



Q2

SECOND QUARTER

2020

SECOND QUARTER AND
FIRST HALF YEAR
RESULTS 2020

THE PRIME MOVER IN
TRAFFIC TECHNOLOGY



Highlights

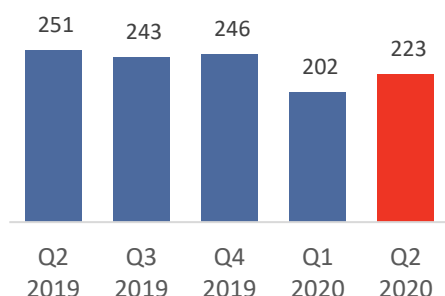
Q2 2020

- 223 MNOK in revenues, down 11% YoY amid reduced product sales caused by Covid-19
- 26 MNOK in EBITDA (12% margin), up from 23 MNOK (9% margin) in Q2-19
- 21 MNOK in positive cash flow from operations, up from -45 MNOK in Q2-19
- 170 MNOK in order intake
- Liquidity and operational flexibility significantly strengthened through 80 MNOK in proceeds from convertible bond issue and 82 MNOK in new bank loans
- 100% ownership of Intelight Inc. obtained
- Post Q2-20: 55 MNOK Traffic Management contract extension signed in the USA

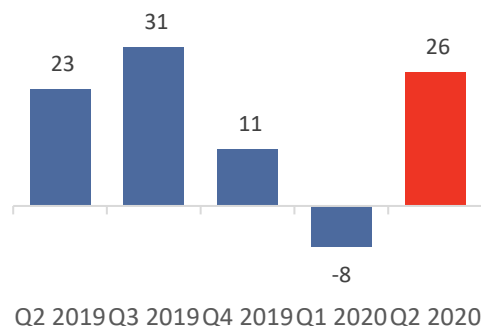
H1 2020

- 424 MNOK in revenues, down 10% YoY
- 18 MNOK in EBITDA (4% margin), down from 31 (7% margin) MNOK in 2019
- 5 MNOK in positive cash flow from operations, up from -58 MNOK in H1 2019
- 390 MNOK in accumulated order intake and book-to-bill of 0.92 amid contract delays caused by Covid-19
- 1 040 MNOK in order backlog at the end of Q2-20 (not incl. frame agreements), down 7% YoY

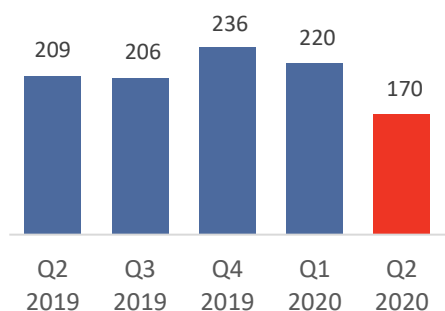
REVENUES LAST 5 QUARTERS
MNOK



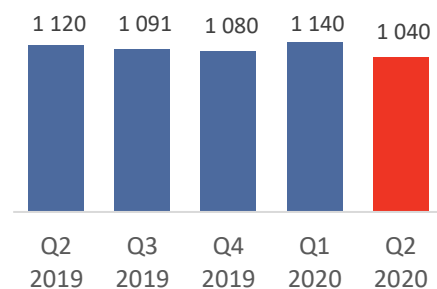
EBITDA LAST 5 QUARTERS
MNOK



ORDER INTAKE LAST 5 QUARTERS
MNOK



ORDER BACKLOG LAST 5 QUARTERS
MNOK



Financial review

KEY FIGURES

NOK 1.000	Q2 2020	Q2 2019	Y/Y-%	H1 2020	H1 2019	Y/Y-%	FY 2019
Revenues	222 709	250 705	-11,2%	424 239	473 964	-10,5%	962 317
Gross contribution	136 649	137 258	-0,4%	263 878	263 536	0,1%	542 389
Gross margin - %	61,4%	54,7%		62,2%	55,6%		56,4%
Operating expenses	110 529	114 535	-3,5%	245 628	232 307	5,7%	471 371
EBITDA excl non-recurring items	26 120	22 723	14,9%	18 250	31 229	-41,6%	71 018
EBITDA margin excl non-recurring items	11,7 %	9,1 %		4,3 %			
Non-recurring items*	0	0		0	0		-1 625
EBITDA	26 120	22 723	14,9 %	18 250	31 229	-41,6%	72 643
EBITDA margin	11,7%	9,1%		4,3%	6,6%		7,6%
Depreciation and amortisation	16 196	17 732	-8,7%	31 897	36 893	-13,5%	68 692
Impairment	0	0		0	0		58 332
Operating profit - EBIT	9 924	4 991		-13 647	-5 664		-54 381
EBIT margin	4,5%	2,0%		-3,2%	-1,2%		-5,7%
Profit before tax	1 247	-391		-11 181	-18 171		-50 050
Profit margin	0,6%	-0,2%		-2,6%	-3,8%		-5,2%
Profit after tax	-5 065	-4 549		-18 499	-22 671		-49 981
Profit for the period	-5 065	-4 549		-18 499	-22 671		-49 981
EPS	-0,06	-0,05		-0,21	-0,25		-0,56
Number of employees	380	390		380	390		396

*Cost of goods sold in FY 2019 negatively impacted by 3 MNOK in write down of parking inventory. Operating expenses in FY 2019 negatively impacted by 4.5 MNOK in fees related to structural processes. FY 2019 positively impacted by 9 MNOK from reduced pension obligations in Norway.

Profit and loss second quarter 2020

Q-Free generated total revenues of 223 MNOK in the second quarter of 2020, down 11 percent from Q2-19. Tolling revenues ended at 136 MNOK versus 154 MNOK in Q2-19 and Traffic Management revenues at 68 MNOK compared to 76 MNOK in Q2-19. The Covid-19 outbreak had a negative impact on product sales in both segments in the quarter.

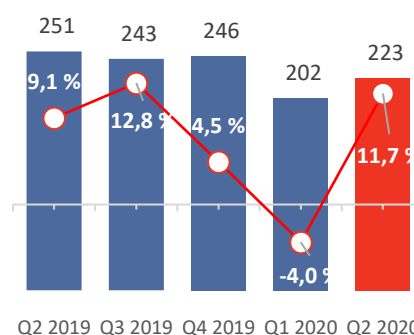
The gross contribution of 137 MNOK was unchanged from Q2-19. Gross margin was positively impacted by increased high margin software deliveries in both segments.

Operating expenses in Q2-20 amounted to 111 MNOK compared to 115 MNOK in Q2-19 and 134 MNOK in Q1-20. The YoY and QoQ decrease is mainly explained by swift implementation of the cost reduction measures announced in

April this year, which have reduced personnel, consultant, and travel expenses.

EBITDA in the quarter ended at 26 MNOK (11.7 percent margin), up from 24 MNOK in Q2-19.

QUARTERLY REVENUES AND EBITDA MARGIN MNOK & %



Depreciation and amortization in Q2-20 ended at 16 MNOK compared to 18 MNOK in Q2-19.

Operating profit (EBIT) in the second quarter ended at 10 MNOK compared to 5 MNOK in Q2-19.

Net financial items in the quarter were negative by 9 MNOK, a decrease of 4 MNOK from -5 MNOK in Q2-19. The change is mainly explained by negative currency effects and interest expenses.

Reported pre-tax profit ended at 1 MNOK, up from -0.4 MNOK in Q2-19.

