



Q2

SECOND QUARTER

2022

SECOND QUARTER AND
FIRST HALF YEAR
RESULTS 2022

THE PRIME MOVER IN
TRAFFIC TECHNOLOGY

Highlights

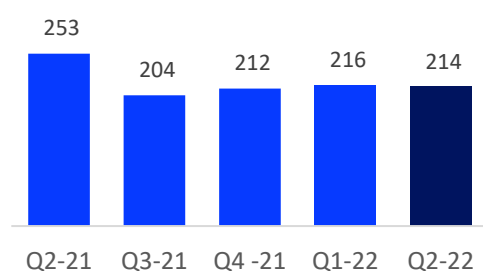
Q2 2022

- 31% YoY growth in recurring revenues – enabled by our advantageous shift in business models
- 214 MNOK in total revenues, down 16% YoY mainly due to component shortage
- 32 MNOK in EBITDA (15% margin), down from 35 MNOK (14% margin) in Q2-21 amid component shortage
- -10 MNOK in cash flow from operations, down from 29 MNOK in Q2-21
- 1 469 MNOK in order backlog, up 20% YoY

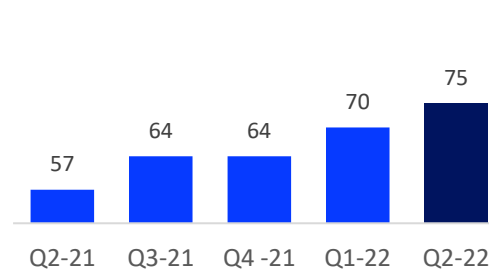
H1 2022

- 26% YoY growth in recurring revenues
- 429 MNOK in total revenues, down 3% YoY
- 42 MNOK in EBITDA (10% margin), down from 48 MNOK (11% margin) in H1-21
- 26 MNOK in cash flow from operations, up from 24 MNOK in H1-21
- 786 MNOK in order intake, up 34% YoY, and book to bill of 1.83 versus 1.32 in H1-21

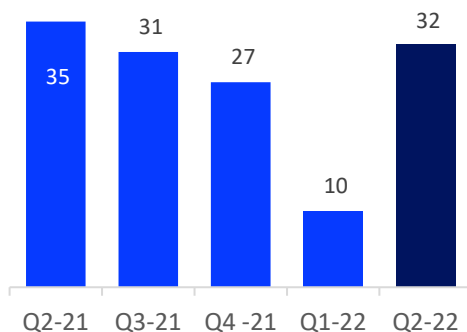
REVENUES LAST 5 QUARTERS
MNOK



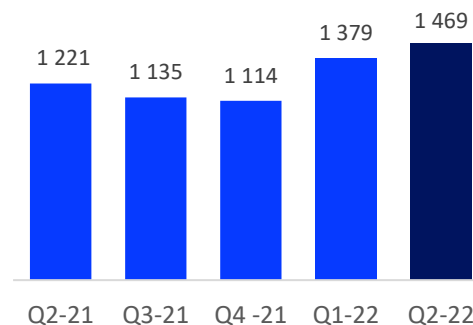
RECURRING REVENUES LAST 5 QUARTERS
MNOK



EBITDA LAST 5 QUARTERS
MNOK



ORDER BACKLOG LAST 5 QUARTERS
MNOK



Financial review

KEY FIGURES

NOK 1.000	Q2 2022	Q2 2021	Y/Y-%	H1 2022	H1 2021	FY 2021	Y/Y-%
Recurring revenues	74 708	57 094	30,9%	144 591	114 431	236 239	26,4%
Non-recurring revenues	138 805	195 538	-29,0%	284 440	329 685	623 776	-13,7%
Total revenues	213 518	252 633	-15,5%	429 036	444 118	860 017	-3,4%
Gross contribution	146 631	151 641	-3,3%	282 112	282 551	550 087	-0,2%
Gross margin - %	68,7%	60,0%		65,8%	63,6%	64,0%	
Operating expenses	115 064	117 100	-1,7%	240 535	234 682	444 493	2,5%
EBITDA	31 567	34 541	-8,6 %	41 577	47 869	105 593	-13,1%
EBITDA margin	14,8%	13,7%		9,7%	10,8%	12,3%	
Depreciation and amortisation	12 991	14 956	-13,1%	26 255	29 408	57 781	-10,7%
Gain on disposal of assets	0	0		0	252	2 452	
Operating profit - EBIT	18 576	19 584		15 322	18 712	50 263	
EBIT margin	8,7%	7,8%		3,6%	4,2%	5,8%	
Profit before tax	15 141	15 839		9 983	11 741	39 566	
Profit margin	7,1%	6,3%		2,3%	2,6%	4,6%	
Profit after tax from continuing operations	20 145	14 320		14 698	10 242	58 629	
Profit after tax	20 145	14 320		14 698	10 242	58 630	
Profit for the period	20 145	14 320		14 698	10 242	58 630	
EPS	0,18	0,13		0,13	0,11	0,53	
Number of employees	340	360		349	378	349	

Profit and loss second quarter 2022

Q-Free generated total revenues of 214 MNOK in the second quarter of 2022, down 16 percent from Q2-21. Recurring revenues in the quarter were 75 MNOK, up 31 percent from 57 MNOK in Q2-21. This represented 34 percent of total revenues and 299 MNOK in Annual Recurring Revenue (ARR). Reference is made to the Alternative Performance Measure section for ARR definition and overview.

Tolling revenues ended at 128 MNOK, a decrease of 34 MNOK from 161 MNOK in Q2-21. Within Tolling, revenues from S&M and software increased, whereas revenues from system projects and product sales were negatively impacted from limited supply of microcontrollers and project equipment. Traffic Management revenues ended at 86 MNOK, down 5 MNOK from 91 MNOK in Q2-21. The decrease is affected by revenue shortfall of weigh-in-motion systems from the ongoing conflict in Ukraine.

Gross margin increased by 9 percentage points amid more favourable product mix. Gross contribution was down 3

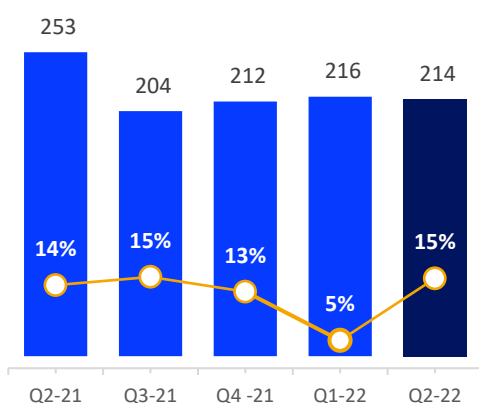
percent to 147 MNOK compared to Q2-21 from lower revenues.

