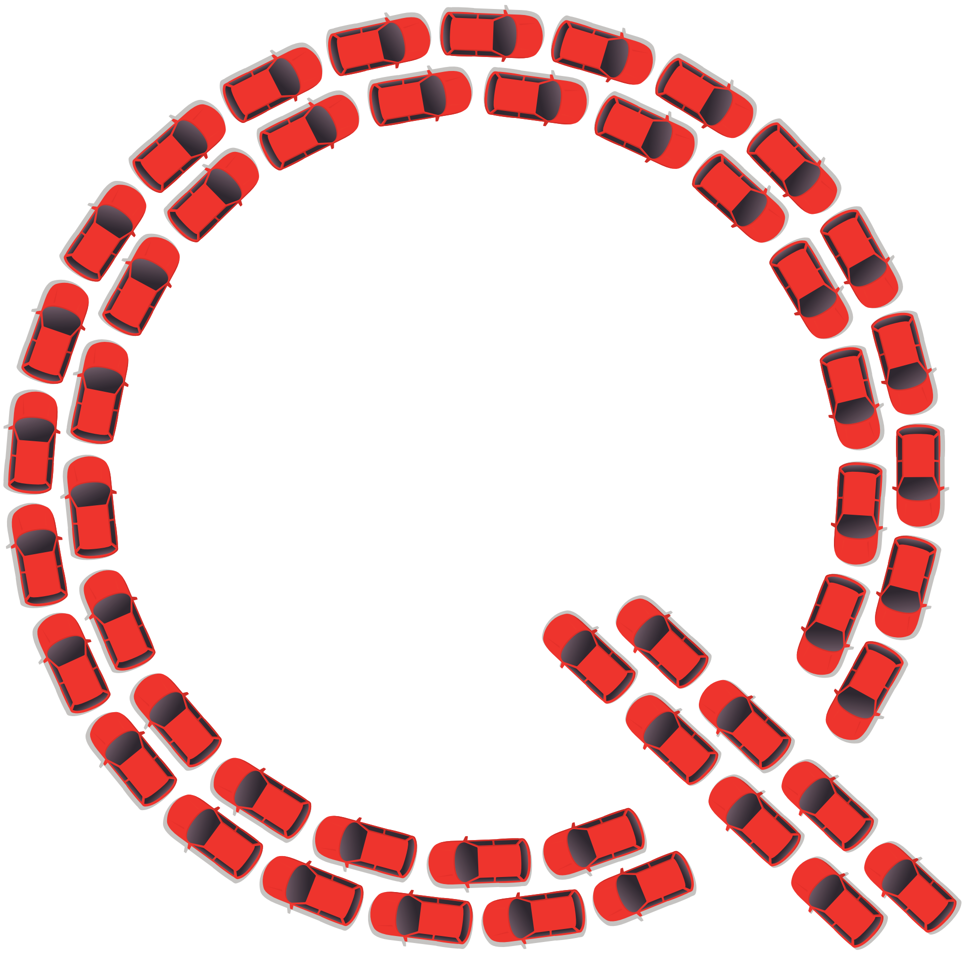

Q-FREE ANNUAL REPORT 2013

VISION

Our vision is to be the globally preferred partner within Intelligent Transport Systems, and provide worldwide leadership in Road User Charging (RUC) and Advanced Transportation Management Systems (ATMS).

KEY FACTS

Q-Free is a leading global supplier of products and solutions for Road User Charging and Advanced Transportation Management. The company has 300 employees with presence on all continents. Headquartered in Trondheim, Norway. Q-Free is listed on the Oslo Stock Exchange with the ticker QFR.

HISTORY IN SHORT

Q-Free was founded in 1984 as Micro Design by some very talented engineers based in Selbu outside of Trondheim, Norway.

Norway is a costly country for construction of roads, bridges and tunnels, and tolling solutions have been crucial tools for the financing of such infrastructure. Automation of the tolling solutions has been important to minimise operational costs and maximise the funds left for actual infrastructure construction.

This opportunity attracted Q-Free. The company carried out an R&D program in cooperation with the Norwegian Road Authority in 1986-88, and the partners in1988 deployed the world's first full-speed, non-stop electronic toll collection system at Ranheim in Trondheim.

The 1990's brought the first larger deployments of Electronic Toll Collection (ETC) systems. Norway installed toll cordons in Oslo and Trondheim, and Portugal rolled out a nation-wide ETC system called Via Verde in 1995. The CEN DSRC standards were released in 1997, contributing to an adoption of the European ETC technology to overseas markets such as Chile, Australia and Brazil.

The focus in the 2000s was on the continuation of the international expansion and on maintenance of the strong position in our home market. Also, the company modified its strategy and changed from a very much DSRC focused technology company, to a company providing solutions for a variety of Road User Charging applications.

Over the years, Q-Free has invested significant amounts in the development of state-of-the-art tolling technologies and solutions that have secured the company a strong position in the RUC market. In recent years Q-Free has also acquired leading ALPR and ATMS technologies as a part of its entrance into the Advanced Transportation Management System market.

Q-Free has over the past years undergone restructuring processes focused on internationalisation, professionalization and cost optimization, and will continue to take measures to improve efficiency further to generate more stable revenues and earnings.

1984
Q-Free established as Micro Design

1986
Contract with Norwegian Public Roads Administration

1988
First free flow tolling system operational

1990
Contract for Oslo Toll Cordon

1995
5.8 GHz system installed in Portugal

1997
Establishment of the European CEN DSRC standards

1985 1990 1995

Q-FREE WORLDWIDE

NUMBER OF EMPLOYEES

300

Q-FREE OFFICES

PRESENCE

2000 | 2005 | 2010

1999
Breakthrough in Australia and Brazil

2001
First fully interoperable free flow tolling operation, AutoPASS Norway

2005
Stockholm congestion charging system delivered

2006
Q-Free changing to a complete end-to-end solution provider

2008
Acquisition of Dacolian and Building Capital

2009
Slovakia Truck Tolling & Aenor MLFF Portugal

2011
Positioned for breakthrough in Indonesia

2012
Awarded Gothenburg congestion charging project

Acquisition of TCS International

2013
Increasing focus on the Advanced Transportation Management market

Acquisition of Elcom

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ABBREVIATIONS

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

THE CHALLENGE

Traffic volumes are increasing worldwide, leading to congestion, energy and time waste, increasing health and safety risks, and environmental problems. At the same time, expansion of urban infrastructure capacity is limited by space constraints and funding requirements in many places. Transport authorities and city planners hence need to find other ways to facilitate efficient transport solutions.

Q-FREE AT A GLANCE

The world faces ever increasing challenges related to transportation and mobility. National and international focus on energy policy issues, commitments to climate change measures, air quality legislation and growing traffic congestion all contribute to the complex challenges faced by national governments, transport authorities and city planners.

Q-Free is a leading global supplier of Intelligent Transport System (ITS) products and solutions for Road User Charging and Advanced Transportation Management. These technology sectors are recognized as fundamental enablers playing a central part in addressing transportation and mobility issues – increasing safety and relieving traffic congestion and pollution, while increasing the financial return on road and infrastructure investments.

Headquartered in Trondheim, Norway.
Approximately 300 employees
Represented on all continents
Listed on Oslo Stock Exchange under the ticker QFR.

Find out more at www.q-free.com

Q-Free Portugal Lda.
Lisboa, Portugal
1997 - 100 %

Q-Free América Latina Ltda.
Sao Paolo, Brasil
1998 - 100 %

Q-Free Australia Pty. Ltd.
Sydney, Australia
1999 - 100 %

Q-Free Sdn. Bhd.
Kuala Lumpur, Malaysia
1997 - 100%

Noca AS
Trondheim, Norway
2001 - 53.5. %

Q-Free ASA
Norway
1984

Q-Free Netherlands BV
Beilen, The Netherlands
2008 - 100 %

Elcom d.o.o.
Belgrade, Serbia
2013 - 100 %

Q-Free Thailand Co Ltd.
Bangkok, Thailand
2007 - 100 %

Q-Free Chile.
Santiago, Chile
2012 - 100%

Q-Free Africa Ltd.
Durban, South Africa
2010 - 74%

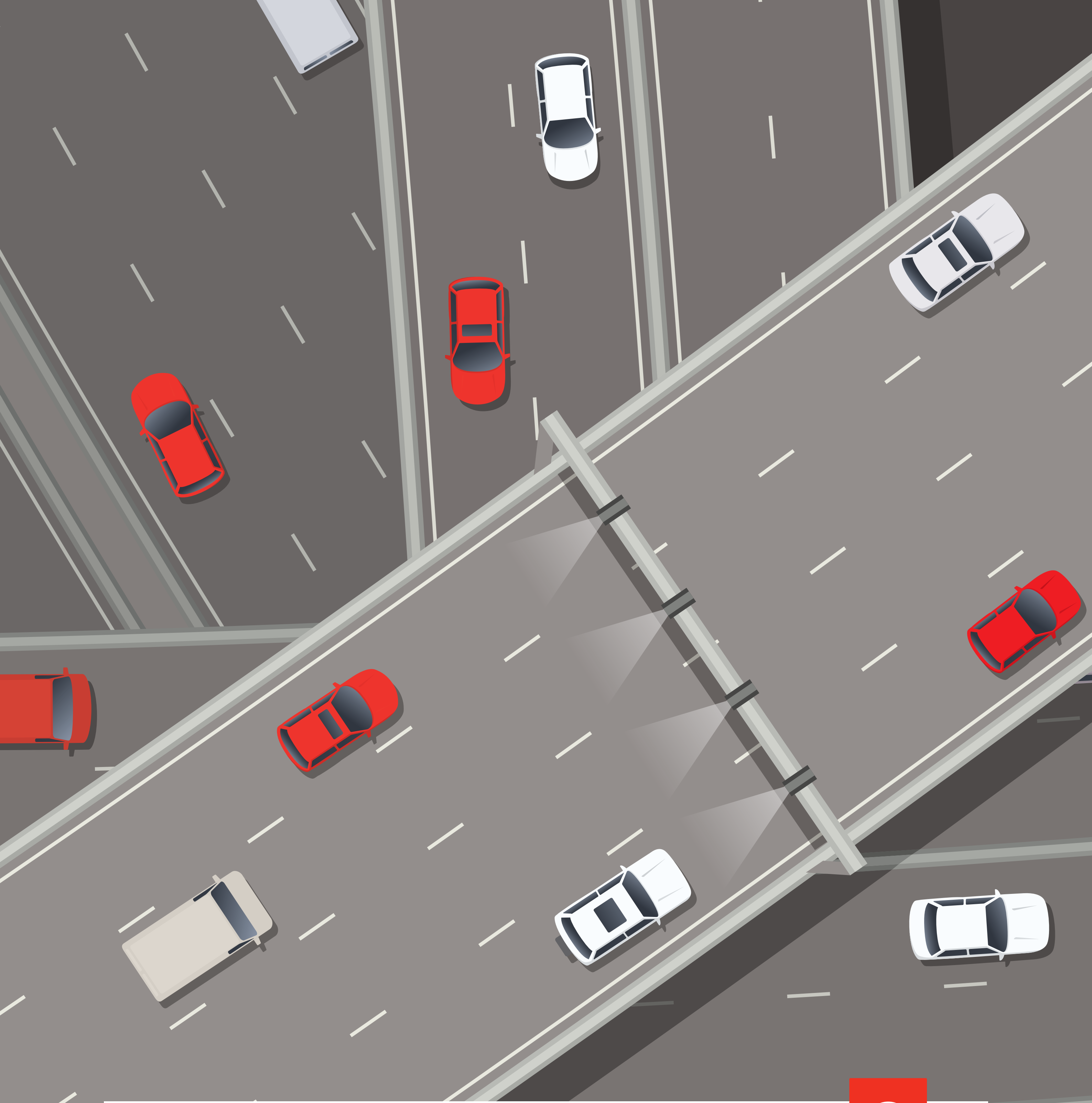
TCS International Inc.
Boston, USA
2012 - 100 %

PT Q-Free
Jakarta, Indonesia
2012 - 100 %

TCS International Inc.
Toronto, Canada
2012 - 100 %

Q-Free Sverige AB
Stockholm, Sweden
2007 - 100%

Intellight Inc.
Tucson Arizona, US
2013 - 10 %



THE SOLUTION

Efficient traffic handling in urban areas require Intelligent Transport Systems (ITS) such as Road User Charging (RUC) solutions and Advanced Transportation Management Systems (ATMS). Q-Free's leading portfolio in these areas contributes to improved traffic flows while increasing financial return on road and infrastructure investments.

IMPORTANT EVENTS IN 2013

ORDER INFLOW

Q-Free in January and March received NOK 50 million worth of tag orders from Centro Gestao Meios de Pagto in Brazil, under a frame agreement announced in 2012.

In January, Q-Free also received a repeat tag order of NOK 19 million from Vespucio Norte Express, one of the initial urban concessionaires in Santiago, Chile.

In March, Q-Free was awarded a NOK 16 million tag order from Roads and Maritime Services in Australia.

In June, Q-Free received a NOK 12 million tag order from EXAT Expressway Authority of Thailand.

In June, Q-Free was also chosen as a main supplier of tags to VINCI Autoroutes in France, the largest highway operator in Europe. The initial tag order was NOK 33 million.

In July, The Swedish Transport Administration decided to continue the cooperation with Q-Free related to service- and maintenance of the congestion-charging infrastructure in Stockholm. The order value was approximately NOK 36 million.

In July, Q-Free also announced an extension of a contract with The Norwegian Public Road Authorities for operation of the central tolling system in Norway, with a minimum value of NOK 34 million.

In September Q-Free was awarded a breakthrough NOK 41 million contract from Miami-Dade Expressway Authority in the USA, comprising implementation and operation of Q-Frees´ Enhanced Imaging Processing solution

In December, Q-Free received a NOK 12 million tag order from Via Verde, one of Portugal`s leading concessionaires.

In December, the Roads and Maritime Services (RMS) in and Q-Free agreed to discontinue an existing contract on Sydney Harbour Bridge, due to delays of the delivery of an electronic tolling system. The contract termination had a negative effect of NOK 60 million on before tax that is recognized in the Financial Statements for 2013.

JAKARTA PROGRESS

Export Credit Norway and Q-Free's client PT Rin in Jakarta, Indonesia in July signed a loan agreement for part financing of a previously announced large Electronic Law Enforcement (ELE) project. The funding commitment from Export Credit Norway is valid until 1 July, 2014.

Project start-up remains contingent on an initial payment from the customer to Q-Free.

M&A ACTIVITY

On 24 October, Q-Free signed a **Share Purchase Agreement** for the acquisition of the Serbian company Elcom for EUR 1.3 million. The acquisition followed a USD 1 million investment for 10 percent ownership in the American company Intelight.

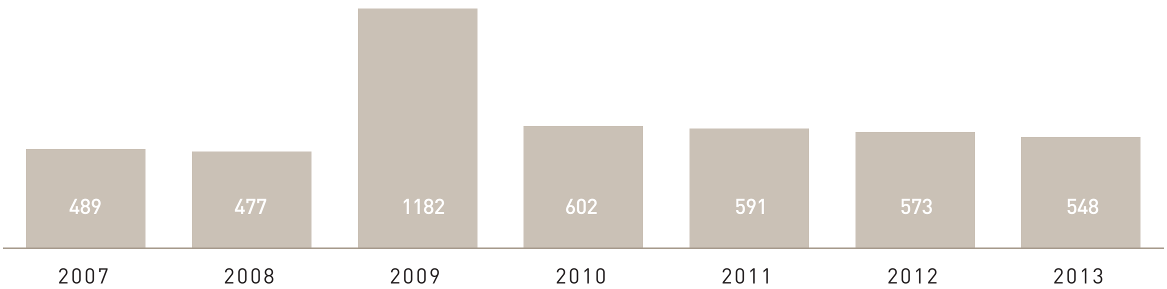
STRATEGIC UPDATE

Q-Free in the first quarter announced a **Profit Improvement Programme (PIP)** designed to reduce the annual cost base by NOK 40 million and the annual investment spending level by NOK 20 million. The program will have full effect in 2014

Cost associated with the **PIP** amounted to NOK 25 million before tax, which is recognized in the Financial Statements for 2013

The company has initiated a new improvement program that will be implemented in 2014. The **"Q-Free Strategy and Collaboration"** (QSC) program is designed to expand the revenue base, lower business risk, and improve internal cooperation and operational efficiency.

ORDER INTAKE



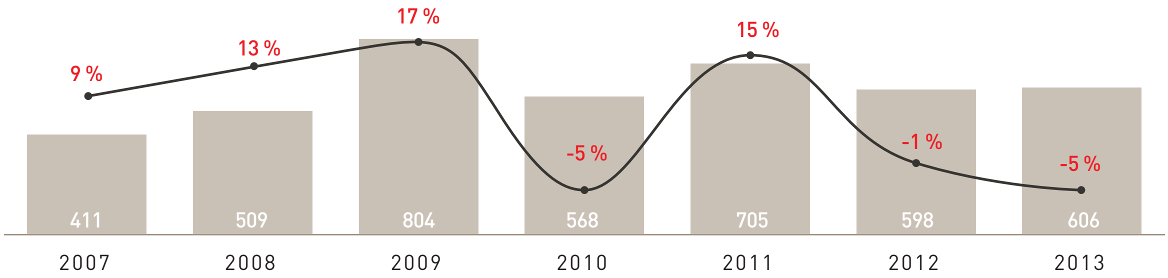
KEY FIGURES

FOR THE YEAR ENDED 31.12.2013

FIGURES IN NOK

	2009	2010	2011	2012	2013
PROFIT & LOSS ACCOUNT (NOK)					
Operating revenue	804 403	568 044	704 912	597 532	606 072
COGS	303 249	268 233	296 491	227 090	224 791
OPEX	365 769	329 231	301 012	376 434	413 080
EBITDA	**135 205**	**-29 419**	**107 409**	**-5 991**	**-31 799**
EBIT	**102 743**	**-90 373**	**58 907**	**-55 306**	**-94 713**
Profit before tax	**109 698**	**-79 593**	**54 916**	**-44 623**	**-97 959**
Profit after tax	**78 150**	**-56 848**	**36 187**	**-31 979**	**-110 770**
GM %	62.3 %	52.8 %	57.9 %	62.0 %	62.9 %
EBITDA %	16.8 %	-5.2 %	15.2 %	-1.0 %	-5.2 %
EBIT %	12.8 %	-15.9 %	8.4 %	-9.3 %	-15.6 %
SELECTED BALANCE SHEET ITEMS (NOK)					
Intangible fixed assets	155 860	186 897	182 902	244 387	236 279
Tangible fixed assets	71 874	63 261	53 302	66 320	63 071
Cash	274 615	85 724	439 788	369 491	271 477
Total assets	767 534	687 715	928 670	941 699	894 344
Equity (incl minority)	548 601	499 418	636 746	630 908	504 526
Intereste bearing liabilities	1 412	622	100 000	100 000	100 000
KEY FIGURES PER SHARE (NOK)					
Earnings per share, ordinary	1.41	-0.94	0.58	-0.51	-1.65
Earnings per share, diluted	1.39	-0.92	0.57	-0.51	-1.64
Cashflow	2.01	-2.01	3.19	-0.29	-0.48
Book equity	9.88	8.29	10.57	9.34	7.42
Market cap as at 31.12 (MNOK)	1 303	1 042	1 106	1 298	952
Average no of shares	55 536	60 247	60 247	67 541	67 972
OTHER KEY FIGURES					
Order backlog	716 039	575 132	461 661	437 408	379 194
Order Intake	1 181 575	601 950	591 355	573 365	548 060
Return on Invested Capital (ROIC)	1.05	0.83	0.76	0.63	0.68
Net interest bearing liabilities	1 412	622	100 000	100 000	100 000
Cash flow from operations	111 852	-120 849	192 169	-19 886	-32 567
Operational investment	71 075	66 996	37 722	54 195	37 738
Equity ratio	71 %	73 %	69 %	67 %	56 %
Gearing	0.2 %	0.1 %	10.8 %	10.6 %	11.2 %
Number of employees	282	282	273	305	291
Price / book value	**2.38**	**2.09**	**1.74**	**2.06**	**1.89**

REVENUES AND EBITDA MARGIN



"2013 was a challenging year for Q-Free, and lessons learned will lead to changes in our organisational behaviour and business scope. Our aim remains to strengthen and build Q-Free's position as a true global ITS player with particular strengths within Road User Charging (RUC) and Advanced Transportation Management Systems (ATMS) markets."

Thomas Falck
CEO

LETTER FROM THE CEO

TAKING A FRESH APPROACH

The year 2013 made it evident that we need to align our strategies and operational focus better with market realities in the current economic environment. Our business model has been structured to capture larger projects, and we need to expand our revenue base with more mid-sized and smaller contracts if we are to succeed in generating higher and more stable revenues and earnings. At the same time, we need to improve the efficiency of our own organisation. I am glad to see that management, our directors and our employees want to work together in realizing Q-Free's full potential in the years to come.

THE MARKET OPPORTUNITIES ARE THERE

I am excited to be working for a company like Q-Free, with leading technologies in a market with tremendous opportunities. Over the last thirty years, Q-Free has proven that our technology helps customers achieve outstanding results. In Norway, the Public Road Administration is annually charging close to NOK 7 billion in road user fees based on technology first developed by Q-Free. Our congestion charging solutions in Gothenburg and Stockholm have already generated substantial revenue streams for the authorities, and significant improvements in traffic patterns and efficiency. The environmental effects are also very positive. Listening to our customers it is clear that they wish to keep us involved in defining and shaping their future systems and solutions.

In my opinion, it is obvious that any large city needs a traffic management system to help regulate traffic. The number of vehicles on the road in urban areas is increasing, and so are the problems related to congestion and air pollution. Q-Free's systems and technologies offer a solution to some of these problems, as well as reducing the number of unproductive hours spent in traffic.

Losing hours stuck in traffic every day is the same as losing hours of your productive, billable working hours. This is a problem for the individual as well as for the overall value creation in the economy. Charging people or businesses a fraction of the potential lost revenue is a small price to pay, and the revenue source that Q-Free's systems offer for the authorities provides funding for better and safer roads.

10-15 years from now, I cannot see any large city not using some variant of road pricing and traffic management to regulate the flow of traffic. We are in the process of validating our strategy and offerings to make sure that our solutions align with the current market conditions, and I am confident that Q-Free will remain a leading player with strong market positions in Road User Charging (RUC). At the same time, we aspire to build an equally strong position within Advanced Transportation Management Systems (ATMS). We will continue to build the ATMS division organically, and through selected acquisitions of technology based companies with potential for profitable growth.

STARTING THE Q-FREE STRATEGY AND COLLABORATION PROJECT (QSC)

During January 2014, we conducted an internal employee survey and a series of interviews that strengthened my confidence that we will be able to bounce back from a challenging year. Management and employees are proud to work for Q-Free, and expect positive changes to come. Our employees are motivated for change and recognise that we are able to improve our business considerably.

Since taking over as CEO in early January, I have spent a great deal of my time meeting and discussing with our employees, and I am impressed with their competence and commitment. I believe the organisation shares a mutual understanding that we need to come together, support each other, and start working better as one global team. It is my ambition as a leader to help us get there.

Q-Free has generated revenues of approximately NOK 5.6 billion since the listing on the Oslo Stock Exchange in 2002. However, the profitability has been highly volatile and overall we have not been able to establish an acceptable profit level. For the past few years, we have been expecting the market to come our way and have been waiting for large projects to get underway. It is time to take a fresh approach to make sure we can live well off the existing market, instead of betting on future market opportunities.

We took a step forward with the implementation of the Profit Improvement Program in 2013, which reduced the annual cost base by NOK 40 million and took down the annual investment spending level by NOK 20 million.

Our next initiative is the 'Q-Free Strategy and Collaboration project' (QSC). The objective of the QSC is to broaden our market focus to include more of the smaller and mid-sized project opportunities. This will expand the revenue base and reduce risk. At the same time, the QSC program will seek improvements in internal cooperation and operational efficiency. My goal is that the QSC-project will become an important vehicle to generate ideas and enthusiasm, mobilize the organisation for the changes necessary to win more business, improve our competitive position and keep our customers happy. I believe the process we will lead to a better organized, more focussed and customer-oriented Q-Free, able to deliver higher and more consistent returns to our shareholders. I am looking forward to sharing our progress in the years to come, and I am thankful to our employees and shareholders for their continued support.

VISION AND STRATEGIC POSITIONING

ROAD USER CHARGING

SEGMENTS				
	Technology providers	System integrators	Operators	Concessionaires
	Q-FREE	Q-FREE	Q-FREE	

FROM PRODUCT SUPPLIER TO TURNKEY PROVIDER
Over the last decades, Q-Free has developed a portfolio of products and systems around its DSRC and ALPR technologies. It is Q-Free's intention to strengthen these technologies further, and deliver an even more comprehensive range of market leading solutions in the future. Q-Free will also expand its value chain by potentially taking on the role as operator in projects, positioning the company as an attractive turnkey provider in the RUC market.

ADVANCED TRANSPORTATION MANAGEMENT SYSTEMS

URBAN	INTER URBAN	ROAD USER CHARGING	SEA TRANSPORT	AIR TRANSPORT	RAIL AND PUBLIC TRANSPORT
Urban traffic management central	ITS central highway system	Tolling	Ports management central	Air control management central	Infomobility central
Parking management	Infomobility SW platform	Congestion charging	Passengers management	Passengers information system	Surveillance
Enforcement	Detection	Truck tolling	Cargo and transport management	Parking management	Multimodal coordination
Detection, ect.	Enforcement and security	ALPR			Fleet managentt
Q-FREE	Q-FREE	Q-FREE	Q-FREE		

Urbanisation and global wealth development are key drivers of traffic congestion, which represent an increasing problem across the globe - with regard to pollution, accidents a nd time inefficiencies.

Q-Free is an (ITS) Intelligent Transport System company aiming to help solving some of these problems, and become the global partner of choice in the area of Intelligent Transport Systems. We provide world-leading solutions within the areas of Road User Charging (RUC) and Advanced Transportation Management Systems (ATMS).

These developments challenge infrastructure and call for deployment of more advanced traffic management solutions and technology and hence provide business opportunities with growth potential for decades to come.

MARKET AND STRATEGIC POSITIONING

RUC and ATMS are important enablers to address the challenges presented by increasing traffic and urbanisation going forward.

RUC solutions will reduce traffic while enabling funds for maintaining and building high quality road infrastructure to reduce pollution, improve traffic safety, and increase time efficiency. RUC solutions are also important tools for traffic congestion management, as proven in the Stockholm and Gothenburg congestion charging systems delivered by Q-Free. RUC solutions have gained ground in several developed markets but still remain to be deployed in many larger countries.

ATMS comprises gathering, processing and communication of information about various types of traffic, enabling improved traffic flow and traffic safety. The growing ATMS market may be split into Urban traffic, Inter-Urban, Parking management, infomobility, Public Transport, Rail, consultancy and planning. Q-Free's main focus will be on the four first segments, which account for approximately 50 percent of total market value.

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

The company has established a strong portfolio and reference base in the RUC area, through 30 years of industry leadership and major investments in a globally leading product offering.

However, the company also plans to increase its investment in the ATMS area, both through acquisitions and organically, in order to improve the financial robustness, reduce the company's dependence on large individual tolling projects, and strengthen the long-term growth platform.

From a strategic point of view it also seems clear that the RUC and ATMS markets will converge, making it imperative to build a strong position in the wider intelligent transport area in the future.

THE CHALLENGE

Cities around the world face the challenge of coping with increasing levels of road traffic in urban areas with complex street geometries, space constraints and aesthetic considerations, in ways that will preserve quality of life in terms of health and safety, the environment, and the economy.

