



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	935 487 242
Organisasjonsform:	Allmennaksjeselskap
Foretaksnavn:	Q-FREE ASA
Forretningsadresse:	Strindfjordvegen 1 7053 RANHEIM

Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020
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Konsern

Mørselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	IFRS
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Trond Valvik
Dato for fastsettelse av årsregnskapet:	28.04.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 07.08.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Kostnader			
Lønnskostnader	7	7 804 000	11 065 000
Andre driftskostnader	8	9 274 000	17 107 000
Sum kostnader		17 078 000	28 172 000
Driftsresultat		-17 078 000	-28 172 000
Finansinntekter og finanskostnader			
Dividende	6	23 564 000	57 317 000
Renteinntekt fra foretak i samme konsern	6	9 489 000	12 344 000
Annen renteinntekt	6	13 000	122 000
Realisert Agio	6	1 756 000	18 981 000
Urealisert Agio	6	3 589 000	2 710 000
Sum finansinntekter		38 411 000	91 474 000
Nedskrivning av Aksjer i datterselskap	6		59 341 000
Nedskrivning av fordringer datterselskap	6	15 000 000	
Rentekostnad til foretak i samme konsern	6	975 000	1 320 000
Annen rentekostnad	6	14 765 000	11 889 000
Realisert Disagio	6	2 071 000	20 957 000
Urealisert Disagio	6	25 547 000	1 516 000
Annen finanskost	6	6 114 000	12 577 000
Sum finanskostnader		64 472 000	107 600 000
Netto finans		-26 061 000	-16 126 000
Ordinært resultat før skattekostnad		-43 139 000	-44 298 000
Ordinært resultat etter skattekostnad		-43 139 000	-44 298 000
Årsresultat		-43 139 000	-44 298 000



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investering i datterselskap	4	509 765 000	509 765 000
Andre fordringer datterselskap	3	237 313 000	213 460 000
Sum finansielle anleggsmidler		747 078 000	723 225 000
Sum anleggsmidler		747 078 000	723 225 000
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer	10	1 756 000	1 318 000
Andre fordringer	10	308 000	0
Konsernfordringer	10	18 373 000	11 270 000
Sum fordringer		20 437 000	12 588 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd og lignende	11	15 000	793 000
Sum bankinnskudd, kontanter og lignende		15 000	793 000
Sum omløpsmidler		20 452 000	13 381 000
SUM EIENDELER		767 530 000	736 606 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Aksjekapital		33 905 000	33 905 000
Overkurs		578 307 000	578 307 000
Annen innskutt egenkapital		31 950 000	21 224 000



Balanse

Beløp i: NOK	Note	2020	2019
Sum innskutt egenkapital		644 162 000	633 436 000
Opptjent egenkapital			
Udekket tap		269 714 000	226 576 000
Sum opptjent egenkapital		-269 714 000	-226 576 000
Sum egenkapital		374 448 000	406 860 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Konvertible lån		69 983 000	
Gjeld til kredittinstitusjoner	2	179 200 000	160 000 000
Lån fra datterselskap	3	48 700 000	16 939 000
Sum annen langsiktig gjeld		297 883 000	176 939 000
Sum langsiktig gjeld		297 883 000	176 939 000
Kortsiktig gjeld			
Bank lån	2	54 300 000	72 022 000
Kortsiktig konserngjeld	3	35 169 000	74 209 000
Annen kortsiktig gjeld	12	5 730 000	6 576 000
Sum kortsiktig gjeld		95 199 000	152 807 000
Sum gjeld		393 082 000	329 746 000
SUM EGENKAPITAL OG GJELD		767 530 000	736 606 000



Konsernets resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salsinntekt	10	889 305 000	962 317 000
Sum inntekter		889 305 000	962 317 000
Kostnader			
Varekostnad	16	236 609 000	304 556 000
Lønnskostnader	11,12, 13	331 338 000	328 788 000
Avskrivninger Driftsmidler	24	30 315 000	29 128 000
Avskrivninger Immaterielle eiendeler	15	33 724 000	39 564 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	15,24	20 538 000	58 332 000
Prosjektkostnader	11	107 551 000	118 372 000
Annen kostnader	23	138 030 000	137 958 000
Sum kostnader		898 105 000	1 016 698 000
Driftsresultat		-8 800 000	-54 381 000
Finansinntekter og finanskostnader			
Annen renteinntekt	8	1 217 000	134 000
Realisert Agio	8	17 579 000	9 462 000
Urealisert Agio	8	19 964 000	8 723 000
Andre finansinntekter	8		17 596 000
Sum finansinntekter		38 760 000	35 915 000
Annen rentekostnad	8	19 609 000	13 157 000
Realisert Disagio	8	18 017 000	10 186 000
Urealisert Disagio	8	21 366 000	3 786 000
Annen finanskostnad	8	3 414 000	4 455 000
Sum finanskostnader		62 406 000	31 584 000
Netto finans		-23 646 000	4 331 000
Ordinært resultat før skattekostnad		-32 446 000	-50 050 000
Skattekostnad	22	8 549 000	-69 000
Ordinært resultat etter skattekostnad		-40 995 000	-49 981 000



Konsernets resultatregnskap

Beløp i: NOK	Note	2020	2019
Årsresultat		-40 995 000	-49 981 000



Konsernets balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Imaterielle eiendeler	15	65 286 000	114 245 000
Utsatt skattefordel	4,22	18 823 000	15 564 000
Goodwill	4,14	266 576 000	285 270 000
Sum immaterielle eiendeler		350 685 000	415 079 000
Varige driftsmidler			
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	24	63 311 000	78 785 000
Annen fordring			382 000
Sum varige driftsmidler		63 311 000	79 167 000
Sum anleggsmidler		413 996 000	494 246 000
Omløpsmidler			
Varer			
Varer	16	38 450 000	76 143 000
Sum varer		38 450 000	76 143 000
Fordringer			
Kundefordringer	17	109 945 000	140 265 000
Andre fordringer	18	28 031 000	37 506 000
Kontrakt fordringer	4,10,1 7	93 560 000	103 957 000
Selskap som holdes for salg	31	91 003 000	0
Sum fordringer		322 539 000	281 728 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd og lignende	19	74 961 000	31 051 000
Sum bankinnskudd, kontanter og lignende		74 961 000	31 051 000
Sum omløpsmidler		435 950 000	388 922 000
SUM EIENDELER		849 946 000	883 168 000



Konsernets balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Aksjekapital		33 905 000	33 905 000
Overkurs		578 307 000	578 307 000
Annen innskutt egenkapital		31 951 000	21 223 000
Sum innskutt egenkapital		644 163 000	633 435 000
Opptjent egenkapital			
Udekket tap		331 048 000	275 933 000
Sum opptjent egenkapital		-331 048 000	-275 933 000
Sum egenkapital		313 115 000	357 502 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Konvertible lån	7	69 983 000	0
Gjeld til kredittinstitusjoner	5,7	179 200 000	160 000 000
Øvrig langsiktig gjeld	29	20 271 000	37 197 000
Sum annen langsiktig gjeld		269 454 000	197 197 000
Sum langsiktig gjeld		269 454 000	197 197 000
Kortsiktig gjeld			
Bank lån	5,7	54 300 000	72 022 000
Leverandørgjeld	20	58 220 000	117 609 000
Betalbar skatt	22	3 555 000	3 531 000
Offentlige avgifter		14 118 000	20 167 000
Annen Finansiell gjeld	29	20 110 000	54 414 000
Annen kortsiktig gjeld	21	78 866 000	56 473 000
Kortsiktig gjeld Holdt for salg	31	27 157 000	
Forskudd fra kunder	10	11 050 000	4 253 000
Sum kortsiktig gjeld		267 376 000	328 469 000
Sum gjeld		536 830 000	525 666 000



Konsernets balanse

Beløp i: NOK	Note	2020	2019
SUM EGENKAPITAL OG GJELD		849 945 000	883 168 000



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List of Signatures Page 1/1

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Kjesbu, Snorre	BANKID_MOBILE	2021-04-28 15:17 GMT+02
Valvik, Trond	BANKID_MOBILE	2021-04-28 15:11 GMT+02
Vollidal, Håkon Rypern	BANKID_MOBILE	2021-04-28 14:46 GMT+02
Halmø, Yngve	BANKID_MOBILE	2021-04-28 14:46 GMT+02
Strømsnes, Trine Helen	BANKID_MOBILE	2021-04-28 16:22 GMT+02
Blekken, Brage	BANKID	2021-04-28 16:23 GMT+02
Bjørlo, Geir Beitveit	BANKID	2021-04-28 16:09 GMT+02

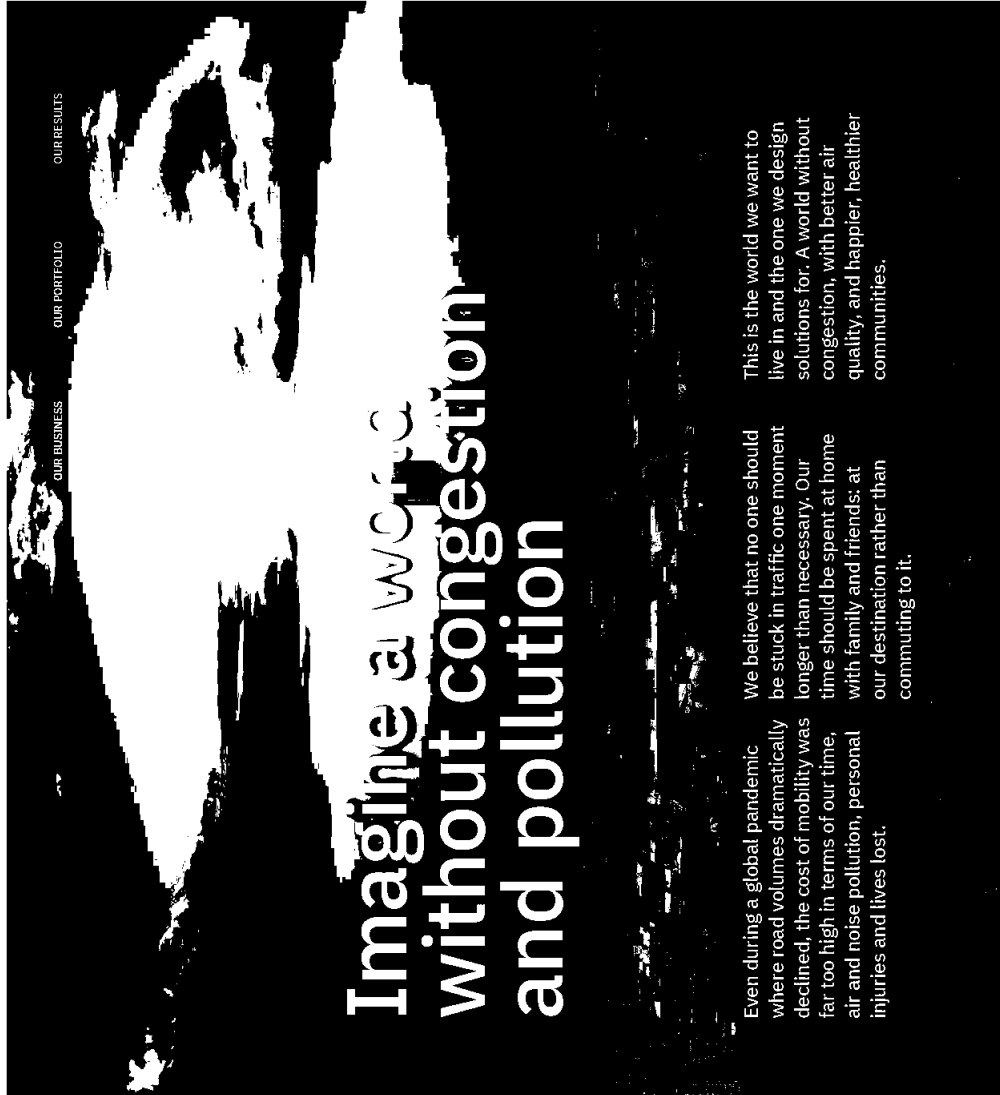


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0-FREE ANNUAL REPORT 2020

Content

Key figures	4	OUR RESULTS	
Our passion & purpose	6 / 7	Board of directors report	60 / 65
Q-Free at a glance	8 / 9	Board of directors	66 / 67
Letter from the CEO	10 / 11	Annual accounts 2020	68 / 156
Our leadership team	13	Statement from the directors and the CEO	157
OUR BUSINESS		Auditor's report	158 / 161
Sustainable, fair, and inclusive mobility	16 / 19	Articles of association	162 / 163
Our business areas	20 / 21	Corporate governance	164 / 178
Our strategy	22 / 23	Corporate social responsibility review	179 / 184
Our financial goals	24 / 25	UN Global Compact	185
Our ESG approach	26 / 27	ESG index	188
Creating sustainable value	28 / 29	Our offices	189
Sustainability throughout our value chain	30 / 31		
For the greater good	32 / 37		
OUR PORTFOLIO			
Our portfolio	40 / 41		
Our history	42 / 43		
Explore 2020: Cases from around our world	44 / 55		
Our open approach to data	56 / 57		



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Key figures 2020

Q-FREE ANNUAL REPORT 2020

	2016	2017	2018	2019	2020
Profit & Loss Account (MNOK)					
Operating revenue	877 465	973 475	888 657	960 317	886 305
Cost of goods sold	281 489	278 493	277 191	304 556	236 609
Project contract expenses	120 766	103 934	92 260	118 372	107 551
Other operating expenses	479 256	508 457	488 105	466 746	468 368
EBITDA	-4 346	82 591	71 091	79 643	75 777
EBIT	-59 107	4 227	-54 381	-54 381	-8 800
PROFIT BEFORE TAX	-55 821	-9 526	-1 119	-50 050	-32 446
PROFIT / (LOSS) FOR THE YEAR	-53 419	-11 263	-8 078	-49 981	-40 995
GM%	54.1%	66.7%	64.1%	56.1%	61.3%
EBITDA%	-0.5%	8.5%	8.0%	7.5%	8.5%
EBIT%	-6.7%	0.4%	2.7%	-5.7%	-1.0%
Selected balance sheet items (MNOK)					
Intangible fixed assets	512 451	470 976	477 213	415 079	350 686
Tangible fixed assets	33 861	22 367	25 520	78 785	63 311
Cash	101 474	119 633	89 700	31 051	74 961
Total assets	990 419	1 070 372	940 146	889 168	849 946
Equity	-428 800	414 231	-402 397	357 502	313 115
Gross interest-bearing debt	229 457	328 691	215 521	238 022	233 500
Key figures per share (NOK)					
Earnings per share, ordinary	-1.11	-0.23	-0.09	-0.56	-0.46
Earnings per share, diluted	-1.11	-0.23	-0.09	-0.56	-0.46
Cashflow	-0.96	-0.57	1.77	0.28	0.75
Book equity	5.67	4.64	4.51	4.01	3.51
Market cap as at 31.12 (MNOK)	703	716	687	607	500
Average no. of shares	75 251	89 223	89 223	89 223	89 223
Other key figures					
Other backlog	1 404 548	1 048 477	1 128 178	1 086 426	1 082 599
Order intake	1 127 543	615 510	972 080	950 105	948 823
Return on Invested Capital (ROIC)	0.86	0.91	0.05	1.09	1.05
Net interest-bearing debt (NIBD)	127 983	215 658	125 821	200 971	159 539
Cash flow from operations	-72 884	-50 714	158 283	24 662	66 597
Operational investment	31 941	30 113	43 980	34 485	24 011
Equity ratio	-43%	39%	-43%	-40%	37%
Gearing	23.2%	36.7%	22.9%	26.3%	27.5%
Number of employees	416	415	385	396	378
Price / book value	1.65	1.73	1.71	1.70	1.60

4



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Q-FREE ANNUAL REPORT 2020

OUR BUSINESS OUR PORTFOLIO OUR RESULTS

FROM UNSAFE TO SAFE

Our passion & purpose

We go to work every day hoping to do two things: improve mobility and make the world a little better.

Our vision

Changing the movements of life is our vision and represents the core of what we aim to do: making the movements of people, goods, and data what it should be; free-flowing, safe, and clean.

Our mission

Creating intelligent solutions for efficient, safe, and environmentally-friendly transportation based on innovative technology and open platforms. Our holistic tolling and traffic management portfolio is best defined in the following solutions groups:



Q-FLOW

Optimize the movement of people, goods, and data



Q-CLEAN

Stimulate sustainable transportation



Q-SAFE

Make roads and travel safe

Our values

We base our daily conduct on a set of values to help us become better today than yesterday, and even better tomorrow.

Excellence
We strive for excellence and therefore try to set new standards in everything we do.

Passion
Dedication and responsibility fuel our passion for solving the future of mobility for citizens on the move.

Innovation
Our curiosity combined with technology puts innovation at the center of our product development.

Collaboration
By sharing knowledge and establishing new partnerships, we can customize our solutions through collaboration.

6



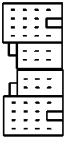









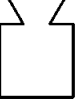




7



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OUR COMPANY	OUR PEOPLE	OUR SCALE	OUR ACCOMPLISHMENTS	OUR PLEDGES
 FOUNDED IN 1984  HEADQUARTERED IN TRONDHEIM  OFFICES IN 14 COUNTRIES	 ~360 EMPLOYEES  35 NATIONALITIES  18% FEMALES 82% MALES	 ~1 BILLION NOK IN REVENUE  LISTED ON OSLO STOCK EXCHANGE SINCE 2002  REFERENCES FROM 50+ MARKETS	 ~2.000 TOLL LANES IN OPERATION  TRAFFIC MANAGEMENT FOR FOR >500 000 LANE MILES OF HIGHWAYS  ~35 000 INTERSECTION CONTROLLERS  >50 000 ACTIVE INTRADA ALP LICENSES	 SUSTAINABLE DEVELOPMENT GOALS  THE COMPACT WE SUPPORT  kiwa ISO 9001 ISO 14001 ISO 27001 ACCREDITATION METAS DK  MORNINGSTAR

NOTE: All figures per end of March 2021

9



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Stronger than ever

Like many companies around the world, Q-Free felt the social and financial impacts of COVID-19: Traffic volumes declined, customers postponed deliveries, and we were forced to work from home.

Nevertheless, thanks to a clear plan and dedicated employees, we actually emerged from the crisis stronger than ever before.

A more competitive offering: Several software platforms and hardware products were upgraded and improved during 2020, and several new development efforts were initiated. The 949 MNOK in order intake in 2020 plus several sizable contract wins in the first months of 2021, are a testament to Q-Free's improved competitiveness in the market.

A more robust business model: Almost 40 percent of total 2020 revenues were recurring. In addition, Q-Free managed to grow revenues in its target markets and increase the share of high-margin software revenues in 2020. Combined with several cost reduction measures, this resulted in improved profitability compared to 2019.

A healthier capital structure: Good cash management and improved

profitability yielded 6.7 MNOK in positive cash flow from operations in 2020. The company more than doubled its available liquidity reserves year over year to 175 MNOK. Q-Free now has sufficient funding to manage its debt and finance its ambitious growth plans.

A strategy for sustainable mobility: Our mission and vision reflect our desire to help sustain urban growth and quality of life. Our solutions have been specifically developed to address key mobility challenges and make it convenient, safe, and environmentally friendly to move from point A to B.

With a strong order backlog, good order intake momentum, a solid gross margin structure, and reduced operational expenses, we expect 2021 to deliver both top- and bottom-line growth. Q-Free has also established a set of longer-term goals for 2025:

• 1.3-1.5 billion NOK in revenues: Attractive industry trends, increasing recurring revenues, and a very

competitive offering could yield annual revenue growth in excess of 10 percent.

• 15-20% EBITDA margin: the expected increase in high-margin software revenues combined with improved scalability of Q-Free's solutions will enable margin expansion.

• Technology Leadership – the Prime Mover: Q-Free aims to be the Prime Mover in Intelligent Transportation Solutions. We have put in place solid technology road maps to ensure we maintain and extend our technology lead in both Tolling and Traffic

“With a strong order backlog, good order intake momentum, a solid gross margin structure, and reduced operational expenses, we expect 2021 to deliver both top- and bottom-line growth.”

Management. Moreover, we continue to push open standards. It's the only path to unrestricted innovation and ultimately true smart cities. And the management of this traffic data should be secure, smart, open, and accessible.

Given the dramatic consequences of the COVID-19 outbreak, 2020 was also a year where customers, employees, partners, and investors started to put

more emphasis on sustainability.

Q-Free has already taken a number of steps to ensure that our business is sustainable, and in 2020, we were recognized by Morningstar as one of the publicly listed companies in Norway with the lowest ESG (environment, social, governance) risk.

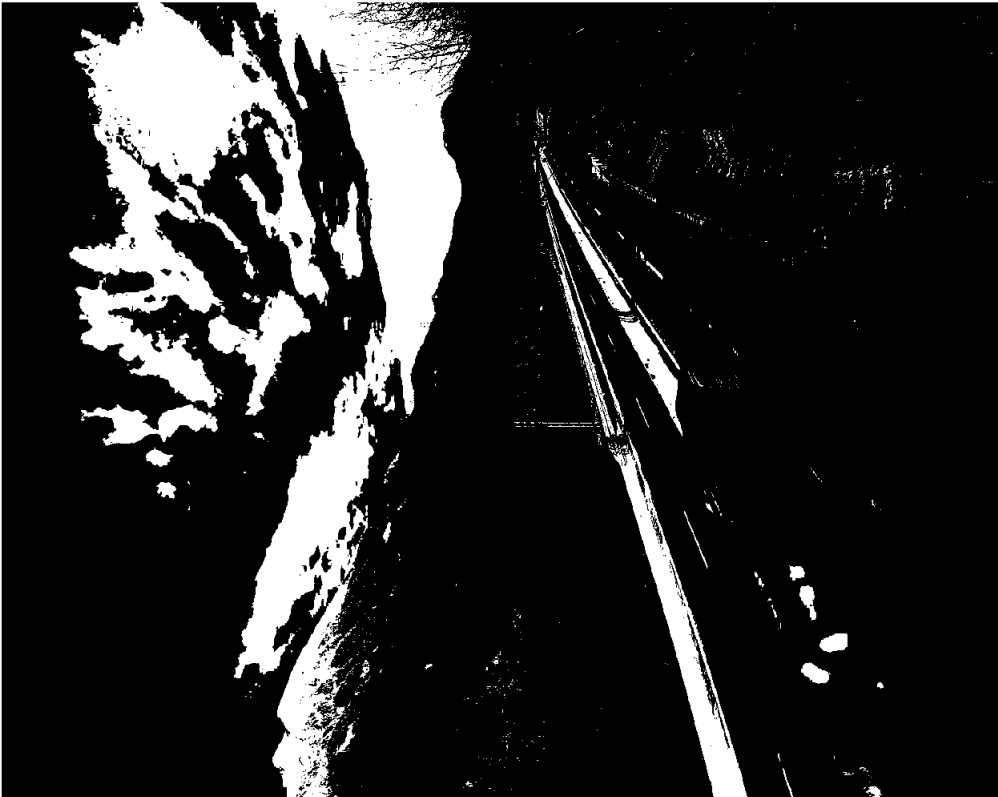
As we continue to move forward and create profitable growth, we aim to have an even bigger positive impact on the world. To us, sustainability and future success go hand in hand – what is good for Q-Free is also good for society!

HÅKON VOLUND
PRESIDENT & CEO, Q-FREE ASA



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OUR BUSINESS

OUR PORTFOLIO

OUR RESULTS

Our leadership team



Håkon Voldal
(1979)
Partner & CEO
Served since 2016
Norwegian citizen

Prior to joining Q-Free, Voldal spent more than 12 years with Tomra Systems ASA where he held several senior positions. Voldal has also worked as a management consultant for McKinsey & Company and holds a Master of Science degree in Industrial Economics and Technology from the Norwegian University of Science and Technology (NTNU) in Trondheim, Norway.

Voldal owns indirectly through Bright Future AS 225,000 shares and holds 869,970 share options in Q-Free ASA*.



Jan-Erik Sandberg
(1978)
CTO
Served since 2018
Norwegian citizen

Sandberg has over 20 years of experience with building and managing large scale international software solutions across several industries. Before joining Q-Free, he worked as Chief Operating Officer at Vienna Hotel Software. As part of several global technical communities, he has presented at international conferences and processes and technology. He has previously also held positions at companies such as DMV, GL, BEKK, and Ementor.

Sandberg holds 402,438 share options in Q-Free ASA*.



Trond Christensen
(1971)
CFO
Served since 2019
Norwegian citizen

Christensen has several years' experience as a state authorized public accountant and more than 10 years of experience as CFO/CEO. He has worked for companies such as Jotun, Komplet, Brubakken, and Leonhard Nilsen & Samner. Christensen is a Sivilingeniør (four-year degree) and holds a Master degree in Accounting.

Christensen has no shares in Q-Free ASA*.



Fredrik Nordh
(1974)
EVP Tolling
Served since 2017
Swedish citizen

Nordh has held several leading positions within Tomra Group and has worked for several other companies. SVP Head of Nordic Collection Solutions. Nordh has also been Nordic Business Controller at LG Electronics and held several finance, IT, and logistics positions at S.C. Johnson. Nordh holds a Master of Science degree in Business and Economics.

Nordh owns 40,000 shares and holds 527,256 share options in Q-Free ASA*.

* Shares as of 29 April 2022



Morten Andersson
(1957)
EVP Traffic Management
Served since 2012
Norwegian citizen

Andersson has been with Q-Free since March 2022. Andersson has held several leading positions in traffic management solutions at Tomra, Peak and SWARCO and has more than 30 years of industry experience. Andersson is based in the United States.

Andersson holds 270,249 share options in Q-Free ASA*.



Idunn Hals Bjelland-de Garcia
(1983)
SVP Brand, Communication & Marketing
Served since 2017
Norwegian citizen

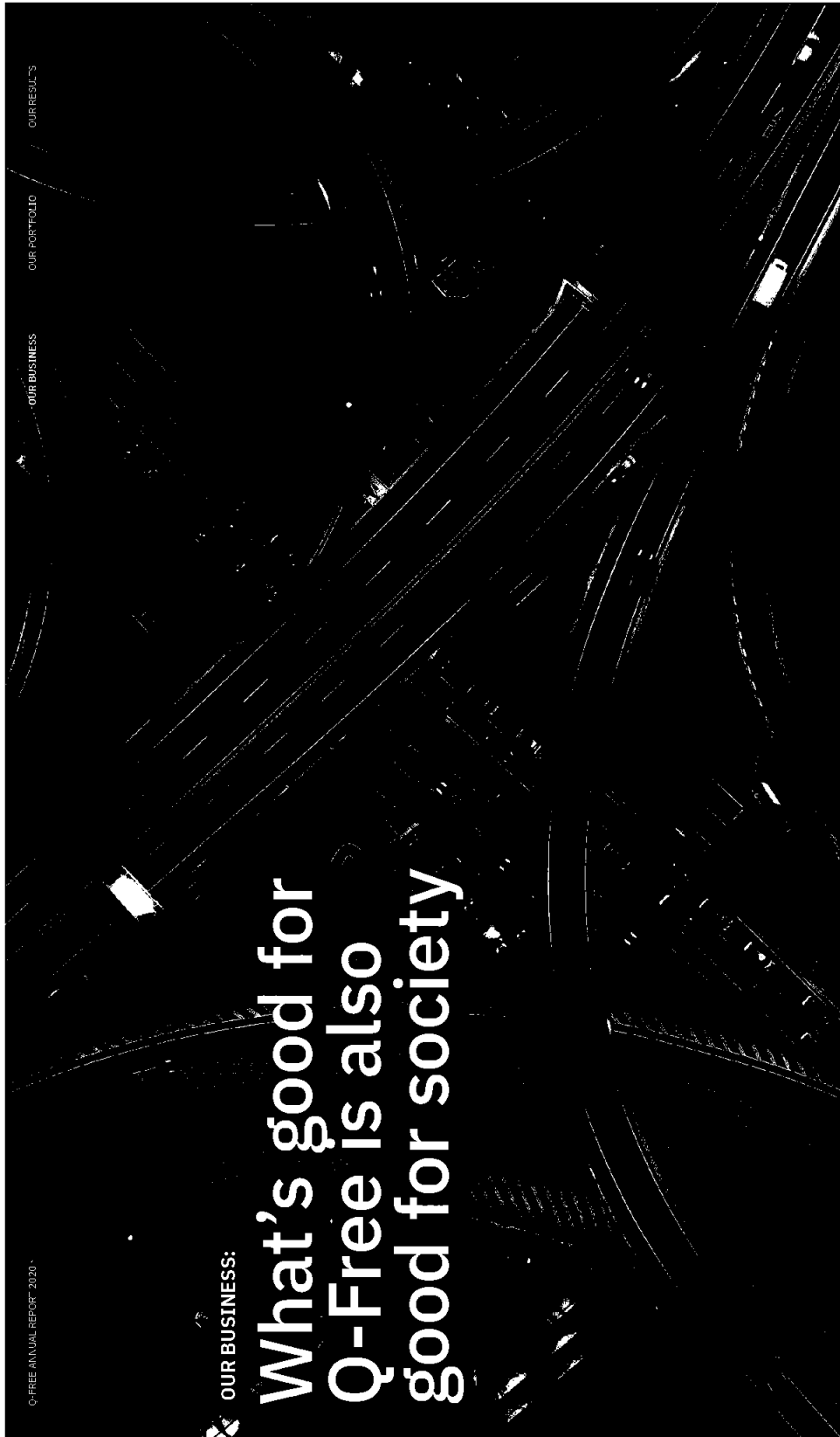
Before joining Q-Free, Bjelland held the position as Marketing Manager in the US and worked as Marketing Director at M&A and Marketing Director in Tomra Systems ASA. Bjelland has extensive experience with brand- and market-oriented process management. Bjelland holds a Master's degree in Corporate Social Responsibility and a Bachelor's degree in Innovation and Entrepreneurship.

Bjelland has no shares in Q-Free ASA*.



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Sustainable, fair, and inclusive mobility

Climate change, road fatalities, and congestion are worldwide hassles, and the associated costs are high: the annual cost of congestion in New York alone is \$34bn; 72 percent of global transport emissions come from road vehicles; and London citizens clocked a remarkable 227 hours stuck in traffic in 2018. Globally, 1.35 million people lose their lives in traffic accidents each year, and countless more are seriously injured.

34bn USD

Annual cost of congestion in New York, US*

72%

Global transport emissions from road vehicles**

1.35mm

Lives claimed by traffic accidents each year***

With one eye on the road ahead, we are already piloting projects to curb urban congestion, charge drivers based on use, communicate with autonomous vehicles, and help operators analyze and promote the value of pedestrian and bicycle infrastructure.

In short, we need to make traffic what it was meant to be: free-flowing, clear, and safe.

We see incredible opportunities for structural and technological change and are confident in our ability to create solutions that positively impact our team members, our communities, our investors, and our legacy.

Explore how we envision to create shared value by driving long-term sustainable progress and superior economic results in the years to come.

Sources: *INRIX**World Resources Institute ***World Health Organization

16



17



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2020 > 2035 CREATING SHARED VALUE BY DRIVING LONG-TERM SUSTAINABLE PROGRESS AND SUPERIOR ECONOMIC RESULTS

FOR TODAY



Cleaner, safer mobility

The global vehicle fleet will gradually become less carbon-intensive and more driven by new technology and regulations.
• New engines will be more energy efficient and offer better mileage
• Advancements in battery technology, green energy, and financial incentives will continue to drive electrification
• Increased investments in bicycle and pedestrian infrastructure will drive the shift to lower-carbon transportation systems
At the same time, new technology creates funding gaps for traffic authorities/operators, such as reduced income from gas taxes. In addition, the increased investment in active transportation infrastructure presents us with new safety challenges related to driver distractions and vulnerable road users.

Our contribution

Q-Free can help address funding gaps and simultaneously stimulate the shift to a less carbon-intensive vehicle fleet through Electronic Tolling, Congestion Charging, and Low Emission Zones.
Our traffic management solutions offer road authorities and operators unprecedented opportunities to optimize traffic flow, mitigate accidents, better coordinate responses to planned and unplanned events, and promote work zone safety.
We also offer a range of solutions to address specific safety concerns such as rest-times for professional drivers, enforcement of speed, red light, and mobile phone usage while driving, and bicycle priority/safety systems.

FOR TOMORROW



Equitable, flexible mobility

New car ownership models and regulations will allow more people a real choice between transportation modes and distribute costs more evenly among its users.
• Car-sharing and ride-sharing models will enable more people to go by car without having to invest in car ownership
• A distance-based fee will replace today's plethora of fees and taxes and reflect usage rather than owners' hip
• People will increasingly be able to seamlessly transition between public, private, on-demand, and scheduled travel modes
New emerging mobility models and services will depend on data sharing and open architecture. Working in silos with proprietary technologies will delay the implementation of smart solutions.

Our contribution

We have been, are, and will continue to be a driving force for open standards. In tolling, we helped introduce the CEN DSRC and C3 standards, and in traffic management, we launched the PREETHERIS campaign to ensure freedom of choice for our customers.
Q-Free is developing and piloting future road user charging technology, which will replace traditional tolling technology over time and also pave the way for new recurring business models.
Our DSRC and ALPR technology will also be applied in new commercial contexts and expand Q-Free's customer base to include insurance companies, gas stations, energy companies, car repair shops, automotive OEMs, and more.

FOR THE FUTURE



Truly sustainable mobility

A data-enabled and driver-less ecosystem will lead to radical improvements in accidents and travel times.
• The new connected and electrified robo taxis will dramatically change the car-riding experience and increase safety
• Congestion will be minimized as the number of cars on the road decreases and driver behavior optimizes
• Continuous learning and adaptation is made possible through data analysis and sharing
For this system to work, traffic rules and regulations must be available in a secure digital format, which is trusted and understood by all types of vehicles.

Our contribution

With the introduction of autonomous vehicles, the power of our dynamic traffic management platforms can finally be unleashed as data will be shared with the vehicles themselves, and we will be able to influence driver behavior. We have already enabled direct distribution of traffic signals to connected vehicles.
Our Cooperative ITS solutions provide a platform for reliable and secure communication between roadside devices, sensors, and vehicles, such as private cars, emergency transportation, freight trucks, etc. This enables a wide range of real-time data driven applications that contribute to achieving transport policy objectives, while safeguarding data and privacy.

Sustainable mobility scenarios 2020>2035

Q-Free Portfolio development 2020>2035



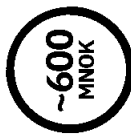
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Our business areas

We create intelligent solutions to enable efficient, safe, and environmentally-friendly transportation using innovative technology and open platforms in two primary areas: Tolling and Traffic Management.



Tolling

Complete offering covering DSRC products, imaging & ALPR solutions, back office software, remote & field service, and turnkey tolling systems.

References from >30 markets.

~225 employees across 14 locations.

NOTE: All figures per end of March 2021.

20

Traffic management

Offering covers freeway management software, traffic controllers and cabinets, local and centralized traffic controller software, and weigh-in-motion and traffic counting/classification systems.

References from >20 markets.

~135 employees across 5 locations.



21



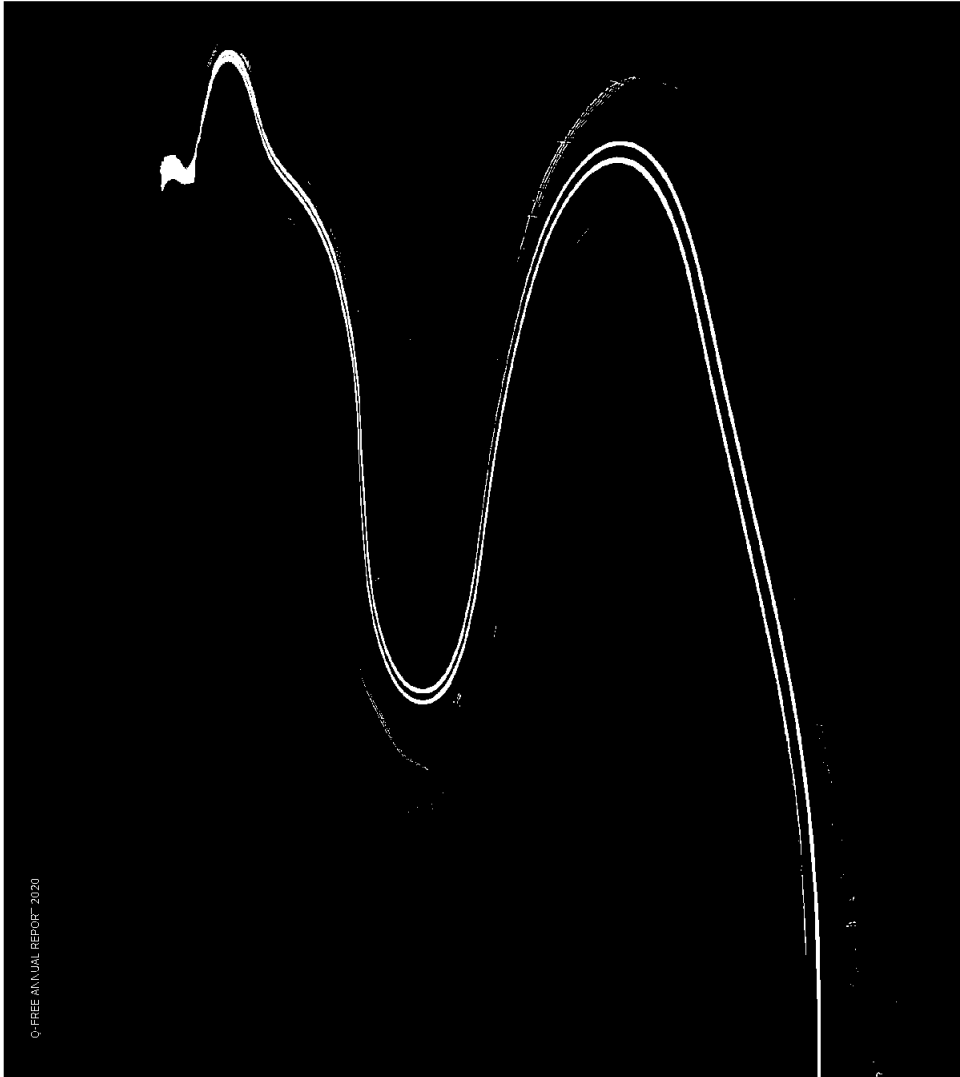
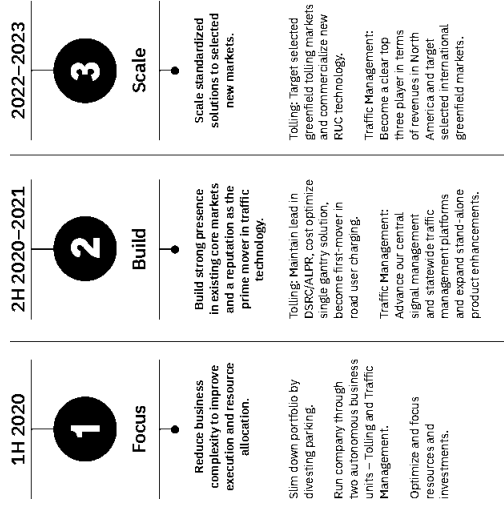
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Our strategy

Q-Free has a large addressable market driven by several strong mega trends and leading technology offerings. Still, capital and resources must be channeled towards segments where Q-Free has distinct competitive advantages and can achieve the highest possible returns. Therefore, we have crafted the three-step plan below and have progressed forward.