Operating expenses in Q2-22 amounted to 115 MNOK compared to 117 MNOK in Q2-21.

EBITDA in the quarter ended at 32 MNOK (15 percent margin), down from 35 MNOK (14 percent margin) in Q2-21. In Q2 3 MNOK of the 6 MNOK provisions made in Q1 related to Ukraine was reversed due to received payment.

Depreciation and amortization in Q2-22 ended at 13 MNOK compared to 15 MNOK in Q2-21.

QUARTERLY REVENUES AND EBITDA MARGIN MNOK & Percent



Operating profit (EBIT) in the first quarter ended at 19 MNOK compared to 20 MNOK in Q2-21.

Net financial items in the quarter were negative by -3 MNOK, on the same level as in Q2-21.

Reported pre-tax profit ended at 15 MNOK, slightly down from 16 MNOK in Q2-21.

Based on expectations to future taxable profits, Q-Free has during the quarter recognized deferred tax assets from a portion of the Group's unused tax losses.

Earnings per share was 0.18 NOK in the second quarter of 2022 versus 0.13 NOK in Q2-21.

Profit and loss first half 2022

Accumulated revenues for first half 2022 amounted to 429 MNOK, down 3 percent from 444 MNOK in H1-21. Revenues in Tolling were on the same level as in H1-21 whereas revenues in Traffic Management were down 8 percent.

Gross contribution for the first six months ended at 282 MNOK, on the same level as for the corresponding period in 2021. Gross margins are slightly up from last year, with an increase of 2 percentage point.

Operating expenses in H1-22 were 241 MNOK, up 6 MNOK compared to the first half of 2021.

EBITDA in the first half of 2022 amounted to 42 MNOK compared to 48 MNOK in H1-21. The reported EBITDA margin in H1-22 was 10 percent versus 11 percent in H1-21. Operating profit (EBIT) ended at 15 MNOK versus 19 MNOK in H1 2021.

Net financial items were -5 MNOK during the first six months of 2022 compared to -7 MNOK in the corresponding period of 2021. Pre-tax profit in H1-22 was 10 MNOK compared to 12 MNOK in H1 2021.

Balance sheet

Total assets as of 30 June 2022 were 973 MNOK, up from 930 MNOK at the end of Q1-22 and up from 903 MNOK as of Q2-21.

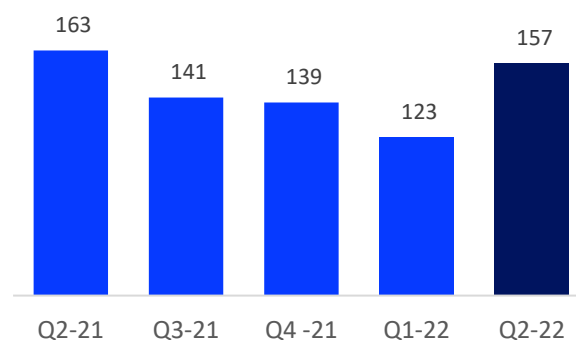
Total equity ended at 464 MNOK, up from 432 MNOK at the end of Q1-22 and up from 393 MNOK at the end of Q2-21. The equity ratio was 48 percent, up from 46 percent at the end of Q1-22 and up from 44 percent at the end of Q2-21.

Non-current liabilities ended at 236 MNOK, down from 245 MNOK end of Q1-22 and down from 252 MNOK at the end of Q2-21.

Current borrowings to financial institutions were 35 MNOK, up from 19 MNOK at end of Q1-22 and at the same level as of Q2-21. Granted, but unused, credit facilities were 84 MNOK at the end of Q2-22, down from 100 MNOK as of Q1-22 and down from 91 MNOK as of Q1-21.

Net interest-bearing debt (NIBD) ended at 157 MNOK, up from 123 MNOK in Q1-22 and down from 163 MNOK at the end of Q2-21. During the quarter, Q-Free extended the maturity of its loan facilities with one year, securing financing at favourable terms into 2025.

QUARTERLY NIBD MNOK



Current liabilities were 272 MNOK at the end of the quarter, up from 253 MNOK at Q1-22 and down from 258 MNOK at the end of Q2-21.

Net working capital (defined as current assets excluding cash less current liabilities excluding current borrowings) amounted to 106 MNOK at the end of Q2-22, up from 88 MNOK at the end of Q1-22 and down from 127 MNOK at the end of Q2-21. The working capital ratio based on 12-month trailing revenues ended at 13 percent at end of Q2-22 versus 10 percent as at the end of Q1-22 and down from 14 percent at the end of Q2-21.

The increase in working capital and NIBD is related to the supply chain situation. Q-Free has opted to increase inventory

and prepay some suppliers to secure future deliveries and thereby reduce risk of delays in revenue.

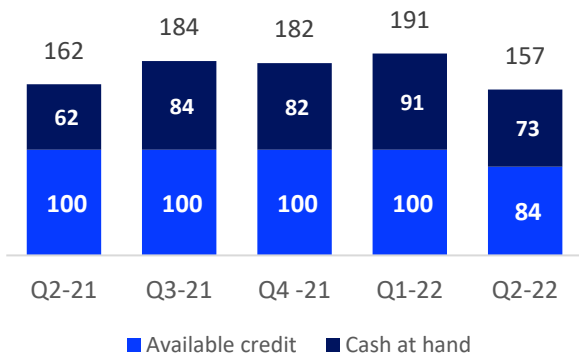
Cash flow

Net cash flow from operating activities was -10 MNOK in Q2-22 compared to 29 MNOK in Q2-21.

Net cash flow from investing activities was -13 MNOK in Q2-22 compared to -5 MNOK in Q2-21.

Net cash flow from financing activities was 3 MNOK in Q2-22 versus -16 MNOK in Q2-21. The YoY increase is due to proceeds from borrowings.

QUARTERLY AVAILABLE CREDIT AND CASH AT HAND
MNOK



Q-Free had 157 MNOK in available funds at the end of Q2-22, down from 191 MNOK at the end of Q1-22.

