



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2023 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer:	931 913 522
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	Q-FREE GROUP AS
Forretningsadresse:	Strindfjordvegen 1 7053 RANHEIM

### Regnskapsår

Årsregnskapets periode:	04.07.2023 - 31.12.2023
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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:	Forenklet IFRS
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	Forenklet IFRS

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Adrian Mittet
Dato for fastsettelse av årsregnskapet:	26.06.2024

### Grunnlag for avgivelse

År 2023: Årsregnskapet er elektronisk innlevert  
År 2022: Tall er hentet fra elektronisk innlevert årsregnskap fra 2023

*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, 27.07.2025



## Resultatregnskap

Beløp i: NOK	Note	2023	2022
<b>RESULTATREGNSKAP</b>			
<b>Kostnader</b>			
Other operating expenses	1	1 071 000	
<b>Sum kostnader</b>		<b>1 071 000</b>	
<b>Driftsresultat</b>		<b>-1 071 000</b>	
<b>Finansinntekter og finanskostnader</b>			
Financial Income	2	7 880 000	
<b>Sum finansinntekter</b>		<b>7 880 000</b>	
Financial Expenses	2	9 184 000	
<b>Sum finanskostnader</b>		<b>9 184 000</b>	
<b>Netto finans</b>		<b>-1 304 000</b>	
<b>Resultat før skattekostnad</b>		<b>-2 375 000</b>	<b>0</b>
<b>Årsresultat</b>		<b>-2 375 000</b>	<b>0</b>



## Balanse

Beløp i: NOK	Note	2023	2022
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
<b>Finansielle anleggsmidler</b>			
Investering i datterselskap	3	1 337 982 000	
<b>Sum finansielle anleggsmidler</b>		<b>1 337 982 000</b>	
<b>Sum anleggsmidler</b>		<b>1 337 982 000</b>	<b>0</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Bankinnskudd, kontanter og lignende</b>			
Cash and cash equivalents	4	15 423 000	
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>15 423 000</b>	
<b>Sum omløpsmidler</b>		<b>15 423 000</b>	<b>0</b>
<b>SUM EIENDELER</b>		<b>1 353 405 000</b>	<b>0</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Subscribed share capital		112 649 000	
Overkurs		1 238 814 000	
Annen innskutt egenkapital		-2 624 000	
<b>Sum innskutt egenkapital</b>		<b>1 348 839 000</b>	
<b>Sum egenkapital</b>		<b>1 348 839 000</b>	<b>0</b>
<b>Sum langsiktig gjeld</b>		<b>0</b>	<b>0</b>
<b>Kortsiktig gjeld</b>			



## Balanse

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
Leverandørgjeld		967 000	
Kortsiktig konserngjeld		332 000	
Liabilities to shareholders		501 000	
Other current liabilities	5	2 766 000	
<b>Sum kortsiktig gjeld</b>		<b>4 566 000</b>	
<b>Sum gjeld</b>		<b>4 566 000</b>	<b>0</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>1 353 405 000</b>	<b>0</b>



## Konsernets resultatregnskap

Beløp i: USD	Note	2023	2022
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Revenue from customers	5,6	28 048 000	
<b>Sum inntekter</b>		<b>28 048 000</b>	
<b>Kostnader</b>			
Cost of goods sold	7	10 887 000	
Project contractor expenses		1 505 000	
Employee benefit expenses	8	10 707 000	
Depreciation of property, plant and equipment	10	1 024 000	
Amortisation of intangible assets	11	368 000	
Other operating expenses	9	4 722 000	
<b>Sum kostnader</b>		<b>29 213 000</b>	
<b>Driftsresultat</b>		<b>-1 165 000</b>	
<b>Finansinntekter og finanskostnader</b>			
Financial Income	12	1 927 000	
<b>Sum finansinntekter</b>		<b>1 927 000</b>	
Financial Expenses		2 835 000	
<b>Sum finanskostnader</b>		<b>2 835 000</b>	
<b>Netto finans</b>		<b>-908 000</b>	
<b>Resultat før skattekostnad</b>		<b>-2 073 000</b>	<b>0</b>
Tax expense		1 170 000	
<b>Årsresultat</b>		<b>-3 243 000</b>	<b>0</b>
Currency translation differences, net of tax		8 599 000	
Sum resultatkomponenter for IFRS-foretak		8 599 000	
<b>Totalresultat</b>		<b>5 356 000</b>	
<b>Overføringer og disponeringer</b>			
Retained earnings		5 356 000	



## Konsernets resultatregnskap

<b>Beløp i: USD</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
Sum overføringer og disponeringer		5 356 000	



### Konsernets balanse

Beløp i: USD	Note	2023	2022
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Intangible assets	11	12 440 000	
Utsatt skattefordel	4,13	4 812 000	
Goodwill	4,15	111 216 000	
<b>Sum immaterielle eiendeler</b>		<b>128 468 000</b>	
<b>Varige driftsmidler</b>			
Property, plant & equipment	10	11 542 000	
<b>Sum varige driftsmidler</b>		<b>11 542 000</b>	
<b>Finansielle anleggsmidler</b>			
non-current receivables		9 000	
<b>Sum finansielle anleggsmidler</b>		<b>9 000</b>	
<b>Sum anleggsmidler</b>		<b>140 019 000</b>	<b>0</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
Inventories	7	13 258 000	
<b>Sum varer</b>		<b>13 258 000</b>	
<b>Fordringer</b>			
Accounts receivable	16	22 441 000	
Contract assets	4,6	3 471 000	
Other current assets	17	4 734 000	
<b>Sum fordringer</b>		<b>30 646 000</b>	
<b>Bankinnskudd, kontanter og lignende</b>			
Cash and cash equivalents	18	5 183 000	
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>5 183 000</b>	
<b>Sum omløpsmidler</b>		<b>49 087 000</b>	<b>0</b>
<b>SUM EIENDELER</b>		<b>189 106 000</b>	<b>0</b>



### Konsernets balanse

Beløp i: USD	Note	2023	2022
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Subscribed share capital		10 304 000	
Overkurs		113 307 000	
Annen innskutt egenkapital		-23 000	
<b>Sum innskutt egenkapital</b>		<b>123 588 000</b>	
<b>Opptjent egenkapital</b>			
Retained earnings		5 356 000	
<b>Sum opptjent egenkapital</b>		<b>5 356 000</b>	
<b>Sum egenkapital</b>		<b>128 944 000</b>	<b>0</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
<b>Annen langsiktig gjeld</b>			
Gjeld til kredittinstitusjoner	19,20	16 314 000	
Non-current financial liabilities	21	2 631 000	
<b>Sum annen langsiktig gjeld</b>		<b>18 945 000</b>	
<b>Sum langsiktig gjeld</b>		<b>18 945 000</b>	<b>0</b>
<b>Kortsiktig gjeld</b>			
Current borrowings	19,20	3 261 000	
Advance payment from customers	6	7 626 000	
Leverandørgjeld	22	11 209 000	
Taxes payable	13	1 696 000	
Public duties payable		2 072 000	
Other current liabilities	23	13 060 000	
Current financial liabilities	21	2 294 000	
<b>Sum kortsiktig gjeld</b>		<b>41 218 000</b>	
<b>Sum gjeld</b>		<b>60 163 000</b>	<b>0</b>



## Konsernets balanse

<b>Beløp i: USD</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>189 107 000</b>	<b>0</b>



Skatteetaten

Vår dato	Din/Deres dato	Saksbehandler
20.11.2023	25.10.2023	Lars Wealtorp
800 80 000	Din/Deres referanse	Telefon
Skatteetaten.no		90833418
Org.nr	Vår referanse	Postadresse
974761076	2023/5628774	Postboks 9200 Grønland 0134 OSLO

JUNIPER HOLDCO AS  
Att.Øystein Elgan  
Kalfarveien 57A  
5022 BERGEN  
Norge

## Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk for Juniper Holdco AS, org.nr. 931 913 522

Vi viser til deres brev av 25. oktober 2023 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk for Juniper Holdco AS.

Skattekontoret gir på bakgrunn av en konkret helhetsvurdering Juniper Holdco AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som danner grunnlaget for vedtaket ikke endres vesentlig.

Kopi av dette brevet må sendes til Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Den regnskapspliktige må selv dokumentere ved dette brev at tillatelse er gitt.

### Bakgrunn

Juniper Holdco AS er eid av et norsk og et utenlandsk selskap. Selskapet har som formål «Investering i andre selskaper og tilhørende virksomhet.» Selskapet er holdingselskap til Q-Free ASA hvor virksomheten i stor grad er internasjonalt rettet. Q-Free ASA og dets datterselskap Q-Free Norge AS har tidligere fått tillatelse til å utarbeide årsregnskap og årsberetning på engelsk. Det skriftlige arbeidsspråket i selskapet er engelsk, og styrelederen og ett av styremedlemmene er utenlandske.

### Skattekontorets 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 mv., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"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 skattekontorets 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 skattekontoret lagt særlig vekt på at selskapet har profesjonelle eiere. Videre er det vektlagt at alle sentrale aktører og samarbeidspartnere behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Lars Waalorp  
Skatteetaten

*Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.*



# Q-Free Group 2023 Annual Report

THE PRIME MOVER IN  
INTELLIGENT  
TRAFFIC SOLUTIONS



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## Board of Directors' report 2023

### 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 14 countries and 381 employees (per December 31, 2023).

### Summary and highlights in 2023

Q-Free went into 2023 with a solid order backlog in both segments. Tolling delivered all time high product sales, on the back end of the component shortage that suppressed supply in 2022 coupled with several important wins during the year. Systems delivery experienced slightly less activity, but significant deliveries were completed in Spain in 2023. Service and software sales increased in 2023, further strengthening the company's recurring revenue base and long-term earnings potential. Q-Free continued to strengthen its presence as a leading supplier of advanced tolling solutions in Norway and Portugal and delivered significant volumes on many tolling projects.

