

English office translation:

**EKSTRAORDINÆR  
GENERALFORSAMLING I Q-FREE ASA**

**17. august 2018**

**SAKSUNDERLAG OG FORSLAG TIL  
VEDTAK**

**1 VALG AV MØTELEDER**

Styret foreslår at generalforsamlingen treffer følgende vedtak:

*"Styrets leder Tore Valderhaug velges som møteleder."*

**2 VALG AV EN PERSON TIL Å  
MEDUNDERTEGNE PROTOKOLLEN**

**3 GODKJENNELSE AV INNKALLING OG  
DAGSORDEN**

Styret foreslår at generalforsamlingen treffer følgende vedtak:

*"Innkallingen og dagsorden godkjennes."*

**4 GODKJENNELSE AV FISJONS- OG  
TREKANTFUSJONSPLAN**

Det vises til fisjons- og trekantfusjonsplan datert 30. juni 2018 med vedlegg utarbeidet og undertegnet av styrene i Q-Free Tolling AS (org nr 920 771 77), Q-Free Norge AS (org nr 920 771 793) og Selskapet ("**Fisjonsplanen**"). Fisjonsplanen med vedlegg er tilgjengelig for aksjonærene på Selskapets hjemmeside.

Styret mener det vil skape større operasjonell og strategisk fleksibilitet om den operative virksomheten i Q-Free ASA med tilhørende eiendeler, rettigheter og forpliktelser flyttes ned til et nystiftet datterselskap, Q-Free Norge AS.

Først gjennomføres det en fisjon av Q-Free ASA med overføring av eiendeler, rettigheter og forpliktelser til Q-Free ASAs heleide datterselskap, Q-Free Tolling AS. Umiddelbart forut for fisjonen innløses samtlige aksjer Q-

**EXTRAORDINARY  
GENERAL MEETING IN Q-FREE ASA**

**17 August 2018**

**AGENDA PAPERS AND PROPOSALS**

**1 ELECTION OF THE CHAIRMAN OF THE  
MEETING**

The Board proposes that the General Meeting passes the following resolution:

*"The Chairman of the Board, Tore Valderhaug, is elected as Chairman of the meeting."*

**2 ELECTION OF ONE PERSON TO CO-  
SIGN THE MINUTES**

**3 APPROVAL OF NOTICE AND AGENDA  
OF THE GENERAL MEETING**

The Board proposes that the General Meeting passes the following resolution:

*"The notice and agenda are approved."*

**4 APPROVAL OF THE DEMERGER- AND  
MERGER PLAN**

Reference is made to the demerger- and merger plan dated 30 June 2018 with appendices, prepared and signed by the Board of Directors of the Company (the "**Demerger plan**"). The demerger plan with appendices is available on the Company's website.

The board believes that the transfer of Q-Free ASA's operating business activities together with associated assets, rights and obligations to a newly established subsidiary, Q-Free Norge AS, will be beneficial for Q-Free ASA's operational and strategic flexibility.

Q-Free will first be demerged through the transfer of assets, rights and obligations to Q-Free ASA's wholly owned subsidiary, Q-Free Tolling AS. Immediately prior to the completion of the demerger, all shares owned by Q-

## Vedlegg 1 / Appendix 1

Free ASA eier i Q-Free Tolling AS. Ved fisjonen nedsettes deretter aksjekapitalen i Q-Free ASA med NOK 15.773.819,70 fra NOK 33.904.909,48 til NOK 18.131.089,78 ved nedsettelse av aksjenes pålydende med 0,17679007491, fra NOK 0,38 til NOK 0,2032099251 pr aksje ("**Fisjonen**"). Aksjeeierne i Q-Free ASA mottar vederlag i form av aksjer i Q-Free Tolling AS. Det utstedes 89.223.446 nye aksjer til aksjonærene, hver pålydende NOK 0,17679007491, som gir en aksjekapital på NOK 15.773.819,70 (tilsvarende kapitalnedsettelsesbeløpet i Q-Free ASA).

Simultant med og betinget av Fisjonen, fusjoneres Q-Free Tolling AS med Q-Free ASA's heleide datterselskap Q-Free Norge AS. Dette innebærer at Q-Free Tolling AS' eiendeler, rettigheter og forpliktelser i sin helhet overføres fra Q-Free Tolling AS til Q-Free Norge AS. Q-Free Tolling AS oppløses ved fusjonen, og aksjonærene i Q-Free Tolling AS mottar vederlag i form av forhøyelse av aksjenes pålydende i Q-Free ASA med NOK 0,17679007491, fra NOK 0,2032099251 til NOK 0,38 pr aksje ("**Trekantfusjonen**"). Kapitalforhøyelsen utgjør totalt NOK 15.773.819,70, dvs. at forhøyelsesbeløpet tilsvarende kapitalnedsettelsen ved Fisjonen og at aksjekapitalen i Q-Free ASA etter Trekantfusjonen tilsvarende aksjekapitalen slik den var før Fisjonen.

Fisjonen og Trekantfusjonen gjennomføres med skattemessig kontinuitet og vil ikke ha noen umiddelbare skattemessige konsekvenser for Q-Free ASA, Q-Free Tolling og Q-Free Norge. Fisjonen og Trekantfusjonen medfører heller ingen umiddelbare skattemessige konsekvenser for Q-Free ASA's aksjonærer som er skattemessig hjemmehørende i Norge, som beholder sine skattemessige inngangsverdier på aksjene. Aksjonærer som ikke er skattemessig hjemmehørende i Norge og som ønsker å klargjøre sin egen skattesituasjon knyttet til Fisjonen og Trekantfusjonen anbefales å konsultere og stole på sine egne skatterådgivere.

Fisjonen og Trekantfusjonen vil være betinget av hverandre og skal gjennomføres simultant.

Styret foreslår på bakgrunn av dette at generalforsamlingen treffer følgende vedtak:

### **Forslag til selskapsrettslige beslutninger ved Fisjonen:**

- (i) *"Fisjons- og trekantfusjonsplanen, datert 30. juni 2018, for fisjon av Q-Free ASA (org nr 935 487 242) med Q-Free Tolling AS (org nr 920 771 777) som overtakende selskap, godkjennes.*

Free ASA in Q-Free Tolling AS will be redeemed. By the demerger, the share capital in Q-Free ASA will be reduced by NOK 15,773,819.70, from NOK 33.904.909,48 to NOK 18,131,089.78, by reducing the nominal value of the shares with NOK 0.17679007491, from NOK 0.38, to NOK 0.2032099251 per share (the "**Demerger**"). The shareholders in Q-Free ASA will receive new shares in Q-Free Tolling AS as consideration. 89,223,446, new shares will be issued to the shareholders, each with the nominal value of NOK 0.17679007491, which amounts to a total share capital of NOK 15,773,819.70 (equal to the share capital reduction in Q-Free ASA).

Simultaneously with the Demerger, Q-Free Tolling AS will be merged with Q-Free ASA's wholly owned subsidiary, Q-Free Norge AS. By the merger, Q-Free Tolling AS' assets, rights and obligations as a whole will be transferred from Q-Free Tolling AS to Q-Free Norge AS. Q-Free Tolling AS is dissolved through the merger. As consideration, the shareholders of Q-Free Tolling AS will receive consideration in the form of an increase of the nominal value of the existing shares in Q-Free ASA by NOK 0.17679007491, from NOK 0.2032099251, to NOK 0.38 per share (the "**Merger**"). The total capital increase amounts to NOK 15,773,819.70, i.e. the amount is equal to the share capital decrease in the Demerger and the share capital in Q-Free ASA following the Merger will be equal to the share capital prior to the Demerger.

The Demerger and Merger will be carried out with continuity for tax purposes and will not result in any immediate tax consequences for Q-Free ASA, Q-Free Tolling and Q-Free Norge. Nor does the Demerger and Merger result in any immediate tax consequences for Q-Free ASA's shareholders who are resident in Norway for tax purposes, who retain their tax input values on the shares. Shareholders that are not resident in Norway for tax purposes and who wish to clarify their own tax situation in connection with the Demerger and Merger are advised to consult with and rely upon their own tax advisors.

The Demerger and the Merger will be conditional upon one another and shall be implemented simultaneously.

On this basis, the Board proposes that the General Meeting make the following resolutions:

### **Proposal on corporate resolutions by the Demerger:**

- (i) *"The Demerger- and Merger plan, dated 30 June 2018, for the demerger of Q-Free ASA (reg no 935 487 242), with Q-Free Tolling AS (reg no 920 771 777) as the acquiring company, is approved.*

## Vedlegg 1 / Appendix 1

(ii) Med virkning fra fisjonens selskapsrettslige ikrafttredelse endres vedtektenes § 4 til å lyde:

Selskapets aksjekapital er NOK 18.131.089,78 fordelt på 89.223.446 aksjer, hver aksje pålydende NOK 0,2032099251."

### Forslag til selskapsrettslige beslutninger ved Trekantfusjonen:

- (i) "Fisjons- og trekantfusjonsplan, datert 30. juni 2018, for fusjon mellom Q-Free Tolling AS (org nr 920 771 777) og Q-Free Norge AS (org nr 920 771 793) med Q-Free Tolling AS som overdragende selskap med vederlag i form av økning av pålydende på aksjene i Q-Free ASA (org nr 935 487 242), godkjennes. Q-Free Tolling AS oppløses ved ikrafttredelse av trekantfusjonen.
- (ii) Aksjekapitalen forhøyes med totalt NOK 15.773.819,70, fra NOK 18.131.089,78 til NOK 33.904.909,48, ved økning av aksjenes pålydende med NOK 0,17679007491, fra NOK 0,2032099251 til NOK 0,38 pr aksje.
- (iii) Totalt aksjeinnskudd er NOK 123.537.345,30, hvorav NOK 15.773.819,70 er aksjekapital og NOK 107.763.525,60 er overkurs (avrundet).
- (iv) Kapitalforhøyelsen tegnes av aksjonærene i Q-Free Tolling AS. Kapitalforhøyelsen anses tegnet når generalforsamlingen har godkjent fisjons- og trekantfusjonsplanen.
- (v) Kapitalforhøyelsen gjøres opp ved at Q-Free ASA får en fordring på Q-Free Norge AS lik den bokførte egenkapital som tilføres Q-Free Norge AS ved fusjonen med Q-Free Tolling AS, dvs. NOK 123.537.345,30.
- (vi) Ingen nye aksjer utstedes. Eksisterende aksjer gir allerede stemmerett, rett til utbytte og andre rettigheter som følger av Selskapets vedtekter og den til enhver tid gjeldende aksjelov
- (vii) Anslåtte kostnader ved kapitalforhøyelsen er NOK 20 000 (eks mva) og dekkes av Q-Free ASA.

(ii) From the effective date of the demerger, article 4 of the Company's articles of association is amended, as follows:

The company's share capital is NOK 18,131,089.78 divided on 89,223,446 shares, each with a nominal value of NOK 0.2032099251."

### Proposal on corporate resolutions by the Merger

- (i) "The Demerger- and Merger plan, dated 30 June 2018, for the merger between Q-Free Tolling AS (reg no 920 771 777) and Q-Free Norge AS (org nr 920 771 792), with Q-Free Tolling AS as the transferring company, and consideration by way of increasing the nominal value of the shares in Q-Free ASA (reg no 935 487 242), is approved. Q-Free Tolling AS is dissolved in connection with the implementation of the merger.
- (ii) The share capital is increased with in total NOK 15,773,819.70, from NOK 18,131,089.78, to NOK 33,904,909.48, by an increase of the nominal value of each share with NOK 0.17679007491, from NOK 0.2032099251 to NOK 0.38 per share.
- (iii) The total share deposit is NOK 123,537,345.30, of which NOK 15,773,819.70 is allocated to share capital and NOK 107,763,525.60 is allocated to share premium (rounded off).
- (iv) The capital increase shall be subscribed for by the shareholders of Q-Free Tolling AS. The share capital increase shall be subscribed for when the general meeting has approved the demerger- and merger plan.
- (v) The capital increase shall be settled by way of Q-Free ASA receiving a receivable against Q-Free Norge AS, equal to the book value of the capital transferred to Q-Free Norge AS by the merger with Q-Free Tolling AS, i.e. NOK 123,537,345.30.
- (vi) No new shares are issued. The existing shares already carry voting rights, rights to dividends and other rights, as specified in the Company's articles of association and the Norwegian Private Limited Liability Companies Act
- (vii) The estimated costs related to the capital increase are NOK 20,000 (excluding VAT) and is covered by Q-Free ASA.

## Vedlegg 1 / Appendix 1

(viii) Som følge av kapitalforhøyelsen endres vedtektenes § 4 til å lyde:

*Selskapets aksjekapital er NOK 33.904.909,48, fordelt på 89.223.446 aksjer, hver aksje pålydende NOK 0,38."*

### **5 ENDRING AV SELSKAPETS FORMÅLSBESTEMMELSE**

Styret foreslår at generalforsamlingen treffer følgende vedtak om å endre selskapets formålsbestemmelse som følge av Fisjonen og Trekantfusjonen:

Ved gjennomføring av fisjonen og trekantfusjonen endres § 3 i vedtektene til å lyde:

*"Selskapets formål er selv og/eller gjennom eierskap i andre selskaper å drive forskning, utvikling, produksjon drift og salg av informasjonsteknologiprodukter og -systemer samt alt som herved står i forbindelse."*

\* \* \*

(viii) As a result of the capital increase the article of association section 4 are amended to read:

*The company's share capital is NOK 33,904,909.48, divided on 89,223,446 shares, each with a nominal value of NOK 0.38."*

### **5 AMENDMENTS TO THE OBJECT OF THE COMPANY**

The board proposes that the general meeting makes the following resolution on amendment of the object of the company, as a consequence of the Demerger and Merger

In connection with the implementation of the Demerger and Merger, Article 3 of the articles of association is amended as follows:

*"The object of the Company is, by itself or through ownership in other companies, to engage in research, development, production, operations and sale of information technology products and systems plus everything therewith connected."*

\* \* \*

**FISJONS – OG TREKANTFUSJONSPLAN**  
**DEMERGER AND MERGER PLAN**

for

**Q-Free ASA**

reg no 935 487 242, Strindfjordvegen 1, 7053 Ranheim,

**Q-Free Tolling AS**

reg no 920 771 777, Strindfjordvegen 1, 7053 Ranheim,

og/and

**Q-Free Norge AS**

reg no 920 771 793, Strindfjordvegen 1, 7053 Ranheim

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## FISJONS- OG TREKANTFUSJONSPLAN

### 1 PARTER

Denne fisjons- og trekantfusjonsplanen er utarbeidet den 30. juni 2018 av styrene i:

- (1) **Q-Free ASA**, org nr 935 487 242, Strindfjordvegen 1, 7053 Ranheim ("**Q-Free**"),
- (2) **Q-Free Tolling AS**, org nr 920 771 777, Strindfjordvegen 1, 7053 Ranheim ("**Q-Free Tolling**"), og
- (3) **Q-Free Norge AS**, org nr 920 771 793, Strindfjordvegen 1, 7053 Ranheim ("**Q-Free Norge**").

### 2 BEGRUNNELSE FOR FISJONEN OG TREKANTFUSJONEN

En vesentlig del av den operative virksomheten i Q-Free konsernet drives i dag i morselskapet Q-Free. For å oppnå større operasjonell og strategisk fleksibilitet er det ønskelig å flytte den operative virksomheten i Q-Free med tilhørende eiendeler, rettigheter og forpliktelser ("**Virksomheten**") til et nystiftet datterselskap, Q-Free Norge.

Reorganiseringen foreslås gjennomført ved en fisjon ("**Fisjonen**") og deretter en trekantfusjon ("**Trekantfusjonen**") i henhold til bestemmelsene i denne fisjons- og trekantfusjonsplanen ("**Fisjonsplanen**").

Styrene i Q-Free, Q-Free Tolling og Q-Free Norge har i fellesskap utarbeidet denne Fisjonsplanen.

### 3 FISJONS- OG TREKANTFUSJONSMETODE

Fisjonen og Trekantfusjonen gjennomføres etter reglene i allmennaksjeloven kapittel 13 og 14.

## DEMERGER- AND MERGER PLAN

### 1 PARTIES

This demerger- and merger plan is prepared the 30 June 2018 by the boards of:

- (1) **Q-Free ASA**, reg no 935 487 242, Strindfjordvegen 1, 7053 Ranheim ("**Q-Free**"),
- (2) **Q-Free Tolling AS**, reg no 920 771 777, Strindfjordvegen 1, 7053 Ranheim ("**Q-Free Tolling**"), and
- (3) **Q-Free Norge AS**, reg no 920 771 793, Strindfjordvegen 1, 7053 Ranheim ("**Q-Free Norge**").

### 2 REASON FOR THE DEMERGER AND MERGER

The operational part of the Q-Free group's business is currently conducted through the ultimate parent company, Q-Free. In order to improve Q-Free's operational and strategical flexibility it is proposed to transfer the operational business, with all related assets, rights and obligations (the "**Business**") to a wholly-owned subsidiary, Q-Free Norge.

The reorganisation is proposed implemented by way of a demerger (the "**Demerger**"), together with a merger (the "**Merger**") in accordance with this demerger- and merger plan (the "**Demerger plan**").

The board of directors of Q-Free, Q-Free Tolling and Q-Free Norge have jointly prepared this Demerger plan.

### 3 DEMERGER- AND MERGER METHOD

The Demerger- and Merger is implemented in accordance with the rules of the Norwegian

Fisjonen gjennomføres ved at de eiendeler, rettigheter og forpliktelser som fremgår av Bilag 1 til Fisjonsplanen (dvs. Virksomheten) overføres fra Q-Free til Q-Free Tolling, mens Q-Frees øvrige eiendeler, rettigheter og forpliktelser beholdes av Q-Free. Ved Fisjonen nedsettes aksjekapitalen i Q-Free ved en reduksjon av aksjenes pålydende og aksjeeierne i Q-Free mottar i stedet vederlag i form av aksjer i Q-Free Tolling.

Umiddelbart forut for Fisjonen skal aksjekapitalen i Q-Free Tolling nedsettes til null fra NOK 30 000, ved innløsning av samtlige aksjer i Q-Free Tolling (dvs. 30 aksjer pålydende NOK 1 000). Simultant med kapitalnedsettelsen forhøyes aksjekapitalen i Q-Free Tolling som et ledd i Fisjonen.

Simultant med Fisjonen fusjonerer Q-Free Tolling med Q-Frees heleide datterselskap Q-Free Norge. Dette innebærer at Q-Free Tolling's eiendeler, rettigheter og forpliktelser i sin helhet overføres fra Q-Free Tolling til Q-Free Norge. Q-Free Tolling oppløses ved Trekantfusjonen. Ved Trekantfusjonen mottar aksjonærene i Q-Free Tolling vederlag i form av en kapitalforhøyelse i Q-Free Norge's morselskap, Q-Free, ved at pålydende på aksjene i Q-Free forhøyes med et beløp tilsvarende nedsettelsesbeløpet ved Fisjonen. Ved at morselskapet Q-Free gjør opp vederlaget på vegne av Q-Free Norge, etableres det en fordring mellom Q-Free (som kreditor) og Q-Free Norge (som debitor). Fordringen som etableres vil ha pålydende verdi lik bokført egenkapital av de eiendeler, rettigheter og forpliktelser som tilføres Q-Free Norge ved Trekantfusjonen (dvs. bokført verdi av Virksomheten). Fordringens pålydende er ikke justert (økt) for utsatt skatt, da utsatt skatt på midlertidig forskjeller ikke er ført opp i Q-Frees balanse. Fordringens skattemessige inngangsverdi vil være lik skattemessig verdi av det som overføres. Fordringen står tilbake for øvrige kreditorer.

Public Limited Liability Companies Act chapter 13 and 14. The Demerger is carried out by transferring the assets, rights and obligations as set out in Appendix 1 to the Demerger plan (i.e. the Business) from Q-Free to Q-Free Tolling, while Q-Free's other assets, rights and obligations remain in Q-Free. The share capital of Q-Free is reduced through the Demerger by reducing the nominal value of the shares and the shareholders of Q-Free will receive shares in Q-Free Tolling as consideration.

Immediately prior to the Demerger, the share capital of Q-Free Tolling is reduced to zero from NOK 30,000, by redemption of all shares (i.e. 30 shares with a nominal value of NOK 1,000). Simultaneously with the share capital decrease, the share capital of Q-Free Tolling is increased, as a part of the Demerger.

Simultaneously with the Demerger, Q-Free Tolling is merged with Q-Free's wholly owned subsidiary, Q-Free Norge. Consequently, Q-Free Tolling's assets, rights and obligations as a whole are transferred from Q-Free Tolling to Q-Free Norge. Q-Free Tolling is dissolved through the Merger. By way of the Merger, the shareholders of Q-Free Tolling will receive consideration in the form of an increase of the share capital in Q-Free Norge's parent company Q-Free, in the form of an increase in the nominal value on the existing shares in Q-Free, equal to the share capital decrease in the Demerger. As the merger consideration is settled by the parent company Q-Free on behalf of Q-Free Norge, a receivable is created between Q-Free (as creditor) against Q-Free Norge (as debtor). The receivable established will have a nominal value equal to the book value of the assets, rights and obligations transferred to Q-Free Norge in the Merger (i.e. the book value of the Business). The nominal value of the receivable is not adjusted (increased) for deferred tax, as deferred tax on temporary differences is not included in Q-Free's balance sheet. The tax value of the receivable is equal to the tax value of the transferred assets. The receivable has priority behind other creditors.

Fisjonen og Trekantfusjonen vil være betinget av hverandre og skal gjennomføres simultant. Aksjonærfordelingen i Q-Free vil være den samme før og etter gjennomføringen av Fisjonen og Trekantfusjonen. Det er derfor av praktiske årsaker hensiktsmessig å gjennomføre Fisjonen av Q-Free ved nedsettelse av aksjenes pålydende og at fusjonsvederlaget ved Trekantfusjonen mellom Q-Free Tolling og Q-Free Norge gjøres opp ved en oppskrivning av aksjenes pålydende i Q-Free.

#### **4 VEDERLAG OG BYTTEFORHOLD**

##### **4.1 Verdsettelse**

Ved Fisjonen fordeles aksjekapitalen i Q-Free i samme forhold som Q-Free's nettoverdier fordeles ved Fisjonen. Fastsettelsen av selskapets nettoverdier er basert på en verdivurdering foretatt 30. juni 2018 av Q-Frees ledelse og Deloitte. Ved verdivurderingen er det benyttet anerkjente verdsettelsesprinsipper og det er i hovedsak lagt vekt på forventet fremtidig inntjening.

Verdien av den utfisjonerte Virksomheten utgjør ca. 46,5237 % (avrundet) av totalverdien i Q-Free. Dette forholdstallet er lagt til grunn ved nedsettelse av aksjekapitalen i Q-Free, jf. skatteloven § 11-8 første ledd. Kapitalforhøyelsen i Q-Free ved Trekantfusjonen utgjør samme beløp.

##### **4.2 Fisjonen**

Aksjekapitalen i Q-Free forut for Fisjonen er NOK 33.904.909,48, fordelt på 89.223.446 aksjer, hver pålydende NOK 0,38. Som følge av Fisjonen vil aksjekapitalen i Q-Free bli redusert med NOK 15.773.819,70, fra NOK 33.904.909,48 til NOK 18.131.089,78 ved at aksjenes pålydende reduseres med NOK 0,176790075, fra NOK 0,38 til NOK 0,203209925 pr aksje.

Aksjekapitalen i Q-Free Tolling forhøyes som følge av at Q-Free Tolling mottar de utfisjonerte

The Demerger and Merger will be conditional upon each other and shall be implemented simultaneously. The shareholder ownership ratio of Q-Free will be the same before and after completion of the Demerger and Merger. Thus, it is practical that the Demerger of Q-Free is carried out by reducing the nominal value of the shares and that the contribution upon the Merger between Q-Free Tolling and Q-Free Norge is settled by way of an increase in the nominal value of the shares in Q-Free.

#### **4 CONSIDERATION AND EXCHANGE RATIO**

##### **4.1 Valuation**

By the Demerger the share capital in Q-Free is allocated in the same ratio as Q-Free's net values are divided by the Demerger. The determination of the net value of the company is based on a valuation performed 30 June 2018 by Q-Free's management and Deloitte. The valuation is based on well-known valuation principles. Expected future earnings has been the main principle for the valuation.

The value of the demerged part of Q-Free constitutes approximately 46.5237% (rounded off) of the total value of Q-Free. This ratio is used for the capital decrease in Q-Free, cf. the Norwegian Tax Act section 11-8 first paragraph. By way of the Merger, the share capital in Q-Free will be increased with the same amount.

##### **4.2 Demerger**

The share capital of Q-Free prior to the Demerger is NOK 33,904,909.48, divided on 89,223,446 shares, each with a nominal value of NOK 0.38. By way of the Demerger, the share capital of Q-Free will be decreased by NOK 15,773,819.70, from NOK 33,904,909.48 to NOK 18,131,089.78, by reducing the nominal value of the shares with NOK 0.176790075, from NOK 0.38, to NOK 0.203209925 per share.

By way of the Demerger, the share capital of Q-Free Tolling is increase by Q-Free Tolling

verdiene. Aksjonærene i Q-Free mottar 1 aksje i Q-Free Tolling pålydende NOK 0,176790075 for hver aksje de eier i Q-Free (1:1), dvs. 89.223.446 aksjer hver pålydende NOK 0,176790075, som gir en aksjekapital på NOK 15.773.819,70 (tilsvarende kapitalnedsettelsesbeløpet i Q-Free). Samlet verdi av Q-Free-aksjen før Fisjonen tilsvare verdien av aksjen i Q-Free etter Fisjonen tillagt verdien av vederlagsaksjen i Q-Free Tolling.

### **4.3 Trekantfusjon**

Ved Trekantfusjonen mellom Q-Free Tolling og Q-Free Norge oppløses Q-Free Tolling og trekantfusjonsvederlaget gjøres opp ved forhøyelse av aksjenes pålydende i Q-Free med NOK 0,176790075, fra NOK 0,2032099251 til NOK 0,38 pr aksje. Kapitalforhøyelsen utgjør totalt NOK 15.773.819,70, fra NOK 18.131.089,78 til NOK 33.904.909,48, dvs. at forhøyesbeløpet tilsvare kapitalnedsettelsen ved Fisjonen og at aksjekapitalen i Q-Free etter Trekantfusjonen tilsvare aksjekapitalen slik den var før Fisjonen.

Den enkelte aksjonærs forholdsmessige eierandel i Q-Free vil forbli uendret som følge av Fisjonen og Trekantfusjonen.

## **5 TIDSPUNKTER**

### **5.1 Selskapsrettslige ikrafttredelse**

Både Fisjonen og Trekantfusjonen trer selskapsrettslig i kraft når kreditorenes seksukersfrist for å kreve innfrielse eller sikkerhetsstillelse er utløpt og melding om Fisjonens ikrafttredelse deretter er registrert i Foretaksregisteret, jf. allmennaksjeloven § 14-8, jf. § 13-17. Det tas sikte på registrering i midten av oktober 2018.

På det selskapsrettslige ikrafttredelsestidspunktet inntreer følgende virkninger av Fisjonen:

receiving the demerged values. The shareholders of Q-Free will receive 1 share in Q-Free Tolling with a nominal value of NOK 0.176790075 for each share they own in Q-Free (1:1), i.e. 89,223,446 shares, each with a nominal value of NOK 0.176790075, which amounts to a total share capital of NOK 15,773,819.70 (equal to the share capital decrease in Q-Free). The total value of the Q-Free shares prior to the Demerger corresponds to the value of the Q-Free shares following the Demerger, together with the value of the consideration shares in Q-Free Tolling.

### **4.3 Merger**

By the Merger between Q-Free Tolling and Q-Free Norge, Q-Free Tolling will be dissolved and the merger consideration settled by increasing the nominal value of the shares in Q-Free with NOK 0.176790075, from NOK 0.2032099251, to NOK 0.38 per share. The share capital is in total increased by NOK 15,773,819.70, from NOK 18,131,089.78 to NOK 33,904,909.48. Thus, the share capital increase is equal to the share capital decrease in the Demerger and the share capital in Q-Free following the Merger will be equal to the share capital prior to the Demerger.

Each shareholder's ownership ratio in Q-Free will remain unchanged as a consequence of the Demerger and Merger.

## **5 TIME SCHEDULE**

### **5.1 Company law implementation**

The effective date of the Demerger og Merger will be when the six weeks creditor notice period has expired and the merger has been registered with the Norwegian Register of Business Enterprises, cf. Section 14-8, cf. § 13-7 of the Norwegian Public Limited Liability Companies Act. Such registration is scheduled to take place in the middle of October 2018.

At the time of implementation of the Demerger the following effects will occur:

(i)	Aksjekapitalen i Q-Free er nedsatt.	(i)	The share capital of Q-Free is decreased.
(ii)	Aksjekapital og overkurs i Q-Free Tolling er nedsatt til NOK 0, ved innløsning av samtlige 30 aksjer.	(ii)	The share capital and share premium of Q-Free Tolling is reduced to zero, by redemption of all 30 shares.
(iii)	Aksjekapitalen i Q-Free Tolling er forhøyet.	(iii)	The share capital of Q-Free Tolling is increased.
(iv)	Eiendeler, rettigheter og forpliktelser er overført fra Q-Free til Q-Free Tolling i henhold til Fisjonsplanens bestemmelser.	(iv)	Assets, rights and obligations are transferred from Q-Free to Q-Free Tolling in accordance with the provisions of the Demerger plan.
(v)	Vederlagsaksjene i Q-Free Tolling er utstedt.	(v)	The consideration shares in Q-Free Tolling are issued.
(vi)	Vedtektene i Q-Free og Q-Free Tolling endret overensstemmende med forslaget i denne Fisjonsplanen.	(vi)	The articles of association of Q-Free and Q-Free Tolling are amended in accordance with this Demerger plan.
(vii)	Andre virkninger som i henhold til Fisjonsplanen skal inntre ved fisjonens ikrafttredelse.	(vii)	Other effects that according to the Demerger plan shall take effect from the time the demerger enters into force.

På ikrafttredelsestidspunktet for Trekantfusjonen inntre følgende virkninger av Trekantfusjonen:

At the time of implementation of the Merger the following effects will occur:

(i)	Q-Free Tolling er oppløst.	(i)	Q-Free Tolling is liquidated.
(ii)	Aksjekapitalen i Q-Free er forhøyet.	(ii)	The share capital of Q-Free is increased.
(iii)	Q-Free Tolling's eiendeler, rettigheter og forpliktelser er overført til Q-Free Norge i henhold til Fisjonsplanens bestemmelser.	(iii)	Q-Free Tolling's assets, rights and obligations are transferred to Q-Free in accordance with the provisions of the Demerger plan.
(iv)	Aksjonærene i Q-Free har mottatt vederlag i form av økning av pålydende på aksjene i Q-Free.	(iv)	The shareholders of Q-Free have received consideration by an increase in the nominal value on the Q-Free shares.
(v)	Vedtektene i Q-Free er endret overensstemmende med forslaget til trekantfusjon.	(v)	The articles of association of Q-Free are amended in accordance with the merger proposal.

(vi) Andre virkninger som i henhold til Fisjonsplanen skal inntre ved trekantfusjonens ikrafttredelse.

(vi) Other effects that according to the Demerger plan shall take effect from the time the merger enters into force.

## **5.2 Regnskapsmessig gjennomføring**

Både Fisjonen og Trekantfusjonen gjennomføres regnskapsmessig med virkning fra 1. januar 2018 ("**Delingstidspunktet**"). Alle transaksjoner, kostnader og inntekter knyttet til de eiendeler, rettigheter og forpliktelser som Q-Free Norge skal overta, tilordnes fra dette tidspunkt Q-Free Norge. Både Fisjonen og Trekantfusjonen gjennomføres med regnskapsmessig kontinuitet.

## **5.3 Skattemessig gjennomføring**

Fisjonen og Trekantfusjonens virkningstidspunkt er det selskapsrettslige gjennomføringstidspunkt, jf. punkt 5.1 ovenfor og skatteloven § 11-10 tredje ledd.

Fisjonen og Trekantfusjonen gjennomføres med skattemessig kontinuitet etter reglene for skattefri fisjon og fusjon. I samsvar med skatteloven § 11-8 første ledd fordeles både nominell aksjekapital og skattemessig innbetalt kapital i samme forhold som nettoverdiene i Q-Free. Således overtar først Q-Free Tolling og deretter Q-Free Norge de skattemessige verdier som de overdratte eiendeler, rettigheter og forpliktelser har på Q-Free's hånd. For øvrig fordeles skatteposisjonene i Q-Free ved Fisjonen og Trekantfusjonen i henhold til gjeldende lovregler.

Fisjonen og Trekantfusjonen vil ikke ha noen umiddelbare skattemessige konsekvenser for Q-Free, Q-Free Tolling og Q-Free Norge. Fisjonen og Trekantfusjonen medfører heller ingen umiddelbare skattemessige konsekvenser for Q-Free's aksjonærer som er skattemessig hjemmehørende i Norge, som beholder sine skattemessige inngangsverdier på aksjene.

## **5.2 Effective date for accounting purposes**

For accounting purposes, the Demerger and Merger are implemented with effect from 1 January 2018 (the "**Division Date**"). As of the same date, all transactions, costs and revenues associated with the assets, rights and obligations which Q-Free Norge shall acquire, will be ascribed to the Q-Free Norge. Both the Demerger and Merger is carried out with continuity for accounting purposes.

## **5.3 Effective date for tax purposes**

For tax purposes, the Demerger and Merger are implemented from the effective date of the Demerger and Merger, cf. item 5.1 above and the Norwegian Tax Act section 11-10 third paragraph.

The Demerger and Merger is carried out with continuity for tax purposes in accordance with the rules for tax exempt demergers and mergers. In accordance with the Norwegian Tax Act section 11-8 first paragraph, the nominal and paid in share capital of Q-Free shall be distributed in the same ratio as Q-Free's net assets are distributed. Thus, Q-Free Tolling and then Q-Free Norge will assume all tax positions related to the transferred assets, rights and liabilities from Q-Free. All other tax positions in Q-Free shall be allocated through the Demerger and Merger in accordance with applicable rules.

The Demerger and Merger will not result in any immediate tax consequences for Q-Free, Q-Free Tolling and Q-Free Norge. Nor does the Demerger and Merger result in any immediate tax consequences for Q-Free's shareholders who are resident in Norway for tax purposes, who retain their tax input values on the shares.

## **6 FORDELINGEN MELLOM SELSKAPENE**

### **6.1 Fordeling av kjente eiendeler, rettigheter og forpliktelser**

En detaljert spesifisering av Q-Free's kjente eiendeler, rettigheter og forpliktelser, samt fordelingen mellom selskapene, fremgår av spesifiseringen i [Bilag 1](#).

### **6.2 Ukjente/uteglemte eiendeler, rettigheter og forpliktelser**

Hvis det viser seg at Q-Free pr det selskapsrettslige ikrafttredelsestidspunkt hadde vesentlige eiendeler eller rettigheter, gjeld eller andre vesentlige forpliktelser som ikke er med i [Bilag 1](#), og heller ikke er tatt i betraktning ved utarbeidelse av bilaget, skal gjelden/forpliktelsene og de eiendelene/rettighetene som knytter seg til den overførte Virksomheten, herunder eiendeler, rettigheter og forpliktelser angitt i [Bilag 1](#), overføres til Q-Free Tolling og videre til Q-Free Norge. Eiendeler, rettigheter og gjeld/forpliktelser som ikke knytter seg til den overførte Virksomheten, skal tilordnes Q-Free.

### **6.3 Fordeling som eventuelt ikke lar seg gjennomføre**

Dersom den i [Bilag 1](#) fastsatte fordeling ikke lar seg gjennomføre fullt ut, skal det ytes kompensasjon mellom selskapene i kontanter, forutsatt at forholdet har økonomisk betydning.

### **6.4 Skatteposisjoner og resultatet i fisjonsåret**

Skatteposisjoner knyttet til eiendeler, rettigheter og forpliktelser som overføres fra Q-Free til Q-Free Tolling og deretter til Q-Free Norge som ledd i Fisjonen og Trekantfusjonen, blir videreført uendret i de respektive selskapene i henhold til skatteloven § 11-7 første ledd. Skatteposisjoner som ikke knytter seg til konkrete eiendeler, rettigheter eller forpliktelser fordeles i henhold til skatteloven § 11-8 tredje og fjerde ledd.

## **6 DISTRIBUTION BETWEEN THE COMPANIES**

### **6.1 Distribution of known assets, rights and obligations**

A detailed overview of Q-Free's known assets, rights and obligations, and the allocation between the companies, is specified in [Appendix 1](#).

### **6.2 Unknown/left out assets and rights**

If Q-Free, as per the effective date of the Demerger and Merger, cf. item 5.1 above, had assets, rights or obligations or other liabilities which are not included in [Appendix 1](#), and have not been contemplated when drafting the appendix, these obligations/liabilities and assets/rights shall be distributed to Q-Free Tolling and then Q-Free Norge, if related to the transferred Business, including assets, rights and obligations listed in [Appendix 1](#). Assets, rights and obligations/liabilities which not are related to the transferred Business, shall be allocated to Q-Free.

### **6.3 Distributions unable to be completed**

If the distribution specified in [Appendix 1](#) cannot be carried out in full, compensation shall be paid between the companies in cash, provided the non-distribution has a financial value.

### **6.4 Tax positions and the result in the year of the demerger**

Tax positions related to the to the transferred assets, rights and liabilities from Q-Free to Q-Free Tolling and then Q-Free Norge by the Demerger and Merger, shall continue unchanged in the respective companies, in accordance with the Norwegian Tax Act section 11-7. Tax positions which not are related to specific assets, rights and obligations, shall be distributed in accordance with the Norwegian Tax Act section 11-8, third and fourth paragraph.

Skattemessig resultat i fisjonsåret knyttet til de eiendelene, rettighetene og forpliktelsene som overføres ved Fisjonen og deretter Trekantfusjonen fordeles mellom selskapene med virkning fra Delingstidspunktet. Dette innebærer at det skattemessige resultatet fra og med 1. januar 2018 knyttet til de eiendelene, rettighetene og forpliktelser som overføres ved Fisjonen og Trekantfusjonen, tilordnes det selskapet som i henhold til Fisjonsplanen skal overta den enkelte eiendel, rettighet eller forpliktelse som det skattemessige resultatet er knyttet til.

## **6.5 Ansatte**

Det er 116 ansatte i Q-Free. 3 av de ansatte er knyttet til konsernfunksjoner, og disse fortsetter sitt ansettelsesforhold i Q-Free. Det er ingen ansatte i Q-Free Tolling og Q-Free Norge.

De resterende 113 ansatte i Q-Free er tilknyttet Virksomheten og vil således overføres til Q-Free Tolling og videre til Q-Free Norge ved Fisjonen og Trekantfusjonen. Øvrige ansatte i Q-Free fortsetter sitt ansettelsesforhold i Q-Free uendret.

Det vises til punkt 11 hvor Fisjonen og Trekantfusjonens betydning for de ansatte i Q-Free er nærmere omtalt.

## **7 SELSKAPSRETTSLIGE BESLUTNINGER VED FISJONEN**

### **7.1 Q-Free ASA**

#### *7.1.1 Godkjennelse av fisjons- og trekantfusjonsplanen*

Fisjons- og trekantfusjonsplanen, datert 30. juni 2018, for fisjon av Q-Free ASA (org nr 935 487 242) med Q-Free Tolling AS (org nr 920 771 777) som overtakende selskap, godkjennes.

#### *7.1.2 Forslag til beslutning om kapitalnedsettelse og vedtektsendring*

Som følge av fisjonen nedsettes aksjekapitalen i Q-Free ASA med NOK 15.773.819,70, fra NOK 33.904.909,48 til NOK 18.131.089,78 ved at

The taxable result for the year of the Demerger, related to the assets, rights and obligations transferred by the Demerger and Merger, shall be allocated between the companies with effect from the Division Date. Thus, the taxable result from 1 January 2018, related to the assets, rights and obligations transferred by the Demerger and Merger, is allocated to the company that, according to this Demerger plan, shall acquire the assets, rights or obligations which the taxable result is related to.

## **6.5 Employees**

There are 116 employees in Q-Free. 3 of the employees are connected to the company's management, and these will continue to be employees in Q-Free. There are no employees in Q-Free Tolling or Q-Free Norge.

The remaining 113 employees in Q-Free are connected to the Business. Thus, they will be transferred to Q-Free Tolling and then to Q-Free Norge by the Demerger and Merger. Other employees in Q-Free will continue their employment in Q-Free, on current conditions.

Please refer to item 11, where the Demerger and Mergers implications for the employees is further described.

## **7 CORPORATE RESOLUTIONS BY THE DEMERGER**

### **7.1 Q-Free ASA**

#### *7.1.1 Approval of the demerger- and merger plan*

The Demerger- and Merger plan, dated 30 June 2018, for the demerger of Q-Free ASA (reg no 935 487 242), with Q-Free Tolling AS (reg no 920 771 777) as the acquiring company, is approved.

#### *7.1.2 Proposal on resolution on share capital reduction and amendments to the articles of association*

As a consequence of the demerger, the share capital of Q-Free ASA is reduced with NOK 15,773,819.70 from NOK 33,904,909.48, to

aksjenes pålydende reduseres med NOK 0,17679007491, fra NOK 0,38 til NOK 0,2032099251 pr aksje. I tillegg nedsettes overkursen med NOK 107.763.525,60 (avrundet).

Med virkning fra fisjonens selskapsrettslige ikrafttredelse endres vedtektenes § 4 til å lyde:

*"Selskapets aksjekapital er NOK 18.131.089,78 fordelt på 89.223.446 aksjer, hver aksje pålydende NOK 0,2032099251."*

Q-Free ASA's vedtekter slik de lyder etter fisjonen er vedlagt som [Bilag 3](#).

## **7.2 Q-Free Tolling AS**

### *7.2.1 Godkjennelse av fisjons- og trekantfusjonsplan*

Fisjons- og trekantfusjonsplanen, datert 30. juni 2018, for fisjon av Q-Free ASA (org nr 935 487 242) med Q-Free Tolling AS (org nr 920 771 777) som overtakende selskap, godkjennes.

### *7.2.2 Forslag til beslutning om nedsettelse av aksjekapital umiddelbart forut for fisjonen*

Umiddelbart før kapitalforhøyelsen ved fisjonen innløses samtlige av Q-Free ASA's aksjer i Q-Free Tolling AS. Følgende vedtak foreslås:

- (i) Aksjekapitalen nedsettes med NOK 30 000, fra NOK 30 000 til NOK 0, ved innløsning av 1 000 aksjer hver pålydende NOK 30. Innløsningen gjelder samtlige aksjer i Q-Free Tolling AS.
- (ii) Nedsettelsesbeløpene under punkt (i) utbetales til eneaksjeeieren, Q-Free ASA ved registrering av aksjekapitalnedsettelsen i Foretaksregisteret etter utløpet av kreditorfristen på 6 uker.

NOK 18,131,089.78, by a reduction of the nominal value of the shares with NOK 0.17679007491 from NOK 0.38 to NOK 0.2032099251 per share. The share premium is also reduced with NOK 107,763,525.60 (rounded off).

From the effective date of the demerger, article 4 of the Company's articles of association is amended, as follows:

*"The company's share capital is NOK 18,131,089.78 divided on 89,223,446 shares, each with a nominal value of NOK 0.2032099251".*

Q-Free ASA's articles of association following the demerger are attached as [Appendix 3](#).

## **7.2 Q-Free Tolling AS**

### *7.2.1 Approval of the demerger- and merger plan*

The Demerger- and Merger plan, dated 30 June 2018, for the demerger of Q-Free ASA (reg no 935 487 242), with Q-Free Tolling AS (reg no 920 771 777) as the acquiring company, is approved.

### *7.2.2 Proposal on resolution on Share capital decrease immediately prior to demerger*

Immediately prior to the capital increase as part of the demerger all of Q-Free ASA' shares in Q-Free Tolling AS are redeemed. The following resolution is proposed:

- (i) The share capital is reduced with NOK 30,000, from NOK 30,000 to NOK 0, by redemption of 1,000 shares each with a nominal value of NOK 30. The share redemption concerns all shares in Q-Free Tolling AS.
- (ii) The reduction amounts under (i) are paid out to the sole shareholder, Q-Free ASA by registration of the share capital reduction in the Business Register, when the six weeks creditor notice period has expired.

- |       |  |       |  |
|-------|--|-------|--|
| (iii) | Kapitalnedsettelsen besluttes i forbindelse med, og er betinget av gjennomføringen av kapitalforhøyelsen i Q-Free Tolling AS i forbindelse med fisjonen av Q-Free ASA med Q-Free Tolling AS som overtakende selskap. | (iii) | The capital reduction is approved in connection with, and contingent upon, completion of the capital increase in Q-Free Tolling AS in connection with the demerger of Q-Free ASA, with Q-Free Tolling AS as the acquiring company. |
|-------|--|-------|--|

*7.2.3 Forslag til beslutning om kapitalforhøyelse og vedtektsendring*

*7.2.3 Proposal on resolution on share capital reduction and amendments to the articles of association*

Som ledd i fisjonen foreslås følgende vedtak om forhøyelse av aksjekapitalen:

In connection with the demerger the following resolution regarding increase of the share capital is proposed:

- |     |  |       |   |
|-----|--|-------|---|
| (i) | Aksjekapitalen i Q-Free Tolling AS forhøyes med NOK 15.773.819,70, fra NOK 0 til NOK 15.773.819,70, ved utstedelse av 89.223.446 aksjer, hver pålydende NOK 0,17679007491.   | (ii)  | The share capital of Q-Free Tolling AS is increased with NOK 15,773,819.70, from NOK 0, to NOK 15,773,819.70, by issuing of 89,223,446 new shares each with a nominal value of NOK 0.17679007491.   |
| (i) | Totalt aksjeinnskudd er NOK 123.537.345,30, hvorav NOK 15.773.819,70 er aksjekapital og NOK 107.763.525,60 er overkurs (avrundet).   | (iii) | The total share deposit is NOK 123,537,345.30, of which NOK 15,773,819.70 is allocated to share capital and NOK 107,763,525.60 is allocated to share premium (rounded off).   |
| (i) | Kapitalforhøyelsen gjøres opp ved at Q-Free Tolling AS overtar nærmere angitte eiendeler, rettigheter og forpliktelser fra Q-Free ASA i henhold til fisjons- og trekantfusjonsplanens punkt 6 og <u>Bilag 1</u> .                                | (iv)  | The capital increase is settled by way of Q-Free Tolling AS acquiring certain specified assets, rights and obligations from Q-Free ASA, in accordance with item 6 and <u>Appendix 1</u> to the demerger- and merger plan.   |
| (i) | De nye aksjene tilfaller i sin helhet aksjonærene i Q-Free ASA, i henhold til deres eierandel i Q-Free ASA. Aksjene anses tegnet av aksjonærene i Q-Free ASA når generalforsamlingen i Q-Free ASA har godkjent fisjons- og trekantfusjonsplanen. | (v)   | The new shares are in their entirety allocated to the shareholders of Q-Free ASA, on the basis of their ownership interest in Q-Free ASA. The shares shall be considered subscribed for by Q-Free ASA's shareholders when the general meeting of Q-Free ASA has approved the demerger- and merger plan. |
| (i) | De nye aksjene gir fulle rettigheter i selskapet, inkludert rett til fastsatt utbytte, fra tidspunkt for tegning.  | (iv)  | The new shares carry full rights in the Company, including rights to dividends, from the subscription date.   |

- |   |  |
|---|--|
| (ii) Anslåtte kostnader ved kapitalforhøyelsen er NOK 20 000 (eks mva) og dekkes av Q-Free ASA. | (v) The estimated costs related to the capital increase are NOK 20,000 (excluding VAT) and is covered by Q-Free ASA. |
| (iii) Som følge av kapitalforhøyelsen endres vedtektenes § 4 til å lyde:                        | (vi) As a result of the capital increase the article of association section 4 are amended to read:                   |

*"Aksjekapitalen er NOK 15.773.819,70, fordelt på 89.223.446 aksjer, hver pålydende Nok 0,17679007491."*

*"The Share capital is NOK 15,773,819.70 divided on 89,223,446 shares, each with a nominal value of NOK 0.17679007491".*

Q-Free Tolling AS' vedtekter før kapitalnedsettelsen etter punkt 7.2.2 og etter fisjonen i punkt 7.2.3 følger som [Bilag 4](#) og [Bilag 5](#).

Q-Free Tolling AS' articles of association prior to and following the share capital reduction in item 7.2.2 and following the demerger in item 7.2.3 are attached as [Appendix 4](#) and [Appendix 5](#).

## **8 SELSKAPSRETTLIGE BESLUTNINGER – TREKANTFUSJONEN**

### **8.1 Q-Free Tolling AS**

#### *8.1.1 Godkjennelse av fisjons- og trekantfusjonsplanen*

Fisjons- og trekantfusjonsplan, datert 30. juni 2018, for fusjon mellom Q-Free Tolling AS (org nr 920 771 777) og Q-Free Norge AS (org nr 920 771 793) med Q-Free Tolling AS som overdragende selskap med vederlag i form av økning av pålydende på aksjene i Q-Free ASA (org nr 935 487 242), godkjennes. Q-Free Tolling AS oppløses ved ikrafttredelse av trekantfusjonen.

### **8.2 Q-Free Norge AS**

#### *8.2.1 Godkjennelse av fisjons- og trekantfusjonsplanen*

Fisjons- og trekantfusjonsplan, datert 30. juni 2018, for fusjon mellom Q-Free Tolling AS (org nr 920 771 777) og Q-Free Norge AS (org nr 920 771 793) med Q-Free Tolling AS som overdragende selskap med vederlag i form av økning av pålydende på aksjene i Q-Free ASA (org nr 935 487 242), godkjennes. Q-Free

## **8 CORPORATE RESOLUTIONS BY THE DEMERGER**

### **8.1 Q-Free Tolling AS**

#### *8.1.1 Approval of the demerger- and merger plan*

The Demerger- and Merger plan, dated 30 June 2018, for the merger between Q-Free Tolling AS (reg no 920 771 777) and Q-Free Norge AS (org nr 920 771 792), with Q-Free Tolling AS as the transferring company, and contribution by way of increasing the nominal value of the shares in Q-Free ASA (reg no 935 487 242), is approved. Q-Free Tolling AS is dissolved in connection with the implementation of the merger.

### **8.2 Q-Free Norge AS**

#### *8.2.1 Approval of the demerger- and merger plan*

The Demerger- and Merger plan, dated 30 June 2018, for the merger between Q-Free Tolling AS (reg no 920 771 777) and Q-Free Norge AS (org nr 920 771 792), with Q-Free Tolling AS as the transferring company, and contribution by way of increasing the nominal value of the shares in Q-Free ASA (reg no 935 487 242), is approved. Q-Free Tolling AS is dissolved in

Tolling AS oppløses ved ikrafttredelse av trekantfusjonen.

### **8.3 Q-Free ASA**

#### *8.3.1 Godkjennelse av fisjons- og trekantfusjonsplanen*

Fisjons- og trekantfusjonsplan, datert 30. juni 2018, for fusjon mellom Q-Free Tolling AS (org nr 920 771 777) og Q-Free Norge AS (org nr 920 771 793) med Q-Free Tolling AS som overdragende selskap med vederlag i form av økning av pålydende på aksjene i Q-Free ASA (org nr 935 487 242), godkjennes. Q-Free Tolling AS oppløses ved ikrafttredelse av trekantfusjonen

#### *8.3.2 Forslag til beslutning om kapitalforhøyelse og vedtektsendring*

Som en del av trekantfusjonen foreslås følgende beslutning om forhøyelse av aksjekapitalen i Q-Free ASA:

- (i) Aksjekapitalen forhøyes med totalt NOK 15.773.819,70, fra NOK 18.131.089,78 til NOK 33.904.909,48, ved økning av aksjenes pålydende med NOK 0,17679007491, fra NOK 0,2032099251 til NOK 0,38 pr aksje.
- (ii) Totalt aksjeinnskudd er NOK 123.537.345,30, hvorav NOK 15.773.819,70 er aksjekapital og NOK 107.763.525,60 er overkurs (avrundet).
- (iii) Kapitalforhøyelsen tegnes av aksjonærene i Q-Free Tolling AS. Kapitalforhøyelsen anses tegnet når generalforsamlingen har godkjent fisjons- og trekantfusjonsplanen.
- (v) Kapitalforhøyelsen gjøres opp ved at Q-Free ASA får en fordring på Q-Free Norge AS lik den bokførte egenkapital som tilføres Q-Free Norge AS ved

connection with the implementation of the merger.

### **8.3 Q-Free ASA**

#### *8.3.1 Approval of the demerger- and merger plan*

The Demerger- and Merger plan, dated 30 June 2018, for the merger between Q-Free Tolling AS (reg no 920 771 777) and Q-Free Norge AS (org nr 920 771 792), with Q-Free Tolling AS as the transferring company, and consideration by way of increasing the nominal value of the shares in Q-Free ASA (reg no 935 487 242), is approved. Q-Free Tolling AS is dissolved in connection with the implementation of the merger.

#### *8.3.2 Proposal on resolution on share capital reduction and amendments to the articles of association*

In connection with the merger the following resolution regarding increase of the share capital in Q-Free ASA is proposed:

- (i) The share capital of Q-Free ASA is increased with in total NOK 15,773,819.70, from NOK 18,131,089.78, to NOK 33,904,909.48, by an increase of the nominal value of each share with NOK 0.17679007491, from NOK 0.2032099251 to NOK 0.38 per share.
- (ii) The total share deposit is NOK 123,537,345.30, of which NOK 15,773,819.70 is allocated to share capital and NOK 107,763,525.60 is allocated to share premium (rounded off).
- (iv) The capital increase shall be subscribed for by the shareholders of Q-Free Tolling AS. The share capital increase shall be subscribed for when the general meeting has approved the demerger- and merger plan.
- (vi) The capital increase shall be settled by way of Q-Free ASA receiving a receivable against Q-Free Norge AS, equal to the book value of the capital

fusjonen med Q-Free Tolling AS, dvs. NOK 123,537,345.30.

transferred to Q-Free Norge AS by the merger with Q-Free Tolling AS, i.e. NOK 123,537,345.30.

(vii) Ingen nye aksjer utstedes. Eksisterende aksjer gir allerede stemmerett, rett til utbytte og andre rettigheter som følger av Selskapets vedtekter og den til enhver tid gjeldende aksjelov.

(viii) No new shares are issued. The existing shares already carry voting rights, rights to dividends and other rights, as specified in the Company's articles of association and the Norwegian Private Limited Liability Companies Act.

(i) Anslåtte kostnader ved kapitalforhøyelsen er NOK 20 000 (eks mva) og dekkes av Q-Free ASA.

(vi) The estimated costs related to the capital increase are NOK 20,000 (excluding VAT) and is covered by Q-Free ASA.

(vii) Som følge av kapitalforhøyelsen endres vedtektenes § 4 til å lyde:

(vi) As a result of the capital increase the article of association section 4 are amended to read:

"Selskapets aksjekapital er NOK 33.904.909,48, fordelt på 89.223.446 aksjer, hver aksje pålydende NOK 0,38."

*"The company's share capital is NOK 33,904,909.48, divided on 89,223,446 shares, each with a nominal value of NOK 0.38".*

Q-Free ASA' vedtekter slik de lyder etter trekantfusjonen følger som [Bilag 7](#).

Q-Free ASA's articles of association following the merger are attached as [Appendix 7](#).

## **9 FISJON- OG TREKANTFUSJONSOMKOSTNINGER**

Omkostningene ved Fisjonen og Trekantfusjonen fordeles mellom Q-Free og Q-Free Norge i samme forhold som aksjekapitalen i Q-Free er fordelt mellom selskapene. Som Fisjons- og Trekantfusjons-omkostninger anses blant annet gebyr til Foretaksregisteret, samt honorar til revisor og advokat.

Vederlag til den/de uavhengige sakkyndige, oppnevnt for å utarbeide en sakkyndig redegjørelse etter allmennaksjeloven § 13-10 jf. § 14-4 (3), skal fordeles mellom Q-Free og Q-Free Norge i samme forhold som aksjekapitalen i Q-Free er fordelt mellom selskapene.

## **9 DEMERGER- AND MERGER EXPENSES**

Any expenses related to the Demerger and Merger are divided between Q-Free and Q-Free Norge in the same ratio as the share capital of Q-Free is divided between the companies. Registration fees to the Norwegian Register of Business Enterprises and remuneration to auditors, lawyers and other advisors are to be considered as Demerger- and Merger expenses.

Consideration to the independent expert, appointed to prepare the expert statement in accordance with the Norwegian Public Limited Liability Companies Act section 13-10, cf. section 14-4(3), shall be divided between Q-Free and Q-Free Norge in the same ratio as the share capital of Q-Free is divided between the companies.

## **10 UTKAST TIL ÅPNINGSBALANSER**

Utkast til åpningsbalanser for Q-Free og Q-Free Norge følger som del av [Bilag 1](#) til Fisjonsplanen og er å anse som en del av denne.

## **11 FISJONEN OG TREKANTSFUSJONENS BETYDNING FOR DE ANSATTE**

I forbindelse med Fisjonen og Trekantfusjonen fordeles de ansatte i Q-Free mellom selskapene slik det fremgår av punkt 6.5 og [Bilag 1](#).

Hovedkonsekvensen for de ansatte som overføres fra Q-Free er at Q-Free Norge etter Fisjonen og Trekantfusjonen vil være den formelle arbeidsgiveren i stedet for Q-Free. Rettighetene til de ansatte i henhold til arbeidsmiljøloven, annen relevant lovgivning og inngåtte avtaler vil fortsatt være gjeldende etter gjennomføringen av Fisjonen og Trekantfusjonen. De ansatte vil dessuten bli informert om sine lovfestede rettigheter vedrørende reservasjon og prioritet, samt fristen for å utøve slike rettigheter.

Alle ansatte i Q-Free som overføres til Q-Free Tolling og videre til Q-Free Norge vil fortsette sitt ansettelsesforhold i Q-Free Norge på gjeldende betingelser.

De ansatte vil bli informert om Fisjonsplanen i henhold til bestemmelsene i arbeidsmiljøloven, aksjeloven, allmennaksjeloven og øvrige gjeldende lovgivning og eksisterende avtaler. Etter at Fisjonsplanen er vedtatt av styrene i Q-Free, Q-Free Tolling og Q-Free Norge, skal de ansatte umiddelbart bli informert om Fisjonsplanen. Partene vil dessuten legge vekt på at de ansatte får informasjon og blir underrettet i forbindelse med gjennomføringen av Fisjonsplanen. Eventuelle skriftlige uttalelser fra de ansatte vil bli vedlagt Fisjonsplanen.

## **10 DRAFT OPENING BALANCE SHEET**

The draft opening balances sheet for Q-Free and Q-Free Norge is included in [Appendix 1](#) to the Demerger plan and is considered a part of this.

## **11 THE DEMERGER AND MERGER'S EFFECT FOR THE EMPLOYEES**

In connection with the Demerger and Merger, the employees of Q-Free will be allocated between the companies as set out in item 6.5 and [Appendix 1](#).

The main consequence for the employees to be transferred from Q-Free is that Q-Free Norge will be their formal employer following the demerger, rather than Q-Free. The rights of such employees will remain in effect following the implementation of the Demerger and Merger, pursuant to the Norwegian Working Environment Act, other relevant legislation and concluded agreements. The employees will be informed, in connection therewith, of their statutory rights of reservation and priority, as well as the deadline for exercising such rights.

All employees of Q-Free to be transferred to Q-Free Tolling and then Q-Free Norge will continue their employment with Q-Free Norge on their existing terms.

The employees will be informed of the Demerger plan pursuant to the provisions of the Norwegian Working Environment Act, the Norwegian Private Limited Companies Act, the Norwegian Public Limited Companies Act and other relevant legislation and existing agreements. The employees shall be made aware of the Demerger plan immediately after it has been approved by the board of directors of Q-Free, Q-Free Tolling and Q-Free Norge. Besides, the Parties will ensure that the employees receive information, and are consulted, in connection with the implementation of the Demerger and Merger.

Any written comments from the employees will be enclosed with the Demerger plan.

## **12 BETINGELSER FOR GJENNOMFØRING AV FISJONEN OG TREKANTFUSJONEN**

Fisjonens og Trekantfusjonens gjennomføring er betinget av at:

- (i) Fisjonen og Trekantfusjonen godkjennes med nødvendig flertall i generalforsamlingene, dvs. 2/3 flertall av stemmene og aksjekapitalen representert på generalforsamlingen.
- (i) Fristene for innsigelser fra kreditorer etter allmennaksjeloven § 14-7, jf. §§ 13-14 til 13-16, og forholdet til kreditorer som eventuelt har fremsatt innsigelser, skal være endelig avgjort eller det er oppnådd rettskraftig dom der det fastslås at Fisjonen og Trekantfusjonen uansett kan gjennomføres og registreres i Foretaksregisteret.

## **13 AVTALE OM OVERDRAGELSE AV EVENTUELLE JUSTERINGSFORPLIKTELER OG JUSTERINGSRETTER KNYTTET TIL MERVERDIAVGIFT**

Q-Free Norge og Q-Free Tolling samtykker til å overta rett og plikt til å justere merverdiavgift som måtte være knyttet til de kapitalvarer som overføres ved Fisjonen og Trekantfusjonen, jf. merverdiavgiftsloven § 9-3. Dette innebærer at Fisjonen og Trekantfusjonen ikke utløser noen plikt for Q-Free til å tilbakebetale fradragsført merverdiavgift. Partene er enige om å utarbeide eventuell nødvendig justeringsavtale i henhold til merverdiavgiftsforskriften § 9-3-3, som skal signeres innen utløpet av oppgavefristen for den avgiftstermin Fisjonen og Trekantfusjonen registreres i Foretaksregisteret. Det tas sikte på

## **12 CONDITIONS FOR IMPLEMENTATION OF THE DEMERGER**

The completion of the Demerger and Merger shall be conditional upon:

- (ii) The Demerger and Merger is passed with the required majority in the general meeting, i.e. 2/3 majority of the votes and share capital represented at the general meeting.
- (iii) The creditor notice period in accordance with the Public Companies Act section 14-7, cf. section 13-14 to 13-16 shall have expired, and the relationship with creditors which have made claims, if any, shall have been settled or a court of law shall have ruled that the Demerger and Merger may be completed and registered in the Business Register, regardless of such claim(s).

## **13 AGREEMENT RELATED TO THE TRANSFER OF RIGHTS AND OBLIGATIONS RELATED TO ADJUSTMENT OF VAT**

Q-Free Norge and Q-Free Tolling agree to enter into an agreement regarding the right and obligation to adjust the input VAT related to any capital goods which shall be transferred through the Demerger and Merger, cf. the Value Added Tax Act section 9-3. This entails that the Demerger and Merger does not trigger any obligation for Q-Free to repay any deducted input VAT. The parties agree to prepare any necessary agreement regarding the right and obligation to adjust the input VAT in accordance with section 9-3-3 of the Value Added Tax Act, which shall be signed within the reporting deadline of the VAT period in which the Demerger and Merger are registered in the

registrering i midten av oktober, dvs. 5. avgiftstermin.

#### **14 ENDRINGER I FISJONSPLANEN**

Styrene i Q-Free, Q-Free Tolling og Q-Free Norge kan, etter at generalforsamlingene har godkjent Fisjonsplanen, på vegne av generalforsamlingene, gjennomføre mindre endringer i Fisjonsplanen og de vedlagte dokumenter dersom dette finnes nødvendig eller ønskelig og ikke er til skade eller ulempe for aksjeeiere i selskapene. Administrerende direktør i Q-Free kan gjøre de endringer i Fisjonsplanen som Foretaksregisteret eventuelt krever, dersom endringene er av rent formell eller teknisk art og ikke medfører økonomiske konsekvenser.

#### **15 VILKÅR FOR UTØVELSE AV AKSJEIERRETTIGHETER**

Aksjonærene som skal overta aksjer i Q-Free Tolling ved Fisjonen, skal registreres i Q-Free Tolling's aksjeeierbok snarest mulig etter fisjonens selskapsrettslige ikrafttredelse og får fulle aksjeeierrettigheter fra denne registreringen i aksjeeierboken. Vilkåret for registrering i Q-Free Tolling's aksjeeierbok er at aksjonærene er oppført i Q-Free's aksjeeierbok.

Kapitalforhøyelsen i Q-Free ved Trekantfusjonen skjer ved økning av pålydende på eksisterende aksjer, og påvirker således ikke aksjeeierrettighetene i Q-Free.

#### **16 BRISTENDE FORUTSETNINGER**

Skulle det vise seg at fordelingen mellom selskapene er basert på uriktige eller ufullstendige opplysninger om faktiske forhold, og at det derfor vil oppstå skjevheter som ikke

Norwegian Register of Business Enterprises. Registration is planned to take place in the middle of October 2018.

#### **14 AMENDMENTS TO THE DEMERGER PLAN**

Following approval of the Demerger plan by the general meetings, the boards of directors of Q-Free, Q-Free Tolling and Q-Free Norge may, on behalf of the general meetings, make minor changes to the Demerger plan and the attached documents if deemed necessary or desirable and the amendment is not disadvantageous to the shareholders of the companies. Q-Free's general manager can make changes to the Demerger plan if required by the Norwegian Register of Business Enterprises, provided the changes are of a formal or technical nature and without financial consequences.

#### **15 CONDITIONS TO EXERCISE THE SHAREHOLDER'S RIGHTS**

The shareholders who will assume shares in Q-Free Tolling upon the Demerger, shall be registered in Q-Free Tolling's shareholder registers as soon as possible after the implementation of the demerger and will receive full shareholder rights from this registration. The condition for registration in Q-Free Tolling's shareholder register is that the shareholders are included in Q-Free's shareholder register.

The share capital increase in Q-Free by the Merger is carried out by an increase in the nominal value of the existing shares, and thus, does not affect the shareholders rights in Q-Free.

#### **16 FAILED CONTRACTUAL ASSUMPTION**

Should it transpire that the distribution between the companies is based on incorrect or incomplete information about factual matters, and imbalance therefore arise which cannot be

kan rettes opp gjennom andre bestemmelser i Fisjonsplanen, skal skjevheten kompenseres gjennom betaling av kontantvederlag. Ved fastsettelse av betalingstidspunkt skal det tas rimelig hensyn til selskapenes likviditetssituasjon.

corrected through other provisions of this Demerger plan, the imbalance will be compensated by the payment of a cash consideration. When the date of payment is stipulated, reasonable account shall be taken of the companies' liquidity situation.

## **17 LOVVALG OG VERNETING**

Denne Fisjonsplanen skal være undergitt og fortolkes i samsvar med norsk rett. Enhver tvist i forbindelse med Fisjonsplanen skal avgjøres med endelig virkning ved voldgift i Oslo etter de til enhver tid gjeldende regler i voldgiftsloven.

## **17 GOVERNING LAW AND DISPUTE RESOLUTION**

This Demerger plan shall be governed by and construed in accordance with Norwegian law. Any disputes or claim arising out of or in connection with this Demerger plan shall be settled with binding effect by arbitration in Oslo municipality in Norway in accordance with the at all times prevailing regulations in the Norwegian Arbitration Act.

\* \* \*

Trondheim, 30. juni 2018

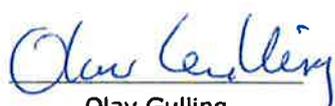
Styret i **Q-Free ASA**

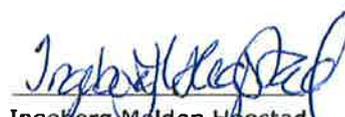
  
Trond Valvik

  
Ragnhild Wahl

  
Rune Jøraandstad

  
Snorre Kjesbu

  
Olav Gulling

  
Ingeborg Molden Høgstad

  
Tore Valderhaug  
(Styreleder)

Styret i **Q-Free Tolling AS**

  
Bjørn Kleven  
(Styreleder)

  
Tor Erik Reksen Nergård

Styret i **Q-Free Norge AS**

  
Bjørn Kleven  
(Styreleder)

  
Tor Erik Reksen Nergård

## Annex 1 to the demerger and merger plan

### Overview of what is transferred by demerger of Q-Free ASA (organization number 935487242) to Q-Free Tolling AS and then by merger to Q-Free Norge

In addition to what is set out in the opening balance below, all other assets, rights and obligations relating to the Business is also transferred to Q-Free Norge AS, such as:

All operational customer contracts and supplier contracts, licensing agreements, FoU agreements, lease agreement and other agreements related to the Business.

All employees, including all rights and obligations of the employees, such as pension agreements, with the exception of:

- President & CEO, Håkon Vollidal
- CFO, Tor Eirik Knutsen
- Executive Administration manager, Rita Bøe Isaksen

Which means 113 of 116 employees are transferred to Q-Free Norge AS.

The trademark and word mark "Q-Free", shall not be transferred.

To the extent that assets, rights or obligations related to the Business is not transferable due to required consents from third parties or the authorities, the parties shall, to the extent possible, enter into agreements among themselves which results in Q-Free Norge AS assuming equivalent rights and obligations as if the asset, right or obligation had been factually and formally transferred, including that Q-Free Norge AS shall, in consideration for receiving all remuneration, at its own cost and risk, do all things necessary to fulfil the contractual obligations which may still be held by Q-Free ASA.

NOKm	Q-Free ASA		Demerger	
	Note	30.06.18E	Q-Free ASA 30.06.18E	Q-Free Norge AS 30.06.18E
Deferred tax asset	1	-	-	-
Product development costs	2	62,2	-	62,2
Machinery, fixture & fittings	3	11,9	-	11,9
Investment in subsidiaries	4	299,3	299,3	-
Loans to group companies	5	244,2	244,2	-
Investments in other companies		0,4	0,4	-
<b>Non-current assets</b>		<b>618,0</b>	<b>543,8</b>	<b>74,2</b>
Inventories		13,2	-	13,2
Work in progress		34,1	-	34,1
Account receivables		36,1	-	36,1
Receivables group companies	6	89,7	1,7	88,0
Other current assets		4,4	-	4,4
Cash		-	-	-
<b>Current assets</b>		<b>177,5</b>	<b>1,7</b>	<b>175,8</b>
<b>Total assets</b>		<b>795,5</b>	<b>545,5</b>	<b>249,9</b>
Share capital		33,9	18,1	15,8
Share premium		578,3	309,3	107,8
Other paid in capital		20,7	11,1	-
Uncovered loss / retained earnings		(176,4)	(5,4)	-
<b>Total equity</b>		<b>456,5</b>	<b>333,0</b>	<b>123,5</b>
Debt to financial institutions		100,0	100,0	-
Other non-current liabilities	7	14,6	-	14,6
Loans from group companies		35,9	35,9	-
<b>Long-term interest-bearing debt</b>		<b>150,4</b>	<b>135,9</b>	<b>14,6</b>
Debt to financial institutions		45,1	45,1	-
Accounts payable		35,3	-	35,3
Debt to group companies	8	45,6	21,4	24,2
Tax payables		(1,3)	(1,3)	-
Public duties payable		4,8	4,8	-
Other short term debt	9	59,1	6,8	52,3
<b>Short-term debt/ Current debt</b>		<b>188,5</b>	<b>76,7</b>	<b>111,8</b>
<b>Equity and liabilities</b>		<b>795,5</b>	<b>545,5</b>	<b>249,9</b>

#### Note

- 1 Q-Free ASA has not capitalised deferred tax asset (including value of tax loss carried forward NOKm 66.4 at year end FY17) as it is uncertain if and when it will be utilised.
- 2 Consist of product development costs related to Tolling and Parking segments. All associated IP rights will be transferred to the demerged company, Q-Free Norge AS.
- 3 Consists mainly of production lines, IT infrastructure and furnishing which will follow Q-Free Norge AS.
- 4 Investments in subsidiaries will be owned by the holding company, Q-Free ASA.
- 5 Consist of loans to subsidiaries, where the largest one NOKm 155.6 to Q-Free America is related to acquisition of other companies.
- 6 The receivables related to operations are to follow Q-Free Norge AS, while the part related to interest on loans to group companies (NOKm 1.7) are to stay in Q-Free ASA.
- 7 Relates to future cost of changing from defined benefit to defined contribution pension scheme and is assumed to follow the employees.
- 8 NOKm 21.4 is debt to Q-Free Netherlands and Q-Free Brazil and owed interest will remain in Q-Free ASA. NOKm 24.2 relates to accounts payable to group companies, and is considered as NWC.
- 9 Mainly consists of accrued expenses for salary, holiday pay and others. The part related to holiday pay, interest on a bank loan and board remuneration (NOKm 6.8) will remain in Q-Free ASA, while the other items is assumed to be transferred to Q-Free Norge AS.



Translation from Norwegian

<b>Vedtekter i Q-Free ASA</b>	<b>Articles of Association for Q-Free ASA</b>
<p>Paragraf 1. Selskapets navn er Q-Free ASA. Selskapet skal være et allmennaksjeselskap.</p>	<p>Article 1. The name of the Company shall be Q-Free ASA. The Company shall be a public limited company.</p>
<p>Paragraf 2. Selskapets forretningskontor er i Trondheim kommune.</p>	<p>Article 2. The Company's registered place of business shall be in the City of Trondheim.</p>
<p>Paragraf 3. Selskapets formål er å drive forskning, utvikling, produksjon drift og salg av informasjonsteknologi produkter og systemer samt alt som herved står i forbindelse.</p>	<p>Article 3. The Object of the Company is to engage in research, development, production, operation and sale of information technology products and systems plus everything therewith connected.</p>
<p>Paragraf 4. Selskapets aksjekapital er NOK 33.904.909,48 fordelt på 89.223.446 hver aksje pålydende NOK 0,38.</p> <p>Selskapets aksjer skal være registrert i Verdipapirsentralen.</p>	<p>Article 4. The Company's share capital shall be NOK 33,904,909.48 divided between 89,223,446 shares, each of NOK 0.38 face value.</p> <p>The Company's shares shall be registered in the Norwegian Central Securities Depository (<i>VPS</i>).</p>
<p>Paragraf 5. Selskapets styre skal ha fra 3-8 medlemmer etter generalforsamlingens nærmere beslutning. Styret representerer selskapet utad, og tegner dets firma. Selskapets firma kan også tegnes av styrelederen og ett styremedlem i fellesskap. Styret kan meddele prokura.</p>	<p>Article 5. The Board of the Company shall have between three and eight members, as the general meeting shall stipulate. The Board shall represent the Company outwardly, and sign for it. The signature of the Company is also vested in the Chairman of the Board and one other Board member acting jointly. The Board may grant procuration (registered power of attorney).</p>
<p>Paragraf 6. Ordinær generalforsamling avholdes før 30. juni. Generalforsamlingen avholdes enten i Trondheim kommune eller i Oslo kommune.</p> <p>Innkalling til generalforsamling skjer med minst 21 dagers skriftlig henvendelse til alle aksjeeiere med kjent adresse.</p> <p>Styret kan beslutte at dokumenter som gjelder saker som skal behandles på generalforsamlingen ikke sendes til aksjeeierne når disse dokumentene gjøres tilgjengelig på selskapets internettsider. Det samme gjelder for dokumenter som etter lov skal inntas i eller vedlegges innkallingen til generalforsamlingen. En aksjeeier kan likevel, ved henvendelse til selskapet, kreve å få tilsendt</p>	<p>Article 6. The annual general meeting shall be held before 30 June, in either the City of Trondheim or the City of Oslo.</p> <p>Invitation to the general meeting shall require at least 21 days' written application to all shareholders with known addresses.</p> <p>The Board may determine that documents pertaining to matters for discussion at the general meeting shall not be sent to the shareholders when these documents are made available on the Company's Web pages. The same shall apply to documents that by statute must be</p>



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3. Valg av styre og styrets leder.
4. Fastsettelse av styrets godtgjørelse.
5. Valg av medlemmer til valgkomiteen.
6. Fastsettelse av valgkomiteens godtgjørelse.
7. Fastsettelse av revisors godtgjørelse.
8. Andre saker som styret setter på dagsordenen eller som en aksjeeier ønsker å behandle, når slik sak er meldt skriftlig til styret innen syv dager før fristen for innkalling til generalforsamling, sammen med et forslag til beslutning eller en begrunnelse for at spørsmålet settes på dagsordenen. Har innkallingen allerede funnet sted, skal det foretas en ny innkalling dersom fristen for innkalling til generalforsamling ikke er ute.
9. Andre saker som i henhold til lov hører under generalforsamlingen.

Paragraf 7.

Selskapet skal ha en valgkomité. Valgkomiteens oppgaver er å avgi innstilling til generalforsamlingen om valg av aksjonærvalgte

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The right to participate and vote at the general meeting may only be exercised for shares that are entered in the Register of Shareholders (VPS) on the fifth working day prior to the general meeting (the date of registration).

Shareholders who, either in their own persons or by proxies, wish to participate in the general meeting, shall communicate this to the Company within the deadline that the Board has stipulated in the invitation. Such deadlines cannot expire earlier than five days prior to the meeting.

The annual general meeting shall consider:

1. Adoption of profit and loss account and balance sheet.
2. Application of profit or coverage of loss pursuant to the adopted balance sheet and distribution of dividend.
3. Election of the Board and the Chairman of the Board.
4. Stipulation of the Board's remuneration.
5. Election of members of the Nominations Committee.
6. Stipulation of the compensation to the Nominations Committee.
7. Stipulation of the compensation to the auditor.
8. Other matters that the Board places on the agenda, or that a shareholder wants considered, when such an item is notified in writing to the Board within seven days before the deadline for invitation to the general meeting, together with a proposal for decision or a justification for putting the proposal on the agenda. If the invitation has already taken place, a new invitation shall be made if the deadline for invitation to the general meeting has not passed.



medlemmer til styret, samt foreslå godtgjørelse til styret.

Valgkomiteen består av tre medlemmer som skal være aksjeeiere eller representanter for aksjeeiere. Medlemmene velges av generalforsamlingen. Valgkomiteens medlemmer velges for to år av gangen. Generalforsamlingen kan vedta instruks for valgkomiteen.

Paragraf 8. For øvrig vises til den til enhver tid gjeldende aksjelovgivning.

Vedtekter pr. 28 september 2016  
Aksjonærene i Q-Free ASA

9. Other matters that pursuant to statute pertain to the general meeting.

Article 7.

The Company shall have a Nominations Committee, whose mission shall be to make recommendations to the general meeting for shareholder-elected members to the Board, and also propose the Board's emoluments.

The Nominations Committee shall consist of three members who shall be shareholders or representatives of shareholders. The members shall be elected by the general meeting. The members of the Nominations Committee shall be elected for two years at a time. The general meeting may decide on instructions for the Nominations Committee.

Article 8. Reference is otherwise made to the current companies legislation.

Articles of Association as of 28 September 2016  
The shareholders of Q-Free ASA



English office translation

### Vedtekter i Q-Free ASA

- Paragraf 1. Selskapets navn er Q-Free ASA. Selskapet skal være et allmennaksjeselskap.
- Paragraf 2. Selskapets forretningskontor er i Trondheim kommune.
- Paragraf 3. Selskapets formål er å drive forskning, utvikling, produksjon drift og salg av informasjonsteknologi produkter og systemer samt alt som herved står i forbindelse.
- Paragraf 4. Selskapets aksjekapital er NOK 18.131.089,78 fordelt på 89.223.446 hver aksje pålydende NOK 0,2032099251.
- Selskapets aksjer skal være registrert i Verdipapirsentralen.
- Paragraf 5. Selskapets styre skal ha fra 3-8 medlemmer etter generalforsamlingens nærmere beslutning. Styret representerer selskapet utad, og tegner dets firma. Selskapets firma kan også tegnes av styrelederen og ett styremedlem i fellesskap. Styret kan meddele prokura.
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### Articles of Association for Q-Free ASA

- Article 1. The name of the Company shall be Q-Free ASA. The Company shall be a public limited company.
- Article 2. The Company's registered place of business shall be in the City of Trondheim.
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6. Fastsettelse av valgkomiteens godtgjørelse.
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8. Andre saker som styret setter på dagsordenen eller som en aksjeeier ønsker å behandle, når slik sak er meldt skriftlig til styret innen syv dager før fristen for innkalling til generalforsamling, sammen med et forslag til beslutning eller en begrunnelse for at spørsmålet settes på dagsordenen. Har innkallingen allerede funnet sted, skal det foretas en ny innkalling dersom fristen for innkalling til generalforsamling ikke er ute.
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Paragraf 8. For øvrig vises til den til enhver tid gjeldende aksjelovgivning.

Vedtekter pr. 17. august 2018  
Aksjonærene i Q-Free ASA

9. Other matters that pursuant to statute pertain to the general meeting.

Article 7.

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Article 8. Reference is otherwise made to the current companies legislation.

Articles of Association as of 17 August 2018  
The shareholders of Q-Free ASA

## **VEDTEKTER**

### **FOR**

### **Q-FREE TOLLING AS**

slik de lyder per 18. juni 2018

#### § 1 - Foretaksnavn

Selskapets navn er Q-Free Tolling AS.

#### § 2 - Forretningskontor

Selskapets forretningskontor er i Trondheim kommune.

#### § 3 - Virksomhet

Selskapets virksomhet er selv og/eller gjennom eierskap i andre selskaper å drive forskning, utvikling, produksjon, drift og salg av informasjonsteknologiprodukter og -systemer samt alt som herved står i forbindelse.

#### § 4 - Aksjekapital

Aksjekapitalen er kr 30.000, fordelt på 1.000 aksjer, hver pålydende kr 30.

#### § 5 - Styre

Selskapets styre skal ha fra 1 til 7 medlemmer, etter generalforsamlingens nærmere beslutning.

#### § 6 - Signatur

Selskapets firma tegnes av styrets medlemmer hver for seg.

#### § 7 - Generalforsamling

På den ordinære generalforsamling skal følgende spørsmål behandles og avgjøres:

- Godkjenning av årsregnskapet og årsberetningen, herunder utdeling av utbytte.
- Andre saker som etter loven eller vedtektene hører under generalforsamlingen.

\* \* \* \* \*

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slik de lyder per 17. august 2018

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#### § 4 - Aksjekapital

Aksjekapitalen er NOK 15.773.819,70, fordelt på 89.223.446 aksjer, hver pålydende NOK 0,17679007491.

#### § 5 - Styre

Selskapets styre skal ha fra 1 til 7 medlemmer, etter generalforsamlingens nærmere beslutning.

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\* \* \* \* \*

## **VEDTEKTER**

### **FOR**

### **Q-FREE NORGE AS**

slik de lyder per 18. juni 2018

#### § 1 - Foretaksnavn

Selskapets navn er Q-Free Norge AS.

#### § 2 - Forretningskontor

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Vedtekter pr. 17. august 2018  
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Articles of Association as of 17 August 2018  
The shareholders of Q-Free ASA

# 2015

ANNUAL REPORT



LEADING THE WAY



10.02.2016 | Q4-15  
26.05.2016 | Annual General Meeting, Oslo  
28.04.2016 | Q1-16  
18.08.2016 | Q2-16  
27.10.2016 | Q3-16  
14.02.2017 | Q4-16

Quarterly presentations will be held  
at Hotel Continental, Stortingsgaten 24, Oslo.  
The presentations will be web casted live  
at [www.q-free.com](http://www.q-free.com)

For further information,  
please contact [ir@q-free.com](mailto:ir@q-free.com)

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## ABBREVIATIONS

AET	All Electronic Tolling
AID	Automatic Incident Detection
ALPR	Automatic Licence Plate Recognition
ATMS	Advanced Transportation Management Systems
CALM	Communication Access For Land Mobiles
CBO	Commercial Back Office
CC	Congestion Charging
CEN	Comité Européen De Normalisation (European Committee For Standardisation)
CPMS	Car Park Management Systems
DSRC	Dedicated Short Range Communication
EFC	Electronic Fee Collection
EIP	Enhanced Image Processing
ELE	Electronic Law Enforcement
ERI	Electronic Registration Identification
ETC	Electronic Toll Collection
GNSS	Global Navigation Satellite System
GPS	Global Positioning System
GSM	Global System For Mobile Communications
ITS	Intelligent Transport Systems
MLFF	Multi Lane Free Flow
MTC	Manual Toll Collection Systems
OBO	Operational Back Office
OBU	On-Board Unit (Tag)
OCR	Optical Character Recognition
RFID	Radio Frequency Identification
RFQ	Request For Qualification
PGS	Parking Guidance Systems
RUC	Road User Charging
TMC	Transportation Management Centre
WIM	Weigh In Motion

## KEY FIGURES

	2011	2012	2013	2014	2015
<b>PROFIT &amp; LOSS ACCOUNT (NOK)</b>					
Operating revenues	704 912	597 532	606 072	788 684	803 525
Cost of goods sold	296 491	227 090	224 791	282 173	232 352
Operating expenses	301 012	376 434	413 080	421 667	587 149
<b>EBITDA</b>	<b>107 409</b>	<b>-5 991</b>	<b>-31 799</b>	<b>84 745</b>	<b>-15 976</b>
<b>EBIT</b>	<b>58 907</b>	<b>-55 306</b>	<b>-94 713</b>	<b>8 436</b>	<b>-160 458</b>
<b>PROFIT BEFORE TAX</b>	<b>54 916</b>	<b>-44 623</b>	<b>-97 959</b>	<b>-16 369</b>	<b>-182 098</b>
<b>PROFIT AFTER TAX</b>	<b>36 187</b>	<b>-31 979</b>	<b>-110 770</b>	<b>-26 958</b>	<b>-194 698</b>
GM %	57.9 %	62.0 %	62.9 %	64.2 %	71.1 %
EBITDA %	15.2 %	-1.0 %	-5.2 %	10.7 %	-2.0 %
EBIT %	8.4 %	-9.3 %	-15.6 %	1.1 %	-20.0 %
<b>SELECTED BALANCE SHEET ITEMS (NOK)</b>					
Intangible fixed assets	182 902	244 387	236 279	458 354	581 991
Tangible fixed assets	53 302	66 320	63 071	51 799	46 106
Cash	439 788	369 491	271 477	164 133	65 349
Total assets	928 670	941 699	894 344	983 806	997 315
Equity (incl. minority)	636 746	630 908	504 526	529 561	416 499
Interest bearing debts	100 000	100 000	100 000	100 000	150 000
<b>KEY FIGURES PER SHARE (NOK)</b>					
Earnings per share, ordinary	0,58	-0,51	-1,65	-0,42	-2,79
Earnings per share, diluted	0,57	-0,51	-1,64	-0,42	-2,79
Cashflow	3,19	-0,29	-0,48	0,92	-0,25
Equity	10,57	9,34	7,42	7,08	5,97
Market cap as at 31.12 (MNOK)	1 106	1 298	952	688	683
Average no of shares	60 247	67 541	67 972	68 574	69 781
<b>OTHER KEY FIGURES</b>					
Order backlog	461 661	437 408	379 194	481 192	748 278
Order intake	591 355	573 365	548 060	889 792	1 070 612
Return on capital employed (ROCE)	0,76	0,63	0,68	0,84	0,81
Net interest bearing debts	100 000	100 000	100 000	100 000	150 000
Cash flow from operations	192 169	-19 886	-32 567	63 310	-17 244
Operational investment	37 722	54 195	37 738	69 074	64 860
Equity ratio	69 %	67 %	56 %	52 %	42 %
Gearing	10.8 %	10.6 %	11.2 %	10.6 %	15.0 %
Number of employees	273	305	291	399	429
Price / book value	1,74	2,06	1,89	1,42	1,64

## VISION

Be the globally preferred provider of ITS solutions.

## MISSION

Q-Free will provide responsible ITS solutions which maximise profitability while benefiting society by making transportation safer, more effective and more environmentally friendly.

## KEY FACTS

Q-Free is a leading global supplier of ITS products and solutions. The company has 450 employees, is headquartered in Trondheim, Norway and has 20 offices around the globe. Throughout its 30-plus years of business, Q-Free has delivered ITS systems which are now operational in Europe, the Asia-Pacific region, the Middle East, Africa and in North and South America.

Q-Free is listed on the Oslo Stock Exchange with the ticker QFR.

## HISTORY IN SHORT

Q-Free was founded in 1984 as Micro Design by a team of very talented engineers based in Selbu, just outside Trondheim, Norway.

The high cost of building and maintaining roads, bridges and tunnels in Norway has led to the widespread use of tolling. Automation of the tolling process has played an important part in minimising operational costs and maximising the funds left for actual infrastructure construction and upkeep. This opportunity attracted the Micro Design team, who later renamed their company after the Q-Free technology which they created.

The company carried out an R&D program in cooperation with the Norwegian Road Authority in 1986-88, and in 1988 the partners deployed the world's first full-speed, non-stop electronic toll collection system at Ranheim in Trondheim.

The 1990s brought the first larger deployments of ETC systems. Norway installed toll cordons in Oslo and Trondheim, and Portugal rolled out a nationwide ETC system called Via Verde in 1995. The CEN DSRC standards were released in 1997, contributing to an adoption of European ETC technology in overseas markets such as Chile, Australia and Brazil.

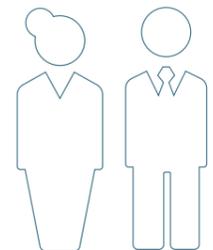
Moving into the 2000s, Q-Free focused on continued international expansion and maintenance of its strong position in its home market. The company also modified its strategy, changing from being very much focused on DSRC technology to providing tolling solutions based on a variety of technologies.

In recent years, the company has acquired market-leading ALPR, ATMS and other ITS technologies and expertise in support of its progression into the wider traffic management market.

This evolution addresses the volatility of the tolling sector and capitalises on the more stable revenues to be found in the ITS sector. Q-Free is now positioned as a developer and supplier of technologies which address all the needs of modern traffic management.



PRESENCE IN  
**20**  
COUNTRIES



**450**  
EMPLOYEES



## TRANSFORMING INTO AN ITS COMPANY

Governments around the world want their roads to be safer, more efficient, produce less pollution and be less congested. All our business focus and every decision we make at Q-Free revolves around creating and providing sustainable technology solutions to help cities and urban communities around the world. These enable traffic managers and travelers, the end users, to be better informed and make better decisions which allow safer, more coordinated and smarter use of transport networks.

2015 was characterised by significant changes in Q-Free. Reorganisation, changes in the management team and a reduction of the fixed cost base were all important and necessary measures carried through towards the end of the year. Our most recent acquisitions, Intelight in the US and Traffiko in Malta, bring strategically vital offerings and expertise to Q-Free and conclude the first wave of acquisitions according to the strategy direction we decided upon a few years back. Another positive outcome of 2015 is a good order inflow in all service lines and regions indicating growth rates well above 25 percent. I also anticipate growth in all of the Q-Free's areas of interest in 2016.

Set against this backdrop, Q-Free's transformation into an ITS company continues. In my opinion, we have never been in a better position to succeed. Through acquisitions, we have built a strong portfolio in traffic management which complements our legacy, state-of-the-art tolling offering. We have given the acquired traffic management entities the strength and opportunity to compete globally in new markets, utilising the strong Q-Free brand and business network. We have gained an impressive competence base through the highly skilled employees in our new companies, adding strength to the similar existing competence base in tolling.

Our task now is to streamline our operation and further integrate and leverage products and systems within the Q-Free technology portfolio which sit across several of our service lines and geographic regions. We will focus on developing a sound commercial and operational platform to support further growth and bring to market new joint offerings. We want to speed up the strategy implementation and become more powerful and profitable.

For our clients, Q-Free remains focused on offering and delivering competitive, advanced traffic products and systems which they need to succeed. Our order intake increased in 2015, resulting in a year end with a satisfactory order backlog. This has continued in 2016, but we still need to continuously improve client relations, building upon existing relationships and distribution channels.

For our employees, I am proud of and impressed by the organisation's ability to adapt after a challenging 2015 and the organisational changes implemented before year end. The organisation has regained energy, increased its focus on winning business and re-emphasised collaboration across an increasing number of different cultures, offerings, technologies and nationalities. I am certain that our core Q-Free values – summarised as "EPIC": Excellence, Passion, Innovation, Collaboration – will motivate our highly skilled employees to consistently develop and deliver leading-edge technologies for the benefit of our customers. In addition, our core values will maintain an exciting workplace for employees and create a high return on investment for our shareholders.

For our shareholders, we are committed to further improvement and we need to keep on delivering on the strategy set by us. More important than anything else, we need to start capitalising on the investments made the last couple of years and deliver predictable, profitable growth and cash generation. This is the most important task in the near future. With the most recent project wins, such as those in the US, Thailand, Slovenia, Sweden and Norway, I am confident that this will happen in the coming years.

I am looking forward to sharing this progress with you in the years to come, and want to take the opportunity to thank our customers, employees and shareholders for their support.

ROAR ØSTBØ  
Acting CEO and CFO

ROAR ØSTBØ  
ACTING CEO AND CFO

– We want to speed up the strategy implementation and become more powerful and profitable.

# Q-FREE'S PORTFOLIO

JAKARTA, INDONESIA

TOLLING

PARKING

URBAN

INTER-URBAN

INFOMOBILITY

HOMELAND SECURITY

## TOLLING

Electronic Toll Collection  
Congestion Charging  
Truck Tolling  
Managed Lanes  
Enforcement

## PARKING

Car Park Management Systems  
ALPR/DSRC-Based Parking  
Parking Guidance Systems  
Parking Access Control

## URBAN

LED Streetlights  
Tunnel Management  
Traffic Controllers  
Congestion Charging  
Cooperative ITS

## INTER-URBAN

Traffic Management Centre  
Tunnel Management  
Ramp Metering

## INFOMOBILITY

Weigh in Motion  
Traffic Counters  
Cycle & Pedestrian Detection  
Journey Time Monitoring  
Weather & Air-Quality Monitoring

## HOMELAND SECURITY

Critical Asset Control  
Camera Surveillance & Security

# Q-FREE IS A GLOBAL SUPPLIER OF INTELLIGENT TRANSPORT SYSTEMS

OSLO, NORWAY



## REFERENCE FACTS

### CYCLE PRIORITY SCHEME GLASGOW, UK

The Q-Free HI-TRAC Cycle Monitoring Unit (CMU) is a piezoelectric-based solution which features roadside solar power and GRPS connectivity. As a result, it is a self-sufficient system and easy to install.

The detection equipment sits inside the traffic controller cabinet and is easily integrated into the controller's phasings.

As cyclists approach the signalised junction, the in-road sensors trigger an output that generates a 'call' based on direction-specific detection. That initiates a signal phase which enables cyclists to pass safely through the junction, thus completely removing the risk of vehicle / cycle conflict.

The system also offers data-hosting and maintenance capabilities.

The company's technology and expertise help governments, municipalities, jurisdictions and roads operators to address the four key policy aims of:

- improving safety
- lessening environmental impact
- reducing road congestion
- providing sustainable road financing

#### IMPROVING SAFETY

Q-Free's products and solutions can intelligently monitor and manage roads in real time, using sophisticated algorithms to predict short-term traffic conditions and applying the appropriate signal settings while responding near-instantly to unforeseen incidents. The company's OpenTMS product is deployed widely on inter-urban routes, and Q-Free also develops and supplies state-of-the-art traffic management solutions for urban settings.

Overloaded and potentially unsafe vehicles can be detected on the move, using Q-Free's range of HI-TRAC in-lane WIM sensors. HI-TRAC's sophisticated capabilities mean that, in addition to providing per-axle or gross vehicle weight data, vehicles can also be detected and classified by size and type, allowing movement restrictions or exclusions to be applied. Q-Free's world-leading ALPR and vision systems can be used to track goods vehicles

carrying hazardous loads. This is especially important where critical infrastructure, such as bridges and tunnels, is concerned.

New C-ITS technology enables vehicles to communicate with each other, surrounding infrastructure and traffic management centers. These Vehicle-to-Vehicle (V2V), Vehicle-to-Infrastructure (V2I) and Vehicle-to-Smart Device (V2X) solutions mean that vehicles become proactive gatherers and communicators of safety-critical information, not just recipients. Q-Free's Universal ITS Unit provides customers with a C-ITS applications development solution and will form the basis of future roadside and in-vehicle C-ITS communication products.

Where cyclists and pedestrians co-exist with larger vehicles, they have to be protected. Q-Free's piezoelectric-based cycle detection and passive infrared-based pedestrian detection technology provides very high degrees of accuracy and very low instances of 'false positive' detection.

#### LESSENING ENVIRONMENTAL IMPACT

Q-Free's traffic management technology – both its OpenTMS product for strategic roads and its solutions for urban traffic control – can help to smooth traffic flows and reduce vehicle emissions.

When combined with Q-Free's smart car parking management solutions it can have an even greater positive effect on traffic and emissions levels, giving travelers true choices in terms of reducing the environmental effects of their journeys.

Q-Free's tolling technology can be used to manage demand and access, introducing a dynamic pricing element which encourages road users to think about how and when they travel. Q-Free has supplied and supports congestion tax schemes in Stockholm and in Gothenburg, where an innovative single-gantry solution was successfully deployed. In Amsterdam, the company has supplied the ALPR system which supports charging of vehicles according to their powertrain emissions.

The company's range of specialist environmental sensors measure particulate emissions. They can provide real-time information on air quality and enable decisions to be made on whether or not to allow vehicles access to certain areas, increase the cost of access for certain types of vehicles, reduce speed limits, and so on.

Q-Free's HI-TRAC WIM technology can be used to identify heavy goods vehicles which are overweight, overloading their powertrains and so producing greater levels of carbon and particulates. All of these technologies can be networked to create robust, coherent environmental protection solutions.



**REFERENCE FACTS**

**GOTHENBURG CONGESTION TAX SYSTEM, GOTHENBURG, SWEDEN**

In Gothenburg, Q-Free has implemented the largest operational single-gantry system in the world. This offers low visibility and environmental impact, which makes the system ideal for an urban environment as well as highway tolling.

The Gothenburg Congestion Tax scheme consists of 42 charging points. The purpose of the scheme is to increase accessibility in the City of Gothenburg, improve the environment and contribute to infrastructure financing.



GOTHENBURG, SWEDEN

**REDUCING ROAD CONGESTION**

Over-populated roads suffer from higher rates of serious and fatal accidents, while billions of dollars are lost each year around the world to time wasted in traffic. Congestion also makes a major contribution to noise and particulate pollution.

Q-Free's Automatic Incident Detection solutions and real-time traffic information systems can implement both proactive and reactive management strategies, with information distributed to road users via roadside and in-vehicle systems, and the mass media. The smoother traffic flows which result in increased safety, reduced journey times and decreased pollution caused by stop-start or nose-to-tail traffic.

The company's technology systems can be used in conjunction with its tolling products to introduce an element of demand management. Vehicles can be charged universally or according to type. Charging can be fixed, varied by time of day, adjusted in real time or be distance-based. Road users can be charged for crossing a geographic boundary, entering a geographic area or using specific, managed lanes.

Q-Free's smart parking solutions, which share common platforms including back office electronic payment systems, can also be integrated to a very high degree, and help to optimise traffic operations and reduce congestion to the greatest possible extent.

**PROVIDING SUSTAINABLE ROAD FINANCING**

Q-Free's MLFF tolling technology allows fees to be collected using barrier-free solutions at highway speeds, maximising vehicle throughput, revenues collected and safety. Revenues can be used to support new and existing road infrastructure as well as to improve the quality of public/mass transit.

Q-Free has developed and provides tolling systems based on DSRC, GNSS, ALPR, GSM and hybrid technologies which maximise tolling scheme's flexibility. Schemes can range in size from a single road or type of road to whole regions or countries. They can target all or specific types of vehicles. The company's modern enforcement solutions – fixed, portable or mobile – minimise revenue losses, and its electronic back office solutions offer pre- and post-payment options for both account and non-account customers.

Q-Free's smart parking solutions can be applied to on- and off-road facilities. Smart parking can be linked to Q-Free's tolling and traffic management to provide complete, seamless urban pricing and congestion-management solutions.

The company's tolling and smart parking solutions share common platforms, allowing procurement of complete infrastructure financing and funding solutions from a single, expert ITS supplier.

# CORPORATE MANAGEMENT



## ROAR ØSTBØ (1961)

*Acting CEO and CFO*

Roar Østbø has held the position of Acting CEO in Q-Free since November 2015. Østbø has been Q-Free Chief Financial Officer since 2009. Østbø came from the same position in Aqualyng Group and has previously held the CFO position in CorrOcean ASA, in the oil service company Reslab AS and in Sintef. Østbø is a Certified Public Accountant from the Norwegian School of Economics and Business Administration (he qualified in 1988) and has also worked as an auditor in Arthur Andersen & Co. Østbø has 129,500 shares and 150,000 synthetic share options in Q-Free ASA.

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## MORTEN ANDERSSON (1957)

*COO and VP ELA*

Morten Andersson, has been employed by Q-Free since 2012. Andersson has held similar positions in Peek and Swarco, and has more than 30 years of experience in the traffic management industry. Andersson has 15,700 shares and 100,000 synthetic share options in Q-Free ASA.

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## DR. JOS A. G. NIJHUIS (1965)

*CTO*

Dr. Jos Nijhuis has been employed since 2008. Nijhuis holds a M.Sc. (with Honors) in Electrical Engineering 1987, and a Ph.D in Natural Sciences from Nijmegen University in 1992. Nijhuis has extensive experience in ITS software development from various positions within academia and industry. Nijhuis is also the General Manager of Q-Free Netherlands (formerly Dacolian B.V., which was acquired by Q-Free in 2008). Nijhuis has 533,552 shares and 60,000 synthetic share options in Q-Free ASA

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## ALAN ALLEGRETTO (1953)

*VP North America*

Alan Allegretto joined Q-Free in 2015. Allegretto's professional career spans more than 40 years and as a senior corporate officer he has focused exclusively on businesses that deliver design-and-build turnkey programs and integrated systems to federal and state governments as well as the military, transportation, aviation and commercial sectors. He has held numerous engineering, program management, business development, strategic leadership and executive positions of increasing responsibility at the Executive Vice President, Chief Operating Officer and Chief Executive Officer levels within several globally recognised engineering and ITS firms including Xerox Services Company and TransCore LP, US. Allegretto retired from the USAF, after 30 years combined active and reserve service, as a Lieutenant Colonel (Aviator-Engineer) with Top Secret security clearance. He holds professional degrees and certification in engineering and engineering management from the New Jersey Institute of Technology and the Air Force Institute of Technology, respectively.

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## PER ECKER (1968)

*VP APMEA*

Per Ecker has been with the company since 2007. Ecker came from the position of Sales Director in Siemens Mobile Networks (where he was from 1992 to 2007), where he had particular responsibility for Eastern European markets. Ecker has extensive experience of international sales both in Asia and Europe. As a Second Lieutenant, he was educated in electronics by the Norwegian Army Officers Training School (1986-1989). Ecker has 33,500 shares and 70,000 synthetic share options in Q-Free ASA.

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## PÅL RUNE JOHANSEN (1969)

*VP Nordic*

Pål Rune Johansen has worked for Q-Free since 2014, holding the position of VP Nordic. He holds a Masters Degree in Mechanical Engineering from the Norwegian University of Science and Technology. This is his second period in the company. Johansen also worked in Q-Free from 2000–2008 and has extensive global experience in Q-Free project management. Over the period 2004–2006, Johansen was a member of the board in Q-Free ASA. He was the general manager of Noca AS between 2008 and 2014. In the period between 1995 and 2000, Johansen worked for AF-Gruppen ASA, a large Norwegian construction company. Johansen has 10,000 shares and 70,000 synthetic share options in Q-Free ASA.

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# BOARD OF DIRECTORS



## CHARLOTTE BROGREN KARLBERG (1963)

*Chairman of the Board  
Served since 2011*

Charlotte Brogren Karlberg is General Director of Verket för innovationssystem, VINNOVA, a Swedish governmental administration authority, organised under the Ministry of Enterprise and Innovation, Energy and Communication. Brogren Karlberg has previously held management positions in the R&D organisation of ABB. Brogren Karlberg is a Chemical engineer and holds a Ph.D from Lunds Tekniska Högskola (1997). Brogren Karlberg is Chairman of the Board of Industrifonden and HMS AB, and a member of the Board of Gunnebo AB. Brogren Karlberg is a Swedish citizen and resides in Stockholm, Sweden. Brogren Karlberg has no shares in Q-Free ASA.



## TORE VALDERHAUG (1960)

*Vice Chairman of the Board  
Served since 2016*

Tore Valderhaug serves as an advisor through the company Proventi AS. He is a Norwegian State-Authorised Public Accountant with 10 years of external audit experience, mainly from Arthur Andersen & Co. Mr. Valderhaug also has close to 20 years' experience as finance director/CFO in the Norwegian publicly listed companies Cermaq, EDB Business Partner, ASK Proxima, Ocean Rig and Unitor. Valderhaug was CFO and head of business development in PHARMAQ AS, a leading pharmaceutical companies supplying the aquaculture industry until the company was sold in late 2015. He is currently also a member of the Board and head of audit committee in the publicly listed companies Nordic Semiconductor ASA and XXL ASA. Valderhaug is a Norwegian citizen and resides in Oslo, Norway. Valderhaug has no shares in Q-Free ASA.



## RAGNHILD WAHL (1967)

*Board member  
Served since 2015*

Ragnhild Wahl is Head of R&D at the Norwegian National Rail Administration. She is furthermore Chairman of the Board of ITS Norway, the interest group for the ITS sector in Norway, and is a Board member of IteMA AS and of TRANSPORT 2025, the Research Council of Norway's strategic program on research and innovation within the transport sector. Wahl has previously been Research Director of Transport Research at SINTEF, where she was a central contributor to R&D cooperation between the transportation authorities, industry and other stakeholders. Wahl holds a MSc in industrial economy and holds a Ph.D in transportation and logistics from the Norwegian University of Science and Technology. Ragnhild Wahl is a Norwegian citizen and resides in Trondheim, Norway. Wahl has no shares in Q-Free ASA.

## SNORRE KJESBU (1969)

*Board Member  
Served since 2016*

Snorre Kjesbu is the Vice President and General Manager for the Collaboration systems and Video Technology Group (CVTG) in Cisco. He is responsible for Cisco's global video division. Before joining Cisco, Kjesbu was Senior Vice President for Tandberg's Endpoint Product Division. Prior to Tandberg, he was at ABB responsible for wireless communications. Kjesbu and his team at ABB were awarded the Wall Street Journal Innovation award for their work on wireless sensors in 2002.

Kjesbu serves on the Board of directors of several IT companies and holds more than 20 patents in the area of communications and video conferencing. He is frequently invited to speak at key events and was a guest lecturer at the Stanford Network Research Center at Stanford University. Kjesbu is a Norwegian citizen and resides in Oslo, Norway. Kjesbu has no shares in Q-Free ASA.



## SISSEL LILLEVIK LARSEN (1961)

*Employee-elected Board Member  
Served since 2016*

Sissel Lillevik Larsen has been with Q-Free since 2000, and holds the position as Team Manager for the Solutions Backoffice group. Larsen has more than 30 years of experience within the IT industry and has extensive experience within project and solution/product management. Larsen has previously held a leading position in Cubic Transportation Systems. Larsen is a Norwegian citizen and resides in Trondheim, Norway. Larsen has no shares in Q-Free ASA.



## ANDERS HAGEN (1964)

*Employee-elected Board Member  
Served since 2014*

Anders Hagen holds a MSc in electrical engineering and is heading the Innovation group at the R&D division. Mr Hagen has been working in Q-Free group since 1992 and has extensive experience in Q-Free technologies. Hagen is a Norwegian citizen and resides in Trondheim, Norway. Hagen has no shares in Q-Free ASA.



# BOARD OF DIRECTORS' REPORT 2015

## THE Q-FREE GROUP

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, the Asia Pacific region, the Middle East, Africa, North and South America. Q-Free has 429 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.

## 2015 HIGHLIGHTS

- Revenues NOK 804 million, 2 percent increase from NOK 789 million.
- EBITDA NOK - 16 million, (-2.0 percent margin) after restructuring costs of NOK 80 million with significant impact on the EBITDA. EBITDA pre non-recurring items was NOK 64 million (8.0 percent margin).
- Q-Free invested NOK 63 million in acquisitions of US-based Intelight and Traffiko in Malta – important steps towards transforming Q-Free into an ITS company.
- Order intake of NOK 1,070 million, ending the year with an order backlog of NOK 748 million, whereof NOK 463 million is for delivery in 2016.
- During the fourth quarter the company initiated The Q-Free ITS Transformation Programme. This programme will reduce annual costs of NOK 70 million, through organisational changes, reduction in the management team and optimisation of investments in sales and technology development.

## ORDERS RECEIVED AND ORDER BACKLOG

Orders received in 2015 amounted to NOK 1,070 million, representing a 20 percent growth compared with new orders received in 2014 (NOK 890 million).

Of this, products accounted for NOK 162 million or 15 percent of the order inflow (NOK 348 million, 39 percent), service & maintenance accounted for NOK 350 million or 33 percent of the order inflow (NOK 132 million, 15 percent), while project orders increased to NOK 183 million or 17 percent of order received (NOK 91 million, 11 percent). Orders received in the ATMS segment amounted to NOK 360 million or 34 percent of the order inflow, up NOK 61 million from NOK 299 million in 2014. managed services received orders for NOK 15 million in 2015 or 1 percent of the order inflow, down from NOK 16 million in 2014.

Geographically, Europe and Latin America (ELA) accounted for 38 (47) percent of new orders during 2015, mainly due to high inflow on service and maintenance contracts in Portugal and the impact of the acquired ATMS companies in the region. The Nordic countries accounted for 28 percent of new orders (23 percent), mainly driven by contracts in Norway and Sweden for projects and service & maintenance. North America accounted for 25 percent of total orders received (17 percent), while Asia Pacific, Middle East & Africa accounted for 9 percent (13 percent).

As a result, the overall order backlog increased 20 percent to NOK 748 million by the end of 2015, up from NOK 481 million 12 months earlier.

Distributed by business areas, service & maintenance accounted for NOK 326 million, or 44 percent of total order backlog. ATMS accounted for NOK 190 million, (25 percent), Projects for NOK 108 million (14 percent), while products accounted for NOK 110 million (15 percent). Order backlog for managed services at the end of 2015 was at NOK 15 million, representing 2 percent of the Groups total order backlog.

Geographically, Europe and Latin America (ELA) accounted for 43 percent of the order backlog, the Nordics 27 percent, North America for 20 percent and Asia Pacific Middle East & Africa for 10 percent.

An order backlog of NOK 463 million or 62 percent is due for delivery in 2016.

## FINANCIAL REVIEW

### Income statement Revenues

Q-Free reported revenues of NOK 804 million for the full year 2015, up 2 percent from NOK 789 million in 2014.

ATMS 2015 revenues amounted to NOK 313 million, 88 percent growth from NOK 166 million in 2014, while the growth adjusted for acquisitions was 25 percent. In 2015, ATMS accounted for 39 percent of overall revenues, compared to 21 percent in 2014.

Product revenues decreased 51 percent to NOK 169 million in 2015 (NOK 347 million), whereas Projects revenues increased by 55 percent to NOK 140 million (NOK 89 million). The lower product revenues mainly reflects decreased tag volumes in Brazil and Asia, while projects revenues growth reflect higher activity levels in Norway and Sweden.

Service and maintenance revenues for 2015 was NOK 155 million, a decrease of 6 percent compared to 2014 (NOK 166 million)

### Gross profit

Gross profit increased to NOK 571 million (NOK 506 million), corresponding to a gross margin of 71 percent (64 percent) despite a write-off of tolling goods. The higher margin mainly reflects changes in product mix from tolling to ATMS during 2015.

### Operating expenses

Operating expenses amounted to NOK 587 million (NOK 422 million), of which personnel expenses accounted for NOK 304 million, up from NOK 231 million in 2014. The increase mostly reflects new employees in the acquired companies. Other operating expenses ended at NOK 283 million compared with NOK 191 million in 2014, where the increase is mainly explained by NOK 80 million as restructuring costs accounted for in the fourth quarter of 2015 in relation to the Q-Free ITS Transformation Program. This program will reduce annual operating expenses with NOK 70 million and enables the company to improve future profitability.

### Operating profits

Operating profit before interest, tax, depreciation, amortisation and impairment (EBITDA) for the year was NOK -16 million compared to NOK 85 million in 2014. Adjusted for restructuring costs in 2015 the EBITDA was NOK 65 million, representing an EBITDA-margin of 8 percent compared to 11 percent in 2014.

Depreciations, amortisations and impairments amounted to NOK 144 million for the year, compared to NOK 76 million in 2014. The increase compared to 2014 reflects an impairment of the tolling technology of NOK 56 million.

Reported operating profit (EBIT) was NOK -160 million compared to a positive of NOK 8 million in 2014. Operating profit adjusted for restructuring cost and write-down of intangible assets was NOK -25 million.

### Net financial items

Net financial items for the year was NOK -21.6 million compared with NOK -24.8 million in 2014. The financial cost is in line with 2014 but higher than earlier years mainly caused by increased provision on future earn-out payments because of higher than expected profits in the companies with earn-out clauses in addition to currency fluctuations leading to increased provisions on these payments.

### Profits

The reported pre-tax loss was NOK 182.1 million for the full year 2015, compared to a pre-tax loss of NOK 16.4 million in 2014. Tax expenses amounted to NOK 12.6 million, while payable tax was NOK 2.1 million. In 2014, tax expenses amounted to NOK 10.6 million. Having undertaken an assessment of the criteria under IAS 12, Q-Free has chosen not to include deferred tax assets in Norway related to tax losses carried forward of NOK 69 million from 2013, 2014 and 2015.

## ANNUAL RESULTS AND YEAR-END APPROPRIATIONS

The result after tax for the full year 2015 was NOK -194.7 million, down from NOK -27.0 million in 2014. Earnings per share was NOK -2.79 for 2015, compared to NOK -0.42 in 2014.

The Board of Directors proposes to cover the parent company's loss for the year of NOK 106 million from other equity. Subsequent to this, the parent company had no distributable equity at the end of 2015.

The Board of Directors does not propose to distribute any dividends for 2015.

The Annual General meeting is scheduled for 26 May 2016.

## CASH FLOW AND LIQUIDITY

Net cash flow from operating activities for the full year 2015 was NOK -17.2 million (NOK 63.3 million). The weaker cash flow from operating activities is explained by reduced profitability, currency fluctuations in working capital items and increased taxes. Q-Free has a strong focus on cost efficiency and cash management throughout the entire organisation and the restructuring process implemented in the fourth quarter 2015 enables an improved cash flow in 2016.

Net working capital was -10 percent of the last 12 months' revenues, reduced from 5 percent in 2014. The negative working capital is due to a reclassification of the loan from Danske Bank of NOK 150 million from long-term liabilities to short-term liabilities as at 31 December 2015.

Net cash flow from investing activities was NOK -123 million (-172), including NOK 63 million from acquisitions during 2015 and earn-out payments on previous acquisitions paid during 2015. The acquisition investments reflect the strategic decision to complete our offering as a global supplier in all major ITS technologies. In addition to these acquisitions, Q-Free invested NOK 65 million in technology and other fixed assets.

Net cash flow from financing activities was NOK 42 million in 2015, due to an increased long term loan of NOK 50 million in Q-Free in Norway while paying down a long term loan in the acquired company, Intelight of NOK 8 million. Net cash flow from financing activities was NOK 1.9 million in 2014.

The cash closing balance was NOK 65 million at the end of 2015, down from NOK 164 million at the end of 2014.

**BALANCE SHEET**

Total assets at the end of 2015 was NOK 997 million. Booked equity was NOK 416 million at the end of 2015, down from NOK 529 million at the end of 2014. The decline mainly reflects the net loss of NOK 195 million during the year, partly compensated by positive exchange differences on translation of foreign operations. The equity ratio at year-end was 42 percent, down from 54 percent at the end of 2014.

