# Retail technology in every shopping experience for a smarter and better life

**35+**
Oldest and largest retail technology company in the Nordics. Founded in 1985 - over 35 years experience

**20+**
Provided retail technology solutions to grocery companies in over 20 countries worldwide

**450+**
Over 450 full-time employees globally including support staff in multiple countries

**2003**
Floated on the Oslo Stock Exchange in 2003

# Annual report 2020

StrongPoint

StrongPoint



# About StrongPoint

StrongPoint is a retail technology company that provides solutions to make shops smarter, shopping experiences better and online grocery shopping more efficient. For over 35 years we have been listening to grocery retailers, understanding their problems, and devising innovative technology solutions to help them become more productive, cut costs and create efficiency gains.

Today the retail world has been transformed. First digital disruption and secondly, the new normal of online grocery shopping following the COVID-19 global pandemic.

These are the new pain points that the grocery retail world is facing and we believe that technology is the key to overcoming these obstacles and the key to long-term sustainable profitability, both in-store and online.

Today StrongPoint provides world-leading technology solutions, products and services to make stores more efficient and online grocery shopping efficient, flexible and scalable.

With over 450 employees in Norway, Sweden, the Baltics and Spain, and together with a wide partner network, we support businesses in more than 20 countries.

We provide automated and secured Cash Management and Payment Solutions, Click & Collect Temperature-Controlled Grocery Lockers, Self-Checkouts, Electronic Shelf Labels, In-Store and Warehouse Grocery Picking Solutions and the design and manufacturing of labels.

**2003**
PSI Group is listed on the Oslo Stock Exchange

**2008**
Merger with CashGuard

**2013**
Expansion of Label Business

**2014**
Entered the Baltic market

**2015**
Becomes StrongPoint after merger of seven companies

**2018**
Strengthened e-commerce solutions portfolio

**2020**
New strategy and brand

StrongPoint



# Retail technology in every shopping experience for a smarter and better life


## Our WHY statement builds on the following logic:

We are a retail technology company and believe that retail technology should be integrated into every shopping experience - in-store and online.

We know that technology is the key to making shops smarter, shopping experiences better and online grocery shopping more efficient.

This will give more time, lower prices, better service, fresher products, and ultimately, we all get a better and smarter life.

StrongPoint



# Key figures 2018-2020

| | 2020 | 2019 | 2018 | |
|---|---|---|---|---|
| Operating revenue [1] | 1 182 920 | 988 181 | 920 609 | KNOK |
| Annual growth | 19.71 | 7.34 | 8.57 | % |
| EBITDA | 152 383 | 84 752 | 64 571 | KNOK |
| EBT | 77 559 | 38 187 | 25 202 | KNOK |
| Total assets | 786 132 | 690 542 | 655 386 | KNOK |
| Equity | 366 059 | 263 904 | 265 137 | KNOK |
| Equity ratio [2] | 46.56 | 38.22 | 40.46 | % |
| Current ratio [3] | 1.25 | 1.07 | 1.19 | |
| Earnings per share [4] | 2.21 | 0.72 | 0.30 | NOK |
| Number of shares (average for year) | 44 287 | 44 223 | 44 271 | T |
| Number of shares 31.12 | 44 376 | 44 376 | 44 376 | T |
| Share price (Oslo Børs) 31.12 | 19.40 | 12.00 | 8.95 | NOK |
| Number of employees 31.12 | 462 | 531 | 538 | |

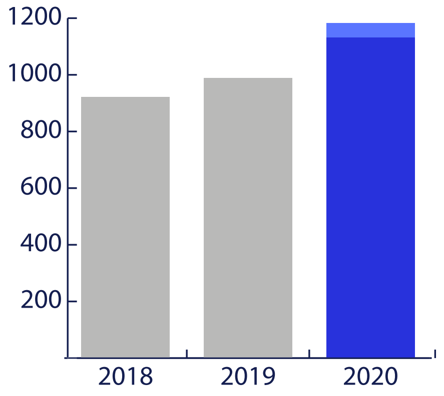
Cash Security is shown as discontinued operations.
Compensation related to relocation for the labels business in Norway affecting the revenue with 55.7 MNOK, EBITDA with 53.2 MNOK and EBT with 29.9 MNOK.

1) Operating revenue
Operating revenue includes profit from associated companies

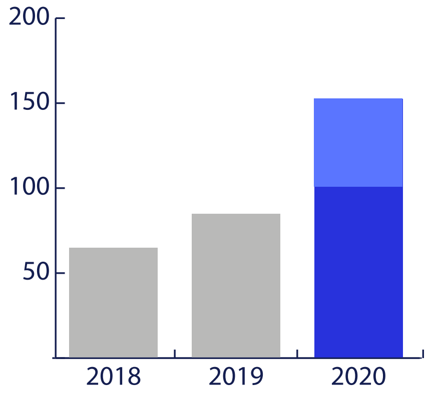
2) Equity ratio
$\frac{\text{Equity 31 December x 100}}{\text{Total assets 31 December}}$

3) Current ratio
$\frac{\text{Current assets 31 December}}{\text{Current liabilities 31 December}}$

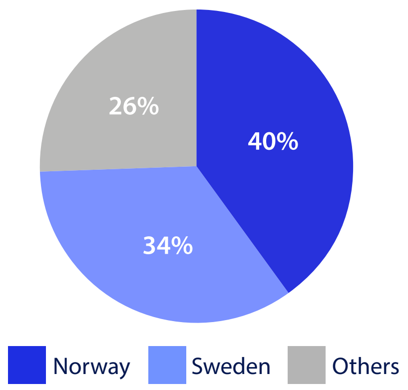
4) Earnings per share
$\frac{\text{Annual profit after tax}}{\text{Average no. of shares}}$




Sales revenue (MNOK)




EBITDA (MNOK)




Markets 2020

Compensation for relocation of Labels production Norway

# CEO statement

It is impossible to reflect on 2020 without talking about COVID-19. The pandemic has impacted countless lives and livelihoods globally. Only now, well in to 2021 are we slowly seeing vaccination programs starting to have an impact. Furthermore, the pandemic has paved the way for lasting changes in consumer behavior, most notably in grocery e-commerce.

The substantial growth in grocery e-commerce has, and will continue to, drive the "double opportunity" for StrongPoint – that is, the need for technology solutions to drive in-store efficiency and world-class e-commerce technology for online order picking and last mile solutions. The potential is significant, and the future looks bright.

Last year, ahead of the pandemic, we emphasized our focus on serving the grocery retail sector when outlining the strategic path towards 2025. We also unveiled our organic revenue ambitions of NOK 2.5 billion and an EBITDA-margin of 13-15%.

I believe we as a company have all the reasons to be optimistic about achieving our strategic objectives. The resilience of the grocery retail sector, the changes in consumer behavior and the subsequent actions and plans for the world's grocery retail players to invest in technology are all elements supporting our ambitions.

Reflecting on 2020, first and foremost, I am immensely proud of the people working at StrongPoint. In a difficult time, where demands for flexibility on our staff has been a must, we have delivered record-high activity levels in all business units. For example we were able to conclude the sale and implementation of self-checkout solutions to a new customer within months, significantly scale-up our e-commerce order picking operations to existing customers, and successfully completed a large scale roll-out of an electronic shelf label project.

On top of this, efforts from our e-commerce logistics team have been extraordinary, laying the foundation for new customer segments such as serving on-demand delivery platforms. Even more remarkable is the continued increase in engagement from our employees in these times. The dedication and engagement from the entire team is one of our key competitive edges and I am certain this is particularly appreciated by our grocery retail customers.

Throughout 2020 we have taken a number of steps supporting our 2025 ambitions. We successfully divested our Cash Security business unit to Cennox Ltd, underpinning our focus on retail technology. We have increasingly invested in our efforts to improve and develop our retail technology products and solutions.

This has been most notably within e-commerce logistics, however also in a number of in-store productivity solutions areas as well. In terms of sales and marketing, we have taken giant leaps in establishing the approach and sophistication appropriate when targeting the world's premier grocery retailers. Lastly, we also changed our logo and visual identity to better represent our focus on being a leading provider of retail technology.

We have continued renewing and implementing appropriate tools and business systems. These range from the implementation of a unified CRM-system for our retail technology business, digital marketing tools and enhanced IT-security systems. All of which enables us to work even more effectively and efficiently going forward. In terms of people I am delighted to state that we are increasingly able to attract top talent and expertise. Both in top managerial positions as well as in functional areas of importance to our continued success.

Overall, we grew our revenues from continued operations (i.e. excluding Cash Security) by 20% to NOK 1.183 million. Revenue from our e-commerce logistics business grew by a staggering 76%. In terms of profitability, we improved our EBITDA from NOK 85 million in 2019 to NOK 152 million. Excluding positive one-off effects, the EBITDA was still close to NOK 100 million.

**Jacob Tveraabak**
*CEO of StrongPoint*

More and more so it becomes evident that the shift in shopping behavior accelerated by the COVID-19 pandemic will provide expanded opportunities for us going forward. With our broad suite of world-class E-Commerce Logistics solutions, our In-Store Technology Products, and our proven track record of providing outstanding customer service, I continue to believe we have all the reasons to be optimistic about achieving our strategic objectives.

Stay safe and strong!

Jacob Tveraabak
CEO

StrongPoint



# Company Strategy

We unveiled our new strategy early in 2020 and refreshed it at the start of 2021 due to the impact of the COVID-19 pandemic.

Our financial ambition for organic growth, that we set in 2020, remains the same today – NOK 2.5 billion in 2025 with an EBITDA in the range of 13-15%.

We also strongly believe that we need to focus. As part of the new strategy we decided to focus on the grocery retail sector and continue to do so. This was done for two reasons, firstly this is a highly resilient sector and secondly, has natural spill-over effects to other retail verticals.

The COVID-19 pandemic has accelerated the two megatrends that are facing the grocery retail sector: Pressure on store margins because of the growth of online groceries, and pressure to develop an online presence and grow and keep that market share.

We know that technology is the solution to both of these challenges and StrongPoint is well positioned to meet these twin growing demands as we provide both the in-store and e-commerce technology that grocery retailers need. We call this our "double opportunity".

Firstly, StrongPoint provides multiple in-store technology solutions to make shops smarter, drive productivity and achieve efficiency gains. Secondly, we provide a world-class end-to-end grocery e-commerce suite, including in-store and dark store picking solution and multiple last-mile options from instore pickup to home deliveries. We are also the world's first provider of mobile Click & Collect Grocery Lockers.

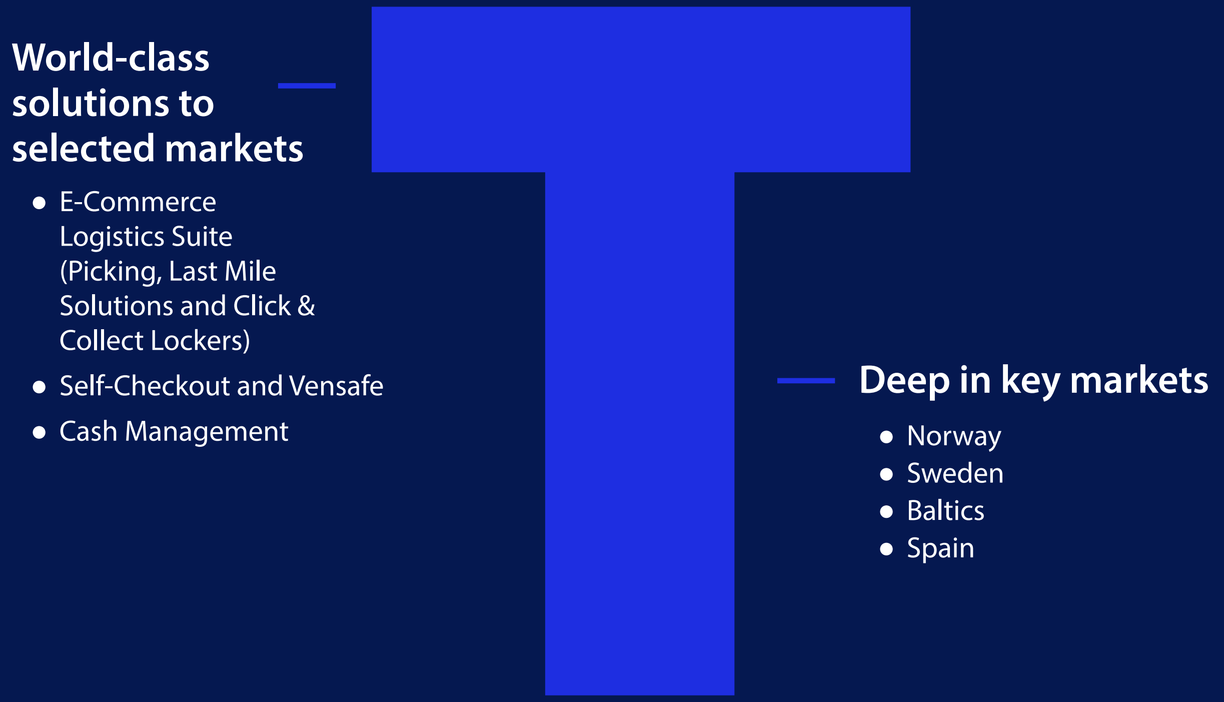
In February 2021, we unveiled a new T-shaped approach to geographical expansion and growth to fulfil our 2025 ambitions.

Let us start with the top bar of the T. We are rolling-out our world-class solutions, in particular end-to-end grocery E-commerce Logistics Suite, Self-Checkout and Cash Management Solutions, in selected key markets.

When it comes to the stem of the T, we are leveraging the deep relations in our key markets, including Norway, Sweden, the Baltics and Spain. We will both continue to roll-out a full portfolio of retail technology solutions and be a market access platform for global retail technology providers.

Our strategy is to help achieve our financial targets and fulfil our purpose of making retail technology an integral part of every shopping experience for a smarter and better life. We believe that technology is the key to efficiency, productivity, and profitability – both in-store and online.

## Our new T-shaped strategy to create a NOK 2.5 bn Retail Technology company




**NOK 2.5 bn in 2025**

**EBITDA 13-15%**

StrongPoint



# 2020 Highlights



## Q1

The pandemic forced us to strengthen the organization as a whole and take decisive and comprehensive measures for both our customers and the company. The first step was for the Executive Management Team to set up a COVID-19 task force and strong hygiene and protective measures were instituted. A change in business demand necessitated temporary layoffs of 13% of the workforce by the end of April 2020. On a more positive note we were able to make significant changes to the workforce including the recruitment of a new MD and SVP for Norway, Gisle Elvebakken, and new SVP of People and Organizational Development, Knut Olav Nyhus Olsen.

## Q2

StrongPoint signed an agreement to deliver Self-Checkout solutions to the retail chain Palink/IKI (part of REWE Group). We signed a sales and service partnership for Germany with Partner Tech Europe, with whom we rolled out a large-scale Self-Checkout for a Polish grocery chain.

## Q3

We continued our sales success in our priority area including NorgesGruppen's order for the Pricer shelf labels. Click & Collect Locker solutions were delivered to key markets, and we saw continued strong demand internationally for our e-commerce order picking solution. One retail chain in Spain installed over 20 Click & Collect Lockers.

## Q4

We divested our Cash Security unit to Cennox, thus reinforcing our focus on retail technology, and completed the NorgesGruppen's order for the Pricer shelf labels. A Self-Checkout solution was sold for more than EUR 3 million to Palink/IKI in Lithuania, and we saw an increased roll-out of Click & Collect Lockers, in particular to Swedish grocery retail customers.

# Q&A on the future of grocery retail

## Is the global shift for grocery shopping to online here to stay?

Yes, without a doubt. Before the COVID-19 pandemic, there were a lot of skeptical voices about the move to online. It is true that the question of profitable online offerings is still an issue to be solved, but the consumer trend is unquestionable.

The question is no longer if you are moving online, but when. We have seen from our polling that online customers are sticky – once they find an online provider they like, they stick with them.

The issue online is now a battle for market share and those who are newcomers are going to find it harder and harder the longer they wait or the slower they scale their operations.

## What are the biggest trends for online groceries?

There are many things in motion within online groceries right now. Firstly, grocery retailers are really putting serious efforts behind their online offering and fulfillment. In the past, i.e., pre-COVID-19, with single digit penetration in online groceries in most countries, online efforts were in many cases not really prioritized. That has most certainly changed, and we are seeing an increased focus on efficiency in both picking and delivery to ensure a profitable online grocery business.

Secondly, we are experiencing new entrants in the online grocery market. Close to all delivery platforms, that prior to the pandemic were delivering restaurant food and other dry items, have moved or are moving in to delivering groceries as well.

Lastly, worth pointing out is the exploration of automated picking. Automated picking is still a very small portion of the fulfillment method applied today, and the vast majority of orders will for the very long foreseeable future be picked manually or semi-manually, but it is an exciting compliment to other fulfillment methods.

## What does the online trend mean for brick and mortar stores in the future?

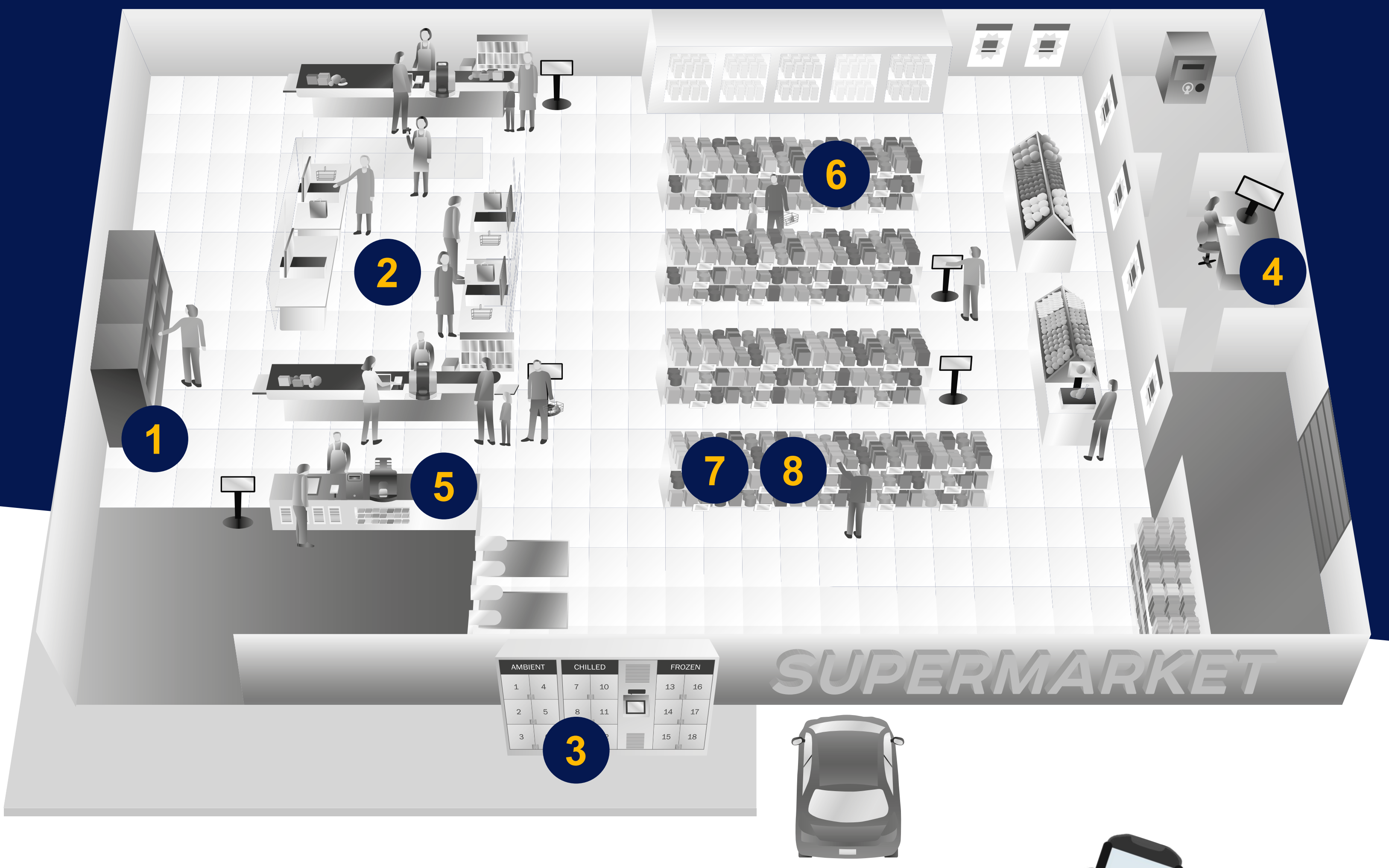
Efficiency, efficiency, and more efficiency. The pressure on retailers' stores margins before the COVID-19 pandemic was high. Now, store owners need to double-down on efficiency drivers in-store. There is also a new demand for contactless – or as contactless as possible – solutions in-store. We will see a global uptick in customers coming back to stores, but many are going to expect much more self-service solutions to minimise contact. The key to achieving this is applying the appropriate technology solutions. From hyper-fast self checkout solutions, software to maximize staff productivity or even in-store robotics solutions to relieve workers from the more repetitive tasks. In all areas in-store the key to efficiency is technology.

Jacob Tveraabak
CEO

## The strong market fundamentals provide a double opportunity for StrongPoint

| Trends | | Opportunity for StrongPoint |
|---|---|---|
| Pressure on brick & mortar retailers' margin | → | Technology solutions in-store to improve retailers' productivity and hence uphold margins |
| Pressure to develop online presence and keep market share | → | World-class e-commerce solutions for picking and delivery |

# In-Store Productivity Solutions



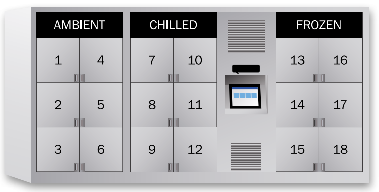


## 1. Vensafe

StrongPoint's Vensafe automates in-store sales of restricted and theft-prone products, such as tobacco, pharmaceuticals, and other high-value items. It allows stores to sell these products safely and responsibility in both traditional checkouts and in unmanned environments, like self-checkout lanes or checkout-free stores. Vensafe increases store productivity, enhances the customer experience, and eliminates shrinkage.