Traffic management were awarded new breakthrough contracts related to new SAAS and hosting contracts in the US, as well as a major new state-wide contract for traffic signal software. Traffic management secured the first Kinetic customer in Coachella Valley, with delivery targeted for 2024. The award reaffirms the business case for Kinetic Mobility™, which strongly supports the strategy to move towards a more recurring business model and scalable, module-based software. With a referenceable customer, Q-Free will step up its efforts to promote Kinetic Mobility as a disruptive and integrated solution for Urban and Interurban traffic management congestion problems.

The supply-chain situation following the Covid-19 epidemic, and Russia's invasion of Ukraine continued to affect deliveries also in 2023, even if the negative impact on supply chain was less than the previous year.

In 2023, Q-Free ASA's shares were acquired by Juniper Holdco (later renamed to Q-Free Group AS) through a series of transactions, initially announced 27 September. The company was subsequently delisted from the Oslo Stock Exchange and a new consolidating entity, Q-Free Group AS, was established. Consequently, the consolidated accounts for 2023 only include the final three months of the year and are presented in USD.

The highlights for 2023 include:

- 28 048 tUSD in revenues.
- 227 tUSD in EBITDA.
- 4 075 tUSD in positive cash flows from operations.
- 31 696 tUSD in order intake (excluding frame agreements) and a book-to-bill-ratio of 1.13.
- 133 868 tUSD in order backlog (excluding frame agreements).

### Financial review

The figures below are group figures unless specified otherwise, and relates to the period from group establishment 1 October 2023 to year end 31 December 2023.

#### Revenues

Group revenues amounted to 28 048 tUSD.

#### Gross profit

Gross contribution ended at 15 656 tUSD.

#### Assets held for sale

No assets defined as "held for sale" in 2023.



## Impairment Considerations

As of year-end 2023, Q-Free has performed an assessment of the expected recoverable amount of assets within Tolling and Traffic Management. Based on the assessment, the Board of Directors is of the opinion that there is no need for impairment.

## Operating expenses

Reported operating expenses amounted to 15 429 tUSD. Expenses in 2023 were impacted by inflation and wage increases, new positions related to strategic initiatives and one-off expenditures related to acquisition and delisting.

## Operating profits

Earnings before interest, taxes, depreciation, and amortization (EBITDA) ended at 227 tUSD. The corresponding EBITDA margin was 1%. Reported operating profit (EBIT) was -1 165 tUSD.

## Segment financial review

Tolling revenues ended at 18 743 tUSD. EBITDA ended at 2 101 tUSD. Changes in product mix had a significant impact on the figures. The nature of the business within Tolling implies that the revenue and margin will fluctuate year by year.

Traffic Management revenues ended at 9 305 tUSD. EBITDA ended at -300 tUSD, primarily due to increased costs.

## Net financial items

Net financial items were -907 tUSD. The amount can mainly be attributed to foreign exchange rate differences and increased interest expenses on bank borrowings.

## Profits

The reported pre-tax profit for 2023 was -2 073 tUSD. The tax cost in 2023 ended at 1 170 tUSD.

## **Annual results and year-end appropriations**

The group result after tax in 2023 was a net loss of 3 243 tUSD. Earnings per share were -0.03 USD. Diluted earnings per share were -0.03 USD.

The Board of Directors proposes to allocate the parent company's net loss for the year of 3 243 tUSD to retained earnings.

The Board of Directors does not propose to distribute any dividends for 2023 at the Annual General meeting that is scheduled for June 30, 2024.

## **Cash flow and liquidity**

Net cash flow from operating activities was 4 075 tUSD.

Net working capital amounted to 6 468 tUSD at the end of 2023.

Net cash flow from investment activities was -1 658 tUSD.

Net cash flow from financing activities was -1 757 tUSD.

## **Balance sheet**

Total assets at the end of 2023 were 189 106 tUSD. Total equity ended at 128 943 tUSD. Equity ratio was 69%.

Current liabilities amounted to 41 218 tUSD at the end of 2023. The current liabilities included 2 294 tUSD in leasing liabilities.

Non-current liabilities were 18 945 tUSD. The non-current liabilities included 2 631 tUSD in leasing liabilities.

Short term interest-bearing debt to financial institutions was 3 261 tUSD at year end. Available, unused credit facilities were 8 577 tUSD at the end of 2023.



## **Financial review for the parent company**

The parent company has no business activity and total revenues for 2023 were 0 tUSD. Loss after tax was 2 375 tUSD in 2023.

Total assets were 133 047 tUSD as of 31.12.2023.

Total equity was 132 598 tUSD as of 31.12.2023.

Total liabilities were 449 tUSD as of 31.12.2023.

## **Global economic environments**

Supply chain disruptions began to ease in late 2023. However, pricing remained higher than normal, inflating Q-Free's cost of goods. Pricing and availability started to normalize toward the end of 2023 and management expect those improvements to be reflected in gross margins in early to mid-2024.

Rising inflation and salary level affect cost base in similar manner as other technology companies. General financial turbulence and potential instability in financial markets including currency and financing might impact margins and financing of projects but are difficult to predict.

## **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 381 employees at the end of 2023. The increase was mainly due to strategic initiatives combined with cost efficiency efforts related to replacing external consultants with permanent employees.

Q-Free has established good working conditions in a non-discriminating, multicultural organization with operations in 14 countries. Sick leaves remain at a low level. The company is pleased to continue to report no serious lost time due to accidents or injuries during the year.

### Management

Thale Kuvås Solberg resigned as President and Group CEO (in Q-Free ASA) on October 15, 2023. The Group CFO Trond Christensen acted as interim President and Group CEO until Mark John Talbot took over the position as Executive Chair on permanent basis on April 1, 2024 (Q-Free AS and Q-Free Group AS). Hege Margrethe Sand started in the position as EVP Sustainability, People and Brand on 1 March 2023, and resigned 30 May 2024.

Group management now consists of the Executive Chair/CFO, the Director of Law & Compliance, and two Executive Vice Presidents heading up the two divisions Tolling and Traffic Management respectively. The two divisions have individual management teams. A new hiring is in place for the CFO role in Q3-24.

### Board of Directors

The Board of Directors currently comprises seven shareholder-elected members – Mark John Talbot (Chair), Øystein Elgan, Kevin Benjamin Roseke, Trond Valvik, Robert Vernon Mah, Andrew Michael Christodoulou and Steven Andrew Ralph Bates.

The board members are covered by the Group's Directors and Officers Liability Insurance.

## **Subsequent events**

On 7 June 2024, the company received a lawsuit alleging breach of contract in a mandate agreement with ABGSC. The management has obtained legal advice and considers the likelihood of punitive action against the company to be



remote. Therefore, no provision has been recognized in the financial statements for the year ended 31 December 2023. Further details will be monitored and disclosed as necessary in subsequent reporting periods.

In the first quarter of 2024, Q-Free Group breached a financial covenant related to its debt agreements with Nordea. As a result of this breach, the Group is currently in discussions with Nordea to obtain a waiver for the covenant violation and to renegotiate the terms of the debt agreements. The 2023 financial statements do not reflect any adjustments from this breach, as it occurred after the reporting period. Management has implemented measures to address the situation and remains confident in resolving the issue.

#### **Corporate social responsibility, corporate governance and Transparency Act**

In compliance with the Norwegian Transparency Act, Q-Free performs due diligence assessments regarding transparency. The full report from such assessment will be made available within 30 June 2024 on the company's website at [https://www.q-free.com/investor\\_relations/](https://www.q-free.com/investor_relations/).

#### **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 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. Political issues following Russia's invasion of Ukraine continue to affect potential business opportunities in Ukraine in 2023.

##### 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 its regular business operations, with more than 50% of its revenues generated internationally. The Group also operates businesses abroad and purchases a significant portion of necessary equipment from suppliers in foreign currencies. Exposure from revenues in foreign currency is somewhat mitigated by a correlating portion of payments in the corresponding foreign currency. The net foreign currency exposure in 2023 was primarily related to EUR and NOK (EBITDA) and NOK, 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 2023 to be sufficient to finance the company's ordinary operations and operational investments for 2024. 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 and currency risk related to its term loan, revolving credit facility and credit lines.



## Risk of corruption

Q-Free 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.

## Climate risk

Climate changes is an increasing risk for all businesses. Q-Free sees limited risk of climate changes directly impacting operations. Q-Free develops solutions to help reduce pollution from road traffic and can thus benefit from a general increased focus on climate and pollution among clients and end-users. Q-Free also focus strongly on reducing negative climate impact from our products through innovative product development. Examples are more durable products to reduce need for replacement, or smaller size on products and packaging to reduce volume to be transported.

## **Outlook**

Q-Free contributes to the optimization of traffic flow and reduction of congestion through advanced traffic management systems and through smart infrastructure such as smart traffic signals, adaptive lighting systems, and vehicle-to-infrastructure (V2I) communication capabilities. We deliver electronic toll collection and congestion charging technology, which many countries and cities are now introducing as part of their toolbox for handling traffic and pollution. Through using novel technology and open platforms, Q-Free aims to create intelligent solutions for efficient, safe, and eco-friendly transport.

Macrotrends with higher focus on sustainable cities, reduced pollution from cars and congestion charging, better traffic flow and safer roads for both cars and pedestrians all work in Q-Free's favor. We believe delivering software and services with value-added support services will continue to be attractive to customers, enable a stable revenue base and profitability to plan investment, and will create a deeper and more entrenched customer relationship.


