

Q2

PRESENTATION OF SECOND QUARTER
AND FIRST HALF RESULTS 2017



LEADING THE WAY

HIGHLIGHTS

Q2-2017

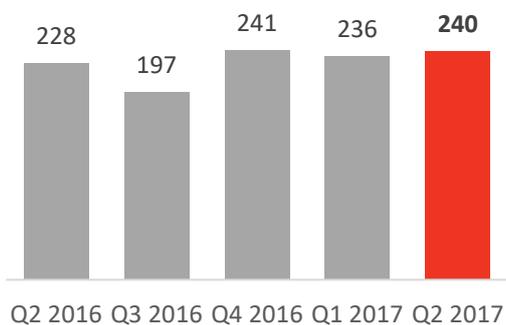
- 240 MNOK in revenues, up 5% YoY
- 21 MNOK in EBITDA (8.9% margin), up from 9 MNOK in Q2-16
- 218 MNOK in order intake driven by several small- and medium-sized contracts
- Order backlog maintained at 1.3 bn NOK, of which 346 MNOK are scheduled for delivery in 2017
- Operating expenses down 10% YoY

1H 2017

- 476 MNOK in revenues, 9% growth YoY
- 38 MNOK in EBITDA (7.9% margin), up from 14 MNOK in 1H 2016
- 383 MNOK in order intake vs 503 MNOK 1H 2016

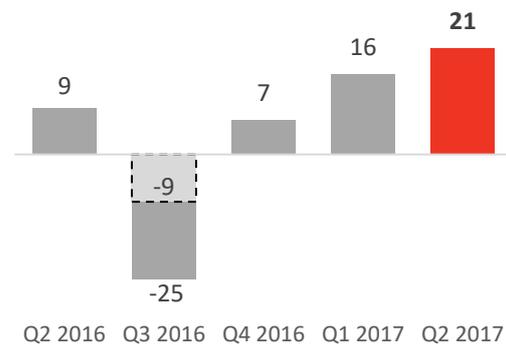
REVENUES LAST 5 QUARTERS

MNOK



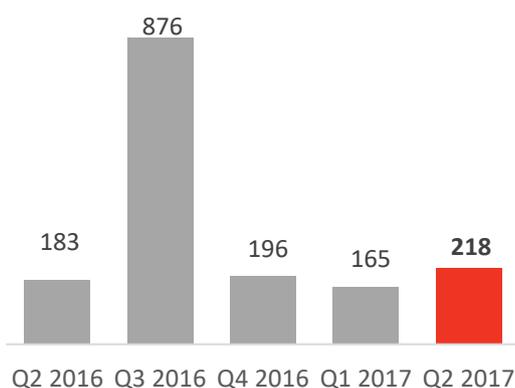
EBITDA LAST 5 QUARTERS

MNOK



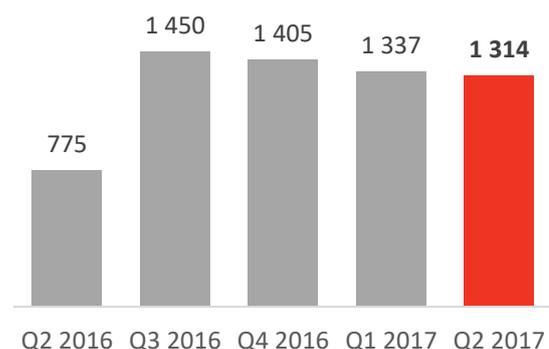
ORDER INTAKE LAST 5 QUARTERS

MNOK



ORDER BACK LOG LAST 5 QUARTERS

MNOK



FINANCIAL REVIEW

Key figures

NOK 1.000	Q2 2017	Q2 2016 *	Q/Q-%	1H 2017	1H 2016 *	Y/Y-%	FY 2016
Revenues	240 069	227 975	5,3%	475 735	438 261	8,6%	877 165
Gross profit	158 768	161 865	-1,9%	317 030	306 579	3,4%	580 684
Gross margin - %	66,1%	71,0%		66,6%	70,0%		66,2%
Operating expenses	137 362	152 584	-10,0%	279 403	292 730	-4,6%	585 030
EBITDA	21 406	9 281	130,6%	37 627	13 849	171,7%	-4 346
EBITDA margin	8,9%	4,1%		7,9%	3,2%		-0,5%
Depreciation and amortisation	14 514	13 269	9,4%	28 903	26 941	7,3%	54 761
Operating profit - EBIT	6 892	-3 988		8 724	-13 092		-59 107
EBIT margin	2,9%	-1,7%		1,8%	-3,0%		-6,7%
Profit before tax	698	3 826		2 944	-7 988		-55 621
Profit margin	0,3%	1,7%		0,6%	-1,8%		-6,3%
Profit after tax from continuing operations	392	-155		120	-7 934		-53 419
Profit after tax on discontinued operations	0	1 191		0	1 261		-30 213
Profit for the period	392	1 036		120	-6 673		-83 632
EPS	0,00	0,01		0,00	-0,10		-1,11

* See note 10 Discontinued operations regarding restatement 2016

PROFIT AND LOSS SECOND QUARTER 2017

Q-Free generated revenues of 240 MNOK. This represented an organic growth of 5 percent from 228 MNOK in the second quarter of 2016. The company recognized 38 MNOK, i.e. 16 percent of its total quarterly revenues, from the Slovenia truck tolling contract. Revenues from service lines other than tolling were 96 MNOK in the quarter compared to 69 MNOK in the corresponding quarter last year.

Gross profit ended at 159 MNOK, in line with the 162 MNOK in Q2-16. The gross margin in the quarter is down 5 percentage points YoY due to certain ongoing projects where the gross margin reflects the early phase of the delivery.

Operating expenses amounted to 137 MNOK versus 153 MNOK in Q2-16. The restructuring program implemented in Q4-16 and strong cost control is the main reason for the 10 percentage points drop YoY in operating expenses measured as a percentage of revenues (from 67% to 57%).

EBITDA in Q2-17 was 21 MNOK, up from 9 MNOK in the second quarter of 2016. The EBITDA-margin increased to 8.9 percent from 4.1 percent in Q2-16.

