Quarterly report

CEO Øyvind Isaksen and Finance manager Bjørn Kleven
Second quarter 2013

CEO corner

The second quarter showed good order intake, increased revenues and break-even on the operating level. Project activity remains low with delays of the bigger projects still a main theme in the industry. However, it is worth noting that underlying product activity has picked up significantly over the past months, which has been an important contributor for us to break-even.

Our actions to improve financial robustness are well underway, and we are making progress with both the announced Profit Improvement Program and our initiatives to establish the company within the advanced transportation management (ATMS) area. It will take some time before we will see significant financial contributions from ATMS, but our parking guidance company TCS in Boston shows promising development. Together with other assets under consideration TCS will form a platform for the broadening of our ATMS offering.

Post quarter we have also seen progress towards a start-up of the Jakarta ELE project, with Export Credit Norway and PT Rin signing a loan agreement in late July. This has likely been the single most important hurdle to overcome and thus represents a very important project milestone. The actual release of the loan is,subject to our client making an initial payment of USD 6 million to Q-Free. This will mark the start-up of a project that will be a company changer and the beginning of a new era for us.

All stakeholders are working hard to make this happen as soon as possible, although we are painfully aware that formalities and process details may take time. The milestone passed has renewed our energy and enthusiasm to get this project started.

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

– We saw important improvements during the second quarter, and finally we have seen progress towards a start-up of the large Jakarta ELE project.

Øyvind Isaksen
President and CEO

Highlights

- Revenues of NOK 148 million; a 29% increase compared to Q2-12.
- Order intake almost tripling to NOK 194 million compared to Q2-12; primarily tag orders
- Higher-margin revenue composition; doubling of product sales and halving of project revenue
- EBITDA of NOK 16.1 million and operating profit (EBIT) of NOK 0.3 million
- Pre-tax loss cut to NOK 2.3 million from loss of NOK 23.5 million in Q2-12
- Due to product deliveries late in the quarter, cash position has been decreased by NOK 72 million. Cash at hand end second quarter is NOK 255 million.
- Profit Improvement Program developing according to plan; targeting reduction in annual cost of NOK 40 million and impact capital investment spending by NOK 20 million
- Main hurdle removed for start-up of the major Electronic Law Enforcement (ELE) contract in Jakarta; Export Credit Norway and customer PT Rin signed loan agreement in July

NOK 1.000	Q2 2013	Q2 2012	Q/Q-%	30.06.2013	30.06.2012	Y/Y-%
Revenues	147 892	114 230	29,5 %	285 939	234 991	21,7 %
Gross profit	92 125	67 769	35,9 %	178 447	145 406	22,7 %
Gross margin - %	62,3 %	59,3 %	n.m.	62,4 %	61,9 %	n.m.
Operating expenses	76 062	78 088	-2,6 %	200 175	153 540	30,4 %
Operating profit - EBITDA	16 063	-10 319	n.m.	-21 728	-8 134	n.m.
EBITDA margin	10,9 %	-9,0 %	n.m.	-7,6 %	-3,5 %	n.m.
Depreciation, amortisation and impairment	15 732	12 495	25,9 %	31 310	24 522	27,7 %
Operating profit - EBIT	330	-22 814	n.m.	-53 037	-32 656	n.m.
EBIT margin	0,2 %	-20,0 %	n.m.	-18,5 %	-13,9 %	n.m.
Pretax profit	-2 275	-23 538	n.m.	-57 544	-31 893	n.m.
Profit margin	-1,5 %	-20,6 %	n.m.	-20,1 %	-13,6 %	n.m.
EPS	-0,04	-0,31	n.m.	-0,65	-0,40	n.m.

Income Statement

The Q-Free Group generated revenues of NOK 148 million in the second quarter 2013, an increase of 29% from NOK 114 million in the second quarter 2012.

Gross profit increased 36% to NOK 92 million (62.3% margin), which was an improvement from NOK 68 million (59.3% margin) in the second quarter 2012.

The improved gross margin compared to the second quarter 2012 mainly reflects the revenue composition, with a larger proportion of product revenues and relatively less project revenues. Product revenues doubled to NOK 92 million whereas project revenue was nearly halved to NOK 23 million. Gross margin was also supported by a 44% increase in service & maintenance revenue to NOK 33 million.

Operating expenses amounted to NOK 76 million in the second quarter, which was a decline of 3% from the NOK 78 in the second quarter last year. This was positively affected by a reversal of NOK 6.6 million of the restructuring costs of NOK 25 million provided for in the Income Statement for the first quarter 2013.

Combined, this generated a sharp improvement in EBITDA from a negative NOK 10 million in the second quarter 2012 to a positive NOK 16 million in the second quarter this year.

Depreciation and amortization increased to NOK 16 million from NOK 12 million, reflecting mainly the start-up of depreciation of the single gantry solution earlier in the year and amortisation of intangible assets relating to the acquisition of TCS International.

Operating profit (EBIT) thus improved to a positive NOK 0.3 million compared to a negative NOK 22.8 million in the second quarter last year. Net financial items amounted to a negative NOK 2.6 million, compared to a negative NOK 0.7 million in the second quarter last year. This mainly reflects currency fluctuations, cash flow, and changes in the net cash position over the past year.

Overall, this generated a loss before tax of NOK 2.3 million in the second quarter 2013, compared to a loss of NOK 23.5 million in the second quarter last year.

Comparing with the first quarter 2013, revenue increased 7% with higher product revenue and lower project revenue. Operating expenses were significantly lower in the second quarter, mainly due to accrual of NOK 25 million for restructuring costs in the first quarter of which NOK 6.6 million was reversed in the second quarter and the vacation payment effect and less project activity in Q2.

Overall, EBIT improved from a negative NOK 53.4 million in the first quarter to the positive NOK 0.3 million reported in the second quarter, whereas the loss before tax improved from NOK 55.3 million to NOK 2.3 million.

