

# Q2

SECOND QUARTER AND FIRST HALF 2015  
REPORT

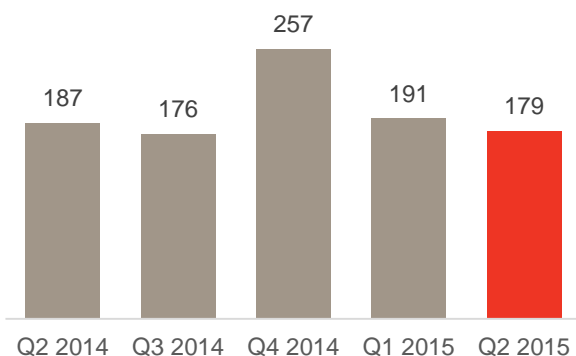




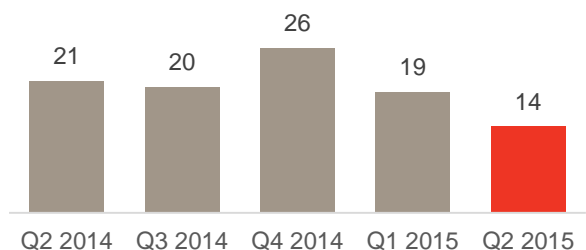
# HIGHLIGHTS Q2 2015

- Revenues in the second quarter were NOK 179 million and EBITDA NOK 14 million
- Gross profit increased 28% YoY due to shift in revenue composition towards ATMS
- Order intake during the period amounted to NOK 183 million and total order backlog is NOK 540 million
- EBIT was negative NOK 8 million, net financials positively affected by NOK 18 million due to currency fluctuations leading to a pretax profit of NOK 8 million
- Closed first tranche with Intelight and acquired Traffiko

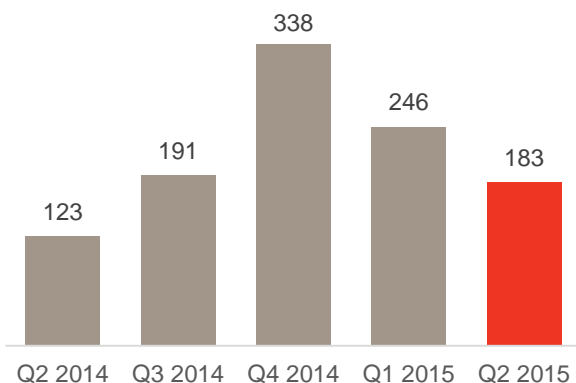
REVENUES LAST 5 QUARTERS  
MNOK



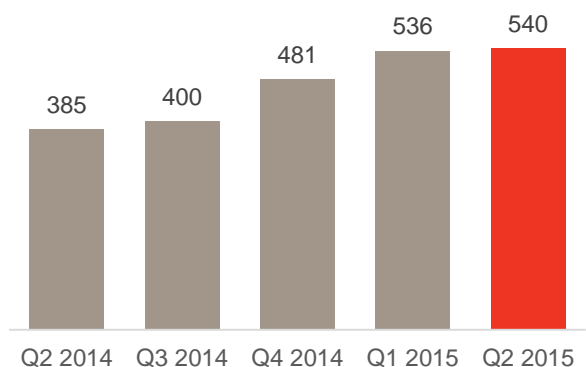
EBITDA LAST 5 QUARTERS  
MNOK



ORDER INTAKE LAST 5 QUARTERS  
MNOK



ORDER BACKLOG LAST 5 QUARTERS  
MNOK



# FINANCIAL REVIEW

## KEY FIGURES

| NOK 1.000                                 | Q2 2015        | Q2 2014        | Q/Q-%  | 30/06/2015     | 30/06/2014     | Y/Y-%  | 31/12/2014     |
|---|----------------|----------------|--------|----------------|----------------|--------|----------------|
| <b>Revenues</b>                           | <b>178,718</b> | <b>186,636</b> | -4.2%  | <b>369,662</b> | <b>354,976</b> | 4.1%   | <b>788,584</b> |
| <b>Gross profit</b>                       | <b>136,828</b> | <b>111,743</b> | 22.4%  | <b>272,281</b> | <b>211,998</b> | 28.4%  | <b>506,411</b> |
| Gross margin - %                          | 76.6%          | 59.9%          |        | 73.7%          | 59.7%          |        | 64.2%          |
| Operating expenses                        | 123,149        | 90,848         | 35.6%  | 239,444        | 173,371        | 38.1%  | 421,666        |
| <b>EBITDA</b>                             | <b>13,679</b>  | <b>20,895</b>  | -34.5% | <b>32,837</b>  | <b>38,627</b>  | -15.0% | <b>84,745</b>  |
| EBITDA margin                             | 7.7%           | 11.2%          |        | 8.9%           | 10.9%          |        | 10.7%          |
| Depreciation, amortisation and impairment | 21,504         | 18,741         | 14.7%  | 43,614         | 35,501         | 22.9%  | 76,309         |
| <b>Operating profit - EBIT</b>            | <b>-7,825</b>  | <b>2,154</b>   |        | <b>-10,777</b> | <b>3,126</b>   |        | <b>8,436</b>   |
| EBIT margin                               | -4.4%          | 1.2%           |        | -2.9%          | 0.9%           |        | 1.1%           |
| <b>Pre-tax profit</b>                     | <b>8,120</b>   | <b>260</b>     |        | <b>-18,389</b> | <b>1,812</b>   |        | <b>-16,369</b> |
| Profit margin                             | 4.5%           | 0.1%           |        | -5.0%          | 0.5%           |        | -2.1%          |
| <b>EPS</b>                                | <b>0.09</b>    | <b>0.00</b>    |        | <b>-0.33</b>   | <b>0.01</b>    |        | <b>-0.42</b>   |

## REVENUES

The Q-Free Group generated revenues of NOK 179 million in the second quarter of 2015, down 4 percent from NOK 187 million in the second quarter of 2014.

Revenues in RUC were reduced by NOK 52 million, of which Noca represented NOK 19 million. Furthermore, part of the reduction was related to end of life for DSRC tags in Brazil as earlier communicated.

Growth in ATMS was NOK 42 million, of which NOK 35 million of the growth was generated through acquisitions and NOK 7 million through organic growth. This was somewhat slower than expected.

## GROSS PROFIT

Gross profit for the quarter ended at NOK 137 million (112), corresponding to a gross margin of 77 percent (60). The higher gross margin was due to changes in revenue composition in the quarter with lower product revenues and higher ATMS revenues.

## OPERATING EXPENSES

Operating expenses amounted to NOK 123 million in the second quarter. This is up from NOK 116 million in the previous quarter, and up from NOK 91 million in the second quarter 2014. The higher operating expenses follow the recent acquisitions within the ATMS segment. However, the cost base within the RUC segment has been reduced during the last few quarters.

## OPERATING PROFITS

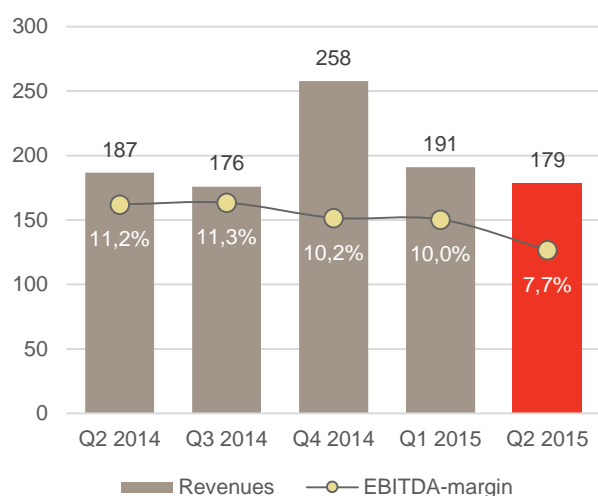
Reported EBITDA in the second quarter 2015 was NOK 14 million, down from NOK 21 million in the same quarter last year, and NOK 19 million in the first quarter 2015. The decrease is mainly related to lower product sales.

Depreciation and amortisation was at NOK 22 million (19). The increase reflects the acquisitions within the ATMS business area.

Operating profit (EBIT) thus ended at negative NOK 8 million, compared to a negative NOK 3 million in the previous quarter and a positive NOK 2 million in the same period last year.

## QUARTERLY REVENUES AND EBITDA MARGIN

MNOK &amp; %



## NET FINANCIAL ITEMS

Net financial items were positive NOK 16 million in the quarter, compared to a negative NOK 2 million in the same quarter last year. This is mainly related to higher financial income due to currency fluctuations on working capital items and currency fluctuations on liabilities related to the future earn-out payments on the ATMS acquisitions. In Q1 2015, net financial items amounted to a negative NOK 24 million.