Depreciation and amortisation in Q2-17 was 15 MNOK, in line with the corresponding quarter last year.

Operating profit (EBIT) ended at 7 MNOK, up from -4 MNOK in Q2 last year.

QUARTERLY REVENUES AND EBITDA MARGIN MNOK & %



Net financial items in the quarter amounted to -6 MNOK, down from 8 MNOK in Q2-16. The change versus last year is mainly related to financial income explained by favourable currency fluctuations in Q2-16.

Reported pre-tax profit was 0.7 MNOK, down from 4 MNOK in the second quarter of 2016. The change versus last year is partly related to financial income explained by favourable currency fluctuations in Q2-16.

The group's tax expenses were 0.3 MNOK versus 4 MNOK in Q2-16.

PROFIT AND LOSS FIRST HALF 2017

Accumulated revenues for first half year of 2017 amounted to 476 MNOK, up 9 percent from 438 MNOK in the corresponding period in 2016.

Gross profit for the first six months ended at 317 MNOK compared to 307 MNOK in the same period in 2016, an increase of 3 percent YoY.

Operating expenses amounted to 279 MNOK during the period, down from NOK 293 million in the first half of 2016. Hence, the positive impact of the restructuring program in Q4-16 together with good cost discipline and increased revenues, have reduced operating expenses in percentage of revenues to 59 percent for 1H 2017 compared to 67 percent in 1H 2016.

First half 2017 EBITDA amounted to 38 MNOK, significantly up from 14 MNOK in 1H 2016. Operating profit (EBIT) ended at 9 MNOK versus -13 MNOK in 1H 2016.

Net financial items amounted to -6 MNOK during the first six months compared to 5 MNOK during the corresponding period of 2016. The change is related to favourable currency fluctuations in 2016.

Pre-tax profit for the first half year of 2017 was 3 MNOK compared to -8 MNOK in 1H 2016.

CASH FLOW

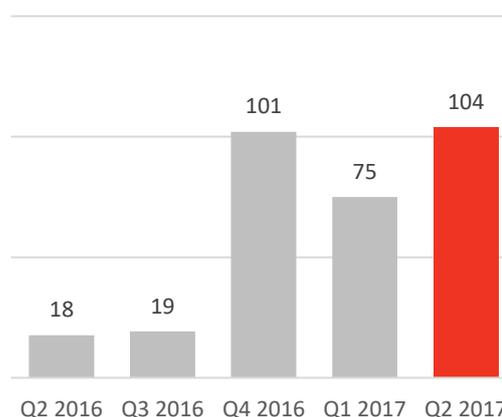
Net cash flow from operating activities was -5 MNOK, a significantly improvement from -38 MNOK in the second quarter of 2016. The positive development is explained by reduced costs and strong focus on cash management, in particular the cash collection process.

Net cash flow from investment activities was -4 MNOK compared to -31 MNOK in Q2-16. The investments in Q2-17 comprised 1 MNOK in tolling and 3 MOK in parking.

Net cash flow from financing activities was 38 MNOK versus 35 MNOK in Q2-16 reflecting the credit facilities to finance the Slovenia Truck Tolling project and the VDOT project in the US.

The net change in cash and cash equivalents in the period was 29 MNOK compared to -35 MNOK in Q2-16. The cash balance at the end of Q2-17 was 104 MNOK versus 18 MNOK at the end of Q2-16 and 75 MNOK at the end of Q1-2017.

QUARTERLY CASH FUNDS MNOK



BALANCE SHEET

Total assets at the end of the quarter were 1 029 MNOK versus 964 MNOK at the end of Q2-16 and up from 1 005 MNOK at the end of the first quarter 2017.

Total equity ended at 434 MNOK, up from 395 MNOK at the end of Q2-16 and slightly up from 431 MNOK at the end of the first quarter 2017. The equity ratio was 42 percent, in line with the 41 percent reported at the end of Q2-16 and the 43 percent at the end of the previous quarter.

Non-current liabilities were 278 MNOK. This is in line with the 279 MNOK reported at the end of Q2-16 and at the end of Q1-17. Future obligations to purchase shares in Intelight of 99 MNOK, liabilities related to pension schemes of 15 MNOK, and long-term debt to financial institutions of 150 MNOK are the most important non-current liabilities.

Short term interest-bearing debt to financial institutions was 165 MNOK at the end of the quarter. This is up from 67 MNOK at the end of Q2-16 and is driven by financing of the Truck Tolling project in Slovenia and the Inter-Urban project in the US. Available, unused credit facilities were 170 MNOK at the end of 1H 2017.

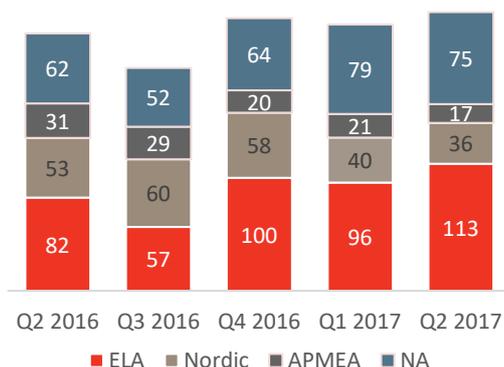
Current liabilities were 316 MNOK at the end of the second quarter, up from 290 MNOK at the end of Q2-16 and up from 293 MNOK at the end of Q1-17. The net increase of 23 MNOK compared to the previous quarter is explained by an increase in short-term debt to financial institutions of 38 MNOK due to financing of the Slovenia Truck Tolling and VDOT projects, a decrease in accounts payable of 6 MNOK and a net decrease in other short term debt of 9 MNOK.

Net working capital (defined as current assets excluding cash less current liabilities, and excluding short-term overdraft facilities) amounted to 243 MNOK at the end of the second quarter. The corresponding figure at the end of Q2-16 was 144 MNOK. Net working capital equals 27 percent of the revenues generated in the last 12 months. At the end of the first quarter of 2017, net working capital was 221 MNOK, or 25 percent of the revenues generated in the past 12 months.

