Q1

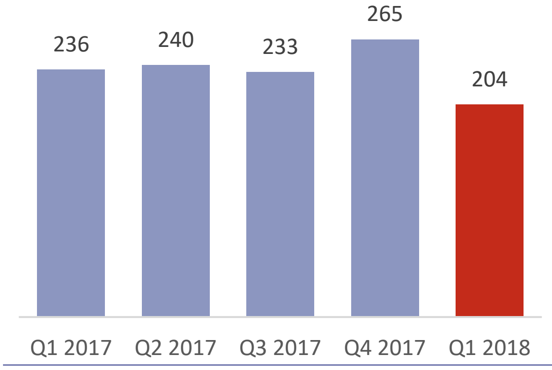
FIRST QUARTER 2018

Highlights Q1 2018

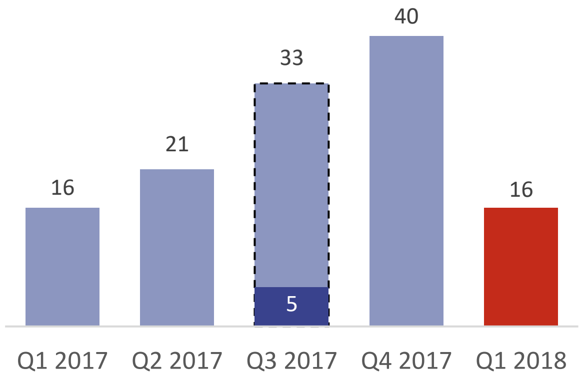
- 204 MNOK in revenues, down 13% compared to Q1 2017 due to low order intake in past quarters
- 16 MNOK in EBITDA, same as in Q1 2017. EBITDA margin improvement of 1 pp driven by operational efficiencies
- 203 MNOK in order intake, up 23% compared to Q1 2017 and a significant improvement versus previous quarters
- Slovenia Truck Tolling went live on 1 April 2018 and performs according to expectations.
- Operations in Serbia divested in Q1 2018, parking management business in Malta to be closed down by end of Q2.
- ~200 MNOK payment for Slovenia project received on 26 April. This significantly improves operating cash flow and capital structure

REVENUES LAST 5 QUARTERS

MNOK

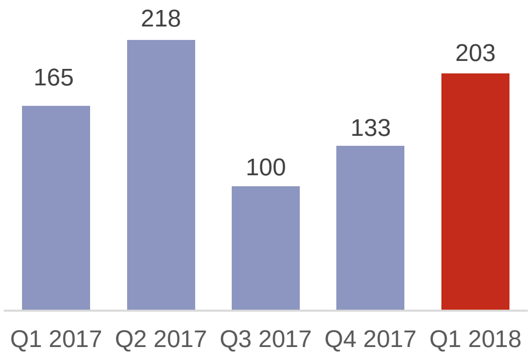


EBITDA LAST 5 QUARTERS



ORDER INTAKE LAST 5 QUARTERS

MNOK



ORDER BACK LOG LAST 5 QUARTERS

MNOK

Financial review

KEY FIGURES

NOK 1.000	Q1 2018	Q1 2017	Q/Q-%	FY 2017
Revenues	**204 225**	**235 666**	**-13,3%**	**973 475**
Gross contribution *	**137 104**	**138 573**	**-1,1%**	**591 048**
Gross margin - % *	67,1%	58,8%		60,7%
Operating expenses	120 998	122 352	-1,1%	480 634
EBITDA excl non-recurring items *	**16 106**	**16 221**	-0,7%	**110 414**
EBITDA margin excl non-recurring items *	7,9%	6,9%		11,3%
Non-recurring items *	0	0		27 823
EBITDA *	**16 106**	**16 221**	-0,7%	**82 591**
EBITDA margin *	7,9%	6,9%		8,5%
Depreciation and amortisation	12 410	14 389	-13,8%	56 488
Impairment	0	0		21 876
Operating profit - EBIT excl non-recurring items *	**3 696**	**1 832**		**32 050**
EBIT margin excl non-recurring items *	1,8%	0,8%		3,3%
Operating profit - EBIT *	**3 696**	**1 832**		**4 227**
EBIT margin *	1,8%	0,8%		0,4%
Profit before tax excl non-recurring items *	**-1 487**	**2 246**		**18 297**
Profit before tax	**-1 487**	**2 246**		**-9 526**
Profit margin excl non-recurring items *	-0,7%	1,0%		1,9%
Profit margin *	-0,7%	1,0%		-1,0%
Profit after tax from continuing operations	-3 733	-272		-11 263
Profit after tax on discontinued operations	0	0		-9 462
Profit for the period	**-3 733**	**-272**		**-20 725**
EPS	**-0,04**	**0,00**		**-0,23**

* Q-Free has with effect from Q1 2018 changed the definition of Gross Contribution. See note 11 and Alternative Performance Measures for a definition of Gross Contribution.

Profit and loss first quarter 2018

Q-Free generated revenues of 204 MNOK in the first quarter of 2018. This was 13.3 percent below the Q1 2017 level. Even if the company only recognized 22 MNOK from the Slovenia Truck Tolling contract in the quarter compared to 45 MNOK in Q1 2017, total tolling revenues of 126 MNOK were at the same level as in Q1 2017. However, revenues from the other service lines ended at 78 MNOK compared to 109 MNOK in Q1-17. Urban revenues were temporary impacted by material shortages, while parking revenues were down more than 50% due to the ongoing exit from the Parking Management business.

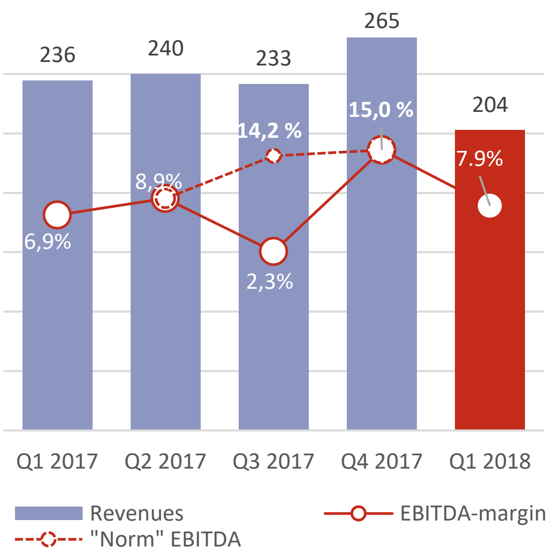
Gross contribution in the quarter ended at 137 MNOK, in line with Q1 2017. The gross margin in the quarter was up 8 percentage points YoY. The improvement is mainly explained by a conservative margin in the Slovenia Truck Tolling Project in Q1 2017, as the project at that time was in an early stage.

Operating expenses amounted to 121 MNOK, slightly down versus Q1 2017. This reflects Q-Free's strong cost control. In Q4-17 it was decided to close down operations in Serbia (Elcom) and Malta (Traffiko). Operating expenses booked in Q1-18 for running these businesses were 4,8 MNOK. A vast majority of the close-down costs including impairments were booked in Q4 2017. The Serbian business was sold in Q1 2018, and the Parking Management business in Malta will be closed own by the end of Q2-18. These actions are part of Q-Free's strategy to reduce operational complexity to ensure focus on products, services and solutions with high growth and value creation potential.