## 2. Self-Checkout

StrongPoint's Self-Checkout solutions improves the customer experience and helps to reduce costs. StrongPoint offers hardware and software solutions, which can be used independently or together. We also use advanced AI solutions for fraud prevention, item recognition and age verification for restricted items.




## 3. Click & Collect Lockers

StrongPoint's Click & Collect Lockers offer a more convenient way for customers to pick up online orders. They cut the cost of last mile deliveries by automating the delivery process and turning stores into distribution points. Click & Collect Lockers can be mobile or stationary and can be set to one of three temperature zones: ambient, chilled and frozen.

## 4. Task & Labour Management

Reflexis' Workforce Management Tool and Task Manager are the industry's leading store operations solutions. The comprehensive solutions simplify workflows by enabling retailers to manage by exception and execute tasks and checklists in real-time.

## 5. Cash Management

StrongPoint's CashGuard is the fastest and most reliable Cash Management system on the market. It both secures cash and automates cash handling at checkout, so retailers can stay in control and eliminate shrinkage. Lower-priced solutions including Compact and Unico are also available. The user-friendly back office software helps keep track of all cash movements within the store.


## 6. Electronic Shelf Labels

Pricer's Electronic Shelf Labels (ESL) ensure the same price is always displayed on the shelf and at checkout. ESL enable the retailer to save time and improves customer experience through accurate and reliable pricing. Pricer ESL shelf-edge communication platform offers much more than price automation, and includes powerful tools for geolocation positioning, in-store navigation and flash for promotions and tasks.


## 7. Order Picking

StrongPoint Order Picking allows retailers to pick more items in less time, cutting costs, boosting profitability for grocery e-commerce. The solution can be used in stores and dark stores and allows for hands-free picking of multiple orders.

## 8. ShopFlow Logistics

ShopFlow Logistics is a mobile logistics system for handling routines such as goods received and delivered, inventory, price updates, ordering, label printing and waste management.

Note: StrongPoint delivers In-Store Solutions such as DIGI scales and wrapping systems.

StrongPoint



# E-Commerce Logistics Solutions

The StrongPoint E-Commerce Logistic Suite is purpose designed for grocery retailers fulfilling online orders. It includes a world-leading in-store and dark store order picking solution and multiple last mile options including Temperature-Controlled Grocery Lockers, In-Store Pickup and Drive-Thru Solutions, and a Home Delivery Solution. The suite is fully modular so customers can choose to implement a single, multiple or the full range of solutions.


## Order Picking

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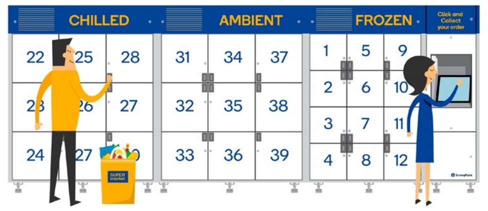


## Click & Collect Lockers

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## In-Store Pickup

StrongPoint's In-Store Pickup solution allows any store anywhere to automate its instore pickup operations for fast, seamless, and efficient service and maximum customer experience. The system includes two-way customer communication allowing the customer to alert the grocery retailer when they are about to come to pick up their order.


## Home Delivery

StrongPoint's Home Delivery solution optimizes the home delivery of groceries to the customer. The solution offers support to the grocery retailer in handling multiple delivery slots, vehicles and pickup points and optimizes the driver routes. The system includes two-way communication allowing the customer to communicate to the driver any change of details regarding how or where to deliver the order and support with retaining the cold chain throughout the delivery.

## Drive-Thru

StrongPoint's Drive-Thru solution allows grocery retailers to provide a completely contactless and automated solution for customers to pickup their groceries at their store. The system uses AI image recognition, so the store is automatically alerted the moment the customer enters the pickup zone.

StrongPoint



# In-Store Productivity

## The market today

**Gisle Elvebakken**
*MD & SVP Norway*

Most grocery retailers in Norway and Sweden use Pricer's Electronic Shelf Labels (ESLs) and have achieved cost-savings and improved customer experience by benefiting from more accurate and reliable pricing. Pricer ESLs shelf-edge communication platform offers much more than price automation, and retailers are now looking for additional benefits of ESL to gain further operational efficiency. For example, grocers are using the dynamic product positioning and flash function to improve the efficiency of individual product promotions and tasks such as shelf replenishment and online order fulfillment.

The COVID-19 pandemic has pushed the demand for buy-online-pick-up-in-store (BOPIS) which has boosted the need for accurate task management systems where Reflexis is a leading option for grocery retailers. In addition, Reflexis can help grocery retailers ensure they are up to date with the latest COVID-19 related regulations. These same trends have also driven more demand for self-checkout tills where DIGI scales are an integral part of our solution.

## Future outlook

We already distribute ESLs to many grocery retailers in Norway and Sweden and we see potential for further growth towards discount retailers as well as retailers in the DIY and pharmacy sectors.

The grocery retail business has been early adaptors of task management systems but the COVID-19 situation has driven demand from all retail sectors. The Reflexis solutions fits perfectly together with our Shopflow Logistics and Order Picking Solutions as the retailers need to know the inventory when fulfilling e-commerce orders.

As we see growth in our e-commerce offering, we also see potential growth in the use of ESLs and DIGI scales as part of the Online Order Picking Solution. ESLs allow store workers to find the items they are looking for more quickly. DIGI scales are used as part of the purpose-built smart trolley for more efficient in-store and dark store picking, allowing the picker instant access to scales to weigh individual items on the trolley. In addition, there are substantial growth opportunities in the self-checkout market, thanks to the growth in demand for safer shopping in-store.


## About our In-Store Productivity Solutions

StrongPoint sells and implements In-Store Productivity Solutions that enable stores to be more efficient and provide better customer experiences. This includes Electronic Shelf Labels (ESL) from Pricer, in real-time store operations and workforce management solutions from Reflexis and weighing scales and wrapping solutions from DIGI.

Pricer ESLs enables retailers to have full control over pricing and help them save time with automatic price updates and faster stock replenishment. This also improves the customer experience through more accurate and reliable pricing. ESLs are also an integral part of our Order Picking Solution as they support a flashing function which helps store workers locate items when picking online orders.

Reflexis Real-Time Task Manager is the leading task management solution designed to simplify work, enhance frontline communication, and empower productivity for retailers. The solution helps to streamline communications, improves task execution, tracks compliance, and delivers insightful analytics for the store management.

DIGI scales and wrapping solutions help to make stores more efficient by making the weighing and wrapping of fresh items easier, faster and in a more sustainable manner. In addition, their scales are an integral part of Self-Checkout Solutions and StrongPoint's E-Commerce Click & Collect Locker Solution.

StrongPoint




# Checkout Efficiency

## The market today

During the COVID-19 pandemic, many customers shifted their preference to low-contact or self-scanning options – if they were available. To meet this demand, we have continued to improve the speed of our solutions and are partnering with cutting-edge technology companies to create a more seamless shopping experience. This includes looking to develop smart carts or smart trolleys and, as our north star, just-walk-out (JWO) installations.

**Julius Stulpinas**
*SVP Technology and Supply Chain*

## Future outlook

We strongly believe that there are several market shifts that will impact how grocery retailers look at checkout efficiency.

Firstly, increasing labour costs will mean that retailers need to improve in-store efficiencies. Self-checkout solutions are an obvious step in that direction.

Secondly, technological developments in computer vision and AI, and the decreasing cost of cloud computing, will enable big leaps forward in the effectiveness of our solutions. This will also help and decrease the costs of establishing a fully cashier-less store.

## About our Self-Checkout Solutions

StrongPoint provides Self-Checkout tills under the StrongPoint brand, and self-dispensing machines under the brand name Vensafe for selling tobacco and high theft risk or restricted items.

In response to the global COVID-19 pandemic, we expanded our Self-Checkout proposition in 2020. Our AI-driven computer vision solutions offer both age verification and non-barcoded item recognition, making grocery shopping safer and faster.

One of the main product differentiators is our proprietary fraud prevention algorithm. It identifies and learns scanned product weight, and alerts shop attendants only in high-risk situations, making the customer experience as efficient and fast as possible. Another point is our new generation Self-Checkout software, optimised for faster item scanning or product selection from picklist process. This allows 3x faster shopper throughput than our competitors.

Our Self-Checkout tills are integrated into our Vensafe dispensers which, with the use of age verification technology, allows stores to be even more productive and move tobacco and other age restricted items from a manned counter to self-service. This also helps to create a low-contact shopping trip for consumers.


# E-Commerce Logistics

## The market today

The COVID-19 pandemic has led to a massive global shift towards online grocery fulfillment. Grocery retailers are racing to catch up with demand, a trend which we expect to continue.

We have already seen substantial uptake in our core markets, and we expect this trend to continue outside those countries. In 2021, we signed an agreement with the Q-commerce player, Glovo (a Spanish delivery app unicorn, with operations in over 20 countries) to provide picking solutions to the grocery companies it is partnering with. This is a new vertical for StrongPoint, following the global trend of delivery platforms adding grocery solutions during the COVID-19 pandemic.

**Amanda Cremon**
*SVP International Expansion Sales & Marketing Director E-Com'*

## Future outlook

Grocery retailers are looking to provide not just home delivery, but alternative pick-up solutions. We are already in a good position to meet this growing demand, with our proven track record of providing multiple last mile solutions. Our Click & Collect Grocery Lockers have been extremely successful, and we foresee increased international adoption of the concept.

## About our E-Commerce Logistics Solutions

StrongPoint provides an end-to-end e-commerce order fulfillment solution, purpose-built for grocery retailers fulfilling online orders. This includes a solution for in-store and dark store picking of online orders, multiple store pickup solutions including Temperature-Controlled Grocery Lockers, In-Store Pick Up and Drive-Thru, and a Home Delivery Solution.

The suite is fully modular so customers can choose to implement a single, multiple or the full range of solutions. They can be deployed in full, or grocery retailers can choose to implement a single or multiple solution. The suite is furthermore completely cloud-based and can easily be integrated into any grocery retailer's existing e-commerce infrastructure.

Our Order Picking Solution is truly world-class and is designed for maximum efficiency. It cuts costs by reducing the labour needed to fulfil orders, helping grocery retailers achieve profitability in the online space.

StrongPoint also offers multiple last mile options and is one of the world's first producers of a Click & Collect Locker Solution purpose-built for grocery retailers. StrongPoint is also the world's first provider of mobile grocery lockers. All StrongPoint lockers are built to withstand the most extreme temperatures and have been deployed in some of the most unforgiving of weather conditions – including in countries touching the arctic circle, and the heat of southern Europe.

The solution has been developed to maximise efficiency savings for grocery retailers, whilst providing an unbeatable customer experience.

StrongPoint



# Payment Solutions

## The market today

**Julius Stulpinas**
*SVP Technology and Supply Chain*

Currently, from our current portfolio we are seeing most interest in our Premium line with additional remote functionality. That is why our latest hardware development CashGuard Core, together with our cloud-based management and monitoring solution Retail Suite, will be the perfect match for the market. We are also seeing an increase in demand for customer-facing cash management solutions, which today we are serving with two different models: Unico and Compact.

## Future outlook

The bigger retail chains are moving from having local IT infrastructure in their stores, to cloud-based solutions they can either host themselves or outsource to third parties. Our cloud-based management solution Retail Suite will enable retailers to monitor our hardware used in their stores. It will provide automatic alerts to the user when preventative maintenance is needed, providing better service to our retail customers. Simultaneously, our service team will have a real-time overview of all the units in operation, and can fix most issues remotely, or contact the store staff directly if they see any anomalies.

Our Retail Suite brings together the possibility of offering Cash Management as a service (hardware, software and services combined) to more businesses, who would not normally be able to afford cash management. This in turn opens a bigger market opportunity for StrongPoint in the immediate future.

Apart from our focus markets, we are seeing new opportunities in Central and Latin America. To ensure we are able to cater to these potential new markets, we have ensured in development that our latest products (Unico, Compact and Core) can easily be adapted to new currencies, allowing us to deploy the solution to new markets faster.


## About our Payment Solutions

StrongPoint provides a Payment Solution under the brand name CashGuard, which helps retailers focus on their business – not the cash handling. There are many vulnerabilities when handling cash including errors, shrinkage and robberies, and our CashGuard helps minimise or eliminate those issues. With CashGuard, the cash is secured and put through an automated process, with no human involvement at the checkout.

Since every transaction is automated, the owner gets real-time information about cash levels. Our back-office software Store Manager shows an overview of cash levels at a checkout, store or chain level. With CashGuard, cash-handling operations are cut by 50%, and every banknote is counted once automatically.

The system is the fastest and most reliable in the market, reducing cash payments by up to 30% compared to a manual cash drawer. This also helps to reduce waiting time for end customers.

We provide numerous variations of the CashGuard solution, purpose-made for specific retail sectors. This includes CashGuard Core (soon to be released), CashGuard Premium (for supermarkets), CashGuard Unico (for "over-the-counter checkouts" such as in restaurants, pharmacies, bakeries and petrol stations), and CashGuard Compact (for stores with limited space and need for high transaction speed). CashGuard Premium is the fastest and most robust solution in the market.

# Labels

## The market today

StrongPoint Labels has long experience in the industry and has invested in technology to ensure it is best placed to produce both digital and flexo printing solutions, enabling the company to produce both small and large runs. The market for labels is seeing healthy growth across all retail segments, and we are seeing demand increasing in multiple countries. One of the most recent market changes is the digitalisation of the process, making it faster to go from order to production to delivery.

**Leif Persson**
*MD & SVP Labels*

## Future outlook

We are seeing two products gain interest from the market: RFID (Radio Frequency Identification) and Security Printing (labels used to track and trace items and prevent counterfeiting).

RFID tags are easily combined with barcodes and can quickly retrieve product or pallet information. With radio wave technology, the tags do not even need to be visible to be read, allowing users to read as many as 700 products per second. The applications of this technology are almost limitless, and it is already commonly used for inventory control, incoming and outgoing goods, and when control is needed over more expensive products in the value chain.

On Security Printing, as many as two out of three consumers have inadvertently bought counterfeit products. With modern digital printing technology, we can add elements to labels to prevent the counterfeiting of products, and thus protect brands.

This is an area where we are already seeing strong demand in Norway and Sweden, and we are ensuring that we have the technology to meet that demand with both hardware and software. We are already working with several producers today and have supplied some to a limited number of clients in Sweden and Norway. We see the market evolving further in this direction and are set to capture more market share in other parts of Europe.

## About our Label Solutions

StrongPoint Labels produces a wide range of adhesive labels for different lines of businesses, such as the food and beverage industry, beauty and health industry, chemical products sector, and the manufacturing industry.

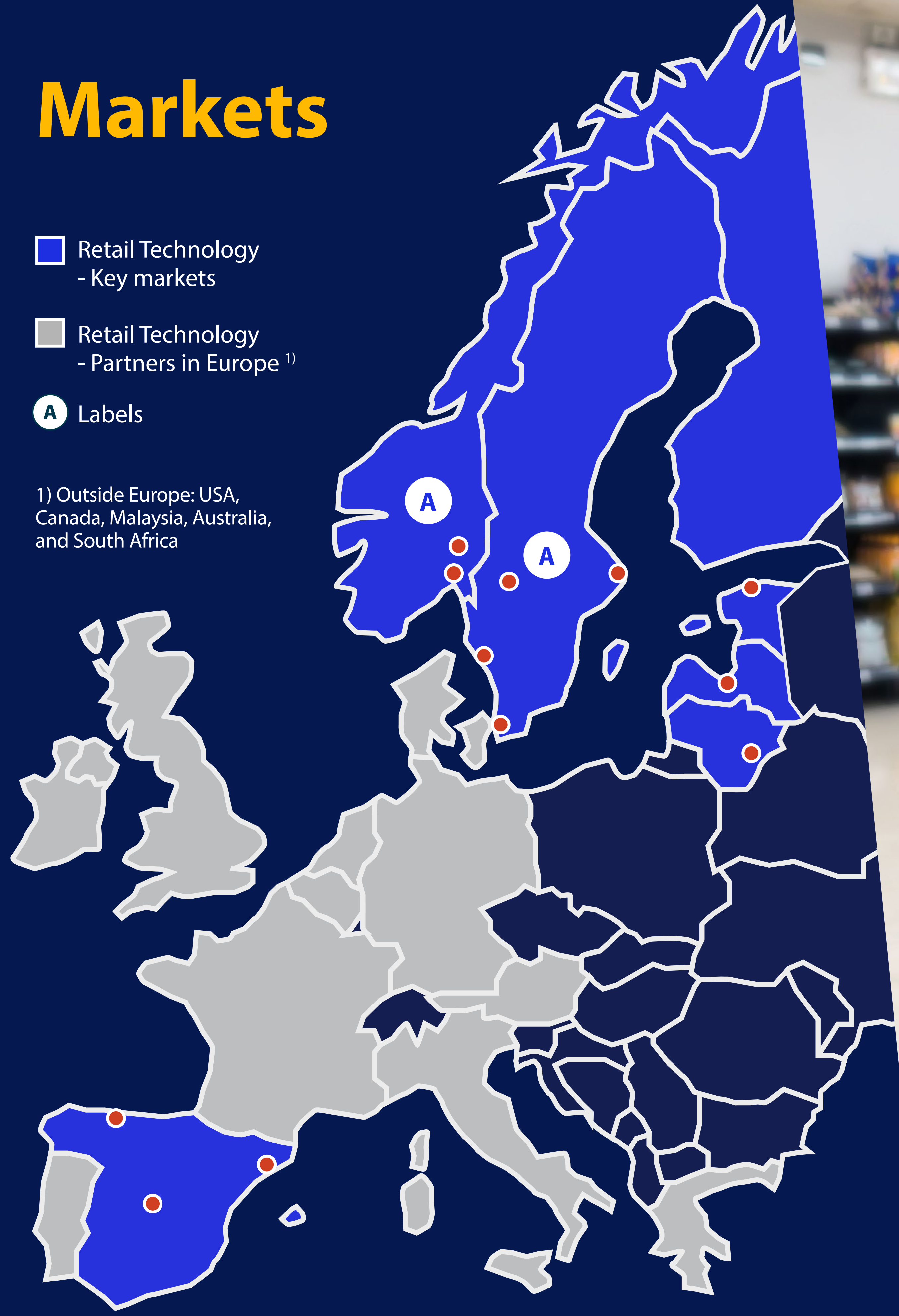
StrongPoint



# Markets

- Retail Technology - Key markets
- Retail Technology - Partners in Europe [1]
- A Labels

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





# Norway

## What do you see as the key trends facing the grocery retail sector in Norway?

The key trends we are seeing in Norway are the development of grocery e-commerce, and in-store self-scanning solutions such as Scan & Go. We are also seeing an increase in the penetration of discount stores such as Normal and Europris, both of which are gaining market share.

In addition, we are also seeing a greater interest in un-manned stores providing semi-automated solutions like Scan & Go. We have already seen these trends happening in our neighbouring country of Sweden, and it is common that what happens in the Swedish grocery industry is often replicated in Norway. The market players follow each other quite closely.

On e-commerce, we expect that 2021 will be the breakthrough year. Local pure e-commerce players who don't have brick-and-mortar stores, such as Kolonial, are quickly gaining (modest for Norwegian standards) market share, while established players are still hesitating to fully embrace e-commerce. We believe their hesitancy is related to their scepticism of making grocery e-commerce profitable and believe that is slowly changing.

Further to that, they will come under additional pressure with innovative companies providing e-commerce solutions entering the Norwegian market. Companies such as Foodora, like many app-based food delivery companies, are now starting to deliver groceries. In addition, we are expecting to see the establishment of our partner company, Gordon Delivery, entering the Norwegian market.

**Gisle Elvebakken**
*SVP Norway*

## What kind of solutions do you think grocery retailers are going to be in most need of in the future?

In the future they will be most in need of solutions that drive efficiencies, in particular automated solutions that can make it easier for staff to do their jobs and create an even better customer experience. These might include task management solutions, stock replenishment and stock-taking, and order picking for online orders.

As the market matures in terms of grocery e-commerce, I believe we will also see an increase in interest for technology needed for dark stores, and semi-automated unmanned stores that can be open 24/7.

# Sweden

**Göran Thörn**
*SVP Sweden*

## What do you see as the key trends facing the grocery retail sector in Sweden?

The biggest trend in Sweden is the big changes in consumer behaviour when it comes to grocery shopping. The demand for online services has grown rapidly, as in many other countries, and in Sweden this will mean that grocery retailers will need to differentiate their store concepts to make shopping in-store safer and easier.

In addition, we are seeing discount stores gaining market share as they become more and more popular with Swedes looking to find cost savings on their regular purchases. Sweden is a vast country, with lots of sparsely populated areas, and this is attracting retailers setting up unmanned, semi-automated grocery shops. This enables them to serve a local market in the most cost-effective manner possible. This concept is catching on beyond the countryside and we expect to see such stores being launched in urban areas too, where customers are looking for a fast alternative for smaller, more frequent purchases.

With e-commerce growing in Sweden, we also expect to see more direct-to-consumer grocery shopping business concepts to be launched. This will make the challenge of keeping customers loyal harder than ever before.

## What kind of solutions do you think grocery retailers are going to be in most need of in the future?

In-store, the greatest interest will be in technology that helps to create high-quality customer experiences at the same time as reducing overall costs to the retailer. Any solution that allows a faster, more efficient, and better customer experience will be the most in-demand solution in the grocery retail industry.

