

2019

ANNUAL REPORT



StrongPoint

**We help retailers
to stand out, sustain growth and
spur productivity, leveraging the arising
opportunities within e-commerce and
in-store technology**

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Key figures 2017 - 2019

	2019	2018	2017	
Operating revenue ¹	1.111.696	1 067 684	951 477	KNOK
Annual growth	4.1	12.2	-15.1	%
EBITDA	98.219	67 457	52 446	KNOK
EBT	43.108	26 017	14 231	KNOK
Total assets	690.542	655 386	695 609	KNOK
Equity	263.904	265 137	281 013	KNOK
Equity ratio ²	38.2	40.5	40.4	%
Current ratio ³	1.07	1.19	1.02	
Earnings per share ⁴	0.72	0.30	0.23	NOK
Number of shares (average for year)	44.223	44 271	44 271	T
Number of shares 31.12	44.376	44 376	44 376	T
Share price (Oslo Børs)	12.00	8.95	11.10	NOK
Number of employees 31.12	531	538	580	

1) Operating revenue
Operating revenue includes profit from associated companies

2) Equity ratio
Equity 31 December x 100
Total assets 31 December

3) Current ratio
Current assets 31 December
Current liabilities 31 December

4) Earnings per share
Annual profit after tax
Average no. of shares

StrongPoint Group



CEO statement

We shop like never before. Both online and offline and everything in between. With delivery home, in-store or wherever we are. Around the clock. Combined with an ever-increasing competition and accelerating awareness among both retailers and consumers of consumption's environmental and social impact, global retailers are facing their biggest challenge ever: To stand out, sustain growth, and spur productivity.



Jacob Tveraabak
CEO of StrongPoint

Together with colleagues in the StrongPoint team, I recently visited EuroShop in Germany and NRF 2020 Big Show in New York, two of the most important retail shows on the planet. During busy days, we reinforced our partnerships with leading business and technology partners and received solid feedback on our solution offerings. The conferences also confirmed the 2025 growth strategy that StrongPoint presented for the first time at our Strategy Update Session in Oslo 12 February 2020.

In short, StrongPoint targets to be the retailers' trusted in-store technology and e-commerce partner. We will drive productivity for retailers through our leading portfolio of technology solutions and highly valued service and support offering.

In e-commerce, StrongPoint is offering a complete solution for managing and optimizing the entire flow of online orders from planning and picking to last mile delivery. In-store, StrongPoint's offering improves consumers' shopping experience from their first pick to check-out, and at the same time increasing retailers' productivity through automated, integrated, secure and cost-saving solutions. From stockroom to check-out.

Combined, StrongPoint's e-commerce and in-store solutions and services are very well positioned at the crossroads of multi-channel retailing: online growth and cost-cutting in offline retail. From a North European and grocery focused starting point, StrongPoint will pursue a three-step approach to a geographical expansion and growth:

- Roll-out of the full portfolio of current solutions in key markets, including Norway, Sweden, the Baltics and Spain, utilizing our strong sales, service and support organization and model, applying innovative tools and sharing of best practices.

- Roll-out of proprietary technology solutions in selected new markets, including the US, the Netherlands, Italy and Greece, through strong local presence, service and support, targeting the largest cost-buckets in offline and online grocery retail with existing and new solutions.
- Utilizing our market access platform for global retail technology providers targeting leading retailers in StrongPoint's key markets, leveraging our strong market- and one-stop-shop position.

In 2019 we continued delivering on the pillars described above, and experienced a 12 % revenue growth in Retail Technology. Our e-commerce business grew even stronger with revenues up more than 34 %. Combined, this contributed to an overall revenue growth of 4 % for the company with a solid momentum for our key growth segments. EBITDA for the year improved to MNOK 98.2, up from MNOK 67.5 in 2018, were IFRS effects in 2019 constituted of MNOK 23.4.

Overall, I am pleased with the organic growth in Retail Technology and the profitability improvement for the group. Especially as we have conducted many parallel changes during the year to prepare StrongPoint for the years ahead.

Finally, I would like to thank our customers for their trust, the members of the StrongPoint team for their continued dedication to the company, and investors for their continued faith in StrongPoint. After an eventful 2019, we are looking forward to an exciting 2020.

Jacob Tveraabak
CEO



The strong market fundamentals provide a double opportunity for StrongPoint

Retailers' needs

Pressure on brick & mortar retailers' margin

Pressure to establish online presence






Opportunities for StrongPoint

Technology solutions in-store to improve retailers' productivity and hence uphold margins

World-class e-commerce solutions for picking and delivery

2025 ambition

Year	BNOK ¹	EBITDA %
2025	2.5	13-15 %

 <p>Strong local expertise and presence in key markets²</p>	 <p>Roll-out of proprietary technology in selected markets³</p>	 <p>Market access platform for global technology providers in key markets⁴</p>	 <p>Best-in-class sales, service and support</p>	 <p>Profitable growth, cost control and a solid balance sheet</p>
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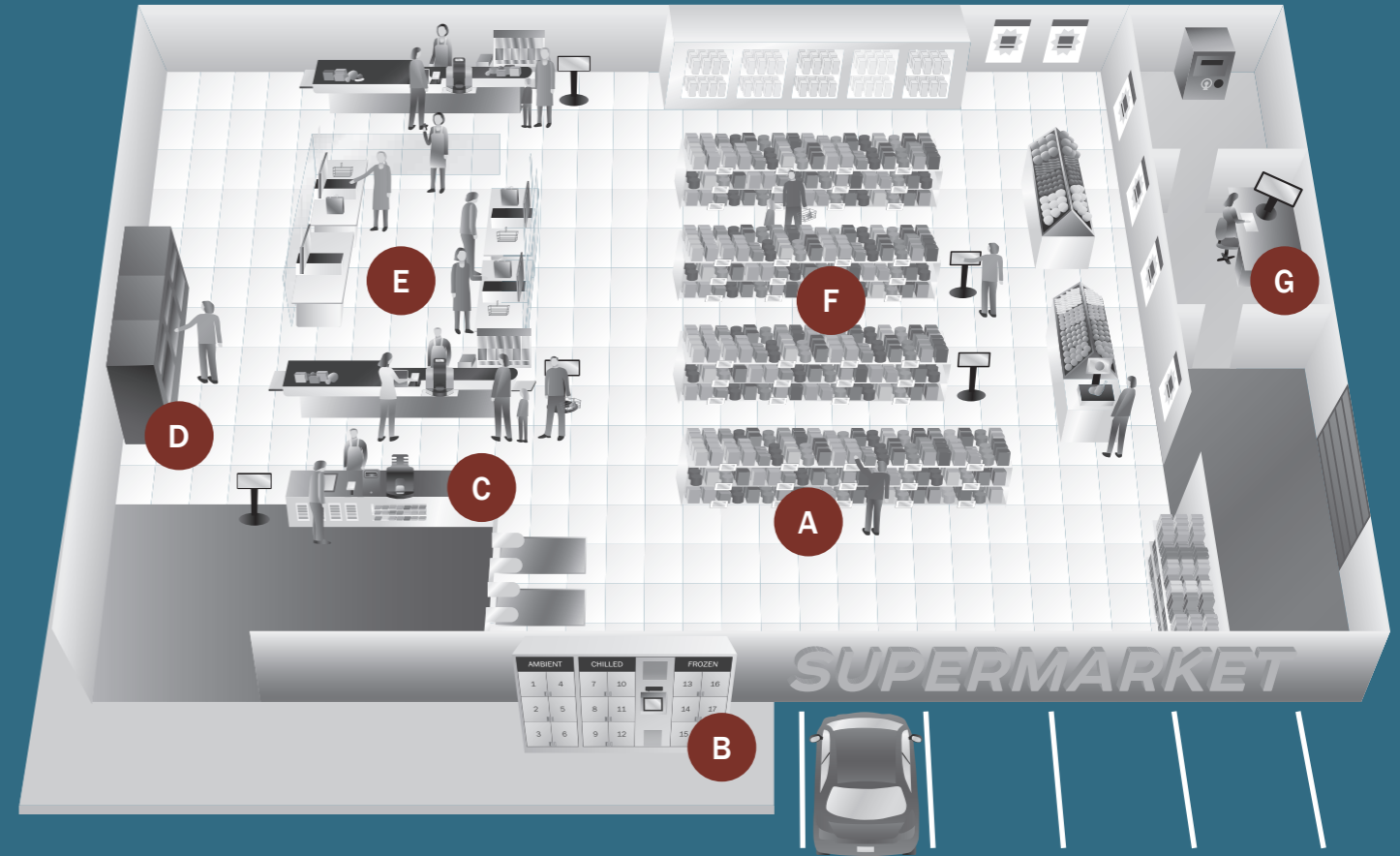
1) Organic growth ambition

2) Norway, Sweden, the Baltics and Spain

3) Cash Management solutions in e.g., Italy and Greece, and E-commerce solutions globally

4) The Nordics and the Baltics

In-store and e-commerce solutions



Pick & Collect

Pick & Collect makes order management a breeze for all retailers that offer online shopping. The solution leaves nothing to chance. It is a complete system managing control of assortments, picking - both in-store and in dark store-, sales recalls, zone- and multi picking, age control and all other details that make for an efficient and correct order picking solution.

AMBIENT		CHILLED		FROZEN	
1	4	7	10	13	16
2	5	8	11	14	17
3	6	9	12	15	18

Click & Collect lockers

Mobile and stationary grocery lockers enable retail customers to pick up their online orders in a fast and convenient way. The solution reduces costs as retailers can leverage the store as a distribution point, automating the process and saving on Last Mile deliveries. Click & Collect offers three temperature zones: ambient, chilled and frozen.



Cash Management

CashGuard is the fastest and most reliable Cash Management system on the market. The solution secures the cash and the cash handling process is automated at the checkout. Retailers get real-time control of their cash and thereby eliminate shrinkage. In addition, StrongPoint also delivers lower priced solutions - such as Compact, Unico and Core.



Vensafe

Vensafe is StrongPoint's solution for high value items that eliminates losses on such items and optimises inventory operations. High value items are stored in the secure Vensafe solution. The solution protects profits by preventing all losses due to shoplifting or employee theft.



Self-checkout

StrongPoint's Self-Checkout solution saves labour costs and improves the checkout experience. It has an independent software and hardware, which can be used together or in combination with existing hardware or software.



Electronic Shelf Labels

Pricer's Electronic Shelf Labels give retailers full control over pricing while eliminating all the usual sources of error that may occur between the checkout system and the shelf in the store. The customers always see the same price on the shelf as they do at the checkout because the prices on the shelf come directly from the store's cash register system.



Task & Labour Management

Reflexis' Workforce Management Tool and Task Manager are the industry-leading store operations solutions designed to simplify work for store associates. With the solutions, retailers can improve store execution and manage by exception in real-time with a single comprehensive solution.

Note: StrongPoint delivers in-store solutions such as Digi scales and wrapping systems and voice communication system from VoCoVo, and LS Retail, MS Dynamics retail management systems, and a Retail as a Service solution from Sunrise Technology.

Best-in-class sales, service and support

StrongPoint provides technology solutions together with consultative expertise to all its customers. The company build long-term relationships and provide personalised service on our customers' terms.

Retail customers

Maximum productivity
Excellent shopping experience

In-store and e-commerce solutions

Professional Services

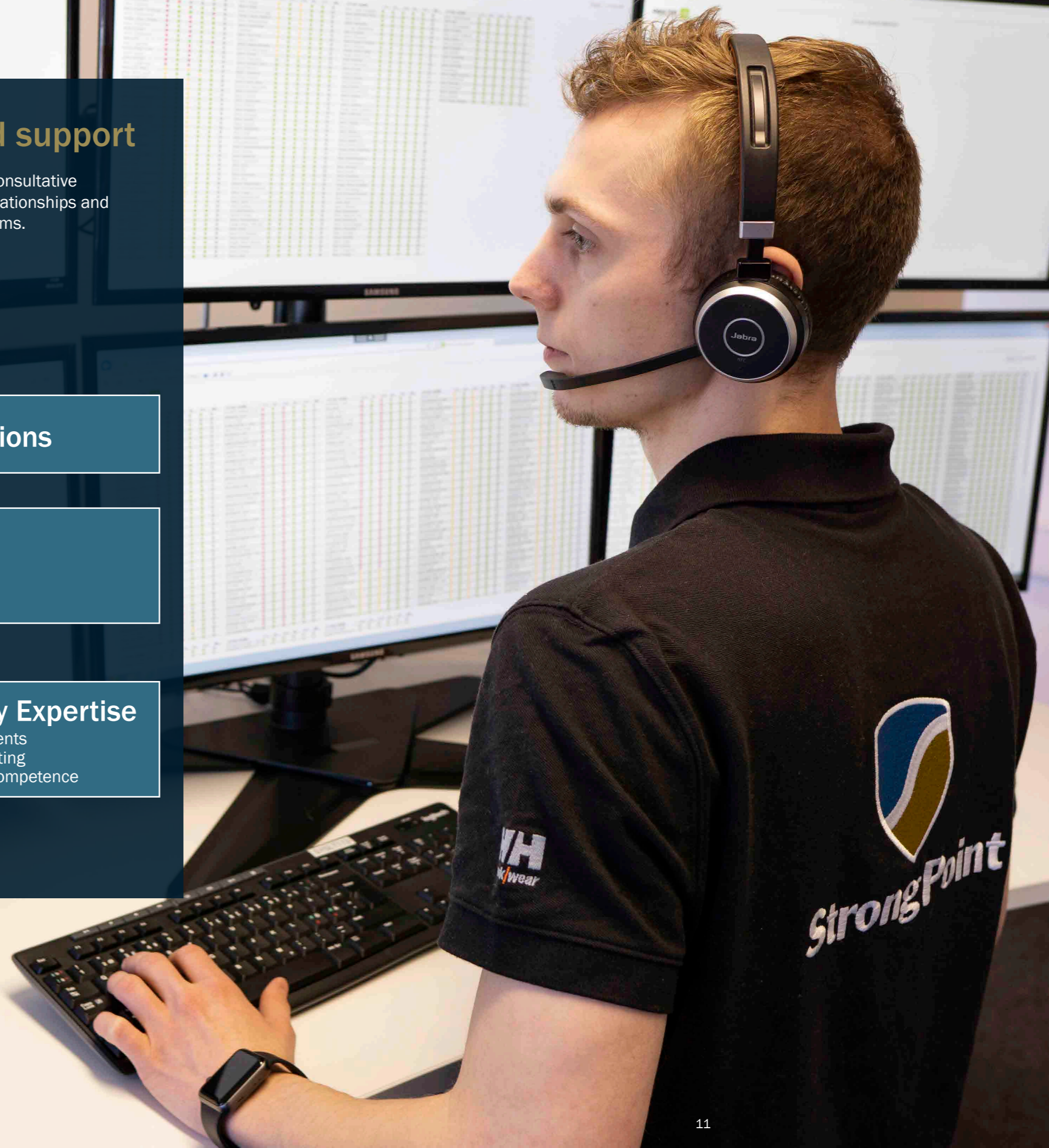
Analysis
Needs
Pains

Business Insights

Customer behaviour
Industry trends
Business intelligence

Technology Expertise

Patents
Testing
In-house competence



Retail Technology

StrongPoint develops, sells and implement technology solutions that streamline store operations, enable e-commerce, and simplify the shopping experience. The Business Area delivers proprietary solutions within In-store Productivity, E-commerce, Cash Management and Check Out Efficiency, as well as tailor-made retail solutions from leading third-party suppliers, including Electronic Shelf Labels (ESL), POS, ERP, consulting services, scales and wrapping machines.

MNOK	2016	2017	2018	2019
Product Sales	474.6	421.3	478.6	547.8
Service	267.4	255.5	277.0	295.7
Revenue	742.0	676.7	755.6	843.5
EBITDA	69.8	46.0	68.4	96.3
EBITDA-margin	9.7 %	6.8 %	9.1 %	11.4 %
EBT	54.4	27.9	64.2	66.1

1) Alimerka decided to purchase the rented CashGuards in Q2 2018, which gave a one-off effect of 36 MNOK on revenue and 21.3 MNOK on EBITDA..

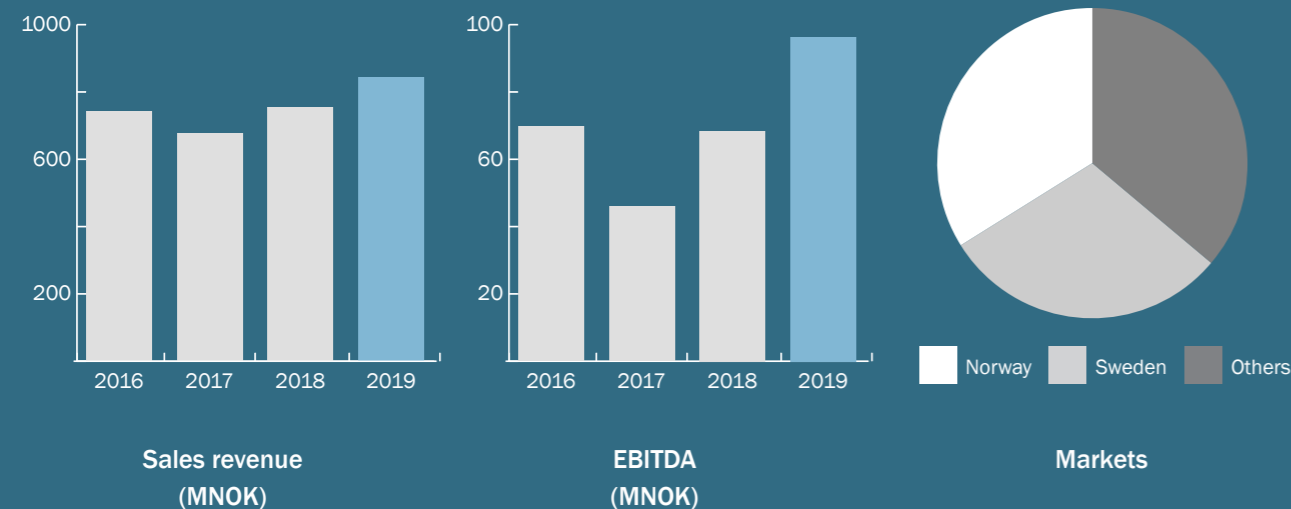
2) IFRS 16 had a positive effect on the EBITDA of MNOK 14.3 for 2019.

Retail Technology delivered an organic growth of 12 % compared to last year. The growth stems from both increased product sales and service, within almost all markets.

EBITDA increased to MNOK 96.3 (68.4), including the IFRS 16 effect of MNOK 14.3. This was a result of

higher revenues and margin improvements in combination with the MNOK 30 cost reduction initiative implemented at the end of 2018. At the same time, we have continued to invest in strategically important growth areas like e-commerce software and sales resources in Spain.

Retail Technology



Norway

MNOK	2016	2017	2018	2019
Product Sales	211.8	143.0	133.2	176.2
Service	119.8	99.8	94.0	109.2
Revenue	331.6	242.7	227.2	285.4

Norway achieved a growth rate of 25.6 % compared to last year, especially fuelled by product sales. Main drivers were deliveries of ESL and Vensafe, in addition to our service portfolio.

Sweden

MNOK	2016	2017	2018	2019
Product Sales	133.1	146.5	133.0	145.8
Service	85.2	79.1	108.7	106.5
Revenue	218.3	225.6	241.7	252.3

Revenue grew with 4.4 % in 2019 compared to last year. ESL and Vensafe represented the most important parts of the deliveries, in addition to our Pick & Collect and Click & Collect locker solutions.

Baltics

MNOK	2016	2017	2018	2019
Product Sales	50.1	57.0	61.2	107.7
Service	61.3	42.1	46.5	54.8
Revenue	111.4	99.1	107.7	162.5

The Baltic countries had a strong development with a 50.9 % growth and now represents 19 % of the business area. Good underlying operations and several large deliveries, especially within Self-Checkout solutions and ERP/POS projects contributed to the growth.

EMEA/Partners

MNOK	2016	2017	2018	2019
Product Sales	79.7	74.8	151.2	118.1
Service	1.1	34.5	27.7	25.2
Revenue	80.8	109.3	178.9	143.3

During the year, this business segment experienced substantial changes.

Malaysia, Belgium, France and Germany alle were converted from own operative offices to partner structures.

The Road Runners concept was implemented in Spain, in addition to Cash Management as-a-service. Almost 300 systems have been installed as-a-service solution in 2019.

