

FINANCIAL OVERVIEW, Adjusted

The condensed interim consolidated financial statements per 31.12.14:

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

INTERIM CONSOLIDATED INCOME STATEMENT

NOK 1.000	Q4 2014	Q4 2013	FY 2014	FY 2013
Revenues	257,697	150,352	788,584	606,072
Cost of goods sold	79,633	51,901	282,173	224,791
Payroll expenses	77,721	37,990	230,917	196,727
Other operating expenses	74,164	94,328	190,750	216,353
Total operating expenses	231,518	184,218	703,839	637,871
EBITDA	26,179	-33,866	84,745	-31,799
Depreciation, amortisation and impairment	21,834	15,947	76,309	62,914
EBIT	4,345	-49,814	8,436	-94,713
Financial income	12,003	11,373	29,763	24,188
Financial expenses	-34,519	-9,243	-54,568	-27,434
Net financial items	-22,516	2,130	-24,805	-3,246
Profit before tax	-18,171	-47,684	-16,369	-97,959
Tax expenses	-8,085	-24,837	-10,589	-12,811
Profit for the period	-26,256	-72,521	-26,958	-110,770
Attributable to:				
Minority interests	-24	-100	1,802	1,318
Equity holders of the parent	-26,232	-72,421	-28,760	-112,088
Profit	-26,256	-72,521	-26,958	-110,770
Number of employees	399	291	399	291
Gross margin	69.1 %	65.5 %	64.2 %	62.9 %
EBITDA margin	10.2 %	-22.5 %	10.7 %	-5.2 %
EBIT margin	1.7 %	-33.1 %	1.1 %	-15.6 %
Profit margin	-7.1 %	-31.7 %	-2.1 %	-16.2 %
EPS (NOK)	-0.38	-1.07	-0.42	-1.65
EPS, diluted (NOK)	-0.38	-1.06	-0.41	-1.64

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK 1.000	Q4 2014	Q4 2013	FY 2014	FY 2013
Profit for the period	-26,256	-72,521	-26,958	-110,770
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	17,692	172	27,118	-10,401
Net (loss)/gain on available-for-sale financial assets	1,217	1,470	1,217	1,470
- Income tax effect	0	0	0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:	18,909	1,642	28,335	-8,931
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Actuarial gains (losses) on defined benefit plans	-9,638	-4,884	-9,638	-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:	-9,638	-3,502	-9,638	-3,502
Total comprehensive income for the period	-16,985	-74,381	-8,261	-123,203
Attributable to:				
Minority interests	-24	-100	1,802	1,318
Equity holders of the parent	-16,961	-74,281	-10,063	-124,521
Total comprehensive income for the period	-16,985	-74,381	-8,261	-123,203

BALANCE SHEET - ASSETS

NOK 1.000	31.12.2014	30.09.2014	30.06.2014	31.03.2014	31.12.2013
Development	202,777	201,969	172,054	161,680	132,761
Goodwill	192,885	145,836	132,907	125,001	71,199
Deferred tax assets	18,680	21,553	28,951	28,860	32,319
Total intangible assets	414,342	369,358	333,912	315,541	236,279
Machinery, fixtures and fittings	51,799	60,433	61,108	63,252	63,071
Total fixed assets	51,799	60,433	61,108	63,252	63,071
Shares	13,001	11,035	14,165	14,809	15,317
Pension funds	0	0	0	0	0
Other long term receivables	2,158	2,072	2,660	2,323	5,064
Total financial fixed assets	15,159	13,106	16,825	17,132	20,381
Total non - current assets	481,300	442,897	411,845	395,925	319,731
Inventories	48,223	70,772	59,159	76,995	70,940
Total inventories	48,223	70,772	59,159	76,995	70,940
Accounts receivables	167,378	142,936	126,991	132,547	146,860
Work in progress	56,903	36,621	29,864	29,681	48,737
Other receivables	21,857	37,244	30,922	29,568	36,599
Total receivables	246,138	216,801	187,777	191,795	232,196
Cash	164,133	141,476	192,125	226,557	271,477
Total current assets	458,494	429,049	439,061	495,347	574,613
Total assets	939,794	871,946	850,906	891,272	894,344

BALANCE SHEET - EQUITY & LIABILITIES

NOK 1.000	31.12.2014	30.09.2014	30.06.2014	31.03.2014	31.12.2013
Subscribed share capital	26,143	26,143	26,143	25,830	25,830
Share premium reserve	426,956	426,956	426,956	415,554	415,554
Other paid in capital	20,529	20,529	20,529	20,529	20,529
Total paid in capital	473,628	473,628	473,628	461,912	461,913
Other equity	11,761	28,721	25,013	22,079	21,824
Total retained equity	11,761	28,721	25,013	22,079	21,824
Non-controlling interests	0	22,615	21,983	21,166	20,789
Total equity	485,389	524,964	520,624	505,158	504,526
Pension liabilities	18,293	12,736	11,951	11,277	12,925
Deferred tax	19,808	0	0	0	0
Debt to financial institutions	100,000	100,000	100,000	100,000	100,000
Other non-current liabilities	54,460	67,450	58,559	53,734	6,957
Total non-current liabilities	192,561	180,185	170,510	165,011	119,882
Accounts payable	74,155	60,136	27,023	80,781	74,933
Tax payable	8,201	5,733	7,495	6,472	9,590
Public duties payable	19,721	14,035	14,399	10,558	19,114
Advance payments customers	18,914	7,738	14,236	13,166	28,502
Other short term debt	140,853	79,154	96,619	110,127	137,797
Total current liabilities	261,844	166,796	159,772	221,103	269,936
Total liabilities	454,405	346,981	330,282	386,114	389,818
Total equity and liabilities	939,794	871,946	850,906	891,272	894,344