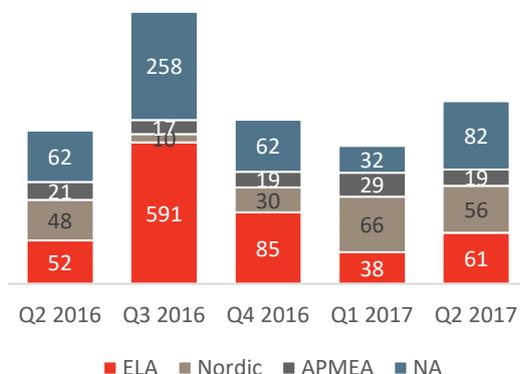
The working capital ratio will vary between quarters depending on revenue mix and timing of payments. However, the increase in working capital ratio over the past quarters is due to the financing of the Truck Tolling project in Slovenia and the Inter-Urban project in the US. This impact is expected to continue for the remaining quarters of 2017.

SEGMENT REVIEW

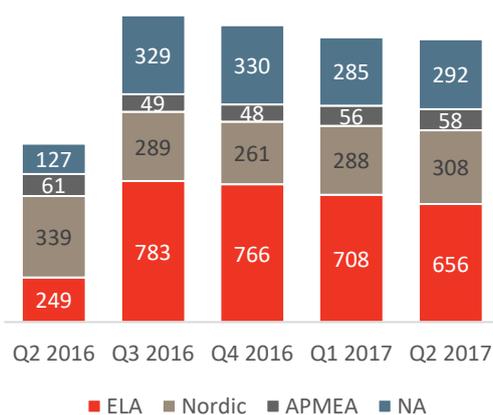
QUARTERLY REVENUES BY REGION
MNOK



Q2-17 QUARTERLY ORDER INTAKE BY REGION
MNOK



ORDER BACKLOG BY REGION AS OF 30.06.17
MNOK



Europe & Latin America (ELA)

ELA is Q-Free's largest region. The company targets tolling, parking, and infomobility opportunities across this region, which consists of both established markets such as Portugal, Chile, and France and developing markets such as Slovenia, Spain, Poland and Serbia.

Revenues amounted to 113 MNOK, up from 82 MNOK in Q2-16. The region accounted for 47 percent of Q-Free's total revenues in the quarter. During Q2-17 ELA benefited from the progress of the Slovenia truck tolling project, increased Infomobility activity in UK and miscellaneous tag and project deliveries in France, Chile and Croatia.

Order intake was 61 MNOK compared to 52 MNOK in the corresponding quarter in 2016. A key win in the quarter was the multilane free flow contract to Spain with a value of approximately 2 MEUR. ELA represented 28 percent of Q-Free's total order intake in Q2-17. The region also accounted for 50 percent of the Group's order backlog at the end of the second quarter of 2017.

The Nordic region (NORDIC)

A significant part of Q-Free's revenues in the Nordic region is derived from contracts related to the AutoPASS tolling system in Norway and congestion charging systems in Sweden. In addition, Q-Free has several parking deployments.

Revenues in the region were 36 MNOK in Q2-17, down from 53 MNOK in Q2-16. The decline was due to few tolling projects, however several new and sizeable projects are planned. The region accounted for 15 percent of Q-Free's overall revenues in the quarter.

The order intake was 56 MNOK compared to 48 MNOK in the corresponding quarter of 2016. This represented 26 percent of Q-Free's total order intake in Q2-17. During Q2-17 Q-Free signed a ferry contract in Norway, an extension of the Service and Maintenance contract in Gothenburg, new parking contracts in Norway and Sweden and several minor change orders. 23 percent of the Group's total order backlog at the end of the second quarter 2017 were in the Nordic region.

Asia, Middle East and Africa (APMEA)

APMEA mostly consists of developing and immature traffic technology markets, with the exception of Australia. As in ELA and NORDIC, Q-Free targets tolling, parking, and infomobility opportunities.

Revenues in APMEA amounted to 17 MNOK in the second quarter, a decrease from 31 MNOK in Q2-16. Revenues mostly came from various tolling and parking activities in Australia and upgrades of tolling infrastructure in Thailand. APMEA accounted for 7 percent (13 percent) of total Group revenues.

Order intake was 19 MNOK, compared to 21 MNOK in Q2-2016. A major win during Q2-17 was the tag contract with the

Expressway Authority of Thailand of 16 MNOK. APMEA represented 9 percent of Q-Free's total order intake in the quarter. Of the Group's order backlog at the end of Q2-17, APMEA accounted for 4 percent.

North America (NA)

Besides APMEA, NA is Q-Free's most important growth market. Q-Free has a strong and growing business based on parking guidance solutions, smart intersection controllers, and inter-urban traffic management centre solutions. Q-Free is also targeting tolling and infomobility solutions, and hence has a very comprehensive offering in the region.

Revenues in NA came in at 75 MNOK, a 21 percent increase from 62 MNOK in Q2-16. The region accounted for 31 percent (27 percent) of Q-Free's overall revenues. Q-Free generated revenues across all its target segments in North America in Q2-17, with strong contributions from the VDOT project and the urban service line.

Order intake, which amounted to 82 MNOK during the period, was up from 62 MNOK in Q2-16 driven by strong urban and inter-urban sales. Hence, 37 percent of Q-Free's total order intake in the quarter came from NA. Per the end of the second quarter of 2017, NA accounted for 22 percent of the Group's total order backlog.

SERVICE LINE REVIEW

GLOBAL SERVICE LINES

TOLLING

Quarterly revenues amounted to 144 MNOK or 60 percent of total Group revenues. The decrease versus Q2-16 is due to lower activity in the NORDIC and APMEA regions. Q-Free delivered 53 MNOK in products to Thailand, Australia, Chile, France, Iceland, and Croatia, and 38 MNOK in service and maintenance contracts in Norway, Sweden, Portugal and Australia. In addition, system projects with a value of NOK 54 million were delivered in Norway, Chile, Slovenia (38 MNOK), the US, and Thailand. New orders received in Q2-17 had a value of 98 MNOK. Major contract wins included a ferry contract in Norway, tags to Thailand (16 MNOK), a Multi lane Free Flow contract in Spain (18 MNOK), and small tag orders in France, Chile and Croatia.

