

An aerial photograph of a circular road or driveway. A dark-colored car is positioned at the top of the frame, driving along the outer edge of the circle. In the center of the circle is a large, leafless tree with a complex network of brown branches. The road surface is dark and appears to be asphalt. The overall lighting is dim, suggesting an overcast day or dusk/dawn.

Q3

THIRD QUARTER RESULTS 2019

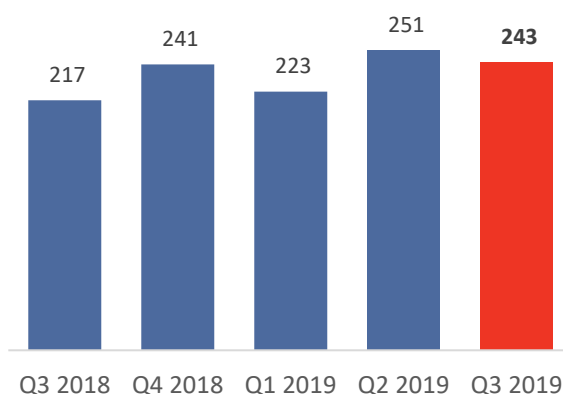


Highlights

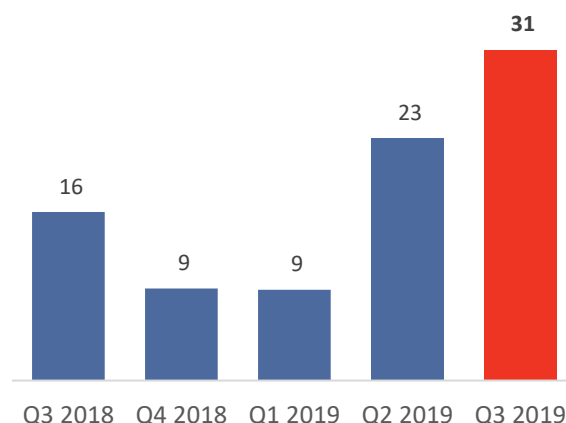
Q3 2019

- 243 MNOK in revenues, up 12% YoY driven by good growth in tolling and inter-urban segments
- 31 MNOK in EBITDA (13% margin), almost a doubling from 16 MNOK in Q3-18. The number is positively impacted by 9 MNOK in reduced pension obligations
- 206 MNOK in order intake and a new 80-130 MNOK ALPR frame agreement
- 1 091 MNOK in order backlog (excluding frame agreements), unchanged from Q3-18
- Improved financial situation due to 36 MNOK in net cash flow from operations leading to a 10 percent reduction in net interest-bearing debt
- 95 MNOK tolling contract in Thailand awarded in early October after closing of Q3-19

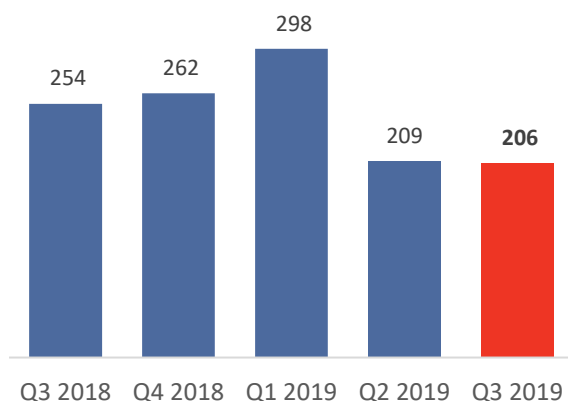
REVENUES LAST 5 QUARTERS
MNOK



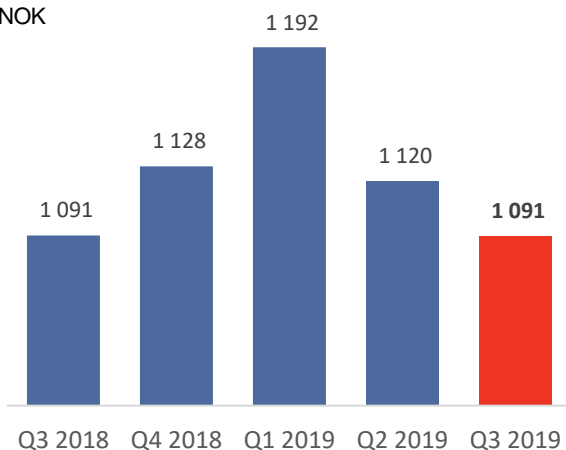
EBITDA LAST 5 QUARTERS
MNOK



ORDER INTAKE LAST 5 QUARTERS
MNOK



ORDER BACKLOG LAST 5 QUARTERS
MNOK



Financial review

KEY FIGURES

NOK 1.000	Q3 2019	Q3 2018	Q/Q-%	9M 2019	9M 2018	Y/Y-%	FY 2018
Revenues	242 630	217 475	11,6%	716 594	647 204	10,7%	888 647
Gross contribution	141 592	136 269	3,9%	405 128	418 054	-3,1%	569 196
Gross margin - %	58,4%	62,7%		56,5%	64,6%		64,1%
Operating expenses	110 698	120 477	-8,1%	343 005	355 598	-3,5%	498 105
EBITDA	30 894	15 792	95,6%	62 123	62 456	-0,5%	71 091
EBITDA margin	12,7%	7,3%		8,7%	9,7%		8,0%
Depreciation and amortisation	17 725	10 952	61,8%	54 618	35 137	55,4%	47 123
Impairment	0	0		0	278		278
Operating profit – EBIT	13 169	4 840		7 505	27 041		23 690
EBIT margin	5,4%	2,2%		1,0%	4,2%		2,7%
Profit before tax	28 431	-4 227		10 260	7 075		-1 119
Profit margin	11,7%	-1,9%		1,4%	1,1%		-0,1%
Profit after tax from continuing operations	25 376	-6 276		2 705	264		-8 079
Profit for the period	25 376	-6 276		2 705	264		-8 079
EPS	0,28	-0,07		0,03	0,00		-0,09
Number of employees	386	381		386	381		385

Profit and loss third quarter 2019

Q-Free generated total revenues of 243 MNOK in the third quarter of 2019. This represented an increase of 12 percent from Q3-18. Tolling revenues ended at 147 MNOK, up 25 percent YoY due to strong product sales in Europe and higher project revenues in all regions. Revenues from non-tolling segments ended at 96 MNOK, down from 100 MNOK in Q3-18. The slight decrease is mainly explained by a temporary dip in the Urban business area due to postponed SW deliveries. We expect to see a rebound in Q4-19.

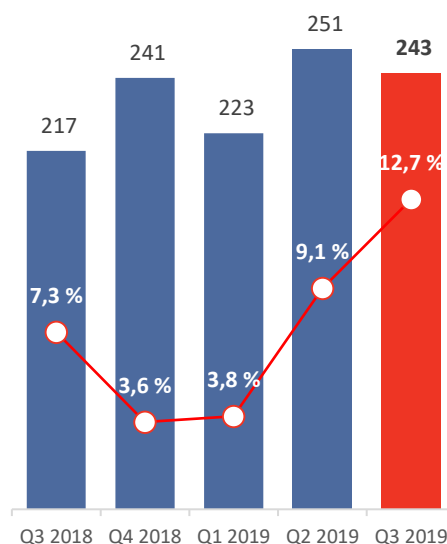
Gross contribution in the quarter was 142 MNOK, up from 136 MNOK in Q3-18. The gross margin decline of 4 percentage points YoY is mainly explained by lower margins on tolling projects combined with low margins in Parking and Urban.

Operating expenses amounted to 111 MNOK compared to 120 MNOK in Q3-18. Operating expenses were positively impacted by 9 MNOK in one-time effects due to reduced pension obligations in Norway. Adjusted for this operating expenses were at the same level as same quarter last year.

EBITDA in the quarter ended at 31 MNOK (12.7 percent margin). This represented a significant increase compared to

the 16 MNOK (7.3 percent margin) reported in Q3-18. Adjusted for the reversal of pension obligations, the EBITDA ended at 22 MNOK (9.0 percent margin).

QUARTERLY REVENUES AND EBITDA MARGIN
MNOK & %



Operating profit (EBIT) ended at 13 MNOK versus 5 MNOK in Q3-18.

Net financial items in the quarter were positive 15 MNOK compared to -9 MNOK in Q3-18. 10 MNOK of the net effect is explained by a reduction in the estimated share purchase liability for remaining shares in Intelight Inc. Net finance was also positively influenced by currency effects in the quarter

Reported pre-tax profit ended at 28 MNOK, up from -4 MNOK in Q3-18.

Earnings per share came in at 0.28 NOK in the third quarter of 2019 versus -0.07 NOK in Q3-18.

Profit and loss as of September 2019

Accumulated revenues as of September 2019 amounted to 717 MNOK, up 11 percent from 647 MNOK YTD 2018. The tolling business had a YoY growth of 14 percent driven by strong product sales, higher project revenues and strong growth in ALPR/SW sales. The non-tolling businesses delivered a YoY growth of 7 percent driven by Parking and Infomobility.

Gross contribution for the first nine months ended at 405 MNOK, down 13 MNOK from 418 MNOK in the corresponding period in 2018. The decline in gross contribution and gross margin is explained by low margins on tags and ongoing tolling project deliveries combined with unfavourable product and segment mix effects.

