



Q2 2023

SECOND QUARTER

SECOND QUARTER AND
FIRST HALF YEAR
RESULTS 2023

THE PRIME MOVER IN
TRAFFIC TECHNOLOGY

CITY
SPEED
LIMIT
25

Highlights

Q2 2023

- 52% YoY growth in recurring revenues to a calculated ARR of 455 MNOK
- 290 MNOK in revenues, up 36% YoY driven by product deliveries
- 33 MNOK in EBITDA (11% margin) compared to 32 MNOK (15% margin) in Q2-22
- 7 MNOK in net cash flow from operations
- 284 MNOK in order intake and 1 419 MNOK in order backlog

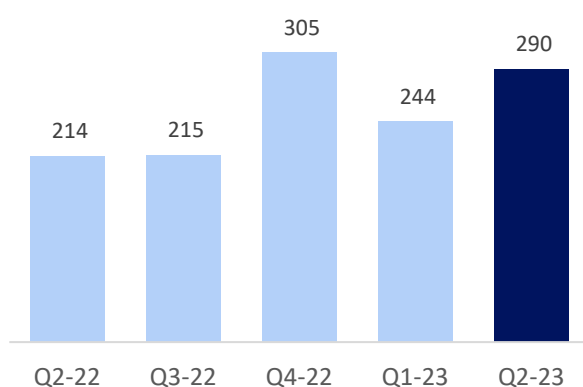


H1 2023

- 534 MNOK in total revenues, up 25% YoY
- 45 MNOK in EBITDA (8% margin), up from 42 MNOK (10% margin) in H1-22
- 29 MNOK in cash flow from operations, up from 26 MNOK in H1-22
- 473 MNOK in order intake and 1 419 MNOK in order backlog

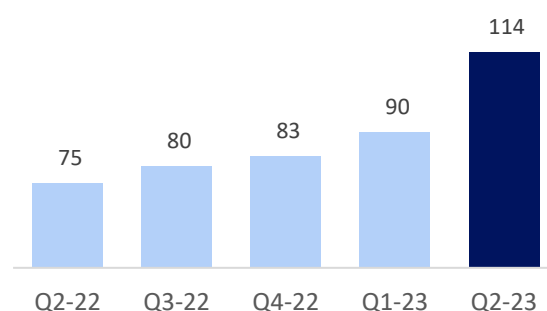
REVENUES LAST 5 QUARTERS

MNOK



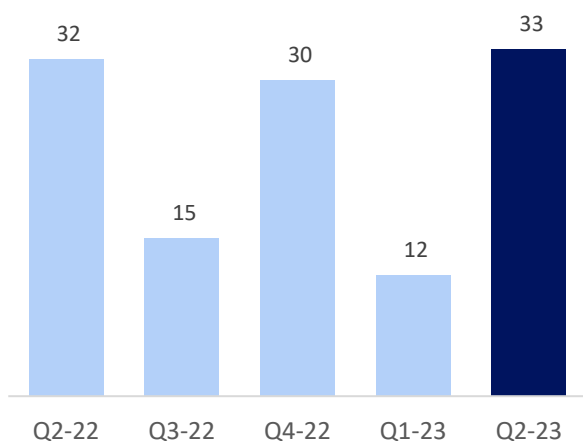
RECURRING REVENUES LAST 5 QUARTERS

MNOK



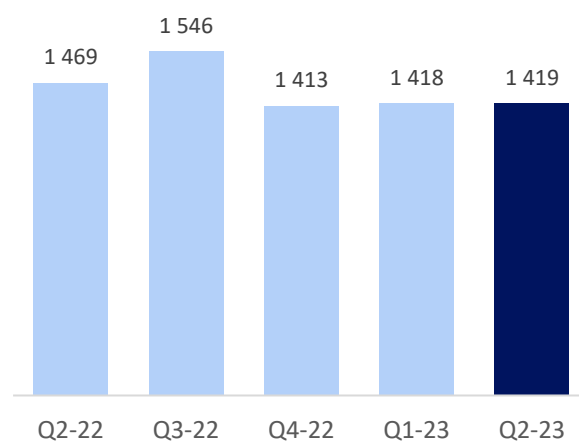
EBITDA LAST 5 QUARTERS

MNOK



ORDER BACKLOG LAST 5 QUARTERS

MNOK



Financial review

KEY FIGURES

NOK 1.000	Q2 2023	Q2 2022	Y/Y-%	H1 2023	H1 2022	FY 2022	Y/Y-%
Recurring revenues	113 756	74 708	52,3%	203 886	144 591	308 137	41,0%
Non-recurring revenues	176 384	138 805	27,1%	330 427	284 440	640 832	16,2%
Total revenues	290 129	213 518	35,9%	534 302	429 036	948 968	24,5%
Gross contribution	172 820	146 631	17,9%	314 494	282 112	592 094	11,5%
Gross margin - %	59,6%	68,7%		58,9%	65,8%	62,4%	
Operating expenses	139 786	115 064	21,5%	269 931	240 535	505 770	12,2%
EBITDA	33 034	31 567	4,6 %	44 563	41 577	86 324	7,2%
EBITDA margin	11,4%	14,8%		8,3%	9,7%	9,1%	
Depreciation and amortisation	14 852	12 991	14,3%	28 631	26 255	53 835	9,0%
Gain on disposal of assets	0	0		0	0	0	
Operating profit - EBIT	18 181	18 576		15 932	15 322	32 489	
EBIT margin	6,3%	8,7%		3,0%	3,6%	3,4%	
Profit before tax	10 005	15 141		8 034	9 983	12 334	
Profit margin	3,4%	7,1%		1,5%	2,3%	1,3%	
Profit after tax from continuing operations	7 623	20 145		8 261	14 698	2 778	
Profit after tax	7 623	20 145		8 261	14 698	2 778	
Profit for the period	7 623	20 145		8 261	14 698	2 778	
EPS	0,07	0,18		0,07	0,13	0,02	
Number of employees	365	349		365	349	339	

Profit and loss second quarter 2023

Q-Free reported total revenues of 290 MNOK for the second quarter of 2023, reflecting a significant growth of 36 percent compared to the same period in 2022. Recurring revenues in the quarter reached 114 MNOK, indicating an increase of 52 percent compared to the 75 MNOK generated in Q2-22. These recurring revenues accounted for 39 percent of the total revenues and contributed to an Annual Recurring Revenue (ARR) of 455 MNOK. Reference is made to the Alternative Performance Measure section for ARR definition and overview.

