



Q4

**FOURTH QUARTER AND PRELIMINARY
FULL YEAR RESULTS 2018**



Highlights

Q4 2018

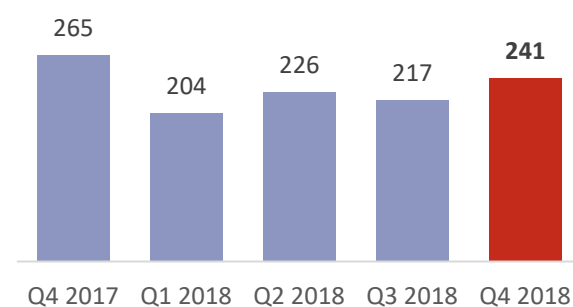
- 241 MNOK in revenues, down 9% YoY as strong growth (32%) in non-tolling segments compensated for lower project revenues in tolling
- 22 MNOK in adjusted EBITDA (9% margin) compared to 40 MNOK in Q4 2017. 9 MNOK in reported EBITDA due to 13 MNOK in one-off expenses related to close down of Jakarta operation
- 262 MNOK in order intake, significantly up from 133 MNOK in Q4 2017
- 22 MNOK in operating cash flow incl. net investments and free cash flow of 18 MNOK

FY 2018

- 889 MNOK in revenues, down 9% YoY due to lower tolling revenues from large projects
- 89 MNOK in adjusted EBITDA (10% margin) compared to 110 MNOK in 2017. Reported EBITDA of 71 MNOK (8% margin) due to 18 MNOK in one-off expenses related to close down of Jakarta, Malta and Serbia
- 117 MNOK in operating cash flow incl. net investments

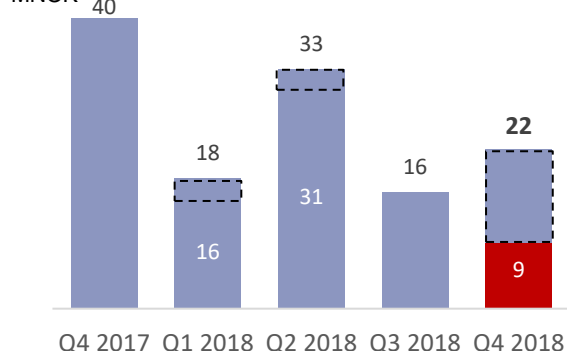
REVENUES LAST 5 QUARTERS

MNOK



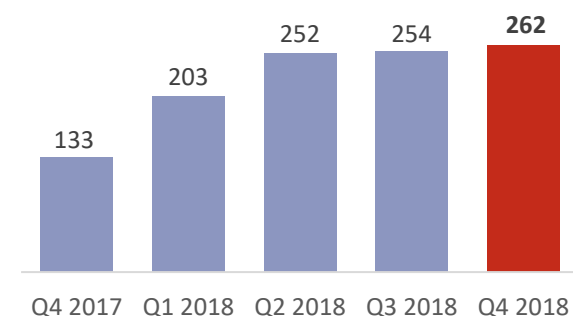
EBITDA LAST 5 QUARTERS

MNOK



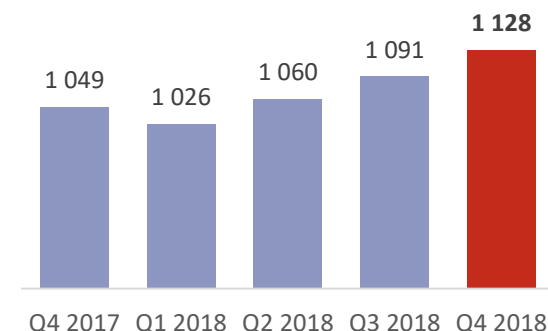
ORDER INTAKE LAST 5 QUARTERS

MNOK



ORDER BACK LOG LAST 5 QUARTERS

MNOK



Financial summary

KEY FIGURES

NOK 1.000	Q4 2018	Q4 2017	Q/Q-%	FY 2018	FY 2017	Y/Y-%
Revenues	241 443	264 511	-8,7%	888 647	973 475	-8,7%
Gross contribution *	151 142	169 231	-10,7%	569 196	591 048	-3,7%
Gross margin - % **	62,6%	64,0%		64,1%	60,7%	
Operating expenses	129 047	129 622	-0,4%	480 295	480 634	-0,1%
EBITDA excl non-recurring items **	22 095	39 609	-44,2%	88 901	110 414	-19,5%
EBITDA margin excl non-recurring items **	9,2%	15,0%		10,0%	11,3%	
Non-recurring items *	13 460	0		17 810	27 823	
EBITDA **	8 635	39 609	-78,2%	71 091	82 591	-13,9%
EBITDA margin **	3,6%	15,0%		8,0%	8,5%	
Depreciation and amortisation	11 986	13 669	-12,3%	47 123	56 488	-16,6%
Impairment	0	21 876		278	21 876	
Operating profit - EBIT excl non-recurring items **	10 109	25 940	-61,0%	41 500	53 926	-23,0%
EBIT margin excl non-recurring items **	4,2%	9,8%		4,7%	5,5%	
Operating profit - EBIT **	-3 351	4 064		23 690	4 227	
EBIT margin **	-1,4%	1,5%		2,7%	0,4%	
Profit before tax excl non-recurring items **	5 266	29 459		16 691	40 173	
Profit before tax	-8 194	7 583		-1 119	-9 526	
Profit margin excl non-recurring items **	2,2%	11,1%		1,9%	4,1%	
Profit margin **	-3,4%	2,9%		-0,1%	-1,0%	
Profit after tax from continuing operations	-8 343	7 293		-8 079	-11 263	
Profit after tax on discontinued operations	0	-9 462		0	-9 462	
Profit for the period	-8 343	-2 169		-8 079	-20 725	
EPS	-0,09	-0,02		-0,09	-0,23	

* Q-Free has with effect from Q1 2018 changed the definition of Gross Contribution. See note 11 and Alternative Performance Measures for a definition of Gross Contribution.

** See Alternative Performance Measures for definitions.

Profit and loss fourth quarter 2018

Q-Free generated revenues of 241 MNOK in the fourth quarter of 2018. This represented a decline of 9 percent versus Q4-17. Tolling revenues ended at 121 MNOK, down 30 percent YoY due to high project revenues in Slovenia in Q4-17. Revenues from other segments increased by 32 percent to 120 MNOK. The growth was driven by strong performance in the Infomobility and Urban business areas.

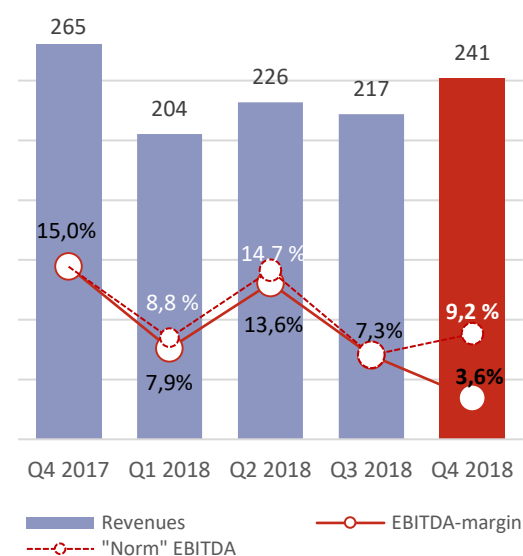
Gross contribution in the quarter was 151 MNOK, down from 169 MNOK in Q4-17. The gross margin ended at 63 percent compared to 64 percent in Q4-17.

Operating expenses in Q4-18 amounted to 129 MNOK, similar to Q4-17. Reported operating expenses ended at 143 MNOK

due to 13 MNOK in close-down cost related to the Jakarta operations.

Adjusted for close-down costs in Jakarta, EBITDA ended at 22 MNOK (9 percent EBITDA margin) compared to 40 MNOK in Q4-17. The reduction is mainly explained by high revenue recognition from the Slovenia truck tolling project in Q4-17. Reported EBITDA in the quarter ended at 9 MNOK.

QUARTERLY REVENUES AND EBITDA MARGIN
MNOK / Percent



Depreciation and amortisation in Q4-18 ended at 12 MNOK compared to 14 MNOK in Q4-17. The reduction is explained by lower amortisation of intangibles.

Operating profit (EBIT) ended at -3 MNOK versus 4 MNOK in Q4-17. Again, the decline is explained by 13 MNOK in close-down costs Jakarta.

Net financial items in the quarter were -5 MNOK compared to 4 MNOK in Q4-17. 12 MNOK in net finance costs in the quarter are explained by an increase in the Intelight share purchase liability on the back of very strong performance in Intelight in 2018.

Reported pre-tax profit ended at -8 MNOK, down from 7 MNOK in Q4 2017.

Earnings per share came in at -0.09 NOK in the fourth quarter versus -0.02 NOK in Q4-17.