Earnings per share was -0.06 NOK in the second quarter of 2020 versus -0.05 NOK in Q2-19.

Profit and loss first half 2020

Accumulated revenues for first half 2020 amounted to 424 MNOK, down 11 percent from 474 MNOK in H1-19. Tolling had a negative growth of 8 percent whereas Traffic Management delivered a YoY negative growth of 16 percent. Revenues in both segments have been negatively impacted by the Covid 19-pandemic and lower product sales in the first half of 2020.

Gross contribution for the first six months ended at 264 MNOK, on the same level as for the corresponding period in 2019. The increased gross margin is explained by a favourable product mix with more high margin software and system sales in H1-20.

Operating expenses in H1-20 were 246 MNOK, up 13 MNOK compared to the first half of 2019. Operating expenses were negatively influenced by currency in the period.

EBITDA in the first half of 2020 amounted to 18 MNOK compared to 31 MNOK in H1-19. The EBITDA margin in H1-20 was 4 percent versus 7 percent in H1-19. Operating profit (EBIT) ended at -14 MNOK versus 6 MNOK in H1 2019.

Net financial items were 2 MNOK during the first six months of 2020 compared to -13 MNOK in the corresponding period of 2019. Pre-tax profit in H1-20 was -11 MNOK compared to -18 MNOK in H1 2019.

Balance sheet

Total assets as of 30 June 2020 were 918 MNOK, down from 965 MNOK at the end of Q1-20 and down from 947 MNOK as of Q2-19. Total assets were negatively influenced by currency in the quarter.

Total equity ended at 387 MNOK, down from 410 MNOK at the end of Q1-20 and up from 369 MNOK at the end of Q2-19. The equity ratio was 42 percent, on the same level as per the end of Q1-20 and up from 39 percent at the end of Q2-19. The equity proportion of the issued convertible bond was MNOK 11, while the decrease in equity in second quarter is explained by currency effects.

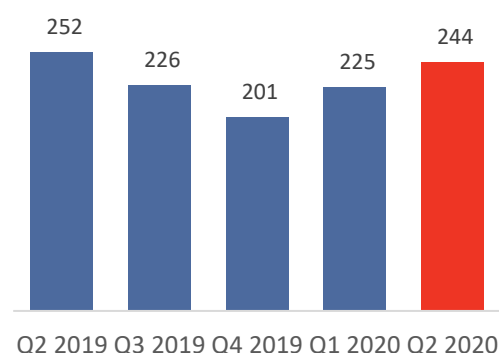
Non-current liabilities ended at 300 MNOK, up 122 MNOK from Q1-20 and up 68 MNOK from Q2-19. The increase is

mainly explained by increased bank borrowings and a convertible bond issue.

Current borrowings to financial institutions were 46 MNOK at the end of the second quarter 2020, down from 123 MNOK at the end of Q1-20 and 96 MNOK at the end of Q2-19. Granted, but unused, credit facilities were 100 MNOK at the end of Q2-20 compared to 58 MNOK at the end of Q1-20.

Net interest-bearing debt ended at 244 MNOK, up from 225 MNOK in the previous quarter.

QUARTERLY NIBD



Current liabilities were 231 MNOK at the end of the quarter compared to 377 MNOK at the end of Q1-20. The decrease from Q1-20 is mainly explained by a decrease in current borrowings. Moreover, Q-Free has during the second quarter purchased the remaining shares in Intelight Inc. and settled the corresponding share purchase liability. Q-Free now controls 100% of the shares in Intelight Inc.

Net working capital (defined as current assets excluding cash less current liabilities excluding current borrowings) amounted to 197 MNOK at the end of Q2-20. Net working capital was negatively impacted by a reclassification of certain non-current assets and non-current liabilities to assets and liabilities held for sale. Net working capital at the end of Q1-20 was 243 MNOK and 183 MNOK at the end of Q2-19. The working capital ratio based on 12-month trailing revenues ended at 22 percent at end of Q2-20, down from 26 percent at the end of Q1-20 and 20 percent at the end of Q2-19.

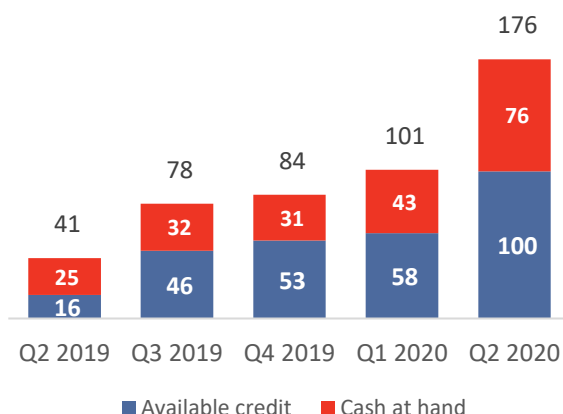
Cash flow

Net cash flow from operating activities was 21 MNOK in Q2-20 compared to -45 MNOK in Q2-19. The increase is explained by working capital effects.

Net cash flow from investing activities was -38 MNOK in Q2-20 compared to -49 MNOK in Q2-19.

Net cash flow from financing activities was 61 MNOK in Q2-20 versus 17 MNOK in Q2-19. The difference is explained by proceeds from borrowings and repayment of borrowings.

QUARTERLY AVAILABLE CREDIT AND CASH AT HAND MNOK



The net change in available cash in the period was 75 MNOK explained by increased cash at hand, offset by reduced credit limits on bank overdrafts. Q-Free had 176 MNOK in available funds at the end of Q2-20.

Improved financial structure

During the second quarter, the company has improved the financial structure through additional financing from its main bank, Nordea, of 82 MNOK and a convertible bond placement of 80 MNOK. Furthermore, the entire bank engagement is prolonged to June 2022 and has a new covenant structure with improved operational headroom in the coming quarters.

Order intake and backlog

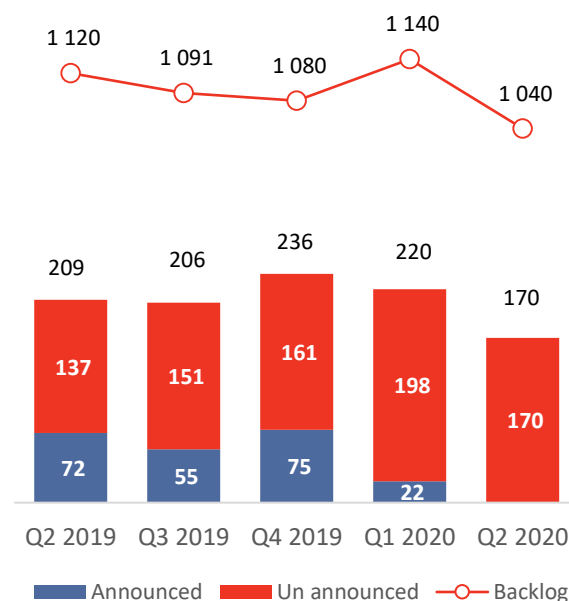
Total reported order intake in the second quarter of 2020 was 170 MNOK compared to 209 MNOK in Q2-19. Book-to-bill in the quarter ended at 0.76. Order intake was composed of several small and medium-sized contracts. Whereas contract awards have been postponed due to Covid-19, Q-Free expects to sign multiple large contracts in both Tolling and Traffic Management in the second half of 2020. For example, a 55 MNOK Traffic Management contract extension was signed in early July 2020.

