilities. No information is published regarding fair value if it is equal to carrying amount.

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and borrowings	(743.258)	(755.076)	(640.141)	(650.319)

No assets and liabilities are recognised at fair value at year-end 2020 and 2019. The basis for determining fair value is disclosed in note 3.

Determination of fair values

The interest rate used to discount estimated cash flows, where applicable, are based on interbank market at the reporting date plus a 1.6 - 3.6% margin (2019: 1.6 - 3.6%). Fair value of financial liabilities falls under level 3 of the fair value hierarchy.

27. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group’s, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate governance. Operational risks arise from all of the Group’s operations.

The Group’s objective is to manage operational risk in an efficient manner in order to avoid financial losses and to protect the Group’s reputation, and at the same time to avoid control procedures that restrict employees' initiative and creativity.

To reduce operational risk there are among other things requirements for appropriate segregation of duties, requirements for the reconciliation and monitoring of transactions, compliance with legal requirements, requirements for the periodic assessment of risks faced, employee training and professional development, organisation of work procedures and insurances where this is applicable.

Consolidated Financial Statements of Origo hf. 2020 35 Amounts are in ISK thousand

28. Related parties

Definition of related parties

Related parties are defined as shareholders with significant influence on the Group's operation, Board members and management and their close family members, and companies controlled by them.

Salaries and benefits to the Board of Directors and management for their work for the Group and shares in the Company are specified as follows:

For the year 2020:

	Salaries and benefits	Contribution to pension funds	Share
Hjalti Þórarinsson, Chairman of the Board	6.679	768	0
Hildur Dungal, Vice Chairman of the Board	4.045	465	0
Ívar Kristjánsson, Board Member	3.730	429	0
Guðmundur Jóh. Jónsson, Board Member	4.814	650	1.600
Svafa Grönfeldt, Board Member	3.478	470	587
Jón Björnsson, CEO	16.327	2.955	560
Finnur Oddsson, former CEO	67.130	13.945	1.786
Key managers (8)*	195.634	29.471	1.425

* These are six key managers at Origo hf. and managing director and former managing director of Applicon AB, in total eight key members of management.

For the year 2019:

	Salaries and benefits	Contribution to pension funds	Share
Ívar Kristjánsson, Chairman of the Board	7.880	1.064	2.935
Hildur Dungal, Vice Chairman of the Board	3.406	392	0
Guðmundur Jóh. Jónsson, Board Member	3.468	468	657
Svafa Grönfeldt, Board Member	2.824	325	0
Hjalti Þórarinsson, Board Member	3.220	370	0
Finnur Oddsson, CEO	61.236	12.642	1.786
Key managers (7)*	182.896	23.323	1.104

* These are six key managers at Origo hf. and managing director of Applicon AB, in total seven key members of management.

Included in the above shares are shares of spouses and financially dependent children, in addition to shares of companies controlled by board members and management.

Other transactions with related parties are an insignificant part of the Group's operations. Pricing in such transactions is comparable to other transactions of the Group.

29. Group entities

Origo hf.'s subsidiaries at year end are:

	Country	Shareholding 2020	2019
Application Consulting Sweden Holding AB	Sweden	100%	100%
Application Consulting Sweden AB	Sweden	100%	100%
Sendill is Unimaze ehf.	Iceland	60%	60%
Tölvutek ehf.	Iceland	80%	80%

Consolidated Financial Statements of Origo hf. 2020 36 Amounts are in ISK thousand

30. Fees to auditors

Fees to auditors of the Group in the year 2020 amounted to ISK 23 million (2019: ISK 25 million), whereof ISK 13 million (2019: ISK 15 million) was for the audit of financial statements. Fees to KPMG in Iceland amounted to ISK 21 million (2019: ISK 24 million) and ISK 2 million (2019: ISK 1 million) to KPMG in Sweden.