Profit and loss FY 2018

Total revenues in 2018 amounted to 889 MNOK, down 9 percent from 973 MNOK in 2017. The reduction is mainly

explained by 117 MNOK in reduced revenue recognition from the Slovenia project in 2018 compared to 2017. Revenues were also negatively impacted by lower tolling revenues in Chile and divestments of Serbia and Malta. The 10 percent growth in the non-tolling segments compensated for some of the decline in tolling.

Gross contribution ended at 569 MNOK, down from 591 MNOK in 2017. Gross margin in 2018 improved by 3 percentage points. The improvement was driven by favourable product mix effects and portfolio adjustments.

Adjusted for non-recurring items, operating expenses in 2018 were nominally at the same level as in 2017 (480 MNOK). Reported operating expenses in 2018 of 498 MNOK were negatively impacted by 18 MNOK in one-off costs related to portfolio adjustments (13 MNOK for close down of Jakarta, 3 MNOK for Malta and 2 MNOK for Serbia).

Adjusting for non-recurring items the comparable EBITDA figures ended at 89 MNOK (10% margin) in 2018 and 110 MNOK in 2017 (11% margin). Reported 2018 EBITDA amounted to 71 MNOK compared to 83 MNOK in 2017.

Operating profit (EBIT) ended at 24 MNOK versus 4 MNOK in 2017.

Net financial items amounted to -25 MNOK in 2018 compared to -14 MNOK in 2017. 22 MNOK of the net finance costs in 2018 are related to the remaining Intelight Inc. share purchase liability compared to 1 MNOK in 2017.

Pre-tax profit in 2018 was -1 MNOK compared to -10 MNOK last year.

Balance sheet

Total assets at the end of 2018 were 940 MNOK versus 1 070 MNOK at the end of 2017 and 900 MNOK at the end of Q3-18. Most of the increase from the previous quarter is explained by currency effects.

Total equity ended at 402 MNOK, down from 414 MNOK at the end of Q4-17 and up from 394 MNOK at the end of Q3-18. The equity ratio was 43 percent, up from 39 percent at the end of Q4-17 and down from 44 percent at the end of the previous quarter.

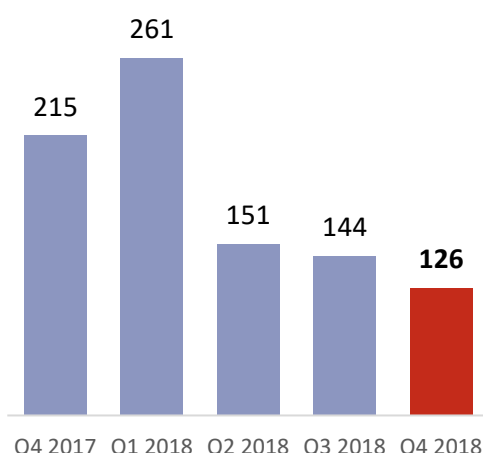
Non-current liabilities were 240 MNOK, up from 216 MNOK at the end of Q4-17 and 146 MNOK at the end of Q3-18. The increase versus the previous quarter is explained by the new long-term financing with a longer maturity profile than previously. The remaining liability to purchase shares in Intelight is by end of 2018 estimated at 94 MNOK of which 25 MNOK are classified as a non-current liability. The increase in the Intelight share purchase obligation during 2018 is explained by stronger than estimated financial performance in Intelight - see note 6 in the 2017 Annual report for more details on the share purchase obligation.

Net short-term interest-bearing debt to financial institutions was 20 MNOK at the end of the fourth quarter compared to 204 MNOK at the end of Q4-17 and 130 MNOK at the end of

Q3-18. Granted, but unused, credit facilities were 84 MNOK at the end of 2018.

Net interest-bearing debt ended at 126 MNOK, down 89 MNOK from 215 MNOK in Q4-17 and down 18 MNOK from 144 MNOK as per Q3-18.

QUARTERLY NIBD
MNOK



Current liabilities were 298 MNOK at the end of the period, down from 440 MNOK at the end of 2017 and 360 MNOK at the end of Q3-18. The decrease is mainly explained by reallocation of interest-bearing debt from current to non-current.

Net working capital (defined as current assets excluding cash less current liabilities and excluding short-term overdraft facilities and the Intelight share purchase liability) amounted to 138 MNOK at the end of 2018. The corresponding figure at the end of 2017 was 247 MNOK and 163 MNOK per end of Q3-18. The decrease from 2017 is explained by the collection of receivables from the Slovenia project. Net working capital as a share of trailing 12 month revenues decreased from 18 percent at the end of Q3-18 to 16 percent at the end of Q4-18.

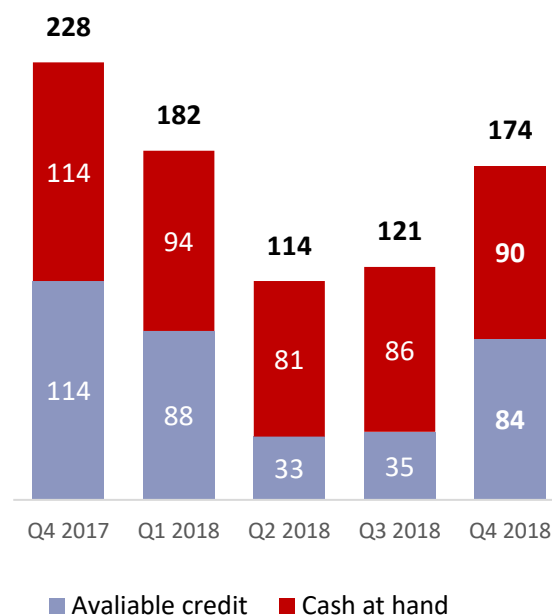
Cash flow

Net cash flow from operations was 38 MNOK in the fourth quarter of 2018 compared to 11 MNOK in the corresponding quarter of 2017.

Net cash flow from investment activities was -16 MNOK in Q4-18 compared to -14 MNOK in Q4-17. 25 MNOK of the total investments in 2018 are related to the new outdoor parking sensor (ParQSense) and the Q-Free HUB launched in Q4-18 (19 MNOK are classified as Intangibles and 6 MNOK as tangible assets).

Net cash flow from financing activities was -18 MNOK versus -12 MNOK in Q4-17.

QUARTERLY AVAILABLE CREDIT AND CASH AT HAND
MNOK



Order intake and backlog

Order intake in the fourth quarter of 2018 was 262 MNOK, a significant increase from the 133 MNOK booked in Q4-17. Q4-18 was the fourth consecutive quarter with a book-to-bill ratio above 1. During the quarter Q-Free announced a 30 MNOK tolling contract in Chile and a 55 MNOK ferry contract in Norway. The unannounced orders of 177 MNOK included 25 MNOK in tolling service and maintenance contracts in Australia, 25 MNOK in urban contracts in the US and 15 MNOK inter-urban contracts in Slovenia.

The full year order intake in 2018 ended at 972 MNOK compared to 616 MNOK in 2017. This represents an increase of 58 percent YoY and gives a book-to-bill ratio of 1.09 for the fiscal year 2018.

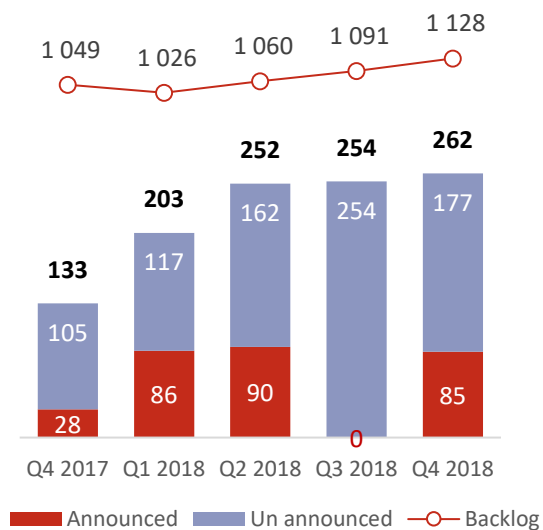
During 2018 Q-Free was also awarded two major frame agreements with a potential total value of 105-125 MNOK. These two contracts are not included in the order intake and backlog figures. There have been limited deliveries on these frame agreements during 2018, hence the majority will be delivered in 2019 and 2020.

The order backlog at the end of Q4-18 was 1 128 MNOK, up from 1 049 MNOK at the end of the fourth quarter of 2017 and up from 1 091 MNOK at the end of Q3-18. The backlog was adjusted with 16 MNOK in positive currency effects related to EURO and USD contracts.

