Quarterly Report
Second quarter 2012

CEO comments

We have identified an accessible global opportunity pipeline within our present core business in the range of NOK 5 – 15 billion for the next few years. We have not seen any reason to revise these numbers as planning activities continue to be high.

Our second quarter however, is characterised by an unfortunate combination of delays in the bigger projects and soft product sales. Consequently the financial results for the quarter are weak. We are currently absorbing a lot of project preparation cost, and continue to allocate resources enabling a future attractive strategic position, both with respect to market and portfolio. Many of the processes we are involved in are complex and time consuming. Deliveries and investments will vary between quarters, and we need to be financially robust to absorb these variations, which we are.

As the financing for the Jakarta project is further delayed, the key assumption for the financial targets for 2012 is not met. The project will represent a start of a new era for the company and form the basis for a company changing year, despite the delay in financial impact. In addition, the long term outlook is prosperous, with great opportunities in Indonesia and a strong pipeline in other markets.

The most important application areas in the Road User Charging (RUC) segment are currently:

- Fully Automated Free Flow Electronic Toll Collection
- Truck Tolling
- Congestion Charging

Q-Free has, as the only company in this market, relatively recently executed the most significant and advanced projects in all of these three application areas. This forms a strong basis for exploring similar cases going forward. Combined with continued focus on improving both offering and execution, this will secure long term positive development of the company.

Our planned organic growth will be fuelled by expansion into new geographical areas by extending our international setup, increase market share in existing markets, high quality deliveries and by ensuring that the company has access to the most cost efficient and high performance products and solutions.

In addition to the above mentioned factors, we will intensify our effort to position ourselves as a player in the Advanced Transportation Management System (ATMS) market. A new division focusing on ATMS only has been formed in Q-Free, and a dedicated and experienced management team has been put in place. In addition to enabling the company's growth ambitions, the ATMS business line will also make the company less dependent of the bigger project wins as the ATMS area will increase recurring business. Not at least this step is important, as ATMS and RUC are believed to converge in the future.

Q-Free has clear ambitions and plans for the next steps, and is well prepared and capable to absorb further profitable growth.

Thanks to all customers, employees, partners and shareholders for your strong commitment to Q-Free.

– Deliveries and investments will vary between quarters, and we need to be financially robust to absorb these variations, which we are.

Øyvind Isaksen
President and CEO

Highlights

- Revenues 114.2 MNOK, 44 % decrease compared to Q2-11.
- EBITDA (operating profit before depreciation) -10.3 MNOK, -9.0 % margin
- EBIT (operating profit) -22.8 MNOK, -20.0% margin
- Pretax profit -23.5 MNOK, -20.6 % margin
- Order intake 68 MNOK, - main contributor:

  15 MNOK tag order from Vinci Autoroutes, *France*.
- Order backlog 549 MNOK
- Cash position increased, - cash funds 391 MNOK at the end of Q2-12.

NOK 1.000	Q2 2012	Q2 2011	Q/Q-%	1H 2012	1H 2011	Y/Y-%		2011
Revenues	**114 230**	202 392	-43,6 %	**234 991**	372 534	-36,9 %		**704 912**
Gross profit	**67 769**	105 612	-35,8 %	**145 406**	186 197	-21,9 %		**405 590**
Gross margin - %	**59,3 %**	52,2 %	7,1 %	**61,9 %**	50,0 %	11,9 %		**57,5 %**
Operating expenses	**78 088**	78 475	-0,5 %	**153 540**	143 092	7,3 %		**303 731**
Operating profit - EBITDA	**-10 319**	27 137	-138,0 %	**-8 134**	43 104	-118,9 %		**101 859**
EBITDA margin	**-9,0 %**	13,4 %	-22,4 %	**-3,5 %**	11,6 %	-15,0 %		**14,4 %**
Depreciation, amortisation and impairment	**12 495**	10 855	15,1 %	**24 522**	21 703	13,0 %		**42 952**
Operating profit - EBIT	**-22 814**	16 282	-240,1 %	**-32 656**	21 402	-252,6 %		**58 907**
EBIT margin	**-20,0 %**	8,0 %	-28,0 %	**-13,9 %**	5,7 %	-19,6 %		**8,4 %**
Pretax profit	**-23 538**	14 015	-267,9 %	**-31 893**	18 048	-276,7 %		**54 916**
Profit margin	**-20,6 %**	6,9 %	-27,5 %	**-13,6 %**	4,8 %	-18,4 %		**7,8 %**
EPS	**-0,31**	0,17	-0,48	**-0,40**	0,21	-0,65		**0,58**

Comments to the financial statements and operational development

The Group generated revenues of 114.2 MNOK during the second quarter 2012 compared to 202.4 MNOK in the corresponding quarter in 2011. Revenues in the first quarter 2012 amounted to 120.8 MNOK. This represents a decrease of 44% from last year and a decrease of 5% from the previous quarter. The revenues in the second quarter 2012 comprised 46 MNOK of product revenues, 23 MNOK of service and maintenance revenues and 45 MNOK in project revenues. Compared to the second quarter in 2011, both product and project revenues are significantly decreased.

Cost of goods sold in the second quarter 2012 amounted to 46.5 MNOK, representing a gross margin of 59.3%. Corresponding gross margin in the second quarter 2011 was 52.2% and 64.3% in the first quarter 2012. The main reason for the decrease in gross margin was revenue contribution from projects at an earlier stage of delivery in the second quarter 2012 compared to the first quarter 2012.

The operating expenses in this quarter were 78.1 MNOK compared to 78.5 MNOK in the second quarter of 2011 and 75.5 MNOK in the first quarter of 2012. The changes from Q1-2012 are mainly due to increased cost related to ramp up of project activity during the quarter.

The Group's operating profit (EBIT) in the second quarter 2012 was -22.8 MNOK (-20.0%) compared to 16.3 MNOK (8.0%) in the corresponding quarter in 2011. The deviation is explained by the significant lower level in revenues. The EBIT in the first quarter 2012 was -9.8 MNOK (-8.2%). The deviation compared to first quarter 2012 is mainly explained by decreased revenues and lower gross margin from projects.

In the second quarter 2012 net financial items amounted to -0.7 MNOK, compared to -2.3 MNOK in the corresponding quarter in 2011 and 1.5 MNOK in the first quarter 2012. These deviations are mainly due to currency fluctuations.