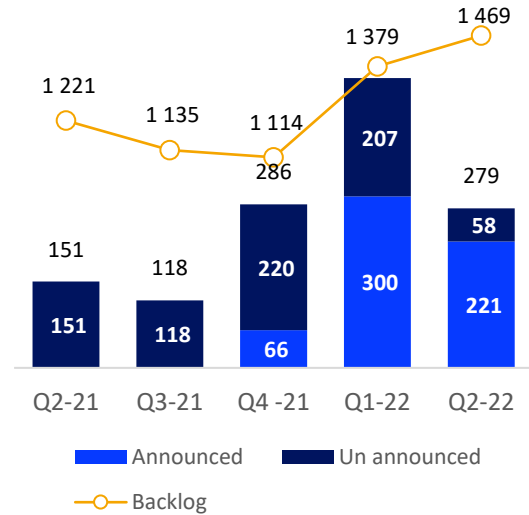
Order intake and backlog

Total reported order intake in the second quarter of 2022 was 279 MNOK compared to 151 MNOK in Q2-21. Book-to-bill in the quarter ended at 1.30.

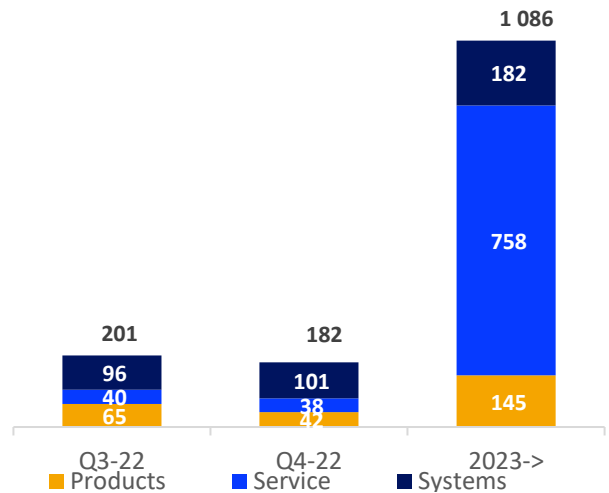
The order backlog at the end of Q2-22 was 1 469 MNOK, up from 1 221 MNOK at the end Q2-21 and up from 1 379 MNOK at the end of the previous quarter. 201 MNOK of the backlog is scheduled for delivery in Q3-22, and 1 268 MNOK in the Q4-22 and beyond.

In terms of revenue mix, the order backlog is composed of 12 percent product deliveries, 40 percent service and maintenance contracts, and 48 percent system projects.

ORDER BACKLOG AND ORDER INTAKE
MNOK

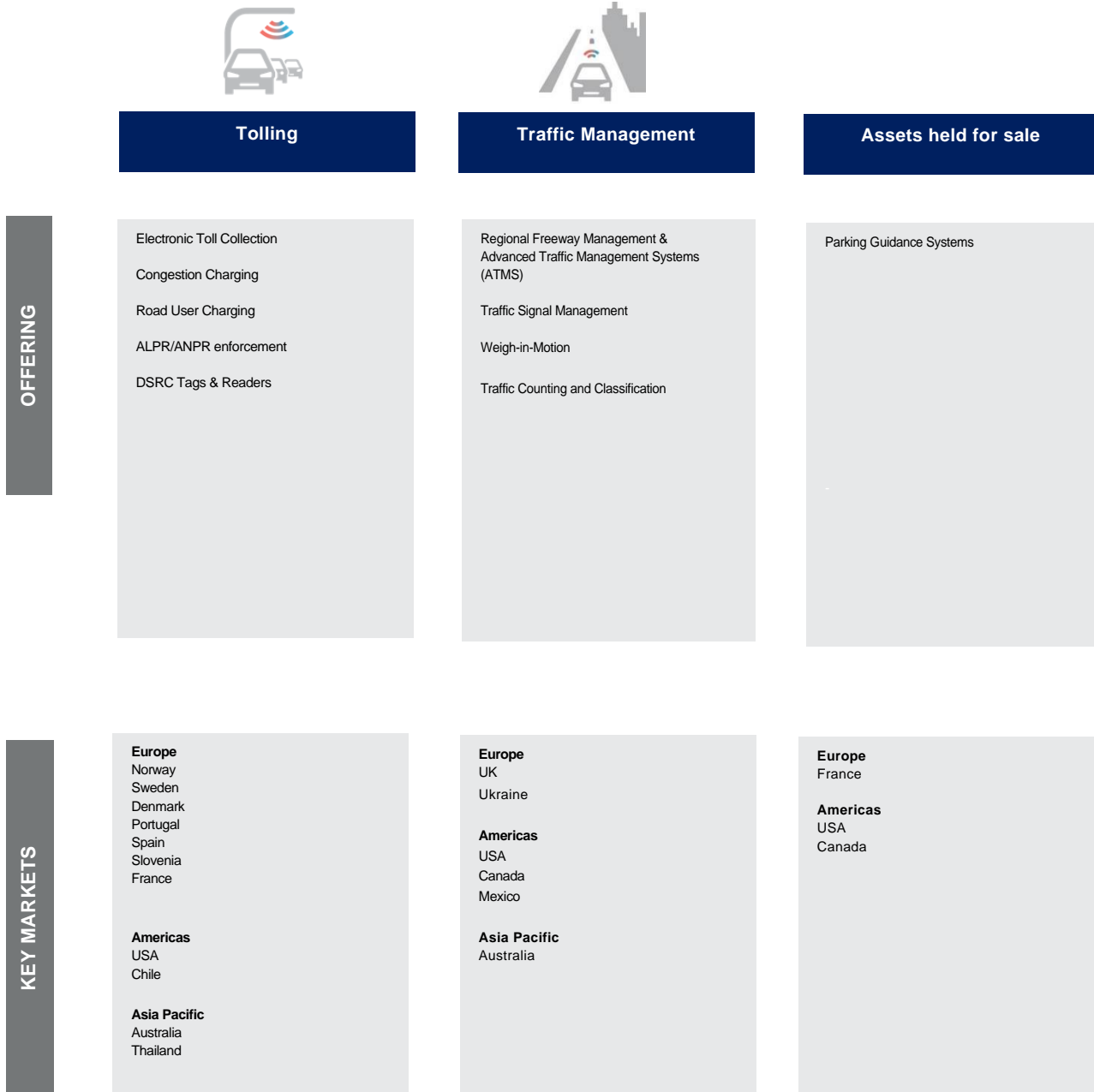


ORDER BACKLOG COMPOSITION
MNOK



Segment overview

Q-Free's segment structure per Q2 2022:





Tolling

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

REVENUES AND MARGINS

Tolling revenues in Q2-22 amounted to 128 MNOK, down from 161 MNOK in Q2-21. Revenues from S&M and software increased whereas revenues from system projects and product sales decreased, due to ordinary fluctuations in project progress and completion.