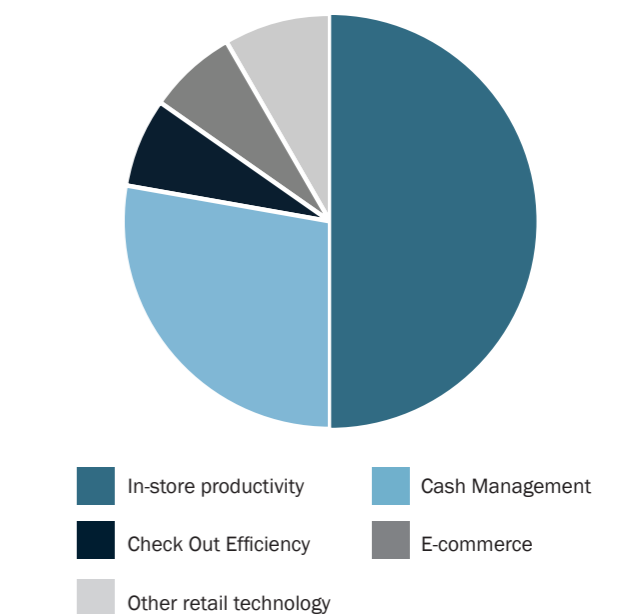
Our partner Bullion IT grew substantially through the year, and increased the backlog with 500 units of CashGuard to be delivered to First National Bank in South Africa in 2020.

The annual comparison vs 2018 was influenced by the sale of the Cash Management as-a-service contract to Alimerka. In 2018, this one-off payment influenced our revenue by MNOK 36.0 and EBITDA with MNOK 21.3.

E-commerce

E-commerce grew by 33.8 % compared to last year, mainly driven by our Click & Collect lockers and Pick & Collect solutions. Our e-commerce solution represented 5 % of total revenue for the full year. StrongPoint experiences great interest in the market for its e-commerce solutions. As an illustration, all the major retail grocery chains in Sweden have already implemented e-commerce solutions. Beyond this, a number of grocery and non-grocery retailers across Europe are evaluating different solutions for picking and delivery from StrongPoint.

Revenue Retail Technology (relative share)



Cash Security

Cash Security offers solutions for Cash In Transit (CIT). The business area focuses on innovative IBNS (Intelligent Banknote Neutralisation System) technology, which protects cash without the need for weapons or costly armored vehicles.

MNOK	2016	2017	2018	2019
Product Sales	174.2	71.7	105.7	87.9
Service	39.9	39.2	46.3	35.6
Revenue	214.1	110.9	152.0	123.5
EBITDA	41.5	1.4	2.9	13.5
EBITDA-margin	19.4 %	1.2 %	1.9 %	10.9 %
EBT	37.9	-0.8	0.8	7.8

*) IFRS 16 had a positive effect on the EBITDA of MNOK 3.9 for 2019.

The Cash Security revenue and profit are affected by few but large orders, which often leads to significant variations in quarterly and year-on-year comparisons.

In 2018 a few large orders were announced, some of the influenced also Q1 2019. In 2019 one large order from Sberbank of 885 CIT-cases were delivered in full in Q4 2019. In sum there was a decline in revenue of 19 % for the full year.

The full year EBITDA, however, increased with MNOK 10.6 compared to last year. 2018 was highly influenced by warranty issues and related cost that have been avoided in 2019. The business area focuses continuously on quality and improvements.

A LEAN project was initiated to better align our cost base with activity levels and is now under implementation. A new and expected more productive assembly line is up and running, and contributes partly to the improved profitability already in Q4. We expect a bottom-line impact of at least MNOK 5 p.a. from this initiative as of year-end 2019, stemming from improved productivity, cost effects in procurement, and lower quality costs.

The business area has its own sales and service organization in Sweden, Russia, France, Belgium and Norway, as well as partners in several countries, including Italy, Bosnia, Croatia, Serbia and the UK.

Labels

Labels has leading expertise in the design and production of adhesive labels. The business area is well adapted to today's market situation with efficient work processes, new technology and modern facilities.

MNOK	2016	2017	2018	2019
Revenue	179.0	176.4	165.6	163.8
EBITDA	18.2	24.9	22.9	21.9
EBITDA-margin	10.2 %	14.1 %	13.9 %	13.4 %
EBT	4.2	9.8	9.0	4.2

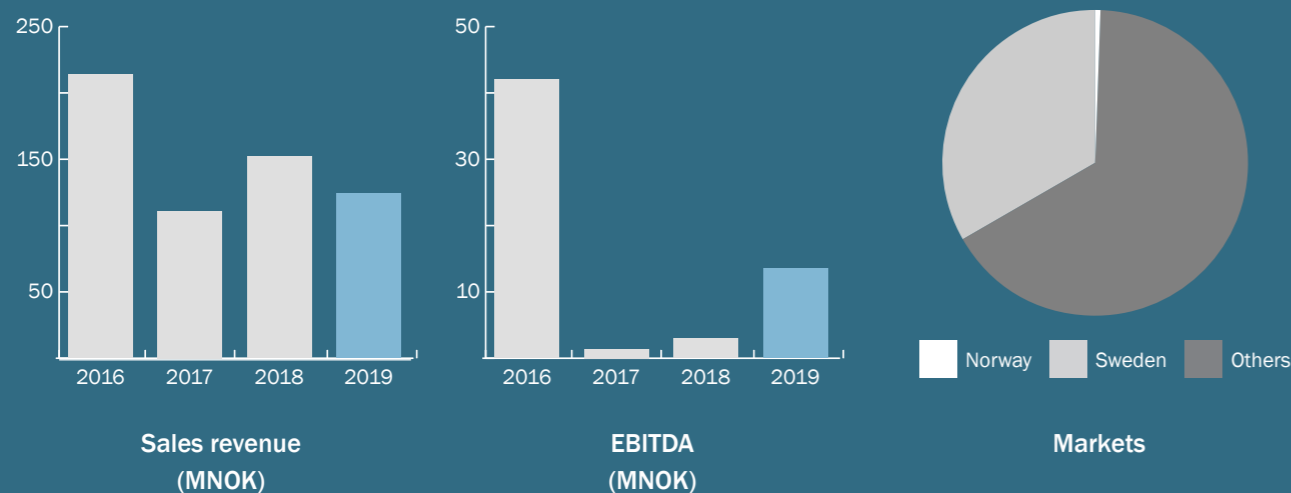
*) The transition to IFRS 16 had a positive effect on the EBITDA of MNOK 5.0 for 2019.

Operating revenue in 2019 decreased by 1 % compared to last year. Lower demand in general in both the Norwegian and Swedish market are the main drivers for the decline. Margin pressure in a highly competitive market led to reduced margins when adjusting for the IFRS effect.

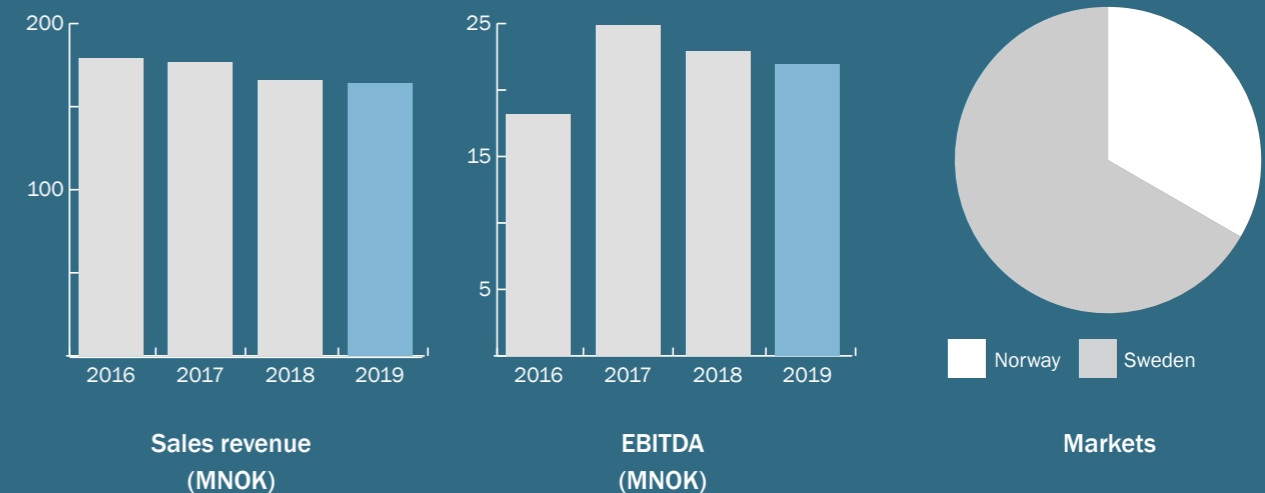
StrongPoint has accepted an initial offer for compensation from BaneNor of MNOK 55.6 to relocate from its label facility in Norway. The railway construction work was estimated to start 2020/2021. However, BaneNor has communicated a delay to 2021/2022. The compensation fee and time of payment is subject to BaneNor's Board approval and the finalization of the agreement between the parties.

The business area is among the largest suppliers of adhesive labels in the Swedish and Norwegian markets. Labels uses FSC-certified material from EU/EEA/UK in its label production to ensure that the paper is produced in a sustainable manner, and that the production meets the regulations for health and safety in the EU. The label factory in Sweden was certified according to ISO 9001 and ISO 14001 in December 2019. There will be a continued focus on further streamlining and digitalization of production and administrative processes.

Cash Security



Labels





Key events 2019

Q1

- ▶ Electronic Shelf Labels for Rimi Baltic.
- ▶ Strong increase in sale of Vensafe in Norway and Sweden.
- ▶ Partner agreement with Harting Systems regarding the development and sale of Self-Checkout solutions in Germany
- ▶ Production of labels using RFID technology from Labels to retail customers.

Q2

- ▶ Delivery of the first Click & Collect solution to an ICA store in Sweden.
- ▶ Self-Checkout solutions to "top!" and Mego in the Baltics.
- ▶ Partner agreement with Reflexis Systems for the Nordics and the Baltics, and Optical Phusion (OPI) for e-commerce solutions in North America.

Q3

- ▶ Approx. 80 % growth in sale of e-commerce solutions and continued deliveries to retailers in primary markets.
- ▶ Delivered the first integrated automated age verification based on facial recognition in our Self-Checkout and Vensafe solutions in the Baltics.
- ▶ Completed the first installations of the new customer-facing payment solutions CashGuard Unico and Compact.
- ▶ Partner agreement with Exclusivas Iglesias for distribution of StrongPoint's solutions in Portugal.

Q4

- ▶ Contract to deliver 20 Click & Collect lockers to COOP Sweden in 2020.
- ▶ Signed order with partner Bullion IT for delivery of 500 CashGuard Premium units to First National Bank in South Africa.
- ▶ Delivery of 885 CIT-cases to Sberbank, Russia, during the quarter.
- ▶ Finalisation of beta version of 3rd generation Pick & Collect software
- ▶ Completion of integrated Self-Checkout solution with Harting Systems' checkout zone.
- ▶ Launch of Click & Collect lockers on wheels (mobile lockers).

Environmental, social and governance (ESG)

1. Implementation and reporting on ESG

The 2025 growth strategy for StrongPoint can only be put into reality by performing our business in a responsible manner. Our goal is to be the best owner and employer for all businesses under the StrongPoint-umbrella, and to be retailers' trusted in-store technology and e-commerce partner. We can not fulfill this vision without taking into account the significant impacts of retail on the environment and our society.

For us, it makes business sense to strive to minimize negative environmental and social effects of our business. This whilst maximizing the positive effects such as job creation, new and safer solutions for our customers as well as more environmentally sound technologies. In 2019 we include for the first time a dedicated chapter on Environmental, Social and Governance (ESG) topics in our annual report.

This year, We focus on three core topics close to our operations: the environment, the working environment and business ethics. Three topics that are crucial for our ability to succeed and delivering on our strategy going forward.

The natural environment and climate are affected directly and indirectly by StrongPoint's business activities. and 2019 became the year when the broader business community recognized the need for climate action. Our individual sites have worked systematically in environmental management over time – earning the ISO 14001 certification on environmental management. Our Swedish sites are pioneers in our company, being early movers in CO2-accounting and purchasing guarantees of origin to reduce their indirect emissions from electricity use. Going forward, we will work to implement systematic environmental management and reporting across all our sites.

The working environment in StrongPoint is key to delivering results. and employees are key stakeholders to the company. In 2019 we have had a strong focus moving towards operating as one company across our

locations and business units. Our strategic approach to geographical expansion and growth also affected our workforce and social impact. Strategic downsizing and wind-downs in Malaysia and Europe directly affects both organization size and employee turnover. These processes are a necessary measure to improve our competitiveness and future-proofing our organization to focus on selected markets. We do however recognize the need to handle downsizing in a responsible manner with respect for the individual.

Maintaining and increasing our employee engagement is both a goal in itself to promote a good working environment, but also a tool to improve business performance. Implementing our monthly employee engagement surveys have helped identify specific actions per business unit that will improve us as a company going forward.

Another important part is to define our core values which will be guiding our company culture. Recognizing that our culture, values and business ethics are closely connected, we will roll out our new company values in 2020, alongside updating our Code of Conduct and take measures to improve business ethics awareness across our business units. We believe that a strong company culture, combined with awareness training and good governance mechanisms can help reduce risks and make sure we can proactively handle any potential cases of misconduct.

In 2019 we have initiated and concluded on many parallel changes throughout the year to prepare StrongPoint for the years ahead. Now we look forward to further strengthen our ESG management and reporting, to ensure sustainable operations and build trust with our stakeholders.



Jacob Tveraabak
CEO

2. About StrongPoint's business operations

StrongPoint strives to improve the way retailers do business. This applies to everybody working at StrongPoint, but also to our committed partners providing their markets with the local expertise.

StrongPoint employs 531 people in Norway, Sweden, the Baltics, France, Germany, Belgium, Spain and Russia. StrongPoint is headquartered in Rælingen, Norway, just outside Oslo. Our customers are primarily located in Europe.

StrongPoint ASA is organized in three business areas; Retail Technology, Cash Security and Labels. The Company's services include solutions that improve the checkout environment, secure cash in transit, and label design and printing.

StrongPoint provides retailers with integrated technology solutions that increase productivity and improve the shopping experience in stores and online. The Cash Security business area provides solutions for secure cash logistics. The Labels business area offers adhesive labels for any product and application.

In the smaller European markets, StrongPoint is represented by local agents and partners. For larger customers and in the Nordic countries, StrongPoint is the main point of contact for customers.

3. Our responsibility

As a company providing retail technology and cash security solutions, our main responsibility is to ensure safe and secure products simplifying and improving the way retailers do business.

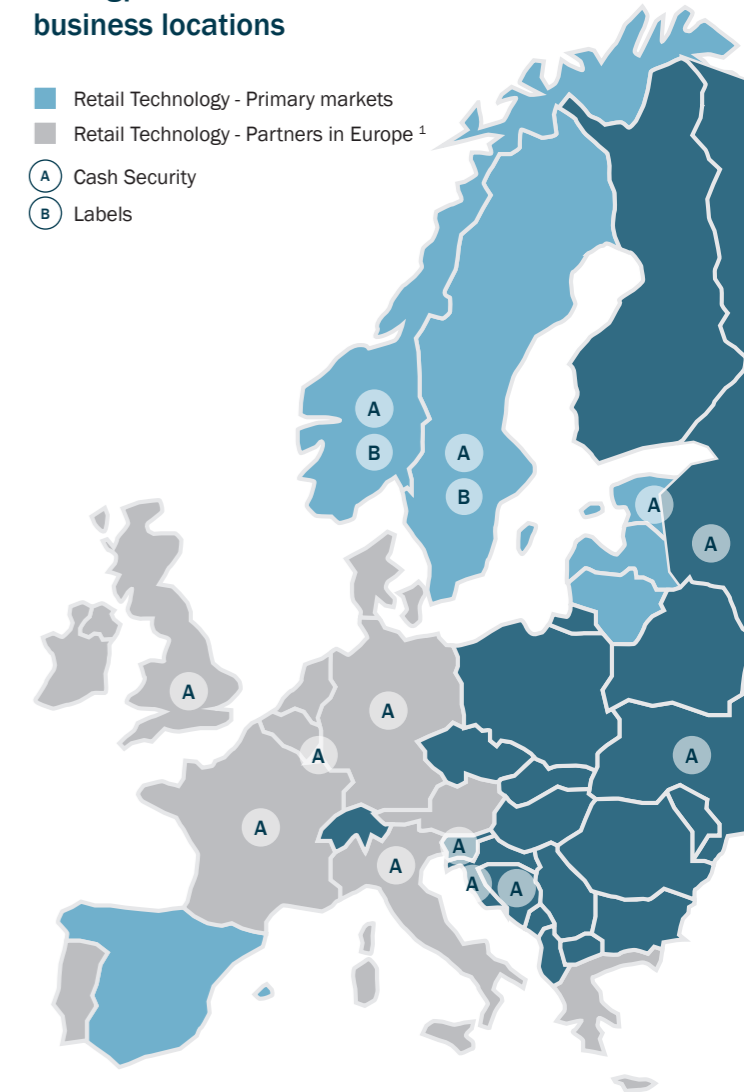
With a revenue of KNOK 1 111.7 and 531 employees across our 18 locations we also have a responsibility as an employer and contributor to local value creation in the societies where we operate.

Sustainability is an integrated part of our core business. This means that both economical, social and environmental aspects are considered before decisions are made. All parts of StrongPoint are responsible for integrating sustainability in their daily work.

As a stock market listed company we have the responsibility to follow all relevant legislation, regulations and standards. StrongPoint ASA shall provide the stock market with relevant, comprehensive and up-to-date information as the basis for a balanced, correct valuation of the share.

Strongpoint ASA's business locations

- Retail Technology - Primary markets
- Retail Technology - Partners in Europe ¹
- A Cash Security
- B Labels



¹) Outside Europe: USA, Canada, Malaysia, Australia, and South Africa

For more information about ESG



Hilde Horn Gilen
CFO



Erik Vaag
SVP People & Organisation Development

Our corporate governance is covered on page 80 in this report and follows the NUES recommendation for corporate governance to ensure an appropriate and efficient governance. StrongPoint comply with the Oslo Stock Exchange Code of Practice for IR of 1 July 2019. This is further described in chapter 13 on Corporate Governance.

Business ethics and governance at the company level is governed by our Code of Conduct which is the steering guidelines for all who work for StrongPoint ASA. The Code of conduct clearly states StrongPoint's expectations for personal conduct and business practice in StrongPoint ASA, our subsidiaries and entities under our control. The Code of Conduct covers matters concerning environment, working environment, information security and business ethics. The full Code of Conduct is available through StrongPoint's website. The implementation and follow-up of the principles in the Code of Conduct is the responsibility of the Executive Management Team in StrongPoint ASA.

Reporting themes and topics for 2019

For 2019 we are prioritizing ESG reporting on key topics regarding:

- Environment and climate emissions
- Working environment
- Business ethics and anti-corruption

For the 2020 reporting cycle the company is planning to undertake systematic stakeholder dialogue and a materiality assessment according to Global Reporting Initiative and Euronext guidelines to ensure relevant reporting topics going forward.

4. Environmental and climate emissions

StrongPoint will act responsibly with an ambition to reduce direct and indirect negative influences on the external environment. StrongPoint will adhere to relevant international and local laws and standards, seeking to minimize negative environmental impact from our operations.

Our most significant direct environmental impacts stem from our production facilities and our most important indirect environmental impacts in our value chain come from transportation and the end-of-life treatment for some of our products.

For climate impacts, Greenhouse Gases (GHG)

emissions are reported for our Norwegian and Swedish entities for 2019. The most significant sources of direct emissions are indirect (Scope 2) from purchased electricity and district heating. Combustion of fossile fuels from company vehicles and on-site combustion, so-called indirect emissions (Scope 2) are the second largest source of emissions. Some of our plants in Sweden buy guarantees of origin for their electricity, which guarantees renewable energy with no associated GHG emissions.

GHG emissions are calculated according to the GHG protocol published by the World Business Council for Sustainable Development (WBCSD) and World Resources Institute. Scope 1 emissions are calculated using emission factors for fuel combustion from DEFRA UK. Scope 2 emissions are calculated using market based emission factors from the RE-DISS Project, assuming a European (2018) residual mix.

We will work systematically to ensure the products we manufacture or resell are made by leading suppliers with a clear policy for sustainability and with sustainability in their own organization and supply chain.

StrongPoint sites are certified according to the following quality and environmental management standards:

- ISO 14001 – Environmental Management

To minimize negative impacts from electronic waste we have introduced a cooperation with EMC Europe, which is a partner of UNICEF, for recycling used IT and telecom equipment. In 2019, product take-backs after end-of-life has been implemented for some of our cash management products, as a pilot with potential for scaling up.

GHG emissions Locations	Tonnes CO2 equivalents		
	Scope 1	Scope 2 (Market based)	Total
Norway	75.2	471.5	546.7
Sweden	348.6	347	695.6
Baltic / Russia	487.9	280	767.9
EMEA	0	251.8	251.8
Group total	911,7	1350,3	2262,0

Goals and targets for 2020

For 2020 StrongPoint has set the following goals on Environment and Climate impacts.

- Start quarterly reporting on Scope 1 and 2
- Start reporting on waste generation and waste management for all production sites and warehouses

5. Working environment

As stated in the Code of Conduct, StrongPoint will conduct its business in a manner designed to protect the interests of its employees including their health and safety. The Company expects the employees to exercise the highest standards of professional integrity.

In 2019, the company employed 531 people, 406 men and 125 women. Women make up about 24 % of the StrongPoint workforce in 2019. Out of 531 employees, 509 are full time employees, while 22 are part time employees.

