



Quarterly report

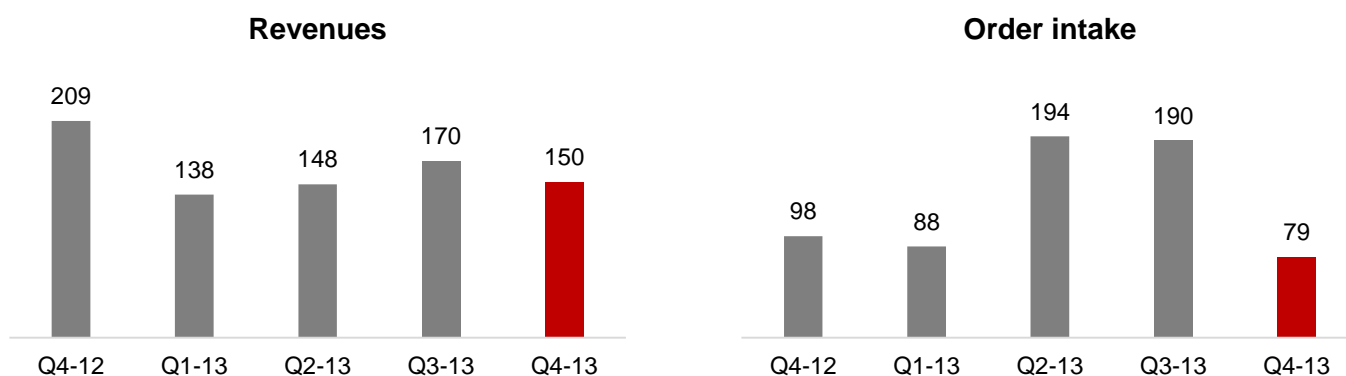
Fourth quarter and preliminary full-year results for 2013



Highlights



- Q4 revenues were NOK 150 million, full year revenues of NOK 606 million, Q4 EBIT were NOK -50 million, full year EBIT of NOK -95 million
- Q4 revenues, orders and earnings were negatively affected by project cancellation in Australia by NOK 18 million in revenues, NOK 36 million in orders and NOK 54 million in EBIT
- EBIT of NOK 4 million for Q4 and NOK -10 million for the full year adjusted for one-off costs
- Order backlog of NOK 379 million, cash funds of NOK 271 million
- Profit Improvement Program has reduced annual cost base by NOK 40 million and capex by NOK 20 million
- Higher Products and Service & Maintenance revenues but low Project activity
- Positive ATMS development; building the area further with the acquisition of Elcom in Serbia
- Initiated project to optimize scope of business



Comments to the financial statements



NOK 1.000	Q4 2013	Q4 2012	Q/Q-%	31.12.2013	31.12.2012	Y/Y-%
Revenues	150 352	208 927	-28.0 %	606 072	597 532	1.4 %
Gross profit	98 451	133 414	-26.2 %	381 281	370 442	2.9 %
Gross margin - %	65.5 %	63.9 %	n.m.	62.9 %	62.0 %	n.m.
Operating expenses	132 317	121 173	9.2 %	413 080	376 434	9.7 %
Operating profit - EBITDA	-33 866	12 241	n.m.	-31 799	-5 992	n.m.
EBITDA margin	-22.5 %	5.9 %	n.m.	-5.2 %	-1.0 %	n.m.
Depreciation, amortisation and impairment	15 947	11 893	34.1 %	62 914	49 315	27.6 %
Operating profit - EBIT	-49 814	348	n.m.	-94 713	-55 307	n.m.
EBIT margin	-33.1 %	0.2 %	n.m.	-15.6 %	-9.3 %	n.m.
Pretax profit	-47 684	9 066	n.m.	-97 959	-44 624	n.m.
Profit margin	-31.7 %	4.3 %	n.m.	-16.2 %	-7.5 %	n.m.
EPS	-1.07	0.16		-1.65	-0.51	

Income statement

The Q-Free group generated revenues of NOK 150 million in the fourth quarter 2013, compared to NOK 209 million in the fourth quarter 2012.

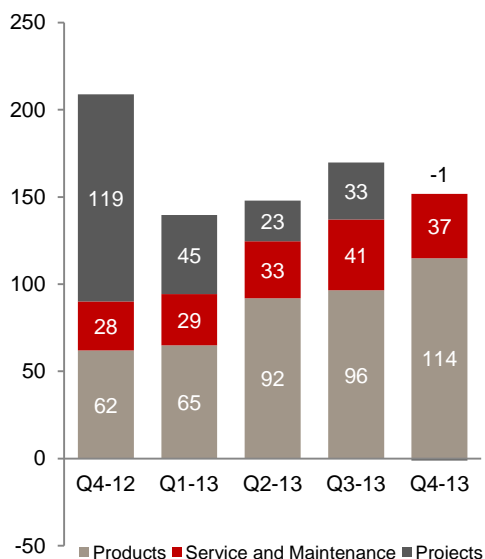
Product and services revenues continued to grow and the decline in its entirety reflects negative project revenues in the quarter.

Product revenues amounted to NOK 114 million in the fourth quarter, up from NOK 62 million in the fourth quarter 2012, driven mainly by increased tag sales and parking guidance products from TCS. This was the sixth consecutive quarter of growth in this segment.

Services & Maintenance revenues were NOK 37 million, up from NOK 28 million in the fourth quarter 2012, reflecting work on the Gothenburg project and variation orders on other projects.

Reported project revenues was NOK -1 million in the fourth quarter, including reversal of NOK 18 million in previously recognized revenues due to cancellation of contract in Australia during the quarter. This compares to project revenues of NOK 119 million in the fourth quarter 2012, when revenues were supported by high deliveries in the final implementation phase of the Gothenburg 'congestion charging' project.