Tolling achieved an EBITDA of 23 MNOK in Q2-22, a decrease from 35 MNOK from Q2-21.

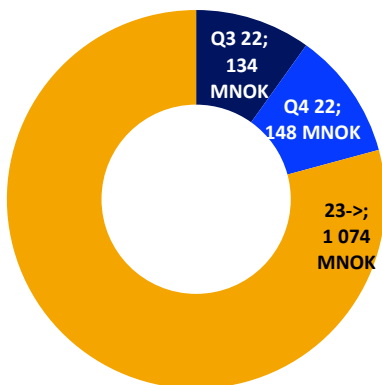
ORDER INTAKE AND BACKLOG

Q-Free booked Tolling contracts worth 233 MNOK in the quarter. The order intake consisted of previously announced large S&M- and tag contracts in addition to various small and medium-sized orders.

The order backlog ended at 1 356 MNOK, up from 996 MNOK in Q2-21. Product deliveries account for 5 percent of the backlog value and are typically sold with short lead-times, while the remaining 95 percent consists of system projects and long-term service & maintenance contracts.

TOLLING ORDER BACKLOG DISTRIBUTION

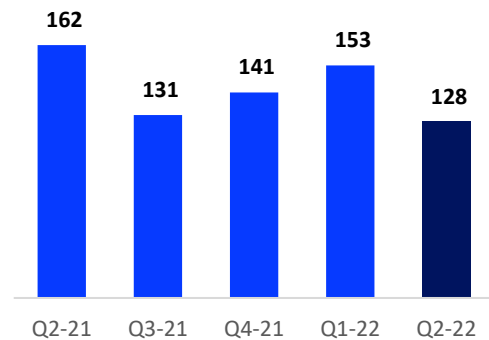
MNOK



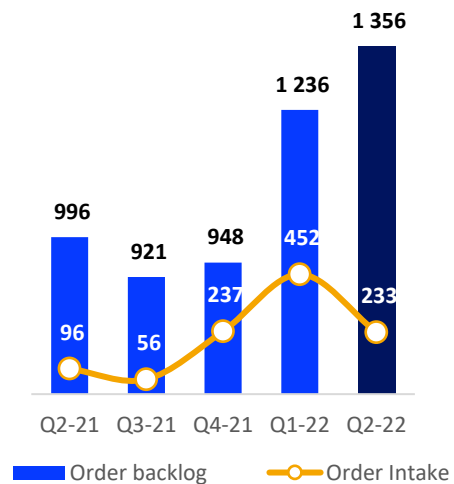
TOLLING REVENUES AND EBITDA
MNOK

	Q2-22	Q2-21	H1-22	H1-21
REVENUES	128	161	280	280
EBITDA	23	35	50	55

LAST 5 QUARTERS TOLLING REVENUES
MNOK



TOLLING ORDER BACKLOG & ORDER INTAKE
MNOK





Traffic Management

- Regional Freeway Management & Advanced Traffic Management Systems (ATMS)
- Traffic Signal Management
- Weigh-in-Motion & Traffic Counting and Classification

REVENUES AND MARGINS

Traffic Management revenues ended at 86 MNOK in Q2-22, down from 91 MNOK in Q2-21. The decrease is mainly caused by decreased sale of weigh-in-motion systems, partly offset by increased software sales.

EBITDA ended at 15 MNOK in the quarter compared to 9 MNOK in Q2-21. The increase is mainly due to a more favourable product mix, partly offset by the revenue shortfall of weigh-in-motion systems from the ongoing conflict in Ukraine.

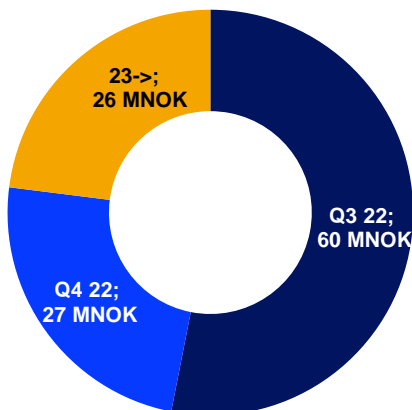
Q-Free has engaged contractor personnel and third-party vendors in the project deliveries in Ukraine. The conflict has to our knowledge not caused any physical injuries or mortalities among this personnel or close family members of this personnel.

ORDER INTAKE AND BACKLOG

Q-Free booked Traffic Management contracts in the quarter worth 46 MNOK compared to 55 MNOK in Q2-21. The order intake comprised several small and medium-sized orders in the US in addition to the large SaaS contract valued at 28 MNOK announced in April.

The order backlog ended at 113 MNOK.

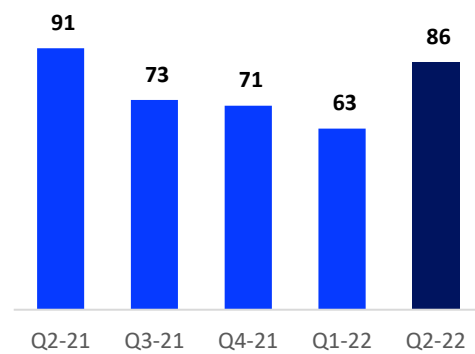
TRAFFIC MANAGEMENT ORDER BACKLOG DISTRIBUTION
MNOK



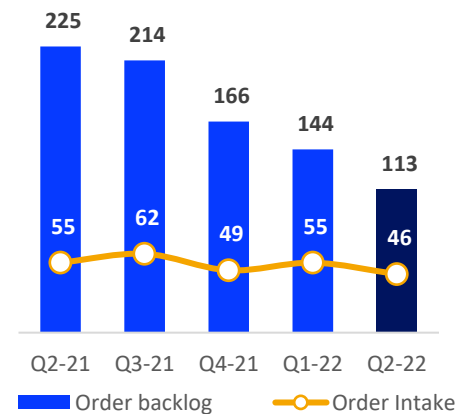
TRAFFIC MANAGEMENT REVENUES AND EBITDA
MNOK

	Q2-22	Q2-21	H1-22	H1-21
REVENUES	86	91	149	161
EBITDA	15	9	8	13

LAST 5 QUARTERS TRAFFIC MANAGEMENT REVENUES
MNOK



TRAFFIC MANAGEMENT ORDER BACKLOG & ORDER INTAKE
MNOK



Outlook

Q-Free reiterates its ambition to deliver an average annual revenue growth in excess of 10 percent until 2025. The company also reiterates its 2025 EBITDA margin target of 15-20 percent and an EBIT margin target of 10-15 percent.