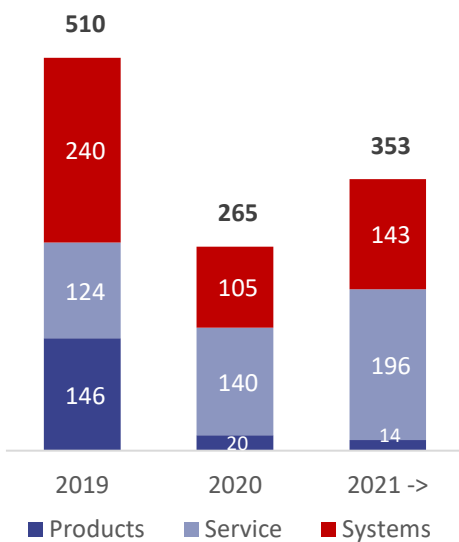
The backlog continues to be at a historically high level. 510 MNOK of the backlog are planned for delivery during 2019 and 618 MNOK from 2020 and onwards. The backlog for the coming 12 months is around 70 MNOK higher than last year.

In terms of mix, the order backlog is composed of 16 percent product deliveries, 41 percent service and maintenance contracts and 43 percent system projects.

ORDER BACKLOG AND ORDER INTAKE END OF Q4-18 MNOK



ORDER BACKLOG COMPOSITION Q4-18 MNOK



Segment overview

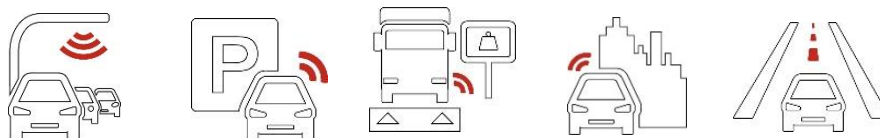
Q-Free structure per Q4 2018:

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

Segment review

SEGMENT REVIEW Q4-18 v/s Q4-17 and FY 2018 v/s FY 2017

(MNOK)



REVENUES Q4-18	TOLLING	PARKING	INFOMOBILITY	URBAN	INTER-URBAN	Q4 2018
EUROPE	99	8	22	0	5	135
APMEA	7	1	1	0	0	10
AMERICAS	14	4	2	49	28	97
TOTAL	121	13	26	49	33	241

REVENUES Q4-17	TOLLING	PARKING	INFOMOBILITY	URBAN	INTER-URBAN	Q4 2017
EUROPE	136	5	11	5	4	162
APMEA	19	2	3	0	0	25
AMERICAS	16	4	2	28	28	78
TOTAL	172	11	16	33	32	265

REVENUES FY 2018	TOLLING	PARKING	INFOMOBILITY	URBAN	INTER-URBAN	FY 2018
EUROPE	376	26	69	1	21	493
APMEA	54	5	4	0	0	63
AMERICAS	51	20	5	156	99	332
TOTAL	481	52	78	157	121	889

REVENUES FY 2017	TOLLING	PARKING	INFOMOBILITY	URBAN	INTER-URBAN	FY 2017
EUROPE	446	27	46	14	19	552
APMEA	69	7	11	0	0	86
AMERICAS	86	22	7	126	94	335
TOTAL	601	56	64	139	113	973



TOLLING

DSRC TAGS & READERS
ALPR/ANPR SOLUTIONS
ELECTRONIC TOLL COLLECTION
CONGESTION CHARGING

REVENUES AND MARGINS

Quarterly tolling revenues amounted to 121 MNOK, down from 172 MNOK in Q4-17. The decline is explained by a 44 MNOK reduction in Slovenia project revenues compared to Q4-17. Full year 2018 tolling revenues were down due to close down of Brazil and reduced project revenues in Slovenia and Chile. ALPR tolling revenues continue to show strong growth.

In terms of tolling revenue mix in Q4-18, Q-Free had 28 MNOK in service and maintenance revenues, 57 MNOK in system project revenues, and product revenues of 36 MNOK.

Tolling achieved an EBITDA of 18 MNOK in the fourth quarter of 2018, down from 48 MNOK in Q4-17. The reduced quarterly and full-year EBITDA margin is mainly explained by lower project revenues.

ORDER SITUATION

Q-Free booked 144 MNOK in new tolling orders in the quarter, which resulted in a book to bill ratio of 1.2. Key wins included the announced 30 MNOK contract in Chile and a 55 MNOK ferry contract in Norway.

Of the tolling backlog, 32 percent is planned for delivery in 2019, 29 percent in 2020 and 39 percent in 2021 and beyond. Tags and product deliveries represent 10 percent of the backlog and are typically sold with short lead-times, while the remaining 90 percent of the backlog consists of system projects and service & maintenance contracts.

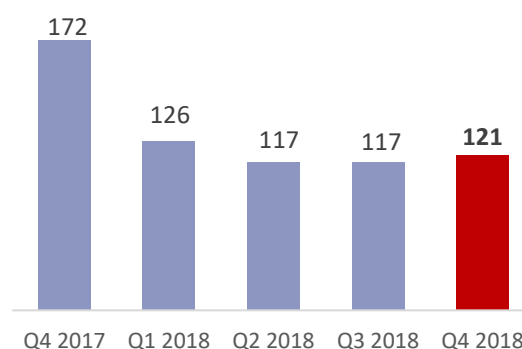
TOLLING REVENUES AND EBITDA

MNOK

	Q4-18	Q4-17	FY-18	FY-17
EUROPE	99	136	376	446
APMEA	7	19	54	69
AMERICAS	14	16	51	86
REVENUES	121	172	481	601
EBITDA	18	48	84	133

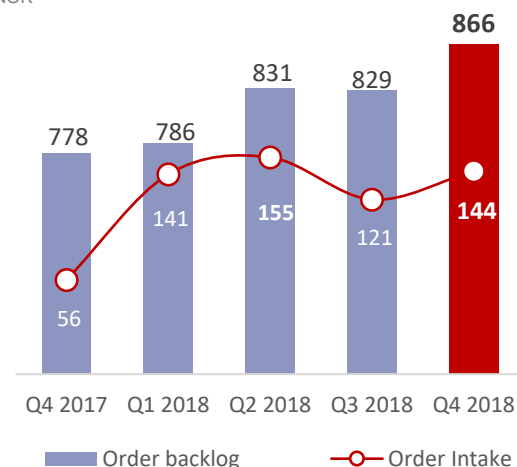
LAST 5 QUARTERS TOLLING REVENUES

MNOK



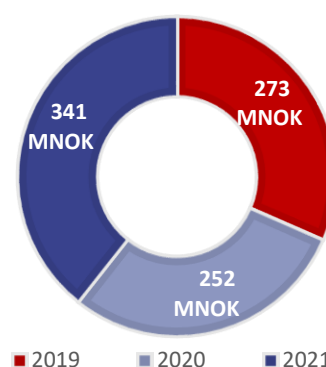
TOLLING ORDER BACKLOG & ORDER INTAKE

MNOK



TOLLING ORDER BACKLOG DISTRIBUTION

MNOK





PARKING

PARKING GUIDANCE
PARKING ACCESS CONTROL

REVENUES AND MARGINS

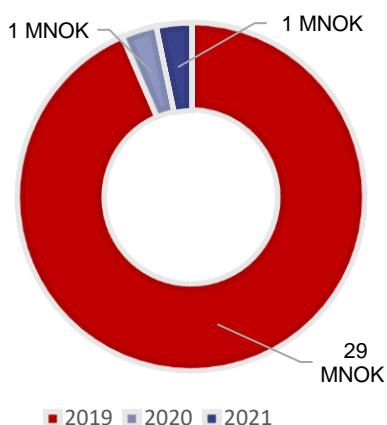
The parking segment delivered 13 MNOK in revenues, up from 11 MNOK in Q4-17 despite divestment of the parking revenue management business in Malta during 2018. The increased revenues in the quarter came from deployment of parking guidance solutions in Americas and Europe (predominantly in France).

Parking reported EBITDA of 0 MNOK in the quarter compared to -3 MNOK in Q4-17. Parking EBITDA has during 2018 been negatively impacted by ongoing investments in next generation parking guidance solutions and the close down of Malta.

ORDER SITUATION

The order intake in the quarter was 22 MNOK, significantly up from Q4-17. Q-Free won several parking guidance contracts in Americas and Europe. The new outdoor parking sensor was launched in Q4-18 as planned, and the first contracts have already been obtained. Q-Free enters 2019 with an upgraded parking product portfolio and expects to see steady increase in segment sales and profitability going forward.

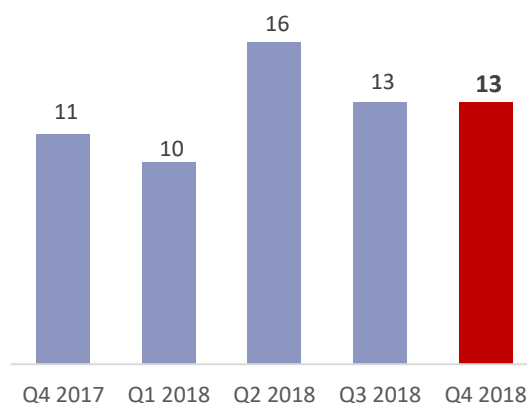
Most of the parking backlog is due for delivery in the coming 2 to 6 months. Parking has a short sales conversion cycle and Q-Free often delivers obtained orders within a quarter. The current orders are mainly to customers in North America, France and Australia.