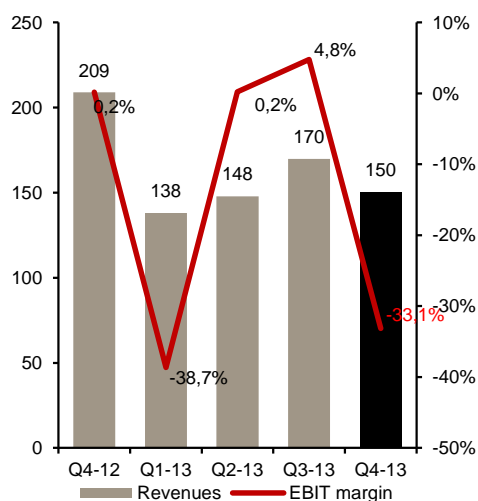
Revenues business areas



Comments to financial statements



Revenues and EBIT-margin



The gross profit declined to NOK 98 million in the fourth quarter (133) due to the lower revenues.

Operating expenses amounted to NOK 132 million (121), including NOK 36 million in provisions for potential costs related to the contract cancellation. The provisions cover the company's maximum exposure, although negotiations are still ongoing with the customer to reach a final agreement.

Adjusted for the one-off costs, operating expenses in the fourth quarter declined 21 percent to NOK 96 million, reflecting lower project activity and the positive effect of the company's Profit Improvement Program on fixed costs.

Reported EBITDA was a negative NOK 34 million in the fourth quarter. Adjusted for one-off costs, EBITDA was a positive NOK 20 million, up from NOK 12 million in the fourth quarter 2012.

Depreciation and amortization increased to NOK 16 million (12). The increase mainly reflects the start-up of depreciation of the single gantry solution earlier in 2013, as well as amortization of intangible assets relating to the ATMS-acquisitions of TCS International late 2012 and Elcom in the fourth quarter 2013.

Reported operating profit (EBIT) was hence a negative NOK 50 million (0). EBIT was a positive NOK 4 million adjusted for one-off costs, an improvement from the fourth quarter 2012.

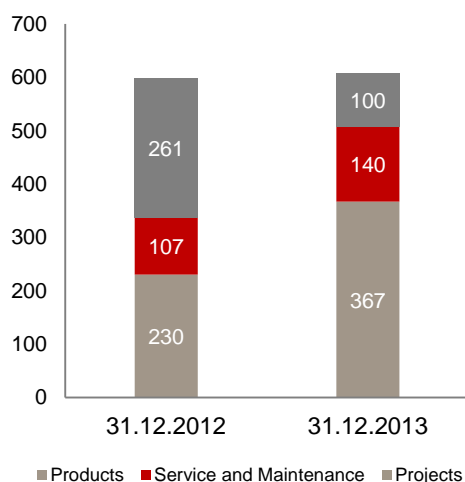
Net financial items were a positive NOK 2 million in the fourth quarter (9), with the deviation mainly reflecting currency fluctuations.

The pre-tax loss was hence NOK 48 million, compared to a pre-tax profit of NOK 9 million in the fourth quarter 2012. Earnings per share was a negative NOK 1.07 (0.16).

For the full year, Q-Free reported revenues of NOK 606 million, a one percent increase from 2012 (597). Gross profit increased three percent to NOK 381 million (370).

Full year reported EBITDA showed a loss of NOK 32 million and EBIT a loss of NOK 95 million. Adjusted for one-off costs, EBITDA improved to a positive NOK 53 million (-6) and EBIT to NOK -10 million (-55). The one-off costs comprise NOK 60 million related to the contract cancellation in Australia and NOK 25 million accruals for restructuring in the first quarter 2013.

Revenues full-year



Reported pre-tax loss was NOK 98 million (-44), and EPS a negative NOK 1.65 (-0.51).

Cash flow

Net cash flow from operating activities was NOK 25 million in the fourth quarter 2013. This compares with NOK 87 million in the fourth quarter 2012, when the final implementation of the Gothenburg project affected cash flow positively.

Net cash flow from investing activities was NOK -21 million in the fourth quarter (-42), reflecting an investment of NOK 10 million in the ATMS-company Elcom and NOK 11 million investment in technology projects. The high investment level in the fourth quarter of 2012 mainly reflected the acquisition of the ATMS-company TCS International in the US.

Net cash flow from financing activities was NOK -4 million (1) in the fourth quarter, and net change in cash in the quarter was hence NOK 1 million (45).

For the full year 2013, net cash flow from operating activities was a negative NOK 33 million (-20), reflecting the losses in the period and a stable net working capital. Net cash flow from investing activities was NOK -62 million (-79), and net cash flow from financing activities NOK -3.5 million (29).

The cash closing balance was NOK 271 million at the end of 2013, compared to NOK 369 million at the end of 2012.

Balance sheet

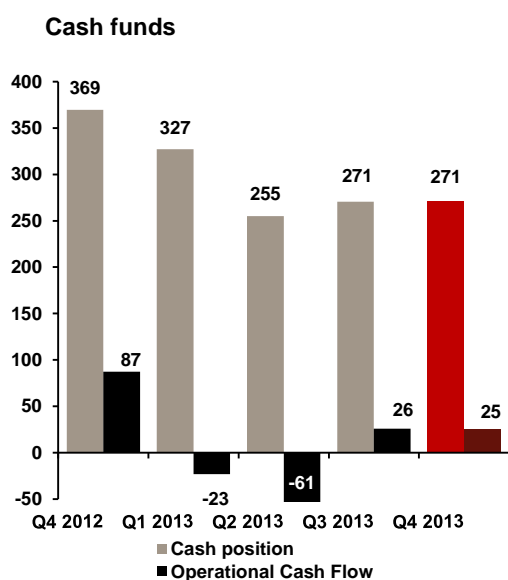
Total balance sheet stood at NOK 894 million at the end of 2013 (942), an increase from NOK 865 million at the end of the third quarter 2013.

The increase during the quarter mainly reflects the investment in Elcom in Serbia.

Equity stood at NOK 505 million (631), a decline from NOK 582 million at the end of the third quarter in reflection of the losses in the period. The equity ratio was 56.4 percent (67.0), down from 67.3 percent at the end of the third quarter.