The significant order intake in 1HY-22 of almost 800 MNOK demonstrates the increased competitiveness of Q-Free in the market. With an order backlog close to 1.5 billion NOK and a growing pipeline of upcoming tenders and projects to bid on, Q-Free is well positioned to deliver on its revenue growth target.

Another important point to emphasize in the half year report, is the increased robustness of Q-Free's business model. One reason for this is the increase in annual recurring revenues (ARR). The shift to ARR models negatively impacts reported revenues short-term as project revenues are spread over 8-15 years rather than 1-2 years as Q-Free has done historically, but it reduces volatility. In Q2-22 ARR was up 26 percent YoY and accounted for 34 percent of total revenues. Q-Free aims to continue to build its ARR base by pursuing long-term tolling service contracts (reference is made to the recently announced ARR Tolling contracts in Norway), win new Traffic Management SaaS contract in the US (reference is made to the SaaS contract announced in April), 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. Some of the open positions have already been filled, and we aim to conclude several more recruitments in the coming months.

We continue to observe high 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.

Consolidated financial statements

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

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- 1 General information & Accounting policies
- 2 Operating Segments
- 3 Revenue
- 4 Borrowings
- 5 Net financial items

ALTERNATIVE PERFORMANCE MEASURES

Interim condensed consolidated statement of profit or loss

30 JUNE 2022

Amounts in TNOK	Note	Q2 2022	Q2 2021	H1 2022	H1 2021	FY 2021
Revenue from customers	3	213 518	252 633	429 036	444 118	860 017
Total operating revenue		213 518	252 633	429 036	444 118	860 017
Cost of goods sold		44 807	66 073	110 625	109 472	228 140
Project contractor expenses		22 080	34 919	36 299	52 095	81 791
Employee benefit expenses		78 013	82 653	160 074	169 305	320 571
Other operating expenses		37 051	34 447	80 461	65 377	123 921
Total operating expenses		181 951	218 092	387 459	396 248	754 424
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		31 567	34 541	41 577	47 869	105 594
Depreciation of property, plant and equipment		7 704	7 464	15 715	14 906	30 126
Amortisation of intangible assets		5 287	7 492	10 540	14 502	27 655
Gain on disposal of assets		-	-	-	252	2 452
Total depreciation, amortization and impairment		12 991	14 956	26 255	29 157	55 330
Earnings before interest and taxes (EBIT)		18 576	19 584	15 322	18 712	50 264
Financial income	5	9 121	4 181	9 763	8 331	28 147
Financial expenses	5	-12 556	-7 927	-15 102	-15 302	-38 845
Net financial items	5	-3 435	-3 746	-5 339	-6 971	-10 698
Profit before tax		15 141	15 839	9 983	11 741	39 566
Tax expense		5 003	-1 518	4 715	-1 499	19 063
Profit / (-) loss for the year from continuing operations		20 145	14 320	14 698	10 242	58 629
Profit / (-) loss for the year on discontinued operations, net of tax						
Profit / (-) loss for the period		20 145	14 320	14 698	10 242	58 629
Earnings per share		0,18	0,13	0,13	0,11	0,53
Diluted earnings per share		0,18	0,13	0,13	0,11	0,52

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

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

Interim condensed consolidated statement of comprehensive income

30 JUNE 2022

Amounts in TNOK	Note	Q2 2022	Q2 2021	H1 2022	H1 2021	FY 2021
Profit / (-) loss for the period		20 145	14 320	14 698	10 242	58 629
Other comprehensive income						
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		12 094	6 610	1 399	-2 525	5 676
Other comprehensive income for the period, net of tax		12 094	6 610	1 399	-2 525	5 676
Total comprehensive income for the period, net of tax		32 239	20 930	16 097	7 717	64 305

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

Interim condensed consolidated statement of financial position

30 JUNE 2022

Amounts in TNOK	Note	Q2 2022	Q2 2021	FY 2021
ASSETS				
Deferred tax assets		55 036	20 466	48 262
Intangible assets		99 065	77 764	86 514
Goodwill		313 151	282 642	287 878
Property, plant and equipment	1	83 945	87 552	89 785
Non-current receivables		6 432	6 782	7 356
TOTAL NON-CURRENT ASSETS		557 629	475 206	519 795
Inventories		96 218	75 889	85 832
Contract assets		65 133	93 798	59 690
Accounts receivable		160 233	170 177	174 430
Other current assets		20 573	26 549	26 004
Cash and cash equivalents		72 833	61 606	82 015
TOTAL CURRENT ASSETS		414 990	428 019	427 970
TOTAL ASSETS		972 619	903 224	947 765

Interim condensed consolidated statement of financial position

30 JUNE 2022

Amounts in TNOK	Note	Q2 2022	Q2 2021	FY 2021
EQUITY AND LIABILITIES				
Subscribed share capital		42 273	42 273	42 273
Share premium		649 939	649 939	649 939
Other paid-in capital		21 344	23 189	21 320
Retained earnings		-249 681	-322 367	-265 778
TOTAL EQUITY		463 875	393 034	447 754
Non-current borrowings	4	194 428	206 400	201 591
Non-current financial liabilities	1	41 318	45 791	54 597
Total non-current liabilities		235 746	252 191	256 188
Current borrowings	4	35 500	18 600	18 969
Advance payments from customers		67 616	24 022	25 995
Accounts payable		60 984	71 125	78 185
Taxes payable		5 742	6 999	476
Public duties payable		8 051	12 873	17 512
Current financial liabilities	1	16 756	19 419	14 020
Other current liabilities		78 350	104 962	88 667
Total current liabilities		272 998	258 000	243 824
TOTAL LIABILITIES		508 744	510 191	500 012
TOTAL EQUITY AND LIABILITIES		972 619	903 225	947 765

