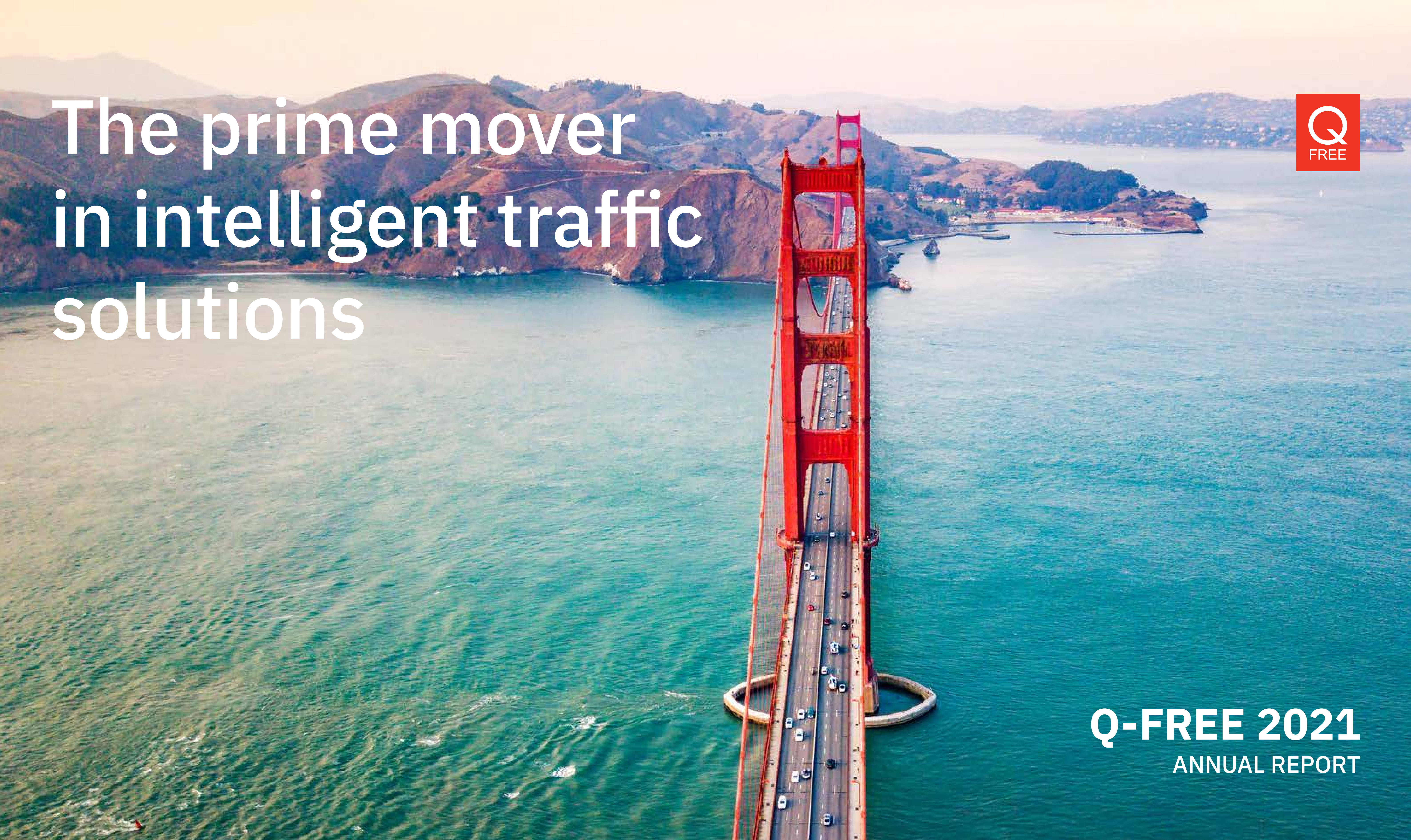


The prime mover in intelligent traffic solutions

Q-FREE 2021
ANNUAL REPORT

About this report

Welcome to Q-Free's Annual Report. Our 2021 report combines financial results with updates on our sustainability commitments. To ease navigation, we have indexed our disclosures on Q-Free's material Environmental, Social, and Governance in the index below.

Content

Key figures

Profit & Loss Account (TNOK)	2017	2018	2019	2020	2021
Operating revenue	973 475	888 647	962 317	889 305	860 017
Cost of goods sold	278 493	227 191	304 556	236 609	228 140
Project contractor expenses	103 934	92 260	118 372	107 551	81 791
Other operating expenses	508 457	498 105	466 746	469 368	444 493
EBITDA	**82 591**	**71 091**	**72 643**	**75 777**	**105 594**
EBIT	**4 227**	**23 690**	**23 690**	**-8 800**	**50 265**
PROFIT BEFORE TAX	**-9 526**	**-1 119**	**-50 050**	**-32 446**	**39 566**
PROFIT / (-) LOSS FOR THE YEAR	**-11 263**	**-8 079**	**-49 981**	**-40 995**	**58 629**
GM%	60.7%	64.1%	56.1%	61.3%	64.0%
EBITDA%	8.5%	8.0%	7.5%	8.5%	12.3%
EBIT%	0.4%	2.7%	2.5%	-1.0%	5.8%
Selected balance sheet items (TNOK)					
Intangible fixed assets	470 876	477 213	415 079	350 686	374 391
Tangible fixed assets	22 367	25 420	78 785	63 311	89 785
Cash	113 633	89 700	31 051	74 961	82 015
Total assets	1 070 372	940 146	883 168	849 946	947 765
Equity	414 231	402 397	357 502	313 115	447 754
Gross interest bearing debt	328 691	215 521	232 022	233 500	220 560
Key figures per share (NOK)					
Earnings per share, ordinary	-0.23	-0.09	-0.56	-0.46	0.53
Earnings per share, diluted	-0.23	-0.09	-0.56	-0.46	0.52
Cashflow	-0.57	1.77	0.28	0.75	0.79
Book equity	4.64	4.51	4.01	3.51	4.02
Market cap as at 31.12 (MNOK)	718	687	607	500	914
Average no of shares	89 223	89 223	89 223	89 223	100 234
Other key figures					
Order backlog	1 049 477	1 128 178	1 080 426	1 082 599	1 113 714
Order Intake	615 510	972 080	950 195	948 823	990 136
Return on Invested Capital (ROIC)	0.91	0.95	1.09	1.05	0.91
Net interest bearing debt (NIBD)	215 058	125 821	200 971	158 539	138 545
Cash flow from operations	-50 714	158 283	24 662	66 587	87 847
Operational investment	30 113	43 480	34 485	24 011	36 011
Equity ratio	39%	43%	40%	37%	47%
Gearing	30.7%	22.9%	26.3%	27.5%	23.3%
Number of employees	415	385	396	378	349
Price / book value	1.73	1.71	1.70	1.60	2.04

Our passion & purpose

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

Our vision

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

Our mission

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

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

Q-FLOW

Optimize the movement of people, goods, and data

Q-CLEAN

Stimulate sustainable transportation

Q-SAFE

Make roads and travel safe

Q-Free at a glance

Our company

900 million
NOK in revenue

2002
Listed on Oslo Stock Exchange

Norway
Corporate headquarters

15 countries
With local Q-Free offices

Our people

349
Employees

35
Nationalities

Gender
17% Female

83% Male

Our accomplishments

>50
Reference markets

>35 000
Intersection controllers

>2 200
Toll lanes in operation

>50 000
Active Intrada ALPR licenses

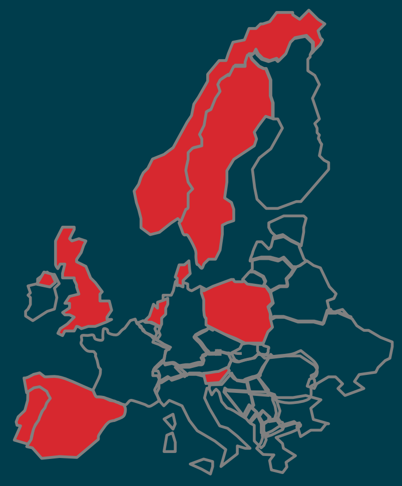
>40 million
Tolling tags sold

Our locations

North and South America

31.5%

of sales



Europe

60%

of sales

Australia/Asia

8.5%

of sales

Highlights 2021

Contract to upgrade Stockholm's congestion tax system

Contract to provide new statewide ATMS to Colorado DOT

Contract to provide upgraded statewide ATMS to West Virginia DOT

Deployment of Intrada Insight ALPR solution with New York State Thruway Authority

Divestment of parking business in USA and France

Contract to upgrade toll stations on E18/E39 in Norway

Contract to provide tolling equipment for A28 in Portugal

Tolling roadside equipment contracts in Spain

Contract to deliver tolling equipment for Sydney Harbor Crossing

Frame agreement for tolling roadside equipment in Norway

Contract to deliver tolling equipment for Bypakke Ålesund

Deployment of high-speed WIM stations in Ukraine

Frame agreement for traffic controllers to Georgia DOT

Expansion of cycle monitoring network in Scotland

Multiple large tag contracts to Chile and Morocco

Shifting gears

Over the past years, Q-Free has been through a successful restructuring. Our financial performance has improved significantly, we have built strong market positions and upgraded our entire product offering. Now, it is time to shift gears and drive profitable growth.

Since 2016, Q-Free has reduced its number of business areas from 6 to 2, exited unprofitable businesses and markets, and reduced its headcount by almost 25 percent. This has resulted in significantly improved financial performance and five consecutive years with positive EBIT figures (adjusted for impairments and restructuring charges).

Our starting point is solid because in parallel with the restructuring, a number of important developments have happened. We have updated and renewed our entire product portfolio from hardware components to software platforms and systems. Our solutions are also more scalable than before thanks to relentless standardization and modularization efforts. This has in turn helped us become more price competitive and increase our market share and presence in core markets.

Going forward, we will pursue a more aggressive growth plan. This means that we will invest in more sales capacity. We need more feet on the ground to promote our scalable solutions in existing and new markets. Several new markets are expected to open up, both in Tolling and Traffic Management, and we need to be present to win new contracts. Q-Free will also leverage partnership agreements to serve new markets. Whereas these investments will lead to somewhat higher operational expenses short-term, the mid- to long-term benefit is clear.

Q-Free will also continue the ongoing shift to recurring revenue models. Approximately 30 percent of our 2021 revenues were recurring, and we want to further increase this share over the coming years. Again, this might reduce short-term revenues and profits as contract revenues will be booked over multiple years instead of being recognized upfront. An interesting example of the ongoing conversion is the recently signed tolling agreements in Norway for Bypakke Ålesund, Miljøpakke Trondheim, and Tenk Tromsø where the contracts are structured as service deliveries over 15 years. Recurring models create stickiness and opportunities to upsell and favor suppliers like Q-Free with durable high-quality products.

As you will see in this report, Q-Free continues to progress its ESG efforts. We do not do this only to comply with new rules and regulations. With our current mission and solution offering, we strongly believe that ESG is at the core of what we do – not an auxiliary part we need to greenwash our business. Therefore, we boldly claim that what is good for Q-Free is also good for society. We want to report our ESG efforts in a transparent way and link our reporting to a meaningful framework. For us, the announced EU taxonomy represents the best reporting tool. Whereas this framework is not yet completely defined, you will see what steps we have taken and plan to take in order to both comply with and benefit from increasing ESG scrutiny among customers, investors, employees, partners, and regulators.

2022 will be a year where we aim to put Q-Free back on a high growth trajectory. Despite concerns around supply chain constraints and the outbreak of war in Europe, which will impact sales negatively as we stand with Ukraine and will stop deliveries to certain markets, we have a solid momentum entering 2022.

"We strongly believe that ESG is at the core of what we do – not an auxiliary part we need to greenwash our business. Therefore, we boldly claim that what is good for Q-Free is also good for society"

After almost 6 years as CEO, I have decided to leave Q-Free knowing that the company now has a very solid platform. Thanks for the ride. My brilliant colleagues will take it from here and make sure we shift gears!

HÅKON VOLLDAL
PRESIDENT & CEO, Q-FREE ASA

OUR BUSINESS:

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

Sustainable, inclusive, and true mobility

Traffic congestion, pollution, and fatalities are worldwide hassles. The associated costs to society are high. We need to make traffic what it was meant to be: free flowing, clean, and safe. Q-Free sees incredible opportunities for structural and technological change in the way we design our mobility systems. We are confident in our ability to create solutions for the future that positively impact our communities, our investors, and our employees.

Step 1

Cleaner mobility

The global vehicle fleet will gradually become less carbon-intensive driven by electrification and safer thanks to connectivity and advancements in sensor technology.

At the same time, funding gaps for traffic authorities/operators will increase as income from gas taxes will be reduced while new solutions will require heavy investments. In addition, smarter and connected vehicles present us with new safety challenges related to driver distractions and vulnerable road users.

Our contribution

Q-Free can help address funding gaps and stimulate the shift to a less carbon–intensive vehicle fleet through its tolling solutions. Our traffic management solutions offer road authorities and operators unprecedented opportunities to optimize traffic flow, mitigate accidents, and better coordinate responses to planned and unplanned events.

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

Step 2

Fair mobility

New business models such as car sharing and ride sharing will allow more people to participate in a modern mobility system.

People will have a real choice between transportation modes and be able to seamlessly transition between public, private, on-demand, and scheduled travel modes. New emerging mobility models and services will depend on data sharing and open architecture. Working in silos with proprietary technologies will delay the implementation of smart solutions.

Our contribution

Q-Free is developing and piloting future road user charging technology, which will replace today's plethora of fees and taxes and reflect usage rather than ownership. This creates a fair and equitable way of distributing costs.

Q-Free will continue to be a driving force for open standards. We helped introduce the CEN DSRC standard in tolling, and in traffic management, we launched the FREEtheMIBS campaign to ensure freedom of choice for our customers.

Step 3

True mobility

New connected and electrified robo taxis will dramatically change the car-riding experience and increase safety. Congestion will be minimized as the number of cars on the road decreases and driver behavior optimizes.

Optimization of our infrastructure capacity will happen through continuous learning and adaptation based on data analysis and sharing. For this system to work, traffic rules and regulations must be available in a secure digital format that is trusted and understood by all types of vehicles.

Our contribution

With the introduction of autonomous vehicles, the power of Q-Free's dynamic traffic management platforms can finally be unleashed as data will be shared in real-time to optimize traffic flow, prevent accidents, and instantly influence driver behavior.

Our cooperative ITS (C-ITS) solutions provide a platform for reliable and secure communication between roadside sensors and vehicles. This enables a wide range of real-time, data driven applications to help achieve transport policy objectives, while safeguarding data and privacy.

Every day we improve mobility and make traffic safer

THE GLOBAL CHALLENGES

Traffic congestion

The annual cost of congestion is far too great.
EU: €100 billion (forecast to rise to €150 billion by 2050)
USA: $87 billion
(Source: WHO)

Traffic emission

Road transportation accounts for 15% of total global emissions, 41% of which are attributed to passenger cars.
(Source: "Our World in Data")

Traffic accidents

Each year, nearly 1.3 million people die, and as many as 50 million are injured in traffic accidents.

Traffic accidents are the most common cause of death for children and young adults ages 5 to 29.
(Source: World Economic Forum, WHO)

OUR REPLIES TO THE CHALLENGES

Q-FLOW

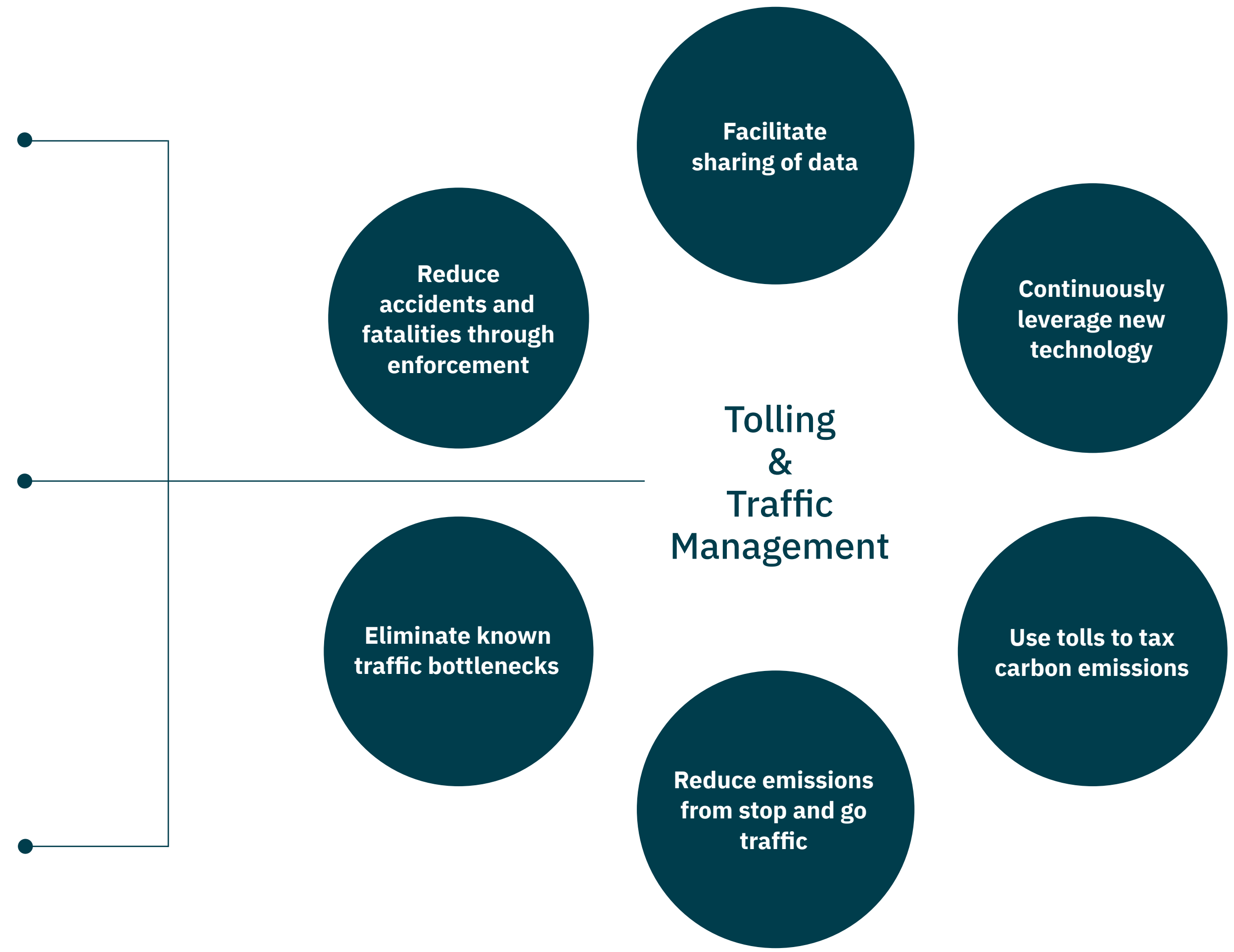
Optimize the movement of people, goods, and data

Q-CLEAN

Stimulate sustainable transportation

Q-SAFE

Improve road and travel safety



Our business areas

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

Tolling

- 225 employees across 14 locations
- References from more than 30 markets
- >40 million tags sold
- >2 000 tolling lanes in operation, >50 000 active ALPR licenses

Our offering

- Turnkey systems such as Multi-Lane Free Flow (MLFF), congestion charging, truck tolling, etc.
- DSRC on-board units and transceivers
- Imaging and ALPR solutions
- Operational back office software
- Service and maintenance incl. 24/7 remote monitoring from NOC
- Early phase C-ITS and distance-based tolling technology

Traffic Management

- 122 employees across 5 locations
- References from more than 20 markets
- 7 statewide ATMS delivered
- >35 000 traffic controllers installed
- >100 central signal management systems in operation
- 3 500 traffic counters

Our offering

- Freeway traffic management software systems (statewide ATMS)
- Traffic controllers and ATC cabinets
- Central and local traffic control software systems
- Weigh-in-motion systems
- Traffic counting and classification solutions

Three-phased strategy to success

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

2018–2020

1 Focus

Reduce business complexity to optimize resource allocation and improve execution.

Divest non-performing businesses.

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

Optimize and focus resources and investments.

2020–2022

2 Build

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

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

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

2022–2024

3 Scale

Scale standardized solutions to selected new target markets.

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

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

Our financial goals

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

Goals 2025	Enablers
1.3–1.5 bn NOK in revenues + potential M&A growth	A large addressable market, several tractive growth drivers, increasing recurring revenues, and bolt-on acquisitions
15-20% EBITDA margin & 10–15% EBIT margin	Increasing high-margin software revenues and increased scalability of solutions
Technology leadership – The Prime Mover	Continuous innovation across entire offering, clear technology road maps

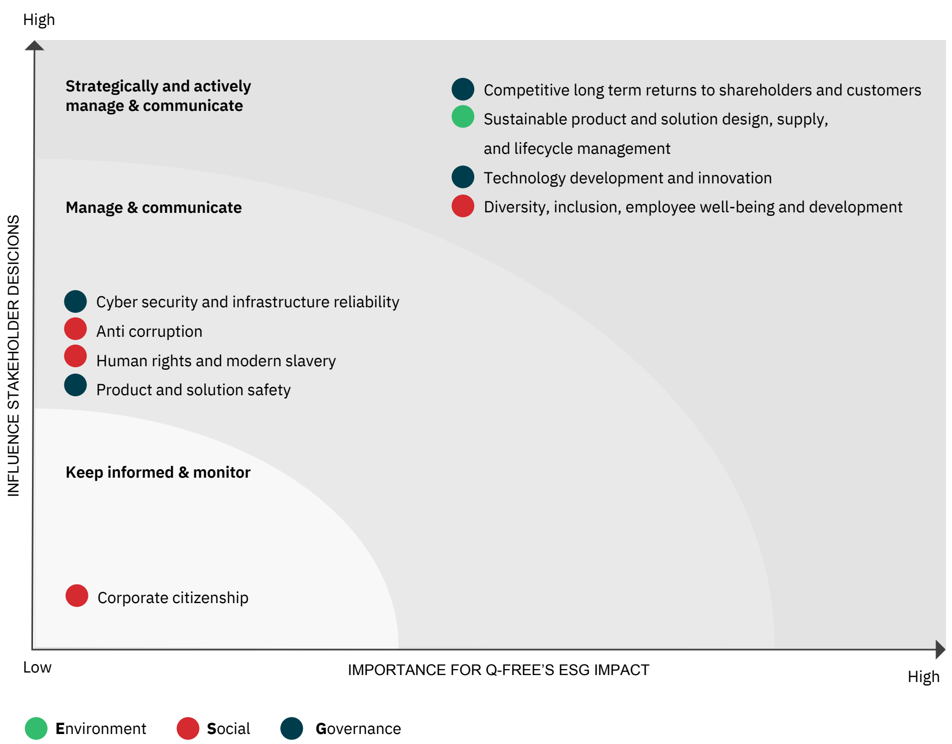
Our ESG approach

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

Materiality identification

In 2020, Q-Free initiated a process to uncover, analyze, and act on the issues that are most material to our business on one hand and to our stakeholders on the other hand. This work was continued in 2021, and to keep pace with the concerns of our stakeholders and make sure our sustainability priorities stay vibrantly relevant, our Sustainability Task Force has taken another leap forward in advancing the assessment.

Our materiality analysis:



The Task Force, which is chaired by the SVP of Brand, Marketing, and Communication and the Global Director of Quality and HSE, reports to the CEO and consists of an interdisciplinary group of internal experts who actively engage with our identified key stakeholders.

The Task Force reevaluated and rated 22 ESG parameters with related KPIs and further re-framed our top priorities through a series of workshops. The ESG areas that were considered to be the most important for our stakeholders and Q-Free's own business success are listed here.

Primary stakeholders:

- Employees
- Customers
- Shareholders
- Suppliers
- Business partners

Secondary stakeholders:

- Authorities
- Communities

Key Performance Indicators for Materiality Priorities in 2022/2023

An evolving process

Q-Free operates across two business units and five continents with different supply chains, products, customers, and ESG maturity levels. This, together with several different reports, frameworks, and principles, add layers of complexity to our ESG work. ESG is an evolving process. Q-Free is guiding the ESG work after TCFD, Euronext, EU Taxonomy, and UN Sustainable Development Goals (SDGs) 3, 8, 9 and 11. A demand for bolder approaches towards sustainability, will make the further development of a sound strategic ESG-roadmap a priority for our board and management going forward.

Environment and Climate:

Contribute to a more sustainable transportation system

Sustainable product and solution design, supply, and life cycle management

- Calculate carbon footprint for facilities/vehicles (scope 1) and indirect GHG emission for purchased electricity for one use (Scope 2) and preparing for scope 3 calculations
- Risk assessment of our exposure to physical climate changes
- Define long term (2030) and short term (2025) targets for emission reduction
- Conduct EU taxonomy gap analysis to get full overview of our Taxonomy compliance
- Implement environmental analysis as part of business case for product and solution development

Social responsibility

Be a professional, fair and attractive employer and business partner

Diversity, inclusion, employee well-being, and development

- Increase percentage of global female workforce from 17% to 20%. Long-term goal 25% by 2025
- 100% of top- and mid-management conduct diversity training
- Increase our global participation rate in Winningtemp from 80% to 84% participation, and global job satisfaction rate in Winningtemp from 7,7 to 7,8 (against index 7,4)
- Continue implementation of biweekly employee satisfaction surveys and monthly 1:1 meetings. Increase our global job satisfaction rate in Winningtemp from 7,8 to 7,9 (against index 7,4)
- Implement D&I recruitment process across the entire company
- Design and implement a framework for personal development and career advancement to facilitate employee growth and engagement
- Zero accidents for employees and contractors, through robust H&S procedures implemented in our value chain
- Ensure suppliers H&S focus through audits and regular follow ups

Governance

Conduct our business responsibly and meet expectations of key stakeholder groups

Competitive long term returns to shareholders and customers

- Grow annual recurring revenues by >10%
- Grow order backlog by >10%

Technology development and innovation

- Pilot RUC technology
- Deliver first new standardized tolling back-office software system
- Deliver first Kinetic™ Mobility solution
- Launch Kinetic Counts, Kinetic Events, Kinetic Signs, and Kinetic Video

Our stakeholder dialogue

Sustainable operations and progress within our defined materiality areas require an ecosystem of stakeholders that collaborate, set ambitions, and act.

Employees

Our employees are the cornerstone of Q-Free's value creation and imperative to successfully engaging all other stakeholders. It's crucial to design and redesign employee journeys that ensure access to the skills and attitudes we depend on to succeed today and tomorrow.

Given the unprecedented war for talent, in 2021, we took several initiatives to further enhance our employee journey for a diverse work force.

- Crafted new recruitment practices
- Conducted diversity training for middle managers
- Partnered up with relevant student associations, including a group for females in tech
- Continued to develop and use feedback from employee surveys

However, we know that much more needs to be done. Diversity, inclusion, employee well-being, and development are key priority areas for Q-Free in the years to come.

Related content: *Materiality prioritization: Diversity, inclusion, employee well-being and development, page 12. Success stories #30 – 32, page 41.*

Customer

Our responsibility as an organization is to know customer pain points, solve them in the most competitive way, and thus gain trust and revenue. For nearly 40 years, we have done this and delivered value in the form of high-quality products, systems, and solutions. As a critical part of the customer supply chain, we recognize the need to increasingly demonstrate our contributions to their bottom line.

In 2021, we announced seven projects valued above 25 MNOK, developed several new products, began an environmental analysis on our portfolio, and partnered to work in-depth on the opportunities presented by the EU Taxonomy.

In the years to come, we will prioritize our focus on product and technology innovation and sustainable product and solution design, supply, and life cycle management.

Related content: *Materiality prioritization: Sustainable product and solution design, supply, and life cycle management, page 12. Success stories #13 – 19, page 41.*

Shareholders

Q-Free depends on its shareholders to finance its operations and set clear strategic targets. Quarterly presentations, annual reports, and general investor relations activities are our key channels for keeping an open dialogue with our shareholders.

In 2021, we communicated our 2025 financial goals, our strategy to deliver on these goals, and reported on progress during the year. Based on feedback from investors, Q-Free has started to report on annual recurring revenue (ARR) and outlined its plans for how to grow the share of ARR in the years to come. Beginning the first quarter of 2022, the company will report both historic and forward-looking ARR.

With an increasing number of publicly listed companies, there is increasing competition for shareholder interest. To satisfy a growing need for outside-in analyses, Q-Free recently inked an agreement with ABG Sundal Collier to initiate coverage of the Q-Free share and provide new perspectives on the industry and company.

Related content: *Materiality prioritization: Competitive long-term return to shareholders and customers, page 12. Success stories #1 – 22, pages 27 – 36.*

Suppliers

At Q-Free, we believe proactive communication is key for successful supply chain operations. As a relatively small stock-listed company, we grouped our suppliers into four categories to prioritize our level of communication.

We consider level one "contract manufacturers supplying Q-Free's own products" and level two "suppliers of products or components that are custom made for Q-Free" as business partners and have close dialogues with these groups. We have more transactional communications with level three "suppliers of third-party products or components crucial for Q-Free's offerings" and level four "suppliers of easily replaceable and low risk components."

Most stakeholder dialogues will continue to be focused on quality, cost, delivery, components, and ESG-related topics.

Related content: *Materiality prioritization: Sustainable product and solution design, supply, and life cycle management, page 12. Success stories #20 – 22, page 36.*

Business partners

As we innovate and further develop technologies, strategic partners can drive progress and open new markets.

In 2021, we entered into partnership agreements with large infrastructure companies to help with market entry in France and Latin America. On the technology front, we worked closely with the top three global cloud solution providers (Amazon, Google, and Microsoft) to deliver Traffic Management solutions on innovative platforms of the customers' choosing. We have also collaborated with QRtech in Sweden (part of Embron Group) to develop new road user charging technology.

Related content: *Materiality prioritization: Sustainable product and solution design, supply, and life cycle management, page 12. Success stories #13 – 21, pages 32 – 35.*

Materiality priorities in our value chain

Q-Free's value chain is critical to our competitiveness, business growth, and customer satisfaction. We carefully manage value inputs through the life cycle phases of our projects – from R&D and procurement, production, and logistics to promotion and sales and post-sales, service, and maintenance – in order to achieve on-schedule and on-budget completion, while delivering high standards of quality, safety, and reliability, as well as health and environmental standards required by stakeholders.

PRODUCT/SOLUTION DEVELOPMENT

We develop Intelligent Traffic Solutions (ITS) within Tolling and Traffic Management.

PROCUREMENT, PRODUCTION, AND LOGISTICS

We procure products and services across the globe with the majority in technology hardware. We mainly outsource the production to core production sites in Europe, the USA, and Asia.

PROMOTIONS, SALES, POST-SALES, AND MAINTENANCE

We market Q-Free around the world and sell solutions directly to customers through tenders or dealers.

PROJECT DELIVERIES & CUSTOMER SUPPORT

We support customers worldwide, often as a part of service contract.

KPIS: VALUE CHAIN

- Conduct EU taxonomy gap analysis to get full overview of our Taxonomy compliance
- Implement environmental analysis as part of business case for product and solution development
- Pilot RUC technology
- Launch Kinetic™ Counts

- Calculate carbon footprint for facilities/vehicles (scope 1) and indirect GHG emission for purchased electricity for one use (scope 2) and preparing for scope 3 calculations
- Risk assessment of our exposure to physical climate changes
- Define long term (2030) and short term (2025) targets for emission reduction

- Deliver first new standardized rolling back-office software system
- Deliver first Kinetic™ Mobility solution
- Grow annual recurring revenues by >10%
- Grow order backlog by >10%

- Increase tolling lanes in operation from ~2 250 to ~2 500

KPIS: ORGANIZATION AND PEOPLE

- Increase percentage of global female workforce from 17% to 20%, long-term goal 25% by 2025
- 100% of top and middle management conduct diversity training
- Continue implementation of biweekly employee satisfaction surveys and monthly 1:1 meetings
- Increase our global participation rate in Winningtemp from 80% to 84% participation, and global job satisfaction rate in Winningtemp from 7,7 to 7,8 (against index 7,4)
- Implement D&I recruitment process across the entire company
- Design and implement a framework for personal development and career advancement to facilitate employee growth and engagement
- Zero accidents for employees and contractors, through robust H&S procedures implemented in our value chain
- Ensure suppliers' H&S focus through audits and regular follow ups

Our climate ambitions

Climate risk assessment

Greener and cleaner transportation is key to tackling the greatest challenge of our generation: climate change. Worldwide, road vehicles account for roughly 18% of direct CO_2 emissions.

Q-Free is committed to meet the global challenges outlined in the Paris Agreement, which sets out a global goal to avoid dangerous climate change by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C.

In 2021, Q-Free increased the work to organize and govern a systematic approach to climate-related risks and opportunities. Seventeen years after we established our environmental management system and were certified according to ISO 14001, we saw the need for a gear change in our environmental activities. An inter-company Task Force on Sustainability was set down in 2021, discussing materiality aspects, disclosures, metrics, and ESG reporting. Initially structured informally based on voluntary participation, the Task Force is now led by Global Director Quality and HSE and SVP Brand, Marketing and Communication, who reports to the CEO.

The Board of Directors have the overall responsibility for risk management. Where risk issues regarding finance are well-covered as part of the accounts, climate-related risks and opportunities and their financial impacts on our business are now also addressed, organized according to (one) Risks related to the transition to a lower-carbon economy and, (two) Risks related to the physical impacts of climate change.

Scenarios

To understand climate-related risks and opportunities, Q-Free is discussing scenarios in a short, medium, and long-term perspective. The matter is complex and affects Q-Free's strategy.

Mapping of scenarios requires the involvement of management and stakeholders, where we will review two different scenarios: one where the goal of the Paris Agreement is reached, and the other where global emissions remain high and climate impacts prevail. The objective will be to test Q-Free's strategic resilience and management response options. In the short term, we do not expect any financial impacts that are considered material to the business.

Q-Free's key business risks are closely monitored and discussed by the Executive Management Team and documented in a risk register. The risk register includes an overview of the most significant corporate risks, the causes behind them, and a description of related mitigating actions. Moreover, a risk assessment is now part of all major bid, development, and delivery processes. The overall Q-Free risk register is annually reviewed by the Audit Committee.

The outcome of the scenario process will enable Q-Free to better prioritize risks and assess the most material impacts, not only to our operations, but in a wider context that also engages the supply chain, logistics, and sales.

Roadmap

Q-Free's ambition is to continuously maximize the positive effects our solutions have on the climate. We will continue to improve governance of climate management through specific goals that are measured and acted upon.

Proper disclosures of the financial impacts of climate-related risks and opportunities on Q-Free is a key objective of the company's internal Sustainability Task Force. By establishing a roadmap outlining metrics and targets, the company's investors and shareholders and other stakeholders will better understand how climate-related risks and opportunities are likely to impact the company's future financial position.