For the first half year 2013, revenue increased 22% to NOK 286 million (235) whereas gross profit increased 23% to NOK 178 million (145) compared to the first half 2012. Operating profit declined to NOK -53.0 million (-32.7), including the NOK 19.4 million net accrual for restructuring costs, with the loss before tax widening to NOK 57.5 million (31.9).

Earnings per share were NOK -0.04 in the second quarter (-0.31) and NOK -0.68 for the first half year (-0.4).

Cash flow

Net cash flow from operating activities was NOK -61.2 million in the second quarter (-3.6), with increasing working capital more than offsetting lower losses. This mainly reflects increasing accounts receivables stemming from product sales late in the second quarter, as well as payment of severance packages relating to the downsizing element of the profit improvement program.

Net cash flow from investing activities was NOK -10.5 million (-15.9), and net cash flow from financing activities NOK -0.4 million (30.2) in the second quarter.

For the first half year net cash flow from operating activities was NOK -84.2 million (-53.0), and net cash flow from investing activities NOK -29.4 million (-25.7) including NOK 7 million relating to the acquisition of TCS International. Net cash flow from financing activities was NOK 0.8 million (+29.6).

This generated a total net change in cash and cash equivalents of NOK -72.1 million for the second quarter (+10.6) and NOK -114.3 million for the first half year (-49.0). The cash balance as at 30 June 2013 stood at NOK 255.2 million (390.8), compared to NOK 327.3 million per 31 March 2013 and NOK 369.5 million at the end of 2012.

Balance sheet

Total assets stood at NOK 844 million at the end of the first half year 2013 (880), a decline from NOK 890 million at the end of the first quarter and 942 million at the end of 2012.

Equity stood at NOK 580 million (638), with the decline from NOK 586 million from the end of the first quarter and NOK 631 million at the end of 2012 mainly explained by losses in the respective periods. The equity ratio was 68.6% (73.4%), up from 65.8% at the end of the first quarter and 67.0% at the end of last year.

Non-current liabilities were NOK 114 million (100), unchanged during the first half year.

Current liabilities was NOK 137 million (132), down from NOK 178 million at the end of the first quarter and NOK 187 million at the end of 2012.

Defined as current assets (excluding cash) less current liabilities, the net working capital amounted to NOK 122 million (103), corresponding to 19% of last 12 months revenues (18%). At the end of 2012, net working capital stood at NOK 64 million, or 11% of revenues in 2012. The ratio will vary between quarter with 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 3.8 at the end of the first half year (4.7), compared to 3.1 at the end of the first quarter and 3.3 at the end of last year.

Order inflow and backlog

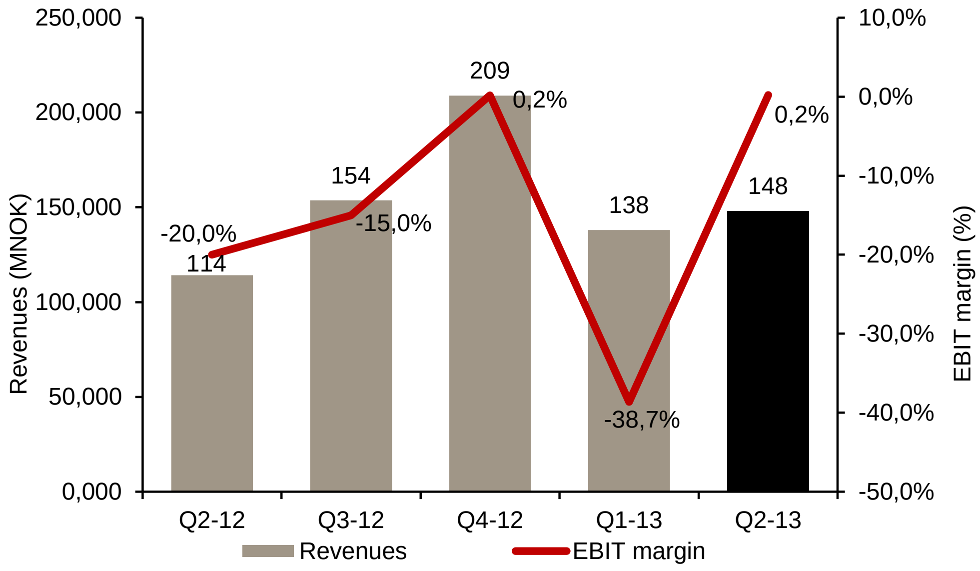
Order intake in the second quarter was NOK 194 million (68), the highest quarterly order intake recorded over the past year. The bulk of the order intake reflects tag orders in markets such as France, Thailand, Australia and Brazil. After the close of the quarter, the company was awarded an extension of the contract for operation of the central system for all tolling systems in Norway and also secured a sizeable service and maintenance contract in Stockholm, Sweden.

The stronger order intake contributed to an order backlog of NOK 433 million at the end of the first half, with the increase from NOK 387 million at the end of the first quarter marking a shift of the negative backlog trend seen over the previous quarters. NOK 236 million of the backlog is for delivery in 2013.

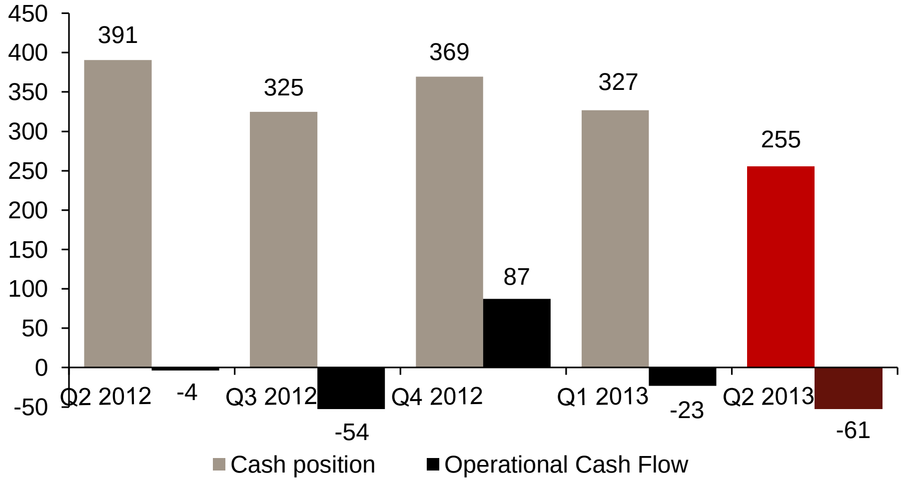
The expected start-up of the Electronic Law Enforcement (ELE) project in Jakarta will trigger booking of significant orders for projects and products as well as for service & maintenance.