Non-current liabilities were NOK 127 million (124), down from NOK 130 million at the end of the third quarter.

Current liabilities was NOK 263 million (187). This was an increase from NOK 153 million at the end of the third quarter, mainly due to



Equity ratio of 56%
=
NOK 7.42 per share

increased accounts payables and accrual for remaining cost on the cancelled Australia project.

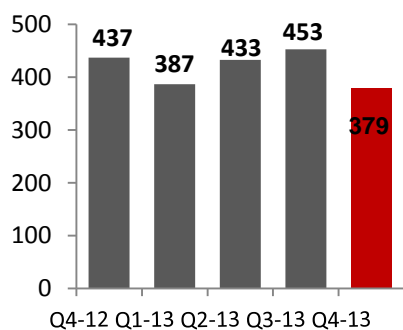
Defined as current assets (excluding cash) less current liabilities, the net working capital amounted to NOK 40 million (64), corresponding to 7 percent of last 12 months revenues (11)

The Group has a total tax loss carried forward of NOK 100 million as at 31 December 2013, of which NOK 26 is recognized as an intangible asset in the balance sheet per the end of the year. 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.

Interest bearing debt stood at NOK 100 million at the end of the year, unchanged through the year. This loan from Eksportfinans is due in February 2014, and will be refinanced with a 3-year loan in Danske Bank taking effect from the date the Eksportfinans loan is repaid.

The liquidity ratio was 2.2 at the end of the fourth quarter (3.3), compared to 2.7 at the end of the third quarter.

Order backlog

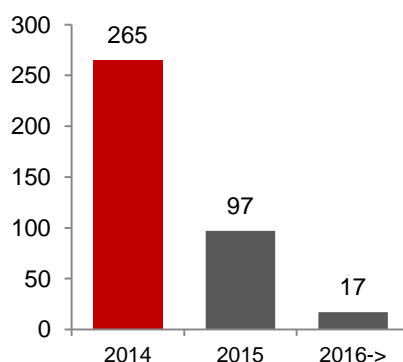


Order inflow and backlog

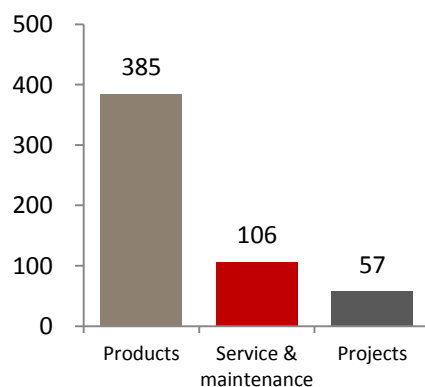
The reported order intake in the fourth quarter was a low NOK 79 million, after deducting NOK 36 million due to the contract cancellation in Australia. The largest order in the quarter was a NOK 12 million tag order in Portugal.

The Group's order backlog hence declined to NOK 379 million at the end of 2013 (437), down from NOK 453 million at the end of the third quarter.

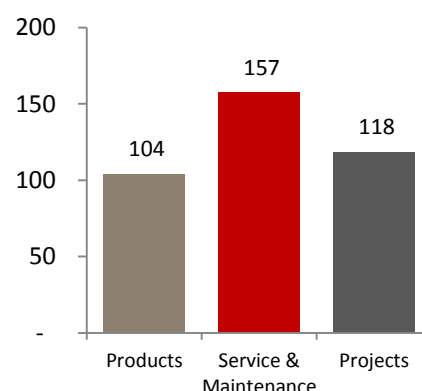
Order backlog distribution



Order intake business areas per 31.12.13



Order backlog business areas per 31.12.13



Q-Free achieved higher product sales and service and maintenance revenues but saw no new major projects in the Road User Charging (RUC) segment in 2013.

Although Q-Free has taken steps to improve the cost position and reduce revenue break-even levels, this is a reminder that the company needs to strengthen the platform for future revenue generation.

The company continues to see a large untapped market potential in the RUC market, as efficient electronic pricing systems are key to tackle increasing challenges with traffic congestion and road infrastructure funding in most large cities. However, the company acknowledges that the sales and decision-making processes in most of the major prestige projects also carry considerable risk in terms of politics, funding, and timing of implementation.

Management has therefore initiated an internal “Q-Free Strategy and Collaboration project” (QSC) to increase customer focus and broaden the scope of business, with the dual objectives of generating more leads in the small and mid-sized segment of the RUC market, and increase internal cooperation and efficiency.

The company will return with more information about the new QSC project in connection with the release of the first quarter 2014 results in April.

The Profit Improvement Program initiated in May 2013 has developed according to plan. Cost savings amounted to NOK 18 million in 2013, corresponding to NOK 40 million on an annual basis, and capital investments declined by approximately NOK 20 million. The savings mainly relate to general administration and support functions as well as a reduction of technology development activities after several years of high investment to establish a state-of-the-art product portfolio.

During 2013, Q-Free also took important steps forward along another improvement axis - the broadening of business into the ATMS market.

Advanced Transportation Management Systems (ATMS) collect real-time traffic data from road cameras, speed sensors, etc., enabling transportation management centres to improve traffic routing efficiency, parking management, vehicle detection and registration, etc. These systems hold great potential in terms improving transportation and traffic flow efficiency, traffic safety, fuel economics and environmental effects.

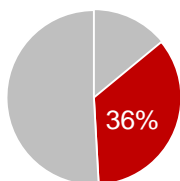
**Initiation of Internal
strategy and
collaboration project**

Over time, the RUC and ATMS markets are expected to merge into a broader Intelligent Traffic System (ITS) market.

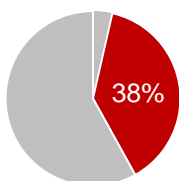
The strategic decision to build a position in ATMS was kicked-off with the acquisition of the parking guidance company TCS International late 2012, and followed up with a USD 1 million investment for 10 percent of the American traffic management company Intelight in August 2013 and the acquisition of the Serbian traffic management company ELCOM for EUR 1.3 million in October 2013.