31. Financial ratios

Financial ratios for the Group:

Comprehensive income:	**2020**	**2019**
Inventory turnover - Cost of goods / Inventory at year-end	5,6	4,1
Receivables turnover - Receivables at period end / Sales of goods and services	22	24
Salary and salary related expenses / Sales of goods and services	41,1%	43,1%
Other operating expenses / Sales of goods and services	22,8%	23,1%
Profit for the year after tax / Sales of goods and services	2,4%	3,1%

Financial position:	**31.12.2020**	**31.12.2019**
Current ratio - current assets / current liabilities	1,27	1,34
Equity ratio - equity / capital	56,5%	57,1%

32. Significant accounting policies

The accounting policies set out below have been consistently applied to all periods presented in these financial statements, and to all companies within the Group, except for what is described in note 5, changes in accounting

In order to increase the information value of the financial statements, the notes are published on the basis of how appropriate and significant they are for the reader. This entails that information which is considered neither significant nor appropriate for the user of the financial statements are not published in the notes.

a. *Basis of consolidation*

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control is based on whether an investor has power over the investment, bears a risk or has the rights to variable returns from its involvement in the investment and has the ability to affect its returns of the investment. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Accounting policies of subsidiaries have been changed when deemed necessary in order to adjust them to the Group's policies.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements

Consolidated Financial Statements of Origo hf. 2020 37 Amounts are in ISK thousand

32. Significant accounting policies, contd.

(iii) Merger of companies

The purchase method is applied at merger when control transfers to the Group. The transaction at merger is measured at fair value as well as the separable assets and liabilities which are taken over.

Purchase method is applied at merger when control is transferred to the Group. The purchase price is in general measured at fair value as well as the separable assets and liabilities which are taken over.

When the company is the acquiring party at merger goodwill is created and other intangible assets. The amounts allocated to acquired assets and liabilities are based on presumptions and estimation of fair value of these assets and liabilities. In performing the evaluation management consults við independent and accepted appraisers as applicable. Changes in presumptions and evaluation could lead to changes in value assigned to specific assets and liabilities and their estimated useful lives which can have an effect on amounts or timing of recognition in the Group's statement of comprehensive income, as well as depreciation of intangible assets.

Conditional supplementary payments are recognised at fair value at the acquisition date. If such supplementary payment is categories as equity it is not revalued and is settled within equity. In other instances changes in fair value of conditional supplementary payment is recognised in the Group's statement of comprehensive income.

(iii) Associates

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs.

The financial statements include the Group’s share of the profit or loss of associates, after the accounting policies of the associate have been recognised with the company's accounting policies. The equity method is applied from the date that significant influence commences until the date that significant influence ceases.

If share in loss exceeds book value of the associate the book value is moved to zero and further loss not recognised unless the Group has accepted guarantee for the associate or financed it. If profit incurs in later periods the Group does not recognise its profit until accumulated loss has been met.

b. *Foreign currencies*

(i) Foreign currency transactions

Transactions in foreign currencies are recognised in the functional currency of individual group entities at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are recognised at the exchange rate ruling at the reporting date. Other assets and liabilities recognised in foreign currencies at fair value are translated at the exchange rate ruling at the date of determination of fair value. Exchange differences arising from transactions in foreign currencies are recognised in the statement of comprehensive income.

(ii) Foreign subsidiaries

The assets and liabilities of foreign operations, including goodwill, are translated to ISK at exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to ISK at the average exchange rate of the year. Exchange rate differences arising from the translation to ISK are recognised as a separate item in the statement of comprehensive income, less minority's interest in the difference. When a foreign operation is sold, partially or entirely, the related exchange rate difference is transferred to the statement of comprehensive income.

32. Significant accounting policies, contd.:

c. *Financial instruments*

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in shares and bonds, trade and other receivables, cash and cash equivalents, borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. When financial instruments are not recognised at fair value through profit or loss any direct transaction cost is recognised as increase in their value upon initial recognition. Subsequent to initial recognition non-derivative financial instruments are recognised as follows.

Loans and receivables at amortised cost

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially measured at fair value plus all direct transaction costs. Subsequent to initial recognition loans and receivables are recognised at amortised cost using the effective interest method, less impairment when appropriate. Loans and receivables comprise cash and cash equivalents, bonds, contracts, trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents consist of funds and on demand bank deposits.

