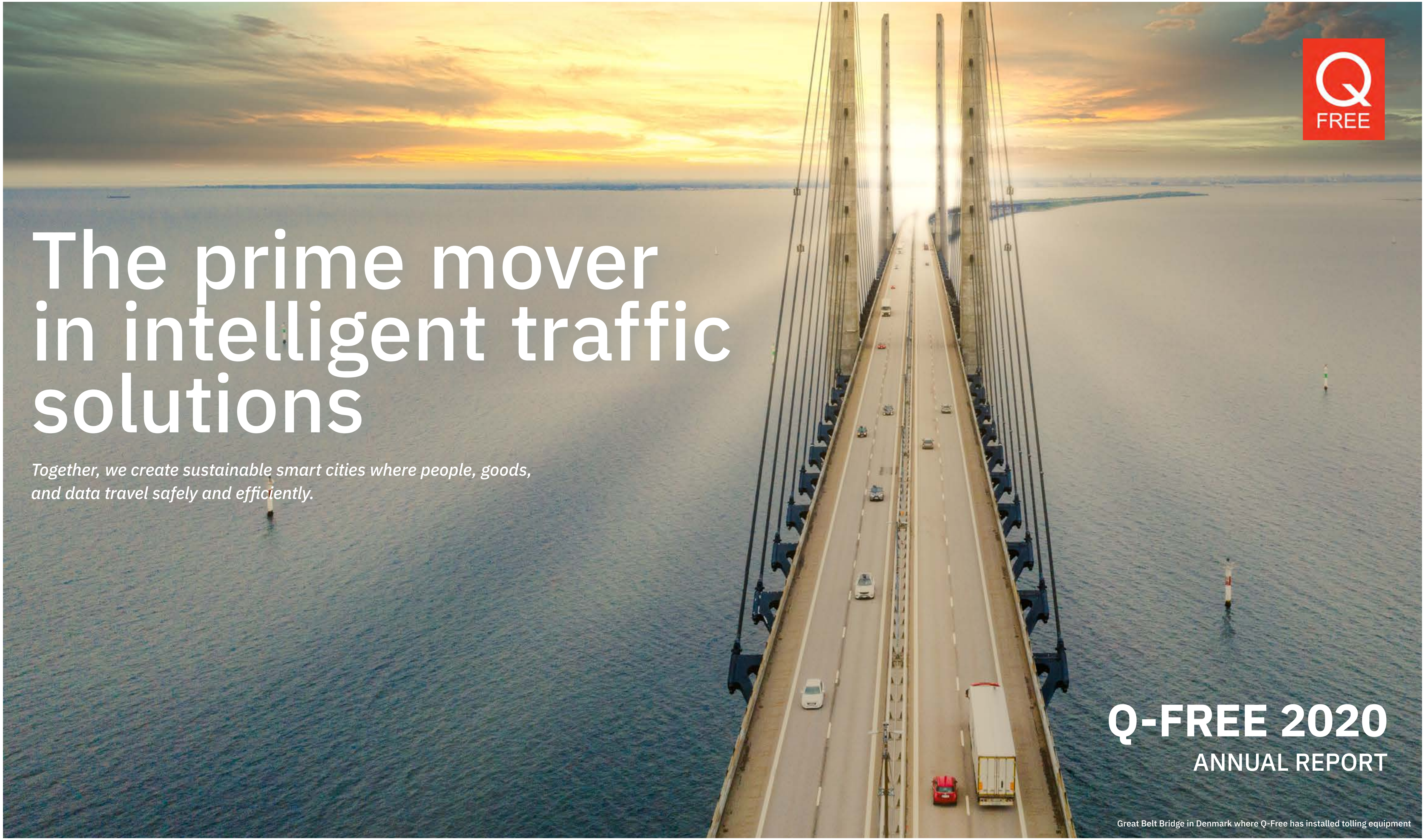

The prime mover in intelligent traffic solutions

Together, we create sustainable smart cities where people, goods, and data travel safely and efficiently.

Q-FREE 2020
ANNUAL REPORT

Great Belt Bridge in Denmark where Q-Free has installed tolling equipment

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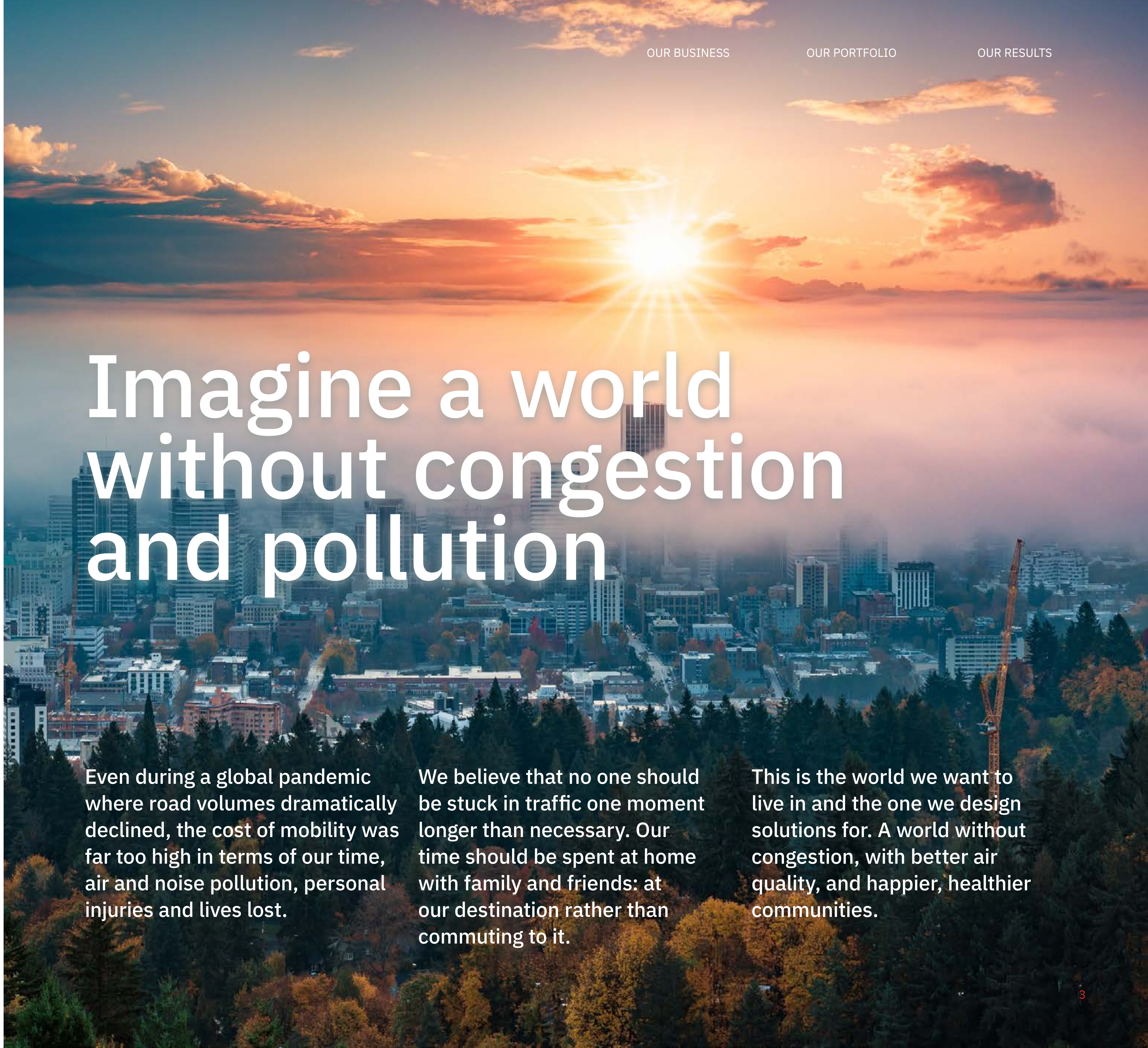


Imagine a world without congestion and pollution

Even during a global pandemic where road volumes dramatically declined, the cost of mobility was far too high in terms of our time, air and noise pollution, personal injuries and lives lost.

We believe that no one should be stuck in traffic one moment longer than necessary. Our time should be spent at home with family and friends: at our destination rather than commuting to it.

This is the world we want to live in and the one we design solutions for. A world without congestion, with better air quality, and happier, healthier communities.

Key figures 2020

Profit & Loss Account (TNOK)	2016	2017	2018	2019	2020
Operating revenue	877 165	973 475	888 647	962 317	889 305
Cost of goods sold	281 489	278 493	227 191	304 556	236 609
Project contractor expenses	120 766	103 934	92 260	118 372	107 551
Other operating expenses	479 256	508 457	498 105	466 746	469 368
EBITDA	**-4 346**	**82 591**	**71 091**	**72 643**	**75 777**
EBIT	**-59 107**	**4 227**	**-54 381**	**-54 381**	**-8 800**
PROFIT BEFORE TAX	**-55 621**	**-9 526**	**-1 119**	**-50 050**	**-32 446**
PROFIT / (-) LOSS FOR THE YEAR	**-53 419**	**-11 263**	**-8 079**	**-49 981**	**-40 995**
GM%	54.1%	60.7%	64.1%	56.1%	61.3%
EBITDA%	-0.5%	8.5%	8.0%	7.5%	8.5%
EBIT%	-6.7%	0.4%	2.7%	-5.7%	-1.0%
Selected balance sheet items (TNOK)					
Intangible fixed assets	512 451	470 876	477 213	415 079	350 686
Tangible fixed assets	33 661	22 367	25 420	78 785	63 311
Cash	101 474	113 633	89 700	31 051	74 961
Total assets	990 419	1 070 372	940 146	883 168	849 946
Equity	426 900	414 231	402 397	357 502	313 115
Gross interest-bearing debt	229 457	328 691	215 521	232 022	233 500
Key figures per share (NOK)					
Earnings per share, ordinary	-1.11	-0.23	-0.09	-0.56	-0.46
Earnings per share, diluted	-1.11	-0.23	-0.09	-0.56	-0.46
Cashflow	-0.96	-0.57	1.77	0.28	0.75
Book equity	5.67	4.64	4.51	4.01	3.51
Market cap as at 31.12 (MNOK)	703	718	687	607	500
Average no of shares	75 351	89 223	89 223	89 223	89 223
Other key figures					
Order backlog	1 404 548	1 049 477	1 128 178	1 080 426	1 082 599
Order Intake	1 575 143	615 510	972 080	950 195	948 823
Return on Invested Capital (ROIC)	0.89	0.91	0.95	1.09	1.05
Net interest-bearing debt (NIBD)	127 983	215 058	125 821	200 971	158 539
Cash flow from operations	-72 684	-50 714	158 283	24 662	66 587
Operational investment	31 941	30 113	43 480	34 485	24 011
Equity ratio	43%	39%	43%	40%	37%
Gearing	23.2%	30.7%	22.9%	26.3%	27.5%
Number of employees	416	415	385	396	378
Price / book value	1.65	1.73	1.71	1.70	1.60

Our passion & purpose

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

Our vision

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

Our mission

Creating intelligent solutions for efficient, safe, and environmentally-friendly transportation based on innovative technology and open platforms.

Our holistic tolling and traffic management portfolio is best defined in the following solutions groups:

Q-FLOW

Optimize the movement of people, goods, and data

Q-CLEAN

Stimulate sustainable transportation

Q-SAFE

Make roads and travel safe

Our values

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

Excellence

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

Passion

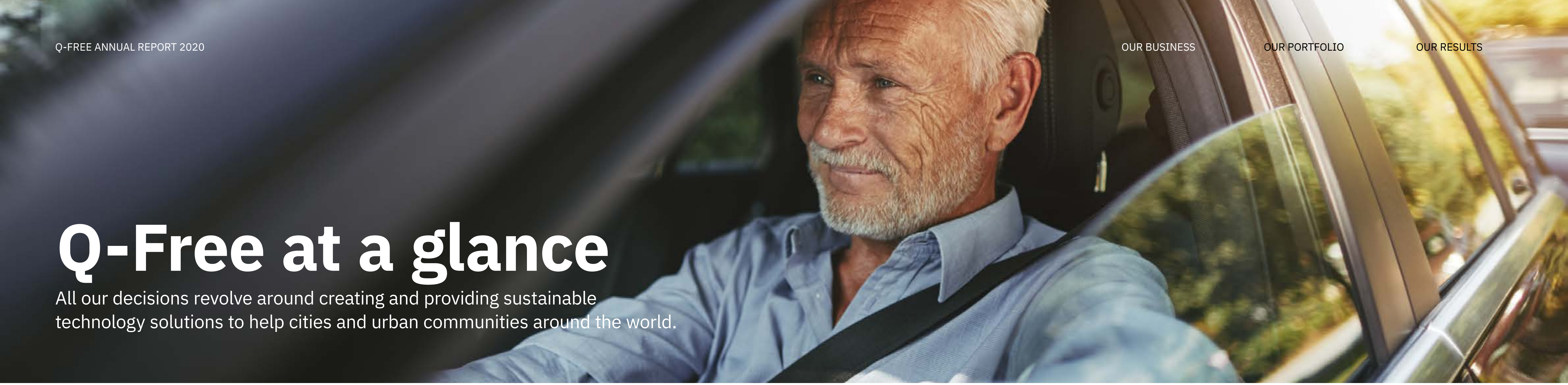
Dedication and responsibility fuel our passion for solving the future of mobility for citizens on the move.

Innovation

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

Collaboration

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



Q-Free at a glance

All our decisions revolve around creating and providing sustainable technology solutions to help cities and urban communities around the world.

OUR COMPANY

FOUNDED IN **1984**

HEADQUARTERED IN TRONDHEIM

OFFICES IN **14** COUNTRIES

OUR PEOPLE

~360 EMPLOYEES

35 NATIONALITIES

18% FEMALES **82%** MALES

OUR SCALE

~1 BILLION NOK IN REVENUE

LISTED ON OSLO STOCK EXCHANGE SINCE **2002**

REFERENCES FROM **50+** MARKETS

OUR ACCOMPLISHMENTS

~35 000 INTERSECTION CONTROLLERS

~2 000 TOLL LANES IN OPERATION

>50 000 ACTIVE INTRADA ALPR LICENSES

TRAFFIC MANAGEMENT FOR FOR >500 000 LANE MILES OF HIGHWAYS

OUR PLEDGES

SUSTAINABLE DEVELOPMENT GOALS

THE GLOBAL COMPACT

WE SUPPORT

kiwa certified ISO 9001 ISO 14001 ISO 45001 ISO 27001

NORWEGIAN ACCREDITATION MSYS 004

MORNINGSTAR®

NOTE: All figures per end of March 2021

Stronger than ever

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

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

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

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

- **A healthier capital structure:** Good cash management and improved profitability yielded 67 MNOK in positive cash flow from operations in 2020. The company more than doubled its available liquidity reserves year over year to 175 MNOK. Q-Free now has sufficient funding to manage its debt and finance its ambitious growth plans.

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

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

- **1.3-1.5 billion NOK in revenues:** Attractive industry trends, increasing recurring revenues, and a very competitive offering could yield annual revenue growth in excess of 10 percent.

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

- **Technology Leadership – the Prime Mover:** Q-Free aims to be the Prime Mover in Intelligent Transportation Solutions. We have put in place solid technology road maps to ensure we maintain and extend our technology lead in both Tolling and Traffic Management. Moreover, we continue to push open standards. It's the only path to unrestricted innovation and ultimately true smart cities. And the management of this traffic data should be secure, smart, open, and accessible.

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

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

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

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

HÅKON VOLLDAL
PRESIDENT & CEO, Q-FREE ASA

Our leadership team

Håkon Volldal
(1976)
President & CEO
Served since 2016
Norwegian citizen

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

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

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

Sandberg has over 20 years of experience with building and managing large scale international software solutions across several industries. Before joining Q-Free, he worked as Chief Operating Officer at Visma Retail Software. As part of several global technical communities, he is an international author on modern software processes and technology. He has previously also held positions at companies such as DNV GL, BEKK, and Ementor.

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

Trond Christensen
(1971)
CFO
Served since 2019
Norwegian citizen

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

Christensen has no shares in Q-Free ASA*.

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

Nordh has held several leading positions within Tomra Group (2003-2017), most recently the position as SVP Head of Nordic Collection Solutions. Nordh has also been Nordic Business Controller at LG Electronics and held several finance, IT, and logistics positions at S.C. Johnson. Nordh holds a Master of Science degree in Business and Economics.

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

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

Andersson has been with Q-Free since March 2012. Andersson has held several leading positions in traffic technology companies, such as Peek and SWARCO, and has more than 30 years of industry experience. Andersson is based in the United States.

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

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

Before joining Q-Free, Bjelland held the position as Product Manager in Amedia AS and worked as Market Developer and Marketing Manager in Tomra Systems ASA. Bjelland has extensive experience with brand- and market-oriented process management. Bjelland holds a Master's degree in Corporate Social Responsibility and a Bachelor's degree in Innovation and Entrepreneurship.

Bjelland has no shares in Q-Free ASA*.

** Shares as of 28 April 2021*

OUR BUSINESS:

What's good for Q-Free is also good for society

Sustainable, fair, and inclusive mobility

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

34bn USD
Annual cost of congestion in New York, US*

72%
Global transport emissions from road vehicles**

1.35mm
Lives claimed by traffic accidents each year***

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

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

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

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

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

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

Sustainable mobility scenarios 2020>2035

FOR TODAY

Cleaner, safer mobility

The global vehicle fleet will gradually become less carbon-intensive and more driven by new technology and regulations.

- New engines will be more energy efficient and offer better mileage
- Advancements in battery technology, green energy, and financial incentives will continue to drive electrification
- Increased investments in bicycle and pedestrian infrastructure will drive the shift to lower-carbon transportation systems

At the same time, new technology creates funding gaps for traffic authorities/operators, such as reduced income from gas taxes. In addition, the increased investment in active transportation infrastructure presents us with new safety challenges related to driver distractions and vulnerable road users.

FOR TOMORROW

Equitable, flexible mobility

New car ownership models and regulations will allow more people a real choice between transportation modes and distribute costs more evenly among its users.

- Car-sharing and ride-sharing models will enable more people to go by car without having to invest in car ownership
- A distance-based fee will replace today's plethora of fees and taxes and reflect usage rather than ownership
- People will increasingly be able to seamlessly transition between public, private, on-demand, and scheduled travel modes

New emerging mobility models and services will depend on data sharing and open architecture. Working in silos with proprietary technologies will delay the implementation of smart solutions.

FOR THE FUTURE

Truly sustainable mobility

A data-enabled and driver-less ecosystem will lead to radical improvements in accidents and travel times.

- The new connected and electrified robo taxis will dramatically change the car-riding experience and increase safety
- Congestion will be minimized as the number of cars on the road decreases and driver behavior optimizes
- Continuous learning and adaptation is made possible through data analysis and sharing

For this system to work, traffic rules and regulations must be available in a secure digital format, which is trusted and understood by all types of vehicles.

Q-Free portfolio development 2020>2035

Our contribution

Q-Free can help address funding gaps and simultaneously stimulate the shift to a less carbon–intensive vehicle fleet through Electronic Tolling, Congestion Charging, and Low Emission Zones.

Our traffic management solutions offer road authorities and operators unprecedented opportunities to optimize traffic flow, mitigate accidents, better coordinate responses to planned and unplanned events, and promote work zone safety.

We also offer a range of solutions to address specific safety concerns such as rest-times for professional drivers, enforcement of speed, red light, and mobile phone usage while driving, and bicycle priority/safety systems.

Our contribution

We have been, are, and will continue to be a driving force for open standards. In tolling, we helped introduce the CEN DSRC and G5 standards, and in traffic management, we launched the FREEtheMIBS campaign to ensure freedom of choice for our customers.

Q-Free is developing and piloting future road user charging technology, which will replace traditional tolling technology over time and also pave the way for new recurring business models.

Our DSRC and ALPR technology will also be applied in new commercial contexts and expand Q-Free's customer base to include insurance companies, gas stations, energy companies, car repair shops, automotive OEMs, and more.

Our contribution

With the introduction of autonomous vehicles, the power of our dynamic traffic management platforms can finally be unleashed as data will be shared with vehicles in real-time to optimize traffic flow, prevent accidents, and instantly influence driver behavior. We have already enabled direct distribution of traffic signals to connected vehicles.

Our Cooperative ITS solutions provide a platform for reliable and secure communication between roadside devices, sensors, and vehicles, such as private cars, emergency transportation, freight trucks, etc. This enables a wide range of real-time data driven applications that contribute to achieving transport policy objectives, while safeguarding data and privacy.

Our business areas

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

Tolling

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

References from >30 markets.

~225 employees across 14 locations.

Traffic management

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

References from >20 markets.

~135 employees across 5 locations.

NOTE: All figures per end of March 2021

Our strategy

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

1H 2020

1 Focus

Reduce business complexity to improve execution and resource allocation.

Slim down portfolio by divesting parking.

Run company through two autonomous business units – Tolling and Traffic Management.

Optimize and focus resources and investments.

2H 2020–2021

2 Build

Build strong presence in existing core markets and a reputation as the prime mover in traffic technology.

Tolling: Maintain lead in DSRC/ALPR, cost optimize single gantry solution, become first-mover in road user charging.

Traffic Management: Advance our central signal management and statewide traffic management platforms and expand stand-alone product enhancements.

2022–2023

3 Scale

Scale standardized solutions to selected new markets.

Tolling: Target selected greenfield tolling markets and commercialize new RUC technology.

Traffic Management: Become a clear top three player in terms of revenues in North America and target selected international greenfield markets.

