

QUARTERLY REPORT  
FOURTH QUARTER AND PRELIMINARY FULL-YEAR RESULTS FOR 2014



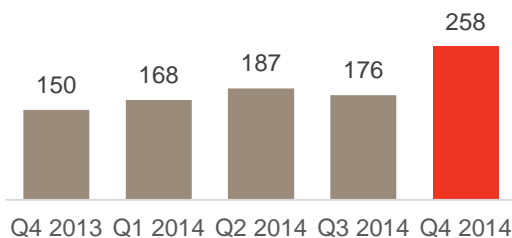
## HIGHLIGHTS Q4 2014

- Revenues up 71 % to NOK 258 million
- Continued strong development for ATMS with revenues of NOK 92 million
- Significant improvement in profitability - EBITDA NOK 26 million
- Pretax profit reduced due to higher provisions for future earn-out payments on ATMS acquisitions
- Strong order intake of NOK 338 million, year-end back log of NOK 481 million
- Strengthened cash position, cash flow from operations NOK 37 million

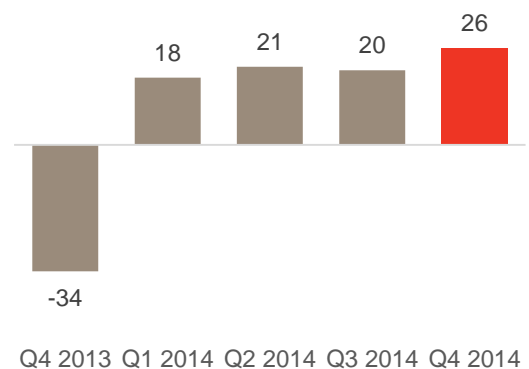
## HIGHLIGHTS 2014

- 30 % revenue increase to NOK 789 million, half from acquisitions and half organic
- Significant improvement in profitability - EBITDA NOK 85 million
- Acquisition of Open Roads, TDC and Traffic Design - important steps towards strategic goals
- Sale of Noca shares strengthens focus on core business in RUC

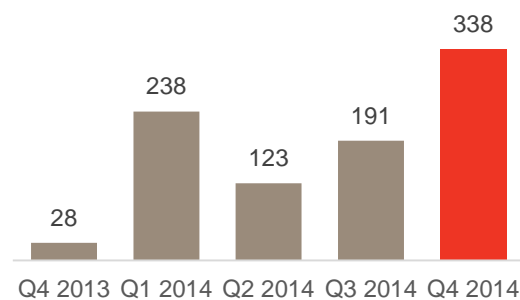
REVENUES LAST 5 QUARTERS  
NOK MILLION



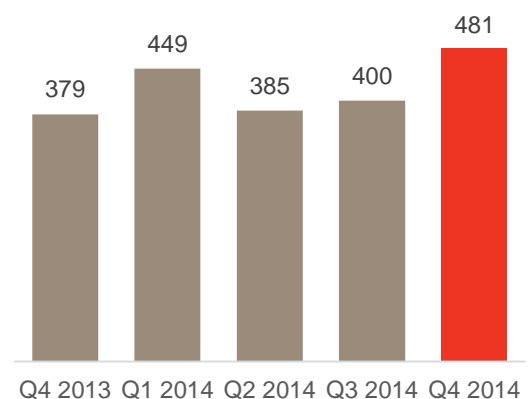
EBITDA LAST 5 QUARTERS  
NOK MILLION



ORDER INTAKE LAST 5 QUARTERS  
NOK MILLION



ORDER BACKLOG LAST 5 QUARTERS  
NOK MILLION



# FINANCIAL REVIEW

## KEY FIGURES

NOK 1.000	Q4 2014	Q4 2013	%-chg.	FY 2014	FY 2013	%-chg.
<b>Revenues</b>	<b>257,697</b>	<b>150,352</b>	<b>71.4 %</b>	<b>788,584</b>	<b>606,072</b>	<b>30.1 %</b>
<b>Gross profit</b>	<b>178,064</b>	<b>98,451</b>	<b>80.9 %</b>	<b>506,411</b>	<b>381,281</b>	<b>32.8 %</b>
Gross margin - %	69.1 %	65.5 %		64.2 %	62.9 %	
Operating expenses	151,885	132,317	14.8 %	421,666	413,080	2.1 %
<b>EBITDA</b>	<b>26,179</b>	<b>-33,866</b>		<b>84,745</b>	<b>-31,799</b>	
EBITDA margin	10.2 %	-22.5 %		10.7 %	-5.2 %	
Depreciation, amortisation and impairment	21,834	15,947	36.9 %	76,309	62,914	21.3 %
<b>Operating profit - EBIT</b>	<b>4,345</b>	<b>-49,814</b>		<b>8,436</b>	<b>-94,713</b>	
EBIT margin	1.7 %	-33.1 %		1.1 %	-15.6 %	
<b>Pre-tax profit</b>	<b>-18,171</b>	<b>-47,684</b>		<b>-16,369</b>	<b>-97,959</b>	
Profit margin	-7.1 %	-31.7 %		-2.1 %	-16.2 %	
<b>EPS</b>	<b>-0.66</b>	<b>-1.06</b>		<b>-0.70</b>	<b>-1.64</b>	

## PROFIT AND LOSS FOURTH QUARTER 2014

With reference to the announcement May 22 2014, Q-Free will as of the second quarter of 2014 report revenues from ATMS in a separate business area. The business area Road User Charging (RUC), will still be presented split by products, service and maintenance and projects. In addition, the geographical split of the revenues has been changed to Europe & Latin America (ELA), the Nordics (Nordics), Asia Pacific, Middle East and Africa (APMEA), and North America (NA).

### REVENUES

The Q-Free Group generated revenues of NOK 258 million in the fourth quarter of 2014, an increase of 71 percent from NOK 150 million in the fourth quarter of 2013.

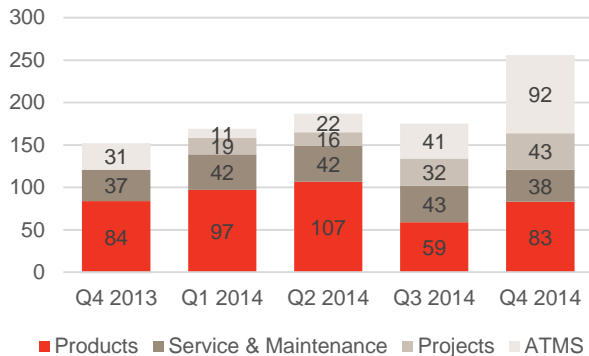
The higher revenues are mainly driven by acquisitions within the ATMS segment, but also due to an increasing order intake within the other segments.