EBITDA in the first quarter ended at 16 MNOK, unchanged from Q1 2017. A higher gross margin and improved operational efficiency compensated for lower YoY revenues. The EBITDA margin improved by 1 percentage point to 7.9% from 6.9% in Q1 2017.

QUARTERLY REVENUES AND EBITDA MARGIN

MNOK & %



Depreciation and amortisation in Q1-18 ended at 12 MNOK, compared to 14 MNOK in Q1-17.

Operating profit (EBIT) ended at 4 MNOK versus 2 MNOK in Q1 2017.

Net financial items in the quarter were -5 MNOK compared to 0 MNOK in Q1 2017. The negative change is due to higher financial costs and unfavourable currency fluctuations.

Reported pre-tax profit ended at -1 MNOK, down from 2 MNOK in Q1 2017.

Earnings per share came in at -0.04 NOK in the first quarter versus 0.00 NOK in Q1-17.

Balance sheet

Total assets at the end of the first quarter were 1 111 MNOK versus 1 005 MNOK at the end of Q1-17 and up from 1 070 MNOK at the end of Q4-2017.

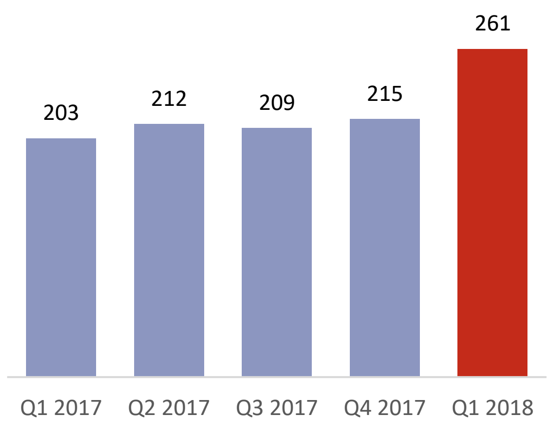
Total equity ended at 400 MNOK, down from 431 MNOK at the end of Q1-17 and 414 MNOK at the end of the fourth quarter of 2017. The equity ratio was 36 percent, down from 43 percent reported at the end of Q1-17 and 39 percent at the previous quarter.

Non-current liabilities were 211 MNOK, down from 280 MNOK reported at the end of Q1-17 and 216 MNOK at the end of Q4-17. The reduction compared to Q1-17 is explained by a 25 MNOK loan down payment to Danske Bank and 21 MNOK in reallocation of the Intelight share purchase liability to current liabilities. The remaining non-current liability to purchase shares in Intelight is estimated at 65 MNOK. Other non-current liabilities include pension schemes of 15 MNOK, long-term debt to financial institutions of 125 MNOK and 3 MNOK in deferred tax liability.

Short term interest-bearing debt to financial institutions was 230 MNOK at the end of the quarter compared to 128 MNOK at the end of Q1-17. The increase of 102 MNOK is explained by the credit line that has been drawn up to fund Slovenia and VDOT. Granted, but unused, credit facilities were 88 MNOK at the end of the first quarter of 2018.

Net Interest bearing debt ended at 261 MNOK, up 58 MNOK from 203 MNOK Q1-17. Net interest bearing debt increased by 46 MNOK in the quarter amid 47 MNOK in negative net working capital effects where around 50% is explained by the Slovenia project.

QUARTERLY NIBD



Current liabilities were 501 MNOK at the end of the first quarter, up from 293 MNOK at the end of Q1-17 and 440 MNOK at the end of Q4-17. The net increase of 60 MNOK compared to the previous quarter is mainly explained by a VAT liability connected with the final invoice in the Slovenia-project of 45 MNOK, increased contract liabilities of 16 MNOK, increased debt to financial institutions of 26 MNOK and a decrease in accounts payable of 28 MNOK. The VAT liability to Slovenia will be 100% funded by the customer (same amount is reflected in receivables).

Net working capital (defined as current assets excluding cash less current liabilities, and excluding short-term overdraft facilities) amounted to 272 MNOK at the end of the first quarter. The corresponding figure at the end of Q1-17 was 221 MNOK. Net working capital equalled 29 percent of last 12 months' revenues compared to 25 percent at the end of Q1-17. The increase is fully explained by the payment conditions in the Slovenia Truck Tolling project.

Cash flow

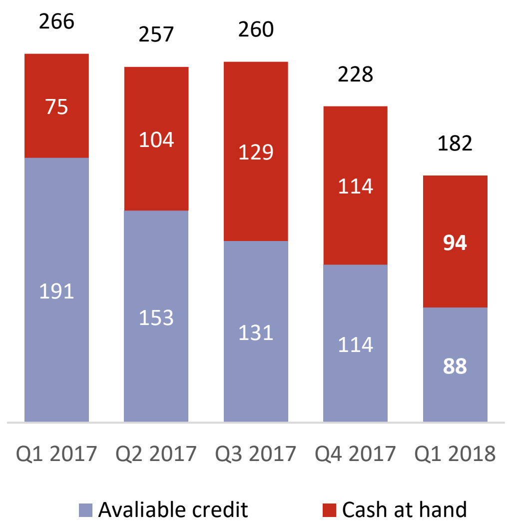
Net cash flow from operating activities was -42 MNOK in the first quarter of 2018, compared to -68 MNOK in the corresponding quarter of 2017. On 29 March Q-Free issued the final invoice of around 21 MEUR plus VAT, which is due for payment in late April.

Net cash flow from investment activities was -8 MNOK in Q1-18 compared to -3 MNOK in Q1-17.

Net cash flow from financing activities was 31 MNOK versus 48 MNOK in Q1-17. The proceeds from new loans in Q1-18 were spent on financing the working capital need for the Slovenia project and the Inter-Urban VDOT project in the US.

QUARTERLY AVAILABLE CREDIT AND CASH AT HAND

MNOK



The net change in available cash and credit in the period was -46 MNOK, reflecting the negative free cash flow in the period. Q-Free had 182 MNOK in available funds at the end of Q1-18. The reduction in available funds over the last quarters is explained by the working capital requirements for the Slovenia project. The funding structure and trend will change significantly once the receivable for this project is collected.

Order intake and backlog

Total order intake in the first quarter of 2018 was 203 MNOK compared to 165 MNOK in Q1-17. The significant increase was due to signing of several tag contracts, image based (ALPR) contracts in the USA and good intake of smaller contracts. 86 MNOK were announced orders, 117 MNOK were unannounced orders

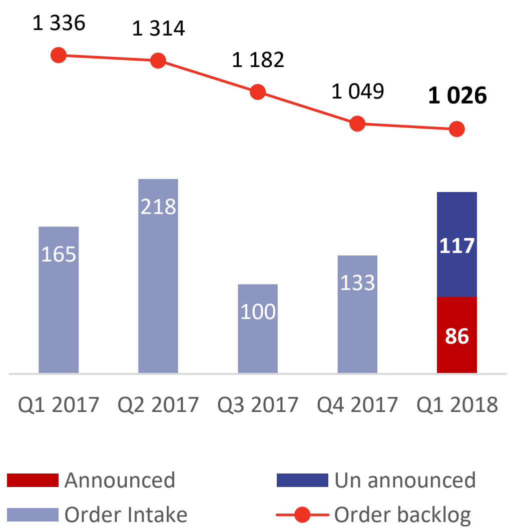
The order backlog at the end of Q1-18 was 1 026 MNOK, down from 1 336 MNOK at the end of the first quarter of 2017 and also down from 1 049 MNOK in Q1-17. The backlog was adjusted with 20 MNOK in negative currency effects related to EURO- & USD-contracts and also a small negative amount from de-consolidating the sold Serbian entity.