## PROFITS

Reported pre-tax profit for the period was NOK 8 million in the quarter, compared to a pre-tax profit of NOK 0.3 million in the second quarter 2014. Earnings per share was NOK 0.09 in the quarter.

## PROFIT AND LOSS FIRST HALF 2015

Group revenues for first half year 2015 amounted to NOK 370 million, up from NOK 355 million in the corresponding period in 2014.

Revenues in RUC were reduced by NOK 78 million, of which Noca represented NOK 39 million. Furthermore, part of the reduction was related to end of life for DSRC tags in Brazil as earlier communicated.

Growth in ATMS was NOK 92 million, of which NOK 84 million of the growth was generated through acquisitions and NOK 8 million through organic growth. This was somewhat slower than expected.

Gross profit for the first six months ended at NOK 272 million, compared to NOK 212 million in the same period in 2014, corresponding to an increase of 28 percent.

Operating expenses amounted to NOK 115 million during the period, up from NOK 76 million in the first half of 2014. This is mainly due to the acquisitions within ATMS while the cost

level in the rest of the organisation has been reduced after the implementation of the Profit Improvement Program (PIP) in 2013.

First half EBITDA amounted to NOK 33 million (+39) while operating profit (EBIT) ended at negative NOK 11 million (+3)

Net financial items amounted to negative NOK 8 million during the period compared to NOK -1 million during the first six months of 2014.

Pre-tax profit for the first half year of 2015 was NOK -18 million (+2).

Reported earnings per share was NOK -0.33 (0.01).

## CASH FLOW

Net cash flow from operating activities was negative NOK 20 million in the second quarter 2015. This compares to a negative NOK 12 million in the second quarter 2014. The change partly reflects the lower profitability in the quarter, in addition to increased working capital.

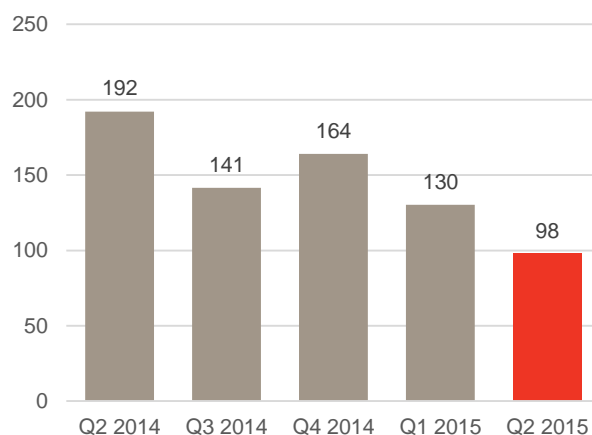
Net cash flow from investing activities was negative NOK 63 during the period (-23), mainly reflecting NOK 42 million in payments related to the acquisition of Intelight, Open Roads and Traffiko, and NOK 21 million (8) investments in technology projects and other fixed assets.

Net cash flow from financing activities was positive NOK 50 million during the period (1), mainly reflecting proceeds from expanding our long term loan facility during the quarter.

This gave a net reduction in cash and cash equivalents of NOK 33 million in the quarter (-34), leaving the cash balance as of June 30 2015 at NOK 98 million, down from NOK 130 million at March 31 2015, and NOK 192 million twelve months earlier.

## QUARTERLY CASH FUNDS

MNOK



Net cash flow from operating activities for the first half of 2015 was NOK -26 million (+6). Net cash flow from investing

activities was NOK million -91 (-86), including NOK 15 million on the acquisition of Open Roads, NOK 8 million on the acquisition of Traffiko, NOK 18 million on the acquisition of Intelight, NOK 14 million on earn out payments related to the acquisition of TDC Systems, NOK 4 million on earn out payments related to the acquisition of Traffic Design, NOK 4 million on earn-out payment relating to the acquisition of TCS and NOK 28 million on investments in technology including NOK 18 million in acquired companies, and other fixed assets. Net cash flow from financing activities during the first six months of 2015 was NOK 50 million (1).

### BALANCE SHEET

Total assets stood at NOK 960 million (851) at the end of the second quarter of 2015, up from NOK 878 million at the end of the first quarter 2015.

Total equity stood at NOK 480 million (521), down from NOK 486 million three months earlier. The decrease from the last quarter is due to negative results during the period. The equity ratio was 50.0 percent (61.2), down from 55.4 percent at the end of the first quarter of 2015.

EQUITY PER SHARE  
NOK

# 6.91

Non-current liabilities were NOK 277 million (171), compared to NOK 195 million from the end of the previous quarter. This is due to increase of long term loan and provisions set off for potential liabilities related to the Intelight and Traffiko acquisitions.

Current liabilities was NOK 204 million at the end of the quarter (160), slightly up from NOK 197 million at the end of Q1 2015.

Net working capital (defined as current assets excluding cash less current liabilities) amounted to NOK 76 million at the end of the second quarter (87). This corresponds to 9 percent of last 12 months revenues. At the end of first quarter 2015, net working capital stood at NOK 86 million, or 11 percent of revenues recent 12 months revenues. The ratio will vary between quarters depending on revenue composition and timing of payments.

Interest bearing debt to financial institutions increased to NOK 150 million (100) during the period, compared to NOK 100 million three months earlier.

The liquidity ratio was 1.9 at the end of the second quarter, compared to 2.7 at the end of the corresponding period last year and 2.1 at the end of the first quarter 2015.

# OPERATIONAL REVIEW

Q-Free's goal is to obtain a more efficient and customer-oriented organisation, able to deliver improved products, services and offerings, and to deliver more consistent growth in shareholder value.

The company's goal is to expand the revenue base with more mid-sized and smaller contracts and thus reduce overall volatility and risk. At the same time, the company continues to work to improve internal cooperation and operational efficiency and to manage our cost base.

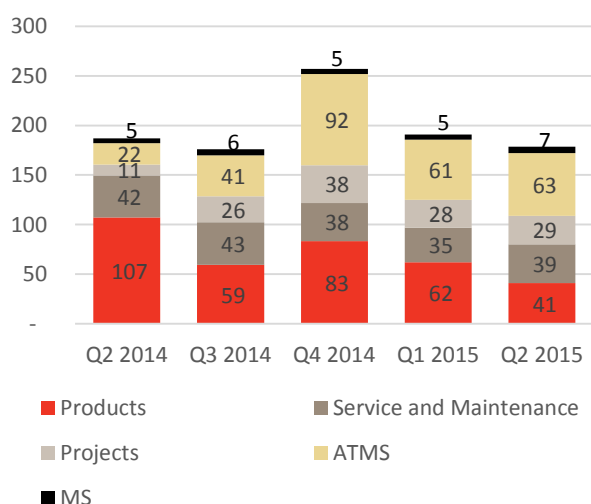
Market attention going forward will to a large extent be driven by technology demands in the various markets, and Q-Free will target markets where the company has comparative technological advantages.

Q-Free will continue its R&D efforts to provide the market with market leading technology and products in the future.

In the mid-term, Q-Free expects that the markets for ATMS and Road User Charging will converge into a joint market for Intelligent Transport Systems (ITS) - both technologically and commercially.

Q-Free intends to play an important role in the market for Intelligent Transport Systems, and will continue to build its position through acquisitions as well as further development of its current businesses within this area.

REVENUES BUSINESS AREAS  
MNOK



## ROAD USER CHARGING (RUC)

Road User Charging (RUC), including Products, Projects and Service & Maintenance, remains the largest contributor to overall revenues in Q-Free, representing 61 percent of overall revenues in the second quarter. Following the strategic change and severe market conditions, and following the build-up of additional activities within AMTS and Managed Services, the RUC share of revenues has been steadily decreasing in the recent quarters.

During the second quarter of 2015, RUC generated revenues of NOK 109 million, compared to NOK 125 million in the previous quarter and NOK 161 million in the corresponding period in 2014. The decrease is mainly related to lower sales within the Products segment mainly due to loss of an order in Thailand and lower activity in Brazil, where product revenues ended at NOK 41 million during the period, compared to NOK 107 million in Q2 2014. Revenues within the Products segment is mainly related to tag-deliveries in France, Australia and Brazil. However, the end of lifetime for the DSRC-tag in Brazil, affected sales negatively in the quarter, and will reduce the product revenues in the coming quarters. Q-Free has developed a new RFID tag for Brazil, but has not been awarded any orders on this yet.

Revenues from Service and maintenance remained stable during the quarter, and were mainly related to on-going contracts in Portugal, Australia, Sweden and Norway. Q2 2015 revenues ended at NOK 39 million, compared to NOK 35 million in the previous quarter and NOK 42 million in the corresponding period in 2014.

Within Projects, the activity is positively affected by recent project wins in Norway, and the on-going extension period on the Norwegian central system. Revenues in the quarter ended at NOK 29 million, in line with the previous quarter, and up from NOK 11 million in the corresponding period last year.