Revenues from the Product sales activities ended at NOK 83 million during the quarter, up from NOK 59 million in the previous quarter and in line with NOK 84 million in the fourth quarter of 2013. Project revenues ended at NOK 43 million, up from NOK 32 million in the previous quarter.

Service & Maintenance revenues ended at NOK 38 million, during the quarter. This is in line with NOK 37 million in the fourth quarter of 2013 and slightly down from NOK 43 million in the third quarter of 2014.

The positive development seen recent quarters within ATMS continued in Q4. Revenues ended at NOK 92 million, more than a doubling from the third quarter, and three times the revenues recorded in fourth quarter of 2013. The higher revenues are partly driven by the acquisition of Open Roads, and a generally higher activity level in the other ATMS entities.

### REVENUES PER BUSINESS AREA NOK MILLION



### GROSS PROFIT

Gross profit for the quarter ended at NOK 178 million (98), corresponding to a gross margin of 69% (66%) due to change in revenue composition in the quarter with lower product revenues and higher ATMS revenues.

### OPERATING EXPENSES

Operating expenses amounted to NOK 152 million in the fourth quarter, up from NOK 96 million in the previous quarter and up from NOK 132 million in the fourth quarter of 2013. The increase is partly explained by the acquisitions within the ATMS business area. Q4 14 expenses also include NOK 11 million in employee bonuses.

However, due to high operational gearing and continued strong focus on cost discipline as well as the Profit Improvement Program (PIP) launched in 2013, the underlying cost development is positive, and with revenues increasing more than 70 percent compared to Q4 2013, operating expenses were up less than 15 percent.

### OPERATING PROFITS

Reported EBITDA in the fourth quarter of 2014 ended at NOK 26 million, up NOK 6 million from the previous quarter and an increase of NOK 60 million from the fourth quarter of 2013.

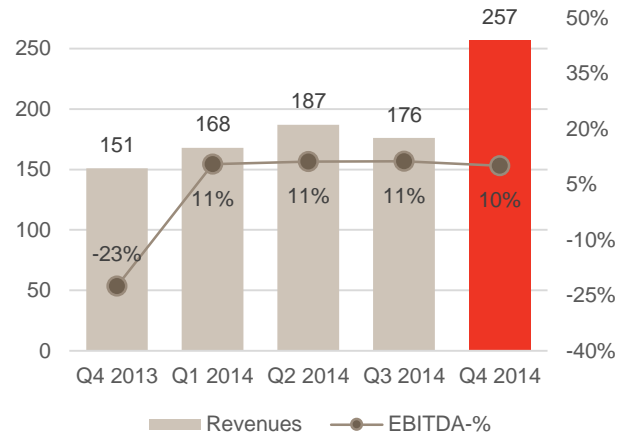
The improvement in profitability in Q4 2014 is mainly explained by increased revenues and the NOK 60 million write off of the Sydney Harbour Bridge Project in 2013.

The result corresponds to an EBITDA-margin of 10.1 percent for the quarter. Adjusted for employee bonuses which accrued in the fourth quarter, the EBITDA-margin was 14.4 percent. This compares to an EBITDA-margin of 11.3 percent in the previous quarter and -22.5 percent in the fourth quarter of 2013.

Depreciation and amortisation was NOK 22 million during the period (16). The increase from the corresponding period last year reflects the acquisitions within the ATMS business area.

Operating profit (EBIT) ended at NOK 4 million, up from NOK 3 million from third quarter, and up NOK 54 million from the corresponding period in 2013.

### QUARTERLY REVENUES AND EBITDA MARGIN NOK MILLION & %



### NET FINANCIAL ITEMS

Net financial items were negative by NOK 23 million during the period, compared to a positive of NOK 2 million in the same quarter of 2013. The financial cost is higher than normal partly due to currency fluctuations on working capital items. However, the most significant financial cost in the fourth quarter is related to potential future earn-out payments on the ATMS acquisitions. All entities has performed better than expected in 2014 and based on this the provisions for future earnings has been increased. This effect, in addition to the weakening of the NOK had a significant impact on the financial cost during the fourth quarter.

### PROFITS

Reported pre-tax profit was negative by NOK 18 million during the period, compared to NOK -48 million in the fourth quarter of 2013.

Q-Free has a deferred tax asset of approximately NOK 40 million not included in the balance sheet or the profits in 2014.

Earnings per share was NOK -0.66 in the fourth quarter of 2014. This compares to NOK -1.06 in the corresponding quarter of 2013.

### PROFIT AND LOSS 2014

Group revenues for the full year 2014 amounted to NOK 789 million, up from NOK 606 million in 2013. Of the 30% revenue-increase, approximately 15% was generated through acquisitions.

Full year gross profit ended at NOK 506 million, up NOK 125 million from NOK 381 million in 2013.

Operating expenses amounted to NOK 422 million, a slight increase from NOK 413 million in 2013. This despite significant acquisitions within ATMS. The positive underlying cost development is mainly a result of the Profit Improvement

Program (PIP) launched in 2013. Under the program Q-Free targeted annual cost reductions of some NOK 40 million in reduced operational costs.

Full year 2014 EBITDA amounted to NOK 85 million (-32) while operating profit (EBIT) ended at NOK 8 million (-95)

Net financial items for the year amounted to NOK -25 million compared to NOK -3 million in 2013. The financial cost is higher than normal partly due to currency fluctuations on working capital items. However, the most significant financial cost in the fourth quarter is related to potential future earn-out payments on the ATMS acquisitions. All entities has performed better than expected in 2014 and based on this the provisions for future earnings has been increased. This effect, in addition to the weakening of the NOK had a significant impact on the financial cost in 2014.

Pre-tax profit for the full year of 2014 was NOK -16 million (-98).

Q-Free has a deferred tax asset of approximately NOK 40 million not included in the balance sheet or the profits in 2014.

Reported earnings per share was NOK -0.70 (-1.64).