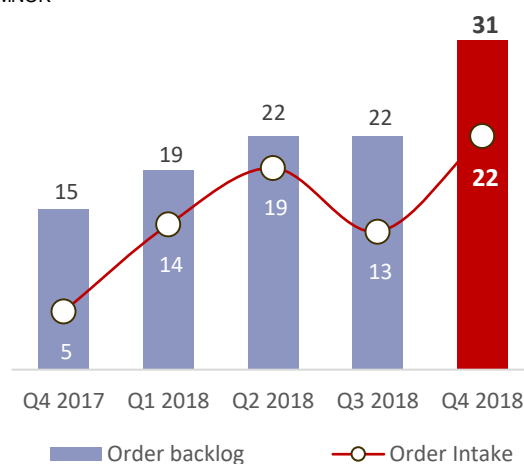
PARKING REVENUES AND EBITDA MNOK

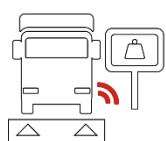
	Q4-18	Q4-17	FY-18	FY-17
EUROPE	8	5	26	27
APMEA	1	2	5	7
AMERICAS	4	4	20	22
REVENUES	13	11	52	56
EBITDA	0	-3	-13	-8

LAST 5 QUARTERS PARKING REVENUES MNOK



PARKING ORDER BACKLOG & ORDER INTAKE MNOK





INFOMOBILITY

WEIGH IN MOTION
TRAFFIC COUNTERS
CYCLE & PEDESTRIAN DETECTION
JOURNEY TIME MONITORING
WEATHER & AIR-QUALITY MONITORING

REVENUES AND MARGINS

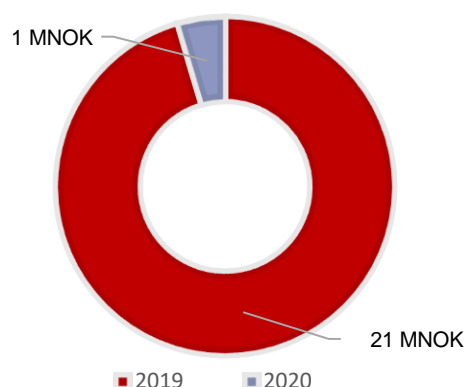
The fourth quarter showed strong year-on-year revenue growth with revenues of 26 MNOK compared to 16 MNOK in Q4-17. On a full-year basis, revenues grew by 22 percent in 2018 driven by strong sales in Europe.

Reported EBITDA was 4 MNOK in Q4-18 compared to 0 MNOK in Q4-17. The segment experienced a significant improvement in EBITDA during 2018 explained by increased revenues and improved cost discipline.

ORDER SITUATION

Q-Free booked 30 MNOK in new orders in the Infomobility segment, up 6 MNOK compared to Q4-17. Q-Free expects to gain further momentum in the US. The business is also strengthening its distribution in Europe and in the APMEA region.

The business normally consists of small and medium sized orders with a typical delivery time of 4-8 weeks. 21 MNOK of the total order backlog of 22 MNOK will be delivered during 1H 2019.



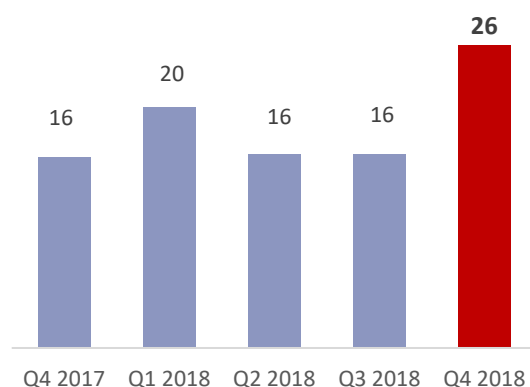
INFOMOBILITY REVENUES AND EBITDA

MNOK

	Q4-18	Q4-17	FY-18	FY-17
EUROPE	22	11	69	46
APMEA	1	3	4	11
AMERICAS	2	2	5	7
REVENUES	26	16	78	64
EBITDA	4	0	10	5

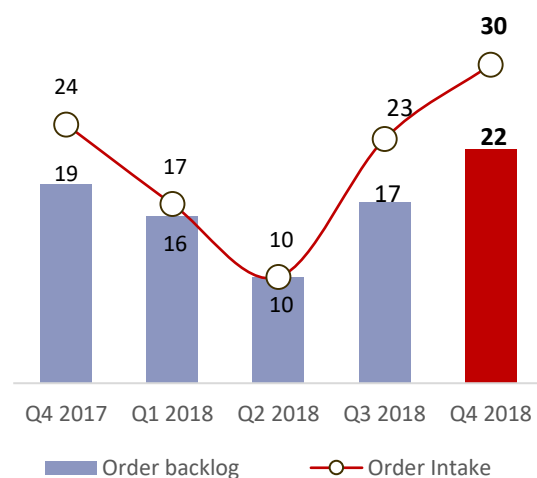
LAST 5 QUARTERS INFOMOBILITY REVENUES

MNOK



INFOMOBILITY ORDER BACKLOG & ORDER INTAKE

MNOK





URBAN

TRAFFIC CONTROLLERS
CENTRALIZED TRAFFIC CONTROLLER SW
CO-OPERATIVE ITS

REVENUES AND MARGINS

Quarterly urban revenues were 49 MNOK, up from 33 MNOK in Q4-17. Q4-18 revenues were driven by solid demand for hardware controllers and delivery of the PennDot agreement.

Urban reported an EBITDA of 11 MNOK (22 percent EBITDA margin). The significant full year revenue and EBITDA improvements are explained by strong performance in Intelight driven by large SW agreements signed and delivered during the year combined with strong growth for traffic controllers in general. The close down of Elcom in Q1-18 also had a positive EBITDA impact in H2-18.

ORDER SITUATION

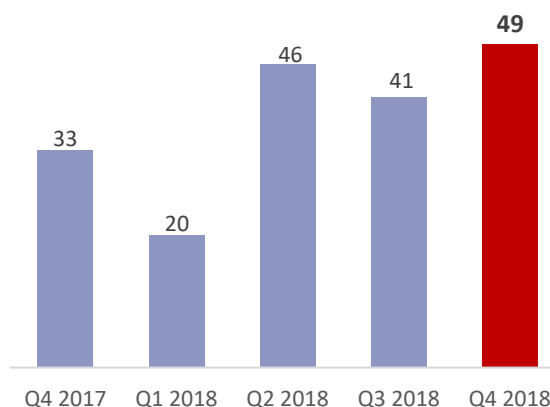
Order intake in the quarter was 42 MNOK compared to 31 MNOK in Q4-17. Order intake in Q4 was distributed among several small and medium sized orders. Q-Free has over the last quarters developed a strong order pipeline and is also working on opportunities to expand its footprint outside Americas.

The order backlog ended at 76 MNOK, down from 83 MNOK by Q3-18. All orders in the backlog will be executed during the next nine months.

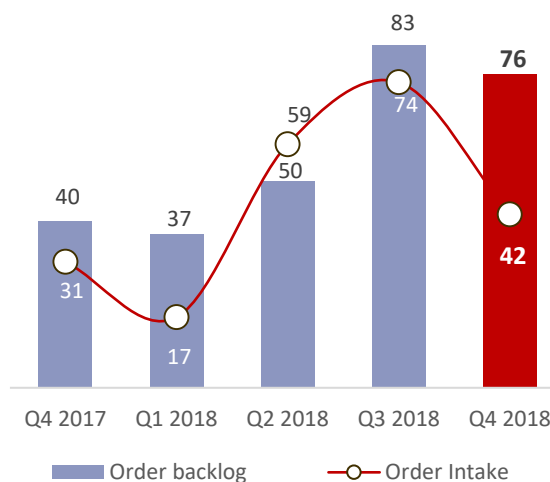
URBAN REVENUES AND EBITDA MNOK

	Q4-18	Q4-17	FY-18	FY-17
EUROPE	0	5	1	14
APMEA	0	0	0	0
AMERICAS	49	28	156	126
REVENUES	49	33	157	139
EBITDA	11	-4	30	2

LAST 5 QUARTERS URBAN REVENUES MNOK



URBAN ORDER BACKLOG & ORDER INTAKE MNOK





INTER-URBAN

ADVANCED TRAFFIC MANAGEMENT
TRAFFIC INFORMATION
RAMP METERING
TRUCK PARKING

REVENUES AND MARGINS

Q4-18 inter-urban revenues amounted to 33 MNOK, in line with the 32 MNOK reported in Q4-17.