Q2 2015 EBITDA for the RUC segment ended at NOK 17 million (22) corresponding to an EBITDA-margin of 16 percent (14). The margin improvement is due to a change in product mix, with a relatively higher share of revenues from Projects.

| MNOK                    | Q2 2015      | Q1 2015      | Q2 2014      |
|-------------------------|--------------|--------------|--------------|
| Revenues                |              |              |              |
| - Products              | 40.9         | 61.8         | 107.2        |
| - Service & Maintenance | 39.2         | 35.1         | 42.2         |
| - Projects              | 28.8         | 28.2         | 11.3         |
| <b>RUC Revenues</b>     | <b>108.9</b> | <b>125.1</b> | <b>160.6</b> |
| <b>RUC EBITDA</b>       | <b>17.1</b>  | <b>19.4</b>  | <b>21.7</b>  |
| RUC EBITDA-margin (%)   | 15.7%        | 15.5%        | 13.5%        |

Recent project wins and the ongoing tail on the central system in Norway increased activity within Projects during the period, a trend expected to continue going forward.

### ADVANCED TRANSPORTATION MANAGEMENT SYSTEMS (ATMS)

Q-Free is continuously seeking to expand its platform for future revenue generation, while increasingly focussing our efforts on certain geographies and sub-segments.

During 2014 and 2015, the company made several acquisitions within the ATMS-segment, building a product and service platform for addressing new markets and continued growth. These acquisitions have strengthened Q-Free's presence in the US, and is strategically a good match with existing RUC activities as it both complements and balances out our offering portfolio.

During the second quarter in 2015, revenues from the ATMS activities amounted to NOK 63 million, slightly up from NOK 61 million in the previous quarter. Compared to the second quarter in 2014, ATMS revenues are up NOK 41 million, with the increase mainly from the acquisitions during the second half of 2014 and first half of 2015.

Along with the higher activity levels, margins within the segment will continue to improve despite a reduction in the margin in the second quarter 2015 when ATMS ended at negative NOK 1 million (-0.2). In Q1 2015 EBITDA from the ATMS activities was positive by NOK 1 million.

| MNOK                   | Q2 2015     | Q1 2015     | Q2 2014     |
|------------------------|-------------|-------------|-------------|
| <b>ATMS Revenues</b>   | <b>63.2</b> | <b>60.6</b> | <b>21.6</b> |
| <b>ATMS EBITDA</b>     | <b>-1.3</b> | <b>1.0</b>  | <b>-0.2</b> |
| ATMS EBITDA-margin (%) | -2.1%       | 1.6%        | -0.9%       |

During the last few quarters, order intake from the ATMS activities has increased significantly, and during the second quarter ATMS' share of revenues accounted for 35 percent of overall revenues up from 31 percent in Q1 2015 and 11 percent in Q2 2014. This reflects Q-Free's increasing focus on this area and the revenue development is in line with the company's expectations to grow the revenue base moving forward.

### MANAGED SERVICES (MS)

The MS business area is in the process of defining and building a portfolio of managed services offerings. Q-Free are currently delivering two MS projects, and are pursuing leads in all regions.

Q2 2015 revenues for Manages Services amounted to NOK 7 million, up from NOK 5 million in Q1 2015 and Q2 2014.

EBITDA ended at negative NOK 2 million during the period. In both Q1 2015 and in Q2 2014 the EBITDA for MS was negative at NOK 1 million.

| MNOK                 | Q2 2015     | Q1 2015     | Q2 2014     |
|----------------------|-------------|-------------|-------------|
| <b>MS Revenues</b>   | <b>6.6</b>  | <b>5.2</b>  | <b>4.8</b>  |
| <b>MS EBITDA</b>     | <b>-2.1</b> | <b>-1.2</b> | <b>-0.6</b> |
| MS EBITDA-margin (%) | -31.9%      | -23.6%      | -12.0%      |

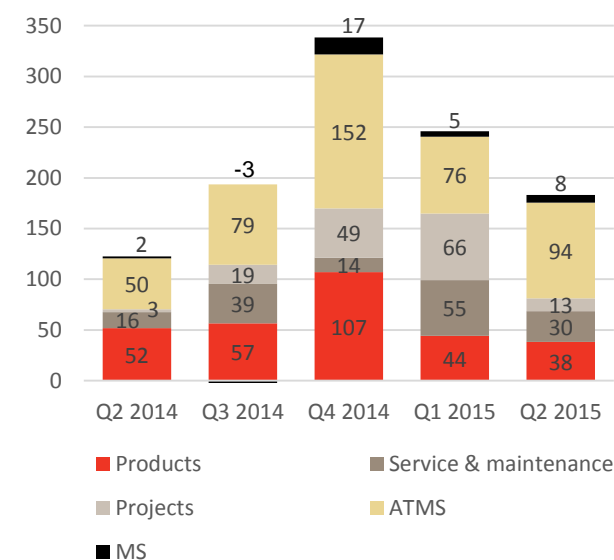
### ORDER INTAKE AND BACKLOG

(MANAGED SERVICES FIGURES INCLUDED IN PROJECTS)

Total order intake in the second quarter amounted to NOK 183 million (123). Q-Free has announced orders of NOK 46 million during the quarter in Sweden and Australia and has unannounced orders of NOK 137 million during the quarter.

Products accounted for NOK 38 million (21 percent) of the order intake, Service & Maintenance NOK 31 million (17 percent), projects NOK 13 million (7 percent) and ATMS NOK 94 million (51 percent).

QUARTERLY ORDER INTAKE BY BUSINESS AREA  
MNOK

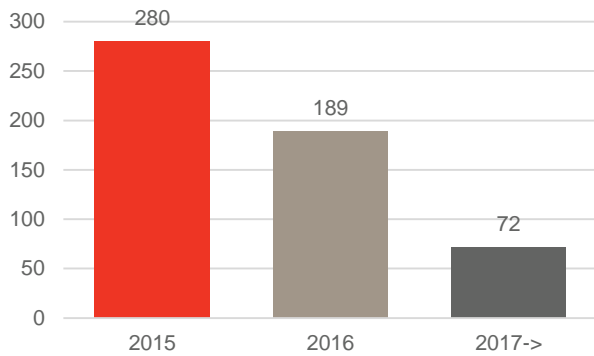


The Group's order backlog as of 30 June 2015 was NOK 540 million (385), slightly up from NOK 536 million by the end of first quarter 2015.

NOK 280 million of the backlog is for delivery in 2015.

## ORDER BACKLOG DISTRIBUTION AS OF 30.06.15

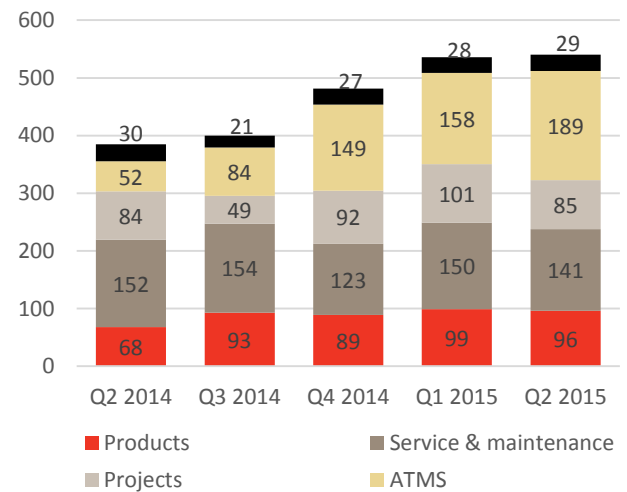
MNOK



Distributed by business areas, Products accounted for NOK 96 million (18 percent) of the total backlog, Service & Maintenance accounted for NOK 141 million (26 percent), Projects accounted for NOK 85 million (16 percent), ATMS accounted for NOK 189 million of the total backlog (35 percent) and MS accounted for NOK 29 million of the total backlog ( 5 percent).

