Origo hf.

Consolidated Financial Statements for the year 2021*

*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 six entities. The Group's main area of operation is in Iceland, but the Group also runs the company Applicon AB in Sweden. The group is divided into three segments, which sell products and services in different markets. The Group's segments are; End-user solutions and related services, Business solutions and infrastructure, and Software solutions and related services. End-user solutions and related services account for over 40% of the Group's revenue. The other two segments are similar in size and account about 30% af the Group's revenue.

Operations in 2021
Consolidated Statement of Comprehensive Income
Sale of goods and services amounted to ISK 18,191 million during the year (2020: ISK 17,062 million) which is a 6.6% growth from the previous year. Revenue growth occurred in End-user solutions and related services (16.6%) and Software solutions and related services (8.3%) while Business solutions and infrastructure saw a 7.8% decline in revenue, further discussed in Note 4. Gross margin amounted to ISK 4,819 million or 26.5% of revenue which is ISK 604 million increase from the previous year (2020: ISK 4,215 million and 24.7% of revenue). Operating expenses amounted to ISK 4,087 million or 22.5% of income, which is a slightly lower proportion than in 2020, 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 732 million compared to ISK 331 million in 2020. Net financial expenses amounted to ISK 98 million in 2021, compared to a financial expense of ISK 185 million in 2020. Effect of associates, amounted to ISK 966 million during the year (2020: ISK 132 million). The Group's holding in Tempo Parent LLC was 43.21% at the beginning of the year, but in relation to Tempo's acquisition of ALM Works Inc. were part of the purchase price was paid with Tempo's own shares and at the time of issue, Origo's holding went to 40.4%. In March 2021, the Group purchased a 30% share in Data Lab Ísland ehf., further discussed in Note 13. Income tax amounted to ISK 105 million in 2021, compared to ISK 26 million in 2020. Operating items recognized directly in equity amounted to ISK 70 million in 2021 (2020: ISK 156 million) and therefore the total profit for the year amounted to ISK 1,564 million. (2020: ISK 408 million). EBITDA for the year 2021 amounted to ISK 1,601 million compared to ISK 1,078 million in 2020.

Consolidated Statement of Financial Position
Fixed assets increased by ISK 1,714 million in the year 2021 and amounted to ISK 9,742 million at year-end. The increase is largely explained by a higher holding in an associated company, further discussed in Note 13. Current assets increased by ISK 1,066 million in the year 2021 and amounted to ISK 5,402 million at year-end. The increase is due to an higher cash and inventory positions at the end of 2021, further discussed in notes 15, 16 and 17. Due to better collection of trade receivables, the Group has decreased its reserve fund against claims that may be lost from ISK 111 million at the end of 2020 to ISK 80 million at the end of 2021. Assets at the end of 2021 amounted to ISK 15,144 million (2020: ISK 12,364 million). Equity amounted to ISK 8,619 million at the end of 2021, which is an increase of ISK 1,606 million from the previous year. The Group did not exercise its authorization to repurchase own shares during the year. The Group was authorized on the last Annual General Meeting on 4 March 2021 to repurchase up to 10% of the Group's shares. Long-term liabilities amounted to ISK 2,733 million. kr. at year-end, which is a ISK 787 million increase from last year. The increase in long-term debt is mainly due an increase in interest-bearing long-term debt by ISK 309 million and increase in the lease liability by ISK 270 million. Revaluation of existing leases and a new lease contract for the K8 service center is the main reason for the increase in lease liabilities. The Group refinanced its loans during the year and took new loans amounting to ISK 1,000 million, which explains the increase in interest-bearing long-term debt. Current liabilities increased by ISK 386 million in the year 2021 due to an increase in current liabilities and other current liabilities, further discussed in Note 23. At the Annual General Meeting of the Group on 6 March 2020, the Board's proposal for the Group's stock option agreement 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 Group's Board exercised the stock option agreement at a board meeting on May 26, where it was decided to grant certain key employees of the Group stock options of up to 16,500,000 shares of which 7,440,000 to executives.

Consolidated Statement of Cash Flows for the year 2021

Changes in operating assets and liabilities amounted to ISK 227 million in 2021, the largest impact being ISK 287 million increase in inventories. Cash from operations amounted to ISK 1,258 million compared to ISK 1,493 million in 2020. ISK 215 million were invested in fixed assets and ISK 183 million in intangible assets during the year. Investments in business units leas cash on acquisition amounted to ISK 267 million during the year. During the year Origo's associate, Tempo, paid dividends to the Group amounting to ISK 108 million. The Group refinanced its loans during the year and took new loans amounting to ISK 1,000 million, furthermore, the Group has access to line of credit amounting to ISK 700 million. Repayments of long-term debt amounted to ISK 651million, further discussed in Note 20. Cash increased by ISK 636 million. and was ISK 1,795 million at year-end.

The effects of Covid-19 on the operations of Origo hf.

Ever since the first quarter of 2020, the Board and management prepared the Group for the conditions created by the Covid-19 virus pandemic and its economical consequences. The Group is well-positioned to deal with these unprecedented situations, whether in terms of customer service, financial or liquidity positions. The management's actions have been aimed primarily at ensuring business continuity to minimize disruption to Origo's customer service. The Group serves companies and institutions, many of which have a socially important role, e.g. connected to the Icelandic health system, civil defence, transportation, financial services and trade. Special care has been taken regarding the strength of the financial and liquidity positions of the Group to meet the unforeseen circumstances referred to above.

Despite the Covid-19 virus pandemic, the Group's operations have been successful 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 defence, 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 Iceland's Chief 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 Group has managed to maintain good services to its customers and operations as a whole have been successful.

Human resources

Origo employs a competent group of people who believe that cutting edge technology can have a big impact. Everything we do is done by people, in collaboration with people and for people. In human resources, we focus on a first-class work environment that promotes well-being and innovation. We focus on offering employees a great technological environment, where people get the opportunity to work with the newest technology as well as the essentials. We are constantly developing the workplace, the work environment, the equipment and the tools that employees use daily and we promote continuous improvement. We offer a great opportunity for development and growth in the workplace. We focus on team-building and encouraging each other's strengths.

Origo's goal is to increase the diversity of its working group by increasing the number of women in information technology and by hiring young aspiring individuals.

Privacy

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 Group 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

Information security is becoming an increasingly important factor when it comes to the value, risk and sensitive infrastructure of companies and public institutions, 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 Group 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 risk assessments 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 defined and documented measures. 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 Group.

Other news

In the first quarter of 2021, Origo purchased 100% of the shares in the network security company Syndis ehf. With the acquisition, Origo's and Syndis' security solutions merged under the Syndis brand. The aim of the acquisition is to create an operating unit that offers comprehensive digital security services and advisory and develops protection against cyber attacks and data- and identity theft.

At a Board meeting on May 26, 2021, it was decided to grant certain key employees of the Group stock options of up to 16,500,000 shares, of which 7,440,000 to the executives. The stock options are granted in order to combine the long-term interests of the Group and key employees. The terms of the stock option agreements are in accordance with the stock option system approved at the Group's Annual General Meeting on March 6, 2020 and the remuneration policy approved at the Group's Annual General Meeting on March 4, 2021.

In the third quarter, Origo hf. purchased 70% holding in Eldhaf ehf., which is an importer and distributor of Apple products. The aim of the acquisition is to increase the variety of the product range and meet the demands of Origo's customers.

On November 23, 2021, Origo's associate Tempo announced the acquisition of Roadmunk Inc., located in Ontario, Canada. The company's annual income is around USD 12.5 million and the company has a positive cash flow.

Other news contd.:
On December 22, Origo's associate Tempo announced the acquisition of ALM Works Inc, based in Newton, Massachusetts. The company's annual recurring (ARR) is approximately USD 23 million and the EBITDA margin is over 20%. The acquisition was financed by Tempo's shareholders, external financing and the issue of new shares. The holding of Origo hf. in Tempo is around 41% after the purchase.