PARKING

Quarterly revenues were 12 MNOK, down from 23 MNOK in Q2-16 mainly due to fewer installations in the US. Most of the revenues were generated from deployment of parking guidance solutions in North America and parking management systems in NORDIC and ELA. Q-Free is investing significant resources into developing next generation parking solutions and expect to broaden its market presence once these solutions are finalised during the second half of 2017.

INFOMOBILITY

The second quarter showed revenues of 16 MNOK, up from 10 MNOK in Q2-16. Q-Free obtained several small orders in the UK and is gaining momentum in North America where contracts with three new distributors have been signed.

REGIONAL SERVICE LINES

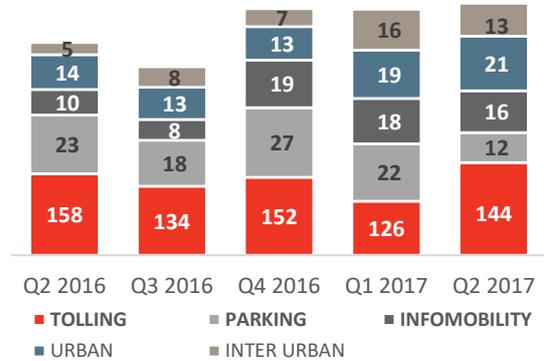
URBAN

Q2-17 revenues were 43 MNOK, up from 27 MNOK in Q2-16. We continue to experience strong growth in NA of our intelligent traffic controller solutions.

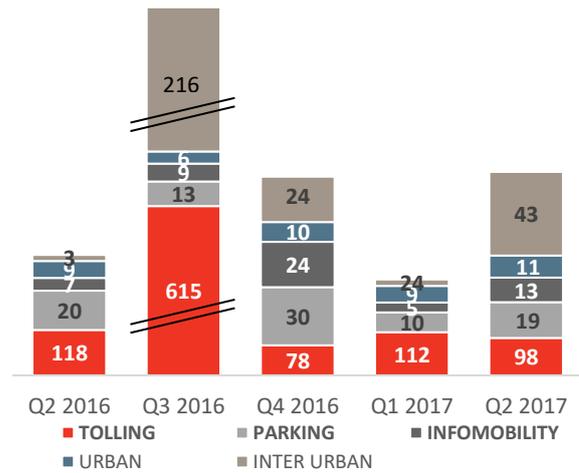
INTER-URBAN

Revenues in the second quarter of 2017 were 25 MNOK compared to 10 MNOK in the corresponding quarter in 2016. Growth was driven by the delivery of a centralized web-based traffic management system to Virginia Department of Transportation (VDOT), which had good progress during 1H 2017 and is the main explanation why accumulated segment revenues are up 148 percent YoY.

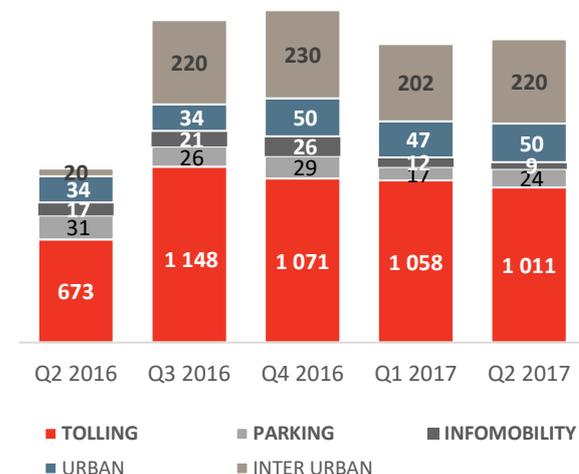
Q2-17 QUARTERLY REVENUES BY SERVICE LINES MNOK



Q2-17 QUARTERLY ORDER INTAKE BY SERVICE LINES MNOK



Q2-17 QUARTERLY ORDER BACKLOG BY SERVICE LINES MNOK

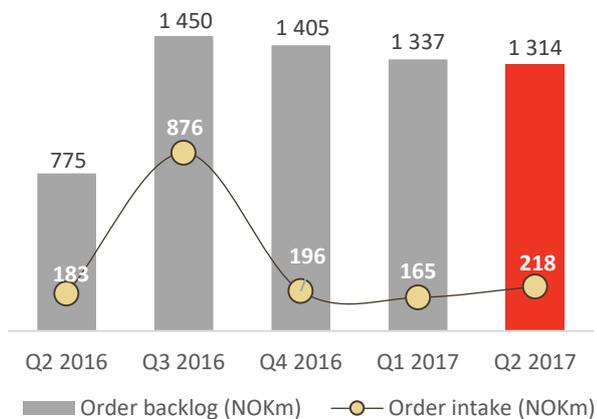


ORDER INTAKE AND BACKLOG

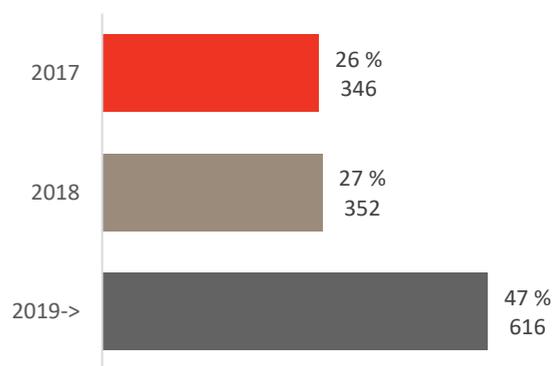
Total order intake in the second quarter of 2017 was 218 MNOK compared to 183 MNOK in Q2-16. The tolling service line booked 98 MNOK and the other service lines 120 MNOK in new orders in the second quarter. This confirms high activity in all service lines and creates a strong platform to grow from. Orders received 1H 2017 amounted to 383 MNOK, down from 503 in 1H 2016.