Q-FREE ANNUAL REPORT 2020



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Our high level financial goals

Q-Free has established a set of goals and ambitions for 2025 to illustrate the results our strategy is expected to generate.

2021 goals

- >10% organic revenue growth (@ 2020 FX rates)
- Book-to-bill > 1.1
- >10% EBITDA margin

Enablers

- Solid backlog and increasing recurring revenues
- Several recent contract wins, attractive opportunity pipeline, and competitive offering
- Solid gross margin structure and reduced OPEX base

2025 goals

- 1.3-1.5 bn NOK in revenues + potential M&A growth
- 15-20% EBITDA margin & 10-15% EBIT margin
- Technology leadership – The Prime Mover

Enablers

- Attractive mega trends, increasing recurring revenues, and bolt-on acquisitions
- Increasing high-margin software revenues and high scalability of solutions
- Continuous innovation and clear technology road maps



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Materiality aspects
The materiality assessment included desktop research as well as dialogues with internal and external stakeholders. The analysis revealed both opportunities and challenges, and many topics were highlighted. In total, 14 areas of interest were identified, of which the following were considered to be most important for our key stakeholders and for Q-Free's own business success:

- Economic performance and value creation
• Green business
• Human capital development
• Diversity and inclusion
• Business integrity and ethics
• Health and safety

Our ESG priorities
Our key initiatives going forward, with respect to the aforementioned sustainability areas can be found on the next page where we demonstrate the connection between our SDGs, ESG priorities, long-term goals, and related activities in 2020.

An evolving process
The materiality analysis demonstrates that key challenges reported in 2020 do not necessarily align with the expected challenges in the years ahead. Moreover, priorities defined through a risk perspective are by nature different from priorities defined through an innovation perspective. In addition, Q-Free operates across two business units and 16 markets with different supply chains, products, customers, and ESG maturity levels. The number of different reports, frameworks, and principles add another layer of complexity to our ESG work.

To keep pace with the concerns of our stakeholders and make sure our sustainability priorities stay vibrantly relevant, we will continue the materiality process in 2021.

Our Pillars for ESG success

Pillar 1 (E)
Contribute to a more sustainable transportation system

Pillar 2 (S)
Be a professional, fair and attractive employer and business partner

Pillar 3 (G)
Conduct our business responsibly and meet expectations of key stakeholder groups*

* Our stakeholders are defined as shareholders, customers, employees, partners, and suppliers in addition to local authorities in the markets where we operate.

The increased focus on non-financial reporting this year sends a strong signal to our shareholders that we believe our future success depends on our continuous ability to look at Environmental, Social, Governance (ESG) and Corporate Social Responsibility (CSR) not only as a set of preventive risk management activities but as strategic frameworks that enable us to unlock new opportunities.

Defining our ESG factors

To further materialize our pillars and create an even deeper understanding of the correlation between relevant ESG factors, we initiated a process in 2020 to uncover and analyze the issues that are most material to our business on one hand and to our stakeholders on the other hand.

ESG INDEX: Use our table on page 188 for an overview of all ESG-information in this report.



THE WAY FORWARD

We believe that a profitable business model with a strong social cause is the best way for a company to make a positive impact. A strong social cause is not a side activity of but rather an integrated part of our strategy. This is also why we, in the coming years, will take an even more proactive role towards increasing our social impact while delivering profitable business results.



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Creating sustainable value

Since our inception in 1984, Q-Free has been a major contributor to resolving the modern transportation challenges.

In 2019, we took steps to incorporate and select four of the seventeen United Nations Sustainable Development Goals (SDGs) into our overall strategy. In 2020, we took this a step further by defining clear targets to measure our progress. This is also in preparation of a coming green regulatory wave, of which the EU taxonomy will be pivotal in fulfilling the European Green Deal.

The matrix outlines key links between our chosen SDGs, our stated ambitions, our performance last year, and the goals ahead.

“Transport is not an end in itself, but rather a means allowing people to access what they need: jobs, markets, social interaction, education, and a full range of other services contributing to healthy and fulfilled lives.”

Source: UN report on “Mobilizing Sustainable Transport for Development”, October 2016

SDG	We believe...	We commit to...	Our goals at a glance	Related ESG factors and actions
<p>SDG 3. Good health and well-being</p>	<p>It is our civic duty to promote a clean environment and healthy communities.</p>	<ul style="list-style-type: none"> Educate the public on the high cost of traffic congestion, pollution, and injuries/fatalities Advocate for carbon-neutral, healthy transportation modes like walking and cycling Deliver solutions that put safety first for drivers, operator, and vulnerable road users alike 	<ul style="list-style-type: none"> Focus on development in short-, mid- and long-term to fill our Q-Free, Q-Clean, and Q-Safe concepts with targeted offerings based on our core technologies. 	<p>ESG factors</p> <ul style="list-style-type: none"> Green business Business integrity Brand reputation <p>See how we walk the talk See pages 41–49</p>
<p>SDG 8. Decent work and economic growth</p>	<p>An engaged, respected, and diverse employee community increases our chance of achieving success.</p>	<ul style="list-style-type: none"> Respect and honor all applicable international, national, and local labor laws and regulations Provide a safe and rewarding working environment for all our employees Offer competitive compensation in general and gender pay equality in particular Require our partners not to use child labor or any form of modern slavery 	<ul style="list-style-type: none"> Continue to report zero fatalities Increase the share of women employees from 17% to 25% by 2024 Ensure existing and new partners do not use child labor or any form of modern slavery Increase employee satisfaction Continue to keep sick leave low 	<p>ESG factors</p> <ul style="list-style-type: none"> Human capital development Diversity and inclusion Business integrity Health and safety <p>See how we walk the talk See pages 28–33</p>
<p>SDG 9. Industries, innovation & infrastructure</p>	<p>Innovation and infrastructure are key to unleashing dynamic and competitive forces that generate economic opportunity.</p>	<ul style="list-style-type: none"> Contribute to a high-quality, reliable, and sustainable transportation infrastructure Create solutions based on open standards and protocols to promote competition and innovation 	<ul style="list-style-type: none"> Sign on three more vendors to openly share their MIBs in 2021 	<p>ESG factors</p> <ul style="list-style-type: none"> Green business Economic performance & value creation Infrastructure reliability <p>See how we walk the talk See pages 40–53</p>
<p>SDG 11. Sustainable cities & communities</p>	<p>We have a social responsibility to connect people, goods, and data wisely and sustainably.</p>	<ul style="list-style-type: none"> Connect communities through safe, clean, and sustainable mobility solutions Enable cities to get more from their current road networks without simply expanding roadways Continuously work to reduce our own environmental footprint 	<ul style="list-style-type: none"> Successfully pilot the first road user charging pilot in Norway by 2022 Increase number of tolling lanes in operation Increase number of traffic signal controllers deployed 	<p>ESG factors</p> <ul style="list-style-type: none"> Green business Business integrity Brand reputation <p>See how we walk the talk See pages 40–51</p>



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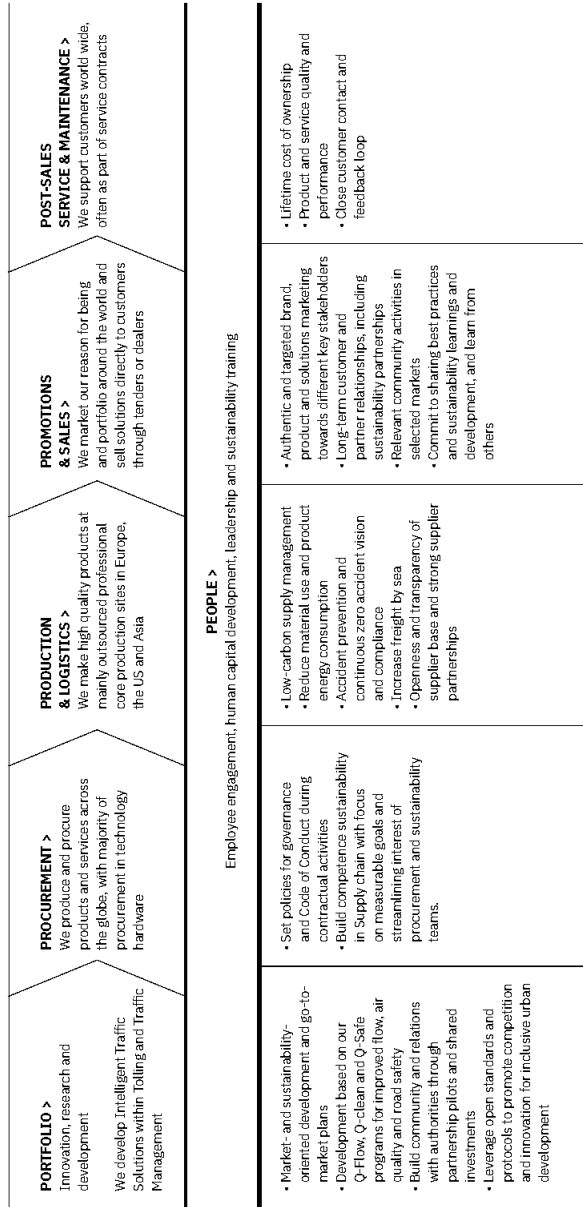
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Sustainability throughout our value chain

In today's world, no company is an island. To stay relevant and competitive, we must frame our operations within the larger socioeconomic scale.

- Where can we reduce our environmental footprint and increase our resource efficiency?
- How can we work with our customers, suppliers, partners, and employees to promote sustainable practices in our markets and shape our products?

Our value chain consists of five prioritized areas, where our people – the company's employees – are the baseline for our value creation. The complex connections between Q-Free's products, customers, and stakeholders demand a collaborative and integrated approach in our value creation thinking. Our value chain approach aligns with our strategy going forward, where sustainability is a key factor to future success.



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DOING OUR PART

For the greater good

We work to create sustainable solutions in sustainable ways. In 2020, we created the company's first people-strategy with clear diversity targets and stipulations for partner organizations to take actions for the greater good, both for Q-Free, our employees, and society as whole.



Our R&D Engineer Mats Myrland Bjerkås is testing Gao Flow on the new Road User Charging 2.0 application.



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Our commitments

We joined organizations to further our contributions to the global community.

UN Global Compact

Q-Free recently became signatory to the UN Global Compact and is committed to its mission to support companies to operate responsibly in line with the ten principles and take strategic action in advancing the UN Sustainable Development Goals.

She Index – Powered by EY

Q-Free Norway recently joined EY's SHE index, a catalyst encouraging companies to focus on gender balance through measuring their gender balance, targets and actions to improve gender equality, talent and recruitment and general Diversity & Inclusion policies SDG8.

Our recognitions

In 2020, Q-Free was designated one of Norway's top ESG companies.

Q-Free was listed among the top 10 Norwegian companies with the lowest ESG-risk by Morningstar, a rating that enables investors to evaluate investment opportunities or understand how companies in their portfolios are managing their Environmental, Social, and Governance – or ESG – risks relative to their peers.

Q-Free recognized as best inspirational example on SDG.

Valueur, a data-driven innovation platform helping companies to map their industry and predict relevant innovation cases, highlighted in their report "The SDG9 Forecast", Q-Free as the best inspirational example of companies aligning with the SDG9.

Our certifications

Q-Free maintains ISO accreditations underscoring our commitment to walk the talk.

ISO 9001

Our robust management system and culture of continuous improvement, verified through the ISO 9001 certification, ensure the quality of our products and project deliveries. This is further enhanced by our highly-motivated employees.

ISO 14001

Our environmental impact is being measured and improved through ISO 14001 and is an important standard for us to emphasize our positive role externally and ensure we "walk the talk" internally.

ISO 45001

Through implementation of ISO 45001 and our continuous H&S focus, Q-Free takes health and safety seriously. We support SDG8 and promote the connection between this goal and our daily H&S initiatives both internally and towards customers and suppliers.

Pledged to increase number of women in Q-Free by 40 percent

Q-Free believes women's rights are human rights and gender equity in the workplace positively affects the entire organization. But it doesn't stop there. The company also believes gender equity at work encourages gender equality at home and positively impacts global communities and the economy.

The company has therefore set a short-term goal to increasing the number of women in their workforce by more than a third, from 18 to 25 percent.

Created a Diversity and Inclusion Team to promote and celebrate equality

Following some of the social unrest in 2020, Q-Free America created a Diversity and Inclusion Team to better promote and celebrate all Q-Free's unique individuals. The team is focused on facilitating conversations on race and gender issues, sexual orientation, religion, and other forms of bias or discrimination and supports and highlights the diversity among us.

As Q-Free continues to celebrate and support diversity in the workplace, the Q-Free America team hosted a Diversity Open Forum – an opportunity for any team member to join in, ask questions, and have an open, safe space for conversations about diversity and inclusion.

“As part of a male-dominant industry and company, we want to be part of the solution and are eager to learn and work systematically to reach our target”

CEO Håkon Valtola



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Sille Froseller
Marketing, Asia & Pacific,
Q-Free Australia

Measured culture to cultivate engagement

In 2020, Q-Free piloted an AI-powered pulse survey tool (Winningtemp) to gain real-time insights into the level of employee satisfaction. Due to the overwhelming success and positive reception of the pilot from team members in Norway, the system was rolled out to all employees across 16 countries in early 2021.

8.3 Q-FREE LEADERSHIP
Average index 7.8

8.0 LEVEL OF AUTONOMY
Average index 7.4

As of March 2021, Q-Free had an overall employee satisfaction score of 7.7 compared to the average index of 7.5. Other indexes we are proud of can be seen on the right hand.



Minimized our global footprint

There are many shades of green in business today, and Q-Free is continuously working on becoming the greenest possible. Our environmental aspect analysis is a useful tool to monitor and document improvements on environmental impact. Among the many initiatives, supply chain has an increased focus on using sea freight shipping rather than shipping by air. In 2020, we shipped 6% of OBU's by sea, a number we want to increase to 10%.

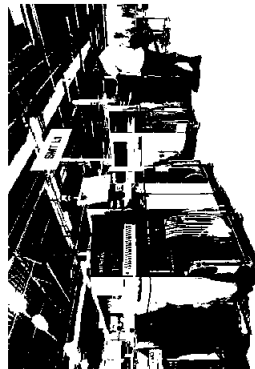
In addition, Q-Free strives to improve travel and continue to reduce emissions. The COVID-19 pandemic placed nearly all travel activities on hold and, as a result, the company experienced a significant reduction of 190-ton of CO₂ in 2020.



Partnered for success

In 2020, Q-Free announced Noratron, a Norwegian full-service electronics manufacturer, as its new production partner for tolling equipment.

"In addition to meeting commercial and strategic requirements, Noratron also has ambitions to contribute to even further improve the performance and quality of Q-Free's deliveries," says Paal Alnålie, VP Supply Chain Management. Locally located in Norway, close to Q-Free's key resources and markets, the partnership also improves logistics and sustainability.



Picture from our partner Noratron's premises. Photo: Frank Hesjedal



Picture from our partner Noratron's premises. Photo: Frank Hesjedal



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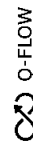
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Our portfolio

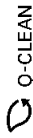
Our mission is to create intelligent solutions for efficient, safe, and environmentally-friendly transportation based on innovative technology and open platforms.

Tolling



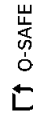
Optimize the movement of people, goods, and data

- Advanced Traffic Management Systems
- Traffic Signal and Corridor Management
- Electronic toll collection
- Adaptive signal control



Stimulate sustainable transportation

- Congestion charging & Low Emission Zones
- Road User Charging
- Bicycle and pedestrian monitoring
- Weigh-in-motion



Make roads and travel safe

- Incident Management
- Connected Intersections
- ALPR Enforcement
- Weigh-in-motion
- Smart Digital Tachographs

Traffic management



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OUR RESULT'S

OUR PORTFOLIO

OUR BUSINESS

Prime Mover projects since 1984

Q-FREE ANNUAL REPORT 2020

- R&D contract for a new toll collection system in Norway
- Tolling in Oslo, Norway
- World's first Multi-Lane Free-flow tolling system in Trondheim, Norway
- World's first DSRC 5.8 GHz tolling system in Portugal
- Central system delivery in Norway
- Major infrastructure upgrade in Portugal
- Nationwide truck tolling contract in Slovenia
- Statewide ATIS contract, Virginia, USA
- World's first Multi-Lane Free-flow tunnel system in Australia
- GPS Truck Tolling system in Slovakia
- Intraids for Far Eastern Electronic Toll Collection (FETC), Taiwan
- Multi-Lane Free-Flow Project in Queensland, Australia
- Automatic Customs Border Control, Norway
- World's first DSRC 5.8 GHz Free-flow system in Austria
- Congestion charging system in Stockholm, Sweden
- Statewide ATIS contract, Pennsylvania, USA
- Congestion charging in Copenhagen using single gantry setup
- Connected Intraids sections contract, Georgia, USA
- New toll collection system for Great Belt Bridge, Denmark

• EXPLORE HIGHLIGHTS ON THE FOLLOWING PAGE

Four decades of prime-mover projects, improving the movements of millions of people in urban communities around the world.

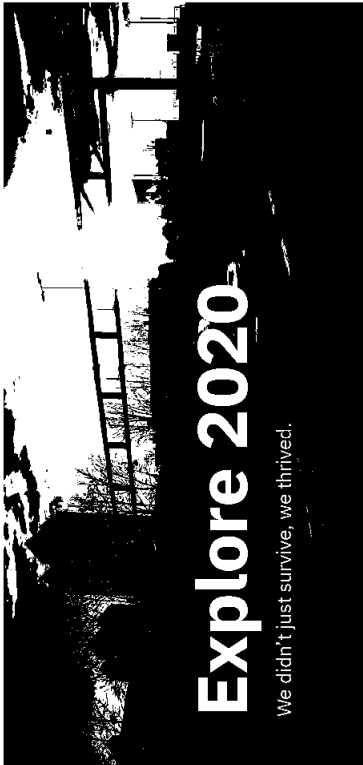


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Q-FREE ANNUAL REPORT 2020



Major contract renewals signify Q-Free's commitment to long-term partnerships

Partnerships that span decades and multiple contracts require continually meeting customer demands over a long period of time.

500 MNOK

Tolling contract renewals in core markets from 2019 to 2021.

Road users in Portugal, Norway, Australia, and Stockholm (Sweden) continue to breathe cleaner air and experience less congestion thanks to Q-Free's tolling solutions. From 2019 to 2021, partners in all these countries renewed contracts with Q-Free, and 2020 has been a busy year with delivery of the 55 MNOK Queensland project and renewal of Cross City Tunnel in Australia, the 130

MNOK contract in Portugal, and the 60 MNOK AutoPass contract in Norway, as well as winning the 130 MNOK renewal in Stockholm in 2021. Our tolling solutions and market-leading ALPR and DSRC technology continue to be the prime choice of existing and new clients all over the world contributing to cleaner air and improved traffic flow.

OUR BUSINESS

OUR PORTFOLIO

OUR RESULTS

Q-Free to update largest free-flow tolling operation in Portugal

In a major coup for the company, Q-Free was awarded a contract to upgrade nearly 100 free-flow tolling locations along 500km of four major highways in Northern Portugal – the largest tolling operation of its kind in the country. Deployment is ongoing and targeted for completion in 2022.

- Value: 130 MNOK
- Solution: Multi-Lane Free-Flow Toll Roadside Equipment

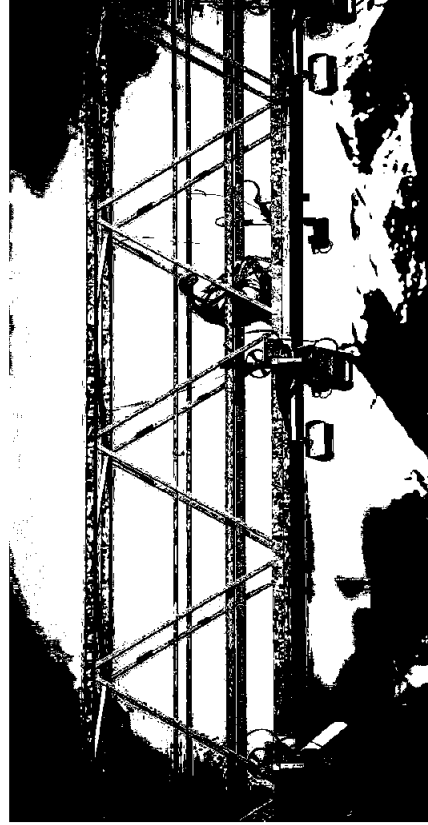


Contract renewed for AutoPass tolling system with more than a billion annual transactions

In the fourth quarter of 2020, Q-Free extended its tolling back-office deal with the Norwegian Public Roads Administration (Statens Vegvesen), which runs the country's AutoPass national toll collection system.

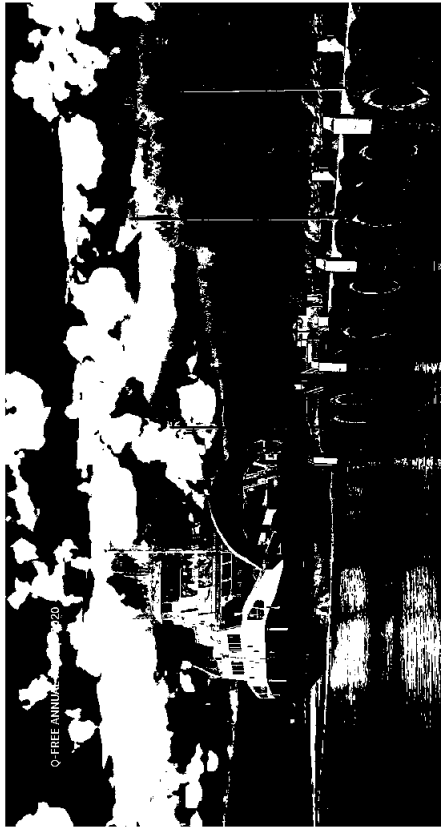
"The system processes close to 90 million transactions per month totaling more than a billion per year," explains Q-Free CEO Håkon Voldal. "We are delighted to continue our nearly 20-year partnership with NPRRA and continue to build, innovate, and expand their highly-sophisticated system," Voldal concluded.

- Value: 2 x 30 MNOK
- Solution: Congestion Charging



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Q-FREE ANNUAL REPORT 2020

Extracting value from core tolling technology

Our DSRC and ALPR technology is the preferred solution for innovative traffic infrastructure operators all over the world. New applications based on our core technology are constantly introduced to the market – a trend that will continue for years to come.

Norwegian ferry passages go contact-free to slow spread of COVID-19.

Norwegian ferry passages have long relied on Q-Free electronic payment solutions to expedite boarding and minimize congestion. Not all passengers, however, opt to use electronic ferry tags as they prefer to pay operators on a per-trip basis. Given the rapid spread

of COVID-19, ferry operators were instructed to limit contact between collectors and passengers as much as possible. To assist, Q-Free leveraged its renowned DSRC technology and Intrada automatic license plate recognition (ALPR/ANPR) technology to allow passengers to be invoked post-ride based on highly-accurate vehicle recognition.



46



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Identification as a service applied into EV charging

More than 35 million Q-Free on-board units (OBUs) have been delivered globally. As part of a large-scale Norwegian pilot, we are now developing next generation charging services for Electric Vehicles – allowing road users to pay for charging or book and claim spots at charging points via on-board units.

ALPR enforcement

Norwegian customs use Q-Free Intrada ALPR solutions to automatically register vehicle license plates on vehicles passing the border. Other authorities are starting to use Q-Free ALPR technology to identify mobile phone use while driving to automate the enforcement.

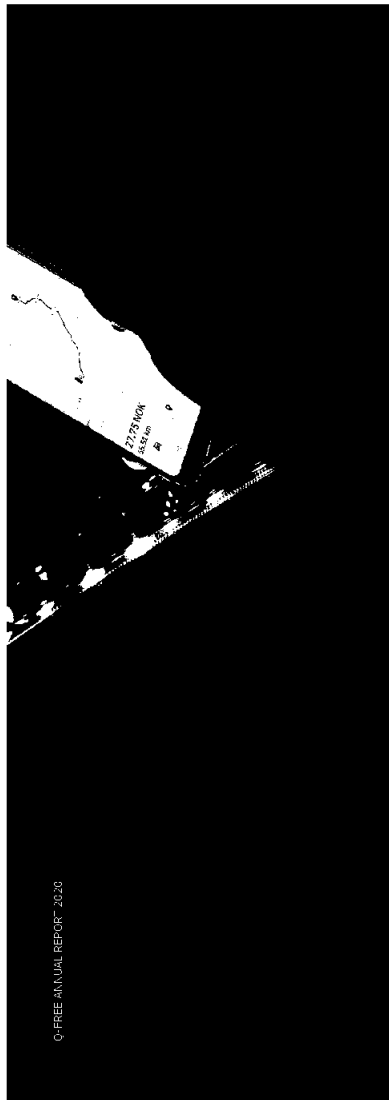
Q-Free promotes driver safety and combats fraud with smart tachograph

A DSRC interface for encrypted tachograph data collection is required by law in all new heavy vehicles and buses in the European Union. The Q-Free Smart Tachograph, which utilizes DSRC technology, allows for digital verification and enforcement of rest times for commercial vehicle drivers. In 2020, Q-Free provided the RSE622 for static tachograph measurements and the RSE651 for remote tachograph testing to several national authorities, car manufacturers, and auto repair shops in Europe.

As one example, Q-Free's partnerships have enabled garages all over Poland to securely verify tachographs digitally in trucks that come in for periodic control or general checks.



47



O-FREE ANNUAL REPORT 2020

The road ahead: A fairer system with road user charging

We are leading the way in road user charging solutions, piloting new technology for the next generation of smarter traffic infrastructure. To uphold the current investment rate in infrastructure, governments will need to maintain the revenue currently generated by toll collection and fuel taxes.

Distance travelled, time of travel, vehicle occupancy, vehicle emissions, and noise pollution are potential factors that will determine how much it will cost to use a road in the future. To better serve the motorists, we are currently working on two pilot projects in collaboration with the Norwegian Research Council (SINTEF) and the Norwegian Public Roads Administration (NPRA).

Nudging sustainable driving through Geo Sum pilot
Cities are heavily affected by vehicle traffic, which brings major challenges related to efficiency, safety, and the environment. In Geo Sum, O-Free introduced the combination C-ITS (connected vehicles) and geofencing (digital infrastructure) as a part of the solution toward decreased emissions and increased safety for vulnerable road users. The concept enables road authorities to develop dynamic tools that can be used to

enforce and disseminate information to vehicles and road users located in a controlled zone. In the project, two types of controlled zones were developed, school zones for dynamic speed control and low emission zones for differentiated road user charging. The concept was piloted in operational urban traffic in two of Norway's largest cities, Oslo and Trondheim. The results show that increased feedback and information directly in the vehicle on a per user basis can motivate behavioral

change and stimulate safer and more environmentally friendly driving.

Testing the Future of Road User Charging Technology

The promising results from the Geo Sum pilot have resulted in a new project focusing on the next generation Road User Charging technology in large scale for private vehicles. The focus is to test data security and privacy, user interaction and interface, and system reliability. The pilot exploits the C-ITS platform to enable enforcement and data integrity and further make possible the combination of data privacy and a real-time user interface, while sending as little data as possible outside the vehicle environment, both for energy savings and privacy.



OUR BUSINESS



SEC501 Security Server for trusted execution environment

In 2020, O-Free improved its DSBC portfolio with a new standalone product for improved system security in tolling projects. The O-Free SEC501 security server is a complete hardware security solution that provides a trusted execution environment (TEE) and is managed through a standard web browser. The solution optimizes the execution environment for security-critical software and includes hardware security module (HSM) for key storage. It serves as the main component for services such as point-of-sales (POS), key distribution center (KDC), transaction verification (TVU), and more.

OUR RESULTS



VRE700 Modular camera for single and multi-lane configurations

The new O-Free VRE700 is a continuous capture traffic logging system with integrated ANPR/ALPR. The vehicle registration unit is optimized for multi-lane free-flow (MLFF) and open road tolling operations with excellent performance in both single and multi-lane configurations. Most importantly, it maintains image acquisition performance, or image quality, even under challenging weather conditions.

Machine learning technology for ALPR detection

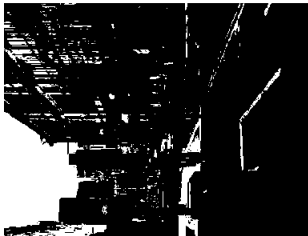
O-Free strengthened worldwide ALPR offering showing potential to save thousands.

Test site data from South America and Asia showed successful gathering of additional identifying characteristics including vehicle class, color, make/model, and size of the vehicle being analyzed.



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City of Gold Coast, Australia

Australia creates more sustainable infrastructure and increases personal mobility across the city.

The City of Gold Coast installed 20 HI-TRAC® CMU cycle and pedestrian counters across the city. Q-Free's data hosting and reporting tool allows the customer to easily access and download active transportation data that is used to monitor and evaluate the success of the Gold Coast City Transport Strategy.

The project's initial success has led the customer to install more counters across the Gold Coast with additional sites planned.



Vehicle and road user accidents halved in Glasgow

Glasgow, Scotland, has been creating a safer environment for both cyclists and road users through the simple integration of the HI-TRAC® CMU cycle monitoring solution which has increased network efficiency at over 20 signalized junctions along with the deployment of safety warning signs at 16 intersections which have:

- Decreased vehicle/road user accidents 17% to 8%*
- Reduced vehicles that do not yield to cyclists 35% to 22%*

*Unweighted average



50



Q-Free promises 'new philosophy' with Kinetic™ Mobility

Cutting-edge platform will dramatically simplify traffic management and bridge the gap between traditionally siloed operations including signal and freeway management.

Kinetic™ Signals was the first application to be released on the new platform in January 2021, with new releases for connected vehicle applications, advanced user analytics, and more anticipated quarterly throughout the year.

The well-received launch of Kinetic Signals, which represents a technological upgrade and rebrand of the company's celebrated Intelight MAXVIEW atm, furthers Q-Free's legacy of open, collaborative solutions. "It's about innovation and how we can do better for



80%

Percentage of survey respondents that previewed Kinetic Signals in early 2021 and rated it better or infinitely superior to their current system

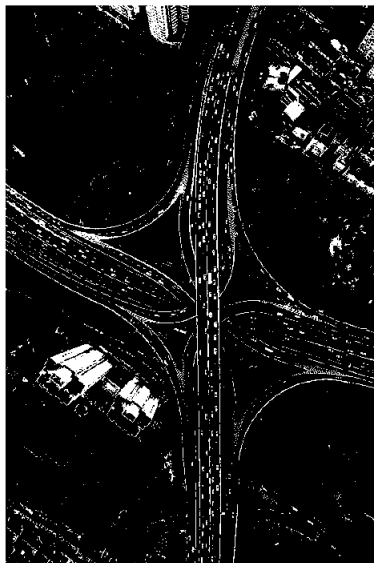


51



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Expanded detection for vehicles, cyclists, and pedestrians

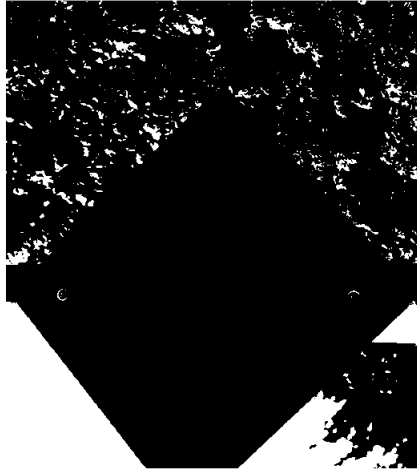
Q-Free launched its first multi-use, high-speed weigh-in-motion and multi-modal classification solution after successful pilots in North America and Asia.

The versatile, future-proof HI-TRAC™ TMU4X was developed in direct response to global demand for a single roadside data solution to help communities address Vision Zero and sustainability goals.



52

Data-driven decision making for freeway ramp meter timings



Ramp metering is identified as one of the most cost-effective traffic management strategies for freeway operations that can also help to reduce congestion.

Partnered with Washington Department of Transportation, we are analyzing the key traffic parameters of volume, occupancy, and speed and their relationships to develop a probabilistic model for ramp meter re-timing.

The scheduled deployment and field fine tuning are scheduled in Spring 2021.



53



Lane closure management extended to airports

Through the extension of Q-Free's LaneAware Work Zones software, the team introduced a stand-alone solution for travel hubs. LaneAware Airports automates management of construction, ongoing maintenance and critical improvement projects, providing a seamless experience for travelers and workers alike.

Kingdom of Saudi Arabia uses data to improve mobility

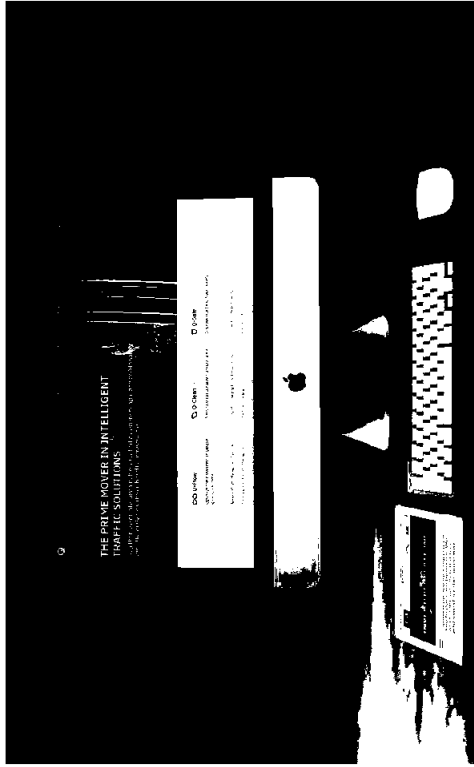
Q-Free's HI-TRAC UTC-P Axle Counter Classifier was selected to provide up-to-date, highly-accurate traffic information to assist with countrywide road project decision making. Supported in the region by an established local partner and distributor, Shibh Al-Jazira installed and commissioned the technology.

Q-Free's low-maintenance, low-cost solar powered units were mounted on top of small housing pillars at more than 200 sites. Each location includes a GPS-enabled, real-time communications to the DrakeWell C2 web-based database platform.



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Q-Free leaders to spearhead #FREEtheMIBS advisory board

In just over a year, #FREEtheMIBS has grown to include advocates from public agencies, private industry and academia.

The campaign began after Q-Free took the bold and unprecedented step of becoming the first signal controller manufacturer to share its own MIBS.

Management information bases or MIBs, contain manufacturer specific language protocols that allow signal controllers and other devices to communicate. Until Q-Free's move, MIBS in North America were traditionally kept proprietary by manufacturers, restricting competition, locking agencies into a single-company solution and ultimately costing taxpayers who were often forced to pay for limited and sometimes ineffective products.

Tunilla says the advisory board represents the campaign's appropriate next step. "For a short while, we were on our own, but that has all changed."

We are thrilled and a little overwhelmed by the success of the campaign to date. We hope everyone at Q-Free is as proud as we are, that our company is taking a leadership role in opening standards and completely shifting the sales conversation to one based on the merit of each manufacturer's solutions and services."

The board held its inaugural meeting in December 2020 and agreed to begin an industry-wide education and advocacy campaign. The group will meet quarterly with members committing to a minimum two-year term.



Modernized online presence

Website redesigned to align with company's holistic approach to mobility challenges.

In response to Q-Free's renewed focus on sustainability, we launched a new website in August 2020.

The site provides an enhanced user experience and a customer-focused view to solve the most pressing mobility challenges of our time: congestion, air pollution and accident and injuries.

Q-Safe are designed to break traditional business silos and change the conversation. The ideas embody Q-Free's push toward innovation and the smart cities of the future," said Tunilla.

Communications for Q-Free.

According to Trisha Tunilla, EVP Marketing and Proposals for Q-Free America, the website is a new window to view Q-Free. "Q-Flow, Q-Clean, and



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Our open approach to data

We believe in the power of data. We believe standards-based sharing of communication protocols is a best practice and the only path to unrestricted innovation and smart cities. We believe this can be achieved safely and securely through open standards.



56

The means in which data is built, stored, shared, and used is crucial to actively safeguard our communities. To that end, we believe open systems and openly sharing data is in the best interest of those we serve. Open systems promote innovation and integration and enable customers to select the best possible solution and value for their community. Our open platform mindset, vast experience with fast and secure data transfer, and wide array of solutions have made us a trusted partner in thousands of projects worldwide – and the prime mover in intelligent traffic solutions.

Campaigning for open communication. Many countries we work in share in a similar belief about the importance of open data and communication. In North America, however, we find that while the National Transportation Communications for ITS Protocol (NTCIP) promote open communication, the vast majority



of protocols are still manufacturer-specific. In particular, those used in the management information bases (MIBs) for traffic signal control devices. So, we decided that it was time to take a stand.

In July 2019, we became the first company to publicly release MIBs. The response was immediate and fierce. But it didn't take long to realize that the fight for truly open standards was larger than us. So, we launched #FREEtheMIBS in November.

And 2020 celebrates the one-year anniversary of our passion project and advocacy campaign that supports our philosophy of collaboration, innovation, and doing what's best for the greater good.

In its first year, the #FREEtheMIBS campaign quickly grew to include more than 50 individuals and corporate advocates from across the ITS

“ Open systems enable customers to select the best possible solution and value for their community

spectrum – agencies, consultants, dealers, vendors, and academia. As the #FREEtheMIBS celebrates a wild year of growth, advocacy and increasing influence, two prominent new members joined the campaign: Rapid Flow Technologies, the Pennsylvania-based developer of Surtrac, adaptive traffic signal control, and ITS distributor, Mid American Signal.

In addition, two Q-Free leaders will help lead the newly formed #FREEtheMIBS Advisory Board. Trisha Tunilla, Q-Free America's Executive Vice President

57



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Board of Directors report

THE Q-FREE GROUP

The Q-Free Group creates intelligent solutions for efficient, safe, and environmentally friendly transportation. Since its inception in 1984, Q-Free has delivered products and solutions in Europe, North and South America, the Asia Pacific region, the Middle East, and Africa. Headquartered in Trondheim, Norway, the company has offices in 16 countries and 378 employees (per 31 December 2020). Q-Free ASA is listed on the Oslo Stock Exchange under the ticker QFR.