Other financial liabilities

Other financial liabilities are recognised at amortised cost based on effective interests.

Accounting for finance income and expense is discussed in note 32 (m).

(ii) Share capital

Share capital is classified as equity. Direct cost due to issue of share capital is accounted for as decrease in equity, after deducting tax.

Treasury shares

When share capital recognised as equity is repurchased by the Group, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. When treasury shares are sold the sale is recognised as increase in equity.

d. *Property and equipment*

(i) Recognition and measurement

Property and equipment is recognised at cost value, or revalued cost value, less accumulated depreciation and impairment. Cost value includes direct cost incurred upon the purchase.

When property and equipment consists of parts which have different useful lives, the parts are separated and depreciated based on the useful life of each part.

The gain on sale of property and equipment, which is the difference between their sale proceeds and carrying amount, is recognised in the statement of comprehensive income among other income and the loss on sale among other operating expenses.

(ii) Subsequent costs

Costs of replacing single components of property and equipment is capitalised when it is considered likely that the benefits associated with the asset will flow to the Group and the costs can be measured reliably. The carrying amount of the replaced component is expensed. All other costs are expensed in the statement of comprehensive income as they incur.

32. Significant accounting policies, contd.:

d. *Property and equipment, contd.*

(iii) Depreciation and amortisation

Depreciation is calculated based on the depreciable amount, which is the cost less residual value. Depreciation is calculated on a straight line basis over the estimated useful lives of each component of property and equipment. Leased assets are depreciated over the shorter of lease term or useful life of the asset, unless it is evident that the Group will become the owner of the leased asset at the end of the lease term. Estimated useful lives are specified as follows:

Real estates	75 years
Tools, equipment and interiors	4 - 7 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and changed if applicable.

e. *Intangible assets*

(i) Goodwill

Goodwill arises upon the acquisition of subsidiaries.

Goodwill is the difference between the cost upon take-over and the fair value of overtaken assets, liabilities and uncertain liabilities. If negative goodwill arises it is immediately recognised in the statement of comprehensive income.

(ii) Subsequent measurement

Goodwill is measured at cost less accumulated impairment loss.

(iii) Software

Software is recognised at cost less accumulated linear amortisation and impairment. Software is amortised over 2 to 10 years.

Amortisation methods and useful lives are reviewed at each reporting date and changed if appropriate.

f. *Inventories*

Inventories are measured at the lower of the cost and net realisable value. The cost of inventories is based on the first-in first-out rule, and includes expenditure incurred in acquiring the inventories and in bringing them to the location and condition in which they are at the reporting date. Net realisable value is the estimated selling price in an ordinary course of business less the estimated costs necessary to make the sale.

32. Significant accounting policies, contd.:

g. *Impairment*

Financial assets

A financial asset, not recognised at fair value, is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Impairment loss on financial assets measured at amortised cost is the difference between, on the one hand, their carrying amount, and on the other hand, the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss on financial assets available for sale is determined on the basis of their fair value at each time. Individual significant financial assets are tested specifically for impairment. Other financial assets are classified together based on credit risk characteristics and each group is tested specifically for impairment.

An impairment loss is expensed in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Impairment loss on investments held to maturity is reversed in the statement of comprehensive income.

Other assets

Carrying amount of other assets of the Group, except for inventories and tax asset, is reviewed at each reporting date to determine whether there are indications of impairment. If there is any such indication the recoverable amount of the asset is estimated. Goodwill is tested for impairment at least once a year.

The recoverable amount of an asset or a cash generating unit is the higher of their net fair value or value in use. Value in use is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is expensed when the carrying amount of an asset or a cash generating unit is higher than its recoverable amount. A cash generating unit is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or asset groups. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of the goodwill and then to reduce the carrying amounts of the other assets in the cash generating unit on a pro rata basis. An impairment loss is expensed in the statement of comprehensive income.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

h. *Employees’ benefits*

(i) Contribution to defined contribution pension plans

The Group pays fixed contributions to independent defined contribution pension funds due to its employees. The Group has no responsibility for the funds' obligations. Contributions are expensed in the statement of comprehensive income among salaries and salary related expenses as they are incurred.