Our high level financial goals

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

2021 goals

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

Enablers

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

2025 goals

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

Enablers

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

Our ESG approach

Pillars and factors for Environmental, Social and Governance

Our Pillars for ESG success

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

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

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

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

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

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

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

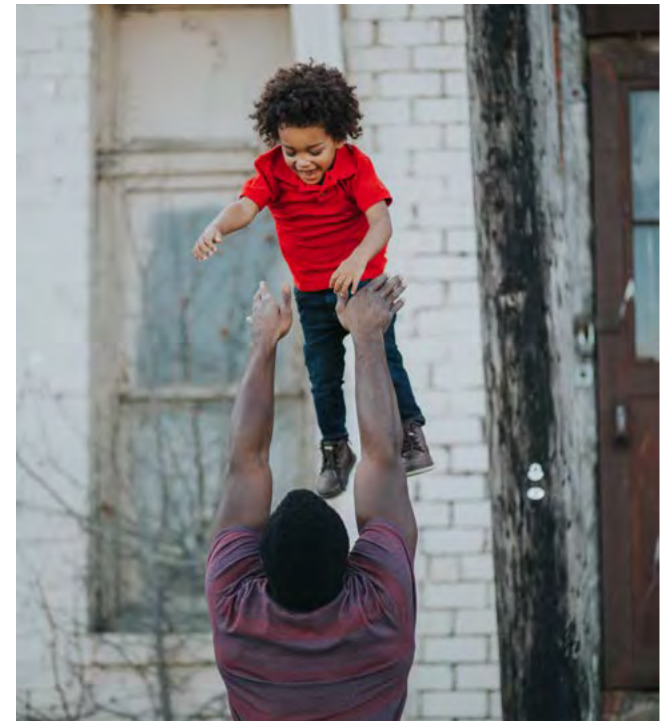
Materiality aspects
The materiality assessment included desktop research as well as dialogues with internal and external stakeholders. The analysis revealed both opportunities and challenges, and many topics were highlighted. In total, 14 areas of interest were identified, of which the following were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

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

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

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

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



THE WAY FORWARD

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

Creating sustainable value

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

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

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

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

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

SDG	We believe...	We commit to...	Our goals at a glance	Related ESG factors and actions
SDG 3. Good health and well-being	**It is our civic duty to promote a clean environment and healthy communities.**	• Educate the public on the high cost of traffic congestion, pollution, and injuries/fatalities • Advocate for carbon-neutral, healthy transportation modes like walking and cycling • Deliver solutions that put safety first for drivers, operator, and vulnerable road users alike	• Focus on development in short-, mid- and long-term to fill our Q-Flow, Q-Clean, and Q-Safe concepts with targeted offerings based on our core technologies.	**ESG factors** • Green business • Business integrity • Brand reputation **See how we walk the talk** See pages 41– 49
SDG 8. Decent work and economic growth	**An engaged, respected, and diverse employee community increases our chance of achieving success.**	• Respect and honor all applicable international, national, and local labor laws and regulations • Provide a safe and rewarding working environment for all our employees • Offer competitive compensation in general and gender pay equality in particular • Require our partners not to use child labor or any form of modern slavery	• Continue to report zero fatalities • Increase the share of women employees from 17% to 25% by 2024 • Ensure existing and new partners do not use child labor or any form of modern slavery • Increase employee satisfaction • Continue to keep sick leave low	**ESG factors** • Human capital development • Diversity and inclusion • Business integrity • Health and safety **See how we walk the talk** See pages 28–33
SDG 9. Industries, innovation & infrastructure	**Innovation and infrastructure are key to unleashing dynamic and competitive forces that generate economic opportunity.**	• Contribute to a high-quality, reliable, and sustainable transportation infrastructure • Create solutions based on open standards and protocols to promote competition and innovation	• Sign on three more vendors to openly share their MIBs in 2021	**ESG factors** • Green business • Economic performance & value creation • Infrastructure reliability **See how we walk the talk** See pages 40–53
SDG 11. Sustainable cities & communities	**We have a social responsibility to connect people, goods, and data wisely and sustainably.**	• Connect communities through safe, clean, and sustainable mobility solutions • Enable cities to get more from their current road networks without simply expanding roadways • Continuously work to reduce our own environmental footprint	• Successfully pilot the first road user charging pilot in Norway by 2022 • Increase number of tolling lanes in operation • Increase number of traffic signal controllers deployed	**ESG factors** • Green business • Business integrity • Brand reputation **See how we walk the talk** See pages 40–51

Sustainability throughout our value chain

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

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

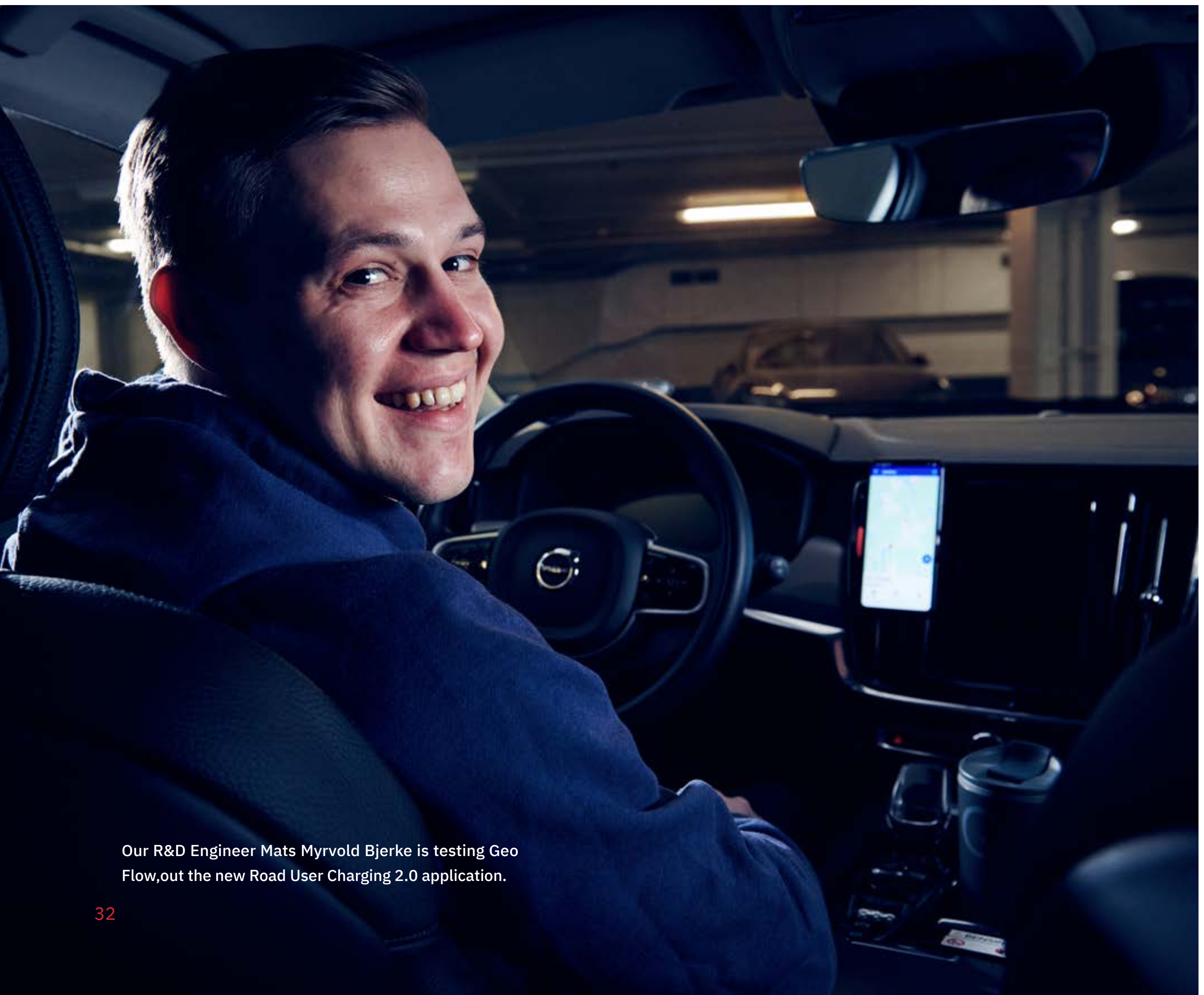
Our value chain consists of five prioritized areas, where our people – the company's employees – are the baseline for our value creation. The complex connections between Q-Free's products, customers, and stakeholders demand a collaborative and integrated approach in our value creation thinking. Our value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

PORTFOLIO >	PROCUREMENT >	PRODUCTION & LOGISTICS >	PROMOTIONS & SALES >	POST-SALES SERVICE & MAINTENANCE >
Innovation, research and development We develop Intelligent Traffic Solutions within Tolling and Traffic Management	We produce and procure products and services across the globe, with majority of procurement in technology hardware	We make high quality products at mainly outsourced professional core production sites in Europe, the US and Asia	We market our reason for being and portfolio around the world and sell solutions directly to customers through tenders or dealers	We support customers world wide, often as part of service contracts
PEOPLE > Employee engagement, human capital development, leadership and sustainability training				
• Market- and sustainability-oriented development and go-to-market plans • Development based on our Q-Flow, Q-clean and Q-Safe programs for improved flow, air quality and road safety • Build community and relations with authorities through partnership pilots and shared investments • Leverage open standards and protocols to promote competition and innovation for inclusive urban development	• Set policies for governance and Code of Conduct during contractual activities • Build competence sustainability in Supply chain with focus on measurable goals and streamlining interest of procurement and sustainability teams.	• Low-carbon supply management • Reduce material use and product energy consumption • Accident prevention and continuous zero accident vision and compliance • Increase freight by sea • Openness and transparency of supplier base and strong supplier partnerships	• Authentic and targeted brand, product and solutions marketing towards different key stakeholders • Long-term customer and partner relationships, including sustainability partnerships • Relevant community activities in selected markets • Commit to sharing best practices and sustainability learnings and development, and learn from others	• Lifetime cost of ownership • Product and service quality and performance • Close customer contact and feedback loop

DOING OUR PART

For the greater good

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



Our R&D Engineer Mats Myrvold Bjerke is testing Geo Flow,out the new Road User Charging 2.0 application.

Our commitments

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

UN Global Compact

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

She Index – Powered by EY

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

Our recognitions

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

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

Q-Free recognized as best inspirational example on SDG.

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

Our certifications

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

ISO 9001

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

ISO 14001

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

ISO 45001

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

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

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

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

Created a Diversity and Inclusion Team to promote and celebrate equality

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

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

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

CEO Håkon Volldal

Measured culture to cultivate engagement

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

As of March 2021, Q-Free had an overall employee satisfaction score of 7,7 compared to the average index of 7,5. Other indexes we are proud of can be seen on the right hand.

8.3
Q-FREE LEADERSHIP
Average index 7.8

8.0
LEVEL OF AUTONOMY
Average index 7.4

Silje Troseth,
Vice President Asia & Pacific,
Q-Free Australia

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

Minimized our global footprint

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

In addition, Q-Free strives to improve travel and continue to reduce emissions. The COVID-19 pandemic placed nearly all travel activities on hold and, as a result, the company experienced a significant reduction of 190-ton of CO_2 in 2020.

Partnered for success

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

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

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

OUR PORTFOLIO:

Connecting people, communities, and data

Our portfolio

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

Tolling | Traffic management

Q-FLOW

Optimize the movement of people, goods, and data

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

Q-CLEAN

Stimulate sustainable transportation

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

Q-SAFE

Make roads and travel safe

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

Prime Mover projects since 1984

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

1986
- R&D contract for a new toll collection system in Norway

1988
- World's first Multi-Lane Free-Flow tolling system in Trondheim, Norway

1990
- Toll ring in Oslo, Norway

1993
- World's first DSRC 5.8 GHz tolling system in Portugal

1996
- World's first DSRC 5.8 GHz Free-Flow system in Austria

2004
- World's first Multi-Lane Free-Flow tunnel system in Australia

2005
- Congestion charging system in Stockholm, Sweden

2006
- Central system delivery in Norway

2009
- GPS Truck Tolling system in Slovakia

2009–2011
- Major infrastructure upgrade in Portugal

2012
- Statewide ATMS contract, Pennsylvania, USA
- Congestion charging in Gothenburg using single gantry setup

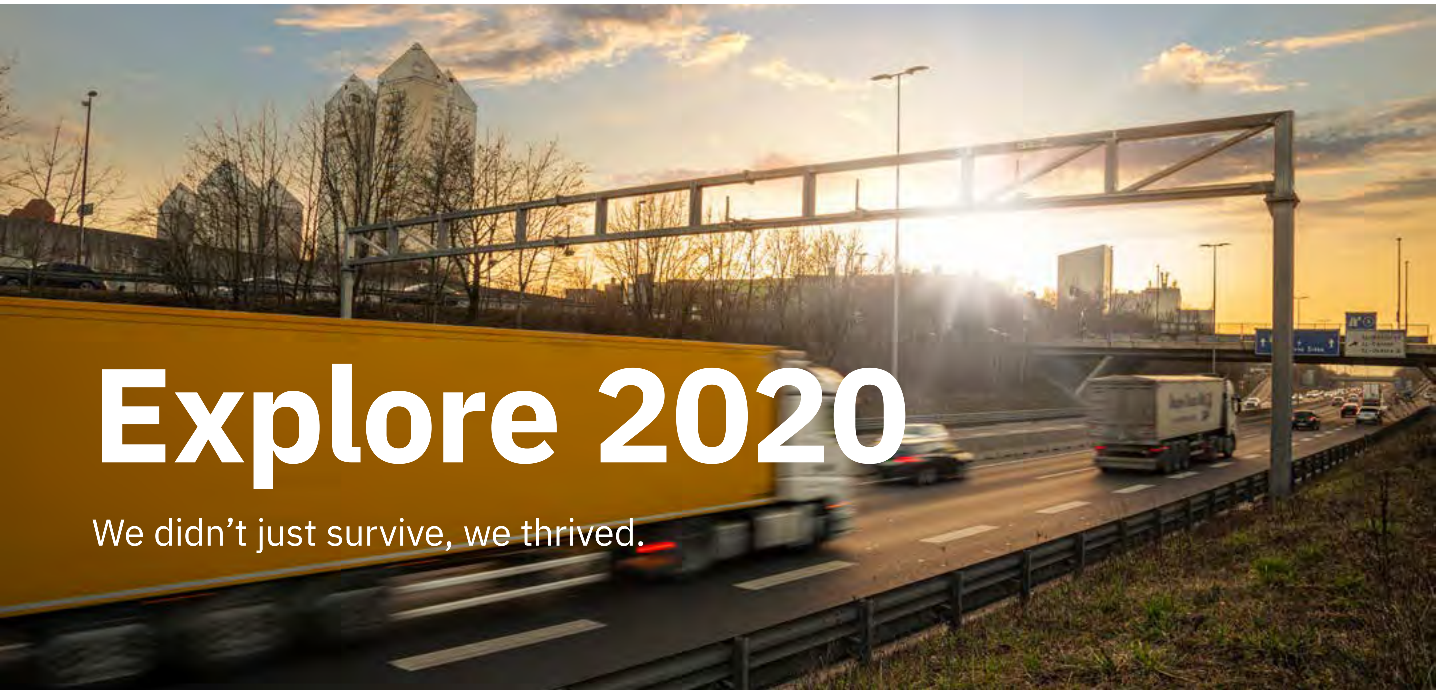
2013
- Intrada for Far Eastern Electronic Toll Collection (FETC), Taiwan

2016
- Nationwide truck tolling contract in Slovenia
- Statewide ATMS contract, Virginia, USA

2018
- Connected Intersections contract, Georgia, USA
- New toll collection system for Great Belt Bridge, Denmark

2019
- Multi-Lane Free-Flow project in Queensland, Australia
- Automatic Customs Border Control, Norway

2020
- EXPLORE HIGHLIGHTS ON THE FOLLOWING PAGE



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

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

500 MNOK

Tolling contract renewals in core markets from 2019 to 2021

Road users in Portugal, Norway, Australia, and Stockholm (Sweden) continue to breath cleaner air and experience less congestion thanks to Q-Free's tolling solutions. From 2019 to 2021 partners in all these countries renewed contracts with Q-Free, and 2020 has been a busy year with delivery of the 55 MNOK Queensland project and renewal of Cross City Tunnel in Australia, the 130 MNOK contract in Portugal, and the 60 MNOK AutoPass contract in Norway, as well as winning the 130 MNOK renewal in Stockholm in 2021. Our tolling solutions and market-leading ALPR and DSRC technology continue to be the prime choice of existing and new clients all over the world contributing to cleaner air and improved traffic flow.

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

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

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

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

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

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

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

Extracting value from core tolling technology

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

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

Norwegian ferry passages have long relied on Q-Free electronic payment solutions to expedite boarding and minimize congestion. Not all passengers, however, opt to use electronic ferry tags as they prefer to pay operators on a per-trip basis. Given the rapid spread of COVID-19, ferry operators were instructed to limit contact between collectors and passengers as much as possible. To assist, Q-Free leveraged its renowned DSRC technology and Intrada automatic license plate recognition (ALPR/ANPR) technology to allow passengers to be invoiced post-ride based on highly-accurate vehicle recognition.

Identification as a service applied into EV charging

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

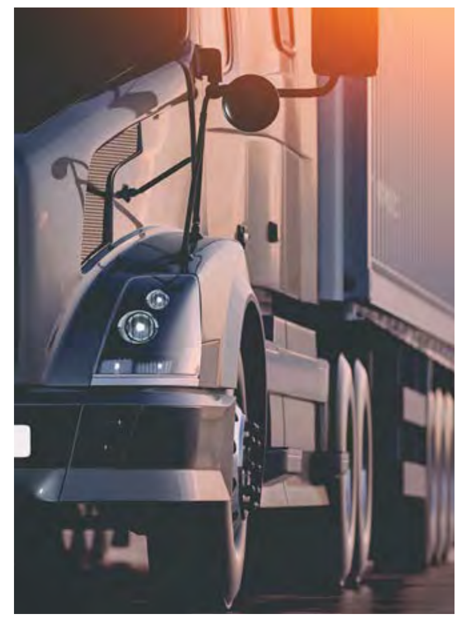
ALPR enforcement

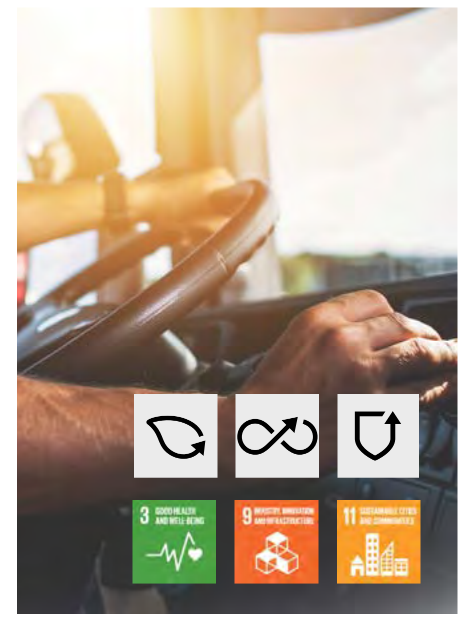
Norwegian customs use Q-Free Intrada ALPR solutions to automatically register vehicle license plates on vehicles passing the border. Other authorities are starting to use Q-Free ALPR technology to identify mobile phone use while driving to automate the enforcement.

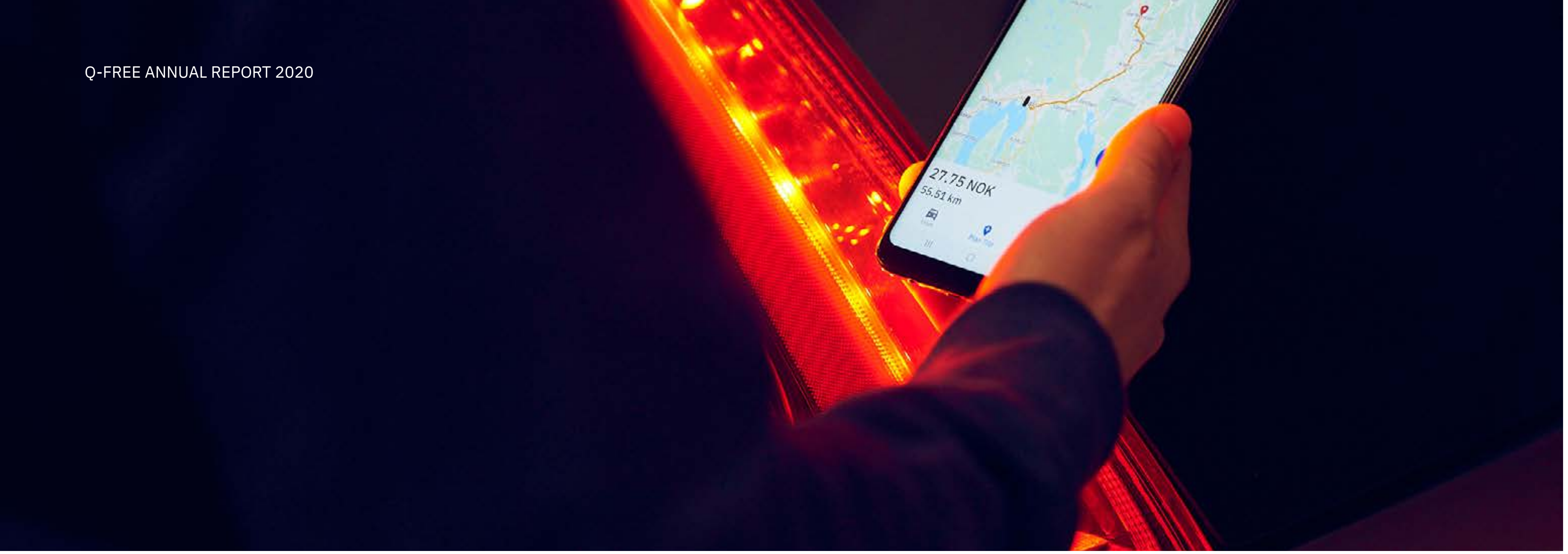
Q-Free promotes driver safety and combats fraud with smart tachograph

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

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







The road ahead: A fairer system with road user charging

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

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

Nudging sustainable driving through Geo Sum pilot

Cities are heavily affected by vehicle traffic, which brings major challenges related to efficiency, safety, and the environment. In Geo Sum, Q-Free introduced the combination C-ITS (connected vehicles) and geofencing (digital infrastructure) as a part of the solution toward decreased emissions and increased safety for vulnerable road users. The concept enables road authorities to develop dynamic tools that can be used to enforce and disseminate information to vehicles and road users located in a controlled zone. In the project, two types of controlled zones were developed, school zones for dynamic speed control and low emission zones for differentiated road user charging. The concept was piloted in operational urban traffic in two of Norway's largest cities, Oslo and Trondheim. The results show that increased feedback and information directly in the vehicle on a per user basis can motivate behavioral change and stimulate safer and more environmentally friendly driving.

Testing the Future of Road User Charging Technology

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

SEC501 Security Server for trusted execution environment

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

VRE700 Modular camera for single and multi-lane configurations

The new Q-Free VRE700 is a continuous capture traffic imaging system with integrated ANPR/ALPR.

The vehicle registration unit is optimized for multi-lane free-flow (MLFF) and open road tolling operations with excellent performance in both single and multi-lane configurations. Most importantly, it maintains image acquisition performance, or image quality, even under challenging weather conditions.

Machine learning technology for ALPR detection

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

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

Vehicle and road user accidents halved in Glasgow

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

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

*Unweighted average

City of Gold Coast, Australia

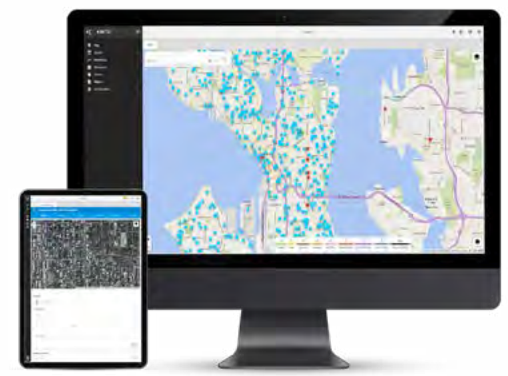
Australia creates more sustainable infrastructure and increases personal mobility across the city.

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

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

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

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



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

The well-received launch of Kinetic Signals, which represents a technological upgrade and rebrand of the company's celebrated Intelight MAXVIEW atms, furthers Q-Free's legacy of open, collaborative solutions. "It's about innovation and how we can do better for our customers by allowing them to use any piece of equipment, software, or application seamlessly and openly, including products from other vendors," said Tom Stiles, Executive Vice President of Urban Solutions.

80%

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

Expanded detection for vehicles, cyclists, and pedestrians

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

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

Lane closure management extended to airports

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

Kingdom of Saudi Arabia uses data to improve mobility

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

Q-Free's low-maintenance, low-cost solar powered units were mounted on top of small housing pillars at more than 250 sites. Each location includes a GPRS-enabled, real-time communications to the Drakewell C2 web-based database platform.

Data-driven decision making for freeway ramp meter timings

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

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

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

Weigh-in-motion solutions expand into new export markets

Q-Free has received orders for weigh-in-motion (WIM) solutions in Saudi Arabia and the first direct enforcement WIM system in Ukraine – total value of approximately 30 MNOK.

30 MNOK

ORDERS FOR WEIGH-IN-MOTION SOLUTIONS

Q-Free leaders to spearhead #FREEtheMIBS advisory board

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

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

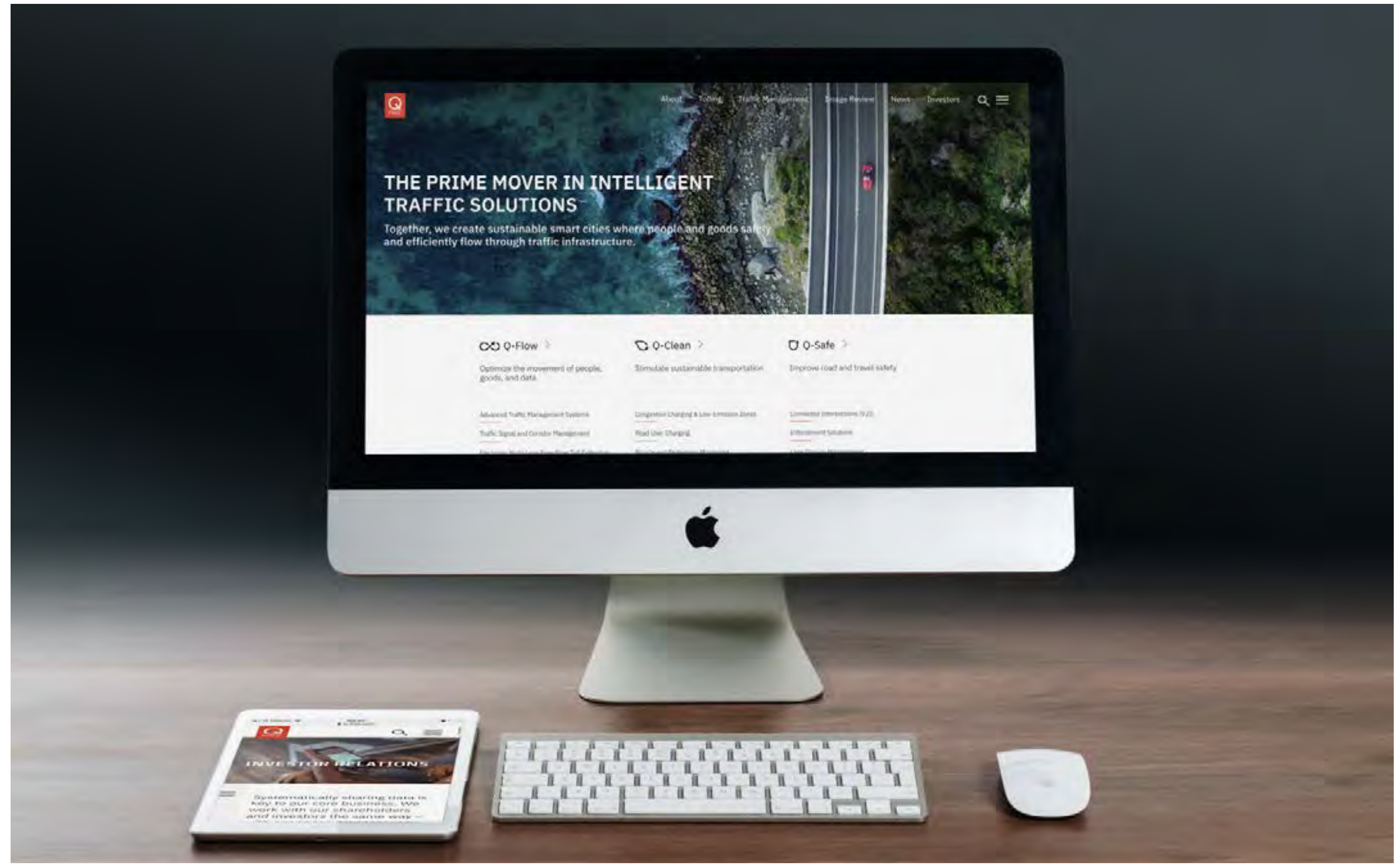
Management information bases or MIBs, contain manufacturer specific language protocols that allow signal controllers and other devices to communicate. Until Q-Free's move, MIBs in North America were traditionally kept proprietary by manufacturers, restricting competition, locking agencies into a single-company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

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

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

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

#FREEtheMIBS



Modernized online presence

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

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

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

"Instead of focusing on one specific technology or product at a time, we are taking a positive approach to tell stories that showcase all of the problems that we can solve for clients in an inclusive package," said Idunn Hals Bjelland-de Garcia, SVP Brand, Marketing and Communications for Q-Free.

