

Q-FREE

---

ANNUAL  
REPORT **Q** RT

ANNUAL REPORT 2012

---

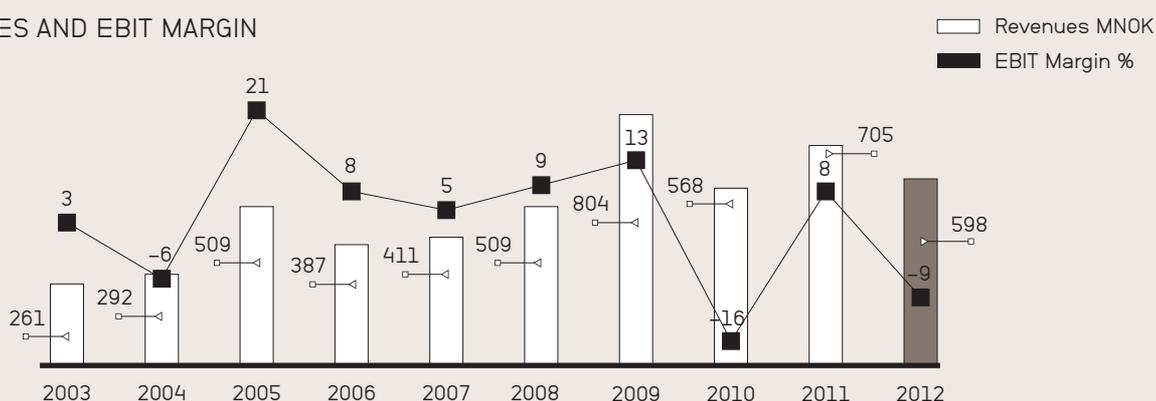
# Key Figures

2008–2012

FIGURES IN TNOK

	2008	2009	2010	2011	2012
<b>Profit &amp; Loss Account</b>					
Operating revenues	509 246	804 403	568 044	704 912	597 532
Cost of goods sold	219 978	303 249	268 233	296 491	227 090
Operating expenses	224 034	365 769	329 231	301 012	376 434
EBITDA	65 233	135 205	-29 419	107 409	-5 991
EBIT	44 283	102 743	-90 373	58 907	-55 306
PROFIT BEFORE TAX	50 915	109 698	-79 593	54 916	-44 623
PROFIT AFTER TAX	36 287	78 150	-56 848	36 187	-31 979
Gross margin%	56.8%	62.3%	52.8%	57.9%	62.0%
EBITDA%	12.8%	16.8%	-5.2%	15.2%	-1.0%
EBIT%	8.7%	12.8%	-15.9%	8.4%	-9.3%
<b>Selected Balance Sheet Items (NOK)</b>					
Intangible fixed assets	128 017	155 860	186 897	182 902	244 388
Tangible fixed assets	63 938	71 874	63 261	53 302	66 320
Cash	119 617	274 615	85 724	439 788	369 491
Total assets	514 425	767 534	687 715	928 670	941 700
Equity (incl minority)	351 663	548 601	499 418	636 746	630 909
Interest bearing debts	2 202	1 412	622	100 000	100 000
<b>Key Figures per Share (NOK)</b>					
Earnings per share, ordinary	0.60	1.41	-0.94	0.58	-0.51
Earnings per share, diluted	0.60	1.39	-0.92	0.57	-0.51
Cash flow	1.47	2.01	-2.01	3.19	-0.29
Book equity	6.52	9.88	8.29	10.57	9.34
Average no of shares	53 976	55 536	60 247	60 247	67 541
<b>Other Key Figures</b>					
Order backlog	338 868	713 039	575 132	461 661	437 408
Order intake	476 700	1 177 455	601 950	591 874	573 465
Return on Invested Capital (ROIC)	10%	14%	-12%	6%	-5%
Net interest bearing debt	2 202	1 412	622	100 000	100 000
Cash flow from operations	79 172	111 852	-120 849	192 169	-19 886
Capital investment	78 398	71 075	66 996	37 722	54 195
Equity ratio	68%	71%	73%	69%	67%
Gearing	0.4%	0.2%	0.1%	10.8%	10.6%
Working capital % of weighted average Revenues	9.7%	8.8%	28.1%	8.2%	11.0%
Number of employees	232	282	282	273	310

## REVENUES AND EBIT MARGIN



## History in short

Q-Free was founded in 1984 as Micro Design by a few very talented engineers based in Selbu (a municipality close to Trondheim).

Norway was, and is, a costly country with respect to construction of roads, bridges and tunnels, and tolling was seen as an important tool to finance such infrastructure. The need for automatic systems was also important to minimize operational cost and hence optimizing funds left for building infrastructure. This opportunity attracted Q-Free and in cooperation with the Norwegian Road Authority, Q-Free deployed in 1988 the world's first fullspeed non-stop electronic toll collection system at Ranheim (Trondheim, Norway) as a result of an R&D program carried out from 1986 to 1988.

The 1990's gave the first larger deployments of Electronic Toll Collection (ETC) systems. Norway installed large toll cordons in Oslo and Trondheim, and Portugal rolled out a nation-wide ETC system called Via Verde in

1995. In 1997, the CEN DSRC standards were released, contributing to a spread of the European ETC technology to markets outside of Europe, such as Chile, Australia and Brazil.

The focus in the 2000's was to continue to expand internationally as well as maintaining a strong position in our home market. Also the company modified its strategy in 2006 from being a very much DSRC focused technology company to become a broad solution provider offering solutions for various road user charging applications. This implied that Q-Free from 2006–2012 has invested significantly in developing new tolling technologies and solutions as well as acquired state of the art ALPR and Parking Guidance technology, as a part of our entrance into the Advanced Transportation Management System market. In addition, the company has undergone a major restructuring focusing on internationalisation and professionalisation during the same time period.

## Q-Free – A pioneer in road tolling

→

1980s	1990s	2000s	2010s
1984 Q-Free established as Micro Design	1990 Contract for Oslo Toll Cordon	2001 First fully interoperable free flow tolling operation, AutoPASS Norway	2011 Positioned for breakthrough in Indonesia
1986 Contract with Norwegian Public Roads Administration	1995 5.8 GHz system installed in Portugal	2005 Stockholm congestion charging system delivered	2012 Awarded Gothenburg congestion charging project
1988 First free flow tolling system operational	1997 Establishment of the European CEN DSRC standards	2006 Q-Free changing to a complete end-to-end solution provider	Acquisition of TCS International
	1999 Breakthrough in Australia and Brazil	2008 Acquisition of Dacolian and Building Capital	2013 Increasing focus on the Advanced Transportation Management market
		2009 Slovakia Truck Tolling & Aenor MLFF Portugal	

## Financial Calender

14 FEBRUARY 2013: Q4–12, Prelim full year 2012

25 APRIL 2013: Q1–13

22 MAY 2013: Annual General Meeting, Oslo

15 AUGUST 2013: Q2–13

31 OCTOBER 2013: Q3–13

13 FEBRUARY 2014: Q4–13

QUARTERLY PRESENTATIONS WILL BE HELD AT

Felix Conference center, Aker Brygge, Bryggetorget 3, 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)

## Vision

Our vision is to be the globally preferred partner within Intelligent Transport Systems and provide world-wide leadership in Road User Charging and Advanced Transportation Management.

## Short facts

Q-Free is a leading global supplier of products and solutions for Road User Charging and Advanced Transportation Management. The company has approximately 300 employees and is represented in 17 countries. Headquarter is based in Trondheim, Norway. Q-Free is listed on the Oslo Stock Exchange with the ticker QFR.

## Some figures

Number of employees	Revenues MNOK	EBIT margin Percent
310	598	-9%

## Q-Free Worldwide



## **Content**

---

2	LETTER FROM THE CEO
4	MANAGEMENT TEAM
6	VISION AND STRATEGIC POSITIONING
8	<u>QUALIFIED</u>
10	RUC SOLUTIONS
13	MAIN RUC TECHNOLOGIES USED
14	ATMS SYSTEMS
16	<u>OUR QUEST</u>
18	INTERVIEW WITH TCS
20	<u>UNIQUE</u>
22	INTERVIEW GOTHENBURG PROJECT
24	CORPORATE GOVERNANCE
34	SHARE PRICE DEVELOPMENT
36	THE BOARD OF DIRECTORS REPORT
42	THE BOARD OF DIRECTORS
44	Q-FREE IN NUMBERS
46	ANNUAL ACCOUNTS
52	INDEX OF NOTES
97	AUDITOR'S REPORT
99	ARTICLES OF ASSOCIATION
100	ADDRESSES

## **Abbreviations**

---

### DEFINITIONS AND INDUSTRY VOCABULARY

ALPR	Automatic Licence Plate Recognition	GPS	Global Positioning System
ATMS	Advanced Transportation Management Systems	GSM	Global System For Mobile Communications
CC	Congestion Charging	ITS	Intelligent Transport Systems
CALM	Communication Access For Land Mobiles	MLFF	MultiLane Free Flow
CEN	Comité Européen De Normalisation (European Committee For Standardisation)	MTC	Manual Toll Collection Systems
DSRC	Dedicated Short Range Communication	OCR	Optical Character Recognition
EFC	Electronic Fee Collection	OBU	On Board Unit
ELE	Electronic Law Enforcement	PGS	Parking Guidance Systems
ERI	Electronic Registration And Identification	PKG	Parking
ETC	Electronic Toll Collection	RFQ	Request For Qualification
GNSS	Global Navigation Satellite System	RUC	Road User Charging
		TMC	Transportation Management Centre

# LETTER FROM THE CEO



A challenging financial year – but we are strengthening our position in a long-term mega trend.

2012 was a challenging year for Q-Free but we remain confident that our market positions and the underlying long term market opportunities will enable the company to deliver strong profitable growth and create shareholder value in the years to come. Traffic represents an increasing challenge across the globe, with respect to congestion, pollution, accidents and time inefficiencies. We believe these demographic infrastructure challenges call for deployment of more advanced transportation technology and hence represent business opportunities with growth potential for decades to come. Q-Free has the product offering and experience to play a key part in this development.

Looking at 2012, we recognise that a lower revenue level and significant changes in the revenue composition generated unsatisfactory earnings. Our current business is mainly generated in the Road User Charging (RUC) market, where we are deploying fully automated road user charging systems and generate revenues through product sales, systems sales and maintenance activities. This is still an immature market, and while this offers a lot of untapped business potential it also exposes the company to project uncertainties and political risk. To mitigate these risks we are working hard to optimise our RUC business model and cost position, but also seek to broaden our revenue base through expansion into Advanced Transportation Management Systems (ATMS) potentially enabling revenue opportunities less dependent on bigger projects and less exposed to political risk. Further we see considerable market and technology synergies between the RUC and ATMS markets.

ATMS comprises gathering, processing and communication of information about different types of traffic conditions, enabling improved traffic flow and traffic safety. The value of the ATMS market was estimated at USD 200 billion in 2011 and is forecasted to double by 2016. The market may be split into Urban traffic, Inter-Urban, Parking, Public Transport, Rail, consultancy and planning. Q-Free's main focus will be on the three former segments, which account for approximately 50% of total market value. The acquisition of the parking guidance company TSC International in the fourth quarter 2012 was a step in this direction. Over time we expect our investments in ATMS to improve our financial robustness and also prepare Q-Free for convergence of our markets into a wider Intelligent Traffic market.

Throughout 2012 we have been working intensively to bring the police project in Jakarta to a conclusion. This has been a long and complex process, with complicated legal aspects and thorough due diligence processes. It remains our firm belief that this project will become a reality, marking the beginning of a new era of the company. The Jakarta contract value is approximately NOK 940 million and will comprise of roadside infrastructure, operational back office, tags and a service and maintenance contract for five years. More than half of the contract value is related to delivery of tags, which will become mandatory in all cars in Jakarta.

The Electronic Law Enforcement (ELE) system will be based on Q-Free's unique tolling solutions and will be used by the Indonesian Police for traffic monitoring in

the capital Jakarta (DKI) and surrounding areas (Bodetabek). The region has more than 6 million cars and 9 million motorcycles.

The ELE-system will enable, electronic control and enforcement of vehicles and hence ease controlling vehicle ownership information, detect fake number plates, and verify payment of road and vehicle taxes.

This project represents an exciting opportunity for Q-Free, - it is a huge project with a high degree of standard product deliveries and significant upsale possibilities. This is the first installation of this kind globally, and obviously will have applications far beyond Jakarta and Indonesia.

It is important to understand that we only got to explore this opportunity because of the references Q-Free has acquired over time, and due to the unique solution we can provide. In 2012 we provided Gothenburg with the world's best congestion charging system in record time. In the same way, and based on the same core technologies, we will help Jakarta and other cities managing their traffic challenges in the years to come.

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

Øyvind Isaksen  
President and CEO



**- In 2012 we provided Gothenburg with the world's best congestion charging system in record time.**

---

# MANAGEMENT TEAM



**Dr. Øyvind Isaksen** (1963)  
President and CEO  
+47 908 76 398  
[oyvind.isaksen@q-free.com](mailto:oyvind.isaksen@q-free.com)

1

President and Chief Executive Officer, Dr. Øyvind Isaksen has held the position as CEO since 2006. He has a PhD in Applied Physics (University of Bergen 1994). Dr. Isaksen has held positions as President of Nera Networks AS (2002–2006) and President of Roxar Flow Measurement/Fluenta. He has also held management positions in ABB Research and Christian Michelsen Research.



**Roar Østbø** (1961)  
Chief Financial Officer (CFO)  
+47 932 45 175  
[roar.ostbo@q-free.com](mailto:roar.ostbo@q-free.com)

2

Roar Østbø has been employed in Q-Free ASA from 2005–2007 and since 2009. Østbø came from the same position in Aqualyng Group and has previously held the CFO position in the publicly listed company CorrOcean ASA, and in the oil service company Reslab AS and Sintef. Mr Østbø is a Certified Public Accountant from the Norwegian School of Economics and Business Administration (1988) and has also worked as auditor in Arthur Andersen & Co.



**Per Ecker** (1969)  
Vice President Sales  
+47 922 97 524  
[per.ecker@q-free.com](mailto:per.ecker@q-free.com)

3

Per Ecker has been with the company since 2007. He came from the position as Sales Director in Siemens Mobile Networks (1992–2007) with responsibility for Eastern European markets in particular. Mr. Ecker has extensive experience from international sales both in Asia and Europe. He is educated by The Norwegian Army Officers Training School (1986–1989) as Second Lieutenant in Electronics.



**Marianne Sandal** (1965)  
Vice President Operation  
+47 911 48 088  
[marianne.sandal@q-free.com](mailto:marianne.sandal@q-free.com)

4

Marianne Sandal has been with the company since 2006. She holds an engineering degree from the University of Bergen (1988), in addition to credits within management from Norwegian School of Management (BI). Marianne Sandal has previously worked in Nera Networks (1988–2006), and has extensive experience in project management. From 2003–2006 Sandal headed the world wide operation activity of Nera Networks AS.



**Morten Andersson** (1957)  
Vice President ATMS  
+47 928 41 800  
[morten.andersson@q-free.com](mailto:morten.andersson@q-free.com)

5

Morten Andersson is employed as VP Advanced Transportation Management Systems. Andersson has held similar positions in Peek and Swarco, and has more than 30 years of experience in the Traffic Management industry.



**Dr. Jos A.G. Nijhuis** (1965)  
Vice President R&D  
+31 (0) 629038031  
[jos.nijhuis@q-free.com](mailto:jos.nijhuis@q-free.com)

6

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 (former Dacolian B.V., which was acquired by Q-Free in 2008).



**Stein-Tore Nybrodahl** (1965)  
Human Resource Manager  
+47 906 94 689  
[stein-tore.nybrodahl@q-free.com](mailto:stein-tore.nybrodahl@q-free.com)

7

Stein-Tore Nybrodahl is Q-Free's Human Resource Manager and started with the company in 2006. He holds a Master's degree in Business (Copenhagen Business School, Denmark, 1992) and successfully completed the senior executive program INSEAD in France (1993). He has extensive HR and strategy experience having held various senior management roles at Telenor (Norway), where he became director of strategy and HR development. At Q-Free, Mr. Nybrodahl is responsible for the management and development of human resources.



**Henrik F. Stoltenberg** (1960)  
Vice President BD and M&A  
+45 28 98 89 95  
[henrik.stoltenberg@q-free.com](mailto:henrik.stoltenberg@q-free.com)

8

Vice President Business Development & M&A Henrik F. Stoltenberg came from the position as Group Executive Vice President, responsible for the daily operation of JAI Group (Denmark), and with focus on implementing the corporate strategy. Mr. Henrik F. Stoltenberg holds a HD Degree from Business School Copenhagen. He has been Chief Financial Officer and member of the management team in JAI since 2006. Henrik F. Stoltenberg has previously also been finance director at Merkantildata A/S in Denmark and Bruhn A/S.

# VISION AND STRATEGIC POSITIONING



The vision of Q-Free is to be the globally preferred partner in the area of Intelligent Transport Systems and provide world-wide leadership in Road User Charging (RUC) and Advanced Transportation Management Systems (ATMS).

## VISION

Traffic represents an increasing challenge across the globe, with respect to congestion, pollution, accidents and time inefficiencies. We believe these demographic infrastructure challenges call for deployment of more advanced traffic management technology and hence represent business opportunities with growth potential for decades to come.

## MARKET AND STRATEGIC POSITIONING

Both the RUC and ATMS areas will be important enablers to address the challenges presented by increasing traffic and urbanisation.

Advanced RUC solutions will enable funds for maintaining and building high quality road infrastructure to reduce pollution, improve traffic safety, and increase time efficiency. RUC solutions are also important tools for traffic congestion management, as proven in the Stockholm and Gothenburg congestion charging systems delivered by Q-Free. RUC solutions have gained ground in several developed markets but still remain to be deployed in many larger countries. Q-Free has estimated the value of the opportunity pipeline over the next years to NOK 5–15 billion.

ATMS comprises gathering, processing and communication of information about different types of traffic conditions, enabling improved traffic flow and traffic safety. The

value of the ATMS market was estimated at USD 200 billion in 2011 and is forecast to double by 2016. The market may be split into Urban traffic, Inter-Urban, Parking, Public Transport, Rail, consultancy and planning. Q-Free's main focus will be on the three first segments, which account for approximately 50% of total market value.

Q-Free has historically generated the bulk of its revenues in the RUC market, by deploying fully automated road user charging systems and generate revenue through product sales, system sales and maintenance activities. This is still an immature market, and while this offers a lot of untapped business potential it also exposes the company to project uncertainties and political risk. To mitigate these risks we are working hard to optimise our RUC business model and cost position.

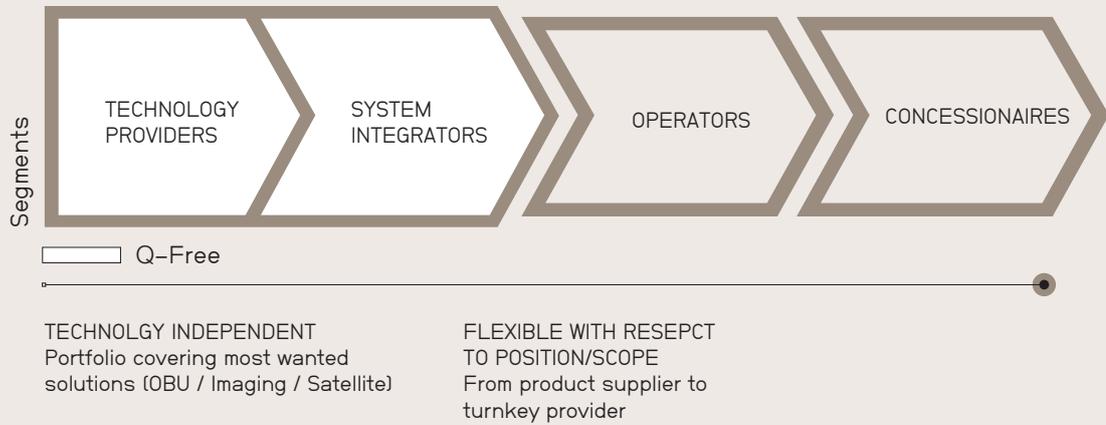
The company has established a strong portfolio in the RUC area, through 25 years of industry leadership and major investments in a globally leading product offering. The references Q-Free have established in this market segment are impressive and unique.

RUC will remain an important part of Q-Free's strategy, given the significant business potential going forward. However, the company will also increase its investment in the ATMS area, in order to

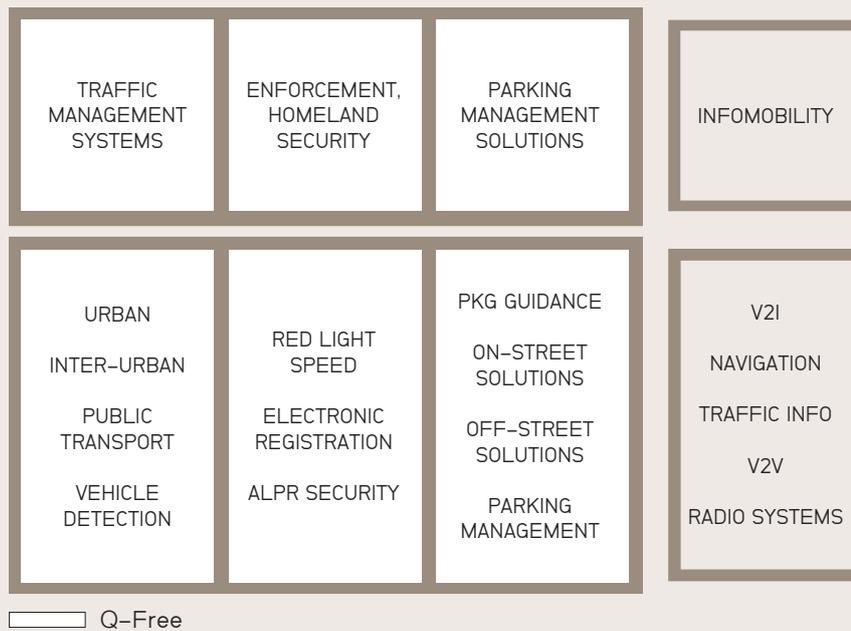
improve the financial robustness, reduce the company's dependence on large individual tolling projects, and strengthen the long-term growth platform. From a strategic point of view it also seems clear that the RUC and ATMS market will converge, making it imperative to build a strong position in the wider intelligent transport area.

The acquisition of the parking guidance company TCS International in the fourth quarter 2012 was a step in this direction. TCS International holds interesting technologies for parking management, efficiently guiding drivers to free parking spaces. This is a crucial element in overall traffic management in urban areas, given that a significant part of the urban traffic is made up of cars seeking for a place to park. Q-Free will continue to add further to its ATMS portfolio, both through further acquisitions, partnerships and organic growth.

# RUC



# ATMS





#### OBU610 DSRC TRANSPONDER

**COMPACT DESIGN:**  
69x40x22 mm / 34 g.

**PRIVATE LABEL:**  
To accommodate customer specific look and feel.

**MULTI APPLICATION SUPPORT:**  
EN15509/SmartDSRC/PISTA/TIS/GSS/A1/OGS.

**BUZZER:**  
Different and custom specific beep signals available.

# QUALIFIED

## Road User Charging

↑ Q-Free has for more than 28 years developed and deployed world-class products and solutions for the Road User Charging market, and has a track record few others can match. ↓

# RUC

## ROAD USER CHARGING SOLUTIONS



### ELECTRONIC FEE COLLECTION (EFC)

Toll charging is not a new phenomenon. Toll has been charged as early as 700 years before Christ in Babylonia and it is becoming increasingly common to charge for the use of travel and transport. The intention has always been to ensure adequate funding for construction and maintenance of these routes of transport. In recent times most road tolling solutions have started up with the use of manual tolling and gradually increased the degree of automation. Automation has gone through the use of automatic coin machines through modern fully automated tolling using electronic tags or video systems.