For the sake of good order; the accounting principles under IFRS 11 for the Tolling-project Don Muang Tollway announced on October 10, 2019 have been reassessed. Q-Free will only recognize Q-Free's proportion of the contract (approx. MNOK 75), and not the gross value of the contract. Profit will not be affected.

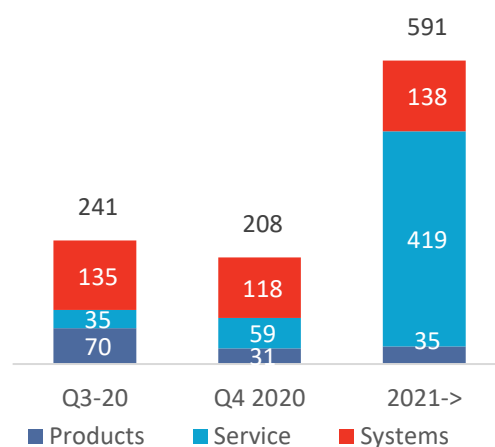
The order backlog at the end of Q2-20 was 1 040 MNOK, down from 1 120 at the end Q2-19 due to a to contract delays caused by Covid-19 and currency adjustments. 241 MNOK of the backlog is scheduled for delivery in Q3-20, 208 MNOK in Q4-20, and 591 MNOK for the period 2021 and beyond.

In terms of revenue mix, the order backlog is composed of 12 percent product deliveries, 46 percent service and maintenance contracts, and 42 percent system projects.

ORDER BACKLOG AND ORDER INTAKE MNOK



ORDER BACKLOG COMPOSITION Q2-20 MNOK





Covid19 impacts

Q-Free has adapted advice from local authorities, implemented travel-restrictions, working from home policies and other measures to limit risk of Covid19 exposure. As commented above, the outbreak has had some impact on revenue and order intake, but all these effects are expected to be temporary. Q-Free has implemented cost-cutting measures including salary cuts, termination of consultants and furloughs. The cost-cutting measures are continuously reconsidered depending on activities in the market. Q-Free does not expect a long-term adverse financial effect from the outbreak.

Segment overview

Q-Free's segment structure per Q2 2020:

	 Tolling	 Traffic Management	 Assets held for sale
OFFERING	Electronic Toll Collection Congestion Charging Road User Charging ALPR/ANPR enforcement DSRC Tags & Readers	Regional Freeway Management & Advanced Traffic Management Systems (ATMS) Corridor Management Traffic Signal Operation & Traffic Management Wrong-Way applications Connected intersections Lane Closure Management	Parking Parking guidance Parking access control Infomobility Weigh in motion Traffic counters Cycle and pedestrian detection Journey time monitoring
KEY MARKETS	Europe Norway Sweden Denmark Portugal Spain Slovenia France Russia Americas USA Chile ASIA PACIFIC Australia Thailand	Europe Slovenia Americas USA Canada Mexico	Europe UK France Norway Americas USA Canada LATAM Asia Pacific Australia



Tolling

- Electronic Toll Collection
- Congestion Charging
- Road User Charging
- ALPR/ANPR enforcement
- DSRC Tags & Readers

REVENUES AND MARGINS

Quarterly Tolling revenues amounted to 136 MNOK, down from 154 MNOK in Q2-19. The decline was caused by lower product sales.

Q-Free had 41 MNOK in service and maintenance revenues, 64 MNOK in system project and software revenues, and 32 MNOK in product revenues in the quarter.

Tolling achieved an EBITDA of 23 MNOK in the second quarter of 2020, down from 25 MNOK in Q2-19. The reduced EBITDA is explained by lower revenues, partly offset by increased gross margins compared to the corresponding period in 2019 and cost cuts implemented in the current period.

The figures are impacted by the new segment reporting from January 1, 2020. Certain group expenses have been allocated to the Tolling segment, hence figures on segment level have been restated for comparison. Reference is made to note 3 in the Q2-20 report.

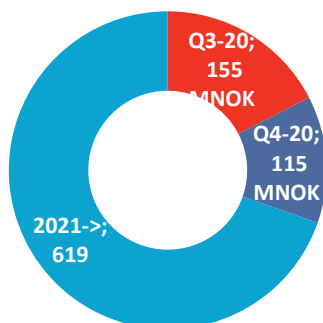
ORDER INTAKE AND BACKLOG

Q-Free booked Tolling contracts worth 94 MNOK in the quarter. The order intake consisted of various small and medium-sized orders.

The order backlog ended at 889 MNOK, down from 915 MNOK in Q2-19. 17 percent of the tolling backlog is planned for delivery in Q3-20, 13 percent in Q4-20 and 70 percent in 2021 and onwards. Product deliveries account for 7 percent of the backlog value and are typically sold with short lead-times, while the remaining 93 percent consists of system projects and long-term service & maintenance contracts.

TOLLING ORDER BACKLOG DISTRIBUTION

MNOK



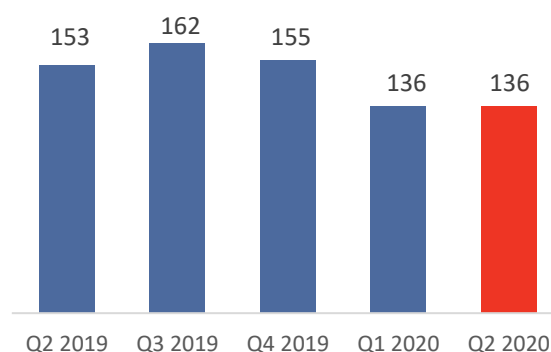
TOLLING REVENUES AND EBITDA

MNOK

	Q2-20	Q2-19	1H-20	1H-19
REVENUES	136	154	272	295
EBITDA	23	25	35	41

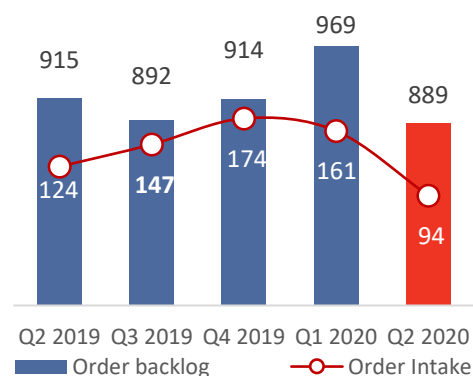
LAST 5 QUARTERS TOLLING REVENUES

MNOK



TOLLING ORDER BACKLOG & ORDER INTAKE

MNOK





Traffic Management

- Regional Freeway Management and Advanced Traffic Management Systems (ATMS)
- Corridor Management
- Traffic Signal Operation & Traffic Management
- Wrong-Way applications
- Connected Intersections
- Lane Closure Management

REVENUES AND MARGINS

Traffic Management revenues ended at 68 MNOK in Q2-20, down from 76 MNOK in Q2-19. The Covid-19 pandemic has temporarily caused slow-downs and delays in certain deliveries, however May and June saw a noticeable improvement in activity level.

EBITDA ended at 12 MNOK in the quarter compared to 7 MNOK in Q2-19. The increase is mainly due to a change in product mix from product sales to software sales combined with cost cuts.