Tolling revenues ended at 187 MNOK, an increase of 60 MNOK from 128 MNOK in Q2-22. Within Tolling, revenues from product sales increased, whereas revenues from system projects and service and maintenance were quite stable. Traffic Management revenues ended at 103 MNOK, up 17 MNOK from 86 MNOK in Q2-22. Increase in both software and projects sales.

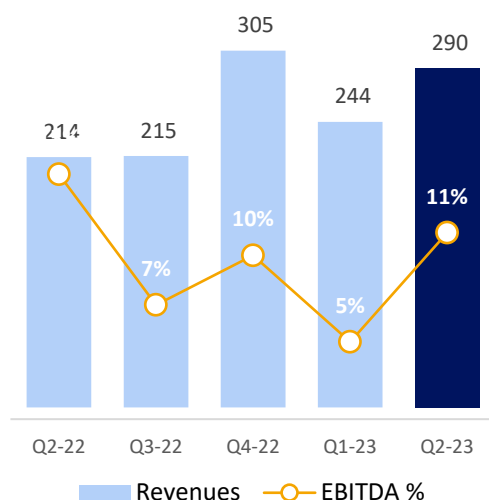
Gross margin experienced a decline of 9 percentage points, due to a less favourable product mix. Nonetheless, the gross contribution saw a positive increase of 18 percent, reaching 173 MNOK in Q2-23 compared to 147 MNOK in Q2-22, mainly driven by higher revenues.

Operating expenses for Q2-23 amounted to 140 MNOK, representing an increase from the 115 MNOK recorded in Q2-22.

EBITDA in the quarter ended at 33 MNOK (11 percent margin), a slight increase from the 32 MNOK (15 percent margin) in Q2-22.

Depreciation and amortization in Q2-23 ended at 15 MNOK at compared to 13 MNOK in Q2-22.

QUARTERLY REVENUES AND EBITDA MARGIN MNOK & Percent



Operating profit (EBIT) in the second quarter ended at 18 MNOK compared to 19 MNOK in Q2-22.

Net financial items for the quarter showed a negative value of -8 MNOK, indicating an increase from the -3 MNOK reported in Q2-22.

Reported pre-tax profit ended at 10 MNOK, down from 15 MNOK in Q2-22.

Earnings per share in the second quarter of 2023 were 0,07 NOK, down from 0,18 NOK reported in Q2-22.

Profit and loss first half 2023

Accumulated revenues for first half 2023 amounted to 534 MNOK, reflecting a substantial increase of 25 percent compared to 429 MNOK recorded in H1-22. Tolling revenues saw significant growth, reaching 341 MNOK, up by 61 MNOK from H1-22's 280 MNOK. Similarly, Traffic Management revenues also showed strong growth, reaching 193 MNOK, an increase of 44 MNOK from H1-22's 149 MNOK. This growth was driven by the increase in both software and projects sales, contributing to a favorable overall financial outcome.

Gross contribution for the first six months of the current year reached 314 MNOK, reflecting a growth from 282 MNOK recorded during the same period in 2022. However, the gross margin decreased by 7 percentage points due to a less favourable product mix.

In H1-23, operating expenses amounted to 270 MNOK, reflecting an increase of 29 MNOK compared to the first half of 2022.

EBITDA in the first half of 2023, reached 45 MNOK, compared to 42 MNOK in H1-22. The reported EBITDA margin for H1-23 stood at 8 percent, a decrease from the 10 percent

recorded in H1-22. The operating profit (EBIT) remained stable at 16 MNOK, up from 15 in H1-22.

During the first six months of 2023, net financial items amounted to -8 MNOK, compared to -5 MNOK in the corresponding period of 2022. The pre-tax profit for H1-23 was 8 MNOK, a decrease from the 10 MNOK recorded in H1-22.

Balance sheet

As of 30 June 2023, total assets amounted to 1 129 MNOK, up from 1 091 MNOK at the end of Q1-23 and up from 973 MNOK as of Q2-22.

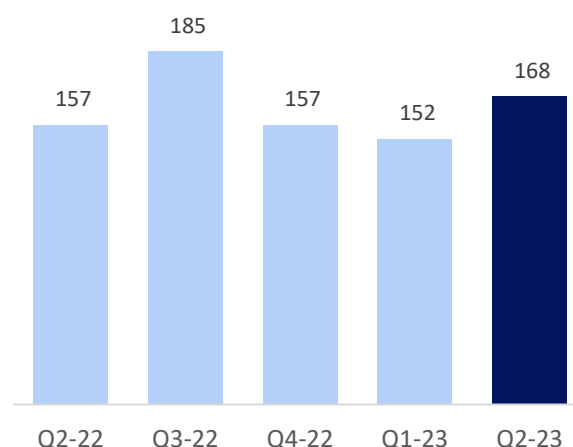
Total equity ended at 566 MNOK, up from 535 MNOK at the end of Q1-23 and up from 464 MNOK at the end of Q2-22. The equity ratio stood at 50 percent, showing an increase from 49 percent at the end of Q1-23 and 48 percent in Q2-22.

Non-current liabilities ended at 214 MNOK, down from 220 MNOK at the end of Q1-23 and down from 236 MNOK at the end of Q2-22.

Current borrowings to financial institutions were 34 MNOK up from 21 MNOK at the end of Q1-23 and down from 36 MNOK as of Q2-22. Granted, not utilized credit facilities were 87 MNOK at the end of Q2-23, down from 100 MNOK at the end of Q1-23 and remained at the same level as in Q2-22.