Current liabilities amounted to NOK 414 million at the end of 2015, compared with NOK 262 million at the end of 2014. This increase is due to a reclassification of a loan from Danske Bank (NOK 150 million) from long-term liabilities to short term liabilities as at 31 December 2015. Q-Free was in breach of its financial covenant at the end of 2015, this breach was waived in February 2016.

Non-current liabilities was NOK 167 million at the end of 2015, down from NOK 193 million at the end of 2014, with the majority of the decrease related to the debt reclassification mentioned above, offset by a NOK 82 million increase in other non-current liabilities because of increased provisions for earn-out payments.

The liquidity ratio was 0.9 at the end of 2015, down from 1.8 at the end of 2014.

**GOING CONCERN**

The Board confirms that the financial statements are prepared under the assumption of going concern and that this assumption was realistic at the time of the approval of the statements. It is the Board's opinion that the Profit and Loss Account and Balance Sheet with notes provide accurate information on the operations and the financial position at year-end.

**ORGANISATION****Personnel**

The Q-Free Group had 429 employees at the end of 2015. This was an increase from 399 employees at the end of 2014, mainly due to the acquisition on Intelight and Traffiko and organisational changes to support the Q-Free strategy. Q-Free initiated in December 2015 the Q-Free ITS transformation programme. This programme included actions to reduce the management team and organisation, which would affect current positions in some areas, and a strengthening of new capabilities in other areas.

Q-Free has established good working conditions in a non-discriminating, multicultural organisation with operation in 20 countries. Sick leave remains at satisfactory levels, and the company is pleased to report no serious occupational incidents or injuries during the year.

Please refer to the separate section on Corporate Social Responsibility Statement in this Annual Report for a more detailed review of Q-Free's human rights policies, labour rights and working conditions, and safety and health performance.

The Management and Board of Directors would like to take this opportunity to thank the employees for their cooperation and loyalty during a challenging year for Q-Free.

**Management**

On 3 November 2015 Thomas Falck stepped down as CEO with immediate effect. Falck had been CEO since January 2014.

CFO Roar Østbø was appointed interim CEO 3 November 2015. Roar Østbø has been with the company since 2009.

The management team has been reorganised in 2015 to support the new ITS Transformation Program.

**Board of Directors**

On 4 November 2015 Chairman of the Board Terje Christoffersen informed the Board of his immediate resignation. The Vice Chairman Charlotte Brogren Karlberg chaired the Board's work from 4 November 2015.

The Board received 14 January 2016 a request from shareholders representing 21 percent of the total shareholding in the Company for an extraordinary general meeting with the following agenda:

- Election of Chairman of the Board
- Election of members of the Board

The Extraordinary general meeting was held on 11 February 2016. After the election of new members, the Board composed the following shareholder elected members:

Charlotte Brogren Karlberg (Chairman)  
Ragnhild Wahl (Board member)  
Snorre Kjesbu (Board member)  
(replacement for Anders Endre Nybø)  
Tore Valderhaug (Vice Chairman)  
(replacement for Jan Pihl Grimnes)

**CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE**

Pursuant to the Norwegian Accounting Act section 3-3c, publicly listed companies shall present their principles for corporate social responsibility and review the performance with respect to human rights, labour rights, working conditions, the external environment, and anti-corruption. Details are provided under the section "Corporate Social Responsibility" in the Annual Report, and published on the company's website on <http://www.q-free.com/investor/corporate-social-responsibility/>.

Pursuant to the Norwegian Accounting Act section 3-3b, listed companies shall also present their principles for corporate governance and review the compliance with the recommendations set out in the Norwegian Code of Practice for Corporate Governance. Details are provided in the Corporate Governance section of the Annual Report, and published on the company's website at <http://www.qfree.com/investor/corporate-governance/>.

**RISK FACTORS**

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

**Project risk**

Q-Free's order backlog includes elements of demanding and complex large-scale project deliveries, which may involve considerable risk in terms of timing and costs. Q-Free holds in-depth knowledge of customer requirements as well as the boundaries of its own project capabilities, and seeks to reduce risk in contract negotiations. To mitigate risk moving forward, Q-Free has refocused its approach, targeting a higher number of less complex small- and mid-sized opportunities.

**Political risk**

Tolling projects and some projects within traffic management are normally directly or indirectly subject to governmental concessions, and Q-Free is exposed to political risk from lead identification through contract award to final project implementation.

Political risk often correlates with the scope and size of the project, such that large projects hence entail relatively more risk than smaller projects. The broadened scope of business in the tolling market is expected to mitigate this risk, and the entry into the ITS market will add new revenue streams less exposed to political risk.

**Technology risk**

Q-Free is exposed to risk both related to the quality of own work and the quality of deliveries from subcontractors. Q-Free attempts to mitigate this risk through internal auditing and a non-conformance reporting system ensuring that employees carry out their work in accordance with well-defined processes. Q-Free clearly states its quality expectations in contracts with subcontractors and carries out regular quality reviews.

The management and Board of Directors performs quarterly risk reviews on a group level, and make the provisions necessary to cater for possible financial implications of identified risks.

**FINANCIAL RISK FACTORS AND RISK MANAGEMENT****Currency risk**

Q-Free reported revenues of NOK 804 million in 2015, of which NOK 620 million were generated outside of Norway, leaving Q-Free with a considerable exposure to foreign currencies. Q-Free operates businesses outside of Norway and buys a substantial share of equipment and components abroad. This mitigated the Group's net foreign currency exposure down to approximately 10 percent of revenues in 2015. The Group's most important trading currencies are NOK, USD, EUR and GBP.

Q-Free's policy is to limit currency risk while actively assessing various currencies' importance as competitive parameters. The Group strategy is to compare estimated future sales and purchases and hedge the net cash flow in the foreign currency by using forward / future contracts.

**Credit risk**

Risk related to our customers' ability to fulfil their financial obligations is generally considered to be low, given that the Group's main customers are often government-controlled entities, or relatively large and solid private companies. The company has

historically had a low bad debt to accounts receivables ratio. Sovereign risk related to governments failing to honour their debt obligations may have increased in several markets, although Q-Free has to date not incurred any losses on debt to any government-related entity in any market.

The Group seeks to conduct business with parties with an acceptable credit record. The Group has guidelines to ensure that outstanding amounts are kept below given credit limits and that sales are made only to customers with no history for significant credit problems.

When Q-Free enters a new market, the credit risk will be assessed in each individual case and appropriate actions like letters of credit, Norwegian Export Credit Agency guarantees, advance payments, or other similar tools are being used in order to reduce credit risk.

The Group has not provided any guarantees for third parties' liabilities.

**Interest rate risk**

The interest level has significant influence on the Group profit. To ensure predictability the Group has preferred short-term interest rates (NIBOR 3 months plus a small mark-up) on its debt and deposits.

**Liquidity risk**

The Q-Free Group strategy is to hold sufficient cash, cash equivalents or credit facilities at any time to be able to finance its operations and planned investments over the next three years. Surplus cash funds are deposited in banks with the purpose of securing a low-risk return on the invested capital.

The Board of Directors assesses the liquidity at the end of 2015 to be sufficient to cover the company's planned operations and investment requirements. Strict execution of the announced cost reductions as well as focusing on reducing working capital, are critical mitigating factors to fulfil the above requirements. Others measures will be implemented if considered needed.

**Risk of corruption**

Q-Free ASA operates in some geographies and industries exposed to corruption. Q-Free has established a Code of Conduct, as well as conducted a corruption risk analysis and devised a programme to increase awareness and limit our exposure. For further information, please see the Corporate Social Responsibility report.

**OUTLOOK**

Q-Free is currently moving through a transition period. 2015 has demonstrated that the tolling product market continues to be challenging. However, the company experiences increased tendering and project activity for tolling systems into 2016. Within traffic management Q-Free experienced growth both organically and through acquisitions. Order intake during 2015 has been good and the order backlog into 2016 is satisfactory.

The Board of Directors and Management are not satisfied with the financial performance during 2015. The implemented restructuring measures and transformation into an ITS company will make Q-Free more financially robust and profitable in 2016 and onwards.

The Board of Directors and Management decided during the fourth quarter to initiate the next steps in the transformation of Q-Free from a Tolling company into a fully integrated ITS-company. Q-Free has, during the last few years acquired eight companies in order to broaden the technology and customer base. To maximise the potential of our assets, Q-Free decided to take further actions to streamline the company and reduce the fixed cost base and investment level in order to extract synergies and reduce activities in some areas. These actions included organisational changes, reduction in the management team, and optimisation of investments in sales and technology development. These actions will lead to a reduction in annual costs of NOK 70 million for 2016 and onwards. This will significantly improve our profitability and financial robustness going forward.

These initiatives will further strengthen our ability to become an ITS company with competitive solutions addressing the global ITS market. Moving forward, management will focus on developing a sound commercial and operational platform to support further growth. Furthermore, Q-Free will bring to market joint offerings, leveraging technologies from various parts of the Q-Free technology portfolio. Q-Free aims to continue the transformation in 2016 and build a profitable growth company serving the global ITS market.

Trondheim 30th of March 2016

**Charlotte Brogren Karlberg**  
Chairman of the Board

**Ragnhild Wahl**  
Board member

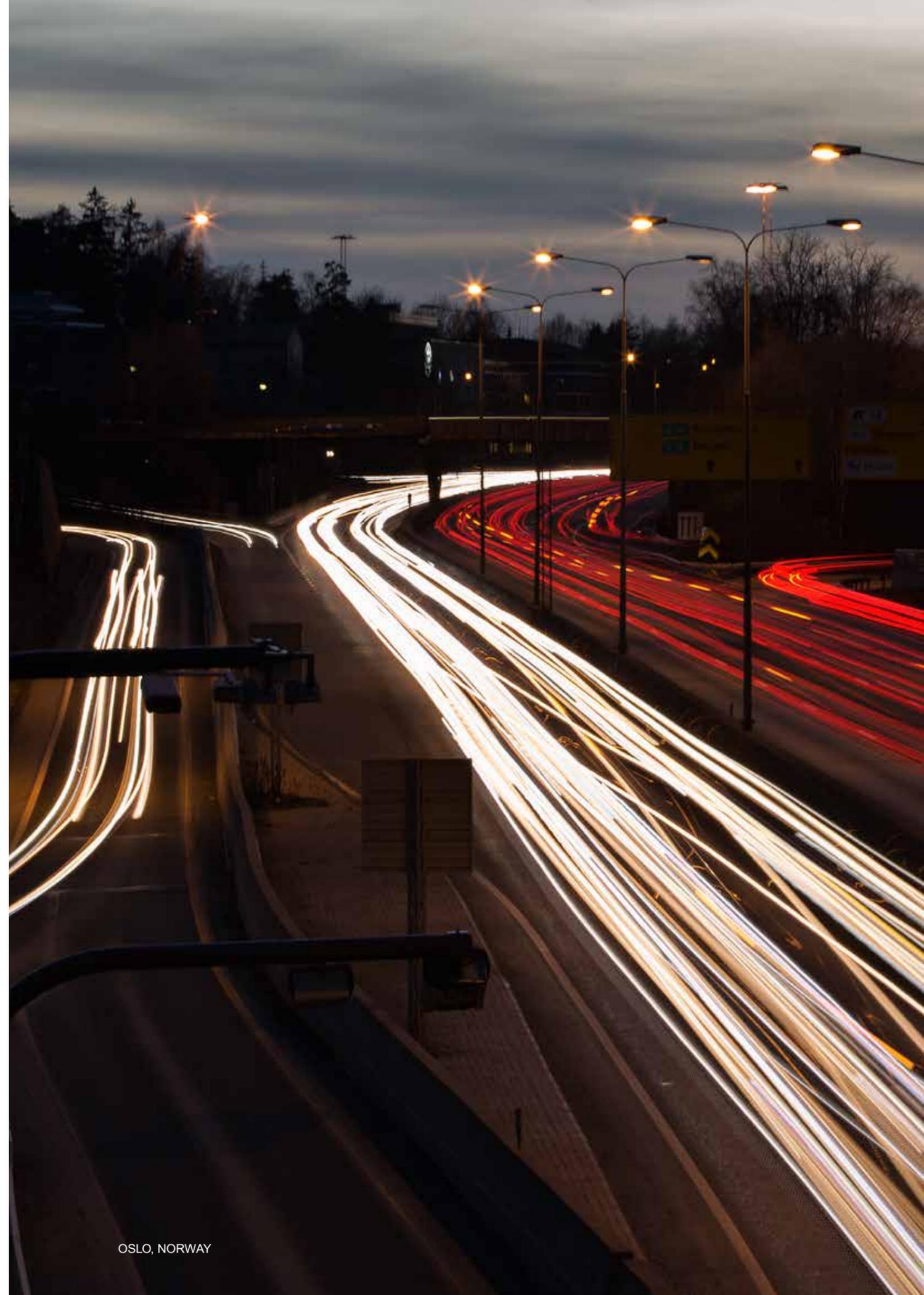
**Snorre Kjesbu**  
Board member

**Tore Valderhaug**  
Vice Chairman of the Board

**Sissel Nina Lillevik Larsen**  
Employee-elected Board member

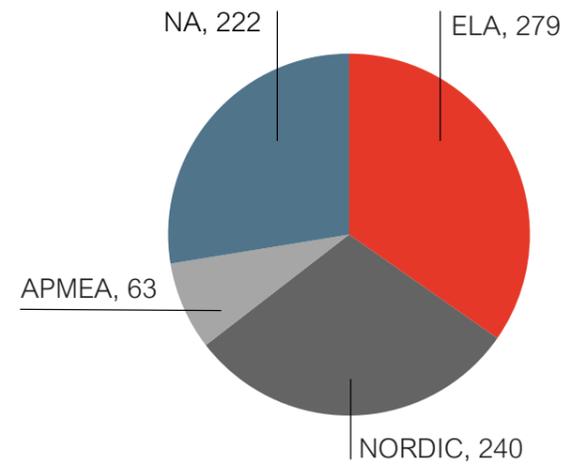
**Anders Hagen**  
Employee-elected Board member

**Roar Østbø**  
Acting CEO

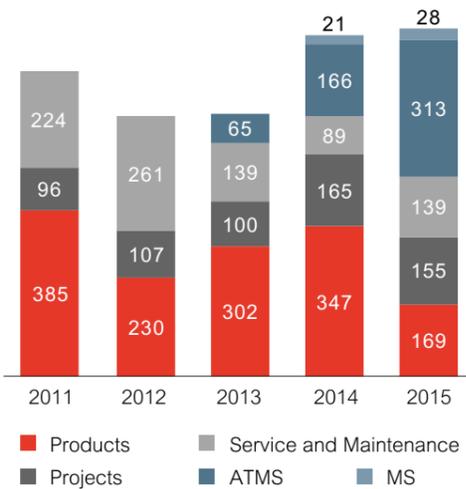


# Q-FREE IN NUMBERS

REVENUES REGIONS  
MNOK



REVENUES SERVICE LINES  
MNOK



EQUITY RATIO

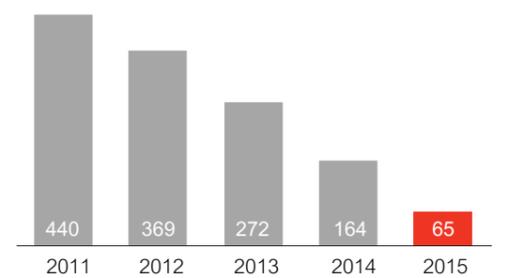
42%

CASH AT HAND  
MNOK

65

Net cash flow from operating activities for 2015 was NOK -17 million (+60). Net cash flow from investing activities was NOK -123 million (-172), and NOK 61 million on investments in technology and other fixed assets. Net cash flow from financing activities during 2015 was NOK 42 million (2) due to a new long term loan.

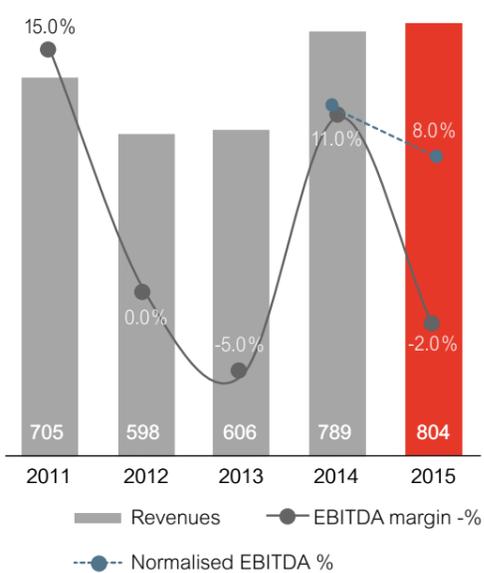
CASH AT HAND  
MNOK



REVENUES 2015  
MNOK

804

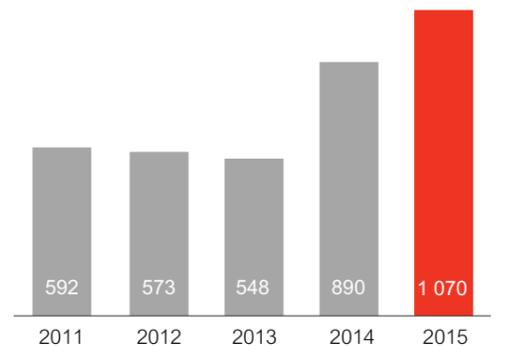
REVENUES AND EBITDA MARGIN  
MNOK



ORDER INTAKE 2015  
MNOK

1,070

Orders received in 2015 amounted to NOK 1,070 million, representing a 20 percent growth compared with new orders received in 2014 (NOK 890 million).



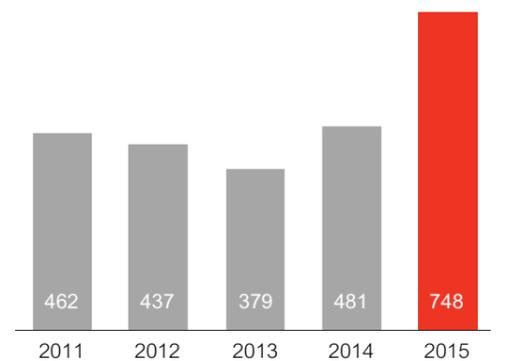
EBITDA MARGIN 2015

-2.0%

ORDER BACKLOG 2015  
MNOK

748

The Group's total order backlog as of 31 December 2015 was NOK 748 million, up NOK 267 million from year end 2014, representing an increase of 56 % YoY. Compounded annual growth rate last three years is 25 %. NOK 463 million is due for deliveries in 2016.



In 2015 the Q-Free Group revenues amounted to 803.5 MNOK, compared to 788.6 MNOK in 2014. This represents an increase of some 2 % from LY. The Q-Free Group had a negative operating result of 15.9 MNOK (+8.4) in 2015, out of revenues of 803.5 MNOK (788.6). The negative margin development in 2015 compared to 2014 is explained by restructuring costs of NOK 80 million related to the Q-Free ITS transformation programme, A normalised EBITDA -% FY 2015 is 8 %.

# SHAREHOLDER INFORMATION

The company has one class of shares and there are no voting restrictions. As per 31.12.2015 the company had 70 070 552 shares outstanding. Par value per share is NOK 0.38. Total sharecapital per 31.12.2015 was NOK 26 626 809.76.

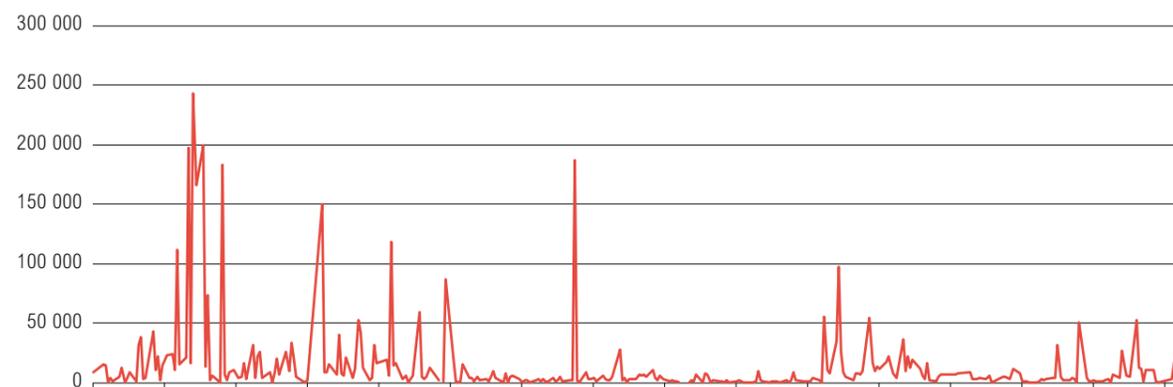
## SHARE PRICE DURING 2015

The Q-Free shares traded between NOK 7.80 and NOK 14.50 during 2015, closing at NOK 9.75 as at 30.12.2015, corresponding to a market capitalisation of NOK 683 187 882 at the end of the year.

## QUOTES



## VOLUME



## SHAREHOLDER SITUATION

At year end 2015, Q-Free ASA had 1485 shareholders, compared to 1173 at the end of 2014. The table below shows the 20 largest shareholders in Q-Free ASA as per 30 March 2016.

SHAREHOLDER	ACCOUNT TYPE	SHARES	% OWNERSHIP
KAPSCH TRAFFICOM AG	NOM	9 900 000	14.13 %
KAPSCH TRAFFICOM AG		3 750 458	5.35 %
VERDIPAPIRFONDET KLP AKSJENORGE		3 297 118	4.71 %
KOMMUNAL LANDSPENSJONSKASSE		3 200 000	4.57 %
STATOIL PENSJON		2 609 069	3.72 %
STOREBRAND VEKST		2 132 605	3.04 %
MARK JOHN PHILLIPS		1 937 483	2.77 %
VERDIPAPIRFONDET DNB NORGE (IV)		1 863 699	2.66 %
JP MORGAN CHASE BANK, NA		1 750 000	2.50 %
VERDIPAPIRFONDET ALFRED BERG NORGE		1 656 746	2.36 %
LARS ODDGEIR ANDRESEN		1 633 600	2.33 %
REDBACK AS		1 627 000	2.32 %
VERDIPAPIRFONDET DNB SMB		1 625 952	2.32 %
HOLMEN SPESIALFOND		1 590 000	2.27 %
STOREBRAND NORGE I		1 570 642	2.24 %
VERDIPAPIRFONDET DNB NORGE SELEKTI		1 320 161	1.88 %
EIKA NORGE		1 296 106	1.85 %
ULSMO FINANS AS		1 254 477	1.79 %
VERDIPAPIRFONDET STOREBRAND OPTIMA		1 196 801	1.71 %
DNB NOR MARKETS, AKSJEHAND/ANALYSE		1 044 903	1.49 %

The following table shows the number of shares held by the Executive Management and CEO as per 30 March 2016:

Name	Position	Shares
Jos Nijhuis	CTO	533 552
Roar Østbø	Acting CEO and CFO	129 500
Per Fredrik Ecker	VP APMEA	33 500
Morten Andersson	COO and VP ELA	15 700
Pål Rune Johansen	VP Nordic	10 000





## STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

PARENT COMPANY				GROUP	
2014	2015	Figures in TNOK	Note	2015	2014
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>					
26 143	26 627	Subscribed share capital	13	26 627	26 143
426 956	439 350	Share premium reserve		439 350	426 956
20 529	20 529	Other paid-in capital		20 529	20 529
-49 668	-118 740	Other equity *	29	-70 007	55 773
<b>423 960</b>	<b>367 766</b>	<b>TOTAL EQUITY</b>		<b>416 499</b>	<b>529 401</b>
<b>LIABILITIES</b>					
Non - current liabilities					
100 000	0	Debt to financial institutions	4, 21	0	100 000
34 710	2 405	Other non-current liabilities	4, 6	135 894	54 460
18 293	18 775	Pension liabilities	16	18 775	18 293
0	0	Deferred tax	22	12 630	19 808
<b>153 003</b>	<b>21 180</b>	<b>Total non - current liabilities</b>		<b>167 299</b>	<b>192 561</b>
Current liabilities					
0	199 563	Debt to financial institutions	4, 21	150 000	0
34 618	22 622	Accounts payable	4	77 913	74 155
0	0	Advance payments from customers	4, 7	12 576	18 914
53 124	19 787	Debt to group companies	18	0	0
0	0	Tax payable	4, 22	2 051	8 201
13 792	14 830	Public duties payable	4	19 713	19 721
69 186	82 306	Other current liabilities	4, 6, 25	151 264	140 853
<b>170 720</b>	<b>339 108</b>	<b>Total current liabilities</b>		<b>413 517</b>	<b>261 844</b>
<b>323 723</b>	<b>360 288</b>	<b>TOTAL LIABILITIES</b>		<b>580 816</b>	<b>454 405</b>
<b>747 683</b>	<b>728 054</b>	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>997 315</b>	<b>983 806</b>

\* See Note 29 regarding restatement previous years.

Trondheim 30th of March 2016

Charlotte Brogren Karlberg  
Chairman of the BoardRagnhild Wahl  
Board memberSnorre Kjesbu  
Board memberTore Valderhaug  
Vice Chairman of the BoardSissel Nina Lillevik Larsen  
Employee-elected Board memberAnders Hagen  
Employee-elected Board memberRoar Østbø  
Acting CEO

## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

PARENT		Figures in TNOK							
	Note	Share capital	Share Premium reserve	Other paid-in capital	Other equity	Available-for sale reserve	Exchange differences on translation of foreign operations*	Actuarial gains and losses	Total
Equity per. 01. 01. 2014:	13	25 830	415 554	20 529	-28 350	2 087	0	-3 203	432 447
Total comprehensive income for the period					-11 782	1 217	0	-9 638	-20 203
Share issue arising from acquisitions	13	314	11 402						11 716
Total equity of the Parent per 31. 12. 2014		26 143	426 956	20 529	-40 132	3 304	0	-12 841	423 960
Equity per. 01. 01. 2015:	13	26 143	426 956	20 529	-40 132	3 304	0	-12 841	423 960
Total comprehensive income for the period*					-105 788	-3 370	40 781	-695	-69 072
Share issue arising from acquisitions	13	484	12 394						12 878
Total equity of the Parent per 31. 12. 2015		26 627	439 350	20 529	-145 920	-66	40 781	-13 536	367 766

\* The exchange differences on translation of foreign operation is related to loan to subsidiaries treated as net investments.

GROUP		Figures in TNOK									
		Equity attributable to equity holders of the parent									
	Note	Share capital	Share Premium reserve	Other paid-in capital	Other equity	Available-for sale reserve	Exchange differences on translation of foreign operations*	Actuarial gains and losses	Total	Non-controlling interests	TOTAL EQUITY
Equity per. 01. 01. 2014*:	13, 29	25 830	415 553	20 529	43 574	2 088	-15 349	-1 932	490 294	20 789	511 083
Profit for the period					-28 760				-28 760	1 802	-26 958
Other comprehensive income						1 217	64 572	-9 638	56 151		56 151
Total comprehensive income for the period		0	0	0	-28 760	1 217	64 572	-9 638	27 391	1 802	29 193
Share issue arising from acquisitions	13	314	11 402						11 716		11 716
Sale of Non-Controlling Interests									0	-22 591	-22 591
Total equity of the Group per 31.12. 2014*		26 144	426 956	20 529	14 814	3 305	49 223	-11 570	529 401	0	529 401
Equity per. 01. 01. 2015:	13, 29	26 144	426 956	20 529	14 814	3 305	49 223	-11 570	529 401	0	529 401
Profit for the period					-194 698				-194 698	0	-194 698
Other comprehensive income						-3 370	72 983	-695	68 918		68 918
Total comprehensive income for the period		0	0	0	-194 698	-3 370	72 983	-695	-125 780	0	-125 780
Share issue arising from acquisitions	13	484	12 394						12 878	0	12 878
Total equity of the Group per 31.12. 2015	13, 29	26 627	439 350	20 529	-179 884	-65	122 206	-12 265	416 499	0	416 499

\* See Note 29 regarding restatement previous years.

## STATEMENT OF CASH FLOW

for the year ended 31 December 2015

PARENT COMPANY				GROUP	
2014	2015	Figures in TNOK	Note	2015	2014
<b>CASH FLOWS FROM OPERATIONS</b>					
-11 782	-78 853	Profit before tax		-182 098	-16 369
0	0	Paid taxes	22	-19 272	-10 198
16 771	11 211	Depreciation and impairment of property, plant and equipment	9	16 564	21 532
21 285	40 637	Amortisation and impairment of intangible assets	10, 11	127 918	54 777
-1 879	-214	Pension cost without cash flow effect	16	-214	-1 879
0	-6 185	Dividends from subsidiaries		0	0
-3 716	-7 091	Interests from subsidiaries		0	0
<b>WORKING CAPITAL ADJUSTMENTS</b>					
-65 432	-20 463	Changes in receivables and prepayments from customers	20	11 434	-30 106
4 629	742	Changes in inventory	14	-33 155	22 717
7 304	-45 333	Changes in accounts payables	4	3 758	-778
34 536	13 766	Changes in work in progress	7	12 634	-8 166
-27 073	44 894	Changes in other balance sheet items		45 187	31 780
<b>-25 357</b>	<b>-46 890</b>	<b>Net cash flow from operations</b>		<b>-17 244</b>	<b>63 310</b>
<b>CASH FLOW FROM INVESTMENTS</b>					
-21 387	-28 645	Investments in tangible and intangible assets	9, 10	-64 860	-69 074
-72 243	-25 058	Acquisition of a subsidiary, net of cash acquired	6	-63 434	-103 406
4 931	4 881	Other investments	24	4 881	0
<b>-88 699</b>	<b>-48 822</b>	<b>Net cash flow from investments</b>		<b>-123 413</b>	<b>-172 480</b>
<b>CASH FLOW FROM FINANCING</b>					
0	50 000	Proceeds from new loans	21	50 000	0
0	0	Down payments of debt to financial institutions	21	-8 127	0
0	0	Other financial items		0	1 826
<b>0</b>	<b>50 000</b>	<b>Net cash flow from financing</b>		<b>41 873</b>	<b>1 826</b>
<b>-114 056</b>	<b>-45 712</b>	<b>Net change in cash and cash equivalents for the year</b>		<b>-98 784</b>	<b>-107 344</b>
159 768	45 712	Cash and cash equivalents per 01.01.		164 133	271 477
<b>45 712</b>	<b>0</b>	<b>Cash and cash equivalents per 31.12.</b>	<b>19</b>	<b>65 349</b>	<b>164 133</b>

## NOTE 1 CORPORATE INFORMATION

The consolidated financial statements for the year ended 31 December 2015 were approved by the Board at its meeting on 30 March 2016. Q-Free ASA is a limited liability company headquartered in Trondheim, Norway. Q-Free is listed on the Oslo Stock Exchange with the ticker QFR.

The Q-Free group provides world class-leading technology solutions to the global ITS market. These solutions, together with a broad, and in many cases unique, range of sensors for infrastructure, vulnerable road user and environmental monitoring, enable Q-Free to supply to the ITS markets technology which

address all road infrastructure financing, operating and condition-monitoring needs. In addition, managed service solutions are provided which allow customers great flexibility in capital and operating costs. Q-Free has delivered systems which are now operational in Europe, the Asia-Pacific region, Africa, North and South America. Q-Free has 429 employees, is headquartered in Trondheim, Norway, and has local offices in 20 countries around the world.

For further information, the operating segments are described in Note 5.

## NOTE 2 BASIS FOR PREPARATION OF THE CONSOLIDATED ACCOUNTS

## 2.1: GENERAL PRINCIPLES

The consolidated financial statements are prepared on a historical cost basis, with the exception of derivative financial instruments which are measured at fair value. The consolidated financial statements are presented in Norwegian kroner and all figures are rounded to the nearest thousand TNOK) unless otherwise specified.

The consolidated financial statements of Q-Free ASA (the "Parent Company") and all its subsidiaries (The "Group"), have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU. The below listed principles are used both for the Parent company and The Group. The Group has decided to present the financial statements for both the parent and the group in a parallel presentation since the parent company has significant impact for the group and such presentation adds information for users of the consolidated accounts.

## 2.2: SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS CONSIDERED WHEN PREPARING THE FINANCIAL STATEMENTS

The preparation of the Group's consolidated financial statements has required the management to make estimates and assumptions that effect 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 could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

## JUDGEMENTS

## Product Development costs

Development costs are capitalised in accordance with the accounting policy in Note 3.7 and the capitalised amount is shown in the balance sheet as "Product Development Assets". Initial capitalisation of costs is based on management's judgement that technological and financial feasibility is confirmed, i.e. when a product development project has reached a defined milestone according to the project management model.

In determining the amounts to be capitalised, management makes assumptions on the expected future cash generation of the project, discount rates to be applied, and the expected period of benefits. As at 31 December 2015, the carrying amount of capitalised product development costs was TNOK 214,526 (2014: TNOK 215,036). Further details are given in Note 10 Intangible Assets.

## Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that management sees convincing evidence for sufficient future taxable profit. A deferred tax asset is only recognized for an amount corresponding to the expected taxable profit. The carrying amount of deferred tax assets is reviewed at each reporting date. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that convincing evidence exists to support that taxable profits will allow the deferred tax asset to be recovered. The carrying value of recognised deferred tax assets as at 31 December 2015 was TNOK 0,0 for Group and TNOK 0,0 for the Parent (2014: deferred tax assets for Group of TNOK 15,349 and TNOK 26,935 for the Parent). Further details regarding deferred taxes are given in note 22.

## Goodwill

Assessment of the recoverable amount for intangible assets with indefinite lives is based on estimates and judgements made by management, including estimates for the assets' ability to generate future revenues. Changes in the judgements and assumptions may result in an impairment loss. The book value of goodwill for the group at December 31, 2015 was TNOK 367,465 (31.12.2014: TNOK 227,969). The addition during 2015 is related to the acquisitions of Intelight Inc and Traffiko Ltd, see note 6 "Business Combinations" for further specifications. Refer to note 11 for description of the annual impairment test, including a description of the key assumptions made.

## Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are described below. The Group has based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

**Revenue recognition in projects**

The group uses the percentage of completion method in accounting for projects, which requires the Group to estimate the progress in the projects. Progress is calculated as accrued costs as a percentage of total expected production costs. Total expected costs are estimated based on a combination of historical figures, the follow up of efficiency targets, and budgets. Each project's prognosis is evaluated on a monthly basis to verify that the accounts are based on best possible prognosis. Manhours constitute a large proportion of the total cost. The uncertainty of the estimation of manhours varies with duration and technical complexity of the project. Estimation of projects with long duration and high complexity has significant effect on the financial statement, and the Group management is therefore actively involved in these assessments. Revenue recognition in projects is measured on the basis of accrued production costs as a percentage of total anticipated costs. Total order backlog for the Group as at 31 December 2015 is TNOK 748,278. Corresponding figures for 2014 was TNOK 481,192. Further details are given in Note 7.

**Contingent consideration in business combinations**

In several of the business combinations that has accrued during the last years part of the consideration has been contingent based on future preforms of the acquired company. At initial recognition the contingent consideration is measure at fair value based on the expectations at the acquisition date, the liability related to contingent consideration is remeasured at each subsequent reporting period. These measurements requires the management to make assumptions of the future preforms of the acquired companies. Changes and expenses related to contingent consideration is disclosed in Note 6.

**Share-based payment transactions**

The Group measures the cost of equity-related transactions with employees by reference to the fair value of the equity instruments at the date they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination and assumptions of the most appropriate inputs to the valuation model, including the expected life of the share option, volatility, and dividend yield. The company's cost of share based payment is calculated using the Black & Scholes pricing model. For 2015 this adds up to a total cost of TNOK 0,000 (2014: TNOK 0,000). Further information on assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 17.

**Pension funds/liabilities**

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves a number of assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates, and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at the reporting date according to the recommendation of the Norwegian Accounting Standards Board. The net employee pension liabilities for the Group as at 31 December 2015 is TNOK 18,775 (2014: TNOK 18,293). Further details are given in Note 16.

**Warranty accruals**

The Group estimates probable warranty costs on faulty products based on historical data and an evaluation of the portfolio of delivered products still under warranty. Total provisions for warranty costs as at 31 December 2015 is TNOK 14,263 for the Group. (2014: TNOK 16,561). Further details are given in Note 25.

**Elimination of transactions**

Intra-Group balances, transactions and unrealised gains and losses that arise between Group entities are eliminated at consolidation. Unrealised gains from transactions with associates are eliminated proportionally against the investment. Unrealised losses are eliminated correspondingly, unless they are related to impairment. All intra-Group transactions are eliminated in the consolidation process.

**Non-controlling interests**

The non-controlling interests include the minority's share of the carrying amount of subsidiaries, including the share of identified excess value on the date when a subsidiary is acquired. Subsequent profit and loss in a consolidated subsidiary are attributed to the non-controlling interests.

**3.1: BUSINESS COMBINATIONS AND GOODWILL**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value at the date of acquisition and the amount of any non-controlling interest in the acquiree.

For each business combination, the Group measures the non-controlling interest in the acquiree as the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If a business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, as the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination from the acquisition date allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit, and a part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. In this circumstance, goodwill disposed of is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

**3.2: RECOGNITION OF REVENUES**

Revenues are recognised when it is probable that transactions will generate future financial benefits that will accrue to the company, and this revenue can be reliably estimated. Sales revenues are presented net of value added tax and discounts. Q-Free's business activities are product and system deliveries as well as service and maintenance and revenues within the tolling business. Q-Free distinguishes between project deliveries, product sales, and services/maintenance revenues. Government grants are classified as "Other income".

**Project deliveries**

Revenues relating to system deliveries are recognised in the income statement according to the stage of completion. Stage of project completion is calculated as the percentage of accrued costs to total anticipated costs. Total anticipated costs are estimated on the basis of a combination of historical figures, the follow-up of efficiency targets and best estimates. If the project's results cannot be reliably estimated, only revenue equal to the accrued project costs will be recognised as revenue. Any estimated loss on a contract will be recognised in the income statement for the period when the company identifies that the project will lead to a loss.

Change orders are defined as additions to existing contracts. Change orders are recognised when the probability of customer acceptance of the change order can be ascertained with a high degree of probability. Additional contractual services and estimated additional costs are included in the original project prognosis and recognised as income with a shared profit on the contract and the same degree of completion.

Invoicing normally takes place when contractually agreed milestones are reached. Differences between invoicing and revenue recognition are shown as "Work in Progress" in the balance sheet. Advance payments from the customers are presented under current liabilities.

**Product sales**

Revenues from the sale of goods are recognised in the income statement once delivery has taken place, the risk has been transferred, and the company has established a receivable due by the customer.

**Service and maintenance contracts**

Services delivered which are not part of a project delivery are recognised as revenue upon the provision of the service and maintenance, as described under project deliveries.

**Governmental grants**

Government grants are not recognised until it is reasonably certain that the company will comply with the conditions and that it will be granted. The recognition of grant is postponed and amortised over the period when cost incur for items covered by the subsidies. Grants are recognised as deductions from the cost that the grant is meant to cover. Grants received to buy non-current assets are recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset. Government grants are accounted as other operating income when the cost are incurred or as reduction of personnel expenses if the Group has approved projects in the governmental tax relief program "Skattefunn". Further details are given in Note 8.

**3.3: FOREIGN CURRENCY****Functional currency and presentation currency**

The consolidated financial statements are presented in NOK, which is the company's functional and presentation currency. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the balance sheet date. All differences regarding retranslation are included in the profit and loss account.

**Group companies**

The assets and liabilities of foreign operations are translated into NOK at the rate of exchange at the reporting date, and their income statements are translated at the exchange rates at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

**3.4: PROVISIONS**

Provisions are recognised when the Group has an obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying financial benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed on each balance sheet date and reflect the best estimate of the liability. When the effect of time is insignificant, the provisions will be equal to the size of the expense required to be released of the liability. When the effect of time is significant, the provisions will be the present value of future payments to cover the liability. Further details are given in Note 25.

**3.5: FINANCIAL INSTRUMENTS****Financial assets and liabilities**

Financial assets and liabilities consist of shares, derivatives, accounts receivables and other receivables, cash and cash equivalents, loans, accounts payable and other liabilities

A financial instrument is recognised when the Group becomes party to the instrument's contractual provisions. Upon initial recognition, financial assets and liabilities are measured at fair value plus directly attributable expenses. However, transaction costs relating to the acquisition or incurrence of financial instruments at fair value through profit or loss are recognised in profit or loss as they are incurred. An ordinary purchase or sale of financial assets is recognised and derecognised from the time an agreement is signed. Financial assets are derecognised when the Group's contractual rights to receive cash flows from the assets expire, or when the Group transfers the asset to another party and does not retain control, or transfers practically all risks and rewards associated with the asset. Financial liabilities are derecognised when the Group's contractual obligation has been satisfied, discharged or cancelled.

**Classification**

Q-Free classifies financial assets and liabilities according to IAS 39 in the following categories; financial assets and liabilities at fair value through the profit or loss, financial assets available for sale, loans and receivables, and other liabilities.

Financial assets and liabilities through profit and loss includes financial assets held for trading and derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined in IAS39. Subsequent changes in fair value are carried in the statement of financial position at fair value, with changes in fair value recognised in finance income or finance expense in the income statement.

Financial assets available for sale are measured at fair value with changes over other comprehensive income.

After initial measurement loans and receivables are measured at amortised cost, less impairment for expected losses. The Group's other liabilities are, subsequent to initial recognition, measured at amortised cost using the effective interest rate method.

Further details on financial risk management are given in note 4.

**Impairment of financial assets**

The Group assesses at each reporting date whether any objective evidence exists that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

**3.6: PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation reduces the cost of assets to their estimated residual value, if any, over their estimated useful lives. The cost of assets the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Depreciation commences when the assets are ready for their intended use.

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

- Machinery and lab equipment: 4-6 years
- Office and computer equipment: 3-5 years
- Building installations: 5-7 years, distributed over the remaining rental periods.

The assets' residual values, useful lives and methods of depreciations are reviewed at each financial year end and adjusted prospectively if appropriate

**3.7: INTANGIBLE ASSETS**

Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

If the criteria are satisfied, expenses capitalised will include the cost of materials, direct payroll expenses, and a percentage of the directly allocated administration expenses. Capitalised development costs are recognised on the balance sheet at acquisition cost less accumulated depreciation and impairments.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful financial lives. Useful lives and amortisation method for intangible assets with finite useful life is reviewed at least annually. The straight-line depreciation method is used for intangible assets as this best reflects the consumption of the assets.

**Research and development**

Expenses for research activities are recognised and expensed as they accrue.

Expenses related to product development activities are capitalised if the product development activities comply with defined criteria for capitalisation. Capitalisation assumes it is possible to identify the intangible asset to be developed and demonstrated that it is likely that the development work will be successful, and that the future financial benefits attached to the intangible asset will accrue to the enterprise. Depreciation is carried out using the straight-line method over the estimated useful lifetime. The estimated useful lifetime is continuously evaluated.

If the criteria are satisfied, expenses recognised on the balance sheet will include the cost of materials, direct payroll expenses and a percentage of the directly allocated administration expenses. Capitalised development costs are recognised on the balance sheet at acquisition cost less accumulated depreciation and impairments.

Expenses related to ongoing efforts to improve a product or enhance a product's quality are defined as product maintenance and expensed as they are incurred.

**3.8: IMPAIRMENT OF NON-FINANCIAL ASSETS**

All non-financial assets, with the exception of inventories and deferred tax assets, are reviewed for each reporting period to determine whether there are indications of impairment. Where indications of impairment exist, recoverable amounts are calculated.

The recoverable amount of an asset or cash-generating unit is its value in use or fair value less costs to sell, whichever is higher. Value in use is calculated as the net present value of future cash flows. The calculation of net present value reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is calculated on the basis of the estimated future cash flow based on the Group's budget and strategic plans for the upcoming five-year planning period. The budget has been approved by Q-Free's management and Board of Directors.

Impairment is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group that generates a cash inflow that is largely independent of other assets or groups.

Impairment related to cash-generating units is intended first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit on a pro-rated basis. These assets will normally be property, plant and equipment, and other intangible assets.

**3.9: INCENTIVE PROGRAMS FOR EMPLOYEES**

The group had a share option program for key employees whereby the employees render services as consideration for equity instruments (share options) that expired May 2015 and was replaced by a synthetic based option programme.

The cost of equity-settled transactions with employees is measured to fair value at grant date. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The market value of granted share options are measured by using a Black & Sholes model which take into consideration time and conditions of the share options. The cumulative expense recognised for the equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period. When options are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Social security tax related to share options is recorded as a liability and recognised over the estimated option period. It is calculated as the difference between the market value and the exercise value of the granted but not exercised share options.

See further details in Note 12.

**3.10: INVENTORIES**

Work in progress is accounted for at the lowest of cost and net realisable value. For finished goods, the net realisable value is calculated as the selling price less cost to sell. For work in progress and finished products, the acquisition cost is calculated as direct and indirect costs. Inventories are assessed using the FIFO method.

**3.11: LEASES**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, i.e. whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

### 3.12: INVESTMENT IN SHARES

Investment in shares is classified as financial assets available for sale. The fair value of investments is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined applying commonly used valuation techniques. For further details see note 24.

### 3.13: ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Accounts receivable and other receivables are entered at face value after deduction for provision for impairments on receivables. Provision for impairment on receivables is based on an individual assessment of each receivable and overall an assessment of the total portfolio of receivables.

A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

### 3.14: PENSION COSTS AND PENSION ASSETS AND LIABILITIES

Q-Free ASA has a defined benefit- and a defined contribution pension plan for the employees. The scheme is funded through payments to an insurance company. Both pension plans meet the criteria for OTP (Obligatorisk Tjeneste Pensjon) Pension cost are calculated according to IAS 19 for both plans. The liability recognised in the balance sheet related to the defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. The defined benefit obligation is determined by discounting the estimated future cash outflows using the OMF interest rate. Net pension cost for the defined benefit plan for the year is determined using the projected unit credit method. Net pension cost is classified as payroll expense in the profit and loss statement. The pension cost of the contribution plan is expensed when paid, see note 16 for further details.

### 3.15: RESTRUCTURING PROVISION

In connection with the transformation of Q-Free from a Road User Charging company into a fully integrated ITS-company, there is a provision for future costs. The provision is estimated based on agreed severance packages.

### 3.16: TAXES

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities, with the exception of:

- temporary differences linked to goodwill that are not tax deductible
- temporary differences related to investments in subsidiaries or associates the Group controls, when the temporary differences are to be reversed and this is not expected to take place in the foreseeable future.

Deferred tax assets are recognised when it is probable that the Group will have future taxable profits to utilise the tax asset. The companies recognise previously unrecognised deferred tax assets to the extent it has become probable that the company can utilise the deferred tax asset. Similarly, the company will reduce a deferred tax asset to the extent that the company no longer regards it as probable that it can utilise the deferred tax asset.

Deferred tax and deferred tax assets are measured on the basis of the expected future tax rates applicable to the companies in the Group where temporary differences have arisen.

Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

### 3.17: CASH AND CASH EQUIVALENTS

Cash includes cash in hand and in bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have a maximum term to maturity of three months.

### 3.18: CASH FLOW STATEMENT

The cash flow statement is prepared according to the indirect method. Cash is considered as a deposit at call in bank or similar financial institutions. Consented, not full-drawn bank overdrafts is not considered liquid capital. All items in the cash flow statement are net effects from the continued operation unless stated otherwise.

### 3.19: EVENTS AFTER THE BALANCE SHEET DATE

New information on the company's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that will effect the company's position in the future but do not affect the company's position at the balance sheet date are stated if significant. Q-Free were in breach on the covenants towards Danske Bank at the end of 2015, but this was waived in February 2016. No other significant events has occurred in 2016.

### 3.20: OPERATING SEGMENTS

For management purposes, the Group is organised into geographical areas based on the location of the customer. Transfer prices between operating segments are on an arm's length basis, similar to transactions with third parties. Further details on the group operating segments are given in note 5.

### 3.21: CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following IFRSs, IFRICs AND AMENDMENTS.

Standard, Amendments or interpretations	Effective date
IFRIC 21 Levies	01.01.15
IAS 19 Employee Benefits (Amendments–Defined Benefit Plans: Employee Contributions)	01.02.15
Annual improvements (2010–2012 Cycle) Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38	01.01.15
Annual improvements (2011–2013 Cycle) Amendments to IFRS 1, IFRS 3, IFRS 13, IAS 40	01.01.15

None of the new standards, amendments and interpretations had any material impact on the measurement and presentations principles applied by Q-Free. None of them had any material effect on the disclosures included in the financial statements.

### 3.22: STANDARDS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED BY THE GROUP

The standards and interpretations that are issued but not yet effective per the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Significant new Standard, Amendments or interpretations	Effective date
IFRS 9 Financial Instruments	Mandatory adoption on or after 01.01.2018
IFRS 15 Revenue Recognition	Mandatory adoption on or after 01.01.2018
IFRS 16 Leases	Mandatory adoption on or after 01.01.2019

These standards, amendments and interpretations are not expected to have any material impact on the financial position of the group except IFRS 15 and IFRS 16. Q-Free has not concluded regarding the possible effects of implementing IFRS 15 and IFRS 16.

## NOTE 4 FINANCIAL RISK MANAGEMENT

Q-Free has centralised management of financial risk. The Board has adopted guidelines for the Group's financial risk management, which are embodied in the corporate Financial Policy. Q-Free seeks to limit financial risk and increase predictability while exploiting finance as a competitive factor.

The Group is exposed to different financial market risks arising from our normal business activities, mainly these:

- Credit risk
- Currency risk
- Liquidity risk
- Interest rate risk

**a) Credit risk**  
Risk related to customers' ability to fulfill their financial obligations is generally considered to be low, given that the Group's main customers are government controlled entities in Norway or abroad, or relatively large and solid private companies. The company has historically had a low ratio of bad debt to accounts receivables.

Sovereign risk related to governments failing to honor their debt obligations may have increased in several markets, although Q-Free has to date not incurred any losses on debt to any government related entity in any market.

The Group only conducts business with parties with an acceptable credit record. The Group has guidelines to ensure that outstanding amounts are kept below given credit limits and that sales are made only to customers with no history for significant credit problems.

When entering a new market, Q-Free assess the credit risk in each individual case and utilise appropriate actions like letters of credit, Norwegian Export Credit Agency guarantees, advance payments, or other similar tools to reduce credit risk.

The Group has no significant credit risk linked to any individual contracting party or to contracting parties that may be regarded as a group due to similarities in credit risk. The Group has not provided any guarantees for third parties' liabilities.

An ageing analysis of trade receivables as at 31. December 2015 and 2014 is provided in note 20.

**b) Currency risk:**  
Q-Free reported revenues of NOK 804 million in 2015 NOK 620 million of this was generated outside of Norway, leaving Q-Free with a considerable foreign currency exposure. Q-Free also runs businesses outside of Norway and buys a substantial share of required equipment abroad, with payment in foreign currencies. This mitigated the Group's net foreign currency exposure to approximately 10 percent in 2015. The Group's most important trading currencies are NOK, USD, GBP and EURO. Q-Free's policy is to limit currency risk while actively assessing various currencies' importance as competitive parameters.

The Group strategy is to combine estimated future sales and purchases and hedge the net cash flow in the foreign currency by using forward / future contracts.

Foreign exchange contracts are classified as either other financial assets or other financial liabilities measured as fair value. As at 31.12.15 the Group holds no foreign future contracts of accounted as other financial liabilities, nor did we as at 31.12.14. See section regarding Fair Value for a fair value hierarchy and a specification on valuation technique applied used during the last financial Year.

The following table demonstrates the sensitivity to a reasonable possible change in the EURO, GBP and USD exchange rate for the Group's EBITDA (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward exchange contracts and net investment hedges), with all other variables held constant.

		Increase / decrease in	Effect on profit before tax	Effect on equity
2015	EURO rate	+ 10 % - 10 %	+ 6 625 TNOK - 6 625 TNOK	+ 4 770 TNOK - 4 770 TNOK
2015	GBP rate	+ 10 % - 10 %	+ 599 TNOK - 599 TNOK	+ 467 TNOK - 467 TNOK
2015	USD rate	+ 10 % - 10 %	- 5 038 TNOK + 5 038 TNOK	- 2 771 TNOK + 2 771 TNOK
2014	EURO rate	+ 10 % - 10 %	+ 4 418 TNOK - 4 418 TNOK	+ 3 181 TNOK - 3 181 TNOK
2014	SEK rate	+ 10 % - 10 %	+ 1 056 TNOK - 1 056 TNOK	+ 824 TNOK - 824 TNOK
2014	USD rate	+ 10 % - 10 %	- 5 371 TNOK + 5 371 TNOK	- 2 954 TNOK + 2 954 TNOK

**c) Liquidity risk**

The Q-Free Group's strategy is to hold sufficient cash, cash equivalents or credit facilities at any time to be able to finance its operations and planned investments over the next three years.

Surplus cash funds are deposited in banks, or invested in money market funds, with the purpose of securing an acceptable, low-risk return on the invested capital. The Group assesses the liquidity at the end of 2015 to be sufficient to cover the company's planned operations and investment requirements.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2015, based on contractual undiscounted payments.

Year ended 31 December 2015	On demand	Less than 3 months	3 to 6 months	6 to 12 months	> 1 years	Total
						Group
Interest bearing loans and borrowings	755	1 073	1 092	2 175	160 281	165 375
Accounts payables	23 374	48 379	6 160	0	0	77 913
Public duties payable and taxes	0	21 764	0	0	0	21 764
Other liabilities	1 866	50 735	80 394	18 270	135 894	287 158
<b>Total liabilities (excl pension liabilities and deferred tax)</b>	<b>25 995</b>	<b>121 950</b>	<b>87 646</b>	<b>20 445</b>	<b>296 175</b>	<b>552 210</b>
Year ended 31 December 2014	On demand	Less than 3 months	3 to 6 months	6 to 12 months	> 1 years	Total
Interest bearing loans and borrowings	136	814	823	1 664	107 161	110 598
Accounts payables	20 706	72 363	0	0	0	93 069
Public duties payable and taxes	0	23 017	4 904	0	0	27 921
Other liabilities	4 674	63 101	12 282	33 489	67 117	180 663
<b>Total liabilities (excl pension liabilities and deferred tax)</b>	<b>25 516</b>	<b>159 295</b>	<b>18 009</b>	<b>35 153</b>	<b>174 278</b>	<b>412 251</b>

**Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages and adjusts its capital structure in light of changes in financial conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of its total equity ratio. This ratio is calculated as book equity divided by total equity. It is the Group's policy that this ratio should be 50 per cent or higher. The book equity ratio is calculated as total equity divided by total assets as follows:

	As at 31 december	
	2015	2014
Total equity	416 499	485 389
Total assets	997 315	939 794
Book equity ratio	41.8 %	51.6 %

**d) Interest-rate risk**

The group currently has interest-bearing debt in form of a bullet loan. Excess liquidity is placed at high-interest bearing accounts, in order to have quick access to these funds. The Group emphasises predictability at all times if entering any significant interest bearing debt contracts, as changes in the interest level influences the consolidated profit. Actions will be taken to hedge this risk if possible.

A change in interest of 100 basis points (bp) on the date of balance sheet recognition would have increased (reduced) equity and the profit or loss by the amounts shown below. The analysis assumes that the other variables remain constant. The analysis was performed on the same basis as in 2014.

Amounts in TNOK	As at 31 December	
	2015 Result	2014 Result
Investments with floating interest rates	889	1 811
Loans with variable interest rates	-1 375	-1 000
<b>Profit before tax</b>	<b>-486</b>	<b>811</b>

**Fair value hierarchy**

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. As at 31 December 2015, the Group held the following financial instruments measured at fair value:

- Shares at fair value through other comprehensive income (Included in "Investments in other companies")

- Foreign exchange contracts (Included in either "Other current financial asset" or "Other current financial liabilities")

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

**Assets / liabilities measured at fair value**

	(TNOK)			
	31. Dec 2015	Level 1	Level 2	Level 3
Available for sale financial investments	660	0	0	660
31. Dec 2014				
Available for sale financial investments	13 001	0	0	13 001

For details about the change in beginning and closing balances of level 3 measurements, refer to note 24.

**Determination of fair value**

The book value of below listed financial assets and liabilities are approximately equal to fair value, as they have ultra-short collection cycles with low inherent risk.

Financial assets and liabilities:	Carrying amount 2015	Fair value 2015	Carrying amount 2014	Fair value 2014
Investments in other companies	660	660	13 001	13 001
Accounts receivable	149 606	149 606	167 378	167 378
Other receivables	1 592	1 592	2 158	2 158
Other assets	28 616	28 616	21 857	21 857
Cash and cash equivalents	65 349	65 349	164 133	164 133
Accounts payable	77 913	77 913	74 155	74 155
Other liabilities	151 264	151 264	140 853	140 853

## NOTE 5 OPERATING SEGMENTS

For management purposes, the Group is organised into geographical areas based on the location of the customer, and has four REGIONS as follows:

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

Group management (chief operating decision makers) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, financing (including finance costs and finance income), income taxes, assets, and liabilities are managed on a group basis and are not allocated to operating segments. The necessary information to do so is not available and the cost to develop it would be excessive.

Operating segments (Regions)	31.12.15					31.12.14				
	ELA	APMEA	NORDIC	NA	TOTAL	ELA	APMEA	NORDIC	NA	TOTAL
TNOK										
	38 %	8 %	28 %	25 %	100 %	47 %	14 %	23 %	17 %	100 %
Order Intake	406 500	87 050	304 712	272 350	1 070 612	414 503	122 860	201 539	150 890	889 792
Profit & Loss Account:										
	35 %	8 %	30 %	28 %	100 %	47 %	12 %	29 %	12 %	100 %
Revenues	278 814	63 418	239 790	221 503	803 525	370 405	92 380	228 253	97 546	788 584
Cost of goods sold	100 120	24 154	59 988	48 090	232 352	151 751	26 872	71 474	32 076	282 173
Personnel expenses	98 700	34 355	65 472	105 891	304 419	90 677	31 662	79 656	28 922	230 917
Operating expenses	79 603	29 910	92 639	80 577	282 730	80 562	21 109	58 174	30 905	190 750
Total operating expenses	278 424	88 420	218 099	234 559	819 501	322 990	79 643	209 304	91 903	703 840
EBITDA	390	-25 002	21 691	-13 056	-15 975	47 415	12 737	18 949	5 643	84 745
Depreciation, amortisation and impairment	85 569	7 657	26 931	24 325	144 482	44 994	5 026	12 638	13 651	76 309
EBIT	-85 179	-32 659	-5 239	-37 381	-160 457	2 421	7 711	6 311	-8 008	8 436
Total financial items (not distributed)					-21 640					-24 805
Profit before tax					-182 098					-16 369
<b>KEY FIGURES</b>										
GROSS – margin	64.1 %	61.9 %	75.0 %	78.3 %	71.1 %	59.0 %	70.9 %	68.7 %	67.1 %	6.2 %
EBITDA– margin	0.1 %	-39.4 %	9.0 %	-5.9 %	-2.0 %	12.8 %	13.8 %	8.3 %	5.8 %	10.7 %
EBIT – margin	-30.6 %	-51.5 %	-2.2 %	-16.9 %	-20.0 %	0.7 %	8.3 %	2.8 %	-8.2 %	1.1 %
Average annual man years	128	38	125	113	404	40	42	203	60	344
Average number of employees	130	38	128	115	411	40	42	205	60	346

Revenues from the largest customer amounted to TNOK 114.963 (14.3 % of total Revenues) in 2015, with the similar figure for 2014 TNOK 153,847 (19.5 %). For 2015 the largest customer was included in the NORDIC Region and in 2014 the largest customer was included in the ELA region.

## REVENUE COMPOSITION

	2015		2014	
Products	168 594	21 %	347 315	44 %
Service and maintenance	154 720	19 %	165 414	21 %
Projects (incl Managed Services)	167 211	21 %	110 088	14 %
ATMS	313 000	39 %	165 767	21 %
TOTAL REVENUES	803 525		788 584	

## ORDER BACKLOG BY OPERATING SEGMENTS

	2015		2014	
ELA	317 690	43 %	189 309	40 %
Nordic	205 467	27 %	140 544	29 %
APMEA	73 766	10 %	50 135	10 %
NA	151 355	20 %	101 204	21 %
TOTAL ORDER BACKLOG	748 278		481 192	

## ORDER BACKLOG COMPOSITION

	2015		2014	
Products	110 369	15 %	116 588	24 %
Service and maintenance	325 731	44 %	130 197	27 %
Projects (incl Managed Services)	122 676	16 %	91 34	19 %
ATMS	189 502	25 %	143 064	30 %
TOTAL ORDER BACKLOG	748 278		481 192	

## NOTE 6 BUSINESS COMBINATIONS

## ACQUISITIONS IN 2015

## ACQUISITION OF INTELIGHT INC - ARIZONA, US

This contains additional information about Q-Free's agreement to acquire Intelight Inc in accordance with section 3.4 of continuing obligations for companies listed on Oslo Stock Exchange.

Q-Free ASA has signed a share purchase agreement and a shareholders agreement to acquire 100 percent of the shares in the US traffic controller supplier, Intelight Inc over a five year period. This will be done through a five year option program, giving shareholders option to sell shares at closing in 2015 and in five subsequent years valid from 2016, giving Q-Free the opportunity to each year add approximately 15 percent of Intelight-shares to the former 10.2 percent shareholding. At end of the 5 year period in the second quarter of 2020, Q-Free has a call option to acquire the rest of the shares.

The first transaction was closed April 21 2015 and Q-Free has of this date a shareholdings in the company of 23.8 percent including the 10.2 percent Q-Free had before the first transaction. The shareholders agreement and the amended bylaws provide control for Q-Free after signing these agreements. Based on this, the full activity of Intelight Inc. is consolidated in the Q2-2015 Q-Free accounts.

The consideration for the first transaction was approximately USD 2.2 million net of cash and debt, and no shares will be issued as part of the consideration. The consideration for the shares in the next five years will be based on a combination of multiples on revenues and EBITDA for Intelight Inc. The total consideration consist of USD 3.3 million in cash, and contingent consideration measure at fair value of USD 10.4 million. The range of possible outcomes for the contingent consideration is between USD 5.2 million to USD 18.6 million. If the outcome ends up in the upper range, the company must have earned the corresponding EBITDA.

The current operations in Intelight Inc are an important part of our ATMS business and will broaden our scope of business, reduce risk, and also prepare the company for convergence of markets into a wider Intelligent Traffic market.

The fair value (TNOK) of the identifiable assets and liabilities of Intelight Inc as at the date of acquisition were:

Assets TNOK	Book value 21.04.15	Adjustment	Fair value 21.04.15
Technology	0	37 820	37 820
Customer Relationships	0	6 838	6 838
Order Backlog	0	1 548	1 548
Goodwill	0	86 194	86 194
Machinery, fixtures	159	0	159
<b>Total fixed assets</b>	<b>159</b>	<b>132 399</b>	<b>132 558</b>
Inventories	3 980	0	3 980
Accounts receivables	4 585	0	4 585
Cash and equivalents	56	0	56
<b>Current assets</b>	<b>8 621</b>	<b>0</b>	<b>8 621</b>
<b>Total assets</b>	<b>8 780</b>	<b>132 399</b>	<b>141 180</b>
<b>Liabilities and Equity TNOK</b>	<b>Book value 21.04.15</b>	<b>Adjustment</b>	<b>Fair value 21.04.15</b>
<b>Equity</b>	<b>-11 345</b>	<b>113 917</b>	<b>102 572</b>
Long term debt, net of current portion	6 611	0	6 611
Deferred tax	-5 906	18 482	12 576
<b>Long term liabilities</b>	<b>705</b>	<b>18 482</b>	<b>19 187</b>
Line of Credit - Bank	7 099	0	7 099
Accounts payable	9 425	0	9 425
Note Payable, related party	1 121	0	1 121
Current Portion of long term debt	695	0	695
Other short term liabilities	1 079	0	1 079
<b>Current liabilities</b>	<b>19 420</b>	<b>0</b>	<b>19 420</b>
<b>Total Equity &amp; Liabilities</b>	<b>8 780</b>	<b>132 399</b>	<b>141 180</b>

Three intangible assets are identified as follows:

Customer relationships, technology, and the value of existing order backlog. These three assets explain 35 percent of the total purchase price and the remaining value is allocated to goodwill.

Potential changes in the EBIT-assumption may change the fair value allocation and hence adjust the goodwill arising on acquisition. Goodwill is explained as the estimated value of the work force and the fact that the acquisition is an important transaction in order to position the Group in the ATMS market.

None of these elements complies with the control criteria in IAS 38 for capitalization of intangible assets and is hence included in goodwill.

#### ACQUISITION OF TRAFFIKO LTD - VALETTA, MALTA

As of 3rd June, Q-Free ASA acquired the activity of the Maltese parking management solutions company Traffiko Ltd. for EUR 1 million. The transaction includes an earn-out clause with potential pay out maximised to an additional EUR 1 million. The activity of Traffiko Ltd is consolidated in the Q2-2015 Q-Free accounts.

Traffiko is an intelligent transportation solutions company providing a wide range of advanced traffic applications including

secure cloud hosted web-based applications for car park management, journey time analysis, on-street and off-street traffic related enforcement, access control, tracking, video analytics, traffic scene analysis, and revenue management, based on an integrated platform.

Traffiko was established in 2006 and maintains operations in Malta with customer references in Europe, North America, the Middle East and Australia with more than 650,000 active user accounts. In 2014, Traffiko generated revenues of some NOK 4 million. The company currently has five employees and will be embarking on a recruitment drive during 2015 to scale up further.

Further consideration is dependent on financial performance as part of 2015, 2016 and part of 2017, and is estimated to EUR 0.3 million. Including earn-out payments, the total consideration is capped at EUR 2 million.

Traffiko has been a long-term partner to Q-Free for deliveries of a vital part of our parking management system in previous projects. This includes the newly announced APCOA-contract, for instalments of parking management systems to the Parking-garages at the Stockholm Globe Arena. Through this transaction within parking management solutions, Q-Free are now able to deliver a complete range of solutions within this fast growing segment.

The fair value (TNOK) of the identifiable assets and liabilities of Traffiko Ltd as at the date of acquisition were:

Assets TNOK	Book value 03.06.15	Adjustment	Fair value 03.06.15
Technology	0	8 466	8 466
Goodwill	0	5 080	5 080
<b>Total fixed assets</b>	<b>0</b>	<b>13 546</b>	<b>13 546</b>
Accounts receivables	388	0	388
Cash and equivalents	809	0	809
<b>Current assets</b>	<b>1 197</b>	<b>0</b>	<b>1 197</b>
<b>Total assets</b>	<b>1 197</b>	<b>13 546</b>	<b>14 742</b>
<b>Liabilities and Equity TNOK</b>	<b>Book value 03.06.15</b>	<b>Adjustment</b>	<b>Fair value 03.06.15</b>
<b>Equity</b>	<b>17</b>	<b>10 583</b>	<b>10 599</b>
Deferred tax	0	2 963	2 963
<b>Long term liabilities</b>	<b>0</b>	<b>2 963</b>	<b>2 963</b>
Accounts payable	212	0	212
Accruals	121	0	121
Other short term liabilities	847	0	847
<b>Current liabilities</b>	<b>1 180</b>	<b>0</b>	<b>1 180</b>
<b>Total Equity &amp; Liabilities</b>	<b>1 197</b>	<b>13 546</b>	<b>14 742</b>

We have identified the technology as the intangible asset that the Group is acquiring. The value of the technology explains 63 percent of the total purchase price and the remaining value is allocated as goodwill.

Potential changes in the EBIT-assumption may change the fair value allocation and hence adjust the goodwill arising on acquisition. Goodwill is explained as the estimated value of the work force and the fact that the acquisition is an important transaction in order to position the Group in the ATMS market.

None of these elements complies with the control criteria in IAS 38 for capitalisation of intangible assets and is hence included in goodwill.

#### ACQUISITIONS IN 2014

##### ACQUISITION OF TDC SYSTEMS LTD - WESTON SUPER-MARE, UNITED KINGDOM

The financial effects from the purchase of TDC Systems are consolidated in the Group's figures per 31 March 2014. Date of acquisition was 26 March 2013. TDC Systems comprises TDC Systems Ltd in the UK and its sister company TDC Systems Pty Ltd in Australia.

TDC Systems is an industry leader in research, design, manufacture, installation and maintenance of Intelligent Transport Systems (ITS), including advanced weigh-in-motion systems, traffic counters and classifiers, journey-time monitoring systems, air quality monitoring systems, and detection systems for pedestrians and cyclists.

TDC Systems holds advanced technologies, products, and systems software solutions for highways, roads, bridges, tunnel management and urban areas that provide a natural extension of Q-Free's solutions portfolio. This gives Q-Free the opportunity to offer more traffic management solutions to our customers in international markets.

As of 26 March 2014 Q-Free ASA controls 100 % of the TDC Systems shares, and has corresponding voting rights.

The SPA is based on enterprise value, net of debt and cash. Q-Free will pay an initial consideration of GBP 5 million of which GBP 4 million in cash and GBP 1 million through issuance of 704 037 new shares in Q-Free ASA at NOK 14,22 per share. Further consideration is tied to financial performance in 2014 and 2015. It is estimated to GBP 5 million, assuming significant revenue and earnings growth in both 2014 and 2015, and is capped to GBP 7.5 million. The earn-out component may comprise at least 50 percent cash and up to 50 percent new shares in Q-Free, payable in 2015 and 2016.

Since the issuance of new shares in accordance to the above mentioned was carried out at 4th April 2014 the equity-impact of the acquisition was accounted in the second quarter 2014.

The current operations in TDC Systems are an important part of our ATMS business and will broaden our scope of business, reduce risk, and also prepare the company for convergence of markets into a wider Intelligent Traffic market.

The fair value (TNOK) of the identifiable assets and liabilities of TDC Systems as at the date of acquisition were:

Assets TNOK	Book value 26.03.14	Adjustment	Fair value 31.12.14
Technology	3 311	13 834	17 145
Customer Relationships	0	9 189	9 189
Order Backlog	0	3 404	3 404
Goodwill	0	62 669	62 669
Machinery, fixtures	3 145	0	3 145
<b>Total fixed assets</b>	<b>6 457</b>	<b>89 096</b>	<b>95 552</b>
Inventories	13 447	0	13 447
Accounts receivables	12 074	0	12 074
<b>Cash and equivalents</b>	<b>1 028</b>	<b>0</b>	<b>1 028</b>
<b>Current assets</b>	<b>26 548</b>	<b>0</b>	<b>26 548</b>
<b>Total assets</b>	<b>33 005</b>	<b>89 096</b>	<b>122 099</b>
<b>Liabilities and Equity TNOK</b>	<b>Book value 26.03.14</b>	<b>Adjustment</b>	<b>Fair value 31.12.14</b>
<b>Equity</b>	<b>21 633</b>	<b>83 810</b>	<b>105 443</b>
Misc. long term liabilities	414	0	414
Deferred tax	0	5 285	5 285
<b>Long term liabilities</b>	<b>414</b>	<b>5 285</b>	<b>5 699</b>
Accounts payable	10 958	0	10 958
Debt to seller of TDC	0	0	0
<b>Short term liabilities</b>	<b>10 958</b>	<b>0</b>	<b>10 958</b>
<b>Total Equity &amp; Liabilities</b>	<b>33 005</b>	<b>89 096</b>	<b>122 100</b>

Three intangible assets are identified as follows:

Customer relationships, technology, and the value of existing order backlog. These three assets explain 32 % of the total purchase price and the remaining value is allocated as goodwill.

Potential changes in the EBIT-assumption may change the fair value allocation and hence adjust the goodwill arising on acquisition. Goodwill is explained as the estimated value of the work force and the fact that the acquisition is an important transaction in order to position the Group in the ATMS market.

None of these elements complies with the control criteria in IAS 38 for capitalization of intangible assets and is hence included in goodwill.

#### ACQUISITION OF TRAFFIC DESIGN D.O.O. - LJUBLJANA, SLOVENIA

Q-Free ASA signed on April 22 a share purchase agreement for the acquisition of Traffic Design d.o.o. for a cash and equity consideration of EUR 2.3-3.6 million pending future financial performance. The financial effects from the purchase of the company are consolidated in the Group's figures per June 30 2014. Date of acquisition was April 22 2014. As of acquisition date Q-Free ASA controls 100 % of the Traffic Design d.o.o. shares, and has corresponding voting rights.

Traffic Design is the market leader in traffic management, parking systems and tolling in Slovenia. Following the recent acquisition of TDC Systems in the UK, the acquisition reflects a continuation of Q-Free's strategy to strengthen its business within Advanced Transportation Management Systems (ATMS).

Traffic Design d.o.o. was established in 1990 in Ljubljana, and is the market leader with nationwide traffic management systems, more than 60 parking systems, and operations of the entire tolling system in Slovenia.

In the longer-term, Q-Free expects that the markets for ATMS and Road User Charging will converge into a joint market for Intelligent Transport Systems (ITS) – both technologically and commercially. Q-Free intends to play an important role in this market, and considers Traffic Design's products, solutions and services as a strong addition to its product offering.

Further consideration is estimated to EUR 0.8 million, assuming EBIT growth to EUR 0.66 million in 2014 and EUR 0.74 million in 2015. The earn-out consideration is capped at EUR 1.3 million, assuming EBIT growth to EUR 1 million in 2014 and 1.1 million in 2015. The earn-out consideration will also be at least 91 percent payable in cash and up to 9 percent in new shares, payable in 2015 and 2016.

The current operations in Traffic Design are an important part of our ATMS business and will broaden our scope of business, reduce risk, and also prepare the company for convergence of markets into a wider Intelligent Traffic market.

The fair value (TNOK) of the identifiable assets and liabilities of Traffic Design as at the date of acquisition were:

Assets TNOK	Previous carrying value 22.04.14	Adjustment	Fair value recognised on acquisition date 22.04.14
Technology	10	6 087	6 098
Customer Relationships	0	3 785	3 785
Order Backlog	0	5 126	5 126
Goodwill	0	7 906	7 906
Machinery, fixtures	1 085	0	1 085
Other financial assets	457	0	457
<b>Total non-current assets</b>	<b>1 552</b>	<b>22 905</b>	<b>24 456</b>
Inventories	280	0	280
Receivables	5 238	0	5 238
Cash and equivalents	9 115	0	9 115
Total current assets	14 633	0	14 633
<b>Total assets</b>	<b>16 185</b>	<b>22 905</b>	<b>39 089</b>
<b>Liabilities and Equity TNOK</b>	<b>Previous carrying value 22.04.14</b>	<b>Adjustment</b>	<b>Fair value recognised on acquisition date 22.04.14</b>
<b>Total Equity</b>	<b>9 301</b>	<b>20 355</b>	<b>29 656</b>
Financial leasing	108	0	108
Deferred tax	0	2 550	2 550
<b>Total non-current liabilities</b>	<b>108</b>	<b>2 550</b>	<b>2 658</b>
Accounts payable	1 463	0	1 463
Other short term debt	5 313	0	5 313
<b>Total current liabilities</b>	<b>6 775</b>	<b>0</b>	<b>6 775</b>
<b>Total Equity &amp; Liabilities</b>	<b>16 185</b>	<b>22 905</b>	<b>39 089</b>

Three intangible assets are identified as follows:

Customer relationships, technology, and the value of existing order backlog. These three assets explain 65 % of the total purchase price and the remaining value is allocated as goodwill.

Goodwill is explained as the estimated value of the work force and other non-identifiable values.

None of these elements complies with the control criteria in IAS 38 for capitalization of intangible assets and is hence included in goodwill.

The earn-out consideration is not included as basis for intangible assets in the price purchase allocation. The earn-out consideration will be accounted for as bonus payments in the periods this consideration is earned.

#### ACQUISITION OF OPEN ROADS CONSULTING INC - VIRGINIA, USA

This is an updated Purchase Price Analysis of acquisition of Open Roads Consulting Inc., closed in Q3-14.

Q-Free has signed a Share Purchase Agreement (SPA) for the acquisition of Open Roads Consulting Inc. for a cash consideration of approximately USD 8.0 million in 2014. Q-Free is expected to pay an addition to this purchase price in 2015 and 2016 pending finalisation of a working capital adjustment and earn-out payments based on future financial performance. The financial effects from the purchase of the company are consolidated in the Group's figures per 30 September 2014. Date of signing of the acquisition was 17 July 2014, but was closed 30 September 2014. As of acquisition date Q-Free ASA controls 100 % of the Open Roads Consulting Inc. shares, and has corresponding voting rights.

Open Roads Consulting is a privately owned company established in 2000 in Virginia, USA. The company has 74 employees and operates mission critical traffic deployments and video based surveillance of critical assets in 30 states in the US. The company generated revenues of USD 15.1 million, EBITDA of USD 2.2 million and EBIT of USD 1.6 million in 2014, and was consolidated into the accounts of Q-Free with effect from the end of the third quarter 2014.

Open Roads Consulting is a leading provider of off-the-shelf solutions, technology integration and full lifecycle support to help clients operate, manage, and protect critical assets. The company has two highly complementary business areas; the Intelligent Transportation Systems Division (ITSD) and the Integrated Security Systems Division (ISSD).

#### Intelligent Transportation Systems Division (ITSD):

Supports public sector clients through the design, deployment and maintenance of real-time systems that enhance mobility and enable the public to make smarter travel choices. Primary product offering is Open TMS, an extensible ATMS solution built around an open, modular architecture designed to support the dynamic traffic management marketplace

The fair value (TNOK) of the identifiable assets and liabilities of Open Roads as at the date of acquisition:

Assets	Book value		Fair value
TNOK	30.09.14	Adjustment	31.12.14
Technology	17 645	11 872	29 517
Customer Relationships	0	5 047	5 047
Order Backlog	0	5 862	5 862
Goodwill	0	51 111	51 111
Machinery, fixtures	1 244	0	1 244
<b>Total fixed assets</b>	<b>18 889</b>	<b>73 892</b>	<b>92 781</b>
Accounts receivables	32 152	0	32 152
Cash and equivalents	444	0	444
<b>Current assets</b>	<b>32 596</b>	<b>0</b>	<b>32 596</b>
<b>Total assets</b>	<b>51 485</b>	<b>73 892</b>	<b>125 377</b>

Liabilities and Equity	Book value		Fair value
TNOK	30.09.14	Adjustment	31.12.14
<b>Equity</b>	<b>33 663</b>	<b>44 972</b>	<b>78 634</b>
Financial leasing	415	0	415
Deferred tax	0	28 920	28 920
<b>Long term liabilities</b>	<b>415</b>	<b>28 920</b>	<b>29 335</b>
Line of Credit - Bank	12 651	0	12 651
Accounts payable	1 327	0	1 327
Accruals	477	0	477
Miscellaneous liabilities	31	0	31
Other current liabilities	2 920	0	2 920
<b>Current liabilities</b>	<b>17 407</b>	<b>0</b>	<b>17 407</b>
<b>Total Equity &amp; Liabilities</b>	<b>51 485</b>	<b>73 892</b>	<b>125 377</b>

#### Integrated Security Systems Division (ISSD):

Provides critical asset protection solutions for the US military Worldwide. Primary product offering is VICADS, a proprietary video management system designed specifically to exceed Department of Defence performance requirements and is approved by the US Air Force for all priority levels of protection.

Further consideration is dependent on financial performance as part of 2014, 2015 and part of 2016, and is estimated to USD 4.5 million Including earn-out payments, the total consideration is capped at USD 12.5 million.

The current operations in Open Roads Inc. are an important part of our ATMS business and will broaden our scope of business, reduce risk, and also prepare the company for convergence of markets into a wider Intelligent Traffic market

Three intangible assets are identified as follows:

Customer relationships, technology, and the value of existing order backlog. These three assets explain 44 % of the total purchase price and the remaining value is allocated as goodwill.

Potential changes in the EBIT-assumption may change the fair value allocation and hence adjust the goodwill arising on

acquisition. Goodwill is explained as the estimated value of the work force and the fact that the acquisition is an important transaction in order to position the Group in the ATMS market.

None of these elements complies with the control criteria in IAS 38 for capitalisation of intangible assets and is hence included in goodwill.

#### CHANGES RELATED TO PROVISIONS FOR EARN-OUTS

	Current	Non current	Total
<b>Provisions 01.01.2014</b>	<b>6 957</b>	<b>6 951</b>	<b>13 908</b>
Payments in 2014	-6 951	0	-6 951
Provisions related to acquisitions in 2014	32 555	43 914	76 469
Changes of estimated payments recognised in p&l	14 252	0	14 252
Reclassification to current	309	-309	0
<b>Provision 31.12.2014</b>	<b>47 122</b>	<b>50 556</b>	<b>97 678</b>

	Current	Non current	Total
<b>Provisions 01.01.2015</b>	<b>47 122</b>	<b>50 556</b>	<b>97 678</b>
Payments in 2015	-36 984	0	-36 984
Share issue in 2015	-12 878	0	-12 878
Adjusted provisions related to acquisitions in 2014	19 808	0	19 808
Provisions related to acquisitions in 2015	0	79 780	79 780
Changes of estimated payments recognised in p&l	-1 535	8 470	6 935
Exchange rate differences earn-out recognised in p&l	3 276	279	3 555
Exchange rate differences earn-out recognised in other comprehensive income	3 508	18 481	21 989
Reclassification to current	29 699	-29 699	0
<b>Provision 31.12.2015</b>	<b>52 016</b>	<b>127 867</b>	<b>179 883</b>

Remaining earnout provisions relates to the acquisitions of Intelight Inc and Traffiko Ltd in 2015 and TDC Systems Ltd, Traffic Design d.o.o. and Open Roads Consulting Inc in 2014.

Analysis of cash flows on acquisition:	2015	2014
Transaction costs of the acquisition (included in cash flows from operating activities)	-2 346	-3 647
Acquisition of a subsidiary	-63 434	-92 819
Net of cash acquired (included in cash flows from investing activities)	0	-10 587
Net cash flow on acquisition	-65 780	-107 053

#### IMPACT OF STATEMENT OF INCOME FROM BUSINESS COMBINATIONS AND PRO FORMA FIGURES

Pro forma figures have been prepared for the period from 1 January 2015 until the time of the acquisitions of Intelight Inc and Traffiko Ltd in 2015. The comparative figures for 2014 applies to acquisitions of TDC Systems Ltd, Traffic Design d.o.o. and Open Roads Consulting Inc.

The contribution to the Group from the time of the acquisitions of the subsidiaries until 31 December 2015 and possible contribution for 2015 if Q-Free had owned the subsidiaries in 2015:

	Contribution to the Group's P&L for 2015	Possible contribution to the Group's P&L for the total 2015	Pro forma figures 2015 including new subsidiaries full year	Contribution to the Group's P&L for 2014	Possible contribution to the Group's P&L for the total 2014	Pro forma figures 2015 including new subsidiaries full year
Operating revenues	57 487	69 967	816 005	87 944	177 270	877 910
Profit and loss	13 342	11 028	-197 012	14 566	25 171	-16 353

## NOTE 7 WORK IN PROGRESS

The Group's main business activity is to develop and manufacture products and systems as well as provide service and maintenance based on orders received. The Group reports gross balance sheet values attached to long-term production contracts. Gross amounts due from customers for contract work (Work in progress) are recognised on the balance sheet as assets, and gross amounts due to customers for contract work (Prepayments from customers) are recognised on the balance sheet as liabilities. Work in progress is the net amount of accumulated operating revenues less accumulated invoicing for all ongoing contracts where accumulated operating revenues are higher than accumulated invoicing. Prepayments from customers are the net amounts of accumulated operating revenues less accumulated invoicing for all ongoing contracts where accumulated invoicing is higher than accumulated operating revenues.

Each project is monitored individually and is measured against the updated project prognosis. The estimated accrued contract profit shall not exceed a proportional share of the estimated total contract profit. The proportional share of the contract is based on the degree of completion of the individual contract, which is largely determined by the costs incurred as a ratio of the expected overall cost at the time of valuation. If the profit on a contract cannot be estimated with a reasonable degree of certainty, the project will be recognised without a profit until the uncertainty is manageable. All projects are followed up on an ongoing basis with project costing. In the event a project calculation shows a loss, this loss will be expensed immediately in its entirety.

PARENT COMPANY			GROUP	
2014	2015		2015	2014
13 766	0	Work in progress	44 269	56 903
0	0	Prepayments from customers	-12 576	-18 914
<b>13 766</b>	<b>0</b>	<b>Net projects in progress</b>	<b>31 693</b>	<b>37 989</b>

SUMMARY OF WORK IN PROGRESS AS AT 31.12				
2014	2015		2015	2014
73 910	135 667	Contract revenues included in the consolidated financial statement	272 392	110 088
34 529	133 160	Total contract orders	506 087	209 315
23 316	88 738	Accumulated revenues	363 223	128 721
11 213	44 422	Remaining revenues	142 864	80 594
23 328	67 319	Accumulated operating expenses	252 975	100 077
4 091	41 379	Remaining operating expenses	104 147	50 849
0	0	Prepayments received	-12 576	-18 914

## NOTE 8 OTHER OPERATING INCOME

The Group has received government grants of a total of TNOK 3,239 in 2015 (2014: TNOK 3,940). The Group is a partner in several projects under The Research Council of Norway and projects initiated by the EU.

	Contribution	
	2015	2014
<b>Government grants</b>		
Projects with contribution from The Research Council of Norway	1 090	1 828
Contribution from EU initiated projects	2 149	2 112
<b>Total</b>	<b>3 239</b>	<b>3 940</b>

There are no conditions related to the grants that have not been met.

	2015	2014
Grants recognised as other income related to cost in same period	3 239	3 940
Grants accounted as reduction of payroll expenses (Skattefunn). See note 27 for further information.	676	502
<b>Total</b>	<b>3 915</b>	<b>4 442</b>

## NOTE 9 PROPERTY AND EQUIPMENT

PARENT COMPANY	Machinery and fixtures	Equipment	Total
Acquisition cost as at 01.01.2014	76 785	119 151	195 936
Additions	4 787	2 457	7 244
<b>Acquisition cost as at 31.12.2014</b>	<b>81 572</b>	<b>121 608</b>	<b>203 180</b>
Accumulated depreciation and impairments as at 01.01.2014	67 603	84 663	152 266
Depreciation of the year	5 481	11 290	16 771
<b>Accumulated depreciation and impairments as at 31.12.2014</b>	<b>73 084</b>	<b>95 953</b>	<b>169 037</b>
Net book value as at 01.01.2014	9 182	34 488	43 670
Total changes of the year	-694	-8 833	-9 527
<b>As at 31.12.2014</b>	<b>8 488</b>	<b>25 655</b>	<b>34 143</b>

Acquisition cost as at 01.01.2015	81 572	121 608	203 180
Additions	1 742	1 854	3 597
<b>Acquisition cost as at 31.12.2015</b>	<b>83 314</b>	<b>123 462</b>	<b>206 777</b>
Accumulated depreciation and impairments as at 01.01.2015	73 084	95 953	169 037
Depreciation of the year	3 687	7 524	11 211
<b>Accumulated depreciation and impairments as at 31.12.2015</b>	<b>76 771</b>	<b>103 477</b>	<b>180 248</b>
Net book value as at 01.01.2015	8 488	25 655	34 143
Total changes of the year	-1 944	-5 670	-7 614
<b>As at 31.12.2015</b>	<b>6 544</b>	<b>19 985</b>	<b>26 529</b>

Financial lifetime	4-5 years	5-10 years
Depreciation schedule	Straight line	Straight line

## SECURITIES FOR BANK GUARANTEES AND OVERDRAFT FACILITY

As at 31.12.15 assets in the parent company valued at TNOK 26,529 (2014: 34,143) are pledged as security for guarantee facility in Danske Bank.

GROUP	Machinery and fixtures	Equipment	Total
Acquisition cost as at 01.01.2014	145 696	119 151	264 847
Additions	6 030	2 457	8 487
Acquisitions of a subsidiary	5 474	0	5 474
Disposals	-3 701	0	-3 701
<b>Acquisition cost as at 31.12.2014</b>	<b>153 499</b>	<b>121 608</b>	<b>275 107</b>
Accumulative depreciation and impairments as at 01.01.2014	117 113	84 663	201 776
Depreciation of the year	10 242	11 290	21 532
<b>Accumulated depreciation and impairments as at 31.12.2014</b>	<b>127 355</b>	<b>95 953</b>	<b>223 308</b>
Net book value as at 01.01.2014	28 583	34 488	63 071
Total changes of the year	-2 439	-8 833	-11 272
<b>As at 31.12.2014</b>	<b>26 144</b>	<b>25 655</b>	<b>51 799</b>

Acquisition cost as at 01.01.2015	153 499	121 608	275 107
Additions	5 055	1 854	6 909
Acquisitions of a subsidiary	1 710	0	1 710
<b>Acquisition cost as at 31.12.2015</b>	<b>160 264</b>	<b>123 462</b>	<b>283 726</b>
Accumulative depreciation and impairments as at 01.01.2015	127 355	95 953	223 308
Depreciation of the year	9 040	7 524	16 564
<b>Accumulated depreciation and impairments as at 31.12.2015</b>	<b>136 395</b>	<b>103 477</b>	<b>239 872</b>
Net book value as at 01.01.2015	26 144	25 655	51 799
Total changes of the year	-2 275	-5 670	-7 945
<b>As at 31.12.2015</b>	<b>23 869</b>	<b>19 985</b>	<b>43 854</b>

Financial lifetime	4-5 years	5-10 years
Depreciation schedule	Straight line	Straight line

## NOTE 10 INTANGIBLE ASSETS

PARENT COMPANY	Goodwill	Development Assets	Total
Acquisition cost as at 01.01.2014	0	211 842	211 842
Additions	0	14 143	14 143
<b>Acquisition cost as at 31.12.2014</b>	<b>0</b>	<b>225 985</b>	<b>225 985</b>
Accumulated depreciation and impairments as at 01.01.2014	0	152 189	152 189
Depreciation of the year	0	21 285	21 285
<b>Accumulated depreciation and impairments as at 31.12.2014</b>	<b>0</b>	<b>173 474</b>	<b>173 474</b>
Net book value as at 01.01.2014	0	59 653	59 653
Total changes of the year	0	-7 142	-7 142
<b>As at 31.12.2014</b>	<b>0</b>	<b>52 511</b>	<b>52 511</b>

Acquisition cost as at 01.01.2015	0	225 985	225 985
Additions	0	25 049	25 049
<b>Acquisition cost as at 31.12.2015</b>	<b>0</b>	<b>251 034</b>	<b>251 034</b>
Accumulated depreciation and impairments as at 01.01.2015	0	173 474	173 474
Depreciation of the year	0	24 863	24 863
Impairment		15 774	15 774
<b>Accumulated depreciation and impairments as at 31.12.2015</b>	<b>0</b>	<b>214 111</b>	<b>214 111</b>
Net book value as at 01.01.2015	0	52 511	52 511
Total changes of the year	0	-15 588	-15 588
<b>As at 31.12.2015</b>	<b>0</b>	<b>36 923</b>	<b>36 923</b>

Financial lifetime	Impairment tested	5-10 years
Depreciation schedule	annually (or when impairment indicators exist)	Straight line

GROUP	Goodwill *	Development Assets *	Total
Acquisition cost as at 01.01.2014 *	76 796	350 457	427 253
Additions	0	60 587	60 587
Acquisitions of a subsidiary	121 686	64 206	185 892
Exchange rate differences *	29 487	10 742	40 229
<b>Acquisition cost as at 31.12.2014 *</b>	<b>227 969</b>	<b>485 992</b>	<b>713 961</b>
Accumulative depreciation and impairments as at 01.01.2014	0	216 179	216 179
Depreciation of the year	0	54 777	54 777
<b>Accumulated depreciation and impairments as at 31.12.2014</b>	<b>0</b>	<b>270 956</b>	<b>270 956</b>
Net book value as at 01.01.2014 *	76 796	134 278	211 074
Total changes of the year	151 173	80 758	231 931
<b>As at 31.12.2014 *</b>	<b>227 969</b>	<b>215 036</b>	<b>443 005</b>

Acquisition cost as at 01.01.2015 *	227 969	485 992	713 961
Additions	0	54 220	54 220
Acquisitions of a subsidiary	91 274	54 671	145 945
Exchange rate differences	48 222	18 516	66 738
<b>Acquisition cost as at 31.12.2015</b>	<b>367 465</b>	<b>613 399</b>	<b>914 126</b>
Accumulative depreciation and impairments as at 01.01.2015	0	270 956	270 956
Depreciation of the year	0	72 395	72 395
Impairment	0	55 523	55 523
Accumulated depreciation and impairments as at 31.12.2015	0	398 874	398 874
Net book value as at 01.01.2015	227 969	215 036	443 005
Total changes of the year	139 496	-510	138 986
<b>As at 31.12.2015</b>	<b>367 465</b>	<b>214 526</b>	<b>581 991</b>

Financial lifetime	Impairment tested	5-10 years
Depreciation schedule	annually (or when impairment indicators exist)	Straight line

\* Any goodwill arising on the acquisition of a foreign company and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign company shall be treated as assets and liabilities of the foreign operation. Thus they shall be expressed in the functional currency of the foreign company and shall be translated at the closing rate. We have previously converted currency on the time of the acquisition, and treated the effects in NOK. We have implemented the currency effects per 31.12.2015 and restated previous years. See note 29 for further information.

#### Development

The group capitalises costs regarding product development activities. Capitalised costs for 2015 consist of product development that prepares the company to be a fully integrated ITS company, providing systems and services within traffic management and these products segments:

- Tolling
- Parking
- Urban
- Inter Urban
- Infomobility
- Homeland Security

Research expenses in the P&L were immaterial in 2015.

Impairment of Tolling technology of NOK 56 million in 2015 was done due to impairment test showing a recoverable amount less than current balance sheet amount.

Capitalised costs mainly consist of personnel expenses, purchase of materials, as well as external services. Product development assets are depreciated over the products expected lifetime. The estimated useful lifetime is continuously evaluated.

## NOTE 11 IMPAIRMENT TESTING OF GOODWILL

Goodwill obtained through acquisitions is allocated to the Group's "ELA" and "NA" operating segment and is followed up and tested for using this segment's cash flow. Goodwill is followed up according to what is defined as the operating segment pursuant to IFRS 8 Operating segments.

#### Carrying amount of Goodwill:

	TNOK	
	TOTAL	
	2015	2014
Total amount of Goodwill recognised in balance sheet as at 01. 01:	227 969	76 796
Goodwill obtained through the acquisition of: (See note 6 for further specifications)		
- Intelight Inc.	86 194	
- Traffiko Ltd.	5 080	
- TDC Systems Ltd.		62 669
- Traffic Design d.o.o.		7 906
- Open Roads Consulting Inc.		51 111
Exchange rate differences in other comprehensive income	48 222	29 487
<b>Total amount of Goodwill recognised in balance sheet as at 31.12:</b>	<b>367 465</b>	<b>227 969</b>

#### IMPAIRMENT TESTING OF GOODWILL AS AT 31. DECEMBER 2015:

The Group performed its annual impairment test as at 31 December 2015. The recoverable amount has been determined based on cash flow projections. The projected cash flow is based on budgets and long-term plans, which are subject to the approval of the Board and the corporate management. Long-term plans are equivalent to the Group Strategy and covers a period of five years. Approved budgets and long-term plans are adjusted for cash flows related to investments, restructuring, future product improvements and new development, where this is considered significant for the impairment test.

There was no impairment of goodwill in 2015 or 2014.

#### KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATIONS:

The calculation of value in use are most sensitive to the following assumptions:

- Cash flow projections;
  - Discount rate;
  - Market share during the budget period; and
  - Growth rate
- **Cash flow projection** – The projections are based on budgets and on forecasting values that is the outcome of the Group's managerial strategic process. The forecasting values are increased over the budget period for anticipated efficiency improvements.
  - **Discount rates** – The discount rates are based on a weighted average cost of capital (WACC) method, whereby the cost of equity and the cost of liabilities are weighted according to the estimated capital structure. The discount rates reflect the market's required rates of return at the time of the test.

When determining the discount rates the cost of equity consists of risk-free interest as well as an individual risk premium. The risk premium is the entity's systematic risk (beta), multiplied by the market's risk premium. The risk-free interest is estimated on a 10-year Norwegian government covered bond interest rate (OMF) and is based on all cash flows being translated to NOK. The cost of liabilities represents an expected long-term after-tax interest rate for comparable liabilities and consists of risk-free interest and an interest spread. A 10.2 % discount rate is applied in the calculations (2014: 8.7 %)

- **Market share assumptions** – The management uses both industry data for growth rates (as noted below) and assesses how Q-Free's position relative to its competitors might change over the budget period. The management overall expects that the Group's market share will be maintained, although there might be increases or setbacks in certain areas.

- **Growth rate estimates** – Growth rates in the explicit prognosis period are predicated on management's expectations of market trends and based on published industry research. An 11.0 % growth rate is applied in the calculations (2014: 11.0 %) that is a prudent estimate compared to the industry's annual compounded growth rate of 15–25 % for the next five years. The growth rate after the five year prognosis period applied in the calculations is 2.0 % (2014: 0.0 %).

#### Sensitivity to changes in assumptions

There will always be uncertainty attached to the estimate of value in use. With relatively large changes in the above described key assumptions, the entity could face an impairment situation, although such changes are considered to be outside the probability corridor.

The figures below are based on change in one parameter isolated for the period 2016-2020, and all other parameters unchanged. The column break-even rate indicates the lowest or highest rate that can be used without need for impairment.

Key assumptions	According to impairment test	Break-even rate
Discount rate	10.2 %	12.6 %
Growth rate in the explicit prognosis period	11.0 %	2.2 %
Growth rate after the five year prognosis period	2.0 %	-3.0 %

## NOTE 12 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all potential ordinary shares into ordinary shares.

	2015	2014
Profit for the year	-194 698	-28 760
Weighted average number of ordinary shares	69 781 209	68 574 155
Weighted average of share option	373 973	925 342
Weighted average number of diluted shares	70 155 182	69 499 497
<b>Earnings in NOK per share</b>	<b>-2.79</b>	<b>-0.42</b>
<b>Diluted earnings in NOK per share</b>	<b>-2.79</b>	<b>-0.42</b>

There have been an increase in the share capital in 2016 by NOK 497,117.90. The increase in the share capital is carried out by issuing 1,308,205 new shares with a par value of NOK 0.38.

For a specification of the change of number of shares during 2015 and 2014, see note 13.

## NOTE 13 ISSUED CAPITAL AND RESERVES

The company has one class of shares and there are no voting restrictions. Per 31.12.15 the number of shares were 70,070,552. Par value per share is NOK 0.38. Total share capital per 31.12.2015 was NOK 26,626,810. The company had

1,484 share holders as at 31.12.15. As at 31.12.15 the share price listed at OSE was NOK 9.75 per share, equalling a market value of MNOK 683.

	Ordinary shares	
	2015	2014
Shares issued per 01.01	68 798 142	67 972 419
Share issue	1 272 410	825 723
Total shares issued per. 31.12.	70 070 552	68 798 142

## SHARE PRICE DEVELOPMENT



The company's largest share holders as at 31 December 2015:	Number of shares	Percentage ownership	Voting rights
KAPSCHE TRAFFICOM AG	13 650 458	19.48 %	19.48 %
VERDIPAPIRFONDET KLP AKSJENORGE	3 297 118	4.71 %	4.71 %
KOMMUNAL LANDSPENSJONSKASSE	3 200 000	4.57 %	4.57 %
STATOIL PENSJON	2 609 069	3.72 %	3.72 %
MARK JOHN PHILLIPS	1 937 483	2.77 %	2.77 %
VERDIPAPIRFONDET DNB NORGE (IV)	1 884 518	2.69 %	2.69 %
HOLMEN SPESIALFOND	1 830 000	2.61 %	2.61 %
STOREBRAND VEKST	1 828 844	2.61 %	2.61 %
JP MORGAN CHASE BANK, NA	1 750 000	2.50 %	2.50 %
VERDIPAPIRFONDET DNB SMB	1 700 005	2.43 %	2.43 %
VERDIPAPIRFONDET ALFRED BERG NORGE	1 656 746	2.36 %	2.36 %
LARS ODDGEIR ANDRESEN	1 633 600	2.33 %	2.33 %
REDBACK AS	1 627 000	2.32 %	2.32 %
STOREBRAND NORGE I	1 570 642	2.24 %	2.24 %
VERDIPAPIRFONDET DNB NORGE SELEKTI	1 336 759	1.91 %	1.91 %
EIKA NORGE	1 296 106	1.85 %	1.85 %
ULSMO FINANS AS	1 150 000	1.64 %	1.64 %
MONS HOLDING AS	1 040 000	1.48 %	1.48 %
DNB NOR MARKETS, AKSJEHAND/ANALYSE	1 036 199	1.48 %	1.48 %
AUGUST HOLDING AS	1 000 000	1.43 %	1.43 %
VERDIPAPIRFONDET STOREBRAND OPTIMA	928 801	1.33 %	1.33 %
DNB LIVSFORSIKRING ASA	667 182	0.95 %	0.95 %
Other share holders	21 440 022	30.60 %	30.60 %
<b>Total</b>	<b>70 070 552</b>	<b>100.0 %</b>	<b>100.0 %</b>

## Shareholders by size of holding as at 31 December 2015

Number of shares	Number of owners	Number of shares	Holding percentage
1 – 1 000	623	329 597	0.47 %
1 001 – 10 000	619	2 369 623	3.38 %
10 001 – 100 000	178	5 758 869	8.22 %
100 001 – 200 000	19	2 790 266	3.98 %
200 001 – 500 000	14	4 950 032	7.06 %
500 001 – 1 000 000	12	7 837 618	11.19 %
1 000 001 – 2 000 000	15	23 277 902	33.22 %
2 000 001 – 5 000 000	3	9 106 187	13.00 %
5 000 001 – 15 000 000	1	13 650 458	19.48 %
<b>TOTAL</b>	<b>1 484</b>	<b>70 070 552</b>	<b>100.00 %</b>

Number of shares held by the senior management, CEO, and the board of directors as per 31.12.2015:

Name	Position	Shares
Jan Pihl Grimnes	Former Board member	1 687 000
Jos Nijhuis	CTO	533 552
Roar Østbø	Acting CEO and CFO	118 500
Anders Endre Nybø	Former Board member	130 000
Per Fredrik Ecker	VP APMEA	33 500
Morten Andersson	COO	15 700
Pål Rune Johansen	VP Nordic	10 000
<b>Total</b>		<b>2 528 252</b>

The Board of Directors had an authorisation to increase the share capital by subscription of new shares in connection with an incentive programme towards employees, which expired in May 2015. A new four-year synthetic based incentive program for key executives was approved by the General meeting in 2015. For further information – see note 17.

## NOTE 14 INVENTORY AND COSTS OF GOODS SOLD

### INVENTORY

PARENT COMPANY			GROUP	
2014	2015	Inventory specification:	2015	2014
13 207	16 209	Raw material and semi manufactured products	34 526	19 582
0	8 876	Stock for sub supplier	8 876	0
3 604	0	Stock for maintenance contracts	0	3 604
0	0	Work in progress	0	1 012
7 902	7 294	Finished goods	48 833	26 474
-2 449	-10 857	Obsolescence *	-10 857	-2 449
<b>22 264</b>	<b>21 522</b>	<b>Total</b>	<b>81 378</b>	<b>48 223</b>

All inventories are valued at the lower of cost and net realisable value. Inventory write-downs recognised as an expense for the Parent company is TNOK 10,076 in 2015 (2014: TNOK 1,743) and for the group TNOK 10,076 in 2015 (2014: NOK 1,743), which is recognised in cost of goods sold.

### COSTS OF GOODS SOLD

PARENT COMPANY			GROUP	
2014	2015	COGS specification:	2015	2014
136 556	137 486	Purchase of goods	198 368	270 446
73	87	Freight, customs etc.	87	306
0	0	External services handling of COGS	0	195
4 629	742	Change of inventories *	33 897	11 226
<b>141 258</b>	<b>138 315</b>	<b>Total</b>	<b>232 352</b>	<b>282 173</b>

\* The effect of the write downs related to the impairment of TOLLING technology is TNOK 8 263.

## NOTE 15 SALARIES AND PERSONNEL RELATED EXPENSES

PARENT COMPANY			GROUP	
2014	2015	Personnel expenses:	2015	2014
93 872	103 983	Salaries	253 203	176 232
14 037	15 184	Social security costs	30 834	33 175
6 801	7 992	Pension costs	11 439	10 700
502	676	Skattefunn (governmental tax relief)	676	502
-11 387	-19 172	Capitalised personnel costs	-22 226	-13 320
18 302	14 702	Other personnel related costs *	30 493	23 628
<b>122 127</b>	<b>123 365</b>	<b>Total</b>	<b>304 419</b>	<b>230 917</b>
123	115	Average number of employees	419	346
121	114	Average number of man-years	413	344

\* The effect of the restructuring cost related to the Q-Free ITS transformation programme is TNOK 16 459.

### MAIN PRINCIPLES FOR STIPULATION OF SALARY AND OTHER REMUNERATION TO LEADING EMPLOYEES

Q-Free is a leading international company within its area of business. To maintain and to strengthen its market position, and to reach the objectives set by the Board, Q-Free is dependent on recruiting and retaining managers and employees with substantial competence. The Board therefore states that the fixed monthly salary for the respective leaders shall represent competitive wages, and that this shall reflect the respective leaders' personal responsibilities and competence.

In addition to the fixed monthly salary, there should be the option to grant a bonus that will depend on the results of the company and on performance of the individual employee. The Board has therefore established a bonus plan for the Company's employees, leaders included. For the CEO such bonus shall be maximum 50 % of the fixed yearly salary, and for the other members of the management team, such bonus shall be maximum 40 % of the fixed yearly salary. The bonus shall in general terms be linked to Q-Free's fulfilment of further defined objectives for the period, result targets and/or other established objectives for the Company. These objectives shall each year be established by the Company's Board, and may be linked to financial results, results within research and development, quality objectives and/or further established individual result targets or objectives for the individual leader. In extraordinary cases an discretionary bonus can be awarded to employees in the Company, limited up to 40 % of the employees fixed yearly salary.

In addition to the fixed monthly salary, bonus according to achieved results and adopted option plans, the agreement with the individual leader can include that he or she shall receive payment in kind.

In individual cases it can also be agreed that the leader concerned shall have a Company car at disposal according to the prevailing regulations.

Q-Free has established a collective pension scheme for its employees which also includes the leading employees. On top of the pension payment that comes from such plan, and on top of the payments offered through public pension arrangements, the members of the Company's management team can be offered an individual pension agreement. The Board states that in individual cases further pension arrangements can also be made. Q-Free has established a group life insurance for the management team.

The Board furthermore specifies that there shall be a mutual period of notice of up to six (6) months for agreements made with leading employees. The severance pay for the CEO shall not exceed twelve (12) months pay, calculated from the end of the CEO's notice period. In case of mergers/acquisition, resulting in substantial changes in the managerial position, severance pay shall not exceed twelve (12) months, calculated from the end of the CEO's notice period. In individual cases other arrangements with regards to resignation can be agreed, hereunder agreements of payment after the termination of employment of the leader in question. The Board may depart from the principles above in individual cases.

After a defined period of employment the Board can grant right to education with pay for the leading employees based on an individual assessment of the value such education will have for the Company.

The principles for remuneration have been changed during the last year.

No loans or guarantees have been provided to the Chief Executive Officer, Board members, shareholders, or close associates of these individuals.

2015							
Payments to senior management and Board of directors 2015	Salary	Bonus	Director's remuneration	Pension service cost	Other remuneration	Share option cost	TOTAL
TNOK							
Terje Christoffersen   Former Chairman of the Board 1)			268,0				268,0
Jan Pihl Grimnes   Former Board member 2)			145,5				145,5
Charlotte Brogren Karlberg   Chairman of the Board 3)			112,5				112,5
Anders Endre Nybø   Former Board member 4))			0,0				0,0
Selma Kveim   Former Board member 5)			167,5				167,5
Cecilie Johnsen   Former Chairman of the Nomination committee 6)			60,0				60,0
Petter Qvam   Former member of Nomination committee 5)			30,0				30,0
Thomas Alexander Vogt   Member of the Nomination committee			20,0				20,0
Monika Lie Larsen   Former Employee elected Board member 7)			37,5				37,5
Anders Hagen   Employee elected Board member			50,3				50,3
Roar Østbø   Acting Chief Executive Officer and Chief Financial Officer 8)	2 332,6	524,1		78,8	145,2	0,0	3 080,6
Thomas Falck   Former Chief Executive Officer 9), 13)	3 454,6	300,0		76,0	15,2	0,0	3 845,8
Marianne Sandal   Former Vice President RUC 10), 13)	1 907,6	284,7		207,1	15,2	0,0	2 414,6
Per Fredrik Ecker   Vice President Region APMEA	2 531,2	150,6		184,9	15,2	0,0	2 881,9
Stein-Tore Nybodahl   Global Director Human Resources	1 058,3	241,1		180,0	15,2	0,0	1 494,6
Morten Andersson   Chief Officer Operations and VP ELA	1 673,2	404,5		77,3	15,2	0,0	2 170,3
Jos Nijhuis   Chief Technical Officer	1 727,8	137,7		44,1	129,3	0,0	2 038,9
Pål Rune Johansen   Vice President Region NORDIC	1 238,2	146,8		74,4	15,2	0,0	1 474,6
Pedro Bento   Former Vice President ELA 11), 13)	1 464,5	298,3		0,0	7,6	0,0	1 770,4
Frank Kjelsli   Team leader back office	1 046,3	176,7		71,7	15,2	0,0	1 309,9
Henrik Stoltenberg   Former Chief Strategy Officer 12), 13)	2 222,5	405,8		108,2	13,4	0,0	2 749,9
<b>TOTAL</b>	<b>20 656,8</b>	<b>3 070,2</b>	<b>891,3</b>	<b>1 102,5</b>	<b>402,0</b>	<b>0,0</b>	<b>26 122,7</b>

- 1) Terje Christoffersen served as Chairman of the Board until 04.11.2015.
- 2) Jan Pihl Grimnes served as Board member until 11.02.2016.
- 3) Charlotte Brogren Karlberg served as member of the Board until 11.02.2016. Brogren Karlberg serves as Chairman of the Board from 11.02.2016.
- 4) Anders Endre Nybø served from 20.05.2015 until 11.02.2016.
- 5) Selma Kveim and Petter Qvam served until 20.05.2015.
- 6) Cecilie Johnsen served until 17.01.2016.
- 7) Monika Lie Larsen served until 31.12.2015.
- 8) Roar Østbø served as Acting CEO and CFO from 03.11.2015.
- 9) Thomas Falck served as CEO until 03.11.2015.
- 10) Marianne Sandal served until 31.12.2015.
- 11) Pedro Bento served until 29.02.2016.
- 12) Henrik Stoltenberg served until 31.10.2015.
- 13) Former management team will receive severance pay in 2016.

On 3 November 2015, Thomas Falck stepped down as CEO. The Board appointed CFO Roar Østbø as interim CEO with immediate effect.

2014

Payments to senior management and Board of directors 2014	Salary	Bonus	Director's remuneration	Pension service cost	Other remuneration	Share option cost	TOTAL
TNOK							
Terje Christoffersen   Chairman of the Board			442,5				442,5
Jan Pihl Grimnes   Board member			247,0				247,0
Charlotte Brogren Karlberg   Board member			225,0				225,0
Selma Kveim   Board member			275,0				275,0
Thomas Falck   Former Board member **			22,0				22,0
Cecilie Johnsen   Nomination committee, Chair			45,0				45,0
Petter Qvam   Nomination committee			15,0				15,0
Thomas Alexander Vogt   Nomination committee			15,0				15,0
Monika Lie Larsen   Employee elected Board member *			37,5				37,5
Anders Hagen   Employee elected Board member *			37,5				37,5
Sissel Lillevik Larsen   Former Employee elected Board member **			37,5				37,5
Frank Aune   Former Employee elected Board member **			37,5				37,5
Thomas Falck   Chief Executive Officer ***	3 270,9	300,0		70,4	10,3	0,0	3 651,5
Øyvind Isaksen   Former Chief Executive Officer ***	3 072,5	0,0		182,8	152,3	0,0	3 407,6
Marianne Sandal   Vice President RUC	1 861,4	0,0		245,2	11,0	0,0	2 117,5
Roar Østbø   Chief Financial Officer	2 304,9	0,0		71,9	175,5	0,0	2 552,3
Per Fredrik Ecker   Vice President APMEA	2 304,8	0,0		220,6	11,0	0,0	2 536,5
Stein-Tore Nybodahl   Vice President Human Resources	1 031,9	0,0		206,5	11,0	0,0	1 249,5
Morten Andersson   Vice President ATMS	1 587,6	0,0		73,1	11,0	0,0	1 671,7
Pål Rune Johansen   Vice President Region Nordic	1 214,8	307,5		24,0	3,7	0,0	1 550,0
Morten Dammen   Former Vice President R&D RUC	1 004,8	0,0		221,4	11,0	0,0	1 237,2
Frank Kjelsli   Vice President Managed Services	962,3	0,0		61,9	11,0	0,0	1 035,2
Pedro Bento   Vice President ELA	937,3	53,6		0,0	57,1	0,0	1 048,1
Henrik Stoltenberg   Chief Strategy Officer	1 983,3	236,3		100,1	5,0	0,0	2 324,8
<b>TOTAL</b>	<b>21 536,5</b>	<b>897,4</b>	<b>1 436,5</b>	<b>1 478,0</b>	<b>469,9</b>	<b>0,0</b>	<b>25 818,4</b>

\* Monika Lie Larsen and Anders Hagen served as Employee elected board member from GF May 2014.

\*\* Sissel Lillevik Larsen and Frank Aune served as Employee elected board member until GF May 2014.

\*\*\* On the 6 January 2014, The Board of Directors of Q-Free ASA and Øyvind Isaksen agreed that Isaksen should step down as CEO, and the Board appointed Thomas Falck as CEO with immediate effect. Thomas Falck has during 2014 held the position on a contract basis. On the 22 December 2014, Q-Free ASA has appointed Thomas Falck as CEO from 1 January 2015 on a permanent basis.

## NOTE 16 PENSION SCHEME

Q-Free ASA (the parent company) has a defined benefit and a defined contribution pension plan for the employees. All employees in Norway are included in pension plans which entitle them to certain benefits for pension in the future. The pension benefits mainly depend on the numbers of years employed, level of salaries at age of retirement, and size of payments. As at 31.12.2015, 81 employees (2014: 81) are included in the defined contribution pension plan and 34 employees (2014: 34) are included in the defined benefit plan for the parent company. All new employees in Norway will be a part of the defined contribution pension plan.

For the Group, 273 employees are included in the defined contribution pension plan and 34 employees are included in the defined benefit plan at 31.12.2015.

The liability for the Group includes 34 employees in 2015, compared to 34 employees for 2014. The liability for the parent company includes 34 employees in 2015, compared to 34 employees for 2014.

