



Q1

FIRST QUARTER

2021

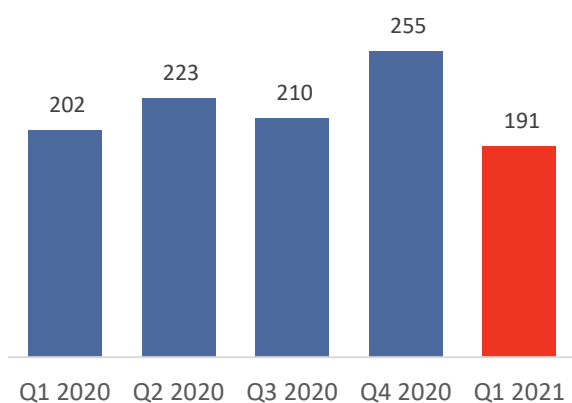
THE PRIME MOVER IN
TRAFFIC TECHNOLOGY

Highlights

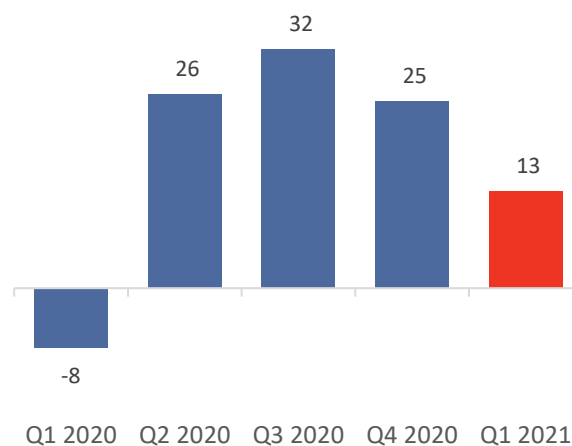
Q1 2021

- 191 MNOK in revenues, down 5% YoY
- 13 MNOK in EBITDA (7% margin), up from -8 MNOK (-4% margin) in Q1-20 due to improved gross margin and reduced operational expenses
- -1 MNOK in EBIT, up from -24 MNOK in Q1-20
- - 5 MNOK in cash flow from operations, up from -13 MNOK in Q1-20
- 434 MNOK in order intake, up 97% YoY
- 1322 MNOK in order backlog, up 16% YoY
- 70 MNOK strengthening of equity due to conversion of convertible bond
- Divestment of Parking assets

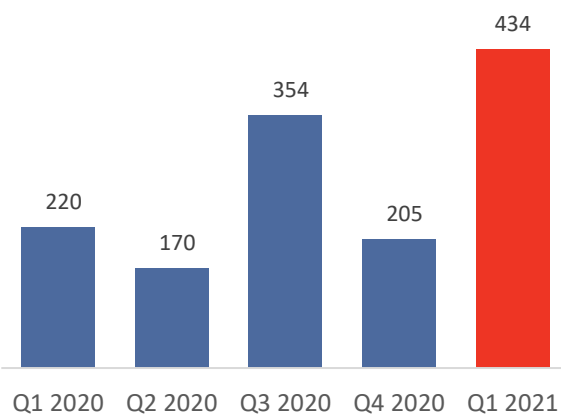
REVENUES LAST 5 QUARTERS
MNOK



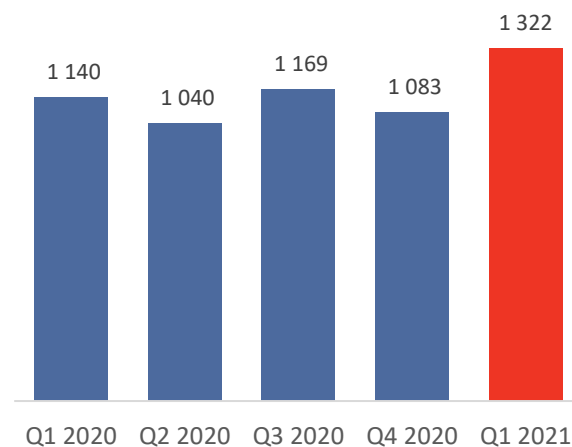
EBITDA LAST 5 QUARTERS
MNOK



ORDER INTAKE LAST 5 QUARTERS
MNOK



ORDER BACKLOG LAST 5 QUARTERS
MNOK



Financial review

KEY FIGURES

NOK 1.000	Q1 2021	Q1 2020	Q/Q-%	FY 2020
Revenues	191 485	201 530	-5,0%	889 305
Gross contribution	130 910	127 229	2,9%	545 145
Gross margin - %	68,4%	63,1%		61,3%
Operating expenses	117 582	135 099	-13,0%	469 368
EBITDA	13 328	-7 870	-269,4 %	75 777
EBITDA margin	7,0%	-3,9%		8,5%
Depreciation and amortisation	14 452	15 701	-8,0%	64 039
Impairment	0	0		20 538
Gain on disposal of assets	252	0		0
Operating profit - EBIT	-872	-23 571		-8 800
EBIT margin	-0,5%	-11,7%		-1,0%
Profit before tax	-4 097	-12 428		-32 446
Profit margin	-2,1%	-6,2%		-3,6%
Profit after tax	-4 078	-13 434		-40 995
Profit for the period	-4 078	-13 434		-40 995
EPS	-0,05	-0,59		-0,56
Number of employees	362	389		378

Profit and loss first quarter 2021

Q-Free generated total revenues of 191 MNOK in the first quarter of 2021, down 5 percent from Q1-20. Tolling revenues ended at 119 MNOK, a decrease of 17 MNOK from 136 MNOK in Q1-20. Within Tolling, revenues from S&M and software sales increased whereas revenues from system projects and product revenues decreased. Traffic Management revenues ended at 70 MNOK, up 13 MNOK from 57 MNOK in Q1-20. The increase is mainly explained by higher revenues from hardware products and weigh-in-motion systems.

Gross contribution was up 3 percent to 131 MNOK compared to Q1-20. The gross margin improvement of 5.3 percentage points was due to a more favourable product mix.

Operating expenses in Q1-21 amounted to 118 MNOK compared to 135 MNOK in Q1-20. Reduced personnel and travel expenses were the primary drivers behind the decrease. Q-Free had some extraordinary expenses in the quarter related to the prospectus issued in accordance with

the conversion of the convertible bond to equity in January 2021.