Q-Free is presently investigating a climate reporting regime that will best suit our needs. CDP (Carbon Disclosure Project) and TCFD (Task Force on Climate-related Financial Disclosures) both provide effective frameworks. Today, Q-Free reports climate emissions according to Scope 1 as defined by the GHG Protocol (i.e., direct emissions), but we also plan to expand our climate emissions disclosures to also cover Scope 2 (indirect emissions from energy purchased and used by the organization) and Scope 3 (other indirect emissions in the value chain).

Q-Free operates in the technology sector, an industry that traditionally has a modest ecological footprint, and with a robust framework of metrics and targets, we will be in an even stronger position in the future.

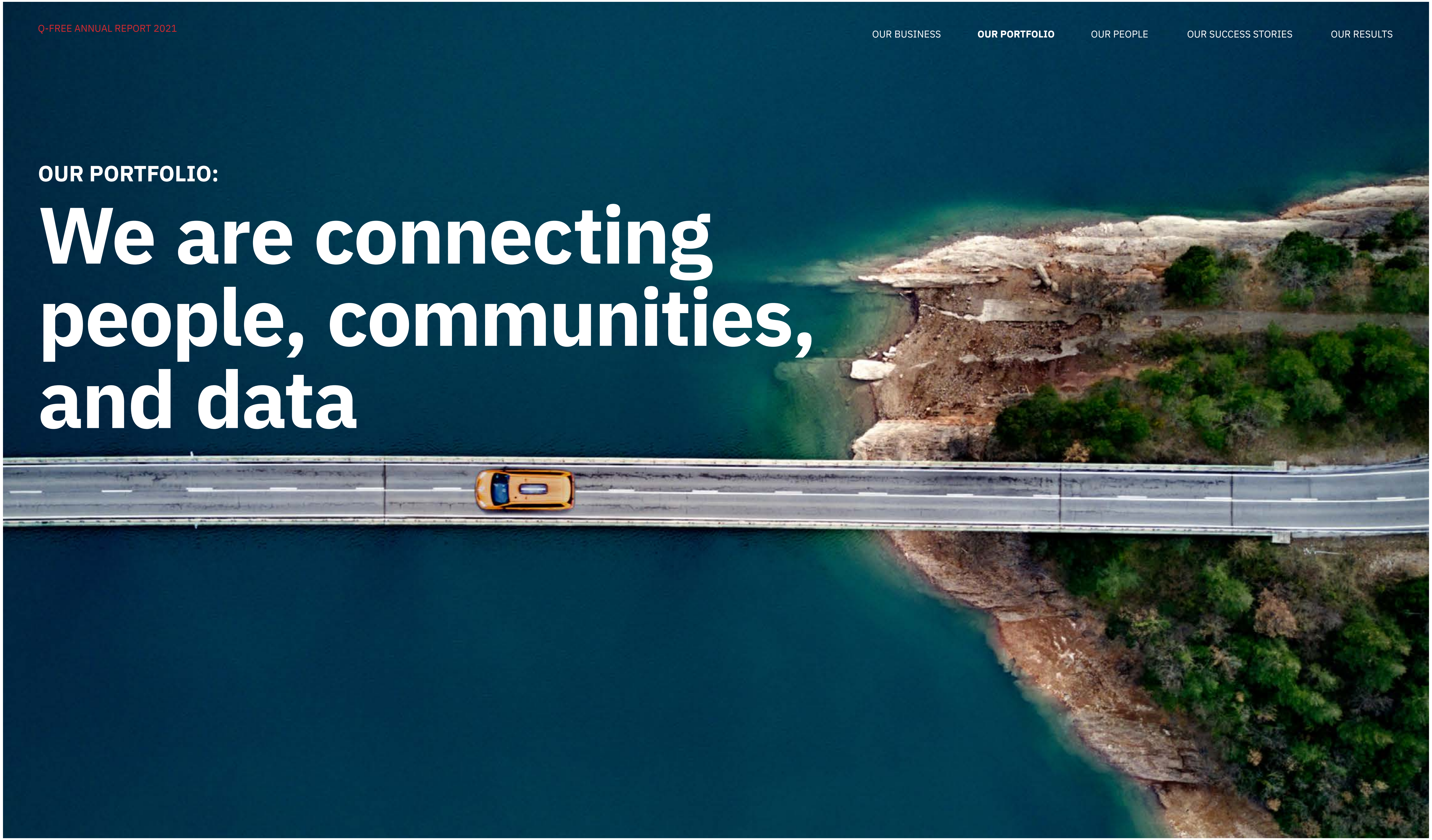
The way forward

Climate change presents risks but also points to opportunities. Q-Free creates intelligent solutions for efficient, safe, and environmentally friendly transportation which, in sum, contribute to a positive change.

We strongly believe Q-Free, due to our intelligent and flexible solutions, has an advantage when it comes to mitigating climate change. Based on a thorough 2020 analysis, we are now able to adjust course and thus intensify our long-term strategic goals.

This year, Q-Free's Sustainability Task Force joined forces with the Management and the Board to prioritize work on climate-related issues. The tasks ahead will be helped by green regulations initiated by the EU taxonomy. Q-Free has partnered up with the Norwegian start-up Celsia who facilitates a comprehensive gap analysis against relevant Taxonomy criteria. Concurrently, another outcome is a Taxonomy risk assessment across the value chain with priorities and activity plan.

2021 has also been a year where we see that customer requirements and bids are contributing to drive our environmental documentation to the next level. Going forward, we will prioritize risk assessment of our exposure to physical climate changes. Our Development and Delivery Project Steering committee will continue to request aspect/impact analysis for new projects, while our Sustainability Task Force will work on implementing actions and reaching the KPIs related to the defined immaterialities.



OUR PORTFOLIO:

We are connecting people, communities, and data

Prime Mover projects since 1984

For close to 40 years, Q-Free has delivered projects at the forefront of intelligent traffic solutions and infrastructure development.

Tolling

1984
Company founded as MicroDesign

1988
Delivered the world's first free-flow tolling system to Norway

1993
Delivered the first DSRC 5.8 GHz system to Portugal

1996
Delivered the world's first DSRC 5.8 GHz MLFF system to Austria

2004
Delivered the world's first MLFF tunnel system to Australia

2005
Delivered the Stockholm congestion charging system

2009
Won GNSS-based system in Slovakia

2012
Delivered Gothenburg congestion charging using single gantry setup

2016
Won nationwide truck tolling system in Slovenia based on DSRC

2018
Won first free-flow payment contracts for ferries in Norway

2019
Delivered DSRC digital tachographs in Europe

2020/2021
Major MLFF upgrades in Portugal, Sweden, and Norway using new Imaging System

Traffic management

2016
- Won contract for new statewide ATMS for Virginia DOT
- Inked statewide contract in Georgia for 9,000+ traffic controllers and central software

2018
- First integrated signal management and freeway system to PennDOT

2020
- Deployed first high-speed WIM with enforcement to Ukraine
- First 16-lane traffic counting and classification solution to the US

2021
- Delivered statewide ATMS and LaneAware to Colorado
- Launched Kinetic™ Mobility ATMS platform
- Successfully partnered with all three major cloud providers

2022
- Secured first subscription-based ATMS contract (Prince Georges County)
- Secured contract to deliver adaptive signal software and controllers for the 2023 Super Bowl

Q-FLOW

Optimize the movement of people, goods, and data

- Advanced traffic management systems
- Traffic signal & corridor management
- Adaptive signal control
- Electronic multi-lane free-flow toll collection
- Truck & ferry tolling

Q-CLEAN

Stimulate sustainable transportation

- Congestion charging & low emission zones
- Road user charging
- Cycle & pedestrian monitoring
- Weigh-in-motion
- Vehicle counting & classifications

Q-SAFE

Improve road and travel safety

- Connected intersections
- Enforcement solutions
- Lane closure management
- Automatic license plate recognition
- Automated incident & event response

Our products & solutions

Tolling

Products

- DSRC on-board units
- DSRC roadside transceivers/antennas
- DSRC handheld transceivers/digital tachographs
- ALPR cameras/imaging systems

Software

- Intrada® ALPR (automated license plate recognition) firmware/licenses
- Intrada® Synergy Server/Insight (solution including multiple OCR engines, grouping, fingerprinting etc.)

System integration (projects)

- MLFF systems including ETC congestion charging and truck tolling
- DSRC-based payment solutions for ferries
- Single “speed gantry” solutions
- New RUC concepts

Service and maintenance

- 24/7 remote monitoring from NOC
- Responsive and preventative field service
- Data reporting and analyses
- Operational back office (transaction processing)

Traffic Management

Urban hardware

- ATC controllers
- ATC cabinets

Urban software

- Local traffic control software (MAXTIME)
- Central software system (Kinetic™ Signals)
- Software enhancements
  - Ramp meter
  - Analytics
  - Adaptive
  - Connected vehicle

Interurban software

- Statewide ATMS (Kinetic™ Mobility)
- Software enhancements
  - Work zone management
  - Event management

Infomobility hardware

- Weigh-in-motion systems
  - High speed
  - Low speed
- Traffic counting and classification
  - Vehicles
  - Bicycles
  - Pedestrians

Our value propositions

Differentiators	Tolling	Traffic Management
Deep domain know-how and history of innovation	• >35 years of DSRC experience • >20 years of ALPR experience • First to market with multi-lane free-flow, ALPR as a service, and free-flow ferry payments	• 20 years of ATMS experience • 30 full-time equivalents in R&D • First to market with embedded web server, web-based management tool, and 16-lane traffic counter
Hundreds of references and solid delivery track record	• Multi-lane free flow (Norway, Australia, Chile, Portugal, Spain, and more) • Congestion charging (Stockholm/Gothenburg) • Truck tolling (Slovenia/Slovakia) • >50 000 active ALPR licenses	• Statewide ATMS software (VDOT, WVDOH, PennDOT, CDOT, lowaDOT, DelDOT) • Signal management software (GDOT, PennDOT, ODOT, UDOT, WyDOT, Snohomish County, and more) • >35 000 ATC controllers in operation
Best-in-class performance	• Highest accuracy/lowest leakage • Highest uptime • Highest durability	• Most flexible software systems built on secure, modern architecture • Real-time customizable dashboards, visual replay, historical archive, automatic upload, etc. • Modern, easily scalable SaaS deployments
Flexible scope and partnering approach	• Multiple technologies and modular offering • One-stop-shop system integrator with full or partial delivery • Local partners/content, where required	• Hardware-agnostic software platforms • All-inclusive and modular licensing • Full or partial delivery • Strong partnerships with other technology innovators • Integration with all major cloud providers

OUR PEOPLE:

We shape a resilient and inclusive work culture

Our Leadership

Group Management

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

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

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

Trond Christensen
(1971)
CFO
Served since 2019
Norwegian citizen

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

Christensen owns indirectly through T Christensen AS 12 000 shares in Q-Free ASA*.

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

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

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

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

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

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

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

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

Bjelland has no shares in Q-Free ASA*.

Key Management

Tolling

Lars Thore Aarrestad
VP Tolling Systems

Pål Almlie
VP Supply Chain Management

Jørn Buchholdt
Finance Controller Tolling

Blaz Gostisa
VP East Europe

Gonzalo Hederra
VP Latin America

Luis Miranda
VP Western & Southern Europe

Jos Nijhuis
SVP Head of Image Review Solutions

Vegard Thomassen
VP Norway & Denmark Operations

Silje Troseth
VP Asia & Pacific

ATMS

Lee Hansen
EVP Interurban

Steve Mager
EVP Urban

Jimi Meshulam
EVP Finance and Administration

Whitney Nottage
EVP Operations

Mark Phillips
EVP Infomobility

Dan Skiffington
EVP Technology

Trisha Tunilla
EVP Marketing and Proposals

** Shares as of 31 December 2021*

Our organization

In 2021, we continued to focus and streamline our organization and went from 360 to 349 employees. Most of our employees (76,5%) are technical resources working with development, delivery and operations, and service. Going forward, we will have particular focus on further strengthening our commercial departments and invest into shaping a resilient and inclusive work culture to attract, keep, and develop the diverse team members we need to thrive.

In 2021, we invested into a senior role for People and Organization with the key focus on crafting talent acquisition strategies, collaborating with leaders to evaluate career paths that meet the company's business goals, setting clear KPIs and measurements for people and culture related development, sustainability reporting, and providing People and Culture business partnership support internally in the organization. Q-Free also has several forums for employee participation and consultation where a range of subjects have been brought up for consultation and participation of worker's process. Our efforts on Employee Engagement in Norway, our home market with 30,7% of our employees, decreased turnover from 11,8% in 2020 to 6,6% in 2021. As of March 2022, our global employee satisfaction was 7,8 (against index 7,5) with a participation rate of 80%.

At the close of 2021, the total representation of women at Q-Free was 17%, down from 18% in 2020. Our Board of Directors consists of two women and five men, while our top management was represented by one woman and five men (in early 2022, top management changed to one woman and four men). Numbers don't lie. We recognize that we need to step up our work toward a more equal and representative workforce to remain competitive and assure an even more diverse environment for the benefit of all our employees. On a more positive note, Q-Free's gender pay gap is small at just 6%. On average, women earn more than men in four Q-Free markets and less in six. In Norway, men and women earn the same salary on average.

In 2022, we will systematically work with inclusive attraction and recruitment processes, D&I training, and organizational cultural awareness on all levels. One of our goals for this and the following year is to increase our female workforce to 20% with a long-term goal of 25% by 2025. Read more in our case section «Our community», page 37-41.

PERMANENT EMPLOYEES BY TYPE OF EMPLOYMENT AND GENDER

Type of employment	Total	Women	Men	% Women	% Men
Total employees	349	58	291	17	83
Group management	5	1	4	20	80
Development	117	11	106	9	91
Delivery and operations	100	17	83	17	83
Service	50	-	50	-	100
Sales/marketing	38	9	29	24	76
Administration/support	39	21	18	54	46
Shareholder-elected Board members	5	2	3	40	60

Walking the talk

Activity and reporting obligation for inclusion

As a Norwegian employer, Q-Free must report on Aktivitets- og redegjørelsespliktene or ARP, a legislation to actively promote equality and prevent discrimination at work. As a response, Q-Free needs to implement preventive measures for increased equality.

In 2021, the Sustainability Task Force in Q-Free conducted a thorough risk analysis on the matter of diversity, equity, and inclusion, and concluded with some articulated objectives and priorities.

Q-Free America.

- Anchor the knowledge and ownership of D&I on all management levels of the organization
- Improve our work on strategic workforce planning and embed the D&I mindset into our efforts on recruitment, re-skilling/up-skilling, and advancements
- Increase overall female representation
- Implement unbiased recruitment processes
- Monitor salary levels to ensure balanced and fair pay for all employment groups
- Reduce turnover and foster inclusive teams with high degree of psychological safety

The ARP will be reported in a separate report for Q-Free Norge AS, June 2022.

Our commitments and certificates

UN Global Compact
Q-Free has renewed its signatory to the UN Global Compact and is committed to responsible operations in line with its 10 principles and take strategic action in advancing the UN Sustainable Development Goals.

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

ISO 14001
We measure and improve our environmental impact using ISO 14001. This helps us emphasize our positive role externally and ensure we “walk the talk” internally.

ISO 27001
To deliver on the mission of creating innovative software products with secure high-quality information from outdoor image data for intelligent transportation systems, Q-Free Netherlands implemented in 2020 an information security management system and was certified in accordance with ISO 27001 .

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

OUR PLEDGES

MORNINGSTAR

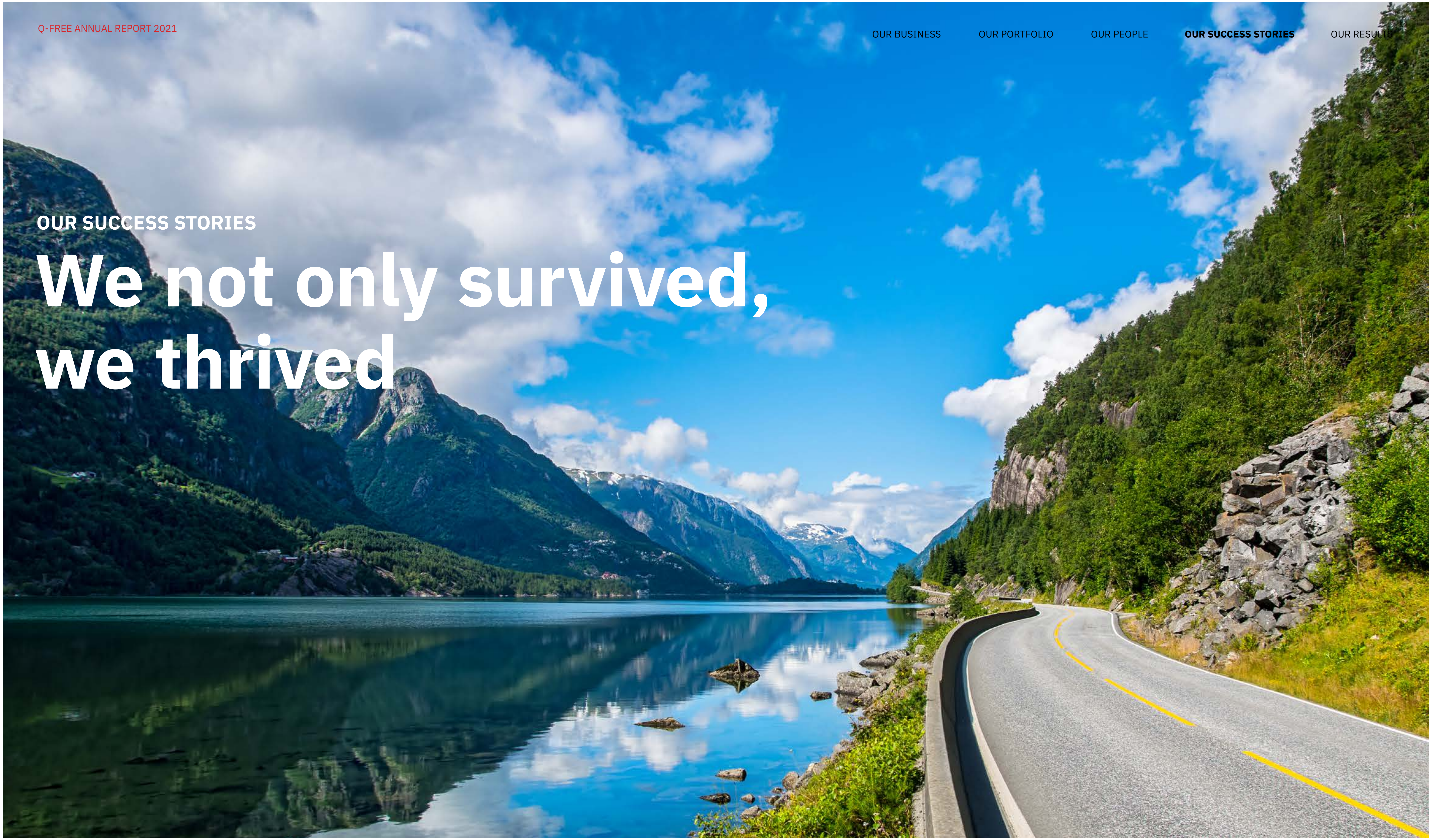
WE SUPPORT

ISO 9001
ISO 14001
ISO 45001
ISO 27001

NORWEGIAN ACCREDITATION
MSYS 004

SHE INDEX – POWERED BY EY

Q-Free Norway reports on EY’s SHE index, a catalyst encouraging companies to focus on gender balance through measuring their gender balance, determining targets and actions to improve gender equality, and reviewing talent, recruitment ,and general Diversity & Inclusion policies – SDG8. In 2021, Q-Free received a score of 57 points and had increased the score to 61 by the beginning of 2022.



OUR SUCCESS STORIES

We not only survived, we thrived

Celebrating our wins

There was a lot to celebrate in 2021. Here's a snapshot of the stories we share on the following pages.

OUR CONTRACT WINS

TECHNOLOGY DEVELOPMENT & INNOVATION

OUR ENVIRONMENT & CLIMATE

OUR COMMUNITY

Contract wins

01 Strengthened position in Norway with 260 MNOK in recurring revenue contracts

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

Founded and headquartered in Norway, the Norwegian market is of particular importance for our long-term profitability and growth. Success with recurring revenue contracts here on our home turf, strengthens our overall financial foundation and has continually proved critical in propelling our success across the globe.

To that end, Q-Free is proud to have secured major contracts in Norway. In October 2021 we were awarded a framework agreement with two regional toll companies: Vegamot and Bompengeselskap Nord.

These agreements have an ARR value of more than 260 MNOK.

- November 2021: Contract for 12 charging points as a Policy package in the city of Ålesund.
- February 2021: Contract award for 15 charging points as a Policy package in the city of Tromsø
- February 2021: Contract for replacing and maintaining existing charging points in the policy package, “Miljøpakken”, in Trondheim
- March 2022: Three contracts for a total of six charging points – four replacements and two new charging points in the region of Trondheim.

These projects solidify our position as a prime mover in intelligent traffic solutions and continue to drive forward our growth – and thus improved traffic flow on our roads.

The most valuable experience for me at Q-Free is to have colleagues with many different types of experience and expertise that enables us to deliver excellent systems at all levels from electronics design to complete systems.

Erlend Espeland, Commercial Product Owner, Products R&D, Q-Free Norway

My most valuable experience as a Q-Free employee is the continued level of team work and collaboration between colleagues and departments which has a positive impact of pushing to achieve the same goals.

Jazzmyne Luke, Key Account Manager ATMS, Q-Free United Kingdom

02 Symbolic tolling contract signed

Q-Free Australia employees at one of our project sites.

At the close of the century, Q-Free was awarded its first contract in Australia to deliver tolling roadside systems for Sydney Harbour Bridge and Harbour Tunnel, which connect the central business district with the North Shore.

In 2021, two decades later, we were awarded a new contract to design, supply, and install the replacement of the same tolling roadside system for 40 MNOK. Much like the adjacent Sydney Opera House, the contract carries a great symbolic value for us; reminding us about our journey in the Australian market, our achievements, and our future potential.

03 Modernizing congestion tax technology in Stockholm

For the past 15 years, our initial delivery of congestion tax technology to the Swedish transport administration in the capitol city of Stockholm has served as an inspiration and an important reference for similar projects worldwide. The system has contributed to a reduction in emissions from vehicles and raised money for other infrastructure projects.

The system was cutting edge when it was introduced in 2005 but is now in need of an upgrade. As we stay at the forefront of innovation, we were very pleased to sign a 130 MNOK contract for modernizing the system with new camera and license plate recognition technology and continue our service and maintenance activities.

04 Spain in the fast lane as we gain market share

As the largest country in Southern Europe, Spain's State Road Network is the longest network of highways and motorways in Europe.

Working closely with local road authorities, Q-Free has been awarded multiple contracts over the last five years to assist in better managing and collecting tolls on the nation's high-capacity road network.

Our footprint in Spain includes the country's only multi-lane free flow (MLFF) tolling system that collect tolls without impeding traffic flow for improved road safety and reduced queues and congestion.

Through collaboration with our local partners, BIDELAN and Gertek, we also recently delivered the country's first free flow tolling solution that supports light vehicles and trucks.

Such strong references proved essential to our selection as the supplier of a MLFF roadside system in Spain's northern province of Bizkaia (50 MNOK). The contract includes recurring revenues that will further strengthen our presence in the country over time.

05 Competitive win in West Virginia extends partnership

In a major coup for the company, Q-Free secured a four-year contract, extensible to eight years, to upgrade the statewide advanced traffic management system (ATMS) in West Virginia valued at $7.2M USD.

Relentlessly dedicated to public safety and keeping roads clear and first responders safe, West Virginia has proven to be a collaborative partner to Q-Free since our first ATMS deployment in 2008. Winning this competitive bid against all major competitors solidifies that the quality and continual modernization of our solution is above reproach. Moreover, it creates opportunities to further innovate our product and generate additional revenues through new features and functionality over the contract period.

My most valuable experience as a Q-Free employee is the opportunity to participate in one of the largest Q-Free projects, the Truck Toll Project in Slovenia. It gave me the chance to work with amazing people, who have and continue to inspire me in all different areas of my work.

Katja Glavac, Office Manager
Q-Free Slovenia

06 Delivering real-time data in Colorado

In February 2021, Q-Free was awarded a large-scale project to replace Colorado's two-decade old ATMS with a multi-modal system to better move people, goods, and data throughout the state.

With under 7 months to deploy the statewide cloud-hosted system (a task that generally takes 12 – 18 months), an on-time deployment was no small feat for Q-Free's project management, development, and support teams.

As the lens by which Traffic Management sees the road, Q-Free's ATMS served as the perfect hub to automate the gathering and distribution of real-time travel times, road conditions, and more.

A major goal for the project was to get all data collected by Colorado into the hands of the public, enabling them to make more thoughtful decisions. Q-Free achieved this through direct integrations with major map providers, such as Waze and Google, and instantaneous data sharing to the agency's website and new web app.

Perks offered to users of the agency website and free web app include:

- Create, schedule, and manage trips
- Favorite camera locations
- Get turn-by-turn directions with real-time traffic alerts
- Hand-mapped route alternatives crafted by state traffic operators
- Truck-specific map layers
- Travel alerts
- And so much more...

Regarded as a North American transportation leader, Colorado aims to further its sharing and dissemination of open data through integrations with the Federal Highway Administration Work Zone Data Exchange (FHWA WZDx) and perhaps partnerships with neighboring states.

My great colleagues inspire me the most working in Q-Free. Our focus on local presence allows me to collaborate with colleagues from 14 countries and team up to succeed in projects.

Trond Malmo, Logistics Manager
Tolling, Q-Free Norway

07 Expanding enforcement in Qatar

Following an initial successful installation, Q-Free was commissioned to expand our weigh-in-motion and automatic license plate recognition enforcement (ALPR) network in Qatar. The additional sites increased our footprint in the region by 20% to 24 total sites.

This commission is a testament to the effectiveness of the enforcement systems which are already widely used by Ashghal, the Public Works Authority of Qatar headquartered in Al Dafna, Doha.

08 Super Bowl bound

The City of Glendale, Arizona, will host Super Bowl LVII at State Farm Stadium in 2023. As part of the City's infrastructure preparations for the influx of expected visitors, players, and media, the City awarded Q-Free a contract to deploy MAXTIME adaptive. The locally distributed adaptive signal control system will assist the City in managing real-time or unpredictable traffic patterns to mitigate congestion and expedite entry/exit to the stadium.

The system will be piloted during the NFL preseason and regular season games to ensure optimal performance during the big game.

My most valuable experience as a Q-Free employee is to get to work in a global company with a big commitment in making everyday life greener and healthier for people living in highly polluted areas. Together, we can achieve more!

Jan Henrik Roten, ICT Change Manager
IT and Operations, Q-Free Norway

09 Picture perfect in New York

To improve revenue collection, operating cost efficiencies, and reduce client billing errors for video tolling, the three largest tolling agencies in New York turned to Intrada® Insight – Q-Free's ALPR system that delivers predictable 24/7 high accuracy performance. The system combines advanced network learning, machine image processing, and innovative manual image review processes to efficiently automate license plate reads – especially complex US license plates.

The three New York Agencies using Intrada Insight are a part of the E-ZPass® tolling system and process up to $4B+ in toll revenue per year. Facilitating more than 15 million trips each month, even the smallest errors quickly impact the bottom line. Under the contract, Insight will process up to 200 million video-based license plate transactions per year with 99.95% accuracy and read automation rate.

10 Prestigious appointments in the United Kingdom

Q-Free earned two prestigious appointments in the United Kingdom furthering our position as a transportation technology leader.

The first appointment – to Lot 1 of the Operational Technology Commercial Framework – provides a significant opportunity to engage directly with National Highways rather than through a third-party agent, thus reducing client costs.

Q-Free also won a place on the Crown Commercial Service's (CCS) Transport Technology and Associated (TTAS) framework, specifically Lot 2 Transport & Pedestrian Control and Lot 7 Catalogue. CCS helps the public sector maximize value when procuring common goods and services. This is a highly coveted award reserved for large systems integrators and internationally recognized product designers and manufacturers.

What inspires me the most is how at Q-Free we deliver solutions driving a sustainable future based on innovative technology.

Silje Troseth, Vice President APAC &
General Manager, Tolling,
Q-Free Australia

11 Making traffic count in Southwest England

Q-Free will update 67 automatic traffic counters for Bath and North East Somerset in Somerset, England. An optional maintenance package covering a maximum 10 years was also offered and is still under consideration by the authority.

The contract consolidates our position in the Southwest region of England and encourages a collaborative partnership useful for product development and innovation.

I am constantly inspired by the way our divisions work together toward a common goal. Successfully integrating people, solutions, and technologies from previously acquired companies is no small feat.

Though there is still work ahead, we're already capitalizing on our synergies — seeing it come together more every day brings me great pride and joy!

Whitney Nottage, PE, PTOE
Executive Vice President of Operations, ATMS
Q-Free USA

In the future, I hope Q-Free will focus even more on developing and enhancing existing products, so they can meet with the constantly changing demands of the markets. Technology is a constantly evolving arena. This requires forethought and investment. I'm confident Q-Free and its staff have the skill sets to meet these challenges. Together, we can achieve more!

Andy Lees, WIM Business Development Manager,
Vice President for the International Society for Weigh-in-Motion (ISWIM)
Q-Free United Kingdom

12 New ITS contract continues tradition of success in Manchester

Starting off 2021 strong, Q-Free was awarded a three-year ITS contract by the Transport for Greater Manchester, Derbyshire County Council & Derby City (TFGM, DCC & DCiC) with an option to extend to five years.

This contract is a core component of Transport for Greater Manchester operations allowing for transport data gathering and analysis. This information will be used by numerous stakeholders across the business. Q-Free has held this contract with TFGM since 2009, providing a complete service of products, installation, commissioning, and maintenance.

Technology development & innovation

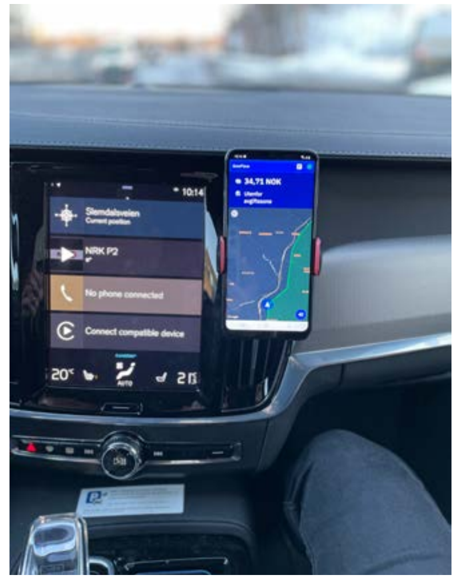
13 Piloting the future of Road User Charging

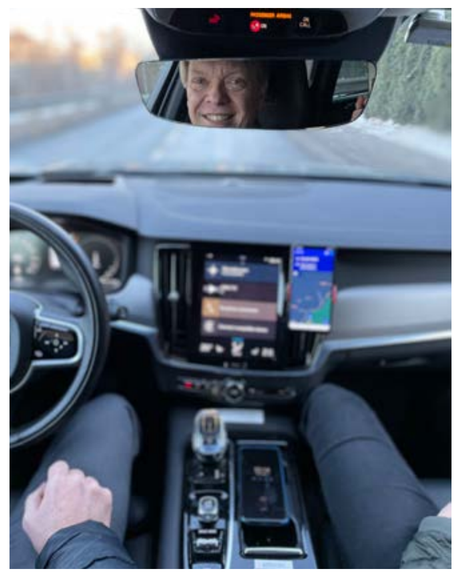
With one eye on the road ahead, in 2021, Q-Free was working on preparing an extensive pilot of "GeoFlow", our next generation Road User Charging technology for smarter traffic infrastructure that aims to curb urban congestion, improve safety, and change driver behavior based on improved information flow.

Utilizing the C-ITS standards platform with GPS, we use distance traveled, time of day, location, and traffic volumes to determine the cost of driving. While driving, the on-board unit will collect and calculate the cost. All data is protected with state-of-the-art cyber security technology in the on-board unit; only aggregated periodic invoices are transmitted to the central system. This approach ensures that no sensitive data is leaving the vehicle and that the vehicle owner is the only one that holds the key to access the detailed driving history. In terms of enforcement, the roadside station securely communicates with the on-board unit to verify the integrity of the data; only suspicious records are stored.

The next generation Q-Free C-ITS station consists of a small windscreen mounted antenna device and a dashboard mounted processing unit. As an option, the user can use their smartphone to interact with the system using the GeoFlow app. In the app, the user can receive real-time road user charging information, estimate the cost of a future trip, or examine their invoice details.

During the coming year, more than 200 drivers in the Trondheim region in Norway will test the system, and we are thrilled to continue changing the movements of life through groundbreaking and customer centric solutions for optimized traffic flow and driving habits.





Test of Q-Free's GeoFlow technology in Oslo, Norway.

Supporting the Kinetic™ Signals team in developing the next generation of software has been extremely fulfilling and rewarding. I'm looking forward to seeing all of the awesome things that come to fruition with Kinetic Mobility, and the recent progress there keeps me inspired and excited about Q-Free's future.

Tatiana Mercado, Senior Scrum Master
Technology, ATMS, Q-Free USA

My most valuable experience as a Q-Free employee is the opportunity to work and collaborate with other Q-Free employees around the world. We all work toward the same goal to improve traffic flow, road safety, and the environment. And it is impressive to see our hardware and software being deployed globally.

Sop Khim, Sales Manager
ATMS, Q-Free Australia

14 On track with standard software development for Tolling Operational Back Office

The Tolling Operational Back Office (OBO) is the link between roadside equipment (RSE) and a Commercial Back Office (CBO) system, ensuring passage events are translated into billable transactions while being available for monitoring and reporting.

By developing the OBO as a product, the same starting point and baseline is used for multiple customer deliveries, enabling all our customers to benefit from improvements and new built-in features coming from continuous improvement and evolution of the product. At the same time, Q-Free can better streamline and improve delivery, operations, and maintenance.

The Q-Free OBO has four main tasks:

1. Create complete toll declarations by enhancing and enriching roadside passage data and then send them as billable transactions to a CBO for invoicing. The toll declarations are created by applying defined business rules within the OBO. Business rules can, for example, add automation steps for vehicle identification, add journey and trip information, base tariff calculations, etc.

2. Verify compliance and create evidence packs for further processing in external penalty system.

3. Being bookkeeper of the data in the sense of keeping history of the data for auditability and traceability and gathering statistical information while complying to GDPR rules.

4. Offering monitoring of the data processing flow in the tolling system.

Q-Free's Intrada® Insight is fully integrated with the OBO and delivered as a default built-in system for automatic identification and manual review of single passages.

15 Truck tolling in Slovenia surpasses 1M daily transactions

Slovenia's automated truck tolling system, DarsGo, has been run by Q-Free and partner Telekom Slovenjie since 2016. Compared to the old stop-and-go system, DarsGo reduced fuel consumption by 115 000 MWh – equivalent to 6% of the total fuel consumption of heavy vehicles in Slovenia – in the first nine months.

