Quarterly Report
Third quarter 2012

CEO Corner

The conclusion of the Jakarta-project, which is the company's first major traffic management project, is still pending final decision on financing. Our client is in the process of concluding and it is our belief that this project will materialise, and as such represent a start of a new era for the company – a company changer.

The postponement of the Jakarta project has a negative impact on the company's short term financial performance. The third quarter result reflects this impact.

We are however working hard to develop Q-Free further as a leading player within Road User Charging, and will going forward focus on making the financial performance less dependent on single project events. The forming of the new Advanced Transportation Management System (ATMS) - division is an example of such an initiative, and we have seen several potential projects within this area in the last quarters.

The order intake in the third quarter is acceptable and the signature project in Gothenburg is developing well also with additional extension orders in the quarter. The overall market outlook remains prosperous and Q-Free market position is strong, and as such this will form a sound basis for long term positive financial development for the company. We have previously identified and communicated an accessible global opportunity pipeline within our present core business in the range of NOK 5 – 15 billion for the next few years. Although Europe is hampered by the weak economic development in the region, it seems like this is of less importance in our market compared to other sectors. We have not seen any reason to revise the pipeline numbers and planning activities continue to be high.

Q-Free is a player in a mega trend. Increased traffic problems all over the world, congestion management becoming more and more evident in addition to tolling as a source for financing are factors supporting this statement. We understand that some of our followers are getting impatient regarding the announced company changing year, but we strongly believe that this is just a matter of time. Q-Free has clear ambitions and plans for the next steps, and is well prepared and capable to realise profitable growth.

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

- Challenging days, but things will improve. Q-Free has a unique position in a mega trend.

Øyvind Isaksen
President and CEO

Highlights

- Revenues 153.6 MNOK, 6 % increase compared to Q3-11.
- EBITDA (operating profit before depreciation) -10.1 MNOK, -6.6 % margin.
- EBIT (operating profit) -23.0 MNOK, -15.0 % margin
- Pretax profit -21.8 MNOK, -14.2 % margin
- Order backlog 552 MNOK
- Cash position weakened, - cash funds 325 MNOK at the end of Q3-12.
- Order intake 153 MNOK, - main contributors being;
  - 52 MNOK in variation orders related to congestion charging infrastructure project in Gothenburg, *Sweden*
  - 33 MNOK infrastructure contracts Roads and Maritime Services, *Australia*, including service and maintenance
  - 24 MNOK call off on tag frame agreement with CGMP, *Brazil,* worth 72 MNOK.
  - 10 MNOK tag order from Via Verde, *Portugal*.
- Increased operating expenses of 33 MNOK compared to Q3-11 explained by project ramp up and higher project activity.
- Increased working capital of 44 MNOK compared to Q2-12 mainly due to payment terms in on-going projects.

NOK 1.000	Q3 2012	Q3 2011	Q/Q-%	30.09.2012	30.09.2011	Y/Y-%	2011
Revenues	**153 614**	**144 161**	6,6 %	**388 605**	516 695	-24,8 %	**704 912**
Gross profit	**91 621**	**91 353**	0,3 %	**237 027**	277 550	-14,6 %	**405 590**
Gross margin - %	**59,6 %**	**63,4 %**	3,7 %	**61,0 %**	53,7 %	7,3 %	**57,5 %**
Operating expenses	**101 721**	**68 488**	-48,5 %	**255 261**	211 581	-20,6 %	**303 731**
Operating profit - EBITDA	**-10 099**	**22 865**	-144,2 %	**-18 234**	65 969	-127,6 %	**101 859**
EBITDA margin	**-6,6 %**	**15,9 %**	22,4 %	**-4,7 %**	12,8 %	-17,5 %	**14,4 %**
Depreciation, amortisation and impairment	**12 900**	**10 709**	-20,5 %	**37 422**	32 412	-15,5 %	**42 952**
Operating profit - EBIT	**-23 000**	**12 156**	-289,2 %	**-55 656**	33 557	-265,9 %	**58 907**
EBIT margin	**-15,0 %**	**8,4 %**	23,4 %	**-14,3 %**	6,5 %	-20,8 %	**8,4 %**
Pretax profit	**-21 797**	**9 473**	-330,1 %	**-53 690**	27 521	-295,1 %	**54 916**
Profit margin	**-14,2 %**	**6,6 %**	20,8 %	**-13,8 %**	5,3 %	-19,1 %	**7,8 %**
EPS	**-0,28**	**0,12**	-0,40	**-0,68**	0,33	-1,01	**0,58**

Comments to the financial statements

The Group generated revenues of 153.6 MNOK during the third quarter 2012 compared to 144.1 MNOK in the corresponding quarter in 2011. Revenues in the second quarter 2012 amounted to 114.2 MNOK. This represents an increase of 6,6% from last year and an increase of 34,5% from the previous quarter. The revenues in the third quarter 2012 comprised 50 MNOK of product revenues, 27 MNOK of service and maintenance revenues and 76 MNOK in project revenues. Compared to the third quarter in 2011, product revenues are significantly decreased while project revenues are significantly increased.