Even after the delivery of the Slovenia project, the backlog is at a high historical level. 364 MNOK is expected to be delivered during 2018, 268 MNOK in 2019, and 394 MNOK from 2020 and onwards.

In terms of revenue mix, the order backlog is composed of 16% product deliveries, 39% service and maintenance contracts and 45% system projects.

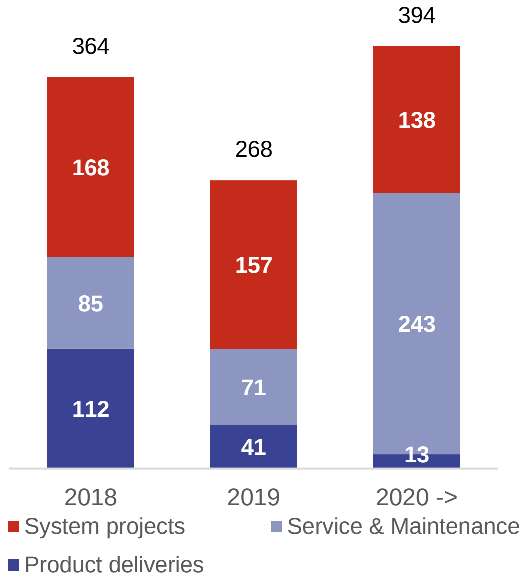
ORDER BACKLOG AND ORDER INTAKE END OF Q1-18

MNOK



ORDER BACKLOG COMPOSITION Q1-18

MNOK



Segment overview

Q-Free has decided to change its segment reporting as of the first quarter of 2018 to better reflect how the company is organised and improve the transparency of its reporting.

Today, the company has five main offerings or service lines; Tolling, Parking, Infomobility, Urban and Inter-Urban. Tolling, Parking and Infomobility products and solutions are sold globally, whereas Urban and Inter-Urban products and solutions are predominantly sold in North America.

Revenues per segment will be broken down on our three main geographic regions: EUROPE, AMERICAS and APMEA, as communicated in the fourth quarter 2017 report.

Group expenses that are not relevant to allocate to one or more of the five segments will be reported as Global Functions.

Q-Free structure per Q1 2018:

	Tolling	Parking	Infomobility	Urban	Inter-urban	Global Functions
OFFERING	Electronic toll collection systems (Multi lane free-flow, truck tolling, congestion charging, etc.) DSRC tags and readers ALPR/ANPR and image based solutions	Parking guidance systems Parking access control	Weigh in motion Traffic counters Cycle & pedestrian detection Journey time monitoring Weather & air-quality monitoring	Local intersection/ traffic controllers Centralized traffic controller SW Cooperative ITS solutions	Advanced Traffic Management systems Traffic Information Systems Ramp metering Truck parking	Management and board expenses Group Finance Corporate services
KEY MARKETS	**Europe** Norway Sweden Portugal Slovenia France Spain Russia **Americas** USA Chile **APMEA** Thailand Australia Indonesia South Africa	**Europe** France Norway Slovenia Portugal **Americas** USA Canada Chile **APMEA** Thailand Australia	**Europe** UK Norway Sweden Denmark **Americas** USA Canada LATAM **APMEA** Thailand Australia Indonesia	**Americas** USA Canada **APMEA** Australia	**Europe** Slovenia **Americas** USA Mexico	

Segment review

SEGMENT REVIEW Q1-18 v/s Q1-17

(MNOK)	Q1-18 REVENUES	YoY GROWTH	ORDER INTAKE	YoY GROWTH	ORDER BACKLOG	YoY GROWTH
TOLLING	126	0 %	141	27 %	787	-26 %
PARKING	10	-55 %	14	33 %	19	8 %
INFOMOBILITY	20	13 %	17	222 %	16	26 %
URBAN	20	-46 %	17	-51 %	37	-21 %
INTER URBAN	28	-13 %	14	333 %	168	-17 %
TOTAL	**204**		**203**		**1 026**	

(MNOK)

REVENUES Q1-18	TOLLING	PARKING	INFOMOBILITY	URBAN	INTER-URBAN	Q1 2018
EUROPE	102	5	20	0	7	**134**
APMEA	12	0	0	0	0	**13**
AMERICAS	12	5	0	20	20	**57**
TOTAL	**126**	**10**	**20**	**20**	**28**	**204**

REVENUES Q1-17	TOLLING	PARKING	INFOMOBILITY	URBAN	INTER-URBAN	Q1 2017
EUROPE	105	11	13	0	6	**136**
APMEA	15	2	3	0	0	**21**
AMERICAS	6	9	1	37	25	**79**
TOTAL	**126**	**22**	**18**	**37**	**32**	**236**

TOLLING

DSRC TAGS & READERS
ALPR/ANPR SOLUTIONS
ELECTRONIC TOLL COLLECTION
CONGESTION CHARGING

REVENUES AND MARGINS

Quarterly tolling revenues amounted to 126 MNOK, in line with Q1-17. In EUROPE, strong tag sales compensated for a reduction in revenues from Slovenia from 45 MNOK in Q1-17 to 22 MNOK in Q1-18. Revenues in Americas doubled as Q-Free has successfully sold several image-based (ALPR) solutions in 2017 that generate increasing recurring revenues in 2018. APMEA revenues are mainly composed of tag and system sales in Thailand and Australia, where activities in the quarter were somewhat lower than in Q1-17.

In terms of the tolling revenue mix, Q-Free had 38 MNOK in service and maintenance revenues in the quarter, 45 MNOK in System projects, and product sales of 44 MNOK.

Tolling achieved an EBITDA of 30 MNOK in the first quarter of 2018, up from 13 MNOK in Q1-17. This is mainly explained by higher recognised project margin in Slovenia and a favourable product mix.

ORDER SITUATION

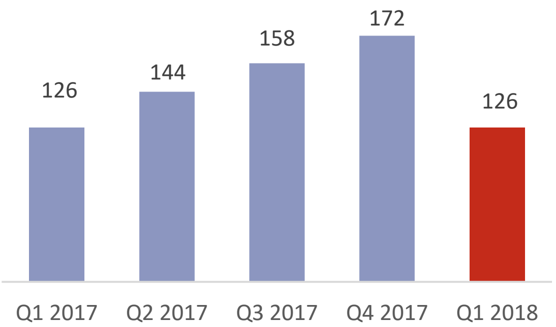
Q-Free booked tolling orders of 141 MNOK in the quarter. This gave a book to bill ratio of 1.1. Key wins included a tag order in Australia of 26 MNOK, image based solution contracts in the US of 46 MNOK, and a tag contract in Thailand of 14 MNOK.

Of the Tolling backlog, 30% is planned for delivery in 2018, 23% in 2019 and 47% in 2020 and beyond. Tags and product deliveries represent 15% and are typically sold with short lead-times, while the remaining 75% of the backlog is system projects and Service & Maintenance contracts.

