

2-2011

Quarterly Report



Presented by CEO Øyvind Isaksen and CFO Roar Østbø

Agenda

- Q2-11 Highlights
- Key Figures
- Regional market update
- Financial review
- Outlook
- Q&A

Q2-2011 Highlights

- Acceptable quarter
 - Increased revenues and profitability
 - Cash position significantly improved
- Soft order intake during the quarter
 - 19 MNOK tag contract from ETC/Sanral in South Africa main contributor
 - Delays of projects/orders, e.g. Gothenburg
- Payments related to the Slovakia settlement agreement received – total of 81 MNOK
- Released to the market a new Multi Lane Free Flow single gantry solution



Unique Single Gantry MLFF tolling solution



OLD SOLUTION – 3 GANTRIES

FEATURES:

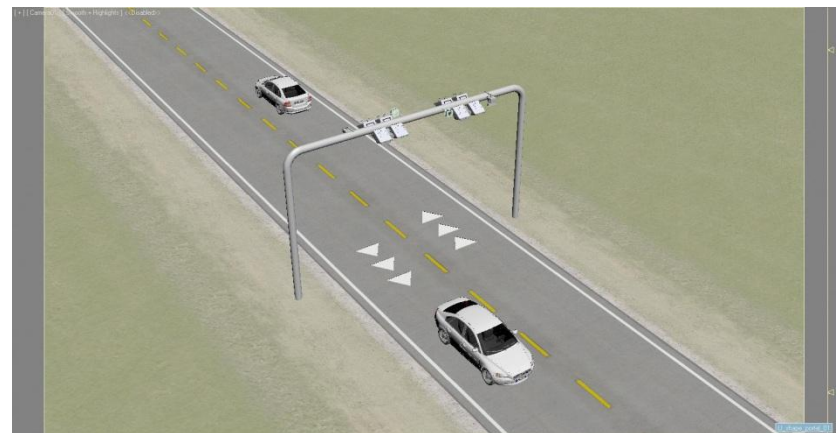
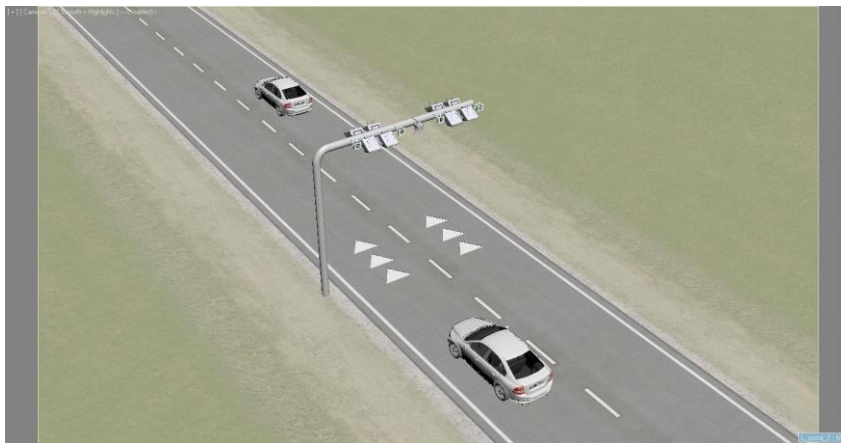
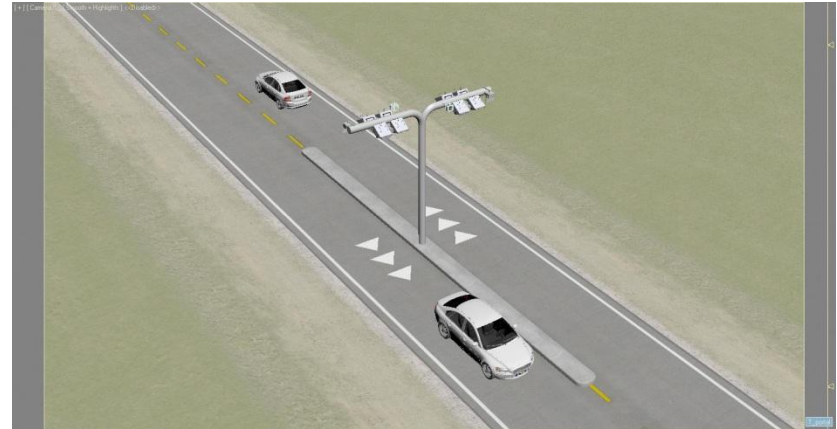
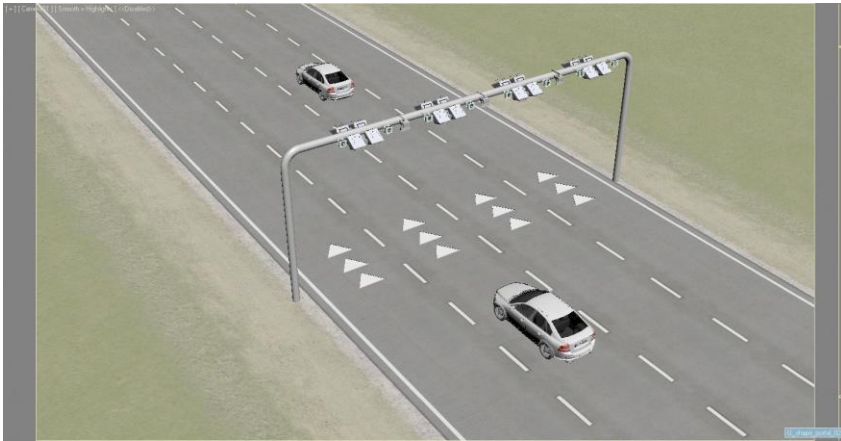
- Urban and highway tolling based on a single gantry
- Minor visual impact
- Reduced investment and implementation cost