CASH FLOW STATEMENT

NOK 1.000	Q4 2014	Q4 2013	FY 2014	FY 2013
Earnings before tax	-18,171	-47,684	-16,369	-97,960
Taxes paid	-2,817	-1,566	-10,198	-4,554
Depreciation / impairment	21,834	15,947	76,309	62,914
Other operational items	59,628	58,646	13,568	7,033
Cash flow from operating activities	60,474	25,343	63,310	-32,567
Investments intangible assets	-40,482	-7,371	-60,586	-23,622
Investments tangible assets	2,665	-3,730	-8,487	-15,116
Acquisition of a subsidiary, net of cash acquired	0	0	-103,406	-7,107
Other investments	0	-9,445	0	-16,074
Cash flow from investment activities	-37,817	-20,546	-172,480	-61,919
Proceeds from new loans	0	0	0	0
Down payments of debt to financial institutions	0	0	0	0
Share issue	0	0	0	0
Other financial items	0	-3,853	1,826	-3,527
Cash flow from financing activities	0	-3,853	1,826	-3,527
Net change in cash and cash equivalents	22,657	944	-107,344	-98,013
Cash and cash equivalents beginning of the period	141,476	270,534	271,477	369,491
CASH AND CASH EQUIVALENTS END OF THE PERIOD	164,133	271,477	164,133	271,477

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	504,526
Profit for the period				-28,760				-28,760	1,802	-26,958
Other comprehensive income					27,118	-9,638	1,217	18,697		18,697
Share issue arising from acquisitions	314	11,402						11,716	0	11,716
Sale on non-controlling interests								0	-22,591	-22,591
Equity per 31.12.14	26,144	426,955	20,529	14,814	5,211	-11,570	3,305	485,389	0	485,389
Equity per 31.12.12	25,830	415,553	18,863	155,662	-11,505	1,570	618	606,593	24,316	630,909
Total comprehensive income for the period				-112,088	-10,402	-3,502	1,470	-124,522	1,318	-123,203
Reclassification of non- controlling interests									-4,845	-4,845
Share issue arising from acquisitions			1,666					1,666		1,666
Equity per 31.12.13	25,830	415,553	20,529	43,574	-21,907	-1,932	2,088	483,737	20,789	504,526

KEY FIGURES

	Q4 2014	Q4 2013	31.12.2014	31.12.2013
Operating profit/EBIT per share (NOK)	0.06	0.01	0.12	-1.39
Operating margin (%)	1.7 %	0.5 %	1.1 %	-15.6 %
EPS (NOK)	-0.38	0.00	-0.42	-1.65
EPS, diluted (NOK)	-0.38	0.00	-0.41	-1.64
Cash flow per share (NOK)	0.53	0.00	0.57	-0.53
Equity per share (NOK)	7.01	7.42	7.01	7.42
Equity ratio (%)	51.6 %	56.4 %	51.6 %	56.4 %
Liquidity ratio	1.8	2.1	1.8	2.1
Average number of shares	68,798,142	68,769,297	68,574,155	67,972,419
Average number of shares, diluted	69,848,142	69,119,297	69,499,497	68,547,419

NOTE 7 – BUSINESS COMBINATIONS

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

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

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

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

Intelligent Transportation Systems Division (ITSD):

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

Integrated Security Systems Division (ISSD):

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

Further consideration is dependent on financial performance as part of 2014, 2015 and part of 2016, and is estimated to

USD 4.5 million. Including earn-out payments, the total consideration is capped at USD 12.5 million.

The current operation in Open Roads 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 markets into a wider Intelligent Traffic market

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

Assets	Book value	Adj.	Fair value
TNOK	30.09.2014		31.12.2014
Technology	17 645	11 872	29 517
Customer Relationships	0	5 047	5 047
Order Backlog	0	5 862	5 862
Goodwill	0	51 111	51 111
Machinery, fixtures	1 244	0	1 244
Total fixed assets	18 889	73 892	92 781
Accounts receivables	32 152	0	32 152
Cash and equivalents	444	0	444
Current assets	32 596	0	32 596
Total assets	51 485	73 892	125 377
Liabilities and Equity	Book value	Adj.	Fair value
TNOK	30.09.2014		31.12.2014
Equity	33 663	44 972	78 634
Financial leasing	415	0	415
Deferred tax	0	28 920	28 920
Long term liabilities	415	28 920	29 335
Line of Credit - Bank	12 651	0	12 651
Accounts payable	1 327	0	1 327
Accruals	477	0	477
Miscellaneous liabilities	31	0	31
Other current liabilities	2 920	0	2 920
Current liabilities	17 407	0	17 407
Total Equity & Liabilities	51 485	73 892	125 377

Three intangible assets are identified as follows:

Customer relationships, technology, and the value of existing order backlog. These three assets explain 58% of the total purchase price and the remaining value is allocated as goodwill.

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

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