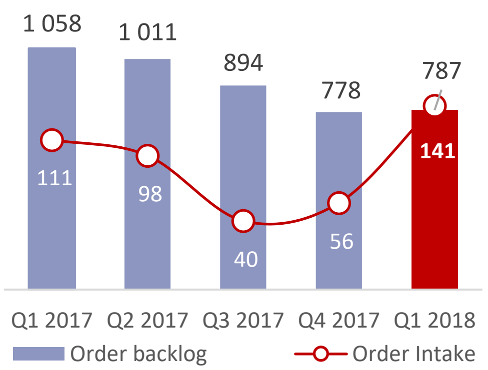
TOLLING REVENUES AND EBITDA
MNOK

	Q1-17	Q1-18
EUROPE	105	102
APMEA	15	12
AMERICAS	6	12
Total Revenues	**126**	**126**
EBITDA	**13**	**30**

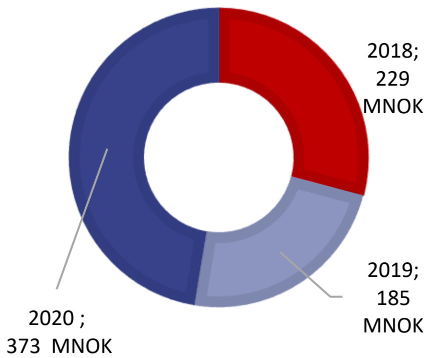
LAST 5 QUARTERS TOLLING REVENUES
MNOK & %



TOLLING ORDER BACKLOG & ORDER INTAKE
MNOK



TOLLING ORDER BACKLOG DISTRIBUTION
MNOK



PARKING
PARKING GUIDANCE
PARKING ACCESS CONTROL

REVENUES AND MARGINS

Quarterly parking revenues were 10 MNOK, down from 22 MNOK in Q1-17. The decline is due to the ongoing exit from the parking management business that was communicated in Q4-17. Revenues in the quarter came from deployment of parking guidance solutions in AMERICAS and EUROPE (mostly in France).

Parking reported EBITDA of -5.5 MNOK in the quarter compared to 4 MNOK in Q1-17. The profitability in Parking will improve once the costs related to Parking Management have been removed. Parking EBITDA is currently also impacted by ongoing investments in next generation parking guidance solutions. Q-Free expects to broaden its market presence once these solutions are launched later this year.

ORDER SITUATION

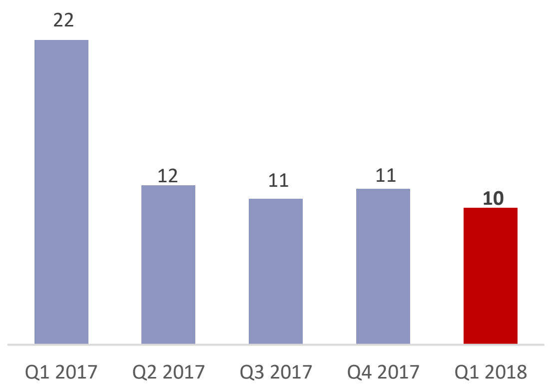
The order intake in the quarter was 14 MNOK, up from 10 MNOK in Q1-17. Q-Free won several parking guidance contracts in AMERICAS and EUROPE.

Most of the backlog of parking orders is due for deliveries in the coming 2 to 6 months. The parking segment has a short turnaround time and often executes won orders within a quarter. The current orders are mainly to customers in North America, but we see increasing interest in Australia and in the Nordics.

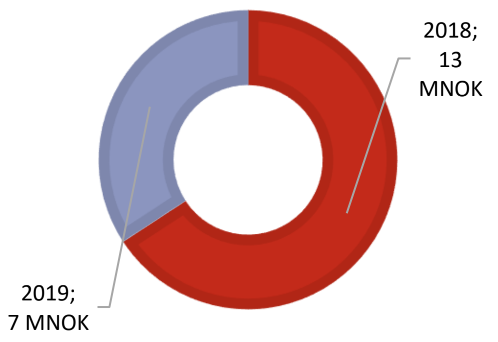
PARKING REVENUES AND EBITDA
MNOK

	Q1-17	**Q1-18**
EUROPE	11	5
APMEA	2	0
AMERICAS	9	5
Total Revenues	**22**	**10**
EBITDA	**4**	**-5**

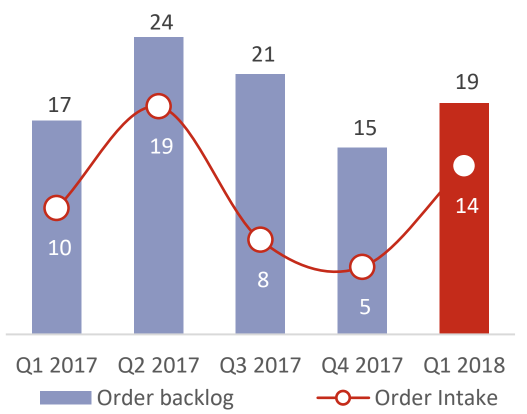
LAST 5 QUARTERS PARKING REVENUES
MNOK



PARKING ORDER BACKLOG DISTRIBUTION
MNOK



PARKING ORDER BACKLOG & ORDER INTAKE
MNOK



INFOMOBILITY

WEIGH IN MOTION
TRAFFIC COUNTERS
CYCLE & PEDESTRIAN DETECTION
JOURNEY TIME MONITORING
WEATHER & AIR-QUALITY MONITORING

REVENUES AND MARGINS

The first quarter showed infomobility revenues of 20 MNOK, up 2 MNOK from 18 MNOK in Q1-17. Although quarterly revenues will fluctuate depending on call-offs on frame agreements, the infomobility segment has over the last two quarters gained significant momentum.

Reported EBITDA was 5 MNOK in Q1-18 compared to 4 MNOK Q1-17.

ORDER SITUATION

Q-Free booked 17 MNOK in order intake from infomobility in Q1-18, up 12 MNOK from Q1-2017. New distributors in North America have been signed up, which in turn have secured several frame agreements and therefore a higher activity level.

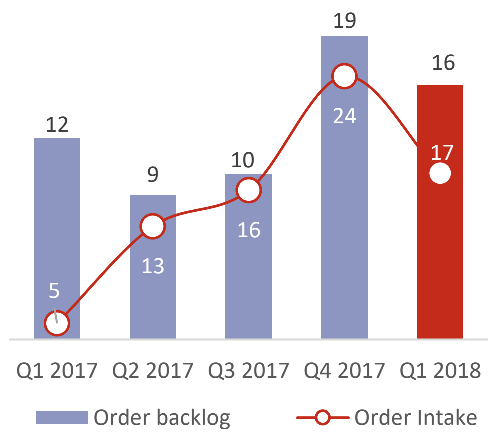
The order backlog increased to 16 MNOK from 12 MNOK in Q1-17. The business normally consists of small and medium sized orders, with a turnaround time of 4-8 weeks. All orders in the backlog will be executed during 2018.

INFOMOBILITY REVENUES AND EBITDA
MNOK

	Q1-17	Q1-18
EUROPE	13	20
APMEA	3	0
AMERICAS	1	0
Total Revenues	**18**	**20**
EBITDA	**4**	**5**

LAST 5 QUARTERS INFOMOBILITY REVENUES
MNOK

INFOMOBILITY ORDER BACKLOG & ORDER INTAKE
MNOK



URBAN

TRAFFIC CONTROLLERS
CENTRALIZED TRAFFIC CONTROLLER SW
CO-OPERATIVE ITS

REVENUES AND MARGINS

Q1-18 urban revenues were 20 MNOK, down from 37 MNOK in Q1-17. Last year had high revenues in the first quarter, but revenues in Q1-18 were also temporarily impacted by shortage of components that prevented shipments of traffic controllers. We expect the situation to normalize shortly.