## CASH FLOW

Net cash flow from operating activities ended at NOK 37 million in the fourth quarter of 2014. This compares to NOK 25 million in the fourth quarter of 2013.

The stronger cash flow is partly due to improved profitability, but also a result of an increased focus on cash management throughout the entire Q-Free organisation.

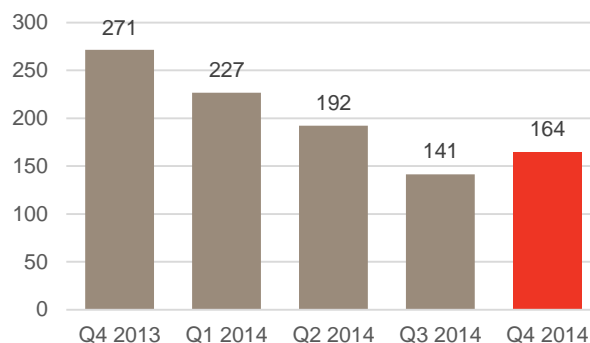
Net cash flow from the investment activities was NOK -14 million during the quarter, up from NOK -21 million in the corresponding period of 2013.

No financing transactions were made during the fourth quarter. In the fourth quarter of 2013 cash flow from financing activities was negative by NOK 4 million.

In sum, this generated a net change in cash and cash equivalents of NOK 23 in the fourth quarter (1), leaving the cash balance at NOK 164 million as of December 31 2014, up from NOK 141 million by the end of the third quarter of 2014. Cash balance at the end of 2013 was NOK 271 million.

## QUARTERLY CASH FUNDS

NOK MILLION



Net cash flow from operating activities for the full year 2014 was NOK 39 million (-33). The improvement from 2013 mainly reflects positive earnings, while the settlement payment on the Sydney Harbour Bridge project have had a negative impact on cash flow from operations in 2014 of NOK 30 million. Net cash flow from investing activities was NOK -149 million (-62), including NOK 40 million on the acquisition of Open Roads, NOK 40 million on the acquisition of TDC Systems, NOK 16 million on the acquisition of Traffic Design and NOK 7 million on earn-out payment relating to the acquisition of TCS. Net cash flow from financing activities was NOK 2 million (-4).

## BALANCE SHEET

Total assets stood at NOK 920 million at the end of the fourth quarter of 2014, compared to NOK 872 million at the end of the previous quarter, and NOK 894 million at the end of 2013.

Total equity stood at NOK 466 million, compared to NOK 525 million three months back at NOK 505 million at the end of Q4 2013. The equity ratio was 50.6 percent, down from 60.2 percent three months earlier and 56.4 percent at the end of 2013.

## EQUITY PER SHARE

NOK

# 6.73

Total non-current liabilities amounted to NOK 193 million, compared to NOK 180 million at the end of the previous quarter and NOK 120 million at the end of 2013. The increase throughout the year is due to accruals for earn-out payments related to all the ATMS acquisitions.

Current liabilities was NOK 262 million at the end of the fourth quarter. This is up from NOK 167 million at the end of the third quarter, but down from NOK 270 million at the end of 2013. This increase from the third quarter 2014 is mainly due to higher accounts payables, short term liabilities related to the earn-out payments on the ATMS acquisitions and advanced payments from customers.

Net working capital (defined as current assets excluding cash less current liabilities) amounted to NOK 33 million at the end of the year, corresponding to 4 percent of last 12 months revenues. This is down from NOK 121 million, or 18 percent of revenues, at the end of the third quarter 2014. The ratio will vary between quarters depending on revenue composition and timing of payments. At the end of 2013, net working capital stood at NOK 33 million, or 5 percent of revenues in 2013.

Interest bearing debt to financial institutions has remained unchanged at NOK 100 million across all periods.

The liquidity ratio (defined as current assets divided by current liabilities) was 1.8 at the end of the period, compared to 2.6 at the end of the third quarter and 2.1 at the end of last year.

## ORDER INTAKE AND BACKLOG

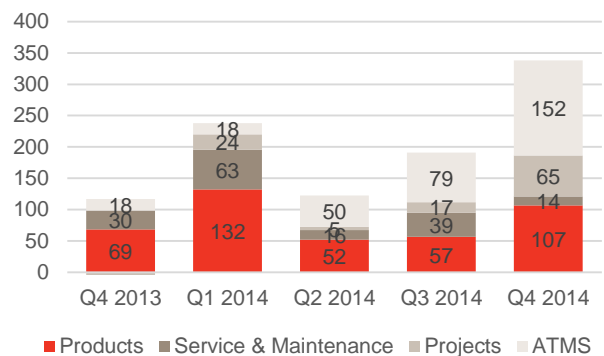
Order intake in the fourth quarter amounted to NOK 338 million, compared to NOK 191 million in the third quarter and NOK 77 million in the corresponding period in 2013. The increase reflects a continued strong development for ATMS and a significant pick up for Products.

ATMS accounted for NOK 152 million (18) or 45 percent of the total order intake, while the order intake within Products

amounted to NOK 107 million (69), or 32 percent of total order intake. Service & Maintenance and Projects amounted for NOK 14 million and NOK 65 million respectively.

### QUARTERLY ORDER INTAKE BY BUSINESS AREA

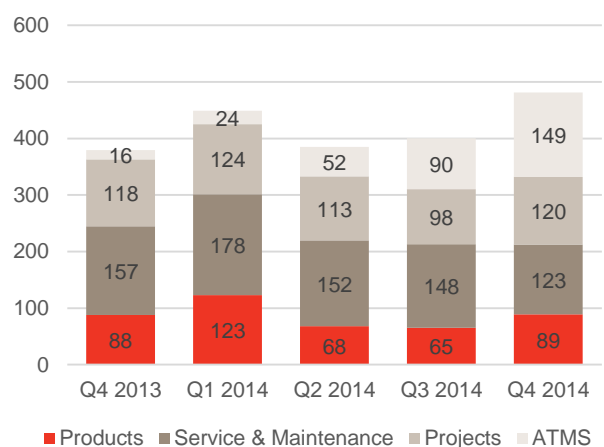
NOK MILLION



The Group's total order backlog as of 31 December 2014 was NOK 481 million, up NOK 80 million from the third quarter 2014 and NOK 100 million from year end 2013.