Net interest-bearing debt (NIBD) ended at 168 MNOK, up from 152 MNOK in Q1-23 and up from 157 MNOK at the end of Q2-22.

QUARTERLY NIBD



Current liabilities were 349 MNOK at the end of the quarter, up from 335 MNOK at Q1-23 and up from 273 MNOK at the end of Q2-22.

Net working capital, which is calculated as current assets (excluding cash) minus current liabilities (excluding current

borrowings) amounted to 131 MNOK at the end of Q2-23, up from 106 MNOK at the end of Q1-23 and up from 105 MNOK at the end of Q2-22.

The working capital ratio, calculated based on 12-month trailing revenues, stood at 12 percent at the end of Q2-23, versus 11 percent as at the end of Q1-23 and maintaining the same level as Q2-22.

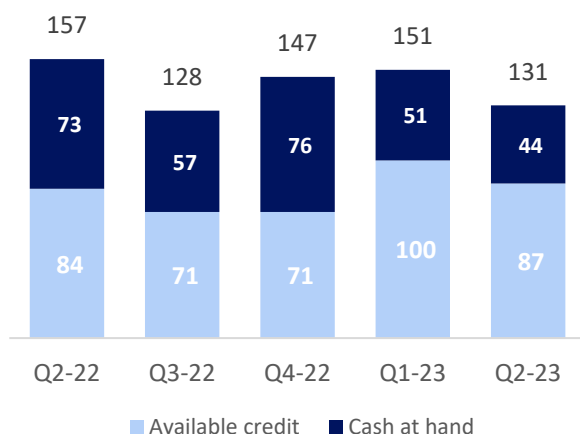
Cash flow

Net cash flow from operating activities was 7 MNOK in Q2-23 compared to -10 MNOK in Q2-22.

Net cash flow from investment activities was -17 MNOK in Q2-23 compared to -13 MNOK in Q2-22.

Net cash flow from financing activities was -1 MNOK in Q2-23 versus 3 MNOK in Q2-22.

QUARTERLY AVAILABLE CREDIT AND CASH AT HAND MNOK



Q-Free had 131 MNOK in available funds at the end of Q2-23, down from 151 MNOK at the end of Q1-23.

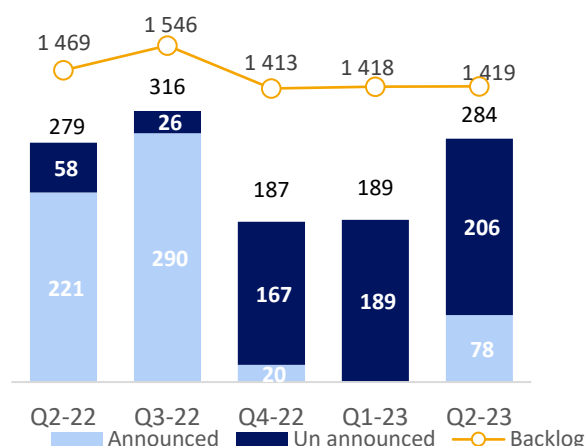
Order intake and backlog

Total reported order intake in the second quarter of 2023 was 284 MNOK compared to 279 MNOK in Q2-22. Book-to-bill in the quarter ended at 0,98.

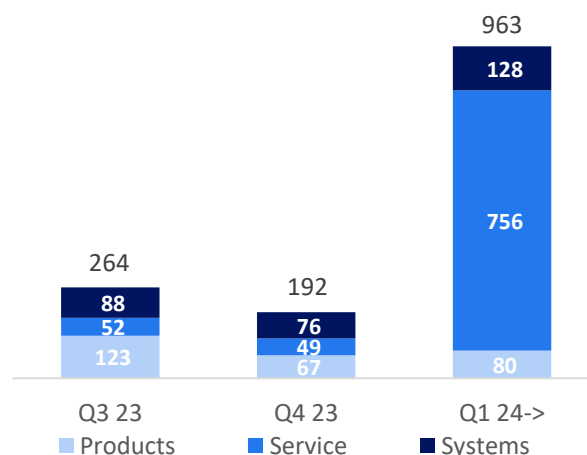
Order backlog at the end of Q2-23 decreased to 1 419 MNOK, compared to 1 469 MNOK at the end of Q2-22, while remaining consistent with the previous quarter. 264 MNOK of the backlog is scheduled for delivery in Q3-23, and 1 155 MNOK in Q4-23 and beyond.

In terms of revenue composition, the order backlog consists of 19 percent product deliveries, 60 percent service and maintenance contracts, and 21 percent system projects.

ORDER BACKLOG AND ORDER INTAKE MNOK



ORDER BACKLOG COMPOSITION MNOK



Segment overview

Q-Free's segment structure per Q2 2023:



Tolling

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



Traffic Management

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

OFFERING

KEY MARKETS

- Europe**
 Norway
 Sweden
 Denmark
 Portugal
 Spain
 Slovenia
 France

- Americas**
 USA
 Chile

- Asia Pacific**
 Australia
 Thailand

- Europe**
 UK
 Ukraine

- Americas**
 USA
 Canada
 Mexico

- Asia Pacific**
 Australia



Tolling

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

REVENUES AND MARGINS

Tolling revenues in Q2-23 amounted to 187 MNOK, up from 128 MNOK in Q2-22.

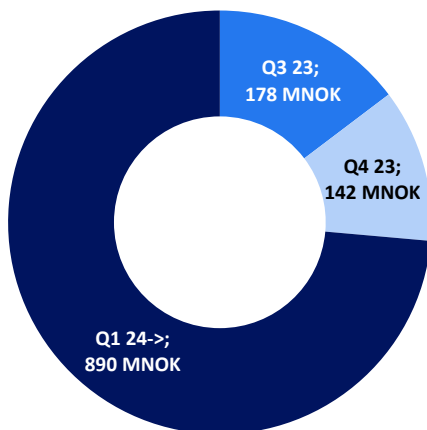
Tolling recorded an EBITDA of 30 MNOK in the second quarter of 2023, an increase from 23 MNOK from Q2-22.