When it comes to grocery e-commerce Sweden has some of the highest labour costs in the world, and this means that
doing anything online is going to have a big squeeze on profitability. Any technologies that are going to reduce the costs of orders and make the process of online order fulfillment more efficient, productive, and thus profitable, are what grocery retailers are already demanding. This will only increase in the future.

In addition, we have seen a huge interest in our Click & Collect Temperature-Controlled Grocery Lockers over recent years, and we expect this to continue – especially with the newly rolled-out mobile lockers that are picking up interest from our existing client base. Our lockers have already been used in combination with unmanned stores, making a new hybrid concept of contactless pickup and buy in-store.

StrongPoint



# The Baltics

## What do you see as the key trends facing the grocery retail sector in the Baltics?

In the Baltics there are three very clear trends. Firstly, automation and digitalization. This is something we have been seeing locally for a number of years, and which is still continuing to grow in importance. The main driver of this is the need for efficiency gains to make stores more competitive.

Secondly, self-service is extremely popular, and grocery retailers are continuing to roll out more self-checkouts. For the bigger grocery retailers, self-service is a must-have technology – and we are now seeing more and more interest from medium-sized and small businesses as well. This is not just groceries, but other retail sectors too.

Thirdly, e-commerce. Today this is something for the big cities, but we expect to see much more interest from the rest of the Baltics. Demand for contactless solutions has rocketed across the Baltics due to the COVID-19 pandemic.

## What kind of solutions do you think grocery retailers are going to be in most need of in the future?

The two areas where we see the most demand are contactless solutions and e-commerce. Both have, in part, been driven by the COVID-19 pandemic. Grocery retailers are seeking more and different ways of providing contactless solutions that minimise human contact, both in-store and online. Solutions such as self-checkouts, self-scanning, automated age verification for age-controlled items, and using AI to recognise items that you normally have to find on the screen make the shopping experience better, smarter and safer.

**Rimantas Mažulis**
*SVP Baltics*

# Spain

**Lorena Gómez**
*SVP Spain*

## What do you see as the key trends facing the grocery retail sector in Spain?

Like many other countries around the world, the COVID-19 pandemic has had a huge economic impact. Many businesses are expanding their online offering – if they can. Approximately half of the increase in online sales in retail were in the grocery sector, which is seeing an unprecedented boom in demand for online services.

Before the pandemic, Spain wasn't at the forefront of the grocery e-commerce revolution, with many people reluctant especially in the online purchase of fresh food items. This trend has completely reversed, with consumers now demanding grocery e-commerce solutions across the country.

With the increase in customer demand comes the need for the technology to serve it. To achieve this, we are already seeing a strong demand from grocery retailers for solutions which serve the complete end-to-end needs of online customers.

The arrival of Amazon's online grocery service Amazon Fresh in Spain in 2021 will lead to an overall increase in demand for hyper-fast deliveries as they are offering same day delivery in under 2 hours. I expect this will lead to an acceleration in the demand for technological solutions to increase online order fulfillment efficiency. Not just the obvious immediate needs such as picking technology, but also stock control, replenishment, and fast and flexible last mile solutions.

## What kind of solutions do you think grocery retailers are going to be in most need of in the future?

One of the biggest problems facing the grocery e-commerce sector is delivery times. We have already seen huge advancements in this area, but it is still common to have a bottleneck of several days. This is simply too long of a wait for many consumers, who have no choice but to shop in a physical store.

Anything and everything that can help Spanish grocery retailers deliver more and faster will be crucial in the immediate future. In addition to faster ways of processing the orders in-store (such as more efficient picking solutions), an area of particular interest is electronic shelf labels. These enable retailers to locate products much more quickly when doing in-store picking but are also appreciated by customers as they make it easier to provide detailed product information and can be used to provide the exact location of an item to the customer via the store app. They give an immediate ROI, both financially and in terms of increased consumer satisfaction.

# Environmental, social and governance (ESG)

ESG is an acronym for Environmental, Social and Governance factors. We use these three factors to report on and identify the sustainability and responsible business-development of StrongPoint. Our ability to act on our corporate purpose, - to create customer experience, has a strong link to ESG. We can only be successful if we act responsibly and in accordance with our customers, the society, and other stakeholders' values. We have a responsibility to care for one another in the societies we build together. And at StrongPoint, we act on that responsibility by finding creative technology solutions that help retailers in a wide range of areas, including supporting basic needs like getting access to food, drinks and other essentials.

## Reporting standards

Our reporting and reporting standards shall ensure that we give a fair and just presentation of the business. We look at the complete value chain in our operations, including how social, ethical, and environmental risks are managed. Our ESG/annual report covers the entire StrongPoint Group. All data reported occurred between January 1, 2020 and December 31, 2020, unless stated otherwise. Related ESG activities describe the situation up until the release of this report. There will be published a separate report in accordance with the GRI-standard in Q2 2021.

StrongPoint has the ambition to follow and report according to the criteria set by UN Global Compact, the GRI Standards, Euronext (Oslo stock exchange) ESG Guidelines, and selected parts of the ISO standards. Our reports are established, and quality assured by our certified external consultant partners. StrongPoint does not use a separate external ESG auditor.

**Knut Olav Nyhus Olsen**
*SVP People & Organization, Marketing and Communication*

### Euronext

Euronext has established the Euronext guidance on ESG reporting of January 2020 which we follow. Investors increasingly expect companies to recognize and address, in a responsible way, short- and long-term risks and opportunities in relation to environmental, social and governance factors that impact long-term value creation, and the stock exchange therefor have established guidelines for listed companies.
Read more: euronext.com

### GRI – The Global Reporting Initiative

GRI – The Global Reporting Initiative maintain the world's most comprehensive sustainability reporting standards. It is used by approximately 75 percent of all Global Fortune 250 (G250) companies and was also the first global standards for sustainability reporting. The GRI standard follow an independent, multi-stakeholder process.
Read more: globalreporting.org

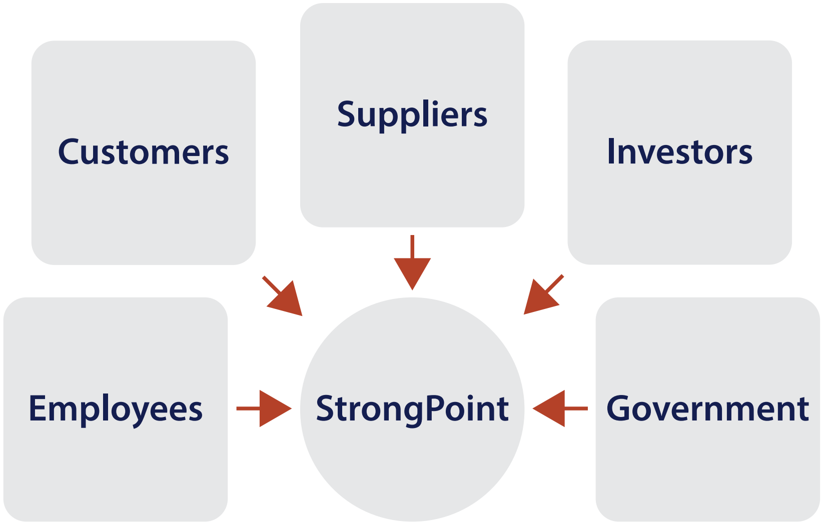
### United Nations Global Compact (UNGC)

United Nations Global Compact (UNGC) aims to mobilise a global movement of sustainable companies and stakeholders to create the world we want. To make this happen, the UN Global Compact supports companies to: Do business responsibly by aligning their strategies and operations with Ten Principles on human rights, labour, environment and anti-corruption, and take strategic actions to advance broader societal goals, such as the UN Sustainable Development Goals, with an emphasis on collaboration and innovation.
Read more: unglobalcompact.org

### ISO - The International Organization for Standardization

ISO - The International Organization for Standardization develop and publish International Standards in various fields. The ISO 9000 standard is the world's best-known quality management standard for companies and organizations and ISO14000 improve companies' environmental management.
Read more: iso.org

## Materiality assessment and ESG focus areas



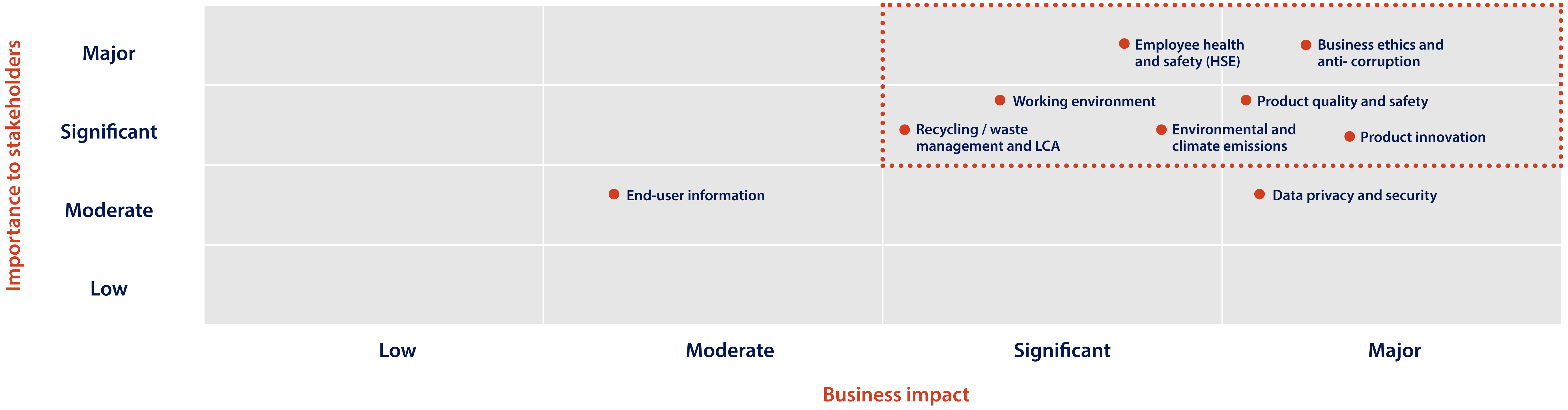

Setting priorities is at the heart of building a better future. Thus, StrongPoint's Materiality Assessment helps the company set priorities for building a sustainable future. It is a systems-based method that helps organizations identify, prioritize and validate their most significant sustainability impacts, risks and opportunities. Environmental, Social and Governance factors are at StrongPoint treated with equal importance, given our fundamental belief that smaller and less significant actions also contribute to the greater good and drive our society towards a more sustainable future.

Still we are guided by and prioritize in line with the findings we have from our materiality assessment. This ensures that we focus on areas that our stakeholders find most relevant and important.

By sharing experiences and setting priorities together with our stakeholders in the area of corporate social responsibility, we set the stage for an inclusive, continuous process for growth and learning.

Coming from mainly reporting on emissions in 2019, StrongPoint has in 2020-2021 become members of UNGC and report according to GRI. We have focused on involving our stakeholders to discuss our impact and assess our corporate footprint. Multiple interviews have been conducted with stakeholders and the Executive Management Team and The Board of Directors have, together with external consultants, been heavily involved in making our first full materiality assessment. We have gathered input from key stakeholder groups, with a representation from all our local markets (Norway, Sweden, the Baltics and Spain). We plan to update our materiality assessment in 2022 and make a new version in 2023.

We also received valuable feedback through customer meetings, partner dialogues, employee surveys and customer feedback, as well as at company events, job fairs, audits and on social media. Collaboration with others provides us a better understanding and helps to



create more long-lasting results. That is why we connected with our industry peers, along with the UN Global Compact Network.

The stakeholder dialogue and a materiality assessment was undertaken in January 2021 and here we provide a summary of key takeaways. In general the perception and focus of different stakeholder groups tended to overlap.

A majority of the stakeholders consulted pointed out employee health and safety (HSE), as well as promoting a good, open and equal working environment with low sick leave and employee turnover as key focus areas for StrongPoint.

Furthermore, ensuring that the company acts according to national and international laws and regulations is not only expected of the company but is part of StrongPoint's license to operate. It is thus crucial to have well-established ethical guidelines as well as ensuring information and training on ethics and anti-corruption throughout the organization. Making sure that StrongPoint's products are error-free and do not pose any risk to employees or end-users is decisive for future business success.

Contributing to reaching global sustainability goals relating to the environment and climate through product innovation and responsible business operation was highlighted in the process by several stakeholders. Particularly, this entails lowering the company's total emissions (for example related to shipping and business travel), ensuring good waste management and recycling and or reuse of products.

Based on stakeholders' input and priorities, as well as an assessment of the company's business impact, the materiality of each suggested sustainability topic was considered:

The material topics are summarized into four over-arching material themes for StrongPoint to prioritize going forward. Each of the suggested sustainability topics and their relevance to StrongPoint are described below, including an explanation of why the topic is considered material.

Overall, the identified areas in the materiality analysis are important to the organization and are the areas where StrongPoint has the greatest opportunity to make a difference. Analysis in this area is also essential for in risk management. Risks associated with our material sustainability topics are managed within StrongPoint's risk management plan.

## 1. Employee working environment, including health and safety

StrongPoint's working environment is key to delivering results and employees are a key stakeholder group directly and indirectly affecting the company and its results. Ensuring that good health and safety routines (HSE) are in place, maintaining and increasing employee engagement and promoting a good working environment will improve the company's overall business performance. StrongPoint can affect the working environment through agreements and active dialogue with employees, as well as informing and training them on HSE risks associated with their work.

## 2. Product innovation, quality and safety

StrongPoint has a direct ability and responsibility to ensure that the company's products maintain the highest quality and that they are safe and secure for customers to use. This can be done through testing, reviewing and cleaning of products and by keeping an active dialogue with customers on their needs, as well as implementing a system for them to report irregularities or concerns. As a company providing retail technology StrongPoint also has the ability to develop and offer new technical solutions to the market which are more environmentally sound, simplifying and improving the way retailers do business, which is especially important in the time of COVID-19.

## 3. Corporate governance, including ethics and anti-corruption

StrongPoint is directly impacted by laws and regulations from local and national authorities on ethical business conduct, human and labor rights. As a listed company, StrongPoint is responsible for following relevant legislation, regulations and standards in the countries in which the company is present and should make sure that both employees and suppliers operates in accordance with ethical guidelines. The company can directly and proactively minimize ethical risks by improving awareness and providing training across all business units. The company is also directly and indirectly exposed to ethical risks through its global business operations. Working with suppliers, employees and customers in more than 20 different countries, StrongPoint has a direct and indirect ability and responsibility to make sure that the company maintains a proactive approach to ethics, including screening suppliers or assessing operations for risks related to corruption, provide awareness training, implement good governance mechanisms and a system for employees to raise concerns and report irregularities.

## 4. Environment and climate, including emissions and waste management

StrongPoint's business activities are directly and indirectly affected by and can also affect the natural environment and climate. The company's most significant direct and indirect environmental impacts are related to the production, shipment and transportation of StrongPoint's products, employee business travel, waste management and the end-of-life treatment of products. Except from the Labels business unit, the company does not itself own production facilities but is dependent on this service from suppliers that source and assemble raw material and components into StrongPoint products. Although StrongPoint does not itself own these production facilities, the company accepts an indirect responsibility in the manufacturing process. For example, StrongPoint can choose which materials are used to produce their products already at the drawing board/in the engineering phase, and also have influence over how residues are being managed and disposed of, as well as arranging for the reuse or recycling of products once no longer in use. The company also has a direct ability and responsibility to review sustainable alternatives for transportation, shipment, and employee business travel.

## SDG 5 and 8: Working environment

Ensuring a healthy, fair workplace that creates good opportunities for all. Protecting labor rights for all workers.

## SDG 2, 9, 11 and 12: Product innovation, quality and safety in the food chain

Ensuring safe and fresh groceries. With innovative labelling and minimal wastage of food. Develop and offer new technical solutions to the market which are more environmentally sound, simplifying and improving the way retailers and communities do business.

## SDG 16: Governance

Setting and enforcing appropriate rules of behavior for employees and suppliers, along with reporting mechanism.

## SDG 13: Environment

Promoting a more circular economy and working with suppliers on joint strategies to reduce our CO2 footprint.

## How StrongPoint's goals relate to the UN Sustainable Development Goals

The 2030 Agenda for Sustainable Development was established by the United Nations in 2015 as a plan of action for people, planet and prosperity and is a commitment to achieve sustainable development globally.

As a part of the 2030 Agenda, seventeen Sustainable Development Goals (SDGs) to end poverty, fight inequality and injustice, and protect the planet were developed. The seventeen SDGs and the underlying 169 targets have been adopted by all UN member states. Read more at 17goals.org.

From the SDGs, 8 have been identified that best correspond with StrongPoint's business. Our choice of SDGs is based on an assessment of the underlying targets for each SDG and their link to our identified material topics.

## People & Social
The Line Manager in each country is responsible for the people development in their unit. The StrongPoint Group People and Organization unit and the whistle-blower function acts as the grievance mechanism for StrongPoint's employees.

## Diversity and Inclusion - Equality
It is our policy not to discriminate against any employee because of age, race, religion, colour, sex, disability, national origin, or sexual orientation. The overall trend has been positive regarding the gender balance, and we have above benchmark results on the employee survey on questions related to Diversity and Inclusion. We will, for 2021, focus on attracting employees with a more diverse background, especially employees with experience from e-commerce and who have worked internationally. Our goal is that our new office facilities planned for 2021 should be adapted to employees with disabilities.

## Professional Development
StrongPoint has a strong learning culture and our employees are offered training in management and IT infrastructure topics regularly. An introduction to the company is held locally to integrate new employees faster. All employees are required to read and sign a confirmation that they will comply with StongPoint's Code of Conduct when signing their employment contract.

## Human rights
We have identified the key risk of human rights breaches to be related to having third-party suppliers in China. We have no indication of violations to our Code of Conduct, still we will monitor the supply chain and do site visits to the relevant factories in 2021.

## Health and safety
At StrongPoint, we encourage our employees to participate in activities related to health and wellbeing. We believe that all people have the right to a healthy and safe workplace. Therefore, we ensure that working conditions within our organization meet or exceed legal requirements in every country in which we operate. We also comply with the conventions of the UN Global Compact and the International Labour Organization. Hazards are identified and monitored to prevent accidents and occupational illness. Workplace guidelines are monitored to ensure a healthy, safe environment. Also, the company provides a range of healthy lunch choices for its employees in its largest offices. It also encourages participation in athletics through StrongPoint sponsored fitness membership program. StrongPoint is mainly a sales and marketing organization with a low risk for injuries. Business units where we have physical production are related to low-risk areas (printing labels and warehouse). Our sick-leave ratio and reported numbers of injuries and near misses are at levels where they are not significant. We will continue the focus with special attention to mental health-related to COVID-19 in 2021.

StrongPoint has the ambition to make our production facilities ISO certificated. Our StrongPoint Labels operation was ISO 9001 and ISO 14001 certified in 2020. The next step is to integrate lean principles as part of ongoing improvement and efficiency programs. We have started the process to have our production facilities in Grums (Sweden) also certified. This provides us with tools to manage our quality and environmental responsibilities. Specifically, it focuses on environmental systems, as well as specific approaches: audits, corporate communications, labeling and lifecycle analysis, including the environmental challenges that arise from climate change.

StrongPoint



## Employment, equality, and anti-discrimination

StrongPoint had 462 employees at the end of 2020 (357 men and 105 women).

Total sick leave in the company was at 2.0% compared to 2.7% the previous year. No employees were injured and there were no major occupational accidents during the year.

StrongPoint's organization represents significant diversity in education, experience, gender, age, and cultural background. We see this diversity as a source of competitive advantage, as it encourages innovation, learning, and better customer understanding. We want all employees to know they are valued for their differences and that they contribute to the success of our business strategy. Our ambition is to have a high-performing and sustainable work environment, based on diversity and inclusion. We regularly assess the status of our improved effort with regards to diversity to reach our overall 2025 targets. We strive to improve the representation of women at all levels in the organisation through our recruiting strategies and efforts to create a workplace with opportunities that appeal to all genders. StrongPoint is an equal opportunity employer, and diversity and inclusion are imperative to the way StrongPoint does business. It is about creating services and solutions that include different perspectives from employees, customers, stakeholders and partners.

Discrimination is against StrongPoint's Code of Conduct, and it is interpreted that no direct or indirect negative discrimination shall take place based on race, color, gender, sexual orientation, age, disability, language, religion, employee representation, political or other opinions, national or social origin, property, birth or other status.

In 2020, 105 (23%) of StrongPoint 's employees were women.

| Age groups | 20-29 | 30-39 | 40-49 | 50-57 | 58-62 | 63- | Total |
|---|---|---|---|---|---|---|---|
| Female | 3% | 8% | 5% | 6% | 2% | 0% | 23% |
| Male | 10% | 24% | 19% | 15% | 6% | 2% | 77% |
| Total | 13% | 32% | 24% | 21% | 8% | 3% | 100% |

The average age of all employees are 43 years old (men 42/women 43).

The share of women was 20% in StrongPoint's Corporate Management in 2020 but increased to 30% in the beginning of 2021. The mix of nationalities in StrongPoint's senior leadership is today: Norwegians (4), Swedish (3), from the Baltic countries (2) and Spanish (1).

With 2 women among the five shareholder-elected members on the Board of Directors, StrongPoint complies with the Norwegian legal requirements on female representation.

The company has no non-permanent employees, 13 part-time employees (3%) out of which 10 are women. Parental leave is granted according to local laws.

There were no equality or anti-discrimination cases reported in the corporate whistleblower program. Yearly health and safety inspections are done at all our facilities where the physical working conditions are also assessed. StrongPoint plans to move and or upgrade several of our office facilities in 2021 and it will improve the working conditions for people with disabilities.