Today, in less than 24 hours, the truck tolling system charges as many as 950 000 transactions over 4,5 million km of road usage resulting in more than 1 million Euros in collected toll funding.

Needless to say, Q-Free is proud to operate a truck tolling solution that helps governments levy tolls against all trucks based on their weight, size, number of axles, or miles traveled in a sustainable way – and the number of daily transactions serve as evidence of high system efficiency.

16 All time high in camera deliveries

Despite parts shortages and global supply chain issues on account of the pandemic, Q-Free was able to deliver 850 VRE700 cameras – an all-time high.

The VRE700 is a versatile image acquisition platform that complements Q-Free's electronic toll collection and automatic license plate recognition (ALPR) systems, tracking vehicles passing through charging points and acquiring images.

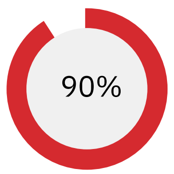
17 New mobility platform gains momentum

The sky is the limit for Kinetic™ Signals, the first application on the company's newly released Kinetic Mobility platform.

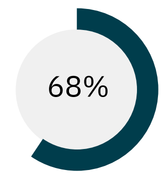
Introduced to the market at the start of 2021, Kinetic Signals is a rebrand and technology upgrade of our celebrated MAXVIEW ATMS – an advanced traffic signal management solution for urban centers.

The innovative platform allows transportation agencies to centrally manage their traffic signal network.

Harnessing the power of the cloud, Kinetic users can deliver the best customer experience to their communities more easily, more reliably, and more securely. Not to mention, users who opt for a cloud-based deployment can save up to 10% over its estimated lifespan.



Reliability without add-ons



Lower start-up cost

18 CV solution added to Kinetic Mobility platform

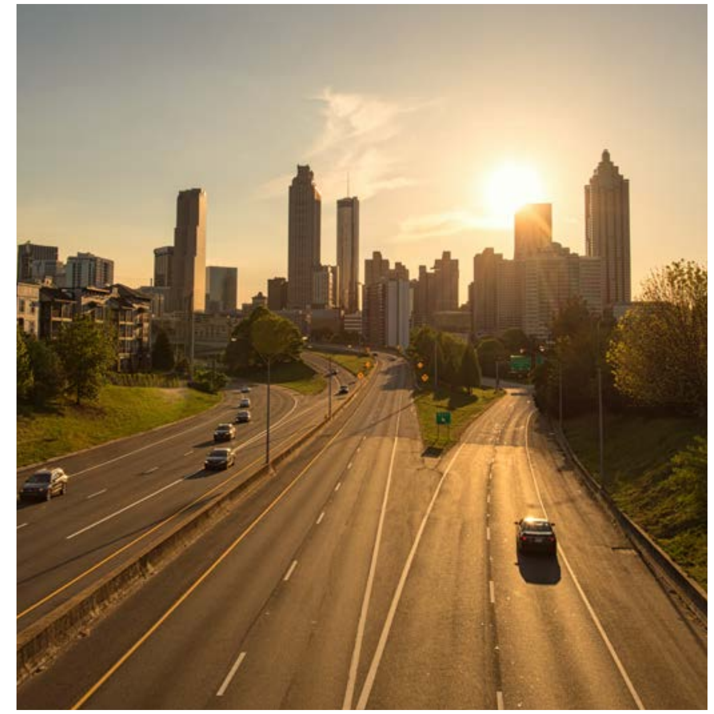
Kinetic™ CV was the second application to be released on Q-Free's innovative single-dashboard traffic management platform, Kinetic Mobility.

The company's latest connected and autonomous vehicle data solution allowed subscribers to immediately access high quality, real-time intersection data from across any network and push the information to third-party vendors seamlessly through an open API.

It gives agencies a low-cost means of quickly and significantly impacting the safety and efficiency of overall operations and can be installed and up and running in minutes.

My most valuable experience as a Q-Free employee is when I had an opportunity to manage a pilot project in Jakarta, Indonesia, back in 2014. It shaped me and my understanding of the meaning of E.P.I.C.

Wichayut Chiocharn, Maintenance Manager Tolling, Q-Free Thailand



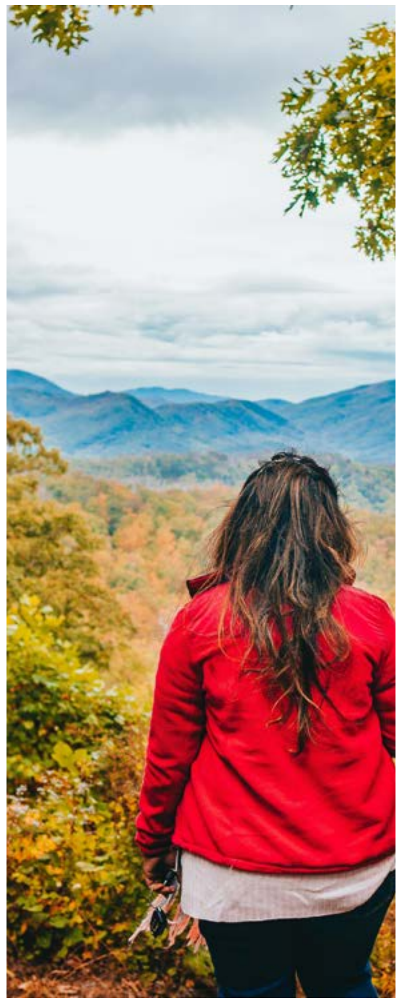
19 Lane capacity doubled for TMU4 high-speed weigh-in-motion

The latest evolution of Q-Free's popular high-speed weigh-in-motion system doubles the unit's capacity to 16 lanes while allowing the single HI-TRAC® TMU4 to also monitor cyclist and pedestrian activities adjacent to the roadway.

The TMU4 comes with greater processing power and data delivery than its predecessors and integrates seamlessly with scanners, overhead signage, and other traffic management devices. Its ability to integrate with cycle and pedestrian monitoring as well as VMS displays to warn drivers of the detected presence of pedestrians or cyclists fits perfectly with Q-Free's commitment to the goals of Vision Zero to ultimately eliminate road fatalities completely.

Environment & climate

20 Innovative solutions for targeting the EU Taxonomy



Beginning January 1, 2022, all large European companies must report their alignment with the EU taxonomy – a sustainability classification system, establishing a list of environmentally sustainable economic activities.

Q-Free is eager to know how we can position for achieving compliance with these new regulations and looks forward to getting a comprehensive picture of our project-specific environmental exposure and performance.

To get a jump start on aligning with these new criteria, Q-Free has partnered with the Norwegian software start-up, Celsia. Celsia pioneered a self-assessment platform that delivers the EU Taxonomy score along with comprehensive outputs and graphs to increase our understanding of the state of affairs and where we can improve.

21 Collaboration for a sustainable supply chain

Managing sustainability in our supply chain is crucial to delivering on our ESG and SDG goals, as well as helping the EU reach climate neutrality by 2050. For us, the work begins through close collaboration with our level one suppliers, such as Norautron (Norway).

Norautron, the manufacturer of our roadside equipment for Tolling, was appointed as one of Q-Free's key suppliers last year. With their commercial mindset and high focus on sustainability, the company ticked all the boxes of desired supplier qualities. To boot, Norautron aims to reduce greenhouse gases 10% by 2023 and 55% by 2030, with complete emission totals established for scope 1,2 and 3 in 2022.

In 2021, Q-Free implemented WATS test data management to boost continuous improvement in the manufacturing at our level one suppliers. WATS enables us to visualize real-time production data and efficiency and quickly implement corrective actions, when necessary. All of this further enables us to enhance product quality, waste reduction, and operational efficiency in order to advance our sustainability goals and supply chain footprint.

Going forward Q-Free will set long- and short-term ESG goals together with our suppliers and continue to live by the motto that "a supply chain is only as strong as its weakest link.

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

I'm inspired most by Q-Free's drive to be the innovation leader and to apply modern technology to an industry that has historically been so slow to change.

Michael Clance, Director of Product Management, ATMS, Q-Free USA

22 New initiatives to tackle our global footprint

There are many shades of green in business today. As we continuously work to become greener, it's important that we understand how our activities, products and services impact the world around us.

Among our many initiatives, supply chain has an increased focus on using sea freight shipping rather than shipping by air. In 2019, we shipped 5.7% of OBUs by sea, a number we want to increase to 10%, and in 2021, we shipped 9% by sea.

In addition, Q-Free strives to improve travel and continues to reduce emissions. The initiative began in 2016 when we realized we contributed to 530 tons of CO_2 emissions due to travel alone. In 2021, on account of the global pandemic, that number was reduced to 27 tons. While we do anticipate an uptick in travel as the world continues to reopen, through the pandemic, we were able to implement better tools and business rules that we expect to help us keep our overall emissions on the decline.

Going forward, we aim to track our greenhouse gas emissions (GHG) across scope 1, 2, and 3 emissions within the value chain and further define targets for reducing our global footprint.

I started with Q-Free 10 years ago with little knowledge of the traffic industry. Q-Free has inspired me to be the best I can be and has instilled in me "with hard work comes great reward." Being EPIC has carried over into my everyday life and made me a better person in everything I do.

Dustin Lippert, Production Supervisor
ATMS, Q-Free USA

Our community

23

Sustainability Task Force strengthens and streamlines our ESG work

People from across our many departments make up our Sustainability Task Force. The Task Force was established in 2021 to collaboratively map our route and set appropriate and measurable goals for our ESG impact. Clients and project owners are increasing their focus on environmental and social values in tenders.

The EU's taxonomy framework, the activity duty, and the new law on transparency in Norway are also important mechanisms that will drive forward sustainability as an important factor of competitiveness.

Yet, with offices across 14 countries and multiples stakeholders with different needs, it is impossible for a company of Q-Free's size to excel on all ESG related areas at once.

The Task Force, therefore, kicked-off their work with a materiality analysis assessment, prioritizing and defining the four ESG areas with related KPIs of the greatest economic, environmental, and social impact for Q-Free and our key stakeholders. (See materiality analysis – page 12)

In 2021, the Sustainability Task Force:

- Worked out an extensive risk assessment on diversity and inclusion.
- Had learning sessions on sustainable partnerships and social procurement.
- Established collaborations with a Norwegian start-up, Celsia, to gain an in-depth understanding of the company's Taxonomy score.
- Started dialogs with external companies to advance in scope 1, 2, and 3 reporting.
- Set defined targets and KPIs for the ESG agenda for 2022.

Going forward, the Group will continue to enhance our ESG understanding and insight across a complex value chain. In collaboration with key stakeholders, the Task Force will also establish more robust ESG and environmental impact measures.

To get to know colleagues, partners, and customers from around the world in order to understand that challenges related to mobility are pretty similar wherever you are, and that we, as a Norwegian-based technology company, offer solutions that can contribute in solving these challenges. It makes me proud.

Mats M. Bjerke, R&D Engineer
C-ITS, Q-Free Norway

24 Partnership increases social procurement and reduces emissions

As one of the world's largest toll road operators, Q-Free Australia's key customer, Transurban, sets high standards for their performance on social and environmental issues. Their ESG investments are beneficial both for our society and Q-Free's own sustainability development.

"The sustainability partnerships we are building with clients such as Transurban enable us to learn from their vast expertise, advance on important ESG projects, and see our sustainability practices from a customer perspective. This is crucial both to create positive change and to stay competitive as a supplier for the long run," says Silje Troseth, VP Asia & Pacific.

Since June 2021, Q-Free, Transurban, and Apricot, an Australian consultancy agency have specialized in ESG implementation and have embarked on a journey together to strengthen social procurement as a means of driving the creation of social value and positive change through our operations;

"As business partners, we know that we can use our buying power to generate social value beyond the value of the goods and services that are being produced. We have prioritized the exploration of different avenues of social enterprise and how to provide meaningful and long-term sustainable work for people with disabilities. Our joint efforts have resulted in a new partnership with MultiCap, a highly regarded social enterprise based in Brisbane, who now have employees with disabilities providing outstanding Image Processing and Manual Review services to Q-Free Australia," Silje continues.

During last year, Q-Free and Transurban also measured potential energy savings associated with recent tolling and ITS upgrades on Transurban's assets where Q-Free provided data on current tolling equipment supplies giving Transurban the ability to compare the upgraded installations with equipment before the upgrade. Transurban concluded that they estimate the total tolling upgrade project to have resulted in a 50% reduction of energy consumption and a reduction of GHG emissions by 140 tons of CO_2 per year.

Our sustainability partnerships reinforce our vision of "Changing the movements of life", aligns with our ESG targets, and adds more value to a larger part of our value chain and our day-to-day work. We are delighted and proud to use our business impact to create social and environmental sustainability.

25 Boosting prosperity through an engaged workforce

Managing a global workforce across time zones and language barriers can be a challenging task. To better understand employee needs, concerns, and motivation levels, we implemented an organization-wide tool to gain real-time insight into the daily question: how are our people doing?

The AI-driven platform, initially piloted in Norway, has helped us measure and improve the wellbeing of our entire organization. Best of all, the results are measurable.

As of March 2022, Q-Free's overall employee satisfaction score was 7,8 – up 0,1 since the system debuted in 2020 and 0,3 points above the average index of 7,5. Below are some of the indexes we are particularly proud of:

8,2 Q-FREE LEADERSHIP
7,9 Average index

8,1 LEVEL OF AUTONOMY
7,5 Average index

8,0 LEVEL OF PARTICIPATION
7,6 Average index

My most valuable experience as a Q-Free employee is when I started with the original company team from zero, witnessed the growing process, and demonstrated that we are a small but a successful office with good and talented people – a great team.

Lorena Godoy, Office Manager/Commercial Engineer, Q-Free Chile

26 Making health and safety business as usual

Health and safety have always been at the heart of Q-Free's decision making and planning, and global uncertainties and great changes in day-to-day work situations further reinforce its importance.

Driven by the ongoing pandemic, 2021 saw an increased focus on psychosocial matters. We conducted risk assessments and workshops and provided internal awareness communications on work-related stress, psychological safety, bullying and harassment, and cross-functional collaboration, feedback, and team culture.

Our health and safety (H&S) committee collaborated with top management to define improvement actions for 2022 to further increase psychological security and create a sound feedback loop between manager and employees.

	Australia	Sweden	Norway
Accidents reported	0	0	0
H&S risk assessments completed	1	1	3
H&S non-conformities reported	0	0	0
H&S inspections completed	6/6	3/3	1/6
H&S committee meetings completed	3	2	4
Internal H&S audits completed	1	1	1

27 Going Beyond Blue to improve mental health

The traditional masculine norms and stigma around mental illness make men employed in male-dominated industries particularly vulnerable to mental health problems. As part of our diversity work, we work to break old stereotypes in our industry and contribute to an environment where our employees can come to work and be recognized for who they are. This contributes to our above-average indexes in employee level of well-being, stress, workload, and work-life balance where we score 7,5 versus an average index of 6,6.

As a symbolic act to manifest our commitment toward mental well-being among our employee groups, Q-Free Australia has for the last two years donated money to Beyond Blue, an organization that works to address issues related to depression, suicide, anxiety, disorders, and other related mental illnesses.

28 University partnership encourages females to pursue degrees in tech

Increasing the number of women in our workforce requires more women to be in the potential applicant pool, which means we need more women to be interested in transportation and the study of technology.

Through a partnership with the Norwegian University of Science and Technology, located in the same town as our corporate headquarters, we're proud to participate in the Girl Project ADA, which aims to increase the percentage of female students applying for or completing a degree in technology.

Through this opportunity, we were able to successfully convey our mission, vision, and passion for transportation technology and sustainability to students – boosting awareness and interest in jobs in our field.

Not only are such collaborations valuable to make Q-Free a visible employer to female students, it's also valuable in gaining useful insights and learning from the students. It creates engagement and interest around Q-Free as well as affirmed the importance that students place on sustainability and workplace culture.

29 Tapping into the future talent pool

When it comes to recruiting, brand and industry visibility can help attract a wider pool of students. This is particularly true for recent graduates eager to get into an industry and make their mark.

To become a more sought after employer, Q-Free must boost awareness about the booming transportation industry and make itself more visible in higher education.

In 2021, Q-Free Norway took part in a great collaborative project called Workation, initiated by the trade association in the municipality of Trondheim. The purpose was to showcase 20 tech companies in the region and attract more students to apply for local summer internships, taking a collateral approach to reduce the brain drain of graduated students from the region.

With an enthusiastic, cross-functional team promoting Q-Free, we received an all-time high number of applicants for summer job, and after weeks of screening and interviewing, we hired an amazing group of five students just before Christmas.

Events with Q-Free Norway.

30 Young at Q-Free

The pandemic took a toll on all of us. One of the countlessly affected groups was young people who were disproportionately impacted by job loss around the world.

Recognizing the value and importance of our young team members, we created Young at Q-Free.

The pilot group was established in Norway at the end of 2021 to foster strong, cross-functional support for our youngest team members.

By providing the space and opportunity for similarly aged colleagues to exchange thoughts and experiences, we also help them to build great relationships and a stronger sense of belonging in Q-Free.

When I interview candidates, they usually ask why I like working for Q-Free. I reply by saying that we make meaningful software that positively affects the lives of everyone by making commutes faster, improving cyclist safety, and saving lives through rapid incident response.

Anthony Angeles, Senior UI/UX Designer
Software Engineering, ATMS, Q-Free USA

31 Conscious recruitment to foster diversity

Q-Free is committed to attracting a diverse pool of candidates. A representative workforce with diverse leaders is crucial to shape the future-proof and sustainable culture we need to thrive now and in the future.

As part of Q-Free's commitment to attracting a diverse pool of candidates, in 2021, we reevaluated our recruitment practices to remove bias. Some key actions taken include:

- Softened the language in job ads to appeal to a broader group of applicants.
- Represented Q-Free at exhibitions and fairs with a more diverse cross-section of team members.
- Set a new standard to engage cross-functional, gender-diverse internal teams in recruitment for vacant positions.
- Piloted new models for hiring from abroad.

These actions challenge the status quo and make us more aware of our unconscious biases.

They also help us to transition from hiring the "best fit" to hiring the "best add."

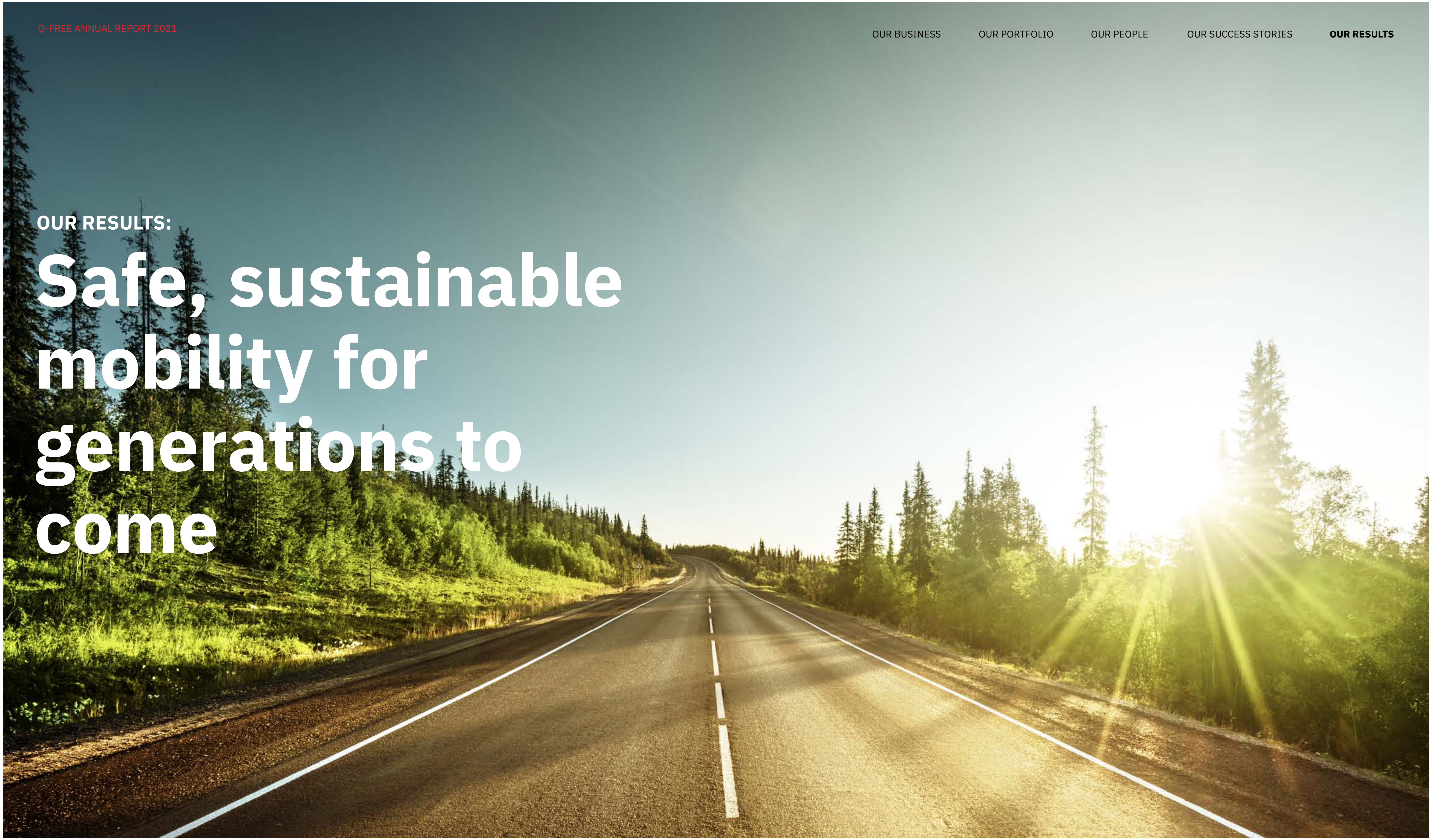
"We have plenty of work to do in leveraging diversity, but we are learning and setting clear goals. One of our goals is to increase the share of women from 17% to 20% in 2022."

CEO Håkon Volldal

32 Training for inclusivity, innovation, and growth

We believe that inclusive leaders drive innovation and growth. And we believe that it is our duty as an employer to teach and guide our employees in this important leadership field. Together, with Skillhus, a recruitment and consultancy agency that specializes in diversity and inclusion in Norwegian workplaces, Q-Free conducted a Diversity and Inclusion training for middle management in Norway.

The training aimed to boost awareness around our current workplace behaviors and to further encourage inclusive culture. Similar trainings are planned for our global management team in 2022.



OUR RESULTS:

Safe, sustainable mobility for generations to come

Board of Directors' report

THE Q-FREE GROUP

The Q-Free Group creates intelligent solutions for efficient, safe, and environmentally friendly transportation. Since its inception in 1984, Q-Free has delivered products and solutions in Europe, North and South America, the Asia Pacific region, the Middle East, and Africa. Headquartered in Trondheim, Norway, the company has offices in 15 countries and 349 employees (per 31 December 2021). Q-Free ASA is listed on the Oslo Stock Exchange under the ticker QFR.

SUMMARY AND HIGHLIGHTS IN 2021

Q-Free started the year with several contract wins and a growing order backlog* despite the negative impact from the pandemic and the global component shortage. First quarter results were low amid the startup phase of several major system projects. However, during the quarter, Q-Free reduced its financial debt by MNOK 70 and increased its equity with the same amount in the conversion of the convertible bond that was issued in 2020. In the same quarter, Q-Free sold all shares in Q-Free France SARL and TCS International Inc. These subsidiaries mainly had activities relating to the previous Parking segment. The divestments were concluded without any material financial impact on the Group. Following these divestments, all significant activities in the parking segment have been divested. All employees in the divested entities have continued their employment under the new ownerships.

The second, third and fourth quarter showed satisfactory revenues and net results. Even though supply chain issues have impacted product sales and project revenues negatively during the year, a solid gross margin structure, reduced operational expenses, and tremendous effort by our employees have enabled Q-Free to deliver positive net results and a growing order backlog in 2021.

During the year, some product sales were lost due to the component shortage and some projects were delayed due to the pandemic. However, thanks to the company's competitive offering, Q-Free was awarded several significant projects in 2021 (some of these formally signed in Q1-22), giving the company a solid order backlog and platform moving into 2022.

In June, Q-Free renegotiated the financing agreement with its main bank, resulting in a more favorable payment structure on the bank borrowings.

The highlights for 2021 include:

- 860 MNOK in revenues, down 3% from 2020
- 106 MNOK in EBITDA* (12% margin), up from 76 MNOK (8.5% margin) in 2020
- 88 MNOK in positive cash flows from operations, up 32% from 67 MNOK in 2020
- 989 MNOK in order intake* (excluding frame agreements), up 4% YoY, and a book-to-bill-ratio* of 1.15
- 1 114 MNOK in order backlog* (excluding frame agreements), up 3% YoY

* Refer to APM section for definitions

FINANCIAL REVIEW

Figures below are Group figures unless specified otherwise (2020 figures in brackets).

Revenues

Group revenues amounted to 860 MNOK (889 MNOK), down 3 percent compared to 2020. All segments had declining sales, mainly due to reduced product sales from component shortages and postponed project deliveries related to Covid-19.

Gross profit

Gross contribution* ended at 550 MNOK (545 MNOK). Gross margin* in 2021 increased by 3 percentage points compared to 2020. The improvement was driven by changes in the product mix and improved margin on tolling system projects.

Assets held for sale

In Q1-21, Q-Free divested its Parking assets that were classified as "held for sale" in the balance sheet since Q1-20. The remaining part of Infomobility was re-allocated to other segments.

Impairment Considerations

As of year-end 2021, Q-Free has performed an assessment of the expected recoverable amount of assets within Tolling and Traffic Management. Based on the assessment, the Board of Directors is of the opinion that there is no need for impairment.

Operating expenses

Reported operating expenses amounted to 444 MNOK (469 MNOK), down 5% compared to 2020. Expenses in 2021 were positively impacted currency effects. The comparable 2020 expense figures were positively impacted by cost savings implemented early in the year, and negatively affected by MNOK 4 due to structural processes.

Operating profits

Earnings before interest, taxes, depreciation, and amortization (EBITDA*) ended at 106 MNOK (76 MNOK), up 39% compared to 2020. The corresponding EBITDA* margin was 12.3% (8.5%). Reported operating profit (EBIT*) was 50 MNOK (-9 MNOK).

Segment financial review

Tolling revenues ended at 553 MNOK (572 MNOK), a YoY reduction of 3%, mainly due to reduced product sales and delayed projects due to Covid 19. EBITDA* ended at 114 MNOK (111 MNOK), a year-on-year increase of 3%. The improved EBITDA* was driven by improved project margins and a favorable product mix.

Traffic Management revenues ended at 305 MNOK (282 MNOK). The increase was due to higher product and project sales in the US and European markets. EBITDA ended at 22 MNOK (7 MNOK), primarily due to increased revenues and reduced operating expenses.

Assets held for sale generated revenues of 2 MNOK (35), and EBITDA* of -2 MNOK (-12 MNOK). Assets held for sale were divested by 31.03.2021,

* Refer to APM section for definitions

and reported numbers for 2021 are for the period January–March 2021 only.

Net financial items
Full-year net financial items were -11 MNOK (-24 MNOK). The difference versus 2020 is mainly related to reduced interest expenses on bank borrowings and convertible bond and currency effects.

Profits
The reported pre-tax profit for 2021 was 40 MNOK (-32 MNOK). The tax income in 2021 ended at 19 MNOK (-9 MNOK).

ANNUAL RESULTS AND YEAR-END APPROPRIATIONS

The Group result after tax in 2021 was a net profit of 59 MNOK (loss of 41 MNOK). Earnings per share was 0.53 NOK (-0.46 NOK). Diluted earnings per share was 0.52 NOK (-0.46 NOK).

The Board of Directors proposes to allocate the parent company's net profit for the year of 3 MNOK to retained earnings.

The Board of Directors does not propose to distribute any dividends for 2021 at the Annual General meeting that is scheduled for 24 May 2022.

CASH FLOW AND LIQUIDITY

Net cash flow from operating activities was 88 MNOK (67 MNOK). The improvement was mainly due to improved operating profit and solid cash management.

Net working capital* amounted to 121 MNOK (148 MNOK) at the end of 2021. Net working capital as of 31.12.21 equaled 14% of the revenues generated in the last 12 months compared to 16% for the corresponding period as of 31.12.20.

Net cash flow from investment activities was -36 MNOK (-57 MNOK). The reduction is explained by the acquisition of the shares in Intelight Inc in 2020, partly offset by increased capitalized R&D.

Net cash flow from financing activities was -44 MNOK (42 MNOK). The reduction is explained by the refinancing in May 2020 with increased bank borrowings and the issue of a convertible bond also in May 2020. In the first quarter of 2021 the convertible bond was converted in full to equity, improving the net debt and solidity of the company further. The refinancing substantially improved the liquidity of the company.

BALANCE SHEET

Total assets at the end of 2021 were 948 MNOK (850 MNOK). Total equity ended at 448 MNOK (313 MNOK). The equity ratio was 47% (37%).

Current liabilities amounted to 244 MNOK (267 MNOK) at the end of 2021. The current liabilities included 14 MNOK in leasing liabilities.

Non-current liabilities were 256 MNOK (269 MNOK), a reduction of 13 MNOK. The non-current liabilities included 55 MNOK in leasing liabilities.

Short term interest-bearing debt to financial institutions was 19 MNOK (54 MNOK) at year end. Available, unused credit facilities were 100 MNOK (100 MNOK) at the end of 2021.

FINANCIAL REVIEW FOR THE PARENT COMPANY

The parent company has no business activity and total revenues for 2021 was 0 MNOK (2020: 0 MNOK). Profit after tax was 3 MNOK in 2021 (2020: -43 MNOK). Total comprehensive income was 3 MNOK in 2021 (2020: -43 MNOK).

Total assets was 845 MNOK as of 31.12.2021 (786 MNOK as of 31.12.2020). The increase is mainly explained by an increase in deferred tax assets and current assets.

Total equity was 448 MNOK as of 31.12.2021 (374 MNOK as of 31.12.2020). The increase is explained by allocation of net result.

Total liabilities were 397 MNOK as of 31.12.2021 (411 MNOK as of 31.12.2020). The decrease is mainly explained by reduced non-current liabilities.

Cash flow from operations was -20 MNOK (2020: -122 MNOK). The increase is mainly explained by working capital effects. Cash flow from investing activities was -58 MNOK in 2021 (2020:0). Cash flow from financing activities was 96 MNOK (2020: 135 MNOK). Net change in cash and cash equivalents for the year was 17 MNOK.

GLOBAL ECONOMIC ENVIRONMENTS

The global pandemic and supply chain disruptions are the main macro-economic circumstances that have impacted Q-Free during 2021. A slowing economy, travel restrictions and delayed purchasing processes among certain customers caused by the pandemic impacted revenues negatively in 2021. Q-Free received some minor contributions from Covid-19 support offered by public authorities in certain countries. Moreover, the supply chain issues leading to supply shortage of microcontrollers have postponed some product and project deliveries to Q-Free's end customers, resulting in negative revenue impacts.

The continued focus on building recurring business models, offering competitive and scalable solutions to our customers, continue the streamlining of operations and preserve the reduced cost base have enabled the Group to secure core operations and maintain business presence in all markets.

GOING CONCERN

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

ORGANIZATION

Personnel
The Q-Free Group had 349 (381) employees at the end of 2021. The reduction was mainly due to normal attrition.

Q-Free has established good working conditions in a non-discriminating, multicultural organization with operations in 15 countries. Sick leave remains at a low level. The company is pleased to continue to report no serious lost time due to accidents or injuries during the year. Please refer to the separate Corporate Social Responsibility Statement in this Annual Report for a more detailed review of Q-Free's human rights, labor rights, working conditions, and safety and health policies and performance.

Management
There have been no changes during 2021. Group management now con-

* Refer to APM section for definitions

sists of the President & CEO, the CFO, the SVP Brand, Marketing & Communication, and two Executive Vice Presidents heading up the two divisions Tolling and Traffic Management respectively. The two divisions have individual management teams. Refer to separate section for subsequent changes to Group management.

Board of Directors
The Board of Directors currently comprises five shareholder-elected members – Trond Valvik (Chair), Snorre Kjesbu (Vice Chair), Lene Diesen, Karin Sandsjö and Geir Bjørlo – and two employee-elected representatives – Brage Blekken and Yngve Halmø.

During 2021 the following changes to the Board were completed:

At the Annual general meeting in May 2021 Lene Diesen and Karin Sandsjö were elected to replace Trine Strømsnes and Ingeborg Molden Hegstad.

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

SUBSEQUENT EVENTS

Russia-Ukraine conflict
Q-Free has business activities in Ukraine (Traffic Management), and the ongoing conflict has financial impact on Q-Free in 2022.

The conflict that has arisen in 2022 has forced Q-Free to put its business operations in Kyiv, Ukraine on hold until further. Still, Q-Free has uncollected customer payments related to deliveries installed in 2021. At present, the collection of the items is deemed unlikely. Hence, Q-Free has in its financial reporting for Q1-2022 recognized a loss on the uncollected items of MNOK 6. Following this loss, Q-Free has no further assets related to Ukraine, and has no direct exposure in the country.

Q-Free expects to resume its business operations when the political circumstances, the societal environment and the security situation make business presence appropriate. However, for the time being, Q-Free realizes this might take some time.

Q-Free has also had some minor business activities in Russia (Tolling) which now has been stopped. Q-Free will not suffer direct financial loss in Russia due to the situation but abandoned opportunities in the Russian market will have some limited effect on sales in 2022.

Q-Free has no employees in Russia or Ukraine. The personnel that have been involved in and carried out the business activities on behalf of Q-Free in these two countries have been engaged on contractor basis from local third-party vendors. The conflict has to our knowledge not caused any physical injuries or mortalities among this personnel or close family members of this personnel.

Moreover, Russia is a major supplier of minerals used in hardware components. Q-Free realizes that the conflict may impact global supply and to some extent worsen the current supply chain disruption. However, Q-Free expects the potential financial impact to be minor and temporary.

Effect of the Covid-19 pandemic
Despite continuing virus outbursts and travel restrictions in some geographical markets, the effects from the pandemic are expected to be more limited in 2022. However certain countries still have restrictions with some impact on project progression. There is some risk that new Covid-19 outbursts could have a negative impact. Q-Free does not expect material negative financial effects from this.

Changes to the management team
In the first quarter of 2022, Håkon Volldal, the President & CEO of Q-Free, informed the Board of Directors of his resignation. Volldal will remain in his position until the end of the second quarter of 2022. The Board of Directors has initiated the process to appoint his successor.

CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

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

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

RISK FACTORS

Q-Free is an international technology company exposed to several different risk factors. This section outlines the most prominent operational and financial risk factors and the main risk-mitigation actions and measures:

Political risk
Q-Free is exposed to political risk in the form of delayed or cancelled public tender processes and contract awards. A change in central or regional government/administration in certain markets could lead to re-tenders or cancellations. Q-Free could also be excluded from tenders based on political interests. Project implementation and payments are normally less risky as governments usually honor their obligations even if procurement processes can be affected by governmental regulations. However, in the US there is some risk related to the issuance of federal grants to state Departments of Transportation (DOTs) that are sometimes a prerequisite to finance and issue purchase orders on awarded or signed contracts.

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

Financial risk
Q-Free is exposed to credit risk related to customers' ability to fulfil their financial obligations. A con-

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

Q-Free is exposed to currency risk in the ordinary business since more than 70% of revenues was generated outside of Norway. Q-Free also runs businesses outside of Norway and buys a substantial share of required equipment abroad, with payment in foreign currencies which somewhat mitigates this risk. The net foreign currency exposure in 2021 was mainly related to EUR and USD (EBITDA) and USD, EUR and GBP (Assets/Equity).

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

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

Risk of corruption

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

OUTLOOK

The growth rate in 2021 adjusted for divested business and currency effects was 6 percent. Growth in 2021 was hampered by component shortages that negatively impacted product sales and project revenues. Supply chain issues aside, the underlying market growth in Tolling is expected to be strong as several markets will upgrade their existing tolling infrastructure and new markets are considering nationwide tolling schemes, in particular for heavy goods vehicles. We also expect improved market conditions for our Traffic Management business in the important US market.

Increasing the annual recurring revenues (ARR) is considered a top priority for Q-Free. Consequently, short-term growth might be somewhat negatively impacted by spreading project revenues over 10 years rather than 1-2 years as Q-Free has done historically. Today Q-Free has a backlog ARR run-rate of roughly 250 MNOK. Going forward Q-Free aims to increase its ARR by continuing to pursue long-term tolling service contracts (reference is made to the recently announced ARR contracts in Norway), win new state-wide inter-urban ATMS SW contracts in the US, expand its ALPR SaaS business in the US and Europe, and grow its tolling back-office SW business in connection with new tolling system deliveries.

The expected margin expansion will be driven by increasing high-margin software revenues combined with improved scalability of Q-Free's solutions. Significant efforts have been put into making our products and services available "off the shelf" with limited tuning and customization. This enables higher margins, reduces delivery risk and facilitates taking on more contracts in parallel. In 2022 Q-Free will sacrifice some of the expected margin expansion by investing in sales and marketing resources to drive SW sales, in particular for ALPR and ATMS.

We observe increasing M&A activity, consolidation, and interest among large investors in the ITS market, both in North America and Europe. Several transactions have been announced recently. Q-Free follows the market activities closely and will continuously evaluate and consider taking part in attractive structural opportunities if they should arise.

Trondheim, 28 April 2022

Trond Valvik (Sign.) Chair of the Board	**Lene Diesen** (Sign.) Board member	**Snorre Kjesbu** (Sign.) Vice Chair	**Geir Beitveit Bjørlo** (Sign.) Board member
Karin Sandsjö (Sign.) Board member	**Brage Blekken** (Sign.) Employee-elected Board member	**Yngve Halmø** (Sign.) Employee-elected Board member	**Håkon Rypern Volldal** (Sign.) President & CEO

Board of directors

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

Trond Valvik is Investment Director and responsible for the business area of Direct Investments in Rieber & Søn AS. Rieber & Søn AS is the investment company of the Rieber family in Bergen, Norway, and is Q-Free's largest shareholder (48.60%). Valvik has previously been Partner in the Private Equity company Borea Opportunity. Working with investments and exercising active ownership for several years, Valvik possess significant Board experience from different industries. Valvik also has operational experience as interim leader in various companies in connection to restructuring and change processes, e.g. in the field of IT and software, where he acted as Group CEO of Software Innovation for a period. Valvik also has experience from transaction support and audit in EY. Valvik holds a MSc Business degree from the Norwegian School of Economics (NHH). Valvik has served as Chair of the Board since 2020. Valvik serves as director/ chairperson of several companies related to the Rieber & Søn AS group. Valvik is a Norwegian citizen and resides in Fjaler, Norway. Valvik owns indirectly through Battelhavet AS 250,000 shares in Q-Free ASA.

Snorre Kjesbu
(1969)
Vice Chair
Served since 2016

Snorre Kjesbu is Senior Vice President at Webex Devices at Cisco. He is a global citizen leading a worldwide organization responsible for the collaboration devices business ranging from IP phones to immersive video systems.

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

Snorre holds a Master of Science from the University of Bristol and has been a guest lecturer at the Stanford Network Research Center in Stanford University. He has obtained more than 20 patents in the areas of communications and video conferencing and is on the board of directors for several IT companies. Kjesbu is a Norwegian citizen and resides in Oslo, Norway. Kjesbu has 84,505 shares in Q-Free ASA.

Geir Bjørlo
(1976)
Board member
Served since 2020

Geir Bjørlo is co-founder and partner at Corporate Communications AS, a specialised consulting firm offering services within corporate and financial communications. Bjørlo has two decades of experience from the capital markets and works primarily with investor relations and transactions for listed companies and private equity firms. He is member of the Norwegian Society of Financial Analysts' committee for financial information, has a MSc in Economics and Business Administration from the Norwegian School of Economics, NHH, and has completed studies at the University of Prague, VSE. Bjørlo is Chair of Corporate Communications AS. Bjørlo is a Norwegian citizen and resides in Oslo, Norway. Bjørlo owns indirectly through Illuminator AS, 117,146 shares in Q-Free ASA.

Lene Diesen
(1978)
Board memeber
Served since 2021

Lene Diesen is the CEO of Semine, a Norwegian scale-up. Diesen has broad experience from the IT industry from a technologically operational perspective to strategic top management, and the entire value chain. She has been involved in taking large IT companies through important strategic change.

Before joining Semine, Lene was the COO and CMO of Microsoft Norway, involved in leading the company through the largest restructuring process in the company's history, from a software company to a modern service provider of innovative cloud solutions. In her time in Software Innovation and Tieto Lene was in charge of Software Innovations Nordic Consulting Unit. Lene Diesen has a bachelor's degree in information technology from Bond University, Australia. Diesen is a Norwegian citizen and resides in Oslo, Norway. Diesen has no shares in Q-Free ASA.

Karin Sandsjö
(1965)
Board memeber
Served since 2021

Karin Sandsjö has had several CFO positions in global companies in several countries, where the common denominator has been transformation and a clear focus on companies' growth and profitability. The latest positions were Group CFO in Bisnode and Group CFO in Parallels, based in Sweden and the US respectively. Previously, Karin Sandsjö was CEO and CFO for NetOnNet, and has had several finance positions with Microsoft, including CFO Microsoft Norway and CFO Microsoft Russia. Sandsjö has also experience from auditing in the company which today is PWC. Sandsjö is member of the board of Pagero AB and Länsförsäkringar Gotland. Karin Sandsjö has a business degree from Karlstad University. She is a Swedish citizen and resides in Stockholm, Sweden. Sandsjö owns 60,000 shares in Q-Free ASA.

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

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

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

Yngve Halmø is a Norwegian citizen and resides in Trondheim, Norway. Halmø has no shares in Q-Free ASA.

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

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

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

Brage Blekken is a Norwegian citizen and resides in Trondheim, Norway. Blekken has no shares in Q-Free ASA.

CONSOLIDATED FINANCIAL STATEMENTS

Q-FREE GROUP

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Q-FREE GROUP

Amounts in TNOK	Note	2021	2020
Revenue from customers	10	860 017	889 305
Total operating revenue		***860 017***	***889 305***
Cost of goods sold	16	228 140	236 609
Project contractor expenses	11	81 791	107 551
Employee benefit expenses	11, 12, 13	320 571	331 338
Other operating expenses	23	123 921	138 030
Total operating expenses		***754 424***	***813 528***
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**105 594**	**75 777**
Depreciation of property, plant and equipment	24	30 125	30 315
Amortisation of intangible assets	15	27 656	33 724
Impairment of intangible assets and PP&E	15, 24	-	20 538
Gain on disposal of assets	31	2 452	-
Total depreciation, amortization and impairment		***55 329***	***84 577***
Earnings before interest and taxes (EBIT)		**50 265**	**-8 800**
Financial income	8	28 147	38 760
Financial expenses	8	-38 845	-62 406
Net financial items		***-10 698***	***-23 646***
Profit before tax		**39 566**	**-32 446**
Tax income (+)/expense (-)	22	19 063	-8 549
Profit / (-) loss for the year from continuing operations		**58 629**	**-40 995**
Profit / (-) loss for the year		**58 629**	**-40 995**
Earnings per share	27	0.53	-0.46
Diluted earnings per share		0.52	-0.46
Earnings per share from continuing operations		0.53	-0.46
Diluted earnings per share from continuing operations		0.52	-0.46

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Q-FREE GROUP

Amounts in TNOK	Note	2021	2020
Profit / (-) loss for the year		**58 629**	**-40 995**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Currency translation differences, net of tax		5 676	-14 119
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**5 676**	**-14 119**
Other comprehensive income for the year, net of tax		**5 676**	**-14 119**
Total comprehensive income for the period, net of tax		**64 305**	**-55 114**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Q-FREE GROUP

Amounts in TNOK

ASSETS	Note	2021	2020
Deferred tax assets	4,22	48 262	18 823
Intangible assets	15	86 514	65 286
Goodwill	4, 14	287 878	266 576
Property, plant and equipment	24	89 785	63 311
Non-current receivables		7 356	-
TOTAL NON-CURRENT ASSETS		**519 795**	**413 997**
Inventories	16	85 832	38 450
Contract assets	4, 10, 17	59 690	93 560
Accounts receivable	17	174 430	109 945
Other current assets	18	26 004	28 030
Cash and cash equivalents	19	82 015	74 961
Assets held for sale	31	-	91 003
TOTAL CURRENT ASSETS		**427 970**	**435 949**
TOTAL ASSETS		**947 765**	**849 946**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Q-FREE GROUP

Amounts in TNOK

EQUITY AND LIABILITIES	Note	2021	2020
Subscribed share capital		42 273	33 905
Share premium		649 939	578 307
Other paid-in capital		21 320	21 223
Retained earnings		-265 778	-320 320
TOTAL EQUITY		**447 754**	**313 115**
Non-current borrowings	5, 7	201 591	179 200
Convertible bond	7	-	69 983
Non-current financial liabilities	25	54 597	20 271
Total non-current liabilities		***256 188***	***269 454***
Current borrowings	5, 7	18 969	54 300
Advance payments from customers	10	25 995	11 050
Accounts payable	20	78 185	58 220
Taxes payable	22	476	3 555
Public duties payable		17 512	14 118
Current financial liabilities	25	14 020	20 110
Other current liabilities	21	88 667	78 868
Liabilities held for sale	31	-	27 157
Total current liabilities		***243 824***	***267 377***
TOTAL LIABILITIES		**500 012**	**536 831**
TOTAL EQUITY AND LIABILITIES		**947 765**	**849 946**

Trondheim, 28 April 2022

Trond Valvik (Sign.) Chair of the Board	**Lene Diesen** (Sign.) Board member	**Snorre Kjesbu** (Sign.) Board member	**Geir Beitveit Bjørlo** (Sign.) Board member
Karin Sandsjö (Sign.) Board member	**Brage Blekken** (Sign.) Employee-elected Board member	**Yngve Halmø** (Sign.) Employee-elected Board member	**Håkon Rypern Volldal** (Sign.) President & CEO

CONSOLIDATED STATEMENT OF CASH FLOWS

Q-FREE GROUP

Amounts in TNOK	Notes	2021	2020
Cash flow from operations			
Profit before tax		39 566	-32 446
Paid taxes	22	-2 600	-5 330
Depreciation and impairment of property, plant and equipment	24	30 125	30 315
Amortisation and impairment of intangible assets	15	27 656	54 262
Gain on disposal of assets		-2 452	-
Accrued interest expense		225	4 934
Share-based payment expense	13	-97	-233
Working capital adjustments:			
Changes in inventory		-28 026	18 337
Changes in contract assets		35 276	8 991
Changes in accounts receivable		-36 258	2 093
Changes in advance payments from customers		10 902	10 840
Changes in accounts payable		7 634	-47 058
Changes in other items		5 895	21 882
Net cash flow from operations		***87 847***	***66 587***
Cash flow from investing activities			
Investments in PP&E and intangible assets	15, 24	-36 011	-24 011
Acquisition of a subsidiary, net of cash acquired		-	-32 491
Cash flow from investing activities		***-36 011***	***-56 502***
Cash flow from financing activities			
Cash proceeds from borrowings	7, 29	154 010	117 064
Cash proceeds from convertible bond	7, 29	-	75 777
Repayment of borrowings	7, 29	-166 732	-115 585
Payments of lease liabilities	29	-23 639	-22 875
Interest received		493	1 217
Interest paid		-7 644	-13 905
Cash flow from financing activities		***-43 512***	***41 693***
Effect on cash and cash equivalents of changes in foreign exchange rates		***-1 271***	***-7 868***
Net change in cash and cash equivalents for the year		**7 054**	**43 910**
Cash and cash equivalents per 01.01.		74 961	31 051
Cash and cash equivalents per 31.12.	19	**82 015**	**74 961**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Q-FREE GROUP

Amounts in TNOK	Subscribed share capital	Share premium	Other paid-in capital	Retained earnings	Currency translation differences, net of tax	Total
Total equity 01.01.2021	**33 905**	**578 307**	**31 950**	**-401 960**	**70 912**	**313 115**
Profit / (-) loss for the year	-	-	-	58 629	-	58 629
Other comprehensive income	-	-	-	-	5 676	5 676
Total comprehensive income for the period	**-**	**-**	**-**	**58 629**	**5 676**	**64 305**
Share-based payment expense	-	-	97	-	-	97
Convertible bond conversion	8 368	71 632	-10 727	963	-	70 236
Total equity 31.12.2021	**42 273**	**649 939**	**21 320**	**-342 368**	**76 588**	**447 754**
Total equity 01.01.2020	**33 905**	**578 307**	**21 223**	**-360 965**	**85 031**	**357 502**
Profit / (-) loss for the period	-	-	-	-40 995	-	-40 995
Other comprehensive income	-	-	-	-	-14 119	-14 119
Total comprehensive income for the period	**-**	**-**	**-**	**-40 995**	**-14 119**	**-55 114**
Convertible bond issue			10 727			10 727
Total equity 31.12.2020	**33 905**	**578 307**	**31 950**	**-401 960**	**70 912**	**313 115**

NOTE 1 / Corporate information

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

The Q-Free Group (Q-Free or the Group) provides leading technology solutions to the global Intelligent Traffic Systems market. Over the past years, Q-Free has delivered systems projects and products in Europe, Asia Pacific, the Middle East and North and South America. Q-Free Group has 349 employees, working out of local offices in 15 countries around the world. Q-Free Group's corporate headquarters is located in Trondheim, Norway.

The Q-Free Group consolidated financial statements for the year ended 31 December 2021 were approved by the Board of Directors at its meeting on 28 April 2022.

NOTE 2 / Basis for preparation

Q-Free ASA has prepared the consolidated financial statements for 2021 in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU).

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

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

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

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

NOTE 3 / Significant accounting policies

The following description of accounting principles applies to Q-Free's 2021 financial reporting, including all comparative figures. See Note 2 Basis of presentation and Note 4 Critical accounting judgments and new accounting policies for additional information related to the presentation, classification and measurement of Q-Free's financial reporting.

Basis of consolidation

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

NOTE 3 / Significant accounting policies, cont.

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

Business combinations

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

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

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

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

Goodwill is monitored for internal management purposes on segment level.

Foreign currency

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

NOTE 3 / Significant accounting policies, cont.

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

Financial instruments

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

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

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

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

Revenue recognition

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

Employee benefit expenses and pension expense

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

NOTE 3 / Significant accounting policies, cont.

Share-based compensation

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

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

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

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

Intangible assets

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

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

Expenses related to product development activities are capitalised if the product development activities comply with the defined criteria for capitalisation. Capitalisation assumes it is possible to identify the intangible asset and demonstrate that it is probable that the development work will be successful, and that the future financial benefits attached to the intangible asset will accrue to Q-Free.

If the criteria are satisfied, capitalised amounts will include the cost of materials and direct payroll expenses. Capitalised development costs are subsequently recognised at historical cost less accumulated amortization and accumulated impairment losses.

Property, plant and equipment

Property, plant and equipment (PP&E) is recognised at acquisition cost. The carrying value of PP&E is the historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is measured on a straight-line basis over the estimated useful lives of the asset as follows:

NOTE 3 / Significant accounting policies, cont.

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

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

Impairment of non-financial assets

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

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

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

Taxes

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

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

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

NOTE 3 / Significant accounting policies, cont.

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

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

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

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying financial benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed on each balance sheet date and reflect the best estimate of the liability. When the passage of time is insignificant to the expense estimate, the provision will be recognized at nominal value. When the effect of time is significant, the provision will be the discounted present value of the estimated future payments required to settle the liability.

Inventories

Inventories are measured at the lower of cost and net realisable value. The net realisable value is calculated as the selling price less cost to sell. For manufactured products, the acquisition cost is calculated as direct and indirect costs.

Accounts receivable

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

Cash and cash equivalents

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

Statement of cash flows

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

NOTE 3 / Significant accounting policies, cont.

Operating segments

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

Investment in other companies

Investment in other companies is classified as fair value over other comprehensive income (FVOCI). The fair value of the financial asset is level 3 as the investment is in a non-listed company. As of year-end 2021 this investment was determined to have a fair value of zero and the change in fair value was recognized in the statement of profit or loss. See also Note 30 Investment in other companies.

Convertible bond

In May 2020, Q-Free issued a convertible bond. In accordance with IAS 32 the proceeds from the transaction is presented net after transaction cost, and is split between debt and equity. The debt proportion is initially measured based on fair market value of the cash-flow from a similar loan without the conversion rights. Financial expense and payments will effect the measurement of the debt portion throughout the accounting period. The residual between net proceeds and debt proportion is considered an equity element. In the first quarter of 2021 the convertible bond was converted in full to equity, and the debt element was reallocated to equity at it's current value.

Assets held for sale

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

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

Leases

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

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

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

NOTE 3 / Significant accounting policies, cont.

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are measured initially at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses, as well as any required adjustments due to a remeasurement of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an operating expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less at the commencement date of the lease. Low-value assets are relating to IT and other office equipment.

Amendments to IAS 1 and IAS 8 Definition of Material

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

Events after the balance sheet date

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

NOTE 4 / Critical accounting judgements and changes in accounting policies

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Complex project revenue and contract asset recognition

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

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

Contract assets represent Q-Free's right to consideration in exchange for goods or services that Q-Free has transferred to the customer when that right is conditioned on something other than the passage of time. In some cases complex project contracts have terms towards the customer which can give rise to be a significant contract risk for Q-Free as a supplier. Q-Free systematically work to reduce such risk. Assessment of the risk of the customer accepting the project deliveries requires management judgement and affects the timing and recognition of the contract asset (and correspondingly the project revenue) for these projects. Management makes assessments regarding what should be delivered within the contract, changes in project scope and/or time schedule changes that can affect the total cost structure and margin. Judgment is required related to estimating the probability of a possible or perceived breach of contract by the customer, rejection of the deliveries or progress made to-date or significant project specification changes not covered in the original transaction price agreement.

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

Goodwill impairment testing

In accordance with IAS 36 Impairment of Assets, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances give an indication of possible goodwill impairment. Q-Free performs an impairment test of goodwill annually in the fourth quarter.

Management monitors each cash-generating unit (CGU) for impairment indicators. Normally, each of the Group's reporting segments is defined as the lowest cash-generating unit level. Goodwill valuation is dependent on segment profitability, which is measured using a 12 -month rolling

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

metric for Revenue and EBIDTA (refer to the APM section). If the profitability measures indicate that the segment is not performing in accordance with budgets and management expectations, the segment is tested for impairment.

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

The current economic and political global landscape, the global economic outlook and the pressure on authorities to fulfil international treaties on climate change imposes some explicit responsibilities on management with respect to the impairment review. Hence, certain macroeconomic and environmental circumstances have been considered in the forecasts of the impairment analysis. For additional information, refer to Note 14 Goodwill.

Deferred tax assets

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

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

NOTE 5 / Risk management

Financial risk factors and risk management

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

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

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

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

NOTE 5 / Risk management, cont.

The Group currently has a low exposure to variability in the P&L and equity due to changes in fair value, as all financial instruments as of year-end 2021 are held at amortised cost. An overview of the Group's financial instruments is presented at the end of this note.

a) Credit risk

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

Sovereign risk related to governments failing to honor their payment obligations may have increased in some markets due to reduced financial and political stability, although Q-Free Group has not incurred any losses during 2021 or 2020 on government related accounts receivable in any of the existing markets.

The Group only sells products or enters into long-term contracts with customers (private or government) with an acceptable credit record/rating and low credit risk. The Group assess regularly that outstanding customer balances are kept below Group policy credit limits and new sales are only made to customers with no history for significant credit problems.

When entering a new market, Q-Free assesses the credit risk in each individual case and utilises appropriate actions, including letters of credit, Norwegian Export Credit Agency (GIEK) guarantees, advance payments, or other similar measures to reduce customer specific credit risk.

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

All cash balances are held in bank accounts that have been evaluated to meet Q-Free Group credit risk policies and Group cash balances are evaluated as of 31 December 2021 to have low credit risk.

Additional information related to accounts receivable and an aging analysis as of 31 December 2021 and 2020 is provided in Note 17 Accounts receivable.

b) Currency risk

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

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

NOTE 5 / Risk management, cont.

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

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

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

	Revenues		Assets	
	2021	2020	2021	2020
USD	28%	28%	42%	40%
EUR	27%	24%	15%	17%
GBP	10%	9%	13%	16%
NOK	16%	19%	18%	12%
OTHER	18%	20%	12%	15%

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

	2021				
	USD	EUR	GBP	NOK	OTHER
Deferred tax assets	31%	2%	18%	48%	1%
Intangible assets	18%	0%	18%	64%	0%
Goodwill	67%	16%	16%	0%	0%
Property, plant and equipment	3%	2%	1%	91%	2%
Investments in other companies					
Non-current receivables	63%	0%	0%	36%	1%
Total non-current assets	**51%**	**9%**	**12%**	**27%**	**1%**
Inventories	23%	27%	32%	11%	7%
Contract assets	61%	2%	4%	2%	31%
Accounts receivable	31%	37%	13%	7%	13%
Other current assets	4%	4%	1%	48%	43%
Cash and cash equivalents	32%	4%	8%	-5%	61%
Total current assets	**32%**	**22%**	**14%**	**7%**	**25%**
TOTAL ASSETS	**42%**	**15%**	**13%**	**18%**	**12%**
Total non-current liabilities	11%	0%	0%	89%	0%
Total current liabilities	24%	8%	7%	50%	11%
TOTAL LIABILITIES	**17%**	**4%**	**3%**	**70%**	**5%**

NOTE 5 / Risk management, cont.

	2020				
	USD	EUR	GBP	NOK	OTHER
Deferred tax assets	38%	0%	46%	10%	7%
Intangible assets	32%	1%	0%	67%	0%
Goodwill	64%	18%	17%	0%	0%
Property, plant and equipment	6%	4%	1%	86%	4%
Investments in other companies					
Non-current receivables	12%	0%	8%	0%	79%
Total non-current assets	**49%**	**13%**	**13%**	**24%**	**1%**
Inventories	45%	33%	0%	8%	14%
Contract assets	46%	0%	-7%	-1%	63%
Accounts receivable	35%	33%	0%	18%	15%
Other current assets	5%	45%	0%	15%	35%
Cash and cash equivalents	33%	44%	8%	-29%	43%
Total current assets	**31%**	**22%**	**18%**	**1%**	**28%**
TOTAL ASSETS	**40%**	**17%**	**16%**	**12%**	**15%**
Total non-current liabilities	0%	0%	0%	100%	0%
Total current liabilities	24%	7%	6%	51%	11%
TOTAL LIABILITIES	**12%**	**4%**	**3%**	**76%**	**6%**

A 10 percent weaker/stronger NOK would normally lead to a 5-10 percent increase/decrease in EBIT. Currency fluctuations would in addition affect the book value of assets and liabilities in Q-Free's foreign subsidiaries. A 10 percent weakening/strengthening in the value of the NOK would have increased/decreased equity by approximately TNOK 54,130 as per balance 31 December 2021. (This analysis assumes all other variables remain constant.) Such changes in value would however only have limited Profit and loss impact as they are mainly booked as translation differences against equity.

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

Amounts in TNOK	2021		2020		2019		2018		2017	
10% currency change	Income	Operating expenses	Income	Operating expenses	Income	Operating expenses	Income	Operating expenses	Income	Operating expenses
USD/NOK	24 077	-22 246	25 218	-26 464	29 612	-36 340	30 391	-32 450	25 917	-28 269
EUR/NOK	23 581	-5 746	21 136	-6 747	16 915	-7 792	22 194	-5 767	32 729	-15 852
GBP/NOK	8 776	-7 885	7 772	-6 505	4 814	-4 704	6 116	-4 595	33 375	-33 155

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

Amounts in TNOK	2021		2020		2019		2018		2017	
10% currency change	Increase	Decline	Increase	Decline	Increase	Decline	Increase	Decline	Increase	Decline
USD/NOK	31 398	-31 398	27 374	-27 374	27 863	-27 863	25 734	-25 734	10 716	-10 716
EUR/NOK	12 144	-12 144	12 803	-12 803	15 321	-15 321	13 058	-13 058	12 345	-12 345
GBP/NOK	10 588	-10 588	11 610	-11 610	12 475	-12 475	12 492	-12 492	12 255	-12 255

NOTE 5 / Risk management, cont.

c) Liquidity risk

Liquidity risk is the risk that Q-Free will not be able to meet its financial obligations as they fall due. The Group manages liquidity through an ongoing review of future commitments. Management's strategy is to hold sufficient cash, cash equivalents, or undrawn credit facilities at any time to be able to finance Group operations, planned investments and obligations. Surplus cash funds are deposited in banks, or invested in money market funds, with the purpose of securing an acceptable, low-risk return on the invested capital. Excess liquidity is placed in higher-interest bearing accounts, in order to earn a better return but still have quick access to these funds. The Board of Directors assesses the available liquidity at the end of 2021 to be sufficient to finance the company's ordinary operations and operational investments for 2022. The payment structure on the bank borrowings has been substantially improved during 2021 due to a new financial agreement with the main bank.

Additional information related to borrowings and undrawn bank overdraft as of 31 December 2021 and 2020 is provided in Note 7 Borrowings and Note 19 Cash and cash equivalents.

The tables below summarise the maturity profile of the Group's financial liabilities as of 31 December 2021 and 2020, based on contractual undiscounted payments, including estimated future interest payments.

Table 5.5 Financial liability maturity schedule (including estimated future interest payments)

Year ended 31 December 2021:	On demand	Less than 3 months	3–6 months	6–9 months	9–12 months	1–2 years	2–5 years	6 years – maturity	Total
Non-current borrowings						208 252			208 252
Non-current financial liabilities						31 702	20 633		52 335
Current borrowings	172	6 624	6 605	6 584	6 542				26 527
Accounts payable	6 489	71 696							78 185
Current financial liabilities	0	4 250	4 068	3 801	4 164				16 282
Total financial liabilities	**6 661**	**82 569**	**10 673**	**10 385**	**10 706**	**239 954**	**20 633**	**0**	**381 581**

Year ended 31 December 2020:	On demand	Less than 3 months	3–6 months	6–9 months	9–12 months	1–2 years	2–5 years	6 years – maturity	Total
Non-current borrowings						181 576			181 576
Convertible Bond (1)			3 714		1 807	3 714	81 778		91 013
Non-current financial liabilities						12 458	8 108		20 566
Current borrowings	172	10 334	18 523	14 608	21 495				65 132
Accounts payable	4 831	53 369							58 200
Current financial liabilities	0	5 920	5 640	5 231	5 270	-	-		22 061
Total financial liabilities	**5 003**	**69 623**	**27 877**	**19 839**	**28 572**	**197 748**	**89 886**	**-**	**438 548**

NOTE 5 / Risk management, cont.

d) Interest-rate risk

The Group is exposed to interest rate risk in the form of changing interest rates on borrowings with floating interest rates. The Group has interest-bearing debt and interest rate risk related to its long-term bank borrowings and short-term credit lines. Management emphasises predictability at all times if entering into any significant new interest bearing debt contracts, as changes in the interest level affect profit before taxes. Management regularly evaluates the need for active hedging of interest rate risk. As of 31.12.21 and 31.12.20, the Group did not own any interest rate derivatives or have any explicit economic hedges in place to manage interest rate risk.

A change in interest rates of 100 basis points (bps) on the date of balance sheet recognition would have increased (reduced) the profit or loss by the amounts shown below. The analysis assumes that the other variables remain constant. The analysis was performed on the same basis as in 2020.

Table 5.6 Interest rate risk sensitivity anlaysis

Effect of an interest rate increase of 100 bps:

	31. December	
Amounts in TNOK	**2021**	**2020**
Investments with floating interest rates	820	750
Loans with floating interest rates	-2 206	-3 035
Profit before tax	**-1 385**	**-2 285**

e) Financial instruments by measurement category

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

Table 5.7 Financial instruments by category

31 December 2021	Amortised cost	Fair value Level 3	Fair value Level 2	Total
Financial assets				
Investments in other companies				-
Non-current receivables	-			-
Accounts receivable	174 430			174 430
Other current assets				-
Cash and cash equivalents	82 015			82 015
Total	**256 445**	**-**	**-**	**256 445**
Financial liabilities				
Non-current borrowings	201 591			201 591
Non-current financial liabilities	54 597			54 597
Current borrowings	18 969			18 969
Accounts payable	78 185			78 185
Current financial liabilities	14 020			14 020
Other current liabilities	88 667			88 667
Total	**456 029**	**-**	**-**	**456 029**

NOTE 5 / Risk management, cont.

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

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

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

The levels of fair meassurement

Financial instruments are categorised within different levels based on the quality of the market data for the individual instruments.

Level 1: Valuation based on quoted prices in an active market

Classified as level 1 are financial instruments valued by using quoted prices in active markets for identical assets or liabilities. Instruments in this category include listed shares and mutual funds, Treasury bills and commercial paper traded in active markets.

Level 2: Valuation based on observable market data

Classified as level 2 are financial instruments which are valued by using inputs other than quoted prices, but where prices are directly or indirectly observable for the assets or liabilities, including quoted prices in non-active markets for identical assets or liabilities.

Level 3: Valuation based on other than observable market data

Classified as level 3 are financial instruments which cannot be valued based on directly observable prices. For these instruments other valuation techniques are used, such as valuation of assets and liabilities in companies, estimated cash flows and other models where key parameters are not based on observable market data.

NOTE 5 / Risk management, cont.

Included in this category are loans to customers and instruments where credit margins constitute a major part of adjustments to market value.

Gains or losses, that occur when the estimated fair value is different.

NOTE 6 / Capital Management

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

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

The following table shows the change in Q-Free's capital management KPIs* for 2021/as of 31.12.2021 as compared to prior year.

Q-Free's capital management measures

KPI	2021	2020	Change in %
EBITDA	105 594	75 777	39%
NIBD	138 545	228 522	-39%
Operational gearing	1,3	3,0	-56%
Equity ratio	47%	37%	28%
Cash flow from operations	87 847	66 587	32%

* Refer to APM section for capital management measures definitions.

NOTE 7 / Borrowings

Type	Effective interest rate %****	Maturity***	31.12.2021	31.12.2020
Non-current				
Nordea – Term loan	N/A	N/A	-	25 000
Nordea – Term loan	N/A	N/A	-	29 230
Nordea – Term loan *	3.40%	30 August 2026	82 000	69 700
Nordea – Revolving Credit Facility (RCF)	N/A	N/A	-	55 270
Nordea – Revolving Multicurrency Credit Facility (RCF) **	Interbank + 1.7%	30 June 2024	50 000	
Nordea – USD term loan	Interbank + 1.7%	30 June 2024	21 608	
Nordea – EUR term loan	Interbank + 1.7%	30 June 2024	14 983	
Nordea – NOK term loan	Interbank + 1.7%	30 June 2024	33 000	
Total non-current borrowings			**201 591**	**179 200**
Convertible bond				
Convertible bond (NIBOR + 4%)	12.53%	19.05.2023	-	69 983
Current				
Nordea – Term loan	N/A	N/A	-	25 000
Nordea – Term loan	N/A	N/A	-	17 000
Nordea – Term loan *	3.40%	N/A	-	12 300
Nordea – USD term loan	Interbank + 1.7%	30 June 2024	6 174	
Nordea – EUR term loan	Interbank + 1.7%	30 June 2024	3 995	
Nordea – NOK term loan	Interbank + 1.7%	30 June 2024	8 800	
Nordea – Credit line**	Interbank + 1.7%	Anually	-	-
Total current borrowings			**18 969**	**54 300**
Total borrowings			**220 560**	**303 483**

* The facility is partly guaranteed by GIEK as part of the Norwegian government's Covid-19 support packages. Following a recent renegotiation, the facility does not have any term installments until august 2023.
** The facility is automatically renewed anually. The facility can be drawn in various currencies based on requirements of Q-Free.
*** Maturity date is based on the amended contract with the main bank. The termination date is subject to extension options.
**** The effective interest rates of selected facilities/borrowings are dependent on the leverage ratio.

New banking arrangements

In 2021, Q-Free negotiated and implemented a restated and amended financial contract with it's main bank Nordea.

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 were split between a debt element valued at fair market value, while the residual (option element for conversion right) was considered equity. Net after deduction for transaction cost, the debt was valued at tNOK 65 050 at time of issue, while the equity was valued at net tNOK 10 727. Accrued interest was added to the debt. The Bonds were not listed.

NOTE 7 / Borrowings, cont.

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

On December 15 2020, Rieber & Søn AS increased their ownership in Q-Free past 33,3%. This triggered a "change of control event" for the holders of convertible bonds, enabling the bond-holders to convert the bonds to shares at a price of 3,6329 per share. In Q1-21 all bond-holder representing the nominal tNOK 80 000 loan have converted their bonds to shares, resulting in an increase in equity of tNOK 70 236.

Debt covenants

The following loan covenants apply:

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

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

Capital expenditure should not exceed tNOK 45 000, measured annually. "Right of use Assets" under IFRS16 is not considered CAPEX for this purpose.

All financial covenants are subject to clauses for possible "repair" either before or after the date of measurement. In addition to financial covenants mentioned above, the contract contains other covenants that are considered common for similar contractual relationships. This includes limitations on acquisitions, disposals, change of control and conditions related to continued listing. The effective interest rate of selected facilities/borrowings will in the future be dependent on the leverage ratio.

As of 31.12.2021, Q-Free was compliant with all financial covenants.