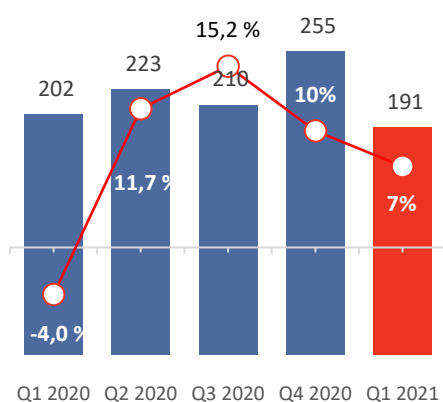
EBITDA in the quarter ended at 13 MNOK (7 percent margin), significantly up from -8 MNOK in Q1-20. The improvement was a result of a more attractive revenue mix and substantially lower operating expenses.

Depreciation and amortization in Q1-21 ended at 14 MNOK compared to 16 MNOK in Q1-20.

In Q1-21, Q-Free successfully divested its remaining parking assets. The Group recognized a small gain on the sale amounting to 0.3 MNOK. Based on a positive outlook for the business formerly defined as the Infomobility segment and an inconclusive divestment process, Q-Free has decided to keep the Infomobility business and integrate it in to the Traffic Management segment with accounting effect from January 1, 2021. The "Assets held for sale" segment will be discontinued from Q2-21.



QUARTERLY REVENUES AND EBITDA MARGIN MNOK & Percent



Operating profit (EBIT) in the first quarter ended at -1 MNOK compared to -24 MNOK in Q1-20.

Net financial items in the quarter were negative by -3 MNOK, a decrease from 11 MNOK in Q1-20. The change is mainly explained by negative currency effects in the quarter, partly offset by reduced interest expenses.

Reported pre-tax profit ended at -4 MNOK, up from -12 MNOK in Q1-20.

Earnings per share was -0.05 NOK in the first quarter of 2021 versus -0.59 NOK in Q1-20.

Balance sheet

Total assets as of 31 March 2021 were 824 MNOK, down from 850 MNOK at the end of Q4-20 and down from 965 MNOK as of Q1-20. Total assets were influenced by the derecognition of parking assets that have been sold.

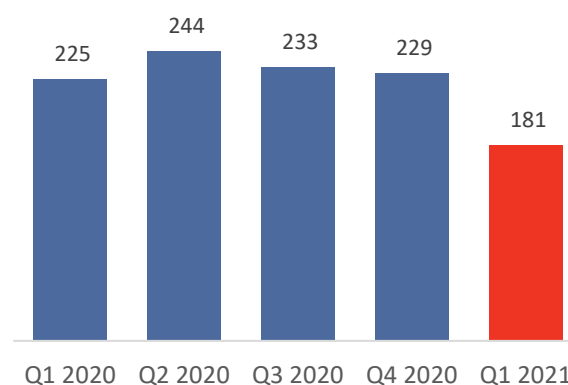
Total equity ended at 370 MNOK, up from 313 MNOK at the end of Q4-20 and down from 410 MNOK at the end of Q1-20. The equity ratio was 45 percent, up from 37 percent at the end of Q4-20 and up from 43 percent at the end of Q1-20. During the quarter, the entire convertible bond has been converted to shares, having a positive effect of 70 MNOK on equity.

Non-current liabilities ended at 187 MNOK, down from 269 MNOK end of Q4-20 and up from 178 MNOK at the end of Q1-20. Conversion of the convertible bond in combination with reduced bank borrowings explain the decrease compared to Q4-20.

Current borrowings to financial institutions were 67 MNOK at the end of the first quarter 2021, up from 54 MNOK at the end of Q4-20 and down from 123 MNOK at Q1-20. Granted, but unused, credit facilities were 91 MNOK at the end of Q1-21, down from 100 MNOK as of Q4-20 and up from 58 MNOK as of Q1-20.

Net interest-bearing debt ended at 181 MNOK, down from 229 MNOK in Q4-20 and down from 225 MNOK at the end of Q1-20. The reduction versus Q4-20 is mainly explained by the conversion of the convertible bond.

QUARTERLY NIBD MNOK



Current liabilities were 267 MNOK at the end of the quarter. This is in line with Q4-20 and down from 377 MNOK at the end of Q1-20.

Net working capital (defined as current assets excluding cash less current liabilities excluding current borrowings) amounted to 122 MNOK at the end of Q1-21, down from 148 MNOK at the end of Q4-20. Net working capital was positively impacted by the derecognition of assets held for sale. The working capital ratio based on 12-month trailing revenues ended at 14 percent at end of Q1-21 versus 17 percent as at the end of Q4-20 and down from 26 percent at the end of Q1-20.

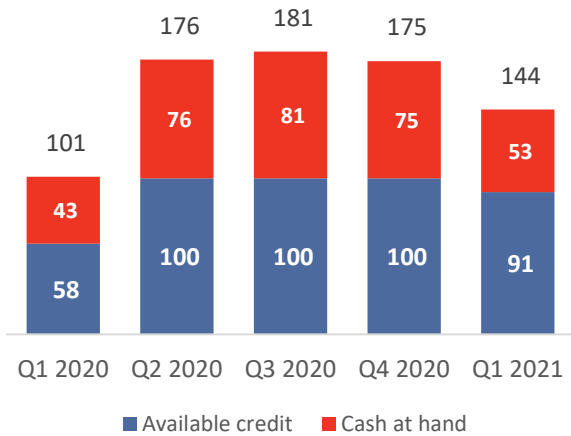
Cash flow

Net cash flow from operating activities was -5 MNOK in Q1-21 compared to -13 MNOK in Q1-20.

Net cash flow from investing activities was -7 MNOK in Q1-21 compared to -6 MNOK in Q1-20.

Net cash flow from financing activities was -7 MNOK in Q1-21 versus 27 MNOK in Q1-20. The YoY reduction is due to repayment of borrowings.

QUARTERLY AVAILABLE CREDIT AND CASH AT HAND
MNOK



Q-Free had 144 MNOK in available funds at the end of Q1-21, down from 175 MNOK at the end of Q4-20.

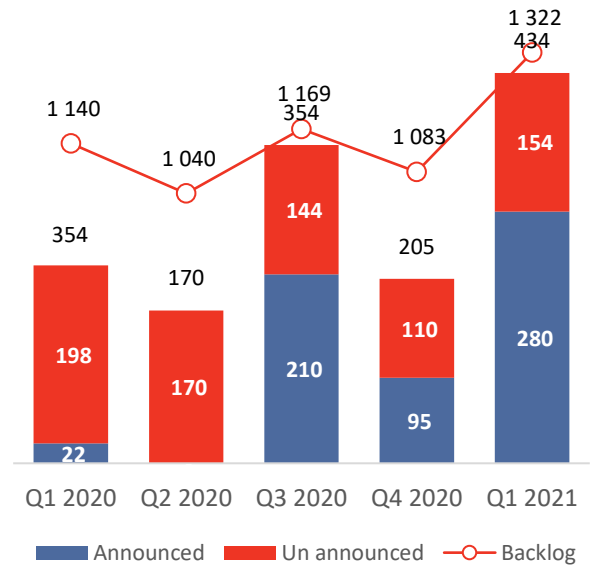
Order intake and backlog

Total reported order intake in the first quarter of 2021 was 434 MNOK compared to 220 MNOK in Q1-20. Book-to-bill in the quarter ended at 2.27. Order intake was boosted by several announced contract wins in Tolling and Traffic Management, in addition to several small and medium-sized contracts.