Figures in TNOK

PARENT COMPANY			GROUP	
2014	2015	Pension expenses:	2015	2014
2 934	3 563	Current service cost	3 563	2 934
379	369	Interest cost	369	379
317	339	Administrative expenses pension scheme	339	317
512	602	Accrued social security expenses	602	512
4 142	4 873	Net pension expenses defined benefit plan	4 873	4 142
3 340	3 748	Net pension expenses defined contribution plan	7 195	7 240
<b>7 482</b>	<b>8 621</b>	<b>Net pension expenses</b>	<b>12 068</b>	<b>11 382</b>
<b>31.12.14</b> <b>31.12.15</b> <b>Pension funds / (liabilities)</b> <b>31.12.15</b> <b>31.12.14</b>				
-48 763	-47 164	Defined benefit obligation	-47 164	-48 763
32 730	30 709	Fair value of plan assets.	30 709	32 730
-16 033	-16 455	Net (pension funds) / -liabilities	-16 455	-16 033
-2 260	-2 320	Accrued social security tax	-2 320	-2 260
<b>-18 294</b>	<b>-18 775</b>	<b>Liabilities in balance sheet</b>	<b>-18 775</b>	<b>-18 293</b>
16,2	14,9	Estimated remaining contribution periods	14,9	16,2

## SPECIFICATION OF PENSION FUNDS &amp; LIABILITIES

PARENT COMPANY			GROUP	
2014	2015	Pension liabilities:	2015	2014
37 470	48 763	Liabilities per 01.01.	48 763	50 029
2 934	3 563	Service costs	3 563	2 934
-317	-367	Benefits paid	-367	-317
1 536	1 121	Interest cost	1 121	1 536
7 140	-5 916	Actuarial gains/losses in other comprehensive income	-5 916	7 140
0	0	Acquisition / (disposal)	0	-12 559
<b>48 763</b>	<b>47 164</b>	<b>Total liabilities per 31.12.</b>	<b>47 164</b>	<b>48 763</b>

PARENT COMPANY			GROUP	
2014	2015	Pension funds:	2015	2014
28 238	32 730	Funds per 01.01.	32 730	38 701
4 959	4 119	Net contribution paid	4 119	4 959
-317	-367	Benefits paid	-367	-317
1 158	753	Estimated return on assets	753	1 158
-1 308	-6 525	Actuarial gains/losses in other comprehensive income	-6 525	-1 308
0	0	Acquisition / (disposal)	0	-10 463
<b>32 730</b>	<b>30 710</b>	<b>Total funds per 31.12.</b>	<b>30 710</b>	<b>32 730</b>

The Group expects to contribute approximately TNOK 11,400 to its pension plans for 2016 (2015: TNOK 12,900).

Basis and assumptions for calculations:	2015	2014
Discount rate	2.70 %	2.30 %
Expected interest on pension funds	2.70 %	2.30 %
Annual growth in salaries	2.50 %	2.75 %
Long term inflation	1.50 %	1.75 %
Increase in national insurance base rate (G)	2.25 %	2.50 %
Expected change in pensions	0.00 %	0.00 %
Social security expenses	14.10 %	14.10 %

The company has assessed that the OMF-rate on high quality corporate bonds can be used as discount rate both in 2015 and 2014 in accordance with IAS 19, because the OMF-market represents a deep market on the relevant terms.

Table K2013BE is used for definition of mortality rate probability for 2015 and 2014.

Expected voluntarily early retirement:	2015	2014
Before 40 years	2 %	2 %
After 40 years	0 %	0 %

The Group's pension funds are managed by the insurance company DNB Forsikring. For 2015 the dividend yield was 2.4 percent (2014: 3.8 %). The funds are distributed as follows:

	2015	2014
Shares	10 %	10 %
Money market funds and bonds	70 %	70 %
Property	14 %	14 %
Other	6 %	6 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>

## SENSITIVITY ANALYSES FOR PENSION CALCULATION

The sensitivity analyses is based on facts and circumstances as at 31.12.2015, assuming that all other parameters are constant. In practice, this is unlikely to be the case, and changes in some of the assumptions may co-vary. Actual results may deviate from these estimates.

	Discount rate		Annual salary growth		Annual adjustment of pensions	Estimated longevity	
	+ 1 %	- 1 %	+ 1 %	- 1 %	+ 1 %	+ 1 year	- 1 year
Change in pension liability	-9 237	12 253	7 885	-8 134	5 532	1 744	-1 520
Change in net pension cost for the period	-640	860	540	-577	351	112	-25

The sensitivity analyses is based on facts and circumstances as at 31.12.2014, assuming that all other parameters are constant. In practice, this is unlikely to be the case, and changes in some of the assumptions may co-vary. Actual results may deviate from these estimates.

	Discount rate		Annual salary growth		Annual adjustment of pensions	Estimated longevity	
	+ 1 %	- 1 %	+ 1 %	- 1 %	+ 1 %	+ 1 year	- 1 year
Change in pension liability	-10 186	13 737	8 608	-9 191	5 592	1 820	-1 899
Change in net pension cost for the period	-797	1 090	632	-718	400	130	-143

## NOTE 17 INCENTIVE PROGRAMS FOR EMPLOYEES

**SYNTHETIC BASED OPTION PROGRAMME  
- ESTABLISHED MAY 2015**

The General meeting in May 2015 approved and granted the Board a right to enter into agreements for synthetic options with leading employees and key personnel to complete incentive program with a maximal duration of four years. The maximal number of synthetic options issued by the Board through this program shall be 2,2 million synthetic options.

The Strike price for the options is the volume weighted average market price for the Q-Free ASA share in the month prior to the allocation. The employee's right to exercise the options shall, unless the Board in the specific instance decides otherwise, be divided into three periods. The employee may exercise the options within a 30 day time window in each such period, where the payment to the employee shall be the positive difference between the Strike price and the volume weighted average market price for the Q-Free ASA share in the relevant 30 day time window.

The CEO and CFO has regulations in their agreement for immediate vesting of their synthetic options if a take-over situation takes place for more than 50 % of the QFR shares.

The Board can limit the sum of payment to four (4) times the fixed yearly salary for the CEO and two (2) times the fixed yearly salary for the other leading employees/key personnel at the time when this limit (maximum payout) is met.

The Board shall, as a principal rule, stipulate that 25 % of the payment shall be used to purchase shares in Q-Free ASA, unless the Board in the specific instance finds that there are grounds to derogate from the principal rule.

The Board stipulates the full terms and conditions of the incentive program, including the terms and conditions for the specific leading employees and key personnel.

The Board has entered into the following agreements with executive employees:

**Specification of syntetic share option activity:**

	2015	2014
Granted synthetic options 01.01	0	0
Syntetic share options granted	1 355 000	0
Syntetic share options exercised	0	0
Syntetic share options expired/terminated	-755 000	0
<b>Granted syntetic share options 31.12</b>	<b>600 000</b>	<b>0</b>
<b>Vested syntetic share options 31.12</b>	<b>0</b>	<b>0</b>

The syntetic share options split for management per 31.12.15:

Name	Position	Number of options	Strike price	Agreement in force	Expires
Marianne Sandal	Former Vice President RUC	100 000	NOK 13.07	01.07.15	31.12.15
Henrik Stoltenberg	Former CSO	60 000	NOK 13.07	01.07.15	01.11.15
Pedro Bento	Former Vice President ELA	70 000	NOK 13.07	01.07.15	21.12.15
Thomas Falck	Former CEO	525 000	NOK 10.38	01.01.15	03.11.15
Roar Østbø	Acting CEO and CFO	150 000	NOK 13.07	01.07.15	30 days after Q4-2018 presentation
Morten Andersson	COO	100 000	NOK 13.07	01.07.15	30 days after Q4-2018 presentation
Jos Nijhuis	CTO	60 000	NOK 13.07	01.07.15	30 days after Q4-2018 presentation
Frank Kjelsli	Team leader back office	70 000	NOK 13.07	01.07.15	30 days after Q4-2018 presentation
Pål-Rune Johansen	Vice President Region NORDIC	70 000	NOK 13.07	01.07.15	30 days after Q4-2018 presentation
Per Fredrik Ecker	Vice President Region APMEA	70 000	NOK 13.07	01.07.15	30 days after Q4-2018 presentation
Stein-Tore Nybrodahl	Global Director HR	40 000	NOK 13.07	01.07.15	30 days after Q4-2018 presentation
Rita Bøe Isaksen	Executive Adm Manager	40 000	NOK 13.07	01.07.15	30 days after Q4-2018 presentation

The fair value of the liability of the syntetic share options was measured as at the reporting date 31.12.15 and there was no cost recognition. The shareprice was NOK 9,75 as at 31.12.15 and with a strike price on 13.07 management has assessed the potential for exercise to be insignificant. See Note 3.18 Events after balance sheet date for further information.

**SHARE OPTION PROGRAMME - EXPIRED MAY 2015**

Q-Free ASA in May 2012 established a three year share option program. As part of the work of giving key personnel and management an incentive program through the possibility to subscribe shares in the company, the Board of Directors was authorised to increase the share capital with as much as NOK 769,500, corresponding to 2,025,000 shares (approximately 3 percent), each with a par value of NOK 0.38, through one or more private placements with cash deposits towards key personnel and management in Q-Free ASA. The existing shareholders' preferential rights according to the Public Limited Companies Act sections 10-4 and 10-5 can be disregarded. The authorisation given in 2012 was valid for one year, renewed in May 2013 for one year and renewed in May 2014 for the last year of the programme. The program expired May 2015.

The authorisation regards the implementation of a share options program in Q-Free ASA, which runs over a period of 3 years for key personnel and management. There will not be paid any option premium. The strike price shall be equal to the average share

price for the Q-Free ASA shares on the Oslo Stock Exchange on closing time the last 14 days prior to and the first 14 days subsequent to the ordinary General Meeting in the year prior to the vesting period.

For key personnel and management who are awarded option rights for a period of 3 years, 1/3 of the options will be allocated annually with a vesting period of 1 year, and with the strike price determined as noted above. For newly employed key personnel and management, the strike price will be determined on the day they are granted the options. The share options are paid as cash disbursement.

1.050.000 share options were granted for key personnel as at 31.12.2014, and no options under this program as at 31.12.2015. The programme expired May 2015.

Exercise of the options can be done during pre-defined time periods.

**Specification of share option activity:**

	2015	2014
Granted share options 01.01	1 050 000	1 150 000
Share options granted	0	350 000
Share options exercised	0	0
Share options expired/terminated	-1 050 000	-450 000
<b>Granted share options 31.12</b>	<b>0</b>	<b>1 050 000</b>
<b>Vested share options 31.12</b>	<b>0</b>	<b>700 000</b>

**MODIFICATION OF GRANTS**

**Modification:** Fair value of share options is calculated according to the Black & Scholes pricing model with a reduction of 15 % due to illiquidity of the Q-Free share. Strike price for the granted options was NOK 15.02 both in 2014 and in 2015.

The company's cost of share based payment is calculated using the Black & Scholes pricing model. For 2015 this is nil as it also was in 2014. Costs will be specified in the Statement of changes in Equity.

Granted share options as at May 2015 had the following conditions:

	Outstanding Options			Vested options	
	Outstanding Options per 31.12.2014	Weighted average remaining Contractual Life	Weighted Average Exercise Price	Vested options 31.12.2015	Weighted Average Exercise Price
<b>Exercise Price</b>					
0,00 – 5,00					
5,00 – 10,00					
10,00 – 15,00					
15,00 – 20,00	700 000	0,36	15,11	350 000	15,19
20,00 -	350 000	0,36	21,09	350 000	21,09
<b>TOTAL</b>	<b>1 050 000</b>	<b>0,36</b>	<b>17,10</b>	<b>700 000</b>	<b>18,14</b>

The share options split for management per May 2015:

Name	Position	Granted, not vested options 01.01.2015	Granted options	Exercised options	Expired options	Vested options May 2015	Granted, not vested options May 2015
Thomas Falck *	CEO *	0	0	0	0	0	0
Marianne Sandal	VP RUC	150 000	0	0	-150 000	0	0
Per Fredrik Ecker	VP APMEA	150 000	0	0	-150 000	0	0
Stein-Tore Nybrodahl	HR Manager	150 000	0	0	-150 000	0	0
Roar Østbø	CFO	150 000	0	0	-150 000	0	0
Henrik Stoltenberg	CSO	150 000	0	0	-150 000	0	0
Jos A. G Nijuis	CTO	150 000	0	0	-150 000	0	0
Morten Andersson	VP ATMS	150 000	0	0	-150 000	0	0
<b>Total</b>		<b>1 050 000</b>	<b>0</b>	<b>0</b>	<b>-1 050 000</b>	<b>0</b>	<b>0</b>

\* Thomas Falck had from 1 January 2015 regulations regarding 525,000 syntetic options. The strike price was volumeweighted average price of the Q-Free share in December 2014. See further below.

#### THE FOLLOWING ASSUMPTIONS ARE USED IN THE CALCULATION OF SHARE OPTIONS GRANTED IN 2015.

##### Exercise price for the share option

Weighted average exercise price of options granted was NOK 17.10.

##### Volatility

Weighted average expected volatility is based on historic volatility and is calculated to be 44 percent.

##### Lifetime of the share option

All share options are expected to be exercised at expiry date of the option. The assumption is based on exercise behaviour in previous programs.

##### Dividends

Expected dividend per share is NOK 0 each year.

##### Interest rate

Risk free interest rate is used in the model. This equals interest on government bills and bonds, and the weighted average rate used is 4 percent for 2015.

## NOTE 18 RELATED PARTY DISCLOSURES

The financial statements include the financial statements of Q-Free ASA and the subsidiaries listed in the following table:

	Established	Location	Country	Ownership	Voting share	Functional currency
Q-Free Portugal Lda.	1997	Lisboa	Portugal	100 %	100 %	EUR
Q-Free América Latina Ltda.	1998	Sao Paolo	Brasil	100 %	100 %	BRL
Q-Free Australia Pty. Ltd.	1999	Sydney	Australia	100 %	100 %	AUD
Q-Free Sdn. Bhd. Malaysia	1997	Kuala Lumpur	Malaysia	100 %	100 %	MYR
Noca Holding AS	2001	Trondheim	Norway	100 %	100 %	NOK
Q-Free Sverige AB	2007	Stockholm	Sweden	100 %	100 %	SEK
Q-Free Thailand Co Ltd.	2007	Bangkok	Thailand	100 %	100 %	THB
Q-Free Netherlands BV	2002	Beilen	The Netherlands	100 %	100 %	EUR
Q-Free Africa Ltd.	2010	Durban	South Africa	74 %	74 %	ZAR
PT Q-Free	2012	Jakarta	Indonesia	100 %	100 %	IDR
Q-Free Chile	2012	Santiago	Chile	100 %	100 %	CLP
TCS International Inc.	2012	Boston	USA	100 %	100 %	USD
Q-Free America Inc.	2012	San Diego	USA	100 %	100 %	USD
ELCOM d.o.o.	1994	Belgrade	Serbia	100 %	100 %	RSD
TDC Systems Ltd	1998	Weston Super-Mare	United Kingdom	100 %	100 %	GBP
Traffic Design d.o.o.	1990	Ljubljana	Slovenia	100 %	100 %	EUR
Open Roads Consulting Inc.	2000	Virginia	USA	100 %	100 %	USD
Q-Free Espana S.L.U.	2014	Madrid	Spain	100 %	100 %	EUR
Q-Free France S.A.R.L.	2014	Paris	France	100 %	100 %	EUR
Intelight Inc *	2013	Arizona	USA	23.8 %	23.8 %	USD
Q-Free Traffiko Ltd	2015	Valetta	Malta	100 %	100 %	EUR
Q-Free LLC	2015	Moscow	Russia	100 %	100 %	RUB

\* Q-Free ASA has signed a share purchase agreement and a shareholders agreement to acquire 100 percent of the shares in the US traffic controller supplier, Intelight Inc over a five year period. The shareholders agreement and the amended bylaws provide control for Q-Free after signing these agreements. Based on this, the full activity of Intelight Inc. is consolidated in the Q-Free accounts. See Note 6 for further information.

Book value in parent company of subsidiaries companies:

(Figures in TNOK)	Cost	Book value 31.12.14	Book value 31.12.15	Result after tax last year	Companys equity per 31.12.15
Q-Free Portugal Lda.	204	204	204	1 323	21 839
Q-Free América Latina Ltda.	7 203	2 407	4 757	-6 228	-983
Q-Free Australia Pty. Ltd.	0	0	0	2 864	9 017
Q-Free Sdn. Bhd. Malaysia	1 155	0	0	-6 535	-16 143
Noca Holding AS	4 592	5 956	5 956	218	15 744
Q-Free Sverige AB	0	84	84	-1 090	2 218
Q-Free Thailand Co Ltd.	0	10 847	10 847	-7 030	-10 147
Q-Free Netherlands BV	71 034	76 409	76 409	-35 286	44 065
Q-Free Africa Ltd	0	208	0	-1 420	-580
PT Q-Free	0	3 536	0	-22 150	-50 292
Q-Free Chile	0	28	28	-4 730	-12 679
Q-Free America Inc. - Group (*)	0	6	70 717	-29 161	73 577
ELCOM d.o.o.	9 445	10 495	10 495	-4 714	6 175
TDC Systems Ltd	105 768	105 768	105 768	-1 295	148 709
Traffic Design d.o.o.	29 149	29 149	29 149	3 497	36 398
Q-Free Espana S.L.U.	25	25	25	79	405
Q-Free France S.A.R.L.	41	41	41	-1 230	-1 336
Q-Free LLC	0	0	0	293	187
Q-Free Traffiko Ltd	10 599	0	10 599	-90	11 916
<b>Total</b>	<b>239 215</b>	<b>245 163</b>	<b>325 079</b>	<b>-112 685</b>	

(\*) Q-Free ASA owns through Q-Free America Inc. indirectly 100 % in TCS International Inc, Open Roads Consulting Inc and Intelight Inc.

The following exchange rates are used when consolidating the group:

Currencies:		Currency rate 01.01.14	Average currency rate 2014	Currency rate 31.12.14	Average currency rate 2015	Currency rate 31.12.15
Euro	EUR	8,424	8,353	9,037	8,953	9,619
Australian dollar	AUD	5,429	5,679	6,088	6,059	6,447
Malaysian Ringgit	MYR	1,857	1,925	2,126	2,069	2,052
Brazilian real	BRL	2,589	2,680	2,797	2,446	2,224
US Dollar	USD	6,118	6,302	7,433	8,074	8,809
Pounds Sterling	GBP	10,088	10,369	11,571	12,342	13,072
Swedish kroner	SEK	94,383	91,840	95,970	95,715	104,750
South African Rand	ZAR	0,583	0,580	0,643	0,633	0,565
Thai bath	THB	18,586	19,399	22,563	23,551	24,409
Chilean peso	CLP	0,012	0,012	0,012	0,013	0,012
Indonesian Rupiah	IDR	0,050	0,050	0,060	0,060	0,064
Serbian Dinars	RSD	0,073	0,074	0,074	0,078	0,078
Russian Rouble	RUB	0,000	0,000	0,000	0,123	0,119

#### Terms and conditions of transactions with related parties:

The sales to and purchases from related parties are made at arm's length prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

#### Related parties

During 2015 there has been no transactions between the company and any parties in the Management or in The Board.

The company received for 2014 invoices for consultancy services from Tell IT AS that totalled TNOK 96, which was paid in April 2014. Tell IT AS is owned by the Chairman of the Board Terje Christoffersen. All transactions between related parties are based on arm's length principles and the invoicing was according to an agreement between Q-Free ASA and the Chairman of the Board concerning consultancy services.

#### Associated companies

Q-Free ASA has no ownership in associated companies either in 2015 or in 2014.

## NOTE 19 CASH AND CASH EQUIVALENTS

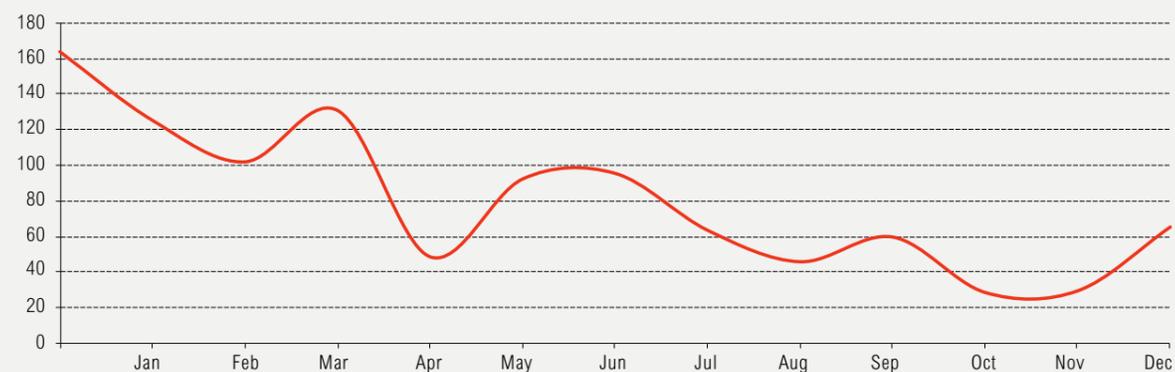
Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and three months, depending on the

immediate cash requirements of the Group, and the interest earnings at the respective short-term deposit rates. The Group has a multiple currency account agreement in Danske Bank.

PARENT COMPANY			GROUP	
2014	2015	Liquidity funds:	2015	2014
-16 240	0	Cash at banks and on hand	65 349	102 181
61 952	0	Money Market Funds	0	61 952
45 712	0	Total cash and cash equivalents	65 349	164 133

As at 31 December 2015, the Group had available TNOK 187,447 (2014: TNOK 163,446) of undrawn bank overdraft and TNOK 43,199 (2014: TNOK 90,120) of undrawn guarantee facilities in which all conditions precedent had been met.

#### CASH DEVELOPMENT DURING 2015



## NOTE 20 ACCOUNTS RECEIVABLES AND CREDIT RISK

PARENT COMPANY			GROUP	
2014	2015		2015	2014
18 820	36 065	Accounts receivables	150 465	168 551
121 106	80 564	Accounts receivables on group companies	0	0
-3 945	-3 630	Provision for impairment on receivables	-859	-1 173
<b>135 981</b>	<b>112 999</b>	<b>Total</b>	<b>149 606</b>	<b>167 378</b>
0	0	Loss on receivables on group companies	0	0
-569	-314	Changes in provisions for impairment on receivables	-314	-569
<b>-569</b>	<b>-314</b>	<b>Total</b>	<b>-314</b>	<b>-569</b>

For terms and conditions relating to related party receivables, refer to Note 18. Trade receivables are non-interest bearing and are generally on 30–60 days terms.

As at 31 December, the ageing analysis of trade receivables is as follows.

Amounts per 31.12	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	30 – 60 days	60 – 90 day	90 – 120 day >	>120 days
2015	150 465	58 577	53 251	18 946	2 019	6 265	11 407
2014	168 551	62 280	68 520	20 899	3 307	5 323	8 222

The Group assesses needs for provision for doubtful debt on an individual basis per customer or per project.

Specification of provisions for impairment on receivables	2015	2014
Amount per 01.01.	1 173	1 742
This years provision for impairment on receivables	-314	-569
Loss on receivables	0	0
Provisions utilised during the year	0	0
<b>Amount per 31.12</b>	<b>859</b>	<b>1 173</b>

The maximum risk exposure is represented by the carrying amount of the financial assets, including derivatives, in the balance sheet. Since the other party involved in derivative trades is normally a bank, the credit risk linked to derivatives is regarded

as being insignificant. The Group therefore regards its maximum risk exposure as being the carrying amount of trade receivables as at 31 December 2015, which was NOK 150.5 million (2014: NOK 168.6 million).

NOTE 21 INTEREST-BEARING LOANS,  
BORROWINGS AND GUARANTEES

PARENT COMPANY						GROUP	
2014	2015	Specification	Type	Effective interest rate % - 2015	Maturity	2015	2014
100 000	0	Non-current	Danske Bank		30 April 2018	0	100 000
0	199 563	Current	Danske Bank	2,89 %	30 April 2018	150 000	0
<b>100 000</b>	<b>199 563</b>	<b>Total</b>				<b>150 000</b>	<b>100 000</b>

## SECURED BANK LOAN

The secured bank loan is a mortgage loan that is repayable within 3 years of the payment date. The interest is 3 MND NIBOR + 160 bp.

The reclassification of the loan from Non-current (2014) to Current as at 31.12.15 is done because Q-Free were in breach

on the covenants at the end of 2015, but this was waived in February 2016 from the bank. We have a gearing covenant with a NIBD / EBITDA on max 2,5. It will not be measured if the Group has positive NIBD, meaning more cash at hand than interest bearing debt.

Off Balance Sheet Commitment:

PARENT COMPANY				GROUP	
2014	2015	Specification		2015	2014
90 112	106 801	Guarantees to customers, suppliers and lease contracts		107 500	90 112
		<b>Book value of assets securing loans and guarantees:</b>			
0	0	Bank deposits		699	660
137 153	115 772	Accounts receivable		115 772	141 565
13 766	0	Work in progress		0	13 766
22 264	21 522	Inventories		21 522	23 644
34 143	26 529	Machinery, fixtures etc		26 529	34 696
<b>207 326</b>	<b>163 823</b>	<b>Total</b>		<b>164 522</b>	<b>214 331</b>

## NOTE 22 TAXES

PARENT COMPANY				GROUP	
2014	2015			2015	2014
		<b>Total tax expenses for the year</b>			
0	0	Tax payable on this years profit for Norwegian companies		0	0
0	0	Tax payable on this years profit for foreign companies		2 333	14 876
0	0	Adjusted allocated tax from last year		2 159	857
0	26 935	Change in deferred tax for Norwegian companies		27 016	0
0	0	Change in deferred tax for foreign companies		-18 908	-5 143
<b>0</b>	<b>26 935</b>	<b>Total</b>		<b>12 600</b>	<b>10 590</b>
0 %	34 %	Tax rate		7 %	65 %
		<b>Tax payable for the year</b>			
-11 782	-78 853	Total ordinary profit before tax		-182 098	-16 369
-28 988	16 920	Permanent differences		12 880	-24 088
-5 359	11 034	Change in temporary differences		20 388	-7 465
<b>-46 129</b>	<b>-50 899</b>	<b>Basis for tax payable</b>		<b>-148 830</b>	<b>-47 922</b>
0	0	Tax payable for Norwegian companies (27 %)		0	0
		Tax payable for foreign companies		2 051	13 021
		<b>Specification of tax payable in the balance sheet</b>			
0	0	Tax payable on this years profit, Norwegian companies		0	0
0	0	Tax payable on this years profit, foreign companies *		4 958	13 021
0	0	Advance tax payment, foreign companies		-2 907	-4 820
0	0	Carried forward tax compensation		0	0
<b>0</b>	<b>0</b>	<b>Total tax payable</b>		<b>2 051</b>	<b>8 201</b>
		<b>Specification on basis for deferred tax</b>			
		<b>Differences evaluated to be offset</b>			
-11 550	-10 051	Fixed assets		103 443	57 048
7 372	50 244	Current assets		50 244	18 180
-30 951	-49 640	Liabilities		-88 705	-30 951
-225 457	-276 351	Tax losses carry -forward		-407 501	-278 423
-8 570	-9 256	Other differences		-9 256	-8 570
<b>-269 156</b>	<b>-295 054</b>	<b>Total</b>		<b>-351 775</b>	<b>-242 716</b>
-26 935	0	Deferred tax assets (-)		0	-18 680
0	0	Deferred tax (+)		12 630	19 808
		<b>Reconciling the tax cost</b>			
-11 782	-78 853	Earnings before tax		-182 098	-16 369
-3 181	-21 290	Calculated tax at 27%		-56 884	-3 894
-7 827	4 568	Tax result permanent differences and tax rate difference		4 055	3 760
11 008	43 657	Use of previously unrecognised loss carried forward (-) / Increase in valuation allowance		63 747	9 797
0	0	Adjusted allocated tax from last year		1 682	926
<b>0</b>	<b>26 935</b>	<b>Tax expenses</b>		<b>12 600</b>	<b>10 589</b>

\* Paid withholding tax in foreign subsidiaries.

Deferred tax assets are recognised for unused tax losses to the extent that convincing evidences for sufficient taxable profit exists based on management judgements. A deferred tax asset is only recognized for an amount corresponding to the expected taxable profit based on the convincing evidences. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that convincing evidences no longer exists for the utilization. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that convincing evidences exists supporting that taxable profits will allow the deferred tax asset to be recovered. The actual outcome of future tax costs may deviate from these estimates.

The Group has a total loss carried forward of TNOK 407.501 as at 31 December 2015 (2014: 284.032), in which TNOK 0 are recognised as an asset in the balance sheet as at 31.12.2015. Undertaken an assessment of the criterias under IAS 12, the group has chosen not to include deferred tax asset in Norway related to tax losses carried forward of TNOK 69.088. In addition the group has chosen not to include deferred tax asset in Q-Free Malaysia, Q-Free Thailand, Q-Free Africa and PT Q-Free Indonesia related to tax losses carried forward of TNOK 17.141.

## NOTE 23 FINANCIAL ITEMS

Figures in TNOK

PARENT COMPANY			GROUP	
2014	2015	Category	2015	2014
368	210	Interest income	3 462	7 959
12 480	24 274	Realised exchange rate differences	37 429	14 308
2 145	30 561	Unrealised exchange rate differences	34 190	2 459
5 037	1 918	Other financial income	1 918	5 037
<b>20 030</b>	<b>56 963</b>	<b>Financial income</b>	<b>76 999</b>	<b>29 763</b>
4 693	7 090	Financial income from group companies	0	0
33 527	28 680	Paid dividends from subsidiaries	0	0
38 220	35 770	Financial income from Group companies	0	0
<b>58 250</b>	<b>92 733</b>	<b>Total financial income</b>	<b>76 999</b>	<b>29 763</b>
-1 408	-2 080	Interest expenses	-5 087	-7 509
-3 361	-4 069	Interest on debt and borrowings	-4 069	-3 361
-21 541	-34 455	Realised exchange rate differences	-53 440	-23 667
-152	-15 895	Unrealised exchange rate differences	-24 540	-168
-4 108	-3 555	Exchange rate differences earn-out	-3 555	-5 950
-8 303	8 278	Earn-out	-6 935	-8 303
-5 610	-1 013	Other financial expenses	-1 013	-5 610
<b>-44 483</b>	<b>-52 789</b>	<b>Financial expenses</b>	<b>-98 639</b>	<b>-54 568</b>
0	-3 743	Impairment of shares in subsidiaries	0	0
<b>0</b>	<b>-3 743</b>	<b>Financial expenses from Group companies</b>	<b>0</b>	<b>0</b>
<b>-44 483</b>	<b>-56 532</b>	<b>Total financial expenses</b>	<b>-98 639</b>	<b>-54 568</b>
<b>13 767</b>	<b>36 201</b>	<b>NET FINANCIAL ITEMS</b>	<b>-21 640</b>	<b>-24 805</b>

## NOTE 24 AVAILABLE FOR SALE FINANCIAL INVESTMENTS

Parent company and the Group as at 31 December 2015						TNOK
	Company's equity	Number of shares	Ownership	Book value in Parent **	Book value in Group **	Included in comprehensive income
Leiv Eiriksson AS	37 673	9 919	0.99 %	373	373	-20
Asti AS	0	0	0.00 %	0	0	-3 350
Other				20	287	0
<b>Total</b>				<b>393</b>	<b>660</b>	<b>-3 370</b>

Parent company and the Group as at 31 December 2014						TNOK
	Company's equity	Number of shares	Ownership	Book value in Parent **	Book value in Group **	Included in comprehensive income
Leiv Eiriksson AS	39 735	9 919	0.99 %	393	393	17
Asti AS	35 072	2 900	13.49 %	4 731	4 731	1 200
Intelight Inc *			10.00 %	0	7 751	0
Other				20	125	0
<b>Total</b>				<b>5 144</b>	<b>13 001</b>	<b>1 217</b>

\* The investment in Intelight Inc. is to further increase our footprint in the Intelligent Traffic Systems segment and must be seen together with the recent acquisitions of Traffiko Ltd (Malta), TDC Systems Ltd (UK), Traffic Design d.o.o. (Slovenia), Open Roads Consulting Inc. (US), TCS Inc (US) and ELCOM d.o.o. (Serbia).

\*\* The book value of investments in shares is classified as financial investments available for sale. Fair value for the investments reflect our portion of the companys total equity. See note 4 for fair value table and a specification of valuation technique.

## NOTE 25 OTHER CURRENT LIABILITIES

PARENT COMPANY			GROUP	
2014	2015	Category	2015	2014
20 721	10 257	Accrued wages (Holiday pay and bonusscheme)	15 735	25 893
12 657	13 587	Warranty provisions (see spesification for changes during the year)	14 263	16 561
7 837	10 968	Accrued project costs	20 894	38 256
27 964	28 192	Current portion contingent consideration *	52 016	47 122
0	17 278	Restructuring provision **	19 362	0
7	19 302	Miscellaneous	28 993	13 021
<b>69 186</b>	<b>99 584</b>	<b>Total</b>	<b>151 264</b>	<b>140 853</b>

\* Debt to seller of subsidiaries in 2015 relates to the acquisition of Intelight Inc, Traffiko Ltd, Traffic Design d.o.o., TDC Systems Ltd, and Open Roads Consulting Inc. See Note 6 regarding changes related to provisions for earn-outs.

\*\* The restructuring provision totalling TNOK 19 362 is related to the Q-Free ITS transformation programme, and consist of TNOK 16 459 regarding personnell related expences and TNOK 2 903 regarding other operating expences, see Note 15 and 26 for further information.

**WARRANTY PROVISIONS**

Provision for warranty costs is calculated depending on the remaining guarantee time for various products, and based on the historical effect of defects and a calculation of probability for the defect to occur for the remaining products under warranty. The calculation is made on an individual basis per product, and the assumptions vary for the different products and also take into

account the expected expenses associated with new warranty problems that are identified. Unused accruals for warranties are dissolved at the end of the guarantee-period. All provisions specified in the table below are classified as current liabilities and is part of other current financial liabilities in the consolidated statement of financial position.

PARENT COMPANY			GROUP		
	Provision for warranty costs	TOTAL CURRENT PROVISIONS	Provision for warranty costs	TOTAL CURRENT PROVISIONS	
Amount as of 01.01.15	12 657	12 657	16 561	16 561	
Unused accruals reversed during 2015	0	0	-3 228	-3 228	
Accruals utilised during 2015	-1 921	-1 921	-1 921	-1 921	
Accruals deposited during 2015	2 851	2 851	2 851	2 851	
<b>Amount as of 31.12.15</b>	<b>13 587</b>	<b>13 587</b>	<b>14 263</b>	<b>14 263</b>	
Amount as of 01.01.14	15 766	15 766	15 766	15 766	
Unused accruals reversed during 2014	0	0	0	0	
Accruals utilised during 2014	-5 027	-5 027	-5 027	-5 027	
Accruals deposited during 2014	1 918	1 918	5 822	5 822	
<b>Amount as of 31.12.14</b>	<b>12 657</b>	<b>12 657</b>	<b>16 561</b>	<b>16 561</b>	

**WARRANTY PROVISION COMPARED TO PRODUCT REVENUES**

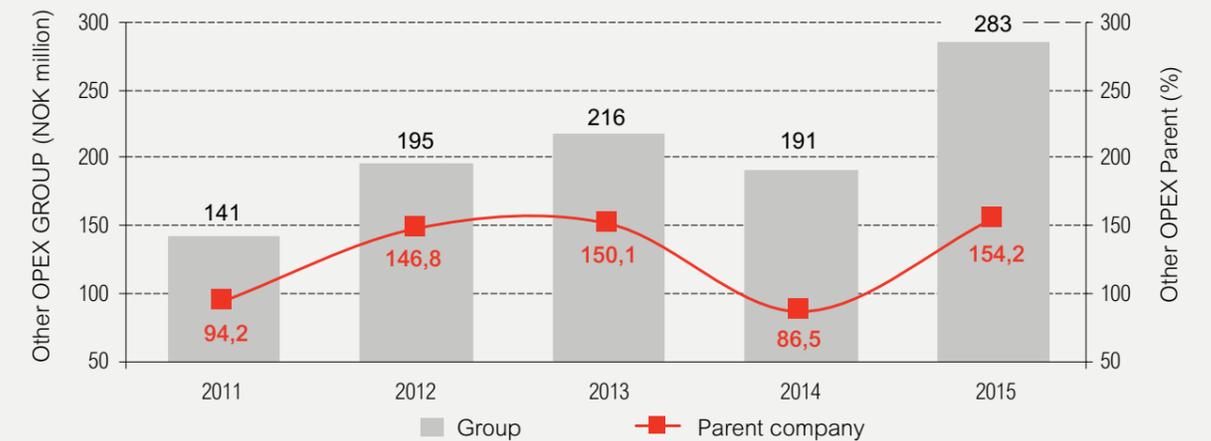


**NOTE 26 OTHER OPERATING EXPENSES**

PARENT COMPANY			GROUP	
2014	2015	Category	2015	2014
29 666	46 664	External services	120 867	68 660
14 912	13 406	Travel expenses	24 239	24 575
18 359	21 794	Offices supplies	40 378	33 804
2 677	3 036	Insurance	5 113	3 780
4 601	3 359	Freight	4 288	5 609
4 184	3 305	Rent machinery & tools	8 760	8 849
6 387	6 635	Marketing / promotions	11 727	9 428
346	120	Service & Maintenance	6 193	1 685
2 159	5 348	Operating materials	9 978	4 886
0	46 661	Loss on receivables on group companies	0	0
-106	304	Bad debt losses	5 919	114
3 359	3 574	Other operating expenses *	45 266	29 359
<b>86 543</b>	<b>154 205</b>	<b>Total</b>	<b>282 730</b>	<b>190 750</b>

\* The effect of the restructuring cost related to the Q-Free ITS transformation programme is TNOK 2.903.

**OTHER OPERATING EXPENSES 2011 – 2015**



**AUDIT FEES**

The group has the following audit related fees, included in the "External services" in the above table (All figures excl. VAT).

PARENT COMPANY			GROUP	
2014	2015	Category	2015	2014
250	123	Audit services	957	638
157	278	Other audit related services	278	159
34	3	Tax services	3	33
520	166	Other, non audit related services	246	520
<b>961</b>	<b>569</b>	<b>Total</b>	<b>1 484</b>	<b>1 350</b>

## NOTE 27 OTHER CURRENT ASSETS

PARENT COMPANY			GROUP	
2014	2015	Category	2015	2014
502	676	Accrual for Skattefunn grants	676	502
361	541	Prepaid taxes	11 273	9 465
44	338	Prepaid rents	1 380	1 098
1 226	1 716	Prepaid licenses	1 748	1 226
1 667	1 007	Miscl	13 539	9 566
<b>3 800</b>	<b>4 278</b>	<b>Total</b>	<b>28 616</b>	<b>21 857</b>

## NOTE 28 COMMITMENTS AND CONTINGENCIES

**Operating lease commitments – Group lessees**

The Group has entered into commercial leases on certain motor vehicles and items of machinery. These leases have an average

life of between 3 and 5 years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

PARENT COMPANY			GROUP	
2014	2015	Category	2015	2014
13 140	11 792	Within one year	12 953	14 554
13 535	12 146	After one year but not more than five years	12 847	15 382
0	0	More than five years	0	0
<b>26 675</b>	<b>23 939</b>	<b>Total</b>	<b>25 800</b>	<b>29 936</b>

During the year ended 31 December 2015 the company recognised expenses in the income statement in respect of operating leases of TNOK 14,009 (2014: TNOK 17,372) for the parent company and TNOK 15,170 (2014: 18,785) for the Group.

**Finance lease and hire purchase commitments**

The Group has no finance leases or any hired purchase contracts for various items of plant and machinery.

## NOTE 29 CHANGES RELATED TO PREVIOUS YEARS

**CURRENCY EFFECT ON THE ACQUISITION OF A FOREIGN COMPANY**

Any goodwill arising on the acquisition of a foreign company and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign company shall be treated as assets and liabilities of the foreign operation.

Thus they shall be expressed in the functional currency of the foreign company and shall be translated at the closing rate. We have previously converted currency on the time of the acquisition, and treated the effects in NOK. We have implemented the currency effects per 31.12.2015 and restated previous years.

## GROUP

Changes related to previous years	01.01.2014	Adjustments	Restatet 01.01.14	31.12.2014	Adjustments	Restatet 31.12.14
Development	132 761	1 517	134 278	202 777	12 259	215 036
Goodwill	71 199	5 597	76 796	192 885	35 084	227 969
Deferred tax assets	32 319	-556	31 763	18 680	-3 331	15 349
<b>Total assets</b>	<b>236 279</b>	<b>6 558</b>	<b>242 837</b>	<b>414 342</b>	<b>44 012</b>	<b>458 354</b>
Other equity (OCI)	21 824	6 558	28 382	11 761	44 012	55 773
Deferred tax	0	0	0	19 808	0	19 808
<b>Total equity and liabilities</b>	<b>21 824</b>	<b>6 558</b>	<b>28 382</b>	<b>31 569</b>	<b>44 012</b>	<b>75 581</b>

The effects on depreciation and tax expenses in the profit for 2014 are immaterial and for that reason we have not restated the profit previous years.

**RECLASSIFICATION LOANS TO GROUP COMPANIES**

We have reclassified loan to group companies from current to non-current assets since they are based on long term loan agreements.

## PARENT

Changes related to previous years	31.12.2014	Adjustments	Restatet 31.12.14
Loan to group companies - non current assets	5 378	156 886	162 264
Accounts receivables on group companies - current assets	275 219	-156 886	118 333
<b>Total assets</b>	<b>280 597</b>	<b>0</b>	<b>280 597</b>

# STATEMENT FROM THE DIRECTORS AND THE CEO

We confirm that, to the best of our knowledge, the financial statements for the Company and the Group for the period from 1 January to 31 December 2015 have been prepared in compliance with International financial reporting standards (IFRS) as adopted by EU and that the disclosures in the accounts give a true and fair view of the Company's and the Group's assets, liabilities, financial position and results of operations as a whole, and that the Directors' Report gives a fair view of the development, profit/loss and position of the Company and the Group, along with a description of the main risk and uncertainty factors facing the Company and the Group.

Trondheim, 30 March 2016

Charlotte Brogren Karlberg  
Chairman of the Board

Ragnhild Wahl

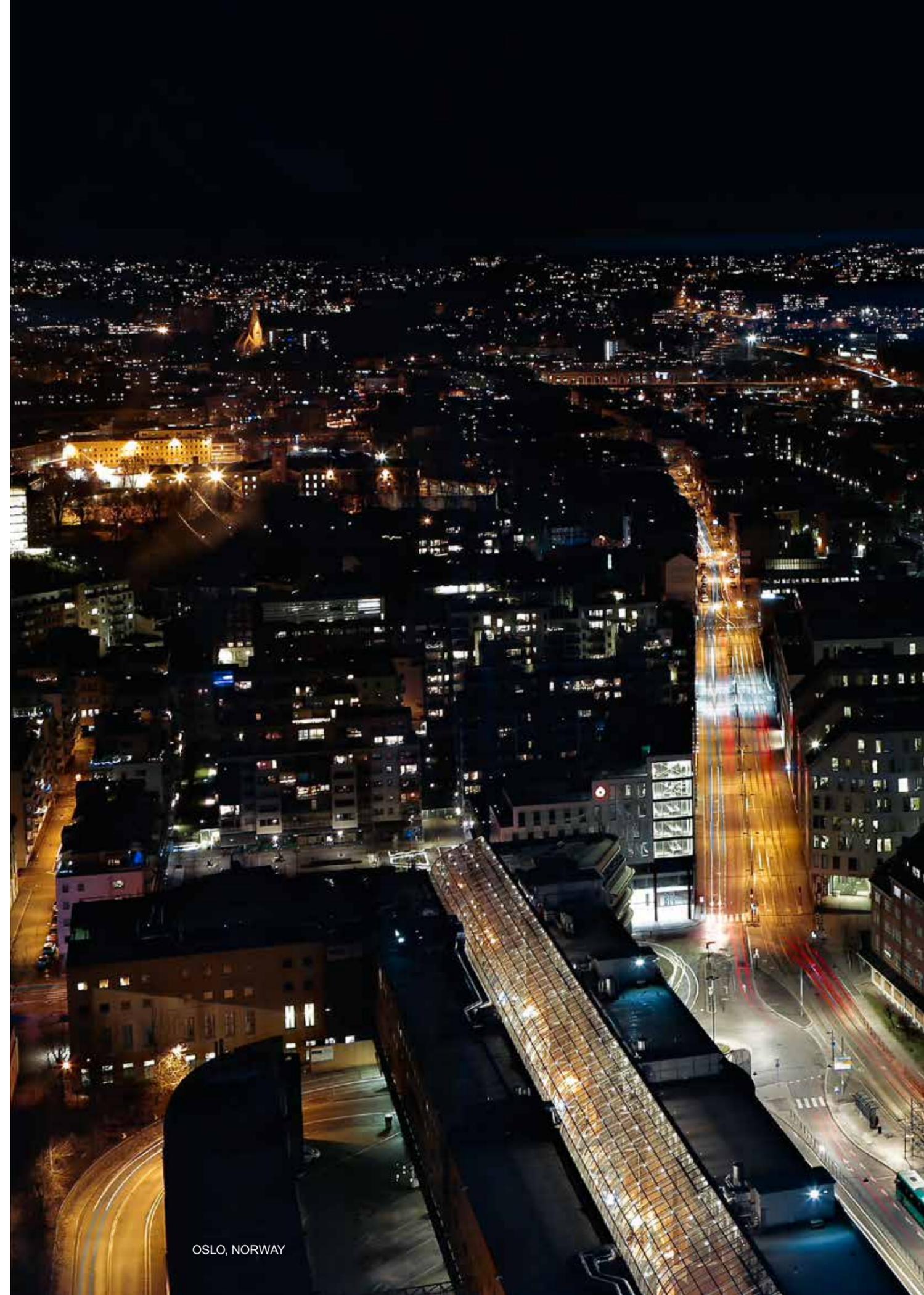
Snorre Kjesbu

Tore Valderhaug  
Vice Chairman of the Board

Sissel Nina Lillevik Larsen  
Employee-elected Board member

Anders Hagen  
Employee-elected Board member

Roar Østbø  
Acting CEO



OSLO, NORWAY



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Klæbuveien 127B  
7031 Trondheim

To the Annual Shareholders' Meeting of Q-Free ASA

#### Independent auditor's report

##### Report on the Financial Statements

We have audited the accompanying financial statements of Q-Free ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2015, income statement, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

##### *The Board of Directors and the Chief Executive Officer's Responsibility for the Financial Statements*

The Board of Directors and the Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as the Board of Directors and the Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

##### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independent auditor's report - 2015 -

Q-Free ASA, page 2

#### *Opinion*

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for the parent company and the group Q-Free ASA as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

#### **Report on Other Legal and Regulatory Requirements**

##### *Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposal for coverage of the loss is consistent with the financial statements and complies with the law and regulations.

##### *Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Trondheim, 11 April 2016

BDO AS

Stein Erik Sæther  
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

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# Q-FREE CORPORATE GOVERNANCE REVIEW 2015

Q-Free aims to protect and enhance shareholders' investments through good corporate governance, and has established principles and guidelines that define the roles and relationships between the shareholders, the Board of Directors and the executive management of the company.

## 1. IMPLEMENTATION OF AND REPORTING ON CORPORATE GOVERNANCE

Q-Free is listed on the Oslo Stock Exchange and bases its corporate governance structure on Norwegian legislation.

This review of the company's corporate governance principles and practice is prepared in compliance with Section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance as updated per 30 October 2014. The Code of Practice is available on [www.nues.no](http://www.nues.no).

The principles and implementation of corporate governance is subject to annual reviews and discussions by the company's Board of Directors.

Q-Free has no deviations from the recommendations in the Code of Practice in 2015.

### Corporate vision, values, Code of Conduct and Corporate Social Responsibility

Q-Free's vision is to be the globally preferred provider of ITS solutions.

Q-Free operates worldwide and our operations are characterised by high ethical standards and trustworthy behaviour, a customer oriented offering and excellence in execution.

Q-Free's core values are summarized as "EPIC", and are founded in a bottom-up process with all employees:

- Excellence
- Passion
- Innovation
- Collaboration

The values support the Company's strategy, guide decisions and attitude internally and externally.

Q-Free has established a Code of Conduct and guidelines for Corporate Social Responsibility (CSR), based on the company's vision and values. The Code of Conduct provides guidelines on how to behave both internally and externally, and contributes to ethical behaviour in the day-to-day business. The company has implemented a reviewed and updated Code of Conduct in 2015.

The Code of Conduct (COC) and CSR principles apply to all members of the Board, executive management and all other employees and representatives of Q-Free. The Code of Conduct will be signed electronically by every employee, and confirmed annually. Violation of the COC will be subject to disciplinary action, including possible termination, as well as potential criminal prosecution.

In situations where an employee is aware of any infringement of the COC, he/she shall inform his/ her manager. If there are reasons not to approach the line management, a report of the infringement should be made directly to the HR responsible of Q-Free ASA, or to the Chairman of the Board of Directors. Incidents may also be reported anonymously if desired.

The company endeavours to make its COC and CSR guidelines known to its partners.

**Deviation from the Code of Practice:**  
None.

## 2. BUSINESS

Q-Free operates worldwide with headquarters in Trondheim, Norway. Q-Free is a leading supplier of ITS solutions.

The company has defined its business activity in §3 of the Articles of Association:

"The Object of the company is to engage in research, development, production, operation and sale of information technology products and systems plus everything therewith connected."

The Group's objectives and principal strategies are described in the strategy section of the annual report.

**Deviation from the Code of Practice:**  
None.

## 3. EQUITY AND DIVIDENDS

### Equity

Q-Free's policy is to maintain a high equity ratio to provide a platform for the company's future expansion and growth. Per 31 December 2015 the company's equity amounted to NOK 416 million, representing an equity ratio of 42 percent (51). The Board considers the financial situation for Q-Free satisfactory given the company's activities and investment plans.

### Dividend policy

Q-Free has an objective to give the shareholders a stable and competitive long-term return on investment through distribution of dividends and a positive share price development. The company is in a growth phase and is seeking a good combination of investing the free cash flow in new business opportunities and distributing dividends to the shareholders. It is Q-Free' policy to maintain a high equity ratio to provide a platform for the company's expected expansion and growth.

Q-Free has not distributed dividends in the last three years.

### Mandates to the Board

Mandates granted to the Board to increase the company's share capital are restricted to defined purposes and in separate mandates, and thus in accordance with the recommendation. Pursuant to the Code, mandates granted to the Board are limited in time to no later than the date of the next annual General Meeting. The General Meeting is given the opportunity to vote on every purpose covered by the authorisation.

At the Annual General Meeting in 2015, the Board was granted an authorisation to increase the share capital by the subscription on new shares for strategic purposes within the ITS sector, e.g. acquisitions. The authorisation allows the Board to increase the share capital by up to NOK 2,662,680.52 through the issue of up to 7,007,054 shares, equivalent to approximately 10 percent of the issued shares, each with a par value of NOK 0.38 per share. The mandate is limited for one year, and valid until the next annual General Meeting but no longer than 30 June 2016.

The company had an three-year incentive program for executives and key employees, which expired in May 2015. The mandate granted by the General Meeting in 2014 allowed the Board to increase the share capital by NOK 769,500, which corresponds to 2,025,000 shares, equivalent to up to 2.9 percent of the issued shares.

The Board was in the General meeting in 2015 granted a right to enter into agreements for synthetic options with leading employees and key personnel to complete an incentive program with a maximal duration of four years. The maximal number of synthetic options issued by the Board through this program shall be 2.2 million synthetic options.

See Note 17 in the 2015 financial statements for further information about the incentive program.

**Deviation from the Code of Practice:**  
None.

## 4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Q-Free has one class of shares and each share represents one vote. Each share has a nominal value of NOK 0.38. All shareholders will be treated equally and have the same influence.

An increase in the Company's share capital may be proposed if the Board of Directors decides that this would best take care of shareholders' long-term interests. Normally, the Board of Directors will propose that share issues are directed to existing shareholders in accordance with their preferential rights. However, if the Board has been given an authorisation from the general meeting to carry out a private placement for a special purpose, the Board may decide to waive the pre-emption rights of existing shareholders. The justification will then be publicly disclosed in a stock exchange announcement pursuant to the Code. In 2015 the Board gave one authorisation to increase the share capital and authorised to waive shareholder's preferential rights (cf section 3 above). The increase in share capital was approved as part of the earn-out compensation of two acquired companies.

The company has developed a policy with regard to transactions with close associates, based on the requirement that any transactions must be at arm's length principle and at market terms. If deemed required, the company will arrange for a valuation obtained from an independent third party.

For information about transactions with related parties, see Note 18 in the 2015 financial statements.

According to the Code of Conduct, members of the Board and the executive management are obliged to notify the Board in case of any material direct or indirect interest in a transaction entered into by the company.

**Deviation from the Code of Practice:**  
None

## 5. FREELY NEGOTIABLE SHARES

Q-Free has no form of restriction concerning freely negotiable shares. The Board of Directors does not intend to put forward any proposals to the General Meeting concerning restrictions on freely negotiable shares. The Articles of Association have no restrictions on negotiability.

**Deviation from the Code of Practice:**  
None

## 6. GENERAL MEETINGS

The General Meeting is the company's supreme governing body, and all shareholders are guaranteed participation and the opportunity to exercise their rights. The Annual General Meeting has adopted the Articles of Association where §6 regulates the notice period, right to attend, and agenda proposals.

Shareholders representing at least 5 percent of the shares can call for Extraordinary General Meetings.

### Notification

The Annual General Meeting will be held before the 30th of June according to law. The general meeting is to take place either in Trondheim or in Oslo. The 2016 Annual General Meeting is scheduled for 26 May in Oslo.

A written notice for the general meeting is to be sent to all shareholders, with known addresses, within 21 days prior to the meeting.

The Board may decide that the notice of the General Meeting and related documents will be made available on the company's website only. A shareholder may nevertheless, by application to the company, request for the documents to be distributed by mail.

### Registration and proxies

Shareholders planning to participate at the General Meeting shall notify the company within a deadline set by the Board in the notice. The deadline cannot expire earlier than five days before the date of the general meeting.

The right to attend and vote in general meetings may only be exercised for shares registered in the shareholders' register no later than the fifth workday before the date of the general meeting (the registration date). Shares held on nominee accounts five days before the day of the general meeting do not have the right to vote or attend.

To register for the general meeting a shareholder must submit a written confirmation by mail, fax, e-mail (provided the registration form is a scanned document with signature), or by submission directly to the company's registrar DNB.

Shareholders are entitled to request specific matters to the agenda of a general meeting, by giving a written notice to the Board within seven days before the statutory deadline for the notice of the general meeting. If the notice of the general meeting is already distributed, a new notice shall be issued. Instructions are given in the notice for the Annual General Meeting.

Shareholders who cannot attend the general meeting may vote by proxy. The company will appoint a person that will vote on behalf of shareholders as their proxy unless the shareholder has appointed another person. The proxy form allows for separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election.

### Agenda and execution

The agenda for the general meeting is set by the Board, and the main items are specified in §6 of the Articles of Association. The agenda includes detailed information on the resolutions to be considered and the recommendation from the Nomination Committee. The shareholders attending vote for a Chairperson to lead the general meeting.

The Board of Directors and the person chairing the meeting ensures that appropriate arrangements are made for the general meeting to vote separately on each candidate nominated for election to the company's corporate bodies.

The Chairman of the Board is always present to respond to any questions and queries. The Chairman of the Board and the Chairman of the Nomination Committee assess on a case-by-case basis, based on the agenda of the general meeting, whether all members should participate. The CEO, Auditor and the Chair of the Audit Committee and Compensation Committee will always be present at the Annual General Meetings.

The company announces the minutes for the Annual General Meeting according to stock exchange regulations.

### Deviation from the Code of Practice:

None

## 7. NOMINATION COMMITTEE

The company has a Nomination Committee. The general meeting elects the chairperson and members of the Nomination Committee and determines the committee's remuneration.

The Nomination Committee has contact with shareholders, the Board of Directors and CEO as part of its work on proposing candidates for election to the Board. The Nomination Committee is responsible for proposing board member candidates and remuneration to the Board, in addition to proposing members for the committee itself.

The Nomination Committee is established in accordance with the Company's Articles of Association §7, and the Committee's work is determined by instructions approved by the General Meeting in 2008. The instruction does not have a clause related to rotation of the members. However, the Nomination Committee will propose to the Annual General meeting in 2016 that the instruction is updated.

### Composition

The Nomination Committee consists of three members who are shareholders or representatives acting on behalf of the shareholders. Members of the Nomination Committee are elected for a period of two years, and may be re-elected. The current members of the Nomination Committee's members and their tenure period is available at the company's website [www.q-free.com](http://www.q-free.com).

The members of the Nomination Committee are independent from the company's executive management. Currently, no member of the Nomination Committee is a member of the Board. Q-Free is not aware of the existence of any agreements or business partnerships between the Company and any third parties in which members of its Nomination Committee have direct or indirect interests.

Nomination Committee composition as at 31.12.2015;

Name	Company	For election
Cecilie Johnsen (Chair)	Redback ASA	2016
Thomas Alexander Vogt	DNB Asset Management AS	2016
Jeanett Bergan	KLP Kapitalforvaltning AS	2017

Nomination Committee composition as at 11 February 2016:

Name	Company	For election
Jeanett Bergan (Chair)	KLP Kapitalforvaltning AS	2017
Thomas Alexander Vogt	DNB Asset Management AS	2016
Andreas Berdal Lorentzen	Storebrand Asset Management	2018

Prior to the Annual General Meeting, a meeting is conducted with the Chairman of the Board to review the Board's evaluation of its own work.

The Nomination Committee will freely and independently of the election period evaluate the composition of the Board. The Nomination Committee emphasises industry and business experience as well as equal gender balance, when proposing new members to the Board. The Nomination Committee proposes the Board members fees.

The Nominations Committee justifies its recommendations to the General meeting.

The Nomination Committee's recommendations and report are made available in accordance with the 21-day deadline for the notice calling a general meeting.

Deadline for promoting proposals to the Nomination Committee is available at the Group's website [www.q-free.com](http://www.q-free.com). This deadline is set to allow for necessary reviews, reference checks, etc., prior to

the deadline for submitting the notice for the general meeting to the shareholders. The Nomination Committee is not prevented from evaluating other candidates than those proposed.

### Deviation from the Code of Practice:

None

## 8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The Company does not have a corporate assembly.

### Composition of the Board

Pursuant to the company's Articles of Association §5, the Board of Directors shall have 5–8 members.

The members of the Board are elected for a period of two years and may be re-elected. The General Meeting elects the Chairman of the Board. The Vice Chairman is elected by the Board for a period of one year.

Board of Directors composition as at 31 December 2015:

Name	Position	Service since	Elected until AGM	Shareholding Q-Free ASA (direct or indirect)
Charlotte Brogren Karlberg	Acting Chairman*	2011	2017	0
Anders Endre Nybø	Vice Chairman	2015	2017	130,000
Jan Pihl Grimnes	Board member	2008	2016	1,687,000
Ragnhild Wahl	Board member	2015	2017	0
Monika Lie Larsen	Employee elected member of the Board	2014	2016	0
Anders Hagen	Employee elected member of the Board	2014	2016	0

\*Chairman Terje Christoffersen resigned from his position in the Board of Directors 4 November 2015.

As at 31 December 2015 the Board of Directors consisted of six members, whereof two elected by and amongst the Group's employees. The Board consisted of three women and three men, and hence met the gender diversity requirements pursuant to Norwegian legislation.

Board of Directors composition as from 11 February 2016:

Name	Position	Service since	Elected until AGM	Shareholding Q-Free ASA (direct or indirect)
Charlotte Brogren Karlberg	Chairman	2011	2017	0
Ragnhild Wahl	Board member	2015	2017	0
Tore Valderhaug	Vice Chairman	11 Feb 2016	2018	0
Snorre Kjesbu	Board member	11 Feb 2016	2018	0
Anders Hagen	Employee elected member of the Board	2014	2016	0
Sissel Lillevik Larsen	Employee elected member of the Board	11 Feb 2016	2016	0

Participation in Board meetings and Board committees in 2015:

Name	Board meetings	Audit Committee	Compensation Committee	Recruitment Committee
Terje Christoffersen***	13	5	2	
Charlotte Brogren	15	1		2
Jan Pihl Grimnes	15	1	2	
Anders Endre Nybø*	12	2		2
Ragnhild Wahl*	11			
Selma Kveim**	4	3		
Monika Lie Larsen	16			
Anders Hagen	16		2	2

\* Served from AGM 2015, 20 May 2015

\*\* Served until AGM 2015, 20 May 2015

\*\*\* Served until 4 November 2015

An overview of the members of the Board is available on the company's website [www.q-free.com](http://www.q-free.com).

#### Independence of the Board

Q-Free is not aware of the existence of any agreements or business partnerships between the company and any third parties in which its directors have direct or indirect interests. The members of the Board are independent from the company's management, and the executive management is not represented in the Board.

#### Share ownership

None of the current Board members hold shares in Q-Free. An overview of the members shareholding is available on the company's website, Investor Relations page.

The members of the Board of Directors have no share options or synthetic options in the company.

#### Deviation from the Code of Practice:

None

## 9. THE WORK OF THE BOARD OF DIRECTORS

### The Board's tasks

The Board of Directors is elected by the shareholders to oversee the executive management and to assure that the long-term interests of the shareholders and other stakeholders are being served.

The Board has the ultimate responsibility for the management of the company and for supervising its day-to-day business, and activities in general. The main responsibility is to determine the company's overall vision, goal and strategy. The Board also ensures that the activities are soundly organised and keeps itself informed about the financial situation of the company, and ensures that the management handles risks faced by the company in an appropriate way.

The Board produces an annual plan for its work, with particular emphasis on objectives, strategy and implementation. This includes reviewing the overall strategy at least once a year, preparing the budget for the next year, evaluating management and competence needed, making continuous financial reviews and risk assessments based on budgets and prognoses, as well as evaluating the work of the Board.

It is important to maintain and continuously enhance sound internal management systems that meet changing financial conditions. Q-Free has a decentralised organisation, where each region and organisational unit reports on a monthly basis. The Group's activities are varied, depending on each unit's position in the value chain, and consequently require differentiated ways of management and follow-up.

#### Instructions to the Board

The Board has issued instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties. The guidelines are described in the company's "Instructions for the Board of Q-Free ASA". The purpose of the instruction is to describe the role and functions of the Board and the interaction with the executive management of the company. The instructions for the Board also include detailed requirements on which information and timing of the information from the executive management.

In the event that the Chairman is absent, the meeting will be chaired by the Vice Chair.

The Board's proceedings and minutes are in principle confidential unless the Board decides otherwise. This is pursuant to the instructions to the Board.

#### Compensation committee

Three members of the Board have been elected by the Board to act as Compensation Committee, for a period of two years.

The Board approved an instruction for the Compensation Committee in 2006, which was further revised in 2008.

The Compensation Committee makes proposals to the Board regarding employment terms and conditions and total remuneration of the CEO and incentive based remuneration for other senior management employees. These proposals are also relevant for other employees entitled to variable salaries. The Board makes comparisons with other companies when deciding the terms and conditions and remuneration of the CEO.

With effect from 16 June 2015, the Compensation Committee was composed as follows:

Jan Pihl Grimnes (Chairman)

Terje Christoffersen

Anders Hagen

With effect from 26 November 2015, the Compensation Committee was composed as follows:

Jan Pihl Grimnes (Chair)

Charlotte Brogren Karlberg

Anders Hagen

With effect from 30 March 2016, the Compensation Committee was composed as follows:

Snorre Kjesbu (Chair)

Ragnhild Wahl

Anders Hagen

#### Recruitment Committee

The Board established in November 2015 a Recruitment Committee for the purpose of a search for new CEO.

#### Audit committee

The Public Companies Act stipulates that large companies must have an Audit Committee. Two out of six members of the Board have been elected by the Board to the Audit Committee for a period of two years in 2015.

The Board approved an instruction for the Audit Committee in 2006, revised in 2008 and 2013. The Audit Committee's main responsibilities are to supervise the company's internal control systems and to ensure that the auditor is independent and that the annual accounts and quarterly reporting gives a fair view of the company's financial results and financial condition in accordance with generally accepted accounting principles.

The Audit Committee reviews the procedures for risk management and financial controls in the major areas of the Company's business activities. The Audit Committee receives reports on the work of the external auditor and the results of the audit. In addition, the committee reviews the company's work on Corporate Governance.

With effect from 6 June 2014, the Audit Committee was composed as follows:

Selma Kveim (Chair)

Terje Christoffersen

With effect from 16 June 2015, the Audit Committee was composed as follows:

Terje Christoffersen (Chair)

Anders Endre Nybø

With effect from 26 November 2015, the Audit Committee was composed as follows:

Charlotte Brogren (Chair)

Anders Endre Nybø

Jan Pihl Grimnes

With effect from 30 March 2016, the Audit Committee is composed as follows:

Tore Valderhaug (Chair)

Charlotte Brogren Karlberg

#### The Board's evaluation of its own work

The Board of Directors evaluates its performance annually and present the evaluation to the Nomination Committee.

#### Deviation from the Code of Practice:

None

## 10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the responsibility to ensure that Q-Free has sound internal control and systems for risk management appropriate to the company's business, and has established a Risk Management document reviewed by the Audit Committee. The company's risk management policy is an integral part of the Group's management by objectives and performance management. The model for internal control for financial reporting is reviewed on a regular basis, to ensure that the reporting system addresses the most significant risk factors for the Group, and is organised to reflect the Group's business and procedures at any time.

The management prepares monthly performance reports for review by the Board. In addition, quarterly financial reports are prepared and reported to the financial market in accordance with the requirements from the stock exchange. These quarterly financial reports are presented to the Audit Committee, which reviews the reports prior to the Board meeting. The auditor takes part in the Audit Committee's meetings twice a year, and meets with the entire Board in connection with the presentation and approval of the annual financial statements.

The Board presents an in-depth review of the company's financial status in the Directors' Report, including a description of the main elements related to health, safety and environment (HSE) and related risks. The main risk factors are closely monitored by the Executive Management. The Board receives "The Status report Management system" on a quarterly basis. This includes a review of the most significant risks for the Company and a description of how these risks are addressed.

Q-Free has developed an effective Quality Management (QM) system and is certified in accordance with the NS-EN ISO-9001 Quality System. The company's ISO 9001 Certificate covers all areas of the normal operations. Q-Free is also certified according to the ISO-14001/2004 standard, which implies that the company has set up systems for monitoring and improving its impact on the external environment. The use of Q-Frees products and services contribute to reduced traffic congestion and consequently give less pollution. With the exception of our travel related activities, the Group's activities have no negative impact on the external environment. All products introduced after 2005 are produced without the use of lead and other hazardous environmental substances as defined in the EU's RoHS of WEEE directives.

**Deviation from the Code of Practice:**  
None

### 11. REMUNERATION OF THE BOARD OF DIRECTORS

The Annual General Meeting approves the Board's remuneration each year.

Remuneration for the period from the Annual General Meeting of 2015 to the Annual General Meeting of 2016:

The Chairman of the Board:  
NOK 416,000  
Members elected by the shareholders:  
NOK 234,000  
Members elected from the employees:  
NOK 80,000

Chairman of sub-committees of the Board:  
NOK 11,000 per day of meeting  
Members of sub-committees of the Board:  
Members elected by the shareholders:  
NOK 8,500 per day of meeting  
Members elected from the employees:  
NOK 4,250 per day of meeting

Beyond the scope of Board responsibility, Board members could from time to time take on certain consultancy projects for the company. Such projects are defined by the Board of Directors and occur on a limited basis. Board members are compensated for such work according to separate agreements approved by the Board of Directors.

The Directors' fees are as at 31 December 2015 not linked to performance. The members of the Board have no share options in the company.

For further information about remuneration of the Board see Note 15 in the 2015 financial statements.

**Remuneration of the Nomination committee**  
Remuneration from the Annual General Meeting of 2015 to the Annual General Meeting of 2016:

The Chairman of the Nomination Committee:  
NOK 30,000

All members of the Nomination Committee:  
NOK 5,000 per meeting, limited to ten meetings in the period

**Deviation from the Code of Practice:**  
None

### 12. REMUNERATION OF THE EXECUTIVE MANAGEMENT

Q-Free's remuneration policy has always been to offer salaries adjusted to market conditions to attract the competence needed. The Board has determined and approved special guidelines for the stipulation of salary and other remuneration to executive management, and the structure of the incentive system is presented to the Annual General Meeting for information purposes. The statement of remuneration of executive personnel is given in a separate appendix to the agenda of the Annual General Meeting. The amendment from 2012 Code to the 2014 code regarding advisory and binding guidelines in the statement, are implemented.

The executive management receives a basic salary and are members of the company's pension scheme. The remuneration also includes a synthetic share option program and a performance based bonus scheme. Please see Note 15 and Note 17 in the 2015 financial statements.

The Board adopted a performance based bonus scheme for all employees in 2007, in order to motivate extraordinary performance/achievements. The performance based bonus scheme is linked to budgeted group financial parameters, and to the performance based parameters/ targets for the relevant business unit. The CEO may assign bonus to individuals or teams for extraordinary performance/achievements, normally limited up to 40 percent of the employee's fixed salary. The Board may assign bonus to the CEO for performance/achievements limited up to 40 percent of his/hers fixed salary. The scheme for the executive management requires that parts of the bonus payment is used for purchase of shares in the company.

The General Meeting had authorised a three-year incentive program in form of a share option program for the executive management, which expired May 2015.

For more information about the incentive program, please see chapter 3 in this document and Note 17 in the 2015 financial statements.

#### Evaluation

The Board set the terms of the CEO's employment, and the Board reviews the salary and other remuneration on an annual basis. The review is based on performance and comparable market conditions of similar positions.

For further information about remuneration of the CEO and other members of the executive management, see Note 15 in the 2014 financial statements.

**Deviation from the Code of Practice:**  
None

### 13. INFORMATION AND COMMUNICATION

Q-Free wants to maintain an open dialogue with the capital market, and holds open presentations for investors, analysts and others on a regular basis. The company aims to maximise shareholders' values, in such a way that the return on investment measured by dividends and increased share price at least match that of alternative investments involving similar risk.

Regular information will be published through the Annual Report and the quarterly reports and open presentations, at the same time as the information is published on the company's website. Q-Free will also provide information on its major value drivers and risk factors through the interim reporting, which will enable investors to evaluate the company's risk and performance. Q-Free publishes an overview each year of the dates for major events.

The quarterly results are also made available through webcast. The annual report will be published within four months after year-end.

The CEO and CFO are responsible for the investor relations and all communication with the capital market. If required, the Chairman of the Board or appointed members of the Board will assist. All information is communicated within the framework established by securities and accounting legislation and the rules and regulations of the Oslo Stock Exchange.

Q-Free follows The Oslo Børs Code of Practice for Investor Relations. All information relevant to the company's shareholders is published on Oslo Stock Exchange, and made available on the company's website [www.q-free.com](http://www.q-free.com).

All IR communication is handled by the CEO and CFO. Q-Free has published responsibility for the company's contact with shareholders and others on the Company's website.

**Deviation from the Code of Practice:**  
None

### 14. TAKEOVERS

Q-Free Board of Directors will handle takeover bids in accordance with Norwegian law and the Norwegian Code of Practice for Corporate Governance. There are no defence mechanisms against acquisition offers in our articles of association or in any underlying steering document. Neither have we implemented any measures to limit the opportunity to acquire shares in the company.

**Deviation from the Code of Practice:**  
None

### 15. AUDITOR

The company's external auditor is appointed by the general meeting and is responsible for the financial audit of the parent company and Group accounts. The auditor is independent of Q-Free ASA.

The external auditor of Q-Free ASA annually presents a plan to the Audit Committee covering the main focus for the audit. The external auditor participates in at least two meetings of the Audit Committee every year, and one Board meeting where the annual accounts are approved. Other meetings are attended by the auditor as requested. The annual audit results includes a presentation of any material changes in the company's accounting principles, accounting estimates and report any material matters in case of disagreements between the external auditor and the management.

At least once a year, a meeting is held between the auditor and the Board without the presence of the CEO or other members of executive management. The Audit Committee has a specific obligation to survey the auditor's independence and qualifications, and to propose candidates for external audit of the company to the General Meeting.

In 2013 Q-Free ASA arranged a competitive tendering among several auditor companies, and BDO AS was elected as the new auditor for the company. Independent external auditors have also been appointed for all subsidiaries of Q-Free ASA which have requirements for a statutory audit.

The external auditor has given the Board of Directors a written notification confirming that the requirements for independence are satisfied.

The auditor attends the Annual General Meeting and informs about the auditor's report and remuneration for the year. This year's auditor's report follows the notes in the annual report. For further information about remuneration of the auditor, see Note 26 in the 2015 financial statements.

To the extent that the auditor is providing services beyond the audit, this is discussed separately on case-by-case basis prior to engagement, to ensure that there are no conflict of interest issues and that this is within the framework of the Auditors Act § 4-5. All engagements beyond audit related services are approved by the CEO or CFO prior to start up.

**Deviation from the Code of Practice:**  
None

# Q-FREE CORPORATE SOCIAL RESPONSIBILITY REVIEW 2015

A review of the company's Corporate Social Responsibility was undertaken to align Q-Free's principles and practice with Section 3-3c of the Norwegian Accounting Act.

The Q-Free Code of Conduct (COC) aims to provide guidance to our people through a common platform. This COC is signed by every employee and distributed annually, thereby forming the foundation of Q-Free's approach to human rights, fair working environment, health and safety, business ethics and anti-corruption. In situations where an employee becomes aware of any infringement of the COC, they have a duty to raise this issue with their manager. If this is not possible, the employee shall report the infringement directly to the HR responsible within Q-Free. Incidents may be reported anonymously if desired.

## HUMAN RIGHTS, FAIR WORKING ENVIRONMENT, AND HEALTH AND SAFETY

Q-Free promotes and respects internationally proclaimed human rights, including those specified by the International Labour Organisation. The company supports the right to freedom of association, and opposes any form of child labour, forced labour, or discrimination. Q-Free actively encourages all representatives, partners and suppliers to follow the same principles.

### Fair and good working environment

Q-Free considers the combined knowledge, competence and experience of our employees as our most valuable assets, and we seek to attract and retain employees with these assets through a fair and good working environment.

The Q-Free group employs a variety of nationalities from a diversity of cultures, both within the parent company, and across the subsidiaries abroad. As a result, the company has developed an international mind-set, whereby we depend upon dedicated employees that treat others with respect and understanding. It is essential that our employees act in accordance with local laws, regulations and etiquettes, while communicating openly and honestly in respect of local values and norms for social conduct. The aim of Q-Free is to offer an engaging workplace with an open working environment. Therefore, we have established policies to avoid the discrimination of individuals or groups based on their age, gender, disability, race, sexual orientation, ethnic origin, religion, political affiliation, or any other reason. No incidents or violations in relation to our fair and good working environment have been reported of any kind in recent years.

### Equal Opportunities

The Group operates a policy of gender equality and non-discrimination of male or female employees. Most of the company's employees work within engineering, technology development, and technical sales, which are disciplines that have traditionally attracted a majority of male applicants. This is reflected in Q-Free's workforce demographics, which currently represents 24 % female and 76 % male employees.

Q-Free will continue its efforts towards improving gender equality in the workplace, ensuring the high quality and competence of our employees, while encouraging the employment of females in a traditionally male driven sector. In particular, we will strive to breakdown any barriers that may have restricted the female applicants in the past, with a view to promoting a more evenly represented workplace.

The parent company of the Q-Free Group fulfils Norwegian legal requirements with respect to the minimum representation of each gender on the Board of Directors, which currently holds 3 male and 3 female board members respectively.

### Health and Safety

Q-Free gives the highest priority to the health and safety of its employees, with roadside works representing the highest risk. We have implemented safety procedures to ensure the safety of our employees. For installation and roadside projects, a responsible HSE representative initiates and implements safety procedures according to the relevant risks. The HSE representative ensures that all project personnel have received safety training, equipment training, and a copy of the HSE plans. These procedures have ensured that no serious incidents or injuries have been reported in the recent years.

Sick leave in the parent company was 1.9 percent in 2015, an improvement on the 1.7 percent from 2014. This figure is well below the national average for comparable workplaces and can be considered a satisfactory level. Q-Free has no similar reports for the subsidiaries at this stage.

### BUSINESS ETHICS AND ANTI-CORRUPTION

High ethical standards and business conducts are prerequisites to gaining the trust of our stakeholders, as well as the local, national and international communities. This is a shared responsibility of the organisation and each of its employees and representatives.

The Q-Free COC contains guidelines for ethical behaviour in both internal and external business relations, and is designed to stimulate ethical awareness as a basis for everyday actions. The COC is applicable to Board members, managers, and all other Q-Free employees and representatives. During 2014, the company implemented a revised and updated version of the COC.

The Code of Conduct clearly states that Q-Free firmly opposes all forms of corruption and bribery, demanding any suspicion of misconduct to be reported. Personal interests or personal gain shall not affect the work of a Q-Free representative, and any action or interest that compromises integrity or objectiveness shall be avoided. The COC explicitly governs areas relating to conflicts of interest, gifts and money laundering.

Q-Free has never been accused of, nor involved in, any cases pertaining to any form of corruption or bribery. The Board and Management are not aware of any breach of our Code of Conduct in this regard, and expect the COC to govern Q-Free employees in a manner that ensures this continues.

Fair and open competition in all markets is always pursued by Q-Free, with a desire to win contracts on the basis of a competitive offering of products, services and solutions. The company adheres to national and foreign antitrust laws, while the COC states that no formal or informal agreements shall be entered into if competition is thereby unfairly restricted.

The company has never been accused of, nor involved in, any cases pertaining to illicit or improper competitive conduct. The Board and Management are not aware of any breach in this respect, and strive to maintain Q-Free's reputation through the implementation of the COC.

As a publicly listed company on the Oslo Stock-Exchange, Q-Free complies with the laws, regulations and continuing obligations for listed companies concerning the disclosure of information. The Code of Conduct emphasises the confidentiality requirements and prohibits misuse of information about the company, or relating to insider trading, as regulated by the Securities Trading Act.

Q-Free has never been accused of breaching its disclosure obligations, nor has it been involved with any insider trading complaints.

### EXTERNAL ENVIRONMENT

The portfolio of products, services and solutions has continuously been Q-Free's greatest contribution to the environment, which enable the reduction of traffic congestion, decrease pollution, and minimise the amount and severity of traffic incidents.

Q-Free is also firmly committed to minimising the potential environmental impact of its own operations.

Q-Free fulfils all environmental requirements imposed by the Norwegian authorities, as well as the EU. Q-Free ASA is certified in accordance with NS-EN ISO 14001:2004. All products introduced after 2005 are produced without the use of lead and other hazardous substances, as defined in the EU's directive on Restriction of Hazardous Substances (RoHS), and shall also be recyclable in line with the EU's directive on Waste Electrical and Electronic Equipment (WEEE). Furthermore, the Group is working actively to encourage our sub-contractors to choose the most environmental-friendly alternatives wherever possible. Q-Free also has a focus on the reduction of natural resources, with the use of electronic document sharing rather than printing on paper, utilising videoconferencing instead of travelling, and coordinating travel activities, are some examples of the company's determination to protect the environment.

Q-Free's Environmental Policy is publicly available on the website.

# ARTICLES OF ASSOCIATION FOR Q-FREE ASA

**Article 1.** The name of the Company shall be Q-Free ASA. The Company shall be a public limited company.

**Article 2.** The Company's registered place of business shall be in the City of Trondheim.

**Article 3.** The Object of the Company is to engage in research, development, production, operation and sale of information technology products and systems plus everything therewith connected.

**Article 4.** The Company's share capital shall be NOK 27.123.927,66 divided between 71.378.757 shares, each of NOK 0.38 face value.

The Company's shares shall be registered in the Norwegian Central Securities Depository (*VPS*).

**Article 5.** The Board of the Company shall have between three and eight members, as the general meeting shall stipulate. The Board shall represent the Company outwardly, and sign for it. The signature of the Company is also vested in the Chairman of the Board and one other Board member acting jointly.

The Board may grant procuration (registered power of attorney).

**Article 6.** The annual general meeting shall be held before 30 June, in either the City of Trondheim or the City of Oslo. Invitation to the general meeting shall require at least 21 days' written application to all shareholders with known addresses.

The Board may determine that documents pertaining to matters for discussion at the general meeting shall not be sent to the shareholders when these documents are made available on the Company's Web pages. The same shall apply to documents that by statute must be incorporated into or appended to the invitation to the general meeting. A shareholder may nevertheless, by application to the Company, demand to be sent documents pertaining to matters for discussion at the general meeting.

The right to participate and vote at the general meeting may only be exercised for shares that are entered in the Register of Shareholders (*VPS*) on the fifth working day prior to the general meeting (the date of registration).

Shareholders who, either in their own persons or by proxies, wish to participate in the general meeting, shall communicate this to the Company within the deadline that the Board has stipulated in the invitation. Such deadlines cannot expire earlier than five days prior to the meeting.

The annual general meeting shall consider:

1. Adoption of profit and loss account and balance sheet.
2. Application of profit or coverage of loss pursuant to the adopted balance sheet and distribution of dividend.
3. Election of the Board and the Chairman of the Board.
4. Stipulation of the Board's remuneration.
5. Election of members of the Nominations Committee.
6. Stipulation of the compensation to the Nominations Committee.
7. Stipulation of the compensation to the auditor.
8. Other matters that the Board places on the agenda, or that a shareholder wants considered, when such an item is notified in writing to the Board within seven days before the deadline for invitation to the general meeting, together with a proposal for decision or a justification for putting the proposal on the agenda. If the invitation has already taken place, a new invitation shall be made if the deadline for invitation to the general meeting has not passed.
9. Other matters that pursuant to statute pertain to the general meeting.

**Article 7.** The Company shall have a Nominations Committee, whose mission shall be to make recommendations to the general meeting for shareholder-elected members to the Board, and also propose the Board's emoluments.

The Nominations Committee shall consist of three members who shall be shareholders or representatives of shareholders. The members shall be elected by the general meeting. The members of the Nominations Committee shall be elected for two years at a time. The general meeting may decide on instructions for the Nominations Committee.

**Article 8.** Reference is otherwise made to the current companies legislation.

Articles of Association as of 30 March 2016  
The shareholders of Q-Free ASA

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Slovenia  
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F: +386 1 300 97 85

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Level 4, Quantum House  
75, Abate Rigord Street  
Ta'Xbiex XBX1120  
Malta  
P: +356 2092 5400

LAYOUT | BENNETT AS  
PRINT | SKIPNES AS  
PHOTO | STUDIO BERRE P. 8, 16, 17, 18, 19, 30  
Q-FREE, ELENA MASTYNSKAYA P. 10, 12, 14, 25, 83  
SHUTTERSTOCK P. 2, 96

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[www.q-free.com](http://www.q-free.com)

[twitter.com/qfreeasa](https://twitter.com/qfreeasa)  
[youtube.com/qfreeasa](https://youtube.com/qfreeasa)

Bank: Danske Bank AS  
ACC .NO.: 8601 30 68900  
Register of business enterprises  
NO 935 487 242

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LEADING THE WAY

Annual report | 2016



LEADING THE WAY



LEADING THE WAY



AUSTRALIA | BRAZIL | CANADA | CHILE | FRANCE | INDONESIA | MALAYSIA | MALTA | THE NETHERLANDS | NORWAY  
PORTUGAL | RUSSIA | SERBIA | SLOVENIA | SOUTH AFRICA | SPAIN | SWEDEN | THAILAND | UNITED KINGDOM | USA

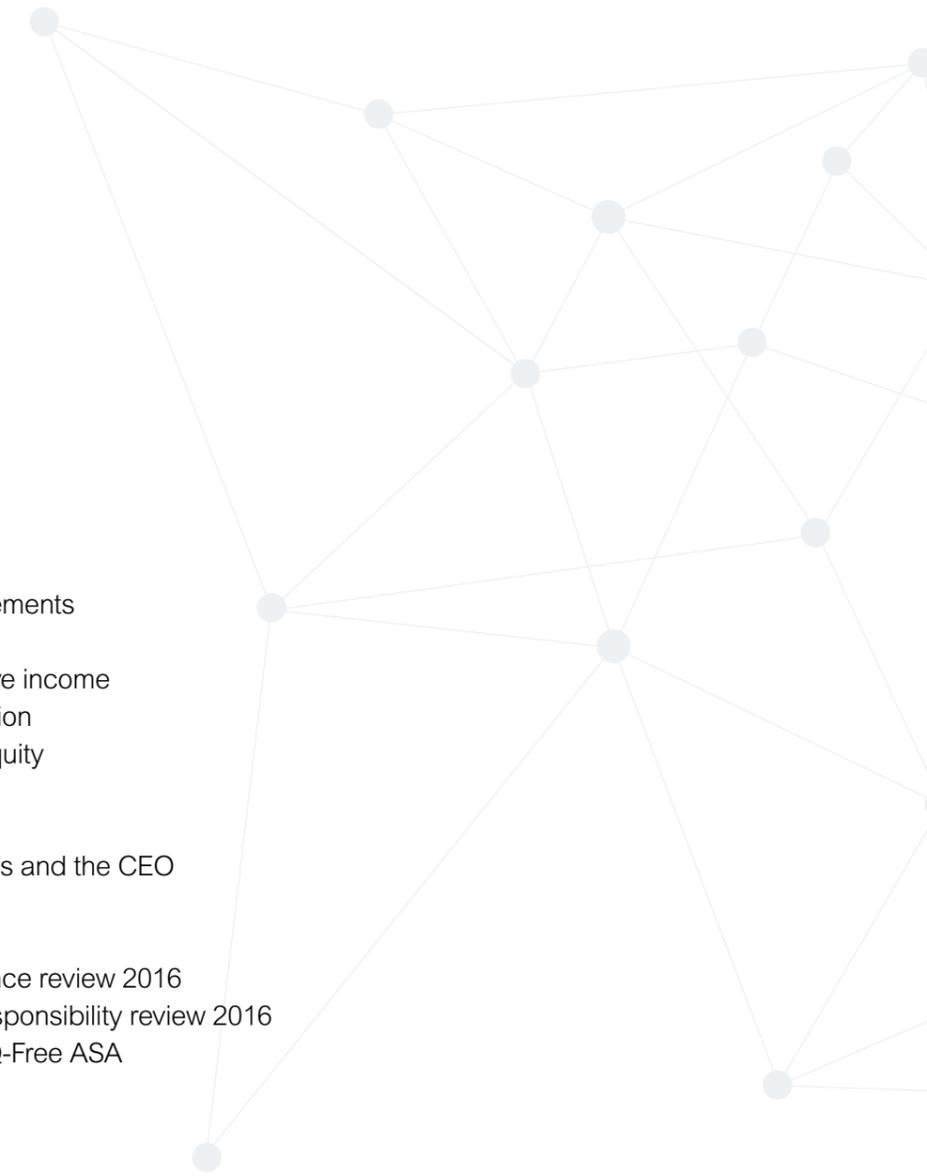
q-free.com

28.04.2017 | Q1-17  
24.05.2017 | Annual General meeting  
14.07.2017 | Q2-17  
26.10.2017 | Q3-17  
15.02.2018 | Q4-17

For further information, please contact [ir@q-free.com](mailto:ir@q-free.com)

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# Mission Vision Values

The world around is rapidly changing. For Q-Free to continue to thrive as a technology leader and as a disruptor in many new areas for the next decades, we need to look ahead, understand the trends and markets that will shape the ITS business in the future and be prepared for what is to come.

Q-Free aspires to be ready *today* for *tomorrow* and our vision reflects that. It creates a long-term aim for our business and provides us with a solid roadmap for our employees, partners and customers.

## Our Mission

*Q-Free creates intelligent solutions for efficient, safe, and environmentally friendly transportation based on innovative technology and open platforms.*

## Our Vision

*Changing the movements of life.*

## Our Values

*Our values serve as a compass for our actions and describe how we behave in the world.*

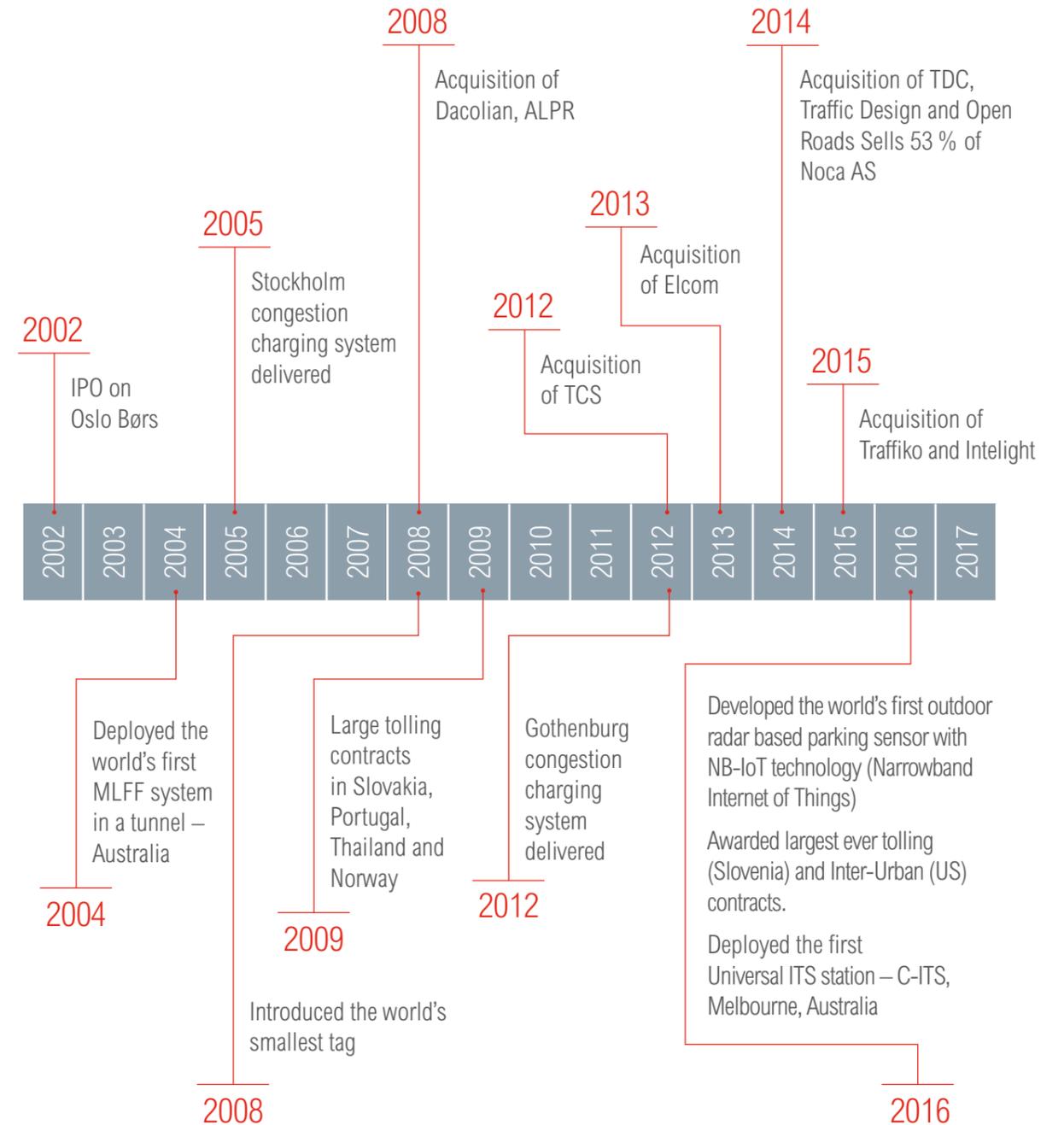
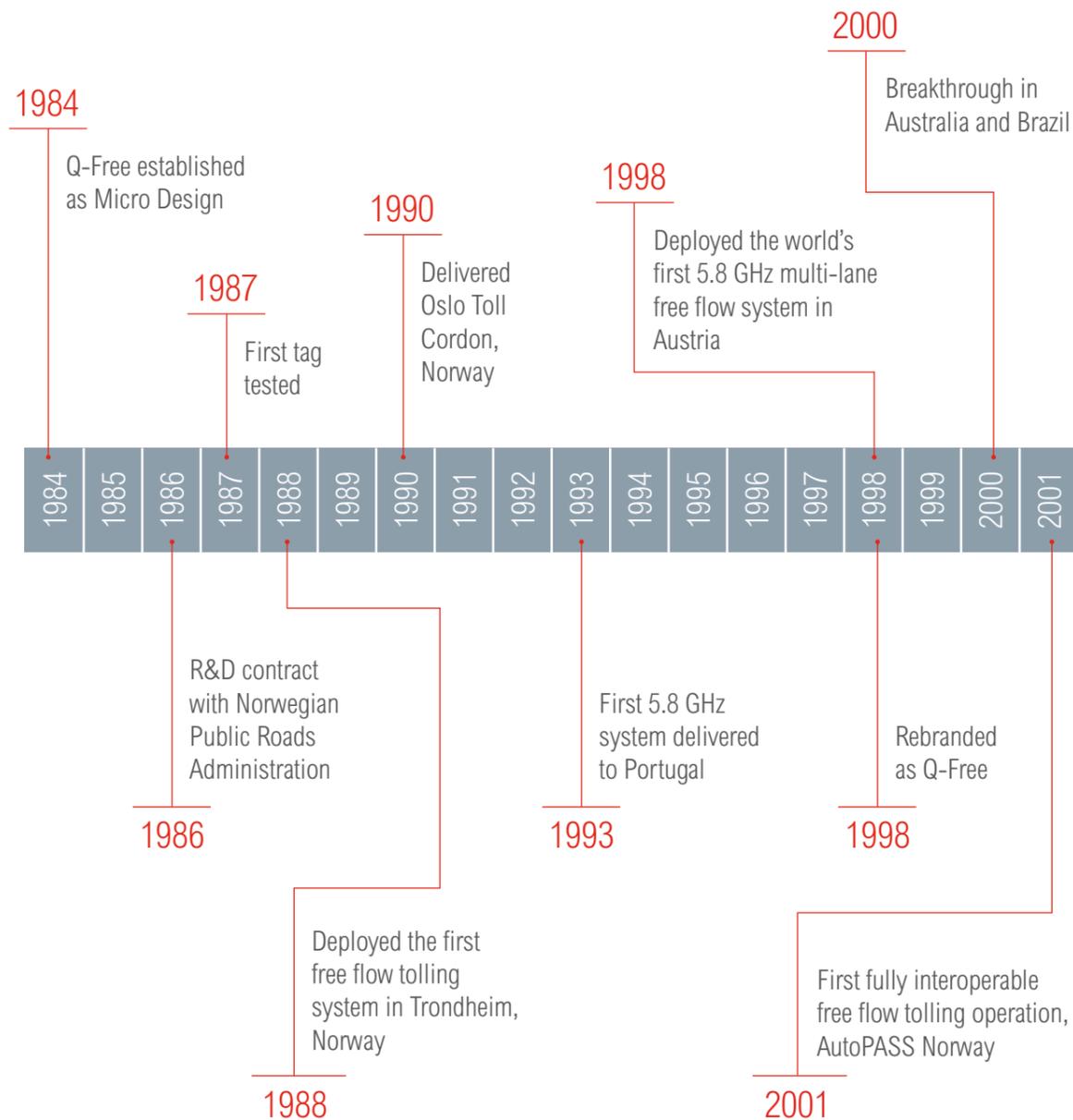
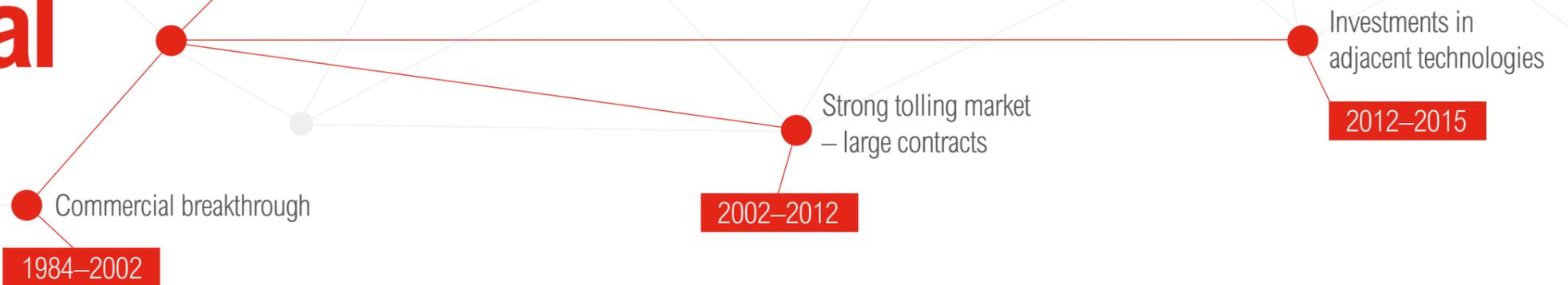
**E**xcellence

**P**assion

**I**nnovation

**C**ollaboration

# The historical context



# Q-Free at a glance



FOUNDED IN  
**1984**



HEADQUARTERS IN  
**TRONDHEIM  
NORWAY**

INSTALLED THE  
WORLD'S FIRST  
**FREE FLOW**  
TOLLING  
SYSTEM IN

**1998**



OFFICES IN  
**20**  
COUNTRIES



REFERENCES  
FROM  
**50+**  
MARKETS



**420**  
EMPLOYEES



**900**  
MNOK IN  
REVENUES



**30**  
MILLION  
TAGS SOLD



**1400**  
ETC  
LANES  
IN OPERATIONS



**300**  
PARKING  
FACILITIES



**325**  
WEIGH IN  
MOTION SYSTEMS



**350**  
BICYCLE  
COUNTERS



**3 000**  
TRAFFIC  
COUNTERS



**20 000**  
TRAFFIC  
CONTROLLERS

**50+**

BILLION NOK IN  
ACCUMULATED  
TOLL REVENUES  
PROCESSED IN  
CENTRAL SYSTEM  
NORWAY  
**2007-2016**



HEADQUARTERS  
DRINKS  
**58 500**  
CUPS OF COFFEE  
PER YEAR



2016 ORDER INTAKE  
**1,6**  
BNOK

# Key figures

	2012	2013	2014	2015 *	2016
<b>Profit &amp; loss account (NOK)</b>					
Operating revenue	597 532	606 072	788 684	766 885	877 165
Cost of goods sold	227 090	224 791	282 173	221 615	296 481
Operating expenses	376 434	413 080	421 667	555 995	585 030
<b>EBITDA</b>	<b>-5 992</b>	<b>-31 799</b>	<b>84 844</b>	<b>-10 725</b>	<b>-4 346</b>
<b>EBIT</b>	<b>-55 306</b>	<b>-94 713</b>	<b>8 436</b>	<b>-150 294</b>	<b>-59 107</b>
<b>PROFIT BEFORE TAX</b>	<b>-44 623</b>	<b>-97 959</b>	<b>-16 369</b>	<b>-171 934</b>	<b>-55 621</b>
<b>PROFIT AFTER TAX</b>	<b>-31 979</b>	<b>-110 770</b>	<b>-26 958</b>	<b>-188 091</b>	<b>-53 419</b>
GM %	62.0 %	62.9 %	64.2 %	71.1 %	66.2 %
EBITDA %	-1.0 %	-5.2 %	10.8 %	-1.4 %	-0.5 %
EBIT %	-9.3 %	-15.6 %	1.1 %	-19.6 %	-6.7 %
<b>Selected balance sheet items (NOK)</b>					
Intangible fixed assets	244 387	236 279	414 342	581 991	512 451
Tangible fixed assets	66 320	63 071	51 799	43 854	33 661
Cash	369 491	271 477	164 133	65 349	101 474
Total assets	941 699	894 344	939 794	997 315	990 419
Equity (incl minority)	630 908	504 526	485 389	416 499	426 900
Interest bearing liabilities	100 000	100 000	100 000	150 000	150 000
<b>Key figures per share (NOK)</b>					
Earnings per share, ordinary	-0,51	-1,65	-0,42	-2,79	-1,11
Earnings per share, diluted	-0,51	-1,65	-0,42	-2,79	-1,11
Cashflow	-0,29	-0,48	0,92	-0,31	-0,96
Book equity	9,34	7,42	7,08	5,97	5,67
Market cap as at 31.12 (MNOK)	1 298	952	688	683	703
Average no of shares	67 541	67 972	68 574	69 781	75 351
<b>Other key figures</b>					
Order backlog	437 408	379 194	481 192	710 202	1 405 261
Order Intake	573 365	548 060	889 792	1 009 722	1 575 143
Return on Invested Capital (ROIC)	0,63	0,68	0,84	0,77	0,89
Net interest bearing liabilities	100 000	100 000	100 000	150 000	150 000
Cash flow from operations	-19 886	-32 567	63 310	-21 916	-72 684
Operational investment	54 195	37 738	69 074	60 211	31 941
Equity ratio	67 %	56 %	52 %	42 %	43 %
Gearing	10.6 %	11.2 %	10.6 %	15.0 %	15.1 %
Number of employees	305	291	399	429	416
Price/book value	2,06	1,89	1,42	1,64	1,65

\* See note 30 Discontinued operations regarding restatement 2015.

# 2016 successes



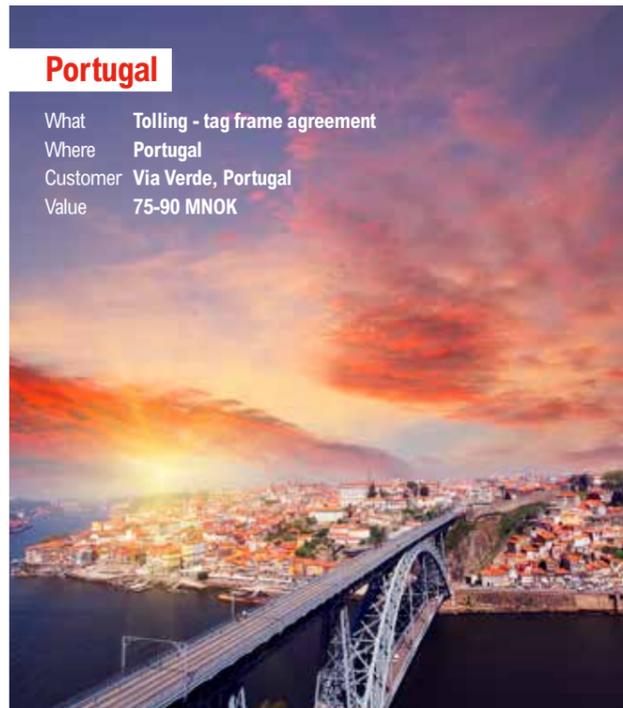
**France**

What Parking - parking guidance project  
 Where Place Vendome, Paris, France  
 Customer Indigo  
 Value 10 MNOK



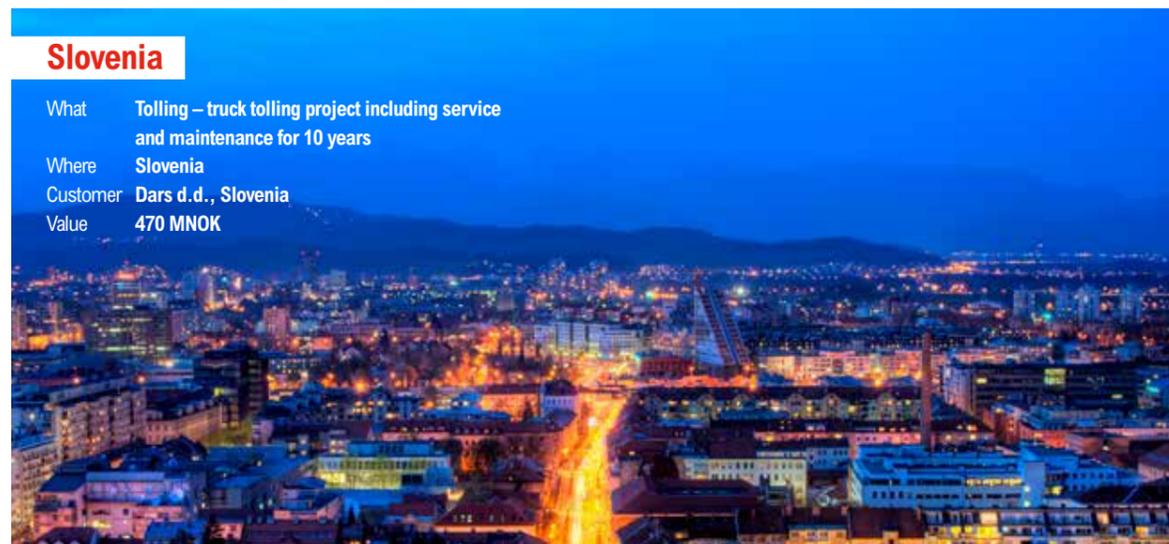
**Chile**

What Tolling - multi-lane free flow project deliveries  
 Where Santiago, Chile  
 Customer Vespucio Norte, Santiago, Chile  
 Value 34 MNOK



**Portugal**

What Tolling - tag frame agreement  
 Where Portugal  
 Customer Via Verde, Portugal  
 Value 75-90 MNOK



**Slovenia**

What Tolling – truck tolling project including service and maintenance for 10 years  
 Where Slovenia  
 Customer Dars d.d., Slovenia  
 Value 470 MNOK



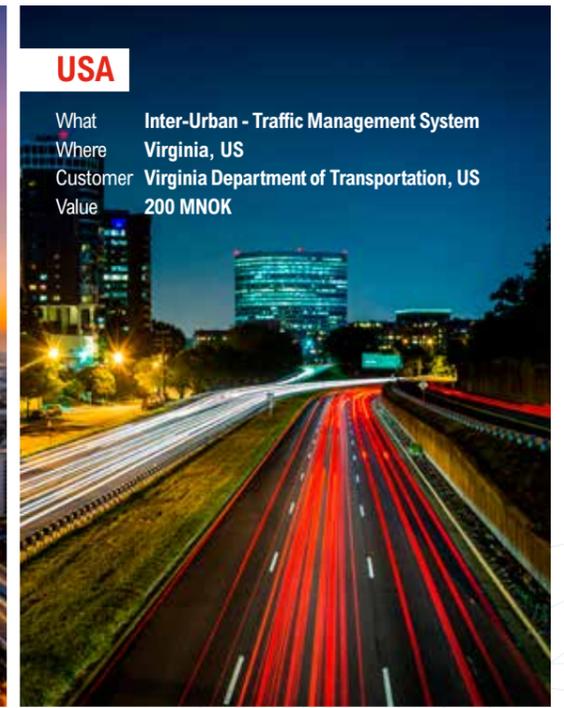
**Norway**

What Tolling – extension of operation of central system AutoPASS Norway  
 Where Norway  
 Customer Norwegian Public Roads Administration  
 Value 170 MNOK



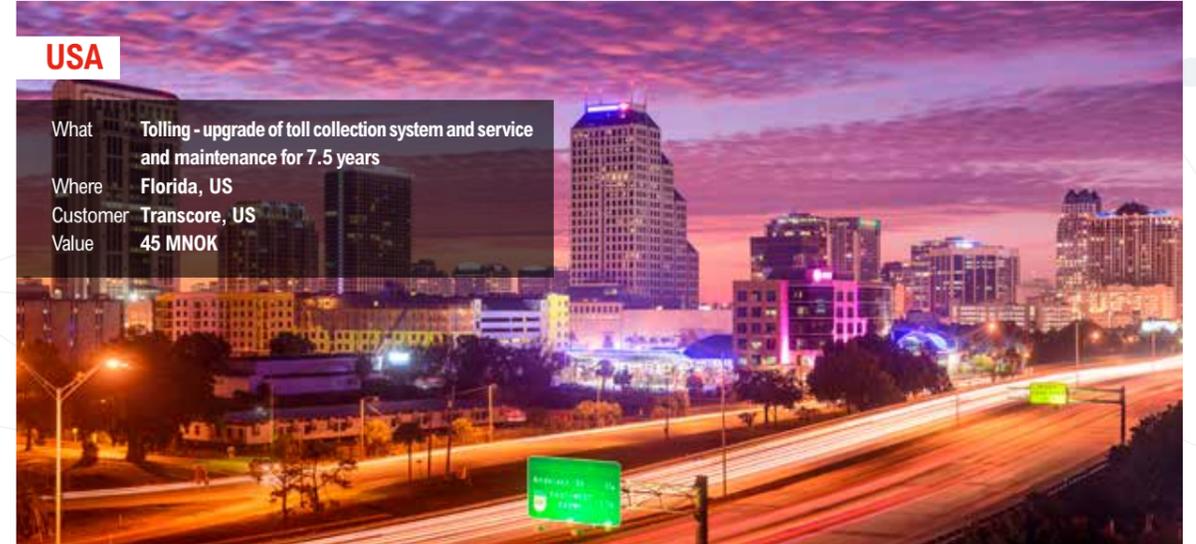
**Thailand**

What Tolling – infrastructure projects and service and maintenance  
 Where Bangkok, Thailand  
 Customer Bangkok Expressway and Metro  
 Value 22 MNOK



**USA**

What Inter-Urban - Traffic Management System  
 Where Virginia, US  
 Customer Virginia Department of Transportation, US  
 Value 200 MNOK



**USA**

What Tolling - upgrade of toll collection system and service and maintenance for 7.5 years  
 Where Florida, US  
 Customer Transcore, US  
 Value 45 MNOK



**Australia**

What Universal ITS station - C-ITS  
 Where Outdoor demonstration at World Congress ITS, Melbourne, Australia  
 Customer RMS  
 Value 4 MNOK



**Norway**

What Parking – Narrowband Internet of Things parking sensor development  
 Where Norway  
 Customer Cooperation with Telenor and Huawei



# Convergence

## Letter from the CEO

Every day millions of people around the world move into cities. More than half the world's population now lives in urban areas, and this development is expected to accelerate rather than slow down. Increasing urbanization presents us with unprecedented transportation challenges. Cities around the world are looking for new and better ways to manage their growing traffic flows to avoid congestion and pollution spiraling out of control. With technologies such as the internet of things, cloud computing, and connected autonomous vehicles acting as enablers for new and more effective transportation solutions, the Intelligent Transportation Solutions (ITS) industry is converging. We are moving from isolated, stand-alone solutions to integrated solutions where information from various systems is combined and used to generate new insights and manage traffic more intelligently.

Q-Free is also converging. Over the past years we have transformed Q-Free from a pure tolling company into an ITS company with an extensive product offering. We are now in the process of bringing the different parts of Q-Free together and finding new ways of combining technology and insights from our various businesses. One such example is parking, where we have used our tolling experience and new, acquired technologies to create barrier-less, ticketless, and cashless parking concepts. Other examples include the combination of infomobility solutions such as weigh-in-motion systems for trucks with electronic tolling systems and weather stations with traffic management centres. Convergence presents us with multiple opportunities to capitalise on the investments we have made to broaden our offering and to position Q-Free as a leading ITS company.

Convergence also implies a certain degree of discipline and caution. Selling everything everywhere will not work for a company our size. Therefore, we have prioritised our target segments carefully: Over the next couple of years, we aim for leading global positions in electronic tolling, parking, and infomobility. In addition, we aim for strong regional positions in North America in urban and inter-urban traffic management. Our emphasis will be on positioning Q-Free as a technology disruptor and innovator in our target segments. We are working on bringing new innovations to market that will change the way traffic is managed and make ITS more intelligent, affordable, and user friendly. One such innovation is our new radar-based parking sensor, which will reduce investment needs for customers and facilitate new business models in parking and traffic management.

With the capital increase late 2016, a record order backlog of 1.4 billion NOK, and a more lean and focused organisation, we are moving forward with a solid platform. In 2017 our focus will be on execution and performance management. Externally, we will work hard to earn new contracts and ensure successful delivery of our major contracts in e.g. Slovenia and the US. Internally we will work to streamline our processes and find cost-effective ways of converting our order backlog into double digit growth. We feel confident that Q-Free will return to profitability in 2017 and move forward with an ambition to finally capture the full potential of the company.

  
Håkon Volldal  
President & CEO, Q-Free ASA

# Industry perspective



## Convergence of the ITS industry

In the past several decades, transport sectors such as parking, tolling, traffic management, and public transport have been segregated into divisions, with minimal interaction. Each application or service has been seen as a separate, isolated ecosystem. In fact, ITS is one of the last areas of Information and Communication Technology where this still holds true. Political jurisdictions have typically procured transport systems in isolation with little regard for interoperability or the value of an integrated approach to transport monitoring and control. The ITS market has also been without standards up till now, with some notable exceptions like electronic fee collection. Thus we have ended up with an expansion of dissimilar transport systems based on vendor lock-ins, which increases cost and reduces usability for the end users.

This situation is rapidly changing. Fixing the problem of urban traffic growth has become a political and tactical imperative around the world. Significant research has gone into urban mobility, and the conclusions are unanimous: we must move toward an interlinked future where information from multiple sources is shared and platforms converge. This future state is called Cooperative ITS (C-ITS) or ITS 2.0. Driven by the emergence of new technologies such as connected autonomous vehicles, cloud computing and big data, and the Internet of Things, the once self-governing and self-interested transport market sectors are now merging functionalities to create a more seamless operational environment and information exchanges.

Significant EU and US investments are planned in the next years to establish large-scale commercial C-ITS pilots. These pilot programs will include major cities and a network of interconnecting cross-border motorways. In addition, national transport budgets now also include plans for C-ITS deployment. Australia already has three C-ITS programs running in Victoria, New South Wales, and Queensland. Another example is Norway, where the next National Transportation Plan has an initial proposal for pilots in excess of 600 MNOK for the period 2018-2021. The major Asian countries are also following the international harmonization and standardization process intently. It remains to be seen how various parliaments will handle the proposals from their administrations, but there is a strong push towards pilot deployment in most countries around the world.

## Implications for Q-Free

Since its inception in 1984, Q-Free has been playing a key role in standardisation of ITS on a global level. In fact, Q-Free was one of the early influencers and adaptors of the CEN DSRC (Dedicated Short-Range Communication) standard for electronic tolling. Today Q-Free still holds leading positions in standardisation and harmonisation bodies. The company actively shapes the future of C-ITS and enables the move towards ITS 2.0.

More specifically, Q-Free will make new C-ITS technologies and applications available for testing and pilots. After successful testing/validation, these technologies and applications could become new product lines or be integrated into existing products when there is a clear demand from the market. Q-Free has already developed the most advanced C-ITS Station in the world. It is based on knowledge accumulated over 10 years of doing international R&D projects, and has gone through four product generations. The current pilot products, which are installed in several markets around the world, are fully based on international standards and are designed to enable large-scale pilots with a minimum of installation and operational challenges.

Another key objective for Q-Free, as we move towards ITS 2.0, is harmonising our own technology base. Up until now, Q-Free has optimised some of the current product lines with technologies from different business units. The next stage is to reduce the number and variants of product platforms. This will lead to higher production volumes and thus lower costs for each platform. The process will also give more cross-company knowledge of the different technologies involved, and therefore ease the task of gathering competence for big projects across all subsidiaries. Roadside controllers are examples of products that could be harmonised across Q-Free's service lines. Another example is a new product for detecting vehicles based on radar and magnetometer sensor technology. This sensor can be embedded in the ground with battery capacity for up to ten years, but still be a full node in a Narrow Band-Internet of Things network. Although the sensor will initially be used for parking, it has many applications across Q-Free's portfolio. Hence it could simplify the company's product range without limiting our offering.

## Summary

The convergence in the ITS industry will take time. Progress is hampered by an abundance of industry players with different agendas and by national governments with complicated ongoing operations under strong legal and financial restrictions. Still, the shift towards an interlinked future where traffic information from multiple data sources is shared across platforms has started. In the end, ITS 2.0 will revolutionise our everyday life. It will make transportation smoother, safer, more environmentally friendly, and cheaper. Q-Free is already playing a leading role in this shift, and we embrace the industry convergence because it only makes Q-Free's future more interesting and exciting.

# Our strategy

In the second half of 2016, Q-Free has taken a number of actions to pave the way for profitable growth in 2017. The order-backlog has been built to a record-high level, the financial structure has been significantly improved through a private share placement, operational expenses have been reduced, and the business scope has been narrowed to allow better allocation of capital and resources. In sum, Q-Free is well positioned going into 2017.

In the coming two years Q-Free will try to capitalise on its high order backlog and convert the significant Slovenia and Virginia Department of Transportation contracts into strong revenue growth. Restoring attractive margins is another key goal for Q-Free. Tight project follow-ups, increased focus on performance management, and continued cost discipline are needed to improve margins and deliver attractive EBITDA and EBIT.