Profit after tax in the second quarter 2012 amounted to -20.3 MNOK compared to 10.2 MNOK in the corresponding quarter in 2011. In the first quarter 2012 profit after tax amounted to -5.2 MNOK.

Earnings per share in the second quarter 2012 amounted to -0.31 NOK compared to 0.17 NOK in the corresponding quarter in 2011 and -0.09 NOK in the first quarter 2012.

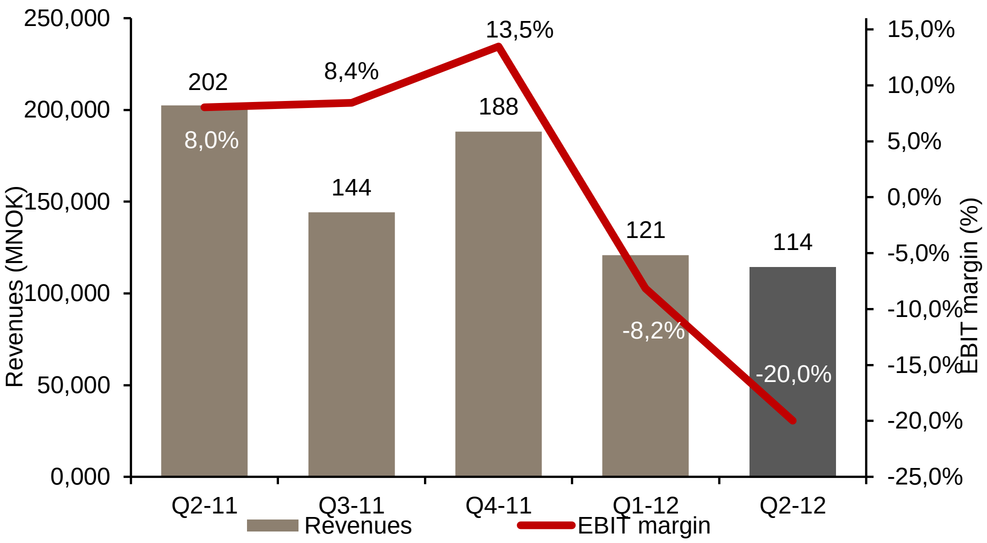
Total assets were 880 MNOK at the end of the second quarter 2012 compared to 861 MNOK at the end of the first quarter 2012. The Group`s equity was 638 MNOK, representing a 72.5% equity ratio at the end of the quarter. The Group`s cash position increased by 11 MNOK during the quarter, from 380 MNOK to 391 MNOK. Net cash flow from operations amounted to -4 MNOK, the cash flow from investments was -16 MNOK (investments in development projects -6 MNOK and fixed assets -10 MNOK). There was a net cash flow from financing of 30 MNOK during the quarter from a share issue, deriving from key employees' exercise of share options. The negative cash flow from operations reflects an EBITDA of -10 MNOK, and an improvement in working capital exclusive cash during the quarter of 6 MNOK. Working capital excluding cash relative to the last 12 months revenues was 13% at the end of the second quarter 2012, 17% at the end of the first quarter 2012 and 9% at the end of the fourth quarter 2011. The liquidity ratio was 4.7 at the end of the second quarter 2012 compared to 5.0 at the end of the first quarter in 2012 and 3.7 at the end of the fourth quarter 2011.

Order situation

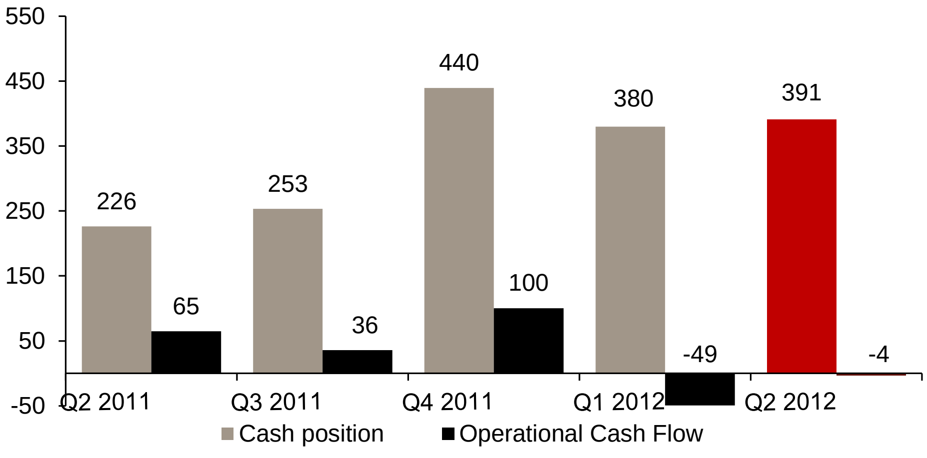
The Group's order backlog totalled 549 MNOK at the end of the second quarter 2012 compared to 595 MNOK at the end of the first quarter 2012. Order intake during the quarter reached 68 MNOK. This is a decrease of 186 MNOK compared to the previous quarter. The order intake is comprised by 15 MNOK tag order from Vinci Autoroutes, France and other smaller product orders from various markets.