Our employee survey (Peakon), which we run every second month, has several questions related to employee engagement and working conditions. Results are benchmarked against other external companies, and StrongPoint employee net promoter score (eNPS) was at year-end 25 points above the benchmark (scale from -100 to +100). The results are in general considered very good and show that our workforce is engaged and loyal.

StrongPoint has taken measures aimed at promoting employee professional development, preventing sick leave, and improving the overall working environment. All employees in the subsidiaries have standardized employment contracts according to local law and as part of this contract, they have agreed to the StrongPoint Code of Conduct.

All recruitments in StrongPoint are based on the candidates' competence and track record, and how that fits with our company needs. All senior recruitments were approved by the CEO. In 2020 we have mapped out our talents and key employees, the diversity among them, and the pipeline of critical capabilities in each business unit.

The overall responsibility of employment, equality, and anti-discrimination process lies with the line manager, and is overlooked by HR, with input from employee representatives, and reviewed by the Board of Directors.

The Board of Directors keeps an annual plan for its work. This includes recurring topics such as reporting on compensation and benefits, diversity and inclusiveness, HSE, people strategy, and ESG.

Risks related to employment and HSSE are assessed in our corporate risk and opportunity process. We assess that there are no such major or immediate risks related to our operation. As minor risks, we monitor the effect of COVID-19 and our ability to attract new employees in the market.

## Gender-related salary differences

All employees shall receive a total compensation that is competitive and aligned with local industry standards. The compensation should also be performance-oriented, transparent, fair and objective. Salaries in the organisation are reviewed regularly, and in 2020 we did for the first time a full compensation and benefit survey process, with help from a professional external partner, in all business units. Positions and pay grades were established and compared both on a group and individual level. No significant gender-pay differentials were found, and this corresponded with the general assessment of the previous year. Still, we adjusted salaries to approximately 10 employees to align them with relevant pay groups.

Employees earning collective negotiated wages in Norway and Sweden also had no significant gender-pay differentials. When setting up and comparing pay groups we looked at and compared the need for knowledge, problem-solving, accountability, and the overall working conditions for every position. Each employee's base salary, benefits, pension cost, short and long-term incentives were assessed (total remuneration).

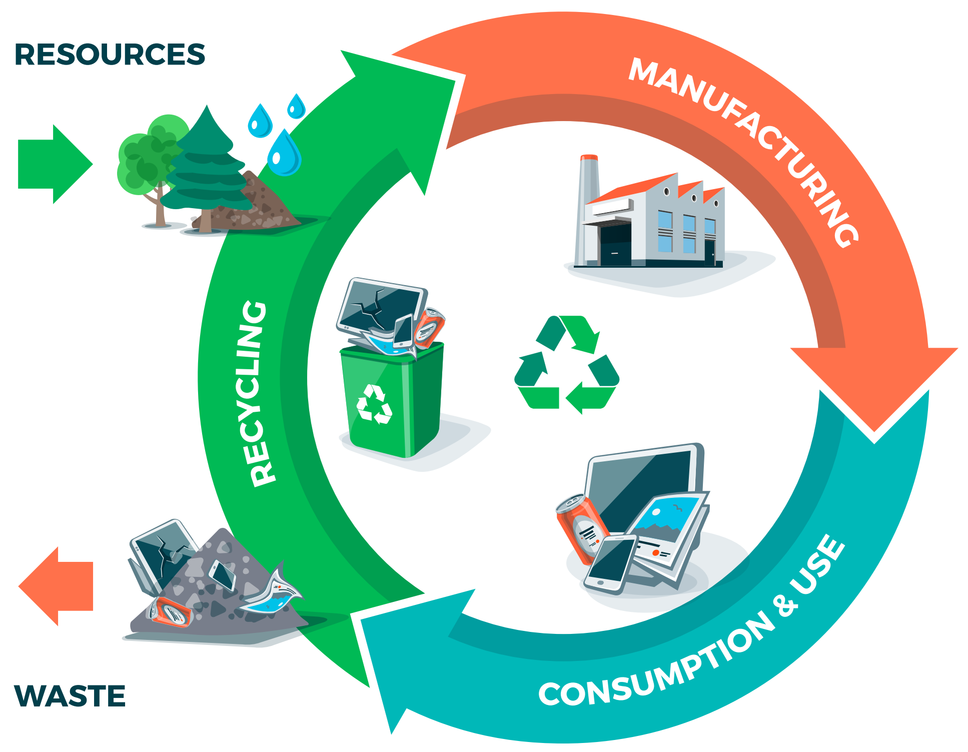
| Level/ Employee groups | Female | Male | Employees | Female average total remuneration in percent of the median | Male average total remuneration in percent of the median |
|---|---|---|---|---|---|
| 10-12 | 11 | 19 | 30 | 104% | 99% |
| 13 | 10 | 55 | 65 | 93% | 102% |
| 14 | 30 | 74 | 104 | 95% | 101% |
| 15 | 24 | 77 | 101 | 97% | 100% |
| 16 | 14 | 63 | 77 | 105% | 102% |
| 17 | 10 | 18 | 28 | 100% | 107% |
| 18-25 | 6 | 57 | 63 | 92% | 102% |

The average salary of men was NOK 517,000 and women NOK 417,000.

The company has a share program for the executive management and the company's employees. Employees subscribed to 274,022 shares in 2020.

## Products

Transformative change happens step by step in the daily choices we make. Together, we at StrongPoint, achieve this by finding bold new ways to build customer experience based on new technology. Our goal is that our products and solutions should promote sustainability and a circular economy.




We work with our customers and partners to help them make more sustainable choices and advocate for ways that we can use technology in an efficient, greener way. In 2021 we will keep special attention to:

- Reduce food wastage through better and smarter labeling of products
- Reduce stress and muscle injuries, related to handling groceries, by introducing new robotic solutions
- Promote route optimization and last-mile solutions to reduce transportation of groceries
- Increased food safety by the introduction of temperature-controlled Click & Collect Grocery Lockers
- Better child protection with the usage of age verification technology and tobacco vending machines
- Develop touchless solutions to protect against the spread of viruses and other contaminations

StrongPoint's activities in this area focus on reducing the carbon footprint in our operations. It requires close collaboration with partners, suppliers and customers to minimize the impact of our products on the environment. StrongPoint has also included environmental accountability in our SLA/supplier Code of Conduct to reduce the indirect carbon emissions caused by suppliers.

In 2020 we started to implement the GRI standard and StrongPoint will issue a separate GRI report in Q2 2021.

## Governance

### Corruption risk

We have zero tolerance for corruption. StrongPoint assesses our risk of corruption to be low, and has implemented the following actions to safeguard this:

- In 2020 we have updated our Code of Conduct document that also covers supply management.
- Each business unit has gifts and hospitality guidelines. In 2021 we will align and make a guideline that covers the whole of StrongPoint
- As a listed company we have established regulations to cover conflict of interest. In 2021 we should make sure they cover all aspects of the business.

### Whistle-blower

StrongPoint has a whistleblower program. In 2021 we will assess whether to establish an additional channel where employees may contact an external resource. No cases were reported in 2020.

### Strategy

The Board of Directors has been involved in audits, the materiality assessment, and setting strategic direction to the ESG work. The decision of becoming a UNGC member and start reporting according to GRI was part of this process. The board has been updated by external consultants about trends and strategic opportunities in the grocery retail market.

# StrongPoint Executive Management

**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.

**Hilde Gilen**
*CFO*

Hilde Gilen was previously CFO in both Ahlsell Norway and the oil and gas division of Kongsberg Group, where she in addition to financial responsibilities was heavily involved in M&As. Before that she worked 10 years in PricewaterhouseCoopers. Gilen holds a MSc degree (Siviløkonom) from Nord University.

**Knut Olav Nyhus Olsen**
*SVP People & Organization, Marketing and Communication*

Knut Olav N. Olsen comes from the position as Chief People Officer in Canal Digital, Telenor Satellite and Telenor Pakistan. Previously also working as CHRO in Skanska and EVP in ISS Facility Services. Olsen holds a master's degree in law and a finance degree from the University of Bergen, with additional management training from IMD and INSEAD. He is the co-founder and board member of Terrosa Consulting.

**Julius Stulpinas**
*SVP Technology and Supply Chain*

Julius Stulpinas has 14 years of experience within StrongPoint related companies, leading and transforming sales, service, product development organizations and teams. He has MSc degree of Engineering from Kaunas University of Technology and MBA from a consortium of Baltic Management Institute, HEC Paris, NHH Norwegian School of Economics and Copenhagen Business School.

**Amanda Cremon**
*SVP International Expansion*
*Sales & Marketing Director E-Com'*

Amanda Cremon was previously the CEO and owner of Datafångst AB and held the position of General Manager for Zetes AB before joining StrongPoint. She has also had positions within the PCO world with companies such as Congrex and Göteborg Convention Bureau. Cremon has a BSc in Marketing & Business administration from the European Business Administration program at Halmstad Högskola, Sweden.

**Gisle Elvebakken**
*MD & SVP Norway*

Gisle Elvebakken has worked in sales and management for large Nordic IT-companies such as Visma, Atea and Visolit for over 20 years. Elvebakken holds BSc International Marketing from BI Norwegian Business School.

**Göran Thörn**
*SVP Sweden*

Göran Thörn was one of the founders of Cub Business Systems AB and acted as the company´s CEO. Cub Business Systems is today a part of StrongPoint. Göran has held management positions in different IT and manufacturing companies such as Victor Micronic AB, Minec Systems AB, Minec Production AB and BrooksTodo SA Nordic.

**Rimantas Mažulis**
*SVP Baltics*

Rimantas Mažulis has 15 years of experience in retail technologies within StrongPoint. During that time, he held various positions in retail solution design & development area. Rimantas Mažulis holds a degree of Engineering Informatics from Kaunas University of Technology (2004) and currently in progress with Executive MBA (2022) master's degree by a consortium of Baltic Management Institute, HEC Paris.

**Lorena Gómez**
*SVP Spain*

Lorena Gomez has extensive experience in managing and scaling sales in the retail sector across Europe and has been sales director for the retail technology division at HMY Group, a company she has been with since 2006. Since 2014 she was responsible for the newly formed Retail Technology division at the Group level. Lorena Gomez holds a degree in Industrial Design Engineering from the University of Zaragoza and a Master's degree in Innovation Management.

**Leif Persson**
*MD & SVP Labels*

Leif Persson manages the business area Label Solutions. He has 35 years of experience from labels and packaging industry within production at Tetra Pak, international technical sales at Akzo Nobel Inks and Elanders, sales and marketing at Trioplast and CEO at Sydetikett AB. Persson holds a DIHM Diploma in marketing from IHM Business School.

# 2020 Board of Directors' report

StrongPoint is a retail technology company that provides solutions to make shops smarter, shopping experiences better and online grocery shopping more efficient. With 462 employees in Norway, Sweden, the Baltics and Spain and together with a wide partner network, StrongPoint supports businesses in more than 20 countries. StrongPoint provides Cash Management and Payment Solutions, Electronic Shelf and Adhesive Labels, Click & Collect Temperature-Controlled Grocery Lockers, Self-Checkouts and In-Store and Warehouse Grocery Picking Solutions. StrongPoint is headquartered in Rælingen, Norway, and listed on the Oslo Stock Exchange (ticker: STRO).

## 2020 financial review

- Operating revenues for continued operations in the Group increased by 19.7% to 1 182.9 MNOK (988.2).
- Earnings before interest, tax, depreciation and amortisation (EBITDA) from continued operations amounted to 152.4 MNOK (84.8), and profit after tax from continued operations was 58.8 MNOK (26.8). Profit after tax included discontinued operations was 97.7 MNOK (31.9)
- Total Group capital per 31 December 2020 was 786.1 MNOK (690.5), and equity was 366.1 MNOK. This resulted in an equity ratio of 46.6 per cent.
- Interest bearing liabilities, reduced by bank deposits, amounted to 34.1 MNOK at the end of 2020.
- The Group has a cash pool arrangement allowing 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 0.22 per 31 December 2020.
- Group liquidity at the end of the year was 175.0 MNOK of which available credit facilities amounted to 100.0 MNOK.
- Cash flow from operational activities was 131.8 MNOK (80.6), and working capital increased by 31.1 MNOK in 2020.
- Investments in tangible assets of 6.5 MNOK were capitalised during the year.

## Events after the balance sheet date

- No significant events have occurred after the balance sheet date.

## Retail Technology

| | Year | |
|---|---|---|
| **MNOK** | **2020** | **2019** |
| Product Sales | 637.9 | 547.8 |
| Service | 319.4 | 295.7 |
| Revenue | 957.3 | 843.5 |
| EBITDA | 95.6 | 96.3 |
| EBITDA-margin | 10.0% | 11.4% |
| EBT | 65.9 | 66.1 |

Retail Technology include sale and service focusing on grocery retailers in Europe. The business is operated by own employees in Norway, Sweden, the Baltics and Spain, while other geographic areas are covered by partners. StrongPoint offers both own proprietary solutions and solutions delivered by technology partners.

The business area invests each year to develop and improve proprietary technologies.

## Labels

| | Year | |
|---|---|---|
| **MNOK** | **2020** | **2019** |
| Product Sales | 185.4 | 163.8 |
| Other income | 55.7 | - |
| Revenue | 241.1 | 163.8 |
| EBITDA | 83.6 | 21.9 |
| EBT | 43.8 | 4.2 |

Labels offers leading expertise and efficient production of adhesive labels for customers in Norway and Sweden. The business area was positively influenced by the pandemic in both revenue and margins compared to last year. In Q4, the business area signed an agreement with BaneNor for relocation of the production facility in Norway. The compensation amounted to 55.7 MNOK and was booked as other revenue which impacted the EBT with 29.9 MNOK.

## Cash Security

The Cash Security business area was divested in December 2020 when sold to Cennox Holding Ltd. The sale price of 7.3 MEUR was partly paid as cash at closing and partly defined as an earn-out for the years 2021-2023.

## Employees and organization

StrongPoint aims to be a workplace with a positive working environment. All employees shall receive a total compensation that is competitive and aligned with local industry standards. The Group has taken measures aimed at promoting employees professional development, preventing sick leave and improving the overall working environment. All employees in the Group have standardized employment contracts.

The Group had 462 employees as of 31 December 2020. Total sick leave in the company were estimated at 2.0 per cent in 2020 compared to 2.7 per cent the previous year. No employees were injured and there were no occupational accidents during the year.

The company has share programs for the executive management and the company's employees. Through these programs, employees subscribed to 274.022 shares in 2020.

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 105 women among the Group's 462 employees at the end of the year. StrongPoint is an equal opportunity employer, and diversity and inclusion are imperative to the way StrongPoint does business. More information on the actual status of gender equality in the undertaking and what the undertaking is doing to comply with the activity duty pursuant to section 26 in the Equality and Anti-Discrimination Act can be found under the ESG-chapter on page 26 in the annual report.

## Product development

The Group put significant resources into the development of new products, especially within e-commerce. No development costs were capitalised in 2020. Some of the projects have been part funded by the SkatteFUNN tax incentive scheme.

## Risk

Historically, the Group's key markets have been robust and stable, as investments in the retail grocery sector has not been significantly affected by financial and macroeconomic changes. This has so far also been demonstrated during the pandemic.

The Group's operations is exposed to currency and interest risk. Currency risk is managed operationally in the customer contracts. Receivables and liabilities are also exposed to 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.

Increased credit facilities were established during the start of the pandemic to ensure sufficient funding 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 2020. 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 in Group's annual report and on the corporate website.

The policy contains information pursuant to Section 3-3b of the Accounting Act. The Group's strategy, business performance, organization and capital structure were the main focus of Board meetings in 2020. The Board has three subcommittees: an audit committee, a nomination committee and a compensation 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. The nomination committee consists of three external members, all shareholders in the Group. The compensation committee consists of two Board members and established in 2020 a new long term incentive program for executive management and key employees.

## 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 integrity. 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 and recycling organizations. There were no emissions of environmentally harmful substances 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.

StrongPoint´s focus on environment, social and governance, ESG, are reported separately in the annual 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. The audit committee is responsible to handle whistleblowing incidents reported directly to the Board.

## Shareholder relations

As of 31 December 2020, StrongPoint had a 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 2020, the Group held 83.166 treasury shares at an average price of NOK 10,27.

There were 2.044 shareholders in the company at the end of 2020. The 20 largest shareholders represented 59,1 per cent of total share capital. At the end of 2020, 262 shareholders owned 10 000 shares or more. StrongPoint's articles of association do not contain any provisions restricting rights to convert Group shares.

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 retail stores.

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 UK, US, Italy and the Netherlands, through partners or own personnel, 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. The overall growth ambitions can further be influenced by the COVID-19 if measures and vaccines does not succeed ending the pandemic.

## 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 "STRO".

The parent company, StrongPoint ASA, has four employees.
StrongPoint ASA's profit for the year was 20.7 MNOK compared to 106.0 MNOK in 2019. Net financial result for the year was 41.6 MNOK in 2020 (127.6).

**Proposal for allocation of profit 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 2020:
**Profit for the year:**
NOK 20.663.507
**Proposed ordinary dividend:**
NOK 31.005.012, equivalent to NOK 0.70 per share.
**Transferred from other equity:**
NOK 10.341.505

Rælingen, 16 March 2021

| | | | | | |
|---|---|---|---|---|---|
| **Morthen Johannessen**<br>Chairman | **Klaus de Vibe**<br>Director | **Camilla AC Tepfers**<br>Director | **Peter Wirén**<br>Director | **Ingeborg Molden Hegstad**<br>Director | **Jacob Tveraabak**<br>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 Tepfers**
*Director*

Camilla AC Tepfers 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.

**Peter Wirén**
*Director*

Peter Wirén has 20 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.

**Ingeborg Molden Hegstad**
*Director*

Ingeborg Hegstad has 20 years of experience from management consulting, including McKinsey & Company and Egon Zehnder. Since 2015 Hegstad has been a partner in Imsight AS, offering strategy and leadership advisory to executives, teams and organizations. She has experience from the Board Directors of Cxense ASA (2017-2019) and Q-Free ASA (2018-onwards). Hegstad holds a Master of Business and Administration from Norwegian Business School BI (2000). She has been a Board member in StrongPoint ASA since 29 April 2020.

# 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.

| Chapters in the recommendation Comment | Comments |
|---|---|
| 1. Implementation and reporting on corporate governance | Compliant |
| 2. Business | Compliant |
| 3. Equity and dividends | Compliant, with the exception:<br>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, and an increase of up to 1 331282 shares limited to the long term incentive program. 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, and authorization to aquire 1 331282 own shares limited to the long term incentive program. |
| 4. Equal treatment of shareholders and transactions with close associates | Compliant |
| 5. Freely negotiable shares | Compliant |
| 6. General meetings | Compliant, with the exception of two items:<br>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 | Compliant |
| 8. Corporate assembly and board of directors: composition and independence | Compliant |
| 9. The work of the board of directors | Compliant |
| 10. Risk management and internal control | Compliant |
| 11. Remuneration the board of directors | Compliant |
| 12. Remuneration of executive personnel | Compliant |
| 13. Information and communication | Compliant |
| 14. Take-overs | Compliant |
| 15. Auditor | Compliant |

## 2. Business

The company's business objective is described in the company's articles of association. StrongPoint is a retail technology company that provides solutions to make shops smarter, shopping experiences better and online grocery shopping more efficient. 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: 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 2020 amounted to 366.1 MNOK corresponding to an equity ratio of 46.6 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.

### 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, and an increase of up to 1 331 282 shares limited to the long term incentive program.

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, and authorization to aquire 1 331 282 own shares limited to the long term incentive program.

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

Both authorizations are valid until the next general meeting or 30 June 2021, 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. From 2020, the articles of association allows for digital execution of general meetings, and regulates that votes in advance can be registered. This allows for improved shareholder engagement cross borders.

### Proxy and votes in advance

When the general meeting is held digitally, the shareholders can send in votes in advance. Shareholders who are unable to attend a meeting may vote by proxy.

The company has prepared forms that enable shareholders to vote on individual issues. Procedures for using such forms 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 voiting in advance. 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), Oskar Bakkevig and Inger Johanne Solhaug. 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 5 and 11 members. Board members are elected for a period of two years. 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 trough his family 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 2020, the Board of Directors had 12 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.

## 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. 20% of gross remuneration to the Board shall be used for share purchases until the value of the shares corresponds to a minimum of one year's gross remuneration. 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 2020 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 implemented a Long Term Incentive Program in 2020 represented as a Stock Option program. The program has ambition to both motivate and retain executive management and key personnel to achieve the overall strategic ambitions. Further information on remuneration for 2020 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 executive management 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: newsweb.oslobors.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.

Lead audit partner was changed in 2020 due to auditor rotation.

Rælingen, 16 March 2021

| | | | | | |
|---|---|---|---|---|---|
| **Morthen Johannessen**<br>Chairman | **Klaus de Vibe**<br>Director | **Camilla AC Tepfers**<br>Director | **Peter Wirén**<br>Director | **Ingeborg Molden Hegstad**<br>Director | **Jacob Tveraabak**<br>CEO |

StrongPoint



# The share and financial calendar

StrongPoint ASA strives to have an open IR policy towards its shareholders and the market in general. The most important event for shareholder information is the Annual Strategy Update Session during Q1. In addition the group uses its website, meetings and direct communiction to provide investors and analysts with relevant information.

Information for shareholders is available at strongpoint.com and ose.no (ticker STRO). 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 10 MNOK or more, as well as orders that are considered strategically important.

**Hilde Gilen**
*CFO*

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 nominal value of NOK 0.62, all fully paid and issued in accordance with Norwegian law. The company has one class of shares.