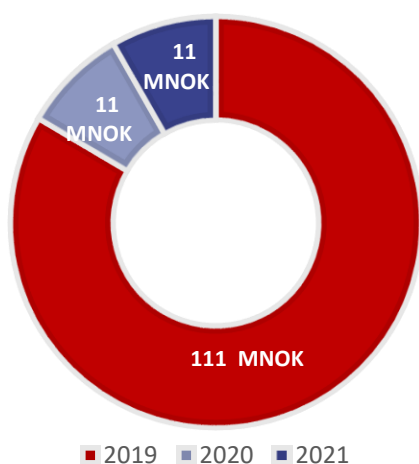
The EBITDA in the quarter ended at 2 MNOK compared to 8 MNOK in Q4-17. The full-year margin for the segment was stable at 13 percent compared to 14% in 2017.

ORDER SITUATION

Order intake in the quarter was 25 MNOK compared to 16 MNOK in Q4-17. The order intake in Q4-18 was composed of various ATMS and traffic management contracts in the US and a 10 MNOK contract for the Ljubljana Ring Bypass project.

The order backlog mainly reflects scheduled deliveries to VDOT and PennDot in 2019.

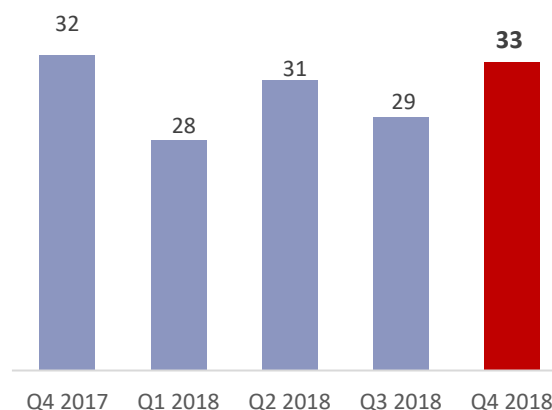
INTER-URBAN ORDER BACKLOG DISTRIBUTION MNOK



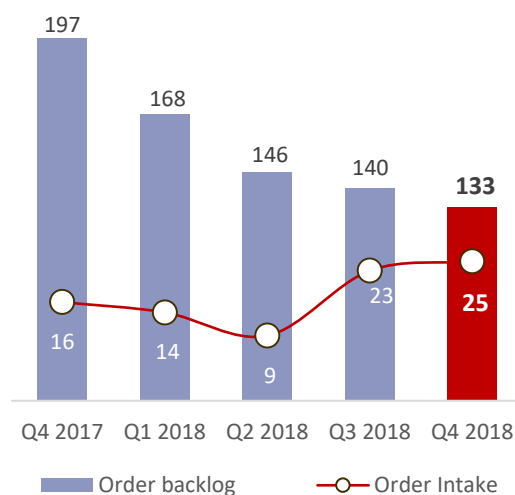
INTER-URBAN REVENUES AND EBITDA MNOK

	Q4-18	Q4-17	FY-18	FY-17
EUROPE	5	4	21	19
APMEA	0	0	0-	0
AMERICAS	28	28	99	94
Total Revenues	33	32	121	113
EBITDA	2	8	16	16

LAST 5 QUARTERS INTER-URBAN REVENUES MNOK



INTER-URBAN ORDER BACKLOG & ORDER INTAKE MNOK



Outlook

2018 was a transitional year for Q-Free where reported financial figures were negatively impacted by a planned strategic shift in our tolling business and expenses related to restructuring of the business portfolio. However, the underlying performance was solid.

Revenues were down 9 percent YoY due to limited tolling project revenues. The company had a low backlog in tolling entering 2018 coming off its largest project delivery ever in Slovenia in 2017. The focus in 2018 has therefore been on positioning Q-Free for tolling contracts with a satisfying risk-reward profile. This approach delivered substantial growth in tolling order intake in 2018 (see below). The non-tolling businesses delivered 10 percent revenue growth despite divestments of Malta and Serbia.

Adjusted for expenses related to portfolio restructurings (close-down of Malta, Serbia and Indonesia), Q-Free delivered an EBITDA margin of 10 percent, in line with last year's 11 percent margin. This proves that the underlying business delivered satisfactory results in 2018 and that there is potential for margin expansion once revenues start to increase. The close-down of Serbia, Malta and Indonesia will also deliver substantial cost savings with full-year impact in 2019. For example, Q-Free expects that the close-down of the Indonesia office and operation will deliver more than 15 MNOK in cost reductions.

The order intake in 2018 was significantly higher than in 2017 and all quarters had a positive book-to-bill ratio. Q-Free therefore enters 2019 with a 70 MNOK higher backlog and a more promising opportunity pipeline than the company had entering 2018. For the full fiscal year 2019 the ambition is therefore to grow revenues by more than 10 percent organically and increase profitability substantially. Given the delivery schedule for 2019 contracts, performance in the second half of 2019 is expected to be stronger than in the first half.

Q-Free is now in the third stage of its strategic plan – “integrate and expand”. The company's current portfolio covers products and systems in several large and growing ITS segments. Going forward Q-Free can, as one of very few players, combine its offerings within these various segments to create solutions and packages that deliver on new market needs and trends. Examples include signal integration in ATMS, truck parking modules in ATMS, smart city platforms and connected vehicle solutions.

Most of Q-Free's customers need to address three main challenges: mobility, safety and sustainability. With our new solutions Q-Flow (for improved mobility), Q-Safe (for increased traffic safety) and Q-Clean (for environmentally-friendly transportation), customers and partners can initiate programs that address these challenges, either stand-alone or in combination. Q-Free's solutions are built on future-proof, scalable platforms that will yield results from day 1. Moreover, these solutions represent a holistic approach to complex issues. For example, safety is not fixed with one single system or product. To increase safety on our roads we need to combine smart intersection controllers, red light and speed enforcement, bicycle priority schemes, weigh in motion etc. It is when these systems work in parallel that we can expect real improvements.

With Q-Flow, Q-Safe and Q-Clean Q-Free will be an attractive partner for cities, municipalities and counties around the world. Rather than offering single products and services, Q-Free will over time become a program partner for these customers. We can also team up with other ITS players and work with them to deploy state-of-the-art technology as part of major infrastructure programs. In an industry that gradually will be reinvented through electric cars, connected and autonomous vehicles and new advances in big data and artificial intelligence, Q-Free is ready to lead the way.

Financial overview

The condensed interim consolidated financial statements per 31.12.18 (unaudited):

INTERIM CONSOLIDATED INCOME STATEMENT

NOK 1.000	Note	Q4 2018	Q4 2017	FY 2018	FY 2017
Revenues	7,8	241 443	264 511	888 647	973 475
Cost of goods sold	11	64 198	65 503	227 191	278 493
Contractors *	11	26 103	29 777	92 260	103 934
Personnel expenses		92 935	88 698	332 484	318 730
Other operating expenses	11	49 572	40 924	165 621	189 727
Total operating expenses		232 808	224 902	817 556	890 884
EBITDA *	7	8 635	39 609	71 091	82 591
Depreciation and amortisation	9	11 986	13 669	47 123	56 488
Impairment	9	0	21 876	278	21 876
EBIT *	7	-3 351	4 064	23 690	4 227
Financial income	10	-394	14 643	24 970	29 583
Financial expenses	10	-4 449	-11 124	-49 779	-43 336
Net financial items		-4 843	3 519	-24 809	-13 753
Profit before tax		-8 194	7 583	-1 119	-9 526
Tax expenses		-149	-290	-6 960	-1 737
Profit after tax from continuing operations		-8 343	7 293	-8 079	-11 263
Profit after tax on discontinued operations	12	0	-9 462	0	-9 462
Profit for the period		-8 343	-2 169	-8 079	-20 725
Attributable to :					
Equity holders of the parent		-8 343	-2 169	-8 079	-20 725
Profit		-8 343	-2 169	-8 079	-20 725
Number of employees		385	415	385	415
Gross margin *		62,6 %	64,0 %	64,1 %	60,7 %
EBITDA margin *		3,6 %	15,0 %	8,0 %	8,5 %
EBIT margin *		-1,4 %	1,5 %	2,7 %	0,4 %
Profit margin		-3,4 %	2,9 %	-0,1 %	-1,0 %
EPS (NOK)		-0,09	-0,02	-0,09	-0,23
EPS, diluted (NOK)		-0,09	-0,02	-0,09	-0,23

* See Alternative Performance Measures for definitions.



INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK 1.000	Note	Q4 2018	Q4 2017	FY 2018	FY 2017
Profit for the period		-8 343	-2 169	-8 079	-20 725
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations		16 539	7 668	-4 148	7 965
Net (loss)/gain on available-for-sale financial assets		263	0	71	-8
- Income tax effect		0	0	0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:		16 802	7 668	-4 077	7 957
Total comprehensive income for the period		8 459	5 499	-12 156	-12 768
Attributable to :					
Equity holders of the parent		8 459	5 499	-12 156	-12 768
Total comprehensive income for the period		8 459	5 499	-12 156	-12 768

BALANCE SHEET – ASSETS

NOK 1.000	Note	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017
Development	9	145 136	140 636	143 412	142 635	148 632
Goodwill	9	317 282	300 367	300 549	294 014	305 380
Deferred tax assets		14 795	13 174	12 813	13 501	16 864
Total intangible assets		477 213	454 177	456 774	450 150	470 876
Machinery, fixtures and fittings	9	25 420	21 920	20 770	21 738	22 367
Total fixed assets		25 420	21 920	20 770	21 738	22 367
Shares		0	195	387	387	387
Other long term receivables		627	1 536	1 188	2 168	2 147
Total financial fixed assets		627	1 731	1 575	2 555	2 534
Total non - current assets		503 260	477 828	479 119	474 443	495 777
Inventories		71 996	68 627	56 110	62 961	65 453
Total inventories		71 996	68 627	56 110	62 961	65 453
Accounts receivables		160 819	150 783	171 497	402 315	130 487
Contract assets		82 320	81 246	67 039	47 162	227 154
Other receivables		32 051	36 048	34 177	29 806	37 868
Total receivables		275 190	268 077	272 713	479 283	395 509
Cash		89 700	85 888	81 195	94 375	113 633
Total current assets		436 886	422 592	410 018	636 619	574 595
Total assets		940 146	900 420	889 137	1 111 062	1 070 372

BALANCE SHEET - EQUITY & LIABILITIES

NOK 1.000	Note	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017
Subscribed share capital		33 905	33 905	33 905	33 905	33 905
Share premium reserve		578 307	578 307	578 307	578 307	578 307
Other paid in capital		20 950	20 862	20 769	20 699	20 628
Total paid in capital		633 162	633 074	632 981	632 911	632 840
Other equity		-230 765	-239 224	-232 180	-233 094	-218 609
Total retained equity		-230 765	-239 224	-232 180	-233 094	-218 609
Total equity		402 397	393 850	400 801	399 817	414 231
Deferred tax		4 261	8 050	5 608	3 433	4 956
Debt to financial institutions		196 000	100 000	100 000	125 000	125 000
Other non-current liabilities		39 658	38 134	59 903	82 136	85 986
Total non-current liabilities		239 919	146 184	165 511	210 569	215 942
Debt to financial institutions		19 521	129 959	132 231	230 178	203 691
Accounts payable		95 992	64 983	54 031	60 989	89 272
Tax payable		2 758	1 669	1 479	2 699	3 342
Public duties payable		19 584	12 609	12 064	59 987	14 541
Contract liabilities		14 339	25 740	21 035	27 294	11 693
Other short term debt		145 636	125 426	101 985	119 529	117 660
Total current liabilities		297 830	360 386	322 825	500 676	440 199
Total liabilities		537 749	506 570	488 336	711 245	656 141
Total equity and liabilities		940 146	900 420	889 137	1 111 062	1 070 372

CASH FLOW STATEMENT

NOK 1.000	Note	Q4 2018	Q4 2017	FY 2018	FY 2017
Profit before tax		-8 194	7 583	-1 119	-9 526
Paid taxes		-2 487	-2 385	-9 083	-7 570
Depreciation and impairment of property, plant and equipment	9	3 258	5 350	10 446	17 121
Amortisation and impairment of intangible assets	9	8 728	30 195	36 955	61 243
Shares valued at fair value		650	0	458	-8
Cost of share-based payment		88	99	322	99
<u>Working capital adjustments:</u>					
Changes in receivables and prepayments from customers		-21 437	6 089	-27 686	11 954
Changes in inventory		-3 369	-3 333	-6 543	874
Changes in accounts payables		31 009	25 329	6 720	-10 937
Changes in contract assets		-1 074	-57 849	144 834	-151 347
Changes in other balance sheet items		30 863	-318	4 700	38 760
Net cash flow from operations		38 035	10 760	160 004	-49 337
Investments in intangible assets	9	-9 357	-10 943	-30 366	-24 285
Investments in tangible assets	9	-6 373	-3 236	-13 114	-5 828
Acquisition of a subsidiary, net of cash acquired		0	0	-23 210	-33
Cash flow from discontinued operations	12	0	-4 452	0	-835
Net cash flow from investments		-15 730	-18 631	-66 690	-30 981
Proceeds from new loans / Drawdown overdraft facilities		175 108	16 865	221 354	137 476
Down payments of debt to financial institutions		-193 601	-29 069	-338 601	-40 614
Other financial items		0	0	0	-5 220
Net cash flow from financing		-18 493	-12 204	-117 247	91 642
Net change in cash and cash equivalent		3 812	-20 075	-23 933	11 324
Cash and cash equivalents per 01.01.		85 888	129 256	113 633	101 474
Transferred to Assets held for sale	12	0	4 452	0	835
CASH AND CASH EQUIVALENTS		89 700	113 633	89 700	113 633

STATEMENT OF CHANGES IN EQUITY

NOK 1.000	Equity attributable to equity holders of the parent							Total
	Share capital	Share premium reserves	Other paid in Capital	Other equity	Foreign currency translation reserve	Actuarial gains and losses	Available-for-sale reserve	
Equity per 31.12.17	33 905	578 307	20 628	-302 905	84 367	0	-71	414 231
Total comprehensive income for the period	0	0	0	-8 079	-4 148	0	71	-12 156
Cost of share-based payment	0	0	322	0	0	0	0	322
Equity per 31.12.18	33 905	578 307	20 950	-310 984	80 219	0	0	402 397
Equity per 31.12.16	33 905	578 307	20 529	-270 163	76 402	-12 017	-63	426 900
Total comprehensive income for the period	0	0	0	-20 725	7 965	0	-8	-12 768
Cost of share-based payment	0	0	99	0	0	0	0	99
Reclassification	0	0	0	-12 017	0	12 017	0	0
Equity per 31.12.17	33 905	578 307	20 628	-302 905	84 367	0	-71	414 231

KEY FIGURES

	Q4 2018	Q4 2017	FY 2018	FY 2017
Operating profit / EBIT per share (NOK) *	-0,04	0,05	0,27	0,05
EBIT margin (%) *	-1,4 %	1,5 %	2,7 %	0,4 %
EPS (NOK)	-0,09	-0,02	-0,09	-0,23
EPS, diluted (NOK)	-0,09	-0,02	-0,09	-0,23
Cash flow per share (NOK)	0,43	0,12	1,79	-0,55
Equity per share (NOK)	4,51	4,64	4,51	4,64
Equity ratio (%)	42,8 %	37,3 %	42,8 %	37,3 %
Average number of shares	89 223 446	89 223 446	89 223 446	89 223 446
Average number of shares diluted	91 539 459	91 284 609	91 438 565	90 214 797

* See Alternative Performance Measures for definitions.

Notes to the condensed interim financial statements

NOTE 1 - GENERAL

The consolidated condensed interim financial statements for the fourth quarter and the preliminary FY results of 2018 (unaudited) was approved by the Board of Directors at its meeting on 13 February 2019.

The Q-Free Group provides leading technology solutions to the global ITS market. Q-Free has 385 employees, is headquartered in Trondheim Norway, and has local offices in 17 countries around the world. Q-Free ASA is a Norwegian public limited liability company, and has been listed on the Oslo Stock Exchange under the ticker QFR since 2002.

NOTE 2 – STATEMENT OF COMPLIANCE

These consolidated interim financial statements for 2018, combined with other relevant financial information in this report, have been prepared in accordance with the regulations of the Oslo Stock Exchange and the requirements in IAS 34. These condensed consolidated interim financial statements for the quarter have not been audited or been subject to review by the Group's auditor. The financial statements do not include all of the information required for the full annual financial statements of the Group and should be read in conjunction with the consolidated financial statements for 2017. The consolidated financial statements for 2017 are available upon request from the company's registered office in Trondheim or at our website, www.q-free.com.

NOTE 3 – ACCOUNTING PRINCIPLES

The consolidated financial statements of the Q-Free Group for 2018 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Norwegian Accounting Act. The Group has used the same accounting policies and standards as in the consolidated financial statements as of 31 December 2017, with the exception of IFRS 15: Recognition of revenues and IFRS 9: Accounts receivable and other receivables.

Implementation of IFRS 15 Revenue from Contracts with Customers

The Q-Free Group has adopted IFRS 15 Revenue from Contracts with Customers for reporting periods beginning on and after 1 January 2018. IFRS 15 has replaced IAS 18 Revenue and IAS 11 Construction Contracts. The new Standard establishes a new set of principles that shall be applied to report information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Q-Free Group has not identified any significant impact to the Group's statement of financial position and equity as a result of implementation of the new standard. As a result, these interim financial statements do not include detailed disclosures of the amounts by which line items are affected by the application of IFRS 15 compared to revenue standards no longer in effect.

The contracts with customers have been analysed based on the following split of the revenues:

Product deliveries

Revenues 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

Revenues relating to service and maintenance contracts is recognised over time. Revenue is recognised by measuring progress towards completion of the performance obligation, and input methods like cost incurred is used to measure progress.