Graphs

REVENUES AND EBIT MARGIN

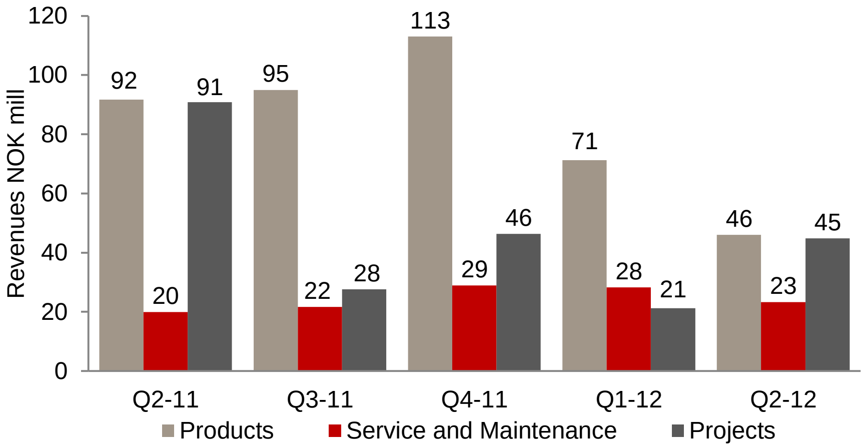


CASH FUNDS MNOK



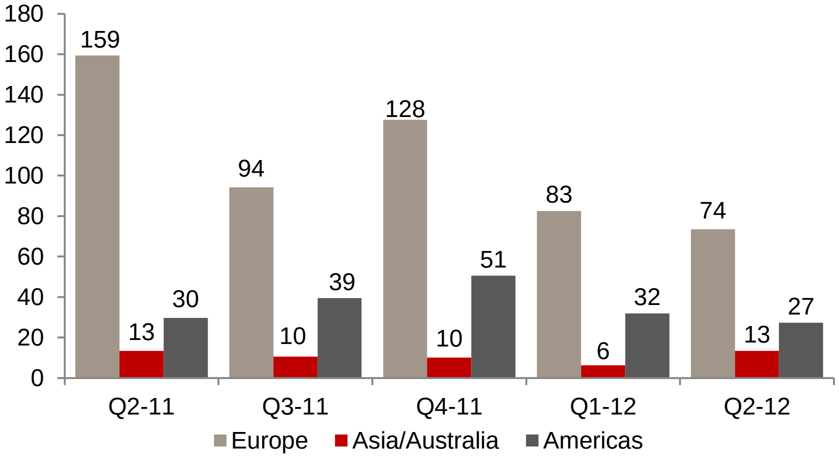
Graphs

REVENUES BUSINESS AREAS MNOK



MNOK	Q2-11	Q3-11	Q4-11	Q1-12	Q2-12		1H 2011	1H 2012	y/y change %
Products	92	95	113	71	46		177	117	-34 %
Service and Maintenance	20	22	29	28	23		45	52	14 %
Projects	91	28	46	21	45		150	66	-56 %
TOTAL	**202**	**144**	**188**	**121**	**114**		**373**	**235**	**-37 %**

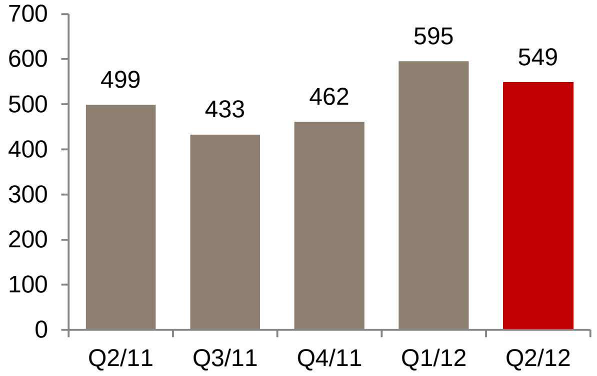
REVENUES GEOGRAPHICAL MNOK



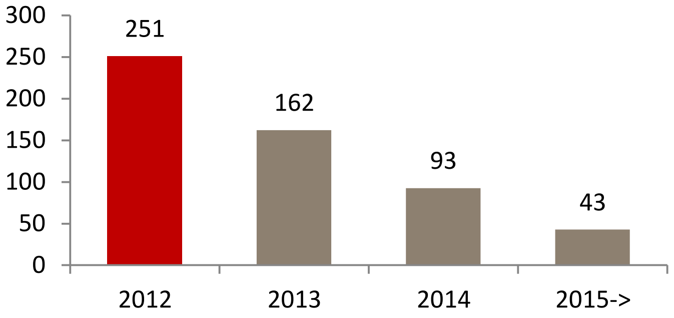
MNOK	Q2-11	Q3-11	Q4-11	Q1-12	Q2-12		1H 2011	1H 2012	y/y change %
Europe	159	94	128	83	74		272	156	-43 %
Asia/Australia	13	10	10	6	13		29	20	-34 %
Americas	30	39	51	32	27		71	59	-16 %
TOTAL	**202**	**144**	**188**	**121**	**114**		**373**	**235**	**-37 %**