Q-Free's order backlog at the end of Q2-17 was 1,314 MNOK, in line with the backlog at the end of the first quarter in 2017, and far ahead of the 775 MNOK at the end of Q2-16. 346 MNOK of the backlog is expected to be delivered during 2H 2017. The remaining 968 MNOK provides a solid foundation for the years ahead.

ORDER BACKLOG END OF Q2-17
MNOK



ORDER BACKLOG DISTRIBUTION END OF Q2-17
MNOK



OUTLOOK

Q-Free has delivered three quarters in a row with strong YoY revenue growth and significant improvement in profitability. This development increases the company's comfort level with its underlying business model and ability to deliver on short- and long-term objectives.

For 2017 Q-Free is targeting double-digit revenue growth. The first half 2017 revenue increase of 9 percent YoY supports this goal. Q-Free is also in a good position to deliver on its target to improve profitability. The 1H 2017 EBITDA margin of 8 percent is up from 3 percent in 1H 2016. Provided key projects progress according to expectations, the current business will generate higher EBITDA in the second half of 2017 than in the first half.

The company sees several interesting opportunities beyond 2017. There are several tolling projects in established markets around the world that are good matches with Q-Free's offering and can backfill the company's order backlog. There are also projects, for example the major highway expansions in Thailand, the congestion charging

project in Jakarta, and new truck tolling systems in Europe, that have the potential to significantly increase our revenue base.

There are also several other sizeable ITS opportunities around the world. With the VDOT contract Q-Free builds a platform that will allow the company to grow its traffic management centre presence in the US. The company is also well positioned to capture a significant share of the North American traffic controller market with its recent product innovations and strong dealer network.

Late this year Q-Free will launch its new parking sensor. This sensor is based on radar and battery know-how from the tolling service line. It can be used as a narrowband internet of things device and provide a scalable and cost-effective way of managing parking spaces. Already this concept is generating a lot of interest. The addressable market for this sensor is significant, hence it might have the potential to become the "tolling tag" equivalent of Q-Free's parking business over time.

FINANCIAL OVERVIEW

The condensed interim consolidated financial statements per 30.06.17 (unaudited):

INTERIM CONSOLIDATED INCOME STATEMENT

NOK 1.000	Note	Q2 2017	Q2 2016 *	1H 2017	1H 2016 *	FY 2016
Revenues	7	240 069	227 975	475 735	438 261	877 165
Cost of goods sold		81 301	66 110	158 705	131 682	296 481
Payroll expenses		69 597	72 574	154 662	151 925	308 241
Other operating expenses		67 765	80 010	124 741	140 805	276 789
Total operating expenses		218 663	218 694	438 108	424 412	881 511
EBITDA	7	21 406	9 281	37 627	13 849	-4 346
Depreciation, amortisation and impairment	8	14 514	13 269	28 903	26 941	54 761
EBIT	7	6 892	-3 988	8 724	-13 092	-59 107
Financial income	9	4 595	21 550	11 835	26 293	39 711
Financial expenses	9	-10 789	-13 736	-17 615	-21 189	-36 225
Net financial items		-6 194	7 814	-5 780	5 104	3 486
Profit before tax		698	3 826	2 944	-7 988	-55 621
Tax expenses		-306	-3 981	-2 824	54	2 202
Profit after tax from continuing operations		392	-155	120	-7 934	-53 419
Profit after tax on discontinued operations	10	0	1 191	0	1 261	-30 213
Profit for the period		392	1 036	120	-6 673	-83 632
Attributable to :						
Equity holders of the parent		392	1 036	120	-6 673	-83 632
Profit		392	1 036	120	-6 673	-83 632
Number of employees		416	441	416	441	416
Gross margin		66,1 %	71,0 %	66,6 %	70,0 %	66,2 %
EBITDA margin		8,9 %	4,1 %	7,9 %	3,2 %	-0,5 %
EBIT margin		2,9 %	-1,7 %	1,8 %	-3,0 %	-6,7 %
Profit margin		0,3 %	1,7 %	0,6 %	-1,8 %	-6,3 %
EPS (NOK)		0,00	0,01	0,00	-0,10	-1,11
EPS, diluted (NOK)		0,00	0,01	0,00	-0,10	-1,11

* See note 10 Discontinued operations regarding restatement 2016.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK 1.000	Note	Q2 2017	Q2 2016	1H 2017	1H 2016	FY 2016
Profit for the period		392	1 036	120	-6 673	-83 632
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of foreign operations		2 787	-12 676	6 982	-27 461	-45 804
Net (loss)/gain on available-for-sale financial assets		0	0	0	0	2
- Income tax effect		0	0	0	0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:		2 787	-12 676	6 982	-27 461	-45 802
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:						
Actuarial gains (losses) on defined benefit plans		0	0	0	0	248
- Income tax effect		0	0	0	0	0
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods:		0	0	0	0	248
Total comprehensive income for the period		3 179	-11 640	7 102	-34 134	-129 186
Attributable to :						
Equity holders of the parent		3 179	-11 640	7 102	-34 134	-129 186
Total comprehensive income for the period		3 179	-11 640	7 102	-34 134	-129 186

BALANCE SHEET - ASSETS

NOK 1.000	Note	30.06.2017	31.03.2017	31.12.2016	30.09.2016	30.06.2016
Development	8	168 852	175 943	178 746	183 548	195 839
Goodwill	8	315 265	316 361	316 285	327 647	343 059
Deferred tax assets		13 420	13 546	17 420	0	0
Total intangible assets		497 537	505 850	512 451	511 195	538 898
Machinery, fixtures and fittings		24 567	28 349	33 661	34 809	38 052
Total fixed assets		24 567	28 349	33 661	34 809	38 052
Shares		395	395	395	395	393
Other long term receivables		1 461	1 225	1 008	2 625	2 052
Total financial fixed assets		1 856	1 620	1 403	3 020	2 445
Total non - current assets		523 960	535 819	547 515	549 024	579 395
Inventories		68 990	69 381	66 327	68 773	79 785
Accounts receivables		137 943	150 698	142 425	150 797	172 898
Work in progress		146 998	131 699	75 807	83 254	75 621
Other receivables		40 360	35 296	31 646	36 578	39 013
Total receivables		325 301	317 693	249 878	270 629	287 532
Cash		103 590	74 973	101 474	19 195	17 686
Total current assets		497 881	462 047	417 679	358 597	385 003
Assets held for sale	10	7 524	7 524	25 225	0	0
Total assets		1 029 365	1 005 390	990 419	907 621	964 398