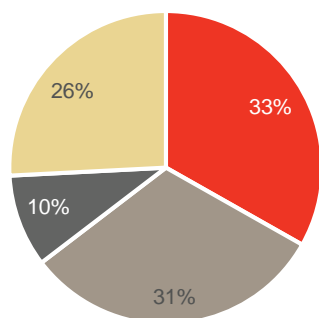
## QUARTERLY ORDER BACKLOG BY BUSINESS AREA

MNOK



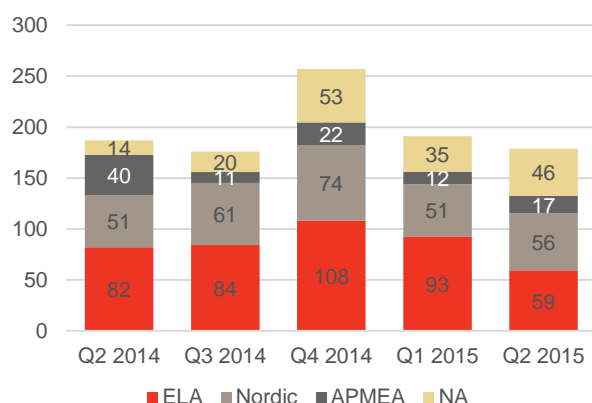
# MARKET REVIEW

Q2 2015 REVENUE DISTRIBUTION BY REGION (%)



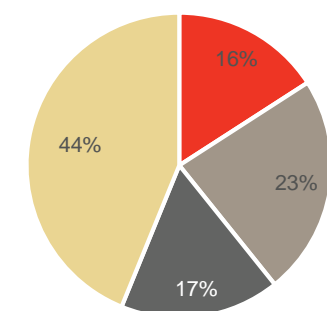
■ ELA ■ Nordic ■ APMEA ■ NA

QUARTERLY REVENUES BY REGION MNOK



■ ELA ■ Nordic ■ APMEA ■ NA

Q2 2015 ORDER INTAKE DISTRIBUTION BY REGION (%)



■ ELA ■ Nordic ■ APMEA ■ NA

## EUROPE AND LATIN AMERICA (ELA)

Revenues in the ELA region amounted to NOK 59 million in the quarter, down from NOK 93 million in the previous quarter and NOK 82 million in Q2 2014. Order intake amounted to NOK 29 million in the quarter, down from NOK 57 million in Q1 2015. The region accounted for 33 percent of overall revenues and 16 percent of total order intake. Q-Free was awarded a three years frame agreement for Parking Guidance Systems with a leading European parking operator VINCI Park during the quarter and has received first minor orders. The region accounts for 23 percent of Group order backlog at the end of the period.

While our key customer in Brazil now has stopped buying DSRC tags, Q-Free continues to develop its operations in the Latin –America region.

We see increasing project tendering activities across the region and we are pursuing several of these cases. Particularly, we see Europe returning as a key market in the next few years.

## THE NORDICS (NORDIC)

Revenues in the Nordic region amounted to NOK 56 million in the second quarter, a slight increase from NOK 51 million in both the previous quarter and the corresponding period last year. Order intake amounted to NOK 43 million during the quarter, down from NOK 118 million in Q1 2015, but up from NOK 31 million in Q2 2014. Orders in Sweden from APCOA on parking solutions and on service and maintenance was received during the quarter.

The Nordic region accounted for 31 percent of overall revenues during the period, while the regions accounted for 23 percent of overall order intake during the period. By the end of the quarter The Nordics represented 36 percent of Group order backlog.

We see project activity picking up in Norway as expected and previously communicated, and we continue to deliver Service & Maintenance in Sweden, relating to the Stockholm and Gothenburg installations.

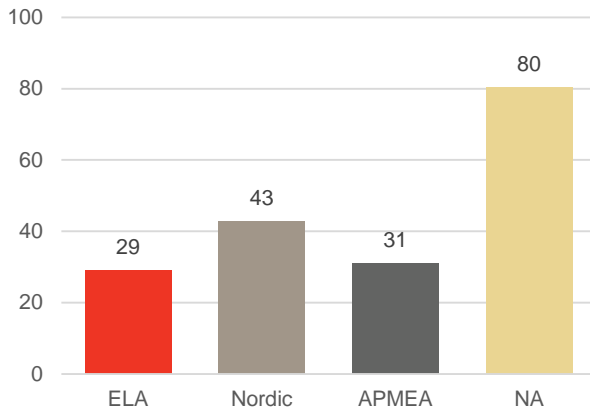
## ASIA, MIDDLE EAST AND AFRICA (APMEA)

Revenues in the APMEA region amounted to NOK 17 million in the second quarter, up from NOK 12 million in the previous quarter. Order intake ended at NOK 31 million, compared to NOK 9 million in the previous quarter. This is mainly due to the tag order of NOK 25 million from RMS in Australia received this quarter. The region accounted for 10 percent of overall revenues and 17 percent of total order intake. By the end of the period, APMEA represented 11 percent of Group order backlog.

We expect several significant project tenders to come to market in the region in the 2<sup>nd</sup> half of 2015

#### Q2 2015 ORDER INTAKE BY REGION

MNOK



#### NORTH AMERICA (NA)

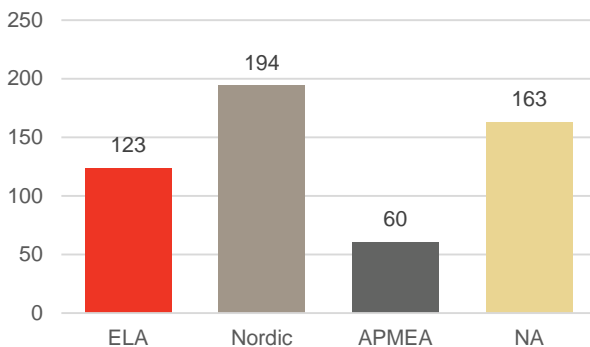
The positive development in the North American region continued also in the second quarter of 2015, and total revenues for the period amounted to NOK 46 million, up from NOK 35 million in the previous quarter and up from NOK 14 million in the second quarter of 2014.

The trend is also reflected in a continued positive development in order intake being smaller orders received from many customers, which for the period amounted to NOK 80 million, up from NOK 63 million in Q1. In Q2 2014 order intake to the North American activities was NOK 8 million. The region hence accounted for 26 percent of overall revenues and 44 percent of total order intake. By the end of the quarter the North American region accounted for 30 percent of Group order backlog.

We pursue several opportunities in the US market and have now also hired a senior industry person in the US, to go after the North American Road User Charging market.

#### ORDER BACKLOG BY REGION AS OF 30.06.15

MNOK



# OUTLOOK

Q-Free is moving through a transition year as we have now completed our first wave of acquisitions. We are streamlining our portfolio, learning to collaborate across the various companies and are proactively managing our cost base.

The second quarter represented a set-back in RUC order intake, the global tag market is very competitive and our Brazilian customer reached end of life for DSRC tags as earlier communicated. We also see and experience seasonality effects in ATMS.

We are not satisfied with the quarter, and we are implementing actions to reduce our cost base with NOK 25-30 million per annum as well as optimising the working capital.

However, these developments clearly demonstrates the need to transition the company from a pure RUC player, subject to a volatile and tight market, into a broader ITS player which has now added several new revenue generators and product groups in the ATMS division. It also underscores the benefit of building a recurring revenue base through the Managed Services unit and through gradually altering our business models.

As we manage this transition, Q-Free should emerge as a stronger and less risky player with attractive prospects.

The Road User Charging (RUC) and Advanced Transportation Management Systems (ATMS) markets are subject to several megatrends (urbanisation, wealth proliferation, connectivity, active safety and autonomous/

'self-driving' vehicles) as well as the need to improve the environment and effectiveness of traffic flows in urban environments thus improving local economies. These trends drive an increasing market demand for traffic efficiency, traffic safety, infrastructure financing, environmentally friendly solutions, congestion management and improved efficiency of manual solutions.

Q-Free expects these needs and commercial markets to continue to grow and to converge into an exciting ITS market.

Q-Free's Board of Directors and management are committed to positioning the company at the centre of this convergence, and have built a presence through the recent acquisitions of seven companies in the ATMS market. These acquisitions follow a strategic choice by Q-Free to first build a significant presence in the ATMS area, and then develop offerings and market concepts in close collaboration with our customers that will position Q-Free as a leading player in the emerging global ITS market.

Moving forward, management will focus on developing a sound commercial and operational platform to support further growth. Furthermore, Q-Free will bring to market joint offerings, leveraging technologies from various parts of the Q-Free technology portfolio. We will be realising revenues and technology synergies in the Group, maintaining a cost containment, capital discipline and a strong quality focus, continuing to broaden the sales pipeline and growing the business further.

# STATEMENT FROM THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and the CEO have today considered and approved the condensed financial statements for the first half year of 2015 and the financial information in this report that is relevant for the first half year of 2015.

The report for the first half year of 2015 has been prepared in accordance with IAS 34 Interim Financial Statements and additional disclosure requirements as stated in the Norwegian Verdipapirhandelloven (Securities Trading Act).

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2015 gives a true and fair view of the Q-Free Group's consolidated

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

Oslo, August 17 2015.