SUMMARY AND HIGHLIGHTS IN 2020
The first months of 2020 were challenging with low revenues and limited order intake. When the Covid-19 pandemic started having full effect in March, management therefore initiated a cost-reduction program to adapt the cost base to a situation with significantly reduced revenues and low activity level. Thanks to proactive cost management, improved gross margins, and tremendous efforts by our employees, Q-Free delivered solid results in the second, third and fourth quarter and a satisfactory result for 2020 as a whole.

Although many projects were delayed due to the pandemic, few were cancelled or lost. Moreover, thanks to a competitive offering and a more focused market approach, Q-Free was awarded several significant projects in 2020 (some of these formally signed in Q1-21), giving the company a solid order backlog and platform moving into 2021.

In May a refinancing of the company including renewed engagement with the main bank as well as issuance of an 80 MNOK subordinated convertible bond was completed. The remaining secured sufficient liquidity to fund Q-Free's future plans and ambitions.

The highlights for 2020 include:

- 889 MNOK in revenues, down 8% from FY2019 amid low product sales caused by Covid-19
- 7.6 MNOK in EBITDA (8.5% margin), up from 73 MNOK (7.5% margin) in FY2019
- 67 MNOK in positive cash flow from operations
- 949 MNOK in order intake (excluding

frame agreements), and a book-to-bill ratio of 1.07

• 1.083 MNOK in order backlog (excluding frame agreements)

Financial review

Figures below are group figures unless specified otherwise (2019 figures in brackets).

Revenues

Group revenues amounted to 889 MNOK (962 MNOK), down 8 percent compared to 2019. All segments had declining sales, mainly due to reduced product sales and postponed project deliveries related to Covid-19.

Gross profit

Gross contribution* ended at 545 MNOK (539 MNOK). Gross margin* in 2020 increased by 5 percentage points compared to 2019. The improvement was driven by changes in the product mix and improved margin on tolling system projects.

Assets held for sale

In Q1-20, Q-Free decided to seek divestment of parts of its parking and infomobility assets. Since then these assets have been classified as "held for sale" in the balance sheet. The remaining part of parking and infomobility was re-allocated to other segments. Financial uncertainty and travel restrictions amid the Covid-19 pandemic have delayed divestment initiatives, but at year-end 2020, the criteria for classifying these assets as "held for sale" were still fulfilled.

Impairment considerations

Based on an assessment of the expected recoverable amount of assets held for sale, these were subject to a write-down of 58 MNOK at year-end 2019. The value has been reassessed at year-end 2020 and an additional impairment of parking assets of 21 MNOK was done based on updated expectations on recoverable amounts.

Operating expenses

Reported operating expenses amounted to 469 MNOK (467 MNOK), up 1% compared to 2019. Expenses in 2019 were positively impacted by 9 MNOK in reduced pension obligations in Norway and negatively impacted by 4.5 MNOK in fees related to structural processes. In 2020, expenses have been affected negatively by MNOK 4 related to structural processes and also by significant currency fluctuations. Cost savings implemented in early 2020 had a positive impact.

Operating profits

Earnings before interest, taxes, depreciation, and amortization (EBITDA*) ended at 76 MNOK (73 MNOK), up 7% compared to 2019. The corresponding EBITDA* margin was 8.5% (7.5%). Reported operating profit (EBIT*) was -9 MNOK (-54 MNOK). Adjusted for non-recurring items/impairments, EBIT* for 2020 ended at 12 MNOK (2 MNOK).

Segment financial review

Tolling revenues ended at 572 MNOK (616 MNOK), a YoY reduction of 8%, mainly due to reduced product sales and delayed projects due to Covid-19. EBITDA* ended at 104 MNOK (89 MNOK), a year-on-year increase of 16%. The improved EBITDA* was driven by improved project margins and a favorable product mix.

Trafic Management revenues ended at 206 MNOK (231 MNOK). The reduction was due to lower product sales and delayed project deliveries in the US market amid Covid-19 lockdowns and general uncertainty related to public funding of infrastructure projects. EBITDA ended at -2 MNOK (7 MNOK), primarily due to reduced revenues although partially offset by improved gross margin from a higher share of software sales.

Assets held for sale generated revenues of 11.1 MNOK (11.6) and EBITDA* of 3 MNOK (4 MNOK). Within this reporting segment, assets related to what was previously reported as infomobility have shown a positive development

OUR BUSINESS

OUR PORTFOLIO

OUR RESULTS

while parking assets delivered reduced earnings.

Net financial items

Full-year net financial items were -24 MNOK (4 MNOK). The difference versus 2019 is mainly related to currency effects.

Profits

The reported pre-tax loss for 2020 was 32 MNOK (50 MNOK). The tax expense in 2020 ended at 9 MNOK (0 MNOK).

ANNUAL RESULTS AND YEAR-END APPROPRIATIONS

The group result after tax in 2020 was a loss of 41 MNOK (loss of 50 MNOK). Earnings per share was -0.46 NOK (-0.56 NOK).

The Board of Directors proposes to allocate the parent company's loss for the year of NOK 43 million to retained earnings.

The Board of Directors does not propose to distribute any dividends for 2020 at the Annual General meeting that is scheduled for 20 May 2021.

CASH FLOW AND LIQUIDITY

Net cash flow from operating activities was 67 MNOK (36 MNOK). The improvement was mainly due to improved operating profit and solid cash management.

Net working capital* amounted to 148 MNOK (134 MNOK) at the end of 2020. Net working capital as of 31.12.2020

* Refer to APM section for definitions



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* Refer to APM section for definitions



Q-FREE ANNUAL REPORT 2020

equaled 1.6% of the revenues generated in the last 12 months compared to 1.4% for the corresponding period as of 31.12.2019.

Net cash flow from investment activities was -57 MNOK (-80 MNOK). Capitalized R&D have been reduced compared to last year.

Net cash flow from financing activities was 42 MNOK (-16 MNOK). The change was due to the refinancing in May 2020 with increased bank borrowing and the issue of a convertible bond. The refinancing substantially improved the liquidity of the company.

BALANCE SHEET

Total assets at the end of 2020 were 850 MNOK (883 MNOK). Total equity ended at 313 MNOK (358 MNOK). The equity ratio was 37% (41%).

Current liabilities amounted to 267 MNOK (328 MNOK) at the end of 2020. The current liabilities included 23 MNOK in leasing liabilities.

Non-current liabilities were 269 MNOK (197 MNOK), an increase of 72 MNOK. The non-current liabilities included 24 MNOK in leasing liabilities.

Short term interest-bearing debt to financial institutions was 54 MNOK (72 MNOK) at year end. Available, unused credit facilities were 100 MNOK (53 MNOK) at the end of 2020.

Effect of the Covid-19 pandemic

The Covid-19 pandemic had financial impact on Q-Free in 2020. A slowing economy, travel restrictions and delayed purchasing processes among certain customers impacted revenues negatively. As a response to declining revenues, the Group implemented cost cutting initiatives, including temporary salary cuts, termination of hired personnel and furloughs. Moreover, Q-Free received some non-material Covid-19 support packages offered by public authorities in certain countries. The Group also obtained a new loan facility partly guaranteed by GIEK as part of the Norwegian government's Covid-19 support packages. The response measures taken during the year enabled the Group to secure core operations and maintain business presence in all markets.

GOING CONCERN

The Board of Directors confirms that the financial statements have been prepared under the assumption of going concern and that this assumption was realistic at the time of the approval of the statements. It is the Board's opinion that the Profit and Loss Account and Balance Sheet with notes provide accurate information on the operations and the financial position at year-end.

ORGANIZATION

Personnel

The Q-Free Group had 378 (396) employees at the end of 2020. The reduction was mainly due to cost-reductions related to the above-mentioned cost reduction program

initiated in the first quarter and normal attrition.

Q-Free has established good working conditions in a non-discriminating, multicultural organization with operations in 16 countries. Sick leave remains at a low level. The company is pleased to continue to report no serious lost time due to accidents or injuries during the year. Please refer to the separate Corporate Social Responsibility Statement in this Annual Report for a more detailed review of Q-Free's human rights, labor rights, working conditions, and safety and health policies and performance.

Management

There have been no changes since the reorganization in February 2020. Group management now consists of the President & CEO, the CFO, the CTO, the SVP Brand, Marketing & Communication, and two Executive Vice Presidents heading up the two divisions Tolling and Traffic Management respectively. The two divisions have individual management teams.

Board of Directors

The Board of Directors currently comprises five shareholder-elected members – Trond Valvik (Chair), Snorre Kjesbu (Vice Chair), Trine Strømnes, Geir Bjørlo, and Ingeborg Molden Hegstad – and two employee-elected representatives – Brage Blekken and Yngve Halnø.

During 2020 the following changes to the Board were completed:

The former Chair of the Board (Tore Valdenhaug) resigned on 14 January 2020, and the former Vice Chair of the Board (Trond Valvik) took on the position and acted as Chair of the Board until the Annual General Meeting.

At the Annual general meeting in May 2020, Trond Valvik was elected Chair of the Board, and Geir Bjørlo was elected new board member.

In May 2020, the employees elected Brage Blekken and Yngve Halnø to replace Olav Gullung and Rune Jøraundstad as employee representatives.

SUBSEQUENT EVENTS

Assets held for sale – reconsideration of infomobility segment

During 2020, many of the assets in what was formally known as the infomobility segment have been held for sale. The Group has been involved in active M&A processes to divest the assets. At the date of completion of these financial statements, these processes have been terminated without result. Further, the Management has changed its view on the assets strategic fit for the Group, based on this the decision to divest has been reversed. The assets will be included in the Traffic Management segment from Q1-21 and onwards.

Conversion of convertible bond.

In May 2020, Q-Free issued an 80 MNOK subordinated convertible bond as a part of a refinancing package. In December, Rieber & Søn AS increased their ownership in Q-Free beyond 1/3, and

thereby triggered a "change of control event" according to the convertible bond agreement. Consequently, all bondholders have in January/February 2021 chosen to convert their bonds. Q-Free Group has therefore reduced its financial debt by MNOK 70 and increased its equity with the same amount.

Sale of TCS subsidiaries Q-Free France

Pursuant to the Norwegian Accounting Act section 3-3b, listed companies shall also present their principles for corporate governance and review the compliance with the recommendations set out in the Norwegian Code of Practice for Corporate Governance. Details are provided in the Corporate Governance section of the Annual Report, and is published on the company's website at <https://www.q-free.com/investor-relations/governance/corporate-social-responsibility/>.

Effect of the Covid-19 pandemic

In spite of continuing travel restrictions and uncertainty, Covid-19 effects are expected to be more limited in 2021. However certain countries still have restrictions with some impact on project progression. There is some risk that new Covid-19 outbreaks could have a negative impact. Q-Free does not expect material negative financial effect from this.

CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

Pursuant to the Norwegian Accounting Act section 3-3c, publicly listed companies shall present their principles for corporate social responsibility and review the performance with respect to human rights, labor rights, working conditions, the external environment,

OUR BUSINESS

OUR PORTFOLIO

OUR RESULTS

and anti-corruption. Details are provided under the section "Corporate Social Responsibility" in the Annual Report, and is published on the company's website at: <https://www.q-free.com/investor-relations/governance/corporate-social-responsibility/>.

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RISK FACTORS

Q-Free is an international technology company exposed to several different risk factors. This section outlines the most prominent operational and financial risk factors and the main risk-mitigation actions and measures:

Political risk

Q-Free is exposed to political risk in the form of delayed or cancelled public tender processes and contract awards. A change in central or regional government/administration in certain markets could lead to re-tenders or cancellations. Q-Free could also be excluded from tenders based on political interests. Project implementation and payments are normally less risky as governments usually honor their obligations even if procurement processes can be affected



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Q-FREE ANNUAL REPORT 2020

by governmental regulations. However, in the US there is some risk related to the issuance of federal grants to state Departments of Transportation (DOTs) that are sometimes a prerequisite to finance and issue purchase orders on awarded or signed contracts.

Project risk

Q-Free delivers demanding and complex large-scale traffic technology projects, which may involve considerable risks in terms of functionality, timing, and cost. If a project is delayed or does not meet specifications, Q-Free might be held accountable and be forced to pay penalties. Contractual penalties are usually capped but could still have a negative impact on the company. Q-Free has significant experience with and a good understanding of how these risks can be mitigated in contract negotiations and during the delivery period.

Financial risk

Q-Free is exposed to credit risk related to customers' ability to fulfil their financial obligations. A contract is usually not paid in full until a project has been delivered and commissioned. This risk is considered to be low, given that the Group's main customers primarily are government-controlled entities, or relatively large and solid private companies. The company has historically had a low ratio of bad debt on accounts receivables.

Q-Free is exposed to currency risk in the ordinary business since more than 70% of revenues was generated outside of Norway. Q-Free also runs businesses outside of Norway and buys a substantial share of required equipment abroad, with

payment in foreign currencies which somewhat mitigates this risk. The net foreign currency exposure in 2020 was mainly related to EUR and USD (EBITDA) and USD, EUR and GBP (Assets/Equity).

Q-Free aims to reduce its liquidity risk by holding sufficient cash and credit facilities at any time to be able to finance its operations and planned investments. The Board of Directors assesses the available liquidity at the end of 2020 to be sufficient to finance the company's ordinary operations, operational investments for 2021. The Board continuously evaluates the company's financial structure and consider measures to strengthen the financial position.

The group has interest-bearing debt and interest rate risk related to its term loan, revolving credit facility and credit lines. At the current interest rate level, the interest risk is considered low.

Risk of corruption

Q-Free ASA has operations and activities in some geographies exposed to corruption. Q-Free has established a Code of Conduct and an anti-corruption handbook as well as revised and completed a program to increase corruption awareness among employees and partners to limit our exposure to corruption. The risk has been reduced the last couple of years by exiting certain exposed countries. For further information, please see the Corporate Social Responsibility report.

OUTLOOK

Revenues declined in 2020 due to reduced product sales and delayed project deliveries caused by Covid-19. However, even if the pandemic continues to negatively impact the industry, Q-Free targets double-digit revenue growth in 2021. Almost 40 percent of revenues are recurring and combined with a strong backlog for 2021, and recent contract wins in the first quarter of 2021, (the 130 MNOK Stockholm contract, the 150 MNOK US ATMS contracts and the 40 MNOK tolling contract in Norway), this is possible.

With higher anticipated revenues, a solid gross margin structure, and reduced operational expenses, profitability is expected to remain solid in the coming quarters. An increasing share of revenues is also coming from high-margin software services. Q-Free will continue to shift its business more towards recurring revenues in 2021 and beyond to continue its margin expansion. The goal for 2021 is to achieve an EBITDA margin above 10 percent.

Q-Free managed to significantly improve its customer offering in 2020. Several software platforms and hardware products have been upgraded and improved, and several new development efforts were initiated. The recent contract wins are a testament to Q-Free's improved competitiveness in the market. Moreover, the technology advances also enable Q-Free to scale its solutions more cost-effectively and convert project-based sales models to recurring sales models. This will improve margins and enable higher revenue growth as more orders can be handled in parallel.

OUR BUSINESS

Looking further into the future, Q-Free has established a set of financial goals for 2025. An annual growth rate in excess of 10 percent leading to 2025 revenues of 1,3-1,5 billion NOK is considered achievable. Potential growth from bolt-

Tromsheim, 28 April 2021

Snorre Kjesbu
(sign.)
Vice Chair of the Board

Trine Helen Strømnes
(sign.)
Board member

Geir Beithveit Bjørlo
(sign.)
Board member

Brago Blatken
(sign.)
Employee-elected
Board member

Yngve Halme
(sign.)
Employee-elected
Board member

Håkon Espervik Volden
(sign.)
President & CEO

Trond Valvik
(sign.)
Chair of the Board

Ingeborg Mølden Hegstad
(sign.)
Board member

OUR PORTFOLIO

on acquisitions to strengthen and scale certain market offerings will come in addition to the stated revenue goal. The expected increase in high-margin software revenues combined with improved scalability of Q-Free's solutions

will enable margin expansion from current levels. Hence, in 2025 Q-Free aims to deliver an EBITDA margin in the 15-20 percent range and an EBIT margin in the 10-15 percent range.

OUR RESULTS



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Board of directors



Trond Valvik
(1980)
Chair of the Board
Served since 2017
Norwegian citizen

Trond Valvik is Investment Director at Rieber & San AS, an investment company in the area of Direct Investments in Rieber & San AS. Rieber & San AS is the investment company of the Rieber family in Bergen, Norway, and is Q-Free's largest shareholder (45.27%). Valvik has previously been Partner in the Private Equity company Borea Opportunities, serving in the advisory and executive capacities for several years. Valvik possesses significant Board experience from different industries. Valvik also has operational experience as interim leader in various companies in connection to restructuring and change processes, e.g. in the field of retail. Valvik was selected as CEO of the Norwegian company for a period. Valvik also has experience from transaction support and audit in EY. Valvik holds a MSc Business degree from the Norwegian School of Economics (NHH). Valvik has served as Chair of the Board since 2020. Valvik serves as director/chairperson of several companies related to the Rieber & San AS group.



Snorre Kjesbu
(1980)
Vice Chair
Served since 2016
Norwegian citizen

Snorre Kjesbu is Vice President of the Norwegian Tech Council, a national organization responsible for the collaboration between business and academia in the field of innovative video systems. Prior to his return to Q-Free, Snorre was Executive VP of Design, Chief Architect and Director of R&D at ABB. Snorre also worked for OULUSSEN in Copenhagen, Denmark. Snorre's résumé also includes SVP at Tandberg and being responsible for R&D on wireless communication at ABB. He and his team at ABB were awarded the Wall Street Journal Innovation award for their work on wireless sensors in 2002.

Snorre holds a Master of Science from the University of Bristol and has been a guest lecturer at the Stanford Network Research Center in Stanford University. He has obtained more than 20 patents in the area of communications and video conferencing and is on the board of directors for several IT companies.

Kjesbu has 84,505 shares in Q-Free ASA*.



Ingeborg Molden Heggstad
(1976)
Board member
Served since 2018
Norwegian citizen

Ingeborg Heggstad has 20 years of experience in strategy consulting, including Associate Partner in McKinsey & Company and Management Consultant at Egon Zehnder, serving the retail, telecoms and IT sectors. Since 2015 Heggstad has been a partner in Imight AS, offering strategy and leadership advisory services to various companies and organizations. The effort has resulted in national engagements in multiple countries in Europe and Asia. Heggstad holds a Master of Business Administration from Norwegian Business School BI (2000). She is also a member of the board of StrongPoint AS and Oyar ASA.

Heggstad owns indirectly through Imight AS, 42,450 shares in Q-Free ASA*.



Trine Strømnes
(1949)
Board member
Served since 2019
Norwegian citizen

Trine Strømnes is County Manager for the County of Rogaland, an old but career in Q-Free. Trine Strømnes has held several roles within sales, business development, sales management and marketing. She was COO for Norway and Partner Leader for Norway and Northern Europe, responsible for developing and execution of the Q-Free strategy and tactics for the Q-Free Norway market. She has been Director Marketing, responsible for developing and executing Marketing for Countries in Northern Europe, Regional Sales Manager for Public Sector in Norway, as well as Manager Sales Business Development in Public Sector in Europe. Strømnes is an experienced speaker and has identified innovative approaches to create true value. Strømnes is Chair of Cisco Norway, Cisco Norway Holding and Cisco Systems Norway, and director of American Chamber of Commerce.

Strømnes has no shares in Q-Free ASA*.



Gaier Bjørto
(1976)
Board member
Served since 2020
Norwegian citizen

Gaier Bjørto is co-founder and partner in a specialised consulting firm offering services within corporate and financial communications. Bjørto has two decades of experience from the capital markets and works primarily with investor relations and transactions for listed companies, and private equity firms in the area of Norway. He is a member of the Norwegian Committee for Financial Information, has a MSc in Economics and Business Administration from the Norwegian School of Economics, NHH, and has completed studies at the University of Prague, VSE.

Bjørto is Chair of Corporate Communications AS.

Bjørto owns indirectly through Illuminator AS, 117,146 shares in Q-Free ASA*.



Yngve Halme
(1980)
Employee-elected Board member
Served since 2020
Norwegian citizen

Yngve Halme has been with Q-Free since 2000. He holds a BSc in Software Architecture from the University of Oslo and a MSc in computer science from the Norwegian University of Science and Technology (NTNU) in Trondheim, Norway.

Halme has no shares in Q-Free ASA*.



Brage Bliekken
(1977)
Employee-elected Board member
Served since 2020
Norwegian citizen

Brage Bliekken has been with Q-Free since 2009. He holds a BSc in Electronics Engineering from the R&D department.

Bliekken has a BSc in electronics from the Sar-Trøndelag University College in Trondheim, Norway.

Bliekken has no shares in Q-Free ASA*.

* Shares as of 28 April 2021



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CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Q-FREE GROUP

Amounts in TNOK	Note	2020	2019
Revenue from customers	10	686 305	982 317
Total operating revenue		686 305	982 317
Cost of goods sold	16	236 609	304 556
Project contractor expenses	11	107 551	118 372
Employee benefit expenses	11,12,13	331 338	328 786
Other operating expenses	23	136 030	137 956
Total operating expenses		611 528	689 674
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		75 777	72 643
Depreciation of property, plant and equipment	24	30 315	29 128
Amortisation of intangible assets	15	33 724	39 564
Impairment of intangible assets and P&E	15, 24	20 538	58 332
Total depreciation, amortization and impairment		84 577	127 024
Earnings before interest and taxes (EBIT)		-8 800	-54 381
Financial income	8	38 760	35 914
Financial expenses	8	-62 407	-51 563
Net financial items		-23 646	4 331
Profit before tax		-32 446	-50 050
Tax expenses	22	-8 549	69
Profit / () loss for the year from continuing operations		-40 995	-49 981
Profit / () loss for the year		-40 995	-49 981
Earnings per share	27	-0,46	-0,56
Diluted earnings per share		-0,46	-0,56
Earnings per share from continuing operations		-0,46	-0,56
Diluted earnings per share from continuing operations		-0,46	-0,56

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS
Q-FREE GROUP

Statement of profit or loss	page / 69	Additional Information	page / 116
Statement of comprehensive income	page / 70	22 Taxes	page / 118
Statement of financial position	page / 71	23 Other operating expenses	page / 119
Statement of cash flows	page / 74	24 Property, plant and equipment	page / 120
Statement of changes in equity		25 Lease commitments/lease liability	page / 121
		26 Subsidiaries	page / 122
		27 Earnings per share	page / 122
		28 Related parties	page / 123
		29 Non-current financial liabilities	page / 125
		30 Investments in other companies	page / 125
		31 Assets held for sale	page / 126
		32 Change in liabilities arising from financing activities	page / 126
		33 Subsequent events	page / 127
Index of notes			
General information and accounting policies			
1 Corporate information	page / 75	Alternative performance measures	page / 128
2 Basis for preparation	page / 75	Statement from the directors and the CEO	page / 157
3 Significant accounting policies	page / 75	Auditors report	page / 158
4 Critical accounting judgements and changes in accounting policies	page / 83		
Financial management			
5 Risk management	page / 84		
6 Capital management	page / 92		
7 Borrowings	page / 93		
8 Financial items	page / 94		
Performance			
9 Operating segments	page / 95		
10 Revenue, contract assets and advanced payments from customers	page / 97		
Compensation			
11 Employee benefit expenses	page / 101		
12 Management and board of directors remuneration	page / 102		
13 Share based compensation	page / 105		
Intangible assets			
14 Goodwill	page / 108		
15 Intangible assets	page / 111		
Working capital			
16 Inventory and costs of goods sold	page / 112		
17 Accounts receivable	page / 113		
18 Other current assets	page / 114		
19 Cash and cash equivalents	page / 114		
20 Accounts payable	page / 115		
21 Other current liabilities	page / 115		

The consolidated financial statements are presented in Norwegian kroner and all figures are rounded to the nearest thousand (TNOK) unless otherwise specified.



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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Q-FREE GROUP

Amounts in THOK	2020	2019
Profit / (-) loss for the year		
Other comprehensive income	-49 995	-49 991
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Currency translation differences, net of tax	-14 119	4 852
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	-14 119	4 852
Other comprehensive income for the year, net of tax	-14 119	4 852
Total comprehensive income for the period, net of tax	-55 114	-45 129

The accompanying notes are an integral part of the consolidated financial statements.

70

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Q-FREE GROUP

Amounts in THOK	Note	2020	2019
ASSETS			
Deferred tax assets	4, 22	18 823	15 564
Intangible assets	15	66 286	114 245
Goodwill	4, 14	286 576	285 270
Property, plant, and equipment	24	63 311	78 785
Non-current receivables			382
TOTAL NON-CURRENT ASSETS		413 997	494 246
Inventories	16	38 450	76 143
Contract assets	4, 10, 17	93 560	103 957
Accounts receivable	17	109 945	140 265
Other current assets	18	28 030	37 586
Cash and cash equivalents	19	74 961	31 051
Assets held for sale	31	91 003	
TOTAL CURRENT ASSETS		435 949	388 922
TOTAL ASSETS		849 946	883 168

71



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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Q-FREE GROUP

Amounts in THOK	Note	2020	2019
EQUITY AND LIABILITIES			
Subscribed share capital		33 905	33 905
Share premium		578 307	578 307
Other paid-in capital		31 961	21 223
Retained earnings		-331 048	-275 934
TOTAL EQUITY		313 115	357 502
Non-current borrowings	5, 7	179 200	160 000
Convertible bond	7	69 983	
Non-current financial liabilities	29	20 271	37 197
Total non-current liabilities		269 454	197 197
Current borrowings	5, 7	54 300	72 022
Advance payments from customers	10	11 050	4 253
Accounts payable	20	58 220	117 609
Taxes payable	22	3 555	3 531
Public debts payable		14 118	20 167
Current financial liabilities	29	20 110	54 414
Other current liabilities	21	78 888	56 473
Liabilities held for sale	31	27 157	
Total current liabilities		267 377	328 469
TOTAL LIABILITIES		536 831	525 666
TOTAL EQUITY AND LIABILITIES		849 945	883 168

The accompanying notes are an integral part of the consolidated financial statements.

Trondheim, 28 April 2021

Trond Valvik (Sign.) Chair of the board	Trine Helen Strømshes (Sign.) Board member	Storre Kjesbu (Sign.) Board member	Geir Beilvett Bjerlo (Sign.) Board member
Ingeborg Mølsen Høgstad (Sign.) Board member	Braze Blekken (Sign.) Employee-elected Board member	Yngve Halme (Sign.) Employee-elected Board member	Håkon Rypene Voldal (Sign.) President & CEO



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7.2

CONSOLIDATED STATEMENT OF CASH FLOWS

Q-FREE GROUP

Amounts in THOK	Notes	2020	2019
Cash flow from operations			
Profit before tax		-32 446	-50 060
Paid taxes	22	-5 330	-8 034
Depreciation and impairment of property, plant and equipment	24	30 315	29 128
Amortisation and impairment of intangible assets	15	54 262	97 696
Accrued interest expense		4 934	-173
Share-based payment expense	13	-233	348
Working capital adjustments:			
Changes in inventory		18 337	-4 147
Changes in contract assets		8 991	-26 738
Changes in accounts receivable		2 093	20 564
Changes in advance payments from customers		10 840	-10 086
Changes in accounts payable		-47 058	21 617
Changes in other items		21 882	-32 630
Net cash flow from operations		66 567	37 685
Cash flow from investing activities			
Investments in PP&E and intangible assets	15, 24	-24 011	-35 464
Acquisition of a subsidiary, net of cash acquired		-32 691	-44 765
Cash flow from investing activities		-56 702	-80 229
Cash flow from financing activities			
Cash proceeds from borrowings	7, 31	117 064	73 033
Cash proceeds from convertible bond	7, 31	75 777	0
Repayment of borrowings	7, 31	-115 585	-55 533
Payments of lease liabilities	31	-22 875	-19 901
Interest received		1 217	983
Interest paid		-13 905	-14 006
Cash flow from financing activities		41 693	-16 324
Effect on cash and cash equivalents of changes in foreign exchange rates			
		-7 868	209
Net change in cash and cash equivalents for the year		43 910	-58 649
Cash and cash equivalents per 01.01.		31 051	89 700
Cash and cash equivalents per 31.12.	19	74 961	31 051

The accompanying notes are an integral part of the consolidated financial statements.

7.3



Q-FREE ANNUAL REPORT 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY Q-FREE GROUP

Amounts in NOK	Subscribed share capital	Share premium	Other paid in capital	Retained earnings	Currency translation differences, net of tax	Total equity
Total equity 01.01.2019	33 905	578 307	20 950	-310 984	80 219	402 397
Profit / (-) loss for the year				-49 961		-49 961
Other comprehensive income					4 812	4 812
Total comprehensive income for the period	33 905	578 307	20 950	-360 965	45 031	357 228
Share-based payment expense			273			273
Total equity 31.12.2019	33 905	578 307	21 223	-360 965	45 031	357 502
Total equity 01.01.2020	33 905	578 307	21 224	-360 965	45 031	357 502
Profit / (-) loss for the year				-40 995		-40 995
Other comprehensive income					-14 119	-14 119
Total comprehensive income for the period	33 905	578 307	21 224	-401 960	70 912	302 388
Convertible bond issue			10 727			10 727
Total equity 31.12.2020	33 905	578 307	31 951	-401 960	70 912	313 115

On May 19, 2020, The Company issued Convertible Bonds at a par value of NOK 80 000. In accordance with IAS 32, the proceeds have been split between a debt element valued at fair market value, while the residual (option element for conversion right) should be considered equity. Net after deduction for transaction cost, the debt is valued at NOK 65 050 at time of issue, while the equity is valued at net NOK 10 727. Accrued interest have been added to the debt.

The Bonds bear interest at 6 months NIBOR + 4.00% per annum with deferral optionality, have a tenor of three years and an initial conversion price of NOK 4.3669 equal to a premium of 25% over the volume weighted average price of the Shares on the Oslo Stock Exchange the 22 April 2020 of NOK 3.4935. The Bonds are not listed. See note 32 regarding subsequent event – conversion of bonds.

The accompanying notes are an integral part of the consolidated financial statements.

74



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OUR BUSINESS

OUR PORTFOLIO

OUR RESULTS

NOTE 1 / Corporate information

Q-Free ASA is a Norwegian public limited liability company and has been listed on the Oslo Stock Exchange under the ticker QFR since 2002. The Group financial statements consist of the Q-Free ASA parent financial statements, as well as the subsidiaries as listed in Note 26 Subsidiaries.

The Q-Free Group (Q-Free or the Group) provides leading technology solutions to the global Intelligent Traffic Systems market. Over the past years, Q-Free has delivered systems projects and products in Europe, Asia Pacific, the Middle East and North and South America. Q-Free Group has 378 employees, working out of local offices in 16 countries around the world. Q-Free Group's corporate headquarters is located in Trondheim, Norway.

The Q-Free Group consolidated financial statements for the year ended 31 December 2020 were approved by the Board of Directors at its meeting on 28 April 2021.

NOTE 2 / Basis for preparation

Q-Free ASA has prepared the consolidated financial statements for 2020 in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU).

The consolidated financial statements are prepared on a historical cost basis, except for certain assets, liabilities and financial instruments which are measured at fair value. Preparation of financial statements including note disclosures requires management to make estimates and assumptions that affect amounts reported. Actual results may differ. See Note 4 Critical accounting judgements and changes in accounting policies.

The functional currency of Q-Free ASA is the Norwegian krone (NOK). The Q-Free group accounts are presented in NOK.

As a result of rounding adjustments, the figures in one or more columns included in the financial statements may not add up to the total of that column.

Presentation and classification of items in the financial statements is consistent for the periods presented.

NOTE 3 / Significant accounting policies

The following description of accounting principles applies to Q-Free's 2020 financial reporting including all comparative figures. See Note 2 Basis of presentation and Note 4 Critical accounting judgements and how accounting policies for additional information related to the presentation, classification and measurement of Q-Free's financial reporting.

Basis of consolidation

The consolidated financial statements include Q-Free ASA (parent) and subsidiaries. Subsidiaries are defined as companies in which Q-Free, directly or indirectly, has control. Control over an entity is evidenced by the Group's ability to exercise its power in order to affect any variable returns that the Group is exposed to through its involvement with the entity. Where voting rights are relevant, the Group is deemed to have control where it holds, directly or indirectly, more than half of the voting rights in an entity, unless Q-Free through agreements does not have corresponding voting rights in relevant decision-making bodies. Subsidiaries are fully consolidated from the date control commences until the date control ceases.

75



NOTE 3 / Significant accounting policies, cont.

Intercompany transactions and balances have been eliminated. Profits and losses resulting from intercompany transactions have been eliminated.

Business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 *Business combinations*. Consideration is the sum of the fair values, as of the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the entity. For each business combination, the Group measures the non-controlling interest in the acquiree as the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed and included in Other operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If a business combination is completed in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, as the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. Goodwill is not amortised, but is tested for impairment annually in the fourth quarter and more frequently if indicators of possible impairment are observed. In accordance with IAS 36 *Impairment of Assets*, for the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

Goodwill is monitored for internal management purposes on segment level.

Foreign currency

The consolidated financial statements are presented in NOK, which is the parent company's functional currency. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the appropriate exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated as of the reporting date exchange rate. All differences regarding translation are included in financial income or financial expense in the statement of profit or loss, with the exception of exchange differences on monetary items that are regarded as a part of the net investments from Q4 2020. These exchange differences are recognised as a separate component of other comprehensive income until the disposal of the net investment or settlement of the monetary item, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in other comprehensive income.

NOTE 3 / Significant accounting policies, cont.

The assets and liabilities of foreign operations are translated into NOK at the rate of exchange at the reporting date, and their profit or loss statements are translated at the exchange rates at the dates of the transactions. The exchange differences arising on the translation for consolidation purposes are recognised in other comprehensive income as currency translation differences, net of tax. On disposal of a subsidiary the cumulative translation adjustment of the disposed entity is recognised in the statement of profit or loss as part of the gain or loss on disposal.

Financial instruments

Financial assets and liabilities include investments in shares, accounts receivable and other current assets, cash and cash equivalents, borrowings, accounts payable and current financial liabilities.

A financial instrument is recognised when the Group becomes party to the instrument's contractual terms. Upon initial recognition, financial assets at amortised cost are measured at fair value plus transaction costs. Transaction costs relating to the acquisition of financial assets at fair value through profit or loss are recognised in profit or loss as they are incurred. An ordinary purchase or sale of financial assets is recognised and derecognised from the time an agreement is effective. Financial assets are derecognised when the Group's contractual rights to receive cash flows from the assets expire, or when the Group transfers the asset to another party and does not retain control or transfers practically all risks and rewards associated with the asset.

Financial liabilities represent a contractual obligation by Q-Free to deliver cash in the future and are classified as either current or non-current. Financial liabilities include borrowings and accounts payable. Financial liabilities are initially recognised at fair value including transaction costs directly attributable to the transaction and are subsequently measured at amortised cost. Financial liabilities are derecognised when the obligation is discharged through payment or when Q-Free is legally released from the responsibility for the liability.

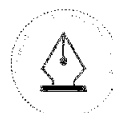
A financial asset or a group of financial assets which are subject to impairment will be impaired using the expected credit loss 3-stage model (ECL) or the practical expedient of lifetime ECL for accounts receivable in accordance with IFRS 9.

Revenue recognition

Q-Free recognises revenue from contracts in accordance with IFRS 15 Revenue from contracts with customers. Q-Free delivers products and system projects to their customers, and offers service and maintenance for the hardware sold. Revenue for products is recognised at a point in time, when control passes over, whereas for system projects and service and maintenance over time. For the overtime revenue recognition Q-Free mostly uses an input based percentage of completion method. See Note 10 Revenue, contract assets and advanced payments from customers for additional information related to revenue recognition.

Employee benefit expenses and pension expense

Payments to employees, such as wages, salaries, social security contributions, paid annual leave, as well as bonus agreements are accrued in the period in which the associated services are rendered by the employee. Contributions to defined contribution plans are recognised in the statement of profit or loss in the period in which they accrue.



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NOTE 3 / Significant accounting policies, cont.

Share-based compensation

The cost of equity-settled share-based payment transactions with employees is measured at fair value at the grant date. The cost of equity-settled share-based transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

The market value of granted share options are measured using a Black-Scholes model which takes into consideration the vesting period and conditions of the share options. The cumulative expense recognised for the equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense recognised for the reporting represents the change in total cumulative expense to be recognised measured at the beginning and end of the reporting period.

When options are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Social security tax related to share-based payments is recognised as a liability in the statement of financial position. For additional details see Note 12 Management and board of directors' remuneration.

Intangible assets

Intangible assets acquired individually or in a group are recognized at fair value when acquired. Intangible assets acquired in a business combination are recognized at fair value separately from goodwill when they arise from contractual or legal rights or can be separated from the acquired entity and sold or transferred. Following initial recognition, intangible assets are carried at historical cost less any accumulated amortisation and any accumulated impairment losses.

All the intangible assets currently held by Q-Free are assessed as having finite lives. Intangible assets with finite lives are amortised over their estimated useful life. Useful lives and the amortisation method is reviewed annually. The straight-line depreciation method is used as the best reflects the consumption pattern of the assets.

Expenses related to product development activities are capitalised if the product development activities comply with the defined criteria for capitalisation. Capitalisation assumes it is possible to identify the intangible asset and demonstrate that it is probable that the development work will be successful, and that the future financial benefits attached to the intangible asset will accrue to Q-Free.

If the criteria are satisfied, capitalised amounts will include the cost of materials and direct payroll expenses. Capitaliser development costs are subsequently recognised at historical cost less accumulated amortization and accumulated impairment losses.

Property, plant and equipment

Property, plant and equipment (PP&E) is recognised at acquisition cost. The carrying value of PP&E is the historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is measured on a straight-line basis over the estimated useful lives of the asset as follows:

NOTE 3 / Significant accounting policies, cont.

- Leasehold improvements: 5 years with a maximum useful life no greater than the lease term
- Project-related equipment: 5 years
- Office equipment: 3-5 years

The assets' residual values, useful lives and method of depreciation are reviewed annually and adjusted prospectively if appropriate. Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, in accordance with IAS 36 *Impairment of Assets*.

Impairment of non-financial assets

All non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, in accordance with IAS 36 *Impairment of Assets*.