NEW SOLUTION – SINGLE GANTRY

Single Gantry – various configurations

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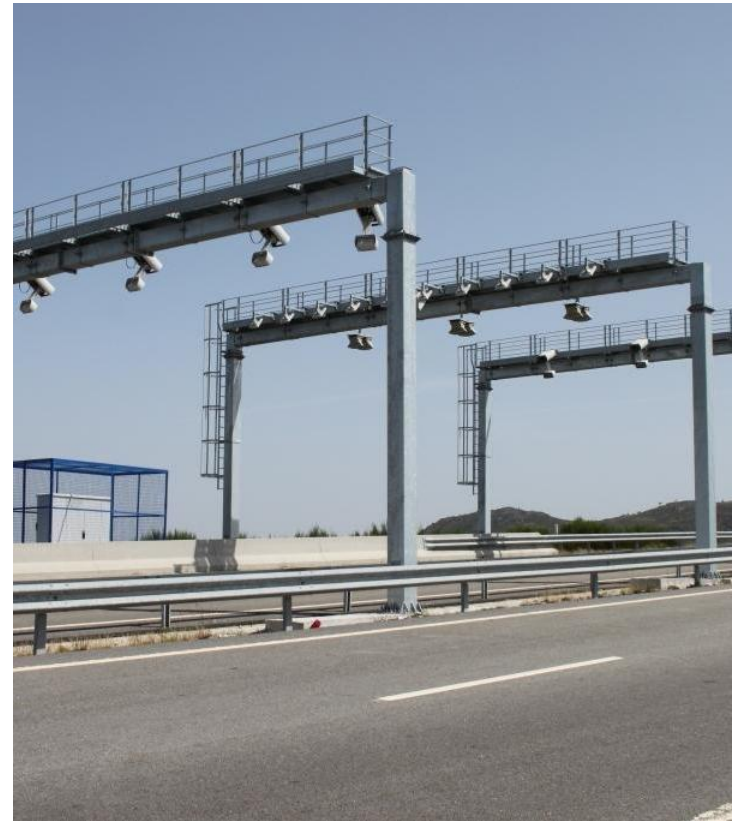