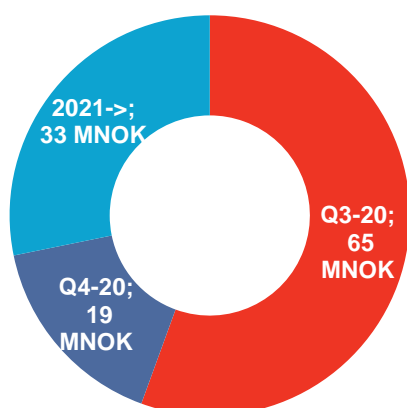
The figures are impacted by the new segment reporting from January 1, 2020. Figures on segment level have been restated for comparison. Reference is made to note 3 in the Q1-20 report.

ORDER INTAKE AND BACKLOG

Q-Free booked Traffic Management contracts in the quarter worth 62 MNOK compared to 74 MNOK in Q2-19. The order intake comprised several small and medium-sized orders in the US.

The order backlog ended at 117 MNOK. Most of the backlog is due for delivery in the coming 2 to 6 months.

TRAFFIC MANAGEMENT ORDER BACKLOG DISTRIBUTION
MNOK



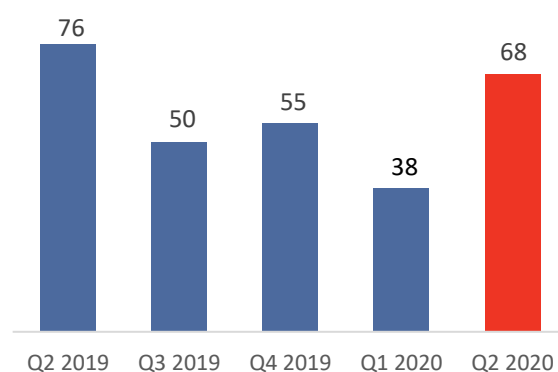
TRAFFIC MANAGEMENT REVENUES AND EBITDA

MNOK

	Q2-20	Q2-19	1H-20	1H-19
REVENUES	68	76	106	127
EBITDA	12	9	-1	5

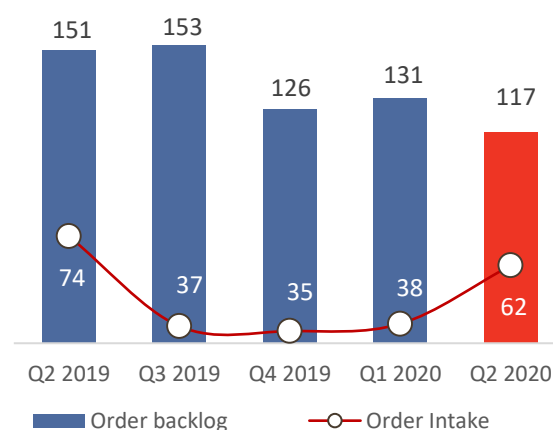
LAST 5 QUARTERS TRAFFIC MANAGEMENT REVENUES

MNOK



TRAFFIC MANAGEMENT ORDER BACKLOG & ORDER INTAKE

MNOK



ASSETS HELD FOR SALE

REVENUES AND MARGINS

Q2-20 revenues came in at 19 MNOK, down from 21 MNOK in Q2-19. The decline is mainly explained by lower revenues in the previous Parking business.

EBITDA was -1 MNOK in Q2-20, in line with last year.

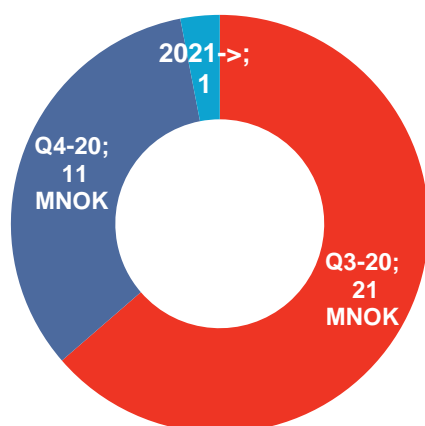
The figures are impacted by the new segment reporting from January 1, 2020. Figures on segment level have been restated for comparison. Reference is made to note 3 in the Q1-20 report.

ORDER SITUATION

Q-Free booked 14 MNOK in new orders. The order intake in the second quarter was primarily from Europe.

The business normally consists of small and medium sized orders with a typical delivery time of 4-8 weeks. 21 MNOK of the order backlog is scheduled to be delivered during Q3 2020, 11 MNOK is scheduled for delivery in Q4 2020, and 1 MNOK is scheduled to be delivered in 1H 2021.

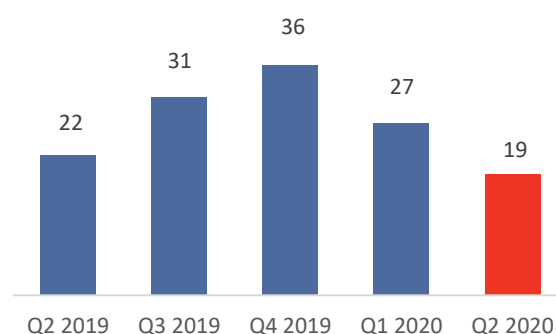
HELD FOR SALE ORDER BACKLOG DISTRIBUTION MNOK



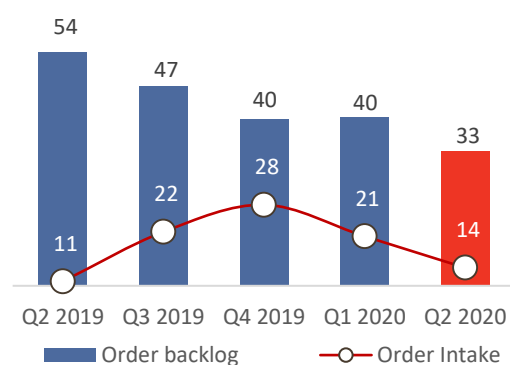
ASSETS HELD FOR SALE REVENUES AND EBITDA MNOK

	Q2-20	Q2-19	1H-20	1H-19
REVENUES	19	21	46	52
EBITDA	-1	-1	1	2

LAST 5 QUARTERS ASSETS HELD FOR SALE REVENUES MNOK



HELD FOR SALE ORDER BACKLOG & ORDER INTAKE MNOK



Outlook

Q-Free communicated in its Q4-19 report that the company aims to further simplify its portfolio and streamline its operations. This will be achieved by focusing on two businesses – Tolling and Traffic Management. The company will seek to divest its Parking and Infomobility assets. The internal reorganization has been completed and resources/investments have been optimized and reallocated to deliver on the new plan (see Q4-19 presentation). As the Covid-19 pandemic makes cross-border M&A difficult, the divestment of Parking and Infomobility assets will take more time than initially expected. Q-Free is engaged in discussions with several potential buyers and plans to conclude these during 2020.

Q-Free has secured additional financing that significantly improved the company's capital structure. The new debt and convertible bond issue enabled Q-Free to purchase the remaining shares in Intelight and give the company sufficient flexibility to pursue and finance new, profitable contracts and projects that will be signed in 2020. Whereas contract awards have been postponed due to Covid-19, Q-Free expects to sign multiple large contracts in both Tolling and Traffic Management in the second half of 2020. Some of these contracts will be renewals while others will represent new projects in existing markets. Hence, Q-Free can leverage its existing setups and resources and deliver a growing order backlog with attractive returns.