BALANCE SHEET - EQUITY & LIABILITIES

NOK 1.000	Note	30.06.2017	31.03.2017	31.12.2016	30.09.2016	30.06.2016
Subscribed share capital		33 905	33 905	33 905	27 124	27 124
Share premium reserve		578 307	578 307	578 307	451 252	451 252
Other paid in capital		20 529	20 529	20 529	20 529	20 529
Total paid in capital		632 741	632 741	632 741	498 905	498 905
Other equity		-198 739	-201 918	-205 841	-168 502	-104 141
Total retained equity		-198 739	-201 918	-205 841	-168 502	-104 141
Total equity		434 002	430 823	426 900	330 403	394 764
Pension liabilities		0	0	0	18 775	18 775
Deferred tax		14 490	14 658	15 003	3 453	10 608
Debt to financial institutions		150 000	150 000	150 000	150 000	150 000
Other non-current liabilities		113 744	115 818	116 690	95 593	99 820
Total non-current liabilities		278 234	280 476	281 693	267 821	279 203
Debt to financial institutions		165 423	127 658	79 457	123 894	66 756
Accounts payable		69 039	74 668	100 209	89 627	90 239
Tax payable		511	273	702	1 053	2 233
Public duties payable		14 285	10 679	16 647	10 492	19 783
Advance payments customers		11 110	20 149	11 677	17 648	19 557
Other short term debt		56 024	59 927	54 696	66 683	91 863
Total current liabilities		316 392	293 354	263 388	309 397	290 431
Total liabilities		594 626	573 830	545 081	577 218	569 634
Liabilities held for sale	10	737	737	18 438	0	0
Total equity and liabilities		1 029 365	1 005 390	990 419	907 621	964 398

CASH FLOW STATEMENT

NOK 1.000	Note	Q2 2017	Q2 2016 *	1H 2017	1H 2016 *	FY 2016
Earnings before tax		698	3 826	2 944	-7 988	-55 621
Taxes paid		-2 112	-1 933	-3 675	-3 145	-7 336
Depreciation / impairment	8	14 514	13 269	28 903	26 941	54 761
Other operational items		-18 004	-53 448	-101 327	-81 904	-64 488
Cash flow from operating activities		-4 904	-38 286	-73 155	-66 096	-72 684
Investments intangible assets	8	-4 211	-4 306	-9 557	-7 490	-23 593
Investments tangible assets	8	0	-3 001	-1 105	-3 701	-8 348
Acquisition of a subsidiary, net of cash acquired		-33	-23 845	-33	-23 845	-52 149
Other investments		0	0	0	0	0
Cash flow from discontinued operations	10	0	-287	3 617	459	835
Cash flow from investment activities		-4 244	-31 439	-7 078	-34 577	-83 255
Proceeds from new loans		37 765	34 500	85 966	53 010	123 931
Down payments of debt to financial institutions		0	0	0	0	-58 220
Share issue		0	0	0	0	127 188
Cash flow from financing activities		37 765	34 500	85 966	53 010	192 899
Net change in cash and cash equivalent		28 617	-35 225	5 733	-47 663	36 960
Cash and cash equivalents per 01.01.		74 973	52 911	101 474	65 349	65 349
Transferred to Assets held for sale	10	0	0	-3 617	0	-835
CASH AND CASH EQUIVALENTS		103 590	17 686	103 590	17 686	101 474

* See note 10 Discontinued operations regarding restatement 2016.

STATEMENT OF CHANGES IN EQUITY

NOK 1.000	Equity attributable to equity holders of the parent							Total
	Subscribed share capital	Share premium reserves	Other paid in Capital	Other equity	Foreign currency translation reserve	Actuarial gains and losses	Available-for-sale reserve	
Equity per 31.12.16	33 905	578 307	20 529	-270 163	76 402	-12 017	-63	426 900
Total comprehensive income for the period	0	0	0	120	6 982	0	0	7 102
Share issue	0	0	0	0	0	0	0	0
Equity per 30.06.17	33 905	578 307	20 529	-270 043	83 384	-12 017	-63	434 002
Equity per 31.12.15	26 627	439 350	20 529	-179 884	122 206	-12 265	-65	416 499
Total comprehensive income for the period	0	0	0	-6 673	-27 461	0	0	-34 134
Share issue	497	11 903	0	0	0	0	0	12 400
Equity per 30.06.16	27 124	451 253	20 529	-186 557	94 745	-12 265	-65	394 764

KEY FIGURES

	Q2 2017	Q2 2016 *	1H 2017	1H 2016 *	FY 2016
Operating profit / EBIT per share (NOK)	0,08	-0,06	0,10	-0,19	-0,78
Operating margin (%)	2,9 %	-1,7 %	1,8 %	-3,0 %	-6,7 %
EPS (NOK)	0,00	0,01	0,00	-0,09	-1,11
EPS, diluted (NOK)	0,00	0,01	0,00	-0,09	-1,11
Cash flow per share (NOK)	-0,05	-0,54	-0,82	-0,93	-0,96
Equity per share (NOK)	4,86	5,58	4,86	5,58	5,67
Equity ratio (%)	42,2 %	40,9 %	42,2 %	40,9 %	43,1 %
Average number of shares	89 223 446	71 378 757	89 223 446	70 739 030	75 351 168
Average number of shares diluted	89 854 274	71 378 757	89 854 274	70 739 030	75 613 151

* See note 10 Discontinued operations regarding restatement 2016.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

NOTE 1 – GENERAL

The consolidated condensed interim financial statements for the second quarter and the first half results of 2017 (unaudited) was approved by the Board of Directors at its meeting on 13 July 2017.