### QUARTERLY ORDER BACKLOG BY BUSINESS AREA

NOK MILLION



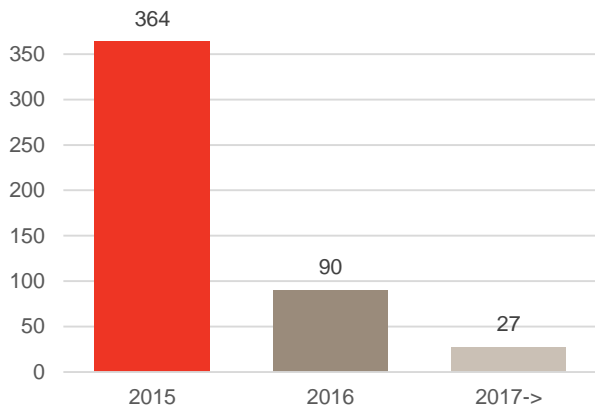
ATMS amounted for NOK 149 million or 31 percent of the total backlog.

Of the NOK 481 million order back log, NOK 364 million or some 75 percent is due in 2015.

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ORDER BACK LOG DISTRIBUTION AS OF 31.12.14

MNOK MILLION



# STRATEGIC DEVELOPMENTS

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

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

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

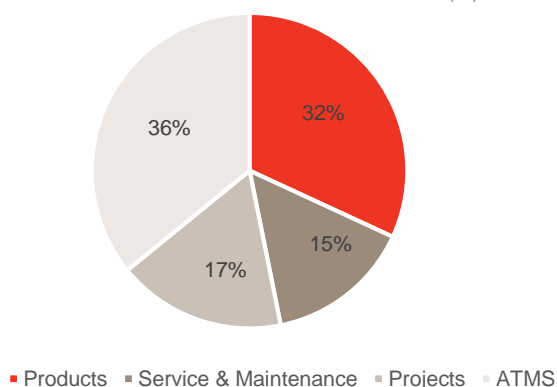
Q-Free will continue its R&D efforts to provide the market with market leading technology and products in the future.

## ROAD USER CHARGING (RUC)

Comprising Products, Service & Maintenance and Projects, the Road User Charging segment (RUC) is by far the largest contributor to overall revenues in Q-Free, accounting for some 80 percent of total revenues in 2014. In the fourth quarter, revenues generated from the RUC activities accounted for 64 percent of Group revenues, down from 76 percent in Q3.

The company has been successful in generating project leads in the small and mid-sized segment of the RUC market.

Q4 2014 REVENUE DISTRIBUTION BY SEGMENT (%)



## ADVANCED TRANSPORTATION MANAGEMENT SYSTEMS (ATMS)

Q-Free is continuously seeking to expand its platform for future revenue generation.

During 2014, the company has made several acquisitions within the ATMS-segment, building a product and service platform for further addressing new markets and continued growth.

In the third quarter, Q-Free acquired Open Roads in the US. The US Company operates mission critical traffic deployments and video-based surveillance of critical assets in 30 states in the US, which is the world's largest market for Road User Charging and Traffic Management.

This acquisition will strengthen Q-Free's presence in the US, and is strategically a good match with our other ATMS and RUC activities. The Open Roads Consulting software and solutions will be a valuable addition to Q-Free's offering in the US and internationally.

The acquisition of Open Roads was the third acquisition in 2014, following the inclusion of TDC Systems in the UK and Traffic Design in Slovenia into the Q-Free Group. Q-Free has during 2014 achieved the strategic goal of being present in all the targeted ATMS business areas.

In the fourth quarter, early signs of this potential emerged, with the ATMS business accounting for 36 percent of revenues, compared to 24 percent in the third quarter. This reflects Q-Free's increasing presence in this market and the revenue development is in line with the company's expectations to grow the revenue base significantly going forward.

In the longer-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 market.

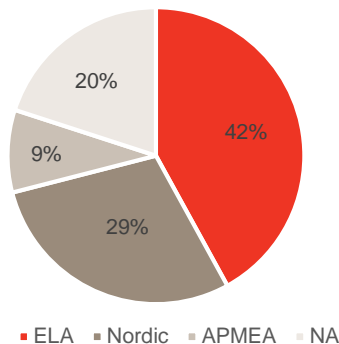
## MANAGED SERVICES (MS)

The MS business area is in the process of defining and building a portfolio of four defined managed services offerings.

Q-Free are currently delivering two MS projects, and are pursuing leads in all regions.

# MARKET UPDATE BY REGION

Q4 2014 REVENUE DISTRIBUTION BY REGION (%)



## EUROPE & LATIN AMERICA (ELA)

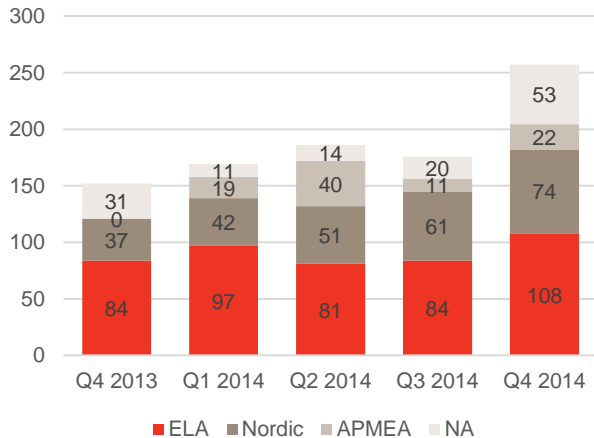
Revenues in the ELA region amounted to NOK 108 million in the quarter, up from NOK 84 million in Q3. Order intake ended at NOK 170 million, compared to NOK 59 million in the previous quarter. The region accounted for 42 percent of overall revenues and 50 percent of total order intake. By the end of the period, markets in Europe and Latin America represented close to 40 percent of Group order backlog.

Currently, opportunities in markets in Latin America are limited, a situation expected to persist in the short- to mid-term.

Europe is and will be an important market going forward. In Western Europe, advanced traffic control systems are implemented in many countries, and further development of these represent significant market potential going forward. Eastern European countries are still in an early phase, but represent significant potential longer term.

Q-Free is still experiencing higher-than-expected tag and reader demand in the Brazilian market, and also see increasing interest for the ATMS portfolio in this region.