32. Significant accounting policies, contd.:

i. *Provisions*

A provision is recognised when the Group has a legal or constructive obligation due to past events and it is likely that a cost, which can be measured reliably, will be required to be paid by the Group. Provisions are measured by discounting the estimated future cash flows using pre-tax discount rates that reflect current market assessments of the time value of money and the risks specific to individual provisions.

(i) Guarantees

An obligation due to a guarantee is recognised when goods or services are sold. The obligation is measured based on previous experience with guarantees by weighing the possible outcome and probability related thereto.

j. *Revenue*

(i) Sold goods and software

Revenue from the sale of goods and software in the course of ordinary business is measured at the fair value of the payment received or receivable, net of trade discounts and refunds. Revenue is recognised in the statement of comprehensive income when a significant portion of the risks and rewards of ownership are transferred to the buyer, it is probable that the consideration will be collected and the cost of sale and possible return of goods can be estimated reliably. Credit is in general provided for 30 days except for sale in cash.

(ii) Sold services

Revenue from the sale of services is recognised in the statement of comprehensive income in proportion to the status of work in progress at the reporting date. The status of work in progress is measured on the basis of work performed. Credit is in general provided for 30 days except for sale in cash.

(iii) Operating lease income

Lease income is recognised in the statement of comprehensive income on a straight line basis over the lease term under the item other operating income.

k. *Lease payments*

(i) Operating lease expense

Prior to transition to IFRS 15 payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

(ii) Finance lease expense

Minimum lease payments made under finance leases are apportioned between finance expense and reduction of the outstanding liability. Interest expenses are distributed over the lease term based on effective interests.

l. *Finance income and finance expenses*

Finance income comprises interest income on investments, dividend income and foreign exchange gain on foreign currencies. Interest income is recognised in the statement of comprehensive income as it accrues based on effective interests. Dividend income is recognised in the statement of comprehensive income when distribution of dividend has been approved.

Finance expenses comprise interest expense on borrowings, unwinding of discounting, fair value losses on financial assets at fair value through profit or loss and exchange rate loss on foreign currencies. Foreign currency gains and losses are reported on a net basis.

32. Significant accounting policies, contd.:

m. *Income tax*

Income tax expense comprises current and deferred income tax. Income tax is recognised in statement of comprehensive income except to the extent that it relates to operating items recognised directly in equity or in statement of comprehensive income, in which case the income tax is recognised in those items.

Current income tax is the expected tax payable next year on the taxable income for the current year, using tax rates effective at the reporting date, in addition to adjustments made to current tax of previous years.

Deferred income tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognised for differences relating to investments in subsidiaries. Deferred income tax liability is not recognised for goodwill which is non-deductible for tax purposes. The amount of deferred tax is based on the estimated realisation or settlement of the carrying amounts of assets and liabilities using the tax rate in effect at the reporting date.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities under joint taxation if they intend to settle tax payments jointly.

A deferred income tax asset is only recognised to the extent that it is probable that future taxable profits will be available against the asset. Deferred income tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable it will be realised.

n. *Earnings per share*

In the financial statements, the Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares due to possible dilution in respect of shares which the Group would have to issue in relation to employees' share purchase agreements.

o. *Segment reporting*

A segment is a distinguishable component of the Group which deals with transactions and is able to generate income and incur expenses, including income and expenses on transactions with other components of the Group. The return of all Group segments is reviewed on a regular basis by the CEO in order to decide how to allocate its assets to the segments and to evaluate their performance.

Segment operating results, assets and liabilities consist of items that can be directly linked to each segment, in addition to the items that can be reasonably divided into segments.

Segment investments are the total cost of purchases of operating assets and intangible assets other than goodwil

Pricing of goods and services between segments is on an arm´s length basis.