The recoverable amount of an asset or cash-generating unit is its value in use or fair value less costs to sell, whichever is higher. Value in use is calculated as the net present value of future cash flows. The calculation of net present value reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is calculated on the basis of the estimated future cash flow based on board and management approved budgets and strategic plans for the Group. For assets held for sale, expected sales value for the assets have been estimated.

An impairment is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount. A CGU is the smallest identifiable group that generates a cash inflow that is largely independent of other assets or groups. The CGU level for the majority of Q-Free's assets is the segment. For assets held for sale, the CGU is the bundle of assets expected to be divested. Impairment related to CGUs is first to reduce the carrying amount of any goodwill allocated to the segment and then to reduce the carrying amount of the other assets in the segment on a pro-rata basis. These assets will normally be property, plant and equipment, and other intangible assets.

Taxes

Taxes payable is based on taxable profit for the year which excludes items of income or expense that are taxable or deductible in other years. Taxable profit also excludes items that are never taxable or deductible. Q-Free's liability for current tax is calculated using tax rates that have been enacted or substantively enacted as of the balance sheet date.

Deferred income tax expense is calculated using the liability method in accordance with IAS 12 *Income Taxes*. Deferred tax assets and liabilities are classified as non-current in the statement of financial position and are measured based on the difference between the carrying value of assets and liabilities for financial reporting and their tax basis when such differences are considered temporary in nature. Temporary differences related to intercompany profits are deferred using the buyer's tax rate. Deferred tax assets are reviewed for recoverability every balance sheet date, and the amount probable of recovery is recognized.

Deferred income tax expense represents the change in deferred tax asset and liability balances during the year, except for the deferred tax related to items recognized in Other comprehensive income or resulting from a business combination or disposal.



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NOTE 3 / Significant accounting policies, cont.

Changes resulting from amendments and revisions in tax laws and tax rates are recognized when the new tax laws or rates become effective or are substantively enacted. Uncertain tax positions are recognized in the financial statements based on management's expectations.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority, and when the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred taxes are not provided on undistributed earnings of subsidiaries when the timing of the reversal of this temporary difference is controlled by Q-Free and is not expected to happen in the foreseeable future. This is applicable for the majority of Q-Free's subsidiaries.

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying financial benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed on each balance sheet date and reflect the best estimate of the liability. When the passage of time is insignificant to the expense estimate, the provision will be recognised at nominal value. When the effect of time is significant, the provision will be the discounted present value of the estimated future payments required to settle the liability.

Inventories

Inventories are measured at the lower of cost and net realisable value. The net realisable value is calculated as the selling price less cost to sell. For manufactured products, the acquisition cost is calculated as direct and indirect costs.

Accounts receivable

Accounts receivable are initially recognised at fair value when the Group has an unconditional right to receive the consideration and the payment is only dependent on the passage of time. Accounts receivable are subsequently measured at amortised cost less any loss allowance. Accounts receivable are managed as held for collection and meet the criteria for solely payment of principal and interest (SPPI). The loss allowance is based on the lifetime expected credit loss model and adjusted for market and economic conditions based on management judgement.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position includes cash, bank deposits and all other monetary instruments with a maturity of less than three months from the date of acquisition and are measured at amortised cost.

Statement of cash flows

The statement of cash flows is prepared according to the indirect method. Interest received and interest paid is included in cash flows from financing activities. Dividends received and dividends paid is included in cash flows from financing activities. See also note 4 Critical accounting judgements and changes in accounting policies.

NOTE 3 / Significant accounting policies, cont.

Operating segments

Q-Free identifies its reportable segments and discloses segment information under IFRS 8 *Operating Segments*. For management reporting purposes, the Group is organised into segments based on product deliveries. Transfer prices between operating segments are based on an arm's length transaction basis.

Investment in other companies

Investment in other companies is classified as fair value over other comprehensive income (FVOCI). The fair value of the financial asset at level 3 as the investment is in a non-listed company. As of year-end 2020 this investment was determined to have a fair value of zero and the change in fair value was recognized in the statement of profit or loss. See also Note 30 Investment in other companies.

Convertible bond

In May 2020, Q-Free issued a convertible bond. In accordance with IAS 32 the proceeds from the transaction is presented net after transaction cost, and is split between debt and equity. The debt proportion is initially measured based on fair market value of the cash-flow from a similar loan without the conversion rights. Financial expense and payments will effect the measurement of the debt portion throughout the accounting period. The residual between net proceeds and debt proportion is considered an equity element. Upon conversion, the debt element will be reallocated to equity at its current value.

Assets held for sale

For assets where the carrying amounts will be recovered principally through a sale transaction rather than through continuing use, the assets will be classified as "held for sale" on a separate line under current assets. The related obligations are presented as liabilities held for sale under current liabilities.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the plan to sell the assets and the sale to be expected to be completed within one year from the date of classification.

Leases

In accordance with the implementation of IFRS 16, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group (the commencement date). Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee's incremental borrowing rate. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees



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NOTE 3 / Significant accounting policies, cont.

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments or penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are measured initially at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses, as well as any required adjustments due to a remeasurement of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an operating expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less at the commencement date of the lease. Low-value assets are relating to IT and other office equipment.

Changes in accounting policies as of 1 January 2020

Statement of cash flows

The group prepares the statement of cash flows in accordance with IAS 7 Statement of Cash Flows. During the accounting period, the statement of cash flows classifies cash flows from operating, investing and financing activities. Until 2020, interest received as well as interest paid was included in cash flows from operating activities. As of 1 January 2020, and onwards, interest received and interest paid is classified as an element in cash flow from financing activities. Under IFRS, the reclassification is considered a change in accounting principles. The corresponding figures for previous accounting periods have been restated, and the impacts on the relevant items are stated in the table below.

The interest that the Group receives and pays are related to activities that change the size and the composition of the contributed equity and the borrowings of the Group. For the purpose of the statement of cash flows to give a relevant and reliable view of the nature of the business and the origin of the cash flows in the Group, management has deemed the reclassification necessary. There is no change in total cash flows or in cash and cash equivalents in any of the accounting periods.

	12M 2019	12M 2020
Net cash flow from operations – before reclassification	24 662	52 887
Reclassification	13 023	13 700
Net cash flow from operations – after reclassification	37 685	66 587
Cash flow from financing activities – before reclassification	3 301	55 393
Reclassification	-13 023	-13 700
Cash flow from financing activities – after reclassification	-16 324	41 693

NOTE 3 / Significant accounting policies, cont.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Events after the balance sheet date

New information on the Group's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that will affect the Group's position in the future but do not affect the Group's position at the balance sheet date are disclosed if significant.

NOTE 4 / Critical accounting judgements and changes in accounting policies

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make estimates and judgements that affect the reported amounts of revenues, expenses, assets and liabilities. Uncertainty about these judgements and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future reporting periods.

Management has based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. The following accounting policies represent areas that are considered more critical, involving a higher degree of judgment and complexity.

Complex project revenue and contract asset recognition

Q-Free Group delivers Intelligent Traffic Systems solutions in many different locations world-wide, and at different levels of project size, duration and complexity. Projects that are of a shorter duration and/or lower complexity (due to the delivery of previously developed systems, for example) are generally straight-forward and do not require significant management judgement related to the recognition and measurement of project progress or project contract assets. Significant management judgement is, however, exercised over the life of the more complex projects.

Measurement and recognition of revenue and contract assets for complex projects with longer duration and a significant degree of new development (green field projects) requires management to make judgements based on their expectations of future customer behavior, expected future costs, system viability and delivery in accordance with customer expectations. Revenue recognition requires an assessment of the possibility of breach of contract and acceptance of the delivery by the customer, as the customer of complex projects is very often a governmental unit with the ability to refuse acceptance or change the requirements during the project lifetime.

Contract assets represent Q-Free's right to consideration in exchange for goods or services that Q-Free has transferred to the customer when that right is conditioned on something other than the passage of time. In some cases complex project contracts have generous terms towards the customer which can give rise to a significant contract risk for Q-Free as a supplier. Q-Free systematically work to reduce such risk. Assessment of the risk of the customer accepting the



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NOTE 4 / Critical accounting judgments and changes in accounting policies, cont.

Project deliveries requires management judgement and affects the timing and recognition of the contract asset (and correspondingly the project revenue) for these projects. Management makes assessments regarding what should be delivered within the contract, changes in project scope and/or time schedule changes that can affect the total cost structure and margin. Judgment is required related to estimating the probability of a possible or perceived breach of contract by the customer, rejection of the deliveries or progress made to-date or significant project specification changes not covered in the original transaction price agreement.

Contract management can be challenging, as there often are discussions regarding what deliveries are within the contract and which change orders are or are not to be included in the contract. Complex contracts usually include discussions during the lifetime of the project regarding changes and potential liability assessments related to errors and/or delays. All these management assessments affect the timing and recognition of contract assets / revenue and may not reflect the actual outcome of future reporting periods.

Goodwill impairment testing

In accordance with IAS 38 Impairment of Assets, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances give an indication of possible goodwill impairment. Q-Free performs an impairment test of goodwill annually in the fourth quarter.

Management monitors each cash-generating unit (CGU) for impairment indicators. Normally, each of the Group's reporting segments is defined as the lowest cash-generating unit level. Goodwill valuation is dependent on segment profitability, which is measured using a 12-month rolling metric for Revenue and EBITDA. If the profitability measures indicate that the segment is not performing in accordance with budgets and management expectations, the segment is tested for impairment. In Q4-20, assets reported as "held for sale" have been disintegrated. Each legal entity have been considered as a separate CGU, and valued in accordance with plans for divestment.

An impairment loss is recognised for the amount by which the CGU's carrying amount exceeds its recoverable amount. Management defines the recoverable amount as the estimated value in use. The value in use is the net present value of the estimated cash flows before tax. The discount rate used is the weighted average cost of capital (WACC) before tax, calculated for each CGU. A possible impairment of goodwill is determined by assessing the recoverable amount of the CGU to which the goodwill relates. For additional information, refer to Note 14 Goodwill.

Deferred tax assets

Valuation of deferred tax assets is dependent on Management's assessment of future recoverability of the deferred benefit. Expected recoverability may result from expected taxable income in the future, planned transactions or planned tax optimizing measures, all of which may be uncertain. In certain tax jurisdictions deferred tax assets may or may not be recognised when there are tax loss carryforwards.

Management recognises a deferred tax asset based on a tax loss carryforward position only to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Management exercises significant judgement in assessing if it is probable that future income will be available to utilise the deferred tax asset. The assessment is based on order backlog, prior years profitability margins, and the progress and margins realised to date on existing on-going projects. Deferred tax asset recognition is reassessed at each reporting date and additional deferred tax assets are recognised only to the extent that convincing evidence exists to support that taxable profits will allow the deferred tax asset to be recovered.

NOTE 5 / Risk management

Financial risk factors and risk management

The responsibility for funding, cash management and financial risk management is handled centrally by the group finance department in Q-Free.

Guidelines for the finance activities are determined by the financial strategy, which is reviewed and approved by the Board. The central treasury department acts as the corporate bank and is responsible for all external borrowing and hedging transactions in interest rates and currencies. Q-Free aims to limit its exposure to financial risk.

The Group is exposed to different financial market risks arising from normal business activities, primarily these risks are:

- Credit risk
- Currency risk
- Liquidity risk
- Interest rate risk

The Group currently has a low exposure to variability in the P&L and equity due to changes in fair value, as all financial instruments as of year-end 2020 are held at amortised cost. An overview of the Group's financial instruments is presented at the end of this note.

a) Credit risk

Risk related to a customer's ability to fulfil their financial obligations is generally considered to be low, given that the Group's customers are primarily government controlled entities, or relatively large and financially stable private companies. The Group overall has a historically low level of credit losses on accounts receivable.

Sovereign risk related to governments failing to honor their payment obligations may have increased in some markets due to reduced financial and political stability, although Q-Free Group has not incurred any losses during 2020 or 2019 on government related accounts receivable in any of the existing markets.

The Group only sells products or enters into long-term contracts with customers (private or government) with an acceptable credit record rating and low credit risk. The Group assesses regularly that outstanding customer balances are kept below Group policy credit limits and new sales are only made to customers with no history for significant credit problems.

When entering a new market, Q-Free assesses the credit risk in each individual case and utilises appropriate actions, including letters of credit, Norwegian Export Credit Agency (GIEK) guarantees, advance payments, or other similar measures to reduce customer specific credit risk.

The Group has no significant credit risk linked to any individual customer or to contracting parties that may be regarded as a group due to similarities in credit risk.

All cash balances are held in bank accounts that have been evaluated to meet Q-Free Group credit risk policies and Group cash balances are evaluated as of 31 December 2020 to have low credit risk.

Additional information related to accounts receivable and an aging analysis as of 31 December 2020 and 2019 is provided in Note 17 Accounts receivable.



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NOTE 5 / Risk management, cont.

b) Currency risk

Q-Free Group companies are exposed to currency risk in the ordinary course of business when sales or expenses are incurred in a currency other than the functional currency of the company. The Group's most important trading currencies are NOK, USD, GBP, EUR, THB and AUD and during the reporting period most of the Q-Free entities have engaged in transactions with currency exposure risk. The Group's policy is to denominate payment terms in customer and supplier contracts whenever possible in the local currency.

Funding for subsidiary companies in the Group is provided by Q-Free ASA to the entities in their local currency. Therefore Q-Free ASA, as the parent company, has currency risk related to the long-term funding of the operating entities with functional currencies other than NOK. Currency gain and losses considered a part of the net investment in a subsidiary are considered as comprehensive income, while other gain/losses are presented as financial/income/financial expenses.

Q-Free Group is also exposed to currency risk on the net investment in each of the subsidiaries made by Q-Free ASA. These currency exchange gains and losses are in the statement of comprehensive income presented as currency translation differences, net of tax.

As of 31 December 2020 the Group owns no foreign currency derivatives. This has however been the case in 2019. The currency exchange gains and losses from these derivatives are in the statement of profit or loss presented as financial income/financial expenses. Management is currently working to finalize a detailed currency risk strategy to address the exchange gains and losses from transactions in currencies other than the functional currency.

Table 5.3 gives the estimated sensitivity to the average change over the last 5 years in the EURO, GBP and USD exchange rate as compared to the Norwegian krone for the Group's profit before tax (due to currency changes in the Group's monetary assets and liabilities), with all other variables held constant.

Table 5.1 The split of revenues and the balance sheet as of 31 December in currencies

	Revenues		Assets	
	2020	2019	2020	2019
USD	28%	31%	40%	48%
EUR	24%	18%	17%	19%
GBP	9%	5%	16%	15%
NOK	19%	29%	12%	7%
OTHER	20%	17%	15%	11%

NOTE 5 / Risk management, cont.

Table 5.2 The split of the balance sheet as of 31 December in currencies was distributed between the balance lines as follows

	2020			2019		
	USD	EUR	GBP	USD	EUR	GBP
Deferred tax assets	38%	0%	46%	10%	10%	7%
Intangible assets	32%	1%	0%	67%	0%	0%
Goodwill	64%	18%	17%	0%	0%	0%
Property, plant and equipment	6%	4%	1%	85%	4%	1%
Total non-current assets	49%	13%	13%	24%	1%	14%
Investment	45%	33%	0%	8%	0%	14%
Contract assets	46%	0%	-7%	-1%	-1%	63%
Accounts receivable	35%	33%	0%	18%	15%	15%
Other current assets	5%	45%	0%	15%	35%	35%
Cash and cash equivalents	33%	44%	0%	-29%	43%	43%
Assets held for sale	11%	3%	86%	0%	0%	0%
Total current assets	31%	22%	16%	1%	26%	26%
TOTAL ASSETS	40%	17%	16%	12%	15%	15%
Total non-current liabilities	0%	0%	0%	100%	0%	0%
Total current liabilities	24%	7%	6%	6%	51%	11%
TOTAL LIABILITIES	12%	4%	3%	76%	6%	6%

	2019			2019		
	USD	EUR	GBP	USD	EUR	OTHER
Deferred tax assets	0%	14%	56%	23%	7%	7%
Intangible assets	31%	1%	18%	50%	0%	0%
Goodwill	62%	15%	23%	0%	0%	0%
Property, plant and equipment	19%	7%	5%	57%	12%	12%
Investments in other companies						
Non-current receivables	12%	0%	8%	0%	0%	79%
Total non-current assets	50%	11%	20%	16%	1%	1%
Investment	41%	16%	20%	17%	6%	6%
Contract assets	67%	-6%	1%	19%	19%	19%
Accounts receivable	31%	35%	6%	12%	17%	17%
Other current assets	15%	5%	2%	59%	18%	18%
Cash and cash equivalents	77%	178%	10%	-268%	103%	103%
Total current assets	45%	29%	7%	3%	22%	22%
TOTAL ASSETS	48%	19%	15%	7%	11%	11%
Total non-current liabilities	0%	0%	0%	98%	0%	0%
Total current liabilities	46%	3%	2%	42%	8%	8%
TOTAL LIABILITIES	26%	2%	1%	65%	5%	5%

A 10 percent weaker/stronger NOK would normally lead to a 5-10 percent increase/decrease in EBIT. Currency fluctuations would in addition affect the book value of assets and liabilities in



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NOTE 5 / Risk management, cont.

Q-Free's foreign subsidiaries, A 10 percent weakening/strengthening in the value of the NOK would have increased/decreased equity by approximately NOK 62,654 as per balance 31 December 2020. (This analysis assumes all other variables remain constant.) Such changes in value would however only have limited Profit and loss impact as they are mainly booked as translation differences against equity.

Table 6.3 Currency risk sensitivity analysis – isolated currency/ rate changes impact on earnings before interest and taxes (EBIT)

Amounts in NOK 10% currency change	2020		2019		2018		2017		2016	
	Income	Operating expenses	Income	Operating expenses	Income	Operating expenses	Income	Operating expenses	Income	Operating expenses
USD/NOK	25 218	-26 464	29 612	-36 340	30 391	-32 450	25 917	-28 269	-11 639	11 639
EUR/NOK	21 136	-6 747	16 915	-7 792	22 194	-5 767	32 729	-15 852	4 137	-4 137
GBP/NOK	7 772	-6 505	4 814	-4 704	6 116	-4 595	33 375	-33 155	2 182	-2 182

Table 6.4 Currency risk sensitivity analysis – isolated currency/ rate changes impact on equity

Amounts in NOK 10% currency change	2020		2019		2018		2017		2016	
	Increase	Decline	Increase	Decline	Increase	Decline	Increase	Decline	Increase	Decline
USD/NOK	27 374	-27 374	27 863	-25 734	25 734	-25 734	10 716	-10 716	-6 001	6 401
EUR/NOK	12 803	-12 803	15 321	-13 068	13 068	-13 068	12 345	-12 345	2 979	-2 979
GBP/NOK	11 610	-11 610	12 475	-12 475	12 492	-12 492	12 255	-12 255	1 702	-1 702

c) Liquidity risk

Liquidity risk is the risk that Q-Free will not be able to meet its financial obligations as they fall due. The Group manages liquidity through an ongoing review of future commitments. Management's strategy is to hold sufficient cash, cash equivalents, or undrawn credit facilities at any time to be able to finance Group operations, planned investments and obligations. Surplus cash funds are deposited in banks, or invested in money market funds, with the purpose of securing an acceptable, low-risk return on the invested capital. Excess liquidity is placed in higher-interest bearing accounts, in order to earn a better return but still have quick access to these funds. The Board of Directors assesses the available liquidity at the end of 2020 to be sufficient to finance the company's ordinary operations and operational investments for 2021. The liquidity have been substantially improved during 2020 due to new financial agreement with the main bank, issuance of a convertible bond loan and finalization of the Inflight share purchase obligation. The board continuously evaluates potential measures to finance any such share purchase.

The future liquidity have been strengthened as a subsequent event in 2021 following conversion of the convertible loan. See further information in note 32

Additional information related to borrowings and undrawn bank overdraft as of 31 December 2020 and 2019 is provided in Note 7 Borrowings and Note 19 Cash and cash equivalents.

NOTE 5 / Risk management, cont.

The tables below summarize the maturity profile of the Group's financial liabilities as of 31 December 2020 and 2019, based on contractual undiscounted payments, including estimated future interest payments.

Table 5.5 Financial liability maturity schedule

Year ended 31 December 2020:	On demand						3-6 months		6-9 months		9-12 months		1-2 years		2-5 years		6 years - maturity		Total
	144	1 407	1 423	1 438	2 877	181 576	3 714	1 777	1 799	3 568	12 458	8 108	3 714	81 778	21 465	57 843	59 200	188 865	
Non-current borrowings																			91 013
Convertible Bond (1)																			21 465
Non-current financial liabilities																			116 548
Current borrowings	28	8 927	17 100	13 170	18 618														57 843
Accounts payable	4 831	53 369																	59 200
Current financial liabilities	5 003	69 623	27 677	19 639	28 572	197 748	89 886												21 172
Total financial liabilities	5 003	69 623	27 677	19 639	28 572	197 748	89 886												438 548

(1) As a subsequent event, the Convertible bond has been converted to equity in January and February 2021

Year ended 31 December 2019:	On demand						3-6 months		6-9 months		9-12 months		1-2 years		2-5 years		6 years - maturity		Total
	298 <th>2 168 <th>11 269 <th>7 421 <th>62 046 <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>171 269</td> </th></th></th></th>	2 168 <th>11 269 <th>7 421 <th>62 046 <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>171 269</td> </th></th></th>	11 269 <th>7 421 <th>62 046 <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>171 269</td> </th></th>	7 421 <th>62 046 <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>171 269</td> </th>	62 046 <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>171 269</td>														
Non-current borrowings																			37 197
Non-current financial liabilities																			83 202
Current borrowings	24 551	93 068																	117 609
Accounts payable	24 551	93 068																	117 609
Current financial liabilities	24 551	93 068																	117 609
Total financial liabilities	24 551	93 068																	463 692

d) Interest rate risk

The Group is exposed to interest rate risk in the form of changing interest rates on borrowings with floating interest rates. The Group has interest-bearing debt and interest rate risk related to its long-term bank borrowings and short-term credit lines. Management emphasizes predictability at all times entering into any significant new interest bearing debt contracts, as changes in the interest level affect profit before taxes. Management regularly evaluates the need for active hedging of interest rate risk. As of 31.12.20 and 31.12.2019, the Group did not own any interest rate derivatives or have any explicit economic hedges in place to manage interest rate risk.

A change in interest rates of 100 basis points (bps) on the date of balance sheet recognition would have increased (reduced) the profit or loss by the amounts shown below. The analysis assumes that the other variables remain constant. The analysis was performed on the same basis as in 2019.



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NOTE 5 / Risk management, cont.

Table 5.6 Interest rate risk sensitivity analysis

Effect of an interest rate increase of 100 bps:

	31. December	
	2020	2019
Amounts in NOK		
Investments with floating interest rates	750	548
Loans with floating interest rates	-3 035	-2 535
Profit before tax	-2 285	-1 987

g) Financial instruments by measurement category

The following tables lists all financial instruments by measurement category in accordance with IFRS 9.

Table 5.7 Financial instruments by category

	31 December 2020			31 December 2019		
	Amortised cost	Fair value Level 3	Fair value Level 2	Amortised cost	Fair value Level 3	Fair value Level 2
Financial assets						
Investments in other companies						
Non-current receivables	109 945					108 945
Accounts receivable						
Other current assets	74 961			74 961		
Cash and cash equivalents	184 906			184 906		
Total						
Financial liabilities						
Non-current borrowings	179 200			179 200		
Convertible bond			69 983			69 983
Non-current financial liabilities	20 271			20 271		
Current borrowings	54 300			54 300		
Accounts payable	58 220			58 220		
Current financial liabilities	20 110			20 110		
Other current liabilities				78 868		
Total	419 969		69 983	408 952		

For most of the items, recognized amounts at amortised cost are assessed to reflect the fair value on a reasonable level.

The change in financial liabilities in Level 3 during the year is related to the payment of the contingent consideration as described in note 29.

NOTE 5 / Risk management, cont.

	31 December 2019	Amortised cost	Fair value Level 3	Fair value Level 2	Total
Financial assets					
Investments in other companies					
Non-current receivables		302			382
Accounts receivable		140 285			140 285
Other current assets					
Cash and cash equivalents		31 051			31 051
Total		171 638			171 638

Financial liabilities					
Non-current borrowings		160 000			160 000
Non-current financial liabilities		37 197			37 197
Current borrowings		72 022			72 022
Accounts payable		117 609			117 609
Current financial liabilities		21 763	32 651	516	54 930
Other current liabilities		56 473			56 473
Total		465 064	32 651	516	498 231

The levels of fair measurement

Financial instruments are categorized within different levels based on the quality of the market data for the individual instruments.

Level 1: Valuation based on quoted prices in an active market

Classified as level 1 are financial instruments valued by using quoted prices in active markets for identical assets or liabilities. Instruments in this category include listed shares and mutual funds, Treasury bills and commercial paper traded in active markets.

Level 2: Valuation based on observable market data

Classified as level 2 are financial instruments which are valued by using inputs other than quoted prices, but where prices are directly or indirectly observable for the assets or liabilities, including quoted prices in non-active markets for identical assets or liabilities.

Level 3: Valuation based on other than observable market data

Classified as level 3 are financial instruments which cannot be valued based on directly observable prices. For these instruments other valuation techniques are used, such as valuation of assets and liabilities in companies, estimated cash flows and other models where key parameters are not based on observable market data.

Included in this category are loans to customers and instruments where credit margins constitute a major part of adjustments to market value.

Gains or losses, that occur when the estimated fair value is different.



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NOTE 6 / Capital Management

Q-Free's capital management policy is to support long term growth in EBITDA and Cash Flow from Operations. The Board aims to maintain a healthy balance between liabilities and equity. Q-Free assesses its operational gearing (Net Interest Bearing Debt/Earnings Before Interest, Taxes and Depreciation/Amortisation) and the Group's equity ratio. The capital management measures may be subject to changes due to the financing of the company. See note 32. Subsequent events or changes in the first quarter of 2021.

Q-Free manages its liquidity and funding centrally to cover short and long-term capital needs. The Group has a cash pool where most European subsidiaries participate to the extent permitted by country legislation. The cash pool arrangements facilitate netting of cash positions for the participating subsidiaries within the Group reducing the external financing need and interest cost, and centralising management of aggregated positions at the parent company. See also note 5 Risk management for additional information related to liquidity and foreign exchange risk management.

The following table shows the change in Q-Free's capital management KPIs* for 2020 as of 31.12.2020 as compared to prior year.

Q-Free's capital management measures	2020	2019	% change 2019 to 2020
KPI			
EBITDA	75 777	72 643	4%
NIBD	228 522	200 970	14%
Operational gearing	3.0	2.8	9%
Equity ratio	37%	40%	-9%
Cash flow from operations	66 587	37 685	77%

* Refer to APM section for capital management measures definitions.

NOTE 7 / Borrowings

Type	Effective interest rate***	Maturity	31.12.2020	31.12.2019
Non-current				
Nordea – Term loan	3.20%	01.06.2022	25 000	70 000
Nordea – Term loan	3.20%	01.06.2022	29 230	34 730
Nordea – Term loan*	3.16%	28.05.2022	69 700	
Nordea – Revolving Credit Facility (RCF)	3.20%	01.06.2022	55 270	55 269
Total non-current borrowings			179 200	160 000
Convertible bond				
Convertible bond (NIBOR + 4.00%)	12.53%	19.05.2023	69 983	
Current				
Nordea – Term loan	3.20%	31.12.2021	25 000	15 000
Nordea – Term loan	3.20%	30.09.2021	17 000	10 000
Nordea – Term loan*	3.16%	31.12.2021	12 300	
Nordea – Credit line **		01.06.2022	47 021	
Total current borrowings			54 300	72 021
Total			303 483	232 021

* The facility is partly guaranteed by OLEK as part of the Norwegian government's Covid-19 support packages.
 ** Credit line is entered annually. OLEK facility is partially interest-free until the end of the year. The facility is available until 31.12.2021. The facility is currently not utilized.
 *** Effective October 20 increases.

Convertible Bond

On May 19, 2020 the Company issued Convertible Bonds at a par value of NOK 80 000. In accordance with IAS 32, the proceeds have been split between a debt element valued at fair market value, while the residual (option element (or conversion right) should be considered equity. Net after deduction for transaction cost, the debt is valued at NOK 65 050 at time of issue, while the equity is valued at net NOK 10 727. Accrued interest have been added to the debt.

The Bonds bears interest at 6 months NIBOR + 4.00% per annum with deferral optionality, have a tenor of three years and an initial conversion price of NOK 4.3689 equal to a premium of 25% over the volume weighted average price of the Shares on the Oslo Stock Exchange the 22 April 2020 of NOK 3.4935. The Bonds are not listed.

Under IAS 32, all interest on nominal amount is charged to the debt proportion of the convertible bond. For accounting purposes, the effective interest is therefore significantly higher than the nominal interest.

On December 15, Rieber & Sen AS increased their ownership in Q-Free past 33.3%. This triggered a "change of control event" for the holders of convertible bonds, enabling the bond-holders to convert the bonds to shares at a price of 3.6329 per share. As a subsequent event, all bond-holders representing the total nominal value of 80 MNOK have converted in January and February 2021. This will eliminate the 70 MNOK convertible bond debt. There will be no cash consideration for accrued interest.



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NOTE 7 / Borrowings, cont.

Debt covenants
Following a revision of the financial contract with its main bank in April 20, the following loan covenants apply:

There is a minimum equity ratio covenant of 35%, where equity ratio is defined as equity plus subordinated convertible bond divided on total assets.

At the end of Q4-2020 the covenant structure requires 12M reported EBITDA to exceed MNOK 30 and pr. end of Q1-2021 12M rolling EBITDA should exceed MNOK 45. Starting Q2-2021, covenant is based on measurement of leverage ratio (NBD) (excluding convertible bond)/EBITDA that should not be higher than 3.50 in Q2-2021 before being reduced to 3.25 in Q3-2021, 2.75 in Q4-2021 and 2.5 in Q1-2022 onwards.

The effective interest rate of selected facilities/borrowings are dependent if Q-Free's leverage ratio is above or below 2.75. The interest is currently Effective October 20) on the lowest level but will increase if leverage ratio increases above 2.75.

NOTE 8 / Financial items

Amounts in MNOK	2020	2019
Financial items		
Interest income	1 217	1 34
Realised exchange rate differences	17 579	9 462
Unrealised exchange rate differences	19 964	8 723
Fair value change in contingent consideration and other liabilities*		17 596
Financial income	38 760	35 915
Interest on borrowings	-9 823	-7 763
Interest expenses**	-9 786	-5 394
Realised exchange rate differences	-18 017	-10 186
Unrealised exchange rate differences	-21 366	-3 786
Fair value change in contingent consideration and other liabilities*		644
Other financial expense	-3 416	-5 098
Financial expense	62 408	31 563
NET FINANCIAL ITEMS	-23 648	4 332

* Interest expenses consist of interest on other items not classified as borrowings, such as convertible bond, leasing liabilities and default interest.
** Change in contingent consideration and other liabilities is explained by currency effects on the liability for the purchase of contingent consideration in the form of call options. The currency effects were purchased during Q2-20. The currency effect on settlement is classified as realized exchange rate differences.

Until to Q4-20, inter-company accounts have been considered as monetary items, and exchange differences arising on those inter-company accounts have been recognized in profit and loss. As of Q4-20, the Group considers certain inter-company accounts as intragroup financing. Such accounts are considered as long-term trading balances. Consequently, exchange differences arising on those inter-company accounts are recognized in other comprehensive income from Q4-20.

NOTE 9 / Operating segments

The Group discloses operating segment information under IFRS 8 Operating Segments, which requires the company to identify segments according to the organization and reporting structure used by management. Operating segments are components of a business that are evaluated regularly by the chief operating decision maker for the purpose of assessing performance and allocating resources. The Group's chief operating decision maker is the members of the corporate management team.

The operating segments are determined based on how resources and investments are allocated within the Group, as well as on differences in the nature of the operations, solutions, products and services. In 2019, The Group managed its operations in five segments, "Tolling, Parking, Infomobility, Urban and Inter-Urban. These segments are described in detail in 2019 annual report. Early 2020, The Group decided to reorganize the operation into 2 main operational segments, each headed by a Senior Vice President. Urban and Inter-Urban were merged into Traffic Management, "Tolling" where to have many same focus as before, but have included some activity formerly allocated to Parking and Infomobility. Remaining business in Parking and Infomobility was decided to be divested, and thus classified as "Held for sale".

TOLLING

Tolls are used to fund and maintain transport infrastructure such as roads, bridges, and tunnels. They are also increasingly applied to reduce traffic congestion and/or climate emissions. Toll schemes have evolved from charging motorists a flat fee for passing a certain point, to today's schemes where charges can be differentiated based on time of day, distance travelled, and type of vehicle used. Q-Free offers DSRC, ALPR, and image based solutions, as well as electronic toll collection systems (Multi-lane free-flow, truck tolling, congestion charging) within this segment. This segment has most of the business in Europe and APNICA, but also some activity in Americas.

TRAFFIC MANAGEMENT

Most countries and states/cities have centralized Traffic Management Centres ("TMC") where trained operators monitor and respond to incidents such as accidents, fires, and traffic jams. To make the right decision at the right time, operators need access to timely and relevant information. Therefore, highways, tunnels, and bridges are typically monitored by a combination of sensors and cameras to gather required data. Intelligent software applications analyse this data to provide situational awareness and recommend actions to operators.

Q-Free helps TMC operators expand their operational capabilities with a centralized intelligent system that supports traffic management, intelligent decision making, and multimodal transportation management. The Group's traffic management solutions for TMCs are currently primarily sold to state Departments of Transportation in North America.

Q-Free also offers smart traffic light intersection control systems. The Group offer single traffic light controllers and software and central software platforms for managing a network or system of traffic lights in urban areas. The Group's intersection control solutions are primarily sold in North America through a network of dealers and system integrators.

Revenues in this segment are generated through hardware (controllers) and software sales. Hardware is sold and invoiced based on traditional sales contracts. Software might be licensed over many years with recurring service and maintenance revenues.

Traffic-light systems and TMC are starting to become more integrated – an advantage for Q-Free being able to supply a full range of systems.



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NOTE 9 / Operating segments, cont.

HELD FOR SALE

Held for sale contains much of the business previously classified as parking and infomobility segments.

The parking business is mainly parking guidance systems in US and France, including both physical sensors and related software.

Typical infomobility solutions include traffic, bicycle and pedestrian detection and counting, weigh in motion, Journey time monitoring, and weather and air-quality monitoring.

Global Functions do not represent a separate segment but are expenses that are not relevant to allocate to one or more of the three segments. Group functions include corporate services, such as management and Group finance services at the Q-Free headquarters. These expenses are reported in a separate column as shown in the following table.

Segment performance is reported to the chief operating decision maker and evaluated based on four measures: Revenue, Gross Contribution, EBITDA and EBIT, and is measured consistently with operating profit or loss in the consolidated financial statements.

Gross Contribution is defined as revenues reduced by cost of goods sold and contractors. Contractors are included in the Gross Contribution measure as this expense is heavily correlated with project and service revenues. Contractors are external consultants and / or services that are consumed under project executions and service and maintenance work.

EBITDA is defined as income before financial income or expense, taxes and any depreciation, amortisation and impairment. EBIT / EBITDA is used in the income statement as a summation line for other accounting lines.

NOTE 9 / Operating segments, cont.

Order intake split 2020



Order backlog split 2020



Table 9.1 Operating segments "Biggle 2019 figures"

Segment	Order intake		%
	2020	2019	
TOLLING	620 664	638 394	65%
TRAFFIC MANAGEMENT	228 741	192 109	24%
FOR SALE	99 468	118 020	11%
Total	948 873	948 523	

Segment	Order backlog		%
	2020	2019	
TOLLING	920 821	914 325	85%
TRAFFIC MANAGEMENT	134 683	126 494	12%
FOR SALE	27 094	39 606	3%
Total	1 082 598	1 080 425	

Table 9.1 Operating segments

SEGMENTS	TOLLING			Traffic Management			Assets held for sale			Global functions			Totals		
	2020	2019	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
AMOUNT IN THOUS	460 266	519 525	519 525	82 746	72 087	82 746	72 087	533 014	591 612	3	303	102 862	78 699	253 141	292 006
EUROPE	19 994	17 784	206 404	231 077	27 833	27 833	43 145	253 141	292 006					889 305	962 317
AMERICAS	572 320	615 705	206 404	231 077	110 582	110 582	115 535								
Revenues	133 252	195 830	64 171	69 653	39 187	39 187	39 073	236 609	304 556						
COGS	82 304	82 982	3 529	13 354	21 518	21 518	22 025	107 851	118 372						
Contractors	398 365	336 882	138 704	146 070	49 877	49 877	54 437	545 145	539 389						
Gross contrib. -%	62,3%	54,7%	67,2%	64,1%	45,1%	45,1%	47,1%	61,3%	56,1%						
Total OPEX	252 821	247 662	140 673	140 691	46 943	46 943	50 613	28 931	27 782	469 368	466 746				
EBITDA	103 744	89 220	-1 989	7 379	2 905	2 905	3 824	-28 931	-27 782	75 777	74 643				
EBITDA margin	18,1%	14,5%	-1,0%	3,2%	2,7%	2,7%	3,3%	8,5%	7,5%						
Depreciation	29 893	34 370	21 613	20 162	12 534	12 534	14 159	64 039	68 692						
Impairment								20 538	58 332						
EBIT	73 851	54 850	-23 581	-12 784	-30 137	-30 137	-68 667	-28 931	-27 782	-8 800	-54 391				
EBIT margin	12,9%	8,9%	-11,4%	-5,5%	-5,5%	-5,5%	-59,4%	-1,0%	-5,7%						

NOTE 10 / Revenue, contract assets and advanced payments from customers

Diaggregation of revenue
In accordance with IFRS 15 management analyses the revenue contracts with customers and disaggregates the revenue into the following product / project categories, which depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors:

- Product deliveries
- Service & Maintenance
- System projects

Revenue from customers is disaggregated in the table below by geographical location, by type of product or project category, by the timing of the reception of revenue, and by segment.



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NOTE 10 / Revenue, contract assets and advanced payments from customers, cont.

Table 10.1 Disaggregation of revenue from contracts with customers

31 December 2020	TOLLING		TRAFFIC MANAGEMENT		ASSETS HELD FOR SALE		TOTAL	
	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020
Revenue from customers	572.320	615.705	206.404	231.077	110.562	115.535	869.306	962.318
At a point in time revenue recognition	117.476	214.129	89.889	86.692	25.830	28.382	233.195	329.204
Product deliveries (not related to projects)	117.476	214.129	89.889	86.692	25.830	28.382	233.195	329.204
Over time revenue recognition	159.925	134.935	31.208	32.858	3.379	4.055	194.512	171.849
Service & Maintenance	294.919	266.640	85.306	111.527	81.373	83.097	461.598	461.265
System Projects (includes over-time product deliveries related to projects)	454.844	401.576	116.515	144.386	64.752	87.152	686.111	633.114
Total over time revenue recognition								

NOTE 10 / Revenue, contract assets and advanced payments from customers, cont.