Q-Free offers the full range of systems from conventional tolling with mixed operations of manual, semi-automatic and electronic toll charging to fully automatic Multi Lane Free Flow (MLFF) systems. In emerging markets integration with existing systems and migration to EFC solutions will be a focus area.

Implementation of electronic free flow systems reduces traffic congestion, reduces pollution, increase throughput and reduce operational costs. Q-Free's well proven technology provide versatile systems with scalability and interoperability in accordance to international standards. The MLFF system offered by Q-Free can be implemented into any surroundings from highway tolling to highly urbanized areas without compromising performance. At the same it provides a platform for other applications for traffic management. Q-Free has a flexible and open approach and are able to either deliver the full turnkey solution or to participate in a larger consortium tailoring Q-Free's scope towards other technology providers. In close collaboration with the customer Q-Free focus on implementing systems to drive for better performance that safeguards the customers revenue collection.

### CONGESTION CHARGING

Congestion Charging is an electronic fee collection system using a principle of variable pricing as a means to regulate the demand for constrained road resources. The purpose is to motivate or encourage people to change travel pattern so they drive at off-peak hours instead of at peak hours where the traffic is heavily congested. Congestion charging is therefore different from city tolling solutions having the purpose of generating funds to public infrastructure.

EFC in urban areas can still use conventional setup with toll plazas, barriers and a mix of manual and electronic tolling. Congestion Charging on the other hand must use multi lane free flow solutions since all other solutions will increase congestion.

As congestion charging mainly is used in urban areas parameters such as complex traffic infrastructures, aesthetics, space constraints and legislations gives additional challenges into building a trustworthy and fair payment solution. Q-Free's Congestion Charging solutions are designed to fit into any city environment and to deliver advanced traffic management through automatic vehicle identification and advanced enforcement with Q-Free's unique single gantry system minimising space requirements and adds versatile charging points capabilities.

The single gantry system together with Q-Free's experience in optimization of traffic flow, providing fair and reliable payment methods will provide a solution with longevity and maximized revenue collection.

### TRUCK TOLLING

Heavy goods vehicle (HGV) transport by both international and national vehicles, causes extra wear and tear, and has an environmental burden. The solution is often to pass on the cost for this to the

actual vehicles that are using the roads and implementing a truck tolling scheme has been seen as a mean to do so.

Being a technology independent provider of solutions Q-Free offers an optimized versatile solution for national and international truck tolling schemes. Since each Truck Tolling scheme is unique Q-Free offers tailored solutions using a best of breed approach, mixing own technology with technology supplied from strategic partners. The platform needs to be composed of components for collection of toll and enforcement solution for deterrent of toll evasion.

The technology applied for payment and enforcement can be a combination of GNSS, DSRC and Q-Free's world class ALPR system. Q-Free's enforcement package is modular and contains a mix of fixed, mobile, portable and handheld system components enabling a flexible and efficient enforcement regime. The payment and enforcement technology is backed up by a scalable back office solution.

### SERVICES AND SYSTEM FOR OPTIMIZATION OF ROAD USER CHARGING SCHEMES

Increasing national and international traffic volumes pose a risk of degrading optimal performance of tolling solutions. The degradation is often related to quality of the imaging system used to identifying the vehicle based on the licence plate. Q-Free offers a wide variety of solutions and technology that enables customers to optimize the image handling process in terms of automation. The technology encompasses the reliable identification of vehicles in traffic video and is based on our world class imaging software portfolio. With Intrada Synergy Q-Free delivers high performance automatic handling of images as a service or as a system, and combines tailored ALPR software libraries



SINGLE GANTRY SOLUTION IN URBAN ENVIRONMENT IN GOTHENBURG, SWEDEN

with a workflow that fits best for the specific purpose.

THE ABOVE MENTIONED SOLUTIONS ARE SUPPORTED BY COMBINATIONS OF THE BELOW DESCRIBED SYSTEMS

#### SINGLE LANE AND MULTI LANE TOLLING STATIONS

Q-Free offers road side equipment for all combinations of manually operated tolling plaza and single lane ETC to fully automated multi lane free flow system. Q-Free's multi lane free flow system is based on proven components, such as Q-Free camera- and classification systems, radio technology and software. The new Single Gantry Solution is suitable for urban environment and open road tolling. The solutions are versatile and highly adaptable to different traffic environments, and configurable to meet specific system requirements. Remote system configuration provides reduced installation time and increased maintainability.

#### ENFORCEMENT AND COMPLIANCE CHECKING

Accurate identification of violators is of high importance in all fee collection solution deterring toll evasion. It is mainly

provided by taking a picture triggered by checking if the vehicle is compliant or not. Q-Free delivers solutions for handheld, in vehicle mobile and roadside portable enforcement units fully supported by our scalable back office system. The modular system can be set up in any combination of our high performance of Q-Free ALPR software, camera and DSRC portfolio.

#### BACK OFFICE SYSTEMS

Q-Free delivers a scalable tailored back office solution. Q-Free turnkey solutions offers an efficient operational model with extensive integrating and advisory experience leading to minimized operational costs, optimal customer solution and world class performance. Q-Free back office systems can be easily customized to suit a wide range of applications, solutions and each customer's specific operational needs.

#### ADVANCED AND EFFICIENT IMAGE HANDLING SYSTEMS

Intrada Synergy delivers specific levels of identification performances. Based on Q-Free Intrada ALPR software and Intrada VSR technology we offer services for automatic imaging processing tailored to fit each customer or project needs.



OBU610 DSRC TRANSPONDER



RSE650 DSRC TRANCEIVER



MD5859 DSRC TRANCEIVER



IMAGING SYSTEM: VIDEO REGISTRATION AND FLASH UNIT

# MAIN RUC TECHNOLOGIES USED



The main technologies employed are DSRC, GNSS and ALPR. The following offers an overall description of the different technologies and their spread geographically.

## DSRC DEDICATED SHORT RANGE COMMUNICATION

DSRC is a technology that follows European CEN and ETSI standards dedicated for RUC purposes. The cars communicate with the charging point through an OBU installed on the windshield of the vehicle. The CEN DSRC is a microwave communication link and the OBU has processing capabilities for communication and security. DSRC based systems are widely used and successfully implemented in large scale in Europe, Latin America and in parts of Asia.

## GNSS GLOBAL NAVIGATION SATELLITE SYSTEM

RUC systems based on GNSS require an OBU in the vehicle which positions the vehicle and by some other means (DSRC, GPRS) reports its position and movement to the RUC operator. The RUC market where the GNSS based system is being used is the RUC system for heavy goods vehicles, more specifically the German HGV system and in the Slovakia Sky-Toll system.

## ALPR AUTOMATIC LICENSE PLATE RECOGNITION

ALPR technology is based on digital video images of the vehicle's number plate and software that automatically reads the vehicle's licence number. ALPR based systems are used in some congestion charging systems such as in Stockholm and London. ALPR is also used as enforcement measures in RUC systems based on the above described technologies. As all electronic, fully automated tolling systems are being implemented, video based enforcement will be increasingly important. Products based on CALM are still some years ahead.

# ATMS

## ADVANCED TRANSPORTATION MANAGEMENT SYSTEMS



Advanced Transportation Management Systems (ATMS) collects real-time traffic data from an array of sensors like road cameras, speed sensors, parking systems, etc. enabling authorities to take the appropriate measures in terms of traffic routing. Via messages and incident reporting it allows to improve traffic flow and safety, enhance mobility, increase transportation system efficiency, reduce fuel consumption and environmental cost.

Advanced Transportation Management and Road User Charging markets and technologies will gradually converge. One important driver for this to happen is the development of standards and technology enabling car-to-car and car-to infrastructure communication for enhanced road safety and environmental friendly transport. This convergence implies that rather than building autonomous tolling and/or advanced transportation management systems, common infrastructure will be deployed whether it is used for tolling, congestion charging, electronic licence plate enforcement or parking systems.

There is no doubt this transition will take some time. However, Q-Free is already positioned and taking the steps necessary to change from an RUC company to a broad ITS company supplying solution platforms and applications, both for advanced transportation management and road user charging. An example of this step is Q-Free's acquisition of TCS International, – a company developing and implementing intelligent parking guidance solutions.

In essence real time monitoring of open spaces allows operators to promote free space, and improve vehicle flow by reducing extra “cruising” and increasing customer satisfaction and reduction of the facility's footprint. Q-Free will be supplying a vast range of products and systems that cater for different needs in parking management systems.

Total ATMS market revenue was estimated to USD 200 billion in 2011, and is forecast to double in value by 2016.

Q-Free will continue to add to its ATMS portfolio, both through further acquisitions, partnerships, applying existing tolling technologies for traffic management application and by development of new solutions.

Within ATMS Q-Free's main focus areas are:

- URBAN TRAFFIC MANAGEMENT
- INTER-URBAN MANAGEMENT
- PARKING MANAGEMENT SYSTEMS

which accounts for approximately 50% of the total market value.

Looking ahead, the AMTS market will change with technological innovations and development of new solutions. The electronic law enforcement program being planned by Q-Free in Jakarta, utilizing the company's latest tolling technology, is an illustration of a new Urban Traffic Management application. The system is an Electronic Registration Identification (ERI)

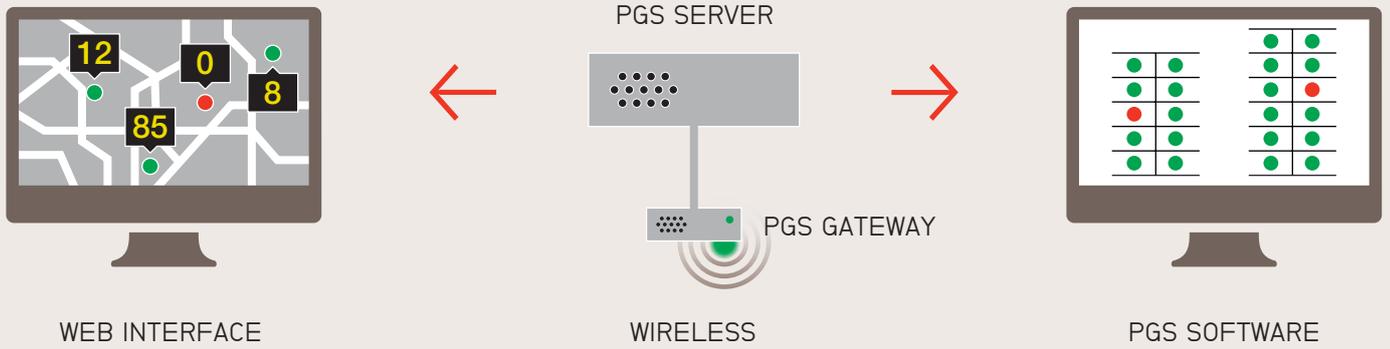
system, and will give the police a real-time tool for automatic vehicle registration, improved control over vehicle ownership, detect fake number plates, and easy control of payment of road and vehicle taxes.

ERI is a technology where the data from a vehicle registration certificate are loaded into a highly secure in-vehicle transponder. This means that an authorised entity can read the particular attributes remotely and quickly determine how that particular vehicle should be handled. Further the transponder can be updated over the air to reflect the at all time status of the vehicle. This concept gives great advantages for all parties:

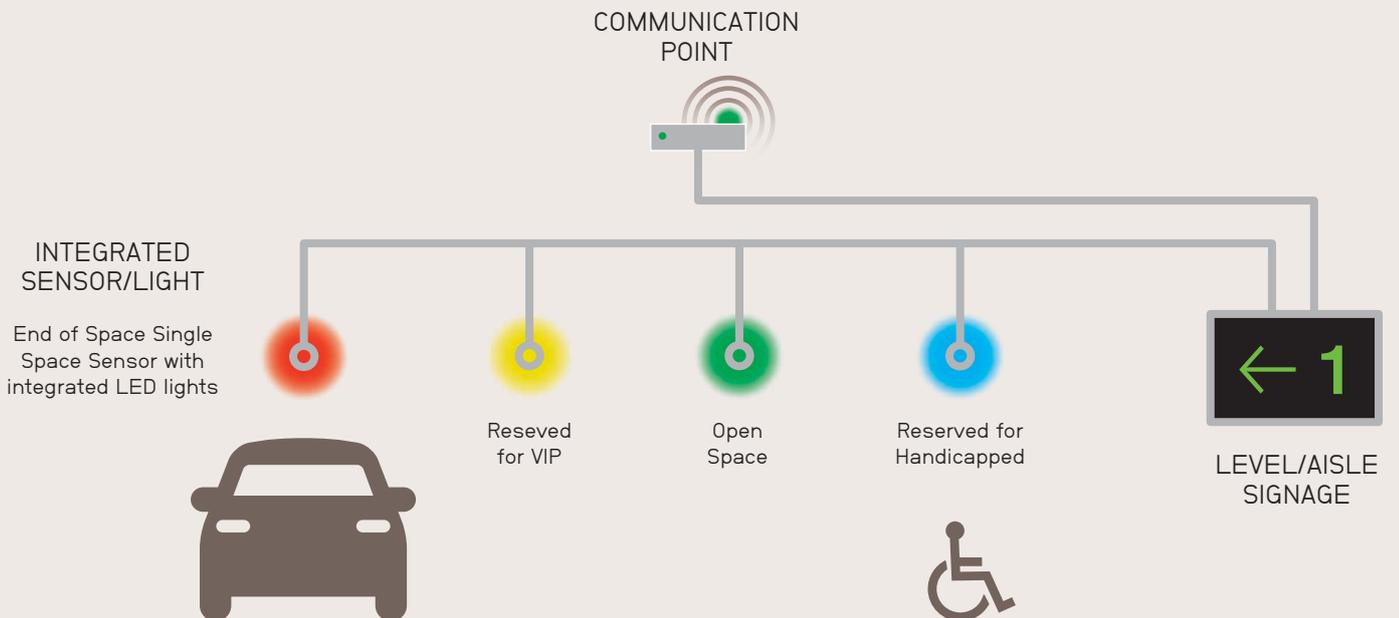
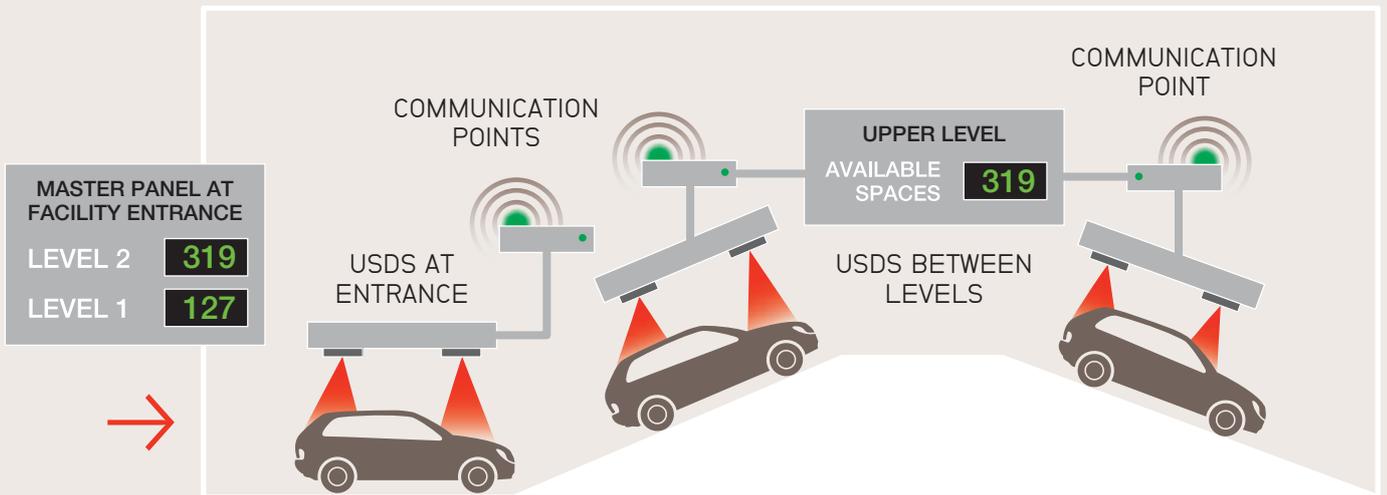
- ROAD USERS WILL NOT HAVE TO STOP TO ALLOW FOR INSPECTION OF THEIR REGISTRATION CERTIFICATE
- AUTHORITIES CAN CONCENTRATE THEIR EFFORTS TOWARDS VEHICLES VIOLATING WITH THE RULES (HENCE LETTING THE LAW ABIDING USERS DRIVE ON UNDISTURBED)
- SOCIETY WILL BENEFIT FROM LESS CONGESTION, SAFER TRAFFIC AND LESS POLLUTION

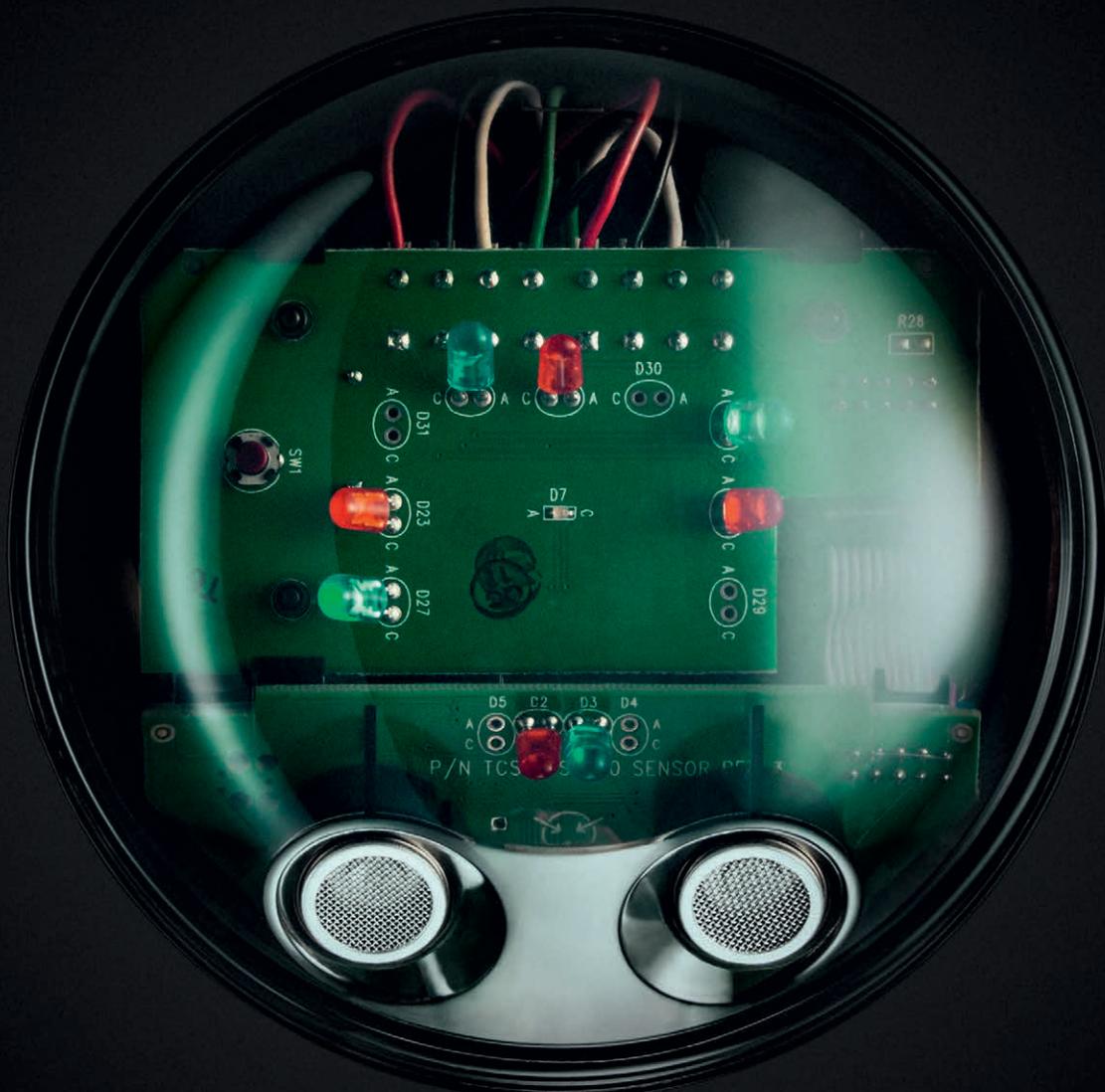
Q-Free has developed a line of products and systems supporting ERI. The data is held by highly secure DSRC transponders, where only authorised readers are able to read the contents of the transponder. In combination with Q-Free's ALPR solutions, the company's ERI solution forms a powerful toolset to develop efficient traffic management and enforcement solutions.

### TCS wireless level counting system and single space system



### PARKING GARAGE





## TCS – SINGLE SPACE MONITORING

### TUS-100

#### INSTALLATION:

The sensor is installed on the ceiling within 50 cm of each parking space end.

#### HOW IT WORKS:

Internal LED's illuminate green when space is unoccupied, and red when space is occupied.

#### FUNCTION:

The sensor detects occupancy status through ultrasonic distance measurement.

#### CONNECTION:

A maximum of 32 sensors can be connected to the same data line. The zone controller employs a three bus system allowing up to 96 single space sensors connected to a single controller.

# OUR QUEST

## Advanced Transportation Management Systems

↑ "TCS and our various patent pending system designs have allowed us to successfully install the widest range of systems in ATMS market segments. With over 160 systems installed globally, we feel this success speaks for itself!"

↓ Greg Parzych, TCS International Inc.

# TCS IS TAKING THE NEXT STEPS TOGETHER WITH Q-FREE

**NAME:** Greg Parzych

**COMPANY:** TCS International Inc.

**POSITION:** General manager and founder

**LOCATION:** Sudbury Massachusetts, Boston, US and Toronto, Canada

**NEWS:** Q-Free ASA has acquired 100% of the shares in TCS International



## What is the core business of TCS International?

TCS has focused exclusively on the ATMS market sector as it pertains to parking and real time parking space notification. This has allowed us to design products that are ideally suited for this market sector, with leading edge developments that enables us to offer very advanced, high level technical solutions to our ever demanding clients. By listening to our clients TCS has been able to grow its core competence in this area.

## How would you describe TCS offering and main references?

TCS and our various patent pending system designs have allowed us to successfully install the widest range of systems in ATMS market segments. With over 160 systems installed globally, we feel this success speaks for itself! The overall flexibility of our wireless communications, mobile apps for real time parking updates and web interface modules give us the ability to inform the traveller through multiple media channels, the real status of where parking can be found and the easiest way to get there.

## How would you describe the parking guidance market as of today and going forward?

The market in North America and other regions of the world is a very much emerging segment. With the advance of urban mobility solutions, congestion management and classification as well as dynamic pricing parking models, all these lead to a great need for accurate, real time traffic notification. Parking management is a vital component of this picture and this demand will only increase with continued urban development, especially in developing nations.

## Why have TCS become an industry leader in the US and Canada?

Since its inception in 1999, TCS has always focused on what we saw as a need for urban traffic management solutions. With our core competence so focused, we emerged as a premier provider of systems with a reputation for flexibility, open mindedness and a willingness to show our clients that we were ready to go the extra mile in order to accommodate their needs. With so many installations in a wide variety of market segments, this confirmed our adaptability, overall marketplace success and reputation.

## Does TCS have an international footprint?

We have over 22 agents in different countries that we are currently very active with. New installations are in: Israel, Kuwait, Qatar, Australia, Russia, Mexico and Dominican Republic to name a few. The year 2013 looks to be our most promising year yet for export sales now that we have this international presence established. This will be especially valid now that we are part of the Q-Free family and their global reach.

## Why choose TCS solutions?

TCS is the only provider of Parking Guidance Systems that incorporates a network backbone of wireless mesh technology. This encrypted method of communications greatly eliminates the need for communication cabling and conduit hereby reducing overall implementation costs.