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

*Terje Christoffersen*  
Chairman of the Board

*Charlotte Brogren*  
Vice Chairman of the Board

*Jan Pihl Grimnes*  
Member of the Board

*Ragnhild Wahl*  
Member of the Board

*Monika Lie Larsen*  
Employee elected member of the Board

*Anders Hagen*  
Employee elected member of the Board

*Anders Endre Nybø*  
Member of the Board

*Thomas Falck*  
CEO

# FINANCIAL STATEMENTS

The condensed interim consolidated financial statements per 30.06.15 (unaudited):

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

## INTERIM CONSOLIDATED INCOME STATEMENT

| NOK 1.000                                 | Q2 2015        | Q2 2014        | 1H 2015        | 1H 2014        | FY 2014        |
|---|----------------|----------------|----------------|----------------|----------------|
| <b>Revenues</b>                           | <b>178,718</b> | <b>186,636</b> | <b>369,662</b> | <b>354,976</b> | <b>788,584</b> |
| Cost of goods sold                        | 41,890         | 74,893         | 97,381         | 142,977        | 282,173        |
| Payroll expenses                          | 58,738         | 43,279         | 124,003        | 97,061         | 230,917        |
| Other operating expenses                  | 64,411         | 47,569         | 115,441        | 76,310         | 190,750        |
| <b>Total operating expenses</b>           | <b>165,039</b> | <b>165,741</b> | <b>336,825</b> | <b>316,348</b> | <b>703,839</b> |
| <b>EBITDA</b>                             | <b>13,679</b>  | <b>20,895</b>  | <b>32,837</b>  | <b>38,627</b>  | <b>84,745</b>  |
| Depreciation, amortisation and impairment | 21,504         | 18,741         | 43,614         | 35,501         | 76,309         |
| <b>EBIT</b>                               | <b>-7,825</b>  | <b>2,154</b>   | <b>-10,777</b> | <b>3,126</b>   | <b>8,436</b>   |
| Financial income                          | 37,826         | 3,905          | 50,859         | 11,145         | 29,763         |
| Financial expenses                        | -21,881        | -5,799         | -58,471        | -12,460        | -54,568        |
| Net financial items                       | 15,945         | -1,894         | -7,612         | -1,315         | -24,805        |
| <b>Profit before tax</b>                  | <b>8,120</b>   | <b>260</b>     | <b>-18,389</b> | <b>1,812</b>   | <b>-16,369</b> |
| Tax expenses                              | -1,842         | 674            | -4,449         | -224           | -10,589        |
| <b>Profit for the period</b>              | <b>6,278</b>   | <b>934</b>     | <b>-22,838</b> | <b>1,587</b>   | <b>-26,958</b> |
| <b>Attributable to:</b>                   |                |                |                |                |                |
| Minority interests                        | 0              | 817            | 0              | 1,194          | 1,802          |
| Equity holders of the parent              | 6,278          | 117            | -22,838        | 393            | -28,760        |
| <b>Profit</b>                             | <b>6,278</b>   | <b>934</b>     | <b>-22,838</b> | <b>1,587</b>   | <b>-26,958</b> |
| Number of employees                       | 434            | 366            | 434            | 366            | 399            |
| Gross margin                              | 76.6 %         | 59.9 %         | 73.7 %         | 59.7 %         | 64.2 %         |
| EBITDA margin                             | 7.7 %          | 11.2 %         | 8.9 %          | 10.9 %         | 10.7 %         |
| EBIT margin                               | -4.4 %         | 1.2 %          | -2.9 %         | 0.9 %          | 1.1 %          |
| Profit margin                             | 4.5 %          | 0.1 %          | -5.0 %         | 0.5 %          | -2.1 %         |
| EPS (NOK)                                 | 0.09           | 0.00           | -0.33          | 0.01           | -0.42          |
| EPS, diluted (NOK)                        | 0.09           | 0.00           | -0.33          | 0.01           | -0.41          |

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| NOK 1.000  | Q2 2015 | Q2 2014 | 1H 2015 | 1H 2014 | FY 2014 |
|--|---------|---------|---------|---------|---------|
| Profit for the period  | 6,278   | 934     | -22,838 | 1,587   | -26,958 |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods:     |         |         |         |         |         |
| Exchange differences on translation of foreign operations                                  | -12,553 | 2,815   | 4,463   | 2,792   | 27,118  |
| Net (loss)/gain on available-for-sale financial assets                                     | 0       | 0       | 0       | 0       | 1,217   |
| - Income tax effect  | 0       | 0       | 0       | 0       |         |
| Net other comprehensive income to be reclassified to profit or loss in subsequent periods: | -12,553 | 2,815   | 4,463   | 2,792   | 28,335  |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods: |         |         |         |         |         |
| Actuarial gains (losses) on defined benefit plans  | 0       | 0       | 0       | 0       | -9,638  |
| - Income tax effect  | 0       | 0       | 0       | 0       | 0       |
| Net other comprehensive income to be reclassified to profit or loss in subsequent periods: | 0       | 0       | 0       | 0       | -9,638  |
| Total comprehensive income for the period  | -6,275  | 3,749   | -18,375 | 4,379   | -8,261  |
| <b>Attributable to:</b>  |         |         |         |         |         |
| Minority interests   | 0       | 817     | 0       | 1,194   | 1,802   |
| Equity holders of the parent   | -6,275  | 2,932   | -18,375 | 3,185   | -10,063 |
| Total comprehensive income for the period  | -6,275  | 3,749   | -18,375 | 4,379   | -8,261  |

| DEPRECIATIONS AND AMORTISATIONS       | Q2 2015       | Q2 2014       | 1H 2015       | 1H 2014       | FY 2014       |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Capitalised development cost          | 11,692        | 8,178         | 23,189        | 16,323        | 33,966        |
| Capitalised acquired development cost | 5,556         | 4,920         | 11,573        | 8,313         | 20,811        |
| Other                                 | 4,256         | 5,643         | 8,852         | 10,865        | 21,532        |
| <b>Total</b>                          | <b>21,504</b> | <b>18,741</b> | <b>43,614</b> | <b>35,501</b> | <b>76,309</b> |

## BALANCE SHEET - ASSETS

| NOK 1.000                           | 30/06/2015     | 31/03/2015     | 31/12/2014     | 30/09/2014     | 30/06/2014     |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Development                         | 248,796        | 193,870        | 202,777        | 201,969        | 172,054        |
| Goodwill                            | 284,158        | 192,885        | 192,885        | 145,836        | 132,907        |
| Deferred tax assets                 | 0              | 16,435         | 18,680         | 21,553         | 28,951         |
| <b>Total intangible assets</b>      | <b>532,954</b> | <b>403,190</b> | <b>414,342</b> | <b>369,358</b> | <b>333,912</b> |
| Machinery, fixtures and fittings    | 48,854         | 49,819         | 51,799         | 60,433         | 61,108         |
| <b>Total fixed assets</b>           | <b>48,854</b>  | <b>49,819</b>  | <b>51,799</b>  | <b>60,433</b>  | <b>61,108</b>  |
| Shares                              | 545            | 8,984          | 13,001         | 11,035         | 14,165         |
| Other long term receivables         | 794            | 2,420          | 2,158          | 2,072          | 2,660          |
| <b>Total financial fixed assets</b> | <b>1,339</b>   | <b>11,404</b>  | <b>15,159</b>  | <b>13,106</b>  | <b>16,825</b>  |
| <b>Total non - current assets</b>   | <b>583,147</b> | <b>464,413</b> | <b>481,300</b> | <b>442,897</b> | <b>411,845</b> |
| Inventories                         | 74,646         | 62,610         | 48,223         | 70,772         | 59,159         |
| <b>Total inventories</b>            | <b>74,646</b>  | <b>62,610</b>  | <b>48,223</b>  | <b>70,772</b>  | <b>59,159</b>  |
| Accounts receivables                | 143,172        | 136,312        | 167,378        | 142,936        | 126,991        |
| Work in progress                    | 36,219         | 61,425         | 56,903         | 36,621         | 29,864         |
| Other receivables                   | 25,446         | 22,606         | 21,857         | 37,244         | 30,922         |
| <b>Total receivables</b>            | <b>204,837</b> | <b>220,343</b> | <b>246,138</b> | <b>216,801</b> | <b>187,777</b> |
| Cash                                | 97,752         | 130,362        | 164,133        | 141,476        | 192,125        |
| <b>Total current assets</b>         | <b>377,235</b> | <b>413,315</b> | <b>458,494</b> | <b>429,049</b> | <b>439,061</b> |
| <b>Total assets</b>                 | <b>960,382</b> | <b>877,728</b> | <b>939,794</b> | <b>871,946</b> | <b>850,906</b> |