Graphs

REVENUES & EBIT MARGIN QUARTERLY

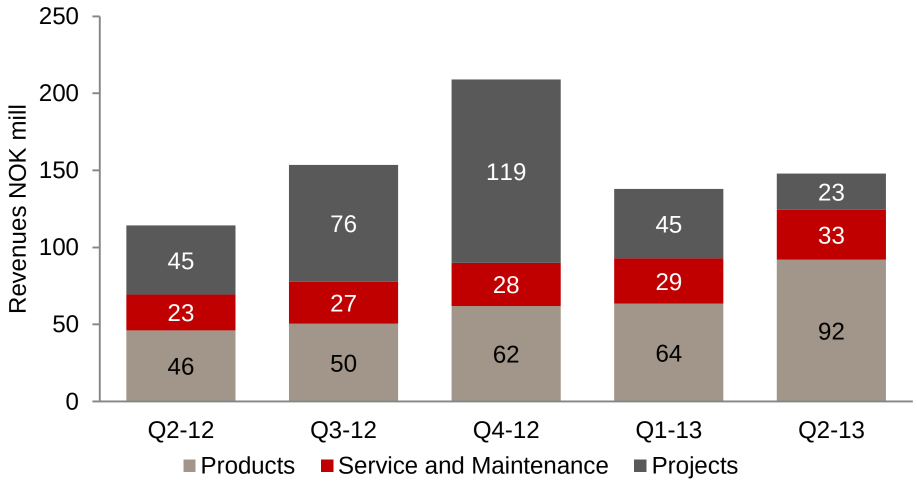


CASH FUNDS



Graphs

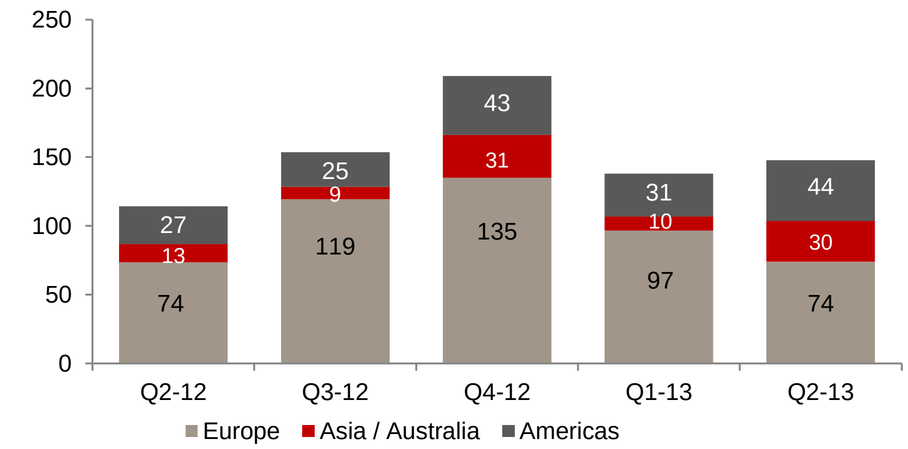
REVENUES BUSINESS AREAS



MNOK	Q2-12	Q3-12	Q4-12	Q1-13	Q2-13
Products	46	50	62	64	**92**
Service and Maintenance	23	27	28	29	**33**
Projects	45	76	119	45	**23**
TOTAL	**114**	**154**	**209**	**138**	**148**

30.06.2012	30.06.2013	y/y-%
117	**155**	**32 %**
52	**62**	**20 %**
66	**69**	**4 %**
235	**286**	**22 %**

REVENUES GEOGRAPHICAL

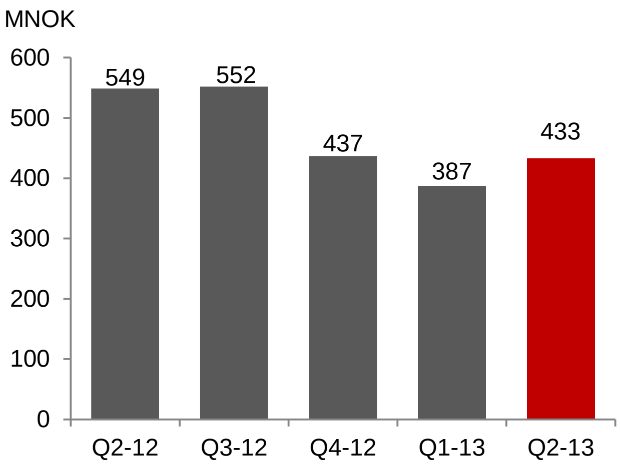


MNOK	Q2-12	Q3-12	Q4-12	Q1-13	Q2-13
Europe	74	119	135	97	**74**
Asia / Australia	13	9	31	10	**30**
Americas	27	25	43	31	**44**
TOTAL	**114**	**154**	**209**	**138**	**148**