However, to sustain revenue growth and unleash the true potential of the company, Q-Free needs to build distinct and leading positions within selected target segments. Selling everything everywhere will not work. Q-Free believes it can establish itself as a global leader in tolling, parking, and infomobility and as a regional leader in North America in inter-urban/urban traffic management. We will make our mark by pushing innovative offerings such as wireless parking sensors, open traffic management platforms, state-of-the art traffic controller software etc. A growing list of customers and references will help us gain access to new markets.

With a proper financial and industrial foundation in place, Q-Free can, over time consolidate and expand its position by pursuing select M&A opportunities. There is no doubt that the industry will go through a phase of consolidation, and with a stable platform and sound business models in place, Q-Free will be able to scale presence on a different level than in the past.



# Our portfolio

With more than 30 years of experience, Q-Free is recognised as a provider of state-of-the-art ITS solutions and products which address all strategic and operational needs.

Our technology and solutions assist companies and governments in solving challenges arising from urbanisation and increasing traffic.

Our portfolio is based on an open systems approach to help develop and deploy new mobility concepts. Q-Free also offers comprehensive service and maintenance solutions.

## TOLLING



- Electronic Toll Collection
- Truck Tolling
- Congestion Charging Enforcement

## PARKING



- Q-Free ParQ - Parking Management Solution
- Ticketless, Barrierless, Flexible Payment Solutions
- Parking Guidance Systems
- Dynamic Pricing
- Parking Access Control

## INFOMOBILITY



- Weigh in Motion
- Traffic Counters
- Cycle & Pedestrian Detection
- Journey Time Monitoring
- Weather & Air-Quality Monitoring

## INTER-URBAN



- Traffic Management Centre
- Ramp Metering
- Truck Parking

## URBAN



- Traffic Controllers
- Cooperative ITS

OSLO, NORWAY

# Our solutions

## Tolling



Tolls are used to fund and maintain transport infrastructure such as roads, bridges, and tunnels. They are also increasingly applied to reduce traffic congestion or climate emissions. Toll schemes have evolved from charging motorists a flat fee for passing a certain point, to today's schemes where charges can be differentiated based on



time of day, distance travelled, and type of vehicle. Through the introduction of priority lanes, users can also be given the option to pay for increased mobility.

Q-Free pioneered the use of electronic tolling and provides tolling technology based on the Dedicated Short-Range Communication (DSRC) standard. We offer premium solutions and best-in-class service at a competitive price. Our offering includes a wide variety of products and solutions from tags inside cars and roadside equipment such as tag readers, cameras for automated license plate recognition, and lasers for vehicle classification, to our advanced software systems for processing roadside data, billing, and enforcement. Q-Free has designed, deployed, and maintained electronic tolling systems for over 30 years in more than 30 markets around the world.

Our solutions and technologies are scalable from a single road to an entire country or region. We provide free flow or open road tolling concepts that allow for high-speed, barrier-less charging, as well as traditional toll plaza solutions with physical barriers. Our solutions can be configured as truck tolling systems for tolling of trucks only, congestion charging solutions where vehicles are

charged based on time of day or pollution levels, and managed lanes where commuters pay for access to priority lanes or high occupancy vehicles can pass for free.

A variety of technologies are used to adapt to various local needs and regulations. Q-Free utilises DSRC and RFID tags, satellite (GNSS/GPS) technology, Automated License Plate Recognition/ video systems, and GSM/Cellular technologies etc. to create high performing and long-lasting tolling systems. What differentiates Q-Free from other providers, is our unique domain knowledge from implementing and running mission-critical tolling systems under very different conditions for more than three decades, the accuracy and reliability of our systems, and our reliable service operation.

Revenues are typically derived from initial system sales (project sales), service and maintenance agreements for delivered systems including software systems, and product sales related to upgrades/ expansions of existing systems.

## Parking



Well-functioning parking systems are key to effective and efficient transportation. They enable drivers to find available and convenient parking spaces. The result is reduced traffic congestion and climate emissions. In addition, travelers get to where they need to be on time.

We want to position Q-Free as a technology innovator and disruptor offering flexible and cost-effective solutions to professional parking operators. Our focus is on two critical parking technologies: Our complete Parking Management Solution, Q-Free ParQ, and our Parking Guidance solutions (PGS), which includes facility-, level- and single space- counting for indoor and outdoor parking.



Q-Free ParQ is a barrier-less, ticketless, and cashless solution. It allows customers to check and pre-book available parking in advance, access the car park without having to stop at a barrier to collect a ticket, and use a variety of payment solutions. This is made possible by Q-Free's world-leading Automated License Plate Recognition technology, where sophisticated cameras and software systems identify the vehicle registration number. Other means of vehicle identification such as tags (DSRC, RFID and NFC) can also be used. This maximizes operational efficiency and customer convenience. It also guarantees maximum revenue collection. Our Q-Free ParQ solution is cloud-based and provides end-to-end functionality and modules for managing access control, customer subscriptions, dynamic pricing, payments, enforcement, and real time dashboards and reports. Our customers gain insights about parking occupancy trends and can adjust pricing, schemes, and zones based on supply and demand.

Our class-leading PGS solutions use both fixed and wireless sensors to provide real-time information on parking availability. We register vehicles when they enter the parking facility, the level they stop at, and the space they occupy. The driver is guided to available parking spaces by displaying occupancy information on LED signs, web pages or in mobile applications. When integrated with Q-Free ParQ, Customers get access to real-time occupancy information and trends. Our new radar-based parking sensor will revolutionize the PGS market due to unrivalled accuracy, long battery lifetime, low installation costs, and robustness in tough weather conditions. The sensor is designed for the future with Narrow-Band Internet of Things (NB-IoT) connectivity, which means that it can communicate directly to future 4G and 5G telecom networks.

Although Q-Free is a new entrant in parking, we have a lot to offer. With no legacy to protect, we can bring new and innovative concepts to market that reduce costs and improve convenience for our customers. We offer unrivalled flexibility because our system is modular and based on open standards. This allows customers to buy single modules from Q-Free that interface with equipment from other suppliers.

Q-Free generates parking revenues on sale Q-Free ParQ (upfront fee plus annual license fees) and on sale of PGS hardware/sensors. With the anticipated move towards SaaS based solutions, our business model will likely develop into volume- or subscription-based models.

## Infomobility



Access to traffic data will become increasingly important for both traffic agencies and individual commuters. Infomobility solutions aim to collect and distribute accurate and real-time information about various traffic situations and conditions. Examples of typical infomobility solutions include weigh-in-motion systems, vehicle classification and counting systems, journey time systems, pedestrian and bicycle detection and counting systems, and weather detection systems.

Q-Free provides a full suite of infomobility solutions. Our state-of-the-art weigh in motion systems ensure that trucks are weighed on the move without having to stop at dedicated weighing stations. This is important as overloaded trucks represent a safety issue and cause significant wear and tear of highway infrastructure like roads and bridges. By applying Bluetooth technology, we can measure traffic flow speeds and volume and provide estimated travel times to various destinations. Our vehicle, cycle, and pedestrian counting systems provide traffic authorities and regulators with valuable information on what is happening on their roads. This data is used for safety, infrastructure planning, and funding.



We offer high quality, reliable products with an attractive price/ value ratio. All systems are characterized by real-time data capture, high accuracy, high uptime, high flexibility due to modular and interoperable solutions with open architectures, and a high service level to all customers. Moving forward, we expect our infomobility solutions to be integrated with other traffic systems to enhance the

value of these systems and enable new services. Examples include automated regulation of speed limits based on weather conditions, bus/bicycle/pedestrian priority schemes where detection systems are linked to traffic controllers, and tolling systems where toll fees are based on pollution levels.

In infomobility, Q-Free generates revenues on the sale of products and service and maintenance agreements. As for parking, we anticipate that the industry will move towards a more cloud-based future where our revenues will be linked to volume- or subscription-based models, with a high portion of recurring revenues.



## Inter-Urban



Highways are the arteries of our economies and their smooth functioning is essential to almost every aspect of our lives. In the face of ever increasing levels of traffic, jurisdictions around the world continue their efforts to make improvements to safety and environmental performance while reducing congestion. For this, they need intelligent and advanced traffic management systems.

Most countries and states/cities have centralised Traffic Management Centres (TMC) where trained operators respond to incidents such as accidents, fires, and traffic jams. To make the right decision at the right time, operators need access to timely and relevant information. Therefore, highways, tunnels, and bridges are typically monitored by a combination of sensors and cameras to gather required data. Intelligent software applications analyse this data to provide situational awareness and recommend actions to operators.

Q-Free provides TMC operators with traffic management solutions which are based on open standards. This simplifies deployment and eases integration with both new and legacy equipment. An open-architecture further promotes interoperability with a very wide variety of detection, monitoring, control and information systems. Q-Free helps network operators expand their operational capabilities with a centralised intelligent system that supports traffic management, intelligent decision making, and multimodal transportation management.

Our inter-urban traffic management solutions are primarily sold in North America, to customers such as the States of: Virginia, West Virginia, Pennsylvania, Delaware, and Alaska. Revenues are related to software system sales, and service and maintenance contracts, which ensure the systems are up to date, available, and bug-free.

## Urban



Towns and cities have special traffic management challenges. They must balance mobility, which enables economic growth and social interaction, with maintaining urban quality of life in the form of reduced traffic congestion, pollution, and noise.

For urban environments, Q-Free provides traffic and mobility management solutions that are based on common protocols and open standards. Our key products in this segment are smart traffic/intersection control systems. We offer single traffic light controllers and overall software platforms for managing traffic light systems in urban areas. Operators and traffic engineers gain a centralised and robust solution for integrated traffic control and intelligent decision-making.

Our intersection control systems are primarily sold in North America through a network of high quality dealers and system integrators. Q-Free's open platforms integrate well with a variety of required hardware components, such as signal heads, cabinets, and detectors.

Revenues in this segment are generated through hardware (controllers) and software sales. Currently, hardware accounts for 2/3 and SW for 1/3. Hardware is sold and invoiced based on traditional sales contracts, software might be licensed. Service and maintenance contracts for maintaining and improving the software typically cover multiple years. With a shift to cloud-based systems, we expect more of the revenues to become recurring and transaction-based.



OSLO, NORWAY

## Corporate management



**Håkon Vollidal (1976)**

*President & CEO*

**Appointed:** 2016

**Education:** Master of Science degree in Industrial Economics and Technology Management from the Norwegian University of Science and Technology (NTNU) in Trondheim, Norway

**Former career:** Tomra Systems ASA and McKinsey & Company

**QFR shares:** 630,828 share options

**Mobile:** +47 977 19 973  
hakon.vollidal@q-free.com



**Roar Østbø (1961)**

*CFO*

**Appointed:** 2005–2006 and 2009

**Education:** Certified Public Accountant from the Norwegian School of Economics and Business

**Former career:** Aqualyng Group, CorrOcean ASA, Reslab AS, Sintef and Arthur Andersen & Co.

**QFR shares:** 138,000 shares and 150,000 synthetic share options

**Mobile:** +47 932 45 175  
roar.ostbo@q-free.com



**Morten Andersson (1957)**

*SVP ELA, acting SVP NA*

**Appointed:** 2012

**Education:** 30 years of experience in the traffic management industry

**Former career:** Peek and Swarco

**QFR shares:** 17,700 shares and 100,000 synthetic share options

**Mobile:** +47 928 41 800  
morten.andersson@q-free.com



**Per Fredrik Ecker (1968)**

*SVP APMEA*

**Appointed:** 2007

**Education:** Second Lieutenant educated in electronics by the Norwegian Army Officers Training School

**Former career:** Siemens Mobile Networks

**QFR shares:** 33,500 shares and 70,000 synthetic share options

**Mobile:** +47 922 97 524  
per.ecker@q-free.com



**Pål Rune Johansen (1969)**

*SVP Nordic*

**Appointed:** 2000–2008 and 2014

**Education:** Master Degree in Mechanical Engineering from Norwegian University of Science and Technology, Trondheim, Norway

**Former career:** AF Gruppen ASA and Noca AS

**QFR shares:** 10,000 shares and 70,000 synthetic share options

**Mobile:** +47 959 82 408  
paal.johansen@q-free.com

## Board of Directors



**Charlotte Brogren Karlberg (1963) | Chairman of the Board | Served since 2011**

Charlotte Brogren Karlberg is General Director of Verket for innovationssystem, VINNOVA, a Swedish governmental administration authority, organised under the Ministry of Enterprise and Innovation, Energy and Communication. Brogren Karlberg has previously held management positions in the R&D organisation of ABB. Brogren Karlberg is a Chemical engineer and holds a Ph.D from Lunds Tekniska Högskola (1997). Brogren Karlberg is Chairman of the Board of Industrifonden and HMS AB, and a member of the Board of the Board of Gunnebo AB. Brogren Karlberg is a Swedish citizen and resides in Stockholm, Sweden. Brogren Karlberg has 20,000 QFR shares.



**Tore Valderhaug (1960) | Vice Chairman of the Board | Served since 2016**

Tore Valderhaug is currently a financial advisor. He is a Norwegian State-Authorized Public Accountant with 10 years of external audit experience and close to 20 years' experience as CFO in the Norwegian publicly listed companies Cermaq, EDB Business Partner, ASK Proxima, Ocean Rig and Unitor. Valderhaug has also been CFO and head of business development in the privately held PHARMAQ AS. He is currently a member of the board in the publicly listed companies Nordic Semiconductor ASA and XXL ASA, as well as in April AS. Valderhaug is a Norwegian citizen and resides in Oslo, Norway. Valderhaug owns indirectly through Proventi AS 25,000 shares in Q-Free ASA.



**Ragnhild Wahl (1967) | Board member | Served since 2015**

Ragnhild Wahl is Head of R&D at the Norwegian National Rail Administration. She is furthermore Chairman of the Board of ITS Norge, the interest group for the ITS sector in Norway, and is a member of the Board of IteMA AS and of TRANSPORT 2025, the Research Council of Norway's strategic project on research and innovation within the transport sector. Wahl has previously been Research Director of Transport Research at SINTEF, where she was a central contributor to R&D cooperation between the transportation authorities, industry and other stakeholders. Wahl holds a MSc in industrial economy and holds a Ph.D in transportation and logistics from the Norwegian University of Science and Technology. Ragnhild Wahl is a Norwegian citizen and resides in Trondheim, Norway. Wahl has no QFR shares.



**Snorre Kjesbu (1969) | Board member | Served since 2016**

Snorre Kjesbu is Vice President and General Manager for the Collaboration systems and Video Technology Group (CVTG) in Cisco, responsible for Cisco's global video division. Before joining Cisco, Kjesbu was Senior Vice President for Tandberg's Endpoint Product Division. Prior to Tandberg, he was at ABB responsible for wireless communications. Kjesbu and his team at ABB were awarded the Wall Street Journal Innovation award for their work on wireless sensors in 2002. Kjesbu serves on the board of directors of several IT-companies, and holds more than 20 patents in the area of communications and video conferencing. Kjesbu is a Norwegian citizen and resides in Oslo, Norway. Kjesbu has 25,000 QFR shares.



**Sissel Lillevik Larsen (1961) | Employee elected Board member | Served since 2016**

Sissel Lillevik Larsen has been with Q-Free since 2000, and holds the position as Team Manager for the Solutions Backoffice group. Larsen has more than 30 years of experience within the IT-industry, and has extensive experience within project and solution/product Management. Larsen has previously held leading position in Cubic Transportation Systems. Larsen is a Norwegian citizen and resides in Trondheim, Norway. Larsen has no QFR shares.



**Rune Jøraandstad (1977) | Employee elected Board member | Served since 2016**

Rune Jøraandstad has been with Q-Free since 2009 and holds the position as Global Director Bid Management. Jøraandstad has a MSc in Electronics and Telecommunications from the Norwegian University of Science and Technology in Trondheim, Norway. Jøraandstad is a Norwegian citizen and resides in Trondheim, Norway. Jøraandstad has no QFR shares.

# Board of Directors' report 2016

## The Q-Free Group

The Q-Free Group creates intelligent solutions for efficient, safe, and environmentally friendly transportation. Since its inception in 1984, Q-Free has delivered systems which are operational in Europe, North and South America, the Asia Pacific region, the Middle East, and Africa. Headquartered in Trondheim, Norway, the company has local offices in 19 countries around the world and 416 employees. 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.

## Summary and highlights in 2016

The Board is not satisfied with the financial results in 2016. At the same time, the order-backlog has been built to a record-high level, the financial structure has been significantly improved through a private share placement, gross operational expenses have been reduced by more than 50 MNOK, and the business scope has been narrowed to allow better allocation of resources. The Board is confident that the new CEO together with the management team will be able to deliver profitable growth in 2017 and beyond.

The highlights for 2016 include:

- 877 MNOK in revenues, up 14 % from 767 MNOK in 2015
- 11 MNOK in EBITDA before restructuring charges. Including restructuring charges, 2016 EBITDA ended at -4 MNOK
- 1 575 MNOK in order intake
- 134 MNOK in gross proceeds from private share placement in October
- A 470 MNOK tolling contract, the largest ever, for a nationwide truck tolling system in Slovenia
- A 200 MNOK Inter-urban Traffic Management contract, the largest ever, with Virginia Department of Transportation for a state-wide Traffic Management System
- Divestment of the Security division in early February 2017 (reported as "Discontinued operations" and excluded from the consolidated accounts for 2015 and 2016).

## Orders received and order backlog

Orders received in 2016 amounted to 1 575 MNOK, a record high for the company and 56 percent up compared to 2015 (1 010 MNOK).

Geographically, Europe and Latin America (ELA) accounted for 49 percent of new orders during 2016 (38 percent in 2015), mainly due to the signing of a 470 MNOK contract for a nationwide truck tolling system in Slovenia. This contract includes an initial project delivery, which shall be delivered prior to year-end 2017, and a 10-year service and maintenance agreement. Q-Free also won large tag contracts in Portugal (75-90 MNOK), Chile (26 MNOK), and France (29 MNOK). 18 percent of new orders were signed in the Nordic region (28 percent in 2015), where a new 165 MNOK three-year contract with the Norwegian Public Road Authorities for AutoPASS central system services was the most important win. North America contributed with 29 percent of Q-Free's total order intake in 2016 (25 percent in 2015). A 200 MNOK contract with Virginia Department of Transportation for a statewide traffic management was the single most important contract award to Q-Free in North America. Asia Pacific, Middle East & Africa accounted for 4 percent of total order intake in 2016 (9 percent in 2015).

As a result of the record order intake, the overall order backlog also increased to a record high of NOK 1 405 million by the end of 2016. This was up 88 percent from NOK 710 million 12 months earlier.

Geographically, Europe and Latin America (ELA) accounted for 55 percent of the order backlog, the Nordics for 19 percent, North America for 23 percent and Asia Pacific Middle East & Africa for 3 percent.

615 MNOK of the total order backlog is due for delivery in 2017 compared to 463 MNOK going into 2016.

## Financial review

### Revenues

Group revenues amounted to 877 MNOK, up 14 percent from 767 MNOK in 2015. The impact of the 2015 acquisitions of Intelight and Traffiko was limited, hence most of the growth was organic.

Europe and Latin America contributed with 320 MNOK or 37 percent of Group revenues in 2016, up from 279 MNOK in 2015. Q-Free mainly sells and services tolling, parking, and infomobility solutions in this region, which spans both established Q-Free markets such as Portugal, Chile, and France and new Q-Free markets such as the UK, Slovenia, and Serbia. Only 23 MNOK of the Slovenia contract were booked in 2016.

Revenues in the Nordic region were 229 MNOK, representing 26 percent of Group revenues. In 2015 Q-Free generated 240 MNOK in revenues in this region. Most of Q-Free's revenues

in 2016 was derived from contracts related to the AutoPASS tolling system in Norway and congestion charging systems in Sweden. In addition, Q-Free generated revenues from the parking business through several deployments with APCOA in Sweden.

2016 revenues in APMEA amounted to 95 MNOK, up from 63 MNOK in 2015. This accounted for 11 percent of Q-Free's total revenues. Q-Free's activities in this region consist of selling and servicing tolling, parking, and infomobility solutions. Revenues in 2016 mostly came from upgrades of existing tolling infrastructure in Thailand and various tolling activities in Australia.

North America contributed with 232 MNOK, or 26 percent of Group revenues. This was up from 185 MNOK in 2015. Q-Free has a strong and growing business in this region based on sale of parking guidance solutions, intersection controllers, traffic management center solutions, and license plate recognition applications in tolling systems. Growth compared to 2015 was driven by a new tolling project in Massachusetts, start-up of the VDOT delivery, and parking and infomobility deliveries.

### Gross profit

Gross profit was 581 MNOK compared to 545 MNOK in 2015, an increase of 7 percent year-on-year. The gross margin was down five percentage points from 2015 amid a higher share of revenues from projects in an early phase in 2016 on which Q-Free initially applies a lower than estimated project margin for the projects. In addition, gross margin was negatively impacted by inventory adjustments of -4 MNOK and a change of principle for revenue recognition on work in progress of -8 MNOK in Q-Free UK.

### Operating expenses

Total operating expenses amounted to 585 MNOK, up from 556 MNOK in 2015. Adjusting for restructuring expenses in the fourth quarter of 2015 and in the third quarter of 2016, Q-Free had 570 MNOK in operating expenses in 2016, up 20 percent compared to 476 MNOK in 2015. 14 percentage points were due to increased project costs, full-year effect of acquisitions concluded in 2015, and lower capitalised R&D expenses, and 6 percentage points due to general cost increases.

As a consequence of the high underlying growth in operating expenses during 2016, Q-Free implemented a cost reduction program in the third quarter of 2016 targeting 50 MNOK in reduced gross operational expenses. The program was finalised in October and had a positive impact of approximately 12 MNOK in the fourth quarter of 2016. The net impact of the program in 2017, i.e. after adjusting for inflation, salaries, and overhangs, is expected to be close to 25 MNOK.

### Operating profits

Earnings before interest, taxes, depreciation, and amortisation (EBITDA) ended at -4 MNOK compared to -11 MNOK in 2015. Excluding restructuring charges, the numbers for 2016 and 2015 were 11 MNOK and 69 MNOK.

Reported operating profit (EBIT) was -59 MNOK compared to -150 MNOK in 2015. Adjusting for restructuring charges, EBIT for 2016 and 2015 were -44 MNOK and -15 MNOK.

### Net financial items

Full-year net financial items were 3 MNOK versus -22 MNOK in 2015. The improvement is explained by a more favourable exchange rate and less adjustments provisions for earn out compared to 2015.

### Profits

The reported pre-tax loss for 2016 was 56 MNOK versus a loss of 172 MNOK in 2015. Tax expenses amounted to positive 2 MNOK, while payable tax was 7.3 MNOK. In 2015, tax expenses amounted to 16 MNOK.

Having undertaken an assessment of the criteria under IAS 12, Q-Free has chosen not to include deferred tax assets in Norway related to tax losses carried forward of 74 MNOK from 2013, 2014, 2015 and 2016.

## Annual results and year-end appropriations

The result after tax in 2016 was a loss of NOK 53 MNOK compared to a loss of 188 MNOK in 2015. Earnings per share was -1.11 NOK compared to -2.79 NOK in 2015.

The Board of Directors proposes to cover the parent company's loss for the year of NOK 19,608 million from other equity. Subsequent to this, the parent company had no distributable equity at the end of 2016.

The Board of Directors does not propose to distribute any dividends for 2016. The Annual General meeting is scheduled for 24 May 2017.

## Cash flow and liquidity

Net cash flow from operating activities was -73 MNOK versus -22 MNOK in 2015. The weaker cash flow from operating activities is explained by reduced profitability, higher project activity with pre-agreed extended payment terms and increased working capital.

Q-Free has had a strong focus on cash management throughout the entire organisation in the second half of 2016. The cost reduction program, which was initiated in the third quarter of 2016, has also had a positive impact on cash flow from operations.

Net working capital, defined as current assets excluding cash less current liabilities, and excluding short-term overdraft facilities, amounted to 132 MNOK. The corresponding figure at the end of 2015 was 40 MNOK. Net working capital equaled 15 percent of the revenues generated in the last 12 months. The ratio will vary between quarters depending on revenue mix and timing of payments.

Net cash flow from investment activities was -83 MNOK compared to -119 MNOK in 2015. This included 52 MNOK in earn-out payments on past acquisitions paid during 2016. Q-Free invested 32 MNOK in technology and other fixed assets during the year versus 60 MNOK in 2015.

Net cash flow from financing activities was 193 MNOK. This is up from 42 million in 2015, predominantly due to a private share placement that raised 134 MNOK in gross proceeds and net proceeds from short term loans of 65 MNOK.

The cash closing balance was 102 MNOK at the end of 2016, up from 65 MNOK at the end of 2015.

## Balance sheet

Total assets at the end of 2016 were 990 MNOK versus 997 MNOK one year earlier. Total equity ended at 427 MNOK, up from 416 MNOK at the end of 2015. The proceeds from the private placement in October helped to end the year with an equity ratio of 43 percent compared to 42 percent one year earlier.

Current liabilities amounted to 263 MNOK at the end of 2016 compared to 414 MNOK at the end of 2015. This decrease is due to a reclassification of a loan from Danske Bank (NOK 150 million) from short-term liabilities to long term liabilities as at 31 December 2016.

Non-current liabilities were 282 MNOK, an increase versus 167 MNOK at the end of 2015. Future obligations for purchase of shares in Intelight of 94 MNOK, liabilities related to pension schemes of 15 MNOK, and long-term loan to financial institutions of 150 MNOK represent most of the non-current liabilities. Q-Free has a NIBD/EBITDA covenant on its long-term loan.

As part of the restructuring process, Q-Free received a waiver from this covenant in June 2016 covering the remaining part of 2016. A subsequent waiver from this specific covenant has been received covering 2017 and replaced by revised financial covenants based on EBITDA performance and revised NIBD/EBITDA ratios.

Short term interest-bearing debt to financial institutions was 79 MNOK at the end of the period. This is down from 150 MNOK at the end of 2015. Available, unused credit facilities were 154 MNOK at the end of 2016.

The liquidity ratio was 1.6 at the end of 2016, up from 0.9 at the end of 2015.

## Going concern

The Board of Directors confirms that the financial statements have been prepared under the assumption of going concern and that this assumption was realistic at the time of the approval of the statements. It is the Board's opinion that the Profit and Loss Account and Balance Sheet with notes provide accurate information on the operations and the financial position at year-end.

## Organisation

### Personnel

The Q-Free Group had 416 employees at the end of 2016. This was a decrease from 429 employees at the end of 2015 and close to 470 people at the peak in 2016. The decrease can be attributed to the sales process of the security division and corresponding reporting as discontinued operations and the cost reduction program initiated in the third quarter and finalised in the fourth quarter of 2016. This program reduced gross operational expenses by approximately 50 MNOK, and approximately 30 employees were made redundant.

Q-Free has established good working conditions in a non-discriminating, multicultural organisation with operations in close to 20 countries. Sick leave remains at satisfactory low levels. The company is pleased to report no serious occupational incidents or injuries during the year. Please refer to the separate section on Corporate Social Responsibility Statement in this Annual Report for a more detailed review of Q-Free's human rights, labour rights, working conditions, and safety and health policies and performance.

### Management

On 1 August 2016 Håkon Volldal started as CEO in Q-Free. Volldal replaced CFO Roar Østbø, who was appointed as interim CEO on 3 November 2015 when the previous CEO resigned.

The management team has been reorganised in 2016 to support a new strategic plan and a new organisation.

### Board of Directors

The Board received on 14 January 2016 a request from shareholders representing 21 percent of the total shareholding in the Company for an extraordinary general meeting with the following agenda:

- Election of Chairman of the Board
- Election of members of the Board

The Extraordinary general meeting was held on 11 February 2016. After the election of new members, the Board is composed of the following shareholder elected members:

- Charlotte Brogren Karlberg (Chairman)
- Tore Valderhaug (Vice Chairman) (New)
- Ragnhild Wahl (Board member)
- Snorre Kjesbu (Board member) (New)

## Corporate social responsibility and corporate governance

Pursuant to the Norwegian Accounting Act section 3-3c, publicly listed companies shall present their principles for corporate social responsibility and review the performance with respect to human rights, labour rights, working conditions, the external environment, and anti-corruption. Details are provided under the section "Corporate Social Responsibility" in the Annual Report, and published on the company's website on <http://www.q-free.com/investor/corporate-social-responsibility/>.

Pursuant to the Norwegian Accounting Act section 3-3b, listed companies shall also present their principles for corporate governance and review the compliance with the recommendations set out in the Norwegian Code of Practice for Corporate Governance. Details are provided in the Corporate Governance section of the Annual Report, and published on the company's website at <http://www.qfree.com/investor/corporate-governance/>.

## Risk factors

Q-Free is an international technology company exposed to a number of different risk factors. This section outline the most prominent operational and financial risk factors and the main risk-mitigation actions and measures:

### Project risk

Q-Free handles demanding and complex large-scale project deliveries, which may involve considerable risk in terms of timing and cost. Through more than 30 years of experience, Q-Free holds

in-depth knowledge of customer requirements as well as the boundaries of its own project capabilities, and seeks to reduce risk in contract negotiations.

### Political risk

Tolling projects and some projects within Traffic Management are normally directly or indirectly subject to governmental concessions. Q-Free is therefore exposed to political risk from lead identification through contract awards to final project implementation and payment. The entry into multiple new service lines has added new revenue streams less exposed to political risk than tolling.

### Technology risk

Q-Free is exposed to risks related to the quality of own work and the quality of deliveries from subcontractors. Q-Free attempts to mitigate this risk through internal auditing and a non-conformance reporting system ensuring that employees carry out their work in accordance with well-defined processes. Q-Free clearly states its quality expectations in contracts with subcontractors and carries out regular quality reviews.

### Financial risk

Q-Free is exposed for credit risk related to customers' ability to fulfil their financial obligations. This risk is considered to be low, given that the Group's main customers are government controlled entities in Norway or abroad, or relatively large and solid private companies. The company has historically had a low ratio of bad debt to accounts receivables.

Q-Free is also exposed to currency risk in the ordinary business since more than 80 % of revenues was generated outside of Norway. Q-Free also runs businesses outside of Norway and buys a substantial share of required equipment abroad, with payment in foreign currencies which mitigates this risk significantly. This mitigated the net foreign currency exposure to approximately 12 percent of gross revenues in 2016. The Group strategy is to combine estimated future sales and purchases and hedge the net cash flow in the foreign currency by using forward/future contracts.

Q-Free aims to reduce its liquidity risk by holding sufficient cash and credit facilities at any time to be able to finance its operations and planned investments. Following the share issue in 2016, combined with a profitable growth and the implementation of the cost reduction program, the Board of Directors assesses the liquidity at the end of 2016 to be sufficient to cover the company's planned operations and investment requirements.

The group has interest-bearing debt and interest rate risk related to its bullet loan. The Group emphasises predictability at all times if entering any significant interest bearing debt contracts, as changes in the interest level influences the consolidated profit.

#### Risk of corruption

Q-Free ASA operates in some geographies and industries exposed to corruption. Q-Free has established a Code of Conduct, as well as conducted a corruption risk analysis and devised and completed a programme to increase awareness and limit our exposure. For further information, please see the Corporate Social Responsibility report.

#### Outlook

Q-Free aims to capitalise on its high order backlog and successfully convert the significant Slovenia and VDOT contracts into double digit revenue growth in 2017. The company sees numerous opportunities for sustaining growth long-term, as it operates in a market that is growing fast. Several large and mid-sized projects are assumed to be tendered in 2017 and the coming years, both in mature and developing markets. Q-Free is now in a position to leverage its broad product offering to generate growth from multiple regions and segments.

Restoring attractive margins is another key goal for Q-Free in 2017. Continued cost discipline, tight project follow-ups, and increased focus on performance management are key focus areas for Q-Free in its pursuit of improved EBITDA margins.

When it comes to cash flow, the company will not be able to deliver positive cash flow from operations in 2017 given the payment terms for the Slovenia contract. However, Q-Free has secured external financing for expected increases in working capital throughout 2017 and will have a positive operating cash flow in 2018 when the Slovenia payment is due.

The Board would like to thank all Q-Free employees for their contributions during 2016. Despite an unsatisfactory financial result, the organization has managed to build a strong order backlog and make required adjustments to the cost base, capital structure, and business scope to pave the way for profitable growth in 2017.

Trondheim 30th of March 2017

Charlotte Brogren Karlberg  
Chairman of the Board

Tore Valderhaug  
Vice Chairman of the Board

Ragnhild Wahl  
Board member

Snorre Kjesbu  
Board member

Rune Jøraandstad  
Employee-elected Board member

Håkon Rypern Volldal  
President & CEO

Sissel Nina Lillevik Larsen  
Employee-elected Board member



SANTIAGO, CHILE



# Statement of comprehensive income

for the year ended 31 December 2016

Parent company		Figures in TNOK	Note	Group	
2015	2016			2016	2015
-105 788	-19 608	<b>Profit for the period</b>		-83 632	-194 698
		<b>Other comprehensive income</b>			
		Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
40 781	-1 609	Exchange differences on translation of foreign operations		-45 804	72 983
-3 370	2	Net (loss)/gain on available-for-sale financial investments	25	2	-3 370
<b>37 411</b>	<b>-1 607</b>	<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>		<b>-45 802</b>	<b>69 613</b>
		Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
-695	248	Re-measurement gain (losses) on defined benefit plans	16	248	-695
0	0	– Income tax effect		0	0
<b>-695</b>	<b>248</b>	<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods:</b>		<b>248</b>	<b>-695</b>
<b>36 716</b>	<b>-1 359</b>	<b>Other comprehensive income for the year, net of tax</b>		<b>-45 554</b>	<b>68 918</b>
<b>-69 072</b>	<b>-20 967</b>	<b>Total comprehensive income for the period, net of tax</b>		<b>-129 186</b>	<b>-125 780</b>
		Attributable to :			
		Equity holders of the parent		-129 186	-125 780
		<b>Total comprehensive income for the period</b>		<b>-129 186</b>	<b>-125 780</b>



## Statement of financial position

as at 31 December 2016

Parent company			Group			
2015	2016	Assets	Figures in TNOK	Note	2016	2015
<b>Non - current assets</b>						
0	0	Deferred tax assets		23	17 420	0
36 923	50 297	Product development assets		10, 30	178 746	214 526
0	0	Goodwill		10, 11, 30	316 285	367 465
26 529	17 766	Machinery, fixtures and fittings, etc.		9, 22, 30	33 661	43 854
325 079	299 255	Investments in subsidiaries		6, 18	0	0
200 331	220 138	Loan to group companies		19	0	0
393	395	Investments in other companies		25	395	660
0	0	Other receivables			1 008	1 592
<b>589 255</b>	<b>587 851</b>	<b>Total non - current assets</b>			<b>547 515</b>	<b>628 097</b>
<b>Current assets</b>						
21 522	16 706	Inventories		14, 22, 30	66 327	81 378
0	36 598	Work in progress		7, 22, 30	75 807	44 269
35 206	44 812	Accounts receivables		21, 22, 30	142 425	149 606
77 793	129 399	Accounts receivables on group companies		21, 22	0	0
4 278	3 639	Other current assets		28, 30	31 646	28 616
0	15 970	Cash and cash equivalents		20, 30	101 474	65 349
<b>138 799</b>	<b>247 124</b>	<b>Total current assets</b>			<b>417 679</b>	<b>369 218</b>
<b>0</b>	<b>0</b>	<b>Assets held for sale</b>		30	<b>25 225</b>	<b>0</b>
<b>728 054</b>	<b>834 975</b>	<b>Total assets</b>			<b>990 419</b>	<b>997 315</b>

## Statement of financial position

as at 31 December 2016

Parent company			Group			
2015	2016	Equity and liabilities	Figures in TNOK	Note	2016	2015
<b>Equity attributable to equity holders of the parent</b>						
26 627	33 905	Subscribed share capital		13	33 905	26 627
439 350	578 307	Share premium reserve			578 307	439 350
20 529	20 529	Other paid-in capital			20 529	20 529
-118 740	-146 355	Other equity			-205 841	-70 007
<b>367 766</b>	<b>486 386</b>	<b>Total equity attributable to equity holders of the parent</b>			<b>426 900</b>	<b>416 499</b>
<b>367 766</b>	<b>486 386</b>	<b>Total equity</b>			<b>426 900</b>	<b>416 499</b>
<b>Liabilities</b>						
<b>Non - current liabilities</b>						
0	150 000	Debt to financial institutions		4, 22	150 000	0
2 405	14 743	Other non-current liabilities		4, 6	116 690	135 894
18 775	0	Pension liabilities		16	0	18 775
0	34 095	Loan from group companies		19	0	0
0	0	Deferred tax		23, 30	15 003	12 630
<b>21 180</b>	<b>198 838</b>	<b>Total non - current liabilities</b>			<b>281 693</b>	<b>167 299</b>
<b>Current liabilities</b>						
199 563	13 783	Debt to financial institutions		4, 22	79 457	150 000
22 622	58 108	Accounts payable		4, 30	100 209	77 913
0	0	Advance payments from customers		4, 7	11 677	12 576
19 787	33 010	Debt to group companies		19	0	0
0	0	Tax payable		4, 23	702	2 051
14 830	9 471	Public duties payable		30	16 647	19 713
82 306	35 379	Other current liabilities		4, 6, 26, 30	54 696	151 264
<b>339 108</b>	<b>149 751</b>	<b>Total current liabilities</b>			<b>263 388</b>	<b>413 517</b>
<b>360 288</b>	<b>348 589</b>	<b>Total liabilities</b>			<b>545 081</b>	<b>580 816</b>
<b>0</b>	<b>0</b>	<b>Liabilities held for sale</b>		30	<b>18 438</b>	<b>0</b>
<b>728 054</b>	<b>834 975</b>	<b>Total equity and liabilities</b>			<b>990 419</b>	<b>997 315</b>

Trondheim 30 March 2017

Charlotte Brogren Karlberg  
Chairman of the Board

Ragnhild Wahl  
Board member

Snorre Kjesbu  
Board member

Tore Valderhaug  
Vice Chairman of the Board

Sissel Nina Lillevik Larsen  
Employee-elected Board member

Rune Jøraandstad  
Employee-elected Board member

Håkon Rypern Volldal  
President & CEO

# Statement of changes in equity

for the year ended 31 December 2016

## Parent company

Figures in TNOK

	Note	Share		Other paid-in capital	Other equity	Available - for-sale reserve	Exchange differences on translation of foreign operations*	Actuarial gains and losses	Total equity
		capital	reserve						
<b>Equity per. 01.01.2015:</b>	13	<b>26 143</b>	<b>426 956</b>	<b>20 529</b>	<b>-40 132</b>	<b>3 304</b>	<b>0</b>	<b>-12 841</b>	<b>423 960</b>
<b>Total comprehensive income for the period *</b>					<b>-105 788</b>	<b>-3 370</b>	<b>40 781</b>	<b>-695</b>	<b>-69 072</b>
Share issue arising from acquisitions	13	484	12 394						12 878
<b>Total equity of the Parent company per 31.12.2015</b>		<b>26 627</b>	<b>439 350</b>	<b>20 529</b>	<b>-145 920</b>	<b>-66</b>	<b>40 781</b>	<b>-13 536</b>	<b>367 766</b>
<b>Equity per. 01.01.2016 :</b>	13	<b>26 627</b>	<b>439 350</b>	<b>20 529</b>	<b>-145 920</b>	<b>-66</b>	<b>40 781</b>	<b>-13 536</b>	<b>367 766</b>
<b>Total comprehensive income for the period *</b>					<b>-19 608</b>	<b>2</b>	<b>-1 609</b>	<b>248</b>	<b>-20 967</b>
Share issue arising from acquisitions	13	497	11 903						12 400
Share issue	13	6 781	127 054		-6 648				127 188
<b>Total equity of the Parent company per 31.12.2016</b>		<b>33 905</b>	<b>578 307</b>	<b>20 529</b>	<b>-172 175</b>	<b>-64</b>	<b>39 172</b>	<b>-13 288</b>	<b>486 386</b>

\* The exchange differences on translation of foreign operation is related to loan to subsidiaries treated as net investments.

## Group

Figures in TNOK

Equity attributable to equity holders of the parent

	Note	Share		Other paid-in capital	Other equity	Available - for-sale reserve	Exchange differences on translation of foreign operations*	Actuarial gains and losses	Total equity
		capital	reserve						
<b>Equity per. 01.01.2015:</b>	13	<b>26 144</b>	<b>426 956</b>	<b>20 529</b>	<b>14 814</b>	<b>3 305</b>	<b>49 223</b>	<b>-11 570</b>	<b>529 401</b>
Profit for the period					-194 698				-194 698
Other comprehensive income						-3 370	72 983	-695	68 918
<b>Total comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>-194 698</b>	<b>-3 370</b>	<b>72 983</b>	<b>-695</b>	<b>-125 780</b>
Share issue arising from acquisitions	13	484	12 394						12 878
<b>Total equity of the Group per 31.12.2015</b>		<b>26 627</b>	<b>439 350</b>	<b>20 529</b>	<b>-179 884</b>	<b>-65</b>	<b>122 206</b>	<b>-12 265</b>	<b>416 499</b>
<b>Equity per. 01.01.2016:</b>	13	<b>26 627</b>	<b>439 350</b>	<b>20 529</b>	<b>-179 884</b>	<b>-65</b>	<b>122 206</b>	<b>-12 265</b>	<b>416 499</b>
Profit for the period					-83 632				-83 632
Other comprehensive income						2	-45 804	248	-45 554
<b>Total comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>-83 632</b>	<b>2</b>	<b>-45 804</b>	<b>248</b>	<b>-129 186</b>
Share issue arising from acquisitions	13	497	11 903						12 400
Share issue	13	6 781	127 054		-6 648				127 188
<b>Total equity of the Group per 31.12.2016</b>	13	<b>33 905</b>	<b>578 307</b>	<b>20 529</b>	<b>-270 163</b>	<b>-63</b>	<b>76 402</b>	<b>-12 017</b>	<b>426 900</b>



### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are described below. The Group has based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

### Revenue recognition in projects

The group uses the percentage of completion method in accounting for projects, which requires the Group to estimate the progress in the projects. Progress is calculated as accrued costs as a percentage of total expected production costs. Total expected costs are estimated based on a combination of historical figures, the follow up of efficiency targets, and budgets. Each project's prognosis is evaluated on a monthly basis to verify that the accounts are based on best possible prognosis. Manhours constitute a large proportion of the total cost. The uncertainty of the estimation of manhours varies with duration and technical complexity of the project. Estimation of projects with long duration and high complexity has significant effect on the financial statement, and the Group management is therefore actively involved in these assessments. Revenue recognition in projects is measured on the basis of accrued production costs as a percentage of total anticipated costs. Total order backlog for the Group as at 31 December 2016 is TNOK 1,405,261. Corresponding figures for 2015 was TNOK 710,202. Further details are given in Note 7.

### Contingent consideration in business combinations

In several of the business combinations that has occurred during the last years, part of the consideration has been contingent based on future performance of the acquired company. At initial recognition the contingent consideration is measured at fair value based on the expectations at the acquisition date, the liability related to contingent consideration is remeasured at each subsequent reporting period. These measurements require the management to make assumptions of the future performance of the acquired companies. Changes and expenses related to contingent consideration is disclosed in Note 6.

### Cash settled share-based payment transactions

The Group measures the cost of equity-related transactions with employees by reference to the fair value of the equity instruments at the date they are granted. Estimating fair value for cash settled share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and

conditions of the grant. This estimate also requires determination and assumptions of the most appropriate inputs to the valuation model, including the expected life of the synthetic option, volatility, and dividend yield. The company's cost of cash settled share based payment is calculated using the Black & Scholes pricing model. For 2016 this adds up to a total cost of TNOK 0,000 (2015: TNOK 0,000). Further information on assumptions and models used for estimating fair value for cash settled share-based payment transactions are disclosed in Note 17.

### Pension funds/liabilities

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves a number of assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates, and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at the reporting date according to the recommendation of the Norwegian Accounting Standards Board. Q-Free ASA has terminated the defined benefit pension plans per 31.12.2016. The net employee pension liabilities for the Group as at 31 December 2016 is TNOK 0,000 (2015: TNOK 18,775). Further details are given in Note 16.

### Compensation for conversion to defined contribution plan

The Group terminated the defined benefit pension plan per 31.12.2016. The transition to defined contribution plan may lead to a reduction in retirement pensions for employees compared to the defined benefit plan. The Group has determined to give a wage compensation for lost pension benefits.

The cost of the compensation for the conversion to defined contribution plan, is estimated as the changes of fair value of future payments, using inputs as compensation amount per employee, discount rate, annual growth in salaries, mortality rate, expected turnover and the possibility of changes of the compensation.

The provision for the conversion to defined contribution plan for the Group as at 31 December 2016 is TNOK 17,444 (2015: 0,000). Further information on assumptions for estimating fair value are disclosed in note 15.

### Warranty accruals

The Group estimates probable warranty costs on faulty products based on historical data and an evaluation of the portfolio of delivered products still under warranty. Total provisions for warranty costs as at 31 December 2016 is TNOK 12,831 for the Group. (2015: TNOK 14,263). Further details are given in Note 26.

## Note 3 | Summary of significant accounting policies

### 3.0: Basis of consolidation

The consolidated financial statements comprise the financial statements of Q-Free ASA and its subsidiaries as at 31 December each year.

Subsidiaries are fully consolidated from the date of acquisition, defined as the date on which the group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

### Shares in subsidiaries

Investments in subsidiaries are accounted for according to the cost method in the parent company's accounts. The investments are recognised at their fair value on the date of acquisition. Fair value is attributed to identifiable assets and liabilities. Excess value that cannot be assigned to identifiable assets is classified as goodwill.

### Elimination of transactions

Intra-Group balances, transactions and unrealised gains and losses that arise between Group entities are eliminated at consolidation. Unrealised gains from transactions with associates are eliminated proportionally against the investment. Unrealised losses are eliminated correspondingly, unless they are related to impairment. All intra-Group transactions are eliminated in the consolidation process.

### 3.1: Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value at the date of acquisition and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree as the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If a business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with

IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, as the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination from the acquisition date allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit, and a part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. In this circumstance, goodwill disposed of is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### 3.2: Recognition of revenues

Revenues are recognised when it is probable that transactions will generate future financial benefits that will accrue to the company, and this revenue can be reliably estimated. Sales revenue are presented net of value added tax and discounts. Q-Free's business activities are product and system deliveries as well as service and maintenance and revenues within the tolling business. Q-Free distinguishes between project deliveries, product sales, and services/maintenance revenues. Government grants are classified as "Other income".

### Project deliveries

Revenues relating to system deliveries are recognised in the income statement according to the stage of completion. Stage of project completion is calculated as the percentage of accrued costs to total anticipated costs. Total anticipated costs are estimated on the basis of a combination of historical figures, the follow-up of efficiency targets and best estimates. Any estimated loss on a contract will be recognised in the income statement for the period when the company identifies that the project will lead to a loss.

Change orders are defined as additions to existing contracts. Change orders are recognised when we receive a confirmed order from the customer. Additional contractual services and estimated additional costs are included in the original project prognosis and

recognised as income with a shared profit on the contract and the same degree of completion.

Invoicing normally takes place when contractually agreed milestones are reached. Differences between invoicing and revenue recognition are shown as "Work in Progress" in the balance sheet. Advance payments from the customers are presented under current liabilities.

#### Product sales

Revenues from the sale of products are recognised in the income statement once delivery has taken place, the risk has been transferred, and the company has established a receivable due by customer.

#### Service and maintenance contracts

Services delivered which are not part of a project delivery are recognised as revenue upon the provision of the service and maintenance, as described under project deliveries.

#### Government grants

Government grants are not recognised until it is reasonably certain that the company will comply with the conditions and that it will be granted. The recognition of grant is postponed and amortised over the period when cost incur for items covered by the subsidies. Grants are recognised as deductions from the cost that the grant is meant to cover. Grants received to buy non-current assets are recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset. Government grants are accounted as other operating income when the costs are incurred or as reduction of personnel expenses if the Group has approved projects in the governmental tax relief program "Skattefunn". Further details are given in Note 8.

### 3.3: Foreign currency

#### Functional currency and presentation currency

The consolidated financial statements are presented in NOK, which is the company's functional and presentation currency. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the balance sheet date. All differences regarding retranslation are included in the profit and loss account.

#### Group companies

The assets and liabilities of foreign operations are translated into NOK at the rate of exchange at the reporting date, and their income statements are translated at the exchange rates at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

### 3.4: Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying financial benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed on each balance sheet date and reflect the best estimate of the liability. When the effect of time is insignificant, the provisions will be equal to the size of the expense required to be released of the liability. When the effect of time is significant, the provisions will be the present value of future payments to cover the liability. Further details are given in Note 26 and Note 31.

### 3.5: Financial instruments

#### Financial assets and liabilities

Financial assets and liabilities consist of shares, derivatives, accounts receivables and other receivables, cash and cash equivalents, loans, accounts payable and other liabilities.

A financial instrument is recognised when the Group becomes party to the instrument's contractual provisions. Upon initial recognition, financial assets and liabilities are measured at fair value plus directly attributable expenses. However, transaction costs relating to the acquisition or incurrence of financial instruments at fair value through profit or loss are recognised in profit or loss as they are incurred. An ordinary purchase or sale of financial assets is recognised and derecognised from the time an agreement is effective. Financial assets are derecognised when the Group's contractual rights to receive cash flows from the assets expire, or when the Group transfers the asset to another party and does not retain control, or transfers practically all risks and rewards associated with the asset. Financial liabilities are derecognised when the Group's contractual obligation has been satisfied, discharged or cancelled.

#### Classification

Q-Free classifies financial assets and liabilities according to IAS 39 in the following categories; financial assets and liabilities at fair value through the profit or loss, financial assets available for sales, loans and receivables, and other liabilities.

Financial assets and liabilities through profit and loss include financial assets held for trading and derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined in IAS39. Subsequent changes in fair value are carried in the statement of financial position at fair value, with changes in fair value recognised in finance income or finance expense in the income statement.

Financial assets available for sale are measured at fair value with changes over other comprehensive income.

After initial measurement loans and receivables are measured at amortised cost, less impairment for expected losses. The Group's other liabilities are, subsequent to initial recognition, measured at amortised cost using the effective interest rate method.

Further details on financial risk management are given in note 4.

#### Impairment of financial assets

The Group assesses at each reporting date whether any objective evidence exists that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

### 3.6: Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation reduces the cost of assets to their estimated residual value, if any, over their estimated useful lives. The cost of assets and the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Depreciation commences when the assets are ready for their intended use.

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

– Machinery and fixtures:	4 – 5 years
– Equipment:	5 – 10 years
– Building installations:	5 – 7 years, distributed over the remaining rental periods.

The assets' residual values, useful lives and methods of depreciations are reviewed at each financial year end and adjusted prospectively if appropriate.

### 3.7: Intangible assets

Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

If the criteria are satisfied, expenses capitalised will include the cost of materials, direct payroll expenses, and a percentage of the allocated administration expenses. Capitalised development costs are recognised on the balance sheet at acquisition cost less accumulated depreciation and impairments.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful financial lives. Useful lives and amortisation method for intangible assets with finite useful life is reviewed at least annually. The straight-line depreciation method is used for intangible assets as this best reflects the consumption of the assets.

Intangible assets with indefinite lives are impairment tested annually. Assessment of the recoverable amount for intangible assets with indefinite lives is based on estimates and judgements made by management, including estimates for the assets' ability to generate future revenues. Changes in the judgements and assumptions may result in an impairment loss.

#### Research and development

Expenses for research activities are recognised and expensed as they accrue.

Expenses related to product development activities are capitalised if the product development activities comply with defined criteria for capitalisation. Capitalisation assumes it is possible to identify the intangible asset to be developed and demonstrated that it is likely that the development work will be successful, and that the future financial benefits attached to the intangible asset will accrue to the enterprise. Depreciation is carried out using the straight-line method over the estimated useful lifetime. The estimated useful lifetime is continuously evaluated.

If the criteria are satisfied, expenses recognised on the balance sheet will include the cost of materials, direct payroll expenses and a percentage of the directly allocated administration expenses. Capitalised development costs are recognised on the balance sheet at acquisition cost less accumulated depreciation and impairments.

Expenses related to ongoing efforts to improve a product or enhance a product's quality are defined as product maintenance and expensed as they are incurred.

### 3.8: Impairment of non-financial assets

All non-financial assets are reviewed for each reporting period (quarterly) to determine whether there are indications of impairment. Where indications of impairment exist, recoverable amounts are calculated.

The recoverable amount of an asset or cash-generating unit is its value in use or fair value less costs to sell, whichever is higher. Value in use is calculated as the net present value of future cash flows. The calculation of net present value reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is calculated on the basis

of the estimated future cash flow based on the Group's budget and strategic plans. The budget has been approved by Q-Free's management and Board of Directors.

Impairment is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group that generates a cash inflow that is largely independent of other assets or groups. Impairment related to cash-generating units is intended first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. These assets will normally be property, plant and equipment, and other intangible assets.

### 3.9: Incentive programs for executive management

The group has a share option program for key employees whereby the employees render services as consideration for equity instruments (share options) that expired May 2015 and was replaced by a synthetic based option programme. The group has implemented a five-year share based option programme for the CEO.

The cost of equity-settled and equity-related transactions with employees is measured to fair value at grant date. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The market value of granted share options are measured by using a Black & Scholes model which take into consideration time and conditions of the share options. The cumulative expense recognised for the equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period. When options are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The cost of equity-related transactions with employees is measured by reference to the fair value of the equity instruments at the date they are granted. The cost of equity-related transactions is recognised over the period in which the performance conditions are fulfilled, and when the estimated fair value exceeds the strike price.

Social security tax related to share options is recorded as a liability and recognised over the estimated option period. It is calculated as the difference between the market value and the exercise value of the granted but not exercised share options.

See further details in Note 17.

### 3.10: Inventories

Work in progress is accounted for at the lowest of cost and net realisable value. For finished goods, the net realisable value is calculated as the selling price less cost to sell. For work in progress and finished products, the acquisition cost is calculated as direct and indirect costs. Inventories are assessed using the FIFO method.

### 3.11: Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, i.e. whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

### 3.12: Investment in shares

Investment in shares is classified as financial assets available for sale. The fair value of investments is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined applying commonly used valuation techniques. For further details see note 25.

### 3.13: Accounts receivable and other receivables

Accounts receivable and other receivables are entered at face value after deduction for provision for impairments on receivables. Provision for impairment on receivables is based on an individual assessment of each receivable and an overall assessment of the total portfolio of receivables.

A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

### 3.14: Pension costs and pension assets and liabilities

Q-Free ASA had a defined benefit pension plan for the employees which ended 31.12.16, together with the ongoing defined contribution pension plan for the employees. The scheme is funded through payments to an insurance company. Both pension plans meet the criteria for OTP. (Obligatorisk Tjeneste Pensjon) Pension cost are calculated according to IAS 19 for both plans. The liability recognised in the balance sheet related to the defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. The defined benefit obligation is determined by discounting the estimated future cash outflows using the OMF (high quality corporate bonds) interest rate. Net pension cost for the defined benefit plan for the year is determined using the projected unit credit method. Net pension cost is classified as payroll expense in the profit and loss statement. The pension cost of the contribution plan is expensed when paid, see note 16 for further details.

Q-Free ASA has terminated the defined benefit pension plan per 31.12.16. The gain from the closing of the defined benefit plan is recognised in the profit and loss statement when the settlement occurs.

### 3.15: Restructuring provision

During the transformation of Q-Free from a Tolling company into a fully integrated ITS-company, a cost reduction program was implemented with provisions for future costs. The provisions are estimated based on agreed severance packages, and other restructuring costs.

### 3.16: Taxes

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities, with the exception of:

- temporary differences linked to goodwill that are not tax deductible
- temporary differences related to investments in subsidiaries or associates the Group controls, when the temporary differences are to be reversed and this is not expected to take place in the foreseeable future.

Deferred tax assets are recognised when the Group can document future taxable profits to utilise the tax asset. The companies recognise previously unrecognised deferred tax assets to the extent it has become probable that the company can utilise the deferred tax asset. Similarly, the company will reduce a deferred tax asset to the extent that the company no longer can document it as probable that it can utilise the deferred tax asset.

Deferred tax and deferred tax assets are measured on the basis of the expected future tax rates applicable to the companies in the Group where temporary differences have arisen.

Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

### 3.17: Cash and cash equivalents

Cash includes cash at hand and in bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have a maximum term to maturity of three months.

### 3.18: Cash flow statement

The cash flow statement is prepared according to the indirect method. Cash is considered as a deposit at call in bank or similar financial institutions. Consented, not full-drawn bank overdrafts is not considered liquid capital. All items in the cash flow statement are net effects from the continued operation unless stated otherwise.

### 3.19: Discontinued operations

A business which is either sold or classified as held for sale and represents a separate major line of business or a separate major geographical area of operations are classified as discontinued operations. Discontinued operations are presented separately from the result from continuing operations in the financial statements and cash flow statements.

Assets and liabilities held for sale is measured at fair value less costs.

### 3.20: Operating segments

For management purposes, the Group is organised into geographical areas based on the location of the customer. Transfer prices between operating segments are based on an arm's length basis, similar to transactions with third parties. Further details on the group operating segments are given in note 5.

### 3.21: Events after the balance sheet date

New information on the company's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that will effect the company's position in the future but do not affect the company's position at the balance sheet date are stated if significant.

### 3.22: Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following IFRSs, IFRICs AND AMENDMENTS.

Standards, Amendments or interpretations	Effective date
Clarification of acceptable methods of depreciation and amortisation (changes in IAS 16 and IAS 38)	01.01.2016
IAS 19 Employee Benefits (Amendments - Defined Benefit Plans: Employee Contributions)	01.02.2016
Annual improvements (2010 – 2012 Cycle) Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38	01.01.2016
Annual improvements (2012-2014 Cycle) Amendments to IFRS 5, IFRS 7, IAS 19, IAS 34	01.01.2016

None of the new standards, amendments and interpretations had any material impact on the measurement and presentations principles applied by Q-Free. None had any material effect on the disclosures included in the financial statements.

### 3.23: Standards issued but not yet effective or adopted by the Group

The standards and interpretations that are issued but not yet effective per the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Amendments or interpretations	Effective date
IFRS 9 Financial Instruments	Mandatory adoption on or after 01.01.2018
IFRS 15 Revenue Recognition	Mandatory adoption on or after 01.01.2018
IFRS 16 Leases	Mandatory adoption on or after 01.01.2019

These standards, amendments and interpretations are not expected to have any material impact on the financial position of

the group except IFRS 15 and IFRS 16. IFRS 15 is discussed below. Q-Free has not concluded regarding the possible effects of implementing IFRS 16.

#### IFRS 15 Revenue from Contracts with Customers

IASB has issued IFRS 15 'Revenue from contracts with customers', with effective date 1 January 2018. The standard was endorsed by the EU in 2016, and Q-Free will adopt IFRS 15 full retrospectively on the effective date. IFRS 15 is part of the convergence project with FASB to replace IAS 18 and other standards, and the new standard will establish a single, comprehensive framework for revenue recognition. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange of those goods or services.

Q-Free is in the preliminary stages of analysing the impact of IFRS 15 focusing on the core principle. New contracts received during 2017 might have other impacts and implementations is expected to result in extended disclosures regarding types of revenue and related risks.

## Note 4 | Risk management

### Project risk

Q-Free handles demanding and complex large-scale project deliveries, which may involve considerable risk in terms of timing and cost. Through more than 30 years of experience, Q-Free holds in-depth knowledge of customer requirements as well as the boundaries of its own project capabilities, and seeks to reduce risk in contract negotiations.

### Political risk

Tolling projects and some projects within Traffic Management are normally directly or indirectly subject to governmental concessions. Q-Free is therefore exposed to political risk from lead identification through contract awards to final project implementation and payment. The entry into multiple new service lines has added new revenue streams less exposed to political risk than tolling.

### Technology risk

Q-Free is exposed to risks related to the quality of own work and the quality of deliveries from subcontractors. Q-Free attempts to mitigate this risk through internal auditing and a non-conformance reporting system ensuring that employees carry out their work in accordance with well-defined processes. Q-Free clearly states its quality expectations in contracts with subcontractors and carries out regular quality reviews.

### Risk of corruption

Q-Free ASA operates in some geographies and industries exposed to corruption. Q-Free has established a Code of Conduct, as well as conducted a corruption risk analysis and devised and completed a programme to increase awareness and limit our exposure. For further information, please see the Corporate Social Responsibility report.

### Financial risk factors and risk management

Q-Free has centralised management of financial risk. The Board has adopted guidelines for the Group's financial risk management, which are embodied in the corporate Financial Policy. Q-Free seeks to limit financial risk and increase predictability while exploiting finance as a competitive factor.

The Group is exposed to different financial market risks arising from our normal business activities, mainly these:

- Credit risk
- Currency risk
- Liquidity risk
- Interest rate risk
- Assets/liabilities measured at fair value and fair value hierarchy

### a) Credit risk

Risk related to customers' ability to fulfill their financial obligations is generally considered to be low, given that the Group's main customers are government controlled entities in Norway or abroad, or relatively large and solid private companies. The company has historically had a low ratio of bad debt to accounts receivables.

Sovereign risk related to governments failing to honor their debt obligations may have increased in several markets, although Q-Free has to date not incurred any losses on debt to any government related entity in any market.

The Group only conducts business with parties with an acceptable credit record. The Group has guidelines to ensure that outstanding amounts are kept below given credit limits and that sales are made only to customers with no history for significant credit problems.

When entering a new market, Q-Free assess the credit risk in each individual case and utilise appropriate actions like letters of credit, Norwegian Export Credit Agency guarantees, advance payments, or other similar tools to reduce credit risk.

The Group has no significant credit risk linked to any individual contracting party or to contracting parties that may be regarded as a group due to similarities in credit risk. The Group has not provided any guarantees for third parties' liabilities.

An aging analysis of trade receivables as at 31. December 2016 and 2015 is provided in note 21.

### b) Currency risk

Q-Free is also exposed to currency risk in the ordinary business since more than 80 % of revenues was generated outside of Norway. Q-Free also runs businesses outside of Norway and buys a substantial share of required equipment abroad, with payment in foreign currencies which mitigates this risk significantly. This mitigated the net foreign currency exposure to approximately 12 percent of gross revenues in 2016. The Group's most important trading currencies are NOK, USD, GBP and EURO.

The Group strategy is to combine estimated future sales and purchases and hedge the net cash flow in the foreign currency by using forward / future contracts.

Foreign exchange contracts are classified as either other financial assets or other financial liabilities measured as fair value. As at 31.12.16 the Group holds no foreign future contracts of accounted as other financial assets or liabilities, nor did we as at 31.12.15. See section regarding Fair Value for a fair value hierarchy and a specification on valuation technique applied used during the last financial Year.

The following table demonstrates the sensitivity to a reasonable possible change in the EURO, GBP and USD exchange rate for the Group's EBITDA (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward exchange contracts and net investment hedges), with all other variables held constant.

		Increase/decrease in	Effect on profit before tax	Effect on equity
2016	EURO rate	+ 10 %	+ 4 137 TNOK	+ 2 979 TNOK
		- 10 %	- 4 137 TNOK	- 2 979 TNOK
2016	GBP rate	+ 10 %	+ 2 182 TNOK	+ 1 702 TNOK
		- 10 %	- 2 182 TNOK	- 1 702 TNOK
2016	USD rate	+ 10 %	- 11 639 TNOK	- 6 401 TNOK
		- 10 %	+ 11 639 TNOK	+ 6 401 TNOK
2015	EURO rate	+ 10 %	+ 6 625 TNOK	+ 4 770 TNOK
		- 10 %	- 6 625 TNOK	- 4 770 TNOK
2015	GBP rate	+ 10 %	+ 599 TNOK	+ 467 TNOK
		- 10 %	- 599 TNOK	- 467 TNOK
2015	USD rate	+ 10 %	- 5 038 TNOK	- 2 771 TNOK
		- 10 %	+ 5 038 TNOK	+ 2 771 TNOK

### c) Liquidity risk

The Q-Free Group's strategy is to hold sufficient cash, cash equivalents, or credit facilities at any time to be able to finance its operations and planned investments over the next three years. Surplus cash funds are deposited in banks, or invested in money market funds, with the purpose of securing an acceptable, low-risk return on the invested capital. Following the share issue in 2016, combined with an profitable growth and the implementation of

the cost reduction program, the Board of Directors assesses the liquidity at the end of 2016 to be sufficient to cover the company's planned operations and investment requirements.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2016, based on contractual undiscounted payments.

Year ended 31 December 2016:	On demand	Less than 3 months	3 to 6 months	6 to 12 months	> 1 years	Total Group
Interest bearing loans and borrowings	737	1 028	1 040	67 730	169 204	239 739
Accounts payables	25 315	67 268	7 626			100 209
Public duties payable and taxes	0	17 349	0			17 349
Other liabilities	1 773	27 426	10 034	10 843	121 310	171 386
<b>Total liabilities (excl pension liabilities and deferred tax)</b>	<b>27 825</b>	<b>113 071</b>	<b>18 700</b>	<b>78 573</b>	<b>290 514</b>	<b>528 683</b>

Year ended 31 December 2015:	On demand	Less than 3 months	3 to 6 months	6 to 12 months	> 1 years	Total Group
Interest bearing loans and borrowings	755	1 073	1 092	2 175	160 281	165 375
Accounts payables	23 374	48 379	6 160			77 913
Public duties payable and taxes	0	21 764	0			21 764
Other liabilities	1 866	50 735	80 394	18 270	135 894	287 158
<b>Total liabilities (excl pension liabilities and deferred tax)</b>	<b>25 995</b>	<b>121 950</b>	<b>87 646</b>	<b>20 445</b>	<b>296 175</b>	<b>552 210</b>

### Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages and adjusts its capital structure in light of changes in financial conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of its total equity ratio. The book equity ratio is calculated as total equity divided by total assets as follows:

	As at 31 December	
	2016	2015
Total equity	426 900	416 499
Total assets	990 419	997 315
Book equity ratio	43.1 %	41.8 %

### d) Interest-rate risk

The group currently has interest-bearing debt in form of a bullet loan. Excess liquidity is placed at high-interest bearing accounts,

in order to have quick access to these funds. The Group emphasises predictability at all times if entering any significant interest bearing debt contracts, as changes in the interest level influences the consolidated profit. Actions will be taken to hedge this risk if possible.

A change in interest of 100 basis points (bps) on the date of balance sheet recognition would have increased (reduced) equity and the profit or loss by the amounts shown below. The analysis assumes that the other variables remain constant. The analysis was performed on the same basis as in 2015.

Effect of an interest rate increase of 100 bps:	As at 31 December	
Amounts in TNOK	2016	2015
	Result	Result
Investments with floating interest rates	478	889
Loans with variable interest rates	-1 499	-1 375
Profit before tax	-1 021	-486

### e) Assets/liabilities measured at fair value and fair value hierarchy

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. As at 31 December 2016, the Group held the following financial instruments measured at fair value:

– Shares at fair value through other comprehensive income (Included in "Investments in other companies")

– Foreign exchange contracts (Included in either "Other current financial asset" or "Other current financial liabilities")

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

### Assets/liabilities measured at fair value

	(TNOK)			
	31. Dec 2016	Level 1	Level 2	Level 3
Financial assets & liabilities at fair value through profit or loss:				
Available for sale financial investments	395	0	0	395
	31. Dec 2015	Level 1	Level 2	Level 3
Financial assets & liabilities at fair value through profit or loss:				
Available for sale financial investments	660	0	0	660

For details about the change in beginning and closing balances of level 3 measurements, refer to note 24.

### Determination of fair value

The book value of below listed financial assets and liabilities are approximately equal to fair value, as they have ultra-short collection cycles with low inherent risk.

### Financial assets and liabilities:

	Carrying amount 2016	Fair value 2016	Carrying amount 2015	Fair value 2015
Investments in other companies	395	395	660	660
Accounts receivables	142 425	142 425	149 606	149 606
Other receivables	1 008	1 008	1 592	1 592
Other assets	31 646	31 646	28 616	28 616
Cash and cash equivalents	101 474	101 474	65 349	65 349
Accounts payable	100 209	100 209	77 913	77 913
Other liabilities	54 696	54 696	151 264	151 264

## Note 5 | Operating segments

For management purposes, 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.)
- **NORTH AMERICA (NA)** (USA and Canada)

Group management (chief operating decision makers) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or

loss in the consolidated financial statements and in accordance with IFRS. The segments are reported in a manner consistent with internal reporting provided to the chief decision makers.

Inter-segment sales are priced along the same lines as sales to external customers, with an appropriate discount being applied to encourage use of group resources at a rate acceptable to local tax authorities. This policy was applied consistently throughout the current and prior period and is according to the Group Transfer Pricing Policy.

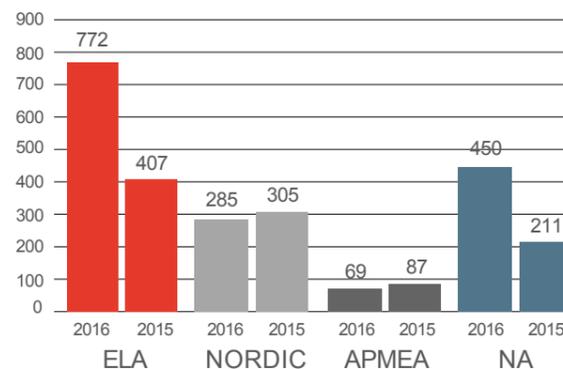
However, financing (including finance costs and finance income), income taxes, assets, and liabilities are managed on a group basis and are not allocated to operating segments.

NOK 1.000	FY 2016						FY 2015					
	ELA	APMEA	NORDIC	NA	Other/Group	TOTAL 2016	ELA	APMEA	NORDIC	NA	Other/Group	TOTAL 2015
<b>Revenues</b>	<b>393 990</b>	<b>138 068</b>	<b>247 283</b>	<b>242 286</b>	<b>-144 462</b>	<b>877 165</b>	<b>326 913</b>	<b>96 542</b>	<b>256 370</b>	<b>197 017</b>	<b>-109 957</b>	<b>766 885</b>
<b>Gross profit</b>	<b>189 955</b>	<b>81 521</b>	<b>186 417</b>	<b>182 448</b>	<b>-59 656</b>	<b>580 692</b>	<b>186 859</b>	<b>41 621</b>	<b>182 557</b>	<b>199 700</b>	<b>-65 466</b>	<b>545 271</b>
Gross margin - %	48.2 %	59.0 %	75.4 %	75.3 %	41.3 %	66.2 %	57.2 %	43.1 %	71.2 %	101.4 %	59.5 %	71.1 %
Operating expenses	144 850	76 896	100 204	226 014	37 067	585 038	138 424	55 629	103 686	160 059	98 197	555 996
<b>EBITDA</b>	<b>45 105</b>	<b>4 625</b>	<b>86 212</b>	<b>-43 566</b>	<b>-96 724</b>	<b>-4 345</b>	<b>48 435</b>	<b>-14 008</b>	<b>78 871</b>	<b>39 641</b>	<b>-163 663</b>	<b>-10 725</b>
EBITDA margin	11.4 %	3.3 %	34.9 %	-18.0 %	67.0 %	-0.5 %	14.8 %	-14.5 %	30.8 %	20.1 %	148.8 %	-1.4 %
Depreciation, amortisation and impairment	16 902	512	18 081	20 594	-1 327	54 762	85 108	7 657	26 931	22 490	-2 617	139 569
<b>SEGMENT - EBIT</b>	<b>28 204</b>	<b>4 113</b>	<b>68 131</b>	<b>-64 160</b>	<b>-95 397</b>	<b>-59 107</b>	<b>-36 673</b>	<b>-21 665</b>	<b>51 940</b>	<b>17 151</b>	<b>-161 046</b>	<b>-150 294</b>
EBIT margin	7.2 %	3.0 %	27.6 %	-26.5 %	66.0 %	-6.7 %	-11.2 %	-22.4 %	20.3 %	8.7 %	146.5 %	-19.6 %
Total financial items (not distributed)						3 486						(21 640)
<b>Profit before tax</b>						<b>-55 621</b>						<b>-171 934</b>
Taxes						2 202						-16 157
Segment profit included in discontinued operations						-30 213						-6 607
<b>Profit before tax after discontinued operations</b>						<b>-83 632</b>						<b>-194 698</b>

Revenues from the largest customer amounted to TNOK 105.203 (12 % of total revenues) in 2016, with the similar figure for 2015 TNOK 114.963 (15 %). The customer is included in the NORDIC region.

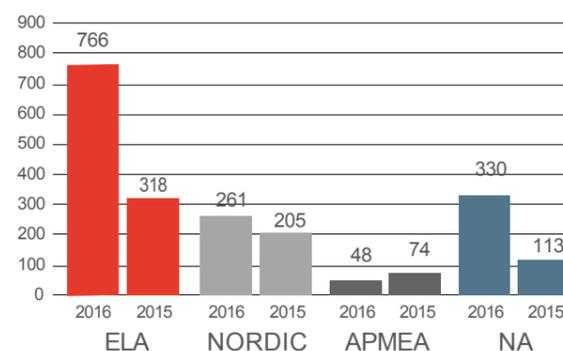
### Operating segments Order intake 2016 and 2015

NOK 1.000	2016		2015	
Order intake		%		%
ELA	771 584	49.0 %	406 500	40.3 %
NORDIC	285 046	18.1 %	304 712	30.2 %
APMEA	69 012	4.4 %	87 050	8.6 %
NA	449 502	28.5 %	211 459	20.9 %
<b>Total</b>	<b>1 575 143</b>		<b>1 009 722</b>	



### Operating segments Order backlog 2016 and 2015

NOK 1.000	2016		2015	
Order backlog		%		%
ELA	765 964	54.5 %	317 690	44.7 %
NORDIC	261 245	18.6 %	205 467	28.9 %
APMEA	47 714	3.4 %	73 766	10.4 %
NA	330 338	23.5 %	113 279	16.0 %
<b>Total</b>	<b>1 405 261</b>		<b>710 202</b>	



### Service line overview 2016 and 2015 Revenues

Service Line	Revenues		
	2016	2015	%
<b>Global Service lines</b>			
Tolling	575 474	490 227	65.6 %
Parking	97 070	58 827	11.1 %
Infomobility	52 475	54 154	6.0 %
<b>Regional Service lines</b>			
Urban	99 188	65 574	11.3 %
Inter Urban	52 958	98 104	6.0 %
<b>Total</b>	<b>877 165</b>	<b>766 885</b>	

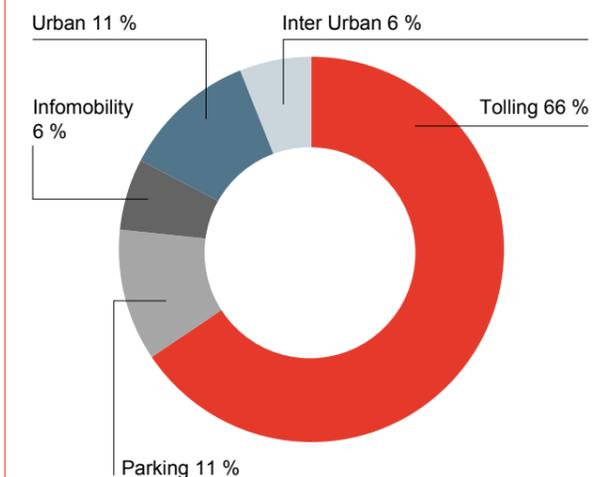
### Service line overview 2016 and 2015 Order intake

Service Line	Order intake		
	2016	2015	%
<b>Global Service lines</b>			
Tolling	1 091 248	710 443	69.3 %
Parking	84 717	73 501	5.4 %
Infomobility	43 425	59 539	2.8 %
<b>Regional Service lines</b>			
Urban	113 109	90 308	7.2 %
Inter Urban	241 648	75 897	15.4 %
<b>Total</b>	<b>1 574 146</b>	<b>1 009 688</b>	

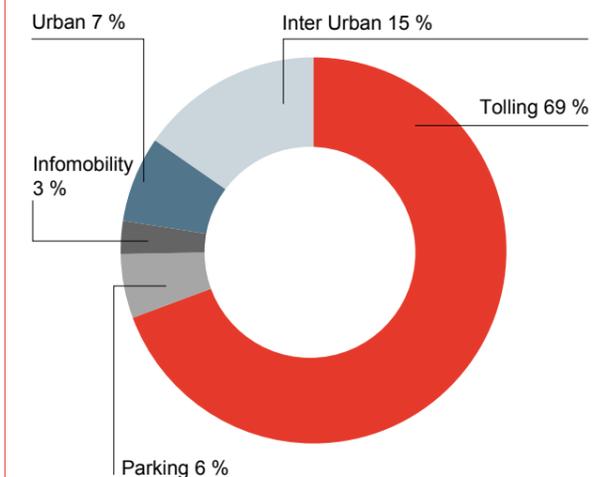
### Service line overview 2016 and 2015 Order backlog

Service Line	Order backlog		
	2016	2015	%
<b>Global Service lines</b>			
Tolling	1 071 000	558 776	76.3 %
Parking	28 976	41 812	2.1 %
Infomobility	25 729	32 951	1.8 %
<b>Regional Service lines</b>			
Urban	31 043	35 651	2.2 %
Inter Urban	247 799	41 012	17.6 %
<b>Total</b>	<b>1 404 548</b>	<b>710 202</b>	

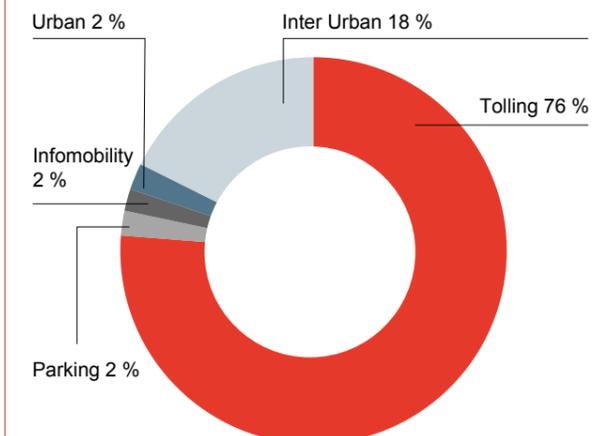
### Revenues split 2016



### Order intake split 2016



### Order backlog split 2016



## Note 6 | Business combinations

### Acquisitions in 2016

Q-Free ASA has not acquired any companies in 2016. The second tranche of the transaction regarding the acquisition of Intelight Inc. was closed in May 13 2016, and Q-Free acquired 9.6 percent to TNOK 7,932. Q-Free ASA has as of this date a shareholdings in the company of 34.0 percent.

Q-Free ASA has paid the following amounts in earn-outs to previous owners in 2016:

- TNOK 4,258 to Traffic Design d.o.o.
- TNOK 11,654 to TDC Systems Ltd.
- TNOK 26,362 to Open Roads Consulting Inc.
- TNOK 1,942 to Traffiko Ltd.

Settlement of earn-outs in shares in 2016 arising from previous acquisitions is TNOK 434 to Traffic Design d.o.o. and TNOK 11,966 to TDC Systems Ltd. During 2016 all earn-out liabilities are settled.

### Acquisitions in 2015

#### Acquisition of Intelight Inc - Arizona, US

This contains additional information about Q-Free's agreement to acquire Intelight Inc in accordance with section 3.4 of continuing obligations for companies listed on Oslo Stock Exchange.

Q-Free ASA has signed a share purchase agreement and a shareholders agreement to acquire 100 percent of the shares in the US traffic controller supplier, Intelight Inc over a five year period. This will be done through a five year option program, giving shareholders option to sell shares at closing in 2015 and in five

subsequent years valid from 2016, giving Q-Free the opportunity to each year add approximately 15 percent of Intelight-shares to the former 10.0 percent shareholding. At end of the 5 year period in the second quarter of 2020, Q-Free has a call option to acquire the rest of the shares.

The first transaction was closed April 21 2015 and Q-Free has of this date a shareholdings in the company of 24.4 percent including the 10.0 percent Q-Free had before the first transaction. The shareholders agreement and the amended bylaws provide control for Q-Free after signing these agreements. Based on this, the full activity of Intelight Inc. is consolidated in the Q2-2015 Q-Free accounts.

The consideration for the first transaction was approximately USD 2.2 million net of cash and debt, and no shares will be issued as part of the consideration. The consideration for the shares in the next five years will be based on a combination of multiples on revenues and EBITDA for Intelight Inc. The total consideration consist of USD 3.3 million in cash, and contingent consideration measure at fair value of USD 10.4 million. The range of possible outcomes for the contingent consideration is a floor on USD 10.5 million and the upper range is unlimited but related to the corresponding EBITDA performance of the company.

The current operations in Intelight Inc are an important part of our ATMS business and will broaden our scope of business, reduce risk, and also prepare the company for convergence of markets into a wider Intelligent Traffic market.

The fair value (TNOK) of the identifiable assets and liabilities of Intelight Inc as at the date of acquisition were:

Assets	Book value	Adjustment	Fair value
TNOK	21. 04. 2015		21. 04. 2015
Technology	0	37 820	37 820
Customer Relationships	0	6 838	6 838
Order Backlog	0	1 548	1 548
Goodwill	0	86 194	86 194
Machinery, fixtures	159	0	159
<b>Total fixed assets</b>	<b>159</b>	<b>132 399</b>	<b>132 558</b>
Inventories	3 980	0	3 980
Accounts receivables	4 585	0	4 585
Cash and equivalents	56	0	56
<b>Current assets</b>	<b>8 621</b>	<b>0</b>	<b>8 621</b>
<b>Total assets</b>	<b>8 780</b>	<b>132 399</b>	<b>141 180</b>

Liabilities and Equity	Book value	Adjustment	Fair value
TNOK	21. 04. 2015		21. 04. 2015
<b>Equity</b>	<b>-11 345</b>	<b>113 917</b>	<b>102 572</b>
Long term debt, net of current portion	6 611	0	6 611
Deferred tax	-5 906	18 482	12 576
<b>Long term liabilities</b>	<b>705</b>	<b>18 482</b>	<b>19 187</b>
Line of Credit - Bank	7 099	0	7 099
Accounts payable	9 425	0	9 425
Note Payable, related party	1 121	0	1 121
Current Portion of long term debt	695	0	695
Other short term liabilities	1 079	0	1 079
<b>Current liabilities</b>	<b>19 420</b>	<b>0</b>	<b>19 420</b>
<b>Total Equity &amp; Liabilities</b>	<b>8 780</b>	<b>132 399</b>	<b>141 180</b>

Three intangible assets are identified as follows:

Customer relationships, technology, and the value of existing order backlog. These three assets explain 35 percent of the total purchase price and the remaining value is allocated to goodwill.

Potential changes in the EBIT-assumption may change the fair value allocation and hence adjust the goodwill arising on acquisition. Goodwill is explained as the estimated value of the work force and the fact that the acquisition is an important transaction in order to position the Group in the ATMS market.

None of these elements complies with the control criteria in IAS 38 for capitalization of intangible assets and is hence included in goodwill.

#### Acquisition of Traffiko Ltd – Valetta, Malta

As of 3rd June 2015, Q-Free ASA acquired the activity of the Maltese parking management solutions company Traffiko Ltd. for EUR 1 million. The transaction includes an earn-out clause with potential pay out maximised to an additional EUR 1 million. The activity of Traffiko Ltd. is consolidated in the Q2-2015 Q-Free accounts.

Traffiko is an intelligent transportation solutions company providing a wide range of advanced traffic applications including secure cloud

hosted web-based applications for car park management, journey time analysis, on-street and off-street traffic related enforcement, access control, tracking, video analytics, traffic scene analysis, and revenue management, based on an integrated platform.

Traffiko was established in 2006 and maintains operations in Malta with customer references in Europe, North America, the Middle East and Australia with more than 650,000 active user accounts. In 2014, Traffiko generated revenues of some NOK 4 million. The company currently has five employees and will be embarking on a recruitment drive during 2015 to scale up further.

Further consideration is dependent on financial performance as part of 2015, 2016 and part of 2017, and is estimated to EUR 0.3 million. Including earn-out payments, the total consideration is capped at EUR 2 million

Traffiko has been a long-term partner to Q-Free for deliveries of a vital part of our parking management system in previous projects. This includes the newly announced APCOA-contract, for instalments of parking management systems to the Parking-garages at the Stockholm Globe Arena. Through this transaction within parking management solutions, Q-Free is now able to deliver a complete range of solutions within this fast growing segment.

Liabilities and Equity	Book value	Adjustment	Fair value
TNOK	03. 06. 2015		03. 06. 2015
Technology	0	8 466	8 466
Goodwill	0	5 080	5 080
<b>Total fixed assets</b>	<b>0</b>	<b>13 546</b>	<b>13 546</b>
Accounts receivables	388	0	388
Cash and equivalents	809	0	809
<b>Current assets</b>	<b>1 197</b>	<b>0</b>	<b>1 197</b>
<b>Total assets</b>	<b>1 197</b>	<b>13 546</b>	<b>14 742</b>

Liabilities and Equity	Book value 03.06.2015	Adjustment	Fair valueTNOK 03.06.2015
<b>Equity</b>	<b>17</b>	<b>10 583</b>	<b>10 599</b>
Deferred tax	0	2 963	2 963
Long term liabilities	0	2 963	2 963
Accounts payable	212	0	212
Accruals	121	0	121
Other short term liabilities	847	0	847
<b>Current liabilities</b>	<b>1 180</b>	<b>0</b>	<b>1 180</b>
<b>Total Equity &amp; Liabilities</b>	<b>1 197</b>	<b>13 546</b>	<b>14 742</b>

We have identified the technology as the intangible asset that the Group is acquiring. The value of the technology explains 63 percent of the total purchase price and the remaining value is allocated as goodwill.

Potential changes in the EBIT-assumption may change the fair value allocation and hence adjust the goodwill arising on acquisition.

Goodwill is explained as the estimated value of the work force and the fact that the acquisition is an important transaction in order to position the Group in the ATMS market.

None of these elements complies with the control criteria in IAS 38 for capitalisation of intangible assets and is hence included in goodwill.

#### Changes related to provisions for Earn-outs

	Current	Non current	Total
Provisions 01.01.2015	47 122	50 556	97 678
Payments in 2015	-36 984	0	-36 984
Share issue in 2015	-12 878	0	-12 878
Adjusted provisions related to acquisitions in 2014	19 808	0	19 808
Provisions related to acquisitions in 2015	0	79 780	79 780
Changes of estimated payments recognised in P&L	-1 535	8 470	6 935
Exchange rate differences earn-out recognised in P&L	3 276	279	3 555
Exchange rate differences earn-out recognised in other comprehensive income	3 508	18 481	21 989
Reclassification to current	29 699	-29 699	0
<b>Provisions 31.12.2015</b>	<b>52 016</b>	<b>127 867</b>	<b>179 883</b>

	Current	Non current	Total
Provisions 01.01.2016	52 016	127 867	179 883
Payments in 2016	-52 148	0	-52 148
Share issue in 2016	-12 400	0	-12 400
Changes of estimated payments recognised in P&L	2 457	-16 580	-14 123
Exchange rate differences earn-out recognised in P&L	-2 625	0	-2 625
Exchange rate differences earn-out recognised in other comprehensive income	0	-4 783	-4 783
Reclassification to current	12 700	-12 700	0
<b>Provisions 31.12.2016</b>	<b>0</b>	<b>93 804</b>	<b>93 804</b>

Remaining provisions relates to the acquisition of Intelight Inc in 2015. The range of possible outcomes for the contingent consideration is a floor on USD 10.5 million and the upper range is unlimited but related to the corresponding EBITDA performance of the company.

Analysis of cash flows on acquisition:	2016	2015
Transaction costs of the acquisition (included in cash flows from operating activities)	0	-2 346
Acquisition of a subsidiary	-52 149	-63 434
<b>Net cash flow on acquisition</b>	<b>-52 149</b>	<b>-65 780</b>

#### Impact of statement of income from business combinations and pro forma figures

Pro forma figures have been prepared for the period from 1 January 2015 until the time of the acquisitions of Intelight Inc and TraffikoLtd in 2015.

The contribution to the Group from the time of the acquisitions of the subsidiaries until 31 December 2015 and possible contribution for 2015 if Q-Free had owned the subsidiaries in 2015:

	Contribution to the Group's P&L for 2016	Possible contribution to the Group's P&L for the total 2016	Pro forma figures 2016 including new subsidiaries full year	Contribution to the Group's P&L for 2015	Possible contribution to the Group's P&L for the total 2015	Pro forma figures 2015 including new subsidiaries full year
Operating revenues	0	0	0	57 487	69 967	816 005
Profit and loss	0	0	0	13 342	11 028	-197 012

## Note 7 | Work in progress

The Group's main business activity is to develop and manufacture products and systems as well as provide service and maintenance based on orders received. The Group reports gross balance sheet values attached to long-term production contracts. Gross amounts due from customers for contract work (Work in progress) are recognised on the balance sheet as assets, and gross amounts due to customers for contract work (Prepayments from customers) are recognised on the balance sheet as liabilities. Work in progress is the net amount of accumulated operating revenues less accumulated invoicing for all ongoing contracts where accumulated operating revenues are higher than accumulated invoicing. Prepayments from customers are the net amounts of accumulated operating revenues less accumulated invoicing for all ongoing contracts where accumulated invoicing is higher than accumulated operating revenues.

Each project is monitored individually and is measured against the updated project prognosis. The estimated accrued contract profit shall not exceed a proportional share of the estimated total contract profit. The proportional share of the contract is based on the degree of completion of the individual contract, which is largely determined by the costs incurred as a ratio of the expected overall cost at the time of valuation. If the profit on a contract cannot be estimated with a reasonable degree of certainty, the project will be recognised without a profit until the uncertainty is manageable. All projects are followed up on an ongoing basis with project costing. In the event a project calculation shows a loss, this loss will be expensed immediately in its entirety.

Parent company			Group	
2015	2016		2016	2015
0	36 598	Work in progress	75 807	44 269
0	0	Prepayments from customers	-11 677	-12 576
0	36 598	Net projects in progress	64 130	31 693

#### Summary of work in progress as at 31.12

2015	2016		2016	2015
135 667	149 020	Contract revenues included in the consolidated financial statement	390 534	272 392
133 160	373 767	Total contract orders	748 406	506 087
88 738	125 025	Accumulated revenues	196 870	363 223
44 422	248 742	Remaining revenues	551 536	142 864
67 319	120 748	Accumulated operating expenses	190 374	252 975
41 379	104 764	Remaining operating expenses	274 194	104 147
0	0	Prepayments received	-11 677	-12 576

## Note 8 | Other operating income

The Group has received government grants of a total of TNOK 3,710 in 2016 (2015: TNOK 3,239). The Group is a partner in several projects under The Research Council of Norway, Innovation Norway and projects initiated by the EU.

Government grants	2016	2015
Projects with contribution from The Research Council of Norway	1 632	1 090
Projects with contribution from Innovation Norway	1 022	0
Contribution from EU initiated projects	1 056	2 149
<b>Total</b>	<b>3 710</b>	<b>3 239</b>

There are no conditions related to the grants that have not been met.

	2016	2015
Grants recognised as other income related to cost in same period	3 710	3 239
Grants accounted as reduction of payroll expenses (Skattefunn). See note 28 for further information	0	676
<b>Total</b>	<b>3 710</b>	<b>3 915</b>

## Note 9 | Property and equipment

Parent company	Machinery and fixtures	Equipment	Total
Acquisition cost as at 01.01.2015	81 572	121 608	203 180
Additions	1 742	1 854	3 597
<b>Acquisition cost as at 31.12.2015</b>	<b>83 314</b>	<b>123 462</b>	<b>206 777</b>
Accumulated depreciation and impairments as at 01.01.2015	73 084	95 953	169 037
Depreciation of the year	3 687	7 524	11 211
<b>Accumulated depreciation and impairments as at 31.12.2015</b>	<b>76 771</b>	<b>103 477</b>	<b>180 248</b>
Net book value as at 01.01.2015	8 488	25 655	34 143
Total changes of the year	-1 944	-5 670	-7 614
<b>As at 31.12.2015</b>	<b>6 544</b>	<b>19 985</b>	<b>26 529</b>
Acquisition cost as at 01.01.2016	83 314	123 462	206 777
Additions	1 563	184	1 747
<b>Acquisition cost as at 31.12.2016</b>	<b>84 877</b>	<b>123 647</b>	<b>208 524</b>
Accumulated depreciation and impairments as at 01.01.2016	76 771	103 477	180 248
Depreciation of the year	3 876	6 633	10 509
<b>Accumulated depreciation and impairments as at 31.12.2016</b>	<b>80 647</b>	<b>110 110</b>	<b>190 757</b>
Net book value as at 01.01.2016	6 544	19 985	26 529
Total changes of the year	-2 313	-6 449	-8 762
<b>As at 31.12.2016</b>	<b>4 230</b>	<b>13 536</b>	<b>17 766</b>

Financial lifetime	4-5 years	5-10 years
Depreciation schedule	Straight line	Straight line

### Securities for bank guarantees and overdraft facility

As at 31.12.16 assets in the parent company valued at TNOK 17,766 ( 2015: 26,529) are pledged as security for guarantee facility in Danske Bank.

Group	Machinery and fixtures	Equipment	Total
Acquisition cost as at 01.01.2015	153 499	121 608	275 107
Additions	5 055	1 854	6 909
Acquisitions of a subsidiary	1 710	0	1 710
<b>Acquisition cost as at 31.12.2015</b>	<b>160 264</b>	<b>123 462</b>	<b>283 726</b>
Accumulative depreciation and impairments as at 01.01.2015	127 355	95 953	223 308
Depreciation of the year	9 040	7 524	16 564
<b>Accumulated depreciation and impairments as at 31.12.2015</b>	<b>136 395</b>	<b>103 477</b>	<b>239 872</b>
Net book value as at 01.01.2015	26 144	25 655	51 799
Total changes of the year	-2 275	-5 670	-7 945
<b>As at 31.12.2015</b>	<b>23 869</b>	<b>19 985</b>	<b>43 854</b>
Acquisition cost as at 01.01.2016	160 264	123 462	283 726
Additions	6 364	184	6 548
Disposals	0	0	0
Transferred to assets held for sale*	-907	0	-907
Exchange rate differences	0	0	0
<b>Acquisition cost as at 31.12.2016</b>	<b>165 721</b>	<b>123 647</b>	<b>289 368</b>
Accumulative depreciation and impairments as at 01.01.2016	136 395	103 477	239 872
Depreciation of the year	9 201	6 633	15 834
<b>Accumulated depreciation and impairments as at 31.12.2016</b>	<b>145 596</b>	<b>110 110</b>	<b>255 706</b>
Net book value as at 01.01.2016	23 869	19 985	43 854
Total changes of the year	-3 744	-6 449	-10 193
<b>As at 31.12.2016</b>	<b>20 125</b>	<b>13 536</b>	<b>33 661</b>

Financial lifetime	4-5 years	5-10 years
Depreciation schedule	Straight line	Straight line

\* See note 30 Discontinued operations for further information.

## Note 10 | Intangible assets

Parent company	Product development		Total
	Goodwill	assets	
Acquisition cost as at 01.01.2015	0	225 985	225 985
Additions	0	25 049	25 049
<b>Acquisition cost as at 31.12.2015</b>	<b>0</b>	<b>251 034</b>	<b>251 034</b>
Accumulated depreciation and impairments as at 01.01.2015	0	173 474	173 474
Depreciation of the year	0	24 863	24 863
Impairment	0	15 774	15 774
<b>Accumulated depreciation and impairments as at 31.12.2015</b>	<b>0</b>	<b>214 111</b>	<b>214 111</b>
Net book value as at 01.01.2015	0	52 511	52 511
Total changes of the year	0	-15 588	-15 588
<b>As at 31.12.2015</b>	<b>0</b>	<b>36 923</b>	<b>36 923</b>
Acquisition cost as at 01.01.2016	0	251 034	251 034
Additions	0	20 239	20 239
<b>Acquisition cost as at 31.12.2016</b>	<b>0</b>	<b>271 273</b>	<b>271 273</b>
Accumulated depreciation and impairments as at 01.01.2016	0	214 111	214 111
Depreciation of the year	0	6 865	6 865
<b>Accumulated depreciation and impairments as at 31.12.2016</b>	<b>0</b>	<b>220 976</b>	<b>220 976</b>
Net book value as at 01.01.2016	0	36 923	36 923
Total changes of the year	0	13 374	13 374
<b>As at 31.12.2016</b>	<b>0</b>	<b>50 297</b>	<b>50 297</b>

Financial lifetime	Impairment tested	5-10 years
Depreciation schedule	annually (or when impairment indicators exist)	Straight line

Group	Product development		Total
	Goodwill	assets	
Acquisition cost as at 01.01.2015	227 969	485 992	713 961
Additions	0	54 220	54 220
Acquisitions of a subsidiary	91 274	54 671	145 945
Exchange rate differences	48 222	18 516	66 738
<b>Acquisition cost as at 31.12.2015</b>	<b>367 465</b>	<b>613 399</b>	<b>980 864</b>
Accumulative depreciation and impairments as at 01.01.2015	0	270 956	270 956
Depreciation of the year	0	72 395	72 395
Impairment	0	55 523	55 523
Adjusted for discontinued operations*	0	-4 913	-4 913
<b>Accumulated depreciation and impairments as at 31.12.2015</b>	<b>0</b>	<b>393 961</b>	<b>393 961</b>
Net book value as at 01.01.2015	227 969	215 036	443 005
Total changes of the year	139 496	4 403	143 899
Adjusted for discontinued operations*	0	-4 913	-4 913
<b>As at 31.12.2015</b>	<b>367 465</b>	<b>214 526</b>	<b>581 991</b>
Acquisition cost as at 01.01.2016	367 465	613 399	980 864
Additions**	-5 452	28 314	22 862
Transferred to Assets held for sale*	-22 260	-22 459	-44 719
Exchange rate differences	-23 468	-6 765	-30 233
<b>Acquisition cost as at 31.12.2016</b>	<b>316 285</b>	<b>612 489</b>	<b>928 774</b>
Accumulative depreciation and impairments as at 01.01.2016	0	393 961	393 961
Depreciation of the year	0	38 928	38 928
Transferred to Assets held for sale*	0	-4 058	-4 058
<b>Accumulated depreciation and impairments as at 31.12.2016</b>	<b>0</b>	<b>428 831</b>	<b>428 831</b>
Net book value as at 01.01.2016	367 465	214 526	581 991
Total changes of the year	-51 180	-35 780	-86 960
<b>As at 31.12.2016</b>	<b>316 285</b>	<b>178 746</b>	<b>495 031</b>
Financial lifetime	Impairment tested	5-10 years	
Depreciation schedule	annually (or when impairment indicators exist)	Straight line	

\* In October 2016 the Board announced its intention to divest Q-Free's security business Prometheus Security Group Global Inc. (PSG) and began this process in December 2016. The security division is not a part of Q-Free's core business going forward.

The divestment 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 2015 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 impairment of intangible assets and goodwill relating to the divestment of PSG is NOK 26.8 million. See note 30 Discontinued operations for further information.

\*\* Q-Free has reclassified NOK 5 million from goodwill to development assets in 2016.

## Development

The group capitalises costs regarding product development activities. Capitalised costs for 2016 consist of product development that prepares the company to be a fully integrated ITS company, providing systems and services within traffic management and these product segments:

- Tolling
- Parking Management Systems
- Infomobility
- Inter-Urban Traffic Management
- Urban Traffic Management

Research expenses in the P&L were immaterial in 2016.

Impairment of Tolling technology of NOK 56 million in 2015 was done due to impairment test showing a recoverable amount less than current balance sheet amount.

Capitalised costs mainly consist of personnel expenses, purchase of materials, as well as external services. Product development assets are depreciated over the products expected lifetime. The estimated useful lifetime is continuously evaluated.

## Note 11 | Impairment testing of goodwill

Goodwill obtained through acquisitions is allocated to the Group's service lines: Parking, Infomobility, Urban and Inter Urban. Impairment is tested against recoverable amounts from future cash flows in all these service lines. Goodwill is tested according to what is defined as the operating segment pursuant to IFRS 8 Operating segments.

### Carrying amount of Goodwill

Figures in TNOK	Group	
	2016	2015
<b>Goodwill obtained through acquisitions</b>		
Q-Free Netherlands BV	33 838	35 822
TCS International Inc.	54 390	55 583
Elcom d.o.o.	7 795	8 252
TDC Systems Ltd.	66 162	81 491
Traffic Design d.o.o.	8 695	9 205
Open Roads Consulting Inc.*	46 022	69 779
Prometheus Security Group Global Inc. (PSG)*	22 260	0
Intelight Inc.	99 383	101 562
Q-Free Traffiko Ltd.**	0	5 771
Divestment of Prometheus Security Group Inc.*	-22 260	0
<b>Total amount of Goodwill recognised in balance sheet as at 31.12:</b>	<b>316 285</b>	<b>367 465</b>

\* Prometheus Security Group Global Inc. (PSG) was demerged from Open Roads Consulting Inc. per 01.01.2016. In October 2016 the Board announced its intention to divest Q-Free's security business PSG, and the divestment was closed in February 2017. See note 30. Discontinued operations for further information.

\*\* Q-Free has reclassified NOK 5 million from goodwill to development assets in 2016.

The total exchange rate differences in other comprehensive income regarding Goodwill is TNOK -23,468 in 2016 (2015: 48,222).

### Impairment testing of goodwill as at 31. December 2016

The Group performed its annual impairment test as at 31 December 2016. The recoverable amount has been determined based on cash flow projections. The projected cash flow is based on budgets and long-term plans, which are subject to the approval of the Board and the corporate management. Long-term plans are equivalent to the Group Strategy and covers a period of five years. Approved budgets and long-term plans are adjusted for cash flows related to investments, restructuring, future product improvements

and new development, where this is considered significant for the impairment test.

The impairment of goodwill in 2016 is TNOK 22,260 and is related to the divestment of Prometheus Security Group Inc. There was no impairment of goodwill in 2015. See note 30 Discontinued operations for further information.

### Key assumptions used in value calculations

The calculation of value in use are most sensitive to the following assumptions:

- Cash flow projections;
- Discount rate;
- Market share during the budget period; and
- Growth rate

• **Cash flow projection** – The projections are based on budgets and on forecasting values that is the outcome of the Group's managerial strategic process. The forecasting values are increased over the budget period for anticipated economics efficiency improvements.

• **Discount rates** – The discount rates are based on a weighted average cost of capital (WACC) method, whereby the cost of equity and the cost of liabilities are weighted according to the estimated capital structure. The discount rates reflect the market's required rates of return at the time of the test. When determining the discount rates the cost of equity consists of risk-free interest as well as an individual risk premium. The risk premium is the entity's systematic risk (beta), multiplied by the market's risk premium. The risk-free interest is estimated on a 10-year Norwegian government covered bond interest rate (OMF) and is based on all cash flows being translated to NOK. The cost of liabilities represents an expected long-term after-tax interest rate for comparable liabilities and consists of risk-free interest and an interest spread. A 10.1 % discount rate is applied in the calculations (2015: 10.2 %)

• **Market share assumptions** – The management uses both industry data for growth rates (as noted below) and assesses how Q-Free's position relative to its competitors might change over the budget period. The management overall expects that the Group's market share will be maintained, although there might be increases or setbacks in certain areas.

• **Growth rate estimates** – Growth rates in the explicit prognosis period are predicated on management's expectations of market trends. A 7.6 % growth rate is applied in the calculations (2015: 11.0 %) that is a prudent estimate compared to the industry's annual compounded growth rate of 15–25 % for the next five years. The growth rate after the five year prognosis period applied in the calculations is 2.0 % (2015: 2.0 %).

### Sensitivity to changes in assumptions

There will always be uncertainty attached to the estimate of value in use. With relatively large changes in the above described key assumptions, the entity could face an impairment situation, although such changes are considered to be outside the probability corridor.

The figures below are based on change in one parameter isolated for the period 2017–2021, and all other parameters unchanged. The column break-even rate indicates the lowest or highest rate that can be used without need for impairment.

Key assumptions	According to impairment test	Break-even rate
Discount rate	10.1 %	11.2 %
Growth rate in the explicit prognosis period	7.6 %	-0.4 %
Growth rate after the five year prognosis period	2.0 %	0.4 %

## Note 12 | Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent

company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all potential ordinary shares into ordinary shares.

Figures in TNOK

	2016	2015
Profit for the year from continuing operations	-53 419 193	-188 090 835
Profit for the year on discontinued operations, net of tax	-30 213 360	-6 607 030
<b>Profit for the year</b>	<b>-83 632 553</b>	<b>-194 697 865</b>
Weighted average number of ordinary shares	75 351 168	69 781 209
Weighted average of share options	261 983	373 973
Weighted average number of diluted shares	75 613 151	70 155 182
Earnings in NOK per share from continuing operations	-0,71	-2,70
Diluted earnings in NOK per share from continuing operations	-0,71	-2,70
Earnings in NOK per share from discontinued operations	-0,40	-0,09
Diluted earnings in NOK per share from discontinued operations	-0,40	-0,09
Earnings in NOK per share profit for the year	-1,11	-2,79
Diluted earnings in NOK per share profit for the year	-1,11	-2,79

There have been no transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

For a specification of the change of number of shares during 2016 and 2015, see note 13.

## Note 13 | Issued capital and reserves

The company has one class of shares and there are no voting restrictions. Per 31.12.16 the number of shares were 89,223,446. Par value per share is NOK 0.38. Total share capital per 31.12.2016

was NOK 33,904,910. The company had 1.909 shareholders as at 31.12.16. As at 31.12.16 the share price listed at OSE was NOK 7.88 per share, equalling a market value of MNOK 703.

	Ordinary shares	
	2016	2015
Shares issued per 01.01	70 070 552	68 798 142
Share issue	19 152 894	1 272 410
<b>Total shares issued per. 31.12.</b>	<b>89 223 446</b>	<b>70 070 552</b>



The company's largest share holders as at 31 December 2016:	Number of shares	Percentage ownership	Voting rights
KAPSCH TRAFFICCOM AG	9 900 000	11.10 %	11.10 %
STOREBRAND VEKST VERDIPAPIRFOND	5 171 975	5.80 %	5.80 %
AS ATLANTIS VEST	4 700 000	5.27 %	5.27 %
KLP AKSJENORGE	4 203 709	4.71 %	4.71 %
KOMMUNAL LANDSPENSJONSKASSE	4 049 851	4.54 %	4.54 %
VERDIPAPIRFONDET DNB NORGE (IV)	3 960 543	4.44 %	4.44 %
KAPSCH TRAFFICCOM AG	3 850 458	4.32 %	4.32 %
MARK PHILLIPS	3 062 153	3.43 %	3.43 %
FORTE TRØNDER	2 210 765	2.48 %	2.48 %
STATOIL PENSJON	2 100 338	2.35 %	2.35 %
EIKA NORGE	1 646 106	1.84 %	1.84 %
LARS ODDGEIR ANDRESEN	1 633 600	1.83 %	1.83 %
REDBACK AS	1 627 000	1.82 %	1.82 %
ULSMO FINANS AS	1 577 867	1.77 %	1.77 %
VERDIPAPIRFONDET DNB SMB	1 484 881	1.66 %	1.66 %
VERDIPAPIRFONDET STOREBRAND OPTIMA	1 478 301	1.66 %	1.66 %
AUGUST HOLDING AS	1 249 000	1.40 %	1.40 %
MONS HOLDING AS	1 247 434	1.40 %	1.40 %
JPMORGAN CHASE BANK, N.A., LONDON (NOM)	1 216 089	1.36 %	1.36 %
CIPI LAMP UCITS SWEDBANK SMB	1 094 343	1.23 %	1.23 %
Other share holders	31 759 033	35.59 %	35.59 %
<b>Total</b>	<b>89 223 446</b>	<b>100.00 %</b>	<b>100.00 %</b>

Shareholders by size of holding as at 31 December 2016	Number of owners	Number of shares	Holding percentage
1 – 1 000	752	396 214	0.44 %
1 001 – 10 000	803	3 350 800	3.76 %
10 001 – 100 000	274	9 533 727	10.69 %
100 001 – 200 000	29	4 083 946	4.58 %
200 001 – 500 000	19	6 312 514	7.07 %
500 001 – 1 000 000	12	8 081 832	9.06 %
1 000 001 – 2 000 000	10	14 254 621	15.98 %
2 000 001 – 5 000 000	8	28 137 817	31.54 %
5 000 001 – 15 000 000	2	15 071 975	16.89 %
<b>TOTAL</b>	<b>1 909</b>	<b>89 223 446</b>	<b>100.00 %</b>

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

Name	Position	Shares
Charlotte Brogren Karlberg	Chairmann of the Board	20 000
Tore Valderhaug	Vice Chairman of the Board	25 000
Snorre Kjesbu	Board member	25 000
Roar Østbø	CFO	138 000
Morten Andersson	SVP ELA, Acting SVP NA	17 700
Per Fredrik Ecker	SVP APMEA	33 500
Pål Rune Johansen	SVP Nordic	10 000
<b>Total</b>		<b>269 200</b>

The General assembly approved in May 2016 a five-year stock option program for the CEO to increase the share capital by subscription of new shares in connection with an incentive programme. A four-year synthetic based incentive program for key executives was approved by the General assembly in May 2015. For further information – see note 17.

## Note 14 | Inventory and costs of goods sold

### Inventory

Parent company		Inventory specification:	Group	
2015	2016		2016	2015
16 209	10 240	Raw material and semi manufactured products	54 704	34 526
8 876	5 250	Stock for sub supplier	5 250	8 876
0	3 466	Stock for maintenance contracts	3 466	0
0	0	Work in progress	3 070	0
7 294	6 819	Finished goods	13 894	48 833
-10 857	-9 070	Obsolescence*	-14 059	-10 857
<b>21 522</b>	<b>16 706</b>	<b>Total</b>	<b>66 327</b>	<b>81 378</b>

All inventories are valued at the lower of cost and net realisable value. Inventory write-downs recognised as an expense for the Parent company is TNOK 519 in 2016 (2015: TNOK 10,076) and for the group TNOK 16,982 in 2016 (2015: NOK 10,076), which is recognised in cost of goods sold.

### Costs of goods sold

Parent company		COGS specification:	Group	
2015	2016		2016	2015
137 486	144 886	Purchase of goods	273 409	198 368
87	151	Freight, customs etc.	759	87
0	0	External services handling of COGS	0	0
742	519	Change of inventories*	22 313	33 897
0	0	Adjusted for discontinued operations**	0	-10 737
<b>138 315</b>	<b>145 556</b>	<b>Total</b>	<b>296 481</b>	<b>221 615</b>

\* The effect of the inventory write downs in TDC Systems Ltd. in 2016 is caused by an inventory adjustment of TNOK 4,001 and a work in progress adjustment of TNOK 8,377, while the effect of the write downs related to the impairment of TOLLING technology is TNOK 8,263 in 2015.

\*\* See note 30 Discontinued operations for further information.

## Note 15 | Salaries and personnel related expenses

Parent company		Personnel expenses:	Group	
2015	2016		2016	2015
103 983	91 957	Salaries	267 578	253 203
0	17 444	Compensation for conversion to defined contribution plan	17 444	0
15 184	15 814	Social security costs	33 608	30 834
7 992	-10 132	Pension costs	-4 451	11 439
676	0	Skattefunn (governmental tax relief)	0	676
-19 172	-17 150	Capitalised personnel costs	-21 778	-22 226
14 702	17 358	Other personnel related costs*	15 840	30 493
0	0	Adjusted for discontinued operations**	0	-8 063
<b>123 365</b>	<b>115 291</b>	<b>Total</b>	<b>308 241</b>	<b>296 356</b>
115	114	Average number of employees**	426	398
114	114	Average number of man-years**	420	392

\* The effect of the restructuring cost related to a cost savings program in 2016 is TNOK 13,823, while the effect of the restructuring cost related to the Q-Free ITS transformation programme in 2015 is TNOK 16,459.

\*\* See note 30 Discontinued operations for further information.

### Compensation for conversion to defined contribution plan

Q-Free ASA terminated the defined benefit plan for 27 employees per 31.12.2016, and all employees in Norway are now included in the defined contribution plan. The transition to defined contribution plan may lead to a reduction in retirement pensions for employees compared to the defined benefit plan. The 27 employees involved in this process are given a wage compensation for lost pension benefits, and the provision for future payments as compensation for lost pension benefits in 2016 is TNOK 17,444.

Basis and assumptions for calculation of compensation for conversion to defined contribution plan:

- **Estimated compensation amount** – The estimated compensation amount is based on calculations from actuary using actuarial valuations.

- **Discount rate** – The discount rate is based on a risk free rate stipulated as a normalised yield on 10-year Norwegian government bonds. A 3.5 % discount rate is applied in the calculation.

- **Annual growth in salaries** – The annual growth in salaries is based on the assumptions at the reporting date according to the recommendation of the Norwegian Accounting Standards Board. A 2.5 % annual growth in salaries is applied in the calculation.

- **Mortality rate** – The mortality rate is based on official statistics in Norway per age and net present value is adjusted for the mortality rate per employee.

- **Turnover** – The expected turnover is based on historical turnover within the company.

- **Possibility of changes** – The estimated compensation amount will be reduced if the defined contribution plan changes. In addition there will always be a risk that the Board decides that the compensation could come to an end.

### Main principles for stipulation of salary and other remuneration to leading employees

Q-Free is a leading international Company within its area of business. To maintain and to strengthen its market position, and to reach the objectives the Board has set for the Company, Q-Free is dependent on recruiting and keeping highly competent employees, leaders included. The Company must therefore grant competitive wages to its leading employees. The Board therefore states that the fixed monthly salary for the respective leaders shall represent competitive wages, and that this shall reflect the respective leaders' personal responsibilities and competence.

In addition to the fixed monthly salary, there should be an option to grant a bonus that will depend on the results of the company and on performance of the individual employee. The Board has therefore established a bonus plan for the Company's employees, leaders included. For the CEO such bonus shall be maximum 50 % of the fixed yearly salary, and for the other members of the management team, such bonus shall be maximum 40% of the fixed yearly salary. The bonus shall in general terms be linked to Q-Free's fulfillment of further defined objectives for the period, result targets and/or other established objectives for the Company. These objectives shall each year be established by the Company's Board, and may be linked to financial results, results within research and development, quality objectives and/or further established individual result targets or objectives for the individual leader.

In addition to the fixed monthly salary, bonus according to achieved results and adopted option plans, the agreement with the individual leader can include that he or she may receive minor payment in kind. In individual cases it can also be agreed that the leader concerned shall have a Company car at disposal or receive a fixed car allowance according to the prevailing regulations.

Q-Free has established a collective pension plan for its employees that also include the leading employees. Q-Free has established a group life insurance for the management team.

The Board furthermore specifies that there shall be a mutual period of notice of up to six (6) months for agreements made with leading employees. The severance pay for the CEO shall not exceed twelve (12) months pay, calculated from the CEO's resignation day. In case of mergers/acquisition, resulting in substantial changes in the managerial position, severance pay shall not exceed twelve (12) months, calculated from the CEO's resignation day. In individual cases other arrangements with regards to resignation can be agreed, hereunder agreements of payment after the termination of employment of the leader in question. The Board may depart from the principles above in individual cases.

After a defined period of employment the Board can grant right to education with pay for the leading employees based on an individual assessment of the value such education will have for the Company.

The principles for remuneration have been changed during the last year.

No loans or guarantees have been provided to the Chief Executive Officer, Board members, shareholders, or close associates of these individuals.

