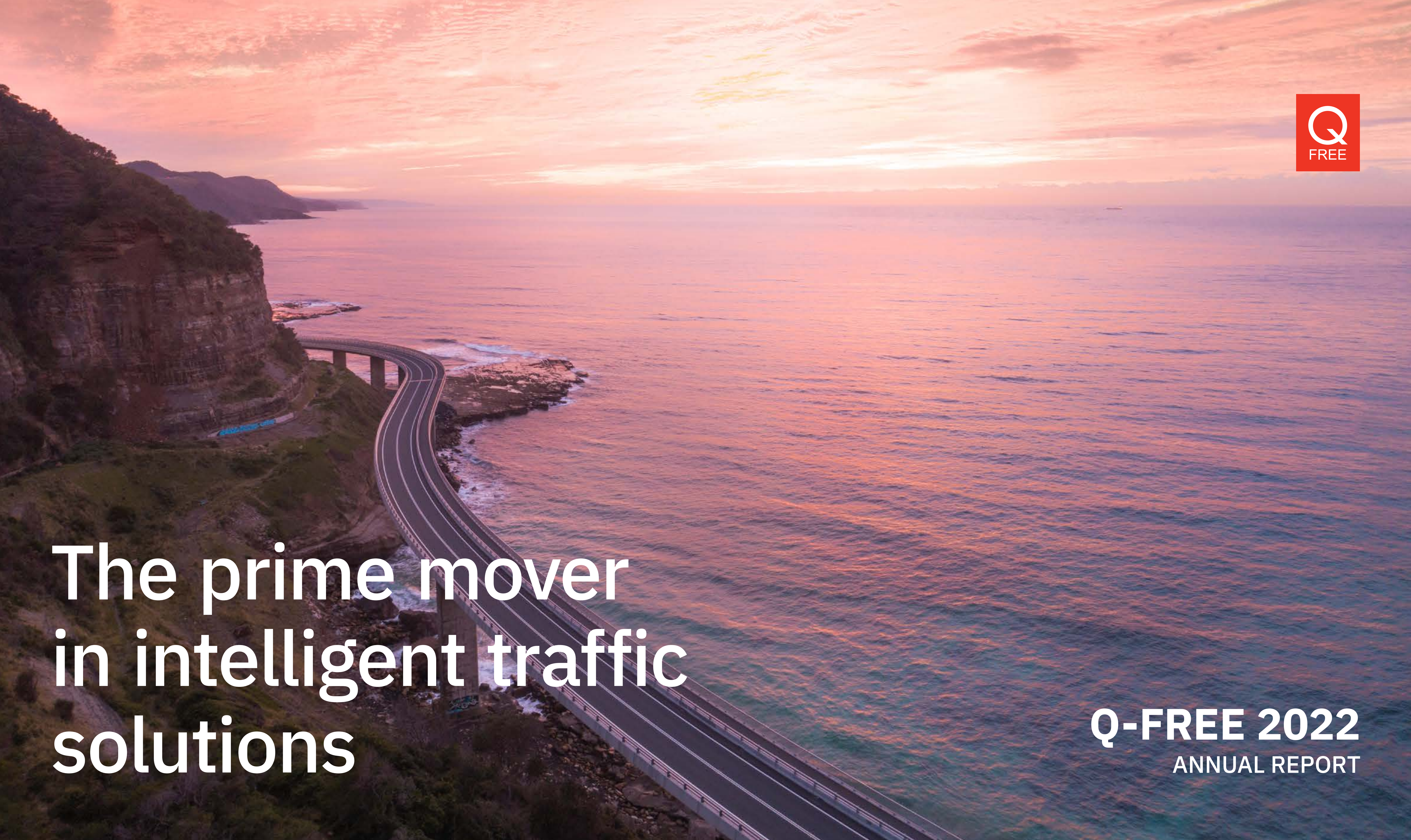


The prime mover in intelligent traffic solutions

Q-FREE 2022
ANNUAL REPORT

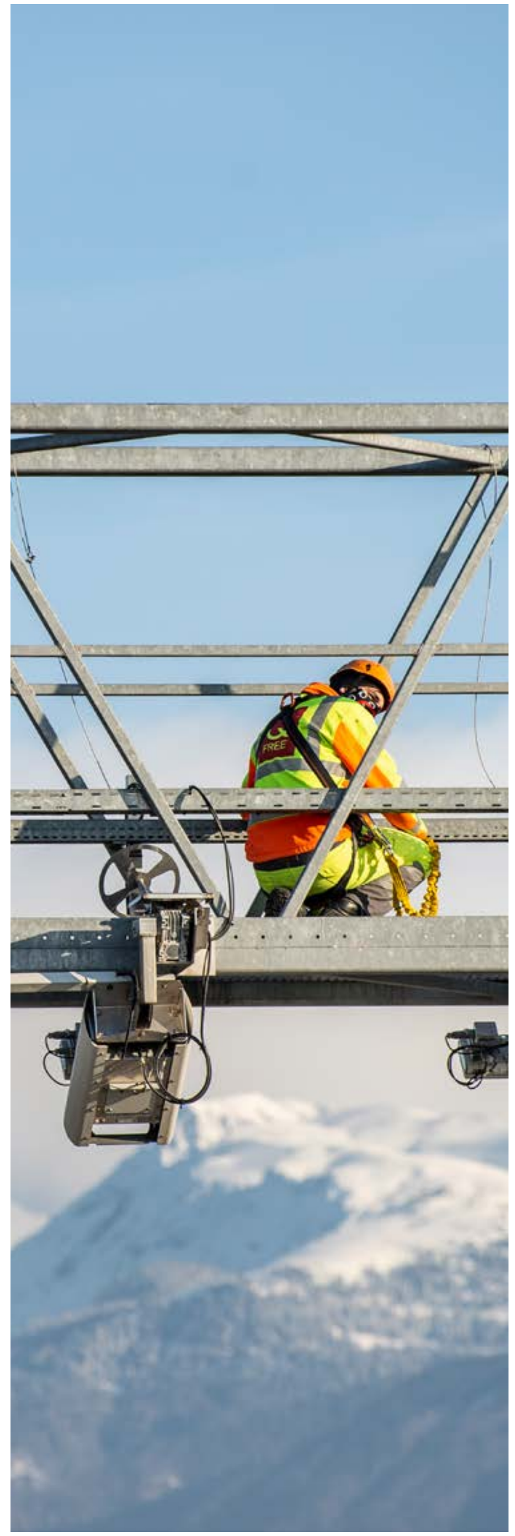
About this report

Welcome to Q-Free's Annual Report. Our 2022 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 table below.

Environmental	Read	Social	Read	Governance	Read
Climate-related disclosures	31, 36	Accidents at work	42	Anti-corruption	38
Climate risk	31, 35, 43	Activity duty and the duty to issue a statement ("ARP")	33	Certifications (ISO 9001, ISO 14001, ISO 27001, ISO 45001)	2, 31
Emissions	7, 8, 36, 38	Diversity and equal opportunities	13, 20, 30, 31, 32, 33	Code of conduct	37–38
Innovation	18, 19, 21, 23, 24, 25, 26, 28	Employee engagement	14, 15	Compliance	36
Projects and Partnerships	5, 22, 23	Gender balance	4, 13	Corporate governance	See separate report
Transportation and mobility	18, 21, 23	Health and safety	31, 38	EU Taxonomy	36
Value chain	20, 34	Human rights	34, 37	Materiality analysis	30–31
		Labor rights	37, 42	Reporting standards and frameworks	31, 36, 37
		Partnerships	5, 6, 10	Risk management and risk factors	30, 35, 42, 62–68
				Stakeholder dialogue	32
				Strategy and goals	6, 7, 8, 10, 11
				The Transparency Act	34, 42
				UN Sustainability Goals	2, 31
				Whistleblowing	37

For the reporting year 2022, Q-Free also publishes separate reports for **Corporate Governance** and our **CSR activities**. The reports can be downloaded at our reporting site.

OUR PLEDGES



Content

Expanding our positive impact in the transformative economy

It is a privilege to lead Q-Free. Our company is driving progress in an industry of awakening worldwide interest due to the urgent and unmet needs for free-flowing, clean, and safe transportation.

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.

2022 was a transformative year for us: Our focus on recurring revenue builds a stable and predictable business model; we achieved a milestone with over 40% of revenue from recurring sources (ARR 334 MNOK). We secured a 78 MNOK cash flow from operations, thanks mainly to Tolling projects in Iberia, revenues on On-Board-Units, and statewide ATMS contracts in the US.

Using novel technology and open platforms, we aim to create intelligent solutions for efficient, safe, and eco-friendly transport. In Q4 2022, we launched Kinetic® Mobility, a cloud-based traffic management platform that unites urban, interurban, and infomobility in a single off-the-shelf system. A new operational back office (OBO) for tolling projects adds standardization and synergy across Q-Free's products, and appointing tech business leaders to management shows Q-Free's commitment to solving complex challenges with disruptive technology.

"Working together towards better, sustainable transportation is a responsibility to the generations to come and a significant and continuous business opportunity."

The shift in our business model to recurring revenue, combined with investments in technology and innovation, may reduce short time revenues and EBITDA. However, recurring models create stable, long-term income and opportunities to upsell. We continue building a robust sales force as exceeding market and customer needs is crucial to our goal of long-term growth.

Q-Free's dedication to innovation drives us forward, resulting in a 16 MNOK grant from the Norwegian Research Council for new GNSS tags used in next-generation Road User Charging. In America, a funding campaign began to help US customers get some of the $1.2 trillion in federal funds available for infrastructure while promoting our ATMS solutions. Our team in Australia won an ITS Australia Connected and Automated Vehicle Award thanks to our technology and teamwork.

Sustainability is transforming the competitive landscape. How we organize our ESG journey can be determinant for our future innovation capacity. Aiming to deliver the best solutions for customers, the environment, and our business, we explore analytical and data-driven approaches to ESG that both spur innovation and support regulatory compliance. Embedding sustainability into product design is crucial; it determines an estimated 80 percent of the future carbon footprint.

We need shared value partnerships and collaboration with our stakeholders to succeed. Working together towards better, sustainable transportation is a responsibility to the generations to come and a significant and continuous business opportunity. At the core of realizing this is our people and value chain; they are our critical backbone. Accommodating a diverse workforce is part of our sustainability focus.

The future is bright for Q-Free. 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 viable solutions in the transition economy.

THALE KUVÅS SOLBERG
PRESIDENT & CEO, Q-FREE ASA

Key figures

Profit & Loss Account (TNOK)	2018	2019	2020	2021	2022
Operating revenue	888 647	962 317	889 305	860 017	948 968
Cost of goods sold	227 191	304 556	236 609	228 140	291 152
Project contractor expenses	92 260	118 372	107 551	81 791	65 722
Other operating expenses	498 105	466 746	469 368	444 493	505 770
EBITDA	71 091	72 643	75 777	105 594	86 324
EBIT	23 690	23 690	-8 800	50 265	32 490
PROFIT BEFORE TAX	-1 119	-50 050	-32 446	39 566	12 334
PROFIT / (-) LOSS FOR THE YEAR	-8 079	-49 981	-40 995	58 629	2 779
GM%	64.10%	56.10%	61.30%	64.00%	62.40%
EBITDA%	8.00%	7.50%	8.50%	12.30%	9.10%
EBIT%	2.70%	2.50%	-1.00%	5.80%	3.42%
Selected balance sheet items (TNOK)					
Intangible fixed assets	477 213	415 079	350 686	374 391	416 005
Tangible fixed assets	25 420	78 785	63 311	89 785	113 745
Cash	89 700	31 051	74 961	82 015	76 382
Total assets	940 146	883 168	849 946	947 765	1 083 340
Equity	402 397	357 502	313 115	447 754	493 031
Gross interest bearing debt	215 521	232 022	233 500	220 560	233 488
Key figures per share (NOK)					
Earnings per share, ordinary	-0.09	-0.56	-0.46	0.53	0.02
Earnings per share, diluted	-0.09	-0.56	-0.46	0.52	0.02
Cash flow	1.77	0.28	0.75	0.79	0.02
Book equity	4.51	4.01	3.51	4.02	4.43
Market cap as at 31.12 (MNOK)	687	607	500	914	914
Average no of shares	89 223	89 223	89 223	100 234	111 244
Other key figures					
Annual recurring revenue				239 145	333 994
Order backlog	1 128 178	1 080 426	1 082 599	1 113 714	1 412 580
Order Intake	972 080	950 195	948 823	990 136	1 289 164
Return on Invested Capital (ROIC)	0.95	1.09	1.05	0.91	0.88
Net interest bearing debt (NIBD)	125 821	200 971	158 539	138 545	157 106
Cash flow from operations	158 283	24 662	66 587	87 847	92 200
Operational investment	43 480	34 485	24 011	36 011	70 827
Equity ratio	43.0%	40.0%	37.0%	47.0%	46%
Gearing	22.9%	26.3%	27.5%	23.3%	22.1%
Number of employees	385	396	378	349	339
Price / book value	1.71	1.70	1.60	2.04	1.39

Q-Free at a glance

Our company

900 million
NOK in revenue

2002
Listed on Oslo Stock Exchange

Norway
Corporate headquarters

14 countries
With local Q-Free offices

Our people

339
Employees

37
Nationalities

Gender
20% Female

80% Male

Our accomplishments

>50
Reference markets

>40 000
Intersection controllers

>2 000
Toll lanes in operation

>50 000
Active Intrada ALPR licenses

>40 million
Tolling tags sold

2022 in review

Projects and portfolio

Tolling

- Successful tolling systems/projects installed in northern Spain
- Finalized the Ascendi RSE renewal project in Portugal
- Finalized the Great Belt project in Denmark
- Tromsø Bypakke & Ålesund Bypakke went live
- Tolling system at Don Muang Tollway in Thailand went live
- Rebound of OBU revenues thanks to the launch of the R-tag
- Shared Value Award Nomination within two categories for our multi-stakeholder social procurement project in Australia
- Won award on «ITS Australia Connected and Automated Vehicle Award
- Joined the collaborative MODI project
- Shared Value Award nomination within two categories for our multi-stakeholder social procurement project in Australia

Traffic management

- Secured largest statewide contract for traffic signal management in North Carolina (9,400+ intersections)
- Gained traction with cloud-based systems securing several new customers and upgrading existing ones
- Piloted new federal work zone data exchange (WZDx) to boost road safety and efficiency
- Mitigated traffic at 2023 Super Bowl in Glendale, AZ with MAXTIME adaptive; tested at Monday Night Football and Collegiate Championship games
- Established industry-leading automated enforcement for weigh-in-motion systems in Ukraine
- Conducted preliminary tests for new AI traffic classification systems

Read more in-depth about several of our projects during 2022 in «Our positive impact», pages 17–28.

People & Leadership

Building a future-proof sustainable organization

Technology
- New EVP in Traffic Management, former CTO in Q-Free ATMS
- New EVP Technology Traffic Management
- New SVP Technology Tolling

Scaling and market presence
- New CEO located at Q-Free´s headquarters

Sustainability
- New EVP on Sustainability, People and Brand at headquarters
- New Director People & Organization
- New alliances with sustainability partners

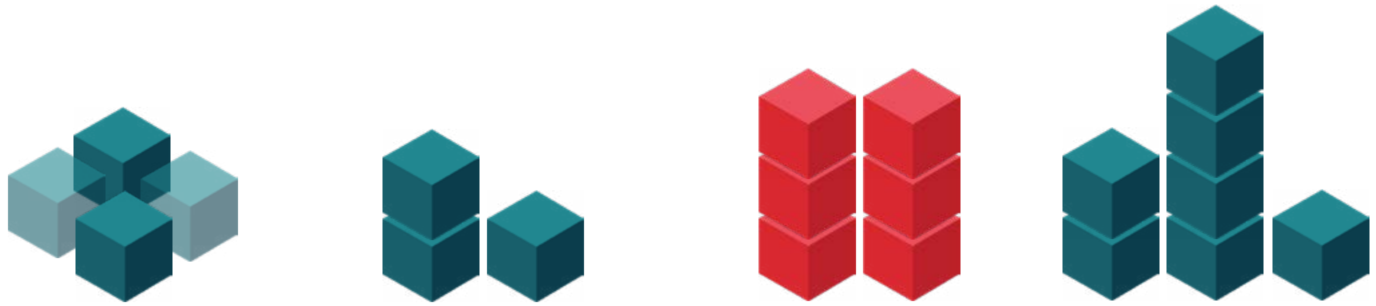
Focus on s hared value multi-stakeholder partnerships

Profits and finance

- Very strong order intake. Solid MNOK 1413 order backlog at year end (+27% compared to last year)
- Success in transitioning the business more towards recurring revenue. ARR currently at 334 MNOK, an increase of 40% compared to last year. Almost 1/3 of revenue is now classified as recurring.
- Q-Free delivered a solid 78 MNOK cash-flow from operations in 2022

Our strategy

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 have crafted and adhered to the following plan.



2018 — **2027 >**

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.

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.

3 Scale

Scale standardized solutions to selected new target markets.

- Target selected greenfield tolling markets and commercialize new RUC technology.
- Become a clear top three ATMS player in terms of revenue in North America
- Build portfolio of annual recurring revenue contracts

4 Expand/ Impact

Scale standardized solutions to selected new target markets.

- Use Software platform to create new products and services alone and together with third parties
- Utilize partnerships through the value chain, from production to delivery and maintenance
- Organic and bolt-on growth

Our market outlook

We constantly seek keen insights into core aspects that shape our markets and business, and evaluate our organization, investments and portfolio against them. Here are some of our current top themes:

Trends

- Growing infrastructure needs that must be covered with tolls as state budgets are stretched and gas taxes decline.
- Higher urban and interurban traffic requires improved facilitation and control of traffic flow. Digitalization is key.
- Political push towards a net-zero economy, including efforts to reduce traffic and air pollution through pricing mechanisms such as congestion and road user charging and better traffic flow.
- Move from manual to electronic toll collection in markets with existing toll roads.

Enablers

- Several attractive growth drivers, increasing recurring revenues, and bolt-on acquisitions.
- Increasing high-margin software revenues and increased scalability of solutions.
- Continuous innovation across entire offering, clear technology road maps.

The global traffic challenges

27 million

days of delay per year for highway freight ship-ment in the US, equal to 75,000 years.

Source: Road Scholar

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)

99%

of the global population breathes air that exceeds WHO air quality limits, and threatens their health.

Source: WHO

Emissions

Road transportation accounts for 15% of total global emissions, 41% of which are attributed to passenger cars.

Source: "Our World in Data"

3,700

people across the globe lose their lives every day on the roads.

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

Electronic Multi-Lane Free-Flow Tolling
Ferry & Truck Tolling
Advanced Traffic Management Systems
Adaptive Signal Control

Q-CLEAN

Stimulate sustainable transportation

Congestion charging & Low-Emission Zones
Road User Charging
Weigh-in-Motion
Counters & Classifiers
Bicycle & Pedestrian Monitoring

Q-SAFE

Improve road and travel safety

Connected Intersections (V2I)
Automatic License Plate Recognition
Lane Closure Management

Our business

Making an impact in Portugal ///

Q-Free provide service and maintenance for the Portuguese motorway operator Ascendi, and in 2022 the two companies signed a further extension contract. This continues Q-Free's fourteen-year partnership delivering continuous innovation of tolling solutions to provide free-flowing, clean, safe traffic and mobility for Portuguese citizens.

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, Sweden) • Truck tolling (Slovenia and Slovakia) • >50 000 active ALPR licenses	• Statewide ATMS software (Colorado, Iowa, Virginia, West Virginia, Delaware, Pennsylvania) • Signal management software (GDOT, PennDOT, ODOT, UDOT, WyDOT, Snohomish County, and more) • >40 000 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

One company with multiple offerings

Toegther 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.

Q-Free ASA

Revenue 2022
MNOK 900

The prime mover in intelligent traffic solutions

Tolling

- 221 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

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 Network Operating Center (NOC)
- Early phase C-ITS and distance-based tolling technology

Traffic Management

- 116 employees across 5 locations
- References from more than 20 markets
- 7 statewide ATMS delivered
- >40 000 traffic controllers installed
- >120 central signal management systems in operation
- 3 500 traffic counters

Offering

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

Our Leadership

Group Management

Thale Kuvås Solberg
(1977)
President & CEO
Served since 2022

Thale Kuvås Solberg has held the position of President & CEO since October 2022. She has extensive international experience, and prior to joining Q-Free held C-level and top management positions at Volue ASA, an international green-tech company.

Solberg has +15 years' experience in the management consulting and financial industry and has worked for companies such as EY, JP Morgen Chase, SpareBank 1, and as a CEO in a tech start-up. She sits on the Board of Directors for listed and non-listed companies within the mobility, energy, and financial industries.

Solberg is a Siviløkonom (four-year program in economics and business administration) from the Norwegian School of Economics (NHH) and holds an MSc in Risk Management from the University of Southampton, UK, and a BSc in International Business from Copenhagen Business School (DK)/ Università Bocconi (IT)/GC&SU (US)

Solberg is a Norwegian citizen based in Trondheim, Norway. Solberg owns 45,263 shares and holds 1,000,000 share options in Q-Free ASA.

Trond Christensen
(1971)
CFO
Served since 2019

Trond Christensen has held the position of CFO since November 2019. Christensen served as interim CEO from July 2022-October 2022.

Christensen has several years of experience as a state-authorized public accountant. Christensen also has over ten years of experience as CFO/CEO and has worked for companies such as Jotun, Komplett, Brubakken, and Leonhard Nilsen & Sønner. Since 2014, he has worked with consulting and management for hire.

Christensen is a Siviløkonom (four-year program in economics and business administration) from Norwegian Business School BI and holds a Master's in Accounting from the Norwegian School of Economics (NHH) in Norway. Christensen is a Norwegian citizen based in Trondheim and Oslo, Norway.

Christensen owns indirectly through T Christensen AS 45,000 shares in Q-Free ASA.

Hege Margrethe Sand
(1974)
EVP Sustainability, People and Brand
Served since 2023

Hege Sand joined Q-Free as Executive Vice President in March 2023. Sand has held several leading positions within companies like Telenor, Skanska, IKEA, emgs, SINTEF, and recently in Enova SF. Sand holds a degree in Human Resources (Personal- og arbeidslivsprogrammet) from the University of Lund in Sweden and Strategic HRM from the University of Tilburg in the Netherlands.

Sand is a Norwegian citizen based in Trondheim, Norway. Sand has no shares in Q-Free ASA.

Daniel Skiffington
(1979)
EVP Traffic Management
Served since 2022

Daniel Skiffington has held the position of EVP Traffic Management since October 2022. Skiffington has been a member of the senior traffic management team since 2019, most recently serving as EVP of Technology responsible for the development and dissemination of technology for customers, vendors, and clients to improve and increase business.

He started with Open Roads Consulting in 2003, which was subsequently acquired by Q-Free to forge the cornerstone of the company's interurban traffic offering in 2014.

Skiffington holds a Bachelor's in Computer Science from Virginia Tech (US). Skiffington is an American citizen and resides in Chesapeake, Virginia. Skiffington has no shares in Q-Free ASA.