In December 2021, Origo hf. refinanced the Group's long-term liabilities with long-term financing amounting to ISK 1,500 million. The financing includes, on one hand, a loan amounting to ISK 1,000 million and, on the other hand, a credit line amounting to ISK 500 million. Both loans are based on REIBOR interest rates with significantly more favourable interest premium and greater flexibility than previous loans. The loan agreement is for 5 years and the loan line agreement is for 2 years.

Share capital and Articles of Association
Shareholders at year-end were 770, compared to 536 at the beginning of the year. At year-end 2021, two shareholders owned more than 10% of the Group's outstanding share capital. The ten largest shareholders of the Group are:

	Share*
Lífeyrissjóður verslunarmanna	13.3%
Birta lífeyrissjóður	11.2%
Stapi lífeyrissjóður	7.4%
Lífsverk lífeyrissjóður	6.3%
Frigus II ehf.	4.3%
Akta Stokkur hs.	4.2%
Sjóvá-Almennar tryggingar hf.	3.2%
IS EQUUS Hlutabréf	2.9%
IS Hlutabréfasjóðurinn	2.9%
Landsbréf - Úrvalsbréf	2.8%

* Shares taking into account own shares

The share capital of the Group amounted to ISK 435 million at year-end, but the Group holds own shares of a nominal value of ISK 0.1 million at year-end 2021. The entire share capital is of the same class listed on the Iceland Stock Exchange. All shares are entitled to the same rights.

The Group's board of directors proposes that no dividends be paid to shareholders in the year 2022. Reference is made to the financial statements for further information on allocation of profit and other changes in equity. The Annual General Meeting on 4 March 2021 resolved to authorise the Board of Directors to purchase up to 10% of the nominal value of the Group's shares, 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 Group's Annual General Meeting on 6 March 2020.

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

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, a Nomination Committee was established, which appoints candidates to the Group's Board of Directors. The Nomination Committee's role is among other things to evaluate prospective candidates regarding competence, experience, knowledge and independence. Also to ensure gender equality within the Group's Board and prepare and submit proposals, based on the above evaluation, on election of Board members at the Group's Annual General Meeting. The Group's shares are listed in the Iceland Stock Exchange and therefore the Group 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.

The Board of Directors of Origo hf. consists of five board members who are elected annually at Annual General Meeting. At the Annual General Meeting of the Group on March 4, 2021, Guðmundur Jóhann Jónsson, Hildur Dungal, Hjalti Þórarinsson, Ívar Kristjánsson and Auður Björk Guðmundsdóttir were self-elected to the Group's board. Hjalti Þórarinsson is the chairman of the board and Hildur Dungal is the vice chairman. The average number of employees of the Group during the year converted to full-time jobs was 564 (2020: 521). Men make up 71% of employees at the end of the year and women 29%. In addition to the CEO, the Group's executive board consists of five men and two women. The Group's board consists of two women and three men, and the Group therefore complies with the provisions of the Act on Public Limited Companies on the gender ratios of board members.

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 2021, its assets, liabilities and consolidated financial position as at 31 December 2021, and its consolidated cash flows for the financial year 2021.

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 Group for the year 2021 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 Group's annual general meeting.

Reykjavík, 3 February 2022

Board of Directors:

Hjalti Þórarinsson, Chairman

Guðmundur Jóhann Jónsson

Hildur Dungal, Vice Chairman

Ívar Kristjánsson

Auður Björk Guðmundsdóttir

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 31 December, 2021, 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 31 December, 2021, 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 2 April 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.

Shares in Tempo Parent LCC

At year-end 2021, the investment in Tempo Parent LCC amounted to ISK 3,963 million. Shares 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 26% of total assets and 46% of equity at year-end 2021. Share in associate is discussed in note 13 and significant accounting policies in note 33.	Our audit procedures were aimed ad evaluating whether there are indications of impairment of the share. This work included among other things: • We evaluated managements key assumptions regarding the valuation of shares in Tempo Parent LLC and compared them to external and internal data. • It was confirmed that the share is entered in accordance with the IAS 28 accounting standard, Investments in Associates and Joint Ventures. • We reviewed the notes to the financial statements and confirmed that all information required by accounting policies was included.

Other information

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

Report on European single electronic format (ESEF Regulation)

As part of our audit of the consolidated financial statements of Origo hf. we performed procedures to be able to issue an opinion on whether the consolidated financial statements of Origo hf. for the year 2021 with the file name [967600BWC88YTVYPS344-2021-12-31-is] is prepared, in all material respects, in compliance with the Act on disclosure obligation of issuers of securities and the obligation to flag no. 20/2021 relating to requirements regarding European single electronic format Regulation EU 2019/815 which include requirements related to the preparation of the consolidated financial statements in XHTML format and iXBRL markup.

Board of Directors and CEO are responsible for preparing the consolidated financial statements in compliance with the Act on disclosure obligation of issuers of securities and the obligation to flag no. 20/2021. This includes preparing the consolidated financial statements in an XHTML format in accordance with EU Regulation 2019/815 on the European single electronic format (ESEF Regulation).

Our responsibility is to obtain reasonable assurance, based on evidence that we have obtained, on whether the consolidated financial statements is prepared in all material respects, in compliance with the ESEF Regulation, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirement set out in the ESEF Regulation, whether due to fraud or error.

In our opinion, the consolidated financial statements of Origo hf. for the year 2021 with the file name [967600BWC88YTVYPS344-2021-12-31-is] is prepared, in all material respects, in compliance with the ESEF Regulation.

Report on the report of the Board of Directors and CEO

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 3 February 2022.

KPMG ehf.

Consolidated Statement of Comprehensive Income for the year 2021

	Notes	2021	2020
Sales of goods and services	6	18.191.124	17.062.346
Cost of goods sold and cost of services	7	(13.371.786)	(12.847.087)
Gross profit		4.819.338	4.215.259
Operating expenses	8	(4.087.178)	(3.884.533)
Profit before finance income and finance expenses		732.159	330.726
Finance income		47.384	30.793
Finance expenses		(145.729)	(215.501)
Net finance income	10	(98.345)	(184.708)
Effect of associates	13	966.099	131.543
Profit before income tax		1.599.913	277.561
Income tax	22	(105.477)	(25.512)
Profit for the year		1.494.436	252.049
Other comprehensive income:			
Foreign currency translation difference of foreign operations		70.024	155.736
Total comprehensive income for the year		1.564.460	407.785
EBITDA*		1.601.220	1.078.485
Breakdown of profit:			
Shareholders in parent company		1.478.975	250.326
Minority interest		15.461	1.723
Profit for the year		1.494.436	252.049
Breakdown of total comprehensive income:			
Shareholders in parent company		1.548.999	406.062
Minority interest		15.461	1.723
Total comprehensive income for the year		1.564.460	407.785
Earnings per share:			
Basic earnings per share	19	3,40	0,58
Diluted earnings per share	19	3,38	0,58

* EBITDA is profit before finance income and finance expenses less depreciation and impairment
The notes on pages 15 - 45 are an integral part of these consolidated financial statements.

Consolidated Financial Statements of Origo hf. 2021 11 Amounts are in ISK thousand

Consolidated Statement of Financial Position as at 31 December 2021

	Notes	2021	2020
Assets:			
Property and equipment	11	2.244.668	1.875.914
Intangible assets	12	3.171.012	2.906.019
Deferred income tax asset	22	9.011	4.797
Investment in associates	13	3.991.058	2.940.938
Securities and long-term receivables	14	325.933	300.288
Non-current assets		9.741.682	8.027.956
Inventories	15	1.775.954	1.453.309
Trade receivables and other receivables	16	1.831.710	1.709.999
Cash and cash equivalents	17	1.794.624	1.172.714
Current assets		5.402.288	4.336.022
Total assets		15.143.970	12.363.978
Equity:			
Share capital		434.857	434.857
Share premium		121.456	121.456
Reserves		3.787.415	3.133.371
Retained earnings		4.217.016	3.294.060
Equity of shareholders in the parent company	18	8.560.744	6.983.744
Minority interest		57.972	28.692
Total Equity	18	8.618.716	7.012.436
Liabilities:			
Non-current loans and borrowings	20	950.000	640.789
Lease liabilities	21	1.674.713	1.304.446
Deferred tax liability	22	108.013	0
Non-current liabilities		2.732.726	1.945.235
Current maturities of lease liabilities	21	417.153	326.193
Current loans and borrowings	20	112.375	102.469
Trade payables and other payables	23	3.263.000	2.977.645
Current liabilities		3.792.528	3.406.307
Total liabilities		6.525.254	5.351.542
Total equity and liabilities		15.143.970	12.363.978

The notes on pages 15 - 45 are an integral part of these consolidated financial statements.