The transaction price for Service & Maintenance is usually a fixed price for the entire period of the service, unless the contract is linked to a service line agreement with special requirements. In that case the transaction price can be variable and management uses the expected value method to estimate the amount consideration.

Service & Maintenance on Q-Free products is offered to customers within all segments.

System projects

Q-Free offers system projects within all segments. Each project is tailored to the customer's needs and will vary from contract to contract. Some projects contain completely new concepts and products, for which Q-Free capitalizes internal development costs (see Note 15 Intangible assets). The length of the projects also varies from project to project. However, the main characteristics for examining a customer contract and revenue recognition under the IFRS 15 requirements are the same for all projects and are as described below:

Contracts with customers within System projects are set up in writing and are signed by both parties typically.

Projects consist of the delivery of hardware, installations, software, Service & Maintenance, as well as options for additional deliveries.

Options to acquire additional deliveries within the project are a separate performance obligation only if they provide a material right to the customer, i.e. if the price for the additional deliveries is significantly lower than the market price. If the option does not contain a material right, the option is not a separate performance obligation and is combined with the hardware, installations and software into one single performance obligation. Q-Free did not have any material rights in their 2019 contracts related to System projects.

Hardware, installations and software together form one performance obligation, since they benefit from each individual item on its own.

Service & Maintenance are one separate performance obligation, since the customer can benefit from those services on its own or together with other resources already available and the promise is separately identifiable by other promises.

The transaction price for the whole project is a fixed amount and is stated in each individual contract. A variable component can be included in the contract for late deliveries or performance bonuses. Management uses critical judgment, as well as the expected value method to estimate the amount of consideration to which Q-Free is entitled, as Q-Free has a large number of contracts with similar characteristics and experience with this type of projects.

The stand-alone selling price is used as a basis for the allocation of the transaction price to the different performance obligations, for example the allocation between Service & Maintenance and the other performance obligations in the project/customer contract. In cases where no stand-alone selling price is readily available, management uses a cost plus margin method to determine the stand alone selling price to be used in the transaction price allocations.

Revenue relating to system projects is recognised over time since Q-Free develops an asset for their customers that has no alternative use and is delivered at the customer's location. Q-Free is



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NOTE 10 / Revenue, contract assets and advanced payments from customers, cont.

also entitled to payment for work performed up to any point in time during the life of the contract. Revenue is recognised by measuring progress towards completion of the performance obligation. The method used to measure the progress and percentage of completion of each individual project is an input method which determines costs incurred to date and compares these costs to the expected overall cost for the project. Judgement is used in determining cost incurred to date and in estimating total project cost.

If the estimated life time of a project is more than 12 months, management takes into consideration the financing component of the contract.

Significant ongoing projects

The following table shows the total amount of contractually agreed transaction prices which are allocated to performance obligations that have not been satisfied as of year-end. This amount belongs to the outstanding part of the projects and will be recognised as revenue in future periods, when the performance obligations have been satisfied.

Table 10.2 Total amount of the transaction price for all ongoing system projects not yet recognised

Amounts in TNOK	2020	2019
Total amount of the transaction price for all ongoing system projects not yet recognised	488 719	452 330

Management expects that 61% of the transaction price allocated to the unsatisfied contracts as of 31 December 2020 will be recognised as revenue during the next financial year and 39% in the 2022 financial year. The amount disclosed above does not include variable consideration which is constrained.

Contract assets and advance payments from customers

Contract assets and advance payments from customers are disclosed in the Statement of financial position.

Contract assets

Contract assets are recognised whenever a performance obligation is satisfied before consideration is received. Contract assets are assessed for impairment in accordance with IFRS 9. As of 31 December 2020, contract assets have been reviewed for impairment, and are impaired in an amount of TNOK 0.

Advance payments from customers

Advance payments from customers is recognized if Q-Free receives consideration or if it has the unconditional right to receive consideration in advance of performance.

The following table shows the revenue recognised in 2020, with 2019 comparatives, that relates to advance payments from customers.

NOTE 10 / Revenue, contract assets and advanced payments from customers, cont.

Table 10.3 Revenue recognised from advance payments from customers

Amounts in TNOK	Advance payments in the period 2020	Recognized payments in the period 2020	Advance payments in the period 2019	Recognized payments in the period 2019
Revenue recognised in this period that was included in advance payments from customers at the beginning of the period:				
Tolling	5 803	2 221	2 221	9 984
Traffic Management	5 247			
Assets held for Sale	4 043	2 032	2 032	141
Total	11 050	4 253	4 253	10 085

NOTE 11 / Employee benefit expenses

Amounts in TNOK	2020	2019
Employee benefit expenses	260 859	277 239
Salaries	22 853	30 442
Social security costs	14 156	12 205
Pension costs (contribution plan)	-11 113	-14 728
Capitalised personnel costs	14 883	23 631
Other (personnel) related costs	331 338	328 788
Total	384	396
Average number of employees	384	396
Average number of man-years	376	396

Pension cost

The parent company has a defined contribution pension plan for the Norwegian employees. As of 31 December 2020, 109 employees in Norway (31 December 2019: 110) are included in the defined contribution pension plan.

The parent company contributes with 7% of salaries between 0 - 7.1 G and 15% of salaries between 7.1 - 12 G to the defined contribution pension plan, total TNOK 6,859 in 2020 (2019 total TNOK 4,911).

Conversion from defined benefit pension plan to defined contribution pension plan in 2019

The Parent company terminated the defined benefit plan per 31 December 2016, and all employees in Norway were from then included in the defined contribution plan. The 27 employees involved in this process were given a wage compensation for lost pension benefits. The cost of the compensation for the conversion to a defined contribution plan was estimated as the changes in fair value of future payments, using inputs such as compensation amount per employee, discount rate, annual growth rate in salaries, mortality rate, expected turnover and the possibility of future changes in pension compensation.

The wage compensation for lost pension benefits for the 27 employees involved was terminated on 31 December 2019. The provision for future payments as compensation for lost pension benefits on 31 December 2019 was TNOK 0.



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NOTE 12 / Management and Board of directors remuneration, cont.

Payments to senior management and Board of directors 2019:

Amounts in NOK	2019	Director's remuneration	Contribution to pension plan	Other Share-based remuneration	TOTAL		
Tore Valdehaug, Chair of the Board (1)	482				482		
Tore Valvik, Vice Chair of the Board (2)	331				331		
Ragnhild Wahl, Board member (3)	243				243		
Storre Kjesbu, Board member	256				256		
Ingeborg Molden Høgstad, Board member	278				278		
Time Strømnes, Board member (4)							
Rune Jeraandstad, Employee elected Board member	84				84		
Olav Gulling, Employee elected Board member	84				84		
Håkon Rypem Voldal, Chair Nomination committee	45				45		
Håkon Rypem Voldal, Chair Nomination committee	30				30		
Øystein Elger, Nomination committee							
Fredrik Thorsen, Nomination committee							
Håkon Rypem Voldal, Chief Executive Officer	3 427	1 533	76	12	5 059		
Tor Erik Knutsen, Former Chief Financial Officer (5)	2 373	613	76	12	3 177		
Peter Fredrik Ecker, Former Senior Vice President APMEA (6)	824		19	3	845		
Morten Andersson, Senior Vice President AMERKAS	2 389	773	304	377	3 912		
Fredrik Nordh, Senior Vice President EUROPE	2 001	614	437	114	3 257		
Arvid Strømme, Vice President Service Line Telling (7)	89		6	5	99		
Pål Andre Alnæs, Vice President Supply Chain Management	1 282	184	73	12	1 651		
Silje Trøseth, CTO	1 363	146	76	12	1 625		
Silje Trøseth, Vice President APMEA (8)	1 435	159	127	12	1 760		
TOTAL	15 183	4 072	1 863	1 194	547	303	23 162

1) Tore Valdehaug served as Chair of the Board until 14.01.2020
 2) Tore Valvik served as Acting Chair of the Board from 14.01.2020 until 28.05.2020
 3) Ragnhild Wahl served as Board member until 28.05.2020
 4) Time Strømnes served as Board member from 28.05.2020
 5) Tor Erik Knutsen served as Chief Executive Officer until 31.12.2019
 6) Peter Fredrik Ecker served as SVP APMEA until 12.03.2019
 7) Arvid Strømme served as Vice President Service Line Telling until 22.01.2019. The given amounts is related to this period.
 8) Silje Trøseth served as Interim SVP APMEA from 03.04.2019
 * Share based payment expense as the expense recognised in 2019. See note 13 for further information

NOTE 13 / Share based compensation

Share based option programme for the CEO – established may 2018
 The Parent company has implemented a five-year option program for the CEO that is distributed upon three tranches and with a maximum number of share options of 869 970. The options allocated under the program are vested with 1/3 each of the first three years and thereafter exercisable from two years after vesting until expiry of the program. Each option gives the right to acquire one share in Q-Free at given strike price. Tranche one of 377 834 options is exercisable in the period from 3 June 2021 to 3 June 2024. Tranche two of 269 881 options is exercisable in the period from 3 June 2023 to 3 June 2024. Tranche three of 222 255 options is exercisable based on average volume-weighted price for the Q-Free share in the month prior to the allocation (that is NOK 7.94 per share), and a mark-up equivalent to 40% (that is, NOK 11.12 per share) for the second tranche and 70% (that is, NOK 13.50 per share) for the third tranche. The agreement includes clauses to limit the maximum profit. For each tranche, if Q-Free's share price exceeds NOK 40 at the time of exercise, the strike price is adjusted upwards equal to the difference between the price of one Q-Free share at the time of exercise and NOK 40 per exercised option. If a shareholder, company, business or a group (as per definition in the Norwegian Securities Trading Act § 2-5) acquires control of more than two thirds of the stocks and/or votes in the Company, and the Company is consequently delisted from Oslo Børs, each and all of outstanding options mature. This entails that the CEO can exercise each and all of his options in a period of 30 days from the date final decision of delisting is made. If the options are not exercised within this period, the options expire without any form of compensation.

There is a change with effect from 12 July 2019 in the shareoption program for the CEO where it is specified a right to adjustments of the Strike if the Company sells parts of the business (sale of shares owned by Q-Free ASA or defined assets) and all or part of the received sales proceeds are paid out as dividends. This right applies for both share based option program for leading executives and CEO.

Specification of share option activity:	2020	2019	2018
Granted share options 01.01	869 970	869 970	869 970
Share options granted			
Share options exercised			
Share options option terminated			
Granted share options 31.12	869 970	869 970	869 970
Vested share options 31.12	647 715	377 834	
Exercisable share options 31.12			

The share options split for the CEO as per 31.12.2020:

Name	Position	Tranche	Number of options	Strike price	Agreement in force	Expires
Håkon Rypem Voldal	CEO	Tranche 1	377 834	NOK 7.94	03.06.2018	03.06.2024
		Tranche 2	269 881	NOK 11.12	03.06.2018	03.06.2024
		Tranche 3	222 255	NOK 13.50	03.06.2018	03.06.2024



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NOTE 13 / Share based compensation, cont.

Share based option programme for leading executives – established may 2017
 The Parent Company has implemented a five-year option program for leading executives that is distributed upon three tranches, and with a maximum number of share options of 2,500,000. The options allocated under the program are vested with 1/3 each of the first three years and thereafter exercisable from two years after vesting until expiry of the program. No consideration will be paid for the share options. Tranche one of 600,576 options is exercisable in the period from 1 October 2020 to 1 October 2023. Tranche two of 431,941 options is exercisable in the period from 1 October 2021 to 1 October 2023. Tranche three of 355,634 options is exercisable in the period from 1 October 2022 to 1 October 2023. The strike price for the first tranche is calculated based on average volume weighted price for the Q-Free share in the month prior to the allocation (that is NOK 8.52 per share). Strike price for the second tranche has a mark-up equivalent to 40% (that is NOK 11.93 per share), and 70% (that is 14.49) for the third tranche. The agreements include clauses to limit the maximum profit. If the share price for one Q-Free ASA share at the time of exercise of share options is higher than NOK 40 per share, the strike price shall be adjusted up with the difference between the share price for one Q-Free ASA share for the above-mentioned time and NOK 40 per exercised share option.

There is a change with effect from 1 April 2019 in the share based option programme for leading executives. If a shareholder, company, business or a group (as per definition in the Norwegian Securities Trading Act §2-5) acquires control of more than two thirds of the stocks and/or votes in the Company, and the Company is consequently delisted from Oslo Børs, each and all of outstanding options mature. This entails that the leading executives can exercise each and all of his options in a period of 30 days from the date final decision of delisting is made. If the options are not exercised within this period, the options expire without any form of compensation. Furthermore, with effect from 12 July 2019, it is specified a right to adjustments of the Strike if the Company sells parts of the business (sale of shares owned by Q-Free ASA or defined assets), and all or part of the received sales proceeds are paid out as dividends.

Specification of share option activity:	2020	2019
Granted share options 01 01	1 794 491	1 392 053
Share options granted		402 438
Share options exercised	594 548	
Share options expired/terminated	1 199 943	1 794 491
Granted share options 31.12	972 286	1 036 419
Vested share options 31.12	346 362	442656*

NOTE 13 / Share based compensation, cont.

The share options split for leading Executives as per 31.12.2020:

Name	Position	Tranche	Number of options	Strike price	Agreement in force	Expires
Tor Erik Krutusen*	Former CTO	Tranche 1	258 216	NOK 8.52	02.10.2017	31.01.2020
		Tranche 2	164 440	NOK 11.93	02.10.2017	31.01.2020
		Tranche 3	151 892	NOK 14.48	02.10.2017	31.01.2020
Morten Arntsen	SVP Traffic Management	Tranche 1	171 371	NOK 8.52	02.10.2017	02.10.2023
		Tranche 2	83 836	NOK 11.93	02.10.2017	02.10.2023
		Tranche 3	69 042	NOK 14.48	02.10.2017	02.10.2023
Fredrik Nordh	SVP Tolling	Tranche 1	228 991	NOK 8.52	02.10.2017	02.10.2023
		Tranche 2	163 565	NOK 11.93	02.10.2017	02.10.2023
		Tranche 3	134 700	NOK 14.48	02.10.2017	02.10.2023
Jan Erik Sandberg	CTO	Tranche 1	174 781	NOK 8.01	01.04.2019	31.03.2025
		Tranche 2	124 844	NOK 11.21	01.04.2019	31.03.2025
		Tranche 3	102 813	NOK 13.62	01.04.2019	31.03.2025

* Tor Erik Krutusen resigned from his position as per 31.12.2019. Tranche 1 was at the date of resignation vested. The agreement regulated that vested options may be exercised within 1 month after resignation. The vested options were not exercised.

NOTE 14 / Goodwill

In accordance with IAS 36, goodwill is reviewed at least annually for impairment and, in addition, whenever impairment indicators are determined to be present. Management has elected to perform the annual impairment test of goodwill in the fourth quarter. The carrying amount is not recoverable if it exceeds the higher of the asset's or cash generating units' fair value less costs to sell or the value in use. An impairment loss is recognized in the amount that the carrying value exceeds its recoverable amount.

See also Note 4. Critical estimates, significant judgements and new accounting standards for additional information regarding goodwill impairment testing.

Cash generating units

From 1 January 2020, Q-Free Group has reported the following segments:

- Tolling
- Traffic Management
- Assets held for sale

In first quarter 2020, Q-Free decided to change its reporting segments where most of the business was concentrated in two segments named Tolling and Traffic Management. Most of the business previously allocated to Parking and Informability was classified as held for sale. Following this reorganisation, the goodwill in the previous Urban and Inter-Urban segments were merged into Traffic Management.



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NOTE 14 / Goodwill,
cont.

CGU / Segment (Amount in TND)	31 December 2020	Goodwill 31 December 2019	Goodwill Reallocated goodwill 1 January 2020
Tolling	37 219	37 535	37 535
Parking (held for sale)	0	0	0
Infomobility (held for sale)	16 299	16 214	16 214
Urban	0	120 596	0
Inter-Urban	0	110 925	0
Traffic Management	229 357	231 521	231 521
Sum	282 875	285 270	285 270
Transferred to Assets held for sale	16 299	16 214	16 214
Goodwill in the balance sheet	266 576	268 270	268 270

Recoverable amount

The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. Q-Free determines the recoverable amount per segment (CGU) based on cash flow projections for the next 3 years with an annual estimated growth rate of 2% for subsequent periods. The projected cash flow is based on the most recent financial target document approved by the board, and the overall financial plan for the next 3-year period. These cash flow projections express the best judgment of management.

Management targets for the 2020 testing of goodwill are based on the following inputs to the model:

- Order backlog
- 12-month rolling P&L figures for the next 3 years
- Target customer contracts for 2021
- Expected COGS development
- OPEX forecast for the next 3 years

The discount rate for each segment is defined as the weighted average cost of capital (WACC) for a similar business in the same business environment. For 2020 the WACC has been estimated to be between 7.9% and 8%. The WACC estimated for each segment is given in the table below:

Segment	WACC
Tolling	8.0%
Held for sale	8.0%
Traffic Management	8.0%

Goodwill Impairment test

Management has compared the recoverable amount per segment to the carrying amount of the goodwill per segment. For all segments, the analysis shows recoverable amount in excess of carrying value at year-end 2020. For Infomobility, the carrying value is below historical cost due to an impairment in 2019. However, the 2019 write down can not be reversed under IAS 36

NOTE 14 / Goodwill,
cont.

Recognised impairment losses - Parking (held for sale)	2020	2019
Goodwill 1 January	0	10 106
Acquisition through a business combination	0	-10 239
Impairment losses	0	133
Exchange rate differences	0	0
Goodwill 31 December	0	0

Recognised impairment losses - Infomobility (held for sale)	2020	2019
Goodwill 1 January	16 214	42 110
Acquisition through a business combination	0	-26 449
Impairment losses	0	553
Exchange rate differences	65	0
Goodwill 31 December	16 299	16 214

Key assumptions used in recoverable amount calculations and sensitivity to changes in assumptions

The calculation of recoverable amount for all three CGUs is most sensitive to the following assumptions:

- Market share
- Cost development
- Discount rates
- Growth rates

Market share and cost development assumptions

The assumed market shares within each segment in the forecast period and beyond could reasonably impact the order backlog and the 12 month rolling revenues, which in turn could reasonably impact the projected cash flows. When applying market share assumptions, management assesses how the unit's position, relative to its competitors, might change over the forecast period. When making the assumptions, management has considered economic development in general, technical development and requirements within the ITS markets in specific and considered the potential impact from the global Covid-19 pandemic.

12 month rolling revenue forecast is based on a stable market share in the markets for all segments.

Forecast figures for cost of materials, labour and administrative expenses are used to project cost development. Past actual raw material price movements are used as an indicator of certain future price movements.

Impacting revenues and operating expenses respectively, market share and cost development together make up key assumptions on the projected cash flows. Other assumptions remaining constant, decreasing market shares which impacts revenues negatively would also impact projected cash flows negatively. Moreover, increasing operating expenses would impact projected cash flows negatively, other assumptions remaining constant.

On aggregated levels for each CGU, management has assessed how either of the scenarios or a combination of both would impact projected cash flows.



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NOTE 14 / Goodwill,
cont.

The Tolling market has to some extent been impacted by the global pandemic in 2020 from reduced travelling. Still, sustainable revenues and a streamlined organisation has delivered growth in net results for the year. Taking reasonable expectations on revenue development and expenses into consideration, management is of the opinion that cash flow reductions within reasonable boundaries would not impact the impairment analysis significantly.

Traffic Management has been affected by the global pandemic in 2020 by delayed purchases from public sector customers, impacting revenues negatively. However, management's expectations to market rebound combined with a strong order backlog and a restructured organisation, management is of the opinion that cash flow reductions within reasonable boundaries would not impact the impairment analysis significantly. Traffic Management have been subject to special consideration of sensitivity to changes in underlying assumptions in the analysis. The analysis is robust towards changes in WACC and cash flow in the next couple of years. However, should there unexpectedly be no persistent improvement in cashflow from operations from 2022 onwards, there is a risk that an impairment of goodwill could become necessary.

The core markets for the assets held for have been affected by the global pandemic, resulting in project delays. However, with reduced cost levels and strong order backlog, securing sustainable revenues, management is of the opinion that cash flow reductions within reasonable boundaries would not impact the impairment analysis significantly.

Discount rates

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. Management recognizes that a rise in the WACC of 3 percentage points (from 8% to 11%) would result in impairment in Traffic Management. For Tolling and Assets held for sale, the rise in WACC within reasonable boundaries are not considered as impacting the impairment analysis significantly.

Growth rates

Growth rates are based on industry data. Management is of the opinion that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts, but could yield a reasonable possible alternative to the estimated long term growth rate of 2% for all CGUs. A negative long term growth rate in Traffic Management would result in an impairment. For Tolling and Assets held for sale, the reduction growth rate within reasonable boundaries are not considered as impacting the impairment analysis significantly.

NOTE 15 / Intangible assets

	OUR BUSINESS	OUR PORTFOLIO	OUR RESULTS
		Capitalized development cost	Acquired intangible assets
			Total
Acquisition cost 01.01.2019	171 381	146 938	317 319
Additions	28 971	22	28 993
Foreign currency translation effect	860		443
Acquisition cost 31.12.2019	201 232	146 960	347 635
Accumulative amortisation and impairment 01.01.2019	66 320	109 863	172 183
Amortisation of the year	22 132	16 831	39 963
Impairment	21 644		21 644
Accumulated amortisation and impairment 31.12.2019	110 086	122 694	233 390
Carrying value 31.12.2019	90 536	23 769	114 245
		Capitalized development cost	Acquired intangible assets
			Total
Acquisition cost 01.01.2020	201 232	146 403	347 635
Additions	19 008		19 008
Assets held for sale	-21 775	-2 944	-24 719
Foreign currency translation effect	-841	571	-270
Acquisition cost 31.12.2020	197 654	144 030	341 684
Accumulative amortisation and impairment 01.01.2020	110 696	122 694	233 390
Amortisation of the year	20 845	12 864	33 709
Impairment	16 282		16 282
Assets held for sale	-4 611	-3 372	-6 983
Accumulated amortisation and impairment 31.12.2020	143 212	133 186	276 398
Carrying value 31.12.2020	54 442	10 844	65 286
Estimated lifetime	average 5 years	average 5 years	
Amortisation schedule	Straight line	Straight line	

Capitalized development cost

Development costs are capitalised in accordance with the accounting policy in Note 3. Significant accumulated costs and the capitalised amount less accumulated amortisation is presented in the statement of financial position as "Intangible assets". Initial recognition of the capitalised cost is based on management's judgment that technological and financial feasibility has been confirmed. This confirmation normally occurs when a Systems project that includes product development has reached a defined milestone according to the project management model. In determining the amount to be capitalised, management makes a judgement as to the level of expected future cash flows from the product, the discount rate to be applied, and the expected product lifetime.



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NOTE 15 / Intangible assets, cont.

Capitalised development costs mainly consist of personnel expenses, purchase of materials as well as external services. Capitalised development costs are amortised over the products expected lifetime. The estimated useful lifetime is continuously evaluated. Capitalised development costs as of 31 December 2020 consist of product development that supports the Group to deliver fully integrated ITS projects, products, systems and services in the following segments:

- Tolling, DSRC tags and readers, ALPR and image based solutions, Electronic toll collection systems (Multilane free-flow, truck tolling, congestion charging, etc.).
- Inforobility (held for sale): Traffic, bicycle & pedestrian detection and counting, Weight in motion, Journey time monitoring, Weather & air-quality monitoring.
- Traffic Management: Local intersection/traffic controllers, Centralised traffic controller SW, Cooperative ITS solutions, Advanced Traffic Management systems, Traffic Information Systems, Ramp Metering, Truck Parking.

Acquired intangible assets

Acquired intangible assets consist of technology, customer relationships and order backlog based on fair value assessments at the date of the acquisition. The carrying value 31.12.20 mainly consist of technology within the Traffic Management segment (INOK 10,843).

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Impairment

In 2019, indications of impairment of intangible assets in the Parking segment (classified as held for sale) was identified. Based on an analysis of recoverable amount, an impairment of INOK 21,844 was recognized. A renewed analysis in December 2020 led to an additional impairment of INOK 16,282.

NOTE 16 / Inventory costs of goods sold

Amounts in INOK	2020	2019
Inventory specification:		
Raw material and semi-manufactured products	18 949	46 007
Finished goods	13 683	27 605
Inventory for maintenance contracts	16 538	13 915
Provision for obsolescence	-10 722	-11 384
Total	38 459	76 143

All inventories are valued at the lower of cost and net realisable value. Change in inventory with costs to net realisable value recognised as an income for the Group INOK 0,101 in 2020 (2019: INOK 2,679), which is recognised in cost of goods sold.

NOTE 16 / Inventory costs of goods sold, cont.

Amounts in INOK	2020	2019
COGS specification:		
Inventory transferred to customers	227 138	289 465
Freight, customs etc.	6 669	8 445
Warranty costs	3 003	644
Write-down to net realisable value	-101	-2 697
Total	236 609	304 556

NOTE 17 / Accounts receivable

Amounts in INOK	2020	2019
Accounts receivable	109 945	140 581
Loss allowance		-316
Total	109 945	140 265

There is no single customer who represents a large share of the accounts receivable and therefore pose a material credit risk. The accounts receivable are spread across all of the segments and in different countries.

Accounts receivable are denominated in different currencies spread across the different operating segments. The table below shows the distribution in NOK of the different currencies. Accounts receivable are generally not guaranteed, and the Group continually evaluates the credit risk associated with the receivables. The balance in accounts receivable as of 31 December 2020 is the maximum exposure for the Group.

Distribution by currency

Amounts in INOK	31 December 2020	31 December 2019
Accounts Receivables EUR	35 862	48 513
Accounts Receivables USD	37 556	43 373
Accounts Receivables GBP		7 769
Accounts Receivables SEK	4 789	3 874
Accounts Receivables AUD	1 351	5 483
Accounts Receivables NOK	19 500	16 927
Accounts Receivables other	10 486	14 226
Total	109 945	140 265

The Group measures the impairment loss on accounts receivable using a lifetime expected credit loss (ECL) model according to IFRS 9. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected credit loss rates in the provision matrix are based on the payment profiles of sales over a period of 24 months before 31 December 2020 or 31 December 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information based on macroeconomic factors affecting the estimated ability of the customers to settle the receivables. Management



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NOTE 17 / Accounts receivable, cont.

has identified the probability of a customer's bankruptcy and geographic location of the customer to be the most relevant factors, and accordingly adjusts the historical loss rates appropriately.

Aging of gross trade receivables		Not due	< 30 days	30-60 days	60-90 days	>90 days
Amounts in TNOK		Total				
31 December 2020	109 945	80 487	17 467	3 414	2 056	6 501
Loss allowance						
Net value 2020	109 945					
31 December 2019	140 531	101 081	16 281	3 887	1 833	17 459
Loss allowance		-316				-316
Net value 2019	140 265					

NOTE 18 / Other current assets

Amounts in TNOK	2020	2019
Prepaid taxes	3 591	16 057
Outstanding public duties		-1 869
Prepaid rent	6 325	1 450
Prepaid software licenses	1 850	1 518
Prepaid insurance	992	1 482
Prepaid system project expenses	446	206
Other prepaid expenses	3 639	3 676
Other receivables	11 185	14 987
Total	28 030	37 596

NOTE 19 / Cash and cash equivalents

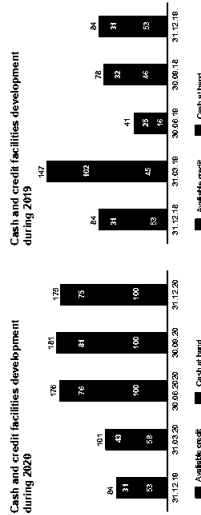
Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and the interest earnings at the respective short-term deposit rates.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31 December:

Amounts in TNOK	2020	2019
Liquidity funds		
Cash at banks and on hand	74 951	31 051
Total cash and cash equivalents	74 951	31 051

As of 31 December 2020, the Group had available TNOK 100,000 (2019: TNOK 52,978) of undrawn bank overdraft and TNOK 30,293 (2019: TNOK 15,075) of undrawn guarantee facilities in which all conditions precedent had been met.

NOTE 19 / Cash and cash equivalents, cont.



NOTE 20 / Accounts payable

Amounts in TNOK	2020	2019
Accounts payable USD	22 919	53 138
Accounts payable NOK	13 147	35 354
Accounts payable EUR	7 623	12 098
Accounts payable GBP	48	4 285
Accounts payable SEK	3 368	2 900
Accounts payable DKK	481	2 408
Accounts payable AUD	1 559	5 319
Accounts payable other	9 075	2 107
Total	58 220	117 609

NOTE 21 / Other current liabilities

Amounts in TNOK	2020	2019
Other current liabilities		
Accrued wages (holiday pay and bonus schemes)	25 202	17 223
Warranty provisions (see specification for changes during the year)	10 027	12 506
Accrued expense	35 340	22 172
Restructuring provision		914
Miscellaneous	7 299	3 656
Total	78 868	56 473

Warranty provision

The Group estimates probable warranty expense on sales based on historical data and an evaluation of the portfolio of delivered products still under warranty.

Provision for warranty expense is calculated depending on the remaining guarantee period for various products, and based on the historical effect of defects and a calculation of probability for the defect to occur for the remaining products under warranty. The calculation is made on an individual basis per product, and the assumptions vary for the different products and also take



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NOTE 21 / Other current liabilities, cont.

into account the expected expenses associated with new warranty claims that are identified. Unused accruals for warranties are reversed at the end of the guarantee-period. All provisions specified in the table below are classified as current liabilities and are presented as part of Other current liabilities in the consolidated statement of financial position.

	2020	2019
<i>Amounts in TNOK</i>		
Warranty provision		
Amount 01.01.19	13 155	
Utilised during 2019	-4 491	
Additions during 2019	3 844	
Total 31.12.19	12 508	
Amount 01.01.20	12 508	
Utilised during 2020	-4 857	
Additions during 2020	2 376	
Total 31.12.20	10 027	

NOTE 22 / Taxes

	2020	2019
Total tax expense for the period		
Taxes payable on this year's profit for Norwegian companies	11 819	4 395
Taxes payable on this year's profit for foreign companies	100	30
Change in deferred tax for Norwegian companies	-3 370	-4 493
Total	8 549	68

Tax rate	2020	2019
Taxes payable for the year		
Profit before tax	-32 446	-50 049
Permanent differences	45 884	64 795
Change in temporary differences	37 733	-17 838
Utilisation of previously unrecognised tax losses	-7 277	11 066
Basis for taxes payable	43 864	7 934

	2020	2019
Specification of taxes payable		
Taxes payable on this year's profit, Norwegian companies	11 201	4 300
Taxes payable on this year's profit, foreign companies	6 720	-11 588
Advance tax payment, foreign companies *		-3 039
Carried forward tax compensation		
Advance tax payment, foreign companies, reclassified to Other current assets	544	13 764
Transferred to assets held for sale	16	
Total taxes payable	3 955	3 551

NOTE 22 / Taxes, cont.

Specification on basis for deferred tax

	2020	2019
Specification of deferred tax assets (-) / deferred tax liabilities (+)		
<i>Differences evaluated to be offset:</i>		
Property, plant and equipment	-14 836	-19 084
Non-current receivables	-13 089	3 201
Current assets	-3 163	-5 274
Liabilities		
Tax losses carry-forward	-121 583	-109 594
Other differences	-5 786	-2 189
Total	-158 557	-134 245
Unrecognised deferred tax assets	139 735	118 681
Net recognised deferred tax assets (-) / deferred tax liabilities (+)	-18 822	-15 564

	2020	2019
Recognised deferred tax assets (-)	-18 822	-15 564
Recognised deferred tax liabilities (+)		
Reconciling the tax expense		
Earnings before tax	-32 446	-50 049
Calculated tax at domestic tax rate per country	-7 138	-10 697
Tax result permanent differences and tax rate difference	10 088	12 976
Use of previously unrecognised loss carried forward (-) / Increase in valuation allowance **	-4 601	-2 260
Adjusted allocated tax from last year	7 199	-87
Tax expense	8 549	68

* Paid withholding tax in foreign subsidiaries.

Deferred tax assets are recognised when the Group can document future taxable profits to utilise the tax asset per company. The deferred tax asset is recognized for the amount corresponding to the expected taxable profit based on the convincing evidences. The carrying amount of deferred tax assets is reviewed at each reporting date (quarterly) and reduced to the extent that convincing evidences no longer exists for the utilization. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that convincing evidences exists supporting that taxable profits will allow the deferred tax asset to be recovered. The actual outcome of future tax costs may deviate from these estimates.

The carrying value of recognised deferred tax assets as of 31 December 2020 was TNOK 18,822 and represents 12% of the total possible deferred tax asset that could have been recognised based on unutilised tax losses and estimated reversal of temporary differences (TNOK 15,564 as of 31 December 2019; 11% of the total possible deferred tax asset).

Undertaken an assessment of the criteria under IAS 12, the Group has not included deferred tax asset in Norway related to tax losses carried forward of TNOK 61,514 as at 31 December 2020 (2019: 52,076). In addition the group has not included deferred tax asset of TNOK 78,220 as at 31 December 2020 for the Group (2019: 118,681). Of this amount, TNOK 51,325 (2019: 93,694)



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NOTE 22 / Taxes, cont.

is related to tax losses carried forward. TNOK 19,169 (2019: 6,255) related to acquisitions in the US and TNOK 7,725 (2019: 18,731) is related to other temporary differences.

For additional information related to recognition of deferred tax assets, please see Note 4: Critical accounting judgments and changes in accounting policies.

NOTE 23 / Other operating expenses

Amounts in TNOK	2020	2019
Other operating expenses	45 814	35 586
External services	10 492	25 354
Travel expense	21 687	21 283
Office supplies	5 645	4 221
Insurance	1 358	1 167
Freight	11 455	11 166
Rent machinery & tools	5 073	7 933
Marketing / promotions	4 043	4 539
Service & Maintenance	6 704	7 593
Operating materials		673
Credit losses		19 768
Other	25 759	19 768
Total	138 030	137 958

Project contractor expenses

Project contractor expenses include costs for external consultants and / or services that are consumed under project executions and service and maintenance work. These expenses are not included as part of other operating expenses.

The Group has the following audit related fees, provided by our elected auditor, included in the "External services" in the table above (all figures excl. VAT).

Category	2020	2019
Audit services provided by elected auditor	2 246	2 060
Audit services provided by non-elected auditor, on behalf of foreign subsidiaries	752	
Other audit related services	48	13
Tax services	126	
Total	3 172	2 073

OUR BUSINESS

OUR PORTFOLIO

OUR RESULTS

NOTE 24 / Property, plant and equipment

Amounts in TNOK	Right-of-use-asset	Leasehold improve-ment equipment	Project related equipment	Total
Accumulated acquisition cost				
Acquisition cost 01.01.2019	64 143	8 286	17 121	41 751
Acquisition cost 01.01.2020	12 573	454	1 688	3 350
Disposals				18 065
Foreign currency translation effect		2	38	48
Acquired cost 31.12.2019	76 716	8 742	18 847	45 149
				149 054
Accumulated depreciation and impairment				
Accumulated depreciation and impairments 01.01.2019		5 050	6 370	30 318
Depreciation of the year	20 728	718	3 069	4 668
Foreign currency translation effect	-196		4	-192
Accumulated depreciation and impair-ments 31.12.2019	20 532	5 768	9 379	34 990
				70 669
Carrying value 31.12.2019	56 184	2 974	9 468	10 159
				78 385
Accumulated acquisition cost				
Acquisition cost 01.01.2020	76 716	8 742	18 847	45 149
Additions	9 091	347	4 920	6 336
Assets held for sale	-4 674		-2 361	-9 105
Foreign currency translation effect				82
Acquired cost 31.12.2020	81 133	9 089	21 406	42 462
				154 009
Accumulated depreciation and impairment				
Accumulated depreciation and impairments 01.01.2020	20 532	5 768	9 379	34 990
Depreciation of the year	22 296	756	2 611	4 651
Assets held for sale	-1 772		-2 079	-6 391
Foreign currency translation effect				37
Accumulated depreciation and impair-ments 31.12.2020	41 056	6 524	9 911	33 287
				90 779
Carrying value 31.12.2020	40 076	2 565	11 495	9 175
				63 311
Estimated lifetime	1-9 years	average 5 years	average 3-5 years	
Depreciation schedule	Straight line	Straight line	Straight line	

The leases recognized according to IFRS 16 consist of office buildings contracts TNOK 77,965 (2019: TNOK 73,080) and car rental agreements TNOK 3,178 (2019: TNOK 3,636). All other leases relating to IT and other office equipment are of low value or short-term leases. The average term for the office leases is 2-9 years and the average term for the car rentals is 1-3 years as of 1. January 2020. See note 3 for implementation of IFRS 16 and note 25 for associated Lease Liability.



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NOTE 25 / Lease commitments/Lease liability

Terms	2020	2019
Lease liability in accordance with IFRS 16		
Amounts in NOK		
As at 01.01.	56 915	64 143
Additional/Disposal	12 573	12 573
Payments	22 875	19 801
Transferred to liabilities held for sale	6 233	
Lease liability 31.12.	46 380	56 915
Current Lease Liability amounting to NOK 20,110 (2019: NOK 21,763) and is presented within Current financial liabilities.		
Non-current Lease Liability amounting to NOK 20,271 (2019: NOK 33,152) and is presented within Non-Current financial liabilities		

Guarantees

Q-Free Group obtains bank guarantees given to their customers, primarily for long-term projects. As of year-end 2020 the amount of guarantees is NOK 99,707 (2019: NOK 76,959). Payment of the guarantees by the bank is triggered upon the non-performance of Q-Free, primarily of the missing of milestones or failure to complete the project. The fees paid to the banks for these guarantees is included in Financial expenses.

Collateral

Book value of assets securing loans and guarantees:

	2020	2019
Shares in subsidiaries	478 554	446 062
Accounts receivable	78 799	78 487
Contract assets	42 589	81 945
Inventories	32 990	48 626
Property, plant and equipment	20 957	18 289
Total	653 889	673 419

All the Group's shares in any material subsidiary which have accepted as Guarantor to the cash-pool and loan agreement are held as collateral.