In addition, the system controllers produced by TCS are universal in all system designs and meet all certification standards allowing for deployment in all markets worldwide. These controllers are a patented design, support all TCS sensors

and have the ability to operate off line for superior system redundancy. With a central management solution that incorporates, mobile apps, web and radio interface and extremely flexible reporting statistics, the TCS solution is the most flexible and scalable solution available in the market today with applications from the smallest carpark to the most advanced citywide ITS solutions.

I firmly believe that results speak for themselves and our clients are the best sales people we have. TCS has always prided ourselves on listening to the market, our clients, operate with integrity and to be able to offer innovative, leading edge solutions at cost competitive price points. These have always been our core values.

## What will be the opportunities being a part of the Q-Free family?

I think all of us here at TCS recognise the immense opportunities now being part of a much larger global family like Q-Free. We complement each other with respect to corporate culture and offer immense, bilateral product marketing opportunities not just here in North America, but also with Q-Free globally. In addition, with a brand name like Q-Free and their international project successes, this also creates substantial growth opportunities for TCS as part of this family. We are all excited to be part of this dynamic organisation and look forward very much to a success story with ATMS globally.



WHAT ARE THE BENEFITS OF PGS FOR THE ENVIRONMENT?

It is estimated that 20% of congestion is attributed to motorists cruising for parking.

*(Traffic technology international, oct/nov 2007)*

Typical benefits are 2% reductions in emissions of carbon monoxide and hydrocarbon and 1% in emissions of nitrogen oxide and particles of aero dynamic diameter of 10µm.

*(Urban traffic management and control research final report 2, issue 3. 2007)*

A PGS system can lead to a non-trivial reduction in vehicle emissions.

Larger emission benefits are possible under more favorable conditions.



UNIQUE IMAGING SYSTEM ENABLING HIGH PERFORMANCE SINGLE GANTRY SOLUTION

ENVIRONMENTAL IMPACT:

Modest appearance makes solutions ideal for both city and highway.

COSTS:

Reduced due to less need for physical space, infrastructure and civil work.

RELIABILITY:

Reliable tolling under all weather and light conditions.

APPLICATIONS:

Modular system architecture such as Multilane Free Flow, Congestion Charging, Truck Tolling, Video Tolling etc.

# UNIQUE

## The Gothenburg Project

↑ “In Gothenburg, Q-Free has implemented the largest operational Single Gantry system in the world offering low visibility and environmental impact which makes the solution ideal for an urban environment as well as highway tolling.”

↓ Christian Walsø, Q-Free

# A UNIQUE DELIVERY IN GOTHENBURG

**NAME:** Christian Walso

**COMPANY:** Q-Free ASA

**POSITION:** Project manager currently heading the Gothenburg congestion charging project

**LOCATION:** Trondheim, Norway

**NEWS:** Q-Free has implemented the largest operational Single Gantry system in the world in Gothenburg, Sweden

## Why work for Q-Free?

Q-Free is a company where you can work in an international environment with a wide range of challenges and tasks.

## What is your main role and responsibility as project manager in Q-Free?

The roles and the responsibility might vary from project to project, but in general the project manager is responsible to ensure that the projects are delivered within the specified time and cost whilst assuring the quality of the delivery to be maintained.

## What did Q-Free deliver in Gothenburg and how will Q-Free's client utilize the system?

In March 2012 Q-Free ASA was by Trafikverket (Swedish Transport Administration) awarded the contract of supplying a complete roadside system, including civil work, gantry deliveries, roadside equipment, professional services and Service and Maintenance services for the Gothenburg Congestion Tax Project. The system consists of 42 charging points. The roadside system consists of Charging Points with the objective of collecting Vehicle Passage Data from vehicles passing through these stations, vehicle identification is done by Automatic Licence Plate Recognition (ALPR) system and in addition communication with On Board Equipment (OBE)-equipped vehicles via a 5.8 GHz DSRC link, and a Data Service Centre (DSC) that provides centralised monitoring and control of the roadside system and is responsible for data exchange with the Toll Charger's Central System. The contract value of this project, including 2 years of Service and Maintenance was SEK 123 million. The system was set into operation on January 1st 2013 in accordance to the agreed schedule.

The purpose of the system is to increase accessibility in the City of Gothenburg, improve the environment and contribute to financing the infrastructure. Congestion tax will be charged for Swedish registered vehicles, Monday to Friday between the hours of 06.00 and 18.29. Each time you pass through the control points in Gothenburg you will be charged a fee depending on the time of day. During the hours when congestion tax is charged, vehicles will automatically be registered when passing any of the control points. At the end of the next month, the vehicle owner will receive a payment slip from the Swedish Transport Agency containing the tax decision.

## Why was Q-Free chosen as supplier and what was the tender process?

After a public tender Q-Free was chosen based on being the qualified bidder having the most competitive price.

## What is the uniqueness of the solution Q-Free delivered?

In Gothenburg, Q-Free has implemented the largest operational Single Gantry system in the world offering low visibility and environmental impact which makes the solution ideal for an urban environment as well as highway tolling. The visual impact and aesthetic look is an advantage of our system as well as the unique way Q-Free Single Gantry works in terms of detecting and charging vehicles.

## How will you describe the execution of the project?

After Q-Free was awarded the contract, one of our competitors filed a complaint to Trafikverket, claiming the tender process included several breaches of the Public Procurement Act and the Swedish court had to try the case. After 11 months, the Swedish Administrative Court ruled

in favour of Trafikverket which then could start the project. Trafikverket still requested to maintain the original go-live date on January 1st, and Q-Free agreed to do this. We knew that implementing such a huge project within only 9 months would be extremely challenging and it would demand extended dedication and participation for all involved parties. With this as a basis it was very important for all project members to keep a strong focus on their work domains and activities, keeping the timeline as well as maintaining high quality in all aspects of the delivery. This also applied to our subcontractors which had to ensure that all their services and deliveries were in place in accordance to the agreed timeline. All involved parties managed to maintain this strong focus and because of this we could deliver on time. Thanks to the extended effort put down the project is considered a success.

## What are the key success factors for such a big project?

As mentioned above, the key factors for success was that everyone involved managed to put in extraordinary efforts at the same time as everybody managed to keep a strong focus on each individual work tasks.

## How do you place what you do in a broader context seen from a society/corporate perspective?

From society's perspective the systems we deliver help to reduce urban traffic. Actually, I personally did experience this the first days after go-live. The reduction in congestion and traffic in general was noticeable.

From a corporate perspective, we have in Gothenburg delivered and implemented a strategically very important project which would be a signature project for the whole international transport management world.

1

2

3

4

5

6

7



STATISTICS FROM  
TRAFIKVERKET.SE/  
VÄSTSVENSKA  
PAKETET

- 1. Lionel Sacks – Technical PM/System Architect R&D Roadside Systems
- 2. Stein Johansen – Project Manager
- 3. Rolf Tore Tronnes – Service Manager Sweden
- 4. Christian Walso – Project Manager
- 5. Urban Grip – Business Analyst
- 6. Hroar Pedersen – Team Manager Installation
- 7. Kjetil Pedersen – Research Director Roadside

Not present:

Henrik Witze de Haan – Senior Scientist

Robert van Opstal – Technical Product Owner Intrada

Traffic flow on inner-city streets reduced by an average of 22% during charge period after introduction of the congestion charging scheme.

18% increase in express bus passengers after introduction of the congestion charging scheme.

Less congestion on all radial roads leading to Gothenburg after introduction of the congestion charging scheme.

13% increase in passengers on commuter trains after introduction of the congestion charging scheme.

# CORPORATE GOVERNANCE

Q-Free aims to protect and enhance shareholders' investments through profitable, sustainable business activities. Good corporate governance is intended to maximise added value and decrease business risks, at the same time as the Group's resources are to be utilised in an efficient, sustainable manner. The value added should benefit shareholders, employees and the community. As an issuer of shares, Q-Free complies with Norwegian stock exchange rules, including the rules on Continuous Obligations of Listed Companies, chapter 7 on Corporate Governance, with reference to the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NCGB), see [www.ncgb.no](http://www.ncgb.no).

In accordance with the Norwegian Accounting Act section 3–3b, Q-Free is required to report annually to give an account of their principles and practices relating to corporate governance in the directors' report or a document referred to in the directors' report. Q-Free refers to this document in the Directors' Report.

The Company's Board of Directors has adopted the Code of Practice of 23 October 2012. The Company may deviate from the principles of the Code of Practice if required for special purposes. In the following it is set out how the Code of Practice is accommodated through the financial year 2012 for each section. Any deviations from the Code of Practice are addressed in relation to the relevant section. The Company is listed on the Oslo Stock Exchange and therefore also complies with the corporate governance requirements of exchange's rules for listed companies. The exchange's rules are available at [www.ose.no](http://www.ose.no).

The description is structured in accordance with the Code of Practice. As recommended, a greater degree of detail is provided on certain points.

## Corporate governance at Q-Free

OWNERS	BOARD	MANAGEMENT
Shareholders	Board	CEO
↓	→	↓
General Meeting	Compensation Committee	Executive Management
↓	→	
Nomination Committee	Audit Committee	
The General Meeting elects 3–8 shareholders' representatives to the Board based on nominations from the Nominating Committee. Two-year terms of office.	Ultimate responsibility for strategy and management of the company. Advice regarding and oversight of routine management.	Responsible for the execution of strategy and daily business of the Company.

## NORWEGIAN CODE OF PRACTICE

### 1 – IMPLEMENTATION OF AND REPORTING ON CORPORATE GOVERNANCE

Q-Free ASA considers Corporate Governance to be the principles and guidelines that determine how the Company is managed and defines the relationship between the shareholders, the Board of Directors and the executive management of the Company. These principles and guidelines are established to protect the interests of shareholders, as well as other stakeholders such as employees, customers and suppliers. The topics of Corporate Governance is subject to annual reviews and discussions by the corporate Board of Directors. The Group's governance documents are reviewed and revised annually and the text for this chapter of the annual report is reviewed in detail.

#### Code of conduct

Q-Free is a world leading supplier of Road User Charging (RUC) and Advanced Transportation Management (ATMS) products and systems having applications mainly within electronic toll collection for road financing, congestion charging,

truck-tolling, law enforcement and parking/access control. Q-Free operates worldwide and its operations are characterised by high ethical standards. The Company aims to be the market leader by having a customer oriented offering, through excellence in execution and by trustworthy behaviour.

Q-Free has implemented a set of Code of Conduct (COC) approved by the Board of Directors. The COC gives guidelines on how to behave both internally and externally. COC stimulates ethical awareness and is a guideline for everyday actions.

The COC applies to all members of the Board of Directors, managers, and all other employees and representatives of Q-Free (employees). The Company endeavours to make these guidelines known to its customers, suppliers and partners. All managers are responsible for the COC being known, followed, and that actions are taken if codes are broken. Each employee has a responsibility to read and follow the COC.

Violation of the COC will be subject to disciplinary action including possible termination as well as potential criminal prosecution. In situations where the employee



is aware of any infringement of the COC he/she shall raise the issue with his/her manager. If this is difficult, the employee shall report the infringement directly to the HR responsible of Q-Free ASA. Incidents may also be reported anonymously if desired.

Q-Free has an internal policy on Corporate Social Responsibility, and an Environmental policy. Q-Free emphasises the use of the environmental management system in all operations and activities of the company. Thereby, Q-Free shall work towards products and services being provided with a minimum environmental impact. This is ensured by observing compliance with normative and legislative requirements related to our activity.

The Board of Directors will in 2013 carry out a review of the COC inclusive guidelines for corporate social responsibility.

*Deviation from the Code of Practice:*  
None.

## 2 – BUSINESS

Q-Free ASA operates an international business based on delivering systems and products for Road User Charging and Advanced Transportation Management. The Company's Articles of Association are in compliance with the Code of Practice's recommendation with regards to a clearly defined business activity.

"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

Q-Free's policy is to maintain a high equity ratio to provide a platform for the Company's future expansion and growth. Based on this, Q-Free ASA does not expect any dividends to be distributed to the shareholders in the next years to come.

Mandates granted to the Board of Directors 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 of Directors are recommended to be limited in time to no later than the date of the next annual general meeting.

The Company has an incentive program that runs for 3 years for key employees of which the program is consented by the General Meeting. The mandate is according to the Code limited for one year, and will be subject to resolution from the annual general meeting for the last two years of the program.

The Board has an authorisation to increase the share capital by the subscription of new shares, in order to enable the Company to make use of any strategic potentials within the ITS sector, by way of acquisitions etc. The mandate is according to the Code limited for one year.

See note 17 in the 2012 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 ASA has only one class of shares and there are no voting restrictions. The

Board of Directors has no intention of putting forward any proposals to the General Meeting concerning voting restrictions.

An increase in the Company's capital might be proposed if the Board of Directors decides that this would best take care of shareholders' long-term interests. If possible, the Board of Directors will propose that share issues are directed to existing shareholders in accordance with their preferential rights. However, if the Board resolves to carry out a private placement and waive the pre-emption rights of existing shareholders on the basis of a mandate granted by the General Meeting, the justification will be publicly disclosed in a stock exchange announcement pursuant to the Code.

The Board of Directors is authorised to increase the share capital of the Company by issuing new shares to key personnel (incentive program), and is authorised to waive shareholders' preferential rights, in favour of key personnel in this program. An incentive program is considered to be in the best interest of the shareholders.

The Board has an authorisation to increase the share capital by the subscription of new shares, in order to enable the Company to make use of any strategic potentials within the ITS sector, by way of acquisitions etc., and is authorised to waive shareholders' preferential rights. Authorisation to waive shareholders' preferential rights is considered to be in the best interest of the shareholders, giving the Company flexibility by way of acquisitions etc.

The Company's policy on transactions with close associates is based on the requirement that any transactions must be at arm's length principle and at market prices. If deemed required, the Company has arranged for a valuation obtained from an independent third party.

See note 18 in the 2012 financial statements for more information about transactions with related parties.

The Company has guidelines (Corporate Code of Conduct, cf. section 1 above in this report) to ensure that members of the Board of Directors and the Executive management notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

*Deviation from the Code of Practice:*  
None

## 5 – FREELY NEGOTIABLE SHARES

Q-Free ASA has no form of restriction concerning freely negotiable shares. The Board of Directors has no intention of putting 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 Board of Directors ensures that all shareholders are given the opportunity to exercise their rights by participating in Annual General Meetings of the Company. By virtue of the AGM the shareholders are guaranteed participation in the Company's supreme governing body. The AGM adopts the Articles of Association and elects the Board of Directors and the Chairman of the Board. Shareholders representing at least 5% of the shares can call for Extraordinary General Meetings.

An AGM will ordinarily be held before 1 June each year, at the latest 30 June according to law. The 2013 AGM is scheduled for 22 May.

The Board of Directors and the management of the Company seek to facilitate the largest possible attendance at the Annual General Meeting.

In 2012, the Annual General Meeting was held 22 May and shareholders representing 40.47% of the share capital attended in person or by power of attorney.

The Board of Directors has no intention of putting forward any proposals to the Annual General Meeting concerning changes in the voting procedures.

The Company's Articles of Association regulates the notice period, right to attend and proposals for agenda.

Notice of the General Meeting is to be sent with at least a 21 days written notice to all shareholders with an address known to the company.

The Board may decide that relevant documents to be discussed in the General Meeting shall not be distributed by letter post if the documents are made available on the Company's website. This shall also apply for documents which, according to legislation, shall be a part of or attached to the notice of the meeting. A shareholder may nevertheless, by application to the company, demand to be sent the documents which relate to the agenda of the General Meeting.

Shareholders themselves, or represented by legal representative, planning to participate at the General Meeting, shall notify the Company within a deadline set by the Board of Directors in the notice. The deadline cannot expire earlier than five days before the date of the General meeting.

To register for the General Meeting a shareholder must submit a confirmation in writing via letter post, fax, e-mail (provided the registration form is a scanned document with signature), or by submission directly to the Company's registrar DNB Bank.

The agenda for the General Meeting includes detailed information on the resolutions to be considered and the recommendation from the Nomination Committee.

The Board of Directors and the person chairing the meeting ensures making appropriate arrangements for the general meeting to vote separately on each candidate nominated for election to the company's corporate bodies.

The agenda at the AGM ensures that the shareholders attending may vote for the chairman of the General Meeting.

Shareholders are entitled to request specific matters to the agenda of a General Meeting, provided a written notice is given 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.

Shareholders who cannot attend the meeting are given the opportunity to vote. To vote at the General Meeting, a shareholder must attend or give power of attorney to someone who is attending.

The right to attend to and vote in General Meetings may only be exercised for shares which are registered in the shareholders' register at the latest the fifth workday before the date of the General Meeting (the registration date). Shares held on nominee accounts 5 days before the day of the general meeting do not have the right to vote or attend.

Instructions are given in the call for the AGM.

The company nominates a person who will be available to vote on behalf of shareholders as their proxy.

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.

The Company announces the protocol for the annual general meeting according to stock exchange regulations.

*Deviation from the Code of Practice:*

The Code recommends that all Directors, members of the Nomination Committee and Auditor are present at the AGM.

The entire Board and all members of the Nomination Committee have normally not attended the AGM. The Chairman of the Board, however, 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 AGM, whether all members should participate. The CEO and Auditor are always present at the AGM.

## 7 –

**NOMINATION COMMITTEE**

The Company has a Nomination Committee, and the General Meeting elects the Chairperson and members of the Nomination Committee and determines the committee's remuneration.

The Nomination Committee is defined in the Company's articles of association.

The Nomination Committee consists of three members who are shareholders or representatives acting on behalf of shareholders. Members of the Nomination Committee are elected for a period of two years.

The Board's proposal for instruction for the Nomination Committee was unanimously approved at the AGM in 2008.

Q-Free is not aware of the existence of any agreements or business partnerships between the Company and any third par-

ties in which members of its Nomination Committee have direct or indirect interests. The composition of the Nomination Committee is such as to maintain its independence from the Company's Executive management.

The Nomination Committee emphasises industry and business experience as well as an equal gender balance when proposing the composition of the Board of Directors.

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 proposed

Prior to the AGM a meeting is held with the Chairman of the Board to review the Board's evaluation of its own work. Four of the Board members and none of the Nomination Committee members are up for election in 2013.

The Nomination Committee's recommendations and report includes relevant information on candidates for election in accordance with the Code.

The Nomination Committee's recommendations and report is made available in accordance with the 21-day deadline for the notice calling a general meeting.

*Deviation from the Code of Practice:*

None

## 8 –

**CORPORATE ASSEMBLY AND BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE**

The Company is not required to have a corporate assembly, according to Norwegian law.

The members of the Board are elected for a period of two years, and the Board currently has seven members. Two directors are elected directly by and amongst the Group's employees. Directors are elected for two-year terms and can be re-elected. The Chairman of the Board is elected by the General Meeting. The Deputy Chairman is elected by the Board of Directors for a period of one year. In the event that the Chairman is absent or legally incompetent to chair, the meeting will be chaired by the Deputy Chairman. The Company's executive management is not represented in the Board of Directors.

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 composition of the Board is such as to maintain its independence from the Company's management.

The members of the Board of Directors have no share options in the Company.

The gender diversity requirement pursuant to Norwegian legislation is met, as there are currently 3 male and 2 female shareholder Directors at the Board.

*Deviation from the Code of Practice:*  
None

(See following page for presentation of the Board of Directors.)

## NOMINATION COMMITTEE AS AT 31ST OF DECEMBER 2012

Name	Company	Shares	Share options	For election
Cecilie Johnsen	Harburg AS	40 000	0	2014
Thomas Alexander Vogt	DNB Asset Management AS	4 471 239	0	2014
Petter Qvam	Skagen Fond	3 354 388	0	2014

Cecilie Johnsen is CEO in Redback AS, a company directly and indirectly controlled by Board member Jan Pihl Grimnes.

## THE BOARD OF DIRECTORS AS AT 31.12.2012:

Name	Service since	Elected until	Shareholding in Q-Free ASA (direct and indirect)
Ole Jorgen Fredriksen (1950)	2002	2013	Shares: 178 884
Terje Christoffersen (1952)	2011	2013	Shares: 20 072
Mimi Kristine Berdal (1959)	2007	2013	Shares: 50 000
Charlotte Brogren (1963)	2011	2013	Shares: 0
Jan Pihl Grimnes (1961)	2008	2014	Shares: 1 555 000
Frank Aune (1964)	2010	2014	Shares: 0
Sissel Lillevik Larsen (1961)	2008	2014	Shares: 0



9 –

## THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors 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 of Directors. The Board held 13 meetings in 2012.

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 of Directors 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 of Directors 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 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. Internal management systems that are well functioning are essential, but these must be continuously developed in order to accommodate changes in financial conditions. The Group's structure with independent units, also in respect of short term reporting, facilitates good control and powerful focusing. The internal control is based on monthly reports specified on regions, units and divisions, while at the same time providing satisfactory reporting on group level.

The Group also has a separate accounting and finance department responsible for preparing guidelines for internal control, risk management and financial reporting. The Group's accounting and finance department ensures that the Company adheres to applicable rules and that the Board's strategy, fiscal restrictions and ethical principles, are followed.

The Board of Directors 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 for the Board of Directors 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 of Directors also include detailed requirements on which information and timing of the information from the executive management.

In order to ensure a more independent consideration of matters of a material character in which the Chairman of the Board is, or has been, personally involved, upon the Board's consideration of such matters, the meeting is chaired by the deputy chairman. The deputy chairman is elected by the Board of Directors annually according to the instructions.

The deputy chairman is Mimi Kristine Berdal (served as deputy chairman since 2011, and was re-elected in June 2012).

The Board's proceedings and minutes are in principle confidential unless the Board decides otherwise or there is obviously no need for such treatment. This is pursuant to the instructions to the Board.

The Board of Directors evaluates its performance and expertise annually directly to the Nomination Committee.

## BOARD MEMBER PARTICIPATION IN MEETINGS IN 2012

Participation in meetings in 2012	Board meetings	Compensation Committee	Audit Committee
Ole Jorgen Fredriksen	13	1**	5
Terje Christoffersen	13	1*	5
Mimi Kristine Berdal	11		3
Charlotte Brogren	13		
Jan Pihl Grimnes	12	2	
Sissel Lillevik Larsen	12	1*	
Frank Aune	13	1**	

\*Served as Committee member since June 2012

\*\*Served as Committee member until June 2012

#### Compensation committee

Three out of seven members of the Board act as the company's Compensation Committee, and are elected by the Board of Directors for a period of two years.

The Board approved an instruction for the Compensation Committee in 2006 (revised in 2008).

The Compensation Committee makes proposals to the Board regarding employment terms and conditions and total remuneration of the CEO and other senior management employees. These proposals are also relevant for other employees entitled to variable salaries. Evaluation of senior management's achievements is based on input from the CEO. The Board makes comparisons with other companies when deciding the terms and conditions and remuneration of the CEO. The Board also delimits the scope of the remuneration of the executive management team. With effect from 08.06.2012, the Compensation Committee is composed as follows:

Terje Christoffersen (Chairman)

Jan Pihl Grimnes

Sissel Lillevik Larsen

#### Audit committee

The Public Companies Act stipulates that large companies must have an Audit Committee. Three out of seven members of the Board act as the company's Audit

Committee, and are elected by the Board of Directors for a period of two years.

The Board approved an instruction for the Audit Committee in 2006 (revised in 2008).

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 give a fair picture 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 08.06.2012, the audit committee is composed as follows:

Mimi Kristine Berdal (Chair)

Ole Jørgen Fredriksen

Terje Christoffersen

*Deviation from the Code of Practice:*

None



## 10 –

**RISK MANAGEMENT AND INTERNAL CONTROL**

Q-Free's customers are public authorities, private companies operating under public licences and system integrators. The Company's main risk factors are political risk, technology risk, project risk and financial risk. The Board presents an in-depth review of the Company's financial status in the Directors' Report. It also describes the main elements related to HSE and related risks.

Management draws up monthly performance reports which are reviewed in the management group and that are sent to and reviewed by the directors. In addition, quarterly financial reports are drawn up and reported to the financial market according to 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 on an ad hoc basis, and meets with the entire Board in connection with the presentation and approval of the annual financial statements.