StrongPoint aims to provide a workplace with a good working environment. The Group is implementing measures to promote the employees' professional development, prevent illness and accidents, and improve the overall work environment. All employees in the Group shall have standardized employment contracts. Employee representatives are in place in Norway and Sweden. Employee relations are handled according to local legislation in all other countries.

The Company prohibits discrimination against any employee on the basis of age, gender, sexual orientation, disability, race, nationality, political opinions, religion or ethnic background, or any other basis prohibited by law. The Company does not tolerate harassment or degrading treatments in any form by or towards employees.

Locations	Number of employees 31.12.19
Norway	82
Sweden	222
Baltic / Russia	183
EMEA / Partner	44
Group total	531

Absence and work-related injuries	2017	2018	2019
Absence due to illness	2.5 %	1.5 %	2.7 %
Number of fatal occupational injuries	0	0	0
Number of occupational injuries causing permanent incapacity for work	0	0	0

Locations	2019 Employee turnover rate (%)
Norway	2.5
Sweden	11.1
Baltic / Russia	16.1
EMEA / Spain	32.3
Total	13.4

In 2019, the employee turnover rate has been 13.4 %, including employees who has left the company and those who retired this year. Due to closing in Malaysia and Belgium, and downsizing in France and Technology (in the Baltics and Sweden), turnover rates for these sites are higher than for normal operations. The company has not been in any legal processes concerning working environment or employee relations in 2019.

In 2019, the focus has been on becoming one integrated company. A horizontal "Solutions Board" has been implemented where all relevant business units are represented. On the working environment, the Employee Engagement Tool Peakon has been introduced, allowing us to measure the employee experience for all employees and managers in StrongPoint. These micro-surveys are run monthly, replacing a classic once a year employee survey. Results in employee engagement from the first survey was implemented in February 2019 to the end of the year has been a significant improvement in employee engagement.

End of Year Peakon Employee Net Promoter Score	2019
eNPS December 2019	31

For StrongPoint, the overall eNPS achieved at the end of 2019 (measured December 2019) is 31, which is a 16 point improvement since first introducing the survey, and 12 points above the benchmark set by Peakon.

Number of reported and sanctioned discrimination and harassment cases	2019
Number of reported discrimination and harassment cases	0
Number of sanctioned discrimination and harassment cases	0

Goals and targets for 2020

- Measuring and improving employee engagement (KPI: average employee engagement/employee satisfaction score)
- Reduce employee turnover rate (KPI: employee turnover rate)
- Maintain a low employee absence rate (KPI: employee absence rate below 3 %)

6. Business ethics and anti-corruption

The StrongPoint Code of conduct is the overarching document describing the standards and expectations set by the company for all who work for StrongPoint ASA.

In 2019, a process has been initiated to update our company core values, so that they reflect our company culture and aspirations. A strong company culture and a continued focus on business ethics is a prerequisite for risk management and a strong business performance.

StrongPoint has a zero tolerance for corruption. This includes all directors and employees of the Group and companies and persons acting on behalf of the Group. Supervisors are responsible for both promoting and monitoring compliance with the Code of Conduct within their respective area of responsibility. Violation of the Code of Conduct will not be tolerated and may lead to internal disciplinary action, dismissal or criminal prosecution.

If an employee or external party comes across a possible breach of laws, regulations or StrongPoint's Code of Conduct, or any other possible unethical issues in StrongPoint, we encourage reporting this. Concerns can be raised by reporting to an immediate superior or directly to anyone in the management team. Reports can also be made directly to the Audit Committee at StrongPoint.

Examples of issues we want all employees to report instantly are;

- Breach of the Code of Conduct
- Breach of the local labour laws, discrimination, harassment or conditions that impose a threat for health and safety for employees, customers, partners or other stakeholders
- Environmental crime
- Financial crime, such as fraud, corruption or theft
- Activities that might damage property or infrastructure

A message of concern cannot and will not be used against the reporting employee in any way. StrongPoint has not been in any legal proceedings related to business ethics in 2019.

Number of reported potential corruption or business ethics cases and number of sanctioned cases	2019
Reported	0
Sanctioned	0

Goals and targets for 2020

- Review and update our Code of Conduct according to the UN Global Compact principles as well as our new company core values
- Establish core values and implement for all employees (KPI: share of employees who has attended values session)
- Number of (new) employees who has signed Code of Conduct as part of employment contract
- Undertake risk assessment screening of suppliers and partners for corruption risk (KPI: share of suppliers and partners per risk category)
- Develop supplier guidelines for anti-corruption and business ethics (KPI: Share of suppliers who has signed anti-corruption guidelines)

StrongPoint Executive Management



Jacob Tveraabak
CEO



Hilde Horn Gilen
CFO



Erik Vaag
SVP People & Organisation Development



Per Haagensen
SVP Norway



Göran Thörn
SVP Sweden & E-commerce



Rimantas Mažulis
SVP Baltics



Trond Kongrød
SVP Spain & EMEA



Julius Stulpinas
SVP Technology & Supply Chain



Lars-Åke Köpper
SVP Cash Security



Leif Persson
SVP Labels

2019 Board of Directors' report

StrongPoint develops, sells and implement technology solutions that streamline store operations, enable e-commerce, and simplify the shopping experience. StrongPoint offers best-in-class service and consultancy expertise through its team of 530 employees. StrongPoint is headquartered in Rælingen, Norway, and listed on the Oslo Stock Exchange (ticker: STRONG).

2019 financial review

- Operating revenues for the Group increased by 4.1 % to MNOK 1 111.7 (1 067.7).
- Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to MNOK 98.2 (67.5), and profit after tax was MNOK 31.9 (13.4).
- Total Group capital per 31 December 2019 was MNOK 690.5 (655.4), and equity was MNOK 263.9. This resulted in an equity ratio of 38.2 per cent
- Interest bearing liabilities, reduced by bank deposits, amounted to MNOK 102.8 at the end of 2019.
- The Group has a common cash pool, which offers more efficient utilisation of Group liquidity and cash flow. The loan agreement with the Group's main bank is subject to a covenant whereby the relationship between net interest-bearing debt and 12-month rolling earnings before depreciation (EBITDA) must not exceed 3.5. This is measured on a monthly basis and was 1.0 per 31 December 2019.
- Group liquidity at the end of the year was MNOK 74.2, of which available credit facilities amounted to MNOK 34.7.
- Cash flow from operational activities was MNOK 80.6 (21.4), and working capital increased by MNOK 1.1 in 2019.
- Investments in tangible assets of MNOK 15.8 were capitalised during the year.

Events after the balance sheet date

- 21 January 2020: Announces changes in the Executive Management Team
- 10 February 2020: Partners with Sunrise Technology
- 12 February 2020: Announces 2025 strategic ambitions

Retail Technology

MNOK	Year	
	2019	2018
Product Sales	547.8	478.6
Service	295.7	277.0
Revenue	843.5	755.6
EBITDA	96.3	68.4
EBITDA-margin	11.4 %	9.1 %
EBIT	66.1	64.2

Retail Technology include sale and service to retailers especially in Norway, Sweden, the Baltics and Spain. The business area went through several restructuring activities during 2019. The cost reduction programme decided in 2018 was completed with a MNOK 30 effect. Some of the savings were invested in product development and competence. Retail offices in Malaysia, Russia, Belgium, France and Germany were decided to be closed during the year, and sales going forward will be handled by partners in these countries.

The business area invests considerable amounts each year to develop and improve proprietary technology. In addition, several technology partners like Harting Systems and Reflexis, were signed during the year.

Cash Security

MNOK	Year	
	2019	2018
Product Sales	87.9	105.7
Service	35.6	46.3
Revenue	123.5	152.0
EBITDA	13.5	2.9
EBITDA-margin	10.9 %	1.9 %
EBIT	7.8	0.8

Cash Security primarily delivers Cash-In-Transit Security solutions towards cash handling customers in Europe. The business area had a decline in revenue from 2018 to 2019. The revenue is influenced by some few large orders. The largest order in 2019 was 885 cases delivered to Sberbank, the largest bank in Russia. The business area was ISO 9001 certified early 2020.

Labels

MNOK	Year	
	2019	2018
Revenue	163.8	165.6
EBITDA	21.9	22.9
EBITDA-margin	13.4 %	13.9 %
EBIT	4.2	9.0

Labels offers leading expertise and efficient production of adhesive labels for customers in Norway and Sweden. The business area experienced some reduction in both revenue and margins compared to last year. The business area was ISO 9001 certified during 2019.

Employees and organization

The group had 531 employees as of 31 December 2019. The company has a share program for the executive management and the company's employees. Through these programmes, employees subscribed to 89.706 shares in 2019.

StrongPoint aims to be a workplace with a good working environment. The group has taken measures aimed at promoting employee professional development, preventing sick leave and improving the overall working environment. All employees in the subsidiaries have standardised employment contracts.

Total sick leave in the company were estimated at 2.7 per cent compared to 1.5 per cent the previous year. No employees were injured and there were no occupational accidents during the year.

The group aims to be an inclusive workplace with full equality between women and men, based on qualifications, without regard to age, religion or origin. The group's Board of Directors comprises of 40 per cent women.

There were 125 women among the group's 531 employees at the end of the year. The new Executive Management Team, announced 21 January 2020, comprises of two women.

StrongPoint has not put in place any special measures to promote the inclusion of groups underrepresented in the labour market. Qualifications will be decisive in the hiring of future employees.

Product development

The group has put significant resources into the development of products. No development costs were capitalised in 2019. Some of the projects have been part funded by the SkatteFUNN tax incentive scheme.

Risk

Historically, the group's home markets have been robust in the face of recession, as investments in the grocery sector has not been greatly affected by financial and macroeconomic changes.

The group's operations have resulted in exposure to currency and interest risk. Financial instruments are not normally used to mitigate this risk. Receivables and liabilities have also resulted in financial risk. The group's interest-bearing debt has had a floating interest rate. Current market conditions may have resulted in increased challenges in accounts receivable and could thus impact the company's credit risk. These matters also have implications for liquidity risk. The group has managed liquidity risk by monitoring anticipated future operational cash flow, as well as available cash and credit facilities, to ensure sufficiency for operational and financial commitments.

From an overall assessment of customer satisfaction, market position, market demand and financial position, the Board of Directors considers that there is a basis for continued operations, and the annual financial statements were prepared with the assumption of a going concern.

In the opinion of the Board, the income statement, balance sheet and notes presented are a true and fair view of the company's position and profit from activities in 2019. The Board of Directors is not aware of any other matters relevant for assessing the company beside what is stated in the annual report.

Ownership and corporate governance

StrongPoint's policy on corporate governance is presented at the end of the group's annual report and on the website.

The policy contains information pursuant to Section 3-3b of the Accounting Act. The group's strategy, development, organisation and capital structure were the main focus of Board meetings in 2019. The Board has two subcommittees: an audit committee and remuneration committee. The audit committee comprises two Board members. The committee reviewed quarterly and annual financial statements, as well as the group's main risk categories. The committee also assessed its internal controls, including internal controls related to financial reporting, as well as the quality of risk management systems and audit work.

Ethics, environment and corporate social responsibility

Corporate social responsibility and sustainability are integral to StrongPoint's operations. This means economic, social and environmental aspects are considered before making decisions. Broad confidence and credibility are essential for StrongPoint to meet its business objectives. The group has achieved this by creating and maintaining a culture built on high ethical standards and responsible conduct. The policy includes information pursuant to Section 3-3c of the Accounting Act.

StrongPoint's operations follow established public procedures to prevent pollution of the external environment and comply with relevant international and local legislation and standards. Some subsidiaries sell and store products classified as environmentally hazardous if the waste is not managed in accordance with applicable regulations.

Subsidiaries have contracts with authorised return organisations. There were no emissions of environmentally harmful substances in 2019, and the group's clear goal is for there to be none in 2020. StrongPoint's customers have the option to return products at the end of their life to ensure they are handled in an environmentally responsible manner. Many of the StrongPoint's clients have utilized this option, and the group will maintain it going forward.

For more about the StrongPoint's policies on environment, social and governance, ESG, please see page 18 to 22 of this report.

Corruption and whistleblowing

StrongPoint has zero tolerance for corruption. This applies to all employees, companies and persons acting on behalf of the group. StrongPoint's zero tolerance means, among other things, that no gratuities may be offered or received, beyond a symbolic value, and no benefits etc. may be received on behalf of either the group or any employee personally.

The group has put whistleblowing procedures in place. It is important to report policy violations or inappropriate conduct in a responsible manner. If it proves difficult to notify responsible managers within the group, the company want employees to contact StrongPoint's audit committee. The members of the audit committee are listed on StrongPoint's website.

Shareholder relations

As of 31 December 2019, StrongPoint had share capital of NOK 27.513.145 allocated to 44.376.040 shares with a face value of NOK 0.62. At the end of 2019, the group held 172.416 treasury shares at an average price of NOK 8,81.

There were 1.633 shareholders in the company at the end of 2019. The 20 largest shareholders represented 63,0 per cent of total share capital. At the end of 2019, 247 shareholders owned 10 000 shares or more. StrongPoint's articles of association do not contain any provisions restricting rights to convert group shares.

Furthermore, StrongPoint is not aware of any agreement between shareholders limiting the ability to trade shares or exercising voting rights represented by shares in the group.

StrongPoint's bank loan agreement contains clauses stating that the bank may demand premature loan repayment if there is any significant change in ownership.

Outlook

StrongPoint's e-commerce and in-store solutions and services are well positioned at the crossroads of multi-channel retailing: online growth and cost-cutting in offline retail.

From a North European and grocery focused starting point, StrongPoint will pursue a three-step approach to geographical expansion and growth:

- Roll-out of the full portfolio of solutions in key markets, including Norway, Sweden, the Baltics and Spain, utilizing our strong sales, service and support organization and model, applying innovative tools and sharing of best practices.
- Activation of a selected proprietary solution offering in selected markets, including Italy, Greece, the US and the Netherlands through strong local presence, service and support, targeting the largest cost-buckets in offline and online grocery retail with existing and new solutions.
- Utilizing StrongPoint's market access platform for global retail technology providers targeting leading retailers in the key markets, leveraging StrongPoint's strong market- and one-stop-shop position.

As a foundation for creating shareholder value, the StrongPoint growth strategy is based on profitable and organic growth, cost control and a solid balance sheet, targeting revenues of NOK 2.5 billion and EBITDA margins of 13-15 % in 2025.

The 2025 revenue ambition of NOK 2,5 billion showcases the significant opportunities in the key markets, but the Board of Directors underlines that this will not be a linear growth path, as 2020 is a year for strategy implementation and investments.

Parent company – StrongPoint ASA

StrongPoint ASA is the holding company for the Group's legal entities. The company is listed on the Oslo Stock Exchange under the ticker "STRONG".

The parent company, StrongPoint ASA, has five employees.

StrongPoint ASA's profit for the year was MNOK 106,0 compared to MNOK -0,5 in 2018. Net financial result for the year was MNOK 127,6 in 2019 (10,0).

Proposal for allocation of profit (loss) for the year

The Board of Directors will propose to the general meeting the following allocation of profit for the year in the parent company StrongPoint ASA for 2019:

Profit for the year:

NOK 105.955.534

Proposed ordinary dividend:

NOK 26.522.174, equivalent to NOK 0.60 per share.

Transferred to other equity:

NOK 79.433.359

Rælingen, 12 March 2020



Morthen Johannessen
Chairman



Klaus De Vibe
Director



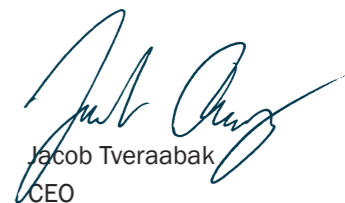
Camilla Tepfers
Director



Inger J. Solhaug
Director



Peter Wirén
Director



Jacob Tveraabak
CEO

Board of Directors of StrongPoint



Morthen Johannessen
Chairman

Morthen Johannessen has more than 20 years' experience as CEO/ managing director of international businesses. He served as European Director and COO in charge of the Global Business Development division of Tomra, and led PepsiCo's European business. He currently works as an industrial advisor and is a board member of a number of companies in various industries. Johannessen is an economist (HD) graduate of CBS, Copenhagen. He has been on the Board of StrongPoint since 28 April 2016.



Klaus De Vibe
Director

Klaus De Vibe has more than 20 years' experience from finance and investment operations, including with IK Investment Partners and Morgan Stanley. Since 2009, he has been managing director of the investment company Strømtangen AS. De Vibe has a MSc specialising in finance and financial economics from the Norwegian School of Economics. He has been a member of the Board of StrongPoint since 28 October 2011.



Camilla AC Teffers
Director

Camilla AC Teffers has more than 20 years' experience including with DnB NOR and NTNU, and she has been working with innovation since 2001. She is co-founder and partner of the analysis and consultancy firm inFuture. She has written a number of professional books, and she is a graduate engineer with an MSc in computer technology from NTNU. She has been a member of the Board of StrongPoint since 26 April 2013.



Inger Johanne Solhaug
Director

Inger Johanne Solhaug has extensive experience from the grocery industry. She has held senior positions in Orkla for 20 years, including serving as executive vice president and a member of the Orkla executive committee, and as CEO of Nidar. Solhaug is currently a Partner at XO Executive Advisors. She has been a member of the board of StrongPoint since 30 April 2015.



Peter Wirén
Director

Peter Wirén has 19 years' experience from the payments industry as CEO and executive vice president of Teller, Nets and Bambora. He has extensive experience of managing change processes, preparing and implementing growth strategies and handling acquisitions and mergers in international markets. Wirén currently works as a consultant and PE advisor, and he has been a member of the board of StrongPoint since 24 April 2018.



Jacob Tveraabak
CEO

Jacob Tveraabak was previously the CEO of Miklagruppen (Bavaria Nordic), director of business development at Rema 1000 and with McKinsey & Company for 12 years. He is also the co-founder of Nabobil.no, and now sits in the GetAround/Nabobil advisory board. Tveraabak has MSc degrees from the Norwegian School of Economics and Bocconi University. He has been the CEO of StrongPoint since August 2018.

Investor relations

StrongPoint ASA strives to have an open IR policy towards its shareholders and the market in general. The group uses its website www.strongpoint.com and e-mail to provide investors and analysts with relevant information.

Information for shareholders is available at www.strongpoint.com and www.ose.no (ticker STRONG). StrongPoint ASA has frequent contact with investors and analysts to provide the best possible information regarding the group's financial situation and development. The market is informed of orders/ contracts worth MNOK 10 or more, as well as orders that are considered strategically important.

StrongPoint ASA is a public limited company and is established under Norwegian law. The company is listed on the Oslo Stock Exchange. The Group's issued share capital is NOK 27.513.145 allocated as 44.376.040 shares, each with a par or nominal value of NOK 0.62, all fully paid up and issued in accordance with Norwegian law. The company has one class of shares.



Hilde Horn Gilen
CFO

Horn Gilen has been CFO at StrongPoint since February 2019. Hilde came from the post of CFO of Ahlsell Norge, a subsidiary of the Ahlsell Group, a position she held from 2014. Prior to that, Hilde worked in various positions at Kongsberg Gruppen ASA for seven years, latterly as CFO of Kongsberg Oil & Gas Technologies. Hilde also has ten years with PwC, the audit and assurance firm.

Financial Calendar 2020

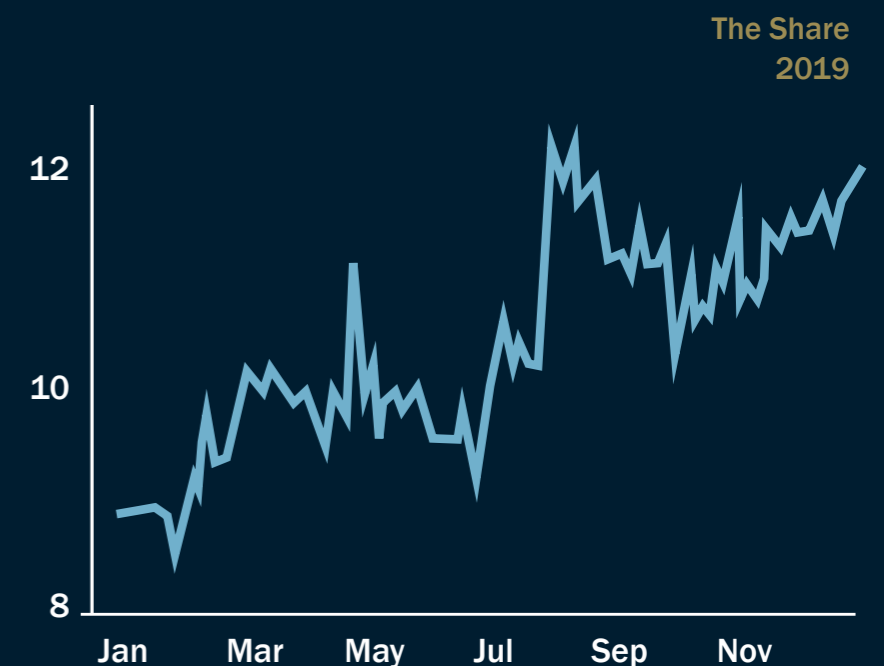
Q1 - 29.04
Q2 - 14.07
Q3 - 22.10
Annual General Meeting - 29.04

The presentations (with the exception of the Q2) will take place at Hotel Continental, Stortingsgaten 24/26 in Oslo.