NOTE 8 / Financial items

Amounts in TNOK

Financial items	2021	2020
Interest income	491	1 217
Realised exchange rate differences	14 033	17 579
Unrealised exchange rate differences	13 623	19 964
Fair value change in contingent consideration and other liabilities*		-
Financial income	**28 147**	**38 760**
Interest expenses*	-2 805	-9 786
Interest on borrowings	-6 669	-9 823
Realised exchange rate differences	-14 217	-18 017
Unrealised exchange rate differences	-12 160	-21 366
Other financial expense	-2 993	-3 416
Financial expense	**-38 845**	**-62 406**
NET FINANCIAL ITEMS	**-10 698**	**-23 646**

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

NOTE 9 / Operating segments

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

The operating segments are determined based on how resources and investments are allocated within the Group, as well as on differences in the nature of the operations, solutions, products and services. In 2021, The Group managed its operations in two operating segments, Tolling and Traffic Management. Early 2020, the Group decided to divest the remaining business of what was previously known as Parking and Infomobility. The two businesses was classified as "Held for sale" in 2020. In 2021, the Management changed its view on the Infomobility assets strategic fit for the Group. Based on this the decision to divest was reversed in 2021. The infomobility assets are included in the Traffic Management segment from the first quarter of 2021.

Early 2021, Q-Free divested the Parking assets. The reported figures for the Assets held for sale segment comprise the first quarter of 2021 only.

TOLLING

Tolls are used to fund and maintain transport infrastructure such as roads, bridges, and tunnels. They are also increasingly applied to reduce traffic congestion and/or climate emissions. Toll schemes have evolved from charging motorists a flat fee for passing a certain point, to today's schemes where charges can be differentiated based on time of day, distance travelled, and type of vehicle used. Q-Free offers DSRC tags and readers, ALPR and image based solutions, as well as electronic toll collection systems (Multilane free-flow, truck tolling, congestion charging) within this segment. This segment has most of the business in Europe and APMEA, but also some activity in Americas.

NOTE 9 / Operating segments, cont.

TRAFFIC MANAGEMENT

Most countries and states/cities have centralized Traffic Management Centres ("TMC") where trained operators monitor and respond to incidents such as accidents, fires, and traffic jams. To make the right decision at the right time, operators need access to timely and relevant information. Therefore, highways, tunnels, and bridges are typically monitored by a combination of sensors and cameras to gather required data. Intelligent software applications analyse this data to provide situational awareness and recommend actions to operators.

Q-Free helps TMC operators expand their operational capabilities with a centralized intelligent system that supports traffic management, intelligent decision making, and multimodal transportation management. The Group's traffic management solutions for TMCs are currently primarily sold to state Departments of Transportation in North America.

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

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

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

HELD FOR SALE

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

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

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

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

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

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

NOTE 9 / Operating segments, cont.

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

Table 9.1 Operating segments

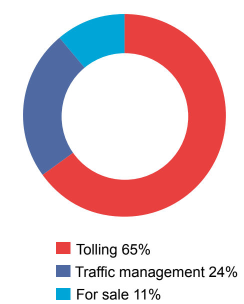
SEGMENTS	**TOLLING**		**Traffic Management**		**Assets held for sale**		**Global functions**		**Totals 31.12**	
Amounts in TNOK	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
EUROPE	464 401	450 268	87 668	75 485	577	7 260			552 646	533 014
APMEA	67 646	102 549				3			67 646	102 552
AMERICAS	20 635	19 504	217 202	206 404	1 889	27 833			239 726	253 741
Revenues	**552 682**	**572 320**	**304 870**	**281 889**	**2 466**	**35 096**			**860 017**	**889 305**
COGS	118 133	133 252	109 497	90 402	509	12 955			228 140	236 609
Contractors	75 394	82 504	6 260	11 443	137	13 604			81 791	107 551
Gross Contr.	**359 155**	**356 565**	**189 112**	**180 044**	**1 820**	**8 537**			**550 087**	**545 146**
Gross margin -%	65.0%	62.3%	62.0%	63.9%	73.8%	24.3%			64.0%	61.3%
Total OPEX	245 508	245 915	166 769	173 505	3 609	21 016	28 607	28 933	444 493	469 369
EBITDA	**113 647**	**110 650**	**22 344**	**6 539**	**-1 789**	**-12 479**	**-28 607**	**-28 933**	**105 594**	**75 777**
EBITDA margin	20.6%	19.3%	7.3%	2.3%	-72.6%	-35.6%			12.3%	8.5%
Depreciation	35 940	36 604	21 770	26 871	71	21 103			57 781	84 577
Impairment									2 452	0
EBIT	**77 707**	**74 046**	**574**	**-20 332**	**-1 860**	**-33 581**	**-28 931**	**-27 782**	**50 265**	**-8 801**
EBIT margin	14.1%	12.9%	0.2%	-7.2%	-75.4%	-95.7%			5.8%	-1.0%

NOTE 9 / Operating segments, cont.

Table 9.2 Operating segments Brigde 2020 figures

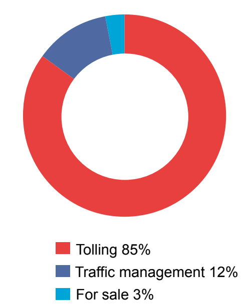
SEGMENTS		**TOLLING**	**TRAFFIC MANAGE-MENT after reclassifi-cation of "Infomobility**	**TRAFFIC MANAGE-MENT before reclassifi-cation of "Infomobility"**	**HELD FOR SALE after reclassifi-cation of "Infomobility"**	**HELD FOR SALE before reclassifi-cation of "Infomobility"**	**GLOBAL FUNCTIONS**			**TOTAL**
Amounts in TNOK	**FY 2020**	**FY 2020**	**FY 2020**	**FY 2020**	**FY 2020**	**FY 2020**	**FY 2020**	**FY 2020**	**FY 2020**	**FY 2020**
Revenue from customers	**572 320**	**572 320**	**281 889**	**206 404**	**35 096**	**110 582**			**889 306**	**889 306**
Cost of goods sold	133 252	133 252	90 402	64 171	12 955	39 187			236 609	236 609
Project contractor expenses	82 504	82 504	11 443	3 529	13 604	21 518			107 551	107 551
Gross Contribution	**356 565**	**356 565**	**180 044**	**138 704**	**8 537**	**49 877**	**-**	**-**	**545 146**	**545 146**
Gross margin -%	62.3%	62.3%	63.9%	67.2%	24.3%	45.1%			61.3%	61.3%
Total OPEX*	245 915	252 821	173 505	140 673	21 016	46 943	28 933	28 931	469 369	469 369
EBITDA before non-recurring items	**110 650**	**103 744**	**6 539**	**-1 969**	**-12 479**	**2 935**	**-28 933**	**-28 931**	**75 777**	**75 777**
EBITDA margin	19.3%	18.1%	2.3%	-1.0%	-35.6%	2.7%			8.5%	8.5%
Depreciation and amortization	36 604	29 893	26 871	21 613	21 103	33 072			84 577	84 577
EBIT before non-recurring items	**74 046**	**73 851**	**-20 332**	**-23 581**	**-33 581**	**-30 137**	**-28 933**	**-28 931**	**-8 801**	**-8 801**
EBIT margin	12.9%	12.9%	-7.2%	-11.4%	-95.7%	-27.3%			-1.0%	-1.0%

Order intake split 2021



	Order intake	
Segment	**2021**	**2020**
TOLLING	639 142	620 664
TRAFFIC MANAGEMENT	341 810	228 741
FOR SALE	9 184	99 468
Total	**990 136**	**948 873**

Order backlog split 2021



	Order backlog	
Segment	**2021**	**2020**
TOLLING	947 408	920 821
TRAFFIC MANAGEMENT	166 306	134 683
FOR SALE	0	27 094
Total	**1 113 714**	**1 082 598**

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

Disaggregation of revenue

In accordance with IFRS 15 management analyses the revenue contracts with customers and disaggregates the revenue into the following product / project categories, which depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors:

– Product deliveries
– Service & Maintenance
– System projects

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

Table 10.1 Disaggregation of revenue from contracts with customers

31 December 2021	TOLLING		TRAFFIC MANAGEMENT		ASSETS HELD FOR SALE		TOTAL	
Amounts in TNOK	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020
Revenue from customers	**552 682**	**572 320**	**304 870**	**281 889**	**2 466**	**35 096**	**860 017**	**889 306**
At a point in time revenue recognition								
Product deliveries (not related to projects)	105 257	117 476	129 846	114 444	844	1 275	235 947	233 195
Total at a point in time revenue recognition	**105 257**	**117 476**	**129 846**	**114 444**	**844**	**1 275**	**235 947**	**233 195**
Over time revenue recognition								
Service & Maintenance	156 820	159 925	31 250	33 052	235	1 536	188 304	194 512
System Projects (includes over-time product deliveries related to projects)	290 605	294 919	143 774	134 394	1 388	32 286	435 767	461 598
Total over time revenue recognition	**447 425**	**454 844**	**175 024**	**167 445**	**1 622**	**33 821**	**624 071**	**656 111**

REVENUE RECOGNITION

Product deliveries

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

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

Service & Maintenance

Revenue relating to Service & Maintenance contracts is recognised over time, in accordance with IFRS 15. Revenue is recognised as the Service & Maintenance is performed, since the customer simultaneously receives and benefits from the delivery. Service & Maintenance is defined as one performance obligation, but is often negotiated together with System projects in the same customer contract. In this case the transaction price between the performance obligation Service & Maintenance and project delivery has to be allocated, since the contract contains more than one performance obligation. See discussion below regarding the definition of performance obligations, as well the allocation of transaction price between Service & Maintenance and project deliveries. The transaction price for Service & Maintenance is usually a fixed price for the entire period of the service, unless the contract is linked to a service line agreement with special requirements. In that case the transaction price can be variable and management uses the expected value method to estimate the amount consideration.

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

System projects

Q-Free offers system projects within all segments. Each project is tailored to the customer's needs and will vary from contract to contract. Some projects contain completely new concepts and products, for which Q-Free capitalizes internal development costs (see Note 15 Intangible assets). The length of the projects also varies from project to project. However, the main characteristics for determining a customer contract and revenue recognition under the IFRS 15 requirements are the same for all projects and are as described below:

Contracts with customers within System projects are set up in writing and are signed by both parties typically.

Projects consist of the delivery of hardware, installations, software, Service & Maintenance, as well as options for additional deliveries.

– Options to acquire additional deliveries within the project are a separate performance obligation only if they provide a material right to the customer, i.e. if the price for the additional deliveries is significantly lower than the market price. If the option does not contain a material right, the option is not a separate performance obligation and is combined with the hardware, installations and software into one single performance obligation. Q-Free did not have any material rights in their 2020 contracts related to System projects.
– Hardware, installations and software together form one performance obligation, since they together secure a combined output, which is the project delivery, and the customer cannot benefit from each individual item on its own.
– Service & Maintenance are one separate performance obligation, since the customer can benefit from those services on its own or together with other resources already available and the promise is separately identifiably from other promises.

The transaction price for the whole project is a fixed amount and is stated in each individual contract. A variable component can be included in the contract for late deliveries or performance bonuses. Management uses critical judgment, as well as the expected value method to estimate the amount of consideration to which Q-Free is entitled, as Q-Free has a large a number of contracts with similar characteristics and experience with this type of projects.

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

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

Revenue relating to system projects is recognised over time since Q-Free develops an asset for their customers that has no alternative use and is delivered at the customer's location. Q-Free is also entitled to payment for work performed up to any point in time during the life of the contract. Revenue is recognised by measuring progress towards completion of the performance obligation. The method used to measure the progress and percentage of completion of each individual project is an input method which determines costs incurred to date and compares these costs to the expected overall cost for the project. Judgement is used in determining cost incurred to date and in estimating total project cost.

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

Significant ongoing projects

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

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

Amounts in TNOK	2021	2020
Total amount of the transaction price for all ongoing system projects not yet recognised	409 938	488 719

Management expects that 62% of the transaction price allocated to the unsatisfied contracts as of 31 December 2021 will be recognised as revenue during the next financial year and 38% in the 2023 financial year. The amount disclosed above does not include variable consideration which is constrained.

Contract assets and advance payments from customers

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

Contract assets

Contract assets are recognised whenever a performance obligation is satisfied before consideration is received. Contract assets are assessed for impairment in accordance with IFRS 9. As of 31 December 2021, contract assets have been reviewed for impairment, and are impaired in an amount of TNOK 0.

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

Advance payments from customers

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

The following table shows the revenue recognised in 2021, with 2020 comparatives, that relates to advance payments from customers.

Table 10.3 Revenue recognised from advance payments from customers

Amounts in TNOK	Advance payments 31.12.2021	Recognized in the period 2021	Advance payments 31.12.2020	Recognized in the period 2020
Revenue recognised in this period that was included in advance payments from customers at the beginning of the period:				
Tolling	10 103	5 803	5 803	2 221
Traffic Management	15 892	5 247	5 247	-
Total	**25 995**	**11 050**	**11 050**	**4 253**

NOTE 11 / Employee benefit expenses

Amounts in TNOK **Employee benefit expenses**	**2021**	**2020**
Salaries	286 248	290 559
Social security costs	24 215	22 853
Pension costs (contribution plan)	13 460	14 155
Capitalised personnel costs	-20 630	-11 113
Other personnel related costs	17 278	14 883
Total	**320 571**	**331 338**
Average number of employees	356	384
Average number of man-years	348	376

Project contractor expenses

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

Pension cost

The parent company has a defined contribution pension plan for the Norwegian employees. As of 31 December 2021, 107 employees in Norway (31 December 2020: 109) are included in the defined contribution pension plan.

The parent company contributes with 7% of salaries between 0 - 7.1 G and 15% of salaries between 7.1 - 12 G to the defined contribution pension plan, total TNOK 7,569 in 2021 (2020 total TNOK 6,859).

NOTE 11 / Employee benefit expenses, cont.

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

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

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

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

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

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

The Board furthermore specifies that there shall be a mutual period of notice of up to six (6) months for agreements made with leading employees. Any severance pay for leading executives may not exceed six (6) months, and must be submitted to the Chair of the Board for treatment. The severance pay for the CEO shall not exceed twelve (12) months pay, calculated from the CEO's resignation day. In case of mergers/acquisition, resulting in substantial changes in the managerial position, severance pay shall not exceed twelve (12) months, calculated from the CEO's resignation day. It is specified that the Company does not enter into employment contracts with leading employees on severance pay on their own voluntary termination. A limited exception is the CEO who, under certain conditions, has such a right by mergers/acquisitions.

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

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

The main principles for remuneration have not been changed in 2021. The Guidelines for salary and other remuneration to leading personnel were approved by the Annual General meeeting in 2021.

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

Payments to senior management and Board of directors 2021:

	2021							
Amounts in TNOK	Salary	Bonus	Director's remunera-tion	Contribution to pension plan	Other remunera-tion	Fee	Share-based payment expense **	TOTAL
Trond Valvik, Chair of the Board*			746					746
Snorre Kjesbu, Vice Chair of the Board*			506					506
Geir Bjørlo, Board member*			380					380
Karin Sandsjö, Board member [1]			130					130
Lene Diesen, Board member [2]			130					130
Yngve Halmø, Employee-elected Board member			138					138
Brage Blekken, Employee-elected Board member			150					150
Fredrik Thoresen, Chair Nomination Committee [3]			29					29
Øystein Elgan, member Nomination Committee			29					29
Jon Øyvind Eriksen, member Nomination Committee [4]								-
Håkon Rypern Volldal, Chief Executive Officer	3 559			129	14			3 702
Fredrik Nordh, EVP Tolling	2 268			499	151			2 918
Morten Andersson, EVP Traffic Management	2 484			99	132			2 715
Jan-Erik Sandberg, CTO	1 467			128	14			1 609
Idunn Hals Bjelland de Garcia, SVP Brand, Communication & Marketing [5]	1 008			99	14			1 121
Trond Christensen, CFO [5]						3 036		3 036
Ingeborg Molden Hegstad, former Board member [6]			316					316
Trine Strømsnes, former Board member [7]			267					267
Heidi Finskas, former Chair Nomination Committee [8]			43					43
TOTAL	**10 786**	**-**	**2 863**	**954**	**325**	**3 036**	**-**	**17 963**

* The board members received half remuneration for 2020 in 2021 in addition to full remuneration for 2021. Payout-date may differ from year to year
** Share-based payment expense is the expense recognised in 2021. See note 13 for further information

1) Karin Sandsjö serves as Board member from 20.05.2021
2) Lene Diesen serves as Board member from 20.05.2021.
3) Fredrik Thoresen served as member of the Nomination Committee until 20.05.2021 and was then elected Chair of the Nomination Committee
4) Jon Øyvind Eriksen serves as member of the Nomination Committee from 20.05.2021
5) Trond Christensen served as interim CFO until 03.03.2021 and has served as permanent CFO in since 04.03.2021. He has been on a management for hire contract via an specialist agency. The reported fee is the total fee paid the agency, including all social expenses and fees retained by the agency.
6) Ingeborg Molden Hegstad served as Board member until 20.05.2021
7) Trine Strømsnes served as Board member until 20.05.2021
8) Heidi Finskas served as Chair of the Nomination Committee until 20.05.2021

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

Payments to senior management and Board of directors 2020:

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

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

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

* Share-based payment expense is the expense recognised in 2020. See note 13 for further information

NOTE 13 / Share based compensation

Share based option programme for the CEO – established may 2018

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

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

Specification of share option activity:	**2021**	**2020**	**2019**	**2018**
Granted share options 01.01	869 970	869 970	869 970	-
Share options granted	0	-	-	869 970
Share options exercised	0	-	-	-
Share options expired/terminated	0	-	-	-
Granted share options 31.12	**869 970**	**869 970**	**869 970**	**869 970**
Vested share options 31.12	**869 970**	**647 715**	**377 834**	**-**
Exercisable share options 31.12	**377 834**	**-**	**-377 834**	**-**

The share options split for the CEO as per 31.12.2021:

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

*Håkon Rypern Volldal will resign from his postion 30 June 2022 and all tranches will then expire.
The agreement regulates that vested options may be exercised within one month after resignation.

NOTE 13 / Share based compensation, cont.

Share based option programme for leading executives – established may 2017

The Parent company has implemented a five-year option program for leading executives that is distributed upon three tranches , and with a maximum number of share options of 2,500,000. The options allocated under the program are vested with 1/3 each of the first three years and thereafter exercisable from two years after vesting until expiry of the program. No consideration will be paid for the share options. For the agreements in force in 2017, tranche one of 346,362 options is exercisable in the period from 1 October 2020 to 1 October 2023. Tranche two of 247,401 options is exercisable in the period from 2 October 2021 to 2 October 2023. Tranche three of 203,742 options is exercisable in the period from 2 October 2022 to 2 October 2023. The strike price for the first tranche is calculated based on average volume weighted price for the Q-Free share in the month prior to the allocation (that is NOK 8.52 per share). Strike price for the second tranche has a mark-up equivalent to 40% (that is NOK 11.93 per share), and 70% (that is 14.48) for the third tranche. For the agreement in force in 2019, tranche one of 174,781 options is exercisable in the period from 1 April 2022 to 1 April 2025. Tranche two of 124,844 options is exercisable in the period from 1 April 2023 to 1 April 2025. Tranche three of 102,813 options is exercisable in the period from 1 April 2024 to 1 Apil 2025.The strike price for the first tranche is calculated based on average volume weighted price for the Q-Free share in the month prior to the allocation (that is NOK 8.01 per share). Strike price for the second tranche has a mark-up equivalent to 40% (that is NOK 11.21 per share), and 70% (that is 13.62) for the third tranche. The agreements include clauses to limit the maximum profit. If the share price for one Q-Free ASA share at the time of exercise of share options is higher than NOK 40 per share, the strike price shall be adjusted up with the difference between the share price for one Q-Free ASA share for the above-mentioned time and NOK 40 per exercised share option.

There is a change with effect from 1 April 20I9 in the share based option programme for leading executives. If a shareholder, company, business or a group (as per definition in the Norwegian Securities Trading Act § 2-5) acquires control of more than two thirds of the stocks and/or votes in the Company, and the Company is consequently delisted from Oslo Børs, each and all of outstanding options mature. This entails that the leading executives can exercise each and all of his options in a period of 30 days from the date final decision of delisting is made. If the options are not exercised within this period, the options expire without any form of compensation. Furthermore, with effect from 12 July 2019, it is specified a right to adjustments of the Strike if the Company sells parts of the business (sale of shares owned by Q-Free ASA or defined assets), and all or part of the received sales proceeds are paid out as dividends.

Specification of share option activity:	**2021**	**2020**
Granted share options 01.01	1 199 943	1 794 491
Share options granted		
Share options exercised		
Share options expired/terminated		594 548
Granted share options 31.12	**1 199 943**	**1 199 943**
Vested share options 31.12	**1 097 130**	**972 286**
Exercisable share options 31.12	**593 763**	**346 362**

NOTE 13 / Share based compensation, cont.

The share options split for leading Executives as per 31.12.2021:

Name	Position	Tranche	Number of options	Strike price	Agreement in force	Expires
Morten Andersson	SVP Traffic Management	Tranche 1	117 371	NOK 8.52	02.10.2017	02.10.2023
		Tranche 2	83 836	NOK 11.93	02.10.2017	02.10.2023
		Tranche 3	69 042	NOK 14.48	02.10.2017	02.10.2023
Fredrik Nordh		Tranche 1	228 991	NOK 8.52	02.10.2017	02.10.2023
	SVP Tolling	Tranche 2	163 565	NOK 11.93	02.10.2017	02.10.2023
		Tranche 3	134 700	NOK 14.48	02.10.2017	02.10.2023
Jan Erik Sandberg	CTO	Tranche 1	174 781	NOK 8.01	01.04.2019	31.03.2025
		Tranche 2	124 844	NOK 11.21	01.04.2019	31.03.2025
		Tranche 3	102 813	NOK 13.62	01.04.2019	31.03.2025

Jan-Erik Sandberg resigned from his position 28 February 2022 and all tranches then expired. The agreement regulated that vested options may be exercised within one month after resignation. The vested options were not exercised.

NOTE 14 / Goodwill

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

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

Cash generating units

From 1 January 2021, Q-Free Group has reported the following segments:
- Tolling
- Traffic Management
- Assets held for sale

In 2020, Assets held for sale included the former Parking and Infomobility business. In the first quarter of 2021 Management changed its view on the Infomobility assets strategic fit for the Group and the decision to divest Infomobility was reversed. The related assets and the management responsibility were transferred to Traffic Management. The new management reporting structure, the nature of the business operations and the cash flows thereof makes it appropriate to consider Traffic Management and the former Infomobility as one CGU as of 31.12.2021.

Hence, as of 31.12.2021 Q-Free recognizes goodwill from two CGUs: Tolling and Traffic Management.

NOTE 14 / Goodwill, cont.

CGU / Segment (Amounts in TNOK)	Goodwill 31 December 2021	Goodwill 31 December 2020
Tolling	37 877	37 219
Infomobility (Held for sale)	0	16 299
Traffic Management	250 001	229 357
Sum	287 878	282 875
Transferred to Assets held for sale		16 299
Goodwill in the balance sheet	**287 878**	**266 576**

Recoverable amount

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

Management targets for the 2021 testing of goodwill are based on the following inputs to the model:
- Order backlog
- 12-month rolling P&L figures for the next 3 years
- Target customer contracts for 2022
- Expected COGS development
- OPEX forecast for the next 3 years

The discount rate for each segment is defined as the weighted average cost of capital (WACC) for a similar business in the same business environment. For 2021 the WACC has been estimated to be between 8.8% and 9.1%. The WACC estimated for each segment is given in the table below:

Segment	WACC
Tolling	8.8%
Traffic Management	9.1%

Goodwill impairment test

Management has compared the recoverable amount per segment to the carrying amount of the goodwill per segment. For both segments, the anaysis shows recvoverable amount in excess of carrying value at year end 2021.

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

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

NOTE 14 / Goodwill, cont.

Market share and cost development assumptions

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

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

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

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

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

The Tolling market has to some extent been impacted by the global pandemic in 2021 from reduced travelling and component shortage caused by supply chain disruptions. Still, sustainable revenues and a streamlined organisation has delivered growth in net results for the year. Taking reasonable expectations on revenue development and expenses into consideration, management is of the opinion that cash flow reductions within reasonable boundaries would not impact the impairment analysis significantly.

Traffic Management has to some extent been affected by the global pandemic in 2021 by delayed purchases from public sector customers. Still, sustainable revenues and a streamlined organisation has delivered growth in net results for the year. With a strong order backlog, streamlined operations and a revised business model management is of the opinion that cash flow reductions within reasonable boundaries would not impact the impairment analysis significantly.

The global economic, political and societal landscape's implications on the assumptions

The current economic, political and societal global landscape imposes some explicit responsibilities on management with respect to the impairment review. Rising energy prices, supply chain disruptions and the speed of recovery from the global pandemic will impact the global economic outlook for 2022-2023 significantly. Hence, certain macro economic and environmental circumstances have been considered in the forecasts of the impairment analysis:

– The expectations to public funding of infrastructure projects on roads, tunnels and bridges and its impact on demand for ITS solutions:
Population growth and urbanization are driving infrastructure investment needs. Research on

NOTE 14 / Goodwill, cont.

people and goods transportation suggests that the number of passenger kilometers is expected to more than double from appx. 53 billion passenger km in 2015 to appx. 105-125 billion passenger km in 2050. Moreover, the number of ton kilometres is also expected to more than double from 135 trillion ton km in 2015 to somewhere between 280 and 350 trillion ton km in 2050. Whereas the average investments in road transportation infrastructure was appx. USD 0.70 trillion annually from 2010-2019, this is expcted to double to an average investment level of appx. USD 1.4 trillion annually. (Source McKinsey & Company, 2021). Hence, the industry outlook is positive both in the shorter and in the longer time perspective. In 2022 only, the addressable order value for Q-Free is estimated to be appx. MNOK 2 300, with appx. MNOK 1 400 in Tolling and MNOK 500 in Traffic Management and the other MNOK 400 to be divided miscellaneously between the two business areas, respectively.

In the longer time perspective, research suggests the compound annual growth rate (CAGR) on global ITS revenues to be appx. 12% yearly from 2021 to 2025, estimating global ITS revenues to grow from appx. EUR 140 billion in 2021 to to appx. EUR 190 billion in 2025. Moreover, the U.S. Traffic Management market is expected to grow at a CAGR of 10% the next five years, from appx. USD 3.0 billion in 2021 to appx. USD 4.5 in 2025. (Source PTOLEMUS Consulting, GrandRapidResearch).

– The continuance of the global pandemic and its impact on business activities and traffic numbers:
In the U.S., which is the primary market for Traffic Management, the level of business and travel activities are estimated to be back on pre-pandemic levels in the first year of the forecast period. In Europe and Asia, which is the the primary market for Tolling, the recovery of the pandemic is expected to be somewhat slower, with the levels of business and travel activities on pre-pandemic levels in the second year of the forecast period.

– Supply chain issues:
During 2021, some product sales were lost and some projects were delayed due to component shortage. Management expects that the supply chain disruption will be temporary and will have limited impacts on cash flows beyond 2022.

Global initiatives on sustainability and measures against climate change - implications on the assumptions

In addition to the macro economic circumstances desrcibed above, the international political society is pushing for restrictions and incentives to fulfill international treaties on climate change. Hence, certain environmental circumstances have been considered in the forecasts of the impairment analysis:

– Public authorities' enhanced focus on measures promoting sustainability and mitigating the adverse effects from traffic emissions
Q-Free's customers demand sustainable solutions that contribute to the global society's struggle against climate change and management expects that the customers awareness on climate friendly solutions will increase during the forecasting period. Q-Free has identified two key mobility challenges in the strive to for sustainable and efficient transportation:

Key mobility challenge #1: Global CO_2 emissions:
Approximately 18% of global CO_2 emissions come from road vehicles. Q-Free's Q-Clean solutions are designed to stimulate to sustainable transportation. The Q-Clean offering consists of

NOTE 14 / Goodwill, cont.

congestion charging and Low-emission zones, Traffic Signal Operations and Management and Bicycle and Pedestrian Monitoring.

Key mobility challenge #2: Transportation not optimized - Congestion
In the U.S. alone, congestion stands for socioeconomic costs of appx. USD 53 billion in 2021. The Q-Free offering Q-Flow optimizes how people and goods move, and consists of Regional Freeway Management, Traffic Signal Operations and Management, Toll Collection and Congestion Charging.

Management is of the opinion that Q-Free's ITS solutions will meet public authorities requirements to sustainability, and this is reflected in the cash flow forecasts.

All circumstances described in the two previous sections above have been taken into consideration in the cash flow forecasts and when assessing the sensitivity to changes in the underlying assumptions for both CGUs. Management recognizes that if there should unexpectedly be no persistent improvement in cash flows from operations from 2023 onwards, there is a risk that an impairment of goodwill in Traffic Management could become necessary.

Discount rates

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors.

The current state of the global economy with rising energy prices and a a broad increase in inflation rates may put pressure on the current level of interest rates during the forecasting period. Management recognizes that a significant rise in WACC could result in impairment in Traffic Management. For Tolling, the rise in WACC within reasonable boundaries are not considered as impacting the impairment analysis significantly.

Growth rates

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

NOTE 15 / Intangible assets

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

	Capitalized development cost	Acquired intangible assets	Total
Acquisition cost 01.01.2021	197 654	144 030	341 684
Additions	31 310	-	31 310
Transferred from Assets held for sale	17 164	-	17 164
Foreign currency translation effect	-302	711	409
Acquisition cost 31.12.2021	**245 826**	**144 741**	**390 567**
Accumulative amortisation and impairment 01.01.2021	143 212	133 186	276 398
Amortisation of the year	19 289	8 366	27 655
Impairment	-	-	-
Assets held for sale	-	-	-
Accumulated amortisation and impairment 31.12.2021	**162 501**	**141 552**	**304 053**
Carrying value 31.12.2021	**83 325**	**3 189**	**86 514**

Estimated lifetime	average 5 years	average 5 years	
Amortisation schedule	Straight line	Straight line	

Capitalized development cost

Development costs are capitalised in accordance with the accounting policy in Note 3 Significant accounting policies and the capitalised amount less accumulated amortisation is presented in the statement of financial position as "Intangible assets". Initial recognition of the capitalised cost is based on management's judgment that technological and financial feasibility has been confirmed. This confirmation normally occurs when a Systems project that includes product development has reached a defined milestone according to the project management model. In determining the amount to be capitalised, management makes a judgement as to the level of expected future cash flows from the product, the discount rate to be applied, and the expected product lifetime.

NOTE 15 / Intangible assets, cont.

Capitalised development costs mainly consist of personnel expenses, purchase of materials, as well as external services. Capitalised development costs are amortised over the products expected lifetime. The estimated useful lifetime is continuously evaluated. Capitalised development costs as of 31 December 2021 consist of product development that supports the Group to deliver fully integrated ITS projects, products, systems and services.

Acquired intangible assets

Acquired intangible assets consist of technology, customer relationships and order backlog based on fair value assessments at the date of the acquisition. The carrying value 31.12.21 mainly consist of technology within the Traffic Management segment (tNOK 3,187).

NOTE 16 / Inventory costs of goods sold

Amounts in TNOK

Inventory specification:	2021	2020
Raw material and semi manufactured products	49 852	18 949
Finished goods	18 820	13 683
Inventory for maintenance contracts	22 984	16 539
Provision for obsolescense	-5 824	-10 722
Total	**85 832**	**38 450**

All inventories are valued at the lower of cost and net realisable value. Change in inventory write-down to net realisable value recognised as an income for the Group TNOK 5,459 in 2021 (2020: TNOK 0,101), which is recognised in cost of goods sold.

Amounts in TNOK

COGS specification:	2021	2020
Inventory transferred to customers	226 535	227 138
Freight, customs etc.	8 250	6 569
Warranty cost	-1 186	3 003
Write-down to net realisable value	-5 459	-101
Total	228 140	236 609

NOTE 17 / Accounts receivable

	2021	2020
Accounts receivable	174 981	109 945
Loss allowance	-551	-
Total	**174 430**	**109 945**

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

Accounts receivable are denominated in different currencies spread across the different operating segments. The table below shows the distribution in NOK of the different currencies. Accounts

NOTE 17 / Accounts receivable, cont.

receivable are generally not guaranteed, and the Group continually evaluates the credit risk associated with the receivables. The balance in accounts receivable as of 31 December 2021 is the maximum exposure for the Group. Refer to note 32 for subsequent events.

Distribution by currency

Amounts in TNOK	31 December 2021	31 December 2020
Amounts Receivables EUR	64 142	35 862
Amounts Receivables USD	53 987	37 956
Amounts Receivables GBP	21 852	-
Amounts Receivables SEK	3 406	4 789
Amounts Receivables AUD	5 186	1 351
Amounts Receivables NOK	12 413	19 500
Amounts Receivables other	13 444	10 486
Total	**174 430**	**109 945**

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

The expected credit loss rates in the provision matrix are based on the payment profiles of sales over a period of 24 months before 31 December 2021 or 31 December 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information based on macroeconomic factors affecting the estimated ability of the customers to settle the receivables. Management has identified the probability of a customers' bankruptcy and geographic location of the customer to be the most relevant factors, and accordingly adjusts the historical loss rates appropriately.

Aging of gross trade receivables

Amounts in TNOK	Total	Not due	< 30 days	30-60 days	60-90 days	>90 days
31 December 2021	174 981	124 758	17 212	3 577	9 958	19 476
Loss allowance	-551					-551
Net value 2021	**174 430**					
31 December 2020	109 945	80 487	17 487	3 414	2 056	6 501
Loss allowance						
Net value 2020	**109 945**					

NOTE 18 / Other current assets

Amounts in TNOK

Other current assets	2021	2020
Accrual for Skattefunn grants	4 170	-
Prepaid taxes	5 863	3 591
Outstanding public duties	-	-
Prepaid rent	7 363	6 325
Prepaid software licenses	3 514	1 850
Prepaid insurance	1 496	992
Prepaid system project expenses	1 042	446
Other prepaid expenses	2 550	3 639
Other receivables	6	11 186
Total	**26 004**	**28 030**

NOTE 19 / Cash and cash equivalents

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

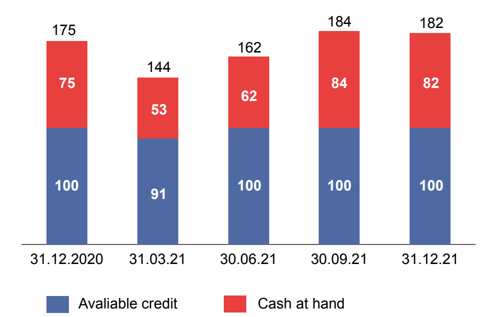
For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31 December:

Amounts in TNOK

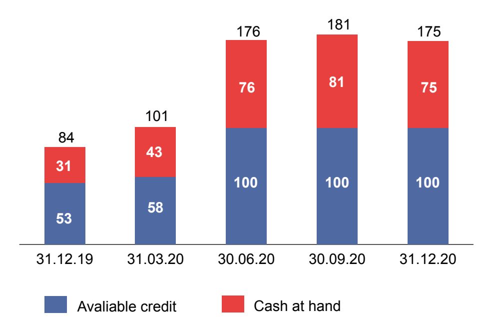
Liquidity funds	2021	2020
Cash at banks and on hand	82 015	74 961
Money Market Funds	-	-
Total cash and cash equivalents	**82 015**	**74 961**

As of 31 December 2021, the Group had available TNOK 100,000 (2020: TNOK 100,000) of undrawn bank overdraft and TNOK 54,768 (2020: TNOK 30,293) of undrawn guarantee facilities in which all conditions precedent had been met.