Q-Free continues the transition from a project-based revenue model to a higher degree of recurring revenue and scalable software solutions. We have made a concerted effort to promote software as a service and after-sales support for our various Traffic Management and Tolling solutions. This fundamental shift in business model is advantageous for Q-Free in the long-term as it reduces volatility and increases robustness. Q-Free aims to continue to build its ARR base by pursuing long-term tolling service contracts, win new Traffic Management SaaS contracts in the US, expand its ALPR SaaS business in the US, Europe and APMEA, and grow its Tolling back-office SW business in connection with new tolling system deliveries.

In light of the shift towards an ARR based model, we are in the process of reviewing our strategy to ensure alignment between the market and product development within the ITS sector. Significant efforts and investments have been and still are put into making our products and services available "off the shelf" with limited tuning and customization. This will enable higher margins, reduce delivery risk and allow Q-Free to take on more contracts in parallel.


Efficient, safe and sustainable transportation will be critical in tomorrow's ITS market, and we continue our efforts in building solutions that will meet market expectations and demand in the years to come.





Trondheim, 26 June 2024


  
Mark John Talbot  
Chair of the Board & CEO

  
Øystein Ergan  
Board member

  
Kevin Benjamin Roseke  
Board member

  
Trond Valvik  
Board member

  
Robert Vernon Mah  
Board member

  
Andrew Michael Christodoulou  
Board member

  
Steven Andrew Ralph Bates  
Board member



## Consolidated statement of profit or loss Q-Free Group

Amounts in tUSD	Note	01.10.2023 31.12.2023
Revenue from customers	5, 6	28 048
<b>Total operating revenue</b>		<b>28 048</b>
Cost of goods sold	7	10 887
Project contractor expenses		1 505
Employee benefit expenses	8	10 707
Other operating expenses	9	4 722
<b>Total operating expenses</b>		<b>27 821</b>
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>		<b>227</b>
Depreciation of property, plant and equipment	10	1 024
Amortisation of intangible assets	11	368
<b>Total depreciation, amortization and impairment</b>		<b>1 393</b>
<b>Earnings before interest and taxes (EBIT)</b>		<b>-1 165</b>
Financial income	12	1 927
Financial expenses	12	-2 835
<b>Net financial items</b>		<b>-907</b>
<b>Profit before tax</b>		<b>-2 073</b>
Tax income (+)/expense (-)	13	-1 170
<b>Profit / (-) loss for the year from continuing operations</b>		<b>-3 243</b>
<b>Profit / (-) loss for the year</b>		<b>-3 243</b>
Earnings per share	14	-0,03
Diluted earnings per share		-0,03
Earnings per share from continuing operations		-0,03
Diluted earnings per share from continuing operations		-0,03



## Consolidated statement of comprehensive income Q-Free Group

Amounts in tUSD	Note	01.10.2023 31.12.2023
<b>Profit / (-) loss for the year</b>		<b>-3 243</b>
<b>Other comprehensive income</b>		
Currency translation differences, net of tax		8 599
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		<b>8 599</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>8 599</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>5 356</b>




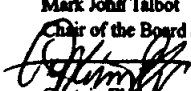

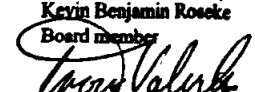
## Consolidated statement of financial position Q-Free Group


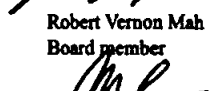
Amounts in tUSD	Note	2023
<b>ASSETS</b>		
Deferred tax assets	4, 13	4 812
Intangible assets	11	12 440
Goodwill	4, 15	111 216
Property, plant and equipment	10	11 542
Non-current receivables		9
<b>TOTAL NON-CURRENT ASSETS</b>		<b>140 018</b>
Inventories	7	13 258
Contract assets	4, 6	3 471
Accounts receivable	16	22 441
Other current assets	17	4 734
Cash and cash equivalents	18	5 183
<b>TOTAL CURRENT ASSETS</b>		<b>49 088</b>
<b>TOTAL ASSETS</b>		<b>189 106</b>



Amounts in tUSD	Note	2023
<b>EQUITY AND LIABILITIES</b>		
Subscribed share capital		10 304
Share premium		113 307
Other paid-in capital		-23
Retained earnings		5 356
<b>TOTAL EQUITY</b>		<b>128 943</b>
Non-current borrowings	19, 20	16 314
Non-current financial liabilities	21	2 631
<b>Total non-current liabilities</b>		<b>18 945</b>
Current borrowings	19, 20	3 261
Advance payments from customers	6	7 626
Accounts payable	22	11 209
Taxes payable	13	1 696
Public duties payable		2 072
Current financial liabilities	21	2 294
Other current liabilities	23	13 060
<b>Total current liabilities</b>		<b>41 218</b>
<b>TOTAL LIABILITIES</b>		<b>60 163</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>189 106</b>

Trondheim, 26 June 2024

  
Mark John Talbot  
Chair of the Board & CEO  
  
System Elges  
Board member  
  
Kevin Benjamin Roseke  
Board member  
  
Trond Valvik  
Board member

  
Robert Vernon Mah  
Board member  
  
Andrew Michael Christodoulou  
Board member  
  
Steven Andrew Ralph Bates  
Board member



## Consolidated statement of cash flows Q-Free Group

Amounts in tUSD	Notes	2023
<b>Cash flow from operations</b>		
Profit before tax		-2 073
Depreciation and impairment of property, plant and equipment	10	1 024
Amortisation and impairment of intangible assets	11	368
Share-based payment expense		148
<i>Working capital adjustments:</i>		
Changes in inventory		-660
Changes in contract assets		2 575
Changes in accounts receivable		-2 080
Changes in advance payments from customers		-579
Changes in accounts payable		1 321
Changes in other items		4 030
<b>Net cash flow from operations</b>		<b>4 075</b>
<b>Cash flow from investing activities</b>		
Investments in PP&E and intangible assets	10, 11	-1 658
<b>Cash flow from investing activities</b>		<b>-1 658</b>
<b>Cash flow from financing activities</b>		
Repayment of borrowings	19, 24	-788
Payment of principal portion of lease liabilities	24	-642
Interest received	12	116
Interest paid	12	-443
<b>Cash flow from financing activities</b>		<b>-1 757</b>
<b>Effect on cash and cash equivalents of changes in foreign exchange rates</b>		<b>-1 265</b>
<b>Net change in cash and cash equivalents for the year</b>		<b>-605</b>
Cash and cash equivalents per 01.10.		5 789
<b>Cash and cash equivalents per 31.12.</b>	19	<b>5 183</b>



## Consolidated statement of change in Equity Q-Free Group

	Subscribed share capital	Share premium	Other Equity	Retained earnings	Minority Interests	Currency translation differences, net of tax	Total
<i>Amounts in tUSD</i>							
<b>Total equity 01.10.2023</b>							
Issuance of Initial Share Capital	3						3
Issuance of Additional Share Capital (1)	6 400	70 395					76 794
Issuance of Additional Share Capital (2)	3 901	42 912					46 813
Other Equity (Establishment Fees)			-23				-23
Recognition of Minority Interests					18 579		18 579
Other comprehensive income						8 599	8 599
Profit / (-) loss for the period				-3 243			-3 243
Redemption of Minority Interests					-18 579		-18 579
<b>Total equity 31.12.2023</b>	<b>10 304</b>	<b>113 307</b>	<b>-23</b>	<b>-3 243</b>	<b>-</b>	<b>8 599</b>	<b>128 943</b>



## Note 1 – Corporate information

Q-Free Group AS is a Norwegian private limited liability company. The Group financial statements consist of the Q-Free Group AS parent financial statements, as well as the subsidiaries as listed in Note 26 Subsidiaries.

The Q-Free Group provides leading technology solutions to the global Intelligent Traffic Systems market. Over the past years, Q-Free Group has delivered systems projects and products in Europe, Asia Pacific, the Middle East and North and South America. Q-Free Group has 381 employees, working out of local offices in 14 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 2023 were approved by the Board of Directors at its meeting on June 26, 2024.

## Note 2 – Basis for preparation

The establishment of the new consolidating entity was achieved through a series of transactions, initiated on September 26, 2023. Consequently, the consolidated financial statements for the year 2023 include only the final three months of the calendar year.

Q-Free Group AS has prepared its consolidated financial statements for 2023 in accordance with simplified International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU).

The consolidated financial statements are prepared on a going concern basis and on a historical cost basis, except for certain minor investments in other companies which are measured at fair value through profit or loss, as well as liabilities and financial instruments which are measured at fair value. The preparation of financial statements, including note disclosures, requires management to make estimates and assumptions that affect the reported amounts. Actual results may differ from these estimates. Refer to Note 4 for critical accounting judgements and changes in accounting policies.

The functional currency of Q-Free Group AS is the United States dollar (USD), and the consolidated financial statements are presented in USD.

Due to rounding adjustments, the figures in one or more columns in the financial statements may not sum to the exact totals.

The presentation and classification of items in the financial statements are consistent across the periods presented.

## Note 3 – Significant accounting policies

The following description of accounting principles applies to Q-Free Group's 2023 financial reporting, including all comparative figures. See Note 2 Basis of presentation and Note 4 Critical accounting judgments and new accounting policies for additional information related to the presentation, classification, and measurement of Q-Free Group's financial reporting.

### Basis of consolidation

The consolidated financial statements include Q-Free Group AS (parent) and subsidiaries. Subsidiaries are defined as companies in which Q-Free Group, 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 Group 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.

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 USD, 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 2023. 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.

