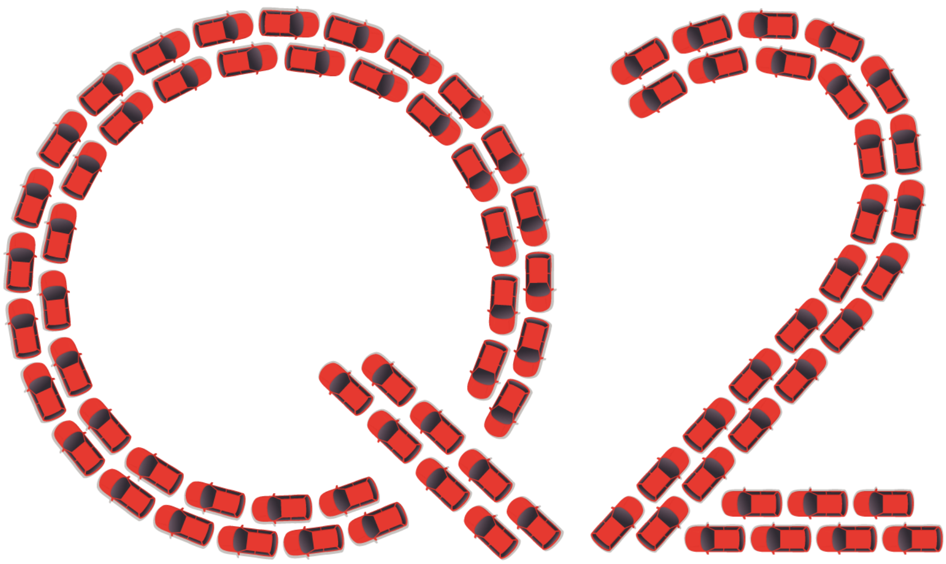
Q FREE



QUARTERLY REPORT
SECOND QUARTER 2014

HIGHLIGHTS

- Revenues in the second quarter were NOK 187 million, a 26 percent increase compared to the corresponding quarter last year and the highest level since fourth quarter 2012
- Gross profit increased 21 percent to NOK 112 million from NOK 92 million in the second quarter 2013
- Order intake of NOK 123 million reflecting a number of smaller orders within RUC products and ATMS
- Further strengthened the ATMS business through the acquisitions of Traffic Design in Slovenia in April and Open Roads Consulting in the US in July
- Organisational changes with the aim to broaden the revenue base, reduce risk and improve internal collaboration and efficiency implemented June 1 2014
- Funding commitment from Export Credit Norway for Jakarta contract expired July 1, however loan agreement is still valid

REVENUES Q2 2014

MNOK

187

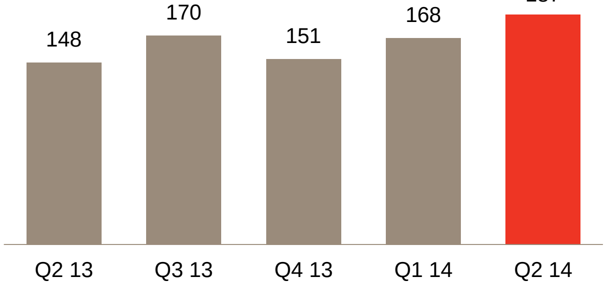
ORDER INTAKE Q2 2014

MNOK

123

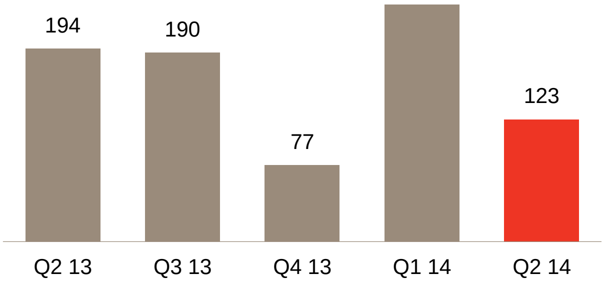
REVENUES LAST 5 QUARTERS

MNOK



ORDER INTAKE LAST 5 QUARTERS

MNOK



COMMENTS TO THE FINANCIAL STATEMENTS

NOK 1.000	Q2 2014	Q2 2013	Q/Q-%	30.06.2014	30.06.2013	Y/Y-%	2013
Revenues	186 636	147 892	26,2 %	354 976	285 939	24,1 %	606 072
Gross profit	111 743	92 125	21,3 %	211 998	178 447	18,8 %	381 281
Gross margin - %	59,9 %	62,3 %		59,7 %	62,4 %		62.9 %
Operating expenses	90 848	76 062	19,4 %	173 371	200 175	-13,4 %	413 080
EBITDA	20 895	16 063		38 627	-21 728		-31 799
EBITDA margin	11,2 %	10,9 %		10,9 %	-7,6 %		-5.2 %
Depreciation, amortisation and impairment	18 741	15 732	19,1 %	35 501	31 310	13,4 %	62 914
Operating profit - EBIT	2 154	330		3 126	-53 038		-94 713
EBIT margin	1,2 %	0,2 %		0,9 %	-18,5 %		-15.6 %
Pretax profit	260	-2 275		1 812	-57 544		-97 959
Profit margin	0,1 %	-1,5 %		0,5 %	-20,1 %		-16.2 %
EPS	0,01	-0,04		0,00	-0,65		-1,65

INCOME STATEMENT

With reference to the announcement May 22 2014, Q-Free will as of the second quarter 2014 report revenues from ATMS in a separate business area. In addition, the geographical split of the revenues has been changed to Europe & Latin America (ELA), the Nordics (Nordics), Asia Pacific, Middle East and Africa (APMEA), and North America (NA).

REVENUES

The Q-Free Group generated revenues of NOK 187 million in the second quarter 2014, an increase of 26 percent from NOK 148 million in the second quarter 2013. The revenue composition has over the last two years reflected a substantial increase in product sales and lower project revenues. This trend continued in the second quarter 2014, with product sales reaching the highest level since the fourth quarter 2011. Product sales revenues increased 32 percent to NOK 107 million (81), reflecting high volumes in Brazil, Thailand and Australia.

Service & Maintenance revenues increased 29 percent to NOK 42 million in the second quarter 2014 (33), continuing a positive development seen over the last five quarters. The increase in the second quarter 2014 is explained by high activity in Norway, Sweden and Portugal.