Fredrik Nordh
(1974)
EVP Tolling
Served since 2017

Fredrik Nordh joined Q-Free as Senior Vice President Europe in September 2017. 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.

A native Swede, Nordh received a Master of Science degree in Business and Economics from the University of Uppsala in Sweden.

Nordh is based in Stockholm, Sweden, and owns 40,000 shares and holds 527,256 share options in Q-Free ASA.

Key Management

Tolling

Roger Klausen
SVP Technology

Jos Nijhuis
SVP Head of Image Review Solutions

Pål Almlie
VP Supply Chain Management

Jørn Buchholdt
Finance Controller Tolling

Silje Troseth
VP Asia & Pacific

Blaz Gostisa
VP East Europe

Gonzalo Hederra
VP Latin America

Luis Miranda
VP Western & Southern Europe

Vegard Thomassen
VP Norway & Denmark Operations

Traffic Management

Whitney Nottage
EVP Operations

Tim Bean
EVP Technology

Steve Mager
EVP Urban Solutions

Trisha Tunilla
EVP Marketing and Proposals

Mark Phillips
VP Infomobility Solutions

Our organization

In 2022, we continued to focus and streamline our organization, going from 349 to 339 employees. Most of our employees (75.22%) are technical resources working with development, delivery, operations, and service.

Going forward, we will have a particular focus on further strengthening our commercial departments and investing in shaping a resilient and inclusive work culture to attract, keep, and develop the diverse team members we need to thrive.

Q-Free has recently invested in an EVP role for Sustainability, People and Brand, and another senior role in Director People & Culture, with a 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 in the worker's process. Our global employee satisfaction was 7,8 (against index 7,5) with a participation rate of 69%.

At the close of 2022, the total representation of women at Q-Free was 20%. Our Board of Directors consists of two women and five men, while Leadership Group management was represented by one woman and three men (in early 2023, top management changed to two women and three men).

While our Tolling division has a gender representation of 17% women, our Traffic Management division has a 26% female workforce. 35% of new hires in Traffic Management last year were women. Despite the positive increase within Traffic Management, numbers don't lie, and we have full focus on working towards a more equal and representative workforce to remain competitive and assure an even more diverse environment for the benefit of all our employees.

In 2023, 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% in countries where we are below this goal, with a long-term goal of 25% by 2025. We will have a special focus on attracting more female employees into technical roles.

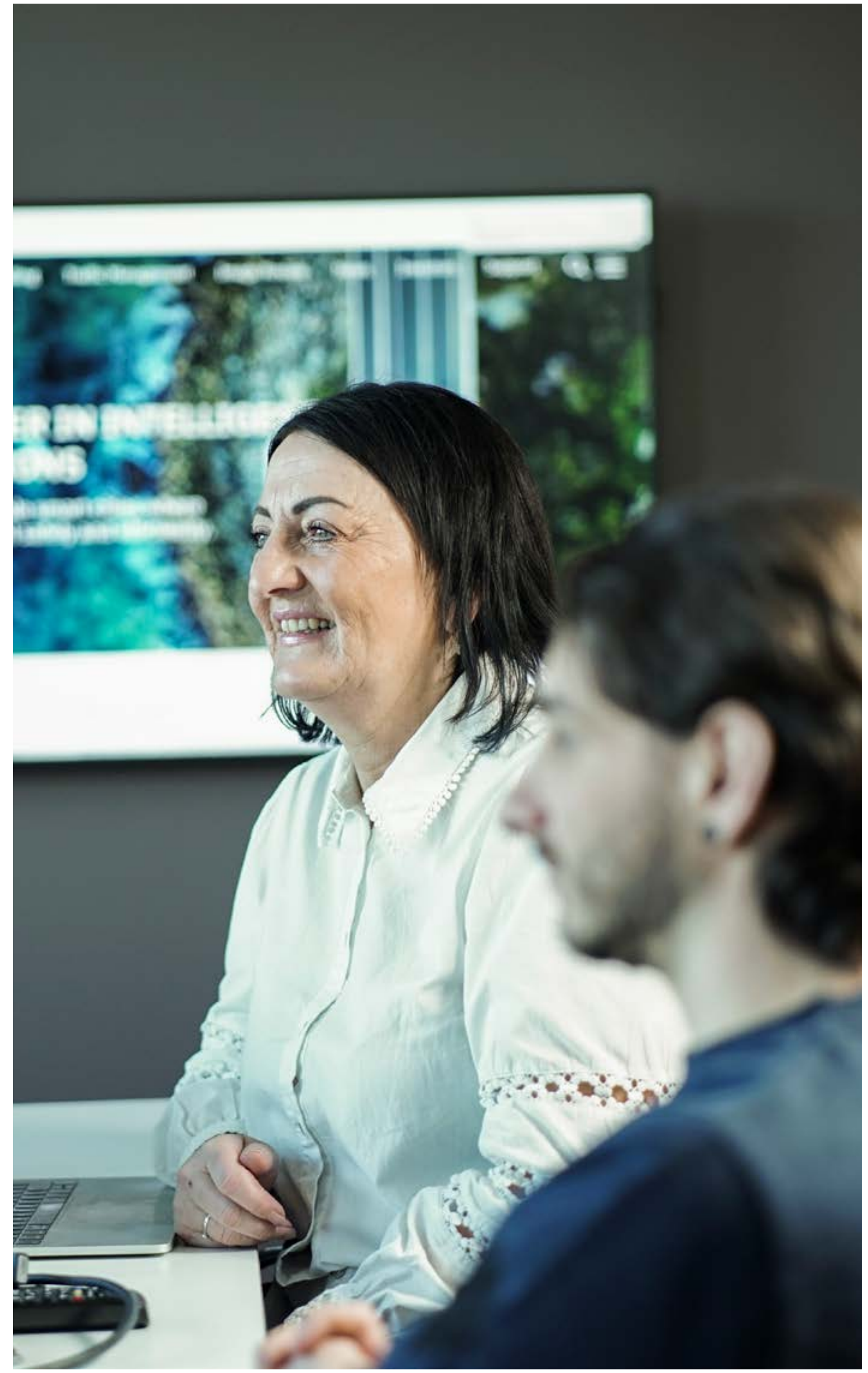
PERMANENT EMPLOYEES BY DIVISION AND GENDER

	Total	Female	Men	% Female	% Men
Group	2	2	-	100	-
Tolling	221	37	184	17	83
Traffic Management	116	30	86	26	74
Total	339	69	270	20	80

PERMANENT EMPLOYEES BY TYPE OF EMPLOYMENT AND GENDER

Type of employment	Total	Female	Men	% Female	% Men
Total employees	339	69	270	20	80
Group management*	3	1	2	33	67
Development	110	10	100	9	91
Delivery and operations	92	13	79	14	86
Service	53	6	47	11	89
Sales/marketing	40	13	27	33	67
Administration/support	41	26	15	63	37
Shareholder-elected Board members	5	2	3	40	60

*One in the Group Management is on a management for hire contract and not counted in the total



People with impact

**Ann Mitcham,
Director Human Resources,
Q-Free America**

An EPIC impact in Human Resources

Ann Mitcham is Q-Free's strategic partner for solving challenges and meeting expectations arising from our continued focus on social sustainability.

"Our employees are the HR department's customers," Ann, Director of Human Resources, said. "We want employees to focus on work and not have to worry about benefits or the administrative side of the business." At the same time, team building is an inescapable value to Ann.

"We also promote team building every chance we get. Q-Free is very global, and thrives on teamwork and collaboration."

When asked what solution or improvement she would like to implement, she didn't blink before responding. "Growth means more challenges that make us stronger and better. That puts us at the forefront as leaders based on our talent. They are all opportunities."

In describing Ann, Mimi Hodnett, HR Specialist, said she values Ann's mentorship and mindset. "There is no better champion for our staff and company. She goes above and beyond every day to ensure our core EPIC values —Excellence, Passion, Innovation, and Collaboration— are front and center in all we do."

"Our employees are the HR department's customers."

Modesty and humility define Ann Mitcham. She's not one to seek credit or a spotlight. Even her answer to the question of what she would like her legacy to be involved thinking about others. "EPIC! I want everyone to remember having an EPIC HR that followed and lived by those values and instilled those values in our employees," she said. "It's about making everyone be and feel EPIC. At the end, it is our values and culture that make up the operating system of our strategy and enable us to thrive."

**Dustin Lippert,
Production Supervisor,
Q-Free America**

Listening and Adapting Produces Results in Arizona

Local sourcing is key in Q-Free's ongoing sustainability efforts. Balancing costs with social, ethical, and environmental factors while delivering high-quality products in a consistent and timely manner is the core focus for Dustin Lippert, Production Supervisor at Q-Free's North American manufacturing plant.

"I'd like to leave an impact of continuing to improve efficiency, to improve viability for Q-Free, and to keep up with Q-Free's core values."

The pandemic had a global effect on supply chains, expediting our transition to localized procurement.

According to Dustin, "Producing hardware here [in America] has a direct impact on our customers and competitiveness. It keeps us agile and efficient, so we can best fill orders and go to market faster with new products. Plus, it reduces emissions associated with overseas shipping helping us achieve our sustainability goals."

Dustin wants to give credit where credit is due: "Lee Schrader, Director of Hardware Operations, came in to update our facility in line with Q-Free's sustainability goals. That made a lasting impression on me and the facility."

In executing that vision, Dustin stressed the importance of listening to those involved with daily production. "Many of the best ideas come from the production floor," Dustin explains, and his willingness to examine potential solutions from any source is part of his legacy.

It is these core values – collaboration, commitment to innovation, and excellence that Dustin hopes to be remembered for. "I'd like to leave an impact of continuing to improve efficiency, to improve viability for Q-Free, and to keep up with Q-Free's core values."

People with impact

Raissa Kehrle
Strategic Sales Consultant,
Q-Free Norway

Creating the future is not about finding the easiest way out

Raissa Kehrle is not afraid of putting equality and diversity on the agenda. She is motivated to create the 'workplace of the future' filled with heterogeneous teams where people are incentivized to challenge each other to boost emotional intelligence, collective learning, and robust outcomes.

At 20, Raissa started working in the maritime sector back home in Brazil. Three years later, she moved to Norway as an expat. While thankful for the opportunity, she said being a young foreign female made her insecure, constantly feeling she had to prove her worth.

"Transitioning to a meaningful industry and a place where I could bring my whole self to work was essential."

After five months as Strategic Sales Consultant at Q-Free's headquarters in Trondheim, life looks different. While Q-Free's vision of changing the movements of life is applied to the company's purpose, it has another contextual meaning to Raissa: "Q-Free changed the movements of my life. Not only did the company provide me with the opportunity to do a career swap, but my colleagues are also providing me with tools, training, and field trips that enable me to learn and thrive," she continues.

Raissa also sees room for improvement at Q-Free, and actively engages in raising the bar. "We have room for more diversity, and can push far more opinions up a roundtable to challenge ourselves in our key decision-making."

As part of Q-Free's sustainability task force, Raissa is working on how the company can use new regulatory obligations to improve the future. Earlier this year, she attended an event presenting how the group was working with diversity and inclusion. This got the snowball rolling: "After my session, all these wonderful people approached me to hear more about our initiatives, and I understood that the way we work together with sustainability issues as a team of 10-12 people from across the business segment– including our CEO – is of enormous value to me: It underlines that Q-Free is interested in creating real change: It's not about finding the easiest way but the most rewarding path toward the future. That is the management and work philosophy I am embracing as I continue to chase my dream of leading a team and using my experiences and skills to always increase my reach of positive impact on people and planet."

Suraphel Mekasha
Full Stack Engineer,
Q-Free Norway

Software development as an efficient problem solving tool

Taking on the job as a full-stack engineer in Q-Free Norway has been a journey full of learning for Suraphel Mekasha.

"I didn't know anything about the industry of Intelligent Traffic Systems (ITS) until I started in Q-Free almost a year ago, but it's a field with so many exciting things going on," Suraphel says.

Being in a nearly 40-year-old company and a traditional industry is not at all synonymous with a slow pace to Suraphel. "There is no time to rest on the laurels, and efficiency, quality, and progress are three keywords we are drilling on in my team", he says.

Coming from Addis Ababa with an accounting and IT background to study a bachelor's degree in software development in Kongsberg, Norway, Suraphel's first insight was that the more you know, the more you realize you don't know;

"Moving to a new country and going into software meant learning two new languages. Navigating all these different contexts has been very helpful also in my job at Q-Free, where we work in an international setting within a complex niche industry.», he continues.

As a former and award-winning barista, Suraphel also utilizes the moments by the coffee machine at the office well. Mastering the art of making good coffee was valuable to him, as was meeting and learning from different clients.

"The small talks are just as valuable in Q-Free as in my former job at the cafe because though software development is a technical skill, it is more than anything about collaborating around solving real problems and understanding needs and pain points. To do so, you need to talk to different people." he reflects.

"Standardizing and making a modular Operational Back Office for Q-Free customers is really a journey of uncovering, understanding and meeting their needs."

Our positive impact

Making an impact in the US ///

Q-Free made major inroads in North America in 2022, securing half a dozen new contracts for cloud-based systems and converting several existing customers, including one of our largest and longest statewide customers, the Virginia Department of Transportation (VDOT).

AAR contract wins

Advancing the subscription economy with ARR contracts in Norway

With the win and delivery of seven Annual Recurring Revenue (ARR) contracts in Norway, valued at more than 250 million NOK in 2022, Q-Free is on its way to reaching its goal of the majority of revenue in an ARR model.

The contracts are structured as service contracts that will generate ARR over 10-15 years and is part of the company's strategy towards assuring sustainable business and revenue models for the long-term business strategy.

Annual recurring revenue implies a stable portion of a company's revenue that continues to be earned periodically. As opposed to one-off sales, recurring revenue guarantees income at an annual interval by offering the tolling solution as a service. Our customers pay for this on a subscription basis, ensuring that revenue keeps coming in at regular intervals. As such, recurring revenue provides a high degree of certainty and stability to future finances.

Driving impact

Building a sustainable revenue stream requires two things: powerful recurring revenue engines and relationships that drive engagement and loyalty. Both are key to Q-Free's future success. Where traditional operating models tend to focus on the business's internal processes, recurring business models are centered around driving impact for the customers.

"Changing to an Annual Recurring Revenue Model is more than just changing the billing system; it requires alignment of all functional areas of Q-Free from R&D, project management, sales and marketing, and service."

Vegard Thomassen,
VP of Norway & Denmark Operations.

The success of the model lies in the ability to collaborate across functions and stay in close contact and co-develop with the customers over time. In an ARR model, they are now buyers of a continuous service, and not a one-off sale.

Leading the way in our home market

The seven ARR-based projects Q-Free won in Norway last year consisted of 59 tolling stations with a mix of single and multiple gantries. A large percentage of the contracts replaced existing roadside systems. Innovative business models paired with our industry-leading technology and service continue to drive Q-Free forward.

Illustration photo

The collaborative MODI project

Piloting a safe, efficient and driverless future

Q-Free employees Ola Martin Lykkja, Pascal Hernandez, and Erlend Espeland at a ferry terminal along the route of the MODI project.

Self-driving, fully automated electric vehicles are set to completely change transportation as it exists now. Most automated vehicles (AVs) have battery-powered electric engines. Charging the batteries with sustainable, renewable energy removes not just the end producer of pollution (the fossil fuel-powered car) but a whole chain of polluters.

The automation process is set to revolutionize transportation. Connected, Cooperative, and Automated Mobility (CCAM) vehicles drive themselves, with constant communication to other self-driving vehicles around them.

Automated heavy transport

The MODI Project is a cross-border effort co-funded by the European Union to enhance the transport and logistics industry by supporting the implementation of connected, cooperative, and automated mobility solutions.

"MODI will facilitate automated heavy transport without safety drivers," says R&D Manager RUC 2.0, Ola Martin Lykkja.

"The systems will be tested on the motorway from Rotterdam to Oslo, and the project includes five pilots that identify what is already possible and not possible in road transport without a driver behind the steering wheel."

The project has a total budget of €28 Million euro ($30 million USD). It is backed by five specific-use cases and 29 partners from 8 countries to test and validate the implementation of CCAM solutions for logistics operations. Electric transport vehicles from Volvo, DAF, and a cab-less truck from Einride, designed from the ground up to be fully automated, are the trailblazers for the project. The journey features four border crossings, automatic recharging stops, and four terminal stops to unload goods. Captured logistics data will aid in evolving the technology further.

"For Q-Free it is very exciting to take part in this groundbreaking Horizon Europe project, and we can bring our competence and products in C-ITS, RUC, and back-office systems into the project and participate in forming the future ecosystem for automated driving.

"Pushing the technology into the market may open access in micro-positioning, access control, road user charging, C-ITS, and tolling. Leveraging Q-Free's technology and reputation into policies, regulations, and standards set forth by the consortium is a strong step towards ensuring future growth and opportunities", says Ola Martin.

The final demonstration and showcase are scheduled for late fall 2025.

Piloting tag refurbishment

Sometimes it's about reducing impact

Thanks to an uptick in sustainability awareness and the skyrocketing prices of new goods, consumers are choosing to send old devices in for refurbishment and opting for less expensive refurbished devices over their brand-new counterparts.

Illustration photo

Refurbishment has traditionally been a small part of Q-Free's business, but the market is growing due to short- and long-term factors such as raw material and component price increases, supply insecurities, customer demand, more leasing business models, and stricter global legislations.

Testing a new business model
With these trends in play and the component shortage in 2022, Q-Free decided to run a tag refurbishment pilot program of 75,000 tolling tags in collaboration with Q-Free Chile and a local customer. The refurbishment process includes replacing the plastic cover and battery, full function testing, re-programming, and a final inspection. The pilot program served as vital experience for supply-chain support and future refurbishment endeavors.

Q-Free On Board Unit

Evolving for circularity
"We were able to refurbish and place 90% of the collected tags back into the market, though a lot of work has to be done across the value chain to make refurbishment a viable business model, this was a first take on testing how we potentially can evolve a linear business set-up into a circular one," says Paal Almlie, Vice President of Supply Chain Management for Q-Free's Tolling Division.

Q-Free is currently working on Life Cycle Assessment analysis of the tags and increasing the focus on environmental factors in product design phases, which is the starting point for a future of reduce, reuse, recycle, where old can become new again.

Diversity in the value chain

Social Procurement for Inclusivity

Q-Free Australia is exploring how social procurement and "impact spending" can give people with disabilities adequate employment opportunities that benefit both business and society. Nearly one in five Australians have a disability. This group's labor force participation rate is 53.4% in the 15 to 65 age range. That same demographic, without a disability, participates in the workforce at a rate of 84.1%.

Q-Free Australia and Transurban, one of the world's leading toll-road operators, joined forces with disability service provider Multicap and ESG consulting agency Apricot to deliver business-relevant, meaningful, and long-term employment to people living with disabilities.

With more than 400,000 trips on Brisbane's toll network every day, Transurban and Q-Free required a cost-effective and efficient solution to manually audit tolling data for accuracy. After extensive training, Multicap's supported employees are completing manual reviews of 10,000 auto tolling images every quarter, providing verification for license plate recognition technology.

Reducing inequalities
Sebastian Conley, Social Procurement Manager at Transurban, says: "Our engagement with social and disability enterprises creates opportunities for disadvantaged groups to develop valuable skills and engage in meaningful work. By working with like-minded partners, such as Q-Free and Multicap, we can reduce inequalities, better support local communities, and contribute to the progress of multiple UN Sustainable Development Goals."

The partnership has also given Multicap's supported employees individually tailored training and supervision provided by Q-Free.

"As technology and digital transformation continues to drive jobs of the future, the goal is to build confidence and competence of people with disabilities in the transport technology industry while making a valuable contribution to the community," says Tony Burns, General Manager of Employment at Multicap.

The benefits to Multicap (and its participants) include:
- Increased capability and opportunity to access new customers and markets
- Meaningful employment opportunities for existing employees, including ongoing skill development
- Increased recruitment opportunities for people facing barriers to long-term employment.

"Business-as-usual cannot address the urgent challenges of today. We need to bring social and environmental impact onboard. This project is about solving tasks we need to complete in an efficient manner, but it's also about gaining experience on new business models that creates additional societal benefits, transform our supply chain and organization in line with new expectations, and help us achieve ESG standards."

Silje Troseth,
VP APMEA and General Manager
for Q-Free Australia,

The project is a home run for meaningful brand building and garnered significant attention with features on podcasts and news articles. The project's impact also merited recognition at the 2022 Shared Value Awards, shortlisting to finalist in two categories: Shared Value Project of the Year and Shared Value Collaboration of the Year.

Cloud-based systems

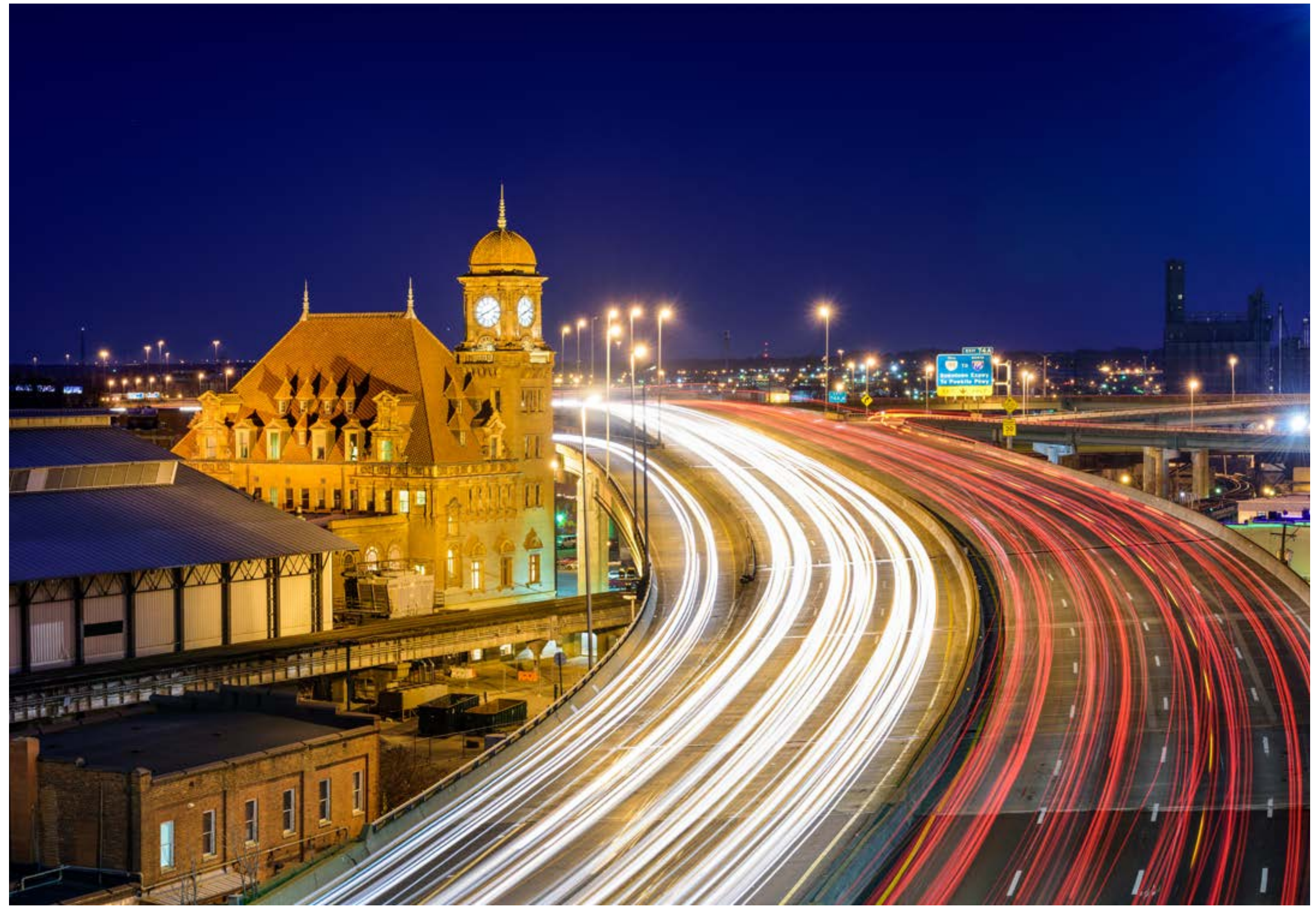
A bright future in "The Cloud"

In 2022, Q-Free made major inroads in North America, securing half a dozen new contracts for cloud-based systems and converting several existing customers, including one of our largest and longest statewide customers, the Virginia Department of Transportation (VDOT).