## BALANCE SHEET - EQUITY &amp; LIABILITIES

| NOK 1.000                            | 30/06/2015     | 31/03/2015     | 31/12/2014     | 30/09/2014     | 30/06/2014     |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Subscribed share capital             | 26,627         | 26,627         | 26,143         | 26,143         | 26,143         |
| Share premium reserve                | 439,350        | 439,350        | 426,956        | 426,956        | 426,956        |
| Other paid in capital                | 20,529         | 20,529         | 20,529         | 20,529         | 20,529         |
| <b>Total paid in capital</b>         | <b>486,506</b> | <b>486,506</b> | <b>473,628</b> | <b>473,628</b> | <b>473,628</b> |
| Other equity                         | -6,614         | -339           | 11,761         | 28,721         | 25,013         |
| <b>Total retained equity</b>         | <b>-6,614</b>  | <b>-339</b>    | <b>11,761</b>  | <b>28,721</b>  | <b>25,013</b>  |
| Non-controlling interests            | 0              | 0              | 0              | 22,615         | 21,983         |
| <b>Total equity</b>                  | <b>479,892</b> | <b>486,167</b> | <b>485,389</b> | <b>524,964</b> | <b>520,624</b> |
| Pension liabilities                  | 18,293         | 18,293         | 18,293         | 12,736         | 11,951         |
| Deferred tax                         | 285            | 19,808         | 19,808         | 0              | 0              |
| Debt to financial institutions       | 150,000        | 100,000        | 100,000        | 100,000        | 100,000        |
| Other non-current liabilities        | 108,373        | 56,439         | 54,460         | 67,450         | 58,559         |
| <b>Total non-current liabilities</b> | <b>276,951</b> | <b>194,540</b> | <b>192,561</b> | <b>180,185</b> | <b>170,510</b> |
| Accounts payable                     | 67,120         | 61,691         | 74,155         | 60,136         | 27,023         |
| Tax payable                          | 4,382          | 5,752          | 8,201          | 5,733          | 7,495          |
| Public duties payable                | 14,528         | 16,365         | 19,721         | 14,035         | 14,399         |
| Advance payments customers           | 11,790         | 9,922          | 18,914         | 7,738          | 14,236         |
| Other short term debt                | 105,719        | 103,291        | 140,853        | 79,154         | 96,619         |
| <b>Total current liabilities</b>     | <b>203,539</b> | <b>197,021</b> | <b>261,844</b> | <b>166,796</b> | <b>159,772</b> |
| <b>Total liabilities</b>             | <b>480,490</b> | <b>391,561</b> | <b>454,405</b> | <b>346,981</b> | <b>330,282</b> |
| <b>Total equity and liabilities</b>  | <b>960,382</b> | <b>877,728</b> | <b>939,794</b> | <b>871,946</b> | <b>850,906</b> |

## SPECIFICATION OF CAPITAL

## EXPENDITURES, BALANCE SHEET

|                                       | Q2 2015        | Q2 2014       | 1H 2015        | 1H 2014        | FY 2014        |
|---------------------------------------|----------------|---------------|----------------|----------------|----------------|
| Capitalized development cost          | 17,503         | 4,602         | 26,108         | 14,827         | 60,857         |
| Capitalized acquired development cost | 145,945        | 22,905        | 145,945        | 103,184        | 191,366        |
| Other                                 | 3,291          | 2,977         | 5,907          | 8,641          | 8,487          |
| <b>Total</b>                          | <b>166,739</b> | <b>30,484</b> | <b>177,960</b> | <b>126,652</b> | <b>260,440</b> |

## FINANCIAL ITEMS

|  | Q2 2015       | Q2 2014       | 1H 2015       | 1H 2014       | FY 2014        |
|--|---------------|---------------|---------------|---------------|----------------|
| Realised agio / disagio                          | 13,464        | -1,593        | -10,309       | -955          | -9,359         |
| Unrealised agio / disagio                        | 8,815         | 342           | 13,223        | 174           | 2,291          |
| Currency effects earn-out payments and provision | -4,120        | 0             | -8,340        | 0             | -5,950         |
| Change earn-out provision                        | 0             | 0             | 0             | 0             | -8,303         |
| Other financial income                           | 1,578         | 1,579         | 3,433         | 5,618         | 12,996         |
| Other financial expenses                         | -3,792        | -2,222        | -5,619        | -6,152        | -16,480        |
| <b>Total</b>                                     | <b>15,945</b> | <b>-1,894</b> | <b>-7,612</b> | <b>-1,315</b> | <b>-24,805</b> |

## CASH FLOW STATEMENT

| NOK 1.000   | Q2 2015        | Q2 2014        | 1H 2015        | 1H 2014        | FY 2014         |
|---|----------------|----------------|----------------|----------------|-----------------|
| Earnings before tax                               | 8,120          | 260            | -18,389        | 1,812          | -16,369         |
| Taxes paid  | -5,301         | -2,501         | -7,750         | -5,619         | -10,198         |
| Depreciation / impairment                         | 21,504         | 18,741         | 43,614         | 35,501         | 76,309          |
| Other operational items                           | -44,214        | -28,253        | -43,287        | -25,791        | 13,569          |
| <b>Cash flow from operating activities</b>        | <b>-19,891</b> | <b>-11,753</b> | <b>-25,812</b> | <b>5,903</b>   | <b>63,310</b>   |
| Investments intangible assets                     | -17,503        | -4,602         | -26,109        | -14,827        | -60,587         |
| Investments tangible assets                       | -3,291         | -2,977         | -5,907         | -8,641         | -8,487          |
| Acquisition of a subsidiary, net of cash acquired | -41,925        | -15,917        | -63,434        | -62,980        | -103,406        |
| Other investments                                 | 0              | 0              | 4,881          | 0              | 0               |
| <b>Cash flow from investment activities</b>       | <b>-62,719</b> | <b>-23,496</b> | <b>-90,569</b> | <b>-86,448</b> | <b>-172,480</b> |
| Proceeds from new loans                           | 50,000         | 0              | 50,000         | 0              | 0               |
| Down payments of debt to financial institutions   | 0              | 0              | 0              | 0              | 0               |
| Share issue                                       | 0              | 0              | 0              | 0              | 0               |
| Other financial items                             | 0              | 817            | 0              | 1,194          | 1,826           |
| <b>Cash flow from financing activities</b>        | <b>50,000</b>  | <b>817</b>     | <b>50,000</b>  | <b>1,194</b>   | <b>1,826</b>    |
| Net change in cash and cash equivalents           | -32,610        | -34,432        | -66,381        | -79,352        | -107,344        |
| Cash and cash equivalents per 01.01.              | 130,362        | 226,557        | 164,133        | 271,477        | 271,477         |
| <b>CASH AND CASH EQUIVALENTS</b>                  | <b>97,752</b>  | <b>192,125</b> | <b>97,752</b>  | <b>192,125</b> | <b>164,133</b>  |

## STATEMENT OF CHANGES IN EQUITY

| NOK 1.000                                 | Equity attributable to equity holders of the parent |                        |                       |               |                                      |                            |                            | Total          | Non-controlling interests | Total equity   |
|---|---|------------------------|-----------------------|---------------|--------------------------------------|----------------------------|----------------------------|----------------|---------------------------|----------------|
|   | Subscribed share capital                            | Share premium reserves | Other paid in Capital | Other equity  | Foreign currency translation reserve | Actuarial gains and losses | Available-for-sale reserve |                |                           |                |
| <b>Equity per 31.12.14</b>                | <b>26,144</b>                                       | <b>426,955</b>         | <b>20,529</b>         | <b>14,814</b> | <b>5,211</b>                         | <b>-11,570</b>             | <b>3,305</b>               | <b>485,388</b> | <b>0</b>                  | <b>485,389</b> |
| Total comprehensive income for the period | 0   | 0                      | 0                     | -22,838       | 4,463                                | 0                          | 0                          | -              | 0                         | -18,375        |
| Share issue arising from acquisitions     | 484   | 12,394                 | 0                     | 0             | 0                                    | 0                          | 0                          | 12,878         | 0                         | 12,878         |
| <b>Equity per 30.06.15</b>                | <b>26,627</b>                                       | <b>439,350</b>         | <b>20,529</b>         | <b>-8,024</b> | <b>9,674</b>                         | <b>-11,570</b>             | <b>3,305</b>               | <b>479,892</b> | <b>0</b>                  | <b>479,892</b> |
| <b>Equity per 31.12.13</b>                | <b>25,830</b>                                       | <b>415,553</b>         | <b>20,529</b>         | <b>43,574</b> | <b>-21,907</b>                       | <b>-1,932</b>              | <b>2,088</b>               | <b>483,736</b> | <b>20,789</b>             | <b>504,526</b> |
| Total comprehensive income for the period | 0   | 0                      | 0                     | 393           | 2,792                                | 0                          | 0                          | 3,185          | 1,194                     | 4,381          |
| Share issue arising from acquisitions     | 314   | 11,402                 | 0                     | 0             | 0                                    | 0                          | 0                          | 11,716         | 0                         | 11,716         |
| <b>Equity per 30.06.14</b>                | <b>26,144</b>                                       | <b>426,956</b>         | <b>20,529</b>         | <b>43,967</b> | <b>-19,115</b>                       | <b>-1,932</b>              | <b>2,088</b>               | <b>498,637</b> | <b>21,983</b>             | <b>520,624</b> |