Operating expenses as of September 2019 were 343 MNOK, down 13 MNOK compared to the corresponding period in 2018. 9 MNOK of the reduction YTD is explained by the reversal of pension obligations.

EBITDA as of September 2019 amounted to 62 MNOK, in line with the corresponding period in 2018. YTD EBITDA margin was 9 percent versus 10 percent YTD 2018. The EBITDA was positively impacted by 9 MNOK in reversal of the pension obligations and 16 MNOK by the introduction of IFRS 16 Leases compared to the corresponding period 2018.

Operating profit (EBIT) ended at 8 MNOK versus 27 MNOK in YTD 2018.

Net financial items were 3 MNOK during the first nine months of 2019 compared to -20 MNOK in the corresponding period of 2018.

Pre-tax profit YTD 19 was 10 MNOK compared to 7 MNOK YTD 2018.

Balance sheet

Total assets at the end of Q3-19 were 994 MNOK compared to 900 MNOK at the end of Q3-18 and 940 MNOK at the end of Q4-18. Implementation of IFRS 16 Leases increased the total balance sheet value as of Q3-19 with 52 MNOK compared to 31.12.18. Property, plant and equipment is up 52 MNOK on the asset side whereas non-current financial liabilities are up 30 MNOK and Current financial liabilities are up 19 MNOK on the liability side.

Total equity ended at 409 MNOK, up from 369 MNOK at the end of Q2-19 and 402 MNOK at the end of Q4-18. The equity ratio was 41 percent, up from 39 percent as of Q2-19. The reduction in the equity ratio from 44 percent as of Q4-18 is mainly explained by the implementation of IFRS 16.

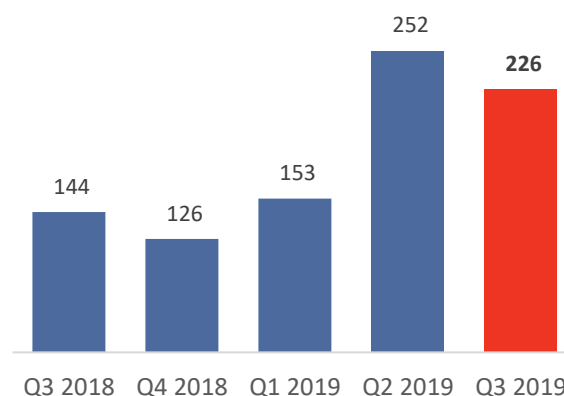
Non-current liabilities ended at 235 MNOK, down 4 MNOK compared to value at the end of Q2-19.

The remaining liability to purchase shares in Intelight is by the end of Q3-19 estimated at 42 MNOK, down from 48 MNOK at the end of Q2-19. The amount is classified as a current liability as the earn-out scheme ends in Q2 2020. See note 29 in the 2018 Annual report for more details on the share purchase obligation.

Current borrowings to financial institutions were 65 MNOK at the end of the third quarter 2019, down from 89 MNOK at the end of Q2-19. Granted, but unused, credit facilities were 46 MNOK at the end of Q3-19, compared to 16 MNOK at the end of Q2-19.

Net interest-bearing debt ended at 226 MNOK, down 26 MNOK from the previous quarter and up 100 MNOK from 126 MNOK as per Q4-18 due to favourable working capital effects in the quarter.

QUARTERLY NIBD



Current liabilities were 350 MNOK at the end of the period, up 52 MNOK from 298 MNOK at the end of 2018. The increase is mainly explained by implementation of IFRS 16 Leases and reallocation of the Intelight share purchase liability from non-current liabilities.

Net working capital (defined as current assets excluding cash less current liabilities and excluding short-term overdraft facilities and the Intelight share purchase liability) amounted to 172 MNOK at the end of Q3-19. The corresponding figure at the end of 2018 was 138 MNOK and 163 MNOK per end of Q3-18. The working capital ratio measured based on 12 month trailing revenues ended at 18 percent as of Q3-19, same level as YTD 2018 and up 2% compared to 31.12.18.

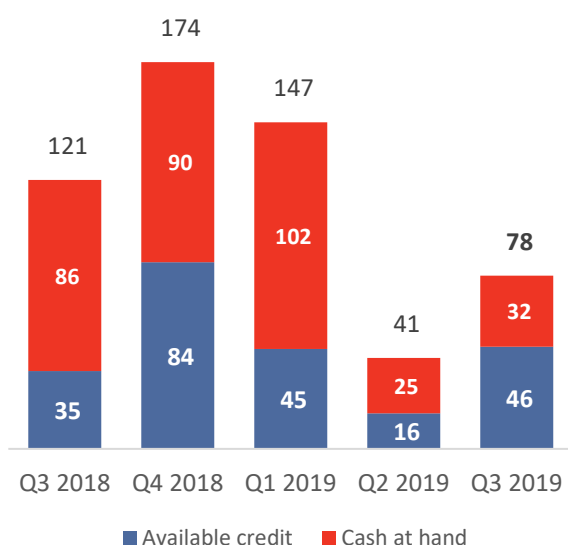
Cash flow

Net cash flow from operating activities was 36 MNOK in Q3-19, compared to 17 MNOK in the corresponding quarter of 2018. The improvement is explained by working capital effects.

Net cash flow from investment activities was -8 MNOK in Q3-19 compared to -9 MNOK in Q3-18.

Net cash flow from financing activities was -24 MNOK versus -2 MNOK in Q3-18. The difference is explained by repayment of debt.

QUARTERLY AVAILABLE CREDIT AND CASH AT HAND
MNOK



The net change in available cash in the period was 37 MNOK explained by profit from operations and positive working capital effects. Q-Free had 78 MNOK in available funds at the end of Q3-19.

In June 2019 Q-Free ASA signed a waiver agreement with its main bank Nordea where the parties proactively agreed on a leverage ratio formula for Q2 and Q3-19 that excludes the one-off effect of 13,4 MNOK related to the close down of the Jakarta office in Q4-18. As a result of this Q-Free was in compliance with its loan covenants as of Q3-19. Q-Free continues to explore certain structural solutions that can improve the financial capacity and further simplify and streamline the company's operations.

Order intake and backlog

Total reported order intake in the third quarter of 2019 was 206 MNOK compared to 254 MNOK in Q3-18. In September 2019 Q-Free signed a frame agreement to provide a significant number of ALPR (Automated License Plate Recognition) licenses to the US. The contract has an expected value of 80-130 MNOK, giving a mean value of 105 MNOK and will be delivered in the period 2020-2022.

Including the estimated mean value of this frame agreement, the order intake in the quarter ended around 310 MNOK.

The order intake in Q3 was dominated by a 55 MNOK tolling contract in Queensland Australia. The remaining order intake consisted of unannounced orders widely spread across all operating segments.

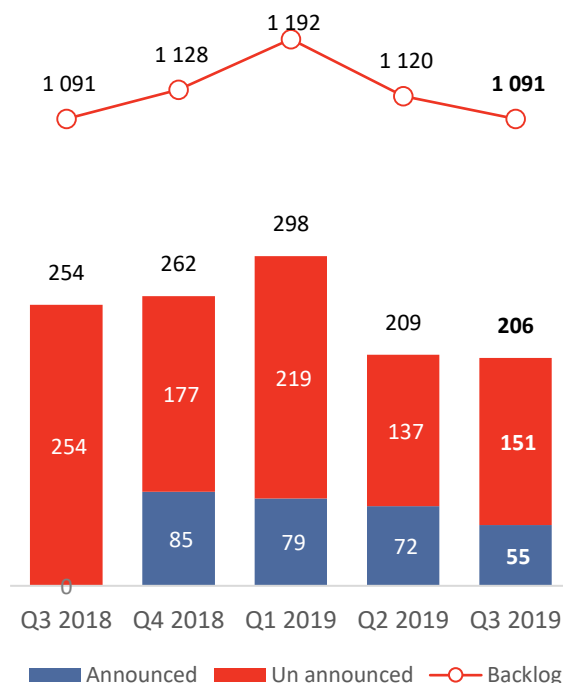
Book to bill in the quarter ended at 0.85. When including the mean value of the ALPR frame agreement, the ratio was 1.27.

The order backlog at the end of Q3-19 was 1 091 MNOK, which is unchanged from end of the third quarter of 2018. The backlog was impacted positively by 8 MNOK in currency effects and value assessments during the quarter.

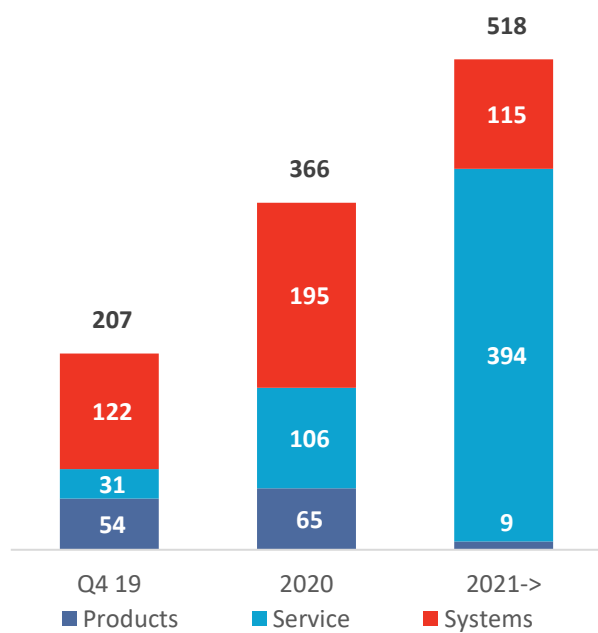
The backlog continues to be at a historically high level. 207 MNOK of the backlog are scheduled for delivery in Q4 2019, 366 MNOK for 2020 and 518 MNOK for 2021 and onwards. Most of the revenues from the tolling agreement signed in Thailand in early October 2019 will be recognized in 2020 and can be added to the numbers above.