QUARTERLY REVENUES BY REGION  
NOK MILLION



## THE NORDICS (NORDICS)

Revenues in the Nordic region amounted to NOK 74 million in the fourth quarter, down from NOK 61 million in the previous quarter. Order intake was NOK 58 million during the period, up from NOK 49 million in Q3. The region accounted for 29 percent of overall revenues and 19 percent of total order intake. The region represented around 30 percent of Group order backlog at the end of the 2014.

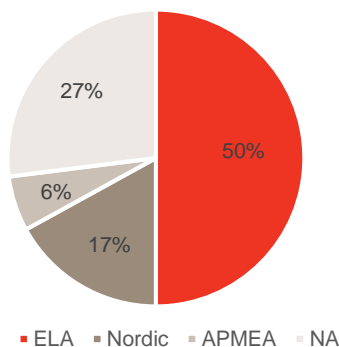
Markets in the Nordic region are all well developed and therefore important with regards to technology development, and as such a strong position in the Nordic region is a priority to Q-Free.

Q-Free sees stable Service & Maintenance activity in this region, and is now in the process of tendering new projects in Norway.

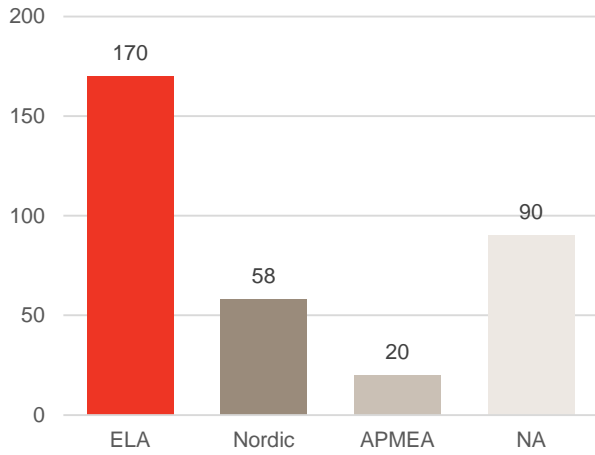
## ASIA, MIDDLE EAST AND AFRICA (APMEA)

Revenues in the APMEA region amounted to NOK 22 million in the fourth quarter, a doubling from NOK 11 million in the previous quarter. Order intake ended at NOK 20 million, compared to NOK 48 million in the previous quarter. The region accounted for 9 percent of overall revenues and 6 percent of total order intake. The region represented 10 percent of Group order backlog at the end of the period. Q-Free no longer believes that the ELE project in Jakarta will materialise in its current form.

Q4 2014 ORDER INTAKE DISTRIBUTION BY REGION (%)



Q4 2014 ORDER INTAKE BY REGION  
NOK MILLION

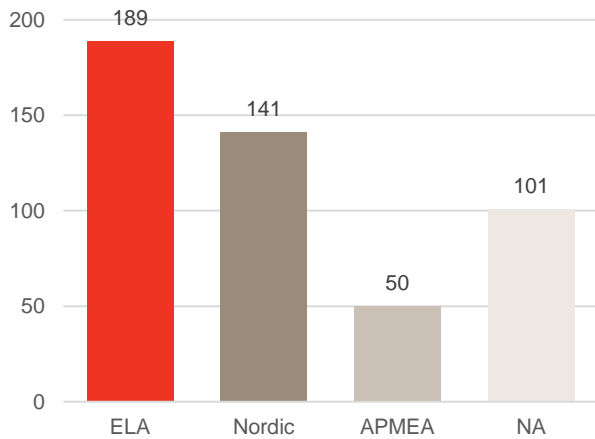


### NORTH AMERICA (NA)

The positive development in North America continued in the fourth quarter, with revenues increasing to NOK 53 million from NOK 20 million in Q3. The positive trend is also reflected through order intake, which ended at NOK 90 million, up from NOK 35 million in the previous quarter. The region hence accounted for 20 percent of overall revenues and 27 percent of total order intake. By the end of the quarter region NA accounted for 21 percent of Group order backlog.

Through recent acquisitions in the North American market, Q-Free has confirmed its ambitions as a complete supplier of Intelligent Transportation Systems (ITS). Further, building a strong position in the important North American market is vital for further growth.

ORDER BACKLOG BY REGION AS OF 31.12.14  
NOK MILLION



# OUTLOOK

The Road User Charging (RUC) and Advanced Transportation Management Systems (ATMS) markets represent a megatrend driven by a market demand for traffic efficiency, traffic safety, infrastructure financing, environmental friendly solutions, congestion management and improved efficiency of manual solutions.

Q-Free has a long history in the RUC market and has during the last two years made significant investments to build up a strong ATMS business. Following the acquisitions of TDC Systems, Traffic Design and Open Roads in 2014, the company is now present in all the targeted parts of the ATMS value chain.

Going forward, management will focus on realising synergies within the Group, maintain a cost containment focus, continue to broaden the sales pipeline and on growing the business further both with organic growth as well as add-on acquisitions.

The Profit Improvement Program carried out in 2013 established a lower cost base in the Group, which can be seen in the lower operating cost ratio in 2014. The company has taken further steps to strengthen its market position and the organisational changes are as they are taking effect expected to broaden the revenue base, reduce risk, and improve internal collaboration and efficiency going forward.



# FINANCIAL OVERVIEW

The condensed interim consolidated financial statements per 31.12.14 (unaudited):