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

Interim condensed consolidated statement of cash flows

30 JUNE 2022

Amounts in TNOK	Q2 2022	Q2 2021	H1 2022	H1 2021	FY 2021
Cash flow from operations					
Profit before tax	15 141	15 839	9 982	11 742	39 566
Paid taxes	-	-	-	-110	-2 600
Depreciation and impairment of property, plant and equipment	7 703	7 493	15 714	14 935	28 088
Amortisation and impairment of intangible assets	5 287	7 463	10 540	14 473	29 693
Gain on disposal of assets	-	-	-	-252	-2 452
Accrued interest expense	-	-	-	225	225
Share-based payment expense	-24	-	-48	-	-97
<i>Working capital adjustments:</i>					
Changes in inventory	-10 870	-11 680	-10 387	-18 083	-28 026
Changes in contract assets	527	-6 937	-5 443	1 168	35 276
Changes in accounts receivable	-15 789	-39 435	14 197	-32 005	-36 258
Changes in advance payments from customers	7 386	940	41 621	8 929	10 902
Changes in accounts payable	-14 716	13 998	-17 201	574	7 634
Changes in other items	-4 287	41 460	-33 464	22 237	5 895
Net cash flow from operations	-9 643	29 140	25 512	23 833	87 847
Cash flow from investing activities					
Investments in PP&E and intangible assets	-13 208	-5 222	-25 280	-11 997	-36 011
Cash flow from investing activities	-13 208	-5 222	-25 280	-11 997	-36 011
Cash flow from financing activities					
Cash proceeds from borrowings	15 549	-	15 549	9 011	154 010
Repayment of borrowings	-4 849	-9 011	-9 551	-17 511	-166 732
Payments of lease liabilities	-5 541	-5 235	-11 457	-10 810	-23 639
Interest received	57	-	215	377	493
Interest paid	-1 789	-1 716	-3 744	-3 752	-7 644
Cash flow from financing activities	3 427	-15 962	-8 988	-22 685	-43 512
Effect on cash and cash equivalents of changes in foreign exchange rates	356	705	-426	-2 506	-1 271
Net change in cash and cash equivalents for the period	-19 069	8 661	-9 183	-13 355	7 053
Cash and cash equivalents beginning of period	91 901	52 945	82 015	74 961	74 961
Cash and cash equivalents end of period	72 832	61 607	72 832	61 607	82 015

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Interim condensed consolidated statement of changes in equity

30 JUNE 2022

Amounts in TNOK

	Subscribed share capital	Share premium	Other paid-in capital	Retained earnings	Currency translation differences, net of tax	Total
Total equity 31.12.2021	42 273	649 939	21 320	-342 368	76 588	447 753
Profit / (-) loss for the period	-	-	-	3 426	-	3 426
Other comprehensive income	-	-	-	-	8 157	8 157
Total comprehensive income for the period	42 273	649 939	21 320	-338 942	84 745	459 336
Share-based payment expense	-	-	24	-	-	24
Total equity 30.06.2022	42 273	649 939	21 344	-338 942	84 745	459 362
Total equity 31.12.2020	33 905	578 307	31 950	-401 960	70 912	313 115
Profit / (-) loss for the period	-	-	-	58 629	-	58 629
Other comprehensive income	-	-	-	-	5 676	5 676
Total comprehensive income for the period	33 905	578 307	31 950	-343 331	76 588	377 420
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	447 753

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

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. In Q1-21 all bond-holders representing the nominal tNOK 80 000 loan converted their bonds to shares, resulting in an increase in equity of tNOK 70 236.



Notes to the condensed interim financial statements Q2 2022

NOTE 1 – GENERAL INFORMATION & ACCOUNTING POLICIES

The Q-Free Group provides leading technology solutions to the global ITS market. Q-Free has 340 employees, is headquartered in Trondheim Norway, and has local offices in 15 countries around the world. Q-Free ASA is a Norwegian public limited liability company, and has been listed on the Oslo Stock Exchange under the ticker QFR since 2002.

Basis of preparation

These consolidated interim financial statements for Q2 2022, combined with other relevant financial information in this report, have been prepared in accordance with the regulations of the Oslo Stock Exchange and the requirements in IAS 34. These condensed consolidated interim financial statements for the quarter have not been audited or been subject to review by the Group's auditor. The financial statements do not include all the information required for the full annual financial statements of the Group and should be read in conjunction with the consolidated financial statements for 2021. The consolidated financial statements for 2021 are available upon request from the company's registered office in Trondheim or at our website, www.q-free.com. The consolidated condensed interim financial statements were approved by the Board of Directors at its meeting on 28 April 2022.

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

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

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

Accounting policies

The interim condensed consolidated financial statements of the Q-Free Group for Q2 2022 were prepared in accordance with International Financial Reporting Standards (IFRS) in accordance with IAS 34 *Interim Financial Reporting*. The Group has used the same accounting policies and standards as in the consolidated financial statements as of 31 December 2021.

NOTE 2 OPERATING SEGMENTS

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

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

Segment	Products offered within the segment
Tolling	DSRC tags and readers, ALPR and image based solutions, Electronic toll collection systems (multilane free-flow, truck tolling and congestion charging)
Traffic Management	Regional Freeway Management and Advanced Management Traffic Systems (ATMS), Traffic Signal Management, Weight in motion, Traffic Counting and Classification

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

NOTE 2 OPERATING SEGMENTS

SEGMENTS	TOLLING		Traffic Management		Global functions		TOTAL	
	Q2 2022	Q2 2021	Q2 2022	Q2 2021	Q2 2022	Q2 2021	Q2 2022	Q2 2021
<i>Amounts in TNOK</i>								
Revenue from customers	127 617	161 478	85 896	91 154	-	0	213 513	252 633
Revenue from customers	127 617	161 478	85 896	91 154	-	0	213 513	252 633
Cost of goods sold	22 901	33 341	21 901	32 731	0	0	44 802	66 073
Project contractor expenses	21 387	31 692	695	3 227	0	0	22 082	34 919
Gross Contribution	83 329	96 445	63 300	55 196	-	0	146 629	151 641
Gross margin - %	65,3 %	59,7 %	73,7 %	60,6 %			68,7 %	60,0 %
Total OPEX	60 241	61 309	48 243	46 009	6 578	9 782	115 062	117 100
EBITDA	23 088	35 136	15 057	9 187	-6 578	-9 782	31 567	34 541
EBITDA margin	18,1 %	21,8 %	17,5 %	10,1 %			14,8 %	13,7 %
Depreciation and amortisation	8 009	9 737	4 981	5 219	0	0	12 990	14 956
Gain on sale of assets					0	0	0	0
EBIT	15 079	25 399	10 076	3 968	-6 578	-9 782	18 577	19 585
EBIT margin	11,8 %	15,7 %	11,7 %	4,4 %			8,7 %	7,8 %

NOTE 2 OPERATING SEGMENTS CONT.