Graphs

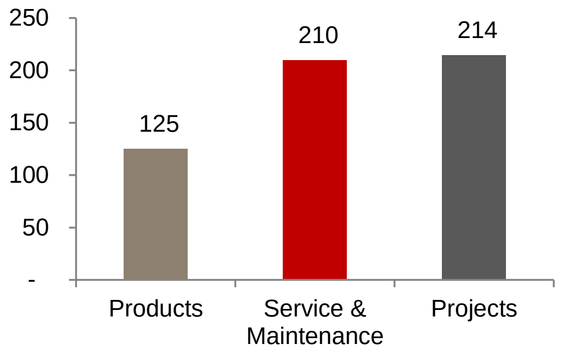
ORDER BACKLOG MNOK



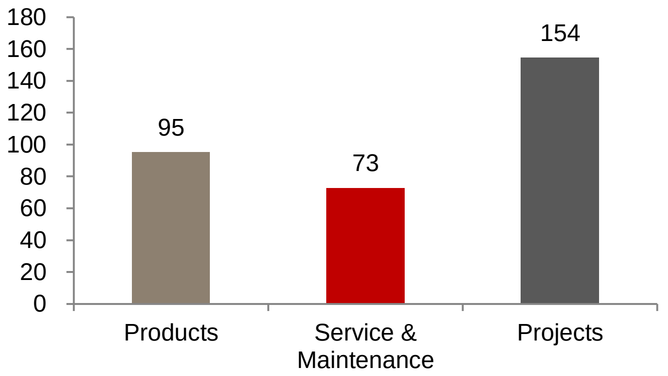
ORDER BACKLOG PERIODIC MNOK



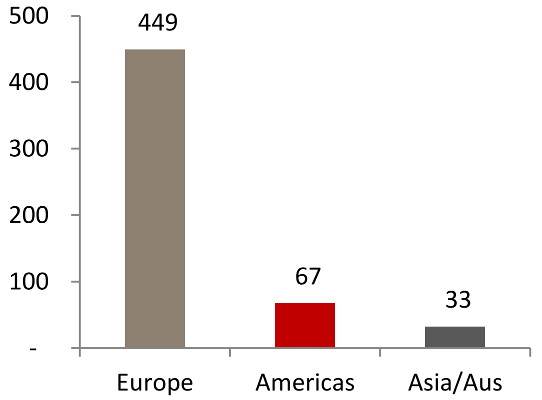
ORDER BACKLOG BUSINESS AREA MNOK



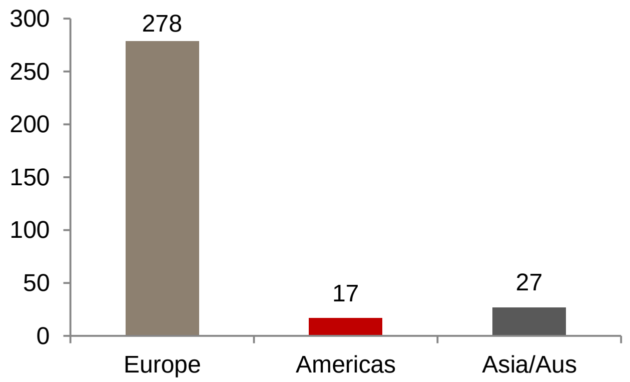
ORDER INTAKE BUSINESS AREA MNOK 1H-12



ORDER BACKLOG GEOGRAPHICAL AREA MNOK



ORDER INTAKE GEOGRAPHICAL AREA MNOK 1H-12



The market

Q-Free has primarily operated in the Road User Charging (RUC) market, even though some of the company's products/technologies have been used for Traffic Management applications, such as law enforcement/electronic licence plates, travel time systems and for parking / access control systems. Going forward the company will intensify its activities to establish presence in the wider Transportation Management area, benefiting from a wider application area of the company's existing portfolio and also expanding our offering through acquisitions and partnering.

The most important market drivers for RUC solutions are;

- Financing construction and maintenance of infrastructure
- Improve efficiency of existing RUC solutions (*i.e.* converting manual operated tolling systems to fully automated systems)
- Congestion management

As mentioned above, new markets/applications are starting to be visible, - one of them being Electronic Registration and Identification (ERI). This represents a huge market potential since it typically implies that all cars will be equipped with a tag, in addition to the need for road side infrastructure and central systems. The Jakarta contract announced during Q4-2011 represents a good example of such an application.

The market for RUC solutions is still at an early stage. There are expectations of more countries implementing RUC systems for various applications, and that the penetration in existing markets will increase. It is a likely scenario that solutions for RUC and Advanced Traffic Management applications will converge and as such adding significantly to the growth potential for the company, again the Jakarta project is an example of this.

Short and medium term, many interesting opportunities are maturing and the company is building a pipeline which can facilitate the next step in growing the company. The company has already identified an accessible global pipeline in the range of NOK 5 – 15 billion during 2012-2014.

A detailed look at the individual regions is given below.

Europe, Middle East and Africa (EMEA)

The EMEA market made up 65% of the revenues, 86% of the orders received during the quarter as well as 82% of the Group's order backlog at the end of the quarter.

In general the market activity has been high in the region, particularly related to projects in Norway, Denmark, Sweden, Portugal, France, Russia, and Spain. The Group announced one new contract in this market during the quarter, a 15 MNOK tag order from Vinci Autoroutes, France. Additionally, smaller contracts have been awarded in Norway, Sweden, the Netherlands, Portugal and the UK.

In our home market Norway, the Norwegian Public Road Administration is regularly deploying more tolling infrastructure. The contract win rate has been good, and the company will continue to aggressively address the opportunities both related to tolling infrastructure and back-office supply.

In Sweden good progress has been made in the congestion charging project in Gothenburg. Several extension possibilities are being discussed with the client. Post quarter, an extension of the Gothenburg-project of 32 MNOK, related to comprising delivery of additional charging stations, related equipment and services, has been received. The company has also been awarded a 8 MNOK contract for the supply of a tolling infrastructure project in Motala.

Spain is showing interesting opportunities as the need for financing to build and maintain infrastructure is becoming more and more evident and modern electronic tolling systems are currently being considered. It is probably a matter of time before this will materialise. Q-Free is actively positioning itself for a significant market share, both for infrastructure projects and products/tags.

The activity in *Portugal* has entered into a service and maintenance stage after some years of deployment of new tolling infrastructure. However, the company is still exploring an infrastructure opportunity as well as further tag sales. Furthermore, the financial situation in Portugal has raised the question whether the use of electronic tolling system should be further expanded to new roads, but it is expected that this will take some time to mature.

In *France,* Q-Free is on the way back as a tag provider after some years of qualifying the new small tag OBU610. The company signed during the quarter a 15 MNOK tag contract with Vinci based on the new tag. Additionally, the company is currently exploring some road side product sales opportunities. Longer term, France may show some opportunities related to congestion charging schemes in the major cities and implementation of fully automated multilane free flow tolling systems replacing existing manual/single lane tolling system for highways.

In *Denmark* the Government has decided to introduce a truck tolling scheme. Q-Free will together with partners, and backed up with Q-Free's strong references in this area, explore both these opportunities. The current time schedule will imply contract signature end of 2013.

Belgium is also currently planning to introduce a nationwide truck tolling scheme. The consortia are in the process of being formed and Q-Free will play an active role to secure a strong bid.

In *UK* a HGV (heavy good vehicles) system is being discussed. This is probably a few years away, but a significant opportunity if it materialises. Short term, the company currently addresses a few smaller Multilane Free Flow tolling projects related to some bridge projects and related tag demand.

Russia is planning to introduce a nationwide truck tolling scheme. The tender process is still unclear, but may start this year. This will probably be the biggest truck tolling scheme ever and will potentially give major opportunities for Q-Free both related to enforcement infrastructure and GNSS (satellite) tag supply. The Company is currently positioning itself through local partners. It is expected that more truck tolling schemes will be deployed in this part of the world in the next years to come, like in *Hungary*, *Bulgaria, Romania, Croatia* etc. Furthermore, some electronic licence plate projects are being explored in Russia, Albania and Belarus. This is conceptually similar to the system the company is planning to implement in Jakarta.

A major infrastructure possibility is under planning in *Greece* headed by Egnatia Odos. Q-Free will explore this case through participation in a consortium. The potential scope for Q-Free is road side infrastructure as well as operational back office. This case will however not materialise in the near term due to the financial situation in the country.

Turkey also represents a growth opportunity for the company, both related to tag sales and in the longer term new infrastructure projects.

In *South Africa* the company has delivered tags at a value of approximately 50 MNOK so far, and there is still a similar sized opportunity to come for the same project. Still the tolling system has not been put into to operation and further tag orders will probably not be awarded before after go-live date, which currently is uncertain due to the political situation.