ORDER SITUATION

Q-Free booked Tolling contracts worth 160 MNOK in the quarter. The order intake consisted of various small and medium-sized orders.

The order backlog ended at 1 209 MNOK, down from 1 356 MNOK in Q2-22. Product deliveries account for 23 percent of the backlog value and are typically sold with short lead-times, while the remaining consists of system projects and long-term service & maintenance contracts.

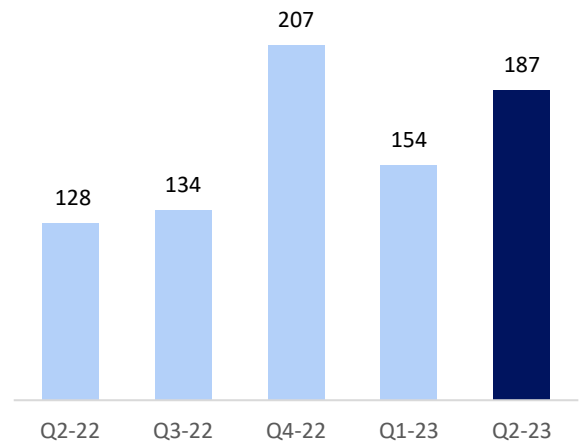
TOLLING ORDER BACKLOG DISTRIBUTION
MNOK



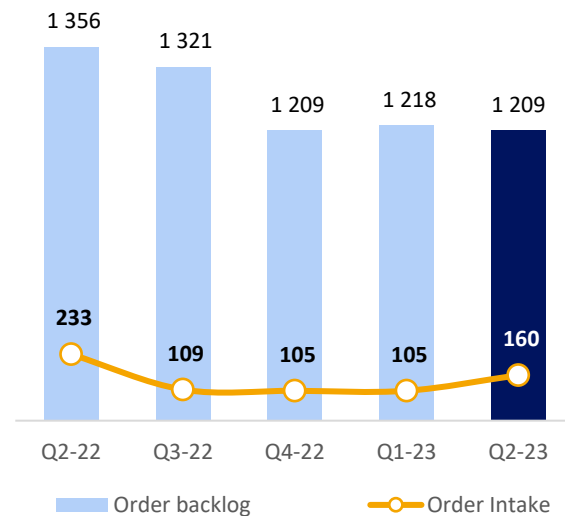
TOLLING REVENUES AND EBITDA
MNOK

	Q2-23	Q2-22
REVENUES	187	128
EBITDA	30	23

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 103 MNOK in Q2-23, up from 86 MNOK in Q2-22.

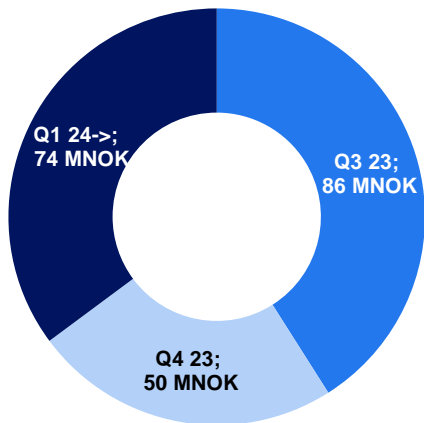
EBITDA ended at 12 MNOK in the quarter compared to 15 MNOK in Q2-22.

ORDER SITUATION

Q-Free booked Traffic Management contracts in the quarter worth 124 MNOK compared to 46 MNOK in Q2-22. The order intake comprised several small and medium-sized orders in the US.

The order backlog ended at 210 MNOK.

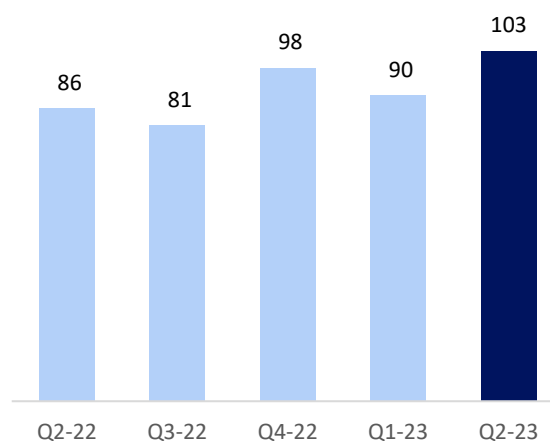
TRAFFIC MANAGEMENT ORDER BACKLOG DISTRIBUTION MNOK



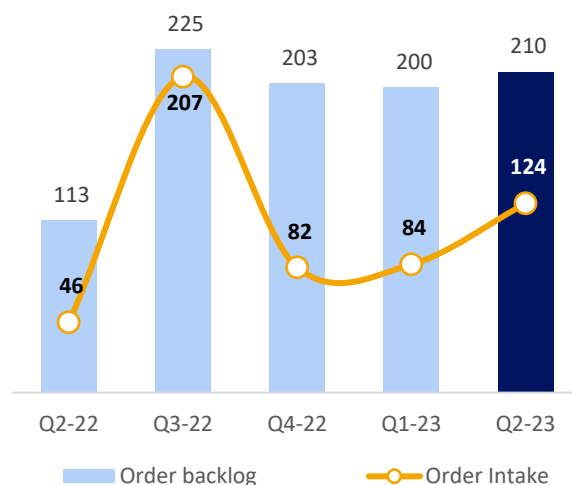
TRAFFIC MANAGEMENT REVENUES AND EBITDA MNOK

	Q2-23	Q2-22
REVENUES	103	86
EBITDA	12	15

LAST 5 QUARTERS TRAFFIC MANAGEMENT REVENUES MNOK



TRAFFIC MANAGEMENT ORDER BACKLOG & ORDER INTAKE MNOK



Outlook

There is an awakening interest for the ITS industry as there is an urgent and unmet worldwide need for free-flowing, clean, and safe transportation. The transportation sector accounts for 20% of global greenhouse-gas emissions and 40% of that is from private cars. A key element for ensuring sustainable societies is therefore to handle traffic in an efficient, effective and safe manner. This call for action is further supported by the increased regulatory focus on sustainable cities; illustrated by 100 European cities committing to becoming climate neutral and smart cities by 2030 (EU Cities Mission)

Q-Free contribute to solving these global traffic issues by offering high quality, innovative technology and we will continue to do so in our core markets and regions.