The assets and liabilities of foreign operations are translated into USD 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 are recognized amortised costs which is measured at fair value plus transaction costs, except for some minor investments in other companies which is valued at fair value through profit or loss and considered immaterial for group. 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 derecognized 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 Group to deliver cash in the future and are classified as either current or non-current. Financial liabilities include loans, borrowings, and payables such as suppliers and public duties. 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 Group 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 Group recognises revenue from customers in accordance with IFRS 15 Revenue from contracts with customers. Q-Free Group 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 Group 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 recognized in the statement of profit or loss in the period in which they accrue.

#### **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 Group 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 this 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 Group.

If the criteria are satisfied, capitalised amounts will include the cost of materials and direct payroll expenses. Capitalised 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:

- 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 Group'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 prorata 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 Group'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.

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 Group and is not expected to happen in the foreseeable future. This is applicable for the majority of Q-Free Group'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 recognized 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 realizable value. The net realizable value is calculated as the selling price less the cost to sell. For manufactured products, the acquisition cost is calculated based on 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 are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value.

#### **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.

#### **Operating segments**

Q-Free Group 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.

#### **Leases**

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
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of 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 related to IT and other office equipment.

#### **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 worldwide, 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 Group's right to consideration in exchange for goods or services that Q-Free Group 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 terms towards the customer which can give rise to be a significant contract risk for Q-Free Group as a supplier. Q-Free Group systematically works to reduce such risk. Assessment of the risk of the customer accepting the 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 36 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 Group 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 EBIDTA (refer to the APM section). If the profitability measures indicate that the segment is not performing in accordance with budgets and management expectations, the segment is tested for impairment.

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.

The current economic and political global landscape, the global economic outlook and the pressure on authorities to fulfil international treaties on climate change imposes some explicit responsibilities on management with respect to the impairment review. Hence, certain macroeconomic and environmental circumstances have been considered in the forecasts of the impairment analysis. 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 the order backlog, prior years' profitability margins, and the progress and margins realised to date on existing ongoing 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.

## **Product development expenses**

Q-Free Group capitalizes expenses related to product development. These activities are crucial to improve financial results and secure long-term profitability of the business. Each project that is capitalized is carefully considered by management to secure that relevant criteria under IAS 38 are fulfilled. A business plan is established for each project. Should the situation change and the criteria for capitalization no longer are met, the capitalization is reversed or impaired.

## **Note 5 – Operating segments**

The Group discloses operating segment information under IFRS 8 Operating Segments, which requires the company to identify segments according to the organisation 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 member 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 2023, The Group managed its operations in two operating segments, Tolling and Traffic Management.



## **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 Group offers DSRC tags and readers, ALPR and image-based solutions, as well as electronic toll collection systems (Multilane free flow, truck tolling, congestion charging) within this segment. This segment has most of the business in Europe and APMEA, 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 Group 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 Group also offers smart traffic light /intersection control systems. The Group offers 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 Group, being able to supply a full range of systems.

Global Functions do not represent a separate segment but are expenses that are not relevant to allocate to one or more of the two segments. Group functions include corporate services, such as management and Group finance services at the Q-Free Group 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.



**Table 10.1 Revenues per operating segments**

SEGMENTS	Tolling	Traffic Management	Totals
<i>Amounts in tUSD</i>	2023	2023	2023
EUROPE	13 023	1 836	14 859
APMEA	1 447		1 447
AMERICAS	4 272	7 469	11 741
<b>Revenues</b>	<b>18 743</b>	<b>9 305</b>	<b>28 048</b>

For competitive reasons, Q-Free Group does not publicly disclose revenue per country or customer. Additionally, no single customer represents more than 10% of the annual revenue for Q-Free Group.

## Note 6 – Revenue, contract assets and advanced payments from customers

### Disaggregation 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:

- Service & Maintenance
- Softwares
- Product deliveries
- System projects

### Revenue recognition

#### a) Service & Maintenance

Revenue relating to Service & Maintenance contracts is recognised over time, in accordance with IFRS 15. Revenue is recognised as the Service & Maintenance is performed, since the customer simultaneously receives and benefits from the delivery. Service & Maintenance is defined as one performance obligation but is often negotiated together with System projects in the same customer contract. In this case the transaction price between the performance obligation Service & Maintenance and project delivery has to be allocated, since the contract contains more than one performance obligation. See discussion below regarding the definition of performance obligations, as well the allocation of transaction price between Service & Maintenance and project deliveries. 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 Group products is offered to customers within all segments

#### b) Software

Software licenses could be categorized as:

- Licences that give access to standard Q-Free Group software without limitation in time, or access to updates.

Deliveries of these software licences is similar to deliveries of products. When the licence have been delivered by giving the customer access to a software component, a licence key or similar, the performance obligation have usually been met, and the revenue should be recognised (and invoiced) in the same period. For standard software there is usually little or no associated direct cost to the delivery.



- Licences to utilize software over time.

If the contracts outline that the client pays a periodic fee for access to specific standard software, the performance obligation stretches over the duration of the contract. Revenue should be recognised periodically for the duration of the contract.

Expenses related to maintaining the software should normally be limitedly expensed as it occurs.

Some contracts can be a combination of the two above. Software that is (to a significant extent) developed for the customer should be considered a “system delivery” (see below).

Software licenses can also include Service & Maintenance to the customer contract.

#### c) Product deliveries

Under the revenue category “Product deliveries” Q-Free Group delivers hardware products to their customers. These types of products are offered within all segments. A customer contract includes either one single delivery or a series of deliveries of the products specified. Each delivery contains one or more products, and each product or batch order of the same product constitutes one performance obligation, since the customer can benefit from each good on its own or together with other resources already available. The fixed transaction price is separately stated for each product or batch of products within the contract. In some customer contracts Q-Free Group offers prospective volume discounts to the customers. In these situations, the transaction price contains a variable component. That only affects future revenue recognition. Management uses the expected value method to determine the total amount of consideration for the contract. Revenue from the sale of products is recognised at a point in time, either on delivery to the customer or at the point of shipping depending on when the specifics of a particular contract result in control of the goods being passed to the customer.

#### d) System projects

Q-Free Group 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 Group 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 determining 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.
- Hardware, installations and software together form one performance obligation, since they together secure a combined output, which is the project delivery, and the customer cannot 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 from 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 Group is



entitled, as Q-Free Group has a large a number of contracts with similar characteristics and experience with this type of projects.

The standalone 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 standalone selling price is readily available, management uses a cost plus margin method to determine the stand alone selling prices to be used in the transaction price allocations.

Revenue relating to system projects is recognised over time since Q-Free Group develops an asset for their customers that has no alternative use and is delivered at the customer's location. Q-Free Group is 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 lifetime of a project is more than 12 months, management takes into consideration the financing component of the contract.

#### **Contract assets and advance payments from customers**

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

##### **a) 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 2023, contract assets have been reviewed for impairment, and are impaired in an amount of tUSD 0.

##### **b) Advance payments from customers**

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

### **Note 7 – Inventory and costs of goods sold**

*Amounts in tUSD*

<b>Inventory specification:</b>	<b>2023</b>
Raw material and semi manufactured products	3 253
Finished goods	9 617
Inventory for maintenance contracts	831
Provision for obsolescence	-442
<b>Total</b>	<b>13 258</b>



All inventories are valued based FIFO at the lower of cost and net realisable value. The change in inventory write down to net realisable value recognised as an income for the Group tUSD 157 in 2023, which is recognised in cost of goods sold.

*Amounts in tUSD*

<b>COGS specification:</b>	<b>2023</b>
Inventory transferred to customers	37 329
Freight, customs etc.	1 277
Warranty cost	291
Write-down to net realisable value	157
<b>Total</b>	<b>39 055</b>

## Note 8 – Employee benefit expenses

*Amounts in tUSD*

<b>Employee benefit expenses</b>	<b>2023</b>
Salaries	8 954
Social security costs	1 676
Pension costs (contribution plan)	487
Capitalised personnel costs	-892
Other personnel related costs	483
<b>Total</b>	<b>10 707</b>
Average number of employees	381
Average number of FTE's	378

### 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 personnel expenses.



## Note 9 – Other operating expenses

*Amounts in tUSD*

<b>Other operating expenses</b>	<b>2023</b>
External services	1 648
Travel expense	536
Office supplies	963
Insurance	246
Freight	-22
Rent machinery & tools	55
Marketing / promotions	260
Service & Maintenance	25
Operating materials	74
Credit losses	-2
Other	942
<b>Total</b>	<b>4 722</b>

### 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).

<b>Category</b>	<b>2023</b>
Audit services provided by elected auditor	46
Audit services provided by non-elected auditor, on behalf of foreign subsidiaries	53
Other audit related services	60
Tax services provided by non-elected auditor, on behalf of foreign subsidiaries	1
<b>Total</b>	<b>160</b>



## Note 10 – Property, plant and equipment

	Right- of-use- asset	Leasehold improvement	Project related equipment	Office equipment	Total
<b>Accumulated acquisition cost</b>					
Acquisition cost 01.10.2023	15 033	998	7 581	5 178	28 790
Additions	179	-	753	-	931
Foreign currency translation effect	222	10	241	29	503
<b>Acquired cost 31.12.2023</b>	<b>15 434</b>	<b>1 008</b>	<b>8 575</b>	<b>5 207</b>	<b>30 224</b>
<b>Accumulated depreciation and impairment</b>					
Accumulated depreciation and impairments 01.10.2023	10 008	775	2 311	4 564	17 659
Depreciation of the period	597	7	311	109	1 024
<b>Accumulated depreciation and impairments 31.12.2023</b>	<b>10 605</b>	<b>783</b>	<b>2 622</b>	<b>4 674</b>	<b>18 683</b>
<b>Carrying value 31.12.2023</b>	<b>4 829</b>	<b>226</b>	<b>5 953</b>	<b>533</b>	<b>11 542</b>
Estimated lifetime	1-9 years	average 5 years	average 5 years	3-5 years	
Depreciation schedule	Linear	Linear	Linear	Linear	

The leases recognized according to IFRS 16 consist of office buildings contracts tUSD 4 335 and car rental agreements tUSD 494. 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 31 December 2023. See note 25 for associated Lease Liability.