The company has identified an accessible opportunity pipeline in this region in the range of 2–8 BNOK during 2012-2014. As the company increases its focus on the transportation management market, the pipe line will increase making particularly Middle East more important in this region.

Asia-Pacific

The Asian/Australian market made up 11% of the revenues and 3% of the orders received during the quarter as well as 6% of the Group's order backlog at the end of the quarter. No new contracts were announced in this region in Q2, but smaller contracts have been awarded in Thailand and Australia.

The activity in the region is high.

The main countries of interest in the region at the moment are *Indonesia, Taiwan, Australia and Thailand*. Malaysia is less focused now since deployment of new multilane free flow infrastructure is expected to be some years ahead. Some of the biggest cases currently being explored by the company are in this region, several of them having the potential to become the largest contracts in the company's history thus representing "company changers".

One of them was announced in the fourth quarter 2011, the electronic law enforcement system in Jakarta. The financing is still not concluded. Important planning activity is on-going and the Company is well prepared to start execution. The project will represent a start of a new era for the company and form the basis for a company changing year. The up sale possibilities related to this project are significant as the number of vehicles included in the programme most likely will be expanded (e.g. there exist 7-9 million motor cycles still not included) and not at least related to new cities which may be added to the programme. Further, the Company expects that a congestion charging opportunity will materialise during the next two years, and potentially based on the same technology platform as deployed for electronic law enforcement.

In *Taiwan* the road user charging system is planned to be expanded, and later on the existing system is to be replaced. Today infrared DSRC system is used in Taiwan, and the solution will most likely be substituted. The selection process was anticipated to be concluded during first half of 2012, but is still on-going and the timeline, and outcome is difficult to predict. The current assessment is that the client will take the position as system integrator role themselves and as such this will probably become a smaller opportunity case for Q-Free.

The electronic tolling market in *Thailand* is still in its early days and it is expected that this market slowly will grow as the acceptance of tag based tolling solutions increase. The company has now delivered around quarter of a million tags in this market. The company was recently awarded another tag contract, and a new RFQ (request for quotation) is expected in the near future. The contracts are still relatively small, but the company is building, step by step, an attractive position in a future interesting market. Furthermore, it is also expected that new infrastructure projects will materialise during the year.

The most mature market in the region is *Australia.* The company is currently bidding for a modernisation program, including both tolling road side infrastructure and back-office. It is expected a conclusion during second half of this year.

The upcoming opportunities in Indonesia related to electronic number plate and congestion charging will in the long term open the *Chinese*, and rest of *South East Asia* market for the company.

The company has identified an accessible opportunity pipeline in this region in the range of 3 – 6 BNOK during 2012-2014.

North and Latin America

Customers in North and Latin America made up 24% of the revenues, 11% of the orders received during the quarter as well as 12% of the Group's order backlog at the end of the quarter. No new contracts were announced in this region during Q2.

The deployment of tags in the Brazilian market has been reduced significantly due to the plan to convert to new standards in Brazil. From 1st of January 2013 the current standard is meant to be replaced by a new 915MHz based solution. If so happens it would imply that the company needs to modify its portfolio to adapt to the new standard in Brazil. The situation is however uncertain, hence it is difficult to predict the outcome. Currently it seems like there eventually will be a technology shift in Brazil.

After some recent successes in *Chile* the company has formed a company in Santiago. This will enable Q-Free to address new tolling infrastructure projects as well as an upcoming congestion charging opportunity in a more powerful way, as well as increasing the market share for tag deliveries.

The company is also exploring opportunities in *Ecuador and Columbia*, but these markets are still in its early days.

In *North America* the Group is exploring several business opportunities through the company's ALPR solutions, *i.e.* OCR software and camera technology. Video based solutions for enforcement and interoperability will become increasingly important in North America as MultiLane Free Flow / Open Road Tolling systems are being implemented. Q-Free offers the most advanced systems, enabling cost effective and reliable enforcement and tolling. The company has over the past few years been established as the leading supplier in this area forming a good basis for further expansion in North America. Q-Free is planning to establish a company in the US to be able to more efficiently explore this market during 2012.

The company has identified an accessible opportunity pipeline in this region at a value of 0.2 – 1.0 BNOK during 2012-2014.

Outlook and strategic positioning

The company has earlier communicated a gradual increase of revenues and profitability during 2012, and under the assumption of financial close of the Jakarta project during May, the company targeted to be in the range of 1 BNOK in revenues with EBIT level exceeding 10% for 2012. As the financing of the Jakarta project is further delayed, the key assumption for the financial targets for 2012 is not met. The Company will revert with the financial implication when timeline of the Jakarta project is known.

The Jakarta project obviously has a major impact on the short term financial development. It represents a start of a new era for the company and forms the basis for a company changing year. In addition, the long term outlook seems prosperous, with great opportunities in Indonesia and a strong pipeline in other markets. The Company has identified an accessible global opportunity pipeline within our present core business in the range of 5– 15 BNOK for the next few years.

Q-Free is currently actively positioning itself for long term growth by stronger penetration within Road User Charging (RUC), and through expansion into new applications such Advanced Transportation Management Systems (ATMS). The growth in the RUC area will be fuelled by expansion into new geographical areas by extending our international setup, increase market share in existing markets, high quality deliveries and by ensuring that the company has access to the most cost efficient and high performance products and solutions.

The newly established ATMS-division is also an important step to build a stronger company. In addition to enabling the company's growth ambitions, the ATMS business line will also make the company less dependent on the bigger project wins as ATMS area will increase recurring business. Not at least, this step is important as ATMS and RUC is believed to converge in the future. To enter the ATMS area, the company will;

- expand the application area of our unique portfolio developed for tolling
- acquire companies adding to Q-Free ATMS portfolio
- team up with key partners filling the gaps for which Q-Free will integrate into a unique Advanced Transportation Management System.

Q-Free has clear ambitions and plans for the next steps, and is well prepared and capable to realise profitable growth.

Risk situation

An international technology Group such as Q-Free is destined to be exposed to a number of different risks.

Political risk
Political risk related to the time involved from a sales lead is identified to a contract is awarded, and implementation of projects are particularly significant to Q-Free's operations as RUC projects are usually always directly or indirectly subject to a governmental concession. The fact that road concessions are being privatised in the most developed RUC markets may reduce the political risk in the long term.