32. Significant accounting policies, contd.:

p. *Leases*

(i) The Group as lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
– fixed payments, including in-substance fixed payments;
– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– amounts expected to be payable under a residual value guarantee; and
– the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

32. Significant accounting policies, contd.:

p. *Leases, contd.*

(ii) The Group as lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (see Note 20). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other revenue’.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

33. New financial reporting standards and interpretations not yet adopted

A few new international reporting standards apply to accounting periods beginning on or after 1 January 2019 and early adoption is permitted. The Group has however not implemented new or changed reporting standards prior to adoption when these financial statements were prepared.

It is not expected that the following changes to standards and interpretations will have significant effect on the Group's financial statements.
– Covid-19-related leasing reliefs (changes to IFRS 16).
– Fixed Assets: Benefits before intended use (changes to IAS 16).
– Definition of a company (changes to IFRS 3).
– Classification of long-term and short-term liabilities (changes to IAS 1).
– IFRS 17 Insurance Contracts.

Quarterly Statements - Unaudited

Quarterly Statements

The Group's quarterly statements are not audited. Summary of the Group´s results by quarters is specified as follows:

2020	Q1	Q2	Q3	Q4	Total
Sales of goods and services	4.276.762	3.896.760	3.982.747	4.906.077	17.062.346
Cost of goods and cost of sold services	(3.226.519)	(2.962.659)	(2.983.187)	(3.674.722)	(12.847.087)
Gross profit	1.050.243	934.101	999.560	1.231.355	4.215.259
Operating expenses	(982.573)	(978.835)	(856.888)	(1.066.237)	(3.884.533)
Operating profit	67.670	(44.734)	142.672	165.118	330.726
Finance income	5.969	11.511	7.591	5.722	30.793
Finance expenses	(131.994)	(12.080)	(58.272)	(13.155)	(215.501)
Net finance revenues (expense)	(126.025)	(569)	(50.681)	(7.433)	(184.708)
Share of profit (loss) of associates	10.751	35.240	13.097	72.455	131.543
Profit before income tax	(47.604)	(10.063)	105.088	230.140	277.561
Income tax	12.141	6.263	(15.392)	(28.524)	(25.512)
Profit for the period	(35.463)	(3.800)	89.696	201.616	252.049
Other comprehensive income recognised in equity:					
Translation difference for foreign operation	459.997	(49.561)	182	(254.882)	155.736
Income for the period recognised in equity	459.997	(49.561)	182	(254.882)	155.736
Total profit of the period	424.534	(53.361)	89.878	(53.266)	407.785
EBITDA	236.507	123.132	338.227	380.619	1.078.485

Consolidated Financial Statements of Origo hf. 2020 46 Amounts are in ISK thousand

Quarterly Statements, contd.:

2019	Q1	Q2	Q3	Q4	Total
Sales of goods and services	3.552.869	3.493.083	3.462.783	4.336.340	14.845.075
Cost of goods and cost of sold services	(2.631.272)	(2.641.647)	(2.529.333)	(3.197.622)	(10.999.874)
Gross profit	921.597	851.436	933.450	1.138.718	3.845.201
Operating expenses	(825.291)	(778.728)	(834.055)	(987.694)	(3.425.768)
Operating profit	96.306	72.708	99.395	151.024	419.433
Finance income	14.629	33.180	13.744	414.471	476.024
Finance expenses	(57.551)	(47.919)	(10.450)	(35.558)	(151.478)
Net finance revenues (expense)	(42.922)	(14.739)	3.294	378.913	324.546
Share of profit (loss) of associates	21.297	46.349	(1.959)	(56.908)	8.779
Profit before income tax	74.681	104.318	100.730	473.029	752.758
Income tax	(10.855)	(5.074)	(26.891)	(31.673)	(74.493)
Profit for the period	63.826	99.244	73.839	441.356	678.265
Other comprehensive income recognised in equity:					
Translation difference for foreign operation	149.422	38.823	(59.157)	(11.204)	117.884
Realized foreign translation difference	0	0	0	(339.969)	(339.969)
Income for the period recognised in equity	149.422	38.823	(59.157)	(351.173)	(222.085)
Total profit of the period	213.248	138.067	14.682	90.183	456.180
EBITDA	237.250	213.336	253.625	302.050	1.006.261

Consolidated Financial Statements of Origo hf. 2020 47 Amounts are in ISK thousand

Statement of Corporate Governance

Board of Directors and Corporate governance

Board of Directors

The Board of Directors of Origo hf. consists of five Board members appointed for a one year term at a shareholders meeting. At a shareholders meeting on 6 May 2020 Guðmundur Jóhann Jónsson, Hildur Dungal, Hjalti Þórarinsson, Ívar Kristjánsson and Svafa Grönfeldt were chosen without election to the Board. Hjalti Þórarinsson is Chairman of the Board and Hildur Dungal Vice Chairman.