## The Share 2020


### Financial Calendar 2021

Q1 – 28.04
Q2 – 14.07
Q3 – 21.10
Annual General Meeting – 28.04

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

StrongPoint

## FINANCIAL STATEMENT & NOTES



# Consolidated Income Statement of comprehensive income

| KNOK | Note | 2020 | 2019 |
|---|---|---|---|
| Sales revenue | 3 | 1 127 101 | 988 252 |
| Share of profit associated companies | 6 | 147 | -71 |
| Other income/compensation | 3 | 55 672 | - |
| Total revenue | | 1 182 920 | 988 181 |
| | | | |
| Cost of goods sold | 12 | 638 899 | 530 560 |
| Payroll | 9 | 295 681 | 280 573 |
| Other operating expenses | 5,16,27 | 95 956 | 92 296 |
| Total operating expenses | | 1 030 536 | 903 429 |
| EBITDA | | 152 383 | 84 752 |
| | | | |
| Depreciation tangible assets | 10 | 53 644 | 34 442 |
| Depreciation intangible assets | 11 | 9 358 | 13 412 |
| Impairment tangible assets | 10 | 2 841 | - |
| Total depreciations and impairments | | 65 843 | 47 854 |
| Operating profit | | 86 540 | 36 898 |
| | | | |
| Financial items | 8 | -8 981 | 1 289 |
| Profit before tax | | 77 559 | 38 187 |
| | | | |
| Income tax expense | 26 | 18 756 | 11 370 |
| Net income from continued operations | | 58 802 | 26 817 |
| | | | |
| Profit after tax from discontinued operations | 4 | 38 855 | 5 053 |
| Profit/loss after tax | | 97 658 | 31 870 |

| KNOK | Note | 2020 | 2019 |
|---|---|---|---|
| **Other comprehensive income** | | | |
| Items that may be reclassified through profit or loss in later periods | | | |
| Currency translation differences | | 29 245 | -8 123 |
| Total comprehensive income | | 126 903 | 23 748 |
| | | | |
| **Earnings per share** | | | |
| Earnings per share | 23 | 2.21 | 0.72 |
| Diluted earnings per share | 23 | 2.15 | 0.72 |
| Earnings per share from continued operations | 23 | 1.33 | 0.61 |
| Diluted earnings per share from continued operations | 23 | 1.29 | 0.61 |

StrongPoint



# Consolidated balance sheet

| KNOK | Note | 31.12.2020 | 31.12.2019 |
|---|---|---|---|
| **ASSETS** | | | |
| Intangible assets | 11 | 42 010 | 46 747 |
| Goodwill | 11 | 151 566 | 137 929 |
| Equipment | 10 | 24 030 | 29 075 |
| Land and buildings | 10 | - | 3 192 |
| Right of use | 10 | 67 744 | 81 175 |
| Associated companies | 6 | 700 | 553 |
| Other long-term investments | 7 | 1 000 | 1 000 |
| Other long-term receivables | 13 | 23 435 | - |
| Deferred tax assets | 26 | 11 560 | 5 859 |
| Total fixed assets | | 322 045 | 305 530 |
| | | | |
| Inventories | 12 | 144 973 | 138 366 |
| Accounts receivables | 13, 17 | 217 212 | 180 412 |
| Prepaid expenses | 13 | 12 129 | 12 781 |
| Other current receivables | 13 | 14 765 | 13 954 |
| Bank deposits etc. | 14 | 75 007 | 39 498 |
| Total current assets | | 464 087 | 385 011 |
| TOTAL ASSETS | | 786 132 | 690 542 |

| KNOK | Note | 31.12.2020 | 31.12.2019 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| Share capital | 24 | 27 513 | 27 513 |
| Treasury shares | 24 | -52 | -107 |
| Other equity | | 338 597 | 236 498 |
| Total equity | | 366 059 | 263 904 |
| | | | |
| Long term interest bearing liabilities | 15 | 374 | 10 715 |
| Long term lease liabilities | 15 | 39 565 | 51 132 |
| Other long term liabilities | 22 | - | 3 904 |
| Deferred tax liabilities | 26 | 7 547 | - |
| Total long term liabilities | | 47 486 | 65 751 |
| | | | |
| Current interest bearing liabilities | 15 | 41 974 | 50 418 |
| Short term lease liabilities | 15 | 27 238 | 30 044 |
| Accounts payable | | 83 141 | 70 799 |
| Tax payable | 26 | 16 552 | 1 091 |
| Public duties payable | | 42 917 | 35 621 |
| Other short term liabilities | 22,27 | 160 765 | 172 915 |
| Total short term liabilities | | 372 587 | 360 887 |
| Total liabilities | | 420 073 | 426 638 |
| TOTAL EQUITY AND LIABILITIES | | 786 132 | 690 542 |

Rælingen, 16 March 2021

| Morthen Johannessen | Klaus de Vibe | Camilla AC Tepfers | Peter Wirén | Ingeborg Molden Hegstad | Jacob Tveraabak |
|---|---|---|---|---|---|
| Chairman | Director | Director | Director | Director | CEO |

StrongPoint



# Consolidated cash flow statement

| KNOK | Note | 2020 | 2019 |
|---|---|---|---|
| Ordinary profit before tax continued operations | | 77 559 | 38 187 |
| Ordinary profit before tax discontinued operations | | 39 786 | 4 922 |
| Net interest | | 4 021 | 3 558 |
| Tax paid | | -4 000 | 799 |
| Share of profit, associated companies | *6* | -147 | 71 |
| Ordinary depreciation | *10, 11* | 67 843 | 52 837 |
| Impairments | *10* | 2 841 | - |
| Gain/-loss on sale of tangible assets | *10* | 313 | -298 |
| Change in inventories | | 3 165 | -12 384 |
| Change in accounts receivables | | -26 279 | 17 024 |
| Change in accounts payable | | 6 989 | -9 274 |
| Change in other accrued items | | -40 294 | -14 806 |
| Net cash flow from operational activities | | 131 799 | 80 636 |
| | | | |
| Payments for fixed assets | *10* | -6 526 | -14 544 |
| Payments for long term shares | *7* | - | -1 000 |
| Sale of tangible assets (sales proceeds) | *10* | 92 | 344 |
| Net effect acquisitions previous years | *22* | -17 433 | - |
| Net effect divestment | *4* | 17 397 | - |
| Interest income | *8* | 96 | 43 |
| Dividends received from associated companies | | - | 225 |
| Net cash flow from investment activities | | -6 374 | -14 932 |

| KNOK | Note | 2020 | 2019 |
|---|---|---|---|
| Buying of treasury shares | *24* | -1 027 | -1 246 |
| Selling of treasury shares | *24* | 2 407 | 621 |
| Payment long and short term debt | | -38 435 | -26 827 |
| Payment of leasing commitments IFRS 16 | | -38 298 | -22 156 |
| New long and short term debt | | 33 611 | - |
| Change in overdraft | | -16 983 | 24 875 |
| Interest expenses | *8* | -4 117 | -3 600 |
| Dividends paid | | -26 568 | -24 355 |
| Net cash flow from financing activities | | -89 409 | -52 689 |
| | | | |
| Net change in liquid assets | | 36 016 | 13 015 |
| Cash and cash equivalents at the start of the period | | 39 498 | 26 985 |
| Effect of foreign exchange rate fluctuations on foreign currency deposits | | -507 | -502 |
| Cash and cash equivalents at the end of the period | *14* | 75 007 | 39 498 |

StrongPoint



# Consolidated statement of changes in equity

| | | | Other equity | | | | |
|---|---|---|---|---|---|---|---|
| **KNOK** | **Share capital** | **Treasury shares** | **Other paid-in equity** | **Translation variances** | **Share Option Program** | **Other equity** | **Total equity** |
| Equity at 31.12.2018 | 27 513 | -65 | 351 262 | 45 130 | - | -158 703 | 265 137 |
| Profit for the year after tax | | | | | | 31 870 | 31 870 |
| Other comprehensive income and expenses [1] | | | | -8 123 | | | -8 123 |
| Purchase/sale of own shares | | -42 | | | | -583 | -625 |
| Dividend 2018 paid in 2019 | | | | | | -24 355 | -24 355 |
| Equity at 31.12.2019 | 27 513 | -107 | 351 262 | 37 007 | - | -151 770 | 263 904 |
| | | | | | | | |
| Profit for the year after tax | | | | | | 97 658 | 97 658 |
| Other comprehensive income and expenses [1] | | | | 29 245 | | | 29 245 |
| Purchase/sale of own shares | | 55 | | | | 1 325 | 1 380 |
| Dividend 2019 paid in 2020 | | | | | | -26 568 | -26 568 |
| Share Option Program | | | | | 440 | | 440 |
| Equity at 31.12.2020 | 27 513 | -52 | 351 262 | 66 252 | 440 | -79 356 | 366 059 |

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

1) 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 and expenses. See exchange rates in note 21.

StrongPoint

FINANCIAL STATEMENT & NOTES



## 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 STRO. The group's main business is the development, sale and implementation of innovative, integrated technology solutions to stores, e-commerce solutions and labels. The company is divided into two business areas: Retail Technologies and Labels.

In 2020 StrongPoint:
- Divested the business area Cash Security. See note 4 for more information.
- Received a compensation of from BaneNor related to the relocation of Labels producion in Norway. See note 3 and 10 for more information.

See note 28 for the effect of COVID-19 in 2020.

The proposed annual financial statements are prepared with the assumption of a going concern and were adopted by the board and CEO on the date shown on the signed balance sheet. The annual financial statements will be approved by the ordinary general meeting 28 April 2021.

## 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 31.12.2020. 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 interpretation applying to the financial statements prepared at 31.12.2020.

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, deferred tax liabilities, 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 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 held for sale in associated companies, are valued at fair value, and unrealised 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 considered to be investments held for sale and are recognized 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 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 on fixed assets is capitalised. Maintenance is expensed.

The acquisition cost of fixed assets are depreciated linearly according to the expected useful life of the assets, which is:
- Fixtures and equipment 3–5 years
- Machinery 3-10 years

StrongPoint

FINANCIAL STATEMENT & NOTES



- 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 plus financial leasing) are activated as fixed assets at the current value of the minimum leasing amount, alternatively at their fair value if this is lower. The commitment is recognized as a short-term and long-term liability.

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

### Leasing

The Group implemented IFRS 16 Leases 1 January 2019 with a modified retrospective method. New contracts with a lifetime of more than one year and a value of KNOK 100 are booked as IFRS 16 Leases. Operational leases with lower value or shorter lifetime are not booked as leases.

### 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 but verified through impairment test.

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.

*Development costs*

Product development costs and research into new products and maintenance of existing products are expensed as costs. The expenses include in-house payroll costs and outsourced services. The expenses are reduced with any government grants received related to this development.

StrongPoint

FINANCIAL STATEMENT & NOTES



### 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 eployees can chose 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.

StrongPoint



## 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, held for sale (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, receivables and held for sale. Loans and receivables comprise unlisted assets with payments that are fixed or determinable and which are not derivatives. Financial assets held for sale consist of assets that are not derivatives designated as held for sale or classified in any of the other categories. 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 two separate business areas 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.

## Fixed assets held for sale and discontinued operations

Fixed assets and groups of fixed assets and debts are classified as held for sale if the carrying amount primarily can be recovered through a sales transaction rather than continued use.

## 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

For 2020 the IASB has implemented a change in IFRS 3 business combinations, clarifying the definition of a business. IAS 1 and IAS 8 is updated to clarify materiality more uniform across standards. According to the new definition information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements. IFRS 9 and 17 is updated to reflected changes in reference interest rates. The implementation of those changes did not cause any changes in the financial statements for StrongPoint.

There are no new standards not yet taken into use that is expected to materially impact the financial statements for StrongPoint.

StrongPoint

## FINANCIAL STATEMENT & NOTES



# 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 two 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 2020 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 logistics, and simplify the shopping experience. The Group delivers proprietary solutions within In-Store Productivity, E-commerce, Payment Solutions and Checkout Efficiency, as well as tailor-made retail solutions from leading third-party suppliers, including Pricer Electronic Shelf Labels (ESL), POS, ERP, consulting services, Reflexis Workforce Management System (WMS) and Task Management System, and DIGI scales and wrapping systems.

*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.

*Cash Security*

The Cash Security business area was divested in December 2020 when sold to Cennox Holding Ltd. See note 4 for more information.

### a) Business segment

| | Retail Technology | | Labels | | StrongPoint ASA | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| **KNOK** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| Sale of products, external customers | 631 168 | 543 429 | 173 104 | 152 721 | - | - | -2 954 | -4 046 | 801 318 | 692 104 |
| Sale of products, internal customers | 200 | 3 986 | 12 291 | 11 097 | - | - | -12 491 | -15 082 | - | - |
| Sale of installation and service, external customers | 325 783 | 296 147 | - | - | | | - | - | 325 783 | 296 147 |
| Total sales revenue | 957 151 | 843 562 | 185 395 | 163 819 | - | - | -15 445 | -19 128 | 1 127 101 | 988 252 |
| Share of profit associated companies | 147 | -71 | | | | | | | 147 | -71 |
| Other income/compensation [1] | | | 55 672 | | | | | | 55 672 | |
| EBITDA | 95 649 | 96 285 | 83 586 | 21 909 | -27 693 | -33 442 | 842 | - | 152 383 | 84 752 |
| EBT | 65 932 | 66 142 | 43 777 | 4 193 | 13 619 | 93 889 | -45 769 | -126 037 | 77 559 | 38 187 |
| Assets | 333 142 | 267 914 | 74 280 | 61 334 | 527 249 | 528 696 | -148 539 | -167 402 | 786 132 | 690 542 |
| Liabilities | 304 994 | 277 339 | 38 672 | 53 999 | 223 822 | 221 185 | -147 415 | -125 885 | 420 073 | 426 638 |
| Working capital | 240 510 | 194 090 | 46 245 | 25 369 | -7 711 | -137 | - | 28 657 | 279 043 | 247 979 |
| Investment in fixed assets | 6 337 | 12 669 | 150 | 1 516 | 15 | 16 | - | 342 | 6 502 | 14 544 |

EBITDA is operating profit before depreciation, amortization interest and tax.
EBT is profit before tax.
Working capital is inventory plus accounts receivables minus accounts payables.

1) StrongPoint received a compensation of 55.7 MNOK from BaneNor related to the relocation of Labels production in Norway. The financial impact is shown as Other Income. Foreseen events related to move and alternative facilities have been provisioned. EBITDA and EBT was positively affected by 53.2 MNOK and 29.9 MNOK respectively.

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### b) Geographical information

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

| | Norway | | Sweden | | Other markets | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| **KNOK** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| Total revenue: | | | | | | | | |
| Retail Technology | 362 147 | 285 382 | 294 120 | 252 305 | 301 031 | 305 804 | 957 298 | 843 491 |
| Labels | 114 106 | 54 660 | 126 961 | 109 158 | - | | 241 067 | 163 819 |
| Elimination | -2 | -2 454 | -15 242 | -16 675 | -201 | - | -15 445 | -19 128 |
| | 476 251 | 337 589 | 405 839 | 344 788 | 300 830 | 305 804 | 1 182 920 | 988 181 |
| Fixed assets | 48 453 | 33 950 | 230 935 | 231 174 | 42 656 | 40 406 | 322 045 | 305 530 |
| Book value associated companies | 700 | 553 | - | - | - | - | 700 | 553 |
| This year investments in fixed assets | 297 | 390 | 1 005 | 2 347 | 5 199 | 11 806 | 6 502 | 14 544 |

There are no customers that represent 10% or more of revenues in the individual business areas in 2020 and 2019. Revenue per customer is based on sales per legal entities.

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## Note 4: Changes in the group structure

### Discontinued operations

December 18 2020 StrongPoint ASA entered into an agreement to divest the Cash Security business to Cennox NV. The transaction includes the Swedish company StrongPoint Cash Security AB and its subsidiaries StrongPoint BVBA in Belgium, StrongPoint Sarl in France and StrongPoint OOO in Russia. The first phase of the divestment was completed on December 23 2020. The transaction includes a performance-based earn-out for the years 2021-2023, and the final payment is expected in January 2024. The divestment follows StrongPoint's 2025 growth strategy to focus on instore and e-commerce retail technology.

The purchase price for the Cash Security business is EUR 7.3 million to be settled with approximately EUR 2.6 million paid in cash December 23 2020 and the remaining in an earn-out arrangement tied to Cennox' sales of cash security products in 2021 through 2023. In case of certain overperformance targets being reached, StrongPoint will also be entitled to certain further bonus payments. A risk accrual of 2.5 MEUR has been done in the calculation of financial gain from the transaction as there is always risk related to earn-out.

The Cash Security business provides secure cash logistics and employees around 60 people in offices in Sweden, Norway, Belgium, France and Russia. The business was established in 1995 and was acquired by StrongPoint in 2008.

| Calculation of profit | |
|---|---|
| Payment December 23 2020 EUR 2 601 251 | 27 635 |
| Earn-Out StrongPoint Cash Security AB EUR 2 200 000 | 23 372 |
| Sales costs / advisors | -4 684 |
| Book value equity | -7 163 |
| Profit | 39 161 |

### Profit from discontinued operations

| KNOK | 2020 | 2019 |
|---|---|---|
| Operating revenue | 81 607 | 123 515 |
| Cost of goods sold | 26 499 | 48 897 |
| Payroll | 35 681 | 43 519 |
| Other operating expenses | 10 005 | 17 631 |
| Total operating expenses | 72 186 | 110 048 |
| EBITDA | 9 422 | 13 467 |
| Depreciation tangible assets | 4 656 | 4 694 |
| Depreciation intangible assets | 185 | 289 |
| EBIT | 4 581 | 8 485 |
| Interest expenses | 239 | 518 |
| Other financial expenses/currency differences | 3 717 | 3 044 |
| Profit on sale of discontinued operations | 39 161 | - |
| EBT | 39 786 | 4 922 |
| Taxes | 931 | -131 |
| Profit from discontinued operations | 38 855 | 5 053 |

### Cash Flow from discontinued operations

| KNOK | 2020 | 2019 |
|---|---|---|
| Cash flow from operational activities | -21 044 | 36 202 |
| Cash flow from investment activities | -159 | -442 |
| Cash flow from financing activities | 2 389 | -10 466 |
| Net Change in liquid assets | -18 814 | 25 294 |
| Cash and cash equivalents at the start of the peri | 29 052 | 3 758 |
| Cash and cash equivalents at the end of the period | 10 238 | 29 052 |

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## Note 5: Other operating expenses

| KNOK | 2020 | 2019 |
|---|---|---|
| Rent, electricity, cleaning | 13 068 | 10 205 |
| Vehicles | 9 441 | 12 252 |
| Other consultancy fees | 22 371 | 17 701 |
| IT | 14 629 | 9 460 |
| Travel | 5 496 | 9 885 |
| Marketing | 5 913 | 5 984 |
| Other costs | 25 039 | 26 810 |
| Total | 95 956 | 92 296 |

| KNOK | 2020 | 2019 |
|---|---|---|
| **Specification of recognized auditors fee:** | | |
| Fee for auditing services | 1 793 | 2 045 |
| Fee for tax advise | - | 26 |
| Fee for other services | 222 | 370 |
| Total [1] | 2 015 | 2 442 |

Auditors fee are exclusive of VAT.
1) Of which KNOK 43 (32) applies to auditors other than EY.

## Note 6: Investment in associated companies

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

### StrongPoint ASA had the following investments in associated companies as at 31 December 2020:

| KNOK<br>Entity | Country | Industry | Stake 31.12.2020 | Cost price 31.12.2020 | Book value 31.12.2019 | Net profit 2020 | Value 31.12.2020 |
|---|---|---|---|---|---|---|---|
| Spok AS | Norway | Service company | 50,0% | 1 700 | 553 | 147 | 700 |
| Total | | | - | 1 700 | 553 | 147 | 700 |

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

| KNOK | 2020 | | | | | |
|---|---|---|---|---|---|---|
| Entity | Current assets | Fixed assets | Debt | Equity | Turnover | Profit for year |
| Spok AS | 3 335 | 479 | 2 415 | 1 399 | 13 452 | 293 |
| Total | 3 335 | 479 | 2 415 | 1 399 | 13 452 | 293 |

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## Note 7: Shares in other companies

| KNOK | 2020 | | 2019 | |
|---|---|---|---|---|
| Company | Cost price | Market value | Cost price | Market value |
| **Other long-term investments:** | | | | |
| Settle Group AS | 476 | - | 476 | - |
| Masterkett AS | 1 000 | 1 000 | 1 000 | 1 000 |
| Total | 1 476 | 1 000 | 1 476 | 1 000 |

The shares are classified as assets held for sale, and is booked at market value.
The shares are classified as held for sale when they are not of strategic importance for the Group.

## Note 8: Financial items

| KNOK | 2020 | 2019 |
|---|---|---|
| Interest income | 96 | 162 |
| Currency adjustment bank and unpaid receivables and liabilities | 3 941 | 2 807 |
| Other financial income | 17 | 3 398 |
| Total financial income | 4 054 | 6 367 |
| | | |
| Interest expense | -2 817 | -1 997 |
| Interest expenses leasing IFRS 16 | -1 060 | 561 |
| Currency adjustment bank and unpaid receivables and liabilities | -10 659 | -2 960 |
| Other financial expenses [1] | 1 501 | -683 |
| Total financial expenses | -13 036 | -5 079 |
| Net financial items | -8 981 | 1 289 |

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 2 090 in 2020 (cost of KNOK 3 147 in 2019). Currency differences relating to the payment of sales revenues are recorded as sales revenues and constitutes a revenue of KNOK 2 523 in 2020 (revenue of KNOK 4 216 in 2019).

## Note 9: Payroll costs and number of employees

| KNOK | 2020 | 2019 |
|---|---|---|
| Salaries | 214 230 | 199 707 |
| Severance packages | 6 260 | 5 387 |
| Director's fee and Nomination Committee | 1 842 | 1 803 |
| Social fee | 42 453 | 45 991 |
| Pension costs | 16 294 | 14 861 |
| Other payroll costs | 14 602 | 12 825 |
| Total payroll costs | 295 681 | 280 573 |
| | | |
| Number of full-time employees employed during the year: | 455 | 455 |
| Number of full-time employees at the end of the year: | 458 | 459 |

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 multiemployer plan in accordance with IFRS and is recognized as a contribution-based plan.