Currency risk
Q-Free has considerable foreign currency exposure since the Group earns between 70-85 % of its revenues abroad. Q-Free also buys a substantial share of its needed equipment and services abroad and runs businesses outside Norway. This mitigates the Group's net foreign currency exposure by 30-50 %. The Group's most important trading currencies except for NOK are USD and EUR. 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.

Credit risk

The Group is only conducting business with parties with an acceptable credit record. To the extent the credit rate is questionable, payment guarantees, letter of credit or advance payments will be considered. The Group has no significant credit risk linked to an individual contracting party or several other contracting parties that can be regarded as a Group due to similarities in the credit risk. The Group has guidelines for ensuring that sales are only made to customers that have not experienced any significant credit problems, and that outstanding amounts do not exceed given credit limits. The Group has not provided any guarantees for third parties' liabilities. The Group is exposed to risk involved in customers not having the ability to fulfill their financial obligations. However, this risk is considered to be low since the Group's customers are major IT companies, public authorities, larger foreign road operators and key road concessionaires in Norway and abroad. This is documented by a historically low bad debt ratio on accounts receivables. When Q-Free enters a new market, the credit risk will be assessed in each individual case and appropriate actions like utilising letter of credits and other similar tools, will be used in order to reduce credit risk.

Interest rate risk
The Group has entered into a loan agreement with Eksportfinans ASA during 2011. The Group emphasises predictability at all times when changes in the interest level have a significant influence on the consolidated profit and the agreement is therefore based on the NIBOR 3 month rate with a minor margin. This means that corresponding deposits will also be linked to the NIBOR 3 month rate to mitigate the risk of changes in the NIBOR rate.

Liquidity risk
The Q-Free ASA Group's strategy is to have sufficient cash, cash equivalents or credit facilities at any time to be able to finance its operations and investments over the next three years as required in the company's strategy plan for the same period. Surplus liquidity is either deposited in banks or invested in money market funds, with the purpose of obtaining an acceptable return on invested capital combined with a low risk.

Technology risk
The Group is exposed to quality problems both due to the quality of own work and the quality of deliveries from subcontractors. Furthermore, continuous technology advances can affect the competitive situation of Q-Free. Q-Free mitigates this risk by systematic quality control of subcontractors, own technology and product development, by continuously seeking competence needed to integrate various technologies into our solutions, and finally by making provisions for possible faulty deliveries.

Project risk
Q-Free's revenues normally include a substantial element of large-scale project deliveries that place significant demands on implementation know-how. Q-Free is in possession of skilled competence in this field, and the development of plans to handle project risks that may arise is an important element of the Group's know-how in this respect.

Notes to the condensed interim financial statements

1. General

The consolidated first quarter condensed interim financial statements for the six months ended 30 June 2012 were approved by the Board of Directors at its meeting on 15 August 2012.

Q-Free ASA is a limited liability company with 280 employees in 13 countries and representatives in 4 other countries. The Headquarter is based in Trondheim, Norway. Q-Free is listed on the Oslo Stock Exchange with the ticker QFR.

Q-Free is a leading global supplier of solutions and products for Road User Charging and Advanced Transportation Management Systems having applications mainly within electronic toll collection for road financing, congestion charging, truck-tolling, law enforcement and parking/access control. Q-Free offers solutions and products based on state of the art technology, and is the leading supplier within DSRC (tag and reader) - ALPR (Automatic License Plate Recognition) and GNSS (Global Navigation Satellite System) based solutions, with deliveries in Europe, Asia-Pacific, Africa, Middle East and North- and South America.

2. Statement of compliance

These consolidated interim financial statements, combined with other relevant financial information in this report, have been prepared in accordance with the regulations of the Oslo Stock Exchange and the requirements in IAS 34. These condensed consolidated interim financial statements for the first quarter of 2012, have not been audited or subject to review by the Group's auditor. The financial statements do not include all of the information required for a full annual financial statements of the Group and should be read in conjunction with the consolidated financial statements for 2011. The consolidated financial statements for 2011 are available upon request from the company's registered office in Trondheim or at our website, www.q-free.com.

3. Accounting principles

The consolidated financial statements of the Q-Free Group for the second quarter 2012 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Norwegian Accounting Act. The Group has used the same accounting policies and standards as in the consolidated financial statements as at 31 December, 2011.

4. Use of estimates

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

5. Events after the balance sheet date

No significant events have occurred since the balance sheet date.

6. Forward looking statements

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

Responsibility statement from the Board of Directors and the CEO

The Board of Directors and the CEO have today considered and approved the condensed financial statements for the first half year of 2012 and the financial information in this report that is relevant for the first half year of 2012.

The report for the first half year of 2012 has been prepared in accordance with IAS 34 Interim Financial Statements and additional disclosure requirements as stated in the Norwegian Verdipapirhandelloven (Securities Trading Act).

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2012 gives a true and fair view of the Q-Free Group's consolidated assets, liabilities, financial position and results of operations. To the best of our knowledge the report provides a fair review of important events in the period and their effects on the condensed set of financial statements, with a description of the principal risks and uncertainties that the Q-Free Group is facing for the remaining months of the financial year that may have a material effect on financial position or results for the Q-Free Group for the period and of transactions with related parties.

Oslo, 15 August 2012.

The Board of Directors and

Chief Executive Officer of Q-Free ASA

Ole Jørgen Fredriksen	Chairman of the Board
Jan Pihl Grimnes	Member
Terje Christoffersen	Member
Charlotte Brogren	Member
Mimi Kristine Berdal	Member
Sissel Lillevik Larsen	Employee elected member
Frank Aune	Employee elected member
Øyvind Isaksen	CEO

Financials

The condensed interim consolidated financial statements per 30.06.12 (unaudited):

- Interim consolidated income statement
- Interim consolidated statement of comprehensive income
- Revenue specification
- Balance sheet
- Statement of changes in equity
- Cash Flow Statement
- Key figures