System projects

Revenues relating to system projects is recognised over time since an asset that has no alternative use is being developed and the Group is entitled to payment for work performed at any time. In most contracts there will be two performance obligations, which is system delivery (both hardware installations and software deliveries) and service and maintenance. Revenue is recognised by measuring progress towards completion of the performance obligation, and input methods like cost incurred will be used to measure progress. In some contracts, variable remuneration may affect the timing of revenue recognition.

Implementation of IFRS 9 Financial instruments

The Q-Free Group has adopted IFRS 9 Financial instruments for reporting periods beginning on and after 1 January 2018. IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement. The new standard sets out new requirements for the accounting of financial instruments including classification, measurement, impairment and hedge accounting.

The Q-Free Group has not identified a significant impact to the Group's statement of financial position and equity as a

result of implementation of the new standard. As a result, these interim financial statements do not include detailed disclosures of the amounts by which line items are affected by the application of IFRS 9 compared to financial instruments standard no longer in effect.

The Q-Free Group applies an expected credit loss model when calculating impairment losses on its trade receivables and contracts assets.

Implementation of IFRS 16 Leases

Adoption of IFRS 16 will result in the Group recognising right of use assets and lease liabilities for all material contracts that are, or contain, a lease. For leases currently classified as operating leases under current accounting requirements the Group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term. According to IFRS 16 the Group will need to recognise the right of use assets and lease liabilities in the balance sheet, and instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and amortisation on its right of use assets.

The Q-Free Group is in a process of identifying contracts that may contain leases for the purposes of IFRS16, which are not currently considered to be lease contracts under the group's current accounting policy. The main leases that will be recognized in the balance sheet are the different office leases. The Q-Free Group intends to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption. Implementing IFRS 16 per 1 January 2019 will not have any effect on equity. However there will be changes in the statement of financial position and cash flows.

NOTE 4 – USE OF ESTIMATES

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

NOTE 5 – EVENTS AFTER THE BALANCE SHEET DAY

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

NOTE 6 – FORWARD LOOKING STATEMENTS

This report contains statements regarding the future in connection with Q-Free's growth initiatives, profit figures,

outlook, strategies and objectives. In particular the section "Outlook" contains forward-looking statements regarding the Q-Free Group's expectations. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual profit and development deviating substantially from what have been expressed or implied in such statements.

NOTE 7 – OPERATING SEGMENTS

Operating segments are aligned with internal reporting to Q-Free Management. The structure also determines how resources and investments are allocated within the Group. The operating segments are determined based on differences with regards to nature of the operations, solutions, products and services. Q-Free manages its operations in five segments plus global functions:

Quarterly segment review:

SEGMENTS Q4 2018 & 2017		TOLLING		PARKING		INFO MOBILITY		URBAN		INTER- URBAN		Global functions		TOTALS Q4-18 & -17	
NOK 1.000	Note	Q4-18	Q4-17	Q4-18	Q4-17	Q4-18	Q4-17	Q4-18	Q4-17	Q4-18	Q4-17	Q4-18	Q4-17	Q4-18	Q4-17
EUROPE		99 394	136 411	7 745	5 278	22 488	10 719	43	5 066	5 231	4 034	-	-	134 902	161 508
APMEA		7 198	19 491	1 219	2 433	1 267	2 842	-	-	-	-	-	-	9 683	24 766
AMERICAS		13 932	15 999	3 766	3 716	2 132	2 237	49 434	27 928	27 594	28 356	-	-	96 858	78 237
Revenues	7	120 523	171 900	12 730	11 428	25 887	15 798	49 477	32 994	32 826	32 390	0	0	241 443	264 511
COGS		24 077	37 325	5 230	4 651	9 503	4 898	22 276	17 583	2 190	1 044	0	0	63 276	65 501
Contractors		18 433	21 135	877	444	338	318	1 737	3 559	4 715	4 320	0	0	26 100	29 777
Gross Contribution		78 013	113 439	6 623	6 333	16 046	10 582	25 464	11 853	25 920	27 026	0	0	152 066	169 233
Gross margin - %		64,7 %	66,0 %	52,0 %	55,4 %	62,0 %	67,0 %	51,5 %	35,9 %	79,0 %	83,4 %			63,0 %	64,0 %
Total OPEX *		60 375	65 247	6 617	9 672	12 410	10 758	14 610	15 694	24 212	19 081	11 748	9 170	129 971	129 623
EBITDA	7,13	17 639	48 192	6	-3 339	3 636	-177	10 854	-3 841	1 709	7 944	-11 748	-9 170	22 095	39 610
EBITDA margin		14,6 %	28,0 %	0,0 %	-29,2 %	14,0 %	-1,1 %	21,9 %	-11,6 %	5,2 %	24,5 %			9,2 %	15,0 %
Depreciation		2 775	4 077	1 320	9 894	1 697	2 617	3 237	18 113	2 957	844	0	0	11 986	35 545
EBIT	7,13	14 864	44 116	-1 314	-13 234	1 939	-2 794	7 617	-21 954	-1 249	7 100	-11 748	-9 170	10 109	4 065
EBIT margin		12,3 %	25,7 %	-10,3 %	-115,8 %	7,5 %	-17,7 %	15,4 %	-66,5 %	-3,8 %	21,9 %			4,2 %	1,5 %

* OPEX is exclusive non-recurring items of 13 460 in Q4-18.



Accumulated SEGMENT review as at 31.12.18

SEGMENTS FY 2018		TOLLING		PARKING		INFO MOBILITY		URBAN		INTER - URBAN		Global functions		TOTALS 31.12	
NOK 1.000	Note	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17
EUROPE		376 160	446 158	26 266	26 935	68 506	46 071	1 164	13 864	21 255	19 390	-	-	493 350	552 418
APMEA		54 186	68 955	5 191	6 979	3 871	10 546	-	-0	-	-	-	-	63 248	86 480
AMERICAS		51 103	85 696	20 252	22 254	5 323	7 391	155 932	125 622	99 439	93 613	-	-	332 049	334 576
Revenues	7	481 448	601 809	51 709	56 168	77 700	64 008	157 096	139 486	120 694	113 003	0	0	888 647	973 475
COGS		113 671	157 010	18 015	17 766	25 684	24 509	65 286	77 809	3 612	2 412	0	-1 012	226 269	278 493
Contractors		59 876	72 247	6 908	3 241	1 529	1 070	6 745	6 526	17 200	20 851	0	0	92 257	103 934
Gross Contribution		307 902	371 552	26 786	35 162	50 487	38 429	85 064	55 151	99 881	89 741	0	1 012	570 121	591 046
Gross margin - %		64,0 %	61,8 %	51,8 %	62,6 %	65,0 %	60,0 %	54,1 %	39,5 %	82,8 %	79,4 %			64,2 %	60,7 %
Total OPEX *		224 081	238 244	39 965	42 740	40 425	33 631	54 938	53 610	83 402	73 657	38 409	38 751	481 220	480 633
EBITDA	7,13	83 820	133 308	-13 179	-7 578	10 063	4 798	30 126	1 541	16 480	16 084	-38 409	-37 739	88 901	110 414
EBITDA margin		17,4 %	22,2 %	-25,5 %	-13,5 %	13,0 %	7,5 %	19,2 %	1,1 %	13,7 %	14,2 %			10,0 %	11,3 %
Depreciation		9 088	12 345	5 597	16 087	9 089	10 280	13 361	29 609	10 267	10 043	0	0	47 401	78 364
EBIT	7,13	74 733	120 963	-18 775	-23 665	974	-5 482	16 765	-28 068	6 213	6 041	-38 409	-37 739	41 500	32 050
EBIT margin		15,5 %	20,1 %	-36,3 %	-42,1 %	1,3 %	-8,6 %	10,7 %	-20,1 %	5,1 %	5,3 %			4,7 %	3,3 %

* OPEX is exclusive non-recurring items of 17 810 in 2018 and 27 823 in 2017.



SEGMENT CONTENT SPECIFICATION

Tolling	- DSRC tags and readers, ALPR and image based solutions, Electronic toll collection systems (Multilane free-flow, truck tolling, congestion charging, etc.).
Parking	- Parking guidance systems and Parking Access control SW (ALPR)
Infomobility	- Traffic, bicycle & pedestrian detection and counting, Weigh in motion, Journey time monitoring, Weather & air-quality monitoring.
Urban	- Local intersection/traffic controllers, Centralised traffic controller SW, Cooperative ITS solutions.
Inter-urban	- Advanced Traffic Management systems, Traffic Information Systems, Ramp Metering, Truck Parking.
Global Functions	- Corporate services, management and group finance at the Q-Free HQ.

Tolling, Parking and Infomobility solutions are sold globally, whereas Urban and Inter-Urban is predominantly sold in North America.