NOTE 26 / Subsidiaries

The consolidated Group financial statements include the financial statements of Q-Free ASA and the subsidiaries listed in the following table:

Year acquired by Q-Free Group	Location	Primary segment	Ownership	Voting share	Functional currency
1997	Laboa, Portugal	Tolling	100%	100%	EUR
1999	Sydney, Australia	Tolling	100%	100%	AUD
2001	Tromsø, Norway	Tolling	100%	100%	NOK
2007	Stockholm, Sweden	Tolling	100%	100%	SEK
2007	Bangkok, Thailand	Tolling	100%	100%	THB
2009	Beilen, The Netherlands	Tolling	100%	100%	EUR
2012	Santiago, Chile	Packing (held for sale)	100%	100%	CLP
2012	Boston, USA	Packing (held for sale)	100%	100%	USD
2012	San Diego, CA, USA	Traffic Management	100%	100%	USD
2014	Weston Super-Mare, UK	Infomobility (held for sale)	100%	100%	GBP
2014	Ljubljana, Slovenia	Traffic Management	100%	100%	EUR
2014	Virginia, USA	Traffic Management	100%	100%	USD
2014	Madrid, Spain	Tolling	100%	100%	EUR
2014	Paris, France	Packing (held for sale)	100%	100%	EUR
2015	Arizona, USA	Traffic Management	100%	100%	USD
2015	Moscow, Russia	Tolling	100%	100%	RUB
2016	Warsaw, Poland	Tolling	100%	100%	PLN
2018	Tromsø, Norway	Tolling	100%	100%	NOK
2018	Korsør, Denmark	Tolling	100%	100%	DKK
1998	Sao Paulo, Brazil		100%	100%	BRL
2010	Durban, South Africa		74%	74%	ZAR
2015	Valeta, Malta		100%	100%	EUR
2012	Jakarta, Indonesia		100%	100%	IDR
1997	Kuala Lumpur, Malaysia		100%	100%	MYR

Segments represent the primary segment that the company operates in.

Most subsidiaries have business in only one segment, given the fact that there is more than one operating segment in which the company has its operations.

* Owned indirectly by Q-Free ASA through Q-Free America Inc.

Joint operations

The Group is part of one joint arrangement for a delivery project in Thailand. This joint arrangement is structured through a separate vehicle. Q-Free and the partner are jointly responsible to the customer and the operation is jointly controlled by Q-Free and the partner. The two parties are individually responsible in between themselves.

The activities are designed for the provision of output to the investors and hence these arrangements are classified as joint operations.

Joint Operation	Description	Ownership Interest
Don Muang Tollway	Joint Operation with United Telecom Sake and Services Co. Ltd.	70%
		121



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NOTE 27 / Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all potential ordinary shares into ordinary shares.

	2020	2019
Amounts in NOK		
Profit for the year from continuing operations	-40 995 017	-49 980 942
Profit for the year from discontinued operations, net of tax	-	-
Profit for the year	-40 995 017	-49 980 942
Weighted average number of ordinary shares	89 223 446	89 223 446
Weighted average of share options	18 319 633	2 555 155
Weighted average number of diluted shares	107 543 079	91 778 601
Earnings in NOK per share from continuing operations	-0.46	-0.56
Diluted earnings in NOK per share from continuing operations	-0.46	-0.56
Earnings in NOK per share from discontinued operations	-	-
Diluted earnings in NOK per share from discontinued operations	-	-
Earnings in NOK per share profit for the year	-0.46	-0.56
Diluted earnings in NOK per share profit for the year	-0.46	-0.56

See also note 33 Subsequent events for information on transactions involving shares between the reporting date and the date of completion of these financial statements.

For a specification of the change in number of shares during 2020 and 2019, see note 13 Share based compensation.

NOTE 28 / Related parties

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at arm's length prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

Related parties

There was no transactions between the company and any parties in the Management or in the Board during 2020.

Associated companies

Q-Free ASA has no ownership in associated companies either in 2020 or in 2019.

NOTE 29 / Non-current financial liabilities

Non-current financial liabilities consist of contingent consideration and finance lease liability. See note 25 Lease commitments for more information.

Contingent consideration

In several of the business combinations over the past few years part of the consideration has been contingent based on future performance of the acquired company. At initial recognition the contingent consideration is measured at fair value based on the expectations at the acquisition date. The contingent consideration liability is recognised at fair value in the statement of financial position and the fair value is remeasured at each subsequent reporting period. These measurements require management to make assumptions regarding the future performance of the acquired companies.

Contingent consideration arises from the acquisition of Intelight Inc. The sixth and final tranche of the transaction regarding the acquisition of Intelight Inc. was closed in May 2020, and Q-Free America Inc. acquired 24.7 percent of TNOK 32,492 (2019: TNOK 44,944). As of 31 December 2020 Q-Free America Inc. had accumulated a shareholding in Intelight Inc. of 100 percent (2019: 75.3%).

Amounts in NOK	Current	Non-current	Total
Contingent consideration 01.01.2020	32 651	0	32 651
Cash payments in 2020	-32 492	-	-32 492
Fair value changes of contingent consideration	-	-	-
Exchange rate differences	-159	-	-159
Reallocation to other current liabilities	-	-	-
Contingent consideration 31.12.2020	-	-	-
Contingent consideration 01.01.2019	69 267	24 546	93 813
Cash payments in 2019	-44 864	-	-44 864
Fair value changes of contingent consideration	-16 952	-	-16 952
Exchange rate differences	674	-	674
Reallocation to other current liabilities	24 546	-24 546	-
Contingent consideration 31.12.2019	32 651	-	32 651

Acquisition of Intelight Inc. – Arizona, US

Q-Free acquired in Q4 2013 9.7 percent of the shares in the US traffic controller supplier, Intelight Inc. At that time the investment was seen as and treated as a financial investment.

In Q1 2015 Q-Free ASA, on behalf of Q-Free America (100% owned subsidiary), signed a share purchase agreement with a shareholders agreement to acquire the remaining 90.3 percent of the shares in Intelight. The shareholders say that the sellers have the right to sell the remaining outstanding shares and exercise 715,000 synthetic options at a strike of 1 USD per option over a period of 5 years. The initial transaction was closed in April 2015 where the sellers could sell up to 15%. Thereafter the sellers can sell up to 15% of their remaining shares per year over a period of 5 years. If the options are in the money, the owners of options can exercise up to 15%



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NOTE 29 / Non-current financial liabilities, cont.

of their options per year. At the end of the 5 year period, in Q2 2020, Q-Free has the right and obligation to acquire all remaining outstanding shares and to cash in all remaining options (if the options are in the money).

The consideration for the shares is based on reported revenues and EBITDA for Intelight Inc. per year multiplied by agreed multiples adjusted for normalized working capital and debt. Q-Free ASA is obligated to acquire the shares and to cash in the options that the sellers have the right to sell per year. Q-Free has no right to influence the process, and there is no opening in the agreement giving Q-Free the right to acquire more shares than offered per year.

The initial transaction was closed in April 2015. The consideration for the initial transaction was approximately USD 2.2 million net of cash and debt.

Following the initial transaction Q-Free had accumulated a shareholding of 23.8 percent (including the 9.7 percent Q-Free acquired in Q4 2013). The signed shareholders agreement and the amended bylaws provided control for Q-Free. Based on this, the full activity of Intelight Inc. was with effect from Q2 2015 consolidated in the Q-Free group accounts. The agreement is considered to give the group present ownership interest of 100%, thus no non-controlling interest is recognized.

Following the initial transaction the total estimated consideration to acquire 100% of the shares in Intelight was estimated to 13.7 million USD whereas 3.3 million USD cash payment for the already acquired 23.8 percent plus 10.4 million USD in estimated contingent liability to acquire the remaining 76.2 percent. The estimated contingent liability was calculated based on a fair assessment of future revenue and EBITDA scenarios.

The second tranche was closed in May 2016 where Q-Free America acquired additional 9.3 percent for a consideration of TNOK 7,932. Q-Free America Inc. had as of this date accumulated a total shareholding in Intelight Inc of 33.1 percent.

The third tranche was closed in May 2017 where Q-Free America acquired additional 0.1 percent for a consideration of TNOK 33. Q-Free America Inc. had as of this date accumulated a total shareholding in Intelight Inc of 33.2 percent.

The fourth tranche was closed in May 2018 where Q-Free America acquired additional 20.3 percent for a consideration of TNOK 23,210. Q-Free America Inc. had as of this date accumulated a total shareholding in Intelight Inc of 53.5 percent.

The fifth tranche was closed in May 2019 where Q-Free America acquired additional 21.8 percent for a consideration of TNOK 44,884. Q-Free America Inc. had as of this date accumulated a total shareholding in Intelight Inc of 75.3 percent.

The sixth and final tranche of the transaction regarding the acquisition of Intelight Inc. was closed in May 2020, and Q-Free America Inc. acquired 24.7 percent for TNOK 32,492. Q-Free America Inc. had as of this date accumulated a total shareholding in Intelight Inc of 100 percent.



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NOTE 30 / Investments in other companies

	OUR BUSINESS	OUR PORTFOLIO	OUR RESULTS
	Company's equity	Number of shares	Owner, ship
31 December 2020	15 701	9 919	0.65%
Amounts in TNOK			
Leiv Eriksen AS			367
Other			20
			387
			-367
Fair value adjust-ments			-387
Total			387

Included in income, less share income

NOTE 31 / Assets held for sale

In Q1-20, Q-Free Group decided to divest some of the assets in what was formally known as Paring and Informability segments. Since then, Management has worked to sell these assets. The remaining assets in these segments have been transferred to other segments (mainly Telling). The process has proven difficult due to turmoil in the financial markets and travel restrictions, all due to the COVID-19 pandemic. The process was however still ongoing at year-end 2020 and selling the assets within the foreseeable future were deemed highly probable. Hence, the criteria for classification as held for sale was fulfilled. The assets were separated and readily available for an immediate sale. Below is a specification of the impact of the classification in the balance sheet. The assets do not fulfil the definition of discontinued operations since they do not represent a separate major line of business or geographical area of operations, and are not part of a single coordinated disposal plan. There is thus no reclassification in the profit or loss and cash flow statements. Related to the measurement of recoverable amount, an impairment loss of TNOK 4 250 has been recognized as of 31.12.2020. See also note 33 subsequent events.

	Amounts in TNOK	31.12.2020
ASSETS		
Intangible Assets		17 737
Goodwill		16 289
Property, plant and equipment		6 502
Inventories		19 358
Contract assets		1 406
Accounts receivable		28 227
Other current assets		1 487
ASSETS HELD FOR SALE		91 063
LIABILITIES		
Non-current financial liabilities		3 739
Accounts payable		12 331
Public duties payable		3 111
Other current liabilities		7 915
ASSETS HELD FOR SALE		27 157



Q-FREE ANNUAL REPORT 2020

NOTE 32 / Changes in liabilities arising from financing activities

The following liabilities in the Statement of financial position are related to financing activities:

	2020	2019	2018
Non-current borrowings	179 200	160 000	196 000
Convertible bond	69 983	0	0
Non-current financial liabilities	20 271	37 197	39 658
- Lease liabilities	20 271	35 152	0
- Contingent consideration*	0	0	39 658
- Other financial liabilities**	0	2 045	0
Current borrowings	54 300	72 022	19 521
Current financial liabilities	20 110	54 414	71 995
- Lease liabilities	20 110	21 763	0
- Contingent consideration	0	32 651	71 995
Total	343 864	323 633	327 174

Reconciliation between changes in the liabilities as presented in the Statement of financial position and the Consolidated statement of cash flows:

	2020	2019
Cash flow from investing activities:		
Net change in financial liabilities from the contingent consideration:	-32 651	-41 805
Payment of contingent consideration presented within Cash flow from investing activities	-32 491	-44 765
Currency translation difference	-160	233
Fair value change of contingent consideration	0	2 727
Net change in financial liabilities from the contingent consideration	-32 651	-41 805

Cash flow from financing activities:

	2020	2019
Net changes in non-current and current borrowings:	1 479	16 591
Cash proceeds from credit line (Cash proceeds from borrowings)	35 064	73 033
Cash proceeds term loan** (Cash proceeds from borrowings)	82 000	0
Cash proceeds from borrowings	117 064	73 033
Debt repayments term loan (Repayment of borrowings)	-33 500	-36 000
Cash payments credit line (Repayment of borrowings)	-42 085	-20 532
Repayment of borrowings	-115 585	-56 532
Net change in non-current and current borrowings	1 479	16 591

NOTE 32 / Changes in liabilities arising from financing activities, cont.

	2020	2019
Net change in convertible bond	69 983	0
Cash proceeds from convertible bond	75 777	0
Debt element classified as equity	-10 277	0
Interest accrued, not paid	4 533	0
Net change in convertible bond	69 983	0
Net change in financial liabilities from leasing liabilities****:	-16 534	56 915
Implementation of IFRS 16	64 143	64 143
Payments of lease liabilities	-22 875	-21 993
Leasing agreements entered into during the year	12 573	14 765
Transferred to liabilities held for sale	-6 232	0
Net change in financial liabilities from leasing agreements	-16 534	56 915

* Inflight share purchase obligation
 ** The facility is partly guaranteed by GEK as part of the Norwegian governments Covid-19 support packages.
 **** IFRS 16 was implemented Jan 1 2019. Changes in 2019 is thus not relevant for analysis purposes.

NOTE 33 / Subsequent events

Assets held for sale – reconsideration of infomobility segment
 During 2020, many of the assets in what was formerly known as the infomobility segment have been held for sale. The Group has been involved in active M&A processes to divest the assets. At the date of completion of these financial statements, these processes have been terminated without result. Further, the Management has changed its view on the assets strategic fit for the Group. Based on this the decision to divest has been reversed. The assets will be included in the Traffic Management segment from Q1-21 and onwards.

Conversion of convertible bond.
 In May 2020, Q-Free issued an 80 MINOK subordinated convertible bond as part of a refinancing package. In December, Rieber & Sen AS increased their ownership in Q-Free beyond 1/3, and thereby triggered a "change of control event" according to the convertible bond agreement. Consequently, all bond-holders have in January/February 2021 converted their bonds. Q-Free Group has therefore reduced its financial debt by MINOK 70 and increased its equity with the same amount.

Sale of subsidiaries Q-Free France SARL and TCS International Inc
 In March 2021, Q-Free sold all shares in Q-Free France SARL and TCS International Inc. These subsidiaries have mainly had activities relating to the parking segment. The divestments have been concluded without any material financial impact on the Group. Following these divestments, all significant activities in the parking segment have been divested. All employees in the divested entities have continued their employment under the new ownerships.

126

127



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NOTE 33 / Subsequent events, cont.

Effect of the Covid-19 pandemic
In spite of continuing travel restrictions and uncertainty, Covid-19 effects are expected to be more limited in 2021. However certain countries still have restrictions with some impact on project progression. There is some risk that new Covid-19 outbreaks could have a negative impact. Q-Free does not expect material negative financial effect from this.

Alternative Performance Measures

The Group presents some financial performance measures in its annual report which are not defined according to IFRS. The Group is of the opinion that these measures provide valuable complementary information to investors and the Group's management since they facilitate the evaluation of the Group's performance. As every Group does not calculate financial performance measures in the same manner, these are not always comparable with measures used by other companies. These financial performance measures should therefore not be regarded as a replacement for measures as defined according to IFRS.

Gross contribution:

Defined as Revenue from customers reduced with Cost of goods sold and Project contractor expenses. Project contractor expenses are included in Gross Contribution since they are heavily correlated with project and service revenues.

Project contractor expenses:

Project contractor expenses include costs for external consultants and / or services that are consumed under project executions and service and maintenance work.

Gross margin:

Defined as Revenue from customers reduced with Cost of goods sold and Project contractor expenses in percentage of revenues.

	2020	2019
Revenue from customers	689 305	962 317
Cost of goods sold	-246 699	-304 556
Project contractor expenses	-107 551	-118 372
Gross contribution	335 055	539 389
Gross margin	61.3%	56.1%

EBITDA / EBIT:

The Group considers EBITDA / EBIT to be normal accounting terms, but they are not included in the IFRS accounting standards. EBITDA is an abbreviation for Earnings Before Interest, Taxes, Depreciation and Amortisation. The Group uses EBITDA in the Income Statement (as a summation line for other accounting lines). These accounting lines are defined in our accounting principles, which are part of the financial statements for 2020. The same applies for EBIT.

Alternative Performance Measures, cont.

EBITDA margin:
Defined as Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) in percentage of revenues.

	2020	2019
EBITDA margin	61.3%	56.1%
Revenue from customers	689 305	962 317
EBITDA	75 777	72 643
EBITDA margin	8.5%	7.5%

EBIT margin:

Defined as Earnings Before Interest and Taxes (EBIT) in percentage of revenues.

	2020	2019
EBITDA margin	61.3%	56.1%
Revenue from customers	689 305	962 317
EBIT	-8 800	-54 381
EBIT margin	-1.0%	-5.7%

Non-recurring items:

The Group defines non-recurring items as one-time costs, not related to the actual reporting period. Restructuring costs and settlement of disputes are classified as non-recurring items.

	2020	2019
Non-recurring items		
Amounts in TNOK		
Settlement of dispute	-9 125	
Restructuring costs	7 590	
Non-recurring items in EBITDA	0	-1 625
Impairment	20 538	58 332
Non-recurring items in EBIT	20 538	56 707

Net Interest Bearing Debt (NIBD):

Long term borrowings plus short term borrowings less cash and cash equivalents.

	2020	2019
Net Interest Bearing Debt		
Amounts in TNOK		
Non-current borrowings to financial institutions	179 200	160 000
Convertible bond	69 983	
Current borrowings to financial institutions	54 300	72 022
Gross Interest Bearing Debt	303 483	232 022
Cash and cash equivalents	74 961	31 051
Net Interest Bearing Debt	228 522	200 971



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Alternative Performance Measures, cont.

Net working capital:
Defined as Current assets excluding Cash less Current liabilities, and excluding Current borrowings and the Intlight share purchase liability classified as Current financial liabilities.

	2020	2019
Net Working Capital		
Amounts in MNOK		
Inventories	38 450	76 143
Contract assets	93 960	103 957
Accounts receivable	109 945	140 265
Other current assets	119 034	37 506
Current Assets	360 989	357 871
Advance payments from customers	11 050	4 253
Accounts payable	58 220	117 609
Taxes payable	3 555	3 531
Public duties payable	14 118	20 167
Current financial liabilities	20 110	54 414
Other current liabilities	106 025	56 473
Intlight share purchase liability		-32 651
Current liabilities (excl Current borrowings to financial institutions)	213 078	223 796
Net Working Capital	147 911	134 075

Working capital ratio:

Defined as Current assets excluding Cash less Current liabilities, and excluding Current borrowings and the Intlight share purchase liability classified as Current financial liabilities in percentages of last 12 months Revenue from customers.

	2020	2019
Working Capital ratio		
Amounts in MNOK		
12 months Revenue from customers	880 339	962 317
Net Working Capital	147 911	134 075
Working Capital ratio	16,8%	13,9%

Equity ratio:

Equity ratio is defined as equity proportion of total asset and shows financial leverage.

	2020	2019
Equity ratio		
Amounts in MNOK		
Total equity	313 115	357 502
Total assets	849 946	883 168
Equity ratio	36,8%	40,5%

Alternative Performance Measures, cont.

Order intake:
Order intake is defined as total amount of all signed new contracts received in a defined period.

Order backlog:
Order backlog is defined as total amount of signed contracts to be delivered in future periods. The order backlog is calculated as shown below:

	Last periods backlog
† Received new orders	
- This periods revenues	
† / - Currency adjustments	
* = End backlog reporting period	



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STATEMENT OF PROFIT OR LOSS Q-FREE ASA

Amounts in TNOK	Note	2020	2019
Employee benefit expenses	7	7 804	11 065
Other operating expenses	8	9 274	17 107
Total operating expenses		17 078	28 172
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		-17 078	-28 172
Depreciation of property, plant and equipment			0
Amortisation of intangible assets			0
Earnings before interest and taxes (EBIT)		-17 078	-28 172
Financial income	6	38 411	91 474
Financial expenses	6	-64 472	-107 500
Financial items, net		-26 061	-16 026
Profit before tax		-43 139	-44 298
Tax expenses	9		0
Profit () loss for the year		-43 139	-44 298

The accompanying notes are an integral part of the consolidated financial statements.

133

FINANCIAL STATEMENTS Q-FREE ASA

Statement of profit or loss	page / 133
Statement of comprehensive income	page / 134
Statement of financial position	page / 135
Statement of cash flows	page / 137
Statement of changes in equity	page / 138
Index of notes	
1 Corporate information and accounting policies	page / 139
2 Borrowings	page / 142
3 Intercompany receivables and payables	page / 144
4 Subsidiaries	page / 147
5 Shareholders	page / 148
6 Financial items	page / 151
7 Employee benefit expenses	page / 151
8 Other operating expenses	page / 152
9 Taxes	page / 153
10 Other current assets	page / 154
11 Cash and cash equivalents	page / 154
12 Other current liabilities	page / 154
13 Financial instruments	page / 155
14 Change in liabilities arising from financing activities	page / 156
15 Subsequent events	page / 156

132



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STATEMENT OF COMPREHENSIVE INCOME

Q-FREE ASA

Amounts in TNDK	2020	2019
Profit / (-) loss for the year	-43 139	-44 298
Other comprehensive income		
Total comprehensive income for the period, net of tax	-43 139	-44 298

The accompanying notes are an integral part of the consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

Q-FREE ASA

Amounts in TNDK	Note	31.12.2020	31.12.2019
ASSETS			
Investments in subsidiaries	4	598 765	509 765
Non-current receivables – subsidiaries	3	237 313	213 460
TOTAL NON-CURRENT ASSETS		747 078	723 225
Other current assets	10	20 438	12 589
Cash and cash equivalents	11	15	793
TOTAL CURRENT ASSETS		20 453	13 382
TOTAL ASSETS		767 530	736 606

134

135



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STATEMENT OF CASH FLOWS

Q-FREE ASA

Amounts in THOK	Note	2020	2019
Cash flow from operations			
Profit before tax		-43 138	-44 297
Depreciation and impairment of property, plant and equipment			
Amortisation and impairment losses		15 000	69 644
Dividend from subsidiaries			
Accrued interest expense		225	409
Net loss on available-for-sale FVOCI (IFRS 9) investments			
Share-based payment expense	1	233	273
Working capital adjustments:			
Changes in accounts receivables		-38 853	13 284
Changes in accounts payables		-305	-2 790
Changes in other items		-35 215	-16 731
Net cash flow from operations		-102 864	19 792
Cash flow from investments			
Investments in PPE and intangible assets			
Net cash flow from investments			
Cash flow from financing			
Cash proceeds from bank borrowings	3, 14	117 064	4 000
Cash proceeds from convertible bond	3, 14	75 777	
Repayment of bank borrowings	3, 14	-115 585	-29 605
Cash proceeds from borrowings subsidiaries	14	29 339	
Interest received		12	-12 344
Interest paid		-9 631	
Net cash flow from financing		96 776	-37 940
Effect on cash and cash equivalents of changes in foreign exchange rates		4 390	1 633
Net change in cash and cash equivalents for the year		-778	-16 524
Cash and cash equivalents per 01.01.	11	793	17 317
Cash and cash equivalents per 31.12.	11	15	793

The accompanying notes are an integral part of the consolidated financial statements

137

STATEMENT OF FINANCIAL POSITION

Q-FREE ASA

Amounts in THOK	Note	31.12.2020	31.12.2019
EQUITY AND LIABILITIES			
Subscribed share capital		33 905	33 905
Share premium		578 307	578 307
Other paid-in capital		31 850	21 224
Retained earnings		-269 714	-226 576
TOTAL EQUITY		374 448	406 860
Non-current bank borrowings			
Convertible bond	2	179 200	160 000
Non-current borrowings subsidiaries		69 983	
Total non-current liabilities	3	249 183	160 000
Current bank borrowings	2	54 300	72 022
Current borrowings subsidiaries	3	35 659	74 209
Other current liabilities	12	5 729	6 577
Total current liabilities		95 688	152 808
TOTAL LIABILITIES		344 871	312 808
TOTAL EQUITY AND LIABILITIES		719 319	719 668

The accompanying notes are an integral part of the consolidated financial statements.

Tromsø, 28 April 2021

Tord Isvik (Sign.) Chair of the Board	Trine Heia Strømnes (Sign.) Board member	Snorre Kjesbu (Sign.) Board member	Geir Berntsen Bjørn (Sign.) Board member
Ingeborg Molden Hegstad (Sign.) Board member	Braze Blakken (Sign.) Employee-elected Board member	Yngve Halme (Sign.) Employee-elected Board member	Håkon Rypern Voldal (Sign.) President & CEO

136



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STATEMENT OF CHANGES IN EQUITY

Q-FREE ASA

NOTE 1 / Corporate information and accounting policies

Q-Free ASA is a Norwegian public limited liability company and has been listed on the Oslo Stock Exchange under the ticker QFR since 2002. In 2018 Q-Free ASA was restructured.

The financial statements have been prepared on a historical cost basis except for certain assets, liabilities and financial instruments, which are measured at fair value. Preparation of financial statements including note disclosures requires management to make estimates and assumptions that affect amounts reported. Actual results may differ. For further information refer also to the Q-Free Group Annual Report 2020.

Presentation and classification of items in the financial statements is consistent for the periods presented.

Significant accounting policies

The financial statements of Q-Free ASA are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and Norwegian authorities and are effective as of 31 December 2020. Q-Free also provides the disclosures as specified under the Norwegian Accounting Law (Regnskapsloven).

The following description of accounting principles applies to Q-Free ASA's 2020 financial reporting, including all comparative figures. See also in the Q-Free Group Annual Report 2020 Note 2 Basis of preparation, Note 3 Significant accounting policies and Note 4 Critical accounting judgments and new accounting policies for additional information related to the presentation, classification and measurement of Q-Free ASA's financial reporting.

Shares in subsidiaries

Shares in subsidiaries are presented according to the cost method in accordance with IAS 27 Separate Financial Statements. Dividends from subsidiaries are recognized when the right to receive dividend has been established. Shares in subsidiaries are reviewed for impairment in accordance with IAS 36 Impairment of Assets whenever events or changes in circumstances indicate that the carrying amount may exceed the fair value of the investment.

Foreign currency

The financial statements are presented in NOK, which is Q-Free ASA's functional currency. Transactions in foreign currencies are initially recorded at the appropriate exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated as of the reporting date exchange rate. All differences regarding translation are included in financial income or financial expense in the statement of profit or loss.

Revenue recognition

Q-Free ASA recognises revenue from customers in accordance with IFRS 15 Revenue from contracts with customers. Q-Free ASA delivers products and system projects to their customers, and offers service and maintenance for the hardware sold. Revenue for product sales is recognised at a point in time, when control transfers to the customer, whereas for system projects and service and maintenance revenue recognition is over time. Over time revenue recognition for system projects is estimated using an input based percentage of completion method, and service and maintenance is based on as the services are delivered.

Amounts in NOK	Subscribed share capital	Share premium	Other paid in capital	Retained earnings	Total equity
Total equity 01.01.2019	33 905	578 307	20 950	-182 278	450 884
Profit / () loss for the year				-44 297	-44 297
Other comprehensive income				-44 297	-44 297
Total comprehensive income for the period				-44 297	-44 297
Share-based payment expense			273		273
Change in equity due to demerger process					
Total equity 31.12.2019	33 905	578 307	21 223	-226 575	406 860
Total equity 01.01.2020	33 905	578 307	21 223	-226 575	406 860
Profit / () loss for the year				-43 139	-43 139
Other comprehensive income				-43 139	-43 139
Total comprehensive income for the period				-43 139	-43 139
Share-based payment expense			10 727		10 727
Convertible bond issue					
Total equity 31.12.2020	33 905	578 307	31 950	-269 714	374 448

The accompanying notes are an integral part of the consolidated financial statements



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NOTE 1 / Corporate information and accounting policies, cont.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position includes cash, bank deposits and all other monetary instruments with a maturity of less than three months from the date of acquisition, and are measured at amortised cost. Q-Free ASA is the ultimate owner of the Group's cash pool. The cash pool arrangement is classified as intercompany borrowings/receivables.

Statement of cash flows

The statement of cash flows is prepared according to the indirect method. Interest received as well as interest paid is included in cash flows from financing activities. Dividends paid is included in cash flows from financing activities.

Share-based compensation

Q-Free ASA accounts for share-based payment in accordance with IFRS 2 Share-based Payments. See Note 3 Significant accounting policies in the Q-Free Group Annual Report 2020 for additional information.

Risk management

For information about risk management in Q-Free ASA see Note 5 Financial risk management in the Q-Free Group Annual Report 2020.

Income taxes

Deferred income tax expense is calculated using the liability method in accordance with IAS 12 Income Taxes. Under the liability method, deferred tax assets and liabilities are measured based on the differences between the carrying values of assets and liabilities for financial reporting and their tax basis which are considered temporary in nature. The tax effect of equity transactions, such as group contribution grants, is recognized as a part of the equity transaction and do not affect the income tax expense. Other changes in deferred income tax assets and liability balances during the year represent the deferred income tax expense. Changes resulting from amendments and revisions in tax laws and tax rates are recognized when the new tax laws or rates are enacted.

Intercompany long-term receivables and payables

Long-term receivables

The terms on intercompany loans to subsidiaries are formally regulated by contractual lending agreements. These intercompany long-term receivables are financial assets within the scope of IFRS 9 Financial Instruments. Intercompany long-term receivables are managed within a business model with the objective of collecting the contractual cash flows, and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

At initial recognition loans are measured at fair value plus directly attributable transaction costs. Loans are subsequently measured at amortised cost using the effective interest rate method and are subject to impairment under the general expected credit loss model.

Loans denominated in foreign currencies are translated at the functional currency spot rates at the reporting date. Currency differences arising on settlement or translation are recognised in profit or loss.

NOTE 1 / Corporate information and accounting policies, cont.

Events after the balance sheet date

New information at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that will affect Q-Free ASA in the future but do not affect Q-Free ASA at the balance sheet date are disclosed if significant.

Changes in accounting principles as of 1 January 2020

Statement of cash flows

The company prepares the statement of cash flows in accordance with IAS 7 Statement of Cash Flows. During the accounting period, the statement of cash flows classifies cash flows from operating, investing and financing activities. Until 2020, Net interest paid was included in cash flows from operating activities. As of 1 January 2020, and onwards, net interest paid is classified as a change in cash flow from financing activities. Under IFRS, the reclassification is considered an element in accounting principles. The corresponding figures for previous accounting periods have been restated, and the impacts on the relevant items are stated in the table below.

For the purpose of the statement of cash flows to give a relevant and reliable view of the nature of the business and the origin of the cash flows in the company, management has deemed the reclassification necessary. There is no change in total cash flows or in cash and cash equivalents in any of the accounting periods.

Amounts in THOUS	2020	2019
Net cash flows from operations – before reclassification	-111 873	7 448
Reclassification	9 819	12 344
Net cash flows from operations – after reclassification	-102 054	19 792
Net cash flows from financing activities – before reclassification	106 595	-25 605
Reclassification	-9 819	-12 344
Net cash flows from financing activities – after reclassification	96 776	-37 949



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NOTE 2 / Borrowings

Type	Effective interest rate***	Maturity	31.12.2020	31.12.2019
Non-current				
Nordica - Term loan	3.20%	01.06.2022	25 000	70 000
Nordica - Term loan	3.20%	01.06.2022	28 230	34 730
Nordica - Term loan**	3.16%	30.06.2022	69 700	
Nordica - Revolving Credit Facility (RCF)	3.20%	01.06.2022	55 270	55 269
Total non-current borrowings			178 200	160 000
Convertible bond				
Convertible bond (NBOR + 4.00%)	12.53%	19.05.2023	69 983	
Current				
Nordica - Term loan	3.20%	31.12.2024	25 000	15 000
Nordica - Term loan	3.20%	30.09.2024	17 000	10 000
Nordica - Term loan**	3.16%	31.12.2024	12 300	
Nordica - Credit line**		01.06.2022	54 300	47 021
Total current borrowings			108 600	72 022
Total			286 800	232 022

* The facility is partly guaranteed by GIEK as part of the Norwegian government's Covid-19 support packages.
 ** Credit line is renewed annually. Cost of facility is partially interest on actual overdraw with an additional overdraw facility fee. The available credit of NOK 100 000 is currently not utilized.
 *** Effective October 20 onwards

Convertible Bond

On May 19, 2020 the Company issued Convertible Bonds at a par value of NOK 80 000. In accordance with IAS 32, the proceeds have been split between a debt element valued at fair market value, while the residual (option element for conversion) should be considered equity. Net after deduction for transaction cost, the debt is valued at NOK 65 650 at time of issue, while the equity is valued at net NOK 10 727. Accrued interest have been added to the debt.

The Bonds bear interest at 6 months NBOR + 4.00% per annum with deferral optionality, have a tenor of three years and an initial conversion price of NOK 4.3889 equal to a premium of 25% over the volume weighted average price of the Shares on the Oslo Stock Exchange the 22 April 2020 of NOK 3.4935. The Bonds are not listed.

Under IAS 32, all interest on nominal amount is charged to the debt proportion of the convertible bond. For accounting purposes, the effective interest is therefore significantly higher than the nominal interest.

On December 15, Rieber & Sen AS increased their ownership in Q-Free past 33.3%. This triggered a "change of control event" for the holders of convertible bonds, enabling the bond-holders to convert the bonds to shares at a price of 3.6329 per share. As a subsequent event, bond-holders representing a nominal value of 80 MNOK have converted in January and February 2021. See also note on Subsequent events in the Group Consolidated Financial Statements.

NOTE 2 / Borrowings, cont.

Debt covenants

Following a revision of the financial contract with its main bank in 2020, the following loan covenants apply:

There is a minimum equity ratio covenant of 35%, where equity ratio is defined as equity plus subordinated convertible bond divided on total assets.

As of 31.12.2020, the covenant structure requires 12M reported EBITDA to exceed MNOK 30 and pr. end of Q1-2021 12M rolling EBITDA should exceed MNOK 45. Starting Q2-2021, covenant is based on measurement of leverage ratio (NIBD (excluding convertible bond)/EBITDA) that should not be higher than 3.50 in Q2 2021 before being reduced to 3.25 in Q3 2021, 2.75 in Q4 2021 and 2.5 in Q1 2022 onwards.

The effective interest rate of selected facilities/borrowings are dependent if Q-Free's leverage ratio is above or below 2.75. The interest is currently (Effective October 20) on the lowest level but will increase if leverage ratio increases above 2.75.

Financial liability maturity schedule
 as of 31 December 2020:

	On demand	Less than 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	6 years - maturity	Total
Non-current bank borrowings	144	1 407	1 423	1 438	2 877	181 576			188 865
Non-current borrowings subsidiaries		389	389		393	1 452	48 700		51 322
Convertible Bond			3 714		1 807	3 714	81 778		91 013
Current bank borrowings	28	8 927	17 100	13 170	18 618				57 843
Current borrowings subsidiaries		148	148		19 277				19 573
Total financial liabilities	172	10 871	22 774	14 608	42 972	186 742	139 478		408 616

(1) As a subsequent event, the Convertible bond has been converted to equity in January and February 2021

Year ended 31 December 2019:

	On demand	Less than 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	6 years - maturity	Total
Non-current bank borrowings						171 269			171 269
Non-current borrowings subsidiaries		135	135	137	137	505	16 939		17 988
Current bank borrowings	298	2 168	11 269	7 421	62 046				83 202
Other financial liabilities		2 070							2 070
Total financial liabilities	298	4 373	11 404	7 558	62 183	171 774	16 939		274 529



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NOTE 3 / Intercompany loans receivable and payables, cont.

At initial recognition intercompany loans are assessed to be performing (stage 1), i.e. the subsidiary has low risk of default and a strong capacity to meet contractual cash flows.

The loss allowance (stage 1) recognised is based on expected credit losses that result from default events that are possible within the next 12 months (12-month expected credit loss).

Q-Free ASA monitors the credit risk associated with intercompany loans to evaluate if there has been a significant increase in credit risk since initial recognition.

If there has been a significant increase in credit risk (underperforming loan), the loss allowance recognised is based on expected credit losses resulting from all possible default events over the remaining life of the loan (lifetime expected credit loss).

The definition of default used in the model is: when the counterparty fails to make contractual payments within 60 days of when they fall due.

To assess whether there is a significant increase in credit risk, management compares the risk of default occurring on the loan at the reporting date with the risk of default as at the date of initial recognition.

The parent company uses the following indicators in the assessment:

- An actual or expected significant change in the operating results of the subsidiaries since the loan was first recognised.

This includes assessments of whether there are any actual or expected declines in revenue or margins, increasing operating risks, working capital deficiencies, decreasing asset quality or increased balance sheet leverage that would result in a significant change in the subsidiaries ability to meet its debt obligations.

- An actual or expected significant adverse change in the regulatory, economic or technological environment of the subsidiaries.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the assessment.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 60 days past due in making a contractual payment.

Loans are written off when there is no reasonable expectation of recovery, such as when a subsidiary fails to engage in a repayment plan. In 2019, the loan towards Q-Free France S.A.R.L. was written off in full.

145

Q-FREE ANNUAL REPORT 2020

NOTE 2 / Borrowings, cont.

Amounts in THK	On Less than		3-6		6-9		9-12		1-2		2-5		6 years -		Total
	Year ended 31 December 2020:	demand	months	months	months	months	months	months	years	years	years	years	maturity		
Non-current bank borrowings															179 200
Convertible Bond															69 983
Total financial liabilities															249 183
	8 500	16 600	12 600	16 600	16 600	16 600	179 200	69 983							179 200
Year ended 31 December 2019:															
Non-current bank borrowings															169 067
Current bank borrowings	313	2 255	11 829	7 806	60 998										83 201
Other financial liabilities															2 070
Total financial liabilities															254 338

NOTE 3 / Intercompany loans receivable and payables

The following table shows a breakdown of the balance sheet line item "Non-current receivables - subsidiaries":

Amounts in THK	Book value	Maturity date	2020		Impairment stage	Loss allowance
			Interest rate			
Q-Free America Inc.	215 040	Undetermined	3 MND, LIBOR + 3.0%		Stage 1	
Q-Free (Bristol) UK Ltd	17 764	Undetermined	3 MND, LIBOR + 3.0%		Stage 1	
Q-Free Thailand Co. Ltd.	19 029	Undetermined	3 MND, LIBOR + 2.0%		Stage 1	
Q-Free Polen	11	Undetermined	3 MND, LIBOR + 3.0%		Stage 1	
Neca Holding AS	469	Undetermined	3 MND, LIBOR + 3.0%		Stage 1	
Q-Free France S.A.R.L.	10 299	Undetermined	3 MND, LIBOR + 3.0%		Stage 3	-10 299
Q-Free Trafico Ltd.	14	Undetermined	3 MND, LIBOR + 3.0%		Stage 3	-14
PT Q-Free Indonesia	407	Undetermined	3 MND, LIBOR + 3.0%		Stage 3	-407
Total	283 883					-10 726

As of 31.12.2020 the company has recognized an impairment loss provision of MNOK 15 related to funding of subsidiaries.