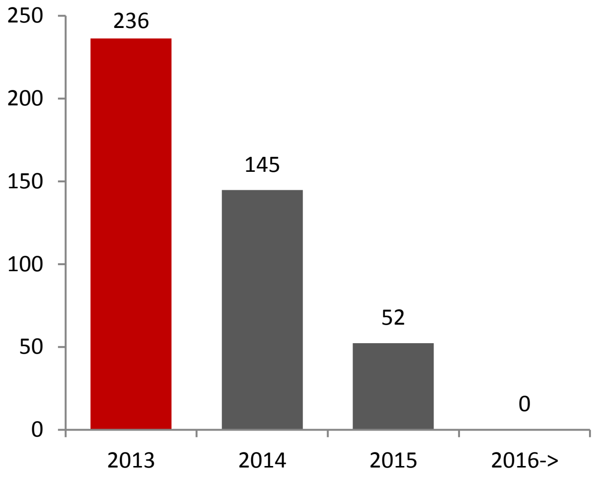
30.06.2012	30.06.2013	y/y -%
156	**171**	**9 %**
20	**40**	**104 %**
59	**75**	**27 %**
235	**286**	**22 %**

Graphs

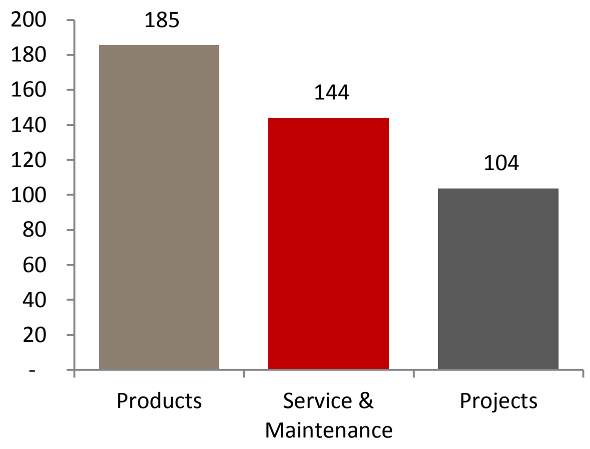
ORDER BACKLOG



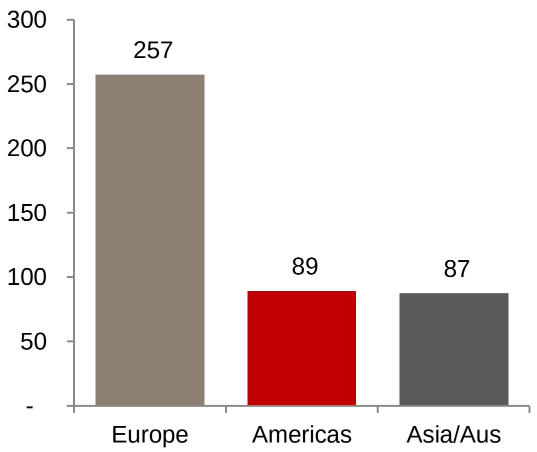
ORDER BACKLOG DISTRIBUTION



ORDER BACKLOG BUSINESS AREAS PER 30.06.13 MNOK

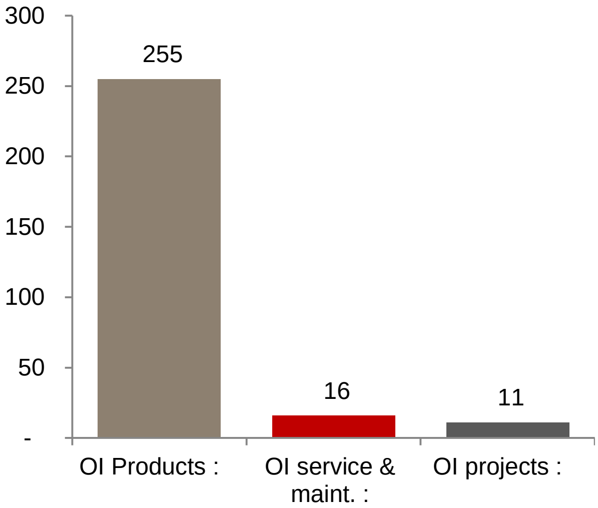


ORDER BACKLOG GEOGRAPHICAL PER 30.06.13 MNOK

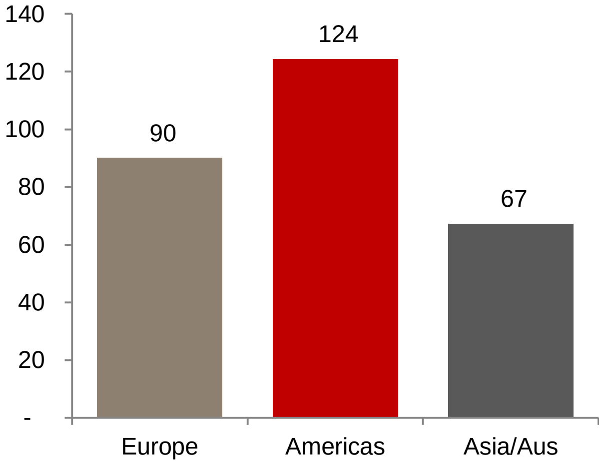


Graphs

ORDER INTAKE BUSINESS PER AREAS 30.06.13



ORDER INTAKE GEOGRAPHICALLY PER 30.06.13



Market overview

Q-Free's legacy business is in the Road User Charging (RUC) market, which on one hand still offers a large untapped potential but on the other hand implies political risk, dependency on individual projects, and revenue volatility. To mitigate these inherent risks, Q-Free is currently working to cost-optimize the RUC business while broadening its scope of business into Advanced Transportation Management Systems (ATMS).

The increasing focus on the ATMS market will over time build new recurring revenue streams in a market with considerable market and technology synergies with the RUC market but generally lower political risk and less dependency on large, individual projects. The acquisition of the parking guidance company TCS International in the fourth quarter 2012 was a one step in the direction Q-Free intends to follow going forward.

Road User Charging Market

Q-Free's advanced automated road user charging systems enable efficient congestion traffic management solutions and also offer our customers an effective financing opportunity. RUC solutions have gained ground in several developed markets but still remain to be deployed in many larger countries.