The ATMS developed positively throughout 2013 and currently accounts for approximately 6 percent of overall revenues. The segment offers significant recurring revenue opportunities in a market less exposed to risk and revenue fluctuations, and Q-Free intends to continue investing for further growth in the ATMS business also in 2014.

Q4 revenues*

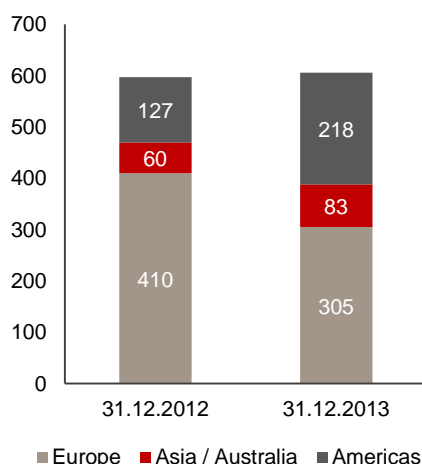
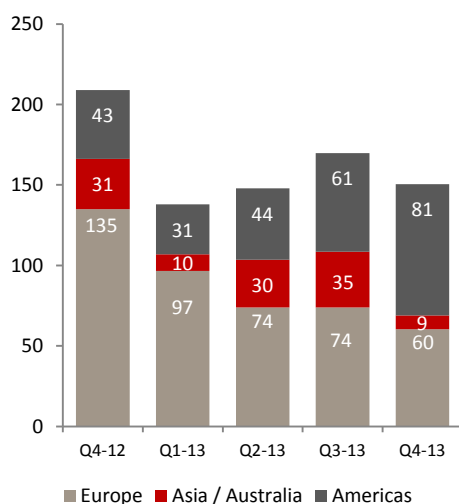


Q4 order intake*



* Adjusted for order cancellation in Asia Pacific, which negatively affected revenue by NOK 18 million and order intake by NOK 35 million

Revenues geographical



Europe, Middle East and Africa (EMEA)

Revenues in the EMEA accounted for 40 percent of overall revenues in the fourth quarter and 50 percent of total 2013 revenues. Order intake in the region was NOK 45 million in the fourth quarter and NOK 243 million in 2013. The region represented 73 percent of Group order backlog per the end of the year.

The company announced one contract in the region in the fourth quarter, a NOK 12 million order for tag deliveries to Via Verde in Portugal. This continues a long-standing customer relationship in this market.

The company was also awarded new service contracts with the Norwegian and Swedish Public Road Administrations.

Achievements in the quarter included the opening of the M-1 toll road in Moscow with technology from Q-Free and the Russian partner Techno Group. In the Faroe Island, a new central system went live with Q-Free technology in November.

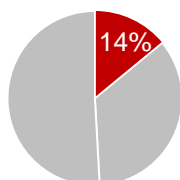
In South Africa, the Gauteng Highway Tolling project was finally put into operation in the fourth quarter, which opens for additional tag sales in this market. The tolling system was delivered already in 2011, and Q-Free has to date delivered NOK 50 million worth of tags to the Gauteng project.

As mentioned in the previous report, few bigger projects seem likely to firm into final investment decisions in the near future, although tendering has started for new truck-tolling projects in Belgium and Russia.

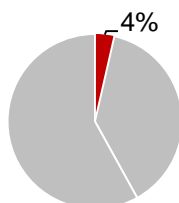
Within ATMS, the company won a data & classification frame agreement with the Norwegian Public Roads Administration. Together with the NPRA the company has also started development of U-ITS (Universal Road side Controllers) in a program funded by Innovation Norway.

The company also won parking management contracts in France, Spain and Faroe Islands in the quarter, and traffic controller projects in Serbia, Poland and the Ukraine.

Q4 revenues*



Q4 order intake*



* Adjusted for order cancellation in Asia Pacific, which negatively affected revenue by NOK 18 million and order intake by NOK 35 million

Asia-Pacific

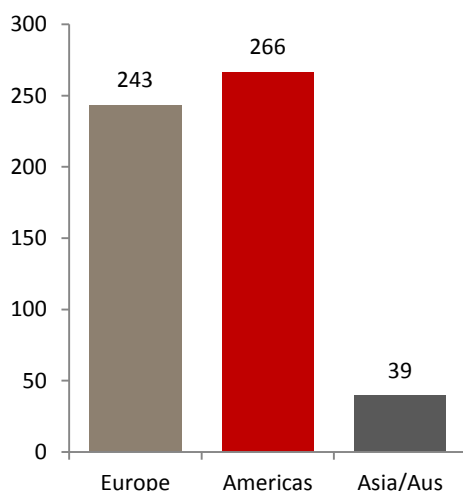
Revenues in Asia Pacific accounted for 2 percent of overall revenues in the fourth quarter and 14 percent of total 2013 revenues. Order intake in the region was NOK -31 million in the fourth quarter due to an order cancellation, generating a full year order intake of NOK 39 million in 2013. The region represented 4 percent of Group order backlog per the end of the year.

The low revenue contribution and negative order intake in the fourth quarter reflects the discontinuation of a contract with the Roads and Maritime Services (RMS) for a planned upgrading of the tolling system on the Sydney Harbour Bridge in Australia. This affected revenues in the quarter negatively by NOK 18 million and reduced order intake and backlog by NOK 35 million.

The RMS remains a customer with Q-Free, as exemplified by the award of a NOK 15 million tag contract placed in January 2014 for delivery in the first and the second quarter 2014.

Regarding the Electronic Law Enforcement system in Jakarta, release of the funding from Export Credit Norway and project start-up is still pending an initial payment from the customer to Q-Free. Whereas the project is still awaiting the initial customer payment, Q-Free is of the opinion that all involved parties are working with the same agenda of getting the project started. The funding commitment from Export Credit Norway is valid until July 1, 2014.