Consolidated Financial Statements of Origo hf. 2021 12 Amounts are in ISK thousand

Consolidated Statement of Changes in Equity for the year 2021

	Notes	Share Capital	Share premium	Reserves*	Retained earnings	Equity of shareholders in the parent company	Minority interest	Total equity
Year 2020								
Equity at 1 January 2020		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	18			345.137	(345.137)	0		0
Dividends paid	18				(180.000)	(180.000)		(180.000)
Acquisition of treasury shares	18	(1.248)	(31.480)			(32.728)		(32.728)
Equity at 31 December 2020	18	434.857	121.456	3.133.371	3.294.060	6.983.744	28.692	7.012.436
Year 2021								
Equity at 1 January 2021		434.857	121.456	3.133.371	3.294.060	6.983.744	28.692	7.012.436
Total comprehensive income				70.024	1.478.975	1.548.999	15.461	1.564.460
Recognised in restricted reserves	18			584.020	(584.020)	0		0
Minority interest							13.819	13.819
Share options	18				28.000	28.000		28.000
Equity at 31 December 2021	18	434.857	121.456	3.787.415	4.217.016	8.560.744	57.972	8.618.716

* further breakdown in note 18

The notes on pages 15 - 45 are an integral part of these consolidated financial statements.

Consolidated Financial Statements of Origo hf. 2021 13 Amounts are in ISK thousand

Consolidated Statement of Cash Flows for the year 2021

	Notes	2021	2020
Operating activities:			
Profit for the year		1.494.436	252.049
Adjustments for:			
Revaluation commitment	12	0	(85.000)
Depreciation and impairment	12	869.061	832.759
Net finance expenses	10	98.345	184.708
Effect of associates	13	(966.099)	(131.543)
Income tax	22	105.477	25.512
		1.601.220	1.078.485
Changes in operating assets and liabilities:			
Inventories, (increase)		(287.109)	(97.751)
Trade receivables and other receivables, (increase) decrease		(6.453)	332.014
Trade payables and other payables, increase		66.322	279.463
Changes in operating assets and liabilities		(227.240)	513.726
Interest income received		30.196	30.793
Interest expenses paid		(145.728)	(129.951)
Net cash provided by operating activities		1.258.448	1.493.053
Investing activities:			
Investment in property and equipment	11	(215.278)	(333.660)
Proceeds from sale of property and equipment	11	8.089	13.895
Investment in intangible assets	12	(183.429)	(298.209)
Investment in operating units less cash from acquisition		(267.225)	0
Investment in associated company	13	(111.684)	0
Dividends from an associated company	13	107.750	0
Securities and long-term receivables, change		(8.867)	(2.508)
Investing activities		(670.644)	(620.482)
Financing activities:			
Acquisition of treasury share	18	0	(32.728)
Dividends paid	18	0	(180.000)
New long-term borrowings	20	1.000.000	100.000
Repayment of long-term of borrowings	20	(651.404)	(64.136)
Payments of lease liability	21	(300.863)	(370.747)
Financing activities		47.733	(547.611)
Increase in cash and cash equivalents		635.538	324.960
Effect of exchange rate fluctuations on cash held		(13.628)	21.907
Cash and cash equivalents at beginning of the year		1.172.714	825.847
Cash and cash equivalents at the end of the year	17	1.794.624	1.172.714
Investment and financing activities less payment effect			
Investment in business units		(185.573)	0
Other current liabilities		185.573	0

The notes on pages 15 - 45 are an integral part of these consolidated financial statements.

Consolidated Financial Statements of Origo hf. 2021 14 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 2021 comprise the Company and its subsidiaries, together referred to as the "Group" and individually as "Group entities".

The Group´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 33.

The financial statements were approved by the Board of Directors on 3 February 2022.

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 Group'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 12 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.

3. Determination of fair values

(ii) 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

2021	**End-User solutions and related services**	**Business solutions and infrastructure**	**Software solutions and related services**	**Total**
Sales of goods and services	7.823.154	4.826.264	5.541.706	18.191.124
Segment results (EBITDA)	730.877	338.724	531.619	1.601.220
Depreciation	(173.292)	(352.598)	(343.171)	(869.061)
Finance expenses				(98.345)
Effect of associates				966.099
Income tax				(105.477)
Profit for the year				1.494.436
Foreign currency translation difference of foreign operations				70.024
Total comprehensive income for the year				1.564.460

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

The Group's assets are not distinguishable to segments.

Geographical division - revenue

	2021	**2020**
Iceland	16.550.880	15.442.824
Sweden	1.640.244	1.619.522
Total income	18.191.124	17.062.346

Consolidated Financial Statements of Origo hf. 2021 16 Amounts are in ISK thousand

5. Merger of operating units

During 2021 the Group purchased two companies (Syndis ehf. and Eldhaf ehf.). In accordance with International Financial Reporting Standard IFRS 3 *Business Combinations,* the purchase price was distributed to identifiable assets and liabilities.

Syndis ehf. was part of the Group as of April 1 and Eldhaf as of October 19.

Effect of mergers of operating units is specified as follows:

	Acquired
Software	25.000
Property and equipment	9.366
Deferred tax assets	5.254
Inventories	51.928
Trade receivables and other receivables	54.753
Cash and cash equivalents	37.000
Acquired assets	183.300
Long-term liabilities	6.247
Income tax liability	3.167
Accounts payable and other liabilities	50.914
Acquired liabilities	60.328
Total net identifiable assets	122.972
Purchase price paid with cash	304.225
Unpaid purchase price	185.573
Total purchase price	489.798
Goodwill on acquisition	366.826

Effect on the Group's statement of comprehensive income is specified as follows:	2021
Operating revenue	356.897
Operating expense	(376.539)
Operating loss	(19.642)
Net finance expense	(2.621)
Loss for the year	(22.263)

6. Sales of goods and services

Sales of goods and services are specified as follows:	2021	2020
Sales of goods	11.297.807	10.285.982
Sales of services	6.893.317	6.776.364
Total sales of goods and services	18.191.124	17.062.346

7. Cost of goods sold and cost of services

Cost of goods sold and cost of services is specified as follows:

Product use	8.468.833	7.952.085
Salaries and salary related expenses	4.416.159	4.423.916
Depreciation	486.795	471.086
Cost of goods sold and cost of services	13.371.786	12.847.087

Consolidated Financial Statements of Origo hf. 2021 17 Amounts are in ISK thousand

8. Operating expenses

Operating expenses are specified as follows:	2021	2020
Salaries and salary related expenses	2.672.378	2.595.944
Depreciation	382.266	361.673
Contracted advise and services	179.663	165.293
Other employee related expenses	177.023	119.802
Sales and marketing expenses	169.334	207.339
Operation of properties	93.268	90.822
Other operating expenses	413.246	343.660
Total operating expenses	4.087.178	3.884.533

9. Salaries and salary-related expenses

Salaries and salary-related expenses are specified as follows:	2021	2020
Salaries	6.351.765	6.249.021
Share options	28.000	0
Contributions to defined contribution plans	691.085	640.025
Other salary-related expenses	430.687	417.152
Total salaries and salary-related expenses	7.501.537	7.306.198
Reimbursed development costs, tax benefits (Rannís)	(275.000)	(102.001)
Salaries and salary-related expenses capitalised as development costs	(138.000)	(184.337)
Salaries and salary-related expenses in statement of comprehensive income	7.088.537	7.019.860
Average number of employees	564	521
Positions at the end of the year	537	519

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

Cost of goods and cost of sold services	4.416.159	4.423.916
Operating expenses	2.672.378	2.595.944
Total salaries and salary-related expenses	7.088.537	7.019.860

In accordance with resolution of the Annual General Meeting on 4 March 2021, a stock option agreement was finalised which applies to key employees of the Group. The Group's Board exercised the stock option plan at a board meeting on May 26, where it was decided to grant certain key employees of the Group stock options of up to 16,500,000. ISK 28 million were expensed in the income statement due to the stock option agreement. The redemption price of the stock options is ISK 51.7. Processing time is three to five year from allocation.