THE SOLUTION

Q-Free's innovative end-to-end Road User Charging (RUC) solutions improve traffic efficiency in a cost effective and environmental friendly manner. Our key offerings are turnkey systems for electronic fee collection, congestion charging and truck tolling, using a variety of technologies within satellite positioning systems, short-range communication solutions, and video-based registration systems.

ROAD USER CHARGING SOLUTIONS AND TECHNOLOGIES

Q-Free provides innovative end-to-end solutions for Road User Charging (RUC), from conventional charging systems to interoperable free-flow systems. The turnkey RUC systems are environmental friendly and cost-effective, and contributes to reduced traffic congestion.

Today's traffic management solutions take on more challenges than just charging for infrastructure. Increased traffic congestion, pollution, and wear and tear on roads and other infrastructure increase the need for integrated systems that are capable of providing the traveler with a single, efficient, reliable and safe means of toll payment.

As a systems integrator, Q-Free delivers the full range of traffic applications solutions, ranging from conventional charging systems to interoperable free-flow solutions. The systems and applications can be based on a variety of technologies, as there is no 'one size fits all' solution in this market. The optimal solution depends on the purpose of the charging scheme, and the legal frameworks under which it will have to operate.

Q-Free is a technology-agnostic provider, with a solid track-record of successful project deliveries mixing its own products with those of strategic partners. This has created a deep understanding of market needs and customer requirements. The company has extensive integration and advisory experience, and offers tailored solutions created in close collaboration with its customers. The target is to deliver the right quality, on time and on budget, with the optimal balance of capital investments and operational costs.

Q-Free has more than two decades of international experience, and is leading the way in the development of the RUC market. The company delivered its first free-flow system in the late 1980s and played a part in the establishment of the CEN DSRC standard for tolling in the 1990s. Q-Free delivered the first electronic fee-collection system in Thailand and the first video-based congestion tax collection systems for Stockholm and Gothenburg in Sweden. Q-Free's innovative and cost-effective technologies are the result of a continuing development focusing on high system performance, robustness, and automation. Stakeholders globally now benefit from effective turnkey RUC systems delivered by Q-Free.

Q-Free's focus areas within RUC:
- Electronic Fee Collection
- Congestion Charging
- Truck Tolling
- Image Handling Systems
- Electronic Registration Identification

ELECTRONIC FEE COLLECTION

Most modern Road User Charging (RUC) charging solutions have started out with manual tolling and then increased the degree of automation. Automation has itself evolved from the use of automatic coin machines to the deployment of fully automated systems using electronic tags or video.

Q-Free delivers RUC systems ranging from conventional tolling with mixed operations of manual, semi-automatic and electronic toll charging to full free-flow Electronic Fee Collection (EFC) solutions. The company's systems are fully capable of integrating with existing installations and systems, enabling a future migration of manual and semi-automated operations to an optimised EFC solution. The versatile Q-Free EFC solution is built on modular systems that incorporate cutting-edge technology, covering applications ranging from large highway projects, tunnel installations, to congestion charging systems in urban areas.

The Q-Free EFC solution design is scalable to fit future needs for capacity expansion. It can handle both increased transaction volumes and the expansion of core system functionalities to include single or multi-lane free-flow systems. The solution is also designed to accommodate other transactional services such as parking or access control.

Q-Free knows that performance is important. Low performance gives revenue leakage and/or increased operational cost. Q-Free's experienced personnel designs and builds systems to avoid these negative effects.

CONGESTION CHARGING

Congestion charging systems are based on electronic fee collection technology and principles of variable pricing based on levels of traffic, time of day, and type of vehicles. In the case of the latter, higher-polluting vehicles can be charged more for accessing or transiting an area. Discouraging the use of pollutive vehicles or encouraging greater use of less pollutive vehicles has positive effects on carbon emissions and air quality. This requires the ability to charge and enforce at the same place on the roadside.

RSE650 DSRC TRANSCEIVER

MD5859 DSRC TRANSCEIVER

MAIN RUC TECHNOLOGIES USED

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

DSRC
DEDICATED SHORT
RANGE COMMUNICATION

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

GNSS
GLOBAL NAVIGATION
SATELLITE SYSTEM

RUC systems based on GNSS require a tag in the vehicle, which positions the vehicle and identifies its position and movement to the RUC operator. GNSS based systems are being used in the RUC system for heavy goods vehicles, more specifically the German HGV system and the Slovakia Sky-Toll system.

ALPR
AUTOMATIC LICENSE
PLATE RECOGNITION

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

IMAGING SYSTEM: VIDEO REGISTRATION AND FLASH UNIT

Congestion charging systems may differ in terms of set up and pricing structures. The London Congestion Charge levies are flat fee for access to the city centre at peak hours. In this case, all that is needed is a means of identifying a vehicle – using video-based automatic licence plate recognition- and passage of the vehicle details to a back office for payment and/or enforcement. Other schemes, such as in Stockholm, has a strong variable pricing element although the purpose of both schemes is to encourage people to change their travel patterns and either use public transport or travel off-peak.

Congestion charging is therefore different from tolling solutions, which primarily serves the purpose of generating funds for public infrastructure and can use conventional set-ups of toll plazas, barriers and a mixture of manual and electronic tolling. Congestion charging must use multi-lane free-flow solutions, as other options would only cause further congestion.

Congestion charging is mainly applied in urban areas with complex street geometries, aesthetic considerations, and space constraints, and legislation may give rise to additional challenges when building a trustworthy and fair payment solution.

Q-Free's congestion charging system is designed to fit any urban environment. Advanced traffic management is delivered through automatic vehicle identification and advanced enforcement with a single-gantry solution that minimizes space requirements and adds versatility to the charging point selection. Combined with Q-Free's expertise in optimising traffic flows, the single-gantry system results in fair and reliable payment methods and well-managed traffic patterns, providing a long-term solution for maximising revenue collection.

TRUCK TOLLING

International and domestic Heavy Goods Vehicle (HGV) traffic cause high levels of wear and tear to roads and carrie a significant environmental burden. The solution is often to implement a truck tolling scheme to pass on the costs to the vehicles that are actually using the roads. As a technology-agnostic solutions provider, Q-Free offers optimised, versatile solutions for both national and international truck tolling schemes. Since each scheme is unique, Q-Free takes a best-of-breed approach to offering tailored solutions, mixing its own technology with that of strategic partners.

A truck tolling solution needs to be composed of components for toll collection and enforcement against non-payment. The technology applied for payment can be a combination of GNSS (satellite), DSRC (tag) and automatic license plate recognition (video) systems. Q-Free's enforcement package is modular and consists of a mix of fixed, mobile, portable and handheld solutions enabling a flexible and efficient enforcement regime. The payment and enforcement technology is backed by a scalable back office solution and an experienced, hands-on service and maintenance team.

IMAGE HANDLING SYSTEMS

As national and international road volumes increase, so does the number of systems used for their control. At the same time, image-based identification is increasing in

OBU 610 DSRC TRANSPONDER

application. Examples range from video-based tolling and automated speed enforcement to general traffic monitoring and more advanced forms of traffic management. These create a need for greater automation of image processing, both to reduce the costs associated with manual review and to ensure that the imaging subsystem is performing in accordance with the requirements.

Q-Free offers its own, world-leading imaging software portfolio, the Q-Free imaging system, for reliable identification of vehicles in traffic. This technology delivers high-performance, automatic image handling as a service or system, and combines tailored automatic license plate recognition software libraries with the workflow that best fits the specific task.

ELECTRONIC REGISTRATION IDENTIFICATION

The growing number of vehicles on the road also makes it increasingly difficult to check that all vehicles have met all legal obligations. Car theft and non-payment of insurance and taxes result in indirect costs for both society and the authorities.

To provide efficient enforcement tools for automatic compliance checking, Q-Free has developed an Electronic Registration Identification (ERI) solution. This is provided on a highly secure and well-proven technology platform, offering the required accuracy and reliability. Information currently found on motor vehicle registration certificates is stored in electronic on-board units and coupled with automatic license plate recognition systems. This complete system offers interoperability with existing Road User Charging (RUC) products and systems. Authorities can concentrate their efforts on enforcement while the concept gives great advantages for society in the form of safer traffic.

Q-Free's extensive experience in the RUC industry results in the perfect solution for registration, classification and automatic compliance checking. The outcomes are increased availability, reduced costs and higher enforcement efficiency.

CENTRAL SYSTEMS BACK OFFICE

Q-Free delivers a scalable, tailored back office system. The company's turnkey solutions offer an efficient operational model while extensive integration and advisory experience lead to minimised operational costs, optimal customer solutions and world-class performance.

The versatile back office solution from Q-Free can easily be customised to suit a wide range of applications, solutions and individual customers' specific operational requirements. The company's back office systems can accommodate all types of payment and discount schemes, including pre- and post-paid, credit card, bank account clearing, charge to account, period-based subscription, multiple vehicles to one account, and so on. Full audit trails and integration with all major electronic road pricing systems is possible.

Back office solutions deployed by Q-Free now process more than 3 million transactions per day.

!

THE CHALLENGE

Static management systems and lack of real-time information and communication generate major inefficiencies in transportation networks, leading to unnecessary congestion, energy and time waste, and reduced air quality in urban areas. Problem areas range from intersection traffic flows, accident information and alternative traffic routing, to parking availability.

THE SOLUTION

Q-Free's urban traffic management systems and parking guidance systems can prevent or deal with traffic inefficiencies by combining real-time information gathering systems, processing technologies, and communication systems. Increasingly intelligent traffic management holds benefits for all travellers, infrastructure operators, and society at large.

ADVANCED TRANSPORTATION MANAGEMENT SYSTEMS

Advanced Transportation Management Systems (ATMS) optimise transportation network operations, to reduce traffic congestion and pollution, and preserve economic prosperity and quality of life.

Transportation networks around the world face the challenge of coping with growing populations and increasing levels of road traffic in ways that will preserve quality of life in terms of safety, the environment and the economy. Simply increasing network capacity is no solution. In some places the space is not available, and if traffic levels remain unchecked new road space will also become saturated as time goes by.

Our ATMS solutions collect and combine sensors, information, communications, and data-processing technologies to apply active, real-time management to all aspects of transportation network operations. This improves traffic flow and safety, enhances mobility, increases transportation system efficiency, and reduces fuel consumption and environmental costs.

Congestion and pollution are issues that can be prevented or dealt with in real-time. As an example, sensor-equipped intersections can detect and give notice of the presence or absence of traffic, coordinate amongst themselves, and adjust traffic signal times to get rid of needless queuing. To give another example, a third of all congestion in an urban area is typically caused by drivers looking for a parking space. By providing real-time information on availability and locations and actively managing parking operations, ATMS systems can reduce needless travel and frustration.

Information gathered and processed by ATMS benefit all travelers, not just drivers, and helps making environmentally responsible, multimodal transportation a reality. Investing in ATMS makes operations more intelligent, allows for more capacity to be extracted from existing infrastructure, and saves both time and money for road-users as well as infrastructure owners.

Q-Free's focus areas within ATMS:
- Parking Management Systems
- Urban Traffic Management
- Infomobility
- Inter-Urban Management
- Cooperative ITS

These areas account for approximately 50 percent of the total value of the ATMS market.

PARKING MANAGEMENT

Parking Guidance and Information Systems (PGS), or car park guidance systems, combine traffic monitoring, communication, processing and information dissemination technologies to give drivers dynamic, real-time information about parking availability within controlled areas.

PGS are products of the worldwide development and deployment of Intelligent Transportation Systems (ITS) in cities. Used in combination with other Advanced Transportation Management Systems (ATMS) such systems are major contributors to the safety, efficiency and improved environmental performance of ITS-equipped transportation networks.

The objective of PGS is to reduce the search time for parking by providing information on the location of available parking capacity. Using a combination of sensors in and around car parking facilities and information provision systems such as dynamic signals and the internet. They can also provide a range of pre-booking and payment services, helping travelers to better plan their journeys by deciding on when and how to travel. Used in combination with dynamic pricing and park-and-ride schemes, PGS can also contribute to modal shifts and emissions reductions.

Through the acquisition of TCS International, Q-Free has become one of the world's foremost suppliers of PGS, with reference sites around the world for diverse applications in cities, transportation organisations, airports, hospitals, convention and shopping centers, casinos, colleges, and large employer parking lots. Together with our Road User Charging (RUC) and ATMS solutions, our PSG offerings present our customers with a complete toolset for all aspects of urban and non-urban road network management. http://www.tcsintl.com/

URBAN TRAFFIC MANAGEMENT SYSTEMS

Urban Traffic Management Systems (UMTS) combine several different information gathering, processing and dissemination technologies to create a more coherent and intelligent transportation management solution.

The idea behind UTMS is to create robust and intelligent systems that meet both current traffic flows and future management requirements in cities and urban areas. Q-Free's UTMS solutions are intended to allow a more open approach to the deployment of Intelligent Transportation Systems (ITS) in urban areas.

IQ-1000 UNIVERSAL TRAFFIC LIGHT CONTROLLER

The IQ-1000 traffic light controller is designed to offer the intelligence and connectivity needed to satisfy the demands of complex real-time operation of urban intersections. A single IQ-1000 can control up to four independent intersections (up to 64 signal groups and up to 256 detectors), catering for the needs of all classes of road user and, in addition to the signals themselves, all manner of intersection-relevant technologies for detection and monitoring, data collection and information dissemination. Both fixed and wireless communications are supported.

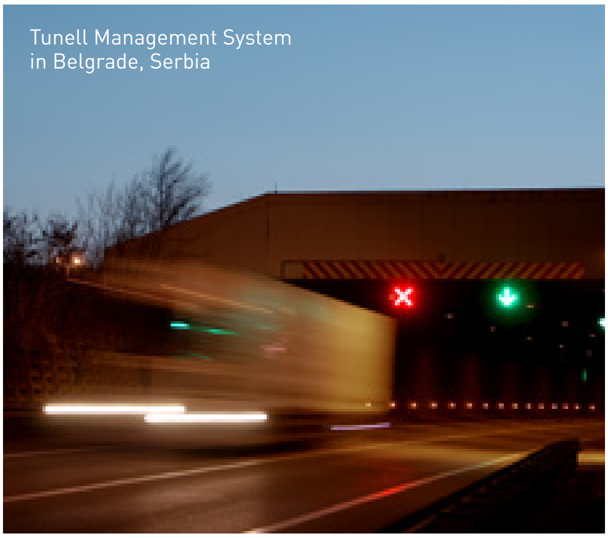
LCC550 UNIVERSAL PARKING CONTROLLER

The LCC550 is the most versatile universal parking controller on the market. This can connect to any parking charging system and enable the addition of new payment methods using additional sensors without replacing existing equipment. Remote control, management and new system function addition are all possible.

The LCC550 is designed for reliability in all environments and features a Linux operating system. Its biggest advantage is that it enables connection to many types of off-the-shelf access technologies including tag and card readers, video and loops, interaction with variable information signage, gateless operation and payment via cash, licence plate and smart phones with both Apple iOS and Android operating systems. More than 100 systems are already operational worldwide.

Modern Urban Traffic Managment Systems use many different applications for communication and sharing of data. Q-Free's UTMS solutions allow for combination of previously disparate data from multiple sources, such as; in-ground sensors and vision systems, radars and lasers, traffic controllers and signals, and air quality and meteorological monitoring systems. The systems may also incorporate newer-generation information sources such as intelligent in-vehicle systems and smart devices.

The UTMS systems supplied by Q-Free can complement other products from its portfolio, such as traffic level and access systems, and Road User Charging (RUC) and congestion charging systems.



Tunell Management System
in Belgrade, Serbia

INFOMOBILITY

The sharing of information with all stakeholders within the transportation domain can significantly increase networks' performance on several accounts. Network operators look to optimise capacity and guarantee traffic throughput and journey times, while maximizing safety and minimizing environmental impact. Network users look for ease-of-use and consistency, and a base for personal choices with respect to transport method, cost and environmental impact.

Successful infomobility systems require the fusion of diverse domains and data sources. This brings together traditional 'hard' infrastructure such as in-ground and above-ground detection technologies, back-office data processing capabilities that can make sense of the information gathered, and solutions that can effectively distribute the intelligent information in a timely fashion across various media. This means that system suppliers need to be able to work with and across new and emerging domains such as smart devices/consumer electronics and in-vehicle technologies, which will play an increasingly important role in providing two-way communication between travelers and the network owners and operators.

COOPERATIVE ITS

New generations of Intelligent Transportation Systems (ITS) will include vehicles and individual travellers in the information gathering and sharing processes.

The convergence of tolling and ITS coincides with another exciting development in the transportation management field; the arrival of Cooperative ITS (C-ITS). In the coming few years this will take network management and Advanced Transportation Management Systems (ATMS) to the next level.

LED LIGHT

TCS - SINGLE SPACE MONITORING TUS-100

The widespread use of smart personal devices – such as phones and tablets and, in the future, wearable technology – and the arrival on the market of vehicles with mobile connectivity means that transport network users will become data contributors as well as recipients. This has many advantages.

From a traffic management perspective this will provide much richer data sets and the ability to extend the geographic scope of information systems by using vehicles and individuals as probes. It also holds significant potential cost and investment savings, as consumers themselves are buying and using new mobile technologies that the traffic managers otherwise would have to provide. From the network user perspective, the technological advances enable the use of a single device to access all transportation-related information and payment services in a truly multimodal setting. This improves the journey experience on the individual level and, ultimately, reduces the environmental impact of travel-related activities.

Q-Free has been involved in the development of C-ITS from the very beginning. Our experts were at the heart of the development of the set of open-standard protocols that will allow vehicles to become a part of the information infrastructure in the near future. We remain committed to the continued evolution of this technology area, both as an organisation and as development partner.

Q-Free is taking the steps necessary to change from an RUC supplier to a broad ITS company supplying solution platforms and applications for both advanced transportation management and road user charging. Examples include Q-Free's acquisitions of TCS International, Elcom and the strategic 10 percent investment in Intellight in USA

- TCS International is a US based company developing and implementing intelligent parking guidance solutions.
- Elcom is a Serbian, highly specialised engineering company providing urban traffic controllers, traffic signals, traffic radar technology, Intelligent LED Lighting systems and sensors
- Intellight is a leading US technology company developing the most advanced software available traffic management, urban traffic controllers, and intelligent control sensors for the American and Asian markets

In essence, these acquisitions and investments are providing Q-free with a solid technology foundation and international market access for real-time ATMS systems that can save both time money and the environment through improved traffic flow and road safety, and reduced energy usage and emissions.

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

ELCOM STRENGTHENS THE ATMS DIVISION IN Q-FREE

NAME: BOSKO LEKOVIC
Company: Elcom d.o.o.
Established: 1994
Position: General manager. One of three founders
Location: Belgrade, Serbia
News: Q-Free ASA acquired 100% of the shares in Elcom d.o.o. in October 2013

WHAT IS THE CORE BUSINESS OF ELCOM?

Design, development and production of active components, integrated systems for traffic management control based on advanced electronics, telecommunication and IT technology. We also offer specific access control systems for traffic management, and complete systems for public and industrial LED lighting.

HOW WOULD YOU DESCRIBE ELCOM'S OFFERING AND MAIN REFERENCES?

Elcom produces many different types of products, such as traffic controllers, software applications, LED lighting, VMS, traffic signals sensors, and integrated system solutions. All of these systems are products of Elcom's own development.

References:
We have delivered more than 600 intersection traffic controllers and more than 2,500 LED signal heads in Eastern and Central Europe and in Africa.

We have also delivered centralized systems integrating both hardware and software for remote control of Urban Traffic System in Belgrade, Novi Sad, Zrenjanin, Valjevo and few more cities in Serbia, in Podgorica in Montenegro and in Cherkassy in Ukraine.

In Equatorial Guinea we have delivered complete Pay-Toll systems integrated with barriers, VMS, signals, paying machines, database software applications, and lighting, all powered by solar energy.

At the Belgrade Airport Terminal we have delivered an advanced parking system control, and the access control and dispatching system for the taxi service.

HOW WOULD YOU DESCRIBE THE TRAFFIC MANAGEMENT MARKET, BOTH TODAY AND GOING FORWARD?

Traffic is a rapidly increasing market in volume as well as value of investments. The ever-increasing volume of drivers on the roads impacts traffic flow today, and we need to deploy new and modern technology needs to solve those problems. Safety, efficiency, economy, energy saving and environmental care will remain the key themes for the long-term.

The most promising technology to solve those traffic congestion problems is traffic optimisation with Traffic Management Systems and software applications. This can improve the traffic congestion problem. Modern IT and communications technologies hold a huge potential for improvement of the traffic flow, and we see cities investing an increasing amount of money to reap these benefits.

Modern traffic management products are becoming more intelligent, variable and adaptive, easier to connect, and better able to communicate with other devices and sensors, and can react fast to incidents or sudden changes in traffic situation.

WHY CHOOSE ELCOM SOLUTIONS?

Elcom offers complete traffic solutions. The customers' needs is our starting point, and we design the best solutions for their problems and delivering and implement quality solutions. We are cost effective, flexible to specific customer requirements, and always up to date with modern technology with excellent quality.

Elcom is committed to deliver hardware and software products based on superior quality, energy efficiency, user friendliness, reliability, flexibility and safe use. Elcom has always tried to offer more functionality in safety solutions compared to its competitors.

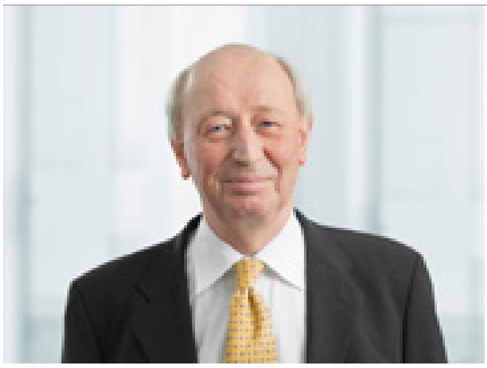
The customer can count on Elcom´s technical support in the operation and maintenance of equipment, and consultancy and training on the solution to assure client satisfaction.

WHAT ARE THE OPPORTUNITES BEING PART OF THE Q-FREE FAMILY?

Up to now, Elcom has mainly been limited to the domestic and neighbouring markets. As part of the Q-Free group, we have the opportunity to access markets around the world. Elcom will certainly have a great opportunity to contribute to Q-Free´s growth in the ATMS market going forward.


TRAVEL TIMES
AIRPORT 24MIN
HARBOUR 36MIN

THE BOARD OF DIRECTORS



TERJE CHRISTOFFERSEN
Chairman of the Board

Terje Christoffersen is a partner in Interforum Partners As. He has more than 30 years management experience from listed Norwegian and international companies within the IT and telecom businesses, with focus on the North European market. Christoffersen has been the CEO of Hewlett-Packard in Northern Europe and Chairman of the Board in NetCom ASA, managed Telia Sonera's operations in Denmark and been on the Executive Group Management of Telia Sonera. Christoffersen has an MBA from Universität zu Köln (1978). Christoffersen owns 20,072 shares in Q-Free ASA through the ownership in Tell It AS.

CHARLOTTE BROGREN
Vice Chairman of the Board

Charlotte Brogren is General Director of Verket för innovationssystem, VINNOVA, a Swedish governmental administration authority, organised under the Ministry of Enterprise, Energy and Communication. Brogren has previously held management positions in the R&D organsation of ABB. Brogren is a Chemical engineer and holds a PhD from Lunds Tekniska Högskola (1997). Brogren is Chairman of the Board of Industrifonden, and member of the Board of HMS AB and Gunnebo AB. Brogren does not own any shares in Q-Free ASA.

SELMA KVEIM
Board Member

Selma Kveim is General Manager and Chairman in Inbuca AS. Kveim is a board member and a member of the audit committee in PSI Group ASA and serves on the Board of several unlisted companies in Norway. She is a former board member in Goodtech ASA. Kveim has 25 years of experience within the IT-industry, in leading positions within sales and marketing, latest as Vice President Channel business (Europe, Middle East and Africa) in Fujitsu Siemens Computers. She previously has held several different positions in Hewlett Packard. She has worked abroad for 15 years and has been living in four different European countries. Kveim is educated from The Norwegian Business School (Handelshøyskolen BI). Selma Kveim is resident in Grimstad. Kveim has 5,500 shares in Q-Free ASA.

JAN PIHL GRIMNES

Board Member

Jan Pihl Grimnes is through his company Redback AS investing in the IT, petroleum and mining industries. Grimnes founded Technoguide AS, and holds several board positions both in listed and unlisted companies. Grimnes holds an MBA from the Norwegian School of Economics and Business Administration and a MSc from the Norwegian University of Science and Technology. Grimnes owns direct and indirect through Redback AS 1,555,000 (2,29%) of the shares in Q-Free ASA.

FRANK AUNE

Employee elected Board Member

Frank Aune has been working in Q-Free since 2006. Aune holds a MSc in Electronics and Telecommunicaton and holds the position as Head of R&D Security. Aune does not own any shares in Q-Free ASA.

SISSEL LILLEVIK LARSEN

Employee elected Board Member

Sissel Lillevik Larsen has been with Q-Free ASA since 2000 and holds the position as Technical project manager. Lillevik Larsen does not own any shares in Q-Free ASA.

MANAGEMENT TEAM

THOMAS FALCK
Chief Executive Officer

Thomas Falck has held the position of CEO since January 2014. Falck has an MBA from the Darden Graduate School of Business Administration, and was educated at the Royal Norwegian Naval Academy and the Norwegian Defence University College (Forsvarets Høgskole). Falck has an extensive background in business development. Previously, he has been a partner in Verdane Capital as well as CEO of Visma Marine ASA. He is currently a board member of a number of privately held and publicly listed companies.

ROAR ØSTBØ
Chief Financial Officer

Roar Østbø has been Q-Free ASA's Chief Financial Officer since 2009. Roar came from the same position in Aqualyng Group and has previously held the CFO position in CorrOcean ASA, in the oil service company Reslab AS and in Sintef. Roar is a Certified Public Accountant from the Norwegian School of Economics and Business Administration (he qualified in 1988) and has also worked as an auditor in Arthur Andersen & Co.

HENRIK F. STOLTENBERG
Vice President Business Development & M&A

Henrik F. Stoltenberg was previously Group Executive Vice President responsible for the daily operation of Denmark's JAI Group, where he focused on implementation of the corporate strategy. Henrik holds an HD Degree from Copenhagen Business School. He has previously also been finance director at Merkantildata AS and Bruhn AS.

MORTEN DAMMEN
Acting Vice President R&D RUC

Morten Dammen has been working in Q-Free since 2007, holding the position as Research Director OBU. Dammen has a Master Degree in Electronics from NTNU, and has extensive knowledge and experience in Q-Free RUC technologies. This is his second period in the company. He also worked in Q-Free from 1998 to 2001. From 2001 to 2007, Dammen worked in Nordic Semiconductor ASA as a Senior Project Manager.

PER ECKER
Vice President Sales

Per Ecker, has been with the company since 2007. He came from the position as Sales Director in Siemens Mobile Networks from 1992 to 2007 where he had particular responsibility for Eastern European markets. Per Ecker has extensive experience of international sales both in Asia and Europe. As a Second Lieutenant, he was educated in electronics by the Norwegian Army Officers Training School (1986-1989).

MARIANNE SANDAL
Vice President Operations

Marianne Sandal, has been with the company since 2006. She holds an engineering degree from the University of Bergen, gained in 1988, in addition to credits within management from the Norwegian School of Management (BI). Previously, since 1988, Marianne had been working for Nera Networks where she gained extensive experience in project management. From 2003 until joining Q-Free ASA she had been heading the worldwide operation activity of Nera.

MORTEN ANDERSSON
Vice President ATMS

Morten Andersson, was employed as Q-Free ASA's Vice President of ATMS in 2012. Morten has held similar positions in Peek and Swarco, and has more than 30 years of experience in the traffic management industry.

STEIN-TORE NYBRODAHL
Human Resource Manager

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

BOARD OF DIRECTORS' REPORT 2013

KEY EVENTS IN 2013

Q-Free reported revenues of NOK 606 million for the full year 2013, a one percent increase from 2012 (597).