Advanced Transportation Management Systems Market

Advanced Transportation Management Systems (ATMS) collect real-time traffic data from road cameras, speed sensors, etc. for integration and processing in Transportation Management Centres (TMC), and enables efficient traffic routing, messaging services, incident reporting, etc. to improve traffic flow, safety, mobility, transportation system efficiency, fuel economics, and lower environmental cost.

Market update by region

Europe, Middle East and Africa (EMEA)

The EMEA market accounted for 50% of revenues in the second quarter, 34% of orders received and 59% of Group order backlog per 30 June, 2013.

Order intake in the region was NOK 65 million in the second quarter. The company announced one contract in this market, - a tag contract with VINCI Autoroutes in France valued at NOK 33 million. VINCI Autoroutes is the largest highway operator in Europe with more than four thousand kilometres under concession, corresponding to approximately half the network under concession in France. The order intake also included smaller contracts in The Netherlands, Sweden, Croatia, The Faroe Islands, Hungary and Norway.

Few projects seem likely to firm into final investment decisions in the near future, although there has been some progress in truck tolling projects in Belgium and Russia, and related to the introduction of multilane free flow in Spain. The financial and political situation is difficult in many countries. More acute challenges seem to take priority over introduction or expansion of tolling solutions, which causes delays in the decision processes. However, tolling solutions will ultimately contribute to solving the challenge of funding of new infrastructure projects, and a sense of urgency should sooner or later generate more aggressive expansion/implementation of various tolling solutions.

In *Norway*, the Norwegian Public Road Administration is planning to acquire a new back-office solution, and the current application service provider (ASP) solution delivered by Q-Free expires in November 2014. Due to delays in acquisition of a new central system, the existing service contract was in July extended for at least seven and a half months. The value for Q-Free is a minimum NOK 34 million, and given the uncertain timing of the substitution of the existing central system the company sees a significant upside potential related to this contract.

Q-Free is for commercial reasons not in the final bidding process for the new central system, and a generally difficult commercial environment in the Norwegian market means that the company will reconsider its market approach given the worldwide market opportunities.

In *Sweden*, the company was post quarter awarded an extension of the contract for service and maintenance of the congestion charging system in Stockholm, with an estimated value of NOK 36 million.

In *Spain*, the regional Government from Guipozkoa in the north has announced plans to introduce tolls on part of their motorways, and a request for quotation is out. Use of tolling is also being considered in Cendinsa. The central Government remains unclear on when to introduce Road User Charging solutions.

Belgium is still planning to introduce a nationwide truck-tolling scheme. During the quarter seven consortiums submitted pre-qualification papers. Five of these have been pre-qualified, of which Q-Free has an established relationship to three.

Russia is also planning to introduce a nationwide truck-tolling scheme. The tender process is still unclear although the prequalification tender is expected to be out relatively soon.

The truck tolling bid process in *Slovenia* has once again been halted, since only one bidder submitted an offer. More truck tolling schemes may be deployed in Central Europe over the next few years, in countries such as *Bulgaria and Ukraine*.

Q-Free has so far delivered tags at a value of NOK 50 million in *South Africa* and a similar-sized opportunity may come in the same project. However, the tolling system delivered in 2011 has not yet been put into operation, and further tag orders are unlikely before the system has gone live. The ‘go-live’ date has been postponed several times, and it remains uncertain if and when this will happen.

Q-Free is also exploring the ATMS market in the region, and is already in the process of establishing key references in the parking market.

Asia-Pacific

The Asia-Pacific market accounted for 20% of revenues in the second quarter, 34% of orders received and 20% of the Group’s order backlog at the end of Q2-2013.

Order intake in the region was NOK 65 million in the quarter. The company announced two tag contracts in this region during the quarter; a NOK 16 million contract to the Roads and Maritime Services (RMS) in Australia, and a NOK 12 million order from EXAT Expressway Authority of Thailand. The order intake in the region also included other smaller orders from Thailand and Australia.

The Asia-Pacific region comprises several emerging markets holding major project opportunities, first and foremost in Indonesia, Thailand and Taiwan. The company will continue its efforts to build a strong market presence and pipeline in this region.

Q-Free still awaits project start-up for the Electronic Law Enforcement system in Jakarta. However, the company on 29 July announced that a loan agreement had been signed between Export Credit Norway and PT Rin Indonesia Jaya for part financing of the project. The loan will be released upon initial payment of USD 6 million to Q-Free, which will also mark the start-up of the project.

The loan from Export Credit Norway represents the main part of the external financing of the project, and the signing as such represented an important milestone in the process towards project start-up.

The company is also exploring market opportunities related to Electronic Road Pricing / Congestion Charging in Indonesia. The Congestion Charging project has progressed well during the quarter and it is expected that a tender will be released during the year.

North America and Latin America

The markets in North America and Latin-America accounted for 30% of revenues in the fourth quarter, 33% of orders received and 21% of the order backlog at the end of Q2-2013.

Order intake in the region was NOK 63 million, including TCS order intake, in the quarter. The company announced one new contract, a tag contract in Brazil worth NOK 27 million.

In *Chile*, the company is currently bidding for further tag contracts, and also expect to see some infrastructure opportunities materialising in 2013 and 2014. The company is also beginning to see some interesting market opportunities related to parking.

Q-Free is also exploring business opportunities in Ecuador and Columbia, although these markets are still in an early phase.

In *North America* the company is continuing to supply the ALPR solutions to various system integrators. Recently, the company successfully implemented a new and enhanced imaging processing software for one of the operators, which significantly simplify the customer's back office operation. More similar business cases are being explored.

Q-Free has also made its entry into ATMS in North America, with the recent acquisition of TCS International. TCS is experiencing high market activity and is positioned for significant growth going forward. TCS also starts to see market opportunities through Q-Free's sales network, even though this will take time to materialize into revenue generating business.