According to Trisha Tunilla, EVP Marketing and Proposals for Q-Free America, the website is a new window to view Q-Free. "Q-Flow, Q-Clean, and Q-Safe are designed to break traditional business silos and change the conversation. The ideas embody Q-Free's push toward innovation and the smart cities of the future," said Tunilla.

Our open approach to data

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

Thorbjørn Rive, RSE Engineer, Q-Free Norway.

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

Campaigning for open communication
Many countries we work in share in a similar belief about the importance of open data and communication. In North America, however, we find that while the National Transportation Communications for ITS Protocol (NTCIP) promote open communication, the vast majority of protocols are still manufacturer-specific. In particularly, those used in the management information bases (MIBs) for traffic signal control devices. So, we decided that it was time to take a stand.

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

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

In its first year, the #FREEtheMIBS campaign quickly grew to include more than 50 individuals and corporate advocates from across the ITS spectrum – agencies, consultants, dealers, vendors, and academia. As the #FREEtheMIBs celebrates a wild year of growth, advocacy and increasing influence, two prominent new members joined the campaign; Rapid Flow Technologies, the Pennsylvania-based developer of Surtrac adaptive traffic signal control, and ITS distributor, Mid American Signal.

In addition, two Q-Free leaders will help lead the newly formed #FREEtheMIBS Advisory Board. Trisha Tunilla, Q-Free America's Executive Vice President of Marketing & Proposals, will chair the group, and Tom Stiles, Executive Vice President of ATMS Solutions and founder of the #FREEtheMIBS campaign, will join her on the board. The #FREEtheMIBs Advisory Board members were nominated and selected from the broadest spectrum of transportation management.

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

OUR RESULTS:

Safe, sustainable mobility for generations to come

Board of Directors report

THE Q-FREE GROUP

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

SUMMARY AND HIGHLIGHTS IN 2020

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

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

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

The highlights for 2020 include:

- 889 MNOK in revenues, down 8% from FY2019 amid low product sales caused by Covid-19
- 76 MNOK in EBITDA (8.5% margin), up from 73 MNOK (7.5% margin) in FY2019
- 67 MNOK in positive cash flow from operations
- 949 MNOK in order intake (excluding frame agreements), and a book-to-bill-ratio of 1.07
- 1 083 MNOK in order backlog (excluding frame agreements)

Financial review

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

Revenues

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

Gross profit

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

* Refer to APM section for definitions

Assets held for sale

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

Impairment Considerations

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

Operating expenses

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

Operating profits

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

Segment financial review

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

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

Assets held for sale generated revenues of 111 MNOK (116), and EBITDA* of 3 MNOK (4 MNOK). Within this reporting segment, assets related to what was previously reported as infomobility have shown a positive development while parking assets delivered reduced earnings.

Net financial items

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

Profits

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

ANNUAL RESULTS AND YEAR-END APPROPRIATIONS

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

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

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

CASH FLOW AND LIQUIDITY

Net cash flow from operating activities was 67 MNOK (38 MNOK). The improvement was mainly due to improved operating profit and solid cash management.

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

* Refer to APM section for definitions

equaled 16% of the revenues generated in the last 12 months compared to 14% for the corresponding period as of 31.12.2019.

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

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

BALANCE SHEET

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

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

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

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

Effect of the Covid-19 pandemic

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

GOING CONCERN

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

ORGANIZATION

Personnel

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

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

Management

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

Board of Directors

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

During 2020 the following changes to the Board were completed:

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

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

In May 2020, the employees elected Brage Blekken and Yngve Halmø to replace Olav Gulling and Rune Jøraandstad as employee representatives.

SUBSEQUENT EVENTS

Assets held for sale – reconsideration of infomobility segment

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

Conversion of convertible bond.

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

Sale of subsidiaries Q-Free France SARL and TCS International Inc

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

Effect of the Covid-19 pandemic

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

CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

Pursuant to the Norwegian Accounting Act section 3-3c, publicly listed companies shall present their principles for corporate social responsibility and review the performance with respect to human rights, labor rights, working conditions, the external environment, and anti-corruption. Details are provided under the section "Corporate Social Responsibility" in the Annual Report, and is published on the company's website at:

https://www.q-free.com/investor_relations/governance/corporate-social-responsibility/.

Pursuant to the Norwegian Accounting Act section 3–3b, listed companies shall also present their principles for corporate governance and review the compliance with the recommendations set out in the Norwegian Code of Practice for Corporate Governance. Details are provided in the Corporate Governance section of the Annual Report, and is published on the company's website at

https://www.q-free.com/investor_relations/corporate-governance/ .

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.

Project risk

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

Financial risk

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

Q-Free is exposed to currency risk in the ordinary business since more than 70% of revenues was generated outside of Norway. Q-Free also runs businesses outside of Norway and buys a substantial share of required equipment abroad, with payment in foreign currencies which somewhat mitigates this risk. The net foreign currency exposure in 2020 was mainly related to EUR and USD (EBITDA) and USD, EUR and GBP (Assets/Equity).

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

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

Risk of corruption

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

OUTLOOK

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

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

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

Looking further into the future, Q-Free has established a set of financial goals for 2025. An annual growth rate in excess of 10 percent leading to 2025 revenues of 1.3-1.5 billion NOK is considered achievable. Potential growth from bolt-on acquisitions to strengthen and scale certain market offerings will come in addition to the stated revenue goal. The expected increase in high-margin software revenues combined with improved scalability of Q-Free's solutions will enable margin expansion from current levels. Hence, in 2025 Q-Free aims to deliver an EBITDA margin in the 15-20 percent range and an EBIT margin in the 10-15 percent range.

Trondheim, 28 April 2021

Trond Valvik (sign.) Chair of the Board	**Snorre Kjesbu** (sign.) Vice Chair of the Board	**Trine Helen Strømsnes** (sign.) Board member	**Geir Beitveit Bjørlo** (sign.) Board member
Ingeborg Molden Hegstad (sign.) Board member	**Brage Blekken** (sign.) Employee-elected Board member	**Yngve Halmø** (sign.) Employee-elected Board member	**Håkon Rypern Volldal** (sign.) President & CEO

Board of directors

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

Trond Valvik is Investment Director and responsible for the business area of Direct Investments in Rieber & Søn AS. Rieber & Søn AS is the investment company of the Rieber family in Bergen, Norway, and is Q-Free's largest shareholder (45.27%). Valvik has previously been Partner in the Private Equity company Borea Opportunity. Working with investments and exercising active ownership for several years, Valvik possess significant Board experience from different industries. Valvik also has operational experience as interim leader in various companies in connection to restructuring and change processes, e.g. in the field of IT and software, where he acted as Group CEO of Software Innovation for a period. Valvik also has experience from transaction support and audit in EY. Valvik holds a MSc Business degree from the Norwegian School of Economics (NHH). Valvik has served as Chair of the Board since 2020. Valvik serves as director/chairperson of several companies related to the Rieber & Søn AS group.

Valvik owns indirectly through Battelhavet AS 250,000 shares in Q-Free ASA.

Snorre Kjesbu
(1969)
Vice Chair
Served since 2016
Norwegian citizen

Snorre Kjesbu is Vice President & General Manager of Webex Devices at Cisco, leading a worldwide organization responsible for the collaboration devices business ranging from IP phones to immersive video systems.

Prior to his return to Cisco, Snorre was Executive VP of Design, Creation and Fulfillment at BANG & OLUFSEN in Copenhagen. His résumé also includes SVP at Tandberg and being responsible for R&D on wireless communication at ABB. He and his team at ABB were awarded the Wall Street Journal Innovation award for their work on wireless sensors in 2002.

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

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

Ingeborg Molden Hegstad
(1976)
Board memeber
Served since 2018
Norwegian citizen

Ingeborg Hegstad has 20 years of experience from management consulting, including Associate Partner in McKinsey & Company and Management Consultant at Egon Zehnder, serving the retail, telecoms and IT sectors. Since 2015 Hegstad has been a partner in Imsight AS, offering strategy and leadership advisory to executives, teams and organizations. Throughout her career Hegstad has been leading international engagements in multiple countries in Europe and Asia. Hegstad holds a Master of Business and Administration from Norwegian Business School BI (2000). She is also a member of the board of StrongPoint ASA and Cyviz ASA.

Hegstad owns indirectly through Imsight AS 42,450 shares in Q-Free ASA*.

Trine Strømsnes
(1969)
Board memeber
Served since 2019
Norwegian citizen

Trine Strømsnes is Country Manager of Cisco Norway. Throughout her career in Cisco, Trine Strømsnes has held several roles within sales, business development, sales management and marketing. She was COO for Norway and Partner Leader for Norway and Northern Europe, responsible for developing and execution of Go-to-Market Strategy and tactics for Partner Operation. She has also been Director Marketing, responsible for developing and executing Marketing for Countries in Northern Europe, Regional Sales Manager for Public Sector in Norway, as well as Manager Sales Business Development in Public Sector team in Europe. Strømsnes is an experienced leader with a passion for identifying innovative approaches to how technology can be utilised to create true value. Strømsnes is Chair of Cisco Norway, Cisco Norway Holding and Cisco Systems Norway, and director of American Chamber of Commerce.

Strømsnes has no shares in Q-Free ASA*.

Geir Bjørlo
(1976)
Board member
Served since 2020
Norwegian citizen

Geir Bjørlo is co-founder and partner at Corporate Communications AS, a specialised consulting firm offering services within corporate and financial communications. Bjørlo has two decades of experience from the capital markets and works primarily with investor relations and transactions for listed companies and private equity firms. He is member of the Norwegian Society of Financial Analysts' committee for financial information, has a MSc in Economics and Business Administration from the Norwegian School of Economics, NHH, and has completed studies at the University of Prague, VSE. Bjørlo is Chair of Corporate Communications AS.

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

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

Yngve Halmø has been with Q-Free since 2007 and holds the position as Software Architect for the Standard Software Group. Halmø has held several technical roles in Q-Free and has extensive experience from delivering projects in the Tolling business domain.

Halmø holds a BSc degree in software engineering from the University College of Tromsø, Norway, and a MSc in computer science from the Norwegian University of Science and Technology (NTNU) in Trondheim, Norway.

Halmø has no shares in Q-Free ASA*.

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

Brage Blekken has been with Q-Free since 2000 and holds the position as senior R&D Engineer in the R&D department.

Blekken has a BSc in electronics from the Sør-Trøndelag University College in Trondheim, Norway.

Blekken has no shares in Q-Free ASA*.

** Shares as of 28 April 2021*

CONSOLIDATED FINANCIAL STATEMENTS

Q-FREE GROUP

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Q-FREE GROUP

Amounts in TNOK	Note	2020	2019
Revenue from customers	10	889 305	962 317
Total operating revenue		***889 305***	***962 317***
Cost of goods sold	16	236 609	304 556
Project contractor expenses	11	107 551	118 372
Employee benefit expenses	11,12,13	331 338	328 788
Other operating expenses	23	138 030	137 958
Total operating expenses		***813 528***	***889 674***
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**75 777**	**72 643**
Depreciation of property, plant and equipment	24	30 315	29 128
Amortisation of intangible assets	15	33 724	39 564
Impairment of intangible assets and PP&E	15, 24	20 538	58 332
Total depreciation, amortization and impairment		***84 577***	***127 024***
Earnings before interest and taxes (EBIT)		**-8 800**	**-54 381**
Financial income	8	38 760	35 914
Financial expenses	8	-62 407	-31 583
Net financial items		***-23 646***	***4 331***
Profit before tax		**-32 446**	**-50 050**
Tax expense	22	-8 549	69
Profit / (-) loss for the year from continuing operations		**-40 995**	**-49 981**
Profit / (-) loss for the year		**-40 995**	**-49 981**
Earnings per share	27	-0,46	-0,56
Diluted earnings per share		-0,46	-0,56
Earnings per share from continuing operations		-0,46	-0,56
Diluted earnings per share from continuing operations		-0,46	-0,56

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Q-FREE GROUP

Amounts in TNOK	Note	2020	2019
Profit / (-) loss for the year		**-40 995**	**-49 981**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Currency translation differences, net of tax		-14 119	4 852
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**-14 119**	**4 852**
Other comprehensive income for the year, net of tax		**-14 119**	**4 852**
Total comprehensive income for the period, net of tax		**-55 114**	**-45 129**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Q-FREE GROUP

Amounts in TNOK

ASSETS	**Note**	**2020**	**2019**
Deferred tax assets	4, 22	18 823	15 564
Intangible assets	15	65 286	114 245
Goodwill	4, 14	266 576	285 270
Property, plant and equipment	24	63 311	78 785
Non-current receivables			382
TOTAL NON-CURRENT ASSETS		**413 997**	**494 246**
Inventories	16	38 450	76 143
Contract assets	4, 10, 17	93 560	103 957
Accounts receivable	17	109 945	140 265
Other current assets	18	28 030	37 506
Cash and cash equivalents	19	74 961	31 051
Assets held for sale	31	91 003	
TOTAL CURRENT ASSETS		**435 949**	**388 922**
TOTAL ASSETS		**849 946**	**883 168**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Q-FREE GROUP

Amounts in TNOK

EQUITY AND LIABILITIES	**Note**	**2020**	**2019**
Subscribed share capital		33 905	33 905
Share premium		578 307	578 307
Other paid-in capital		31 951	21 223
Retained earnings		-331 048	-275 934
TOTAL EQUITY		**313 115**	**357 502**
Non-current borrowings	5, 7	179 200	160 000
Convertible bond	7	69 983	
Non-current financial liabilities	29	20 271	37 197
Total non-current liabilities		***269 454***	***197 197***
Current borrowings	5, 7	54 300	72 022
Advance payments from customers	10	11 050	4 253
Accounts payable	20	58 220	117 609
Taxes payable	22	3 555	3 531
Public duties payable		14 118	20 167
Current financial liabilities	29	20 110	54 414
Other current liabilities	21	78 868	56 473
Liabilities held for sale	31	27 157	
Total current liabilities		***267 377***	***328 469***
TOTAL LIABILITIES		**536 831**	**525 666**
TOTAL EQUITY AND LIABILITIES		**849 945**	**883 168**

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

Trondheim, 28 April 2021

Trond Valvik (Sign.) Chair of the Board	**Trine Helen Strømsnes** (Sign.) Board member	**Snorre Kjesbu** (Sign.) Board member	**Geir Beitveit Bjørlo** (Sign.) Board member
Ingeborg Molden Hegstad (Sign.) Board member	**Brage Blekken** (Sign.) Employee-elected Board member	**Yngve Halmø** (Sign.) Employee-elected Board member	**Håkon Rypern Volldal** (Sign.) President & CEO

CONSOLIDATED STATEMENT OF CASH FLOWS

Q-FREE GROUP

Amounts in TNOK

	Notes	**2020**	**2019**
Cash flow from operations			
Profit before tax		-32 446	-50 050
Paid taxes	22	-5 330	-8 034
Depreciation and impairment of property, plant and equipment	24	30 315	29 128
Amortisation and impairment of intangible assets	15	54 262	97 896
Accrued interest expense		4 934	-173
Share-based payment expense	13	-233	348
Working capital adjustments:			
Changes in inventory		18 337	-4 147
Changes in contract assets		8 991	-26 738
Changes in accounts receivable		2 093	20 554
Changes in advance payments from customers		10 840	-10 086
Changes in accounts payable		-47 058	21 617
Changes in other items		21 882	-32 630
Net cash flow from operations		***66 587***	***37 685***
Cash flow from investing activities			
Investments in PP&E and intangible assets	15, 24	-24 011	-35 454
Acquisition of a subsidiary, net of cash acquired		-32 491	-44 765
Cash flow from investing activities		***-56 502***	***-80 219***
Cash flow from financing activities			
Cash proceeds from borrowings	7, 31	117 064	73 033
Cash proceeds from convertible bond	7, 31	75 777	0
Repayment of borrowings	7, 31	-115 585	-56 533
Payments of lease liabilities	31	-22 875	-19 801
Interest received		1 217	983
Interest paid		-13 905	-14 006
Cash flow from financing activities		***41 693***	***-16 324***
Effect on cash and cash equivalents of changes in foreign exchange rates		**-7 868**	**209**
Net change in cash and cash equivalents for the year		**43 910**	**-58 649**
Cash and cash equivalents per 01.01.		31 051	89 700
Cash and cash equivalents per 31.12.	19	**74 961**	**31 051**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Q-FREE GROUP

Amounts in TNOK	Subscribed share capital	Share premium	Other paid-in capital	Retained earnings	Currency translation differences, net of tax	Total equity
Total equity 01.01.2019	**33 905**	**578 307**	**20 950**	**-310 984**	**80 219**	**402 397**
Profit / (-) loss for the year				-49 981		-49 981
Other comprehensive income					4 812	4 812
Total comprehensive income for the period	**33 905**	**578 307**	**20 950**	**-360 965**	**85 031**	**357 228**
Share-based payment expense			273			273
Total equity 31.12.2019	**33 905**	**578 307**	**21 223**	**-360 965**	**85 031**	**357 502**
Total equity 01.01.2020	**33 905**	**578 307**	**21 224**	**-360 965**	**85 031**	**357 502**
Profit / (-) loss for the year				-40 995		-40 995
Other comprehensive income					-14 119	-14 119
Total comprehensive income for the period	**33 905**	**578 307**	**21 224**	**-401 960**	**70 912**	**302 388**
Convertible bond issue			10 727			10 727
Total equity 31.12.2020	**33 905**	**578 307**	**31 951**	**-401 960**	**70 912**	**313 115**

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

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

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

NOTE 1 / Corporate information

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

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

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

NOTE 2 / Basis for preparation

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

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

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

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

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

NOTE 3 / Significant accounting policies

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

Basis of consolidation

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

NOTE 3 / Significant accounting policies, cont.

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

Business combinations

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

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

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

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

Goodwill is monitored for internal management purposes on segment level.

Foreign currency

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

NOTE 3 / Significant accounting policies, cont.

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

Financial instruments

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

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

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

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

Revenue recognition

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

Employee benefit expenses and pension expense

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

NOTE 3 / Significant accounting policies, cont.

Share-based compensation

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

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

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

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

Intangible assets

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

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

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:

NOTE 3 / Significant accounting policies, cont.

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

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

Impairment of non-financial assets

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

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

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

Taxes

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

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

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

NOTE 3 / Significant accounting policies, cont.

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

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

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

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying financial benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed on each balance sheet date and reflect the best estimate of the liability. When the passage of time is insignificant to the expense estimate, the provision will be 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 realisable value. The net realisable value is calculated as the selling price less cost to sell. For manufactured products, the acquisition cost is calculated as direct and indirect costs.

Accounts receivable

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

Cash and cash equivalents

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

Statement of cash flows

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

NOTE 3 / Significant accounting policies, cont.

Operating segments

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

Investment in other companies

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

Convertible bond

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

Assets held for sale

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

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

Leases

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

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

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

NOTE 3 / Significant accounting policies, cont.

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments 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.

Changes in accounting policies as of 1 January 2020

Statement of cash flows

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

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

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

NOTE 3 / Significant accounting policies, cont.

Amendments to IAS 1 and IAS 8 Definition of Material

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

Events after the balance sheet date

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

NOTE 4 / Critical accounting judgements and changes in accounting policies

Critical accounting judgements and key sources of estimation uncertainty

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

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

Complex project revenue and contract asset recognition

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

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

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

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

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

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

Goodwill impairment testing

In accordance with IAS 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 preforms 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. If the profitability measures indicate that the segment is not performing in accordance with budgets and management expectations, the segment is tested for impairment. In Q4-20, assets reported as "held for sale" have been disintegrated. Each legal entity have been considered as a separate CGU, and valued in accordance with plans for divestment.

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

Deferred tax assets

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

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

NOTE 5 / Risk management

Financial risk factors and risk management

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

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

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

– Credit risk
– Currency risk
– Liquidity risk
– Interest rate risk

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

a) Credit risk

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

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

The Group only sells products or enters into long-term contracts with customers (private or government) with an acceptable credit record/rating and low credit risk. The Group 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 assesses the credit risk in each individual case and utilises appropriate actions, including letters of credit, Norwegian Export Credit Agency (GIEK) guarantees, advance payments, or other similar measures to reduce customer specific credit risk.

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

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

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

NOTE 5 / Risk management, cont.

b) Currency risk

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

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

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

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

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

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

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

NOTE 5 / Risk management, cont.

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

2020	USD	EUR	GBP	NOK	OTHER
Deferred tax assets	38%	0%	46%	10%	7%
Intangible assets	32%	1%	0%	67%	0%
Goodwill	64%	18%	17%	0%	0%
Property, plant and equipment	6%	4%	1%	86%	4%
Total non-current assets	**49%**	**13%**	**13%**	**24%**	**1%**
Inventories	45%	33%	0%	8%	14%
Contract assets	46%	0%	-7%	-1%	63%
Accounts receivable	35%	33%	0%	18%	15%
Other current assets	5%	45%	0%	15%	35%
Cash and cash equivalents	33%	44%	8%	-29%	43%
Assets held for sale	11%	3%	86%	0%	0%
Total current assets	**31%**	**22%**	**18%**	**1%**	**28%**
TOTAL ASSETS	**40%**	**17%**	**16%**	**12%**	**15%**
Total non-current liabilities	0%	0%	0%	100%	0%
Total current liabilities	24%	7%	6%	51%	11%
TOTAL LIABILITIES	**12%**	**4%**	**3%**	**76%**	**6%**

2019	USD	EUR	GBP	NOK	OTHER
Deferred tax assets	0%	14%	56%	23%	7%
Intangible assets	31%	1%	18%	50%	0%
Goodwill	62%	15%	23%	0%	0%
Property, plant and equipment	19%	7%	5%	57%	12%
Investments in other companies					
Non-current receivables	12%	0%	8%	0%	79%
Total non-current assets	**50%**	**11%**	**22%**	**16%**	**1%**
Inventories	41%	16%	20%	17%	6%
Contract assets	67%	-6%	1%	19%	19%
Accounts receivable	31%	35%	6%	12%	17%
Other current assets	15%	5%	2%	59%	18%
Cash and cash equivalents	77%	178%	10%	-268%	103%
Total current assets	**45%**	**29%**	**7%**	**-3%**	**22%**
TOTAL ASSETS	**48%**	**19%**	**15%**	**7%**	**11%**
Total non-current liabilities	0%	0%	0%	99%	0%
Total current liabilities	46%	3%	2%	42%	8%
TOTAL LIABILITIES	**28%**	**2%**	**1%**	**65%**	**5%**

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

NOTE 5 / Risk management, cont.

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

Table 5.3 Currency risk sensitivity analysis – isolated currency rate changes impact on earnings before interest and taxes (EBIT)

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

Table 5.4 Currency risk sensitivity analysis – isolated currency rate changes impact on equity

Amounts in TNOK	2020		2019		2018		2017		2016	
10% currency change	Increase	Decline	Increase	Decline	Increase	Decline	Increase	Decline	Increase	Decline
USD/NOK	27 374	-27 374	27 863	-27 863	25 734	-25 734	10 716	-10 716	-6 401	6 401
EUR/NOK	12 803	-12 803	15 321	-15 321	13 058	-13 058	12 345	-12 345	2 979	-2 979
GBP/NOK	11 610	-11 610	12 475	-12 475	12 492	-12 492	12 255	-12 255	1 702	-1 702

c) Liquidity risk

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

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

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

NOTE 5 / Risk management, cont.