NOTE 8 – DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

NOK 1.000

Disaggregation of revenue from contracts with customers	Q4 2018	Q4 2017	FY 2018	FY 2017
Product deliveries	86 645	99 395	366 460	381 092
Service & Maintenance	31 701	48 144	161 129	174 412
System projects	123 097	116 972	361 058	417 971
Revenue from contracts with customers	241 443	264 511	888 647	973 475
Other income	0	0	0	0
Total operating income	241 443	264 511	888 647	973 475

NOTE 9 – DEPRECIATION, AMORTISATION AND IMPAIRMENT

NOK 1.000

Depreciation, amortisation and impairment	Q4 2018	Q4 2017	FY 2018	FY 2017
Amortisation of capitalised development cost	4 119	5 195	18 133	20 499
Amortisation of capitalised acquired development cost	4 609	5 230	18 822	20 973
Impairment of development cost and Goodwill	0	19 771	0	19 771
Depreciation of other fixed assets	3 258	3 244	10 168	15 016
Impairment of other fixed assets	0	2 105	278	2 105
Total	11 986	35 545	47 401	78 364
Specifications of capitalised expenditures, balance sheet	Q4 2018	Q4 2017	FY 2018	FY 2017
Capitalised development cost	9 357	10 943	30 366	24 285
Other fixed assets	6 373	3 236	13 114	5 828
Total	15 730	14 179	43 480	30 113

The impairment in 2018 and 2017 is related to the exit of Serbia (Elcom) and parking management (Traffiko).

NOTE 10 – FINANCIAL ITEMS

NOK 1.000

Financial items	Q4 2018	Q4 2017	FY 2018	FY 2017
Realised agio / disagio	4 598	-99	3 358	-1 234
Unrealised agio / disagio	3 469	8 777	7 235	7 431
Change in other liabilities *	-11 967	462	-22 407	-4 273
Other financial income	235	937	1 106	3 518
Other financial expenses	-1 178	-6 558	-14 101	-19 195
Total	-4 843	3 519	-24 809	-13 753

* Change in other liabilities per 31.12.18 is explained by a revised estimate on liability for purchase of remaining shares on Intelight Inc of 21.7 MNOK and liability related to pension schemes of 0.7 MNOK. The liability for remaining shares on Intelight Inc as at 31.12.18 is 94 MNOK, of which 25 MNOK is classified as non-current liabilities and 69 MNOK as current liabilities. For further information see Note 6 and 18 in the Annual Report 2017.

NOTE 11 – RECLASSIFICATION

The presentation of the consolidated financial statements is changed in 2018. Contractors defined as external consultants and/or services that are consumed under project executions and service and maintenance work are now presented separately in the financial statements. Contractors was previously mainly reported under Other operating expenses. A small portion was included in Cost of goods sold.

The table below shows the changes regarding reclassification in 2017 figures.

Operating expenses	Q4 2017 before reclassification	Reclassification	Q4 2017	FY 2017 before reclassification	Reclassification	FY 2017
Cost of goods sold	68 968	-3 465	65 503	287 833	-9 340	278 493
Contractors	0	29 777	29 777	0	103 934	103 934
Personnel expenses	88 698	0	88 698	318 730	0	318 730
Other operating expenses	67 236	-26 312	40 924	284 321	-94 594	189 727
Total operating expenses	224 902	0	224 902	890 884	0	890 884

NOTE 12 – DISCONTINUED OPERATIONS

The divestment of Q-Free's security business Prometheus Security Group Global Inc. (PSG) was closed in February 2017, and all contracts, employees and other assets have been transferred to the new owner. Consequently, PSG has been excluded from the Group's consolidated accounts on continued operations with effect from fourth quarter 2016 and reported separately as "discontinued operations". Comparable figures for 2016 have been reclassified to "discontinued" operations. The fair value of the assets and liabilities relating to PSG is classified as assets and liabilities held for sale. The 2017 loss in discontinued operations represented the Group's understanding of the final impact, and in Q4 2018, all outstanding issues are formally settled. See note 30 in the Annual Report 2017 for further information.

NOTE 13 – RISK FACTORS

Q-Free is an international technology company exposed to several different risk factors.

The risk factors and the main risk-mitigation actions and measures are all outlined in the Annual Report 2017, note 4.

NOTE 14 – RELATED PARTY TRANSACTIONS

There are no significant related party transactions for the Q-Free Group in Q4-18.

ALTERNATIVE PERFORMANCE MEASURES

(All figures in TNOK)

The Group presents some financial performance measures in its interim 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. Performance measures not defined according to IFRS, unless otherwise stated, are presented in the tables below.

Gross contribution:

Defined as revenues reduced with cost of goods sold and contractors. Contractors are included in Gross Contribution since the cost for these services are heavily correlated with project and service revenues.

Contractors:

External consultants and / or services that are consumed under project executions and service and maintenance work.

Gross margin:

Defined as revenues reduced with cost of goods sold and contractors in percentage of revenues.

Gross contribution and gross margin	Q4 2018	Q4 2017	2018	2017
Revenues	241 443	264 511	888 647	973 475
Cost of goods sold	-64 198	-65 503	-227 191	-278 493
Contractors	-26 103	-29 777	-92 260	-103 934
Gross contribution	151 142	169 231	569 196	591 048
Gross margin	62,6 %	64,0 %	64,1 %	60,7 %

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 2017. The same applies for EBIT.

EBITDA margin:

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

EBITDA margin	Q4 2018	Q4 2017	2018	2017
Revenues	241 443	264 511	888 647	973 475
EBITDA	8 635	39 609	71 091	82 591
EBITDA margin	3,6 %	15,0 %	8,0 %	8,5 %

EBIT margin:

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

EBIT margin	Q4 2018	Q4 2017	2018	2017
Revenues	241 443	264 511	888 647	973 475
EBIT	-3 351	4 064	23 690	4 227
EBIT margin	-1,4 %	1,5 %	2,7 %	0,4 %

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 dispute is classified as non-recurring items.

Non-recurring items	Q4 2018	Q4 2017	2018	2017
Settlement of dispute	0	0	0	27 823
One time close down costs	13 460	0	17 810	0
Non-recurring items in EBITDA	13 460	0	17 810	27 823
Impairment	0	0	0	21 876
Non-recurring items in EBIT	13 460	0	17 810	49 699

Net Interest Bearing Debt (NIBD):

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

Net Interest Bearing Debt	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017
Non-current debt to financial institutions	196 000	100 000	100 000	125 000	125 000
Current debt to financial institutions	19 521	129 959	132 231	230 178	203 691
Gross Interests bearing Debt	215 521	229 959	232 231	355 178	328 691
Cash at hand and equivalents	89 700	85 888	81 195	94 375	113 633
Net Interest Bearing Debt	125 821	144 071	151 036	260 803	215 058

Net working capital:

Defined as current assets excluding cash less current liabilities and excluding short-term overdraft facilities and the Intelight share purchase liability classified as current

Net Working Capital	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017
Inventories	71 996	68 627	56 110	62 961	65 453
Accounts receivables	160 819	150 783	171 497	402 315	130 487
Contract assets	82 320	81 246	67 039	47 162	227 154
Other receivables	32 051	36 048	34 177	29 806	37 868
Other Current Assets	347 186	336 704	328 823	542 244	460 962
Accounts payable	95 992	64 983	54 031	60 989	89 272
Tax payable	2 758	1 669	1 479	2 699	3 342
Public duties payable	19 584	12 609	12 064	59 987	14 541
Contract liabilities	14 339	25 740	21 035	27 294	11 693
Other short term debt	145 636	125 426	101 985	119 529	117 660
Intelight share purchase liability	-69 267	-56 399	-32 986	-21 233	-22 401
Current liabilities (excl debt to financial institutions)	209 042	174 028	157 608	249 265	214 107
Net Working Capital	138 144	162 676	171 215	292 979	246 855

Working capital ratio:

Defined as current assets excluding cash less current liabilities, and excluding short-term overdraft facilities and the Intelight share purchase liability classified as current in percentages of last 12 months Revenues.

Working Capital ratio	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017
12 months Revenues	888 647	911 715	927 469	942 034	973 475
Net Working Capital	138 144	162 676	171 215	292 979	246 855
Working Capital ratio	15,5 %	17,8 %	18,5 %	31,1 %	25,4 %

Equity ratio:

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

Equity ratio	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017
Total equity	402 397	393 850	400 801	399 817	414 231
Total assets	940 146	900 420	889 137	1 111 062	1 070 372
Equity ratio	42,8 %	43,7 %	45,1 %	36,0 %	38,7 %

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:

$$\begin{aligned}
 & \text{Last periods backlog} \\
 & + \text{Received new orders} \\
 & \div \text{This periods revenues} \\
 & + / \div \text{Currency adjustments} \\
 & = \text{End backlog reporting period}
 \end{aligned}$$

KEY INFORMATION

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Financial calendar for Q-Free ASA:

FINANCIAL YEAR 2019

14.02.2019 - Quarterly Report - Q4
07.05.2019 - Quarterly Report – Q1
12.07.2019 - Quarterly Report – Q2
23.10.2019 - Quarterly Report – Q3
13.02.2020 - Quarterly Report – Q4

Nothing happens until something moves

– Albert Einstein

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