## Note 11 – Intangible assets

	Capitalized development cost	Acquired intangible assets	Total
Acquisition cost 01.10.2023	30 230	13 636	43 866
Additions	842		842
Foreign currency translation effect	269		269
<b>Acquisition cost 31.12.2023</b>	<b>31 341</b>	<b>13 636</b>	<b>44 977</b>
Accumulative amortisation and impairment 01.10.2023	18 533	13 636	32 169
Amortisation of the period	368		368
<b>Accumulated amortisation and impairment 31.12.2023</b>	<b>18 901</b>	<b>13 636</b>	<b>32 537</b>
<b>Carrying value 31.12.2023</b>	<b>12 440</b>	<b>-</b>	<b>12 440</b>
Estimated lifetime	average 5 years	average 5 years	
Amortisation schedule	Linear	Linear	



## Capitalized development cost

Development costs are capitalised in accordance with the accounting policy in Note 3 Significant accounting policies 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 the 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.

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.

As of December 31, 2023, capitalised development costs primarily comprise expenses associated with product development aimed at facilitating the Group's delivery of fully integrated ITS projects, products, systems, and services across various segments.

Additionally, certain expenses linked to the implementation of a new global ERP system have been capitalized in 2023. These expenses have been determined to meet the capitalization criteria outlined in IAS 38. Notably, only external costs have been capitalized as part of this asset, while all internal costs have been expensed.

## 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.

## Note 12 – Financial items

*Amounts in tUSD*

<b>Financial items</b>	<b>2023</b>
Interest income	121
Realised exchange rate differences	281
Unrealised exchange rate differences	1 526
<b>Financial income</b>	<b>1 927</b>
Interest expenses*	-79
Interest on borrowings	-443
Realised exchange rate differences	-506
Unrealised exchange rate differences	-949
Other financial expense	-858
<b>Financial expense</b>	<b>-2 835</b>
<b>Total</b>	<b>-907</b>



\*Interest expenses consist of interest on other items not classified as borrowings, such as leasing liabilities and default interest.

## Note 13 – Taxes

	<b>2023</b>
<b>Total tax expense for the period</b>	
Taxes payable on this years profit for foreign companies	1 028
Change in deferred tax for Norwegian companies	189
<u>Change in deferred tax for foreign companies</u>	<u>-47</u>
<b>Total</b>	<b>1 170</b>
Tax rate	NA
<b>Taxes payable for the year</b>	
Profit before tax	1 309
Permanent differences	43
<u>Change in temporary differences</u>	<u>1 536</u>
<b>Basis for taxes payable</b>	<b>2 888</b>
<b>Specification of taxes payable</b>	
Taxes payable on this years profit, Norwegian companies	
Taxes payable on this years profit, foreign companies	1 028
<u>Advance tax payment, foreign companies</u>	<u>-703</u>
<b>Total taxes payable</b>	<b>325</b>
<b>Specification on basis for deferred tax</b>	
<i>Differences evaluated to be offset:</i>	
Property, plant and equipment	-4 103
Non-current receivables	4 011
Current assets	-680
Liabilities	-9 200
Tax losses carry -forward	-68 584
<u>Other differences</u>	<u>-4 679</u>
<b>Total</b>	<b>-83 236</b>



## Specification of deferred tax assets (-) / deferred tax liabilities (+)

### *Differences evaluated to be offset:*

Property, plant and equipment	-903
Non-current receivables	882
Current assets	-150
Liabilities	-2 024
Tax losses carry -forward	-15 089
Other differences	-1 029
<b>Total</b>	<b>-18 312</b>
<b>Unrecognised deferred tax assets</b>	<b>13 500</b>
<b>Net recognised deferred tax assets (-) / deferred tax liabilities (+)</b>	<b>-4 812</b>

**Recognised deferred tax assets (-)** **-4 812**

### **Reconciling the tax expense**

Earnings before tax	1 309
Calculated tax at domestic tax rate per country	288
Tax result permanent differences and tax rate difference	9
Use of previously unrecognised loss carried forward (-) / Increase in valuation allowance	882
Foreign currency translation effect	-9
<b>Tax expense</b>	<b>1 170</b>

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 2023 was tUSD 4 812

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

## **Note 14 – 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.



<i>Amounts in USD</i>	<b>2023</b>
Profit for the year from continuing operations	-3 243 105
Profit for the year on discontinued operations, net of tax	
<b>Profit for the year</b>	<b>-3 243 105</b>
Weighted average number of ordinary shares	112 649 416
Weighted average number of diluted shares	112 649 416
<b>Earnings in USD per share from continuing operations</b>	<b>-0,03</b>
<b>Diluted earnings in USD per share from continuing operations</b>	<b>-0,03</b>
<b>Earnings in USD per share from the profit for the year</b>	<b>-0,03</b>
<b>Diluted earnings in USD per share from the profit for the year</b>	<b>-0,03</b>

## Note 15 – Goodwill

### Background

On 26 September 2023, A Joint venture consisting of Guardian Smart Infrastructure and Rieber & Søn announced that they had signed an agreement where the newly established Q-Free Group AS obtained a majority shareholding of 62,8% Q-Free ASA. Ownership was increased to 94,28% through the mandatory offer concluded 24 November 2023. Ownership of 100% was achieved by a compulsory acquisition announced 3 December same year.

During the acquisition process and due diligence, Guardian did not identify any specific balance sheet items (other than book goodwill) in the consolidated accounts of Q-Free ASA they valued differently than book value.

In accordance with IFRS 3, the fair value of the identifiable assets and liabilities has been identified for the purpose of preparing the consolidated financial statements of Q-Free Group AS.

The acquirer was identified as Q-Free Group AS. The entity is a SPV (Special Purpose Vehicle) set up for the purpose of this acquisition and funded by 100% cash equity by the owners.

Q-Free Group AS gained control over Q-Free ASA and subsidiaries on 26 September 2023. For practical purposes the date for accounting purposes was set to 1 October, being the closest date possible for establishing balance sheet values.

Management has analyzed the business to find assets and liabilities that are identifiable, and in general fulfil IFRS' criteria for recognition on the balance sheet.

### Tangible assets

Q-Free Group own limited tangible assets. No assets were identified that had a significantly different value from balance sheet values on acquisition date:

### Intangible assets

No specific identifiable intangible assets not already recognized on the balance sheet were identified. Some of the more common categories of assets were specifically considered were patents, IP and software systems, brand, customer relationships and contracts.



## Goodwill

Goodwill is the future economic benefits acquired that are not individually identified and recognized. Based on the analysis of identifiable assets and liabilities, the residual value of the acquisition price less net assets already recognized in the consolidated balance sheet was identified as goodwill.

For the purpose of future impairment considerations, the goodwill amount should, in accordance with IAS 36, be allocated to relevant CGU's (Cash Generating Units). A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Q-Free Group has, following a reorganization in 2020, split the business into two major business areas, ATMS and Tolling. A further disaggregation of CGUs is not considered appropriate for ATMS, whilst two distinct CGUs have been identified within Tolling, namely Image Review and other Tolling solutions.

## Distribution of goodwill to CGUs

The best available method for allocating goodwill to CGU's is expected future cashflows. The longest-reaching estimate available at time of consideration was the 2026 prognosis, where EBITDA was the best available estimate for expected future cashflow. Based on the expected future cashflows, goodwill has been distributed based on the identified CGUs relative contribution to cashflow:

<i>Amounts in MUSD</i>	ATMS	IRS	Tolling other	Tolling total
Revenue	62	11	69	80
Gross margining %	67%	95%	49%	55%
Gross profit	42	11	34	44
Operating expenses	29	4	27	31
EBITDA	13	6	7	13
Share of allocated GW	49%	23%	28%	51%
Allocated GW in tUSD	54 496	25 580	31 141	56 720
Total	111 216			

## Summary/conclusion

Value in excess of already existing net assets/liabilities in the acquired business on time of acquisition should be allocated as follows:

<b>Summary</b>	<i>Amounts in tUSD</i>
Acquisition value	131 531
Net identified assets	20 315
Goodwill ATMS	54 496
Goodwill IRS	25 580
Goodwill Tolling other	31 141



## Goodwill Reconciliation

The reconciliation of Goodwill for the year ended December 31, 2023, outlines the changes in the Goodwill balance over the reporting period.

<i>Amounts in tUSD</i>	<b>Goodwill</b>
Goodwill 01.10.2023	31 814
Additions to Goodwill	79 006
Foreign currency translation effect	396
<b>Goodwill 31.12.2023</b>	<b>111 216</b>

## Note 16 – Accounts receivable

<i>Amounts in tUSD</i>	<b>2023</b>
Accounts receivable	22 441
Loss allowance	-
<b>Total</b>	<b>22 441</b>

There is no single customer that represents a significant portion of the accounts receivable, thus posing a material credit risk. The accounts receivable are distributed across all 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 USD 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 2023 is the maximum exposure for the Group.