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

## INTERIM CONSOLIDATED INCOME STATEMENT

NOK 1.000	Q4 2014	Q4 2013	FY 2014	FY 2013
<b>Revenues</b>	<b>257,697</b>	<b>150,352</b>	<b>788,584</b>	<b>606,072</b>
Cost of goods sold	79,633	51,901	282,173	224,791
Payroll expenses	77,721	37,990	230,917	196,727
Other operating expenses	74,164	94,328	190,750	216,353
<b>Total operating expenses</b>	<b>231,518</b>	<b>184,218</b>	<b>703,839</b>	<b>637,871</b>
<b>EBITDA</b>	<b>26,179</b>	<b>-33,866</b>	<b>84,745</b>	<b>-31,799</b>
Depreciation, amortisation and impairment	21,834	15,947	76,309	62,914
<b>EBIT</b>	<b>4,345</b>	<b>-49,814</b>	<b>8,436</b>	<b>-94,713</b>
Financial income	12,003	11,373	29,763	24,188
Financial expenses	-34,519	-9,243	-54,568	-27,434
Net financial items	-22,516	2,130	-24,805	-3,246
<b>Profit before tax</b>	<b>-18,171</b>	<b>-47,684</b>	<b>-16,369</b>	<b>-97,959</b>
Tax expenses	-27,893	-24,837	-30,397	-12,811
<b>Profit for the period</b>	<b>-46,064</b>	<b>-72,521</b>	<b>-46,766</b>	<b>-110,770</b>
Attributable to:	-24	-100	1,802	1,318
Minority interests	-46,040	-72,421	-48,568	-112,088
Equity holders of the parent	-46,064	-72,521	-46,766	-110,770
<b>Profit</b>				
Number of employees	399	291	399	291
Gross margin	69.1 %	65.5 %	64.2 %	62.9 %
EBITDA margin	10.2 %	-22.5 %	10.7 %	-5.2 %
EBIT margin	1.7 %	-33.1 %	1.1 %	-15.6 %
Profit margin	-7.1 %	-31.7 %	-2.1 %	-16.2 %
EPS (NOK)	-0.67	-1.07	-0.70	-1.65
EPS, diluted (NOK)	-0.66	-1.06	-0.70	-1.64

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK 1.000	Q4 2014	Q4 2013	FY 2014	FY 2013
Profit for the period	-46,064	-72,521	-46,766	-110,770
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	-4,899	172	4,527	-10,401
Net (loss)/gain on available-for-sale financial assets	1,217	1,470	1,217	1,470
- Income tax effect				0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:	-3,682	1,642	5,744	-8,931
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Actuarial gains (losses) on defined benefit plans	-9,638	-4,884	-9,638	-4,884
- Income tax effect		1,382	0	1,382
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:	-9,638	-3,502	-9,638	-3,502
<b>Total comprehensive income for the period</b>	<b>-59,384</b>	<b>-74,381</b>	<b>-50,660</b>	<b>-123,203</b>
<b>Attributable to:</b>				
Minority interests	-24	-100	1,802	1,318
Equity holders of the parent	-59,360	-74,281	-52,462	-124,521
<b>Total comprehensive income for the period</b>	<b>-59,384</b>	<b>-74,381</b>	<b>-50,660</b>	<b>-123,203</b>

## BALANCE SHEET - ASSETS

NOK 1.000	31.12.2014	30.09.2014	30.06.2014	31.03.2014	31.12.2013
Development	202,777	201,969	172,054	161,680	132,761
Goodwill	173,077	145,836	132,907	125,001	71,199
Deferred tax assets	18,680	21,553	28,951	28,860	32,319
<b>Total intangible assets</b>	<b>394,534</b>	<b>369,358</b>	<b>333,912</b>	<b>315,541</b>	<b>236,279</b>
Machinery, fixtures and fittings	51,799	60,433	61,108	63,252	63,071
<b>Total fixed assets</b>	<b>51,799</b>	<b>60,433</b>	<b>61,108</b>	<b>63,252</b>	<b>63,071</b>
Shares	13,001	11,035	14,165	14,809	15,317
Pension funds	0	0	0	0	0
Other long term receivables	2,158	2,072	2,660	2,323	5,064
Total financial fixed assets	15,159	13,106	16,825	17,132	20,381
<b>Total non - current assets</b>	<b>461,492</b>	<b>442,897</b>	<b>411,845</b>	<b>395,925</b>	<b>319,731</b>
Inventories	48,223	70,772	59,159	76,995	70,940
Total inventories	48,223	70,772	59,159	76,995	70,940
Accounts receivables	167,378	142,936	126,991	132,547	146,860
Work in progress	56,903	36,621	29,864	29,681	48,737
Other receivables	21,857	37,244	30,922	29,568	36,599
Total receivables	246,138	216,801	187,777	191,795	232,196
Cash	164,133	141,476	192,125	226,557	271,477
<b>Total current assets</b>	<b>458,494</b>	<b>429,049</b>	<b>439,061</b>	<b>495,347</b>	<b>574,613</b>
<b>Total assets</b>	<b>919,986</b>	<b>871,946</b>	<b>850,906</b>	<b>891,272</b>	<b>894,344</b>

## BALANCE SHEET - EQUITY &amp; LIABILITIES

NOK 1.000	31.12.2014	30.09.2014	30.06.2014	31.03.2014	31.12.2013
Subscribed share capital	26,143	26,143	26,143	25,830	25,830
Share premium reserve	426,956	426,956	426,956	415,554	415,554
Other paid in capital	20,529	20,529	20,529	20,529	20,529
Total paid in capital	473,628	473,628	473,628	461,912	461,913
Other equity	15,232	28,721	25,013	22,079	21,824
Total retained equity	15,232	28,721	25,013	22,079	21,824
Non-controlling interests	0	22,615	21,983	21,166	20,789
<b>Total equity</b>	<b>465,581</b>	<b>524,964</b>	<b>520,624</b>	<b>505,158</b>	<b>504,526</b>
Pension liabilities	18,293	12,736	11,951	11,277	12,925
Deferred tax	19,808	0	0	0	0
Debt to financial institutions	100,000	100,000	100,000	100,000	100,000
Other non-current liabilities	54,460	67,450	58,559	53,734	6,957
<b>Total non-current liabilities</b>	<b>192,561</b>	<b>180,185</b>	<b>170,510</b>	<b>165,011</b>	<b>119,882</b>
Accounts payable	74,155	60,136	27,023	80,781	74,933
Tax payable	8,201	5,733	7,495	6,472	9,590
Public duties payable	19,721	14,035	14,399	10,558	19,114
Advance payments customers	18,914	7,738	14,236	13,166	28,502
Other short term debt	140,853	79,154	96,619	110,127	137,797
<b>Total current liabilities</b>	<b>261,844</b>	<b>166,796</b>	<b>159,772</b>	<b>221,103</b>	<b>269,936</b>
<b>Total liabilities</b>	<b>454,405</b>	<b>346,981</b>	<b>330,282</b>	<b>386,114</b>	<b>389,818</b>
<b>Total equity and liabilities</b>	<b>919,986</b>	<b>871,946</b>	<b>850,906</b>	<b>891,272</b>	<b>894,344</b>