In terms of revenue mix, the order backlog is composed of 12 percent product deliveries, 49 percent service and maintenance contracts and 39 percent system projects.

ORDER BACKLOG AND ORDER INTAKE END OF Q3-19
MNOK








ORDER BACKLOG COMPOSITION Q3-19
MNOK







Segment overview

Q-Free structure per Q3 2019:

	Tolling	Parking	Infomobility	Urban	Inter-urban
					
OFFERING	<p>Electronic toll collection systems (multi lane free-flow, truck tolling, congestion charging, etc.)</p> <p>DSRC tags and readers</p> <p>ALPR/ANPR and image-based solutions</p>	<p>Parking guidance systems</p> <p>Parking access control</p>	<p>Weigh in motion</p> <p>Traffic counters</p> <p>Cycle & pedestrian detection</p> <p>Journey time monitoring</p> <p>Weather & air-quality monitoring</p>	<p>Local intersection/traffic controllers</p> <p>Centralized Intersection/traffic controller SW</p> <p>Co-operative ITS solutions</p>	<p>Advanced Traffic Management systems</p> <p>Traffic Information Systems</p> <p>Ramp metering</p> <p>Truck parking</p>
KEY MARKETS	<p>Europe Norway Sweden Denmark Portugal Slovenia France Spain Russia</p> <p>Americas USA Chile</p> <p>APMEA Australia Thailand</p>	<p>Europe France Norway Slovenia Portugal</p> <p>Americas USA Canada Chile</p> <p>APMEA Australia</p>	<p>Europe UK Norway Sweden Denmark</p> <p>Americas USA Canada LATAM</p> <p>APMEA Australia Thailand</p>	<p>Americas USA Canada</p> <p>APMEA Australia</p>	<p>Europe Slovenia Norway</p> <p>Americas USA Mexico</p>

Segment review

SEGMENT REVIEW Q3-19 v/s Q3-18 and accumulated

						
(MNOK)						
Revenues Q3-19	TOLLING	PARKING	INFOMOBILITY	URBAN	INTER-URBAN	Q3 2019
EUROPE	107	5	14	0	11	137
APMEA	26	0	0	0	0	26
AMERICAS	14	13	3	23	27	80
Revenues	147	18	17	23	38	243
Revenues Q3-18	TOLLING	PARKING	INFOMOBILITY	URBAN	INTER-URBAN	Q3 2018
EUROPE	92	6	15	1	3	115
APMEA	19	2	1	0	0	22
AMERICAS	7	6	0	40	27	80
Revenues	117	13	16	41	29	217

Revenues 30.09.19	TOLLING	PARKING	INFOMOBILITY	URBAN	INTER-URBAN	30.09.19
EUROPE	307	15	50	0	22	394
APMEA	57	2	1	0	0	60
AMERICAS	47	31	6	111	68	263
Revenues	411	48	57	111	90	717

Revenues 30.09.18	TOLLING	PARKING	INFOMOBILITY	URBAN	INTER-URBAN	30.09.18
EUROPE	277	19	46	1	16	358
APMEA	47	4	3	0	0	54
AMERICAS	37	16	3	106	72	235
Revenues	361	39	52	107	88	647



Tolling

- DSRC Tags & Readers
- ALPR/ANPR Solutions
- Electronic Toll Collection
- Congestion Charging

REVENUES AND MARGINS

Quarterly tolling revenues amounted to 147 MNOK, up from 117 MNOK in Q3-18. The growth is explained by strong product and ALPR/SW sales in Europe and project revenues in Australia and Chile.

In terms of the revenue mix, Q-Free had 31 MNOK in service and maintenance revenues, 57 MNOK in system project revenues, and product revenues of 59 MNOK in the quarter.

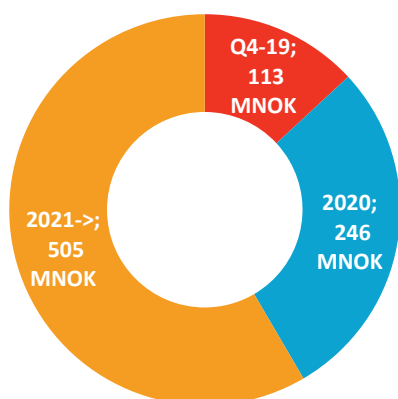
Tolling achieved an EBITDA of 40 MNOK in the third quarter of 2019, up from 15 MNOK in Q3-18. The improved EBITDA is explained by the revenue growth and opex reductions, which offset reduced gross margins on tags and system deliveries. The quarterly EBITDA is also positively impacted by a one-time effect of 9 MNOK related to reduced pension obligations in Norway.

ORDER SITUATION

Q-Free booked tolling contracts of 137 MNOK in the quarter. A key win was the 55 MNOK contract in Queensland Australia. The remaining order intake consisted of unannounced orders spread across all markets.

13 percent of the tolling backlog is planned for delivery in Q4-19, 28 percent in 2020 and 59 percent in 2021 and onwards. Tags and product deliveries represent 6 percent and are typically sold with short lead-times, while the remaining 94 percent of the backlog is system projects and long-term service & maintenance contracts.

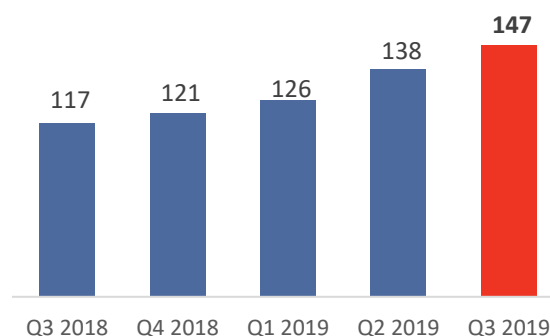
TOLLING ORDER BACKLOG DISTRIBUTION MNOK



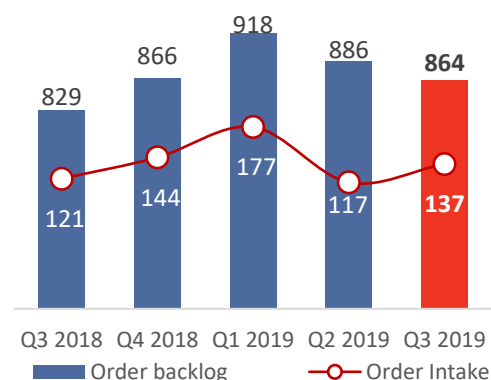
TOLLING REVENUES AND EBITDA MNOK

	Q3-19	Q3-18	30.09.19	30.09.18
EUROPE	107	92	307	277
APMEA	26	19	57	47
AMERICAS	14	7	47	37
REVENUES	147	117	411	361
EBITDA	40	15	79	62

LAST 5 QUARTERS TOLLING REVENUES MNOK



TOLLING ORDER BACKLOG & ORDER INTAKE MNOK





Parking

- Parking Guidance
- Parking Access Control

REVENUES AND MARGINS

Quarterly parking revenues were 18 MNOK, up from 13 MNOK in Q3-18. The increase is explained by delivery of parts of the large parking order of 3 million USD announced in Q2-19. We expect to see a continued strong momentum in parking revenues.

Parking reported an EBITDA of -5 MNOK in the quarter compared to -4 MNOK in Q3-18. Q-Free expects margins to pick up as investments related to new product development will come down.

ORDER SITUATION

The order intake in the quarter was 14 MNOK compared to 13 MNOK in Q3-18. The order intake comprised several small and medium sized orders, predominantly in the US and in France.

Most of the parking backlog is due for delivery in the coming 2 to 6 months.

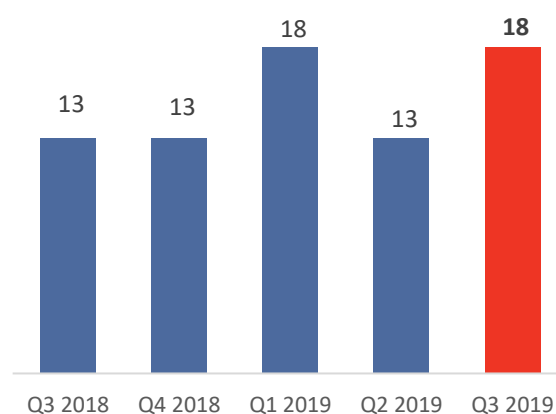
PARKING REVENUES AND EBITDA

MNOK

	Q3-19	Q3-18	30.09.19	30.09.18
EUROPE	5	6	15	19
APMEA	0	2	2	4
AMERICAS	13	6	31	16
REVENUES	18	13	48	39
EBITDA	-5	-4	-10	-13