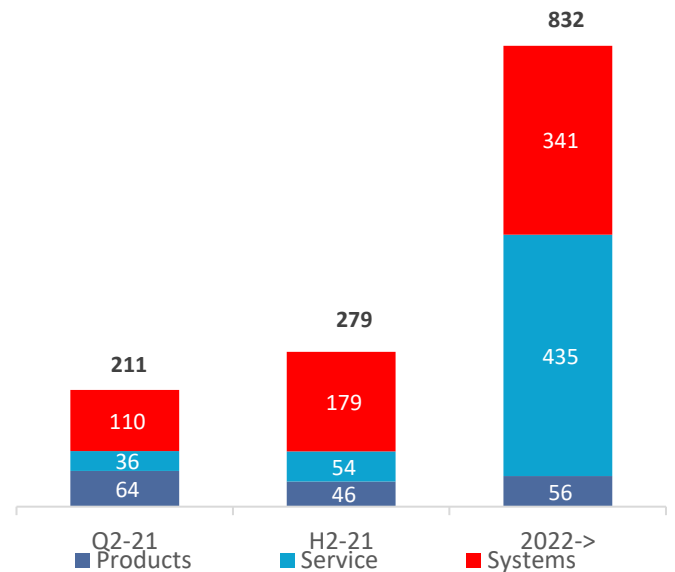
The order backlog at the end of Q1-21 was 1 322 MNOK, up from 1 140 MNOK at the end Q1-20 and up from 1 083 MNOK at the end of the previous quarter. 211 MNOK of the backlog is scheduled for delivery in Q2-21, 279 MNOK in the second half of 2021, and 832 MNOK in the period 2022 and beyond.

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

ORDER BACKLOG AND ORDER INTAKE
MNOK

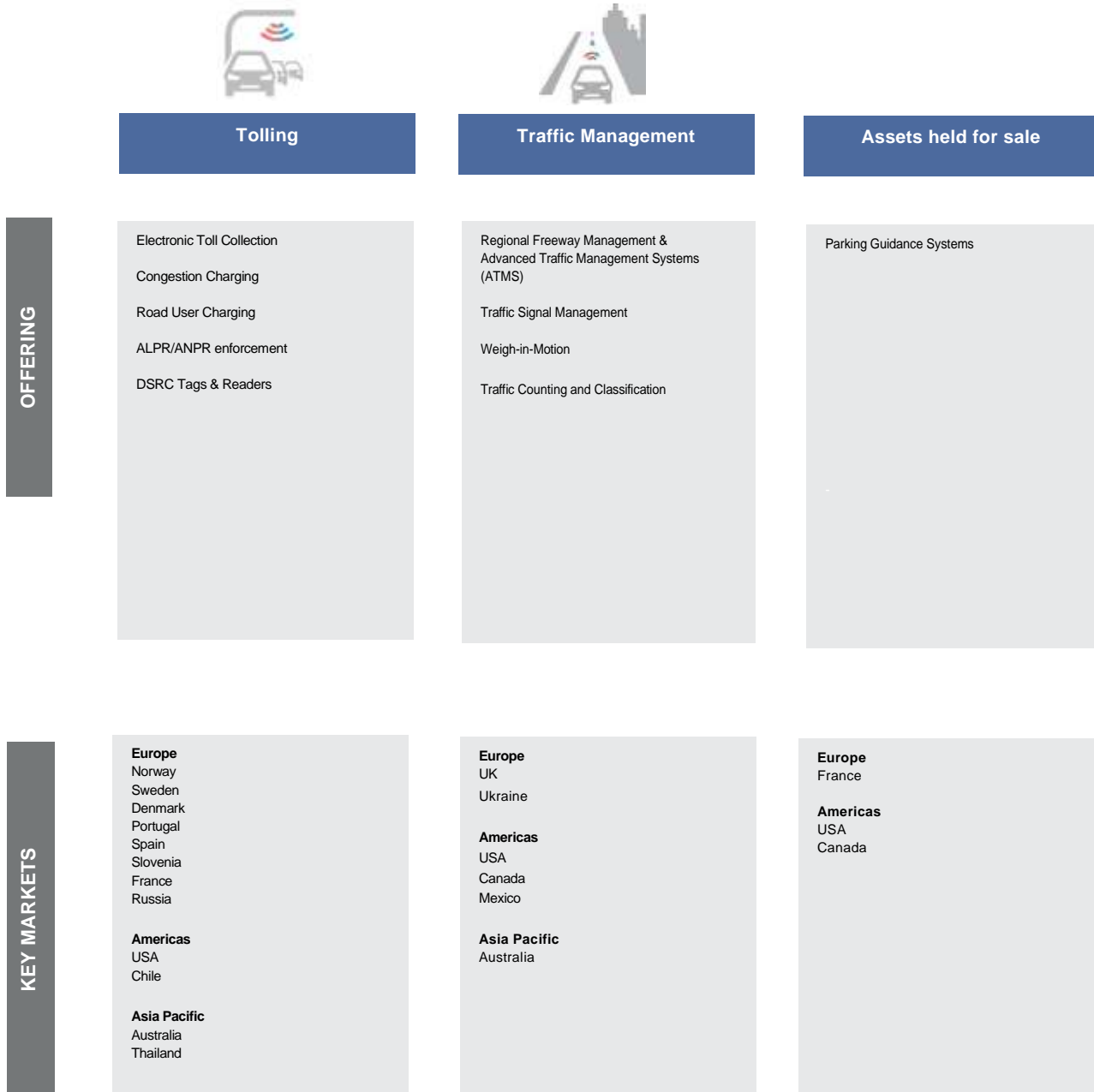


ORDER BACKLOG COMPOSITION
MNOK



Segment overview

Q-Free's segment structure per Q1 2021:





Tolling

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

REVENUES AND MARGINS

Tolling revenues in Q1-21 amounted to 119 MNOK, down from 136 MNOK in Q1-20. Revenues from S&M and software sales increased whereas revenues from system projects and product sales decreased.

Tolling achieved an EBITDA of 20 MNOK in Q1-21, an increase of 6 MNOK from Q1-20 amid higher gross margin and lower operating expenses.