Outlook

Q-Free continues to see a positive long-term outlook, with great opportunities in Indonesia and a strong pipeline in several other markets. However, a tough economic climate generates political and financial challenges for decision makers in some important markets at the moment. This causes project delays and increased uncertainty about the near- and mid-term development.

The company has taken actions to improve the financial robustness through a Profit Improvement Program designed to reduce annual cost and capital investment spending of NOK 60 million through cost optimising the Road User Charging (RUC) business, and by broadening the scope of business into Advanced Transport Management (ATMS) systems. The ATMS activities are currently most visible through the acquisition of the parking guidance company TCS in Boston. Both the profit improvement initiative and TCS have shown good progress during the quarter.

After the end of the quarter the company announced that a loan agreement has been signed between Export Credit Norway and PT Rin Indonesia Jaya for part financing of the large Electronic Law Enforcement (ELE) project in Jakarta. The loan will be released upon initial payment of USD 6 million to Q-Free, which will also mark the start-up of the project.

This represents an important milestone in the process towards a start-up of the project, a project promising to be a true company changer for Q-Free with respect to size, profitability and by forming a platform for future growth.

Risk factors

The main uncertainty pertaining to the financial development of Q-Free in the second half of 2013 relates to the timing of the expected start-up of the Electronic Law Enforcement (ELE) project in Jakarta, Indonesia. The start-up will trigger booking of major project, product and service & maintenance contracts, and will also have a significant impact on revenue and earnings in subsequent periods.

On a more general basis, an international technology company such as Q-Free is destined to be exposed to a number of different risks as outlined below. Please also refer to the Annual Report for 2012 for a risk description.

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, SEK and EURO.

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 fulfil 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 the period 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 these 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 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.

Notes to the condensed interim financial statements

1. General

The consolidated condensed interim financial statements for the six months ended 30 June 2013 were approved by the Board of Directors at its meeting on 14 August 2013.

Q-Free ASA is a limited liability company with 290 employees in 13 countries and representatives in 4 other countries. The Headquarter is based in Trondheim, Norway. Q-Free is listed on the Oslo Stock Exchange with the ticker QFR.

Q-Free is a leading global supplier of solutions and products for Road User Charging and Advanced Transportation Management Systems having applications mainly within electronic toll collection for road financing, congestion charging, truck-tolling, law enforcement and parking/access control. Q-Free offers solutions and products based on state of the art technology, and is the leading supplier within DSRC (tag and reader) - ALPR (Automatic License Plate Recognition) and GNSS (Global Navigation Satellite System) based solutions, with deliveries in Europe, Asia-Pacific, Africa, Middle East and North- and South America.

2. Statement of compliance

These consolidated interim financial statements, combined with other relevant financial information in this report, have been prepared in accordance with the regulations of the Oslo Stock Exchange and the requirements in IAS 34. These condensed consolidated interim financial statements for the period ended 30 June 2013, 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 2012. The consolidated financial statements for 2012 are available upon request from the company's registered office in Trondheim or at our website, www.q-free.com.

3. Accounting principles

The consolidated financial statements of the Q-Free Group for the second quarter 2013 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Norwegian Accounting Act. The Group has used the same accounting policies and standards as in the consolidated financial statements as at 31 December 2012.

4. Use of estimates

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

5. Events after the balance sheet date

No significant events have occurred since the balance sheet date.

6. Forward looking statements

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

Oslo, 14 August 2013.

The Board of Directors and

Chief Executive Officer of Q-Free ASA

Terje Christoffersen	Chairman of the Board
Jan Pihl Grimnes	Member
Charlotte Brogren	Member
Thomas Falck	Member
Selma Kveim	Member
Sissel Lillevik Larsen	Employee elected member
Frank Aune	Employee elected member
Øyvind Isaksen	CEO

The condensed interim consolidated financial statements per 30.06.13 (unaudited):

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

INTERIM CONSOLIDATED INCOME STATEMENT

NOK 1.000	Q2 2013	Q2 2012	30.06.2013	30.06.2012	Q1 2013	31.12.2012
Revenues	**147 892**	114 230	**285 939**	**234 991**	**138 047**	**597 532**
Cost of goods sold	**55 767**	46 462	**107 491**	**89 585**	**51 725**	**227 090**
Payroll expenses	**36 936**	40 704	**112 480**	**86 154**	**75 544**	**181 827**
Other operating expenses	**39 126**	37 384	**87 696**	**67 386**	**48 569**	**194 607**
Total operating expenses	**131 829**	124 549	**307 666**	**243 125**	**175 838**	**603 524**
EBITDA	**16 063**	-10 319	**-21 728**	**-8 134**	**-37 791**	**-5 991**
Depreciation, amortisation and impairment	**15 732**	12 495	**31 310**	**24 522**	**15 577**	**49 315**
EBIT	**330**	-22 814	**-53 037**	**-32 656**	**-53 368**	**-55 306**
Financial income	**2 664**	4 917	**6 284**	**10 162**	**3 620**	**26 286**
Financial expenses	**-5 270**	-5 641	**-10 790**	**-9 399**	**-5 521**	**-15 602**
Net financial items	**-2 605**	-724	**-4 507**	**763**	**-1 901**	**10 684**
Profit before tax	**-2 275**	-23 538	**-57 544**	**-31 893**	**-55 269**	**-44 623**
Tax expenses	**411**	3 205	**13 974**	**6 336**	**13 563**	**12 644**
Profit for the period	**-1 864**	-20 333	**-43 570**	**-25 558**	**-41 706**	**-31 979**
Attributable to :						
Minority interests	**537**	394	**881**	**959**	**344**	**2 561**
Equity holders of the parent	**-2 401**	-20 727	**-44 451**	**-26 516**	**-42 050**	**-34 540**
Profit	**-1 864**	-20 333	**-43 570**	**-25 558**	**-41 706**	**-31 979**
Number of employees	**290**	280	**290**	**269**	**309**	**310**
Gross margin	**62,3 %**	59,3 %	**62,4 %**	**61,9 %**	**62,5 %**	**62,0 %**
EBITDA margin	**10,9 %**	-9,0 %	**-7,6 %**	**-3,5 %**	**-27,4 %**	**-1,0 %**
EBIT margin	**0,2 %**	-20,0 %	**-18,5 %**	**-13,9 %**	**-38,7 %**	**-9,3 %**
Profit margin	**-1,5 %**	-20,6 %	**-20,1 %**	**-13,6 %**	**-40,0 %**	**-7,5 %**
EPS	**-0,04**	-0,31	**-0,66**	**-0,40**	**-0,62**	**-0,51**
EPS, diluted	**-0,04**	-0,31	**-0,65**	**-0,40**	**-0,61**	**-0,51**