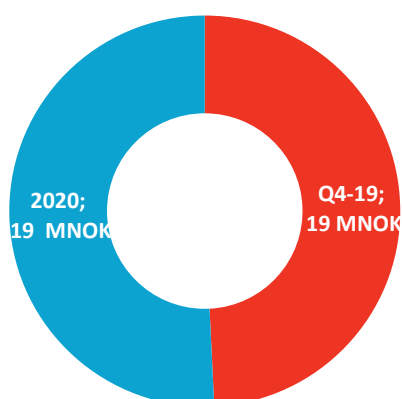
LAST 5 QUARTERS PARKING REVENUES

MNOK



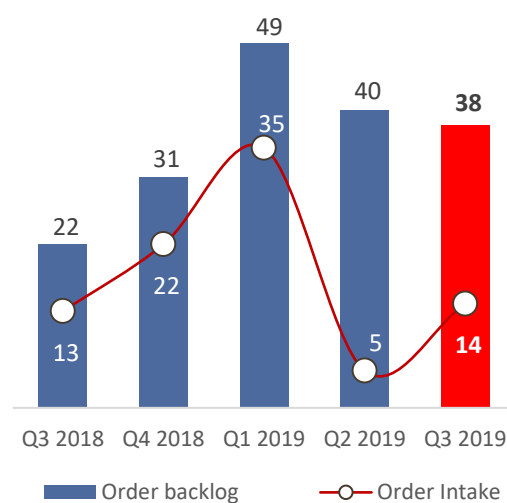
PARKING ORDER BACKLOG DISTRIBUTION

MNOK



PARKING ORDER BACKLOG & ORDER INTAKE

MNOK





Infomobility

- Weigh in Motion
- Traffic Counters
- Cycle & Pedestrian Detection
- Journey Time Monitoring
- Weather & Air-Quality Monitoring

REVENUES AND MARGINS

The third quarter showed flat YoY revenues of 17 MNOK. Quarterly revenues typically fluctuate more depending on call-offs on frame agreements.

Reported EBITDA was 1 MNOK in Q3-19 compared to 2 MNOK in Q3-18.

ORDER SITUATION

Q-Free booked 14 MNOK in new orders, down from 23 MNOK in Q3-18.

A vast majority of the order intake of 14 MNOK in the quarter was small and medium sized orders in Europe.

The business normally consists of small and medium sized orders with a typical delivery time of 4-8 weeks. 19 MNOK of the order backlog is scheduled to be delivered during Q4 2019.

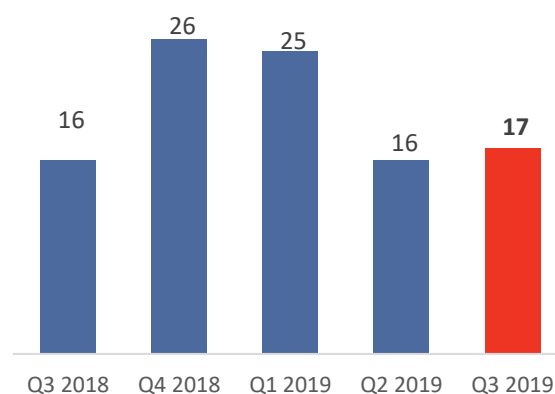
INFOMOBILITY REVENUES AND EBITDA

MNOK

	Q3-19	Q3-18	30.09.19	30.09.18
EUROPE	14	15	50	46
APMEA	0	1	1	3
AMERICAS	3	0	6	3
REVENUES	17	16	57	52
EBITDA	1	2	5	6

LAST 5 QUARTERS INFOMOBILITY REVENUES

MNOK



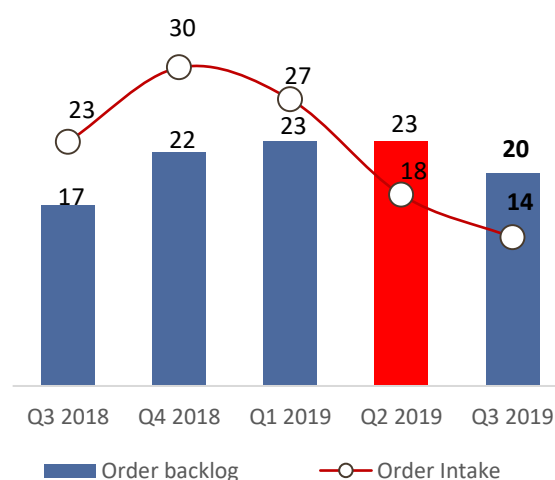
INFOMOBILITY ORDER BACKLOG DISTRIBUTION

MNOK



INFOMOBILITY ORDER BACKLOG & ORDER INTAKE

MNOK





Urban

- Traffic Controllers
- Centralized Traffic Controller SW
- Co-Operative ITS

REVENUES AND MARGINS

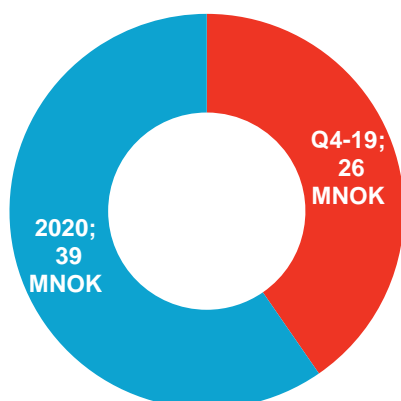
Q3-19 revenues were 23 MNOK, down from 41 MNOK in Q3-18. The main reason for the reduction is postponed deliveries of SW contracts. We expect to see a rebound in the upcoming quarters.

Urban reported an EBITDA of -7 MNOK compared to 7 MNOK in the corresponding quarter in 2018. The decline is explained by the delayed delivery of high-margin SW contracts.

ORDER SITUATION

Order intake in the quarter was 32 MNOK compared to 74 MNOK in Q3-18. Q-Free expects to see an increase in order intake with improved SW share in Q4-19 and going forward. The order backlog ended at 65 MNOK, down from 83 MNOK at the end of Q3-18. 26 MNOK (40 percent) of the backlog are scheduled for delivery in Q4-19 and the remaining 39 MNOK (60 percent) for 2020.

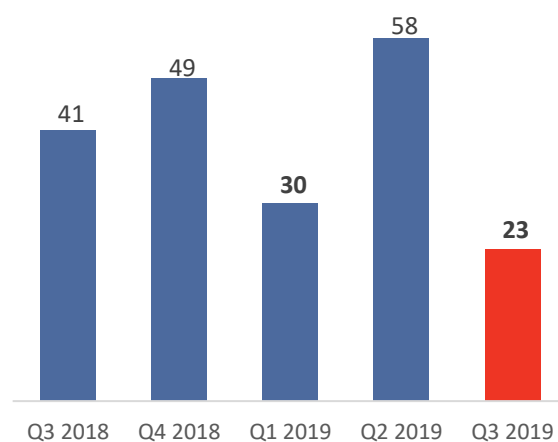
URBAN ORDER BACKLOG DISTRIBUTION MNOK



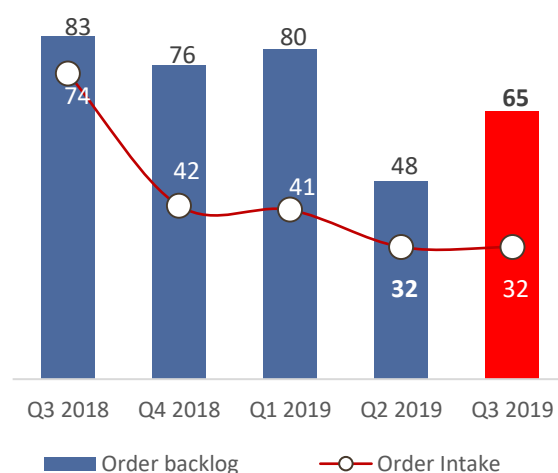
URBAN REVENUES AND EBITDA MNOK

	Q3-19	Q3-18	30.09.19	30.09.18
EUROPE	0	1	0	1
APMEA	0	0	0	0
AMERICAS	23	40	111	106
REVENUES	23	41	111	107
EBITDA	-7	7	3	19

LAST 5 QUARTERS URBAN REVENUES MNOK



URBAN ORDER BACKLOG & ORDER INTAKE MNOK





Inter-urban

- Advanced Traffic Management
- Traffic Information
- Ramp Metering
- Truck Parking

REVENUES AND MARGINS

Q3-19 inter-urban revenues amounted to 38 MNOK, up from 29 MNOK in Q3-18. The growth is explained by call-off on the frame agreement with Norwegian customs and deliveries in Slovenia

Inter-Urban EBITDA in the quarter ended at 12 MNOK compared to 6 MNOK in Q3-18. The improvement is explained by revenue growth combined with improved operational efficiency in the US.

ORDER SITUATION

Order intake in the quarter (8 MNOK) was mainly composed of small and medium orders in Slovenia and the US.

The order backlog mainly reflects scheduled deliveries to VDOT, Iowa and Slovenia in 2019 and 2020 plus small projects for numerous other US states, distributed with 30 MNOK in Q4-19 and 74 MNOK 2020 and onwards.