Order intake geographically per 31.12.13

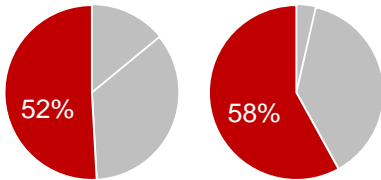


Market update by region



Q4 revenues*

Q4 order intake*



* Adjusted for order cancellation in Asia Pacific, which negatively affected revenue by NOK 18 million and order intake by NOK 35 million

North America and Latin America

Revenues in the Americas accounted for 58 percent of overall revenues in the fourth quarter and 36 percent of total 2013 revenues. Supported by AMTS orders to TCS International, the order intake in the region was NOK 65 million in the fourth quarter and NOK 266 million in 2013. The region represented 23 percent of Group order backlog per the end of the year.

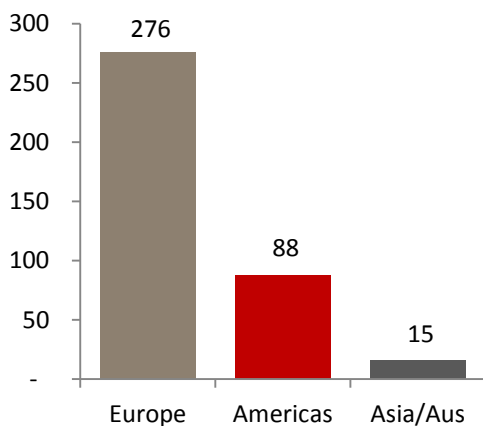
The main ongoing RUC project in the USA is the implementation of Q-Free's Enhanced Imaging Processing (EIP) solution for the Miami-Dade Expressway Authority (MDX), which was awarded in the third quarter of 2013. The system will go live in the first quarter 2014, with Q-Free operating the system on behalf of the customer for coming two years.

The MDX contract was considered a breakthrough contract for Q-Free in the world's largest RUC market, a market trending towards free flow all-Electronic Tolling systems that require advanced imaging solutions such as Q-Free's EPI.

TCS International had all-time high order intake and deliveries in the fourth quarter, including a contract for system expansion of Microsoft's existing parking facilities in Seattle. Other contracts include parking management systems for Disney, Florida Hospital Systems, the large Square One shopping centre in Mississauga, Ontario in Canada and large shopping centres in Australia.

In Latin-America the company has seen higher than expected tag demand in the *Brazilian* market, and have delivered tender offers on several new multi-lane free-flow systems scheduled for implementation in 2014 in *Chile*.

Order backlog geographically per 31.12.13





The long-term industry outlook remains positive, with opportunities in all the main regions in EMEA, the Americas and Asia Pacific. However, a tough economic climate continues to pose political and financial challenges in many markets, which are limiting revenue visibility.

In the Road User Charging (RUC) market, the company sees a relatively healthy development in products and service & maintenance orders. However, the project activity remains volatile and dependent on a limited number of projects associated with political risk, funding risk and uncertain timing.

Q-Free will continue the efforts to build a new business line within Advanced Transportation Management Systems (ATMS), through organic growth and through acquisitions.

Although revenue break-even levels have come down as a result of the Profit Improvement Program that was implemented in 2013, the company still needs to improve its cost income ratio. Q-Free has therefore started the QSC program designed to increase revenues by broadening the scope of business, reducing risk, and increasing internal collaboration and efficiency.

Notes to the condensed interim financial statements



1. General

The consolidated condensed interim financial statements for the year ended 31 December 2013 was approved by the Board of Directors at its meeting on 12 February 2014.

Q-Free ASA is a limited liability company with 291 employees in 14 countries and representatives in 4 other countries. Headquarters are located in Trondheim, Norway. Q-Free is listed on the Oslo Stock Exchange with the ticker QFR.

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

2. Statement of compliance

These consolidated interim financial statements, combined with other relevant financial information in this report, have been prepared in accordance with the regulations of the Oslo Stock Exchange and the requirements in IAS 34. These condensed consolidated interim financial statements for the year ended 31 December 2013, have not been audited or subject to review by the Group's auditor. The financial statements do not include all of the information required for a full annual financial statements of the Group and should be read in conjunction with the consolidated financial statements for 2012. The consolidated financial statements for 2012 are available upon request from the company's registered office in Trondheim or at our website, www.q-free.com.

3. Accounting principles

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

4. Use of estimates

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

5. Events after the balance sheet date

No significant events have occurred since the balance sheet date.

6. Forward looking statements

This report contains statements regarding the future in connection with Q-Free's growth initiatives, profit figures, outlook, strategies and objectives. In particular, the 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 has been expressed or implied in such statements. These factors include the risk factors described in a separate section in this report.

Notes to the condensed interim financial statements



7. Business combinations

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 current operations in ELCOM d.o.o. 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 our markets into a wider Intelligent Traffic market

The fair value (TNOK) of the identifiable assets and liabilities of ELCOM d.o.o. as at the date of acquisition were:

Assets	Book value	Adj.	Fair value
Liabilities and Equity			
TNOK			
Equity	1 000	8 898	9 898
Financial leasing	256	0	256
Bank debt	162		162
Deferred tax	0	418	418
Long term liabilities	418	418	836
Accounts payable	1 007	0	1 007
Accruals	156	0	156
Other short term liabilities	286	0	286
Short term liabilities	1 449	0	1 449
Total Equity & Liabilities	2 867	9 315	12 183

TNOK	30.09.13	30.09.13
Technology	0	1 356
Customer Relationships	0	985
Order Backlog	0	442
Goodwill	0	6 532
Machinery, fixtures	311	311
Other financial assets	0	0
Total fixed assets	311	9 315
Inventories	272	272
Accounts receivables	2 058	2 058
Cash and equivalents	226	226
Current assets	2 556	0
Total assets	2 867	12 183

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.

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.