As a response to weak profitability in Q1-20 and the expected negative impact of Covid-19 on revenues and profits, Q-Free reduced its monthly operating expenses in Q2-20 by approximately 7.5 MNOK compared to the level in Q1-20. The company is pleased to see that the measures taken have had a very positive impact on profitability and performance. A low cost base combined with a healthy order backlog supports solid performance in Q3-20.

Consolidated financial statements

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

INDEX OF NOTES

- 1 General information & Accounting policies
- 2 Operating Segments
- 3 Revenue
- 4 Borrowings
- 5 Net financial items
- 6 Assets held for sale
- 7 Subsequent events

ALTERNATIVE PERFORMANCE MEASURES

Interim condensed consolidated statement of profit or loss

30 JUNE 2020

Amounts in TNOK	Note	Q2 2020	Q2 2019	H1 2020	H1 2019	2019
Revenue from customers	3	222 709	250 705	424 239	473 964	962 317
Total operating revenue		222 709	250 705	424 239	473 964	962 317
Cost of goods sold		64 604	88 753	114 751	161 877	304 556
Project contractor expenses		21 456	24 694	45 610	48 551	118 372
Employee benefit expenses		76 689	80 208	173 417	163 024	328 788
Other operating expenses		33 840	34 327	72 211	69 283	137 958
Total operating expenses		196 589	227 982	405 989	442 735	889 674
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		26 120	22 723	18 250	31 229	72 643
Depreciation of property, plant and equipment		7 597	7 162	14 866	14 244	29 128
Amortisation of intangible assets		8 599	10 570	17 031	22 649	39 564
Impairment of intangible assets and PP&E		-	-	-	-	58 332
Total depreciation, amortization and impairment		16 196	17 732	31 897	36 893	127 024
Earnings before interest and taxes (EBIT)		9 924	4 991	-13 647	-5 664	-54 381
Financial income	5	9 036	4 382	49 111	6 880	89 777
Financial expenses	5	-17 713	-9 764	-46 645	-19 387	-85 446
Net financial items	5	-8 677	-5 382	2 466	-12 507	4 331
Profit before tax		1 247	-391	-11 181	-18 171	-50 050
Tax expense		-6 312	-4 158	-7 318	-4 500	69
Profit / (-) loss for the period		-5 065	-4 549	-18 499	-22 671	-49 981
Earnings per share		-0,06	-0,05	-0,21	-0,25	-0,56
Diluted earnings per share		-0,06	-0,05	-0,21	-0,25	-0,56

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

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

Interim condensed consolidated statement of comprehensive income

30 JUNE 2020

Amounts in TNOK	Note	Q2 2020	Q2 2019	H1 2020	H1 2019	2019
Profit / (-) loss for the period		-5 065	-4 549	-18 499	-22 671	-49 981
Other comprehensive income						
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Currency translation differences, net of tax		-28 613	-4 880	37 740	-10 960	4 852
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		-28 613	-4 880	37 740	-10 960	4 852
Other comprehensive income for the period, net of tax		-28 613	-4 880	37 740	-10 960	4 852
Total comprehensive income for the period, net of tax		-33 678	-9 429	19 241	-33 631	-45 129

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

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

Interim condensed consolidated statement of financial position

30 JUNE 2020

Amounts in TNOK	Note	Q2 2020	Q2 2019	2019
ASSETS				
Deferred tax assets		4 573	12 568	15 564
Intangible assets		94 629	132 421	114 245
Goodwill		296 122	310 219	285 270
Property, plant and equipment	1	64 758	78 359	78 785
Non-current receivables		-	3 574	382
TOTAL NON-CURRENT ASSETS		460 082	537 141	494 246
Inventories		41 865	66 566	76 143
Contract assets		98 247	111 797	103 957
Accounts receivable		113 707	170 737	140 265
Other current assets		37 623	35 703	37 506
Cash and cash equivalents		76 147	24 852	31 051
Assets held for sale	6	90 192	-	-
TOTAL CURRENT ASSETS		457 781	409 655	388 922
TOTAL ASSETS		917 863	946 796	883 168

Interim condensed consolidated statement of financial position

30 JUNE 2020

Amounts in TNOK	Note	Q2 2020	Q2 2019	2019
EQUITY AND LIABILITIES				
Subscribed share capital		33 905	33 905	33 905
Share premium		578 307	578 307	578 307
Other paid-in capital		21 140	21 136	21 183
Retained earnings		-245 926	-264 396	-275 893
TOTAL EQUITY		387 426	368 952	357 502
Non-current borrowings	4	208 400	181 000	160 000
Convertible bond		65 940	-	-
Non-current financial liabilities	1	25 200	44 775	37 197
Deferred tax liabilities		-	6 220	-
Total non-current liabilities		299 540	231 995	197 197
Current borrowings	4	46 100	96 054	72 022
Advance payments from customers		12 512	26 742	4 253
Accounts payable		49 016	76 877	117 609
Taxes payable		1 434	2 317	3 531
Public duties payable		14 877	16 767	20 167
Current financial liabilities	1	20 186	69 762	54 414
Other current liabilities		69 181	57 330	56 473
Liabilities held for sale	6	17 592	-	-
Total current liabilities		230 897	345 849	328 469
TOTAL LIABILITIES		530 437	577 844	525 666
TOTAL EQUITY AND LIABILITIES		917 863	946 796	883 168

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

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

Interim condensed consolidated statement of cash flows

30 JUNE 2020

Amounts in TNOK	Q2 2020	Q2 2019	H1 2020	H1 2019	2019
Cash flow from operations					
Profit before tax	1 247	-391	-11 181	-18 171	-50 050
Paid taxes	-338	-1 896	-3 276	-3 731	-8 034
Depreciation and impairment of property, plant and equipment	7 597	7 162	14 866	14 244	29 128
Amortisation and impairment of intangible assets	8 599	10 570	17 031	22 649	97 896
Accrued interest expense	383	-170	668	-345	-173
Share-based payment expense	-84	98	-149	186	348
<u>Working capital adjustments:</u>					
Changes in inventory	7 076	-2 810	9 786	5 430	-4 147
Changes in contract assets	91	-19 133	3 650	-29 477	-26 738
Changes in accounts receivable	35 860	-47 120	14 294	-9 918	20 554
Changes in advance payments from customers	3 818	11 452	11 152	12 403	-10 086
Changes in accounts payable	-45 059	-3 277	-64 175	-19 115	21 617
Changes in other items	1 402	605	12 006	-31 737	-45 653
Net cash flow from operations	20 592	-44 910	4 672	-57 582	24 662
Cash flow from investing activities					
Investments in PP&E and intangible assets	-5 312	-4 121	-10 967	-12 988	-35 454
Acquisition of a subsidiary, net of cash acquired	-32 491	-44 765	-32 491	-44 765	-44 765
Cash flow from investing activities	-37 803	-48 886	-43 458	-57 753	-80 219
Cash flow from financing activities					
Cash proceeds from borrowings	147 050	29 269	182 114	69 033	73 033
Repayment of borrowings	-94 585	-7 500	-94 585	-7 500	-56 533
Equity share of convertible bond	10 727		10 727		
Other financial items	-5 883	-5 081	-11 011	-9 759	-19 801
Cash flow from financing activities	57 309	16 688	87 245	51 774	-3 301
Effect on cash and cash equivalents of changes in foreign exchange rates	-6 502	-204	-3 363	-1 287	209
Net change in cash and cash equivalents for the period	33 596	-77 312	45 096	-64 848	-58 649
Cash and cash equivalents beginning of period	42 551	102 164	31 051	89 700	89 700
Cash and cash equivalents end of period	76 147	24 852	76 147	24 852	31 051