Cash and credit facilities development during 2021



Cash and credit facilities development during 2020



NOTE 20 / Accounts payable

Amounts in TNOK

Accounts payable	2021	2020
Accounts payable USD	23 744	22 919
Accounts payable NOK	34 746	13 147
Accounts payable EUR	6 178	7 623
Accounts payable GBP	6 382	48
Accounts payable SEK	2 648	3 368
Accounts payable DKK	156	481
Accounts payable AUD	1 765	1 559
Accounts payable other	2 566	9 075
Total	**78 185**	**58 220**

NOTE 21 / Other current liabilities

Amounts in TNOK

Other current liabilities	2021	2020
Accrued wages (holiday pay and bonus scheme)	33 621	25 202
Warranty provisions (see spesification for changes during the year)	8 364	10 027
Accrued expense	38 487	36 340
Miscellaneous	8 195	7 299
Total	**88 667**	**78 868**

Warranty provision

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

Provision for warranty expense is calculated depending on the remaining guarantee period for various products, and based on the historical effect of defects and a calculation of probability for the defect to occur for the remaining products under warranty. The calculation is made on an individual basis per product, and the assumptions vary for the different products and also take into account the expected expenses associated with new warranty claims that are identified. Unused accruals for warranties are reversed at the end of the guarantee-period. All provisions specified in the table below are classified as current liabilities and are presented as part of Other current liabilities in the consolidated statement of financial position.

Amounts in TNOK	Warranty provision
Amount 01.01.20	12 508
Utilised during 2020	-4 857
Additions during 2020	2 376
Total 31.12.20	**10 027**
Amount 01.01.21	10 027
Utilised during 2021	-2 479
Additions during 2021	816
Total 31.12.21	**8 364**

NOTE 22 / Taxes

	2021	2020
Total tax expense for the period		
Taxes payable on this years profit for Norwegian companies		-
Taxes payable on this years profit for foreign companies	8 705	11 819
Adjusted allocated tax from last year		
Change in deferred tax for Norwegian companies	-23 316	100
Change in deferred tax for foreign companies	-4 452	-3 370
Total	**-19 063**	**8 549**
Tax rate	NA	NA
Taxes payable for the year		
Profit before tax	39 566	-32 446
Permanent differences	7 111	45 854
Change in temporary differences	17 016	37 733
Utilisation of previously unrecognised tax losses	-24 125	-7 277
Basis for taxes payable	**39 568**	**43 864**
Specification of taxes payable		
Taxes payable on this years profit, Norwegian companies		-
Taxes payable on this years profit, foreign companies	8 705	11 201
Advance tax payment, foreign companies	-4 058	-6 720
Carried forward tax compensation		-
Advance tax payment, foreign companies, reclassified to Other current assets	-4 171	-944
Transferred to assets held for sale		18
Total taxes payable	**476**	**3 555**
Specification on basis for deferred tax		
Differences evaluated to be offset:		
Property, plant and equipment	-46 064	-67 891
Non-current receivables	-	-40 186
Current assets	-7 828	-14 377
Liabilities	-81 138	-
Tax losses carry -forward	-558 771	-552 650
Other differences	-30 740	-26 300
Total	**-724 541**	**-701 404**

NOTE 22 / Taxes, cont.

	2021	2020
Specification of deferred tax assets (-) / deferred tax liabilities (+)		
Differences evaluated to be offset:		
Property, plant and equipment	-10 134	-14 936
Non-current receivables	-	-8 841
Current assets	-1 722	-3 163
Liabilities	-17 850	-
Tax losses carry -forward	-122 930	-121 583
Other differences	-6 763	-5 786
Total	**-159 399**	**-154 309**
Unrecognised deferred tax assets	**111 137**	**135 487**
Net recognised deferred tax assets (-) / deferred tax liabilities (+)	**-48 262**	**-18 822**
Recognised deferred tax assets (-)	**-48 262**	**-18 822**
Recognised deferred tax liabilities (+)		
Reconciling the tax expense		
Earnings before tax	39 566	-32 446
Calculated tax at domestic tax rate per country	8 705	-7 138
Tax result permanent differences and tax rate difference	-3 643	10 088
Use of previously unrecognised loss carried forward (-) / Increase in valuation allowance	-24 125	-1 601
Adjusted allocated tax from last year	-	7 199
Tax expense	**-19 063**	**8 549**

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

The carrying value of recognised deferred tax assets as of 31 December 2021 was TNOK 48,262 and represents 30% of the total possible deferred tax asset that could have been recognised based on unutilised tax losses and estimated reversal of temporary differences (TNOK 18,822 as of 31 December 2020; 12% of the total possible deferred tax asset).

The Group has not included deferred tax assets of TNOK 111,137 as at 31 December 2021 for the Group (2020: 135,487). Of this amount, TNOK 96,007 (2020: 112,955) is related to tax losses carried forward, TNOK 0 (2020: 19,169) is related to aquisitions in the U.S. and TNOK 15,130 (2020: 3,363) is related to other temporary differences. Based on expectations to future taxable profits in the Group, Q-Free has as of 31 December 2021 recognized deferred tax assets from tax losses carried forward in the Norwegian entities.

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

NOTE 23 / Other operating expenses

Amounts in TNOK

Other operating expenses	2021	2020
External services	39 864	45 814
Travel expense	8 565	10 492
Office supplies	21 543	21 687
Insurance	6 024	5 645
Freight	1 378	1 358
Rent machinery & tools	9 531	11 455
Marketing / promotions	2 759	5 073
Service & Maintenance	3 856	4 043
Operating materials	2 793	6 704
Credit losses	554	-
Other	27 054	25 759
Total	**123 921**	**138 030**

Project contractor expenses

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

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

Category	2021	2020
Audit services provided by elected auditor	1 937	2 246
Audit services provided by non-elected auditor, on behalf of foreign subsidiaries	1 281	752
Other audit related services	206	174
Tax services provided by non-elected auditor, on behalf of foreign subsidiaries	972	822
Total	**4 396**	**3 994**

NOTE 24 / Property, plant and equipment

Amounts in TNOK	Right-of-use-asset	Leasehold improvement	Project related equipment	Office equipment	Total
Accumulated acquisition cost					
Acquisition cost 01.01.2020	76 716	8 742	18 847	45 149	149 454
Additions	9 091	347	4 920	6 336	20 694
Assets held for sale	-4 674		-2 361	-9 105	-16 140
Foreign currency translation effect				82	82
Acquried cost 31.12.2020	**81 133**	**9 089**	**21 406**	**42 462**	**154 090**
Accumulated depreciation and impairment					
Accumulated depreciation and impairments 01.01.2020	20 532	5 768	9 379	34 990	70 669
Depreciation of the year	22 296	756	2 611	4 651	30 314
Assets held for sale	-1 772		-2 079	-6 391	-10 242
Foreign currency translation effect				37	37
Accumulated depreciation and impairments 31.12.2020	**41 056**	**6 524**	**9 911**	**33 287**	**90 779**
Carrying value 31.12.2020	**40 076**	**2 565**	**11 495**	**9 175**	**63 311**
Accumulated acquisition cost					
Acquisition cost 01.01.2021	81 133	9 089	21 406	42 462	154 090
Transferred from Assets held for sale	4 352		2 361	4 365	11 078
Additions	47 964	697	2 325	1 679	52 665
Foreign currency translation effect	-56	236	556	55	791
Acquired cost 31.12.2021	**133 393**	**10 022**	**26 648**	**48 561**	**218 624**
Accumulated depreciation and impairment					
Accumulated depreciation and impairments 01.01.2021	41 056	6 524	9 911	33 287	90 778
Transferred from Assets held for sale	1 690		2 079	3 877	7 646
Depreciation of the year	22 079	714	3 453	3 879	30 125
Foreign currency translation effect	179			111	290
Accumulated depreciation and impairments 31.12.2021	**65 004**	**7 238**	**15 443**	**41 154**	**128 839**
Carrying value 31.12.2021	**68 388**	**2 784**	**11 205**	**7 407**	**89 785**
Estimated lifetime	1-9 years	average 5 years	average 5 years	3-5 years	
Depreciation schedule	Straight line	Straight line	Straight line	Straight line	

The leases recognized according to IFRS 16 consist of office buildings contracts TNOK 64.853 (2020: TNOK 37.955) and car rental agreements TNOK 3.484 (2020: TNOK 3.178). All other leases relating to IT and other office equipment are of low value or short-term leases. The average term for the office leases is 2-9 years and the average term for the car rentals is 1-3 years as of 1 January 2021. See note 3 for implementation of IFRS 16 and note 25 for associated Lease Liability.

NOTE 25 / Lease commitments/Lease liability

Lease Liability In accordance with IFRS 16

Terms Amounts in TNOK	2021	2020
As at 01.01.	40 380	56 915
Additional/Disposal	47 964	12 573
Payments	-23 639	22 875
Transferred to (-)/from (+) Liabilities held for sale	3 912	-6 233
Lease Liability 31.12.	**68 617**	**40 380**

Current Lease Liability amoounted to TNOK 14,020 (2020: TNOK 20,110) and is presented within Current financial liabilities.

Non-current Lease Liability amounted to TNOK 54,597 (2020: TNOK 20,271) and is presented within Non-Current financial liabilities.

Guarantees

Q-Free Group obtains bank guarantees given to their customers, primarily for long-term projects. As of year-end 2021 the amount of guarantees is TNOK 84,144 (2020: TNOK 99,707). Payment of the guarantees by the bank is triggered upon the non-performance of Q-Free, primarily of the missing of milestones or failure to complete the project. The fees paid to the banks for these guarantees is included in Financial expenses.

Collateral

Book value of assets securing loans and guarantees:

	2021	2020
Shares in subsidiaries	493 046	478 554
Cash and cash equivalents		-
Accounts receivable	79 283	78 799
Contract assets	37 875	42 589
Inventories	37 641	32 990
Property, plant and equipment	18 248	20 957
Total	**666 093**	**653 889**

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

NOTE 26 / Subsidiaries

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

	Year acquired by Q-Free Group	Location	Primary segment	Ownership	Voting share	Functional currency
Q-Free Portugal Lda.	1997	Lisboa, Portugal	Tolling	100%	100%	EUR
Q-Free Australia Pty. Ltd.	1999	Sydney, Australia	Tolling	100%	100%	AUD
Noca Holding AS	2001	Trondheim, Norway	Tolling	100%	100%	NOK
Q-Free Sverige AB	2007	Stockholm, Sweden	Tolling	100%	100%	SEK
Q-Free Thailand Co Ltd.	2007	Bangkok, Thailand	Tolling	100%	100%	THB
Q-Free Netherlands BV	2009	Beilen, The Netherlands	Tolling	100%	100%	EUR
Q-Free Chile	2012	Santiago, Chile	Tolling	100%	100%	CLP
Q-Free America Inc.	2012	San Diego, CA, USA	TrafficManagement	100%	100%	USD
Q-Free (Bristol) UK Ltd	2014	Weston Super-Mare, UK	TrafficManagement	100%	100%	GBP
Q-Free Traffic Design d.o.o.	2014	Ljubljana, Slovenia	TrafficManagement	100%	100%	EUR
Open Roads Consulting Inc. *	2014	Virginia, USA	TrafficManagement	100%	100%	USD
Q-Free Espana S.L.U.	2014	Madrid, Spain	Tolling	100%	100%	EUR
Intelight Inc. *	2015	Arizona, USA	TrafficManagement	100%	100%	USD
Q-Free LLC	2015	Moscow, Russia	Tolling	100%	100%	RUB
Q-Free Polska sp. z.o.o.	2016	Warsaw, Poland	Tolling	100%	100%	PLN
Q-Free Norge AS	2018	Trondheim, Norway	Tolling	100%	100%	NOK
Q-Free Denmark Aps	2018	Korsør, Denmark	Tolling	100%	100%	NOK
Q-Free Ukraine LLC	2021	Kiev, Ukraine	TrafficManagement	100%	100%	UAH
Subsidiaries under liquidation:						
PT Q-Free Indonesia	2012	Jakarta, Indonesia		100%	100%	IDR
Q-Free Sdn. Bhd. Malaysia	1997	Kuala Lumpur, Malaysia		100%	100%	MYR

Segments represent the primary segment that the company operates in.

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

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

Joint operations

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

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

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

NOTE 27 / Earnings per share

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

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

Amounts in TNOK	2021	2020
Profit for the year from continuing operations	58 629 655	-40 995 017
Profit for the year on discontinued operations, net of tax		
Profit for the year	58 629 655	-40 995 017
Weighted average number of ordinary shares	111 244 416	89 223 446
Weighted average of share options	561 663	18 319 633
Weighted average number of diluted shares	111 806 079	107 543 079
Earnings in NOK per share from continuing operations	**0,53**	**-0,46**
Diluted earnings in NOK per share from continuing operations	**0,52**	**-0,46**
Earnings in NOK per share from the profit for the year	**0,53**	**-0,46**
Diluted earnings in NOK per share from the profit for the year	**0,52**	**-0,46**

NOTE 28 / Related parties

Terms and conditions of transactions with related parties

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

Related parties

There was no transactions between the company and any parties in the Management or in the Board during 2021.

Associated companies

Q-Free ASA has no ownership in associated companies either in 2021 or in 2020.

NOTE 29 / Changes in liabilities arising from financing activities

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

	2021	2020
Non-current borrowings	**201 591**	179 200
Convertible bond	**0**	69 983
Non-current financial liabilities	**54 597**	20 271
– Lease liabilities	54 597	20 271
– Contingent consideration*	0	0
– Other financial liabilities**	0	0
Current borrowings	**18 969**	54 300
Current financial liabilities	**14 020**	20 110
– Lease liabilities	14 020	20 110
– Contingent consideration	0	0
Total	**289 177**	343 864

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

	2021	2020	2019
Cash flow from investing activities:			
Net change in financial liabilities from the contingent consideration:	0	-32 651	-41 805
Payment of contingent consideration presented within Cash flow from investing activities	0	-32 491	-44 765
Currency translation difference	0	-160	233
Fair value change of contingent consideration	0	0	2 727
Net change in financial liabilities from the contingent consideration	**0**	**-32 651**	**-41 805**

NOTE 29 / Changes in liabilities arising from financing activities

	2021	2020	2019
Cash flow from financing activities:			
Net changes in non-current and current borrowings:	**-12 940**	**1 479**	**16 501**
Cash proceeds from credit line (Cash proceeds from borrowings)	0	35 064	73 033
Cash proceeds term loan*** (Cash proceeds from borrowings)	154 010	82 000	
Cash proceeds from borrowings	154 010	117 064	73 033
Debt installments term loan (Repayment of borrowings)	-166 732	-33 500	-36 000
Cash payments credit line (Repayment of borrowings)		-82 085	-20 532
Currency translation difference	-218	0	0
Repayment of borrowings	**-166 950**	**-115 585**	**-56 532**
Net change in non-current and current borrowings	**-12 940**	**1 479**	**16 501**
Net change in convertible bond	**-69 983**	**69 983**	**0**
Cash proceeds from convertible bond	0	75 777	0
Convertible bond conversion	-69 983		
Debt element classified as equity	0	-10 727	0
Interest accrued, not paid	0	4 933	0
Net change in convertible bond	**-69 983**	**69 983**	**0**
Net change in financial liabilities from leasing liabilities**):**	**28 236**	**-16 534**	**56 915**
Implementation of IFRS16	0	0	64 143
Payments of lease liabilities	-23 639	-22 875	-21 993
Leasing agreements entered into during the year	47 963	12 573	14 765
Transferred to (-)/from (+) Liabilities held for sale	3 912	-6 232	0
Net change in financial liabilities from leasing agreements	**28 236**	**-16 534**	**56 915**

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

NOTE 30 / Investments in other companies

31 December 2021 Amounts in TNOK	Company's equity	Number of shares	Owner-ship	Book value in Parent	Book value in Group	Included in compre-hensive income
Leiv Eiriksson AS	15 701	9 919	0,66%	367	367	-367
Other				20	20	-20
Fair value adjustments				-387	-387	387
Total						

NOTE 31 / Assets held for sale

In 2020, Q-Free Group decided to divest some of the assets in what was formerly known as Parking and Infomobility segments. The remaining assets in these segments were transferred to other segments (mainly Tolling). The process was ongoing at yearend 2020 and selling the assets within the foreseeable future were deemed highly probable. The assets were separated and readily available for an immediate sale. Hence, the criteria for classification as held for sale was fulfilled as of 31.12.2020. Below is a specification of the impact of the classification in the balance sheet. The assets did not fulfill the definition of discontinued operations since they did not represent a separate major line of business or geographical area of operations, and were not part of a single coordinated disposal plan. Hence, there were no reclassification in the profit or loss and cash flow statements. Related to the measurement of recoverable amount, an impairment loss of TNOK 4 250 was recognized as of 31.12.2020.

In 2021, the Management changed its view on the former Infomobility assets strategic fit for the Group. Based on this the decision to divest was reversed during the year, and the assets were transferred to Traffic Management. The operating segments as shown in note 9 were restated for 2020. The remaining assets held for sale were sold during 2021. The financial statement impact of the divestment in 2021 is shown in the table below.

Amounts in TNOK	2021	2020
Gain on sale of assets held for sale	2 452	0
SUM	**2 452**	**0**

Amounts in TNOK	31.12.2021	31.12.2020
ASSETS		
Intangible Assets		17 737
Goodwill		16 289
Property, plant and equipment		6 502
Inventories		19 358
Contract assets		1 406
Accounts receivable		28 227
Other current assets		1 487
ASSETS HELD FOR SALE	**-**	**91 003**

NOTE 31 / Assets held for sale, cont.

Amounts in TNOK	31.12.2021	31.12.2020
LIABILITIES		
Non-current financial liabilities		3 739
Accounts payable		12 331
Public duties payable		3 111
Other current liabilities		7 975
ASSETS HELD FOR SALE	**-**	**27 157**

NOTE 32 / Subsequent events

Russia-Ukraine conflict

Q-Free has business activities in Ukraine (Traffic Management), and the ongoing conflict has financial impact on Q-Free in 2022.

The conflict that has arisen in 2022 has forced Q-Free to put its business operations in Kyiv, Ukraine on hold until further. Still, Q-Free has uncollected customer payments related to deliveries installed in 2021. At present, the collection of the items is deemed unlikely. Hence, Q-Free has in its financial reporting for Q1-2022 recognized a loss on the uncollected items of MNOK 6. Following this loss, Q-free has no further assets related to Ukraine, and has no direct exposure in the country.

Q-Free expects to resume its business operations when the political circumstances, the societal environment and the security situation make business presence appropriate. However, for the time being, Q-Free realizes this might take some time.

Q-Free has also had some minor business activities in Russia (Tolling) which now has been stopped. Q-Free will not suffer direct financial loss in Russia due to the situation but abandoned opportunities in the Russian market will have some limited effect on sales in 2022.

Q-Free has no employees in Russia or Ukraine. The personnel that have been involved in and carried out the business activities on behalf of Q-Free in these two countries have been engaged on contractor basis from local third-party vendors. The conflict has to our knowledge not caused any physical injuries or mortalities among this personnel or close family members of this personnel.

Moreover, Russia is a major supplier of minerals used in hardware components. Q-Free realizes that the conflict may impact global supply and the current supply chain disruption. However, Q-Free expects the potential financial impact to be temporary and minor.

Effect of the Covid-19 pandemic

Despite continuing virus outbursts and travel restrictions in some geographical markets, the effects from the pandemic are expected to be more limited in 2022. However certain countries still have restrictions with some impact on project progression. There is some risk that new Covid-19 outbursts could have a negative impact. Q-Free does not expect material negative financial effects from this.

Alternative Performance Measures

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

Gross contribution:

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

Project contractor expenses:

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

Gross margin:

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

Gross contribution and gross margin Amounts in TNOK	**2021**	**2020**
Revenue from customers	860 017	889 305
Cost of goods sold	-228 140	-236 609
Project contractor expenses	-81 791	-107 551
Gross contribution	**550 087**	**545 145**
Gross margin	**64.0%**	**61.3%**

EBITDA / EBIT:

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

EBITDA margin:

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

EBITDA margin Amounts in TNOK	**2021**	**2020**
Revenue from customers	860 017	889 305
EBITDA	105 594	75 777
EBITDA margin	**12,3 %**	**8,5 %**

Alternative Performance Measures, cont.

EBIT margin:

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

EBIT margin Amounts in TNOK	**2021**	**2020**
Revenue from customers	860 017	889 305
EBIT	50 265	-8 800
EBIT margin	**5.8%**	**-1.0%**

Non-recurring items:

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

Non-recurring items Amounts in TNOK	**2021**	**2020**
Impairment	-	20 538
Non-recurring items in EBIT	**-**	**20 538**

Net Interest Bearing Debt (NIBD):

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

Net Interest Bearing Debt Amounts in TNOK	**31.12.2021**	**31.12.2020**
Non-current borrowings to financial institutions	201 591	179 200
Convertible bond	-	69 983
Current borrowings to financial institutions	18 969	54 300
Gross Interests bearing Debt	**220 560**	**303 483**
Cash and cash equivalents	82 015	74 961
Net Interest Bearing Debt	**138 545**	**228 522**

Alternative Performance Measures, cont.

Net working capital:

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

Net Working Capital Amounts in TNOK	**31.12.2021**	**31.12.2020**
Inventories	85 832	38 450
Contract assets	59 690	93 560
Accounts receivable	174 430	109 945
Other current assets	26 004	119 034
Current Assets (excl Cash and cash equivalents)	**345 955**	**360 988**
Advance payments from customers	25 995	11 050
Accounts payable	78 185	58 220
Taxes payable	476	3 555
Public duties payable	17 512	14 118
Current financial liabilities	14 020	20 110
Other current liabilities	88 667	106 025
Intelight share purchase liability		
Current liabilities (excl Currrent borrowings from financial institutions)	**224 855**	**213 077**
Net Working Capital	**121 100**	**147 911**

Working capital ratio:

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

Working Capital ratio Amounts in TNOK	**2021**	**2020**
12 months Revenue from customers	860 017	880 339
Net Working Capital	121 100	147 911
Working Capital ratio	**14.1%**	**16.8%**

Equity ratio:

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

Equity ratio Amounts in TNOK	**31.12.2021**	**31.12.2020**
Total equity	447 754	313 115
Total assets	947 765	849 946
Equity ratio	**47.2%**	**36.8%**

Alternative Performance Measures, cont.

Equity ratio for covenant calculation purposes Amounts in TNOK	**31.12.2021**	**31.12.2020**
Total equity. Debt element of convertible bond considered equity	447 754	383 098
Total assets	947 765	849 946
Equity ratio for covenant calculation purposes	**47.2%**	**45.1%**

Order intake:

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

Order backlog:

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

The order backlog is calculated as shown below:

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

FINANCIAL STATEMENTS

Q-FREE ASA

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STATEMENT OF PROFIT OR LOSS

Q-FREE ASA

Amounts in TNOK	Note	**2021**	**2020**
Employee benefit expenses	7	10 914	7 804
Other operating expenses	8	7 683	9 274
Total operating expenses		***18 597***	***17 078***
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**-18 597**	**-17 078**
Depreciation of property, plant and equipment		-	-
Amortisation of intangible assets		-	-
Earnings before interest and taxes (EBIT)		**-18 597**	**-17 078**
Financial income	6	60 764	38 411
Financial expenses	6	-57 329	-64 472
Financial items, net		***3 435***	***-26 061***
Profit before tax		**-15 162**	**-43 139**
Tax expense	9	-18 000	-
Profit / (-) loss for the year		**2 838**	**-43 139**

STATEMENT OF COMPREHENSIVE INCOME

Q-FREE ASA

Amounts in TNOK	Note	2021	2020
Profit / (-) loss for the year		**2 838**	**-43 139**
Total comprehensive income for the period, net of tax		**2 838**	**-43 139**

STATEMENT OF FINANCIAL POSITION

Q-FREE ASA

Amounts in TNOK	Note	31.12.2021	31.12.2020
ASSETS			
Deferred tax assets	9	18 000	-
Investments in subsidiaries	4	503 894	509 765
Non-current receivables		1 849	-
Non-current receivables - subsidiaries	3	281 715	237 313
TOTAL NON-CURRENT ASSETS		**805 458**	**747 078**
Other current assets	10	3 848	20 438
Cash and cash equivalents	11	35 728	18 251
TOTAL CURRENT ASSETS		**39 576**	**38 689**
TOTAL ASSETS		**845 033**	**785 766**

STATEMENT OF FINANCIAL POSITION

Q-FREE ASA

Amounts in TNOK	Note	31.12.2021	31.12.2020
EQUITY AND LIABILITIES			
Subscribed share capital		42 273	33 905
Share premium		649 939	578 307
Other paid-in capital		21 320	31 950
Retained earnings		-265 877	-269 714
TOTAL EQUITY		**447 655**	**374 448**
Non-current bank borrowings	2	179 983	179 200
Convertible bond	2	-	69 983
Non-current borrowings subsidiaries	3	90 982	48 700
Total non-current liabilities		***270 965***	***297 883***
Current bank borrowings	2	12 795	54 300
Current borrowings subsidiaries	3	105 985	53 405
Other current liabilities	12	7 632	5 729
Total current liabilities		***126 412***	***113 434***
TOTAL LIABILITIES		**397 377**	**411 317**
TOTAL EQUITY AND LIABILITIES		**845 033**	**785 766**

Trondheim, 28 April 2022

Trond Valvik (Sign.) Chair of the Board	**Lene Diesen** (Sign.) Board member	**Snorre Kjesbu** (Sign.) Board member	**Geir Beitveit Bjørlo** (Sign.) Board member
Karin Sandsjö (Sign.) Board member	**Brage Blekken** (Sign.) Employee-elected Board member	**Yngve Halmø** (Sign.) Employee-elected Board member	**Håkon Rypern Volldal** (Sign.) President & CEO

STATEMENT OF CASH FLOWS

Q-FREE ASA

Amounts in TNOK	Note	2021	2020
Cash flow from operations			
Profit before tax		-15 162	-43 139
Amortisation and impairment losses		42 973	15 000
Dividend from subsidiaries		-31 784	-
Accrued interest expense		172	225
Share-based payment expense		97	233
Working capital adjustments:			
Changes in accounts receivables	1	1 756	-438
Changes in accounts payables		1 903	-848
Changes in other items		-19 609	-92 610
Net cash flow from operations		***-19 654***	***-121 577***
Cash flow from investments			
Investments in subsidiaries, net cash contributions		-57 943	-
Net cash flow from investments		***-57 943***	***-***
Cash flow from financing			
Investments in subsidiaries, net cash contributions	3, 14	124 820	117 064
Net cash flow from investments	3, 14	-	75 777
Repayment of bank borrowings	3, 14	-165 542	-115 585
Cash proceeds from borrowings subsidiaries	14	142 847	67 098
Interest received		6	12
Interest paid		-6 622	-9 831
Net cash flow from financing		***95 509***	***134 535***
Effect on cash and cash equivalents of changes in foreign exchange rates		**-435**	**4 500**
Net change in cash and cash equivalents for the year		**17 477**	**17 458**
Cash and cash equivalents per 01.01.	11	18 251	793
Cash and cash equivalents per 31.12.	**11**	**35 728**	**18 251**

STATEMENT OF CHANGES IN EQUITY

Q-FREE ASA

Amounts in TNOK	Subscribed share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Total equity 01.01.2020	**33 905**	**578 307**	**21 223**	**-226 575**	**406 860**
Profit / (-) loss for the year				-43 139	-43 139
Total comprehensive income for the period	**-**	**-**	**-**	**-43 139**	**-43 139**
Share-based payment expense					-
Convertible bond issue			10 727		10 727
Total equity 31.12.2020	**33 905**	**578 307**	**31 950**	**-269 714**	**374 448**
Total equity 01.01.2021	**33 905**	**578 307**	**31 950**	**-269 714**	**374 448**
Profit / (-) loss for the year				2 838	2 838
Total comprehensive income for the period	**-**	**-**	**-**	**2 838**	**2 838**
Share-based payment expense			97		97
Convertible bond conversion	8 368	71 632	-10 727	999	70 272
Total equity 31.12.2021	**42 273**	**649 939**	**21 320**	**-265 877**	**447 655**

NOTE 1 / Corporate information and accounting policies

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

The financial statements have been prepared on a historical cost basis except for certain assets, liabilities and financial instruments, which are measured at fair value. Preparation of financial statements including note disclosures requires management to make estimates and assumptions that affect amounts reported. Actual results may differ. For further information refer also to the Q-Free Group Annual Report 2021.

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

Significant accounting policies

The financial statements of Q-Free ASA are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and Norwegian authorities and are effective as of 31 December 2021. Q-Free also provides the disclosures as specified under the Norwegian Accounting Law (Regnskapsloven).

The following description of accounting principles applies to Q-Free ASA's 2021 financial reporting, including all comparative figures. See also in the Q-Free Group Annual Report 2021 Note 2 Basis of preparation, Note 3 Significant accounting policies and Note 4 Critical accounting judgments and new accounting policies for additional information related to the presentation, classification and measurement of Q-Free ASA's financial reporting.

Shares in subsidiaries

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

Foreign currency

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

Revenue recognition

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

NOTE 1 / Corporate information and accounting policies, cont.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position includes cash, bank deposits and all other monetary instruments with a maturity of less than three months from the date of acquisition, and are measured at amortised cost. Q-Free ASA is the ultimate owner of the Group's cash pool. Net positive positions for the Group's cash pool are presented as Cash and cash equivalents, and net positions for the participating subsidiary is presented as inter-company receivables or payables, depending on the participating subsidiaries' amounts at closing date.

Statement of cash flows

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

Share-based compensation

Q-Free ASA accounts for share-based payment in accordance with IFRS 2 Share-Based Payments. See Note 3 Significant accounting policies in the Q-Free Group Annual Report 2021 for additional information.

Risk management

For information about risk management in Q-Free ASA see Note 5 Financial risk management in the Q- Free Group Annual Report 2021.

Income taxes

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

Intercompany long-term receivables and payables

Long-term receivables

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

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

NOTE 1 / Corporate information and accounting policies, cont.

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

Events after the balance sheet date

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

NOTE 2 / Borrowings

Type	Effective interest rate****	Maturity***	31.12.2021	31.12.2020
Non-current				
Nordea – Term loan	N/A	N/A	-	25 000
Nordea – Term loan	N/A	N/A	-	29 230
Nordea – Term loan*	3.40%	30 August 2026	82 000	69 700
Nordea – Revolving Credit Facility (RCF)	N/A	N/A	-	55 270
Nordea – Revolving Multicurrency Credit Facility (RCF) **	Interbank + 1.7%	30 June 2024	50 000	
Nordea – EUR term loan	Interbank + 1.7%	30 June 2024	14 983	
Nordea – NOK term loan	Interbank + 1.7%	30 June 2024	33 000	
Total non-current borrowings			**179 983**	**179 200**
Convertible bond				
Convertible bond (NIBOR + 4.00%)	12.53%	19.05.2023	0	69 983
Current				
Nordea–- Term loan	N/A	N/A	-	25 000
Nordea – Term loan	N/A	N/A	-	17 000
Nordea – Term loan*	N/A	N/A	-	12300
Nordea – EUR term loan	Interbank + 1.7%	30 June 2024	3 995	0
Nordea – NOK term loan	Interbank + 1.7%	30 June 2024	8 800	0
Total current borrowings			**12 795**	**54 300**
Total			**192 778**	**303 483**

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

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

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

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

NOTE 2 / Borrowings, cont.

New banking arrangements

In 2021, Q-Free negotiated and implemented a restated and amended financial contract with it's main bank Nordea.

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 were split between a debt element valued at fair market value, while the residual (option element for conversion right) was considered equity. Net after deduction for transaction cost, the debt was valued at tNOK 65 050 at time of issue, while the equity was valued at net tNOK 10 727. Accrued interest was added to the debt. The Bonds were not listed.

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

On December 15 2020, Rieber & Søn AS increased their ownership in Q-Free past 33,3%. This triggered a "change of control event" for the holders of convertible bonds, enabling the bond-holders to convert the bonds to shares at a price of 3,6329 per share. In Q1-21 all bond-holder representing the nominal tNOK 80 000 loan have converted their bonds to shares, resulting in an increase in equity of tNOK 70 236.

Debt covenants

The following loan covenants apply:

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

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

Capital expenditure should not exceed tNOK 45 000, measured annually. "Right of use Assets" under IFRS16 is not considered CAPEX for this purpose.

All financial covenants are subject to clauses for possible "repair" either before or after the date of measurement. In addition to financial covenants mentioned above, the contract contains other covenants that are considered common for similar contractual relationships. This includes limitations on acquisitions, disposals, change of control and conditions related to continued listing.

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

As of 31.12.2021, Q-Free ASA was compliant with all financial covenants.

NOTE 2 / Borrowings, cont.

Financial liability maturity schedule

Amounts in TNOK

Year ended 31 December 2021:	On demand	Less than 3 months	3–6 months	6–9 months	9–12 months	1–2 years	2–5 years	6 years – maturity	Total
Non-current bank borrowings						183 066			183 066
Non-current borrowings subsidiaries						77 268			77 268
Current bank borrowings	20	3 309	3 310	3 312	3 312				13 263
Current borrowings subsidiaries		113	115	116	15 991				16 335
Total financial liabilities	**20**	**3 422**	**3 425**	**3 428**	**19 303**	**260 334**	**-**	**-**	**289 932**

Year ended 31 December 2020:	On demand	Less than 3 months	3–6 months	6–9 months	9–12 months	1–2 years	2–5 years	6 years – maturity	Total
Non-current bank borrowings	296	2 940	2 945	2 949	4 359	181 576			195 065
Non-current borrowings subsidiaries	-	936	942	560	953	1 452	48 700		53 543
Convertible Bond			3 714		1 807	3 714	81 778		91 013
Current bank borrowings	28	8 927	17 100	13 170	18 618				57 843
Other financial liabilities		148	148		19 277				19 573
Total financial liabilities	**324**	**12 951**	**24 849**	**16 679**	**45 013**	**186 742**	**130 478**	**-**	**417 037**

Note 3 / Intercompany loans receivable and payables

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

	2021				
Amounts in TNOK	**Book value**	**Maturity date**	**Interest rate**	**Impairment stage**	**Loss allowance**
Q-Free America Inc.	215 040	Undetermined	3 MND LIBOR + 3.0%	Stage 1	-
Q-Free (Bristol) UK Ltd	31 783	Undetermined	3 MND LIBOR + 3.0%	Stage 1	-
Q-Free Thailand Co. Ltd.	9 819	Undetermined	3 MND LIBOR + 2.0%	Stage 1	-
Q-Free Polen	11	Undetermined	3 MND LIBOR + 3.0%	Stage 1	-
Q-Free Denmark ApS	16 238	Undetermined	4 MND LIBOR + 3.0%	Stage 2	-
Q-Free Traffiko Ltd.	14	Undetermined	3 MND LIBOR + 3.0%	Stage 3	-14
PT Q-Free Indonesia	407	Undetermined	3 MND LIBOR + 3.0%	Stage 3	-407
Unrecognized Currency exposure	8 824				
Total	**282 136**				**-421**

As of 31.12.2021 the company has recognized an impairment loss provision of MNOK 0,4 related to funding of subsidiaries.