Webcast will be available at our website strongpoint.com from CET 08.15, the same time as the presentation starts.

For more information:

Hilde Horn Gilen
CFO
Tel: +47 920 60 158
E-mail: hilde.gilen@strongpoint.com



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Consolidated statement of comprehensive income

KNOK	Note	2019	2018
Sales revenue	3	1 111 767	1 067 468
Share of profit associated companies	6	-71	215
Cost of goods sold	12	579 457	534 661
Payroll	9	324 092	331 908
Other operating expenses	5,16,27	109 927	133 658
Total operating expenses		1 013 477	1 000 227
EBITDA		98 219	67 457
Depreciation	10, 11	30 680	37 587
Depreciation leasing IFRS 16	10	22 156	-
Total depreciations and impairments		52 837	37 587
Operating profit		45 383	29 870
Financial items	8	-2 274	-3 853
Profit before tax		43 108	26 017
Income tax expense	26	11 238	12 570
Net income		31 870	13 447
Other comprehensive income			
Items that may be reclassified through profit or loss in later periods			
Currency translation differences	Equity	-8 123	-7 187
Total comprehensive income		23 748	6 260
Of which			
Controlling interest		23 748	6 260
Non-controlling interest		-	-
		23 748	6 260
Profit for the year after tax			
Controlling interest		31 870	13 447
Non-controlling interest		-	-
		31 870	13 447
Earnings per share			
Earnings per share	23	0,72	0,30
Diluted earnings per share	23	0,72	0,30

Consolidated balance sheet

KNOK	Note	31.12.2019	01.01.2019	31.12.2018
ASSETS				
Intangible assets	11	46 747	60 280	60 280
Goodwill	11	137 929	141 429	141 429
Equipment	10	50 466	54 511	54 511
Land and buildings	10	3 192	3 575	3 575
Tangible assets leasing IFRS 16	10	59 784	70 584	
Associated companies	6	553	849	849
Other long-term investments	7	1 000	-	-
Deferred tax assets	26	5 859	13 601	13 601
Total fixed assets		305 530	344 829	274 245
Inventories	12	138 366	127 897	127 897
Accounts receivables	13, 17	180 412	200 340	200 340
Prepaid expenses	13	12 781	11 641	11 641
Other current receivables	13	13 954	14 278	14 278
Bank deposits etc.	14	39 498	26 985	26 985
Total current assets		385 011	381 141	381 141
TOTAL ASSETS		690 542	725 970	655 386
EQUITY AND LIABILITIES				
Share capital	24	27 513	27 513	27 513
Treasury shares	24	-107	-65	-65
Other equity		236 498	237 689	237 689
Total equity		263 904	265 137	265 137
Long term interest bearing liabilities	15	23 858	49 800	49 800
Long term liabilities leasing IFRS 16	15	37 989	70 584	
Other long term liabilities	22	3 904	20 694	20 694
Total long term liabilities		65 751	141 078	70 494
Current interest bearing liabilities	15	58 667	31 789	31 789
Current liabilities leasing IFRS 16	15	21 795		
Accounts payable		70 799	81 326	81 326
Tax payable	26	1 091	2 990	2 990
Public duties payable		35 621	41 337	41 337
Other short term liabilities	22,27	172 915	162 313	162 313
Total short term liabilities		360 887	319 755	319 755
Total liabilities		426 638	460 833	390 249
TOTAL EQUITY AND LIABILITIES		690 542	725 970	655 386

Rælingen, 12 March 2020



Morthen Johannessen
Chairman




Klaus De Vibe
Director



Camilla Tøpfers
Director



Inger J. Solhaug
Director



Peter Wirén
Director



Jacob Tveraabak
CEO

Consolidated cash flow statement

KNOK	Note	2019	2018
Profit before tax		43 108	26 017
Net interest		3 558	3 129
Tax paid		799	2 092
Share of profit, associated companies	6	71	-215
Ordinary depreciation	10, 11	30 680	37 587
Depreciation IFRS 16	10	22 156	-
Gain/-loss on sale of tangible assets	10	-298	-505
Unrealized loss on financial instruments	8	-	476
Change in inventories		-12 384	1 781
Change in accounts receivables		17 024	-41 955
Change in accounts payable		-9 274	-10 424
Change in other accrued items		-14 806	3 383
Net cash flow from operational activities		80 636	21 365
Payments for fixed assets	10	-14 544	-11 070
Payments for long term shares	7	-1 000	-
Sale of tangible assets (sales proceeds)	10	344	17 582
Interest received	8	43	843
Dividends received from associated companies	6	225	-
Net cash flow from investment activities		-14 932	7 356
Buying of treasury shares	24	-1 246	-
Selling of treasury shares	24	621	-
Payment long-term debt		-26 827	-28 942
New long-term debt		-	58 804
Change in overdraft		24 875	-46 830
Interest paid	8	-2 396	-3 972
Payment of leasing commitments IFRS 16		-22 156	-
Interest expenses IFRS 16		-1 205	-
Dividends paid		-24 355	-22 136
Net cash flow from financing activities		-52 689	-43 076
Net change in liquid assets		13 015	-14 355
Cash and cash equivalents at the start of the period		26 985	41 503
Effect of foreign exchange rate fluctuations on foreign currency deposits		-502	-163
Cash and cash equivalents at the end of the period	14	39 498	26 985

Consolidated statement of changes in equity

KNOK	Other equity			Total equity
	Share capital	Treasury shares	Other paid-in equity	
Equity at 31.12.2017	27 513	-65	351 262	281 013
Profit for the year after tax	-	-	-	13 447
Other comprehensive income and expenses	-	-	-	-7 187
Dividend 2017	-	-	-	-22 136
Equity at 31.12.2018	27 513	-65	351 262	265 137
Profit for the year after tax	-	-	-	31 870
Other comprehensive income and expenses	-	-	-	-8 123
Purchase/sale of own shares	-	-42	-	-583
Dividend 2018	-	-	-	-24 355
Equity at 31.12.2019	27 513	-107	351 262	263 904

Other paid in equity are funds which can be allocated by the General Assembly.

Note 1: General information

StrongPoint ASA is based in Norway with registered office at Slynga 10 in the municipality of Rælingen. The company is listed at the Oslo Stock Exchange with the ticker STRONG. The group's main business is the development, sale and implementation of innovative, integrated technology solutions to stores, e-commerce solutions, labels, and secure transportation and handling of cash. The company is divided into three business areas: Retail Technology, Cash Security and Labels. The proposed annual financial statements were adopted by the board and CEO 12 March 2020. The annual financial statements will be approved by the ordinary general meeting 29 April 2020.

Note 2: Accounting principles

Basic principles

The consolidated financial statements have been prepared in accordance with the EU approved International Financial Reporting Standards (IFRS) and associated interpretations and with additional Norwegian disclosure requirements pursuant to the Accounting Act, Stock Exchange Regulations and stock exchange rules applicable to financial statements completed by 31.12.2019. The consolidated financial statements have been produced based on historical costs with the exception of certain financial instruments which have been disclosed at fair value.

The group has incorporated all standards and interpretations applying to the financial statements prepared at 31.12.2019.

The consolidated financial statements are presented in thousand Norwegian kroner unless otherwise stated.

Estimates and judgements

Estimates and underlying assumptions for valuation are reviewed and evaluated continually. Changes in accounting estimates are accounted in the period the estimates are changed and in any future periods that are affected. Recognition of intangible assets, goodwill, deferred tax assets, obsolete stock and warranty provisions are areas particularly affected by judgements and estimates. The judgements made are detailed in Note 25.

Consolidation principles

The consolidated financial statements have been prepared to show StrongPoint Group as a unit. This involves consolidating all companies where Strongpoint has direct or indirect control and elimination of internal transactions and balances. An entity is consolidated from the date when the Group achieve control.

Associated companies are accounted for by using the equity method in the consolidated financial statements. Associated companies are entities where the group has significant influence but no control (normally in the case of stakes between 20 % and 50 %) over financial and operational management. Shares in associated companies, are valued at fair value, and unrealized increase or decrease in value which earlier have been recognized directly as income and costs in the statement of other comprehensive income, will be reversed. Share of profit after tax in associated companies are recognized on a separate line in the P&L below the sales revenue. Investments in associated companies are tested for impairment indicators based on the principles in IFRS 9. If there are objective indications of impairment, impairment tests are conducted in accordance with IAS 28.40.

Any other investments are recognized in accordance with IFRS 9 at their fair value and with any change in value through other comprehensive income.

Translation of foreign currency

The accounts of individual entities within the group are measured in the local currency in each country (functional currencies). The functional currencies mainly consist of NOK, SEK and EUR. The consolidated financial statements have been prepared in NOK, which is both the functional currency and the reporting currency of the parent company and the Norwegian subsidiary.

The balance sheet is converted with the closing rate at the balance sheet date, while the income statement is converted with the average monthly exchange rate. The net effect of the translation is recognized as translation differences in other comprehensive income.

Loans from an entity within the group to subsidiaries where repayment has not been planned or is not likely in the foreseeable future, are considered as part of the net investment in the subsidiaries, while foreign exchange gains or losses linked to such loans are recognized as translation differences in the statement of other comprehensive income.

Tangible assets

Tangible assets are recognized at acquisition cost less any accumulated impairments and depreciation. Upgrades of fixed assets are capitalized. Maintenance is expensed.

The acquisition cost of fixed assets are depreciated linearly according to the expected useful life of the assets, mainly:

Fixtures and equipment 3–5 years

Machinery 3-10 years

Plant and property (production and warehouse facilities) 20 years

Land values are not depreciated

The useful life of the assets, depreciation method and their residual value are revalued on each balance sheet date and adjusted if necessary. When the balance sheet value of a fixed asset is higher than the estimated recoverable amount, the value is reduced to the recoverable amount. Any profit and loss on disposal of the asset is recorded as the difference between sale price and balance sheet value.

Any fixed assets hired on terms that predominantly sees the transfer risk and rewards to StrongPoint (operational leasing agreements with a lifetime of more than one year and a value of more than KNOK 100 and financial leasing) are activated as fixed assets at the current value of the minimum lease amount, alternatively at their fair value if this is lower. The commitment is recognized as short-term and long-term liability.

In the case of any other leasing agreements the lease amount is carried as an operating cost and distributed systematically throughout the leasing period (operational leasing).

Operational leasing

The Group implemented IFRS 16 Leases 1 January 2019 with a modified retrospective method. Operational leasing agreements with a lifetime of more than one year and a rest value of more than KNOK 100 per 1 January 2019 is affected by IFRS 16. The effect of accounting for IFRS 16 is shown as an adjustment of the opening balance on 1 January 2019, without translating comparative figures. At the transition to IFRS 16, the Group listed KNOK 70,584 as a right of use in the balance sheet as an asset and correspondingly as a debt liability.

Financial leasing

Assets that have been financed as financial leasing, and where there is not reasonable assurance that StrongPoint acquires ownership at the end of the lease are depreciated over the duration of the shortest period of the leasing contract or the asset's useful life.

Intangible assets

Intangible assets are recognized at their cost price, less any accumulated write-downs and amortisation, and are considered periodically for impairment in the case of a fall in value. Any losses in relation to fall in value are recognized as operating costs.

Economic life is either specific or indefinite. Intangible assets with specific lives are amortized over economic life and tested for impairment when there are indications on this. The depreciation method and -period are considered at least yearly. Changes in depreciation method and -period are treated as changes in estimates.

Intangible assets with indefinite lives are impairment tested at least yearly, either individually or as part of a cash-generating unit. Intangible assets with indefinite lives are not amortized. The lifetime is considered yearly with regard to whether the assumption of an indefinite useful life can be defended.

Goodwill and other intangible assets from acquisitions

Any differences between the acquisition compensation and the fair value of net identifiable acquired assets are classified as goodwill. In the case of gradual acquisitions made in stages, former assets are valued at fair value at the time of acquisition. Any alterations related to booked value on former assets are recognized in the statement of other comprehensive income.

On the balance sheet date, or when there are indications of impairment, the group evaluates the book value of the goodwill. Expensing of loss due to fall in value is recognized if the recoverable amount related to the entity in question falls below book value of the entity included goodwill.

Negative goodwill related to acquisitions is realized immediately as income on the date of acquisition. Goodwill is not depreciated.

Identifiable intangible assets from acquisitions are booked at fair value at the time of acquisition. This includes items such as technology, brand and customer relationships. Brand value/trademarks are not depreciated, but they are tested annually for impairment along with goodwill. The other items are depreciated throughout their estimated life cycle as with development cost.

Development costs

Product development costs that can be reliably measured and if the products are likely to be finalized, utilized and provide future financial benefits, are capitalized as intangible assets and depreciated. Research into new products and maintenance of existing products are expensed as costs. Capitalized expenses include in-house payroll costs and outsourced services. Capitalized expenses are reduced with any government grants received related to this development.

Capitalized development is depreciated over the period during which the products are expected to generate earnings. Activated development, expected earnings and any residual value are reassessed on each balance sheet date and adjusted if necessary.

Inventories

Inventories are measured at its acquisition cost or net realizable value, whichever is lower. The acquisition cost of inventories is based on the "first in, first out method" (FIFO) and includes costs in relation to the acquisition, the cost of production or reworking, as well as any other cost of bringing the inventories to its present location and condition.

The net realizable value is the estimated sale price under ordinary condition less the estimated cost of preparation and completion at the transfer date.

Provisions for obsolescence are, where possible, made on an individual basis. If it is not possible to carry out an individual assessment, provisions for obsolescence are made based on the current inventory turnover rate.

Accounts receivables

Accounts receivable is measured in line with the classification and measurement regulations of IFRS 9 for loans and receivables at amortized cost. Provisions are made for expected losses. Provisions are made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. It should, in minimum, be made provisions for: 50 % of the amounts ex VAT that has been due for 3 months or more, 80 % of the amounts ex VAT that has been due for 6 months or more, 100 % of the amounts ex VAT that has been due for 12 months or more. Changes in provision are booked as other operating expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank deposits.

Pension commitments, bonus schemes and other staff compensation schemes**a) Pension commitments**

The employees in StrongPoint have pension schemes in line with local statutory and obligatory company pension schemes, and are in general recognized as a defined contribution plan. The Swedish subsidiaries have defined benefit schemes in place for their employees. Due to the lack of data available and the structure of the plan it is considered a multi-employer plan in accordance with IFRS and is recognized as a contribution-based plan.

b) Bonus schemes

The group recognizes a provision and a cost for bonus schemes. The group recognizes a provision where there are contractual obligations or a precedent that generates a self-imposed obligation.

c) Share program

The Group has a share program for the executive management where members have the opportunity to buy shares for up to NOK 500 000 per year with 20 per cent discount. In addition, all permanent employees in a StrongPoint legal entity, are offered to buy shares for up to NOK 35 000 per year with a 20 per cent discount. The employees can choose to participate in the share program where shares will be allocated 4 times per year and the discount is deducted in the monthly salary deduction, or the employee can buy the shares themselves and get 20 % of the amount refunded on their next salary. The discount is recognized as a personnel cost.

Revenue recognition

Income from the sale of products and services is stated at its fair value, net after deductions for value added tax, returns, reductions and discounts. Intercompany sales are eliminated. Revenue from the sale of products is recorded when an entity within the group has delivered the products to the customer, the customer has accepted the product and the customer's ability to settle the account has been satisfactory confirmed. Services are recorded as income based on the number of hours supplied.

Long-term service and license agreements are recognized linearly over the contracted period.

The Group's sales of products and services are considered to be separate performance obligations according to IFRS 15. The assessment is supported by independence between product sales and sales of services and that both types of sales are based on market prices without cross-subsidisation. The performance obligation related to the sale of products is fulfilled upon installation by the customer (at a point in time) and the performance obligation related to service agreements is fulfilled on a linear basis over the contract period (over time).

Tax

Tax expenses are linked to the recorded profit and comprise tax payable and changes in deferred tax.

Deferred tax is calculated on temporary differences between the taxable value and consolidated accounting

value of assets and debts, with the exception of goodwill, which is not tax deductible. Deferred tax is calculated by applying tax according to local tax legislation on the balance sheet date and that are expected to be applied when the deferred tax asset is realized or when the deferred tax is settled. Positive and negative differences are offset against each other. Deferred tax assets are recognized on the balance sheet to the extent that it is likely that future taxable earnings will be present and the temporary differences can be deducted from these earnings.

Equity and cost of equity**Debts and equity**

Financial instruments are classified as debt or equity in accordance with the signed agreement.

Interest, dividends, profits and losses related to a financial instrument classified as debts are reported as costs or income. Dividend to StrongPoint shareholders classified as equity will be recognized directly against the equity.

Cost of equity transactions

Transaction costs directly linked to an equity transaction are recognized directly through equity after the deduction of tax.

Provisions

A provision is recognized when the group has an obligation (legal or constructive) resulting from a previous event if it is likely that there will be a financial settlement as a result of this obligation, and if the size of the amount can be reliably measured. If the effect is significant the provision is calculated by expected future cash flows and, if relevant, any risks specifically linked to the obligation. Provisions for warranties are recognized when the underlying products and services are sold. The provisions are based on historic warranty cost weighted with probability.

Financial instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group has classified its financial assets and liabilities in the following categories: accounts receivables and other financial assets and current assets, shares, cash and cash equivalents, accounts payable and other non-interest bearing financial liabilities and interest bearing liabilities. The categorization of the financial assets and liabilities for measurement purposes is done based on the nature and purpose of the financial instrument and is determined at initial recognition. The group does not use fair value options.

The Group has financial assets classified in the following categories: loans and receivables. Loans and receivables comprise unlisted assets with payments that are fixed or determinable and which are not derivatives. The Group has financial liabilities classified in the following categories: financial liabilities at amortized cost. Financial liabilities at amortized cost consist of liabilities that do not fall under the category of fair value through profit and loss.

The financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions, through the recognition of the contract date. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Group has a legally enforceable right and intention to settle the contracts net, otherwise the financial assets and liabilities are presented gross.

Gains and losses on derecognition of financial assets and financial liabilities are classified by type of financial instrument and by accounting portfolio. For each item, realized net gain or loss attributable to the transaction is deducted. The net amount represents the difference between realized gains and realized losses.

Borrowing costs

Borrowing costs are recorded when the borrowing costs occurs. Borrowing costs are capitalized when directly related to the purchase or manufacture of a qualifying asset.

Segment reporting

For management purposes the group is divided into three separate business units according to their product/service definition. The units form the basis for segment reporting.

Government grants

Government grants are recognized if there are reasonable grounds to believe that the company will meet the criteria of the grant and the grant will be awarded. The recognition of operating grants shall be recognized systematically during the grant period.

Cash flow statement

The cash flow statement is presented using the indirect method. The Group's activities are divided into operational, financing and investment activities.

New standards and interpretations not yet taken into use

A number of new standards, changes to standards and interpretations that have not been applied will be effective for annual accounts starting after January 1, 2020. StrongPoint has chosen not to implement any of the standards early.

Note 3: Segment information

The segment information is based on reported revenues, EBITDA, EBT and assets for the legal entities included in the segment, with eliminations of internal items within the segment. Intra-group items are included in the column Eliminations. Eliminations consists of internal sales with associated costs, intercompany balances, goodwill, intangible assets and other group postings. Internal sales are based on market prices.

Management fee invoiced from StrongPoint ASA to subsidiaries are not included in the segment statements.

Business area

The group is divided into three business areas. The business areas consist of different non-related products and markets. This forms the basis of the various segments and of reporting to the group management and board. The group management has in the fiscal year 2019 governed the business area based on reported sales revenues, EBITDA and EBT.

Retail Technology

StrongPoint develops and sells technology solutions that streamline store operations, enable e-commerce, and simplify the shopping experience. The Group delivers proprietary solutions within In-store Productivity, E-commerce, Payment Solutions and Check Out Efficiency, as well as tailor-made retail solutions from leading third-party suppliers, including Electronic Shelf Labels (ESL), POS, ERP, consulting services, scales and wrapping machines.

Cash Security

The business area delivers innovative retail solutions from third party leading technology providers. The figures in the business area show sales and profit generated by the technology products throughout the value chain within StrongPoint.