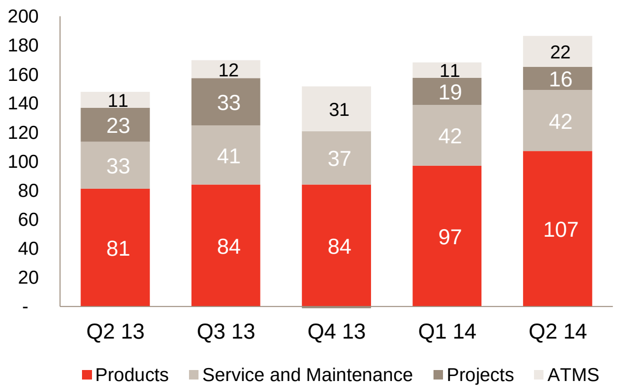
Reported project revenues were NOK 16 million in the second quarter 2014 (23), continuing a declining trend. Going forward, Q-Free will focus on generating more leads in the small and mid-sized segment of the RUC market, in order to make the company less dependent on individual large projects in the future.

ATMS revenues doubled in the quarter to NOK 22 million (11), primarily due to the acquisitions of Elcom, TDC and Traffic Design.

Compared with the first half year 2014, revenues increased 24 percent to NOK 355 million (286), of which five percent was generated through acquisitions.

REVENUES BUSINESS AREAS

MNOK



GROSS PROFIT

The strong revenue development generated a 21 percent increase in gross profit to NOK 112 million in the second quarter 2014 (92). Gross margin was 59.9 percent, down from 62.3 percent in the second quarter 2013. The reduced gross margin is explained by higher share of product sales in the quarter.

For the first half year of 2014, gross profit increased 19 percent to NOK 212 million (178).

OPERATING EXPENSES

Operating expenses were NOK 91 million in the second quarter. This is an increase from NOK 76 million in the second quarter 2013 and NOK 82 million in the first quarter 2014. The increase in operating expenses is mainly explained by the acquisitions within the ATMS business area

Operating expenses in the first half year of 2014 were 173 million, a reduction of 13 percent from NOK 200 million in the first half last year despite the impact of the acquisitions within ATMS. The reduction in operating expenses is mainly explained by the Profit Improvement Program (PIP) initiated in 2013.

OPERATING PROFITS

Reported EBITDA in the second quarter 2014 was NOK 21 million (16), continuing the positive development seen in the first quarter 2014.

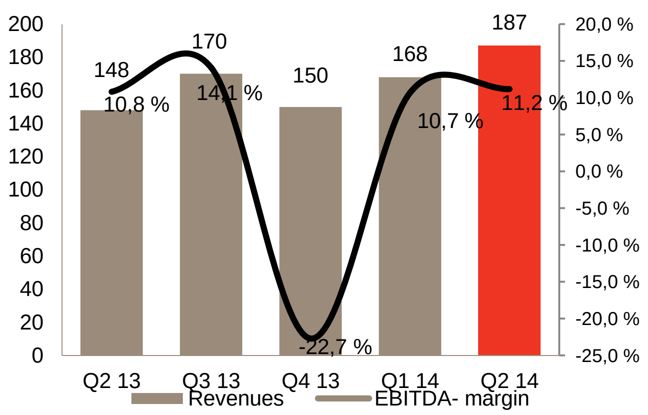
Depreciation and amortization increased 19 percent to NOK 19 million (16), reflecting the recent acquisitions within the ATMS business area.

Operating profit (EBIT) thus improved to NOK 2 million, up from NOK 0.3 million in the corresponding quarter last year.

For the first half year 2014, reported EBITDA was NOK 38.6 million (-21.7). Operating profit (EBIT) improved significantly to NOK 3.1 million, from an operating loss of NOK 53 million in the first half year 2013. The improvement in profitability is mainly explained by increased revenues and the Profit Improvement Program (PIP) initiated in 2013.

REVENUES AND EBITDA MARGIN

MNOK



NET FINANCIAL ITEMS

Net financial items amounted to NOK -1.9 million in the second quarter, compared to NOK -2.6 million in the second quarter 2013. The deviation mainly reflects currency fluctuations.

For the first half year 2014, net financial items amounted to NOK -1.3 million versus NOK -4.5 million in the same period last year.

PROFITS

The reported pre-tax profit was NOK 0.3 million, compared to a pre-tax loss of NOK 2.3 million in the second quarter 2013. Reported pre-tax profit for the first half year 2014 was NOK 1.8 million (-57.5)

Earnings per share was NOK 0.01 in the second quarter 2014. This compares to a negative NOK 0.04 in the corresponding quarter last year. Reported earnings per share for the first half year 2014 was NOK 0 (-0.68).

CASH FLOW

Net cash flow from operating activities was NOK -11.7 million in the second quarter 2014. This compares with NOK -61 million in the second quarter 2013. The improvement mainly reflects the improved profitability in the quarter. The final settlement payment of NOK 26 million on the Sydney Harbor Bridge project was done in this quarter and is the main reason for the negative cash flow from operations.

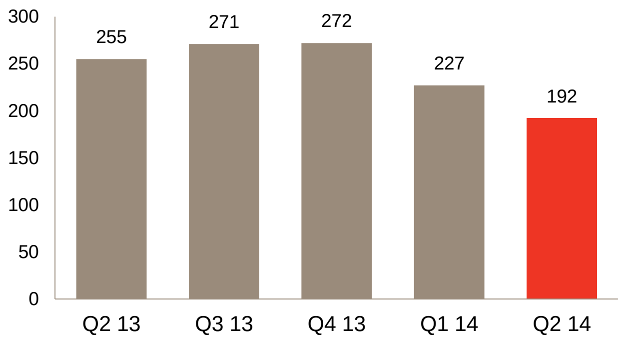
Net cash flow from investing activities was NOK -23.5 million in the second quarter (-10.5), mainly reflecting the acquisition of the ATMS company Traffic Design in Slovenia (-18.9) and investments in new technology (-4.6).

Net cash flow from financing activities was NOK 0.8 million in the second quarter, up from NOK -0.4 million in the second quarter 2013.

For the first half year net cash flow from operating activities was NOK 5.9 million (-84.2). Net cash flow from investing activities was NOK -86.4 million (-29.4), including NOK 47.1 million relating to the acquisition of TDC Systems and NOK 18.9 million relating to Traffic Design. Net cash flow from financing activities was NOK 1.2 million (0.8).

In sum, this generated a net change in cash and cash equivalents of NOK -34 million in the second quarter (-72) and NOK 79 million for the first half year (-114). The cash balance as of June 30 2014 stood at NOK 192 million (255), compared to NOK 227 million at March 31 2014 and NOK 271.5 million at the end of 2013.