### Salaries and remuneration for Group management and Directors

| KNOK | 2020 Director's fee | 2019 Director's fee |
|---|---|---|
| **Board of Directors at StrongPoint ASA** | | |
| Morthen Johannessen, Chairman | 561 | 573 |
| Camilla Tepfers, Director | 270 | 270 |
| Klaus de Vibe, Director | 312 | 336 |
| Inger J. Solhaug, former Director | 96 | 282 |
| Ingeborg Hegstad | 201 | - |
| Peter Wirén, Director | 330 | 276 |
| Total Board of Directors [1] | 1 770 | 1 737 |

1) 20% of gross remuneration shall be used for share purchases until the value of the shares corresponds to a minimum of one year's gross remuneration.

Transactions with close associates are described in note 18.

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| | 2020 | | | | | 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **KNOK** | **Salary** | **Bonus** | **Company car** | **Other remuneration** | **Pension expenses** | **Salary** | **Bonus** | **Company car** | **Other remuneration** | **Pension expenses** |
| **Group CEO and CFO** | | | | | | | | | | |
| Jacob Tveraabak CEO | 2 784 | 938 | 197 | 10 | 158 | 2 701 | 874 | 196 | 28 | 154 |
| Hilde Gilen CFO | 1 943 | 665 | - | 9 | 156 | 1 906 | 542 | - | 39 | 132 |
| Total | 4 727 | 1 604 | 197 | 19 | 314 | 4 608 | 1 416 | 196 | 67 | 287 |

Bonus to Executive Management in 2020 is based on the achieved revenue and EBITDA compared to budget in 2020, growth ambitions and qualitative performance, and will be paid in 2021. The bonus is not related to the development in the stock-price.

As at 31 December 2020, 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 individual 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.

StrongPoint ASA implemented a Long Term Incentive Program in 2020 represented as a Stock Option program. The program has ambition to both motivate and retain executive management and key personnel to achieve the overall strategic ambitions. 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 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, an employee share program is conducted, in which all employees in a StrongPoint legal entity are allowed to buy shares for up to NOK 35 000 with 20% 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:

| **Name, position** | **Shares per 31.12.20** | **Shares per 31.12.19** | **Options per 31.12.20** |
|---|---|---|---|
| **Board of Directors** | | | |
| Morthen Johannessen, Chairman [1] | 48 450 | 40 493 | |
| Klaus de Vibe, Director [2] | 87 885 | 83 907 | |
| Camilla Tepfers, Director | 9 225 | 5 247 | |
| Peter Wirén, Director | 22 170 | 12 223 | |
| Ingeborg Molden Hegstad, Director [3] | 10 159 | | |
| **Group management** | | | |
| Jacob Tveraabak, CEO [4] | 194 400 | 56 368 | 300 000 |
| Hilde Gilen, CFO | 41 347 | 18 404 | 150 000 |
| Total | 413 636 | 216 642 | 450 000 |

1) Morthen Johannessen ownes the shares privatly and through the company Motri AS.
2) Klaus de Vibe ownes the shares privatly and through the company De Vibe AS.
3) Ingeborg Molden Hegstad ownes the shares privatly and through the company Imsight AS.
4) Jacob Tveraabak ownes the shares through the company Juce Holding AS.

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### Members of the Group management team have stock options:

| Total costs and Social Security Provisions | KNOK |
|---|---|
| Total IFRS cost 2020 | 440 |
| Total Social security provisions 2020 | 36 |

**Granted instruments 2020**

| Instrument | Option |
|---|---|
| Quantity 31.12.2020 (instruments) | 1 150 000 |
| Quantity 31.12.2020 (shares) | 1 150 000 |
| Contractual life* | 5.00 |
| Strike price* | 17.31 |
| Share price* | 17.15 |
| Expected lifetime* | 3.25 |
| Volatility* | 38.45% |
| Interest rate* | 0.27% |
| Dividend* | 0.00 |
| FV per instrument* | 4.60 |

* Weighted average parameters at grant of instrument

### Valuation method:

The fair value of share options granted is estimated at the date of grant using the Black-Scholes-Merton Option Pricing Model. The model uses the following parameters; the exercise price, the life of the option, the current price of the underlying shares, the expected volatility of the share price, the dividends expected on the shares, and the risk-free interest rate for the life of the option.

### Vesting requirements:

The vesting of the options is dependent on the participant still being employed at StrongPoint at the time of the vesting.

### Method of settlement:

All StrongPoint ASA options are intended to be settled in equity, but in the event that the Company is not capable of delivering Shares following an exercise of Options, the Company shall fulfil its obligations under this Agreement through a cash-out.

### Vesting period:

The options will vest over three years, with ¼ vesting after one year, ¼ after two years, and the remaining 2/4 after three years. The split in vesting underpins the retention ambition of the program. Any non-exercised options expire five years after grant.

### Outstanding instruments Year End - Option

**Quantity and weighted average prices**

| Activity | Number of instruments | Weighted Average Strike Price |
|---|---|---|
| | 01.01.2020 - 31.12.2020 | |
| Outstanding OB (01.01.2020) | 0 | 0,00 |
| Granted | 1 150 000 | 17.31 |
| Outstanding CB (31.12.2020) | 1 150 000 | 17.31 |
| Vested CB | 0 | 0,00 |

**Outstanding Instruments Overview**

| Strike price | Number of instruments | Weighted Average remaining contractual life | Weighted Average Strike Price | Vested instruments 31.12.2020 | Weighted Average Strike Price |
|---|---|---|---|---|---|
| | Outstanding Instruments | | | | Vested Instruments |
| 17.31 | 1 150 000 | 4.84 | 17.31 | 0 | 0.00 |

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## Note 10: Tangible assets

| Building and land (KNOK) | Land Norway | Buildings Sweden | Buildings Norway | 2020 total | Land Norway | Buildings Sweden | Buildings Norway | 2019 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 | -4 308 | -6 356 | - | -2 048 | -3 925 | -5 973 |
| Accumulated depreciations 31.12 | -825 | -2 048 | -6 675 | -9 548 | - | -2 048 | -4 308 | -6 356 |
| Translation differences | - | -8 | - | -8 | - | -8 | - | -8 |
| Book value 31.12 | - | - | - | - | 825 | - | 2 367 | 3 192 |
| Depreciations of the year | - | - | -351 | -351 | - | - | -383 | -383 |
| Impairment of the year | -825 | - | -2 016 | -2 841 | - | - | - | - |
| Depreciation ratio | 0% | 5% | 5% | | 0% | 5% | 5% | |
| Depreciation method | | Linear | Linear | | | Linear | Linear | |

| Equipment, vehicles, inventories (KNOK) | Equipment 2020 | Equipment 2019 |
|---|---|---|
| Acquisition costs 01.01 | 79 863 | 68 824 |
| Discontinued operations | -7 520 | - |
| Acquired | 6 065 | 12 654 |
| Divestment | - 268 | -1 596 |
| Translation differences | 1 172 | -19 |
| Acquisition costs 31.12 | 79 311 | 79 863 |
| Accumulated depreciations 01.01 | -50 788 | -41 461 |
| Discontinued operations | 5 492 | - |
| Divestment | - | 1 360 |
| Accumulated depreciations 31.12 | -55 281 | -50 788 |
| Book value 31.12 | 24 030 | 29 075 |
| Depreciations of the year | -6 595 | -8 353 |
| Depreciations of the year discontinued operations | | -422 |
| Depreciations of the year regarding rental machines is booked as cost of gods sold | -3 390 | -1 912 |
| Depreciation ratio | 10-33% | 10-33% |
| Depreciation method | Linear | Linear |

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| **Right of use assets** | **Rent** | **Equipment** | **2020 total** | **Rent** | **Equipment** | **2019 total** |
|---|---|---|---|---|---|---|
| Acquisition costs 01.01 | 68 434 | 71 619 | 140 053 | 62 169 | 64 425 | 126 594 |
| Discontinued operations | -11 477 | -1 058 | -12 535 | | | |
| Addition [1] | 29 189 | 5 211 | 34 401 | 8 589 | 8 811 | 17 400 |
| Divestment | - | -14 647 | -14 647 | -2 267 | -599 | - 2 866 |
| Currency exchange differences | 4 727 | 3 125 | 7 852 | -57 | -1 018 | - 1 075 |
| Acquisition costs 31.12 | 90 874 | 64 251 | 155 125 | 68 434 | 71 619 | 140 053 |
| Accumulated depreciations 01.01 | -17 586 | -41 293 | -58 878 | | - 28 861 | -28 861 |
| Discontinued operations | 3 820 | 452 | 4 272 | | | |
| Divestment | | 13 923 | 13 923 | | | |
| Currency exchange differences | - | - | - | -38 | - | -38 |
| Accumulated depreciations 31.12 | -48 758 | -38 623 | -87 381 | -17 586 | -41 293 | -58 878 |
| Book value 31.12 | 42 115 | 25 628 | 67 744 | 50 848 | 30 327 | 81 175 |
| Depreciations of the year [1] | -34 993 | -11 705 | -46 698 | -13 727 | -11 979 | -25 707 |
| Depreciations of the year discontinued operations | | | | -3 820 | -452 | -4 272 |
| Depreciation ratio | 10-33% | 10-33% | | 10-33% | 10-33% | |

1) In connection with the compensation from Bane Nor of 55.7 MNOK in 2020, 20.4 MNOK was set aside in future rent costs. This is shown as additions and depreciation in IFRS 16 liabilities.

See note 16 for information about the comittments related to the financial leasing. Some equipment has been fully depreciated as of 31 December 2020 but is still in use. StrongPoint has no contractual purchasing obligations.

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# Note 11: Intangible assets

| | 2020 | | | | | | 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Other intangible assets (KNOK)** | **Technology** | **Brand** | **Customer** | **Software** | **Other** | **Total** | **Technology** | **Brand** | **Customer** | **Software** | **Other** | **Total** |
| Acquisition costs 01.01 | 141 614 | 36 353 | 80 432 | 14 387 | 328 | 273 115 | 159 106 | 36 353 | 80 432 | 12 788 | 128 | 288 808 |
| Acquired | - | - | - | - | 436 | 436 | - | - | - | 1 693 | 200 | 1 894 |
| Discontinued operations | -34 104 | -14 851 | -22 789 | - | - | -71 744 | -17 492 | - | - | -95 | - | -17 586 |
| Acquisition costs 31.12 | 107 510 | 21 502 | 57 643 | 14 387 | 764 | 201 807 | 141 614 | 36 353 | 80 432 | 14 387 | 328 | 273 115 |
| Accumulated impairments and depreciations 01.01 | -125 118 | -15 678 | -74 938 | -11 104 | -54 | -226 891 | -137 814 | -15 678 | -67 782 | -9 452 | -41 | -230 767 |
| Discontinued operations | 34 104 | 14 851 | 22 789 | - | - | 71 744 | 17 492 | - | - | 85 | - | 17 576 |
| Accumulated impairments and depreciations 31.12 | -96 644 | - | -54 539 | -10 893 | -115 | -162 191 | -125 118 | -15 678 | -74 938 | -11 104 | -54 | -226 891 |
| Translation differences | -1 234 | 3 313 | 2 676 | -2 394 | 34 | 2 394 | -2 941 | 1 777 | 2 817 | -1 158 | 27 | 523 |
| Book value 31.12 | 9 632 | 24 814 | 5 779 | 1 101 | 684 | 42 010 | 13 556 | 22 453 | 8 311 | 2 125 | 301 | 46 747 |
| | | | | | | | - | - | - | - | - | - |
| Depreciations of the year | -4 720 | - | -3 341 | -1 224 | -74 | -9 358 | -4 507 | - | -7 155 | -1 736 | -13 | -13 412 |
| Depreciations of the year discontinued operations | | | | | | | -289 | | | | | -289 |
| This year change in translation differences | 2 690 | 5 091 | -141 | 2 324 | 322 | 10 285 | -573 | -616 | -472 | -52 | -3 | -1 717 |
| Depreciation schedule | 10 og 15 år | Impairment test | 1-7 år | 4-7 år | 3 år | | 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% | | 7-10% | 0% | 14-100% | 14-25% | 33% | |

In 2020 there have been expensed KNOK 46 003 (KNOK 31 856 in 2019) in research and development costs.
Intangible assets regarding brand are related to the cash generating unit StrongPoint Technology.

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| Goodwill (KNOK) | StrongPoint AS | StrongPoint AB | StrongPoint Labels AB | StrongPoint Technology AB | StrongPoint Baltikum | StrongPoint S.L.U | Cub Business Systems AB | Total 2020 | Total 2019 |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition costs 01.01 | 17 416 | 2 612 | 14 850 | 81 127 | 23 318 | 4 431 | 25 889 | 169 643 | 169 643 |
| 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 | 2 242 | 12 756 | 2 891 | 752 | 1 545 | 20 186 | 6 549 |
| Book value 31.12 | 2 726 | 2 383 | 17 093 | 93 883 | 2 865 | 5 183 | 27 434 | 151 566 | 137 929 |
| | | | | | | | | | |
| Impairment of the year | | | | | | | | - | - |
| This year change in translation differences | - | - | 1 627 | 8 934 | 166 | 300 | 2 611 | 13 637 | -3 657 |
| Depreciation schedule | Impairment test | Impairment test | Impairment test | Impairment test | Impairment test | Impairment test | Impairment test | | |

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:

| | | Goodwill (NOK) | |
|---|---|---|---|
| **Acquired company** | **Cash generating unit** | **31.12.2020** | **31.12.2019** |
| StrongPoint AS | StrongPoint AS | 2 726 | 2 726 |
| StrongPoint AB | StrongPoint AB | 2 383 | 2 383 |
| StrongPoint Labels AB | StrongPoint Labels AB | 17 093 | 15 466 |
| StrongPoint Technology AB | StrongPoint Technology | 93 883 | 84 949 |
| StrongPoint UAB | StrongPoint Baltikum | 2 865 | 2 699 |
| StrongPoint S.L.U | StrongPoint S.L.U | 5 183 | 4 883 |
| Cub Business Systems AB | StrongPoint Cub AB | 27 434 | 24 823 |
| Total goodwill | | 151 566 | 137 929 |

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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 of the IP 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 2021, followed by 3% annual sales growth until 2025. 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. These assumptions give an EBITDA margin of 19% in the periode 2021 to 2025. No change in working capital is expected, and no expected annual investment in the period 2021-2025. 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 123 MNOK.

Significant assumptions are related to turnover growth, achieved EBITDA margin and discount rate. A sensitivity analysis for the period 2022 to 2025 shows that if growth is reduced with 4.4% annually, and other assumptions remain unchanged the calculated value is still higher than the book value. Similarly, a reduction of gross margin by 8% in 2022 to 2025, or an increase in WACC to 14% 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 2021, followed by 2.5% annual growth in external sales until 2025, then a terminal value with a growth in net cash flow corresponding to an expected inflation by 2.5% annually. Expected gross margin is expected to decrease from 58% achieved margin in 2020 to 57% in the period 2021-2025. 2.5% annual growth is applied for other operating expenses, and 3.0% annual growth in personnel expenses. These assumptions give a EBITDA margin of 12% in the period 2021 to 2025. No change in working capital is expected, and MSEK 16 has been applied as expected investment in 2021 and MSEK 8 in the period 2022-2025. 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 44 MNOK.

Significant assumptions are related to turnover growth, achieved EBITDA margin and discount rate. A sensitivity analysis shows that if growth is reduced to 1.3% 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 2021 and 2025, and an increase in WACC to 11.4% 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 2021, followed by 18% annual growth in sale of services until 2025. 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. These assumptions give an EBITDA margin of - 32% in 2021, - 20% in 2022, - 8% in 2023, 2% in 2024 and 11% in 2025. No change in working capital is expected, and no capital expenditures are expected in the period 2021 to 2025. 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 assuptions, value in use exceed the carrying value with 6 MNOK.

Significant assumptions are related to turnover growth, achieved EBITDA margin and discount rate. A sensitivity analysis for the period 2021 to 2025 shows that if growth in sales of services is reduced to 17.7% annualy, and other assumptions remain unchanged the calculated value is still higher than the book value. Similarly, a reduction of gross margin by 0,5% in 2021 to 2025, or an increase in WACC to 7.96% after tax, gives the same result. Changes beyond this will result in an impairment.

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## Note 12: Inventories

| Inventories (KNOK) | 2020 | 2019 |
|---|---|---|
| Inventories | 157 885 | 161 445 |
| Provision for obsolete stock | -12 912 | -23 079 |
| Total | 144 973 | 138 366 |

Inventories are measured at the lower of cost and net realisable value.
The stock is pledged as security for loans, see note 15.

| Provision for obsolete stock (KNOK) | 2020 | 2019 |
|---|---|---|
| Provision for obsolete stock, opening balance | -23 079 | -20 099 |
| Taken to income/charged to expense (-) change in provision | 10 167 | -2 980 |
| Provision for obsolete stock, closing balance | -12 912 | -23 079 |

The cost of goods sold of KNOK 638 899 includes direct costs of goods with KNOK 546 156.

## Note 13: Other receivables

| Short term receivables (KNOK) | 2020 | 2019 |
|---|---|---|
| Accounts receivables | 217 212 | 180 412 |
| Prepaid expenses | 12 129 | 12 781 |
| Other receivables | 14 765 | 13 954 |
| Total short term receivables 31.12 | 244 107 | 207 147 |

Other receivables include 2.5 MNOK in expected government grants (Skattefunn) refunds for development costs in 2020 and 2.0 MNOK in 2019. This booked as reduction of other operating expenses.

| Changes in provision for bad debts (KNOK) | 2020 | 2019 |
|---|---|---|
| 01.01 | 2 290 | 2 761 |
| Discontinued operations | -846 | - |
| Applied provisions | -240 | -32 |
| Reversed provisions | -350 | -1 553 |
| New provision for bad debt | 4 398 | 1 114 |
| Total 31.12 | 5 251 | 2 290 |

The provisions per 31.12.2020 are not directly related to individual customers. The increased provision in 2020 is partly due to COVID-19.

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

| Aging of accounts receivables (KNOK) | 2020 | 2019 |
|---|---|---|
| Not due | 175 058 | 139 478 |
| 0-3 months | 40 008 | 40 413 |
| 3-6 months | 2 145 | 460 |
| 6-12 months | - | 61 |
| Older than 12 months | - | - |
| Total 31.12 | 217 212 | 180 412 |

| Long term receivables (KNOK) | 2020 | 2019 |
|---|---|---|
| Earn-out Cash Security | 23 435 | - |
| Total long term receivables 31.12 | 23 435 | - |

See note 4 for more information.

## Note 14: Cash and cash equivalents

| KNOK | 2020 | 2019 |
|---|---|---|
| Cash and bank deposits | 75 007 | 39 498 |
| Overdraft | - | 25 285 |
| Unused overdraft facilities | 100 000 | 34 715 |

The Group had liquid assets (bank deposits and unused overdraft facilities) of 175.0 MNOK as at 31.12.2020 (2019: 74.2 MNOK). KNOK 0 are restricted funds pr. 31.12.2020 (2019: KNOK 0).

The group as whole may withdraw up to 100 MNOK from the group's overdraft facility.

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# Note 15: Interest-bearing debt and secured debt

### Debt per 31.12. and specification of terms. Figures in KNOK

| Type of loan | 2020 | 2019 | Borrowing terms | Average nominal interest for 2020 |
|---|---|---|---|---|
| Multi-currency, group credit account [1] | - | 25 285 | Overdraft limit 60 MNOK, not time limited | 2.10% |
| Financial leasing, Printing presses | 12 037 | 18 136 | Monthly repayments | 1.65% - 3.6% |
| Financial leasing, cars | 2 928 | 2 229 | Monthly repayments | 2.05% |
| Repayment loan | 22 667 | 31 186 | Quarterly repayments | 1.7% - 3.3% |
| Short term debt | 19 681 | 5 689 | Repayment in 2021 | 1.7% - 3.5% |
| Liabilities leasing IFRS 16 | 51 838 | 59 784 | Monthly and quarterly payments | |
| Total interest-bearing debt | 109 151 | 142 309 | | |

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.

| Interest bearing debt (KNOK) | 2020 | 2019 |
|---|---|---|
| Balance 01.01 | 142 309 | 81 589 |
| Currency differences | - | 2 888 |
| IFRS 16 per 01.01.19 | - | 70 584 |
| Netto payments / new loans | 73 | -26 827 |
| Change in IFRS 16 liabilities | -7 946 | -10 800 |
| Change in overdraft | -25 285 | 24 875 |
| Balance 31.12 | 109 151 | 142 309 |
| Of which due within 1 year | 69 211 | 80 462 |

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

| KNOK | 2020 | 2019 |
|---|---|---|
| Bank overdraft | - | 25 285 |
| Due within one year | 69 211 | 55 177 |
| Current interest-bearing liabilities | 69 211 | 80 462 |
| Due after one year | 39 939 | 61 847 |
| Total interest-bearing debt | 109 151 | 142 309 |

### Pledged assets per 31.12. and book value:

| | Book value / nominal security (KNOK) | |
|---|---|---|
| Asset | 31.12.2020 | 31.12.2019 |
| Operating equipment and inventories for StrongPoint AS | 75 000 | 108 492 |
| Lien over Företagsinnteckning StrongPoint Cash Security AB [1] | - | 49 098 |
| Lien over Företagsinnteckning StrongPoint AB [1] | - | 63 261 |
| Co-surety Norway, 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.
1) Företagsinnteckning is equivalent to a priority lien over the company's assets.