Payments to senior management  
and Board of directors 2016:

	2016						
TNOK	Salary	Bonus	Director's remuneration	Pension service cost	Other remuneration	Share option cost	TOTAL
Charlotte Brogren Karlberg, Chairman of the Board 1)			637,1				637,1
Tore Valderhaug, Vice Chairman of the Board 2)			243,5				243,5
Regnhild Wahl, Board member			351,0				351,0
Snorre Kjesbu, Board member 3)			175,5				175,5
Jan Pihl Grimnes, Former Board member 4)			192,5				192,5
Anders Endre Nybø, Former Board member 5)			235,0				235,0
Jeanett Bergan, Chairman of the Nomination committee 6)			60,0				60,0
Thomas Alexander Vogt, Nomination committee			50,0				50,0
Loretzen Andreas Berdal, Nomination committee			20,0				20,0
Cecilie Johnsen, Former Chairman of the Nomination committee 7)			70,0				70,0
Sissel Nina Lillevik Larsen, Employee elected Board member 8)			73,3				73,3
Rune Jøraandstad, Employee elected Board member 9)			40,0				40,0
Anders Hagen, Former Employee elected Board member 10)			101,3				101,3
Håkon Rypem Volldal, Chief Executive Officer 11)	1 334,1			30,3	6,0		1 370,4
Roar Østbø, Former acting Chief Executive Officer and Chief Financial Officer 12)	2 868,4	600,0		81,0	197,2		3 746,6
Per Fredrik Ecker, Senior Vice President Region APMEA	2 639,0			194,5	15,0		2 848,5
Morten Andersson, Senior Vice President ELA, acting Senior Vice President NA	2 116,3			86,0	15,2		2 217,5
Pål Rune Johansen, Senior Vice President Region NORDIC	1 399,7			73,1	15,0		1 487,8
Jos Nijhuis, General Manager Q-Free Netherlands 13)	1 815,4			45,0	132,9		1 993,4
Alan Allegretto, Former VP North America 14)	1 962,5			31,5	100,6		2 094,6
<b>TOTAL</b>	<b>14 135,4</b>	<b>600,0</b>	<b>2 249,2</b>	<b>541,4</b>	<b>482,0</b>	<b>0,0</b>	<b>18 008,0</b>

- 1) Charlotte Brogren Karlberg served as member of the Board until 11.02.2016. Brogren Karlberg serves as Chairman of the Board from 11.02.2016.
- 2) Tore Valderhaug serves as member of the Board from 11.02.2016. Valderhaug serves as Vice Chairman of the Board from 26.05.2016.
- 3) Snorre Kjesbu serves as Board member from 11.02.2016
- 4) Jan Pihl Grimnes served as Board member until 11.02.2016.
- 5) Anders Endre Nybø served as Board member until 11.02.2016.
- 6) Jeanett Bergan, served as member of the Nomination Committee until 11.02.2016. Bergan serves as Chairman of the Nomination Committee from 11.02.2016
- 7) Cecilie Johnsen served as Chairman of the Nomination Committee until 15.01.2016.
- 8) Sissel Lillevik Larsen serves as Employee elected Board member from 01.01.2016.
- 9) Rune Jøraandstad serves as Employee elected Board member from 26.05.2016.
- 10) Anders Hagen served as Employee elected Board member until 26.05.2016.
- 11) Håkon Rypem Volldal serves as CEO from 01.08.2016
- 12) Roar Østbø served as acting CEO and CFO until 31.07.2016. Østbø serves as CFO from 01.08.2016
- 13) Jos Nijhuis served as Chief Technical Officer and part of the management team until 01.11.2016.
- 14) Alan Allegretto served as VP North America until 29.06.2016 and will receive severance pay until 14.03.2017.

Payments to senior management  
and Board of directors 2015:

	2015						
TNOK	Salary	Bonus	Director's remuneration	Pension service cost	Other remuneration	Share option cost	TOTAL
Terje Christoffersen, Former Chairman of the Board 1)			268,0				268,0
Jan Pihl Grimnes, Former Board member 2)			145,5				145,5
Charlotte Brogren Karlberg, Chairman of the Board 3)			112,5				112,5
Anders Endre Nybø 4)			0,0				0,0
Selma Kveim, Former Board member 5)			167,5				167,5
Cecilie Johnsen, Former Chairman of the Nomination committee 6)			60,0				60,0
Petter Qvam, Former member of Nomination committee 5)			30,0				30,0
Thomas Alexander Vogt, Nomination committee			20,0				20,0
Monika Lie Larsen, Former Employee elected Board member 7)			37,5				37,5
Anders Hagen, Employee elected Board member			50,3				50,3
Roar Østbø, Acting Chief Executive Officer and Chief Financial Officer 8)	2 332,6	524,1		78,8	145,2	0,0	3 080,6
Thomas Falck, Former Chief Executive Officer 9), 13)	3 454,6	300,0		76,0	15,2	0,0	3 845,8
Marianne Sandal, Former Vice President RUC 10), 13)	1 907,6	284,7		207,1	15,2	0,0	2 414,6
Per Fredrik Ecker, Vice President Region APMEA	2 531,2	150,6		184,9	15,2	0,0	2 881,9
Stein-Tore Nybodahl, Global Director Human Resources	1 058,3	241,1		180,0	15,2	0,0	1 494,6
Morten Andersson, Chief Officer Operations	1 673,2	404,5		77,3	15,2	0,0	2 170,3
Jos Nijhuis, Chief Technical Officer	1 727,8	137,7		44,1	129,3	0,0	2 038,9
Pål Rune Johansen, Vice President Region NORDIC	1 238,2	146,8		74,4	15,2	0,0	1 474,6
Fredro Bento, Former Vice President ELA 11), 13)	1 464,5	298,3		0,0	7,6	0,0	1 770,4
Frank Kjelsli, Team leader back office	1 046,3	176,7		71,7	15,2	0,0	1 309,9
Henrik Stoltenberg, Former Chief Strategy Officer 12), 13)	2 222,5	405,8		108,2	13,4	0,0	2 749,9
<b>TOTAL</b>	<b>20 656,8</b>	<b>3 070,2</b>	<b>891,3</b>	<b>1 102,5</b>	<b>402,0</b>	<b>0,0</b>	<b>26 122,7</b>

- 1) Terje Christoffersen served at Chairman of the Board until 04.11.2015.
- 2) Jan Pihl Grimnes served as Board member until 11.02.2016.
- 3) Charlotte Brogren Karlberg served as member of the Board until 11.02.2016. Brogren Karlberg serves as Chairman of the Board from 11.02.2016.
- 4) Anders Endre Nybø served from 20.05.2015 until 11.02.2016
- 5) Selma Kveim and Petter Qvam served until 20.05.2015
- 6) Cecilie Johnsen served until 17.01.2016
- 7) Monika Lie Larsen served as Employee elected Board member until 31.12.2015
- 8) Roar Østbø served as Acting CEO and CFO from 03.11.2015
- 9) Thomas Falck served as CEO until 03.11.2015
- 10) Marianne Sandal served until 31.12.2015
- 11) Pedro Bento served until 29.02.2016
- 12) Henrik Stoltenberg served until 31.10.2015
- 13) Former management team will receive severance pay in 2016.

On the 3rd of November 2015, Thomas Falck stepped down as CEO.  
The Board appointed CFO Roar Østbø as interim CEO with immediate effect.

## Note 16 | Pension scheme

Q-Free ASA (the parent company) had a defined benefit and has a defined contribution pension plan for the employees. All employees in Norway are included in pension plans which entitle them to certain benefits for pension in the future. The pension benefits mainly depend on the numbers of years employed, level of salaries at age of retirement, and size of payments. Q-Free ASA terminated the defined benefit plan per 31.12.2016, and all employees in Norway are now included in the defined contribution plan. The 27 employees involved in this process are given a wage compensation, see note 15 for further information. As at 31.12.2016, 113 employees (2015: 81) are included in the

defined contribution pension plan and 0 employees (2015: 34) are included in the defined benefit plan for the parent company.

For the Group, 331 employees are included in the defined contribution pension plan and 0 employees are included in the defined benefit plan at 31.12.2016.

The liability for the Group includes 0 employees in 2016, compared to 34 employees for 2015. The liability for the parent company includes 0 employees in 2016, compared to 34 employees for 2015.

Parent company		Group	
2015	2016	2016	2015
Pension expenses			
3 563	3 064	3 064	3 563
369	444	444	369
339	602	602	339
602	580	580	602
0	-17 645	-17 645	0
4 873	-12 955	-12 955	4 873
3 748	3 511	5 899	7 195
<b>8 621</b>	<b>-9 444</b>	<b>-7 056</b>	<b>12 068</b>
Pension funds / (liabilities)			
-47 164	0	0	-47 164
30 709	0	0	30 709
-16 455	0	0	-16 455
-2 320	0	0	-2 320
<b>-18 775</b>	<b>0</b>	<b>0</b>	<b>-18 775</b>
14,9	0,0	0,0	14,9

## Specification of pension funds & liabilities

Parent company		Group	
2015	2016	2016	2015
Pension liabilities			
48 763	47 164	47 164	48 763
3 563	3 064	3 064	3 563
-367	-367	-367	-367
1 121	1 273	1 273	1 121
-5 916	-653	-653	-5 916
0	-50 481	-50 481	0
<b>47 164</b>	<b>0</b>	<b>0</b>	<b>47 164</b>

Parent company		Group	
2015	2016	2016	2015
Pension funds			
32 730	30 710	30 710	32 730
4 119	4 281	4 506	4 119
-367	-367	-367	-367
753	829	829	753
-6 525	-436	-436	-6 525
0	-35 017	-35 242	0
<b>30 710</b>	<b>0</b>	<b>0</b>	<b>30 710</b>

The Group expects to contribute approximately TNOK 10,600 to its pension plans for 2017 (2016: TNOK 11,400).

### Basis and assumptions for calculations:

	2016	2015
Discount rate	2.60 %	2.70 %
Expected interest on pension funds	2.60 %	2.70 %
Annual growth in salaries	2.50 %	2.50 %
Long term inflation	1.50 %	1.50 %
Increase in national insurance base rate (G)	2.25 %	2.25 %
Expected change in pensions	0.00 %	0.00 %
Social security expenses	14.10 %	14.10 %

The company has assessed that the OMF-rate on high quality corporate bonds can be used as discount rate both in 2016 and 2015 in accordance with IAS 19, because the OMF-market represents a deep market on the relevant terms.

Table K2013BE is used for definition of mortality rate probability for 2016 and 2015.

Expected voluntarily early retirement:		
Before 40 years	2 %	2 %
After 40 years	0 %	0 %

The Group's pension funds are managed by the insurance company DNB Forsikring. For 2015 the dividend yield was 2.4 percent. The funds are distributed as follows:

	2016	2015
Shares	0 %	10 %
Money market funds and bonds	0 %	70 %
Property	0 %	14 %
Other	0 %	6 %
<b>Total</b>	<b>0 %</b>	<b>100 %</b>

### Sensitivity analysis for pension calculation

The sensitivity analysis for pension calculation has not been performed in 2016 since the defined benefit pension plan is terminated as at 31.12.2016.

The sensitivity analyses is based on facts and circumstances as at 31.12.2015, assuming that all other parameters are constant. In practice, this is unlikely to be the case, and changes in some of the assumptions may co-vary. Actual results may deviate from these estimates.

	Discount rate		Annual salary growth		Annual adjustment of pensions		Estimated longevity	
	+ 1 %	- 1 %	+ 1 %	- 1 %	+ 1 %	+ 1 year	- 1 year	
Change in pension liability	-9 237	12 253	7 885	-8 134	5 532	1 744	-1 520	
Change in net pension cost for the period	-640	860	540	-577	351	112	-25	

## Note 17 | Incentive programs for executive management

### Synthetic based option programme – established May 2015

The General meeting in May 2015 approved and granted the Board a right to enter into agreements for synthetic options with leading employees and key personnel to complete incentive program with a maximal duration of four years. The maximal number of synthetic options issued by the Board through this program shall be 2,2 million synthetic options.

Key employees participating in the synthetic-based employee incentive scheme was allocated a respective amount of options, divided into three periods of maturity. For the synthetic program, three vesting and exercise periods applies. Tranche one is vested upon and exercisable within 30 days after the reporting of Q4/2016. Corresponding vesting and exercise periods for tranche two and three is upon and after the reporting of Q4/2017 and Q4/2018, respectively.

The strike price for the options is the volume-weighted average market price for the Q-Free share in the month prior to the allocation. The strike price per share is NOK 13.07 for the whole programme. The employee's right to exercise the options shall, unless the Board in the specific instance decides otherwise, be divided into three tranches. Each tranche has its own maturity date. The employee may exercise the options within a 30-day time

window in each such period, where the payment to the employee shall be the positive difference between the Strike price and the volume weighted average market price for the Q-Free ASA share in the relevant 30-day time window. Each synthetic option not exercised during tranche one and two may be allocated towards tranche two and three, respectively.

The CFO has regulations in the agreement for immediate vesting of the synthetic options if a take-over situation takes place for more than 50% of the QFR shares.

The Board can limit the sum of payment to two (2) times the fixed yearly salary at the time when this limit (maximum payout) is met.

The Board shall, as a principal rule, stipulate that 25 % of the payment shall be used to purchase shares in Q-Free ASA, unless the Board in the specific instance finds that there are grounds to derogate from the principal rule.

The Board stipulates the full terms and conditions of the incentive program, including the terms and conditions for the specific leading employees and key personnel.

The Board has entered into the following agreements with executive employees:

Specification of syntetic share option activity:	2016	2015
Granted synthetic options 01.01	600 000	0
Syntetic share options granted	0	1 355 000
Syntetic share options exercised	0	0
Syntetic share options expired/terminated	0	-755 000
<b>Granted syntetic share options 31.12</b>	<b>600 000</b>	<b>600 000</b>
<b>Vested syntetic share options 31.12</b>	<b>0</b>	<b>0</b>

The syntetic share options split for management 2016 and 2015:

Name	Position	Number of options	Strike price	Agreement in force	Expires
Roar Østbø*	CFO	150 000	NOK 13.07	01.07.2015	30 days after Q4-2018
Morten Andersson*	SVP Region ELA & acting SVP NA	100 000	NOK 13.07	01.07.2015	30 days after Q4-2018
Jos Nijhuis*	GM Q-Free Netherlands	60 000	NOK 13.07	01.07.2015	30 days after Q4-2018
Pål-Rune Johansen*	SVP Region NORDIC	70 000	NOK 13.07	01.07.2015	30 days after Q4-2018
Per Fredrik Ecker*	SVP Region APMEA	70 000	NOK 13.07	01.07.2015	30 days after Q4-2018
Thomas Falck**	Former CEO	525 000	NOK 10.38	01.07.2015	03.11.2015
Marianne Sandal**	Former VP RUC	100 000	NOK 13.07	01.07.2015	15.12.2015
Henrik Stoltenberg**	Former CSO	60 000	NOK 13.07	01.07.2015	01.11.2015
Pedro Bento**	Former VP ELA	70 000	NOK 13.07	01.07.2015	21.12.2015
Frank Kjelsli**	Team leader back office	70 000	NOK 13.07	01.07.2015	30 days after Q4-2018
Stein-Tore Nybrodahl**	Global Director HR	40 000	NOK 13.07	01.07.2015	30 days after Q4-2018

\*) Management 2015 and 2016

\*\*\*) Management 2015

### 2016

The fair value of the liability of the syntetic share options was measured as at the reporting date 31.12.16 and there was no cost recognition. The shareprice was NOK 7.88 as at 31.12.16 and with a strike price on 13.07 management has assessed the potential for exercise to be insignificant.

### 2015

The fair value of the liability of the syntetic share options was measured as at the reporting date 31.12.15 and there was no cost recognition. The shareprice was NOK 9,75 as at 31.12.15 and with a strike price on 13.07 management has assessed the potential for exercise to be insignificant.

### Share based option programme for the CEO – established May 2016

The Company has implemented a five-year option program for the CEO that is distributed upon three tranches (which are vested over three years), and with a maximum number of share options of 630,828, where each tranche may be exercised two years after it has been vested. Each option gives the right to acquire one share in Q-Free at given strike price. Tranche one of 273,973 options is exercisable in the period from 1 August 2019 to 1 August 2022. Tranche two of 195,695 options is exercisable in the period from 1 August 2020 to 1 August 2022. Tranche three of 161,160 options is exercisable in the period from 1 August 2021 to 1 August 2022. The strike price for each tranche shall be based upon the closing price for shares in Q-Free ASA on April 20, 2016 for the first tranche (that is, NOK 10.95 per share), and a mark-up equivalent to 40 % (that is, NOK 15.33 per share) for the second tranche and 70 %

(that is, NOK 18.62 per share) for the third tranche. For each tranche, if Q-Free's share price exceeds NOK 40 at the time of exercise, the strike price is adjusted upwards equal to the difference between the price of one Q-Free share at the time of exercise and NOK 40 per exercised option. If a shareholder, company, business or a group (as per definition in the Norwegian Securities Trading Act § 2-5) acquires control of more than two thirds of the stocks and/or votes in the Company, and the Company is consequently delisted from Oslo Børs, each and all of outstanding options mature. This entails that the CEO can exercise each and all of his options in a period of 30 days from the date final decision of delisting is made. If the options are not exercised within this period, the options expire without any form of compensation.

#### Specification of share option activity:

	2016	2015
Granted share options 01.01	0	0
Share options granted	630 828	0
Share options exercised	0	0
Share options expired/terminated	0	0
<b>Granted share options 31.12</b>	<b>630 828</b>	<b>0</b>
<b>Vested share options 31.12</b>	<b>0</b>	<b>0</b>

### Share based option programme – Expired May 2015

Q-Free ASA in May 2012 established a three year share option program. As part of the work of giving key personnel and management an incentive program through the possibility to subscribe shares in the company, the Board of Directors was authorised to increase the share capital with as much as NOK 769,500, corresponding to 2,025,000 shares (approximately 3 percent), each with a par value of NOK 0.38, through one or more private placements with cash deposits towards key personnel and management in Q-Free ASA. The existing shareholders' preferential rights according to the Public Limited Companies Act sections 10-4 and 10-5 can be disregarded. The authorisation given in 2012 was valid for one year, renewed in May 2013 for one year and renewed in May 2014 for the last year of the programme. The program expired May 2015.

premium. The strike price shall be equal to the average share price for the Q-Free ASA shares on the Oslo Stock Exchange on closing time the last 14 days prior to and the first 14 days subsequent to the ordinary General Meeting in the year prior to the vesting period.

For key personnel and management who are awarded option rights for a period of 3 years, 1/3 of the options will be allocated annually with a vesting period of 1 year, and with the strike price determined as noted above. For newly employed key personnel and management, the strike price will be determined on the day they are granted the options. The share options are paid as cash disbursement.

1,050,000 share options were granted for key personnel as at 31.12.2014, and no options under this program as at 31.12.2015. The programme expired May 2015.

Exercise of the options can be done during pre-defined time periods.

#### Specification of share option activity:

	2016	2015
Granted share options 01.01	1 050 000	1 150 000
Share options granted	0	350 000
Share options exercised	0	0
Share options expired/terminated	-1 050 000	-450 000
<b>Granted share options 31.12</b>	<b>0</b>	<b>1 050 000</b>
<b>Vested share options 31.12</b>	<b>0</b>	<b>700 000</b>

### Modification of grants

**Modification:** Fair value of share options is calculated according to the Black & Scholes pricing model with a reduction of 15 % due to illiquidity of the Q-Free share. Strike price for the granted options was NOK 15.02 both in 2014 and in 2015.

The company's cost of share based payment is calculated using the Black & Scholes pricing model. For 2015 this is nil as it also was in 2014. Costs will be specified in the Statement of changes in Equity.

Granted share options as at May 2015 had the following conditions:

Exercise price	Outstanding Options			Vested options	
	Outstanding Options per 31.12.2015	Weighted average remaining Contractual Life	Weighted Average Exercise Price	Vested options 31.12.2015	Weighted Average Exercise Price
0,00 - 5,00					
5,00 - 10,00					
10,00 - 15,00					
15,00 - 20,00	700 000	0,36	15,11	350 000	15,19
20,00 -	350 000	0,36	21,09	350 000	21,09
<b>TOTAL</b>	<b>1 050 000</b>	<b>0,36</b>	<b>17,10</b>	<b>700 000</b>	<b>18,14</b>

The share options split for management per May 2015:

Name	Position	Granted, not vested options 01.01.2015	Granted options	Exercised options	Expired options	Vested options May 2015	Granted, not vested options May 2015
Thomas Falck*	CEO*	0	0	0	0	0	0
Marianne Sandal	VP RUC	150 000	0	0	-150 000	0	0
Per Fredrik Ecker	VP APMEA	150 000	0	0	-150 000	0	0
Stein-Tore Nybrodahl	HR Manager	150 000	0	0	-150 000	0	0
Roar Østbø	CFO	150 000	0	0	-150 000	0	0
Henrik Stoltenberg	CSO	150 000	0	0	-150 000	0	0
Jos A. G Nijuis	CTO	150 000	0	0	-150 000	0	0
Morten Andersson	VP ATMS	150 000	0	0	-150 000	0	0
<b>Total</b>		<b>1 050 000</b>	<b>0</b>	<b>0</b>	<b>-1 050 000</b>	<b>0</b>	<b>0</b>

\* Thomas Falck had from 1 January 2015 regulations regarding 525,000 syntetic options. The strike price was volumeweighted average price of the Q-Free share in December 2014. See further below.

### The following assumptions are used in the calculation of share options granted in 2015

#### Exercise price for the share option

Weighted average exercise price of options granted was NOK 17.10

#### Dividends

Expected dividend per share is NOK 0 each year.

#### Volatility

Weighted average expected volatility is based on historic volatility and is calculated to be 44.00 percent.

#### Interest rate

Risk free interest rate is used in the model. This equals interest on government bills and bonds, and the weighted average rate used is 4.00 percent for 2015.

#### Lifetime of the share option

All share options are expected to be exercised at expiry date of the option. The assumption is based on exercise behaviour in previous programs.

## Note 18 | Investments in subsidiaries

The financial statements include the financial statements of Q-Free ASA and the subsidiaries listed in the following table:

	Established	Location	Country	Ownership	Voting share	Functional currency
Q-Free Portugal Lda.	1997	Lisboa	Portugal	100 %	100 %	EUR
Q-Free América Latina Ltda.	1998	Sao Paolo	Brasil	100 %	100 %	BRL
Q-Free Australia Pty. Ltd.	1999	Sydney	Australia	100 %	100 %	AUD
Q-Free Sdn. Bhd. Malaysia	1997	Kuala Lumpur	Malaysia	100 %	100 %	MYR
Noca Holding AS	2001	Trondheim	Norway	100 %	100 %	NOK
Q-Free Sverige AB	2007	Stockholm	Sweden	100 %	100 %	SEK
Q-Free Thailand Co Ltd.	2007	Bangkok	Thailand	100 %	100 %	THB
Q-Free Netherlands BV	2002	Beilen	The Netherlands	100 %	100 %	EUR
Q-Free Africa Ltd.	2010	Durban	South Africa	74 %	74 %	ZAR
PT Q-Free	2012	Jakarta	Indonesia	100 %	100 %	IDR
Q-Free Chile	2012	Santiago	Chile	100 %	100 %	CLP
TCS International Inc.	2012	Boston	USA	100 %	100 %	USD
Q-Free America Inc.	2012	San Diego	USA	100 %	100 %	USD
ELCOM d.o.o.	1994	Belgrade	Serbia	100 %	100 %	RSD
TDC Systems Ltd	1998	Weston Super-Mare	United Kingdom	100 %	100 %	GBP
Traffic Design d.o.o.	1990	Ljubljana	Slovenia	100 %	100 %	EUR
Open Roads Consulting Inc.**	2000	Virginia	USA	100 %	100 %	USD
Prometheus Security Group Global Inc.**	2016	Texas	USA	100 %	100 %	USD
Q-Free Espana S.L.U.	2014	Madrid	Spain	100 %	100 %	EUR
Q-Free France S.A.R.L.	2014	Paris	France	100 %	100 %	EUR
Intelight Inc.*	2013	Arizona	USA	100 %	34 %	USD
Q-Free Traffiko Ltd	2015	Valetta	Malta	100 %	100 %	EUR
Q-Free LLC	2015	Moscow	Russia	100 %	100 %	RUB
Q-Free Polska sp. z.o.o.	2016	Warszawa	Polen	100 %	100 %	PLN

\* Q-Free ASA has signed a share purchase agreement and a shareholders agreement to acquire 100 percent of the shares in the US traffic controller supplier, Intelight Inc over a five year period. The shareholders agreement and the amended bylaws provide control for Q-Free after signing these agreements. Based on this, the full activity of Intelight Inc. is consolidated in the Q-Free accounts. See Note 6 for further information.

\*\* Prometheus Security Group Inc. (PSG) was demerged from Open Roads Consulting Inc. per 01.01.2016. In October 2016 the Board announced its intention to divest Q-Free's security business PSG and began this process in December 2016. The security division is not a part of Q-Free's core business going forward. The divestment was completed in February 2017, and all contracts, employees and other assets have been transferred to the new owner. See note 30 Discontinued operations for further information.

### Book value in parent company of investments in subsidiaries

	Cost	Book value 31.12.15	Book value 31.12.16	Result after tax last year	Companys equity per 31.12.16
Q-Free Portugal Lda.	204	204	204	5 139	21 423
Q-Free América Latina Ltda.	7 203	4 757	0	-3 058	-5 344
Q-Free Australia Pty. Ltd.	0	0	0	2 564	11 743
Q-Free Sdn. Bhd. Malaysia	1 155	0	0	-2 392	-17 473
Noca Holding AS	4 592	5 956	5 956	212	15 771
Q-Free Sverige AB	0	84	84	-135	1 687
Q-Free Thailand Co Ltd.	0	10 847	10 847	2 228	-7 539
Q-Free Netherlands BV	71 034	76 409	76 409	11 382	52 086
Q-Free Africa Ltd	0	0	0	-630	-1 210
PT Q-Free	0	0	0	-17 126	-66 452
Q-Free Chile	0	28	28	2 258	-11 636
Q-Free America Inc. - Group (*)	6	70 717	70 717	-49 240	26 971
ELCOM d.o.o.	9 445	10 495	0	-40	6 241
TDC Systems Ltd	105 768	105 768	105 768	-20 323	98 200
Traffic Design d.o.o.	29 149	29 149	29 149	-1 122	24 936
Q-Free Espana S.L.U.	25	25	25	-42	333
Q-Free France S.A.R.L.	41	41	41	-882	-2 109
Q-Free LLC	0	0	0	732	875
Q-Free Traffiko Ltd	10 599	10 599	17	-1 664	-2 668
Q-Free Polska sp. z.o.o.	11	0	11	0	11
<b>Total</b>	<b>239 232</b>	<b>325 079</b>	<b>299 255</b>	<b>-72 139</b>	<b>145 846</b>

(\*) Q-Free ASA owns through Q-Free America Inc. indirectly 100 % in TCS International Inc., Open Roads Consulting Inc., Prometheus Security Group Inc. and Intelight Inc.

### The following exchange rates are used when consolidating the group

Currencies:	Currency rate 01.01.2015	Average currency rate 2015	Currency rate 31.12.2015	Average currency rate 2016	Currency rate 31.12.2016
Euro	EUR	9,037	8,953	9,619	9,086
Australian Dollar	AUD	6,088	6,059	6,447	6,225
Malaysian Ringgit	MYR	2,126	2,069	2,052	1,922
Brazilian Real	BRL	2,797	2,446	2,224	2,649
US Dollar	USD	7,433	8,074	8,809	8,620
Pounds Sterling	GBP	11,571	12,342	13,072	11,373
Swedish Kroner	SEK	95,970	95,715	104,750	98,160
South African Rand	ZAR	0,643	0,633	0,565	0,574
Thai Bath	THB	22,563	23,551	24,409	23,806
Chilean Peso	CLP	0,012	0,013	0,012	0,013
Indonesian Rupiah	IDR	0,060	0,060	0,064	0,060
Serbian Dinars	RSD	0,074	0,078	0,078	0,076
Russian Rouble	RUB	12,842	13,240	11,984	12,590
Polish Zloty	PLN	2,109	2,139	2,263	2,130

## Note 19 | Related party disclosures

### Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at arm's length prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

### Related parties

The company received for 2016 invoices for consultancy services from KWC AS that totalled TNOK 267 (ex. VAT), which was paid in August 2016. Vice Chairman of the Board, Tore Valderhaug, was part of the team that delivered the consultancy services to

the Company. All transactions between related parties are based on arm's length principles and the services was according to an agreement between Q-Free ASA and the Board concerning consultancy services. Mr. Valderhaug did not participate in the Board decision of rendering the consultancy services from KWC AS.

There was no transactions between the company and any parties in the Management or in the Board during 2015.

### Associated companies

Q-Free ASA has no ownership in associated companies either in 2016 or in 2015.

## Note 20 | Cash and cash equivalents

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and three months, depending on the immediate

cash requirements of the Group, and the interest earnings at the respective short-term deposit rates. The Group has a multiple currency account agreement in Danske Bank.

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

Parent company		Liquidity funds	Group	
2015	2016		2016	2015
0	15 970	Cash at banks and on hand	99 124	63 279
0	0	Money Market Funds	2 350	2 070
<b>0</b>	<b>15 970</b>	<b>Total cash and cash equivalents</b>	<b>101 474</b>	<b>65 349</b>

As at 31 December 2016, the Group had available TNOK 154,475 (2015: TNOK 187,447) of undrawn bank overdraft and TNOK 11,987 (2015: TNOK 43,199) of undrawn guarantee facilities in which all conditions precedent had been met. Discontinuing operations is not included in these undrawn facilities and guarantees either as at 31.12.15 nor as at 31.15.16.

## Note 21 | Accounts receivables and credit risk

Parent company			Group	
2015	2016		2016	2015
36 065	45 903	Accounts receivables	143 516	150 465
80 564	129 399	Accounts receivables on group companies	0	0
-3 630	-1 091	Provision for impairment on receivables	-1 091	-859
<b>112 999</b>	<b>174 211</b>	<b>Total</b>	<b>142 425</b>	<b>149 606</b>
0	0	Loss on receivables on group companies	0	0
-314	232	Changes in provisions for impairment on receivables	232	-314
<b>-314</b>	<b>232</b>	<b>Total</b>	<b>232</b>	<b>-314</b>

For terms and conditions relating to related party receivables, refer to Note 19. Trade receivables are non-interest bearing and are generally on 30-60 days terms.

As at 31 December, the ageing analysis of trade receivables is as follows:

Amounts per 31.12	Total	Neither past due nor impaired		Past due but not impaired			
		impaired	< 30 days	30 – 60 days	60 – 90 day	90 – 120 day >	>120 days
<b>2016</b>	143 516	86 078	29 806	13 097	2 798	3 913	7 824
<b>2015</b>	150 465	58 577	53 251	18 946	2 019	6 265	11 407

The Group assesses needs for provision for doubtful debt on an individual basis per customer or per project.

Specification of provisions for impairment on receivables	2016	2015
Amount per 01.01.	859	1 173
This years provision for impairment on receivables	232	-314
Loss on receivables	0	0
Provisions utilised during the year	0	0
<b>Amount per 31.12</b>	<b>1 091</b>	<b>859</b>

The maximum risk exposure is represented by the carrying amount of the financial assets, including derivatives, in the balance sheet. Since the other party involved in derivative trades is normally a bank, the credit risk linked to derivatives is regarded as being insignificant.

The Group therefore regards its maximum risk exposure as being the carrying amount of trade receivables as at 31 December 2016, which was NOK 143.5 million (2015: NOK 150.5 million).

## Note 22 | Interest-bearing loans, borrowings and guarantees

Parent company				Group			
2015	2016	Specification	Type	Effective interest rate % - 2016	Maturity	2016	2015
0	150 000	Non-current	Danske Bank		30 April 2018	150 000	0
199 563	0	Current	Danske Bank	2.85 %	30 April 2018	0	150 000
0	13 783	Current	Danske Bank - Line of credit	3.32 %	30 April 2018	13 783	0
0	0	Current	Suntrust Bank - Line of credit*	3.77 %	30 June 2017	14 385	0
0	0	Current	Citi Bank - Line of credit*	2.96 %		51 289	0
<b>199 563</b>	<b>163 783</b>	<b>Total</b>				<b>229 457</b>	<b>150 000</b>

\* Line of Credit from Suntrust Bank and Citi Bank are renewed annually.

### Secured bank loan

The secured bank loan is a mortgage loan that is repayable within 3 years and the interest rate is 3 MND NIBOR + 160 bps.

Q-Free has a NIBD/EBITDA covenant on its long-term loan. As part of the restructuring process, Q-Free received a waiver from

this covenant in June 2016 covering the remaining part of 2016. A subsequent waiver from this specific covenant has been received covering 2017 and replaced by revised financial covenants based on EBITDA performance and revised NIBD/EBITDA ratios.

Off balance sheet commitment:

Parent company		Group		
2015	2016	Specification	2016	2015
106 801	218 013	Guarantees to customers, suppliers and lease contracts	218 687	107 500
<b>Book value of assets securing loans and guarantees:</b>				
0	15 970	Bank deposits	16 645	699
115 772	174 211	Accounts receivable	174 211	115 772
0	36 598	Work in progress	36 598	0
21 522	16 706	Inventories	16 706	21 522
26 529	17 766	Machinery, fixtures and fittings, etc.	17 766	26 529
<b>163 823</b>	<b>261 251</b>	<b>Total</b>	<b>261 926</b>	<b>164 522</b>

Assets from discontinuing operations have not been included in book value of assets securing loans and guarantees either as at 31.12.15 nor as at 31.12.16.

## Note 23 | Taxes

Parent company		Group	
2015	2016	2016	2015
<b>Total tax expenses for the year</b>			
0	0	0	0
0	0	4 294	2 333
0	0	-353	2 159
26 935	0	137	27 016
0	0	-6 280	-18 908
0	0	0	3 557
<b>26 935</b>	<b>0</b>	<b>-2 202</b>	<b>16 157</b>
34 %	0 %	4 %	9 %
<b>Tax payable for the year</b>			
-78 853	-19 608	-55 621	-171 934
16 920	30 987	28 385	12 880
11 034	-41 197	-75 729	20 388
<b>-50 899</b>	<b>-29 818</b>	<b>-102 965</b>	<b>-138 666</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Tax payable for Norwegian companies (25 %)</b>			
<b>Tax payable for foreign companies</b>			
		<b>702</b>	<b>2 051</b>
<b>Specification of tax payable in the balance sheet</b>			
0	0	0	0
0	0	4 882	4 958
0	0	-4 180	-2 907
<b>0</b>	<b>0</b>	<b>702</b>	<b>2 051</b>
<b>Specification on basis for deferred tax</b>			
<b>Differences evaluated to be offset</b>			
-10 051	-12 093	-30 202	103 443
50 244	71 074	59 282	50 244
-49 640	-34 849	-37 442	-88 705
-276 351	-306 559	-513 495	-407 501
-9 256	-9 641	-9 641	-9 256
<b>-295 054</b>	<b>-292 068</b>	<b>-531 498</b>	<b>-351 775</b>
0	0	-17 420	0
0	0	15 003	12 630
<b>Reconciling the tax cost</b>			
-78 853	-19 608	-55 621	-171 934
-21 290	-4 902	-27 322	-56 884
4 568	7 747	7 519	4 055
43 657	-2 845	17 023	63 747
0	0	578	1 682
0	0	0	3 557
<b>26 935</b>	<b>0</b>	<b>-2 202</b>	<b>16 157</b>

\* Paid withholding tax in foreign subsidiaries.

\*\* See note 30 Discontinued operations for further information.

Deferred tax assets are recognised when the Group can document future taxable profits to utilise the tax asset. The deferred tax asset is recognized for the amount corresponding to the expected taxable profit based on the convincing evidences. The carrying amount of deferred tax assets is reviewed at each reporting date (quarterly) and reduced to the extent that convincing evidences no longer exists for the utilization. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that convincing evidences exists supporting that taxable profits will allow the deferred tax asset to be recovered. The actual outcome of future tax costs may deviate from these estimates.

The Group has a total loss carried forward of TNOK 513.495 as at 31 December 2016 (2015: 407.501), in which TNOK 17.420 are recognised as an asset in the balance sheet as at 31.12.2016 (2015: 0). Undertaken an assessment of the criterias under IAS 12, the group has chosen not to include deferred tax asset in Norway related to tax losses carried forward of TNOK 73.574 as at 31 December 2016 (2015: 69.088). In addition the group has chosen not to include deferred tax asset of TNOK 129.803 as at 31 December 2016 for the Group (2015: 86.229). Of this amount, TNOK 105.228 is related to tax losses carried forward, TNOK 41.401 related to acquisitions in the US and -16.827 is related to other temporary differences.

## Note 24 | Financial items

Figures in TNOK

Parent company		Category	Group	
2015	2016		2016	2015
210	958	Interest income	1 327	3 462
24 274	10 926	Realised exchange rate differences	16 327	37 429
30 561	0	Unrealised exchange rate differences	5 306	34 190
0	2 625	Exchange rate differences earn-out	2 625	0
0	0	Earn-out	14 123	0
1 918	3	Other financial income	3	1 918
<b>56 963</b>	<b>14 512</b>	<b>Financial income</b>	<b>39 711</b>	<b>76 999</b>
7 090	7 902	Financial income from group companies	0	0
28 680	8 831	Paid dividends from subsidiaries	0	0
<b>35 770</b>	<b>16 733</b>	<b>Financial income from Group companies</b>	<b>0</b>	<b>0</b>
<b>92 733</b>	<b>31 245</b>	<b>Total financial income</b>	<b>39 711</b>	<b>76 999</b>
-2 080	-2 814	Interest expenses	-5 627	-5 087
-4 069	-4 670	Interest on debt and borrowings	-5 831	-4 069
-34 455	-5 289	Realised exchange rate differences	-10 332	-53 440
-15 895	-24 601	Unrealised exchange rate differences	-12 554	-24 540
-3 555	0	Exchange rate differences earn-out	0	-3 555
8 278	-2 457	Earn-out	0	-6 935
-1 013	-1 881	Other financial expenses	-1 881	-1 013
<b>-52 789</b>	<b>-41 712</b>	<b>Financial expenses</b>	<b>-36 225</b>	<b>-98 639</b>
0	-588	Financial expenses from group companies	0	0
-3 743	-15 252	Impairment of shares in subsidiaries	0	0
<b>-3 743</b>	<b>-15 840</b>	<b>Financial expenses from Group companies</b>	<b>0</b>	<b>0</b>
<b>-56 532</b>	<b>-57 552</b>	<b>Total financial expenses</b>	<b>-36 225</b>	<b>-98 639</b>
<b>36 201</b>	<b>-26 307</b>	<b>NET FINANCIAL ITEMS</b>	<b>3 486</b>	<b>-21 640</b>

## Note 25 | Available for sale financial investments

Parent company and the Group as at 31 December 2016

Figures in TNOK

	Company's equity	Number of shares	Ownership	Book value	Book value	Included in
				in Parent*	in Group*	comprehensive income
Leiv Eiriksson AS	37 856	9 919	0.99 %	375	375	2
Other				20	20	0
<b>Total</b>				<b>395</b>	<b>395</b>	<b>2</b>

Parent company and the Group as at 31 December 2015

Figures in TNOK

	Company's equity	Number of shares	Ownership	Book value	Book value	Included in
				in Parent *	in Group *	comprehensive income
Leiv Eiriksson AS	37 673	9 919	0.99 %	373	373	-20
Asti AS	0	0	0,00 %	0	0	-3 350
Other				20	287	0
<b>Total</b>				<b>393</b>	<b>660</b>	<b>-3 370</b>

\* The book value of investments in shares is classified as financial investments available for sale. Fair value for the investments reflect our portion of the companys total equity. See note 4 for fair value table and a specification of valuation technique.

## Note 26 | Other current liabilities

Parent company		Category	Group	
2015	2016		2016	2015
10 257	13 047	Accrued wages (Holiday pay and bonus scheme)	22 926	15 735
13 587	12 431	Warranty provisions (see spesification for changes during the year)	12 831	14 263
10 968	4 154	Accrued project costs	12 547	20 894
28 192	0	Current portion contingent consideration*	0	52 016
17 278	4 974	Restructuring provision**	4 974	19 362
2 024	774	Miscellaneous	1 417	28 993
<b>82 306</b>	<b>35 379</b>	<b>Total</b>	<b>54 696</b>	<b>151 264</b>

\* Debt to seller of subsidiaries in 2015 relates to the acquisition of Intelight Inc, Traffiko Ltd, Traffic Design d.o.o., TDC Systems Ltd, and Open Roads Consulting Inc. See Note 6 regarding changes related to provisions for earn-outs.

\*\* The restructuring provision totalling TNOK 4,974 (2015: 19,362) is related to the transformation of Q-Free from a Tolling company into a fully integrated ITS-company, and consist of TNOK 4,974 (2015: TNOK 16,459) regarding personell related expences and TNOK 0 (2015: 2,903) regarding other operating expences, see Note 15 and 27 for further information.

### Warranty provisions

Provision for warranty costs is calculated depending on the remaining guarantee period for various products, and based on the historical effect of defects and a calculation of probability for the defect to occur for the remaining products under warranty. The calculation is made on an individual basis per product, and the assumptions vary for the different products and also take into

account the expected expenses associated with new warranty problems that are identified. Unused accruals for warranties are dissolved at the end of the guarantee-period. All provisions spesified in the table below are classified as current liabilities and is part of other current financial liabilities in the consolidated statement of financial position.

	Parent company		Group	
	Provision for warranty costs	Total current provisions	Provision for warranty costs	Total current provisions
Amount as of 01.01.16	13 587	13 587	14 263	14 263
Unused accruals reversed during 2016	0	0	-276	-276
Accruals utilised during 2016	-1 904	-1 904	-1 904	-1 904
Accruals deposited during 2016	748	748	748	748
<b>Amount as of 31.12.16</b>	<b>12 431</b>	<b>12 431</b>	<b>12 831</b>	<b>12 831</b>
Amount as of 01.01.15	12 657	12 657	16 561	16 561
Unused accruals reversed during 2015	0	0	-3 228	-3 228
Accruals utilised during 2015	-1 921	-1 921	-1 921	-1 921
Accruals deposited during 2015	2 851	2 851	2 851	2 851
<b>Amount as of 31.12.15</b>	<b>13 587</b>	<b>13 587</b>	<b>14 263</b>	<b>14 263</b>

## Note 27 | Other operating expenses

Parent company		Category	Group	
2015	2016		2016	2015
46 664	52 666	External services	131 478	120 867
13 406	11 506	Travel expenses	26 437	24 239
21 794	21 069	Offices supplies	42 109	40 378
3 036	4 627	Insurance	8 969	5 113
3 359	4 498	Freight	7 834	4 288
3 305	2 089	Rent machinery & tools	8 376	8 760
6 635	7 815	Marketing / promotions	15 403	11 727
120	198	Service & Maintenance	6 726	6 193
5 348	4 660	Operating materials	7 664	9 978
46 661	24 060	Loss on receivables on group companies	0	0
304	-2 846	Bad debt losses	-5 705	5 919
3 574	4 722	Other operating expenses	27 499	45 266
0	0	Adjusted for discontinued operations*	0	-23 091
<b>154 205</b>	<b>135 065</b>	<b>Total</b>	<b>276 789</b>	<b>259 639</b>

\* See note 30 Discontinued operations for further information.

## Audit fees

The group has the following audit related fees, included in the "External services" in the above table (All figures excl. VAT).

Parent company		Category	Group	
2015	2016		2016	2015
123	282	Audit services	1 242	957
278	128	Other audit related services	128	278
3	3	Tax services	63	3
166	348	Other, non audit related services	450	246
<b>569</b>	<b>760</b>	<b>Total</b>	<b>1 882</b>	<b>1 484</b>

## Note 28 | Other current assets

Parent company		Category	Group	
2015	2016		2016	2015
676	0	Accrual for Skattefunn grants	0	676
541	541	Prepaid taxes	9 930	11 273
338	382	Prepaid rents	1 576	1 380
1 716	2 002	Prepaid licenses	2 002	1 748
899	708	Other prepaid costs	8 691	1 782
108	7	Misc	9 447	11 757
<b>4 278</b>	<b>3 639</b>	<b>Total</b>	<b>31 646</b>	<b>28 616</b>

## Note 29 | Commitments and contingencies

### Operating lease commitments - Group as lessee

The Group has entered into commercial leases mainly on office rentals but also on certain motor vehicles and items of machinery. These leases have an average life of between 3 and 5 years with no

renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

Parent company		Terms	Group	
2015	2016		2016	2015
11 792	9 204	Within one year	15 431	12 953
47 877	37 368	After one year but not more than five years	38 635	48 578
11 969	9 342	More than five years	9 342	11 969
<b>71 639</b>	<b>55 914</b>	<b>Total</b>	<b>63 408</b>	<b>73 501</b>

During the year ended 31 December 2016 the company recognised expenses in the income statement in respect of operating leases of TNOK 12,020 (2015: TNOK 14,009) for the parent company and TNOK 30,093 (2015: 29,943) for the Group, all figures excluded discontinuing operations.

### Finance lease and hire purchase commitments

The Group has no finance leases or any hired purchase contracts for various items of plant and machinery.

## Note 30 | Discontinued operations

In October 2016 the Board announced its intention to divest Q-Free's security business Prometheus Security Group Global Inc. (PSG) and began this process in December 2016. The security division is not a part of Q-Free's core business going forward.

The divestment 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 2015 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.

Statement of income	Group	
	2016	2015
Revenues	45 045	36 640
Cost of goods sold	13 969	10 737
Personnel expenses	17 228	8 063
Other operating expenses	13 369	23 091
Total operating expenses	44 566	41 891
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	479	-5 251
Amortisation of intangible assets	4 024	4 913
Impairment of intangible assets	26 814	0
Earnings before interest and taxes (EBIT)	-30 359	-10 164
Financial income	146	0
Total financial items	146	0
Profit before tax	-30 213	-10 164
Taxes	0	3 557
<b>Profit / (-) loss for the year on discontinued operations, net of tax</b>	<b>-30 213</b>	<b>-6 607</b>
<b>Earnings in NOK per share from discontinued operations</b>	<b>-0,40</b>	<b>-0,09</b>
<b>Diluted earnings in NOK per share from discontinued operations</b>	<b>-0,40</b>	<b>-0,09</b>

Cash flow from discontinued operations	Group	
	2016	2015
Profit before tax	-30 213	-10 164
Amortisation and impairment of intangible assets	30 838	4 913
Working capital adjustments:		
Changes in receivables and prepayments from customers	3 387	0
Changes in inventory	1 852	0
Changes in accounts payables	-3 144	0
Changes in work in progress	7 686	0
Changes in other balance sheet items	-4 106	9 923
Net cash flow from operations	6 300	4 672
Investments in tangible and intangible assets	-5 465	-4 649
Net cash flow from investments	-5 465	-4 649
Net cash flow from financing	0	0
<b>Cash flow from discontinued operations</b>	<b>835</b>	<b>23</b>

Assets held for sale	Group 2016
Development	9 824
Goodwill	0
Machinery, fixtures and fittings	907
Inventories	1 852
Accounts receivables	4 043
Work in progress	7 686
Other receivables	78
Cash	835
<b>Assets held for sale</b>	<b>25 225</b>
Liabilities held for sale	Group 2016
Deferred tax	1 951
Debt to financial institutions	0
Accounts payable	5 814
Public duties payable	219
Other short term debt	10 454
<b>Liabilities held for sale</b>	<b>18 438</b>

## Note 31 | 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.

# Statement from the Directors and the CEO

We confirm, to the best of our knowledge, the financial statements for the Company and the Group for the period from 1 January to 31 December 2016 have been prepared in compliance with International financial reporting standards (IFRS) as adopted by EU and that the disclosures in the accounts give a true and fair view of the Company's and the Group's assets, liabilities, financial position and results of operations as a whole, and that the Directors' Report gives a fair view of the development, profit/loss and position of the Company and the Group, along with a description of the main risk and uncertainty factors facing the Company and the Group.

Trondheim 30 March 2017

Charlotte Brogren Karlberg  
Chairman of the Board

Ragnhild Wahl  
Board member

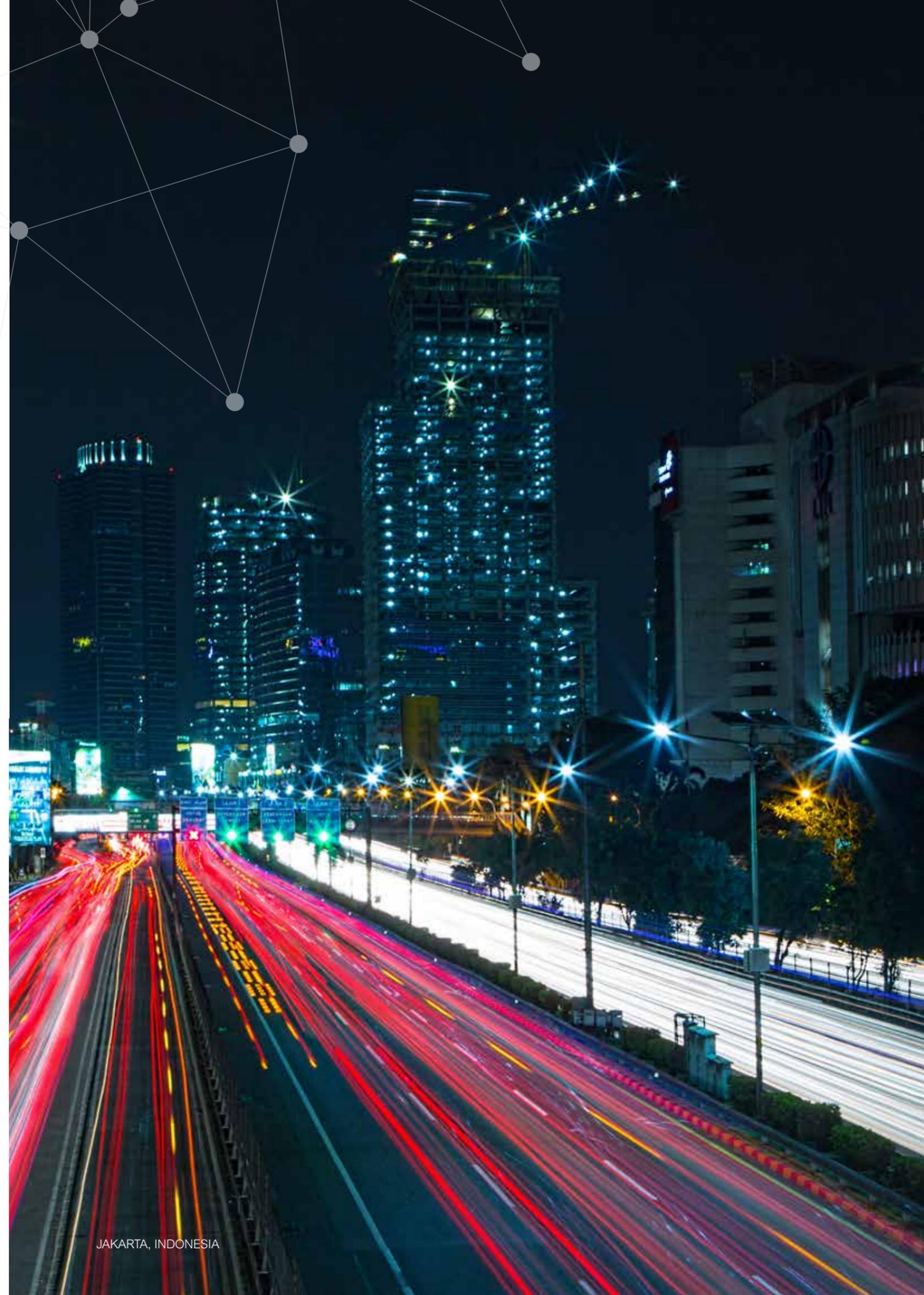
Snorre Kjesbu  
Board member

Tore Valderhaug  
Vice Chairman of the Board

Sissel Nina Lillevik Larsen  
Employee-elected Board member

Rune Jøraandstaad  
Employee-elected Board member

Håkon Rypern Volldal  
President & CEO



To the General Meeting of Q-Free ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Q-Free ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2016, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of key audit matters	How the key audit matters were addressed in the audit
<b>Recognition of revenue on long-term projects</b>	
<p>Accounting for revenues long-term projects in the group's financial reporting is dependent on percentage of completion for current projects. Contracts that form a base for the group's project revenue are frequently complex and involve a substantial element of judgements in relations to several factors like percentage of completion and transfer of risk. We refer to Note 2 for further description of the group's accounting policies.</p> <p>In addition to various measurable parameters, the estimated percentage of completion will be the basis for revenue recognition related to the group's contracts. The group's projects represent a significant part of the group's revenues, and assessing the measurement of project revenues therefore, is a significant risk in our audit.</p>	<p>Our audit procedures related to long-term projects include:</p> <ul style="list-style-type: none"> <li>• Revenue of significant project contracts and assessment of any special contract clauses effect on the transfer of risk to the buyer, etc.</li> <li>• Test of controls related to signed contracts and signed alteration contracts</li> <li>• Review of calculation of projects' capitalized costs and an assessment of estimates of remaining costs to final completion.</li> <li>• Review of the deposed and expected warranty costs related to ongoing and recently completed projects.</li> </ul>
<b>Valuation of goodwill and product development assets</b>	
<p>According to IFRS, the group is required to perform an annual impairment test of capitalized goodwill and product development assets. The purpose of the test is to verify if the goodwill and product development assets booked value, exceeds the net present value of future cash flows, i.e. fair value of goodwill and product development assets. In our audit, the annual impairment test is a focus area, as</p>	<p>As a part of our audit, we performed a thorough and detailed review of the model used by management to calculate the fair value of goodwill and product development assets, including assessment of assumptions such as WACC. We also challenged the assumptions for future cash flows provided by management. We evaluated their views on the general market developments as well as the</p>

<p>booked value of goodwill per 31 December 2016 is MNOK 316 and product development assets is MNOK 179. Accordingly, valuation of goodwill and product development assets has been identified as risks in connection with the audit of the group financial statements. We refer to note 11 to the financial statements for further description of the group's goodwill and product development valuation.</p> <p>The impairment test was performed as at 31 December 2016 by the management, resulting in no impairment as at this date.</p>	<p>interpretations and use of these views in light of the requirements to use reasonable and supportable data as set forth in IAS 36. We also evaluated the appropriateness of defining the Cash Generating Units (CGUs) compare to the requirements in IAS 36.</p>
<p><b>Accounting for deferred tax</b></p>	
<p>Several entities in the group have accumulated significant unused tax losses. In addition, several of the subsidiaries have material temporary differences linked to the fixed assets, current assets and liabilities. In the financial statements for 2016, the group reported a tax income of MNOK 2 and a net deferred tax asset of MNOK 2. Deferred tax asset not recognized amounts to MNOK 70 for Q-Free ASA and MNOK 130 for the Group. The complexity and materiality of this matter has lead us to identify this as a significant risk in our audit. We refer to Note 23 to the financial statements.</p>	<p>We obtained a specification of all tax positions for the different entities in the group. We also obtained management assessment of how to account for the tax positions. We performed a review of the tax positions and management assessment to ensure that the treatment and disclosures in the financial statements where in compliance with the requirements in IAS 12.</p>

**Other information**

Management is responsible for the other information. The other information comprises the Board of Directors' report, statements on Corporate Governance and Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Board of Directors and the Managing Director for the Financial Statements**

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

### Opinion on the Board of Directors' report

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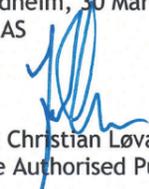
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

### Opinion on Registration and Documentation

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Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Trondheim, 30 March 2017  
BDO AS



John Christian Løvaas  
State Authorised Public Accountant

# Q-Free Corporate governance review 2016

Q-Free aims to protect and enhance shareholders' investments through good corporate governance, and has established principles and guidelines that define the roles and relationships between the shareholders, the Board of Directors and the executive management of the company.

## 1. Implementation of and reporting on Corporate governance

Q-Free is listed on the Oslo Stock Exchange and bases its corporate governance structure on Norwegian legislation.

This review of the company's corporate governance principles and practice is prepared in compliance with Section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance as updated per 30 October 2014. The Code of Practice is available on [www.nues.no](http://www.nues.no).

The principles and implementation of corporate governance is subject to annual reviews and discussions by the company's Board of Directors.

Q-Free has no deviations from the recommendations in the Code of Practice in 2016.

### Corporate vision, values, Code of Conduct and Corporate Social Responsibility

Q-Free's vision is: Changing the movements of life.

Q-Free operates worldwide and our operations are characterised by high ethical standards and trustworthy behaviour, a customer oriented offering and excellence in execution.

Q-Free's core values are summarized as "EPIC", and are founded in a bottom-up process with all employees:

- Excellence
- Passion
- Innovation
- Collaboration

The values support the Company's strategy, guide decisions and attitude internally and externally.

Q-Free has established a Code of Conduct and guidelines for Corporate Social Responsibility (CSR), based on the company's vision and values. The Code of Conduct provides guidelines on how to behave both internally and externally, and contributes to ethical behaviour in the day-to-day business. The company has implemented a reviewed and updated Code of Conduct in 2016.

The Code of Conduct (COC) and CSR principles apply to all members of the Board, executive management and all other employees and representatives of Q-Free. The Code of Conduct is signed by every employee annually. Violation of the COC will be subject to disciplinary action, including possible termination, as well as potential criminal prosecution.

In situations where an employee is aware of any infringement of the COC, he/she shall inform his/ her manager. If there are reasons not to approach the line management, a report of the infringement should be made directly to the HR responsible of Q-Free ASA, Legal department or to the Chairman of the Board of Directors. Incidents may also be reported anonymously if desired.

The company endeavours to make its COC and CSR guidelines known to its partners.

Deviation from the Code of Practice:  
None.

## 2. Business

Q-Free operates worldwide with headquarters in Trondheim, Norway. Q-Free is a leading supplier of ITS solutions.

The company has defined its business activity in §3 of the Articles of Association:

"The Objective of the company is to engage in research, development, production, operation and sale of information technology products and systems plus everything therewith connected."

The Group's objectives and principal strategies are described in the strategy section of the annual report.

Deviation from the Code of Practice:  
None.

## 3. Equity and dividends

### Equity

Q-Free's policy is to maintain a high equity ratio to provide a platform for the company's future expansion and growth. Per 31 December 2016 the company's equity amounted to NOK 427 million, representing an equity ratio of 43.1 percent (41.8). The Board considers the financial situation for Q-Free satisfactory given the company's activities and investment plans.

### Dividend policy

Q-Free has an objective to give the shareholders a stable and competitive long-term return on investment through distribution of dividends and a positive share price development. The company is in a growth phase and is seeking a good combination of investing the free cash flow in new business opportunities and distributing dividends to the shareholders. It is Q-Free' policy to maintain a high equity ratio to provide a platform for the company's expected expansion and growth.

Q-Free has not distributed dividends in the last three years.

### Mandates to the Board

Mandates granted to the Board to increase the company's share capital are restricted to defined purposes and in separate mandates, and thus in accordance with the recommendation. Pursuant to the Code, mandates granted to the Board are limited in time to no later than the date of the next annual General Meeting. The General Meeting is given the opportunity to vote on every purpose covered by the authorisation.

At the Annual General Meeting 26 May 2016, the Board was granted an authorisation to increase the share capital by the subscription on new shares for any strategic purposes within the ITS sector, by way of acquisitions, larger projects etc. The authorisation allows the Board to increase the share capital by up to NOK 2,712,392.50 through the issue of up to 7,137,875 shares, equivalent to approximately 10 percent of the issued shares, each with a par value of NOK 0.38 per share, and with a right to disregard the existing shareholder's preferential rights. The mandate was limited for one year, and valid until the next annual General Meeting but no longer than 30 June 2017.

At the Extraordinary General meeting 19 September 2016, the authorisation issued 26 May was withdrawn. In order to enable the Company to make use of any strategic potentials within the ITS sector, mainly by way of larger projects and tenders etc, the Board was given a new authorisation to increase the share capital, one or more times, with up to NOK 6,780,981.82, by the issuance of up to 17,884,689 shares, equivalent to approximately 25 percent of the company's issued shares, with a right to disregard the shareholder's pre-emptive rights. The authorisation was fully used in a private placement completed on 28 September 2016.

The Board was in the General meeting in 2015 granted a right to enter into agreements for synthetic options with leading employees and key personnel to complete an incentive program with a maximal duration of four years. The maximal number of synthetic options issued by the Board through this program shall be 2.2 million synthetic options.

The Board was in the General meeting 2016 granted a right to establish a five-year stock option program for the Chief Executive Officer with a maximal number of share options of 630,828.

See Note 17 in the 2016 financial statements for further information about the incentive programs.

Deviation from the Code of Practice:  
None.

## 4. Equal treatment of shareholders and transactions with close associates

Q-Free has one class of shares and each share represents one vote. Each share has a nominal value of NOK 0.38. All shareholders will be treated equally and have the same influence.

An increase in the Company's share capital may be proposed if the Board of Directors decides that this would best take care of shareholders' long-term interests. Normally, the Board of Directors will propose that share issues are directed to existing shareholders in accordance with their preferential rights. However, if the Board has been given an authorisation from the general meeting to carry out a private placement for a special purpose, the Board may decide to waive the pre-emption rights of existing shareholders. The justification will then be publicly disclosed in a stock exchange announcement pursuant to the Code.

In 2016 the Board gave two authorisations to increase the share capital and authorised to waive shareholder's preferential rights (cf section 3 above).

One authorisation was approved as part of the earn-out compensation with regards to two acquired companies.

One authorisation was approved in relation to a private placement to raise new equity. The net proceeds were to be used to strengthen the Company's balance sheet and liquidity position, and provide a good basis for further growth for the Company.

The company has developed a policy with regard to transactions with close associates, based on the requirement that any transactions must be at arm's length principle and at market terms. If deemed required, the company will arrange for a valuation obtained from an independent third party.

For information about transactions with related parties, see Note 19 in the 2016 financial statements.

According to the Code of Conduct, members of the Board and the executive management are obliged to notify the Board in case of any material direct or indirect interest in a transaction entered into by the company.

Deviation from the Code of Practice:  
None

## 5. Freely negotiable shares

Q-Free has no form of restriction concerning freely negotiable shares. The Board of Directors does not intend to put forward any proposals to the General Meeting concerning restrictions on freely negotiable shares. The Articles of Association have no restrictions on negotiability.

Deviation from the Code of Practice:  
None

## 6. General meetings

The General Meeting is the company's supreme governing body, and all shareholders are guaranteed participation and the opportunity to exercise their rights. The Annual General Meeting has adopted the Articles of Association where §6 regulates the notice period, right to attend, and agenda proposals.

Shareholders representing at least 5 percent of the shares can call for Extraordinary General Meetings.

### Notification

The Annual General Meeting will be held before the 30th of June according to law. The general meeting is to take place either in Trondheim or in Oslo. The 2017 Annual General Meeting is scheduled for 24 May in Oslo.

A written notice for the general meeting is to be sent to all shareholders, with known addresses, within 21 days prior to the meeting.

The Board may decide that the notice of the General Meeting and related documents will be made available on the company's website only. A shareholder may nevertheless, by application to the company, request for the documents to be distributed by mail.

### Registration and proxies

Shareholders planning to participate at the General Meeting shall notify the company within a deadline set by the Board in the notice. The deadline cannot expire earlier than five days before the date of the general meeting.

The right to attend and vote in general meetings may only be exercised for shares registered in the shareholders' register no later than the fifth workday before the date of the general meeting (the registration date). Shares held on nominee accounts five days before the day of the general meeting do not have the right to vote or attend.

To register for the general meeting a shareholder must submit a written confirmation by mail, fax, e-mail (provided the registration form is a scanned document with signature), or by submission directly to the company's registrar DNB.

Shareholders are entitled to request specific matters to the agenda of a general meeting, by giving a written notice to the Board within seven days before the statutory deadline for the notice of the general meeting. If the notice of the general meeting is already distributed, a new notice shall be issued. Instructions are given in the notice for the Annual General Meeting.

Shareholders who cannot attend the general meeting may vote by proxy. The company will appoint a person that will vote on behalf of shareholders as their proxy unless the shareholder has appointed another person. The proxy form allows for separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election.

### Agenda and execution

The agenda for the general meeting is set by the Board, but the main items are specified in §6 of the Articles of Association. The agenda includes detailed information on the resolutions to be considered and the recommendation from the Nomination Committee. The shareholders attending vote for a Chairperson to lead the general meeting.

The Board of Directors and the person chairing the meeting ensures that appropriate arrangements are made for the general meeting to vote separately on each candidate nominated for election to the company's corporate bodies.

The Chairman of the Board is always present to respond to any questions and queries. The Chairman of the Board and the Chairman of the Nomination Committee assess on a case-by-case basis, based on the agenda of the general meeting, whether all members should participate. The CEO, Auditor and the Chair of the Audit Committee and Compensation Committee will always be present at the Annual General Meetings.

The company announces the minutes for the Annual General Meeting according to stock exchange regulations.

Deviation from the Code of Practice:  
None

## 7. Nomination committee

The company has a Nomination Committee. The general meeting elects the chairperson and members of the Nomination Committee and determines the committee's remuneration.

The Nomination Committee has contact with shareholders, the Board of Directors and CEO as part of its work on proposing candidates for election to the Board. The Nomination Committee is responsible for proposing board member candidates and remuneration to the Board, in addition to proposing members for the committee itself.

The Nomination Committee is established in accordance with the Company's Articles of Association §7, and the Committee's work is determined by instructions approved by the General Meeting in 2016. The instruction emphasises that the composition of the Nomination Committee should be adjusted from time to time, in a way that secures continuity.

The Annual General meeting in 2016 approved an updated version of the instructions for the Nomination Committee. The instructions are published on the Company's website.

### Composition

The Nomination Committee shall consist of three members who are shareholders or representatives acting on behalf of the shareholders. Members of the Nomination Committee are elected for a period of two years, and may be re-elected. The current members of the Nomination Committee's members and their tenure period is available at the company's website [www.q-free.com](http://www.q-free.com).

The members of the Nomination Committee are independent from the company's executive management. Currently, no member of the Nomination Committee is a member of the Board. Q-Free is not aware of the existence of any agreements or business partnerships between the Company and any third parties in which members of its Nomination Committee have direct or indirect interests.

### The Nomination Committee composition as at 31.12.2016:

Name	Company	For election
Jeanett Bergan (Chair)	KLP Kapitalforvaltning AS	2017
Thomas Alexander Vogt	Oslo Pensjonsforsikring AS	2018
Andreas Berdal Lorentzen	Storebrand Asset Management	2018

Prior to the Annual General Meeting, a meeting is conducted with the Chairman of the Board to review the Board's evaluation of its own work.

The Nomination Committee will freely and independently of the election period evaluate the composition of the Board. The Nomination Committee emphasises industry and business experience as well as equal gender balance, when proposing new members to the Board. The Nomination Committee proposes the Board member's fees.

The Nominations Committee justifies its recommendations to the General meeting.

The Nomination Committee's recommendations and report are made available in accordance with the 21-day deadline for the notice calling a general meeting.

Deadline for promoting proposals to the Nomination Committee is available at the Group's website [www.q-free.com](http://www.q-free.com). This deadline is set to allow for necessary reviews, reference checks, etc., prior to the deadline for submitting the notice for the general meeting to the shareholders. The Nomination Committee is not prevented from evaluating other candidates than those proposed.

Deviation from the Code of Practice:  
None

## 8. Corporate assembly and board of directors: composition and independence

The Company does not have a corporate assembly.

### Composition of the Board

Pursuant to the company's Articles of Association § 5, the Board of Directors shall have 5–8 members.

The members of the Board are elected for a period of two years and may be re-elected. The General Meeting elects the Chairman of the Board. The Vice Chairman is elected by the Board for a period of one year.

### Board of Directors composition as at 31.12.2016:

Name	Position	Service since	Elected until AGM	Shareholding Q-Free ASA (direct or indirect)
Charlotte Brogren Karlberg	Chairman	2011	2017	20,000
Tore Valderhaug	Vice Chairman	2016	2018	25,000
Ragnhild Wahl	Board member	2015	2017	0
Snorre Kjesbu	Board member	2016	2018	25,000
Rune Jøraandstad	Employee-elected member of the Board	2016	2018	0
Sissel Lillevik Larsen	Employee-elected member of the Board	2016	2018	0

As at 31 December 2016 the Board of Directors consisted of six members, whereof two elected by and amongst the Group's employees. The Board consist of two shareholder-elected women and two shareholder-elected men, and hence met the gender diversity requirements pursuant to Norwegian legislation.

The Board had two changes in the shareholder elected composition during 2016. Jan Pihl Grimnes and Anders Endre Nybø were replaced by Tore Valderhaug and Snorre Kjesbu on 11 February 2016. Charlotte Brogren Karlberg was elected Chairman on 11 February 2016.

### Participation in Board meetings and Board committees in 2016:

Name	Board meetings	Audit Committee	Compensation Committee	Recruitment Committee
Charlotte Brogren	15	7		4
Tore Valderhaug*	13	6		3
Ragnhild Wahl	14		2	
Snorre Kjesbu*	12		2	
Sissel Lillevik Larsen	15		2	
Rune Jøraandstad**	9			
Jan Pihl Grimnes***	2	1		
Anders Endre Nybø***	2	1		1
Anders Hagen****	6			3

\* Tore Valderhaug and Snorre Kjesbu serves as Board members from 11.02.2016

\*\* Rune Jøraandstaad serves as employee elected Board member from 26.05.2016

\*\*\* Jan Phil Grimnes and Anders Nybø served as Board members until 11.02.2016

\*\*\*\* Anders Hagen served as employee elected Board member until 26.05.2016

An overview of the members of the Board and their competences is available on the company's website [www.q-free.com](http://www.q-free.com) and in the annual report.

### Independence of the Board

Q-Free is not aware of the existence of any agreements or business partnerships between the company and any third parties in which its directors have direct or indirect interests. The members of the Board are independent from the company's management, and the executive management is not represented in the Board.

### Share ownership

An overview of the member's shareholding is available on the company's website, Investor Relations page.

The members of the Board of Directors have no share options or synthetic options in the company.

### Deviation from the Code of Practice:

None

## 9. The work of the Board of directors

### The Board's tasks

The Board of Directors is elected by the shareholders to oversee the executive management and to assure that the long-term interests of the shareholders and other stakeholders are being served.

The Board has the ultimate responsibility for the management of the company and for supervising its day-to-day business, and activities in general. The main responsibility is to determine the company's overall vision, goal and strategy. The Board also ensures that the activities are soundly organised and keeps itself informed about the financial situation of the company, and ensures that the management handles risks faced by the company in an appropriate way.

The Board produces an annual plan for its work, with particular emphasis on objectives, strategy and implementation. This includes reviewing the overall strategy at least once a year, preparing the budget for the next year, evaluating management and competence needed, making continuous financial reviews and risk assessments based on budgets and prognoses, as well as evaluating the work of the Board.

It is important to maintain and continuously enhance sound internal management systems that meet changing financial conditions. Q-Free has a decentralised organisation, where each region and organisational unit reports on a monthly basis. The Group's activities are varied, depending on each unit's position in the value chain, and consequently require differentiated ways of management and follow-up.

### Instructions to the Board

The Board has issued instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties. The guidelines are described in the company's "Instructions for the Board of Q-Free ASA". The purpose of the instruction is to describe the role and functions of the Board and the interaction with the executive management of the company.

In the event that the Chairman is absent, the meeting will be chaired by the Vice Chair.

The Board's proceedings and minutes are in principle confidential unless the Board decides otherwise. This is pursuant to the instructions to the Board.

### Compensation committee

Three members of the Board have been elected by the Board to act as Compensation Committee, for a period of two years.

The Board approved an instruction for the Compensation Committee in 2006, which was further revised in 2008.

The Compensation Committee makes proposals to the Board regarding employment terms and conditions and total remuneration of the CEO and incentive based remuneration for other senior management employees. These proposals are also relevant for other employees entitled to variable salaries. The Board makes comparisons with other companies when deciding the terms and conditions and remuneration of the CEO.

### Compensation Committee composition as at 31.12.2016

Snorre Kjesbu (Chair)  
Ragnhild Wahl  
Sissel Lillevik Larsen

### Recruitment Committee

The Board established in November 2015 a Recruitment Committee for the purpose of a search for new CEO. The Committee's work ended in April 2016.

### Audit committee

The Public Companies Act stipulates that large companies must have an Audit Committee. Two out of six members of the Board have been elected by the Board to the Audit Committee.

The Board approved an instruction for the Audit Committee in 2006, revised in 2008, 2013 and 2015. The Audit Committee's main responsibilities are to supervise the company's internal control systems and to ensure that the auditor is independent and that the annual accounts and quarterly reporting gives a fair view of the company's financial results and financial condition in accordance with generally accepted accounting principles.

The Audit Committee reviews the procedures for risk management and financial controls in the major areas of the Company's business activities. The Audit Committee receives reports on the work of the external auditor and the results of the audit. In addition, the committee reviews the company's work on Corporate Governance.

**Audit Committee composition as at 31.12.2016:**

Tore Valderhaug (Chair)  
Charlotte Brogren Karlberg

**The Board's evaluation of its own work**

The Board of Directors evaluates its performance annually and present the evaluation to the Nomination Committee.

**Deviation from the Code of Practice:**

None

## 10. Risk management and internal control

The Board has the responsibility to ensure that Q-Free has sound internal control and systems for risk management appropriate to the company's business, and has established a Risk Management document reviewed by the Audit Committee. The company's risk management policy is an integral part of the Group's management by objectives and performance management. The model for internal control for financial reporting is reviewed on a regular basis, to ensure that the reporting system addresses the most significant risk factors for the Group, and is organised to reflect the Group's business and procedures at any time.

The management prepares monthly performance reports for review by the Board. In addition, quarterly financial reports are prepared and reported to the financial market in accordance with the requirements from the stock exchange. These quarterly financial reports are presented to the Audit Committee, which reviews the reports prior to the Board meeting. The auditor takes part in the Audit Committee's meetings at least twice a year, and meets with the entire Board in connection with the presentation and approval of the annual financial statements.

The Board presents an in-depth review of the company's financial status in the Directors' Report, including a description of the main elements related to health, safety and environment (HSE) and related risks. The main risk factors are closely monitored by the Executive Management. The Board receives "The Status report Management system" on a regular basis. This includes a review of the most significant risks for the Company and a description of how these risks are addressed.

Q-Free has developed an effective Quality Management (QM) system and is certified in accordance with the NS-EN ISO-9001 Quality System. The company's ISO 9001 Certificate covers all areas of the normal operations.

Q-Free fulfils all environmental requirements imposed by the Norwegian authorities, as well as the EU. Q-Free ASA is certified in accordance with NS-EN ISO 14001:2004. All products introduced after 2005 are produced without the use of lead and other hazardous substances, as defined in the EU's directive on Restriction of Hazardous Substances (RoHS), and shall also be recyclable in line with the EU's directive on Waste Electrical and Electronic Equipment (WEEE). Furthermore, the Group is working actively to encourage our sub-contractors to choose the most environmental-friendly alternatives wherever possible. Q-Free also has a focus on the reduction of natural resources, with the use of electronic document sharing rather than printing on paper, utilising videoconferencing instead of travelling, and coordinating travel activities, are some examples of the company's determination to protect the environment. The use of Q-Frees products and services contribute to reduced traffic congestion and consequently give less pollution. With the exception of our travel related activities, the Group's activities have no negative impact on the external environment.

Q-Free's Environmental Policy is available on [www.q-free.com](http://www.q-free.com).

**Deviation from the Code of Practice:**

None

## 11. Remuneration of the board of directors

The Annual General Meeting approves the Board's remuneration each year.

Remuneration for the period from the Annual General Meeting of 2016 to the Annual General Meeting of 2017:

The Chairman of the Board:  
NOK 416,000

The Vice Chairman of the Board:  
NOK 280,000

Members elected by the shareholders:  
NOK 234,000

Members elected from the employees:  
NOK 80,000

Chairman of sub-committees of the Board:  
NOK 11,000 per day of meeting

**Members of sub-committees of the Board**  
Members elected by the shareholders:  
NOK 8,500 per day of meeting

Members elected from the employees:  
NOK 4,250 per day of meeting

Beyond the scope of Board responsibility, Board members could from time to time take on certain consultancy projects for the company. Such projects are defined by the Board of Directors and occur on a limited basis. Board members are compensated for such work according to separate agreements approved by the Board of Directors.

The Directors' fees are as at 31 December 2016 not linked to performance. The members of the Board have no share options in the company.

For further information about remuneration of the Board see Note 15 in the 2016 financial statements.

**Remuneration of the Nomination committee**  
Remuneration from the Annual General Meeting of 2016 to the Annual General Meeting of 2017:

The Chairman of the Nomination Committee:  
NOK 45,000

All members of the Nomination Committee:  
NOK 30,000

Deviation from the Code of Practice:  
None

## 12. Remuneration of the executive management

Q-Free's remuneration policy has always been to offer salaries adjusted to market conditions to attract the competence needed. The Board has determined and approved special guidelines for the stipulation of salary and other remuneration to executive management, and the structure of the incentive system is presented to the Annual General Meeting for information purposes. The statement of remuneration of executive personnel is given in a separate appendix to the agenda of the Annual General Meeting. The amendment from 2012 Code to the 2014 code regarding advisory and binding guidelines in the statement, are implemented.

The executive management receives a basic salary and are members of the company's pension scheme. An incentive scheme for executives and leading employees with synthetic options was approved in 2015. A share option program for the CEO was approved in 2016. The remuneration to the executive management also includes a performance based bonus scheme. Please see Note 15 and Note 17 in the 2016 financial statements.

The Board adopted a performance based bonus scheme for all employees in 2007, in order to motivate extraordinary performance/achievements. The performance based bonus scheme is linked to budgeted group financial parameters, and to the performance based parameters/ targets for the relevant business unit. The CEO may assign bonuses to individuals or teams for extraordinary performance/achievements, normally limited up to 40 percent of the employee's fixed salary. The Board may assign bonus to the CEO for performance/achievements limited up to 50 percent of his/her fixed salary. The scheme for the executive management follows the overall bonus scheme for the Group, in addition personal goals apply. The synthetic scheme for executive management requires that parts of the bonus payment is used for purchase of shares in the company.

For more information about incentive programs, please see chapter 3 in this document and Note 17 in the 2016 financial statements.

**Evaluation**

The Board set the terms of the CEO's employment, and the Board reviews the salary and other remuneration on an annual basis. The review is based on performance and comparable market conditions of similar positions.

For further information about remuneration of the CEO and other members of the executive management, see Note 15 in the 2016 financial statements.

**Deviation from the Code of Practice:**

None

## 13. Information and communication

Q-Free wants to maintain an open dialogue with the capital market, and holds open presentations for investors, analysts and others on a regular basis. The company aims to maximise shareholders' values, in such a way that the return on investment measured by dividends and increased share price at least match that of alternative investments involving similar risk.

Regular information will be published through the Annual Report and the quarterly reports and open presentations, at the same time as the information is published on the company's website.

Q-Free will also provide information on its major value drivers and risk factors through the interim reporting, which will enable investors to evaluate the company's risk and performance. Q-Free publishes an overview each year of the dates for major events.

The quarterly results are also made available through webcast. The annual report will be published within four months after year-end.

The CEO and CFO are responsible for the investor relations and all communication with the capital market. If required, the Chairman of the Board or appointed members of the Board will assist. All information is communicated within the framework established by securities and accounting legislation and the rules and regulations of the Oslo Børs.

Q-Free follows The Oslo Børs Code of Practice for Investor Relations. All information relevant to the company's shareholders is published on Oslo Stock Exchange, and made available on the company's website [www.q-free.com](http://www.q-free.com).

All IR communication is handled by the CEO and CFO. Q-Free has published responsibility for the company's contact with shareholders and others on the Company's website.

Deviation from the Code of Practice:  
None

## 14. Takeovers

Q-Free Board of Directors will handle takeover bids in accordance with Norwegian law and the Norwegian Code of Practice for Corporate Governance. There are no defence mechanisms against acquisition offers in our articles of association or in any underlying steering document. Neither have we implemented any measures to limit the opportunity to acquire shares in the company.

Deviation from the Code of Practice:  
None

## 15. Auditor

The company's external auditor is appointed by the general meeting and is responsible for the financial audit of the parent company and Group accounts. The auditor is independent of Q-Free ASA.

The external auditor of Q-Free ASA annually presents a plan to the Audit Committee covering the main focus for the audit. The external auditor participates in at least two meetings of the Audit Committee every year, and one Board meeting where the annual accounts are approved. Other meetings are attended by the auditor as requested. The annual audit results include a presentation of any material changes in the company's accounting principles, accounting estimates and report any material matters in case of disagreements between the external auditor and the management.

At least once a year, a meeting is held between the auditor and the Board without the presence of the CEO or other members of executive management. The Audit Committee has a specific obligation to survey the auditor's independence and qualifications, and to propose candidates for external audit of the company to the General Meeting.

In 2013 Q-Free ASA arranged a competitive tendering among several auditor companies, and BDO AS was elected as the new auditor for the company. Independent external auditors have also been appointed for all subsidiaries of Q-Free ASA which have requirements for a statutory audit.

The external auditor has given the Board of Directors a written notification confirming that the requirements for independence are satisfied.

The auditor attends the Annual General Meeting and informs about the auditor's report and remuneration for the year. This year's auditor's report follows the notes in the annual report. For further information about remuneration of the auditor, see Note 27 in the 2016 financial statements.

To the extent that the auditor is providing services beyond the audit, this is discussed separately on case-by-case basis prior to engagement, to ensure that there are no conflict of interest issues and that this is within the framework of the Auditors Act § 4-5. All engagements beyond audit related services are approved by the CEO or CFO prior to start up.

Deviation from the Code of Practice:  
None



PARIS, FRANCE

# Q-Free Corporate social responsibility review 2016

A review of the company's Corporate Social Responsibility was undertaken to align Q-Free's principles and practice with Section 3-3c of the Norwegian Accounting Act. Our strategy with action plans and clearly defined key performance indicators help us to achieve overall Q-Free goals. Our defined values EPIC (Excellence, Passion, Innovation and Collaboration) give our employees a common platform from which to operate. The Q-Free Code of Conduct also aims to provide guidance to our people. This Code of Conduct is signed by every employee and distributed annually, thereby forming together with our Management system the foundation of Q-Free's approach to human rights, fair working environment, health and safety, business ethics and anti-corruption. In situations where an employee becomes aware of any infringement of the Code of Conduct, they have a duty to raise this issue with their manager. If this is not possible, the employee shall report the infringement directly to the HR, Legal or the Chairman of the Board. Incidents may be reported anonymously if desired. Risk management is an important process in Q-Free and a tool to identify and reduce risks in decision making and process management.

## Human rights, fair working environment, and health and safety

Q-Free promotes and respects internationally proclaimed human rights, including those specified by the International Labour Organisation. The company supports the right to freedom of association, and opposes any form of child labour, forced labour, or discrimination. Q-Free actively encourages all representatives, partners and suppliers to follow the same principles.

### Fair and good working environment

Q-Free considers the combined knowledge, competence and experience of our employees as our most valuable assets, and we seek to attract and retain employees with these assets through a fair and good working environment.

The Q-Free group employs a variety of nationalities from a diversity of cultures, both within the parent company, and across the subsidiaries abroad. As a result, the company has developed an international mind-set, whereby we depend upon dedicated employees that treat others with respect and understanding. It is essential that our employees act in accordance with local laws, regulations and etiquettes, while communicating openly and honestly in respect of local values and norms for social conduct. The aim of Q-Free is to offer an engaging workplace with an open and inclusive working environment. We have focus on avoiding the discrimination of individuals or groups based on their age,

gender, disability, race, sexual orientation, ethnic origin, religion, political affiliation, or any other reason. No incidents or violations in relation to our fair and good working environment have been reported of any kind in recent years.

### Equal opportunities

Gender equality and nondiscrimination of male or female employees are important for us. Most of the company's employees work within engineering, technology development, and technical sales, which are disciplines that have traditionally attracted a majority of male applicants. This is reflected in Q-Free's workforce demographics, which currently represents 20 % female and 80 % male employees.

Q-Free will continue its efforts towards improving gender equality in the workplace, ensuring the high quality and competence of our employees, while encouraging the employment of females in a traditionally male driven sector. In particular, we will strive to breakdown any barriers that may have restricted the female applicants in the past, with a view to promoting a more evenly represented workplace.

The parent company of the Q-Free Group fulfils Norwegian legal requirements with respect to the minimum representation of each gender on the Board of Directors, which currently holds 2 male and 2 female shareholder-elected board members respectively.

### Health and Safety

Q-Free gives the highest priority to the health and safety of its employees, with roadside works representing the highest risk. We have completed a health and safety risk assessments for our activities roadside and implemented safety procedures to ensure risk mitigation actions. For installation and roadside projects, a responsible H&S representative is appointed. The H&S representative is a competence in the project organization and also initiates improvements to our safety procedures.

The project personnel have received safety training and equipment training, and use this competence to perform job safety analysis. Our Management system including health and safety has contributed to no serious incidents or injuries have been reported in the recent years.

Sick leave in the parent company was 2.3 percent in 2016, an increase from 1.9 % in 2015. The figure is still well below the national average for comparable workplaces and can be considered a satisfactory level. Q-Free has no similar reports for the subsidiaries at this stage.

## Business ethics and anti-corruption

High ethical standards and business conducts are prerequisites to gaining the trust of our stakeholders, as well as the local, national and international communities. This is a shared responsibility of the organisation and each of its employees and representatives.

The Q-Free Code of Conduct contains guidelines for ethical behavior in both internal and external business relations, and is designed to stimulate ethical awareness as a basis for everyday actions. The Code of Conduct is applicable to Board members, managers, and all other Q-Free employees and representatives. During 2016, the company revised and updated a version of the Code of Conduct

The Code of Conduct clearly states that Q-Free firmly opposes all forms of corruption and bribery, demanding any suspicion of misconduct to be reported. Personal interests or personal gain shall not affect the work of a Q-Free representative, and any action or interest that compromises integrity or objectiveness shall be avoided. The Code of Conduct explicitly governs areas relating to conflicts of interest, gifts and money laundering.

Q-Free has never been accused of, nor involved in, any cases pertaining to any form of corruption or bribery. The Board and Management are not aware of any breach of our Code of Conduct in this regard, and expect the Code of Conduct to govern Q-Free employees in a manner that ensures this continues.

Fair and open competition in all markets is always pursued by Q-Free, with a desire to win contracts on the basis of a competitive offering of products, services and solutions. The company adheres to national and foreign antitrust laws, while the Code of Conduct states that no formal or informal agreements shall be entered into if competition is thereby unfairly restricted.

The company has never been accused of, nor involved in, any cases pertaining to illicit or improper competitive conduct. The Board and Management are not aware of any breach in this respect, and strive to maintain Q-Free's reputation through the implementation of the reviewed and improved Code of Conduct.

As a publicly listed company on the Oslo Børs, Q-Free complies with the laws, regulations and continuing obligations for listed companies concerning the disclosure of information. The Code of Conduct emphasises the confidentiality requirements and prohibits misuse of information about the company, or relating to insider trading, as regulated by the Securities Trading Act.

## External environment

The portfolio of products, services and solutions has continuously been Q-Free's greatest contribution to the environment, which enable the reduction of traffic congestion, decrease pollution, and minimise the amount and severity of traffic incidents. Q-Free is also firmly committed to minimizing the potential environmental impact of its own operations.

Q-Free fulfils all environmental requirements imposed by the Norwegian authorities, as well as the EU. Q-Free ASA is certified in accordance with NS-EN ISO 14001:2004. All products introduced after 2005 are produced without the use of lead and other hazardous substances, as defined in the EU's directive on Restriction of Hazardous Substances (RoHS), and shall also be recyclable in line with the EU's directive on Waste Electrical and Electronic Equipment (WEEE). Furthermore, the Group is working actively to encourage our sub-contractors to choose the most environmental-friendly alternatives wherever possible.

Q-Free also has a focus on the reduction of natural resources, with the use of electronic document sharing rather than printing on paper, utilising videoconferencing instead of travelling, and coordinating travel activities, are some examples of the company's determination to protect the environment.

Q-Free's Environmental Policy is publicly available on the website.



## Articles of Association for Q-Free ASA

**Article 1.** The name of the Company shall be Q-Free ASA. The Company shall be a public limited company.

**Article 2.** The Company's registered place of business shall be in the City of Trondheim.

**Article 3.** The objective of the Company is to engage in research, development, production, operation and sale of information technology products and systems plus everything therewith connected.

**Article 4.** The Company's share capital shall be NOK 33,904,909.49, divided between 89,223,446 shares each of NOK 0.38 face value.

The Company's shares shall be registered in the Norwegian Central Securities Depository (VPS).

**Article 5.** The Board of the Company shall have between three and eight members, as the general meeting shall stipulate. The Board shall represent the Company outwardly, and sign for it. The signature of the Company is also vested in the Chairman of the Board and one other Board member acting jointly.

The Board may grant procuration (registered power of attorney).

**Article 6.** The annual general meeting shall be held before 30 June, either in the City of Trondheim or the City of Oslo.

Invitation to the general meeting shall require at least 21 days' written application to all shareholders with known addresses.

The Board may determine that documents pertaining to matters for discussion at the general meeting shall not be sent to the shareholders when these documents are made available on the Company's Web pages. The same shall apply to documents that by statute must be incorporated into or appended to the invitation to the general meeting. A shareholder may nevertheless, by application to the Company, demand to be sent documents pertaining to matters for discussion at the general meeting.

The right to participate and vote at the general meeting may only be exercised for shares that are entered in the Register of Shareholders (VPS) on the fifth working day prior to the general meeting (the date of registration).

Shareholders who, either in their own persons or by proxies, wish to participate in the general meeting, shall communicate this to the Company within the deadline that the Board has stipulated in the invitation. Such deadlines cannot expire earlier than five days prior to the meeting.

The Ordinary General Meeting shall consider:

1. Adoption of profit and loss account and balance sheet.
2. Application of profit or coverage of loss pursuant to the adopted balance sheet and distribution of dividend.
3. Election of the Board and the Chairman of the Board.
4. Stipulation of the Board's remuneration.
5. Election of members of the Nominations Committee.
6. Stipulation of the compensation to the Nominations Committee.
7. Stipulation of the compensation to the auditor.
8. Other matters that the Board places on the agenda, or that a shareholder wants considered, when such an item is notified in writing to the Board within seven days before the deadline for invitation to the general meeting, together with a proposal for decision or a justification for putting the proposal on the agenda. If the invitation has already taken place, a new invitation shall be made if the deadline for invitation to the general meeting has not passed.
9. Other matters that pursuant to statute pertain to the general meeting.

**Article 7.** The Company shall have a Nominations Committee, whose mission shall be to make recommendations to the general meeting for shareholder-elected members to the Board, and also propose the Board's emoluments.

The Nominations Committee shall consist of three members who shall be shareholders or representatives of shareholders. The members shall be elected by the general meeting. The members of the Nominations Committee shall be elected for two years at a time. The general meeting may decide on instructions for the Nominations Committee.

**Article 8.** Reference is otherwise made to the current companies legislation.

Articles of Association as of 28 September 2016.  
The shareholders of Q-Free ASA

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LAYOUT BENNETT AS

PRINT SKIPNES AS

PHOTO STUDIO BERRE P. 12, 24, 25, 32

Q-FREE, ELENA MASTYNSKAYA P. 11 (OSLO), 18, 22, 23, 89, 108

SHUTTERSTOCK COVER, P. 2, 4, 10, 11, 14, 16, 20, 21, 31, 35, 105

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Acc. No.: 8601 30 68900  
Register of business  
enterprises NO 935 487 242



LEADING THE WAY

# ANNUAL REPORT 2017



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# MISSION VISION VALUES



Increasing urbanization presents us with unprecedented transportation challenges. Cities and people around the world are looking for new and better ways to deal with congestion, accidents and unsustainable pollution levels..

Q-Free's vision and mission reflect our desire to help sustain urban growth and quality of life. Simply put, we want to make it convenient, safe and environmentally friendly for billions of people to move from A to B.

Our purpose gives us a strong social cause and long-term aim for our business and a clear roadmap for our employees, partners and customers.

## Our Vision

Changing the movements of life.

## Our Mission

Q-Free creates intelligent solutions for efficient, safe, and environmentally friendly transportation based on innovative technology and open platforms.

## Our Values

Our values serve as a compass for our actions and describe how we behave in the world.



### EXCELLENCE

We aspire for excellence and as a consequence set new standards in everything we do.



### PASSION

Dedication and responsibility fuels our passion for solving the future of mobility for citizens on the move.



### INNOVATION

Our curiosity combined with technology puts innovation at the core of our product development.



### COLLABORATION

By sharing knowledge and establishing new partnerships, we customize through collaboration.



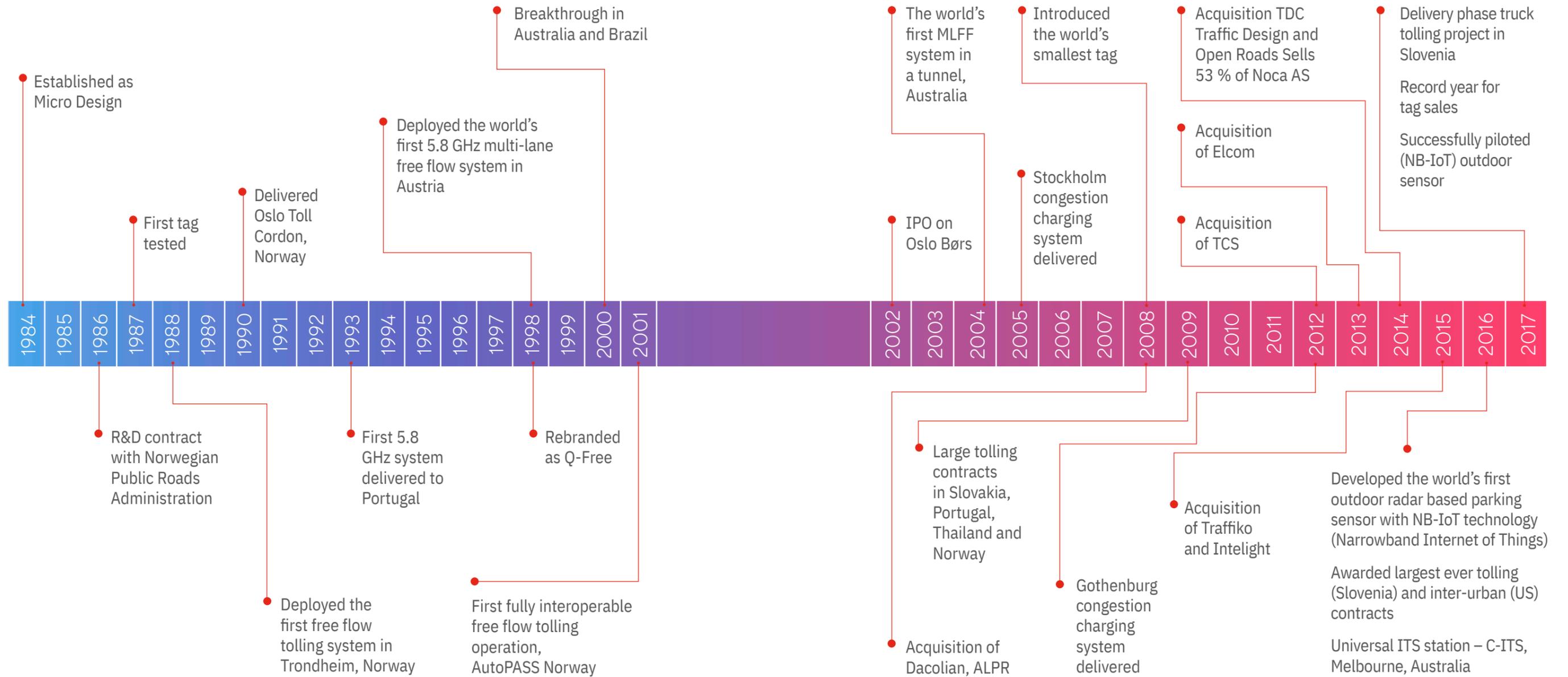
# HARMONIZING HUMANS & TECHNOLOGY

# The Historical context

## 1984-2000 COMMERCIAL BREAKTHROUGH

## 2000-2012 INTERNATIONAL TOLLING EXPANSION

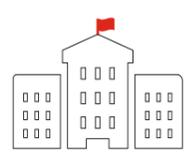
## 2012-2017 TRANSFORMATION INTO AN ITS COMPANY



# Q-Free at a glance



FOUNDED IN  
**1984**



HEADQUARTERED IN  
TRONDHEIM  
NORWAY



OFFICES IN  
**17**  
COUNTRIES



**415**  
EMPLOYEES



**~1** BNOK  
IN REVENUES

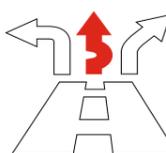


REFERENCES FROM  
**50+**  
MARKETS

INSTALLED THE  
WORLD'S FIRST  
**FREE FLOW**  
TOLLING  
SYSTEM IN  
**1988**



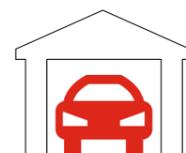
**30**  
MILLION TAGS SOLD



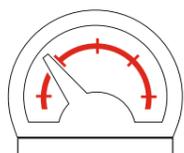
**1 400+**  
ETC LANES  
IN OPERATIONS

**60+**

BILLION NOK IN  
ACCUMULATED TOLL  
REVENUES PROCESSED  
IN CENTRAL SYSTEM  
NORWAY  
2007-2017



**300+**  
PARKING FACILITIES



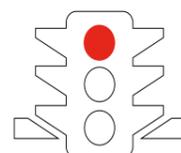
**325+**  
WEIGH IN  
MOTION SYSTEMS



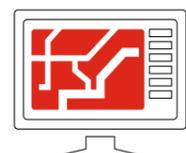
**1 000+**  
BICYCLE  
COUNTERS



**3 000+**  
TRAFFIC  
COUNTERS



**22 000+**  
INTERSECTION  
CONTROLLERS



TRAFFIC  
MANAGEMENT FOR  
>500 000 LANE-MILES  
OF ROADWAY

**25+**

MILLIONS  
PEOPLE SERVED  
BY OUR TRAFFIC  
MANAGEMENT  
SYSTEMS



REAL TIME JOURNEY  
MONITORING  
(BLUETOOTH DETECTION)

**500+**

# Key figures

	2013	2014	2015 *	2016	2017
<b>Profit &amp; loss account (TNOK)</b>					
Operating revenue	606 072	788 684	766 885	877 165	973 475
Cost of goods sold	224 791	282 173	221 615	296 481	287 833
Operating expenses	413 080	421 667	555 995	585 030	603 051
<b>EBITDA **</b>	<b>-31 799</b>	<b>84 844</b>	<b>-10 725</b>	<b>-4 346</b>	<b>82 591</b>
<b>EBIT **</b>	<b>-94 713</b>	<b>8 436</b>	<b>-150 294</b>	<b>-59 107</b>	<b>4 227</b>
<b>PROFIT BEFORE TAX</b>	<b>-97 959</b>	<b>-16 369</b>	<b>-171 934</b>	<b>-55 621</b>	<b>-9 526</b>
<b>PROFIT AFTER TAX</b>	<b>-110 770</b>	<b>-26 958</b>	<b>-188 091</b>	<b>-53 419</b>	<b>-11 263</b>
GM % **	62.9 %	64.2 %	71.1 %	66.2 %	70.4 %
EBITDA % **	-5.2 %	10.8 %	-1.4 %	-0.5 %	8.5 %
EBIT % **	-15.6 %	1.1 %	-19.6 %	-6.7 %	0.4 %
<b>Selected balance sheet items (TNOK)</b>					
Intangible fixed assets	236 279	414 342	581 991	512 451	470 876
Tangible fixed assets	63 071	51 799	43 854	33 661	22 367
Cash	271 477	164 133	65 349	101 474	113 633
Total assets	894 344	939 794	997 315	990 419	1 070 372
Equity	504 526	485 389	416 499	426 900	414 231
Gross interest bearing debt	100 000	100 000	150 000	229 457	328 691
<b>Key figures per share (NOK)</b>					
Earnings per share, ordinary	-1.65	-0.42	-2.79	-1.11	-0.23
Earnings per share, diluted	-1.65	-0.42	-2.79	-1.11	-0.23
Cashflow	-0.48	0.92	-0.31	-0.96	-0.55
Book equity	7.42	7.08	5.97	5.67	4.64
Market cap as at 31.12 (MNOK)	952	688	683	703	718
Average no of shares	67 972	68 574	69 781	75 351	89 223
<b>Other key figures</b>					
Order backlog **	379 194	481 192	710 202	1 404 548	1 049 477
Order Intake **	548 060	889 792	1 009 722	1 575 143	615 510
Return on Invested Capital (ROIC)	0.68	0.84	0.77	0.89	0.91
Net interest bearing debt (NIBD) **	-171 477	-64 133	84 651	127 983	215 058
Cash flow from operations	-32 567	63 310	-21 916	-72 684	-49 337
Operational investment	37 738	69 074	60 211	31 941	30 113
Equity ratio **	56 %	52 %	42 %	43 %	39 %
Gearing	11.2 %	10.6 %	15.0 %	23.2 %	30.7 %
Number of employees	291	399	429	416	415
Price/book value	1.89	1.42	1.64	1.65	1.73

\* See note 30 Discontinued operations regarding restatement 2015.

\*\* See Alternative Performance Measures for definitions.

# 2017 SUCCESSES



WHAT	WHERE	CUSTOMER
Tolling – Tag frame agreement	France	VINCI Autoroutes
Tolling – Multi lane free flow project	Gipuzkoa, Spain	BIDEGI
Tolling – Tag frame agreement	Russia	Northern Capital Highway
Tolling – AutoPASS for ferries	Norway	Fjord 1
Tolling – Option for extended operation of Central System AutoPASS	Norway	Norwegian Public Roads Administration
Tolling – Tag contract	Thailand	EXAT
Tolling – ALPR for Central Florida Expressway	Florida, USA	Transcore
Infomobility – UK frame agreement	UK	
Inter Urban – ATMS contract extension	Pennsylvania, USA	PennDOT

Over the last few years Q-Free has evolved from a house of brands, consisting of seven recently acquired companies with distinct ITS expertise, to one brand with a broad toolbox of modular and robust products. This unique toolbox, together with our domain knowledge and experience, enables us to create new solutions that meet the rapidly evolving needs of a modern world.

In 2017 we have focused our scope and presence, strengthened our organization with new competence in key positions, and developed new offerings. These and many other initiatives made last year one of our best years terms of financial performance and created a positive impact for millions of citizens. We

- 1 Installed the world's most modern truck tolling system in Slovenia
- 2 Delivered millions of tags in e.g. Portugal, Thailand, France and Chile
- 3 Successfully piloted our (NB-IoT) outdoor sensor
- 4 Released the first phases of a state-of-the-art traffic management system in the US
- 5 Installed thousands of traffic controllers in the US
- 6 Won the 2017/2018 National European Business Award for Social Responsibility and Environmental Awareness

In addition to our internal improvements, we also made progress on our mission to enhance travelers' quality of life. With rapid urbanization, there is an increase in number of commuters and complex traffic environments, but traffic should not be a stumbling block for urban development. At Q-Free, we use our entrepreneurial spirit to provide sustainable and cost-efficient products and solutions that reduce congestion, accidents and pollution and promote smooth connectivity between people, companies, cities and the environment. As an expression of the responsibility Q-Free feels towards using our ingenuity to manage this challenge, we implemented our new vision «Changing the movements of life» in 2017.

At Q-Free we strive to be better than yesterday, both as a company and on a societal level. With this in mind, we are convinced that what we achieved in 2017 is only the beginning and that the best is yet to come for us and our broad group of stakeholders.





# LETTER FROM THE CEO

2017 was a successful year for Q-Free. We managed to convert some of our record-high order backlog into double digit revenue growth and EBITDA margin. The solid financial performance was clearly helped by the restructuring we did in the second half of 2016. Beyond meeting key performance metrics, we also managed to progress the delivery of the nationwide truck tolling system in Slovenia to its final phase (it went live on April 1st 2018), delivered the first phase of the state-wide traffic management system in Virginia, and had a record year in terms of tag sales.

Although the company is still exposed to volatility in order intake and project activity, Q-Free has a more stable platform than in previous years. This can be attributed to two key developments. First, the base of recurring revenues is increasing due to long-term service and maintenance agreements in the tolling business combined with increasing product sales in other business areas and transaction-based models for license-plate recognition. Second, Q-Free has demonstrated good cost control and reduced operating expenses as a share of revenues by 10 percentage points since summer 2016.

In 2018 we will continue our efforts to build leading positions in target segments. A prerequisite for this will be to further reduce the complexity of our operations and reallocate resources from underperforming businesses to businesses with higher value creation potential. The exit from Serbia (Elcom) and parking management, which we announced in the fourth quarter of 2017, are important steps in this process. We believe we are now well positioned to defend our top 3 positions in tolling and inter-urban and build top 5 market positions in urban, parking guidance and infomobility.

Operating in an industry that addresses one of the most critical and demanding global challenges, urban mobility, we know that the future is exciting for Q-Free. The demand for intelligent transportation systems will continue to grow, and Q-Free is well positioned to capture its fair share of the growth. The momentum in several of our businesses is good, and we remain confident that a broad product portfolio, a growing list of references and a strong purpose will present Q-Free with significant opportunities in 2018 and beyond. Q-Free helped millions of people travel more efficiently, safely and environmentally friendly in 2017. Together with our customers and clients we will continue to “change the movements of life” in 2018.



Håkon Volldal  
President & CEO, Q-Free ASA

# INDUSTRY PERSPECTIVE

## New mobility challenges

Every week 1.5 million people move from rural to urban areas. More than 50 percent of the world's population now lives in cities, and according to the UN the share is expected to increase to almost 70 percent by 2050. The importance of cities is demonstrated by a few key metrics: 50 percent of global GDP is generated by the 300 largest metropolitan areas in the world, cities are responsible for 75 percent of global energy consumption and responsible for 80 percent of CO2 emissions.

With increasing urbanisation comes new and unprecedented mobility challenges. Congestion is already a worldwide hassle, and the associated costs are high. Research conducted by INRIX shows that the average American wastes 42 hours in peak traffic every year and the cost to the US economy was 300 billion USD in 2016. On a global level 1.2 million people lose their lives in traffic accidents each year. The World Health Organization has stated that 80 percent of urban areas are exposed to pollution levels that exceed their guidelines. In sum, transportation is no longer efficient, safe and clean.

The Intelligent Transport Systems (ITS) industry provides solutions to address fundamental mobility challenges. Electronic tolling, smart parking, advanced traffic management, variable message signs, speed/red light enforcement and a host of other ITS products and solutions help reduce congestion, improve road safety and reduce pollution. The benefits have been documented in numerous studies and reports. In Q-Free we are therefore technology optimists. We believe that ITS is essential to sustained urban growth and quality of life.

## A promising future

The ITS industry will be heavily impacted by 3 disruptive forces: electrification, self-driving vehicles and ride sharing. Each force has the potential to dramatically change the future of transportation, in combination they can revolutionize the future of mobility. Research conducted by the Boston Consulting Group in 2016 shows that the impact of replacing conventional vehicles with electric "robo-taxis" will be profound: number of vehicles on the roads might decrease by almost 60 percent, number of accidents might go down by approximately 90 percent, and emissions from cars might be reduced by 85 percent.

There is no reason to doubt that transportation in 2030 will look very different than it did in 2017. However, the transition from today's traffic situation to a future dominated by clean, safe and efficient robo-taxis will not happen overnight. Even though the automotive industry is changing fast and new enabling technologies such as big data, cloud/edge-computing, and the internet of things are fuelling a constant stream of smart mobility innovations, we tend to overestimate the effect of technology in the short term and underestimate the effect in the long run. To replace almost 1.3 billion ICE cars and commercial

vehicles with electric vehicles will take time. Similarly, changing private car ownership attitudes and making ridesharing the preferred transport mode for urban citizens will take time.

## First things first

In Q-Free we embrace new technology and new concepts. After all, our mission is to create intelligent solutions for efficient, safe, and environmentally friendly transportation based on innovative technology and open platforms. We will therefore continue our pioneering work in ITS standardization and Cooperative ITS (C-ITS) to support a future where smart robo-taxis (or something else) have replaced today's vehicle fleets. Nevertheless, we also offer mobility solutions that can be implemented with great benefits today and in the next few years to help cities bridge the gap between where they are and where they want to be.

Q-Free has one of the broadest and most interesting portfolios in the ITS industry. Our scope covers electronic toll collection, parking, traffic management, smart infomobility solutions etc. Our breadth of sensors, software systems and domain know-how puts us in a position where we can offer unique solutions to mobility challenges in a short time frame. We can offer stand-alone congestion charging and intersection control systems that will immediately remove traffic jams and accidents. More interestingly, we can combine and merge our solutions to give our customers more insights and better tools to address mobility challenges across transport sectors and public bodies. We can achieve this by collecting data from various sensors and sources and presenting the data in new and innovative ways to facilitate faster and better decision-making.

For example, in 2017 we started to integrate signal processing (intersection control) in our Open TMS traffic management system. We also developed truck parking as a feature in our Open TMS traffic management solution. In 2018 we will launch our new outdoor parking sensor on a software platform (IoT Hub) that allows data collection and processing from other ITS devices. Seamless data exchange between platforms and systems will open new opportunities for traffic regulators and administrators.

## Summary

Effective and efficient transportation is a key requirement for sustainable urban growth. In Q-Free we have made this our purpose: We want to change the movements of life by offering solutions for efficient, safe and environmentally friendly transportation. We go to work every day trying to find new and better ways for billions of people to commute. Q-Free is in the fortunate position that what is good for our company is also good for society. Knowing that we as a company help address one of the biggest global challenges makes us humble and inspired.

# OUR STRATEGY



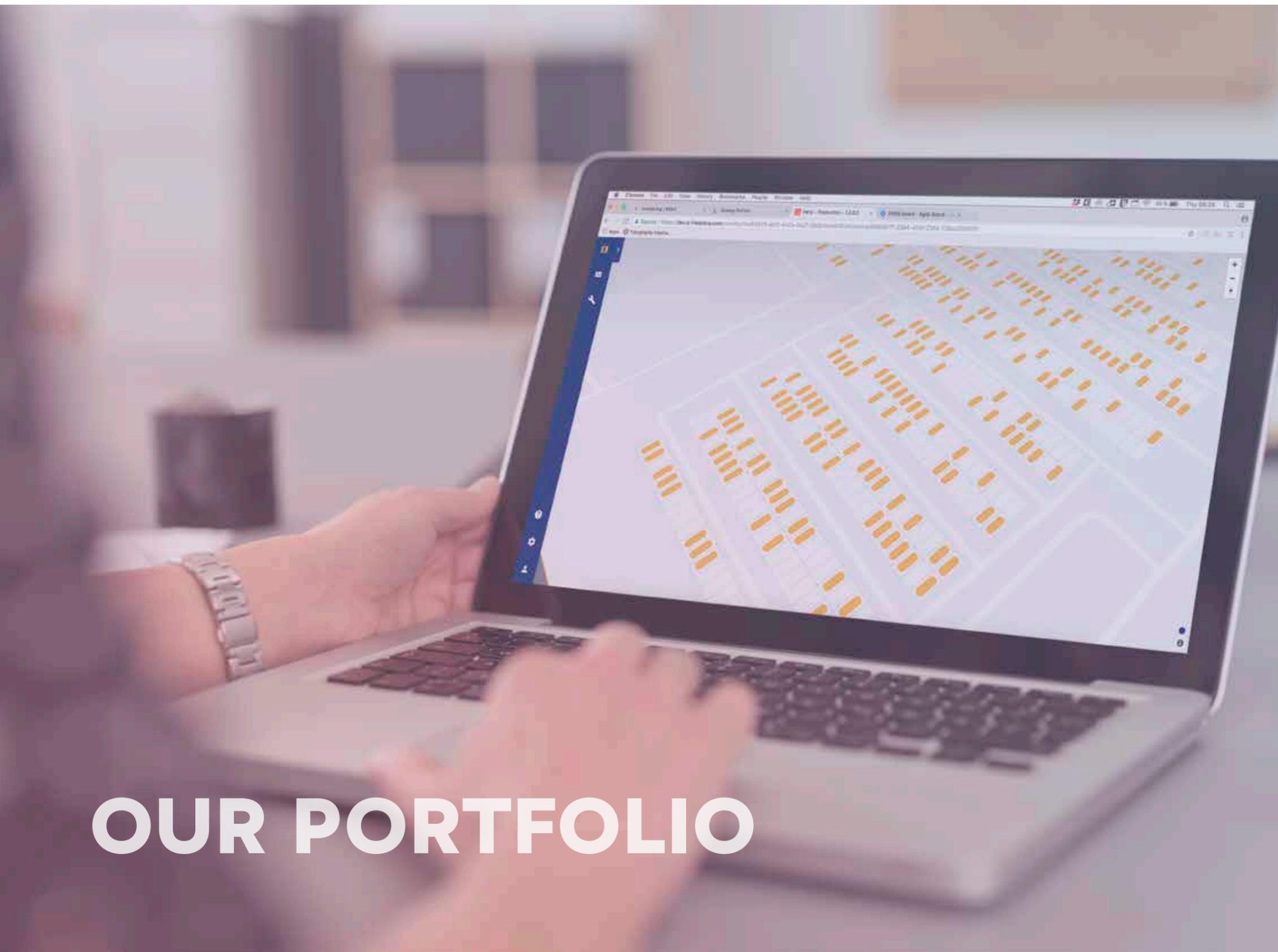
Q-Free pursues a strategy that is divided into four distinct phases. The first phase, “Restore”, was completed in the second half of 2016. In this phase the company took several actions to pave the way for future profitable growth: The capital structure was strengthened through a private share placement, cash management was improved, operational expenses were reduced, and the business scope was narrowed to allow better allocation of capital and resources. These initiatives have had a significant positive impact on Q-Free’s financial performance, as demonstrated by the double-digit revenue growth and EBITDA margin in 2017.

“Develop”, which is the second phase in our plan, is about building leading and distinctive market positions in selected target segments. This will help the company sustain revenue growth and unleash its true potential as a global player in the Intelligent Transportation Systems (ITS) industry. However, selling everything everywhere will not work. In 2017 and 2018 Q-Free believes it can establish itself as a global leader in tolling, parking, and infomobility and as a regional leader in inter-urban and urban traffic management in North America. We will make our mark by pushing innovative offerings such as wireless parking sensors, open traffic management platforms, state-of-the art traffic controller software etc.

In phase three, “Integrate and expand” Q-Free will capitalize on its growing list of customers and references to scale its businesses. There are several expansion opportunities in all target segments related to geographical presence, offerings and positions in the value chain. Another key goal in this phase will be integrate our offering technically and commercially. Q-Free has one of the most exciting technology portfolios in the industry and can provide solutions that few other companies can match. One example is the integration of signal processing and truck parking in our Open TMS Traffic Management system.

The ITS industry will no doubt go through a phase of consolidation. With a proper financial and industrial foundation in place, Q-Free can over time move into the fourth and final phase of its current plan. In the “Transform” phase, Q-Free will consolidate and expand its market position by pursuing select M&A and partnership opportunities. This will further strengthen its leadership position in target segments.





# OUR PORTFOLIO

With more than 30 years of experience, Q-Free is recognised as a provider of state-of-the-art ITS solutions and products that address all strategic and operational needs of its customers.

Our portfolio is based on an open systems approach to help develop and deploy new mobility concepts. Q-Free also offers comprehensive service and maintenance solutions.