The Group's total cost of the stock option agreements over the next five years is estimated at ISK 175 million based on the Black-Scholes calculation model.

Consolidated Financial Statements of Origo hf. 2021 18 Amounts are in ISK thousand

10. Finance income and finance expenses

Finance income is specified as follows:

	2021	2020
Interest income on receivables and long-term notes	30.196	30.793
Foreign currency translation difference	17.188	
Total finance income	47.384	30.793

Finance expenses are specified as follows:

	2021	2020
Lease interest expenses	(77.407)	(71.553)
Interest expenses	(68.321)	(58.398)
Exchange loss	0	(85.550)
Total finance expenses	(145.728)	(215.501)
Total net finance expenses	(98.345)	(184.708)

11. Property and equipment

Property and equipment and their depreciation is specified as follows:

	Leased properties	Properties	Tools, equipment and interiors	Total
Cost				
Balance at 31.12.2019	1.597.818	28.348	1.949.437	3.575.603
Additions during the year	89.075	0	333.660	422.735
Disposals	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
Additions during the year	0	0	215.278	215.278
Sold and disposal during the year	0	0	(9.902)	(9.902)
Additions due to merger	0	0	9.366	9.366
Effect of remeasurement of lease liabilities	732.528	0	0	732.528
Effect of changes in foreign exchange rates	0	0	(2.867)	(2.867)
Balance at 31.12.2021	2.410.183	28.348	2.292.264	4.730.795
Depreciation and impairment losses				
Balance at 1.1.2020	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
Depreciation	296.920	378	280.362	577.660
Disposals	0	0	(1.813)	(1.813)
Effect of changes in foreign exchange rates	0	0	(198)	(198)
Balance at 31.12.2021	847.499	8.577	1.630.051	2.486.127

Consolidated Financial Statements of Origo hf. 2021 19 Amounts are in ISK thousand

11. Property and equipment, contd.:

	Leased properties	Properties	Tools, equipment and interiors	Total
Carrying amounts				
At 1.1.2020	1.347.530	20.527	661.353	2.029.410
At 31.12.2020	1.127.076	20.149	728.689	1.875.914
At 31.12.2021	1.562.684	19.771	662.213	2.244.668
Depreciation ratios	1,3%	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:

	2021	2020
Insurance value of buildings	55.523	53.517
Official tax valuation of buildings and land	22.170	21.140
Carrying amount of buildings and land	19.771	20.149
Insurance value of inventory, tools, equipment and interiors	2.251.185	2.619.148

Mortgages and guarantees

There are no mortgages and guarantees on remaining debt against the Group´s assets at year-end 2020 and 2021.

12. Intangible assets

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

	Goodwill	Software	Total intangible assets
Cost			
Balance at 1.1.2020	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
Investment in internal software	0	138.000	138.000
Additions due to merger	366.826	25.000	391.826
Additions during the year	0	45.428	45.428
Effect of changes in foreign exchange rates	(18.860)	0	(18.860)
Balance at 31.12.2021	2.407.419	1.777.667	4.185.086
Amortisation and impairment losses			
Balance at 1.1.2020	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
Amortisation	0	291.401	291.401
Balance at 31.12.2021	222.596	791.478	1.014.074

Consolidated Financial Statements of Origo hf. 2021 20 Amounts are in ISK thousand

12. Intangible assets, contd.

	Goodwill	Software	Total intangible assets
Carrying amounts			
At 1.1.2020	1.880.717	964.176	2.844.893
At 31.12.2020	1.836.857	1.069.162	2.906.019
At 31.12.2021	2.184.823	986.189	3.171.012
Depreciation ratios		10 - 25%	

A part of Origo hf.'s operations is developing and selling software. In accordance with international financial reporting standards ISK 138 million were capitalised due to development of own software and in addition the Group invested in other software for ISK 45 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:

	2021	2020
Depreciation of property and equipment, note 11	577.660	536.141
Amortisation of intangible assets	291.401	211.503
Impairment on goodwill	0	85.115
Total depreciation and impairment	869.061	832.759

Depreciation and amortisation are allocated to line items as follows:

Cost of goods and cost of sold services	486.795	471.086
Operating expenses	382.266	361.673
Total depreciation and impairment	869.061	832.759

Impairment test

At year-end 2021, the Group'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.

Consolidated Financial Statements of Origo hf. 2021 21 Amounts are in ISK thousand

12. Intangible assets, contd.

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

	2021	2020
Goods, software, consultancy and related services - domestic operations	1.944.624	1.577.798
Software, related services and consultancy - foreign operations	240.199	259.059
Total goodwill	2.184.823	1.836.857

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 Group's Board of Directors.

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 2021:	**Goods, software, related services and consultancy - domestic**	**Software, related services and consultancy - abroad**
Future growth rate	5.5%	4.0%
Revenue growth rate:		
Weighted average 2022	7.3%	0.3%
2023 - 2026	5,0 - 15%	4.0%
WACC	9.4 - 10.2%	5.9%
Debt leverage	8.0 - 10.0%	8.0%
Interest rate	5.3%	2.4%

Assumptions at year end 2020:		
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%

Realistic changes in key assumptions would not have led to impairment at year-end 2021 and 2020.

Consolidated Financial Statements of Origo hf. 2021 22 Amounts are in ISK thousand

13. Shares in associates

Shares in associates are 40.4% holding in Tempo Parent LLC and 30% holding in Data Lab Ísland ehf.

Ownership in Tempo Parent LLC was 43.21% at the beginning of the year but in relation to the company's acquisition of ALM Works Inc. were part of the purchase price was paid with Tempo's own shares and on issue date Origo's holding went to 40.4%.

In March 2021 the Group acquired 30% holding in Data Lab Ísland ehf.

Share in associate is specified as follows:	2021	2020
Book value 1.1.	2.940.938	2.684.027
Share in profit/loss of associate	966.099	131.543
Investment in Data Lab Ísland ehf.	31.038	0
Dividend received from Tempo Parent LLC	(107.750)	0
New shares issued, Tempo Parent LLC	80.646	0
Translation difference	80.087	125.368
Book value 31.12.	3.991.058	2.940.938

Share in associate is divided as follows:	2021	2020
Share in associate equity	1.143.712	614.212
Goodwill	1.979.428	1.459.449
Other intangible assets	867.918	867.277
Share in associate	3.991.058	2.940.938

Effects on statement of comprehensive income are specified as follows:

Share in profit/loss of associate	83.226	131.543
Effect on new issued shares in Tempo	882.873	0
Share in profit/loss of associate according to financial statements	966.099	131.543

Tempos revenue for the year 2021 amounted to USD 45 million which is about 45% increase from previous year. The effect of the new shares issued is entered in accordance with the company's draft annual financial statements.

14. Securities and long-term receivables

Securities holdings and other long-term receivables are specified as follows:	2021	2020
Lease assets, see note 21	371.084	341.263
Current maturities of lease assets	(68.853)	(56.544)
Other long-term receivables	23.702	15.569
Total Securities holdings and other long-term receivables:	325.933	300.288

15. Inventories

Inventories at year-end are specified as follows:	2021	2020
Inventories in warehouse and shops	1.601.270	1.306.525
Spare parts	37.895	17.540
Work in progress	230.293	231.053
Allowances for impairments	(93.504)	(101.809)
Total inventories	1.775.954	1.453.309

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

Consolidated Financial Statements of Origo hf. 2021 23 Amounts are in ISK thousand

16. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:

	2021	2020
Trade receivables	1.748.615	1.624.343
Allowance for impairments	(80.400)	(111.000)
Other receivables	163.495	196.656
Total trade receivables and other receivables	1.831.710	1.709.999

The Group's exposure to credit and currency risks and impairment losses related to trade receivables and other receivables is disclosed in notes 25 and 27.