## CASH FLOW STATEMENT

NOK 1.000	Q4 2014	Q4 2013	FY 2014	FY 2013
Earnings before tax	-18,171	-47,684	-16,369	-97,960
Taxes paid	-2,817	-1,566	-10,198	-4,554
Depreciation / impairment	21,834	15,947	76,309	62,914
Other operational items	35,763	58,646	-10,297	7,033
<b>Cash flow from operating activities</b>	<b>36,609</b>	<b>25,343</b>	<b>39,444</b>	<b>-32,567</b>
Investments intangible assets	-17,241	-7,371	-37,345	-23,622
Investments tangible assets	3,289	-3,730	-7,863	-15,116
Acquisition of a subsidiary, net of cash acquired	0	0	-103,406	-7,107
Other investments	0	-9,445	0	-16,074
<b>Cash flow from investment activities</b>	<b>-13,952</b>	<b>-20,546</b>	<b>-148,614</b>	<b>-61,919</b>
Proceeds from new loans	0	0	0	0
Down payments of debt to financial institutions	0	0	0	0
Share issue	0	0	0	0
Other financial items	0	-3,853	1,826	-3,527
<b>Cash flow from financing activities</b>	<b>0</b>	<b>-3,853</b>	<b>1,826</b>	<b>-3,527</b>
Net change in cash and cash equivalents	22,657	944	-107,344	-98,013
Cash and cash equivalents beginning of the period	141,476	270,534	271,477	369,491
<b>CASH AND CASH EQUIVALENTS END OF THE PERIOD</b>	<b>164,133</b>	<b>271,477</b>	<b>164,133</b>	<b>271,477</b>

## STATEMENT OF CHANGES IN EQUITY

Equity attributable to equity holders of the parent

NOK 1.000	Sub- scribed share capital	Share premium reserves	Other paid in Capital	Other equity	Foreign currency translation reserve	Actuarial gains and losses	Available- for-sale reserve	Total	Non- controlling interests	Total equity
<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				-48,568	4,527	-9,638	1,217	-52,462	1,802	-50,661
Share issue arising from acquisitions	314	11,402						11,716	0	11,716
Sale on non-controlling interests				22,591				22,591	-22,591	0
<b>Equity per 31.12.14</b>	<b>26,144</b>	<b>426,955</b>	<b>20,529</b>	<b>17,597</b>	<b>-17,380</b>	<b>-11,570</b>	<b>3,305</b>	<b>465,581</b>	<b>0</b>	<b>465,581</b>
<b>Equity per 31.12.12</b>	<b>25,830</b>	<b>415,553</b>	<b>18,863</b>	<b>155,662</b>	<b>-11,505</b>	<b>1,570</b>	<b>618</b>	<b>606,593</b>	<b>24,316</b>	<b>630,909</b>
Total comprehensive income for the period				-112,088	-10,402	-3,502	1,470	-124,522	1,318	-123,203
Reclassification of non- controlling interests									-4,845	-4,845
Share issue arising from acquisitions			1,666					1,666		1,666
<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>483,737</b>	<b>20,789</b>	<b>504,526</b>

## KEY FIGURES

	Q4 2014	Q4 2013	31.12.2014	31.12.2013
Operating profit/EBIT per share (NOK)	0.06	0.01	0.12	-1.39
Operating margin (%)	1.7 %	0.5 %	1.1 %	-15.6 %
EPS (NOK)	-0.67	0.00	-0.70	-1.65
EPS, diluted (NOK)	-0.66	0.00	-0.70	-1.64
Cash flow per share (NOK)	0.53	0.00	0.57	-0.53
Equity per share (NOK)	6.73	7.42	6.73	7.42
Equity ratio (%)	50.6 %	56.4 %	50.6 %	56.4 %
Liquidity ratio	1.8	2.1	1.8	2.1
Average number of shares	68,798,142	68,769,297	69,190,654	67,972,419
Average number of shares, diluted	69,498,142	69,119,297	69,354,575	68,547,419

# RESPONSIBILITY 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 2014 and the financial information in this report that is relevant for 2014.

The report for 2014 has been prepared in accordance with IAS 34 Interim Financial Statements and additional disclosure requirements as stated in the Norwegian Verdpapirhandelloven (Securities Trading Act).

We confirm that, to the best of our knowledge, the condensed set of financial statements for 2014 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, February 11 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
Selma Kveim	Member
Monika Lie Larsen	Employee elected member
Anders Hagen	Employee elected member
Thomas Falck	CEO

# SELECTED NOTES TO FINANCIAL STATEMENTS

## NOTE 1 – GENERAL

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The consolidated condensed interim financial statements for the quarter ended December 31 2014 was approved by the Board of Directors at its meeting on February 11 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 will have approximately 400 employees with offices in 18 countries and presence on all continents after the closing of the Open Roads transaction. 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

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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 ended December 31 2014, 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 2013. The consolidated financial statements for 2013 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

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The consolidated financial statements of the Q-Free Group for the fourth quarter 2014 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 2013.

## NOTE 4 – USE OF ESTIMATES

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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

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

## NOTE 6 – FORWARD LOOKING STATEMENTS

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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

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Restated acquisition of Open Roads Consulting Inc., made in Q3-14.

Q-Free has signed a Share Purchase Agreement (SPA) for the acquisition of Open Roads Consulting Inc. for a cash consideration of approximately USD 7.2 million pending future financial performance. The financial effects from the purchase of the company are consolidated in the Group's figures per 30 September 2014. Date of signing of the acquisition was 17 July 2014, but was closed 30 September 2014. As of acquisition date Q-Free ASA controls 100% of the Open Roads shares, and has corresponding voting rights.

## Re-evaluated PPA per 31.12.14

Open Roads is a privately owned company established in 2000 in Virginia, USA. The company has 74 employees and operates mission critical traffic deployments and video based surveillance of critical assets in 30 states in the US. The company generated revenues of USD 12.8 million, EBITDA of USD 0.9 million and EBIT of USD 0.6 million in 2013, and will be consolidated into the accounts of Q-Free with effect from the end of the third quarter 2014.

Open Roads is a leading provider of off-the-shelf solutions, technology integration and full lifecycle support to help clients operate, manage, and protect critical assets. The company has two highly complementary business areas; the Intelligent Transportation Systems Division (ITSD) and the Integrated Security Systems Division (ISSD).