Products revenues, mainly tags, increased by 60 percent to NOK 367 million in 2013 (230), whereas Service & Maintenance revenue increased by 31 percent to NOK 140 million. Q-Free saw a positive development in order entry for products and service & maintenance contracts in 2013, particularly in the Americas and Europe.

Project revenues declined by 62 percent to NOK 100 million. Q-Free initiated a Profit Improvement Program in April 2013 designed to reduce the annual cost base by NOK 40 million and lower the annual investment level by NOK 20 million. The program entailed costs of NOK 25 million relating primarily to severance pay. The program takes full effect in 2014.

Q-Free has invested over the previous years in developing a complete new offering within Dedicated Short-Range Communication (DSRC) and Imaging systems, and believe this to be a competitive edge.

A contract with the Miami-Dade Expressway Authority in Florida, USA was a breakthrough. Q-Free will implement and operate its unique Enhanced Imaging Procession (EIP) solution in the world's largest RUC market. Beyond this deal project inflow was slow.

The company experienced a setback with the termination of a contract for upgrade of the tolling solution on Sydney Harbor Bridge for the Roads and Maritime Services (RMS) in Australia. The termination was caused by delayed deliveries, and Q-Free has recognized costs of NOK 60 million related to the contract termination in the Income Statement for 2013. RMS remains a customer of Q-Free, and they placed a tag order of a NOK 15 million in January 2014.

Q-Free remains committed to the promising market opportunities in Asia Pacific. The major Electronic Law Enforcement project in Jakarta is still awaiting start-up and an important milestone was reached in July 2013 with the signing of a financing agreement between Export Credit Norway and Q-Free's customer PT Rin. Release of the financing and project start-up is still pending an initial payment from the customer to Q-Free. The company believes all involved parties are working with the goal of getting the project started. The funding commitment from Export Credit Norway is valid until July 1, 2014.

Q-Free took important strategic steps in the Advanced Transportation Management Systems (ATMS) market in 2013. This was ignited with acquisition of the U.S. parking access company TCS International in December 2012, and continued with the acquisitions of the traffic management companies Elcom in Serbia and American Intelight (10 percent) in 2013. Addressing an adjacent market to the existing RUC operations, the ATMS business will add a new and profitable revenue stream which is less volatile and less exposed to political risk. Q-Free intends to continue building its ATMS operations both organically and through selected acquisitions.

ACTIVITIES

The Q-Free Group

Q-Free ASA is a Norwegian public limited liability company, established in 1984 and listed on the Oslo Stock Exchange under the ticker QFR since 2002. Company headquarters are in Trondheim, Norway, and the company conducts its business through wholly- and partially-owned companies operating on five continents.

The company has direct representation in the Netherlands, Sweden, Portugal, France, Spain, Australia, Serbia, Malaysia, Thailand, Indonesia, South Africa, USA, Canada, Chile, and Brazil. Through partners, the company is present also in Turkey, Greece, and India. Outside of its core businesses within Road User Charging (RUC) and Advanced Traffic Management Systems (ATMS), Q-Free owns 53.5 percent of the Norwegian contract electronics manufacturer Noca AS.

The Q-Free Group had a highly skilled workforce counting 303 employees at the end of 2013, whereof 120 were employed in the parent company in Trondheim and Oslo,137 in companies outside Norway, and 46 in Noca AS in Trondheim.

FINANCIAL REVIEW

Income statement

Revenues

Q-Free reported revenues of NOK 606 million for the full year 2013, a one percent increase from 2012 (597). The seemingly flat development masks significant changes in the revenue composition.

Products revenues increased by 60 percent to NOK 367 million in 2013 (230), whereas Service & Maintenance revenue increased by 31 percent to NOK 140 million. The increased Products revenue reflect a positive inflow of new tag orders, particularly in the second half of the year. Higher Service & Maintenance revenues mainly reflect a high activity level following the start-up of the Gothenburg congestion charging system early in the year.

Project revenues declined by 62 percent to NOK 100 million. The large decline partly reflects a weak inflow of new project orders. The activity level was high in the previous year, particularly in Gothenburg.

Gross profit
Gross profit increased three percent to NOK 381 million (370), corresponding to a gross margin of 63 percent (62 percent). This mainly reflects the changes in revenue composition, as Products and Service & Maintenance typically command higher gross margin than Projects.

Operating expenses
Operating expenses amounted to NOK 413 million (376), including one-off costs of NOK 85 million. The termination of a contract with the Roads and Maritime Services in Sydney, Australia entailed expenses and provisions of NOK 60 million, and the remaining NOK 25 million reflect costs associated with a profit improvement program initiated in the first quarter last year.

Adjusted for costs of a one-off nature, operating costs declined by 13 percent. This mainly reflects lower project activity, and positive effects of the profit improvement program. The program reduced costs by NOK 28 million in 2013 and will have a full year effect of NOK 40 million in 2014. The program has in addition cut the spending investment level by NOK 20 million.

Operating profits
Operating profit before interest, tax, depreciation, amortisation and impairment (EBITDA) was a negative NOK 32 million. Adjusted for one-off costs EBITDA improved to NOK 53 million (-6).

Depreciation, amortisation and impairment increased to NOK 62 million in 2013, from NOK 49 million in 2012. This mainly reflects commencement of depreciation of capitalized technology development costs related to the single gantry solution, as well as amortisation of intangible assets acquired through acquisitions within the Advanced Traffic Management Systems area.

Reported operating profit (EBIT) was hence a negative NOK 95 million, whereas EBIT adjusted for one-off costs was NOK -10 million (-55).

Net financial items
Net financial items amounted to a negative NOK 3.2 million, compared to positive net financial items of NOK 10.0 million in 2012. This mainly reflects a lower average cash position, as well as unrealized negative currency effect related to the weakening of NOK to other currencies during the year.

Profits
The reported pre-tax loss was NOK 98 million for the full year 2013, compared to a pre-tax loss of NOK 45 million in 2012. Tax expenses amounted to NOK 12.8 million, of which payable tax is NOK 14.3 million. The Group had total tax losses carried forward of NOK 100 million per the end of the year, of which NOK 26 million was recognized as an intangible asset in the balance sheet. Having undertaken an assessment of the criteria under IAS 12, Q-Free has chosen not to include deferred tax assets in Norway related to tax losses carried forward of NOK 34 million from 2013.The net loss for the full year 2013 was hence NOK 110.8 million.

In 2012, tax had a positive effect of NOK 12.6 million in the Income Statement, generating a net loss of NOK 33.0 million for the full year 2012.

Earnings per share was a negative NOK 1.65 for 2013, compared to a negative NOK 0.51 in 2012.

ANNUAL RESULTS AND YEAR-END APPROPRIATIONS
A net profit of NOK 1,318,000 was attributable to minority interests in 2013 (2.7), whereas a net loss of NOK 112,088,000 was attributable to equity holders in the parent company (34.6).

The Board proposes to cover the parent company's loss for the year from other equity. Subsequent to this, the parent company had no free equity at the end of the year.

The Board does not propose to distribute dividends for 2013, given that company generated significant negative results and gives priority to organic as well as acquisitive growth opportunities.

The Annual General Meeting is scheduled for 22 May, 2014.

ORDERS RECEIVED AND ORDER BACKLOG
Orders received in 2013 amounted to NOK 548 million (573), including a reversal of NOK 35 million due to the contract termination in Australia.

Products accounted for NOK 385 million or 70 percent of the order inflow intake (NOK 174, 31 percent), whereas Service & Maintenance accounted for NOK 106 million or 19 percent (NOK 113, 19 percent).

Project orders declined to NOK 57 million or 11 percent of overall orders received (NOK 286, 50 percent), with the decline reflecting a generally low order intake, termination of the contract in Australia, and an extraordinary high order entry last months of 2012.

Geographically, the Americas accounted for 49 percent of new Geographically, the Americas accounted for 49 percent of new orders, mainly due to tag orders from Centro Gestao Meios de Pagto in Brazil and Vespucio Norte Express in Chile, and a breakthrough contract with the Miami-Dade Expressway Authority in Florida for implementation and operation of

Q-Free's Enhanced Imaging Procession solution. The ATMS business also experienced a healthy orderintake.

Europe accounted for 44 percent of order inflow, mainly with the Norwegian and Swedish Public Road Authorities and with Vinci Autoroutes in France.

Asia Pacific accounted for only 7 percent, partly explained by reversal of NOK 35 million in orders due to termination of the contract with the Roads and Maritime Services (RMS) for upgrade of the tolling system on the Sydney Harbor Bridge. RMS remains a customer of Q-Free, and they placed an tag order of a NOK 15 million in January 2014.

As a result, the overall order backlog declined 13 percent in 2013, from NOK 437 million at the end of 2012 to NOK 379 million at the end of 2013. This was split between NOK 104 million in Products (27 percent), NOK 157 million in Service & Maintenance (41 percent), and NOK 118 million in Projects (31 percent). Geographically, Europe accounted for 73 percent, the Americas for 23 percent, and Asia Pacific for 4 percent.

NOK 265 million of the order backlog (70 percent) was due for delivery in 2014, with the remainder reflecting mostly Service & Maintenance contracts running to and through 2015.

CASH FLOW AND LIQUIDITY

Net cash flow from operating activities was a negative NOK 33 million for the full year 2013 (-20), mainly reflecting the earnings development in the period. Net working capital declined to NOK 40 million at the end of 2013 from NOK 64 million at the end of 2012, defined as current assets (excluding cash) less current liabilities. This corresponded to 7 percent of last 12 months revenues, down from 11 percent, which mainly reflects lower project-related working capital.

Net cash flow from investing activities was NOK -62 million in 2013 (-79). This comprised NOK 23.6 million of intangible investments (21.9), primarily capitalized technology development, NOK 21.8 million of tangible investments (32.3), and NOK 16.6 million in acquisition net of cash acquired (25.0).

The lower organic investments reflect a strategic decision to take down investments as part of the company's profit improvement program. The acquisition investments reflect the strategic decision to build a position within Advanced Traffic Management Systems, with the acquisitions of traffic management companies Elcom in Serbia and Intelight in the U.S. (10 percent) in 2013 followed the acquisition of parking management company TCS International in the U.S. in 2012.

Net cash flow from financing activities was NOK -4 million in 2013, compared to NOK 29 million in 2012. Overall, this generated a cash closing balance of NOK 271 million at the end of 2013, down from NOK 369 million at the end of 2012.

BALANCE SHEET

Total assets amounted to NOK 894 million at the end of 2013, down from NOK 942 million at the end of 2012. The decrease mainly reflects the lower holding of cash and cash equivalents.

This included NOK 32.3 million of deferred tax assets recognized as intangible assets (26.0). The Group's overall total tax loss carried forward was NOK 100 million as at 31 December 2013. Having undertaken an assessment of the criteria under IAS 12, Q-Free has chosen not to include deferred tax assets in Norway related to tax losses carried forward of NOK 34 million from 2013.

Equity stood at NOK 505 million at the end of 2013, with the decline from NOK 631 million at the end of 2012 essentially reflecting the losses during the year. The equity ratio hence declined to 56.4 percent from 67.0 percent at the end of 2012. Total equity included NOK 20.8 million in non-controlling interests (24.3).

Current liabilities amounted to NOK 263 million at the end of 2013, compared to NOK 187 million at the end of 2012. This mainly reflects accrual for estimated remaining costs related to the terminated project for upgrading of the tolling solution on the Sydney Harbor Bridge for the Roads and Maritime Services (RMS) in Australia.

Non-current liabilities stood at NOK 127 million at the end of 2013, with the slight increase from NOK 124 million at the end of 2012 explained by higher pension liabilities. Interest bearing debt stood unchanged at NOK 100 million, reflecting a loan from Eksportfinans. This matured in February 2014, and Q-Free had secured refinancing through a 3-year loan from Danske Bank on similar terms. The interest on the new loan is based on NIBOR with a small margin.

Other non-current liabilities stood unchanged at NOK 13.9 million through 2013, reflecting accrual for earn out on acquisitions.

The liquidity ratio was 2.2 at the end of 2013, down from 3.3 at the end of 2012.

ORGANISATION

Personnel

The Q-Free Group counted 303 employees at the end of 2013. This was a reduction from 305 people at the end of 2012, despite taking on 20 new employees through the acquisition of the traffic management company Elcom in Serbia in the second half of the year.

The underlying decline reflects redundancies identified as part of the profit improvement program the company announced and implemented in April 2013. Designed to reduce the annual cost base by NOK 40 million and the annual investment spending level by NOK 20 million.

The management and Board of Directors would like to take this opportunity to thank the employees for their cooperation and loyalty during a process that added organisational strain in a challenging year for Q-Free.

Q-Free in January 2014 initiated the "Q-Free Strategy and Collaboration project" (QSC), seeking to strengthen customer focus, broaden the scope of business, and improve internal cooperation and efficiency further.

Q-Free has established good working conditions in a non-discriminating, multicultural organisation spanning offices and operations in 18 countries. Sick leave remains at satisfactory levels, and the company is glad to report that it incurred no serious occupational incidents or injuries during the year.

Please refer to the separate section on Corporate Social Responsibility in this Annual Report for a more detailed review of Q-Free's human rights policies, labour rights and working conditions, and safety and health performance.

Management – Change of CEO in January 2014

The Board of Directors on 6 January 2014 announced the appointment of Thomas Falck as new CEO, having reached an agreement with Øyvind Isaksen that he would step down from the position as CEO with immediate effect.

Mr Isaksen had held the position as CEO since 2006, and the Board of Directors would like to thank him for his contributions over the years.

Thomas Falck has extensive experience from business development, among other as partner in Verdane Capital, CEO of Visma Marine ASA, and Board member in a number of privately held and publicly listed companies. Falck stepped down from his position as a member of the Board of Directors in Q-Free, into which he was elected on the General Meeting in May 2013.

Thomas Falck has accepted a six-month employment contract, and the Board of Directors runs a process to evaluate candidates for the position on a permanent basis.

Board of Directors

The Board of Directors consists of the four shareholder-elected members Terje Christoffersen (Chairman), Charlotte Brogren, Jan Pihl Grimnes, and Selma Kveim, and the employee-elected representatives Sissel Lillevik Larsen and Frank Aune.

As described above, Thomas Falck resigned his position on the Board when appointed CEO.

CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

Pursuant to the Norwegian Accounting Act section 3-3c, publicly listed companies shall present their principles for corporate social responsibility and review the performance with respect to human rights, labour rights, working conditions, the external environment, and anti-corruption. Details are provided under the section "Corporate Social Responsibility" in the Annual Report, and published on the company's website on http://www.q-free.com/investor/corporate social responsibility/.

Pursuant to the Norwegian Accounting Act section 3–3b, listed companies shall also present their principles for corporate governance and review the compliance with the recommendations set out in the Norwegian Code of Practice for Corporate Governance. Q-Free complies fully with the Code, as updated per March 2014.Details are provided under the section "Corporate Governance" in the Annual Report, and published on the company's website on http://www.q-free.com/investor/corporate governance/.

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, the release of the funds is pending an initial payment from the customer to Q-Free, which would also mark the start-up of the project and trigger order booking. Comprising project installations as well as product sales and a large service & maintenance contract, the ELE contract would potentially have a significant impact on revenues and earnings in subsequent periods.

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. Q-Free 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 in 2013. 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 being linked to the same underlying rate to mitigate the risk related to changes in the NIBOR.

The Group entered into a NOK 100 million loan agreement with Eksportfinans ASA during 2011. This loan matured in February 2014, and was refinanced with a three-year loan in Danske Bank on close to similar terms.

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 over the next three years. 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 2013 to be sufficient to cover the company's planned operations and investment requirements.

OUTLOOK

Q-Free achieved higher product sales and service & maintenance revenues in 2013 but had declining project revenues and few new major projects in the Road User Charging (RUC) segment.

Q-Free continues to see a large potential in the RUC market. Efficient electronic road pricing systems will play a key role in most market in tackling increasing challenges relating to traffic congestion and funding of infrastructure projects. The long-term industry outlook remains positive, with opportunities in all the main regions in EMEA, the Americas and Asia Pacific.

Q-Free has taken steps to improve its cost position and financial robustness to cope with project uncertainties and revenue volatility in the RUC segment. However, additional measures need to be taken to improve the cost income ratio further, and the management in January 2014 initiated the 'Q-Free Strategy and Collaboration Project' (QSC). The project will seek a broadening of the revenue base in the RUC area and reduction of risk, as well as increased internal collaboration and efficiency.

The company strategy of building a new business line within Advanced Transportation Management Systems (ATMS) will continue. ATMS products and services adds profitable revenue streams with less exposure to political risk and project uncertainties. Q-Free will continue to develop the ATMS business both organically and through selective acquisitions building a portfolio to address this attractive market.

Trondheim, 31 December 2013
26 March 2014

Terje Christoffersen
Chairman of the Board

Charlotte Brogren
Vice Chairman of the Board

Selma Kveim
Board member

Jan Pihl Grimnes
Board member

Sissel Lillevik Larsen
Employee elected Board member

Frank Aune
Employee elected Board member

Thomas Falck
CEO

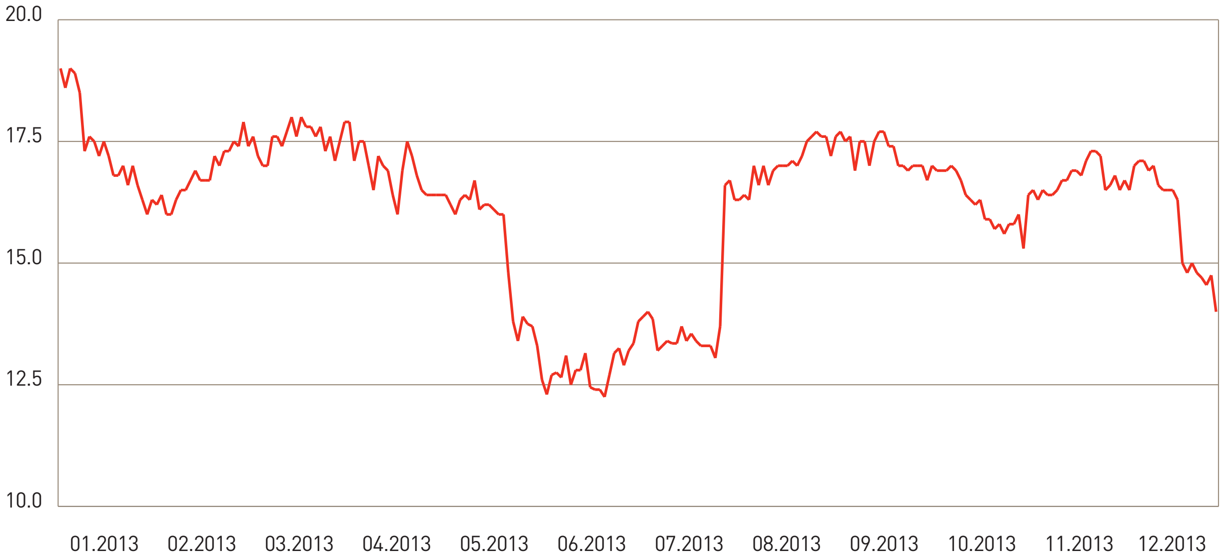
SHAREHOLDER INFORMATION

The company has one class of shares and there are no voting restrictions. Per 31.12.13 the company had 67 972 419 shares outstanding. Par value per share is NOK 0.38. Total share capital per 31.12.2013 was NOK 25 829 519, unchanged from 2012.

SHARE PRICE DURING 2013

The Q-Free shares traded between NOK 19.00 and NOK 12.25 during 2013, closing at NOK 14.85 on 31.12.2013. The total number of outstanding shares in the company was stable at 67 972 419 throughout 2013, corresponding to a market capitalisation of NOK 951 613 866 at the end of the year.

SHARE PRICE DEVELOPMENT 2013



SHAREHOLDER SITUATION

At year-end 2013, Q-Free ASA had 1,180 shareholders, compared to 1 153 at the end of 2012. The below table shows the 20 largest shareholders in Q-Free ASA per 26. March 2014:

SHAREHOLDER	Account type	% Ownership
KAPSCH TRAFFICCOM AG		14.56
ODIN NORGE		7.50
KAPSCH TRAFFICCOM AG		5.19
SKAGEN VEKST		4.68
J.P. MORGAN CHASE BANK N.A. LONDON	NOM	3.24
VERDIPAPIRFONDET DNB NORGE (IV)		3.21
VERDIPAPIRFONDET DNB SMB		3.17
LARS ODDGEIR ANDRESEN		2.40
VPF NORDEA KAPITAL		2.39
REDBACK AS		2.20
STOREBRAND VEKST		2.13
VERDIPAPIRFONDET EIKA NORGE		1.91
STOREBRAND NORGE I		1.58
VPF NORDEA SMB		1.56
MONS HOLDING AS		1.53
HOLBERG NORDEN		1.47
HOLBERG NORGE		1.47
KLP AKSJE NORGE VPF		1.40
VPF NORDEA AVKASTNING		1.24
STATOIL PENSJON		1.09

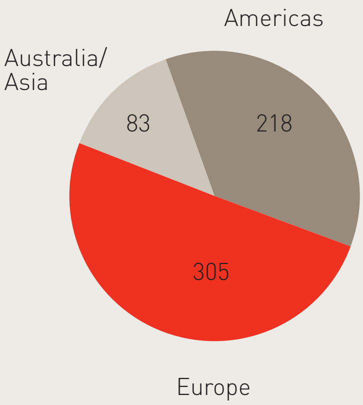
The following table shows the number of shares held by the senior Management, CEO and the Board of Directors per 26.03.2014

Name	Position	Shares
Jan Phil Grimnes	Board member	1 555 000
Roar Østbø	CFO	90 000
Thomas Falck	CEO	38 483
Marianne Sandal	VP Operations	37 000
Stein-Tore Nybrodahl	HR Manager	22 500
Per Fredrik Ecker	VP Sales	20 500
Terje Christoffersen	Chairman of the Board	20 072
Henrik Fatum Stoltenberg	VP Business Development and M&A	8 000
Selma Kveim	Board member	5 500

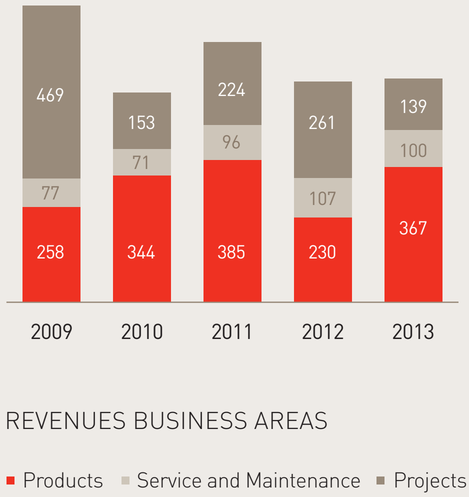
The Board of Directors has an authorisation to increase the share capital by subscription of new shares in connection with an incentive programme towards employees. As at 31.12.2013, 575 000 options have been granted for key personnel.

Q-FREE IN NUMBERS

REVENUES GEOGRAFICAL
MNOK



SEGMENT REVENUES
MNOK



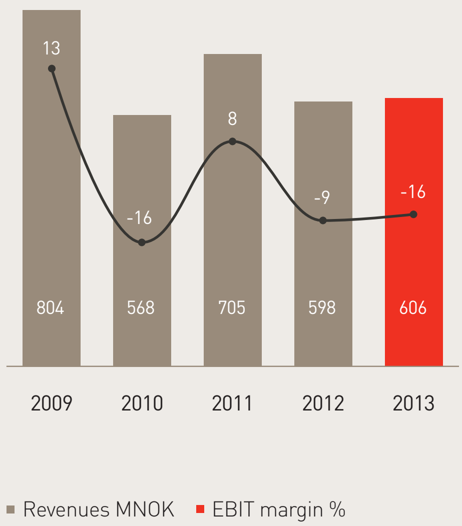
REVENUES 2013
MNOK

606

EBIT MARGIN
Percent

-15.6%

REVENUES AND EBIT MARGIN
MNOK



In 2013 the Q-Free Group revenues amounted to 606.1 MNOK, compared to 597.5 MNOK in 2012. This represents an increase of 1% from 2012. The Q-Free Group had an operating result of -94.7 MNOK (-55.3) in 2013, out of revenues of 606.1 MNOK (597.5). The 2013 result is influenced by a project cancellation in Australia and a Profit Improvement Program launched during Q1-13.

EQUITY RATIO
Percent

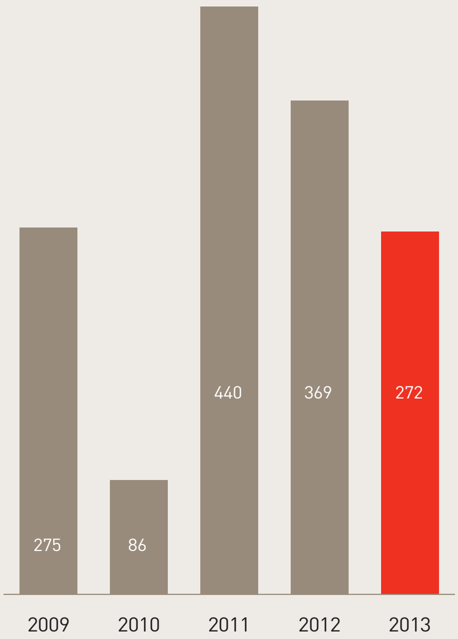
56%

CASH AT HAND
MNOK

272

At year-end 2013, Q-Free Group had cash funds of 271 MNOK and equity of 505 MNOK (56%). This combined with our enhanced position, will enable the company to continue a strong profitable growth in the years to come which will be achieved by both organic growth and growth through acquisitions.

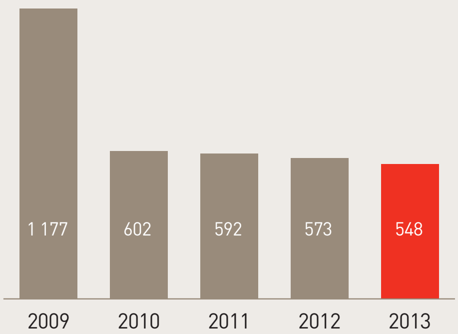
CASH AT HAND
MNOK



ORDER INTAKE
MNOK

548

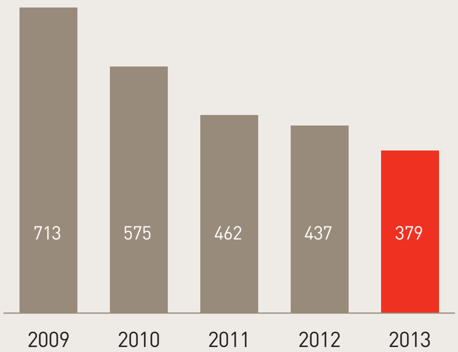
Orders received in 2013 amounted to 548 MNOK, of which 44% came from European countries, 7% from Asia/Australia and 49% from Latin-/North America.



ORDER BACKLOG
MNOK

379

At year-end 2013, Q-Free Group had an order backlog of 379 MNOK, which is 58 MNOK less than at year-end 2012 and represent a 13% decrease. The order backlog is distrib¬uted as follows: Europe 73%, Asia/Australia 4% and Latin and North America 23%.