<i>Amounts in tUSD</i>	<b>31-Dec-23</b>
<b>Distribution by currency</b>	
Amounts Receivables EUR	2 542
Amounts Receivables USD	6 986
Amounts Receivables GBP	1 189
Amounts Receivables SEK	464
Amounts Receivables AUD	472
Amounts Receivables NOK	8 302
Amounts Receivables other	2 485
<b>Total</b>	<b>22 441</b>

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 receivable 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 2023 or 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 has identified the probability of a customers' bankruptcy and geographic location of the customer to be the most relevant factors, and accordingly adjusts the historical loss rates appropriately.

*Amounts in USD*

<b>Aging of gross trade receivables</b>	<b>Total</b>	<b>Not due</b>	<b>&lt; 30 days</b>	<b>30-60 days</b>	<b>60-90 days</b>	<b>&gt;90 days</b>
31 December 2023	22 441	14 848	3 387	2 029	797	1 380
Loss allowance	-					
<b>Net value 2023</b>	<b>22 441</b>					

## Note 17 – Other current assets

*Amounts in tUSD*

<b>Other current assets</b>	<b>2023</b>
Accrual for Skattefunn grants	379
Prepaid taxes	703
Prepaid rent	752
Prepaid software licenses	752
Prepaid insurance	129
Prepaid system project expenses	222
Other prepaid expenses	915
Other receivables	884
<b>Total</b>	<b>4 734</b>

## Note 18 – 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 tUSD*

<b>Liquidity funds</b>	<b>31-Dec-23</b>	<b>31-Oct-23</b>
Cash at banks and on hand	5 183	5 789
<b>Total cash and cash equivalents</b>	<b>5 183</b>	<b>5 789</b>

As of 31 December 2023, the Group had available tUSD 8 577 of undrawn bank overdraft and tUSD 8 466 of undrawn guarantee facilities in which all conditions precedent had been met.



## Note 19 – Borrowings

Type	rate % ****	Maturity***	31.12.2023
<b>Non-current</b>			
Nordea - Term loan *)	4,75%	30 August 2026	8 061
Nordea - Revolving Multicurrency Credit Facility (RCF) **)	Interbank + 1,9%	30 June 2025	4 915
Nordea - USD term loan	Interbank + 1,9%	30 June 2025	1 050
Nordea - EUR term loan	Interbank + 1,9%	30 June 2025	773
Nordea - NOK term loan	Interbank + 1,9%	30 June 2025	1 514
<b>Total non-current borrowings</b>			<b>16 314</b>
<b>Current</b>			
Nordea - Term loan *)	4,75%	30 August 2026	
Nordea - USD term loan	Interbank + 1,9%	30 June 2025	700
Nordea - EUR term loan	Interbank + 1,9%	30 June 2025	442
Nordea - NOK term loan	Interbank + 1,9%	30 June 2025	865
Nordea - Credit line**	Interbank + 1,9%	Annually	1 254
<b>Total current borrowings</b>			<b>3 261</b>
<b>Total borrowings</b>			<b>19 574</b>

\* The facility is partly guaranteed by GIEK as part of the Norwegian government's Covid-19 support packages. Following a recent renegotiation, the facility does not have any term installments until August 2023.

\*\* The facility is automatically renewed annually. The facility can be drawn in various currencies based on requirements of Q-Free Group.

\*\*\* Maturity date is based on the amended contract with the main bank. The termination date is subject to extension options.

\*\*\*\* The effective interest rates of selected facilities/borrowings are dependent on the leverage ratio.

### Borrowing arrangements

June 30, 2021, Q-Free Group entered a 3 year financing arrangement with its main bank. In Q2 2022, Q-Free Group utilized an option to request an extension of the contract term. The arrangements are thus currently valid until June 30, 2025.

### Debt covenants

The following loan covenants apply:

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

The leverage ratio should not exceed 3.50. The leverage ratio is calculated as long-term borrowings plus short-term borrowings plus lease obligation less cash and cash equivalents divided on 12M EBITDA.

Capital expenditure should not exceed tNOK 45 000, measured annually. A capital expenditure of maximum tNOK 70 000 has been agreed for 2023. "Right of use Assets" under IFRS16 and any expenditure or obligation in respect of an Approved Norwegian Tolling Contract and capitalized value of ERP project is not considered CAPEX for this purpose.



All financial covenants are subject to clauses for possible “repair” either before or after the date of measurement. In addition to the financial covenants mentioned above, the contract contains other covenants that are considered common for similar contractual relationships.

This includes limitations on acquisitions, disposals, change of control and conditions related to continued listing.

The effective interest rate of selected facilities/borrowings will in the future be dependent on the leverage ratio.

As of 31.12.2023, Q-Free Group was compliant with all financial covenants. All financial covenants are measured at a consolidated level.

## Note 20 – Risk management

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

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 Group 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. There are some minor financial instruments as of year-end 2023, that are measured at amortised cost, however, these are immaterial for the Group. An overview of the Group’s financial instruments is presented at the end of this note.

### Credit risk

The risk related to a customer's ability to fulfill their financial obligations is generally considered low, given that the Group's customers are primarily government-controlled entities or relatively large and financially stable private companies. Historically, the Group has experienced a 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 2023 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 assess 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 Group 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 2023 to have low credit risk.



Additional information related to accounts receivable and an aging analysis as of 31 December 2023 is provided in Note 17 Accounts receivable.

### Currency risk

Q-Free Group's most important trading currencies are NOK, USD, GBP, EUR, THB and AUD and during the reporting period most of the Q-Free Group 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 Group AS to the entities in their local currency. Therefore Q-Free Group AS, as the parent company, has currency risk related to the long-term funding of the operating entities with functional currencies other than USD. 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 Group AS. These currency exchange gains and losses are in the statement of comprehensive income presented as currency translation differences, net of tax.

### Liquidity risk

Liquidity risk is the risk that Q-Free Group 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 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 2023 to be sufficient to finance the company's ordinary operations and operational investments for 2024. Some loans are up for renegotiation of payment plans in 2024.

Additional information related to borrowings and undrawn bank overdraft as of 31 December 2023 is provided in Note 7 Borrowings and Note 19 Cash and cash equivalents.

The tables below summarise the maturity profile of the Group's financial liabilities as of 31 December 2023, based on contractual undiscounted payments, including estimated future interest payments.

**Table 20.1 Financial liability maturity schedule (including estimated future interest payments)**

Year ended 31 December 2023:	Less than 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 2 years	Total
Non-current borrowings					16 314	16 314
Non-current financial liabilities					2 631	2 631
Current borrowings*	502	502	502	502		2 007
Accounts payable	11 213					11 213
Current financial liabilities	574	574	574	574		2 294
<b>Total financial liabilities</b>	<b>12 288</b>	<b>1 075</b>	<b>1 075</b>	<b>1 075</b>	<b>18 945</b>	<b>34 459</b>

\*As of 31 December 2023, the group has used tUSD 1 254 from the credit line, which is not included in the table as it is an ongoing draft facility without a set due date. However, it is recorded as current borrowings in the balance sheet. Repayment of this facility is to be negotiated in 2024.

### Interest rate risk

The Group is exposed to interest rate risk in the form of changing interest rates on borrowings and deposits 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 emphasises predictability at all times if 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 31.12.23, 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.

Financial instruments by measurement category

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

**Table 20.2 Financial instruments by category**

31-Dec-23	Amortised cost	Fair value Level 3	Fair value Level 2	Fair value Level 1	Total
<b>Financial assets</b>					
Accounts receivable	22 463				22 463
Cash and cash equivalents	5 183				5 183
<b>Total</b>	<b>27 646</b>	-	-	-	<b>27 646</b>
<b>Financial liabilities</b>					
Non-current borrowings	16 314				16 314
Non-current financial liabilities	2 631				2 631
Current borrowings	3 261				3 261
Accounts payable	11 213				11 213
Current financial liabilities	2 294				2 294
Other current liabilities	10 145				10 145
<b>Total</b>	<b>45 857</b>	-	-	-	<b>45 857</b>

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

#### The levels of fair measurement

Financial instruments are categorised 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.

## Note 21 – Lease commitments/Lease liability

Lease Liability In accordance with IFRS 16

*Amounts in tUSD*

<b>Terms</b>	<b>2023</b>
As at 01.10.2023	5 087
Additional/Disposal	254
Payments	-642
Foreign currency translation effect	225
<b>Lease Liability 31.12.2023</b>	<b>4 925</b>

The current Lease Liability amounts to tUSD 2 294 and is presented within Current financial liabilities.

The non-current Lease Liability amounts to tUSD 2 631 and is presented within non-current financial liabilities.

### Guarantees

Q-Free Group obtains bank guarantees for their customers, mainly for long-term projects. As of year-end 2023, the total amount of these guarantees is tUSD 8 466. The bank pays out these guarantees if Q-Free Group fails to meet milestones or complete the project. Fees paid to the banks for these guarantees are recorded as financial expenses.