Oslo, 12. February 2014

The Board of Directors and

Chief Executive Officer of Q-Free ASA

Terje Christoffersen Chairman of the Board

Jan Pihl Grimnes Member

Charlotte Brogren Member

Selma Kveim Member

Sissel Lillevik Larsen Employee elected member

Frank Aune Employee elected member

Thomas Falck CEO

Financial overview



The condensed interim consolidated financial statements per 31.12.13 (unaudited):

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

INTERIM CONSOLIDATED INCOME STATEMENT //

NOK 1.000	Q4 2013	Q4 2012	31.12.2013	31.12.2012	Q3 2013	Q2 2013	Q1 2013
Revenues	150 352	208 927	606 072	597 532	169 782	147 892	138 047
Cost of goods sold	51 901	75 513	224 791	227 090	65 399	55 767	51 725
Payroll expenses	37 990	51 685	196 727	181 827	46 258	36 936	75 544
Other operating expenses	94 328	69 488	216 353	194 607	34 330	39 126	48 569
Total operating expenses	184 218	196 686	637 871	603 524	145 986	131 829	175 838
EBITDA	-33 866	12 241	-31 799	-5 992	23 795	16 063	-37 791
Depreciation, amortisation and impairment	15 947	11 893	62 914	49 315	15 658	15 732	15 577
EBIT	-49 814	348	-94 713	-55 307	8 138	330	-53 368
Financial income	11 373	11 519	24 188	26 286	6 531	2 664	3 620
Financial expenses	-9 243	-2 801	-27 434	-15 602	-7 401	-5 270	-5 521
Net financial items	2 130	8 718	-3 246	10 684	-869	-2 605	-1 901
Profit before tax	-47 684	9 066	-97 959	-44 624	7 268	-2 275	-55 269
Tax expenses	-24 837	2 044	-12 811	12 644	-1 948	411	13 563
Profit for the period	-72 521	11 111	-110 770	-31 980	5 320	-1 864	-41 706
Attributable to :							
Minority interests	-100	126	1 318	2 663	537	537	344
Equity holders of the parent	-72 420	10 985	-112 088	-34 643	4 782	-2 401	-42 050
Profit	-72 521	11 111	-110 770	-31 979	5 320	-1 864	-41 706
Number of employees	291	305	291	282	273	288	309
Gross margin	65,5 %	63,9 %	62,9 %	62,0 %	61,5 %	62,3 %	62,5 %
EBITDA margin	-22,5 %	5,9 %	-5,2 %	-1,0 %	14,0 %	10,9 %	-27,4 %
EBIT margin	-33,1 %	0,2 %	-15,6 %	-9,3 %	4,8 %	0,2 %	-38,7 %
Profit margin	-31,7 %	4,3 %	-16,2 %	-7,5 %	4,3 %	-1,5 %	-40,0 %
EPS	-1,07	0,16	-1,65	-0,51	0,07	-0,04	-0,62
EPS, diluted	-1,06	0,16	-1,64	-0,51	0,07	-0,04	-0,62

Financial overview



INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME //

NOK 1.000	Q4 2013	Q4 2012	31.12.2013	31.12.2012	Q3 2013	Q2 2013	Q1 2013
Profit for the period	-72 521	11 111	-110 770	-31 979	5 320	-1 864	-41 706
Other comprehensive income to be reclassified to profit or loss in subsequent periods:							
Exchange differences on translation of foreign operations	172	-3 453	-10 401	-7 383	-3 615	-3 323	-3 635
Net (loss)/gain on available-for-sale financial assets	1 470		1 470	618			
- Income tax effect	0		0	0			
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:	1 642	-3 453	-8 931	-6 765	-3 615	-3 323	-3 635
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:							
Actuarial gains (losses) on defined benefit plans	-4 884	17 445	-4 884	34 890			
- Income tax effect	1 382	-4 885	1 382	-9 769	0	0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:	-3 502	12 560	-3 502	25 121	0	0	0
Total comprehensive income for the period	-74 381	20 218	-123 203	-13 623	1 705	-5 187	-45 341
<u>Attributable to :</u>							
Minority interests	-100	126	1 318	2 663	537	537	344
Equity holders of the parent	-74 280	20 092	-124 521	-16 286	1 167	-5 724	-45 685
Total comprehensive income for the period	-74 381	20 218	-123 203	-13 623	1 705	-5 187	-45 341

Financial overview



BALANCE SHEET – ASSETS //

NOK 1.000	31.12.2013	30.09.2013	30.06.2013	31.03.2013	31.12.2012
Development	132 761	136 542	143 440	146 452	153 682
Goodwill	71 199	64 667	64 667	64 667	64 667
Deferred tax assets	32 319	43 322	43 095	41 976	26 039
Total intangible assets	236 279	244 530	251 202	253 094	244 387
Machinery, fixtures and fittings	63 071	64 136	67 503	69 765	66 320
Total fixed assets	63 071	64 136	67 503	69 765	66 320
Shares	15 317	13 623	6 994	7 182	7 182
Other long term receivables	5 064	5 495	4 353	4 203	3 760
Total financial fixed assets	20 381	19 118	11 346	11 385	10 941
Total non - current assets	319 731	327 784	330 051	334 243	321 648
Inventories	70 940	72 686	65 095	74 443	79 330
Total inventories	70 940	72 686	65 095	74 443	79 330
Accounts receivables	146 860	94 191	108 207	59 714	95 956
Work in progress	48 737	74 741	60 320	64 287	39 864
Other receivables	36 599	25 209	25 863	29 693	35 412
Total receivables	232 196	194 141	194 389	153 693	171 231
Cash	271 477	270 534	255 181	327 279	369 491
Total current assets	574 613	537 361	514 665	555 415	620 051
Total assets	894 344	865 145	844 715	889 659	941 699