CONSOLIDATED FINANCIAL STATEMENTS

Q-FREE GROUP

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION – page 45
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"The effects of all actions taken in 2013 has not materialised in all financial ratios yet, but our financial position remains robust and we are looking forward to improve our financial performance in 2014"

Roar Østbø
CFO

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

STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

FIGURES IN TNOK

PARENT COMPANY				GROUP	
2012	2013		Note	2013	2012
		OPERATING REVENUES			
354 406	319 280	Revenues	5, 7	604 989	592 602
4 930	1 083	Other operating income	8	1 083	4 930
359 336	320 363	Total operating revenues	5	606 072	597 532
		OPERATING EXPENSES			
128 704	149 037	Cost of goods sold	14	224 791	227 090
121 972	119 477	Personnel expenses	15,16,17	196 727	181 827
146 752	150 148	Other operating expenses	26, 28	216 353	194 607
397 429	418 662	Total operating expenses		637 871	603 524
-38 093	**-98 299**	**Earnings before interest, taxes, depreciation and amortisation (EBITDA)**		**-31 799**	**-5 992**
15 478	14 210	Depreciation of property, plant and equipment	9	18 365	18 244
22 430	21 305	Amortisation of intangible assets	10,11	44 550	31 070
-76 000	**-133 815**	**Earnings before interest and taxes (EBIT)**		**-94 713**	**-55 306**
		FINANCIAL ITEMS			
22 252	18 601	Financial income	23	24 109	25 668
16 910	8 918	Financial income Group companies		0	0
-11 815	-24 421	Financial expenses	23	-27 355	-15 602
0	0	Financial expenses Group companies		0	0
27 347	3 098	Total financial items		-3 246	10 066
-48 653	**-130 717**	**Profit before tax**		**-97 959**	**-45 241**
17 438	-2 172	Taxes	22	-12 811	12 644
-31 215	**-132 889**	**Profit / (-) loss for the year**		**-110 770**	**-32 597**
		Attributable to:			
		Non-controlling interests		1 318	2 663
		Equity holders of the parent		-112 088	-35 260
		DISTRIBUTION OF PROFIT / (-) LOSS FOR THE YEAR:			
-31 215	-132 889	Other equity			
-31 215	**-132 889**	**Total distributed**			
		Earnings per share	12	-1,65	-0,51
		Diluted earnings per share	12	-1,64	-0,51

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

FIGURES IN TNOK

PARENT COMPANY				GROUP	
2012	2013		Note	2013	2012
-31 215	-132 889	Profit for the period		-110 770	-32 597
		Other comprehensive income			
		Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
0	0	Exchange differences on translation of foreign operations		-10 402	-7 383
618	1 470	Net (loss)/gain on available-for-sale financial investments	24	1 470	618
618	1 470	Net other comprehensive income to be reclassified to profit or loss in subsequent periods:		-8 932	-6 765
		Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
17 445	-4 349	Re-measurement gain (losses) on defined benefit plans	16	-4 884	19 949
-4 885	1 174	- Income tax effect		1 382	-5 586
12 560	-3 175	Net other comprehensive income not to be reclassified to profit or loss in subsequent periods:		-3 502	14 363
13 178	-1 705	Other comprehensive income for the year, net of tax		-12 434	7 599
-18 037	**-134 594**	**Total comprehensive income for the period, net of tax**		**-123 204**	**-24 999**
		Attributable to:			
		Non-controlling interests		1 318	2 663
		Equity holders of the parent		-124 522	-27 662
		Total comprehensive income for the period		**-123 204**	**-24 999**

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

FIGURES IN TNOK

PARENT COMPANY				GROUP	
2012	2013	Assets	Note	2013	2012
		NON - CURRENT ASSETS			
27 933	26 935	Deferred tax assets	22	32 319	26 039
70 173	59 653	Product development assets	10	132 761	153 682
0	0	Goodwill	10, 11	71 199	64 667
46 173	43 670	Machinery, fixtures and fittings, etc.	9	63 071	66 320
91 470	100 915	Investments in subsidiaries	6, 18	0	0
5 378	5 378	Loan to group companies	18	0	0
6 971	8 441	Investments in other companies	24	15 317	7 182
0	0	Other receivables		5 064	3 760
248 098	**244 992**	**Total non - current assets**		**319 731**	**321 649**
		CURRENT ASSETS			
40 954	26 893	Inventories	14	70 940	79 330
39 974	48 302	Work in Progress	7	48 737	39 864
31 262	46 559	Accounts receivables	20	146 860	95 956
146 454	193 246	Accounts receivables on group companies	20	0	0
14 908	16 044	Other current financial assets	27	36 599	35 412
294 438	159 768	Cash and cash equivalents	19	271 477	369 491
567 989	**490 812**	**Total current assets**		**574 613**	**620 052**
816 087	**735 804**	**Total assets**		**894 344**	**941 700**

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

FIGURES IN TNOK

PARENT COMPANY				GROUP	
2012	2013	Equity and liabilities	Note	2013	2012
		EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
25 830	25 830	Subscribed share capital	13	25 830	25 830
415 554	415 554	Share premium reserve		415 554	415 554
18 863	20 529	Other paid-in capital		20 529	18 863
105 130	-29 465	Other equity		21 824	146 346
565 376	432 447	Total equity attributable to equity holders of the parent		483 737	606 593
0	0	Non-controlling interests		20 789	24 316
565 376	**432 447**	**Total equity**		**504 526**	**630 909**
		LIABILITIES			
		Non - current liabilities			
100 000	0	Debt to financial institutions	21	0	100 000
0	0	Other non-current liabilities	6	6 957	13 908
10 835	10 534	Pension liabilities	16	12 925	10 379
110 835	10 534	Total non - current liabilities		19 882	124 287
		Current liabilities			
0	100 000	Debt to financial institutions	21	100 000	0
41 671	43 947	Accounts payable	4	74 933	67 984
0	12 370	Advance payments from customers	7	28 502	22 423
26 908	36 491	Debt to group companies	18	0	0
330	0	Tax payable	22	9 590	5 658
23 254	8 497	Public duties payable		19 114	30 966
47 714	91 517	Other current financial liabilities	4, 25	137 797	59 474
139 876	292 823	Total current liabilities		369 936	186 504
250 711	**303 357**	**Total liabilities**		**389 818**	**310 791**
816 087	**735 804**	**Total equity and liabilities**		**894 344**	**941 700**

Trondheim, 31 December 2013
26 March 2014

Terje Christoffersen
Chairman of the Board

Charlotte Brogren
Vice Chairman of the Board

Selma Kveim
Board member

Jan Pihl Grimnes
Board member

Sissel Lillevik Larsen
Employee elected Board member

Frank Aune
Employee elected Board member

Thomas Falck
CEO

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

FIGURES IN TNOK

PARENT

	Note	Share capital	Share Premium reserve	Other paid-in capital	Other equity	Available-for-sale reserve	Actuarial gains and losses	Total
EQUITY PER. 01.01.2012:	13	25 176	386 177	16 939	135 755	0	-12 589	551 459
Total comprehensive income for the period					-31 215	618	12 561	-18 036
Share issue	13	654	29 376					30 030
Cost of share-based payment	17			1 924				1 924
Total equity of the Parent per 31.12.2012		**25 830**	**415 554**	**18 863**	**104 540**	**618**	**-28**	**565 376**
EQUITY PER. 01.01.2013:	13	25 830	415 554	18 863	104 540	618	-28	565 376
Total comprehensive income for the period					-132 889	1 470	-3 175	-134 594
Cost of share-based payment	17			1 666				1 666
Total equity of the Parent per 31.12.2013		**25 830**	**415 554**	**20 529**	**-28 350**	**2 087**	**-3 203**	**432 447**

GROUP

		Equity attributal to equity holders of the parent									
	Note	Share capital	Share Premium reserve	Other paid-in capital	Other equity	Available-for-sale reserve	Exchange differences on translation of foreign operations	Actuarial gains and losses	Total	Non-controlling interests	Total equity
EQUITY PER. 01.01.2012:	13	25 176	386 177	16 939	190 922	0	-4 123	-12 793	602 300	21 653	623 953
Profit for the period					-35 260				-35 260	2 663	-32 597
Other comprehensive income						618	-7 383		-6 765		-6 765
Total comprehensive income for the period					-35 260	618	-7 382	14 363	-27 661	2 663	-24 998
Share issue	13	654	29 376						30 030		30 030
Cost of share-based payment	17			1 924					1 924		1 924
Total equity of the Group per 31.12.2012		**25 830**	**415 553**	**18 863**	**155 662**	**618**	**-11 505**	**1 570**	**606 593**	**24 316**	**630 909**
EQUITY PER. 01.01.2013:	13	25 830	415 553	18 863	155 662	618	-11 505	1 570	606 592	24 316	630 909
Profit for the period					-112 088				-112 088	1 318	-110 770
Other comprehensive income						1 470	-10 402	-3 502	-12 434		-12 434
Total comprehensive income for the period		0	0	0	-112 088	1 470	-10 402	-3 502	-124 522	1 318	-123 204
Reclassification of non-controlling interests									0	-4 845	-4 845
Cost of share-based payment	17			1 666					1 666		1 666
Total equity of the Group per 31.12.2013		**25 830**	**415 554**	**20 529**	**43 574**	**2 088**	**-21 907**	**-1 932**	**483 736**	**20 789**	**504 526**

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2013

FIGURES IN TNOK

PARENT COMPANY				GROUP	
2012	2013		Note	2013	2012
		CASH FLOWS FROM OPERATIONS			
-48 653	-130 717	Profit before tax		-97 959	-45 241
0	0	Paid taxes	22	-4 554	-8 742
15 478	14 210	Depreciation and impairment of property, plant and equipment	9	18 365	18 244
22 430	21 305	Amortisation and impairment of intangible assets	10, 11	44 550	31 070
7 861	-301	Pension cost without cash flow effect	16	2 546	3 911
16 831	7 614	Dividends from subsidiaries		0	0
-79	1 304	Interests from subsidiaries		0	0
1 923	1 666	Cost of share-based payment	17	1 666	1 923
		WORKING CAPITAL ADJUSTMENTS			
-7 107	-49 718	Changes in receivables and prepayments from customers	20	-44 825	-15 024
-6 563	14 061	Changes in inventory	14	8 390	-3 009
-100	2 276	Changes in accounts payables	4	6 949	-7 507
9 213	-8 328	Changes in work in progress	7	-8 873	21 339
-28 405	37 632	Changes in other balance sheet items		40 952	-16 850
-17 171	-88 996	Net cash flow from operations		-32 793	-19 886
		CASH FLOW FROM INVESTMENTS			
-36 412	-22 492	Investments in tangible and intangible assets	9, 10	-38 738	-54 195
-25 034	-16 552	Acqusition of a subsidiary, net of cash acquired	6	-16 326	-25 034
-4 188	-6 629	Other investments		-6 629	0
-65 634	-45 673	Net cash flow from investments		-61 693	-79 229
		CASH FLOW FROM FINANCING			
30 030	0	Share issue	6, 13	0	30 030
0	0	Other financial items		-3 527	-1 211
30 030	0	Net cash flow from financing		-3 527	28 819
-52 775	-134 669	Net change in cash and cash equivalents for the year		-98 013	-70 296
347 215	294 438	Cash and cash equivalents per 01.01.		369 491	439 788
294 438	**159 768**	**Cash and cash equivalents per 31.12.**	**19**	**271 477**	**369 491**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

NOTE 1 CORPORATE INFORMATION

The consolidated financial statements for the year ended 31 December 2013 were approved by the board at its meeting on 26 March 2014. Q-Free ASA is a limited liability company head-quartered in Trondheim, Norway. Q-Free is listed on the Oslo Stock Exchange with the ticker QFR.

Q-Free is a leading global supplier of products and solutions within Road User Charging (RUC) and Advanced Transportation Management Systems (ATMS). The company has 291 employees in 14 countries, and representatives in 4 other countries

For further information, the business segments are described in Note 5.

NOTE 2 BASIS FOR PREPARATION OF THE CONSOLIDATED ACCOUNTS

2.1 GENERAL PRINCIPLES

The consolidated financial statements are prepared on a historical cost basis, with the exception of derivative financial instruments which are measured at fair value. The consolidated financial statements are presented in Norwegian kroner and all figures are rounded to the nearest thousand (TNOK) unless otherwise specified.

The consolidated financial statements of Q-Free ASA (the "Parent Company") and all its subsidiaries (The "Group"), have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU. The below listed principles are used both for the Parent company and The Group. The Group has decided to present the financial statements for both the parent and the group in a parallel presentation since the parent company has significant impact for the group and such presentation adds information for users of the consolidated accounts.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS CONSIDERED WHEN PREPARING THE FINANCIAL STATEMENTS

The preparation of the Group's consolidated financial statements has required the management to make estimates and assumptions that effect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

Product Development costs

Development costs are capitalised in accordance with the accounting policy in Note 3.7 and the capitalised amount is shown in the balance sheet as "Product Development Assets". Initial capitalisation of costs is based on management's judgment that technological and financial feasibility is confirmed, i.e. when a product development project has reached a defined milestone according to the project management model. In determining the amounts to be capitalised, management makes assumptions on the expected future cash generation of the project, discount rates to be applied, and the expected period of benefits. As at 31 December 2013, the carrying amount of capitalised product development costs was TNOK 132,761 (2012: TNOK 153,682). Further details are given in Note 10 Intangible Assets.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that management sees convincing evidence for sufficient future taxable profit. A deferred tax asset is only recognized for an amount corresponding to the expected taxable profit. The carrying amount of deferred tax assets is reviewed at each reporting date. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that convincing evidence exists to support that taxable profits will allow the deferred tax asset to be recovered. The carrying value of recognised deferred tax assets as at 31 December 2013 was TNOK 32,319 for Group and TNOK 26,935 for the Parent (2012: deferred tax assets for Group of TNOK 26,039 and TNOK 27,933 for the Parent). Further details regarding deferred taxes are given in note 22.

Goodwill

Assessment of the recoverable amount for intangible assets with indefinite lives is based on estimates and judgements made by management, including estimates for the assets' ability to generate future revenues. Changes in the judgements and assumptions may result in an impairment loss. The book value of goodwill for the group at December 31, 2013 was TNOK 71,199 (31.12.2012 ; TNOK 64,667). The addition during 2013 is related to the acquisition of Elcom d.o.o., see note 6 "Business Combinations" for further specifications. Refer to note 11 for description of the annual impairment test, including a description of the key assumptions made.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are described below. The Group has based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revenue recognition in projects
The group uses the percentage of completion method in accounting for projects, which requires the Group to estimate the progress in the projects. Progress is calculated as accrued costs as a percentage of total expected production costs. Total expected costs are estimated based on a combination of historical figures, the follow up of efficiency targets, and budgets. Each project's prognosis is evaluated on a monthly basis to verify that the accounts are based on best possible prognosis. Manhours constitute a large proportion of the total cost. The uncertainty of the estimation of manhours varies with duration and technical complexity of the project. Estimation of projects with long duration and high complexity has significant effect on the financial statement, and the Group management is therefore actively involved in these assessments. Revenue recognition in projects is measured on the basis of accrued production costs as a percentage of total anticipated costs. Total order backlog for the Group as at 31 December 2013 is TNOK 360,918. Corresponding figures for 2012 was TNOK 370,614. Further details are given in Note 7.

Share-based payment transactions
The Group measures the cost of equity-related transactions with employees by reference to the fair value of the equity instruments at the date they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination and assumptions of the most appropriate inputs to the valuation model, including the expected life of the share option, volatility, and dividend yield. The company's cost of share based payment is calculated using the Black & Scholes pricing model. For 2013 this adds up to a total cost of TNOK 1,666 (2012: TNOK 1,924). Further information on assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 17.

Pension funds / liabilities
The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves a number of assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates, and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at the reporting date according to the recommendation of the Norwegian Accounting Standards Board. The net employee pension liabilities for the Group as at 31 December 2013 is TNOK 12,925 (2012: TNOK 10,379). Further details are given in Note 16.

Warranty accruals
The Group estimates probable warranty costs on faulty products based on historical data and an evaluation of the portfolio of delivered products still under warranty. Total provisions for warranty costs as at 31 December 2013 is TNOK 15,766 for the Group. (2012: TNOK 9,614). Further details are given in Note 25.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.0 BASIS OF CONSOLIDATION
The consolidated financial statements comprise the financial statements of Q-Free ASA and its subsidiaries as at 31 December each year.

Subsidiaries are fully consolidated from the date of acquisition, defined as the date on which the group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Shares in subsidiaries
Investments in subsidiaries are accounted for according to the cost method in the parent company's accounts. The investments are recognised at their fair value on the date of acquisition. Fair value is attributed to identifiable assets and liabilities. Excess value that cannot be assigned to identifiable assets is classified as goodwill.

Elimination of transactions
Intra-Group balances, transactions and unrealised gains and losses that arise between Group entities are eliminated at consolidation. Unrealised gains from transactions with associates are eliminated proportionally against the investment. Unrealised losses are eliminated correspondingly, unless they are related to impairment. All intra-Group transactions are eliminated in the consolidation process.

Non-controlling interests
The non-controlling interests include the minority's share of the carrying amount of subsidiaries, including the share of identified excess value on the date when a subsidiary is acquired.

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

3.1 BUSINESS COMBINATIONS AND GOODWILL
Business combinations are accounted for using the acquisition
Business combinations are accounted for using the acquisition
method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value at the date of acquisition and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the

non-controlling interest in the acquiree as the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If a business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, as the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination from the acquisition date allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit, and a part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. In this circumstance, goodwill disposed of is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3.2 RECOGNITION OF REVENUES

Revenues are recognised when it is probable that transactions will generate future financial benefits that will accrue to the company, and this revenue can be reliably estimated. Sales revenue are presented net of value added tax and discounts. Q-Free's business activities are product and system deliveries as well as service and maintenance and revenues within the tolling business. Q-Free distinguishes between project deliveries, product sales, and services/maintenance revenues. Government grants are classified as "Other income".

Project deliveries

Revenues relating to system deliveries are recognised in the income statement according to the stage of completion. Stage of project completion is calculated as the percentage of accrued costs to total anticipated costs. Total anticipated costs are estimated on the basis of a combination of historical figures, the follow-up of efficiency targets and best estimates. If the project's results cannot be reliably estimated, only revenue equal to the accrued project costs will be recognized as revenue. Any estimated loss on a contract will be recognised in the income statement for the period when the company identifies that the project will lead to a loss.

Change orders are defined as additions to existing contracts. Change orders are recognised when the probability of customer acceptance of the change order can be ascertained with a high degree of probability. Additional contractual services and estimated additional costs are included in the original project prognosis and recognised as income with a shared profit on the contract and the same degree of completion.

Invoicing normally takes place when contractually agreed milestones are reached. Differences between invoicing and revenue recognition are shown as "Work in Progress" in the balance sheet. Advance payments from the customers are presented under current liabilities.

Product sales

Revenues from the sale of goods are recognised in the income statement once delivery has taken place, the risk has been transferred, and the company has established a receivable due by customer.

Service and maintenance contracts

Services delivered which are not part of a project delivery are recognised as revenue upon the provision of the service and maintenance, as described under project deliveries.

Governmental grants

Government grants are not recognised until it is reasonably certain that the company will comply with the conditions and that it will be granted. The recognition of grant is postponed and amortised over the period when cost incur for items covered by the subsidies. Grants are recognised as deductions from the cost that the grant is meant to cover. Grants received to buy non-current assets are recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset. Government grants are accounted as other operating income when the cost are incurred or as reduction of personnel expenses if the Group has approved projects in the governmental tax relief program "Skattefunn". Further details are given in Note 8.

3.3 FOREIGN CURRENCY

Functional currency and presentation currency

Government grants are not recognised until it is reasonably certain that the company will comply with the conditions and that it will be granted. The recognition of grant is postponed and amortised over the period when cost incur for items covered by the subsidies. Grants are recognised as deductions from the cost that the grant is meant to cover. Grants received to buy non-current assets are recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset. Government grants are accounted as other operating income when the cost are incurred or as reduction of personnel expenses if the Group has approved projects in the governmental tax relief program "Skattefunn". Further details are given in Note 8.

Group companies
The assets and liabilities of foreign operations are translated into NOK at the rate of exchange at the reporting date, and their income statements are translated at the exchange rates at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

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

3.4 PROVISIONS
Provisions are recognised when the Group has an obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying financial benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed on each balance sheet date and reflect the best estimate of the liability. When the effect of time is insignificant, the provisions will be equal to the size of the expense required to be released of the liability. When the effect of time is significant, the provisions will be the present value of future payments to cover the liability. Further details are given in Note 25.

3.5 FINANCIAL INSTRUMENTS
Financial assets and liabilities
Financial assets and liabilities consist of derivatives, investments in shares, accounts receivables and other receivables, cash and cash equivalents, loans, accounts payable and other liabilities.

A financial instrument is recognised when the Group becomes party to the instrument's contractual provisions. Upon initial recognition, financial assets and liabilities are measured at fair value plus directly attributable expenses. However, transaction costs relating to the acquisition or incurrence of financial instruments at fair value through profit or loss are recognised in profit or loss as they are incurred. An ordinary purchase or sale of financial assets is recognised and derecognised from the time an agreement is signed. Financial assets are derecognised when the Group's contractual rights to receive cash flows from the assets expire, or when the Group transfers the asset to another party and does not retain control, or transfers practically all risks and rewards associated with the asset. Financial liabilities are derecognised when the Group's contractual obligation has been satisfied, discharged or cancelled.

Classification
Q-Free classifies financial assets and liabilities according to IAS 39 in the following categories; financial assets and liabilities at fair value through the profit or loss, loans and receivables, and other liabilities.

Financial assets and liabilities through profit and loss includes financial assets held for trading and derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined in IAS39. Subsequent changes in fair value are carried in the statement of financial position at fair value, with changes in fair value recognised in finance income or finance expense in the income statement.

After initial measurement loans and receivables are measured at amortised cost, less impairment for expected losses. The Group's other liabilities are, subsequent to initial recognition, measured at amortised cost using the effective interest rate method.

Further details on financial risk management are given in note 4.

Impairment of financial assets:
The Group assesses at each reporting date whether any objective evidence exists that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

3.6 PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation reduces the cost of assets to their estimated residual value, if any, over their estimated useful lives. The cost of assets the cost of replacing part of the property , plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Depreciation commences when the assets are ready for their intended use.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

Machinery and lab equipment:	4 - 6 years
Office and computer equipment:	3 - 5 years
Building installations: distributed over the remaining rental periods.	5 - 7 years

The assets' residual values , useful lives and methods of deprications are reviewed at each financial year end and adjusted prospectively if appropriate.

3.7 INTANGIBLE ASSETS

Intangible assets acquired separately are initally measured at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

If the criteria are satisfied, expenses capitalised will include the cost of materials, direct payroll expenses, and a percentage of the directly allocated administration expenses. Capitalised development costs are recognised on the balance sheet at acquisition cost less accumulated depreciation and impairments.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible asset with finite lives are amortised over the useful financial lives. Useful lives and amortisation method for intangible assets with finite useful life is reviewed at least annually. The straight-line depreciation method is used for intangible assets as this best reflects the consumption of the assets.

Research and development

Expenses for research activities are recognised and expensed as they accrue.

Expenses related to product development activities are capitalised if the product development activities comply with defined criteria for capitalisation. Capitalisation assumes it is possible to identify the intangible asset to be developed and demonstrated that it is likely that the development work will be successful, and that the future financial benefits attached to the intangible asset will accrue to the enterprise. Depreciation is carried out using the straight-line method over the estimated useful lifetime. The estimated useful lifetime is continuously evaluated.

If the criteria are satisfied, expenses recognised on the balance sheet will include the cost of materials, direct payroll expenses and a percentage of the directly allocated administration expenses. Capitalised development costs are recognised on the balance sheet at acquisition cost less accumulated depreciation and impairments.

Expenses related to ongoing efforts to improve a product or enhance a product's quality are defined as product maintenance and expensed as they are incurred.

3.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

All non-financial assets, with the exception of inventories and deferred tax assets, are reviewed for each reporting period to determine whether there are indications of impairment. Where indications of impairment exist, recoverable amounts are calculated.

The recoverable amount of an asset or cash-generating unit is its value in use or fair value less costs to sell, whichever is higher. Value in use is calculated as the net present value of future cash flows. The calculation of net present value reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is calculated on the basis of the estimated future cash flow based on the Group's budget and strategic plans for the upcoming five-year planning period. The budget has been approved by Q-Free's management and Board of Directors.

Impairment is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group that generates a cash inflow that is largely independent of other assets or groups. Impairment related to cash-generating units is intended first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit on a pro-rated basis. These assets will normally be property, plant and equipment, and other intangible assets.

3.9 SHARE BASED PAYMENT

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

The cost of equity-settled transactions with employees is measured to fair value at grant date. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The market value of granted share options are measured by using a Black & Sholes model which take into consideration time and conditions of the share options. The cumulative expense recognised for the equity -settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period. When options are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Social security tax related to share options is recorded as a liability and recognised over the estimated option period. It is calculated as the difference between the market value and the exercise value of the granted but not exercised share options.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 12)

3.10 INVENTORIES

Work in progress is accounted for at the lowest of cost and net realisable value. For finished goods, the net realisable value is calculated as the sellling price less cost to sell. For work in progress and finished products, the acquisition cost is calculated as direct and indirect costs. Inventories are assessed using the FIFO method.

3.11 LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, i.e. whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

3.12 INVESTMENT IN SHARES

Investment in shares is classified as financial assets available for sale. The fair value of investments is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined applying commonly used valuation techniques. For further details see note 24.

3.13 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Accounts receivable and other receivables are entered at face value after deduction for provision for impairments on receivables. Provision for impairment on receivables is based on an individual assessment of each receivable and overall an assessment of the total portfolio of receivables.

A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

3.14 PENSION COSTS AND PENSION ASSETS AND LIABILITIES

Q-Free ASA has a defined benefit- and a defined contribution pension plan for the employees. The scheme is funded through payments to an insurance company. Both pension plans meet the criteria for OTP. (Obligatorisk Tjeneste Pensjon) Pension cost are calculated according to IAS 19 for both plans. The liability recognised in the balance sheet related to the defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. The defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates for the 10 years Government bonds adjusted for duration approximately equal to the maturity of the related pension liability for 2011, and the OMF interest rate for 2012 and 2013. Net pension cost for the defined benefit plan for the year is determined using the projected unit credit method. Net pension cost is classified as payroll expense in the profit and loss statement. The pension cost of the contribution plan is expensed when paid, see note 16 for further details.

3.15 TAXES

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities, with the exception of:

- temporary differences linked to goodwill that are not tax deductible
- temporary differences related to investments in subsidiaries or associates the Group controls, when the temporary differences are to be reversed and this is not expected to take place in the foreseeable future.

Deferred tax assets are recognised when it is probable that the Group will have future taxable profits to utilise the tax asset. The companies recognise previously unrecognised deferred tax assets to the extent it has become probable that the company can utilise the deferred tax asset. Similarly, the company will reduce a deferred tax asset to the extent that the company no longer regards it as probable that it can utilise the deferred tax asset.

Deferred tax and deferred tax assets are measured on the basis of the expected future tax rates applicable to the companies in the Group where temporary differences have arisen.

Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

3.16 CASH AND CASH EQUIVALENTS

Cash includes cash in hand and in bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have a maximum term to maturity of three months.

3.17 CASH FLOW STATEMENT
The cash flow statement is prepared according to the indirect method. Cash is considered as a deposit at call in bank or similar financial institutions. Consented, not full-drawn bank overdrafts is not considered liquid capital. All items in the cash flow statement are net effects from the continued operation unless stated otherwise.

3.18 EVENTS AFTER THE BALANCE SHEET DATE
New information on the company's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that will affect the company's position in the future but do not affect the company's position at the balance sheet date are stated if significant. No such significant events has occurred in 2014.

3.19 OPERATING SEGMENTS
For management purposes, the Group is organised into geographical areas based on the location of the customer. Transfer prices between operating segments are on an arm's length basis, similar to transactions with third parties. Further details on the group operating segments are given in note 5.

3.20 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES
The accounting policies adopted are consistent with those of the previous financial year, except for the following IFRSs, IFRICs AND AMENDMENTS.