The Directors' Report provides a detailed description of the company's financial position and risk factors. The Group's model for internal control for financial reporting is reviewed on a regular basis, most recently in 2011, 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 Risk management policy is an integral part of the Group's management by objectives and performance management.

The risk factors which Q-Free are subject to, are closely monitored by the Executive management. The Board receives quarterly "The management's review of the quality management system and the environmental management system".

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 means 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. 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 AGM of 2012 to the AGM of 2013:

The Chairman of the Board:  
NOK 350 000

Members elected by the shareholders:  
NOK 225 000

Members elected from the employees:  
NOK 75 000

Chairman of sub-committees of the Board:  
NOK 11 000 per day of meeting

Members of sub-committees of the Board:  
NOK 8 500 per day of meeting

Employee elected members of sub-committees receives 50% of the remuneration rates.

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.

The Directors' fees are per 31.12.2012 not linked to performance.

For further information about remuneration of the Board of Directors see note 15 in the 2012 financial statements.

Remuneration of the Nomination committee

The Chairman of the Nomination Committee receives a fixed salary of NOK 35 000 and each elected member receives NOK 5 000 per day of meeting.

*Deviation from the Code of Practice:*  
The Chairman of the Board, Ole Jørgen Fredriksen, has performed some consultancy services for the Company, The assignment, however, and remuneration of these services are fully disclosed and approved by the Board. The administration is given the authority to consider the need for assignment of Fredriksen at a price of NOK 950 per hour. It is the Company's opinion that this assignment is to the benefit of the Company in relation to the Company's strategic processes.

The members of the Board of Directors have no share options in the Company. For further information, see note 15 in the financial statements.

## 12 – REMUNERATION OF THE EXECUTIVE MANAGEMENT

The Board has approved special guidelines for the stipulation of salary and other remuneration to executive management. The structure of the incentive system for CEO and the other members of executive management is determined by the Board, and presented to the AGM for information purposes.

The Company has a remuneration of the executive management through a share option program, and a performance based bonus scheme.

The purpose of the share option Agreement is to stimulate the Key Employee to a close and long-term involvement in the Company, and to establish an environment that creates future increase of the values in the Company, by offering the Key Employee a share of the increased values that are created from the time of the conclusion of the Agreement.

The strike price for each stage is calculated equal the average listed price for the Q-Free share by closing time on Oslo Stock Exchange in the period from 14 days prior to 14 days after the ordinary General Meeting each year of the program, prior to the exercise.

The Board of Directors adopted a performance related bonus scheme in 2007 for all employees. The scheme for the executive management includes purchase of shares as part of the bonus payment.

The intention of the bonus scheme is to motivate extraordinary performance/achievements for all employees. The performance based bonus scheme is linked to group financial parameters based on budget, and department/division dependent performance based parameters/targets.

The executive management is entitled to maximum 40% bonus. The CEO is entitled to maximum 80% bonus.

CEO may approve bonus to individuals or teams for outstanding performance/achievements normally limited to that person's maximum bonus potential but in extraordinary situations limited to 40% of the persons fixed salary.

The Board may approve bonus to the CEO for outstanding performance/achievements limited up to 80% of the salary.

The CEO's terms of employment are set by the Board. Each year, the Board undertakes a detailed review of salary and other remuneration of the CEO. The review is based on performance and comparable market conditions of similar positions.

Q-Free's remuneration policy has always been to offer salaries adjusted to market conditions to attract the competence needed. Senior management personnel receive a basic salary and are members of the Company's pension scheme. The General Meeting has authorised an incentive program for the executive management in the Company, and by the end of 2012, 8 employees had been granted share options (see under equity and dividends for more information about the incentive program, and note 17 to the 2012 financial statements).

In order to meet the Company's goals, all employees, including senior management completes an annual performance evaluation. The Board of Directors also conducts performance evaluation of the senior management in the Company, and if necessary with external help. Through these processes, the Board seeks to ensure that the senior management is focused on developing the Company according to approved strategies.

For further information about remuneration of the CEO and other members of the executive management, see note 15 in the 2012 financial statements.

*Deviation from the Code of Practice:*  
None

### SHARES AND SHARE OPTIONS HELD BY THE COMPANY'S EXECUTIVE MANAGEMENT AS AT 20.03.2012:

Name	Position	Shares	Share options
Oyvind Isaksen	CEO	119 989	675 000
Roar Ostbo	CFO	74 000	150 000
Jos Nijhuis	VP R&D	517 552	150 000
Marianne Sandal	VP Operations	37 000	150 000
Stein-Tore Nybrodahl	HR Manager	22 500	150 000
Per Fredrik Ecker	VP Sales	20 500	150 000
Henrik Stoltenberg	VP BD and M&A	8 000	150 000
Morten Andersson	VP ATMS	0	150 000

For information about the running option schemes see note 17 in the 2012 financial statements.

## 13 – INFORMATION AND COMMUNICATION

Q-Free wants to maintain an open dialogue with the capital market, and participates in regular open presentations for investors, analysts and others. Regular information will be published through the Annual Report and the quarterly reports and presentations.

The Company aims at publishing the quarterly reports within six weeks of the end of the relevant period. In 2012 the Company complied accordingly.

The quarterly results are also made available through webcast. Q-Free distributes all information relevant to the share price to the Oslo Stock Exchange. Such information is distributed without delay and simultaneously to the capital market, the media and on the Company's website.

All information distributed to the company's shareholders are published on the company's web site at the same time as it is sent to shareholders.

It is a primary goal for the Company to maximise the shareholders' values, in such a way that the return on investment measured as the dividends and rise in the share price, will be at least at the same level as alternative investments involving similar risk. Through the Annual Report and the quarterly reports and presentations, the Company will provide information on its major value drivers and risk factors. This will secure information for investors and make it possible to evaluate the Company's risk and performance.

The CEO and CFO are responsible for the investor relations in the Company and all communication with the capital market, if necessary together with the Chairman of the Board or appointed members of the Board. Communication with the capital market outside regular presentations is handled by the CEO and CFO. All information is communicated within the framework established by securities and accounting legislation and the rules and regulations of the stock exchange.

All information about Q-Free ASA is available on the Company's website:

**[www.q-free.com](http://www.q-free.com)**

### *Deviation from the Code of Practice:*

The Board has not established separate guidelines for the company's reporting of financial and other information, nor guidelines for the company's contact with shareholders other than through general meetings. The Board however monitors the Company's Investor Relations work during the year, and is put on the agenda on a regular basis.

## 14 – TAKEOVERS

The Company has no regulations in the articles of associations which limit trade in the Q-Free shares.

### *Deviation from the Code of Practice:*

The Board has not established separate regulations in the Board's instructions on how to react to takeover bids, but will comply with the rules contained in the Norwegian Securities Act and other applicable public regulations for takeover situations as and when required.

## 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. Independent external auditors have also been appointed for all subsidiaries of Q-Free ASA, including those outside Norway.

The external auditor for Q-Free ASA annually presents a plan to the Audit Committee covering the main features for carrying out the audit. The external auditor participates in at least two meetings of the Audit Committee every year, the Board of Directors meeting that approves the annual financial statements and other meetings on request. The external auditor presents the result of the audit to the Audit Committee

and the Board of Directors in the meeting dealing with the annual report, including presentation of any material changes in the company's accounting principles, significant accounting estimates and report any material matters on which there has been disagreement between the external auditor and management. At least once a year, a meeting will be 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.

The external auditor has given the Board of Directors a written notification confirming that the requirements for independence are satisfied.

Ernst & Young has been the external auditor for Q-Free ASA for the last ten years and carries out no other assignments for the Company which could give rise to conflict of interest. The auditor attends the 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 2012 financial statements.

### *Deviation from the Code of Practice:*

The Board has not establish guidelines in respect of the use of the auditor by the company's executive management for services other than the audit.

# SHARE PRICE DEVELOPMENT



**Share price development from  
01.01.2012 to 20.03.2013**

---



## OVERVIEW OF HISTORICAL DEVELOPMENT IN SHARE CAPITAL

Date	Type of change	Face value per share (NOK)	Change in share capital (NOK)	Share capital after change (NOK)	Number of shares issued	Number of shares after change
03/12/2002	Status at IPO	0.05	684 713.40	2 279 163.40	13 694 268	45 583 268
02/05/2004	Exercise of options key personnel	0.05	4 833.35	2 283 996.75	96 667	45 679 935
03/10/2004	Exercise of options key personnel	0.05	2 500.00	2 286 496.75	50 000	45 729 935
04/20/2004	Share issue	0.05	227 500.00	2 513 996.75	4,550 000	50 279 935
05/10/2004	Exercise of options key personnel	0.05	4,583.30	2 518 580.05	91 666	50 371 601
06/08/2004	Exercise of options key personnel	0.05	5 966.65	2 524 546.70	119 333	50 490 934
07/26/2004	Exercise of options key personnel	0.05	833.35	2 525 380.05	16 667	50 507 601
09/22/2004	Exercise of options key personnel	0.05	833.35	2 526 213.40	16 667	50 524 268
10/19/2004	Exercise of options key personnel	0.05	6 000.05	2 532 213.45	120 001	50 644 269
01/13/2005	Exercise of options key personnel	0.05	2 666.70	2 534 880.15	53 334	50 697 603
03/17/2005	Exercise of options key personnel	0.05	2 500.00	2 537 380.15	50 000	50 747 603
06/02/2005	Exercise of options key personnel	0.05	500.00	2 537 880.15	10 000	50 757 603
06/23/2005	Exercise of options key personnel	0.05	3 000.00	2 540 880.15	60 000	50 817 603
07/04/2005	Exercise of options key personnel	0.05	1 250.00	2 542 130.15	25 000	50 842 603
07/27/2005	Exercise of options key personnel	0.05	1 250.00	2 543 380.15	25 000	50 867 603
07/29/2005	Exercise of options key personnel	0.05	833.30	2 544 213.45	16 666	50 884 269
09/04/2005	Exercise of options key personnel	0.05	1 250.00	2 545 463.45	25 000	50 909 269
12/15/2005	Share issue	0.40	17 818 244.15	20 363 707.60		50 909 269
12/15/2005	Reduction of share capital (demerger FARA)	0.38	-1 018 185.38	19 345 522.22		50 909 269
03/30/2006	Exercise of options key personnel	0.38	3 800.00	19 349 322.22	10 000	50 919 269
05/02/2006	Exercise of options key personnel	0.38	258 780.00	19 608 102.22	681 000	51 600 269
05/11/2006	Exercise of options key personnel	0.38	195 953.46	19 804 055.68	515 667	52 115 936
05/12/2006	Exercise of options key personnel	0.38	60 166.54	19 864 222.22	158 333	52 274 269
29/08/2008	Share issue	0.38	646 738.72	20 510 960.94	1,701 944	53 976 213
18/05/2009	Exercise of options key personnel	0.38	332 500	20 843 460.94	875 000	54 851 213
29/06/2009	Share issue	0.38	31 646.40	20 875 107.34	83 280	54 934 493
06/07/2009	Share issue	0.38	7 447.62	20 882 554.96	19 599	54 954 092
22/10/2009	Share issue	0.38	1 938,000	22 820 554.96	5 100 100	60 054 092
28/04/2010	Share issue	0.38	73 308.94	22 893 863.80	192 918	60,247 010
03/11/2011	Share issue	0.38	2 282 055.42	25 175 919.22	6 005 409	66 252 419
08/05/2012	Exercise of options key personnel	0.38	653 600	25 829 519.22	1 720 000	67 972 419

# THE BOARD OF DIRECTORS REPORT

## INTRODUCTION

The Q-Free Group generated revenues of NOK 597.5 million in 2012, a decline of 15% from NOK 794.9 million in 2011. Although gross margin improved, the combination of significantly lower revenues and project-driven cost increases negatively affected profitability. The Group hence reported an operating loss of NOK 55.3 million for 2012, compared to an operating profit of NOK 58.9 million in 2011.

Q-Free is a leading global supplier of state-of-the-art solutions and products for Road User Charging (RUC) and Advance Transportation Management Systems (ATMS), with deliveries in Europe, Asia Pacific, Africa, Middle East, and North and South America.

Q-Free has during the last years taken action to strengthen its position in a growing market. The Group has invested in improving and broadening its product portfolio both through acquisitions and organic development, increased market focus and reach, and a general professionalisation of its organisation.

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

## ORDERS RECEIVED AND ORDER BACKLOG

At year-end 2012, Q-Free Group had an order backlog of NOK 437 million, representing a 5% decrease from year-end 2011 (NOK 459 million) and well below the levels in 2010 (NOK 713 million) and 2009 (NOK 575 million).

The order backlog at year end 2012 was distributed as follows: 77% in Europe, 14% in Asia Pacific, and 9% in the Americas.

Orders received in 2012 amounted to NOK 573 million, of which 73% came from European countries, 17% from Asia Pacific and 10% from the Americas.

## REPORT ON THE FINANCIAL STATEMENTS FOR 2012

In 2012 the Q-Free Group revenues amounted to NOK 597.5 million, a 15% decrease from NOK 704.9 million in 2011.

The Group's gross margin was 62.0% in 2012, which was 4.5%-points above the 57.5% reported for 2011. Operating profit (EBIT) was NOK -55.3 million in 2012, compared to NOK 58.9 million in 2011. The decrease of NOK 114.2 million mainly reflects lower product sales revenues, combined with higher operating expenses related to increased project sales and ramp-up cost for the project in Jakarta.

Net financial income amounted to NOK 10.7 million in 2012, compared to NOK -4.0 million in 2011. This is mainly due to currency fluctuations.

The Group's profit before tax was NOK -44.6 million, compared to NOK 54.9 million the previous year.

Tax income was NOK 12.6 million, compared to a tax expense of NOK -18.7 million in 2011. Annual profit for the Group was NOK -32.0 million, compared to NOK 36.2 million in 2011, and earnings per share declined to NOK -0.52 from NOK 0.58 in 2011.

The Q-Free Group had total assets of NOK 939.8 million at year-end 2012, compared to NOK 928.7 million the year before. Total assets increased NOK 59 million due to the acquisition of TCS International.

Accounts receivables, work in progress, inventories and other short term items are on the same level as the previous year. Working capital compared to revenues is still on an attractive level in 2012, despite an increase to 11% from only 9% in 2011.

Intangible assets increased by NOK 54 million from 2011, due to the acquisition of TCS International. The Group capitalises cost on product development activities. Capitalised costs for 2012 consist mainly of the development of the new Multilane Free Flow system, including a new imaging system. However, the book value of capitalised product development activities decreased NOK 9 million because depreciation out-balanced investments in 2012.

Net interest bearing debts amounted to NOK 100 million at the end of 2012, the same level as at the end of 2011.

The Group's equity decreased by NOK 8.1 million to NOK 628.6 million, corresponding to 68.6% of total assets as at 31 December 2012. The change in equity comprises a share issue with a net cash payment of NOK 30 million in 2012, and the losses for the year.

In the view of the Board of Directors, no significant events have occurred after the year end. At year-end 2012, the parent company had NOK 7.0 million in free equity. The Board of Directors does not propose payment of dividends for the fiscal year 2012.

## CASH FLOW AND WORKING CAPITAL

The Group's cash funds at the end of 2011 amounted to NOK 369.5 million, compared to cash funds of NOK 439.8 million at the end of the previous year. The difference between operating profit before depreciation, amortisation and impairment (EBITDA) and cash flow from operations reflects increased working capital.

The Group has sufficient financial strength to continue technology developments and undertake upcoming projects.

During 2012 the Group has invested a total of NOK 21.9 million in new technology to improve future profitability.



The Group's current assets amounted to NOK 619.7 million and current liabilities to NOK 184.3 million at the end of 2012, corresponding to a liquidity ratio of 3.4.

#### 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 the year-end.

#### ORGANISATION, WORKING CONDITIONS AND EXTERNAL ENVIRONMENT

Q-Free is headquartered in the city of Trondheim, Norway, and operates in 17 countries on five continents. Outside of Norway, the Company is directly represented in the Netherlands, Sweden, Portugal, France, Spain, Australia, Malaysia, Thailand, Indonesia, South Africa, USA, Canada, Chile, and Brazil. Through partners, the Company is also represented in Turkey, Greece, and India. Besides its core business, Q-Free owns 53.5% of Noca AS, a contract electronics manufacturer.

At year-end 2012, the Group had 310 employees, whereof 140 are employed in the parent company in Trondheim and Oslo, 46 in Noca AS in Trondheim, and 124 in companies outside Norway. A total of 89% of the employees in the parent company hold a university degree or similar, mainly within technical disciplines.

#### WORKING ENVIRONMENT AND PERSONNEL

The Board considers the working environment to be good, and would like to take this opportunity to thank the employees for their contributions in 2012.

Sick leave in the parent company amounted to 2.6% in 2012, a satisfactory level although slightly higher than the 2.4% reported for 2011 and 2.2% in 2010. No serious occupational incidents or injuries were reported during the year.

The Group operates a policy of gender equality and non-discrimination of male and female employees. The Group traditionally recruits from a variety of engineering arenas, and currently has 24% female and 76% male employees.

Q-Free seeks to employ female engineers and will, given similar qualifications, prefer female applicants when recruiting. The Group aims to have similar remuneration of male and female employees. The parent Company fulfils Norwegian legal requirements with respect to minimum representation of both men and women in the Board of Directors.

The Group employs, and has historically employed, personnel of many different nationalities from various cultures, both in the parent company in Norway and in the subsidiaries abroad. The Group has a long tradition for handling this mix of nationalities and built an international attitude over the years. The official language is English.

The group has implemented a policy to avoid discrimination of individuals or groups of people. There have been no reports on discrimination incidents in the Group in the last years.

#### ETHICS AND CORPORATE SOCIAL RESPONSIBILITY

The Board emphasises on the importance of employees representing the Group and the Group's ideals in a positive way on all arenas of our global business. The Board has therefore adopted a set of guidelines for ethical conduct for Q-Free's personnel and Board of Directors, Q-Free's Code of Conduct, which

is applicable to both internal and external business relations. Q-Free has also an internal policy on Corporate Social Responsibility.

#### EXTERNAL ENVIRONMENT

The use of Q-Frees products and services contribute to reduced traffic congestion and consequently less pollution. The Group's activities have no negative impact on the external environment. The Group's 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 environmental substances as defined in the EU's RoHS of WEEE directives.

Q-Free has formulated an environmental policy that is published on the Group web site. Furthermore, the Group is working actively to influence sub-contractors to choose the most environmental friendly alternatives whenever possible. The Group thus fulfils all the environmental requirements imposed by the Norwegian authorities and the EU.

#### RISK SITUATION

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

#### Political risk

RUC projects are normally directly or indirectly subject to governmental concessions, and the Company is exposed to political risk related to the time period from identification of a sales lead to award of a contract, and implementation of the project. The fact that more projects are being planned and that there is an increasing need for financing to maintain and construct road infrastructure will over time reduce the political risk. Also, Q-Free's entry into the ATMS market will add different revenue streams that are less exposed to political risk.

Currency risk

Q-Free has considerable foreign currency exposure, given that the Group earns between 70–80% 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, EURO and SEK.

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 solid private companies, and governmental controlled entities 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, using the Norwegian Export Credit Agency, and other similar tools, will be used in order to reduce credit risk.

Interest rate risk

The Group entered into a loan agreement with Eksportfinans ASA during 2011. The Group focuses on predictability at all times and since changes in the interest level has a significant influence on the consolidated profit, 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 these are estimated in the company's strategy plan for the same period. Surplus cash funds are 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.

The Board of Directors assesses the liquidity at the end of 2012 to be within the strategy limits.

Technology risk

The Group is exposed to quality issues both related to the quality of own work and the quality of deliveries from subcontractors. Q-Free mitigates this risk by clearly stating our quality expectations and by carrying out quality reviews of subcontractors, carrying out internal audits and maintaining a non-conformance reporting system ensuring that our employees work according to defined processes.

Furthermore, the Management and Board of Directors carry out a quarterly risk review on a Group level, and make the provisions regarded necessary to cater for possible financial implications of the above described risks.

Project risk

Q-Free's revenues normally include a substantial element of large-scale project deliveries that demands in-depth knowledge about Q-Free's solutions and markets. After many years of operation Q-Free has established extensive international experience, and has implemented plans to handle the project risks that may arise.

CORPORATE GOVERNANCE

Pursuant to the Norwegian Accounting Act section 3–3b, listed companies shall present their principles for corporate governance and under which authority they comply to such principles. Companies listed on the Oslo Stock Exchange shall report on their principles for Corporate Governance once a year, in accordance with the Norwegian Code of Practice for Corporate Governance, as applicable and amended from time to time.

Details are provided under the section "Corporate Governance" in the Company's Annual Report, and the document is also published at the company's website <http://www.q-free.com/investor/corporate-governance/>.

SHAREHOLDER SITUATION, SHARE DEVELOPMENT

The price for Q-Free shares in 2012 fluctuated between NOK 16.70 in January and NOK 19.10 in December. With a total number of 67 972 419 shares, this implies a market value of NOK 1 298 million at the end of the year.

Shareholder situation

At year-end 2012, Q-Free ASA had 1 153 shareholders, compared to 1 264 at the end of 2011. The 20 largest shareholders in Q-Free ASA as at March 20th 2013:



## THE 20 LARGEST SHAREHOLDERS IN Q-FREE ASA AS AT 20.03.2013

Name	Holding	Percentage
KAPSCH TRAFFICOM AG ERSTE GROUP BANK AG	9 900 000	14.56
ODIN NORGE	5 312 523	7.82
KAPSCH TRAFFICOM AG	3 530 458	5.19
SKAGEN VEKST	3 182 604	4.68
JP MORGAN CHASE BANK SPECIAL TREATY LENDI (NOM)	2 201 000	3.24
VERDIPAPIRFONDET DNB SMB	1 989 972	2.93
ANDRESEN LARS ODDGEIR	1 633 600	2.40
CITYBANK NA LONDON BRANCH (NOM)	1 549 000	2.27
REDBACK AS	1 495 000	2.20
VPF NORDEA KAPITAL	1 370 541	2.02
STOREBRAND VEKST	1 233 726	1.81
MONS HOLDING AS	1 040 000	1.53
HOLBERG NORGE VERDIPAPIRFONDET	990 591	1.46
VPF NORDEA SMB	864 356	1.27
VPF NORDEA AVKASTNING	841 932	1.24
KLP AKSJE NORGE	799 999	1.17
VERDIPAPIRFONDET DNB NORGE	798 107	1.17
STOREBRAND NORGE I	791 204	1.16
STOREBRAND OPTIMA NORGE A	781 903	1.15
STATOIL PENSJON	735 374	1.08
TOTAL	41 041 890	60.35

The Company has one share class and the par value share is NOK 0.38.

#### Authorisation to increase the share capital – incentive program

As part of the carrying out of a new incentive program towards leading executives and key personnel, through the possibility to subscribe shares in the Company, the Board of Directors is authorised to increase the share capital by NOK 769 500, corresponding to 2 025 000 shares (3%), each with a par value of NOK 0,38, through one or more private placements with cash deposits towards leading executives and key personnel in Q-Free ASA.

The existing shareholders' preferential rights according to the Public Limited Companies Act sections 10–4 and 10–5 can be deviated from. The authorization is valid until the next ordinary General Meeting, but no longer than 30 June 2013.

In connection with possible changes in the Company's share capital according to bonus issue, share split, share consolidation, the authorisation shall be adjusted correspondingly, in accordance with general accepted principles for such adjustments.

The authorisation is given to implement a share options program in Q-Free ASA, which will run over a period of 3 years for leading executives and key personnel.

Further details regarding the share option program are provided in note 17 of the financial statement in the Annual Report.