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK 1.000	Q2 2013	Q2 2012	30.06.2013	30.06.2012	Q1 2013	31.12.2012
Profit for the period	**-1 864**	-20 333	**-43 570**	**-25 558**	**-41 706**	**-31 979**
Actuarial gains (losses) on defined benefit plans		0				**34 890**
Income tax effect	**0**	0			**0**	**-9 769**
Exchange differences on translation of foreign operations	**-3 323**	-3 274	**-6 958**	**-3 362**	**-3 635**	**-7 474**
Total comprehensive income for the period	**-5 187**	-23 607	**-50 527**	**-28 920**	**-45 341**	**-14 332**
Attributable to :						
Minority interests	**537**	394	**881**	**959**	**344**	**2 561**
Equity holders of the parent	**-5 724**	-24 001	**-51 409**	**-29 878**	**-45 685**	**-16 893**
Total comprehensive income for the period	**-5 187**	-23 607	**-50 527**	**-28 920**	**-45 341**	**-14 332**

BALANCE SHEET – ASSETS

NOK 1.000	30.06.2013	31.03.2013	31.12.2012	30.09.2012	30.06.2012
Development	143 440	146 452	153 682	131 364	135 306
Goodwill	64 667	64 667	64 667	29 544	29 544
Deferred tax assets	43 095	41 976	26 039	24 321	16 919
Total intangible assets	**251 202**	**253 094**	**244 387**	**185 229**	**181 769**
Machinery, fixtures and fittings	67 503	69 765	66 320	64 946	62 976
Total fixed assets	**67 503**	**69 765**	**66 320**	**64 946**	**62 976**
Shares	6 994	7 182	7 182	6 240	6 233
Other long term receivables	4 353	4 203	3 760	3 712	3 424
Total financial fixed assets	**11 346**	**11 385**	**10 941**	**9 951**	**9 657**
Total fixed assets	**330 051**	**334 243**	**321 648**	**260 127**	**254 402**
Inventories	65 095	74 443	79 330	82 370	76 003
Total inventories	**65 095**	**74 443**	**79 330**	**82 370**	**76 003**
Accounts receivables	108 207	59 714	95 956	94 913	50 884
Work in progress	60 320	64 287	39 864	60 856	63 657
Other receivables	25 863	29 693	35 412	57 295	44 136
Total receivables	**194 389**	**153 693**	**171 231**	**213 064**	**158 677**
Cash	**255 181**	**327 279**	**369 491**	**324 665**	**390 758**
Total current assets	**514 665**	**555 415**	**620 051**	**620 100**	**625 439**
Total assets	**844 715**	**889 659**	**941 699**	**880 227**	**879 840**

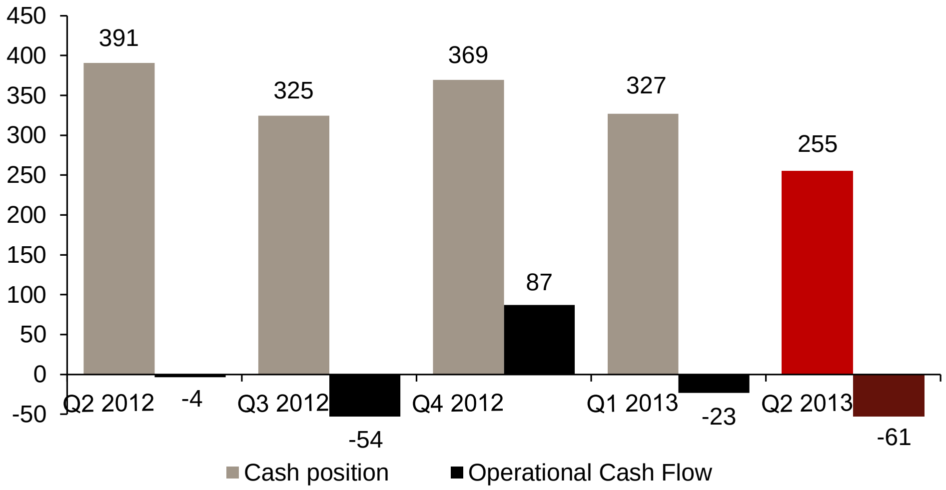
BALANCE SHEET – EQUITY & DEBT

NOK 1.000	30.06.2013	31.03.2013	31.12.2012	30.09.2012	30.06.2012
Subscribed share capital	25 830	25 830	25 830	25 830	25 830
Share premium reserve	415 554	415 554	415 554	415 554	415 554
Other paid in capital	17 962	19 738	18 863	16 939	16 939
Total paid in capital	**459 345**	**461 121**	**460 246**	**458 322**	**458 322**
Other equity	95 118	99 787	146 346	137 346	156 922
Total retained equity	**95 118**	**99 787**	**146 346**	**137 346**	**156 922**
Minority interests	**25 095**	**24 660**	**24 316**	**24 088**	**22 612**
Total equity	**579 558**	**585 568**	**630 908**	**619 756**	**637 857**
Pension liabilities	14 150	12 133	10 379	11 692	10 217
Total liabilities	**14 150**	**12 133**	**10 379**	**11 692**	**10 217**
Debt to financial institutions	100 000	100 000	100 000	100 000	100 000
Other non-current liabilities	13 908	13 908	13 908	0	0
Total long term debt	**113 908**	**113 908**	**113 908**	**100 000**	**100 000**
Accounts payable	47 867	55 467	67 984	49 738	30 275
Tax payable	2 043	1 633	5 658	1 572	1 523
Public duties payable	12 458	8 111	30 966	19 741	11 177
Advance payments customers	16 063	13 078	22 423	13 678	23 422
Other short term debt	58 669	99 761	59 474	64 050	65 370
Total short term debt	**137 099**	**178 050**	**186 504**	**148 779**	**131 767**
Total liabilities	**265 157**	**304 090**	**310 791**	**260 470**	**241 984**
Total equity and liabilities	**844 715**	**889 659**	**941 699**	**880 227**	**879 840**