Standard, Amendments or interpretations	Effective date
IFRS 1 First-time Adoption of International Financial Reporting Standards – (Amendments – Government Loans)	01.01.13
Improvements to IFRSs (2009 – 2011 Cycle) Improvements to IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34.	01.01.13
IFRS 7 Financial Instruments: Disclosures (Amendments - Disclosures – Offsetting Financial Assets and Financial Liabilities)	01.01.13
IFRS 13 Fair Value Measurement	01.01.13
IAS 1 Presentation of Financial Statements (Amendments)	01.01.13
IAS 19 Employee Benefits (Amendments)	01.01.13
IFRS 1 First-time Adoption of International Financial Reporting Standards – (Amendments – Government Loans)	01.01.13

3.21 STANDARDS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED BY THE GROUP.

The standards and interpretations that are issued but not yet effective per the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Standard, Amendments or interpretations	Effective date
IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendments – 2011 – 2013 Cycle)	Mandatory adoption on or after 1 July 2014
Annual improvements (2010 – 2012 Cycle) Amendments to IFRS 1, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38	Mandatory adoption on or after 1 July 2014
Annual improvements (2011 – 2013 Cycle) Amendments to IFRS 3, IFRS 13, IAS 40,	Mandatory adoption on or after 1 July 2014
IFRS 7 Financial Instruments: Disclosures (Amendments - Transition Disclosures)	Mandatory adoption to be confirmed
IFRS 9 Financial Instruments	Mandatory adoption to be confirmed
IFRS 9 Financial Instruments (Amendments)	Mandatory adoption to be confirmed
IFRS 9 Financial Instruments (Amendments - Mandatory Effective Date)	Mandatory adoption to be confirmed
IFRS 9 Financial Instruments (Amendments – Hedging)	Mandatory adoption to be confirmed
IFRS 10 Consolidated Financial Statements	Mandatory adoption 01.01.2014 (EU)
IFRS 11 Joint Arrangements	Mandatory adoption 01.01.2014 (EU)
IFRS 12 Disclosure of Interests in Other Entities	Mandatory adoption 01.01.2014 (EU)
Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	Mandatory adoption 01.01.2014 (EU)
IFRS 10 Consolidated Financial Statements (Amendments – Investment Entities)	Mandatory adoption on or after 1 January 2014
IAS 19 Employee Benefits (Amendments - Defined Benefit Plans: Employee Contributions)	Mandatory adoptionon or after 1 January 2014
IAS 27 Separate Financial Statements (Amendments)	01.01.2014 (Delayed effective date in EU)
IAS 28 Investments in Associates and Joint Ventures (Amendments)	01.01.2014 (Delayed effective date in EU)
IAS 32 Financial Instruments: Presentation (Amendments - Offsetting Financial Assets and Financial Liabilities)	Mandatory adoptionon or after 1 January 2014
IAS 36 Impairment of Assets (Amendments - Recoverable Amount Disclosures for Non-financial Assets)	Mandatory adoption on or after 1 January 2014
IAS 39 Financial Instruments: Recognition and Measurement (Amendments - Novation of Derivatives and Continuation of Hedge Accounting))	Mandatory adoptionon or after 1 January 2014
IFRIC 21 Levies.	Mandatory adoptionon or after 1 January 2014

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

NOTE 4 FINANCIAL RISK MANAGEMENT

Q-Free has centralised management of financial risk. The Board has adopted guidelines for the Group's financial risk management, which are embodied in the corporate Financial Policy. Q-Free seeks to limit financial risk and increase predictability while exploiting finance as a competitive factor.

The Group is exposed to different financial market risks arising from our normal business activities, mainly these:

a) Credit risk
b) Currency risk
c) Liquidity risk
d) Interest rate risk

a) Credit risk

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 ratio of bad debt to accounts receivables.

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 entering a new market, Q-Free assess the credit risk in each individual case and utilise appropriate actions like letters of credit, Norwegian Export Credit Agency guarantees, advance payments, or other similar tools 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.

An ageing analysis of trade receivables as at 31. December 2013 and 2012 is provided in note 20.

b) 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, 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 in 2013. 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 combine estimated future sales and purchases and hedge the net cash flow in the foreign currency by using forward / future contracts.

Foreign exchange contracts are classified as either other financial assets or other financial liabilities measured as fair value. As at 31.12.13 the Group holds foreign future contracts of 2,980 TNOK accounted as other financial liabilities (2012: TNOK 768). See section regarding fair value for a fair value hierarchy and a specification on valuation technique applied .

The following table demonstrates the sensitivity to a reasonable possible change in the EURO and SEK exchange rate for the Group's EBITDA (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward exchange contracts and net investment hedges), with all other variables held constant. Due to the Service & Maintenance contract in Stockholm and the finalisation of the Gothenburg Congestion Charging project in 2013, the sensitivity analysis is presented for SEK as well as USD and EURO as the currencies that the most material effects on the income statement for 2013.

		Increase/decrease in	Effect on profit before tax	Effect on equity
2013	EURO rate	+ 10%	+ 2 354 TNOK	+ 1 695 TNOK
		- 10%	- 2 354 TNOK	- 1 695 TNOK
2013	SEK rate	+ 10%	+ 825 TNOK	+ 594 TNOK
		- 10%	- 825 TNOK	- 594 TNOK
2013	USD rate	+ 10%	+ 10 280 TNOK	+ 7 402 TNOK
		- 10%	- 10 280 TNOK	- 7 402 TNOK
2012	EURO rate	+ 10%	+ 3 194 TNOK	+ 2 300 TNOK
		- 10%	- 3 194 TNOK	- 2 300 TNOK
2012	SEK rate	+ 10%	+ 1 516 TNOK	+ 1 092 TNOK
		- 10%	- 1 516 TNOK	- 1 092 TNOK
2012	USD rate	+ 10%	+ 8 731 TNOK	+ 6 286 TNOK
		- 10%	- 8 731 TNOK	- 6 286 TNOK

c) Liquidity risk

The Q-Free 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 over the next three years. 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 Group assesses the liquidity at the end of 2013 to be sufficient to cover the company's planned operations and investment requirements.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2013, based on contractual undiscounted payments.

Year ended 31 Descember 2013	On demand	Less than 3 months	3-6 months	6-12 months	> 1 years	Total Group
Interest bearing loans and borrowings	275	100 276	0	0	0	100 551
Accounts payables and advance payments from customers	25 138	28 882	19 525	1 388	0	74 933
Public duties payable and taxes		21 307	7 397			28 704
Other financial liabilities	7 532	28 560	70 158	14 830	9 766	130 846
Total liabilities (excl pension liabilities and deferred tax)	**32 945**	**179 025**	**97 080**	**16 218**	**9 766**	**335 034**

Year ended 31 Descember 2012	On demand	Less than 3 months	3-6 months	6-12 months	> 1 years	Total Group
Interest bearing loans and borrowings	0	581	566	1 147	100 926	103 220
Accounts payables and advance payments from customers	18 697	39 999	8 123	1 388	0	68 207
Public duties payable and taxes		30 966	3 510			34 476
Other financial liabilities	9 118	18 567	27 061	4 725		59 471
Total liabilities (excl pension liabilities and deferred tax)	**27 815**	**90 113**	**39 260**	**7 260**	**100 926**	**265 374**

Capital management:
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value .

The Group manages and adjusts its capital structure in light of changes in financial conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of its total equity ratio This ratio is calculated as book equity divided by total equity It is the Group's policy that this ratio should be 50 per cent or higher The book equity ratio is calculated as total equity divided by total assets as follows:

	AS AT 31 DECEMBER	
	2013	2012
Total equity	504 526	630 909
Total assets	894 344	941 700
Book equity ratio	56.4%	67.0%

d) Interest-rate risk
The group currently has interest-bearing debt in form of a bullet loan . Excess liquidity is placed at high-interest bearing accounts, in order to have quick access to these funds. The Group emphasises predictability at all times if entering any significant interest bearing debt contracts, as changes in the interest level influences the consolidated profit . Actions will be taken to hedge this risk if possible.

A change in interest of 100 basis points (bp) on the date of balance sheet recognition would have increased (reduced) equity and the profit or loss by the amounts shown below The analysis assumes that the other variables remain constant The analysis was performed on the same basis as in 2012.

EFFECT OF AN INTEREST RATE INCREASE OF 100 BP	AS AT 31 DECEMBER	
	2013	2012
	Result	Result
Investments with floating interest rates	2 811	3 663
Loans with variable interest rates	-1 000	-1 000
Profit before tax	1 811	2 663

Fair value hierarchy:
The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. As at 31 December 2013, the Group held the following financial instruments measured at fair value:

Shares at fair value through profit and loss	(Included in "Investments in other companies")
Foreign exchange contracts	(Included in either "Other current financial asset" or "Other current financial liabilities")

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Assets / liabilities measured at fair value

	31. Dec 2013	Level 1	Level 2	Level 3
Financial assets & liabilities at fair value through profit or loss:				
Foreign exchange contracts	2 981		2 981	
Available for sale financial investments	15 317			15 317

	31. Dec 2012	Level 1	Level 2	Level 3
Financial assets & liabilities at fair value through profit or loss:				
Foreign exchange contracts	768		768	
Available for sale financial investments	7 182			7 182

For details about the change in beginning and closing balances of level 3 measurements, refer to note 24.

Determination of fair value

The book value of below listed financial assets and liabilities are approximately equal to fair value, as they have ultra-short collection cycles with low inherent risk.

FINANCIAL ASSETS AND LIABILITIES

	Carrying amount 2013	Fair value 2013	Carrying amount 2012	Fair value 2012
Investments in other companies	15 317	15 317	7 182	7 182
Accounts receivable	146 860	146 860	95 956	95 956
Other receivables	5 064	5 064	3 760	3 760
Other current financial assets	36 599	36 599	35 412	35 412
Cash and cash equivalents	271 477	271 477	369 491	369 491
Advance payments from customers	28 502	28 502	22 423	22 423
Accounts payable	74 933	74 933	67 984	67 984
Other current financial liabilities	137 797	137 797	59 474	59 474

NOTE 5 OPERATING SEGMENTS

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

- Europe
- Asia Pacific
- Americas

Group management (chief operating decision makers) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, financing (including finance costs and finance income), income taxes, assets, and liabilities are managed on a group basis and are not allocated to operating segments. The necessary information to do so is not available and the cost to develop it would be excessive.

OPERATING SEGMENTS				31.12.2013				31.12.2012
	Europe	Asia Pacific	Americas	Total	Europe	Asia Pacific	Americas	Total
PROFIT & LOSS ACCOUNT								
	50%	14%	36%	100%	69%	10%	21%	100%
Revenues	304 680	83 249	218 143	606 072	410 364	59 828	127 340	597 532
Cost of goods sold	45 197	38 263	141 331	224 791	119 417	13 956	93 718	227 090
Personnel expenses	158 774	23 444	14 510	196 727	145 301	27 135	9 391	181 827
Operating expenses	135 174	58 357	22 822	216 353	156 883	30 400	7 325	194 607
Total operating expenses	339 145	120 064	178 663	637 871	421 600	71 490	110 433	603 524
EBITDA	**-34 465**	**-36 815**	**39 480**	**-31 799**	**-11 236**	**-11 662**	**16 907**	**-5 990**
Depreciation, amortisation and impairment	57 174	458	5 283	62 914	48 160	458	697	49 315
EBIT	**-91 638**	**-37 272**	**34 197**	**-94 713**	**-59 396**	**-12 120**	**16 210**	**-55 306**
KEY FIGURES								
EBITDA - margin	-11.3%	-44.2%	18.1%	-5.2%	-2.7%	-19.5%	13.3%	-1.0%
EBIT - margin	-30.1%	-44.8%	15.7%	-15.6%	-14.5%	-20.3%	12.7%	-9.3%
Average annual man years	227	33	19	279	250	15	10	275
Average number of employees	230	37	24	291	253	26	20	287

Revenues from the largest customer amounted to TNOK 105,214 (17.4% of total revenues) in 2013, with the similar figure for 2012 TNOK 136,491 (22.8%). In 2013 the largest customer was included in the Americas segment, whereas the largest customer in 2012 was included in the European segment.

REVENUE COMPOSITION

	2013		2012	
Products	366 539	61%	229 779	38%
Service and maintenance	139 538	23%	106 766	18%
Projects	99 995	16%	260 987	44%
Total revenues	**606 072**		**597 532**	

ORDER BACKLOG BY OPERATING SEGMENTS

	2013		2012	
Europe	275 753	73%	337 756	77%
Asia Pacific	15 458	4%	40 170	9%
Americas	87 983	23%	59 482	14%
Total order backlog	**379 194**		**437 408**	

ORDER BACKLOG COMPOSITION

	2013		2012	
Products	103 752	32%	85 939	20%
Service and maintenance	157 097	41%	190 206	43%
Projects	118 345	27%	161 263	37%
Total order backlog	**379 194**		**437 408**	

NOTE 6 BUSINESS COMBINATIONS

ACQUISITION IN 2013

Acquisition of Elcom d.o.o.

The financial effects from the purchase of Elcom d.o.o. are consolidated in the Group`s figures per 31.12.13. Date of acquisition was 24th October 2013. The acquired company's main activities are development and sale of traffic centrals and traffic controllers for traffic lights, LED streetlights, and system solutions for different traffic control applications based on own and third-party products.

As of 24th October 2013 Q-Free ASA controls 100% of the Elcom d.o.o.shares, and has corresponding voting rights. The acquisition was concluded for a total cost of TNOK 9,315.

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

Preliminary allocation of the acqusition cost (TNOK) of the identifiable assets and liabilities of Elcom d.o.o. as at the date of acquisition were:

ASSETS

	Previous carrying value 31.12.13	Adjustments	Fair value recognised on acquisition 31.12.2013
Technology	0	1 356	1 356
Customer Relationships	0	985	985
Order Backlog	0	442	442
Goodwill	0	6 532	6 532
Machinery, fixtures	311		311
Other financial assets	0	0	0
Total fixed assets	**311**	**9 315**	**9 626**
Loan to owners	0		0
Inventories	272		272
Accounts receivables	2 058		2 058
Cash and equivalents	226	0	226
Current assets	2 556	0	2 556
Total assets	**2 867**	**9 315**	**12 183**

LIABILITIES AND EQUITY

	Previous carrying value	Adjustments	Fair value recognised on acquisition 31.12.2013
Equity	1 000	8 898	9 898
Finacial leasing	256	0	256
Bank debt	162		162
Deferred tax *	0	418	418
Long term liabilities	418	418	836
Line of Credit - Bank	0	0	0
Accounts payable	1 007	0	1 007
Accruals	156	0	156
Miscl liabilities	286	0	286
Short term liabilities	1 449	0	1 449
Total Equity & Liabilities	**2 867**	**9 315**	**12 183**

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

The three intangible assets are identified as follows:

Customer relationships, technology, and the value of existing order backlog. These three assets explain 30% 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 the fact that the acquisition is an important transaction in order to position the Group in the ATMS market.

ANALYSIS OF CASH FLOWS ON ACQUISITION

Transaction costs of the acquisition (included in cash flows from operating activities)	-408
Acqusition of a subsidiary, net of cash acquired (included in cash flows from investing activities)	-9 089
Net cash flow on acquisition	**-9 497**

Pro forma figures have not been prepared for the period from 1 January 2013 until the time of acquisition 24 October 2013, as the amounts are considered immaterial to the consolidated financial statements.

Elcom d.o.o.'s contribution to the Group from the acquisition 24 October 2013 until 31 December 2013 is not material to the consolidated financial statements.

CHANGES RELATED TO PROVISIONS FOR EARN-OUTS

	Current	Non current	Total
Provisions 01.01.2013	13 908	7 107	21 015
Payments in 2013	0	-7 107	-7 107
Changes of estimated payments recognised in p&l	0		0
Reclassification to current	-6 951	6 951	
Provision 31.12.2013	6 957	6 951	13 908

Remaining earnout provisions relates to the acquisition of TCS international in 2012.

ACQUISITION IN 2012

Acquisition of TCS International Inc.

The financial impact from the purchase of TCS International Inc. is consolidated in the Group`s figures per 31.12.12. Date of acquisition was 27th December 2012. The acquired company's main activities are development and sale of parking guidance systems for use in Advanced Transportation Management Systems.

As of 27 December Q-Free ASA controls 100% of the TCS International Inc. shares, and has corresponding voting rights. The acquisition was concluded for an estimated total cost of TNOK 45,994. The cost of the acquisition consists of a cash payment of TNOK 32,086 and estimated additional contingent consideration depending on an Earn-Out model based on EBIT for 2013 and 2014. The contingent consideration has a fair value of TNOK 13,908.

The consideration based on earn out depends on TCS International Inc.'s EBIT in 2013 and 2014. For 2013, the payment will be achieved upon EBIT above USD 900,000 multiplied with a factor of 1.1 . The minimum payment is USD 0 and the maximum payment is capped at USD 2,600,000. For 2014, the payment is actual EBIT multiplied by 0.36. The minimum payment would be USD 0 and maximum payment is capped at USD 1,300,000. The threshold to start receiving EBIT in the earn out is USD 900.000 in 2013 and USD 1.400.000 in 2014.

The current operations in TCS International Inc. 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 the markets into a wider Intelligent Traffic market

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

ASSETS

	Previous carrying value 31.12.12	Adjustments	Fair value recognised on acquisition 31.12.2012
Technology	0	11 016	11 016
Customer Relationships	0	5 113	5 113
Order Backlog	0	1 849	1 849
Goodwill	0	35 123	35 123
Machinery, fixtures	712		712
Other financial assets	77		77
Total fixed assets	**789**	**53 101**	**53 891**
Loan to owners	0		0
Inventories	630		630
Accounts receivables	2 393		2 393
Cash and equivalents	2 391		2 391
Current assets	5 414	0	5 414
Total assets	**6 203**	**53 101**	**59 305**

LIABILITIES AND EQUITY

	Previous carrying value	Adjustments	Fair value recognised on acquisition 31.12.2012
Equity	-246	45 910	45 664
Debt to financial inst.	286	0	286
Deferred tax *	0	7 191	7 191
Long term liabilities	286	7 191	7 477
Line of Credit - Bank	0	0	0
Accounts payable	4 634	0	4 634
Work in progress	1 260	0	1 260
Sales tax payable	328	0	328
Debt to seller of TCS Inc.	-59	0	7 048
Short term liabilities	6 163	0	6 163
Total Equity & Liabilities	**6 203**	**53 101**	**59 305**

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

The three intangible assets are identified as follows:

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

Goodwill is explained as the estimated value of the work force and the fact that the acquisition is an important transaction in order to position the Group in the ATMS market.

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

ANALYSIS OF CASH FLOWS ON ACQUISITION

Transaction costs of the acquisition (included in cash flows from operating activities)	(946)
Acqusition of a subsidiary, net of cash acquired (included in cash flows from investing activities)	(25 034)
Net cash flow on acquisition	**(25 980)**

Pro forma figures have not been prepared for the period from 1 January 2012 until the time of acquisition 27 December 2012, as the amounts are considered immaterial to the consolidated financial statements.

TCS International Inc.'s contribution to the Group from the acquisition 27 December 2012 until 31 December 2012 is not material to the consolidated financial statements.

NOTE 7 WORK IN PROGRESS

The Group's main business activity is to develop and manufacture products and systems as well as provide service and maintenance based on orders received. The Group reports gross balance sheet values attached to long-term production contracts. Gross amounts due from customers for contract work (Work in progress) are recognised on the balance sheet as assets, and gross amounts due to customers for contract work (Prepayments from customers) are recognised on the balance sheet as liabilities. Work in progress is the net amount of accumulated operating revenues less accumulated invoicing for all ongoing contracts where accumulated operating revenues are higher than accumulated invoicing. Prepayments from customers are the net amounts of accumulated operating revenues less accumulated invoicing for all ongoing contracts where accumulated invoicing is higher than accumulated operating revenues.

Each project is monitored individually and is measured against the updated project prognosis. The estimated accrued contract profit shall not exceed a proportional share of the estimated total contract profit. The proportional share of the contract is based on the degree of completion of the individual contract, which is largely determined by the costs incurred as a ratio of the expected overall cost at the time of valuation. If the profit on a contract cannot be estimated with a reasonable degree of certainty, the project will be recognised without a profit until the uncertainty is manageable. All projects are followed up on an ongoing basis with project costing. In the event a project calculation shows a loss, this loss will be expensed immediately in its entirety.

PARENT COMPANY			GROUP	
2012	2013		2013	2012
39 974	48 302	Work in progress	48 737	39 864
0	-12 370	Prepayments from customers	-28 502	-22 423
39 974	35 932	Net projects in progress	20 236	17 441
		Summary of work in progress as at 31.12		
218 223	80 394	Contract revenues included in the consolidated financial statement	80 897	218 223
370 614	360 048	Total contract orders	360 918	370 614
161 187	152 932	Accumulated revenues	153 367	161 187
209 427	207 116	Remaining revenues	207 551	209 427
131 857	144 079	Accumulated operating expenses	144 362	131 857
25 225	89 253	Remaining operating expenses	89 405	25 225
0	-12 370	Prepayments received	-28 502	-22 423

NOTE 8 OTHER OPERATING INCOME

The Group has received governmental grants of a total of TNOK 1,083 in 2013 (2012: TNOK 4,930). The Group is a partner in several projects under The Research Council of Norway and projects initiated by the EU.

	CONTRIBUTION	
Government grants	2013	2012
Projects with contribution from The Research Council of Norway	856	3 675
Contribution from EU initiated projects	227	790
Projects with contribution from the Norwegian space centre	0	466
Total	**1 083**	**4 930**

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

	2013	2012
Grants recognised as other income related to cost in same period	1 083	4 930
Grants accounted as reduction of payroll expenses (Skattefunn). See note 27 for further information	965	
Total	**2 048**	**4 930**

NOTE 9 PROPERTY AND EQUIPMENT

PARENT COMPANY

	Machinery and fixtures	Equipment	Total
Acquisition cost as at 01.01.2012	65 920	91 634	157 554
Additions	6 925	19 750	26 675
Acquisition cost as at 31.12.2012	**72 845**	**111 384**	**184 229**
Accumulated depreciation and impairments as at 01.01.2012	56 030	66 548	122 578
Depreciation of the year	6 085	9 393	15 478
Accumulated depreciation and impairments as at 31.12.2012	**62 115**	**75 941**	**138 056**
Net book value as at 01.01.2012	9 890	25 086	34 976
Total changes of the year	840	10 357	11 197
As at 31.12.2012	**10 730**	**35 443**	**46 173**
Acquisition cost as at 01.01.2013	72 845	111 384	184 229
Additions	3 940	7 767	11 707
Acquisition cost as at 31.12.2013	**76 785**	**119 151**	**195 936**
Accumulated depreciation and impairments as at 01.01.2013	62 115	75 941	138 056
Depreciation of the year	5 488	8 722	14 210
Accumulated depreciation and impairments as at 31.12.2013	**67 603**	**84 663**	**152 266**
Net book value as at 01.01.2013	10 730	35 443	46 173
Total changes of the year	-1 548	-955	-2 503
As at 31.12.2013	**9 182**	**34 488**	**43 670**
Financial lifetime	4-5 years	5-10 years	
Depreciation schedule	Straight line	Straight line	

Securities for bank guarantees and overdraft facility

As at 31.12.13 assets in the parent company valued at TNOK 43,670 (2012: 46,173) are pledged as security for guarantee facility in Danske Bank.

GROUP

	Machinery and fixtures	Equipment	Total
Acquisition cost as at 01.01.2012	127 259	91 634	218 893
Additions	11 512	19 750	31 262
Acquisition cost as at 31.12.2012	**138 771**	**111 384**	**250 155**
Accumulative depreciation and impairments as at 01.01.2012	99 043	66 548	165 591
Depreciation of the year	8 851	9 393	18 244
Accumulated depreciation and impairments as at 31.12.2012	**107 894**	**75 941**	**183 835**
Net book value as at 01.01.2012	28 216	25 086	53 302
Total changes of the year	2 661	10 357	13 018
As at 31.12.2012	**30 877**	**35 443**	**66 320**
Acquisition cost as at 01.01.2013	138 771	111 384	250 155
Additions	6 925	7 767	14 692
Acquisition cost as at 31.12.2013	**145 696**	**119 151**	**264 847**
Accumulative depreciation and impairments as at 01.01.2013	107 894	75 941	183 835
Depreciation of the year	9 219	8 722	17 941
Accumulated depreciation and impairments as at 31.12.2013	**117 113**	**84 663**	**201 776**
Net book value as at 01.01.2013	30 877	35 443	66 320
Total changes of the year	-2 294	-955	-3 249
As at 31.12.2013	**28 583**	**34 488**	**63 071**
Financial lifetime	4-5 years	5-10 years	
Depreciation schedule	Straight line	Straight line	

NOTE 10 INTANGIBLE ASSETS

PARENT COMPANY

	Goodwill	Development Assets	Total
Acquisition cost as at 01.01.2012	0	191 320	191 320
Additions	0	9 737	9 737
Acquisition cost as at 31.12.2012	**0**	**201 057**	**201 057**
Accumulated depreciation and impairments as at 01.01.2012	0	108 454	108 454
Depreciation of the year	0	22 430	22 430
Accumulated depreciation and impairments as at 31.12.2012	**0**	**130 884**	**130 884**
Net book value as at 01.01.2012	0	82 866	82 866
Total changes of the year	0	-12 693	-12 693
As at 31.12.2012	**0**	**70 173**	**70 173**
Acquisition cost as at 01.01.2013	0	201 057	201 057
Additions	0	10 785	10 785
Disposals	0	0	0
Acquisition cost as at 31.12.2013	**0**	**211 842**	**211 842**
Accumulated depreciation and impairments as at 01.01.2013	0	130 884	130 884
Depreciation of the year	0	21 305	21 305
Accumulated depreciation and impairments as at 31.12.2013	**0**	**152 189**	**152 189**
Net book value as at 01.01.2013	0	70 173	70 173
Total changes of the year	0	-10 520	-10 520
As at 31.12.2013	**0**	**59 653**	**59 653**
Financial lifetime Depreciation schedule	Impairment tested annually (or when impairment indicators exist)	5-10 years Straight line	

GROUP

	Goodwill	Development Assets	Total
Acquisition cost as at 01.01.2012	29 544	283 975	313 519
Additions	0	22 934	22 934
Acquisitions of a subsidiary	35 123	17 979	53 102
Disposals	0	0	0
Acquisition cost as at 31.12.2012	**64 667**	**324 888**	**389 555**
Accumulative depreciation and impairments as at 01.01.2012	0	140 135	140 135
Depreciation of the year	0	31 071	31 071
Accumulated depreciation and impairments as at 31.12.2012	**0**	**171 206**	**171 206**
Net book value as at 01.01.2012	29 544	143 840	173 384
Total changes of last year	35 123	9 842	44 965
As at 31.12.2012	**64 667**	**153 682**	**218 349**
Acquisition cost as at 01.01.2013	64 667	324 888	389 555
Additions	0	21 269	21 269
Acquisitions of a subsidiary	6 532	2 783	9 315
Acquisition cost as at 31.12.2013	**71 199**	**348 940**	**420 139**
Accumulative depreciation and impairments as at 01.01.2013	0	171 206	171 206
Depreciation of the year	0	44 973	44 973
Accumulated depreciation and impairments as at 31.12.2013	**0**	**216 179**	**216 179**
Net book value as at 01.01.2013	64 667	153 682	218 349
Total changes of the year	6 532	-20 921	-14 389
As at 31.12.2013	**71 199**	**132 761**	**203 960**
Financial lifetime	Impairment tested	5-10 years	
Depreciation schedule	annually (or when impairment indicators exist)	Straight line	

Development

The group capitalises costs regarding product development activities. Capitalised costs for 2013 consist of product development of a new generations of OBUs and road side units that are parts of the company's toll road systems. Furthermore, the company has capitalised cost that prepares the company's products for future wireless communication solutions that will enable continuous communication between vehicles and the roadside infrastructure. Such cooperative vehicle-infrastructure systems will allow new traffic information-sharing services for greater safety, efficiency and a better environment.