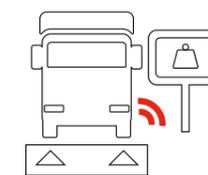
## TOLLING

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



## PARKING

- PARKING GUIDANCE
- PARKING ACCESS CONTROL



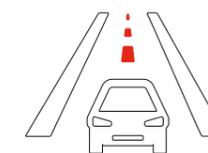
## INFOMOBILITY

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



## URBAN

- TRAFFIC CONTROLLERS
- CENTRALIZED TRAFFIC CONTROLLER SW
- CO-OPERATIVE ITS



## INTER-URBAN

- ADVANCED TRAFFIC MANAGEMENT
- TRAFFIC INFORMATION
- RAMP METERING
- TRUCK PARKING

# Our solutions



## TOLLING

Tolls are used to fund and maintain transport infrastructure such as roads, bridges, and tunnels. They are also increasingly applied to reduce traffic congestion and/or climate emissions. Toll schemes have evolved from charging motorists a flat fee for passing a certain point, to today's schemes where charges can be differentiated based on time of day, distance travelled, and type of vehicle used. Through the introduction of priority lanes, users can also be given the option to pay for increased mobility.

Q-Free pioneered the use of electronic tolling and provides tolling technology based on the Dedicated Short-Range Communication (DSRC) standard. We offer premium solutions and best-in-class service at a competitive price. Our offering includes a wide variety of products and solutions: tags (transponders) inside cars, tag readers, cameras for automated license plate recognition, lasers for vehicle classification, advanced software systems for processing of roadside

data, billing systems, and enforcement solutions. Q-Free has designed, deployed, and maintained electronic tolling systems for over 30 years in more than 30 markets around the world.

Our solutions and technologies are scalable from a single road to an entire country or region. We provide free flow or "open road" tolling concepts that allow high-speed, barrier-less charging, as well as traditional toll plaza solutions with physical barriers. Our solutions can be configured as truck tolling systems for tolling of heavy vehicles only, congestion charging solutions where vehicles are charged based on time of day or pollution levels, and managed lanes where commuters pay for access to priority lanes or high occupancy vehicles can pass for free.

A variety of technologies are used to adapt to various local needs and regulations. Q-Free utilises DSRC tags, satellite (GNSS/GPS) technology, Automated License Plate Recognition/video systems, and GSM/Cellular technologies etc. to create high performing and long-lasting tolling systems. What differentiates Q-Free from other providers, is our unique domain knowledge from implementing and running mission-critical tolling systems under very different conditions for more than three decades, the accuracy and reliability of our systems, and our reliable service operation.

Revenues are typically derived from initial system sales (project sales), service and maintenance agreements for delivered systems including software systems, and product sales related to upgrades/expansions of existing systems or new batches of tags.



## PARKING

Well-functioning parking systems are key to effective and efficient transportation. They enable drivers to find available and convenient parking spaces. The result is reduced traffic congestion and climate emissions. In addition, travellers get to where they need to be on time.

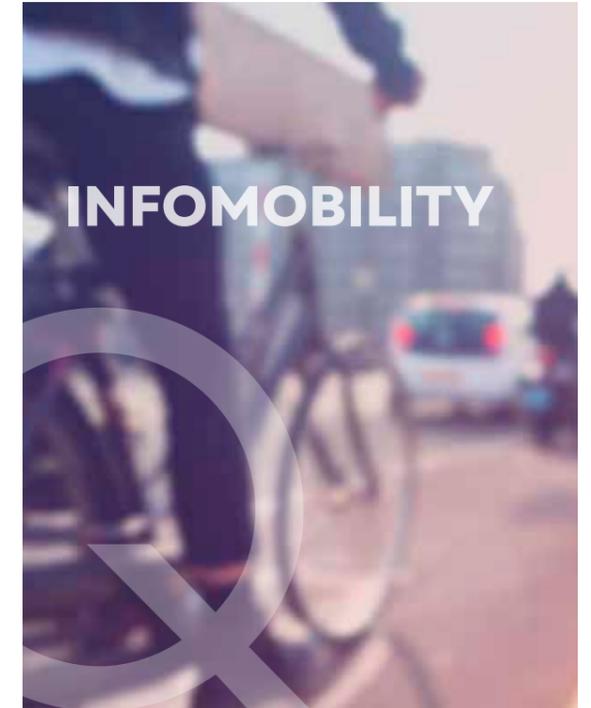
We want to position Q-Free as a technology innovator and disruptor offering flexible and cost-effective solutions to facility owners and professional parking operators. Our focus is on Parking Guidance solutions (PGS), which includes facility-, level- and single space-counting for indoor and outdoor parking.



Our class-leading PGS solutions use both fixed and wireless sensors to provide real-time information on parking availability. We register vehicles when they enter the parking facility, the level they stop at, and the space they occupy. The driver is guided to available parking spaces by displaying occupancy information on LED signs, web pages or in mobile applications. When integrated with Q-Free ParQ, Customers get access to real-time occupancy information and trends.

Our new radar-based parking sensor will revolutionize the PGS market due to unrivalled accuracy, long battery lifetime, low installation costs, and robustness in tough weather conditions. The sensor is designed for the future with Narrow-Band Internet of Things (NB-IoT) connectivity, which means that it can communicate directly to future 4G and 5G telecom networks.

Although Q-Free is a new entrant in parking, we have a lot to offer. With no legacy to protect, we can bring new and innovative concepts to market that reduce costs and improve convenience for our customers. We offer unrivalled flexibility because our system is modular and based on open standards. This allows customers to buy single modules from Q-Free that interface with equipment from other suppliers.



Q-Free generates parking revenues on sale of hardware/sensors. With the anticipated move towards SaaS based solutions, our business model will likely develop into volume- or subscription-based models.



## INFOMOBILITY

Access to traffic data will become increasingly important for both traffic agencies and individual commuters. Infomobility solutions aim to collect and distribute accurate and real-time information about various traffic situations and conditions. Examples of typical infomobility solutions include weigh-in-motion systems, vehicle classification and counting systems, journey time systems, pedestrian and bicycle detection and counting systems, and weather detection systems.

Q-Free provides a full suite of infomobility solutions. Our state-of-the-art weigh in motion systems ensure that trucks are weighed on the move without having to stop at dedicated weighing stations. This is important as overloaded trucks represent a safety issue and cause significant wear and tear of highway infrastructure like roads and bridges. By applying Bluetooth technology, we can measure traffic flow speeds and volume and provide estimated travel times to various destinations. Our vehicle, cycle, and pedestrian counting systems provide traffic authorities and regulators with valuable information on what is happening on their roads. This data is used for safety, infrastructure planning, and funding.

We offer high quality, reliable products with an attractive price/value ratio. All systems are characterized by real-time data capture, high accuracy, high uptime, high flexibility due to modular and interoperable solutions with open architectures, and a high service level to all customers. Moving forward, we expect our infomobility solutions to be integrated with other traffic systems to enhance the value of these systems and enable new services. Examples include automated regulation of speed limits based on weather conditions, bus/bicycle/pedestrian priority schemes where detection systems are linked to traffic controllers, and tolling systems where toll fees are based on pollution levels.

In infomobility, Q-Free generates revenues on the sale of products and service and maintenance agreements. As for parking, we anticipate that the industry will move towards a more cloud-based future where our revenues will be linked to volume- or subscription-based models, with a high portion of recurring revenues.



## INTER-URBAN

Highways are the arteries of our economies and their smooth functioning is essential to almost every aspect of our lives. In the face of ever increasing levels of traffic, jurisdictions around the world continue their efforts to make improvements to safety and environmental performance while reducing congestion. For this, they need intelligent and advanced traffic management systems.

Most countries and states/cities have centralised Traffic Management Centres (TMC) where trained operators respond to incidents such as



accidents, fires, and traffic jams. To make the right decision at the right time, operators need access to timely and relevant information. Therefore, highways, tunnels, and bridges are typically monitored by a combination of sensors and cameras to gather required data. Intelligent software applications analyse this data to provide situational awareness and recommend actions to operators.

Q-Free provides TMC operators with traffic management solutions which are based on open standards. This simplifies deployment and eases integration with both new and legacy equipment. An open-architecture further promotes interoperability with a very wide variety of detection, monitoring, control and information systems. Q-Free helps network operators expand their operational capabilities with a centralised intelligent system that supports traffic management, intelligent decision making, and multimodal transportation management.

Our inter-urban traffic management solutions are primarily sold in North America, to customers such as the States of: Virginia, West Virginia, Pennsylvania, Delaware, and Alaska. Revenues are related to software system sales, and service and maintenance contracts, which ensure the systems are up to date, available, and bug-free.



## URBAN

Towns and cities have special traffic management challenges. They must balance mobility, which enables economic growth and social interaction, with maintaining urban quality of life in the form of reduced traffic congestion, pollution, and noise.

For urban environments, Q-Free provides traffic and mobility management solutions that are based on common protocols and open standards. Our key products in this segment are smart traffic/intersection control systems. We offer single traffic light controllers and overall software platforms for managing traffic light systems in urban areas. Operators and traffic engineers gain a centralised and robust solution for integrated traffic control and intelligent decision-making.

Our intersection control systems are primarily sold in North America through a network of high quality dealers and system integrators. Q-Free's open platforms integrate well with a variety of required hardware components, such as signal heads, cabinets, and detectors.

Revenues in this segment are generated through hardware (controllers) and software sales. Currently, hardware accounts for 2/3 and SW for 1/3. Hardware is sold and invoiced based on traditional sales contracts, software might be licensed. Service and maintenance contracts for maintaining and improving the software typically cover multiple years. With a shift to cloud-based systems, we expect more of the revenues to become recurring and transaction-based.

# Corporate management



**Håkon Vollidal (1976)** | President & CEO | Mobile: +47 977 19 973 | [hakon.vollidal@q-free.com](mailto:hakon.vollidal@q-free.com)

Håkon Vollidal, a Norwegian citizen, has held the position as President & CEO in Q-Free since August 2016. Prior to joining Q-Free, Vollidal spent more than 12 years with Tomra Systems ASA where he held several senior positions such as Director M&A, VP Investor Relations, SVP Business Development, and finally Executive Vice President and Head of business area Collection Solutions. Vollidal has also worked as a management consultant for McKinsey & Company. He graduated with a Master of Science degree in Industrial Economics and Technology Management from the Norwegian University of Science and Technology (NTNU) in Trondheim, Norway. Vollidal owns indirectly through Bright Future AS 100,000 shares and holds 630,828 share options in Q-Free ASA.



**Tor Eirik Knutsen (1974)** | CFO | Mobile: +47 950 50 062 | [tor.eirik.knutsen@q-free.com](mailto:tor.eirik.knutsen@q-free.com)

Tor Eirik Knutsen has held the position as CFO since October 2017. Prior to joining Q-Free, Knutsen was Group CFO for Norsk Mineral AS. During his career, Knutsen has been part of high-performing technology companies. He has previously worked as EVP & CFO of Conax and Financial Director and Business Development Director in Tomra Systems ASA. His work experience also includes various positions with Deloitte and Cap Gemini. A native Norwegian, Knutsen received his Master of Science Business degree from the Norwegian School of Economics (NHH) in Norway. Knutsen is based in Oslo, Norway, and owns 7,500 shares and holds 594,548 share options in Q-Free ASA.



**Fredrik Nordh (1974)** | SVP Europe | Mobile: +46 70 625 80 46 | [fredrik.nordh@q-free.com](mailto:fredrik.nordh@q-free.com)

Fredrik Nordh joined Q-Free as Senior Vice President Europe in September 2017. Nordh has held several leading positions within Tomra Group (2003-2017), most recently the position as SVP Head of Nordic Collection Solutions. Nordh has also been Nordic Business Controller at LG Electronics and held several finance, IT, and logistics positions at S.C. Johnson. A native Swede, Nordh received his M.Sc. Business and Economics from University of Uppsala in Sweden. Nordh is based in Stockholm, Sweden, and owns 40,000 shares and holds 527,256 share options in Q-Free ASA.



**Morten Andersson (1957)** | SVP Americas | Mobile: +47 928 41 800 | [morten.andersson@q-free.com](mailto:morten.andersson@q-free.com)

Morten Andersson has been with Q-Free since 2012. Andersson has held several leading positions in traffic technology companies such as Peek and Swarco, and has more than 30 years of industry experience. Andersson, a Norwegian native, is based in the United States and holds 270,249 share options in Q-Free ASA.



**Per Fredrik Ecker (1968)** | SVP Asia Pacific, Middle East and Africa | Mobile: +47 922 97 524 | [per.ecker@q-free.com](mailto:per.ecker@q-free.com)

Per Fredrik Ecker has been with the company since 2007 and has filled several leading positions in Q-Free. Prior to joining Q-Free, Ecker was Sales Director in Siemens Mobile Networks (1992-2007). As a Second Lieutenant, Ecker was educated in electronics by the Norwegian Army Officers Training School. Ecker is a Norwegian native, based in Indonesia, and owns 33,500 shares and holds 70,000 synthetic share options in Q-Free ASA.



**Arvid Strømme (1964)** | VP Service Line Tolling | Mobile: +47 911 93 313 | [arvid.stromme@q-free.com](mailto:arvid.stromme@q-free.com)

Arvid Strømme has been employed in Q-Free since 2015, and has more than 20 years of experience from technology-based international business. Strømme has previously held leading positions in Stentofon AS, Det Norske Veritas, Stento ASA, Zenitel, Elotec, and Doble Lemke GmbH. Strømme received his M.Sc. Data and Electronics degree from the Norwegian University of Science and Technology (NTNU) in Trondheim, Norway, and an MBA in Strategic Management from the Norwegian School of Economics (NHH), Norway. Strømme is a Norwegian citizen and based in Trondheim, Norway.



**Kristina Bergstad (1976)** | VP Service Line Parking | Mobile: +47 482 88 708 | [kristina.bergstad@q-free.com](mailto:kristina.bergstad@q-free.com)

Kristina Bergstad has been with Q-Free since 2009 and has held several key positions within the Group. Bergstad has over 15 years of international management and project management experience within the field of IT and Technology across several industries. She has previously worked for companies such as Telenor, Wallenius Wilhelmsen Logistics, ErgoGroup and the Norwegian Public Roads Administration. Bergstad is a Norwegian citizen and based in Oslo, Norway.



**Pål-André Almlie (1968)** | VP Supply Chain Management | Mobile: +47 928 22 002 | [paal.almlie@q-free.com](mailto:paal.almlie@q-free.com)

Pål-André Almlie has been with Q-Free since 2007. He has extensive international supply chain management experience. Prior to joining Q-Free, he held management roles within the medical and IT industries. Almlie has a Bachelor degree in Business & Administration from the Norwegian School of Economics (1994). Almlie is a Norwegian citizen based in Oslo, Norway, and owns 26,500 shares in Q-Free ASA.

# Board of Directors



**Tore Valderhaug (1960)** | Vice Chairman of the Board | Served since 2016

Tore Valderhaug is a financial advisor. He is a Norwegian State-Authorized Public Accountant with 10 years of external audit experience and close to 20 years' experience as CFO in the Norwegian publicly listed companies Cermaq, EDB Business Partner, ASK Proxima, Ocean Rig and Unitor. Valderhaug has also been CFO and head of business development in the privately held PHARMAQ AS. In addition to his position in Q-Free ASA, he is currently a member of the board in the publicly listed companies Nordic Semiconductor ASA, Salmones Camanchaca S.A. and XXL ASA, as well as in the privately held Companies in April AS and Remøy Group. Valderhaug is a Norwegian citizen and resides in Oslo, Norway. Valderhaug owns indirectly through Proventi AS 25,000 shares in Q-Free ASA.



**Trond Valvik (1980)** | Vice Chairman of the Board | Served since 2017

Trond Valvik is Investment Director and responsible for the business area of Direct Investments in Atlantis Vest. Atlantis Vest is the investment company of the Rieber family in Bergen, Norway. Valvik has previously been Partner in the Private Equity company Borea Opportunity. Working with investments and exercising active ownership for several years, Valvik possess significant Board experience from different industries. Valvik also has operational experience as interim leader in various companies in connection to restructuring and change processes, e.g. in the field of IT and software, where he acted as Group CEO of Software Innovation for a period. Valvik also has experience from transaction support and audit in EY. Valvik holds a MSc Business degree from the Norwegian School of Economics (NHH). Valvik represents 17,844,644 (20 %) shares in Q-Free ASA, through his position in AS Atlantis Vest.



**Ragnhild Wahl (1967)** | Board member | Served since 2015

Ragnhild Wahl is Head of R&D at Norwegian Railway Directorate. She was previously Head of R&D at Norwegian National Rail Administration and Research Director at SINTEF department of Transport Research. She is Chairman of the Board of ITS Norway, the member association for the ITS sector in Norway, since 2008. Wahl is currently member of the Board of Itema AS and of TRANSPORT 2025, the Research Council of Norway's strategic program on research and innovation within the transport sector. Wahl holds a MSc in industrial economy and a PhD in transportation and logistics from the Norwegian University of Science and Technology (NTNU). Ragnhild Wahl is a Norwegian citizen and resides in Trondheim, Norway. Wahl has no shares in Q-Free ASA.



**Snorre Kjesbu (1969)** | Board member | Served since 2016

Snorre Kjesbu is the Vice President and General Manager for the Collaboration systems and Video Technology Group (CVTG) in Cisco. He is responsible Cisco's global video division. Before joining Cisco, Kjesbu was Senior Vice President for Tandberg's Endpoint Product Division. Prior to Tandberg, he was at ABB responsible for wireless communications. Kjesbu and his team at ABB were awarded the Wall Street Journal Innovation award for their work on wireless sensors in 2002. Kjesbu serves on the board of directors of several IT-companies, and holds more than 20 patents in the area of communications and video conferencing. He is frequently invited to speak at key events and was a guest lecturer at the Stanford Network Research Center at Stanford University. Kjesbu is a Norwegian citizen and resides in Oslo, Norway. Kjesbu has 39,505 shares in Q-Free ASA.



**Sissel Lillevik Larsen (1961)** | Employee elected Board member | Served since 2016

Sissel Lillevik Larsen has been with Q-Free since 2000, and holds the position as Team Manager for the Solutions Backoffice group. Larsen has more than 30 years of experience within the IT-industry, and has extensive experience within project and solution/product Management. Larsen has previously held leading position in Cubic Transportation Systems. Larsen is a Norwegian citizen and resides in Trondheim, Norway. Larsen has no shares in Q-Free ASA.



**Rune Jøraandstad (1977)** | Employee elected Board member | Served since 2016

Rune Jøraandstad has been with Q-Free since 2009 and holds the position as Global Director Bid Management. Jøraandstad has a MSc in Electronics and Telecommunications from the Norwegian University of Science and Technology in Trondheim, Norway. Jøraandstad is a Norwegian citizen and resides in Trondheim, Norway. Jøraandstad has no shares in Q-Free ASA.

# Board of Directors' report 2017

## The Q-Free Group

The Q-Free Group creates intelligent solutions for efficient, safe and environmentally friendly transportation. Since its inception in 1984, Q-Free has delivered systems, which are operational in Europe, North and South America, the Asia Pacific region, the Middle East and Africa. Headquartered in Trondheim, Norway, the company has local offices in 18 countries and 415 employees. Q-Free ASA is listed on the Oslo Stock Exchange under the ticker QFR.

## Summary and highlights in 2017

Q-Free experienced strong financial and operational improvements in 2017. The company managed to convert a record high order backlog into profitable growth. Strong cost control throughout the year also ensured a significant improvement in profitability. The board is satisfied with the financial development in 2017 and the progress that has been made on further streamlining the company and reducing complexity.

The highlights for 2017 include:

- 973 MNOK in revenues, up 11 % from 877 MNOK in 2016
- 110 MNOK in EBITDA before non-recurring items. Including non-recurring items, the 2017 EBITDA ended at 83 MNOK.
- 616 MNOK in order intake, 791 MNOK if the potential value of two frame agreements in the UK and Norway are included.
- Order backlog of 1 049 MNOK, down from 1 405 MNOK in 2016. The backlog is still at a high level compared to historical levels.

The divestment of Q-Free's security business Prometheus Security Group Global Inc. was closed in February 2017.

In Q4 2017, Q-Free decided to exit its operations in Serbia and Malta. These businesses contributed with a negative EBITDA of around 20 MNOK in 2017 and are not expected to perform in accordance with the company's growth and profitability targets going forward. The decision led to an impairment of 22 MNOK in Q4 2017.

## Financial review

(2016 in brackets)

### Revenues

Group revenues were 973 MNOK (877 MNOK), which implies an organic growth of 11 percent compared to 2016. Growth was driven by the Tolling, Infomobility, Urban and Inter-Urban service lines.

### Service line financial review

Tolling revenues ended at 601 MNOK (575 MNOK), a YoY growth of 5%. The increase is mainly explained by the progress on the nationwide truck tolling project in Slovenia and strong global tag sales.

The Parking business reported revenues of 56 MNOK (97 MNOK), a YoY reduction of 42%. The main reasons for the decline were lower sales of ALPR licenses for access control and limited sales of parking management systems. As a consequence of falling sales and a desire to reduce the complexity of Q-Free's operations, Q-Free decided in Q4 2017 to exit the revenue management segment and close down its subsidiary Q-Free Traffiko Ltd in Malta. A process to sell the assets and transfer customer relationships is ongoing. The parking management business reported revenues of 22 MNOK in 2017 and an EBITDA of -9,1 MNOK. Going forward Q-Free will focus its parking offering on the next generation parking guidance solutions where Q-Free experiences a growing interest for its solutions.

Infomobility revenues ended at 64 MNOK (52 MNOK), a YoY growth of 23%. The increase is explained by strong momentum in sales to North America through newly appointed distributors. The Infomobility business also delivered strong growth in the UK and was awarded a new 75 MNOK frame agreement.

Urban revenues were 139 MNOK (99 MNOK), a YoY growth of 40%. The business gained significant momentum during the year helped by the launch of the new traffic controller, MaxTime 2.0, and new contracts with many new states and cities in the USA. In March 2018, the Serbian subsidiary Elcom d.o.o. was sold for a consideration of 10 000 EUR. Elcom's products include traffic light controllers, LED streetlights and system solutions for different traffic applications based on own and third-party products. The motivation for the sale was weak financial performance along with a desire to reduce the complexity of Q-Free's operations. Elcom generated revenues of 8 MNOK in 2017 and an EBITDA of -10,3 MNOK, predominantly reported under the urban segment.

The Inter-Urban business reported revenues of 113 MNOK (54 MNOK), a YoY growth of 107%. The strong growth is mainly explained by the ongoing delivery of a state-wide web-based traffic management system to Virginia Department of Transport (VDOT).

### Regional financial review

Europe and Latin America (ELA) continued to be Q-Free's largest region with 43 % of global revenues. Q-Free's product and solutions offering in the region comprises Tolling, Parking and Infomobility, which spans both established Q-Free markets such as Portugal, Chile and France and new Q-Free markets such as the UK, Slovenia

and Russia. In 2017 the region reported revenues of 443 MNOK (320 MNOK), a YoY growth of 38%. The growth is mainly explained by the delivery of the 470 MNOK Slovenia Truck Tolling project, whereof 167 MNOK were recognised as revenues in 2017. The region also reported strong tag sales to France, Portugal and Chile.

The Nordic region reported revenues of 168 MNOK (229 MNOK), a YoY decline of 27% due to limited tolling installations/upgrades in Norway. Most of Q-Free's revenues in 2017 were derived from contracts related to the AutoPASS tolling system in Norway and congestion charging systems in Sweden (Gothenburg and Stockholm).

Region Asia Pacific, Middle East and Africa (APMEA) reported revenues of 86 MNOK (95 MNOK), a YoY decline of 9 % due to somewhat reduced tag revenues from Thailand compared to 2016. Q-Free's activities in this region consist of selling and servicing Tolling, Parking, and Infomobility solutions. Revenues in 2017 mostly came from upgrades of existing tolling infrastructure in Thailand and various tolling activities in Australia.

Region North America reported revenues of 277 MNOK (232 MNOK), a YoY growth of 19%. North America accounted for 28 % of global revenues. Q-Free has a strong and growing business in this region based on sale of parking guidance solutions, intersection controllers, traffic management center solutions, and license plate recognition applications in tolling systems. Growth compared to 2016 was driven by the delivery of the 217 MNOK VDOT project, out of which 58 MNOK was recognised in 2017. The region also reported strong growth from the Urban and Tolling solutions.

Q-Free will with effect from January 2018 change its reporting to provide more details per service line and also reflect the combination of the previous geographical regions into the revised segments EUROPE, AMERICAS and APMEA.

### Gross profit

Gross profit ended at 686 MNOK (581 MNOK), an increase of 18 percent YoY. The gross margin improved by 4 percentage points from 2016 due to positive product mix effects and increased margin from the tolling business. Some of the improvement is also explained by inventory write downs in 2016 of 15 MNOK and a reclassification of 16 MNOK from operating expenses to COGS in the 2016 figures.

### Operating expenses

Reported operating expenses amounted to 603 MNOK (585 MNOK), up 3 % compared to 2016.

During the third quarter Q-Free settled a dispute with the Norwegian Public Roads Administration (NPRA) over invoices related to CS Norway services up until July 2016. The agreed settlement amount was 27.8 MNOK payable in four instalments over the coming 12 months. The amount is booked as operating expenses and classified as a non-recurring item.

Adjusting for non-recurring items and restructuring expenses in 2016, Q-Free had 575 MNOK (570 MNOK) in operating expenses in 2017, up 1 percent compared to 2016. Operating expenses were down approximately 3 percent in 2017 when adjusting for the reclassification effect described above under gross profit and include one-off costs related to the exit of the operations in Serbia and Malta.

In 2016 Q-Free implemented a cost reduction program where the net impact of the program in 2017, i.e. after adjusting for inflation, salaries, and overhangs, was expected to be close to 25 MNOK. Entering 2018 the cost run rate is in line with this expectation. The exit of the operations in Serbia and Malta will impact the cost base positively in 2018.

### Operating profits

Earnings before interest, taxes, depreciation, and amortisation (EBITDA) ended at 83 MNOK (-4 MNOK), a significant improvement compared to 2016. Excluding non-recurring items Q-Free reports an EBITDA of 110 MNOK (11 MNOK) and a corresponding EBITDA-margin of 11.3 % (1.3 %).

Reported operating profit (EBIT) was 4 MNOK (-59 MNOK). Adjusting for non-recurring items and an impairment of 22 MNOK in relation to the exit of the operations in Serbia and Malta, EBIT for 2017 ended at 54 MNOK (-43 MNOK). The operations in Serbia and Malta reported a negative EBIT of 21 MNOK in 2017 excluding impairment.

### Net financial items

Full-year net financial items were -14 MNOK (3 MNOK). The negative change is mainly explained by higher financial costs due to increased interest bearing debt and unfavourable currency fluctuations.

### Profits

The reported pre-tax loss for 2017 was 10 MNOK (-56 MNOK). Tax expenses amounted to 2 MNOK (2 MNOK), while payable tax was 3 MNOK.

Having undertaken an assessment of the criteria under IAS 12, Q-Free has also for the 2017 accounts chosen not to capitalize deferred tax assets in Norway related to tax losses carried forward of 98 MNOK from 2013, 2014, 2015, 2016 and 2017. In addition, the group

has chosen not to include net deferred tax asset of 102 MNOK as at 31 December 2017 for the Group. Of this amount, 129 MNOK is related to tax losses carried forward, 19 MNOK related to acquisitions in the US and -46 MNOK is related to other temporary differences.

## Annual results and year-end appropriations

The result after tax in 2017 was a loss of 11 MNOK (loss of 53 MNOK). Reported result after tax including discontinued operations showed a loss of 20 MNOK (loss of 84 MNOK). Earnings per share was -0.23 NOK (-1.11 NOK).

The Board of Directors proposes to cover the parent company's loss for the year of NOK 15.7 million from other equity.

The Board of Directors does not propose to distribute any dividends for 2017. The Annual General meeting is scheduled for 29 May 2018.

## Cash flow and liquidity

Net cash flow from operating activities was -49 MNOK (-73 MNOK). This is mainly explained by the payment conditions on the Slovenia Truck Tolling project. This contract is almost fully financed by Q-Free until final delivery has been approved and is also the main reason for the increase in Work in progress in the balance sheet from 76 MNOK to 227 MNOK during the year. The company expects to collect around 200 MNOK from Slovenia in Q2 2018 when the project is expected to be completed. Q-Free has had a strong focus on cash and working capital management throughout the entire organisation in 2017 to mitigate some of the negative effect caused by the Slovenia project.

Net working capital, defined as current assets excluding cash less current liabilities, and excluding short-term overdraft facilities, amounted to 224 MNOK (132 MNOK). The increase of 92 MNOK is explained by the Slovenia Truck Tolling project. Net working capital equalled 23 percent of the revenues generated in the last 12 months.

Net cash flow from investment activities was -31 MNOK (-83 MNOK). The reduction of 52 MNOK is mainly explained by 52 MNOK in earn-out payments on past acquisitions paid in 2016. Q-Free invested 30 MNOK (32 MNOK) in technology and other fixed assets during the year.

Net cash flow from financing activities was 92 MNOK (193 MNOK). The reduction of 101 MNOK is mainly explained by the private share placement in 2016 that raised 134 MNOK in gross proceeds.

The cash closing balance was 114 MNOK (102 MNOK) at the end of 2017.

## Balance sheet

Total assets at the end of 2017 were 1 070 MNOK (990 MNOK). Total equity ended at 414 MNOK (427 MNOK). The equity ratio was 39% (43%).

Current liabilities amounted to 440 MNOK (263 MNOK) at the end of 2017. The 177 MNOK change is to a large extent explained by 125 MNOK in increased short-term interest bearing debt as a 120 MNOK credit line has been drawn up to fund the Slovenia Truck Tolling project. The remaining increase is explained by a reallocation of 22 MNOK in the Intelight share purchase obligation from non-current to current liabilities, 21 MNOK in remaining payables for the NPRA settlement and an increase in payables.

Non-current liabilities were 216 MNOK (282 MNOK), a reduction of 66 MNOK. The reduction is mainly explained by a 25 MNOK down payment of the serial loan and 22 MNOK reallocation of the Intelight obligation to current liabilities. The remaining non-current liability to purchase shares in Intelight is estimated at 68 MNOK. Other non-current liabilities include pension schemes of 15 MNOK, long term serial loan to financial institutions of 125 MNOK and a 5 MNOK deferred tax liability.

Short term interest-bearing debt to financial institutions was 204 MNOK (79 MNOK) at year end. Available, unused credit facilities were 114 MNOK (239 MNOK) at the end of 2017.

## Going concern

The Board of Directors confirms that the financial statements have been prepared under the assumption of going concern and that this assumption was realistic at the time of the approval of the statements. It is the Board's opinion that the Profit and Loss Account and Balance Sheet with notes provide accurate information on the operations and the financial position at year-end.

## Organisation

### Personnel

The Q-Free Group had 415 (416) employees at the end of 2017. Taking in to account the revenue growth in 2017, the stable number of employees is reflecting the continued strong cost control in 2017.

Q-Free has established good working conditions in a non-discriminating, multicultural organisation with operations in 18 countries. Sick leave remains at satisfactory low levels. The company is pleased to report no serious lost time accidents or injuries during the year. Please refer to the separate section on Corporate Social Responsibility Statement in this Annual Report for a more detailed review of Q-Free's human rights, labour rights, working conditions, and safety and health policies and performance.

### Management

The management team has been reorganised in 2017 to support a new strategic plan and a new organisation. Roar Østbø resigned from the position as CFO in May 2017, and Tor Eirik Knutsen was appointed CFO in October 2017. Fredrik Nordh was appointed SVP EUROPE in September 2017, and Morten Andersson was appointed SVP AMERICAS. VP Service Line Tolling, Arvid Strømme, VP Service Line Parking, Kristina Bergstad and VP Supply Chain Management, Pål-Andre Almlie became members of the management team in 2017.

### Board of Directors

The Board of Directors comprises four shareholder-elected members: Tore Valderhaug (Chairman), Trond Valvik (Vice Chairman), Ragnhild Wahl and Snorre Kjesbu, and the employee-elected representatives Sissel Lillevik Larsen and Rune Jøraandstad.

During 2017 the following changes to the Board were completed: Trond Valvik was elected as new member of the Board, Tore Valderhaug, who previously was Vice Chairman, was elected as new Chairman. Shareholder-elected member of the Board, Charlotte Brogren Karlberg resigned from the position as per 26 October 2017. The Nomination Committee concluded to postpone the by-election to the Annual General Meeting in 2018. The gender diversity requirements pursuant to Norwegian legislation will again be fulfilled after the by-election at the Annual General Meeting 2018.

### Corporate social responsibility and corporate governance

Pursuant to the Norwegian Accounting Act section 3-3c, publicly listed companies shall present their principles for corporate social responsibility and review the performance with respect to human rights, labour rights, working conditions, the external environment, and anti-corruption. Details are provided under the section "Corporate Social Responsibility" in the Annual Report, and published on the company's website on <http://www.q-free.com/investor/corporate-social-responsibility/>.

Pursuant to the Norwegian Accounting Act section 3-3b, listed companies shall also present their principles for corporate governance and review the compliance with the recommendations set out in the Norwegian Code of Practice for Corporate Governance. Details are provided in the Corporate Governance section of the Annual Report, and published on the company's website at <http://www.qfree.com/investor/corporate-governance/>.

## Risk factors

Q-Free is an international technology company exposed to a number of different risk factors. This section outlines the most prominent operational and financial risk factors and the main risk-mitigation actions and measures:

### Project risk

Q-Free handles demanding and complex large-scale project deliveries, which may involve considerable risk in terms of timing and cost. Through more than 30 years of experience, Q-Free holds in-depth knowledge of customer requirements as well as the boundaries of its own project capabilities, and seeks to reduce risk in contract negotiations.

### Political risk

Tolling projects and some projects within Traffic Management are normally directly or indirectly subject to governmental concessions. Q-Free is therefore exposed to political risk from lead identification through contract awards to final project implementation and payment. The entry into multiple new service lines has added new revenue streams less exposed to political risk than tolling.

### Technology risk

Q-Free is exposed to risks related to the quality of own work and the quality of deliveries from subcontractors. Q-Free attempts to mitigate this risk through internal auditing and a non-conformance reporting system ensuring that employees carry out their work in accordance with well-defined processes. Q-Free clearly states its quality expectations in contracts with subcontractors and carries out regular quality reviews and supplier audits.

### Financial risk

Q-Free is exposed to credit risk related to customers' ability to fulfil their financial obligations. This risk is considered to be low, given that the Group's main customers are government controlled entities in Norway or abroad, or relatively large and solid private companies. The company has historically had a low ratio of bad debt on accounts receivables.

Q-Free is exposed to currency risk in the ordinary business since more than 80 % of revenues was generated outside of Norway. Q-Free also runs businesses outside of Norway and buys a substantial share of required equipment abroad, with payment in foreign currencies which mitigates this risk significantly. The net foreign currency exposure in 2017 was, due to the reasons commented above, only approximately 10 percent of gross revenues. The Group strategy is to combine estimated future sales and purchases and hedge the net cash flow in the foreign currency by using forward/future contracts.

Q-Free aims to reduce its liquidity risk by holding sufficient cash and credit facilities at any time to be able to finance its operations and planned investments. The Board of Directors assesses the liquidity at the end of 2017 to be sufficient to cover the company's planned

operations and investment requirements. For the sake of good order, the Board emphasises the significant impact the scheduled payment from Slovenia expected in second quarter of 2018 will have on Q-Free's liquidity situation and capital structure.

The group has interest-bearing debt and interest rate risk related to its serial loan and short term credit lines. The Group emphasises predictability at all times if entering any significant interest bearing debt contracts, as changes in the interest level influences the consolidated profit.

#### Risk of corruption

Q-Free ASA operates in some geographies and industries exposed to corruption. Q-Free has established a Code of Conduct, as well as conducted a corruption risk analysis and devised and completed a programme to increase awareness and limit our exposure. For further information, please see the Corporate Social Responsibility report.

### Outlook

Q-Free has delivered five quarters in a row with strong YoY revenue growth and EBITDA improvements. The company met its key financial targets of double-digit revenue growth and EBITDA margin in 2017. The solid financial performance was positively impacted by the restructuring done in the second half of 2016 and strong cost control in 2017.

Although the company is still exposed to volatility in order intake and project activity, the base of recurring revenues is increasing.

The momentum in several of Q-Free's businesses has been good, and the company remains confident that its unique product portfolio, a growing list of references, and a strong purpose will present it with significant opportunities in 2018 (and beyond). Q-Free has a strong pipeline of potential contracts, and the tender activity is high in all parts of the organization. The company aims to close several important contracts in the first half of 2018 to support a solid revenue base for 2018 and onwards.

With the recent progress on the Slovenia Truck Tolling contract, Q-Free expects to collect close to 200 MNOK in receivables in Q2-18. This will significantly improve the company's capital structure and available financing.

In 2018 Q-Free will continue its efforts to build leading positions in target segments. The company believes it is well positioned to defend its top 3 position in tolling and Inter-Urban and build a top 5 market position in urban, parking guidance and infomobility. A prerequisite for success will be to further reduce the complexity of Q-Free's operations and reallocate resources from underperforming businesses to businesses with higher value creation potential. The decision to exit Malta and Serbia is a part of this process.

The future holds a lot of exciting opportunities for Q-Free. The company operates in a growing industry which addresses one of the most critical and demanding global challenges in the years ahead: sustainable urban mobility. The demand for intelligent transportation systems will continue to grow, and Q-Free is well positioned to capture its fair share of the growth going forward.

Trondheim, 4 April 2018

**Tore Valderhaug**  
Chairman of the Board

**Trond Valvik**  
Vice Chairman of the Board

**Ragnhild Wahl**  
Board member

**Snorre Kjesbu**  
Board member

**Sissel Nina Lillevik Larsen**  
Employee-elected Board member

**Rune Jøraandstad**  
Employee-elected Board member

**Håkon Ryperv Vollidal**  
President & CEO



# Consolidated financial statements



"2017 showed strong revenue and EBITDA growth. We managed to convert a record high order backlog into double digit EBITDA margin and implemented actions that will further reduce operational complexity. We enter 2018 with a solid order backlog, a healthy and large order pipeline and a product platform with high value creation potential".

Tor Eirik Knutsen  
CFO

The consolidated financial statements are presented in Norwegian kroner and all figures are rounded to the nearest thousand (TNOK) unless otherwise specified.

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## Statement of income

for the year ended 31 December 2017

Parent company			Group		
2016*	2017	Figures in TNOK	Notes	2017	2016
		<b>Operating revenues</b>			
416 275	496 103	Revenues	5, 7, 30	973 475	873 455
3 710	0	Other operating income	8	0	3 710
<b>419 985</b>	<b>496 103</b>	<b>TOTAL OPERATING INCOME</b>	<b>5</b>	<b>973 475</b>	<b>877 165</b>
		<b>Operating expenses</b>			
145 556	150 918	Cost of goods sold	14, 30	287 833	296 481
115 291	139 029	Personnel expenses	8, 15, 16, 17, 30	318 730	308 241
135 065	200 978	Other operating expenses	21, 27, 29, 30	284 321	276 789
<b>395 912</b>	<b>490 925</b>	<b>TOTAL OPERATING EXPENSES</b>		<b>890 884</b>	<b>881 511</b>
<b>24 073</b>	<b>5 178</b>	<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA) **</b>	<b>5</b>	<b>82 591</b>	<b>-4 346</b>
10 509	10 508	Depreciation of property, plant and equipment	9	15 017	15 833
6 865	9 669	Amortisation of intangible assets	10, 11, 30	41 471	38 928
0	0	Impairment of intangible and fixed assets	9, 10, 11	21 876	0
<b>6 699</b>	<b>-14 999</b>	<b>Earnings before interest and taxes (EBIT) **</b>	<b>5</b>	<b>4 227</b>	<b>-59 107</b>
		<b>Financial items</b>			
14 512	9 369	Financial income	24, 30	29 583	39 711
16 733	12 571	Financial income Group companies	24	0	0
-58 573	-26 235	Financial expenses	24	-43 336	-36 225
-588	-897	Financial expenses Group companies	24	0	0
<b>-27 916</b>	<b>-5 192</b>	<b>TOTAL FINANCIAL ITEMS</b>		<b>-13 753</b>	<b>3 486</b>
<b>-21 217</b>	<b>-20 191</b>	<b>Profit before tax</b>	<b>5</b>	<b>-9 526</b>	<b>-55 621</b>
0	-541	Taxes	23, 30	-1 737	2 202
<b>-21 217</b>	<b>-20 732</b>	<b>Profit / (-) loss for the year from continuing operations</b>		<b>-11 263</b>	<b>-53 419</b>
<b>0</b>	<b>0</b>	<b>Profit / (-) loss for the year on discontinued operations, net of tax</b>	<b>30</b>	<b>-9 462</b>	<b>-30 213</b>
<b>-21 217</b>	<b>-20 732</b>	<b>Profit / (-) loss for the year</b>	<b>5</b>	<b>-20 725</b>	<b>-83 632</b>
		Earnings in NOK per share	12	-0,23	-1,11
		Diluted earnings in NOK per share	12	-0,23	-1,11
		Earnings in NOK per share from continuing operations	12	-0,13	-0,71
		Diluted earnings in NOK per share from continuing operations	12	-0,13	-0,71

\* Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made, refer to statement of changes in equity.

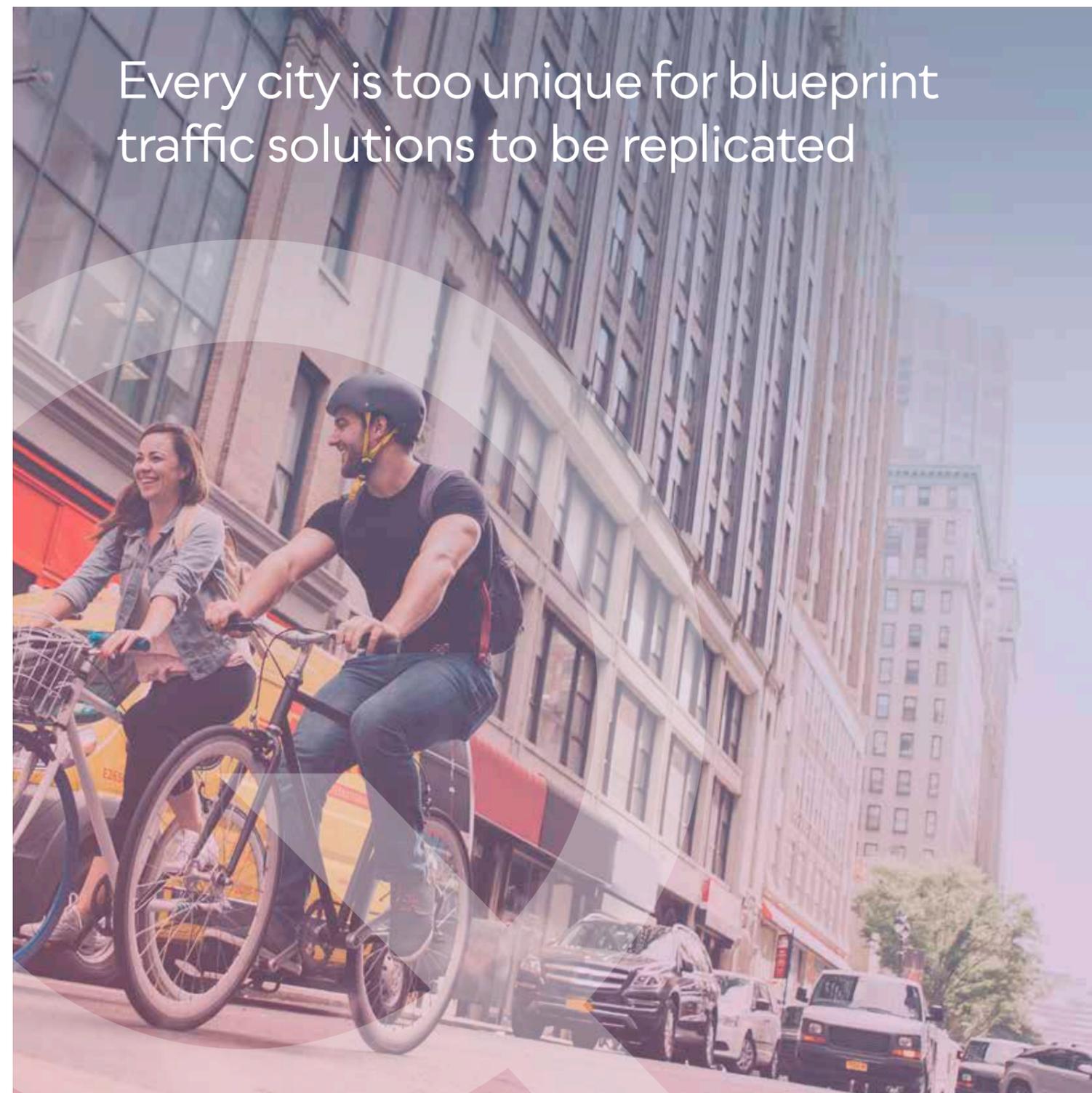
\*\* See Alternative Performance Measures for definitions.

# Statement of comprehensive income

for the year ended 31 December 2017

Parent company			Note	Group	
2016	2017	Figures in TNOK		2017	2016
-21 217	-20 732	<b>Profit for the period</b>		-20 725	-83 632
		<b>Other comprehensive income</b>			
		Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
0	0	Exchange differences on translation of foreign operations		7 965	-45 804
2	-8	Net (loss)/gain on available-for-sale financial investments	25	-8	2
<b>2</b>	<b>-8</b>	<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>		<b>7 957</b>	<b>-45 802</b>
		Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
248	0	Re-measurement gain (losses) on defined benefit plans	16	0	248
0	0	– Income tax effect		0	0
<b>248</b>	<b>0</b>	<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods:</b>		<b>0</b>	<b>248</b>
<b>250</b>	<b>-8</b>	<b>Other comprehensive income for the year, net of tax</b>		<b>7 957</b>	<b>-45 554</b>
<b>-20 967</b>	<b>-20 740</b>	<b>Total comprehensive income for the period, net of tax</b>		<b>-12 768</b>	<b>-129 186</b>

Every city is too unique for blueprint traffic solutions to be replicated



# Statement of financial position

as at 31 December 2017

Parent company			Group		
2016	2017	Assets	Notes	2017	2016
		<b>Non – current assets</b>			
0	0	Deferred tax assets	23	16 864	17 420
50 297	55 320	Product development assets	10, 30	148 632	178 746
0	0	Goodwill	10, 11, 30	305 380	316 285
17 766	11 148	Machinery, fixtures and fittings, etc.	9, 22, 30	22 367	33 661
299 255	299 255	Investments in subsidiaries	6, 18	0	0
220 138	211 382	Loan to group companies	19	0	0
395	387	Investments in other companies	4, 25	387	395
0	0	Other receivables	4	2 147	1 008
<b>587 851</b>	<b>577 492</b>	<b>TOTAL NON – CURRENT ASSETS</b>		<b>495 777</b>	<b>547 515</b>
		<b>Current assets</b>			
16 706	12 351	Inventories	14, 22, 30	65 453	66 327
36 598	200 717	Work in progress	7, 22, 30	227 154	75 807
44 812	22 804	Accounts receivables	4, 21, 22, 30	130 487	142 425
129 399	108 889	Accounts receivables on group companies	4, 21, 22	0	0
3 639	4 562	Other current assets	4, 28, 30	37 868	31 646
15 970	0	Cash and cash equivalents	4, 20, 30	113 633	101 474
<b>247 124</b>	<b>349 323</b>	<b>TOTAL CURRENT ASSETS</b>		<b>574 595</b>	<b>417 679</b>
<b>0</b>	<b>0</b>	<b>ASSETS HELD FOR SALE</b>	<b>30</b>	<b>0</b>	<b>25 225</b>
<b>834 975</b>	<b>926 815</b>	<b>TOTAL ASSETS</b>		<b>1 070 372</b>	<b>990 419</b>

Parent company			Group		
2016	2017	Equity and liabilities	Notes	2017	2016
		<b>Equity attributable to equity holders of the parent</b>			
33 905	33 905	Subscribed share capital	13	33 905	33 905
578 307	578 307	Share premium reserve		578 307	578 307
20 529	20 628	Other paid-in capital		20 628	20 529
-146 355	-167 096	Other equity		-218 609	-205 841
<b>486 386</b>	<b>465 744</b>	<b>Total equity attributable to equity holders of the parent</b>		<b>414 231</b>	<b>426 900</b>
<b>486 386</b>	<b>465 744</b>	<b>TOTAL EQUITY</b>		<b>414 231</b>	<b>426 900</b>
		<b>Liabilities</b>			
		<i>Non – current liabilities</i>			
150 000	125 000	Debt to financial institutions	4, 22	125 000	150 000
14 743	15 258	Other non-current liabilities	4, 6, 16	85 986	116 690
34 095	32 127	Loan to group companies	19	0	0
0	0	Deferred tax	23, 30	4 956	15 003
<b>198 838</b>	<b>172 385</b>	<b>TOTAL NON – CURRENT LIABILITIES</b>		<b>215 942</b>	<b>281 693</b>
		<i>Current liabilities</i>			
13 783	127 107	Debt to financial institutions	4, 22	203 691	79 457
58 108	50 189	Accounts payable	4, 30	89 272	100 209
0	0	Advance payments from customers	4, 7	11 693	11 677
33 010	38 181	Debt to group companies	19	0	0
0	0	Tax payable	4, 23	3 342	702
9 471	8 313	Public duties payable	30	14 541	16 647
35 379	64 896	Other current liabilities	4, 6, 26, 30	117 660	54 696
<b>149 751</b>	<b>288 686</b>	<b>TOTAL CURRENT LIABILITIES</b>		<b>440 199</b>	<b>263 388</b>
<b>348 589</b>	<b>461 071</b>	<b>TOTAL LIABILITIES</b>		<b>656 141</b>	<b>545 081</b>
<b>0</b>	<b>0</b>	<b>LIABILITIES HELD FOR SALE</b>	<b>30</b>	<b>0</b>	<b>18 438</b>
<b>834 975</b>	<b>926 815</b>	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 070 372</b>	<b>990 419</b>

Trondheim, 4 April 2018

Tore Valderhaug  
Chairman of the Board

Ragnhild Wahl  
Board member

Snorre Kjesbu  
Board member

Trond Valvik  
Vice Chairman of the Board

Sissel Nina Lillevik Larsen  
Employee-elected Board member

Rune Jøraandstad  
Employee-elected Board member

Håkon Rypervn Volldal  
President & CEO

# Statement of changes in equity

for the year ended 31 December 2017

Parent

Figures in TNOK

	Note	Share		Other paid-in capital	Other equity	Available-for-sale reserve	Exchange differences on translation of foreign operations*	Actuarial gains and losses	Total equity
		capital	reserve						
<b>Equity per. 01.01.2016</b>	<b>13</b>	<b>26 627</b>	<b>439 350</b>	<b>20 529</b>	<b>-145 920</b>	<b>-66</b>	<b>40 781</b>	<b>-13 536</b>	<b>367 766</b>
Correction of error *					40 781		-40 781		0
<b>Equity per 01.01.2016 (restated)</b>		<b>26 627</b>	<b>439 350</b>	<b>20 529</b>	<b>-105 139</b>	<b>-66</b>	<b>0</b>	<b>-13 536</b>	<b>367 766</b>
Total comprehensive income for the period					-21 217	2	0	248	-20 967
Share issue arising from acquisitions	13	497	11 903						12 400
Share issue	13	6 781	127 054		-6 648				127 188
<b>Total equity of the Parent per 31.12.2016</b>		<b>33 905</b>	<b>578 307</b>	<b>20 529</b>	<b>-133 003</b>	<b>-64</b>	<b>0</b>	<b>-13 288</b>	<b>486 386</b>
<b>Equity per. 01.01.2017</b>	<b>13</b>	<b>33 905</b>	<b>578 307</b>	<b>20 529</b>	<b>-133 003</b>	<b>-64</b>	<b>0</b>	<b>-13 288</b>	<b>486 386</b>
Total comprehensive income for the period					-20 732	-8	0	0	-20 740
Cost of share-based payment	17			99					99
Reclassification					-13 288			13 288	0
<b>Total equity of the Parent per 31.12.2017</b>		<b>33 905</b>	<b>578 307</b>	<b>20 628</b>	<b>-167 023</b>	<b>-72</b>	<b>0</b>	<b>0</b>	<b>465 744</b>

\* The Company has in its separate financial statement historically recognised exchange differences on foreign currency loans to subsidiaries in other comprehensive income and as a translation reserve in equity, when the loan is considered to form a part of the net investment in the subsidiary. According to IAS 21 such exchange differences shall be recognised in profit and loss in the separate financial statement of the parent company. The translation reserve as of 1. January 2016, has thus been reclassified to other equity. The 2016 statement of income and statement of comprehensive income has been restated. An exchange loss on loans to subsidiaries of TNOK 1,609 is reclassified from other comprehensive income to financial expense in the profit and loss statement in 2016. This applies to the parent company financial statement only, and does not affect the consolidated financial statements.

Group

Figures in TNOK

Equity attributable to equity holders of the parent

	Note	Share		Other paid-in capital	Other equity	Available-for-sale reserve	Exchange differences on translation of foreign operations*	Actuarial gains and losses	Total equity
		capital	reserve						
<b>Equity per. 01.01.2016</b>	<b>13</b>	<b>26 627</b>	<b>439 350</b>	<b>20 529</b>	<b>-179 884</b>	<b>-65</b>	<b>122 206</b>	<b>-12 265</b>	<b>416 499</b>
Profit for the period					-83 632				-83 632
Other comprehensive income						2	-45 804	248	-45 554
<b>Total comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>-83 632</b>	<b>2</b>	<b>-45 804</b>	<b>248</b>	<b>-129 186</b>
Share issue arising from acquisitions	13	497	11 903						12 400
Share issue	13	6 781	127 054		-6 648				127 188
<b>Total equity of the Group per 31.12.2016</b>		<b>33 905</b>	<b>578 307</b>	<b>20 529</b>	<b>-270 163</b>	<b>-63</b>	<b>76 402</b>	<b>-12 017</b>	<b>426 900</b>
<b>Equity per. 01.01.2017</b>	<b>13</b>	<b>33 905</b>	<b>578 307</b>	<b>20 529</b>	<b>-270 163</b>	<b>-63</b>	<b>76 402</b>	<b>-12 017</b>	<b>426 900</b>
Profit for the period					-20 725				-20 725
Other comprehensive income						-8	7 965	0	7 957
<b>Total comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>-20 725</b>	<b>-8</b>	<b>7 965</b>	<b>0</b>	<b>-12 768</b>
Cost of share-based payment	17			99					99
Reclassification					-12 017			12 017	0
<b>Total equity of the Group per 31.12.2017</b>	<b>13</b>	<b>33 905</b>	<b>578 307</b>	<b>20 628</b>	<b>-302 905</b>	<b>-71</b>	<b>84 367</b>	<b>0</b>	<b>414 231</b>

# Statement of cash flow

for the year ended 31 December 2017

Parent company		Figures in TNOK	Notes	Group	
2016*	2017			2017	2016
<b>Cash flow from operations</b>					
-21 217	-20 191	Profit before tax	30	-9 526	-55 621
0	0	Paid taxes	23	-7 570	-7 337
10 509	10 508	Depreciation and impairment of property, plant and equipment	9	15 017	15 833
6 865	9 669	Amortisation and impairment of intangible assets	10, 11, 30	63 347	38 928
-18 527	0	Pension cost without cash flow effect	16	0	-18 527
-8 831	0	Dividends from subsidiaries		0	0
-7 902	-10 820	Interests from subsidiaries		0	0
0	-8	Shares valued at fair value	25	-8	0
0	99	Cost of share-based payment	17	99	0
<b>Working capital adjustments:</b>					
-61 212	42 518	Changes in receivables and prepayments from customers	21, 30	11 954	6 282
4 816	4 355	Changes in inventory	14, 30	874	15 051
48 709	-2 748	Changes in accounts payables	4, 30	-10 937	22 296
-36 598	-164 119	Changes in work in progress	7, 30	-151 347	-31 538
13 705	46 993	Changes in other balance sheet items	30	38 760	-58 051
<b>-69 683</b>	<b>-83 744</b>	<b>Net cash flow from operations</b>		<b>-49 337</b>	<b>-72 684</b>
<b>Cash flow from investments</b>					
-21 985	-18 582	Investments in tangible and intangible assets	9, 10, 30	-30 113	-31 941
-17 865	0	Acquisition of a subsidiary, net of cash acquired	6	-33	-52 149
0	0	Other investments	25	0	0
0	0	Cash flow from discontinued operations	30	-835	835
<b>-39 850</b>	<b>-18 582</b>	<b>Net cash flow from investments</b>		<b>-30 981</b>	<b>-83 255</b>
<b>Cash flow from financing</b>					
47 878	111 356	Proceeds from new loans	22	137 476	123 931
-49 563	-25 000	Down payments of debt to financial institutions	22	-40 614	-58 220
127 188	0	Share issue	6, 13	0	127 188
0	0	Other financial items		-5 220	0
<b>125 503</b>	<b>86 356</b>	<b>Net cash flow from financing</b>		<b>91 642</b>	<b>192 899</b>
<b>15 970</b>	<b>-15 970</b>	<b>Net change in cash and cash equivalents for the year</b>		<b>11 324</b>	<b>36 960</b>
0	15 970	Cash and cash equivalents per 01.01.		101 474	65 349
0	0	Transferred to Assets held for sale *		835	-835
<b>15 970</b>	<b>0</b>	<b>Cash and cash equivalents per 31.12.</b>	<b>20</b>	<b>113 633</b>	<b>101 474</b>

\* Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made, refer to statement of changes in equity.

## Note 1 Corporate information

The consolidated financial statements for the year ended 31 December 2017 were approved by the Board at its meeting on 4 April 2018. Q-Free ASA is a Norwegian public limited liability company, and has been listed on the Oslo Stock Exchange under the ticker QFR since 2002.

The Q-Free Group provides 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 415 employees, is headquartered in Trondheim Norway, and has local offices in 18 countries around the world.

For further information, the operating segments are described in Note 5

## Note 2 Basis for preparation of the consolidated accounts

### 2.1: General principles

The consolidated financial statements are prepared on a historical cost basis, with the exception of derivative financial instruments which are measured at fair value. The consolidated financial statements are presented in Norwegian kroner and all figures are rounded to the nearest thousand (TNOK).

The consolidated financial statements of Q-Free ASA (the "Parent Company") and all its subsidiaries (The "Group"), have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU. The below listed principles are used both for the Parent company and The Group. The Group has decided to present the financial statements for both the parent and the group in a parallel presentation since the parent company has significant impact for the group and such presentation adds information for users of the consolidated accounts.

### 2.2: Significant accounting judgements, estimates and assumptions considered when preparing the financial statements

The preparation of the Group's consolidated financial statements has required the management to make estimates and assumptions that effect 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 could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### JUDGEMENTS

#### Product Development costs

Development costs are capitalised in accordance with the accounting policy in Note 3.7 and the capitalised amount is shown in the balance sheet as "Product Development Assets". Initial capitalisation of costs is based on management's judgment that technological and

financial feasibility is confirmed, i.e. when a product development project has reached a defined milestone according to the project management model. In determining the amounts to be capitalised, management makes assumptions on the expected future cash generation of the project, discount rates to be applied, and the expected period of benefits. As at 31 December 2017, the carrying amount of capitalised product development costs was TNOK 148,632 (2016: TNOK 178,746). Further details are given in Note 10 Intangible Assets.

#### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are described below. The Group has based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that management sees convincing evidence for sufficient future taxable profit. A deferred tax asset is only recognised for an amount corresponding to the expected taxable profit. The carrying amount of deferred tax assets is reviewed at each reporting date. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that convincing evidence exists to support that taxable profits will allow the deferred tax asset to be recovered. The carrying value of recognised deferred tax assets as at 31 December 2017 was TNOK 16,864 for the Group and TNOK 0,0 for the Parent (2016: deferred tax assets for Group of TNOK 17,420 and TNOK 0,0 for the Parent). Further details regarding deferred taxes are given in note 23.

**Revenue recognition in projects**

The group uses the percentage of completion method in accounting for projects, which requires the Group to estimate the progress in the projects. Progress is calculated as accrued costs as a percentage of total expected project costs. Total expected costs are estimated based on a combination of historical figures, the follow up of efficiency targets, and budgets. Each project's prognosis is evaluated on a monthly basis to verify that the accounts are based on best estimate. Man-hours constitute a large proportion of the total cost. The uncertainty of the estimation of man-hours varies with duration and technical complexity of the project. Estimation of projects with long duration and high complexity has significant effect on the financial statement, and the Group management is therefore actively involved in these assessments. Revenue recognition in projects is measured on the basis of accrued project costs as a percentage of total anticipated costs. Further details are given in Note 7.

**Contingent consideration in business combinations**

In several of the business combinations that has occurred during the last years part of the consideration has been contingent based on future performance of the acquired company. At initial recognition the contingent consideration is measured at fair value based on the expectations at the acquisition date, the liability related to contingent consideration is remeasured at each subsequent reporting period. These measurements require the management to make assumptions of the future performance of the acquired companies. Changes and expenses related to contingent consideration is disclosed in Note 6.

**Share-based payment transactions**

The Group measures the cost of share-based payment transactions with employees by reference to the fair value of the equity instruments at the date they are granted. Estimating fair value for both share-based payment and cash settled share-based payment transactions requires determining the most appropriate valuation model, which is

dependent on the terms and conditions of the grant. This estimate also requires determination and assumptions of the most appropriate inputs to the valuation model, including the expected life of the share-based payment transactions, volatility and dividend yield. The company's cost of both share based payment and cash settled share based payment is calculated using the Black & Scholes pricing model. For 2017 this adds up to a total cost of TNOK 99 (2016: TNOK 0). Further information on assumptions and models used for estimating fair value for share-based payment and cash settled share-based payment transactions are disclosed in Note 17.

**Compensation for conversion to defined contribution plan**

The Parent company terminated the defined benefit pension plan per 31.12.2016. The transition to defined contribution plan may lead to a reduction in retirement pensions for employees compared to the defined benefit plan. The Parent has determined to give a wage compensation for lost pension benefits.

The cost of the compensation for the conversion to defined contribution plan, is estimated as the changes of fair value of future payments, using inputs as compensation amount per employee, discount rate, annual growth in salaries, mortality rate, expected turnover and the possibility of changes of the compensation.

The provision for the conversion to defined contribution plan for the Group as at 31 December 2017 is TNOK 17,982 (2016: 17,444). Further information on assumptions for estimating fair value are disclosed in note 15.

**Warranty accruals**

The Group estimates probable warranty costs on faulty products based on historical data and an evaluation of the portfolio of delivered products still under warranty. Total provisions for warranty costs as at 31 December 2017 is TNOK 11,435 for the Group. (2016: TNOK 12,831). Further details are given in Note 26.

**3.0: Basis of consolidation**

The consolidated financial statements comprise the financial statements of Q-Free ASA and its subsidiaries as at 31 December each year.

Subsidiaries are fully consolidated from the date of acquisition, defined as the date on which the group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

**Shares in subsidiaries**

Investments in subsidiaries are accounted for according to the cost method in the parent company's accounts.

The investments in subsidiaries for the Group are recognised at their fair value on the date of acquisition. Fair value is attributed to identifiable assets and liabilities. Excess value that cannot be assigned to identifiable assets is classified as goodwill.

**Elimination of transactions**

Intra-Group balances, transactions and unrealised gains and losses that arise between Group entities are eliminated at consolidation. Unrealised gains from transactions with associates are eliminated proportionally against the investment. Unrealised losses are eliminated correspondingly, unless they are related to impairment. All intra-Group transactions are eliminated in the consolidation process.

**3.1: Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value at the date of acquisition and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree as the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If a business combination is completed in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in profit or loss. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, as the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination from the acquisition date allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit, and a part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. In this circumstance, goodwill disposed of is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

**3.2: Recognition of revenues**

Revenues are recognised when it is probable that transactions will generate future financial benefits that will accrue to the company, and this revenue can be reliably estimated. Sales revenue are presented net of value added tax and discounts. Q-Free's business activities are product and system deliveries as well as service and maintenance revenues within the ITS market. Q-Free distinguishes between project deliveries, product sales, and services/maintenance revenues. Government grants are accounted as other operating income when the cost are incurred or as reduction of personnel expenses if the Group has approved projects in the governmental tax relief program "Skattefunn".

**Project deliveries**

Revenues relating to system deliveries are recognised in the income statement according to the stage of completion. Stage of project completion is calculated as the percentage of accrued costs to total anticipated costs. Total anticipated costs are estimated on the basis of a combination of historical figures, the follow-up of efficiency targets and best estimates. Any estimated loss on a contract will be recognised in the income statement for the period when the company identifies that the project will lead to a loss.

Change orders are defined as additions to existing contracts. Change orders are recognised as order backlog when we receive a confirmed order from the customer. Additional contractual services and estimated additional costs are included in the original project prognosis and recognised as income with a shared profit on the contract and the same degree of completion.

Invoicing normally takes place when contractually agreed milestones are reached. Differences between invoicing and revenue recognition are shown as "Work in Progress" in the balance sheet. Advance payments from the customers are presented under current liabilities.

#### Product sales

Revenues from the sale of products are recognised in the income statement once delivery has taken place, the risk has been transferred, and the company has established a receivable due by customer.

#### Service and maintenance contracts

Services delivered which are not part of a project delivery are recognised as revenue upon the provision of the service and maintenance, as described under project deliveries.

#### Governmental grants

Government grants are not recognised until it is reasonably certain that the company will comply with the conditions and that it will be granted. The recognition of a grant is postponed and amortised over the period when cost incur for items covered by the grant. Grants are recognised as deductions from the cost that the grant is meant to cover. Grants received to buy non-current assets are recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset. Government grants are accounted as other operating income when the cost are incurred or as reduction of personnel expenses if the Group has approved projects in the governmental tax relief program "Skattefunn". Further details are given in Note 8.

### 3.3: Foreign currency

#### Functional currency and presentation currency

The consolidated financial statements are presented in NOK, which is the company's functional and presentation currency. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange at the balance sheet date. All differences regarding translation are included in the profit and loss account.

#### Group companies

The assets and liabilities of foreign operations are translated into NOK at the rate of exchange at the reporting date, and their income statements are translated at the exchange rates at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

### 3.4: Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying financial benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed on each balance sheet date and reflect the best estimate of the liability. When the effect of time is insignificant, the provisions will be equal to the size of the expense required to be released of the liability. When the effect of time is significant, the provisions will be the present value of future payments to settle the liability. Further details are given in Note 26.

### 3.5: Financial instruments

#### Financial assets and liabilities

Financial assets and liabilities consist of shares, derivatives, accounts receivables and other receivables, cash and cash equivalents, loans, accounts payable and other liabilities.

A financial instrument is recognised when the Group becomes party to the instrument's contractual provisions. Upon initial recognition, financial assets and liabilities are measured at fair value plus directly attributable expenses. However, transaction costs relating to the acquisition or incurrence of financial instruments at fair value through profit or loss are recognised in profit or loss as they are incurred. An ordinary purchase or sale of financial assets is recognised and derecognised from the time an agreement is effective. Financial assets are derecognised when the Group's contractual rights to receive cash flows from the assets expire, or when the Group transfers the asset to another party and does not retain control, or transfers practically all risks and rewards associated with the asset. Financial liabilities are derecognised when the Group's contractual obligation has been satisfied, discharged or cancelled.

#### Classification

Q-Free classifies financial assets and liabilities according to IAS 39 in the following categories; financial assets and liabilities at fair value through the profit or loss, financial assets available for sales, loans and receivables, and other liabilities.

Financial assets and liabilities through profit and loss includes financial assets held for trading and derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined in IAS39. Subsequent changes in fair value are carried in the statement of financial position at fair value, with changes in fair value recognised in finance income or finance expense in the income statement.

Financial assets available for sale are measured at fair value with changes over other comprehensive income.

After initial measurement loans and receivables are measured at amortised cost, less impairment for expected losses. The Group's other liabilities are, subsequent to initial recognition, measured at amortised cost using the effective interest rate method.

Further details on financial risk management are given in note 4.

#### Impairment of financial assets

The Group assesses at each reporting date whether any objective evidence exists that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

### 3.6: Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation reduces the cost of assets to their estimated residual value, if any, over their estimated useful lives. The cost of assets and the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Depreciation commences when the assets are ready for their intended use.

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

– Machinery and fixtures:	4 – 5 years
– Equipment:	5 – 10 years
– Building installations:	5 – 7 years, distributed over the remaining rental periods.

The assets' residual values, useful lives and methods of depreciations are reviewed at each financial year end and adjusted prospectively if appropriate.

### 3.7: Intangible assets

Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

If the criterias are satisfied, expenses capitalised will include the cost of materials and direct payroll expenses. Capitalised development

costs are recognised on the balance sheet at acquisition cost less accumulated depreciation and impairments.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful financial lives. Useful lives and amortisation method for intangible assets with finite useful life is reviewed at least annually. The straight-line depreciation method is used for intangible assets as this best reflects the consumption of the assets.

Intangible assets with indefinite lives are impairment tested annually. Assessment of the recoverable amount for intangible assets with indefinite lives is based on estimates and judgements made by management, including estimates for the assets' ability to generate future revenues. Changes in the judgements and assumptions may result in an impairment loss.

#### Research and development

Expenses for research activities are recognised and expensed as they accrue.

Expenses related to product development activities are capitalised if the product development activities comply with defined criteria for capitalisation. Capitalisation assumes it is possible to identify the intangible asset to be developed and demonstrated that it is likely that the development work will be successful, and that the future financial benefits attached to the intangible asset will accrue to the enterprise. Amortisation is carried out using the straight-line method over the estimated useful lifetime. The estimated useful lifetime is continuously evaluated.

If the criterias are satisfied, expenses recognised on the balance sheet will include the cost of materials and direct payroll expenses. Capitalised development costs are recognised on the balance sheet at acquisition cost less accumulated depreciation and impairments.

Expenses related to ongoing efforts to improve a product or enhance a product's quality are defined as product maintenance and expensed as they are incurred.

### 3.8: Impairment of non-financial assets

All non-financial assets are reviewed for each reporting period (quarterly) to determine whether there are indications of impairment. Where indications of impairment exist, recoverable amounts are calculated. Goodwill and intangible asset with an indefinite useful life is also subject to an annual impairment test.

The recoverable amount of an asset or cash-generating unit is its value in use or fair value less costs to sell, whichever is higher. Value in use is calculated as the net present value of future cash flows. The calculation of net present value reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is calculated on the basis of the estimated future cash flow based on board and management approved budget and strategic plans for the Group.

Impairment is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group that generates a cash inflow that is largely independent of other assets or groups. Impairment related to cash-generating units is intended first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit on a prorata basis. These assets will normally be property, plant and equipment, and other intangible assets.

### 3.9: Incentive programs for executive management

The group has a share option program for key employees whereby the employees render services as consideration for equity instruments (share options) and a synthetic based option programme. The group has implemented a five-year share based option programme for the CEO and leading Executives.

The cost of equity-settled share-based payment transactions with employees is measured to fair value at grant date. The cost of equity-settled share-based transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The market value of granted share options are measured by using a Black & Scholes model which take into consideration time and conditions of the share options. The cumulative expense recognised for the equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period. When options are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The cost of cash-settled share-based payment transactions with employees is measured by reference to the fair value of the liability at grant date. Until the liability is settled, the fair value of the liability is remeasured at each end of the reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period. The fair value of the liability is measured by using a Black & Scholes model, taking into account the terms and conditions on which the share appreciation rights were granted, and the extent to which the employees render service during the period.

Social security tax related to share options is recorded as a liability and recognised over the estimated option period.

See further details in Note 17.

### 3.10: Inventories

Inventories is accounted for at the lowest of cost and net realisable value. For finished goods, the net realisable value is calculated as the selling price less cost to sell. For finished products, the acquisition cost is calculated as direct and indirect costs. Inventories are assessed using the FIFO method.

### 3.11: Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, i.e. whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

### 3.12: Investment in shares

Investment in shares is classified as financial assets available for sale. The fair value of investments is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined applying commonly used valuation techniques. For further details see note 25.

### 3.13: Accounts receivable and other receivables

Accounts receivable and other receivables are recognised at nominal value after deduction for provision for impairments on receivables. Provision for impairment on receivables is based on an individual assessment of each receivable and an overall assessment of the total portfolio of receivables.

A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

### 3.14 : Pension costs and pension assets and liabilities

The Parent company has a defined contribution pension plan for the employees. The Parent's obligation under the pension scheme is covered through contribution to an insurance company. The pension plan meet the criteria for OTP (Obligatorisk Tjeneste Pensjon). Pension cost are calculated according to IAS 19. The pension cost of the contribution plan is expensed when paid and classified as payroll expense in the profit and loss statement, see note 16 for further details.

The Parent company has terminated the defined benefit pension plan per 31.12.16. The gain from the closing of the defined benefit plan was recognised in the 2016 profit and loss statement.

### 3.15: Restructuring provision

During the transformation of Q-Free from a Tolling company into a fully integrated ITS-company in 2016, a cost reduction program was implemented with provisions for future costs. The provisions are estimated based on agreed severance packages, and other restructuring costs.

### 3.16: Taxes

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities, with the exception of:

- temporary differences that arises from initial recognition of goodwill
- temporary differences related to investments in subsidiaries or associates the Group controls, when the temporary differences are to be reversed and this is not expected to take place in the foreseeable future.

Deferred tax assets are recognised when the Group can document future taxable profits to utilise the tax asset. The companies recognise previously unrecognised deferred tax assets to the extent it has become probable that the company can utilise the deferred tax asset. Similarly, the company will reduce a deferred tax asset to the extent that the company no longer can document it as probable that it can utilise the deferred tax asset.

Deferred tax and deferred tax assets are measured on the basis of the known future tax rates applicable to the companies in the Group where temporary differences have arisen.

Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

### 3.17: Cash and cash equivalents

Cash includes cash at hand and in bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have a maximum term to maturity of three months.

### 3.18: Cash flow statement

The cash flow statement is prepared according to the indirect method. Cash is considered as a deposit in bank or similar financial institutions. Consented, not full-drawn bank overdrafts is not considered liquid capital. All items in the cash flow statement are net effects from the continued operation unless stated otherwise.

### 3.19: Discontinued operations

A business which is either sold or classified as held for sale and represents a separate major line of business or a separate major geographical area of operations are classified as discontinued

operations. Discontinued operations are presented separately from the result from continuing operations in the financial statements and cash flow statements.

Assets and liabilities held for sale is measured at fair value less costs.

### 3.20: Operating segments

For management purposes, the Group is organised into geographical areas based on the location of the customer. Transfer prices between operating segments are based on an arm's length basis. Further details on the group operating segments are given in note 5.

### 3.21: Events after the balance sheet date

New information on the Group's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that will effect the company's position in the future but do not affect the Group's position at the balance sheet date are stated if significant.

### 3.22: Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following IFRSs, IFRICs AND AMENDMENTS

Standards, Amendments or interpretations	Effective date
Disclosure Initiative (Amendments to IAS 7)	01.01.2017

None of the new standards, amendments and interpretations had any material impact on the measurement and presentations principles applied by Q-Free. None had any material effect on the disclosures included in the financial statements.

### 3.23: Standards issued but not yet effective or adopted by the Group.

The standards and interpretations that are issued but not yet effective per the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 31 December 2017 that Q-Free Group has decided not to adopt early. The most significant of these are:

Significant new Standards, Amendments or interpretations	Effective date
IFRS 15 Revenue from Contracts with customers	Mandatory adoption on or after 01.01.2018
IFRS 9 Financial Instruments	Mandatory adoption on or after 01.01.2018
IFRS 16 Leases	Mandatory adoption on or after 01.01.2018

Q-Free Group has been working with implementation of these three key new standards and is able to provide the following information regarding their likely impact:

#### IFRS 15 Revenue from Contracts with Customers

The Q-Free Group has conducted an analysis of possible impact of IFRS 15, which replaces among others IAS 18 Revenue and IAS 11 Construction Contracts. The contracts have been analysed based on the following split of the revenues.

#### Product sales

Revenues from the sale of products will be 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. The Q-Free Group has concluded that the adoption of IFRS 15 is consistent with current practise and will not have any effects on contracts relating to product sales.

#### Service and maintenance contracts

Revenues relating to service and maintenance contracts will be recognised over time. Revenue is recognised by measuring progress towards completion of the performance obligation, and input methods like cost incurred will be used to measure progress. The Q-Free Group has concluded that the adoption of IFRS 15 is consistent with current practise and will not have any effects on service and maintenance contracts.

#### Project deliveries

Revenues relating to project deliveries will be 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, but the preliminary calculated effects are insignificant. The Q-Free Group has concluded that the adoption of IFRS 15 is consistent with current practise and will not have any significant effects on contracts relating to project deliveries.

#### Estimated impact

The estimated impact on equity from implementing IFRS 15 per 1 January 2018, is immaterial and no transition adjustment is expected adjusted against equity.

#### IFRS 9 Financial Instruments

The Q-Free Group has identified that the adoption of IFRS 9, which replaces IAS 39 Financial Instruments Recognition and Measurement from 1 January 2018, will impact its consolidated financial statement in three key areas:

- The Group will need to apply an expected credit loss model when calculating impairment losses on its trade receivables and contracts assets. This will probably result in increased impairment provisions and greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. The Q-Free Group does not expect any significant effects on implementing IFRS 9.
- The Group has decided to classify all of its equity investments as being fair value through other comprehensive income under IFRS 9, which are currently classified as available for sale. This will mean that all changes in the fair value of such assets up to the point of disposal will be recorded in other comprehensive income. Therefore, in contrast to the current accounting treatment, the income statement will not reflect gains or losses on disposal because gains and losses recognised in other comprehensive income will not be recycled to profit or loss on any such disposal.
- Due to simplifications being introduced in IFRS 9's hedge accounting model, the Group may find that it is able to hedge account where there has not previously been able to, and this could result in changes in when gains and losses on derivatives and certain hedged items are recognised in profit or loss.

#### Estimated impact

The estimated impact on equity from implementing IFRS 9 per 1 January 2018, is immaterial and no transition adjustment is expected adjusted against equity.

#### IFRS 16 Leases

Adoption of IFRS 16 will result in the Group recognising right of use assets and lease liabilities for all material contracts that are, or contain, a lease. For leases currently classified as operating leases under current accounting requirements the Group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term. According to IFRS 16 the Group will need to recognise the right of use assets and lease liabilities in the balance sheet, and instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and amortisation on its right of use assets.

The Group are in a process of identifying contracts that may contain leases for the purposes of IFRS16, but which are not currently considered to be lease contracts under the group's current accounting policy. It is therefore not possible to quantify at this stage what the effect on the Group would be if contracts are to be accounted for as leases for the first time under IFRS 16.

## Note 4 Risk management

#### Project risk

Q-Free handles demanding and complex large-scale project deliveries, which may involve considerable risk in terms of timing and cost. Through more than 30 years of experience, Q-Free holds in-depth knowledge of customer requirements as well as the boundaries of its own project capabilities, and seeks to reduce risk in contract negotiations.

#### Political risk

Tolling projects and some projects within Traffic Management are normally directly or indirectly subject to governmental concessions. Q-Free is therefore exposed to political risk from lead identification through contract awards to final project implementation and payment. The entry into multiple new service lines has added new revenue streams less exposed to political risk than tolling.

#### Technology risk

Q-Free is exposed to risks related to the quality of own work and the quality of deliveries from subcontractors. Q-Free attempts to mitigate this risk through internal auditing and a non-conformance reporting system ensuring that employees carry out their work in accordance with well-defined processes. Q-Free clearly states its quality expectations in contracts with subcontractors and carries out regular quality reviews.

#### Risk of corruption

Q-Free operates in some geographies and industries exposed to corruption. Q-Free has established a Code of Conduct, as well as conducted a corruption risk analysis and devised and completed a programme to increase awareness and limit our exposure. For further information, please see the Corporate Social Responsibility report.

#### FINANCIAL RISK FACTORS AND RISK MANAGEMENT

Q-Free has centralised management of financial risk. The Board has adopted guidelines for the Group's financial risk management, which are embodied in the corporate Financial Policy. Q-Free seeks to limit financial risk and increase predictability while exploiting finance as a competitive factor.

The Group is exposed to different financial market risks arising from our normal business activities, mainly these:

- a) Credit risk
- b) Currency risk
- c) Liquidity risk
- d) Interest rate risk
- e) Assets/liabilities measured at fair value and fair value hierarchy

#### a) Credit risk

Risk related to customers' ability to fulfill their financial obligations is generally considered to be low, given that the Group's main customers are government controlled entities, or relatively large and solid private companies. The company has historically had a low ratio of bad debt.

Sovereign risk related to governments failing to honor their debt obligations may have increased in several markets, although Q-Free has to date not incurred any losses on debt to any government related entity in any market.

The Group only conducts business with parties with an acceptable credit record. The Group has guidelines to ensure that outstanding amounts are kept below given credit limits and that sales are made only to customers with no history for significant credit problems.

When entering a new market, Q-Free assess the credit risk in each individual case and utilise appropriate actions like letters of credit, Norwegian Export Credit Agency (GIEK) guarantees, advance payments, or other similar tools to reduce credit risk.

The Group has no significant credit risk linked to any individual contracting party or to contracting parties that may be regarded as a group due to similarities in credit risk. The Group has not provided any guarantees for third parties' liabilities.

An aging analysis of trade receivables as at 31. December 2017 and 2016 is provided in note 21.

#### b) Currency risk

Q-Free is also exposed to currency risk in the ordinary business since more than 85 % of revenues is generated outside of Norway. Q-Free also runs businesses outside of Norway and buys a substantial share of required equipment abroad, with payment in foreign currencies which mitigates this risk significantly. This mitigate a net foreign currency exposure to approximately 10 percent of gross revenues in 2017. The Group's most important trading currencies are NOK, USD, GBP and EURO.

The Group strategy is to combine estimated future sales and purchases and hedge the net cash flow in the foreign currency by using forward / future contracts.

Foreign exchange contracts are classified as either other financial assets or other financial liabilities measured as fair value. As at 31.12.17 the Group holds no foreign future contracts of accounted as other financial assets or liabilities, nor did we as at 31.12.16. See section regarding Fair Value for a fair value hierarchy and a specification on valuation technique applied used during the last financial Year.

The following table demonstrates the sensitivity to a reasonable possible change in the EURO, GBP and USD exchange rate for the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward exchange contracts and net investment hedges), with all other variables held constant.

	Increase/decrease in		Effect on profit before tax		Effect on equity
2017	EURO rate	+ 10 %	+ 9 062	TNOK	+ 6 796
		- 10 %	- 9 062	TNOK	- 6 796
2017	GBP rate	+ 10 %	+ 737	TNOK	+ 656
		- 10 %	- 737	TNOK	- 656
2017	USD rate	+ 10 %	- 3 975	TNOK	- 2 623
		- 10 %	+ 3 975	TNOK	+ 2 623
2016	EURO rate	+ 10 %	+ 4 137	TNOK	+ 2 979
		- 10 %	- 4 137	TNOK	- 2 979
2016	GBP rate	+ 10 %	+ 2 182	TNOK	+ 1 702
		- 10 %	- 2 182	TNOK	- 1 702
2016	USD rate	+ 10 %	- 11 639	TNOK	- 6 401
		- 10 %	+ 11 639	TNOK	+ 6 401

### c) Liquidity risk

The Q-Free Group's strategy is to hold sufficient cash, cash equivalents, or credit facilities at any time to be able to finance its operations and planned investments over the next three years. Surplus cash funds are deposited in banks, or invested in money market funds, with the purpose of securing an acceptable, low-risk return on the invested capital. The Board of Directors assesses the

liquidity at the end of 2017 to be sufficient to cover the company's planned operations and investment requirements. For the sake of good order, the Board emphasises the significant impact the scheduled payment from Slovenia expected in second quarter of 2018 will have on Q-Free's liquidity situation and capital structure. See note 7 and note 22 for further details.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2017, based on contractual undiscounted payments.

Year ended 31 December 2017:	On demand	Less than 3 months	3 to 6 months	6 to 12 months	> 1 years	Total Group
Interest bearing loans and borrowings	34	848	145 857	26 356	160 725	333 820
Accounts payables	15 176	50 885	20 533	2 678		89 272
Public duties payable and taxes	0	17 883	0			17 883
Other liabilities	1 088	30 204	48 833	26 626	96 895	203 646
<b>Group total liabilities (excl pension liabilities and deferred tax)</b>	<b>16 298</b>	<b>99 820</b>	<b>215 223</b>	<b>55 660</b>	<b>257 620</b>	<b>644 621</b>

Year ended 31 December 2016:	On demand	Less than 3 months	3 to 6 months	6 to 12 months	> 1 years	Total Group
Interest bearing loans and borrowings	737	1 028	1 040	67 730	169 204	239 739
Accounts payables	25 315	67 268	7 626			100 209
Public duties payable and taxes	0	17 349	0			17 349
Other liabilities	1 773	27 426	10 034	10 843	121 310	171 386
<b>Group total liabilities (excl pension liabilities and deferred tax)</b>	<b>27 825</b>	<b>113 071</b>	<b>18 700</b>	<b>78 573</b>	<b>290 514</b>	<b>528 683</b>

The table below summarises the maturity profile of the Parent company's financial liabilities as at 31 December 2017, based on contractual undiscounted payments.

Parent company year ended 31 December 2017:	On demand	Less than 3 months	3 to 6 months	6 to 12 months	> 1 years	Total Parent
Interest bearing loans and borrowings	34	848	145 857	26 356	84 141	257 236
Accounts payables and Group loans	13 600	30 172	6 370	47	70 308	120 497
Public duties payable and taxes	0	8 313	0			8 313
Other liabilities	923	14 903	24 250	13 912	26 166	80 154
<b>Parent total liabilities (excl pension liabilities and deferred tax)</b>	<b>14 557</b>	<b>54 236</b>	<b>176 477</b>	<b>40 315</b>	<b>180 615</b>	<b>466 200</b>

Parent company year ended 31 December 2016:	On demand	Less than 3 months	3 to 6 months	6 to 12 months	> 1 years	Total Parent
Interest bearing loans and borrowings	737	1 028	1 040	2 056	169 204	174 065
Accounts payables and Group loans	20 872	27 389	9 847		67 105	125 213
Public duties payable and taxes	0	9 471	0			9 471
Other liabilities	969	6 164	6 161	9 655	27 173	50 122
<b>Parent total liabilities (excl pension liabilities and deferred tax)</b>	<b>22 578</b>	<b>44 052</b>	<b>17 048</b>	<b>11 711</b>	<b>263 482</b>	<b>358 871</b>

### Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages and adjusts its capital structure in light of changes in financial conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of its total equity ratio. The book equity ratio is calculated as total equity divided by total assets as follows:

	As at 31 December	
	2017	2016
Total equity	414 231	426 900
Total assets	1 070 372	990 419
Book equity ratio	38.7 %	43.1 %

### d) Interest-rate risk

The group has interest-bearing debt and interest rate risk related to its serial loan and short term credit lines. Excess liquidity is placed at high-interest bearing accounts, in order to have quick access to these funds. The Group emphasises predictability at all times if entering any significant interest bearing debt contracts, as changes in the interest level influences the consolidated profit. Actions will be taken to hedge this risk if possible.

A change in interest of 100 basis points (bps) on the date of balance sheet recognition would have increased (reduced) the profit or loss by the amounts shown below. The analysis assumes that the other variables remain constant. The analysis was performed on the same basis as in 2016.

Effect of an interest rate

increase of 100 bps:	As at 31 December	
Amounts in TNOK	2017	2016
	Result	Result
Investments with floating interest rates	1 054	478
Loans with variable interest rates	-3 051	-1 499
<b>Profit before tax</b>	<b>-1 997</b>	<b>-1 021</b>

### e) Assets/liabilities measured at fair value and fair value hierarchy

The fair value of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. As at 31 December 2017, the Group held the following financial instruments measured at fair value:

– Shares at fair value through other comprehensive income (Included in "Investments in other companies").

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Assets/liabilities measured at fair value					(TNOK)
	31. Dec 2017	Level 1	Level 2	Level 3	
Financial assets & liabilities at fair value through profit or loss:					
Available for sale financial investments	387	0	0	387	
31. Dec 2016					
Financial assets & liabilities at fair value through profit or loss:					
Available for sale financial investments	395	0	0	395	

For details about the change in beginning and closing balances of level 3 measurements, refer to note 25.

#### Determination of fair value

The book value of below listed financial assets and liabilities are approximately equal to fair value, as they have ultra-short collection cycles with low inherent risk.

#### Financial assets and liabilities:

	Carrying amount 2017	Fair value 2017	Carrying amount 2016	Fair value 2016
Investments in other companies	387	387	395	395
Accounts receivables	130 487	130 487	142 425	142 425
Other receivables	2 147	2 147	1 008	1 008
Other assets	37 868	37 868	31 646	31 646
Cash and cash equivalents	113 633	113 633	101 474	101 474
Accounts payable	89 272	89 272	100 209	100 209
Other liabilities	117 660	117 660	54 696	54 696

NOK 1.000	FY 2017						FY 2016					
	ELA	APMEA	NORDIC	NA	Other/ Group	TOTAL 2017	ELA	APMEA	NORDIC	NA	Other/ Group *	TOTAL 2016
Revenues	554 999	118 517	182 580	273 869	-156 490	973 475	393 990	138 068	247 283	241 884	-144 060	877 165
Gross profit	325 005	66 720	150 656	191 210	-47 949	685 642	189 955	81 521	207 662	165 222	-63 676	580 684
Gross margin – %	58.6 %	56.3 %	82.5 %	69.8 %	30.6 %	70.4 %	48.2 %	59.0 %	84.0 %	68.3 %	44.2 %	66.2 %
Operating expenses	188 438	64 530	115 718	175 719	58 647	603 052	144 930	76 896	121 450	205 384	36 370	585 031
<b>EBITDA *</b>	<b>136 567</b>	<b>2 190</b>	<b>34 938</b>	<b>15 491</b>	<b>-106 596</b>	<b>82 591</b>	<b>45 025</b>	<b>4 625</b>	<b>86 212</b>	<b>-40 163</b>	<b>-100 046</b>	<b>-4 346</b>
EBITDA margin *	24.6 %	1.8 %	19.1 %	5.7 %	68.1 %	8.5 %	11.4 %	3.3 %	34.9 %	-16.6 %	69.4 %	-0.5 %
Depreciation, amortisation and impairment	35 195	548	22 987	19 634	0	78 365	16 902	512	18 081	19 266	0	54 761
<b>SEGMENT – EBIT *</b>	<b>101 372</b>	<b>1 643</b>	<b>11 951</b>	<b>-4 143</b>	<b>-106 596</b>	<b>4 226</b>	<b>28 123</b>	<b>4 113</b>	<b>68 131</b>	<b>-59 429</b>	<b>-100 046</b>	<b>-59 107</b>
EBIT margin *	18.3 %	1.4 %	6.5 %	-1.5 %		0.4 %	7.1 %	3.0 %	27.6 %	-24.6 %	69.4 %	-6.7 %
Total financial items (not distributed)						-13 753						3 486
<b>Profit before tax</b>						<b>-9 527</b>						<b>-55 621</b>
Taxes						-1 737						2 202
Segment profit included in discontinued operations						-9 462						-30 213
<b>Profit before tax after discontinued operations</b>						<b>-20 726</b>						<b>-83 632</b>

\* See Alternative Performance Measures for definitions.

Revenues from the largest customer amounted to TNOK 166,629 (17 % of Groups total revenues) in 2017 and was included in the ELA region, while the similar figure for 2016 is TNOK 105,203 (12 %) and included in the NORDIC region.

## Note 5 Operating segments

For management purposes, 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.)
- **NORTH AMERICA (NA)** (USA and Canada)

Group management (chief operating decision makers) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or

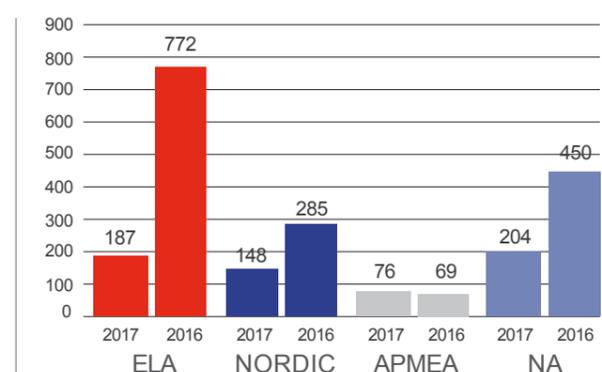
loss in the consolidated financial statements and in accordance with IFRS. The segments are reported in a manner consistent with internal reporting provided to the chief decision makers.

Inter-segment sales are priced along the same lines as sales to external customers, with an appropriate discount being applied to encourage use of group resources at a rate acceptable to local tax authorities. This policy was applied consistently throughout the current and prior period and is according to the Group Transfer Pricing Policy.

Financing (including finance costs and finance income), income taxes, assets, and liabilities are managed on a group basis and are not allocated to operating segments.

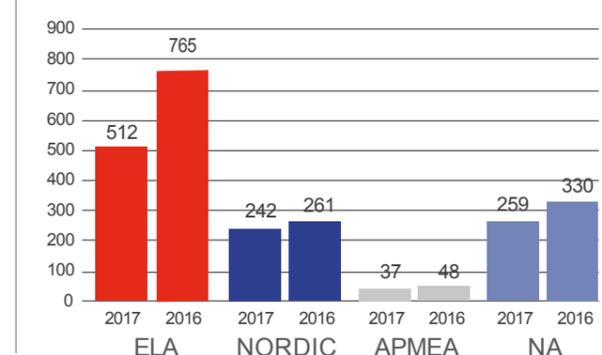
#### Operating segments Order intake 2017 and 2016

NOK 1.000	2017	%	2016	%
<b>Order intake</b>				
ELA	187 344	30.4 %	771 583	49.0 %
NORDIC	148 109	24.1 %	285 046	18.1 %
APMEA	75 937	12.3 %	69 012	4.4 %
NA	204 120	33.2 %	449 502	28.5 %
<b>Total</b>	<b>615 510</b>		<b>1 575 143</b>	



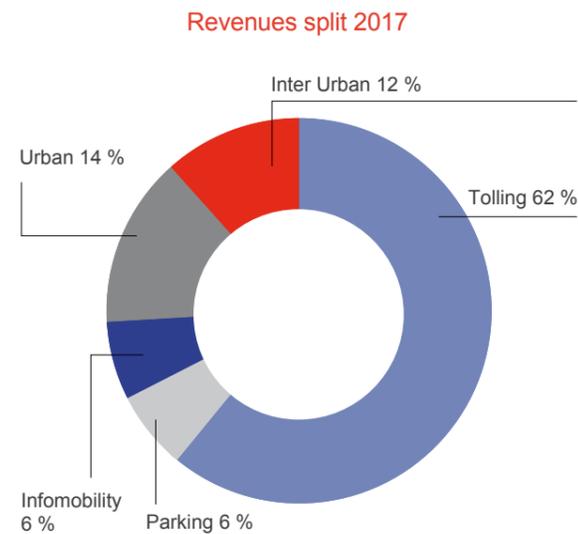
#### Operating segments Order backlog 2017 and 2016

NOK 1.000	2017	%	2016	%
<b>Order backlog</b>				
ELA	511 646	48.8 %	765 251	54.5 %
NORDIC	241 782	23.0 %	261 245	18.6 %
APMEA	37 225	3.5 %	47 714	3.4 %
NA	258 825	24.7 %	330 338	23.5 %
<b>Total</b>	<b>1 049 477</b>		<b>1 404 548</b>	



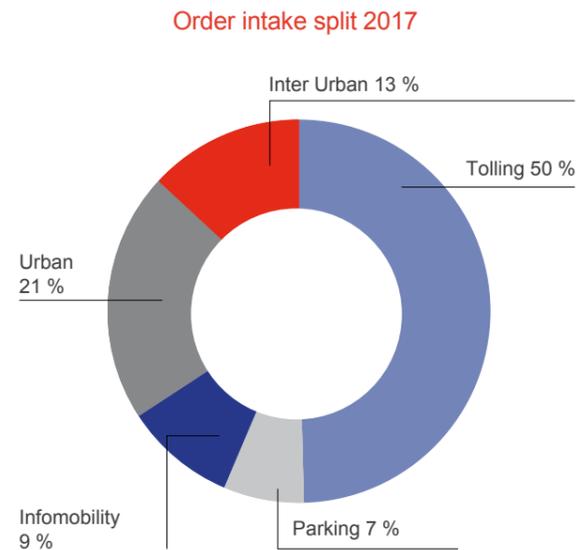
Service line overview 2017 and 2016  
Revenues

Service Line	Revenues			
	2017	2016	%	
Global Service lines	Tolling	600 805	574 474	61.7 %
	Parking	56 170	97 070	5.8 %
	Infomobility	64 009	52 475	6.6 %
Regional Service lines	Urban	139 487	99 188	14.3 %
	Inter Urban	113 004	53 958	11.6 %
<b>Total</b>	<b>973 475</b>	<b>877 165</b>		



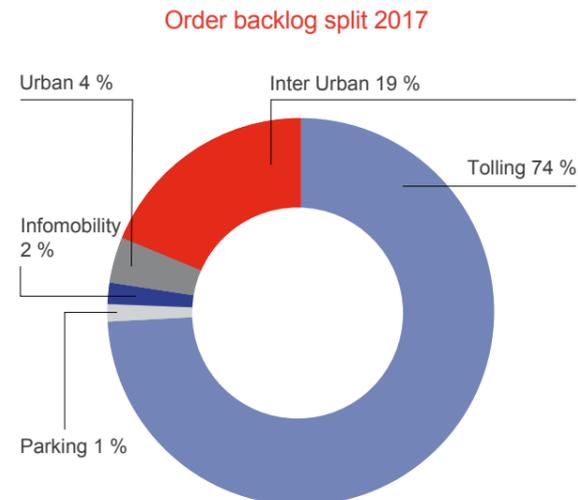
Service line overview 2017 and 2016  
Order intake

Service Line	Order intake			
	2017	2016	%	
Global Service lines	Tolling	305 217	1 092 245	49.6 %
	Parking	41 893	84 717	6.8 %
	Infomobility	57 884	43 425	9.4 %
Regional Service lines	Urban	129 861	113 109	21.1 %
	Inter Urban	80 656	241 648	13.1 %
<b>Total</b>	<b>615 510</b>	<b>1 575 143</b>		



Service line overview 2017 and 2016  
Order backlog

Service Line	Order backlog			
	2017	2016	%	
Global Service lines	Tolling	778 482	1 071 000	74.2 %
	Parking	15 166	28 976	1.4 %
	Infomobility	18 775	25 729	1.8 %
Regional Service lines	Urban	40 303	31 043	3.8 %
	Inter Urban	196 752	247 799	18.7 %
<b>Total</b>	<b>1 049 477</b>	<b>1 404 548</b>		



Note 6 Business Combinations

Acquisitions in 2017 and 2016

Q-Free ASA has not acquired any companies in 2017 and 2016. The third tranche of the transaction regarding the acquisition of Intelight Inc. was closed in May 12 2017, and Q-Free acquired 0.1 percent to TNOK 33 (2016: TNOK 7,932). Q-Free ASA had as of 31 December 2017 accumulated a shareholding in Intelight Inc. of 33.2 percent.

Q-Free ASA paid the following amounts in earn-outs to previous owners in 2016:

- TNOK 4,258 to Traffic Design d.o.o.
- TNOK 11,654 to TDC Systems Ltd.
- TNOK 26,362 to Open Roads Consulting Inc.
- TNOK 1,942 to Traffiko Ltd.

During 2016 all earn-out liabilities are settled. The remaining provision per 31 December 2017 is related to the share purchase agreement of Intelight Inc.

Settlement of earn-outs in shares in 2016 arising from previous acquisitions is TNOK 434 to Traffic Design d.o.o. and TNOK 11,966 to TDC Systems Ltd.

Changes related to provisions for earn-outs and share purchase agreement

	Current	Non current	Total
Provisions 01.01.2016	52 016	127 867	179 883
Payments in 2016	-52 148	0	-52 148
Share issue in 2016	-12 400	0	-12 400
Changes of estimated payments recognised in P&L	2 457	-16 580	-14 123
Exchange rate differences earn-out recognised in P&L	-2 625	0	-2 625
Exchange rate differences earn-out and share purchase agreement recognised in other comprehensive income	0	-4 783	-4 783
Reallocation to current	12 700	-12 700	0
<b>Provisions 31.12.2016 *</b>	<b>0</b>	<b>93 804</b>	<b>93 804</b>

	Current	Non current	Total
Provisions 01.01.2017 *	0	93 804	93 804
Payments in 2017	-33	0	-33
Changes of estimated payments recognised in P&L	0	1 053	1 053
Exchange rate differences share purchase agreement recognised in other comprehensive income	0	-4 319	-4 319
Reallocation to current	22 433	-22 433	0
<b>Provisions 31.12.2017 *</b>	<b>22 400</b>	<b>68 105</b>	<b>90 505</b>

\* The remaining provision is related to the share purchase agreement of Intelight Inc. The estimated floor regarding the share purchase agreement of Intelight Inc. per 31 December 2017 is TNOK 50,000–60,000.

## Acquisition of Intelight Inc. – Arizona, US

Q-Free acquired in Q4 2013 9.7 percent of the shares in the US traffic controller supplier, Intelight Inc. At that time the investment was seen as and treated as a financial investment.

In Q1 2015 Q-Free ASA signed a share purchase agreement and a shareholders agreement to acquire the remaining 90.3 percent of the shares in Intelight. The agreements say that the sellers have the right to sell the remaining outstanding shares and exercise 715.000 synthetic options at a strike of 1 USD per option over a period of 5 years. The initial transaction was closed in April 2015 where the sellers could sell up to 15 %. Thereafter the sellers can sell up to 15 % of their remaining shares per year over a period of 5 years. If the options are in the money, the owners of options can exercise up to 15 % of their options per year. At the end of the 5 year period, in Q2 2020, Q-Free has the right and obligation to acquire all remaining outstanding shares and to cash in all remaining options (if the options are in the money).

The consideration for the shares is based on reported revenues and EBITDA for Intelight Inc. per year multiplied by agreed multiples adjusted for normalized working capital and debt. Q-Free ASA is obligated to acquire the shares and to cash in the options that the sellers have the right to sell per year. Q-Free has no right to influence the process, and there is no opening in the agreement giving Q-Free the right to acquire more shares than offered per year.

The initial transaction was closed in April 2015. The consideration for the initial transaction was approximately USD 2.2 million net of cash and debt.

Following the initial transaction Q-Free had accumulated a shareholding of 23.8 percent (including the 9.7 percent Q-Free acquired in Q4 2013). The signed shareholders agreement and the amended bylaws provided control for Q-Free. Based on this, the full activity of Intelight Inc. was with effect from Q2 2015 consolidated in the Q-Free group accounts. The agreement is considered to give the group present ownership interest of 100 %, thus no non-controlling interest is recognized.

Following the initial transaction the total estimated consideration to acquire 100 % of the shares in Intelight was estimated to 13.7 million USD whereof 3.3 million USD cash payment for the already acquired 23.8 percent plus 10.4 million USD in estimated contingent liability to acquire the remaining 76.2 percent. The estimated contingent liability was calculated based on a fair assessment of future revenue and EBITDA scenarios.

The second tranche was closed in May 2016 where Q-Free acquired additional 9.3 percent for a consideration of TNOK 7,932. Q-Free ASA had as of this date accumulated a total shareholding in Intelight Inc of 33.1 percent.

The third tranche was closed in May 2017 where Q-Free acquired additional 0.1 percent for a consideration of TNOK 33. Q-Free ASA had as of this date accumulated a total shareholding in Intelight Inc of 33.2 percent.

Parent company			Group	
2016	2017		2017	2016
36 508	200 717	Work in progress *	227 154	75 807
0	0	Prepayments from customers	-11 693	-11 677
<b>36 508</b>	<b>200 717</b>	<b>Net projects in progress</b>	<b>215 461</b>	<b>64 130</b>

\* The Slovenia Truck Tolling project is almost fully financed by the Parent until final delivery has been approved and is also the main reason for the increase in Work in progress in the balance sheet from 76 MNOK to 227 MNOK during the year. The Slovenia Truck Tolling project has a value of MNOK 171 per 31 December 2017 (2016: MNOK 23) in work in progress. The Parent company expects to collect around 200 MNOK from Slovenia in Q2 2018 when the project is expected to be completed.

## Summary of work in progress as at 31.12

2016	2017		2017	2016
149 020	243 807	Contract revenues included in the consolidated financial statement	417 971	390 534
373 767	383 068	Total contract orders	684 749	748 406
125 025	129 932	Accumulated revenues	199 237	196 870
248 742	253 136	Remaining revenues	485 511	551 536
104 764	86 178	Remaining operating expenses	237 719	274 194
0	0	Prepayments received	-11 693	-11 677

## Note 7 Work in progress

The Group's main business activity is to develop and manufacture products and systems as well as provide service and maintenance based on orders received. The Group reports gross balance sheet values attached to long-term production contracts. Gross amounts due from customers for contract work (Work in progress) are recognised on the balance sheet as assets, and gross amounts due to customers for contract work (Prepayments from customers) are recognised on the balance sheet as liabilities. Work in progress is the net amount of accumulated operating revenues less accumulated invoicing for all ongoing contracts where accumulated operating revenues are higher than accumulated invoicing. Prepayments from customers are the net amounts of accumulated operating revenues less accumulated invoicing for all ongoing contracts where accumulated invoicing is higher than accumulated operating revenues.

Each project is monitored individually and is measured against the updated project prognosis. The estimated accrued contract profit shall not exceed a proportional share of the estimated total contract profit. The proportional share of the contract is based on the degree of completion of the individual contract, which is largely determined by the costs incurred as a ratio of the expected overall cost at the time of valuation. If the profit on a contract cannot be estimated with a reasonable degree of certainty, the project will be recognised without a profit until the uncertainty is manageable. All projects are followed up on an ongoing basis with project costing. In the event a project calculation shows a loss, this loss will be expensed immediately in its entirety.

## Note 8 Other operating income

The Group has received government grants of a total of TNOK 0 in 2017 (2016: TNOK 3,710). The Group was a partner in several projects under The Research Council of Norway, Innovation Norway and projects initiated by the EU in 2016.

Government grants	2017	2016
Projects with contribution from The Research Council of Norway	0	1 632
Projects with contribution from Innovation Norway	0	1 022
Contribution from EU initiated projects	0	1 056
<b>Total</b>	<b>0</b>	<b>3 710</b>

There are no conditions related to the grants that have not been met.

Classification government grants	2017	2016
Grants recognised as other income related to cost in same period	0	3 710
Grants accounted as reduction of payroll expenses (Skattefunn). See note 28 for further information	1 325	0
<b>Total</b>	<b>1 325</b>	<b>3 710</b>

## Note 9 Property and Equipment

Parent company	Machinery and fixtures	Equipment	Total
Acquisition cost as at 01.01.2016	83 314	123 462	206 777
Additions	1 563	184	1 747
<b>Acquisition cost as at 31.12.2016</b>	<b>84 877</b>	<b>123 647</b>	<b>208 524</b>
Accumulated depreciation and impairments as at 01.01.2016	76 771	103 477	180 248
Depreciation of the year	3 876	6 633	10 509
<b>Accumulated depreciation and impairments as at 31.12.2016</b>	<b>80 647</b>	<b>110 110</b>	<b>190 757</b>
Net book value as at 01.01.2016	6 544	19 985	26 529
Total changes of the year	-2 313	-6 449	-8 762
<b>As at 31.12.2016</b>	<b>4 230</b>	<b>13 536</b>	<b>17 766</b>
Acquisition cost as at 01.01.2017	84 877	123 647	208 524
Additions	2 244	1 647	3 890
<b>Acquisition cost as at 31.12.2017</b>	<b>87 121</b>	<b>125 293</b>	<b>212 414</b>
Accumulated depreciation and impairments as at 01.01.2017	80 647	110 110	190 757
Depreciation of the year	4 268	6 240	10 508
<b>Accumulated depreciation and impairments as at 31.12.2017</b>	<b>84 915</b>	<b>116 351</b>	<b>201 265</b>
Net book value as at 01.01.2017	4 230	13 536	17 766
Total changes of the year	-2 024	-4 593	-6 618
<b>As at 31.12.2017</b>	<b>2 206</b>	<b>8 943</b>	<b>11 148</b>
Financial lifetime	4–5 years	5–10 years	
Depreciation schedule	Straight line	Straight line	

Securities for bank guarantees and overdraft facility

As at 31.12.17 assets in the parent company valued at TNOK 11,148 (2016: 17,766) are pledged by Danske Bank.

Group	Machinery and fixtures	Equipment	Total
Acquisition cost as at 01.01.2016	160 264	123 462	283 726
Additions	6 364	184	6 548
Transferred to assets held for sale *	-907	0	-907
<b>Acquisition cost as at 31.12.2016</b>	<b>165 721</b>	<b>123 647</b>	<b>289 368</b>
Accumulative depreciation and impairments as at 01.01.2016	136 395	103 477	239 872
Depreciation of the year	9 201	6 633	15 834
<b>Accumulated depreciation and impairments as at 31.12.2016</b>	<b>145 596</b>	<b>110 110</b>	<b>255 706</b>
Net book value as at 01.01.2016	23 869	19 985	43 854
Total changes of the year	-3 744	-6 449	-10 193
<b>As at 31.12.2016</b>	<b>20 125</b>	<b>13 536</b>	<b>33 661</b>
Acquisition cost as at 01.01.2017	165 721	123 647	289 368
Additions	4 181	1 647	5 828
<b>Acquisition cost as at 31.12.2017</b>	<b>169 902</b>	<b>125 293</b>	<b>295 196</b>
Accumulative depreciation and impairments as at 01.01.2017	145 596	110 110	255 706
Depreciation of the year	8 777	6 240	15 017
Impairment of the year **	2 105	0	2 105
<b>Accumulated depreciation and impairments as at 31.12.2017</b>	<b>156 478</b>	<b>116 350</b>	<b>272 828</b>
Net book value as at 01.01.2017	20 125	13 536	33 661
Total changes of the year	-6 701	-4 593	-11 294
<b>As at 31.12.2017</b>	<b>13 424</b>	<b>8 943</b>	<b>22 367</b>
Financial lifetime	4-5 years	5-10 years	
Depreciation schedule	Straight line	Straight line	

\* See note 30 Discontinued operations for further information.

\*\* Q-Free is continuously looking to reduce the complexity of its business and reallocate resources from underperforming businesses to businesses with higher value creation potential. During the fourth quarter of 2017 it was decided to initiate processes to exit unprofitable businesses and product lines, which resulted in an impairment of TNOK 2,105 of machinery and fixtures in Elcom d.o.o.



## Note 11 Impairment testing of Goodwill

### Carrying amount of Goodwill

Figures in TNOK	Group	
	2017	2016
<b>Goodwill obtained through acquisitions</b>		
Q-Free Netherlands BV	36 646	33 838
TCS International Inc.	51 772	54 390
Elcom d.o.o. *	0	7 795
TDC Systems Ltd.	69 141	66 162
Traffic Design d.o.o.	9 417	8 695
Open Roads Consulting Inc. **	43 806	46 022
Prometheus Security Group Inc. **	0	22 260
Intelight Inc.	94 598	99 383
Divestment of Prometheus Security Group Inc. **	0	-22 260
<b>Total amount of Goodwill recognised in balance sheet as at 31.12:</b>	<b>305 380</b>	<b>316 285</b>

\* Q-Free is continuously looking to reduce the complexity of its business and reallocate resources from underperforming businesses to businesses with higher value creation potential. During the fourth quarter of 2017 it was decided to initiate processes to exit unprofitable businesses and product lines, which resulted in an impairment of TNOK 8,442 of goodwill in Elcom d.o.o. The changes in carrying amount from 31 December 2016 and the impairment is relating to exchange rate differences.

\*\* Prometheus Security Group Inc. (PSG) was demerged from Open Roads Consulting Inc. per 01.01.2016. The divestment was completed in February 2017. See note 30 Discontinued operations for further information.

The total exchange rate differences in other comprehensive income regarding Goodwill is TNOK -2,463 in 2017 (2016: -23,468).

### Impairment testing of Goodwill

The Group performed its annual impairment test as at 30 September 2017. The recoverable amount has been determined based on cash flow projections converted into the presentation currency (NOK). The projected cash flow is based on budgets and long-term plans, which are subject to the approval of the Board and the corporate management. Long-term plans are equivalent to the Group Strategy and covers a period of five years. Approved budgets and long-term plans are adjusted for cash flows related to investments, restructuring, future product improvements and new development, where this is considered significant for the impairment test.

The impairment of goodwill in 2017 is TNOK 8,442 and is related to the decision to exit unprofitable businesses and product lines in Elcom d.o.o.

The impairment of goodwill in 2016 was TNOK 22,260 and is related to the divestment of Prometheus Security Group Inc. See note 30 Discontinued operations for further information.

### Key assumptions used in value calculations

The calculation of value in use are most sensitive to the following assumptions:

- Cash flow projections
- Discount rate
- EBITDA margin \*
- Growth rate

• **Cash flow projection** – The projections are based on budgets and on forecasting values that is the outcome of the Group's strategic process. The forecasting values are increased over the budget period for anticipated economics efficiency improvements.

• **Discount rates** – The discount rates are based on a weighted average cost of capital (WACC) method, whereby the cost of equity and the cost of liabilities are weighted according to the estimated capital structure. The discount rates reflect the market's required rates of return at the time of the test. When determining the discount rates the cost of equity consists of risk-free interest as well as an individual risk premium. The risk premium is the entity's systematic risk (beta), multiplied by the market's risk premium. The risk-free interest is estimated on a 10-year Norwegian government bond yield and is based on all cash flows being translated to NOK. The cost of liabilities represents an expected long-term after-tax interest rate for comparable liabilities and consists of risk-free interest and an interest spread. A discount rate of 7.9 % is applied in the calculations (2016: 10.1 %).

• **EBITDA margin \*** – The management uses both industry data for growth rates (as noted below) and assesses how Q-Free's position relative to its competitors might change over the budget period. The management overall expects that the Group's market share will be maintained, although there might be increases or setbacks in certain areas.

• **Revenue growth rate estimates** – Growth rates in the explicit prognosis period are predicated on management's expectations of market trends. A growth rate of 7.3 % is applied in the calculations (2016: 7.6 %) that is a prudent estimate compared to the industry's annual compounded growth rate of 15-25 % for the next five years. The growth rate after the five year prognosis period applied in the calculations is 2.0 % (2016: 2.0 %).

### Sensitivity to changes in assumptions

There will always be uncertainty attached to the estimate of value in use. With relatively large changes in the above described key assumptions, the entity could face an impairment situation, although such changes are considered to be outside the probability corridor.

The figures below are based on change in one parameter isolated for the period 2018-2022, and all other parameters unchanged. The column break-even rate indicates the lowest or highest rate that can be used without need for impairment.

Key assumptions	According to impairment test	Break-even rate
Discount rate	7.9 %	11.2 %
EBITDA margin in the explicit prognosis period *	14.5 %	10.1 %
Revenue growth rate in the explicit prognosis period	8.7 %	-0.9 %
Growth rate after the five year prognosis period	2.0 %	-4.1 %

\* See Alternative Performance Measures for EBITDA-definition.