Cost of goods sold in the third quarter 2012 amounted to 62.0 MNOK, representing a gross margin of 59.6 %. Corresponding gross margin in the third quarter 2011 was 63.4% and 59.3% in the second quarter 2012. The main reason for the increase in gross margin was revenue contribution from projects at a later stage of delivery in the third quarter 2012 compared to the second quarter 2012.

The operating expenses in this quarter were 101.7 MNOK compared to 68.5 MNOK in the third quarter of 2011 and 78.1 MNOK in the second quarter of 2012. The changes are mainly due to increased cost related to on-going projects and projects under preparation.

The Group's operating profit (EBIT) in the third quarter 2012 was -23.0 MNOK (-15.0%) compared to 12.2 MNOK (8.4%) in the corresponding quarter in 2011. The EBIT in the second quarter 2012 was -22.8 MNOK (-20.0%). The deviation compared to the third quarter 2011 is mainly explained by decrease in product sales and lower gross margin from projects.

In the third quarter 2012 net financial items amounted to 1.2 MNOK, compared to -2.7 MNOK in the corresponding quarter in 2011 and -0.7 MNOK in the second quarter 2012. These deviations are mainly due to currency fluctuations.

Profit after tax in the third quarter 2012 amounted to -17.5 MNOK compared to 7.0 MNOK in the corresponding quarter in 2011. In the second quarter 2012 profit after tax amounted to -20.3 MNOK.

Earnings per share in the third quarter 2012 amounted to -0.28 NOK compared to 0.12 NOK in the corresponding quarter in 2011 and -0.31 NOK in the second quarter 2012.

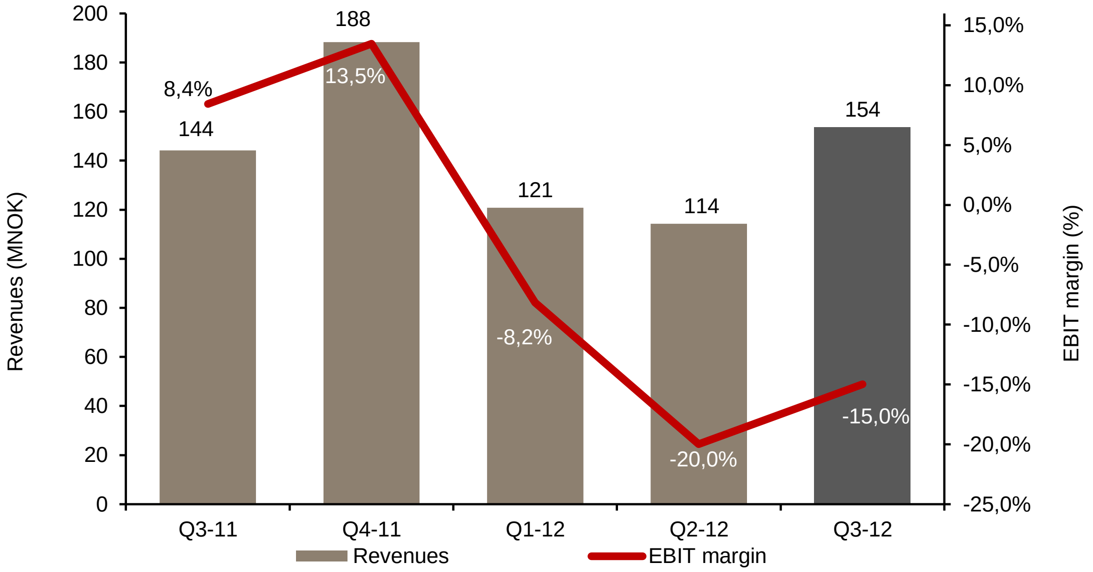
Total assets were 880 MNOK at the end of the third quarter 2012 compared to 880 MNOK at the end of the second quarter 2012. The Group`s equity was 620 MNOK, representing a 72.5% equity ratio at the end of the quarter. The Group`s cash position decreased by 66 MNOK during the quarter, from 391 MNOK to 325 MNOK. Net cash flow from operations amounted to -54 MNOK, the cash flow from investments was -11 MNOK (investments in development projects -4 MNOK and fixed assets -7 MNOK). There was a net cash flow from financing of -1 MNOK during the quarter. The negative cash flow from operations reflects an EBITDA of -10 MNOK, and an increase in working capital exclusive cash during the quarter of 44 MNOK. Working capital excluding cash relative to the last 12 months revenues was 25 % at the end of the third quarter 2012, 18% at the end of the second quarter 2012 and 20 % at the end of the first quarter 2012. The liquidity ratio was 4.2 at the end of the third quarter 2012 compared to 4.7 at the end of the second quarter in 2012 and 5.0 at the end of the first quarter 2012.