Key figures

| | |
|-------------------------|----------|
| Revenues | 202 MNOK |
| Operating profit - EBIT | 16 MNOK |
| Order intake | 60 MNOK |
| Order backlog | 499 MNOK |

Market update – Europe, M.East & Africa

- Continuing high market activity
 - Sweden, Portugal, France, Slovenia and South Africa
 - Product sales, infrastructure projects, central system, service and maintenance activities
- Portugal
 - Good progress on the project awarded in Q1
 - Still a few sales opportunities which may materialise this year, but starting to “cool down” on the infrastructure side
- Sweden – New market developing
 - Congestion charging in Gothenburg, - Q-Free selected supplier but a complaint has lead to a delay
 - Expect to see an increase in use of Road User Charging in Sweden for financing and congestion management



Market update – Europe, M.East & Africa

cont.

- Projects related to truck tolling in Europe
 - New projects will materialise; France, Slovenia, Belgium, Denmark and others
 - Scope could comprise GNSS OBU, back office, enforcement and services
 - Each of these cases represents an opportunity of several hundred MNOK
 - Projects will probably materialise from 2011 and onwards
- Truck tolling in France moving full speed ahead
 - Complaint process not successful
 - Autostrade consortium will sign contract
 - Q-Free seeking a role towards this consortium
- RFQ released in Slovenia for truck tolling
- South Africa
 - Awarded tag contract from ETC/Sanral during Q2 worth 19 MNOK – accumulated 46 MNOK
 - Possibilities for further tag awards in 2011
 - Longer term new ETC infrastructure projects will materialise

Market update - Asia Pacific

- Indonesia moving towards implementing congestion charging – regulation in place this quarter
- Expansion and replacement program in Taiwan – a potentially significant project
- Tag activity in Australia continues, also exploring some parking and access cases
- Increased ETC penetration in Bangkok implies a potential attractive tag market going forward
- The Asian region has a high potential, but will take time to mature



Tag – OBU610

Market update - North and Latin America

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- Brazil, Chile, Columbia and Ecuador main areas of activity in South America
 - Tag demand in Brazil continues to be high although somewhat lower level at the moment
 - Electronic licence plate program still on the agenda, but still uncertain which technology which will be used and when it will happen
- Good activity related to ALPR (software) solution in US
 - High focus on video based solutions
 - The company's ALPR solution has a strong position