The benefits of moving to the cloud for transportation agencies can be substantial: improved efficiencies, cost reductions, and flexible systems with built-in redundancies and security. Cloud-based systems also promote future growth and technology adoption. For Q-Free, we can offer more purchasing options including software as a service (SaaS) and subscription-based billing that enables agencies to deploy Q-Free solutions quicker with lower up-front costs, while always maintaining the most up-to-date system.

Such benefits are encapsulated by Virginia's decision to move its existing Q-Free system to the cloud. Virginia's traffic control system is an integrated solution that connects all five traffic operations centers to a single platform to create a true statewide system. Q-Free's ATMS platform connects five traffic operations centers and related equipment – hundreds of signs and sensors – while making a robust network for the accompanying data to travel on. The newly hosted system on Amazon Web Services replaces two previous sites with extensive hardware requirements.

Making improvements easy
With a hosted system, there is no hardware to buy or replace, and scaling up resources becomes easier.



Downtown Richmond, Virginia, USA

"Transitioning the Statewide ATMS to the cloud allowed VDOT to focus more time on operational improvements, rather than monitoring and managing complex agency-owned IT infrastructure."

Quote by VDOT representative

Taking Virginia's entire statewide system, connecting it all, and launching it to the cloud is certainly a crowning achievement for Q-Free, but this project is not the only cloud-based system in traffic management. Many customers are moving to cloud-based systems, both existing and new. Agencies are taking notice of the tangible benefits the cloud offers and are beginning to make the move. Three of Q-Free's largest US customers use cloud-based systems attracted by all the above benefits, and turnkey ease-of-use requires little actual maintenance on their end. Q-Free's cloud-based technology and the business model it enables are set to shake up the traffic industry and impact the future of the company in exciting ways.

Partnership in practice

Advancing partnerships in Portugal for free-flowing and safe roads

In 2022, Q-Free was awarded a 148 million NOK service and maintenance contract by the Portuguese motorway operator Ascendi. The agreement continued the fourteen-year partnership that delivered continuous innovation of tolling solutions to provide free-flowing, clean, safe traffic and mobility for Portuguese citizens.

Tolling sensors on a Portuguese roadway

“Based on the need for efficient road funding solutions, Ascendi reached in 2008 an agreement with the Portuguese Government to start the transformation from so called shadow-tolling to Multi-Lane Free-Flow (MLFF) tolling. Ascendi contacted Q-Free to learn more about our solutions and this became the start of a long-lasting partnership,” says the VP for Q-Free Western and Southern Europe, Luis Miranda.

“To secure a system that could handle millions of vehicle passages and related invoicing with the required accuracy and reliability, the project requirements were very high and included multiple technologies to assure optimal data quality,” Miranda continued.

Ascendi invited Q-Free and another industry player to install and run pilot systems for MLFF tolling based on Ascendi’s requirements. Q-Free won the contract after several months of testing and monitoring of both providers’ pilot systems. The contract provided 48 stations and the Operational Back-Office for two of Ascendi’s concessions. Shortly after the first delivery, Ascendi ordered 48 additional stations for a total of 96 MLFF tolling stations that Q-Free delivered and installed in Portugal in 2011.

Ascendi operates nearly a quarter of Portugal’s 3,500 kilometers of motorway, using an MLFF system since 2010. That makes them one of Europe’s most experienced operators of Electronic Toll Collection services. Today the Ascendi MLFF system can process more than one million transactions daily.

In 2020, Ascendi needed upgrades to the original system. Q-Free designed a new system to deal with new customers, market requirements, and needs. The contract installations started in 2021 and were finalized in October 2022, leading to the 2022 contract signing, which sealed the partnership for five more years.

Pedro Pinto, Tolls General Manager of Ascendi, confirms the successful collaboration: **“We put a high value on the quality of Q-Free’s existing offerings. In addition, we value our extended partnership in which we explore next-generation solutions from a user experience perspective.”**

Portugal is investigating many projects to improve the air pollution crisis affecting their citizens. Some of the solutions are low-emission zones that gradually phase out all high-polluting cars for active travel, public transportation expansion and improvement, and a shared electric vehicle program.

Automatic traffic counting

Traffic Data Project Showcases Q-Free UK Team's Impact

Morning UK traffic flow

Our infomobility team continues to make a significant impact in the United Kingdom by delivering superb results for the UK's Department for Transport (DfT). Through an ongoing project over numerous years and contract renewals, the nationwide automatic traffic counting network provides valuable traffic volume data for the DfT and adds value to Q-Free.

The project consists of 350 networked automatic traffic counters (ATC) that collect and transmit volume and road use data. The HI-TRAC EMU3 sensor, the latest version of Q-Free's ATC hardware, generates vital road-use data for the DfT and local traffic authorities.

The project initially began in the early 1990s as a manual counting process where counts at 100 sites were recorded monthly for three days. To improve data through more frequent data collection, the DfT decided to trial an automated process with in-road sensors and rudimentary counter/classifiers at 30 sites. The Department for Transport soon realized the value of the data and began to expand the network nationally. This included counting all roads, from small country lanes to the high-speed motorway network. It became clear that DfT needed to upgrade and expand the network further to improve accuracy, volume, and sustainability. Evolving with customer needs, Q-Free won renewals to improve and continually expand the network.

The Hardware and the Data

The HI-TRAC EMU3 sensor is Q-Free's evolution in automatic traffic counting hardware. "The sensor has a faster processing speed than prior sensors and provides extremely accurate data," said Roger Mitchell, Q-Free UK's Engineering Services Manager. "The system boasts greater processing power and much lower power consumption, which is critical given the amount of data collected and communicated every five minutes. In 2021, for instance, our traffic counters recorded over 2 billion rows of highly detailed vehicle classification data ranging from bicycles to multi-axle heavy goods vehicles."

The data points captured by the sensors need to be accurate as they are used for official decision-making. Traffic modeling, major transport projects, funding calculations, usage trends, accident causality rates, and greenhouse gas emissions measurement all rely on the data generated by the HI-TRAC EMU3.

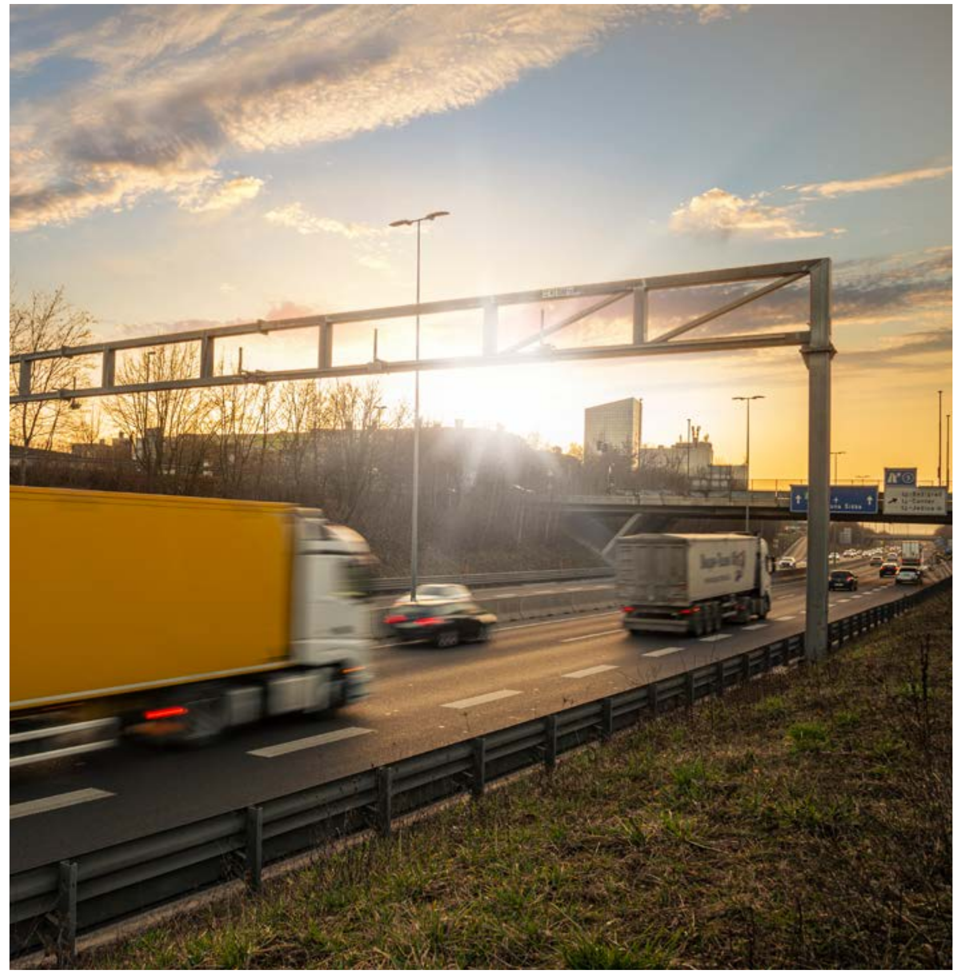
From traditional to solar power

The EMU3 consumes so little power that 95% of the network runs on solar panels, whereas mainline electricity powered the equipment before. Cutting the traditional power cord in favor of solar energy directly aligns with our core value of sustainability. Some of the data collected impacts sustainability as well, as carbon emissions reports and road-use studies based on the data can influence policy.

Improving road safety

Automated enforcement for weigh-in-motion taking off in Ukraine

The State Agency of Automobile Roads for Ukraine (Ukravtodor) sought to crack down on excessive vehicle weight violations on the country's 100,000 miles of paved roads. The State Agency turned to Q-Free to develop the real-time, direct enforcement, weigh-in-motion (WIM) system. The project came into operation in February 2022 and is functional despite the war.



Above-road sensors in Ukraine

Ukrainian traffic officials noticed an alarming increase in overweight, unsafe vehicles damaging its critical road infrastructure. In 2016, for example, 97% of provincial highways needed repair, fueling efforts to generate revenue to pay for repairs and upgrades.

Two additional problems with overweight vehicles are pollution and safety. Overweight vehicles burn extra fuel and emit more pollutants; chronically overweight vehicles require more maintenance and waste resources.

The State Agency tasked Q-Free with the solution, real-time weigh-in-motion. WIM technology accurately weighs and identifies moving vehicles on the road without stopping at weigh stations. In addition, the system links to government agencies for direct enforcement.

High accuracy is crucial but difficult

For legal enforcement of violations, the system needs a high level of accuracy. Typical obstacles to accuracy include wind and vehicle acceleration or braking, both of which can alter the recorded weight of a vehicle and must be compensated for. Ukrainian temperature extremes can also cause inaccuracies in weight readings. Q-Free's solutions became an opportunity to display advanced technology that overcame these challenges.

Now you're just showing off

Q-Free's WIM solution uses an increased number of precise ground sensors that ensure accurate readings even with environmental factors. For height and density measurements, a lidar system (a laser-based type of radar) gathers accurate data that prior systems could not. Multiple camera angles also capture accurate, vital vehicle information, including reading the license plate.

Direct enforcement, automated by weigh-in-motion systems, is a growing trend worldwide. Interest in the technology is genuinely taking off as Australia, the Middle East, and South America are exploring large-scale, direct enforcement, weigh-in-motion systems.

As a competitive advantage, Q-Free offers the WIM system as a subscription-based software as a service (SaaS), lowering the cost of entry for customers while creating a recurring revenue stream for the company – an excellent financial indicator of stability.

Innovative travel improvements

Upcoming project in Coachella Valley aims to create a ‘smart region’

An upcoming project in the Coachella Valley, California, aims to create a ‘smart region’ linking traffic corridors and cities with highly technical hardware and software systems. Q-Free is excited to play a role in the ambitious project.

Coachella is known as a popular music festival destination over two weekends in April, but the valley bustles with activity year-round. In 2020, 8.6 million visitors spent $3.6 billion in the Coachella Valley, creating 33,000 jobs and bringing in $1.1 billion in income and $428 million in total tax revenue. The area is also a top destination for short-term vacation rentals, with short-term visitors generating $700 million in total business sales and sustaining 4,200 jobs.

To deliver a fantastic tourist experience while addressing public health and safety needs and preserving the environment, the Coachella Valley Association of Governments (CVAG) turned to the regional synchronization of traffic signals and modern standardization of hardware and software.

Reaping the benefits

Public health and environmental sustainability are two Q-Free core values and two areas where CVAG wants to deliver results. The project should lessen pollution through congestion alleviation, meaning fewer idling vehicles and harmful emissions.

Public safety is another area that the CVAG project focuses on. The synchronized corridors and traffic signals lower instances of aggressive driving, injuries, and deaths from automobile transportation.

The valley of ambition

The CVAG project is a massive, multi-phase, multi-jurisdictional, innovative approach to travel improvements in the Coachella Valley. While the first phase focuses on just three corridors, the project will eventually link 52 corridors in the Coachella Valley.

The legacy systems are being upgraded to the latest technology to provide inter-agency traffic signal synchronization. Improvements include the addition of advanced traffic management systems, advanced traffic controllers, and intelligent traffic systems. These systems join a new ethernet communications network for an expandable, scalable solution that will serve as the backbone of future ‘smart region’ features like integrated corridor management, smart cities, and connected autonomous vehicles.

Happy to be a part of the journey

Q-Free’s technology plays a key role in transforming the region into a ‘smart region’ through advanced, integrated traffic control, and we are using the opportunity of working with many partner agencies and firms to develop new and stronger relationships.

Picturesque Coachella Valley, California, USA

Improving traffic flow

Minimizing impact of largescale events

Proximity and availability of planned special events – or PSEs – such as sporting events, parades, and concerts is a benefit of living near urban city centers. Minimizing the impact these PSEs have on travel safety and congestion, however, can often be a daunting task for city planners and transportation engineers.

In the United States alone, there are an estimated 24,000+ planned special events held each year, hosting more than 600 million people. The impact these events have on mobility for event attendees and the surrounding communities can be huge. PSEs are estimated to cause 90 to 180 million hours of annual travel delay, totaling 1.5 to 3.5 billion US dollars in related congestion costs.

This cascading effect of traffic delays and congestion ends with the environmental impact of up to 3 million pounds of CO2 generated at each of the largest events and millions of tons produced annually from all planned special events.

Keeping the Super Bowl super

The most well-known American PSE, the Super Bowl, occurs once a year. This year's match up took place at State Farm Stadium in Glendale, Arizona with, roughly 68,000 fans in attendance. Coordinating traffic flow for fans, players, media, and the thousands of other support staff was no small feat for city traffic planners. One key tool in their arsenal was Q-Free's own MAXTIME adaptive.

Glendale upgraded intersections around the stadium with the system to improve predictive traffic flow through a regulated cycle length. The adaptive system allows for self-regulation and automatic cycle changes based on input from sensors or traffic controllers. If a non-recurring event happens within the traffic flow, such as an accident or a lane diversion, traffic engineers can make changes manually to react to those unforeseen situations.

The City of Glendale was impressed by our system, citing the easy-to-understand and implement nature of the software as a huge plus. The City was also impressed with the software's transparency and openness and created its own special functions

for use in their city. The software has also been performing in other places — Monday Night Football games, marathons, and parades have all benefited from MAXTIME adaptive.

Planned Special Events are an opportunity for a community to reap economic benefits and enjoy sporting events or community outings. For Q-Free, we see an opportunity to show our values and make a lasting impact on communities through congestion, emission, and traffic improvements.

At left: Glendale Stadium, Glendale, Arizona, USA

Supply chain logistics

Local sourcing

Materializing values with shorter supply

At Q-Free, we believe it's not just what we do but how we do it that matters. Our passion and purpose must exist within all aspects of how we design, build, and deliver technology.

A key, yet often overlooked, factor for many organizations is the supply chain – an area typically driven by low costs and ease of accessibility. However, when the pandemic caused unprecedented disruptions to global supply chains, our team in America took it as an opportunity to take a more holistic, sustainable approach to procurement. One driven by long-term, sustainable impact vs. short-term gains to help us achieve the sustainable development goals (SDGs) we adopted from the United Nations.

"COVID was a big eye-opener," says Q-Free America Supply Chain Manager Kirk Woodley. "Thanks to Lee [Schrader, Director of Hardware Operations], we had already begun looking at local sourcing options to reduce lead times and gain more control over logistics. Continuing those trends enabled us to have some of the industry's best lead times while maintaining quality during the pandemic."

A sustainable procurement push

Outwitting a pandemic wasn't the only benefit of sourcing and producing our products locally. Q-Free's upper management was on board with the sustainable procurement push –even though the costs were higher than getting everything from overseas– because the benefits outweighed the extra cost. Controlling lead time, quality, and logistics is much easier when, for example, your steel comes from a neighboring state. More than logistics, though, are the values and goals of the Q-Free brand that shine through in actions like sustainable procurement.

Management directly oversees manufacturing in America, largely eliminating the unknowns involved in relying on overseas production. This led to the creation of local, well-paying jobs that connect Q-Free's values to the communities it serves. Quality control efforts are also easier to supervise. "The local-made components are consistent in quality, last longer, and require little repair. That means reduced mining for raw materials and reduced pollution associated with shipping,» Woodley explained.

What's more, many American agencies receiving federal grants are now required to have a certain percentage of goods made in America. With those requirements forecasted to increase yearly, Q-Free is already ahead of the competition.

Reducing traffic fatalities

Iowa and Q-Free Sets New Standards for Safety

Heavy and increasing road traffic in Iowa over the last ten years means increased road wear and the need for repair or widening projects to continue to meet demand. These maintenance and improvement projects mean work zones – and risk for fatalities.

Nationally, work zone fatalities are rising. Pedestrians and bikers had a 21% increase in fatalities in work zones from 2019 to 2020, and speed-caused accidents rose from 32% of accidents to 37% in the same period. Road workers suffered fewer fatalities in 2020 but had fewer workers deployed, so the per-capita number of worker fatalities increased despite the lower death number.

Responding to rising work zone incidents, the Federal Highway Administration (FHWA) developed the Work Zone Data Exchange (WZDx) to collect, organize, and share work zone data to improve safety. The WZDx standard creates an open data exchange to share work zone data with navigation systems, connected vehicles, road operators, traffic control devices, and other third parties.

Iowa was one of 12 states to receive a federal grant as part of an FHWA pilot program to demonstrate WZDx viability. Q-Free partnered with Iowa DOT to develop their WZDx feed and a unique verification tool for Iowa's Smart Arrow Boards. Stringent adherence to standards led to Q-Free's WZDx feeds being among the fastest approved by the feds and one of the first approved for public consumption.

A robust network

Iowa's network of more than 1,200 signs, 600 sensors and detectors, and 642 cameras needed a robust network to connect it. The solution is Q-Free's cloud-based system that uses less energy and requires less upfront costs, with ease-of-use advantages in maintenance and updating. Q-Free's implementation also includes the development of the aforementioned Smart Arrow Board integration.

Smart Arrow Boards are large, lit boards typically used for work zones to indicate shifting or closed lanes. One of the project's goals was to address problems associated with event verifications. Without accurate verification, the system and traffic operator must assume work zones start as scheduled, regardless of weather or other factors. By utilizing Q-Free's ATMS, an automatic verification eliminates the need for assumptions by checking and reporting on the Smart Arrow Board status.

The full impact on safety hasn't been measured yet as the program was released in the third quarter of 2022; however, the Iowa DOT released monthly fatality numbers for Friday, December 30, 2022, showing a significant reduction in traffic fatalities in every category for the entirety of 2022.

At right: Smart Arrow deployed in Iowa

Far right: close-up of a Smart Arrow

Our engagement

Making an impact in Australia ///

Q-Free Australia in partnership with Transurban, one of the world's leading toll-road operators, joined forces with disability service provider Multicap and ESG consulting agency Apricot to deliver business-relevant, meaningful, and long-term employment to people living with disabilities.

Our ESG approach: Materiality assessment

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.

To ensure continuous sound processes on how we identify and gather sustainability-related information, manage ESG risks, and use the data and awareness obtained through our reporting activities to create impact at scale, we are working on strengthening our organizational ESG capabilities across the company.