Order situation

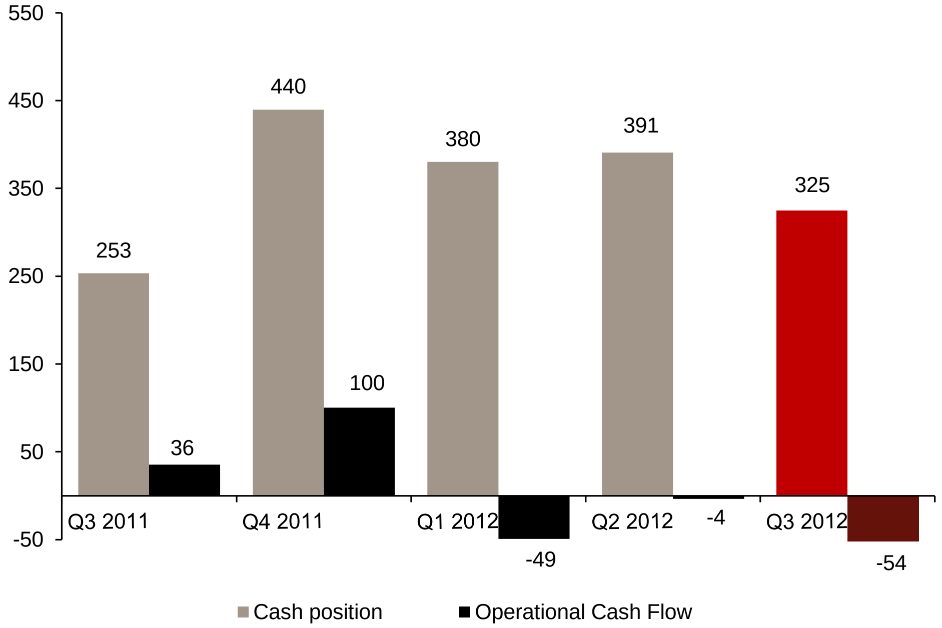
The Group's order backlog totalled 552 MNOK at the end of the third quarter 2012 compared to 549 MNOK at the end of the second quarter 2012. Order backlog was 433 MNOK at the end of the corresponding quarter last year. Order intake during the quarter reached 153 MNOK. This is an increase of 75 MNOK compared to the previous quarter and the corresponding quarter last year. The order intake is comprised by 52 MNOK variation orders related to the congestion charging infrastructure project in Sweden, 33 MNOK infrastructure contracts in Australia including one year of service and maintenance, 24 MNOK call off on tag frame agreement in Brazil worth 72 MNOK, 10 MNOK tag order in Portugal and 34 MNOK in other smaller product orders from various markets.