CASH FUNDS
MNOK



BALANCE SHEET

Total assets stood at NOK 851 million at the end of first half year (844), down from NOK 891 at the end of the first quarter and NOK 894 at the end of 2013.

Equity stood at NOK 521 million (580), slightly up from NOK 505 million at the end of the first quarter and NOK 505 at the end of 2013, and explained by the issue of shares related to acquisitions within ATMS. The equity ratio was 61.2 percent (68.6), up from 56.7 percent at the end of the first quarter and 56.4 percent at the end of 2013.

EQUITY RATIO OF 61.2%
NOK PER SHARE

7.40

Non-current liabilities were NOK 171 million (128), compared to NOK 165 million at the end of the first quarter and NOK 120 million at the end of 2013. The increase in the first half of 2014 is due to accrual for earn out payment on the acquisition of TDC.

Current liabilities was NOK 160 million at the end of the second quarter (137), down from NOK 221 million at the end of the first quarter and NOK 270 million at the end of 2013 . This mainly reflects reduction in accounts payables and accrual for vacation pay.

Defined as current assets (excluding cash) less current liabilities, the net working capital amounted to NOK 87 million at the end of the second quarter (122). This corresponded to 12 percent of last 12 months revenues. At the end of 2013, net working capital stood at NOK 33 million or 5 percent of revenues in 2013. The ratio will vary between quarters depending on revenue composition and timing of payments.

Interest bearing debt to financial institutions has been unchanged at NOK 100 million across all periods.

The liquidity ratio was 2.8 at the end of the first half year (3.8), compared to 2.2 both at the end of the first quarter and the end of last year.

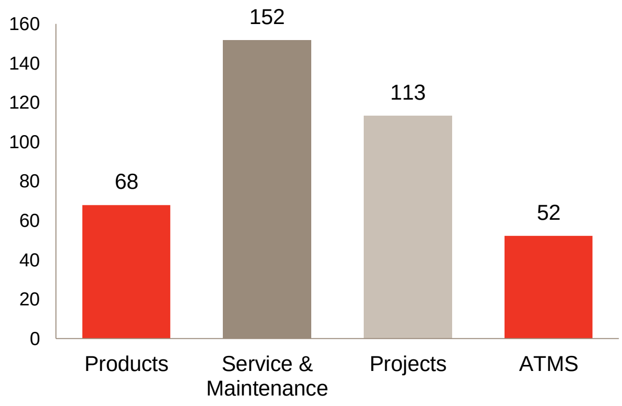
ORDER INTAKE AND BACKLOG

Order intake in the second quarter amounted to NOK 123 million (194) and reflects a number of smaller orders in RUC products and ATMS.

Products accounted for NOK 52 million (42 percent) of the order intake, service and maintenance for NOK 15.5 million (13 percent), projects for NOK 4.8 million (4 percent) and ATMS for NOK 50 million (41 percent) in the second quarter 2014.

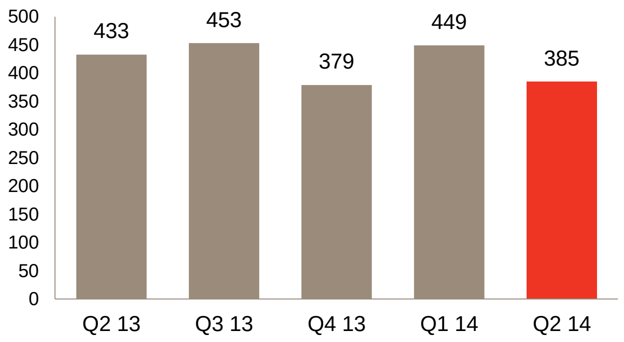
The Group's order backlog was NOK 385 at the end of the first half (433), a reduction from NOK 448 million at the end of the first quarter 2014. NOK 198 million of the backlog is for delivery in 2014.

ORDER BACKLOG BUSINESS AREAS
MNOK



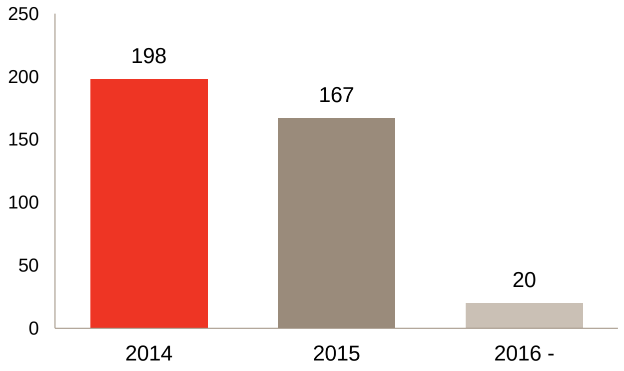
ORDER BACKLOG

MNOK



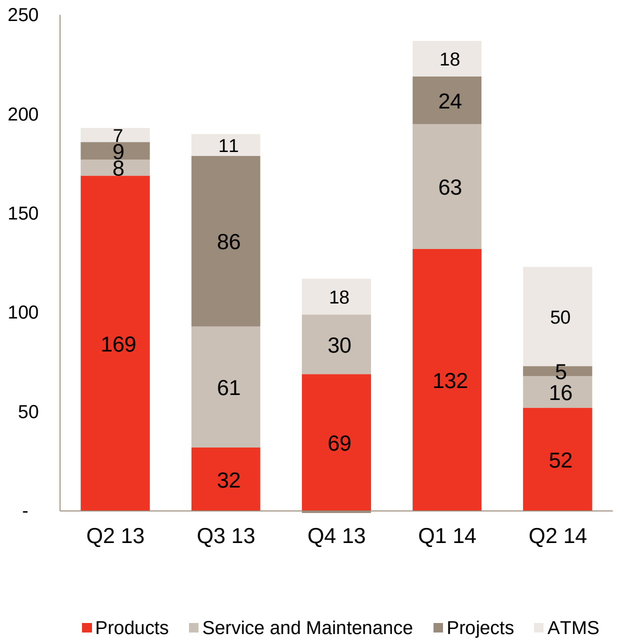
ORDER BACKLOG DISTRIBUTION

MNOK



ORDER INTAKE BUSINESS AREAS

MNOK



STRATEGIC DEVELOPMENTS

Q-Free has taken steps to improve the cost position and strengthen the platform for future revenue generation. The Profit Improvement Program initiated last year has significantly reduced the fixed cost base with limited adverse effects on operational capacity.

In January 2014, management in Q-Free initiated an internal project to increase customer focus, increase internal cooperation and efficiency, generate more leads in the small and mid-sized segment of the Road User Charging (RUC) market, and generally broaden the scope of business. The project has proven valuable and has resulted in organisational changes that will strengthen Q-Free's market position.