We contribute to the optimization of traffic flow and reduction of congestion through advanced traffic management systems and through smart infrastructure such as smart traffic signals, adaptive lighting systems, and vehicle-to-infrastructure (V2I) communication capabilities. We deliver electronic toll collection and congestion charging technology, which many countries cities are now introducing as part of their toolbox for handling traffic and pollution. Through using novel technology and open platforms, we aim to create intelligent solutions for efficient, safe, and eco-friendly transport.

Q-Free's dedication to innovation drives us and our customers forward. We will continue to build a portfolio of standardized, scalable solutions and have high innovation capacity meeting customer needs today and tomorrow.

In Q2 2023 we launched Velocity™, the first fully ARM-based processor in the traffic signal industry. Today advanced transportation controllers (ATC) are the primary sources of intersection data and today's traffic signal cabinet may be bursting at the seams with separate boxes for detection, connected vehicles, advanced transit priority signal (TPS) solutions, video processing, and many other applications. With the new neural processing unit we are able facilitate edge computing, moving AI and machine learning from the cloud to the field.

We did in Q2 2023 also launch our advanced traffic management Kinetic® Mobility platform as SaaS, thereby requiring minimal up-front costs while yielding maximum benefits, thus making it affordable for more customer take part of this technological shift. These are just some examples of how technology coupled with Q-Free's expertise are solving our customer's needs.

We will continue to take out synergies by building One Q-Free and strive to make sustainability part of our DNA and way of thinking in innovation and decision-making processes. We have spent the last years reducing complexity and optimizing our organizational structure, and now we focus on scaling and expanding our business for continued, measurable impact. Aiming to deliver the best solutions for customers, the environment, and our business, we know that ESG will be part of our license to operate. We are therefore dedicated to explore analytical and data-driven approaches to ESG that both spur innovation and support regulatory compliance.

We will continue to focus on building recurring revenue with a long-term perspective in business and partnerships. We believe that no company can solve the challenges alone and therefore believe in building ecosystems and partnerships. However, we will also conduct opportunistic acquisitions where product, markets and/or competencies are bolt-on to our business.

Our focus on recurring revenue builds a stable and predictable business model. The shift in our business model to recurring revenue, combined with investments in technology and innovation, is already showing signs of paying off. Recurring models create stable, long-term income and opportunities to upsell.

As the market conditions change and increased focus on ITS as a whole Q-Free is now undergoing a review of strategy and goals to ensure that these are in line with current market conditions, future customer needs and demands and opportunities ahead, so that we ensure that we are at the helm of the ITS industry in the years to come. We will present our updated strategy and targets to the market in H2 2023 in a dedicated Q-Free Capital Market Day.

Overall, the combination of technological advancements, increasing transportation challenges, safety concerns, sustainability goals, government support, and economic benefits are all driving the growth of the intelligent transportation systems industry.

This combined with the focus from governmental bodies on ITS sector show the need for Q-Free and companies alike. The global push for sustainability is awakening interest in our portfolio: low-carbon policies are in place, funds are allocated, and pollution hotspots are addressed, with targeted traffic measures to accelerate to green, just mobility. Smart traffic management, tolling and low-emission zones, and connected vehicles are all vital solutions in the transition economy.

Consolidated financial statements

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

INDEX OF NOTES

- 1 General information & Accounting policies
- 2 Operating Segments
- 3 Revenue
- 4 Borrowings
- 5 Net financial items
- 6 Share based compensation
- 7 Employee benefit expenses

ALTERNATIVE PERFORMANCE MEASURES

Interim condensed consolidated statement of profit or loss

30 JUNE 2023

Amounts in TNOK	Note	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
Revenue from customers	3	290 129	213 518	534 302	429 036	948 968
Total operating revenue		290 129	213 518	534 302	429 036	948 968
Cost of goods sold		101 180	44 807	183 947	110 625	291 152
Project contractor expenses		16 129	22 080	35 860	36 299	65 722
Employee benefit expenses		91 893	78 013	182 954	160 074	343 809
Other operating expenses		47 893	37 051	86 977	80 461	161 961
Total operating expenses		257 095	181 951	489 739	387 459	862 644
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		33 034	31 567	44 563	41 577	86 324
Depreciation of property, plant and equipment		10 862	7 704	20 651	15 715	35 573
Amortisation of intangible assets		3 990	5 287	7 980	10 540	18 261
Gain on disposal of assets		-	-	-	-	-
Total depreciation, amortization and impairment		14 852	12 991	28 631	26 255	53 835
Earnings before interest and taxes (EBIT)		18 181	18 576	15 932	15 322	32 489
Financial income	5	13 464	9 121	33 271	9 763	24 540
Financial expenses	5	-21 640	-12 556	-41 169	-15 102	-44 696
Net financial items	5	-8 176	-3 435	-7 898	-5 339	-20 156
Profit before tax		10 005	15 141	8 034	9 983	12 334
Tax expense		-2 382	5 003	227	4 715	-9 555
Profit / (-) loss for the year from continuing operations		7 623	20 145	8 261	14 698	2 778
Profit / (-) loss for the year on discontinued operations, net of tax						
Profit / (-) loss for the period		7 623	20 145	8 261	14 698	2 778
Earnings per share		0,07	0,18	0,07	0,13	0,02
Diluted earnings per share		0,07	0,18	0,07	0,13	0,02

Interim condensed consolidated statement of comprehensive income

30 JUNE 2023

Amounts in TNOK	Note	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
Profit / (-) loss for the period		7 623	20 145	8 261	14 698	2 778
Other comprehensive income						
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Currency translation differences, net of tax		22 790	12 094	64 233	1 399	42 888
Other comprehensive income for the period, net of tax		22 790	12 094	64 233	1 399	42 888
Total comprehensive income for the period, net of tax		30 413	32 239	72 494	16 097	45 666