#### AUTHORISATION TO INCREASE THE SHARE CAPITAL BY THE SUBSCRIPTION OF NEW SHARES

In order to enable the Company to make use of any strategic potentials within the

ITS sector, by way of acquisitions etc., the Board of Directors is given an authorisation to increase the share capital by NOK 2 517 591.58 through the issue of up to 6 625 241 shares, equivalent to 9.75% of the issued shares, each with a par value of NOK 0,38, with a right to disregard the existing shareholders' preferential rights according to the Public Limited Companies Act sections 10–4 and 10–5, and to determine that non-cash share deposits shall be made or the right to subject the company to special obligations pursuant to section 10–2 of the Public Limited Companies Act, and mergers according to the Public Limited Companies Act section 13–5.

The Board of Directors is authorised to determine the terms and conditions for the subscription of shares, and to amend

the Company's Articles of Association in compliance with the increase of the share capital at all times. The authorisation shall be valid until the next annual General Meeting but no longer than 30 June 2013.

#### Other share related issues

The Company does not have provisions in its articles of association that restrict the right to trade in the shares of Q-Free.

Q-Free is not aware of agreements between shareholders which restrict the possibilities of trading in or exercising voting rights attached to shares or agreements the terms of which take effect, alter or terminate as a result of a takeover bid.

For further details regarding corporate governance, please see the section entitled Corporate Governance in this Annual Report.

#### OUTLOOK

The world is increasingly facing traffic-related challenges with respect to accidents, congestion, pollution and time inefficiencies. Q Free believes that these macro challenges will call for deployment of advanced technology and hence will represent interesting business opportunities with growth potential for many decades.

The vision of Q-Free is to be the globally preferred partner in the area of Intelligent Transport Systems, and to provide world-wide leadership in Road User Charging (RUC) and Advanced Transportation Management Systems (ATMS).

Both RUC and ATMS will be important enablers to address the traffic-related challenges mentioned above, and a long term growth potential can hence be foreseen.

The Board considers that there is a fundament for achieving a positive development going forward. The probability for success will be optimised operational excellence, cost efficiency, maintaining of the company's strong position in RUC, as well as the establishment of new revenue streams within ATMS.

The Board of Directors emphasises that there is considerable uncertainty associated with any assessment of future developments.

#### ALLOCATION OF PROFITS

The Board proposes that the loss for the year in the parent company of -30 597 000 NOK is distributed from other equity.

*Trondheim 31st of December 2012  
/ 20th of March 2013:*

Ole Jørgen Fredriksen  
(Chairman of the Board)

Mimi Kristine Berdal

Charlotte Brogren

Terje Christoffersen

Jan Pihl Grimnes

Sissel Lillevik Larsen  
(Employee elected Board member)

Frank Aune  
(Employee elected Board member)

Øyvind Isaksen  
(CEO)



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 2012 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 31st of December 2012  
/ 20th of March 2013:*

Ole Jørgen Fredriksen  
(Chairman of the Board)

Mimi Kristine Berdal

Terje Christoffersen

Charlotte Brogren

Jan Pihl Grimnes

Sissel Lillevik Larsen  
(Employee elected Board member)

Frank Aune  
(Employee elected Board member)

Øyvind Isaksen  
(CEO)

# THE BOARD OF DIRECTORS



**Ole Jørgen Fredriksen (1950)**

Chairman of the Board

1

Mr. Fredriksen has held various key management positions during 25 years within the computer industry in Europe and US. Mr. Fredriksen has prior background as CEO at Oslo Stock Exchange. Mr. Fredriksen has worked and lived outside Norway for 5 years in different countries (US and Europe). His main affiliates today are connected to Board positions in various businesses, primarily within the IT industry, but also within manufacturing, trading and property. Fredriksen's main positions today are as Chairman of the Board at Q-Free ASA, Data Respons ASA, Itera ASA, Cyviz AS and Engelsviken Canning AS. During the last 10 years Mr. Fredriksen has previous Board experience from 8 different listed companies as Chairman or Member. Mr. Fredriksen was a co-founder, CEO and President of ASK ASA (later Proxima / InFocus) for 15 years. Prior to founding ASK, he worked for several private companies in the computer industry. Mr. Fredriksen has a Bachelor degree (siviløkonom) from the Norwegian School of Economics and Business Administration, (NHH) Bergen, Norway.



**Terje Christoffersen (1952)**

Board member

2

Terje Christoffersen is a partner i Interforum Partners. He has more than 30 years management experience for listed Norwegian and foreign companies within the IT and telecom businesses, with focus on the North European market. Christoffersen has been the CEO of Hewlett-Packard in Northern Europe and Chairman of the Board in NetCom ASA, managed Telia Sonera's operations in Denmark and been on the Executive Group Management of Telia Sonera. He has a MBA from Universität zu Köln (1978).



**Mimi Kristine Berdal (1959)**

Board member

3

Mimi K. Berdal has a law degree from the University of Oslo, and runs her own law and consultancy firm, focusing on the areas of contract law, Company/commercial law, transactions and securities trading. From 1991– 2005, Berdal was a partner at the law firm Arntzen de Besche. Berdal has extensive experience from work as a Board Member.



**The Board considers that there is a fundament for achieving a positive development going forward.**

---



**Jan Pihl Grimnes** (1961)

Board member

4

Jan Pihl Grimnes is through his Company Redback AS investing in the IT, petroleum and mining industries. He holds 2.29% of the shares in Q-Free ASA through Redback AS. Grimnes founded Technoguide AS, and holds several board positions both in listed and non-listed companies. Grimnes holds an MBA from the Norwegian School of Economics and Business Administration and a MSc from the Norwegian University of Science and Technology.



**Charlotte Brogren** (1963)

Board member

5

Charlotte Brogren is General Director of Verket för innovationssystem, VINNOVA, a swedish governmental agency, organised under the Ministry of Enterprise, Energy and Communication. Brogren has previously held management positions in the R&D organisation of ABB. Brogren is a Chemical engineer and holds a PhD from Lunds Tekniska Högskola (1997). Brogren is Chairman of the Board of Industrifonden, and member of the Board of HMS AB and Gunnebo AB.



**Frank Aune** (1978)

Employee elected member of the Board

6

Frank Aune holds a MSc in Electronics and Telecommunications and holds the position as Head of R&D Security. Mr. Aune has been working in Q-Free ASA since 2006.



**Sissel Larsen** (1961)

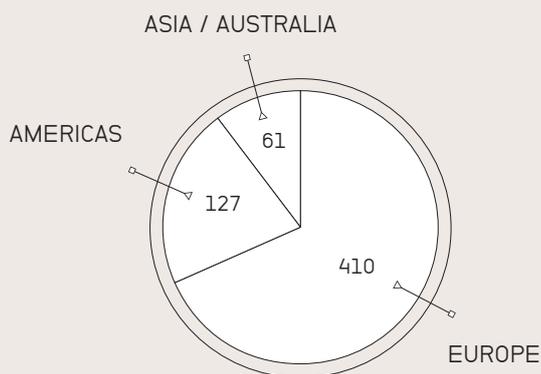
Employee elected member of the Board

7

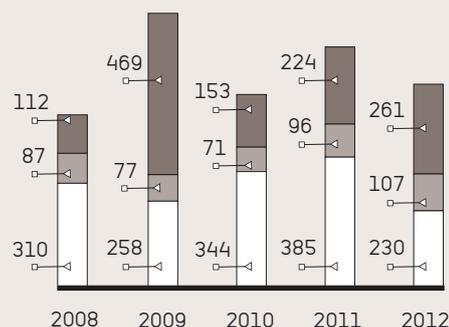
Mrs Lillevik Larsen has been with Q-Free ASA since 2000 and holds the position of Technical project manager.

# Q-FREE IN NUMBERS

## Revenues geographical MNOK



## Segment revenues 2008–2012



## Revenues business areas MNOK

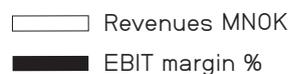
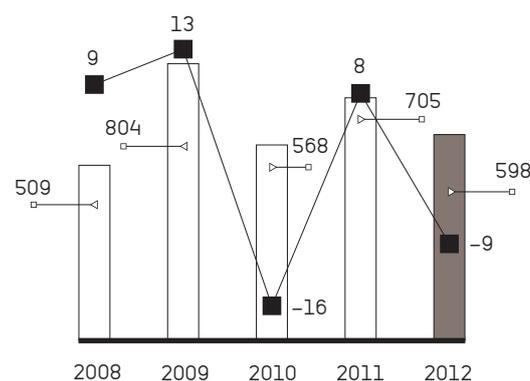


## Revenues 2012 MNOK

598

## EBIT margin Percent

-9,3%



In 2012 the Q-Free Group revenues amounted to 597.5 MNOK, compared to 704.9 MNOK in 2011. This represents a decrease of 15% from 2011. The Q-Free Group had an operating result of -55.3 MNOK (+58.9) in 2012, out of revenues of 597.5 MNOK (704.9). 2012 result is influenced by new market entries (Indonesia, Chile & US) and low market activity for product sales.

**Equity ratio**

Percent

67%

**Cash at hand**

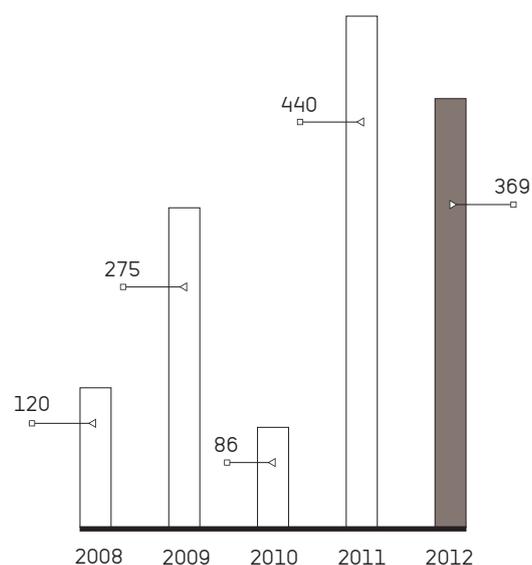
MNOK

369

At year-end 2012, Q-Free Group had cash funds of 369 MNOK and equity of 629 MNOK (67%). This combined with our enhanced position, will enable the company to continue a strong profitable growth in the years to come which will be achieved by both organic growth and growth through acquisitions.

**Cash at hand**

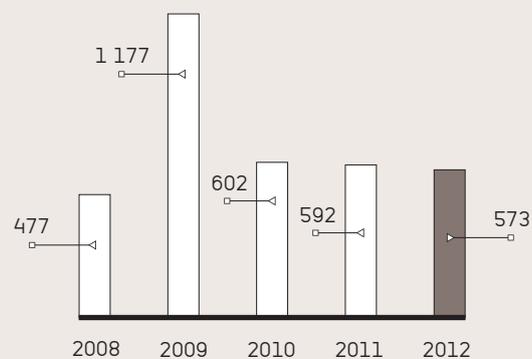
MNOK

**Order intake**

MNOK

573

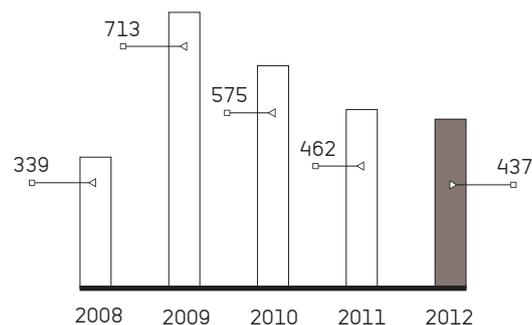
Orders received in 2012 amounted to 573 MNOK, of which 73% came from European countries, 17% from Asia/Australia and 10% from Latin-/North America

**Order backlog**

MNOK

437

At year-end 2012, Q-Free Group had an order backlog of 437 MNOK, which is 25 MNOK less than at year-end 2011 and represent a 5% decrease. The order backlog is distributed as follows: Europe 77%, Asia/Australia 14% and Latin and North America 9%.



**Income Statement**

FOR THE YEAR ENDED 31.12.2012

FIGURES IN TNOK

PARENT COMPANY				GROUP	
2011	2012		NOTE	2012	2011
		Operating revenues			
425 682	354 406	Revenues	5, 7	592 602	698 033
6 879	4 930	Other operating income	8	4 930	6 879
432 561	359 336	Total operating revenues		597 532	704 912
		Operating expenses			
176 190	128 704	Cost of goods sold	14	227 090	296 491
109 767	121 972	Personnel expenses	15,16,17	181 827	160 349
94 239	146 752	Other operating expenses	26, 28	194 607	140 663
380 197	397 429	Total operating expenses		603 524	597 503
52 364	-38 093	EARNINGS BEFORE INTEREST TAXES, DEPRECIATION AND AMORTISATION (EBITDA)		-5 992	107 409
37 039	37 907	Depreciation, amortisation and impairment	9,10,11	49 315	48 502
15 325	-76 000	EARNINGS BEFORE INTEREST AND TAXES (EBIT)		-55 306	58 907
		Financial items			
13 505	22 870	Financial income	23	26 286	18 048
19 005	16 910	Financial income Group companies		0	0
-18 133	-11 815	Financial expenses	23	-15 602	-22 040
0	0	Financial expenses Group companies		0	0
14 376	27 965	Total financial items		10 684	-3 991
29 702	-48 035	PROFIT BEFORE TAX		-44 623	54 916
-5 437	17438	Taxes	22	12 644	-18 729
24 265	-30 597	PROFIT / (-) LOSS FOR THE YEAR		-31 979	36 187
		Attributable to:			
		Non-controlling interests		2 663	547
		Equity holders of the parent		-34 642	35 640
		Distribution of profit / (-) loss for the year			
24 265	-30 597	Other equity			
24 265	-30 597	TOTAL DISTRIBUTED			
		Earnings per share	12	-0.51	0.58
		Diluted earnings per share	12	-0.51	0.57



FIGURES IN TNOK

## Statement of Comprehensive Income

FOR THE YEAR ENDED 31.12.2012

PARENT COMPANY				GROUP	
2011	2012		NOTE	2012	2011
24 265	-30 597	Profit for the period		-31 979	36 187
0	0	Exchange differences on translation of foreign operations		-7 383	-2 390
444	17 445	Actuarial gains (losses) on defined benefit plans	16	19 949	987
-124	-4 885	Income tax effect		-5 586	-276
24 585	-18 037	<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		-24 998	34 507
		Attributable to:			
		Non-controlling interests		2 663	547
		Equity holders of the parent		-27 661	33 960
		<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		-24 998	34 507

**Statement of Financial Position**

AS AT 31.12.2012

FIGURES IN TNOK

PARENT COMPANY				GROUP			
01.01.2011	2011	2012	ASSETS	NOTE	2012	2011	01.01.2011
			Non – current assets				
17 099	14 161	27 933	Deferred tax assets	22	26 039	16 468	19 030
100 919	82 866	70 173	Product development assets	10	153 682	143 840	143 574
0	0	0	Goodwill	10, 11	64 667	29 544	29 544
44 588	34 976	46 173	Machinery, fixtures and fittings, etc.	9	66 320	53 302	63 261
87 900	87 900	91 470	Investments in subsidiaries	6, 18	0	0	0
5 378	5 378	5 378	Loan to group companies	18	0	0	0
4 732	6 353	6 971	Investments in other companies	24	7 182	6 423	5 134
0	0	0	Other receivables		3 760	4 216	3 131
260 616	231 633	248 098	TOTAL NON – CURRENT ASSETS		321 649	253 792	263 674
			Current assets				
39 332	33 847	40 954	Inventories	14	79 330	64 306	61 154
54 551	49 187	39 974	Work in Progress	7	39 864	56 751	54 461
134 833	26 515	31 262	Accounts receivables	20	95 956	92 947	194 156
73 642	92 327	146 454	Accounts receivables on group companies	20	0	0	0
17 664	11 931	14 908	Other current financial assets	27	35 412	28 036	33 797
22 971	347 215	294 438	Cash and cash equivalents	19	369 491	439 788	85 724
342 993	561 021	567 989	TOTAL CURRENT ASSETS		620 052	681 828	429 292
603 609	792 654	816 087	TOTAL ASSETS		941 700	935 619	692 965



FIGURES IN TNOK

**Statement of Financial Position**

AS AT 31.12.2012

PARENT COMPANY			GROUP				
01.01.2011	2011	2012	EQUITY AND LIABILITIES	NOTE	2012	2011	01.01.2011
			Equity Attributable to equity holders of the parent				
22 894	25 176	25 830	Subscribed share capital	13	25 830	25 176	22 894
287 674	386 177	415 554	Share premium reserve		415 554	386 177	287 674
14 324	16 939	18 863	Other paid-in capital		18 863	16 939	14 324
139 916	123 166	105 130	Other equity		146 346	174 007	139 916
464 807	551 458	565 376	Total equity attributable to equity holders of the parent		606 593	602 299	464 807
21 106	0	0	Non-controlling interests		24 316	21 653	21 106
485 913	551 458	565 376	TOTAL EQUITY		630 909	623 953	485 913
			Liabilities				
			Non – current liabilities				
622	100 000	100 000	Debt to financial institutions	21	100 000	100 000	622
0	0	0	Other non-current liabilities	6	13 908	0	0
22 691	24 562	10 835	Pension liabilities	16	10 379	27 539	22 691
23 313	124 562	110 835	Total non – current liabilities		124 287	127 539	23 313
			Current liabilities				
67 444	41 770	41 671	Accounts payable	4	67 984	75 591	67 444
16 601	776	0	Advance payments from customers		22 423	26 303	16 601
0	11 763	26 908	Debt to group companies	18	0	0	0
3 326	0	330	Tax payable	22	5 658	4 318	3 326
26 409	7 346	23 254	Public duties payable		30 966	11 911	26 409
69 959	54 980	47 714	Other current financial liabilities	4, 25	59 474	66 004	69 959
183 739	116 634	139 876	Total current liabilities		186 504	184 128	183 739
207 052	241 196	250 711	TOTAL LIABILITIES		310 791	311 667	207 052
692 965	792 654	816 087	TOTAL EQUITY AND LIABILITIES		941 700	935 619	692 965

Trondheim, 31.12.2012 / 20.03.2013

Terje Christoffersen

Ole Jorgen Fredriksen  
Chairman of the Board

Mimi Kristine Berdal

Sissel Lillevik Larsen  
Employee elected

Charlotte Brogren

Frank Aune  
Employee elected

Jan Pihl Grimnes

Oyvind Isaksen  
President and CEO

**Statement of Changes in Equity**

FOR THE YEAR ENDED 31.12.2012

FIGURES IN TNOK

## PARENT

	NOTE	Share capital	Share Premium reserve	Other paid-in capital	Other equity	Actuarial gains and losses	TOTAL
Equity as at 31.12.2010		22 894	287 674	14 195	111 490	0	436 252
Implementation of IAS 19 R						-12 909	-12 909
Equity as at 01.01.2011	13	22 894	287 674	14 195	111 490	-12 909	423 343
Total comprehensive income for the period					24 265	320	24 585
Share issue arising from acquisitions	13	2 282	98 503				100 785
Cost of share-based payment	17			2 744			2 744
TOTAL EQUITY OF THE PARENT AS AT 31.12.2011		25 176	386 177	16 939	135 755	-12 589	551 459
Equity as at 01.01.2012	13	25 176	386 177	16 939	135 755	-12 589	551 459
Total comprehensive income for the period					-30 597	12 561	-18 036
Share issue	13	654	29 376				30 030
Cost of share-based payment	17			1 924			1 924
TOTAL EQUITY OF THE PARENT AS AT 31.12.2012		25 830	415 554	18 863	105 158	-28	565 376

## GROUP

	NOTE	Share capital	Share Premium reserve	Other paid-in capital	Other equity	Exchange differences on translation of foreign operations	Actuarial gains and losses	TOTAL	Non-controlling interests	TOTAL EQUITY
Total equity of the group as at 31.12.2010		22 894	287 674	14 195	155 283	-1 733	478 313		21 106	499 417
Implementation of IAS 19 R							-13 504			-13 504
TOTAL EQUITY OF THE GROUP AS AT 01.01.2011	13	22 894	287 674	14 195	155 283	-1 733	-13 504	464 809	21 106	485 913
Total equity of the group for the period				35 640	-2 390	711	33 962		547	34 509
Share issue	13	2 282	98 503				100 785			100 785
Cost of share-based payment	17			2 744			2 744			2 744
TOTAL EQUITY OF THE GROUP AS AT 31.12.2011		25 176	386 177	16 939	190 922	-4 123	-12 793	602 300	21 653	623 953
Equity as at 01.01.2011	13	25 176	386 177	16 939	190 922	-4 123	-12 793	602 300	21 653	623 953
Total comprehensive income for the period				-34 642	-7 382	14 363	-27 661		2 663	-24 998
Share issue	13	654	29 376				30 030			30 030
Cost of share-based payment	17			1 924			1 924			1 924
TOTAL EQUITY OF THE GROUP AS AT 31.12.2012		25 830	415 553	18 863	156 281	-11 505	1 570	606 593	24 316	630 909



FIGURES IN TNOK

## Statement of Cash Flow

FOR THE YEAR ENDED 31.12.2012

PARENT COMPANY

GROUP

2011	2012		Notes	2012	2011
		<b>Cash flows from operations</b>			
29 702	-48 035	Profit before tax		-44 623	54 916
0	0	Paid taxes	22	-8 742	-13 500
14 768	15 478	Depreciation and impairment of property, plant and equipment	9	18 244	17 592
22 270	22 430	Amortisation and impairment of intangible assets	10, 11	31 070	30 912
2 928	7 861	Pension cost without cash flow effect	16	3 911	3 861
0	16 831	Dividends from subsidiaries		0	0
-151	-79	Interests from subsidiaries		0	0
-1 621	-618	Shares valued at fair value	24	-435	-1 289
2 744	1 923	Cost of share-based payment	17	3 123	2 744
		<b>Working capital adjustments</b>			
90 409	-7 107	Changes in receivables and prepayments from customers	20	-15 024	110 911
5 485	-6 563	Changes in inventory	14	-3 009	-3 152
7 167	-100	Changes in accounts payables	4	-7 507	8 147
5 364	9 213	Changes in work in progress	7	21 339	-2 290
-46 234	-28 405	Changes in other balance sheet items		-18 233	-15 057
132 831	-17 171	<b>Net cash flow from operations</b>		-19 886	193 795
		<b>Cash flow from investments</b>			
-9 373	-36 412	Investments in tangible and intangible assets	9, 10	-54 195	-38 809
0	-25 034	Acquisition of a subsidiary, net of cash acquired	5	-25 034	0
0	-4 188	Other investments		0	-1 085
-9 373	-65 634	<b>Net cash flow from investments</b>		-79 229	-39 894
		<b>Cash flow from financing</b>			
100 000	0	Proceeds from new loans		0	100 000
0	0	Down payments of debt to financial institutions	21	0	-622
100 785	30 030	Share issue	13	30 030	100 785
0	0	Other financial items		-1 211	0
200 785	30 030	<b>Net cash flow from financing</b>		28 819	200 163
324 243	-52 775	<b>Net change in cash and cash equivalents for the year</b>		-70 296	354 064
22 972	347 215	Cash and cash equivalents as at 01.01.		439 788	85 724
347 215	294 438	<b>CASH AND CASH EQUIVALENTS AS AT 31.12</b>	19	369 491	439 788

## Notes to the Consolidated Financial Statements 2012

---

FIGURES IN TNOK

Q-Free Group

### Index of Notes

- 1 CORPORATE INFORMATION – page 53
- 2 BASIS FOR PREPARATION OF THE CONSOLIDATED ACCOUNTS – page 53
- 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – page 55
- 4 FINANCIAL RISK MANAGEMENT – page 63
- 5 OPERATING SEGMENTS – page 66
- 6 BUSINESS COMBINATIONS – page 68
- 7 WORK IN PROGRESS – page 70
- 8 OTHER OPERATING INCOME – page 71
- 9 PROPERTY AND EQUIPMENT – page 72
- 10 INTANGIBLE ASSETS – page 74
- 11 IMPAIRMENT TESTING OF GOODWILL – page 76
- 12 EARNINGS PER SHARE – page 77
- 13 ISSUED CAPITAL AND RESERVES – page 77
- 14 INVENTORIES AND COST OF GOODS SOLD – page 79
- 15 SALARIES AND PERSONNEL RELATED EXPENSES – page 79
- 16 PENSION SCHEME – page 82
- 17 SHARE OPTION PROGRAMME FOR EMPLOYEES – page 84
- 18 RELATED PARTY DISCLOSURES – page 88
- 19 CASH AND CASH EQUIVALENTS – page 89
- 20 ACCOUNTS RECEIVABLES AND CREDIT RISK – page 90
- 21 INTEREST-BEARING LOANS, BORROWINGS AND GUARANTEES – page 91
- 22 TAXES – page 92
- 23 FINANCIAL ITEMS – page 93
- 24 SHARES AT FAIR VALUE THROUGH PROFIT AND LOSS – page 93
- 25 OTHER CURRENT FINANCIAL LIABILITIES – page 94
- 26 OTHER OPERATING EXPENSES – page 95
- 27 OTHER CURRENT FINANCIAL ASSETS – page 96
- 28 COMMITMENTS AND CONTINGENCIES – page 96

---

The consolidated financial statements are presented in Norwegian kroner and all figures are rounded to the nearest thousand (TNOK) unless otherwise specified.