Graphs

REVENUES AND EBIT MARGIN

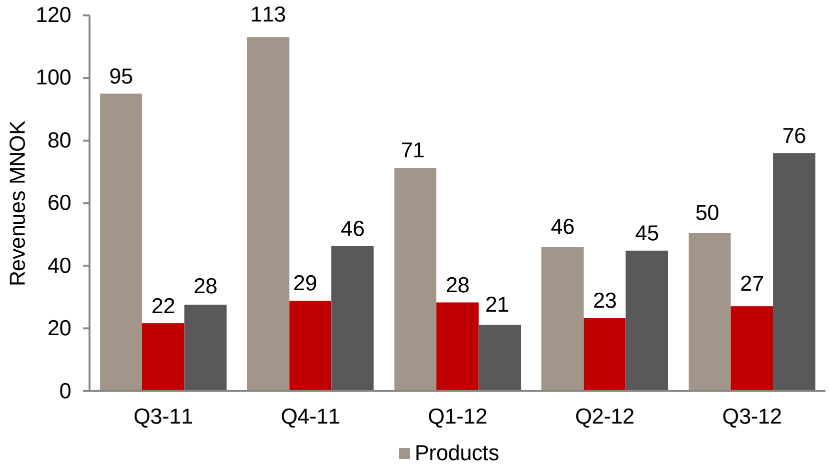


CASH FUNDS



Graphs

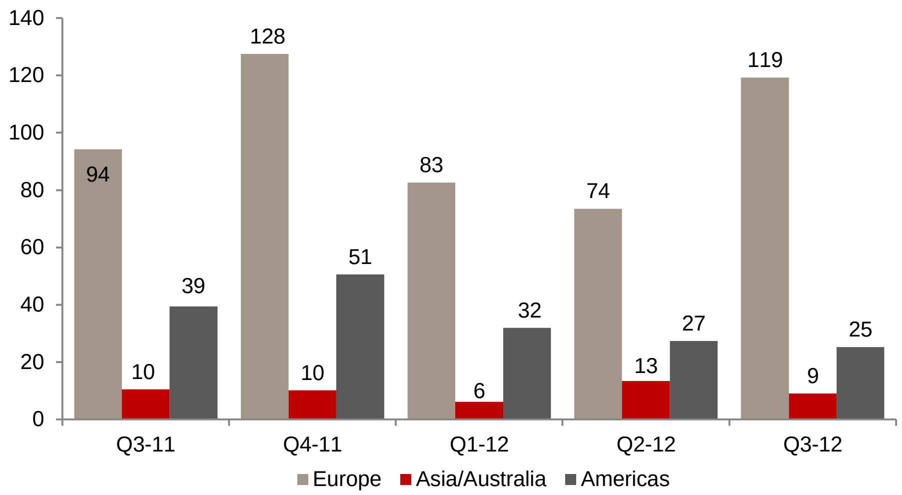
REVENUES BUSINESS AREAS MNOK



MNOK	Q3-11	Q4-11	Q1-12	Q2-12	Q3-12
Products	95	113	71	46	50
Service and Maintenance	22	29	28	23	27
Projects	28	46	21	45	76
TOTAL	**144**	**188**	**121**	**114**	**154**

YTD 2011	YTD 2012	y/y change %
272	168	-38 %
67	79	18 %
178	142	-20 %
517	**389**	**-25 %**

REVENUES GEOGRAPHICAL MNOK

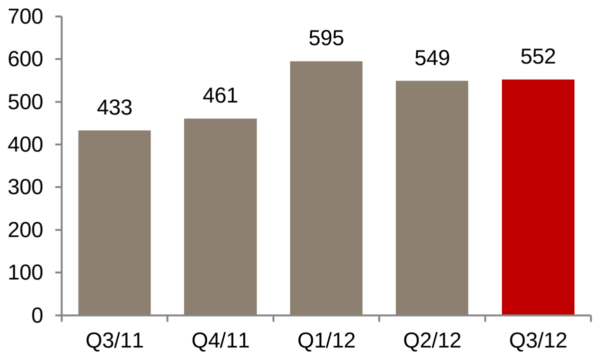


MNOK	Q3-11	Q4-11	Q1-12	Q2-12	Q3-12
Europe	94	128	83	74	119
Asia/Australia	10	10	6	13	9
Americas	39	51	32	27	25
TOTAL	**144**	**188**	**121**	**114**	**154**

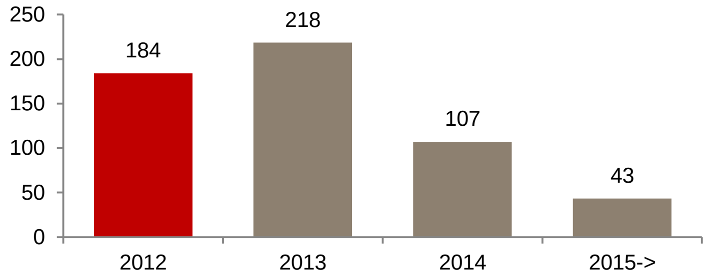
YTD 2011	YTD 2012	y/y change %
367	275	-25 %
40	29	-28 %
110	85	-23 %
517	**389**	**-25 %**