SEGMENTS	TOLLING		Traffic Management		Assets held for sale		Global functions		TOTAL	
	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021
<i>Amounts in TNOK</i>										
Revenue from customers	280 446	280 460	148 584	161 192	0	2 466	-	0	429 030	444 118
Cost of goods sold	69 361	52 709	41 260	56 254	0	509	0	0	110 621	109 472
Project contractor expenses	35 016	48 116	1 285	3 841	0	137	0	0	36 300	52 095
Gross Contribution	176 069	179 634	106 040	101 097	0	1 820	-	0	282 109	282 551
Gross margin - %	62,8 %	64,0 %	71,4 %	62,7 %	0,0 %	73,8 %			65,8 %	63,6 %
Total OPEX*	126 103	124 131	97 782	88 048	0	3 609	16 647	18 895	240 533	234 684
EBITDA	49 966	55 503	8 258	13 049	0	-1 789	-16 647	-18 895	41 577	47 867
EBITDA margin	17,8 %	19,8 %	5,6 %	8,1 %	0,0 %	-72,6 %			9,7 %	10,8 %
Depreciation and amortisation	16 383	18 235	9 870	11 102	0	71	0	0	26 254	29 407
Gain on sale of assets							0	-252	0	-252
EBIT	33 583	37 268	-1 613	1 947	0	-1 860	-16 647	-19 147	15 323	18 208
EBIT margin	12,0 %	13,3 %	-1,1 %	1,2 %	0,0 %	-75,4 %			3,6 %	4,1 %

NOTE 3 REVENUES

Revenue from customers is disaggregated in the table below by type of category and segment.

<i>Amounts in TNOK</i>	Tolling		Traffic Management		Total	
	Q2 2022	Q2 2021	Q2 2022	Q2 2021	Q2 2022	Q2 2021
Recurring revenue*						
Service & Maintenance, contracting arrangements	37 111	29 464	1 937	1 114	39 048	30 578
Software	15 905	12 627	19 755	13 889	35 660	26 516
Recurring revenue	53 016	42 091	21 692	15 003	74 708	57 094
Non-recurring revenue						
Product deliveries	19 272	36 480	34 316	36 776	53 588	73 256
System Projects	55 329	82 907	29 888	39 375	85 217	122 282
Non-recurring revenue	74 601	119 387	64 204	76 151	138 805	195 538
Revenue from customers	127 617	161 478	85 896	91 154	213 513	252 632

*Refer to definition in APM section.

NOTE 3 REVENUES CONT.

Revenue from customers is disaggregated in the table below by type of category and segment.

<i>Amounts in TNOK</i>	Tolling		Traffic Management		Assets held for sale		Total	
	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021
Recurring revenue*								
Service & Maintenance, contracting arrangements	72 526	59 248	3 690	1 709	-	-	76 217	60 957
Software	31 083	25 392	37 292	28 082	-	-	68 375	53 474
Recurring revenue	103 609	84 640	40 982	29 791	-	-	144 591	114 431
Non-recurring revenue								
Product deliveries	55 815	62 420	58 343	71 287	-	844	114 158	134 551
System Projects	121 022	133 399	49 260	60 113	-	1 622	170 281	195 134
Non-recurring revenue	176 837	195 819	107 603	131 400	-	2 466	284 440	329 685
Revenue from customers	280 446	280 459	148 585	161 191	-	2 466	429 031	444 116

*Refer to definition in APM section.

NOTE 4 BORROWINGS

Type	Effective interest		30.06.2022	30.06.2021	31.12.2021
	rate % ****	Maturity***			
Non-current					
Nordea - Term loan	N/A	N/A	-	51 282	-
Nordea - Term loan	N/A	N/A	-	58 118	-
Nordea - Term loan *)	3,40%	30 August 2026	82 000	82 000	82 000
Nordea - Revolving Credit Facility (RCF)	N/A	N/A	-	15 000	-
Nordea - Revolving Multicurrency Credit Facility (RCF **)	Interbank + 1,9%	30 June 2025	50 000	-	50 000
Nordea - USD term loan	Interbank + 1,9%	30 June 2025	20 170	-	21 608
Nordea - EUR term loan	Interbank + 1,9%	30 June 2025	13 658	-	14 983
Nordea - NOK term loan	Interbank + 1,9%	30 June 2025	28 600	-	33 000
Total non-current borrowings			194 428	206 400	201 591
Current					
Nordea - Term loan	N/A	N/A	-	8 718	-
Nordea - Term loan	N/A	N/A	-	9 882	-
Nordea - Term loan *)	3,40%	N/A	-	-	-
Nordea - USD term loan	Interbank + 1,9%	30 June 2025	7 236	-	6 174
Nordea - EUR term loan	Interbank + 1,9%	30 June 2025	3 915	-	3 995
Nordea - NOK term loan	Interbank + 1,9%	30 June 2025	8 800	-	8 800
Nordea - Credit line**	Interbank + 1,9%	Annually	15 549	-	-
Total current borrowings			35 500	18 600	18 969
Total borrowings			229 928	225 000	220 560

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

** The facility is automatically renewed annually. 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.

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 and any expenditure or obligation in respect of an Approved Norwegian Tolling Contract 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 Q2-22, Q-Free was compliant with all financial covenants.