As of June 1 2014, Q-Free will operate three business areas; Road User Charging (RUC), Advanced Transportation Management Systems (ATMS), and the new business area Managed Services (MS). The latter will focus on commercialising new recurring revenue concepts to strengthen the revenue base and profitability, and increase the financial predictability.

At the same time, the geographical split has been changed to; "the Nordics", "North America", "Europe & Latin America", and "Asia Pacific, Middle East and Africa" - each operating under dedicated regional management.

Q-Free will continue its R&D efforts to stay at the forefront of market developments with a broader portfolio. The company will also continue building its ATMS business area, both organically and through acquisitions.

Overall, these changes will enable Q-Free to provide a broader portfolio of products and value added services to its customers, and at the same time strengthen Q-Free's position as an industry leader.

ROAD USER CHARGING (RUC)

Q-Free has experienced strong growth in tag sales over the last quarters. The relative share of revenues for products is still high (57 percent) and is thus the largest contributor to overall revenues in Q-Free. The improvement project has resulted in a change in the company strategy towards focusing more on generating leads in the small and mid-sized segment of the RUC market.

Furthermore, Q-Free has a history of market leading technology and products within the RUC market, and Q-Free will continue its R&D efforts to provide the market with market leading technology and products in the future. A further development of the OBU 615 tag was launched during the ITS European Congress in Helsinki in June. This tag is expected to be more cost effective and give advantages in the marketplace.

ADVANCED TRANSPORTATION MANAGEMENT SYSTEMS (ATMS)

Q-Free has over the last two years expanded the platform for future revenue generation through acquisitions within the ATMS market:

- TCS International in the US (2012)
- Elcom in Serbia (2013)
- Intelight in the US, 10.5 percent strategic investment (2013)
- TDC Systems in the UK (March, 2014)
- Traffic Design in Slovenia (April, 2014)
- Open Roads Consulting in the US (July, 2014)

These acquisitions have together with the ALPR activity in Dacolian in the Netherlands acquired in 2009, increased Q-Free's presence in the ATMS value chain. Following the acquisition of Open Roads Consulting, Q-Free is now present in all the targeted business areas within the ATMS value chain.

Traffic Design was acquired in April, and is the market leader in Slovenia with nationwide traffic management systems, more than 60 parking systems, and operations of the entire tolling systems. The company has 14 employees and is located in Ljubljana.

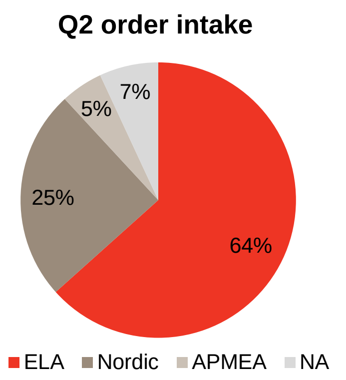
The acquisition of Traffic Design was based on enterprise value, net of debt and cash. Q-Free paid an initial consideration of EUR 2.3 million, of which 91 percent in cash and 9 percent through issuance of 121,686 new shares in Q-Free at NOK 14 per share. The company in 2013 reported revenues of EUR 2.1 million and an EBIT of EUR 0.51 million. Further consideration is estimated to EUR 0.8 million, assuming growth in EBIT to EUR 0.66 million in 2014 and EUR 0.74 million in 2015. The earn-out component is capped at EUR 1.3 million, assuming growth in EBIT to EUR 1 million in 2014 and EUR 1.1 million in 2015. Please see stock exchange notification on April 23.

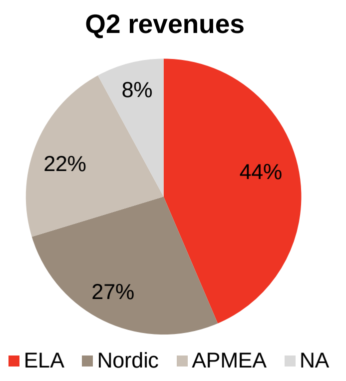
Open Roads Consulting was acquired in July, and is a privately owned company established in 2000 in Virginia, USA. The company has 74 employees and operates mission critical traffic deployments and video based surveillance of critical assets in 30 states in the US. Q-Free expects the transaction to be closed within the end of the third quarter 2014.

The acquisition of Open Roads Consulting was also based on enterprise value, net of debt and cash. Q-Free paid an initial cash consideration of approximately USD 6.2 million, equal to 7 times the 2013 EBITDA. Further consideration is dependent on financial performance in part of 2014, 2015 and part of 2016, and is estimated to USD 2.5 million. Including earn-out payments, the total consideration is capped at USD 12.5 million. Please see stock exchange notification on July 17.

The ATMS business area in Q-Free accounted for 12 percent of overall revenues in the second quarter 2014, compared to 7 percent in the first quarter. The relative increase in overall revenues is mainly explained by the consolidation of TDC Systems and Traffic Design from the second quarter. Open Roads Consulting is expected to be consolidated into the accounts of Q-Free during the third quarter 2014, and revenue from the ATMS business is thus expected to increase significantly going forward.

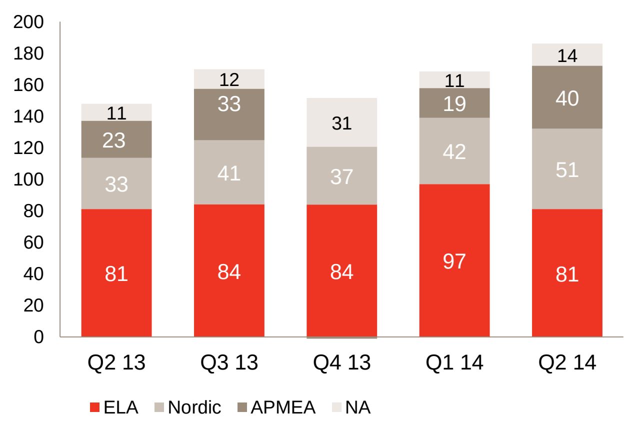
MARKET UPDATE BY REGION





REVENUES GEOGRAPHICAL

MNOK



EUROPE & LATIN AMERICA (ELA)

Revenues in the ELA region amounted to NOK 81 million in the second quarter, while order intake was NOK 78 million. The region hence accounted for 43 percent of overall revenues and 63 percent of total order intake. The region represented 39 percent of Group order backlog at the end of the second quarter.

Q-Free is still experiencing higher-than-expected tag and reader demand in the Brazilian market, and also see increasing activity in the ATMS market in this region.