## Note 12 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all potential ordinary shares into ordinary shares.

	Figures in TNOK	
	2017	2016
Profit for the year from continuing operations	-11 262 781	-53 419 193
Profit for the year on discontinued operations, net of tax	-9 461 985	-30 213 360
<b>Profit for the year</b>	<b>-20 724 766</b>	<b>-83 632 553</b>
Weighted average number of ordinary shares	89 223 446	75 351 168
Weighted average of share options	991 351	261 983
Weighted average number of diluted shares	90 214 797	75 613 151
<b>Earnings in NOK per share from continuing operations</b>	<b>-0.13</b>	<b>-0.71</b>
<b>Diluted earnings in NOK per share from continuing operations</b>	<b>-0.13</b>	<b>-0.71</b>
<b>Earnings in NOK per share from discontinued operations</b>	<b>-0.11</b>	<b>-0.40</b>
<b>Diluted earnings in NOK per share from discontinued operations</b>	<b>-0.11</b>	<b>-0.40</b>
<b>Earnings in NOK per share profit for the year</b>	<b>-0.23</b>	<b>-1.11</b>
<b>Diluted earnings in NOK per share profit for the year</b>	<b>-0.23</b>	<b>-1.11</b>

There have been no transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

For a specification of the change in number of shares during 2017 and 2016, see note 13.

## Note 13 Issued capital and reserves

The company has one class of shares and there are no voting restrictions. Per 31.12.17 the number of shares were 89,223,446. Par value per share is NOK 0.38. Total share capital per 31.12.2017

was NOK 33,904,910. The company had 1.590 shareholders as at 31.12.17. As at 31.12.17 the share price listed at OSE was NOK 8.05 per share, equalling a market value of MNOK 718.

	Ordinary shares	
	2017	2016
Shares issued per 01.01	89 223 446	70 070 552
Share issue	0	19 152 894
<b>Total shares issued per. 31.12.</b>	<b>89 223 446</b>	<b>89 223 446</b>

Stock price 2017



The company's largest share holders as at 31 December 2017:	Number of shares	Percentage ownership	Voting rights
AS ATLANTIS VEST	15 968 718	17.90 %	17.90 %
KAPSCH TRAFFICOM AG	9 900 000	11.10 %	11.10 %
VERDIPAPIRFONDET DNB NORGE (IV)	4 871 045	5.46 %	5.46 %
KLP AKSJENORGE	4 241 192	4.75 %	4.75 %
KOMMUNAL LANDSPENSJONSKASSE	4 137 333	4.64 %	4.64 %
ARCTIC FUNDS PLC	3 959 760	4.44 %	4.44 %
KAPSCH TRAFFICOM AG	3 850 458	4.32 %	4.32 %
MARK PHILLIPS	2 450 867	2.75 %	2.75 %
STOREBRAND VEKST VERDIPAPIRFOND	1 919 628	2.15 %	2.15 %
JPMORGAN CHASE BANK, N.A., LONDON	1 800 000	2.02 %	2.02 %
LARS ODDGEIR ANDRESEN	1 633 600	1.83 %	1.83 %
EIKA NORGE	1 623 389	1.82 %	1.82 %
ULSMO FINANS AS	1 560 000	1.75 %	1.75 %
FORTE TRØNDER	1 281 900	1.44 %	1.44 %
AUGUST HOLDING AS	1 249 000	1.40 %	1.40 %
VERDIPAPIRFONDET DNB SMB	1 093 511	1.23 %	1.23 %
VERDIPAPIRFONDET STOREBRAND OPTIMA	1 000 184	1.12 %	1.12 %
TROND WIKBORG	846 876	0.95 %	0.95 %
Other share holders	25 835 985	28.96 %	28.96 %
<b>Total</b>	<b>89 223 446</b>	<b>100.00 %</b>	<b>100.00 %</b>

Shareholders by size of holding as at 31 December 2017	Number of owners	Number of shares	Holding percentage
Number of shares			
1 – 1 000	679	344 531	0.39 %
1 001 – 10 000	627	2 605 683	2.92 %
10 001 – 100 000	221	7 668 942	8.60 %
100 001 – 200 000	18	2 643 071	2.96 %
200 001 – 500 000	17	6 089 272	6.82 %
500 001 – 1 000 000	11	7 331 362	8.22 %
1 000 001 – 2 000 000	9	13 161 212	14.75 %
2 000 001 – 5 000 000	6	23 510 655	26.35 %
5 000 001 – 10 000 000	1	9 900 000	11.10 %
10 000 001 – 20 000 000	1	15 968 718	17.90 %
<b>TOTAL</b>	<b>1 590</b>	<b>89 223 446</b>	<b>100.00 %</b>

Number of shares held by the senior management, CEO, and the Board of directors, represented, directly or indirectly as per 31.12.2017:

Name	Position	Shares
Tore Valderhaug*	Chairman of the Board	25 000
Trond Valvik**	Vice Chairman of the Board	15 968 718
Snorre Kjesbu	Board member	39 505
Håkon Volldal***	CEO	100 000
Tor Eirik Knutsen	CFO	7 500
Morten Andersson	SVP AMERICAS	17 700
Per Fredrik Ecker	SVP APMEA	33 500
Fredrik Nordh	SVP EUROPE	40 000
Pål-Andre Almlie	VP Supply Chain Management	26 500
<b>Total</b>		<b>16 258 423</b>

\* Indirectly through Proventi AS

\*\* Represented through position in AS Atlantis Vest

\*\*\* Indirectly through Bright Future AS

Incentive programs for the CEO and leading executives, see note 17.

## Note 14 Inventory and costs of goods sold

### Inventory

Parent company		Inventory specification:	Group	
2016	2017		2017	2016
10 240	9 590	Raw material and semi manufactured products	57 611	54 704
5 250	2 670	Stock at sub suppliers	2 670	5 250
3 466	2 340	Stock for maintenance contracts	2 340	3 466
0	0	Work in progress	0	3 070
6 819	6 600	Finished goods	18 231	13 894
-9 070	-8 849	Obsolescence *	-15 399	-14 059
<b>16 706</b>	<b>12 351</b>	<b>Total</b>	<b>65 453</b>	<b>66 327</b>

All inventories are valued at the lower of cost and net realisable value. Inventory write-downs recognised as an expense for the Parent company is TNOK 558 in 2017 (2016: TNOK 519) and for the group TNOK 2,730 in 2017 (2016: NOK 16,982), which is recognised in cost of goods sold.

## Costs of goods sold

Parent company		COGS specification:	Group	
2016	2017		2017	2016
144 886	150 322	Purchase of goods	283 322	273 409
151	39	Freight, customs etc.	151	759
519	558	Change of inventories *	4 359	22 313
<b>145 556</b>	<b>150 918</b>	<b>Total</b>	<b>287 833</b>	<b>296 481</b>

\* The effect of the inventory write downs related to the impairment in Elcom d.o.o is TNOK 2,172 in 2017, while the effect of the inventory write downs in TDC Systems Ltd. in 2016 is caused by an inventory adjustment of TNOK 4,001 and a work in progress adjustment of TNOK 8,377.

## Note 15 Salaries and personnel related expenses

Parent company		Personnel expenses:	Group	
2016	2017		2017	2016
91 957	104 582	Salaries	272 693	267 578
17 444	0	Compensation for conversion to defined contribution plan	0	17 444
15 814	15 587	Social security costs	33 358	33 608
-10 132	4 203	Pension costs	10 315	-4 451
0	1 325	Skattefunn (governmental tax relief)	1 325	0
-17 150	-11 905	Capitalised personnel costs	-14 667	-21 778
17 358	25 236	Other personnel related costs *	15 705	15 840
<b>115 291</b>	<b>139 029</b>	<b>Total</b>	<b>318 730</b>	<b>308 241</b>
114	115	Average number of employees	416	426
114	114	Average number of man-years	412	420

\* The effect of the restructuring cost related to a cost savings program in 2016 was TNOK 13,823.

### Compensation for conversion to defined contribution plan

The Parent company terminated the defined benefit plan for 27 employees per 31.12.2016, and all employees in Norway are now included in the defined contribution plan. The transition to defined contribution plan may lead to a reduction in retirement pensions for employees compared to the defined benefit plan.

The 27 employees involved in this process are given a wage compensation for lost pension benefits, and the provision for future payments as compensation for lost pension benefits in 2016 was TNOK 17,444. The revised estimate per 31 December 2017 is TNOK 17,982. The changes is mainly due to a change in discount rate.

Figures in TNOK

Parent company		Compensation for conversion to defined contribution plan	Group	
2016	2017		2017	2016
14 743	15 258	Non-current liabilities	15 258	14 743
2 701	2 724	Current liabilities	2 724	2 701
<b>17 444</b>	<b>17 982</b>	<b>Total liabilities per 31.12.</b>	<b>17 982</b>	<b>17 444</b>

Parent company		Expenses related to compensation for conversion to defined contribution plan	Group	
2016	2017		2017	2016
0	-2 682	Personnel expenses - change in provisions due to salary payments	-2 682	0
17 444	0	Personnel expenses - compensation for conversion to defined contribution plan	0	17 444
0	2 501	Financial expenses - change in discount rate	2 501	0
0	719	Financial expenses - time effect at present value calculation	719	0
<b>17 444</b>	<b>538</b>	<b>Total expenses</b>	<b>538</b>	<b>17 444</b>

### Basis and assumptions for calculation of compensation for conversion to defined contribution plan

• **Estimated compensation amount** – The estimated compensation amount is based on calculations from actuary using actuarial valuations.

• **Discount rate** – The discount rate is based on a risk free rate stipulated as a 10-year Norwegian government bonds. A discount rate of 1.6 % is applied in the calculation (2016: 3.5 %).

• **Annual growth in salaries** – The annual growth in salaries is based on the assumptions at the reporting date according to the recommendation of the Norwegian Accounting Standards Board. An annual growth of 2.5 % in salaries is applied in the calculation (2016: 2.5 %).

• **Mortality rate** – The mortality rate is based on official statistics in Norway per age and net present value is adjusted for the mortality rate per employee.

• **Turnover** – The expected turnover is based on historical turnover within the company.

• **Possibility of changes** – The estimated compensation amount will be reduced if the defined contribution plan changes. In addition there will always be a risk that the Board decides that the compensation could come to an end.

### Main principles for stipulation of salary and other remuneration to leading employees

Q-Free is a leading international Company within its area of business. To maintain and to strengthen its market position, and to reach the objectives the Board has set for the Group, Q-Free is dependent on recruiting and keeping highly competent employees, leaders included. The Company must therefore grant competitive wages to its leading employees. The Board therefore states that the fixed monthly salary for the respective leaders shall represent competitive wages, and that this shall reflect the respective leaders' personal responsibilities and competence.

In addition to the fixed monthly salary, there should be an option to grant a bonus that will depend on the results of the company and on performance of the individual employee. The Board has therefore established a bonus plan for the Company's employees, leaders included. For the CEO such bonus shall be maximum 75 % of the fixed yearly salary, and for the other members of the management team, such bonus shall be maximum 40 % of the fixed yearly salary. The bonus shall in general terms be linked to Q-Free's fulfillment of further defined objectives for the period, result targets and/or other established objectives for the Company. These objectives shall each year be established by the Company's Board, and may be linked to financial results, results within research and development,

quality objectives and/or further established individual result targets or objectives for the individual leader.

In addition to the fixed monthly salary, bonus according to achieved results and adopted option plans, the agreement with the individual leader can include that he or she may receive minor payment in kind. In individual cases it can also be agreed that the leader concerned shall have a Company car at disposal or receive a fixed car allowance according to the prevailing regulations.

Q-Free has established a collective pension plan for its employees that also include the leading employees. Q-Free has established a group life insurance for the management team.

The Board furthermore specifies that there shall be a mutual period of notice of up to six (6) months for agreements made with leading employees. The severance pay for the CEO shall not exceed twelve (12) months pay, calculated from the CEO's resignation day. In case of mergers/acquisition, resulting in substantial changes in the managerial position, severance pay shall not exceed twelve (12) months, calculated from the CEO's resignation day. In individual cases other arrangements with regards

to resignation can be agreed, hereunder agreements of payment after the termination of employment of the leader in question. The Board may depart from the principles above in individual cases.

The Company does not enter into employment contracts with leading executives giving entitlement to payment of dismissal allowance in the event that the employee voluntarily terminates his or her employment with the Company. A limited exception is the CEO who, under the given conditions, has such right related to mergers and acquisitions of the Company. After a defined

period of employment the Board can grant right to education with pay for the leading employees based on an individual assessment of the value such education will have for the Company.

The principles for remuneration have been changed during the last year.

No loans or guarantees have been provided to the Chief Executive Officer, Board members, shareholders, or close associates of these individuals.

**Payments to senior management and Board of directors 2017:**

	2017						
	Salary	Bonus	Director's remuneration	Pension service cost	Other remuneration	Share option cost*	TOTAL
TNOK							
<b>Tore Valderhaug</b> , Chairman of the Board <sup>1)</sup>			217				217
<b>Trond Valvik</b> , Vice Chairman of the Board <sup>2)</sup>			0				0
<b>Ragnhild Wahl</b> , Board member			126				126
<b>Snorre Kjesbu</b> , Board member			139				139
<b>Sissel Nina Lillevik Larsen</b> , Employee elected Board member			44				44
<b>Rune Jøraandstad</b> , Employee elected Board member			40				40
<b>Heidi Finskas</b> , Chair Nomination committee <sup>3)</sup>			0				0
<b>Andreas Berdal Lorentzen</b> , Nomination committee			30				30
<b>Øystein Elgan</b> , Nomination committee <sup>4)</sup>			0				0
<b>Charlotte Brogren Karlberg</b> , former Chairman and member of the Board <sup>5)</sup>			208				208
<b>Jeanett Bergan</b> , former Chairman of the Nomination committee <sup>6)</sup>			45				45
<b>Thomas Alexander Vogt</b> , former member of the Nomination committee <sup>7)</sup>			30				30
<b>Håkon Rypern Volldal</b> , Chief Executive Officer	3 075	606		67	11	34	3 794
<b>Tor Eirik Knutsen</b> , Chief Financial Officer <sup>8)</sup>	552			18	3	26	598
<b>Per Fredrik Ecker</b> , Senior Vice President APMEA	2 801			69	13		2 883
<b>Morten Andersson</b> , Senior Vice President AMERICAS	2 599			75	16	17	2 708
<b>Fredrik Nordh</b> , Senior Vice President EUROPE <sup>9)</sup>	571			134	31	23	759
<b>Arvid Strømme</b> , Vice President Service Line Tolling	1 071			66	11		1 148
<b>Kristina Hafreager Bergstad</b> , Vice President Service Line Parking	964			59	11		1 034
<b>Pål-Andre Almlie</b> , Vice President Supply Chain Management	1 153			61	13		1 227
<b>Roar Østbø</b> , former Chief Financial Officer <sup>10)</sup>	2 659			75	193		2 926
<b>Pål Rune Johansen</b> , former Senior Vice President Region NORDIC <sup>11)</sup>	1 397			69	10		1 476
<b>TOTAL</b>	<b>16 843</b>	<b>606</b>	<b>879</b>	<b>693</b>	<b>311</b>	<b>99</b>	<b>19 430</b>

- 1) Tore Valderhaug served as Vice Chairman of the Board until 24.05.2017, and serves as Chairman from 24.05.2017.
- 2) Trond Valvik serves as Vice Chairman of the Board from 24.05.2017.
- 3) Heidi Finskas serves as Chair of the Nomination Committee from 24.05.2017.
- 4) Øystein Elgan serves as member of the Nomination Committee from 24.05.2017
- 5) Charlotte Brogren Karlberg served as Chairman of the Board until 24.05.2017, and as member of the Board until 26.10.2017.
- 6) Jeanett Bergan served as Chairman of the Nomination Committee until 24.05.2017.
- 7) Thomas Alexander Vogt served as member of the Nomination Committee until 24.05.2017.
- 8) Tor Eirik Knutsen serves as CFO from 02.10.2017.
- 9) Fredrik Nordh serves as SVP EUROPE from 18.09.2017.
- 10) Roar Østbø served as CFO until 31.05.2017.
- 11) Pål Rune Johansen served as SVP Nordic until 18.09.2017.

\* Share option cost is the expense recognised in 2017. See note 17 for further information.

**Payments to senior management and Board of directors 2016:**

	2016						
	Salary	Bonus	Director's remuneration	Pension service cost	Other remuneration	Share option cost	TOTAL
TNOK							
<b>Charlotte Brogren Karlberg</b> , Chairman of the Board <sup>1)</sup>			637				637
<b>Tore Valderhaug</b> , Vice Chairman of the Board <sup>2)</sup>			244				244
<b>Regnhild Wahl</b> , Board member			351				351
<b>Snorre Kjesbu</b> , Board member <sup>3)</sup>			176				176
<b>Jan Pihl Grimnes</b> , Former Board member <sup>4)</sup>			193				193
<b>Anders Endre Nybø</b> , Former Board member <sup>5)</sup>			235				235
<b>Jeanett Bergan</b> , Chairman of the Nomination committee <sup>6)</sup>			60				60
<b>Thomas Alexander Vogt</b> , Nomination committee			50				50
<b>Andreas Berdal Lorentzen</b> , Nomination committee			20				20
<b>Cecilie Johnsen</b> , Former Chairman of the Nomination committee <sup>7)</sup>			70				70
<b>Sissel Nina Lillevik Larsen</b> , Employee elected Board member <sup>8)</sup>			73				73
<b>Rune Jøraandstad</b> , Employee elected Board member <sup>9)</sup>			40				40
<b>Anders Hagen</b> , Former Employee elected Board member <sup>10)</sup>			101				101
<b>Håkon Rypern Volldal</b> , Chief Executive Officer <sup>11)</sup>	1 334			30	6		1 370
<b>Roar Østbø</b> , Former acting Chief Executive Officer and Chief Financial Officer <sup>12)</sup>	2 868	600		81	197		3 747
<b>Per Fredrik Ecker</b> , Senior Vice President Region APMEA	2 639			195	15		2 849
<b>Morten Andersson</b> , Senior Vice President ELA, acting Senior Vice President NA	2 116			86	15		2 218
<b>Pål Rune Johansen</b> , Senior Vice President Region NORDIC	1 400			73	15		1 488
<b>Jos Nijhuis</b> , General Manager Q-Free Netherlands <sup>13)</sup>	1 815			45	133		1 993
<b>Alan Allegretto</b> , Former VP North America <sup>14)</sup>	1 963			32	101		2 095
<b>TOTAL</b>	<b>14 135</b>	<b>600</b>	<b>2 249</b>	<b>541</b>	<b>482</b>	<b>0</b>	<b>18 008</b>

- 1) Charlotte Brogren Karlberg served as member of the Board until 11.02.2016. Brogren Karlberg serves as Chairman of the Board from 11.02.2016.
- 2) Tore Valderhaug serves as member of the Board from 11.02.2016. Valderhaug serves as Vice Chairman of the Board from 26.05.2016.
- 3) Snorre Kjesbu serves as Board member from 11.02.2016.
- 4) Jan Pihl Grimnes served as Board member until 11.02.2016.
- 5) Anders Endre Nybø served as Board member until 11.02.2016.
- 6) Jeanett Bergan, served as member of the Nomination Committee until 11.02.2016. Bergan serves as Chairman of the Nomination Committee from 11.02.2016
- 7) Cecilie Johnsen served as Chairman of the Nomination Committee until 15.01.2016.
- 8) Sissel Lillevik Larsen serves as Employee elected Board member from 01.01.2016.
- 9) Rune Jøraandstad serves as Employee elected Board member from 26.05.2016.
- 10) Anders Hagen served as Employee elected Board member until 26.05.2016.
- 11) Håkon Rypern Volldal serves as CEO from 01.08.2016.
- 12) Roar Østbø served as acting CEO and CFO until 31.07.2016. Østbø serves as CFO from 01.08.2016.
- 13) Jos Nijhuis served as Chief Technical Officer and part of the management team until 01.11.2016.
- 14) Alan Allegretto served as VP North America until 29.06.2016 and will receive severance pay until 14.03.2017.
- 13) Former management team will receive severance pay in 2016.

On the 3rd of November 2015, Thomas Falck stepped down as CEO. The Board appointed CFO Roar Østbø as interim CEO with immediate effect.

## Note 16 Pension scheme

The parent company has a defined contribution pension plan for the employees. All employees in Norway are included in pension plans which entitle them to certain benefits for pension in the future. The Parent company terminated the defined benefit plan per 31.12.2016, and all employees in Norway are now included in the defined contribution plan. The 27 employees involved in this process are given a wage compensation for lost pension benefits, and the provision for future payments as compensation for lost

pension benefits in 2016 was TNOK 17,444. The revised estimate per 31 December 2017 is TNOK 17,982, of which TNOK 15,258 is classified as non-current liabilities and TNOK 2,724 is classified as current liabilities. The changes is mainly due to a change in discount rate. See note 15 for further information. As at 31.12.2017, 116 employees (2016: 113) are included in the defined contribution pension plan.

Figures in TNOK

Parent company			Group	
2016	2017	Pension expenses	2017	2016
3 064	0	Current service cost	0	3 064
444	0	Interest cost	0	444
602	0	Administrative expenses pension scheme	0	602
580	0	Accrued social security expenses	0	580
-17 645	0	Gain from closing of the defined benefit plan	0	-17 645
-12 955	0	Net pension expenses defined benefit plan	0	-12 955
3 511	4 203	Net pension expenses defined contribution plan	10 315	5 899
<b>-9 444</b>	<b>4 203</b>	<b>Net pension expenses</b>	<b>10 315</b>	<b>-7 056</b>

### Specification of pension funds & liabilities

Parent company			Group	
2016	2017	Pension liabilities:	2017	2016
47 164	0	Liabilities per 01.01.	0	47 164
3 064	0	Service costs	0	3 064
-367	0	Benefits paid	0	-367
1 273	0	Interest cost	0	1 273
-653	0	Actuarial gains/losses in other comprehensive income	0	-653
-50 481	0	Liability settlement	0	-50 481
<b>0</b>	<b>0</b>	<b>Total liabilities per 31.12.</b>	<b>0</b>	<b>0</b>

Parent company			Group	
2016	2017	Pension funds:	2017	2016
30 710	0	Funds per 01.01.	0	30 710
4 281	0	Net contribution paid	0	4 506
-367	0	Benefits paid	0	-367
829	0	Estimated return on assets	0	829
-436	0	Actuarial gains/losses in other comprehensive income	0	-436
-35 017	0	Asset settlement	0	-35 242
<b>0</b>	<b>0</b>	<b>Total funds per 31.12.</b>	<b>0</b>	<b>0</b>

The Group expects to contribute approximately TNOK 10,600 to its pension plans for 2018 (2017: TNOK 10,315).

### Basis and assumptions for calculations

	2017	2016
Discount rate	NA	2.60 %
Expected interest on pension funds	NA	2.60 %
Annual growth in salaries	NA	2.50 %
Long term inflation	NA	1.50 %
Increase in national insurance base rate (G)	NA	2.25 %
Expected change in pensions	NA	0.00 %
Social security expenses	NA	14.10 %

## Note 17 Incentive programs for executive management

### Share based option programme for leading executives – established May 2017

The Parent company has implemented a five-year option program for leading Executives that is distributed upon three tranches (which are vested over three years), and with a maximum number of share options of 2,500,000, where each tranche may be exercised two years after it has been vested. No consideration will be paid for the share options. Tranche one of 604,578 options is exercisable in the period from 1 October 2020 to 1 October 2023. Tranche two of 431,841 options is exercisable in the period from 1 October 2021 to 1 October 2023. Tranche three of 355,634 options is exercisable in the period from 1 October 2022 to 1 October 2023. The strike price for the first tranche is calculated based on average volume weighted price for the Q-Free share in the month prior to the allocation (that is NOK 8.52 per share). Strike price for the second tranche has a mark-up equivalent to 40% (that is NOK 11.93 per share), and 70% (that is 14.48) for the third tranche. The agreements include

clauses to limit the maximum profit. If the share price for one Q-Free ASA share at the time of exercise of share options is higher than NOK 40 per share, the strike price shall be adjusted up with the difference between the share price for one Q-Free ASA share for the above-mentioned time and NOK 40 per exercised share option.

The Board has power to offer share options under this program to leading executives who previously has been awarded synthetic share options under the program approved in 2015 (3.1), provided leading executives give up their synthetic options.

The market value of granted share options is TNOK 774, and the cumulative expense recognised per 31 December 2017 is TNOK 65 (2016:0). The weighted average share price included in the calculation of market value is NOK 8.5 and the volatility is 17.6 %.

Specification of share option activity:	2017
Granted share options 01.01	0
Share options granted	1 392 053
Share options exercised	0
Share options expired/terminated	0
<b>Granted share options 31.12</b>	<b>1 392 053</b>
<b>Vested share options 31.12</b>	<b>0</b>

The share options split for leading Executives as per 31.12.2017:

Name	Position	Tranche	Number of options	Strike price	Agreement in force	Expires
Tor Eirik Knutsen	CFO	Tranche 1	258 216	NOK 8.52	02.10.2017	02.10.2023
		Tranche 2	184 440	NOK 11.93	02.10.2017	02.10.2023
		Tranche 3	151 892	NOK 14.48	02.10.2017	02.10.2023
Morten Andersson	SVP AMERICAS	Tranche 1	117 371	NOK 8.52	02.10.2017	02.10.2023
		Tranche 2	83 836	NOK 11.93	02.10.2017	02.10.2023
		Tranche 3	69 042	NOK 14.48	02.10.2017	02.10.2023
Fredrik Nordh	SVP EUROPE	Tranche 1	228 991	NOK 8.52	02.10.2017	02.10.2023
		Tranche 2	163 565	NOK 11.93	02.10.2017	02.10.2023
		Tranche 3	134 700	NOK 14.48	02.10.2017	02.10.2023

Share based option programme for the CEO – established May 2016

The Parent company has implemented a five-year option program for the CEO that is distributed upon three tranches (which are vested over three years), and with a maximum number of share options of 630,828, where each tranche may be exercised two years after it has been vested. Each option gives the right to acquire one share in Q-Free at given strike price. Tranche one of 273,973 options is exercisable in the period from 1 August 2019 to 1 August 2022. Tranche two of 195,695 options is exercisable in the period from 1 August 2020 to 1 August 2022. Tranche three of 161,160 options is exercisable in the period from 1 August 2021 to 1 August 2022. The strike price for each tranche shall be based upon the closing price for shares in Q-Free ASA on April 20, 2016 for the first tranche (that is, NOK 10.95 per share), and a mark-up equivalent to 40 % (that is, NOK 15.33 per share) for the second tranche

and 70 % (that is, NOK 18.62 per share) for the third tranche. The agreement includes clauses to limit the maximum profit. For each tranche, if Q-Free's share price exceeds NOK 40 at the time of exercise, the strike price is adjusted upwards equal to the difference between the price of one Q-Free share at the time of exercise and NOK 40 per exercised option. If a shareholder, company, business or a group (as per definition in the Norwegian Securities Trading Act § 2–5) acquires control of more than two thirds of the stocks and/or votes in the Company, and the Company is consequently delisted from Oslo Børs, each and all of outstanding options mature. This entails that the CEO can exercise each and all of his options in a period of 30 days from the date final decision of delisting is made. If the options are not exercised within this period, the options expire without any form of compensation.

The market value of granted share options is TNOK 68, and the cumulative expense recognised per 31 December 2017 is TNOK 34 (2016:0). The weighted average share price included in the calculation of market value is NOK 9.5 and the volatility is 17.6 %.

Specification of share option	2017	2016
Granted share options 01.01	630 828	0
Share options granted	0	630 828
Share options exercised	0	0
Share options expired/terminated	0	0
<b>Granted share options 31.12</b>	<b>630 828</b>	<b>630 828</b>
<b>Vested share options 31.12</b>	<b>0</b>	<b>0</b>

Name	Position	Tranche	Number of options	Strike price	Agreement in force	Expires
Håkon Rypem Vollidal	CEO	Tranche 1	273 973	NOK 10.95	01.08.2016	01.08.2022
		Tranche 2	195 695	NOK 15.33	01.08.2016	01.08.2022
		Tranche 3	161 160	NOK 18.62	01.08.2016	01.08.2022

Synthetic based option programme – established May 2015

The General meeting in May 2015 approved and granted the Board a right to enter into agreements for synthetic options with leading employees and key personnel to complete an incentive program with a maximal duration of four years. The agreements under this program were in force from 2015, and the program was then closed for further grants.

Key employees participating in the synthetic-based employee incentive scheme was allocated a respective amount of options, divided into three periods of maturity. For the synthetic program, three vesting and exercise periods applies. Tranche one is vested upon and exercisable within 30 days after the reporting of Q4/2016. Corresponding vesting and exercise periods for tranche two and three is upon and after the reporting of Q4/2017 and Q4/2018, respectively.

The strike price for the options is the volume-weighted average market price for the Q-Free share in the month prior to the allocation. The strike price per share is NOK 13.07 for the whole programme. The employee's right to exercise the options shall, unless the Board in the specific instance decides otherwise, be divided into three

tranches. Each tranche has its own maturity date. The employee may exercise the options within a 30-day time window in each such period, where the payment to the employee shall be the positive difference between the Strike price and the volume weighted average market price for the Q-Free ASA share in the relevant 30-day time window. Each synthetic option not exercised during tranche one and two may be allocated towards tranche two and three, respectively.

The Board can limit the sum of payment to two (2) times the fixed yearly salary at the time when this limit (maximum payout) is met.

The Board shall, as a principal rule, stipulate that 25 % of the payment shall be used to purchase shares in Q-Free ASA, unless the Board in the specific instance finds that there are grounds to derogate from the principal rule.

The Board stipulates the full terms and conditions of the incentive program, including the terms and conditions for the specific leading employees and key personnel.

Specification of syntetic share option activity	2017	2016
Granted share options 01.01	600 000	600 000
Syntetic share options granted	0	0
Syntetic share options exercised	0	0
Syntetic share options expired/terminated	320 000	0
<b>Granted syntetic share options 31.12</b>	<b>280 000</b>	<b>600 000</b>
<b>Vested syntetic share options 31.12</b>	<b>93 333</b>	<b>209 998</b>

The syntetic share options split for management as per 31.12.2017:

Name	Position	Number of options	Strike price	Agreement in force	Expires
Per Fredrik Ecker	SVP APMEA	70 000	NOK 13.07	01.07.2015	30 days after Q4-2018 presentation

The deviation of granted synthetic share options as per 31.12.2017 and management number of granted syntetic share options a per 31.12.2017 is due to organisational changes and exchange of incentive program during the program.

The fair value of the liability of the syntetic share options was measured as at the reporting date 31.12.17 and there was no cost recognition. The shareprice was NOK 8.05 as at 31.12.17 and with a strike price on 13.07 management has assessed the potential for exercise to be insignificant.

The fair value of the liability of the syntetic share options was measured as at the reporting date 31.12.16 and there was no cost recognition. The shareprice was NOK 7.88 as at 31.12.16 and with a strike price on 13.07 management has assessed the potential for exercise to be insignificant.

## Note 18 Investments in subsidiaries

The financial statements include the financial statements of Q-Free ASA and the subsidiaries listed in the following table:

	Established	Location	Country	Ownership	Voting share	Functional currency
Q-Free Portugal Lda.	1997	Lisboa	Portugal	100 %	100 %	EUR
Q-Free América Latina Ltda.	1998	Sao Paolo	Brasil	100 %	100 %	BRL
Q-Free Australia Pty. Ltd.	1999	Sydney	Australia	100 %	100 %	AUD
Q-Free Sdn. Bhd. Malaysia	1997	Kuala Lumpur	Malaysia	100 %	100 %	MYR
Noca Holding AS	2001	Trondheim	Norway	100 %	100 %	NOK
Q-Free Sverige AB	2007	Stockholm	Sweden	100 %	100 %	SEK
Q-Free Thailand Co Ltd.	2007	Bangkok	Thailand	100 %	100 %	THB
Q-Free Netherlands BV	2002	Beilen	The Netherlands	100 %	100 %	EUR
Q-Free Africa Ltd.	2010	Durban	South Africa	74 %	74 %	ZAR
PT Q-Free	2012	Jakarta	Indonesia	100 %	100 %	IDR
Q-Free Chile	2012	Santiago	Chile	100 %	100 %	CLP
TCS International Inc.	2012	Boston	USA	100 %	100 %	USD
Q-Free America Inc.	2012	San Diego	USA	100 %	100 %	USD
ELCOM d.o.o. **	1994	Belgrade	Serbia	100 %	100 %	RSD
TDC Systems Ltd	1998	Weston Super-Mare	United Kingdom	100 %	100 %	GBP
Traffic Design d.o.o.	1990	Ljubljana	Slovenia	100 %	100 %	EUR
Open Roads Consulting Inc.	2000	Virginia	USA	100 %	100 %	USD
Q-Free Espana S.L.U.	2014	Madrid	Spain	100 %	100 %	EUR
Q-Free France S.A.R.L.	2014	Paris	France	100 %	100 %	EUR
Intelight Inc. *	2013	Arizona	USA	100 %	33 %	USD
Q-Free Traffiko Ltd	2015	Valetta	Malta	100 %	100 %	EUR
Q-Free LLC	2015	Moscow	Russia	100 %	100 %	RUB
Q-Free Polska sp. z.o.o.	2016	Warszawa	Polen	100 %	100 %	PLN

\* Q-Free ASA has signed a share purchase agreement and a shareholders agreement to acquire 100 percent of the shares in the US traffic controller supplier, Intelight Inc over a five year period. The shareholders agreement and the amended bylaws provide control for the Group after signing these agreements. Based on this, the full activity of Intelight Inc. is consolidated in the Group accounts. The agreements is considered to give the Group present ownership interest of 100 %, thus no non-controlling interest is recognised. See Note 6 for further information.

\*\* Elcom d.o.o. is sold in March 2018. The negative accounting effect of the transaction was taken as part of the impairment booked in Q4 2017. See Note 9, 10, 11 and 14 for further information.

## Book value in parent company of investments in subsidiaries

Figures in TNOK	Cost	Book value 31.12.16	Book value 31.12.17	Result after tax last year	Companys equity per 31.12.17
Q-Free Portugal Lda.	204	204	204	-1 931	20 722
Q-Free América Latina Ltda.	7 203	0	0	-4 769	-7 610
Q-Free Australia Pty. Ltd.	0	0	0	743	12 754
Q-Free Sdn. Bhd. Malaysia	1 155	0	0	369	-18 146
Noca Holding AS	4 592	5 956	5 956	328	16 099
Q-Free Sverige AB	0	84	84	761	2 621
Q-Free Thailand Co Ltd.	0	10 847	10 847	-1 392	-9 148
Q-Free Netherlands BV	71 034	76 409	76 409	13 688	72 341
Q-Free Africa Ltd	0	0	0	-915	-2 124
PT Q-Free	0	0	0	-15 696	-78 817
Q-Free Chile	0	28	28	6 609	-4 889
Q-Free America Inc.– Group (*)	6	70 717	70 717	-6 132	6 214
ELCOM d.o.o.	9 445	0	0	-23 913	-27 651
TDC Systems Ltd	105 768	105 768	105 768	1 640	25 269
Traffic Design d.o.o.	29 149	29 149	29 149	10 155	18 541
Q-Free Espana S.L.U.	25	25	25	-83	310
Q-Free France S.A.R.L.	41	41	41	-298	-2 604
Q-Free LLC	0	0	0	832	2 112
Q-Free Traffiko Ltd	10 599	17	17	-17 985	-21 738
Q-Free Polska sp. z.o.o.	11	11	11	0	11
<b>Total</b>	<b>239 232</b>	<b>299 255</b>	<b>299 255</b>	<b>-37 989</b>	<b>4 267</b>

(\*) Q-Free ASA owns through Q-Free America Inc. indirectly 100 % in TCS International Inc., Open Roads Consulting Inc. and Intelight Inc.

## The following exchange rates are used when consolidating the group

Currencies	Currency rate 01.01.2016	Average currency rate 2016	Currency rate 31.12.2016	Average currency rate 2017	Currency rate 31.12.2017
Euro	EUR 9,619	9,290	9,086	9,327	9,840
Australian dollar	AUD 6,447	6,247	6,225	6,334	6,412
Malaysian Ringgit	MYR 2,052	2,028	1,922	1,922	2,027
Brazilian real	BRL 2,224	2,420	2,649	2,591	2,477
US Dollar	USD 8,809	8,399	8,620	8,263	8,205
Pounds Sterling	GBP 13,072	11,373	10,613	10,639	11,091
Swedish kroner	SEK 104,750	98,160	95,120	96,800	99,960
South African Rand	ZAR 0,565	0,574	0,629	0,621	0,665
Thai bath	THB 24,409	23,806	24,085	24,355	25,153
Chilean peso	CLP 0,012	0,013	0,013	0,013	0,013
Indonesian Rupiah	IDR 0,064	0,060	0,064	0,062	0,061
Serbian Dinars	RSD 0,078	0,076	0,073	0,078	0,083
Russian Rouble	RUB 11,984	12,590	14,131	14,158	14,181
Polish Zloty	PLN 2,263	2,130	2,060	2,191	2,356

## Note 19 Related party disclosures

### Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at arm's length prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

### Related parties

There was no transactions between the company and any parties in the Management or in the Board during 2017.

The company received for 2016 invoices for consultancy services from KWC AS that totalled TNOK 267 (ex. VAT), which was paid in

August 2016. Chairman of the Board, Tore Valderhaug, was part of the team that delivered the consultancy services to the Company. All transactions between related parties are based on arm's length principles and the services was according to an agreement between Q-Free ASA and the Board concerning consultancy services. Mr. Valderhaug did not participate in the Board decision of rendering the consultancy services from KWC AS.

### Associated companies

Q-Free ASA has no ownership in associated companies either in 2017 or in 2016.

## Note 20 Cash and cash equivalents

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and three months, depending on the immediate

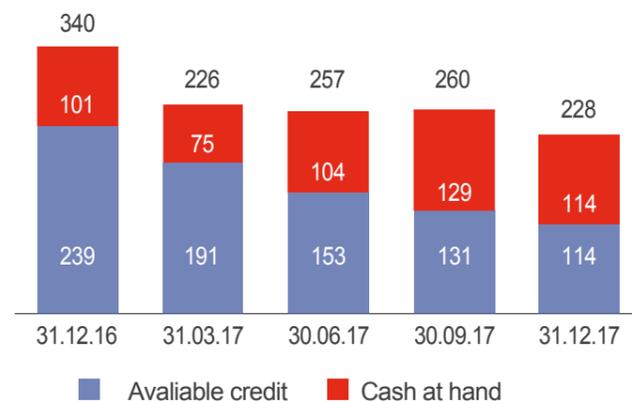
cash requirements of the Group, and the interest earnings at the respective short-term deposit rates. The Group has a multiple currency account agreement in Danske Bank.

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

Parent company		Liquidity funds	Group	
2016	2017		2017	2016
15 970	0	Cash at banks and on hand	112 034	99 124
0	0	Money Market Funds	1 599	2 350
<b>15 970</b>	<b>0</b>	<b>Total cash and cash equivalents</b>	<b>113 633</b>	<b>101 474</b>

As at 31 December 2017, the Group had available TNOK 113,930 (2016: TNOK 238,818) of undrawn bank overdraft and TNOK 95 (2016: TNOK 11,987) of undrawn guarantee facilities in which all conditions precedent had been met.

### Cash and credit facilities development during 2017



## Note 21 Accounts receivables and credit risk

Parent company			Group	
2016	2017		2017	2016
45 903	24 252	Accounts receivables	132 947	143 516
129 399	126 253	Accounts receivables on group companies	0	0
-1 091	-1 448	Provision for impairment on receivables	-2 460	-1 091
0	-17 364	Provision for impairment on group receivables *	0	0
<b>174 211</b>	<b>131 693</b>	<b>Total</b>	<b>130 487</b>	<b>142 425</b>
0	17 364	Loss on receivables on group companies *	0	0
232	357	Changes in provisions for impairment on receivables	1 368	232
<b>232</b>	<b>17 721</b>	<b>Total</b>	<b>1 368</b>	<b>232</b>

\* Q-Free is continuously looking to reduce the complexity of its business and reallocate resources from underperforming businesses to businesses with higher value creation potential. During the fourth quarter of 2017 it was decided to initiate processes to exit unprofitable businesses and product lines, which resulted in a provision for impairment on group receivables in the Parent company of TNOK 17,364.

For terms and conditions relating to related party receivables, refer to Note 19. Trade receivables are non-interest bearing and are generally on 30-60 days terms.

As at 31 December, the ageing analysis of trade receivables is as follows:

Amounts per 31.12	Total	Neither past due not impaired	Past due but not impaired				
			< 30 days	30 – 60 days	60 – 90 day	90 – 120 day >	>120 days
2017	132 947	86 767	18 308	8 374	11 975	2 700	4 823
2016	143 516	86 078	29 806	13 097	2 798	3 913	7 824

The Group assesses needs for provision for doubtful debt on an individual basis per customer or per project.

The Group assesses needs for provision for doubtful debt on an individual basis per customer or per project.

Specification of provisions for impairment on receivables	2017	2016
Amount per 01.01.	1 091	859
This years provision for impairment on receivables	5 548	232
Loss on receivables	-3 727	0
Provisions utilised during the year	-453	0
<b>Amount per 31.12</b>	<b>2 460</b>	<b>1 091</b>

The maximum risk exposure is represented by the carrying amount of the financial assets, including derivatives, in the balance sheet. Since the other party involved in derivative trades is normally a bank, the credit risk linked to derivatives is regarded as being insignificant. The Group therefore regards its maximum risk exposure as being the carrying amount of trade receivables as at 31 December 2017, which was NOK 132.9 million (2016: NOK 143.5 million).

## Note 22 Interest-bearing loans, borrowings and guarantees

Parent company				Effective interest		Group	
2016	2017	Specification	Type	rate % – 2017	Maturity	2017	2016
150 000	125 000	Non-current	Danske Bank - Serial loan	2,75 %	31 Dec.2020	125 000	150 000
13 783	120 000	Current	Danske Bank - Line of credit *	3,02 %	30 April 2018	120 000	13 783
0	0	Current	Suntrust Bank - Line of credit **	n.a.		0	14 385
0	0	Current	Citi Bank - Line of credit **	2,73 %		83 691	51 289
<b>163 783</b>	<b>245 000</b>		<b>Total</b>			<b>328 691</b>	<b>229 457</b>

\* Line of Credit from Danske Bank is linked to the funding of the Slovenia Truck Tolling project. The credit line will be repaid when the payment for the Slovenia Truck Tolling project is collected.

\*\* Line of Credit from Citi Bank are renewed annually.

### Serial loan and covenants

The serial loan is repayable with 50 MNOK in 2018, 50 MNOK in 2019 and 25 MNOK in 2020. The interest rate is 3 MND NIBOR + 195 bps.

Q-Free has a NIBD/EBITDA covenant on its bank arrangements with Danske Bank. During the fourth quarter 2017 Q-Free received a waiver from this covenant, confirming that non-recurring items on 27,8 MNOK are disregarded in the covenant calculation.

Non-recurring items consist of the settlement of dispute with the Norwegian Public Roads Administration (NPRA). See note 26 and 27 for further details and see Alternative Performance Measures section for "NIBD" and "EBITDA" definitions.

Off balance sheet commitment:

Parent company				Group	
2016	2017	Specification		2017	2016
218 013	229 210	Guarantees to customers, suppliers and lease contracts		229 905	107 500
<b>Book value of assets securing loans and guarantees:</b>					
15 970	0	Bank deposits		9 476	16 645
174 211	131 693	Accounts receivable		131 693	174 211
36 598	200 717	Work in progress		200 717	36 598
16 706	12 351	Inventories		12 351	16 706
17 766	11 148	Machinery, fixtures and fittings, etc.		11 148	17 766
<b>261 251</b>	<b>355 909</b>	<b>Total</b>		<b>365 385</b>	<b>261 926</b>

Assets from discontinuing operations was not included in book value of assets securing loans and guarantees as at 31.12.17.

## Note 23 Taxes

Parent company				Group	
2016	2017			2017	2016
<b>Total tax expenses for the year</b>					
0	0	Tax payable on this years profit for Norwegian companies		0	0
0	0	Tax payable on this years profit for foreign companies		6 308	4 294
0	541	Adjusted allocated tax from last year		20	-353
0	0	Change in deferred tax for Norwegian companies		17	137
0	0	Change in deferred tax for foreign companies		-4 608	-6 280
<b>0</b>	<b>541</b>	<b>Total</b>		<b>1 737</b>	<b>-2 202</b>
0 %	3 %	Tax rate		18 %	4 %
<b>Tax payable for the year</b>					
-19 608	-15 134	Total ordinary profit before tax		-9 526	-55 621
30 987	42 745	Permanent differences		41 486	28 385
-41 197	-145 455	Change in temporary differences		-166 458	-75 729
0	0	Utilisation of previously unrecognised tax losses		-1 061	0
<b>-29 818</b>	<b>-117 844</b>	<b>Basis for tax payable</b>		<b>-135 559</b>	<b>-102 965</b>
<b>0</b>	<b>0</b>	<b>Tax payable for Norwegian companies (24 %)</b>		<b>0</b>	<b>0</b>
		<b>Tax payable for foreign companies</b>		<b>0</b>	<b>702</b>
<b>Specification of tax payable in the balance sheet</b>					
0	0	Tax payable on this years profit, Norwegian companies		0	0
0	0	Tax payable on this years profit, foreign companies *		4 973	4 882
0	0	Advance tax payment, foreign companies		-1 631	-4 180
<b>0</b>	<b>0</b>	<b>Total tax payable</b>		<b>3 342</b>	<b>702</b>
<b>Specification on basis for deferred tax</b>					
<i>Differences evaluated to be offset:</i>					
-12 093	-15 089	Fixed assets		-35 380	-30 202
43 546	38 984	Other non current assets		38 984	43 546
27 528	173 056	Current assets		161 239	15 736
-34 849	-32 428	Liabilities		-36 074	-37 442
-306 559	-424 404	Tax losses carry -forward		-641 749	-513 495
-9 641	-7 081	Other differences		-7 081	-9 641
<b>-292 068</b>	<b>-266 962</b>	<b>Total</b>		<b>-520 061</b>	<b>-531 498</b>
<b>0</b>	<b>0</b>	<b>Deferred tax assets (-)</b>		<b>-16 864</b>	<b>-17 420</b>
<b>0</b>	<b>0</b>	<b>Total tax assets (-) / deferred tax (+)</b>		<b>4 956</b>	<b>15 003</b>
<b>Reconciling the tax cost</b>					
-19 608	-15 134	Earnings before tax		-9 526	-55 621
-4 902	-3 632	Calculated tax at 24 %		-19 364	-27 322
7 747	10 259	Tax result permanent differences and tax rate difference		10 279	7 519
-2 845	-6 627	Use of previously unrecognised loss carried forward (-) / Increase in valuation allowance **		8 826	17 023
0	541	Adjusted allocated tax from last year		1 996	578
<b>0</b>	<b>541</b>	<b>Tax expenses</b>		<b>1 737</b>	<b>-2 202</b>

\* Paid withholding tax in foreign subsidiaries.

\*\* Change in tax rate for the Group is TNOK 11,627 (2016: 2,936), and is mainly relating to changes in tax rate in the US and Norway.

Deferred tax assets are recognised when the Group can document future taxable profits to utilise the tax asset per company. The deferred tax asset is recognized for the amount corresponding to the expected taxable profit based on the convincing evidences. The carrying amount of deferred tax assets is reviewed at each reporting date (quarterly) and reduced to the extent that convincing evidences no longer exists for the utilization. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that convincing evidences exists supporting that taxable profits will allow the deferred tax asset to be recovered. The actual outcome of future tax costs may deviate from these estimates.

The Group has a total loss carried forward of TNOK 641,749 as at 31 December 2017 (2016: 513,495), in which TNOK 16,864 are recognised as an asset in the balance sheet as at 31.12.2017 (2016: 17,420). Undertaken an assessment of the criterias under IAS 12, the group has not included deferred tax asset in Norway related to tax losses carried forward of TNOK 97,613 as at 31 December 2017 (2016: 73,574). In addition the group has not included deferred tax asset of TNOK 101,762 as at 31 December 2017 for the Group (2016: 129,803). Of this amount, TNOK 129,358 (2016: 105,228) is related to tax losses carried forward, TNOK 18,811 (2016: 41,401) related to acquisitions in the US and -46,407 (2016: -16,827) is related to other temporary differences.

## Note 24 Financial items

Figures in TNOK

Parent company		Category	Group	
2016	2017		2017	2016
958	3 228	Interest income	3 518	1 327
10 926	6 034	Realised exchange rate differences	17 160	16 327
0	107	Unrealised exchange rate differences	8 905	5 306
2 625	0	Exchange rate differences earn-out	0	2 625
0	0	Change in earn-out and other liabilities *	0	14 123
3	0	Other financial income		3
<b>14 512</b>	<b>9 369</b>	<b>Financial income</b>	<b>29 583</b>	<b>39 711</b>
7 902	10 820	Financial income from group companies	0	0
8 831	1 751	Paid dividends from subsidiaries	0	0
<b>16 733</b>	<b>12 571</b>	<b>Financial income from Group companies</b>	<b>0</b>	<b>0</b>
<b>31 245</b>	<b>21 940</b>	<b>Total financial income</b>	<b>29 583</b>	<b>39 711</b>
-2 814	-4 927	Interest expenses	-5 650	-5 627
-4 670	-6 662	Interest on debt and borrowings	-11 104	-5 831
-5 289	-8 985	Realised exchange rate differences	-18 393	-10 332
-26 210	0	Unrealised exchange rate differences	-1 475	-12 554
0	0	Exchange rate differences earn-out	0	0
-2 457	-3 220	Change in earn-out and other liabilities *	-4 273	0
-1 881	-2 441	Other financial expenses	-2 441	-1 881
<b>-43 321</b>	<b>-26 235</b>	<b>Financial expenses</b>	<b>-43 336</b>	<b>-36 225</b>
-588	-897	Financial expenses from group companies	0	0
-15 252	0	Impairment of shares in subsidiaries	0	0
<b>-15 840</b>	<b>-897</b>	<b>Financial expenses from Group companies</b>	<b>0</b>	<b>0</b>
<b>-59 161</b>	<b>-27 132</b>	<b>Total financial expenses</b>	<b>-43 336</b>	<b>-36 225</b>
<b>-27 916</b>	<b>-5 192</b>	<b>NET FINANCIAL ITEMS</b>	<b>-13 753</b>	<b>3 486</b>

\* Change in earn-out and other liabilities in 2017 is explained by a revised estimate on liability for purchase of remaining shares on Intelight Inc and liability related to pension schemes. The estimated liability to acquire the remaining shares in Intelight Inc. as at 31.12.17 is TNOK 90,505. For further information see Note 6 and 18.

## Note 25 Available for sale financial investments

Parent company and the Group as at 31 December 2017

Figures in TNOK

	Company's equity	Number of shares	Ownership	Book value		Included in comprehensive income
				in Parent *	in Group *	
Leiv Eiriksson AS	37 049	9 919	0.99 %	367	367	-8
Other				20	20	0
<b>Total</b>				<b>387</b>	<b>387</b>	<b>-8</b>

Parent company and the Group as at 31 December 2016

Figures in TNOK

	Company's equity	Number of shares	Ownership	Book value		Included in comprehensive income
				in Parent *	in Group *	
Leiv Eiriksson AS	37 856	9 919	0.99 %	375	375	2
Other				20	20	0
<b>Total</b>				<b>395</b>	<b>395</b>	<b>2</b>

\* The investment in shares is classified as financial investment available for sale and are measured at fair value. See note 4 for fair value table and a specification of valuation technique.

## Note 26 Other current liabilities

Parent company		Category	Group	
2016	2017		2017	2016
13 047	22 454	Accrued wages (Holiday pay and bonus scheme)	34 931	22 926
12 431	10 909	Warranty provisions (see spesification for changes during the year)	11 435	12 831
4 154	7 094	Accrued project costs	12 091	12 547
0	0	Intelight share purchase liability *	22 401	0
0	20 868	Settlement of Dispute with NPRA**	20 868	0
4 974	3 538	Restructuring provision ***	3 538	4 974
774	34	Miscellaneous	12 397	1 417
<b>35 379</b>	<b>64 896</b>	<b>Total</b>	<b>117 660</b>	<b>54 696</b>

\* See note 6 regarding changes related to provisions for the liability. The range of possible outcomes for the contingent consideration classified as current liabilities is from USD 0 to USD 5.3 million.

\*\* On 19 September 2017 Q-Free ASA and the Norwegian Public Roads Administration (NPRA) settled a dispute related to invoicing of services for the central system for toll collection in Norway from 2006 to July 2016. Per the settlement agreement, Q-Free will pay TNOK 27,823 to the NPRA. The settlement amount is paid in four instalments over a period of 12 months, one per each of the next four quarters.

\*\*\* The restructuring provision totalling TNOK 3,558 (2016: 4,974) is related to the transformation of Q-Free from a Tolling company into a fully integrated ITS-company, and consist of TNOK 3,558 (2016: 4,974) regarding personnell related expences, see Note 15 and 27 for further information.

## Warranty provisions

Provision for warranty costs is calculated depending on the remaining guarantee period for various products, and based on the historical effect of defects and a calculation of probability for the defect to occur for the remaining products under warranty. The calculation is made on an individual basis per product, and the assumptions vary for the different products and also take into

account the expected expenses associated with new warranty problems that are identified. Unused accruals for warranties are dissolved at the end of the guarantee-period. All provisions specified in the table below are classified as current liabilities and is part of other current financial liabilities in the consolidated statement of financial position.

	Parent company		Group	
	Provision for warranty costs	Total current provisions	Provision for warranty costs	Total current provisions
Amount as of 01.01.16	13 587	13 587	14 263	14 263
Unused accruals reversed during 2016	0	0	-276	-276
Accruals utilised during 2016	-1 904	-1 904	-1 904	-1 904
Accruals deposited during 2016	748	748	748	748
<b>Amount as of 31.12.16</b>	<b>12 431</b>	<b>12 431</b>	<b>12 831</b>	<b>12 831</b>
Amount as of 01.01.17	12 431	12 431	12 831	12 831
Unused accruals reversed during 2017	0	0		0
Accruals utilised during 2017	-2 272	-2 272	-2 672	-2 672
Accruals deposited during 2017	750	750	1 276	1 276
<b>Amount as of 31.12.17</b>	<b>10 909</b>	<b>10 909</b>	<b>11 435</b>	<b>11 435</b>

## Note 27 Other operating expenses

Parent company		Category	Group	
2016	2017		2017	2016
52 666	57 003	External services	117 397	131 478
11 506	11 045	Travel expenses	24 959	26 437
21 069	21 948	Offices supplies	41 226	42 109
4 627	3 344	Insurance	7 369	8 969
4 498	5 205	Freight	8 489	7 834
2 089	1 204	Rent machinery & tools	11 545	8 376
7 815	6 025	Marketing / promotions	10 864	15 403
198	76	Service & Maintenance	9 895	6 726
4 660	4 844	Operating materials	8 735	7 664
24 060	61 441	Loss on receivables on group companies	0	0
0	27 823	Settlement of Dispute with NPRA*	27 823	0
-2 846	423	Bad debt losses	2 261	-5 705
4 722	598	Other operating expenses	13 758	27 499
<b>135 065</b>	<b>200 978</b>	<b>Total</b>	<b>284 321</b>	<b>276 789</b>

\* On 19 September 2017 Q-Free ASA and the Norwegian Public Roads Administration (NPRA) settled a dispute related to invoicing of services for the central system for toll collection in Norway from 2006 to July 2016. Per the settlement agreement, Q-Free will pay TNOK 27,823 to the NPRA. The settlement amount is paid in four instalments over a period of 12 months, one per each of the next four quarters.

## Audit fees

The group has the following audit related fees, included in the "External services" in the above table (All figures excl. VAT).

Parent company		Category	Group	
2016	2017		2017	2016
282	738	Audit services	2 407	1 242
128	20	Other audit related services	20	128
3	4	Tax services	32	63
348	166	Other, non audit related services	233	450
<b>760</b>	<b>929</b>	<b>Total</b>	<b>2 693</b>	<b>1 882</b>

## Note 28 Other current assets

Parent company		Category	Group	
2016	2017		2017	2016
0	1 325	Accrual for Skattefunn grants	1 325	0
541	0	Prepaid taxes	7 874	9 930
382	362	Prepaid rents	1 668	1 576
2 002	2 200	Prepaid licenses	2 200	2 002
708	675	Other prepaid costs	14 624	8 691
7	0	Miscl	10 177	9 447
<b>3 639</b>	<b>4 562</b>	<b>Total</b>	<b>37 868</b>	<b>31 646</b>

## Note 29 Commitments and contingencies

### Operating lease commitments – Group as lessee

The Group has entered into commercial leases mainly on office rentals but also on certain motor vehicles and items of machinery. These leases have an average life of between 3 and 5 years with no

renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

Parent company		Terms	Group	
2016	2017		2017	2016
9 204	9 078	Within one year	14 420	15 431
37 368	36 857	After one year but not more than five years	37 472	38 635
9 342	9 214	More than five years	9 214	9 342
<b>55 914</b>	<b>55 149</b>	<b>Total</b>	<b>61 106</b>	<b>63 408</b>

During the year ended 31 December 2017 the company recognised expenses in the income statement in respect of operating leases of TNOK 11,317 (2016: TNOK 12,020) for the parent company and TNOK 33,039 (2016: 30,093) for the Group, all figures excluded discontinuing operations.

### Finance lease and hire purchase commitments

The Group has no finance leases or any hired purchase contracts for various items of plant and machinery.

## Note 30 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 represent the Group's current understanding of the final impact.

Statement of income	Group	
	2017	2016
Revenues	884	45 045
Cost of goods sold	1 572	13 969
Personnel expenses	1 136	17 228
Other operating expenses	2 493	13 369
Total operating expenses	5 201	44 566
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-4 317	479
Amortisation of intangible assets	0	4 024
Impairment of intangible assets	5 145	26 814
Earnings before interest and taxes (EBIT)	-9 462	-30 359
Financial income	0	146
Total financial items	0	146
Profit before tax	-9 462	-30 213
Taxes	0	0
<b>Profit / (-) loss for the year on discontinued operations, net of tax</b>	<b>-9 462</b>	<b>-30 213</b>
<b>Earnings in NOK per share from discontinued operations</b>	<b>-0,11</b>	<b>-0,40</b>
<b>Diluted earnings in NOK per share from discontinued operations</b>	<b>-0,11</b>	<b>-0,40</b>

Cash flow from discontinued operations	Group	
	2017	2016
Profit before tax	-9 462	-30 213
Amortisation and impairment of intangible assets	5 145	30 838
<b>Working capital adjustments:</b>		
Changes in receivables and prepayments from customers	-3 387	3 387
Changes in inventory	-1 852	1 852
Changes in accounts payables	3 144	-3 144
Changes in work in progress	-7 686	7 686
Changes in other balance sheet items	8 357	-4 106
Net cash flow from operations	-5 741	6 300
Investments in tangible and intangible assets	0	-5 465
Other investments	6 303	0
Net cash flow from investments	6 303	-5 465
Down payments of debt	-1 397	0
Net cash flow from financing	-1 397	0
Cash flow from discontinued operations	-835	835
Cash and cash equivalents per 01.01.	835	0
Cash and cash equivalents from discontinued operations	0	835

Assets held for sale	Group	
	2017	2016
Development	0	9 824
Goodwill	0	0
Machinery, fixtures and fittings	0	907
Inventories	0	1 852
Accounts receivables	0	4 043
Work in progress	0	7 686
Other receivables	0	78
Cash	0	835
<b>Assets held for sale</b>	<b>0</b>	<b>25 225</b>

Liabilities held for sale	Group	
	2017	2016
Deferred tax	0	1 951
Debt to financial institutions	0	0
Accounts payable	0	5 814
Public duties payable	0	219
Other short term debt	0	10 454
<b>Liabilities held for sale</b>	<b>0</b>	<b>18 438</b>

## 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 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. Performance measures not defined according to IFRS, unless otherwise stated, are presented in the tables below.

### Gross profit

Defined as revenues reduced with cost of goods sold.

### Gross margin

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

#### Reconciliation

Figures in TNOK	Group	
	2017	2016
<b>Gross profit and gross margin</b>		
Revenues	973 475	877 165
Cost of goods sold	-287 833	-296 481
<b>Gross profit</b>	<b>685 642</b>	<b>580 684</b>
<b>Gross margin</b>	<b>70.4 %</b>	<b>66.2 %</b>

### 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.

Figures in TNOK	Group	
	2017	2016
<b>EBITDA margin</b>		
Revenues	973 475	877 165
EBITDA	82 591	-4 346
<b>EBITDA margin</b>	<b>8.5 %</b>	<b>-0.5 %</b>

### EBIT margin

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

Figures in TNOK	Group	
	2017	2016
<b>EBIT margin</b>		
Revenues	973 475	877 165
EBIT	4 227	-59 107
<b>EBIT margin</b>	<b>0.4 %</b>	<b>-6.7 %</b>

### 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.

Figures in TNOK	Group	
	2017	2016
<b>Non-recurring items</b>		
Settlement of dispute	27 823	0
Restructuring expenses	0	15 423
<b>Non-recurring items in EBITDA</b>	<b>27 823</b>	<b>15 423</b>
Impairment	21 876	0
<b>Non-recurring items in EBIT</b>	<b>49 699</b>	<b>15 423</b>

### Adjusted EBITDA / EBIT

Adjusted EBITDA / EBIT is defined as EBITDA / EBIT excluding non-recurring items.

Figures in TNOK	Group	
	2017	2016
<b>Adjusted EBITDA</b>		
EBITDA	82 591	-4 346
Settlement of dispute	27 823	0
Restructuring expenses	0	15 423
<b>Adjusted EBITDA</b>	<b>110 414</b>	<b>11 077</b>

Figures in TNOK	Group	
	2017	2016
<b>Adjusted EBIT</b>		
EBIT	4 227	-59 107
Settlement of dispute	27 823	0
Restructuring expenses	0	15 423
Impairment	21 876	0
<b>Adjusted EBIT</b>	<b>53 926</b>	<b>-43 684</b>

### Adjusted EBITDA-margin

Defined as Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) excluding non-recurring items in percentage of revenues.

Figures in TNOK	Group	
	2017	2016
<b>Adjusted EBITDA margin</b>		
Revenues	973 475	877 165
Adjusted EBITDA	110 414	11 077
<b>Adjusted EBITDA margin</b>	<b>11.3 %</b>	<b>1.3 %</b>

### Adjusted EBIT margin

Defined as Earnings Before Interest and Taxes (EBIT) excluding non-recurring items in percentage of revenues.

Figures in TNOK	Group	
	2017	2016
<b>Adjusted EBIT margin</b>		
Revenues	973 475	877 165
Adjusted EBIT	53 926	-43 684
<b>Adjusted EBIT margin</b>	<b>5.5 %</b>	<b>-5.0 %</b>

### Net Interest Bearing Debt (NIBD)

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

Figures in TNOK	Group	
	2017	2016
<b>Net Interest Bearing Debt</b>		
Serial loan to Danske Bank	125 000	150 000
Current debt to financial institutions	203 691	79 457
<b>Gross Interests bearing Debt</b>	<b>328 691</b>	<b>229 457</b>
Cash at hand and equivalents	113 633	101 474
<b>Net Interests Bearing Debt</b>	<b>215 058</b>	<b>127 983</b>

### Net working capital

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

Figures in TNOK	Group	
	2017	2016
<b>Net Working Capital</b>		
Inventories	65 453	66 327
Accounts receivables	130 487	142 425
Work in progress	227 154	75 807
Other receivables	37 868	31 646
<b>Other Current Assets</b>	<b>460 962</b>	<b>316 205</b>
Accounts payable	89 272	100 209
Tax payable	3 342	702
Public duties payable	14 541	16 647
Advance payments customers	11 693	11 677
Other short term debt	117 660	54 696
<b>Current liabilities (excl debt to financial institutions)</b>	<b>236 508</b>	<b>183 931</b>
<b>Net Working Capital</b>	<b>224 454</b>	<b>132 274</b>

### 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.

Figures in TNOK	Group	
	2017	2016
<b>Working Capital ratio</b>		
12 months Revenues	973 475	877 165
Net Working Capital	224 454	132 274
<b>Working Capital ratio</b>	<b>23.1 %</b>	<b>15.1 %</b>

### Liquidity ratio

Liquidity ratio is defined as Current Assets (incl Cash) divided with Current Liabilities.

Figures in TNOK	Group	
Liquidity ratio	2017	2016
Current Assets (incl Cash)	574 595	417 679
Current Liabilities	440 199	263 388
<b>Liquidity ratio</b>	<b>1.31</b>	<b>1.59</b>

### Equity ratio

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

Figures in TNOK	Group	
Equity ratio	2017	2016
Total equity	414 231	426 900
Total assets	1 070 372	990 419
<b>Equity ratio</b>	<b>38.7 %</b>	<b>43.1 %</b>

### 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.

# Statement from the Directors and the CEO

We confirm, to the best of our knowledge, the financial statements for the Company and the Group for the period from 1 January to 31 December 2017 have been prepared in compliance with International financial reporting standards (IFRS) as adopted by EU and that the disclosures in the accounts give a true and fair view of the Company's and the Group's assets, liabilities, financial position and results of operations as a whole, and that the Director's Report gives a fair view of the development, profit/loss and position of the Company and the Group, along with a description of the main risk and uncertainty factors facing the Company and the Group.

Trondheim 4 April 2018

**Tore Valderhaug**  
Chairman of the Board

**Ragnhild Wahl**  
Board member

**Snorre Kjesbu**  
Board member

**Trond Valvik**  
Vice Chairman of the Board

**Sissel Nina Lillevik Larsen**  
Employee-elected Board member

**Rune Jøraandstaad**  
Employee-elected Board member

**Håkon Rypern Volldal**  
President & CEO



The gap between how people would like to commute and how they actually move around must be closed

To the General Meeting of Q-Free ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Q-Free ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of key audit matters	How the key audit matters were addressed in the audit
<b>Recognition of revenue on long-term projects</b>	
<p>Accounting for revenues long-term projects in the group's financial reporting is dependent on percentage of completion for current projects. Contracts that form a base for the group's project revenue are frequently complex and involve a substantial element of judgements in relations to several factors like percentage of completion and transfer of risk. We refer to Note 2 for further description of the group's accounting policies.</p> <p>In addition to various measurable parameters, the estimated percentage of completion will be the basis for revenue recognition related to the group's contracts. The group's projects represent a significant part of the group's revenues, and assessing the measurement of project revenues therefore, is a significant risk in our audit.</p>	<p>Our audit procedures related to long-term projects include:</p> <ul style="list-style-type: none"> <li>• Revenue of significant project contracts and assessment of any special contract clauses effect on the transfer of risk to the buyer, etc.</li> <li>• Test of controls related to signed contracts and signed alteration contracts</li> <li>• Review of calculation of projects' capitalized costs and an assessment of estimates of remaining costs to final completion.</li> <li>• Review of the deposed and expected warranty costs related to ongoing and recently completed projects.</li> </ul>
<b>Valuation of goodwill</b>	
<p>According to IFRS, the group is required to perform an annual impairment test of capitalized goodwill. The purpose of the test is to verify if the goodwill's booked value, exceeds the net present value of future cash flows, i.e. fair value of goodwill.</p> <p>In our audit, the annual impairment test is a focus area, as booked value of goodwill per 31 December 2017 is MNOK 305. We</p>	<p>As a part of our audit, we performed a thorough and detailed review of the model used by management to calculate the fair value of goodwill, including assessment of assumptions such as WACC. We also challenged the assumptions for future cash flows provided by management.</p> <p>We evaluated their views on the general market developments as well as the interpretations and use of these views in</p>

refer to Note 11 to the financial statements for further description of the group's goodwill valuation.	light of the requirements to use reasonable and supportable data as set forth in IAS 36.
The impairment test performed as at 30 September 2017 by the management resulting in MNOK 8 impairment.	

#### Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, statements on Corporate Governance and Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to

issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

##### Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

##### Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Trondheim, 4 April 2018  
BDO AS



John Christian Løvaas  
State Authorised Public Accountant



# Corporate governance review 2017

Q-Free aims to protect and enhance shareholders' investments through good corporate governance, and has established principles and guidelines that define the roles and relationships between the shareholders, the Board of Directors and the executive management of the company.

## 1. Implementation of and reporting on Corporate governance

Q-Free is listed on the Oslo Stock Exchange and bases its corporate governance structure on Norwegian legislation.

This review of the company's corporate governance principles and practice is prepared in compliance with Section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance as updated per 30 October 2014.

The Norwegian Code of Practice for Corporate Governance is based on company, accounting, stock exchange and securities legislation, as well as the Stock Exchange Rules, as in force at 1 October 2014, and includes provisions and guidance that in part elaborate on existing legislation and in part cover areas not addressed by legislation. The Code of Practice is available on [www.nues.no](http://www.nues.no).

The principles and implementation of corporate governance is subject to annual reviews and discussions by the company's Board of Directors.

Q-Free has no deviations from the recommendations in the Code of Practice in 2017.

### Corporate vision, values, Code of Conduct and Corporate Social Responsibility

Q-Free's vision is: Changing the movements of life.

Q-Free operates worldwide and our operations are characterised by high ethical standards and trustworthy behaviour, a customer oriented offering and excellence in execution.

Q-Free's values support the Company's strategy and guide decisions and attitudes internally and externally. The core values are:

- Excellence
- Passion
- Innovation
- Collaboration

Q-Free has established a Code of Conduct, guidelines for Corporate Social Responsibility (CSR) and an Anti-Corruption policy, all based on the company's vision and values. The Code of Conduct provides guidelines on how to behave both internally and externally, and contributes to ethical behaviour in the day-to-day business. The company has implemented a revised and updated Code of Conduct in 2017.

The Code of Conduct (COC) and CSR principles apply to all members of the Board, executive management, employees and representatives of Q-Free. The COC is electronically signed by all employees through mandatory e-learning courses when new updates apply. Violation of the COC will be subject to disciplinary action, including possible termination, as well as potential criminal prosecution.

In situations where an employee is aware of any infringement of the COC, he/she shall inform his/ her manager. If there are reasons not to approach the line management, a report of the infringement should be made directly to the HR responsible of Q-Free ASA, Legal department or to the Chairman of the Board of Directors. Incidents may also be reported anonymously if desired.

The company endeavours to make its COC and CSR guidelines known to its partners, and are also publicly available on [www.q-free.com](http://www.q-free.com).

Deviation from the Code of Practice: None.

## 2. Business

Q-Free operates worldwide with headquarters in Trondheim, Norway. Q-Free is a leading supplier of ITS solutions.

The company has defined its business activity in §3 of the Articles of Association:

"The Objective of the company is to engage in research, development, production, operation and sale of information technology products and systems plus everything therewith connected."

The Group's objectives and principal strategies are described in the strategy section of the annual report.

Deviation from the Code of Practice: None.

## 3. Equity and dividends

### Equity

Q-Free's policy is to maintain a high equity ratio to provide a platform for the company's expected expansion and growth. If needed to finance growth, specific projects or transactions, the Board of Directors can propose for the General Meeting that the Board is given mandates to issue new equity. Per 31 December 2017 the Group's equity amounted to NOK 414 million, representing an equity ratio of 38.7 percent. The Board considers the financial situation for Q-Free satisfactory given the company's activities and investment plans.

### Dividend policy

Q-Free has an objective to give the shareholders a stable and competitive long-term return on investment through distribution of dividends and a positive share price development. The company is in a growth phase and is seeking a good combination of investing the free cash flow in new business opportunities and distributing dividends to the shareholders.

Q-Free has not distributed dividends in the last three years.

### Mandates to the Board

Mandates granted to the Board to increase the company's share capital are restricted to defined purposes and in separate mandates, and thus in accordance with the recommendation. Pursuant to the Code, mandates granted to the Board are limited in time to no later than the date of the next annual General Meeting. The General Meeting is given the opportunity to vote on every purpose covered by the authorisation.

At the Annual General Meeting 24 May 2017, the Board was granted an authorisation to increase the share capital by the subscription on new shares for any strategic purposes within the ITS sector, by way of larger projects and tenders etc. The authorisation mandates the Board to increase the share capital with as much as NOK 3,390,490.72 by the issue of as much as 8,922,344 shares, equivalent to approximately 10 % of the issued shares, each with a par value of NOK 0.38 per share, and with a right to disregard the existing shareholder's preferential rights according to the Public Limited Companies Act sections 10-4 and 10-5. The mandate was limited for one year, and valid until the next Annual General Meeting but nevertheless no longer than 30 June 2018.

The Board was in the Annual General Meeting in 2015 granted a right to enter into agreements for synthetic options with leading employees and key personnel to complete an incentive program with a maximal duration of four years. The agreements under this program were in force from 2015, and the program was then closed for further grants.

The Board was in the General Meeting 2016 granted a right to establish a five-year stock option program for the Chief Executive Officer with a maximal number of share options of 630,828.

The Board was in the Annual General Meeting in 2017 granted a right to establish a five-year stock option program for leading executives with a maximal number of share options of 2,500,000.

See Note 17 in the 2017 financial statements for further information about the incentive programs.

Deviation from the Code of Practice: None.

## 4. Equal treatment of shareholders and transactions with close associates

Q-Free has one class of shares and each share represents one vote. Each share has a nominal value of NOK 0.38. All shareholders will be treated equally and have the same influence.

An increase in the Company's share capital may be proposed if the Board of Directors decides that this would best take care of shareholders' long-term interests. Normally, the Board of Directors will propose that share issues are directed to existing shareholders in accordance with their preferential rights. However, if the Board has been given an authorisation from the general meeting to carry out a private placement for a special purpose, the Board may decide to waive the pre-emption rights of existing shareholders. Any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital are justified and publicly disclosed in a stock exchange announcement pursuant to the Code.

In 2017 the Board was given an authorization by the general meeting to increase the share capital with as much as 10 % of the issued shares, with a right to disregard the existing shareholder's preferential rights according to the Public Limited Companies Act sections 10–4 and 10–5. The authorization has not been used.

The company has developed a policy with regard to transactions with close associates, based on the requirement that any transactions must be at arm's length principle and at market terms. If deemed required, the company will arrange for a valuation obtained from an independent third party.

For information about transactions with related parties, see Note 19 in the 2017 financial statements.

According to the Code of Conduct, members of the Board and the executive management are obliged to notify the Board in case of any material direct or indirect interest in a transaction entered into by the company.

Deviation from the Code of Practice: None

## 5. Freely negotiable shares

Q-Free has no form of restriction concerning freely negotiable shares. The Board of Directors does not intend to put forward any proposals to the General Meeting concerning restrictions on freely negotiable shares. The Articles of Association have no restrictions on negotiability.

Deviation from the Code of Practice: None

## 6. General meetings

The General Meeting is the company's supreme governing body, and all shareholders are given the opportunity to exercise their rights. The Annual General Meeting has adopted the Articles of Association where §6 regulates the notice period, right to attend, and agenda proposals.

Shareholders representing at least 5 percent of the shares can call for Extraordinary General Meetings.

### Notification

The Annual General Meeting must according to the law be held before the 30th of June. The general meeting is to take place either in Trondheim or in Oslo. The 2018 Annual General Meeting is scheduled for 29 May in Oslo.

A written notice for the general meeting is to be sent to all shareholders, with known addresses, within 21 days prior to the meeting.

The Board may decide that the notice of the General Meeting and related documents will be made available on the company's website only. A shareholder may nevertheless, by application to the company, request for the documents to be distributed by mail.

### Registration and proxies

Shareholders planning to participate at the General Meeting shall notify the company within a deadline set by the Board in the notice. The deadline cannot expire earlier than five days before the date of the general meeting.

The right to attend and vote in general meetings may only be exercised for shares registered in the shareholders' register (VPS) no later than the fifth workday before the date of the general meeting (the registration date) according to the §6 of the Articles of Association.

To register for the general meeting a shareholder must submit a written confirmation by mail, fax, e-mail (provided the registration form is a scanned document with signature), or by submission directly to the company's registrar DNB.

Shareholders are entitled to request specific matters to the agenda of a general meeting, by giving a written notice to the Board within seven days before the statutory deadline for the notice of the general meeting. If the notice of the general meeting is already distributed, a new notice shall be issued. Instructions are given in the notice for the Annual General Meeting.

Shareholders who cannot attend the general meeting may vote by proxy. The company will appoint a person that will vote on behalf of shareholders as their proxy unless the shareholder has appointed another person. The proxy form allows for separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election.

### Agenda and execution

The agenda for the general meeting is set by the Board, but the main items are specified in §6 of the Articles of Association. The agenda includes detailed information on the resolutions to be considered and the recommendation from the Nomination Committee. The attending shareholders vote for a Chairperson to lead the general meeting.

The Board of Directors and the person chairing the meeting ensure that appropriate arrangements are made for the general meeting to vote separately on each candidate nominated for election to the company's corporate bodies.

The Chairman of the Board is always present to respond to any questions and queries. The Chairman of the Board and the Chairman of the Nomination Committee assess on a case-by-case basis, based on the agenda of the general meeting, whether all members should participate. The CEO, Auditor and the Chair of the Audit Committee and Compensation Committee will always be present at the Annual General Meetings.

The company announces the minutes for the Annual General Meeting according to stock exchange regulations.

Deviation from the Code of Practice: None

## 7. Nomination committee

The company has a Nomination Committee. The general meeting elects the chair and members of the Nomination Committee and determines the committee's remuneration.

The Nomination Committee has contact with shareholders, the Board of Directors and CEO as part of its work on proposing candidates for election to the Board. The Nomination Committee is responsible for proposing board member candidates and remuneration to the Board, in addition to proposing members for the committee itself.

The Nomination Committee is established in accordance with the Company's Articles of Association §7, and the Committee's work is determined by instructions approved by the General Meeting. The instruction emphasises that the composition of the Nomination Committee should be adjusted from time to time, in a way that secures continuity.

The Annual General meeting in 2016 approved an updated version of the instructions for the Nomination Committee. The instructions are published on the Company's website.

The Nomination Committee composition as at 31.12.2017:

Name	Company	For election
Heidi Finskas	KLP Kapitalforvaltning AS	2019
Øystein Elgan	AS Atlantis Vest	2019
Andreas Berdal Lorentzen	Holta Invest	2018

### Composition of the Board

Pursuant to the company's Articles of Association § 5, the Board of Directors shall have 5–8 members.

The members of the Board are elected for a period of two years and may be re-elected. The General Meeting elects the Chairman of the Board. The Vice Chairman is elected by the Board for a period of one year. An overview of the members of the Board and their competences is available on the company's website [www.q-free.com](http://www.q-free.com) and in the annual report.

### Independence of the Board

Q-Free is not aware of the existence of any agreements or business partnerships between the company and any third parties in which its directors have direct or indirect interests. The members of the Board are independent from the company's management, and the executive management is not represented in the Board.

### Composition

The Nomination Committee shall consist of three members who are shareholders or representatives acting on behalf of the shareholders. Members of the Nomination Committee are elected for a period of two years, and may be re-elected. The current members of the Nomination Committee's members and their tenure period is available at the company's website [www.q-free.com](http://www.q-free.com).

The members of the Nomination Committee are independent from the company's executive management. Currently, no member of the Nomination Committee is a member of the Board. Q-Free is not aware of the existence of any agreements or business partnerships between the Company and any third parties in which members of its Nomination Committee have direct or indirect interests.

The Company does not have a corporate assembly.

### Share ownership

An overview of the member's shareholding is available on the company's website, Investor Relations page.

The members of the Board of Directors have no share options or synthetic options in the company.

Deviation from the Code of Practice: None

## 8. Corporate assembly and Board of Directors: composition and independence

The Company does not have a corporate assembly.

### Composition of the Board

Pursuant to the company's Articles of Association § 5, the Board of Directors shall have 5–8 members.

Board of Directors Composition as at 31.12.2017:

Name	Position	Service since	Elected until AGM	Shareholding Q-Free ASA (direct or indirect)
Tore Valderhaug	Chairman	2016	2019	25 000
Trond Valvik*	Vice Chairman	2017	2019	15 968 718
Ragnhild Wahl	Board member	2015	2019	0
Snorre Kjesbu	Board member	2016	2018	39 505
Sissel Lillevik Larsen	Employee-elected member of the Board	2016	2018	0
Rune Jøraandstad	Employee-elected member of the Board	2016	2018	0

\* Represented through position in AS Atlantis Vest.

As at 31 December 2017 the Board of Directors comprises six members, whereof two elected by and amongst the Group's employees. The Board consist of one shareholder-elected women and three shareholder-elected men.

The Board had three changes in the shareholder-elected composition during 2017. Trond Valvik was elected as new member of the Board, Tore Valderhaug, who previously was Vice Chairman, was elected as new Chairman. Shareholder-elected member of the Board, Charlotte Brogren Karlberg, resigned from the position as per 26 October 2017. The Nomination Committee concluded to postpone the by-election to the Annual General Meeting in 2018. The gender diversity requirements pursuant to Norwegian legislation will again be fulfilled after the by-election at the Annual General Meeting 2018.

An overview of the members of the Board and their competences including shareholding is available on the company's website [www.q-free.com](http://www.q-free.com) and in the annual report.

#### Independence of the Board

Q-Free is not aware of the existence of any agreements or business partnerships between the company and any third parties in which its directors have direct or indirect interests. The members of the Board are independent from the company's management, and the executive management is not represented in the Board.

The members of the Board of Directors have no share options or synthetic options in the company.

Deviation from the Code of Practice: None

## 9. The work of the Board of directors

### The Board's tasks

The Board of Directors is elected by the shareholders to oversee the executive management and to assure that the long-term interests of the shareholders and other stakeholders are being served.

The Board has the ultimate responsibility for the management of the company and for supervising its day-to-day business, and activities in general. The main responsibility is to determine the company's overall vision, goal and strategy. The Board also ensures that the activities are soundly organised and keeps itself informed about the financial situation of the company, and ensures that the management handles risks faced by the company in an appropriate way.

The Board produces an annual plan for its work, with particular emphasis on objectives, strategy and implementation. This includes reviewing the overall strategy at least once a year, preparing the budget for the next year, evaluating management and competence needed, making continuous financial reviews and risk assessments based on budgets and prognoses, as well as evaluating the work of the Board.

It is important to maintain and continuously enhance sound internal management systems that meet changing financial conditions. Q-Free has a decentralised organisation, where each region and organisational unit reports on a monthly basis. The Group's activities are varied, depending on each unit's position in the value chain, and consequently require differentiated ways of management and follow-up.

#### Instructions to the Board

The Board has issued instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties. The guidelines are described in the company's "Instructions for the Board of Q-Free ASA". The purpose of the instruction is to describe the role and functions of the Board and the interaction with the executive management of the company.

In the event that the Chairman is absent, the meeting will be chaired by the Vice Chair.

The Board's proceedings and minutes are in principle confidential unless the Board decides otherwise. This is pursuant to the instructions to the Board.

#### Compensation committee

Three members of the Board have been elected by the Board to act as Compensation Committee, for a period of two years.

The Board approved an instruction for the Compensation Committee in 2006, which was further revised in 2008.

The Compensation Committee makes proposals to the Board regarding employment terms and conditions and total remuneration of the CEO and incentive based remuneration for other senior management employees. These proposals are also relevant for other employees entitled to variable salaries. The Board makes comparisons with other companies when deciding the terms and conditions and remuneration of the CEO.

#### Compensation Committee composition as at 31.12.2017

Snorre Kjesbu (Chair)  
Ragnhild Wahl  
Sissel Lillevik Larsen

#### Audit committee

The Public Companies Act stipulates that large companies must have an Audit Committee. Two out of six members of the Board have been elected by the Board to the Audit Committee.

The Board approved an instruction for the Audit Committee in 2006, revised in 2008, 2013 and 2015. The Audit Committee's main responsibilities are to supervise the company's internal control systems and to ensure that the auditor is independent and that the annual accounts and quarterly reporting gives a fair view of the company's financial results and financial condition in accordance with generally accepted accounting principles.

The Audit Committee reviews the procedures for risk management and financial controls in the major areas of the Company's business activities. The Audit Committee receives reports on the work of the external auditor and the results of the audit. In addition, the committee reviews the company's work on Corporate Governance.

#### Audit Committee composition as at 31.12.2017:

Tore Valderhaug (Chair)  
Trond Valvik

#### The Board's evaluation of its own work

The Board of Directors evaluates its performance annually and present the evaluation to the Nomination Committee.

Deviation from the Code of Practice: None

## 10. Risk management and internal control

The Board has the responsibility to ensure that Q-Free has sound internal control and systems for risk management appropriate to the company's business, and has established a Risk Management document reviewed by the Audit Committee. The company's risk management policy is an integral part of the Group's management

by objectives and performance management. The model for internal control for financial reporting is reviewed on a regular basis, to ensure that the reporting system addresses the most significant risk factors for the Group, and is organised to reflect the Group's business and procedures at any time.

The management prepares monthly performance reports for review by the Board. In addition, quarterly financial reports are prepared and reported to the financial market in accordance with the requirements from the stock exchange. These quarterly financial reports are presented to the Audit Committee, which reviews the reports prior to the Board meeting. The auditor takes part in the Audit Committee's meetings at least twice a year, and meets with the entire Board in connection with the presentation and approval of the annual financial statements.

The Board presents an in-depth review of the company's financial status in the Directors' Report, including a description of the main elements related to health, safety and environment (HSE) and related risks. The main risk factors are closely monitored by the Executive Management. The Audit Committee receives a status of QA and HSE on a regular basis. This includes a review of the most significant risks for the Company and a description of how these risks are addressed.

Q-Free has developed an effective Quality Management (QM) system and is certified in accordance with the NS-EN ISO-9001 Quality System. The company's ISO 9001 Certificate covers all areas of the normal operations.

Q-Free fulfils all environmental requirements imposed by the Norwegian authorities, as well as the EU. Q-Free ASA is certified in accordance with NS-EN ISO 14001:2004. All products introduced after 2005 are produced without the use of lead and other hazardous substances, as defined in the EU's directive on Restriction of Hazardous Substances (RoHS), and shall also be recyclable in line with the EU's directive on Waste Electrical and Electronic Equipment (WEEE). Furthermore, the Group is working actively to encourage our sub-contractors to choose the most environmental-friendly alternatives wherever possible. Q-Free also has a focus on the reduction of natural resources, with the use of electronic document sharing rather than printing on paper, utilising videoconferencing instead of travelling, and coordinating travel activities, are some examples of the company's determination to protect the environment. The use of Q-Frees products and services contribute to reduced traffic congestion and consequently give less pollution. With the exception of our travel related activities, the Group's activities have no negative impact on the external environment.

Q-Free's Environmental Policy is available on [www.q-free.com](http://www.q-free.com).

Deviation from the Code of Practice:  
None

## 11. Remuneration of the Board of Directors

The Annual General Meeting approves the Board's remuneration each year. The remuneration of the board reflects the board's responsibility, expertise, time commitment and the complexity of the company's activities.

Remuneration for the period from the Annual General Meeting of 2017 to the Annual General Meeting of 2018:

The Chairman of the Board:  
NOK 416,000

The Vice Chairman of the Board:  
NOK 280,000

Members elected by the shareholders:  
NOK 234,000

Members elected from the employees:  
NOK 80,000

Chairman of sub-committees of the Board:  
NOK 11,000 per day of meeting

Members of sub-committees of the Board  
Members elected by the shareholders:  
NOK 8,500 per day of meeting

Members elected from the employees:  
NOK 4,250 per day of meeting

Beyond the scope of Board responsibility, board members could from time to time take on certain consultancy projects for the company. Such projects are defined by the Board of Directors and occur on a limited basis. Board members are compensated for such work according to separate agreements approved by the Board of Directors.

The Directors' fees are as at 31 December 2017 not linked to performance. The members of the Board have no share options in the company.

For further information about remuneration of the Board see Note 15 in the 2017 financial statements.

### Remuneration of the Nomination committee

Remuneration from the Annual General Meeting of 2017 to the Annual General Meeting of 2018:

The Chairman of the Nomination Committee:  
NOK 45,000

All members of the Nomination Committee:  
NOK 30,000

Deviation from the Code of Practice: None

## 12. Remuneration of the executive management

Q-Free's remuneration policy has always been to offer salaries adjusted to market conditions to attract the competence needed. The Board has determined and approved special guidelines for the stipulation of salary and other remuneration to executive management, and the structure of the incentive system is presented to the Annual General Meeting for information purposes. The statement of remuneration of executive personnel is given in a separate appendix to the agenda of the Annual General Meeting. The amendment from 2012 Code to the 2014 Code regarding advisory and binding guidelines in the statement, are implemented. The guidelines for remuneration help to ensure convergence of the financial interests of the executive personnel and the shareholders.

The executive management receives a basic salary and are members of the company's pension scheme. An incentive scheme for executives and leading employees with synthetic options was approved in 2015. The agreements under this program were in force from 2015, and the program was then closed for further grants. A share option program for the CEO was approved in 2016. A share option program for leading executives was approved in 2017. The remuneration to the executive management also includes a performance based bonus scheme. Please see Note 15 and Note 17 in the 2017 financial statements. All performance-related remuneration is subject to an absolute limit.

The Board adopted a performance based bonus scheme for all employees in 2007, in order to motivate extraordinary performance/achievements. The performance based bonus scheme is linked to relevant financial KPI's. The CEO may assign bonuses to individuals or teams for extraordinary performance/achievements, limited up to 40 percent of the employee's fixed salary. The Board may assign bonus to the CEO for performance/achievements limited up to 75 percent of his/her fixed salary. The scheme for the executive management generally follows the overall bonus scheme for the Group, in addition, personal goals apply. The synthetic scheme for executive management requires that parts of the bonus payment is used for purchase of shares in the company.

For more information about incentive programs, please see chapter 3 in this document and Note 17 in the 2017 financial statements.

### Evaluation

The Board set the terms of the CEO's employment, and the Board reviews the salary and other remuneration on an annual basis. The review is based on performance and comparable market conditions of similar positions.

For further information about remuneration of the CEO and other members of the executive management, see Note 15 in the 2017 financial statements.

Deviation from the Code of Practice: None

## 13. Information and communication

Q-Free wants to maintain an open dialogue with the capital market, and holds open presentations for investors, analysts and others on a regular basis. The company aims to maximise shareholders' values, in such a way that the return on investment measured by dividends and increased share price at least match that of alternative investments involving similar risk.

Regular information will be published through the Annual Report and the quarterly reports and open presentations, at the same time as the information is published on the company's website.

The quarterly results are also made available through webcast. Q-Free will also provide information on its major value drivers and risk factors through the interim reporting, which will enable investors to evaluate the company's risk and performance. Q-Free publishes an overview each year of the dates for major events. The annual report will be published within four months after year-end.

The CEO and CFO are responsible for the investor relations and all communication with the capital market. If required, the Chairman of the Board or appointed members of the Board will assist.

All information is communicated within the framework established by securities and accounting legislation and the rules and regulations of the Oslo Børs.

Q-Free follows The Oslo Børs Code of Practice for Investor Relations. All information relevant to the company's shareholders is published on Oslo Stock Exchange, and made available on the company's website [www.q-free.com](http://www.q-free.com).

Q-Free has published responsibility for the company's contact with shareholders and others on the Company's website.

Deviation from the Code of Practice: None

## 14. Takeovers

Q-Free Board of Directors will handle takeover bids in accordance with Norwegian law and the Norwegian Code of Practice for Corporate Governance. There are no defence mechanisms against acquisition offers in the articles of association or in any underlying steering document. Neither have the company implemented any measures to limit the opportunity to acquire shares in the company.

Deviation from the Code of Practice: None

## 15. Auditor

The company's external auditor is appointed by the general meeting and is responsible for the financial audit of the parent company and Group accounts. The auditor is independent of Q-Free ASA.

The external auditor of Q-Free ASA annually presents a plan to the Audit Committee covering the main focus for the audit. The external auditor participates in at least two meetings of the Audit Committee every year, and one Board meeting where the annual accounts are approved. Other meetings are attended by the auditor as requested. The annual audit results include a presentation of any material changes in the company's accounting principles, accounting estimates and report any material matters in case of disagreements between the external auditor and the management.

At least once a year, a meeting is held between the auditor and the Board without the presence of the CEO or other members of executive management. The Audit Committee has a specific obligation to survey the auditor's independence and qualifications, and to propose candidates for external audit of the company to the General Meeting.

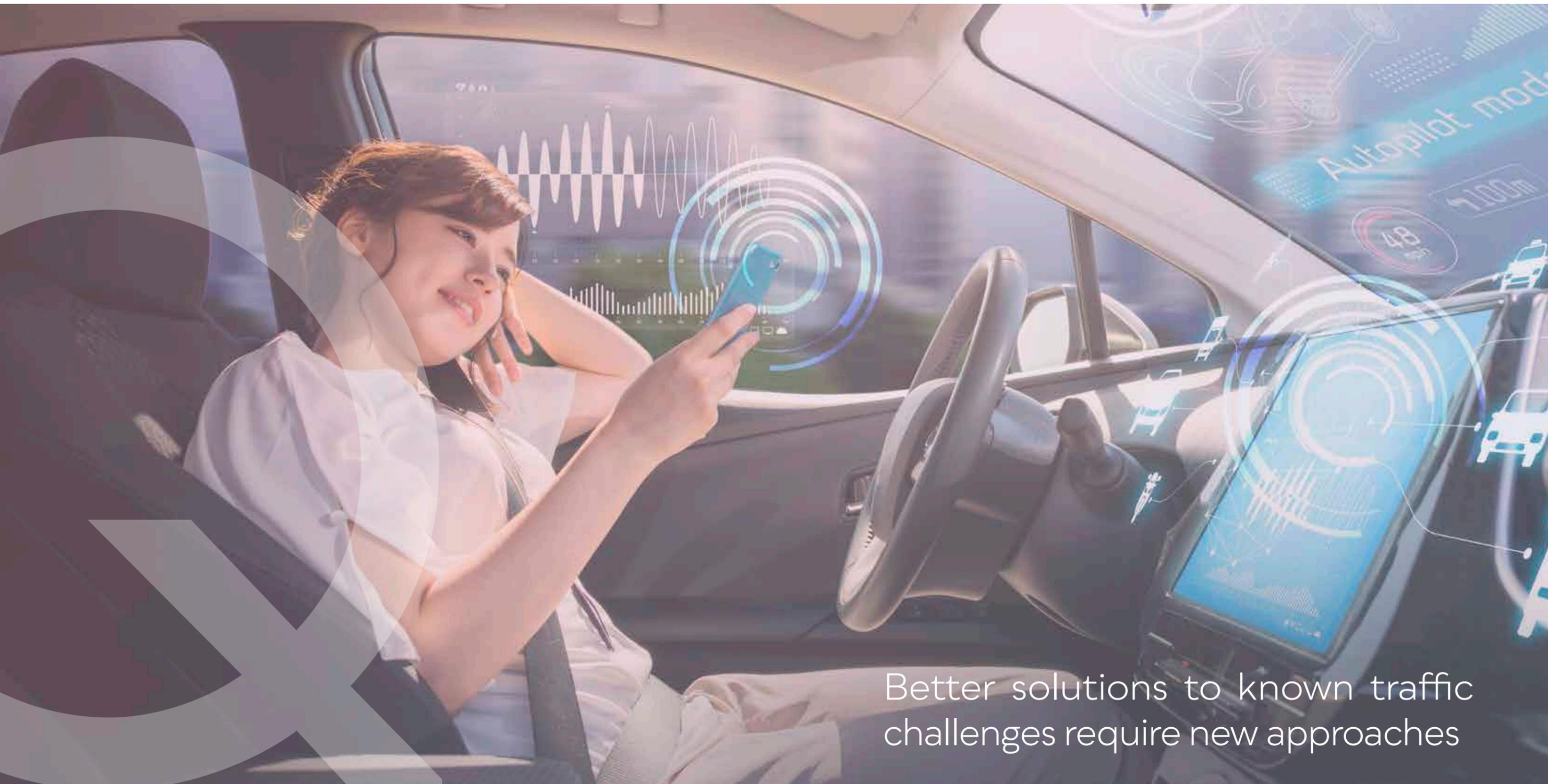
In 2013 Q-Free ASA arranged a competitive tendering among several auditor companies, and BDO AS was elected as the new auditor for the company. Independent external auditors have also been appointed for subsidiaries of Q-Free ASA which have requirements for a statutory audit.

The external auditor has given the Board of Directors a written notification confirming that the requirements for independence are satisfied.

The auditor attends the Annual General Meeting and informs about the auditor's report and remuneration for the year. This year's auditor's report follows the notes in the annual report. For further information about remuneration of the auditor, see Note 27 in the 2017 financial statements.

To the extent that the auditor is providing services beyond the audit, this is discussed separately on case-by-case basis prior to engagement, to ensure that there are no conflict of interest issues and that this is within the framework of the Auditors Act § 4-5. All engagements beyond audit related services are approved by the CEO or CFO prior to start up.

Deviation from the Code of Practice: None



Better solutions to known traffic challenges require new approaches

# Corporate social responsibility review 2017

## Human rights, fair working environment and health and safety

Q-Free promotes and respects internationally proclaimed human rights, including those specified by the International Labour Organisation. We support the right to freedom of association, and opposes any form of child labour, forced labour, or discrimination. Q-Free actively encourages all representatives, partners and suppliers to follow the same principles.

### Fair and good working environment

Q-Free considers the knowledge and experience of our employees as our most valuable assets. We seek to attract and retain employees with these assets through a fair and good working environment.

Q-Free employs a variety of nationalities from a diversity of cultures, both within the parent company, and across the subsidiaries abroad. As a result, Q-Free has developed an international mind-set, whereby we depend upon dedicated employees that treat others with respect and understanding. It is essential that our employees act in accordance with local laws, regulations and etiquettes, while communicating openly and honestly in respect of local values and norms for social conduct. The aim of Q-Free is to offer an engaging workplace with an open and inclusive working environment. We have focus on avoiding the discrimination of individuals or groups based on their age, gender, disability, race, sexual orientation, ethnic origin, religion, political affiliation, or any other reason. No incidents or violations in relation to our fair and good working environment have been reported of any kind in recent years.

### Equal opportunities

Gender equality and non-discrimination of male or female employees are important for us. Most of our employees work within engineering, technology development, and technical sales, which are disciplines that have traditionally attracted a majority of male applicants. This is reflected in Q-Free ASA workforce demographics, which currently represents 16,4 % female and 83,6 % male employees.

Q-Free will continue its efforts towards improving gender equality in the workplace, ensuring the high quality and competence of our employees, while encouraging the employment of females in a traditionally male driven sector. In particular, we will strive to breakdown any barriers that may have restricted the female applicants in the past, with a view to promoting a more evenly represented workplace.

The Board of Directors holds 3 male and 1 female shareholder-elected board members respectively. Shareholder-elected member of the Board, Charlotte Brogren Karlberg, resigned from the position as per 26 October 2017. The gender diversity requirements pursuant to Norwegian legislation will again be fulfilled after the by-election at the Annual General Meeting 2018.

### Health and Safety

Q-Free gives the highest priority to the health and safety of its employees, with roadside works representing the highest risk. Our Management system including health and safety has contributed to no serious incidents or injuries have been reported in the recent years.

The Health and safety committee are meeting regularly, and reviewing health and safety performance. Management and safety representatives are members of this committee.

Health and safety risk assessments is documented and followed up for our activities roadside, and safety procedures are implemented to ensure risk mitigation. For installation and roadside projects, a responsible H&S representative is appointed. The H&S representative is a competence in the project organization and also initiates improvements to our safety procedures.

The project personnel have received safety training and equipment training, and use this competence to perform job safety analysis.

Sick leave in Q-Free ASA was 1.1% in 2017, a reduction from 2.3 % in 2016. The figure is well below the national average for comparable workplaces and can be considered a very satisfactory level. Q-Free has no similar reports for the subsidiaries at this stage.

## Business ethics and anti-corruption

High ethical standards and business conducts are prerequisites to gaining the trust of our stakeholders, as well as the local, national and international communities. This is a shared responsibility of the organisation and each of its employees and representatives.

The Q-Free Code of Conduct contains guidelines for ethical behaviour in both internal and external business relations, and is designed to stimulate ethical awareness as a basis for everyday actions. The Code of Conduct is applicable to Board members, managers, and all other Q-Free employees and representatives.

The Code of Conduct clearly states that Q-Free has a zero tolerance for all forms of corruption and bribery, demanding any suspicion of misconduct to be reported. Personal interests or personal gain shall not affect the work of a Q-Free representative, and any action or interest that compromises integrity or objectiveness shall be avoided. The Code of Conduct explicitly governs areas relating to conflicts of interest, gifts and money laundering.

Fair and open competition in all markets is always pursued by Q-Free, with a desire to win contracts on the basis of a competitive offering of products, services and solutions. Q-Free adheres to national and foreign antitrust laws, while the Code of Conduct states that no formal or informal agreements shall be entered into if competition is thereby unfairly restricted.

Q-Free identifies and monitors corporate risks including corruption, and conducts analysis to define and evaluate how to address and mitigate these risks.

As a publicly listed company on the Oslo Børs, Q-Free complies with the laws, regulations and continuing obligations for listed companies concerning the disclosure of information. The Code of Conduct emphasises the confidentiality requirements and prohibits misuse of information about Q-Free, or relating to insider trading, as regulated by the Securities Trading Act.

## External environment

The portfolio of products, services and solutions has continuously been Q-Free's greatest contribution to the environment, which enable the reduction of traffic congestion, decrease pollution, and minimise the amount and severity of traffic incidents.

Q-Free is committed to minimizing the potential environmental impact of our operations. In our environmental aspect analysis, we have assessed the environmental impact of our activities. Based on this assessment we have established an action plan to continuous reduce negative impact on the environment.

Q-Free fulfils all environmental requirements imposed by the Norwegian authorities, as well as the EU. Q-Free ASA is certified in accordance with ISO 14001:2004. All products introduced after 2005 are produced without the use of lead and other hazardous substances, as defined in the EU's directive on Restriction of Hazardous Substances (RoHS), and shall also be recyclable in line with the EU's directive on Waste Electrical and Electronic Equipment (WEEE). Furthermore, the Group is working actively to encourage our sub-contractors to choose the most environmental-friendly alternatives wherever possible.

Q-Free's Environmental Policy is publicly available on the website.



# Articles of association

**Article 1.** The name of the Company shall be Q-Free ASA. The Company shall be a public limited company.

**Article 2.** The Company's registered place of business shall be in the City of Trondheim.

**Article 3.** The objective of the Company is to engage in research, development, production, operation and sale of information technology products and systems plus everything therewith connected.

**Article 4.** The Company's share capital shall be NOK 33,904,909.48, divided between 89,223,446 shares each of NOK 0.38 face value. The Company's shares shall be registered in the Norwegian Central Securities Depository (VPS).

**Article 5.** The Board of the Company shall have between three and eight members, as the general meeting shall stipulate. The Board shall represent the Company outwardly, and sign for it. The signature of the Company is also vested in the Chairman of the Board and one other Board member acting jointly. The Board may grant procuration (registered power of attorney).

**Article 6.** The annual general meeting shall be held before 30 June, either in the City of Trondheim or the City of Oslo. Invitation to the general meeting shall require at least 21 days' written application to all shareholders with known addresses. The Board may determine that documents pertaining to matters for discussion at the general meeting shall not be sent to the shareholders when these documents are made available on the Company's Web pages. The same shall apply to documents that by statute must be incorporated into or appended to the invitation to the general meeting. A shareholder may nevertheless, by application to the Company, demand to be sent documents pertaining to matters for discussion at the general meeting. The right to participate and vote at the general meeting may only be exercised for shares that are entered in the Register of Shareholders (VPS) on the fifth working day prior to the general meeting (the date of registration). Shareholders who, either in their own persons or by proxies, wish to participate in the general meeting, shall communicate this to the Company within the deadline that the Board has stipulated in the invitation. Such deadlines cannot expire earlier than five days prior to the meeting.

The Ordinary General Meeting shall consider:

1. Adoption of profit and loss account and balance sheet.
2. Application of profit or coverage of loss pursuant to the adopted balance sheet and distribution of dividend.
3. Election of the Board and the Chairman of the Board.
4. Stipulation of the Board's remuneration.
5. Election of members of the Nominations Committee.
6. Stipulation of the compensation to the Nominations Committee.
7. Stipulation of the compensation to the auditor.
8. Other matters that the Board places on the agenda, or that a shareholder wants considered, when such an item is notified in writing to the Board within seven days before the deadline for invitation to the general meeting, together with a proposal for decision or a justification for putting the proposal on the agenda. If the invitation has already taken place, a new invitation shall be made if the deadline for invitation to the general meeting has not passed.
9. Other matters that pursuant to statute pertain to the general meeting.

**Article 7.** The Company shall have a Nominations Committee, whose mission shall be to make recommendations to the general meeting for shareholder-elected members to the Board, and also propose the Board's emoluments.

The Nominations Committee shall consist of three members who shall be shareholders or representatives of shareholders. The members shall be elected by the general meeting. The members of the Nominations Committee shall be elected for two years at a time. The general meeting may decide on instructions for the Nominations Committee.

**Article 8.** Reference is otherwise made to the current companies legislation.

Articles of Association as of 28 September 2016.

The shareholders of Q-Free ASA

# Addresses

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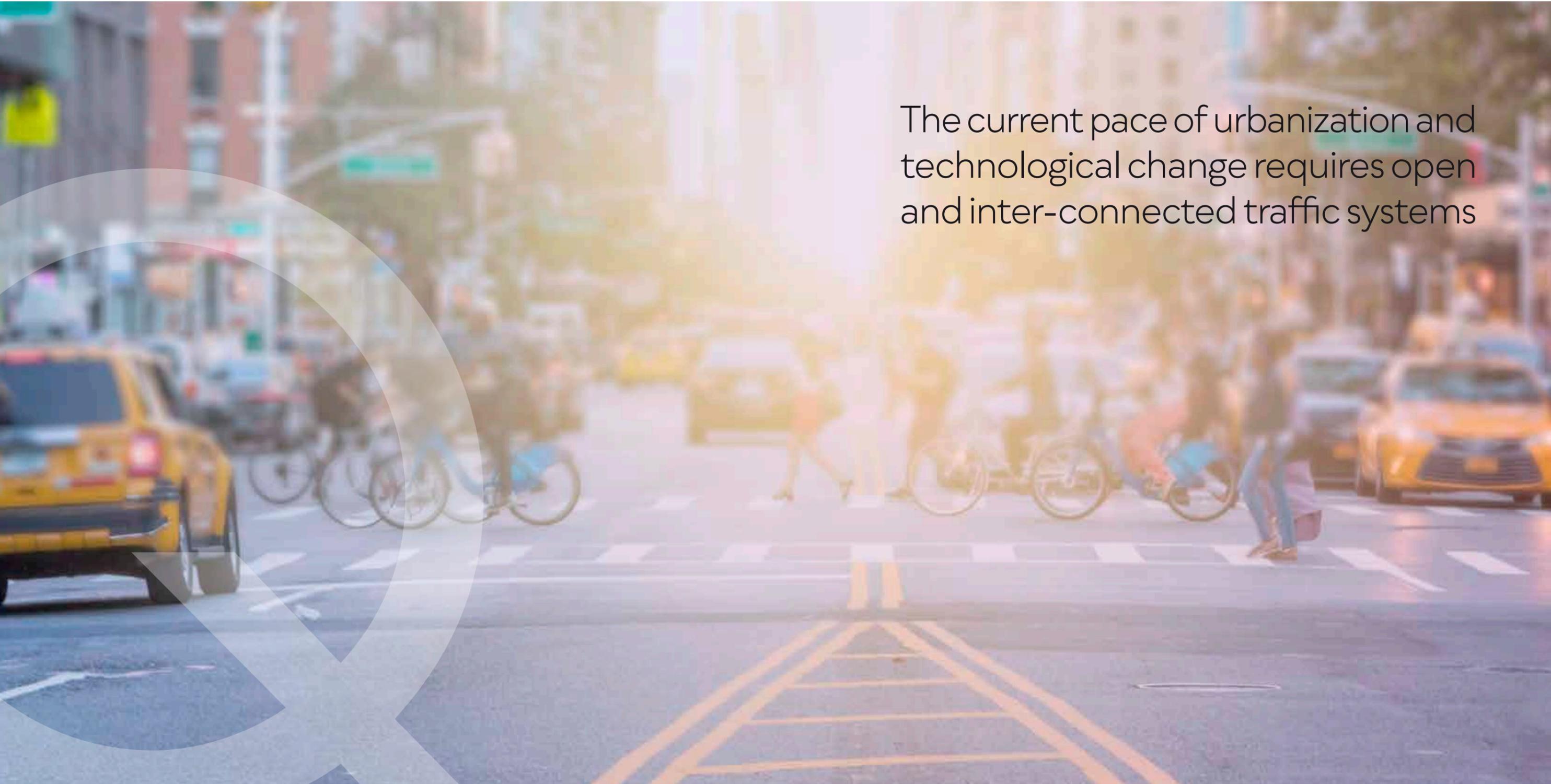
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The current pace of urbanization and technological change requires open and inter-connected traffic systems



Layout Bennett AS  
Print Norsk Aero  
Photo Studio Berre p. 14, 26, 27, 34  
Shutterstock cover, p. 1, 2, 4, 6, 12, 16, 18, 20, 22, 23, 24, 25, 33, 37, 94, 101, 110, 114, 117, 119

# Nothing happens until something moves

– Albert Einstein

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Acc. No.: 8601 30 68900  
Register of business  
enterprises NO 935 487 242



**STIFTELSESDOKUMENT  
FOR  
ATHOMSTART INVEST 285 AS**

**1 SELSKAPETS VEDTEKTER**

Selskapets vedtekter skal lyde:

§ 1 - Foretaksnavn

Selskapets navn er Athomstart Invest 285 AS.

§ 2 - Forretningskontor

Selskapets forretningskontor er i Oslo kommune.

§ 3 - Virksomhet

Selskapets virksomhet er handel med og investering i fast eiendom, verdipapirer og andre formuesobjekter, herunder deltakelse i andre selskaper med lignende virksomhet.

§ 4 - Aksjekapital

Aksjekapitalen er kr 30.000, fordelt på 1.000 aksjer, hver pålydende kr 30.

§ 5 - Styre

Selskapets styre skal ha fra 1 til 7 medlemmer, etter generalforsamlingens nærmere beslutning.

§ 6 - Signatur

Selskapets firma kan tegnes av styrelederen alene eller to styremedlemmer i fellesskap.

§ 7 - Generalforsamling

På den ordinære generalforsamling skal følgende spørsmål behandles og avgjøres:

- Godkjenning av årsregnskapet og årsberetningen, herunder utdeling av utbytte.
- Andre saker som etter loven eller vedtektene hører under generalforsamlingen.

\* \* \* \* \*

## **2 STIFTER, AKSJEFORDELING OG AKSJEINNSKUDD**

Aksjene i selskapet skal tegnes av stifteren, Advokatfirmaet Thommessen AS, som følger:

Advokatfirmaet Thommessen AS, org nr 957 423 248, Haakon VIIIs gt 10, 0116 Oslo v/Ståle R Kristiansen (e.f.), tegner 1.000 aksjer á kr 30,- for kr 60,- pr aksje, i alt kr 60.000,-.

Det skal betales kr 60,- pr aksje, hvorav kr 30,- er aksjekapital og kr 30,-, fratrukket stiftelsesomkostninger mv, er overkurs. Betalingsfristen er 22. mai 2018.

## **3 STYRE**

Selskapets styre skal fra selskapets stiftelse bestå av

Ståle R Kristiansen (styrets leder)

## **4 UNNTAK FRA REVISJONSPLIKT**

I henhold til aksjeloven § 7-6 ble det besluttet å unnlate revisjon, og det ble derfor ikke valgt revisor.

## **5 DEKNING AV STIFTELSESUTGIFTER**

Selskapet skal dekke følgende utgifter ved stiftelsen:

- Registreringsgebyr til Foretaksregisteret, kr 5.570.
- Etableringsgebyr og bekreftelse på innbetalt kapital til Danske Bank med kr 2.000.
- Honorar til Advokatfirmaet Thommessen AS, Postboks 1484 Vika, 0116 Oslo, i forbindelse med selskapets stiftelse og registrering, fastsatt etter ordinære prinsipper for honorarberegning med kr 12.500 inkl mva.

Oslo, 17. april 2018  
Advokatfirmaet Thommessen AS



Ståle R Kristiansen (e.f.)

Vedlegg: Åpningsbalanse datert 17. april 2018.

## ÅPNINGSBALANSE PR 17.04.2018 FOR ATHOMSTART INVEST 285 AS

(Alle beløp i norske kroner, NOK)

<b>EIENDELER</b>	
Kontanter/bankinnskudd	60.000
<i>Sum eiendeler</i>	<i>60.000</i>
<b>GJELD OG EGENKAPITAL</b>	
<b>Egenkapital</b>	
Aksjekapital	30.000
Overkurs	9.930
<b>Gjeld</b>	
Stiftelseskostnader	20.070
<i>Sum gjeld og egenkapital</i>	<i>60.000</i>

Oslo, 17. april 2018



Ståle R Kristiansen

### **Note:**

Åpningsbalansen er satt opp etter reglene i Regnskapsloven og god regnskapsskikk vedrørende vurderingsregler, klassifisering og presentasjon.

**STIFTELSESDOKUMENT  
FOR  
ATHOMSTART INVEST 284 AS**

**1 SELSKAPETS VEDTEKTER**

Selskapets vedtekter skal lyde:

§ 1 - Foretaksnavn

Selskapets navn er Athomstart Invest 284 AS.

§ 2 - Forretningskontor

Selskapets forretningskontor er i Oslo kommune.

§ 3 - Virksomhet

Selskapets virksomhet er handel med og investering i fast eiendom, verdipapirer og andre formuesobjekter, herunder deltakelse i andre selskaper med lignende virksomhet.

§ 4 - Aksjekapital

Aksjekapitalen er kr 30.000, fordelt på 1.000 aksjer, hver pålydende kr 30.

§ 5 - Styre

Selskapets styre skal ha fra 1 til 7 medlemmer, etter generalforsamlingens nærmere beslutning.

§ 6 - Signatur

Selskapets firma kan tegnes av styrelederen alene eller to styremedlemmer i fellesskap.

§ 7 - Generalforsamling

På den ordinære generalforsamling skal følgende spørsmål behandles og avgjøres:

- Godkjenning av årsregnskapet og årsberetningen, herunder utdeling av utbytte.
- Andre saker som etter loven eller vedtektene hører under generalforsamlingen.

\* \* \* \* \*

## **2 STIFTER, AKSJEFORDELING OG AKSJEINNSKUDD**

Aksjene i selskapet skal tegnes av stifteren, Advokatfirmaet Thommessen AS, som følger:

Advokatfirmaet Thommessen AS, org nr 957 423 248, Haakon VIIIs gt 10, 0116 Oslo v/Ståle R Kristiansen (e.f.), tegner 1.000 aksjer á kr 30,- for kr 60,- pr aksje, i alt kr 60.000,-.

Det skal betales kr 60,- pr aksje, hvorav kr 30,- er aksjekapital og kr 30,-, fratrukket stiftelsesomkostninger mv, er overkurs. Betalingsfristen er 22. mai 2018.

## **3 STYRE**

Selskapets styre skal fra selskapets stiftelse bestå av

Ståle R Kristiansen (styrets leder)

## **4 UNNTAK FRA REVISJONSPLIKT**

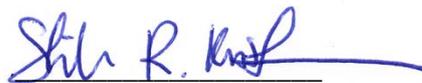
I henhold til aksjeloven § 7-6 ble det besluttet å unnlate revisjon, og det ble derfor ikke valgt revisor.

## **5 DEKNING AV STIFTELSESUTGIFTER**

Selskapet skal dekke følgende utgifter ved stiftelsen:

- Registreringsgebyr til Foretaksregisteret, kr 5.570.
- Etableringsgebyr og bekreftelse på innbetalt kapital til Danske Bank med kr 2.000.
- Honorar til Advokatfirmaet Thommessen AS, Postboks 1484 Vika, 0116 Oslo, i forbindelse med selskapets stiftelse og registrering, fastsatt etter ordinære prinsipper for honorarberegning med kr 12.500 inkl mva.

Oslo, 17. april 2018  
Advokatfirmaet Thommessen AS



Ståle R Kristiansen (e.f.)