The Company's Board of Directors consist of three men and two women and therefore complies with provisions in law on gender ratio which entered into effect on 1 September 2013. All five board members are independent of the Company. Board members' background and education is of various genre, among others economics, engineering and law, and one board member has a law degree. Furthermore, board members have extensive professional experience.

Corporate governance

The Board of Directors of Origo hf. emphasizes maintaining good management practices and aims to comply with the Guidelines on Corporate Governance issued by the Iceland Chamber of Commerce, NASDAQ OMX Iceland and the Confederation of Icelandic Employers in June 2015. The Board of Directors has laid down comprehensive rules wherein the competence of the Board is defined and its scope of work vis-à-vis the CEO. These rules include among other things rules regarding order at meetings, minutes, comprehensive rules on the competence of Directors to participate in discussions and decisions of issues presented to the Board and rules on confidentiality. They also contain rules on information disclosure by the CEO to the Board and the Board's power of decision but the signature of the majority of the Board is binding upon the Company.

The Company's current rules were approved at a Board meeting on 22 March 2018 and are accessible on the Company's website, www.origo.is.

The Board of Directors has appointed an Audit Committee and the committee's rules are accessible on the Company's website. The Audit Committee currently consists of the Chairman of the Board, one Board member and an external state authorised public accountant. Its main role and responsibility is to monitor work procedures in the preparation of the financial statements, procedures and efficiency of the Company's internal control, internal audit and, where relevant, risk management and other control factors. Furthermore, the committee presents motions to the Board regarding election of the Company's auditor and assesses the auditor's independence and monitors its work. The Board has also appointed Terms of Employment Committee and Technical Committee which main roles are to give advise to the Board and management on employment terms and issues relating to salary development and the technical environment of Origo. Compliance officer appointed by the Board is responsible for monitoring that rules on insider information and trading are adhered to. The Board has not appointed an appointment committee, but in revising the Board's corporate governance and the framework of operations, it is now the opinion of the Board that such a committee should be appointed and a proposal regarding this will be submitted to the annual general meeting.

In the year 2019, 13 Board meetings were held and 4 meetings in the Audit Committee in addition to meetings of the Terms of Employment Committee. Meetings have been attended by the majority of the Board of Directors and the majority of the committee members. The Audit Committee meets with the Company's auditors on a regular basis and participates in Board meetings when financial statements are being discussed.

Board of Directors of Origo hf.

To ensure that the Group's financial statements are in accordance with International Financial Reporting Standards the Company places emphasis on carefully defined responsibilities, appropriate separation of tasks and regular reporting and transparency in the operations. Monthly reporting and review for individual divisions is an important factor in the control on return and other key operating factors. Monthly statements are prepared and submitted to the Company's Board of Directors. The Company has established work procedures to ensure control in income recognition, operating expenses and other items affecting the Company's operation. Risk management is reviewed on a regular basis in order to reflect changes in market conditions and the Company's operations. With personnel training and work procedures the Group aims at maintaining disciplined control where all employees are aware of their role and responsibilities. Operating risk is managed by monitoring transactions and compliance with law. The Board has established equity management policy to ensure strong equity position and support stable future operating development.
According to the Company's Articles of Association the Board of Directors of Origo hf. is the highest authority in the Company's affairs between shareholders meetings. The Board decides on the policy of the Origo Group and follows up on the Group's main operations. The Board is provided with operating and investment plans for approval and the Board follows up on the progress within the year. The Board decides on organisation and follows up on that the Company's operations are in accordance with its resolutions. The Board shall ensure that sufficient controls are in place regarding the Company's finances and that proper order is in place regarding bookkeeping and accounting.