THE NORDICS (NORDICS)

Revenues in the Nordics region amounted to NOK 51 million in the second quarter, while order intake was NOK 31 million. The region hence accounted for 27 percent of overall revenues and 25 percent of total order intake. The region represented 44 percent of Group order backlog at the end of the second quarter.

Q-Free sees stable Service and Maintenance activity in this region, and is in the process on delivering a few projects in Norway.

ASIA, MIDDLE EAST AND AFRICA (APMEA)

Revenues in the APMEA region amounted to NOK 40 million in the second quarter, while order intake was NOK 6 million. The region hence accounted for 22 percent of overall revenues and 5 percent of total order intake. The region represented 4 percent of Group order backlog at the end of the second quarter.

In July, Q-Free received information from Export Credit Norway that it would not extend the availability period under the loan agreement with PT Rin in Indonesia, as PT Rin did not meet certain milestones on time. Q-Free's understanding is that Export Credit Norway may reengage with PT Rin provided that PT Rin provides a basis for further progress. All parties have expressed that they are positive to continuing the dialogue, with the aim of possibly reestablishing the funding commitment from Export Credit Norway and launching the project.

In addition, Q-Free is preparing for the Electronic Road Pricing project in Jakarta and will participate in a trial during the third quarter.

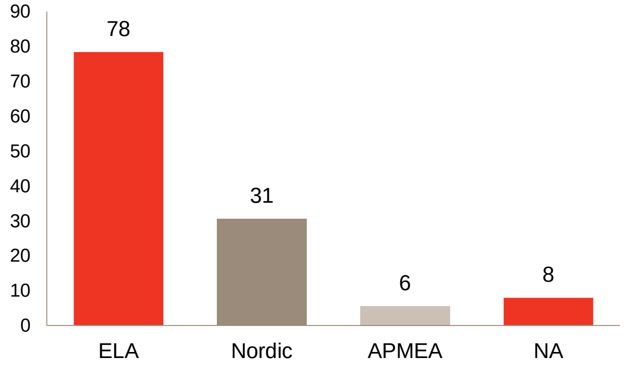
NORTH AMERICA (NA)

Revenues in the NA region amounted to NOK 14 million in the second quarter, while order intake was NOK 8 million. The region hence accounted for 8 percent of overall revenues and 7 percent of total order intake. The region represented 13 percent of Group order backlog at the end of the second quarter.

Q-Free TCS recorded all-time high order intake and deliveries in 2013, and is still experiencing year-on-year growth in 2014.

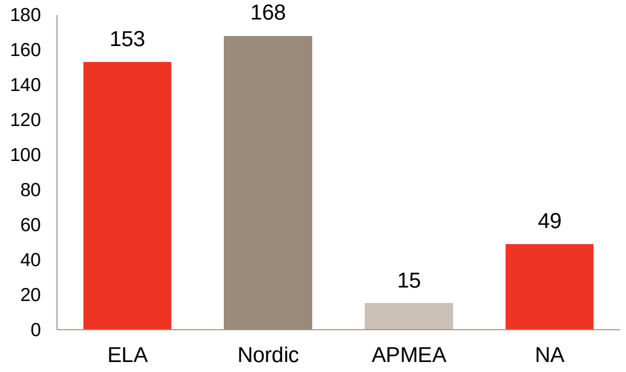
ORDER INTAKE GEOGRAPHICALLY

MNOK



ORDER BACKLOG GEOGRAPHICALLY

MNOK



OUTLOOK

The Road User Charging and Advanced Transportation Management Systems markets represent a megatrend driven by market demand for infrastructure financing, environmental friendly solutions, congestion management and improved efficiency of manual solutions.

Q-Free has a long history in the RUC market and has made significant investments to build up a strong ATMS business over the past two years. Following the acquisition of Open Roads Consulting in July, the company is now present in all the targeted parts of the ATMS value chain. Going forward, management will focus on realising synergies within the Group and on growing the business further both with organic growth as well as potential add-on acquisitions.

The Profit Improvement Program carried out in 2013 established a lower cost base in the Group, which can be seen in the lower operating cost ratio in the first half of 2014. The company has taken further strategic measures to strengthen its market position this year, and the organisational changes are expected to broaden the revenue base, reduce risk, and improve internal collaboration and efficiency going forward.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

NOTE 1 – GENERAL

The consolidated condensed interim financial statements for the quarter ended June 30 2014 was approved by the Board of Directors at its meeting on August 13 2014.

Q-Free is a leading global supplier of products and solutions within Road User Charging and Advanced Transportation Management Systems. The Q-Free Group will have approximately 430 employees with offices in 17 countries and presence on all continents after the closing of the Open Roads transaction. The Q-Free head office is in Trondheim, Norway. Q-Free is listed on Oslo Stock Exchange under the ticker QFR.

NOTE 2 – STATEMENT OF COMPLIANCE

These consolidated interim financial statements, combined with other relevant financial information in this report, have been prepared in accordance with the regulations of the Oslo Stock Exchange and the requirements in IAS 34. These condensed consolidated interim financial statements for the quarter ended June 30 2014, have not been audited or subject to review by the Group's auditor. The financial statements do not include all of the information required for a full annual financial statements of the Group and should be read in conjunction with the consolidated financial statements for 2013. The consolidated financial statements for 2013 is available upon request from the company's registered office in Trondheim or at our website, www.q-free.com.

NOTE 3 – ACCOUNTING PRINCIPLES

The consolidated financial statements of the Q-Free Group for the first quarter 2014 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Norwegian Accounting Act. The Group has used the same accounting policies and standards as in the consolidated financial statements as at December 31 2013.

NOTE 4 – USE OF ESTIMATES

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

NOTE 5 – EVENTS AFTER THE BALANCE SHEET DATE

No significant events, which is not mentioned in this report, have occurred since the balance sheet date.