Labels

The business area offers leading expertise and production of adhesive labels in Norway and Sweden. The figures in the business area show sales and profit generated by the technology products throughout the value chain within StrongPoint.

a) Business segment

KNOK	Retail Technology		Cash Security		Labels	
	2019	2018	2019	2018	2019	2018
Sales revenue, external customers	839 576	754 987	119 470	151 991	152 721	160 490
Sales revenue, internal customers	3 986	358	4 046	-	11 097	5 136
Total sales revenue	843 562	755 345	123 515	151 991	163 819	165 626
Share of profit associated companies	-71	215	-	-	-	-
Specification sales revenue and share of profit associated companies:						
Sale of products, external customers	543 429	478 195	83 902	105 667	152 721	160 490
Sale of products, internal customers	3 986	358	4 046	-	11 097	5 136
Sale of installation and service, external customers	296 076	277 008	35 568	46 324	-	-
EBITDA	96 285	68 439	13 467	2 885	21 909	22 947
EBT	66 142	64 162	7 798	815	4 193	9 046
Assets	267 914	343 671	25 392	29 848	61 334	48 385
Liabilities	277 339	278 625	67 027	68 097	53 999	36 270
Working capital	194 090	149 554	28 755	49 470	25 369	48 802
Investment in fixed assets	12 669	8 202	342	1 037	1 516	1 715

KNOK	StrongPoint ASA		Eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018
Sales revenue, external customers	-	-	-	-	1 111 767	1 067 468
Sales revenue, internal customers	-	-	-19 128	-5 495	-	-
Total sales revenue	-	-	-19 128	-5 495	1 111 767	1 067 468
Share of profit associated companies	-	-	-	-	-71	215
Specification sales revenue and share of profit associated companies:						
Sale of products, external customers	-	-	-	-	780 052	744 352
Sale of products, internal customers	-	-	-19 128	-5 495	-	-
Sale of installation and service, external customers	-	-	-	-	331 644	323 332
EBITDA	-33 442	-28 815	-	2 000	98 219	67 457
EBT	93 889	-19 010	-128 913	-28 997	43 108	26 017
Assets	528 696	453 655	-192 794	-220 173	690 542	655 386
Liabilities	221 185	227 120	-192 912	-219 863	426 638	390 249
Working capital	-137	-576	-98	-340	247 979	246 911
Investment in fixed assets	16	116	-	-	14 544	11 070

EBITDA is operating profit before depreciation and amortization, interest and tax.

EBT is profit before tax.

Working capital is inventory plus accounts receivables minus accounts payables.

b) Geographical information

The group focus on international growth and specify revenue based on geographical location determined by the customers location.

KNOK	Norway		Sweden		Other markets		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
Sales revenue:								
Retail Technology	285 382	227 248	252 305	241 720	305 804	286 593	843 491	755 561
Cash Security	699	3 272	41 106	56 780	81 710	91 940	123 515	151 991
Labels	54 660	64 250	102 591	96 813	6 567	4 563	163 819	165 626
StrongPoint ASA	-	-	-	-	-	-	-	-
Elimination	-2 454	-	-16 675	-5 202	-	-293	-19 128	-5 495
	338 288	294 769	379 327	390 112	394 081	382 803	1 111 696	1 067 684
Fixed assets	33 950	33 633	231 174	215 772	40 406	24 841	305 530	274 245
Book value associated companies	553	849	-	-	-	-	553	849
This year investments in fixed assets	390	994	2 347	4 185	11 806	5 891	14 544	11 070

There are no customers that represent 10 % or more of revenues in the individual business areas in 2019 and 2018. Revenue per customer is based on sales per legal entity.

Note 4: Changes in the group structure

Changes in 2019:

During 2019 several subsidiaries were decided liquidated or changed to partner offices. This reflects the change in focus and probability to succeed in the different countries. The countries affected is Malaysia, Russia, Germany, France and Belgium, and only within the business area Retail Technology.

The legal entities in France, Belgium and Russia only consists of business related to Cash Security from January 1 2020, and the legal ownership of the entities has been moved to StrongPoint Cash Security AB. This was only done to have a legal entity structure more consistent to the business area structure.

Beyond this, no changes in the group structure in 2019.

Note 5: Other operating expenses

KNOK	2019	2018
Rent, electricity, cleaning	30 687	30 506
Effect IFRS 16 Rent	-18 479	-
Vehicles	17 605	17 113
Effect IFRS 16 Vehicles	-4 881	-
Other consultancy fees	21 776	29 410
IT	12 268	12 504
Travel	11 578	11 058
Marketing	8 035	6 478
Other costs	31 338	26 589
Total	109 927	133 658

KNOK	2019	2018
Specification of recognized auditors fee:	2019	2018
Fee for auditing services	2 045	2 051
Fee for tax advise	26	17
Fee for other services	370	156
Total ¹	2 442	2 224

1) Of which TNOK 32 applies to auditors other than EY.

Auditors fee are exclusive of VAT, with the exception of transaction expenses.

Note 6: Investment in associated companies

StrongPoint ASA owns 49,9997 % of the shares in Spok AS (former Vårdal Butikkdata AS). The company performs services on behalf of StrongPoint AS.

StrongPoint ASA had the following investments in associated companies as at 31 December 2019:

KNOK Entity	Country	Industry	Stake 31.12.2019	Cost price 31.12.2019	Book value 31.12.2018	Dividend paid in 2019	Share of net profit 2019	Book value 31.12.2019
Spok AS	Norway	Service company	50,0 %	1 700	849	-225	-71	553

An overview of financial information about the associated company, based on 100 %

KNOK Entity	2019					
	Current assets	Fixed assets	Debt	Equity	Turnover	Profit for year
Spok AS	3 343	458	2 695	1 106	14 054	-142

Note 7: Shares in other companies

KNOK Company	2019		2018	
	Cost price	Market value	Cost price	Market value
Other long-term investments:				
Auka AS	476	-	476	-
Masterkett AS	1 000	1 000	-	-
Total	1 476	1 000	476	-

The shares are booked at market value and are not of strategic importance for the Group.

Note 8: Financial items

KNOK	2019	2018
Interest income	43	843
Currency adjustment bank and unpaid receivables and liabilities	4 354	-
Other financial income	586	631
Total financial income	4 983	1 474
Interest expense	-2 396	-3 972
Interest expenses leasing IFRS 16	-1 205	-
Currency adjustment bank and unpaid receivables and liabilities	-2 960	-21
Other financial expenses ¹	-697	-1 334
Total financial expenses	-7 257	-5 328
Net financial items	-2 274	-3 853

1) Other financial expenses are primarily related to financial liabilities. Currency differences relating to the payment of purchases are recorded as cost of goods and constitutes a cost of KNOK 3 147 in 2019 (cost of KNOK 1 563 in 2018). Currency differences relating to the payment of sales revenues are recorded as sales revenues and constitutes a revenue of KNOK 4 216 in 2019 (revenue of KNOK 307 in 2018).

Note 9: Payroll costs and number of employees

KNOK	2019	2018
Salaries	228 278	221 704
Severance packages	5 478	13 169
Director's fee and Nomination Committee	1 803	1 746
Social fee	55 582	63 792
Pension costs	16 070	17 276
Other payroll costs	16 881	14 222
Total payroll costs	324 092	331 908
Number of full-time employees employed during the year:	526	552
Number of full-time employees at the end of the year:	520	510

The employees in StrongPoint have pension schemes in line with local statutory and obligatory company pension schemes, and is are in general recognized as a defined contribution plan. The Swedish subsidiaries have defined benefit schemes in place for their employees. Due to the lack of data available and the structure of the plan it is considered a multi-employer plan in accordance with IFRS and is recognized as a contribution-based plan.

Salaries and remuneration for Group management and Directors

KNOK	2019 Director's fee	2018 Director's fee
Board of Directors at StrongPoint ASA		
Morthen Johannessen, Chairman	573	468
Svein S. Jacobsen, former Chairman	36	217
Camilla Tepfers, Director	270	222
Klaus de Vibe, Director	336	246
Inger J. Solhaug, Director	282	288
Peter Wirén, Director	276	183
Total Board of Directors ¹	1 773	1 626

1) Transactions with close associates are described in note 18.

KNOK	2019				
Group management	Salary	Bonus	Company car	Other remuneration	Pension expenses
Jacob Tveraabak CEO ¹	2 701	874	196	28	154
Hilde Gilen CFO ²	1 906	542	-	39	132
Total Group management	4 608	1 416	196	67	287
Total Board of Directors and Group management	6 381	1 416	196	67	287

KNOK	2018				
Group management	Salary	Bonus	Company car	Other remuneration	Pension expenses
Jacob Tveraabak CEO ¹	1 798	413	133	56	117
Hilde Gilen CFO ²	-	-	-	-	-
Total Group management	1 798	413	133	56	117
Total Board of Directors and Group management	3 424	413	133	56	117

1) Hired from 03.04.18 and CEO from 01.08.18.
2) CFO from 18.02.19.

Bonus to Executive Management in 2019 is based on the achieved revenue and EBITDA compared to budget in 2019, growth ambitions and qualitative performance, and will be paid in 2020. The bonus is not related to the development in the stock-price.

As at 31 December 2019, no loans have been given or security put up on behalf of members of the management team or board of directors.

The Norwegian Executive Management have a pension scheme in line with the collective and obligatory company pension scheme.

The Board of Directors will submit the following declaration in accordance with the Norwegian Public Limited Companies Act §6-16a for the General Meeting's approval:

Declaration of determination of salaries and other remuneration to the CEO and other Executive Management

StrongPoint ASA's main principle for management remuneration is that the compensation should be competitive and market aligned when the combined salaries, fringe benefits and bonus are evaluated.

Salaries and other remuneration to executives will take place in accordance with the above principle. In addition to base salary, the members are entitled to an individual bonus based on performance of Revenue, EBITDA and Qualitative performance measures set by the Board of Directors and CEO. Maximum bonus per member is 50 % of the yearly base salary. 30 % of gross bonus shall be used to purchase shares in StrongPoint ASA, with a 3 year lock-up period.

The company currently has no option schemes for executive employees. The Board of Directors evaluates a long-term incentive plan for the Executive management. The company has no pension plans for executive employees other than the statutory requirements.

The Board wants the members of the executive management to have shares in the company. A share program for the executive management with the opportunity to buy shares for up to NOK 500 000 per year with 20 % discount is in place. In addition, all employees in a StrongPoint legal entity are offered to buy shares for up to NOK 35 000 per year with a 20 per cent discount.

Executive employees have company car, free phone, internet and newspaper by appointment, but no fringe benefits beyond this. Regarding severance the CEO in StrongPoint ASA and SVP & MD EMEA has, if terminated from the company, a right of 6 months severance beyond salary during the notice period of 6 months. The board sets the CEO's compensation package on an annual basis. Other executives do not have severance beyond the notice period of 6 months for employees in Norway and 12 months for employees in Sweden.

The following members of the management team and Board of Directors own shares or share options in the company as at 31.12:

	Share per 31.12.19	Share per 31.12.18
Board of Directors		
Morthen Johannessen, Chairman	40 493	-
Klaus de Vibe, Director ¹	83 907	78 660
Camilla Tepfers, Director	5 247	-
Inger Johanne Solhaug, Director	5 247	-
Peter Wirén, Director	12 223	-
Group management		
Jacob Tveraabak, CEO ²	56 368	20 500
Hilde Gilen, CFO	18 404	-
Total	221 889	99 160

1) Klaus de Vibes shares are owned through the company De Vibe AS.

2) The CEO's shares are owned through the company Juce Holding AS.

No employees or Directors have stock options.

Note 10: Fixed assets

Building and land (KNOK)	Land Norway	Buildings Sweden	Buildings Norway	2019 total	Land Norway	Buildings Sweden	Buildings Norway	2018 total
Acquisition costs 01.01	825	2 056	6 675	9 556	825	2 056	6 675	9 556
Acquisition costs 31.12	825	2 056	6 675	9 556	825	2 056	6 675	9 556
Accumulated depreciations 01.01	-	-2 048	-3 925	-5 973	-	-2 048	-3 160	-5 208
Accumulated depreciations 31.12	-	-2 048	-4 308	-6 356	-	-2 048	-3 925	-5 973
Translation differences	-	-8	-	-8	-	-8	-	-8
Book value 31.12	825	-	2 367	3 192	825	-	2 750	3 575
Depreciations of the year	-	-	-383	-383	-	-	-765	-765
Depreciation ratio	0 %	5 %	5 %		0 %	5 %	5 %	
Depreciation method		Linear	Linear			Linear	Linear	

Equipment, vehicles, inventories (KNOK)	Equipment	Financial leasing carried on	2019 total	Equipment	Financial leasing carried on	2018 total
Acquisition costs 01.01	68 824	56 010	124 834	80 797	74 874	155 670
Acquired	12 654	3 131	15 785	10 632	6 085	16 716
Divestment	-1 596	-49	-1 645	-21 543	-24 107	-45 650
Translation differences	-546	-489	-1 035	-1 062	-841	-1 903
Acquisition costs 31.12	79 336	58 602	137 938	68 824	56 010	124 834
Accumulated depreciations 01.01	-41 461	-28 861	-70 322	-34 897	-43 390	-78 286
Divestment	1 360	-	1 360	5 094	22 155	27 248
Accumulated depreciations 31.12	-50 788	-36 684	-87 472	-41 461	-28 861	-70 322
Book value 31.12	28 548	21 919	50 466	27 363	27 149	54 511
Depreciations of the year	-8 775	-7 822	-16 597	-10 139	-7 627	-17 766
Depreciations of the year regarding rental machines is booked as cost of goods sold	-1 912			-1 518		
Depreciation ratio	10-33 %	10-33 %		10-33 %	10-33 %	
Depreciation method	Linear	Linear		Linear	Linear	

See note 16 for information about the commitments related to the financial leasing. Some equipment has been fully depreciated as of 31 December 2019 but is still in use. StrongPoint has no contractual purchasing obligations.

Right of use assets	Rent	Cars	2019 total
Acquisition costs 01.01	62 169	8 415	70 584
Addition	8 589	5 680	14 269
Disposal	-2 267	-549	-2 816
Currency exchange differences	-57	-1	-58
Acquisition costs 31.12	68 434	13 545	81 979
Depreciations	-17 547	-4 609	-22 156
Currency exchange differences	38	-	38
Accumulated depreciations 31.12	-17 586	-4 609	-22 195
Book value 31.12	50 848	8 936	59 784
Depreciation ratio	10-33 %	10-33 %	

Note 11: Intangible assets

Other intangible assets (KNOK)	2019					Total
	Technology	Brand	Customer	Software	Other	
Acquisition costs 01.01	159 106	36 353	80 432	12 788	128	288 808
Acquired	-	-	-	1 693	200	1 894
Divestment	-17 492	-	-	-95	-	-17 586
Acquisition costs 31.12	141 614	36 353	80 432	14 387	328	273 115
Accumulated impairments and depreciations 01.01	-137 814	-15 678	-67 782	-9 452	-41	-230 767
Divestment	17 492	-	-	85	-	17 576
Accumulated impairments and depreciations 31.12	-125 118	-15 678	-74 938	-11 104	-54	-226 891
Translation differences	-2 941	1 777	2 817	-1 158	27	523
Book value 31.12	13 556	22 453	8 311	2 125	301	46 747
Depreciations of the year	-4 796	-	-7 155	-1 736	-13	-13 700
This year change in translation differences	-573	-616	-472	-52	-3	-1 717
Depreciation schedule	10 and 15 year	Impairment test	1 to 7 year	4 to 7 year	3 year	
Depreciation ratio	7-10 %		14-100 %	14-25 %	33 %	

Other intangible assets (KNOK)	2018					Total
	Technology	Brand	Customer	Software	Other	
Acquisition costs 01.01	165 946	36 353	80 432	18 738	392	301 861
Acquired	-	-	-	438	-	438
Divestment	-6 840	-	-	-6 387	-264	-13 491
Acquisition costs 31.12	159 106	36 353	80 432	12 788	128	288 808
Accumulated impairments and depreciations 01.01	-137 162	-15 678	-57 937	-14 526	-34	-225 336
Divestment	6 840	-	-	6 785	-	13 625
Accumulated impairments and depreciations 31.12	-137 814	-15 678	-67 782	-9 452	-41	-230 767
Translation differences	-2 367	2 393	3 289	-1 106	30	2 240
Book value 31.12	18 925	23 069	15 939	2 230	117	60 280
Depreciations of the year	-7 492	-	-9 845	-1 711	-7	-19 056
This year change in translation differences	-1 058	-702	-830	-472	31	-3 032
Depreciation schedule	10 and 15 year	Impairment test	1 to 7 year	4 to 7 year	3 year	
Depreciation ratio	7-10 %		14-100 %	14-25 %	33 %	

Intangible assets relate to product development at StrongPoint Cash Security and StrongPoint Technology as well as intangible assets identified in relation to the merger between CashGuard AB and StrongPoint ASA in 2008, the acquisition of Etikett-Produsenten AS and Sydetikett AB in 2013, the acquisition of New Vision Baltija UAB in 2014, the acquisition of PYD Seguridad S.L. in 2016 and the acquisition of Cub Business Systems AB in 2017. In 2019 there have been expensed KNOK 42 026 (KNOK 38 828 in 2018) in research and development costs. Intangible assets regarding brand are related to the cash generating unit StrongPoint Technology AB.

	Strong-Point AS	Strong-Point AB	Strong-Point Labels AB	Strong-Point Technology AB	Strong-Point Baltic	Strong-Point S.L.U	Cub Business Systems AB	Sum 2019	Sum 2018
Goodwill (KNOK)									
Acquisition costs 01.01	17 416	2 612	14 850	81 127	23 318	4 431	25 889	169 643	163 776
Acquired	-	-	-	-	-	-	-	-	5 867
Acquisition costs 31.12	17 416	2 612	14 850	81 127	23 318	4 431	25 889	169 643	169 643
Accumulated impairment and depreciations 01.01	-14 689	-229	-	-	-23 345	-	-	-38 263	-38 263
Accumulated impairment and depreciations 31.12	-14 689	-229	-	-	-23 345	-	-	-38 263	-38 263
Translation differences	-0	0	616	3 822	2 726	452	-1 066	6 549	10 049
Book value 31.12	2 726	2 383	15 466	84 949	2 699	4 883	24 823	137 929	141 429
This year change in translation differences	-	-	-424	-2 330	-23	-42	-838	-3 657	-3 651

Goodwill is not depreciated. Impairment tests are carried out every year. Impairment tests have been carried out for cash generating units with significant goodwill items stated on the balance sheet:

Acquired company	Cash generating unit	31.12.2019	31.12.2018
StrongPoint AS	StrongPoint AS	2 726	2 726
StrongPoint AB	StrongPoint AB	2 383	2 383
StrongPoint Labels AB	StrongPoint Labels AB	15 466	15 890
StrongPoint Technology AB	StrongPoint Technology AB	84 949	87 279
StrongPoint UAB	StrongPoint Baltic	2 699	2 722
StrongPoint S.L.U	StrongPoint S.L.U	4 883	4 925
Cub Business Systems AB	Cub Business Systems AB	24 823	25 504
Total goodwill		137 929	141 429

Impairment test of goodwill and intangible assets with indefinite useful life

Impairment tests are carried out in order to assess the prospects of each cash flow-generating unit based on value in use. Value in use is measured against net book value for the cash flow-generating entity. Legal entity has been applied as cash flow-generating entity. By analyzing the product portfolio and market position a conclusion has been reached on expected growth for the entities. Next, the current value of future cash flows has been estimated to determine whether the goodwill item is justifiable. The forecast period is five years, after which a terminal value is estimated.

The brands is considered to be indefinite due to the Groups strategy for 2025 which contains a growth path for the brands, and confirms the value in the balance sheet, as long term future cashflow is expected.

Impairment test - StrongPoint Technology AB

The expected cash flows are based on the budgeted revenue for 2020, followed by 1 % annual sales growth until 2024. It is expected that the increase in turnover will be somewhat weaker in Norway and Sweden, while growth in sales will be far stronger in the rest of Europe. Then a terminal value with a growth in net cash flow corresponding to an expected inflation by 2.5 % annually. 2.5 % annual growth is applied for other operating expenses and personnel expenses. No change in working capital is expected, and no expected annual investment in the period 2020-2024. The current value is estimated by discounting the cash flow with a discount rate equal to the weighted cost of capital (WACC) of 8.28 % after tax. Based on these assumptions, value in use exceed the carrying value with MNOK 68.

Significant assumptions are related to turnover growth, achieved EBITDA margin and discount rate. A sensitivity analysis for the period 2020 to 2024 shows that if growth is reduced with 4.7 % annually, and other assumptions remain unchanged the calculated value is still higher than the book value. Similarly, a reduction of gross margin by 2 % in 2020 to 2024, or an increase in WACC to 12 % after tax, gives the same result. Changes beyond this will result in an impairment.

Impairment test - StrongPoint Labels AB

This item constitutes goodwill from the acquisition in Sydetikett AB, which was the leading printing company in Sweden in the field of digital printing of labels. The company is now integrated with StrongPoint's other label business in Sweden. The expected cash flows are based on the budgeted revenue for 2020, followed by 2.5 % annual growth in external sales until 2024, then a terminal value with a growth in net cash flow corresponding to an expected inflation by 2.5 % annually. 2.5 % annual growth is applied for other operating expenses, and 3.0 % annual growth in personnel expenses. No change in working capital is expected, and MSEK 16 has been applied as expected investment in 2020 and MSEK 8 in the period 2021-2024. The current value is estimated by discounting the cash flow with a discount rate equal to the weighted cost of capital (WACC) of 7.61 % after tax. Based on these assumptions, value in use exceed the carrying value with MNOK 51.