Materiality identification

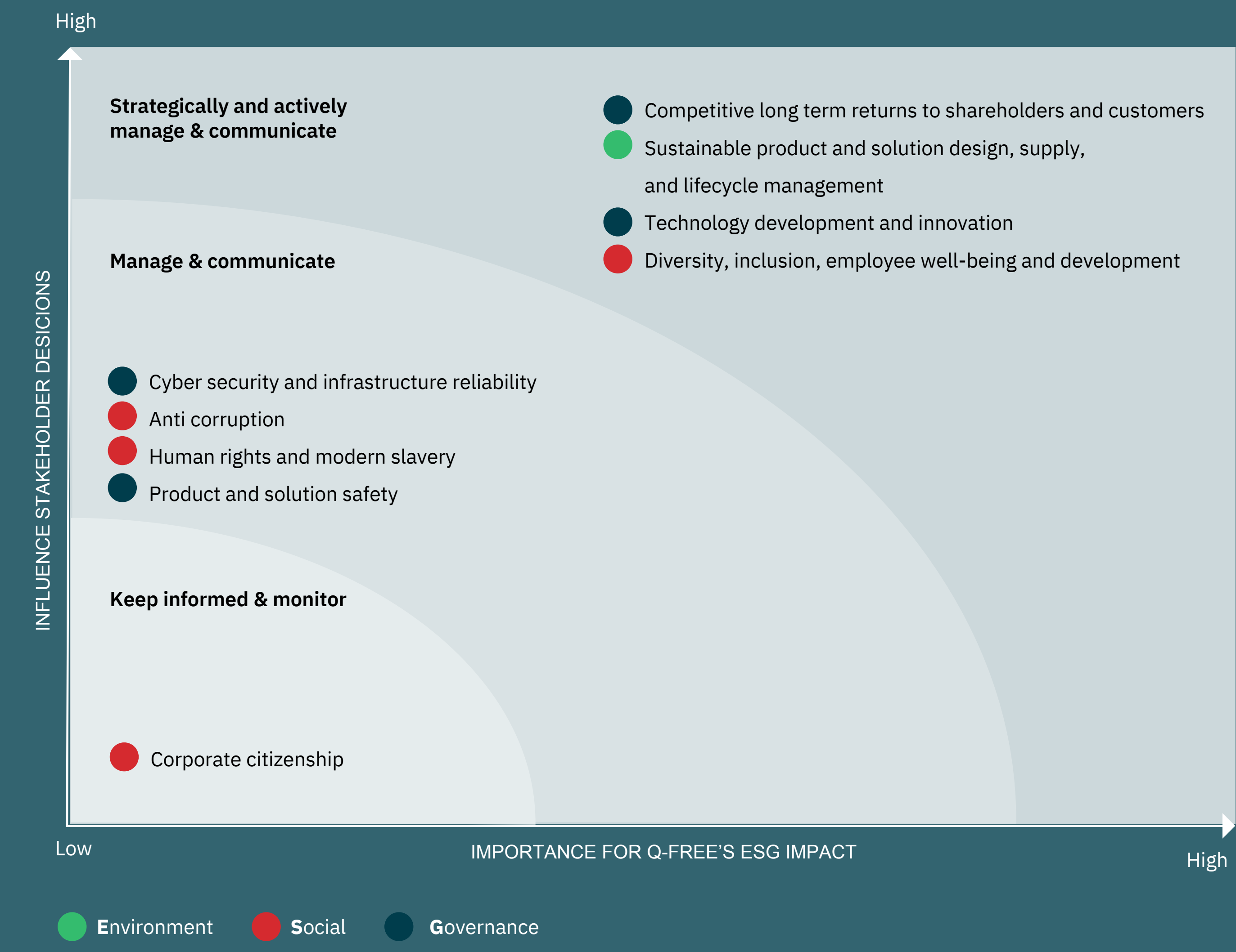
In 2020, Q-Free initiated a process to uncover, analyze, and act on the issues that are most material to our business on one hand and to our stakeholders on the other hand. This work was continued in 2021 and 2022.

To keep pace with the concerns of our stakeholders and make sure our sustainability priorities stay relevant, our Sustainability Task Force has created two Task Force subgroups, one for environmental protection and opportunities, with focus on Q-Free's hand- and footprint, and one for social responsibility, with focus on Diversity, Inclusion and a just transition across the organization and value chain.

The Task Force is chaired by the EVP Sustainability, People and Brand and consists of an interdisciplinary group of internal experts and leaders, including CEOs, who actively engage with our identified key stakeholders.

The ESG areas that were considered to be the most important for our stakeholders and Q-Free's own business success are listed here and remained the same in 2022 as in 2021. The same applies to our stakeholders, with employees, customers, shareholders, suppliers, and business partners as primary stakeholders and authorities and communities as secondary stakeholders. The materiality analysis will be reworked and updated in 2023.

Our materiality analysis:



Primary stakeholders:
- Employees
- Customers
- Shareholders
- Suppliers
- Business partners

Secondary stakeholders:
- Authorities
- Communities

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, adds 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 continuous 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. In 2021 we set the following priorities for 2022/2023 and will continue the work on these material sustainability issues also in 2023.

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. The work starts within Tolling and will evolve to include ATMS. • 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. The work will start with Tolling and evolve to include ATMS. • 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 to 84%, from 80% in 2021 and 69% in 2022, and keep global satisfaction rate in Winningtemp on 7,8 as in 2022 (against index 7,6). • 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 stake-holder groups	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 Other See Environmental and Climate and Social responsibility priorities

Our commitments and certificates

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.

UN Global Compact

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

SDG	We believe...	We are committed to...
SDG 3. Good health and well-being	It is our civic duty to promote a clean environment and healthy communities.	• Setting viable 2030 goals, including net zero targets and a detailed decarbonization plan. • Strengthening our Q-Flow, Q-Clean and Q-Safe concepts with targeted offerings based our core technologies.
SDG 8. Decent work and economic growth	An engaged, respected, and diverse employee community increases our chance of achieving success.	• Assuring 25% of our workfoce are those who identify as women, with a focus on tech positions, by 2025. • Advocating for a "just transition" by building on experiences from our social and inclusive procurement pilot. • Remaining a safe employer with zero fatalities. • Ensuring that existing and new partners do not use child labor or any form of modern slavery.
SDG 9. Industries, innovation & infra-structure	Innovation and infrastructure are key to unleashing dynamic and competitive forces that generate economic opportunity.	• Building diverse product teams to increase customer understanding and ensure our technology best meets the needs of all users • Scaling next generation Road User Charging solution and learning from the collaborative MODI transborder infrastructure project. • Improving sustainability in all aspects of product manufacturing and delivery. • Localizing procurement to reduce environmental impact and stimulate economies where we do business.
SDG 11. Sustainable cities & communities	We have a social responsibility to connect people, goods, and data wisely and sustainably.	• Implementing analytical and data-driven approaches to ESG that spur innovation, support evolving regulatory compliance obligations, and foster collaboration. • Exploring or establishing at least one shared value partnership every year. • Contributing to eliminate severe injuries and traffic fatalities among all road users — while increasing safe, healthy, equitable mobility.

Our ESG approach: 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.

In 2022, we continued our initiatives to further enhance our employee journey for a diverse workforce by further implementing new recruitment practices, and collaborate with relevant student associations, including a group for females in tech.

However, we know that much more needs to be done. Diversity, inclusion, employee well-being, and development remain key priority areas for Q-Free in the years to come, and the company is strengthening its People and Organization team at the Headquarters.

Related content: Materiality prioritization: Diversity, inclusion, employee well-being and development, page 30. Impact stories, page 14–15, Impact cases, pages 20.

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 2022, we announced twelve projects valued above 25 MNOK, developed several new products, and entered shared-value partnerships to work with diversity and inclusion across our value chain.

In the years to come, we will further 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 30. Impact cases, pages 17–19 and 21–28.

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. Our largest shareholder has shown their continued commitment to Q-Free by further increasing their ownership.

In 2022, we continued to focus on our long-term financial goals. We achieved a significant increase in annual recurring revenue (ARR) and continue investing in both hardware and software solutions to further improve our future competitiveness.

Related content: Materiality prioritization: Competitive long-term return to shareholders and customers, page 30. Impact cases, pages 17–28.

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, and components. In 2022 there has been an increasing focus on ESG, related both to the Norwegian Transparency act, as well as strategic supply chain decisions.

Related content: Materiality prioritization: Sustainable product and solution design, supply, and life cycle management, page 30. Impact cases, pages 17–28.

BUSINESS PARTNERS

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

In 2022 we continued to work 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 also further strengthened our collaboration with QRtech in Sweden (part of Embron Group) to develop new road user charging technology and entered a partnership with 27 different stakeholders in the European project, MODI, focusing on advancing automated freight transport. We also partnered to elevate our efforts on carbon accounting, including Life Cycle Assessments of selected products within the Tolling portfolio.

Related content: Materiality prioritization: Sustainable product and solution design, supply, and life cycle management, page 30. Impact cases, pages 17–28.

Walking the talk

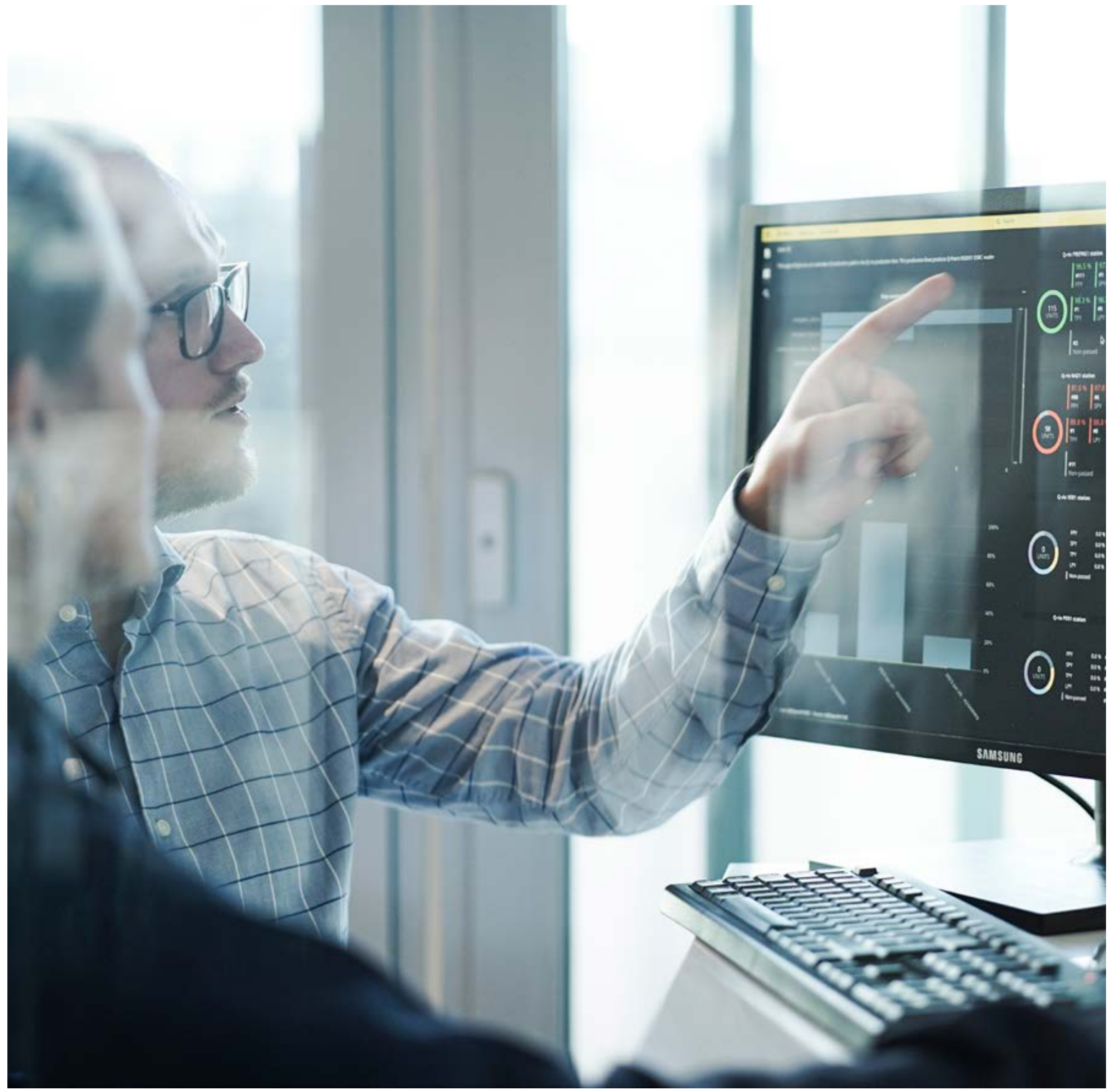
Activity and reporting obligation for inclusion

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

In 2022, Q-Free's Sustainability Task Force conducted a risk analysis on the matter of diversity, equity, and inclusion and continued its focus on the following articulated objectives and priorities:

- Anchoring the knowledge and ownership of D&I on all management levels of the organization
- Improve work on strategic workforce planning and to embed the D&I mindset into our efforts on recruitment, re-skilling/up-skilling, advancements, and incentivization focus.
- Increasing overall female representation
- Implementing unbiased recruitment processes
- Revitalizing D&I training for larger groups within the organization.
- Monitoring salary levels to ensure balanced and fair pay for all employment groups
- Reducing turnover and fostering inclusive teams with high degree of psychological safety

The Sustainability task-force started working on the above KPIs in 2022 and will continue to do so also in 2023. The work will be driven forward by People and Organization unit in collaboration with Q-Free's sub-task-force on Social Sustainability and D&I, which will be expanded to also include the company's ATMS division.



Q-Free employees at the Oslo office.

The SHE Index 2023

Today Norway, tomorrow all locations

Q-Free Norway reports on EY's SHE indexes, 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. By March 2023 the score was 86. The increase is among other aspects, related to the appointment of several female appointments also in top management, including Q-Free's CEO Thale Kuvås Solberg, EVP Sustainability, People & Brand, and several other female hires.

In the future, our SHE Index will cover the whole company.

Transparency in the Value Chain

The Norwegian Transparency Act entered into force on 1 July 2022, requiring all major businesses in Norway to protect universal human rights and ensure decent working conditions by conducting due diligence and publicly reporting the outcomes and actions. Q-Free is committed to ensuring accountability in all parts of our business and value chain.

Equivalent legislation is concurrently being implemented in other countries in Europe. Both the UN and the OECD have published their own policies that multinational companies are recommended to follow. The EU is presently in the process of enacting a corporate due diligence directive based on guidelines from the OECD and the UN.

The OECD due diligence model has been transposed into Norwegian legislation in the new Transparency Act. In the case of Q-Free, this aids the performance of due diligence processes for value chains linked to all our business areas and markets.

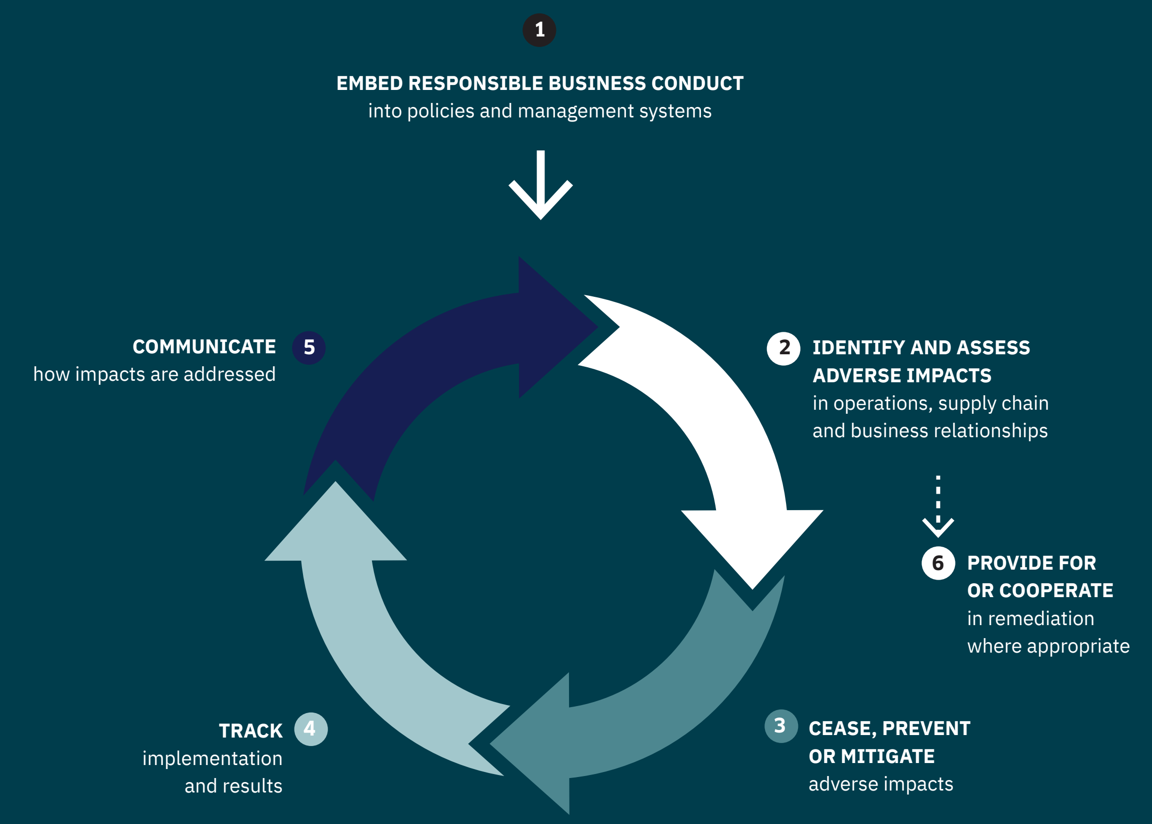
Due diligence is a continuous process and is performed for the key suppliers under Q-Free's purchasing contracts, and we expect the same from our major partners and suppliers. The purpose of this is to ensure consistent fulfillment by listing approved suppliers and identification of high-risk products or suppliers. As a company working globally, our due diligence procedures will enable us to identify, prioritize and deal with negative impacts on the people, societies, and environments we directly or indirectly engage with through our value chains.

Our main activities include:

1. Embed responsible business conduct into policies and management systems
2. Identify and assess actual and potential adverse impacts associated with the enterprise's operations, products, or services
3. Cease, prevent, and mitigate adverse impacts
4. Track implementation and results
5. Communicate how impacts are addressed
6. Provide for or cooperate in remediation when appropriate

Q-Free purchases services and products from a wide array of suppliers in a complex value chain. It is important to emphasize that even if Q-Free has actively started work on due diligence processes, this does not exclude its potential negative impact on people, society, and the environment. Rather, it indicates that the business is striving to be fully transparent about challenges that exist or may arise and addresses these impacts based on an overall assessment and prioritization in line with the company's key stakeholders.

Q-Free will publish its due diligence summary online by the June 30, 2023, deadline.



In the efforts to establish due diligence, Q-Free employs a model based on the OECD Due Diligence Guidance for Responsible Business Conduct. Implementation of this model is also a requirement when the Transparency Act came into force in July 2022 in Norway.

Climate risk review

In the context of Q-Free, climate risk is about how the business is affected by climate change. To address this concern, Q-Free initiated a process in 2022 based on the framework of TCFD (Task Force on Climate-Related Financial Disclosures) to understand how different climate-related factors and opportunities have an impact on the company's strategy in the years to come.

The process involved participants from Q-Free's own Sustainability Task Force and adhered closely to the TCFD framework across three workshops. The process is ongoing and will be followed up during 2023, primarily to involve key personnel in the organization more broadly. In particular, the process to determine suitable and effective metrics and targets will be addressed in due course.

TCFD in short

The recommendations of the G20 countries' Task Force on Climate-Related Financial Disclosures (TCFD) are established as the central systematic framework on how climate risk and opportunities should be analyzed, organized, and governed.

The TCFD recommendations are organized into four reporting areas that represent the core of how organizations operate: governance, strategy, risk management, and metrics and targets. A key element is how the framework divides recommended reporting into three main scenarios: a) *Transition risk,* b) *Physical risk,* and c) *Climate-related opportunities.*

TCFD and Q-Free

2022 will be the first year that Q-Free reports climate-related risks and opportunities. As the prime mover in intelligent traffic solutions, Q-Free is working on its commitment activities to meet the global challenges outlined in the Paris Agreement, which sets out a global goal to limit global warming to well below 2°C and pursuing efforts to limit it to 1.5°C.

The overall objective has been to make the TCFD framework relevant and applicable, adjusted to Q-Free's needs, and provide input that can be efficiently implemented.

Governance

The Board of Directors has the overall responsibility for governance of risk management, and climate-related issues will in the future be an integrated part of Q-Free's overall business strategy. The responsibility for risk management is handled centrally by the Management Team led by the CEO.

Strategy and scenarios

To understand the impact of climate-related risks and opportunities, Q-Free's Sustainability Task Force has identified scenarios from a short, medium, and long-term perspective. The objective has been to test the resilience of Q-Free's strategy against different scenarios. The scenarios broaden strategic thinking and identify options to address different climate-related circumstances. It "road-tests" different strategy options and provides a lens through which to assess Q-Free's strategic position.

The outcome of the initial workshop defined the following risks:

1. Emerging policies and unforeseen regulations.
2. Accelerating technological development and increasing raw material costs.
3. Increase in global temperatures affecting our markets.
4. Reputational and financial loss.

The following opportunities were defined:

1. Aim for sustainability leadership in the industry.
2. Explore new alliances and relationships.
3. Q-Free as an attractive employer.

The workshop next reviewed the risks and opportunities against two different scenarios:

1. We meet the goals of the Paris Agreement: Wide support for climate measures; Instant, green transformation; High carbon prices
2. We stick to the current policy: We head towards 2.6 °C, resulting in big global differences

The risk-based assessment looked at how Q-Free is affected by the two scenarios and what potential financial consequences it will have, and target which scenario is strategically and commercially correct for Q-Free to aim for. At this point, further investigation is required to quantify the potential impacts from the scenarios and will be discussed when a broader selection of key personnel in Q-Free is involved.

Risk management

Our process of identifying and assessing climate-related risks and opportunities will in due course be integrated into the Q-Free's risk management process, as outlined in Board of Directors' Report (see page 40–43) and Note 5 in the Accounts (see page 62–68).

Metrics and targets

Q-Free applied the TCFD framework to map and review risks and opportunities that are likely to impact the company's future financial position. In the time ahead, the company will continue the initiative by integrating the outcome of the TCFD recommendations into the company's long-term strategy focusing on expanding presence and capitalizing on synergies (see page 6).

In addition, Q-Free will, in the future, develop metrics used to measure and manage climate-related risks and opportunities and establish a reporting regime that will best suit our business.

Reporting and compliance for 2023

At Q-Free, we closely monitor new regulatory requirements. We welcome these in the conviction that this will empower our overall business strategy.

A strong social cause is an integrated part of Q-Free's strategy. This is also why we, over the next years, will take an even more proactive role toward increasing our social impact while delivering profitable business results while keeping a steady focus on the company's corporate social responsibility program.

Environmental: Contribute to a more sustainable transportation system
The 17 Sustainable Development Goals were adopted by all United Nations Member States in 2015 as a call to action to end poverty and inequality, protect the planet, and ensure that all people enjoy health, justice, and prosperity. Q-Free directly contributes to four SDGs (see page 31), which fit our vision, mission, values, market position, current strategy, and identity. They are a confirmation that there is consensus in what we view as important when building a new and more sustainable transportation system for everyone.

Social: Be a professional and attractive employer
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 competitive compensation and a safe and rewarding work environment where employees can develop and grow both personally and professionally.

Governance: Conduct our business responsibly
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.

Download and read our CSR Report 2022 for more information.

Finding ways to reduce emissions and explore Life Cycle Assessments

Together with Variable, a Norwegian provider of a climate intelligence platform, Q-Free has started on a journey exploring how Life Cycle Assessments (LCA) can help guide difficult strategic and tactical sustainability decisions that consider trade-offs among a broad range of factors in Q-Free's product development process.

"We understand that value chain transformation starts at the product level and in measuring and reducing the carbon footprints of products early in the design and development phase. We are at the beginning of a long, exciting, and complex journey, but we are learning and developing our way forward within the current sustainability transition," says Inger Heidi Slungård, Supply Chain Manager at Q-Free.