The Q-Free group provides world class-leading technology solutions to the global ITS market. Q-Free has delivered systems which are now operational in Europe, Asia Pacific, Middle East, Africa, North and South America. Q-Free has 416 employees, is headquartered in Trondheim Norway, and has local offices in 20 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.

NOTE 2 – STATEMENT OF COMPLIANCE

These consolidated interim financial statements for 2017, 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 subject to review by the Group's auditor. The financial statements do not include all of the information required for the full annual financial statements of the Group and should be read in conjunction with the consolidated financial statements for 2016. The consolidated financial statements for 2016 is available upon request from the company's registered office in Trondheim or at our website, www.q-free.com.

NOTE 3 – ACCOUNTING PRINCIPLES

The consolidated financial statements of the Q-Free Group for 2017 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Norwegian Accounting Act. The Group has used the same accounting policies and standards as in the consolidated financial statements as of 31 December 2016.

NOTE 4 – USE OF ESTIMATES

The preparation of the 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 outcome that requires a material adjustment to the carrying amount of the assets or liability affected in future periods.

NOTE 5 – EVENTS AFTER THE BALANCE SHEET DATE

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

NOTE 6 – FORWARD LOOKING STATEMENTS

This report contains statements regarding the future in connection with Q-Free's growth initiatives, profit figures, outlook, strategies and objectives. In particular, the section "Outlook" contains forward-looking statements regarding the Group's expectations. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual profit and development deviating substantially from what have been expressed or implied in such statements. These factors include the risk factors described in the Board of Directors report for 2016.

NOTE 7 – OPERATING SEGMENTS

The Group is organised into geographical areas based on the location of the customer, and has four SEGMENTS as follows:

- **ELA** (Europe, Latin America)
- **APMEA** (Asia Pacific, Middle East and Africa)
- **NORDIC** (Norway, Sweden, Denmark, Finland, Iceland and the Faroe Islands.)
- **NA** (USA and Canada)

Corporate Group management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Regional performance is evaluated based on KPI's related to order inflow, profitability, cash flow and working capital and is measured on a monthly basis.

NOK 1.000	Q2 2017					Other / Group	TOTAL	Q2 2016					TOTAL
	ELA	APMEA	NORDIC	NA	Q2-17		ELA	APMEA	NORDIC	NA	Q2-16		
Revenues	140 600	22 192	40 501	66 063	-29 287		240 069	92 349	48 298	57 198	64 615	-34 485	227 975
Gross profit	82 785	14 935	31 136	40 893	-10 980		158 769	51 453	26 146	50 505	65 304	-31 543	161 865
Gross margin - %	58,9%	67,3%	76,9%	61,9%	37,5%		66,1%	55,7%	54,1%	88,3%	101,1%	91,5%	71,0%
Operating expenses	44 770	18 359	18 999	41 351	13 884		137 362	36 651	20 075	28 497	56 083	11 279	152 584
EBITDA	38 016	-3 424	12 137	-458	-24 864		21 407	14 803	6 071	22 008	9 221	-42 822	9 281
EBITDA margin	27,0%	-15,4%	30,0%	-0,7%	84,9%		8,9%	16,0%	12,6%	38,5 %	14,3 %	124,2%	4,1%
Depreciation & amort.	3 310	150	5 800	5 256	-1		14 514	3 727	112	4 175	5 260	-6	13 269
Operating profit - EBIT	34 706	-3 574	6 338	-5 713	-24 863		6 893	11 076	5 959	17 833	3 960	-42 816	-3 988
EBIT margin	24,7%	-16,1%	15,6%	-8,6%	84,9%		2,9%	12,0%	12,3%	31,2%	6,1%	124,2%	-1,7%

NOK 1.000	1H 2017					Other / Group	TOTAL	1H 2016					TOTAL
	ELA	APMEA	NORDIC	NA	1H 2017		ELA	APMEA	NORDIC	NA	1H 2016		
Revenues	271 174	47 811	84 793	147 576	-75 618		475 735	184 991	72 050	122 868	123 746	-65 395	438 261
Gross profit	154 288	29 041	69 498	97 509	-33 306		317 030	104 657	35 714	99 842	113 405	-47 039	306 579
Gross margin - %	56,9%	60,7%	82,0%	66,1%	44,0%		66,6%	56,6%	49,6%	81,3%	91,6%	71,9%	70,0%
Operating expenses	85 571	32 466	41 959	87 007	32 401		279 403	65 790	33 920	52 355	108 814	31 851	292 731
EBITDA	68 718	-3 425	27 539	10 502	-65 706		37 627	38 867	1 794	47 487	4 591	-78 890	13 848
EBITDA margin	25,3%	-7,2%	32,5%	7,1%	86,9%		7,9%	21,0%	2,5%	38,6%	3,7 %	120,6%	3,2%
Depreciation & amort.	6 560	297	11 585	10 462	-1		28 902	7 620	214	8 390	10 722	-6	26 941
Operating profit - EBIT	62 158	-3 722	15 954	40	-65 706		8 725	31 246	1 579	39 097	-6 132	-78 884	-13 092
EBIT margin	22,9%	-7,8%	18,8%	0,0%	86,9%		1,8%	16,9%	2,2%	31,8%	-5,0%	120,6%	-3,0%

NOTE 8 – DEPRECIATIONS, AMORTISATIONS AND IMPAIRMENTS

NOK 1.000

Depreciations, amortisations and impairments	Q2 2017	Q2 2016	1H 2017	1H 2016	FY 2016
Capitalised development cost	5 442	3 144	10 833	6 480	16 525
Capitalised acquired development cost	5 376	6 140	10 629	12 548	22 403
Other	3 696	3 985	7 441	7 913	15 833
Total	14 514	13 269	28 903	26 941	54 761

Specifications of capital expenditures, balance sheet	Q2 2017	Q2 2017	1H 2017	1H 2016	FY 2016
Capitalised development cost	4 211	4 306	9 557	7 490	23 593
Other	0	3 001	1 105	3 701	8 348
Total	4 211	7 307	10 662	11 191	31 941

NOTE 9 – FINANCIAL ITEMS

NOK 1.000

All financial impact from changes in working capital items is classified as financial items.