ORDER INTAKE AND BACKLOG

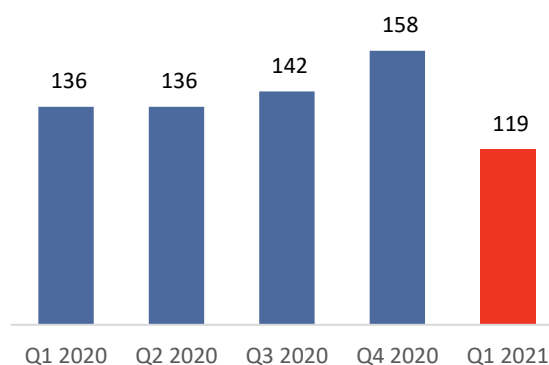
Q-Free booked Tolling contracts worth 259 MNOK in the quarter. The order intake consisted of previously announced large system project contracts in Norway and Sweden, in addition to various small and medium-sized orders.

The order backlog ended at 1 061 MNOK, up from 969 MNOK in Q1-20. Product deliveries account for 5 percent of the backlog value and are typically sold with short lead-times, while the remaining 95 percent consists of system projects and long-term service & maintenance contracts.

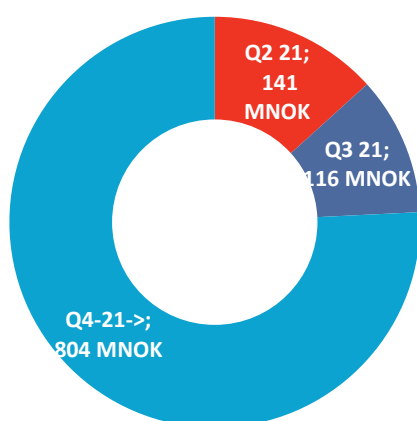
TOLLING REVENUES AND EBITDA MNOK

	Q1-21	Q1-20
REVENUES	119	136
EBITDA	20	14

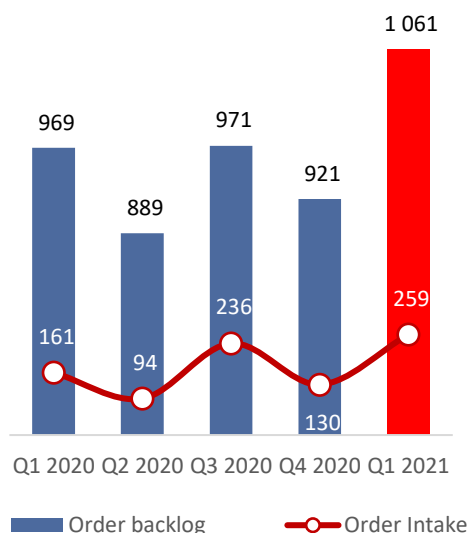
LAST 5 QUARTERS TOLLING REVENUES MNOK



TOLLING ORDER BACKLOG DISTRIBUTION MNOK



TOLLING ORDER BACKLOG & ORDER INTAKE MNOK





Traffic Management

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

The segment reporting has been changed compared to previous reports. The business formerly known as the “Infomobility segment”, which was classified as “assets held for sale” throughout 2020, has been integrated into the Traffic Management segment with accounting effect from January 1, 2021. Comparative figures for the previous accounting periods have been restated correspondingly.

REVENUES AND MARGINS

Traffic Management revenues ended at 70 MNOK in Q1-21, up from 57 MNOK in Q1-20. The increase is mainly caused by increased sale of traffic controllers and weigh-in-motion systems.

EBITDA ended at 4 MNOK in the quarter compared to -10 MNOK in Q1-20. The improvement is mainly due to higher revenues and lower operating expenses.

ORDER INTAKE AND BACKLOG

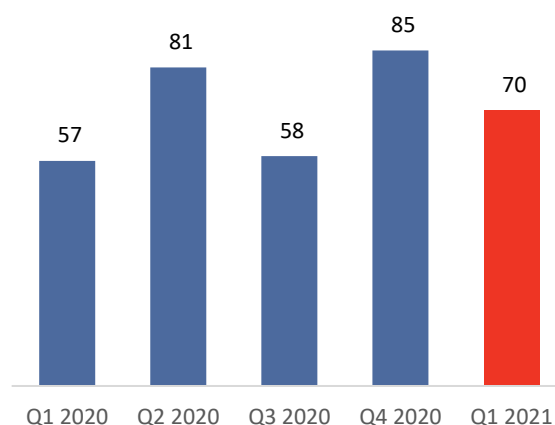
Q-Free booked Traffic Management contracts in the quarter worth 175 MNOK compared to 55 MNOK in Q1-20. In addition to the two previously announced contracts in the US with a combined value of 150 MNOK, the order intake comprised several small and medium-sized orders in the US and Europe.

The order backlog ended at 261 MNOK.

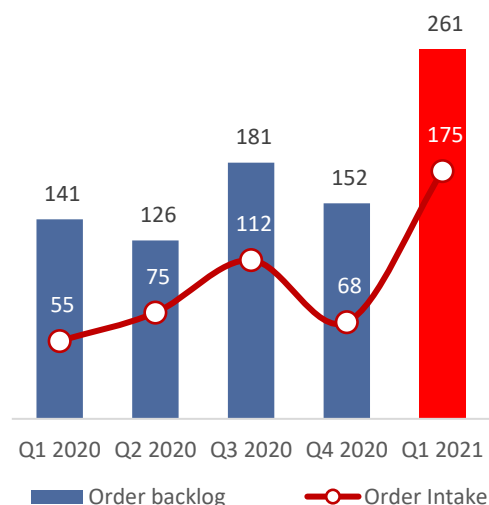
TRAFFIC MANAGEMENT REVENUES AND EBITDA MNOK

	Q1-21	Q1-20
REVENUES	70	57
EBITDA	4	-10

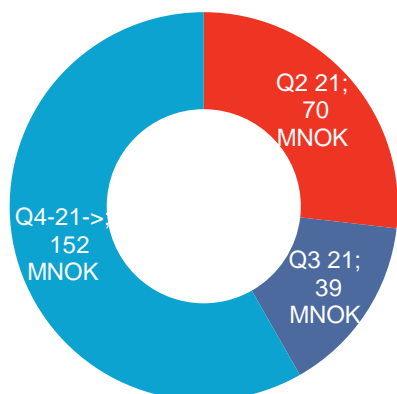
LAST 5 QUARTERS TRAFFIC MANAGEMENT REVENUES MNOK



TRAFFIC MANAGEMENT ORDER BACKLOG & ORDER INTAKE MNOK



TRAFFIC MANAGEMENT ORDER BACKLOG DISTRIBUTION MNOK



ASSETS HELD FOR SALE

The segment reporting has been changed compared to previous reports (including comparative figures from previous periods). The “Infomobility” business, which was classified as “assets held for sale” throughout 2020, has been included in the Traffic Management segment with accounting effect from January 1, 2021. Comparative figures for the previous accounting periods have been restated correspondingly. With the divestment of remaining Parking assets in Q1-21, the “Assets held for sale” segment will be discontinued from Q2-21.