NOTE 6 – FORWARD LOOKING STATEMENTS

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

NOTE 7 – BUSINESS COMBINATIONS

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

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

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

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

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

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

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

Assets TNOK	Previous carrying value 22.04.14	Adjustment	Fair value recognised on acquisition date 22.04.14
Non-current assets:			
Technology	10	6 087	6 098
Customer Relationships	0	3 785	3 785
Order Backlog	0	5 126	5 126
Goodwill	0	7 906	7 906
Machinery, fixtures	1 085	0	1 085
Other financial assets	457	0	457
Total non-current assets	**1 552**	**22 905**	**24 456**
Current assets:			
Inventories	280	0	280
Receivables	5 238	0	5 238
Cash and equivalents	9 115	0	9 115
Total current assets	**14 633**	**0**	**14 633**
Total assets	**16 185**	**22 905**	**39 089**

Liabilities and Equity TNOK	Previous carrying value 22.04.14	Adjustment	Fair value recognised on acquisition date 22.04.14
Total Equity	**9 301**	**20 355**	**29 656**
Non-current liabilities:			
Financial leasing	108	0	108
Deferred tax	0	2 550	2 550
Total non-current liabilities	**108**	**2 550**	**2 658**
Current liabilities:			
Accounts payable	1 463	0	1 463
Other short term debt	5 313	0	5 313
Total current liabilities	**6 775**	**0**	**6 775**
Total Equity & Liabilities	**16 185**	**22 905**	**39 089**

Three intangible assets are identified as follows:

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

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

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

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

Oslo, August 13 2014.

The Board of Directors and
Chief Executive Officer of Q-Free ASA

Terje Christoffersen	Chairman of the Board
Charlotte Brogren	Vice Chairman of the Board
Jan Pihl Grimnes	Member
Selma Kveim	Member
Monika Lie Larsen	Employee elected member
Anders Hagen	Employee elected member
Thomas Falck	CEO

RESPONSIBILITY STATEMENT FROM THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and the CEO have today considered and approved the condensed financial statements for the first half year of 2014 and the financial information in this report that is relevant for the first half year of 2014.

The report for the first half year of 2014 has been prepared in accordance with IAS 34 Interim Financial Statements and additional disclosure requirements as stated in the Norwegian Verdipapirhandelloven (Securities Trading Act).

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2014 gives a true and fair view of the Q-Free Group's consolidated assets, liabilities, financial position and results of operations. To the best of our knowledge the report provides a fair review of important events in the period and their effects on the condensed set of financial statements, with a description of the principal risks and uncertainties that the Q-Free Group is facing for the remaining months of the financial year that may have a material effect on financial position or results for the Q-Free Group for the period and of transactions with related parties.

Oslo, August 13 2014.

The Board of Directors and

Chief Executive Officer of Q-Free ASA

Terje Christoffersen	Chairman of the Board
Charlotte Brogren	Vice Chairman of the Board
Jan Pihl Grimnes	Member
Selma Kveim	Member
Monika Lie Larsen	Employee elected member
Anders Hagen	Employee elected member
Thomas Falck	CEO

FINANCIAL OVERVIEW

The condensed interim consolidated financial statements per 30.06.14 (unaudited):

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

INTERIM CONSOLIDATED INCOME STATEMENT

NOK 1.000	Q2 2014	Q2 2013	30.06.14	30.06.13	Q1 2014	31.12.2013
Revenues	186 636	147 892	354 976	285 939	168 339	606 072
Cost of goods sold	74 893	55 767	142 977	107 491	68 084	224 791
Payroll expenses	43 279	36 936	97 061	112 480	53 782	196 727
Other operating expenses	47 569	39 126	76 310	87 696	28 741	216 353
Total operating expenses	165 741	131 829	316 348	307 666	150 607	637 871
EBITDA	20 895	16 063	38 627	-21 728	17 732	-31 799
Depreciation, amortisation and impairment	18 741	15 732	35 501	31 310	16 759	62 914
EBIT	2 154	330	3 126	-53 038	973	-94 713
Financial income	3 905	2 664	11 145	6 284	7 241	24 188
Financial expenses	-5 799	-5 270	-12 460	-10 790	-6 662	-27 434
Net financial items	-1 894	-2 605	-1 315	-4 507	579	-3 246
Profit before tax	260	-2 275	1 812	-57 544	1 552	-97 959
Tax expenses	674	411	-224	13 974	-898	-12 811
Profit for the period	934	-1 864	1 587	-43 570	654	-110 770
Attributable to :						
Minority interests	817	537	1 194	881	377	1 318
Equity holders of the parent	117	-2 401	393	-44 451	276	-112 088
Profit	934	-1 864	1 587	-43 570	654	-110 770
Number of employees	366	288	366	288	340	300
Gross margin	59,9 %	62,3 %	59,7 %	62,4 %	59,6 %	62,9 %
EBITDA margin	11,2 %	10,9 %	10,9 %	-7,6 %	10,5 %	-5,2 %
EBIT margin	1,2 %	0,2 %	0,9 %	-18,5 %	0,6 %	-15,6 %
Profit margin	0,1 %	-1,5 %	0,5 %	-20,1 %	0,9 %	-16,2 %
EPS	0,01	-0,04	0,00	-0,68	0,00	-1,65
EPS, diluted	0,01	-0,04	0,00	-0,68	0,00	-1,64

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK 1.000	Q2 2014	Q2 2013	Q1 2014	Q4 2013	Q3 2013	31.12.2013
Profit for the period	934	-1 864	654	-72 521	5 320	-110 770
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of foreign operations	2 815	-3 323	-23	172	-3 615	-10 401
Net (loss)/gain on available-for-sale financial assets				1 470		1 470
- Income tax effect				0		0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:	2 815	-3 323	-23	1 642	-3 615	-8 931
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:						
Actuarial gains (losses) on defined benefit plans				-4 884		-4 884
- Income tax effect			0	1 382	0	1 382
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:	0	0	0	-3 502	0	-3 502
Total comprehensive income for the period	3 749	-5 187	631	-74 381	1 705	-123 203
Attributable to :						
Minority interests	817	537	377	-100	537	1 318
Equity holders of the parent	2 932	-5 724	253	-74 280	1 167	-124 521
Total comprehensive income for the period	**3 749**	**-5 187**	**631**	**-74 381**	**1 705**	**-123 203**

BALANCE SHEET - ASSETS

NOK 1.000	30.06.2014	31.03.2014	31.12.2013	30.09.2013	30.06.2013
Development	172 054	161 680	132 761	136 542	143 440
Goodwill	132 907	125 001	71 199	64 667	64 667
Deferred tax assets	28 951	28 860	32 319	43 322	43 095
Total intangible assets	333 912	315 541	236 279	244 530	251 202
Machinery, fixtures and fittings	61 108	63 252	63 071	64 136	67 503
Total fixed assets	61 108	63 252	63 071	64 136	67 503
Shares	14 165	14 809	15 317	13 623	6 994
Pension funds	0	0	0	0	0
Other long term receivables	2 660	2 323	5 064	5 495	4 353
Total financial fixed assets	16 825	17 132	20 381	19 118	11 346
Total non - current assets	411 845	395 925	319 731	327 784	330 051
Inventories	59 159	76 995	70 940	72 686	65 095
Total inventories	59 159	76 995	70 940	72 686	65 095
Accounts receivables	126 991	132 547	146 860	94 191	108 207
Work in progress	29 864	29 681	48 737	74 741	60 320
Other receivables	30 922	29 568	36 599	25 209	25 863
Total receivables	187 777	191 795	232 196	194 141	194 389
Cash	192 125	226 557	271 477	270 534	255 181
Total current assets	439 061	495 347	574 613	537 361	514 665
Total assets	**850 906**	**891 272**	**894 344**	**865 145**	**844 715**