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## Note 16: Leasing commitments

Tenancy agreements on premises has a lease-term of 0.5 - 7.5 years. Annual liability for these premises is approx. KNOK 15 248.

Leasing contracts on vehicles has a lease-term of 1 - 6 years. Annual liability is approx. KNOK 4 945.

Leasing contracts on inventory (copy machines, coffe machines etc.) has a lease-term of 1 - 3 years. Annual liability is approx. KNOK 287.

| **Future minimum rent for the IFRS 16 and operational leasing contracts per 31.12 is as follows:** | | | **The present value of future payments** |
|---|---|---|---|
| **KNOK** | **2020** | **2019** | **2020** |
| Within one year | 20 480 | 22 011 | 18 360 |
| After one year, but within five years | 33 505 | 40 238 | 24 765 |
| After more than five years | 1 437 | 3 708 | 746 |
| Total | 55 423 | 65 957 | 43 871 |
| Of which IFRS 16 1) | 51 838 | 59 784 | |

1) IFRS 16 includes operational leasing with a lifetime of more than 1 year from 01.01.19 and a rest value of more than KNOK 100 per 01.01.19 and new contract with a lifetime of more than 1 year from 01.01.19 and a value of more than KNOK 100. Any variable rental elements are not included in the measurement. Options are not included until new agreements are signed. The largest options are related to rent and there are no significant circumstances that indicate that we cannot move to new premises.

At the commencement date the present value of the lease payments has been calculated based on the lessee's incremental borrowing rate. The discount rate is 11,5%, included an interest rate of 8,5% business risk and 3,0% risk free.

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

Leasing agreements on printing presses has a lease-term of 0.5 - 5.5 years. Annual liability for these premises is approx. KNOK 7 652.

Leasing agreements on cars has a lease-term of 1.5 - 4.5 years. Annual liability for these premises is approx. KNOK 1 187.

| **Future minimum rent for the financial leasing contracts per 31.12 is as follows:** | | | **The present value of future payments** |
|---|---|---|---|
| **KNOK** | **2020** | **2019** | **2020** |
| Within one year | 8 838 | 8 605 | 7 923 |
| After one year, but within five years | 6 088 | 12 426 | 4 379 |
| After more than five years | 199 | 670 | 103 |
| Total | 15 125 | 21 701 | 12 405 |

At the commencement date the present value of the lease payments has been calculated based on the lessee's incremental borrowing rate. The discount rate is 11,5%, included an interest rate of 8,5% business risk and 3,0% risk free.

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# 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 on credit.

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. Guidelines are implemented to prevent the company's risk associated with loans and guarantees related to employees and customers.

31.12.2020 the Group had KNOK 217 212 in outstanding accounts receivables. Of this KNOK 42 154 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 of KNOK 3 217, including realized losses and changes in the provision for bad debts.

| KNOK | 2020 | 2019 |
|---|---|---|
| Total interest-bearing debt | 109 151 | 142 309 |
| Cash | 75 007 | 39 498 |
| Net interest-bearing debt | 34 144 | 102 810 |
| Total capital adjusted for Goodwill | 634 566 | 552 613 |
| Debt ratio | 5% | 19% |

### (ii) Interest rate risk

The company's interest-bearing debt decreased in 2020.

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 2020 or 2019.

Based on the financial instruments in existence as of 31 December 2020, a general increase in interest rates of two per cent will reduce pre-tax profits by KNOK 1 146.

**The average effective rate of interest on financial instruments was as follows:**

| | 2020 | 2019 |
|---|---|---|
| Bank overdraft | 2.10% | 2.76% |
| Financial leasing contracts | 2.12% | 2.12% |
| Loans secured with a lien | 2.20% | 2.38% |

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 productmix. 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 2020 and 2019. Interest bearing debt was totally decreased by 33,2 MNOK during 2020, of which 7.9 MNOK was related to IFRS 16 liabilities. This combined with the EBITDA of 152.4 MNOK (98.2 MNOK included discontinued operations in 2019) resulted in net debt divided by 12 month rolling income before depreciation (EBITDA) as at 31.12.2020 was 0.22. As at 31.12.2019 it was measured 1.05.

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### 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) | 42 348 | 24 906 | 17 067 | 374 | - | - | - |
| Secured loans, interest | IA | 243 | 83 | 3 | - | IA | - |
| Overdraft (short-term interest bearing debt) [1] | - | - | - | - | - | - | - |
| Overdraft, interest | IA | - | - | - | - | IA | - |
| Financial leasing (long-term and short-term interest bearing debt) | 14 965 | 3 476 | 5 254 | 2 193 | 1 897 | 2 145 | - |
| Financial leasing, interest | IA | 128 | 90 | 111 | 69 | IA | |
| Other long term debt | - | | | - | | | |
| Accounts payable | 83 141 | 83 141 | - | - | - | - | - |
| Net liabilities financial instruments | 140 454 | 111 895 | 22 494 | 2 682 | 1 967 | 2 145 | - |

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.

### (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.

### A change of 5% exchange rate as at 31 December 2020 would have resulted in the following effects on the profit in the group;

| Sensitivity currency exposure; | |
|---|---|
| SEK weakened by 5% against EUR | -208 |
| SEK weakened by 5% against GBP | 2 |
| SEK weakened by 5% against USD | 251 |
| NOK weakened by 5% against SEK | 101 |
| NOK weakened by 5% against EUR | 227 |
| NOK weakened by 5% against GBP | 1 |
| NOK weakened by 5% against USD | 33 |

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### (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 want 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 31.12.20.

### (viii) Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

| | | Fair value measurement using | |
|---|---|---|---|
| | Date of valuation | Total | Significant unobservable inputs (Level 3) |
| **Assets measured at fair value:** | | | |
| Financial assets | | | |
| Cash | 31 December 2020 | 75 007 | 75 007 |
| Accounts receivable | 31 December 2020 | 217 212 | 217 212 |
| Other long-term investments | 31 December 2020 | 1 000 | 1 000 |
| Financial debts | | | |
| Accounts payable | 31 December 2020 | -83 141 | -83 141 |
| Bank loans | 31 December 2020 | -43 049 | -43 049 |
| Financial leasing liabilities | 31 December 2020 | -14 264 | -14 264 |

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 classifed 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."

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## Note 18: Transactions with related parties

There have been no transactions with Board members and employees in 2020.

### Transactions with associated companies

The group carried out a number of transactions with Spok AS in 2019 and 2020.
All transactions were carried out as part of its ordinary activities and at ordinary business conditions.

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **KNOK** | **Sale** | **Purchase** | **Sale** | **Purchase** |
| Spok AS | 569 | 3 651 | 520 | 3 221 |

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

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **KNOK** | **Receivables** | **Debt** | **Receivables** | **Debt** |
| Spok AS | - | - | - | 11 |

The Group has no binding future transactions with related parties.

## Note 19: Post balance sheet events

No significant events have occurred after the balance sheet date.

## Note 20: Overview of subsidiaries

The following subsidiares are included in the consolidated accounts:

| Company | Adress | Main area of business | Share of votes | Stake |
|---|---|---|---|---|
| StrongPoint AS 1) | Rælingen | Service and product provider | 100% | 100% |
| StrongPoint AB | Göteborg (Sweden) | Service and product provider | 100% | 100% |
| StrongPoint Labels AB | Malmö (Sweden) | Printing | 100% | 100% |
| StrongPoint Retail Solutions Sdn Bhd | Malaysia | Production and sales | 100% | 100% |
| StrongPoint UAB 2) | Vilnius (Lithuania) | Service and product provider | 100% | 100% |
| StrongPoint S.L.U | Spain | Production and sales | 100% | 100% |
| StrongPoint Cub AB | Täby (Sweden) | Production and sales | 100% | 100% |

1) StrongPoint AS owns 100% of its company in Germany.
2) StrongPoint UAB owns 100% of its sales companies in Latvia and Estonia.

## Note 21: Exchange rates

| | 2020 | | | | | | | | | | | | | 2019 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Average exchange rate | | | | | | | | | | | | Exchange rate | Exchange rate | |
| | **January** | **February** | **March** | **April** | **May** | **June** | **July** | **August** | **September** | **October** | **November** | **December** | **31.12.** | **Average** | **31.12.** |
| SEK | 0.94 | 0.96 | 1.04 | 1.04 | 1.04 | 1.02 | 1.03 | 1.03 | 1.03 | 1.05 | 1.05 | 1.04 | 1.04 | 0.93 | 0.94 |
| Euro | 9.94 | 10.13 | 11.29 | 11.34 | 10.99 | 10.73 | 10.65 | 10.58 | 10.78 | 10.92 | 10.75 | 10.61 | 10.47 | 9.85 | 9.86 |

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 31.12.2020.

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## Note 22: Short and long term provisions

| KNOK | 2020 | 2019 |
|---|---|---|
| Balance 01.01 | 20 755 | 22 284 |
| Currency differences | 1 932 | -553 |
| Payment earn-out 2019 Cub Business Systems AB | -16 425 | - |
| Payment earn-out PYD Seguridad S.L. | -1 008 | -976 |
| Balance 31.12 | 5 254 | 20 755 |
| Of which provisions due within 1 year | 5 254 | 16 851 |
| Of which long term provisions | - | 3 904 |

## Note 23: Earnings per share

| KNOK | 2020 | 2019 |
|---|---|---|
| Profit for the year | 97 658 | 31 870 |
| Profit for the year continued operations | 58 802 | 26 817 |
| **Weighed average number of shares during the year** | | |
| Basic | 44 286 867 | 44 222 818 |
| Effect of dilutive share based incentive plans | 1 150 000 | |
| Diluted | 45 436 867 | 44 222 818 |
| **Earnings per share (NOK)** | | |
| Basic | 2.21 | 0.72 |
| Diluted | 2.15 | 0.72 |
| **Earnings per share continued operations (NOK)** | | |
| Basic | 1.33 | 0.61 |
| Diluted | 1.29 | 0.61 |

| Number of outstanding shares (numbers in thousand) | 2020 | 2019 |
|---|---|---|
| 01.01: Number of shares (after deductions for own shares) | 44 204 | 44 271 |
| Sale of own shares during the year | 189 | 59 |
| Purchase of own shares during the year | -100 | -127 |
| 31.12: Number of shares (after deductions for 83.2 thousand own shares) | 44 293 | 44 204 |

## Note 24: Shareholder information

### Overview of shareholders per 31.12.2020

| No. | Name | No. of shares | % |
|---|---|---|---|
| 1 | HOLMEN SPESIALFOND | 4 200 000 | 9.46 |
| 2 | STRØMSTANGEN AS 1) | 3 933 092 | 8.86 |
| 3 | HSBC Bank Plc | 1 976 000 | 4.45 |
| 4 | V. EIENDOM HOLDING AS | 1 835 009 | 4.14 |
| 5 | SOLE ACTIVE AS | 1 819 831 | 4.10 |
| 6 | NORDNET BANK AB | 1 349 220 | 3.04 |
| 7 | ZETTERBERG, GEORG (incl. fully owned companies) | 1 320 437 | 2.98 |
| 8 | AVANZA BANK AB | 1 313 553 | 2.96 |
| 9 | VERDADERO AS | 1 136 633 | 2.56 |
| 10 | VERDIPAPIRFONDET DNB SMB | 1 047 452 | 2.36 |
| 11 | RING, JAN | 909 372 | 2.05 |
| 12 | WAALER, JØRGEN (incl. fully owned companies) | 900 000 | 2.03 |
| 13 | MP PENSJON PK | 777 402 | 1.75 |
| 14 | HAUSTA INVESTOR AS | 700 000 | 1.58 |
| 15 | EVENSEN, TOR COLKA | 650 000 | 1.46 |
| 16 | NORDNET LIVSFORSIKRING AS | 545 869 | 1.23 |
| 17 | JOHANSEN, STEIN | 500 000 | 1.13 |
| 18 | MORGAN STANLEY & CO. INTERNATIONAL | 454 928 | 1.03 |
| 19 | NÆRINGSLIVETS HOVEDORGANISASJON | 445 669 | 1.00 |
| 20 | SKANDINAVISKA ENSKILDA BANKEN AB | 423 537 | 0.95 |
| | Sum 20 largest shareholders | 26 238 004 | 59.13 |
| | Sum 2 024 other shareholders | 18 138 036 | 40.87 |
| | Sum all 2 044 shareholders | 44 376 040 | 100.00 |

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

StrongPoint ASA had per 31.12.2020 a share capital of NOK 27 513 145 spread over 44 376 040 shares with a nominal value of NOK 0.62.
All shares have equal voting rights.

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| **Changes in share capital:** | **Number of shares** | | **Share capital** | |
|---|---|---|---|---|
| **KNOK** | **2020** | **2019** | **2020** | **2019** |
| 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** | **2020** | **2019** |
|---|---|---|
| 01.01 | 172 | 105 |
| Purchase of own shares | 100 | 127 |
| Sales of own shares | -189 | -59 |
| 31.12 | 83 | 172 |
| Nominal value | 0.62 | 0.62 |
| Own shares specified in equity (KNOK): | 52 | 107 |

As at 31.12.2020 the Group owned 83 166 own shares. Cost price of these was KNOK 854, giving an average share price of NOK 10.27.
In 2020 it was paid KNOK 26 568 in dividend, which was NOK 0.60 per share.
The Board has proposed a dividend of NOK 0.70 per share in 2021.
Total dividends to external shareholders will be KNOK 31 005.

Members of the Group Management Team have stock options.
See note 9 for more information.

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## 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
- Earn-out connected to discontinued operations

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 on the balance sheet. At the end of 2020 deferred tax assets of 11.6 MNOK and deferred tax liability of 7.5 MNOK 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, as has their utilization in relation to future profit and the utilisation of tax planning opportunities. 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.

The purchase price for the Cash Security business is EUR 7.3 million to be settled with approximately EUR 2.6 million paid in cash December 23 2020 and the remaining in an earn-out arrangement tied to Cennox' sales of cash security products in 2021 through 2023. In case of certain overperformance targets being reached, StrongPoint will also be entitled to certain further bonus payments. A risk accrual of 2.5 MEUR has been done in the calculation of financial gain from the transaction as there is always risk related to earn-out.

## Note 26: Tax

### Tax expense:

| KNOK | 2020 | 2019 |
|---|---|---|
| Tax payable | 21 877 | 1 091 |
| Tax items relating to previous years [1] | -3 430 | 132 |
| Change in deferred tax | 309 | 10 147 |
| Tax expense | 18 756 | 11 370 |
| Included as tax expense in the financial statements | 18 756 | 11 370 |
| Reconciliation of the nominal tax rate | 22% | 22% |

| KNOK | 2020 | 2019 |
|---|---|---|
| Profit before tax | 77 559 | 38 187 |
| Tax calculated at a rate of 22% | 17 063 | 8 401 |
| Taxing related to companies in other countries with other tax rate | -1 400 | -726 |
| Non-taxable items (22% of permanent differences) | 5 112 | 2 223 |
| Unrecognised deferred tax asset | 1 412 | 1 341 |
| Effect corrections previous years [1] | -3 430 | 132 |
| Tax expense | 18 756 | 11 370 |

1) Reversal of provision for tax previous years.

### Deferred tax assets and deferred tax liabilities:

| | Deferred tax assets | | Deferred tax liabilities | | Consolidated income statement [1] | |
|---|---|---|---|---|---|---|
| KNOK | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Current assets | 837 | 5 019 | 2 867 | - | 951 | 104 |
| Liabilities | 5 038 | 3 851 | 1 853 | - | -4 222 | 747 |
| Fixed assets | 958 | -10 557 | -8 985 | - | -2 521 | -4 156 |
| Losses carried forward | 4 728 | 7 546 | -3 282 | - | 6 100 | 13 452 |
| Deferred tax assets | 11 560 | 5 859 | -7 547 | - | 309 | 10 147 |

1) Exchange rates differences and opening balance in discontinued operations are not booked over the consolidated income statement for continued operations.

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The Company has no liabilities / deferred tax assets that effect Total comprehensive income. The Group had total losses of 34.0 MNOK to be carried forward as at 31 December 2019 in the Norwegian entities. Deferred tax asset of 7.5 MNOK associated with this was included in the balance sheet as at 31.12.2019. This year's decrease in these losses amounted to 34.0 MNOK and per 31.12.2020 there are no losses carried forward in Norway. Per 31.12.2020 the group has losses of 4.7 MNOK to be carried forward in the Spanish entity.

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 | 2020 | 2019 |
|---|---|---|
| Holiday pay owed | 19 815 | 20 359 |
| Accrued expenses [1] | 48 726 | 24 405 |
| Contracts liabilities [2] | 68 277 | 81 771 |
| Warranty provisions | 1 681 | 12 931 |
| Other short term debt | 22 266 | 33 449 |
| Total other short term debt | 160 765 | 172 915 |

1) In connection with the compensation from BaneNor of MNOK 55.7 in 2020, MNOK 20.4 was set aside in future rent cost.
2) Reduced with KNOK 17 495 regarding discontinued operations.

| Warranty provisions (KNOK) | 2020 | 2019 |
|---|---|---|
| Balance 01.01 | 12 931 | 13 701 |
| Discontinued operations | -9 240 | - |
| Provision | 978 | 4 323 |
| Currency differences | 336 | -344 |
| Reversed | -1 256 | -2 500 |
| Used | -2 069 | -2 249 |
| Balance 31.12 | 1 681 | 12 931 |
| Of which warranties due within 1 year | 1 681 | 8 996 |

## Note 28: COVID-19

### Operational

COVID-19 influenced StrongPoint operations in various ways during 2020. The nordic countries managed mostly to keep up the business volume on a normal level, while the Baltic countries - especially Lithuania - had temporary lay offs during Q2 2020. The most influenced area were Spain, which both had temporary lay-offs and highly negative effect on revenue and profit compared to earlier years. Despite all this, StrongPoint did not receive any specific governmental assistance. The effect of "general" assistance measures, like reduced employer's tax, amounted to 3 MNOK for the year 2020.

### Financial

StrongPoint strengthened the financial position by increased credit facilities and bank loan in Q2 2020 to ensure sufficient liquidity during the most uncertain period. During the period, the operational cash flow improved, and the divestment of Cash Security and the compensation for the relocation of the labels production facilities in Norway improved the financial position strongly during Q4 and the Group had a strong financial position at year end with a net leverage of 0.22 compared to 12 months EBITDA.

### Strategic

StrongPoint experienced both positive and negative effects from the COVID-19. The pandemic increased the interest and demand for e-commerce and checkout solutions. The expectation is that the increased focus on especially e-commerce will positively influence the future outlook for the group. On the negative side, the social distancing measures in south of Europe, especially in Spain, postponed the communicated ambitions on sale of cash management systems in this area. On February 11, 2021, StrongPoint reiterated the ambitions of growth and improved profitability on the same level as communicated in February 2020.

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# Income statement

| KNOK | Note | 2020 | 2019 |
|---|---|---|---|
| Operating income | *3* | 14 508 | 17 163 |
| | | | |
| Payroll | *2* | 14 209 | 15 725 |
| Depreciation | *5* | 152 | 154 |
| Other operating expenses | *2* | 13 633 | 17 840 |
| Total operating expenses | | 27 994 | 33 718 |
| Operating profit | | -13 486 | -16 555 |
| | | | |
| **FINANCIAL INCOME AND EXPENSES** | | | |
| Interest income from group companies | | 585 | 545 |
| Other interest income | | 67 | 143 |
| Other financial income | *6* | 58 329 | 149 154 |
| Other interest expenses | | 2 283 | 2 793 |
| Other financial expenses | *6* | 15 085 | 19 442 |
| Net financial result | | 41 613 | 127 607 |
| | | | |
| Profit before tax | | 28 127 | 111 052 |
| Income tax expense | *13* | 7 463 | 5 096 |
| Net income | | 20 664 | 105 956 |
| | | | |
| **DISTRIBUTIONS** | | | |
| Transfer to / from other equity | *8* | -10 342 | 79 433 |
| Proposed dividend | *8* | 31 005 | 26 522 |
| Total distributions | | 20 664 | 105 956 |

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# Balance sheet

| KNOK | Note | 31.12.2020 | 31.12.2019 |
|---|---|---|---|
| ASSETS | | | |
| Tangible assets | 5 | 152 | 288 |
| Investments in subsidiaries | 11 | 308 219 | 408 514 |
| Loans to group companies | 10 | 68 057 | - |
| Other long term investments | 12 | 1 700 | 1 700 |
| Other long term receivables | | 23 035 | - |
| Deferred tax | 13 | 21 | 7 484 |
| Total fixed assets | | 401 183 | 417 987 |
| | | | |
| Accounts receivables | | 435 | - |
| Group receivables | 10 | 120 261 | 109 167 |
| Prepaid expenses | | 4 996 | 1 156 |
| Bank deposits | 14 | - | - |
| Total current assets | | 125 692 | 110 323 |
| TOTAL ASSETS | | 526 876 | 528 310 |

| KNOK | Note | 31.12.2020 | 31.12.2019 |
|---|---|---|---|
| EQUITY AND LIABILITIES | | | |
| Share capital | 7,8 | 27 513 | 27 513 |
| Treasury shares | 8 | -52 | -107 |
| Other equity | 8 | 244 960 | 253 583 |
| Total equity | | 272 422 | 280 989 |
| | | | |
| Long term liabilities to credit institutions | 9 | - | 10 715 |
| Other long term liabilities | 4 | - | 3 904 |
| Total long term liabilities | | - | 14 620 |
| | | | |
| Current liabilities to credit institutions | 9 | 204 453 | 180 703 |
| Short term liabilities to group companies | 10 | 667 | 2 489 |
| Accounts payable | | 8 146 | 137 |
| Public duties payable | | 1 143 | 1 071 |
| Proposed dividend | | 31 005 | 26 522 |
| Other short term liabilities | 4 | 9 041 | 21 779 |
| Total short term liabilities | | 254 454 | 232 701 |
| Total liabilities | | 254 454 | 247 321 |
| TOTAL EQUITY AND LIABILITIES | | 526 876 | 528 310 |

Rælingen, 16 March 2021

**Morthen Johannessen**
Chairman

**Klaus de Vibe**
Director

**Camilla AC Tepfers**
Director

**Peter Wirén**
Director

**Ingeborg Molden Hegstad**
Director

**Jacob Tveraabak**
CEO

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# Cash flow statement

| KNOK | Note | 2020 | 2019 |
|---|---|---|---|
| **Cash flow from operational activities** | | | |
| Ordinary profit before tax | | 28 127 | 111 052 |
| Ordinary depreciation | *5* | 152 | 154 |
| Change in accounts receivables | | -435 | - |
| Change in accounts payable | | 8 009 | -439 |
| Change in short term group accounts | | 19 321 | -105 997 |
| Change in other accrued items | | -43 446 | -6 917 |
| Net cash flow from operational activities | | 11 728 | -2 147 |
| | | | |
| **Cash flow from investment activities** | | | |
| Payments for fixed assets | *5* | -15 | -16 |
| Net cash flow from investment activities | | -15 | -16 |
| | | | |
| **Cash flow from financing activities** | | | |
| Purchase / Sale of treasury shares | *8* | 1 380 | -625 |
| Share Option Program | | 440 | - |
| Change in interestbearing debt | | -7 304 | -20 195 |
| Dividend paid | | -26 568 | -24 355 |
| Change in overdraft | | 20 340 | 47 337 |
| Net cash flow from financing activities | | -11 713 | 2 162 |
| | | | |
| Net change in liquid assets | | - | - |
| Cash and cash equivalents at 01.01 | | - | - |
| Cash and cash equivalents at 31.12 | | - | - |

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# 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 classififying 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 using the straight line method over their economic life.