The EBITDA of -6 MNOK in the quarter compared to 4 MNOK in Q1-17 was a consequence of low sales and close down of Serbia. With the concluded exit from Serbia and a normalized supply chain, we expect profitability to improve significantly.

ORDER SITUATION

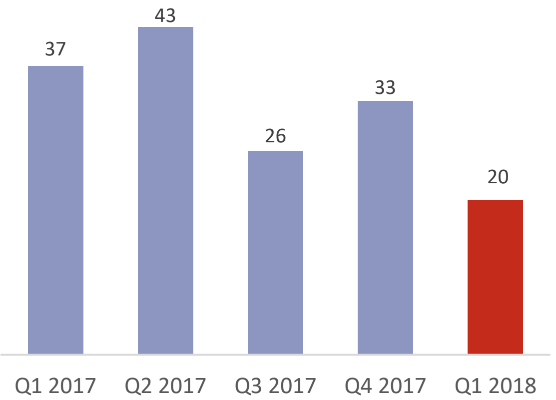
Order intake in the quarter was 17 MNOK compared to 35 MNOK in Q1-17. Several potential contracts were postponed to coming quarters.

The order backlog remained stable at 37 MNOK. All orders in the backlog will be executed during 2018.

URBAN REVENUES AND EBITDA
MNOK

	Q1-17	Q1-18
EUROPE	0	0
APMEA	0	0
AMERICAS	37	20
Total Revenues	**37**	**20**
EBITDA	**4**	**-6**

LAST 5 QUARTERS URBAN REVENUES
MNOK



URBAN ORDER BACKLOG & ORDER INTAKE
MNOK

INTER-URBAN

ADVANCED TRAFFIC MANAGEMENT
TRAFFIC INFORMATION
RAMP METERING
TRUCK PARKING

REVENUES AND MARGINS

Q1-18 inter-urban revenues amounted to 28 MNOK, down from 32 MNOK in Q1-17. Revenues were down YoY due to phasing of V-DOT deliveries.

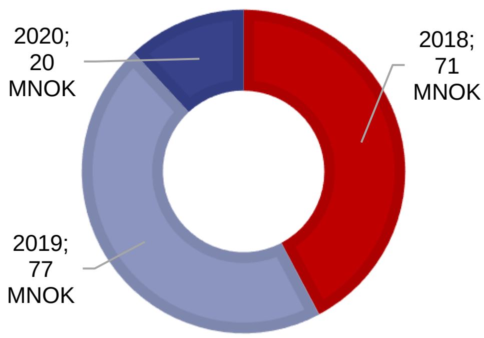
The EBITDA in the quarter ended at 4 MNOK compared to 5 MNOK in Q1-17. The EBITDA reduction is explained by lower revenues.

ORDER SITUATION

Order intake in the quarter was 14 MNOK compared to 3 MNOK in Q1-17.

The order backlog mainly reflects scheduled deliveries to VDOT in 2018 and 2019 plus projects for numerous other states. The backlog at the end of the first quarter 2018 was adjusted with approximately 15 MNOK in negative currency effects related to USD-contracts

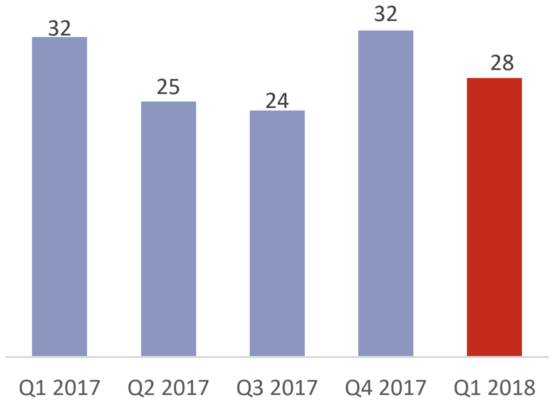
INTER URBAN ORDER BACKLOG DISTRIBUTION
MNOK



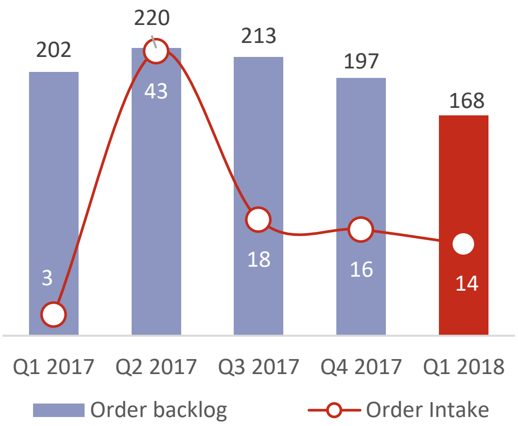
INTER-URBAN REVENUES AND EBITDA
MNOK

	Q1-17	Q1-18
EUROPE	6	7
APMEA	0	0
AMERICAS	25	20
Total Revenues	**32**	**28**
EBITDA	**5**	**4**

LAST 5 QUARTERS INTER-URBAN REVENUES
MNOK



INTER-URBAN ORDER BACKLOG & ORDER INTAKE
MNOK



Outlook

In the first quarter of 2018, Q-Free demonstrated that the company now has a financially more robust and flexible model than in a long time. Even with a YoY revenue decline of 13 percent, the company maintained its nominal EBITDA. The increased robustness is a result of continuous cost and portfolio optimization. The divestment of the Serbian business and ongoing exit from the Parking Management business clearly demonstrate Q-Free's continued commitment to manage costs to allow for fluctuations in revenues.

The Slovenia truck tolling system was taken over by the customer on March 28th 2018 and went live on 1 April. The system performs according to expectations. Consequently, Q-Free invoiced the delivery of the system and received approximately 200 MNOK in payment on 26 April. This significantly improves the company's operating cash flow, capital structure and available financing.

With the delivery of the demanding Slovenia truck tolling project, Q-Free is now in a position to shift focus to other opportunities. Bid and tender activity is at a record high level, and the company is targeting several large and medium-sized contracts that will be awarded in the coming two quarters. To the extent Q-Free is awarded some of these contracts, positive revenue impact and margin expansion may be experienced already in the second half of 2018.

Financial overview

The condensed interim consolidated financial statements per 31.03.18 (unaudited):

INTERIM CONSOLIDATED INCOME STATEMENT

NOK 1.000	Note	Q1 2018	Q1 2017	FY 2017
Revenues	7,8	204 225	235 666	973 475
Cost of goods sold	11	44 243	74 794	278 493
Contractors *	11	22 878	22 299	103 934
Personnel expenses		80 675	85 065	318 730
Other operating expenses	11	40 323	37 287	189 727
Total operating expenses		188 119	219 445	890 884
EBITDA *	7	16 106	16 221	82 591
Depreciation and amortisation	9	12 410	14 389	56 488
Impairment	9	0	0	21 876
EBIT *	7	3 696	1 832	4 227
Financial income	10	12 047	7 240	29 583
Financial expenses	10	-17 230	-6 826	-43 336
Net financial items		-5 183	414	-13 753
Profit before tax		-1 487	2 246	-9 526
Tax expenses		-2 246	-2 518	-1 737
Profit after tax from continuing operations		-3 733	-272	-11 263
Profit after tax on discontinued operations	12	0	0	-9 462
Profit for the period		-3 733	-272	-20 725
Attributable to :				
Equity holders of the parent		-3 733	-272	-20 725
Profit		-3 733	-272	-20 725
Number of employees		393	423	415
Gross margin *		67,1 %	58,8 %	60,7 %
EBITDA margin *		7,9 %	6,9 %	8,5 %
EBIT margin *		1,8 %	0,8 %	0,4 %
Profit margin		-0,7 %	1,0 %	-1,0 %
EPS (NOK)		-0,04	0,00	-0,23
EPS, diluted (NOK)		-0,04	0,00	-0,23