REVENUES AND MARGINS

Q1-21 revenues came in at 2 MNOK, down from 8 MNOK in Q1-20.

EBITDA was -2 MNOK in Q1-21, in line with Q1-20.

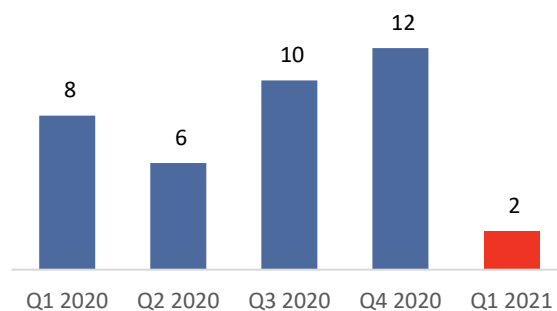
ORDER SITUATION

Due to the divestment of all Parking assets, the Group has not included order intake in Q1-21 or order backlog as per end of Q1-21 for this segment.

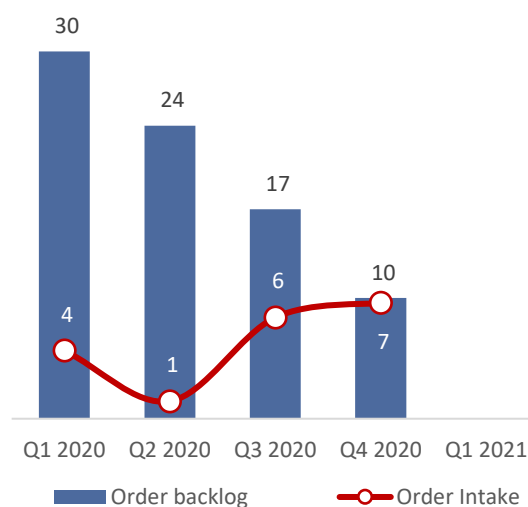
ASSETS HELD FOR SALE REVENUES AND EBITDA MNOK

	Q1-21	Q1-20
REVENUES	2	8
EBITDA	-2	-2

LAST 5 QUARTERS ASSETS HELD FOR SALE REVENUES MNOK



ASSETS HELD FOR SALE ORDER BACKLOG & ORDER INTAKE MNOK



Outlook

Q-Free targets double-digit revenue growth in 2021 even if the pandemic continues to negatively impact the industry. First quarter revenues were low, but the company has a high order backlog and has won several key contracts in recent months that will contribute positively to revenue generation in the quarters ahead.

With higher anticipated revenues in combination with a solid gross margin structure and reduced operational expenses, profitability is expected to improve going forward. An increasing share of revenues is coming from high-margin software services, and Q-Free will continue to shift its business towards recurring SaaS-revenues to drive margin expansion. The goal for 2021 is to achieve an EBITDA margin above 10 percent. EBITDA margin in the past twelve months from Q2-20 to Q1-21 was 11 percent.

Looking further into the future, Q-Free has established a set of financial goals for 2025. An annual growth rate in excess of 10 percent leading to 2025 revenues of 1.3-1.5 billion NOK looks achievable. Potential growth from bolt-on acquisitions to strengthen and scale certain market offerings will come on top. The expected increase in high-margin software revenues combined with improved scalability of Q-Free's solutions will enable margin expansion from current levels. Hence, in 2025 Q-Free aims to deliver an EBITDA margin in the 15-20 percent range and an EBIT margin in the 10-15 percent range.

Because of the company's increasing focus on annually recurring revenues (ARR), all contracts that generate more than 2.5 MNOK in ARR will be publicly announced going forward in addition to all contracts with a total value of 25 MNOK or more.

Consolidated financial statements

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

INDEX OF NOTES

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

ALTERNATIVE PERFORMANCE MEASURES

Interim condensed consolidated statement of profit or loss

31 MARCH 2021

Amounts in TNOK	Note	Q1 2021	Q1 2020	FY 2020
Revenue from customers	3	191 485	201 530	889 305
Total operating revenue		191 485	201 530	889 305
Cost of goods sold		43 399	50 147	236 609
Project contractor expenses		17 175	24 154	107 551
Employee benefit expenses		86 652	96 728	331 338
Other operating expenses		30 930	38 371	138 030
Total operating expenses		178 156	209 400	813 528
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		13 328	-7 870	75 777
Depreciation of property, plant and equipment		11 690	7 269	30 315
Amortisation of intangible assets		2 762	8 432	33 724
Impairment of intangible assets and PP&E		-	-	20 538
Gain on disposal of assets		252		
Total depreciation, amortization and impairment		14 200	15 701	84 577
Earnings before interest and taxes (EBIT)		-872	-23 571	-8 800
Financial income	5	4 150	40 075	56 865
Financial expenses	5	-7 376	-28 932	-80 511
Net financial items	5	-3 225	11 143	-23 646
Profit before tax		-4 097	-12 428	-32 446
Tax expense		19	-1 006	-8 549
Profit / (-) loss for the period		-4 078	-13 434	-40 995
Earnings per share		-0,05	-0,59	-0,56
Diluted earnings per share		-0,05	-0,59	-0,56

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

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

Interim condensed consolidated statement of comprehensive income

31 MARCH 2021

Amounts in TNOK	Note	Q1 2021	Q1 2020	FY 2020
Profit / (-) loss for the period		-4 078	-13 434	-40 995
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		-9 135	66 353	-15 790
Other comprehensive income for the period, net of tax		-9 135	66 353	-15 790
Total comprehensive income for the period, net of tax		-13 213	52 919	-56 785

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

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

Interim condensed consolidated statement of financial position

31 MARCH 2021

Amounts in TNOK	Note	Q1 2021	Q1 2020	2020
ASSETS				
Deferred tax assets		19 159	5 322	18 823
Intangible assets		81 659	98 931	65 286
Goodwill		280 806	285 130	266 576
Property, plant and equipment	1	61 238	72 878	63 311
Non-current receivables		6 444	262	-
TOTAL NON-CURRENT ASSETS		449 306	462 522	413 997
Inventories		64 209	49 098	38 450
Contract assets		86 861	99 351	93 560
Accounts receivable		130 742	133 253	109 945
Other current assets		40 293	35 589	28 030
Cash and cash equivalents		52 945	42 551	74 961
Assets held for sale	6	-	142 868	91 003
TOTAL CURRENT ASSETS		375 049	502 711	435 949
TOTAL ASSETS		824 355	965 233	849 946