BALANCE SHEET - EQUITY & DEBT

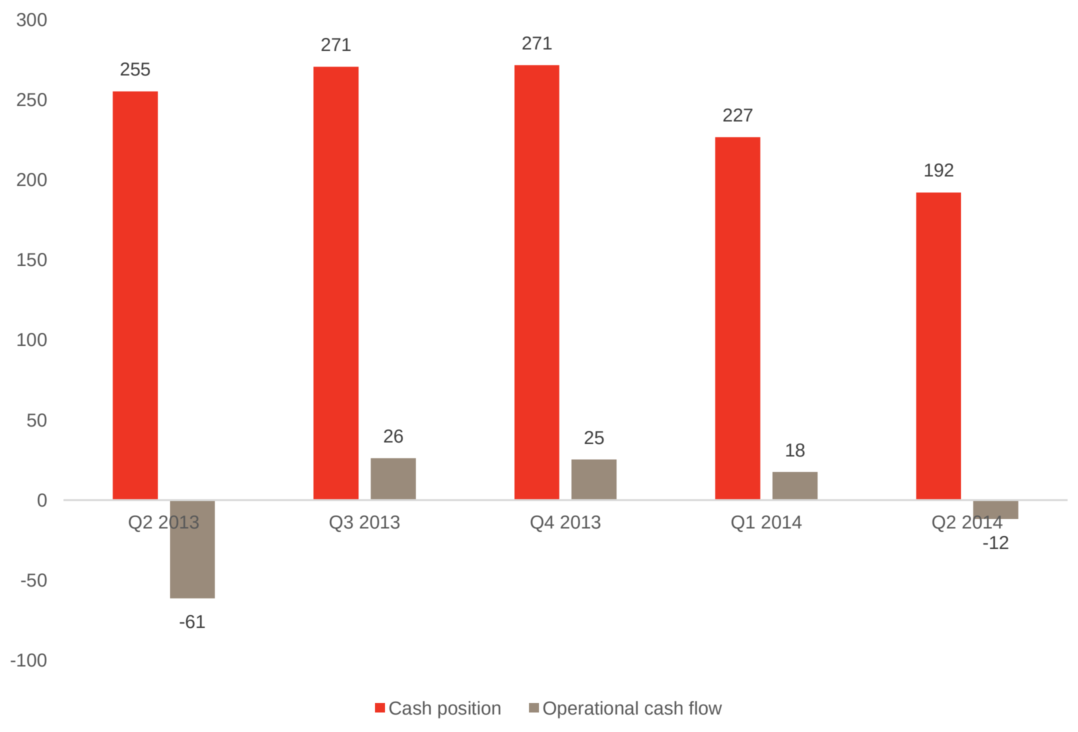
NOK 1.000	30.06.2014	31.03.2014	31.12.2013	30.09.2013	30.06.2013
Subscribed share capital	26 143	25 830	25 830	25 830	25 830
Share premium reserve	426 956	415 554	415 554	415 554	415 554
Other paid in capital	20 529	20 529	20 529	17 962	17 962
Total paid in capital	473 628	461 912	461 913	459 345	459 345
Other equity	25 013	22 079	21 824	98 629	95 118
Total retained equity	25 013	22 079	21 824	98 629	95 118
Non-controlling interests	21 983	21 166	20 789	23 990	25 095
Total equity	520 624	505 158	504 526	581 964	579 558
Pension liabilities	11 951	11 277	12 925	16 088	14 150
Deferred tax	0	0	0	0	0
Total liabilities	11 951	11 277	12 925	16 088	14 150
Debt to financial institutions	100 000	100 000	100 000	100 000	100 000
Other non-current liabilities	58 559	53 734	6 957	13 908	13 908
Total non-current liabilities	158 559	153 734	106 957	113 908	113 908
Accounts payable	27 023	80 781	74 933	43 571	47 867
Tax payable	7 495	6 472	9 590	2 801	2 043
Public duties payable	14 399	10 558	19 114	14 583	12 458
Advance payments customers	14 236	13 166	28 502	11 802	16 063
Other short term debt	96 619	110 127	137 797	80 428	58 669
Total short term debt	159 772	221 103	269 936	153 185	137 099
Total liabilities	**330 282**	**386 114**	**389 818**	**283 181**	**265 157**
Total equity and liabilities	**850 906**	**891 272**	**894 344**	**865 145**	**844 715**

STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the parent									
NOK 1.000	Sub-scribed share capital	Share premium reserves	Other paid in Capital	Other equity	Foreign currency translation reserve	Actuarial gains and losses	Available-for-sale reserve	Total	Non controlling interests	Total equity
Equity per 31.12.13	25 830	415 553	20 529	43 574	-21 907	-1 932	2 088	483 736	20 789	504 525
Total comprehensive income for the period				276	-23			253	377	631
Share issue arising from acquisitions										0
Equity per 31.03.14	25 830	415 553	20 529	43 851	-21 930	-1 932	2 088	483 990	21 166	505 158
Total comprehensive income for the period				117	2 815			2 932	817	3 750
Share issue arising from acquisitions	314	11 402						11 716		11 716
Equity per 30.06.14	26 143	426 956	20 529	43 967	-19 115	-1 932	2 088	498 637	21 983	520 624
Equity per 31.12.12	25 830	415 553	18 863	155 663	-11 505	1 570	618	606 593	24 316	630 909
Total comprehensive income for the period				-42 050	-3 635			-45 685	344	-45 340
Equity per 31.03.13	25 830	415 553	18 863	113 613	-15 140	1 570	618	560 908	24 660	585 569