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

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

Interim condensed consolidated statement of changes in equity

30 JUNE 2020

Amounts in TNOK

	Subscribed share capital	Share premium	Other paid-in capital	Retained earnings	Available-for- sale reserve FVOCI (IFRS 9)	Currency translation differences, net of tax	Total
Total equity 31.12.2019	33 905	578 307	21 183	-360 965	-	85 071	357 502
Profit / (-) loss for the period	-	-	-	-18 499	-	-	-18 499
Other comprehensive income	-	-	-	-	-	37 740	37 740
Total comprehensive income for the period	33 905	578 307	21 183	-379 464	-	122 811	376 743
Share-based payment expense	-	-	-43	-	-	-	-43
Convertible bond issue	-	-	-	10 727	-	-	10 727
Total equity 30.06.2020	33 905	578 307	21 140	-368 737	-	122 811	387 427
Total equity 31.12.2018	33 905	578 307	20 950	-310 984	-	80 219	402 397
Profit / (-) loss for the period	-	-	-	-22 671	-	-	-22 671
Other comprehensive income	-	-	-	-	-	-10 960	-10 960
Total comprehensive income for the period	33 905	578 307	20 950	-333 655	-	69 259	368 766
Share-based payment expense	-	-	186	-	-	-	186
Total equity 30.06.2019	33 905	578 307	21 136	-333 655	-	69 259	368 952

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

On May 19, 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 will 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 will not be listed.



Notes to the condensed interim financial statements Q2 2020

NOTE 1 – GENERAL INFORMATION & ACCOUNTING POLICIES

The Q-Free Group provides leading technology solutions to the global ITS market. Q-Free has 380 employees, is headquartered in Trondheim Norway, and has local offices in 16 countries around the world. Q-Free ASA is a Norwegian public limited liability company, and has been listed on the Oslo Stock Exchange under the ticker QFR since 2002.

Basis of preparation

These consolidated interim financial statements for 2020, 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 2019. The consolidated financial statements for 2019 are available upon request from the company's registered office in Trondheim or at our website, www.q-free.com. The consolidated condensed interim financial statements were approved by the Board of Directors at its meeting on 28 May 2020.

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

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

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

Accounting policies

The interim condensed consolidated financial statements of the Q-Free Group for Q1 2020 were prepared in accordance with International Financial Reporting Standards (IFRS) in accordance with IAS 34 *Interim Financial Reporting*. The Group has used the same accounting policies and standards as in the consolidated financial statements as of 31 December 2019.

NOTE 2 OPERATING SEGMENTS

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

The operating segments are determined based on how resources and investments are allocated within the Group, as well as on differences in the nature of the operations, solutions, products and services. As of January 1 2020, the Group changed the segment reporting from the previously five segments Tolling, Parking, Urban, Inter-Urban and Infomobility to the two segments Tolling and Traffic Management. Parking and Infomobility is classified as held for sale. As a consequence, the Group manages its operations in two segments:

Segment	Products offered within the segment
Tolling	DSRC tags and readers, ALPR and image based solutions, Electronic toll collection systems (multilane free-flow, truck tolling and congestion charging)
Traffic Management	Regional Freeway Management and Advanced Management Traffic Systems (ATMS), Corridor Management, Traffic Signal Operation & Traffic Management, Wrong-Way Applications, Connected Intersections, Lane Closure Management

Global Functions do not represent a separate segment but are expenses that are not relevant to allocate to specific segments. Global 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 table below.

NOTE 2 OPERATING SEGMENTS

SEGMENTS	TOLLING		Traffic Management		Assets held for sale		Global functions		TOTAL	
Amounts in TNOK	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019
Revenue from customers	136 176	153 869	68 032	75 690	18 501	21 146	0	0	222 709	250 705
Cost of goods sold	36 490	51 486	19 260	29 140	8 854	8 127	0	0	64 604	88 753
Project contractor expenses	19 231	19 049	1 046	3 528	1 179	2 118	0	0	21 456	24 694
Gross Contribution	80 455	83 334	47 726	43 022	8 468	10 901	0	0	136 650	137 258
Gross margin - %	59,1 %	54,2 %	70,2 %	56,8 %	45,8 %	51,6 %			61,4 %	54,7 %
Total OPEX	57 680	58 785	35 415	36 218	9 794	12 135	7 640	7 397	110 528	114 535
EBITDA	22 775	24 549	12 311	6 804	-1 325	-1 234	-7 640	-7 397	26 121	22 723
EBITDA margin	16,7 %	16,0 %	18,1 %	9,0 %	-7,2 %	-5,8 %			11,7 %	9,1 %
Depreciation and amortisation	7 526	9 211	5 521	5 113	3 150	3 409	0	0	16 197	17 732
EBIT	15 249	15 339	6 790	1 691	-4 475	-4 642	-7 640	-7 397	9 924	4 991
EBIT margin	11,2 %	10,0 %	10,0 %	2,2 %	-24,2 %	-22,0 %			4,5 %	2,0 %

SEGMENTS	TOLLING		Traffic Management		Assets held for sale		Global functions		TOTAL	
Amounts in TNOK	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019
Revenue from customers	272 443	295 227	105 932	126 550	45 865	52 187	-	0	424 240	473 964
Cost of goods sold	67 471	95 755	29 848	44 516	17 432	21 607	0	0	114 751	161 877
Project contractor expenses	40 060	34 996	1 046	8 686	4 503	4 869	0	0	45 610	48 551
Gross Contribution	164 912	164 477	75 037	73 348	23 930	25 711	-	0	263 879	263 536
Gross margin - %	60,5 %	55,7 %	70,8 %	58,0 %	52,2 %	49,3 %			62,2 %	55,6 %
Total OPEX*	129 984	123 961	75 955	68 254	22 532	23 593	17 156	16 500	245 627	232 308
EBITDA	34 928	40 516	-918	5 094	1 398	2 118	-17 156	-16 500	18 252	31 228
EBITDA margin	12,8 %	13,7 %	-0,9 %	4,0 %	3,0 %	4,1 %			4,3 %	6,6 %
Depreciation and amortisation	14 470	18 380	11 150	11 208	6 277	7 306	0	0	31 897	36 893
EBIT	20 457	22 136	-12 067	-6 114	-4 879	-5 188	-17 156	-16 499	-13 645	-5 665
EBIT margin	7,5 %	7,5 %	-11,4 %	-4,8 %	-10,6 %	-9,9 %			-3,2 %	-1,2 %

The revenues and expenses as reported in the previous segment reporting structure and the new segment reporting structure are shown in the tables below.