Interim condensed consolidated statement of financial position

31 MARCH 2021

Amounts in TNOK	Note	Q1 2021	Q1 2020	2020
EQUITY AND LIABILITIES				
Subscribed share capital		42 273	33 905	33 905
Share premium		649 939	578 307	578 307
Other paid-in capital		21 247	21 118	21 223
Retained earnings		-343 298	-222 975	-320 320
TOTAL EQUITY		370 161	410 355	313 115
Non-current borrowings	4	166 600	144 000	179 200
Convertible bond		-	-	69 983
Non-current financial liabilities	1	20 523	33 984	20 271
Total non-current liabilities		187 123	177 984	269 454
Current borrowings	4	67 411	123 086	54 300
Advance payments from customers		23 082	11 587	11 050
Accounts payable		57 128	86 655	58 220
Taxes payable		4 171	593	3 555
Public duties payable		11 117	18 204	14 118
Current financial liabilities	1	21 362	57 691	20 110
Other current liabilities		82 800	52 198	78 868
Liabilities held for sale	6	-	26 879	27 157
Total current liabilities		267 071	376 894	267 377
TOTAL LIABILITIES		454 194	554 878	536 831
TOTAL EQUITY AND LIABILITIES		824 355	965 233	849 946

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

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

See note 7 regarding changes in accounting principles.

Interim condensed consolidated statement of cash flows

31 MARCH 2021

Amounts in TNOK	Q1 2021	Q1 2020	FY 2020
Cash flow from operations			
Profit before tax	-4 097	-12 428	-32 446
Paid taxes	-110	-2 938	-5 330
Depreciation and impairment of property, plant and equipment	11 690	7 269	30 315
Amortisation and impairment of intangible assets	2 762	8 432	
Gain on disposal of assets	-252		54 262
Accrued interest expense	225	285	4 934
Share-based payment expense	-	-65	-233
<i>Working capital adjustments:</i>			
Changes in inventory	-6 403	2 710	18 337
Changes in contract assets	8 105	3 559	8 991
Changes in accounts receivable	7 430	-21 566	2 093
Changes in advance payments from customers	7 989	7 334	10 840
Changes in accounts payable	-13 423	-19 116	-47 058
Changes in other items	-19 224	13 828	21 882
Net cash flow from operations	-5 307	-12 696	66 587
Cash flow from investing activities			
Investments in PP&E and intangible assets	-6 775	-5 655	-24 011
Acquisition of a subsidiary, net of cash acquired	-	-	-32 491
Cash flow from investing activities	-6 775	-5 655	-56 502
Cash flow from financing activities			
Cash proceeds from borrowings	9 011	35 064	117 064
Cash proceeds from convertible bond	-	-	75 777
Repayment of borrowings	-8 500	-	-115 585
Payments of lease liabilities	-5 575	-5 128	-22 875
Interest received	377	29	1 217
Interest paid	-2 036	-3 253	-13 905
Cash flow from financing activities	-6 723	26 712	41 693
Effect on cash and cash equivalents of changes in foreign exchange rates	-3 211	3 139	-7 868
Net change in cash and cash equivalents for the period	-22 016	11 500	43 910
Cash and cash equivalents beginning of period	74 961	31 051	31 051
Cash and cash equivalents end of period	52 945	42 551	74 961

The interim financial information has not been subject to audit or review. The accompanying notes are an integral part of the interim condensed consolidated financial statements.



Interim condensed consolidated statement of changes in equity

31 MARCH 2021

Amounts in TNOK

	Subscribed share capital	Share premium	Other paid-in capital	Retained earnings	Currency translation differences, net of tax	Total
Total equity 31.12.2020	33 905	578 307	31 950	-401 960	70 912	313 115
Profit / (-) loss for the period	-	-	-	-4 078	-	-4 078
Other comprehensive income	-	-	-	-	-9 135	-9 135
Total comprehensive income for the period	33 905	578 307	31 950	-406 038	61 777	299 902
Convertible bond conversion	8 368	71 632	-10 727	963	-	70 236
Total equity 31.03.2021	42 273	649 939	21 247	-405 075	61 777	370 161
Total equity 31.12.2019	33 905	578 307	21 223	-360 965	85 031	357 502
Profit / (-) loss for the period	-	-	-	-40 995	-	-40 995
Other comprehensive income	-	-	-	-	-14 119	-14 119
Total comprehensive income for the period	33 905	578 307	21 223	-401 960	70 912	302 388
Convertible bond issue			10 727			10 727
Total equity 31.12.2020	33 905	578 307	31 950	-401 960	70 912	313 115

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

On May 19, 2020, The Company issued Convertible Bonds at a par value of tNOK 80 000. In accordance with IAS 32, the proceeds were split between a debt element valued at fair market value, while the residual (option element for conversion right) was considered equity. Net after deduction for transaction cost, the debt was valued at tNOK 65 050 at time of issue, while the equity was valued at net tNOK 10 727. Accrued interest was added to the debt.

The Bonds were not listed. In Q1-21 all bond-holders representing the nominal tNOK 80 000 loan converted their bonds to shares, resulting in an increase in equity of tNOK 70 236.



Notes to the condensed interim financial statements Q1 2021

NOTE 1 – GENERAL INFORMATION & ACCOUNTING POLICIES

The Q-Free Group provides leading technology solutions to the global ITS market. Q-Free has 362 employees, is headquartered in Trondheim Norway, and has local offices in 14 countries around the world. Q-Free ASA is a Norwegian public limited liability company, and has been listed on the Oslo Stock Exchange under the ticker QFR since 2002.

Basis of preparation

These consolidated interim financial statements for Q1 2021, combined with other relevant financial information in this report, have been prepared in accordance with the regulations of the Oslo Stock Exchange and the requirements in IAS 34. These condensed consolidated interim financial statements for the quarter have not been audited or been subject to review by the Group's auditor. The financial statements do not include all the information required for the full annual financial statements of the Group and should be read in conjunction with the consolidated financial statements for 2020. The consolidated financial statements for 2020 are available upon request from the company's registered office in Trondheim or at our website, www.q-free.com. The consolidated condensed interim financial statements were approved by the Board of Directors at its meeting on 28 April 2021.

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

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

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

Accounting policies

The interim condensed consolidated financial statements of the Q-Free Group for Q1 2021 were prepared in accordance with International Financial Reporting Standards (IFRS) in accordance with IAS 34 *Interim Financial Reporting*. The Group has used the same accounting policies and standards as in the consolidated financial statements as of 31 December 2020.