* See Alternative Performance Measures for definitions.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK 1.000	Note	Q1 2018	Q1 2017	FY 2017
Profit for the period		-3 733	-272	-20 725
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations		-10 752	4 195	7 965
Net (loss)/gain on available-for-sale financial assets		0	0	-8
- Income tax effect		0	0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:		-10 752	4 195	7 957
Total comprehensive income for the period		-14 485	3 923	-12 768
Attributable to :				
Equity holders of the parent		-14 485	3 923	-12 768
Total comprehensive income for the period		**-14 485**	**3 923**	**-12 768**

FREE

BALANCE SHEET – ASSETS

NOK 1.000	Note	31.03.2018	31.12.2017	30.09.2017	30.06.2017	31.03.2017
Development	9	142 635	148 632	157 496	168 852	175 943
Goodwill	9	294 014	305 380	303 469	315 265	316 361
Deferred tax assets		13 501	16 864	12 038	13 420	13 546
Total intangible assets		450 150	470 876	473 003	497 537	505 850
Machinery, fixtures and fittings	9	21 738	22 367	24 481	24 567	28 349
Total fixed assets		21 738	22 367	24 481	24 567	28 349
Shares		387	387	387	395	395
Other long term receivables		2 168	2 147	1 808	1 461	1 225
Total financial fixed assets		2 555	2 534	2 195	1 856	1 620
Total non - current assets		474 443	495 777	499 679	523 960	535 819
Inventories		62 961	65 453	62 120	68 990	69 381
Total inventories		62 961	65 453	62 120	68 990	69 381
Accounts receivables		402 315	130 487	136 155	137 943	150 698
Contract assets		47 162	227 154	169 305	146 998	131 699
Other receivables		29 806	37 868	39 642	40 360	35 296
Total receivables		479 283	395 509	345 102	325 301	317 693
Cash		94 375	113 633	129 258	103 590	74 973
Total current assets		636 619	574 595	536 480	497 881	462 047
Assets held for sale	12	0	0	7 524	7 524	7 524
Total assets		**1 111 062**	**1 070 372**	**1 043 683**	**1 029 365**	**1 005 390**

BALANCE SHEET - EQUITY & LIABILITIES

NOK 1.000	Note	31.03.2018	31.12.2017	30.09.2017	30.06.2017	31.03.2017
Subscribed share capital		33 905	33 905	33 905	33 905	33 905
Share premium reserve		578 307	578 307	578 307	578 307	578 307
Other paid in capital		20 699	20 628	20 529	20 529	20 529
Total paid in capital		632 911	632 840	632 741	632 741	632 741
Other equity		-233 094	-218 609	-224 108	-198 739	-201 918
Total retained equity		-233 094	-218 609	-224 108	-198 739	-201 918
Total equity		399 817	414 231	408 633	434 002	430 823
Deferred tax		3 433	4 956	13 551	14 490	14 658
Debt to financial institutions		125 000	125 000	150 000	150 000	150 000
Other non-current liabilities		82 136	85 986	109 660	113 744	115 818
Total non-current liabilities		210 569	215 942	273 211	278 234	280 476
Debt to financial institutions		230 178	203 691	188 524	165 423	127 658
Accounts payable		60 989	89 272	63 943	69 039	74 668
Tax payable		2 699	3 342	415	511	273
Public duties payable		59 987	14 541	15 043	14 285	10 679
Contract liabilities		27 294	11 693	11 272	11 110	20 149
Other short term debt		119 529	117 660	81 905	56 024	59 927
Total current liabilities		500 676	440 199	361 102	316 392	293 354
Total liabilities		711 245	656 141	634 313	594 626	573 830
Liabilities held for sale	12	0	0	737	737	737
Total equity and liabilities		**1 111 062**	**1 070 372**	**1 043 683**	**1 029 365**	**1 005 390**

CASH FLOW STATEMENT

NOK 1.000	Note	Q1 2018	Q1 2017	FY 2017
Profit before tax		-1 487	2 246	-9 526
Paid taxes		-1 960	-1 563	-7 570
Depreciation and impairment of property, plant and equipment	9	2 788	3 745	17 121
Amortisation and impairment of intangible assets	9	9 622	10 644	61 243
Shares valued at fair value		0	0	-8
Cost of share-based payment		71	0	99
Working capital adjustments:				
Changes in receivables and prepayments from customers		-256 227	199	11 954
Changes in inventory		2 492	-3 054	874
Changes in accounts payables		-28 283	-25 541	-10 937
Changes in contract assets		179 992	-55 892	-151 347
Changes in other balance sheet items		50 997	965	38 760
Net cash flow from operations		-41 995	-68 251	-49 337
Investments in intangible assets	9	-5 954	-5 346	-24 285
Investments in tangible assets	9	-2 159	-1 105	-5 828
Acquisition of a subsidiary, net of cash acquired		0	0	-33
Cash flow from discontinued operations	12	0	3 617	-835
Net cash flow from investments		-8 113	-2 834	-30 981
Proceeds from new loans		30 850	48 201	137 476
Down payments of debt to financial institutions		0	0	-40 614
Other financial items		0	0	-5 220
Net cash flow from financing		30 850	48 201	91 642
Net change in cash and cash equivalent		-19 258	-22 884	11 324
Cash and cash equivalents per 01.01.		113 633	101 474	101 474
Transferred to Assets held for sale	12	0	-3 617	835
CASH AND CASH EQUIVALENTS		**94 375**	**74 973**	**113 633**

STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the parent							
NOK 1.000	Share capital	Share premium reserves	Other paid in Capital	Other equity	Foreign currency translation reserve	Actuarial gains and losses	Available-for-sale reserve	Total
Equity per 31.12.17	33 905	578 307	20 628	-302 905	84 367	0	-71	414 231
Total comprehensive income for the period	0	0	0	-3 733	-10 752	0	0	-14 485
Cost of share-based payment	0	0	71	0	0	0	0	71
Equity per 31.03.18	**33 905**	**578 307**	**20 699**	**-306 638**	**73 615**	**0**	**-71**	**399 817**
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	-272	4 195	0	0	3 923
Reclassification	0	0	0	-12 017	0	12 017	0	0
Equity per 31.03.17	33 905	578 307	20 529	-270 435	80 597	-12 017	-63	430 823

KEY FIGURES

	Note	**Q1 2018**	**Q1 2017**	**FY 2017**
Operating profit / EBIT per share (NOK) *		0,04	0,02	0,05
Operating margin (%) *		1,8 %	0,8 %	0,4 %
EPS (NOK)		-0,04	0,00	-0,23
EPS, diluted (NOK)		-0,04	0,00	-0,23
Cash flow per share (NOK)		-0,47	-0,76	-0,55
Equity per share (NOK)		4,48	4,83	4,64
Equity ratio (%)		35,5 %	42,9 %	38,7 %
Average number of shares		89 223 446	89 223 446	89 223 446
Average number of shares diluted		91 300 327	89 854 274	90 214 797

* See Alternative Performance Measures for definitions.