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

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

Interim condensed consolidated statement of financial position

30 JUNE 2023

Amounts in TNOK	Note	Q2 2023	Q2 2022	FY 2022
ASSETS				
Deferred tax assets		54 909	55 036	47 835
Intangible assets		119 063	99 065	102 956
Goodwill		347 835	313 151	313 049
Property, plant and equipment	1	118 026	83 945	113 745
Non-current receivables		375	6 432	3 492
Total non-current assets		640 209	557 629	581 077
Inventories		109 075	96 218	86 593
Contract assets		95 720	65 133	92 473
Accounts receivable		193 955	160 233	203 253
Other current assets		46 204	20 573	43 562
Cash and cash equivalents		43 901	72 833	76 382
Total current assets		488 855	414 990	502 264
TOTAL ASSETS		1 129 064	972 619	1 083 339

Interim condensed consolidated statement of financial position

30 JUNE 2023

Amounts in TNOK	Note	Q2 2023	Q2 2022	FY 2022
EQUITY AND LIABILITIES				
Subscribed share capital		42 273	42 273	42 273
Share premium		649 939	649 939	649 939
Other paid-in capital		21 742	21 344	20 931
Retained earnings		-147 619	-249 681	-220 111
TOTAL EQUITY		566 335	463 875	493 031
Non-current borrowings	4	177 609	194 428	176 815
Non-current financial liabilities	1	36 625	41 318	39 722
Total non-current liabilities		214 233	235 746	216 538
Current borrowings	4	34 106	35 500	56 673
Advance payments from customers		101 453	67 616	89 433
Accounts payable		80 954	60 984	101 867
Taxes payable		0	5 742	975
Public duties payable		12 668	8 051	17 284
Current financial liabilities	1	23 948	16 756	21 947
Other current liabilities		95 378	78 350	85 592
Total current liabilities		348 507	272 998	373 770
TOTAL LIABILITIES		562 730	508 744	590 308
TOTAL EQUITY AND LIABILITIES		1 129 064	972 619	1 083 339

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

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

Interim condensed consolidated statement of cash flows

30 JUNE 2023

Amounts in TNOK	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
Cash flow from operations					
Profit before tax	10 005	15 141	8 034	9 982	12 334
Paid taxes	-	-	-	-	-8 830
Depreciation and impairment of property, plant and equipment	10 862	7 703	20 651	15 714	34 761
Amortisation and impairment of intangible assets	3 990	5 287	7 980	10 540	18 261
Share-based payment expense	-811	-24	-811	-48	390
<i>Working capital adjustments:</i>					
Changes in inventory	-4 527	-10 870	-22 482	-10 387	-762
Changes in contract assets	-250	527	-3 247	-5 443	-32 783
Changes in accounts receivable	-13 582	-15 789	9 298	14 197	-28 823
Changes in advance payments from customers	6 591	7 386	12 020	41 621	63 438
Changes in accounts payable	-25 731	-14 716	-20 913	-17 201	23 682
Changes in other items	20 301	-4 287	18 232	-33 464	10 532
Net cash flow from operations	6 847	-9 643	28 763	25 512	92 199
Cash flow from investing activities					
Investments in PP&E and intangible assets	-16 744	-13 208	-33 745	-25 280	-70 827
Cash flow from investing activities	-16 744	-13 208	-33 745	-25 280	-70 827
Cash flow from financing activities					
Cash proceeds from borrowings	12 993	15 549	12 993	15 549	28 567
Repayment of borrowings	-5 278	-4 849	-39 018	-9 551	-19 686
Payments of lease liabilities	-7 163	-5 541	-13 578	-11 457	-23 091
Interest received	487	57	872	215	476
Interest paid	-2 234	-1 789	-4 506	-3 744	-11 855
Cash flow from financing activities	-1 195	3 427	-43 237	-8 988	-25 589
Effect on cash and cash equivalents of changes in foreign exchange rates	4 047	356	15 737	-426	-1 417
Net change in cash and cash equivalents for the period	-7 045	-19 069	-32 482	-9 183	-5 632
Cash and cash equivalents beginning of period	50 945	91 901	76 382	82 015	82 015
Cash and cash equivalents end of period	43 900	72 832	43 900	72 832	76 382

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

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



Interim condensed consolidated statement of changes in equity

30 JUNE 2023

Interim condensed consolidated statement of changes in equity

30 June 2023

Amounts in TNOK

	Subscribed share capital	Share premium	Other paid-in capital	Retained earnings	Currency translation differences, net of tax	Total
Total equity 31.12.2022	42,273	649,939	20,931	-339,589	119,476	493,031
Profit / (-) loss for the period	-	-	-	8,261	-	8,261
Other comprehensive income	-	-	-	-	64,233	64,233
Total comprehensive income for the period	-	-	-	8,261	64,233	72,494
Share-based payment expense	-	-	811	-	-	811
Total equity 31.03.2023	42,273	649,939	21,742	-331,328	183,709	566,335
Total equity 31.12.2021	42,273	649,939	21,320	-342,368	76,588	447,752
Profit / (-) loss for the period	-	-	-	2,779	-	2,779
Other comprehensive income	-	-	-	-	42,888	42,888
Total comprehensive income for the period	-	-	-	2,779	42,888	45,667
Share-based payment expense	-	-	-389	-	-	-389
Total equity 31.12.2022	42,273	649,939	20,931	-339,589	119,476	493,031

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



Notes to the condensed interim financial statements

Q2 2023

NOTE 1 – GENERAL INFORMATION & ACCOUNTING POLICIES

The Q-Free Group provides leading technology solutions to the global ITS market. Q-Free has 365 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 2023, 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 2022. The consolidated financial statements for 2022 are available from the company's website, www.q-free.com. The consolidated condensed interim financial statements were approved by the Board of Directors at its meeting on 6 July 2023.

The preparation of Q-Free Group's interim 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 2023 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 2022.