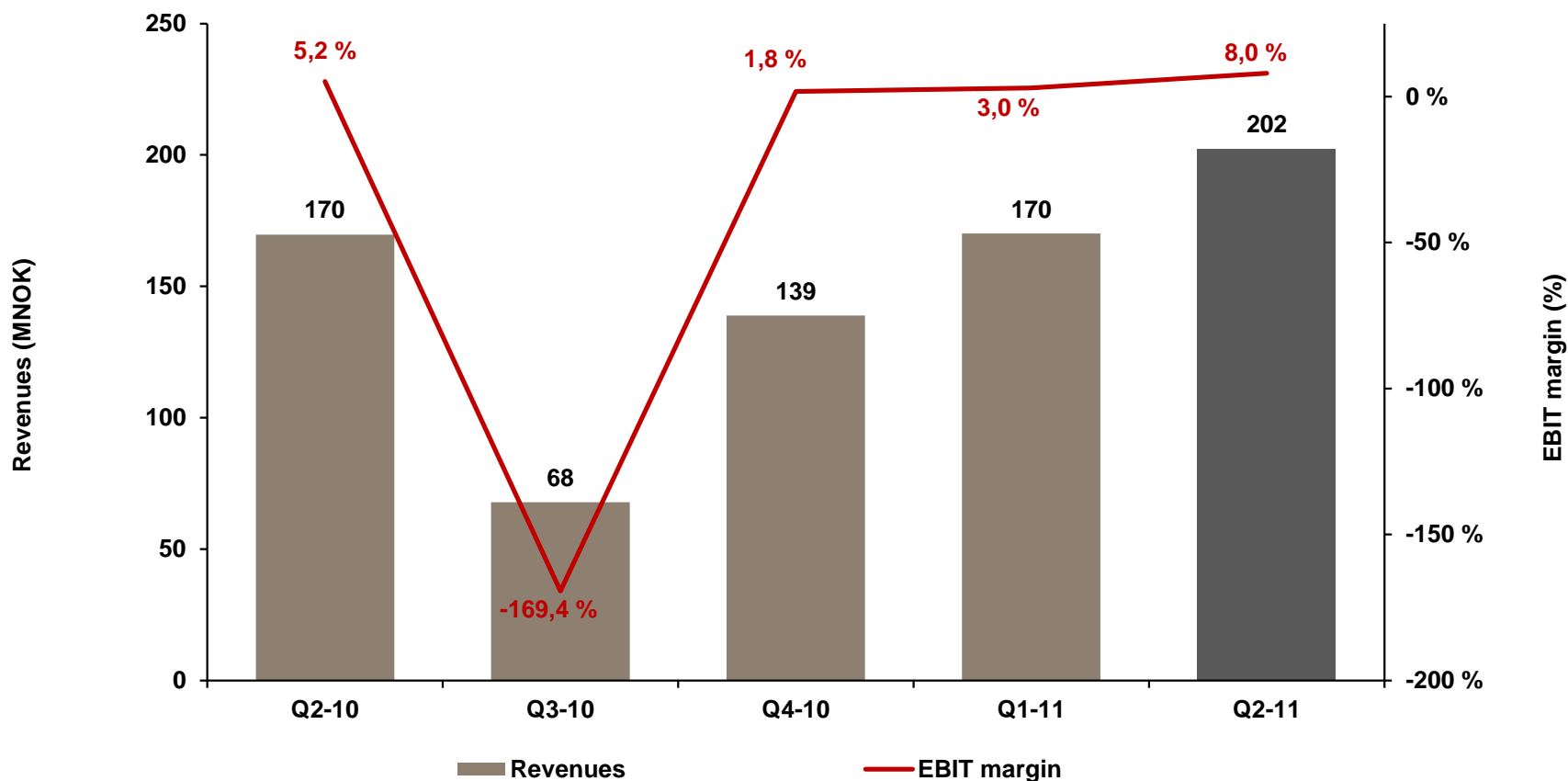
Financial review Q2-2011

Presented by CFO Roar Østbø

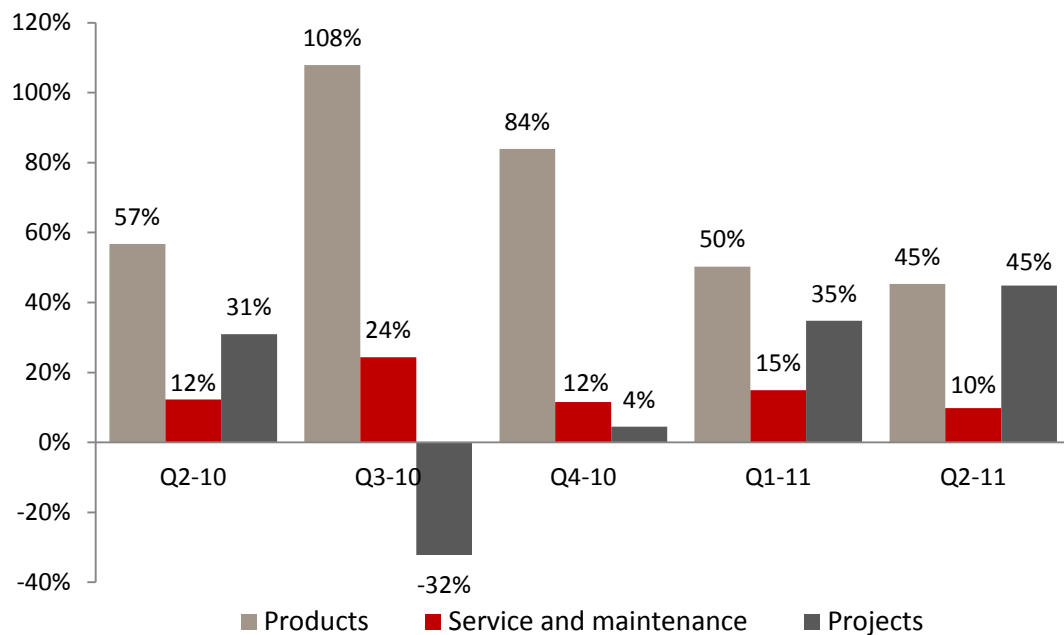


Revenues and EBIT margin – Quarterly 2010-2011

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Revenues per Business Areas



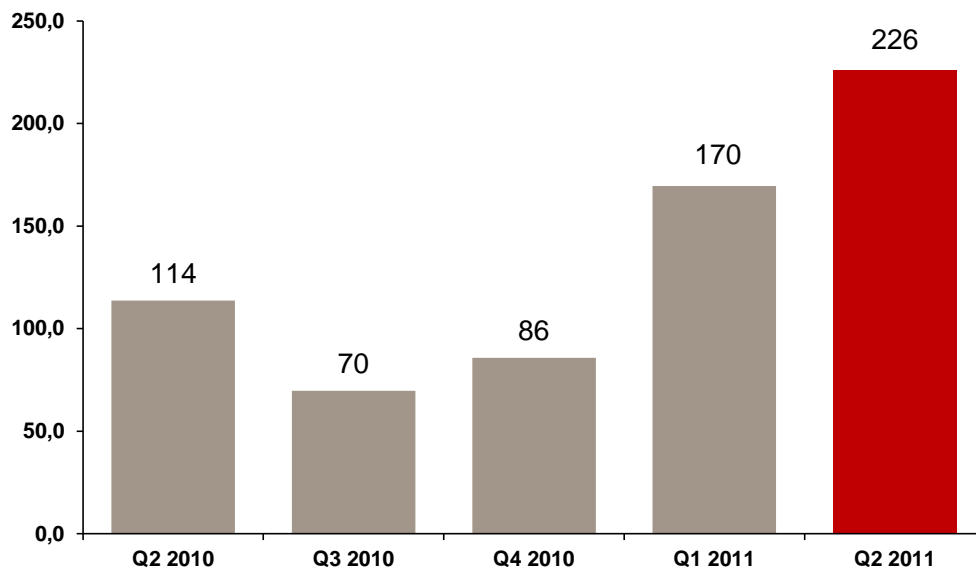
| REVENUES BUSINESS AREAS MNOK | Q2-10 | Q3-10 | Q4-10 | Q1-11 | Q2-11 |
|------------------------------|-------|-------|-------|-------|-------|
| Products | 96,2 | 73,2 | 116,5 | 85,5 | 91,7 |
| Service and Maintenance | 20,9 | 16,5 | 16,1 | 25,4 | 19,9 |
| Projects | 52,6 | -21,8 | 6,3 | 59,2 | 90,8 |
| TOTAL | 169,6 | 67,8 | 138,9 | 170,1 | 202,4 |