Shares in other companies are recorded using the cost method. 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 sheme 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 others 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 is 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.

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

| Payroll (KNOK) | 2020 | 2019 |
|---|---|---|
| Salaries | 11 163 | 9 792 |
| Severance packages | - | 969 |
| Social fee | 1 599 | 2 330 |
| Pension costs | 642 | 937 |
| Other benefits | 805 | 1 696 |
| Total | 14 209 | 15 725 |
| Number of full-time equivalents employed during the year: | 4 | 5 |
| Number of employees at the end of the year: | 4 | 5 |

### Salaries and renumeration for Group management and Directors

| KNOK | Directors' fee 2020 | Directors' fee 2019 |
|---|---|---|
| **Board of Directors** | | |
| Morthen Johannessen, Chairman | 561 | 573 |
| Camilla Tepfers, Director | 270 | 270 |
| Klaus de Vibe, Director | 312 | 336 |
| Inger J. Solhaug, former Director | 96 | 282 |
| Ingeborg Hegstad | 201 | - |
| Peter Wirén, Director | 330 | 276 |
| Total Board of Directors [1] | 1 770 | 1 737 |

1) 20% of gross remuneration shall be used for share purchases until the value of the shares corresponds to a minimum of one year's gross remuneration.

| KNOK | 2020 Salary | 2020 Bonus | 2020 Company car | 2020 Other remuneration | 2020 Pension expenses | 2019 Salary | 2019 Bonus | 2019 Company car | 2019 Other remuneration | 2019 Pension expenses |
|---|---|---|---|---|---|---|---|---|---|---|
| **Group CEO and CFO** | | | | | | | | | | |
| Jacob Tveraabak CEO | 2 784 | 938 | 197 | 10 | 158 | 2 701 | 874 | 196 | 28 | 154 |
| Hilde Gilen CFO | 1 943 | 665 | - | 9 | 156 | 1 906 | 542 | - | 39 | 132 |
| Total | 4 727 | 1 604 | 197 | 19 | 314 | 4 608 | 1 416 | 196 | 67 | 287 |

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.

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

There are also additional transactions with close associates, described in note 18 in the consolidated report.

Remuneration to Ernst & Young for audit and audit-related services in 2020 was KNOK 430 (against KNOK 530 in 2019). Remuneration for other services was KNOK 221.7 (against KNOK 325.2 in 2019).

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

| Name, position | Shares per 31.12.20 | Shares per 31.12.19 | Options per 31.12.20 |
|---|---|---|---|
| **Board of Directors** | | | |
| Morthen Johannessen, Chairman [1] | 48 450 | 40 493 | |
| Klaus de Vibe, Director [2] | 87 885 | 83 907 | |
| Camilla Tepfers, Director | 9 225 | 5 247 | |
| Peter Wirén, Director | 22 170 | 12 223 | |
| Ingeborg Molden Hegstad, Director [3] | 10 159 | | |
| **Group management** | | | |
| Jacob Tveraabak, CEO [4] | 194 400 | 56 368 | 300 000 |
| Hilde Gilen, CFO | 41 347 | 18 404 | 150 000 |
| Total | 413 636 | 216 642 | 450 000 |

1) Morthen Johannessen ownes the shares privatly and through the company Motri AS.
2) Klaus de Vibe ownes the shares privatly and through the company De Vibe AS.
3) Ingeborg Molden Hegstad ownes the shares privatly and through the company Imsight AS.
4) Jacob Tveraabak ownes the shares through the company Juce Holding AS.

### Members of the Extended Group Management Team have stock options:

| Total costs and Social Security Provisions | KNOK |
|---|---|
| Total IFRS cost 2020 | 440 |
| Total Social security provisions 2020 | 36 |

**Granted instruments 2020**

| Instrument | Option |
|---|---|
| Quantity 31.12.2020 (instruments) | 1 150 000 |
| Quantity 31.12.2020 (shares) | 1 150 000 |
| Contractual life* | 5.00 |
| Strike price* | 17.31 |
| Share price* | 17.15 |
| Expected lifetime* | 3.25 |
| Volatility* | 38.45% |
| Interest rate* | 0.27% |
| Dividend* | 0.00 |
| FV per instrument* | 4.60 |

* Weighted average parameters at grant of instrument.

| Quantity and weighted average prices | Number of instruments | Weighted Average Strike Price |
|---|---|---|
| **Activity** | **01.01.2020 - 31.12.2020** | |
| Outstanding OB (01.01.2020) | 0 | 0,00 |
| Granted | 1 150 000 | 17.31 |
| Outstanding CB (31.12.2020) | 1 150 000 | 17.31 |
| Vested CB | 0 | 0.00 |

### Outstanding instruments Year End - Option

| Outstanding Instruments Overview | | | | | |
|---|---|---|---|---|---|
| Strike price | Number of instruments | Weighted average remaining contractual life | Weighted average strike price | Vested instruments 31.12.2020 | Weighted average strike price |
| Outstanding Instruments | | | | Vested Instruments | |
| 17.31 | 1 150 000 | 4.84 | 17.31 | 0 | 0.00 |

### Valuation method:

The fair value of share options granted is estimated at the date of grant using the Black-Scholes-Merton Option Pricing Model. The model uses the following parameters; the exercise price, the life of the option, the current price of the underlying shares, the expected volatility of the share price, the dividends expected on the shares, and the risk-free interest rate for the life of the option.

### Vesting requirements:

The vesting of the options is dependent on the participant still being employed at StrongPoint at the time of the vesting.

### Method of settlement:

All StrongPoint ASA options are intended to be settled in equity, but in the event that the Company is not capable of delivering Shares following an exercise of Options, the Company shall fulfil its obligations under this Agreement through a cash-out.

### Vesting period:

The options will vest over three years, with ¼ vesting after one year, ¼ after two years, and the remaining 2/4 after three years. The split in vesting underpins the retention ambition of the program. Any non-exercised options expire five years after grant.

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## Note 3: Operating income

| KNOK | 2020 | 2019 |
|---|---|---|
| Received management fee from Norwegian subsidiaries | 3 000 | 3 000 |
| Received management fee from Swedish subsidiaries | 8 377 | 11 330 |
| Received management fee from other subsidiaries | 3 131 | 2 833 |
| Total operating income | 14 508 | 17 163 |

## Note 4: Other short and long term debt

| KNOK | 2020 | 2019 |
|---|---|---|
| Holiday pay owed | 889 | 1 164 |
| Accrued expenses | 2 897 | 3 763 |
| Other short term debt [1] | 5 254 | 16 851 |
| Total other short term debt | 9 041 | 21 779 |

1) Earn-out CUB Business Systems AB KNOK 4 315 (KNOK 18 884) and Earn-out PYD Seguridad S.L.U. KNOK 939 (KNOK 1 871)

| KNOK | 2020 | 2019 |
|---|---|---|
| Earn-out previous owner Cub Business Systems AB | - | 3 904 |
| Total other long term debt | - | 3 904 |

## Note 5: Tangible assets

| KNOK | 2020 | 2019 |
|---|---|---|
| Acquisition costs 01.01 | 1 910 | 1 895 |
| Acquired | 15 | 16 |
| Acquisition costs 31.12 | 1 926 | 1 910 |
| Accumulated depreciations 01.01 | 1 622 | 1 468 |
| Accumulated depreciations 31.12 | 1 774 | 1 622 |
| Book value as at 31.12 | 152 | 288 |
| Depreciations of the year | 152 | 154 |
| Useful economic life | 3 years | |
| Depreciation method | Linear | |

## Note 6: Other financial items

| KNOK | 2020 | 2019 |
|---|---|---|
| Group contributions received from subsidiaries | 40 757 | 38 809 |
| Dividend received from associated companies | - | 225 |
| Currency gains | 17 572 | 3 039 |
| Dividend from subsidiaries | - | 107 081 |
| Other financial income | 58 329 | 149 154 |
| Currency loss | 10 059 | 308 |
| Loss on investment in subsidiaries | 4 847 | 19 089 |
| Other financial expenses | 178 | 45 |
| Other financial expenses | 15 085 | 19 442 |

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## Note 7: Share capital and shareholder information

The company's share capital per 31.12.2020 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 |

### Overview of shareholders per 31.12.2020

| No. | Name | No. of shares | % |
|---|---|---|---|
| 1 | HOLMEN SPESIALFOND | 4 200 000 | 9.5 |
| 2 | STRØMSTANGEN AS 1) | 3 933 092 | 8.9 |
| 3 | HSBC Bank Plc | 1 976 000 | 4.5 |
| 4 | V. EIENDOM HOLDING AS | 1 835 009 | 4.1 |
| 5 | SOLE ACTIVE AS | 1 819 831 | 4.1 |
| 6 | NORDNET BANK AB | 1 349 220 | 3.0 |
| 7 | ZETTERBERG, GEORG (incl. fully owned companies) | 1 320 437 | 3.0 |
| 8 | AVANZA BANK AB | 1 313 553 | 3.0 |
| 9 | VERDADERO AS | 1 136 633 | 2.6 |
| 10 | VERDIPAPIRFONDET DNB SMB | 1 047 452 | 2.4 |
| 11 | RING, JAN | 909 372 | 2.0 |
| 12 | WAALER, JØRGEN (incl. fully owned companies) | 900 000 | 2.0 |
| 13 | MP PENSJON PK | 777 402 | 1.8 |
| 14 | HAUSTA INVESTOR AS | 700 000 | 1.6 |
| 15 | EVENSEN, TOR COLKA | 650 000 | 1.5 |
| 16 | NORDNET LIVSFORSIKRING AS | 545 869 | 1.2 |
| 17 | JOHANSEN, STEIN | 500 000 | 1.1 |
| 18 | MORGAN STANLEY & CO. INTERNATIONAL | 454 928 | 1.0 |
| 19 | NÆRINGSLIVETS HOVEDORGANISASJON | 445 669 | 1.0 |
| 20 | SKANDINAVISKA ENSKILDA BANKEN AB | 423 537 | 1.0 |
| | Sum 20 largest shareholders | 26 238 004 | 59.1 |
| | Sum 2 024 other shareholders | 18 138 036 | 40.9 |
| | Sum all 2 044 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 | Share Option program | Other equity | Total 2020 |
|---|---|---|---|---|---|
| Equity per 01.01 | 27 513 | -107 | - | 253 583 | 280 989 |
| Change of equity for the year: | | | | | |
| Proposed dividend | | | | -31 005 | -31 005 |
| Change in dividend 2019 paid in 2020 | | | | -46 | -46 |
| Sale of own shares | | 117 | | 2 290 | 2 407 |
| Purchase of own shares | | -62 | | -965 | -1 027 |
| Share Option Program | | | 440 | | 440 |
| Profit for the year | | | | 20 664 | 20 664 |
| Equity per 31.12 | 27 513 | -52 | 440 | 244 519 | 272 422 |

### Own shares:

| Numbers in thousand | 2020 | 2019 |
|---|---|---|
| 01.01 | 172 | 105 |
| Sale of own shares | -189 | -59 |
| Purchase of own shares | 100 | 127 |
| 31.12 | 83 | 172 |
| Nominal value | 0.62 | 0.62 |
| Treasury shares specified in equity (KNOK) | 52 | 107 |

Per 31.12.2020 the company owned 83 166 own shares. Cost price of these was KNOK 854,3, giving an average share price of NOK 10.27.

It was paid KNOK 26 568 in dividend in 2020, which was NOK 0.60 per share.

The Board has proposed a dividend of NOK 0.70 per share in 2021. Total dividends to external shareholders will be KNOK 31 005. The tax effect of dividends does not affect the company's current or deferred tax.

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## Note 9: Interest bearing debt

| Distribution repayment loans (KNOK) | 2020 | 2019 |
|---|---|---|
| Due within one year | 22 667 | 19 256 |
| Debt, not time-restricted (group credit account) | 181 786 | 161 447 |
| Total short term liabilities to credit institutions | 204 453 | 180 703 |
| Due after more than one year | - | 10 715 |

### Debts and terms of borrowing

| Lender (KNOK) | 2020 | 2019 | Borrowing terms | Interest terms |
|---|---|---|---|---|
| Multi-currency, group credit account | 181 786 | 161 447 | Overdraft limit 100 MNOK, not time limited | 2.10% |
| Repayment business loan | 22 667 | 8 333 | Quarterly term loans, last payment 08.03.2021 | 2.69% |
| Repayment business loan (KSEK 6 250) | - | 5 901 | Quarterly term loans | 1.98% |
| Repayment business loan (KSEK 16 667) | - | 15 737 | Quarterly term loans | 1.99% |
| Total interest bearing debt | 204 453 | 191 418 | | |

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. 31.12.20.
The loans are secured.

### Loan security per 31.12.2020

| Asset (KNOK) | Book value / nominal security |
|---|---|
| Co-surety Norway, 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 | 2020 | 2019 |
|---|---|---|
| Debt to Group companies | 667 | 2 489 |
| Receivables against Group companies | 188 318 | 109 167 |

## Note 11: Shares in subsidiaries

| Company | Address | Main area of business | Stake | Book Value |
|---|---|---|---|---|
| StrongPoint AS | Rælingen | Service and product provider | 100% | 45 990 |
| StrongPoint Labels AB | Göteborg (Sweden) | Service and product provider | 100% | 36 264 |
| StrongPoint AB | Malmö (Sweden) | Printing | 100% | 139 224 |
| StrongPoint UAB | Vilnius (Lithuania) | Service and product provider | 100% | 20 348 |
| StrongPoint Retail Solutions Sdn Bhd | Kualalumpur (Malaysia) | Service and product provider | 100% | - |
| StrongPoint S.L.U. | Madrid (Spain) | Service and product provider | 100% | 7 529 |
| StrongPoint Cub AB | Täby (Sweden) | Service and product provider | 100% | 58 864 |
| Total | | | | 308 219 |

## Note 12: Shares in associated companies

| Company | Main area of business | Stake | Book Value |
|---|---|---|---|
| Spok AS | Service company | 50% | 1 700 |
| Total | | | 1 700 |

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STRONGPOINT ASA



## Note 13: Tax expense

| Tax expenses for the year are as follows (KNOK): | 2020 | 2019 |
|---|---|---|
| Change in deferred tax | 7 463 | 5 096 |
| Tax expense | 7 463 | 5 096 |

**Reconciliation from nominal to actual tax rate:**

| KNOK | 2020 | 2019 |
|---|---|---|
| Ordinary profit before tax | 28 127 | 111 052 |
| Expected income tax based on nominal rate of tax 22% | 6 188 | 24 431 |
| Tax effect of the following items: | | |
| Permanent differences | 1 275 | -19 335 |
| Tax expense | 7 463 | 5 096 |
| Effective tax rate | 26.5% | 4.6% |

| Overview of deferred tax assets (KNOK): | 2020 | 2019 |
|---|---|---|
| Fixed assets | -224 | -216 |
| Profit and loss account | 129 | 161 |
| Losses carried forward | - | -33 964 |
| Net negative differences | -95 | -34 018 |
| Deferred tax assets | 21 | 7 484 |

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 | 2020 | 2019 |
|---|---|---|
| Cash and bank deposit | - | - |
| Unused overdraft facility | 100 000 | 34 715 |
| 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 may withdraw up to KNOK 100 000 from the group's overdraft facility.

## Note 15: COVID-19

### Operational

COVID-19 influenced StrongPoint operations in various ways during 2020. The nordic countries managed mostly to keep up the business volume on a normal level, while the Baltic countries - especially Lithuania - had temporary lay offs during Q2 2020. The most influenced area were Spain, which both had temporary lay-offs and highly negative effect on revenue and profit compared to earlier years. Despite all this, StrongPoint did not receive any specific governmental assistance. The effect of "general" assistance measures, like reduced employer's tax, amounted to 3 MNOK for the year 2020.

### Financial

StrongPoint strengthened the financial position by increased credit facilities and bank loan in Q2 2020 to ensure sufficient liquidity during the most uncertain period. During the period, the operational cash flow improved, and the divestment of Cash Security and the compensation for the relocation of the labels production facilities in Norway improved the financial position strongly during Q4 and the Group had a strong financial position at year end with a net leverage of 0.22 compared to 12 months EBITDA.

### Strategic

StrongPoint experienced both positive and negative effects from the COVID-19. The pandemic increased the interest and demand for e-commerce and checkout solutions. The expectation is that the increased focus on especially e-commerce will positively influence the future outlook for the group. On the negative side, the social distancing measures in south of Europe, especially in Spain, postponed the communicated ambitions on sale of cash management systems in this area. On February 11, 2021, StrongPoint reiterated the ambitions of growth and improved profitability on the same level as communicated in February 2020.

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## Responsibility statement

We confirm that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2020 have been prepared in accordance with IFRS as adopted by the EU, that the financial statements for the parent company for the year ended 31 December 2020 have been prepared in accordance with the Norwegian Accounting Act, that they give a true and fair view of the Company's and Group's assets, liabilities, financial position and results of operations, and that the Report of the Board of Directors gives a true and fair review of the development, performance and financial position of the Company and the Group and includes a description of the principle risks and uncertainties that they face.

Rælingen, 16 March 2021

| | | | | | |
|---|---|---|---|---|---|
| **Morthen Johannessen** | **Klaus de Vibe** | **Camilla AC Tepfers** | **Peter Wirén** | **Ingeborg Molden Hegstad** | **Jacob Tveraabak** |
| Chairman | Director | Director | Director | Director | CEO |

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## FINANCIAL STATEMENTS STRONGPOINT ASA



# Auditor's report

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Statsautoriserte revisorer
Ernst & Young AS

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**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 2020, the income statement and statements 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 2020, statements of comprehensive income, 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 2020, 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 2020 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 2020. 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 193,6 in 2020, where goodwill and brands represents MNOK 176,4. Shares in subsidiaries in the financial statement of the parent company amounts to MNOK 308,2 which is 59% of total assets.

Management performs an annual impairment test of goodwill and brands with indefinite useful life. Impairment loss is recognized if the carrying value exceeds the recoverable amount. Recoverable amount is measured as value in use calculated based on discounted future cash flows. The estimates require considerable insight and judgement from management and uncertainty will exist with respect to technological development and market conditions. The impairment of goodwill, brands and shares in subsidiaries was a key audit matter.

We evaluated the impairment model used and checked the calculation for mathematically accuracy. We assessed management's assumptions used in the calculations, including discount rate and predicted cash flows used in the model. Management's assumptions regarding future cash flows was compared to historical actual numbers. The weighted average cost of capital used as discount rate in the impairment assessment was compared to external data on beta and capital structure in comparable entities. Sensitivity in changes in main assumptions are analyzed and reviewed.

We refer to note 11 and note 25 in the consolidated financial statement and note 11 in the separate financial statement.

**Divestment of Cash Security business presented as Discontinued Operations**

In December 2020 Strongpoint ASA divested the Cash Security business to Cennox NV. The Cash Security business was reported as Discontinued Operations in the financial statements. The transaction price includes a performance based earn-out agreement for the years 2021-2023.

The calculated gain on the sale is significant for the financial statement, the assessment of the discontinued operations, and further the transaction price and its accounting are non-routine and involves management judgements. The judgements include, amongst others, the identification of the divested business, measurement of the consideration received and the presentation of its results as discontinued operations. We considered the accounting and presentation of the divestment a key audit matter.

We assessed the calculation of the gain, including the estimated earn-out payment. Vi obtained and reviewed the sales contract, including the conditions related to the earn-out. We evaluated the classification of the Cash Security business as discontinued operations and the adequacy of the disclosure in the financial statements. In addition, we evaluated the presentation of the results of the Cash Security business as discontinued operations, the allocated income and expenses including assumptions and estimates made with regards to the allocation of central cost allocations.

We refer to note 4 in the consolidated financial statement.

#### 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, 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.

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FINANCIAL STATEMENTS
STRONGPOINT ASA



# Auditor's report



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### 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 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.







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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 statements 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.

#### 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, 16 March 2021
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*The auditor's report is signed electronically*

Finn Espen Sellæg
State Authorised Public Accountant (Norway)

StrongPoint

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