Notes to the condensed interim financial statements Q1 2018

NOTE 1 - GENERAL

The consolidated condensed interim financial statements for the first quarter 2018 (unaudited) were approved by the Board of Directors at its meeting on 26 April 2018.

The Q-Free Group provides leading technology solutions to the global ITS market. Q-Free has 393 employees, is headquartered in Trondheim Norway, and has local offices in 18 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 Q1 2018, 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 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 2017. The consolidated financial statements for 2017 are 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 Q1 2018 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 2017, with the exception of IFRS 15: Recognition of revenues and IFRS 9: Accounts receivable and other receivables.

Implementation of IFRS 15 Revenue from Contracts with Customers

The Q-Free Group has adopted IFRS 15 Revenue from Contracts with Customers for reporting periods beginning on and after 1 January 2018. IFRS 15 has replaced IAS 18 Revenue and IAS 11 Construction Contracts. The new Standard establishes a new set of principles that shall be applied to report information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Q-Free Group has not identified a any significant impact to the Group's statement of financial position and equity as a result of implementation of the new standard. As a result, these interim financial statements do not include detailed disclosures of the amounts by which line items are affected by the application of IFRS 15 compared to revenue standards no longer in effect.

The contracts with customers have been analysed based on the following split of the revenues:

Product deliveries
Revenues 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.

Service & Maintenance
Revenues relating to service and maintenance contracts is recognised over time. Revenue is recognised by measuring progress towards completion of the performance obligation, and input methods like cost incurred is used to measure progress.

System projects
Revenues relating to system projects is recognised over time since an asset that has no alternative use is being developed and the Group is entitled to payment for work performed at any time. In most contracts, there will be two performance obligations, which is system delivery (both hardware installations and software deliveries) and service and maintenance. Revenue is recognised by measuring progress towards completion of the performance obligation, and input methods like cost incurred will be used to measure progress. In some contracts, variable remuneration may affect the timing of revenue recognition.

Implementation of IFRS 9 Financial instruments

The Q-Free Group has adopted IFRS 9 Financial instruments for reporting periods beginning on and after 1 January 2018. IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement. The new standard sets out new requirements for the accounting of financial instruments including classification, measurement, impairment and hedge accounting.

The Q-Free Group applies an expected credit loss model when calculating impairment losses on its trade receivables and contract assets.

The Q-Free Group has decided to classify all of its equity investments as being fair value through other comprehensive income under IFRS 9.

NOTE 4 – USE OF ESTIMATES

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.

NOTE 5 – EVENTS AFTER THE BALANCE SHEET DAY

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 Q-Free 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.

NOTE 7 – OPERATING SEGMENTS

Operating segments are aligned with internal reporting to Q-Free Management. The structure also determines how resources and investments are allocated within the Group. The operating segments are determined based on differences in the nature of the operations, solutions, products and services. Q-Free manages its operations in five segments plus global functions:

ACTUAL Q1-2018

INTERIM CONSOLIDATED INCOME STATEMENT

NOK 1.000	Tolling	Parking	Info	Urban	Inter Urban	Global functions	Q1 2018
EUROPE	102 247	4 544	19 615	358	7 469		134 233
APMEA	11 851	423	295	-	-		12 570
AMERICAS	12 338	5 076	0	19 776	20 232		57 423
Revenues	**126 437**	**10 044**	**19 910**	**20 134**	**27 701**	**0**	**204 225**
Cost of goods sold	21 781	4 052	6 888	10 782	740		44 243
Contractors	17 574	949	345	1 393	2 618		22 878
Gross contribution	**87 083**	**5 043**	**12 677**	**7 958**	**24 343**	**0**	**137 104**
Gross margin	68,9 %	50,2 %	63,7 %	39,5 %	87,9 %		67,1 %
Operating expenses	57 287	10 511	7 496	13 605	20 742	11 357	120 998
EBITDA	**29 796**	**-5 468**	**5 181**	**-5 646**	**3 601**	**-11 357**	**16 107**
EBITDA margin	23,6 %	-54,4 %	26,0 %	-28,0 %	13,0 %		7,9 %
Depreciation	2 251	786	1 387	917	2 076		7 416
Amortization of intangible assets	0	554	1 265	2 622	554		4 994
EBIT	**27 545**	**-6 807**	**2 528**	**-9 185**	**972**	**-11 357**	**3 696**
EBIT margin	21,8 %	-67,8 %	12,7 %	-45,6 %	3,5 %		1,8 %

ACTUAL Q1-2017

INTERIM CONSOLIDATED INCOME STATEMENT

NOK 1.000	Tolling	Parking	Info	Urban	Inter Urban	Global functions	Q1 2017
EUROPE	104 967	11 120	12 948	473	6 499		136 007
APMEA	15 306	2 089	3 488	-12	0		20 871
AMERICAS	6 162	9 135	1 212	37 020	25 259		78 788
Revenues	**126 435**	**22 344**	**17 648**	**37 481**	**31 758**	**0**	**235 666**
Cost of goods sold	39 746	7 749	5 920	20 554	1 284		75 254
Contractors	15 926	1 004	324	165	4 880		22 299
Gross contribution	**70 763**	**13 591**	**11 404**	**16 762**	**25 594**	**0**	**138 114**
Gross margin	56,0 %	60,8 %	64,6 %	44,7 %	80,6 %		58,6 %
Operating expenses	58 140	9 724	7 184	12 714	20 107	14 019	121 888
EBITDA	**12 622**	**3 867**	**4 221**	**4 048**	**5 488**	**-14 019**	**16 221**
EBITDA margin	10,0 %	17,3 %	23,9 %	10,8 %	17,3 %		6,9 %
Depreciation	3 052	1 503	1 320	997	2 263		9 135
Amortization of intangible assets	0	596	1 212	2 849	596		5 254
EBIT	**9 570**	**1 767**	**1 688**	**202**	**2 629**	**-14 019**	**1 832**
EBIT margin	7,6 %	7,9 %	9,6 %	0,5 %	8,3 %		0,8 %

Tolling	- DSRC tags and readers, ALPR and image based solutions, Electronic toll collection systems (Multilane free-flow, truck tolling, congestion charging, etc.).
Parking	- Parking guidance systems and Parking Access control
Infomobility	- Traffic, bicycle & pedestrian detection and counting, Weigh in motion, Journey time monitoring, Weather & air-quality monitoring.
Urban	- Local intersection/traffic controllers, Centralised traffic controller SW, Cooperative ITS solutions.
Inter-urban	- Advanced Traffic Management systems, Traffic Information Systems, Ramp Metering, Truck Parking.
Global Functions	- Corporate services, management and group finance at the Q-Free HQ.

Tolling, Parking and Infomobility solutions are sold globally, whereas Urban and Inter-Urban is predominantly sold in North America.