"We experience that Q-Free has an ambition to gain a high degree of supply chain transparency and sees that taking control of scope 3 emissions to reduce the end-to-end impact in its value chain is part of strengthening the company's long-term position as a market leader." Adam Scheuring, CEO of Variable, complements.

Variable is also assisting Q-Free in the journey of calculating its Scope 1 and 2 emissions: A process that has started with data collection in Norway, with ambitions to incorporate Tolling Markets in Europe and Asia over the next years, before tapping into Traffic Management in UK and the US.

Preparing for the EU Taxonomy

The Taxonomy Regulation entered into force within the EU on July 12th, 2020. In 2021 the Norwegian Parliament adopted a new act on sustainable finance that implemented the Taxonomy regulation into the Norwegian law, and in January 2023 the legislation came into effect.

The EU taxonomy is a classification system that sets out a list of environmentally sustainable economic activities. Q-Free engages in multiple economic activities, which each need to be assessed individually for eligibility. Q-Free has started this assessment and at year end of 2022, our operations were structured into 6 different main activities across Tolling and Traffic Management and assessed towards all relevant activities in the Climate Delegated Act. "3.6: Manufacturing of low carbon technologies", defined as manufacturing of technologies aimed at substantial greenhouse gas (GHG) emission reduction, was identified as relevant for 5 of our activities. In a Draft Commission Notice from December 2022, the EU commission also specifically pointed to Tolling and Traffic Management as possibly eligible under 3.6: Manufacturing of low carbon technologies.

"8.2: Data-driven solutions for GHG emissions reduction" and "6.13 Infrastructure for personal mobility, cycle logistics" are also identified as potentially relevant for some specific activities, together with "2.3 Manufacture of electronic equipment" in the Environmental Delegated Act. Going forward, Q-Free will use activity-level revenue data to calculate the company-level eligible revenue share and continue to map the eligible activities according to the criteria for alignment and identify improvement activities for alignment. Due to the continuous development of the taxonomy, the eligibility disclosure from year end 2022 is subject to change.

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.

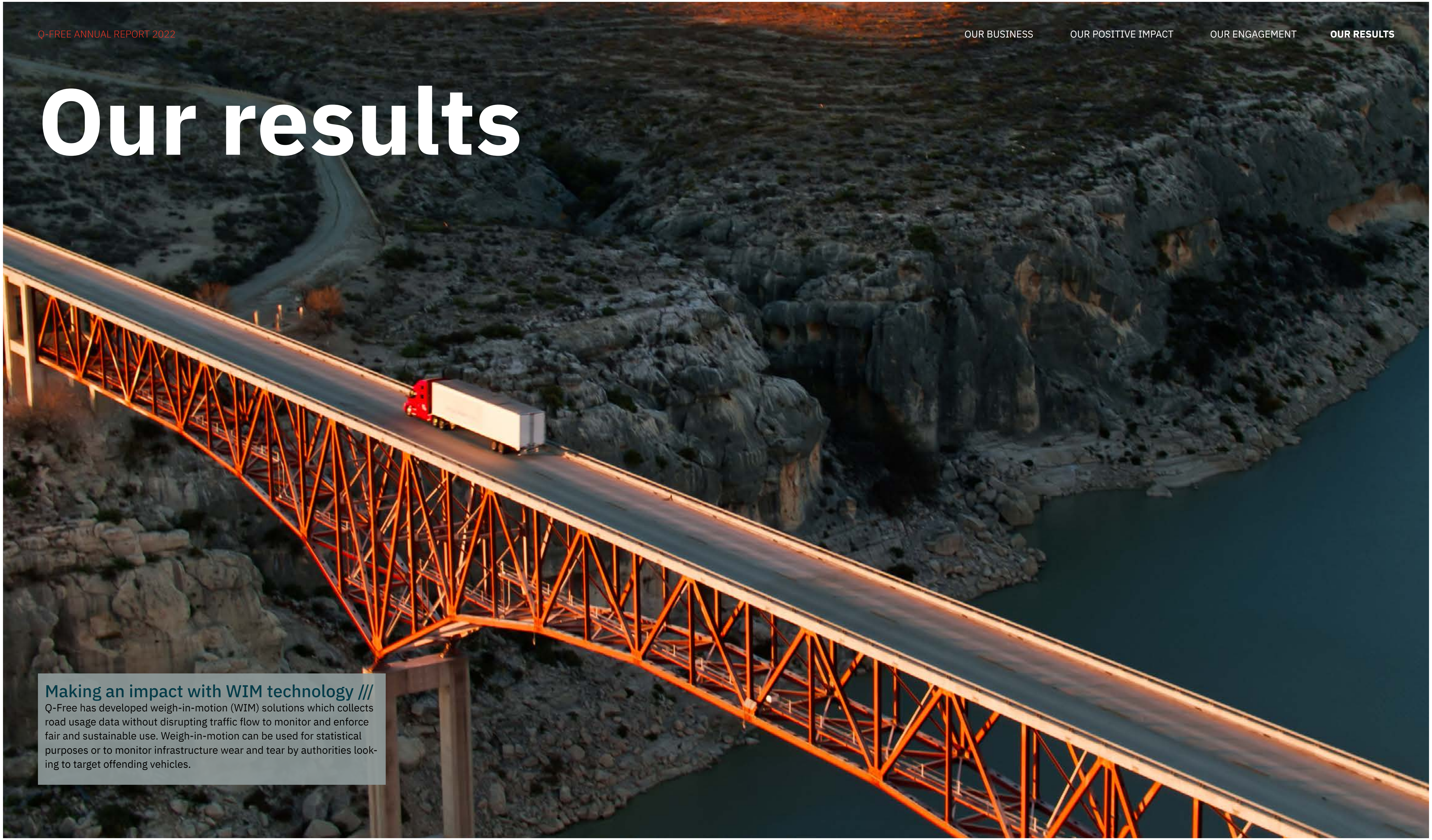
PRINCIPLE	What Q-Free does
HUMAN RIGHTS	
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.	The Q-Free Code of Conduct contains guidelines for ethical behaviour in both internal and external business settings and is designed to guide and stimulate 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	What Q-Free does
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 5: Ensure the effective abolition of child labour.	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 Notice of breach (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 Chair of the Board or Member(s) of the Board. Q-Free has established a process for Notice of breach through the website, also with the option of anonymously reporting. 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. The Norwegian Transparency Act entered into force on 1 July 2022 and require all major businesses in Norway to protect universal human rights and ensure decent working conditions by conducting due diligence in all parts of our business and value chain. Due diligence is performed for all major suppliers under Q-Free's purchasing contracts, and we expect the same of our major partners and suppliers. The purpose of this is to ensure compliance and identification of especially high-risk products or suppliers that may have a negative impact on human rights and decent working conditions, and to initiate any mitigating actions where necessary. You can read more on the Transparency Act on page 34.

PRINCIPLE	What Q-Free does
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.	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 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.

PRINCIPLE	What Q-Free does
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.

Our results



Making an impact with WIM technology ///

Q-Free has developed weigh-in-motion (WIM) solutions which collects road usage data without disrupting traffic flow to monitor and enforce fair and sustainable use. Weigh-in-motion can be used for statistical purposes or to monitor infrastructure wear and tear by authorities looking to target offending vehicles.

Board of Directors' report 2022

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 14 countries and 339 employees (per 31 December 2022). Q-Free ASA is listed on the Oslo Stock Exchange under the ticker QFR.

SUMMARY AND HIGHLIGHTS IN 2022

2022 started with a more than 500 MNOK order intake during first quarter. Several of the wins were on a long-term recurring basis, strengthening the long-term earnings potential. Q-Free further strengthened its presence as a leading supplier of advanced Tolling solutions in Norway and Portugal. Throughout the year, Tolling successfully delivered significant volumes on many Tolling projects. The Traffic Management also had new breakthrough contracts related to new SAAS and hosting contracts in the US as well as a major new state-wide contract for traffic-signal software. The supply-chain situation following the Covid epidemic and Russia's invasion of Ukraine continued to affect deliveries throughout the year, even if the negative impact on supply-chain was less than the previous year.

In January, Q-Free started deliveries of weigh-in-motion systems in Ukraine. These projects were halted following the Russian invasion. Q-Free initially reported a loss on receivables related to Ukraine but was able to recover these funds before year-end. However, the war affected planned deliveries and consequently turnover and inventory levels negatively.

In October, the Traffic Management division launched the new Kinetic Mobility™ platform. Kinetic Mobility™ is our cloud-based traffic management platform that unites our urban, interurban, and Infomobility offerings in a single off-the-shelf system. The new platform strongly supports the strategy to move towards a more recurring business model and scalable, module-based software. Also, in the Tolling Division, there are significant ongoing development projects that will be launched in 2024 onwards.

The highlights for 2022 include:

- 949 MNOK in revenues, up 10% from 2021
- 86 MNOK in EBITDA* (9% margin), down from 106 MNOK (12% margin) in 2021
- 92 MNOK in positive cash flows from operations, up 5% from 88 MNOK in 2021
- 1 289 MNOK in order intake* (excluding frame agreements), up 30% YoY, and a book-to-bill-ratio* of 1.36
- 1 413 MNOK in order backlog* (excluding frame agreements), up 27% YoY

FINANCIAL REVIEW

Figures below are group figures unless specified otherwise (2021 figures in brackets).

Revenues

Group revenues amounted to 949 MNOK, up 10% compared to 2021. Increase in sales in both segments.

Gross profit

Gross contribution* ended at 592 MNOK. Gross margin* in 2022 decreased by 1,6 percentage points compared to 2021.

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 in 2021, thus there has been no assets defined as "held for sale" in 2022.

Impairment Considerations

As of year-end 2022, 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 506 MNOK (444 MNOK), up 14% compared to 2021. Expenses in 2022 were impacted by inflation and wage increases, but also new positions related to Q-Free's increased focus and investment in development and sales.

Operating profits

Earnings before interest, taxes, depreciation, and amortization (EBITDA*) ended at 86 MNOK (106 MNOK), down 18% compared to 2021. The corresponding EBITDA* margin was 9% (12%). Reported operating profit (EBIT*) was 32 MNOK (50 MNOK).

Segment financial review

Tolling revenues ended at 621 MNOK (553 MNOK), a YoY increase of 12%. EBITDA* ended at 93 MNOK (114 MNOK), a YoY decrease of 18%. Changes in product mix had significant impact on the figures. The nature of the business within Tolling implies that the revenue and margin will fluctuate year by year.

Traffic Management revenues ended at 328 MNOK (305 MNOK).

* Refer to APM section for definitions

* Refer to APM section for definitions

The increase was due to higher product and project sales in the US and European markets. EBITDA ended at 31 MNOK (22 MNOK), primarily due to increased revenues.

Assets held for sale were divested by 31.03.2021, and reported numbers for 2021 are for the period January-March 2021 only.

Net financial items

Full-year net financial items were -20 MNOK (-11 MNOK). The difference versus 2021 is mainly related to foreign exchange rate differences and increased interest expenses on bank borrowings.

Profits

The reported pre-tax profit for 2022 was 12 MNOK (40 MNOK). The tax cost in 2022 ended at 10 MNOK (- 19 MNOK).

ANNUAL RESULTS AND YEAR-END APPROPRIATIONS

The group result after tax in 2022 was a net profit of 3 MNOK (59 MNOK). Earnings per share was 0.02 NOK (0.53 NOK). Diluted earnings per share was 0.02 NOK (0.52 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 2022 at the Annual General meeting that is scheduled for May 24, 2023.

CASH FLOW AND LIQUIDITY

Net cash flow from operating activities was 92 MNOK (88 MNOK). The improvement was mainly due to improved operating profit and solid cash management.

Net working capital* amounted to 109 MNOK (121 MNOK) at the end of 2022. Net working capital as of 31.12.22 equaled 11% of the revenues generated in the last 12 months compared to 14% for the corresponding period as of 31.12.21.

Net cash flow from investment activities was -71 MNOK (-36 MNOK). The increase is mainly caused by a shift to rental model on selected tolling system projects in Norway where Q-Free owns the installation.

Net cash flow from financing activities was -26 MNOK (-44 MNOK).

BALANCE SHEET

Total assets at the end of 2022 were 1 083 MNOK (948 MNOK). Total equity ended at 493 MNOK (448 MNOK). The equity ratio was 46% (47%).

Current liabilities amounted to 374 MNOK (244 MNOK) at the end of 2022. The current liabilities included 22 MNOK in leasing liabilities.

Non-current liabilities were 217 MNOK (256 MNOK), a reduction of 40 MNOK. The non-current liabilities included 40 MNOK in leasing liabilities.

Short term interest-bearing debt to financial institutions was 57 MNOK (19 MNOK) at year end. Available, unused credit facilities were 71 MNOK (100 MNOK) at the end of 2022.

FINANCIAL REVIEW FOR THE PARENT COMPANY

The parent company has no business activity and total revenues for 2022 was 0 MNOK (2021: 0 MNOK). Profit after tax was 80 MNOK in 2022 (2021: 3 MNOK). Total comprehensive income was 61 MNOK in 2022 (2021: 3 MNOK).

Total assets were 880 MNOK as of 31.12.2022 (845 MNOK as of 31.12.2021). The increase is mainly explained by an increase of non-current receivables - subsidiaries and current assets.

Total equity was 508 MNOK as of 31.12.2022 (448 MNOK as of 31.12.2021). The increase is explained by allocation of net result.

Total liabilities were 371 MNOK as of 31.12.2022 (397 MNOK as of 31.12.2021). The decrease is mainly explained by reduced non-current liabilities.

Cash flow from operations was -39 MNOK (2021: -20 MNOK). The increase is mainly explained by working capital effects. Cash flow from investing activities was 0 in 2022 (2021: -58 MNOK). Cash flow from financing activities was 10 MNOK (2021: 96 MNOK). Net change in cash and cash equivalents for the year was -29 MNOK.

GLOBAL ECONOMIC ENVIRONMENTS

Supply chain disruption which first arose as a consequence of the COVID pandemic have continued to affect Q-Free in 2022, and to some extent moving into 2023. This is however expected to have a diminishing effect throughout the year.

Rising inflation and salary level affect cost base in similar manner as other technology companies. General financial turbulence and potential instability in financial markets including currency and financing might impact margins and financing of projects, but are difficult to predict.

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 339 (349) employees at the end of 2022. The reduction was mainly due to normal attrition.

Q-Free has established good working conditions in a non-discriminating, multicultural organization with operations in 14 countries. Sick leave remains at a low level.

* Refer to APM section for definitions

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
Håkon Volldal resigned as President and Group CEO on June 30, 2022. The Group CFO Trond Christensen acted as interim President and Group CEO until Thale Kuvås Solberg took over the position on permanent basis on October 15 2022. Daniel Skiffington took the position as EVP heading the Traffic Management division, replacing Morten Andersson. Idunn Hals Bjelland-de-Garcia resigned as SVP Brand, Communication & Marketing. This position is restructured to EVP Sustainability, People & Brand, and a new hiring is in place Q1 2023.

Group management now consists of the President & CEO, the CFO, the EVP Sustainability, People & Brand, and two Executive Vice Presidents heading up the two divisions Tolling and Traffic Management respectively. The two divisions have individual management teams.

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 Ane Dalsnes Storsæter.

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

SUBSEQUENT EVENTS
There have been no significant subsequent events following the balance-sheet date

CORPORATE SOCIAL RESPONSIBILITY, CORPORATE GOVERNANCE AND TRANSPARANCY ACT
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. "Corporate Social Responsibility review 2022" is published on the company's website on 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. "Corporate Governance review 2022" is published on the company's website at https://www.q-free.com/investor_relations/corporate-governance/.

In compliance with the Norwegian Transparency Act, Q-Free performs due diligence assessments regarding transparency. The first publication of report from such assessment will be made available within 30 June 2023 on the company's website at www.q-free.com/investor_relations/.

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 canceled 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. Political issues affected Q-Free in 2022 following Russia's invasion of Ukraine. Q-Free immediately terminated any business opportunities in Russia, and deliveries in Ukraine were halted. Moving into 2023, there are signs of some Ukrainian projects restarted.

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 fulfill their financial obligations. A contract 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 2022 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 2022 to be sufficient to finance the company's ordinary operations and operational investments for 2023. 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.

Risk of corruption

Q-Free 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.

Climate risk

Climate changes is an increasing risk for all businesses. Q-Free sees limited risk of climate changes directly impacting operations. Q-Free develops solutions to help reduce pollution from road traffic and can thus benefit from a general increased focus on climate and pollution among clients and end-users. Q-Free also focus strongly on reducing negative climate impact form our products through innovative product development. Examples are more durable products to reduce need for replacement, or smaller size on products and packaging to reduce volume to be transported.

OUTLOOK

Q-Free is in a transition from a project-based revenue model to a higher degree of recurring revenue and scalable software solutions. This is supported by our 40% YoY growth in ARR in 2022 compared to 2021. This fundamental shift in business model is advantageous for Q-Free in long-term as it reduces volatility and increases robustness. However, the shift to ARR models does to some extent impact reported revenues and EBITDA short-term. Q-Free aims to continue to build its ARR base by pursuing long-term tolling service contracts, win new Traffic Management SaaS contracts in the US, expand its ALPR SaaS business in the US, Europe and APMEA, and grow its tolling back-office SW business in connection with new tolling system deliveries. Significant efforts and investments have been and still are put into making our products and services available "off the shelf" with limited tuning and customization. This will enable higher margins, reduces delivery risk and facilitates taking on more contracts in parallel. Our long-term growth strategy and target of 15–20% EBITDA margin & 10–15% EBIT margin still stands. Efficient, safe and sustainable transportation will be critical in tomorrow's ITS market, and we continue our efforts in building solutions that will meet market expectations and demand in the years to come. In light of the shift towards an ARR based model, we are in the process of reviewing our strategy to encompass the market and product development within ITS and align strategy and relevant targets. Macrotrends with higher focus on sustainable cities, reduced pollution from cars and congestion charging, better traffic flow and safer roads for both cars and pedestrians all work in Q-Frees favor. The significant order intake in 2022 of 1 289 MNOK, up 30% YoY, demonstrates QFree's strong position in the ITS market.

Trondheim, 26 April 2023

Trond Valvik Chair of the Board	**Lene Diesen** Board member	**Snorre Kjesbu** Vice Chair	**Geir Beitveit Bjørlo** Board member
Karin Sandsjö Board member	**Brage Blekken** Employee-elected Board member	**Ane Dalsnes Storsæterø** Employee-elected Board member	**Thale Kuvås Solberg** 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 (62.78%).

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 280,000 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, Kjesbu was Executive VP of Design, Creation and Fulfillment at BANG & OLUFSEN in Copenhagen. His resume 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.

Kjesbu 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.

Bjørlo 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, 152,093 shares in Q-Free ASA.

Lene Diesen
(1978)
Board member
Served since 2021

Lene Diesen is the COO of Documaster a Norwegian tech company. 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 Documaster, Diesen was the CEO of Semine a Norwegian tech scale-up. Prior to that she was 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.

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 member
Served since 2021

Karin Sandsjö is the CFO of Tibber, a Norwegian energy solutions company. 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, 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.

Sandsjö has a business degree from Karlstad University.

Sandsjö is a Swedish citizen and resides in Stockholm, Sweden. Sandsjö owns 60,000 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.

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

Ane Dalsnes Storsæter
(1981)
Employee-elected Board member
Served since 2022

Ane Dalsnes Storsæter has been with Q-Free since 2021 and is the Vice president of the Products and R&D department in Q-Free. This department develops the hardware products of the Q-Free portfolio. She holds a M.Tech. in ICT and Mechanical Engineering with focus on product development, and a PhD in how to create road infrastructure to support automated driving.

Storsæter has previously worked with mechanical construction for the offshore industry, she also spent 11 years working for the Norwegian Public Roads Administration (NPRA) prior to joining Q-Free. At the NPRA, she led international research and development projects in the field of Intelligent Transportation Systems.