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

Table 5.5 Financial liability maturity schedule

Year ended 31 December 2020:	On demand	Less than 3 months	3–6 months	6–9 months	9–12 months	1–2 years	2–5 years	6 years – maturity	Total
Non-current borrowings	144	1 407	1 423	1 438	2 877	181 576			188 865
Convertible Bond (1)			3 714		1 807	3 714	81 778		91 013
Non-current financial liabilities		175	177	179	358	12 458	8 108		21 455
Current borrowings	28	8 927	17 100	13 170	18 618				57 843
Accounts payable	4 831	53 369							58 200
Current financial liabilities		5 745	5 463	5 052	4 912				21 172
Total financial liabilities	**5 003**	**69 623**	**27 877**	**19 839**	**28 572**	**197 748**	**89 886**		**438 548**

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

Year ended 31 December 2019:	On demand	Less than 3 months	3–6 months	6–9 months	9–12 months	1–2 years	2–5 years	6 years – maturity	Total
Non-current borrowings						171 269			171 269
Non-current financial liabilities						3 555	33 642		37 197
Current borrowings	298	2 168	11 269	7 421	62 046				83 202
Accounts payable	24 551	93 058							117 609
Current financial liabilities		5 441	38 092		10 882				54 415
Total financial liabilities	**24 849**	**100 667**	**49 361**	**7 421**	**72 928**	**174 824**	**33 642**		**463 692**

d) Interest-rate risk

The Group is exposed to interest rate risk in the form of changing interest rates on borrowings with floating interest rates. The Group has interest-bearing debt and interest rate risk related to its long-term bank borrowings and short-term credit lines. Management 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 31.12.20 and 31.12.2019, the Group did not own any interest rate derivatives or have any explicit economic hedges in place to manage interest rate risk.

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

NOTE 5 / Risk management, cont.

Table 5.6 Interest rate risk sensitivity anlaysis

Effekt of an interest rate increase of 100 bps:

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

e) Financial instruments by measurement category

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

Table 5.7 Financial instruments by category

31 December 2020	Amortised cost	Fair value Level 3	Fair value Level 2	Total
Financial assets				
Investments in other companies				
Non-current receivables				
Accounts receivable	109 945			109 945
Other current assets				
Cash and cash equivalents	74 961			74 961
Total	**184 906**			**184 906**
Financial liabilities				
Non-current borrowings	179 200			179 200
Convertible bond		69 983		69 983
Non-current financial liabilities	20 271			20 271
Current borrowings	54 300			54 300
Accounts payable	58 220			58 220
Current financial liabilities	20 110			20 110
Other current liabilities	78 868			78 868
Total	**410 969**	**69 983**		**480 952**

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

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

NOTE 5 / Risk management, cont.

31 December 2019	Amortised cost	Fair value Level 3	Fair value Level 2	Total
Financial assets				
Investments in other companies				
Non-current receivables	382			382
Accounts receivable	140 265			140 265
Other current assets				
Cash and cash equivalents	31 051			31 051
Total	**171 698**			**171 698**
Financial liabilities				
Non-current borrowings	160 000			160 000
Non-current financial liabilities	37 197			37 197
Current borrowings	72 022			72 022
Accounts payable	117 609			117 609
Current financial liabilities	21 763	32 651	516	54 930
Other current liabilities	56 473			56 473
Total	**465 064**	**32 651**	**516**	**498 231**

The levels of fair meassurement

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 6 / Capital Management

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

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

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

Q-Free's capital management measures

KPI	2020	2019	% change 2019 to 2020
EBITDA	75 777	72 643	4%
NIBD	228 522	200 970	14%
Operational gearing	3,0	2,8	9%
Equity ratio	37%	40%	-9%
Cash flow from operations	66 587	37 685	77%

* Refer to APM section for capital management measures definitions.

NOTE 7 / Borrowings

Type	Effective interest rate***	Maturity	31.12.2020	31.12.2019
Non-current				
Nordea – Term loan	3.20%	01.06.2022	25 000	70 000
Nordea – Term loan	3.20%	01.06.2022	29 230	34 730
Nordea – Term loan*	3.16%	28.05.2022	69 700	
Nordea – Revolving Credit Facility (RCF)	3.20%	01.06.2022	55 270	55 269
Total non-current borrowings			**179 200**	**160 000**
Convertible bond				
Convertible bond (NIBOR + 4.00%)	12.53%	19.05.2023	69 983	
Current				
Nordea – Term loan	3.20%	31.12.2021	25 000	15 000
Nordea – Term loan	3.20%	30.09.2021	17 000	10 000
Nordea – Term loan*	3.16%	31.12.2021	12 300	
Nordea – Credit line **		01.06.2022		47 021
Total current borrowings			**54 300**	**72 022**
Total			**303 483**	**232 022**

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

Convertible Bond

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

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

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

On December 15, Rieber & Søn AS increased their ownership in Q-Free past 33,3%. This triggered a "change of control event" for the holders of convertible bonds, enabling the bond-holders to convert the bonds to shares at a price of 3,6329 per share. As a subsequent event, all bond-holders representing the total nominal value of 80 MNOK have converted in January and February 2021.This will eliminate the 70 MNOK convertible bond debt. There will be no cash consideration for accrued interest.

NOTE 7 / Borrowings, cont.

Debt covenants

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

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

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

The effective interest rate of selected facilities/borrowings are dependent if Q-Free's leverage ratio is above or below 2,75. The interest is currently (Effective October 20) on the lowest level but will increase if leverage ratio increases above 2,75.

NOTE 8 / Financial items

Amounts in TNOK

Financial items	**2020**	**2019**
Interest income	1 217	134
Realised exchange rate differences	17 579	9 462
Unrealised exchange rate differences	19 964	8 723
Fair value change in contingent consideration and other liabilities*		17 596
Financial income	**38 760**	**35 915**
Interest on borrowings	-9 823	-7 763
Interest expenses*	-9 786	-5 394
Realised exchange rate differences	-18 017	-10 186
Unrealised exchange rate differences	-21 366	-3 786
Fair value change in contingent consideration and other liabilities*		644
Other financial expense	-3 416	-5 098
Financial expense	**-62 408**	**-31 583**
NET FINANCIAL ITEMS	**-23 648**	**4 332**

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

** Change in contingent consideration and other liabilities is explained by currency effects on the liability for the purchase of the remaining shares of Intelight Inc. The remaining shares in Intelight Inc. was purchased during Q2-20. The currency effect on settlement is classified as realized exchange rate differences.

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

NOTE 9 / Operating segments

The Group discloses operating segment information under IFRS 8 Operating Segments, which requires the company to identify segments according to the 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. In 2019, The Group managed its operations in five segments, Tolling, Parking, Infomobility, Urban and Inter-Urban. These segments are described in detail in 2019 annual report. Early 2020, The Group decided to reorganize the operation into 2 main operational segments, each headed by a Senior Vice President. Urban and Inter-Urban where merged into Traffic Management, Tolling where to have mainly same focus as before, but have included some activity formerly allocated to Parking and Infomobility. Remaining business in Parking and Infomobility was decided to be divested, and thus classified as "Held for sale".

TOLLING

Tolls are used to fund and maintain transport infrastructure such as roads, bridges, and tunnels. They are also increasingly applied to reduce traffic congestion and/or climate emissions. Toll schemes have evolved from charging motorists a flat fee for passing a certain point, to today's schemes where charges can be differentiated based on time of day, distance travelled, and type of vehicle used. Q-Free offers DSRC 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 helps TMC operators expand their operational capabilities with a centralized intelligent system that supports traffic management, intelligent decision making, and multimodal transportation management. The Group's traffic management solutions for TMCs are currently primarily sold to state Departments of Transportation in North America.

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

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

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

NOTE 9 / Operating segments, cont.

HELD FOR SALE

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

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

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

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

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

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

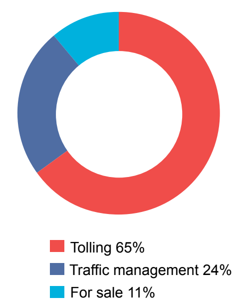
EBITDA is defined as income before financial income or expense, taxes, and any depreciation, amortisation and impairment. EBIT / EBITDA is used in the income statement as a summation line for other accounting lines.

Table 9.1 Operating segments

SEGMENTS	**TOLLING**		**Traffic Management**		**Assets held for sale**		**Global functions**		**Totals 31.12**	
Amounts in TNOK	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
EUROPE	450 268	519 525			82 746	72 087			533 014	591 612
APMEA	102 549	78 396			3	303			102 552	78 699
AMERICAS	19 504	17 784	206 404	231 077	27 833	43 145			253 741	292 006
Revenues	**572 320**	**615 705**	**206 404**	**231 077**	**110 582**	**115 535**			**889 305**	**962 317**
COGS	133 252	195 830	64 171	69 653	39 187	39 073			236 609	304 556
Contractors	82 504	82 992	3 529	13 354	21 518	22 025			107 551	118 372
Gross Contr.	**356 565**	**336 882**	**138 704**	**148 070**	**49 877**	**54 437**			**545 145**	**539 389**
Gross margin -%	62,3%	54,7%	67,2%	64,1%	45,1%	47,1%			61,3%	56,1%
Total OPEX*	252 821	247 662	140 673	140 691	46 943	50 613	28 931	27 782	469 368	466 746
EBITDA	**103 744**	**89 220**	**-1 969**	**7 379**	**2 935**	**3 824**	**-28 931**	**-27 782**	**75 777**	**72 643**
EBITDA margin	18,1%	14,5%	-1,0%	3,2%	2,7%	3,3%			8,5%	7,5%
Depreciation	29 893	34 370	21 613	20 162	12 534	14 159			64 039	68 692
Impairment					20 538	58 332			20 538	58 332
EBIT	**73 851**	**54 850**	**-23 581**	**-12 784**	**-30 137**	**-68 667**	**-28 931**	**-27 782**	**-8 800**	**-54 381**
EBIT margin	12,9%	8,9%	-11,4%	-5,5%	-27,3%	-59,4%			-1,0%	-5,7%

NOTE 9 / Operating segments, cont.

Order intake split 2020



Order backlog split 2020

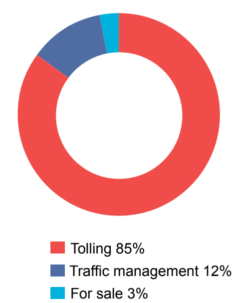


Table 9.1 Operating segments "Brigde 2019 figures"

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

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

NOTE 10 / 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:

– Product deliveries
– Service & Maintenance
– System projects

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

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

Table 10.1 Disaggregation of revenue from contracts with customers

31 December 2020	**TOLLING**		**TRAFFIC MANAGEMENT**		**ASSETS HELD FOR SALE**		**TOTAL**	
Amounts in TNOK	**FY 2020**	**FY 2019**	**FY 2020**	**FY 2019**	**FY 2020**	**FY 2019**	**FY 2020**	**FY 2019**
Revenue from customers	**572 320**	**615 705**	**206 404**	**231 077**	**110 582**	**115 535**	**889 306**	**962 318**
At a point in time revenue recognition								
Product deliveries (not related to projects)	117 476	214 129	89 889	86 692	25 830	28 382	233 195	329 204
Total at a point in time revenue recognition	**117 476**	**214 129**	**89 889**	**86 692**	**25 830**	**28 382**	**233 195**	**329 204**
Over time revenue recognition								
Service & Maintenance	159 925	134 935	31 208	32 858	3 379	4 055	194 512	171 849
System Projects (includes over-time product deliveries related to projects)	294 919	266 640	85 306	111 527	81 373	83 097	461 598	461 265
Total over time revenue recognition	**454 844**	**401 576**	**116 515**	**144 386**	**84 752**	**87 152**	**656 111**	**633 114**

REVENUE RECOGNITION

Product deliveries

Under the revenue category "Product deliveries" Q-Free delivers hardware products to their customers. These type 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 constitute 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 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.

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.

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

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

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

System projects

Q-Free offers system projects within all segments. Each project is tailored to the customer's needs and will vary from contract to contract. Some projects contain completely new concepts and products, for which Q-Free capitalizes internal development costs (see Note 15 Intangible assets). The length of the projects also varies from project to project. However, the main characteristics for 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. Q-Free did not have any material rights in their 2019 contracts related to System projects.
- Hardware, installations and software together form one performance obligation, since they 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 identifiably 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 is entitled, as Q-Free has a large a number of contracts with similar characteristics and experience with this type of projects.

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

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

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

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

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

Significant ongoing projects

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

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

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

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

Contract assets and advance payments from customers

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

Contract assets

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

Advance payments from customers

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

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

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

Table 10.3 Revenue recognised from advance payments from customers

Amounts in TNOK	Advance payments 31.12.2020	Recognized in the period 2020	Advance payments 31.12.2019	Recognized in the period 2019
Revenue recognised in this period that was included in advance payments from customers at the beginning of the period:				
Tolling	5 803	2 221	2 221	9 944
Traffic Management	5 247			
Assets held for Sale	4 043	2 032	2 032	141
Total	**11 050**	**4 253**	**4 253**	**10 085**

NOTE 11 / Employee benefit expenses

Amounts in TNOK **Employee benefit expenses**	**2020**	**2019**
Salaries	290 559	277 239
Social security costs	22 853	30 442
Pension costs (contribution plan)	14 155	12 205
Capitalised personnel costs	-11 113	-14 728
Other personnel related costs	14 883	23 631
Total	**331 338**	**328 788**
Average number of employees	384	396
Average number of man-years	376	396

Pension cost

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

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

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

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

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

NOTE 11 / Employee benefit expenses, cont.

Expenses related to compensation for conversion to defined contribution plan	2020	2019
Change in provisions due to salary payments		-2 445
Pension cost – change in estimated compensation amount		-13 982
Pension cost – change in discount rate		-3
Financial expense – time effect at present value calculation		298
Total expenses related to conversion from defined benefit plan	**0**	**-13 687**

NOTE 12 / Management and Board of directors remuneration

Main principles for stipulation of salary and other remuneration to leading employees

Q-Free is a leading international Company within its area of business. To maintain and to strengthen its market position, and to reach the objectives the Board has set for the Group, Q-Free is dependent on recruiting and keeping highly competent employees, leaders included. The Company must therefore grant competitive wages to its leading employees. The Board therefore states that the fixed monthly salary for the respective leaders shall represent competitive wages, and that this shall reflect the respective leaders' personal responsibilities and competence.

In addition to the fixed monthly salary, there should be an option to grant a bonus that will depend on the results of the company and on performance of the individual employee. The Board has therefore established a performance based bonus system for managers. For the CEO, such bonus shall be at most 75% of the fixed yearly salary, whereof at least 25% of the net bonus payment shall be used to buy shares in Q-Free ASA. For the other members of the management team, such bonus shall be at most 40% of the fixed yearly salary. The bonus shall in general terms be linked to Q-Free's fulfillment of further defined objectives for the period, result targets and/or other established objectives for the Company. These objectives shall each year be established by the Company's Board, and may be linked to financial results, results within research and development, quality objectives and/or further established individual result targets or objectives for the individual leader.

In addition to the general bonus scheme described above, discretionary bonus agreements can be entered into with the company's management team in connection with strategic projects. This bonus shall for the CEO be a maximum of 50% of the fixed annual salary and 25% of the fixed salary for other leaders covered by the agreement.

In addition to the fixed monthly salary, bonus according to achieved results and adopted option plans, the agreement with the individual leader can include that he or she may receive minor payment in kind. In individual cases it can also be agreed that the leader concerned shall have a Company car at disposal or receive a fixed car allowance according to the prevailing regulations.

Q-Free has established a collective pension plan for its employees that also include the leading employees.

The Board furthermore specifies that there shall be a mutual period of notice of up to six (6) months for agreements made with leading employees. Any severance pay for leading executives may not exceed six (6) months, and must be submitted to the Chair of the Board for treatment. The severance pay for the CEO shall not exceed twelve (12) months pay, calculated from the CEO's resignation day. In case of mergers/acquisition, resulting in substantial changes in the

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

managerial position, severance pay shall not exceed twelve (12) months, calculated from the CEO's resignation day. It is specified that the Company does not enter into employment contracts with leading employees on severance pay on their own voluntary termination. A limited exception is the CEO who, under certain conditions, has such a right by mergers/acquisitions.

After a defined period of employment the Board can grant right to education with pay for the leading employees based on an individual assessment of the value such education will have for the Company.

The main principles for remuneration have not been changed in 2020.

No loans or guarantees have been provided to the Chief Executive Officer, Board members, shareholders, or close associates of these individuals.

Payments to senior management and Board of directors 2020:

	2020							
Amounts in TNOK	Salary	Bonus	Director's remunera-tion	Contribution to pension plan	Other remunera-tion	Fee	Share-based payment expense *	TOTAL
Trond Valvik, Chair of the Board (1)			391					391
Snorre Kjesbu, Vice Chair of the Board			260					260
Ingeborg Molden Hegstad, Board member			269					269
Trine Strømsnes, Board member			238					238
Geir Bjørlo, Board member (2)								
Yngve Halmø, Employee-elected Board member (3)								
Brage Blekken, Employee-elected Board member (4)								
Heidi Finskas , Chair Nomination committee			45					45
Øystein, Elgan, Nomination committee			30					30
Fredrik Thoresen, Nomination committee			30					30
Håkon Rypern Volldal, Chief Executive Officer	3 317			126	13		92	3 548
Fredrik Nordh, EVP Tolling	2 114			499	125		68	2 806
Morten Andersson, EVP Traffic Management	2 752			121	20		51	2 944
Jan-Erik Sandberg, CTO	1 365			125	13		43	1 546
Idunn Hals Bjelland de Garcia, SVP Brand, Communication & Marketing (5)	925			84	13			1 022
Trond Christensen, Interim CFO (10)						3 285		3 285
Tore Valderhaug, former Chair of the Board (6)			309					309
Rune Jøraandstad, former Employee-elected Board member (7)			89					89
Olav Gulling, former Employee-elected Board member (8)			86					86
Silje Troseth, Vice President APMEA (9)	261			23				284
TOTAL	**10 734**		**1 747**	**976**	**184**	**3 285**	**254**	**17 180**

Starting April 2020, Board members and all senior management took part in a collective cost-reduction effort and reduced renumenation by 10% for a 6 month period.

1) Trond Valvik served as Acting Chair of the Board from 14.01.2020 until 28.05.2020 and was then elected Chair of the Board
2) Geir Bjørlo serves as Board member from 28.05.2020.
3) Yngve Halmø serves as Employee-elected Board member from 28.05.2020
4) Brage Blekken serves as Employee-elected Board member from 28.05.2020
5) Idunn Hals Bjelland de Garcia serves as SVP Brand, Communication & Marketing from 01.03.2020
6) Tore Valderhaug served as Chair of the Board until 14.01.2020. Compensation paid is partially related to services in 2019.
7) Rune Jøraandstad served as Employee-elected Board member until 28.05.2020
8) Olav Gulling served as Employee-elected Board member until 28.05.2020
9) Silje Troseth served as Interim SVP APMEA until 1 March 2020. The given amount is related to this period.
10) Trond Christensen has served as interim CFO in 2020. He has been on a management for hire contract via an specialist agency. The reported fee is the total fee paid the agency, including all social expenses and fees retained by the agency
* Share-based payment expense is the expense recognised in 2020. See note 13 for further information

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

Payments to senior management and Board of directors 2019:

	2019						
Amounts in TNOK	**Salary**	**Bonus**	**Director's remunera-tion**	**Contribution to pension plan**	**Other remune-ration**	**Share-based payment expense ***	**TOTAL**
Tore Valderhaug, Chair of the Board (1)			482				482
Trond Valvik, Vice Chair of the Board (2)			331				331
Ragnhild Wahl, Board member (3)			243				243
Snorre Kjesbu, Board member			256				256
Ingeborg Molden Hegstad, Board member			278				278
Trine Strømsnes, Board member (4)							
Rune Jøraandstad, Employee elected Board member			84				84
Olav Gulling, Employee elected Board member			84				84
Heidi Finskas , Chair Nomination committee			45				45
Øystein, Elgan, Nomination committee			30				30
Fredrik Thoresen, Nomination committee			30				30
Håkon Rypern Volldal, Chief Executive Officer	3 427	1 533		76	12	11	5 059
Tor Eirik Knutsen, Former Chief Financial Officer (5)	2 373	613		76	12	102	3 177
Per Fredrik Ecker, Former Senior Vice President APMEA (6)	824			19	3		845
Morten Andersson, Senior Vice President AMERICAS	2 389	773		304	377	68	3 912
Fredrik Nordh, Senior Vice President EUROPE	2 001	614		437	114	90	3 257
Arvid Strømme, Vice President Service Line Tolling (7)	89			6	5		99
Pål-Andre Almlie, Vice President Supply Chain Management	1 282	194		73	12		1 561
Jan-Erik Sandberg, CTO	1 363	146		76	12	32	1 629
Silje Troseth, Vice President APMEA (8)	1 435	199		127			1 760
TOTAL	**15 183**	**4 072**	**1 863**	**1 194**	**547**	**303**	**23 162**

1) Tore Valderhaug served as Chair of the Board until 14.01.2020
2) Trond Valvik served as Acting Chair of the Board from 14.01.2020 until 28.05.2020
3) Ragnhild Wahl served as Board member until 28.05.2019
4) Trine Strømsnes serves as Board member from 28.05.2019
5) Tor Eirik Knutsen resigned on 31.10.2019, and served Q-Free until 31.12.2019
6) Per Fredrik Ecker served as SVP APMEA until 12.03.2019
7) Arvid Strømme served as Vice President Service Line Tolling until 22.01.2019. The given amounts is related to this period.
8) Silje Troseth served as Interim SVP APMEA from 01.04.2019
* Share-based payment expense is the expense recognised in 2019. See note 13 for further information

NOTE 13 / Share based compensation

Share based option programme for the ceo – established may 2018

The Parent company has implemented a five-year option program for the CEO that is distributed upon three tranches and with a maximum number of share options of 869,970. The options allocated under the program are vested with 1/3 each of the first three years and thereafter exercisable from two years after vesting until expiry of the program. Each option gives the right to acquire one share in Q-Free at given strike price. Tranche one of 377,834 options is exercisable in the period from 3 June 2021 to 3 June 2024. Tranche two of 269,881 options is exercisable in the period from 3 June 2022 to 3 June 2024. Tranche three of 222,255 options is exercisable in the period from 3 June 2023 to 3 June 2024. The strike price for the first tranche is calculated based on average volume weighted price for the Q-Free share in the month prior to the allocation (that is NOK 7.94 per share), and a mark-up equivalent to 40% (that is, NOK 11.12 per share) for the second tranche and 70% (that is, NOK 13.50 per share) for the third tranche. The agreement includes clauses to limit the maximum profit. For each tranche, if Q-Free's share price exceeds NOK 40 at the time of exercise, the strike price is adjusted upwards equal to the difference between the price of one Q-Free share at the time of exercise and NOK 40 per exercised option. If a shareholder, company, business or a group (as per definition in the Norwegian Securities Trading Act § 2-5) acquires control of more than two thirds of the stocks and/or votes in the Company, and the Company is consequently delisted from Oslo Børs, each and all of outstanding options mature. This entails that the CEO can exercise each and all of his options in a period of 30 days from the date final decision of delisting is made. If the options are not exercised within this period, the options expire without any form of compensation.

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

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

The share options split for the CEO as per 31.12.2020:

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

NOTE 13 / Share based compensation, cont.

Share based option programme for leading executives – established may 2017
The Parent company has implemented a five-year option program for leading executives that is distributed upon three tranches , and with a maximum number of share options of 2,500,000. The options allocated under the program are vested with 1/3 each of the first three years and thereafter exercisable from two years after vesting until expiry of the program. No consideration will be paid for the share options. Tranche one of 604,578 options is exercisable in the period from 1 October 2020 to 1 October 2023. Tranche two of 431,841 options is exercisable in the period from 1 October 2021 to 1 October 2023. Tranche three of 355,634 options is exercisable in the period from 1 October 2022 to 1 October 2023.The strike price for the first tranche is calculated based on average volume weighted price for the Q-Free share in the month prior to the allocation (that is NOK 8.52 per share). Strike price for the second tranche has a mark-up equivalent to 40% (that is NOK 11.93 per share), and 70% (that is 14.48) for the third tranche. The agreements include clauses to limit the maximum profit. If the share price for one Q-Free ASA share at the time of exercise of share options is higher than NOK 40 per share, the strike price shall be adjusted up with the difference between the share price for one Q-Free ASA share for the above-mentioned time and NOK 40 per exercised share option.

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

Specification of share option activity:	2020	2019
Granted share options 01.01	1 794 491	1 392 053
Share options granted		402 438
Share options exercised		
Share options expired/terminated	594 548	
Granted share options 31.12	**1 199 943**	**1 794 491**
Vested share options 31.12	**972 286**	**1 036 419**
Exercisable share options 31.12	**346 362**	**442656***

NOTE 13 / Share based compensation, cont.

The share options split for leading Executives as per 31.12.2020:

Name	Position	Tranche	Number of options	Strike price	Agreement in force	Expires
Tor Eirik Knutsen*	Former CFO	Tranche 1	258 216	NOK 8.52	02.10.2017	31.01.2020
		Tranche 2	184 440	NOK 11.93	02.10.2017	31.01.2020
		Tranche 3	151 892	NOK 14.48	02.10.2017	31.01.2020
Morten Andersson	SVP Traffic Management	Tranche 1	171 371	NOK 8.52	02.10.2017	02.10.2023
		Tranche 2	83 836	NOK 11.93	02.10.2017	02.10.2023
		Tranche 3	69 042	NOK 14.48	02.10.2017	02.10.2023
Fredrik Nordh	SVP Tolling	Tranche 1	228 991	NOK 8.52	02.10.2017	02.10.2023
		Tranche 2	163 565	NOK 11.93	02.10.2017	02.10.2023
		Tranche 3	134 700	NOK 14.48	02.10.2017	02.10.2023
Jan Erik Sandberg	CTO	Tranche 1	174 781	NOK 8.01	01.04.2019	31.03.2025
		Tranche 2	124 844	NOK 11.21	01.04.2019	31.03.2025
		Tranche 3	102 813	NOK 13.62	01.04.2019	31.03.2025

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

NOTE 14 / Goodwill

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

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

Cash generating units

From 1 January 2020, Q-Free Group has reported the following segments:
– Tolling
– Traffic Management
– Assets held for sale

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

NOTE 14 / Goodwill, cont.