Significant assumptions are related to turnover growth, achieved EBITDA margin and discount rate. A sensitivity analysis shows that if growth is reduced to 1.1 % annually, and other assumptions remain unchanged the calculated value is still higher than the book value. A reduction in EBITDA margin to 10 % in the period 2020 and 2024, and an increase in WACC to 12.4 % after tax gives the same result. Changes beyond this will result in an impairment.

Impairment test - StrongPoint Cub AB

The expected cash flows are based on the budgeted revenue for 2020, followed by 18 % annual growth in sale of services until 2024. Then a terminal value with a growth in net cash flow corresponding to an expected inflation by 2.5 % annually. 2.5 % annual growth is applied for other operating expenses and 5 % for personnel expenses. No change in working capital is expected, and no capital expenditures are expected in the period 2020 to 2024. The current value is estimated by discounting the cash flow with a discount rate equal to the weighted cost of capital (WACC) of 7.61 % after tax. Based on these assumptions, value in use exceed the carrying value with MNOK 104.

Significant assumptions are related to turnover growth, achieved EBITDA margin and discount rate. A sensitivity analysis for the period 2020 to 2024 shows that if growth in sales of services is reduced to 10.1 % annually, and other assumptions remain unchanged the calculated value is still higher than the book value. Similarly, a reduction of gross margin by 10 % in 2020 to 2024, or an increase in WACC to 16.8 % after tax, gives the same result. Changes beyond this will result in an impairment.

Note 12: Inventories

Inventories (KNOK)	2019	2018
Inventories	161 445	147 996
Provision for obsolete stock	-23 079	-20 099
Total	138 366	127 897

The respective companies' stock is valued at fair value or acquisition cost, whichever is lower.

The stock is used as security for loans, see note 15.

Provision for obsolete stock (KNOK)	2019	2018
Provision for obsolete stock, opening balance	-20 099	-10 214
Taken to income/charged to expense (-) change in provision	-2 980	-9 884
Provision for obsolete stock, closing balance	-23 079	-20 099

The cost of goods sold of KNOK 579 457 includes direct costs of goods with KNOK 502 315.

Note 13: Other receivables

Receivables (KNOK)	2019	2018
Accounts receivables	180 412	200 340
Prepaid expenses	12 781	11 641
Other receivables	13 954	14 278
Total receivables 31.12	207 147	226 259

Other receivables include MNOK 2.0 in expected government grants (skattefunn) refunds for development costs in 2019 and MNOK 3.2 in 2018.

Changes in provision for bad debts (KNOK)	2019	2018
01.01	2 761	4 416
Applied provisions	-32	-67
Reversed provisions	-1 553	-2 351
New provision for bad debt	1 114	763
Total 31.12	2 290	2 761

The provisions per 31.12.2019 are not directly related to individual customers.

Losses on bad debts are classified as other operating expenses in the income statement.

Aging of accounts receivables (KNOK)	2019	2018
Not due	139 478	158 130
0-3 months	40 413	41 611
3-6 months	460	599
6-12 months	61	-
Older than 12 months	-	-
Total 31.12	180 412	200 340

When exporting to new markets StrongPoint require advance payment or bank guarantee.

Note 14: Cash and cash equivalents

KNOK	2019	2018
Cash and bank deposits	39 498	26 985
Overdraft	25 285	-
Unused overdraft facilities	34 715	60 000

The Group had liquid assets (bank deposits and unused overdraft facilities) of MNOK 74.2 as at 31.12.2019 (2018: MNOK 87.0). KNOK 0 are restricted funds pr. 31.12.2019 (2018: KNOK 0).

The Group as whole may withdraw up to KNOK 60.000 from the group's overdraft facility.

Note 15: Interest-bearing debt and secured debt**Debt per 31.12. and specification of terms. Figures in KNOK**

Type of loan	2019	2018	Borrowing terms	Average nominal interest for 2019
Multi-currency, group credit account ¹	25 285	-	Overdraft limit MNOK 60, not time limited	2,76 %
Financial leasing, Printing presses	18 136	23 837	Monthly repayments	1,65 % - 3,6 %
Financial leasing, cars	2 229	1 353	Monthly repayments	2,05 %
Repayment loan	31 186	54 071	Quarterly repayments	1,7 % - 3,3 %
Short term debt	5 689	2 329	Repayment 1st half	2,6 % - 3,5 %
Liabilities leasing IFRS 16	59 784	-	Monthly and quarterly payments	
	142 309	81 589		

¹ The Groups' main bank connection has loan covenants in relation to the ratio between NIBD/EBITDA. The loan agreements are measured on a quarterly basis. See note 17 for more information.

All loans are secured, except a long-term loan of MSEK 0.2 to StrongPoint AB.

Interest bearing debt (KNOK)	2019	2018
Balance 01.01	81 589	92 851
Currency differences	2 888	5 706
IFRS 16 per 01.01.	70 584	
New contracts	-	58 804
Payment	-26 827	-28 942
Change in IFRS 16 liabilities	-10 800	
Change in overdraft	24 875	-46 830
Balance 31.12	142 309	81 589
Of which provisions due within 1 year	80 462	31 789

Distribution of long-term and short-term interest-bearing debts:

KNOK	2019	2018
Bank overdraft	25 285	-
Due within one year	55 177	31 789
Current interest-bearing liabilities	80 462	31 789
Due after one year	61 847	49 800
Total interest-bearing debts	142 309	81 589

Pledged assets per 31.12. and book value:

Asset	Book value/nominal security (KNOK)	
	31.12.2019	31.12.2018
Operating equipment, accounts receivables and inventories for StrongPoint AS	108 492	106 442
Lien over Företagsinnteckning StrongPoint Cash Security AB ¹	49 098	50 445
Lien over Företagsinnteckning StrongPoint Technology AB ¹	33 991	34 924
Lien over Företagsinnteckning StrongPoint AB ¹	29 270	30 073

1) Företagsinnteckning is equivalent to a priority lien over the company's assets.

StrongPoint Technology AB and StrongPoint Cash Security AB's liabilities are limited to the amount the guarantor at any time has drawn.

Note 16: Leasing commitments**Operational leasing agreements**

Tenancy agreements on premises has a lease-term of 0.5 - 8.5 years. Annual liability for these premises is approx. KNOK 16 647.

Leasing contracts on vehicles has a lease-term of 1 - 6 years. Annual liability is approx. KNOK 5 075.

Leasing contracts on office machines has a lease-term of 1 - 3 years. Annual liability is approx. KNOK 289.

KNOK	The present value of future payments		
	2019	2018	2019
Future minimum rent for the contracts as at 31.12 is as follows:			
Within one year	22 011	27 246	19 732
After one year, but within five years	40 238	52 694	29 344
After more than five years	3 708	3 163	1 925
Total	65 957	83 103	51 001

The Group implemented IFRS 16 Leases 1 January 2019 with a modified retrospective method. Operational leasing agreements with a lifetime of more than one year and a rest value of more than KNOK 100 per 1 January 2019 is affected by IFRS 16. The effect of accounting for IFRS 16 is shown as an adjustment of the opening balance on 1 January 2019, without translating comparative figures. At the transition to IFRS 16, the Group listed KNOK 70,584 as a right of use in the balance sheet as an asset and correspondingly as a debt liability.

The Group has used the actual discount rate on the leasing agreements where this is known, and has used the average interest rate from financial leasing agreements per country on the agreements where we do not have an actual discount rate.

Financial leasing agreements

The carrying value of financial leasing are included in note 10.

Leasing agreements on printing presses has a lease-term of 0.5 - 5 years. Annual liability for these premises is approx. KNOK 7 379.

Leasing agreements on cars has a lease-term of 1.5 - 4.5 years. Annual liability for these premises is approx. KNOK 1 225.

KNOK	The present value of future payments		
	2019	2018	2019
Future minimum rent for the contracts as at 31.12 is as follows:			
Within one year	8 605	7 856	7 714
After one year, but within five years	12 426	17 658	9 327
After more than five years	670	1 365	348
Total	21 701	26 878	17 388

Note 17: Financial instruments

Financial risks

StrongPoint's activities expose the group to exchange rate-, interest-, credit- and liquidity risks.

i) Credit risks

The Group's credit risk is related to the sale of goods.

The Group has common guidelines to ensure that sales are only made to customers who have not had significant payment problems earlier and that the outstanding amount do not exceed credit limits. Exporting to new markets require advance payment or bank guarantee. Guidelines are implemented to prevent the company's risk associated with loans and guarantees related to employees and customers.

31.12.2019 the Group had KNOK 180 412 in outstanding accounts receivables. Of this KNOK 40 934 were overdue, traditionally most of the overdue amount are paid a few days after period end. The Group has historically had a low rate of loss on receivables. This year's expenses in relation to bad debts amounting to a cost reduction of KNOK 380, including realized losses and changes in the provision for bad debts.

Debt ratio		
KNOK	2019	2018
Total interest-bearing debt ¹	142 309	81 589
Cash	39 498	26 985
Net interest-bearing debt	102 810	54 604
Total capital adjusted for Goodwill	552 613	513 957
Debt ratio	19 %	11 %

1) The 2019 numbers includes IFRS 16 liabilities with KNOK 59 784.

ii) Interest rate risk

The company's interest-bearing debt increased in 2019.

The interest risk is measured by the group treasury department by simulating the effect of a change in interest rates. The simulation illustrates the cash effect of a change in interest rates given the loan size and the level of any existing interest rate hedging. The results from the simulation are used to support decisions concerning the possible conclusion of fixed-rate contracts. In addition, the fact that interest rates usually move opposite to the general economic development, and that floating rates within certain limits can help to stabilize the group's results.

As a result of this the group's interest-bearing debt has a floating interest rate at year-end. It has not been used fixed rate contracts or other hedging instruments in 2019 or 2018.

Based on the financial instruments in existence as of 31 December 2019, a general increase in interest rates of two per cent will reduce pre-tax profits by KNOK 1 650.

The average effective rate of interest on financial instruments was as follows:	2019	2018
Bank overdraft	2,76 %	2,28 %
Financial leasing contracts	2,12 %	1,86 %
Loans secured with a lien	2,38 %	2,88 %

The interest rate on overdraft are based on 1 month NIBOR for the draft in NOK, and 1 month DANBOR SEK and 1 month DANBOR EUR for the other currencies. The interest rate on long-term loans secured by mortgages are based on 3 month NIBOR, 7 days STIBOR and 1 month STIBOR. The interest rate is determined monthly. See note 15 for information about long-term loans and note 16 for information about liabilities in relation to financial leasing agreements.

iii) Liquidity risk

The Group manages liquidity risk by monitoring the expected future cash from operations and available cash and credit facilities are adequate to serve the operational and financial obligations. This is done by preparing cash flow forecasts 12 months ahead, and detailed monthly cash monitoring, based on different outcomes in turnover and product mix. Capital tied up in the individual business units are supervised, focusing on inventory, accounts receivable, financing and accounts payable.

The group's strategy is to have sufficient cash, cash equivalents or credit facilities available at any time to be able to finance operations and investments for the next 6 months. Excess liquidity is mainly located in the Groups Cash Pool which is netted against overdraft. Unused credit facilities are described in note 14.

The loan agreement with the main financial institution has a claim (covenant) in which the ratio of net interest bearing debt and moving 12-month earnings before depreciation (EBITDA) shall not exceed 3.5. This is measured quarterly. The company met this requirement in 2019 and 2018. Interest bearing debt was totally increased by MNOK 68.7 during 2019, of which MNOK 59.8 was related to IFRS 16 liabilities. This combined with the EBITDA of MNOK 98.2 (MNOK 67.5 in 2018) resulted in net debt divided by 12 month rolling income before depreciation (EBITDA) as at 31.12.2019 was 1.05. As at 31.12.2018 it was measured 0.81.

Overview of maturity structures of financial liabilities: KNOK	Balance sheet amount	0-6 months	6-12 months	1-2 year	2-3 year	more than 3 years	Undefined
Secured loans (long and short term interest bearing debt)	36 874	15 678	9 801	11 070	276	49	-
Secured loans, interest	IA	323	178	122	3	IA	-
Overdraft (short-term interest bearing debt) ¹	25 285	-	-	-	-	-	25 285
Overdraft, interest	IA	-	-	-	-	IA	-
Financial leasing (long-term and short-term interest bearing debt)	20 365	3 917	3 986	7 480	1 636	3 345	-
Financial leasing, interest	IA	187	144	177	92	IA	-
Other long term debt	3 904	-	-	-5 538	9 442	-	-
Accounts payable	70 799	70 799	-	-	-	-	-
Net liabilities financial instruments	157 227	90 904	14 109	13 312	11 450	3 394	25 285

1) The overdraft contract with Danske Bank runs until renegotiated by either party.

The payment of financial obligations is intended to be covered by the payment of accounts receivable, sale of goods and services, and available cash and available credit facilities.

iv) Currency risks

The Company has no material debt or bank deposits in foreign currency, except Euro, Norwegian and Swedish kroner. The main exposure to foreign currency derived from accounts payable and accounts receivable in connection with the purchase and sale of goods in foreign currency, and contracts where the sales price is determined in a currency other than the cost of goods sold. The Group is mainly exposed to fluctuations in the price of goods bought in foreign currencies, primarily in SEK, USD, EUR and GBP, and sale of goods in EUR.

The company do not normally use forward contracts to hedge this exposure. Large currency fluctuations are compensated by contracted agreement allowing adjusted sales prices accordingly.

A change of 5 % exchange rate as at 31 December 2019 would have resulted in the following effects on the profit in the group;

Sensitivity currency exposure;	
SEK weakened by 5 % against EUR	-280
SEK weakened by 5 % against GBP	-32
SEK weakened by 5 % against USD	185
NOK weakened by 5 % against SEK	5 614
NOK weakened by 5 % against EUR	16
NOK weakened by 5 % against GBP	-
NOK weakened by 5 % against USD	200

v) Financial investments

Excess liquidity is placed in the Group's cashpool to reduce its short-term interest-bearing debt. The company uses a small degree of financial investments.

vi) Capital structure

The Board aims to maintain a strong capital base in order to retain the trust of shareholders, creditors and the market in order to continually develop the company. The Board wants to create a balance between higher return, which is made possible by higher borrowing levels, and the benefits and security provided by a solid equity. The Board aims to ensure that StrongPoint shareholders will over time gain a competitive return on their investment through a combination of cash dividends and increased value of their shares. In determining the annual dividend, the Board will take into account the expected cash flow, investments in organic growth, plans for growth through mergers and acquisitions, and the need for adequate financial flexibility.

The level of net debt is measured in terms of cash flow. The company is comfortable with the level of debt as at 31.12.19.

vii) Determing of fair value

KNOK	31.12.2019	31.12.2018
Financial assets		
Cash	39 498	26 985
Accounts receivable	180 412	200 340
Total financial assets at amortized cost	219 910	227 326
Other long-term investments	1 000	-
Financial debts		
Overdraft	-25 285	-
Accounts payable	-70 799	-81 326
Bank loans	-36 874	-56 399
Financial leasing liabilities	-20 365	-25 190
Total financial debts at amortized cost	-153 323	-162 915

Based on characteristics of the financial instruments recognized in the consolidated financial statements, these have been grouped in classes and categories as described below. The estimated fair value corresponds substantially carrying value.

Other long term investments are classified as equity instruments designated at fair value, according to IFRS 9.

The balance sheet value of cash and cash equivalents and overdrafts is approximate to the fair value as these instruments have a short expiry period. Similarly, the balance sheet value of accounts receivables and accounts payable is approximate to the fair value as they are agreed on "ordinary" terms.

Book value of debt is deemed to be equivalent to market value, since the company should be able to refinance the loan at the same rate in the market.

Note 18: Transactions with related parties

Transactions with Board members and employees

There have been no transactions with Board members and employees in 2019.

Transactions with associated companies

The group carried out a number of transactions with Spok AS in 2018 and 2019. All transactions were carried out as part of its ordinary activities and at ordinary business conditions.

KNOK	2019		2018	
	Sale	Purchase	Sale	Purchase
Spok AS	520	3 221	488	2 793

The balance includes the following amounts resulting from transactions with the associated company:

KNOK	2019		2018	
	Receivables	Debt	Receivables	Debt
Spok AS	-	11	-	-

The Group has no binding future transactions with related parties.

Note 19: Post balance sheet events

The Board and Management had a strategy update session immediately after announcing the Q4 results on February 12, 2020. A long-term ambition was announced, with some detailed strategic focus areas to support the growth targets.

Note 20: Overview of subsidiaries

The following subsidiaries are included in the consolidated accounts:

Company	Adress	Main area of business	Share of votes	Stake
StrongPoint AS ¹	Rælingen (Norway)	Service and product provider	100 %	100 %
StrongPoint AB	Göteborg (Sweden)	Service and product provider	100 %	100 %
StrongPoint Labels AB	Malmö (Sweden)	Production and sales	100 %	100 %
StrongPoint Technology AB	Kista (Sweden)	Production and sales	100 %	100 %
StrongPoint Cash Security AB ²	Skellefteå (Sweden)	Production and sales	100 %	100 %
StrongPoint Retail Solutions Sdn Bhd	Malaysia	Service and product provider	100 %	100 %
StrongPoint Retail Solutions Pte Ltd	Singapore	Service and product provider	100 %	100 %
StrongPoint UAB ³	Vilnius (Lithuania)	Service and product provider	100 %	100 %
StrongPoint S.L.U	Madrid (Spain)	Service and product provider	100 %	100 %
StrongPoint Cub AB	Täby (Sweden)	Production and sales	100 %	100 %

1) StrongPoint AS owns 100 % of its sales company in Germany.

2) StrongPoint Cash Security AB owns 100 % of its sales companies in France, Belgium and Russia.

3) StrongPoint UAB owns 100 % of its sales companies in Latvia and Estonia.

Note 21: Exchange rates

	Average exchange rate												2019	2018	
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Exchange rate	Exchange rate	
SEK	0,95	0,93	0,93	0,92	0,91	0,92	0,92	0,93	0,93	0,94	0,95	0,96	31.12. 0,94	Average 0,93	31.12. 0,97
Euro	9,76	9,74	9,72	9,63	9,78	9,75	9,66	9,97	9,92	10,12	10,11	10,05	31.12. 9,86	Average 9,85	31.12. 9,95

Profit or loss items in the subsidiaries are converted to NOK monthly, based on the average exchange rate of that month. Balance sheet items for the subsidiaries are converted to NOK, based on the exchange rate as at 31.12.2019.

Note 22: Short and long term debt

(KNOK)	2019	2018
Balance 01.01	22 284	43 695
Currency differences	-553	-1 046
Payment 2. installments and earn-out 2018 Cub Business Systems AB	-	-23 953
Payment earn-out PYD Seguridad S.L.	-976	-963
New earn-out agreement Cub Business Systems AB	-	6 250
Payment long term debt in PYD Seguridad S.L.	-	-1 700
Balance 31.12	20 755	22 284
Of which provisions due within 1 year	16 851	1 590

Note 23: Earnings per share

The Group's time-weighted earnings per share	2019	2018
Profit for year	31 870	13 447
	= 0,72	= 0,30
Time-weighted average of outstanding ordinary shares	44 223	44 271

Number of outstanding shares (numbers in thousand)	2019	2018
01.01: Number of shares (after deductions for own shares)	44 271	44 271
Sale of own shares during the year	59	-
Purchase of own shares during the year	-127	-
31.12: Number of shares (after deductions for 172.4 thousand own shares)	44 204	44 271

Note 24: Shareholder information

Shareholders as at 31.12.2019

No.	Name	No. of shares	%
1	HOLMEN SPESIALFOND	4 100 000	9,2
2	STRØMSTANGEN AS ¹	3 933 092	8,9
3	AVANZA BANK AB	2 709 369	6,1
4	HSBC TTEE MARLB EUROPEAN TRUST	1 976 000	4,5
5	PROBITAS HOLDING AS	1 788 276	4,0
6	V. EIENDOM HOLDING AS	1 780 009	4,0
7	ZETTERBERG, GEORG (incl. fully owned companies)	1 633 000	3,7
8	NORDNET BANK AB	1 563 729	3,5
9	NORDNET LIVSFORSIKRING AS	1 158 762	2,6
10	VERDADERO AS	1 111 111	2,5
11	WAALER, JØRGEN (incl. fully owned companies)	1 000 000	2,3
12	RING, JAN	874 372	2,0
13	GLAAMENE INDUSTRIER AS	873 549	2,0
14	MP PENSJON PK	777 402	1,8
15	JOHANSEN, STEIN	500 000	1,1
16	GRESSLIEN, ODD ROAR	480 000	1,1
17	EVENSEN, TOR COLKA	470 000	1,1
18	SKANDINAVISKA ENSKILDA BANKEN AB	468 228	1,1
19	BJØRNSTAD, DANIEL	391 000	0,9
20	JACOBSEN, SVEIN (incl. fully owned companies)	380 000	0,9
Sum 20 largest shareholders		27 967 899	63,0
Sum 1 613 other shareholders		16 408 141	37,0
Sum all 1 633 shareholders		44 376 040	100,0

1) Board member Klaus De Vibe is CEO of Strømstangen AS.