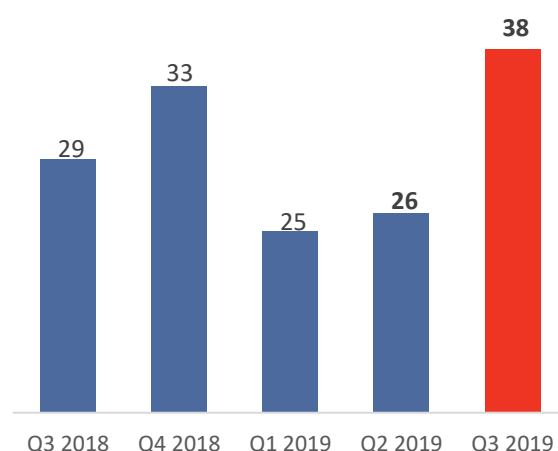
INTER-URBAN REVENUES AND EBITDA

MNOK

	Q3-19	Q3-18	30.09.19	30.09.18
EUROPE	11	3	22	16
APMEA	0	0	0	0
AMERICAS	27	27	68	72
REVENUES	38	29	90	88
EBITDA	12	6	15	15

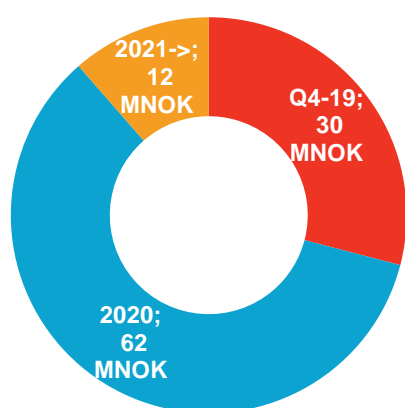
LAST 5 QUARTERS INTER-URBAN REVENUES

MNOK



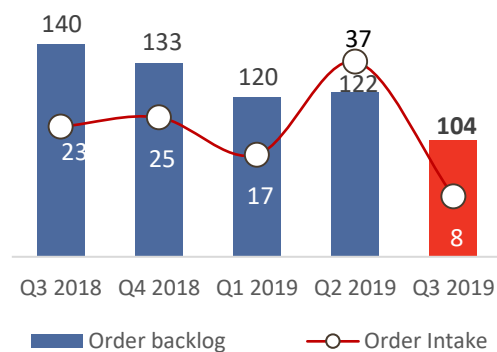
INTER URBAN ORDER BACKLOG DISTRIBUTION

MNOK



INTER-URBAN ORDER BACKLOG & ORDER INTAKE

MNOK



Outlook

At the end of Q3-19 Q-Free had already secured 924 MNOK in 2019 revenues (717 MNOK booked per Q3-19 plus 207 MNOK in backlog for Q4-19). This is 4 percent above the reported FY2018 revenues of 889 MNOK. The company expects to book additional revenues on top of the secured backlog in the fourth quarter and hence be able to meet its target of at least 10 percent annual revenue growth from 2018 to 2019.

The order backlog is solid, and the contract pipeline looks attractive with several new, large contracts expected to be awarded in the coming months in markets where Q-Free has a strong market position, most notably in Thailand, Australia and the USA. The increased momentum on the contract side is driven by a need to tackle mobility, safety and pollution issues related to road traffic and Q-Free has proven solutions to address all these challenges.

Q-Free has so far this year experienced gross margin declines in the tolling and urban segments. Whereas prices on tolling products are expected to continue to fall but partly be offset by COGS savings, the low margins currently seen on tolling project deliveries and in the urban segment are temporary. The company has recently won several tolling projects with solid margins. Urban SW deliveries are also expected to increase. Therefore, the company expects reported margins in 2020 to increase from current levels.

Q-Free generated net cash flow from operations of 36 MNOK in the third quarter and managed to reduce its net interest-bearing debt by more than 10 percent. Available funds have therefore improved from the second quarter. Management and the Board have a proactive and positive dialogue with its main bank to ensure appropriate financing. In addition, Q-Free continues to explore structural solutions that can improve the financial capacity and further simplify and streamline the company's operations.

Consolidated financial statements

STATEMENT OF PROFIT OR LOSS
STATEMENT OF COMPREHENSIVE INCOME
STATEMENT OF FINANCIAL POSITION
STATEMENT OF CASH FLOWS
STATEMENT OF CHANGES IN EQUITY

INDEX OF NOTES

- 1 General information & Accounting policies
- 2 Operating Segments
- 3 Revenue
- 4 Borrowings
- 5 Net financial items
- 6 Share based compensation
- 7 Employee benefit expenses

ALTERNATIVE PERFORMANCE MEASURES

Interim condensed consolidated statement of profit or loss

30 SEPTEMBER 2019

The comments below are related to Q-Free Group's development in 2019 compared to 2018. The comments made are based on accounting principles including IFRS 16 Leases for 2019 and accounting principles excluding IFRS 16 Leases for 2018.

Amounts in TNOK	Note	Q3 2019 IFRS 16	Q3 2018 IAS 17	9M 2019 IFRS 16	9M 2018 IAS 17	2018 IAS 17
Revenue from customers	3	242 630	217 475	716 594	647 204	888 647
Total operating revenue		242 630	217 475	716 594	647 204	888 647
Cost of goods sold		72 868	58 670	234 745	162 993	227 191
Project contractor expenses		28 170	22 536	76 721	66 157	92 260
Employee benefit expenses	6, 7	80 385	83 494	243 409	239 549	332 484
Other operating expenses		30 313	36 983	99 596	116 049	165 621
Total operating expenses		211 736	201 683	654 471	584 748	817 556
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		30 894	15 792	62 123	62 456	71 091
Depreciation of property, plant and equipment		7 271	1 732	21 515	6 910	10 168
Amortisation of intangible assets		10 454	9 220	33 103	28 227	36 955
Impairment of intangible assets and PP&E		-	-	-	278	278
Total depreciation, amortization and impairment		17 725	10 952	54 618	35 415	47 401
Earnings before interest and taxes (EBIT)		13 169	4 840	7 505	27 041	23 690
Financial income	5	19 062	4 248	25 942	25 364	24 970
Financial expenses	5	-3 800	-13 315	-23 187	-45 330	-49 779
Net financial items	5	15 262	-9 067	2 755	-19 966	-24 809
Profit before tax		28 431	-4 227	10 260	7 075	-1 119
Tax expense		-3 055	-2 049	-7 555	-6 811	-6 960
Profit / (-) loss for the period		25 376	-6 276	2 705	264	-8 079
Earnings per share		0,28	-0,07	0,03	0,00	-0,09
Diluted earnings per share		0,28	-0,07	0,03	0,00	-0,09

The interim financial information has not been subject to audit or review.

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



Interim condensed consolidated statement of comprehensive income

30 SEPTEMBER 2019

Amounts in TNOK	Note	Q3 2019 IFRS 16	Q3 2018 IAS 17	9M 2019 IFRS 16	9M 2018 IAS 17	2018 IAS 17
Profit / (-) loss for the period		25 376	-6 276	2 705	264	-8 079
Other comprehensive income						
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Currency translation differences, net of tax		14 472	-576	3 512	-20 687	-4 148
Net loss on available-for-sale (IAS 39) FVOPL (IFRS 9) investments		-	-192	-	-192	71
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		14 472	-768	3 512	-20 879	-4 077
Other comprehensive income for the period, net of tax		14 472	-768	3 512	-20 879	-4 077
Total comprehensive income for the period, net of tax		39 848	-7 044	6 217	-20 615	-12 156

The interim financial information has not been subject to audit or review.

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

Interim condensed consolidated statement of financial position

30 SEPTEMBER 2019

Amounts in TNOK	Note	Q3 2019 IFRS 16	Q3 2018 IAS 17	2018 IAS 17
ASSETS				
Deferred tax assets		12 412	13 174	14 795
Intangible assets		129 635	140 636	145 136
Goodwill		326 595	300 367	317 282
Property, plant and equipment	1	75 619	21 920	25 420
Investments in other companies		-	195	-
Non-current receivables		2 916	1 536	627
TOTAL NON-CURRENT ASSETS		547 177	477 828	503 260
Inventories		73 431	68 627	71 996
Contract assets		128 724	81 246	82 320
Accounts receivable		169 933	150 783	160 819
Other current assets		42 643	36 048	32 051
Cash and cash equivalents		31 873	85 888	89 700
TOTAL CURRENT ASSETS		446 604	422 592	436 886
TOTAL ASSETS		993 781	900 420	940 146

Interim condensed consolidated statement of financial position

30 SEPTEMBER 2019

Amounts in TNOK	Note	Q3 2019 IFRS 16	Q3 2018 IAS 17	2018 IAS 17
EQUITY AND LIABILITIES				
Subscribed share capital		33 905	33 905	33 905
Share premium		578 307	578 307	578 307
Other paid-in capital		21 142	20 862	20 950
Retained earnings		-224 548	-239 224	-230 765
TOTAL EQUITY		408 806	393 850	402 397
Non-current borrowings	4	192 500	100 000	196 000
Non-current financial liabilities	1, 7	33 343	38 134	39 658
Deferred tax liabilities		9 348	8 050	4 261
Total non-current liabilities		235 191	146 184	239 919
Current borrowings	4	65 306	129 959	19 521
Advance payments from customers		38 560	25 740	14 339
Accounts payable		101 374	64 983	95 992
Taxes payable		2 152	1 669	2 758
Public duties payable		21 284	12 609	19 584
Current financial liabilities	1, 7	61 332	58 364	71 995
Other current liabilities		59 776	67 062	73 641
Total current liabilities		349 784	360 386	297 830
TOTAL LIABILITIES		584 975	506 570	537 749
TOTAL EQUITY AND LIABILITIES		993 781	900 420	940 146

The interim financial information has not been subject to audit or review.