Research expenses in the P&L were immaterial in 2013.

Capitalised costs mainly consist of personnel expenses, purchase of materials, as well as external services. Product development assets are depreciated over the products expected lifetime. The estimated useful lifetime is continuously evaluated.

NOTE 11 IMPAIRMENT TESTING OF GOODWILL

Goodwill obtained through acquisitions is allocated to the Group's "Europe" operating segment and is followed up and tested for using this segment's cash flow. Goodwill is followed up according to what is defined as the operating segment pursuant to IFRS 8 Operating segments.

CARRYING AMOUNT OF GOODWILL	TOTAL	
	2013	2012
Total amount of Goodwill recognised in balanse sheet as at 01.01	64 667	29 544
Goodwill obtained through the acquisition of Elcom d.o.o. (See note 6 for further specifications)	6 532	35 123
Total amount of Goodwill recognised in balanse sheet as at 31.12	**71 199**	**64 667**

Impairment testing of Goodwill as at 31. December 2013:

The Group performed its annual impairment test as at 31 December 2013. The recoverable amount has been determined based on cash flow projections. The projected cash flow is based on budgets and long-term plans, which are subject to the approval of the Board and the corporate management. Long-term plans are equivalent to the Group Strategy and covers a period of five years. Approved budgets and long-term plans are adjusted for cash flows related to investments, restructuring, future product improvements and new development, where this is considered significant for the impairment test.

There was no impairment of goodwill in 2013 or 2012.

Key assumptions used in value in use calculations

The calculation of value in use are most sensitive to the following assumptions:

- Cash flow projections;
- Discount rate;
- Market share during the budget period; and
- Growth rate

- **Cash flow projection** – The projections are based on budgets and on forecasting values that is the outcome of the Group's managerial strategic process. The forecasting values are increased over the budget period for anticipated efficiency improvements.
- **Discount rates** – The discount rates are based on a weighted average cost of capital (WACC) method, whereby the cost of equity and the cost of liabilities are weighted according to the estimated capital structure. The discount rates reflect the market's required rates of return at the time of the test. When determining the discount rates the cost of equity consists of risk-free interest as well as an individual risk premium. The risk premium is the entity's systematic risk (beta), multiplied by the market's risk premium. The risk-free interest is estimated on a 10-year Norwegian government covered bond interest rate (OMF) and is based on all cash flows being translated to NOK. The cost of liabilities represents an expected long-term after-tax interest rate for comparable liabilities and consists of risk-free interest and an interest spread. A 7.0% discount rate is applied in the calculations (2012: 6.0%)
- **Market share assumptions** – The management uses both industry data for growth rates (as noted below) and assesses how Q-Free's position relative to its competitors might change over the budget period. The management overall expects that the Group's market share will be maintained, although there might be increases or setbacks in certain areas.
- **Growth rate estimates** – Growth rates in the explicit prognosis period are predicated on management's expectations of market trends and based on published industry research. A 20.0% growth rate is applied in the calculations (2012: 7.0%) that is a prudent estimate compared to the industry's annual compounded growth rate of 25-30% for the next five years. No growth is assumed after the five year prognosis period.

Sensitivity to changes in assumptions

There will always be uncertainty attached to the estimate of value in use. With relatively large changes in the above described key assumptions, the entity could face an impariment situation, although such changes are considered to be outside the probability corridor.

NOTE 12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent cpmpany by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all potential ordinary shares into ordinary shares.

	2013	2012
Profit for the year	-112 088	-35 260
Weighted average number of ordinary shares	67 972 419	67 541 330
Weighted average of share option	575 000	834 712
Weighted average number of diluted shares	68 547 419	68 376 042
Earnings per share	-1.65	-0.52
Diluted earnings per share	-1.64	-0.52

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

For a specification of the change of number of shares during 2013 and 2012, see note 13.

NOTE 13 ISSUED CAPITAL AND RESERVES

The company has one class of shares and there are no voting restrictions. Per 31.12.13 the number of shares were 67,972,419. Par value per share is NOK 0.38. Total share capital per 31.12.2013 was NOK 25,829,519. The company had 1,180 share holders as at 31.12.13.
As at 31.12.13 the share price listed at OSE was NOK 14.00 per share, equalling a market value of MNOK 952.

	2013	2012
Shares issued per 01.01	67 972 419	66 252 419
Share issue	0	0
Share options excercised	0	1 720 000
Total shares issued per. 31.12.	**67 972 419**	**67 972 419**

Share price during 2013 - QFR

The company's largest share holders as at 31 December 2013	Account type	Number of shares	Percentage ownership	Voting rights
KAPSCH TRAFFICCOM AG		9 900 000	14.56%	14.56%
ODIN NORGE		5 214 283	7.67%	7.67%
KAPSCH TRAFFICCOM AG		3 530 458	5.19%	5.19%
SKAGEN VEKST		3 182 604	4.68%	4.68%
J.P. MORGAN CHASE BANK N.A. LONDON	NOM	2 201 000	3.24%	3.24%
VERDIPAPIRFONDET DNB SMB		2 156 034	3.17%	3.17%
VERDIPAPIRFONDET DNB NORGE (IV)		1 992 962	2.93%	2.93%
ANDRESEN		1 633 600	2.40%	2.40%
VPF NORDEA KAPITAL		1 626 281	2.39%	2.39%
REDBACK AS		1 495 000	2.20%	2.20%
VERDIPAPIRFONDET WARRENWICKLUND NO		1 296 106	1.91%	1.91%
STOREBRAND VEKST		1 271 006	1.87%	1.87%
MONS HOLDING AS		1 040 000	1.53%	1.53%
VPF NORDEA SMB		1 029 201	1.51%	1.51%
HOLBERG NORDEN		1 000 000	1.47%	1.47%
HOLBERG NORGE		1 000 000	1.47%	1.47%
STOREBRAND NORGE I		974 720	1.43%	1.43%
KLP AKSJE NORGE VPF		950 000	1.40%	1.40%
VPF NORDEA AVKASTNING		841 932	1.24%	1.24%
STOREBRAND AKSJE INNLAND		804 694	1.18%	1.18%
Other share holders		24 832 538	36.53%	36.53%
Total		**67 972 419**	**100.0%**	**100.0%**

SHAREHOLDERS BY SIZE OF HOLDING AS AT 31 DECEMBER 2013

Number of shares	Number of owners	Number of shares	Holding percentage
1 - 1 000	522	292 744	0.43%
1 001 - 10 000	443	1 660 547	2.44%
10 001 - 100 000	141	4 781 319	7.03%
100 001 - 200 000	18	2 628 855	3.87%
200 001 - 500 000	23	7 859 008	11.56%
500 001 - 1 000 000	19	13 181 411	19.39%
1 000 001 - 2 000 000	8	11 384 156	16.75%
2 000 001 - 5 000 000	4	11 070 096	16.29%
5 000 001 - 10 000 000	2	15 114 283	22.24%
Total	**1 180**	**67 972 419**	**100.00%**

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

Name	Position	Shares
Jan Pihl Grimnes	Board member	1 555 000
Jos Nijhuis	VP R&D	525 552
Ole Jørgen Fredriksen	Chairman of the Board	178 884
Øyvind Isaksen	CEO	125 836
Roar Østbø	CFO	84 000
Marianne Sandal	VP Operations	37 000
Stein Tore Nybrodahl	HR Manager	22 500
Per Fredrik Ecker	VP Sales	20 500
Terje Christoffersen	Board member	20 072
Thomas Falck	Board member	13 483
Henrik Fatum Stoltenberg	VP Business Development and M&A	8 000
Selma Kveim	Board member	5 500
Total		**2 596 327**

The Board of Directors has an authorisation to increase the share capital by subscription of new shares in connection with an incentive programme towards employees. 575,000 options are granted for key personnel as at 31.12.2013.

NOTE 14 INVENTORY AND COSTS OF GOODS SOLD

Inventory

PARENT COMPANY			GROUP	
2012	2013		2013	2012
30 238	18 109	Raw material and semi manufactured products	18 109	57 438
2 867	3 188	Stock for maintenance contracts	3 188	2 867
0	0	Work in progress	0	5 307
8 942	8 607	Finished goods	52 654	19 007
-1 094	-3 010	Obsolescence	-3 010	-5 290
40 954	**26 893**	**Total**	**70 940**	**79 329**

All inventories are valuated at the lower of cost and net realisable value. Inventory write-downs recognised as an expense for the Parent company is TNOK 1,916 in 2013 (2012: TNOK 575) and for the group TNOK 1,916 in 2013 (2012: NOK 575), which is recognised in cost of goods sold.

Costs of goods sold

PARENT COMPANY			GROUP	
2012	2013		2013	2012
134 893	134 912	Purchase of goods	210 666	247 522
314	64	Freight, customs etc.	64	1 094
604	0	External services handling of COGS	0	604
-7 107	14 061	Change of inventories	14 061	-22 130
128 704	**149 037**	**Total**	**224 791**	**227 090**

NOTE 15 SALARIES AND PERSONNEL RELATED EXPENSES

PARENT COMPANY | | | GROUP

2012	2013		2013	2012
104 735	99 856	Salaries	172 248	156 232
16 478	14 328	Social security costs	17 401	19 283
10 501	2 431	Pension costs	3 416	11 402
0	1 702	Governmental tax relief, (skattefunn)	1 702	0
-19 276	-14 454	Capitalised personnel costs	-14 454	-19 276
9 534	15 614	Other personnel related costs	16 413	14 186
121 972	**119 477**	**Total**	**196 727**	**181 827**
137	130	Average number of employees	293	294
135	128	Average number of man-years	290	291

Main principles for stipulation of salary and other remuneration to leading employees

Q-Free is a leading international company within its area of business. To maintain and to strengthen its market position, and to reach the objectives set by the Board, Q-Free is dependent on recruiting and retaining managers and employees with substantial competence. The Board therefore states that the fixed monthly salary for the respective leaders shall represent competitive wages, and that this shall reflect the respective leaders' personal responsibilities and competence.

On top of the fixed monthly salary, there should be the option to grant a bonus that will depend on the results of the company and performance of the individual employee. The Board has therefore established a bonus plan for the company's managers and employees. Such bonus can for the members of the management team maximum be 40% of the fixed yearly salary. The bonus shall in general terms be linked to Q-Free's fulfilment of further defined objectives for the period; result targets and/or other established objectives for the company. These objectives shall be established by the company's Board for each year, and may be linked to financial results, results within research and development, quality objectives and/or further established individual result targets or objectives for the individual leader. In extraordinary cases it may be awarded a discretionary bonus to employees, limited to 40% of the employees fixed yearly salary.

On top of the fixed monthly salary, bonus according to achieved results, and adopted option plans, the agreement with the individual leader can include that he or she shall receive payment in kind, as for example receiving free newspapers/journals, free phone, free internet-subscription etc. In individual cases it can also be agreed that the leader concerned shall have a company car at disposal according to the prevailing regulations.

Q-Free has established a collective pension scheme for its employees which also includes the leading employees. On top of the pension payment that comes from such scheme, and on top of the payments offered through public pension arrangements, the members of thecompany's management team can be offered individual pension agreements. The Board states that in individual cases further pension arrangements can also be made. Q-Free has established a group life insurance for the management team.

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

The principles for remuneration have not been changed during the last year

No loans or guarantees have been provided to the Chief Executive Officer, Board members, shareholders, or close associates of these individuals. The former CEO had 225.000 share options as at 31.12.13 in the company, but lost these when he stepped down 6 January 2014.

PAYMENTS TO SENIOR MANAGEMENT AND BOARD OF DIRECTORS 2013 — 2013

	Salary	Bonus	Director's remun-eration	Pension service cost	Other remun-eration	Share option cost	Total
Terje Christoffersen, Chairman of the Board *			368.5				369.1
Jan Pihl Grimnes, Board member			242.0				242.0
Thomas Falck, Board member ***			112.5				112.5
Charlotte Brogren, Board member			225.0				225.0
Selma Kveim, Board member			112.5				112.5
Ole Jørgen Fredriksen, Former Chairman of the Board **			211.5				211.5
Mimi Kristine Berdal, Former board member **			145.5				145.5
Cecilie Johnsen, Nomination comittee, Chair			65.0				65.0
Petter Qvam, Nomination comittee			50.0				50.0
Thomas Alexander Vogt, Nomination comittee			50.0				50.0
Sissel Lillevik Larsen, Employee elected Board member			75.0				75.0
Frank Aune, Employee elected Board member			75.0				75.0
Øyvind Isaksen, Chief Executive Officer ***	3 055.3			160.1	252.4	651.8	4 119.6
Marianne Sandal, VP Operations	1 803.0			184.6	19.6	144.8	2 152.0
Roar Østbø, Chief Financial Officer	2 215.1			21.4	180.5	144.8	2 561.9
Jos A.G. Nijhuis, VP R&D	1 403.3			97.3	0.0	144.8	1 645.4
Per Fredrik Ecker, VP Sales	1 717.7			165.1	14.7	144.8	2 042.3
Stein-Tore Nybodahl, HR Manager	985.6			162.5	20.9	144.8	1 313.8
Morten Andersson, VP ATMS	1 344.8			18.0	16.1	144.8	1 523.7
Henrik Stoltenberg, VP Business Development and M&A	1 789.7				36.1	144.8	1 970.7
TOTAL	**14 314.5**	**0.0**	**1 732.5**	**809.0**	**540.3**	**1 665.6**	**19 062.0**

* Terje Christoffersen has served as Chairman of the Board from GF May 2013.

** Ole Jørgen Fredriksen and Mimi Kristine Berdal served as respectively Chairman of the Board and as Boaard member until GF May 2013.

*** On 6 January 2014, The Board of Directors of Q-Free ASA and Øyvind Isaksen agreed that Isaksen should step down as CEO, and the Board appointed Thomas Falck as CEO with immediate effect. Thomas Falck has initially accepted a six-month employment contract.

PAYMENTS TO SENIOR MANAGEMENT AND BOARD OF DIRECTORS 2012 — 2012

	Salary	Bonus	Director's remun-eration	Pension service cost	Other remun-eration	Share option cost	Total
Ole Jørgen Fredriksen, Chairman of the Board			428.0		32.4		460.4
Jan Pihl Grimnes, Board member			250.5				250.5
Mimi Kristine Berdal, Board member			269.0		2.6		271.6
Terje Christoffersen, Board member			267.5				267.5
Charlotte Brogren, Board member			337.5				337.5
Tor Himberg-Larsen, Nomination comittee			22.0				22.0
Petter Fjellstad, Nomination comittee			20.0				20.0
Cecilie Johnsen, Nomination comittee, Chair			35.0				35.0
Sissel Lillevik Larsen, Employee elected Board member			75.0				75.0
Frank Aune, Employee elected Board member			87.8				87.8
Øyvind Isaksen, Chief Executive Officer	2 935.0	814.1		138.9	256.0	3 388.0	7 532.0
Marianne Sandal, VP Operations	1 750.6	268.3		174.4	27.8	752.9	2 974.0
Roar Østbø, Chief Financial Officer	2 144.9	439.6		32.4	180.8	752.9	3 550.6
Jos A.G. Nijhuis, VP R&D	1 332.6	273.8		93.4	0.0	450.7	2 150.6
Per Fredrik Ecker, VP Sales	1 921.5	102.7		143.2	15.3	752.9	2 935.6
Stein-Tore Nybodahl, HR Manager	953.6	149.7		134.7	16.0	225.9	1 479.9
Steinar Furan, Advisor to CEO	1 018.2	39.8		99.0	33.3	752.9	1 943.2
Morten Andersson, VP ATMS	1 004.7			44.2	13.7		1 062.6
Henrik Stoltenberg, VP Business Development and M&A	1 686.4	241.1			20.3	518.8	2 466.6
TOTAL	**14 747.5**	**2 329.1**	**1 792.3**	**860.2**	**598.2**	**7 595.0**	**27 922.4**

NOTE 16 PENSION SCHEME

Q-Free ASA (the parent company) has a defined benefit and a defined contribution pension plan for the employees. All employees in Norway are included in pension plans which entitle them to certain benefits for pension in the future. The pension benefits mainly depend on the numbers of years employed, level of salaries at age of retirement, and size of payments. As at 31.12.2013, 79 employees are included in the defined contribution pension plan and 74 employees are included in the defined benefit plan. All new employees will be a part of the defined contribution pension plan.

The liability for the Group includes 80 employees in 2013, compared to 170 employees for 2012. The liability for the parent company includes 35 employees in 2013, compared to 125 employees for 2012.

PARENT COMPANY			GROUP	
2012	2013		2013	2012
6 604	3 911	Current service cost	4 905	7 848
1 228	389	Interest cost	405	1 516
-1 127	-687	Expected return on plan assets	-687	-1 551
620	-4 874	Settlements *	-4 130	620
263	303	Administrative expenses pension scheme	444	394
983	649	Accrued social security expenses	811	1 157
8 571	**-309**	**Net pension expenses ****	**1 749**	**9 985**
31.12.12	31.12.13	Pension funds / (liabilities)	31.12.13	31.12.12
-38 586	-37 470	Defined benefit obligation	-50 029	-49 150
29 089	28 238	Fair value of plan assets.	38 701	40 165
-9 496	-9 232	Net (pension funds) / -liabilities	-11 328	-8 984
-1 339	-1 301	Accrued social security tax	-1 596	-1 395
-10 835	**-10 534**	**Lliabilities in balance sheet**	**-12 925**	**-10 379**
19,5	21,5	Estimated remaining contribution periods	20.1	19.4

* During 2013 Q-Free ASA removed a disability benefit for all employees in the defined benefit plan. The employees could take this benefit as a paid-up policy at resignation. This removed benefit reduced the Group's pension cost significantly (TNOK 4,800) and is the major explanation of the negative value as "Settlements". The Group expects to reduce the future pension premiums by TNOK 1,000 per year as a result of this change.

** In 2013 costs from the defined contribition pension plan represents TNOK 3,274 (2012: TNOK 3,011) , which is included in the above specification of net pension expenses.

Specification of pension funds & liabilities

PARENT COMPANY			GROUP	
2012	2013	Pension liabilities	2013	2012
47 345	37 659	Liabilities per 01.01.	48 782	58 936
6 604	3 911	Service costs	4 905	7 848
-319	-327	Benefits paid	-909	-942
1 228	1 544	Interest cost	1 989	1 521
0	0	Past service cost	0	0
-16 273	-5 316	Actuarial gains/losses in other comprehensive income	-4 738	-18 215
38 586	**37 470**	**Total liabilities per 31.12.**	**50 029**	**49 150**

PARENT COMPANY			GROUP	
2012	2013	Pension funds	2013	2012
25 040	28 163	Funds per 01.01.	38 886	35 603
4 768	3 502	Net contribution paid	3 361	4 637
-319	-327	Benefits paid	-802	-827
1 127	1 155	Estimated return on assets	1 584	1 551
-1 527	-4 255	Actuarial gains/losses in other comprehensive income	-800	-800
29 089	**28 238**	**Total funds per 31.12.**	**38 701**	**40 165**

The company has assesed that the OMF-rate on high quality corporate bonds can be used as discount rate in 2013 in accordance with IAS 19, because the OMF-market represents a deep market on the relevant terms.

Basis and assumptions for calculations

	2013	2012
Discount rate	4.10%	3.80%
Expected interest on pension funds	4.40%	3.80%
Annual growth in salaries	3.75%	3.50%
Long term inflation	2.50%	2.50%
Increase in national insurance base rate (G)	3.50%	3.25%
Expected change in pensions	0.60%	0.20%
Social security expenses	14.10%	14.10%

The company has assesed that the OMF-rate on high quality corporate bonds can be used as discount rate in 2013 in accordance with IAS 19, because the OMF-market represents a deep market on the relevant terms.

TABLE K2013 IS USED FOR DEFINITION OF MORTALITY RATE PROBABILITY

Expected voluntarily early retirement		
Before 40 years	2%	2%
After 40 years	0%	0%

The Group's pension funds are managed by the insurance company DNB Forsikring. For 2013 the dividend yield was 4.1 percent (2012: 5.4%). The funds are distributed as follows:

	2013	2012
Shares	9%	7%
Bonds	16%	19%
Money market	25%	16%
Long term bonds	35%	40%
Property	14%	17%
Other	2%	0%
Total	**100%**	**100%**

NOTE 17 SHARE OPTION PROGRAMME FOR EMPLOYEES

Q-Free ASA in May 2012 established a new three year share option program. As part of the work of giving key personnel and management an incentive program through the possibility to subscribe shares in the company, the Board of Directors was authorised to increase the share capital with as much as NOK 769,500, corresponding to 2,025,000 shares (approximately 3 percent), each with a par value of NOK 0.38, through one or more private placements with cash deposits towards key personnel and management in Q-Free ASA. The existing shareholders' preferential rights according to the Public Limited Companies Act sections 10-4 and 10-5 can be disregarded. The authorisation given in 2012 was valid for one year, and was renewed in May 2013 for one year.

The authorisation regards the implementation of a share options program in Q-Free ASA, which runs over a period of 3 years for key personnel and management. There will not be paid any option premium. The strike price shall be equal to the average share price for the Q-Free ASA shares on the Oslo Stock Exchange on closing time the last 14 days prior to and the first 14 days subsequent to the ordinary General Meeting in the year prior to the vesting period.

For key personnel and management who are awarded option rights for a period of 3 years, 1/3 of the options will be allocated annually with a vesting period of 1 year, and with the strike price determined as noted above. For newly employed key personnel and management, the strike price will be determined on the day they are granted the options. The share options are paid as cash disbursement.

575.000 options are granted for key personnel as at 31.12.2013.

Exercise of the options can be done during pre-defined time periods.

SPECIFICATION OF SHARE OPTION ACTIVITY

	2013	2012
Granted share options 01.01	575 000	1 720 000
Share options granted	575 000	575 000
Share options exercised	0	-1 720 000
Share options expired/terminated	0	0
Granted share options 31.12	1 150 000	575 000
Vested share options 31.12	575 000	0

Modification of grants

Modification: Fair value of share options is calculated according to the Black & Scholes pricing model with a reduction of 15% due to illiquidity of the Q-Free share. Strike price for the granted options was NOK 21.09 in 2012, and NOK 15.19 in 2013.

The company's cost of share based payment is calculated using the Black & Scholes pricing model. For 2013 this adds up to a total cost of TNOK 1,666 (2012: TNOK 1,924). See this specified in the Statement of changes in Equity.

Granted share options as at 31. December 2013 has the following conditions:

	OUTSTANDING OPTIONS			VESTED OPTIONS	
Exercise price	Outstanding Options Per 31.12.2013	Weighted average remaining Contractual Life	Weighted Average Exercise Price	Vested options 31.12.2013	Weighted Average Exercise Price
0,00 - 5,00					
5,00 - 10,00					
10,00 - 15,00					
15,00 - 20,00	575 000		15.19		
20,00 -	575 000	1.36	21.09	575 000	21.09
Total	**1 150 000**	**1.36**	**18.14**	**575 000**	**21.09**

The share options split for management per 31.12.2013:

Name	Position	Granted, not vested options 01.01.2013	Granted options	Exercised options	Expired options	Vested options 31.12.2013	Granted, not vested options 31.12.2013
Øyvind Isaksen	CEO *	225 000	225 000	0	0	225 000	225 000
Marianne Sandal	VP Operation	50 000	50 000	0	0	50 000	50 000
Per Fredrik Ecker	VP Sales	50 000	50 000	0	0	50 000	50 000
Stein-Tore Nybrodahl	HR Manager	50 000	50 000	0	0	50 000	50 000
Roar Østbø	CFO	50 000	50 000	0	0	50 000	50 000
Henrik Stoltenberg	VP BD and M&A	50 000	50 000	0	0	50 000	50 000
Jos A. G Nijuis	VP R&D	50 000	50 000	0	0	50 000	50 000
Morten Andersson	VP ATMS	50 000	50 000	0	0	50 000	50 000
Total		**575 000**	**575 000**	**0**	**0**	**575 000**	**575 000**

* Øyvind Isaksen lost his share options when he stepped down as CEO 6 January 2014.

The following assumptions are used in the calculation of share options granted in 2013:

Exercise price for the share option
Weighted average exercise price of options granted was NOK 15.19

Volatility
Weighted average expected volatility is based on historic volatility and is calculated to be 40.25 percent.

Lifetime of the share option
All share options are expected to be exercised at expiry date of the option. The assumption is based on exercise behaviour in previous programs.

Dividends
Expected dividend per share is NOK 0 each year.

Interest rate
Risk free interest rate is used in the model. This equals interest on government bills and bonds, and the weighted average rate used is 3.30 percent for 2013.

Granted share options as at 31. December 2012 has the following conditions:

	OUTSTANDING OPTIONS			VESTED OPTIONS	
Exercise price	Outstanding Options Per 31.12.2012	Weighted average remaining Contractual Life	Weighted Average Exercise Price	Vested options 31.12.2012	Weighted Average Exercise Price
0,00 - 5,00					
5,00 - 10,00					
10,00 - 15,00					
15,00 - 20,00	575 000	2.36	21.09		
20,00 -	575 000	2.36	21.09	-	-
Total	**1 150 000**	**1.36**	**21.09**	**575 000**	**21.09**

The share options are split as follows in management as per 31.12.2012:

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

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

Exercise price for the share option
Weighted average exercise price of options granted was NOK 21.09

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

Lifetime of the share option
All share options are expected to be exercised at expiry date of the option. The assumption is based on exercise behaviour in previous programs.

Dividends
Expected dividend per share is NOK 0 each year.

Interest rate
Risk free interest rate is used in the model. This equals interest on government bills and bonds, and the weighted average rate used is 1.37 percent for 2012.

NOTE 18 RELATED PARTY DISCLOSURES

The financial statements include the financial statements of Q-Free ASA and the subsidiaries listed in the following table:

	Etablished	Location	Country	Ownership	Voting share	Functional currency
Q-Free Portugal Lda.	1997	Lisboa	Portugal	100%	100%	EUR
Q-Free América Latina Ltda.	1998	Sao Paolo	Brasil	100%	100%	BRL
Q-Free Australia Pty. Ltd.	1999	Sydney	Australia	100%	100%	AUD
Q-Free Sdn. Bhd. Malaysia	1997	Kuala Lumpur	Malaysia	100%	100%	MYR
Noca Holding AS – Group *	2001	Trondheim	Norway	100%	100%	NOK
Q-Free Sverige AB	2007	Stockholm	Sweden	100%	100%	SEK
Q-Free Thailand Co Ltd.	2007	Bangkok	Thailand	100%	100%	THB
Q-Free Netherlands BV	2002	Beilen	The Netherlands	100%	100%	EUR
Q-Free Slovakia s.r.o.	2009	Bratislava	Slovakia	100%	100%	EUR
Q-Free UK Ltd.	2002	London	United Kingdom	100%	100%	GBP
Q-Free Africa Ltd.	2010	Durban	South Africa	74%	74%	ZAR
PT Q-Free	2012	Jakarta	Indonesia	100%	100%	IDR
Q-Free Chile	2012	Santiago	Chile	100%	100%	CLP
TCS International Inc.	2012	Boston	USA	100%	100%	USD
Elcom d.o.o.	1994	Belgrade	Serbia	100%	100%	RSD

* Q-Free ASA owns through Noca Holding AS indirectly 48.72% in Noca AS. Q-Free ASA owns directly 4.76% in Noca AS. Q-Free ASA's owner share through indirect and direct ownership in Noca AS therefore totals 53.48%.