Graphs

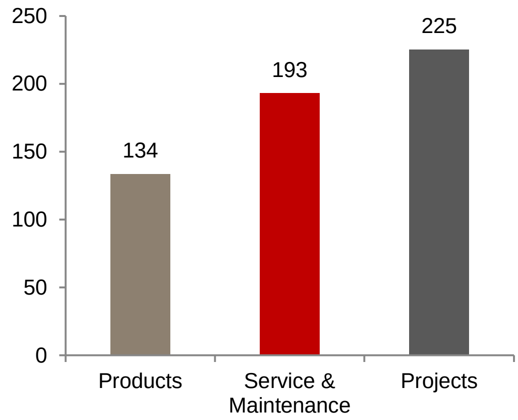
ORDER BACKLOG MNOK



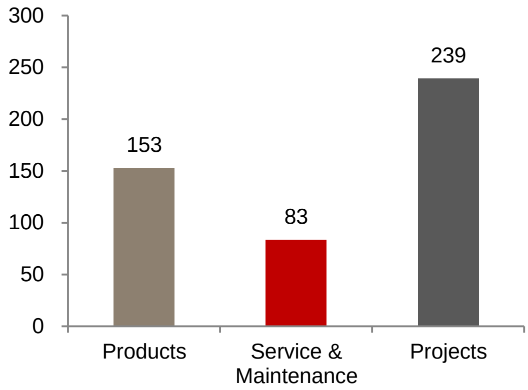
ORDER BACKLOG PERIODIC MNOK



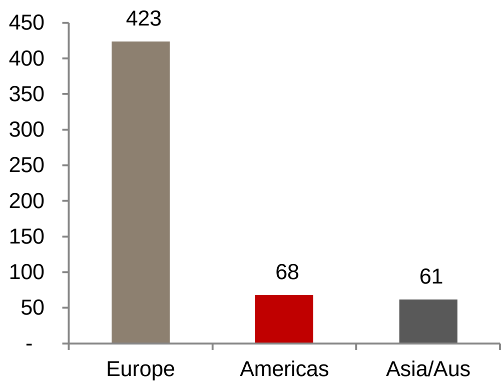
ORDER BACKLOG BUSINESS AREA MNOK



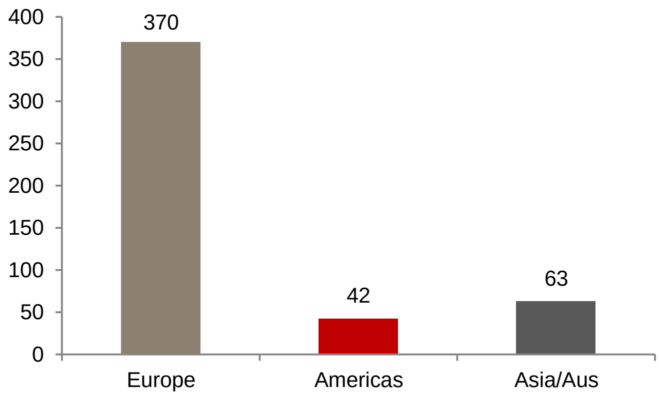
ORDER INTAKE BUSINESS AREA MNOK ACC.



ORDER BACKLOG GEOGRAPHICAL MNOK



ORDER INTAKE GEOGRAPHICAL AREA MNOK ACC.



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, - e.g. the Jakarta case.

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.

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 77% of the revenues, 60% of the orders received during the quarter as well as 77% of the Group's order backlog at the end of the quarter.

The Group announced three new contracts in this market during the quarter;

- 32 MNOK variation order related to the congestion charging project in Gothenburg comprises delivery of additional charging stations, related equipment and services for two years.
- 20 MNOK variation order related to the congestion charging contract in Gothenburg to cover for acceleration cost to enable go live 1st of January 2013 in spite of the delay in the tender process
- 10 MNOK tag order from Via Verde, Portugal.

Additionally, smaller contracts have been awarded in Norway, Sweden, the Netherlands, Portugal, France and Turkey.

In our home market *Norway*, the Norwegian Public Road Administration is planning to tender a nationwide back office. The contract award is expected mid next year. Q-Free is today the application service provider for the nationwide back-office system and this contract expires November 2014. Norway will continue to offer market opportunities, both with respect to infrastructure, tags, back-office and maintenance activity.

In Sweden good progress has been made in the congestion charging project in Gothenburg and successful implementation of this signature project will strengthen the company's market position beyond Sweden. The Company signed during the quarter two additional orders related to the Gothenburg project.

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. The potential is huge both with respect to infrastructure, back office, tag supply, operation and maintenance. 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. The Company signed during the quarter a 10 MNOK tag order from Via Verde.

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 is currently exploring market opportunity related to tags and road side product sales opportunities. Longer term, France may show some opportunities related to 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 and could imply the supply of enforcement infrastructure, satellite tags and back-office.

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

The truck tolling project in *Hungary* has been announced and they are planning with a very ambitious time schedule. If this will be realised this will be a case for first half 2013.

Russia is also 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 *Bulgaria, Romania, Croatia*, *Slovenia* 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 addressing in Jakarta.

In the *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 in the UK related to some bridge projects and related tag demand.

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 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. Go-live date has been postponed several times, but currently it is expected that the system will go live mid next year.

On the ATMS side the company is currently exploring a few organic cases in this region.

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 6% of the revenues and 11% of the orders received during the quarter as well as 11% of the Group’s order backlog at the end of the quarter. One new contract was announced in this region in Q3, - a 33 MNOK contract in Australia from Roads and Maritime Services (RMS) for the design, supply and installation of an electronic tolling system for Sydney Harbour Bridge.

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. 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,* there is basically no new development during this quarter. 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.

In *Thailand*, the activity has picked up during the quarter. The electronic tolling market in the country 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. It is expected that new market opportunities, both related to tag supply and infrastructure projects, will materialise going forward.

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 17% of the revenues, 29% of the orders received during the quarter as well as 12% of the Group’s order backlog at the end of the quarter. The Company announced one contract during the quarter. A 24 MNOK call of on a frame agreement with CGMP, out of a 72 MNOK frame agreement for tags.