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

NOTE 3 / Intercompany loans receivable and payables, cont.

Description of general impairment model for intercompany loans

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

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

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

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

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

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

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

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

The parent company uses the following indicators in the assessment:

– An actual or expected significant change in the operating results of the subsidiaries since the loan was first recognised.

  This includes assessments of whether there are any actual or expected declines in revenue or margins, increasing operating risks, working capital deficiencies, decreasing asset quality or

  increased balance sheet leverage that would result in a significant change in the subsidiaries ability to meet its debt obligations.

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

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

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

Loans are written off when there is no reasonable expectation of recovery, such as when a subsidiary fails to engage in a repayment plan.

NOTE 3 / Intercompany loans receivable and payables, cont.

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

Amounts in TNOK	Book value	Interest rate
Q-Free Netherlands	14 566	3 MND LIBOR + 3.0%
Q-Free Norge AS	75 000	3 MND LIBOR + 3.0%
Noca Holding AS	1 721	3 MND LIBOR + 3.0%
Unrecognized Currency exposure	-305	
Total	**90 982**	

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

Amounts in TNOK	Book value	Interest rate
Q-Free Portugal	15 837	3 MND LIBOR + 3.0%
Unrecognized Currency exposure	-892	
Cash pool net positions	91 040	
Total	**105 985**	

Q-Free ASA is the owner of the Group's cash pool. Net positions for the Group's cash pool arrangement is presented as Cash and cash equivalents, and net positions for the participating subsidiary is presented as intercompany receivables or payables, depending on the participating subsidiaries' amounts at closing date.

As of 31.12.2021 and 31.12.2020, net amounts in subsidiaries are presented as short term borrowings from subsidiaries.

NOTE 4 / Subsidiaries

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

	Year acquired by Q-Free Group	Location	Primary segment	Owner-ship	Voting share	Functional currency	Book value 31.12.21 (Amounts in TNOK)
Q-Free Portugal Lda.	1997	Lisboa, Portugal	Tolling	100%	100%	EUR	204
Q-Free Australia Pty. Ltd.	1999	Sydney, Australia	Tolling	100%	100%	AUD	-
Noca Holding AS	2001	Trondheim, Norway	Tolling	100%	100%	NOK	-
Q-Free Sverige AB	2007	Stockholm, Sweden	Tolling	100%	100%	SEK	84
Q-Free Thailand Co Ltd.	2007	Bangkok, Thailand	Tolling	100%	100%	THB	10 847
Q-Free Netherlands BV	2009	Beilen, The Netherlands	Tolling	100%	100%	EUR	76 409
Q-Free Chile	2012	Santiago, Chile	Tolling	100%	100%	CLP	28
Q-Free America Inc.	2012	San Diego, CA, USA	Traffic Management	100%	100%	USD	216 887
Q-Free (Bristol) UK Ltd	2014	Weston Super-Mare, UK	Traffic Management	100%	100%	GBP	46 427
Q-Free Traffic Design d.o.o.	2014	Ljubljana, Slovenia	Tolling	100%	100%	EUR	29 149
Open Roads Consulting Inc. *	2014	Virginia, USA	Traffic Management	100%	100%	USD	-
Q-Free Espana S.L.U.	2014	Madrid, Spain	Tolling	100%	100%	EUR	25
Intelight Inc. *	2015	Arizona, USA	Traffic Management	100%	100%	USD	-
Q-Free LLC	2015	Moscow, Russia	Traffic Management	100%	100%	RUB	-
Q-Free Polska sp. z.o.o.	2016	Warsaw, Poland	Tolling	100%	100%	PLN	11
Q-Free Norge AS	2018	Trondheim, Norway	Tolling	100%	100%	NOK	123 617
Q-Free Denmark Aps	2018	Korsør, Denmark	Tolling	100%	100%	NOK	64
Q-Free Ukraine LLC	2021	Kiev. Ukraine	Traffic Management	100%	100%	UAH	125
Subsidiaries under liquidation:							
Q-Free Sdn. Bhd. Malaysia	1997	Kuala Lumpur, Malaysia	Tolling	100%	100%	MYR	-
PT Q-Free Indonesia	2012	Jakarta, Indonesia	Tolling	100%	100%	IDR	-
Total							**503 894**

During 2021, Q-Free ASA divested its shares in Q-Free France S.A.R.L. Refer to note 6 for the recognized loss on sale of shares in subsidiaries.

During 2021, share capital increases have been made in Q-Free Thailand Co Ltd. and Q-Free Denmark Aps. All investments are tested annually for impairment. As of year-end, the investments done in 2021 are fully wirtten down, and no increased cost price of the shares are recognized as of 31.12.2021.

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

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

NOTE 5 / Shareholders

The share capital of Q-Free ASA as of 31 December 2021 was NOK 42,272,878 consisting of 111,244,416 ordinary shares at NOK 0.38 per share. As of 31 December 2021 there were 2,534 shareholders. Q-Free ASA has one class of shares and there are no voting restrictions.

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

The company's largest shareholders as of 31 December 2021:	Number of shares	Percentage share ownership	Voting rights
RIEBER & SØN AS	51 514 007	46.31%	46.31%
THE BANK OF NEW YORK SA/NV (NOM)	11 066 896	9.95%	9.95%
SONSTAD AS	3 850 000	3.46%	3.46%
VERDIPAPIRFONDET KLP AKSJENORGE	3 570 082	3.21%	3.21%
ALDEN AS	2 000 000	1.80%	1.80%
AUGUST HOLDING AS	1 500 000	1.35%	1.35%
VERDIPAPIRFONDET STOREBRAND VEKST	1 319 692	1.19%	1.19%
CACEIS Bank Spain SA	1 128 090	1.01%	1.01%
Other share holders	35 295 649	31.73%	31.73%
Total	**111 244 416**	**100.0%**	100.0%

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

NOTE 5 / Shareholders, cont.

Shareholders by size of holding as of 31 December 2021:

Number of shares	Number of owners	Number of shares	Holding percentage
1 – 1 000	1 214	455 674	0.41%
1 001 – 10 000	905	3 703 867	3.33%
10 001 – 100 000	344	11 359 375	10.21%
100 001 – 200 000	34	4 737 670	4.26%
200 001 – 500 000	16	5 495 003	4.94%
500 001 – 1 000 000	10	6 304 048	5.67%
1 000 001 – 2 000 000	7	9 187 794	8.26%
2 000 001 – 5 000 000	2	7 420 082	6.67%
5 000 001 – 10 000 000	-	-	-
10 000 001 +	2	62 580 903	56.26%
Total	**2 534**	**111 244 416**	**100.00%**

Shareholders by size of holding as of 31 December 2020:

Number of shares	Number of owners	Number of shares	Holding percentage
1 – 1 000	860	358 950	0.40%
1 001 – 10 000	678	2 740 081	3.07%
10 001 – 100 000	220	7 337 497	8.22%
100 001 – 200 000	28	3 835 198	4.30%
200 001 – 500 000	19	5 760 740	6.46%
500 001 – 1 000 000	12	7 410 164	8.31%
1 000 001 – 2 000 000	6	7 056 379	7.91%
2 000 001 – 5 000 000	3	10 978 206	12.30%
5 000 001 – 10 000 000	1	7 113 312	7.97%
10 000 001 – 20 000 000	1	36 632 919	41.06%
Total	**1 828**	**89 223 446**	**100.00%**

NOTE 5 / Shareholders, cont.

Number of shares held by the senior management, CEO and the Board of directors, represented, directly or indirectly as per 31.12.2021:

Name	Position	Shares 2021	Shares 2020
Trond Valvik *	Chair of the Board	250 000	150 000
Snorre Kjesbu	Vice Chair of the Board	84 505	39 505
Karin Sandsjö	Board member	60 000	-
Geir Bjørlo **	Board member	117 146	70 000
Håkon Volldal ***	President & CEO	225 000	225 000
Trond Christensen****	CFO	12 000	-
Morten Andersson	SVP Traffic Management	-	-
Fredrik Nordh	SVP Tolling	40 000	40 000
Idunn Hals Bjelland de Garcia	SVP Brand, Communication & Marketing	-	-
Ingeborg Molden Hegstad *****	Former Board member, resignation date June 15, 2021	42 450	24 600
Total		**819 101**	**549 105**

* Indirectly through Battelhavet AS
** Indirectly through Illuminator AS
*** Indirectly through Bright Future AS
**** Indirectly through T Christensen AS
***** Indirectly through Imsight AS

Trond Valvik holds a position as Investment Director in Rieber & Søn, which as per 31.12.2021 owns 51,514,007 (46.31%) of the shares in Q-Free ASA.

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

NOTE 6 / Financial items

Amounts in TNOK	2021	2020
Interest income	6	13
Realised exchange rate differences	5 086	1 756
Unrealised exchange rate differences	8 378	3 589
Financial income	**13 470**	**5 358**
Financial income subsidiaries	6 032	9 489
Dividend income subsidiaries	41 262	23 564
Total financial income subsidiaries	**47 293**	**33 053**
Total financial income	**60 764**	**38 411**
Interest expense	-1 224	-6 667
Interest bank borrowings	-5 398	-8 098
Realised exchange rate differences	-2 249	-2 050
Unrealised exchange rate differences	-2 977	-23 287
Fair value change in other liabilities *	-	-
Other financial expenses	-2 763	-6 115
Financial expenses	**-14 610**	**-46 217**
Interest expense - loan from subsidiary	-1 480	-975
Unrealised exchange rate differences	2 301	-2 259
Realised exchange rate differences	-568	-21
Gain (+)/Loss (-) on sale of shares in subsidiaries	-10 471	-
Impairment of shares in subsidiaries	-57 943	-
Impairment of Non-current receivables - subsidiaries	25 441	-15 000
Total financial expenses subsidiaries	**-42 719**	**-18 255**
Total financial expenses	**-57 329**	**-64 472**
FINANCIAL ITEMS, NET	**3 435**	**-26 061**

NOTE 7 / Employee benefit expenses

Employee benefit expenses

Amounts in TNOK	2021	2020
Salaries	6 572	6 132
Social security costs	1 098	822
Pension costs (contribution plan)	237	208
Other personnel related costs	3 007	642
Total	**10 914**	**7 804**
Average number of employees	2	2
Average number of man-years	2	2

NOTE 7 / Employee benefit expenses, cont.

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

Pension cost

The parent company has a defined contribution pension plan for the Norwegian employees. All employees in Norway are included in defined contribution pension plans. At year end 2021 Q-Free ASA has 2 employees which are included in defined contribution pension plans.

The parent company contributes with 7.0% of salaries between 0 - 7.1 G and 15.0% of salaries between 7.1 - 12 G to the defined contribution pension plan, total TNOK 237 (2020: 208) per contributed year.

NOTE 8 / Other operating expenses

Other operating expenses

Amounts in TNOK	2021	2020
External services	7 197	8 495
Travel expense	256	260
Office supplies	118	39
Marketing / promotions	6	2
Impairment non-current receivables - subsidiaries	-	421
Other	106	57
Total	**7 683**	**9 274**

Audit fees

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

Audit fees	2021	2020
Audit services	936	1 391
Other audit related services	93	137
Tax services	29	
Total	**1 058**	**1 528**

NOTE 9 / Taxes

Amounts in TNOK	2021	2020
Total tax income (-)/expense (+) for the period	**-18 000**	
Tax rate	22%	22%
Taxes payable for the year		
Total ordinary profit before tax	-15 162	-43 139
Permanent differences	1 762	-4 775
Change in temporary differences	-6 194	11 099
Received group contribution	43 591	434
Utilisation of previously unrecognised tax losses	-23 997	
Basis for taxes payable	**0**	**-36 381**
Specification of taxes payable		
Taxes payable on this years profit	-	-
Total taxes payable	**-**	**-**
Specification of deferred tax assets (-) / deferred tax liabilities (+)		
Differences evaluated to be offset:		
Tax asset from losses carry - forward	-56 923	-61 515
Other differences	2 008	-225
Total	**-54 915**	**-61 740**
Unrecognised deferred tax assets	**-36 915**	**61 740**
Recognised deferred tax assets (-) / deferred tax liabilities (+)	**-18 000**	**-**
Reconciling the tax expense		
Earnings before tax	-15 162	-43 139
Calculated tax at 22%	-3 336	-9 491
Tax result permanent differences and tax rate difference	388	-1 051
Use of previously unrecognised loss carried forward (-) / Increase in valuation allowance	2 948	-
Unrecognised increased deferred tax asset	-18 000	11 126
Tax income (-)/expense (+)	**-18 000**	**0**

NOTE 10 / Other current assets

Amounts in TNOK

Other current assets	2021	2020
Accounts receivable	-	1 756
Current receivables - subsidiaries	2 830	18 374
Accrual for Skattefunn grants	-	-
Prepaid rent	-	-
Prepaid software licenses	-	-
Other prepaid costs	1 018	308
Total	**3 848**	**20 438**

NOTE 11 / Cash and cash equivalents

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

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

Amounts in TNOK

Liquidity funds	2021	2020
Cash at banks and on hand	35 728	18 251
Total cash and cash equivalents	35 728	18 251

As of 31 December 2021, Q-Free ASA had available TNOK 100,000 (TNOK 100,000) of undrawn bank credit line and TNOK 65,856 (TNOK 28,473) of undrawn guarantee facilities in which all conditions precedent had been met.

NOTE 12 / Other current liabilities

Amounts in TNOK

Other current liabilities	2021	2020
Accounts payable	604	177
Accounts payable - subsidiaries	563	1 588
Public duties payable	605	473
Accrued wages (Holiday pay and bonus scheme)	3 286	467
Accrued expenses	2 574	3 024
Fair value of foreign exchange contracts	-	-
Total	**7 632**	**5 729**

NOTE 13 / Financial instruments

Financial instruments by category

Amounts in TNOK

31 December 2021	Amortised cost	Fair value	Non financial instruments included in the line item	Total
Financial assets				
Investments in subsidiaries	503 894			503 894
Non-current receivables	1 849	-	-	1 849
Non-current receivables - subsidiaries	281 715	-	-	281 715
Other current assets	3 848	-	-	3 848
Cash and cash equivalents	35 728	-	-	35 728
Total	**827 034**	**-**	**-**	**827 034**
Financial liabilities				
Non-current bank borrowings	179 983	-	-	179 983
Convertible bond	-	-	-	-
Non-current borrowings subsidiaries	90 982	-	-	90 982
Current bank borrowings	12 795	-	-	12 795
Current borrowings subsidiaries	105 985	-	-	105 985
Other current liabilities	-	-	7 632	7 632
Total	**389 745**	**-**	**7 632**	**397 377**

31 December 2020	Amortised cost	Fair value	Non financial instruments included in the line item	Total
Financial assets				
Investments in subsidiaries	509 765			509 765
Non-current receivables - subsidiaries	237 313	-	-	237 313
Other current assets	20 438	-	-	20 438
Cash and cash equivalents	15	-	-	15
Total	**767 531**	**-**	**-**	**767 530**
Financial liabilities				
Non-current bank borrowings	179 200	-	-	179 200
Convertible bond	69 983	-	-	69 983
Non-current borrowings subsidiaries	48 700	-	-	48 700
Current bank borrowings	54 300	-	-	54 300
Current borrowings subsidiaries	35 169	-	-	35 169
Other current liabilities	-	-	5 729	5 729
Total	**387 352**	**-**	**5 729**	**393 081**

NOTE 14 / Changes in liabilities arising from financing activities

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

Amounts in TNOK	2021	2020
Non-current bank borrowings	**179 983**	**179 200**
Convertible bond	**0**	**69 983**
Non-current borrowings subsidiaries	**90 982**	**48 700**
Current bank borrowings	**12 795**	**54 300**
Current borrowings subsidiaries	**105 985**	**53 405**
Total	**283 760**	**352 183**

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

	2021	2020
Cash flow from financing activities:		
Net changes in non-current and current borrowings:	**54 140**	**12 435**
Cash proceeds from credit line (Cash proceeds from borrowings)	0	35 064
Cash proceeds term loan** (Cash proceeds from borrowings)	124 820	82 000
Cash proceeds from borrowings subsidiaries	142 847	67 097
Cash proceeds from borrowings	267 667	184 161
Debt installments term loan (Repayment of borrowings)	-165 542	-33 500
Cash payments credit line (Repayment of borrowings)	0	-82 085
Repayment of borrowings	-165 542	-115 585
Net change in cash proceeds from non-current and current borrowings	**102 125**	**68 576**
Non-cash borrowings from subsidaries	**47 985**	**56 141**
Net change in non-current and current borrowings:	**54 141**	**12 436**
Net change in convertible bond	**-69 983**	**69 983**
Cash proceeds from convertible bond	0	75 777
Convertible bond conversion	69 983	0
Debt element classified as equity	0	-10 727
Interest accrued, not paid	0	4 933
Net change in convertible bond	**69 983**	**69 983**
Net changes in non-current and current borrowings from subsidaries	**94 862**	**10 956**
Cash proceeds from subsidiaries	142 847	67 097
Non-cash borrowings from subsidaries	-47 985	-56 141
Net change in financial liabilities from borrowings subsidiaries	**94 862**	**10 956**

*Other financial liabilities have renegotiated terms and are not related to financial activities
**The facility is partly guaranteed by GIEK as part of the Norwegian government's Covid-19 support packages.

NOTE 15 / Subsequent events

See note 32 Subsequent events in the Group Consolidated Financial Statements.

STATEMENT FROM THE DIRECTORS AND THE CEO

We confirm, to the best of our knowledge, the financial statements for the period from 1 January to 31 December 2021 have been prepared in accordance with IFRS as adopted by EU, with such additional information as required by the Accounting Act, and give a true and fair view of the Group and the Company's consolidated assets, liabilities, financial position and results of operations.

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

Trondheim 28. April 2022

Trond Valvik
(Sign.)
Chair of the Board

Snorre Kjesbu
(Sign.)
Vice Chair of the Board

Lene Diesen
(Sign.)
Board member

Karin Sandsjö
(Sign.)
Board member

Geir Bjørlo
(Sign.)
Board member

Brage Blekken
(Sign.)
Employee-elected Board member

Yngve Halmø
(Sign.)
Employee-elected Board member

Håkon Rypern Volldal
(Sign.)
President & CEO

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

Havnegata 9, 7010 Trondheim
Postboks 1299 Pirsenteret, 7462 Trondheim

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

www.ey.no
Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Q-Free ASA

Opinion

We have audited the financial statements of Q-Free ASA, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the statements of financial position as at 31 December 2021, the statement of profit or loss, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company and the Group as at 31 December 2021 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

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

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for three years from the election by the general meeting of the shareholders on 28 May 2019 for the accounting year 2019.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Revenue recognition and related contract assets

Basis for the key audit matter
The Group derives a significant part of its revenues from long-term projects. As at 31 December 2021, the Group recognized NOK 59.7 million in contract assets. Such projects involve revenue recognition over time based on percentage of completion. The assessment of percentage of completion requires subjectivity and professional judgement, and therefore is subject to uncertainty and potential misstatements. The main risks include management's use of estimates and judgments in relation to percentage of completion, including expected costs to complete, estimated project margin and risk contingencies. We consider this a key audit matter because of the significant amounts and the management judgement applied in the estimates.

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

Impairment of goodwill and intangible assets

Basis for the key audit matter
Goodwill amounts to NOK 287.9 million and intangible assets to NOK 86.5 million in the consolidated financial statements as at 31 December 2021. In total, this accounts for 39.5 % percent of total assets of the Group. The Group performed impairment tests to determine the recoverable amounts and recorded no impairments in 2021. Goodwill and intangible assets impairment testing rely on estimates of value-in use which is based on estimated future cash flows. Due to the subjectivity involved in forecasting and discounting of future cash flows and the significance of the Group's recognized goodwill and intangible assets as at 31 December 2021, this audit area is considered a key audit matter.

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility contain the information required by applicable legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by applicable legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to

draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirement

Report on compliance with regulation on European Single Electronic Format (ESEF)

Opinion

As part of our audit of the financial statements of Q-Free ASA we have performed an assurance engagement to obtain reasonable assurance whether the financial statements included in the annual report, with the file name "5967007LIEEXZXK6O086-2021-12-31-en.zip", has been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation given with legal basis in Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements included in the annual report have been prepared, in all material respects, in compliance with the ESEF Regulation.

Management's responsibilities

Management is responsible for the preparation of an annual report and iXBRL tagging of the consolidated financial statements that complies with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary to enable the preparation of an annual report and iXBRL tagging of the consolidated financial statements that is compliant with the ESEF Regulation.

Auditor's responsibilities

Our responsibility is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation based on the

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evidence we have obtained. We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its annual report in XHTML format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Trondheim, 28 April 2022
ERNST & YOUNG AS

The auditor's report is signed electronically

Christian Ronæss
State Authorised Public Accountant (Norway)

A member firm of Ernst & Young Global Limited

ARTICLES OF ASSOCIATION FOR Q-FREE ASA

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

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

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

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

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

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

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

The Board may grant procuration (registered power of attorney).

ARTICLE 6.
The annual general meeting shall be held before 30 June, in either the City of Trondheim or the City of Oslo.

Invitation to the general meeting shall require at least 21 days' written application to all shareholders with known addresses.

The Board may determine that documents pertaining to matters for discussion at the general meeting shall not be sent to the shareholders when these documents are made available on the Company's Web pages. The same shall apply to documents that by statute must be incorporated into or appended to the invitation to the general meeting. A shareholder may nevertheless, by application to the Company, demand to be sent documents pertaining to matters for discussion at the general meeting.

The right to participate and vote at the general meeting may only be exercised for shares that are entered in the Register of Shareholders

(VPS) on the fifth working day prior to the general meeting (the date of registration).

Shareholders who, either in their own persons or by proxies, wish to participate in the general meeting, shall communicate this to the Company within the deadline that the Board has stipulated in the invitation. Such deadlines cannot expire earlier than five days prior to the meeting.

The annual general meeting shall consider:

1. Adoption of profit and loss account and balance sheet.
2. Application of profit or coverage of loss pursuant to the adopted balance sheet and distribution of dividend.
3. Election of the Board and the Chairman of the Board.
4. Stipulation of the Board's remuneration.
5. Election of members of the Nominations Committee.
6. Stipulation of the compensation to the Nominations Committee.
7. Stipulation of the compensation to the auditor.
8. Other matters that the Board places on the agenda, or that a shareholder wants considered, when such an item is notified in writing to the Board within seven days before the deadline for invitation to the general meeting, together with a proposal for decision or a justification for putting the proposal on the agenda. If the invitation has already taken place, a new invitation shall be made if the deadline for invitation to the general meeting has not passed.
9. Other matters that pursuant to statute pertain to the general meeting.

ARTICLE 7.

The Company shall have a Nominations Committee, whose mission shall be to make recommendations to the general meeting for shareholder-elected members to the Board, and also propose the Board's emoluments.

The Nominations Committee shall consist of three members who shall be shareholders or representatives of shareholders. The members shall be elected by the general meeting. The members of the Nominations Committee shall be elected for two years at a time. The general meeting may decide on instructions for the Nominations Committee.

ARTICLE 8.

Reference is otherwise made to the current companies legislation.

Articles of Association as of 12 February 2021

The shareholders of Q-Free ASA

CORPORATE GOVERNANCE REVIEW 2021

Q-Free aims to protect and enhance shareholders' investments through sustainable good corporate governance and has established principles and guidelines that define the roles and relationships between the shareholders, the Board of Directors and the executive management of the company.

Q-Free is subject to corporate governance reporting requirements according to section 3-3b of the Norwegian Accounting Act and the Continuing obligations of stock exchange listed companies at Oslo Børs, where the shares of Q-Free ASA are actively traded. Further, the company is subject to the reporting requirements of the Norwegian Code of Practice for Corporate Governance.

This review of the company's corporate governance principles and practices is prepared in compliance with the Norwegian Code of Practice for Corporate Governance as per 14 October 2021, and the company's compliance with the 15 recommendations of the Code is explained in the following. The Norwegian Code of Practice for Corporate Governance is available on www.nues.no.

1. IMPLEMENTATION OF AND REPORTING ON CORPORATE GOVERNANCE

The aim of the Norwegian Code of Practice for Corporate Governance (NUES) is to ensure that companies listed on regulated markets in Norway follow corporate governance principles that clarify the role of shareholders, the board of directors, and the day-to-day management beyond what follows from legislation.

The principles and implementation of corporate governance is subject to annual reviews and discussions by the company's Board of Directors.

Q-Free has no deviations from the recommendations in the Code of Practice in 2021.

Q-Free operates worldwide and our operations are characterized by high ethical standards and trustworthy behavior, a customer-oriented offering, and excellence in execution.

Q-Free's values support the Company's strategy and guide decisions and attitudes internally and externally. The core values are:

- Excellence
- Passion
- Innovation
- Collaboration

Q-Free has established a Code of Conduct (COC), guidelines for Corporate Social Responsibility (CSR), and an Anti-Corruption policy based on the company's vision and values. The Code of Conduct provides guidelines on how to behave both internally and externally and contributes to ethical behavior in day-to-day business.

The COC and CSR principles apply to all members of the Board, managers, employees, contracted consultants, representatives and everyone else acting on behalf of Q-Free.

The company endeavors to make its COC and CSR guidelines known to its business partners and are also publicly available on www.q-free.com.

Deviations from the Code of Practice: None.

2. BUSINESS

Q-Free is a leading global supplier of ITS (Intelligent Transportation Systems) products and solutions. Q-Free operates worldwide with headquarters in Trondheim, Norway, and with offices in 15 countries and presence on all continents.

The company has described its operations in the Articles of Association:

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

The company's Articles of Association are available at www.q-free.com.

The Group's objectives and principal strategies are described in the strategy section of the annual report.

The Board of Directors defines clear objectives, strategies and risk profiles for the Company's business activities such that the company creates value for the shareholders in a sustainable matter. When carrying out this work, the Board of Directors takes into account financial, social and environmental considerations. The Annual Report contains a description of the company's objectives and principal strategies.

The Board of Directors evaluates the company's objectives, strategies and risk profiles annually.

Deviation from the Code of Practice: None.

3. EQUITY AND DIVIDENDS

Q-Free ASA's share capital, as per 31.12.2021, totals NOK 42,272,878.08, divided into 111,244,416 shares, each with a par value of NOK 0.38. The shares are freely traded at the Oslo Børs.

Equity

Q-Free's policy is to maintain a satisfying equity ratio to provide a platform for the company's expected expansion and growth. If needed to finance growth, specific projects or transactions, the Board of Directors can propose for the General Meeting that the Board is given mandates to issue new equity. Per 31 December 2021 the Group's equity amounted to NOK 448 million, representing an equity ratio of 47 percent. The Board has a continuous focus on adapting the company's objectives, strategy and risk profile to the company's capital situation. See note 6 in the 2021 Financial statement for further information about the Company's capital structure management.

Dividend policy

Q-Free has an objective to give the shareholders a stable and competitive long-term return on investment. The company is in a growth phase and current strategy is to invest the free cash flow to position Q-Free for future growth.

Q-Free has not distributed dividends in the last three years.

Mandates to the Board

Mandates granted to the Board to increase the company's share capital are restricted to defined purposes and in separate mandates, and thus in accordance with the recommendation. Pursuant to the Code, mandates granted to the Board are limited in time to no later than the date of the next annual General Meeting. The General Meeting is given the opportunity to vote on every purpose covered by the authorisations.

At the Annual General Meeting 20 May 2021, the Board was granted an authorisation to increase the share capital by the subscription on new shares in order to be able to support further growth of the Company, organically or inorganically. The authorisation mandates the Board to increase the share capital, in one or several occasions, with as much as NOK 3,858,080.70 by the issue of as much as 10,152,844 shares, equivalent to approximately 9.13% of the issued shares, each with a par value of NOK 0.38 per share with a right to disregard the existing shareholder's preferential rights according to the Public Limited Companies Act sections 10-4 and 10-5. The mandate is limited for one year, and valid until the next Annual General Meeting but nevertheless no longer than 30 June 2022.

Further, at the Annual General Meeting 20 May 2021, the Board, as part of the carrying out of the established incentive programs towards leading executives and the CEO, through the possibility to subscribe shares in the company, was granted an authorisation to increase the share capital with as much as NOK 369,206.96 which corresponds with 971,579 shares (0.87%), each with a par value of NOK 0.38, through one or more private placements with cash deposits towards leading executives and key personnel. The existing shareholder's preferential rights according to the Public Limited Companies Act sections 10-4 and 10-5 can be deviated from. The authorisation is valid until the next Annual General meeting but no longer than 30 June 2022.

Deviation from the Code of Practice: None.

4. EQUAL TREATMENT OF SHAREHOLDERS

Q-Free has one class of shares and each share represents one vote. Each share has a nominal value of NOK 0.38. All shareholders will be treated equally and have the same influence.

An increase in the Company's share capital may be proposed if the Board of Directors decides that this would best take care of shareholders' long-term interests. Normally, the Board of Directors will propose that share issues are directed to existing shareholders in accordance with their preferential rights. However, if the Board has been given an authorisation from the general meeting to carry out a private placement for a special purpose, the Board may decide to waive the pre-emption rights of existing shareholders. Any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital are justified and publicly disclosed in a stock exchange announcement pursuant to the Code.

In 2021 the Board was given two authorizations by the general meeting to increase the share capital with a total of 10% (9.13% + 0.87%) of the issued shares, with a right to disregard the existing shareholder's preferential rights according to the Public Limited Companies Act sections 10-4 and 10-5. The authorizations have not been used.

Deviation from the Code of Practice: None

5. SHARES AND NEGOTIABILITY

Q-Free has no form of restrictions limiting any party's ability to own, trade or vote for the shares in the company, and has no intension to put forward any such proposals to the General Meeting. The Articles of Association have no restrictions on free negotiability.

Deviation from the Code of Practice: None

6. GENERAL MEETINGS

The General Meeting is the company's supreme governing body, and all shareholders are given the opportunity to participate and exercise their rights. The Annual General Meeting has adopted the Articles of Association where §6 regulates the notice period, right to attend and agenda proposals.

The Board of Directors ensures that:

- the resolutions and supporting information distributed are sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters to be considered in the meeting
- any deadlines for shareholders to give notice of their intention to attend the meeting is set as close to the date of the meeting as possible
- the members of the Board of Directors and the chairman of the Nomination Committee attend the general meeting
- the general meeting is able to elect an independent chairman for the general meeting

Shareholders are able to vote on each individual matter, including on each individual candidate nominated for election. Shareholders who cannot attend the meeting are given the opportunity to vote. The company designs the form for the appointment of proxy to make voting on each individual matter possible and nominates a person who can act as a proxy for shareholders.

The Chair of the Board, Chair of the Nomination Committee, Chair of the Audit Committee, Chair of the Remuneration Committee, the CEO and auditor are present to respond to any questions and queries. The Chair of the Board and the Chair of the Nomination Committee assess on a case-by-case basis, based on the agenda of the general meeting, whether all members should participate.

Deviation from the Code of Practice: None

7. NOMINATION COMMITTEE

The company has a Nomination Committee, and the Nomination Committee is laid down in the Company's articles of association §7. The general meeting stipulates guidelines for the duties of the Nomination Committee, elects the chairperson and members of the Nomination Committee and determines the committee's remuneration.

The Committee shall consist of three members chosen by the General Assembly based on recommendation from the Committee, with a term of office of two years. The Chair of the Committee shall be chosen by the General Assembly. The members of the Committee should be changed regularly, while still securing continuity for the Committee.

The Nomination Committee has contact with shareholders, the Board of Directors and the Company's executive personnel as part of its work on proposing candidates for election to the Board.

The members of the Nomination Committee are selected to take into account the interests of shareholders in general. The majority of the committee are independent of the Board of Directors and the executive personnel. The Nomination Committee does not include executive personnel or any member of the Company's Board of Directors.

The Nomination Committee's duties are to propose candidates for election to the Board of Directors and Nomination Committee and to propose the fees to be paid to members of these bodies.

The Nomination Committee justifies why it is proposing each candidate separately.

The Company provides information on the membership of the committee and any deadlines for proposing candidates on the Company's website.

Q-Free is not aware of the existence of any agreements or business partnerships between the Company and any third parties in which members of its Nomination Committee have direct or indirect interests. All members of the Nomination Committee are independent of the Board of Directors and members of management.

The Company does not have a corporate assembly.

The Nomination Committee composition as at 31.12.2021:

Name	Company	For election
Fredrik Thoresen	Andenæsgruppen	2023
Øystein Elgan	Rieber & Søn AS	2023
Jon Øyvind Eriksen	Sonstad AS	2023

Deviation from the Code of Practice: None

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The Company does not have a corporate assembly.

Composition of the Board

Pursuant to the company's Articles of Association § 5, the Board of Directors shall have 5–8 members.

The Nomination Committee recommends the Board composition to the General Meeting and ensures that the composition of the Board of directors supports the common interests of all shareholders and meet the company's need for expertise, capacity and diversity as well as ensuring that the Board can function effectively as a collegiate body.

The members of the Board are elected for a period of two years and may be re-elected. The General Meeting elects the Chair of the Board. The Vice Chair is elected by the Board for a period of one year. An overview of the members of the Board and their competences is available on the company's website www.q-free.com and in the annual report.

As of 31 December 2021, the Board of Directors comprised of seven members, whereof two elected by and amongst the Group's employees. The Board consist of two shareholder-elected women and three shareholder- elected men, hence the gender diversity requirement pursuant to Norwegian legislation is fulfilled. The Board had the following changes in the shareholder-elected composition during 2021: Karin Sandsö and Lene Diesen were elected as new members of the Board, and Ingeborg Molden Hegstad and Trine Strømsnes resigned as members of the Board.

The Chair of the Board, Trond Valvik, holds the position as Investment Director in the company's largest shareholder, Rieber & Søn AS. The other board members are independent of the company's main shareholders.