Financial items	Q2 2017	Q2 2016	1H 2017	1H 2016	FY 2016
Realised agio / disagio	-1 728	2 219	-1 214	796	5 995
Unrealised agio / disagio	-624	-4 429	1 765	-5 761	-7 248
Currency effects earn-out	0	237	0	2 417	2 625
Change earn-out	0	12 383	0	12 383	14 123
Other financial income	660	193	1 742	486	1 475
Other financial expenses	-4 502	-2 789	-8 073	-5 217	-13 484
Total	-6 194	7 814	-5 780	5 104	3 486

NOTE 10 – DISCONTINUED OPERATIONS

The divestment of Q-Free's security business Prometheus Security Group Global Inc. (PSG) was closed in February 2017, and all contracts, employees and other assets have been transferred to the new owner. Consequently, PSG has been excluded from Q-Free's consolidated accounts on continued operations with effect from fourth quarter 2016 and reported separately as "discontinued operations". Comparable figures for 2016 have been reclassified to "discontinued" operations. The fair value of the assets and liabilities relating to PSG is classified as assets and liabilities held for sale. Q-Free is in process of closing the agreement and the final minor adjustments are expected to be included in Q3 2017.

Interim consolidated income statement discontinued operations	Q2 2017	Q2 2016	1H 2017	1H 2016	FY 2016
Revenues	0	18 266	0	26 952	45 045
Cost of goods sold	0	8 187	0	9 363	13 969
Payroll expenses	0	4 390	0	8 762	17 228
Other operating expenses	0	3 564	0	5 622	13 369
Total operating expenses	0	16 141	0	23 747	44 566
EBITDA	0	2 125	0	3 205	479
Depreciation, amortisation and impairment	0	992	0	2 005	30 838
EBIT	0	1 133	0	1 200	-30 359
Financial income	0	58	0	61	146
Net financial items	0	58	0	61	146
Profit before tax	0	1 191	0	1 261	-30 213
Tax expenses	0	0	0	0	0
Profit after tax from discontinued operations	0	1 191	0	1 261	-30 213

Cash flow from discontinued operations	Q2 2017	Q2 2016	1H 2017	1H 2016	FY 2016
Earnings before tax	0	1 191	0	1 261	-30 213
Depreciation / impairment	0	992	0	2 005	30 838
Other operational items	0	-864	-2 686	62	5 675
Cash flow from operating activities	0	1 319	-2 686	3 328	6 300
Investments in intangible assets	0	-1 606	0	-2 869	-5 465
Other investments	0	0	6 303	0	0
Cash flow from investment activities	0	-1 606	6 303	-2 869	-5 465
Cash flow from financing activities	0	0	0	0	0
Cash flow from discontinued operations	0	-287	3 617	459	835
Cash and cash equivalents per 01.01.	4 452	746	835	0	0
Cash and cash equivalents from discontinued operations	4 452	459	4 452	459	835

Assets held for sale	30.06.2017	31.03.2017	31.12.2016
Development	0	0	9 824
Machinery, fixtures and fittings	0	0	907
Inventories	0	0	1 852
Accounts receivables	0	0	4 043
Work in progress	0	0	7 686
Other receivables	3 072	3 072	78
Cash	4 452	4 452	835
Assets held for sale	7 524	7 524	25 225

Liabilities held for sale	30.06.2017	31.03.2017	31.12.2016
Deferred tax	0	0	1 951
Accounts payable	0	0	5 814
Public duties payable	0	0	219
Other short term debt	737	737	10 454
Liabilities held for sale	737	737	18 438

NOTE 11 – RISK FACTORS

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

- Project risk
- Political risk
- Technology risk
- Risk of corruption
- Financial risks such as:
 - Currency risk
 - Credit risk
 - Interest risk
 - Liquidity risk

These risk factors are all outlined in the Annual Report 2016, note 4.

NOTE 12 – RELATED PARTY TRANSACTIONS

There are no significant related party transactions for Q-Free Group in Q2-17.

NOTE 13 – CONTINGENT LIABILITY

Q-Free has an ongoing discussion with one of its customers related to the invoicing principles for Q-Free deliveries prior to 2015. Q-Free has currently not sufficient certainty with regards to the resolution of these discussions and has therefore no basis for considering any provision in the accounts.

Responsibility statement from the board of directors and the CEO

The Board of Directors and the CEO have today considered and approved the condensed financial statements for the first half year of 2017 and the financial information in this report that is relevant for the first half year of 2017.

The report for the first half year of 2017 has been prepared in accordance with IAS 34 Interim Financial Statements and additional disclosure requirements as stated in the Norwegian Verdipapirhandelloven (Securities Trading Act).

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2017 gives a true and fair view of the Q-Free Group's consolidated assets, liabilities, financial position and results of operations. To the best of our knowledge the report provides a fair review of important events in the period and their effects on the condensed set of financial statements, with a description of the principal risks and uncertainties that the Q-Free Group is facing for the remaining months of the financial year that may have a material effect on financial position or results for the Q-Free Group for the period and of transactions with related parties

Oslo, 13 July 2017.

The Board of Directors and

Chief Executive Officer of Q-Free ASA

Tore Valderhaug	Chairman of the Board
Trond Valvik	Vice Chairman of the Board
Charlotte Brogren Kalberg	Member
Ragnhild Wahl	Member
Snorre Kjesbu	Member
Sissel Lillevik Larsen	Employee elected member
Rune Jøraandstad	Employee elected member
Håkon Rypørn Volldal	President & CEO

KEY INFORMATION

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Organisation number: NO 935 487 242
Founded: 1984

HQ visitors address: Strindfjordvegen 1
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Financial calendar

First quarter 2017 : 28.04.2017
Second quarter 2017 : 14.07.2017
Third quarter 2017 : 26.10.2017
Fourth quarter 2017 : 15.02.2018



LEADING THE WAY