Profit and Loss statement

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| NOK 1.000 | Q2 2011 | Q2 2010 | 30.06.2011 | 30.06.2010 | Q1 2011 | 31.12.2010 |
|---|---------|---------|------------|------------|---------|------------|
| Revenues | 202 392 | 169 647 | 372 534 | 361 293 | 170 142 | 568 044 |
| Gross profit | 105 612 | 94 568 | 186 197 | 221 954 | 80 585 | 299 812 |
| Gross margin - % | 52,2 % | 55,7 % | 50,0 % | 61,4 % | 47,4 % | 52,8 % |
| Operating expenses | 78 475 | 74 930 | 143 092 | 180 730 | 64 617 | 329 231 |
| Operating profit - EBITDA | 27 137 | 19 638 | 43 104 | 41 224 | 15 967 | -29 419 |
| EBITDA margin | 13,4 % | 11,6 % | 11,6 % | 11,4 % | 9,4 % | -5,2 % |
| Depreciation, amortisation and impairment | 10 855 | 10 813 | 21 703 | 19 162 | 10 848 | 60 954 |
| Operating profit - EBIT | 16 282 | 8 825 | 21 402 | 22 062 | 5 119 | -90 373 |
| EBIT margin | 8,0 % | 5,2 % | 5,7 % | 6,1 % | 3,0 % | -15,9 % |
| Pretax profit | 14 015 | 7 592 | 18 048 | 22 428 | 4 033 | -79 593 |
| Profit margin | 6,9 % | 4,5 % | 4,8 % | 6,2 % | 2,4 % | -14,0 % |
| EPS | 0,17 | 0,09 | 0,21 | 0,27 | 0,04 | -0,94 |

Cash flow statement

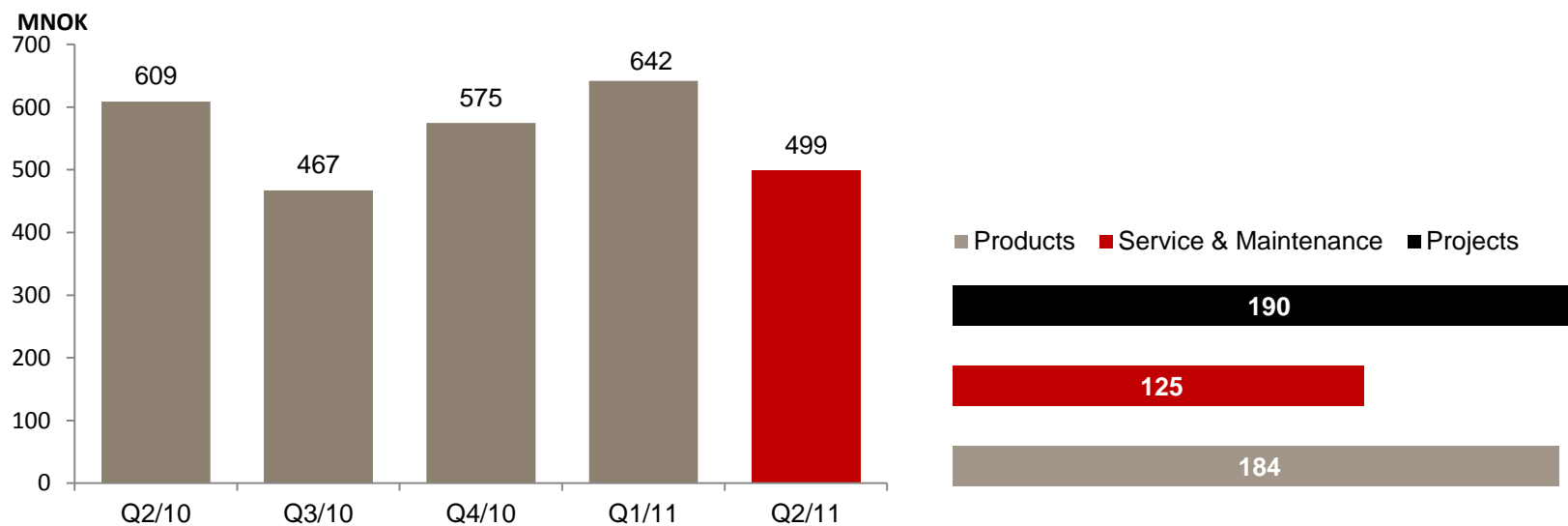


| NOK 1.000 | Q2 2010 | Q3 2010 | Q4 2010 | Q1 2011 | Q2 2011 |
|----------------------------------|---------|---------|---------|---------|---------|
| Net cash flow from operations | -37 756 | -30 964 | 29 710 | -8 629 | 64 800 |
| Net cash flow from investments | -24 800 | -12 927 | -12 294 | -7 850 | -7 768 |
| Net cash flow from financing | 304 | -49 | -1 336 | 100 242 | -400 |
| Net change in cash in the period | -62 252 | -43 940 | 16 080 | 83 763 | 56 632 |
| Cash opening balance | 175 836 | 113 584 | 69 644 | 85 724 | 169 487 |
| Cash closing balance | 113 584 | 69 644 | 85 724 | 169 487 | 226 119 |