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

Recoverable amount

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

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

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

The discount rate for each segment is defined as the weighted average cost of capital (WACC) for a similar business in the same business environment. For 2020 the WACC has been estimated to be between 7,9% and 8%. The WACC estimated for each segment is given in the table below:

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

Goodwill impairment test

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

NOTE 14 / Goodwill, cont.

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

Recognised impairment losses – Infomobility (Held for sale)	2020	2019
Goodwill 1 January		
Acquisition through a business combination	16 214	42 110
Impairment losses	0	-26 449
Exchange rate differences	85	553
Goodwill 31 December	**16 299**	**16 214**

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

The calculation of recoverable amount for all three CGUs is most sensitive to the following assumptions:
– Market share
– Cost development
– Discount rates
– Growth rates

Market share and cost development assumptions

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

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

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

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

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

NOTE 14 / Goodwill, cont.

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

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

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

Discount rates

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

Growth rates

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

NOTE 15 / Intangible assets

	Capitalized development cost	Acquired intangible assets	Total
Acquisition cost 01.01.2019	171 381	145 938	317 319
Additions	28 971	22	28 993
Foreign currency translation effect	880	443	1 323
Acquisition cost 31.12.2019	**201 232**	**146 403**	**347 635**
Accumulative amortisation and impairment 01.01.2019	66 320	105 863	172 183
Amortisation of the year	22 732	16 831	39 563
Impairment	21 644		21 644
Accumulated amortisation and impairment 31.12.2019	**110 696**	**122 694**	**233 390**
Carrying value 31.12.2019	**90 536**	**23 709**	**114 245**

	Capitalized development cost	Acquired intangible assets	Total
Acquisition cost 01.01.2020	201 232	146 403	347 635
Additions	19 038		19 038
Assets held for sale	-21 775	-2 944	-24 719
Foreign currency translation effect	-841	571	-270
Acquisition cost 31.12.2020	**197 654**	**144 030**	**341 684**
Accumulative amortisation and impairment 01.01.2020	110 696	122 694	233 390
Amortisation of the year	20 845	12 864	33 709
Impairment	16 282		16 282
Assets held for sale	-4 611	-2 372	-6 983
Accumulated amortisation and impairment 31.12.2020	**143 212**	**133 186**	**276 398**
Carrying value 31.12.2020	**54 442**	**10 844**	**65 286**
Estimated lifetime	average 5 years	average 5 years	
Amortisation schedule	Straight line	Straight line	

Capitalized development cost

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

NOTE 15 / Intangible assets, cont.

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

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

Acquired intangible assets

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

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

Impairment

In 2019, indications of impairment of intangible assets in the Parking segment (classified as held for sale) was identified. Based on an analysis of recoverable amount, an impairment of tNOK 21,644 was recognized. A renewed analysis in December 2020 led to an additional impairment of tNOK 16,282.

NOTE 16 / Inventory costs of goods sold

Amounts in TNOK

Inventory specification:	2020	2019
Raw material and semi manufactured products	18 949	46 007
Finished goods	13 683	27 605
Inventory for maintenance contracts	16 539	13 915
Provision for obsolescense	-10 722	-11 384
Total	**38 450**	**76 143**

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

NOTE 16 / Inventory costs of goods sold, cont.

Amounts in TNOK

COGS specification:	2020	2019
Inventory transferred to customers	227 138	299 455
Freight, customs etc.	6 569	8 445
Warranty cost	3 003	-647
Write-down to net realisable value	-101	-2 697
Total	236 609	304 556

NOTE 17 / Accounts receivable

	2020	2019
Accounts receivable	109 945	140 581
Loss allowance		-316
Total	**109 945**	**140 265**

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

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

Distribution by currency

Amounts in TNOK	31 December 2020	31 December 2019
Amounts Receivables EUR	35 862	48 513
Amounts Receivables USD	37 956	43 373
Amounts Receivables GBP		7 769
Amounts Receivables SEK	4 789	3 974
Amounts Receivables AUD	1 351	5 483
Amounts Receivables NOK	19 500	16 927
Amounts Receivables other	10 486	14 226
Total	**109 945**	**140 265**

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

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

NOTE 17 / Accounts receivable, cont.

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.

Aging of gross trade receivables

Amounts in TNOK	Total	Not due	< 30 days	30-60 days	60-90 days	>90 days
31 December 2020	109 945	80 487	17 487	3 414	2 056	6 501
Loss allowance						
Net value 2020	**109 945**					
31 December 2019	140 581	101 081	16 281	3 887	1 833	17 499
Loss allowance	-316					-316
Net value 2019	**140 265**					

NOTE 18 / Other current assets

Amounts in TNOK

Other current assets	2020	2019
Prepaid taxes	3 591	16 057
Outstanding public duties		-1 869
Prepaid rent	6 325	1 450
Prepaid software licenses	1 850	1 518
Prepaid insurance	992	1 482
Prepaid system project expenses	446	206
Other prepaid expenses	3 639	3 676
Other receivables	11 186	14 987
Total	**28 030**	**37 506**

NOTE 19 / Cash and cash equivalents

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

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

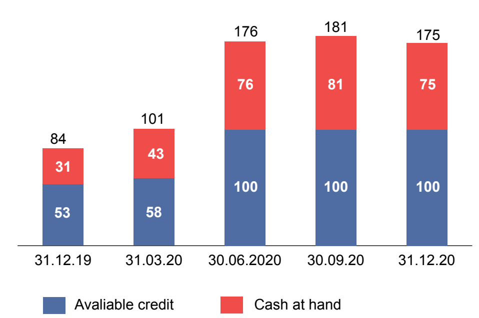
Amounts in TNOK

Liquidity funds	2020	2019
Cash at banks and on hand	74 961	31 051
Total cash and cash equivalents	**74 961**	**31 051**

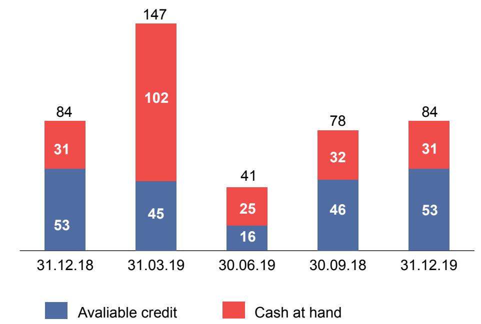
As of 31 December 2020, the Group had available TNOK 100,000 (2019: TNOK 52,978) of undrawn bank overdraft and TNOK 30,293 (2019: TNOK 15,075) of undrawn guarantee facilities in which all conditions precedent had been met.

NOTE 19 / Cash and cash equivalents, cont.

Cash and credit facilities development during 2020



Cash and credit facilities development during 2019



NOTE 20 / Accounts payable

Amounts in TNOK

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

NOTE 21 / Other current liabilities

Amounts in TNOK

Other current liabilities	2020	2019
Accrued wages (holiday pay and bonus scheme)	25 202	17 223
Warranty provisions (see spesification for changes during the year)	10 027	12 508
Accrued expense	36 340	22 172
Restructuring provision		914
Miscellaneous	7 299	3 656
Total	**78 868**	**56 473**

Warranty provision

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

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

NOTE 21 / Other current liabilities, cont.

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

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

NOTE 22 / Taxes

	2020	2019
Total tax expense for the period		
Taxes payable on this years profit for Norwegian companies		
Taxes payable on this years profit for foreign companies	11 819	4 395
Change in deferred tax for Norwegian companies	100	30
Change in deferred tax for foreign companies	-3 370	-4 493
Total	**8 549**	**-68**
Tax rate	NA	NA
Taxes payable for the year		
Profit before tax	-32 446	-50 049
Permanent differences	45 854	64 755
Change in temporary differences	37 733	-17 838
Utilisation of previously unrecognised tax losses	-7 277	11 066
Basis for taxes payable	**43 864**	**7 934**
Specification of taxes payable		
Taxes payable on this years profit, Norwegian companies		94
Taxes payable on this years profit, foreign companies	11 201	4 300
Advance tax payment, foreign companies *	-6 720	-11 588
Carried forward tax compensation		-3 039
Advance tax payment, foreign companies, reclassified to Other current assets	-944	13 764
Transferred to assets held for sale	18	
Total taxes payable	**3 555**	**3 531**

NOTE 22 / Taxes, cont.

	2020	2019
Specification on basis for deferred tax		
Specification of deferred tax assets (-) / deferred tax liabilities (+)		
Differences evaluated to be offset:		
Property, plant and equipment	-14 936	-19 094
Non-current receivables	-13 089	3 201
Current assets	-3 163	-5 274
Liabilities		-1 295
Tax losses carry -forward	-121 583	-109 594
Other differences	-5 786	-2 189
Total	**-158 557**	**-134 245**
Unrecognised deferred tax assets	**139 735**	**118 681**
Net recognised deferred tax assets (-) / deferred tax liabilities (+)	**-18 822**	**-15 564**
Recognised deferred tax assets (-)	**-18 822**	**-15 564**
Recognised deferred tax liabilities (+)		
Reconciling the tax expense		
Earnings before tax	-32 446	-50 049
Calculated tax at domestic tax rate per country	-7 138	-10 697
Tax result permanent differences and tax rate difference	10 088	12 976
Use of previously unrecognised loss carried forward (-) / Increase in valuation allowance **	-1 601	-2 260
Adjusted allocated tax from last year	7 199	-87
Tax expense	**8 549**	**-68**

* Paid withholding tax in foreign subsidiaries.

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

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

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

NOTE 22 / Taxes, cont.

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

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

NOTE 23 / Other operating expenses

Amounts in TNOK

Other operating expenses	2020	2019
External services	45 814	35 586
Travel expense	10 492	25 354
Office supplies	21 687	21 283
Insurance	5 645	4 221
Freight	1 358	1 167
Rent machinery & tools	11 455	11 166
Marketing / promotions	5 073	7 933
Service & Maintenance	4 043	4 539
Operating materials	6 704	7 593
Credit losses		-673
Other	25 759	19 788
Total	**138 030**	**137 958**

Project contractor expenses

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

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

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

NOTE 24 / Property, plant and equipment

Amounts in TNOK	Right-of-use-asset	Leasehold improvement	Project related equipment	Office equipment	Total
Accumulated acquisition cost					
Acquisition cost 01.01.2019	64 143	8 286	17 121	41 751	131 301
Additions	12 573	454	1 688	3 350	18 065
Disposals					
Foreign currency translation effect		2	38	48	88
Acquried cost 31.12.2019	**76 716**	**8 742**	**18 847**	**45 149**	**149 454**
Accumulated depreciation and impairment					
Accumulated depreciation and impairments 01.01.2019		5 050	6 370	30 318	41 738
Depreciation of the year	20 728	718	3 009	4 668	29 123
Foreign currency translation effect	-196			4	-192
Accumulated depreciation and impairments 31.12.2019	**20 532**	**5 768**	**9 379**	**34 990**	**70 669**
Carrying value 31.12.2019	**56 184**	**2 974**	**9 468**	**10 159**	**78 785**
Accumulated acquisition cost					
Acquisition cost 01.01.2020	76 716	8 742	18 847	45 149	149 454
Additions	9 091	347	4 920	6 336	20 694
Assets held for sale	-4 674		-2 361	-9 105	-16 140
Foreign currency translation effect				82	82
Acquired cost 31.12.2020	**81 133**	**9 089**	**21 406**	**42 462**	**154 090**
Accumulated depreciation and impairment					
Accumulated depreciation and impairments 01.01.2020	20 532	5 768	9 379	34 990	70 669
Depreciation of the year	22 296	756	2 611	4 651	30 314
Assets held for sale	-1 772		-2 079	-6 391	-10 242
Foreign currency translation effect				37	37
Accumulated depreciation and impairments 31.12.2020	**41 056**	**6 524**	**9 911**	**33 287**	**90 779**
Carrying value 31.12.2020	**40 076**	**2 565**	**11 495**	**9 175**	**63 311**
Estimated lifetime	1-9 years	average 5 years	average 5 years	3-5 years	
Depreciation schedule	Straight line	Straight line	Straight line	Straight line	

The leases recognized according to IFRS 16 consist of office buildings contracts TNOK 77.955 (2019: TNOK 73.080) and car rental agreements TNOK 3.178 (2019: TNOK 3.636). All other leases relating to IT and other office equipment are of low value or short-term leases. The average term for the office leases is 2-9 years and the average term for the car rentals is 1-3 years as of 1 January 2020. See note 3 for implementation of IFRS 16 and note 25 for associated Lease Liability.

NOTE 25 / Lease commitments/Lease liability

Lease Liability In accordance with IFRS 16

Terms Amounts in TNOK	**2020**	**2019**
As at 01.01.	56 915	64 143
Additional/Disposal	12 573	12 573
Payments	22 875	19 801
Transferred to liabilities held for sale	-6 233	
Lease Liability 31.12.	**40 380**	**56 915**

Current Lease Liability amoounted to TNOK 20,110 (2019: TNOK 21,763) and is presented within Current financial liabilities.

Non-current Lease Liability amoounted to TNOK 20,271 (2019: TNOK 33,152) and is presented within Non-Current financial liabilities

Guarantees

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

Collateral

Book value of assets securing loans and guarantees:

	2020	**2019**
Shares in subsidiaries	478 554	446 062
Accounts receivable	78 799	78 497
Contract assets	42 589	81 945
Inventories	32 990	48 626
Property, plant and equipment	20 957	18 289
Total	**653 889**	**673 419**

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

NOTE 26 / Subsidiaries

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

	Year acquired by Q-Free Group	**Location**	**Primary segment**	**Ownership**	**Voting share**	**Functional currency**
Q-Free Portugal Lda.	1997	Lisboa, Portugal	Tolling	100%	100%	EUR
Q-Free Australia Pty. Ltd.	1999	Sydney, Australia	Tolling	100%	100%	AUD
Noca Holding AS	2001	Trondheim, Norway	Tolling	100%	100%	NOK
Q-Free Sverige AB	2007	Stockholm, Sweden	Tolling	100%	100%	SEK
Q-Free Thailand Co Ltd.	2007	Bangkok, Thailand	Tolling	100%	100%	THB
Q-Free Netherlands BV	2009	Beilen, The Netherlands	Tolling	100%	100%	EUR
Q-Free Chile	2012	Santiago, Chile	Tolling	100%	100%	CLP
TCS International Inc. *	2012	Boston, USA	Parking (held for sale)	100%	100%	USD
Q-Free America Inc.	2012	San Diego, CA, USA	TrafficManagement	100%	100%	USD
Q-Free (Bristol) UK Ltd	2014	Weston Super-Mare, UK	Infomobility (held for sale)	100%	100%	GBP
Q-Free Traffic Design d.o.o.	2014	Ljubljana, Slovenia	TrafficManagement	100%	100%	EUR
Open Roads Consulting Inc. *	2014	Virginia, USA	TrafficManagement	100%	100%	USD
Q-Free Espana S.L.U.	2014	Madrid, Spain	Tolling	100%	100%	EUR
Q-Free France S.A.R.L.	2014	Paris, France	Parking (held for sale)	100%	100%	EUR
Intelight Inc. *	2015	Arizona, USA	TrafficManagement	100%	100%	USD
Q-Free LLC	2015	Moscow, Russia	Tolling	100%	100%	RUB
Q-Free Polska sp. z.o.o.	2016	Warsaw, Poland	Tolling	100%	100%	PLN
Q-Free Norge AS	2018	Trondheim, Norway	Tolling	100%	100%	NOK
Q-Free Denmark Aps	2018	Korsør, Denmark	Tolling	100%	100%	DKK
Subsidiaries under liquidation:						
Q-Free América Latina Ltda.	1998	Sao Paolo, Brasil		100%	100%	BRL
Q-Free Africa Ltd.	2010	Durban, South Africa		74%	74%	ZAR
Q-Free Traffiko Ltd	2015	Valetta, Malta		100%	100%	EUR
PT Q-Free Indonesia	2012	Jakarta, Indonesia		100%	100%	IDR
Q-Free Sdn. Bhd. Malaysia	1997	Kuala Lumpur, Malaysia		100%	100%	MYR

Segments represent the primary segment that the company operates in.

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

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

Joint operations

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

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

Joint Operation	**Description**	**Ownership interest**
Don Muang Tollway	Joint Operation with United Telecom Sales and Services Co. Ltd.	70%

NOTE 27 / Earnings per share

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

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

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

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

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

NOTE 28 / Related parties

Terms and conditions of transactions with related parties

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

Related parties

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

Associated companies

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

NOTE 29 / Non-current financial liabilities

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

Contingent consideration

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

Contingent consideration arises from the acquisition of Intelight Inc. The sixth and final tranche of the transaction regarding the acquisition of Intelight Inc. was closed in May 2020, and Q-Free America Inc. acquired 24.7 percent at TNOK 32,492 (2019: TNOK 44,844). As of 31 December 2020 Q-Free America Inc. had accumulated a shareholding in Intelight Inc. of 100 percent (2019: 75.3%).

Changes in contingent consideration

Amounts in TNOK	Current	Non-current	Total
Contingent consideration 01.01.2020	32 651	0	32 651
Cash payments in 2020	-32 492		-32 492
Fair value changes of contingent consideration			
Exchange rate differences	-159		-159
Reallocation to other current liabilities			
Contingent consideration 31.12.2020			

	Current	Non-current	Total
Contingent consideration 01.01.2019	69 267	24 546	93 813
Cash payments in 2019	-44 884		-44 884
Fair value changes of contingent consideration	-16 952		-16 952
Exchange rate differences	674		674
Reallocation to other current liabilities	24 546	-24 546	
Contingent consideration 31.12.2019	**32 651**		**32 651**

Acquisition of Intelight Inc. – Arizona, US

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

In Q1 2015 Q-Free ASA, on behalf of Q-Free America (100% owned subsidiary), signed a share purchase agreement and a shareholders agreement to acquire the remaining 90.3 percent of the shares in Intelight. The agreements say that the sellers have the right to sell the remaining outstanding shared and exercise 715.000 synthetic options at a strike of 1 USD per option over a period of 5 years. The initial transaction was closed in April 2015 where the sellers could sell up to 15%. Thereafter the sellers can sell up to 15% of their remaining shares per year over a period of 5 years. If the options are in the money, the owners of options can exercise up to 15%

NOTE 29 / Non-current financial liabilities, cont.

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

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

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

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

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

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

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

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

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

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

NOTE 30 / Investments in other companies

31 December 2020 Amounts in TNOK	**Company's equity**	**Number of shares**	**Ownership**	**Book value in Parent**	**Book value in Group**	**Included in comprehensive income**
Leiv Eiriksson AS	15 701	9 919	0.66%	367	367	-367
Other				20	20	-20
Fair value adjustments				-387	-387	387
Total						

NOTE 31 / Assets held for sale

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

Amounts in TNOK	**31.12.2020**
ASSETS	
Intangible Assets	17 737
Goodwill	16 289
Property, plant and equipment	6 502
Inventories	19 358
Contract assets	1 406
Accounts receivable	28 227
Other current assets	1 487
ASSETS HELD FOR SALE	**91 003**
LIABILITIES	
Non-current financial liabilities	3 739
Accounts payable	12 331
Public duties payable	3 111
Other current liabilities	7 975
ASSETS HELD FOR SALE	**27 157**

NOTE 32 / Changes in liabilities arising from financing activities

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

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

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

	2020	2019
Cash flow from investing activities:		
Net change in financial liabilities from the contingent consideration:	-32 651	-41 805
Payment of contingent consideration presented within Cash flow from investing activities	-32 491	-44 765
Currency translation difference	-160	233
Fair value change of contingent consideration	0	2 727
Net change in financial liabilities from the contingent consideration	**-32 651**	**-41 805**
Cash flow from financing activities:		
Net changes in non-current and current borrowings:	**1 479**	**16 501**
Cash proceeds from credit line (Cash proceeds from borrowings)	35 064	73 033
Cash proceeds term loan*** (Cash proceeds from borrowings)	82 000	
Cash proceeds from borrowings	117 064	73 033
Debt installments term loan (Repayment of borrowings)	-33 500	-36 000
Cash payments credit line (Repayment of borrowings)	**-82 085**	**-20 532**
Repayment of borrowings	**-115 585**	**-56 532**
Net change in non-current and current borrowings	**1 479**	**16 501**

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

	2020	2019
Net change in convertible bond	**69 983**	**0**
Cash proceeds from convertible bond	75 777	0
Debt element classified as equity	-10 727	0
Interest accrued, not paid	4 933	0
Net change in convertible bond	**69 983**	**0**
Net change in financial liabilities from leasing liabilities**):**	**-16 534**	**56 915**
Implementation of IFRS16		64 143
Payments of lease liabilities	-22 875	-21 993
Leasing agreements entered into during the year	12 573	14 765
Transferred to Liabilities held for sale	-6 232	0
Net change in financial liabilities from leasing agreements	**-16 534**	**56 915**

* Intelight share purchase obligation
** Other financial liabilities have renegotiated terms and are not related to financial activities
*** The facility is partly guaranteed by GIEK as part of the Norwegian government's Covid-19 support packages.
**** IFRS16 was implemented Jan 1 2019. Changes in 2019 is thus not relevant for analysis purposes

NOTE 33 / Subsequent events

Assets held for sale – reconsideration of infomobility segment

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

Conversion of convertible bond.

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

Sale of subsidiaries Q-Free France SARL and TCS International Inc

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

NOTE 33 / Subsequent events, cont.

Effect of the Covid-19 pandemic

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

Alternative Performance Measures

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

Gross contribution:

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

Project contractor expenses:

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

Gross margin:

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

Gross contribution and gross margin Amounts in TNOK	**2020**	**2019**
Revenue from customers	889 305	962 317
Cost of goods sold	-236 609	-304 556
Project contractor expenses	-107 551	-118 372
Gross contribution	**545 145**	**539 389**
Gross margin	**61.3%**	**56.1%**

EBITDA / EBIT:

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

Alternative Performance Measures, cont.

EBITDA margin:

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

EBITDA margin Amounts in TNOK	**2020**	**2019**
Revenue from customers	889 305	962 317
EBITDA	75 777	72 643
EBITDA margin	**8.5%**	**7.5%**

EBIT margin:

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

EBITDA margin Amounts in TNOK	**2020**	**2019**
Revenue from customers	889 305	962 317
EBIT	-8 800	-54 381
EBIT margin	**-1.0%**	**-5.7%**

Non-recurring items:

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

Non-recurring items Amounts in TNOK	**2020**	**2019**
Settlement of dispute		-9 125
Restructuring costs		7 500
Non-recurring items in EBITDA	**0**	**-1 625**
Impairment	20 538	58 332
Non-recurring items in EBIT	**20 538**	**56 707**

Net Interest Bearing Debt (NIBD):

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

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

Alternative Performance Measures, cont.

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 Amounts in TNOK	**2020**	**2019**
Inventories	38 450	76 143
Contract assets	93 560	103 957
Accounts receivable	109 945	140 265
Other current Assets	119 034	37 506
Current Assets	**360 989**	**357 871**
Advance payments from customers	11 050	4 253
Accounts payable	58 220	117 609
Taxes payable	3 555	3 531
Public duties payable	14 118	20 167
Current financial liabilities	20 110	54 414
Other current liabilities	106 025	56 473
Intelight share purchase liability		-32 651
Current liabilities (excl Currrent borrowings to financial institutions)	**213 078**	**223 796**
Net Working Capital	**147 911**	**134 075**

Working capital ratio:

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

Working Capital ratio Amounts in TNOK	**2020**	**2019**
12 months Revenue from customers	880 339	962 317
Net Working Capital	147 911	134 075
Working Capital ratio	**16.8%**	**13.9%**

Equity ratio:

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

Equity ratio Amounts in TNOK	**2020**	**2019**
Total equity	313 115	357 502
Total assets	849 946	883 168
Equity ratio	**36.8%**	**40.5%**

Alternative Performance Measures, cont.