The provision is an estimate, which is based on management's assumptions on funding needs in certain markets in the foreseeable future.

Description of general impairment model for intercompany loans

Under the general impairment model Q-Free ASA recognises an allowance for expected credit losses for all intercompany loans.

Credit losses are measured based on the difference between all contractual cash flows that are due in accordance with the loan agreement and all the cash flows expected to be received, discounted at the original effective interest rate.

144



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NOTE 3 / Intercompany loans receivable and payables, cont.

The following table shows a breakdown of the balance sheet line item "Non-current payables – subsidiaries":

Amount in MNOK	Book value	Interest rate
Q-Free Netherlands	31 306	3 MND LIBOR + 3,0%
Meca Holding AS	17 394	3 MND LIBOR + 3,0%
Total	48 700	

The following table shows a breakdown of the balance sheet line item "Current payables – subsidiaries":

Amount in MNOK	Book value	Interest rate
Q-Free Portugal	15 875	3 MND LIBOR + 3,0%
Total	15 875	

Q-Free ASA is the owner of the Group's cash pool. Net positions are presented as intercompany receivables or payables, depending on the participating subsidiaries' amounts at closing date. As of 31.12.2020 and 31.12.2019, net amounts are presented as short term borrowings on subsidiaries.

NOTE 4 / Subsidiaries

The following is a list of Q-Free ASA's subsidiaries:

Year acquired by Q-Free Group	Location	Primary segment	Ownership share	Functional currency	Book value 31.12.20 (in million NOK)
1987	Lisboa, Portugal	Tolling	100%	EUR	204
1989	Sydney, Australia	Tolling	100%	AUD	
1987	Kuala Lumpur, Malaysia	Tolling	100%	MYR	
2001	Tromsø, Norway	Tolling	100%	NOK	5 956
2007	Stockholm, Sweden	Tolling	100%	SEK	84
2007	Bangkok, Thailand	Tolling	100%	THB	10 847
2009	Beilen, The Netherlands	Tolling	100%	EUR	76 109
2012	Santiago, Chile	Tolling	100%	CLP	28
2012	Boston, USA	Assets held for sale	100%	USD	
2012	San Diego, CA, USA	Traffic Management	100%	USD	216 887
2014	Weston Super-Mare, UK	Assets held for sale	100%	GBP	46 427
2014	Ljubljana, Slovenia	Tolling	100%	EUR	29 149
2014	Virginia, USA	Traffic Management	100%	USD	
2014	Madrid, Spain	Tolling	100%	EUR	25
2014	Paris, France	Assets held for sale	100%	EUR	41
2015	Arizona, USA	Traffic Management	100%	USD	
2015	Moscow, Russia	Traffic Management	100%	RUB	
2016	Warsaw, Poland	Tolling	100%	PLN	11
2016	Tromsø, Norway	Tolling	100%	NOK	123 817
2018	Korsør, Denmark	Tolling	100%	NOK	64
Total					589 765

Subsidiaries under liquidation:

1988	Sao Paulo, Brazil	Tolling	100%	BRL	
2010	Durban, South Africa	Tolling	74%	ZAR	
2015	Valletta, Malta	Tolling	100%	EUR	17
2012	Jakarta, Indonesia	Tolling	100%	IDR	

In 2015 Q-Free ASA, on behalf of Q-Free America (100% owned subsidiary) signed a share purchase agreement and a shareholders agreement to acquire 100 percent of the shares in the US traffic controller supplier, Inflight Inc over a five year period. The shareholders agreement and the amended bylaws provide control for the Group after signing these agreements. Based on this, the full activity of Inflight Inc. was consolidated in the Group accounts from 2015. The agreements is considered to give the Group present ownership interest of 100%, thus no non-controlling interest have been recognised. In 2020, the last 25 percent of the shares were acquired. Hence, the five year share purchase period has been closed during the year, and all obligations are settled as of 31.12.2020.

Segments represent the primary segment that the company operates in, given the fact that there is more than one operating segment in which the company has its operations.

* Owned indirectly by Q-Free ASA through Q-Free America Inc.



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NOTE 5 / Shareholders

The share capital of Q-Free ASA as of 31 December 2020 was NOK 33,904,910, consisting of 89,223,446 ordinary shares at NOK 0.38 per share. As of 31 December 2020 there were 1,828 shareholders. Q-Free ASA has one class of shares and there are no voting restrictions.

The table shows shareholders holding one percent or more of the total 89,223,446 shares outstanding as of 31 December 2020.

The company's largest shareholders as of 31 December 2020:	Number of shares	Percentage share ownership	Voting rights
REBER & SØNAS	36,632,919	41.06%	41.06%
THE BANK OF NEW YORK SANNY (NOM)	7,113,312	7.97%	7.97%
VEROPAPIRFOND ET KLP AS, NORGE	4,354,495	4.88%	4.88%
KOMMUNAL LANDSPENSJONSKASSE GJENSI	4,350,635	4.88%	4.88%
UBS SWITZERLAND AG (NOM)	2,283,486	2.56%	2.56%
TROND WIKBORG	1,306,853	1.46%	1.46%
VEROPAPIRFOND ET STOREBRAND VEKST	1,288,245	1.44%	1.44%
AUGUST HOLDING AS	1,240,000	1.39%	1.39%
CACEIS BANK SPANIA SA (NOM)	1,128,090	1.26%	1.26%
LOGKA AS	1,070,000	1.20%	1.20%
SONSTAD AS	1,023,191	1.15%	1.15%
CORPORATE INVESTMENT CONSULTING AS	905,888	1.02%	1.02%
Other share holders	26,526,332	29.73%	29.73%
Total	89,223,446	100.0%	100.0%

The company's largest shareholders as of 31 December 2019:	Number of shares	Percentage share ownership	Voting rights
REBER & SØNAS	23,027,806	25.81%	25.81%
KAP-SCH TRAFFICOM AG	9,900,000	11.10%	11.10%
ARCTIC FUNDS PLC	6,837,523	7.66%	7.66%
VEROPAPIRFOND ET DNB NORGE (IV)	4,950,814	5.55%	5.55%
KLP AS, NORGE	4,354,495	4.88%	4.88%
KOMMUNAL LANDSPENSJONSKASSE	4,350,635	4.88%	4.88%
KAP-SCH TRAFFICOM AG	3,859,458	4.32%	4.32%
STOREBRAND VEKST VEROPAPIRFOND	1,962,469	2.20%	2.20%
LARS ODDEIR ANDRESEN	1,633,600	1.83%	1.83%
ULSMO FINANS AS	1,579,960	1.77%	1.77%
AUGUST HOLDING AS	1,240,000	1.39%	1.39%
TROND WIKBORG	1,185,178	1.33%	1.33%
SANTANDER SECURITIES SERVICES, S.A (NOM)	1,128,090	1.26%	1.26%
MARK JOHN PHILLIPS	969,974	1.09%	1.09%
Other share holders	22,252,454	24.94%	24.94%
Total	89,223,446	100.0%	100.0%

NOTE 5 / Shareholders

Shareholders by size of holding as of 31 December 2020:

Number of shares	Number of owners	Number of shares	Holding percentage
1 - 1,000	860	358,970	0.40%
1,001 - 10,000	678	2,740,081	3.07%
10,001 - 100,000	220	7,337,487	8.22%
100,001 - 200,000	28	3,835,196	4.30%
200,001 - 500,000	19	5,760,740	6.46%
500,001 - 1,000,000	12	7,410,164	8.31%
1,000,001 - 2,000,000	6	7,056,379	7.91%
2,000,001 - 5,000,000	3	10,978,206	12.30%
5,000,001 - 10,000,000	1	7,113,312	7.97%
10,000,001 +	1	36,632,919	41.06%
Total	1,828	89,223,446	100.00%

Shareholders by size of holding as of 31 December 2019:

Number of shares	Number of owners	Number of shares	Holding percentage
1 - 1,000	629	284,421	0.33%
1,001 - 10,000	501	2,013,405	2.26%
10,001 - 100,000	173	5,798,562	6.50%
100,001 - 200,000	17	2,306,059	2.59%
200,001 - 500,000	14	4,584,638	5.14%
500,001 - 1,000,000	12	8,235,343	9.23%
1,000,001 - 2,000,000	6	8,729,287	9.78%
2,000,001 - 5,000,000	4	17,956,402	19.92%
5,000,001 - 10,000,000	2	16,137,523	18.08%
10,000,001 - 20,000,000	1	23,027,806	25.81%
Total	1,339	89,223,446	100.00%



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NOTE 5 / Shareholders,
cont.

Number of shares held by the senior management, CEO and the Board of directors, represented, directly or indirectly as per 31.12.2020:

Name	Position	Shares 2020	Shares 2019
Tore Valvik *	Chair of the Board	150 000	
Storre Kjesbu	Vice Chair of the Board	39 505	39 505
Ingeborg Molden Hegstad **	Board member	24 600	24 600
Trine Strømnes	Board member		
Gøril Bjartveit ***	Board member	70 000	
Håkon Voldal ****	President & CEO	225 000	153 829
Morten Andersson	SVP Traffic Management		
Fredrik Nordh	SVP Tolling	40 000	40 000
Idunn Hals Bjelland de Garcia	SVP Brand, Communication & Marketing		
Pål-Anders Almli	VP Supply Chain Management	26 500	26 500
Tore Væderhaug *****	Former Chair of the Board, resignation date Jan. 14, 2020	25 000	25 000
Per Fredrik Ecker	Former SVP AP/MEA	33 500	33 500
Tor Erik Kvaløen	Former CFO	12 500	12 500
Total		600 605	358 434

* Indirectly through Baitohaver AS

** Indirectly through Fjordinvest AS

*** Indirectly through Bright Future AS

**** Indirectly through Provent AS

Tore Valvik holds a position as Investment Director in Rieber & Sen, which as per 31.12.2020 owns 36632319 (41.06%) shares in Q-Free ASA.

Incentive programs for the CEO and leading executives, see Note 12 Management and board of directors remuneration in the consolidated financial statements.

NOTE 6 / Financial items

Amounts in THOK	2020	2019
Interest income	13	122
Realised exchange rate differences	1 756	18 381
Unrealised exchange rate differences	3 589	2 710
Financial income	5 358	21 813
Financial income subsidiaries	9 489	12 344
Dividend income subsidiaries	23 564	57 317
Total financial income subsidiaries	33 053	69 661
Total financial income	38 411	91 474
Interest expense	-6 667	-4 164
Interest bank borrowings	-8 098	-7 725
Realised exchange rate differences	-2 050	-20 957
Unrealised exchange rate differences	-23 287	-624
Fair value change in other liabilities *		-644
Other financial expenses	-6 115	-11 933
Financial expenses	-46 217	-46 047
Interest expense – loan from subsidiary	-975	-1 320
Unrealised exchange rate differences	-2 259	-892
Realised exchange rate differences	-21	
Impairment of shares in subsidiaries		-59 341
Impairment of Non-current receivables – subsidiaries	-15 000	
Total financial expenses subsidiaries	-18 255	-61 953
Total financial expenses	-64 472	-107 600
FINANCIAL ITEMS, NET	-26 061	-16 126

NOTE 7 / Employee benefit expenses

Amounts in THOK	2020	2019
Salary	6 132	11 236
Social security costs	822	1 863
Pension costs (contribution plan)	208	188
Capitalised personnel costs		-1 322
Other personnel related costs	642	
Total	7 804	11 965
Average number of employees	2	3
Average number of man-years	2	3



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NOTE 7 / Employee benefit expenses, cont.

For information on the management and Board of directors remuneration, please see Note 12 Management and Board of directors remuneration and Note 13 Share based compensation in the consolidated financial statements.

Pension cost

The parent company has a defined contribution pension plan for the Norwegian employees. All employees in Norway are included in defined contribution pension plans. At year end 2020 Q-Free ASA has 2 employees which are included in defined contribution pension plans.

The parent company contributes with 7.0% of salaries between 0 – 7.1 G and 15.0% of salaries between 7.1 – 12 G to the defined contribution pension plan, total TNCOK 208 (2019: 188) per contributed year.

NOTE 8 / Other operating expenses

Amounts in TNCOK	2020	2019
External services	8 495	7 078
Travel expense	260	635
Office supplies	39	72
Marketing / promotions	2	20
Impairment non-current receivables – subsidiaries	421	10 027
Other	57	-725
Total	9 274	17 107

Audit fees

Q-Free ASA has the following audit related fees, provided by our elected auditor, included in the "External services" in the table above (all figures excl. VAT).

Amounts in TNCOK	2020	2019
Audit services	1 391	1 157
Other audit related services	137	193
Tax services	-	-
Other, non audit related services	-	-
Total	1 528	1 350

NOTE 9 / Taxes

Amounts in TNCOK	2020	2019
Total tax expenses for the period	200	2019
Adjusted allocated tax from last year	-	-
Total	0%	0%
Taxes payable for the year		
Total ordinary profit before tax	-43 139	-44 297
Permanent differences	-7 434	24 615
Change in temporary differences	11 089	-13 706
Utilisation of previously unrecognised tax losses	-	-
Basis for taxes payable	-39 474	-33 386
Specification of taxes payable	-	-
Taxes payable on this year's profit	-	-
Total taxes payable	-	-
Specification of deferred tax assets (-) / deferred tax liabilities (+)		
Differences evaluated to be offset:	-	-
Property, plant and equipment	-	-
Non-current receivables	-	3 201
Current assets	-	-
Liabilities	-114	-114
Tax asset from losses carry-forward	-61 515	-54 293
Other differences	-225	-833
Total	-61 740	-52 039
Unrecognised deferred tax assets	61 740	52 039
Recognised deferred tax assets (-) / deferred tax liabilities (+)	-	0
Reconciling the tax expense		
Earnings before tax	-43 139	-44 297
Calculated tax at 22%	-9 691	-9 746
Tax result permanent differences and tax rate difference	-1 635	5 415
Use of previously unrecognised loss carried forward (-) / increase in valuation allowance	-	-
Unrecognised increased deferred tax asset	11 126	4 330
Tax expense	0	0



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NOTE 10 / Other current assets

Amount in TNOK	2020	2019
Other current assets		
Accounts receivable	1 756	1 318
Current receivables – subsidiaries	18 374	11 271
Other prepaid costs	308	
Total	20 438	12 589

NOTE 11 / Cash and cash equivalents

Cash at banks earns interest at floating rates based on daily bank deposit rates.

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 31 December:

Amount in TNOK	2020	2019
Liquidity funds		
Cash at banks and on hand	15	793
Total cash and cash equivalents	15	793

As of 31 December 2020, O.Frise ASA had available TNOK 100,000 (TNOK 52,978) of undrawn bank credit line and TNOK 28,473 (TNOK 23,047) of undrawn guarantee facilities in which all conditions precedent had been met.

NOTE 12 / Other current liabilities

Amount in TNOK	2020	2019
Other current liabilities		
Accounts payable	177	1 697
Accounts payable – subsidiaries	1 588	373
Public duties payable	473	776
Accrued wages (Holiday pay and bonus scheme)	467	709
Accrued expenses	3 024	2 596
Fair value of foreign exchange contracts		516
Total	5 729	6 577

NOTE 13 / Financial instruments

Financial instruments by category

Amount in TNOK	Amortised cost	Fair value	Non financial instruments included in the line item	Total
31 December 2020				
Financial assets				
Investments in subsidiaries	509 765			509 765
Non-current receivables – subsidiaries	237 313			237 313
Other current assets	20 438			20 438
Cash and cash equivalents	15			15
Total	767 531			767 531
Financial liabilities				
Non-current bank borrowings	179 200			179 200
Convertible bond	69 803			69 803
Non-current borrowings subsidiaries	48 700			48 700
Current bank borrowings	54 300			54 300
Current borrowings subsidiaries	35 169			35 169
Other current liabilities		5 729		5 729
Total	387 352	5 729		393 081

Amount in TNOK	Amortised cost	Fair value	Non financial instruments included in the line item	Total
31 December 2019				
Financial assets				
Investments in subsidiaries	509 765			509 765
Non-current receivables – subsidiaries	213 460			213 460
Other current assets	12 589			12 589
Cash and cash equivalents	793			793
Total	736 607			736 607
Financial liabilities				
Non-current bank borrowings	185 000			185 000
Non-current borrowings subsidiaries	16 939			16 939
Current bank borrowings	47 022			47 022
Current borrowings subsidiaries	74 209			74 209
Other current liabilities		2 070		2 070
			4 507	4 507
Total	325 240	4 507	4 507	329 747



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NOTE 14 / Changes in liabilities arising from financing activities

The following liabilities in the Statement of financial position are related to financing activities:

Amounts in thousand	2020	2019
Non-current borrowings	179 200	160 000
Convertible bond	69 983	0
Non-current borrowings subsidiaries	48 700	16 939
Current borrowings	54 300	72 022
Current borrowings subsidiaries	35 169	74 209
Total	352 183	248 961

Reconciliation between changes in the liabilities as presented in the Statement of financial position and the Consolidated statement of cash flows:

	2020	2019
Cash flow from financing activities:		
Net changes in non-current and current borrowings:	1 479	-25 604
Cash proceeds from credit line (Cash proceeds from borrowings)	35 064	73 033
Cash proceeds term loan** (Cash proceeds from borrowings)	82 000	
Cash proceeds from borrowings	117 064	73 033
Debt instalments term loan (Repayment of borrowings)	-33 500	-36 000
Cash payments credit line (Repayment of borrowings)	-82 085	-20 532
Repayment of borrowings	-115 585	-56 532
Net change in non-current and current borrowings	1 479	16 501
Net change in convertible bond	69 983	0
Cash proceeds from convertible bond	75 777	0
Debt element classified as equity	-10 727	0
Interest accrued, not paid	4 933	0
Net change in convertible bond	69 983	0
Net changes in non-current and current borrowings from subsidiaries	-7 279	33 376
Cash proceeds from subsidiaries	29 339	33 376
Cash payments to subsidiaries	-36 618	0
Net change in financial liabilities from borrowings subsidiaries	-7 279	33 376

* Other financial liabilities have renegotiated terms and are not related to financial activities
 ** The facility is partly guaranteed by OIEK as part of the Norwegian government's Covid-19 support packages.

NOTE 15 / Subsequent events

See note 33 Subsequent events in the Group Consolidated Financial Statements.

STATEMENT FROM THE DIRECTORS AND THE CEO

We confirm, to the best of our knowledge, the financial statements for the period from 1 January to 31 December 2020 have been prepared in accordance with IFRS as adopted by EU, with such additional information as required by the Accounting Act, and give a true and fair view of the Group and the Company's consolidated assets, liabilities, financial position and results of operations.

We confirm that the Board of Directors' report provides a true and fair view of the development and performance of the business and the position of the Group and the Company, together with a description of the key risks and uncertainty factors that the company is facing.

Trondheim 28. April 2021

Trond Valvik
(Sign.)
Chair of the Board

Snorre Kjøbu
(Sign.)
Vice Chair of the Board

Ingeborg Molden Hegstad
(Sign.)
Board member

Trine Stormanes
(Sign.)
Board member

Geir Bjerlo
(Sign.)
Board member

Brago Blekken
(Sign.)
Employee-elected
Board member

Yngve Halms
(Sign.)
Employee-elected
Board member

Håkon Voldal
(Sign.)
President & CEO



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As part of our audit, we obtained an understanding of the process by which management determines the percentage of completion and evaluated the design of internal controls related to this process. For a sample of significant projects with contract assets, we required and evaluated the judgments made by management regarding the degree of completion for the projects. This includes testing of accuracy of estimates and the appropriateness of assumptions used in the calculation of the percentage of completion in respect to revenue and ending of the calculation of the projects' contract assets. Further, we assessed the Group's disclosures in notes 4, 16 and 17 of the consolidated financial statements.

Impairment of goodwill and intangible assets

Goodwill amounts to NOK 266.6 million and intangible assets to NOK 653 million in the consolidated financial statements as at 31 December 2020. In total, this accounts for 39 % percent of total assets of the Group. The Group performed impairment tests to determine the recoverable amounts and recorded impairments of NOK 16.3 million in 2020, primarily related to intangible assets.

Goodwill and intangible assets impairment testing rely on estimates of value-in-use which is based on management's assumptions regarding the future cash flows and discount rates. The Group's cash flows and the significance of the Group's goodwill and intangible assets as at 31 December 2020, this audit area is considered a key audit matter.

We evaluated management's assessment of impairment indicators and management's estimates related to sales forecasts. Our audit procedures included inquiries and evaluations of management's assumptions regarding the current market situation and expectations about future sales. Furthermore, we also tested the mathematical accuracy of the value-in-use calculation. Our audit procedures further included analysis and evaluation of historical accuracy of prior year's forecasts. We also assessed the Group's disclosures in notes 4, 14 and 15 of the consolidated financial statements.

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, to identify material misstatements of fact or material omissions that are apparent from a reading of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements
Management is responsible for the preparation and presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, 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 intends to liquidate the Company or to cease operations, or the 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.

Independent auditor's report - Q-Free ASA

A member firm of Ernst & Young Global Limited



INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Q-Free ASA

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Q-Free ASA, which comprise the financial statements for the period from 1 January 2020 to 31 December 2020, including the consolidated financial statements and the statements of cash flows and changes in equity for the year then ended and comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2020, and the results of their operations and 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 these standards are described in more detail in the "Auditor's responsibilities" 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 responsibilities, including those to the audit committee and the audit attendees 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, and the results of our audit, which are our opinion on the financial statements, are 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 address 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.

Revenue recognition and related contract assets

The Group derives a significant part of its revenues from long-term projects. As at 31 December 2020, the Group recognized NOK 63.6 million in contract assets. Such projects involve revenue recognition over time based on percentage of completion. The assessment of percentage of completion requires subjective and professional judgment, and therefore is subject to uncertainty and potential misstatements.

The main risks include management's use of estimates and judgments in relation to percentage of completion, the use of subjective and professional judgment, and the assessment of the key audit matter. We consider this a key audit matter because of the significant amounts and the management judgment applied in the estimates.

Independent auditor's report - Q-Free ASA

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Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have performed in accordance with the International Standards on Assurance Engagements (ISAE) 3000, we are pleased to provide you with the following opinion. Our opinion is based on the information provided to us by management. Our opinion is 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.

Tromsø, 28 April 2021
EMMET & YOUNG AS
The auditor's report is signed electronically
Christin Østnes
State Authorized Public Accountant (Norway)

Independent auditor's report - Q-Free ASA
A member firm of Ernst & Young Global Limited

3



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, and design and perform audit procedures responsive to those risks. 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 sufficient appropriate audit evidence to support the audit opinion. The audit is conducted in accordance with the applicable standards and practices accepted in Norway.
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and disclosures.
- ▶ 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 call into question the entity's ability to continue as a going concern. Where appropriate, we are required to draw attention to our observations in our audit reports.
- ▶ evaluate the financial statements as a whole to assess whether they present a fair view of the entity's financial position, performance and cash flows in all material aspects. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, there events or conditions may arise after the reporting date that may, in our opinion, affect the financial statements.
- ▶ 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.
- ▶ communicate with those charged with governance regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also comply with the requirements with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all reasonable 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 have the most significance in the audit of the financial statements of the current period and are therefore included in this report. We have determined the matters that we consider to be of most significance and we include 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 and corporate social responsibility

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

Independent auditor's report - Q-Free ASA
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ARTICLES OF ASSOCIATION FOR Q-FREE ASA

ARTICLE 1

The name of the Company shall be Q-Free ASA. The Company shall be a public limited company.

ARTICLE 2

The Company's registered place of business shall be in the City of Trondheim.

ARTICLE 3

The Object of the Company is, by itself or through ownership in other companies, to engage in research, development, production, operations and sale of information technology products and systems plus everything therewith connected.

ARTICLE 4

The Company's share capital shall be NOK 42,272,878,08 divided between 111,244,416 shares, each of NOK 0,38 face value.

The Company's shares shall be registered in the Norwegian Central Securities Depository (VPS).

ARTICLE 5

The Board of the Company shall have between three and eight members, as the general meeting shall stipulate.

The Board shall represent the Company outwardly, and sign for it. The signature of the Company is also vested in the Chairman of the Board and one other Board member acting jointly.

The Board may grant procuration (registered power of attorney).

ARTICLE 6

The annual general meeting shall be held before 30 June, in either the City of Trondheim or the City of Oslo.

Invitation to the general meeting shall require at least 21 days' written application to all shareholders with known addresses.

The Board may determine that documents pertaining to matters for discussion at the general meeting shall not be sent to the shareholders when these documents are made available on the Company's Web pages. The same shall apply to documents that by statute must be incorporated into or appended to the invitation to the general meeting. A shareholder may nevertheless, by application to the Company, demand to be sent documents pertaining to matters for discussion at the general meeting.

The right to participate and vote at the general meeting may only be exercised for shares that are entered in the Register of Shareholders (VPS) on the fifth working day prior to the general meeting (the date of registration).

Shareholders who, either in their own persons or by proxies, wish to participate in the general meeting, shall communicate this to the Company within the deadline that the Board has stipulated in the invitation. Such deadlines cannot expire earlier than five days prior to the meeting.

The annual general meeting shall consider:

1. Adoption of profit and loss account and balance sheet.
2. Application of profit or coverage of loss pursuant to the adopted balance sheet and distribution of dividend.
3. Election of the Board and the Chairman of the Board.
4. Stipulation of the Board's remuneration.
5. Election of members of the Nominations Committee.
6. Stipulation of the compensation to the Nominations Committee.
7. Stipulation of the compensation to the auditor.
8. Other matters that the Board places on the agenda, or that a shareholder wants considered, when such an item is notified in writing to the Board within seven days before the deadline for invitation to the general meeting, together with a proposal for decision or a justification for putting the proposal on the agenda. If the invitation has already taken place, a new invitation shall be made if the deadline for invitation to the general meeting has not passed.
9. Other matters that pursuant to statute pertain to the general meeting.

ARTICLE 7

The Company shall have a Nominations Committee, whose mission shall be to make recommendations to the general meeting for shareholder-elected members to the Board, and also propose the Board's emoluments.

The Nominations Committee shall consist of three members who shall be shareholders or representatives of shareholders. The members shall be elected by the general meeting. The members of the Nominations Committee shall be elected for two years at a time. The general meeting may decide on instructions for the Nominations Committee.

ARTICLE 8

Reference is otherwise made to the current companies legislation.

Articles of Association as of 12 February 2021

The shareholders of Q-Free ASA



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CORPORATE GOVERNANCE REVIEW 2020

Q-Free aims to protect and enhance shareholders' investments through good corporate governance and has established principles and guidelines that define the roles and relationships between the shareholders, the Board of Directors and the executive management of the company.

1. IMPLEMENTATION OF AND REPORTING ON CORPORATE GOVERNANCE

Q-Free is listed on Oslo Børs and bases its corporate governance structure on Norwegian legislation.

The aim of the Norwegian Code of Practice for Corporate Governance (NUGES) is to ensure that companies listed on regulated markets in Norway follow corporate governance principles that clarify the role of shareholders, the board of directors, and the day-to-day management beyond what follows from legislation.

This review of the company's corporate governance principles and practices is prepared in compliance with the Norwegian Code of Practice for Corporate Governance as per 17 October 2018. The Norwegian Code of Practice for Corporate Governance is available on www.nuges.no.

The principles and implementation of corporate governance is subject to annual reviews and discussions by the company's Board of Directors.

Q-Free has no deviations from the recommendations in the Code of Practice in 2020.

Corporate vision, values, Code of Conduct and Corporate Social Responsibility

Q-Free's vision is: Changing the movements of life.

Q-Free operates worldwide and our operations are characterized by high ethical standards and trustworthy behavior, a customer-oriented offering, and excellence in execution.

Q-Free's values support the Company's strategy and guide decisions and attitudes internally and externally. The core values are:

- Excellence
- Passion
- Innovation
- Collaboration



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Q-Free has established a Code of Conduct (COC), guidelines for Corporate Social Responsibility (CSR), and an Anti-Corruption policy based on the company's vision and values. The Code of Conduct provides guidelines on how to behave both internally and externally and contributes to ethical behavior in day-to-day business.

The COC and CSR principles apply to all members of the Board, managers, employees, contracted consultants, representatives and everyone else acting on behalf of Q-Free.

The company endeavors to make its COC and CSR guidelines known to its business partners and are also publicly available on www.q-free.com.

Deviations from the Code of Practice: None.

2. BUSINESS

Q-Free is a leading global supplier of ITS (Intelligent Transportation Systems) products and solutions. Q-Free operates worldwide with headquarters in Trondheim, Norway, and with offices in 16 countries and presence on all continents.

The company has described its operations in the Articles of Association:

"The objective of the company is, by itself or through ownership in other companies, to engage in research, development, production, operations and sale of information technology products and systems plus everything therewith connected."

The company's Articles of Association are available at www.q-free.com.

The Group's objectives and principal strategies are described in the strategy section of the annual report.

The Board of Directors annually defines clear objectives, strategies and risk profiles for the Company's business activities to assure that the long-term interests and value creation of the shareholders are being served. This includes reviewing the overall strategy at least once a year, preparing the target for the next year, evaluating management and competence needed, making continuous financial reviews and risk assessments based on targets and prognosis, as well as evaluating the work of the Board.

The Company has guidelines for how it integrates considerations related to its stakeholder into its value creation. The Reporting of Corporate Social Responsibility, Code of Conduct and Anti-corruption policies are reviewed annually by the Board of Directors.

Deviation from the Code of Practice: None.

3. EQUITY AND DIVIDENDS

Q-Free ASA's share capital, as per 31.12.2020, totals NOK 33,904,909.48, divided into 89,223,446 shares, each with a par value of NOK 0.38. The shares are freely traded at the Oslo Børs.



Equity
Q-Free's policy is to maintain a satisfying equity ratio to provide a platform for the company's expected expansion and growth. If needed to finance growth, specific projects or transactions, the Board of Directors can propose for the General Meeting that the Board is given mandates to issue new equity. Per 31 December 2020 the Group's equity amounted to NOK 313 million, representing an equity ratio of 37 percent. The Board has a continuous focus on adapting the company's objectives, strategy and risk profile to the company's capital situation. See note 6 in the 2020 Financial statement for further information about the Company's capital structure management.

Dividend policy
Q-Free has an objective to give the shareholders a stable and competitive long-term return on investment. The company is in a growth phase and current strategy is to invest the free cash flow to position Q-Free for future growth.

Q-Free has not distributed dividends in the last three years.

Mandates to the Board

Mandates granted to the Board to increase the company's share capital are restricted to defined purposes and in separate mandates, and thus in accordance with the recommendation. Pursuant to the Code, mandates granted to the Board are limited in time to no later than the date of the next annual General Meeting. The General Meeting is given the opportunity to vote on every purpose covered by the authorization.

At the Annual General Meeting 28 May 2020, the Board was granted an authorization to increase the share capital by the subscription on new shares in order to be able to support further growth of the Company organically or inorganically. The authorization mandates the Board to increase the share capital with as much as NOK 3,293,873.16 by the issue of as much as 8,575,982 shares, equivalent to approximately 9.61% of the issued shares, each with a par value of NOK 0.38 per share with a right to disregard the existing shareholder's preferential rights according to the Public Limited Companies Act sections 10-4 and 10-5. The mandate is limited for one year, and valid until the next Annual General Meeting but nevertheless no longer than 30 June 2021.

Further, at the Annual General Meeting 28 May 2020, the Board, as part of the carrying out of the established incentive program towards leading executives, through the possibility to subscribe shares in the company, was granted an authorization to increase the share capital with as much as NOK 139,617.56 which corresponds with 246,362 shares (0.39%), each with a par value of NOK 0.38, through one or more private placements with cash deposits towards leading executives and key personnel. The existing shareholder's preferential rights according to the Public Limited Companies Act sections 10-4 and 10-5 can be deviated from. The authorization is valid until the next Annual General Meeting but no longer than 30 June 2021.

The Board was in the General Meeting 2018 granted a right to establish a five-year stock option program for the Chief Executive Officer with a maximal number of share options of 869,970.

The Board was in the Annual General Meeting in 2017 granted a right to establish a five-year stock option program for leading executives with a maximal number of share options of 2,500,000.

See Note 13 in the 2020 financial statements for further information about the incentive programs.

Deviation from the Code of Practice: None.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Q-Free has one class of shares and each share represents one vote. Each share has a nominal value of NOK 0.38. All shareholders will be treated equally and have the same influence.

An increase in the Company's share capital may be proposed if the Board of Directors decides that this would best take care of shareholders' long-term interests. Normally, the Board of Directors will propose that share issues are directed to existing shareholders in accordance with their preferential rights. However, if the Board has been given an authorization from the general meeting to carry out a private placement for a special purpose, the Board may decide to waive the pre-emption rights of existing shareholders. Any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital are justified and publicly disclosed in a stock exchange announcement pursuant to the Code.

In 2020 the Board was given two authorizations by the general meeting to increase the share capital with a total of 10% (9.61% + 0.39%) of the issued shares, with a right to disregard the existing shareholder's preferential rights according to the Public Limited Companies Act sections 10-4 and 10-5. The authorizations have not been used.

The company has developed a policy with regard to transactions with close associates, based on the requirement that any transactions must be at arm's length principle and at market terms. If deemed required, the company will arrange for a valuation obtained from an independent third party.

For information about transactions with related parties, see Note 28 in the 2020 financial statements.

Deviation from the Code of Practice: None

5. FREELY NEGOTIABLE SHARES

Q-Free has no form of restrictions limiting any party's ability to own, trade or vote for the shares in the company, and has no intention to put forward any such proposals to the General Meeting. The Articles of Association have no restrictions on free negotiability.

Deviation from the Code of Practice: None



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6. GENERAL MEETINGS

The General Meeting is the company's supreme governing body, and all shareholders are given the opportunity to exercise their rights. The Annual General Meeting has adopted the Articles of Association where §6 regulates the notice period, right to attend, and agenda proposals.

Notification

The Annual General Meeting must according to the law be held before the 30th of June. The general meeting is to take place either in Trondheim or in Oslo. The 2021 Annual General Meeting is scheduled for 20 May in Oslo.

A written notice for the general meeting is to be sent to all shareholders, with known addresses, within 21 days prior to the meeting. The Board may decide that the notice of the General Meeting and supporting information and documents will be made available on the company's website only. A shareholder may nevertheless, by application to the company, request for the documents to be distributed by mail.

The Board ensures that resolutions and supporting information distributed are sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters to be considered at the meeting.

Registration and proxies

Shareholders planning to participate at the General Meeting shall notify the company within a deadline set by the Board in the notice. The deadline cannot expire earlier than five days before the date of the general meeting.

The right to attend and vote in general meetings may only be exercised for shares registered in the shareholders' register (VPS) no later than the fifth workday before the date of the general meeting (the registration date) according to the §6 of the Articles of Association.

To register for the general meeting a shareholder must submit a written confirmation by mail, e-mail (provided the registration form is a scanned document with signature), or by submission directly to the company's registrar Nordes Bank.

Shareholders are entitled to request specific matters to the agenda of a general meeting, by giving a written notice to the Board within seven days before the statutory deadline for the notice of the general meeting. If the notice of the general meeting is already distributed, a new notice shall be issued. Instructions are given in the notice for the Annual General Meeting.

Shareholders who cannot attend the general meeting may vote by proxy. The company will appoint a person that will vote on behalf of shareholders as their proxy unless the shareholder has appointed another person. The proxy form allows for separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election.

Agenda and execution

The agenda for the general meeting is set by the Board, but the main items are specified in

§6 of the Articles of Association. The agenda includes detailed information on the resolutions to be considered and the recommendation from the Nomination Committee. The attending shareholders vote for a Chairperson to lead the general meeting and are hence able to vote for an independent Chairperson for the general meeting.

The Board of Directors and the person chairing the meeting ensure that appropriate arrangements are made for the general meeting to vote separately on each candidate nominated for election to the company's corporate bodies.

The Chair of the Board, Chair of the Nomination Committee, Chair of the Audit Committee, Chair of the Remuneration Committee, the CEO and auditor are present to respond to any questions and queries. The Chair of the Board and the Chair of the Nomination Committee assess on a case-by-case basis, based on the agenda of the general meeting, whether all members should participate.

The company announces the minutes for the Annual General Meeting according to stock exchange regulations.

Deviation from the Code of Practice: None

7. NOMINATION COMMITTEE

The company has a Nomination Committee. The general meeting elects the chair and members of the Nomination Committee and determines the committee's remuneration.

The Nomination Committee has contact with shareholders, the Board of Directors and the CEO as part of its work on proposing candidates for election to the Board. The Nomination Committee is responsible for proposing board member candidates and remuneration to the Board, in addition to proposing members for the committee itself. The Nomination Committee justifies the reason for proposing each candidate separately.

The Nomination Committee is established in accordance with the Company's Articles of Association §7, and the Committee's work is determined by instructions approved by the General Meeting. The instruction emphasises that the composition of the Nomination Committee should be adjusted from time to time, in a way that secures continuity. The instructions are published on the Company's website.

Composition

The Committee shall consist of three members chosen by the General Assembly based on recommendation from the Committee, with a term of office of two years. The Chair of the Committee shall be chosen by the General Assembly.

The members shall be shareholders or representatives of shareholders. At least two of the members shall be independent of the board of directors and the management of day-to-day operations. The Chief Executive Officer is not eligible to be a member of the Committee.

The members of the Committee should be changed regularly, while still securing continuity for the Committee.



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The composition and tenure of the Nomination Committee's members including deadlines for proposing candidates are available at the company's website.

The members of the Nomination Committee are independent from the company's executive management. Currently, no member of the Nomination Committee is a member of the Board. Q-Free is not aware of the existence of any agreements or business partnerships between the Company and any third parties in which members of its Nomination Committee have direct or indirect interests.

The Company does not have a corporate assembly.

The Nomination Committee composition as at 31.12.2020:

Name	Company	For election
Heidi Finskås	KLP Kapitalforvaltning	2021
Øystein Elgøy	Rieber & Søn AS	2021
Fredrik Thoresen	Storebrand Asset Management	2021

Deviation from the Code of Practice: None

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The Company does not have a corporate assembly.

Composition of the Board

Pursuant to the company's Articles of Association § 5, the Board of Directors shall have 5–8 members.

The Nomination Committee recommends the Board composition to the General Meeting and ensures that the composition of the Board of directors supports the common interests of all shareholders and meet the company's need for expertise, capacity and diversity as well as ensuring that the Board can function effectively as a collegiate body.