Trade receivables and inventories amounting to ISK 1.800 million (2020: ISK 643 million) are pledged for loans to the Group.

17. Cash and cash equivalents

Cash and cash equivalents are specified as follows:

	2021	2020
Demand deposits	1.790.264	1.172.594
Cash	4.360	120
Cash and cash equivalents	1.794.624	1.172.714

18. Equity

(i) Share capital

The Group'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 Group. The Group holds treasury shares in the nominal value of ISK 0,1 million, recognised as decrease in equity.

(ii) Share premium

Share premium represents excess of payments above nominal value that shareholders have paid for shares sold by the Group. 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 1.1.2020	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
Changes during the year	70.024	540.425	43.595	654.044
Balance at 31.12.2021	396.033	3.081.849	309.533	3.787.415

Consolidated Financial Statements of Origo hf. 2021 24 Amounts are in ISK thousand

18. 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 Group's equity ratio was 56.9% at year-end 2021 compared to 56.7% at year-end 2020. Capital management takes into account the carrying amount of equity.

The Annual General Meeting on 4 March 2021 resolved to authorise the Board of Directors to purchase up to 10% of the nominal value of the shares in the Group, 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 6 March 2020.

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 2021 no dividend was paid to shareholders (2020: ISK 180 million). The Group's Board of Directors proposes that no dividend be paid to shareholders in 2022.

19. 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 Group´s employees.

	2021	2020
Profit attributable to the shareholders of the parent company	1.478.975	250.326
Shares at the beginning of the year	434.857	436.105
Effects of acquisition of treasury shares	0	(1.040)
Weighted average of outstanding shares in the year	434.857	435.065
Effect of share options	3.208	0
Weighted average number of outstanding shares prior to diluted earnings	438.065	435.065
Earnings per share	3,40	0,58
Diluted earnings per share	3,38	0,58

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20. 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 24 to 28.

Non-current loans and borrowings are specified as follows:	2021	2020
Loans and borrowings	1.062.375	743.258
Current maturities of non-current liabilities	(112.375)	(102.469)
Total non-current loans and borrowings	950.000	640.789

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

		2021		2020	
	Final maturity	Average interest rate	Carrying amount	Average interest rate	Carrying amount
Loans in ISK, unindexed	2027	4.9%	1.062.375	3,3%	318.754
Loans in SEK			0	3,8%	239.984
Loans in EUR			0	3,4%	145.423
Loans in DKK			0	3,4%	37.708
Loans in USD			0	4,6%	1.389
Total loans and borrowings			1.062.375		743.258

Non-current loans and borrowings are payable in the following years as follows:	2021	2020
Year 2021		102.469
Year 2022	112.375	84.136
Year 2023	120.000	84.136
Year 2024	120.000	84.136
Year 2025	101.667	65.803
Year 2026	100.000	64.136
Later payments	508.333	258.442
Total	1.062.375	743.258

Interest bearing debt changed as follows in the year:

Interest bearing loans 1 January	743.258	640.141
New borrowings	1.000.000	100.000
Repayments	(651.404)	(64.136)
Foreign exchange difference	(29.479)	67.253
Interest bearing loans 31 December	1.062.375	743.258

The Group's loan agreements contain covenants on financial conditions and the Group meets all of its covenants at year end 2021. The Group's loans were refinanced at the end of 2021 in the amount og ISK 1,000 million. The Group also has access to lines of credit in the amount of ISK 700 million.

The Group's borrowings from financial institutions are insured with pledges in trade receivables, inventories and ownership in specific subsidiaries, see note 16.

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21. Leases

The Group leases office premises and warehouses. When measuring contracts the Group expects that leases for real estate that are expiring within five years will be extended so that the obligation is at least for five years at a tima. Most of the leases are connected to the consumer price index. The Group subleases part of its office premises at Borgartún 37. Leases were previously classified as operating leases according to IAS 17.

Right-of-use assets are specified as follows:

	2021	2020
Right-of-use assets 1.1	1.630.639	1.702.550
Depreciation	(300.863)	(370.747)
Additions to right-of-use assets	95.825	89.075
Effect of remeasurement of leases and change in f/x differences	666.265	209.761
Right-of-use assets 31.12	2.091.866	1.630.639

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

Interest payments of lease liabilities	77.407	71.553
Interest income from receivables	15.402	10.359
Depreciation of right-of-use assets	296.920	300.291

Effect of leases in cash flow are specified as follows:

Payments according to leases	367.101	372.683
Receivables according to leases	66.238	43.998

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.

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21. Leases, contd.

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

Lease liabilities

Lease liabilities are specified as follows:	2021	2020
Payments 2021		427.302
Payments 2022	417.153	336.882
Payments 2023	390.025	288.310
Payments 2024	388.386	286.626
Payments 2025	366.906	281.595
Payments 2026	363.589	104.105
Subsequent payments	465.989	104.104
Total undiscounted lease liabilities	2.392.048	1.828.924
Unrealised interest expense	(300.182)	(198.285)
Net liabilities in leases	2.091.866	1.630.639

Lease assets

The Group leases out a part of Borgartúni 37 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 2021		56.962
Payments 2022	68.853	56.962
Payments 2023	68.853	56.962
Payments 2024	68.853	56.962
Payments 2025	68.853	56.962
Payments 2026	68.853	56.962
Subsequent payments	68.853	56.894
Total undiscounted lease receivables	413.118	398.668
Unrealised interest income	(42.034)	(57.405)
Net investment in leases	371.084	341.263

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

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22. Income tax

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

	2021	2020
Income tax recognised in the statement of comprehensive income	(105.477)	(25.512)

Effective income tax is specified as follows:

		2021		2020
Profit before income tax		1.599.913		277.561
Income tax according to the current tax ratio	20,0%	(319.983)	20,0%	(55.512)
Effect of translation difference on receivables				
Non-taxable income	(2,6%)	41.000	(8,8%)	24.540
Effect of associates	(12,1%)	193.220	(9,5%)	26.309
Amortisation of intangible assets	1,2%	(18.742)	6,1%	(17.023)
Effect of tax ratios of foreign tax regions	0,1%	(1.242)	1,0%	(2.874)
Other	(0,0%)	270	0,3%	(952)
Effective income tax	6,6%	(105.477)	9,2%	(25.512)

(Deferred tax liability) -asset is specified as follows:

	2021	2020
Deferred tax asset at 1 January	4.797	18.051
Purchases of business units	2.087	0
Income tax for the year	(105.477)	(25.512)
Unpaid income tax	3.191	7.514
Foreign exchange difference and other changes	(3.600)	4.744
(Deferred tax liability) -asset at 31 December	(99.002)	4.797

(Deferred tax liability) -asset are attributable to the following:

	Assets	Liabilities	Net
2021			
Property and equipment	0	(307.322)	(307.322)
Intangible assets	0	(132.297)	(132.297)
Inventories	0	(15.457)	(15.457)
Trade receivables and other receivables	0	(74.182)	(74.182)
Deferred taxable foreign exchange difference	3.650	0	3.650
Lease liabilities	417.549	0	417.549
Carry forward taxable loss	9.057	0	9.057
Income tax asset (liability)	430.256	(529.258)	(99.002)
Offsetting	(421.245)	421.245	0
Income tax asset (liability) at 31 December	9.011	(108.013)	(99.002)
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

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22. Income tax, contd.:

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

	2021	2020
Taxable loss due to 2019, utilisable until 2029	0	30.289
Taxable loss due to 2020, utilisable until 2030	0	71.451
Taxable loss due to 2021, utilisable until 2031	45.285	0
Total carry forward taxable loss	45.285	101.740

23. Trade payables and other payables

Trade payables and other payables are specified as follows:

	2021	2020
Trade payables	1.371.018	1.254.741
Other payables	1.891.982	1.722.904
Total trade payables and other payables	3.263.000	2.977.645

Risk management

24. 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.

25. 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% (2020: 18%) 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.

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25. 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 2020 and 2021 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	2021	2020
Securities and long-term receivables		325.933	300.288
Trade receivables and other receivables	16	1.831.710	1.709.999
Cash and cash equivalents	17	1.794.624	1.172.714
		3.952.267	3.183.001

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

Iceland	1.568.744	1.338.730
Other countries	99.471	174.613
	1.668.215	1.513.343

At year-end the Group's five most significant customers account for ISK 345 million of trade receivables (2020: ISK 353 million).