CASH FLOW STATEMENT

NOK 1.000	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Earnings before tax	260	1 552	-47 684	7 268	-2 275
Taxes paid	-2 501	-3 118	-1 566	-1 276	-696
Depreciation / impairment	18 741	16 759	15 947	15 658	15 732
Other operational items	-28 253	2 462	58 646	4 620	-73 970
Cash flow from operating activities	-11 753	17 655	25 343	26 270	-61 209
Investments intangible assets	-4 602	-10 225	-7 371	-4 254	-8 146
Investments tangible assets	-2 977	-5 664	-3 730	-1 139	-2 308
Acquisition of a subsidiary, net of cash acquired	-15 917	-47 063	0	0	0
Other investments	0	0	-9 445	-6 629	0
Cash flow from investment activities	-23 496	-62 952	-20 546	-12 022	-10 454
Proceeds from new loans	0	0	0	0	0
Down payments of debt to financial institutions	0	0	0	0	0
Share issue	0	0	0	0	0
Other financial items	817	377	-3 853	1 105	-435
Cash flow from financing activities	817	377	-3 853	1 105	-435
Net change in cash and cash equival.	-34 432	-44 920	944	15 353	-72 098
Cash and cash equivalents per 01.01.	226 557	271 477	270 534	255 181	327 279
CASH AND CASH EQUIVALENTS	**192 125**	**226 557**	**271 477**	**270 534**	**255 181**



KEY FIGURES

	30.06.2014	31.03.2014	31.12.2013	30.09.2013	30.06.2013
Operating profit / EBIT per share	0,05	0,0	-1,4	-0,8	-0,8
Operating margin	0,9	0,0	-0,2	0,0	0,0
EPS	0,01	0,0	-1,7	-0,6	-0,7
EPS, diluted	0,01	0,0	-1,6	-0,6	-0,7
Cash flow per share	-1,2	0,3	-0,5	-0,9	-1,2
Equity per share	7,4	7,4	7,4	8,5	8,5
Equity ratio	0,6	0,6	0,6	0,7	0,7
Liquidity ratio	2,8	2,2	2,1	3,5	3,8
Average number of shares	68 377 093	67 972 419	67 972 419	67 972 419	67 972 419
Average number of shares diluted	68 727 093	68 322 419	68 547 419	68 379 536	68 259 919

	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Operating profit / EBIT per share	0,03	0,0	-0,7	0,1	0,0
Operating margin	1,2	0,0	-0,3	0,0	0,0
EPS	0,01	0,0	-1,1	0,1	0,0
EPS, diluted	0,01	0,0	-1,1	0,1	0,0
Cash flow per share	-0,5	0,3	0,1	0,4	-0,9
Average number of shares	68 769 297	67 972 419	67 972 419	67 972 419	67 972 419
Average number of shares diluted	69 119 297	68 322 419	68 547 419	68 379 536	68 259 919

RISK FACTORS

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

PROJECT RISK
Q-Free's order backlog typically include a substantial element of demanding large-scale project deliveries, which may involve considerable risk in terms of timing and costs. Q-Free holds in-depth knowledge of customer requirements as well as the boundaries of its own project capabilities, and seeks to reduce risk to a minimum in contract negotiations. The company experienced termination of a large contract in 2013, and will seek to further strengthen the project risk management function going forward.

The main uncertainty pertaining to the near-term financial development of Q-Free relates to the start-up of the large Electronic Law Enforcement (ELE) project in Jakarta, Indonesia, which is outside of the company's control. Export Credit Norway in July 2013 signed a financing agreement with Q-Free's customer PT Rin in Indonesia. However, this commitment is expired, but the two parties are positive to continue the dialogue with the aim of possibly re-establish the funding commitment from Export Credit Norway and launching the project.

POLITICAL RISK
Road User Charging (RUC) projects and some ATMS projects are normally directly or indirectly subject to governmental concessions, and the company is exposed to political risk from lead identification through contract awards to final project implementation. Political risk often correlates with the scope and size of the project, such that large projects hence entails relatively more risk than smaller projects. Q-Free will seek to mitigate this risk through a broadening of its scope of business in the RUC market, and also believes that its entry into the ATMS market will add new revenue streams that are less exposed to political risk.

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

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

Financial risk factors and risk management

CURRENCY RISK
Q- Free reported revenues of NOK 606 million in 2013. NOK 462 million of this was generated outside of Norway, leaving Q-Free with a considerable foreign currency exposure. However, there has been no significant change in this composition in the first half of 2014. Q-Free also runs businesses outside of Norway, and buys a substantial share of required equipment abroad. This mitigated the Group's net foreign currency exposure to approximately 50 percent of this. The Group's most important trading currencies are NOK, 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 compare estimated future sales and purchases and hedge the net cash flow in the foreign currency by using forward / future contracts.

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

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

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

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

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

INTEREST RATE RISK
The interest level has significant influence on the consolidated profit. To ensure predictability the Group has preferred short-term interest rates (NIBOR 3 months plus a small markup) on

its debt. Deposits are linked to the same underlying rate to mitigate the risk related to changes in the interest rate level.

The Group entered into a NOK 100 million loan agreement with Danske Bank during 2014. This loan is a three-year loan and the interest rate is linked to 3 months NIBOR.

LIQUIDITY RISK

The Q-Free ASA Group's strategy is to hold sufficient cash, cash equivalents or credit facilities at any time to be able to finance its operations and planned investments. Surplus cash funds are deposited in banks, or invested in money market funds, with the purpose of securing an acceptable, low-risk return on the invested capital.

The Board of Directors assesses the liquidity at the end of the second quarter 2014 to be sufficient to cover the company's planned operations and investment requirements.

KEY INFORMATION

Q-FREE ASA
POB 3974 Leangen
7443 Trondheim
Norway

Homepage:	www.q-free.com
Email:	info@q-free.com
Telephone:	+47 73 82 65 00
Organisation number:	N0 935 487 242
Founded:	1984
HQ visitors address:	Strindfjordvegen 1, 7053 Ranheim, Norway

FINANCIAL CALENDAR

Third quarter 2014	30.10.2014
Fourth quarter 2014	12.02.2015

BOARD OF DIRECTORS

Terje Christoffersen	Chairman of the Board
Charlotte Brogren	Vice Chairman of the Board
Jan Pihl Grimnes	Board member
Selma Kveim	Board member
Monika Lie Larsen	Employee elected Board member
Anders Hagen	Employee elected Board member

MANAGEMENT

Thomas Falck	CEO
Roar Østbø	CFO
Per Fredrik Ecker	VP APMEA
Pedro Bento	VP ELA
Pål-Rune Johansen	VP Nordic
Morten Andersson	VP ATMS and Acting VP NA
Marianne Sandal	VP RUC Front End
Morten Dammen	VP RUC R&D
Frank Kjelsli	VP Managed Services
Henrik Stoltenberg	Chief Strategy Officer
Stein-Tore Nybrodahl	HR Manager

INVESTOR RELATIONS

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