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

Interim condensed consolidated statement of cash flows

30 SEPTEMBER 2019

Amounts in TNOK	Q3 2019 IFRS 16	Q3 2018 IAS 17	9M 2019 IFRS 16	9M 2018 IAS 17	2018 IAS 17
Cash flow from operations					
Profit before tax	28 431	-4 227	10 260	7 075	-1 119
Paid taxes	-2 025	-3 445	-5 756	-6 596	-9 082
Depreciation and impairment of property, plant and equipment	7 271	1 732	21 515	7 188	10 446
Amortisation and impairment of intangible assets	10 454	9 220	33 103	28 227	36 955
Accrued interest expense	121	753	-224	719	548
Net loss on available-for-sale (IAS 39) FVOPL (IFRS 9) investments	-	-192	-	-192	458
Share-based payment expense	81	93	267	234	322
<u>Working capital adjustments:</u>					
Changes in inventory	-6 865	-12 517	-1 435	-3 174	-6 543
Changes in contract assets	-16 927	-14 207	-46 404	145 908	144 834
Changes in accounts receivable	804	20 714	-9 114	-20 296	-30 332
Changes in advance payments from customers	11 818	4 705	24 221	14 047	2 646
Changes in accounts payable	24 497	10 952	5 382	-24 289	6 720
Changes in other items	-21 167	3 367	-52 904	-23 463	2 430
Net cash flow from operations	36 493	16 948	-21 089	125 388	158 283
Cash flow from investing activities					
Investments in PP&E and intangible assets	-7 669	-9 281	-20 657	-27 750	-43 480
Acquisition of a subsidiary, net of cash acquired	-	-	-44 765	-23 210	-23 210
Cash flow from investing activities	-7 669	-9 281	-65 422	-50 960	-66 690
Cash flow from financing activities					
Cash proceeds from borrowings	4 000	-2 479	73 033	46 246	221 354
Repayment of borrowings	-23 248	-	-30 748	-145 000	-338 601
Other financial items	-5 011	-	-14 770	-	-
Cash flow from financing activities	-24 259	-2 479	27 515	-98 754	-117 247
Effect on cash and cash equivalents of changes in foreign exchange rates	2 456	-495	1 169	-3 419	1 721
Net change in cash and cash equivalents for the period	7 021	4 693	-57 827	-27 745	-23 933
Cash and cash equivalents beginning of period	24 852	81 195	89 700	113 633	113 633
Cash and cash equivalents end of period	31 873	85 888	31 873	85 888	89 700

The interim financial information has not been subject to audit or review.

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



Interim condensed consolidated statement of changes in equity

30 SEPTEMBER 2019

Amounts in TNOK

	Subscribed share capital	Share premium	Other paid-in capital	Retained earnings	Available- for-sale reserve (IAS 39)/ FVOPL (IFRS 9)	Currency translation differences, net of tax	Total
Total equity 31.12.2018	33 905	578 307	20 950	-310 984	-	80 219	402 397
Profit / (-) loss for the period	-	-	-	2 705	-	-	2 705
Other comprehensive income	-	-	-	-	-	3 512	3 512
Total comprehensive income for the period	33 905	578 307	20 950	-308 279	-	83 731	408 614
Share-based payment expense	-	-	192	-	-	-	192
Total equity 30.09.2019	33 905	578 307	21 142	-308 279	-	83 731	408 806
Total equity 31.12.2017	33 905	578 307	20 628	-302 905	-71	84 367	414 231
Profit / (-) loss for the period	-	-	-	264	-	-	264
Other comprehensive income	-	-	-	-	-192	-20 687	-20 879
Total comprehensive income for the period	33 905	578 307	20 628	-302 641	-263	63 680	393 616
Share-based payment expense	-	-	234	-	-	-	234
Total equity 30.09.2018	33 905	578 307	20 862	-302 641	-263	63 680	393 850

The interim financial information has not been subject to audit or review.

Notes to the condensed interim financial statements

Q3 2019

NOTE 1 – GENERAL INFORMATION & ACCOUNTING POLICIES

The Q-Free Group provides leading technology solutions to the global ITS market. Q-Free has 386 employees, is headquartered in Trondheim Norway, and has local offices in 17 countries around the world. Q-Free ASA is a Norwegian public limited liability company, and has been listed on the Oslo Stock Exchange under the ticker QFR since 2002.

Basis of preparation

These consolidated interim financial statements for 2019, combined with other relevant financial information in this report, have been prepared in accordance with the regulations of the Oslo Stock Exchange and the requirements in IAS 34. These condensed consolidated interim financial statements for the quarter have not been audited or been subject to review by the Group's auditor. The financial statements do not include all of the information required for the full annual financial statements of the Group and should be read in conjunction with the consolidated financial statements for 2018. The consolidated financial statements for 2018 are available upon request from the company's registered office in Trondheim or at our website, www.q-free.com. The consolidated condensed interim financial statements were approved by the Board of Directors at its meeting on 6 May 2019.

The preparation of the Q-Free Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates can result in outcomes that require a material adjustment to the carrying amount of the assets or liability affected in future periods.

No significant events, which are not mentioned in this report, have occurred since the balance sheet date.

As a result of rounding differences, numbers or percentages may not add up to the total.

Accounting policies

The interim condensed consolidated financial statements of the Q-Free Group for Q3 2019 were prepared in accordance with International Financial Reporting Standards (IFRS) in accordance with IAS 34 *Interim Financial Reporting*. The Group has used the same accounting policies and standards as in the

consolidated financial statements as of 31 December 2018, with the exception of IFRS 16 *Leases*, as described below.

Implementation of IFRS 16 Leases

The Group has adopted IFRS 16 *Leases* from 1 January 2019 retrospectively using the simplified transition approach in accordance with IFRS 16.C5(b) and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

The leases recognized upon adoption of IFRS 16 consist of office building contracts and car rental agreements. All other leases relating to IT and other office equipment are of low value or short-term leases. The average term for the office leases is 2-9 years and the average term for the car rentals is 1-3 years as of 1 January 2019. Office leases in several group locations include CPI and/or step-rent adjustments to the lease payments on an annual basis and have extension options for additional multiple rental periods of 1-5 years in duration.

For leases which had previously been classified as operating leases under the principles of IAS 17 *Leases*, the lease liability upon adoption of IFRS 16 is measured as the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The associated right-of use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet at 31 December 2018.

In applying IFRS 16 for the first time, the Group has used the following practical expedients as permitted by IFRS 16:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment

made when applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

The reclassifications and adjustments arising from the new leasing rules are recognized in the 1 January 2019 opening balance sheet.

Total lease liability amounted to TNOK 49,490 as of 30 September 2019 (TNOK 64,143 as of 1 January 2019). Current lease liabilities are presented within Current financial liabilities, and amounted to TNOK 19,077 as of 30 September 2019 (TNOK 22,442 as of 1 January 2019). Non-current lease liabilities are presented within Non-current financial liabilities, and amounted to TNOK 30,413 as of 30 September 2019 (TNOK 41,701 as of 1 January 2019).

Right-of-use assets are presented within Property, plant and equipment and amounted to TNOK 52,309 as of 30 September 2019 (TNOK 64,143 as of 1 January 2019).

The recognized right-of-use assets relate to the following types of assets as of 30 September 2019 (and as of 1 January 2019):

Office buildings TNOK 49,985 (TNOK 61,103)

Motor vehicles TNOK 2,324 (TNOK 3,040)

EBIT and EBITDA for the first nine months in 2019 increased with TNOK 1,052 and TNOK 16,454, respectively, as a result of the change in accounting policy. Interest expenses increased with TNOK 1,685 as a result of implementing IFRS 16. The net effect on profit for the period is TNOK -633. Earnings per share were unchanged for the nine months to 30 September 2019 as a result of the adoption of IFRS 16.

Changes in accounting policies as of 1 January 2019 due to the implementation of IFRS 16 Leases

In connection with the adoption of IFRS 16 as of 1 January 2019 the accounting policy for leases has been updated. The new policy is given below, and replaces the lease accounting policy given in the 2018 Annual Report:

In accordance with the implementation of IFRS 16, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group (the

commencement date). Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

NOTE 2 OPERATING SEGMENTS

The Group discloses operating segment information under IFRS 8 *Operating Segments*, which requires the entity 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 members of the corporate management team.

The operating segments are determined based on how resources and investments are allocated within the Group, as well as on differences in the nature of the operations, solutions, products and services. The Group manages its operations in five segments:

Segment	Products offered within the segment
Tolling	DSRC tags and readers, ALPR and image-based solutions, Electronic toll collection systems (multilane free-flow, truck tolling and congestion charging)
Parking	Parking guidance systems and Parking access control software (ALPR)
Infomobility	Traffic, bicycle & pedestrian detection and counting, Weigh-in-motion, Journey time monitoring, Weather & air-quality monitoring
Urban	Local intersection/traffic controllers, Centralized traffic controller software, Cooperative ITS solutions
Inter-Urban	Advanced traffic management systems, Traffic information systems, Ramp metering, Truck parking

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

See Note 9 in the 2018 Annual Report for additional segment information.