NOTE 2 OPERATING SEGMENTS

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

The operating segments are determined based on how resources and investments are allocated within the Group, as well as on differences in the nature of the operations, solutions, products and services. As of January 1 2020, the Group changed the segment reporting from the previously five segments Tolling, Parking, Urban, Inter-Urban and Infomobility to the two segments Tolling and Traffic Management. Parking is classified as held for sale. The "Infomobility" business, which was classified as held for sale throughout 2020, has been included in the Traffic Management segment with accounting effect from January 1, 2021. Comparative figures for the previous accounting periods have been restated correspondingly. Refer to note 2. Consequently, the Group manages its operations in two segments:

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

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

NOTE 2 OPERATING SEGMENTS

SEGMENTS	TOLLING		Traffic Management		Assets held for sale		Global functions		TOTAL	
	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020
<i>Amounts in TNOK</i>										
Revenue from customers	118 981	136 267	70 037	57 205	2 466	8 057	0 -	0	191 485	201 530
Cost of goods sold	19 368	30 981	23 522	16 880	509	2 286	0	0	43 399	50 147
Project contractor expenses	16 424	20 830	614	224	137	3 100	0	0	17 175	24 154
Gross Contribution	83 189	84 457	45 901	40 102	1 820	2 671	0 -	0	130 910	127 230
Gross margin - %	69,9 %	62,0 %	65,5 %	70,1 %	73,8 %	33,1 %			68,4 %	63,1 %
Total OPEX	62 822	70 620	42 039	49 824	3 609	5 139	9 111	9 517	117 582	135 100
EBITDA	20 367	13 836	3 862	-9 721	-1 789	-2 468	-9 111	-9 517	13 328	-7 870
EBITDA margin	17,1 %	10,2 %	5,5 %	-17,0 %	-72,6 %	-30,6 %			7,0 %	-3,9 %
Depreciation and amortisation	8 498	8 530	5 883	6 917	71	254	252	0	14 200	15 701
EBIT	11 869	5 306	-2 021	-16 638	-1 860	-2 722	-8 859	-9 517	-872	-23 571
EBIT margin	10,0 %	3,9 %	-2,9 %	-29,1 %	-75,4 %	-33,8 %			-0,5 %	-11,7 %

The comparative figures as reported before and after the reclassification of Infomobility into Traffic Management are shown in the table below.

NOTE 2 OPERATING SEGMENTS CONT.

SEGMENTS	TOLLING		TRAFFIC MANAGEMENT after reclassification of "Infomobility"	TRAFFIC MANAGEMENT before reclassification of "Infomobility"	HELD FOR SALE after reclassification of "Infomobility"	HELD FOR SALE before reclassification of "Infomobility"	GLOBAL FUNCTIONS		TOTAL									
	Q1 2020	Q1 2020	Q1 2020	Q1 2020	Q1 2020	Q1 2020	Q1 2020	Q1 2020	Q1 2020	Q1 2020								
<i>Amounts in TNOK</i>																		
Revenue from customers	136 267	136 267	57 205	37 899	8 057	27 363			201 530	201 530								
Cost of goods sold	30 981	30 981	16 880	10 588	2 286	8 578			50 147	50 147								
Project contractor expenses	20 830	20 830	224	-	3 100	3 324			24 154	24 154								
Gross Contribution	84 456	84 456	40 101	27 311	2 671	15 462	-	-	127 229	127 230								
Gross margin - %	62,0 %	62,0 %	70,1 %	72,1 %	33,2 %	56,5 %			63,1 %	63,1 %								
Total OPEX*	70 620	72 304	49 824	40 540	5 139	12 739	9 517	9 516	135 099	135 099								
EBITDA before non-recurring items	13 836	12 152	-	9 723	-	13 229	-	2 468	2 723	-	9 517	-	9 516	-	7 870	-	7 870	
EBITDA margin	10,2 %	8,9 %	-17,0 %	-34,9 %	-30,6 %	10,0 %			-3,9 %	-3,9 %								
Depreciation and amortization*	8 530	6 944	6 917	5 629	254	3 127			15 700	15 700								
EBIT before non-recurring items	5 306	5 208	-	16 640	-	18 858	-	2 722	-	404	-	9 517	-	9 516	-	23 570	-	23 570
EBIT margin	3,9 %	3,8 %	-29,1 %	-49,8 %	-33,8 %	-1,5 %			-11,7 %	-11,7 %								

*In order to reflect the actual payments of rental premises in the segments, the allocation key applied on lease payments and depreciation of Right of Use assets have been changed from January 1, 2021. Comparative figures for Total OPEX and Depreciation and amortization have been restated and are shown in the table above.

NOTE 3 REVENUES

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

Disaggregation of revenue from customers

Amounts in TNOK

	TOLLING		TRAFFIC MANAGEMENT		ASSETS HELD FOR SALE		TOTAL	
	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020
Revenue from customers	118 981	136 267	70 037	57 205	2 466	8 057	191 485	201 530
At a point in time revenue recognition								
Product deliveries (not related to projects)	25 940	30 529	34 511	25 319	844	450	61 295	56 298
Total at a point in time revenue recognition	25 940	30 529	34 511	25 319	844	450	61 295	56 298
Over time revenue recognition								
Service & Maintenance	38 551	36 719	6 426	5 166	235	350	45 212	42 235
System Projects (includes over-time product deliveries related to projects)	54 490	69 019	29 100	26 721	1 388	7 257	84 978	102 998
Total over time revenue recognition	93 041	105 739	35 526	31 886	1 622	7 607	130 190	145 232

NOTE 4 BORROWINGS

Type	Effective interest rate %			
		31.03.2021	31.03.2020	31.12.2020
Non-current				
Nordea - Term loan	3,20 %	25 000	44 000	25 000
Nordea - Term loan	3,20 %	20 730	44 730	29 230
Nordea - Term loan*	3,16 %	65 600	-	69 700
Nordea - Revolving Credit Facility (RCF)	3,20 %	55 270	55 269	55 270
Total non-current borrowings		166 600	144 000	179 200
Convertible bond				
Convertible bond (NIBOR + 4%)	12,53 %	-	-	69 983
Current				
Nordea - Term loan	3,20 %	25 000	31 000	25 000
Nordea - Term loan	3,20 %	17 000	10 000	17 000
Nordea - Term loan*	3,16 %	16 400	-	12 300
Nordea - Credit line**		9 011	82 086	-
Total current borrowings		67 411	123 086	54 300
Total borrowings		234 011	267 086	303 483

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

** Credit line is renewed annually. Cost of facility is partially interest on actual overdraft with an additional overdraft facility fee.