INTERIM CONSOLIDATED INCOME STATEMENT

NOK 1.000	Q2 2012	Q2 2011	30.06.2012	30.06.2011	Q1 2012	31.12.2011
Revenues	**114 230**	202 392	**234 991**	**372 534**	**120 760**	**704 912**
Cost of goods sold	**46 462**	96 780	**89 585**	**186 338**	**43 123**	**299 322**
Payroll expenses	**40 704**	38 198	**86 154**	**84 323**	**45 450**	**160 349**
Other operating expenses	**37 384**	40 276	**67 386**	**58 770**	**30 002**	**143 382**
Total operating expenses	**124 549**	175 255	**243 125**	**329 430**	**118 575**	**603 053**
EBITDA	**-10 319**	27 137	**-8 134**	**43 104**	**2 185**	**101 859**
Depreciation, amortisation and impairment	**12 495**	10 855	**24 522**	**21 703**	**12 027**	**42 952**
EBIT	**-22 814**	16 282	**-32 656**	**21 402**	**-9 842**	**58 907**
Financial income	**4 917**	3 211	**10 162**	**5 255**	**5 245**	**18 048**
Financial expenses	**-5 641**	-5 478	**-9 399**	**-8 608**	**-3 758**	**-22 040**
Net financial items	**-724**	-2 267	**763**	**-3 353**	**1 488**	**-3 991**
Profit before tax	**-23 538**	14 015	**-31 893**	**18 048**	**-8 355**	**54 916**
Tax expenses	**3 205**	-3 789	**6 336**	**-5 225**	**3 130**	**-18 729**
Profit for the period	**-20 333**	10 226	**-25 558**	**12 824**	**-5 225**	**36 187**
Attributable to :						
Minority interests	**394**	400	**959**	**-464**	**565**	**547**
Equity holders of the parent	**-20 727**	9 826	**-26 516**	**13 288**	**-5 790**	**35 640**
Profit	**-20 333**	10 226	**-25 558**	**12 824**	**-5 225**	**36 187**
Number of employees	**280**	269	**280**	**269**	**280**	**273**
Gross margin	**59,3 %**	52,2 %	**61,9 %**	**50,0 %**	**64,3 %**	**57,5 %**
EBITDA margin	**-9,0 %**	13,4 %	**-3,5 %**	**11,6 %**	**1,8 %**	**14,4 %**
EBIT margin	**-20,0 %**	8,0 %	**-13,9 %**	**5,7 %**	**-8,2 %**	**8,4 %**
Profit margin	**-20,6 %**	6,9 %	**-13,6 %**	**4,8 %**	**-6,9 %**	**7,8 %**
EPS	**-0,31**	0,17	**-0,40**	**0,21**	**-0,09**	**0,58**
EPS, diluted	**-0,31**	0,17	**-0,40**	**0,21**	**-0,09**	**0,57**

Financials

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK 1.000	Q2 2012	Q2 2011	30.06.2012	30.06.2011	Q1 2012	31.12.2011
Profit for the period	**-20 333**	10 226	**-25 558**	**12 824**	**-5 225**	**36 187**
Calculation differences	-3 274	-8 164	**-3 362**	**-4 523**	-88	**-2 390**
Total comprehensive income for the period	**-23 607**	2 062	**-28 920**	**8 301**	**-5 313**	**33 797**
Attributable to :						
Minority interests	394	400	**959**	**-464**	565	**547**
Equity holders of the parent	-24 001	1 662	**-29 878**	**8 765**	-5 878	**33 250**
Total comprehensive income for the period	**-23 607**	2 062	**-28 920**	**8 301**	**-5 313**	**33 797**

BALANCE SHEET – ASSETS

NOK 1.000	30.06.2012	31.03.2012	31.12.2011	30.09.2011	30.06.2011
Development	135 306	140 776	143 840	142 340	142 578
Goodwill	29 544	29 544	29 544	29 544	29 544
Deferred tax assets	16 919	12 585	9 518	6 507	11 029
Total intangible assets	**181 769**	**182 905**	**182 901**	**178 390**	**183 151**
Machinery, fixtures and fittings	62 976	54 070	53 302	53 892	56 440
Total fixed assets	**62 976**	**54 070**	**53 302**	**53 892**	**56 440**
Shares	6 233	6 431	6 423	4 805	4 826
Other long term receivables	3 424	6 118	4 216	3 405	3 082
Total financial fixed assets	**9 657**	**12 549**	**10 639**	**8 211**	**7 908**
Total fixed assets	**254 402**	**249 524**	**246 842**	**240 493**	**247 499**
Inventories	76 003	67 636	64 306	43 018	30 154
Total inventories	**76 003**	**67 636**	**64 306**	**43 018**	**30 154**
Accounts receivables	50 884	79 332	92 947	128 616	156 700
Work in progress	63 657	48 894	56 751	42 799	64 995
Other receivables	44 136	35 240	28 036	38 133	37 172
Total receivables	**158 677**	**163 465**	**177 734**	**209 548**	**258 867**
Cash	**390 758**	**380 165**	**439 788**	**253 291**	**226 071**
Total current assets	**625 439**	**611 266**	**681 828**	**505 857**	**515 092**
Total assets	**879 840**	**860 790**	**928 670**	**746 350**	**762 591**