There are five members of the Board of Directors of Origo hf., which are appointed for a one year term at the Annual General Meeting. In accordance with the Company's Articles of Association candidacy to take seat on the Board shall be notified to the Board at least five days prior to shareholders' meetings. Only individuals who notify their candidacy in this manner can be elected at the Annual General Meeting. The Chairman calls Board meetings and chairs them. Meetings shall be held whenever the Chairman deems necessary, but in addition he is bound to call board meetings if one board member or the CEO so demands. Board meetings are only legal if three or more board members are present.

Role of CEO

The Board of Directors of Origo hf. hires the Company's Chief Executive Officer and decides on his remuneration. CEO is responsible for daily operations of the Company in line with its Articles of Association, policies and decisions made by the Board. The CEO shall work on policy making and advancement of the Company in addition to organising and follow up on its daily operations. Furthermore, the CEO's role is to ensure that the Company's operations are in line with current legislation and rules at each time and ensure that the operations of subsidiaries are the same.

Shareholders meetings

Legal shareholders meetings wield supreme power over the affairs of the Company. Annual General Meetings shall be held before the end of June each year and shareholders meetings shall be held as decided by the Board of Directors or by request of the elected auditor or shareholders holding at minimum 1/20 of the share capital. A request for a shareholders meeting shall be submitted in writing, items for the agenda identified and then a meeting called within the legal time limit. A shareholders meeting shall be called with an advertisement in a newspaper or by other comparable means. Annual General Meeting shall be called with at minimum three weeks and maximum four weeks notice in accordance with changes to the Companies Act from 19 September 2009. The invitation to a meeting shall include matters to be discussed and documents and proposals which will be submitted to the meeting. One vote is attached to each share in the Company at shareholders meetings.

Changes to the Company's Articles of Association

The Company's Articles of Association can only be amended by a lawful shareholders meeting provided that the pending amendments in addition to the main details of the changes to be made have been notified in the call of the meeting. The Articles of Association may be amended with at least 2/3 of the votes cast as well as with the approval of shareholders controlling a minimum of 2/3 of the share capital represented in the meeting. Changes to the Origo hf.'s Articles of Association were most recently approved on 6 May 2020.

Auditors

The Company's auditors are elected at the Annual General Meeting for a period of one year at a time. KPMG ehf. was elected auditor of the Company at the 2020 Annual General Meeting and KPMG ehf. is also the auditor of the Company's subsidiaries in Iceland. KPMG in Sweden is the auditor of the Swedish subsidiary Applicon.

Exemplary organisation in corporate governance

In early 2015 Nýherji was acknowledged as an "Exemplary organisation in corporate governance" as recognised by the Center of Corporate Governance of the University of Iceland, after a thorough appraisal by Capacent.

Non-financial information

About Origo

Origo hf. is a group of information technology companies which role is to assist customers in achieving even better success in their operations by means of information technology, expertise of employees and skilful services. Origo hf.'s shares are listed at NASDAQ OMX Iceland hf. (the Icelandic Stock Exchange) under the short name ORIGO. The number of employees at the Origo Group in Iceland and abroad is around 500. Origo's range of solutions covers most areas of information technology, such as managed services, own software development, third party software solutions, ERP solutions and IT infrastructure. Furthermore, Origo offers equipment and hardware solutions to business and consumers from many of the world's leading technology brands, such as Lenovo, IBM, Canon, Bose, Sony, NEC etc.

Further information on Origo and its subsidiaries is accessible at the Company's website, www.origo.is.

Sustainability

At the end of the year, Origo began to develop a comprehensive sustainability policy which takes into account UFS' criteria of NASDAQ OMX Iceland hf. (Iceland stock exchange) from February 2020. A broad group of management and employees was involved in developing the policy and choosing and work relating to the selection of United Nations' Global Goals which the Company intends to focus on. The selection process was mostly done through teleconferencing in workshops on sustainability related matters at Origo hf. Progress in all aspects will be communicated in the annual sustainability report taking into account the current position of the Group. The policy is accompanied with goals and detailed strategy in all aspects.