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	Total	Non controlling interests	Total equity
Equity per 31.12.12	25 830	415 553	18 863	157 851	-11 505	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**	**115 801**	**-15 140**	**560 908**	**24 660**	**585 569**
Equity per 31.12.12	25 830	415 553	18 863	157 851	-11 505	606 593	24 316	630 909
Total comprehensive income for the period			-901	-44 451	-6 958	-52 310	959	-51 350
Equity per 30.06.13	**25 830**	**415 553**	**17 962**	**113 400**	**-18 463**	**554 284**	**25 275**	**579 559**
Equity per 31.12.11	25 176	386 177	16 939	190 923	-4 124	615 092	21 653	636 745
Total comprehensive income for the period				-26 516	-3 362	-29 879	959	-28 919
Share issue arising from acquisitions	654	29 376				30 030		30 030
Equity per 30.06.12	**25 830**	**415 554**	**16 939**	**164 407**	**-7 486**	**615 244**	**22 612**	**637 856**

CASH FLOW STATEMENT



NOK 1.000	Q2 2013	Q2 2012	30.06.2013	30.06.2012	Q1 2013	31.12.2012
Earnings before tax	-2 275	-23 538	-57 544	-31 893	-55 269	-44 623
Taxes paid	-696	-1 095	-1 712	-2 888	-1 016	-4 969
Depreciation / impairment	15 732	12 495	31 309	24 521	15 577	49 314
Other operational items	-73 970	8 507	-56 232	-42 698	17 738	-19 179
Cash flow from operating activities	**-61 209**	**-3 631**	**-84 179**	**-52 958**	**-22 970**	**-19 457**
Investments intangible assets	-8 146	-2 326	-11 997	-6 056	-3 851	-22 333
Investments tangible assets	-2 308	-13 605	-10 247	-19 605	-7 939	-32 262
Acquisition of a subsidiary, net of cash acquired	0	0	-7 107	0	-7 107	-25 034
Other investments	0	0	0	0	0	
Cash flow from investment activities	**-10 454**	**-15 931**	**-29 351**	**-25 661**	**-18 897**	**-79 629**
Proceeds from new loans	0	0	0	0	0	0
Down payments of debt to financial institutions	0	0	0	0	0	0
Share issue	0	30 002	0	30 002	0	30 002
Other financial items	-435	153	-779	-412	-344	-1 211
Cash flow from financing activities	**-435**	**30 155**	**-779**	**29 590**	**-344**	**28 791**
Net change in cash and cash equival.	**-72 098**	**10 593**	**-114 309**	**-49 029**	**-42 211**	**-70 295**
Cash and cash equivalents per 01.01.	327 279	380 165	369 491	439 788	369 491	439 788
CASH AND CASH EQUIVALENTS	**255 181**	**390 758**	**255 180**	**390 758**	**327 279**	**369 491**

KEY FIGURES

	30.06.2013	31.03.2013	31.12.2012	30.09.2012	30.06.2012
Operating profit / EBIT per share	**-0,78**	-0,79	-0,82	-0,84	-0,54
Operating margin	**0,2 %**	-38,7 %	-9,3 %	-14,3 %	-13,9 %
EPS	**-0,66**	-0,62	-0,51	-0,68	-0,40
EPS, diluted	**-0,65**	-0,61	-0,51	-0,68	-0,40
Cash flow per share	**-1,24**	-0,34	1,29	-0,81	-0,06
Equity per share	**8,53**	8,61	9,32	9,31	7,73
Equity ratio	**68,6 %**	65,8 %	67,0 %	72,5 %	72,5 %
Liquidity ratio	3,8	3,1	3,3	4,2	4,7
Average number of shares	**67 972 419**	67 972 419	67 725 111	67 216 375	67 112 419
Average number of shares diluted	**68 259 919**	68 259 919	67 354 159	66 957 857	66 551 563

	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Operating profit / EBIT per share	**0,00**	-0,79	0,01	-0,34	-0,34
Operating margin	**0,2 %**	-38,7 %	0,2 %	-15,0 %	-20,0 %
EPS	**-0,04**	-0,62	0,16	-0,28	-0,31
EPS, diluted	**-0,04**	-0,61	0,16	-0,28	-0,31
Cash flow per share	**-0,90**	-0,34	1,26	-0,80	-0,05
Average number of shares	**67 972 419**	67 972 419	68 832 419	67 216 375	67 112 419
Average number of shares diluted	**68 259 919**	68 259 919	68 832 419	68 832 419	67 216 375

Key information

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Charlotte Brogren	Board member
Jan Pihl Grimnes	Board member
Selma Kveim	Board member
Thomas Falck	Board member
Sissel Lillevik Larsen	Employee elected board member
Frank Aune	Employee elected board member

Management

Øyvind Isaksen	President & CEO
Roar Østbø	CFO
Jos Nijhuis	VP R&D
Per Fredrik Ecker	VP Sales
Marianne Sandal	VP Operations
Henrik Stoltenberg	VP Business Development and M&A
Stein-Tore Nybrodahl	HR Manager
Morten Andersson	VP Advanced Traffic Management Systems

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