SEGMENTS	TOLLING		TRAFFIC MANAGEMENT	URBAN	INTER-URBAN	HELD FOR SALE	PARKING	INFOMOBILITY	GLOBAL FUNCTIONS		TOTAL	
Amounts in TNOK	Q2 2019 New segment	Q2 2019	Q2 2019 New segment	Q2 2019	Q2 2019	Q2 2019	Q2 2019	Q2 2019	Q2 2019	Q2 2019	Q2 2019	Q2 2019
EUROPE		103 872		- 10	6 361		5 166	12 282			-	127 672
APMEA		20 366		-	-		1 001	591			-	21 958
AMERICAS		13 449		58 098	19 570		6 565	3 393			-	101 075
Revenue from customers	153 869	137 688	75 690	58 087	25 931	21 146	12 732	16 266	-	-	250 705	250 705
Cost of goods sold	51 486	44 494	29 140	29 147	4 662	8 127	5 389	5 061			88 753	88 753
Project contractor expenses	19 049	18 534	3 528	2 115	1 556	2 118	2 265	223			24 694	24 694
Gross Contribution	83 334	74 660	43 022	26 825	19 713	10 901	5 078	10 982	-	-	137 258	137 258
Gross margin - %	54,2 %	54,2 %	56,8 %	46,2 %	76,0 %	51,6 %	39,9 %	67,5 %			54,7 %	54,7 %
Total OPEX	58 785	52 670	36 218	14 526	18 114	12 135	9 098	11 521	7 397	8 605	114 535	114 535
EBITDA before non-recurring items	24 549	21 990	6 804	12 299	1 599	- 1 234	- 4 020	- 540	- 7 397	- 8 605	22 723	22 723
EBITDA margin	16,0 %	16,0 %	9,0 %	21,2 %	6,2 %	-5,8 %	-31,6 %	-3,3 %			9,1 %	9,1 %
Depreciation and amortization	9 211	5 241	5 113	4 267	3 448	3 409	2 101	2 675			17 732	17 732
EBIT before non-recurring items	15 339	16 749	1 691	8 032	- 1 849	- 4 642	- 6 121	- 3 215	- 7 397	- 8 605	4 991	4 991
EBIT margin	10,0 %	12,2 %	2,2 %	13,8 %	-7,1 %	-22,0 %	-48,1 %	-19,8 %			2,0 %	2,0 %

SEGMENTS	TOLLING		TRAFFIC MANAGEMENT	URBAN	INTER-URBAN	HELD FOR SALE	PARKING	INFOMOBILITY	GLOBAL FUNCTIONS		TOTAL	
<i>Amounts in TNOK</i>	1H 2019 New segment	1H 2019	1H 2019 New segment	1H 2019	1H 2019	1H 2019	1H 2019	1H 2019	1H 2019	1H 2019	1H 2019	1H 2019
EUROPE		199 632		255	10 160		10 722	36 011			-	256 779
APMEA		30 719		-	-		1 986	715			-	33 420
AMERICAS		33 642		87 602	40 911		17 557	4 053			-	183 765
Revenue from customers	295 227	263 993	126 550	87 856	51 071	52 187	30 265	40 779	-	-	473 964	473 964
Cost of goods sold	95 755	86 619	44 516	44 522	5 224	21 607	12 232	13 280			161 877	161 877
Project contractor expenses	34 996	34 251	8 686	3 246	5 635	4 869	4 765	654			48 551	48 551
Gross Contribution	164 477	143 123	73 348	40 088	40 212	25 711	13 267	26 846	-	-	263 536	263 536
Gross margin - %	55,7 %	54,2 %	58,0 %	45,6 %	78,7 %	49,3 %	43,8 %	65,8 %			55,6 %	55,6 %
Total OPEX	123 961	104 300	68 254	29 691	37 068	23 593	18 714	23 167	16 500	19 369	232 308	232 308
EBITDA before non-recurring items	40 516	38 823	5 094	10 397	3 144	2 118	- 5 447	3 679	- 16 500	- 19 369	31 228	31 228
EBITDA margin	13,7 %	14,7 %	4,0 %	11,8 %	6,2 %	4,1 %	-18,0 %	9,0 %			6,6 %	6,6 %
Depreciation and amortization	18 380	10 370	11 208	8 551	7 934	7 306	4 187	5 852			36 894	36 893
EBIT before non-recurring items	22 136	28 452	- 6 114	1 847	- 4 790	- 5 188	- 9 633	- 2 173	- 16 500	- 19 369	- 5 665	- 5 665
EBIT margin	7,5 %	10,8 %	-4,8 %	2,1 %	-9,4 %	-9,9 %	-31,8 %	-5,3 %			-1,2 %	-1,2 %

NOTE 3 REVENUES

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

Disaggregation of revenue from customers

<i>Amounts in TNOK</i>	TOLLING		TRAFFIC MANAGEMENT		ASSETS HELD FOR SALE		TOTAL	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019
Revenue from customers	136 176	153 869	68 032	75 689	18 501	21 146	222 709	250 705
At a point in time revenue recognition								
Product deliveries (not related to projects)	31 707	69 946	24 232	30 793	5 563	9 476	61 501	110 215
Total at a point in time revenue recognition	31 707	69 946	24 232	30 793	5 563	9 476	61 501	110 215
Over time revenue recognition								
Service & Maintenance	40 687	35 269	13 609	24 703	583	489	54 879	60 460
System Projects (includes over-time product deliveries related to projects)	63 783	48 655	30 191	20 193	12 355	11 182	106 329	80 030
Total over time revenue recognition	104 469	83 923	43 800	44 896	12 939	11 671	161 208	140 490

Amounts in TNOK

	T O L L I N G		TRAFFIC MANAGEMENT		ASSETS HELD FOR SALE		TOTAL	
	H1-20	H1-19	H1-20	H1-19	H1-20	H1-19	H1-20	H1-19
Revenue from customers	272 443	295 227	105 932	126 549	45 865	52 187	424 240	473 963
At a point in time revenue recognition								
Product deliveries (not related to projects)	62 235	119 420	40 950	53 451	14 614	14 992	117 799	187 864
Total at a point in time revenue recognition	62 235	119 420	40 950	53 451	14 614	14 992	117 799	187 864
Over time revenue recognition								
Service & Maintenance	77 406	71 286	18 286	30 370	1 422	1 335	97 114	102 991
System Projects (includes over-time product deliveries related to projects)	132 802	104 520	46 695	42 728	29 829	35 861	209 326	183 109
Total over time revenue recognition	210 208	175 806	64 982	73 098	31 251	37 196	306 440	286 100

NOTE 4 BORROWINGS

Type	Effective interest rate %	Maturity	30.06.2020	30.06.2019	31.12.2019
Non-current					
Nordea - Term loan	5,02 %	01.06.2022	37 500	85 000	70 000
Nordea - Term loan	5,07 %	01.06.2022	37 730	-	34 730
Nordea - Term loan*	3,16 %	28.05.2022	77 900	-	-
Nordea - Revolving Credit Facility (RCF)	4,97 %	01.06.2022	55 270	96 000	55 269
Total non-current borrowings			208 400	181 000	160 000
Convertible bond					
Convertible bond (NIBOR + 4.00%)	12,53 %	19.05.2023	65 940	-	-
Current					
Nordea - Term loan	5,02 %	01.06.2022	25 000	7 500	15 000
Nordea - Term loan	5,07 %	01.06.2022	17 000	-	10 000
Nordea - Term loan*	3,16 %	28.05.2022	4 100	-	-
Nordea - Credit line **	3,62 %	01.06.2022	-	88 554	47 021
Total current borrowings			46 100	96 054	72 022
Total			320 440	277 054	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.

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 will 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 will not be 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.

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.

The earnings covenant has a holiday until Q4-2020. 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 on Q-Free's leverage ratio and will be reduced if the leverage ratio is below 2,75x.