Financial overview



BALANCE SHEET – EQUITY & DEBT //

NOK 1.000	31.12.2013	30.09.2013	30.06.2013	31.03.2013	31.12.2012
Subscribed share capital	25 830	25 830	25 830	25 830	25 830
Share premium reserve	415 554	415 554	415 554	415 554	415 554
Other paid in capital	20 529	17 962	17 962	19 738	18 863
Total paid in capital	461 913	459 345	459 345	461 121	460 246
Other equity	21 824	98 629	95 118	99 787	146 346
Total retained equity	18 492	98 629	95 118	99 787	146 346
Non-controlling interests	20 789	23 990	25 095	24 660	24 316
Total equity	504 526	581 964	579 558	585 568	630 908
Pension liabilities	12 925	16 088	14 150	12 133	10 379
Total liabilities	12 925	16 088	14 150	12 133	10 379
Debt to financial institutions	100 000	100 000	100 000	100 000	100 000
Other non-current liabilities	13 908	13 908	13 908	13 908	13 908
Total non-current liabilities	113 908	113 908	113 908	113 908	113 908
Accounts payable	74 933	43 571	47 867	55 467	67 984
Tax payable	9 590	2 801	2 043	1 633	5 658
Public duties payable	19 114	14 583	12 458	8 111	30 966
Advance payments customers	28 502	11 802	16 063	13 078	22 423
Other short term debt	130 846	80 428	58 669	99 761	59 474
Total short term debt	262 985	153 185	137 099	178 050	186 504
Total liabilities	389 818	283 181	265 157	304 090	310 791
Total equity and liabilities	894 344	865 145	844 715	889 659	941 699

Financial overview



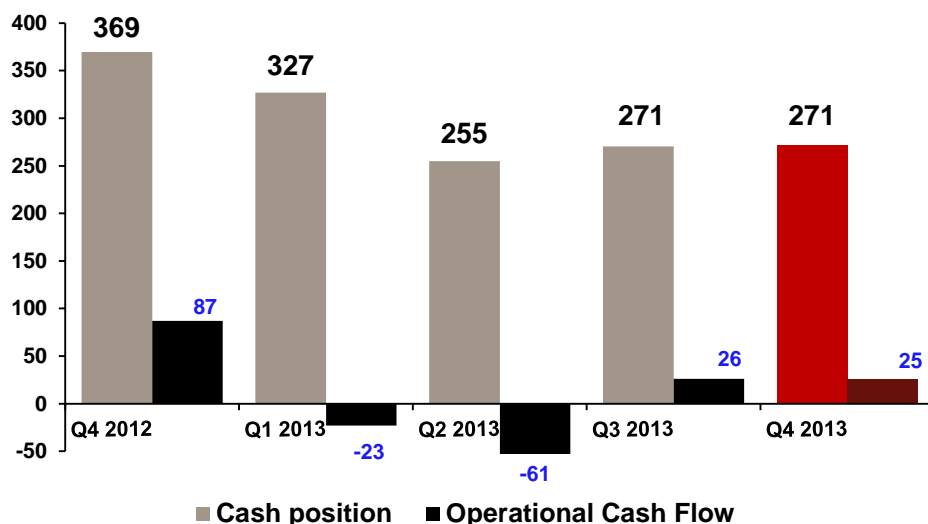
STATEMENT OF CHANGES IN EQUITY //

NOK 1.000	Equity attributable to equity holders of the parent								Non controllin g interests	Total equity
	Sub- scribed share capital	Share premium reserves	Other paid in Capital	Other equity	Foreign currency translatio n reserve	Actuarial gains and losses	Available- for-sale reserve	Total		
Equity per 31.12.12	25 830	415 553	18 863	155 663	-11 505	1 570	618	606 593	24 316	630 909
Total comprehensive income for the period				-42 050	-3 635			-45 685	344	-45 340
Equity per 31.03.13	25 830	415 553	18 863	113 613	-15 140	1 570	618	560 908	24 660	585 569
Equity per 31.12.12	25 830	415 553	18 863	155 663	-11 505	1 570	618	606 593	24 316	630 909
Total comprehensive income for the period			-901	-44 451	-6 958			-52 310	959	-51 350
Equity per 30.06.13	25 830	415 553	17 962	111 212	-18 463	1 570	618	554 284	25 275	579 559
Equity per 31.12.12	25 830	415 553	18 863	155 663	-11 505	1 570	618	606 593	24 316	630 909
Total comprehensive income for the period			-901	-37 145	-10 573			-48 619	-326	-48 944
Share issue arising from acquisitions										0
Equity per 30.09.13	25 830	415 553	17 962	118 518	-22 078	1 570	618	557 974	23 990	581 965
Equity per 31.12.12	25 830	415 553	18 863	155 663	-11 505	1 570	618	606 593	24 316	630 909
Total comprehensive income for the period				-112 088	-10 402	-3 502	1 470	-124 522	1 318	-123 204
Reclassification of non- controlling interests									-4 845	-4 845
Cost of share based payments			1 666					1 666		1 666
Equity per 31.12.13	25 830	415 553	20 529	43 574	-21 907	-1 932	2 088	483 736	20 789	504 526

Financial overview



CASH FLOW STATEMENT //



NOK 1.000	Q4 2013	Q4 2012	31.12.2013	31.12.2012	Q3 2013	Q2 2013	Q1 2013
Earnings before tax	-47 684	9 067	-97 960	-44 623	7 268	-2 275	-55 269
Taxes paid	-1 566	715	-4 554	-4 969	-1 276	-696	-1 016
Depreciation / impairment	15 947	11 893	62 914	49 314	15 658	15 732	15 577
Other operational items	58 645	65 113	7 032	-19 609	4 620	-73 970	17 737
Cash flow from operating activities	25 343	86 788	-32 567	-19 887	26 270	-61 209	-22 971
Investments intangible assets	-7 371	-12 079	-23 622	-21 933	-4 254	-8 146	-3 851
Investments tangible assets	-3 730	-5 526	-15 116	-32 262	-1 139	-2 308	-7 939
Acquisition of a subsidiary, net of cash acquired	-9 445	-25 034	-16 552	-25 034	0	0	-7 107
Other investments	0	0	-6 629	0	-6 629	0	0
Cash flow from investment activities	-20 546	-42 639	-61 919	-79 229	-12 022	-10 454	-18 897
Proceeds from new loans	0	0	0	0	0	0	0
Down payments of debt to financial institutions	0	0	0	0	0	0	0
Share issue	0	0	0	30 030	0	0	0
Other financial items	-3 853	677	-3 527	-1 211	1 105	-435	-344
Cash flow from financing activities	-3 853	677	-3 527	28 819	1 105	-435	-344
Net change in cash and cash equival.	944	44 826	-98 013	-70 297	15 353	-72 098	-42 212
Cash and cash equivalents per 01.01.	270 534	324 665	369 491	439 788	255 181	327 279	369 491
CASH AND CASH EQUIVALENTS	271 477	369 491	271 477	369 491	270 534	255 181	327 279