Intelligent Transportation Systems Division (ITSD):

Supports public sector clients through the design, deployment and maintenance of real-time systems that enhance mobility and enable the public to make smarter travel choices. Primary product offering is Open TMS, an extensible ATMS solution built around an open, modular architecture designed to support the dynamic traffic management marketplace.

Integrated Security Systems Division (ISSD):

Provides critical asset protection solutions for the US military Worldwide. Primary product offering is VICADS, a proprietary video management system designed specifically to exceed DoD performance requirements and is approved by the US Air Force for all priority levels of protection.

Further consideration is dependent on financial performance as part of 2014, 2015 and part of 2016, and is estimated to USD 4.0 million. Including earn-out payments, the total consideration is capped at USD 12.5 million.

The current operation in Open Roads is 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 Open Roads as at the date of acquisition:

<b>Assets</b>	<b>Book value</b>	<b>Adj.</b>	<b>Fair value</b>
<b>TNOK</b>	<b>30.09.2014</b>		<b>31.12.14</b>
Technology	17 645	11 872	29 517
Customer Relationships	0	5 047	5 047
Order Backlog	0	5 862	5 862
Goodwill	0	31 303	31 303
Machinery, fixtures	1 244		1 244
<b>Total fixed assets</b>	<b>18 889</b>	<b>54 084</b>	<b>72 973</b>
Accounts receivables	32 152		32 152
<b>Cash and equivalents</b>	<b>444</b>	<b>0</b>	<b>444</b>
<b>Current assets</b>	<b>32 596</b>	<b>0</b>	<b>32 596</b>
<b>Total assets</b>	<b>51 485</b>	<b>54 084</b>	<b>105 569</b>

<b>Liabilities and Equity</b>	<b>Book value</b>	<b>Adj.</b>	<b>Fair value</b>
<b>TNOK</b>	<b>30.09.2014</b>		<b>31.12.14</b>
<b>Equity</b>	<b>33 663</b>	<b>44 972</b>	<b>78 634</b>
Financial leasing	415	0	415
Deferred tax	0	9 112	9 112
<b>Long term liabilities</b>	<b>415</b>	<b>9 112</b>	<b>9 527</b>
Line of Credit - Bank	12 651	0	12 651
Accounts payable	1 327	0	1 327
Accruals	477	0	477
Misc liabilities	31	0	31
Other current liabilities	2 920	0	2 920
<b>Current liabilities</b>	<b>17 407</b>	<b>0</b>	<b>17 407</b>
<b>Total Equity &amp; Liabilities</b>	<b>51 485</b>	<b>54 084</b>	<b>105 569</b>

Three intangible assets are identified as follows:

Customer relationships, technology, and the value of existing order backlog. These three assets explain 58% 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.

# RISK FACTORS

Q-Free is an international technology company exposed to a number of different risk-factors. The following outlines the most prominent operational and financial risk factors and the main risk mitigation actions and measures.

## PROJECT RISK

Q-Free's order backlog typically include a substantial element of demanding large-scale project deliveries, which may involve considerable risk in terms of timing and costs. Q-Free holds in-depth knowledge of customer requirements as well as the boundaries of its own project capabilities, and seeks to reduce risk to a minimum in contract negotiations. The company experienced termination of a large contract in 2013, and will seek to further strengthen the project risk management function going forward.

## POLITICAL RISK

Road User Charging (RUC) projects and some ATMS projects are normally directly or indirectly subject to governmental concessions, and the company is exposed to political risk from lead identification through contract awards to final project implementation. Political risk often correlates with the scope and size of the project, such that large projects hence entails relatively more risk than smaller projects. Q-Free will seek to mitigate this risk through a broadening of its scope of business in the RUC market, and also believes that its entry into the ATMS market will add new revenue streams that are less exposed to political risk.

## TECHNOLOGY RISK

Q-Free is exposed to quality risk both related to the quality of own work and the quality of deliveries from subcontractors. Q-Free mitigates this risk through internal audits and a non-conformance reporting system ensuring that employees carry out their work in accordance with well-defined processes. Q-Free clearly states its quality expectations in contracts with subcontractors and carry out regular quality reviews.

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

## CURRENCY RISK

Q-Free reported revenues of NOK 606 million in 2013. NOK 462 million of this was generated outside of Norway, leaving Q-Free with a considerable foreign currency exposure. However, there has been no significant change in this composition in 2014. Q-Free also runs businesses outside of Norway, and buys a substantial share of required equipment abroad. This mitigated the Group's net foreign currency exposure to approximately 50 percent of this. The Group's most important trading currencies are NOK, USD, EURO and SEK.

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

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

## CREDIT RISK

Risk related to customers' ability to fulfil their financial obligations is generally considered to be low, given that the Group's main customers are government controlled entities in Norway or abroad, or relatively large and solid private companies. The company has historically had a low bad debt to accounts receivables ratio.

Sovereign risk related to governments failing to 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 only conducts business with parties with an acceptable credit record. The Group has guidelines to ensure that outstanding amounts are kept below given credit limits and that sales are made only to customers with no history for significant credit problems.

When Q-Free enters a new market, the credit risk will be assessed in each individual case and appropriate actions like letters of credit, Norwegian Export Credit Agency (GIEK) 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 Q 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 in the interest rate level.

The Group entered into a NOK 100 million loan agreement with Danske Bank during the first quarter of 2014. This loan is a three-year loan and the interest rate is linked to 3 months 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. 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 fourth quarter 2014 to be sufficient to cover the company's planned operations and investment requirements.

# 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

First quarter 2015	22.04.2015
Ordinary general meeting	20.05.2015
Second quarter 2015	20.08.2015
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
Selma Kveim	Board member
Monika Lie Larsen	Employee elected Board member
Anders Hagen	Employee elected Board member

## MANAGEMENT

Thomas Falck	CEO
Roar Østbø	CFO
Per Fredrik Ecker	VP APMEA
Pedro Bento	VP ELA
Pål-Rune Johansen	VP Nordics
Morten Andersson	VP ATMS and Acting VP NA
Marianne Sandal	VP RUC
Frank Kjelsli	VP Managed Services
Henrik Stoltenberg	Chief Strategy Officer
Stein-Tore Nybrodahl	HR Manager

## INVESTOR RELATIONS

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