## NOTE 1 / CORPORATE INFORMATION

The consolidated financial statements for the year ended at 31.12.2012 were approved by the board at its meeting on 20.03.2013. Q-Free ASA is a limited liability company with 310 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 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), ATMS (Advanced Transportation Management Systems) and GNSS (Global Navigation Satellite System) based solutions, with deliveries in Europe, Asia-Pacific, Middle East and North- and South America.

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 judgments, estimates and assumptions considered when preparing the financial statements**

---

The preparation of the Group's consolidated financial statements has required 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, this is 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 31.12.2012, the carrying amount of capitalised product development costs was TNOK 153 682 (2011: TNOK 143 840). Further details are given in Note 10 Intangible Assets.

### **Deferred tax assets**

Deferred tax assets are recognised for all unused tax losses to the extent that by management judgement it is probable that taxable profit will allow the losses to be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. The carrying value of recognised deferred tax assets as at 31.12.2012 was TNOK 26 039 for Group and TNOK 27 933 for the Parent (2011: deferred tax assets for Group of TNOK 16 468 and TNOK 14 161 for Parent). Further details regarding deferred taxes are given in note 22.

## Notes to the Consolidated Financial Statements 2012

### Goodwill

Assessment of 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 made may result in an impairment loss. The book value of goodwill for the group at 31.12.2012 was TNOK 64 667 (31.12.2011; TNOK 29 544). The addition during 2012 is related to the acquisition of TCS International Inc, 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 based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However 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. This method requires the Group to estimate the progress in the projects. Progress is calculated as accrued production costs as a percentage of total expected production costs. Total expected production 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 productions 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. The Group management is therefore actively involved in these assessments. Revenue recognition in projects is measured as a percentage calculated as accrued production costs as a percentage of total anticipated production costs. Total order's for the Group as at 31.12.2012 is TNOK 370 614. Corresponding figures for 2011 was TNOK 341 369. Further details are given in Note 7.

### Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which 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 determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The company's cost of share based payment is calculated using the Black & Scholes pricing model. For 2012 this adds up to a total cost of TNOK 1 924. Corresponding figures for 2011 was TNOK 2 744. 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 are according to the recommendation of the Norwegian Accounting Standards Board. The net employee pension liabilities for the Group as at 31.12.2012 is TNOK 10 379 Corresponding figures for 2011 was net liabilities on TNOK 27 539. Further details are given in Note 16.

### Warranty accruals

The Group is estimating probable warranty costs on products delivered with faults based on historical data for previous years and an evaluation of the portfolio of delivered products still under warranty. Total provisions for warranty costs as at 31.12.2012 is TNOK 9 614 for the group. Corresponding figures for 2011 was TNOK 10 776. Further details are given in Note 25.

## 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 31.12 each year.

Subsidiaries are fully consolidated from the date of acquisition, being 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.

#### **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.

Losses in a consolidated subsidiary that can be attributed to the non-controlling interests cannot exceed the minority's share of equity in the consolidated subsidiary. Excess losses are recognised against the equity holders of the parent in the subsidiary to the extent that the minority is not obligated and can incur its share of the loss. If the subsidiary starts making a profit, the majority's share of the subsidiary's equity shall be adjusted until the minority's share of past losses are covered.

### 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 acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at 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 the business combination is achieved in stages, the acquisition date 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.

## Notes to the Consolidated Financial Statements 2012

Goodwill is initially measured at cost being 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 is, 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 part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on 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 the 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, services/maintenance revenues. Governmental grants is classified as "Other income".

#### Project deliveries

Revenues relating to construction contracts or system deliveries are recognised in the income statement according to the stage of completion. Stage of project completion is calculated as accrued production costs as a percentage of total anticipated production costs. Total anticipated production 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 recognized as revenue. Any estimated loss on a contract will be recognised in the income statement for the period when it is identified 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 customer.

#### Service and maintenance fees

Services delivered which are not part of a project delivery are recognised as revenue incrementally as the service and maintenance is provided, 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 is reasonably assured that it will be granted. The recognition of grant is postponed and amortised over the period that the costs relating to that which the subsidies are intended for are incurred. 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 ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling 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.

Any goodwill arising on the acquisition of a foreign operation subsequent to 1.1.2005 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

### 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 derivatives, investments in shares, 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. Transaction costs relating to the acquisition or incurrence of financial instruments at fair value through profit or loss are however 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, 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.

## Notes to the Consolidated Financial Statements 2012

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 there is any objective evidence 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 measured initially 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 asset 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

### Share based payment

---

The group has a share option program for key employees whereby the employees render services as consideration for equity instruments (share options).

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 Black & Sholes model which take into consideration time and conditions of the share options. The cumulative expenses recognised for the equity -settled transactions at each reporting date until the vesting date reflect 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 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. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 12)

## Notes to the Consolidated Financial Statements 2012

### 3.10

#### Inventories

---

Work in progress are 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: 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

---

Investments in shares are classified as financial assets at fair value through profit or loss. 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 interest rates for the 10 years Government bonds adjusted for duration approximately equal to the maturity of the related pension liability for 2011, and the OMF interest rate for 2012. 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**

#### **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 WHEN 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.

### **3.16**

#### **Cash and cash equivalents**

---

Cash includes cash in hand and at 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.

### **3.17**

#### **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 is net effects from the continued operation unless stated otherwise.

### **3.18**

#### **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 do not affect the company's position at the balance sheet date, but which will affect the company's position in the future, are stated if significant. No such significant events has occurred in 2013.

### **3.19**

#### **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.

## Notes to the Consolidated Financial Statements 2012

### 3.20

#### Changes in accounting policy and disclosures

---

##### New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 01.01.2012:

##### IAS19 Revised – Employee Benefits

The IASB has issued numerous amendments to IAS 19 Employee Benefits. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The removal of the corridor mechanism implies that actuarial gains and losses shall be recognized in other comprehensive income in the current period. The group has implemented the standard from 01.01.2012, and changed the basis for calculating the pension obligation and pension costs. The corridor as of 01.01.2011 of NOK 18,7 million has been removed, and the pension obligation increased by the same amount, whereas equity decreased by 13,4 million NOK (after tax).

The amended standard will impact the net benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The difference between actual return of assets and the estimated return will be accounted for in OCI. The pension expense under previous standard was 9.9 million in 2011. Under the new standard, the pension expense is reduced to 9,5 million, and changes in actuarial assumptions recognised in OCI is -0,9 million NOK. The pension obligation as of 31.12.2011 increased to 27,5 million. IAS 19R has been implemented retrospectively, and the comparative figures has been changed.

##### IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 01.07.2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

### 3.21

#### Standards issued but not yet effective or adopted by the Group

---

The standards and interpretations that are issued, but not yet effective, up to 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.

- IAS 32 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – AMENDMENTS TO IAS 32
- IFRS 7 DISCLOSURES – OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – AMENDMENTS TO IFRS 7
- IFRS 9 FINANCIAL INSTRUMENTS: CLASSIFICATION AND MEASUREMENT (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2015)
- IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2014), IAS 27 SEPARATE FINANCIAL STATEMENTS (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2014)
- IFRS 12 DISCLOSURE OF INTERESTS IN OTHER ENTITIES (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2014)
- IFRS 13 FAIR VALUE MEASUREMENT (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2013)
- ANNUAL IMPROVEMENTS 2009–2011 (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2013)

These standards, amendments and interpretations are not expected to have any material impact on the financial position of the group.

## 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 :

- A) CREDIT RISK
- B) CURRENCY RISK
- C) LIQUIDITY RISK
- D) INTEREST RATE RISK

### a) 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 solid private companies, and governmental controlled entities 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, using the Norwegian Export Credit Agency, and other similar tools, will be used in order to reduce credit risk.

An aging analysis of trade receivables as at 31.12.2012 and 2011 are given in note 20.

### b) Currency risk

Q-Free has considerable foreign currency exposure, given that the Group earns between 70-80% 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, EURO and SEK. 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 31.12.12 the Group holds foreign future contracts of 768 TNOK accounted as other financial assets (2011: 2 092 as other financial liabilities). See section regarding fair value for a fair value hierarchy and a specification on valuation technique applied.

The following table demonstrates the sensitivity to a reasonably possible change in the EURO and SEK exchange rate, with all other variables held constant, of 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). Since we have carried out both Service & Maintenance contract in Stockholm and the Gothenburg Congestion Charging project in 2012 we are presenting SEK together with EURO sensitivity analysis as this is the currencies that have material effects on the income statement for 2012.

## Notes to the Consolidated Financial Statements 2012

		Increase/decrease in	Effect on profit before tax	Effect on equity
2012	EURO rate	+ 10%	+ 3 194 TNOK	+ 2 300 TNOK
		- 10%	- 3 194 TNOK	- 2 300 TNOK
2012	SEK rate	+ 10%	+ 1 516 TNOK	+ 1 092 TNOK
		- 10%	- 1 516 TNOK	- 1 092 TNOK
2011	EURO rate	+ 10%	+ 2 421 TNOK	+ 1 743 TNOK
		- 10%	- 2 421 TNOK	- 1 743 TNOK
2011	SEK rate	+ 10%	+ 1 295 TNOK	+ 932 TNOK
		- 10%	- 1 295 TNOK	- 932 TNOK

### c) 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 these are estimated in the company's strategy plan for the same period. Surplus cash funds are 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.

The table below summarises the maturity profile of the Group's financial liabilities as at 31.12.2012 based on contractual undiscounted payments.

YEAR ENDED 31.12.2012	On demand	Less than 3 months	3 to 6 months	6 to 12 months	> 1 years	TOTAL GROUP
Interest bearing loans and borrowings	0	581	566	1 147	100 926	103 220
Accounts payables and advance payments from customers	18 697	39 999	8 123	1 388	0	68 207
Public duties payable and taxes		30 966	3 510			34 476
Other financial liabilities	9 118	18 567	27 061	4 725		59 471
<b>TOTAL LIABILITIES (EXCL PENSION LIABILITIES &amp; DEFERRED TAX)</b>	<b>27 815</b>	<b>90 113</b>	<b>39 260</b>	<b>7 260</b>	<b>100 926</b>	<b>265 374</b>

YEAR ENDED 31.12.2011	On demand	Less than 3 months	3 to 6 months	6 to 12 months	> 1 years	TOTAL GROUP
Interest bearing loans and borrowings					100 000	100 000
Accounts payables and advance payments from customers	19 049	55 887	14 345	5 986	6 627	101 894
Public duties payable and taxes		11 911	4 318			16 229
Other financial liabilities	10 231	21 253	30 032	4 488		66 004
<b>TOTAL LIABILITIES (EXCL PENSION LIABILITIES &amp; DEFERRED TAX)</b>	<b>29 280</b>	<b>89 051</b>	<b>48 695</b>	<b>10 474</b>	<b>106 627</b>	<b>284 127</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 The Group manages its capital structure and makes adjustments to it, 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 shall be 50 % or higher. The book equity ratio is calculated as total equity divided by total assets as follows:

	AS AT 31.12	
	2012	2011
Total equity	630 909	636 746
Total assets	941 700	928 670
Book equity ratio	67.0%	68.6%

#### d) Interest-rate risk

The Group entered into a loan agreement with Eksportfinans ASA during 2011. The Group focuses on predictability at all times and since changes in the interest level has a significant influence on the consolidated profit, 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.

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 2011.

	EFFECT OF AN INTEREST RATE INCREASE OF 100 BP		AS AT 31.12
	2012	2011	
	Result	Result	
Investments with floating interest rates	3 663	2 722	
Loans with variable interest rates	-1 000	-1 000	
PROFIT BEFORE TAX	2 663	1 722	

#### 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 31.12.2012, the Group held the following financial instruments measured at fair value:

- SHARES AT FAIR VALUE THROUGH PROFIT AND LOSS (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.

## Notes to the Consolidated Financial Statements 2012

### Assets / liabilities measured at fair value

	31.12.2012	Level 1	Level 2	Level 3
Financial assets & liabilities at fair value through profit or loss				
Foreign exchange contracts	768	768		
Shares at fair value through profit and loss	7 182			7 182
	31. Dec 2011	Level 1	Level 2	Level 3
Financial assets & liabilities at fair value through profit or loss				
Foreign exchange contracts	-2 092	-2 092		
Shares at fair value through profit and loss	6 423			6 423

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 2012	Fair value 2012	Carrying amount 2011	Fair value 2011
Investments in other companies	7 182	7 182	6 423	6 423
Accounts receivable	95 956	95 956	92 947	92 947
Other receivables	3 760	3 760	4 216	4 216
Other current financial assets	35 412	35 412	28 036	28 036
Cash and cash equivalents	369 491	369 491	439 788	439 788
Advance payments from customers	22 423	22 423	26 303	26 303
Accounts payable	67 984	67 984	75 591	75 591
Other current financial liabilities	59 474	59 474	66 004	66 004

### NOTE 5 / OPERATING SEGMENTS

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

- EUROPE
- ASIA PACIFIC
- AMERICAS

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					31.12.12				31.12.11			
TNOK	Europe	Asia Pacific	Americas	TOTAL	Europe	Asia Pacific	Americas	TOTAL	Europe	Asia Pacific	Americas	TOTAL
Profit & Loss Account												
Revenues	69%	10%	21%	100%	70%	7%	23%	100%	410 364	59 828	127 340	597 532
Cost of goods sold									494 069	50 061	160 783	704 912
Personnel expenses									119 417	13 956	93 718	227 090
Operating expenses									145 301	27 135	9 391	181 827
Total operating expenses									156 883	30 400	7 325	194 607
EBITDA									421 600	71 490	110 433	603 524
Depreciation, amortisation and impairment									-11 236	-11 662	16 907	-5 990
EBIT									70 200	4 465	32 745	107 409
Key figures												
EBITDA – margin	-2.7%	-19.5%	13.3%	-1.0 %	-19.0%	3.4%	17.2%	-5.2%	48 160	458	697	49 315
EBIT – margin	-14.5%	-20.3%	12.7%	-9.3 %	-38.2%	3.1%	16.7%	-15.9%	-59 396	-12 120	16 210	-55 306
Average annual man years	250	15	10	275	251	22	10	283	253	26	20	287
Average number of employees	253	26	20	287	255	25	10	290				

Revenues from one customer amounted to TNOK 136 491 (22.8% of total revenues) in 2012, similar figures for 2011 was TNOK 146 794 (20.8%). Both customers (2011 & 2012) arising from the European segment.

## REVENUE COMPOSITION

	2012		2011	
Products	229 779	38%	385 204	54%
Service and maintenance	106 766	18%	95 743	14%
Projects	260 987	44%	223 965	34%
TOTAL REVENUES	597 532		704 912	

## ORDER BACKLOG BY OPERATING SEGMENTS

	2012		2011	
Europe	337 756	77%	326 646	71%
Asia Pacific	40 170	9%	25 063	5%
Americas	59 482	14%	109 866	24%
TOTAL ORDER BACKLOG	437 408		461 575	

## ORDER BACKLOG COMPOSITION

	2012		2011	
Products	85 939	37%	146 974	27%
Service and maintenance	190 206	43%	188 509	41%
Projects	161 263	20%	126 092	32%
TOTAL ORDER BACKLOG	437 408		461 575	

## Notes to the Consolidated Financial Statements 2012

### NOTE 6 / BUSINESS COMBINATIONS

#### Acquisition of TCS International Inc.

The financial impact from the purchase of TCS International Inc. is consolidated in the Group's figures per 31.12.12. Date of acquisition was 27.12.2012. The acquired company's main activities are development and sale of parking guidance systems for use in Advanced Transportation Management Systems.

As of 27.12.2012 Q-Free ASA controls 100% of the TCS International Inc. shares, and has corresponding voting rights. The acquisition was concluded for an estimated total cost of TNOK 45 994. The cost of the acquisition consists of a cash payment of TNOK 32 086 and estimated additional contingent consideration depending on an Earn-Out model based on EBIT for 2013 and 2014. The contingent consideration has a fair value of TNOK 13 908.

The consideration based on earn out is depending on the TCS International Inc EBIT in 2013 and 2014. For 2013, the payment will be achieved EBIT above 900 000 USD multiplied with a factor of 1,1 . The base payment is 1 000 000 USD and the maximum payment is capped at 2 600 000 USD. For 2014, the payment is Actual EBIT multiplied by 0.36. The base payment would be 500 000 USD and maximum payment is capped at 1 300 000 USD.

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

Preliminary allocation of the acquisition cost (TNOK) of the identifiable assets and liabilities of TCS International Inc. as at the date of acquisition were:

#### ASSETS

	Previous carrying value 27.12.12	Adjustments	Fair value recognised on acquisition 27.12.12
Technology	0	11 016	11 016
Customer Relationships	0	5 113	5 113
Order Backlog	0	1 849	1 849
Goodwill	0	35 123	35 123
Machinery, fixtures	712		712
Other financial assets	77		77
<b>TOTAL FIXED ASSETS</b>	<b>789</b>	<b>53 101</b>	<b>53 891</b>
Loan to owners	0		0
Inventories	630		630
Accounts receivables	2 393		2 393
Cash and equivalents	2 391		2 391
<b>Current assets</b>	<b>5 414</b>	<b>0</b>	<b>5 414</b>
<b>TOTAL ASSETS</b>	<b>6 203</b>	<b>53 101</b>	<b>59 305</b>



## LIABILITIES AND EQUITY

	Previous carrying value 27.12.12	Adjustments	Fair value recognised on acquisition 27.12.12
Equity	(246)	45 910	24 649
Debt to financial inst.	286	0	286
Deferred tax *	0	7 191	7 191
Long term liabilities	286	7 191	7 477
Line of Credit – Bank	0	0	0
Accounts payable	4 634	0	4 634
Work in progress	1 260	0	1 260
Sales tax payable	328	0	328
Debt to seller of TCS Inc.	(59)	0	(59)
Short term liabilities	6 163	0	6 163
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>6 203</b>	<b>53 101</b>	<b>59 305</b>

\* The deferred tax liability comprises the tax effect of the depreciation of the identified intangible assets.

The three intangible assets are identified as follows:

Customer relationships, technology and the value of existing order backlog. These three assets explain 34% of the total purchase price and the remaining is allocated as goodwill.

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.

The allocation of the purchase price is preliminary because the acquisition was done late in 2012 and the Group has limited experience with the technology acquired.

## ANALYSIS OF CASH FLOWS ON ACQUISITION

Transaction costs of the acquisition (included in cash flows from operating activities)	(946)
Acquisition of a subsidiary, net of cash acquired (included in cash flows from investing activities)	(25 034)
<b>NET CASH FLOW ON ACQUISITION</b>	<b>(25 980)</b>

It has not been prepared pro forma figures for the period from 01.01.2012 until the time of acquisition 27.12.2012 as the amounts are considered immaterial to the financial statements.

TCS International Inc.'s contribution to the Group from the acquisition 27.12.2012 until 31.12.2012 is not material to the financial statements.

## Notes to the Consolidated Financial Statements 2012

### NOTE 7 / WORK IN PROGRESS

The Group's main business activity is to develop and manufacture products and systems as well as provision of 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 an asset, and gross amounts due to customers for contract work (Prepayments from customers) are recognised on the balance sheet as a liability. Work in progress are 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 amount 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	
2011	2012	BALANCE SHEET ITEMS	2012	2011
49 187	39 974	Work in progress	39 864	56 751
-776	0	Prepayments from customers	-22 423	-26 303
48 411	39 974	Net projects in progress	17 441	30 449
2011	2012	SUMMARY OF WORK IN PROGRESS AS AT 31.12	2012	2011
200 341	218 223	Contract revenues included in the financial statement	218 223	212 788
198 002	370 614	Total contract orders	370 614	341 369
182 413	161 187	Accumulated revenues	161 187	308 758
15 589	209 427	Remaining revenues	209 427	32 611
107 550	131 857	Accumulated operating expenses	131 857	243 322
4 771	25 225	Remaining operating expenses	25 225	1 303
-776	0	Prepayments received	-22 423	-26 303

**NOTE 8 / OTHER OPERATING INCOME**

The Group has received governmental grants of a total of TNOK 4 930 in 2012. Corresponding figures for 2011 was TNOK 7 805. The Group is a partner in several projects under The Research Council of Norway and projects initiated by the EU.

	CONTRIBUTION	
Governmental grants	2012	2011
Projects with contribution from The Research Council of Norway	3 675	5 405
Contribution from EU initiated projects	790	1 474
Projects with contribution from the Norwegian Space Centre	466	0
<b>TOTAL</b>	<b>4 930</b>	<b>6 879</b>

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

	2012	2011
Grants recognised as other income related to cost in same period	4 930	6 879
Grants accounted as reduction of payroll expenses (Skattefunn)	0	926
<b>TOTAL</b>	<b>4 930</b>	<b>7 805</b>

## Notes to the Consolidated Financial Statements 2012

### NOTE 9 / PROPERTY AND EQUIPMENT

#### PARENT COMPANY

	Machinery and fixtures	Equipment	TOTAL
Acquisition cost as at 01.01.2011	64 535	87 863	152 398
Additions	1 385	3 771	5 156
Disposals	0	0	0
ACQUISITION COST AS AT 31.12.11	65 920	91 634	157 554
Accumulated depreciation and impairments as at 01.01.11	49 795	58 015	107 810
Depreciation of the year	6 235	8 533	14 768
Accumulated depreciation disposals	0	0	0
ACCUMULATED DEPRECIATION AND IMPAIRMENTS AS AT 31.12.11	56 030	66 548	122 578
Net book value as at 01.01.11	14 740	29 848	44 588
Total changes of the year	-4 850	-4 762	-9 612
AS AT 31.12.2011	9 890	25 086	34 976
Acquisition cost as at 01.01.2012	65 920	91 634	157 554
Additions	6 925	19 750	26 675
Disposals	0	0	0
ACQUISITION COST AS AT 31.12.12	72 845	111 384	184 229
Accumulated depreciation and impairments as at 01.01.12	56 030	66 548	122 578
Depreciation of the year	6 085	9 393	15 478
Accumulated depreciation disposals	0	0	0
ACCUMULATED DEPRECIATION AND IMPAIRMENTS AS AT 31.12.12	62 115	75 941	138 056
Net book value as at 01.01.12	9 890	25 086	34 976
Total changes of the year	840	10 357	11 197
AS AT 31.12.2012	10 730	35 443	46 173
Financial lifetime	4-5 years	5-10 years	
Depreciation schedule	Straight line	Straight line	

#### Securities for bank guarantees and overdraft facility

As at 31.12.12 assets in the parent company valued to TNOK 46 173 (2011: 34 976) are pledged as security for guarantee facility in Danske Bank.