StrongPoint ASA had per 31.12.2019 a share capital of NOK 27 513 145 spread over 44 376 040 shares with a nominal value of NOK 0,62. StrongPoint ASA has no outstanding options. All shares have equal voting rights.

Changes in share capital: KNOK	Number of shares		Share capital	
	2019	2018	2019	2018
Ordinary shares 01.01	44 376	44 376	27 513	27 513
Ordinary shares 31.12	44 376	44 376	27 513	27 513

Own shares:

Numbers in 1000	2019	2018
01.01	105	105
Purchase of own shares	-59	-
Sales of own shares	127	-
31.12	172	105
Nominal value	0,62	0,62
Own shares specified in equity (KNOK):	107	65

As at 31.12.2019 the Group owned 172 416 own shares. Cost price of these was KNOK 561, giving an average share price of NOK 8,81. In 2019 it was paid KNOK 24 355 in dividend, which was NOK 0,55 per share. The Board has proposed a dividend of NOK 0,60 per share in 2020. Total dividends to external shareholders will be KNOK 26 522.

Note 25: Estimation uncertainties

When preparing the annual accounts in accordance with IFRS the company management has used estimates based on best judgement and assumptions that are considered to be realistic. Situations or changes in market conditions may occur that may lead to estimates being adjusted, thus affecting the company's assets, debts, equity and profit.

The company's most significant accounting estimates are linked to the following items:

- Depreciation and impairment of intangible assets.
- Impairment assessment of goodwill
- Recognition of deferred tax on balance sheet
- Obsolete stock and warranty provisions

StrongPoint must allocate the cost price of acquired entities to acquired assets and transferred debts based on estimated fair value. Significant intangible assets that StrongPoint has recognized includes customer contracts, customer base, brands, own technology and commitments in relation to any royalty agreements entered into.

Assumptions taken into account when valuing assets include, but are not limited to, the replacement cost of fixed assets and fair value. The management's estimates of fair value are based on assumptions that are considered to be reasonable, but that are by nature uncertain. As a result, the actual results may differ from the estimates.

Depreciation periods and amounts are given in note 11.

Goodwill and brands as stated on the balance sheet are evaluated for impairment whenever there are indications of impairment, at least annually. The valuation is based on value in use when discounting expected future cash flows. The valuation is carried out with starting points in next year's budget and in a forecast for the next four years. Next, a terminal value is calculated based on 2.5 % growth in net cash flow. The most sensitive assumption used in the estimates is that of future turnover growth, but EBITDA and discount rate are also important. The assumptions and sensitivity analysis are detailed in note 11.

The company recognize deferred tax assets on the balance sheet. At the end of 2019 deferred tax assets of MNOK 5.9 have been recognized. When assessing the recognition of deferred tax assets on the balance sheet, the reversal of deferred tax liabilities has been taken into account, together with the utilization in relation to future profit. Further details are provided in note 26.

The management has used estimates and assessments when making provisions for obsolete stock and future warranty costs. The provisions have been made with basis in a historical assessment of provision requirements, past figures for returns and under-warranty repairs and the age distribution of stock. Further details are provided in note 12 for stock and note 27 for warranty provisions.

Note 26: Tax**Tax expense:**

KNOK	2019	2018
Tax payable	1 091	2 990
Tax items relating to previous years	-	503
Change from 23 % to 22 % tax in Norway (from 24 % to 23 % in 2017)	-	673
Change from 22 % to 21,4 % tax in Sweden	-	290
Change in deferred tax	10 147	8 114
Tax expense	11 238	12 570
Included as tax expense in the financial statements	11 238	12 570
Reconciliation of the nominal tax rate	22 %	23 %

KNOK	2019	2018
Profit before tax	43 108	26 017
Tax calculated at a rate of 22 % (23 % in 2018)	9 484	5 984
Taxing related to companies in other countries with other tax rate	-803	-675
Change from 23 % to 22 % tax in Norway	-	673
Change from 22 % to 21,4 % tax in Sweden	-	290
Non-taxable items (22 % of permanent differences)	540	-194
Unrecognised deferred tax asset	2 017	5 974
Effect corrections previous years	-	518
Tax expense	11 238	12 570

Deferred tax assets and deferred tax liabilities:

KNOK	Consolidated balance sheet		Consolidated statement of comprehensive income	
	2019	2018	2019	2018
Current assets	5 019	2 718	104	1 457
Liabilities	3 851	4 598	747	428
Fixed assets	-10 557	-14 713	-4 156	-4 658
Losses carried forward	7 546	20 998	13 452	11 851
Deferred tax assets	5 859	13 601	10 147	9 077

The Company has no liabilities / deferred tax assets that effect Total comprehensive income.

The Group has total losses of MNOK 34.0 to be carried forward as at 31 December 2019 in the Norwegian entities. Deferred tax asset of MNOK 7.5 associated with this are included in the balance sheet as at 31.12.2019. The deficits have no due date. This year's decrease in these losses amounted to MNOK 30.5. The expectations for future operations in Norway, the Group considers that one will be able to utilize the remaining deficit over the five coming years.

The group has not recognized losses to be carried forward in relation to other overseas sales entities that are in their start-up phase.

Note 27: Other short term debt

KNOK	2019	2018
Holiday pay owed	20 359	20 896
Accrued expenses	24 405	23 154
Contracts liabilities	81 771	88 657
Warranty provisions	12 931	13 701
Other short term debt	33 449	15 905
Total other short term debt	172 915	162 313

Warranty provisions (KNOK)	2019	2018
Balance 01.01	13 701	6 828
Provision	4 323	20 811
Currency differences	-344	-154
Reversed	-2 500	-1 678
Used	-2 249	-12 105
Balance 31.12	12 931	13 701
Of which warranties due within 1 year	8 996	13 701

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Income statement

KNOK	Note	2019	2018
Other operating income	3	17 163	16 012
Total operating income		17 163	16 012
Payroll	2	15 725	21 862
Depreciation	5	154	178
Other operating expenses	2	17 840	6 953
Total operating expenses		33 718	28 993
Operating profit		-16 555	-12 981
Financial income and expenses			
Interest income from group companies		545	562
Other interest income		143	217
Other financial income	6	149 154	28 983
Other interest expenses		2 793	2 035
Other financial expenses	6	19 442	17 745
Net financial result		127 607	9 983
Profit before tax		111 052	-2 998
Income tax expense	13	5 096	-2 505
Net income		105 956	-493
Distributions			
Transfer to/from other equity	8	79 433	-24 847
Proposed dividend	8	26 522	24 355
Total distributions		105 956	-493

Balance sheet

KNOK	Note	31.12.2019	31.12.2018
ASSETS			
Tangible assets	5	288	426
Investments in subsidiaries	11	408 514	407 819
Other long term investments	12	1 700	1 700
Deferred tax	13	7 484	12 580
Total fixed assets		417 987	422 526
Group receivables	10	109 167	30 119
Prepaid expenses		1 156	1 011
Total current assets		110 323	31 130
Total assets		528 310	453 655
EQUITY AND LIABILITIES			
Share capital	7,8	27 513	27 513
Treasury shares	8	-107	-65
Other equity	8	253 583	174 732
Total equity		280 989	202 181
Long term liabilities to credit institutions	9	10 715	30 565
Other long term liabilities		3 904	20 694
Total long term liabilities		14 620	51 259
Current liabilities to credit institutions	9	180 703	133 711
Short term liabilities to group companies	-	2 489	29 437
Accounts payable		137	576
Public duties payable		1 071	1 141
Proposed dividend		26 522	24 355
Other short term liabilities	4	21 779	10 996
Total short term liabilities		232 701	200 216
Total liabilities		247 321	251 475
TOTAL EQUITY AND LIABILITIES		528 310	453 655

Rælingen, 12 March 2020




Morthen Johannessen
Chairman



Klaus De Vibe
Director



Camilla Tøpfers
Director



Inger V. Solhaug
Director



Peter Wirén
Director



Jacob Tveraabak
CEO

Cash flow statement

KNOK	Note	2019	2018
Ordinary profit before tax		111 052	-2 998
Ordinary depreciation	5	154	178
Unrealized loss on shares	12	-	476
Change in accounts payable		-439	-653
Change in short term group accounts		-105 997	8 321
Change in other accrued items		-6 917	-18 490
Net cash flow from operational activities		-2 147	-13 166
Payments for fixed assets	5	-16	-116
Net cash flow from investment activities		-16	-116
Purchase/Sale of treasury shares		-625	-
Change in interestbearing debt		-20 195	41 524
Dividend paid		-24 355	-22 136
Change in overdraft		47 337	-6 106
Net cash flow from financing activities		2 162	13 282
Net change in liquid assets		-	-
Cash and cash equivalents at 01.01		-	-
Cash and cash equivalents at 31.12		-	-

Note 1: Accounting principles

The financial statements, prepared by the company's Board and management, should be interpreted in light of the Directors' report. The financial statements comprise income statement, balance sheet, cash flow statement and notes and have been prepared in accordance with laws and generally accepted accounting principles in Norway.

Basic principles

Assets intended for permanent ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables due within one year are classified as current assets. Similar criteria are applied when classifying short-term and long term liabilities.

Fixed assets are valued at the acquisition cost less accumulated depreciation. If the fair value of fixed assets is lower than the carrying amount and the reduction is not expected to be temporary, it is written down to fair value. Fixed assets with limited useful lives are depreciated linear over expected economic life.

Shares in other companies are recognized using the cost method, with an annual evaluation. Dividends and group contributions from subsidiaries are recognized in the year the amount is set aside as a liability in the paying companies. Dividends from other companies are recognized in the year it is paid.

Tangible assets are capitalized and depreciated over the useful life if they have a useful life of more than 3 years. Maintenance costs are expensed as incurred, while improvements are added to the tangible assets and depreciated over the remaining useful life.

Current assets are valued at lower of cost or fair value.

Other long-term liabilities and short-term liabilities are valued at nominal value.

Subsidiaries/associated companies

Subsidiaries and associated companies are valued at cost in the financial statements. The investments are valued at acquisition cost for the shares unless impairment has been required. It is written down to fair value if impairment is not considered to be temporary and it is deemed necessary by generally accepted accounting principles. Impairment losses are reversed when the reasons for the impairment no longer exists.

Dividends, group contributions and other distributions from subsidiaries are recognized in the same year as it is booked in the subsidiary's accounts.

Foreign currency

Transactions in foreign currencies are translated at the exchange rate on the transaction date. Monetary items in foreign currencies are translated into Norwegian kroner by using the exchange rate at the balance sheet date. Non-monetary items measured at historical cost in a foreign currency are translated into Norwegian kroner at the exchange rate on the transaction date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the time of measurement. Changes in foreign currency exchange rates are recorded in the accounting period under other financial items.

Intangible assets

Intangible assets purchased individually are capitalized at cost. Intangible assets obtained through acquisitions are capitalized at cost when the criteria for capitalization are met.

Intangible assets with a limited useful life are depreciated according to a schedule. Intangible assets are written down to fair value if the expected economic benefits do not cover the carrying value and any remaining production expenses.

Pensions

The company has a statutory obligatory company pension scheme for its employees. The company pension scheme meets the requirements of the law.

Receivables

Accounts receivables and other receivables are stated at nominal value less provisions for expected losses.

Provisions for losses are based on an individual assessment of each receivable. For other receivables, a general provision is made to cover any expected losses.

Bank deposits, cash etc.

Cash and cash equivalents include cash, bank deposits and other forms of payment that become due within three months of acquisition.

Tax

Tax related to equity transactions are recorded in equity. Tax expensed comprises tax payable (tax on the taxable income for the year) and changes in net deferred tax. Deferred tax is calculated at 22 % on the basis of temporary differences between accounting and tax values and tax losses carried forward at year end. Taxable and deductible temporary differences that reverse or may reverse in the same period are netted. Other deductible temporary differences are not assessed, but recognized on the balance sheet if it is likely that the company can utilize them and net recorded if appropriate. Deferred tax and deferred tax assets are presented at net value in the balance sheet.

Cash flow statement

The cash flow statement is prepared using the indirect method. Cash and cash equivalents include cash, bank deposits and other short term liquid investments.

Note 2: Payroll, number of employees, benefits, loans to employees, etc.

Payroll (KNOK)	2019	2018
Salaries	9 792	10 328
Severance packages	969	8 288
Social fee	2 330	1 865
Pension costs	937	868
Other benefits	1 696	513
Total	15 725	21 862
Number of full-time equivalents employed during the year:	5	5
Number of employees at the end of the year:	5	3

Salaries and remuneration for Group management and Directors

KNOK	2019	2018
Board of Directors		
Morthen Johannessen, Chairman	573	468
Svein S. Jacobsen, former Chairman	36	217
Camilla Tepfers, Director	270	222
Klaus de Vibe, Director	336	246
Inger J. Solhaug, Director	282	288
Peter Wirén, Director	276	183
Total Board of Directors	1 773	1 626

KNOK	2019				
	Salary	Bonus	Company car	Other remuneration	Pension expenses
Group management					
Jacob Tveraabak CEO ¹	2 701	874	196	28	154
Hilde Gilen CFO ²	1 906	542	-	39	132
Total Group management	4 608	1 416	196	67	287
Total	6 381	1 416	196	67	287

KNOK	2018				
	Salary	Bonus	Company car	Other remuneration	Pension expenses
Group management					
Jacob Tveraabak CEO ¹	1 798	413	133	56	117
Hilde Gilen CFO ²	-	-	-	-	-
Total Group management	1 798	413	133	56	117
Total	3 424	413	133	56	117

1) Hired from 03.04.18 and CEO from 01.08.18.

2) CFO from 18.02.19.

The CEO has a severance arrangement that involves a compensation of 6 months salary after the end of the 6 months notice periode if the employment was terminated as a result of a decision by the Board. There are no loans or security for members of the management team or board members.

The following members of the management team and Board of Directors own shares in the company at the end of the year:

Name, position	Shares per 31.12.19	Shares per 31.12.18
Board of Directors		
Morthen Johannessen, Chairman	40 493	-
Klaus de Vibe, Director ¹	83 907	78 660
Camilla Tepfers, Director	5 247	-
Inger Johanne Solhaug, Director	5 247	-
Peter Wirén, Director	12 223	-
Group management		
Jacob Tveraabak, CEO ²	56 368	20 500
Hilde Gilen, CFO	18 404	-
Total	221 889	99 160

1) Klaus de Vibes shares are owned through the company De Vibe AS.

2) The CEO's shares are owned through the company Juce Holding AS.

No employees or Directors have stock options.

Salaries and remuneration of the CEO, CFO and other senior executives are described in note 9 in the Group's financial statements.

Remuneration to Ernst & Young for audit and audit-related services in 2019 was NOK 530 000 (NOK 350 000 in 2018).

Remuneration for other services was NOK 325 233 (NOK 99 000 in 2018).

Note 3: Other operating income

KNOK	2019	2018
Received management fee from Norwegian subsidiaries	3 000	2 669
Received management fee from Swedish subsidiaries	11 330	10 675
Received management fee from other subsidiaries	2 833	2 669
Total operating income	17 163	16 012

Note 4: Other short and long term debt

KNOK	2019	2018
Holiday pay owed	1 164	1 165
Accrued expenses	3 763	8 241
Other short term debt ¹	16 851	1 590
Total other short term debt	21 779	10 996

1) Earn-out CUB Business Systems AB KNOK 14 980 (KNOK 0) and Earn-out PYD Seguridad S.L.U. KNOK 1 871 (KNOK 1 590).

KNOK	2019	2018
Earn-out previous owner PYD Seguridad S.L.U	-	1 292
Earn-out previous owner Cub Business Systems AB	3 904	19 402
Total other long term debt	3 904	20 694

Note 5: Tangible assets

KNOK	Office machines and inventory	2019 Total	2018 Total
Acquisition costs 01.01	1 895	1 895	1 996
Acquired	16	16	116
Divestment	-	-	-217
Acquisition costs 31.12	1 910	1 910	1 895
Accumulated depreciations 01.01	1 468	1 468	1 507
Accumulated depreciations 31.12	1 622	1 622	1 468
Accumulated depreciations and write-downs 31.12	1 622	1 622	1 468
Book value as at 31.12	288	288	426
Depreciations of the year	154	154	178
Useful economic life	3 years		
Depreciation method	Linear		

Note 6: Other financial items

KNOK	2019	2018
Group contributions received from subsidiaries	38 809	-
Dividend received from associated companies	225	-
Currency gains	3 039	1 163
Dividend from subsidiaries	107 081	27 819
Other	-	1
Other financial income	149 154	28 983
	2019	2018
Unrealized losses on financial instruments	-	476
Currency loss	308	228
Loss on investment in subsidiaries	19 089	16 935
Other financial expenses	45	105
Other financial expenses	19 442	17 745

Note 7: Share capital and shareholder information

The company's share capital per 31.12.2019 comprises the following share classes:

	Number	Nominal value	Book value
Shares	44 376 040	0,62	27 513 145
Total	44 376 040		27 513 145

Ownership structure**Shareholders per 31.12.2019**

No.	Name	No. of shares	%
1	HOLMEN SPESIALFOND	4 100 000	9,2
2	STRØMSTANGEN AS ¹	3 933 092	8,9
3	AVANZA BANK AB	2 709 369	6,1
4	HSBC TTEE MARLB EUROPEAN TRUST	1 976 000	4,5
5	PROBITAS HOLDING AS	1 788 276	4,0
6	V. EIENDOM HOLDING AS	1 780 009	4,0
7	ZETTERBERG, GEORG (incl. fully owned companies)	1 633 000	3,7
8	NORDNET BANK AB	1 563 729	3,5
9	NORDNET LIVSFORSIKRING AS	1 158 762	2,6
10	VERDADERO AS	1 111 111	2,5
11	WAALER, JØRGEN (incl. fully owned companies)	1 000 000	2,3
12	RING, JAN	874 372	2,0
13	GLAAMENE INDUSTRIER AS	873 549	2,0
14	MP PENSJON PK	777 402	1,8
15	JOHANSEN, STEIN	500 000	1,1
16	GRESSLIEN, ODD ROAR	480 000	1,1
17	EVENSEN, TOR COLKA	470 000	1,1
18	SKANDINAVISKA ENSKILDA BANKEN AB	468 228	1,1
19	BJØRNSTAD, DANIEL	391 000	0,9
20	JACOBSEN, SVEIN (incl. fully owned companies)	380 000	0,9
	Sum 20 largest shareholders	27 967 899	63,0
	Sum 1 613 other shareholders	16 408 141	37,0
	Sum all 1 633 shareholders	44 376 040	100,0

1) Board member Klaus De Vibe is CEO of Strømstangen AS.

Note 8: Equity

KNOK	Share capital	Treasury shares	Other equity	Total 2019
Equity per 01.01	27 513	-65	174 732	202 181
Change of equity for the year:				
Proposed dividend	-	-	-26 522	-26 522
Sale of own shares	-	37	584	621
Purchase of own shares	-	-79	-1 167	-1 246
Profit for the year	-	-	105 956	105 956
Equity per 31.12	27 513	-107	253 583	280 989
Own shares:				
Numbers in thousand	2019	2018		
01.01	105	105		
Sale of own shares	-59	-		
Purchase of own shares	127	-		
31.12	172	105		
Nominal value	0,62	0,62		
Treasury shares specified in equity (KNOK)	107	65		

Per 31.12.2019 the company owned 172 416 own shares. Cost price of these was KNOK 1 519,1, giving an average share price of NOK 8,81.

In 2019 it was paid KNOK 24 355 in dividend, which was NOK 0,55 per share. The Board has proposed a dividend of NOK 0,60 per share in 2020. Total dividends to external shareholders will be KNOK 26 522. The tax effect of dividends does not affect the company's current or deferred tax.

Note 9: Interest bearing debt

Distribution repayment loans (KNOK)	2019	2018
Due within one year	19 256	19 601
Debt, not time-restricted (group credit account)	161 447	114 110
Total short term liabilities to credit institutions	180 703	133 711
Due after more than one year	10 715	30 565

Debts and terms of borrowing

Lender (KNOK)	2019	2018	Borrowing terms	Interest terms
Multi-currency, group credit account	161 447	114 110	Overdraft limit MNOK 60, not time limited	2,76 %
Repayment business loan	8 333	15 000	Quarterly term loans, last payment 08.03.2021	3,33 %
Repayment business loan (KSEK 6 250)	5 901	10 914	Quarterly term loans, last payment 08.03.2021	1,91 %
Repayment business loan (KSEK 16 667)	15 737	24 253	Quarterly term loans, last payment 14.12.2021	1,90 %
Total interest bearing debt	191 418	164 276		

The group's main bank has covenants on the relationship between EBITDA and net interest bearing debt. The group is not in breach of the terms pr. 31.12.19. The loans are secured.

Loan security per 31.12.2019

Asset (KNOK)	Book value/nominal security
Co-surety Norway, StrongPoint Cash Security AB, StrongPoint Technology AB, StrongPoint AB, StrongPoint Labels AB, StrongPoint UAB, StrongPoint GmbH and StrongPoint CUB AB.	135 000

The foreign companies liabilities are limited to the amount the guarantor at any time has drawn.