Order intake:

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

Order backlog:

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

The order backlog is calculated as shown below:

	Last periods backlog
+	Received new orders
÷	This periods revenues
+ / ÷	Currency adjustments .
***=**	**End backlog reporting period**

FINANCIAL STATEMENTS

Q-FREE ASA

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STATEMENT OF PROFIT OR LOSS

Q-FREE ASA

Amounts in TNOK	Note	**2020**	**2019**
Employee benefit expenses	7	7 804	11 065
Other operating expenses	8	9 274	17 107
Total operating expenses		***17 078***	***28 172***
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**-17 078**	**-28 172**
Depreciation of property, plant and equipment			0
Amortisation of intangible assets			0
Earnings before interest and taxes (EBIT)		**-17 078**	**-28 172**
Financial income	6	38 411	91 474
Financial expenses	6	-64 472	-107 600
Financial items, net		***-26 061***	***-16 126***
Profit before tax		**-43 139**	**-44 298**
Tax expense	9		0
Profit / (-) loss for the year		**-43 139**	**-44 298**

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

STATEMENT OF COMPREHENSIVE INCOME

Q-FREE ASA

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

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

STATEMENT OF FINANCIAL POSITION

Q-FREE ASA

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

STATEMENT OF FINANCIAL POSITION

Q-FREE ASA

Amounts in TNOK	Note	31.12.2020	31.12.2019
EQUITY AND LIABILITIES			
Subscribed share capital		33 905	33 905
Share premium		578 307	578 307
Other paid-in capital		31 950	21 224
Retained earnings		-269 714	-226 576
TOTAL EQUITY		**374 448**	**406 860**
Non-current bank borrowings	2	179 200	160 000
Convertible bond		69 983	
Non-current borrowings subsidiaries	3	48 700	16 939
Total non-current liabilities		***297 883***	***201 939***
Current bank borrowings	2	54 300	72 022
Current borrowings subsidiaries	3	35 169	74 209
Other current liabilities	12	5 729	6 577
Total current liabilities		***95 198***	***127 807***
TOTAL LIABILITIES		**393 081**	**329 746**
TOTAL EQUITY AND LIABILITIES		**767 530**	**736 606**

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

Trondheim, 28 April 2021

Trond Valvik
(Sign.)
Chair of the Board

Trine Helen Strømsnes
(Sign.)
Board member

Snorre Kjesbu
(Sign.)
Board member

Geir Beitveit Bjørlo
(Sign.)
Board member

Ingeborg Molden Hegstad
(Sign.)
Board member

Brage Blekken
(Sign.)
Employee-elected
Board member

Yngve Halmø
(Sign.)
Employee-elected
Board member

Håkon Rypern Volldal
(Sign.)
President & CEO

STATEMENT OF CASH FLOWS

Q-FREE ASA

Amounts in TNOK	Note	2020	2019
Cash flow from operations			
Profit before tax		-43 139	-44 297
Depreciation and impairment of property, plant and equipment			
Amortisation and impairment losses		15 000	69 644
Dividend from subsidiaries			
Accrued interest expense		225	409
Net loss on available-for-sale FVOCI (IFRS 9) investments			
Share-based payment expense	1	233	273
Working capital adjustments :			
Changes in accounts receivables		-38 853	13 284
Changes in accounts payables		-305	-2 790
Changes in other items		-35 215	-16 731
Net cash flow from operations		***-102 054***	***19 792***
Cash flow from investments			
Investments in PP&E and intangible assets			
Net cash flow from investments			
Cash flow from financing			
Cash proceeds from bank borrowings	3, 14	117 064	4 000
Cash proceeds from convertible bond	3, 14	75 777	
Repayment of bank borrowings	3, 14	-115 585	-29 605
Cash proceeds from borrowings subsidiaries	14	29 339	
Interest received		12	-12 344
Interest paid		-9 831	
Net cash flow from financing		***96 776***	***-37 949***
Effect on cash and cash equivalents of changes in foreign exchange rates		**4 500**	**1 633**
Net change in cash and cash equivalents for the year		**-778**	**-16 524**
Cash and cash equivalents per 01.01.	11	793	17 317
Cash and cash equivalents per 31.12.	**11**	**15**	**793**

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

STATEMENT OF CHANGES IN EQUITY

Q-FREE ASA

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

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

NOTE 1 / Corporate information and accounting policies

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

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

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

Significant accounting policies

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

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

Shares in subsidiaries

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

Foreign currency

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

Revenue recognition

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

NOTE 1 / Corporate information and accounting policies, cont.

Cash and cash equivalents

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

Statement of cash flows

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

Share-based compensation

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

Risk management

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

Income taxes

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

Intercompany long-term receivables and payables

Long-term receivables

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

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

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

NOTE 1 / Corporate information and accounting policies, cont.

Events after the balance sheet date

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

Changes in accounting principles as of 1 January 2020

Statement of cash flows

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

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

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

NOTE 2 / Borrowings

Type	Effective interest rate***	Maturity	31.12.2020	31.12.2019
Non-current				
Nordea – Term loan	3.20%	01.06.2022	25 000	70 000
Nordea – Term loan	3.20%	01.06.2022	29 230	34 730
Nordea – Term loan*	3.16%	28.05.2022	69 700	
Nordea – Revolving Credit Facility (RCF)	3.20%	01.06.2022	55 270	55 269
Total non-current borrowings			**179 200**	**160 000**
Convertible bond				
Convertible bond (NIBOR + 4.00%)	12.53%	19.05.2023	69 983	
Current				
Nordea – Term loan	3.20%	31.12.2021	25 000	15 000
Nordea – Term loan	3.20%	30.09.2021	17 000	10 000
Nordea – Term loan*	3.16%	31.12.2021	12 300	
Nordea – Credit line **		01.06.2022		47 021
Total current borrowings			**54 300**	**72 022**
Total			**303 483**	**232 022**

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

Convertible Bond

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

The Bonds bear interest at 6 months NIBOR + 4.00% per annum with deferral optionality, have a tenor of three years and an initial conversion price of NOK 4.3669 equal to a premium of 25% over the volume weighted average price of the Shares on the Oslo Stock Exchange the 22 April 2020 of NOK 3.4935. The Bonds are notlisted.

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

On December 15, Rieber & Søn AS increased their ownership in Q-Free past 33,3%. This triggered a "change of control event" for the holders of convertible bonds, enabling the bond-holders to convert the bonds to shares at a price of 3,6329 per share. As a subsequent event, bond-holders representing a nominal value of 80 MNOK have converted in January and February 2021. See also note on Subsequent events in the Group Consolidated Financial Statements.

NOTE 2 / Borrowings, cont.

Debt covenants

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

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

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

The effective interest rate of selected facilities/borrowings are dependent if Q-Free's leverage ratio is above or below 2,75. The interest is currently (Effective October 20) on the lowest level but will increase if leverage ratio increases above 2,75.

Financial liability maturity schedule

Amounts in TNOK

Year ended 31 December 2020:	On demand	Less than 3 months	3–6 months	6–9 months	9–12 months	1–2 years	2–5 years	6 years – maturity	Total
Non-current bank borrowings	144	1 407	1 423	1 438	2 877	181 576			188 865
Non-current borrowings subsidiaries		389	389		393	1 452	48 700		51 322
Convertible Bond			3 714		1 807	3 714	81 778		91 013
Current bank borrowings	28	8 927	17 100	13 170	18 618				57 843
Current borrowings subsidiaries		148	148		19 277				19 573
Total financial liabilities	**172**	**10 871**	**22 774**	**14 608**	**42 972**	**186 742**	**130 478**		**408 616**

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

Year ended 31 December 2019:	On demand	Less than 3 months	3–6 months	6–9 months	9–12 months	1–2 years	2–5 years	6 years – maturity	Total
Non-current bank borrowings						171 269			171 269
Non-current borrowings subsidiaries		135	135	137	137	505	16 939		17 988
Current bank borrowings	298	2 168	11 269	7 421	62 046				83 202
Other financial liabilities		2 070							2 070
Total financial liabilities	**298**	**4 373**	**11 404**	**7 558**	**62 183**	**171 774**	**16 939**		**274 529**

NOTE 2 / Borrowings, cont.

Amounts in TNOK

Year ended 31 December 2020:	On demand	Less than 3 months	3–6 months	6–9 months	9–12 months	1–2 years	2–5 years	6 years – maturity	Total
Non-current bank borrowings						179 200			179 200
Convertible Bond							69 983		69 983
Current bank borrowings		8 500	16 600	12 600	16 600				54 300
Total financial liabilities		**8 500**	**16 600**	**12 600**	**16 600**	**179 200**	**69 983**		**303 483**

Year ended 31 December 2019:	On demand	Less than 3 months	3–6 months	6–9 months	9–12 months	1–2 years	2–5 years	6 years – maturity	Total
Non-current bank borrowings						169 067			169 067
Current bank borrowings	313	2 255	11 829		7 806	60 998			83 201
Other financial liabilities		2 070							2 070
Total financial liabilities	**313**	**4 325**	**11 829**		**7 806**	**230 065**			**254 338**

Note 3 / Intercompany loans receivable and payables

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

	2020				
Amounts in TNOK	**Book value**	**Maturity date**	**Interest rate**	**Impairment stage**	**Loss allowance**
Q-Free America Inc.	215 040	Undetermined	3 MND LIBOR + 3.0%	Stage 1	
Q-Free (Bristol) UK Ltd	17 764	Undetermined	3 MND LIBOR + 3.0%	Stage 1	
Q-Free Thailand Co. Ltd.	19 029	Undetermined	3 MND LIBOR + 2.0%	Stage 1	
Q-Free Polen	11	Undetermined	3 MND LIBOR + 3.0%	Stage 1	
Noca Holding AS	469	Undetermined	3 MND LIBOR + 3.0%	Stage 1	
Q-Free France S.A.R.L	10 299	Undetermined	3 MND LIBOR + 3.0%	Stage 3	-10 299
Q-Free Traffiko Ltd.	14	Undetermined	3 MND LIBOR + 3.0%	Stage 3	-14
PT Q-Free Indonesia	407	Undetermined	3 MND LIBOR + 3.0%	Stage 3	-407
Total	**263 033**				**-10 720**

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

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

Description of general impairment model for intercompany loans

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

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

NOTE 3 / Intercompany loans receivable and payables, cont.

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

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

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

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

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

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

The parent company uses the following indicators in the assessment:

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

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

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

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

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

NOTE 3 / Intercompany loans receivable and payables, cont.

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

Amounts in TNOK	Book value	Interest rate
Q-Free Netherlands	31 306	3 MND LIBOR + 3.0%
Noca Holding AS	17 394	3 MND LIBOR + 3.0%
Total	**48 700**	

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

Amounts in TNOK	Book value	Interest rate
Q-Free Portugal	15 875	3 MND LIBOR + 3.0%
Total	**15 875**	

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

NOTE 4 / Subsidiaries

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

	Year acquired by Q-Free Group	Location	Primary segment	Ownership	Voting share	Functional currency	Book value 31.12.20 (Amounts in TNOK)
Q-Free Portugal Lda.	1997	Lisboa, Portugal	Tolling	100%	100%	EUR	204
Q-Free Australia Pty. Ltd.	1999	Sydney, Australia	Tolling	100%	100%	AUD	
Q-Free Sdn. Bhd. Malaysia	1997	Kuala Lumpur, Malaysia	Tolling	100%	100%	MYR	
Noca Holding AS	2001	Trondheim, Norway	Tolling	100%	100%	NOK	5 956
Q-Free Sverige AB	2007	Stockholm, Sweden	Tolling	100%	100%	SEK	84
Q-Free Thailand Co Ltd.	2007	Bangkok, Thailand	Tolling	100%	100%	THB	10 847
Q-Free Netherlands BV	2009	Beilen, The Netherlands	Tolling	100%	100%	EUR	76 409
Q-Free Chile	2012	Santiago, Chile	Tolling	100%	100%	CLP	28
TCS International Inc. *	2012	Boston, USA	Assets held for sale	100%	100%	USD	
Q-Free America Inc.	2012	San Diego, CA, USA	Traffic Management	100%	100%	USD	216 887
Q-Free (Bristol) UK Ltd	2014	Weston Super-Mare, UK	Assets held for sale	100%	100%	GBP	46 427
Q-Free Traffic Design d.o.o.	2014	Ljubljana, Slovenia	Tolling	100%	100%	EUR	29 149
Open Roads Consulting Inc. *	2014	Virginia, USA	Traffic Management	100%	100%	USD	
Q-Free Espana S.L.U.	2014	Madrid, Spain	Tolling	100%	100%	EUR	25
Q-Free France S.A.R.L.	2014	Paris, France	Assets held for sale	100%	100%	EUR	41
Intelight Inc. *	2015	Arizona, USA	Traffic Management	100%	100%	USD	
Q-Free LLC	2015	Moscow, Russia	Traffic Management	100%	100%	RUB	
Q-Free Polska sp. z.o.o.	2016	Warsaw, Poland	Tolling	100%	100%	PLN	11
Q-Free Norge AS	2018	Trondheim, Norway	Tolling	100%	100%	NOK	123 617
Q-Free Denmark Aps	2018	Korsør, Denmark	Tolling	100%	100%	NOK	64
Subsidiaries under liquidation:							
Q-Free América Latina Ltda.	1998	Sao Paolo, Brasil	Tolling	100%	100%	BRL	
Q-Free Africa Ltd.	2010	Durban, South Africa	Tolling	74%	74%	ZAR	
Q-Free Traffiko Ltd	2015	Valetta, Malta	Tolling	100%	100%	EUR	17
PT Q-Free Indonesia	2012	Jakarta, Indonesia	Tolling	100%	100%	IDR	
Total							**509 765**

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

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

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

NOTE 5 / Shareholders

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

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

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

The company's largest shareholders as of 31 December 2019:	Number of shares	Percentage share ownership	Voting rights
RIEBER & SØN AS	23 027 806	25.81%	25.81%
KAPSCH TRAFFICCOM AG	9 900 000	11.10%	11.10%
ARCTIC FUNDS PLC	6 837 523	7.66%	7.66%
VERDIPAPIRFONDET DNB NORGE (IV)	4 950 814	5.55%	5.55%
KLP AKSJENORGE	4 354 495	4.88%	4.88%
KOMMUNAL LANDSPENSJONSKASSE	4 350 635	4.88%	4.88%
KAPSCH TRAFFICCOM AG	3 850 458	4.32%	4.32%
STOREBRAND VEKST VERDIPAPIRFOND	1 962 459	2.20%	2.20%
LARS ODDGEIR ANDRESEN	1 633 600	1.83%	1.83%
ULSMO FINANS AS	1 579 960	1.77%	1.77%
AUGUST HOLDING AS	1 240 000	1.39%	1.39%
TROND WIKBORG	1 185 178	1.33%	1.33%
SANTANDER SECURITIES SERVICES, S.A (NOM)	1 128 090	1.26%	1.26%
MARK JOHN PHILLIPS	969 974	1.09%	1.09%
Other share holders	22 252 454	24.94%	24.94%
Total	**89 223 446**	**100.0%**	100.0%

NOTE 5 / Shareholders

Shareholders by size of holding as of 31 December 2020:

Number of shares	Number of owners	Number of shares	Holding percentage
1 – 1 000	860	358 950	0.40%
1 001 – 10 000	678	2 740 081	3.07%
10 001 – 100 000	220	7 337 497	8.22%
100 001 – 200 000	28	3 835 198	4.30%
200 001 – 500 000	19	5 760 740	6.46%
500 001 – 1 000 000	12	7 410 164	8.31%
1 000 001 – 2 000 000	6	7 056 379	7.91%
2 000 001 – 5 000 000	3	10 978 206	12.30%
5 000 001 – 10 000 000	1	7 113 312	7.97%
10 000 001 +	1	36 632 919	41.06%
Total	**1 828**	**89 223 446**	**100.00%**

Shareholders by size of holding as of 31 December 2019:

Number of shares	Number of owners	Number of shares	Holding percentage
1 – 1 000	629	294 421	0.33%
1 001 – 10 000	501	2 013 405	2.26%
10 001 – 100 000	173	5 798 562	6.50%
100 001 – 200 000	17	2 306 059	2.58%
200 001 – 500 000	14	4 584 638	5.14%
500 001 – 1 000 000	12	8 225 343	9.22%
1 000 001 – 2 000 000	6	8 729 287	9.78%
2 000 001 – 5 000 000	4	17 506 402	19.62%
5 000 001 – 10 000 000	2	16 737 523	18.76%
10 000 001 – 20 000 000	1	23 027 806	25.81%
Total	**1 359**	**89 223 446**	**100.00%**

NOTE 5 / Shareholders, cont.

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

Name	Position	Shares 2020	Shares 2019
Trond Valvik *	Chair of the Board	150 000	
Snorre Kjesbu	Vice Chair of the Board	39 505	39 505
Ingeborg Molden Hegstad **	Board member	24 600	24 600
Trine Strømsnes	Board member		
Geir Bjørlo ***	Board member	70 000	
Håkon Volldal ****	President & CEO	225 000	153 829
Morten Andersson	SVP Traffic Management		
Fredrik Nordh	SVP Tolling	40 000	40 000
Idunn Hals Bjelland de Garcia	SVP Brand, Communication & Marketing		
Pål-Andre Almlie	VP Supply Chain Management	26 500	26 500
Tore Valderhaug *****	Former Chair of the Board, resignation date Jan. 14, 2020	25 000	25 000
Per Fredrik Ecker	Former SVP APMEA		33 500
Tor Eirik Knutsen	Former CFO		12 500
Total		**600 605**	**355 434**

* Indirectly through Battelhavet AS
** Indirectly through Imsight AS
*** Indirectly through Illuminator AS
**** Indirectly through Bright Future AS
***** Indirectly through Proventi AS

Trond Valvik holds a position as Investment Director in Rieber & Søn, which as per 31.12.2020 owns 36,632,919 (41.06%) shares in Q-Free ASA.

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

NOTE 6 / Financial items

Amounts in TNOK	2020	2019
Interest income	13	122
Realised exchange rate differences	1 756	18 981
Unrealised exchange rate differences	3 589	2 710
Financial income	**5 358**	**21 813**
Financial income subsidiaries	9 489	12 344
Dividend income subsidiaries	23 564	57 317
Total financial income subsidiaries	**33 053**	**69 661**
Total financial income	**38 411**	**91 474**
Interest expense	-6 667	-4 164
Interest bank borrowings	-8 098	-7 725
Realised exchange rate differences	-2 050	-20 957
Unrealised exchange rate differences	-23 287	-624
Fair value change in other liabilities *		-644
Other financial expenses	-6 115	-11 933
Financial expenses	**-46 217**	**-46 047**
Interest expense – loan from subsidiary	-975	-1 320
Unrealised exchange rate differences	-2 259	-892
Realised exchange rate differences	-21	
Impairment of shares in subsidiaries		-59 341
Impairment of Non-current receivables – subsidiaries	-15 000	
Total financial expenses subsidiaries	**-18 255**	**-61 553**
Total financial expenses	**-64 472**	**-107 600**
FINANCIAL ITEMS, NET	**-26 061**	**-16 126**

NOTE 7 / Employee benefit expenses

Employee benefit expenses

Amounts in TNOK	2020	2019
Salaries	6 132	11 236
Social security costs	822	1 563
Pension costs (contribution plan)	208	188
Capitalised personnel costs		-1 922
Other personnel related costs	642	
Total	**7 804**	**11 065**
Average number of employees	2	3
Average number of man-years	2	3

NOTE 7 / Employee benefit expenses, cont.

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

Pension cost

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

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

NOTE 8 / Other operating expenses

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

Audit fees

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

Audit fees	**2020**	**2019**
Audit services	1 391	1 157
Other audit related services	137	193
Tax services		
Other, non audit related services		
Total	**1 528**	**1 350**

NOTE 9 / Taxes

Amounts in TNOK	**2020**	**2019**
Total tax expense for the period		
Adjusted allocated tax from last year		
Total		
Tax rate	0%	0%
Taxes payable for the year		
Total ordinary profit before tax	-43 139	-44 297
Permanent differences	-7 434	24 615
Change in temporary differences	11 099	-13 706
Utilisation of previously unrecognised tax losses		
Basis for taxes payable	**-39 473**	**-33 388**
Specification of taxes payable		
Taxes payable on this years profit		
Total taxes payable		
Specification of deferred tax assets (-) / deferred tax liabilities (+)		
Differences evaluated to be offset:		
Property, plant and equipment		
Non-current receivables		3 201
Current assets		
Liabilities		-114
Tax asset from losses carry -forward	-61 515	-54 293
Other differences	-225	-833
Total	**-61 740**	**-52 039**
Unrecognised deferred tax assets	**61 740**	**52 039**
Recognised deferred tax assets (-) / deferred tax liabilities (+)	**-**	**0**
Reconciling the tax expense		
Earnings before tax	-43 139	-44 297
Calculated tax at 22%	-9 491	-9 745
Tax result permanent differences and tax rate difference	-1 635	5 415
Use of previously unrecognised loss carried forward (-) / Increase in valuation allowance		
Unrecognised increased deffered tax asset	11 126	4 330
Tax expense	**-0**	**-0**

NOTE 10 / Other current assets

Amounts in TNOK

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

NOTE 11 / Cash and cash equivalents

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

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

Amounts in TNOK

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

As of 31 December 2020, Q-Free ASA had available TNOK 100,000 (TNOK 52,978) of undrawn bank credit line and TNOK 28,473 (TNOK 23,041) of undrawn guarantee facilities in which all conditions precedent had been met.

NOTE 12 / Other current liabilities

Amounts in TNOK

Other current liabilities	2020	2019
Accounts payable	177	1 697
Accounts payable – subsidiaries	1 588	373
Public duties payable	473	776
Accrued wages (Holiday pay and bonus scheme)	467	709
Accrued expenses	3 024	2 506
Fair value of foreign exchange contracts		516
Total	**5 729**	**6 577**

NOTE 13 / Financial instruments

Financial instruments by category

Amounts in TNOK

31 December 2020	Amortised cost	Fair value	Non financial instruments included in the line item	Total
Financial assets				
Investments in subsidiaries	509 765			509 765
Non-current receivables – subsidiaries	237 313			237 313
Other current assets	20 438			20 438
Cash and cash equivalents	15			15
Total	**767 531**			**767 531**
Financial liabilities				
Non-current bank borrowings	179 200			179 200
Convertible bond	69 983			69 983
Non-current borrowings subsidiaries	48 700			48 700
Current bank borrowings	54 300			54 300
Current borrowings subsidiaries	35 169			35 169
Other current liabiliites			5 729	5 729
Total	**387 352**		**5 729**	**393 081**

31 December 2019	Amortised cost	Fair value	Non financial instruments included in the line item	Total
Financial assets				
Investments in subsidiaries	509 765			509 765
Non-current receivables – subsidiaries	213 460			213 460
Other current assets	12 589			12 589
Cash and cash equivalents	793			793
Total	**736 607**			**736 607**
Financial liabilities				
Non-current bank borrowings	185 000			185 000
Non-current borrowings subsidiaries	16 939			16 939
Current bank borrowings	47 022			47 022
Current borrowings subsidiaries	74 209			74 209
Other current liabiliites	2 070		4 507	6 577
Total	**325 240**		**4 507**	**329 747**

NOTE 14 / Changes in liabilities arising from financing activities

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

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

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

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

* Other financial liabilities have renegotiated terms and are not related to financial activities

** The facility is partly guaranteed by GIEK as part of the Norwegian government's Covid-19 support packages.

NOTE 15 / Subsequent events

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

STATEMENT FROM THE DIRECTORS AND THE CEO

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

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

Trondheim 28. April 2021

Trond Valvik
(Sign.)
Chair of the Board

Snorre Kjesbu
(Sign.)
Vice Chair of the Board

Ingeborg Molden Hegstad
(Sign.)
Board member

Trine Strømsnes
(Sign.)
Board member

Geir Bjørlo
(Sign.)
Board member

Brage Blekken
(Sign.)
Employee-elected Board member

Yngve Halmø
(Sign.)
Employee-elected Board member

Håkon Volldal
(Sign.)
President & CEO

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

Havnegt. 9, NO-7010 Trondheim
Postboks 1299 Pirsenteret, NO-7462 Trondheim

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

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Q-Free ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Q-Free ASA, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the statements of financial position as at 31 December 2020, income statement, statements of comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2020 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Revenue recognition and related contract assets

The Group derives a significant part of its revenues from long-term projects. As at 31 December 2020, the Group recognized NOK 93.6 million in contract assets. Such projects involve revenue recognition over time based on percentage of completion. The assessment of percentage of completion requires subjectivity and professional judgement, and therefore is subject to uncertainty and potential misstatements.

The main risks include management's use of estimates and judgments in relation to percentage of completion, including expected costs to complete, estimated project margin and risk contingencies. We consider this a key audit matter because of the significant amounts and the management judgement applied in the estimates.

Building a better working world

As part of our audit we obtained an understanding of the process for how management determines the percentage of completion and evaluated the design of internal controls related to this process. For a sample of significant projects with contract assets, we inquired and evaluated the judgments made by management regarding the degree of completion for the projects. This includes testing of accuracy of earlier estimates related to percentage of completion, reading contracts, comparing contract information to invoicing and testing of the calculation of the projects contract assets. Further, we assessed the Group's disclosures in notes 4, 10 and 17 of the consolidated financial statements.

Impairment of goodwill and intangible assets

Goodwill amounts to NOK 266.6 million and intangible assets to NOK 65.3 million in the consolidated financial statements as at 31 December 2020. In total, this accounts for 39 % percent of total assets of the Group. The Group performed impairment tests to determine the recoverable amounts and recorded impairments of NOK 16.3 million in 2020, primarily related to intangible assets.

Goodwill and intangible assets impairment testing rely on estimates of value-in use which is based on estimated future cash flows. Due to the subjectivity involved in forecasting and discounting of future cash flows and the significance of the Group's recognised goodwill and intangible assets as at 31 December 2020, this audit area is considered a key audit matter.