Storsæter is a Norwegian citizen and resides in Trondheim, Norway. Storsæter owns 500 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	2022	2021
Revenue from customers	10	948 968	860 017
Total operating revenue		***948 968***	***860 017***
Cost of goods sold	16	291 152	228 140
Project contractor expenses	11	65 722	81 791
Employee benefit expenses	11, 12, 13	344 609	320 571
Other operating expenses	23	161 161	123 921
Total operating expenses		***862 644***	***754 424***
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**86 324**	**105 594**
Depreciation of property, plant and equipment	24	32 151	30 125
Amortisation of intangible assets	15	21 683	27 656
Gain on disposal of assets	31	-	2 452
Total depreciation, amortization and impairment		***53 834***	***55 329***
Earnings before interest and taxes (EBIT)		**32 490**	**50 265**
Financial income	8	24 540	28 147
Financial expenses	8	-44 696	-38 845
Net financial items		***-20 156***	***-10 698***
Profit before tax		**12 334**	**39 566**
Tax income (+)/expense (-)	22	-9 555	19 063
Profit / (-) loss for the year from continuing operations		**2 779**	**58 629**
Profit / (-) loss for the year		**2 779**	**58 629**
Earnings per share	27	0.02	0.53
Diluted earnings per share		0.02	0.52
Earnings per share from continuing operations		0.02	0.53
Diluted earnings per share from continuing operations		0.02	0.52

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Q-FREE GROUP

Amounts in TNOK	Note	2022	2021
Profit / (-) loss for the year		**2 779**	**58 629**
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Currency translation differences, net of tax		42 888	5 676
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**42 888**	**5 676**
Other comprehensive income for the year, net of tax		**42 888**	**5 676**
Total comprehensive income for the period, net of tax		**45 667**	**64 305**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Q-FREE GROUP

Amounts in TNOK

ASSETS	**Note**	**2022**	**2021**
Deferred tax assets	4,22	47 835	48 262
Intangible assets	15	102 956	86 514
Goodwill	4, 14	313 049	287 878
Property, plant and equipment	24	113 745	89 785
Non-current receivables		3 492	7 356
TOTAL NON-CURRENT ASSETS		**581 077**	**519 795**
Inventories	16	86 593	85 832
Contract assets	4, 10, 17	92 473	59 690
Accounts receivable	17	203 253	174 430
Other current assets	18	43 562	26 004
Cash and cash equivalents	19	76 382	82 015
TOTAL CURRENT ASSETS		**502 264**	**427 970**
TOTAL ASSETS		**1 083 340**	**947 765**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Q-FREE GROUP

Amounts in TNOK

EQUITY AND LIABILITIES	Note	2022	2021
Subscribed share capital		42 273	42 273
Share premium		649 939	649 939
Other paid-in capital		20 931	21 320
Retained earnings		-220 111	-265 778
TOTAL EQUITY		**493 031**	**447 754**
Non-current borrowings	5, 7	176 815	201 591
Non-current financial liabilities	25	39 722	54 597
Total non-current liabilities		***216 538***	***256 188***
Current borrowings	5, 7, 19	56 673	18 969
Advance payments from customers	10	89 433	25 995
Accounts payable	20	101 867	78 185
Taxes payable	22	975	476
Public duties payable		17 284	17 512
Current financial liabilities	25	21 947	14 020
Other current liabilities	21	85 593	88 667
Total current liabilities		***373 771***	***243 824***
TOTAL LIABILITIES		**590 309**	**500 012**
TOTAL EQUITY AND LIABILITIES		**1 083 340**	**947 765**

Trondheim, 26 April 2023

Trond Valvik	**Lene Diesen**	**Snorre Kjesbu**	**Geir Beitveit Bjørlo**
Chair of the Board	Board member	Vice Chair of the Board	Board member
Karin Sandsjö	**Brage Blekken**	**Ane Dalsnes Storsæter**	**Thale Kuvås Solberg**
Board member	Employee-elected Board member	Employee-elected Board member	President & CEO

CONSOLIDATED STATEMENT OF CASH FLOWS

Q-FREE GROUP

Amounts in TNOK

	Notes	2022	2021
Cash flow from operations			
Profit before tax		12 334	39 566
Paid taxes	22	-8 830	-2 600
Depreciation and impairment of property, plant and equipment	24	34 761	30 125
Amortisation and impairment of intangible assets	15	18 261	27 656
Gain on disposal of assets		-	-2 452
Accrued interest expense		-	225
Share-based payment expense	13	390	-97
Working capital adjustments:			
Changes in inventory		-762	-28 026
Changes in contract assets		-32 783	35 276
Changes in accounts receivable		-28 823	-36 258
Changes in advance payments from customers		63 438	10 902
Changes in accounts payable		23 682	7 634
Changes in other items		10 532	5 895
Net cash flow from operations		***92 200***	***87 847***
Cash flow from investing activities			
Investments in PP&E and intangible assets	15, 24	-70 827	-36 011
Cash flow from investing activities		***-70 827***	***-36 011***
Cash flow from financing activities			
Cash proceeds from borrowings	7, 29	28 567	154 010
Repayment of borrowings	7, 29	-19 686	-166 732
Payment of principal portion of lease liabilities	29	-23 091	-23 639
Interest received		476	493
Interest paid		-11 855	-7 644
Cash flow from financing activities		***-25 589***	***-43 512***
Effect on cash and cash equivalents of changes in foreign exchange rates		***-1 417***	***-1 271***
Net change in cash and cash equivalents for the year		**-5 633**	**7 054**
Cash and cash equivalents per 01.01.		82 015	74 961
Cash and cash equivalents per 31.12.	19	**76 382**	**82 015**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Q-FREE GROUP

Amounts in TNOK	Note	Subscribed share capital	Share premium	Other paid-in capital	Retained earnings	Currency translation differences, net of tax	Total
Total equity 01.01.2022		**42 273**	**649 939**	**21 320**	**-342 368**	**76 588**	**447 754**
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*	13	-	-	-389	-	-	-389
Total equity 31.12.2022		**42 273**	**649 939**	**20 931**	**-339 589**	**119 476**	**493 031**
Total equity 01.01.2021		**33 905**	**578 307**	**31 950**	**-401 960**	**70 912**	**313 114**
Profit / (-) loss for the period		-	-	-	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	13	-	-	97	-	-	97
Convertible bond issue	7	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**

* Reference to note 13

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 339 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 2022 were approved by the Board of Directors at its meeting on 28 April 2023.

NOTE 2 / Basis for preparation

Q-Free ASA has prepared the consolidated financial statements for 2022 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 going concern basis and on a historical cost basis, except for some minor investments in other companies which is valued at fair value through profit or loss, 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 2022 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

NOTE 3 / Significant accounting policies, cont.

rights in relevant decision-making bodies. Subsidiaries are fully consolidated from the date control commences until the date control ceases.

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 2022. 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

NOTE 3 / Significant accounting policies, cont.

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.

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 are recognized amortised costs which is measured at fair value plus transaction costs, except for some minor investments in other companies which is valued at fair value through profit or loss and considered immaterial for group. 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 loans, borrowings, and payables such as suppliers and public duties. 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

NOTE 3 / Significant accounting policies, cont.

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.

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

NOTE 3 / Significant accounting policies, cont.

losses. Depreciation is measured on a straight-line basis over the estimated useful lives of the asset as follows:

- 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

NOTE 3 / Significant accounting policies, cont.

during the year, except for the deferred tax related to items recognized in Other comprehensive income or resulting from a business combination or disposal.

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 are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value.

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.

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.

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

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
- 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.

NOTE 3 / Significant accounting policies, cont.

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.

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.

Management has based its assumptions and estimates on parameters available when the consolidated 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

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

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 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

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

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.

Product development expenses

Q-Free capitalize expenses related to product development. These activities are crucial to improve financial results and secure long-term profitability of the business. Each project that is capitalized is carefully considered by management to secure that relevant criteria under IAS 38 are fulfilled. A business plan is established for each project. Should the situation change and the criteria for capitalization no longer are met, the capitalization is reversed or impaired.

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

The Group currently has a low exposure to variability in the P&L and equity due to changes in fair value, there are some minor financial instruments as of year end 2022, that are measured at amortised cost, however, these are immaterial for the Group. 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 2022 or 2021 on government related accounts receivable in any of the existing markets. Q-Free reported a loss in Ukraine in Q1-22, but was able to recover these losses later the same year. Q-Free currentently has no balance sheet exposure in Ukraine.

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

NOTE 5 / Risk management, cont.

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 2022 to have low credit risk.

Additional information related to accounts receivable and an aging analysis as of 31 December 2022 and 2021 is provided in Note 17 Accounts receivable.

b) Currency risk

Q-Free 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.

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 reasonably possible change 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	
	2022	2021	2022	2021
USD	32%	28%	37%	42%
EUR	20%	27%	18%	15%
GBP	6%	10%	11%	13%
NOK	21%	16%	21%	18%
OTHER	21%	18%	13%	12%

NOTE 5 / Risk management, cont.

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

2022	USD	EUR	GBP	NOK	OTHER
Deferred tax assets	42%	0%	7%	48%	3%
Intangible assets	17%	0%	14%	69%	0%
Goodwill	69%	16%	15%	0%	0%
Property, plant and equipment	4%	2%	1%	92%	1%
Non-current receivables	70%	0%	0%	27%	2%
Total non-current assets	**45%**	**9%**	**11%**	**34%**	**1%**
Inventories	21%	11%	34%	29%	6%
Contract assets	27%	46%	2%	2%	23%
Accounts receivable	40%	13%	6%	25%	16%
Other current assets	12%	15%	1%	45%	27%
Cash and cash equivalents	19%	71%	9%	-88%	89%
Total current assets	**29%**	**28%**	**10%**	**6%**	**27%**
TOTAL ASSETS	**37%**	**18%**	**11%**	**21%**	**13%**
Total non-current liabilities	0%	0%	0%	100%	0%
Total current liabilities	15%	4%	3%	61%	16%
TOTAL LIABILITIES	**10%**	**3%**	**2%**	**75%**	**10%**

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%
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.

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 62 458 as per balance 31 December 2022. (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	2022		2021		2020		2019		2018	
10% currency change	Income	Operating expenses	Income	Operating expenses	Income	Operating expenses	Income	Operating expenses	Income	Operating expenses
USD/NOK	30 180	-25 096	24 077	-22 246	25 218	-26 464	29 612	-36 340	30 391	-32 450
EUR/NOK	18 661	-5 597	23 581	-5 746	21 136	-6 747	16 915	-7 792	22 194	-5 767
GBP/NOK	5 763	-6 420	8 776	-7 885	7 772	-6 505	4 814	-4 704	6 116	-4 595

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

Amounts in TNOK	2022		2021		2020		2019		2018	
10% currency change	Increase	Decline	Increase	Decline	Increase	Decline	Increase	Decline	Increase	Decline
USD/NOK	34 766	-34 766	31 398	-31 398	27 374	-27 374	27 863	-27 863	25 734	-25 734
EUR/NOK	17 289	-17 289	12 144	-12 144	12 803	-12 803	15 321	-15 321	13 058	-13 058
GBP/NOK	10 403	-10 403	10 588	-10 588	11 610	-11 610	12 475	-12 475	12 492	-12 492

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 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 2022 to be sufficient to finance the company's ordinary operations and operational investments for 2023. Some loans are up for renegotiation of payment plans in 2023.

Additional information related to borrowings and undrawn bank overdraft as of 31 December 2022 and 2021 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 2022 and 2021 , based on contractual undiscounted payments, including estimated future interest payments.

NOTE 5 / Risk management, cont.

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

Year ended 31 December 2022:	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	-	-	-	-	-	176 815	-	-	176 815
Non-current financial liabilities	-	-	-	-	-	24 062	15 660	-	39 722
Current borrowings*	-	4 976	4 976	9 076	9 076	-	-	-	28 106
Accounts payable	-	101 867	-	-	-	-	-	-	101 867
Current financial liabilities	-	5 728	5 483	5 123	5 612	-	-	-	21 947
Total financial liabilities	**-**	**112 571**	**10 460**	**14 200**	**14 689**	**200 878**	**15 660**	**-**	**368 457**

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	-	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**	**-**	**381 581**

*As of 31 December 2022, the group has used TNOK 28 567 from the credit line, which is not included in the table as it is an ongoing draft facility without a set due date, but is booked as current borrowings in the balance sheet. Repayment of this facility is to be negotiated no later than second quarter 2023.

d) Interest-rate risk

The Group is exposed to interest rate risk in the form of changing interest rates on borrowings and deposits 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 31.12.22 and 31.12.21, 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 2021.

NOTE 5 / Risk management, cont.

Table 5.6 Interest rate risk sensitivity anlaysis

Effect of an interest rate increase of 100 bps:

	31. December	
Amounts in TNOK	2022	2021
Investments with floating interest rates	764	820
Loans with floating interest rates	-2 335	-2 206
Profit before tax	**-1 571**	**-1 385**

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 2022	Amortised cost	Fair value Level 3	Fair value Level 2	Fair value Level 1	Total
Financial assets					
Accounts receivable	203 253	-	-	-	203 253
Cash and cash equivalents	76 382	-	-	-	76 382
Total	**279 636**	**-**	**-**	**-**	**279 636**
Financial liabilities					
Non-current borrowings	176 815	-	-	-	176 815
Non-current financial liabilities	39 722	-	-	-	39 722
Current borrowings	56 673	-	-	-	56 673
Accounts payable	101 867	-	-	-	101 867
Current financial liabilities	21 947	-	-	-	21 947
Other current liabilities	85 593	-	-	-	85 593
Total	**482 618**	**-**	**-**	**-**	**482 618**

NOTE 5 / Risk management, cont.

31 December 2021	Amortised cost	Fair value Level 3	Fair value Level 2	Fair value Level 1	Total
Financial assets					
Accounts receivable	174 430	-	-	-	174 430
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**

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

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.

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 2022/as of 31.12.2022 as compared to prior year.

Q-Free's capital management measures

KPI	2022	2021	Change in %
EBITDA	86 324	105 594	-18%
NIBD	157 106	138 545	13%
Operational gearing	1.8	1.3	39%
Equity ratio	46%	47%	-4%
Cash flow from operations	92 200	87 847	5%

* Refer to APM section for capital management measures definitions.

NOTE 7 / Borrowings

Type	Effective interest rate %****	Maturity***	31.12.2022	31.12.2021
Non-current				
Nordea – Term loan *	4.75%	30 August 2026	73 800	82 000
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	17 250	21 608
Nordea – EUR term loan	Interbank + 1.9%	30 June 2025	11 565	14 983
Nordea – NOK term loan	Interbank + 1.9%	30 June 2025	24 200	33 000
Total non-current borrowings			**176 815**	**201 591**
Current				
Nordea – Term loan *	4.75%	30 August 2026	8 200	-
Nordea – USD term loan	Interbank + 1.9%	30 June 2025	6 900	6 174
Nordea – EUR term loan	Interbank + 1.9%	30 June 2025	4 206	3 995
Nordea – NOK term loan	Interbank + 1.9%	30 June 2025	8 800	8 800
Nordea – Credit line**	Interbank + 1.9%	Anually	28 567	-
Total current borrowings			**56 673**	**18 969**
Total borrowings			**233 488**	**220 560**

* 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.

Borrowing arrangements

June 30 2021, Q-Free entered a new 3 year financing arrangement with it's main bank. The new arrangement included revised installment plan, and a new structure on the facilities. The new arrangements were fully implemented during Q3 2021. In Q2 2022, Q-Free utilized an option to request an extension of the contract term. The arrangements are thus currently valid until June 30 2025.

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.

NOTE 7 / Borrowings, cont.

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 bondholders 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 and any expenditure or obligation in respect of an Approved Norwegian Tolling Contract and capitalized value of ERP project 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 31.12.2022, Q-Free was compliant with all financial covenants. All financial covenants are measured on consolidated level.

NOTE 8 / Financial items

Amounts in TNOK

Financial items	2022	2021
Interest income	477	491
Realised exchange rate differences	12 495	14 033
Unrealised exchange rate differences	11 568	13 623
Financial income	**24 540**	**28 147**
Interest expenses*	-2 401	-2 805
Interest on borrowings	-9 453	-6 669
Realised exchange rate differences	-14 439	-14 217
Unrealised exchange rate differences	-11 177	-12 160
Other financial expense	-7 225	-2 993
Financial expense	**-44 696**	**-38 845**
NET FINANCIAL ITEMS	**-20 156**	**-10 698**

* 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 2022, The Group managed its operations in two operating segments, Tolling and Traffic Management.

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.

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.

NOTE 9 / Operating segments, cont.

HELD FOR SALE

Held for sale contains the business previously classified as parking segment.

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

Global Functions do not represent a separate segment but are expenses that are not relevant to allocate to one or more of the two 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.

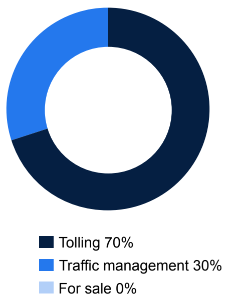
EBITDA is defined as income before financial income or expense, taxes, and any depreciation, amortisation and impairment. EBIT / EBITDA is used in the income statement as a summation line for other accounting lines.

Table 9.1 Operating segments

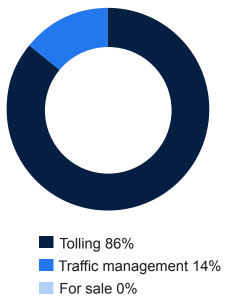
SEGMENTS	**Tolling**		**Traffic Management**		**Assets held for sale**		**Global functions**		**Totals 31.12**	
Amounts in TNOK	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
EUROPE	505 401	464 401	57 626	87 668	-	577	-	-	563 028	552 646
APMEA	84 141	67 646	-	-	-	-	-	-	84 141	67 646
AMERICAS	31 690	20 635	270 110	217 202	-	1 889	-	-	301 800	239 726
Revenues	**621 232**	**552 682**	**327 736**	**304 870**	**-**	**2 466**	**-**	**-**	**948 968**	**860 017**
COGS	198 078	118 133	92 966	109 497	-	509	-	-	291 044	228 140
Contractors	61 719	75 394	4 003	6 260	-	137	-	-	65 722	81 791
Gross Contr.	**361 434**	**359 155**	**230 768**	**189 112**	**-**	**1 820**	**-**	**-**	**592 202**	**550 087**
Gross margin -%	58.2%	65.0%	70.4%	62.0%	-	73.8%	-	-	62.4%	64.0%
Total OPEX	268 837	245 508	199 493	166 769	-	3 609	37 348	28 607	505 678	444 493
EBITDA	**92 598**	**113 647**	**31 274**	**22 344**	**-**	**-1 789**	**-37 348**	**-28 607**	**86 524**	**105 594**
EBITDA margin	14.9%	20.6%	9.5%	7.3%	-	-72.6%	-	-	9.1%	12.3%
Depreciation	35 871	35 940	17 963	21 770	-	71	-	-	53 834	57 781
Impairment	-	-	-	-	-	-	-	-	-	2 452
EBIT	**58 203**	**77 707**	**14 123**	**574**	**-**	**-1 860**	**-37 348**	**-28 931**	**32 690**	**45 361**
EBIT margin	9.4%	14.1%	4.3%	0.2%	-	-75.4%	-	-	3.7%	5.8%

For competition reasons, Q-Free does not diclose publically revenue per country or customer. Q-Free does not have any single customer representing more than 10 percentage of annual revenue.

NOTE 9 / Operating segments, cont.



Segment	Order intake 2022	2021
TOLLING 70%	899 091	639 142
TRAFFIC MANAGEMENT 30%	390 073	341 810
FOR SALE 0%	-	9 184
Total	**1 289 164**	**990 136**



Segment	Order backlog 2022	2021
TOLLING 86%	1 209 457	947 408
TRAFFIC MANAGEMENT 14%	203 123	166 306
FOR SALE 0%	-	-
Total	**1 412 580**	**1 113 714**

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:

– Service & Maintenance
– Softwares
– Product deliveries
– System projects

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

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

Table 10.1 Disaggregation of revenue from contracts with customers

31 December 2022

	Tolling		Traffic Management		Assets held for sale		Total	
Amounts in TNOK	**FY 2022**	**FY 2021**	**FY 2022**	**FY 2021**	**FY 2022**	**FY 2021**	**FY 2022**	**FY 2021**
Annual recurring revenue								
Service & Maintenance, contracting arrangements	155 632	122 959	70 364	5 826	-	-	225 996	128 785
Software	66 700	52 697	41 298	57 663	-	-	107 998	110 360
Annual recurring revenue	**222 332**	**175 656**	**111 662**	**63 489**	**-**	**-**	**333 994**	**239 145**
Recurring revenue – reported	211 207	174 240	96 930	61 999	-	-	308 137	236 239
Non-recurring revenue – reported	410 026	378 441	230 807	242 869	-	2 466	640 832	623 776
Total revenues – reported	**621 232**	**552 681**	**327 737**	**304 868**	**-**	**2 466**	**948 969**	**860 015**

Revenue recognition

a) 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.

b) Software

Software licenses could be categorized as:

– Licences that give access to standard Q-Free software without limitation in time, or access to updates.
Deliveries of these software licences is similar to deliveries of products. When the licence have been delivered by giving the customer access to a software component, a licence key or similar, the performance obligation have usually been met, and the revenue should be recognised (and invoiced) in the same period. For standard software there is usually little or no associated direct cost to the delivery.

– Licences to utilize software over time.
If the contracts outline that the client pays a periodic fee for access to specific standard software,

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

the performance obligation stretches over the duration of the contract. Revenue should be recognised periodically for the duration of the contract.
Expenses related to maintaining the software should normally be limitedly expensed as it occurs.

Some contracts can be a combination of the two above. Software that is (so a significant extent) developed for the customer should be considered a "system delivery" (see below).
Software licenses can also include Service & Maintenance to the customer contract.

c) 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.

d) 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.
- 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.

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

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.

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	2022	2021
Total amount of the transaction price for all ongoing system projects not yet recognised	309 091	409 938

Management expects that 62% of the transaction price allocated to the unsatisfied contracts as of 31 December 2022 will be recognised as revenue during the next financial year and 38% in the 2024 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.

a) Contract assets

Contract assets are recognised whenever a performance obligation is satisfied before consider-

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

ation is received. Contract assets are assessed for impairment in accordance with IFRS 9. As of 31 December 2022, contract assets have been reviewed for impairment, and are impaired in an amount of TNOK 0.

b) 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 2022, with 2021 comparatives, that relates to advance payments from customers.

Table 10.3 Revenue recognised from advance payments from customers

Amounts in TNOK	Advance payments 31.12.2022	Recognized in the period 2022	Advance payments 31.12.2021	Recognized in the period 2021
Revenue recognised in this period that was included in advance payments from customers at the beginning of the period:				
Tolling	78 122	10 103	10 103	5 803
Traffic Management	11 311	15 892	15 892	5 247
Total	**89 433**	**25 995**	**25 995**	**11 050**

NOTE 11 / Employee benefit expenses

Amounts in TNOK

Employee benefit expenses	2022	2021
Salaries	307 252	286 248
Social security costs	30 089	24 215
Pension costs (contribution plan)	9 478	13 460
Capitalised personnel costs	-25 723	-20 630
Other personnel related costs	23 513	17 278
Total	**344 609**	**320 572**
Average number of employees	339	356
Average number of FTE's	322	348

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 2022, 109 employees in Norway (31 December 2021: 107) are included in the defined contribution pension plan.

NOTE 11 / Employee benefit expenses, cont.

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 7 688 in 2022 (2021 total TNOK 7 569).

NOTE 12 / Management and Board of directors remuneration

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 of the CEO and of other managers covered by the agreement.

In addition to the fixed monthly salary, bonus according to achieved results and adopted option plans (see note 13), 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.

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

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.

The main principles for remuneration have not been changed in 2022. The Guidelines for salary and other remuneration to leading personnel were approved by the Annual General meeeting in 2022.