The members of the Board are elected for a period of two years and may be re-elected. The General Meeting elects the Chair of the Board. The Vice Chair is elected by the Board for a period of one year. An overview of the members of the Board and their competences is available on the company's website www.q-free.com and in the annual report.

As of 31 December 2020 the Board of Directors comprised of seven members, whereof two elected by and amongst the Group's employees. The former Chair of the Board (Valdierhaug) resigned 14 January 2020, and the former Vice Chair of the Board (Valvik) took on the position and acted as Chair of the Board until elected as Chair of the Board at the Annual General Meeting. The Board consist of two shareholder-elected women and three shareholder-elected men, hence the gender diversity requirement pursuant to Norwegian legislation is fulfilled. The Board had one change in the shareholder-elected composition during 2020, Geir Bjørlo was elected as new member of the Board.

The Chair of the Board, Trond Valvik, holds the position as Investment Director in the company's largest shareholder, Rieber & Søn AS. The other board members including the former Chair of the Board are independent of the company's main shareholders.

Board of Directors Composition as at 31.12.2020:

Name	Position	Service since	Elected until	Shareholding in Q-Free ASA (Direct or Indirect)
Trond Valvik*	Chair	2017	2021	150,000
Sindre Kjesbu	Vice Chair	2016	2022	39,505
Trine Strømmeås	Board member	2019	2021	0
Geir Bjørlo	Board member	2020	2022	70,000
Ingeborg Molde	Board member	2018	2022	24,600
Brage Blekken	Employee-elected member of the Board	2020	2022	0
Yngve Halme	Employee-elected member of the Board	2020	2022	0

* Valvik holds the position as Investment Director in Rieber & Søn, which as per 31.12.2020 owned 36,632,919 (4.06%) shares in Q-Free ASA.

Participation in Board meetings in 2020:

Name	Board meetings
Trond Valvik	20
Trine Strømmeås	20
Sindre Kjesbu	20
Ingeborg Molde Hegstad	19
Geir Bjørlo*	8
Brage Blekken**	8
Yngve Halme***	8
Olav Gullting****	11
Rune Jernsandsdøtt*****	11
Tone Valdierhaug*****	1

* Geir Bjørlo serves as board member from 28 May 2020

** Brage Blekken serves as employee-elected board member from 28 May 2020

*** Yngve Halme serves as employee-elected board member from 28 May 2020

**** Rune Jernsandsdøtt served as employee-elected board member until 28 May 2020

***** Tone Valdierhaug resigned as Chair of the Board 14 January 2020



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Independence of the Board

Q-Free is not aware of the existence of any agreements or business partnerships between the company and any third parties in which its directors have direct or indirect interests. The members of the Board are independent from the company's management, and the executive management is not represented in the Board.

The members of the Board of Directors have no share options or synthetic options in the company. Members are encouraged to own shares in the company.

Deviation from the Code of Practice: None

9. THE WORK OF THE BOARD OF DIRECTORS

Instructions

The Board has issued instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties. The purpose of the instructions is to describe the role and functions of the Board and the interaction with the executive management of the company.

In the event that the Chair is absent, the meeting will be chaired by the Vice Chair.

According to the Code of Conduct, members of the Board and the executive management are obliged to notify the Board in case of any material direct or indirect interests in a transaction entered into by the company.

In matters of a material character in which the Chair of the board is, or has been, personally involved, the Board's consideration of such matters will be chaired by some other member of the Board.

The Board's proceedings and minutes are in principle confidential unless the Board decides otherwise. This is pursuant to the instructions to the Board.

Remuneration committee

Three members of the Board have been elected by the Board to act as Remuneration Committee, for a period of two years.

The Board approved an instruction for the Remuneration Committee in 2006, which was further revised in 2008 and 2019.

The Remuneration Committee makes proposals to the Board regarding employment terms and conditions and total remuneration of the CEO and incentive-based remuneration for other senior management employees. These proposals are also relevant for other employees entitled to variable salaries. The Board makes comparisons with other companies when deciding the terms and conditions and remuneration of the CEO.

Remuneration Committee composition as at 31.12.2020:

Ingeborg Molden Hegstad (Chair)
Trine Strømnes
Brage Blekken

Audit Committee

The Public Companies Act stipulates that large companies must have an Audit Committee. Two out of seven members of the Board have been elected by the Board to the Audit Committee.

The Board approved an instruction for the Audit Committee in 2006, revised in 2008, 2013 and 2015. The Audit Committee's main responsibilities are to supervise the company's internal control systems and to ensure that the auditor is independent and that the annual accounts and quarterly reporting gives a fair view of the company's financial results and financial condition in accordance with generally accepted accounting principles.

The Audit Committee reviews the procedures for risk management and financial controls in the major areas of the Company's business activities. The Audit Committee receives reports on the work of the external auditor and the results of the audit. In addition, the committee reviews the company's work on Corporate Governance.

Audit Committee composition as at 31.12.2020:

Trond Valvik (Chair)
Shorre Kjesbu

Technology Board Committee

The Board established a Technology Board committee late 2018. The Committee was decided to be temporary discontinued in 2020.

The Board's evaluation of its own work

The Board of Directors evaluates its performance annually and present the evaluation to the Nomination Committee.

Deviation from the Code of Practice: None

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors must ensure that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities.

The Company's main business risks are closely monitored and discussed by the Executive Management team and documented in a central risk register. The register includes an overview of the most significant risks for the Company and a description of how these risks are addressed and shall be mitigated. Moreover, a risk assessment is now part of all major bids and delivery and development projects. The Risk Management document is reviewed by the Audit Committee annually.

In addition to the risk register, the Company has also established a business continuity plan and procedures for crisis management in case of unexpected incidents/events that could have a materially adverse effect on the business. The emergency team meets 2 to 4 times per year to discuss and practice how the Company should handle crises or emergencies. This was a main reason why the Company was able to respond swiftly to the Covid-19 pandemic during 2020.



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Remuneration for the period from the Annual General Meeting of 2020 to the Annual General Meeting of 2021:

The Chair of the Board:
NOK 4,500,000

The Vice Chair of the Board:
NOK 300,000

Members elected by the shareholders:
NOK 250,000

Members elected by the employees:
NOK 90,000

Chair of sub-committees of the Board:
NOK 11,000 per day of meeting

Members of sub-committees of the Board Members elected by the shareholders:
NOK 8,500 per day of meeting

Members elected from the employees:
NOK 4,250 per day of meeting

Beyond the scope of Board responsibility, board members could from time to time take on certain consultancy projects for the company. Such projects are defined by the Board of Directors and occur on a limited basis. Board members are compensated for such work according to separate agreements approved by the Board of Directors.

The Directors' fees are as of 31 December 2020 not linked to performance. The members of the Board have no share options in the company.

For further information about remuneration of the Board see Note 12 in the 2020 financial statements.

Remuneration of the Nomination committee

Remuneration from the Annual General Meeting of 2020 to the Annual General Meeting of 2021:

The Chair of the Nomination Committee:
NOK 42,750

Members of the Nomination Committee:
NOK 28,500

Deviation from the Code of Practice: None

To ensure internal financial and business control, management prepares monthly performance reports for review by the Board. The reports cover financial and business updates as well as major risk items. In addition, quarterly financial reports are prepared and reported to the financial market in accordance with the requirements from Oslo Børs. These quarterly financial reports are first presented to the Audit Committee, which reviews the reports prior to Board meetings where the reports are formally approved. The auditor takes part in the Audit Committee's meetings at least twice a year and meets with the entire Board in connection with the presentation and approval of the annual financial statements.

The model for internal financial reporting and control is reviewed on a regular basis to ensure that the reporting system reflects the Group's main business activities, opportunities and risks. The Group also has a chart of authority in place to ensure financial control with respect to approval of contracts and expenses. The chart of authority is updated regularly, approved by the Board and implemented in relevant position descriptions.

To ensure internal control with processes, policies, and procedures the Company has established a management system. All employees are trained in our Management system – the "Q-Free way" of working. Knowledge sharing between employees is performed through our process documentation and leads to continuous improvements. The management system also ensures that responsibilities are defined and communicated within the organization. The following areas represent the key parts of our management system:

- **Quality** is an essential part of our management system to ensure focus on risk management, process management, and continuous improvement in all core and support processes. Q-Free Norway is certified according to **ISO 9001**.
- **Environment** is an integrated part of Q-Free's management system to emphasize our positive environmental role externally and ensure we "walk the talk" internally. Q-Free Norway is certified according to **ISO 14001**.
- **Health and safety** is another key part of our management system. Q-Free must provide safe and healthy workplaces by preventing work-related accidents, injuries, and bad health among employees and contractors. Q-Free Norway is certified according to **ISO 45001**.
- **Information security** has become an important part of Q-Free Trolling management system, and several policies and procedures are established to ensure information security. Information security training and awareness are also completed. Q-Free Netherlands with its products and supporting ICT systems are certified according to **ISO 27001**.

Our Quality, H&S, Environment, and Information security policies are publicly available on the website.

Deviation from the Code of Practice: None

11. REMUNERATION OF THE BOARD OF DIRECTORS

The Annual General Meeting approves the Board's remuneration each year. The remuneration of the board reflects the board's responsibility, expertise, time commitment and the complexity of the company's activities.



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12. REMUNERATION OF THE EXECUTIVE MANAGEMENT

Q-Free's remuneration policy has always been to offer salaries adjusted to market conditions to attract the competence needed. The Board has prepared guidelines for the remuneration of the executive management, and the structure of the incentive system is presented to the Annual General Meeting for information purposes. The statement of remuneration of executive personnel is given in a separate appendix to the agenda of the Annual General Meeting and with clear aspects of which of the guidelines are advisory and binding. The general meeting votes separately on each of the aspects of the guidelines. The guidelines for remuneration help to ensure convergence of the financial interests of the executive personnel and of the shareholders. An updated guideline according to new legislation will be presented to the Annual General Meeting in 2021.

Performance-related remuneration of the executive personnel in the form of share options, bonus programs or the like are linked to value creation for shareholders or the company's earnings performance over time. Such arrangements, including share option arrangements, incentivize performance and are based on quantifiable factors in which the employee in question can have influence. Performance related remuneration are subject to an absolute limit.

The executive management receives a basic salary and are members of the company's pension scheme. A share option program for the CEO was approved in 2016 and renewed/replaced in 2018. A share option program for leading executives was approved in 2017. The remuneration to the executive management also includes a performance-based bonus scheme. Please see Note 42 and Note 13 in the 2020 financial statements. All performance-related remuneration is subject to an absolute limit.

The Board has adopted a performance-based bonus scheme for all managers in order to motivate extraordinary performance/achievements. The performance-based bonus scheme is linked to relevant financial KPIs including personal goals. The Board may assign bonus to the CEO for performance/achievements limited up to 75 percent of his/her fixed salary. Apart from the bonus level, the scheme for managers generally follows the overall bonus scheme for the CEO.

For more information about incentive programs, please see chapter 3 in this document and Note 13 in the 2020 financial statements.

The Board set the terms of the CEO's employment, and the Board reviews the salary and other remuneration on an annual basis. The review is based on performance and comparable market conditions of similar positions.

For further information about remuneration of the CEO and other members of the executive management, see Note 12 in the 2020 financial statements.

Deviation from the Code of Practice: None

13. INFORMATION AND COMMUNICATION

Q-Free wants to maintain an open dialogue with the capital market, and holds open presentations for investors, analysts and others on a regular basis. The company aims to maximize shareholders' values, in such a way that the return on investment measured by dividends and increased share price at least match that of alternative investments involving similar risk.

Regular information will be published through the Annual Report and the quarterly reports and open presentations, at the same time as the information is published on the company's website. The quarterly results are also made available through webcast. Q-Free will also provide information on its major value drivers and risk factors through the interim reporting, which will enable investors to evaluate the company's risk and performance. Q-Free publishes an overview each year of the dates for major events. The annual report will be published within four months after year-end.

The CEO and CFO are responsible for the investor relations and all communication with the capital market. This is regulated in the company's Chart of Authority. If required, the Chair of the Board or appointed members of the Board will assist. All information is communicated within the framework established by securities and accounting legislation and the rules and regulations of the Oslo Børs.

Q-Free comply with the Oslo Børs Code of Practice for Investor Relations of 1 March 2021. All information relevant to the company's shareholders is published on Oslo Børs and made available on the company's website www.q-free.com.

Q-Free has published responsibility for the company's contact with shareholders and others on the Company's website.

Deviation from the Code of Practice: None

14. TAKEOVERS

Q-Free Board of Directors will handle takeover bids in accordance with Norwegian law and the Norwegian Code of Practice for Corporate Governance. There are no defence mechanisms against acquisition offers in the articles of association or in any underlying steering document. Neither have the company implemented any measures to limit the opportunity to acquire shares in the company.

Deviation from the Code of Practice: None

15. AUDITOR

The company's external auditor is appointed by the general meeting and is responsible for the financial audit of the parent company and Group accounts. The auditor is independent of Q-Free ASA.

The external auditor of Q-Free ASA annually presents a plan to the Audit Committee covering the main focus for the audit. The external auditor participates in at least two meetings of the Audit Committee every year, and one Board meeting where the annual accounts are approved. Other meetings are attended by the auditor as requested. The annual audit results include a presentation of any material changes in the company's accounting principles, accounting



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CORPORATE SOCIAL RESPONSIBILITY (CSR) REVIEW 2020

INTRODUCTION AND CONTEXT

Q-Free's purpose is to help society and customers tackle mobility, safety, and environmental challenges related to traffic and help sustain urban growth and quality of life. This is the focal point of everything we do and is underpinned by our 3 strategic solution offerings: Q-Flow (for improved mobility), Q-Safe (for increased traffic safety), and Q-Clean (for environmentally friendly transportation).

However, the opportunities presented by further linking our financial investments and business goals to social progress are enormous. As a company we acknowledge that we must invest time and resources into understanding and resolving the CS/ESG issues most relevant to our industry and company to maximize shareholder value and build competitive advantages.

Therefore, our increased focus on non-financial reporting this year sends a strong signal to our shareholders that we believe our future success depends on our continuous ability to look at CSR and ESG not only as a set of preventive risk management activities, but as strategic frameworks that enable us to unlock new opportunities required to create sustainable profitable growth over time.

THE 3 PILLARS OF Q-FREE'S CSR EFFORTS

Q-Free's corporate social responsibility program has three main pillars:

1. Contribute to a more sustainable transportation system (E)
2. Be a professional, fair and attractive employer and business partner (S)
3. Conduct our business responsibly and meet expectations of key stakeholder groups (G)

1. CONTRIBUTE TO A MORE SUSTAINABLE TRANSPORTATION SYSTEM

SDGs as guiding stars for our sustainability efforts

The 17 Sustainable Development Goals – shorthand as "SDGs" and also known as the Global Goals – were adopted by all United Nations Member States in 2015 to mobilize all countries to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.

With the launch of the SDGs, improved traffic solutions were stated as a global focus area, aiming to provide all citizens with access to safe, affordable and sustainable transport by 2030 while reducing the number of global deaths and injuries from road traffic accidents by 50 percent. In the words of the UN: "Transport is not an end in itself, but rather a means allowing people to access what they need: jobs, markets, social interaction, education, and a full range of other services contributing to healthy and fulfilled lives."

estimates and report any material matters in case of disagreements between the external auditor and the management.

At least once a year, a meeting is held between the auditor and the Board without the presence of the CEO or other members of executive management. The Audit Committee has a specific obligation to survey the auditor's independence and qualifications, and to propose candidates for external audit of the company to the General Meeting.

In 2019 Q-Free ASA arranged a competitive tendering among several auditor companies, and EY AS was elected as the new auditor for the company. Independent external auditors have also been appointed for most subsidiaries of Q-Free ASA which have requirements for a statutory audit.

The external auditor has given the Board of Directors a written notification confirming that the requirements for independence are satisfied.

The auditor attends the Annual General Meeting and informs about the auditor's report and remuneration for the year. This year's auditor's report follows the notes in the annual report. For further information about remuneration of the auditor, see Note 23 in the 2020 financial statements.

To the extent that the auditor is providing non-audit services, this is discussed separately on case-by-case basis prior to engagement, to ensure that there are no conflict of interest issues and that this is within the framework of the Auditors Act § 4-5. All engagements beyond audit related services are to be approved by the Audit Committee. The Audit Committee may issue power of attorney to the administration with absolute limits for engagements beyond audit related services.

Deviation from the Code of Practice: None



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- Q-Free directly contributes to 4 SDGs:
- Good health and well-being (SDG 3)
 - Decent work and economic growth (SDG 8)
 - Industry, innovation, and infrastructure (SDG 9) and
 - Sustainable cities (SDG 11)

These four SDGs fit our vision, mission, values, market position, current strategy, and identity. They are not only guiding stars for us in our sustainability efforts, they are also a confirmation that there is consensus in what we view as important when building a new and more sustainable transportation system for all. In the management section of our 2020 annual report, we provide more details on our specific commitments, contributions and planned actions to support the 4 SDGs above.

Measurable KPIs

We have an ambition to continuously maximize the positive effects our solutions have on the environment while reducing our own internal footprint. Although Q-Free has a net positive impact on the environment, it is still important for us to design, manufacture, sell, and deliver our products and services with the smallest possible ecological footprint. Therefore, we regularly conduct environmental aspect analyses. The ownership of environmental management has improved within top and middle management through clear, annual environmental goals that are measured and acted upon:

KPI	Area	Goal 2019	Goal 2020	H2 2016	2017	2018	2019	2020
Number of tolling lanes in operation	E	>2 000	>2 100		1810	1890		-2 000
Number of traffic signal controllers	E							
Travel emissions	E	<0.25	<0.20	0.606	0.414	0.339	0.241	0.046
Number of ton CO ₂ e per million NOK in sales	E	>10%	>10%				5.7%	6%
OBU's shipped by sea								

The number of tolling lanes in operation is a clear indication of our positive environmental impact. By introducing tolls, governments can increase the cost of road traffic and thus enable a shift to greener transportation modes. In 2020 we had close to 2000 lanes in operation, in line with our target for the year. Similarly, our traffic controllers help reduce idling time and stop-and-go-traffic at intersections. By the end of 2020 we had approximately 35 000 controllers installed as targeted.

Internally we continue to reduce travel year on year. In the 2017-2019 period we had a reduction of 299 tons of CO₂ emissions due to less travel. During 2020 we had a reduction of 190 tons amid the Covid-19 pandemic. Thanks to positive experiences with digital meetings and interaction, our travel patterns will be permanently altered going forward and save both money and emissions. Our Supply chain have increased sea freight when possible instead of air freight. 6.9% of our on-board units were shipped by sea freight in 2020 and the goal for next year is 10%.

Compliance with environmental standards

Q-Free fulfills all environmental requirements imposed by the Norwegian authorities and the European Union. Q-Free Norge AS's environmental management and operations are certified in accordance with ISO 14001:2015. Furthermore, the Group is working actively to encourage our sub-contractors to choose the most environmental-friendly alternatives wherever possible.

Q-Free's Environmental Policy is publicly available on the website.

2. BE A PROFESSIONAL AND ATTRACTIVE EMPLOYER

A safe and rewarding work environment

Our Code of conduct and values (Excellence, Passion, Innovation, and Collaboration – EPIC) provide clear requirements for employee performance and behavior – both internally in the workplace and in interactions with customers, business contacts, and others who are affected by our operations. The Code of Conduct is available on our website.

Q-Free considers the knowledge and experience of our employees as one of our most valuable assets. We want to attract, develop, and retain talented, innovative, and passionate employees. In return, we want to provide a competitive compensation and a safe and rewarding work environment where employees can develop and grow both personally and professionally. We have chosen three KPIs to measure how the company delivers on its promise:

KPI	Area	Goal 2019	Goal 2020	H2 2016	2017	2018	2019	2020
Employee satisfaction* (HCJ/Winning temp)	HS	>7.5	> 7.5	4.00	4.0	4.04	4.11	7.5
Absence rate (sickness)	HS	<2%	<2%	1.5%	1.35%	1.55%	2.7%*	1.4%
Accidents	HS	0	0	0	0	1	0	0

*In the period 2014-2015 the employee satisfaction score was based on a scale of 1 to 6 (6 being the best) from 2020 a new scale of 1 to 10 (10 being the best) was implemented.

Due to the rapid changes we see in the world of work today, the need to monitor and strengthen the employee experience in Q-Free has become more urgent. As a response to this, we made an important shift in 2020 from the traditional annual employee survey to weekly AI-powered pulse surveys. Pulse surveys provide real-time insights into our strengths and areas of improvement, thus allowing us to respond with timely and appropriate measures as we go. The aim is to strengthen our internal communication and improve the way we work for the better good of all our employees.

2020 was a year without accidents for Q-Free. Moreover, the sick leave in Q-Free Norge AS was 1.4% in 2020, which is below the national average for comparable workplaces.

Diversity and equal opportunities

Q-Free promotes and respects internationally accepted human rights, including those



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specified by the International Labor Organization. We support the right to freedom of association, and oppose any form of child labor, forced labor, and discrimination. Q-Free actively encourages all representatives, partners, and suppliers to follow the same principles.

We are an international company with employees from more than 35 different nationalities and with diverse backgrounds. Hence, we strive to avoid discrimination of individuals or groups based on their age, gender, disability, race, sexual orientation, ethnic origin, religion, political affiliation, or any other reason. Q-Free has established an anonymous reporting mechanism where incidents or violation in relation to our working environment can be reported. There have been no reported incidents in recent years.

Gender equality and non-discrimination of male or female employees will be of particular importance to us as Q-Free's workforce consists of only 1,7% female employees. Disciplines such as technology development, engineering, and technical sales have traditionally attracted a majority of male applicants. However, with more women graduating with technical degrees and the documented benefits of a better balanced gender ratio, we have established a goal to increase the share of women in Q-Free to 25% by end of 2023. The gender diversity requirements pursuant to Norwegian legislation are already fulfilled as the Board of Directors currently has a 40-60 gender representation among shareholder-elected board members.

Going forward we will strive to break down any barriers that may have restricted female applicants in the past. We will systematically address the entire employee journey to ensure we cater to the needs to women from attraction, recruitment, and onboarding to development, retention, and promotions. Activities to minimize gender biases in our employee communication and educate employees to set boundaries and take full advantage of flexible work options to assure work-life balance in a remote work environment, will be key.

Compliance with health and safety standards

Q-Free Norge AS was the first Q-Free subsidiary to receive the ISO 45001 certification in 2019. This is a consequence of Q-Free's efforts to enhance the Health and Safety measures in the company.

The positive feedback from the certification auditors on our ongoing efforts is only a stepping stone to further improve – our commitment to Health and Safety does not stop after getting certified. Locally elected H&S representatives ensure an open channel for the employees to address their health and safety concerns. We have regular Committee meeting with the H&S representatives to review our health and safety performance, as well as address any relevant subjects for our work environment.

Health and Safety risks are reviewed and updated yearly. The risk assessments are adjusted depending on the region, local activities, projects and products, and are designed to accommodate local legislation and requirements. Improvements in Health and Safety have been documented in the risk register along with all the H&S committee minutes from the meetings. We are still working to implement robust H&S risk assessment in all parts of our value chain.

These subjects are also documented in our management system and the Q-Free Employee Handbook.

3. CONDUCT OUR BUSINESS RESPONSIBLY

Ethics guidelines

High ethical standards and business conducts are prerequisites for running a sustainable company and gaining the trust of our key stakeholders as well as local, national, and international communities. This is a shared responsibility between the company itself and each of Q-Free's employees and representatives.

The Q-Free Code of Conduct contains guidelines for ethical behavior in both internal and external business settings and is designed to guide and stimulate ethical awareness as a basis for everyday actions and behavior. The Code of Conduct is applicable to Board members, managers, employees, contracted consultants, representatives and everyone else acting on behalf of Q-Free.

Anti-corruption

The Code of Conduct clearly states that Q-Free has a zero-tolerance for all forms of corruption and bribery. It also demands that any suspicion of misconduct is reported. Personal interests or personal gains shall not affect the work of a Q-Free representative, and any action or interest that compromises integrity or objectiveness shall be avoided. The Code of Conduct explicitly governs areas relating to conflicts of interest, gifts, and money laundering.

Fair and open competition in all markets is always pursued by Q-Free. We have a desire to win contracts based on a competitive offering of products, services, and solutions. Q-Free adheres to national and foreign anti-trust laws, while the Code of Conduct states that no formal or informal agreements shall be entered if competition is thereby unfairly restricted.

Q-Free identifies and monitors corporate risks including corruption and conducts analyses to define and evaluate how to address and mitigate these risks. In order to ensure that our employees have the competence to achieve our goals, we have conducted and will continue to conduct internal sessions how to prevent corruption and bribery.

These subjects are also documented in our management system.

Insider trading rules

As a publicly listed company, Q-Free complies with the laws, regulations and continuing obligations for listed companies concerning the disclosure of information. The Code of Conduct emphasizes the confidentiality requirements and prohibits misuse of information about Q-Free, or relating to insider trading, as regulated by the Securities Trading Act.

Supplier monitoring

Q-Free monitors and evaluates its suppliers. It is very important to us that our suppliers follow and comply with our high corporate social responsibility standards and conduct their business responsibly. As part of the process of selecting suppliers, we evaluate product quality/ performance, labor practices and human rights, financial performance, management system, environmental performance, information security and health and safety. Our agreements allow for audits of each supplier, and corporate social responsibility is part of these audits.



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THE WAY FORWARD

In Q-Free, we believe that combining a profitable business model with a strong social cause is the best way for a company to make a positive impact. A strong social cause is not a side activity of but rather an integrated part of our strategy. This is also why we, over the next years, will take an even more proactive role towards increasing our social impact while delivering profitable business results.

UN GLOBAL COMPACT

Q-Free ASA conducts its business in a responsible way and is committed to the 10 principles in the UN Global Compact related to human rights, working life standards, the environment, and anti-corruption.

PRINCIPLE

What Q-Free does

HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights, and

The Q-Free Code of Conduct contains guidelines for ethical behaviour in both internal and external business settings and is designed to guide and stimulate ethical awareness as a basis for everyday actions and behaviour. The Code of Conduct is applicable to Board members, managers, employees, contracted consultants, representatives, and everyone else acting on behalf of Q-Free. The Code of Conduct explicitly states that Q-Free supports and respects internationally recognized human rights, including those specified by the International Labour Organization. As a company, Q-Free complies with all applicable national and international laws.

Principle 2: make sure that they are not complicit in human rights abuses.

Our suppliers and business partners are essential to our ability to do business, but can also expose us to reputational, operational and legal risks. We expect our suppliers and business partners to comply with applicable laws, respect internationally recognized human rights, and follow ethical standards consistent with our own standards. We work to work with others who share our commitment to ethics and compliance, and we manage risk through in-depth knowledge of our suppliers, business partners and markets. Regular communication and a clear outline of our expectations towards Q-Free's suppliers and business partners are essential in maintaining these standards. Before any contract is signed with a third party to represent Q-Free or Q-Free's interests externally, such third party must undertake appropriate integrity due diligence in accordance with Q-Free's Business Partner Declaration & Questionnaire. Our Procurement Policy sets out the requirements for the selection and evaluation of suppliers, and our Procurement Policy and Code of Conduct sets out the requirements for the selection and evaluation of business partners. Our Procurement Policy is part of our Management system.

LABOUR

Principle 3: Businesses should uphold the freedom of association and the collective bargaining.

Q-Free's Code of Conduct explicitly states that "The company respects the right to freedom of association" and states that "All employees shall be free to form and to join labour unions or similar organizations and to participate in collective bargaining". The Code of Conduct also states that "The company respects the prohibition against discrimination based on association to labour unions etc., as well as the incorporation of the human rights law in Norway."

Principle 4: the elimination of all forms of forced and compulsory labour

Q-Free facilitates union organization and conducts collective bargaining for all employees and at all levels, where relevant. Our businesses in Norway and Sweden works closely with local trade unions.

Principle 4: the elimination of all forms of forced and compulsory labour

Q-Free opposes any form of child labour, forced labour, or discrimination, and expects all Q-Free suppliers and suppliers to follow the same principles. This is explicitly written into our Code of Conduct, Business Partner Declaration & Questionnaire and Q-Free Supplier Questionnaire that is part of our Management system.

The company's employees have pay and working conditions in line with national legislation and agreements with trade unions.



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PRINCIPLE

Principle 5: ensure the effective abolition of child labour, and

Principle 6: the elimination of discrimination in respect of employment and occupation.

What Q-Free does

Q-Free does not use child labour and opposes any form of child labour. Child labour is prohibited in Norway under the Working Environment Act, Section 11. Our Procurement Policy and Supplier Selection criteria require suppliers to document their labour practices and human rights policies, procedures and training practices.

Q-Free's Code of Conduct is our guide to ensuring a working environment without discrimination, bullying or harassment. In Q-Free there shall be no discrimination of sex, gender, disability, race, sexual orientation, ethnic origin, religion, or political affiliation. Q-Free shall be an engaging workplace with an inclusive working environment.

Procedures for whistleblowing have been established. In situations where an employee is aware of any infringement of Q-Free's Code of Conduct, or is in doubt if such an infringement has occurred, the employer may raise the issue with its manager, the Human Resources department or Legal department. If the employee is not satisfied, the employee shall report the infringement directly to the Internal Control and Compliance Department (IC&C). IC&C shall investigate the matter and ensure that any employee who reports any infringement is protected against any retaliation or negative consequences based on whistleblowing, cf. the Norwegian Working Environment Act, Section 2.5. Any employee outside Norway shall have the same rights and protections as employees in Norway.

ENVIRONMENT

Principle 7: Businesses should support a precautionary approach to environmental challenges,

Principle 8: undertake initiatives to promote greater environmental responsibility, and

Q-Free's mission is to "create intelligent solutions for efficient, safe, and environmentally friendly transportation based on technology and open markets. Q-Free's products and services shall help society and the environment to become more sustainable, safe and resilient, and to improve the quality of life. What is good for Q-Free is also good for society and the environment.

Environment is also a part of Q-Free Management system and is implemented in our processes and procedures. Q-Free is certified in accordance with ISO 14001.

Road vehicles still account for a large share of direct global CO₂ emission from fuel combustion and this must be reduced. Q-Free has made sustainable transportation an integral part of its business. The "Q-Clean" concept is one of Q-Free's 3 overall solution concepts (Q-Flow, Q-Safe and Q-Clean) and addresses the negative environmental impacts of road traffic. Q-Free's normal business activities and marketing efforts therefore go hand in hand with promoting environmental responsibility.

Q-Free has also chosen to support the UN's Sustainable Development Goals (SDG) number 3, 8, 9 and 11. These four SDGs fit our vision, mission, values, market position, current strategy, and identity. They are not only guiding stars for us, they are also a confirmation that there is consensus in what we view as important when building a new and better world for all. With time we may expand our approach and incorporate additional goals as we learn and grow. We aim to measure our contribution towards the achievements of the SDGs and continue to create sustainable business opportunities.

PRINCIPLE

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

What Q-Free does

Q-Free's electric tolling and congestion charging solutions allow for the collection of funds directly from those who pollute and make it possible to invest these funds in more sustainable transportation infra-structures. Q-Free's smart charging for operators and fleet management solutions also help reduce emissions from unnecessary miles driven and stop-and-go traffic.

As an example, Q-Free's tolling systems have improved the air quality in Sweden since the implementation of the Congestion Tax project in Stockholm in 2006 and in Copenhagen in 2013. The systems delivered by Q-Free detect and identify eligible vehicles in the cities using video technology, and the corresponding tax is levied with the amount, varying depending on the time of day. This influences the behavior of people by making them assess whether they need to drive at a particular time, whether they can take public transportation instead of a personal vehicle, or whether they need to make the journey at all. For example, since the launch of the Stockholm system, the number of passages within the congested area has been reduced by around 20 percent. In Copenhagen, the number of passages within the congested area has been reduced by over 3 percent, airborne pollutants are down around 13 percent and nitrogen oxides (NOx) have been reduced by around 9 percent.

ANTICORRUPTION

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

The Code of Conduct clearly states that Q-Free has a zero tolerance for all forms of corruption and bribery. It also demands that any suspicion of misconduct is reported. Personal interests or personal gains shall not be allowed, and any form of interest or any form of interest or any form of interest or any form of interest shall be avoided. The Code of Conduct explicitly governs areas relating to conflicts of interest, gifts, and money laundering.

Fair and open competition in all markets is always pursued by Q-Free. We have a desire to win contracts based on a competitive offering of products, services, and solutions. Q-Free adheres to national and foreign antitrust laws, while the Code of Conduct states that no formal or informal agreements shall be entered if competition is thereby unfairly restricted.

Q-Free identifies and monitors corporate risks including corruption and conducts analyses to define and evaluate the risks. Q-Free has established a robust system of controls to prevent the risks, and the compliance to achieve our goals, we have conducted and will continue to conduct internal sessions how to prevent corruption and bribery.

With operations and companies in both the US and UK, the US Foreign Corrupt Practices Act and the UK Bribery Act 2010 applies to Q-Free, and together with the Norwegian Penal Code § 387, these set the minimum threshold in our combat against corruption and our guidelines Anti-Corruption Handbook and Corporate Social Responsibility.

These subjects are also documented in our management system.



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ESG INDEX

The table below indicates where you can look up ESG (Environmental, Social, Governance) information in this report.

Environmental	Social	Governance
Climate-related disclosures	1617, 95	180, 181
Emissions	2627, 2628, 2629, 180	1011, 1617, 1819, 2021, 2627, 2629, 4041
Energy	1819, 3031, 180	33, 170, 181-182
Transportation and mobility	67, 1819, 2021, 2627, 2629, 4041	31, 181
		Compliance
		Corporate governance
		Ethical guidelines
		Materiality analysis
		Reporting standards
		Risk management
		Stakeholder engagement
		Sustainability strategy
		UN Sustainability Goals
		Whistleblowing

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Q-Free ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Q-Free ASA, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the statements of financial position as at 31 December 2020, income statement, statements of comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2020 and their financial performance and 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.

Revenue recognition and related contract assets

The Group derives a significant part of its revenues from long-term projects. As at 31 December 2020, the Group recognized NOK 93.6 million in contract assets. Such projects involve revenue recognition over time based on percentage of completion. The assessment of percentage of completion requires subjectivity and professional judgement, and therefore is subject to uncertainty and potential misstatements.

The main risks include management's use of estimates and judgments in relation to percentage of completion, including expected costs to complete, estimated project margin and risk contingencies. We consider this a key audit matter because of the significant amounts and the management judgement applied in the estimates.

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As part of our audit we obtained an understanding of the process for how management determines the percentage of completion and evaluated the design of internal controls related to this process. For a sample of significant projects with contract assets, we inquired and evaluated the judgments made by management regarding the degree of completion for the projects. This includes testing of accuracy of earlier estimates related to percentage of completion, reading contracts, comparing contract information to invoicing and testing of the calculation of the projects contract assets. Further, we assessed the Group's disclosures in notes 4, 10 and 17 of the consolidated financial statements.

Impairment of goodwill and intangible assets

Goodwill amounts to NOK 266.6 million and intangible assets to NOK 65.3 million in the consolidated financial statements as at 31 December 2020. In total, this accounts for 39 % percent of total assets of the Group. The Group performed impairment tests to determine the recoverable amounts and recorded impairments of NOK 16.3 million in 2020, primarily related to intangible assets.

Goodwill and intangible assets impairment testing rely on estimates of value-in use which is based on estimated future cash flows. Due to the subjectivity involved in forecasting and discounting of future cash flows and the significance of the Group's recognised goodwill and intangible assets as at 31 December 2020, this audit area is considered a key audit matter.

We evaluated management's assessment of impairment indicators and management's estimates related to sales forecasts. Our audit procedures included inquiries and evaluations of management's assumptions regarding the current market situation and expectations about future sales. Furthermore, we evaluated the valuation methodology and the discount rate applied by using external market information. We also tested the mathematical accuracy of the value in use calculation. Our audit procedures further included analysis and evaluation of historical accuracy of prior year's forecasts. We also assessed the Group's disclosures in notes 4, 14 and 15 of the consolidated financial statements.

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.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, 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.

Independent auditor's report - Q-Free ASA

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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.

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 and corporate social responsibility

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 and corporate social responsibility concerning the financial statements, and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Independent auditor's report - Q-Free ASA

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Opinion on registration and documentation

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

Trondheim, 28. April 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Christian Ronæss
State Authorised Public Accountant (Norway)

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Christian Ronæss

Statsautorisert revisor

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Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 11.02.2013	Vår dato 11.03.2013
Telefon 22078139	Deres referanse L 2013-006	Vår referanse 2013/105998

Q-FREE ASA
Postboks 3974 Leangen
7443 TRONDHEIM

12 MARS 2013

J.nr.	0009
A.nr.	
Til	RC
Kopi	

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Q-Free ASA, org. nr. 935 487 242

Det vises til deres brev av 11. februar 2013 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Q-Free ASA.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Q-Free ASA dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Bakgrunn

Q-Free ASA og dets datterselskaper er en ledende leverandør av teknologi innen transportsektoren. Utenlandske aksjonærer representerer en eierandel på 33,89 %. De 20 største aksjonærene i selskapet er profesjonelle/institusjonelle investorer, og representerer 72 % av aksjekapitalen. Q-Free ASA er notert på Oslo Børs og har dispensasjon fra Lov om verdipapirhandel § 5-13 vedrørende krav til språk. Selskapet har en rekke utenlandske datterselskaper som utarbeider sine regnskaper på engelsk språk. Selskapets virksomhet foregår hovedsakelig utenfor Norge. 76 % av omsetningen finner sted i utlandet. Virksomheten retter seg mot private institusjonelle aktører samt statlige aktører. Selskapet driver virksomhet i en internasjonal bransje der alle sentrale aktører og samarbeidspartnere behersker og benytter engelsk. Arbeidsspråket i selskapet og konsernet er engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkrav.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

Postadresse Postboks 9200 Grønland 0134 Oslo For elektronisk henvendelse se www.skatteetaten.no	Besøksadresse: Se www.skatteetaten.no Org.nr: 996250318	Sentrallbord 800 80 000 Telefaks 22 17 08 60
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”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *”informative regnskaper for ulike grupper av regnskapsbrukere”*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapet er morselskap i et internasjonalt konsern med en rekke utenlandske datterselskaper. 76 % av omsetningene foregår i utlandet. Selskapet har fått dispensasjon fra Oslo Børs til å benytte engelsk språk. Majoriteten av aksjonærene er profesjonelle/institusjonelle investorer. Selskapets arbeidsspråk er engelsk og all kommunikasjon skjer på engelsk. Videre er det vektlagt at selskapet driver virksomhet i en internasjonal bransje der alle aktører behersker og benytter engelsk språk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad

seniorrådgiver

Rettsavdelingen, foretaksskatt

Skattedirektoratet

Torstein Kinden Helleland