Balance sheet

| NOK 1.000 | 30.06.2011 | 31.03.2011 | 31.12.2010 | 30.09.2010 | 30.06.2010 |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Total intangible assets | 183 151 | 183 730 | 186 897 | 171 083 | 181 544 |
| Non current assets | 64 348 | 65 847 | 71 526 | 76 275 | 84 124 |
| Cash & Cash equivalents | 226 071 | 169 487 | 85 724 | 69 644 | 113 584 |
| Other current assets | 289 021 | 367 641 | 343 568 | 324 616 | 375 260 |
| TOTAL ASSETS | 762 591 | 786 706 | 687 715 | 641 618 | 754 511 |
| Total Equity | 507 449 | 506 287 | 499 418 | 480 415 | 564 682 |
| Liabilities | 255 142 | 280 418 | 188 297 | 161 203 | 189 829 |
| TOTAL EQUITY & LIABILITIES | 762 591 | 786 706 | 687 715 | 641 618 | 754 511 |
| Equity ratio | 66,5 % | 64,4 % | 72,6 % | 74,9 % | 74,8 % |

Order Backlog



Outlook

Presented by CEO Øyvind Isaksen



Outlook

- Reason to believe that 2011 will get us “back on track” after a challenging 2010
- Expect however that some bigger projects will be delayed implying that revenues and profitability will not be back at 2009 level already in 2011
- The global Road User Charging market is expected to grow considerably over the next years
 - Traffic is causing congestion problems implying environmental challenges and time inefficiency
 - Need for financing to build and maintain infrastructure is evident
- Political risk still plays a role in this industry, e.g. delays and/or cancellations
 - Reduced over time as number of cases being explored are increasing and not at least due to the financial situation



Outlook, cont.

- Increasing competitive situation
 - Good sign as vendors are willing to “invest” to get references in a growing market
 - This will drive us to innovate smart solutions and improve our competitiveness in all part of our value chain
- Q-Free has never been standing on a better fundament
- Still to see the benefit of this measured in financial performance, but this will happen as the market matures and we continue to follow our long term strategy
- It is all about positioning Q-Free for long term growth, - the industry is still in its early days

Q&A

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Major shareholders

| SHAREHOLDERS as at 17.08.2011 | SHAREHOLDING % |
|---------------------------------|----------------|
| ERSTE BANK DER OESTE SPARKASSEN | 16,49 |
| ODIN NORGE | 8,86 |
| SKAGEN VEKST | 4,81 |
| DNB NOR | 3,49 |
| JP MORGAN CHASE BANK (NOM) | 3,28 |
| KIKUT | 2,75 |
| ANDRESEN LARS | 2,71 |
| HOLBERG NORGE | 2,64 |
| REDBACK AS | 2,48 |
| VITAL FORSIKRING ASA | 2,32 |
| BANK AUSTRIA (NOM) | 1,97 |
| SABARO INVESTMENTS | 1,86 |
| VPF NORDEA KAPITAL | 1,77 |
| MONS HOLDING AS | 1,73 |
| SANDNES INVESTERING | 1,43 |
| VPF NORDEA AVKASTNING | 1,29 |
| DEUTCHE BANK (NOM) | 1,24 |
| DNB NOR | 1,22 |
| WARREN WICKLUND NORGE | 1,20 |
| VPF NORDEA SMB | 1,09 |
| TOTAL | 64,63 % |