## KEY FIGURES

|   | Q2 2015    | Q2 2014    | 1H 2015    | 1H 2014    | FY 2014    |
|---|------------|------------|------------|------------|------------|
| Operating profit / EBIT per share (NOK) | -0.11      | 0.03       | -0.16      | 0.05       | 0.12       |
| Operating margin / EBIT(%)              | -4.4 %     | 1.2 %      | -2.9 %     | 0.9 %      | 1.1 %      |
| EPS (NOK)                               | 0.09       | 0.00       | -0.33      | 0.01       | -0.42      |
| EPS, diluted (NOK)                      | 0.09       | 0.00       | -0.33      | 0.01       | -0.41      |
| Cash flow per share (NOK)               | -0.28      | -0.17      | -0.37      | 0.09       | 0.92       |
| Equity per share (NOK)                  | 6.91       | 7.61       | 6.91       | 7.61       | 7.08       |
| Equity ratio (%)                        | 50.0 %     | 61.2 %     | 50.0 %     | 61.2 %     | 51.6 %     |
| Liquidity ratio                         | 1.9        | 2.7        | 1.9        | 2.7        | 1.8        |
| Average number of shares                | 70,070,552 | 68,769,297 | 69,487,071 | 68,377,093 | 68,574,155 |
| Average number of shares, diluted       | 70,532,090 | 69,119,297 | 70,241,215 | 68,727,093 | 69,499,497 |

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

## NOTE 1 – GENERAL

The consolidated condensed interim financial statements for the quarter and the first half year ended June 30 2015 was approved by the Board of Directors at its meeting on August 17 2015.

Q-Free is a leading global supplier of products and solutions within Road User Charging and Advanced Transportation Management Systems. The Q-Free Group has approximately 430 employees with offices in 19 countries and presence on all continents. The Q-Free head office is in Trondheim, Norway. Q-Free is listed on Oslo Stock Exchange under the ticker QFR.

## NOTE 2 – STATEMENT OF COMPLIANCE

These consolidated interim financial statements, combined with other relevant financial information in this report, have been prepared in accordance with the regulations of the Oslo Stock Exchange and the requirements in IAS 34. These condensed consolidated interim financial statements for the quarter and first half year ended June 30 2015, have not been audited or subject to review by the Group's auditor. The financial statements do not include all of the information required for a full annual financial statements of the Group and should be read in conjunction with the consolidated financial statements for 2014. The consolidated financial statements for 2014 is available upon request from the company's registered office in Trondheim or at our website, [www.q-free.com](http://www.q-free.com).

## NOTE 3 – ACCOUNTING PRINCIPLES

The consolidated financial statements of the Q-Free Group for the second quarter and the first half 2015 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Norwegian Accounting Act. The Group has used the same accounting policies and standards as in the consolidated financial statements as at December 31 2014.

## NOTE 4 – USE OF ESTIMATES

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

## NOTE 5 – EVENTS AFTER THE BALANCE SHEET DATE

Q-Free has received important orders in the third quarter, Q-Free announced July 27 that Intelight Inc, a company in the Q-Free Group has been awarded an ATMS frame agreement with an estimated value of NOK 82 million from the State of Georgia Department of Transportation - Atlanta, USA. Furthermore, Q-Free announced August 10 the award of service and maintenance contracts from Ascendi, Portugal, at a total value of NOK 156 million for another six years.

Q-Free management and Board of Directors are not satisfied with the financial performance during the last quarter, and have decided to implement actions to reduce the cost base with NOK 25-30 million per annum.

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

## NOTE 6 – FORWARD LOOKING STATEMENTS

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

## NOTE 7 – BUSINESS COMBINATIONS

### Intelight Inc – Arizona, US

This contains additional information about Q-Free's agreement to acquire Intelight Inc in accordance with section 3.4 of continuing obligations for companies listed on Oslo Stock Exchange

Q-Free ASA has signed a share purchase agreement and a shareholders agreement to acquire 100 percent of the shares in the US traffic controller supplier, Intelight Inc over a five year period. This will be done through a five year option program, giving shareholders option to sell shares at closing in 2015 and in five subsequent years valid from 2016, giving Q-Free the opportunity to each year add approximately 15 percent of Intelight-shares to the former 10.2 percent shareholding. At end of the 5 year period in the second quarter of 2020, Q-Free has a call option to acquire the rest of the shares.

The first transaction was closed April 21 2015 and Q-Free has of this date a shareholdings in the company of 23.8 percent including the 10.2 percent Q-Free had before the first transaction. The shareholders agreement and the amended bylaws provide control for Q-Free after signing these agreements. Based on this, the full activity of Intelight Inc. is consolidated in the Q2-2015 Q-Free accounts.

The consideration for the first transaction was approximately USD 2.2 million net of cash and debt, and no shares will be issued as part of the consideration. The consideration for the shares in the next five years will be based on a combination of multiples on revenues and EBITDA for Intelight Inc.

The current operations in Intelight 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 markets into a wider Intelligent Traffic market. The fair value (TNOK) of the identifiable assets and liabilities of Intelight Inc as at the date of acquisition were:

| Assets<br>TNOK                         | Book<br>value<br>21/04/15 | Adj.           | Fair<br>value<br>21/04/15 |
|--|---------------------------|----------------|---------------------------|
| Technology                             | 0                         | 37 820         | 37 820                    |
| Customer Relationships                 | 0                         | 6 838          | 6 838                     |
| Order Backlog                          | 0                         | 1 548          | 1 548                     |
| Goodwill                               | 0                         | 86 194         | 86 194                    |
| Machinery, fixtures                    | 159                       | 0              | 159                       |
| Other financial assets                 | 0                         | 0              | 0                         |
| <b>Total fixed assets</b>              | <b>1</b>                  | <b>132 399</b> | <b>132 558</b>            |
| Inventories                            | 3 980                     | 0              | 3 980                     |
| Accounts receivables                   | 4 585                     | 0              | 4 585                     |
| Cash and equivalents                   | 56                        | 0              | 56                        |
| <b>Current assets</b>                  | <b>8 621</b>              | <b>0</b>       | <b>8 621</b>              |
| <b>Total assets</b>                    | <b>8 780</b>              | <b>132 399</b> | <b>141 180</b>            |
| Liabilities and Equity<br>TNOK         | Book<br>value<br>21/04/15 | Adj.           | Fair<br>value<br>21/04/15 |
| <b>Equity</b>                          | <b>(11 345)</b>           | <b>113 917</b> | <b>102 572</b>            |
| Long term debt, net of current portion | 6 611                     | 0              | 1 833                     |
| Deferred tax                           | (5 906)                   | 18 482         | 12 576                    |
| <b>Long term liabilities</b>           | <b>6 611</b>              | <b>18 482</b>  | <b>19 187</b>             |
| Line of Credit - Bank                  | 7 099                     | 0              | 7 099                     |
| Accounts payable                       | 9 425                     | 0              | 9 425                     |
| Note Payable, related party            | 1 121                     | 0              | 1 121                     |
| Current Portion of LT debt             | 695                       | 0              | 695                       |
| Other short term liabilities           | 1 079                     | 0              | 1 079                     |
| <b>Current liabilities</b>             | <b>19 420</b>             | <b>0</b>       | <b>19 420</b>             |
| <b>Total Equity &amp; Liabilities</b>  | <b>14 686</b>             | <b>132 399</b> | <b>141 180</b>            |

Three intangible assets are identified as follows:

Customer relationships, technology, and the value of existing order backlog. These three assets explain 35 percent of the total purchase price and the remaining value is allocated to goodwill.

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

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

### Traffiko Ltd. – Valetta, Malta

As of 3rd June, Q-Free ASA acquired the activity of the Maltese parking management solutions company Traffiko Ltd. for EUR 1 million. The transaction includes an earn-out clause with potential pay out maximised to an additional EUR 1 million. The activity of Traffiko Ltd is consolidated in the Q2-2015 Q-Free accounts

Traffiko is an intelligent transportation solutions company providing a wide range of advanced traffic applications

including secure cloud hosted web-based applications for car park management, journey time analysis, on-street and off-street traffic related enforcement, access control, tracking, video analytics, traffic scene analysis, and revenue management, based on an integrated platform.

Traffiko was established in 2006 and maintains operations in Malta with customer references in Europe, North America, the Middle East and Australia with more than 650,000 active user accounts. In 2014, Traffiko generated revenues of some NOK 4 million. The company currently has five employees and will be embarking on a recruitment drive during 2015 to scale up further

Further consideration is dependent on financial performance as part of 2015, 2016 and part of 2017, and is estimated to EUR 0.3 million. Including earn-out payments, the total consideration is capped at EUR 2 million.