### Collateral

Book value of assets securing loans and guarantees:

*Amounts in tUSD*

<b>Book value of assets securing loans and guarantees</b>	<b>2023</b>
Shares in subsidiaries	54 248
Cash and cash equivalents	14 722
Contract assets	1 896
Inventories	9 691
Property, plant and equipment	6 592
<b>Total</b>	<b>87 149</b>

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



## Note 22 – Accounts payable

*Amounts in tUSD*

<b>Accounts payable</b>	<b>2023</b>
Accounts payable USD	2 991
Accounts payable NOK	6 916
Accounts payable EUR	135
Accounts payable GBP	414
Accounts payable SEK	332
Accounts payable DKK	61
Accounts payable AUD	188
Accounts payable other	172
<b>Total</b>	<b>11 209</b>

## Note 23 – Other current liabilities

*Amounts in tUSD*

<b>Other current liabilities</b>	<b>2023</b>
Accrued wages (holiday pay and bonus scheme)	3 199
Warranty provisions (see specification for changes during the year)	1 669
Accrued expense	2 378
Deferred Revenue	2 394
Miscellaneous	3 420
<b>Total</b>	<b>13 060</b>

### 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 take 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.



*Amounts in tUSD*

**Warranty provision**

Amount 01.10.2023	1 718
Utilised during the period	-157
Additions during the period	32
Foreign currency translation effect	76
<b>Total 31.12.2023</b>	<b>1 669</b>

**Note 24 – Changes in liabilities arising from financing activities**

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

<b>tUSD</b>	<b>2023</b>
<b>Non-current borrowings</b>	<b>16 314</b>
<b>Non-current financial liabilities</b>	<b>2 631</b>
-Lease liabilities	2 631
<b>Current borrowings</b>	<b>3 261</b>
<b>Current financial liabilities</b>	<b>2 294</b>
-Lease liabilities	2 294
<b>Total</b>	<b>24 499</b>



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

<b>tUSD</b>	<b>2023</b>
<b>Cash flow from financing activities:</b>	
<b>Net changes in non-current and current borrowings:</b>	<b>-4 113</b>
Debt installments term loan (Repayment of borrowings)	-2 039
Cash payments credit line (Repayment of borrowings)	-1 555
Currency translation difference	-519
Repayment of borrowings	-4 113
<b>Net change in non-current and current borrowings</b>	<b>-4 113</b>
<b>Net change in financial liabilities from leasing liabilities):</b>	
<b>Net change in financial liabilities from leasing liabilities):</b>	<b>-1 331</b>
Payments of lease liabilities	-2 624
Leasing agreements entered into during the year	1 497
Currency translation difference	-203
<b>Net change in financial liabilities from leasing agreements</b>	<b>-1 331</b>



## Note 25 – Subsidiaries

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

	Year established	Year acquired by Q-Free Group	Location	Primary segment	Ownership	Voting share	Functional currency
Q-Free Portugal Lda.	1997	2023	Lisboa, Portugal	Tolling	100%	100%	EUR
Q-Free Australia Pty. Ltd.	1999	2023	Sydney, Australia	Tolling	100%	100%	AUD
Noca Holding AS	2001	2023	Trondheim, Norway	Tolling	100%	100%	NOK
Q-Free Sverige AB	2007	2023	Stockholm, Sweden	Tolling	100%	100%	SEK
Q-Free Thailand Co Ltd.	2007	2023	Bangkok, Thailand	Tolling	100%	100%	THB
- Q-Free Thailand Joint Venture			Bangkok		100%	100%	THB
- Q-Free PETZ Joint Venture	2016		Bangkok, Beilen, The Netherlands		70%	70%	THB
Q-Free Netherlands BV	2002	2023	Santiago, Chile	Tolling	100%	100%	EUR
Q-Free Chile	2012	2023	San Diego, CA, USA	Tolling	100%	100%	CLP
Q-Free America Inc.	2012	2023	Weston, Super-Mare, UK	TrafficManagement	100%	100%	USD
Q-Free (Bristol) UK Ltd	1998	2023	Ljubljana, Slovenia	TrafficManagement	100%	100%	GBP
Q-Free Traffic Design d.o.o.	1990	2023	Madrid, Spain	TrafficManagement	100%	100%	EUR
Q-Free Espana S.L.U.	2014	2023	Moscow, Russia	Tolling	100%	100%	EUR
Q-Free LLC (Inactive)	2015	2023	Warsaw, Poland	Tolling	100%	100%	RUB
Q-Free Polska sp. z o.o.	2016	2023	Trondheim, Norway	Tolling	100%	100%	PLN
Q-Free Norge AS	2018	2023	Korsør, Denmark	Tolling	100%	100%	NOK
Q-Free Denmark Aps	2018	2023	Kiev, Ukraine	Tolling	100%	100%	NOK
Q-Free Ukraine LLC		2023	Trondheim, Norway	TrafficManagement	100%	100%	UAH
Q-Free AS		2023	Norway	Tolling	100%	100%	NOK

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.

### 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 Group and the partner are jointly responsible to the customer and the operation is jointly controlled by Q-Free Group 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
Q-Free Utel JV	Joint Operation with United Telecom Sales and Services Co. Ltd.	70%

## Note 26 – Capital Management

Q-Free Group'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 Group 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.

Q-Free Group 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 Group's capital management KPIs\* for 2023/as of 31.12.2023:

<i>Q-Free Group's capital management measures</i>	
KPI	2023
EBITDA	227
NIBD	15 644
Operational gearing	2,2
Equity ratio	69%
Cash flow from operations	4 075

## Note 27 – 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 are no transactions between the company and any parties in the management or the board during 2023.

### Associated companies

Q-Free Group AS does not hold ownership in any associated companies in 2023.



## **Note 28 – Subsequent events**

### **Breach of Covenant**

In the first quarter of 2024, Q-Free Group breached a financial covenant related to its debt agreements with Nordea. As a result of this breach, the Group is currently in discussions with Nordea to obtain a waiver for the covenant violation and to renegotiate the terms of the debt agreements.

However, if the Group is unable to obtain these waivers or successfully renegotiate the terms, it may be required to reclassify the debt from non-current borrowings to current borrowings.

The 2023 financial statements do not reflect any adjustments from this breach as it occurred after the reporting period. Management has implemented measures to address the situation and remains confident in resolving the issue.



## Full Year Pro forma Consolidated statement

As the consolidated financial statements for 2023 only include the final three months of the year, pro forma figures for the entire year are provided below to offer a comparative view of Q-Free Group's full year financial performance, as if Q-Free Group had reported numbers for the entire year in 2023. Pro forma figures prior to group establishment are based on reporting structure with Q-Free AS as the parent company.

### Consolidated statement of profit or loss (Full Year)

Amounts in tUSD	FY 2023	FY 2022
Revenue from customers	108 204	98 599
<b>Total operating revenue</b>	<b>108 204</b>	<b>98 599</b>
Cost of goods sold	39 055	30 251
Project contractor expenses	7 102	6 829
Employee benefit expenses	37 529	35 722
Other operating expenses	17 671	16 828
<b>Total operating expenses</b>	<b>101 357</b>	<b>89 630</b>
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>6 848</b>	<b>8 969</b>
Depreciation of property, plant and equipment	4 027	3 696
Amortisation of intangible assets	1 511	1 897
<b>Total depreciation, amortization and impairment</b>	<b>5 538</b>	<b>5 594</b>
<b>Earnings before interest and taxes (EBIT)</b>	<b>1 310</b>	<b>3 376</b>
Financial income	6 502	2 550
Financial expenses	-9 154	-4 644
<b>Net financial items</b>	<b>-2 653</b>	<b>-2 094</b>
<b>Profit before tax</b>	<b>-1 343</b>	<b>1 281</b>
Tax income (+)/expense (-)	-1 209	-993
<b>Profit / (-) loss for the year from continuing operations</b>	<b>-2 552</b>	<b>289</b>
<b>Profit / (-) loss for the year</b>	<b>-2 552</b>	<b>289</b>
Earnings per share	-0,02	0,003
Diluted earnings per share	-0,02	0,003
Earnings per share from continuing operations	-0,02	0,003
Diluted earnings per share from continuing operations	-0,02	0,003



**Consolidated statement of comprehensive income (Full Year)**

Amounts in tUSD	FY 2023	FY 2022
Profit / (-) loss for the year	-2 552	289
<b>Other comprehensive income</b>		
Currency translation differences, net of tax	7 908	4 344
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>7 908</b>	<b>4 344</b>
<b>Other comprehensive income for the year, net of tax</b>	<b>7 908</b>	<b>4 344</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>5 356</b>	<b>4 633</b>



## Consolidated statement of financial position

Amounts in tUSD	2023	2022
<b>ASSETS</b>		
Deferred tax assets	4 812	4 853
Intangible assets	12 440	10 445
Goodwill	111 216	31 758
Property, plant and equipment	11 542	11 539
Non-current receivables	9	354
<b>TOTAL NON-CURRENT ASSETS</b>	<b>140 018</b>	<b>58 949</b>
Inventories	13 258	8 785
Contract assets	3 471	9 381
Accounts receivable	22 441	20 620
Other current assets	4 734	4 419
Cash and cash equivalents	5 183	7 749
<b>TOTAL CURRENT ASSETS</b>	<b>49 088</b>	<b>50 953</b>
<b>TOTAL ASSETS</b>	<b>189 106</b>	<b>109 902</b>
<b>Amounts in tUSD</b>		
<b>EQUITY AND LIABILITIES</b>		
Subscribed share capital	10 304	4 288
Share premium	113 307	65 935
Other paid-in capital	-23	2 123
Retained earnings	5 356	-22 330
<b>TOTAL EQUITY</b>	<b>128 943</b>	<b>50 017</b>
Non-current borrowings	16 314	17 938
Non-current financial liabilities	2 631	4 030
<b>Total non-current liabilities</b>	<b>18 945</b>	<b>21 967</b>
Current borrowings	3 261	5 749
Advance payments from customers	7 626	9 073
Accounts payable	11 209	10 334
Taxes payable	1 696	99
Public duties payable	2 072	1 753
Current financial liabilities	2 294	2 226
Other current liabilities	13 060	8 683
<b>Total current liabilities</b>	<b>41 218</b>	<b>37 918</b>
<b>TOTAL LIABILITIES</b>	<b>60 163</b>	<b>59 885</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>189 106</b>	<b>109 902</b>