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

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

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

Opinion on registration and documentation

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

Trondheim, 28 April 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Christian Ronæss
State Authorised Public Accountant (Norway)

ARTICLES OF ASSOCIATION FOR Q-FREE ASA

ARTICLE 1.
The name of the Company shall be Q-Free ASA. The Company shall be a public limited company.

ARTICLE 2.
The Company's registered place of business shall be in the City of Trondheim.

ARTICLE 3.
The Object of the Company is, by itself or through ownership in other companies, to engage in research, development, production, operations and sale of information technology products and systems plus everything therewith connected.

ARTICLE 4.
The Company's share capital shall be NOK 42,272,878.08 divided between 111,244,416 shares, each of NOK 0.38 face value.

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

ARTICLE 5.
The Board of the Company shall have between three and eight members, as the general meeting shall stipulate.

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

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

ARTICLE 6.
The annual general meeting shall be held before 30 June, in either the City of Trondheim or the City of Oslo.

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

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

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

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

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

ARTICLE 7.
The Company shall have a Nominations Committee, whose mission shall be to make recommendations to the general meeting for shareholder-elected members to the Board, and also propose the Board's emoluments.

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

ARTICLE 8.
Reference is otherwise made to the current companies legislation.

Articles of Association as of 12 February 2021

The shareholders of Q-Free ASA

CORPORATE GOVERNANCE REVIEW 2020

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

1. IMPLEMENTATION OF AND REPORTING ON CORPORATE GOVERNANCE

Q-Free is listed on Oslo Børs and bases its corporate governance structure on Norwegian legislation.

The aim of the Norwegian Code of Practice for Corporate Governance (NUES) is to ensure that companies listed on regulated markets in Norway follow corporate governance principles that clarify the role of shareholders, the board of directors, and the day-to-day management beyond what follows from legislation.

This review of the company's corporate governance principles and practices is prepared in compliance with the Norwegian Code of Practice for Corporate Governance as per 17 October 2018. The Norwegian Code of Practice for Corporate Governance is available on www.nues.no.

The principles and implementation of corporate governance is subject to annual reviews and discussions by the company's Board of Directors.

Q-Free has no deviations from the recommendations in the Code of Practice in 2020.

Corporate vision, values, Code of Conduct and Corporate Social Responsibility

Q-Free's vision is: Changing the movements of life.

Q-Free operates worldwide and our operations are characterized by high ethical standards and trustworthy behavior, a customer-oriented offering, and excellence in execution.

Q-Free's values support the Company's strategy and guide decisions and attitudes internally and externally. The core values are:
- Excellence
- Passion
- Innovation
- Collaboration

Q-Free has established a Code of Conduct (COC), guidelines for Corporate Social Responsibility (CSR), and an Anti-Corruption policy based on the company's vision and values. The Code of Conduct provides guidelines on how to behave both internally and externally and contributes to ethical behavior in day-to-day business.

The COC and CSR principles apply to all members of the Board, managers, employees, contracted consultants, representatives and everyone else acting on behalf of Q-Free.

The company endeavors to make its COC and CSR guidelines known to its business partners and are also publicly available on www.q-free.com.

Deviations from the Code of Practice: None.

2. BUSINESS

Q-Free is a leading global supplier of ITS (Intelligent Transportation Systems) products and solutions. Q-Free operates worldwide with headquarters in Trondheim, Norway, and with offices in 16 countries and presence on all continents.

The company has described its operations in the Articles of Association:

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

The company's Articles of Association are available at www.q-free.com.

The Group's objectives and principal strategies are described in the strategy section of the annual report.

The Board of Directors annually defines clear objectives, strategies and risk profiles for the Company's business activities to assure that the long-term interests and value creation of the shareholders are being served. This includes reviewing the overall strategy at least once a year, preparing the target for the next year, evaluating management and competence needed, making continuous financial reviews and risk assessments based on targets and prognosis, as well as evaluating the work of the Board.

The Company has guidelines for how it integrates considerations related to its stakeholder into its value creation. The Reporting of Corporate Social Responsibility, Code of Conduct and Anti-corruption policies are reviewed annually by the Board of Directors.

Deviation from the Code of Practice: None.

3. EQUITY AND DIVIDENDS

Q-Free ASA's share capital, as per 31.12.2020, totals NOK 33,904,909.48, divided into 89,223,446 shares, each with a par value of NOK 0.38. The shares are freely traded at the Oslo Børs.

Equity

Q-Free's policy is to maintain a satisfying equity ratio to provide a platform for the company's expected expansion and growth. If needed to finance growth, specific projects or transactions, the Board of Directors can propose for the General Meeting that the Board is given mandates to issue new equity. Per 31 December 2020 the Group's equity amounted to NOK 313 million, representing an equity ratio of 37 percent. The Board has a continuous focus on adapting the company's objectives, strategy and risk profile to the company's capital situation. See note 6 in the 2020 Financial statement for further information about the Company's capital structure management.

Dividend policy

Q-Free has an objective to give the shareholders a stable and competitive long-term return on investment. The company is in a growth phase and current strategy is to invest the free cash flow to position Q-Free for future growth.

Q-Free has not distributed dividends in the last three years.

Mandates to the Board

Mandates granted to the Board to increase the company's share capital are restricted to defined purposes and in separate mandates, and thus in accordance with the recommendation. Pursuant to the Code, mandates granted to the Board are limited in time to no later than the date of the next annual General Meeting. The General Meeting is given the opportunity to vote on every purpose covered by the authorisation.

At the Annual General Meeting 28 May 2020, the Board was granted an authorisation to increase the share capital by the subscription on new shares in order to be able to support further growth of the Company, organically or inorganically. The authorisation mandates the Board to increase the share capital with as much as NOK 3,258,873.16 by the issue of as much as 8,575,982 shares, equivalent to approximately 9.61% of the issued shares, each with a par value of NOK 0.38 per share with a right to disregard the existing shareholder's preferential rights according to the Public Limited Companies Act sections 10-4 and 10-5. The mandate is limited for one year, and valid until the next Annual General Meeting but nevertheless no longer than 30 June 2021.

Further, at the Annual General Meeting 28 May 2020, the Board, as part of the carrying out of the established incentive program towards leading executives, through the possibility to subscribe shares in the company, was granted an authorisation to increase the share capital with as much as NOK 131,617.56 which corresponds with 346,362 shares (0.39%), each with a par value of NOK 0.38, through one or more private placements with cash deposits towards leading executives and key personnel. The existing shareholder's preferential rights according to the Public Limited Companies Act sections 10-4 and 10-5 can be deviated from. The authorisation is valid until the next Annual General meeting but no longer than 30 June 2021.

The Board was in the General Meeting 2018 granted a right to establish a five-year stock option program for the Chief Executive Officer with a maximal number of share options of 869,970.

The Board was in the Annual General Meeting in 2017 granted a right to establish a five-year stock option program for leading executives with a maximal number of share options of 2,500,000.

See Note 13 in the 2020 financial statements for further information about the incentive programs.

Deviation from the Code of Practice: None.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Q-Free has one class of shares and each share represents one vote. Each share has a nominal value of NOK 0.38. All shareholders will be treated equally and have the same influence.

An increase in the Company's share capital may be proposed if the Board of Directors decides that this would best take care of shareholders' long-term interests. Normally, the Board of Directors will propose that share issues are directed to existing shareholders in accordance with their preferential rights. However, if the Board has been given an authorisation from the general meeting to carry out a private placement for a special purpose, the Board may decide to waive the pre-emption rights of existing shareholders. Any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital are justified and publicly disclosed in a stock exchange announcement pursuant to the Code.

In 2020 the Board was given two authorizations by the general meeting to increase the share capital with a total of 10% (9.61% + 0.39%) of the issued shares, with a right to disregard the existing shareholder's preferential rights according to the Public Limited Companies Act sections 10-4 and 10-5. The authorizations have not been used.

The company has developed a policy with regard to transactions with close associates, based on the requirement that any transactions must be at arm's length principle and at market terms. If deemed required, the company will arrange for a valuation obtained from an independent third party.

For information about transactions with related parties, see Note 28 in the 2020 financial statements.

Deviation from the Code of Practice: None

5. FREELY NEGOTIABLE SHARES

Q-Free has no form of restrictions limiting any party's ability to own, trade or vote for the shares in the company, and has no intension to put forward any such proposals to the General Meeting. The Articles of Association have no restrictions on free negotiability.

Deviation from the Code of Practice: None

6. GENERAL MEETINGS

The General Meeting is the company's supreme governing body, and all shareholders are given the opportunity to exercise their rights. The Annual General Meeting has adopted the Articles of Association where §6 regulates the notice period, right to attend, and agenda proposals.

Notification

The Annual General Meeting must according to the law be held before the 30th of June. The general meeting is to take place either in Trondheim or in Oslo. The 2021 Annual General Meeting is scheduled for 20 May in Oslo.

A written notice for the general meeting is to be sent to all shareholders, with known addresses, within 21 days prior to the meeting. The Board may decide that the notice of the General Meeting and supporting information and documents will be made available on the company's website only. A shareholder may nevertheless, by application to the company, request for the documents to be distributed by mail.

The Board ensures that resolutions and supporting information distributed are sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters to be considered at the meeting.

Registration and proxies

Shareholders planning to participate at the General Meeting shall notify the company within a deadline set by the Board in the notice. The deadline cannot expire earlier than five days before the date of the general meeting.

The right to attend and vote in general meetings may only be exercised for shares registered in the shareholders' register (VPS) no later than the fifth workday before the date of the general meeting (the registration date) according to the §6 of the Articles of Association.

To register for the general meeting a shareholder must submit a written confirmation by mail, e-mail (provided the registration form is a scanned document with signature), or by submission directly to the company's registrar Nordea Bank.

Shareholders are entitled to request specific matters to the agenda of a general meeting, by giving a written notice to the Board within seven days before the statutory deadline for the notice of the general meeting. If the notice of the general meeting is already distributed, a new notice shall be issued. Instructions are given in the notice for the Annual General Meeting.

Shareholders who cannot attend the general meeting may vote by proxy. The company will appoint a person that will vote on behalf of shareholders as their proxy unless the shareholder has appointed another person. The proxy form allows for separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election.

Agenda and execution

The agenda for the general meeting is set by the Board, but the main items are specified in §6 of the Articles of Association. The agenda includes detailed information on the resolutions to be considered and the recommendation from the Nomination Committee. The attending shareholders vote for a Chairperson to lead the general meeting and are hence able to vote for an independent Chairperson for the general meeting.

The Board of Directors and the person chairing the meeting ensure that appropriate arrangements are made for the general meeting to vote separately on each candidate nominated for election to the company's corporate bodies.

The Chair of the Board, Chair of the Nomination Committee, Chair of the Audit Committee, Chair of the Remuneration Committee, the CEO and auditor are present to respond to any questions and queries. The Chair of the Board and the Chair of the Nomination Committee assess on a case-by-case basis, based on the agenda of the general meeting, whether all members should participate.

The company announces the minutes for the Annual General Meeting according to stock exchange regulations.

Deviation from the Code of Practice: None

7. NOMINATION COMMITTEE

The company has a Nomination Committee. The general meeting elects the chair and members of the Nomination Committee and determines the committee's remuneration.

The Nomination Committee has contact with shareholders, the Board of Directors and the CEO as part of its work on proposing candidates for election to the Board. The Nomination Committee is responsible for proposing board member candidates and remuneration to the Board, in addition to proposing members for the committee itself. The Nomination Committee justifies the reason for proposing each candidate separately.

The Nomination Committee is established in accordance with the Company's Articles of Association §7, and the Committee's work is determined by instructions approved by the General Meeting. The instruction emphasises that the composition of the Nomination Committee should be adjusted from time to time, in a way that secures continuity. The instructions are published on the Company's website.

Composition

The Committee shall consist of three members chosen by the General Assembly based on recommendation from the Committee, with a term of office of two years. The Chair of the Committee shall be chosen by the General Assembly.

The members shall be shareholders or representatives of shareholders. At least two of the members shall be independent of the board of directors and the management of day-to-day operations. The Chief Executive Officer is not eligible to be a member of the Committee.

The members of the Committee should be changed regularly, while still securing continuity for the Committee.

The composition and tenure of the Nomination Committee's members including deadlines for proposing candidates are available at the company's website.

The members of the Nomination Committee are independent from the company's executive management. Currently, no member of the Nomination Committee is a member of the Board. Q-Free is not aware of the existence of any agreements or business partnerships between the Company and any third parties in which members of its Nomination Committee have direct or indirect interests.

The Company does not have a corporate assembly.

The Nomination Committee composition as at 31.12.2020:

Name	Company	For election
Heidi Finskas	KLP Kapitalforvaltning	2021
Øystein Elgan	Rieber & Søn AS	2021
Fredrik Thoresen	Storebrand Asset Management	2021

Deviation from the Code of Practice: None

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The Company does not have a corporate assembly.

Composition of the Board

Pursuant to the company's Articles of Association § 5, the Board of Directors shall have 5–8 members.

The Nomination Committee recommends the Board composition to the General Meeting and ensures that the composition of the Board of directors supports the common interests of all shareholders and meet the company's need for expertise, capacity and diversity as well as ensuring that the Board can function effectively as a collegiate body.

The members of the Board are elected for a period of two years and may be re-elected. The General Meeting elects the Chair of the Board. The Vice Chair is elected by the Board for a period of one year. An overview of the members of the Board and their competences is available on the company's website www.q-free.com and in the annual report.

As of 31 December 2020 the Board of Directors comprised of seven members, whereof two elected by and amongst the Group's employees. The former Chair of the Board (Valderhaug) resigned 14 January 2020, and the former Vice Chair of the Board (Valvik) took on the position and acted as Chair of the Board until elected as Chair of the Board at the Annual General Meeting. The Board consist of two shareholder-elected women and three shareholder-elected men, hence the gender diversity requirement pursuant to Norwegian legislation is fulfilled. The Board had one change in the shareholder-elected composition during 2020, Geir Bjørlo was elected as new member of the Board.

The Chair of the Board, Trond Valvik, holds the position as Investment Director in the company's largest shareholder, Rieber & Søn AS. The other board members including the former Chair of the Board are independent of the company's main shareholders.

Board of Directors Composition as at 31.12.2020:

Name	Position	Service since	Elected until AGM	Shareholding in Q-Free ASA (direct or indirect)
Trond Valvik*	Chair	2017	2021	150,000
Snorre Kjesbu	Vice Chair	2016	2022	39 505
Trine Strømsnes	Board member	2019	2021	0
Geir Bjørlo	Board member	2020	2022	70,000
Ingeborg Molden Hegstad	Board member	2018	2022	24 600
Brage Blekken	Employee-elected member of the Board	2020	2022	0
Ynge Halmø	Employee-elected member of the Board	2020	2022	0

* Valvik holds the position as Investment Director in Rieber & Søn, which as per 31.12.2020 owned 36,632,919 (41.06%) shares in Q-Free ASA.

Participation in Board meetings in 2020:

Name	Board meetings
Trond Valvik	20
Trine Strømsnes	20
Snorre Kjesbu	20
Ingeborg Molden Hegstad	19
Geir Bjørlo*	8
Brage Blekken**	8
Yngve Halmø***	8
Olav Gulling****	11
Rune Jøraandstad*****	11
Tore Valderhaug******	1

* Geir Bjørlo serves as board member from 28 May 2020
** Brage Blekken serves as employee-elected board member from 28 May 2020
*** Yngve Halmø serves as employee-elected board member from 28 May 2020
**** Olav Gulling served as employee-elected board member until 28 May 2020
***** Rune Jøraandstad served as employee-elected board member until 28 May 2020
****** Tore Valderhaug resigned as Chair of the Board 14 January 2020

Independence of the Board

Q-Free is not aware of the existence of any agreements or business partnerships between the company and any third parties in which its directors have direct or indirect interests. The members of the Board are independent from the company's management, and the executive management is not represented in the Board.

The members of the Board of Directors have no share options or synthetic options in the company. Members are encouraged to own shares in the company.

Deviation from the Code of Practice: None

9. THE WORK OF THE BOARD OF DIRECTORS

Instructions

The Board has issued instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties. The purpose of the instructions is to describe the role and functions of the Board and the interaction with the executive management of the company.

In the event that the Chair is absent, the meeting will be chaired by the Vice Chair.

According to the Code of Conduct, members of the Board and the executive management are obliged to notify the Board in case of any material direct or indirect interest in a transaction entered into by the company.

In matters of a material character in which the Chair of the board is, or has been, personally involved, the Board's consideration of such matters will be chaired by some other member of the Board.

The Board's proceedings and minutes are in principle confidential unless the Board decides otherwise. This is pursuant to the instructions to the Board.

Remuneration committee

Three members of the Board have been elected by the Board to act as Remuneration Committee, for a period of two years.

The Board approved an instruction for the Remuneration Committee in 2006, which was further revised in 2008 and 2019.

The Remuneration Committee makes proposals to the Board regarding employment terms and conditions and total remuneration of the CEO and incentive-based remuneration for other senior management employees. These proposals are also relevant for other employees entitled to variable salaries. The Board makes comparisons with other companies when deciding the terms and conditions and remuneration of the CEO.

Remuneration Committee composition as at 31.12.2020:
Ingeborg Molden Hegstad (Chair)
Trine Strømsnes
Brage Blekken

Audit Committee

The Public Companies Act stipulates that large companies must have an Audit Committee. Two out of seven members of the Board have been elected by the Board to the Audit Committee.

The Board approved an instruction for the Audit Committee in 2006, revised in 2008, 2013 and 2015. The Audit Committee's main responsibilities are to supervise the company's internal control systems and to ensure that the auditor is independent and that the annual accounts and quarterly reporting gives a fair view of the company's financial results and financial condition in accordance with generally accepted accounting principles.

The Audit Committee reviews the procedures for risk management and financial controls in the major areas of the Company's business activities. The Audit Committee receives reports on the work of the external auditor and the results of the audit. In addition, the committee reviews the company's work on Corporate Governance.

Audit Committee composition as at 31.12.2020:
Trond Valvik (Chair)
Snorre Kjesbu

Technology Board Committee

The Board established a Technology Board committee late 2018. The Committee was decided to be temporary discontinued in 2020.

The Board's evaluation of its own work

The Board of Directors evaluates its performance annually and present the evaluation to the Nomination Committee.

Deviation from the Code of Practice: None

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors must ensure that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities.

The Company's main business risks are closely monitored and discussed by the Executive Management team and documented in a central risk register. The register includes an overview of the most significant risks for the Company and a description of how these risks are addressed and shall be mitigated. Moreover, a risk assessment is now part of all major bids and delivery and development projects. The Risk Management document is reviewed by the Audit Committee annually.

In addition to the risk register, the Company has also established a business continuity plan and procedures for crisis management in case of unexpected incidents/events that could have a materially adverse effect on the business. The emergency team meets 3 to 4 times per year to discuss and practice how the Company should handle crises or emergencies. This was a main reason why the Company was able to respond swiftly to the Covid-19 pandemic during 2020.

To ensure internal financial and business control, management prepares monthly performance reports for review by the Board. The reports cover financial and business updates as well as major risk items. In addition, quarterly financial reports are prepared and reported to the financial market in accordance with the requirements from Oslo Børs. These quarterly financial reports are first presented to the Audit Committee, which reviews the reports prior to Board meetings where the reports are formally approved. The auditor takes part in the Audit Committee's meetings at least twice a year and meets with the entire Board in connection with the presentation and approval of the annual financial statements.

The model for internal financial reporting and control is reviewed on a regular basis to ensure that the reporting system reflects the Group's main business activities, opportunities and risks. The Group also has a chart of authority in place to ensure financial control with respect to approval of contracts and expenses. The chart of authority is updated regularly, approved by the Board and implemented in relevant position descriptions.

To ensure internal control with processes, policies, and procedures the Company has established a management system. All employees are trained in our Management system – the "Q-Free way" of working. Knowledge sharing between employees is performed through our process documentation and leads to continuous improvements. The management system also ensures that responsibilities are defined and communicated within the organization. The following areas represent the key parts of our management system:

- **Quality** is an essential part of our management system to ensure focus on risk management, process management, and continuous improvement in all core and support processes. Q-Free Norway is certified according to **ISO 9001**.
- **Environment** is an integrated part of Q-Free's management system to emphasize our positive environmental role externally and ensure we "walk the talk" internally. Q-Free Norway is certified according to **ISO 14001**.
- **Health and safety** is another key part of our management system. Q-Free must provide safe and healthy workplaces by preventing work-related accidents, injuries, and bad health among employees and contractors. Q-Free Norway is certified according to **ISO 45001**.
- **Information security** has become an important part of Q-Free Tolling management system, and several policies and procedures are established to ensure information security. Information security training and awareness are also completed. Q-Free Netherlands with its products and supporting ICT systems are certified according to **ISO 27001**.

Our Quality, H&S, Environment, and Information security policies are publicly available on the website.

Deviation from the Code of Practice: None

11. REMUNERATION OF THE BOARD OF DIRECTORS

The Annual General Meeting approves the Board's remuneration each year. The remuneration of the board reflects the board's responsibility, expertise, time commitment and the complexity of the company's activities.

Remuneration for the period from the Annual General Meeting of 2020 to the Annual General Meeting of 2021:

The Chair of the Board:
NOK 450,000

The Vice Chair of the Board:
NOK 300,000

Members elected by the shareholders:
NOK 250,000

Members elected by the employees:
NOK 90,000

Chair of sub-committees of the Board:
NOK 11,000 per day of meeting

Members of sub-committees of the Board Members elected by the shareholders:
NOK 8,500 per day of meeting

Members elected from the employees:
NOK 4,250 per day of meeting

Beyond the scope of Board responsibility, board members could from time to time take on certain consultancy projects for the company. Such projects are defined by the Board of Directors and occur on a limited basis. Board members are compensated for such work according to separate agreements approved by the Board of Directors.

The Directors' fees are as of 31 December 2020 not linked to performance. The members of the Board have no share options in the company.

For further information about remuneration of the Board see Note 12 in the 2020 financial statements.

Remuneration of the Nomination committee

Remuneration from the Annual General Meeting of 2020 to the Annual General Meeting of 2021:

The Chair of the Nomination Committee:
NOK 42,750

Members of the Nomination Committee:
NOK 28,500

Deviation from the Code of Practice: None

12. REMUNERATION OF THE EXECUTIVE MANAGEMENT

Q-Free's remuneration policy has always been to offer salaries adjusted to market conditions to attract the competence needed. The Board has prepared guidelines for the remuneration of the executive management, and the structure of the incentive system is presented to the Annual General Meeting for information purposes. The statement of remuneration of executive personnel is given in a separate appendix to the agenda of the Annual General Meeting and with clear aspects of which of the guidelines are advisory and binding. The general meeting votes separately on each of the aspects of the guidelines. The guidelines for remuneration help to ensure convergence of the financial interests of the executive personnel and the shareholders. An updated guideline according to new legislation will be presented to the Annual General meeting in 2021.

Performance-related remuneration of the executive personnel in the form of share options, bonus programs or the like are linked to value creation for shareholders or the company's earnings performance over time. Such arrangements, including share option arrangements, incentivize performance and are based on quantifiable factors in which the employee in question can have influence. Performance related remuneration are subject to an absolute limit.

The executive management receives a basic salary and are members of the company's pension scheme. A share option program for the CEO was approved in 2016 and renewed/ replaced in 2018. A share option program for leading executives was approved in 2017. The remuneration to the executive management also includes a performance-based bonus scheme. Please see Note 12 and Note 13 in the 2020 financial statements. All performance-related remuneration is subject to an absolute limit.

The Board has adopted a performance-based bonus scheme for all managers in order to motivate extraordinary performance/achievements. The performance-based bonus scheme is linked to relevant financial KPI's including personal goals. The Board may assign bonus to the CEO for performance/achievements limited up to 75 percent of his/her fixed salary. Apart from the bonus level, the scheme for managers generally follows the overall bonus scheme for the CEO.

For more information about incentive programs, please see chapter 3 in this document and Note 13 in the 2020 financial statements.

The Board set the terms of the CEO's employment, and the Board reviews the salary and other remuneration on an annual basis. The review is based on performance and comparable market conditions of similar positions.

For further information about remuneration of the CEO and other members of the executive management, see Note 12 in the 2020 financial statements.

Deviation from the Code of Practice: None

13. INFORMATION AND COMMUNICATION

Q-Free wants to maintain an open dialogue with the capital market, and holds open presentations for investors, analysts and others on a regular basis. The company aims to maximize shareholders' values, in such a way that the return on investment measured by dividends and increased share price at least match that of alternative investments involving similar risk.

Regular information will be published through the Annual Report and the quarterly reports and open presentations, at the same time as the information is published on the company's website. The quarterly results are also made available through webcast. Q-Free will also provide information on its major value drivers and risk factors through the interim reporting, which will enable investors to evaluate the company's risk and performance. Q-Free publishes an overview each year of the dates for major events. The annual report will be published within four months after year-end.