Impairment losses

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

	Gross		Impairment	
	2021	2020	2021	2020
Not past due	1.485.624	1.197.671	757	682
Past due 0 - 30 days	88.266	144.475	4.011	6.877
Past due 31 - 120 days	86.418	81.357	11.544	11.044
Past due more than 120 days	88.307	200.840	64.088	92.397
	1.748.615	1.624.343	80.400	111.000

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25. Credit risk, contd.:

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

	2021	2020
Balance at 1 January	111.000	28.400
Changes during the year	(30.600)	82.600
Balance at 31 December	80.400	111.000

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

26. 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 700 million at year-end 2021 (2020: ISK 800 million).

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

2021

	Carrying amount	Contractual cash flows	Less than 1 year	2-5 years	Later
Non-derivative financial liabilities:					
Current loans	1.062.375	1.334.496	169.204	610.957	554.638
Lease liabilities	2.091.866	2.456.019	481.124	1.508.906	465.989
Trade payables and other payables	3.263.000	3.263.000	3.263.000		
	6.417.241	7.053.515	3.913.328	2.119.863	1.020.627

2020

	Carrying amount	Contractual cash flows	Less than 1 year	2-5 years	Later
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

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27. 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:

2021	EUR	DKK	SEK	USD
Trade and other receivables	64.676	29.875	21	4.747
Cash and cash equivalents	108.185	218	90.512	102.906
Trade and other payables	(383.322)	(326.230)	(1.054)	(29.068)
Gross balance sheet exposure	(210.461)	(296.137)	89.479	78.585
Balances within the Group	0	0	220.848	0
The Group's currency risk exposure	(210.461)	(296.137)	310.327	78.585

2020	EUR	DKK	SEK	USD
Trade 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)

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2021	2020	2021	2020
EUR	152,33	157,07	148,09	156,56
DKK	20,17	20,87	19,92	21,05
SEK	14,76	14,85	14,45	15,57
USD	127,26	135,60	130,76	127,39

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27. 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 2020.

	2021	2020
EUR	21.046	25.649
DKK	29.614	35.727
SEK	(31.033)	(25.885)
USD	(7.859)	1.367

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 70 million for the year 2021 (2020: positive by ISK 155 million.) Investment in subsidiaries and associates is specified as follows:

	2021	2020
Equity in Tempo Parent LCC - Investment in USD	3.693.483	2.940.938
Equity in Applicon in Sweden - Investment in SEK	235.151	272.963

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 2020.

	2021	2020
USD	369.348	294.094
SEK	23.515	27.296

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.

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27. Market risk, contd.:

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

	Carrying amount	
	2021	2020
Financial assets on floating interest	1.794.624	1.172.714
Financial liabilities on floating interest	(1.062.375)	(743.258)
	732.249	429.456

A change of 100 basis points in interest rates at the reporting date would have increased results before income tax by ISK 7 million (2020: ISK 4 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 2020. 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.

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and borrowings	(1.062.375)	(1.062.375)	(743.258)	(755.076)

The Group's loans were refinanced during the year and therefore book value equals fair value at year-end 2021. 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 2.3% interest premium (2020: 1.6 - 3.6%). Fair value of financial liabilities falls under level 3 of the fair value hierarchy.

28. 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.

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29. 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 2021:

	Salaries and benefits	Contribution to pension funds	Share
Hjalti Þórarinsson, Chairman of the Board	7.753	892	0
Hildur Dungal, Vice Chairman of the Board	4.869	559	0
Ívar Kristjánsson, Board Member	4.752	641	1.600
Guðmundur Jóh. Jónsson, Board Member	4.113	555	587
Auður Björk Guðmundsdóttir, Board Member	3.500	402	0
Svafa Grönfeldt, former Board Member	802	92	0
Jón Björnsson, CEO	46.154	8.383	560
Key managers (8)*	238.754	41.639	1.076

* These are seven key managers at Origo hf. and the managing director of Applicon AB, totalling eight key members of management.

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 seven key managers at Origo hf. and managing director of Applicon AB, in total eight 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.

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30. Group entities

Origo hf.'s subsidiaries at year end are:

	Country	Shareholding 2021	2020
Application Consulting Sweden Holding AB	Sweden	100%	100%
Application Consulting Sweden AB	Sweden	100%	100%
Unimaze ehf.	Iceland	60%	60%
Tölvutek ehf.	Iceland	80%	80%
Syndis ehf.	Iceland	100%	0%
Eldhaf ehf.	Iceland	70%	0%

31. Fees to auditors

Fees to auditors of the Group in the year 2021 amounted to ISK 17 million (2020: ISK 17 million), whereof ISK 12 million (2020: ISK 11 million) was for the audit of financial statements. Fees to KPMG in Iceland amounted to ISK 15 million (2020: ISK 15 million) and ISK 2 million (2020: ISK 2 million) to KPMG in Sweden.

32. Financial ratios

Financial ratios for the Group:

Comprehensive income:	**2021**	**2020**
Inventory turnover - Cost of goods / Inventory at year-end	5,2	5,6
Receivables turnover - Receivables at period end / Sales of goods and services	23	22
Salary and salary related expenses / Sales of goods and services	39,0%	41,1%
Other operating expenses / Sales of goods and services	22,5%	22,8%
Profit for the year after tax / Sales of goods and services	8,6%	2,4%
Financial position:	**31.12.2021**	**31.12.2020**
Current ratio - current assets / current liabilities	1,42	1,27
Equity ratio - equity / capital	56,9%	56,7%

33. 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. The accounting standards that took effect on 1 January 2021 do not have a significant effect on the Group's financial statements.

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

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33. 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 Group 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.

33. 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 33 (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.

33. 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.

33. 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.

33. 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.

33. 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 goodwill

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

33. 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.

33. 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.

34. 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 2021 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 Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)
– Annual Improvements to IFRS Standards 2018–2020
– Reference to Conceptual Framework (Amendments to IFRS 3)
– Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
– IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
– Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
– Definition of Accounting Estimates (Amendments to IAS 8)

Quarterly Statements

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

2021	Q1	Q2	Q3	Q4	Total
Sales of goods and services	4.173.512	4.425.362	4.257.451	5.334.799	18.191.124
Cost of goods and cost of sold services	(3.079.475)	(3.307.671)	(3.115.630)	(3.869.010)	(13.371.786)
Gross profit	1.094.037	1.117.691	1.141.821	1.465.789	4.819.338
Operating expenses	(985.901)	(960.190)	(938.024)	(1.203.063)	(4.087.178)
Operating profit	108.136	157.501	203.797	262.725	732.159
Finance income	13.854	12.659	2.843	18.028	47.384
Finance expenses	(29.490)	(30.106)	(38.718)	(47.415)	(145.729)
Net finance expense	(15.636)	(17.447)	(35.875)	(29.387)	(98.345)
Effect of associates	102.643	47.246	60.413	755.797	966.099
Profit before income tax	195.143	187.300	228.335	989.135	1.599.913
Income tax	(14.278)	(33.174)	(35.849)	(22.176)	(105.477)
Profit for the period	180.865	154.126	192.486	966.959	1.494.436
Other comprehensive income recognised in equity:					
Translation difference for foreign operation	(17.558)	(70.314)	172.484	(14.588)	70.024
Income for the period recognised in equity	(17.558)	(70.314)	172.484	(14.588)	70.024
Total profit of the period	163.307	83.812	364.970	952.371	1.564.460
EBITDA	300.898	356.743	440.841	502.738	1.601.220

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Quarterly Statements, contd.:

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)
Effect 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. 2021 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 4 May 2020 Guðmundur Jóhann Jónsson, Hildur Dungal, Hjalti Þórarinsson, Ívar Kristjánsson and Auður Björk Guðmundsdóttir were self-elected to the Board. Hjalti Þórarinsson is Chairman of the Board and Hildur Dungal Vice Chairman.

The Group'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 Group. 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 2021. 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 Group.