***The maturity date on the term loans with Nordea is June 1, 2022. The borrowings are classified as non-current/current according to the respective payment structure.

Convertible Bond

On May 19, 2020 the Company issued Convertible Bonds at a par value of tNOK 80 000. In accordance with IAS 32, the proceeds were split between a debt element valued at fair market value, while the residual (option element for conversion right) was considered equity. Net after deduction for transaction cost, the debt was valued at tNOK 65 050 at time of issue, while the equity was valued at net tNOK 10 727. Accrued interest was added to the debt. The Bonds were not listed.

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

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

Debt covenants

Following a revision of the financial contract with its main bank in April 20, the following loan covenants apply:

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



At the end of Q1-2021 the covenant structure requires 12M reported EBITDA to exceed MNOK 45 Starting Q2-2021, covenant is based on measurement of leverage ratio (NIBD (excluding convertible bond)/EBITDA) that should not be higher than 3.50 in Q2 2021 before being reduced to 3.25 in Q3 2021, 2.75 in Q4 2021 and 2.5 in Q1 2022 onwards.

The effective interest rate of selected facilities/borrowings are dependent if Q-Free's leverage ratio is above or below 2,75. The interest is currently (Effective April 21) on the lowest level but will increase if leverage ratio increases above 2,75.

NOTE 5 NET FINANCIAL ITEMS

Amounts in TNOK

Financial items	Q1 2021	Q1 2020	FY 2020
Interest income	377	29	1 217
Realised exchange rate differences	3 205	5 647	17 579
Unrealised exchange rate differences	568	42 688	19 964
Financial income	4 150	48 364	38 760
Interest expense	-516	-4 215	-9 823
Interest on borrowings	-1 783	-2 252	-4 852
Interest on convertible bond	-253		-4 934
Realised exchange rate differences	-1 965	-2 761	-18 017
Unrealised exchange rate differences	-1 758	-23 865	-21 366
Fair value change in contingent consideration and other liabilities*	0	-3 671	-
Other financial expense	-1 101	-457	-3 416
Financial expense	-7 375	-37 221	-62 408
NET FINANCIAL ITEMS	-3 225	11 143	-23 648

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

NOTE 6 ASSETS HELD FOR SALE

Amounts in TNOK	31.03.2021	31.12.2020
ASSETS		
Development, goodwill	-	34 025
Property, plant and equipment	-	6 502
Inventories	-	19 356
Contract assets	-	1 406
Accounts receivable	-	28 227
Other current assets	-	1 487
ASSETS HELD FOR SALE	-	91 003

Amounts in TNOK	31.03.2021	31.12.2020
LIABILITIES		
Non-current financial liabilities	-	3 739
Accounts payable	-	12 331
Public duties payable	-	3 111
Other current liabilities	-	7 975
LIABILITIES HELD FOR SALE	-	27 157

ALTERNATIVE PERFORMANCE MEASURES

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

Gross contribution:

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

Project contractor expenses:

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

Gross margin:

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

Amounts in TNOK

Gross contribution and gross margin	Q1 2021	Q1 2020	FY 2020
Revenue from customers	191 485	201 530	889 305
Cost of goods sold	-43 399	-50 147	-236 609
Project contractor expenses	-17 175	-24 154	-107 551
Gross contribution	130 910	127 229	545 145
Gross margin	68,4 %	63,1 %	61,3 %

EBITDA / EBIT:

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

EBITDA margin:

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

Amounts in TNOK

EBITDA margin	Q1 2021	Q1 2020	FY 2020
Revenue from customers	191 485	201 530	889 305
EBITDA	13 328	-7 870	75 777
EBITDA margin	7,0 %	-3,9 %	8,5 %

EBIT margin:

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

Amounts in TNOK

EBIT margin	Q1 2021	Q1 2020	FY 2020
Revenue from customers	191 485	201 530	889 305
EBIT	-872	-23 571	-8 800
EBIT margin	-0,5 %	-11,7 %	-1,0 %

ALTERNATIVE PERFORMANCE MEASURES

Non-recurring items:

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

Amounts in TNOK

Non-recurring items	Q1 2021	Q1 2020	FY 2020
Impairment	-	-	20 538
Non-recurring items in EBIT	-	-	20 538

Net Interest Bearing Debt (NIBD):

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

Amounts in TNOK

Net Interest Bearing Debt	Q1 2021	Q1 2020	31.12.2020
Non-current borrowings from financial institutions	166 600	144 000	175 100
Convertible bond	-	-	69 983
Current borrowings from financial institutions	67 411	123 086	58 400
Gross Interest Bearing Debt	234 011	267 086	303 483
Cash and cash equivalents	52 945	42 551	74 961
Net Interest Bearing Debt	181 066	224 535	228 522

Net working capital:

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

Amounts in TNOK

Net Working Capital	Q1 2021	Q1 2020	31.12.2020
Inventories	64 209	49 098	38 450
Contract assets	86 861	99 351	93 560
Accounts receivable	130 742	133 253	109 945
Other current assets	40 293	178 457	119 034
Current Assets (excl Cash and cash equivalents)	322 105	460 160	360 988
Advance payments from customers	23 082	11 587	11 050
Accounts payable	57 128	86 655	58 220
Taxes payable	4 171	593	3 555
Public duties payable	11 117	18 204	14 118
Current financial liabilities	21 362	57 691	20 110
Other current liabilities	82 800	79 077	106 025
Intelight share purchase liability		-36 322	-
Current liabilities (excl Current borrowings from financial institutions)	199 661	217 486	213 077
Net Working Capital	122 444	242 674	147 911



ALTERNATIVE PERFORMANCE MEASURES

Working capital ratio:

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

Amounts in TNOK

Working Capital ratio	Q1 2021	Q1 2020	31.12.2020
12 months Revenue from customers	879 260	940 588	880 339
Net Working Capital	122 444	242 674	147 911
Working Capital ratio	13,9 %	25,8 %	16,8 %

Equity ratio:

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

Amounts in TNOK

Equity ratio	Q1 2021	Q1 2020	31.12.2020
Total equity	370 161	410 355	313 115
Total assets	824 355	965 233	849 946
Equity ratio	44,9 %	42,5 %	36,8 %

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

Amounts in TNOK

Equity ratio for covenant calculation purposes	Q1 2021	Q1 2020	31.12.2020
Total equity. Debt element of convertible bond considered equity	370 161	410 355	383 098
Total assets	824 355	965 233	849 946
Equity ratio for covenant calculation purposes	44,9 %	42,5 %	45,1 %

Order intake:

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

Order backlog:

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

The order backlog is calculated as shown below:

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

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