Financial overview



KEY FIGURES //

	31.12.2013	30.09.2013	30.06.2013	31.03.2013	31.12.2012
Operating profit / EBIT per share	-1,39	-0,78	-0,78	-0,79	-0,82
Operating margin	-15,6 %	4,8 %	0,2 %	-38,7 %	-9,3 %
EPS	-1,65	-0,58	-0,66	-0,62	-0,51
EPS, diluted	-1,64	-0,58	-0,65	-0,61	-0,51
Cash flow per share	-0,53	-0,88	-1,24	-0,34	1,29
Equity per share	7,42	8,53	8,53	8,61	9,32
Equity ratio	56,4 %	67,3 %	68,6 %	65,8 %	67,0 %
Liquidity ratio	2,2	3,5	3,8	3,1	3,3
Average number of shares	67 972 419	67 972 419	67 972 419	67 972 419	67 216 375
Average number of shares diluted	68 547 419	68 379 536	68 259 919	68 259 919	66 957 857

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Operating profit / EBIT per share	-0,73	0,12	0,00	-0,79	0,01
Operating margin	-33,1 %	4,8 %	0,2 %	-38,7 %	0,2 %
EPS	-1,07	0,07	-0,04	-0,62	0,16
EPS, diluted	-1,06	0,07	-0,04	-0,62	0,16
Cash flow per share	0,32	0,35	-0,90	-0,34	1,26
Average number of shares	67 972 419	67 972 419	67 972 419	67 972 419	68 832 419
Average number of shares diluted	68 547 419	68 379 536	68 259 919	68 259 919	68 832 419

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

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

Political risk

RUC projects are normally directly or indirectly subject to governmental concessions, and the Company is exposed to political risk related to the time-period from identification of a sales lead to award of a contract and implementation of the project. The fact that more projects are being planned and that there is an increasing need and acceptance for toll-based financing to reduce traffic and pollution, increase flow and also maintain and construct road infrastructure, should over time reduce the political risk.

Q-Free's entry into the ATMS market will add revenue streams that are less exposed to political risk.

Currency risk

Q-Free has considerable foreign currency exposure, given that the Group earns between 75-85% of its revenues abroad. Q-Free also buys a substantial share of its needed equipment and services abroad and runs businesses outside Norway. This mitigates the Group's net foreign currency exposure by 30%-50%. The Group's most important trading currencies except for NOK are USD, SEK and EURO.

Q-Free's policy is to limit currency risk while actively assessing various currencies' importance as competitive parameters. The Group strategy is to combine estimated future sales and purchases and

hedge the net cash flow in the foreign currency by using forward / future contracts.

Credit risk

The Group is only conducting business with parties with an acceptable credit record. Payment guarantees, letters of credit or advance payments will be considered to the extent that the credit rate is questionable.

The Group has no significant credit risk linked to an individual contracting party or several other contracting parties that can be regarded as a group due to similarities in the credit risk. The Group has guidelines for ensuring that sales are only made to customers that have not experienced any significant credit problems, and that outstanding amounts do not exceed given credit limits. The Group has not provided any guarantees for third parties' liabilities.

The Group is exposed to risk involved in customers not having the ability to fulfil their financial obligations. However, this risk is considered to be low since the Group's customers are solid private companies, and governmental controlled entities. This is documented by a historically low bad debt ratio on accounts receivables.

When Q-Free enters a new market, the credit risk will be assessed in each individual case and appropriate actions like utilising letters of credit, using the Norwegian Export Credit Agency, and other similar tools, will be used in order to reduce credit risk.

Interest rate risk

The Group entered into a loan agreement with Eksportfinans ASA during 2011. The Group focuses on predictability at all times and since changes in the interest level has a significant influence on the consolidated profit, the agreement is therefore based on the NIBOR 3 month rate with a small margin. This means that corresponding deposits also will be linked to the NIBOR 3 month rate to mitigate the risk of changes in the NIBOR rate.

Liquidity risk

The Q-Free ASA Group's strategy is to have sufficient cash, cash equivalents or credit facilities at any time to be able to finance its operations and investments over the foreseeable future, as these are estimated in the company's strategy plan. Surplus cash funds are either deposited in banks or invested in money market funds with the purpose of obtaining an acceptable return on invested capital combined with a low risk exposure.

The Board of Directors assesses the liquidity at the end of the period to be within the strategy limits.

Technology risk

The Group is exposed to quality issues both related to the quality of own work and the quality of deliveries from subcontractors. Q-Free mitigates these risk by clearly stating our quality expectations and by

carrying out quality reviews of subcontractors, carrying out internal audits and maintaining a non-conformance reporting system ensuring that our employees work according to defined processes.

Furthermore, the Management and Board carry out a quarterly risk review on a Group level, and make the provisions regarded necessary to cater for possible financial implications of the above described risks.

Project risk

Q-Free's revenues normally include a substantial element of large-scale project deliveries that demands in-depth knowledge about Q-Free's solutions and markets. After many years of operation Q-Free has established extensive international experience, and has implemented plans to handle the project risks that may arise.



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

Management

Thomas Falck	CEO
Roar Østbø	CFO
Per Fredrik Ecker	VP Sales
Marianne Sandal	VP Operations
Henrik Stoltenberg	VP Business Development and M&A
Stein-Tore Nybrodahl	HR Manager
Morten Andersson	VP Advanced Transportation Management Systems

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