The Group's corporate governance principles were approved at a Board meeting on 21 October 2021 and are accessible on the Group's website, www.origo.is. The principles take into account Act no. 2/1995 regarding Public Limited Companies, Act no. 3/2006 on annual accounts, Act no. 108/2007 on securities transactions and other general laws that apply to the business, rules on the issuers of financial instruments and the Group's articles of association.

During the year 2021, 8 Board meetings were held and 5 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 Group's auditors on a regular basis and participates in Board meetings when financial statements are being discussed.

Board of Directors of Origo hf.

According to the Group's Articles of Association the Board of Directors of Origo hf. is the highest authority in the Group's affairs between shareholders meetings. The dynamics on the Board of Directors and shareholder relations and communication are included in the Board's corporate governance principles, and are accessible on the Group's website www.origo.is. 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 Group's operations are in accordance with its resolutions. The Board shall ensure that sufficient controls are in place regarding the Group'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 Group'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.

Board of Directors and Corporate governance

The Board of Directors has four sub-committees; Audit Committee, Remuneration Committee, Nomination Committee and Technological Committee. Appointment rules and subcommittee roles can be found on the Group's website, www.origo.is

Audit Committee

The Board of Directors has appointed an Audit Committee and the committee's rules are accessible on the Group'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 Group'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 Group's auditor and assesses the auditor's independence and monitors its work. The audit committee consists of: Guðmundur Jóhann Jónsson, Auður Björk Guðmundsdóttir and Jón Gunnsteinn Hjálmarsson.

Remuneration Committee

The Remuneration Committees' role is to ensure that the remuneration of senior executives takes into account the Group's long-term performance, their own performance and the interests of the shareholder. The CEO is responsible for the remuneration of others and must ensure that the remuneration is always in accordance with the Remuneration Committee's policy. The policy of the Remuneration Committee is to ensure that the Group is always able to attract and retain qualified executives. The Remuneration Committee consists of: Hildur Dungal, Ívar Kristjánsson and Hjalti Þórarinsson.

Nomination Committee

The Nomination Committee's purpose is to increase transparency in the election of Directors in accordance with good corporate governance. Furthermore, the aim is to ensure that at all times the Group's Board of Directors has the skills, experience and knowledge necessary for it to be able to fulfill its obligations according to the Group's articles of association, the Act on Public Limited Companies no. 2/1995 as well as other laws and regulations that apply to the Group. The appointment to the nomination committee occurs as stated in the committee's rules and it shall consist three individuals for one year at a time. The Nomination Committee shall be guided by the interests of all shareholders and emphasize that the relevant and diverse qualifications, experience, knowledge and background of the Board of Directors and the Board as a whole are ensured. The Nomination Committee consists of: Ívar Kristjánsson, Eyþór Ívar Jónsson and Hanna María Jónsdóttir.

Compliance Officer

The Compliance Officer, appointed by the Board, oversees compliance with the rules on insider information and insider trading. Gunnar Petersen is the Group's Compliance Officer and Ólafur Arinbjörn Sigurðsson is the Compliance Officer's subsitute.

Role of CEO

The Board of Directors of Origo hf. hires the Group's Chief Executive Officer and decides on his remuneration. CEO is responsible for daily operations of the Group 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 Group in addition to organising and follow up on its daily operations. Furthermore, the CEO's role is to ensure that the Group's operations are in line with current legislation and rules at each time and ensure that the operations of subsidiaries are the same.

Board of Directors and Corporate governance, contd.:

Shareholders meetings

Legal shareholders meetings wield supreme power over the affairs of the Group. 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 Group at shareholders meetings.

Changes to the Group's Articles of Association

The Group'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 Group'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 Group at the 2021 Annual General Meeting and KPMG ehf. is also the auditor of the Group's subsidiaries in Iceland. KPMG in Sweden is the auditor of the Swedish subsidiary Applicon.

Internal control and risk management

To ensure that the Group's financial statements are in accordance with International Financial Reporting Standards, the Group has emphasized a well-defined area of responsibility, segregation of duties, as well as regular reporting and transparency in its operations. The process of monthly reporting together with reviews for individual departments is an important part of monitoring performance and other key aspects of operations. Monthly operating results are prepared and submitted to the Group's board. There are procedures in place to ensure monitoring of income recogntion, operating costs and other items that affect the Group's operations. Risk management is reviewed regularly to reflect changes in the Group's market conditions and operations. Through employee training and code of conduct, the Group aims for disciplined supervision where all employees are aware of their role and responsibilities. Operational risk is devised by monitoring transactions and compliance with law. The Board of Directors has set a policy that the Group's equity position is strong enough to support the continuous progress of the Group's operations.

A variety of risks are associated with Origo's day-to-day operations. An important part of Origo's operations and the Group's responsibility to society is to manage risk and make informed decisions. Risk management is therefore a fundamental part of the Group's operations. Executives and the Board of Directors, together with the Audit Committee, review and assess the financial and operational risk at their regular meetings. Internal control and risk management regarding financial information are set up to minimize the risk of misstatements. The Group does not have internal auditors but uses internal processes that are reviewed by the audit committee and external auditors.

The Group makes a financial and operating plan three to four times each year. The Group's Board of Directors approves the Group's policies and plans and deviations from the plans are reviewed every month.

Board of Directors and Corporate governance, contd.:

Internal control and risk management contd.:

Information security is and will be an increasingly important factor when it comes to protecting the valuable and fragile infrastructure of companies. Origo operates an ISO 27001 certified information security system. The Security Council, together with the Security Director, is responsible for Origo's information security and regularly report deviations and progress on risk assessment and risk management to the CEO and the Board of Directors. The risk assessment and risk management are based on the Group's most valuable assets that fall within the scope of certification. All major assets and information assets have been defined and an assessment is made of what risks are or could be present in relation to the asset in question. Security and risk assessments deliver improvements and define the risk level of valuables, in addition to supporting risk management as appropriate at any given time.

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 service companies that have been with Icelanders since its predecessor started selling office equipment in 1899. Origo's motto is "better technology improves lives" but Origo is a leading partner of companies (large and small), public institutions and individuals in Iceland. Origo employs over 500 people at home and abroad.

The Origo Group is made up of the Origo parent company and seven subsidiaries / companies in which Origo is a shareholder. The operations of the parent company can be divided into three, ie. software solutions, end-user solutions and business solutions. Within software solutions, Origo offers a wide range of own and resold solutions for the health, financial and tourism sectors. Within end-user solutions, the emphasis is largely on equipment sales, but Origo offers equipment from well-known manufacturers through retail and online stores such as Lenovo, IBM, Canon, Bose, Sony and NEC. Within business solutions, Origo provides various IT-related services and customer consultancy, most notably cloud, automation and security services. End-user solutions account for about 40% of the Group's revenue, while software solutions and business solutions account for about 30% each. Subsidiaries / companies in which Origo is a shareholder are the following:

1. Applicon (100%): Applicon offers a variety of software solutions for banks and financial companies. Applicon is located in Sweden
2. Eldhaf (70%): Eldhaf is an importer of Apple and Garmin products and operates a store in Akureyri.
3. Syndis (100%): Syndis is a leading IT company specializing in security solutions and consultancy. Syndis is located in Iceland.
4. Tempo (40%): Tempo offers an integrated solution for time registration, budgeting and resource planning. Tempo is a leading company in this field and sells e.g. to one in four of the Fortune 500 companies.
5. Tölvutek (80%): Tölvutek is a leading company in the sale of computer-related equipment to households and smaller companies in Iceland.
6. Unimaze (60%): Unimaze is a leading company in solutions relating to delivery and reception of electronic business documents. Unimaze has offices in three European countries.
7. Datalab (30%): DataLab develops solutions based on artificial intelligence technology and provides advice on the application of such solutions.

Origo hf.'s shares are listed at NASDAQ OMX Iceland hf. (the Icelandic Stock Exchange) under the short name ORIGO. Further information on Origo and its subsidiaries is accessible at the Group's website, www.origo.is.

Sustainability

Origo has put in place 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 Group 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 Group emphasizes that its actions will have a positive effect on the Group'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 hf. and also to its subsidiaries. The Group'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.