Board of Directors Composition as at 31.12.2021:

Name	Position	Service since	Elected until AGM	Shareholding in Q-Free ASA (direct or indirect)
Trond Valvik*	Chair	2017	2023	250 000
Snorre Kjesbu	Vice Chair	2016	2022	84 505
Geir Bjørlo	Board member	2020	2022	117 146
Karin Sandsjö	Board member	2021	2023	60 000
Lene Diesen	Board member	2021	2023	0
Brage Blekken	Employee-elected member of the Board	2020	2022	0
Yngve Halmø	Employee-elected member of the Board	2020	2022	0

* Valvik holds the position as Investment Director in Rieber & Søn, which as per 31.12.2021 owned 51,514,007 (46.31%) shares in Q-Free ASA.

Participation in Board meetings in 2021:

Name	Board meeting	Audit Committee	Remuneration Committee
Trond Valvik	16	5	
Snorre Kjesbu	16	3	
Geir Bjørlo	17		2
Karin Sandsjö*	8	2	
Lene Diesen**	8		2
Brage Blekken	17		2
Ynge Halmø	17		
Ingeborg Molden Hegstad ***	9		5
Trine Strømsnes****	9		1

* Karin Sandsjö serves as board member from 20 May 2021
** Lene Diesen serves as board member from 20 May 2021
*** Ingeborg Molden Hegstad served as board member until 20 May 2021
**** Trine Strømsnes served as board member until 20 May 2021

Independence of the Board

Q-Free is not aware of the existence of any agreements or business partnerships between the company and any third parties in which its directors have direct or indirect interests. The members of the Board are independent from the company's management, and the executive management is not represented in the Board. More than two members of the Board are independent of the main shareholders.

The members of the Board of Directors have no share options or synthetic options in the company. Members are encouraged to own shares in the company.

Deviation from the Code of Practice: None

9. THE WORK OF THE BOARD OF DIRECTORS

Instructions

The Board has issued instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties. The purpose of the instructions is to describe the role and functions of the Board and the interaction with the executive management of the company. The instructions state how the Board and executive management shall handle agreements with related parties, including whether an independent valuation must be obtained. The Board will present any such agreements in the annual report. In 2021, no such agreements were entered into.

In the event that the Chair is absent, the meeting will be chaired by the Vice Chair.

According to the Code of Conduct, members of the Board and the executive management are obliged to notify the Board in case of any material direct or indirect interest in a transaction entered into by the company.

In matters of a material character in which the Chair of the board is, or has been, personally involved, the Board's consideration of such matters will be chaired by some other member of the Board.

The Board's proceedings and minutes are in principle confidential unless the Board decides otherwise. This is pursuant to the instructions to the Board.

Audit Committee

The Public Companies Act stipulates that large companies must have an Audit Committee. Two out of seven members of the Board have been elected by the Board to the Audit Committee.

The Board approved an instruction for the Audit Committee in 2006, revised in 2008, 2013, 2015 and 2021. The Audit Committee's main responsibilities are to supervise the company's internal control systems and to ensure that the auditor is independent and that the annual accounts and quarterly reporting gives a fair view of the company's financial results and financial condition in accordance with generally accepted accounting principles.

The Audit Committee reviews the procedures for risk management and financial controls in the major areas of the Company's business activities. The Audit Committee receives reports on the work of the external auditor and the results of the audit. In addition, the committee reviews the company's work on Corporate Governance.

Audit Committee composition as at 31.12.2021:
Trond Valvik (Chair)
Karin Sandsjö

Remuneration committee

Two members of the Board have been elected by the Board to act as Remuneration Committee, for a period of two years.

The Board approved an instruction for the Remuneration Committee in 2006, which was further revised in 2008 and 2019.

The Remuneration Committee makes proposals to the Board regarding employment terms and conditions and total remuneration of the CEO and incentive-based remuneration for other senior management employees. These proposals are also relevant for other employees entitled to variable salaries. The Board makes comparisons with other companies when deciding the terms and conditions and remuneration of the CEO.

Remuneration Committee composition as at 31.12.2021:
Geir Bjørlo (Chair)
Lene Diesen

Technology Board Committee

The Board established a Technology Board committee late 2018. The Committee was decided to be temporary discontinued in 2020.

The Board's evaluation of its own work

The Board of Directors evaluates its performance annually and present the evaluation to the Nomination Committee. The assessment is executed using questionnaires which are completed by each director followed by a common review.

Deviation from the Code of Practice: None

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ensures that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities.

The Board carries out an annual review of the company's most important areas of exposure to risk and its internal control arrangements.

The Company's main business risks are closely monitored and discussed by the Executive Management team and documented in a central risk register. The register includes an overview of the most significant risks for the Company and a description of how these risks are addressed and shall be mitigated. Moreover, a risk assessment is part of all major bids, delivery and development projects.

In addition to the risk register, the Company has also established a business continuity plan and procedures for crisis management in case of unexpected incidents/events that could have a materially adverse effect on the business. The emergency team meets 3 to 4 times per year to discuss and practice how the Company should handle crises or emergencies. This was a main reason why the Company was able to respond swiftly to the Covid-19 pandemic during 2020 and 2021.

To ensure internal financial and business control, management prepares monthly performance reports for review by the Board. The reports cover financial and business updates as well as major risk items. In addition, quarterly financial reports are prepared and reported to the financial market in accordance with the requirements from Oslo Børs. These quarterly financial reports are first presented to the Audit Committee, which reviews the reports prior to Board meetings where the reports are formally approved. The auditor takes part in the Audit Committee's meetings at least twice a year and meets with the entire Board in connection with the presentation and approval of the annual financial statements.

The model for internal financial reporting and control is reviewed on a regular basis to ensure that the reporting system reflects the Group's main business activities, opportunities and risks. The Group also has a chart of authority in place to ensure financial control with respect to approval of contracts and expenses. The chart of authority is updated regularly, approved by the Board and implemented in relevant position descriptions.

To ensure internal control with processes, policies, and procedures the Company has established a management system. All employees are trained in our management system – the "Q-Free way" of working. Knowledge sharing between employees is performed through our process documentation and leads to continuous improvements. The management system also ensures that responsibilities are defined and communicated within the organization. The following areas represent the key parts of our management system:

- Quality is an essential part of our management system to ensure focus on risk management, process management, and continuous improvement in all core and support processes. Q-Free Norway is certified according to ISO 9001.
- Environment is an integrated part of Q-Free's management system to emphasize our positive environmental role externally and ensure we "walk the talk" internally. Q-Free Norway is certified according to ISO 14001.
- Health and safety is another key part of our management system. Q-Free must provide safe and healthy workplaces by preventing work-related accidents, injuries, and bad health among employees and contractors. Q-Free Norway is certified according to ISO 45001.
- Information security has become an important part of Q-Free Tolling management system, and several policies and procedures are established to ensure information security. Information security training and awareness are also completed. Q-Free Netherlands with its products and supporting ICT systems are certified according to ISO 27001.

Our Quality, H&S, Environment, and Information security policies are publicly available on the website.

Deviation from the Code of Practice: None

11. REMUNERATION OF THE BOARD OF DIRECTORS

The Annual General Meeting approves the Board's remuneration each year based on a proposal from the Nomination Committee. The remuneration of the board reflects the board's responsibility, expertise, time commitment and the complexity of the company's activities.

Remuneration for the period from the Annual General Meeting of 2021 to the Annual General Meeting of 2022:

The Chair of the Board: NOK 460,000
The Vice Chair of the Board: NOK 310,000
Members elected by the shareholders: NOK 260,000
Members elected by the employees: NOK 95,000
Chair of sub-committees of the Board: NOK 11,500 per day of meeting
Members of sub-committees of the Board (shareholder-elected members): NOK 9,000 per day of meeting
Members of sub-committees of the Board (employee-elected members): NOK 4,500 per day of meeting

Beyond the scope of Board responsibility, board members could from time to time take on certain consultancy projects for the company. Such projects are defined by the Board of Directors and occur on a limited basis. Board members are compensated for such work according to separate agreements approved by the Board of Directors.

The Directors' fees are as of 31 December 2021 not linked to performance. The members of the Board have no share options in the company.

Any remuneration in addition to normal director's fee will be specifically identified in the annual report.

The total compensation to members of the board of directors is disclosed in the board of directors' report on salary and other remuneration for leading personnel for 2021 which may be found at the company's website. For further information about remuneration of the Board, also see Note 12 in the 2021 financial statements.

Deviation from the Code of Practice: None

12. REMUNERATION OF THE EXECUTIVE MANAGEMENT

The Q-Free guidelines for salary and other remuneration to leading personnel where approved at the Annual General meeting 20 May 2021. The guidelines are clear and easily understandable and contribute to the company's commercial, long-term interests and financial viability. The guideline is available at the company's website.

Remuneration to members of the company's management is vital for harmonizing the Company's interests with the interests of the leading personnel. The main purpose of the guidelines is to allow shareholders to influence the parameters of the salary and other kinds of remuneration, creating a culture for remuneration that promotes the Group's long-term interests, business strategy while ensuring shareholders influence and the Company's financial sustainability.

Q-Free is a leading international Company within its area of business. To maintain and to strengthen its market position, and to reach the objectives the Board has set for the Company, Q-Free is dependent on recruiting and keeping highly competent employees, leaders included. The Company must therefore grant competitive wages to its leading employees.

Performance-related remuneration is subject to an absolute limit.

The total compensation to members of the executive management is disclosed in the board of directors' report on salary and other remuneration for leading personnel for 2021 which may be found at the company's website. For further information also see Note 12 and 13 in the 2021 financial statements.

Deviation from the Code of Practice: None

13. INFORMATION AND COMMUNICATIONS

Q-Free wants to maintain an open dialogue with the capital market, and holds open presentations for investors, analysts and others on a regular basis. The company aims to maximize shareholders' values, in such a way that the return on investment measured by dividends and increased share price at least match that of alternative investments involving similar risk.

Regular information will be published through the Annual Report and the quarterly reports and open presentations, at the same time as the information is published on the company's website. The quarterly results are also made available through webcast. Q-Free will also provide information on its major value drivers and risk factors through the interim reporting, which will enable investors to evaluate the company's risk and performance. Q-Free publishes an overview each year of the dates for major events. The annual report will be published within four months after year-end.

The CEO and CFO are responsible for the investor relations and all communication with the capital market. This is regulated in the company's Chart of Authority. If required, the Chair of the Board or appointed members of the Board will assist. All information is communicated within the framework established by securities and accounting legislation and the rules and regulations of the Oslo Børs.

Q-Free comply with the Oslo Børs Code of Practice for Investor Relations of 1 March 2021. All information relevant to the company's shareholders is published on Oslo Børs and made available on the company's website www.q-free.com.

Q-Free has published responsibility for the company's contact with shareholders and others on the Company's website.

Deviation from the Code of Practice: None

14. TAKEOVERS

Q-Free Board of Directors will handle takeover bids in accordance with Norwegian law and the Norwegian Code of Practice for Corporate Governance. There are no defense mechanisms against acquisition offers in the articles of association or in any underlying steering document. Neither have the company implemented any measures to limit the opportunity to acquire shares in the company.

Deviation from the Code of Practice: None

15. AUDITOR

The company's external auditor is appointed by the general meeting and is responsible for the financial audit of the parent company and Group accounts. The auditor is independent of Q-Free ASA.

The external auditor of Q-Free ASA annually presents a plan to the Audit Committee covering the main focus for the audit. The external auditor participates in at least two meetings of the Audit Committee every year, and one Board meeting where the annual accounts are approved. Other meetings are attended by the auditor as requested. The annual audit results include a presentation of any material changes in the company's accounting principles, accounting estimates and report any material matters in case of disagreements between the external auditor and the management.

At least once a year, a meeting is held between the auditor and the Board without the presence of the CEO or other members of executive management. The Audit Committee has a specific obligation to survey the auditor's independence and qualifications, and to propose candidates for external audit of the company to the General Meeting.

In 2019 Q-Free ASA arranged a competitive tendering among several auditor companies, and EY AS was elected as the new auditor for the company. Independent external auditors have also been appointed for all subsidiaries of Q-Free ASA which have requirements for a statutory audit.

The external auditor has given the Board of Directors a written notification confirming that the requirements for independence are satisfied.

The auditor attends the Annual General Meeting and informs about the auditor's report and remuneration for the year. This year's auditor's report follows the notes in the annual report. For further information about remuneration of the auditor, see Note 23 in the 2021 financial statements.

The company has established a pre-approval policy related to non-audit services from the auditor. To the extent that the auditor is providing non-audit services, this is discussed separately on case-by-case basis prior to engagement, to ensure that there are no conflict of interest. .All engagements beyond audit related services are to be approved by the Audit Committee. The Audit Committee may issue power of attorney to the administration with absolute limits for engagements beyond audit related services.

Deviation from the Code of Practice: None

CORPORATE SOCIAL RESPONSIBILITY (CSR) REVIEW 2021

INTRODUCTION AND CONTEXT

Q-Free's purpose is to help society and customers tackle mobility, safety, and environmental challenges related to traffic and help sustain urban growth and quality of life. This is the focal point of everything we do and is underpinned by our 3 strategic solution offerings Q-Flow (for improved mobility), Q-Safe (for increased traffic safety), and Q-Clean (for environmentally-friendly transportation).

However, the opportunities presented by further linking our financial investments and business goals to social progress are enormous. As a company we acknowledge that we must invest time and resources into understanding and resolving the ESG issues most relevant to our industry and company to maximize shareholder value and build competitive advantages.

Therefore, our increased focus on non-financial reporting this year sends a strong signal to our shareholders that we believe our future success depends on our continuous ability to look at ESG as strategic frameworks that enable us to unlock new opportunities required to create sustainable profitable growth over time.

THE 3 PILLARS OF Q-FREE'S CSR EFFORTS

Q-Free's corporate social responsibility program has three main pillars:

1. Contribute to a more sustainable transportation system (E)
2. Be a professional, fair and attractive employer and business partner (S)
3. Conduct our business responsibly and meet expectations of key stakeholder groups (G)

1. CONTRIBUTE TO A MORE SUSTAINABLE TRANSPORTATION SYSTEM

SDGs as guiding stars for our sustainability efforts

The 17 Sustainable Development Goals – shorthanded as "SDGs" and also known as the Global Goals – were adopted by all United Nations Member States in 2015 to mobilize countries to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.

With the launch of the SDGs, improved traffic solutions were stated as a global focus area, aiming to provide all citizens with access to safe, affordable and sustainable transport by 2030 while reducing the number of global deaths and injuries from road traffic accidents by 50 percent. In the words of the UN: "Transport is not an end in itself, but rather a means allowing people to access what they need: jobs, markets, social interaction, education, and a full range of other services contributing to healthy and fulfilled lives."

Q-Free directly contributes to 4 SDGs:
• Good health and well-being (SDG 3)
• Decent work and economic growth (SDG 8)
• Industry, innovation, and infrastructure (SDG 9) and
• Sustainable cities (SDG 11)

These four SDGs fit our vision, mission, values, market position, current strategy, and identity. They are not only guiding stars for us in our sustainability efforts, they are also a confirmation that there is consensus in what we view as important when building a new and more sustainable transportation system for all. In the management section of our 2021 annual report we provide more details on our specific commitments, contributions and planned actions to support the 4 SDGs above.

Measurable KPIs

We have an ambition to continuously maximize the positive effects our solutions have on the environment while reducing our own footprint. Although Q-Free has a net positive impact on the environment, it is still important for us to design, manufacture, sell, and deliver our products and services with the smallest possible ecological footprint. Therefore, we regularly conduct environmental aspect analyses. The ownership of environmental management has improved within top and middle management through clear, annual environmental goals that are measured and acted upon:

KPI	Area	Goal 2021	2017	2018	2019	2020	2021
Number of tolling lanes in operation	E	>2 100		1 810	1 890	~2 000	>2 200
Travel emissions Number of ton CO_2 pr. million NOK in sales	E	<0.20	0.414	0.339	0.241	>10%	0.031
OBUs shipped by sea	E	>10%			5.7%	6%	9%

The number of tolling lanes in operation is a clear indication of our positive environmental impact. By introducing tolls, governments can increase the cost of road traffic and thus enable a shift to greener transportation modes. In 2021 we had more than 2200 lanes in operation, in line with our target for the year. For 2022 we plan to add new KPIs related to the positive impact of e.g. efficient traffic signal management on emissions from stop-and-go traffic.

Internally we continue to reduce travel year on year, and due to the COVID-19 pandemic there has been almost no travel in 2021. We have had a steady decline in CO2 emission from travel since 2016. In 2016 we had a CO2 emission from travel of 530 ton compared to 27 ton in 2021. Thanks to positive experiences with digital meetings and interaction, our travel patterns will be permanently altered going forward and save both money and emissions.

Our supply chain organization has established a goal to increase sea freight, , using sea transportation instead of air freight when possible. 9.0% of our on-board units were shipped by sea freight in 2021, up from 6% in 2020 and just short of the 10% goal. We expect to reach and exceed our goal when the Covid-19 pandemic ends and both shipment and port handling becomes more effective and efficient.

Compliance with environmental standards
Q-Free fulfils all environmental requirements imposed by the Norwegian authorities and the European Union. Q-Free Norge AS has an environmental management system that is certified in accordance with ISO 14001:2015. Furthermore, the Group is working actively to encourage our sub-contractors to choose the most environmental-friendly alternatives wherever possible.

Q-Free's Environmental Policy is publicly available on our website.

2. BE A PROFESSIONAL AND ATTRACTIVE EMPLOYER

A safe and rewarding work environment
Our Code of conduct and values (Excellence, Passion, Innovation, and Collaboration – EPIC) provide clear requirements for employee performance and behavior – both internally in the workplace and in interactions with customers, business contacts, and others who are affected by our operations. The Code of Conduct is available on our website.

Q-Free considers the knowledge and experience of our employees as one of our most valuable assets. We want to attract, develop, and retain talented, innovative, and passionate employees. In return, we want to provide a competitive compensation and a safe and rewarding work environment where employees can develop and grow both personally and professionally. We have chosen three KPIs to measure how the company delivers on its promise:

KPI	Area	Goal 2021	2017	2018	2019	2020	2021
Employee satisfaction* (HCI/Winning temp)	HS	>7.5	4.00	4.04	4.11	7.5	7.7
Absence rate (sickness)	HS	<2%	1.35%	1.55%	2.7%*	1.4%	1.5%
Accidents	HS	0	0	1	0	0	0

*In the period 2016-2019 the employee satisfaction score was based on a scale of 1 to 5 (5 being the best). From 2020 a new scale of 1 to 10 (10 being the best) was implemented.

Due to the rapid changes we see in the world of work today, the need to monitor and strengthen the employee experience in Q-Free has become more urgent. As a response to this, we made an important shift in 2020 from the traditional annual employee survey to weekly AI-powered pulse surveys. Pulse surveys provide real-time insights into our strengths and areas of improvement, thus allowing us to respond with timely and appropriate measures as we go. The aim is to strengthen our internal communication and improve the way we work for the better good of all our employees. In 2021 we rolled out our employee survey, WinningTemp, globally and achieved a total score of 7.7 versus the average index score of 7.5

2021 was a year without accidents for Q-Free. Moreover, the sick leave in Q-Free Norge AS was 1.5% in 2021, which is below the national average for comparable workplaces and below our 2% target.

Diversity and equal opportunities
Q-Free promotes and respects internationally accepted human rights, including those specified by the International Labor Organization. We support the right to freedom of association, and oppose any form of child labor, forced labor, and discrimination. Q-Free actively encourages all representatives, partners, and suppliers to follow the same principles.

We are an international company with employees from more than 35 different nationalities and with diverse backgrounds. Hence, we strive to avoid discrimination of individuals or groups based on their age, gender, disability, race, sexual orientation, ethnic origin, religion, political affiliation, or any other reason. Q-Free has established an anonymous reporting mechanism where incidents or violation in relation to our working environment can be reported. There have been no reported incidents in recent years.

Gender equality and non-discrimination of male or female employees will be of particular importance to us as Q-Free's workforce consists of only 17% female employees. Disciplines such as technology development, engineering, and technical sales have traditionally attracted a majority of male applicants. However, with more women graduating with technical degrees and the documented benefits of a better balanced gender ratio, we have established a goal to increase the share of women in Q-Free to 25% by end of 2023. The gender diversity requirements pursuant to Norwegian legislation are already fulfilled as the Board of Directors currently has a 40-60 gender representation among shareholder-elected board members.

Going forward we will strive to break down any barriers that may have restricted female applicants in the past. We will systematically address the entire employee journey to ensure we cater to the needs to women from attraction, recruitment, and onboarding to development, retention, and promotions. Activities to minimize gender biases in our employee communication and educate employees to set boundaries and take full advantage of flexible work options to assure work-life balance in a remote work environment, will be key. In 2021 we have initiated a cooperation with ADA, a career network for female tech students at the Norwegian University of Science and Technology (NTNU) in Trondheim, Norway.

Health and safety is always a top priority. Q-Free Norge AS was the first Q-Free subsidiary to receive the ISO 45001 certification in 2019.

In 2021 the H&S focus shifted to more psychosocial areas like: work related stress, mental health, internal bullying and harassment, decreased psychological security and feedback culture, and decrease cross-functional relationships and team culture and home-office.

The risk assessment of these topics and discussions in various fora have increased the common understanding of its importance. Proposed risk mitigation actions have also been presented for the Tolling Management team.

Health and Safety risks assessments are completed yearly. The risk assessments are adjusted depending on the region, local activities, projects and products, and are designed to accommodate local legislation and requirements. We are still working to implement robust H&S risk assessment in all parts of our value chain.

Locally elected H&S representatives ensure an open channel for the employees to address their health and safety concerns. We have regular Committee meeting with the H&S representatives to review our health and safety performance, as well as address any relevant subjects for our work environment.

These subjects are also documented in our management system and the Q-Free Employee Handbook.

3. CONDUCT OUR BUSINESS RESPONSIBLY

Ethics guidelines

High ethical standards and business conducts are prerequisites for running a sustainable company and gaining the trust of our key stakeholders as well as local, national, and international communities. This is a shared responsibility between the company itself and each of Q-Free's employees and representatives.

The Q-Free Code of Conduct contains guidelines for ethical behavior in both internal and external business settings and is designed to guide and stimulate ethical awareness as a basis for everyday actions and behavior. The Code of Conduct is applicable to Board members, managers, employees, contracted consultants, representatives and everyone else acting on behalf of Q-Free, and is revised and distributed internally on annual basis.

Anti-corruption

The Code of Conduct clearly states that Q-Free has a zero tolerance for all forms of corruption and bribery. It also demands that any suspicion of misconduct is reported. Personal interests or personal gains shall not affect the work of a Q-Free representative, and any action or interest that compromises integrity or objectiveness shall be avoided. The Code of Conduct explicitly governs areas relating to conflicts of interest, gifts, and money laundering.

Fair and open competition in all markets is always pursued by Q-Free. We have a desire to win contracts based on a competitive offering of products, services, and solutions. Q-Free adheres to national and foreign antitrust laws, while the Code of Conduct states that no formal or informal agreements shall be entered if competition is thereby unfairly restricted.

Q-Free identifies and monitors corporate risks including corruption and conducts analyses to define and evaluate how to address and mitigate these risks. Q-Free is also implementing an Anti-Corruption Compliance procedure to better identify, monitor and mitigate these risks. In order to ensure that our employees have the competence to achieve our goals, we have conducted and will continue to conduct internal sessions how to prevent corruption and bribery.

These subjects are also documented in our management system.

Insider trading rules

As a publicly listed company, Q-Free complies with the laws, regulations and continuing obligations for listed companies concerning the disclosure of information. The Code of Conduct, as well as our employment agreements emphasizes the confidentiality requirements and prohibits misuse of information about Q-Free, or relating to insider trading, as regulated by the Securities Trading Act.

Supplier monitoring

Q-Free monitors and evaluates its suppliers. It is very important to us that our suppliers follow and comply with our high corporate social responsibility standards and conduct their business responsibly. As part of the process of selecting suppliers, we evaluate product quality/performance, labor practices and human rights, financial performance, management system, environmental performance, information security and health and safety. Our agreements allow for audits of each supplier, and corporate social responsibility is part of these audits.

THE WAY FORWARD

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

UN GLOBAL COMPACT

Q-Free ASA conducts its business in a responsible way and is committed to the 10 principles in the UN Global Compact related to human rights, working life standards, the environment, and anti-corruption.

PRINCIPLE	What Q-Free does
HUMAN RIGHTS	
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights, and	The Q-Free Code of Conduct contains guidelines for ethical behaviour in both internal and external business settings and is designed to guide and stimulate ethical awareness as a basis for everyday actions and behaviour. The Code of Conduct is applicable to Board members, managers, employees, contracted consultants, representatives, and everyone else acting on behalf of Q-Free. The Code of Conduct explicitly states that "Q-Free supports and respects internationally recognised human rights, including those specified by the International Labour Organization". As a company, Q-Free complies with all applicable national and international laws.
Principle 2: make sure that they are not complicit in human rights abuses.	Our suppliers and business partners are essential to our ability to do business, but can also expose us to reputational, operational and legal risks. We expect our suppliers and business partners to comply with applicable laws, respect internationally recognized human rights, and follow ethical standards consistent with our own standards. We look to work with others who share our commitment to ethics and compliance, and we manage risk through in-depth knowledge of our suppliers, business partners and markets. Regular communication and a clear outline of our expectations towards Q-Free's suppliers and business partners are essential in maintaining these standards. Before any contract is signed with a third party to represent Q-Free or Q-Free's interests externally, such third party must undertake appropriate integrity due diligence in accordance with Q-Frees Business Partner Declaration & Questionnaire. Our Procurement policy also provides a framework for ethical awareness, general professionality, communication and health and safety for all Q-Free employees with purchasing/procurement responsibilities Our Procurement policy is part of our Management system
LABOUR	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Q-Free's Code of Conduct explicitly states that "The company respects the right to freedom of association" and states that "All employees shall be free to form and to join labour unions or similar internal or external representative organizations and have the right to collective negotiations". These are mandatory rights implemented in the Norwegian Constitution § 101, Norwegian Working Environment Act, Section 13-1 by the prohibition against discrimination based on association to labour unions etc., as well as the incorporation of the human rights as law in Norway. Q-Free facilitates union organization and conducts collective bargaining for all employees and at all levels, where relevant. Our businesses in Norway and Sweden works closely with local trade unions.
Principle 4: the elimination of all forms of forced and compulsory labour	Q-Free opposes any form of child labour, forced labour, or discrimination, and expects all Q-Free representatives and suppliers to follow the same principles. This is explicitly written into our Code of Conduct, Business Partner Declaration & Questionnaire and Q-Free Supplier Questionnaire that is part of our Management system. The company's employees have pay and working conditions in line with national legislation and agreements with trade unions.

PRINCIPLE	What Q-Free does
Principle 5: ensure the effective abolition of child labour; and	Q-Free does not use child labour and opposes any form of child labour. Child labour is prohibited in Norway under the Working Environment Act, Section 11-1. Our Procurement Policy and Supplier Questionnaire require suppliers to document their labour practices and Human rights policies, procedures and training practices.
Principle 6: the elimination of discrimination in respect of employment and occupation.	Q-Free's Code of Conduct is our guide to ensuring a working environment without discrimination, bullying or harassment. In Q-Free there shall be no discrimination of age, gender, disability, race, sexual orientation, ethnic origin, religion, or political affiliation. Q-Free shall be an engaging workplace with an inclusive working environment. Procedures for whistleblowing have been established. In situations where an employee is aware of any infringement of Q-Free's Code of Conduct, or is in doubt if such an infringement has occurred, the employee may raise the issue with its manager, the Human Resources department or Legal department. If this is not possible, the employee shall report the infringement directly to the Chairman of the Board or Member(s) of the Board. Incidents may be reported anonymously if desired. Q-Free ASA is obliged to ensure that any employee who reports any infringement is protected against any retaliation or negative consequences based on whistleblowing, ref. the Norwegian Working Environment Act, Section 2-5. Any employee outside Norway shall have the same rights and protections as employees in Norway.
ENVIRONMENT	
Principle 7: Businesses should support a precautionary approach to environmental challenges;	Q-Free's mission is to "create intelligent solutions for efficient, safe, and *environmentally friendly* transportation based on innovative technology and open platforms". In short, Q-Free's purpose is to help society and customers tackle mobility, safety, and *environmental challenges* related to traffic and help sustain urban growth and quality of life. What is good for Q-Free is also good for society and the environment. Environment is also a part of Q-Free Management system and is implemented in our processes and procedures. Q-Free is certified in accordance with ISO 14001.
Principle 8: undertake initiatives to promote greater environmental responsibility; and	Road vehicles still account for a large share of direct global CO_2 emission from fuel combustion and this must be reduced. Q-Free has made sustainable transportation an integral part of its business: The "Q-Clean" concept is one of Q-Free's 3 overall solution concepts (Q-Flow, Q-Safe and Q-Clean) and addresses the negative environmental impacts of road traffic. Q-Free's normal business activities and marketing efforts therefore go hand in hand with promoting environmental responsibility. Q-Free has also chosen to support the UN's Sustainable Development Goals (SDG) number 3, 8, 9 and 11. These four SDGs fit our vision, mission, values, market position, current strategy, and identity. They are not only guiding stars for us, they are also a confirmation that there is consensus in what we view as important when building a new and better world for all. With time we may expand our approach and incorporate additional goals as we learn and grow. We aim to measure our contribution towards the achievements of the SDGs and continue to create sustainable business opportunities.

PRINCIPLE	What Q-Free does
Principle 9: encourage the development and diffusion of environmentally friendly technologies.	Q-Free's electronic tolling and congestion charging solutions allow for the collection of funds directly from those who pollute and make it possible to invest these funds in more sustainable transportation infrastructure. Q-Free's smart traffic signal operations and freeway management solutions also help reduce emissions from unnecessary miles driven and stop-and-go traffic. As an example, Q-Free's tolling systems have improved the air quality in Sweden since the implementation of the Congestion Tax project in Stockholm in 2006 and in Gothenburg in 2013. The systems delivered by Q-Free detect and identify eligible vehicles in the cities using video technology, and the corresponding tax is levied with the amount varying depending on the time of day. This influences the behavior of people by making them assess whether they need to drive at a particular time, whether they can take public transportation instead of a personal vehicle, or whether they need to make the journey at all. For example, since the launch of the Stockholm system the number of passages within the congestion zone has been reduced by approximately 20 percent. Carbon dioxide emissions have gone down by over 3 percent, air-borne pollutants are down around 13 percent and nitrogen oxides (NOx) have been reduced by around 9 percent.
ANTI-CORRUPTION	
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	The Code of Conduct clearly states that Q-Free has a zero tolerance for all forms of corruption and bribery. It also demands that any suspicion of misconduct is reported. Personal interests or personal gains shall not affect the work of a Q-Free representative, and any action or interest that compromises integrity or objectiveness shall be avoided. The Code of Conduct explicitly governs areas relating to conflicts of interest, gifts, and money laundering. Fair and open competition in all markets is always pursued by Q-Free. We have a desire to win contracts based on a competitive offering of products, services, and solutions. Q-Free adheres to national and foreign antitrust laws, while the Code of Conduct states that no formal or informal agreements shall be entered if competition is thereby unfairly restricted. Q-Free identifies and monitors corporate risks including corruption and conducts analyses to define and evaluate how to address and mitigate these risks. In order to ensure that our employees have the competence to achieve our goals, we have conducted and will continue to conduct internal sessions how to prevent corruption and bribery. With operations and companies in both the US and UK, the US Foreign Corrupt Practices Act and the UK Bribery Act 2010 applies to Q-Free, and together with the Norwegian Penal Code § 387, these set the minimum threshold in our combat against corruption and our guidelines Anti-Corruption Handbook and Corporate Social Responsibility. These subjects are also documented in our management system.

HEADQUARTERS

Q-FREE ASA
Strindfjordvegen 1
7053 Ranheim
Norway

POSTAL ADDRESS
POB 3974 Leangen
7443 Trondheim
Norway
Tel.:+47 73 82 65 00

EUROPE

Q-FREE NORWAY
Strindfjordvegen 1
7053 Ranheim
Norway
Tel.:+47 73 82 65 00

Oslo office
Henrik Ibsens gate 100,
0255 Oslo
Norway
Tel.: +47 73 82 65 00

Q-FREE SWEDEN
Sundbybergsvägen 1
171 73 Solna
Sweden
Tel.: +46 8 517 820 80

Gothenburg office
Flöjelbergsgatan 16 A
SE431 37 Mölndal
Sweden

Q-FREE DENMARK
Korsør
Servicevej 6
4220 Korsør
Denmark
Tel.: +45 91 99 12 06

Q-FREE UNITED KINGDOM
30 Lynx Crescent
Weston Industrial Estate
Weston-super-Mare
North Somerset
England, United Kingdom
BS24 9BP
Tel.: +44 1934 644 299

Q-FREE NETHERLANDS
Eursing 2
9411 XC Beilen
The Netherlands
Tel.: +31 593 542 055
Fax: +31 593 542 098

Q-FREE SLOVENIA
Kamniška ulica 50
1000 Ljubljana
Slovenia
Tel.: +386 1 300 97 70
Fax: +386 1 300 97 85

Q-FREE PORTUGAL
Taguspark
Av. Prof. Doutor Aníbal
Cavaco Silva
Bloco B1-2B
P 2740-120 Porto Salvo
Portugal
Tel.: +351 21 422 71 70
Fax: +351 21 422 71 71

Q-FREE SPAIN
Calle Serrano, 1, 4th floor
28001 Madrid
Spain
Tel.: +34 915 634 415

Q-FREE POLAND
Q-Free Polska Sp. z o.o.ul.
Chłodna 64,
00-872 Warszawa,
Poland

AMERICAS

Q-FREE AMERICA
4660 La Jolla Village Drive
Suite 100
San Diego, CA 92122
USA
Tel.: +1 855 737 3387

Q-FREE ATLANTA
2665 Pine Grove Rd., Ste 100
Cumming, GA 30041
USA

Q-FREE CHESAPEAKE
1420 Kristina Way
Ste 102
Chesapeake, VA 23320
USA
Tel.: +1 757 546 3401
Fax: +1 757 546 1832

Q-FREE TUCSON
3801 E. 34 Street
Suite 105
Tucson, AZ 85713
USA
Tel.: +1 520 795-8808

Q-FREE CHILE
Avenida Santa María 2670
Oficina 207
Providencia – Santiago
Tel.: +562 2246 3939

ASIA PACIFIC

Q-FREE AUSTRALIA
Level 7, 107 Mount Street
North Sydney NSW 2060
Australia
Tel.: +61 2 8020 2650
Fax: +61 2 8020 2651

Queensland Office
Unit 8 & 9, 45 Jijaws Street
Sumner
Queensland 4074
Australia
Tel: +61 7 3376 8854

Q-FREE THAILAND
17 GEC Building, 2nd Floor, Zone A,
Soi Prasert-Manukitch 31,
Prasert-Manukitch Road,
Ladprao, Ladprao, Bangkok 10230
Thailand
Tel.: +66 255 32 025