Traffiko has been a long-term partner to Q-Free for deliveries of a vital part of our parking management system in previous projects. This includes the newly announced APCOA-contract, for instalments of parking management systems to the Parking- garages at the Stockholm Globe Arena. Through this transaction within parking management solutions, Q-Free are now able to deliver a complete range of solutions within this fast growing segment

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

| Assets<br>TNOK            | Book<br>value<br>03/06/15 | Adj.          | Fair<br>value<br>03/06/15 |
|---------------------------|---------------------------|---------------|---------------------------|
| Technology                | 0                         | 8 466         | 8 466                     |
| Goodwill                  | 0                         | 5 080         | 5 080                     |
| <b>Total fixed assets</b> | <b>0</b>                  | <b>13 546</b> | <b>13 546</b>             |
| Accounts receivables      | 388                       | 0             | 388                       |
| Cash and equivalents      | 809                       | 0             | 809                       |
| <b>Current assets</b>     | <b>1 197</b>              | <b>0</b>      | <b>1 197</b>              |
| <b>Total assets</b>       | <b>1 197</b>              | <b>13 546</b> | <b>14 742</b>             |

| Liabilities and Equity<br>TNOK        | Book<br>value<br>03/06/15 | Adj.          | Fair<br>value<br>03/06/15 |
|---------------------------------------|---------------------------|---------------|---------------------------|
| <b>Equity</b>                         | <b>17</b>                 | <b>10 583</b> | <b>10 599</b>             |
| Deferred tax                          | 0                         | 2 963         | 2 963                     |
| <b>Long term liabilities</b>          | <b>0</b>                  | <b>2 963</b>  | <b>2 963</b>              |
| Accounts payable                      | 212                       | 0             | 212                       |
| Accruals                              | 121                       | 0             | 121                       |
| Other current liabilities             | 847                       | 0             | 847                       |
| <b>Current liabilities</b>            | <b>1 180</b>              | <b>0</b>      | <b>1 180</b>              |
| <b>Total Equity &amp; Liabilities</b> | <b>1 197</b>              | <b>13 546</b> | <b>14 742</b>             |

We have identified the technology as the intangible asset that the Group is acquiring. The value of the technology explains 63 percent of the total purchase price and the remaining value is allocated as goodwill.

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

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

## NOTE 8 – OPERATING SEGMENTS

## ROAD USER CHARGING (RUC)

Road User Charging (RUC), including Products, Projects and Service & Maintenance, remains the largest contributor to overall revenues in Q-Free, representing 68 percent of overall revenues in the first quarter. Following the strategic change and the following build-up of additional activities within AMTS and Managed Services, this share has been steadily decreasing recent quarters.

| Road User Charging - RUC | Q2 2015       | Q1 2015       | Q4 2014      | Q3 2014       | Q2 2014       |
|--------------------------|---------------|---------------|--------------|---------------|---------------|
| Products                 | 40,9          | 61,8          | 83,3         | 59,4          | 107,2         |
| Service & maintenance    | 39,2          | 35,1          | 38,4         | 42,9          | 42,2          |
| Projects                 | 28,8          | 28,2          | 38,2         | 26,2          | 11,3          |
| <b>RUC Revenues</b>      | <b>108,9</b>  | <b>125,1</b>  | <b>159,8</b> | <b>128,4</b>  | <b>160,6</b>  |
| EBITDA RUC               | 17,1          | 19,4          | 14,7         | 16,0          | 21,7          |
| <b>EBITDA-% RUC</b>      | <b>15,7 %</b> | <b>15,5 %</b> | <b>9,2 %</b> | <b>12,4 %</b> | <b>13,5 %</b> |

## ADVANCED TRANSPORTATION MANAGEMENT SYSTEMS (ATMS)

Q-Free is continuously seeking to expand its platform for future revenue generation. During 2014 and the first six months of 2015 the company made several acquisitions within the ATMS-segment, building a product and service platform for further addressing new markets and continued growth. This acquisitions will strengthen Q-Free's presence in the US, and is a strategically good match with existing RUC activities.

|                      | Q2 2015       | Q1 2015      | Q4 2014       | Q3 2014      | Q2 2014       |
|----------------------|---------------|--------------|---------------|--------------|---------------|
| <b>ATMS Revenues</b> | <b>63,2</b>   | <b>60,6</b>  | <b>92,1</b>   | <b>41,5</b>  | <b>21,6</b>   |
| EBITDA ATMS          | -1,3          | 1,0          | 12,3          | 3,8          | -0,2          |
| <b>EBITDA-% ATMS</b> | <b>-2,1 %</b> | <b>1,6 %</b> | <b>13,3 %</b> | <b>9,1 %</b> | <b>-0,9 %</b> |

## MANAGED SERVICES (MS)

The MS business area is in the process of defining and building a portfolio of defined managed services offerings. Q-Free are currently delivering two MS projects, and are pursuing leads in all regions.

|                    | Q2 2015        | Q1 2015        | Q4 2014        | Q3 2014      | Q2 2014        |
|--------------------|----------------|----------------|----------------|--------------|----------------|
| <b>MS Revenues</b> | <b>6,6</b>     | <b>5,2</b>     | <b>5,1</b>     | <b>6,0</b>   | <b>4,8</b>     |
| EBITDA MS          | -2,1           | -1,2           | -0,8           | 0,2          | -0,6           |
| <b>EBITDA-% MS</b> | <b>-31,9 %</b> | <b>-23,6 %</b> | <b>-15,5 %</b> | <b>3,2 %</b> | <b>-12,0 %</b> |

# 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 include elements of demanding and complex 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 in contract negotiations. Historically, exposure to large contracts has been significant, and in recent years a large contract in Australia was cancelled. To mitigate risk and stabilise revenues moving forward, Q-Free has refocused its approach, targeting a higher number of small- and mid-sized opportunities.

## POLITICAL RISK

Road User Charging 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 entail relatively more risk than smaller projects. The broadened scope of business in the RUC market is expected to mitigate this risk, and the entry into the ATMS market will add new revenue streams 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 attempts to mitigate 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 carries out regular quality reviews.

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

## CURRENCY RISK

Q-Free reported revenues of NOK 789 million in 2014, of which NOK 615 million were generated outside of Norway, leaving Q-Free with a considerable exposure to foreign currencies. Q-Free operates businesses outside of Norway and buys a substantial share of equipment and components abroad. This mitigated the Group's net foreign currency exposure to approximately 10 percent of revenues in 2014. The Group's most important trading currencies are NOK, USD, EUR and GBP.

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 our customers' ability to fulfil their financial obligations is generally considered to be low, given that the Group's main customers are oftentimes government-controlled entities, 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 honour 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 seeks to conduct 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 mark-up) on its debt. Deposits are linked to the same underlying rate to mitigate the risk related to changes of the NIBOR.

### LIQUIDITY RISK

The Q-Free ASA Group's strategy is to hold sufficient cash, cash equivalents or credit facilities at any time to be able to finance its operations and planned investments 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 the first half of 2015 to be sufficient to cover the company's planned operations and investment requirements.

### RISK OF CORRUPTION

Q-Free ASA operates in some geographies and industries exposed to corruption. Q-Free has established a Code of Conduct, as well as conducted a corruption risk analysis and devised an awareness programme to increase awareness and limit our exposure. For further information, please see our CSR report.

# KEY INFORMATION

## Q-FREE ASA

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Telephone: +47 73 82 65 00  
Organisation number: NO 935 487 242  
Founded: 1984

HQ visitors address: Strindfjordvegen 1,  
7053 Ranheim,  
Norway

## FINANCIAL CALENDAR

Third quarter 2015 22.10.2015  
Fourth quarter 2015 12.02.2016

## BOARD OF DIRECTORS

|                      |                               |
|----------------------|-------------------------------|
| Terje Christoffersen | Chairman of the Board         |
| Charlotte Brogren    | Vice Chairman of the Board    |
| Jan Pihl Grimnes     | Board member                  |
| Anders Endre Nybø    | Board member                  |
| Ragnhild Wahl        | Board member                  |
| Monika Lie Larsen    | Employee elected Board member |
| Anders Hagen         | Employee elected Board member |

## MANAGEMENT

|                      |                          |
|----------------------|--------------------------|
| Thomas Falck         | CEO                      |
| Roar Østbø           | CFO                      |
| Henrik Stoltenberg   | CSO                      |
| Jos Nijhuis          | CTO                      |
| Marianne Sandal      | VP RUC                   |
| Morten Andersson     | VP ATMS and Acting VP NA |
| Frank Kjelsli        | VP Managed Services      |
| Per Fredrik Ecker    | VP APMEA                 |
| Pedro Bento          | VP ELA                   |
| Pål-Rune Johansen    | VP Nordic                |
| Stein-Tore Nybrodahl | HR Manager               |

## INVESTOR RELATIONS

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