## Consolidated statement of cash flows (Full Year)

Amounts in tUSD	FY 2023	FY 2022
<b>Cash flow from operations</b>		
Profit before tax	-1 343	1 281
Paid taxes	-703	-896
Depreciation and impairment of property, plant and equipment	4 027	3 612
Amortisation and impairment of intangible assets	1 511	1 897
Share-based payment expense	19	40
<i>Working capital adjustments:</i>		
Changes in inventory	-2 355	-77
Changes in contract assets	6 186	-3 326
Changes in accounts receivable	-1 821	-2 924
Changes in advance payments from customers	-1 447	6 436
Changes in accounts payable	875	2 402
Changes in other items	6 259	1 068
<b>Net cash flow from operations</b>	<b>11 208</b>	<b>9 514</b>
<b>Cash flow from investing activities</b>		
Investments in PP&E and intangible assets	-7 041	-7 185
<b>Cash flow from investing activities</b>	<b>-7 041</b>	<b>-7 185</b>
<b>Cash flow from financing activities</b>		
Cash proceeds from borrowings		2 898
Repayment of borrowings	-3 594	-1 997
Payment of principal portion of lease liabilities	-2 527	-2 343
Interest received	298	49
Interest paid	-1 740	-1 232
<b>Cash flow from financing activities</b>	<b>-7 563</b>	<b>-2 624</b>
<b>Effect on cash and cash equivalents of changes in foreign exchange rates</b>	<b>831</b>	<b>-1 255</b>
<b>Net change in cash and cash equivalents for the year</b>	<b>-2 565</b>	<b>-1 551</b>
Cash and cash equivalents per 01.01.	7 749	9 299
<b>Cash and cash equivalents per 31.12.</b>	<b>5 183</b>	<b>7 749</b>



# Financial Statements 2023

## Q-Free Group AS

Classified as Confidential.



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## Statement of profit or loss

### Q-Free Group AS

Amounts in TNOK	Note	2023
Other operating expenses	1	1 071
<b>Total operating expenses</b>		<b>1 071</b>
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>		<b>-1 071</b>
<b>Earnings before interest and taxes (EBIT)</b>		<b>-1 071</b>
Financial income	2	7 880
Financial expenses	2	-9 184
<b>Net financial items</b>		<b>-1 303</b>
<b>Profit before tax</b>		<b>-2 375</b>
Tax expense		
<b>Profit / (-) loss for the period</b>		<b>-2 375</b>



## Statement of financial position Q-Free Group AS

Amounts in TNOK	Note	2023
<b>ASSETS</b>		
Shares in Subsidiaries	3	1 337 982
<b>Total non-current assets</b>		<b>1 337 982</b>
Cash and cash equivalents	4	15 423
<b>Total current assets</b>		<b>15 423</b>
<b>TOTAL ASSETS</b>		<b>1 353 406</b>

Amounts in TNOK	Note	Dec-23
<b>EQUITY AND LIABILITIES</b>		
Subscribed share capital		112 649
Share premium		1 238 814
Other equity		-2 624
<b>TOTAL EQUITY</b>		<b>1 348 839</b>
Short term debt group companies		332
Liabilities to shareholders		501
Accounts payable		967
Other current liabilities	5	2 766
<b>Total current liabilities</b>		<b>4 567</b>
<b>TOTAL LIABILITIES</b>		<b>4 567</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 353 406</b>



Trondheim, 26 June 2024

Mark John Talbot  
Chair of the Board & CEO

Øystein Elgaaen  
Board member

Kevin Benjamin Roseke  
Board member

Trond Valvik  
Board member

Robert Vernon Mah  
Board member

Andrew Michael Christodoulou  
Board member

Steven Andrew Ralph Bates  
Board member



## Statement of changes in equity

### Q-Free Group AS

	Subscribed share capital	Share premium	Other Equity	Retained earnings	Total
<b>Total equity 01.01.2023</b>	-	-	-	-	-
Issuance of Initial Share Capital	30				30
Issuance of Additional Share Capital (1)	69 844	768 283			838 127
Issuance of Additional Share Capital (2)	42 775	470 530			513 306
Other Equity (Establishment Fees)			-250		-250
Profit / (-) loss for the period				-2 375	-2 375
<b>Total equity 31.12.2023</b>	<b>112 649</b>	<b>1 238 813</b>	<b>-250</b>	<b>-2 375</b>	<b>1 348 838</b>



### Note 1 - Other operating expenses

*Amounts in TNOK*

<b>Other operating expenses</b>	<b>2023</b>
External services	773
Travel expense	143
Insurance	64
Auditors' remuneration for other services	90
Other	1
<b>Total</b>	<b>1 071</b>

### Note 2 - Financial items

*Amounts in TNOK*

<b>Financial items</b>	<b>2023</b>
Interest income	860
Unrealised exchange rate differences	7 020
<b>Total financial income</b>	<b>7 880</b>
Other financial expenses	-9 184
<b>Total financial expenses</b>	<b>-9 183</b>
<b>FINANCIAL ITEMS, NET</b>	<b>-1 303</b>



### Note 3 – Subsidiaries

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

	Year acquired by Q-Free Group	Location	Primary segment	Ownership	Voting share	Functional currency	Book value 31.12.23 (Amounts in TNOK)
Q-Free Portugal Lda.	2023	Lisboa, Portugal	Tolling	100%	100%	EUR	204
Q-Free Australia Pty, Ltd.	2023	Sydney, Australia	Tolling	100%	100%	AUD	-
Noca Holding AS	2023	Trondheim, Norway	Tolling	100%	100%	NOK	-
Q-Free Sverige AB	2023	Stockholm, Sweden	Tolling	100%	100%	SEK	84
Q-Free Thailand Co Ltd.	2023	Bangkok, Thailand	Tolling	100%	100%	THB	8 251
Q-Free Netherlands BV	2023	Beilen, The Netherlands	Tolling	100%	100%	EUR	76 409
Q-Free Chile	2023	Santiago, Chile	Tolling	100%	100%	CLP	28
Q-Free America Inc.	2023	San Diego, CA, USA	Traffic Management	100%	100%	USD	216 887
Q-Free (Bristol) UK Ltd	2023	Weston Super- Mare, UK	Traffic Management	100%	100%	GBP	46 427
Q-Free Traffic Design d.o.o.	2023	Ljubljana, Slovenia	Tolling	100%	100%	EUR	29 149
Q-Free Espana S.L.U.	2023	Madrid, Spain	Tolling	100%	100%	EUR	25
Q-Free AS	2023	Trondheim, Norway	Tolling	100%	100%	NOK	42 273
Q-Free Polska sp. z o.o.	2023	Warsaw, Poland	Tolling	100%	100%	PLN	11
Q-Free Norge AS	2023	Trondheim, Norway	Tolling	100%	100%	NOK	123 617
Q-Free Denmark Aps	2023	Korsør, Denmark	Tolling Traffic	100%	100%	DKK	64
Q-Free Ukraine LLC	2023	Kiev, Ukraine	Management	100%	100%	UAH	125
<b>Subsidiaries under liquidation:</b>							
Q-Free LLC	2023	Moscow, Russia	Traffic Management	100%	100%	RUB	-
<b>Total</b>							<b>543 589</b>



#### Note 4 - 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:

<i>Amounts in TNOK</i>	
<b>Liquidity funds</b>	<b>2023</b>
Cash at banks and on hand	15 423
<b>Total cash and cash equivalents</b>	<b>15 423</b>

#### Note 5 - Other current liabilities

*Amounts in TNOK*

<b>Other current liabilities</b>	<b>2023</b>
Accrued expenses	2 766
<b>Total</b>	<b>2 766</b>

#### Note 6 – Shareholders

The share capital of Q-Free Group AS as of 31 December 2023 was NOK 1 351 792 992 consisting of 112 649 416 ordinary shares at NOK 12 per share. As of 31 December 2023, there were 2 shareholders.

The tables below show shareholders holding one percent or more of the total shares outstanding as of 31 December:

<b>The company's shareholders as of 31 December 2023:</b>	<b>Number of shares</b>	<b>Percentage share ownership</b>	<b>Voting rights</b>
Juniper Holdco Limited	78 854 591	70,00%	70,00%
Rieber & Son AS	33 794 825	30,00%	30,00%
<b>Total</b>	<b>112 649 416</b>	<b>100%</b>	<b>100%</b>



Statsautoriserte revisorer  
Ernst & Young AS

Havnegata 9, 7010 Trondheim  
Postboks 1299 Pirsenteret, 7462 Trondheim

Foretaksregisteret: NO 976 389 387 MVA  
Tlf: +47 24 00 24 00

www.ey.no  
Medlemmer av Den norske Revisorforening

## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Q-Free Group AS

### Opinion

We have audited the financial statements of Q-Free Group AS (the Company), which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company and the Group comprise the statement of financial position as at 31 December 2023, the statement profit or loss, statement of comprehensive income, statement of cash flows and statement of 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 comply with applicable legal requirements and give a true and fair view of the financial position of the Company and the Group as at 31 December 2023 and their financial performance and cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matters

As Q-Free Group AS was incorporated July 2023, there are no directly comparative figures from earlier years. Our opinion is not qualified in respect of this matter.

### Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the CEO) is 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 board of directors' report contains the information required by legal requirements and 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 or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.



## Responsibilities of management for the financial statements

Management (the board of directors and the Chief Executive Officer) is responsible for the preparation of the financial statements that give a true and fair view in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, 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 and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with 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 and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 and the Group 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 the board of directors 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.

Trondheim, 23 August 2024  
ERNST & YOUNG AS

*The auditor's report is signed electronically*

Christian Ronæss  
State Authorized Public Accountant (Norway)

Penneo Dokumentnøkkel: PSGTS-GSSXS-16FGY-MUCOF-XX8ZE-QB4LS



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## Ronæss, Christian

Statsautorisert revisor

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