NOTE 8 – DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

NOK 1.000

Disaggregation of revenue from contracts with customers	Q1 2018	Q1 2017	FY 2017
Product deliveries	72 848	87 994	381 092
Service & Maintenance	44 080	43 158	174 412
System projects	87 297	104 514	417 971
Revenue from contracts with customers	**204 225**	**235 666**	**973 475**
Other income	0	0	0
Total operating income	**204 225**	**235 666**	**973 475**

NOTE 9 – DEPRECIATIONS, AMORTISATIONS AND IMPAIRMENTS

NOK 1.000

Depreciation, amortisation and impairment	Q1 2018	Q1 2017	FY 2017
Amortisation of capitalised development cost	4 628	5 391	20 499
Amortisation of capitalised acquired development cost	4 994	5 253	20 973
Impairment of development cost and Goodwill	0	0	19 771
Depreciation of other fixed assets	2 788	3 745	15 016
Impairment of other fixed assets	0	0	2 105
Total	**12 410**	**14 389**	**78 364**

Specifications of capitalised expenditures, balance sheet	Q1 2018	Q1 2017	FY 2017
Capitalised development cost	5 954	5 346	24 285
Other fixed assets	2 159	1 105	5 828
Total	**8 113**	**6 451**	**30 113**

The impairment in 2017 is related to the exit of Serbia (Elcom) and parking management (Traffiko).

NOTE 10 – FINANCIAL ITEMS

NOK 1.000

Financial items	Q1 2018	Q1 2017	FY 2017
Realised agio / disagio	804	514	-1 234
Unrealised agio / disagio	-1 836	2 389	7 431
Change in other liabilities *	-175	0	-4 273
Other financial income	752	1 082	3 518
Other financial expenses	-4 473	-3 571	-19 195
Total	**-4 928**	**414**	**-13 753**

* Change in other liabilities in 2017 is explained by a revised estimate on liability for purchase of remaining shares on Intelight Inc and liabilitiy related to pension schemes. The estimated liability for purchase of remaining shares in Intelight Inc as at 31.03.18 is 86 MNOK. For further information see Note 6 and 18 in the Annual Report 2017.

NOTE 11 – RECLASSIFICATION

The presentation of the consolidated financial statements is changed in 2018. Contractors defined as external consultants and/or services that are consumed under project executions and service and maintenance work are now presented separately in the financial statements. Contractors was previously mainly reported under Other operating expenses. A small portion was included in Cost of goods sold.

The table below shows the changes regarding reclassification in 2017 figures.

Operating expenses	Q1 2017 before reclassification	Reclassification	Q1 2017	FY 2017 before reclassification	Reclassification	FY 2017
Cost of goods sold	77 404	-2 610	74 794	287 833	-9 340	**278 493**
Contractors	0	22 299	22 299	0	103 934	**103 934**
Personnel expenses	85 065	0	85 065	318 730	0	**318 730**
Other operating expenses	56 976	-19 689	37 287	284 321	-94 594	**189 727**
Total operating expenses	**219 445**	**0**	**219 445**	**890 884**	**0**	**890 884**

NOTE 12 – 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 the Group'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. The 2017 loss in discontinued operations represented the Group's understanding of the final impact. There are no transactions in Q1 2018. See note 30 in the Annual Report 2017 for further information.

NOTE 13 – RISK FACTORS

Q-Free is an international technology company exposed to several different risk factors.
The risk factors and the main risk-mitigation actions and measures are all outlined in the Annual Report 2017, note 4.

NOTE 14 – RELATED PARTY TRANSACTIONS

There are no significant related party transactions for the Q-Free Group in Q1-18.

ALTERNATIVE PERFORMANCE MEASURES

The Group presents some financial performance measures in its interim 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. Performance measures not defined according to IFRS, unless otherwise stated, are presented in the tables below.

Gross contribution:
Defined as revenues reduced with cost of goods sold and contractors. Contractors are included in Gross Contribution since the cost for these services are heavily correlated with project and service revenues.

Contractors:
External consultants and / or services that are consumed under project executions and service and maintenance work.

Gross margin:
Defined as revenues reduced with cost of goods sold in percentage of revenues.

Gross contribution and gross margin	**Q1 2018**	**Q1 2017**	**2017**
Revenues	204 225	235 666	973 475
Cost of goods sold	-44 243	-74 794	-278 493
Contractors	-22 878	-22 299	-103 934
Gross contribution	**137 104**	**138 573**	**591 048**
Gross margin	**67,1 %**	**58,8 %**	**60,7 %**

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 2017. The same applies for EBIT.

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

EBITDA margin	Q1 2018	Q1 2017	2017
Revenues	204 225	235 666	973 475
EBITDA	16 106	16 221	82 591
EBITDA margin	**7,9 %**	**6,9 %**	**8,5 %**

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

EBIT margin	Q1 2018	Q1 2017	2017
Revenues	204 225	235 666	973 475
EBIT	3 696	1 832	4 227
EBIT margin	**1,8 %**	**0,8 %**	**0,4 %**

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 dispute is classified as non-recurring items.

Non-recurring items	Q1 2018	Q1 2017	2017
Settlement of dispute	0	0	27 823
Non-recurring items in EBITDA	**0**	**0**	**27 823**
Impairment	0	0	21 876
Non-recurring items in EBIT	**0**	**0**	**49 699**

Net Interest Bearing Debt (NIBD):
Long term borrowings plus short term borrowings less cash and cash equivalents.

Net Interest Bearing Debt	Q1 2018	Q1 2017	2017
Serial loan to Danske Bank	125 000	150 000	125 000
Current debt to financial institutions	230 178	127 658	203 691
Gross Interests bearing Debt	**355 178**	**277 658**	**328 691**
Cash at hand and equivalents	94 375	74 973	113 633
Net Interest Bearing Debt	**260 803**	**202 685**	**215 058**

Net working capital:

Defined as current assets excluding cash less current liabilities, and excluding short-term overdraft facilities.

Net Working Capital	Q1 2018	Q1 2017	2017
Inventories	62 961	69 381	65 453
Accounts receivables	402 315	150 698	130 487
Contract assets	47 162	131 699	227 154
Other receivables	29 806	35 296	37 868
Other Current Assets	**542 244**	**387 074**	**460 962**
Accounts payable	60 989	74 668	89 272
Tax payable	2 699	273	3 342
Public duties payable	59 987	10 679	14 541
Contract liabilities	27 294	20 149	11 693
Other short term debt	119 529	59 927	117 660
Current liabilities (excl debt to financial institutions)	**270 498**	**165 696**	**236 508**
Net Working Capital	**271 746**	**221 378**	**224 454**

Working capital ratio:

Defined as current assets excluding cash less current liabilities, and excluding short-term overdraft facilities in percentages of last 12 months Revenues.

Working Capital ratio	Q1 2018	Q1 2017	2017
12 months Revenues	942 034	902 545	973 475
Net Working Capital	271 746	221 378	224 454
Working Capital ratio	**28,8 %**	**24,5 %**	**23,1 %**

Equity ratio:

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

Equity ratio	Q1 2018	Q1 2017	2017
Total equity	399 817	430 823	414 231
Total assets	1 111 062	1 005 390	1 070 372
Equity ratio	**36,0 %**	**42,9 %**	**38,7 %**

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:

Last periods backlog
\+ Received new orders
÷ This periods revenues
\+ / ÷ Currency adjustments .
= **End backlog reporting period**

KEY INFORMATION

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Financial calendar for Q-Free ASA:

FINANCIAL YEAR 2018

27.04.2018 - Quarterly Report - Q1
13.07.2018 - Half-yearly Report
25.10.2018 - Quarterly Report - Q3
14.02.2019 - Quarterly Report - Q4

29.05.2018 - Annual General Meeting

Nothing happens
until something moves

– Albert Einstein

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