NOTE 5 NET FINANCIAL ITEMS

Amounts in TNOK

Financial items	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Interest income	174	42	203	101	134
Realised exchange rate differences	5 191	-	10 839	-	9 462
Unrealised exchange rate differences	0	4 340	38 069	6 775	8 723
Fair value change in contingent consideration and other liabilities*	3 671	-	-	4	17 596
Financial income	9 036	4 382	49 111	6 880	35 915
Interest expense	-1 286	-1 008	-4 081	-2 023	-5 394
Interest on borrowings	-3 320	-1 528	-5 572	-2 986	-7 763
Realised exchange rate differences	-5 618	-3 106	-8 380	-6 588	-10 186
Unrealised exchange rate differences	-3 719	-2 842	-22 965	-5 249	-3 786
Fair value change in contingent consideration and other liabilities*	0	-95	0	-189	644
Other financial expense	-3 770	-1 185	-5 647	-2 352	-5 098
Financial expense	-17 713	-9 764	-46 645	-19 387	-31 583
NET FINANCIAL ITEMS	-8 677	-5 382	2 466	-12 507	4 332

* Change in contingent consideration and other liabilities in 2020 is explained by currency effects on the liability for the purchase of the remaining shares of Intelight Inc. of TNOK 3,671. The remaining shares in Intelight Inc. was purchased during Q2-20. The currency effect on settlement is classified as realized exchange rate differences.

NOTE 6 ASSETS HELD FOR SALE

Amounts in TNOK	30.06.2020	30.06. 2019	2019
ASSETS			
Deferred tax assets	8 624	-	-
Development, goodwill	36 653	-	-
Property, plant and equipment	4 111	-	-
Inventories	24 492	-	-
Contract assets	2 060	-	-
Accounts receivable	12 264	-	-
Other current assets	1 987	-	-
ASSETS HELD FOR SALE	90 192	-	-

Amounts in TNOK	30.06.2020	30.06. 2019	2019
LIABILITIES			
Accounts payable	4 418	-	-
Public duties payable	3 023	-	-
Other current liabilities	10 150	-	-
LIABILITIES HELD FOR SALE	17 592	-	-

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.

Amounts in TNOK

	Q2 2020	Q2 2019	H1 2020	H1 2019	2019
Gross contribution and gross margin					
Revenue from customers	222 709	250 705	424 239	473 964	962 317
Cost of goods sold	-64 604	-88 753	114 751	161 877	304 556
Project contractor expenses	-21 456	-24 694	45 610	48 551	118 372
Gross contribution	136 649	137 258	584 600	684 392	1 385 245
Gross margin	61,4 %	54,7 %	137,8 %	144,4 %	143,9 %

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 2019. The same applies for EBIT.

EBITDA margin:

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

Amounts in TNOK

	Q2 2020	Q2 2019	H1 2020	H1 2019	2019
EBITDA margin					
Revenue from customers	222 709	250 705	424 239	473 964	962 317
EBITDA	26 120	22 723	18 250	31 229	72 643
EBITDA margin	11,7 %	9,1 %	4,3 %	6,6 %	7,5 %

EBIT margin:

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

Amounts in TNOK

	Q2 2020	Q2 2019	H1 2020	H1 2019	2019
EBIT margin					
Revenue from customers	222 709	250 705	424 239	473 964	962 317
EBIT	9 924	4 991	-13 647	-5 664	-54 381
EBIT margin	4,5 %	2,0 %	-3,2 %	-1,2 %	-5,7 %

ALTERNATIVE PERFORMANCE MEASURES

Non-recurring items:

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

Amounts in TNOK

Non-recurring items	Q2 2020	Q2 2019	H1 2020	H1 2019	2019
Termination of wage compensation for lost pension benefits	-	-	-	-	-9 125
Restructuring costs	-	-	-	-	7 500
Non-recurring items in EBITDA	-	-	-	-	-1 625
Impairment	-	-	-	-	58 332
Non-recurring items in EBIT	-	-	-	-	56 707

Net Interest Bearing Debt (NIBD):

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

Amounts in TNOK

Net Interest Bearing Debt	Q2 2020	Q2 2019	2019
Non-current borrowings from financial institutions	208 400	181 000	160 000
Convertible bond	65 940	-	-
Current borrowings from financial institutions	46 100	96 054	72 022
Gross Interest Bearing Debt	320 440	277 054	232 022
Cash and cash equivalents	76 147	24 852	31 051
Net Interest Bearing Debt	244 293	252 202	200 971

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.

Amounts in TNOK

Net Working Capital	Q2 2020	Q2 2019	2019
Inventories	41 865	66 566	76 143
Contract assets	98 247	111 797	103 957
Accounts receivable	113 707	170 737	140 265
Other current assets	127 815	35 703	37 506
Current Assets (excl Cash and cash equivalents)	381 634	384 803	357 871
Advance payments from customers	12 512	26 742	4 253
Accounts payable	49 016	76 877	117 609
Taxes payable	1 434	2 317	3 531
Public duties payable	14 877	16 767	20 167
Current financial liabilities	20 186	69 762	54 414
Other current liabilities	86 773	57 330	56 473
Intelight share purchase liability	-	-48 280	-32 651
Current liabilities (excl Current borrowings from financial institutions)	184 797	201 515	223 796
Net Working Capital	196 837	183 288	134 075

ALTERNATIVE PERFORMANCE MEASURES

Working capital ratio:

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

Amounts in TNOK

Working Capital ratio	Q2 2020	Q2 2019	2019
12 months Revenue from customers	912 592	932 882	962 317
Net Working Capital	196 837	183 288	134 075
Working Capital ratio	21,6 %	19,6 %	13,9 %

Equity ratio:

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

Amounts in TNOK

Equity ratio	Q2 2020	Q2 2019	2019
Total equity	387 426	368 952	357 502
Total assets	917 863	946 796	883 168
Equity ratio	42,2 %	39,0 %	40,5 %

For the purpose of covenant calculation on the loans from financial institutions, the debt element of the convertible bond is considered equity. Hence, an equity ratio for covenant calculation purposes is provided below.

Amounts in TNOK

Equity ratio for covenant calculation purposes	Q2 2020	Q2 2019	2019
Total equity. Debt element of convertible bond considered as equity	453 366	368 952	357 502
Total assets	917 863	946 796	883 168
Equity ratio for covenant calculation purposes	49,4 %	39,0 %	40,5 %

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:

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

Responsibility statement from the Board of directors and the CEO

The Board of Directors and the CEO have today considered and approved the condensed financial statements for the first half year of 2020 and the financial information in this report that is relevant for the first half year of 2020.

The report for the first half year of 2020 has been prepared in accordance with IAS 34 Interim Financial Statements and additional disclosure requirements as stated in the Norwegian Verdipapirhandelloven (Securities Trading Act).

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2020 gives a true and fair view of the Q-Free Group's consolidated assets, liabilities, financial position and results of operations. To the best of our knowledge the report provides a fair review of important events in the period and their effects on the condensed set of financial statements, with a description of the principal risks and uncertainties that the Q-Free Group is facing for the remaining months of the financial year that may have a material effect on the financial position or results for the Q-Free Group.

Oslo, 09 July 2020.

The Board of Directors and

Chief Executive Officer of Q-Free ASA

Trond Valvik	Chairman of the Board
Snorre Kjesbu	Vice Chairman of the Board
Ingeborg Molden Hegstad	Member
Trine Strømsnes	Member
Geir Bjørlo	Member
Brage Blekken	Employee elected member
Yngve Halmø	Employee elected member
Håkon Rypern Volldal	President & CEO

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Register of business
enterprises NO 935 487 242