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 2022:

	2022							
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	-	-	528	-	-	-	-	528
Snorre Kjesbu, Vice Chair of the Board	-	-	318	-	-	-	-	318
Geir Bjørlo, Board member	-	-	314	-	-	-	-	314
Karin Sandsjö, Board member	-	-	313	-	-	-	-	313
Lene Diesen, Board member	-	-	304	-	-	-	-	304
Brage Blekken, Employee-elected Board member	-	-	98	-	-	-	-	98
Ane Dalsnes Storsæter, Employee-elected Board member [1)]	-	-	50	-	-	-	-	50
Fredrik Thoresen, Chair Nomination Committee	-	-	45	-	-	-	-	45
Øystein Elgan, member Nomination Committee	-	-	30	-	-	-	-	30
Jon Øyvind Eriksen, member Nomination Committee	-	-	30	-	-	-	-	30
Thale Kuvås Solberg, Chief Executive Officer [2)]	637	-	-	28	4	-	-	669
Trond Christensen, CFO [3)]	-	446	-	-	-	3 260	-	3 706
Fredrik Nordh, EVP Tolling	2 384	271	-	514	163	-	-	3 332
Daniel Skiffington, EVP Traffic Management [4)]	684	-	-	3	27	-	-	714
Håkon Rypern Volldal, former Chief Executive Officer [5)]	2 025	1 750	-	90	8	-	-	3 873
Arne Kristian Hoset, former Interim CFO [6)]	474	-	-	33	2	-	-	509
Jimi Meshulam, former Acting EVP Traffic Management [7)]	327	-	-	21	1	-	-	349
Morten Andersson, former EVP Traffic Management [8)]	3 131	-	-	128	164	-	-	3 423
Jan-Erik Sandberg, former CTO [9)]	1 194	156	-	34	3	-	-	1 387
Idunn Hals Bjelland de Garcia, former SVP Brand, Communication & Marketing [10)]	907	132	-	78	12	-	-	1 129
Yngve Halmø, former Employee-elected Board member [11)]	-	-	48	-	-	-	-	48
TOTAL	**11 763**	**2 309**	**2 078**	**929**	**384**	**3 260**	**-**	**21 169**

1) Ane Dalsnes Storsæter serves as Board member from 04.06.2022.
2) Thale Kuvås Solberg serves as CEO from 15.10.2022.
3) CFO Trond Christensen served as interim CEO in the period 01.07.2022 until 14.10.2022. He has been on a management for hire contract via Christensen's consultancy company. The reported fee is the total fee paid the consultancy fee, including all social expenses and fees retained by the consultancy firm.
4) Daniel Skiffington has served at EVP Traffic Management from 20.10.2022.
5) Håkon Rypern Volldal served as CEO until 30.06.2022.
6) Arne Kristian Hoset served as interim CFO in the period 01.02.2022 until 14.10.2022.
7) Jimi Meshulam served as Acting EVP Traffic Management in the period 28.09.2022 until 19.10.2022
8) Morten Andersson stepped down from his position 28.09.2022 and resigned 27.12.2022
9) Jan-Erik Sandberg resigned from his position 28.02.2022
10) Idunn Hals Bjelland de Garcia resigned from her position 30.09.2022.
11) Yngve Halmø served as Employee-elected Board member until 30.04.2022

* Share-based payment expense is the expense recognised in 2022. See note 13 for further information

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

Payments to senior management and Board of directors 2021:

	2021							
Amounts in TNOK	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*	-	-	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**

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. 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

* 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

NOTE 13 / Share based compensation

Share based option programme for the CEO – established October 2022

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 1 000 000. 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. Each option gives the right to acquire one share in Q-Free at given strike price. Tranche one of 400 000 options is exercisable in the period from 15 October 2025 to 15 October 2028. Tranche two of 300 000 options is exercisable in the period from 15 October 2026 to 15 October 2028. Tranche three of 300 000 options is exercisable in the period from 15 October 2027 to 15 October 2028. The strike price for the first tranche is calculated based on average volume weighted price for the Q-Free share 10 trading days prior to the allocation (that is NOK 6.11 per share), and a mark-up equivalent to 40% (that is, NOK 8.55 per share) for the second tranche and 70% (that is, NOK 10.28 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 90% 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. The Company may freely decide that the exercised options shall be settled with a cash amount equal to the market price of the shares of the Company at the time of exercise minus the Strike price. The market price for the shares shall be equal to the volume-weighted average stock price for one QFR share during the last five trading days on the stock exchange prior to the Company's decision to settle the options in cash. Further there are clauses that postpones the date of exercise period if company-specific circumstances occurs.

Specification of share option activity:	**2022**
Granted share options 01.01	-
Share options granted	1 000 000
Share options exercised	-
Share options expired/terminated	-
Granted share options 31.12	1 000 000
Vested share options 31.12	1 000 000
Exercisable share options 31.12	-

The share options split for the CEO as per 31.12.2022:

Name	Position	Tranche	Number of options	Strike price	Agreement in force	Expires
Thale Kuvås Solberg*	CEO	Tranche 1	400 000	NOK 6.11	15.10.2022	15.10.2028
		Tranche 2	300 000	NOK 8.55	15.10.2022	15.10.2028
		Tranche 3	300 000	NOK 10.38	15.10.2022	15.10.2028

*Thale Kuvås Solberg started in the position 15.10.2022.

NOTE 13 / Share based compensation, cont.

Share based option programme for the former CEO – established May 2018

The Parent company had implemented a five-year option program for the former 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 recieved sales proceeds are paid out as dividends. This right applies for both share based option program for leading executives and CEO. There is a change from 10 June 2022 that the Company may freely decide that the exercised options shall be settled with a cash amount equal to the market price of the shares of the Company at the time of exercise minus the Strike price. The market price for the shares shall be equal to the volume-weighted average stock price for one QFR share during the last five trading days on the stock exchange prior to the Company's decision to settle the options in cash. Further there are clauses that postpones the date of exercise period if company-specific circumstances occurs.

Specification of share option activity:	**2022**	**2021**
Granted share options 01.01	1 199 943	1 199 943
Share options granted	-	-
Share options exercised	-	-
Share options expired/terminated	672 687	-
Granted share options 31.12	**527 256**	**1 199 943**
Vested share options 31.12	**527 256**	**1 097 130**
Exercisable share options 31.12	**527 256**	**593 763**

NOTE 13 / Share based compensation, cont.

The share options split for the former CEO as per 31.12.2022:

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 resigned from his postion 30 June 2022. All tranches were at the date of resignation vested. The vested options were not exercised and are hence expired.

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 2019 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.There is a change from 10 June 2022 that the Company may freely decide that the exercised options shall be settled with a cash amount equal to the market price of the shares of the Company at the time of exercise minus the Strike price. The market price for the shares shall be equal to the volume-weighted average stock price for one QFR share during the last five trading days on the stock exchange prior to

NOTE 13 / Share based compensation, cont.

the Company's decision to settle the options in cash. Further there are clauses that postpones the date of exercise period if company-specific circumstances occurs.

Specification of share option activity:	2022	2021
Granted share options 01.01	1 199 943	1 199 943
Share options granted	-	-
Share options exercised	-	-
Share options expired/terminated	672 687	-
Granted share options 31.12	**527 256**	**1 199 943**
Vested share options 31.12	**527 256**	**1 097 130**
Exercisable share options 31.12	**527 256**	**593 763**

The share options split for leading Executives as per 31.12.2022:

Name	Position	Tranche	Number of options	Strike price	Agreement in force	Expires
Morten Andersson	former EVP 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	EVP Tolling	Tranche 1	228 991	NOK 8.52	02.10.2017	02.10.2023
		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	former 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. Tranches 1 and 2 were at the date of resignation vested. The vested options were not exercised.
Morten Andersson stepped down from his position 28 September 2022 and resigned 27.12.2022. All tranches were at the date of resignation vested. The vested options were not exercised and are hence expired.

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.

NOTE 14 / Goodwill, cont.

Cash generating units

From 1 January 2021, Q-Free Group has reported the following segments:
– Tolling
– Traffic Management

CGU / Segment (Amounts in TNOK)	Goodwill 31 December 2022	Goodwill 31 December 2021
Tolling	43 201	37 877
Traffic Management	269 848	250 001
Sum	313 049	287 878
Goodwill in the balance sheet	**313 049**	**287 878**

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 2022 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 2023
– Expected COGS development
– OPEX forecast for the next 3 years
– Strategic and operational plans forn the CGU

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 2022 the WACC has been estimated to be between 9.7% and 10.5%. The WACC estimated for each segment is given in the table below:

Segment	WACC 2022	WACC 2021
Tolling	9.7%	8.8%
Traffic Management	10.5%	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 analysis shows recvoverable amount in excess of carrying value at year end 2022.

NOTE 14 / Goodwill, cont.

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

a) 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.

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 was to some extent been impacted by the global pandemic in 2021 from reduced travelling and component shortage caused by supply chain disruptions. The suation has improved in 2022, but we still observe that some projects were delayed. Increasing need for sustainable funding for infrastructure projects is expected to have a positive impact on the Tolling market

Traffic Management continue to improve financial results. The organisation has proven it's ability to deliver high-quality solutions on time. With a strong pipeline, strengthened 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.

NOTE 14 / Goodwill, cont.

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, financial market fluctuations and the speed of recovery from the global pandemic will impact the global economic outlook for 2023-2024 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 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 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).

– Supply chain issues:
During 2021, some product sales were lost and some projects were delayed due to component shortage. The situation has improved in 2022, but some effects are carried into 2023. Due to the macroeconomic situation there is still some uncertainty related to supply chain.

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 solu-

NOTE 14 / Goodwill, cont.

tions are designed to stimulate to sustainable transportation. The Q-Clean offering consists of 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 stood 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.

b) 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.

c) 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 01.01.2021	197 654	144 030	341 684
Additions	31 310	-	31 310
Transfer 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
Accumulated amortisation and impairment 31.12.2021	**162 501**	**141 552**	**304 053**
Carrying value 31.12.2021	**83 325**	**3 189**	**86 514**

	Capitalized development cost	Acquired intangible assets	Total
Acquisition cost 01.01.2022	245 826	144 741	390 567
Additions	35 284	-	35 284
Foreign currency translation effect	2 731	110	2 841
Acquisition cost 31.12.2022	**283 841**	**144 851**	**428 692**
Accumulative amortisation and impairment 01.01.2022	162 501	141 552	304 053
Amortisation of the year	18 384	3 299	21 683
Accumulated amortisation and impairment 31.12.2022	**180 885**	**144 851**	**325 736**
Carrying value 31.12.2022	**102 956**	**-**	**102 956**
Estimated lifetime	average 5 years	average 5 years	
Amortisation schedule	Linear	Linear	

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.

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 2022 consist of product development that supports the Group to deliver fully integrated ITS projects, products, systems and services in the following segments:

NOTE 15 / Intangible assets, cont.

Certain expenses related to the implementation of a new global ERP-system have been capitalized in 2021 and 2022. The expenses have been found to fulfil the capitalization criteria’s in IAS 38. Only external cost have been capitalized as part of this asset. All internal cost have been expensed.

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.

NOTE 16 / Inventory costs of goods sold

Amounts in TNOK

Inventory specification:	2022	2021
Raw material and semi manufactured products	48 363	49 852
Finished goods	35 354	18 820
Inventory for maintenance contracts	9 402	22 984
Provision for obsolescense	-6 526	-5 824
Total	**86 593**	**85 832**

All inventories are valued based FIFO 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 702 in 2022 (2021: TNOK 5 459), which is recognised in cost of goods sold.

Amounts in TNOK

COGS specification:	2022	2021
Inventory transferred to customers	280 708	226 535
Freight, customs etc.	10 164	8 250
Warranty cost	-422	-1 186
Write-down to net realisable value	702	-5 459
Total	291 152	228 140

NOTE 17 / Accounts receivable

	2022	2021
Accounts receivable	203 253	174 981
Loss allowance	-	-551
Total	**203 253**	**174 430**

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 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 2022 is the maximum exposure for the Group. Refer to note 32 for subsequent events.

NOTE 17 / Accounts receivable, cont.

Distribution by currency

Amounts in TNOK	31 December 2022	31 December 2021
Amounts Receivables EUR	25 588	64 142
Amounts Receivables USD	81 760	53 987
Amounts Receivables GBP	12 352	21 852
Amounts Receivables SEK	4 671	3 406
Amounts Receivables AUD	3 506	5 186
Amounts Receivables NOK	51 502	12 413
Amounts Receivables other	23 873	13 444
Total	**203 253**	**174 430**

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 2022 or 31 December 2021 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 2022	203 253	160 486	15 353	12 537	1 795	13 082
Loss allowance	-	-	-	-	-	-
Net value 2022	**203 253**	**-**	**-**	**-**	**-**	**-**
31 December 2021	174 981	124 758	17 212	3 577	9 958	19 476
Loss allowance	-551	-	-	-	-	-551
Net value 2021	**174 430**	**-**	**-**	**-**	**-**	**-**

NOTE 18 / Other current assets

Amounts in TNOK

Other current assets	2022	2021
Accrual for Skattefunn grants	4 750	4 170
Prepaid taxes	10 303	5 863
Prepaid rent	8 134	7 363
Prepaid software licenses	1 281	3 514
Prepaid insurance	3 123	1 496
Prepaid system project expenses	5 894	1 042
Other prepaid expenses	4 142	2 550
Other receivables	5 935	6
Total	**43 562**	**26 004**

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.

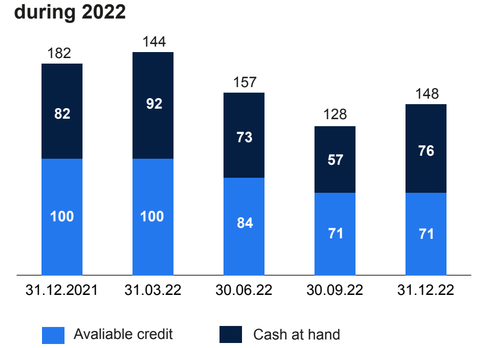
For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31 December:

Amounts in TNOK

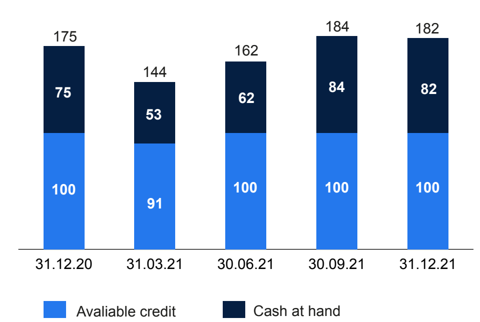
Liquidity funds	2022	2021
Cash at banks and on hand	76 382	82 015
Total cash and cash equivalents	**76 382**	**82 015**

As of 31 December 2022, the Group had available TNOK 71 433 (2021: TNOK 100 000) of undrawn bank overdraft and TNOK 113 340 (2021: TNOK 54 768) of undrawn guarantee facilities in which all conditions precedent had been met.

Cash and credit facilities development during 2022



Cash and credit facilities development during 2021



NOTE 20 / Accounts payable

Amounts in TNOK

Accounts payable	2022	2021
Accounts payable USD	15 615	23 744
Accounts payable NOK	65 021	34 746
Accounts payable EUR	2 655	6 178
Accounts payable GBP	5 371	6 382
Accounts payable SEK	4 489	2 648
Accounts payable DKK	671	156
Accounts payable AUD	2 662	1 765
Accounts payable other	5 382	2 566
Total	**101 867**	**78 185**

NOTE 21 / Other current liabilities

Amounts in TNOK

Other current liabilities	2022	2021
Accrued wages (holiday pay and bonus scheme)	46 597	33 621
Warranty provisions (see spesification for changes during the year)	14 790	8 364
Accrued expense	20 666	38 487
Miscellaneous	3 540	8 195
Total	**85 593**	**88 667**

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 01.01.2021	10 027
Utilised during 2021	-2 479
Additions during 2021	816
Total 31.12.21	**8 364**
Amount 01.01.2022	8 364
Utilised during 2022	-12 759
Additions during 2022	19 185
Total 31.12.22	**14 790**

NOTE 22 / Taxes

	2022	2021
Total tax expense for the period		
Taxes payable on this years profit for foreign companies	7 516	8 705
Change in deferred tax for Norwegian companies	559	-23 316
Change in deferred tax for foreign companies	1 480	-4 452
Total	**9 555**	**-19 063**
Tax rate	77%	-48%
Taxes payable for the year		
Profit before tax	12 334	39 566
Permanent differences	4 426	7 111
Change in temporary differences	17 403	17 016
Utilisation of previously unrecognised tax losses	-	-24 125
Basis for taxes payable	**34 163**	**39 568**
Specification of taxes payable		
Taxes payable on this years profit, foreign companies	7 516	8 705
Advance tax payment, foreign companies *	-6 541	-4 058
Advance tax payment, foreign companies, reclassified to Other current assets	-	-4 171
Total taxes payable	**975**	**476**
Specification on basis for deferred tax		
Differences evaluated to be offset:		
Property, plant and equipment	-48 232	-46 064
Non-current receivables	-1 765	-
Current assets	-8 832	-7 828
Liabilities	-81 205	-81 138
Tax losses carry -forward	-575 011	-558 771
Other differences	-43 139	-30 740
Total	**-758 184**	**-724 541**

* Paid withholding tax in foreign subsidiaries.

NOTE 22 / Taxes, cont.

	2022	2021
Specification of deferred tax assets (-) / deferred tax liabilities (+)		
Differences evaluated to be offset:		
Property, plant and equipment	-10 218	-10 134
Non-current receivables	-371	-
Current assets	-1 892	-1 722
Liabilities	-17 053	-17 850
Tax losses carry -forward	-122 345	-122 930
Other differences	-9 148	-6 763
Total	**-161 027**	**-159 399**
Unrecognised deferred tax assets	**113 192**	**111 137**
Net recognised deferred tax assets (-) / deferred tax liabilities (+)	**-47 835**	**-48 262**
Recognised deferred tax assets (-)	**-47 835**	**-48 262**
Recognised deferred tax liabilities (+)	**-**	**-**
Reconciling the tax expense		
Earnings before tax	12 334	39 566
Calculated tax at domestic tax rate per country	2 713	8 705
Tax result permanent differences and tax rate difference	974	-3 643
Use of previously unrecognised loss carried forward (-) / Increase in valuation allowance **	5 868	-24 125
Tax expense	**9 555**	**-19 063**

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 2022 was TNOK 47 835 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 48 262 as of 31 December 2021; 30% of the total possible deferred tax asset).

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	**2022**	**2021**
External services	57 137	39 864
Travel expense	17 084	8 565
Office supplies	24 250	21 543
Insurance	7 027	6 024
Freight	1 541	1 378
Rent machinery & tools	8 603	9 531
Marketing / promotions	6 797	2 759
Service & Maintenance	1 383	3 856
Operating materials	3 619	2 793
Credit losses	-183	554
Other	33 902	27 054
Total	**161 161**	**123 921**

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	**2022**	**2021**
Audit services provided by elected auditor	1 851	1 937
Audit services provided by non-elected auditor, on behalf of foreign subsidiaries	1 483	1 281
Other audit related services	108	206
Tax services provided by non-elected auditor, on behalf of foreign subsidiaries	637	972
Total	**4 080**	**4 396**

NOTE 24 / Property, plant and equipment

Amounts in TNOK	Right-of-use-asset	Leasehold improve-ment	Project related equipment	Office equipment	Total
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**
Accumulated acquisition cost					
Acquisition cost 01.01.2022	133 393	10 022	26 648	48 561	218 624
Additions	16 047	216	36 412	3 707	56 381
Foreign currency translation effect	-270	-	-	-	-270
Acquired cost 31.12.2022	**149 170**	**10 238**	**63 060**	**52 268**	**274 735**
Accumulated depreciation and impairment					
Accumulated depreciation and impairments 01.01.2022	65 004	7 238	15 443	41 154	128 839
Depreciation of the year	23 030	768	4 364	3 988	32 151
Accumulated depreciation and impairments 31.12.2022	**88 034**	**8 006**	**19 807**	**45 142**	**160 990**
Carrying value 31.12.2022	**61 136**	**2 231**	**43 253**	**7 126**	**113 745**
Estimated lifetime	1-9 years	average 5 years	average 5 years	3-5 years	
Depreciation schedule	Linear	Linear	Linear	Linear	

The leases recognized according to IFRS 16 consist of office buildings contracts TNOK 57 074 (2021: TNOK 64 853) and car rental agreements TNOK 4 062 (2021: TNOK 3 484). 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 2022. See note 25 for associated Lease Liability.

NOTE 25 / Lease commitments/Lease liability

Lease Liability In accordance with IFRS 16

Terms

Amounts in TNOK	2022	2021
As at 01.01.	68 617	40 380
Additional/Disposal	16 047	47 964
Payments	-23 091	-23 639
Transferred to (-)/from (+) Liabilities held for sale	-	3 912
Lease Liability 31.12.	**61 573**	**68 617**

Current Lease Liability amoounted to TNOK 21 947 (2021: TNOK 14 020) and is presented within Current financial liabilities.

Non-current Lease Liability amounted to TNOK 39 722 (2021: TNOK 54 597) 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 2022 the amount of guarantees is TNOK 101 018 (2021: TNOK 84 144). 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:

	2022	2021
Shares in subsidiaries	551 831	493 046
Accounts receivable	153 518	79 283
Contract assets	28 918	37 875
Inventories	77 856	37 641
Property, plant and equipment	51 168	18 248
Total	**863 292**	**666 093**

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
Q-Free Espana S.L.U.	2014	Madrid, Spain	Tolling	100%	100%	EUR
Q-Free LLC (Inactive)	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

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.

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	2022	2021
Profit for the year from continuing operations	2 778 959	58 629 655
Profit for the year on discontinued operations, net of tax	-	-
Profit for the year	2 778 959	58 629 655
Weighted average number of ordinary shares	111 244 416	111 244 416
Weighted average of share options	304 797	561 663
Weighted average number of diluted shares	111 549 213	111 806 079
Earnings in NOK per share from continuing operations	**0.02**	**0.53**
Diluted earnings in NOK per share from continuing operations	**0.02**	**0.52**
Earnings in NOK per share from the profit for the year	**0.02**	**0.53**
Diluted earnings in NOK per share from the profit for the year	**0.02**	**0.52**

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 2022

Associated companies

Q-Free ASA has no ownership in associated companies either in 2022 or in 2021.

NOTE 29 / Changes in liabilities arising from financing activities

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

	2022	2021
Non-current borrowings	**176 815**	201 591
Non-current financial liabilities	**39 722**	54 597
– Lease liabilities	39 722	54 597
Current borrowings	**56 673**	18 969
Current financial liabilities	**21 851**	14 020
– Lease liabilities	21 851	14 020
Total	**295 062**	**289 177**

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

	2022	2021	2020
Cash flow from investing activities:			
Net change in financial liabilities from the contingent consideration:	-	-	-32 651
Payment of contingent consideration presented within Cash flow from investing activities	-	-	-32 491
Currency translation difference	-	-	-160
Net change in financial liabilities from the contingent consideration	**-**	**-**	**-32 651**

NOTE 29 / Changes in liabilities arising from financing activities, cont.

	2022	2021	2020
Cash flow from financing activities:			
Net changes in non-current and current borrowings:	**12 928**	**-12 940**	**1 479**
Cash proceeds from credit line (Cash proceeds from borrowings)	28 567	-	35 064
Cash proceeds term loan* (Cash proceeds from borrowings)	-	154 010	82 000
Cash proceeds from borrowings	28 567	154 010	117 064
Debt installments term loan (Repayment of borrowings)	-19 815	-166 732	-33 500
Cash payments credit line (Repayment of borrowings)	-	-	-82 085
Currency translation difference	4 176	-218	-
Repayment of borrowings	**-15 639**	**-166 950**	**-115 585**
Net change in non-current and current borrowings	**12 928**	**-12 940**	**1 479**
Net change in convertible bond	**-**	**-69 983**	**69 983**
Cash proceeds from convertible bond	-	-	75 777
Convertible bond conversion	-	-69 983	-
Debt element classified as equity	-	-	-10 727
Interest accrued, not paid	-	-	4 933
Net change in convertible bond	**-**	**-69 983**	**69 983**
Net change in financial liabilities from leasing liabilities:	**-7 044**	**28 236**	**-16 534**
Payments of lease liabilities	-23 091	-23 639	-22 875
Leasing agreements entered into during the year	16 047	47 963	12 573
Transferred to (-)/from (+) Liabilities held for sale	-	3 912	-6 232
Net change in financial liabilities from leasing agreements	**-7 044**	**28 236**	**-16 534**

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

NOTE 30 / Investments in other companies

31 December 2022 Amounts in TNOK	Company's equity	Number of shares	Ownership	Book value in Parent	Book value in Group	Included in comprehensive 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

The 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	2022	2021
Gain on sale of assets held for sale	-	2 452
SUM	**-**	**2 452**

NOTE 32 / Subsequent events

There have been no significant subsequent events following the balance-sheet date.

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.