The market cont.

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, but currently it seems like there eventually will be a technology shift in Brazil.

After some recent successes in *Chile* the company has formed a subsidiary 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.

On the ATMS side the company is currently exploring a few organic cases in this region.

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 potential revenue contribution in 2012 from the Jakarta-project will be insignificant, even if the financing is closed in the near future. Following this, and despite an expected improvement of performance in the fourth quarter, the year in total is expected to post lower revenues than last year, with an expected year end EBIT for 2012 in line with the accumulated figures per Q3-12. The positive long term outlook is unchanged, with great opportunities in Indonesia and a strong pipeline in other markets. The Company has previously identified and communicated 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 as 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 new ATMS business line will initially be built through acquisitions of a few enabling companies. In combination with a few selected partner companies and Q-Free global presence and capability, this will form a strong basis for further growth in the ATMS area.

Although the current financial performance is far from acceptable the market outlook remains prosperous and Q-Free market position is strong, and as such this will form a basis for long term positive financial development.

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 focuses on predictability at all times and when changes in the interest level has a significant influence on the consolidated profit and the agreement is therefore based on the NIBOR 3 month rate with a small margin. This means that corresponding deposits also will 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 third quarter condensed interim financial statements for the nine months ended 30 September 2012 were approved by the Board of Directors at its meeting on 29 October 2012.

Q-Free ASA is a limited liability company with 282 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 third 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 third 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.

Oslo, 29 October 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 30.09.12 (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	Q3 2012	Q3 2011	30.09.2012	30.09.2011	Q2 2012	31.12.2011
Revenues	153 614	144 161	388 605	516 695	114 230	704 912
Cost of goods sold	61 993	52 808	151 577	239 145	46 462	299 322
Payroll expenses	43 988	39 582	130 142	135 992	40 704	160 349
Other operating expenses	57 733	28 906	125 119	75 589	37 384	143 382
Total operating expenses	163 714	121 296	406 839	450 726	124 549	603 053
EBITDA	-10 099	22 865	-18 234	65 969	-10 319	101 859
Depreciation, amortisation and impairment	12 900	10 709	37 422	32 412	12 495	42 952
EBIT	-23 000	12 156	-55 656	33 557	-22 814	58 907
Financial income	4 605	4 380	14 767	9 635	4 917	18 048
Financial expenses	-3 402	-7 063	-12 801	-15 671	-5 641	-22 040
Net financial items	1 203	-2 682	1 966	-6 036	-724	-3 991
Profit before tax	-21 797	9 473	-53 690	27 521	-23 538	54 916
Tax expenses	4 264	-2 449	10 600	-7 673	3 205	-18 729
Profit for the period	-17 533	7 025	-43 090	19 848	-20 333	36 187
Attributable to :						
Minority interests	1 476	132	2 435	-333	394	547
Equity holders of the parent	-19 009	6 893	-45 525	20 181	-20 727	35 640
Profit	-17 533	7 025	-43 090	19 848	-20 333	36 187
Number of employees	282	267	282	267	280	273
Gross margin	59,6 %	63,4 %	61,0 %	53,7 %	59,3 %	57,5 %
EBITDA margin	-6,6 %	15,9 %	-4,7 %	12,8 %	-9,0 %	14,4 %
EBIT margin	-15,0 %	8,4 %	-14,3 %	6,5 %	-20,0 %	8,4 %
Profit margin	-14,2 %	6,6 %	-13,8 %	5,3 %	-20,6 %	7,8 %
EPS	-0,28	0,12	-0,68	0,33	-0,31	0,58
EPS, diluted	-0,28	0,11	-0,68	0,32	-0,31	0,57

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK 1.000	Q3 2012	Q3 2011	30.09.2011	30.09.2011	Q2 2012	31.12.2011
Profit for the period	**-17 533**	7 025	**-43 090**	**19 848**	**-20 333**	**36 187**
Calculation differences	-567	1 292	**-3 929**	**-3 230**	-3 274	**-2 390**
Total comprehensive income for the period	**-18 100**	8 317	**-47 020**	**16 618**	**-23 607**	**33 797**
Attributable to :	-					
Minority interests	1 476	132	**2 435**	**-333**	394	**547**
Equity holders of the parent	-19 576	8 185	**-49 455**	**16 951**	-24 001	**33 250**
Total comprehensive income for the period	**-18 100**	8 317	**-47 020**	**16 618**	**-23 607**	**33 797**