## GROUP

	Machinery and fixtures	Equipment	TOTAL
Acquisition cost as at 01.01.2011	123 398	87 863	211 261
Additions	4 369	3 771	8 140
Disposals	508	0	508
ACQUISITION COST AS AT 31.12.11	127 259	91 634	218 893
Accumulated depreciation and impairments as at 01.01.11	89 985	58 015	148 000
Depreciation of the year	9 058	8 533	17 591
Accumulated depreciation disposals	0	0	0
ACCUMULATED DEPRECIATION AND IMPAIRMENTS AS AT 31.12.11	99 043	66 548	165 591
Net book value as at 01.01.11	33 413	29 848	63 261
Total changes of the year	-5 197	-4 762	-9 959
AS AT 31.12.2011	28 216	25 086	53 302
Acquisition cost as at 01.01.2012	127 259	91 634	218 893
Additions	11 512	19 750	31 262
Disposals	0	0	0
ACQUISITION COST AS AT 31.12.12	138 771	111 384	250 155
Accumulated depreciation and impairments as at 01.01.12	99 043	66 548	165 591
Depreciation of the year	8 851	9 393	18 244
Accumulated depreciation disposals	0	0	0
ACCUMULATED DEPRECIATION AND IMPAIRMENTS AS AT 31.12.12	107 894	75 941	183 835
Net book value as at 01.01.12	28 216	25 086	53 302
Total changes of the year	2 661	10 357	13 018
AS AT 31.12.2012	30 877	35 443	66 320
Financial lifetime	4-5 years	5-10 years	
Depreciation schedule	Straight line	Straight line	

## Notes to the Consolidated Financial Statements 2012

### NOTE 10 / INTANGIBLE ASSETS

#### PARENT COMPANY

	Goodwill	Product development assets	TOTAL
Acquisition cost as at 01.01.2011	0	187 103	187 103
Additions	0	4 217	4 217
Disposals	0	0	0
ACQUISITION COST AS AT 31.12.2011	0	191 320	191 320
Accumulated depreciation and impairments as at 01.01.2011	0	86 184	86 184
Depreciation of the year	0	22 270	22 270
Accumulated depreciation disposals	0	0	0
ACCUMULATED DEPRECIATION AND IMPAIRMENTS AS AT 31.12.2011	0	108 454	108 454
Net book value as at 01.01.2011	0	100 919	100 919
Total changes of the year	0	-18 053	-18 053
AS AT 31.12.2011	0	82 866	82 866
Acquisition cost as at 01.01.2012	0	191 320	191 320
Additions	0	9 737	9 737
Disposals	0	0	0
ACQUISITION COST AS AT 31.12.2012	0	201 057	201 057
Accumulated depreciation and impairments as at 01.01.2012	0	108 454	108 454
Depreciation of the year	0	22 430	22 430
Accumulated depreciation disposals	0	0	0
ACCUMULATED DEPRECIATION AND IMPAIRMENTS AS AT 31.12.2012	0	130 884	130 884
Net book value as at 01.01.2012	0	82 866	82 866
Total changes of the year	0	-12 693	-12 693
AS AT 31.12.2012	0	70 173	70 173
Financial lifetime	Impairment tested annually for when impairment indicators exists)	5-10 years	
Depreciation schedule		Straight line	



## GROUP

	Goodwill	Product development assets	TOTAL
Acquisition cost as at 01.01.2011	29 544	252 797	282 341
Additions	0	31 178	31 178
Disposals	0	0	0
ACQUISITION COST AS AT 31.12.2011	29 544	283 975	313 519
Accumulated depreciation and impairments as at 01.01.2011	0	109 223	109 223
Depreciation of the year	0	30 912	30 912
Impairments of the year	0	0	0
ACCUMULATED DEPRECIATION AND IMPAIRMENTS AS AT 31.12.2011	0	140 135	140 135
Net book value as at 01.01.2011	29 544	143 574	173 118
Total changes of the year	0	266	266
AS AT 31.12.2011	29 544	143 840	173 384
Acquisition cost as at 01.01.2012	29 544	283 975	313 519
Additions	0	22 934	22 934
Acquisitions of a subsidiary *	35 123	17 979	53 102
Disposals	0	0	0
ACQUISITION COST AS AT 31.12.2012	64 667	324 888	389 555
Accumulated depreciation and impairments as at 01.01.2012	0	140 135	140 135
Depreciation of the year	0	31 071	31 071
Impairments of the year	0	0	0
Accumulated depreciation disposals	0	0	0
ACCUMULATED DEPRECIATION AND IMPAIRMENTS AS AT 31.12.2012	0	171 206	171 206
Net book value as at 01.01.2012	29 544	143 840	173 384
Total changes of the year	35 123	9 842	44 965
AS AT 31.12.2012	64 667	153 682	218 349

\* For further details regarding Acquisitions of a subsidiary see note 6

Financial lifetime  
Depreciation schedule

Impairment tested  
annually (or when  
impairment indicators  
exists.) 5–10 years  
Straight line

## Development

The group capitalises costs regarding product development activities. Capitalised costs for 2012 consist of product development of a new generations of OBU's and road side units that is a part of the company's toll road systems. Furthermore, the company has capitalised cost that prepares the company's products for future wireless communication solutions that enables continuous communication between vehicles and the roadside infrastructure. Such cooperative vehicle-infrastructure systems will allow new traffic information-sharing services for greater safety, efficiency and a better environment.

For 2012 research-expenses in the P&L has been immaterial. Capitalised costs mainly consists 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.

## Notes to the Consolidated Financial Statements 2012

### NOTE 11 / IMPAIRMENT TESTING OF GOODWILL

Goodwill obtained through acquisitions is allocated to the Group's "Europe" operating segment and is followed up and tested for impairment 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	TOTAL	
	2012	2011
Total amount of Goodwill recognised in balance sheet as at 01.01	29 544	29 544
Goodwill obtained through the acquisition of TCS International Inc (See note 6 for further specifications)	35 123	
<b>TOTAL AMOUNT OF GOODWILL RECOGNISED IN BALANSE SHEET AS AT 31.12</b>	<b>64 667</b>	<b>29 544</b>

Impairment testing of Goodwill as at 31.12.2012:

The Group performed its annual impairment test as at 31.12.2012. 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 2012 (or in 2011).

#### 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
- GROWTH RATE

**Cash flow projection** – The projections are based on budgetary 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 bond interest rate 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 6.0% discount rate is applied in the calculations (2011: 5.8%)

**Market share assumptions** – These assumptions are important because, as well as using industry data for growth rates (as noted below) management assess how our position, relative to its competitors, might change over the budget period. Management expects that the Group's market share will generally be maintained, but that there can be increases and 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. A 7.0% growth rate is applied in the calculations (2011: 5.0%) that is a prudent estimate compared to the industry's annual compounded growth rate on 25–30% for the next five years. No growth is assumed after the five year prognosis period.

#### 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, but these changes are considered to be outside the probable corridor.

**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 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 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 the dilutive potential ordinary shares into ordinary shares.

	2012	2011
Profit for the year	-34 642	35 640
Weighted average number of ordinary shares	67 541 330	61 102 567
Weighted average of share option (1.720.000 share options outstanding per 31.12.11 and 575 000 outstanding per 31.12.12)	834 712	1 723 425
Weighted average number of diluted shares	68 376 042	62 825 991
Earnings per share	-0,51	0,58
Diluted earnings per share	-0,51	0,57

There have been no other transactions involving ordinary shares or potential 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 2012 and 2011, see note 13.

**NOTE 13 / ISSUED CAPITAL AND RESERVES**

The company has one class of shares and there are no voting restrictions. Per 31.12.12 the number of shares were 67 972 419. Par value per share is NOK 0,38. Total share capital per 31.12.2012 was NOK 25 829 519,-. The company had 1 153 share holders as at 31.12.12. As at 31.12.12 the share price listed at OSE was 19,10 per share equalling a market value of 1 298 BNOK.

	ORDINARY SHARES	
	2012	2011
Shares issued per 01.01	66 252 419	60 247 010
Share issue	0	6 005 409
Share options exercised	1 720 000	0
<b>TOTAL SHARES ISSUED PER. 31.12</b>	<b>67 972 419</b>	<b>66 252 419</b>

**SHARE PRICE DURING 2012**

## Notes to the Consolidated Financial Statements 2012

The company's largest share holders per 31.12.12	Number of shares	Percentage ownership	Voting rights
KAPSCH TRAFFICCOM AG	9 900 000	14.56%	14.56%
ODIN NORGE	5 312 523	7.82%	7.82%
KAPSCH TRAFFICCOM AG	3 530 458	5.19%	5.19%
SKAGEN VEKST	3 182 604	4.68%	4.68%
JPMORGAN CHASE BANK (NOM)	2 201 000	3.24%	3.24%
VERDIPAPIRFONDET DNB SMB	1 928 497	2.84%	2.84%
ANDRESEN, LARS ODDGEIR	1 633 600	2.40%	2.40%
CITIBANK NA LONDON BRANCH (NOM)	1 531 000	2.25%	2.25%
REDBACK AS	1 495 000	2.20%	2.20%
VPF NORDEA KAPITAL	1 360 541	2.00%	2.00%
STOREBRAND VEKST	1 189 726	1.75%	1.75%
MONS HOLDING AS	1 040 000	1.53%	1.53%
HOLBERG NORGE VERDIPAPIRFONDET	990 591	1.46%	1.46%
VPF NORDEA SMB	845 840	1.24%	1.24%
VPF NORDEA AVKASTNING	841 932	1.24%	1.24%
VERDIPAPIRFONDET DNB NORGE (IV)	798 107	1.17%	1.17%
STOREBRAND OPTIMA NORGE A	746 903	1.10%	1.10%
STATOIL PENSJON	735 374	1.08%	1.08%
STOREBRAND NORGE I	679 424	1.00%	1.00%
ARCTIC FUNDS PLC	643 550	0.95%	0.95%
OTHER SHARE HOLDERS	27 385 749	40.29%	40.29%
<b>TOTAL</b>	<b>67 972 419</b>	<b>100.0%</b>	<b>100.0%</b>

### NUMBER OF SHARES HELD BY THE SENIOR MANAGEMENT, CEO AND THE BOARD OF DIRECTORS

Name	Position	Shares
Jan Pihl Grimnes	Board member	1 555 000
Jos Nijhuis	VP R&D	525 552
Ole Jorgen Fredriksen	Chairman of the Board	178 884
Oyvind Isaksen	CEO	119 989
Roar Østbo	CFO	74 000
Mimi Kristine Berdal	Board member	50 000
Marianne Sandal	VP Operations	37 000
Stein Tore Nybrodahl	HR Manager	22 500
Per Fredrik Ecker	VP Sales	20 500
Terje Christoffersen	Board member	20 072
Henrik Fatum Stoltenberg	VP Business Development and M&A	8 000
<b>TOTAL</b>		<b>2 646 997</b>

The Board of Directors has an authorisation to increase the share capital by subscription of new shares in connection with an incentive programme towards employees. As at 31.12.2012, 575 000 options are granted for key personnel.

**NOTE 14 / INVENTORY AND COSTS OF GOODS SOLD***Inventory*

PARENT COMPANY			GROUP	
2011	2012	Inventory specification	2012	2011
21 438	30 238	Raw material and semi manufactured products	57 438	44 585
4 543	2 867	Stock for maintenance contracts	2 867	4 543
0	0	Work in progress	5 307	6 667
9 535	8 942	Finished goods	19 007	15 290
-1 669	-1 094	Obsolescence	-5 290	-6 779
33 847	40 954	TOTAL	79 329	64 306

All inventories are valued at lower of cost and net realisable value. The amount of write-down of inventories recognised as an expense is for the Parent company TNOK 0 in 2012 (2011: 0) and for the group TNOK 0 in 2012 (2011: 0) which is recognised in cost of goods sold.

*Costs of goods sold*

PARENT COMPANY			GROUP	
2011	2012	COGS specification	2012	2011
168 212	134 893	Purchase of goods	247 522	297 050
151	314	Freight, customs etc.	1 094	847
2 342	604	External services handling of COGS	604	2 342
5 485	-7 107	Change of inventories	-22 130	-3 748
176 190	128 704	TOTAL	227 090	296 491

**NOTE 15 / SALARIES AND PERSONNEL RELATED EXPENSES**

PARENT COMPANY			GROUP	
2011	2012		2012	2011
97 521	104 735	Salaries	156 232	140 939
14 355	16 478	Social security costs	19 283	18 976
10 995	10 501	Pension costs	11 402	11 915
-926	0	Skattefunn (governmental tax relief)	0	-926
-23 319	-19 276	Capitalised personnel costs	-19 276	-23 319
11 141	9 534	Other personnel related costs	14 186	12 764
109 767	121 972	TOTAL	181 827	160 349
140	137	Average number of employees	294	280
139	135	Average number of man-years	291	275

## Notes to the Consolidated Financial Statements 2012

### **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 employees, leaders included, with substantial competence. 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.

On top of the fixed monthly salary, there should be the option to grant a bonus that will depend on the results of the company on performance of the individual employee. The Board has therefore established a bonus plan for the Company's employees, leaders included. Such bonus can for the CEO be maximum 80% of the fixed yearly salary, and for the other members of the management team 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 it can be awarded a discretionary bonus to employees in the Company, limited nominated up to 40% of the employees fixed yearly salary.

On top of 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, as for example receiving free newspapers/journals, free phone, free internet-subscription etc. 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 scheme, 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 of Q-Free further states that there shall be a mutual period of notice of six (6) months for agreements made with leading employees. For the CEO the period of notice should be extended with two (2) months for each year he or she has been employed by the Company, however so that the maximum period of notice shall be twelve (12) months. In case of substantial changes in position due to mergers and acquisitions the maximum payment period in case of termination of employment is set to 24 months including notice period. In individual cases other arrangements with regards to resignation can be agreed, hereunder agreements of payment after the termination of employment. The Board shall be empowered to depart from the principles above in individual cases.

### **The principles for remuneration have not 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. The CEO has 225 000 share options in the company.



## PAYMENTS TO SENIOR MANAGEMENT AND BOARD OF DIRECTORS 2012

2012

TNOK	Salary	Bonus	Director's remuneration	Pension service cost	Other remuneration	Share option cost	TOTAL
Ole Jorgen Fredriksen, Chairman of the Board			428		32		460
Jan Pihl Grimnes, Board member			251				251
Mimi Kristine Berdal, Board member			269		3		272
Terje Christoffersen, Board member			268				268
Charlotte Brogren, Board member			338				338
Tor Himberg-Larsen, Nomination committee			22				22
Petter Fjellstad, Nomination committee			20				20
Cecilie Johnsen, Nomination committee, Chair			35				35
Sissel Lillevik Larsen, Employee elected Board member			75				75
Frank Aune, Employee elected Board member			88				88
Oyvind Isaksen, Chief Executive Officer	2 935	814		139	256	3 388	7 532
Marianne Sandal, Vice President Operations	1 751	268		174	28	753	2 974
Roar Ostbo, Chief Financial Officer	2 145	440		32	181	753	3 551
Jos A.G. Nijhuis, Vice President R&D	1 333	274		93	0	451	2 151
Per Fredrik Ecker, Vice President Sales	1 922	103		143	15	753	2 936
Stein-Tore Nybodahl, HR Manager	954	150		135	16	226	1 480
Steinar Furan, Advisor to CEO	1 018	40		99	33	753	1 943
Morten Andersson, VP ATMS	1 005			44	14		1 063
Henrik Stoltenberg, Vice President Business Development and M&A	1 686	241			20	519	2 467
<b>TOTAL</b>	<b>14 748</b>	<b>2 329</b>	<b>1 792</b>	<b>860</b>	<b>598</b>	<b>7 595</b>	<b>27 922</b>

## Notes to the Consolidated Financial Statements 2012

### PAYMENTS TO SENIOR MANAGEMENT AND BOARD OF DIRECTORS 2011

2011

TNOK	Salary	Bonus	Director's remuneration	Pension service cost	Other remuneration	Share option cost	TOTAL
Ole Jorgen Fredriksen, Chairman of the Board			508		11	150	669
Christian Albech *, Board member			165			75	240
Torild Skogsholm *, Board member			188			75	263
Jan Pihl Grimnes, Board member			263			75	338
Mimi Kristine Berdal, Board member			313			75	388
Terje Christoffersen **, Board member			113				113
Charlotte Brogren ***, Board member			0				0
Petter Fjellstad, Nomination committee			20				20
Cecilie Johnsen, Nomination committee			35				35
Sissel Lillevik Larsen, Employee elected Board member			75				75
Frank Aune **, Employee elected Board member			75				75
Oyvind Isaksen, Chief Executive Officer	2 993	16		178	292	907	4 386
Marianne Sandal, Vice President Operations	1 626	50		230	49	202	2 157
Roar Ostbo, Chief Financial Officer	2 046	391		41	211	202	2 890
Jos A.G. Nijhuis, Vice President R&D	1 345			97	112	243	1 797
Per Fredrik Ecker, Vice President Sales	1 537			193	78	202	2 009
Stein-Tore Nybodahl, HR Manager	914			185	34	54	1 188
Steinar Furan, Advisor to CEO	970			130	88	202	1 389
Henrik Stoltenberg, Vice President Business Development and M&A	1 639	37			130	202	2 008
<b>TOTAL</b>	<b>13 069</b>	<b>494</b>	<b>1 753</b>	<b>1 054</b>	<b>1 007</b>	<b>2 662</b>	<b>20 039</b>

\* Torild Skogsholm and Christian Albech served as Board member until AGM May 2011.

\*\* Terje Christoffersen served as Board member from AGM May 2011.

\*\*\* Charlotte Brogren served as Board member from AGM May 2011, and will received her director's remuneration in 2012.

### 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 the pension plans which entitles them to certain benefits for pension in the future. The pension benefits are mainly dependable on numbers of years employed, level of salaries at age of retirement and size of payments. As at 31.12.2012 95 employees are included in the defined contribution pension plan and 75 employees are included in the defined benefit plan. All new employees will be a part of the defined contribution pension plan.

The liability for the Group includes 170 employees in 2012, compared to 182 employees for 2011. The liability for the parent company includes 125 employees in 2012, compared to 139 employees for 2011.



PARENT COMPANY			GROUP	
2011	2012		2012	2011
6 491	6 604	Current service cost	7 848	7 793
1 276	1 228	Interest cost	1 516	1 630
-1 038	-1 127	Expected return on plan assets	-1 551	-1 603
619	620	Amortisation of past service cost	620	630
210	263	Administrative expenses pension scheme	394	334
978	983	Accrued social security expenses	1 157	1 095
8 536	8 571	NET PENSION EXPENSES *	9 985	9 879
31.12.11	31.12.12	Pension funds / (liabilities)	31.12.12	31.12.11
-47 345	-38 586	Defined benefit obligation	-49 150	-58 936
25 928	29 089	Fair value of plan assets.	40 165	34 465
-21 417	-9 496	Net (pension funds) / -liabilities	-8 984	-24 472
-3 145	-1 339	Accrued social security tax	-1 395	-3 067
-24 562	-10 835	LIABILITIES IN BALANCE SHEET	-10 379	-27 539
29.9	19.5	Estimated remaining contribution periods	19.4	19.6

(\* ) = During 2012 costs from the defined contribution pension plan represents TNOK 3 011 (2011: TNOK 3 596) , and this is included in the above specification of net pension expenses.

### Specification of pension funds & liabilities

PARENT COMPANY			GROUP	
2011	2012	Pension liabilities	2012	2011
39 976	47 345	Liabilities per 01.01.	58 936	51 261
6 491	6 604	Service costs	7 848	7 793
-203	-319	Benefits paid	-942	-765
1 276	1 228	Interest cost	1 521	1 630
-196	0	Past service cost	0	-196
0	-16 273	Actuarial gains/losses in other comprehensive income	-18 215	-788
47 345	38 586	TOTAL LIABILITIES PER 31.12.	49 150	58 936

PARENT COMPANY			GROUP	
2011	2012	Pension funds	2012	2011
20 627	25 040	Funds per 01.01.	35 603	32 581
4 706	4 768	Net contribution paid	4 637	5 398
-203	-319	benefits paid	-827	-640
1 038	1 127	Estimated return on assets	1 551	1 603
-240	-1 527	Actuarial gains/losses in other comprehensive income	-800	-4 478
25 928	29 089	TOTAL FUNDS PER 31.12.	40 165	34 465

The Group expects to contribute approximately TNOK 8 900 to its pension plans in 2013, corresponding figures for 2012 was TNOK 8 042.

## Notes to the Consolidated Financial Statements 2012

### Basis and assumptions for calculations

	2012	2011
Discount rate	3.80%	2.60%
Expected interest on pension funds	4.00%	4.10%
Annual growth in salaries	3.50%	3.50%
Long term inflation	2.50%	2.50%
Increase in national insurance base rate (G)	3.25%	3.25%
Expected change in pensions	0.20%	0.10%
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 in 2012 in accordance with IAS 19 because the OMF-market represents a deep market on the relevant terms.

Table K2005 is used for definition of mortality rate probability.

Expected voluntarily early retirement

Before 40 years	2%	2%
After 40 years	0%	0%

The Group's pension funds are managed by DNB Forsikring, an insurance company. For 2012 the dividend yield was 5.4 percent (2011: 3.2%). The funds are distributed as follows:

	2012	2011
Shares	9%	9%
Bonds	22%	22%
Money market	15%	15%
Long term bonds	35%	35%
Property	18%	18%
Other	0%	0%
TOTAL	100%	100%

### NOTE 17 / SHARE OPTION PROGRAMME FOR EMPLOYEES

Q-Free ASA established in May 2012 a new three year share option program. According to the Board's proposal it was unanimously resolved that the Board, 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, which corresponds 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 is valid for one years.

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 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.

As at 31.12.2012, 575 000 options are granted for key personnel. Exercise of the options can be done during pre-defined time periods.

## SPECIFICATION OF SHARE OPTION ACTIVITY

	2012	2011
Granted share options 01.01	1 720 000	1 730 000
Share options granted	575 000	590 000
Share options exercised	-1 720 000	-300 000
Share options expired/terminated	0	-300 000
Granted share options 31.12	575 000	1 720 000
Vested share options 31.12	0	1 130 000

*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. Average fair value of granted share options in 2012 is NOK 5.05. Corresponding figure for 2011 was NOK 2.64 and for 2010 NOK 4.60. Strike price for the granted options was NOK 18.38 in 2010, NOK 17.89 in 2011 and NOK 21.09 in 2012.

The company's cost of share based payment is calculated using the Black & Scholes pricing model. For 2012 this adds up to a total cost of TNOK 1 924. Corresponding figures for 2011 was TNOK 2 744. See this specified in the Statement of changes in Equity.

Granted share options as at 31.12.2012 has the following conditions:

Exercise price	OUTSTANDING OPTIONS			VESTED OPTIONS	
	Outstanding Options Per 31.12.2012	Weighted average remaining Contractual Life	Weighted Average Exercise Price	Vested options 31.12.2011	Weighted Average Exercise Price
0.00 – 5.00					
5.00 – 10.00					
10.00 – 15.00					
15.00 – 20.00					
20.00 –	575 000	2.36	21.09		
TOTAL	575 000	2.36	21.09	-	-

## Notes to the Consolidated Financial Statements 2012

The share options split for management per 31.12.2012:

Name	Position	Granted, not vested options 01.01.2012	Granted options	Exercised options	Expired options	Vested options 31.12.2012	Granted, not vested options 31.12.2012
Steinar Furan	Advisor to CEO	50 000	0	-150 000		0	0
Oyvind Isaksen	CEO	225 000	225 000	-675 000	0	0	225 000 *
Marianne Sandal	VP Operation	50 000	50 000	-150 000	0	0	50 000 *
Per Fredrik Ecker	VP Sales	50 000	50 000	-150 000	0	0	50 000 *
Hans Christian Bolstad	Former VP R&D	50 000	0	-150 000	0	0	0
Stein-Tore Nybrodahl	HR Manager	15 000	50 000	-45 000	0	0	50 000 *
Roar Ostbo	CFO	50 000	50 000	-150 000	0	0	50 000 *
Henrik Stoltenberg	VP BD and M&A	50 000	50 000	-150 000	0	0	50 000 *
Jos A. G Nijuis	VP R&D	50 000	50 000	-100 000	0	0	50 000 *
Morten Andersson	VP ATMS	0	50 000	0	0	0	50 000 *
TOTAL		590 000	575 000	-1 720 000	0	0	575 000

(\* ) = 1/3 of total share option program.