NOTE 5 NET FINANCIAL ITEMS

Amounts in TNOK

Financial items	Q2 2022	Q2 2021	H1 2022	H1 2021
Interest income	57	-115	216	262
Realised exchange rate differences	1 719	3 794	2 954	7 000
Unrealised exchange rate differences	7 345	501	6 593	1 069
Financial income	9 121	4 180	9 763	8 331
Interest expense	-823	-325	-1 416	-841
Interest on borrowings	-966	-1 716	-2 328	-3 499
Interest on convertible bond			0	-253
Realised exchange rate differences	-2 569	-2 184	-5 150	-4 149
Unrealised exchange rate differences	-7 097	-2 995	-4 507	-4 753
Other financial expense	-1 101	-707	-1 701	-1 808
Financial expense	-12 556	-7 927	-15 102	-15 303
NET FINANCIAL ITEMS	-3 435	-3 747	-5 339	-6 972

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.

Recurring revenue and annual recurring revenue:

Recurring revenue is revenue that is considered secured based on contractual rights or highly likely based on experience, expected to last for a period of more than twelve months. Typical sources of recurring revenue in Q-Free are software license agreements and service contracts.

Annual recurring revenue is calculated as last quarter's recurring revenue multiplied by 4.

Amounts in TNOK

	Tolling		Traffic Management		Total	
	Q2 2022	Q2 2021	Q2 2022	Q2 2021	Q2 2022	Q2 2021
Annual recurring revenue						
Service & Maintenance, contracting arrangements	148 445	117 855	7 746	4 457	156 191	122 312
Software	63 619	50 509	79 021	55 555	142 641	106 064
Annual recurring revenue	212 064	168 364	86 767	60 012	298 831	228 376
Recurring revenue - reported	53 016	42 091	21 692	15 003	74 708	57 094
Non-recurring revenue - reported	74 601	119 387	64 204	76 151	138 805	195 538
Total revenues - reported	127 617	161 478	85 896	91 154	213 513	252 632

Gross contribution:

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

Project contractor expenses:

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

Gross margin:

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

Amounts in TNOK

Gross contribution and gross margin	Q2 2022	Q2 2021	H1 2022	H1 2021	FY 2021
Revenue from customers	213 518	252 633	429 036	444 118	860 017
Cost of goods sold	-44 807	-66 073	-110 625	-109 472	-228 140
Project contractor expenses	-22 080	-34 919	-36 299	-52 095	-81 791
Gross contribution	146 631	151 641	282 112	282 551	550 087
Gross margin	68,7 %	60,0 %	65,8 %	63,6 %	64,0 %

EBITDA / EBIT:

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

EBITDA margin:

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

Amounts in TNOK

EBITDA margin	Q2 2022	Q2 2021	H1 2022	H1 2021	FY 2021
Revenue from customers	213 518	252 633	429 036	444 118	860 017
EBITDA	31 567	34 541	41 577	47 869	105 594
EBITDA margin	14,8 %	13,7 %	9,7 %	10,8 %	12,3 %

EBIT margin:

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

Amounts in TNOK

EBIT margin	Q2 2022	Q2 2021	H1 2022	H1 2021	FY 2021
Revenue from customers	213 518	252 633	429 036	444 118	860 017
EBIT	18 576	19 584	15 322	18 712	50 264
EBIT margin	8,7 %	7,8 %	3,6 %	4,2 %	5,8 %

ALTERNATIVE PERFORMANCE MEASURES

Non-recurring items:

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

Net Interest Bearing Debt (NIBD):

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

Amounts in TNOK

Net Interest Bearing Debt	Q2 2022	Q2 2021	FY 2021
Non-current borrowings from financial institutions	194 428	206 400	201 591
Current borrowings from financial institutions	35 500	18 600	18 969
Gross Interest Bearing Debt	229 928	225 000	220 560
Cash and cash equivalents	72 833	61 606	82 015
Net Interest Bearing Debt	157 096	163 394	138 545

Net working capital:

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

Amounts in TNOK

Net Working Capital	Q2 2022	Q2 2021	FY 2021
Inventories	96 218	75 889	85 832
Contract assets	65 133	93 798	59 690
Accounts receivable	160 233	170 177	174 430
Other current assets	20 573	26 549	26 004
Current Assets (excl Cash and cash equivalents)	342 157	366 413	345 955
Advance payments from customers	67 616	24 022	25 995
Accounts payable	60 984	71 125	78 185
Taxes payable	4 255	6 999	476
Public duties payable	8 051	12 873	17 512
Current financial liabilities	16 756	19 419	14 020
Other current liabilities	78 350	104 962	88 667
Current liabilities (excl Current borrowings from financial institutions)	236 011	239 400	224 855
Net Working Capital	106 147	127 013	121 100

ALTERNATIVE PERFORMANCE MEASURES

Working capital ratio:

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

Amounts in TNOK

Working Capital ratio	Q2 2022	Q2 2021	FY 2021
12 months Revenue from customers	844 936	909 184	860 017
Net Working Capital	106 147	127 013	121 100
Working Capital ratio	12,6 %	14,0 %	14,1 %

Equity ratio:

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

Amounts in TNOK

Equity ratio	Q2 2022	Q2 2021	FY 2021
Total equity	457 875	393 034	447 754
Total assets	966 619	903 224	947 765
Equity ratio	47,4 %	43,5 %	47,2 %

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
+ / ÷ <u>Currency adjustments</u>
= <u>End backlog reporting period</u>

RESPONSIBILITY STATEMENT FROM THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and the CEO have today considered and approved the condensed financial statements for the first half of 2022 and the financial information in this report that is relevant for 2022.

The report for 2022 has been prepared in accordance with IAS 34 Interim Financial Statements and additional disclosure requirements as stated in the Norwegian Verdipapirhandelloven (Securities Trading Act).

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half of 2022 gives a true and fair view of the Q-Free Group's consolidated assets, liabilities, financial position and results of operations. To the best of our knowledge the report provides a fair review of important events in the period and their effects on the condensed set of financial statements, with a description of the principal risks and uncertainties that the Q-Free Group is facing that may have a material effect on the financial position or results for the Q-Free Group.

Oslo, 7 July 2022

The Board of Directors and

Chief Executive Officer of Q-Free ASA

Trond Valvik	Chairman of the Board
Snorre Kjesbu	Vice Chairman of the Board
Lene Diesen	Member
Karin Sandsjö	Member
Geir Bjørlo	Member
Brage Blekken	Employee elected member
Ane Dalsnes Storsæter	Employee elected member
Trond Christensen	Interim CEO

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enterprises NO 935 487 242