Annual recurring revenue	Tolling		Traffic Management		Assets held for sale		Total	
Amounts in TNOK	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021
Service & Maintenance, contracting arrangements	155 632	122 959	70 364	5 826	-	-	225 996	128 785
Software	66 700	52 697	41 298	57 663	-	-	107 998	110 360
Annual recurring revenue	**222 332**	**175 656**	**111 662**	**63 489**	**-**	**-**	**333 994**	**239 145**
Recurring revenue – reported	211 207	174 240	96 930	61 999	-	-	308 137	236 239
Non-recurring revenue – reported	410 026	378 441	230 807	242 869	-	2 466	640 832	623 776
Total revenues – reported	**621 232**	**552 681**	**327 737**	**304 868**	**-**	**2 466**	**948 969**	**860 015**

Alternative Performance Measures, cont.

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	2022	2021
Revenue from customers	948 968	860 017
Cost of goods sold	-291 152	-228 140
Project contractor expenses	-65 722	-81 791
Gross contribution	**592 094**	**550 087**
Gross margin	**62.4%**	**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 2022. 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	2022	2021
Revenue from customers	948 968	860 017
EBITDA	86 324	105 594
EBITDA margin	**9.1%**	**12.3%**

EBIT margin:

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

Alternative Performance Measures, cont.

EBIT margin Amounts in TNOK	**2022**	**2021**
Revenue from customers	948 968	860 017
EBIT	32 490	50 265
EBIT margin	**3.4%**	**5.8%**

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 plus financial leasing liability less cash and cash equivalents.

Net Interest Bearing Debt Amounts in TNOK	**31.12.2022**	**31.12.2021**
Non-current borrowings from financial institutions	176 815	201 591
Current borrowings from financial institutions	56 673	18 969
Gross Interest Bearing Debt	**233 488**	**220 560**
Cash and cash equivalents	76 382	82 015
Net Interest Bearing Debt	**157 106**	**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.

Net Working Capital Amounts in TNOK	**31.12.2022**	**31.12.2021**
Inventories	86 593	85 832
Contract assets	92 473	59 690
Accounts receivable	203 253	174 430
Other current assets	43 562	26 004
Current Assets (excl Cash and cash equivalents)	**425 881**	**345 955**
Advance payments from customers	89 433	25 995
Accounts payable	101 867	78 185
Taxes payable	975	476
Public duties payable	17 284	17 512
Current financial liabilities	21 947	14 020
Other current liabilities	85 592	88 667
Current liabilities (excl Currrent borrowings from financial institutions)	**317 097**	**224 855**
Net Working Capital	**108 784**	**121 100**

Alternative Performance Measures, cont.

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	**2022**	**2021**
12 months Revenue from customers	948 968	860 017
Net Working Capital	108 784	121 100
Working Capital ratio	**11.5%**	**14.1%**

Equity ratio:

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

Equity ratio Amounts in TNOK	**31.12.2022**	**31.12.2021**
Total equity	493 031	447 754
Total assets	1 083 340	947 765
Equity ratio	**45.5%**	**47.2%**

Order intake:

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

Book to bill:

Book to bill is defined as the ratio of total amount of all signed new contracts received in a defined period and the revenues recognized in the same period.

Book to bill is calculated as shown below:

$$\text{Book to bill} = \frac{\text{Received new orders in the period}}{\text{Revenues recognized in the period}}$$

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

Index of notes

STATEMENT OF PROFIT OR LOSS

Q-FREE ASA

Amounts in TNOK	Note	2022	2021
Employee benefit expenses	7	7 222	10 914
Other operating expenses	8	12 937	7 683
Total operating expenses		***20 160***	***18 597***
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**-20 160**	**-18 597**
Earnings before interest and taxes (EBIT)		**-20 160**	**-18 597**
Financial income	6	146 219	60 764
Financial expenses	6	-68 593	-57 329
Financial items, net		***77 625***	***3 435***
Profit before tax		**57 465**	**-15 162**
Tax expense	9	-	-18 000
Profit / (-) loss for the year		**57 465**	**2 838**

STATEMENT OF COMPREHENSIVE INCOME

Q-FREE ASA

Amounts in TNOK	Note	2022	2021
Profit / (-) loss for the year		**57 465**	**2 838**
Total comprehensive income for the period, net of tax		**57 465**	**2 838**

STATEMENT OF FINANCIAL POSITION

Q-FREE ASA

Amounts in TNOK	Note	31.12.2022	31.12.2021
ASSETS			
Deferred tax assets	9	18 000	18 000
Investments in subsidiaries	4	493 082	503 894
Non-current receivables		953	1 849
Non-current receivables - subsidiaries	3	309 458	281 715
TOTAL NON-CURRENT ASSETS		**821 493**	**805 458**
Other current assets	10	51 832	3 848
Cash and cash equivalents	11	6 601	35 728
TOTAL CURRENT ASSETS		**58 433**	**39 576**
TOTAL ASSETS		**879 925**	**845 033**

STATEMENT OF FINANCIAL POSITION

Q-FREE ASA

Amounts in TNOK	Note	31.12.2022	31.12.2021
EQUITY AND LIABILITIES			
Subscribed share capital		42 273	42 273
Share premium		649 939	649 939
Other paid-in capital		20 931	21 320
Retained earnings		-208 412	-265 877
TOTAL EQUITY		**504 730**	**447 655**
Non-current bank borrowings	2	159 565	179 983
Non-current borrowings subsidiaries	3	76 421	90 982
Total non-current liabilities		***235 986***	***270 965***
Current bank borrowings	2	49 773	12 795
Current borrowings subsidiaries	3	75 651	105 985
Other current liabilities	12	13 785	7 632
Total current liabilities		***139 209***	***126 412***
TOTAL LIABILITIES		**375 194**	**397 377**
TOTAL EQUITY AND LIABILITIES		**879 925**	**845 033**

Trondheim, 26 April 2023

Trond Valvik
Chair of the Board

Lene Diesen
Board member

Snorre Kjesbu
Vice Chair of the Board

Geir Beitveit Bjørlo
Board member

Karin Sandsjö
Board member

Brage Blekken
Employee-elected
Board member

Ane Dalsnes Storsæter
Employee-elected
Board member

Thale Kuvås Solberg
President & CEO

STATEMENT OF CASH FLOWS

Q-FREE ASA

Amounts in TNOK	Note	2022	2021
Cash flow from operations			
Profit before tax		57 465	-15 162
Impairment losses	3	18 847	42 973
Dividend from subsidiaries	1	-74 713	-31 784
Accrued interest expense		336	172
Share-based payment expense	1	390	97
Working capital adjustments :			
Changes in accounts receivables		-	1 756
Changes in accounts payables		2 445	1 903
Changes in other items		-36 941	-19 609
Net cash flow from operations		***-32 171***	***-19 654***
Cash flow from investments			
Investments in subsidiaries, net cash contributions		-	-57 943
Net cash flow from investments		***-***	***-57 943***
Cash flow from financing			
Cash proceeds from bank borrowings	3, 14	28 567	124 820
Repayment of bank borrowings	3, 14	-12 915	-165 542
Interest received		215	6
Interest paid		-12 823	-6 622
Net cash flow from financing		***3 044***	***95 509***
Effect on cash and cash equivalents of changes in foreign exchange rates		**-**	**-435**
Net change in cash and cash equivalents for the year		**-29 127**	**17 477**
Cash and cash equivalents per 01.01.	11	35 728	18 251
Cash and cash equivalents per 31.12.	**11**	**6 601**	**35 728**

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 01.01.2021	**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 issue	8 368	71 632	-10 727	999	70 272
Total equity 31.12.2021	**42 273**	**649 939**	**21 320**	**-265 877**	**447 655**
Total equity 01.01.2022	**42 273**	**649 939**	**21 320**	**-265 877**	**447 655**
Profit / (-) loss for the year	-	-	-	57 465	57 465
Total comprehensive income for the period	**-**	**-**	**-**	**57 465**	**57 465**
Share-based payment expense	-	-	-389	-	-389
Convertible bond conversion	-	-	-	-	-
Total equity 31.12.2022	**42 273**	**649 939**	**20 931**	**-208 412**	**504 730**

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.

Basis for preparation

The financial statements have been prepared on a historical cost basis except for some minor investments in other companies which is valued at fair value through profit or loss, 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.

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 2022. 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 2022 financial reporting, including all comparative figures.

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 are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value.

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.

Risk management

Q-Free ASA is exposed to different financial market risks arising from normal business activities, primarily these risks are:

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 2022 to have low credit risk.

Currency risk: 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 are presented as financial income/financial expenses.

Liquidity risk: is the risk that Q-Free ASA will not be able to meet its financial obligations as they fall due. (reference to Note 2)

Interest rate risk: Q-Free ASA is exposed to interest rate risk in the form of changing interest rates on borrowings and deposits with floating interest rates. Q-Free ASA has interest-bearing debt and interest rate risk related to its long-term bank borrowings and short-term credit lines.

Financial instruments by measurement category: reference to Note 13, the table lists all financial instruments by measurement category in accordance with IFRS 9. For most of the items, recognized amounts at amortised cost are assessed to reflect the fair value on a reasonable level.

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.

NOTE 1 / Corporate information and accounting policies, cont.

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.

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***	31.12.2022	31.12.2021
Non-current				
Nordea – Term loan*	4.75%	30 August 2026	73 800	82 000
Nordea – Revolving Multicurrency Credit Facility (RCF) **)	Interbank + 1.9%	30 June 2025	50 000	50 000
Nordea – EUR term loan	Interbank + 1.9%	30 June 2025	11 565	14 983
Nordea – NOK term loan	Interbank + 1.9%	30 June 2025	24 200	33 000
Total non-current borrowings			**159 565**	**179 983**
Current				
Nordea – Term loan *)	4.75%	30 August 2026	8 200	-
Nordea – EUR term loan	Interbank + 1.9%	30 June 2024	4 206	3 995
Nordea – NOK term loan	Interbank + 1.9%	30 June 2024	8 800	8800
Nordea – Credit line**	Interbank + 1.9%	Anually	28 567	-
Total current borrowings			**49 773**	**12 795**
Total			**209 338**	**192 778**

* The facility is partly guaranteed by GIEK as part of the Norwegian government's Covid-19 support packages. Repayment of this facility is to be negotiated no later than second quarter 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.

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 and capitalized value of ERP project 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 31.12.2022, Q-Free was compliant with all financial covenants.

All financial covenants are measured on consolidated level.

Financial liability maturity schedule

Amounts in TNOK **Year ended 31 December 2022:**	**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	-	-	-	-	-	159 565	-	-	159 565
Non-current borrowings subsidiaries	-	-	-	-	-	76 421	-	-	76 421
Current bank borrowings	-	3 366	3 366	3 366	3 366	-	-	-	13 464
Current borrowings subsidiaries	-	-	-	-	75 651	-	-	-	75 651
Total financial liabilities	**-**	**3 366**	**3 366**	**3 366**	**79 017**	**235 986**	**-**	**-**	**325 101**

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
Other financial liabilities	-	113	115	116	15 991	-	-	-	16 335
Total financial liabilities	**20**	**3 422**	**3 425**	**3 428**	**19 303**	**260 334**	**-**	**-**	**289 932**

NOTE 3 / Intercompany loans receivable and payables

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

	2022				
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 Polen	11	Undetermined	3 MND LIBOR + 3.0%	Stage 1	-
Q-Free Ukraine LLC	154	Undetermined	3 MND LIBOR + 3.0%	Stage 1	-
Noca Holding AS	212	Undetermined	3 MND LIBOR + 3.0%	Stage 2	-
Q-Free Denmark ApS	16 238	Undetermined	4 MND LIBOR + 3.0%	Stage 2	-
Q-Free Thailand Co. Ltd.	17 906	Undetermined	3 MND LIBOR + 2.0%	Stage 2	-8 000
Unrealised currency adjustment	35 693				
Total	**317 037**				**-8 000**

Description of general impairment model for intercompany loans and net positive cash pool positions

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.

NOTE 3 / Intercompany loans receivable and payables, **cont.**

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.

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 Norge AS	75 000	3 MND LIBOR + 3.0%
Noca Holding AS	1 721	3 MND LIBOR + 3.0%
Unrecognized Currency exposure	-300	
Total	**76 421**	

The following table shows a breakdown of the balance sheet line item "Current payables – subsidiaries":

Amounts in TNOK	Book value	Interest rate
Cash pool net positions	75 651	-
Total	**75 651**	**-**

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 31.12.2022 and 31.12.2021, 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 31.12.22 (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	-
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
Q-Free Espana S.L.U.	2014	Madrid, Spain	Tolling	100%	100%	EUR	25
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
Total							**493 030**

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 2022 are fully wirtten down, and no increased cost price of the shares are recognized as of 31.12.2022.

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.

Q-Free Thailand has been subject to impairment in 2022, subject to reduced earnings. The share value of 10 837 has been reduced to 0.

NOTE 5 / Shareholders

The share capital of Q-Free ASA as of 31 December 2022 was NOK 42 273 000 consisting of 111 244 416 ordinary shares at NOK 0,38 per share. As of 31 December 2022 there were 2 102 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 2022:	Number of shares	Percentage share ownership	Voting rights
RIEBER & SØN AS	69 843 934	62.78%	62.78%
ALDEN AS	3 363 999	3.02%	3.02%
SONSTAD AS	2 033 870	1.83%	1.83%
AUGUST HOLDING AS	1 500 000	1.35%	1.35%
MUEN INVEST AS	1 429 000	1.28%	1.28%
CACEIS Bank Spain SA	1 128 090	1.01%	1.01%
Other share holders	31 945 523	28.72%	28.72%
Total	**111 244 416**	**100%**	100%

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%**	100%

Shareholders by size of holding as of 31 December 2022:

Number of shares	Number of owners	Number of shares	Holding percentage
1 – 1 000	1 007	364 895	0.33%
1 001 – 10 000	719	2 958 424	2.66%
10 001 – 100 000	315	10 826 961	9.73%
100 001 – 200 000	27	3 869 187	3.48%
200 001 – 500 000	17	6 439 447	5.79%
500 001 – 1 000 000	10	6 416 609	5.77%
1 000 001 – 2 000 000	4	5 127 090	4.61%
2 000 001 – 5 000 000	2	5 397 869	4.85%
5 000 001 – 10 000 000	-	-	-
10 000 001 +	1	69 843 934	62.78%
Total	**2 102**	**111 244 416**	**100%**

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	-	-	0.00%
10 000 001 – 20 000 000	2	62 580 903	56.26%
Total	**2 534**	**111 244 416**	**100%**

Number of shares held by the senior management, CEO and the Board of directors, represented, directly or indirectly as per 31.12.2022:

Name	Position	Shares 2022	Shares 2021
Trond Valvik *	Chair of the Board	280 000	250 000
Snorre Kjesbu	Vice Chair of the Board	84 505	84 505
Karin Sandsjö	Board member	60 000	60 000
Geir Bjørlo **	Board member	152 093	117 146
Håkon Volldal ***	Former President & CEO, resignation date June 30, 2022	N/A	225 000
Trond Christensen****	CFO	45 000	-
Fredrik Nordh	SVP Tolling	40 000	40 000
Ingeborg Molden Hegstad *****	Former Board member, resignation date June 15, 2021	N/A	42 450
Thale Kuvås Solberg	President & CEO	45 263	-
Total		**661 598**	**819 101**

* 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 31.12.2022 owns 69 843 934 (62,78%) of the shares in Q-Free ASA.

NOTE 6 / Financial items

Amounts in TNOK	2022	2021
Interest income	215	6
Realised exchange rate differences	1 043	5 086
Unrealised exchange rate differences	55 343	8 378
Financial income	**56 601**	**13 470**
Financial income subsidiaries	14 905	6 032
Dividend income subsidiaries	74 713	41 262
Total financial income subsidiaries	**89 618**	**47 293**
Total financial income	**146 219**	**60 764**
Interest expense	-2 553	-1 224
Interest bank borrowings	-5 915	-5 398
Realised exchange rate differences	-407	-2 249
Unrealised exchange rate differences	-267	-2 977
Other financial expenses	-4 100	-2 763
Financial expenses	**-13 242**	**-14 610**
Interest expense - loan from subsidiary	-4 354	-1 480
Unrealised exchange rate differences	-32 141	2 301
Realised exchange rate differences	-8	-568
Gain (+)/Loss (-) on sale of shares in subsidiaries	-	-10 471
Impairment of shares in subsidiaries	-10 847	-57 943
Impairment of Non-current receivables - subsidiaries	-8 000	25 441
Total financial expenses subsidiaries	**-55 351**	**-42 719**
Total financial expenses	**-68 593**	**-57 329**
FINANCIAL ITEMS, NET	**77 625**	**3 435**

NOTE 7 / Employee benefit expenses

Employee benefit expenses

Amounts in TNOK	2022	2021
Salaries	7 377	6 572
Social security costs	1 077	1 098
Pension costs (contribution plan)	230	237
Other personnel related costs	-1 462	3 007
Total	**7 222**	**10 914**
Average number of employees	2	2
Average number of man-years	2	2

NOTE 7 / Employee benefit expenses

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 2022 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 230 (2021: 237) per contributed year.

NOTE 8 / Other operating expenses

Other operating expenses

Amounts in TNOK	2022	2021
External services	8 751	7 197
Travel expense	556	256
Office supplies	229	118
Marketing / promotions	77	6
Other	3 324	106
Total	**12 937**	**7 683**

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	2022	2021
Audit services	1 263	936
Other audit related services	94	93
Tax services	-	29
Total	**1 357**	**1 058**

NOTE 9 / Taxes

Amounts in TNOK	2022	2021
Total tax income (-)/expense (+) for the period	**-**	**-18 000**
Tax rate	22%	22%
Taxes payable for the year		
Total ordinary profit before tax	57 465	-15 162
Permanent differences	-54 809	1 762
Change in temporary differences	-22 935	-6 194
Received group contribution	-	43 591
Utilisation of previously unrecognised tax losses	-	-23 997
Basis for taxes payable	**-20 278**	**-**
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	-60 297	-56 923
Other differences	7 054	2 008
Total	**-53 243**	**-54 915**
Unrecognised deferred tax assets	**35 243**	**-36 915**
Recognised deferred tax assets (-) / deferred tax liabilities (+)	**-18 000**	**-18 000**
Reconciling the tax expense		
Earnings before tax	57 465	-15 162
Calculated tax at 22%	12 642	-3 336
Tax result permanent differences and tax rate difference	-12 058	388
Use of previously unrecognised loss carried forward (-) / Increase in valuation allowance	-585	2 948
Unrecognised increased deferred tax asset	-	-18 000
Tax income (-)/expense (+)	**-**	**-18 000**

NOTE 10 / Other current assets

Amounts in TNOK

Other current assets	2022	2021
Current receivables – subsidiaries	50 623	2 830
Other prepaid costs	1 208	1 018
Total	**51 832**	**3 848**

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	2022	2021
Cash at banks and on hand	6 601	35 728
Total cash and cash equivalents	6 601	35 728

As of 31 December 2022, Q-Free ASA had available TNOK 71 433 (TNOK 100 000) of undrawn bank credit line and TNOK 36 660 (TNOK 65 856) of undrawn guarantee facilities in which all conditions precedent had been met.

NOTE 12 / Other current liabilities

Amounts in TNOK

Other current liabilities	2022	2021
Accounts payable	1 415	604
Accounts payable - subsidiaries	6 967	563
Public duties payable	575	605
Accrued wages (Holiday pay and bonus scheme)	1 491	3 286
Accrued expenses	3 336	2 574
Total	**13 785**	**7 632**

NOTE 13 / Financial instruments

Financial instruments by category

Amounts in TNOK

31 December 2022	Amortised cost	Non financial instruments included in the line item	Total
Financial assets			
Investments in subsidiaries	493 082	-	493 082
Non-current receivables	953	-	953
Non-current receivables – subsidiaries	309 458	-	309 458
Other current assets	51 832	-	51 832
Cash and cash equivalents	6 601	-	6 601
Total	**861 925**	**-**	**861 925**
Financial liabilities			
Non-current bank borrowings	159 565	-	159 565
Non-current borrowings subsidiaries	76 421	-	76 421
Current bank borrowings	49 773	-	49 773
Current borrowings subsidiaries	75 651	-	75 651
Other current liabilities	-	13 785	13 785
Total	**361 410**	**13 785**	**375 194**

31 December 2021	Amortised cost	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
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**

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	2022	2021
Non-current bank borrowings	**159 565**	**179 983**
Non-current borrowings subsidiaries	**76 421**	**90 982**
Current bank borrowings	**49 773**	**12 795**
Current borrowings subsidiaries	**75 651**	**105 985**
Total	**285 758**	**283 760**

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:	**-28 335**	**54 140**
Cash proceeds from credit line (Cash proceeds from borrowings)	28 567	-
Cash proceeds term loan** (Cash proceeds from borrowings)	-	124 820
Cash proceeds from borrowings subsidiaries	-	142 847
Cash proceeds from borrowings	28 567	267 667
Debt installments term loan (Repayment of borrowings)	-12 915	-165 542
Repayment of borrowings	-12 915	-165 542
Net change in cash proceeds from non-current and current borrowings	**15 653**	**102 125**
Non-cash borrowings from subsidaries	**43 988**	**47 985**
Net change in non-current and current borrowings:	**-28 335**	**54 141**
Net change in convertible bond	**-**	**-69 983**
Convertible bond conversion	-	69 983
Net change in convertible bond	**-**	**69 983**
Net changes in non-current and current borrowings from subsidaries	**-44 895**	**94 862**
Cash proceeds from subsidiaries	-	142 847
Non-cash borrowings from subsidaries	-44 895	-47 985
Net change in financial liabilities from borrowings subsidiaries	**-44 895**	**94 862**

*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.

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 2022 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 26. April 2023

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

Ane Dalsnes Storsæter
(Sign.)
Employee-elected
Board member

Thale Kuvås Solberg
(Sign.)
President & CEO

Building a better working world

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Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Q-Free ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Q-Free ASA (the Company), which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company and the Group comprise the statement of financial position as at 31 December 2022 and 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 2022 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 four 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 2022. 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.

A member firm of Ernst & Young Global Limited

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 2022, the Group recognized NOK 92.5 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 313 million and intangible assets to NOK 103 million in the consolidated financial statements as at 31 December 2022. In total, this accounts for 38.4 % percent of total assets of the Group. The Group performed impairment tests to determine the recoverable amounts and recorded no impairments in 2022. 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 2022, 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 the other information is materially inconsistent with the financial statements, there is a material misstatement in this other information or that the information required by applicable legal requirements is not included in the board of directors' report, the statement on corporate governance or the statement on corporate social responsibility, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 the audit of the financial statements of Q-Free ASA we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name "5967007LIEEXZXK6O086-2022-12-31-en-zip", have 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 pursuant to 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 the annual report in compliance with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's responsibilities

Our responsibility, based on audit evidence obtained, 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. We conduct our work 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 about whether the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we perform procedures to obtain an understanding of the company's processes for preparing the financial statements in accordance with the ESEF Regulation. We test whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include 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 2023
ERNST & YOUNG AS

The auditor's report is signed electronically

Christian Ronæss
State Authorized Public Accountant (Norway)

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