BALANCE SHEET – ASSETS

NOK 1.000	30.09.2012	30.06.2012	31.03.2012	31.12.2011	30.09.2011
Development	131 364	135 306	140 776	143 840	142 340
Goodwill	29 544	29 544	29 544	29 544	29 544
Deferred tax assets	24 321	16 919	12 585	9 518	6 507
Total intangible assets	**185 229**	**181 769**	**182 905**	**182 901**	**178 390**
Machinery, fixtures and fittings	64 946	62 976	54 070	53 302	53 892
Total fixed assets	**64 946**	**62 976**	**54 070**	**53 302**	**53 892**
Shares	6 240	6 233	6 431	6 423	4 805
Other long term receivables	3 712	3 424	6 118	4 216	3 405
Total financial fixed assets	**9 951**	**9 657**	**12 549**	**10 639**	**8 211**
Total fixed assets	**260 127**	**254 402**	**249 524**	**246 842**	**240 493**
Inventories	82 370	76 003	67 636	64 306	43 018
Total inventories	**82 370**	**76 003**	**67 636**	**64 306**	**43 018**
Accounts receivables	94 913	50 884	79 332	92 947	128 616
Work in progress	60 856	63 657	48 894	56 751	42 799
Other receivables	57 295	44 136	35 240	28 036	38 133
Total receivables	**213 064**	**158 677**	**163 465**	**177 734**	**209 548**
Cash	**324 665**	**390 758**	**380 165**	**439 788**	**253 291**
Total current assets	**620 100**	**625 439**	**611 266**	**681 828**	**505 857**
Total assets	**880 227**	**879 840**	**860 790**	**928 670**	**746 350**

BALANCE SHEET – EQUITY & DEBT

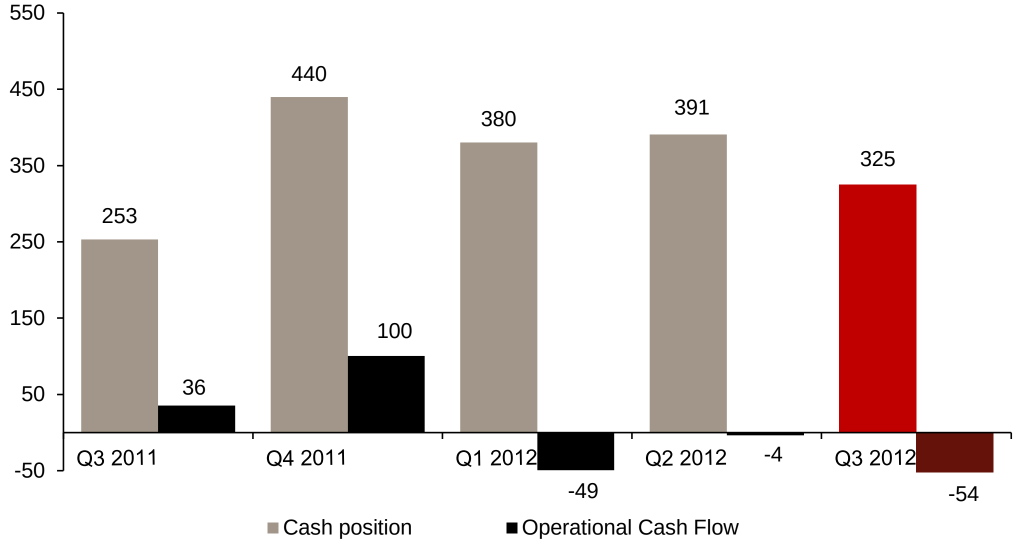
NOK 1.000	30.09.2012	30.06.2012	31.03.2012	31.12.2011	30.09.2011
Subscribed share capital	25 802	25 802	25 176	25 176	22 894
Share premium reserve	415 554	415 554	386 177	386 177	287 674
Other paid in capital	16 939	16 939	16 939	16 939	14 195
Total paid in capital	**458 295**	**458 295**	**428 292**	**428 292**	**324 763**
Other equity	137 374	156 950	180 923	186 800	170 099
Total retained equity	**137 374**	**156 950**	**180 923**	**186 800**	**170 099**
Minority interests	**24 088**	**22 612**	**22 218**	**21 653**	**20 773**
Total equity	**619 756**	**637 857**	**631 434**	**636 746**	**515 635**
Pension liabilities	11 692	10 217	7 483	7 797	6 660
Total liabilities	**11 692**	**10 217**	**7 483**	**7 797**	**6 660**
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	49 738	30 275	31 538	75 591	31 730
Tax payable	1 572	1 523	211	4 318	2 864
Public duties payable	19 741	11 177	7 703	11 911	9 545
Advance payments customers	13 678	23 422	10 612	26 303	25 279
Other short term debt	64 050	65 370	71 809	66 004	54 637
Total short term debt	**148 779**	**131 767**	**121 873**	**184 128**	**124 055**
Total liabilities	**260 470**	**241 984**	**229 356**	**291 924**	**230 715**
Total equity and liabilities	**880 227**	**879 840**	**860 790**	**928 670**	**746 350**