Book value in parent company of subsidiaries companies:

	Cost	Book value 31.12.12	Book value 31.12.13	Result after tax last year	Companys equity per 31.12.13
Q-Free Portugal Lda.	204	204	204	7 046	9 011
Q-Free América Latina Ltda.	4 853	2 407	2 407	10 266	20 528
Q-Free Australia Pty. Ltd.	0	0	0	3 531	20 946
Q-Free Sdn. Bhd. Malaysia	1 155	0	0	-1 242	-7 020
Noca Holding AS – Group	4 592	6 715	6 715	2 832	51 851
Q-Free Sverige AB	0	84	84	2 460	3 173
Q-Free Thailand Ltd	0	1 872	1 872	4 732	-11 686
Q-Free Netherlands BV	71 034	76 409	76 409	9 644	65 283
Q-Free Slovakia s.r.o.	0	0	0	0	0
Q-Free UK Ltd	3 791	0	0	0	1 049
Q-Free Africa Ltd	0	208	208	-1 226	144
PT Q-Free	0	3 536	3 536	-7 651	-6 887
Q-Free Chile	0	28	28	-1 920	-4 304
Q-Free America, Inc.	0	6	6	238	33 365
Elcom d.o.o.	9 445	0	9 445	15	9 833
Total	**95 074**	**91 470**	**100 915**	**28 725**	

The following exchange rates are used when consolidating the group.

		Currency rate 01.01.2013	Average currency rate	Currency rate 31.12.2013
Euro	EUR	7.341	7.882	8.424
Australian dollar	AUD	5.778	5.603	5.429
Malaysian Ringgit	MYR	1.820	1.838	1.857
Brazilian real	BRL	2.719	2.654	2.589
US Dollar	USD	5.566	5.842	6.118
Pounds Sterling	GBP	8.996	9.542	10.088
Swedish kroner	SEK	85.490	89.937	94.383
South African Rand	ZAR	0.656	0.619	0.583
Thai bath	THB	18.190	18.388	18.586
Chilean peso	CLP	0.012	0.012	0.012
Indonesian Rupiah	IDR	0.00058	0.00054	0.00050
Serbian Dinares	RSD	0.065	0.069	0.073

Terms and conditions of transactions with related parties:

The sales to and purchases from related parties are made at arm's length prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

Related parties

During 2013 there has been no transactions between the company and any parties in the Management or in The Board

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

Associated companies

Q-Free ASA has not had ownership in associated companies in either in 2013 or in 2012.

NOTE 19 CASH AND CASH EQUIVALENTS

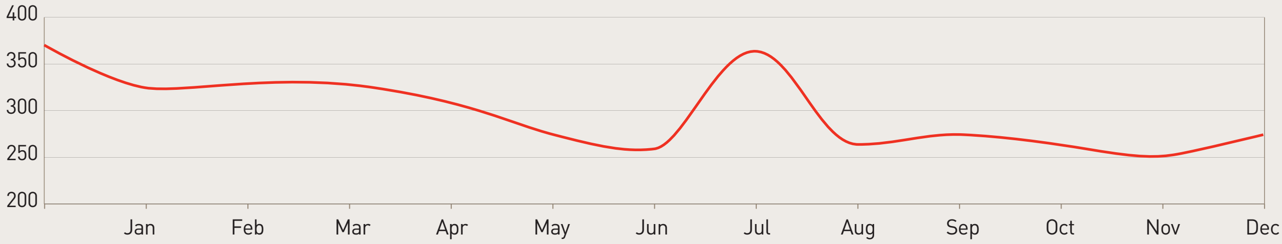
Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and the interest earnings at the respective short-term deposit rates. The Group has a multiple currency account agreement in Danske Bank.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31 December:

PARENT COMPANY			GROUP	
2012	2013	Liquidity funds	2013	2012
82 237	-6 645	Cash at banks and on hand	105 064	157 290
212 201	166 413	Money Market Funds	166 413	212 201
294 438	**159 768**	**Total cash and cash equivalents**	**271 477**	**369 491**

As at 31 December 2013, the Group had available TNOK 93,355 (2012: TNOK 100,000) of undrawn bank overdraft and TNOK 10,470 (2012: TNOK 89,009) of undrawn guarantee facilities in which all conditions precedent had been met.

Cash development during 2013



NOTE 20 ACCOUNTS RECEIVABLES AND CREDIT RISK

PARENT COMPANY			GROUP	
2012	2013		2013	2012
31 262	46 559	Accounts receivables	148 602	96 901
157 767	206 301	Accounts receivables on group companies	0	0
-11 313	-13 055	Provision for impairment on receivables	-1 742	-945
177 716	**239 805**	**Total**	**146 860**	**95 956**
0	0	Loss on receivables	0	0
424	797	Changes in provisions for impairment on receivables	797	424
424	**797**	**Total**	**797**	**424**

For terms and conditions relating to related party receivables, refer to Note 18. Trade receivables are non-interest bearing and are generally on 30-60 days terms.

As at 31 December, the ageing analysis of trade receivables is as follows:

			Past due but not impaired				
Amounts per 31.12	Total	Neither past due nor impaired	< 30 days	30 – 60 days	60 – 90 day	90 – 120 day >	>120 days
2013	148 602	77 384	41 578	25 868	2 347	442	982
2012	96 900	46 069	29 543	18 786	1 180	297	1 025

The Group assesses needs for provision for doubtful debt on an indiuvidual basis per customer or per project.

Specification of provisions for impairment on receivables	2013	2012
Amount per 01.01.	945	521
This years provision for impairment on receivables	797	424
Loss on receivables	0	0
Provisions utilised during the year	0	0
Amount per 31.12	**1 742**	**945**

The maximum risk exposure is represented by the carrying amount of the financial assets, including derivatives, in the balance sheet. Since the other party involved in derivative trades is normally a bank, the credit risk linked to derivatives is regarded as being insignificant. The Group therefore regards its maximum risk exposure as being the carrying amount of trade receivables as at 31 December 2013, which was NOK 148.6 million (2012: NOK 96.9 million).

NOTE 21 INTEREST-BEARING LOANS, BORROWINGS AND GUARANTEES

PARENT COMPANY						GROUP	
2012	2013	Specification	Type	Effective interest rate%	Maurity	2013	2012
100 000	100 000	Non-current	Secured Bank loan Eksportfinans	2.53%	15 February 2014	100 000	100 000
100 000	100 000	Total				100 000	100 000

Secured bank loan

The secured bank loan is a mortgage loan that is repayable within 3 years of the payment date. The loan is secured by guarantee given by the company bank Danske Bank. This loan is due during the first quarter of 2014. Q-Free has secured similar financing through a 3 year loan from Danske Bank on corresponding terms.

Off Balance Sheet Commitment

PARENT COMPANY			GROUP	
2012	2013	Specification	2013	2012
210 990	161 039	Guarantees to customers, suppliers and lease contracts	189 530	211 997
		BOOK VALUE OF ASSETS SECURING LOANS AND GUARANTEES		
177 716	174 544	Accounts receivable	182 599	182 848
39 974	48 302	Work in progress	48 302	39 974
40 954	26 893	Inventories	27 493	40 955
46 173	43 670	Machinery, fixtures etc	56 708	47 054
304 816	**293 409**	**Total**	**315 101**	**310 830**

NOTE 22 TAXES

PARENT COMPANY			GROUP	
2012	2013		2013	2012
		TOTAL TAX EXPENSES FOR THE YEAR		
330	0	Tax payable on this years profit for Norwegian companies	673	2 232
0	0	Tax payable on this years profit for foreign companies	13 615	7 603
0	0	Adjusted allocated tax from last year	-	208
-17 768	2 172	Change in deferred tax for Norwegian companies	2 086	-17 570
		Change in deferred tax for foreign companies	-3 563	-5 117
-17 438	**2 172**	**Total**	**12 811**	**-12 644**
36%	2%	Tax rate	13%	28%
		TAX PAYABLE FOR THE YEAR		
-48 036	-130 717	Total ordinary profit before tax	-97 959	-44 623
-14 243	-6 578	Permanent differences	-19 505	4 314
63 458	53 405	Change in temporary differences	48 916	76 854
1 179	-83 890	Basis for tax payable, Norwegian companies	-68 548	36 546
330	0	Tax payable for Norwegian companies (28%)	673	2 232
		Tax payable for foreign companies	12 168	7 603
		SPECIFICATION OF TAX PAYABLE IN THE BALANCE SHEET		
330	0	Tax payable on this years profit, Norwegian companies *	673	2 232
0	0	Tax payable on this years profit, foreign companies	12 168	7 603
0	0	Advance tax payment, foreign companies	-3 251	-4 197
330	**0**	**Total tax payable**	**9 590**	**5 638**
		SPECIFICATION ON BASIS FOR DEFERRED TAX		
		Differences evaluated to be offset:		
-5 514	-6 839	Fixed assets	-11 348	4 748
37 813	37 797	Current assets	37 183	33 615
-23 661	-71 446	Liabilities	-74 714	-26 143
-100 323	-174 515	Tax losses carry -forward	-178 081	-118 891
-8 074	-8 570	Other differences	19 474	-9 406
-99 760	**-223 573**	**Total**	**-207 486**	**-116 078**
-27 933	-26.935	Deferred tax (+) / tax assets (-)	-32 319	-26 038
		RECONCILING THE TAX COST		
-48 036	-130 717	Earnings before tax	-97 959	-44 623
-13 450	-36 601	Calculated tax at 28%	-27 429	-12 494
-3 988	38 773	Tax result permanent differences and tax rate difference	14 618	-3 174
0	0	Use of previously unrecognised loss carried forward (-) / Increase in valuation allowance	0	2 817
0	0	Adjusted allocated tax from last year	0	207
-17 438	**2 172**	**Tax expenses**	**12 811**	**-12 644**

* Paid withholding tax in foreign subsidiaries.

Deferred tax assets are recognised for unused tax losses to the extent that management sees convincing evidence for sufficient future taxable profit. A deferred tax asset is only recognized for an amount corresponding to the expected taxable profit. The carrying amount of deferred tax assets is reviewed at each reporting date. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that convincing evidences exists to support that taxable profits will allow the deferred tax asset to be recovered. The actual outcome of future tax costs may deviate from these estimates.

The Group has a total loss carried forward of TNOK 178.081 as at 31 December 2013 (2012: 118.891), in which TNOK 32.319 are recognised as an asset in the balance sheet as at 31.12.2013. Deferred tax assets of TNOK 2.589 on tax losses arising in Malaysia of TNOK 9.246 as at 31 December 2013 have not been recognised, as the Group does not intend to utilize the tax losses carried forward in the foreseeable future. Undertaken an assessment of the criterias under IAS 12, the group has chosen not to include deferred tax asset in Norway related to tax losses carried forward of TNOK 34.603.

NOTE 23 FINANCIAL ITEMS

PARENT COMPANY			GROUP	
2012	2013	Category	2013	2012
3 693	682	Interest income	4 721	7 109
18 558	17 918	Other financial income	17 918	18 558
22 251	18 600	Financial income	24 109	25 668
79	1 304	Financial income from group companies	0	0
16 831	7 614	Paid dividends from subsidiaries	0	0
16 910	8 919	Financial income from Group companies	0	0
39 162	**27 518**	**Total financial income**	**24 109**	**25 668**
-148	-827	Interest expenses	-3 760	-3 936
-2 899	-2 283	Interest on debt and borrowings	-2 283	-2 899
-8 768	-21 311	Other financial expenses	-21 311	-8 768
-11 815	-24 421	Financial expenses	-27 354	-15 602
-11 815	-24 421	Total financial expenses	-27 354	-15 602
27 346	**3 097**	**Net financial items**	**-3 245**	**10 066**

NOTE 24 AVAILABLE FOR SALE FINANCIAL INVESTMENTS

PARENT COMPANY AND THE GROUP AS AT 31 DECEMBER 2013

	Company's equity	Number of shares	Ownership	Book value in Parent **	Book value in Group **	Included in the P&L
Vegamot AS	32 473	6 050	13.90%	4 514	4 514	463
Leiv Eiriksson AS	38 060	9 919	0.99%	377	377	-79
Asti AS	26 173	2 900	13.49%	3 531	3 531	1 086
Intelight Inc *			10.00%	0	6 629	0
Other				20	267	0
Total				**8 441**	**15 317**	**1 470**

PARENT COMPANY AND THE GROUP AS AT 31 DECEMBER 2012

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

* The investment in Intelight Inc. is to further increase our footprint in the Intelligent Traffic Systems segment and must been seen together with the recent acquisitions of TCS Inc (US) and Elcom d.o.o. (Serbia).

** The book value of investments in shares is classified as financial investments available for sale. Fair value for the investments reflect our portion of the companys total equity. See note 4 for fair value table and a specification of valuation technique.

NOTE 25 OTHER CURRENT FINANCIAL LIABILITIES

Warranty provisions:
Provision for warranty costs is calculated depending on the remaining guarantee time for various products, and based on the historical effect of defects and a calculation of probability for the defect to occur for the remaining products under warranty. The calculation is made on an individual basis per product, and the assumptions vary for the different products and also take into account the expected expenses associated with new warranty problems that are identified. Unused accruals for warranties are dissolved at the end of the guarantee-period. All provisions spesified in the table below are classified as current liabilities and is part of other current financial liabilities in the consolidated statement of financial position.

* The Roads and Maritime Services (RMS) and Q-Free has agreed to discontinue an existing contract and explore other alternatives to realise the planned upgrading of the tolling system on Sydney Harbour Bridge. The delivery of an electronic tolling system has been delayed beyond the initially estimated project completion in mid-2013, as customer and project-specific requirements have proven to demand system adaptations that have been unfeasible within the currently established timelines. A decision to consider alternative options required termination of the existing tolling systems contract. The Group has made a provision for this discontinued contract amounting to TNOK 45,146 TNOK as at 31.12.13. This is included in Accrued project costs.

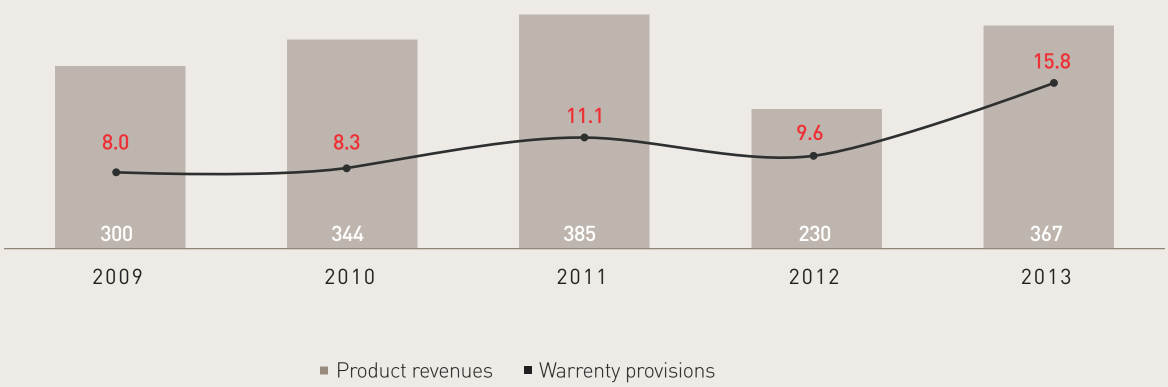
Specification

PARENT COMPANY			GROUP	
2012	2013	Category	2013	2012
10 657	10 497	Accrued wages (Holiday pay and bonusscheme)	11 128	14 072
9 614	15 766	Warranty provisions (see spesification for changes during the year)	15 766	9 614
25 337	55 760	Accrued project costs *	101 410	26 018
0	2 981	Fair value of foreign exchange contracts	2 981	0
0	0	Debt to seller of TCS	6 951	7 107
2 106	6 513	Miscl	-438	2 663
47 714	**91 517**	**Total**	**137 797**	**59 474**

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

	PARENT COMPANY		GROUP	
	Provision for warranty costs	Total current provisions	Provision for warranty costs	Total current provisions
Amount as of 01.01.13	9 614	9 614	9 614	9 614
Unused accruals reversed during 2013				
Accruals utilised during 2013	-7 465	-7 465	-7 465	-7 465
Accruals deposited during 2013	13 617	13 617	13 617	13 617
Amount as of 31.12.13	15 766	15 766	15 766	15 766
Amount as of 01.01.12	10 776	10 776	10 776	10 776
Unused accruals reversed during 2012				
Accruals utilised during 2012	-5 149	-5 149	-5 149	-5 149
Accruals deposited during 2012	3 986	3 986	3 986	3 986
Amount as of 31.12.12	9 614	9 614	9 614	9 614

Warranty provision compard to product revenues

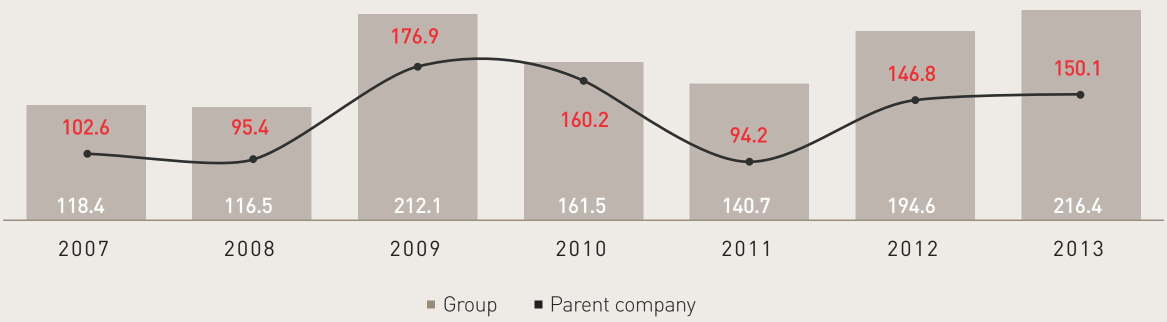


NOTE 26 OTHER OPERATING EXPENSES

Specification

PARENT COMPANY			GROUP	
2012	2013	Category	2013	2012
85 736	76 476	External services	102 204	94 748
20 991	21 501	Travel expenses	28 484	28 274
19 809	19 171	Qffice rents and supplies	31 677	27 291
2 542	2 317	Insurance	9 812	3 437
3 045	4 871	Freight	5 317	3 611
2 791	3 666	Rent machinery & tools	7 912	5 692
4 950	4 002	Marketing / promotions	7 137	6 008
1 733	746	Service & Maintenance	2 052	3 998
3 389	865	Operating materials	3 088	5 830
0	0	Bad debt losses	113	0
1 765	16 533	Other operating expenses	18 558	15 718
146 752	**150 148**	**Total**	**216 354**	**194 607**

Other operating expenses 2007 - 2013



Audit fees

The group has the following audit related fees, included in the "External services" in the above table

PARENT COMPANY			GROUP	
2012	2013	Category	2013	2012
397	349	Audit services	1 112	1 198
180	196	Other audit related services	245	291
130	310	Tax services	439	391
730	531	Other, non audit related services	781	812
1 437	**1 386**	**Total**	**2 577**	**2 691**

NOTE 27 OTHER CURRENT FINANCIAL ASSETS

Specification

PARENT COMPANY 2012	PARENT COMPANY 2013	Category	GROUP 2013	GROUP 2012
0	317	Accrual for Skattefunn grants	317	0
330	0	Prepaid taxes	797	1 640
0	0	Outstanding public duties	1 620	1 881
2 239	-1 602	Prepaid rents	10 502	15 791
888	983	Prepaid licenses	2 603	2 769
11 451	16 346	Miscl	20 761	13 332
14 908	**16 044**	**Total**	**36 599**	**35 412**

NOTE 28 COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain motor vehicles and items of machinery. These leases have an average life of between 3 and 5 years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

PARENT COMPANY 2012	PARENT COMPANY 2013	Terms	GROUP 2013	GROUP 2012
11 373	12 592	Within one year	14 791	13 592
11 715	12 969	After one year but not more than five years	15 235	13 999
0	0	More than five years	0	0
23 088	**25 561**	**Total**	**30 025**	**27 591**

During the year ended 31 December 2013 the company recognised expenses in the income statement in respect of operating leases of TNOK 15,997 (2012: TNOK 12,774) for the parent company and TNOK 18,113 (2012: 14,993) for the Group.

Finance lease and hire purchase commitments

The Group has no finance leases or any hired purchase contracts for various items of plant and machinery.

STATEMENT FROM THE DIRECTORS AND THE CEO

We confirm that, to the best of our knowledge, the financial statements for the Company and the Group for the period from 1 January to 31 December 2013 have been prepared in compliance with International financial reporting standards (IFRS) as adopted by EU and that the disclosures in the accounts give a true and fair view of the Company's and the Group's assets, liabilities, financial position and results of operations as a whole, and that the Directors' Report gives a fair view of the development, profit/loss and position of the Company and the Group, along with a description of the main risk and uncertainty factors facing the Company and the Group.

Trondheim, 31 December 2013
26 March 2014

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

AUDITOR'S REPORT

BDO

Tlf : 73 99 15 00
Fax: 73 99 15 41
www.bdo.no

Sandgt. 2
7012 Trondheim

To the Annual Shareholders' Meeting of Q-Free ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Q-Free ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company and the financial statements of the group comprise the statement of financial positions as at 31 December 2013, statement of income, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and Chief Executive Officer´s Responsibility for the Financial Statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditor's report - 2013 - Q-Free ASA, page 2

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for the parent company and the group Q-Free ASA as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposal for coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 “Assurance Engagements Other than Audits or Reviews of Historical Financial Information”, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company’s accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Trondheim, 26 March 2014

BDO AS

Trond-Morten Lindberg
State Authorised Public Accountant (Norway)

Q-FREE CORPORATE GOVERNANCE REVIEW 2013

Q-Free aims to protect and enhance shareholders' investments through good corporate governance, and has established principles and guidelines that define the roles and relationship between the shareholders, the Board of Directors and the executive management of the company.

1. IMPLEMENTATION OF AND REPORTING ON CORPORATE GOVERNANCE

Q-Free is listed on the Oslo Stock Exchange and bases its corporate governance structure on Norwegian legislation.

This review of the company's corporate governance principles and practice is prepared in compliance with Section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance as updated per 23 October 2012. The Code of Practice is available on www.nues.no.

The principles and implementation of corporate governance is subject to annual reviews and discussions by the company's Board of Directors.

Q-Free deviated from the recommendations in the Code of Practice on four sections in 2013, pertaining to; Board members attendance on the General Meeting (Section 6), separate guidelines for financial reporting and shareholder contact outside of the General Meeting (Section 13), separate regulations on takeover bids (Section 14), and guidelines for use of the auditor for other services (Section 15).

Corporate values, Code of Conduct and Corporate Social Responsibility

Q-Free's vision is to be the globally preferred partner in the areas of Intelligent Transport Systems, with worldwide leadership in Road User Charging Advanced Transportation Management Systems.

Q-Free operates worldwide and its operations are characterised by high ethical standards and trustworthy behaviour, and a customer oriented offering and excellence in execution.

Q-Free has established a Code of Conduct and guidelines for corporate social responsibility (CSR), based on the company's vision and values. The Code of Conduct provides guidelines on how to behave both internally and externally, and contributes to ethical behaviour in the day-to-day business. The company has implemented a reviewed and updated Code of Conduct in 2014.

The Code of Conduct (COC) and CSR principles apply to all members of the Board, executive management and all other employees and representatives of Q-Free. It is the line managers' responsibility to ensure that all employees are aware of and complies with the Code of Conduct and it is the duty of each employee to read and adhere to the COC. Violation of the COC will be subject to disciplinary action, including consequences for an employee's position and potential criminal prosecution.

In situations where an employee is aware of any infringement of the COC, he/she shall inform his/her manager. If there are reasons not to approach the line management, a report of the infringement should be made directly to the HR responsible of Q-Free ASA. Incidents may also be reported anonymously if desired.

The company endeavours to make its COC and CSR guidelines known to its customers, suppliers and partners.

Deviation from the Code of Practice:

None.

2. BUSINESS

Q-Free ASA operates an international business within Road User Charging and Advanced Transportation Management. The company has defined its business activity in §3 of the Articles of Association:

"The Object of the company is to engage in research, development, production, operation and sale of information technology products and systems plus everything therewith connected."

The Group's objectives and principal strategies are described in the strategy section of the annual report.

Deviation from the Code of Practice:

None.

3. EQUITY AND DIVIDENDS

Equity

Q-Free's policy is to maintain a high equity ratio to provide a platform for the company's future expansion and growth. Per 31 December 2013 the company's equity amounted to NOK 505 million, representing an equity ratio of 56.4 percent (67.0). The Board considers the financial situation for Q-Free satisfactory given the company's activities and investment plans.

Dividend policy

Q-Free ASA has an objective to give the shareholders a stable and competitive long term return on investment through payments of dividends and a positive share price development. The company is in a growth phase and based on this does not expect dividends to be distributed to the shareholders in the next years to come.

Mandates to the board
Mandates granted to the Board to increase the company's share capital are restricted to defined purposes and in separate mandates, and thus in accordance with the recommendation. Pursuant to the Code, mandates granted to the Board are limited in time to no later than the date of the next annual General Meeting. The General Meeting is given the opportunity to vote on every purpose covered by the authorisation.

At the Annual General Meeting in 2013, the Board was granted an authorisation to increase the share capital by the subscription on new shares for strategic purposes within the ITS sector, e.g. acquisitions. The authorisation allows the Board to increase the share capital by up to NOK 2,517,591.58 through the issue of up to 6,625,241 shares, equivalent to approximately 10 percent of the issued shares, each with a par value of NOK 0.38 per share. The mandate is limited for one year, and valid until the next annual General Meeting but no longer than 30 June 2014.

The company has an incentive program that runs for three years for executives and key employees, granted by the General Meeting on 22 May 2012. The mandate granted by the General Meeting in 2013 allows the Board to increase the share capital by NOK 769,500, which corresponds to 2,025,000 shares, equivalent to up to 3 percent of the issued shares. The authorization is limited for one year, and valid until the next ordinary General Meeting but no longer than 30 June 2014. See note 17 in the 2013 financial statements for further information about the incentive program.

Deviation from the Code of Practice:
None.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Q-Free ASA has one class of shares and each share represents one vote. All shareholders will be treated equally and have the same opportunities to influence.

An increase in the Company's share capital might be proposed if the Board of Directors decides that this would best take care of shareholders' long-term interests. Normally, the Board of Directors will propose that share issues are directed to existing shareholders in accordance with their preferential rights. However, if the Board has been given an authorization from the general meeting to carry out a private placement for a special purpose, it can be decided to waive the pre-emption rights of existing shareholders. The justification will then be publicly disclosed in a stock exchange announcement pursuant to the Code.

The company has developed a policy on transactions with close associates, based on the requirement that any transactions must be at arm's length principle and at market terms. If deemed required, the company will arrange for a valuation obtained from an independent third party. For information about transactions with related parties, see note 18 in the 2013 financial statements.

According to the Code of Conduct, members of the Board and the executive management are obliged to notify the Board in case of any material direct or indirect interest in a transaction entered into by the company.

Deviation from the Code of Practice:
None

5. FREELY NEGOTIABLE SHARES

Q-Free ASA has no form of restriction concerning freely negotiable shares. The Board of Directors does not intend to put forward any proposals to the General Meeting concerning restrictions on freely negotiable shares. The Articles of Association have no restrictions on negotiability.

Deviation from the Code of Practice:
None

6. GENERAL MEETINGS

The General Meeting is the company's supreme governing body, and all shareholders are guaranteed participation and the opportunity to exercise their rights. The Annual General Meeting has adopted the Articles of Association where §6 regulates the notice period, right to attend, and agenda proposals. Shareholders representing at least 5 percent of the shares can call for Extraordinary General Meetings.

Notification
The Annual General Meeting will be held at the latest 30 June according to law. The general meeting is to take place either in Trondheim or in Oslo. The 2014 Annual General Meeting is scheduled for 22 May in Oslo.

Notice of the general meeting is to be sent with at least a 21 days written notice to all shareholders with known address.

The Board may decide that the notice of the General Meeting and related documents will be made available on the company's website only. A shareholder may nevertheless, by application to the company, request for the documents to be distributed by mail.