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		Assets held for sale		Global functions		TOTAL	
	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022
<i>Amounts in TNOK</i>										
Revenue from customers	187 127	127 617	103 002	85 896	0	0	-	0	290 129	213 513
Revenue from customers	187 127	127 617	103 002	85 896	0	0	-	-	290 129	213 513
Cost of goods sold	71 658	22 901	29 522	21 901	0	0	0	0	101 180	44 802
Project contractor expenses	14 553	21 387	1 576	695	0	0	0	0	16 129	22 082
Gross Contribution	100 916	83 329	71 904	63 300	0	0	-	-	172 819	146 629
Gross margin - %	53,9 %	65,3 %	69,8 %	73,7 %					59,6 %	68,7 %
Total OPEX	70 824	60 241	59 406	48 243	0	0	9 556	6 578	139 786	115 062
EBITDA	30 092	23 088	12 497	15 057	0	0	-9 556	-6 578	33 033	31 567
EBITDA margin	16,1 %	18,1 %	12,1 %	17,5 %					11,4 %	14,8 %
Depreciation and amortisation	10 806	8 009	4 046	4 981	0	0	0	0	14 852	12 990
Gain on sale of assets							0	0	0	0
EBIT	19 286	15 079	8 451	10 076	0	0	-9 556	-6 578	18 181	18 577
EBIT margin	10,3 %	11,8 %	8,2 %	11,7 %					6,3 %	8,7 %

NOTE 2 OPERATING SEGMENTS CONT.

SEGMENTS	Tolling		Traffic Management		Assets held for sale		Global functions		TOTAL	
	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022
<i>Amounts in TNOK</i>										
Revenue from customers	341 288	280 446	193 014	148 584	0	0	-	0	534 302	429 030
Revenue from customers	341 288	280 446	193 014	148 584	0	0	-	-	534 302	429 030
Cost of goods sold	124 328	69 361	59 619	41 260	0	0	0	0	183 947	110 621
Project contractor expenses	31 610	35 016	4 250	1 285	0	0	0	0	35 860	36 300
Gross Contribution	185 350	176 069	129 145	106 040	0	0	-	-	314 494	282 109
Gross margin - %	54,3 %	62,8 %	66,9 %	71,4 %		#DIV/0!			58,9 %	65,8 %
Total OPEX*	142 521	126 103	109 294	97 782	0	0	18 116	16 649	269 931	240 535
EBITDA	42 828	49 966	19 850	8 258	0	0	-18 116	-16 649	44 563	41 575
EBITDA margin	12,5 %	17,8 %	10,3 %	5,6 %		#DIV/0!			8,3 %	9,7 %
Depreciation and amortisation	21 316	16 383	7 315	9 870	0	0	0	0	28 631	26 253
Gain on sale of assets							0	0	0	0
EBIT	21 512	33 583	12 536	-1 613	0	0	-18 116	-16 649	15 932	15 321
EBIT margin	6,3 %	12,0 %	6,5 %	-1,1 %		#DIV/0!			3,0 %	3,6 %

NOTE 3 REVENUES

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

SEGMENTS	Tolling		Traffic Management		Total	
	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022
<i>Amounts in TNOK</i>						
Recurring revenue*						
Service & Maintenance, contracting arrangements	46 038	37 111	35 562	18 693	81 600	55 804
Software	19 730	15 905	12 426	2 999	32 156	18 904
Recurring revenue	65 768	53 016	47 988	21 692	113 756	74 708
Non-recurring revenue						
Product deliveries	84 146	19 272	39 982	34 316	124 128	53 588
System Projects	37 213	55 329	15 044	29 888	52 256	85 217
Non-recurring revenue	121 359	74 601	55 026	64 204	176 384	138 805
Revenue from customers	187 127	127 617	103 013	85 896	290 140	213 513

*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.

SEGMENTS	Tolling		Traffic Management		Total	
	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022
<i>Amounts in TNOK</i>						
Recurring revenue*						
Service & Maintenance, contracting arrangements	86 189	72 526	60 323	34 875	146 512	107 401
Software	36 938	31 083	27 576	6 107	64 515	37 190
Recurring revenue	123 127	103 609	87 899	40 982	211 026	144 591
Non-recurring revenue						
Product deliveries	132 305	55 815	52 146	58 342	184 451	114 157
System Projects	85 855	121 022	52 969	49 260	138 824	170 282
Non-recurring revenue	218 160	176 837	105 115	107 602	323 276	284 439
Revenue from customers	341 288	280 446	193 014	148 584	534 302	429 030

*Refer to definition in APM section

NOTE 4 BORROWINGS

Type	Effective interest rate %****	Maturity***	30.06.2023	30.06.2022	31.12.2022
Non-current					
Nordea - Term loan *)	4,75%	30 August 2026	82 000	82 000	73 800
Nordea - Revolving Multicurrency Credit Facility (RCF) **)	Interbank + 1,9%	30 June 2025	50 000	50 000	50 000
Nordea - USD term loan	Interbank + 1,9%	30 June 2025	15 154	20 170	17 250
Nordea - EUR term loan	Interbank + 1,9%	30 June 2025	10 656	13 658	11 565
Nordea - NOK term loan	Interbank + 1,9%	30 June 2025	19 800	28 600	24 200
Total non-current borrowings			177 609	194 428	176 815
Current					
Nordea - Term loan *)	4,75%	30 August 2026	-	-	8 200
Nordea - USD term loan	Interbank + 1,9%	30 June 2025	7 577	7 236	6 900
Nordea - EUR term loan	Interbank + 1,9%	30 June 2025	4 736	3 915	4 206
Nordea - NOK term loan	Interbank + 1,9%	30 June 2025	8 800	8 800	8 800
Nordea - Credit line**)	Interbank + 1,9%	Annually	12 993	15 549	28 567
Total current borrowings			34 106	35 500	56 673
Total borrowings			211 715	229 928	233 488

* 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 including subordinated loans divided on total assets. The leverage ratio should not exceed 4,0 until and including Q4-23. Onwards, the leverage ratio should not exceed 3,5. Leverage ratio is calculated by adding long-term borrowings, short-term borrowings, and lease obligations, and then subtracting cash and cash equivalents, this result is divided by the 12-month EBITDA.