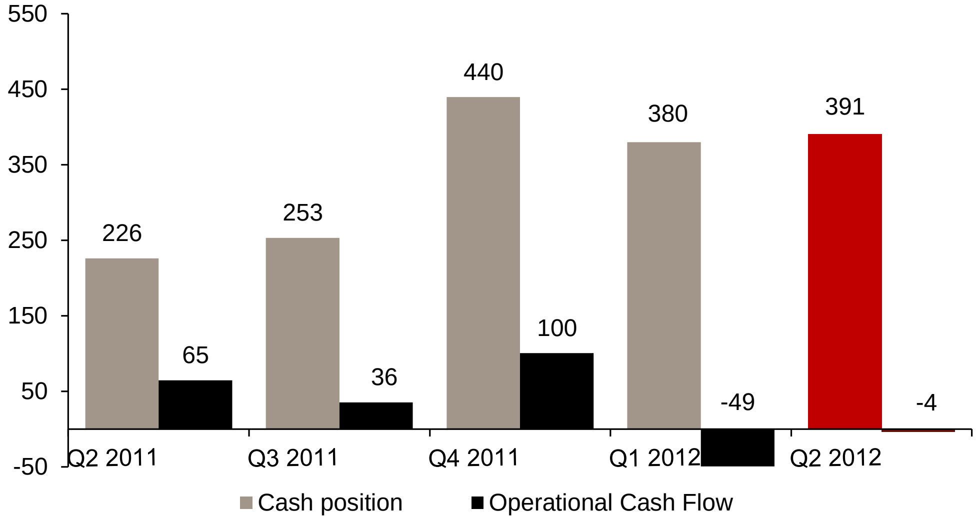
BALANCE SHEET – EQUITY & DEBT

NOK 1.000	30.06.2012	31.03.2012	31.12.2011	30.09.2011	30.06.2011
Subscribed share capital	25 802	25 176	25 176	22 894	22 894
Share premium reserve	415 554	386 177	386 177	287 674	287 674
Other paid in capital	16 939	16 939	16 939	14 195	14 195
Total paid in capital	**458 295**	**428 292**	**428 292**	**324 763**	**324 763**
Other equity	156 950	180 923	186 800	170 099	162 045
Total retained equity	**156 950**	**180 923**	**186 800**	**170 099**	**162 045**
Minority interests	**22 612**	**22 218**	**21 653**	**20 773**	**20 642**
Total equity	**637 857**	**631 434**	**636 746**	**515 635**	**507 449**
Pension liabilities	10 217	7 483	7 797	6 660	4 921
Total liabilities	**10 217**	**7 483**	**7 797**	**6 660**	**4 921**
Debt to financial institutions	100 000	100 000	100 000	100 000	100 000
Total long term debt	**100 000**	**100 000**	**100 000**	**100 000**	**100 000**
Accounts payable	30 275	31 538	75 591	31 730	42 923
Tax payable	1 523	211	4 318	2 864	2 654
Public duties payable	11 177	7 703	11 911	9 545	5 946
Advance payments customers	23 422	10 612	26 303	25 279	23 780
Other short term debt	65 370	71 809	66 004	54 637	74 918
Total short term debt	**131 767**	**121 873**	**184 128**	**124 055**	**150 221**
Total liabilities	**241 984**	**229 356**	**291 924**	**230 715**	**255 142**
Total equity and liabilities	**879 840**	**860 790**	**928 670**	**746 350**	**762 591**

STATEMENT OF CHANGES IN EQUITY

NOK 1.000	Equity attributable to equity holders of the parent						Minority interests	Total equity
	Sub-scribed share capital	Share premium reserves	Other paid in Capital	Other equity	Foreign currency translation reserve	Total		
Equity per 31.12.11	25 176	386 177	16 939	190 923	-4 124	615 092	21 653	636 746
Total comprehensive income for the period				-5 790	-88	-5 878	565	-5 312
Equity per 31.03.12	**25 176**	**386 177**	**16 939**	**185 133**	**-4 212**	**609 214**	**22 218**	**631 434**
Equity per 31.12.11	25 176	386 177	16 939	190 923	-4 124	615 092	21 653	636 745
Total comprehensive income for the period				-26 516	-3 362	-29 878	959	-28 919
Share issue arising from share options	654	29 376				30 030		30 030
Equity per 30.06.12	**25 830**	**415 554**	**16 939**	**164 407**	**-7 486**	**615 244**	**22 612**	**637 856**
Equity per 31.12.10	22 894	287 674	14 195	155 283	-1 734	478 312	21 106	499 418
Total comprehensive income for the period				13 288	-4 523	8 765	-735	8 031
Equity per 30.06.11	**22 894**	**287 674**	**14 195**	**168 571**	**-6 257**	**487 078**	**20 371**	**507 449**

CASH FLOW STATEMENT



NOK 1.000	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Net cash flow from operations	64 800	35 528	100 470	-49 327	-3 631
Net cash flow from investments	-7 768	-8 225	-13 879	-9 730	-15 931
Net cash flow from financing	-400	-131	99 905	-565	30 155
Net change in cash in the period	56 632	27 172	186 496	-59 622	10 593
Cash opening balance	169 487	226 119	253 291	439 787	380 165
Cash closing balance	**226 119**	**253 291**	**439 787**	**380 165**	**390 758**

KEY FIGURES

	30.06.2012	31.03.2012	31.12.2011	30.09.2011	30.06.2011
Operating profit / EBIT per share	-0,54	-0,15	0,98	0,56	0,36
Operating margin	-13,9 %	-8,2 %	8,4 %	6,5 %	5,7 %
EPS	-0,40	-0,09	0,58	0,33	0,21
EPS, diluted	-0,40	-0,09	0,57	0,32	0,21
Cash flow per share	-0,06	-0,74	3,19	1,52	0,93
Equity per share	7,73	9,61	10,60	8,56	8,42
Equity ratio	72,5 %	73,4 %	68,6 %	69,1 %	66,5 %
Liquidity ratio	4,7	5,0	3,7	4,1	3,4
Average number of shares	66 734 397	60 247 010	60 247 010	60 247 010	60 247 010
Average number of shares diluted	66 734 397	61 977 010	61 977 010	61 977 010	61 977 010

	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Operating profit / EBIT per share	-0,34	-0,15	0,38	0,20	0,27
Operating margin	-20,0 %	-8,2 %	13,5 %	8,4 %	8,0 %
EPS	-0,31	-0,09	0,28	0,12	0,17
EPS, diluted	-0,31	-0,09	0,27	0,11	0,17
Cash flow per share	-0,05	-0,74	1,52	0,59	1,08
Average number of shares	67 216 375	66 252 419	61 102 567	60 247 010	60 247 010
Average number of shares diluted	67 216 375	67 972 419	62 825 991	61 977 010	61 977 010

Key information

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Organisation number:	N0 935 487 242
Founded:	1984
Headquarter visitors address:	Strindfjordvegen 1, 7053 Ranheim, Norway

Board of directors

Ole Jørgen Fredriksen	Chairman of the Board
Terje Christoffersen	Board member
Charlotte Brogren	Board member
Mimi Berdal	Board member
Jan Pihl Grimnes	Board member
Sissel Lillevik Larsen	Employee elected board member
Frank Aune	Employee elected board member

Management

Øyvind Isaksen	President & CEO
Roar Østbø	CFO
Jos Nijhuis	VP R&D
Per Fredrik Ecker	VP Sales
Marianne Sandal	VP Operations
Henrik Stoltenberg	VP Business Development and M&A
Steinar Furan	Advisor to CEO
Stein-Tore Nybrodahl	HR Manager
Morten Andersson	VP Advanced Traffic Management Systems

Investor relations

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