### The following assumptions are used in the calculation of share options granted in 2012

#### *Exercise price for the share option*

Weighted average exercise price of options granted was NOK 21.09

#### *Volatility*

Weighted average expected volatility is based on historic volatility and is calculated to be 40.09 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 programmes.

#### *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 1.37 percent for 2012.

Granted share options as at 31.12.2011 had the following conditions:

Exercise price	OUTSTANDING OPTIONS			VESTED OPTIONS	
	Outstanding Options Per 31.12.2011	Weighted average remain- ing Contractual Life	Weighted Average Exercise Price	Vested options 31.12.2011	Weighted Average Exercise Price
0.00 – 5.00					
5.00 – 10.00					
10.00 – 15.00					
15.00 – 20.00	1 670 000	0.34	17.37	1 080 000	17.09
20.00 –	50 000	0.34	20.50	50 000	20.50
<b>TOTAL</b>	<b>1 720 000</b>	<b>0.34</b>	<b>17.47</b>	<b>1 130 000</b>	<b>17.24</b>

The share options are split as follows between management and members of the Board as per 31.12.2011:

Name	Position	Granted, not vested options 01.01.2011	Granted options	Exercised options	Expired options	Vested options 31.12.2011	Granted, not vested options 31.12.2011
Ole Jorgen Fredriksen	Chairman of the Board	100 000	0	-100 000	-100 000	0	0
Christian Albech	Board member	50 000	0	-50 000	-50 000	0	0
Mimi Kristine Berdal	Board member	50 000	0	-50 000	-50 000	0	0
Torild Skogsholm	Board member	50 000	0	-50 000	-50 000	0	0
Jan Pihl Grimnes	Board member	50 000	0	-50 000	-50 000	0	0
Oyvind Isaksen	CEO	225 000	225 000	0	0	450 000	225 000 *
Marianne Sandal	VP Operation	50 000	50 000	0	0	100 000	50 000 *
Steinar Furan	Advisor to CEO	50 000	50 000	0	0	100 000	50 000 *
Stein Tore Nybrodahl	HR Manager	15 000	15 000	0	0	30 000	15 000 *
Per Fredrik Ecker	VP Sales	50 000	50 000	0	0	100 000	50 000 *
Hans Christian Bolstad	Former VP R&D	50 000	50 000	0	0	100 000	50 000 *
Roar Ostbo	CFO	50 000	50 000	0	0	100 000	50 000 *
Henrik Stoltenberg	VP BD and M&A	50 000	50 000	0	0	100 000	50 000 *
Jos A.G. Nijhuis	VP R&D	50 000	50 000	0	0	50 000	50 000 *
<b>TOTAL</b>		<b>890 000</b>	<b>590 000</b>	<b>-300 000</b>	<b>-300 000</b>	<b>1 130 000</b>	<b>590 000</b>

(\* ) = 1/3 of total share option program.

### The following assumptions are used in the calculation of share options granted in 2011

#### Exercise price for the share option

Weighted average exercise price of options granted was NOK 17.89.

#### Volatility

Weighted average expected volatility is based on historic volatility and is calculated to be 40.74 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 programmes.

#### 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 3.56 percent for 2011.

## Notes to the Consolidated Financial Statements 2012

### 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 Paulo	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 – Group ( * )	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 Slovakia s.r.o.	2009	Bratislava	Slovakia	100%	100%	EUR
Q-Free UK Ltd.	2002	London	United Kingdom	100%	100%	GBP
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 ASA owns through Noca Holding AS indirectly 48.72 % in Noca AS. Q-Free ASA owns directly 4.76 % in Noca AS. Q-Free ASA's owner share through indirectly and directly ownership in Noca AS therefore totals 53.48%.

Book value in parent company of subsidiaries companies:

	Cost	Book value 31.12.11	Book value 31.12.12	Result after tax last year	Companys equity per 31.12.12
Q-Free Portugal Lda.	204	204	204	4 154	866
Q-Free América Latina Ltda.	4 853	2 407	2 407	6 450	18 008
Q-Free Australia Pty. Ltd.	0	0	0	5 294	17 547
Q-Free Sdn. Bhd. Malaysia	1 155	0	0	205	-5 602
Noca Holding AS – Group	4 592	6 715	6 715	5 256	48 888
Q-Free Sverige AB	0	84	84	2 484	2 399
Q-Free Thailand Ltd	0	1 872	1 872	-1 583	-19 480
Q-Free Netherlands BV	71 034	76 409	76 409	8 572	66 283
Q-Free Slovakia s.r.o.	0	0	0	-536	409
Q-Free UK Ltd	3 791	0	0	0	2 068
Q-Free Africa Ltd	0	208	208	-776	1 809
PT Q-Free	0	0	3 536	-2 664	2 623
Q-Free Chile	0	0	28	-2 316	-2 010
Q-Free America, Inc.			6	0	-228
<b>TOTAL</b>	<b>85,629</b>	<b>87,900</b>	<b>91,470</b>	<b>24,540</b>	

For the year ended 31.12.2010, the Parent has impaired the receivables against Q-Free Slovakia s.r.o. (4 102 TNOK) and Q-Free UK Ltd (197 TNOK) based on a management assessment that these amounts is not recoverable. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.



The following exchange rates are used when consolidating the group.

Currencies		Currency rate 01.01.12	Average currency rate	Currency rate 31.12.12
Euro	EUR	7.754	7.548	7.341
Australian dollar	AUD	6.095	5.937	5.778
Malaysian Ringgit	MYR	1.889	1.855	1.820
Brazilian real	BRL	3.210	2.965	2.719
US Dollar	USD	5.993	5.780	5.566
Pounds Sterling	GBP	9.283	9.140	8.996
Swedish kroner	SEK	87.010	86.250	85.490
South African Rand	ZAR	0.740	0.698	0.656
Thai bath	THB	18.916	18.553	18.190
Chilean peso	CLP	0.012	0.012	0.012
Indonesian Riyah	IDR	0.066	0.062	0.058

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

The sales to and purchases from related parties are made at arm 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 has for 2012 received invoices for consultancy services from Spinoza AS that totals TNOK 126 (2011: TNOK 189). 126 TNOK is outstanding per 31.12.2012 and paid during January 2013. Spinoza AS is owned by the Chairman of the Board Ole Jørgen Fredriksen. All transactions between related parties are based on arm length's principles and the invoicing is according to an agreement between the Q-Free ASA and the Chairman of the Board concerning consultancy services.

#### Associated companies

Q-Free ASA has not had ownership in associated companies in either in 2012 or in 2011.

### 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.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31.12.:

PARENT COMPANY			GROUP	
2011	2012	Liquidity funds	2012	2011
296 869	82 237	Cash at banks and on hand	157 290	389 442
50 345	212 201	Money Market Funds	212 201	50 345
347 215	294 438	TOTAL CASH AND CASH EQUIVALENTS	369 491	439 788

As at 31.12.2012, the Group had available TNOK 100 000 (2011: TNOK 100 000) of undrawn bank overdraft and TNOK 89 009 (2011: TNOK 145 475) of undrawn guarantee facilities in which all conditions precedent had been met.

## Notes to the Consolidated Financial Statements 2012

### CASH DEVELOPMENT DURING 2012



### NOTE 20 / ACCOUNTS RECEIVABLES AND CREDIT RISK

PARENT COMPANY			GROUP	
2011	2012		2012	2011
27 036	31 262	Accounts receivables	96 901	93 468
102 695	157 767	Accounts receivables on group companies	0	0
-10 889	-11 313	Provision for impairment on receivables	-945	-521
118 842	177 716	TOTAL	95 956	92 947
1 394	0	Loss on receivables	0	1 448
-1 259	424	Changes in provisions for impairment on receivables	424	-1 259
135	424	TOTAL	424	189

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 31.12, the aging 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
2012	96 901	46 069	29 543	18 786	1 180	297	1 025
2011	93 468	20 486	41 049	20 354	42	8 953	2 584

The Group is assessing the needs for provision for doubtful debt on an individual basis per customer or per project.

Specification of provisions for impairment on receivables	2012	2011
Amount per 01.01.	521	1 780
This years provision for impairment on receivables	424	-1 259
Loss on receivables	0	1 448
Provisions utilised during the year	0	-1 448
<b>AMOUNT PER 31.12</b>	<b>945</b>	<b>521</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 31.12.2012 TNOK 96 901 (2011: TNOK 93 468).

## NOTE 21 / INTEREST-BEARING LOANS, BORROWINGS AND GUARANTEES

PARENT COMPANY							GROUP	
2011	2012	Specification	Type	Effective interest rate %	Maturity	2012	2011	
100 000	100 000	Non-current	Secured Bank loan Eksportfinans	3.22%	15 February 2014	100 000	100 000	
100 000	100 000	Total				100 000	100 000	

### Secured bank loan

The secured bank loan is a mortgage loan that is repayable within 3 years of the payment date. The loan is secured by guarantee given by the company bank Danske Bank.

#### Off Balance Sheet Commitment:

PARENT COMPANY				GROUP	
2011	2012	Specification		2012	2011
154 525	210 990	Guarantees to customers, suppliers and lease contracts		211 997	155 532
		Book value of assets securing loans and guarantees			
118 842	177 716	Accounts receivable		182 848	123 974
49 187	39 974	Work in progress		39 974	49 187
33 847	40 954	Inventories		40 955	33 848
34 976	46 173	Machinery, fixtures etc		47 054	35 857
236 851	304 816	TOTAL		310 830	242 866

## Notes to the Consolidated Financial Statements 2012

### NOTE 22 / TAXES

			GROUP	
2011	2012		2012	2011
		Total tax expenses for the year		
0	330	Tax payable on this years profit for Norwegian companies	2 232	0
0	0	Tax payable on this years profit for foreign companies	7 603	11 869
2 623	0	Adjusted allocated tax from last year	208	2 599
2 814	-17 768	Change in deferred tax for Norwegian companies	-17 570	3 239
0		Change in deferred tax for foreign companies	-5 117	1 022
5 437	-17 438	TOTAL	-12 644	18 729
18%	36%	Tax rate	28%	34%
		Tax payable for the year		
29 702	-48 036	Total ordinary profit before tax	-44 623	54 916
-17 993	-14 243	Permanent differences	4 314	2 134
-11 709	63 458	Change in temporary differences	76 854	-8 068
0	1 179	Basis for tax payable, Norwegian companies	36 546	48 982
0	330	Tax payable for Norwegian companies (28%)	2 232	0
		Tax payable for foreign companies	7 603	11 869
		Specification of tax payable in the balance sheet		
0	330	Tax payable on this years profit, Norwegian companies	2 232	0
0	0	Tax payable on this years profit, foreign companies *	7 603	11 869
0	0	Advance tax payment, foreign companies	-4 197	-7 551
0	330	TOTAL TAX PAYABLE	5 638	4 318
		Specification on basis for deferred tax		
		Differences evaluated to be offset:		
-4 914	-5 514	Fixed assets	4 748	11 340
46 997	37 813	Current assets	33 615	44 554
-35 338	-23 661	Liabilities	-26 143	-37 337
-50 425	-100 323	Tax losses carry -forward	-118 891	-70 478
-6 895	-8 074	Other differences	-9 406	-6 895
-50 575	-99 760	TOTAL	-116 078	-58 816
-14 161	-27 933	Deferred tax (+) / tax assets (-)	-26 038	-16 468
		Reconciling the tax cost		
29 702	-48 035	Earnings before tax	-44 623	54 916
8 317	-13 450	Calculated tax at 28%	-12 494	15 370
-5 038	-3 988	Tax result permanent differences and tax rate difference	-3 174	1 226
0	0	Use of previously unrecognised loss carried forward (-) / Increase in valuation allowance	2 817	0
2 158	0	Adjusted allocated tax from last year	207	2 133
5 437	-17 438	TAX EXPENSES	-12 644	18 729

\* Paid withholding tax in foreign subsidiaries.



Deferred tax assets are recognised on the balance sheet based on the expectation of future taxable income. The estimate are based on Board of Directors and management's best judgement and an assessment of future prospects. The actual outcome of future tax costs may deviate from these estimates.

The Group has a total loss carried forward of TNOK 118 891 as at 31.12.2012 (2011: 70 478), in which TNOK 26 311 are recognised as an asset in the balance sheet as at 31.12.2012. Deferred tax assets of TNOK 5 918 on tax losses arising in Thailand, Slovakia and Malaysia of TNOK 21 137 as at 31.12.2012 have not been recognised, as the Group does not have estimates that the tax losses carried forward can be utilised in the foreseeable future as at 31.12.2012.

## NOTE 23 / FINANCIAL ITEMS

PARENT			GROUP	
2011	2012	Category	2012	2011
3 866	3 693	Interest income	7 109	8 410
8 017	18 558	Other financial income	18 558	8 017
1 621	618	Net gain on Shares at fair value through profit and loss *	618	1 621
13 505	22 870	Financial income	26 286	18 048
151	79	Financial income from group companies	0	0
18 854	16 831	Paid dividends from subsidiaries	0	0
19 005	16 910	Financial income from Group companies	0	0
32 510	39 780	TOTAL FINANCIAL INCOME	26 286	18 048
-701	-148	Interest expenses	-3 936	-4 607
-2 894	-2 899	Interest on debt and borrowings	-2 899	-2 894
-14 538	-8 768	Other financial expenses	-8 768	-14 538
-18 133	-11 815	Financial expenses	-15 602	-22 040
-18 133	-11 815	Total financial expenses	-15 602	-22 040
14 376	27 965	NET FINANCIAL ITEMS	10 684	-3 991

\* For a specification of "Net gain on Shares at fair value through profit and loss" see note 24.

## NOTE 24 / SHARES AT FAIR VALUE THROUGH PROFIT AND LOSS

PARENT COMPANY AND THE GROUP AS AT 31.12.2012	TNOK					
	Company's share capital	Number of shares	Ownership	Book value in Parent **	Book value in Group **	Included in the P&L
Vegamot AS	29 142	6 050	13.90 %	4 051	4 051	383
Leiv Eiriksson AS	46 066	9 919	0.99 %	456	456	18
Asti AS	18 120	2 900	13.49 %	2 444	2 444	217
Other				20	231	0
TOTAL				6 971	7 182	618

## Notes to the Consolidated Financial Statements 2012

PARENT COMPANY AND THE GROUP AS AT 31.12.2011

TNOK

	Company's share capital	Number of shares	Ownership	Book value in Parent **	Book value in Group **	Included in the P&L
Vegamot AS	26 386	6 050	13.90 %	3 668	3 668	1 701
Leiv Eiriksson AS	44 235	9 919	0.99 %	438	438	7
Asti AS	16 512	2 900	13.49 %	2 227	2 227	-87
Other				20	90	0
<b>TOTAL</b>				<b>6 353</b>	<b>6 423</b>	<b>1 621</b>

( \*\* ) The book value of investments in shares is classified as financial assets at fair value. Fair value for the investments are our portion of the companys total equity. See note 4 for fair value table and a spesification of valuation technique.

### NOTE 25 / OTHER CURRENT FINANCIAL LIABILITIES

#### Specification

PARENT COMPANY

GROUP

2011	2012	Category	2012	2011
17 498	10 657	Accrued wages (Holiday pay and bonusscheme)	14 072	22 112
10 776	9 614	Warranty provisions (see spesification for changes during the year)	9 614	11 079
21 243	25 337	Accrued project costs	26 018	26 709
2 092	0	Fair value of foreign exchange contracts *	0	2 092
0	0	Debt to seller of TCS	7 107	0
3 371	2 333	Miscel	2 663	4 013
<b>54 980</b>	<b>47 941</b>	<b>TOTAL</b>	<b>59 474</b>	<b>66 004</b>

\* See note 4 regarding a fair value hierarchy and a spesification on valuation technique applied

#### 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 are varying for the different products and they 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 at 01.01.12	10 776	10 776	11 079	11 079
Unused accruals reversed during 2012				
Accruals utilised during 2012	-1 711	-1 711	-1 711	-1 711
Accruals deposited during 2012	1 412	1 412	1 109	1 109
Amount as at 31.12.12	10 477	10 477	10 477	10 477
Amount as at 01.01.11	7 993	7 993	8 341	8 341
Unused accruals reversed during 2011				
Accruals utilised during 2011	-1 114	-1 114	-1 159	-1 159
Accruals deposited during 2011	3 896	3 896	3 896	3 896
Amount as at 31.12.11	10 776	10 776	11 079	11 079

## NOTE 26 / OTHER OPERATING EXPENSES

### Specification

PARENT COMPANY			GROUP	
2011	2012	Category	2012	2011
40 400	85 736	External services	94 748	56 238
16 019	20 991	Travel expenses	28 274	21 637
16 975	19 809	Offices supplies	27 291	24 693
1 988	2 542	Insurance	3 437	3 041
3 998	3 045	Freight	3 611	4 264
1 254	2 791	Rent machinery & tools	5 692	3 615
1 998	4 950	Marketing / promotions	6 008	3 727
1 836	1 733	Service & Maintenance	3 998	3 067
1 129	3 389	Operating materials	5 830	2 935
2 038	0	Bad debt losses	0	2 794
6 604	1 765	Other operating expenses	15 718	14 653
94 239	146 752	TOTAL	194 607	140 663

### Audit fees

The group has the following audit related fees, this is included in the "External services" in the above table (All figures excl. VAT).

## Notes to the Consolidated Financial Statements 2012

PARENT COMPANY			GROUP	
2011	2012	Category	2012	2011
250	397	Audit services	1 198	983
179	180	Other audit related services	291	247
210	130	Tax services	391	424
773	730	Other, non audit related services	812	784
1 412	1 437	TOTAL	2 691	2 438

### NOTE 27 / OTHER CURRENT FINANCIAL ASSETS

#### Specification

PARENT COMPANY			GROUP	
2011	2012	Category	2012	2011
926	0	Skattefunn	0	926
0	330	Prepaid taxes	1 640	1 388
0	0	Outstanding public duties	1 881	2 589
-60	2 239	Prepaid rents	15 791	9 417
1 008	888	Prepaid licenses	2 769	2 334
10 057	11 451	Miscl	13 332	11 383
11 931	14 908	TOTAL	35 412	28 036

### NOTE 28 / COMMITMENTS AND CONTINGENCIES

#### Operating lease commitments – Group as lessee

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 31.12 are as follows:

PARENT COMPANY			GROUP	
2011	2012	Terms	2012	2011
9 464	11 373	Within one year	13 592	11 870
4 265	11 715	After one year but not more than five years	13 999	6 671
0	0	More than five years	0	0
13 730	23 088	Total	27 591	18 541

During the year ended 31.12.2012 the parent company recognised expenses in the income statement in respect of operating leases of TNOK 12 774 (2011: 9 168) and TNOK 14 993 (2011: 10 920) 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.

To the Annual Shareholders' Meeting of  
Q-Free ASA

## AUDITOR'S REPORT

### Report on the financial statements

We have audited the accompanying financial statements of Q-Free ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the statement of financial position as at 31 December 2012, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

#### *The Board of Directors' and Chief Executive Officer's responsibility for the financial statements*

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and 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 on the financial statements for the Parent Company and the Group.

*Opinion*

In our opinion, the financial statements of Q-Free ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent Company and the Group as at 31 December 2012 and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

**Report on other legal and regulatory requirements***Opinion on the Board of Directors' report and the statement on corporate governance*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and the statement on corporate governance concerning the financial statements, the going concern assumption and the proposal for the allocation of the result 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 the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Trondheim, 21 March 2013

ERNST & YOUNG AS



John Christian Lovaas

State Authorised Public Accountant (Norway)

# ARTICLES OF ASSOCIATION

## 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 25 829 519,22 divided between 67 972 419 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 08.05.2012  
–  
*The shareholders of Q-Free ASA.*

# ADDRESSES

## HEADQUARTER

Q-Free ASA  
Strindfjordvegen 1  
7053 Ranheim  
Norway

-

## POSTAL ADDRESS

Q-Free ASA  
POB 3974 Leangen  
7443 Trondheim  
Norway

-

P: +47 73 82 65 00  
F: +47 73 82 65 01  
info@q-free.com  
www.q-free.com

-

Bank: Danske Bank AS  
ACC.NO.: 8601 30 68900  
Register of business enterprises  
NO 935 487 242

## Q-FREE ASA OSLO

Wergelandsvei 1  
N0-0167 Oslo  
Norway  
P: +47 73 82 65 00  
F: +47 22 42 12 00

-

## Q-FREE AUSTRALIA

Level 7, 107 Mount street  
North Sydney NSW 2060  
Australia  
P: +61 2 8020 2650  
F: +61 2 9901 3032

-

## Q-FREE AMERICA LATINA

Al. Madeira, 53, Cj. 14  
Alphaville, Barueri  
CEP 06454-010 São Paulo  
Brazil  
P: +55 11 4191 6345  
F: +55 11 4195 8585

-

## Q-FREE FRANCE

168, Avenue Charles de Gaulle  
92522 Neuilly sur Seine Cedex  
France  
P: +33 (0)170375306  
F: +33 (0)170375353

-

## Q-FREE MALAYSIA

19, 2-3 Jalan PJU 8/5F  
Bandar Damansara Perdana  
47820 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
P: +6 03 7722 4457  
F: +6 03 7727 9448

-

## Q-FREE PORTUGAL

Taguspark  
Av. Prof. Doutor Aníbal Cavaco Silva  
Bloco b1 2B  
P 2740-120 Porto Salvo  
Portugal  
P: +351 21 422 7170  
F: +351 21 422 7171

## Q-FREE SWEDEN

Sundbybergsvägen 1  
7:e våningen  
171 73 Solna  
Sweden  
P: +46 706227876  
F: +46 706204201

-

## Q-FREE THAILAND

20/22 Moo 12  
Kaset-Nawamin Rd  
Lathprao  
10230 Bangkok  
Thailand  
P: +66 255 32 025

-

## Q-FREE THE NETHERLANDS

Postbus 180  
9410 AD Beilen  
The Netherlands  
P: +31 (0) 593 542 055  
F: +31 (0) 593 542 098

-

## Q-FREE CHILE

Av. Santa María 2670, offic. 507  
Providencia, Santiago  
Chile  
P: +562-246 3939

-

## Q-FREE INDONESIA

PT. Q-Free  
Sentral Senayan 3  
15th. Floor, Unit 315 D  
Jl. Asia Afrika No.8  
Gelora Bung Karno, Senyan  
Jakarta Pusat 10270  
Indonesia  
P: +62 21 2903 9288  
F: +62 21 2903 9289

-

## TCS INTERNATIONAL

55 Union Ave  
Sudbury, MA 01776  
USA  
P: +1 978 443 2527  
F: +1 978 579 9545

Design and concept: Itera Gazette  
Photos: Hans Fredrik Asbjørnsen (Pages: 3, 8, 12, 16, 20, 23)  
Yvonne Holth (Pages: 4-5, 42-43)  
Elena Mastynskaya, O-Free (Page: 11)  
Ronny Danielsen (Page: 12)  
Lana Woyda (Page: 18-19)  
Paper: Scandia 2000 white, 270g + Profimatt, 150g  
Print: Groset Trykk





HEADQUARTER

Q-Free ASA  
Strindfjordvegen 1  
7053 Ranheim  
Norway

-

POSTAL ADDRESS

Q-Free ASA  
POB 3974 Leangen  
7443 Trondheim  
Norway

-

P: +47 73 82 65 00  
F: +47 73 82 65 01  
info@q-free.com  
www.q-free.com

-

[twitter.com/qfreeasa](https://twitter.com/qfreeasa)  
[youtube.com/qfreeasa](https://youtube.com/qfreeasa)