Registration and proxies
Shareholders planning to participate at the General Meeting shall notify the company within a deadline set by

the Board in the notice. The deadline cannot expire earlier than five days before the date of the general meeting.

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

To register for the general meeting a shareholder must submit a written confirmation by mail, fax, e-mail (provided the registration form is a scanned document with signature), or by submission directly to the company's registrar DNB.

Shareholders are entitled to request specific matters to the agenda of a general meeting, by giving a written notice to the Board within seven days before the statutory deadline for the notice of the general meeting. If the notice of the general meeting is already distributed, a new notice shall be issued. Instructions are given in the call for the Annual General Meeting.

Shareholders who cannot attend the general meeting may vote by proxy. The company will appoint a person that will vote on behalf of shareholders as their proxy unless the shareholder has appointed another person. The proxy form allows for separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election.

Agenda and execution

The agenda for the general meeting is set by the Board, and the main items are specified in §6 of the Articles of Association. The agenda includes detailed information on the resolutions to be considered and the recommendation from the Nomination Committee. The shareholders attending may vote for the Chairperson of the general meeting.

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

The company announces the protocol for the Annual General Meeting according to stock exchange regulations.

Deviation from the Code of Practice:

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

The entire Board and all members of the Nomination Committee have normally not attended the Annual General Meeting. The Chairman of the Board, however, is always present to respond to any questions and queries. The Chairman of the Board and the Chairman of the Nomination Committee assess on a case-by-case basis, based on the agenda of the general meeting, whether all members should participate. The CEO and Auditor are always present at the Annual General Meeting.

7. NOMINATION COMMITTEE

In accordance with the Articles of Association §7, the company has a Nomination Committee . The members of the Nomination Committee are elected by the General Meeting. The Nomination Committee is responsible for proposing board member candidates and remuneration to the Board, in addition to proposing members for the committee itself.

Composition

The Nomination Committee consists of three members who are shareholders or representatives acting on behalf of the shareholders. Members of the Nomination Committee are elected for a period of two years, and may be re-elected. The current members of the Nomination Committee's members and their tenure period is available at the company's website www.q-free.com.

The members of the Nomination Committee are independent from the company's executive management. Currently, no member of the Nomination Committee is a member of the Board. Q-Free is not aware of the existence of any agreements or business partnerships between the Company and any third parties in which members of its Nomination Committee have direct or indirect interests.

Nomination Committee composition as of 31.12.2013;

Name	Company	For election
Cecilie Johnsen	Harburg AS	2014
Thomas Alexander Vogt	DNB Asset Management AS	2014
Petter Qvam	Skagen Vekst	2014

Instructions

The Nomination Committee's work is determined by instructions approved by the general meeting in 2008.

Prior to the Annual General Meeting, a meeting is held with the Chairman of the Board to review the Board's evaluation of its own work.

The Nomination Committee will freely and independent of the election period evaluate the composition of the Board. The Nomination Committee emphasises industry and business experience as well as equal general balance, when proposing new members to the Board. The recommendations and report includes relevant information on the candidates for election.

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

Deadline for promoting proposals to the Nomination Committee is available at the Group's website www.q-free.com. This deadline is set to allow for necessary reviews, reference checks, etc., prior to the deadline for submitting the notice for the general meeting to the shareholders. The Nomination Committee is not prevented from evaluating other candidates than proposed.

Deviation from the Code of Practice:

None

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The Company does not have a corporate assembly.

Composition of the Board

Pursuant to the company's Articles of Association §5, the Board of Directors shall have 5-8 members.

Name Board of Directors	Position	Service since	Elected until	Shareholding in Q-Free ASA (direct or indirect) per 31.12.2013
Terje Christoffersen (1952)	Chairman of the Board	2011	2015	20,072
Charlotte Brogren (1963)	Board member (Deputy Chairman from 12 Feb 2014)	2011	2015	0
Jan Pihl Grimnes (1961)	Board member	2008	2014	1,555,000
Selma Kveim (1963)	Board member	2013	2015	5,500
Thomas Falck (1966)	Board member (Deputy Chairman until 6 Jan 2014)	2013 [1]		13,483
Sissel Lillevik Larsen (1961)	Employee elected member of the Board	2008	2014	0
Frank Aune (1964)	Employee elected member of the Board	2010	2014	0

* Thomas Falck assumed the position as CEO on 6 January 2014 and therefore resigned from Board of Directors.

Participation in Board meetings and Board committees in 2013:

	Board meetings	Audit Committee	Compensation Committee
Terje Christoffersen	11	4	1
Charlotte Brogren	11		
Jan Pihl Grimnes	11		1
Selma Kveim [1]		2	
Thomas Falck [2]		2	
Sissel Lillevik Larsen	11		1
Frank Aune	11		
Ole Jørgen Fredriksen [3]		2	
Mimi Berdal [3]		2	

1) Served from AGM 2013, 22 May 2013
2) Served from AGM 2013, 22 May 2013 until 6 January 2014
3) Served until AGM 2013, 22 May 2013

31 December 2013 the Board of Directors consisted of seven members, whereof two are elected by and amongst the Group's employees. The Board consisted of three women and four men, and hence met the gender diversity requirements pursuant to Norwegian legislation.

Thomas Falck assumed the position as CEO on 6 January 2014 and therefore resigned from Board of Directors. The Board of Directors of Q-Free will continue with the remaining four shareholder-elected and two employee-elected members until the ordinary General Meeting in May 2014.

The members of the Board are elected for a period of two years and may be re-elected. The General Meeting elects the Chairman of the Board. The Deputy Chair is elected by the Board for a period of one year.

An overview of the members of the Board is available on the company's website www.q-free.com.

Independence of the Board

Q-Free is not aware of the existence of any agreements or business partnerships between the company and any third parties in which its directors have direct or indirect interests. The members of the Board are independent from the company's management, and the executive management is not represented in the Board.

Share ownership

Several of the board members hold shares in Q-Free. An overview of the various member's shareholdings is also available on the company's website, under the information about the Board.

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

Deviation from the Code of Practice:

None

9. THE WORK OF THE BOARD OF DIRECTORS

The Board's tasks

The Board of Directors is elected by the shareholders to oversee the executive management and to assure that the long-term interests of the shareholders and other stakeholders are being served.

The Board has the ultimate responsibility for the management of the company and for supervising its day-today business and activities in general. The main responsibility is to determine the company's overall vision, goal and strategy. The Board also ensures that the activities are soundly organised and keeps itself informed about the financial situation of the company, and ensures that the management handles risks faced by the company in an appropriate way.

The Board produces an annual plan for its work, with particular emphasis on objectives, strategy and implementation. This includes reviewing the overall strategy at least once a year, preparing the budget for the next year, evaluating management and competence needed, making continuous financial reviews and risk assessments based on budgets and prognoses, as well as evaluating the work of the Board.

It is important to maintain and continuously advance sound internal management systems that meet changing financial conditions. Q-Free has a decentralised organisation, where each region, unit and division reports on group level at a monthly basis. The Group's activities are varied, depending on each unit's position in the value chain, and consequently require differentiated ways of management and follow-up.

Instructions to the Board

The Board has issued instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties. The guidelines are described in the company's "Instructions for the Board of Q-Free ASA". The purpose of the instruction is to describe the role and functions of the Board and the interaction with the executive management of the company. The instructions for the Board also include detailed requirements on which information and timing of the information from the executive management.

In the event that the Chairman is absent, the meeting will be chaired by the Deputy Chair. One Board meeting was chaired by the Deputy Chair in 2013.

The Board's proceedings and minutes are in principle confidential unless the Board decides otherwise. This is pursuant to the instructions to the Board.

Compensation committee

Three out of seven members of the Board have been elected by the Board to act as Compensation Committee, for a period of two years.

The Board approved the instruction for the Compensation Committee in 2006 and was revised in 2008.

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

With effect from 5 June 2013, the Compensation Committee is composed as follows:
Jan Pihl Grimnes (Chairman)
Terje Christoffersen
Sissel Lillevik Larsen

Audit committee
The Public Companies Act stipulates that large companies must have an Audit Committee. Three out of seven members of the Board have been elected by the Board to the Audit Committee for a period of two years.

The Board approved an instruction for the Audit Committee in 2006, that was revised in 2008 and 2013.

The Audit Committee's main responsibilities are to supervise the company's internal control systems and to ensure that the auditor is independent and that the annual accounts and quarterly reporting give a fair view of the company's financial results and financial condition in accordance with generally accepted accounting principles.

The Audit Committee reviews the procedures for risk management and financial controls in the major areas of the Company's business activities. The Audit Committee receives reports on the work of the external auditor and the results of the audit. In addition, the committee reviews the company's work on Corporate Governance.

With effect from 5 June 2013, the Audit Committee was composed as follows:
Thomas Falck (Chair)
Selma Kveim
Terje Christoffersen

Thomas Falck retired from the Audit Committee following his appointment as CEO. The Board decided that the Audit Committee should continue with only two members until the Ordinary General Meeting. Selma Kveim assumed the Chair position 12 February 2014.

The Board's evaluation of its own work
The Board of Directors evaluates its performance annually and present the evaluation to the Nomination Committee.

Deviation from the Code of Practice:
None

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the responsibility to ensure that Q-Free has sound internal control and systems for risk management appropriate to the company's business, and has established a Risk Management document reviewed by the Audit Committee. The company's risk management policy is an integral part of the Group's management by objectives and performance management. The model for internal control for financial reporting is reviewed on a regular basis, most recently in 2013, to ensure that the reporting system addresses the most significant risk factors for the Group and is organised to reflect the Group's business and procedures at any time.

The management prepares monthly performance reports for review by the Board. In addition, quarterly financial reports are prepared and reported to the financial market in accordance with the requirements from the stock exchange. These quarterly financial reports are presented to the Audit Committee, which reviews the reports prior to the Board meeting. The auditor takes part in the Audit Committee's meetings on an ad hoc basis, and meets with the entire Board in connection with the presentation and approval of the annual financial statements.

The Board presents an in-depth review of the company's financial status in the Directors' Report, including a description of the main elements related to health, safety and environment (HSE) and related risks. The main risk factors are closely monitored by the Executive Management. The Board receives "The management's review of the quality management system and the environmental management system" on a quarterly basis. This includes a review of the most significant risks for the Company and a description of how these risks are being addressed.

Q-Free has developed an effective Quality Management (QM) system and is certified in accordance with the NS-EN ISO-9001 Quality System. The company's ISO 9001 Certificate covers all areas of the normal operations. Q-Free is also certified according to the ISO-14001/2004 standard, which means that the company has set up systems for monitoring and improving its impact on the external environment. The use of Q-Frees products and services contribute to reduced traffic congestion and consequently give less pollution. The Group's activities have no negative impact on the external environment. All products introduced after 2005 are produced without the use of lead and other hazardous environmental substances as defined in the EU's RoHS of WEEE directives.

Deviation from the Code of Practice:
None

11. REMUNERATION OF THE BOARD OF DIRECTORS

The Annual General Meeting approves the Board's remuneration each year.

Remuneration for the period from the Annual General Meeting of 2013 to the Annual General Meeting of 2014:

The Chairman of the Board:
NOK 400,000

Members elected by the shareholders:
NOK 225,000

Members elected from the employees:
NOK 75,000

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

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

Beyond the scope of Board responsibility, Board members could from time to time take on certain consultancy projects for the company. Such projects are defined by the Board of Directors and occur on a limited basis. Board members are compensated for such work according to separate agreements approved by the Board of Directors.

The Directors' fees are per 31 December 2013 not linked to performance. The members of the Board have no share options in the company.

For further information about remuneration of the Board see note 15 in the 2013 financial statements.

Remuneration of the Nomination committee
The remuneration to the members of the Nomination committee was, from the Annual General Meeting of 2012 to the Annual General Meeting of 2013, changed to as follows:

The Chairman of the Nomination Committee:
NOK 65,000

Members of the Nomination Committee:
NOK 50,000

From the Annual General Meeting of 2013 to the Annual General Meeting of 2014, the Chairman of the Nomination Committee receives a fixed salary of NOK 30,000 and each elected member receives NOK 5,000 per day of meeting, limited up to 10 meetings during the period.

Deviation from the Code of Practice:
None

12. REMUNERATION OF THE EXECUTIVE MANAGEMENT

Q-Free's remuneration policy has always been to offer salaries adjusted to market conditions to attract the competence needed. The Board has determined and approved special guidelines for the stipulation of salary and other remuneration to executive management, and the structure of the incentive system is presented to the Annual General Meeting for information purposes.

The executive management receive a basic salary and are members of the company's pension scheme. The remuneration also includes a share option program and a performance based bonus scheme.

The Board adopted a performance based bonus scheme for all employees in 2007, in order to motivate extraordinary performance/ achievements. The performance based bonus scheme is linked to budgeted group financial parameters, and to the performance based parameters/ targets for the relevant department/ division. The CEO may assign bonus to individuals or teams for outstanding performance/ achievements, normally limited up to 40 percent of the employee's fixed salary. The Board may assign bonus to the CEO for outstanding performance/achievements limited up to 80 percent of his/ hers fixed salary. The scheme for the executive management requires that parts of the bonus payment is used for purchase of shares in the company. In addition, the General Meeting has authorised an incentive program in form of a share option program for the executive management. The purpose of the share option program is to encourage close and long-term involvement of leading executives and key personnel in the company, and contribute to value creation by offering a share of the obtained value creation within a defined period.

The share price related to the share option programme, is calculated as the average closing price of the Q-Free share on Oslo Stock Exchange in the period from 14 days prior to the ordinary General Meeting to 14 days after the ordinary General Meeting each year of the program.

For more information about the incentive program, please see chapter 3 in this document and note 17 in the 2013 financial statements.

Evaluation
The Board set the terms of the CEO's employment, and the Board reviews the salary and other remuneration on an annual basis. The review is based on performance and comparable market conditions of similar positions.

The Board also conducts performance evaluation of the senior management in the company, with external help if necessary, in order to ensure that the senior management is focused on developing the company according to approved strategies. In addition, all employees, including senior management, completes an annual performance evaluation.

For further information about remuneration of the CEO and other members of the executive management, see note 15 in the 2013 financial statements.

Deviation from the Code of Practice:
None

13. INFORMATION AND COMMUNICATION

Q-Free wants to maintain an open dialogue with the capital market, and holds open presentations for investors, analysts and others on a regular basis. The company aims to maximise shareholders' values, in such a way that the return on investment measured by dividends and increased share price at least match that of alternative investments involving similar risk.

Regular information will be published through the Annual Report and the quarterly reports and open presentations, at the same time as the information is published on the company's website. Q-Free will also provide information on its major value drivers and risk factors through the interim reporting, which will enable investors to evaluate the company's risk and performance.

The company aims at publishing the quarterly reports within six weeks of the end of the relevant period, and complied with this in 2013. The quarterly results are also made available through webcast. The annual report will be published within four months after year-end.

The CEO and CFO are responsible for the investor relations and all communication with the capital market. If required, the Chairman of the Board or appointed members of the Board will assist. All information is communicated within the framework established by securities and accounting legislation and the rules and regulations of the Oslo Stock Exchange.

All information relevant to the company's shareholders is published on Oslo Stock Exchange, and made available on the company's website www.q-free.com.

Deviation from the Code of Practice:

The Board has not established separate guidelines for the company's reporting of financial and other information, nor guidelines for the company's contact with shareholders other than through the General Meeting. However, the Board monitors and follows up the company's Investor Relations work on a regular basis during the year.

14. TAKEOVERS

Q-Free ASA has no regulations on take-over bids in the articles of associations, nor have there been implemented any other measures to limit opportunities to acquire shares in the company.

Deviation from the Code of Practice:

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

15. AUDITOR

The company's external auditor is appointed by the general meeting and is responsible for the financial audit of the parent company and Group accounts. The auditor is independent of Q-Free ASA.

The external auditor of Q-Free ASA annually presents a plan to the Audit Committee covering the main focus for the audit. The external auditor participates in at least two meetings of the Audit Committee every year, and one Board meeting where the annual accounts are approved. Other meetings are attended by the auditor as requested. The annual audit results includes a presentation of any material changes in the company's accounting principles, accounting estimates and report any material matters in case of disagreements between the external auditor and the management.

At least once a year, a meeting will be held between the auditor and the Board without the presence of the CEO or other members of executive management. The Audit Committee has a specific obligation to survey the auditor's independence and qualifications, and to propose candidates for external audit of the company to the General Meeting.

In 2013 Q-Free ASA arranged a competitive tendering among several auditor companies, and BDO AS was elected as the new auditor for the company. Independent external auditors have also been appointed for all subsidiaries of Q-Free ASA, including those outside Norway.

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

The auditor attends the Annual General Meeting and informs about the auditor's report and remuneration for the year. This year's auditor's report follows the notes in the annual report. For further information about remuneration of the auditor, see note 26 in the 2013 financial statements.

Deviation from the Code of Practice:

The Board has not established guidelines for the use of other auditor services than the annual audit.

2013 CORPORATE SOCIAL RESPONSIBILITY REVIEW

This review of the company's Corporate Social Responsibility principles and practice is prepared in compliance with Section 3-3c of the Norwegian Accounting Act.

Q-Free has a Code of Conduct which aims to provide guidance to our people for a common platform. The Code of Conduct is instrumental for Q-Free's approach to human rights, fair working environment, health and safety, business ethics and anti-corruption. Q-Free regularly reviews the COC and takes steps to update and educate the organization. In situations where the employee is aware of any infringement of the COC he/she shall raise the issue with his/her manager. If this is not possible the employee shall report the infringement directly to the HR responsible in Q-Free ASA. Incidents may be reported anonymously if desired.

HUMAN RIGHTS, FAIR WORKING ENVIRONMENT, AND HEALTH AND SAFETY

Q-Free supports and respects internationally recognised human rights, including those specified by the International Labour Organisation. The company respects the right to freedom of association and opposes any form of child labour, forced labour or discrimination. Q-Free encourages all representatives and suppliers to follow the same principles.

Fair and good working environment

Q-Free considers the combined knowledge, competence and experience as our most valuable assets, and we seek to attract and retain employees through a fair and good working environment.

The Q-Free Group employs many different nationalities from a diversity of cultures, both in the parent company and in the subsidiaries abroad, and we have built an international mindset over the years. The company depends on dedicated employees who treat others with respect and act according to local laws and regulations, and who communicates openly and honestly while paying attention to local etiquette, values and norms for social conduct. Q-Free aims to offer an engaging workplace with an inclusive working environment, and the company has established policies to avoid discrimination of individuals or groups of people on the base of age, gender, disabilities, race, sexual orientation, ethnic origin, religion, political affiliation or any other reasons. No incidents on violations on fair and good working environment have been reported of any kind in the last years.

Equal opportunities

The Group operates a policy of gender equality and non-discrimination of male or female employees. Most of the company's employees work within engineering, technology development, and technical sales, which are disciplines that traditionally have attracted a majority of male applicants. This is reflected in the workforce demographics for Q-Free, which currently has 23 percent female and 77 percent male employees.

Q-Free will seek to employ female employees to improve the gender balance. Provided that applicants have similar qualifications, the company will therefore prefer female applicants when recruiting.

The parent company fulfils Norwegian legal requirements with respect to minimum representation of each gender in the Board of Directors, currently with 3 male and 3 female board members.

Health & Safety

Q-Free gives the highest priority to health and safety for its employees, with roadside work representing the highest risk. Q-Free has implemented safety procedures in this area. In installation projects, a HSE responsible initiates and implements safety routines in relevant procedures, including ensuring all personnel involved have received safety training and training in use of safety equipment, and distributing HSE plans to everyone working on the installation site.

No serious incidents or injuries have been reported in the last years.

Sick leave in the parent company was 2.0 percent in 2013, which was an improvement from 2.6 percent in 2012. This is well below the national average for comparable jobs and considered a satisfactory level. Q-Free has no similar reporting for the subsidiaries.

BUSINESS ETHICS AND ANTI-CORRUPTION

High ethical standards and ethical business conduct are prerequisites to gain the trust of our stakeholders and the local, national and international community. This is a shared responsibility of the company and each of its employees and representatives.

The Q-Free Code of Conduct contains guidelines for ethical behaviour in both internal and external business relations, and is designed to stimulate ethical awareness and to provide a guideline for everyday actions. The Code of Conduct is applicable to Board members, managers, and all other Q-Free employees and representatives. The Company is implementing a revised and updated Code of Conduct in 2014.

The Code of Conduct clearly states that Q-Free firmly opposes all forms of corruption or bribery, and encourages reporting of suspected misconduct. No personal interests or personal gain shall affect any Q-Free representative's work for the company, and any action or interest compromising integrity or objectiveness shall be avoided. The Code of Conduct explicitly governs areas such as conflicts of interest, gifts, and money laundering.

The company has to date not been accused of, or involved in, any cases pertaining to any form of corruption or bribery. The Board and Management are not aware of any breach of our Code of Conduct.

Q-Free wants fair and open competition in all markets, and wishes to win contracts on the basis of a competitive offering of products, services and solutions. The company adheres to national and foreign antitrust laws, and the Code of Conduct states that no formal or informal agreements shall be entered into with competitors in order to restrict competition.

The company has to date not been accused of, or involved in, any cases pertaining to illicit or improper competitive conduct. The Board and Management are not aware of any breach of our Code of Conduct.

Q-Free is publicly listed on the Oslo Stock Exchange and follows laws, regulations and continuing obligations for listed companies concerning disclosure of information. The Code of Conduct emphasizes the confidentiality requirements and prohibits misuse of information about the company or insider trading as regulated in the Securities Trading Act.

The company has not been accused of breaching its disclosure obligations or been involved in any insider trading cases the last years. The Board and Management are not aware of any breach of our code of conduct on this.

EXTERNAL ENVIRONMENT

Q-Free's greatest contribution to the environment is its portfolio of products, services and solutions, which contributes to reduced traffic congestion, less pollution, and less traffic incidents.

Q-Free is also firmly committed to reducing the potential environmental impact of its own operations to a minimum, and the Group's activities have no measurable negative impact on the external environment.

The Group fulfils all environmental requirements imposed by the Norwegian authorities and the EU. The Group is certified in accordance with NS-EN ISO 14001:2004. All products introduced after 2005 are produced without the use of lead and other hazardous environmental substances, as defined in the EU's directive on Restriction of Hazardous Substances (RoHS), and shall also be recyclable in line with the EU's directive on Waste Electrical and Electronic Equipment (WEEE). Furthermore, the Group is working actively to influence sub-contractors to choose the most environmental-friendly alternatives whenever possible. Q-Free also has an objective to reduce consumption of natural resources. Use of electronic document sharing rather than printing on paper, use of videoconferencing instead of travelling, and coordination of travel activities are examples of this.

Q-Free environmental policy is publicly available on the Group website.

ARTICLES OF ASSOCIATION

Q-FREE ASA

Article 1 – The name of the Company shall be Q-Free ASA. The Company shall be a public limited company.

Article 2 – The Company's registered place of business shall be in the City of Trondheim.

Article 3 – The Object of the Company is to engage in research, development, production, operation and sale of information technology products and systems plus everything therewith connected.

Article 4 – The Company's share capital shall be NOK 25 829 519,22 divided between 67 972 419 shares, each of NOK 0.38 face value.

The Company's shares shall be registered in the Norwegian Central Securities Depository (VPS).

Article 5 – The Board of the Company shall have between three and eight members, as the general meeting shall stipulate.

The Board shall represent the Company outwardly, and sign for it. The signature of the Company is also vested in the Chairman of the Board and one other Board member acting jointly.

The Board may grant procuration (registered power of attorney).

Article 6 – The annual general meeting shall be held before 30 June, in either the City of Trondheim or the City of Oslo.

Invitation to the general meeting shall require at least 21 days' written application to all shareholders with known addresses.

The Board may determine that documents pertaining to matters for discussion at the general meeting shall not be sent to the shareholders when these documents are made available on the Company's Web pages. The same shall apply to documents that by statute must be incorporated into or appended to the invitation to the general meeting. A shareholder may nevertheless, by application to the Company, demand to be sent documents pertaining to matters for discussion at the general meeting.

The right to participate and vote at the general meeting may only be exercised for shares that are entered in the Register of Shareholders (VPS) on the fifth working day prior to the general meeting (the date of registration).

Shareholders who, either in their own persons or by proxies, wish to participate in the general meeting, shall communicate this to the Company within the deadline that the Board has stipulated in the invitation. Such deadlines cannot expire earlier than five days prior to the meeting.

The annual general meeting shall consider:

1. Adoption of profit and loss account and balance sheet.
2. Application of profit or coverage of loss pursuant to the adopted balance sheet and distribution of dividend.
3. Election of the Board and the Chairman of the Board.
4. Stipulation of the Board's remuneration.
5. Election of members of the Nominations Committee.
6. Stipulation of the compensation to the Nominations Committee.
7. Stipulation of the compensation to the auditor.
8. Other matters that the Board places on the agenda, or that a shareholder wants considered, when such an item is notified in writing to the Board within seven days before the deadline for invitation to the general meeting, together with a proposal for decision or a justification for putting the proposal on the agenda. If the invitation has already taken place, a new invitation shall be made if the deadline for invitation to the general meeting has not passed.
9. Other matters that pursuant to statute pertain to the general meeting.

Article 7 – The Company shall have a Nominations Committee, whose mission shall be to make recommendations to the general meeting for shareholder-elected members to the Board, and also propose the Board's emoluments.

The Nominations Committee shall consist of three members who shall be shareholders or representatives of shareholders. The members shall be elected by the general meeting. The members of the Nominations Committee shall be elected for two years at a time. The general meeting may decide on instructions for the Nominations Committee.

Article 8 – Reference is otherwise made to the current companies legislation.

Articles of Association as of 08.05.2012
The shareholders of Q-Free ASA.

ADDRESSES

HEADQUARTER

Q-FREE ASA
Strindfjordvegen 1
7053 Ranheim
Norway

POSTAL ADDRESS
Q-Free ASA
POB 3974 Leangen
7443 Trondheim
Norway

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

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

Q-FREE ASA OSLO
Wergelandsvei 1
NO–0167 Oslo
Norway
P: +47 73 82 65 00
F: +47 22 42 12 00

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

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

Q-FREE FRANCE
168, Avenue Charles de Gaulle
92522 Neuilly sur Seine Cedex
France
P: +33 (0)170375300
P: +33 (6)81237205

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

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

Q-FREEARFRICA ITS (PTY) LTD
5 Tibia Crescent
Umhlanga 4319
eThekwini Durban KZN
Rupublic of South Africa
T: +27 (0) 31 561 1333
F: +27 (0) 31 561 1337

Q-FREE SWEDEN
Sundbybergsvägen 1
7:e våningen
171 73 Solna
Sweden
P:+46 (0) 851782080

Q-FREE THAILAND
17 Soi Prasert-Manukitch 31
Prasert-Manukitch Road
Ladprao, Ladprao
10230 Bangkok
Thailand
Phone: +66 255 32 025

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

Q-FREE CHILE
Av. Santa María 2670, offic, 507
Providencia, Santiago
Chile
P: +562 2246 3939

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

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

TCS INTERNATIONAL
70 Six Point Rd.
Etobicoke, ON M8Z 2X2
Canada
P: 416-259-4862
F: 416-252-0285

ELCOM D.O.O
41h Sinjska Street
11010 Belgrade
Serbia
+381-113475300

Advisor: Crux Kommunikasjon AS
Concept, design and production: Artbox AS
Photos: Hans Fredrik Asbjørnsen (Pages: 10, 18, 28, 29, 30, 31)
Ronny Danielsen (Page: 17, 19)
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Q-FREE ASA
Strindfjordvegen 1
7053 Ranheim
Norway

POSTAL ADDRESS
Q-Free ASA
POB 3974 Leangen
7443 Trondheim
Norway

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

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

twitter.com/qfreeasa
youtube.com/qfreeasa