NOTE 2 OPERATING SEGMENTS

SEGMENTS Q3 2019 & 2018	TOLLING		PARKING		INFO MOBILITY		URBAN		INTER-URBAN		Global functions		TOTALS Q3-19 & -18	
NOK 1.000	Q3-19	Q3-18	Q3-19	Q3-18	Q3-19	Q3-18	Q3-19	Q3-18	Q3-19	Q3-18	Q3-19	Q3-18	Q3-19	Q3-18
EUROPE	107 428	91 553	4 591	5 825	14 030	14 757	141	700	11 413	2 618	-	-	137 603	115 432
APMEA	25 867	18 976	63	1 880	186	1 201	-	-	-	-	-	-	26 116	22 057
AMERICAS	13 778	6 913	13 011	5 527	2 370	323	22 673	40 459	27 079	26 765	-	-	78 911	79 986
Revenues	147 073	117 420	17 665	13 232	16 586	16 281	22 814	41 159	38 492	29 383	0	0	242 630	217 475
COGS	44 782	32 015	6 420	4 683	4 801	3 981	12 574	17 901	4 292	90	0	0	72 868	58 670
Contractors	19 864	14 110	5 918	2 043	338	411	0	1 963	2 049	4 007	0	0	28 170	22 536
Gross Contr.	82 434	71 296	5 326	6 505	11 446	11 889	10 241	21 294	32 152	25 285	0	0	141 592	136 268
Gross margin - %	56,0%	60,7%	30,2%	49,2 %	69,0 %	73,0 %	44,9 %	51,7 %	83,5 %	86,1 %			58,4 %	62,7 %
Total OPEX	42 600	56 025	10 204	10 975	10 571	10 326	17 394	13 894	20 091	19 016	9 837	10 236	110 698	120 478
EBITDA	39 827	15 271	-4 878	-4 470	875	1 562	-7 153	7 399	12 061	6 269	-9 837	-10 236	30 894	15 792
EBITDA margin	27,1 %	13,0 %	-27,6 %	-33,8 %	5,3 %	9,6 %	-31,4 %	18,0 %	31,3 %	21,3 %			12,7 %	7,3 %
Depreciation	5 255	2 005	2 048	1 330	2 680	2 353	4 171	3 180	3 572	2 086	0	0	17 725	10 952
EBIT	34 573	13 266	-6 927	-5 800	-1 805	-790	-11 324	4 219	8 489	4 183	-9 837	-10 236	13 169	4 840
EBIT margin	23,5 %	11,3 %	-39,2 %	-43,8 %	-10,9 %	-4,9 %	-49,6 %	10,3 %	22,1 %	14,2 %			5,4 %	2,2 %

SEGMENTS 9M 2019 & 2018	TOLLING		PARKING		INFO MOBILITY		URBAN		INTER - URBAN		Global functions		TOTALS 9M-19 & -18	
	30.09.19	30.09.18	30.09.19	30.09.18	30.09.19	30.09.18	30.09.19	30.09.18	30.09.19	30.09.18	30.09.19	30.09.18	30.09.19	30.09.18
EUROPE	307 060	276 766	15 313	18 521	50 041	46 017	396	1 121	21 573	16 023	-	-	394 382	358 448
APMEA	56 586	46 988	2 049	3 972	901	2 605	-	-	-	-	-	-	59 536	53 565
AMERICAS	47 420	37 171	30 568	16 486	6 423	3 191	110 275	106 498	67 990	71 845	-	-	262 676	235 192
Revenues	411 066	360 925	47 930	38 979	57 364	51 813	110 671	107 619	89 563	87 868	0	0	716 594	647 204
COGS	131 394	89 595	18 653	12 785	18 081	16 181	57 096	43 011	9 515	1 422	0	0	234 745	162 993
Contractors	54 116	41 443	10 684	6 031	992	1 190	3 246	5 009	7 684	12 485	0	0	76 721	66 157
Gross Contr.	225 557	229 889	18 593	20 163	38 292	34 442	50 329	59 600	72 364	73 961	0	0	405 128	418 054
Gross margin - %	54,9 %	63,7 %	38,8 %	51,7 %	66,8 %	66,5 %	45,5 %	55,4 %	80,8 %	84,2 %			56,5 %	64,6 %
Total OPEX	146 907	168 056	28 918	33 347	33 737	28 015	47 085	40 328	57 159	59 190	29 206	26 656	343 005	355 592
EBITDA	78 649	61 382	-10 325	-13 184	4 554	6 427	3 244	19 272	15 205	14 771	-29 206	-26 656	62 122	62 456
EBITDA margin	19,1 %	17,1 %	-21,5 %	-33,8 %	7,9 %	12,4 %	2,9 %	17,9 %	17,0 %	16,8 %			8,7 %	9,7 %
Depreciation	15 625	6 307	6 235	4 283	8 532	7 394	12 721	10 124	11 506	7 309	0	0	54 618	35 415
EBIT	63 024	55 525	-16 560	-17 467	-3 978	-968	-9 477	9 148	3 699	7 462	-29 206	-26 656	7 505	27 041
EBIT margin	15,3 %	15,4 %	-34,6 %	-44,8 %	-6,9 %	-1,9 %	-8,6 %	8,5 %	4,1 %	8,5 %			1,0 %	4,2 %

NOTE 3 REVENUES

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

For additional information please refer to Note 10 in the 2018 Annual Report.

Disaggregation of revenue from customers

Amounts in TNOK	TOLLING		PARKING		INFO MOBILITY		URBAN		INTER-URBAN		TOTAL		
	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018	2018
EUROPE	107 428	91 531	4 591	5 825	14 030	14 757	141	700	11 413	2 618	137 603	115 431	493 350
APMEA	25 867	18 976	63	1 880	186	1 201	-	-	-	-	26 116	22 057	63 248
AMERICAS	13 778	6 913	13 011	5 527	2 370	323	22 673	40 459	27 079	26 765	78 911	79 987	332 049
Revenue from customers	147 073	117 420	17 665	13 232	16 586	16 281	22 814	41 159	38 492	29 383	242 630	217 475	888 647
At a point in time revenue recognition													
Product deliveries (not related to projects)	59 486	46 258	-493	3 712	11 003	9 081	18 727	35 737	450	776	89 173	95 564	366 460
Total at a point in time revenue recognition	59 486	46 258	-493	3 712	11 003	9 081	18 727	35 737	450	776	89 173	95 564	366 460
Over time revenue recognition													
Service & Maintenance	30 602	35 505	2 681	1 520	424	865	3 803	674	1 315	1 427	38 825	39 991	161 129
System Projects (includes over-time product deliveries related to projects)	56 985	35 657	15 477	8 000	5 159	6 335	284	4 748	36 727	27 180	114 632	81 920	361 058
Total over time revenue recognition	87 587	71 162	18 158	9 520	5 583	7 200	4 087	5 422	38 042	28 607	153 457	121 911	522 187

<i>Amounts in TNOK</i>	TOLLING		PARKING		INFO MOBILITY		URBAN		INTER-URBAN		TOTAL		
	9M 2019	9M 2018	9M 2019	9M 2018	9M 2019	9M 2018	9M 2019	9M 2018	9M 2019	9M 2018	9M 2019	9M 2018	2018
EUROPE	307 060	276 765	15 313	18 521	50 041	45 600	396	1 121	21 572	16 024	394 382	358 031	493 350
APMEA	56 586	46 988	2 049	3 972	901	2 604	-	-	-	-	59 536	53 564	63 248
AMERICAS	47 420	37 171	30 568	16 486	6 423	3 609	110 275	106 498	67 990	71 845	262 676	235 609	332 049
Revenue from customers	411 066	360 924	47 930	38 979	57 365	51 813	110 671	107 619	89 562	87 869	716 594	647 204	888 647
At a point in time revenue recognition													
Product deliveries (not related to projects)	163 485	140 915	3 772	10 340	35 152	23 742	72 231	101 936	2 397	2 882	277 037	279 815	366 460
Total at a point in time revenue recognition	163 485	140 915	3 772	10 340	35 152	23 742	72 231	101 936	2 397	2 882	277 037	279 815	366 460
Over time revenue recognition													
Service & Maintenance	98 301	113 474	4 934	4 722	1 134	2 807	34 335	935	3 112	7 490	141 816	129 428	161 129
System Projects (includes over-time product deliveries related to projects)	149 280	106 535	39 224	23 917	21 079	25 264	4 105	4 748	84 053	77 497	297 741	237 961	361 058
Total over time revenue recognition	247 581	220 009	44 158	28 639	22 213	28 071	38 440	5 683	87 165	84 987	439 557	367 389	522 187

NOTE 4 BORROWINGS

Type	Effective interest rate %	Maturity	30.09.2019	30.09.2018	31.12.2018
Non-current					
Nordea - Term loan	4,82 %	06.12.2021	92 500	-	100 000
Nordea - Revolving Credit Facility (RCF) *	4,82 %	06.12.2021	100 000	-	96 000
Danske Bank - Serial loan	3,48 %	06.12.2018	-	100 000	-
Total non-current borrowings			192 500	100 000	196 000
Current					
Nordea - Credit line **	3,62 %	06.12.2019	65 306	-	19 521
Danske Bank - Line of credit	3,28 %	06.12.2018	-	40 413	-
Citi Bank - Line of credit	4,60 %	06.12.2018	-	89 546	-
Total current borrowings			65 306	129 959	19 521
Total borrowings			257 806	229 959	215 521

* Share of RCF will be converted to 5-year term loan if RCF is used to fund acquisition of shares in Intelight Inc. with an annual amortisation of 20%.

** Credit line is renewed annually.

Debt covenants

Q-Free has a NIBD/EBITDA and Equity Ratio covenant on its bank arrangements.

Net Interest Bearing Debt to EBITDA ratio ("Leverage Ratio") shall at no time be more than 3.00:1, and total Equity to Total Assets ("Equity Ratio") shall at no time be less than 35.00 percent.