Capital expenditure should not exceed tNOK 45 000, measured annually. In view of an ambitious investment program for 2023, a Capital expenditure of maximum tNOK 70 000 has been agreed for 2023. "Right of use Assets" under IFRS16, any expenditure or obligation in respect of an Approved Norwegian Tolling Contract and capitalized value of ERP project are 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. These may include 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 Q2-23, Q-Free was compliant with all financial covenants.



NOTE 5 NET FINANCIAL ITEMS

Amounts in TNOK

Financial items	Q2 2023	Q2 2022	H1 2023	H1 2022
Interest income	525	57	1 071	216
Realised exchange rate differences	5 330	1 719	17 283	2 954
Unrealised exchange rate differences	7 609	7 345	14 918	6 593
Financial income	13 464	9 121	33 271	9 763
Interest expense	-781	-823	-1 566	-1 416
Interest on borrowings	-4 139	-966	-8 497	-2 328
Realised exchange rate differences	-4 310	-2 569	-7 081	-5 150
Unrealised exchange rate differences	-8 623	-7 097	-19 303	-4 507
Other financial expense	-3 787	-1 101	-4 723	-1 701
Financial expense	-21 640	-12 556	-41 169	-15 102
NET FINANCIAL ITEMS	-8 176	-3 435	-7 898	-5 339

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.

SEGMENTS	Tolling		Traffic Management		Total	
	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022
<i>Amounts in TNOK</i>						
Service & Maintenance, contracting arrangements	184 151	148 445	132 797	74 770	316 948	223 215
Software	78 922	63 619	59 154	11 997	138 076	75 617
Annual recurring revenue	263 073	212 064	191 951	86 767	455 024	298 831
Recurring revenue - reported	65 768	53 016	47 988	21 692	113 756	74 708
Non-recurring revenue - reported	121 359	74 601	55 025	64 204	176 384	138 805
Total revenues - reported	187 127	127 617	103 013	85 896	290 140	213 513

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.

<i>Amounts in TNOK</i>					
Gross contribution and gross margin	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
Revenue from customers	290 129	213 518	534 302	429 036	948 968
Cost of goods sold	-101 180	-44 807	-183 947	-110 625	-291 152
Project contractor expenses	-16 129	-22 080	-35 860	-36 299	-65 722
Gross contribution	172 820	146 631	314 494	282 112	592 094
Gross margin	59,6 %	68,7 %	58,9 %	65,8 %	62,4 %

ALTERNATIVE PERFORMANCE MEASURES

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 Amortization. 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 2022. The same applies for EBIT.

EBITDA margin:

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

Amounts in TNOK

EBITDA margin	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
Revenue from customers	290 129	213 518	534 302	429 036	948 968
EBITDA	33 034	31 567	44 563	41 577	86 324
EBITDA margin	11,4 %	14,8 %	8,3 %	9,7 %	9,1 %

EBIT margin:

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

Amounts in TNOK

EBIT margin	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
Revenue from customers	290 129	213 518	534 302	429 036	948 968
EBIT	18 181	18 576	15 932	15 322	32 489
EBIT margin	6,3 %	8,7 %	3,0 %	3,6 %	3,4 %

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 2023	Q2 2022	FY 2022
Non-current borrowings from financial institutions	177 609	194 428	176 815
Current borrowings from financial institutions	34 106	35 500	56 673
Gross Interest Bearing Debt	211 715	229 928	233 488
Cash and cash equivalents	43 901	72 833	76 382
Net Interest Bearing Debt	167 814	157 096	157 106

Net working capital:

Defined as Current assets excluding Cash less Current liabilities and excluding Current.

Amounts in TNOK

Net Working Capital	Q2 2023	Q2 2022	FY 2022
Inventories	109 075	96 218	86 593
Contract assets	95 720	65 133	92 473
Accounts receivable	193 955	160 233	203 253
Other current assets	46 204	20 573	43 562
Current Assets (excl Cash and cash equivalents)	444 955	342 157	425 881
Advance payments from customers	101 453	67 616	89 433
Accounts payable	80 954	60 984	101 867
Taxes payable	0	5 742	975
Public duties payable	12 668	8 051	17 284
Current financial liabilities	23 948	16 756	21 947
Other current liabilities	95 378	78 350	85 592
Current liabilities (excl Current borrowings from financial institutions)	314 401	237 497	317 097
Net Working Capital	130 554	104 660	108 784

ALTERNATIVE PERFORMANCE MEASURES

Working capital ratio:

Defined as Current assets excluding Cash less Current liabilities and excluding Current borrowings in percentages of last 12 months Revenue from customers.

Amounts in TNOK

Working Capital ratio	Q2 2023	Q2 2022	FY 2022
12 months Revenue from customers	1 054 234	844 936	948 968
Net Working Capital	130 554	104 660	108 784
Working Capital ratio	12,4 %	12,4 %	11,5 %

Equity ratio:

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

Amounts in TNOK

Equity ratio	Q2 2023	Q2 2022	FY 2022
Total equity	566 335	463 875	493 031
Total assets	1 129 064	972 619	1 083 339
Equity ratio	50,2 %	47,7 %	45,5 %

Order intake:

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

Order backlog:

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

The order backlog is calculated as shown below:

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 2023 and the financial information in this report that is relevant for 2023.

The report for 2023 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 2023 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, 6 July 2023

The Board of Directors and

Chief Executive Officer of Q-Free ASA

Trond Valvik	Chairman of the Board
Geir Bjørlo	Vice Chairman of the Board
Camilla Amundsen	Member
Karin Sandsjö	Member
Geir Bjørlo	Member
Brage Blekken	Employee elected member
Ane Dalsnes Storsæter	Employee elected member
Thale Kuvås Solberg	President & CEO



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enterprises NO 935 487 242