In its sustainability policy, the company emphasizes that its actions will have a positive effect on the company's stakeholders and will apply the impact of information technology on environmental, social and administrative issues. Origo works on a variety of projects in the field of sustainability and has an impact on many parts of its value chain. The policy also takes into account the United Nations' Global Goals and the Government's action plan on climate change. The sustainability policy extends to the parent company Origo and also to the subsidiaries Tölvutek ehf, Unimaze ehf. and Applicon AB. The company's Board of Directors approves and monitors compliance with the policy.

Origo has chosen to specifically support four of the United Nations' seventeen Global Goals; Goal 5: Gender equality, Goal 9: Industry, innovation and infrastructure, Goal 12: Responsbile consumption and production and Goal 13: Climate action.

Environment

Origo's environmental policy focuses on the environmental impact of the Company's operations and ways to reduce negative impacts. With its policy, Origo intends to focus on contributing towards sustainable development. The company intends, in various ways, to reduce greenhouse gas emissions and thus assist the Icelandic Government in achieving the goals of the Paris Agreement. Part of that work is to reduce all waste in the value chain and assess the success of the work. With the help of information technology and services, Origo will support its customers and other stakeholders in a digital journey that will reduce their environmental impact. Origo's environmental focus supports the United Nations Global Responsible Consumption and Action on Climate Change, Global Goals 12 and 13.
Examples of goals in environmental aspects:
1. Origo contributes to the sustainable development of society and intends to have a positive impact on employees, customers and other stakeholders.
2. Origo plans to reduce greenhouse gas emissions by 40% by 2030.
3. Origo intends to reduce waste generation and achieve a recycling rate of 90% till 2030.

Non-financial information, contd.

Social

Origo's focus on social issues is part of the company's sustainability policy and deals with communication with employees, customers, suppliers and other stakeholders. Emphasis is placed on everyone enjoying the same human rights. Furthermore, Origo emphasizes equality, gender diversity and the prohibition of all violence. Origo intends to become the most sought-after workplace and thus attract the most qualified staff. The company adheres to international human rights and makes the same demands towards its suppliers. The company does not accept child and/or forced labor in its value chain and this will be discussed in more detail in the Company's new code of ethics and supplier evaluation. The Company has established a gender equality policy and a gender equality plan. Origo received certification at the end of 2018 regarding its equal pay system from BSI in Iceland, which confirmed that the system meets the requirements of the equal pay standard ÍST 85: 2012. It is the Company's policy to strengthen the connection between information technology at different school levels and the business community. In this way, the Company supports community projects and projects that aim to promote innovation and encourage young people to participate in information technology. Work will be done on Global Goals 5 and 9.

Examples of social goals:

1. Origo emphasizes that everyone should enjoy the same human rights and opportunities at the company.
2. Origo does not accept inequalities in the labor market or slave and child labor and will follow suit in the value chain.
3. Origo focuses on digital travel and innovation.

Corporate governance

Origo's Corporate Governance relates to the Company's Board of Directors and management, internal control and shareholders' rights. Origo's management system is based on Iceland's laws on Public Limited Companies. The Board of Directors of Origo hf. seeks to maintain good corporate governance and follow the "Guidelines on Corporate Governance" published by the Iceland Chamber of Commerce, NASDAQ OMX Iceland and the SA Confederation of Icelandic Enterprise. The Board has established rules of procedure and binds the Board of Directors to abide by them. The Rules of Procedure are intended to discuss the role and implementation of the work of the Company's Board of Directors and to some extent to the work of the Company's CEO. Emphasis is placed on regular disclosure of information regarding sustainability matters and that the work to be assessed by an external party.

Examples of corporate governance goals:

1. Origo emphasizes the rights of its employees.
2. Origo intends to review suppliers' codes of conduct and implement supplier assessments at it subsidiaries.
3. Origo implements the UFS risk assessment of the company.

Further discussion of these matters, together with statistical information, will be made available in the company's annual report, which will be published before the company's Annual General Meeting.