In June 2019 Q-Free ASA signed a waiver agreement with its main bank Nordea where the parties proactively agreed on a leverage ratio formula for Q2 and Q3-19 that exclude the one-off effect of 13,4 MNOK related to the close down of the Jakarta office in Q4-18. As a result of this Q-Free was in compliance with its loan covenants as of Q3-19. Q-Free continues to explore certain structural solutions that can improve the financial capacity and further simplify and streamline the company's operations. However, no assurance can be given that the company will be successful in this respect.

See Alternative Performance Measures section for "NIBD" and "EBITDA" definitions.

NOTE 5 NET FINANCIAL ITEMS

Amounts in TNOK

Financial items	Q3 2019	Q3 2018	9M 2019	9M 2018	2018
Interest income	132	-213	233	871	1 106
Interest on loans and receivables	-	-	-	-	-
Realised exchange rate differences	2 455	4 461	9 230	14 079	21 594
Unrealised exchange rate differences	6 874	-	6 878	10 414	2 270
Fair value change in contingent consideration and other liabilities *	9 601	-	9 601	-	-
Financial income	19 062	4 248	25 942	25 364	24 970
Interest expense	-2 045	-4 484	-4 068	-5 476	-2 730
Interest on borrowings	-2 302	-1 855	-5 288	-6 011	-7 542
Realised exchange rate differences	-1 606	-4 604	-8 194	-15 319	-18 236
Unrealised exchange rate differences	3 187	-83	-2 062	-6 649	4 965
Fair value change in contingent consideration and other liabilities *	-94	-1 111	-283	-10 440	-22 407
Other financial expense **	-940	-1 178	-3 292	-1 435	-3 829
Financial expense	-3 800	-13 315	-23 187	-45 330	-49 779
NET FINANCIAL ITEMS	15 262	-9 067	2 755	-19 966	-24 809

* Change in contingent consideration and other liabilities in 2019 is explained by a revised estimate on the liability for the purchase of the remaining shares of Intelight Inc. of TNOK 9,601. The estimated liability to acquire the remaining shares in Intelight Inc as at 30.09.19 is TNOK 41,828.

** Other financial expenses increased with TNOK 1,685 as a result of implementing IFRS 16.

NOTE 6 SHARE BASED COMPENSATION

Share based option program for leading executives – established May 2017

There is a change in the share-based option program for leading executives. If a shareholder, company, business or a group (as per definition in the Norwegian Securities Trading Act § 2-5) acquires control of more than two thirds of the stocks and/or votes in the Company, and the Company is consequently delisted from Oslo Børs, each and all of outstanding options mature. This entails that the leading executives can exercise each and all of his options in a period of 30 days from the date final decision of delisting is made. If the options are not exercised within this period, the options expire without any form of compensation.

Furthermore, it is specified a right to adjustments of the Strike if the Company sells parts of the business (sale of shares owned by Q-Free ASA or defined assets), and all or part of the received sales proceeds are paid out as dividends. This right applies for both share based option program for leading executives and CEO.

Per 1 April 2019 the Parent company has granted a total of 402,438 share options to Jan-Erik Sandberg, CTO, in accordance with the incentive program for leading executives established in May 2017.

The market value of granted share options is TNOK 908, and the cumulative expense recognised per 30 September 2019 is TNOK 541 (30 September 2018: TNOK 260). The weighted average share price included in the calculation of market value is NOK 8.0 - 8.5 and the volatility is 8.8 % - 17.6 %.

Specification of share option activity:	2019	2018
Granted share options 01.01	1 392 053	1 392 053
Share options granted	402 438	-
Share options exercised	-	-
Share options expired/terminated	-	-
Granted share options 30.09.	1 794 491	1 392 053
Vested share options 30.09.	-	-

The change in share options split for leading Executives as per 30.09.2019:

Name	Position	Tranche	Number of options	Strike price	Agreement in force	Expires
Jan-Erik Sandberg	CTO	Tranche 1	174 781	NOK 8.01	01.04.2019	31.03.2025
		Tranche 2	124 844	NOK 11.21	01.04.2019	31.03.2025
		Tranche 3	102 813	NOK 13.62	01.04.2019	31.03.2025

For more information on the share option program for leading executives, please see Note 13 Share based compensation in the Annual Report for 2018.

NOTE 7 EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses is reduced with TNOK 9,125 in Q3-19 relating to the termination of wage compensation for lost pension benefits.

For more information, please see Note 11 Employee benefit expenses in the Annual Report for 2018.

ALTERNATIVE PERFORMANCE MEASURES

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

Gross contribution:

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

Project contractor expenses:

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

Gross margin:

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

Gross contribution and gross margin	Q3 2019	Q3 2018	9M 2019	9M 2018	2018
Revenue from customers	242 630	217 475	716 594	647 204	888 647
Cost of goods sold	-72 868	-58 670	-234 745	-162 993	-227 191
Project contractor expenses	-28 170	-22 536	-76 721	-66 157	-92 260
Gross contribution	141 592	136 269	405 128	418 054	569 196
Gross margin	58,4 %	62,7 %	56,5 %	64,6 %	64,1 %

EBITDA / EBIT:

The Group considers EBITDA / EBIT to be normal accounting terms, but they are not included in the IFRS accounting standards. EBITDA is an abbreviation for Earnings Before Interest, Taxes, Depreciation and Amortisation. The Group uses EBITDA in the income statement as a summation line for other accounting lines. These accounting lines are defined in our accounting principles, which are part of the financial statements for 2018. The same applies for EBIT.

EBITDA margin:

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

EBITDA margin	Q3 2019	Q3 2018	9M 2019	9M 2018	2018
Revenue from customers	242 630	217 475	716 594	647 204	888 647
EBITDA	30 894	15 792	62 123	62 456	71 091
EBITDA margin	12,7 %	7,3 %	8,7 %	9,7 %	8,0 %

EBIT margin:

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

EBIT margin	Q3 2019	Q3 2018	9M 2019	9M 2018	2018
Revenue from customers	242 630	217 475	716 594	647 204	888 647
EBIT	13 169	4 840	7 505	27 041	23 690
EBIT margin	5,4 %	2,2 %	1,0 %	4,2 %	2,7 %



ALTERNATIVE PERFORMANCE MEASURES

Non-recurring items:

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

Non-recurring items	Q3 2019	Q3 2018	9M 2019	9M 2018	2018
Termination of wage compensation for lost pension benefits	-9 125	-	-9 125	-	-
Restructuring costs	-	-	-	-	17 810
Non-recurring items in EBITDA	-9 125	-	-9 125	-	17 810
Non-recurring items in EBIT	-9 125	-	-9 125	-	17 810

Net Interest Bearing Debt (NIBD):

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

Net Interest Bearing Debt	Q3 2019	Q3 2018	2018
Non-current borrowings from financial institutions	192 500	100 000	196 000
Current borrowings from financial institutions	65 306	129 959	19 521
Gross Interest Bearing Debt	257 806	229 959	215 521
Cash and cash equivalents	31 873	85 888	89 700
Net Interest Bearing Debt	225 933	144 071	125 821

Net working capital:

Defined as Current assets excluding Cash less Current liabilities, and excluding Current borrowings and the Intelight share purchase liability classified as Current financial liabilities.

Net Working Capital	Q3 2019	Q3 2018	2018
Inventories	73 431	68 627	71 996
Contract assets	128 724	81 246	82 320
Accounts receivable	169 933	150 783	160 819
Other current assets	42 643	36 048	32 051
Current Assets (excl Cash and cash equivalents)	414 731	336 704	347 186
Advance payments from customers	38 560	25 740	14 339
Accounts payable	101 374	64 983	95 992
Taxes payable	2 152	1 669	2 758
Public duties payable	21 284	12 609	19 584
Current financial liabilities	61 332	58 364	71 995
Other current liabilities	59 776	67 062	73 641
Intelight share purchase liability	-41 828	-56 399	-69 267
Current liabilities (excl Current borrowings from financial institutions)	242 650	174 028	209 042
Net Working Capital	172 081	162 676	138 144

ALTERNATIVE PERFORMANCE MEASURES

Working capital ratio:

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

Working Capital ratio	Q3 2019	Q3 2018	2018
12 months Revenue from customers	958 037	911 715	888 647
Net Working Capital	172 081	162 676	138 144
Working Capital ratio	18,0 %	17,8 %	15,5 %

Equity ratio:

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

Equity ratio	Q3 2019	Q3 2018	2018
Total equity	408 806	393 850	402 397
Total assets	993 781	900 420	940 146
Equity ratio	41,1 %	43,7 %	42,8 %

Order intake:

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

Order backlog:

Order backlog is defined as total amount of signed contracts to be delivered in future periods.

The order backlog is calculated as shown below:

Prior period's backlog	
+ Received new orders	
÷ This periods revenues	
+ / ÷ Currency adjustments	
= <u>End backlog reporting period</u>	

**HEADQUARTERS
Q-FREE ASA**

Strindfjordvegen 1
7053 Ranheim
Norway

Postal Address
Pob 3974 Leangen
7443 Trondheim
Norway

Tel.: +47 73 82 65 00
Fax: +47 73 82 65 01

info@q-free.com
www.q-free.com

twitter.com/qfreeasa
[linkedin.com/qfreeasa](https://www.linkedin.com/company/qfreeasa)

Bank: Nordea Bank Abp, filial i Norge
ACC. No.: 6402.05.33518

Register of business
enterprises NO 935 487 242