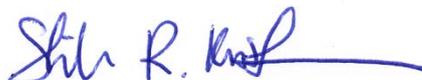
Vedlegg: Åpningsbalanse datert 17. april 2018.

## ÅPNINGSBALANSE PR 17.04.2018 FOR ATHOMSTART INVEST 284 AS

(Alle beløp i norske kroner, NOK)

<b>EIENDELER</b>	
Kontanter/bankinnskudd	60.000
<i>Sum eiendeler</i>	<i>60.000</i>
<b>GJELD OG EGENKAPITAL</b>	
<b>Egenkapital</b>	
Aksjekapital	30.000
Overkurs	9.930
<b>Gjeld</b>	
Stiftelseskostnader	20.070
<i>Sum gjeld og egenkapital</i>	<i>60.000</i>

Oslo, 17. april 2018



Ståle R Kristiansen

### **Note:**

Åpningsbalansen er satt opp etter reglene i Regnskapsloven og god regnskapsskikk vedrørende vurderingsregler, klassifisering og presentasjon.

Til generalforsamlingen i / To the General Meeting of  
Q-Free ASA

RSM Norge AS

Filipstad Brygge 1, 0252 Oslo  
Pb. 1312 Vikta, 0112 Oslo  
Org.nr: 982 316 588 MVA

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[www.rsmnorge.no](http://www.rsmnorge.no)

### **Redegjørelse for delingsforholdet (vederlaget) i Q-Free ASA**

På oppdrag fra styret i Q-Free ASA avgir vi som uavhengig sakkyndig, i samsvar med allmennaksjeloven § 14-4, jf. § 13-10, en redegjørelse for fisjonsplanen datert 30. juni 2018 for Q-Free ASA. Ved fisjonen overdras de eiendeler, rettigheter og forpliktelser som fremgår av fisjonsplanen til Q-Free Tolling AS.

#### *Styrets ansvar for redegjørelsen*

Styret i selskapet er ansvarlige for informasjonen redegjørelsen bygger på og de verdsettelse som ligger til grunn for vederlaget.

#### *Uavhengig sakkyndiges oppgaver og plikter*

Vår oppgave er å utarbeide en redegjørelse om fastsettelse av vederlaget.

Den videre redegjørelsen består av to deler. Den første delen angir hvilke fremgangsmåter som er brukt ved fastsettelsen av vederlaget til aksjeeierne i det overdragende selskapet. Den andre delen er vår uttalelse om vederlaget.

#### **Del 1: Redegjørelse om fastsettelse av vederlaget**

Gjennom fisjonen i Q-Free ASA fisjoneres alle eiendeler, rettigheter og forpliktelser knyttet til selskapets operative virksomhet i Norge (Virksomheten) ut og overføres til Q-Free Tolling AS. For nærmere beskrivelse av de eiendeler,

### **Statement in regards to the demerger (consideration )**

At the Board of Directors in Q-Free Tolling AS's request we, as independent experts, issue this statement regarding the demerger plan for Q-Free Tolling AS and Q-Free ASA in compliance with the Public Limited Liability Companies Act section 14-4, refer section 13-10. In the demerger Q-Free Tolling AS takes over the assets, rights and liabilities stated in the demerger plan against compensation in Q-Free Tolling AS shares.

#### *The Board's responsibility for the statement*

The Board of Directors in each company is responsible for the information the statement is based on and the valuations which form basis for the consideration.

#### *The independent experts' responsibility*

Our responsibility is to prepare a statement about the determination of the consideration.

The statement consists of two parts. The first part explains the methods used for determination of the consideration to shareholders in the transferring company. The second part is our opinion.

#### **Part 1: Statement on the determination of the consideration**

Through the demerger of Q-Free ASA, all assets, rights and liabilities related to the Company's operating activities in Norway ("The Business") will be separated out from Q-Free ASA and transferred to Q-Free Tolling AS. For a more detailed description of the assets, rights

rettigheter og forpliktelser som fisjoneres ut viser vi til bilag 1 i Fisjons- og Trekantfusjonplan.

Aksjonærene i Q-Free ASA mottar en aksje i Q-Free Tolling AS for hver aksje i Q-Free ASA.

Ved fisjonen fordeles aksjekapitalen i Q-Free ASA i samme forhold som Q-Free ASAs nettoverdier fordeles ved fisjonen. Fastsettelsen av Virksomhetens nettoverdier er basert på en ekstern verdivurdering foretatt per 30. juni 2018. Ved verdivurderingen er det benyttet anerkjente verdsettelsesprinsipper og det er i hovedsak lagt vekt på forventet fremtidig inntjening.

Verdien av Q-Free ASA før fisjonen er beregnet ut fra børsverdien på Oslo Børs, som utgjør NOK 710,22 millioner per 28. juni 2018. Virksomhetsverdien av den delen som skal skilles ut gjennom fisjonen er verdsatt ved å neddiskontere forventede fremtidige kontantstrømmer. De fremtidige kontantstrømmene er basert på informasjon fra ledelsen i Q-Free ASA. Ved beregning av virksomhetsverdien er det lagt til grunn flere forutsetninger knyttet til avkastningskrav til totalkapitalen, vekst, netto arbeidskapital og investeringsbehov (CapEx). Basert på disse forutsetningene har den eksterne verdivurderingen kommet frem til en virksomhetsverdi på NOK 327,5 millioner for Virksomheten. Justert for nåverdien av fremførbare underskudd og estimert netto rentebærende gjeld per 30. juni 2018 utgjør verdien av egenkapitalen som skilles ut ved fisjonen NOK 330,40265 millioner.

Verdien av den utfisjonerte Virksomheten utgjør ca. 46,5237 % av totalverdien i Q-Free ASA. Dette forholdstallet er lagt til grunn ved nedsettelse av aksjekapitalen i Q-Free ASA. Den eksterne verdivurderingen finner det rimelig at en endring i børsverdien mellom 28. juni 2018 og 30. juni 2018 vil påvirke verdien av Virksomheten tilsvarende og dermed ikke påvirke bytteforholdet. Vi mener at fremgangsmåten for å komme frem til vederlaget og bytteforholdet er hensiktsmessig. Det har ikke vært særlige vanskeligheter ved fastsettelsen av vederlaget.

and liabilities to be demerged see Appendix 1 of the Demerger and Three-Party Merger Plan.

Through the demerger of Q-Free ASA, shareholders are to receive one share in Q-Free Tolling AS for each share held in Q-Free ASA

At the time of the demerger, Q-Free ASA's share capital and net assets are to be distributed using the same ratio. The determination of The Business' net assets is based on an independent third party valuation carried out as of 30 June 2018. Said valuation uses recognised valuation principles and methods with emphasis placed on expected future earnings.

The value of Q-Free ASA prior to the demerger is calculated based on the value of total shares outstanding on the Oslo Stock Exchange, totalling NOK 710.22 million as of 28 June 2018. The value of the portion of The Business that is to be demerged is calculated using the Discounted Cash Flow (DCF) method. The future cash flows used in the model are based on information from Management in Q-Free ASA. When calculating the Enterprise Value several assumptions related to return requirements, growth, net working capital and CapEx have been made. Based on these assumptions, the independent valuation puts the value at NOK 327.5 million. Adjusted for present value of deferred tax losses and estimated net interest bearing debt as of 30 June 2018, the value of the equity attributed to the business is NOK 330.40265 million.

The value of the Business equals approx. 46.5237 % of the total value of Q-Free ASA. This ratio is used as the basis for reduction of the share capital of Q-Free ASA. The independent valuation finds it reasonable that any change in stock price between 28 June 2018 and 30 June 2018 will affect the assessed value of the business accordingly and thus will not affect the exchange ratio set out above. We believe that the steps used above are appropriate. There have been no particular difficulties in determining the consideration.

Aksjekapitalen i Q-Free ASA forut for fisjonen er NOK 33.904.909,48, fordelt på 89.223.446 aksjer, hver pålydende NOK 0,38. Som følge av fisjonen vil aksjekapitalen i Q-Free bli redusert med NOK 15.773.819,70, fra NOK 33.904.909,48 til NOK 18.131.089,78, ved at aksjenes pålydende reduseres med NOK 0,17679007491 fra NOK 0,38 til NOK 0,2032099251 pr aksje.

## Del 2: Den uavhengige sakkyndiges uttalelse

Vi har utført vår kontroll og avgir vår uttalelse i samsvar med standard for attestasjonsoppdrag SA 3802-1 "Revisors uttalelser og redegjørelser etter aksjelovgivningen". Standarden krever at vi planlegger og utfører kontroller for å oppnå betryggende sikkerhet for at vederlaget til aksjeeierne i Q-Free ASA er rimelig og saklig begrunnet. Arbeidet omfatter kontroll av verdsettelse av vederlaget. Videre har vi vurdert de verdsettelsesmetoder som er benyttet og de forutsetninger som ligger til grunn for verdsettelsen.

Etter vår oppfatning er innhentet bevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

### Konklusjon

Etter vår mening er begrunnelsen for vederlaget til aksjeeierne i Q-Free ASA på en aksje i Q-Free Tolling AS for hver aksje i Q-Free ASA rimelig og saklig basert på verdsettelsen av selskapene som beskrevet ovenfor.

The total share capital in Q-Free ASA prior to the demerger is NOK 33,904,909.48 divided into 89,223,446 shares, each with a nominal value of NOK 0.38. Post demerger, Q-Free ASA's total share capital will be reduced with NOK 15,773,819.70, from NOK 33,904,909.48 to NOK 18,131,089.78, by decreasing the nominal value with NOK 0.17679007491 from NOK 0.38 to NOK 0.2032099251 per share.

## Part 2: The independent expert's opinion

We have performed review and deliver our statement in accordance with the Norwegian auditing standard NSAE 3802 "The auditor's assurance reports and statements required by Norwegian Company legislation<sup>1</sup>" issued by the Norwegian Institute of Public Accountants. The standard requires that we plan and perform procedures to obtain reasonable assurance about whether the grounds for consideration to the shareholders of Q-Free ASA are reasonable and objective. Our procedures include an assessment of the valuation of the consideration. We have also assessed the valuation methods used and the assumptions that form basis for the valuation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion the grounds for the consideration payable to the shareholders in Q-Free ASA of one share in Q-Free Tolling AS for each share in Q-Free ASA, is reasonable and objective based on the valuation of the companies as described above.

*Note: This translation from Norwegian has been prepared for information purposes only.*

Oslo, 30. juni 2018  
RSM Norge AS



Vidar Haugen

Statsautorisert revisor / State Authorised Public Accountant (Norway)

<sup>1</sup> Norwegian name of standard: SA 3802-1 Revisors uttalelser og redegjørelser etter aksjelovgivningen

Til generalforsamlingen i / To the General Meeting of  
Q-Free Tolling AS

**RSM Norge AS**

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Pb. 1312 Vikta, 0112 Oslo  
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### **Redegjørelse for fisjonsplanen i overtakende selskap (Q-Free Tolling AS) ved fisjonsfusjon**

På oppdrag fra styret i Q-Free Tolling AS avgir vi som uavhengig sakkyndig, i samsvar med allmennaksjeloven § 14-4, jf. § 13-10, en redegjørelse om fisjonsplanen for Q-Free Tolling AS og Q-Free ASA. Ved fisjonen overtar Q-Free Tolling AS de eiendeler, rettigheter og forpliktelser som fremgår av fisjonsplanen mot at det utstedes vederlag i aksjer i Q-Free Tolling AS.

#### *Styrets ansvar for redegjørelsen*

Styret i hvert selskap er ansvarlige for informasjonen redegjørelsen bygger på og de verdsettelses som ligger til grunn for vederlaget.

#### *Uavhengig sakkyndiges oppgaver og plikter*

Vår oppgave er å utarbeide en redegjørelse om fisjonsplanen og å uttale oss om vederlaget.

Den videre redegjørelsen består av tre deler. Den første delen er en presentasjon av opplysninger i overensstemmelse med de krav som stilles i allmennaksjeloven § 13-10 og § 2-6 første ledd nr. 1 til 4. Den andre delen angir hvilke fremgangsmåter som er brukt ved fastsettelsen av vederlaget til aksjeeierne i det overdragende selskapet. Den tredje delen er vår uttalelse.

#### **Del 1: Opplysninger om innskuddet**

Selskapet skal ved fisjonen overta alle eiendeler, rettigheter og forpliktelser knyttet til Q-Free ASA

### **Statement on the demerger plan**

At the Board of Directors in Q-Free Tolling AS's request we, as independent experts, issue this statement regarding the demerger plan for Q-Free Tolling AS and Q-Free ASA in compliance with the Public Limited Liability Companies Act section 14-4, refer section 13-10. In the demerger Q-Free Tolling AS takes over the assets, rights and liabilities stated in the demerger plan against compensation in Q-Free Tolling AS shares.

#### *The Board's responsibility for the statement*

The Board of Directors in each company is responsible for the information the statement is based on and the valuations which form basis for the consideration.

#### *The independent experts' responsibility*

Our responsibility is to prepare a statement on the demerger plan and express an opinion on the valuation of the consideration.

The statement consists of three parts. The first part is a presentation of information in compliance with the requirements in the Public Limited Liability Companies Act section 13-10 and section 2-6 first subsection No 1-4. The second part explains the methods used for determination of the consideration to shareholders in the transferring company. The third part is our opinion.

#### **Part 1: Information about the contribution**

The Company shall, at the time of the demerger, acquire all assets, rights and liabilities relating to

sin operative virksomhet i Norge (Virksomheten), slik den fremkommer av bilag 1 i Fisjons- og Trekantfusjonsplan.

Virksomheten hadde i årene 2015-2017 en omsetning på henholdsvis NOK 352,7 millioner, 420,0 millioner og NOK 496,1 millioner. I samme periode utgjorde driftsresultatene henholdsvis NOK -33,3 millioner, NOK 40,1 millioner og NOK 88,7 millioner. Per 30. juni 2018 har Virksomheten en estimert omsetning på NOK 170,0 millioner og et estimert driftsresultat på NOK 5,2 millioner.

## **Del 2: Fremgangsmåte(r) ved fastsettelse av vederlaget**

Gjennom fisjonen i Q-Free ASA mottar aksjonærene en aksje i Q-Free Tolling AS for hver aksje i Q-Free ASA.

Ved fisjonen fordeles aksjekapitalen i Q-Free ASA i samme forhold som Q-Free ASAs nettoverdier fordeles ved fisjonen. Fastsettelsen av Virksomhetens nettoverdier er basert på en ekstern verdivurdering foretatt per 30. juni 2018. Ved verdivurderingen er det benyttet anerkjente verdsettelsesprinsipper og det er i hovedsak lagt vekt på forventet fremtidig inntjening.

Verdien av Q-Free ASA før fisjonen er beregnet ut fra børsverdien på Oslo Børs, som utgjør NOK 710,22 millioner per 28. juni 2017. Virksomhetsverdien av den delen som skal skilles ut gjennom fisjonen er verdsatt ved å neddiskontere forventede fremtidige kontantstrømmer. De fremtidige kontantstrømmene er basert på informasjon fra ledelsen i Q-Free ASA. Ved beregning av virksomhetsverdien er det lagt til grunn flere forutsetninger knyttet til avkastningskrav til totalkapitalen, vekst, netto arbeidskapital og investeringsbehov (CapEx). Basert på disse forutsetningene har den eksterne verdivurderingen kommet frem til en virksomhetsverdi på NOK 327,5 millioner for Virksomheten. Justert for nåverdien av fremførbare underskudd og estimert netto rentebærende gjeld per 30. juni 2018 utgjør verdien av egenkapitalen som skilles ut ved fisjonen NOK 330,42065 millioner.

Verdien av den utfisjonerte Virksomheten utgjør ca. 46,5237 % av totalverdien i Q-Free ASA. Dette forholdstallet er lagt til grunn ved

Q-Free ASA's operating activities in Norway ("The Business"), as set out in Appendix 1 of The Demerger and Three-Party Merger Plan.

The Business had a turnover of NOK 352.7 million, NOK 420 million and NOK 496.1 million in the years 2015- 2017. Operating income from the same period amounted to NOK -33.3 million, NOK 40.1 million and NOK 88.7 million, respectively. As of 30 June 2018, the Business has an estimated turnover and operating profit of NOK 170 million and NOK 5.2 million respectively.

## **Part 2: Method(s) for determination of consideration**

Through the demerger of Q-Free ASA, shareholders are to receive one share in Q-Free Tolling AS for each share held in Q-Free ASA.

At the time of the demerger, Q-Free ASA's share capital and net assets are to be distributed using the same ratio. The determination of The Business' net assets is based on an independent third party valuation carried out as of 30 June 2018. Said valuation uses recognised valuation principles and methods with emphasis placed on expected future earnings.

The value of Q-Free ASA prior to the demerger is calculated based on the value of total shares outstanding on the Oslo Stock Exchange, totalling NOK 710.22 million as of 28 June 2018. The value of the portion of The Business that is to be demerged is calculated using the Discounted Cash Flow (DCF) method. The future cash flows used in the model are based on information from Management in Q-Free ASA. When calculating the Enterprise Value several assumptions related to return requirements, growth, net working capital and CapEx have been made. Based on these assumptions, the independent valuation puts the value at NOK 327.5 million. Adjusted for present value of deferred tax losses and estimated net interest bearing debt as of 30 June 2018, the value of the equity attributed to the Business is NOK 330.40265 million.

The value of the Business equals approx. 46.5237 % of the total value of Q-Free ASA. This ratio is used as the basis for reduction of

nedsettelse av aksjekapitalen i Q-Free ASA. Den eksterne verddivurderingen finner det rimelig at en endring i børsverdien mellom 28. juni 2018 og 30. juni 2018 vil påvirke verdien av Virksomheten tilsvarende og dermed ikke påvirke bytteforholdet.

Regnskapsmessig anses fisjonen å være en omorganisering som skal gjennomføres til kontinuitet. Dette innebærer at de eiendeler og forpliktelser som Q-Free Tolling AS mottar gjennom fisjonen skal regnskapsføres til de samme verdier som de hadde i Q-Free ASA sin balanse, tilsvarende NOK 123,5 millioner per 30. juni 2018. Denne verdien danner også grunnlaget for kapitalforhøyelsen i Q-Free Tolling AS, jf. aksjelovens og allmennaksjelovens § 2-7.

### **Del 3: Den uavhengig sakkyndiges uttalelse**

Vi har utført vår kontroll og avgir vår uttalelse i samsvar med standard for attestasjonsoppdrag SA 3802-1 "Revisors uttalelser og redegjørelser etter aksjelovgivningen". Standarden krever at vi planlegger og utfører kontroller for å oppnå betryggende sikkerhet for at de eiendeler, rettigheter og forpliktelser selskapet skal overta, har en verdi som minst svarer til det avtalte vederlaget, og for å kunne uttale oss om vederlaget til aksjeeierne i Q-Free ASA. Arbeidet omfatter kontroll av verdsettelsen av innskuddet og av vederlaget, herunder vurderingsprinsippene og eksistens og tilhørighet. Videre har vi vurdert de verdsettelsesmetoder som er benyttet og de forutsetninger som ligger til grunn for verdsettelsen.

Etter vår oppfatning er innhentet bevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

#### *Konklusjon*

Etter vår mening har de eiendeler selskapet skal overta ved fisjonen en verdi som minst svarer til det avtalte vederlaget i aksjer i Q-Free Tolling AS pålydende NOK 15.773.819,70, samt

the share capital of Q-Free ASA. The independent valuation finds it reasonable that any change in stock price between 28 June 2018 and 30 June 2018 will affect the assessed value of the business accordingly and thus will not affect the exchange ratio set out above.

In accounting terms, the demerger is considered as a reorganisation that shall be implemented with full accounting continuity. This implies that the assets and liabilities received by Q-Free Tolling AS via the demerger are accounted for at the same value as in Q-Free ASA's balance sheet, equivalent to NOK 123.5 million as of 30 June 2018. This value also forms the basis for the capital increase in Q-Free Tolling AS, in accordance to The Public Limited Companies Act and Public Limited Companies act, section 2-7.

### **Part 3: The independent expert's opinion**

We have performed our procedures and issue our opinion in accordance with the Norwegian auditing standard NSAE 3802 "The auditor's assurance reports and statements required by Norwegian Company legislation<sup>1</sup>" issued by the Norwegian Institute of Public Accountants. The standard requires that we plan and perform procedures to obtain reasonable assurance about whether the assets, rights and liabilities the company shall take over have a value that is at least equivalent to the agreed consideration, and to enable us to express an opinion about the consideration to the shareholders of Q-Free ASA. Our procedures include an assessment of the valuation of the contribution and the consideration, including valuation principles, existence and ownership. We have also assessed the valuation methods used and the assumptions that form the basis for the valuation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Opinion*

In our opinion the assets the company shall take over in the demerger have a value that is at least equivalent to the agreed consideration in Q-Free Tolling AS shares, nominal value NOK 15,773,819.70, and share premium NOK

<sup>1</sup> Norwegian name of standard: SA 3802-1 Revisors uttalelser og redegjørelser etter aksjelovgivningen

overkurs NOK 107.763.525,60, og etter vår mening er begrunnelsen for vederlaget til aksjeeierne i Q-Free ASA på en aksje i Q-Free Tolling AS for hver aksje i Q-Free ASA rimelig og saklig basert på verdsettelsen av selskapene som beskrevet i ovenfor.

107,763,525.60, and in our opinion the grounds for the consideration to the shareholders in Q-Free ASA of one share in Q-Free Tolling AS for each share in Q-Free ASA, is reasonable and objective based on the valuation of the companies as described above.

*Note: This translation from Norwegian has been prepared for information purposes only.*

Oslo, 30. juni 2018  
RSM Norge AS



Vidar Haugen  
Statsautorisert revisor / State Authorised Public Accountant (Norway)

Til generalforsamlingen i / To the General Meeting of  
Q-Free Tolling AS

RSM Norge AS

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### **Redegjørelse for fusjonsplanen i overdragende selskap (Q-Free Tolling AS) i konsernfusjon**

På oppdrag fra styret i Q-Free Tolling AS (Selskapet) avgir vi som uavhengig sakkyndig, i samsvar med allmennaksjeloven § 13-10, denne redegjørelsen for fusjonsplanen datert 30. juni 2018 mellom Q-Free Norge AS og Q-Free Tolling AS med Q-Free ASA som aksjeutstedende selskap i samsvar med allmennaksjeloven § 10-2. Ved fusjonen overdrar Q-Free Tolling AS samtlige eiendeler, rettigheter og forpliktelser til Q-Free Norge AS mot at det utstedes vederlag i aksjer i Q-Free ASA.

#### *Styrets ansvar for redegjørelsen*

Styret i hvert selskap er ansvarlige for informasjonen redegjørelsen bygger på og de verdsettelse som ligger til grunn for vederlaget.

#### *Uavhengig sakkyndiges oppgaver og plikter*

Vår oppgave er å utarbeide en redegjørelse om fastsettelse av vederlaget.

Den videre redegjørelsen består av to deler. Den første delen angir hvilke fremgangsmåter som er brukt ved fastsettelsen av vederlaget til aksjeeierne i det overdragende selskapet. Den andre delen er vår uttalelse om vederlaget.

#### **Del 1: Redegjørelse om fastsettelse av vederlaget**

Q-Free Tolling AS blir ved fisjon av Q-Free ASA tilført alle eiendeler, rettigheter og forpliktelser knyttet til den operative virksomheten

### **Statement on the merger plan for transferring company (Q-Free Tolling AS)**

At the Board of Directors in Q-Free Tolling AS's request we, as independent experts, issue this statement in compliance with the Public Limited Liability Companies Act section 13-10 for the merger plan dated 30 June 2018 between Q-Free Norge AS and Q-Free Tolling AS with Q-Free ASA as issuer of shares in compliance with the Public Limited Liability Companies Act section 10-12. In the merger Q-Free Tolling AS transfers all assets, rights and liabilities to Q-Free Norge AS against consideration in new shares in Q-Free ASA.

#### *The Board's responsibility*

The Board of Directors of each company is responsible for the information and the valuations which form basis for the consideration.

#### *The independent experts' responsibility*

Our responsibility is to prepare a statement on the valuation of the consideration.

The statement consists of two parts. The first part is explains the methods used for determination of the consideration to shareholders in the transferring company. The second part is our opinion.

#### **Part 1: Statement on valuation of the consideration**

Q-Free Tolling AS will at the time of the Q-Free ASA demerger receive all assets, rights and

(Virksomheten) til Q-Free ASA i Norge, slik dette fremkommer av bilag 1 til Fisjons- og Trekantfusjonsplan. Disse verdiene overføres videre til Q-Free Norge AS ved fusjonen. Fastsettelsen av Selskapets nettoverdier er basert på en ekstern verdivurdering foretatt per 30. juni 2018. Ved verdivurderingen er det benyttet anerkjente verdsettelsesprinsipper og det er i hovedsak lagt vekt på forventet fremtidig inntjening.

Virksomhetsverdien av den delen som skal skilles ut gjennom fisjonen er verdsatt ved å neddiskontere forventede fremtidige kontantstrømmer. De fremtidige kontantstrømmene er basert på informasjon fra ledelsen i Q-Free ASA. Ved beregning av virksomhetsverdien er det lagt til grunn flere forutsetninger knyttet til avkastningskrav til totalkapitalen, vekst, netto arbeidskapital og investeringsbehov (CapEx). Basert på disse forutsetningene har den eksterne verdivurderingen kommet frem til en virksomhetsverdi på NOK 327,5 millioner for Virksomheten. Justert for nåverdien av fremførbare underskudd og estimert netto rentebærende gjeld per 30. juni 2018 utgjør verdien av egenkapitalen som skilles ut ved fisjonen NOK 330,42065 millioner.

De eiendeler, rettigheter og forpliktelser som Selskapet ble tilført gjennom fisjonen av Q-Free ASA er regnskapsført til de samme verdier som de var regnskapsført til i Q-Free ASA sin balanse (regnskapsmessig kontinuitet), tilsvarende NOK 123,5 millioner per 30. juni 2018. Regnskapsmessig kontinuitet vil også bli lagt til grunn i fusjonen, slik at de samme regnskapsmessige verdiene videreføres i Q-Free Norge AS, og danner grunnlag for størrelsen på fordringen som etableres mellom Q-Free ASA, som aksjeutstedende selskap, og Q-Free Norge AS som overtakende selskap.

Aksjonærene i Q-Free ASA eier aksjene Q-Free Tolling AS i samme forhold som de eier aksjene i Q-Free ASA. Ved trekantfusjonen/konsernfusjonen mellom Q-Free Tolling AS og Q-Free Norge AS oppløses Q-Free Tolling AS og fusjonsvederlaget gjøres opp ved forhøyelse av aksjenes pålydende i Q-Free ASA med NOK 0,17679007491, fra NOK 0,2032099251 til NOK 0,38 pr aksje.

liabilities relating to the operative business ("The Business") of Q-Free ASA in Norway, as set out in Appendix 1 of The Demerger and Three-Party Merger Plan. These values are then further transferred to Q-Free Norge AS at the time of the merger. The determination of the Company's net assets is based on an independent third party valuation carried out as of 30 June 2018. Said valuation uses recognised valuation principles and methods with emphasis placed on expected future earnings.

The value of the portion of the Business that is to be demerged is calculated using the Discounted Cash Flow (DCF) method. The future cash flows used in the model are based on information from Management in Q-Free ASA. When calculating the Enterprise Value several assumptions related to return requirements, growth, net working capital and CapEx have been made. Based on these assumptions, the independent valuation puts the value at NOK 327.5 million. Adjusted for present value of deferred tax losses and estimated net interest bearing debt as of 30 June 2018, the value of the equity attributed to the Business is NOK 330.42065 million.

The assets, right and liabilities that the Company received through the demerger of Q-Free ASA are reported at the same values are accounted for in Q-Free ASA's balance sheet (accounting continuity), equivalent to NOK 123.5 million as of 30 June 2018. Accounting continuity will also be implemented in the merger, meaning that the same values are transferred further to Q-Free Norge AS and form the basis for the value of the note receivable established between Q-Free ASA as share issuer and Q-Free Norge AS as the acquiring company.

The shareholders in Q-Free ASA owns the Q-Free Tolling AS shares in the same proportion as they own the shares in Q-Free ASA. At the time of the three-party merger/group merger between Q-Free Tolling AS and Q-Free Norge AS, Q-Free Tolling AS is dissolved and the merger consideration is settled by raising of the

Kapitalforhøyelsen utgjør totalt NOK 15.773.819,70, fra NOK 18.131.089,78 til NOK 33.904.909,48, dvs. at forhøyelsesbeløpet tilsvarer kapitalnedsettelsen ved den opprinnelige fisjonen og at aksjekapitalen i Q-Free ASA etter trekantfusjonen/konsernfusjonen tilsvarer aksjekapitalen slik den var før fisjonen.

shares nominal value in Q-Free ASA with NOK 0.17679007491, from NOK 0.2032099251 to NOK 0.38 per share. The capital increase equals NOK 15,773,819.70, from NOK 18,131,089.78 to NOK 33.904.909,48, meaning that the increase amount equals the capital reduction at the time of the original demerger and that the share capital in Q-Free ASA after the three-party merger/group merger is equal to the share capital prior to the demerger.

Vi mener at fremgangsmåten for å komme frem til vederlaget og bytteforholdet er hensiktsmessig. Det har ikke vært særlige vanskeligheter ved fastsettelsen av vederlaget.

We believe that the steps used above are appropriate. There have been no particular difficulties in determining the consideration.

## **Del 2: Den uavhengige sakkyndiges uttalelse**

## **Part 2: The independent expert's opinion**

Vi har utført vår kontroll og avgir vår uttalelse i samsvar med standard for attestasjonsoppdrag SA 3802-1 "Revisors uttalelser og redegjørelser etter aksjelovgivningen". Standarden krever at vi planlegger og utfører kontroller for å oppnå betryggende sikkerhet for at vederlaget til aksjeeierne i Q-Free Tolling AS er rimelig og saklig begrunnet. Arbeidet omfatter kontroll av verdsettelse av vederlaget. Videre har vi vurdert de verdsettelsesmetoder som er benyttet og de forutsetninger som ligger til grunn for verdsettelsen, herunder en vurdering av begrunnelsen for verdsettelsen av immaterielle eiendeler.

We have performed our procedures and issue our opinion in accordance with the Norwegian auditing standard NSAE 3802 "The auditor's assurance reports and statements required by Norwegian Company legislation<sup>1</sup>" issued by the Norwegian Institute of Public Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the grounds for the consideration to the shareholders in Q-Free Tolling AS are reasonable and objective. Our procedures include an assessment of the valuation of the consideration. We have also assessed the valuation methods used and the assumptions that form the basis for the valuation.

Etter vår oppfatning er innhentet bevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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<sup>1</sup> Norwegian name of standard: SA 3802-1 Revisors uttalelser og redegjørelser etter aksjelovgivningen

*Konklusjon*

Etter vår mening er begrunnelsen for vederlaget til aksjeeierne i Q-Free Tolling AS i form av økning av pålydende med NOK 0,17679007491 på eksisterende aksjer Q-Free ASA for hver aksje i Q-Free Tolling AS, rimelig og saklig, basert på verdsettelsen av selskapene som beskrevet ovenfor.

*Opinion*

In our opinion the grounds for the consideration payable to the shareholders of Q-Free Tolling AS by increasing the nominal value of the existing shares in Q-Free ASA with NOK 0.17679007491 for each share in Q-Free Tolling AS, is reasonable and objective, based on the valuation of the companies as described above.

*Note: This translation from Norwegian has been prepared for information purposes only.*

Oslo, 30. juni 2018  
RSM Norge AS



Vidar Haugen

Statsautorisert revisor / State Authorised Public Accountant (Norway)

Til generalforsamlingen i / To the General Meeting of  
Q-Free Norge AS

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### Redegjørelse for fusjonsplanen i overtakende selskap (Q-Free Norge AS) i konsernfusjon

### Statement on the merger plan for receiving company (Q-Free Norge AS)

På oppdrag fra styret i Q-Free Norge AS avgir vi som uavhengig sakkyndig denne redegjørelsen, i samsvar med allmennaksjeloven § 13-10, for fusjonsplanen datert 30. juni 2018 mellom Q-Free Norge AS og Q-Free Tolling AS med Q-Free ASA som aksjeutstedende selskap i samsvar med allmennaksjeloven § 10-2. Ved fusjonen overtar Q-Free Norge AS samtlige eiendeler, rettigheter og forpliktelser i Q-Free Tolling AS mot at det utstedes vederlag i aksjer i Q-Free ASA.

At the Board of Directors in Q-Free Norge AS's request we, as independent experts, issue this statement in compliance with the Public Limited Liability Companies Act section 13-10 for the merger plan dated 30 June 2018 between Q-Free Norge AS and Q-Free Tolling AS with Q-Free ASA as issuer of the shares, in compliance with the Public Limited Liability Companies Act section 10-2. In the merger Q-Free Norge AS takes over all assets, rights and liabilities in Q-Free Tolling AS against consideration in shares in Q-Free ASA.

#### *Styrets ansvar for redegjørelsen*

Styrene i hvert selskap er ansvarlig for informasjonen redegjørelsen bygger på og de verdsettelses som ligger til grunn for vederlaget.

#### *The Board's responsibility for the statement*

The Board of Directors of each company is responsible for the information the statement is based on and the valuations which form the basis for the consideration.

#### *Uavhengig sakkyndiges oppgaver og plikter*

Vår oppgave er å utarbeide en redegjørelse om fusjonsplanen og å uttale oss om de eiendeler Q-Free Norge AS skal overta, har en verdi som minst svarer til vederlaget.

#### *The independent experts' responsibility*

Our responsibility is to issue a statement on the merger plan and express an opinion on whether the assets Q-Free Norge AS shall take over has a value that is at least equivalent to the consideration.

Den videre redegjørelsen består av tre deler. Den første delen er en presentasjon av opplysninger i overensstemmelse med de krav som stilles i allmennaksjeloven § 13-10 annet ledd og § 2-6 første ledd nr. 1 til 4. Den andre delen angir hvilke fremgangsmåter som er brukt ved fastsettelsen av vederlaget til aksjeeierne i det overdragende selskapet. Den tredje delen er vår uttalelse.

The statement consists of three parts. The first part is a presentation of information in compliance with the requirements in the Public Limited Liability Companies Act section 13-10 second subsection and section 2-6 first subsection No 1-4. The second part explains the methods used for determination of the consideration to shareholders in the transferring company. The third part is our opinion.

## Del 1: Opplysninger om innskuddet

Selskapet skal ved fisjonen overta alle eiendeler, rettigheter og forpliktelser knyttet til Q-Free ASA sin operative virksomhet i Norge (Virksomheten), slik den fremkommer av bilag 1 i Fisjons- og Trekantfusjonsplan.

Virksomheten hadde i årene 2015-2017 en omsetning på henholdsvis NOK 352,7 millioner, 420,0 millioner og NOK 496,1 millioner. I samme periode utgjorde driftsresultatene henholdsvis NOK -33,3 millioner, NOK 40,1 millioner og NOK 88,7 millioner. Per 30. juni 2018 har Virksomheten en estimert omsetning på NOK 170,0 millioner og et estimert driftsresultat på NOK 5,2 millioner.

## Del 2: Fremgangsmåte(r) ved fastsettelse av vederlaget

Q-Free Tolling AS ble ved fisjon av Q-Free ASA tilført alle eiendeler, rettigheter og forpliktelser knyttet til den operative virksomheten (Virksomheten) til Q-Free ASA i Norge, slik dette fremkommer av bilag 1 til Fisjons- og Trekantfusjonsplan. Disse verdiene overføres videre til Q-Free Norge AS ved fusjonen. Fastsettelsen av Selskapets nettoverdier er basert på en ekstern verdivurdering foretatt per 30. juni 2018. Ved verdivurderingen er det benyttet anerkjente verdsettelsesprinsipper og det er i hovedsak lagt vekt på forventet fremtidig inntjening.

Virksomhetsverdien av den delen som skal skilles ut gjennom fisjonen er verdsatt ved å neddiskontere forventede fremtidige kontantstrømmer. De fremtidige kontantstrømmene er basert på informasjon fra ledelsen i Q-Free ASA. Ved beregning av virksomhetsverdien er det lagt til grunn flere forutsetninger knyttet til avkastningskrav til totalkapitalen, vekst, netto arbeidskapital og investeringsbehov (CapEx). Basert på disse forutsetningene har den eksterne verdivurderingen kommet frem til en virksomhetsverdi på NOK 327,5 millioner for Virksomheten. Justert for nåverdien av fremførbare underskudd og estimert netto rentebærende gjeld per 30. juni 2018 utgjør verdien av egenkapitalen som skilles ut ved fisjonen NOK 330,42065 millioner.

De eiendeler, rettigheter og forpliktelser som Q-Free Tolling AS ble tilført gjennom fisjonen av Q-

## Part 1: Information about the contribution

The Company shall, at the time of the demerger, acquire all assets, rights and liabilities relating to Q-Free ASA's operating activities in Norway ("The Business"), as set out in Appendix 1 of the Demerger and Three-Party Merger Plan.

The Business had a turnover of NOK 352.7 million, NOK 420 million and NOK 496.1 million in the years 2015- 2017. Operating income from the same period amounted to NOK -33.3 million, NOK 40.1 million and NOK 88.7 million, respectively. As of 30 June 2018, the Business has an estimated turnover and operating profit of NOK 170 million and NOK 5.2 million respectively.

## Part 2: Method(s) for determination of consideration

Q-Free Tolling AS received at the time of the demerger, all assets, rights and liabilities relating to the operative business (the Business) of Q-Free ASA in Norway, as set out in Appendix 1 of The Demerger and Three-Party Merger Plan. These values are then transferred further to Q-Free Norge AS at the time of the merger. The determination of the Company's net assets are based on an independent valuation conducted as of 30 June 2018. Said valuation uses recognised valuation principles and methods with emphasis placed on expected future earnings.

The value of the portion of the Business separated out through the demerger is calculated using the Discounted Cash Flow (DCF) method. The future cash flows used in the model are based on information from Management in Q-Free ASA. When calculating the Enterprise Value several assumptions related to return requirements, growth, net working capital and CapEx have been made. Based on these assumptions, the independent valuation puts the value at NOK 327.5 million. Adjusted for present value of deferred tax losses and estimated net interest bearing debt as of 30 June 2018, the value of the equity attributed to the Business is NOK 330.42065 million.

The assets, rights and liabilities that Q-Free Tolling AS received through the demerger of Q-

Free ASA er regnskapsført til de samme verdier som de var regnskapsført til i Q-Free ASA sin balanse (regnskapsmessig kontinuitet), tilsvarende NOK 123,5 millioner per 30. juni 2018. Regnskapsmessig kontinuitet vil også bli lagt til grunn i fusjonen, slik at de samme regnskapsmessige verdiene videreføres i Q-Free Norge AS, og danner grunnlag for størrelsen på fordringen som etableres mellom Q-Free ASA, som aksjeutstedende selskap, og Q-Free Norge AS som overtakende selskap.

Aksjonærene i Q-Free ASA eier aksjene Q-Free Tolling AS i samme forhold som de eier aksjene i Q-Free ASA. Ved trekantfusjonen/konsernfusjonen mellom Q-Free Tolling og Q-Free Norge oppløses Q-Free Tolling og fusjonsvederlaget gjøres opp ved forhøyelse av aksjenes pålydende i Q-Free ASA med NOK 0,17679007491, fra NOK 0,2032099251 til NOK 0,38 pr aksje. Kapitalforhøyelsen utgjør totalt NOK 15.773.819,70, fra NOK 18.131.089,78 til NOK 33.904.909,48, dvs. at forhøyesbeløpet tilsvarer kapitalnedsettelsen ved den opprinnelige fisjonen og at aksjekapitalen i Q-Free ASA etter trekantfusjonen/konsernfusjonen tilsvarer aksjekapitalen slik den var før fisjonen.

### **Del 3: Den uavhengig sakkyndiges uttalelse**

Vi har utført vår kontroll og avgir vår uttalelse i samsvar med standard for attestasjonsoppdrag SA 3802-1 "Revisors uttalelser og redegjørelser etter aksjelovgivningen". Standarden krever at vi planlegger og utfører kontroller for å oppnå betryggende sikkerhet for at de eiendeler, rettigheter og forpliktelser selskapet skal overta, har en verdi som minst svarer til det avtalte vederlaget, og for å kunne uttale oss om vederlaget til aksjeeierne i Q-Free Tolling AS. Arbeidet omfatter kontroll av verdsettelsen av innskuddet og av vederlaget, herunder vurderingsprinsippene og eksistens og tilhørighet. Videre har vi vurdert de verdsettelsesmetoder som er benyttet og de forutsetninger som ligger til grunn for verdsettelsen, herunder en vurdering av begrunnelsen for verdsettelsen av immaterielle eiendeler.

Free ASA are reported at the same values are accounted for in Q-Free ASA's balance sheet (accounting continuity), equivalent to NOK 123.5 million as of June 30 2018. Accounting continuity will also be implemented in the merger, meaning that the same values are transferred further to Q-Free Norge AS and form the basis for the amount note receivable established between Q-Free ASA as share issuer and Q-Free Norge AS as the acquiring company.

The shareholders in Q-Free ASA owns the Q-Free Tolling AS shares in the same proportion as they own the shares in Q-Free ASA. At the time of the three-party merger/group merger between Q-Free Tolling AS and Q-Free Norge AS, Q-Free Tolling AS is dissolved and the merger consideration is settled by raising of the shares nominal value in Q-Free ASA with NOK 0.17679007491, from NOK 0.2032099251 to NOK 0.38 per share. The capital increase equals NOK 15,773,819.70, from NOK 18,131,089.78 to NOK 33,904,909.48, meaning that the increase amount equals the capital reduction at the time of the original demerger and that the share capital in Q-Free ASA after the three-party merger/group merger is equal to the share capital prior to the demerger.

### **Part 3: The independent expert's opinion**

We have performed our procedures and issue our opinion in accordance with the Norwegian auditing standard NSAE 3802 "The auditor's assurance reports and statements required by Norwegian Company legislation<sup>1</sup>" issued by the Norwegian Institute of Public Accountants. The standard requires that we plan and perform procedures to obtain reasonable assurance about whether the assets, rights and liabilities the company shall take over have a value that is at least equivalent to the agreed consideration, and to enable us to express an opinion about the consideration to the shareholders of Q-Free Tolling AS. Our procedures include an assessment of the valuation of the contribution and the consideration, including valuation principles, existence and ownership. We have also assessed the valuation methods used and

<sup>1</sup> Norwegian name of standard: SA 3802-1 Revisors uttalelser og redegjørelser etter aksjelovgivningen

Etter vår oppfatning er innhentet bevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

#### *Konklusjon*

Etter vår mening har de eiendeler selskapet skal overta ved fusjonen, en verdi som minst svarer til det avtalte vederlaget i aksjer i Q-Free ASA pålydende NOK 15.773.819,70 samt overkurs NOK 107.763.525,60 og etter vår mening er begrunnelsen for vederlaget til aksjeeierne i Q-Free Tolling AS i form av økning av pålydende med NOK 0,17679007491 på eksisterende aksjer Q-Free ASA for hver aksje i Q-Free Tolling AS, rimelig og saklig, basert på verdsettelsen av selskapene som beskrevet ovenfor.

the assumptions that form basis for the valuation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Opinion*

In our opinion the assets the company shall take over in the merger have a value that is at least equivalent to the agreed consideration in Q-Free ASA shares, nominal value NOK15,773,819.70, and share premium NOK 107,763,525.60 and in our opinion the grounds for the consideration to the shareholders of Q-Free Tolling AS by increasing the nominal value of the existing shares in Q-Free ASA with NOK 0.17679007491 for each share in Q-Free Tolling AS, is reasonable and objective based on the valuation of the companies as described above.

*Note: This translation from Norwegian has been prepared for information purposes only.*

Oslo, 30. juni 2018  
RSM Norge AS



Vidar Haugen

Statsautorisert revisor / State Authorised Public Accountant (Norway)

Til generalforsamlingen i / To the General Meeting of  
Q-Free ASA

**RSM Norge AS**

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## **Redegjørelse for tingsinnskuddet i Q-Free ASA**

På oppdrag fra styret avgir vi som uavhengig sakkyndig en redegjørelse i samsvar med allmennaksjeloven § 10-2, jf § 2-6.

### *Styrets ansvar for redegjørelsen*

Styret er ansvarlig for informasjonen redegjørelsen bygger på og de verdsettelse som ligger til grunn for vederlaget.

### *Uavhengig sakkyndiges oppgaver og plikter*

Vår oppgave er å utarbeide en redegjørelse og uttale oss om de eiendeler selskapet skal overta, har en verdi som minst svarer til vederlaget.

Den videre redegjørelsen består av to deler. Den første delen er en presentasjon av opplysninger i overensstemmelse med de krav som stilles i allmennaksjeloven § 10-2, jf § 2-6. Den andre delen er vår uttalelse om at de eiendeler selskapet skal overta, har en verdi som minst svarer til vederlaget.

## **Del 1: Opplysninger om innskuddet**

Innskuddet i Q-Free ASA består av en fordring på Q-Free Norge AS som finansierer overtakelsen av eiendeler, rettigheter og forpliktelser fra Q-Free Tolling AS, som oppstår i forbindelse med avtale om fusjon mellom Q-Free Norge AS og Q-Free Tolling AS mot vederlag i aksjer i Q-Free ASA. De eiendeler Q-Free Norge AS skal overta og forpliktelser det skal påta seg,

## **Statement regarding increase in share capital in Q-Free ASA**

At the Board of Directors' request we, as independent experts, issue this statement in compliance with The Public Limited Liability Companies Act section 10-2, refer section 2-6.

### *The Board's responsibility*

The Board of Directors is responsible for the information the statement is based on and the valuations that form basis for the consideration.

### *The independent experts' responsibility*

Our responsibility is to prepare a statement on the merger plan and express an opinion about whether the assets the company shall take over have a value that is at least equivalent to the consideration.

The statement consists of two parts. The first part is a presentation of information in compliance with the requirements in the Public Limited Liability Companies Act section 10-2 third subsection. The second part is our opinion about whether the assets the company shall take over have a value that is at least equivalent to the consideration.

## **Part 1: Information about the consideration**

The contribution in Q-Free ASA consists of a note receivable on Q-Free Norge AS which funds the acquisition of assets, rights and liabilities from Q-Free Tolling AS, arising in connection with the merger between Q-Free Norge AS and Q-Free tolling AS against contribution of shares in Q-Free ASA. The assets and obligations Q-Free Norge AS will

er beskrevet i bilag 1 til Fisjons- og  
Trekantfusjonsplan datert 30. juni 2018.

acquire are further described in Appendix 1 of  
The Demerger and Three-Party Merger Plan  
dated 30 June 2018.

## Del 2: Den uavhengig sakkyndiges uttalelse

Vi har utført vår kontroll og avgir vår uttalelse i samsvar med standard for attestasjonsoppdrag SA 3802-1 "Revisors uttalelser og redegjørelser etter aksjelovgivningen". Standarden krever at vi planlegger og utfører kontroller for å oppnå betryggende sikkerhet for at de eiendeler og forpliktelser selskapet skal overta, har en verdi som minst svarer til det avtalte vederlaget. Arbeidet omfatter kontroll av verdsettelsen av innskuddet herunder vurderingsprinsippene og eksistens og tilhørighet. Videre har vi vurdert de verdsettelsesmetoder som er benyttet og de forutsetninger som ligger til grunn for verdsettelsen.

Etter vår oppfatning er innhentet bevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

### Konklusjon

Etter vår mening er de eiendeler selskapet skal overta ved kapitalforhøyelsen verdsatt i overensstemmelse med de beskrevne prinsipper og har en verdi per 30. juni 2018 som minst svarer til det avtalte vederlaget i aksjer i Q-Free ASA pålydende NOK 15.773.819,70, samt overkurs NOK 107.763.525,60.

Oslo, 30. juni 2018  
RSM Norge AS

  
Vidar Haugen  
Statsautorisert revisor / State Authorised Public Accountant (Norway)

## Part 2: The independent expert's opinion

We have performed our procedures and issue our opinion in accordance with the Norwegian auditing standard NSAE 3802 "The auditor's assurance reports and statements required by Norwegian Company legislation<sup>1</sup>" issued by the Norwegian Institute of Public Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the value of the assets, rights and liabilities which the company shall take over is at least equivalent to the agreed consideration. Our procedures include an assessment of the valuation of the consideration, including valuation principles, existence, and ownership. We have also assessed the valuation methods that have been used and the assumptions that form the basis for the valuation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion the assets the company shall take over as consideration for the increase in share capital, have been valued in compliance with the described principles, and in our opinion have a value which is at least equivalent to the agreed consideration in Q-Free ASA shares, nominal value NOK 15,773,819.70, and share premium NOK 107,763,525.60.

*Note: This translation from Norwegian has been prepared for information purposes only.*

<sup>1</sup> Norwegian name of standard: SA 3802-1 Revisors uttalelser og redegjørelser etter aksjelovgivningen



## **Q-Free ASA** Valuation report



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This report is strictly private and confidential to the Recipient Parties (as defined in the contract dated 23.5.2018 (the "Contract")).

Save as expressly provided for in the Contract, the report must not be recited or referred to in any document, or copied or made available (in whole or in part) to any other party.

We accept no responsibility or liability for the contents of the report to any other party.

For your convenience, this report may have been made available to you in electronic and hard copy format. Multiple copies and versions of this report may, therefore, exist in different media. Only a final signed copy should be regarded as definitive.



# Mandate and Executive summary

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# Mandate and Executive summary | Mandate

## Documentation of fair value of carved out business in a demerger of Q-Free ASA

### Background and purpose

- Q-Free ASA ("The Company" or "Q-Free") are preparing to carve-out the company's Norwegian based operations to a new company (subsidiary) through a drop-down demerger.
- According to the Norwegian Tax Act ("Skatteloven"), the share capital in the remaining company (Q-Free ASA) shall be reduced in accordance with the share of fair value in the demerger. Hence, a valuation of both the carved-out and remaining assets and liabilities is required.
- As agreed with management of Q-Free, the fair value of Q-Free ASA equity before demerger is assumed to be reflected in the shares' total Market Cap at Oslo Stock Exchange. The Market Cap is considered to reflect the market pricing of the shares in Q-Free as a listed company, assuming sufficient trading volume.
- Our valuation comprises the carved-out Norwegian based operations.

### Mandate and scope

- Deloitte AS ("Deloitte") will, as requested by Q-Free, conduct an independent valuation of the Norwegian based operations in Q-Free ASA (the carved-out business).
- The valuations will be performed based on the valuation methods that Deloitte finds most appropriate
- Valuation date: 30 June 2018
- The valuation will be performed mainly based on information provided by the Company. We will not perform a thorough verification of the information received by the Company.
- We will not do a on-site inspection of the Company
- We will present our conclusions in a written report where the main assumptions for the valuation will be documented. In addition, we offer a oral presentation of our conclusions for the Company.

### Confidentiality

- The content of this report is confidential and solely for the information and internal use of the addressees at Q-Free and not to be relied upon by any other person or entity.
- We take no responsibility or liability towards third parties for any loss, damage, cost or expense caused by use of or reliance on information disclosed in this report.
- This report must not be recited or referred to in any document, or copied or made available (in whole or in part) to any other party, without Deloitte's prior written consent.

### Disclaimer

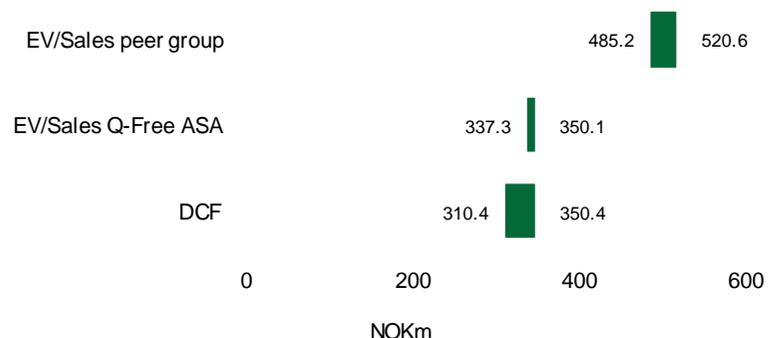
- In the course of our analysis, we have relied on financial and operational data provided by management of Q-Free, together with information from public sources. Without independent verification, we have relied upon these data as accurately reflecting the results of the operations and financial position of Q-Free and matters and items of relevance for the valuation.
- We assume that management of Q-Free have not omitted or misstated any factors of relevance. Any such omissions or misstatements may materially affect our conclusions.
- We, as valuation consultants, have not audited these data and express no opinion or other form of assurance regarding their accuracy or fairness of presentation. We take no financial or legal responsibility for the completeness or accuracy of the information that this report is based on.
- We understand that any prospective financial information provided by management of Q-Free is based on best estimates and expectations of future economic and market development.
- Our analysis was completed 28.06.2018 and we have not updated our since that date.



# Mandate and Executive summary | Valuation findings

We estimate an equity value of NOKm 330 for the carved-out business, which implies a remaining value in Q-Free ASA at NOKm 383 based on current Market Cap

## Summary Equity



## Summary equity value, carved-out business (Q-Free Norge AS)

- Our valuation is mainly based on discounted cash flow value (DCF) derived from management forecast, supported by multiple analyses (EV/Sales).
- Enterprise value 30.06.18 based on DCF is estimated at NOK 328. Adjusting for net interest bearing debt and share of value of tax loss carry forward, we estimate an equity value of NOKm 330, with an indicative value range from NOKm 310 to NOKm 350.
- The nature of the business is relatively volatile, with large public tenders and contracts, possibly with significant effects on revenues and earnings. Although the forecast is based on management's best estimates, it should be noted that the valuation is sensitive to changes in forecast assumptions.

## Summary equity value split

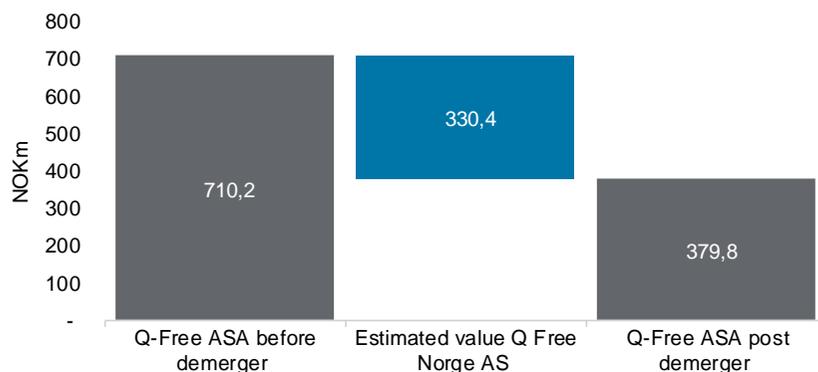
- Valuation of Q-Free ASA before demerger has not been a part of our scope. Under the assumption that the Market Cap of Q-Free ASA at Oslo Stock Exchange (28.06.18) represents fair value of equity, our valuation suggest a value split of 53.5% (remaining Q-Free ASA) and 46.5% (Q-Free Norge AS). In our opinion it is fair to assume that changes in market cap between 28.06 and valuation date 30.06 will affect both the carved-out and remaining business, thus not significantly affect the value ratio.
- The valuation indicates excess values for both companies:

### Implicit excess values

NOKm	Q-Free ASA	Q-Free Norge AS	Total
Fair value equity	379,8	330,4	710,2
Book value equity	333,0	123,5	456,5
<b>Implicit excess values</b>	<b>46,8</b>	<b>206,9</b>	<b>253,7</b>

- Please note that the equity of Q-Free ASA will be re-established after the full drop down demerger process, hence the total equity in the table above will reflect Q-Free ASA's equity after the reorganization.

## Estimated values for the two separate entities



Source: Management information

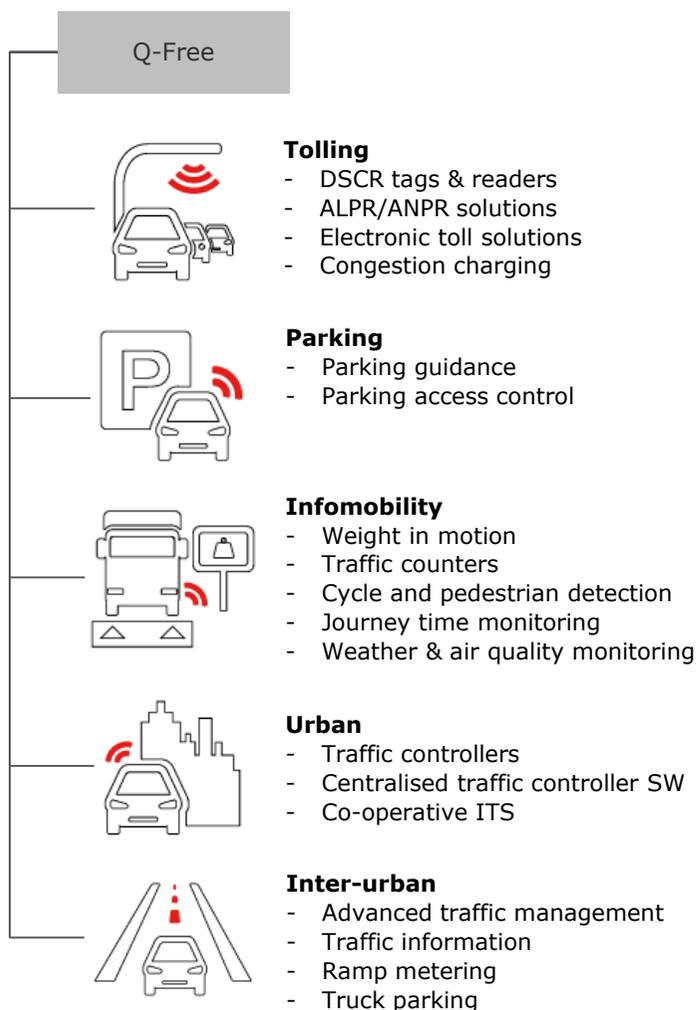


# Business overview

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# Business overview | Q-Free business

Q-Free develops and supplies various complete Intelligent Transportation Systems

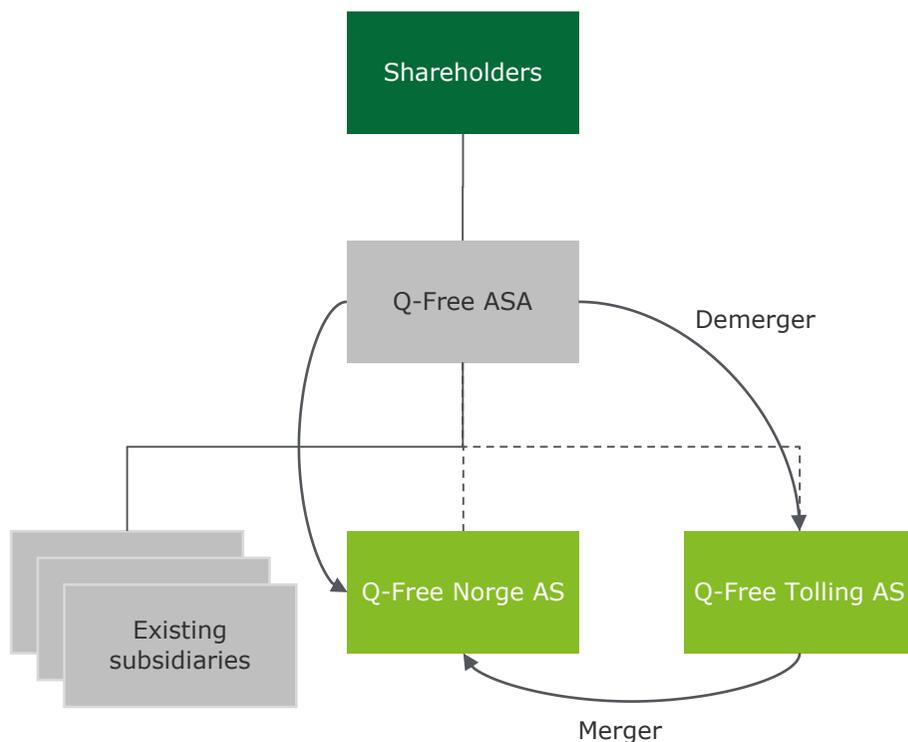


## Q-Free

- Founded in 1984, originally focusing on the development and supply of electronic toll collection systems. Today, the Company has grown to become one of the world's leading suppliers of complete Intelligent Transportation Systems (ITS).
- Q-Free is headquartered in Trondheim, Norway, but has offices in 17 additional countries. The offices comprise approximately 415 employees.
  - Largest region is Europe and Latin America (43% of revenue), followed by North America (28%), Nordic region (17%) and Asia Pacific, Middle East and Africa (9%)
- The solutions provided are illustrated on the left. Tolling is the most important area, contributing 62% of 2017 revenue.
  - In Norway, Tolling and parking are the two main solutions. Tolling is mainly associated with electronic toll solutions that enables pre or post payments. The solutions are customizable to include price differentiation and improve traffic flow and environmental impact.
  - Parking solutions use real time monitoring of the availability of parking spaces and their location.

## Business overview | Group structure

Q-Free will carve-out the Norwegian based operations from Q-Free ASA by a “drop-down”-demerger to a new subsidiary, Q-Free Norge AS



### Changes to group structure

1. In the demerger, all assets and liabilities related to the Norwegian based operations from Q-Free ASA are transferred to an interim newco (“Q-Free Tolling AS”).
2. Q-Free Norge AS is established as a newco owned by Q-Free ASA.
3. The interim newco is merged with Q-Free Norge AS.

According to the Norwegian Tax Act, the share capital of Q-Free ASA has to be reduced according to relative share of fair value in the demerger.



# Valuation

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# Valuation | Historical financials

Q-Free delivered a large project in Slovenia in FY17, leading to a significant increase in revenues and margins compared to previous years

## Q-Free Norge AS - Historical income statement

NOKm	FY15	FY16	FY17	1H18
<b>Revenues</b>	<b>352.7</b>	<b>420.0</b>	<b>496.1</b>	<b>170.0</b>
Cost of goods sold	(141.4)	(128.6)	(139.2)	(42.2)
Contractors	(23.7)	(64.5)	(61.8)	(25.4)
<b>Gross profit</b>	<b>187.6</b>	<b>226.9</b>	<b>295.1</b>	<b>102.5</b>
Salaries, wages etc	(97.8)	(95.3)	(104.8)	(47.2)
External services	(21.9)	(14.7)	(14.4)	(6.6)
Travel expenses	(13.4)	(11.5)	(11.0)	(3.8)
Offices supplies	(21.8)	(21.1)	(21.9)	(10.9)
Insurance	(3.0)	(4.6)	(3.3)	(1.5)
Freight	(0.3)	(0.2)	(0.3)	(0.1)
Rent machinery & tools	(3.3)	(2.1)	(1.2)	(0.6)
Marketing / promotions	(6.6)	(7.8)	(6.0)	(2.1)
Service & Maintenance	(0.1)	(0.2)	(0.1)	(0.0)
Operating materials	(5.3)	(4.7)	(4.8)	(2.2)
Bad debt losses	(0.3)	2.8	(0.4)	-
Other OPEX	(10.9)	(10.1)	(17.8)	(13.5)
<b>Total fixed costs</b>	<b>(184.9)</b>	<b>(169.5)</b>	<b>(186.3)</b>	<b>(88.6)</b>
<b>EBITDA</b>	<b>2.7</b>	<b>57.4</b>	<b>108.9</b>	<b>13.9</b>
Depreciation and amortisation	(36.1)	(17.4)	(20.2)	(8.7)
<b>EBIT</b>	<b>(33.3)</b>	<b>40.1</b>	<b>88.7</b>	<b>5.2</b>
Growth in Revenues	n/a	19.1%	18.1%	n/a
Gross-margin	53.2%	54.0%	59.5%	60.3%
EBITDA-margin	0.8%	13.7%	21.9%	8.2%
EBIT-margin	(9.5%)	9.5%	17.9%	3.0%

Source: Management information

## Historical P&L

Pro forma historical P&L has been provided by Management to illustrate the operations transferred to Q-Free Norge AS on a standalone basis. Note that 1H18 contains actual numbers for January – May and forecast for June.

- Revenues for Q-Free Norge AS consist of income from the Norwegian market, which is mostly from tolling stations, in addition to projects and services delivered to other countries by the main office in Norway.
  - Tolling revenue in Norway decreased last year, however global revenue was up 11% from FY16 to FY17, driven by more revenues from tolling, infomobility, urban and inter-urban, partly offset by decreasing in parking.
  - In FY17, and partly in the end of FY16 and beginning of FY18, there have been extraordinarily large revenues from delivery of a large nationwide truck-tolling system in Slovenia (largest project for Q-Free to this date).
- Cost of goods sold (COGS) consists mainly of material and parts for products while contractors are the use of external consultants or personnel from other subsidiaries.
- Opex have remained fairly stable from FY15 to FY17, implying high growth in EBIT and EBITDA-margins. Management comments that the business is scalable as a high share of these costs are relatively fixed regardless of income.
- The reduction in 1H18 run-rate revenues is mainly due to reduced income from the Slovenia project.



# Valuation | Balance sheet

Assets and liabilities related to the Norwegian based operations will be transferred to Q-Free Norge AS (1/2)

## Q Free - Balance sheet and mapping

## Demerger

NOKm	Note	Q-Free ASA		Demerger		Q-Free Norge AS BS Mapping 30.06.18E			
		31.12.17	30.06.18E	Q-Free ASA 30.06.18E	Q-Free Norge AS 30.06.18E	NWC	NIBD	Non-op.	Other
Deferred tax asset	1	-	-	-	-	-	-	-	-
Product development costs		55.3	62.2	-	62.2	-	-	-	62.2
Machinery, fixture & fittings	2	11.1	11.9	-	11.9	-	-	-	11.9
Investment in subsidiaries	3	299.3	299.3	299.3	-	-	-	-	-
Loans to group companies	4	211.4	244.2	244.2	-	-	-	-	-
Investments in other companies		0.4	0.4	0.4	-	-	-	-	-
<b>Non-current assets</b>		<b>577.5</b>	<b>618.0</b>	<b>543.8</b>	<b>74.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74.2</b>
Inventories		12.4	13.2	-	13.2	13.2	-	-	-
Work in progress		200.7	34.1	-	34.1	34.1	-	-	-
Account receivables		22.8	36.1	-	36.1	36.1	-	-	-
Receivables group companies	5	108.9	89.7	1.7	88.0	88.0	-	-	-
Other current assets		4.6	4.4	-	4.4	4.4	-	-	-
Cash		-	-	-	-	-	-	-	-
<b>Current assets</b>		<b>349.4</b>	<b>177.5</b>	<b>1.7</b>	<b>175.8</b>	<b>175.8</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>		<b>926.9</b>	<b>795.5</b>	<b>545.5</b>	<b>249.9</b>	<b>175.8</b>	<b>-</b>	<b>-</b>	<b>74.2</b>
Share capital		33.9	33.9	-	-	-	-	-	-
Share premium		578.3	578.3	-	-	-	-	-	-
Other paid in capital		20.7	20.7	-	-	-	-	-	-
Uncovered loss / retained earnings		(167.1)	(176.4)	-	-	-	-	-	-
<b>Total equity</b>		<b>465.8</b>	<b>456.5</b>	<b>333.0</b>	<b>123.5</b>	<b>63.9</b>	<b>(14.6)</b>	<b>-</b>	<b>74.2</b>
Debt to financial institutions		125.0	100.0	100.0	-	-	-	-	-
Other non-current liabilities	6	15.3	14.6	-	14.6	-	14.6	-	-
Loans from group companies		32.1	35.9	35.9	-	-	-	-	-
<b>Long-term interest-bearing debt</b>		<b>172.4</b>	<b>150.4</b>	<b>135.9</b>	<b>14.6</b>	<b>-</b>	<b>14.6</b>	<b>-</b>	<b>-</b>
Debt to financial institutions		127.1	45.1	45.1	-	-	-	-	-
Accounts payable		50.2	35.3	-	35.3	35.3	-	-	-
Debt to group companies	7	38.2	45.6	21.4	24.2	24.2	-	-	-
Tax payables		-	(1.3)	(1.3)	-	-	-	-	-
Public duties payable		8.3	4.8	4.8	-	-	-	-	-
Other short term debt	8	64.9	59.1	6.8	52.3	52.3	-	-	-
<b>Short-term debt/ Current debt</b>		<b>288.7</b>	<b>188.5</b>	<b>76.7</b>	<b>111.8</b>	<b>111.8</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity and liabilities</b>		<b>926.9</b>	<b>795.5</b>	<b>545.5</b>	<b>249.9</b>	<b>175.8</b>	<b>-</b>	<b>-</b>	<b>74.2</b>

## Balance sheet split

The split of assets and liabilities between Q-Free ASA and newco Q-Free Norge AS has been provided by the Management of Q-Free.

- Q-Free ASA has not capitalised deferred tax asset (including value of tax loss carried forward, NOKm 97.6 at year end FY17) as it is uncertain if and when it will be utilised. See appendix 6 for more information.
- Consists mainly of production lines, IT infrastructure and furnishing which are assumed to follow Q-Free Norge AS
- Investments in subsidiaries are assumed to be owned by the holding company, Q-Free ASA.
- Consists of loans to subsidiaries, where the largest one is NOKm 155.6 to Q-Free America related to acquisition of other companies.
- The receivables related to operations are to follow Q-Free Norge AS, while the part related to interest on loans to group companies (NOKm 1.7) are to stay in Q-Free ASA.
- Relates to future cost of changing from defined benefit to defined contribution pension scheme and is assumed to follow the employees.



# Valuation | Balance sheet

Assets and liabilities related to the Norwegian based operations will be transferred to Q-Free Norge AS (2/2)

## Q Free - Balance sheet and mapping

## Demerger

NOKm	Note	Q-Free ASA		Demerger		Q-Free Norge AS BS Mapping 30.06.18E			
		31.12.17	30.06.18E	Q-Free ASA 30.06.18E	Q-Free Norge AS 30.06.18E	NWC	NIBD	Non-op.	Other
Deferred tax asset	1	-	-	-	-	-	-	-	-
Product development costs		55.3	62.2	-	62.2	-	-	-	62.2
Machinery, fixture & fittings	2	11.1	11.9	-	11.9	-	-	-	11.9
Investment in subsidiaries	3	299.3	299.3	299.3	-	-	-	-	-
Loans to group companies	4	211.4	244.2	244.2	-	-	-	-	-
Investments in other companies		0.4	0.4	0.4	-	-	-	-	-
<b>Non-current assets</b>		<b>577.5</b>	<b>618.0</b>	<b>543.8</b>	<b>74.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74.2</b>
Inventories		12.4	13.2	-	13.2	13.2	-	-	-
Work in progress		200.7	34.1	-	34.1	34.1	-	-	-
Account receivables		22.8	36.1	-	36.1	36.1	-	-	-
Receivables group companies	5	108.9	89.7	1.7	88.0	88.0	-	-	-
Other current assets		4.6	4.4	-	4.4	4.4	-	-	-
Cash		-	-	-	-	-	-	-	-
<b>Current assets</b>		<b>349.4</b>	<b>177.5</b>	<b>1.7</b>	<b>175.8</b>	<b>175.8</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>		<b>926.9</b>	<b>795.5</b>	<b>545.5</b>	<b>249.9</b>	<b>175.8</b>	<b>-</b>	<b>-</b>	<b>74.2</b>
Share capital		33.9	33.9	-	-	-	-	-	-
Share premium		578.3	578.3	-	-	-	-	-	-
Other paid in capital		20.7	20.7	-	-	-	-	-	-
Uncovered loss / retained earnings		(167.1)	(176.4)	-	-	-	-	-	-
<b>Total equity</b>		<b>465.8</b>	<b>456.5</b>	<b>333.0</b>	<b>123.5</b>	<b>63.9</b>	<b>(14.6)</b>	<b>-</b>	<b>74.2</b>
Debt to financial institutions		125.0	100.0	100.0	-	-	-	-	-
Other non-current liabilities	6	15.3	14.6	-	14.6	-	14.6	-	-
Loans from group companies		32.1	35.9	35.9	-	-	-	-	-
<b>Long-term interest-bearing debt</b>		<b>172.4</b>	<b>150.4</b>	<b>135.9</b>	<b>14.6</b>	<b>-</b>	<b>14.6</b>	<b>-</b>	<b>-</b>
Debt to financial institutions		127.1	45.1	45.1	-	-	-	-	-
Accounts payable		50.2	35.3	-	35.3	35.3	-	-	-
Debt to group companies	7	38.2	45.6	21.4	24.2	24.2	-	-	-
Tax payables		-	(1.3)	(1.3)	-	-	-	-	-
Public duties payable		8.3	4.8	4.8	-	-	-	-	-
Other short term debt	8	64.9	59.1	6.8	52.3	52.3	-	-	-
<b>Short-term debt/ Current debt</b>		<b>288.7</b>	<b>188.5</b>	<b>76.7</b>	<b>111.8</b>	<b>111.8</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity and liabilities</b>		<b>926.9</b>	<b>795.5</b>	<b>545.5</b>	<b>249.9</b>	<b>175.8</b>	<b>-</b>	<b>-</b>	<b>74.2</b>

## Balance sheet split

- NOKm 21.4 is debt to Q-Free Netherlands and Q-Free Brazil and owed interest will remain in Q-Free ASA. NOKm 24.2 relates to accounts payable to group companies, and is considered as NWC.
- Mainly consists of accrued expenses for salary, holiday pay and others. The part related to holiday pay, interest on a bank loan and board remuneration (NOKm 6.8) will remain in Q-Free ASA, while the other items is assumed to be transferred to Q-Free Norge AS.

## Balance sheet mapping

- As basis for our valuation, the estimated balance sheet of the carved-out Q-Free Norge AS is split into Net Working Capital, Net Debt and other items.



# Valuation | Prognosis

Forecasted income statement is based on management's assumptions

## Q-Free Norge AS - Forecasted income statement

NOKm	2H18	FY18	FY19	FY20	FY21	FY22
<b>Revenues</b>	<b>159.7</b>	<b>329.7</b>	<b>366.0</b>	<b>406.2</b>	<b>450.9</b>	<b>500.5</b>
Cost of goods sold	(50.9)	(93.0)	(103.2)	(114.6)	(127.2)	(141.2)
Contractors	(22.7)	(48.1)	(53.4)	(59.3)	(65.8)	(73.1)
<b>Gross profit</b>	<b>86.1</b>	<b>188.5</b>	<b>209.3</b>	<b>232.3</b>	<b>257.8</b>	<b>286.2</b>
Salaries, w ages etc	(62.4)	(109.7)	(116.9)	(124.6)	(132.9)	(141.6)
External services	(3.6)	(10.3)	(10.5)	(10.8)	(11.1)	(11.3)
Travel expenses	(5.6)	(9.4)	(9.6)	(9.9)	(10.1)	(10.4)
Offices supplies	(11.3)	(22.1)	(22.7)	(23.2)	(23.8)	(24.4)
Insurance	(1.4)	(2.9)	(3.0)	(3.1)	(3.1)	(3.2)
Freight	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
Rent machinery & tools	(1.1)	(1.7)	(1.8)	(1.9)	(2.0)	(2.1)
Marketing / promotions	(4.4)	(6.6)	(6.9)	(7.2)	(7.6)	(8.0)
Service & Maintenance	(2.8)	(2.8)	(3.0)	(3.1)	(3.3)	(3.4)
Operating materials	(3.3)	(5.5)	(5.8)	(6.1)	(6.4)	(6.7)
Bad debt losses	-	-	-	-	-	-
Other OPEX	(5.2)	(18.7)	(19.2)	(19.6)	(20.1)	(20.6)
<b>Total fixed costs</b>	<b>(101.3)</b>	<b>(189.9)</b>	<b>(199.6)</b>	<b>(209.8)</b>	<b>(220.6)</b>	<b>(232.1)</b>
<b>EBITDA</b>	<b>(15.2)</b>	<b>(1.4)</b>	<b>9.7</b>	<b>22.5</b>	<b>37.2</b>	<b>54.1</b>
Depreciation and amortisation	(13.0)	(21.7)	(22.2)	(22.8)	(23.3)	(23.9)
<b>EBIT</b>	<b>(28.2)</b>	<b>(23.1)</b>	<b>(12.5)</b>	<b>(0.3)</b>	<b>13.9</b>	<b>30.2</b>
Grow th in Revenues	n/a	(33.5%)	11.0%	11.0%	11.0%	11.0%
Gross-margin	53.9%	57.2%	57.2%	57.2%	57.2%	57.2%
EBITDA-margin	(9.6%)	(0.4%)	2.6%	5.5%	8.3%	10.8%
EBIT-margin	(17.7%)	(7.0%)	(3.4%)	(0.1%)	3.1%	6.0%

Source: Management information

## Assumptions for the forecast period

Forecasts are based on FY18 budget and annual growth rates for revenues and costs FY19 – FY22. Please refer to appendix 2 for more details.

- FY18 budget:
  - Management has provided budget for FY18 in which they assume a significant reduction of 34% in revenues compared to FY17. The reduction is due to less revenue from the Slovenia project which had a large impact on FY17 revenue. COGS is expected to decrease almost as much as revenue, however total fixed costs have remained stable.
- FY19-FY22 forecast:
  - Revenue is assumed to increase by 11% each year. This is in line with the expected growth in the ITS-market according to market analyses by Grand View Research and Radiant Insights.
  - COGS and costs for contractors are expected to increase similarly, implying a constant gross margin.
  - Salaries are expected to increase with inflation, but due to annual increase of staff by 4%, salaries are expected to increase by almost 7%.
  - External services, travel expenses, offices supplies, insurance, freight and other opex are assumed to increase by inflation (2.5%).
  - Rent of machinery & tools, marketing / promotions, service and maintenance and operating materials are expected to increase by 5% as it is more dependent on revenues.
  - There are not expected any losses on bad debt.
  - Average NWC in percentage of LTM revenue from 1Q17 to 2Q18 (excluding effect of the Slovenia project) , was 12.6%, which we have assumed is the normalised level going forward.
  - Capex is assumed to grow by inflation (2.5% from FY18 to FY22).

The prognosis assumes that 80% of estimated overhead costs in Q-Free ASA post demerger, approx. NOKm 8, will be charged to Q-Free Norge AS. This adjustment is also reflected in the pro forma historical P&L figures provided by management.



# Valuation | DCF

EV of NOKm 328 based on DCF approach

## Q-Free Norge AS - DCF

NOKm	FY16	FY17	YTD18	YTG18	FY19	FY20	FY21	FY22	TV (23)
EBIT	40.1	88.7	5.2	(28.2)	(12.5)	(0.3)	13.9	30.2	31.0
Tax	(9.2)	(20.4)	(1.2)	6.5	2.9	0.1	(3.2)	(7.0)	(7.1)
NOPLAT	30.8	68.3	4.0	(21.7)	(9.6)	(0.2)	10.7	23.3	23.9
Depreciation	17.4	20.2	8.7	13.0	22.2	22.8	23.3	23.9	24.5
Capex	(22.0)	(18.6)	(15.7)	(3.3)	(19.5)	(20.0)	(20.5)	(21.0)	(24.5)
Δ NWC	-	57.2	5.4	(11.2)	(4.6)	(5.1)	(5.6)	(6.2)	(1.6)
Free cash flow (FCF)	26.2	127.1	2.3	(23.3)	(11.5)	(2.5)	7.9	19.9	22.3
Period				0.3	1.0	2.0	3.0	4.0	
Discount rate				1.0	0.9	0.9	0.8	0.8	
Present value FCF				(22.9)	(10.7)	(2.2)	6.4	15.0	
<b>Sum CF</b>									
Present value FCF	(14.4)								
Terminal value	341.9								
<b>Enterprise value (EV)</b>	<b>327.5</b>								
		<b>Share CF</b>							
		(4.4%)							
		104.4%							

## DCF assumptions

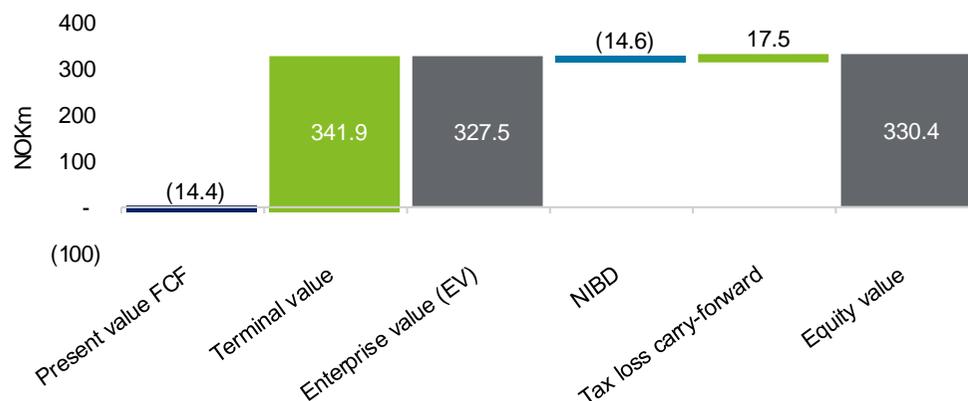
- Projected cash flows are based on management's assumptions for the prognosis period.
- NWC is assumed to equal 12.6% of LTM revenue, which is the quarterly average for 1QFY17 to 2QFY18. Please refer to appendix 5 for more details.
- Capex is assumed to equal Capex level in FY17 and increase with inflation of 2.5% subsequently.
- The future cash flows are discounted by the estimated Weighted Average Cost of Capital (WACC) of 7.4%.
- Growth in cash flows after FY22 is assumed to stabilise at 2.5% (long term inflation rate).
- Terminal value is calculated as net present value of future cash flows using the Gordon's growth formula.



## Valuation | DCF

Equity value is estimated to NOKm 330 with a value range of NOKm 310 – NOKm 350 based on the DCF-approach

### EV to Equity bridge



Source: Management information

### Equity sensitivity

		% Δ EBITDA-margin				
		(2.0%)	(1.0%)	-	1.0%	2.0%
Δ WACC	(1.0%)	261.6	322.4	344.0	423.2	502.3
	(0.5%)	256.0	315.8	337.1	414.9	492.7
	-	250.6	309.3	330.4	406.9	483.4
	0.5%	245.2	303.0	323.9	399.1	474.3
	1.0%	240.0	296.9	317.4	391.4	465.3

### Equity value based on DCF

- Due to the negative estimated cash flows in the beginning of the prognosis period, the present value of cash flows in the explicit prognosis period is negative. However, the strong recovery towards the end of the prognosis period is what drives the enterprise value through the terminal value.
- To derive the equity value, we adjust for NIBD, tax loss carry forward and potentially a demerger receivable.
  - NIBD of NOKm 14.6 which is a liability related to changing from defined benefit to defined contribution pension scheme. Please refer to the balance sheet mapping for more details.
  - Tax loss carryforward is related to the Norwegian entity and 46,5% is assumed to follow Q-Free Norge AS based on the valuation ratio. We have adjusted for the present value of future estimated tax savings. Please refer to appendix 6 for more details.
- A part of the Q-Free business is volatile in nature, depending on public tenders and large public and private contracts. Thus, the future forecasts have some inherent risks/uncertainties (both upside and downside). The lower table illustrates the equity value's sensitivity for changes in the EBITDA-margin after FY22 and changes to the WACC.



# Valuation | Relative valuation

Relative valuation yields an equity value in the range of NOKm 337 and NOKm 521

## Q-Free Norge AS - Multiple valuation

NOKm	FY17	FY18	FY19
<i>Trading multiples: peer group</i>			
EBITDA	108.9	(1.4)	9.7
Observed EV/EBITDA	10.4x	8.9x	8.5x
<b>Estimated EV</b>	<b>1,131.3</b>	<b>(12.4)</b>	<b>82.5</b>
EV to equity adjustments	2.9	2.9	2.9
<b>Equity value</b>	<b>1,134.3</b>	<b>-</b>	<b>85.4</b>

### *Trading multiples: peer group*

EBIT	88.7	(23.1)	(12.5)
Observed EV/EBIT	13.8x	12.7x	11.9x
<b>Estimated EV</b>	<b>1,224.8</b>	<b>(293.5)</b>	<b>(149.3)</b>
EV to equity adjustments	2.9	2.9	2.9
<b>Equity value</b>	<b>1,227.7</b>	<b>-</b>	<b>-</b>

### *Trading multiples: peer group*

Sales	496.1	329.7	366.0
Observed EV/Sales	1.5x	1.5x	1.4x
<b>Estimated EV</b>	<b>722.4</b>	<b>482.3</b>	<b>517.7</b>
EV to equity adjustments	2.9	2.9	2.9
<b>Equity value</b>	<b>725.4</b>	<b>485.2</b>	<b>520.6</b>

Source: Management information

### *Trading multiples: Q-Free ASA*

Sales	496.1	329.7	366.0
Observed EV/Sales	1.0x	1.1x	0.9x
<b>Estimated EV</b>	<b>499.5</b>	<b>347.2</b>	<b>334.3</b>
EV to equity adjustments	2.9	2.9	2.9
<b>Equity value</b>	<b>502.4</b>	<b>350.1</b>	<b>337.3</b>

Source: Management information

## Trading multiples

- We have established a peer group of comparable companies for Q-Free. The peer group consists of companies within infrastructure and ITS technology industries. Please refer to appendix 3 for more information.
- We have considered EV/EBITDA, EV/EBIT and EV/Sales multiples for FY17, FY18 and FY19. Revenues and earnings in FY17 are considered extraordinary high. The FY17 multiples all indicate a higher value for Q-Free Norge AS than the Market Cap for Q-Free ASA, which is not reasonable. In addition, as the results are negative or very low in FY18 and FY19, the EV/EBIT and EV/EBITDA multiples are not suited. Hence, we mainly base our multiple valuation on the FY18 and FY19 EV/Sales multiples.
- We note that peers are expected to achieve higher margins than Q-Free ASA going forward, which explains a higher valuation when employing an EV/Sales multiple for the peer group. We consider Q-Free ASA's EV/Sales multiples to be more relevant than the peer group. Please refer to appendix 3 for more details.



# Appendices

Mandate and Executive summary	3
Business overview	6
Valuation	9
Appendices	17



# Appendices | A1: Valuation methodology

## Methodology

	Description	Advantages	Disadvantages	Valuation principles																																
Discounted cash flow (DCF)	<ul style="list-style-type: none"> <li>Indicative valuation based on company prognosis</li> <li>Future cash flow is used to calculate the present value of the assets, adjusted for risk and time value of money.</li> </ul>	<ul style="list-style-type: none"> <li>Assessment of important value driving factors, such as growth, margins and investments.</li> <li>Calculating the value of operations with the ability of scenario analyzes</li> </ul>	<ul style="list-style-type: none"> <li>The need for refined input</li> <li>Sensitive to small changes in assumptions</li> <li>Substantial part of the value in the terminal period</li> </ul>	<p>FCFF</p> <p>Illustrative</p>																																
Comparable listed companies (Peer-group)	<ul style="list-style-type: none"> <li>Indicative value based on trading multiples (like i.e. EV / EBITDA and EV / EBIT) of comparable companies</li> <li>Focus on expected profit in current year and the next year</li> </ul>	<ul style="list-style-type: none"> <li>What is the stock market willing to pay for a minority interest in companies with similar characteristics?</li> <li>Simple basis for discussion in a transaction</li> </ul>	<ul style="list-style-type: none"> <li>Sensitive to individual events and accounting principles</li> <li>The need for a correct market price</li> <li>No fundamental analysis</li> </ul>	<p>EBITDA</p> <p>Illustrative</p>																																
Comparable transactions	<ul style="list-style-type: none"> <li>Indicative value based on multiples (like i.e. EV / EBITDA and EV / EBIT) of comparable transactions</li> <li>Focus on expected profit in current year and the next year</li> </ul>	<ul style="list-style-type: none"> <li>What would buyers in other transactions pay for a majority stake in a similar company or industry?</li> <li>Includes premium to obtain control of the company</li> </ul>	<ul style="list-style-type: none"> <li>Typically based on historical accounting numbers, while transactions probably is valued based on future performance</li> </ul>																																	
Adjusted balance sheet	<ul style="list-style-type: none"> <li>Book values of all assets and liabilities as at the valuation date are replaced by their estimated market values</li> <li>Any positive or negative excess values are adjusted for relevant taxes and reflected in an adjusted equity value</li> </ul>	<ul style="list-style-type: none"> <li>The method is relevant for companies whose assets are subject to regular trading and where observable market prices exist, as well as in cases of liquidation</li> </ul>	<ul style="list-style-type: none"> <li>Does not reflect value inherent in workforce, market position, customer relationships etc.</li> </ul>	<p>Illustrative</p> <table border="1"> <thead> <tr> <th></th> <th>BV</th> <th>Adj.</th> <th>FV</th> </tr> </thead> <tbody> <tr> <td>Fixed assets</td> <td>100</td> <td>10</td> <td>110</td> </tr> <tr> <td>Current assets</td> <td>50</td> <td>(5)</td> <td>45</td> </tr> <tr> <td><b>Total assets</b></td> <td><b>150</b></td> <td><b>5</b></td> <td><b>155</b></td> </tr> <tr> <td>Equity</td> <td>75</td> <td>4</td> <td>79</td> </tr> <tr> <td>LT liabilities</td> <td>60</td> <td></td> <td>60</td> </tr> <tr> <td>ST liabilities</td> <td>15</td> <td>1</td> <td>16</td> </tr> <tr> <td><b>Total equity &amp; liab.</b></td> <td><b>150</b></td> <td><b>5</b></td> <td><b>155</b></td> </tr> </tbody> </table>		BV	Adj.	FV	Fixed assets	100	10	110	Current assets	50	(5)	45	<b>Total assets</b>	<b>150</b>	<b>5</b>	<b>155</b>	Equity	75	4	79	LT liabilities	60		60	ST liabilities	15	1	16	<b>Total equity &amp; liab.</b>	<b>150</b>	<b>5</b>	<b>155</b>
	BV	Adj.	FV																																	
Fixed assets	100	10	110																																	
Current assets	50	(5)	45																																	
<b>Total assets</b>	<b>150</b>	<b>5</b>	<b>155</b>																																	
Equity	75	4	79																																	
LT liabilities	60		60																																	
ST liabilities	15	1	16																																	
<b>Total equity &amp; liab.</b>	<b>150</b>	<b>5</b>	<b>155</b>																																	



## Appendices | A2: Prognosis assumptions

Growth rates for the separate items in the financial statement, according to Management's assumptions

### Management's assumptions

NOKm	FY18B	FY19	FY20	FY21	FY22
Growth revenues	(33.5%)	11.0%	11.0%	11.0%	11.0%
<u>COGS assumptions:</u>					
Cost of Goods Sold	(33.2%)	11.0%	11.0%	11.0%	11.0%
Contractors	(22.1%)	11.0%	11.0%	11.0%	11.0%
<u>Total fixed costs</u>					
Growth FTEs		4.0%	4.0%	4.0%	4.0%
Salary increases		2.5%	2.5%	2.5%	2.5%
Total growth salaries and wages	4.7%	6.6 %	6.6 %	6.6 %	6.6 %
External services	(28.9%)	2.5%	2.5%	2.5%	2.5%
Travel expenses	(15.0%)	2.5%	2.5%	2.5%	2.5%
Offices supplies	0.7%	2.5%	2.5%	2.5%	2.5%
Insurance	(12.7%)	2.5%	2.5%	2.5%	2.5%
Freight	(19.6%)	2.5%	2.5%	2.5%	2.5%
Rent machinery & tools	42.0%	5.0%	5.0%	5.0%	5.0%
Marketing / promotions	8.8%	5.0%	5.0%	5.0%	5.0%
Service & Maintenance	3,619%	5.0%	5.0%	5.0%	5.0%
Operating materials	14.4%	5.0%	5.0%	5.0%	5.0%
Bad debt losses	(100.0%)	11.0%	11.0%	11.0%	11.0%
Other OPEX	-	-	-	-	-
NWC in % of LTM revenue	12.6%	12.6%	12.6%	12.6%	12.6%
Capex growth	2.5%	2.5%	2.5%	2.5%	2.5%



## Appendices | A3: Relative valuation

Comparable listed companies are trading at EV/Sales multiples of 1.4x to 1.5x, however Q-Free ASA is trading from 0.9x to 1.1x due to lower expected margins compared to peers

Name	Market Cap (NOKm)	Enterprise Value (NOKm)	EV/Sales				EV/EBITDA				EV/EBIT				EBITDA - Margin			
	30.06.2018	30.06.2018	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
Kapsch TrafficCom AG	4,478	4,221	0.7x	0.6x	0.6x	0.6x	6.6x	6.7x	6.3x	6.1x	8.5x	9.1x	8.0x	7.6x	11 %	9 %	10 %	10 %
Indra Sistemas, S.A.	18,662	24,514	0.8x	0.9x	0.8x	0.8x	11.0x	8.7x	8.0x	7.4x	12.7x	12.2x	10.6x	9.8x	7 %	10 %	10 %	11 %
Thales S.A.	219,272	193,620	1.2x	1.3x	1.1x	1.0x	10.4x	10.1x	8.5x	7.6x	13.8x	12.7x	10.6x	9.5x	12 %	13 %	13 %	14 %
Ingenico Group - GCS	45,406	59,646	2.4x	2.3x	2.2x	2.0x	12.0x	11.8x	10.7x	9.7x	15.2x	13.6x	12.5x	11.3x	20 %	20 %	20 %	21 %
Safran SA	422,478	408,144	2.4x	2.1x	2.0x	1.9x	11.3x	12.1x	10.5x	9.3x	14.4x	16.1x	13.7x	11.7x	22 %	18 %	19 %	20 %
Abertis Infraestructuras, S.A.	158,170	301,831	6.0x	5.9x	5.7x	5.9x	8.8x	8.8x	8.4x	8.7x	14.8x	14.5x	13.7x	14.2x	68 %	67 %	68 %	68 %
Sensys Gatso Group AB (publ)	1,007	1,033	3.5x	3.3x	2.6x	2.1x	-39.9x	69.5x	15.4x	10.1x	-18.9x	-45.4x	21.4x	14.6x	-9 %	5 %	17 %	21 %
VINCI SA	442,116	587,957	1.5x	1.5x	1.4x	1.4x	8.9x	8.9x	8.5x	8.2x	13.1x	12.6x	11.9x	11.4x	16 %	16 %	17 %	17 %
Atlantia S.p.A.	188,197	312,029	5.1x	5.4x	5.2x	4.9x	8.9x	8.7x	7.6x	7.1x	12.8x	12.3x	11.0x	10.2x	57 %	62 %	68 %	69 %
init innovation in traffic systems SE	1,635	1,845	1.4x	1.4x	1.3x	1.2x	14.5x	11.8x	9.6x	7.8x	21.5x	15.8x	12.4x	9.8x	10 %	12 %	13 %	15 %
<b>Median - Overall</b>			<b>1.5x</b>	<b>1.5x</b>	<b>1.4x</b>	<b>1.4x</b>	<b>10.4x</b>	<b>8.9x</b>	<b>8.5x</b>	<b>7.8x</b>	<b>13.8x</b>	<b>12.7x</b>	<b>11.9x</b>	<b>10.2x</b>	<b>16.3 %</b>	<b>16.4 %</b>	<b>17.0 %</b>	<b>20.3 %</b>
Q-Free ASA	703	964	1.0x	1.1x	0.9x	0.9x	14.2x	10.9x	7.2x	6.7x	18.2x	27.6x	11.2x	10.3x	7 %	10 %	13 %	13 %

Source: CapitalIQ

Note: Sensys Gatso Group AB (publ) is excluded from the peer group in the relative valuation due to extreme EV/EBITDA and EV/EBIT multiples in FY17 and FY18.



# Appendices | A4: WACC

An after-tax WACC of 7.4% is applied in the valuation

WACC calculation		
Assumptions		
Risk free interest rate	1.90 %	Norwegian 10Y government bond
Market risk premium	5.13 %	Damodaran
Marginal tax rate	23 %	Marginal tax rate
Cost of debt estimate	5.26 %	10Y Swap rate and premium of 0.03
Cost of debt after tax	4.05 %	
Peer group median capital structure (D/E)	0.37	Q-Free ASA D/E
Applied unlevered beta	0.69	Q-Free ASA Beta
Levered equity beta	0.89	
Market risk premium	5.13 %	
Beta of equity	0.89	
+/- Size / company-specific adjustment	2.2%	Deloitte/Erasmus University
<b>Cost of equity</b>	<b>8.7 %</b>	
<i>Equity to total capital</i>	<i>73 %</i>	
<b>Cost of debt after taxes</b>	<b>4.05 %</b>	
<i>Debt to total capital</i>	<i>27 %</i>	
WACC	7.41 %	
<b>WACC (rounded)</b>	<b>7.40 %</b>	

## Comments to WACC calculation

- As Q-Free ASA is listed, and is the most comparable company for the new company Q-Free Norge AS, we use Q-Free ASA's debt to equity-ratio and unlevered beta in the WACC-calculation.
- Note that we require a R-squared of at least 0.10 for a peer to be included in the WACC calculation. The companies marked in grey in the peer group section do not meet this criterion and are therefore not included in the calculation.
- We set the risk free interest rate to 1.90%, based on the Norwegian 10 year government bond.
- Cost of debt is the sum of the 10 year Norwegian swap rate as per 13.06.2018 at 2.26%, upon which we apply a cost of debt premium of 3%.
- The market risk premium is set to 5.13%, based on Damodaran per July 2017.
- The Size/company-specific adjustment is 2.2% in line with the Erasmus University study from April 2015 (Please refer to the end of appendix 4).
- **This suggests a WACC of 7.4% for Q-Free.**



## Appendices | A4: WACC

We apply a size premium equal to 2.2% in line with a Erasmus University study from April 2015

### Companies Ranked by Book Equity

Historical Equity Risk Premium: Average Since 1990  
Data for Year Ending December 31, 2013

Portfolio Rank by Size	Avg. Book Equity (in € millions)	Log of Avg. Book Equity	Sum Beta		Indicated CAPM Premium	Premium over CAPM	t-Value Premium over CAPM	Smoothed Premium over CAPM
			Beta (Sum Beta) Since '90	Arithmetic Avg. Risk Premium				
1 (big)	18,082.10	9.80	0.95	5.68%	4.59%	1.09%	–	0.93%
2	2,276.50	7.73	1.04	6.18%	5.03%	1.15%	-0.005	1.53%
3	1,129.40	7.03	1.04	6.17%	5.03%	1.14%	-0.016	1.48%
4	640.30	6.46	1.05	6.60%	5.08%	1.53%	0.165	1.42%
5	375.80	5.93	1.06	7.51%	5.12%	2.39%	0.638	1.39%
6	241.30	5.49	1.08	5.86%	5.22%	0.64%	-0.275	1.40%
7	164.00	5.10	1.05	6.71%	5.08%	1.64%	0.188	1.46%
8	114.50	4.74	1.01	6.06%	4.88%	1.18%	0.019	1.56%
9	83.40	4.42	1.00	6.52%	4.83%	1.69%	0.248	1.70%
10	59.60	4.09	0.99	6.31%	4.79%	1.53%	0.190	1.90%
11	41.10	3.72	0.99	7.72%	4.79%	2.94%	0.829	2.20%
12	28.50	3.35	0.98	9.43%	4.74%	4.69%	1.633	2.59%
13	19.60	2.98	0.98	7.76%	4.74%	3.02%	1.011	3.08%
14	13.90	2.63	1.05	6.91%	5.08%	1.84%	0.276	3.64%
15	7.50	2.01	1.05	9.14%	5.08%	4.07%	1.300	4.91%
16 (small)	2.60	0.97	1.38	15.27%	6.67%	8.60%	1.440	7.92%

### Premia over CAPM (Size Premia, $RP_s$ )

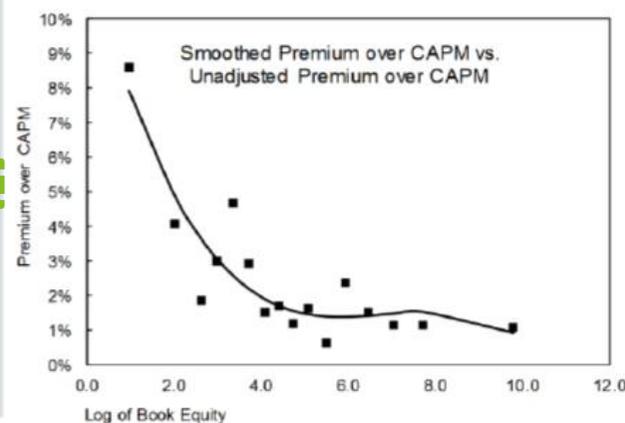
### Exhibit B-2

Equity Risk Premium Study: Data through December 31, 2013  
Data Smoothing with Regression Analysis  
Dependent Variable: Premium over CAPM  
Independent Variable: Log of Average Book Equity

#### Regression Output:

Intercept	11.925%
Log(Size)	-4.780%
Log(Size) <sup>2</sup>	0.710%
Log(Size) <sup>3</sup>	-0.034%
Adj. R <sup>2</sup>	76%

$$\text{Smoothed Premium} = 11.925\% - 4.780\% * \text{Log}(\text{Book Equity}) + 0.710\% * \text{Log}(\text{Book Equity})^2 - 0.034\% * \text{Log}(\text{Book Equity})^3$$



Source: A Study of Differences in Returns between Large and Small Companies in Europe, Erasmus University (April 2015)



## Appendices | A5: NWC

We estimate a normalised net working capital of 12.6% of LTM revenue (quarterly average for the last 6 quarters)

### Q-Free Norge AS - NWC

NOKm	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q4 18	Q4 19	Q4 20	Q4 21	Q4 22
LTM revenues				352.7	365.3	399.6	399.8	420.0	436.5	447.3	478.7	496.1	480.6	452.2	329.7	366.0	406.2	450.9	500.5
NWC	51.2	19.1	83.0	44.8	48.1	68.4	79.0	92.8	82.6	81.7	54.2	35.6	(10.6)	30.2	41.4	46.0	51.0	56.6	62.9
NWC in % of LTM revenue	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	12.7%	13.2%	17.1%	19.8%	22.1%	18.9%	18.3%	11.3%	7.2%	-2.2%	6.7%	12.6%	12.6%	12.6%	12.6%	12.6%
Change in NWC	<i>n/a</i>	(32.1)	64.0	(38.2)	3.3	20.3	10.6	13.8	(10.2)	(0.9)	(27.5)	(18.6)	(46.2)	40.8	11.2	4.6	5.1	5.6	6.2

### Comments to the calculation

- Note that both NWC and revenue is adjusted to exclude effects from the Slovenia project which increased NWC and revenues significantly from 4Q16 to 2Q18.



## Appendices | A6: Tax loss carry forward

Present value of tax loss carry forward is estimated to NOKm 17,5

### Q-Free Norge AS - Tax assessment

NOKm	FY16	FY17	1H18	2H18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
EBIT				(23,1)	(12,5)	(0,3)	13,9	30,2	30,8	31,5	32,1	32,7	33,4	34,1	34,7	35,4
Tax deficit IB				134,4	157,4	169,9	170,2	156,3	126,1	95,2	63,8	31,7	(1,0)	(34,4)	(68,5)	(68,5)
Utilized tax deficit				23,1	12,5	0,3	(13,9)	(30,2)	(30,8)	(31,5)	(32,1)	(32,7)	-	-	-	-
<b>Deficit carried forward</b>			<b>134,4</b>	<b>157,4</b>	<b>169,9</b>	<b>170,2</b>	<b>156,3</b>	<b>126,1</b>	<b>95,2</b>	<b>63,8</b>	<b>31,7</b>	<b>(1,0)</b>	<b>(1,0)</b>	<b>(34,4)</b>	<b>(68,5)</b>	<b>(68,5)</b>
Utilised tax loss carryforward (23% tax rate)				(5,3)	(2,9)	(0,1)	3,2	7,0	7,1	7,2	7,4	7,5	-	-	-	-
Period				0,3	1,0	2,0	3,0	4,0	5,0	6,0	7,0	8,0	9,0	10,0	11,0	12,0
Discount rate				1,0	0,9	0,9	0,8	0,7	0,7	0,6	0,6	0,5	0,5	0,5	0,4	0,4
Present value utilised tax loss carryforwards				(5,2)	(2,7)	(0,1)	2,5	5,1	4,8	4,6	4,3	4,1	-	-	-	-
<b>NPV tax loss carry forward</b>																<b>17,5</b>

Percentage of TLC to Q-Free AS	47%
Total deficit	288,8

### Comments to the calculation

- The tax loss carry forward in Q-Free ASA at 31.12.17 is NOKm 288.8
- We assume that the tax loss carry forward will be split between Q-Free Norge AS and Q-Free ASA in the same ratio that the equity value is distributed.
- Based on the EBIT prognosis, the tax loss carried forward will be fully utilized in FY29.
- Net present value of future tax savings is calculated applying WACC of 7.4% (same as in DCF), reducing value of tax loss carried forward from 23% (nominal tax rate) to 12,3% (effective tax rate).



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## RAPPORT FRA STYRET I Q-FREE ASA FOR FISJON OG TREKANTFUSJON

### 1 BEGRUNNELSE FOR FISJON OG TREKANTFUSJON

Styret i Q-Free ASA, org nr 935 487 242 ("**Q-Free**") anbefaler at selskapets generalforsamling vedtar fisjons- og fusjonsplan datert 30. juni 2018, utarbeidet av styrene i Q-Free Tolling AS (org nr 920 771 777), Q-Free Norge AS (org nr 920 771 793) og Q-Free.

Styret mener det vil skape større operasjonell og strategisk fleksibilitet om den operative virksomheten i Q-Free med tilhørende eiendeler, rettigheter og forpliktelser flyttes ned til et nystiftet datterselskap, Q-Free Norge AS.

### 2 JURIDISK FREMGANGSMÅTE

Fisjonen og trekantfusjonen foretas overensstemmende med reglene i allmennaksjeloven kapittel 13 og 14.

Først gjennomføres det en fisjon av Q-Free med overføring av eiendeler, rettigheter og forpliktelser til Q-Free's heleide datterselskap, Q-Free Tolling AS. Umiddelbart forut for fisjonen innløses samtlige aksjer Q-Free eier i Q-Free Tolling AS. Ved fisjonen nedsettes deretter aksjekapitalen i Q-Free ved reduksjon av aksjenes pålydende, og aksjeeierne i Q-Free mottar vederlag i form av nye aksjer i Q-Free Tolling AS ("**Fisjonen**").

Simultant med Fisjonen fusjoneres Q-Free Tolling AS med Q-Free ASAs heleide datterselskap Q-Free Norge AS. Dette innebærer at Q-Free Tolling AS' eiendeler, rettigheter og forpliktelser i sin helhet overføres fra Q-Free Tolling AS til Q-Free Norge. Q-Free Tolling AS oppløses ved trekantfusjonen, og aksjonærene i Q-Free Tolling AS mottar

## REPORT FROM THE BOARD OF DIRECTORS OF Q-FREE ASA FOR DEMERGER AND MERGER

### 1 REASON FOR THE DEMERGER AND MERGER

The board in Q-Free ASA, with company reg no 935 487 242 ("**Q-Free**"), recommends that the company's general meeting approves the demerger and merger plan dated 30 June 2018, prepared by the boards in Q-Free Tolling AS (reg no 920 771 777), Q-Free Norge AS (reg no 920 771 793) and Q-Free.

The board believes that the transfer of Q-Free's operating business activities together with associated assets, rights and obligations to a newly established subsidiary, Q-Free Norge AS, will be beneficial for Q-Free's operational and strategic flexibility.

### 2 LEGAL METHOD

The demerger and merger is carried out in accordance with the rules of the Norwegian Public limited liability act (the "**Public Companies Act**") chapter 13 and 14.

Firstly, Q-Free will be demerger through the transfer of assets, rights and obligations to Q-Free's wholly owned subsidiary, Q-Free Tolling AS. Immediately prior to the completion of the demerger, the share capital in Q-Free Tolling AS is reduced to zero, by redemption of all shares owned by Q-Free. The share capital in Q-Free is reduced through the demerger, and the shareholders in Q-Free will receive new shares in Q-Free Tolling AS as consideration (the "**Demerger**").

Simultaneously with the Demerger, Q-Free Tolling AS will be merged with Q-Free' wholly owned subsidiary, Q-Free Norge AS. By the merger, Q-Free Tolling AS's asset, rights and obligations as a whole will be transferred from Q-Free Tolling AS to Q-Free. Q-Free Tolling AS is dissolved through the merger. As consideration, the shareholders in Q-

vederlag i form av aksjer i Q-Free ASA ved oppskrivning av pålydende på aksjene i selskapet ("**Trekantfusjonen**").

Fisjonen og Trekantfusjonen vil være betinget av hverandre og skal gjennomføres simultant.

### **3 FASTSETTELSE AV VEDERLAGET OG BEGRUNNELSE FOR BYTTEFORHOLDET**

Vederlaget ved Fisjonen og Trekantfusjonen er fastsatt i samsvar med bestemmelsene i allmennaksjeloven kapittel 13 og 14.

Fastsettelsen av selskapets nettoverdier er basert på en verdivurdering foretatt 30. juni 2018 av Q-Frees ledelse og Deloitte. Ved verdivurderingen er det benyttet anerkjente verdsettelsesprinsipper og det er i hovedsak lagt vekt på forventet fremtidig inntjening.

Verdien av den utfisjonerte virksomheten utgjør ca. 46,5237 % (avrundet) av totalverdien i Q-Free. Dette forholdstallet er lagt til grunn ved nedsettelse av aksjekapitalen i Q-Free, jf. skatteloven § 11-8 første ledd. Kapitalforhøyelsen i Q-Free ASA ved Trekantfusjonen utgjør samme beløp.

Som følge av Fisjonen vil aksjekapitalen i Q-Free bli redusert med NOK 15.773.819,70, fra NOK 33.904.909,48 til NOK 18.131.089,78 ved at aksjenes pålydende reduseres med NOK 0,17679007491, fra NOK 0,38 til NOK 0,2032099251 pr aksje.

Som vederlag ved Trekantfusjonen mottar aksjonærene i Q-Free Tolling AS aksjer i Q-Free Norge AS' morselskap, Q-Free, ved at aksjekapitalen i Q-Free økes med totalt NOK 15.773.819,70, fra NOK 18.131.089,78 til NOK 33.904.909,48 ved økning av aksjenes pålydende med NOK 0,17679007491, fra NOK 0,2032099251 til NOK 0,38 pr aksje (som tilsvarende kapitalnedsettelsen ved Fisjonen). Ved at morselskapet Q-Free gjør opp vederlaget for Q-Free Norge AS, etableres det en fordring fra Q-

Free Tolling AS will receive shares in Q-Free, by an increase in the nominal value on the existing shares in the company (the "**Merger**").

The Demerger and the Merger will be conditional upon one another and shall be implemented simultaneously.

### **3 CONSIDERATION AND EXCHANGE RATION**

The consideration by the Demerger and Merger is determined in accordance with the Public Companies Act chapter 13 and 14.

The determination of the net value of the company is based on a valuation performed 30 June by Q-Free's management and Deloitte. The valuation is based on well-known valuation principles. Expected future earnings has been the main principle for the valuation.

The value of the demerged part of Q-Free constitutes approximately 46.5237% (rounded off) of the total value of Q-Free. This ratio is used for the capital decrease in Q-Free, cf. The Norwegian Tax Act section 11-8 first paragraph. By the Merger, the share capital in Q-Free will be increase with the same amount.

By the Demerger, the share capital in Q-Free will be decreased by NOK 15,773,819.70, from NOK 33,904,909.48 to NOK 18,131,089.78, by reducing the nominal value of the shares with BOK 0.17679007491, from NOK 0.38, to NOK 0.2032099251 per share.

As consideration by the Merger the shareholders in Q-Free Tolling AS will receive shares in Q-Free Norge AS' parent company, Q-Free, through an increase of the share capital with NOK 15,773,819.70, from NOK 18,131,089.78 to NOK 33,904,909.48, by increasing the nominal value of the shares with NOK 0.17679007491, from NOK 0.2032099251, to NOK 0.38 per share (equal to the reduction of the nominal amount on the shares in connection with the Demerger). As the merger consideration is settled by the parent company, Q-

Free (som kreditor) mot Q-Free Norge AS (som debitor).

Partene i Fisjonen og Trekantfusjonen mener bytteforholdene er rimelige og gir uttrykk for virkelig verdi på vedtakstidspunktet. Fastsettelse av vederlaget har ikke voldt spesielle vanskeligheter.

#### **4 SKATT**

Fisjonen og Trekantfusjonen vil ikke ha noen umiddelbare skattemessige konsekvenser for Q-Free, Q-Free Tolling AS og Q-Free Norge AS. Fisjonen og Trekantfusjonen medfører heller ingen umiddelbare skattemessig konsekvenser for Q-Free's aksjonærer som er skattemessig hjemmehørende i Norge, som beholder sine skattemessige inngangsverdier på aksjene.

#### **5 FISJONENS OG TREKANTFUSJONENS VIRKNING FOR DE ANSATTE**

Det er 116 ansatte i Q-Free. 3 av de ansatte er knyttet til konsernfunksjoner, og disse fortsetter sitt ansettelsesforhold i Q-Free. Det er ingen ansatte i Q-Free Tolling og Q-Free Norge.

De resterende 113 ansatte i Q-Free er tilknyttet den utfisjonerte virksomheten og vil således overføres til Q-Free Tolling og videre til Q-Free Norge ved Fisjonen og Trekantfusjonen. De ansatte som overføres vil fortsette sitt ansettelsesforhold i Q-Free Norge AS på sine gjeldende betingelser.

Hovedkonsekvensen for de ansatte som overføres fra Q-Free er at Q-Free Norge AS etter Fisjonen og Trekantfusjonen vil være den formelle arbeidsgiveren i stedet for Q-Free.

De ansatte vil bli informert om Fisjonen og Trekantfusjonen i henhold til arbeidsmiljølovens og allmennaksjeloven bestemmelser, annen relevant lovgivning og inngåtte avtaler.

Free, a receivable will be created between Q-Free (creditor) against Q-Free Norge AS (debtor).

The parties involved in the Demerger and Merger considers the exchange ratio as fair and consistent with the fair value at the date of the resolution. The assessment of the contribution has not entailed any specific difficulties.

#### **4 TAX**

The Demerger and Merger will not entail any immediate tax consequences for Q-Free, Q-Free Tolling AS and Q-Free Norge AS. Nor does the Demerger and Merger result in any immediate tax consequences for Q-Free's shareholders who are resident in Norway for tax purposes, who retain their tax input values on the shares.

#### **5 THE DEMERGER AND MERGER'S IMPLICATION FOR THE EMPLOYEES**

There are 116 employees in Q-Free. 3 of the employees are connected to the company's management, and these will continue to be employees in Q-Free. There are no employees in Q-Free Tolling AS and Q-Free Norge AS.

The remaining 113 employees in Q-Free are connected to the demerged part. Thus, these will be transferred to Q-Free Tolling AS, and then to Q-Free Norge AS by the Demerger and Merger. The transferred employees will continue their employment in Q-Free Norge AS, on current conditions.

The main consequence of the Demerger and Merger for the employees transferred from Q-Free, is that Q-Free Norge AS will be their new formal employer, instead of Q-Free.

The employees will be informed of the Demerger and Merger pursuant to the provisions of the Norwegian Working Environment Act, the Norwegian Public Limited Companies Act, other relevant legislation and existing agreements.

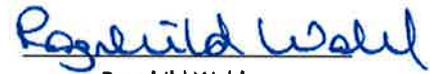
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\* \* \*

Trondheim, 30. juni 2018

Styret i Q-Free ASA

  
Trond Valvik

  
Ragnild Wahl

  
Rune Jøraandstad

  
Snorre Kjesbu

  
Olav Gulling

  
Ingeborg Molden Hegstad

  
Tore Valderhaug  
(Styreleder)