The CEO and CFO are responsible for the investor relations and all communication with the capital market. This is regulated in the company's Chart of Authority. If required, the Chair of the Board or appointed members of the Board will assist. All information is communicated within the framework established by securities and accounting legislation and the rules and regulations of the Oslo Børs.

Q-Free comply with the Oslo Børs Code of Practice for Investor Relations of 1 March 2021. All information relevant to the company's shareholders is published on Oslo Børs and made available on the company's website www.q-free.com.

Q-Free has published responsibility for the company's contact with shareholders and others on the Company's website.

Deviation from the Code of Practice: None

14. TAKEOVERS

Q-Free Board of Directors will handle takeover bids in accordance with Norwegian law and the Norwegian Code of Practice for Corporate Governance. There are no defence mechanisms against acquisition offers in the articles of association or in any underlying steering document. Neither have the company implemented any measures to limit the opportunity to acquire shares in the company.

Deviation from the Code of Practice: None

15. AUDITOR

The company's external auditor is appointed by the general meeting and is responsible for the financial audit of the parent company and Group accounts. The auditor is independent of Q-Free ASA.

The external auditor of Q-Free ASA annually presents a plan to the Audit Committee covering the main focus for the audit. The external auditor participates in at least two meetings of the Audit Committee every year, and one Board meeting where the annual accounts are approved. Other meetings are attended by the auditor as requested. The annual audit results include a presentation of any material changes in the company's accounting principles, accounting estimates and report any material matters in case of disagreements between the external auditor and the management.

At least once a year, a meeting is held between the auditor and the Board without the presence of the CEO or other members of executive management. The Audit Committee has a specific obligation to survey the auditor's independence and qualifications, and to propose candidates for external audit of the company to the General Meeting.

In 2019 Q-Free ASA arranged a competitive tendering among several auditor companies, and EY AS was elected as the new auditor for the company. Independent external auditors have also been appointed for most subsidiaries of Q-Free ASA which have requirements for a statutory audit.

The external auditor has given the Board of Directors a written notification confirming that the requirements for independence are satisfied.

The auditor attends the Annual General Meeting and informs about the auditor's report and remuneration for the year. This year's auditor's report follows the notes in the annual report. For further information about remuneration of the auditor, see Note 23 in the 2020 financial statements.

To the extent that the auditor is providing non-audit services, this is discussed separately on case-by-case basis prior to engagement, to ensure that there are no conflict of interest issues and that this is within the framework of the Auditors Act § 4-5. All engagements beyond audit related services are to be approved by the Audit Committee. The Audit Committee may issue power of attorney to the administration with absolute limits for engagements beyond audit related services.

Deviation from the Code of Practice: None

CORPORATE SOCIAL RESPONSIBILITY (CSR) REVIEW 2020

INTRODUCTION AND CONTEXT

Q-Free's purpose is to help society and customers tackle mobility, safety, and environmental challenges related to traffic and help sustain urban growth and quality of life. This is the focal point of everything we do and is underpinned by our 3 strategic solution offerings Q-Flow (for improved mobility), Q-Safe (for increased traffic safety), and Q-Clean (for environmentally-friendly transportation).

However, the opportunities presented by further linking our financial investments and business goals to social progress are enormous. As a company we acknowledge that we must invest time and resources into understanding and resolving the CSR/ESG issues most relevant to our industry and company to maximize shareholder value and build competitive advantages.

Therefore, our increased focus on non-financial reporting this year sends a strong signal to our shareholders that we believe our future success depends on our continuous ability to look at CSR and ESG not only as a set of preventive risk management activities, but as strategic frameworks that enable us to unlock new opportunities required to create sustainable profitable growth over time.

THE 3 PILLARS OF Q-FREE'S CSR EFFORTS

Q-Free's corporate social responsibility program has three main pillars:

1. Contribute to a more sustainable transporation system (E)
2. Be a professional, fair and attractive employer and business partner (S)
3. Conduct our business responsibly and meet expectations of key stakeholder groups (G)

1. CONTRIBUTE TO A MORE SUSTAINABLE TRANSPORTATION SYSTEM

SDGs as guiding stars for our sustainability efforts

The 17 Sustainable Development Goals – shorthanded as "SDGs" and also known as the Global Goals – were adopted by all United Nations Member States in 2015 to mobilize all countries to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.

With the launch of the SDGs, improved traffic solutions were stated as a global focus area, aiming to provide all citizens with access to safe, affordable and sustainable transport by 2030 while reducing the number of global deaths and injuries from road traffic accidents by 50 percent. In the words of the UN: "Transport is not an end in itself, but rather a means allowing people to access what they need: jobs, markets, social interaction, education, and a full range of other services contributing to healthy and fulfilled lives."

Q-Free directly contributes to 4 SDGs:
- Good health and well-being (SDG 3)
- Decent work and economic growth (SDG 8)
- Industry, innovation, and infrastructure (SDG 9) and
- Sustainable cities (SDG 11)

These four SDGs fit our vision, mission, values, market position, current strategy, and identity. They are not only guiding stars for us in our sustainability efforts, they are also a confirmation that there is consensus in what we view as important when building a new and more sustainable transportation system for all. In the management section of our 2020 annual report we provide more details on our specific commitments, contributions and planned actions to support the 4 SDGs above.

Measurable KPIs

We have an ambition to continuously maximize the positive effects our solutions have on the environment while reducing our own internal footprint. Although Q-Free has a net positive impact on the environment, it is still important for us to design, manufacture, sell, and deliver our products and services with the smallest possible ecological footprint. Therefore, we regularly conduct environmental aspect analyses. The ownership of environmental management has improved within top and middle management through clear, annual environmental goals that are measured and acted upon:

KPI	Area	Goal 2019	Goal 2020	H2 2016	2017	2018	2019	2020
Number of tolling lanes in operation	E	>2 000	>2 100			1810	1890	~2 000
Number of traffic signal controllers	E							
Travel emissions Number of ton CO^2 pr. million NOK in sales	E	<0.25	<0.20	0.606	0.414	0.339	0.241	0.046
OBUs shipped by sea	E	>10%	>10%				5.7%	6%

The number of tolling lanes in operation is a clear indication of our positive environmental impact. By introducing tolls, governments can increase the cost of road traffic and thus enable a shift to greener transportation modes. In 2020 we had close to 2000 lanes in operation, in line with our target for the year. Similarly, our traffic controllers help reduce idling time and stop-and-go-traffic at intersections. By the end of 2020 we had approximately 35 000 controllers installed as targeted.

Internally we continue to reduce travel year on year. In the 2017-2019 period we had a reduction of 299 tons of CO2 emissions due to less travel. During 2020 we had a reduction of 190 tons amid the Covid-19 pandemic. Thanks to positive experiences with digital meetings and interaction, our travel patterns will be permanently altered going forward and save both money and emissions. Our Supply chain have increased sea freight when possible instead of air freight. 6.0% of our on-board units were shipped by sea freight in 2020 and the goal for next year is 10%.

Compliance with environmental standards

Q-Free fulfils all environmental requirements imposed by the Norwegian authorities and the European Union. Q-Free Norge AS's environmental management and operations are certified in accordance with ISO 14001:2015. Furthermore, the Group is working actively to encourage our sub-contractors to choose the most environmental-friendly alternatives wherever possible.

Q-Free's Environmental Policy is publicly available on the website.

2. BE A PROFESSIONAL AND ATTRACTIVE EMPLOYER

A safe and rewarding work environment

Our Code of conduct and values (Excellence, Passion, Innovation, and Collaboration – EPIC) provide clear requirements for employee performance and behavior – both internally in the workplace and in interactions with customers, business contacts, and others who are affected by our operations. The Code of Conduct is available on our website.

Q-Free considers the knowledge and experience of our employees as one of our most valuable assets. We want to attract, develop, and retain talented, innovative, and passionate employees. In return, we want to provide a competitive compensation and a safe and rewarding work environment where employees can develop and grow both personally and professionally. We have chosen three KPIs to measure how the company delivers on its promise:

KPI	Area	Goal 2019	Goal 2020	H2 2016	2017	2018	2019	2020
Employee satisfaction* (HCI/Winning temp)	HS	>7.5	> 7.5	4.00	4.0	4.04	4.11	7.5
Absence rate (sickness)	HS	<2%	<2%	1.5%	1.35%	1.55%	2.7%*	1.4%
Accidents	HS	0	0	0	0	1	0	0

*In the period 2016-2019 the employee satisfaction score was based on a scale of 1 to 5 (5 being the best). From 2020 a new scale of 1 to 10 (10 being the best) was implemented.

Due to the rapid changes we see in the world of work today, the need to monitor and strengthen the employee experience in Q-Free has become more urgent. As a response to this, we made an important shift in 2020 from the traditional annual employee survey to weekly AI-powered pulse surveys. Pulse surveys provide real-time insights into our strengths and areas of improvement, thus allowing us to respond with timely and appropriate measures as we go. The aim is to strengthen our internal communication and improve the way we work for the better good of all our employees.

2020 was a year without accidents for Q-Free. Moreover, the sick leave in Q-Free Norge AS was 1.4% in 2020, which is below the national average for comparable workplaces.

Diversity and equal opportunities

Q-Free promotes and respects internationally accepted human rights, including those specified by the International Labor Organization. We support the right to freedom of association, and oppose any form of child labor, forced labor, and discrimination. Q-Free actively encourages all representatives, partners, and suppliers to follow the same principles.

We are an international company with employees from more than 35 different nationalities and with diverse backgrounds. Hence, we strive to avoid discrimination of individuals or groups based on their age, gender, disability, race, sexual orientation, ethnic origin, religion, political affiliation, or any other reason. Q-Free has established an anonymous reporting mechanism where incidents or violation in relation to our working environment can be reported. There have been no reported incidents in recent years.

Gender equality and non-discrimination of male or female employees will be of particular importance to us as Q-Free's workforce consists of only 17% female employees. Disciplines such as technology development, engineering, and technical sales have traditionally attracted a majority of male applicants. However, with more women graduating with technical degrees and the documented benefits of a better balanced gender ratio, we have established a goal to increase the share of women in Q-Free to 25% by end of 2023. The gender diversity requirements pursuant to Norwegian legislation are already fulfilled as the Board of Directors currently has a 40-60 gender representation among shareholder-elected board members.

Going forward we will strive to break down any barriers that may have restricted female applicants in the past. We will systematically address the entire employee journey to ensure we cater to the needs to women from attraction, recruitment, and onboarding to development, retention, and promotions. Activities to minimize gender biases in our employee communication and educate employees to set boundaries and take full advantage of flexible work options to assure work-life balance in a remote work environment, will be key.

Compliance with health and safety standards

Q-Free Norge AS was the first Q-Free subsidiary to receive the ISO 45001 certification in 2019. This is a consequence of Q-Free's efforts to enhance the Health and Safety measures in the company.

The positive feedback from the certification auditors on our ongoing efforts is only a stepping stone to further improve – our commitment to Health and Safety does not stop after getting certified. Locally elected H&S representatives ensure an open channel for the employees to address their health and safety concerns. We have regular Committee meeting with the H&S representatives to review our health and safety performance, as well as address any relevant subjects for our work environment.

Health and Safety risks are reviewed and updated yearly. The risk assessments are adjusted depending on the region, local activities, projects and products, and are designed to accommodate local legislation and requirements. Improvements in Health and Safety have been documented in the risk register along with all the H&S committee minutes from the meetings. We are still working to implement robust H&S risk assessment in all parts of our value chain.

These subjects are also documented in our management system and the Q-Free Employee Handbook.

3. CONDUCT OUR BUSINESS RESPONSIBLY

Ethics guidelines

High ethical standards and business conducts are prerequisites for running a sustainable company and gaining the trust of our key stakeholders as well as local, national, and international communities. This is a shared responsibility between the company itself and each of Q-Free's employees and representatives.

The Q-Free Code of Conduct contains guidelines for ethical behavior in both internal and external business settings and is designed to guide and stimulate ethical awareness as a basis for everyday actions and behavior. The Code of Conduct is applicable to Board members, managers, employees, contracted consultants, representatives and everyone else acting on behalf of Q-Free.

Anti-corruption

The Code of Conduct clearly states that Q-Free has a zero tolerance for all forms of corruption and bribery. It also demands that any suspicion of misconduct is reported. Personal interests or personal gains shall not affect the work of a Q-Free representative, and any action or interest that compromises integrity or objectiveness shall be avoided. The Code of Conduct explicitly governs areas relating to conflicts of interest, gifts, and money laundering.

Fair and open competition in all markets is always pursued by Q-Free. We have a desire to win contracts based on a competitive offering of products, services, and solutions. Q-Free adheres to national and foreign antitrust laws, while the Code of Conduct states that no formal or informal agreements shall be entered if competition is thereby unfairly restricted.

Q-Free identifies and monitors corporate risks including corruption and conducts analyses to define and evaluate how to address and mitigate these risks. In order to ensure that our employees have the competence to achieve our goals, we have conducted and will continue to conduct internal sessions how to prevent corruption and bribery.

These subjects are also documented in our management system.

Insider trading rules

As a publicly listed company, Q-Free complies with the laws, regulations and continuing obligations for listed companies concerning the disclosure of information. The Code of Conduct emphasizes the confidentiality requirements and prohibits misuse of information about Q-Free, or relating to insider trading, as regulated by the Securities Trading Act.

Supplier monitoring

Q-Free monitors and evaluates its suppliers. It is very important to us that our suppliers follow and comply with our high corporate social responsibility standards and conduct their business responsibly. As part of the process of selecting suppliers, we evaluate product quality/performance, labor practices and human rights, financial performance, management system, environmental performance, information security and health and safety. Our agreements allow for audits of each supplier, and corporate social responsibility is part of these audits.

THE WAY FORWARD

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

UN GLOBAL COMPACT

Q-Free ASA conducts its business in a responsible way and is committed to the 10 principles in the UN Global Compact related to human rights, working life standards, the environment, and anti-corruption.

PRINCIPLE	What Q-Free does
HUMAN RIGHTS	
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights, and	The Q-Free Code of Conduct contains guidelines for ethical behaviour in both internal and external business settings and is designed to guide and stimulate ethical awareness as a basis for everyday actions and behaviour. The Code of Conduct is applicable to Board members, managers, employees, contracted consultants, representatives, and everyone else acting on behalf of Q-Free. The Code of Conduct explicitly states that "Q-Free supports and respects internationally recognised human rights, including those specified by the International Labour Organization". As a company, Q-Free complies with all applicable national and international laws.
Principle 2: make sure that they are not complicit in human rights abuses.	Our suppliers and business partners are essential to our ability to do business, but can also expose us to reputational, operational and legal risks. We expect our suppliers and business partners to comply with applicable laws, respect internationally recognized human rights, and follow ethical standards consistent with our own standards. We look to work with others who share our commitment to ethics and compliance, and we manage risk through in-depth knowledge of our suppliers, business partners and markets. Regular communication and a clear outline of our expectations towards Q-Free's suppliers and business partners are essential in maintaining these standards. Before any contract is signed with a third party to represent Q-Free or Q-Free's interests externally, such third party must undertake appropriate integrity due diligence in accordance with Q-Frees Business Partner Declaration & Questionnaire. Our Procurement policy also provides a framework for ethical awareness, general professionality, communication and health and safety for all Q-Free employees with purchasing/procurement responsibilities Our Procurement policy is part of our Management system
LABOUR	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Q-Free's Code of Conduct explicitly states that "The company respects the right to freedom of association" and states that "All employees shall be free to form and to join labour unions or similar internal or external representative organizations and have the right to collective negotiations". These are mandatory rights implemented in the Norwegian Constitution § 101, Norwegian Working Environment Act, Section 13-1 by the prohibition against discrimination based on association to labour unions etc., as well as the incorporation of the human rights as law in Norway. Q-Free facilitates union organization and conducts collective bargaining for all employees and at all levels, where relevant. Our businesses in Norway and Sweden works closely with local trade unions.
Principle 4: the elimination of all forms of forced and compulsory labour	Q-Free opposes any form of child labour, forced labour, or discrimination, and expects all Q-Free representatives and suppliers to follow the same principles. This is explicitly written into our Code of Conduct, Business Partner Declaration & Questionnaire and Q-Free Supplier Questionnaire that is part of our Management system. The company's employees have pay and working conditions in line with national legislation and agreements with trade unions.

PRINCIPLE	What Q-Free does
Principle 5: ensure the effective abolition of child labour; and	Q-Free does not use child labour and opposes any form of child labour. Child labour is prohibited in Norway under the Working Environment Act, Section 11-1. Our Procurement Policy and Supplier Questionnaire require suppliers to document their labour practices and Human rights policies, procedures and training practices.
Principle 6: the elimination of discrimination in respect of employment and occupation.	Q-Free's Code of Conduct is our guide to ensuring a working environment without discrimination, bullying or harassment. In Q-Free there shall be no discrimination of age, gender, disability, race, sexual orientation, ethnic origin, religion, or political affiliation. Q-Free shall be an engaging workplace with an inclusive working environment. Procedures for whistleblowing have been established. In situations where an employee is aware of any infringement of Q-Free's Code of Conduct, or is in doubt if such an infringement has occurred, the employee may raise the issue with its manager, the Human Resources department or Legal department. If this is not possible, the employee shall report the infringement directly to the Chairman of the Board or Member(s) of the Board. Incidents may be reported anonymously if desired. Q-Free ASA is obliged to ensure that any employee who reports any infringement is protected against any retaliation or negative consequences based on whistleblowing, ref. the Norwegian Working Environment Act, Section 2-5. Any employee outside Norway shall have the same rights and protections as employees in Norway.
ENVIRONMENT	
Principle 7: Businesses should support a precautionary approach to environmental challenges;	Q-Free's mission is to "create intelligent solutions for efficient, safe, and *environmentally friendly* transportation based on innovative technology and open platforms". In short, Q-Free's purpose is to help society and customers tackle mobility, safety, and *environmental challenges* related to traffic and help sustain urban growth and quality of life. What is good for Q-Free is also good for society and the environment. Environment is also a part of Q-Free Management system and is implemented in our processes and procedures. Q-Free is certified in accordance with ISO 14001.
Principle 8: undertake initiatives to promote greater environmental responsibility; and	Road vehicles still account for a large share of direct global CO_2 emission from fuel combustion and this must be reduced. Q-Free has made sustainable transportation an integral part of its business: The "Q-Clean" concept is one of Q-Free's 3 overall solution concepts (Q-Flow, Q-Safe and Q-Clean) and addresses the negative environmental impacts of road traffic. Q-Free's normal business activities and marketing efforts therefore go hand in hand with promoting environmental responsibility. Q-Free has also chosen to support the UN's Sustainable Development Goals (SDG) number 3, 8, 9 and 11. These four SDGs fit our vision, mission, values, market position, current strategy, and identity. They are not only guiding stars for us, they are also a confirmation that there is consensus in what we view as important when building a new and better world for all. With time we may expand our approach and incorporate additional goals as we learn and grow. We aim to measure our contribution towards the achievements of the SDGs and continue to create sustainable business opportunities.

PRINCIPLE	What Q-Free does
Principle 9: encourage the development and diffusion of environmentally friendly technologies.	Q-Free's electronic tolling and congestion charging solutions allow for the collection of funds directly from those who pollute and make it possible to invest these funds in more sustainable transportation infrastructure. Q-Free's smart traffic signal operations and freeway management solutions also help reduce emissions from unnecessary miles driven and stop-and-go traffic. As an example, Q-Free's tolling systems have improved the air quality in Sweden since the implementation of the Congestion Tax project in Stockholm in 2006 and in Gothenburg in 2013. The systems delivered by Q-Free detect and identify eligible vehicles in the cities using video technology, and the corresponding tax is levied with the amount varying depending on the time of day. This influences the behavior of people by making them assess whether they need to drive at a particular time, whether they can take public transportation instead of a personal vehicle, or whether they need to make the journey at all. For example, since the launch of the Stockholm system the number of passages within the congestion zone has been reduced by approximately 20 percent. Carbon dioxide emissions have gone down by over 3 percent, air-borne pollutants are down around 13 percent and nitrogen oxides (NOx) have been reduced by around 9 percent.
ANTI-CORRUPTION	
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	The Code of Conduct clearly states that Q-Free has a zero tolerance for all forms of corruption and bribery. It also demands that any suspicion of misconduct is reported. Personal interests or personal gains shall not affect the work of a Q-Free representative, and any action or interest that compromises integrity or objectiveness shall be avoided. The Code of Conduct explicitly governs areas relating to conflicts of interest, gifts, and money laundering. Fair and open competition in all markets is always pursued by Q-Free. We have a desire to win contracts based on a competitive offering of products, services, and solutions. Q-Free adheres to national and foreign antitrust laws, while the Code of Conduct states that no formal or informal agreements shall be entered if competition is thereby unfairly restricted. Q-Free identifies and monitors corporate risks including corruption and conducts analyses to define and evaluate how to address and mitigate these risks. In order to ensure that our employees have the competence to achieve our goals, we have conducted and will continue to conduct internal sessions how to prevent corruption and bribery. With operations and companies in both the US and UK, the US Foreign Corrupt Practices Act and the UK Bribery Act 2010 applies to Q-Free, and together with the Norwegian Penal Code § 387, these set the minimum threshold in our combat against corruption and our guidelines Anti-Corruption Handbook and Corporate Social Responsibility. These subjects are also documented in our management system.

ESG INDEX

The table below indicates where you can look up ESG (Environmental, Social, Governance) information in this report.

Environmental	Read	Social	Read	Governance	Read
Climate-related disclosures	16/17, 95	Accidents at work	180, 181	Anti-corruption	63, 64, 165, 183, 187
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		Health and safety	62, 174, 182	Ethical guidelines	183
		Human rights	185	Materiality analysis	26/27
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				Whistleblowing	186

HEADQUARTERS

Q-FREE ASA
Strindfjordvegen 1
7053 Ranheim
Norway

POSTAL ADDRESS
POB 3974 Leangen
7443 Trondheim
Norway
Tel.:+47 73 82 65 00

EUROPE

Q-FREE NORWAY
Strindfjordvegen 1
7053 Ranheim
Norway
Tel.:+47 73 82 65 00

Oslo office
Henrik Ibsens gate 100,
0255 Oslo
Norway
Tel.: +47 73 82 65 00

Q-FREE SWEDEN
Sundbybergsvägen 1
171 73 Solna
Sweden
Tel.: +46 8 517 820 80

Gothenburg office
Flöjelbergsgatan 16 A
SE431 37 Mölndal
Sweden

Q-FREE DENMARK
Korsør
Servicevej 6
4220 Korsør
Denmark
Tel.: +45 91 99 12 06

Q-FREE UNITED KINGDOM
30 Lynx Crescent
Weston Industrial Estate
Weston-super-Mare
North Somerset
England, United Kingdom
BS24 9BP
Tel.: +44 1934 644 299

Q-FREE NETHERLANDS
Eursing 2
9411 XC Beilen
The Netherlands
Tel.: +31 593 542 055
Fax: +31 593 542 098

Q-FREE SLOVENIA
Kamniška ulica 50
1000 Ljubljana
Slovenia
Tel.: +386 1 300 97 70
Fax: +386 1 300 97 85

Q-FREE PORTUGAL
Taguspark
Av. Prof. Doutor Aníbal
Cavaco Silva
Bloco B1-2B
P 2740-120 Porto Salvo
Portugal
Tel.: +351 21 422 71 70
Fax: +351 21 422 71 71

Q-FREE SPAIN
Calle Serrano, 1, 4th floor
28001 Madrid
Spain
Tel.: +34 915 634 415

Q-FREE RUSSIA
115114 Moscow,
Letnikovskaya street, 2,
bild.1, office 437.

Q-FREE POLAND
Q-Free Polska Sp. z o.o.ul.
Chłodna 64,
00-872 Warszawa,
Poland

AMERICAS

Q-FREE AMERICA
4660 La Jolla Village Drive
Suite 100
San Diego, CA 92122
USA
Tel.: +1 855 737 3387

Q-FREE ATLANTA
2665 Pine Grove Rd., Ste 100
Cumming, GA 30041
USA

Q-FREE CHESAPEAKE
1420 Kristina Way
Ste 102
Chesapeake, VA 23320
USA
Tel.: +1 757 546 3401
Fax: +1 757 546 1832

Q-FREE TUCSON
3801 E. 34 Street
Suite 105
Tucson, AZ 85713
USA
Tel.: +1 520 795-8808

Q-FREE SEATTLE
615 2nd Ave, Suite 550
Seattle, WA 98104
USA

Q-FREE CHILE
Avenida Santa María 2670
Oficina 207
Providencia – Santiago
Tel.: +562 2246 3939

ASIA PACIFIC

Q-FREE AUSTRALIA
Level 7, 107 Mount Street
North Sydney NSW 2060
Australia
Tel.: +61 2 8020 2650
Fax: +61 2 8020 2651

Queensland Office
Unit 8 & 9, 45 Jijaws Street
Sumner
Queensland 4074
Australia
Tel: +61 7 3376 8854

Q-FREE THAILAND
17 GEC Building, 2nd Floor, Zone A,
Soi Prasert-Manukitch 31,
Prasert-Manukitch Road,
Ladprao, Ladprao, Bangkok 10230
Thailand
Tel.: +66 255 32 025