STATEMENT OF CHANGES IN EQUITY

NOK 1.000	Equity attributable to equity holders of the parent: Sub-scribed share capital	Share premium reserves	Other paid in Capital	Other equity	Foreign currency translation reserve	Total	Non controlling interests	Total equity
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 acquisitions	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 31.12.11	25 176	386 177	16 939	190 923	-4 124	615 092	21 653	636 745
Total comprehensive income for the period				-45 525	-3 929	-49 455	2 435	-47 019
Share issue arising from acquisitions	654	29 376				30 030		30 030
Equity per 30.09.12	**25 830**	**415 554**	**16 939**	**145 398**	**-8 053**	**595 668**	**24 088**	**619 756**
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				20 181	-3 230	16 951	-735	16 217
Equity per 30.09.11	**22 894**	**287 674**	**14 195**	**175 464**	**-4 964**	**495 263**	**20 371**	**515 635**

Financials

CASH FLOW STATEMENT



NOK 1.000	Q3 2012	Q3 2011	30.09.2012	30.09.2011	Q2 2012	31.12.2011
Earnings before tax	-21 798	9 473	-53 690	27 521	-23 538	54 916
Taxes paid	-2 796	-3 601	-5 684	-6 927	-1 095	-13 500
Depreciation / impairment	12 900	10 709	37 420	32 412	12 495	48 504
Other operational items	-41 995	18 947	-84 692	38 693	8 507	103 875
Cash flow from operating activities	**-53 689**	**35 528**	**-106 646**	**91 699**	**-3 631**	**193 795**
Investments intangible assets	-3 798	-7 523	-9 854	-21 883	-2 326	-31 176
Investments tangible assets	-7 131	-400	-26 736	-1 966	-13 605	-7 633
Other investments	0	-302	0	6	0	-1 085
Cash flow from investment activities	**-10 929**	**-8 225**	**-36 590**	**-23 843**	**-15 931**	**-39 894**
Proceeds from new loans	0	0	0	100 000	0	100 000
Down payments of debt to financial institutions	0	0	0	0	0	-622
Share issue	0	0	30 002	0	30 002	100 785
Other financial items	-1 476	-131	-1 888	-289	153	0
Cash flow from financing activities	**-1 476**	**-131**	**28 114**	**99 711**	**30 155**	**200 163**
Net change in cash and cash equival.	**-66 094**	**27 172**	**-115 122**	**167 567**	**10 593**	**354 064**
Cash and cash equivalents per 01.01.	390 758	226 119	439 788	85 724	380 165	85 724
CASH AND CASH EQUIVALENTS	**324 665**	**253 291**	**324 665**	**253 291**	**390 758**	**439 788**

KEY FIGURES

	30.09.2012	30.06.2012	31.03.2012	31.12.2011	30.09.2011
Operating profit / EBIT per share	**-0,84**	-0,54	-0,15	0,98	0,56
Operating margin	**-14,3 %**	-13,9 %	-8,2 %	8,4 %	6,5 %
EPS	**-0,68**	-0,40	-0,09	0,58	0,33
EPS, diluted	**-0,68**	-0,40	-0,09	0,57	0,32
Cash flow per share	**-0,81**	-0,06	-0,74	3,19	1,52
Equity per share	**9,31**	7,73	9,61	10,60	8,56
Equity ratio	**72,5 %**	72,5 %	73,4 %	68,6 %	69,1 %
Liquidity ratio	4,2	4,7	5,0	3,7	4,1
Average number of shares	**66 551 563**	67 112 419	66 252 419	61 102 567	60 247 010
Average number of shares diluted	**66 957 857**	66 551 563	67 112 419	62 825 991	61 977 010

	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
Operating profit / EBIT per share	**-0,34**	-0,34	-0,15	0,38	0,20
Operating margin	**-15,0 %**	-20,0 %	-8,2 %	13,5 %	8,4 %
EPS	**-0,28**	-0,31	-0,09	0,28	0,12
EPS, diluted	**-0,28**	-0,31	-0,09	0,27	0,11
Cash flow per share	**-0,80**	-0,05	-0,74	1,52	0,59
Average number of shares	**67 216 375**	67 112 419	66 252 419	61 102 567	60 247 010
Average number of shares diluted	**68 832 419**	67 216 375	67 112 419	62 825 991	61 977 010

Key information

Q-FREE ASA
POB 3974 Leangen
7443 Trondheim
Norway

Org.no: NO 935 487 242

Homepage:	www.q-free.com
Email:	info@q-free.com
Telephone:	+47 73 82 65 00
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

CFO Roar Østbø
Email:
Roar.ostbo@q-free.com
Cell: +47 932 45 175