Sustainability, contd.

The project manager of the Group's sustainability matters is an employee located in the marketing and business development department. The CEO has the ultimate responsibility of the Group's sustainability matters. The team consists of the Managing Directors of marketing and business development, the CFO and the Managing Director of human resources. The team's main task is to formulate a sustainability policy and follow up on the progress being made. The team has an overview of working groups on environmental (U), social (F) and corporate governance (S).

Environment

Origo's environmental policy focuses on the environmental impact of the Group's operations and ways to reduce negative impacts. With its policy, Origo intends to focus on contributing towards sustainable development. The Group 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.

Social

Origo's focus on social issues is part of the Group'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 Group 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 Group's new code of ethics and supplier evaluation. The Group 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 Group'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 Group. 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 Group'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 Group's Board of Directors and to some extent to the work of the Group's CEO.

Non-financial information, contd.

Corporate governance, contd.

Emphasis is placed on regularly disclosing information regarding sustainability matters and for it to be assessed by an external party. Examples of the Group's corporate governance goals: 1. Origo asserts the rights of its employees. 2. Origo intends to review suppliers' codes of conduct and implement supplier assessments at its subsidiaries. 3. Implementing assessments of the Group's UFS risk.

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

Human resources

Origo employs a competent group of people who believe that cutting edge technology can have a big impact. Everything we do is done by people, in collaboration with people and for people. In human resources, we focus on a first-class work environment that promotes well-being and innovation. We focus on offering employees a great technological environment, where people get the opportunity to work with the newest technology as well as the essentials. We are constantly developing the workplace, the work environment, the equipment and the tools that employees use daily and we promote continuous improvement. We offer a great opportunity for development and growth in the workplace. We focus on team-building and encouraging each other's strengths.

Origo's goal is to increase the diversity of its working group by increasing the number of women in information technology and by hiring young aspiring individuals. The average number of employees of the Group during the year converted to full-time jobs was 564. The majority are employed by Origo hf. or 455 full-time equivalents. At Tölvutek the full-time equivalents were 21.4, 56 full-time equivalents at Applicon in Sweden, 9.5 full-time equivalents at Unimaze , 20 full-time equivalents at Syndis and 1.5 full-time equivalents at Eldhaf.

The gender ratios vary from company to company within the Origo Group. The Group worked systematically in 2021 to increase the number of women in the workforce. At the beginning of the year, 102 women were employed by the Group or 24% of its employees. At the end of the year, the proportion of women employed by the Group had reached 29%. The proportion of women at Applicon in Sweden is higher compared to companies in Iceland, where 34% of employees are women.

ISO 27001 certified Information security management system at Origo

Companies that choose to outsource operations and services to IT companies face a very important decision when it comes to choosing a partner in the field. One of the things that needs to be considered when making a decision is to get confirmation that the service provider operates a certified information security management system. Information security is and will be an increasingly important factor when it comes to protecting the valuables and sensitive infrastructure of companies and public institutions. It is very important that service providers seek all means to minimize the threats and risks that may be posed to the IT environment by using recognized and certified methods.

Origo operates ISO 27001, which is a certified information security management system, in addition to which the Group employs individuals who have been certified by the ITIL Foundation Certificate in IT Service Management. The Group places great emphasis on constantly increasing its employees' awareness and knowledge of information security. In addition the Group runs courses, exams and conferences regarding information safety, it also sends employees to more specific courses, e.g. regarding secure programming and Ethical Hacking. The Group conducts numerous tests each year on its infrastructure, as part of regular contingency and emergency planning. Additionally vulnerability tests are performed on the infrastructure and systems that the Group owns, services and operates.

Origo places great emphasis on ensuring that the Group's entire operating and service environment is secure and that the knowledge, qualifications and professionalism of its employees are exemplary when it comes to information security. The Group's goal is the customers first choice when choosing a partner for secure operation of information technology and services. Origo has been ISO 27001 certified since October 2004.

ISO 27001 certified Information security management system at Origo, contd.

Great emphasis is placed on customer safety at Origo and the subsidiary Syndis specializes in providing the Group, as well as companies and institutions, with services related to information security. Syndis is a leading information security company that assists customers by providing customized information security services and innovative security solutions to meet the demands and security needs of the modern technological environment.

Origo uses Syndis' services in terms of prevention, monitoring of key values and research for the benefit of the Group's infrastructure and when appropriate its customers service environment.

ITIL

The Group's information processing, processes and service management are based on a strong ITIL foundation, which has been built up by Origo's ITIL experts. ITIL's methodology ensures customers with robust services and the correct response, in addition to constantly aiming to minimize the potential impact of any disruptions that may arise. Service Level Agreements (SLA) have been developed with ITIL in mind and all service processes and management are structured according to the ITIL methodology.

The Group's goal is to be in the vanguard of the service providers that have implemented and adopted ITIL and ISO 27001 in order to promote a safe operating environment, both for their own infrastructure and for its customers.

Risk assessment and risk management

The risk assessment and risk management are based on the Group's most valuable assets that fall within the scope of certification. All key assets and information have been defined and an assessment is made of what the risks are or could arise in relation to the asset in question. Security and risk assessments deliver improvements and define the level of value, in addition to supporting risk management as appropriate at any given time.

The purpose of risk assessments 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 defined and documented measures

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 Group and its customers in times of growth or recession.

Despite the Covid-19 virus pandemic, the Group's operations have been successful, as the Group has activated its plans and taken other measures to minimize risk and prevent the virus from affecting the Group's operations and customer service. Organizational changes have been made to meet the reduced demand from tourism and related industries. One component of Origo's contingency plan, which is part of the ISO 27001 Information Security Management System, addresses virus and it is defined in three phases, the first level being the Preparedness Level, the second level being the Risk Level and the third the Emergency Level. The plan takes into account the preparedness levels of WHO and the Department of Civil Protection and Emergency Management, in addition to which it follows the recommendations of the Directorate of Health and the Chief Epidemiologist at any given time.

Origo has followed the level of preparedness that the Department of Civil Protection and Emergency Management has issued for Covid-19 each time and defined the presence of employees, teleworking and other measures with the aim of minimizing risk and ensuring the Group's operations and services. Origo's employees are always informed of the response plan and are advised in accordance with the plan. Gathering restrictions in housing, canteens and office areas were implemented as well as employees teleworking during the period in order to minimize the risk of group transmission.

Privacy and personal information processing at Origo

Origo places great emphasis on protecting and securing personal information. When Origo processes personal information on behalf of customers, e.g. relating to hosting and technical assistance, Origo acts as a so-called processor in the sense of the Privacy Act. In such cases, Origo processes personal information on behalf of and in accordance with the instructions of its customers. In 2021, a great deal of work has taken place at Origo to clarify processes and simplify agreements between Origo and its customers regarding the rights and obligations of each party when it comes to the processing of personal information. On the Group's website, you can now access Origo's terms and conditions for the processing of personal information that apply when Origo processes personal information on behalf of its customers.

Origo also processes personal information as a so-called responsible party. That for example applies to the Group's online store. Further information regarding this process and what rights individuals can exercise on the basis of the Privacy Act can be found on the Group's website.

Origo's privacy processes and procedures are part of the Group's information security management system based on the ISO 27001 standard. The processes and procedures are based on the ISO 27701: 2019 standard and have been adapted to the processes and procedures belonging to ISO 27001. The Group emphasizes that employees are aware of the requirements of secure handling of personal information and annually all employees attend courses and receive lectures to strengthen and maintain their knowledge.

In order to ensure compliance with the Privacy Act, the Group has appointed a Privacy Representative. His role is i.a. to be an advisor to employees and executives but also to receive errands from individuals that Origo may process personal information. You can contact the Group's Privacy Representative via the email personuvernd@origo.is. Origo also offers its customers solutions that facilitate their compliance with privacy laws, incl. the CCQ management system that ensures documentation and compliance with privacy laws.

Ensuring compliance of privacy legislations is a never-ending task, especially in an environment like Origo's where new technological solutions and developments are continuously being addressed. Therefore, a vision is formulated yearly for the coming years, and the year 2022 is no exception.