Note 10: Intercompany balances

KNOK	2019	2018
Debt to Group companies	2 489	29 437
Receivables against Group companies	109 167	30 119

Note 11: Shares in subsidiaries

Company	Address	Main area of business	Stake	Book Value (KNOK)
StrongPoint AS	Rælingen (Norway)	Service and product provider	100 %	45 990
StrongPoint Labels AB	Göteborg (Sweden)	Service and product provider	100 %	36 264
StrongPoint AB	Malmö (Sweden)	Production and sales	100 %	32 349
StrongPoint Technology AB	Kista (Sweden)	Production and sales	100 %	158 431
StrongPoint Cash Security AB	Skellefteå (Sweden)	Production and sales	100 %	48 740
StrongPoint UAB	Vilnius (Lithuania)	Service and product provider	100 %	20 348
StrongPoint Retail Solutions Sdn Bhd	Malaysia	Service and product provider	100 %	-
StrongPoint Retail Solutions Pte Ltd	Singapore	Service and product provider	100 %	-
StrongPoint S.L.U.	Madrid (Spain)	Service and product provider	100 %	7 529
StrongPoint Cub AB	Täby (Sweden)	Production and sales	100 %	58 864
Total				408 514

Note 12: Shares in associated companies

Company	Main area of business	Stake	Book Value (KNOK)
Spok AS	Service company	50 %	1 700

Note 13: Tax expense

Tax expenses for the year are as follows (KNOK):	2019	2018
Change in deferred tax	5 096	-2 505
Tax expense ordinary profit	5 096	-2 505
Tax expense	5 096	-2 505

Reconciliation from nominal to actual tax rate:

KNOK	2019	2018
Ordinary profit before tax	111 052	-2 998
Expected income tax based on nominal rate of tax 23 % (24 % in 2017)	24 431	-690
Permanent differences	-19 335	-2 388
Change in tax rate from 23 % to 22 % (from 24 % to 23 % in 2017)	-	572
Tax expense	5 096	-2 505
Effective tax rate	4,6 %	83,6 %

Overview of deferred tax assets (KNOK):

	2019	2018
Fixed assets	-216	-258
Profit and loss account	161	202
Losses carried forward	-33 964	-57 128
Net negative differences	-34 018	-57 184
Deferred tax assets	7 484	12 580

Deferred tax assets are recognized on the balance sheet, as they are expected to be utilised through future group contribution from subsidiaries in Norway.

Note 14: Cash and cash equivalents

KNOK	2019	2018
Cash and bank deposit	-	-
Unused overdraft facility	34 715	60 000
Cash and cash flow in the cash flow statement	-	-

The parent company shares an overdraft facility with the rest of the group. The group as whole or the parent company alone may withdraw up to KNOK 60 000 from the group's overdraft facility.

Corporate Governance

Good corporate governance is vital to the success of StrongPoint ASA. Thus, corporate governance is a key concern for StrongPoint's Board and employees, and in StrongPoint ASA's relations with its subsidiaries. The Board has reviewed and updated the company's corporate governance practice. It is in line with the Accounting Act, section 3-3b and the Norwegian Code of Practice for Corporate Governance, except where deviations from the Code are noted. The presentation adheres to the same order of topics as the fifteen items in the Code.

Deviations from Code recommendations are listed in the table to the right and discussed under the item in question.

1. Implementation and reporting on corporate governance

StrongPoint ASA's corporate governance principles are determined by the Board of Directors and are set forth in the company's management documents. The Board's role is based on the principle of independence from the executive management and the principle of equality and responsibility towards the company's shareholders. The company's shares are freely tradable and the Board/executive management considers it a priority to focus on activities that strengthen the liquidity of its shares. The company's shareholder policy is based on the principle of one share – one vote. Related to potential acquisitions and restructuring situations, the Board will exercise particular concern so that all shareholders' investments and interests are considered closely. One of the Board's main tasks is to ensure that the company is based on an optimized capital structure. Equity transactions, including authorizations for share capital increases, are to be justified in terms of extent, form and timing. The Board and executive management must ensure that the company's information policies ensure that information regarding the company is published correctly, comprehensively and timely, contributing to a correct valuation of the company's shares. Further, the information policy should give shareholders the best possible foundation for decisions related to investments and voting at general meetings.

Values, ethical guidelines and guidelines for corporate social responsibility

The group's operations shall be conducted in accordance with the company's values, ethical guidelines and guidelines for social responsibility determined by the Board and Executive Management. In addition we shall through our activities contribute to a responsible business conduct. StrongPoint ASA's guidelines are presented on the company's website.

2. Business

The company's business objective is described in the company's articles of association

StrongPoint ASA's mission is to be a leading developer, manufacturer, integrator and marketer of retail technology with a focus on cash handling solutions. The business objective ensures that shareholders have control of the business and its risk profile, without limiting the Board or management's ability to carry out strategic and commercially appropriate decisions within the defined purpose. The articles of association of StrongPoint ASA are presented on the group's website: www.strongpoint.com. The company's objectives and main strategies are presented in the annual report.

3. Equity and dividends

Equity

The group's equity as of 31 December 2019 amounted to MNOK 263.9 corresponding to an equity ratio of 38.2 per cent.

The company's share capital is NOK 27 513 145, divided into 44 376 040 shares with a nominal value of NOK 0.62.

Dividends

StrongPoint's shareholders should over time get a competitive return on their investment through a combination of cash dividends and increased value of their shares.

When deciding the annual dividend level, the Board of directors will take into consideration expected cash flows, investments in organic growth, plans for growth through mergers and acquisitions, and needs for appropriate financial flexibility. In addition to cash dividends, StrongPoint ASA may buy back shares as part of its total distribution of capital to the shareholders.

Chapters in the recommendation Comment	Comments
1. Implementation and reporting on corporate governance	STRONG complies with the recommendations in the chapter
2. Business	STRONG complies with the recommendations in the chapter
3. Equity and dividends	STRONG complies with the recommendations in the chapter, with the exception: The board has an authorization to make an overall capital increase of up to 9 000 000 shares that is not limited to a defined purpose. The shareholders' preferential rights according to cf. section 10-14 of the Public Limited Liability Companies Act can be disregarded. The board has authorization to acquire up to 4 400 000 own shares that is not limited to a defined purpose.
4. Equal treatment of shareholders and transactions with close associates	STRONG complies with the recommendations in the chapter
5. Freely negotiable shares	STRONG complies with the recommendations in the chapter
6. General meetings	STRONG complies with the recommendations in the chapter. With the exception of two items. Board members, members of the nomination committee and the auditor are encouraged to participate at the general meeting. An independent proxy is not used. The Chairman of the Board, or the person designated by him, chairs the general meeting.
7. Nomination committee	STRONG complies with the recommendations in the chapter
8. Corporate assembly and board of directors: composition and independence	STRONG complies with the recommendations in the chapter
9. The work of the board of directors	STRONG complies with the recommendations in the chapter
10. Risk management and internal control	STRONG complies with the recommendations in the chapter
11. Remuneration the board of directors	STRONG complies with the recommendations in the chapter
12. Remuneration of executive personnel	STRONG complies with the recommendations in the chapter
13. Information and communication	STRONG complies with the recommendations in the chapter
14. Take-overs	STRONG complies with the recommendations in the chapter
15. Auditor	STRONG complies with the recommendations in the chapter

Board authorizations

The Board's proposals for future Board authorizations accord with the recommendations with two exceptions. The first concerns the Board's authorization to increase share capital by up to 9 000 000 shares, which is not limited to a defined purpose.

Secondly, the Board has an authorization to acquire treasury shares at par value of up to NOK 2 728 000 and an overall capital increase of up to 4 400 000 shares. The authorization is not limited to a defined purpose.

The Board has asked the General Assembly for these authorizations to increase the group's maneuverability.

Both authorizations are valid until the next general meeting or 30 June 2020, whichever comes first.

4. Equal treatment of shareholders and transactions with close associates

The company has a single class of shares, and all shares carry the same rights related to the company. Equal treatment of all shareholders is crucial. Transactions involving the company's own shares are executed on the Oslo Stock Exchange, except for the

repurchase of minor shareholdings from shareholders with 500 or fewer shares. In the event of material transactions between the company and a shareholder, Board member, member of executive management, or a party closely related to any of the beforementioned, the Board will ensure that independent valuations are made available.

Board members and members of executive management shall report to the Chairman of the Board and the group CEO if they directly or indirectly have significant interests in agreements entered into by StrongPoint ASA or companies in which StrongPoint ASA has significant interests. Additional information on transactions with related parties appears in note 18 in the consolidated accounts. Existing shareholders shall have pre-emptive rights to subscribe for shares in the event of share capital increases, unless otherwise indicated by special circumstances. If the pre-emptive rights of existing shareholders are waived in a share capital increase, the reasons for this waiver shall be explained by the Board of directors and be published through the Oslo Stock Exchange distribution system and on the company website.

5. Freely negotiable shares

StrongPoint ASA's shares are freely negotiable. There are no restrictions on transferability in the company's articles of association.

6. General meetings

Meeting notification, registration, and participation

The company encourages all shareholders to participate at general meetings. Notices of general meetings and comprehensive accompanying information are made available to shareholders on the company's website and sent to shareholders within the deadlines stated in the Norwegian Public Limited Liability Companies Act. The deadline for shareholders to register to attend a general meeting is set as close to the date of the meeting as possible, normally two or three days prior to the meeting. The company is of the opinion that no adequate systems for handling electronic participation at general meetings are currently available. Thus, the Board has decided not to allow such participation at StrongPoint ASA's general meetings.

Proxy

Shareholders who are unable to attend a meeting may vote by proxy. The company has prepared proxy forms that enable shareholders to vote on individual issues. Procedures for using such proxies are available on the company's website. The company does not appoint an independent proxy to vote on behalf of shareholders. The company considers that shareholders' interests are adequately safeguarded by the option to participate through an appointed proxy or by shareholders authorizing the Chairman of the Board or a person designated by him to vote according to specific proxy instructions. Procedures for attendance registration and granting proxy are presented in the notice, on the attendance and proxy form, and on the company website.

Meeting chair, voting, etc.

Board members, the chairman of the nomination committee, and the company's auditor are encouraged to attend general meetings. The Board has, for the time being, decided to deviate from the recommendation that the Board should ensure that the general meeting is able to elect an independent chairman and continue the practice that the general meeting is led by the

Chairman of the Board or someone elected by the general meeting.

The nomination committee focuses on composing a board that works as a team, that meets legally established regulations as to equal gender representation on boards of directors, and whose members' experience and qualifications complement each other. Minutes of general meetings are published as soon as practical via the Oslo Stock Exchange distribution system and on the company website.

7. Nomination committee

The company has a nomination committee, as stated in the articles of associations, which consists of: Svein Jacobsen (Chairman), Erik Bergöö and Egil Wickstrand Iversen. The nomination committee consists of no fewer than three members. Each member is normally elected for a two-year period. The composition of the nomination committee should ensure the interests of shareholders and independence from the Board and executive management.

Nomination committee members and its chairman are elected by the company's general meeting, which also determines remuneration payable to committee members.

In accordance with StrongPoint ASA's articles of association, the nomination committee recommends candidates for election to the Board of Directors. In addition, the nomination committee recommends a candidate for Chairman. The nomination committee also makes recommendations on remuneration of Board members. The nomination committee is to justify its recommendations, how it takes care of the shareholders' and the company's need for expertise, capacity and diversity. Care should be taken that the Board functions effectively as a cooperative body. Proposals for Board candidates are to be submitted in reasonable time before the general meeting.

The annual general meeting will, in accordance with the Code of Practice, be presented with the guidelines governing the duties of the nomination committee for approval. The duties of the nomination committee are found on the company website.

8. Corporate assembly and Board of Directors, composition and independence

In accordance with the company's articles of association, the Board comprises between 3 and 12

members. Board members are elected for a period of one year. The Board members are independent of the company's executive management and its significant business associates. No member of the company's executive management is a Board member. CEO Jacob Tveraabak has ownership interests in StrongPoint ASA privately and through his fully owned company Juce Holding AS.

The current composition of the Board is presented on the company website. The Board members' expertise is also presented. In 2019, the Board of Directors had 9 meetings.

Board members' shareholdings are presented in note 9 to the consolidated accounts. Board members are encouraged to invest in the company's shares. The Board members represent a combination of expertise and experience from finance, industry and organizations.

The nomination committee's reasoned proposal for candidates will be presented on the company website. The General Assembly elects the Chairman of the Board.

9. The work of the Board of Directors

The Board of StrongPoint ASA annually adopts a plan for its work, emphasizing goals, strategies, and implementation. Also, the Board has adopted board instructions that regulate areas of responsibility, tasks, and division of roles of the Board, the Chairman of the Board, and the Chief Executive Officer. The Board instructions also feature rules governing Board schedules, notice and chairing of Board meetings, decision-making, the Chief Executive Officer's duty and right to disclose information to the Board, professional secrecy, impartiality, and other issues.

The Board evaluates its own performance and expertise once a year. The Board has an audit committee, which consists of Chairman of the Board Morthen Johannessen and the Board member Klaus de Vibe. The audit committee reviews procedures including the company's in-house reporting systems, risk management, and internal control, keeps in contact with the company's auditor regarding company audits and prepares the Board's review of financial reporting.

10. Risk management and internal control

The Board of Directors of StrongPoint ASA is ultimately responsible for the group's business operations and is

to ensure that the company maintains solid in-house control practices and appropriate risk management systems tailored to the company's business activities.

As apparent from its balance sheet, StrongPoint ASA is exposed to currency and interest risk, market risk, credit risk, and operational risk at its underlying companies. Management of operational risk primarily takes place at each underlying operating company. Nevertheless, StrongPoint takes an active role on Boards of Directors. As a rule, all companies have established effective risk management procedures. Management of financial market exposure, including currency, interest, and counterparty risk, is presented in greater detail in note 17 to the parent company accounts.

StrongPoint has adopted a series of policies to support this, including:

- Financial reporting, financial and risk management.
- Ethics and social responsibility.
- Authorization conditions, including instructions for the Board and CEO, as well as certification authority.
- Audit committee
- StrongPoint has an accounting manual that all companies in the group follows. It contains rules for internal control and accounting, among other things:
- No one can sign for their own costs or acquisition of own equipment.
- All bank transactions must be approved by two employees.
- Seller mandates establishing authorities and limits for sellers.
- Hiring of new employees must be approved local CEO.
- Agreements and contracts that exceed the amount stipulated in the instructions must be approved by the Group CEO.
- Derivatives and foreign exchange contracts must be approved by the Group CFO. There are limits to the balance on foreign currency accounts to reduce the financial risk.
- Derivatives and foreign exchange contracts must be approved by the Group CFO. There are limits to the balance on foreign currency accounts to reduce the financial risk.

The Audit committee annually reviews the company's most important risk areas and internal control systems and procedures, and the main elements of these assessments are presented in the Board of Directors' report. The audit committee also serves as a preparatory group in connection with the quarterly

report and reviews the major events, the directors' report, balance sheet, income statement items and notes to the interim financial statements together with the administration before the report is presented to the Board.

11. Remuneration of the Board

Board remuneration reflects the Board's responsibility, expertise, time spent, and the complexity of the business. Remuneration does not depend on StrongPoint's financial performance. There are no option programs for any Board members but the majority have chosen to buy shares in the company. The annual general meeting determines Board remuneration following recommendations by the company's nomination committee.

Board members are elected because of their expertise and knowledge. Directors or their related companies should not undertake special assignments for the company in addition to their Board appointments. However, if they do, the whole Board should be informed. Fees for such assignments must be approved by the Board. All remunerations are specified in the financial statement. Additional information on remuneration paid to Board members for 2019 is presented in note 9 to the consolidated accounts.

12. Remuneration of executive personnel

The Board has adopted guidelines for remuneration of executive management in accordance with section 6-16a of the Norwegian Public Limited Liability Companies Act. The Board of Directors determines the remuneration of the CEO. StrongPoint ASA does not have stock option plans or share award programs for employees. Further information on remuneration for 2019 for members of StrongPoint's executive management is presented in note 9 to the consolidated accounts. The company's guidelines for remuneration to executive management are discussed in note 9 to the consolidated accounts and will be presented to shareholders at the annual general meeting. Some members of StrongPoint's executive management maintain the company's interests as board members of other StrongPoint companies. They do not personally receive board remuneration for this. The Board has limited the performance based remuneration of the group CEO to a maximum of 50 % of the fixed salary.

13. Information and communications

The company has prepared a policy for investor relations (IR), which determines guidelines for contact with shareholders apart from the general meeting. The company's reporting of financial and other information is based on transparency and equal treatment of interested parties.

The long-term purpose of StrongPoint's IR activities is to ensure access to capital at competitive terms for the company and correct pricing of shares for shareholders. These goals are to be accomplished through accurate and timely distribution of information that can affect the company's share price; the company is also to comply with current rules, regulations, and market practices, including the requirement of equal treatment.

All stock exchange notices and press releases are published on the company's website. Stock exchange notices are also available at: www.newsweb.no. All information that is distributed to shareholders is published through the Oslo Stock Exchange distribution system and on the company website.

The company intends to host public presentations of its financial reporting and these meetings are webcasted simultaneously. The company's financial calendar is found on the company website.

14. Take-overs

In a bid situation, StrongPoint's Board of Directors and management have an independent responsibility to help ensure that shareholders are treated equally, and that the company's business activities are not disrupted unnecessarily. The Board has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer. The Board of Directors will not seek to hinder or obstruct take-over bids for the company's activities or shares unless there are particular reasons for this. An agreement with the bidder to limit the company's ability to obtain other offerings on the company's shares will only be entered into when it clearly can be attributed to the company and shareholders' common interest. The same applies to an agreement to compensate the bidder if the offer is not completed. Any compensation shall be limited to the cost the bidder has incurred in making the bid.

Agreements between the company and provider of importance for the market's assessment of the offer

should be made public no later than the alert that the offer is made. In the event of a take-over bid for the company's shares, the company's Board of Directors will not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting following announcement of the bid. If an offer is made for the company's shares, the company's Board of Directors will issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The Board's statement on the offer will make it clear whether the views expressed are unanimous, and if this is not the case it should explain the basis on which specific members of the board have excluded themselves from the Board's statement. The Board will arrange a valuation from an independent expert. The valuation will include an explanation, and will be made public no later than at the time of the public disclosure of the Board's statement.

15. Auditor

The auditor participates in the Board meeting that deals with the annual accounts, and the auditor has reviewed any material changes in the company's accounting principles and assessments of material accounting estimates with the Board.

Further, the auditor has provided the Board with written confirmation that the requirement of independence is met. The Board and the audit committee meet with the auditor without the presence of representatives of executive management. The audit committee determines guidelines for executive management's access to use the auditor for services other than auditing and receives an overview of services rendered by the auditor to the company.

Remuneration for auditing and other services are presented in note 5 to the StrongPoint ASA accounts. Such details are presented to the annual general meeting.

Rælingen, 12 March 2020


Morthen Johannessen
Chairman


Klaus De Vibe
Director


Camilla Tøpfers
Director


Inger I. Solhaug
Director


Peter Wirén
Director


Jacob Tveraabak
CEO

Auditor's report



Statsautoriserede revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00
Fax:
www.ey.no
Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of StrongPoint ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of StrongPoint ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2019, the income statement and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2019, statement of comprehensive income, statement of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- ▶ the financial statements are prepared in accordance with the law and regulations
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- ▶ the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.



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Impairment of goodwill, brands and shares in subsidiaries

Total goodwill and intangible assets in the consolidated financial statement amounts to MNOK 184,7 in 2019, where goodwill and brands represents MNOK 160,4. The shares in subsidiaries in the financial statement of the parent company amounts to MNOK 408,5 and is 77% of total assets.

Goodwill and brands are tested yearly for impairment. Impairment loss is recognized if the carrying value exceed the recoverable amount. Recoverable amount is measured by value in use and is calculated on discounted future cash flows. As the impairment assessment is based on predicted future cash flows, management assumptions and uncertainty in technological development and market conditions, the impairment of goodwill, brands and shares in subsidiaries are considered to be a key audit matter.

The audit of the impairment assessment comprises a recalculation of the impairment model, an assessment of the cash generating units and a review of management's assumptions used in the calculations. We have reviewed management's assumptions and predicted cash flows used in the model. The accuracy of management's assumptions are analyzed by comparing historical actual numbers to predicted numbers. The weighted average cost of capital in the impairment assessment is analyzed by comparing management's assumptions with external data on beta and capital structure in comparable entities. Sensitivity in changes in main assumptions are analyzed and reviewed.

Note 11 Intangible assets and note 25 Estimation uncertainties in the consolidated financial statement and note 11 Shares in subsidiaries in the separate financial statement gives further information.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the 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 financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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

Auditor's report



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aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 those charged with governance, we determine those matters that were of most significance in the audit of the 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

Opinion on the Board of Directors' report and on the statement on corporate governance

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.



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Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 12 March 2020
ERNST & YOUNG AS


Asbjørn Ler
State Authorised Public Accountant (Norway)





StrongPoint

StrongPoint ASA
Slynga 10, 2005 Rælingen
Tel: +47 03254
www.strongpoint.com