

# Q1

PRESENTATION OF FIRST QUARTER 2017



LEADING THE WAY

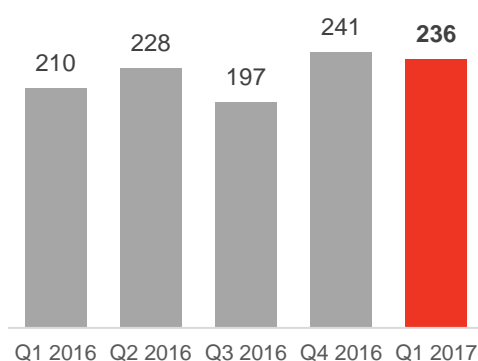


# HIGHLIGHTS

- 236 MNOK in revenues, up 12% YoY
- 16 MNOK in EBITDA, best quarter since Q3-15
- 165 MNOK in order intake – several unannounced orders with recurring revenues
- 1.3 bn NOK in order backlog, 479 MNOK scheduled for delivery in 2017
- OPEX as percent of revenues reduced with 6 percentage points YoY.

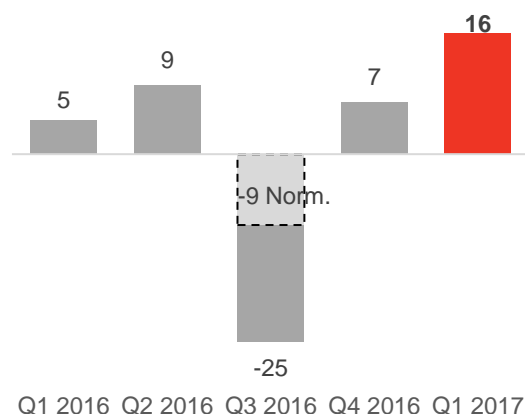
## REVENUES LAST 5 QUARTERS

MNOK



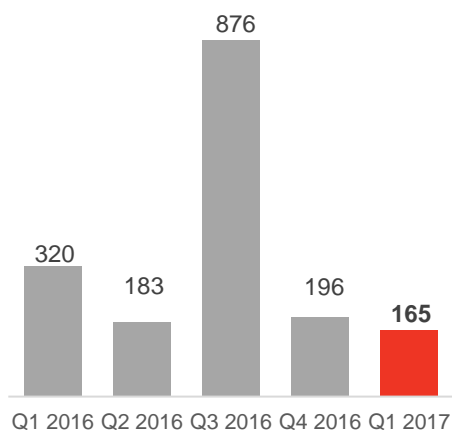
## EBITDA LAST 5 QUARTERS

MNOK



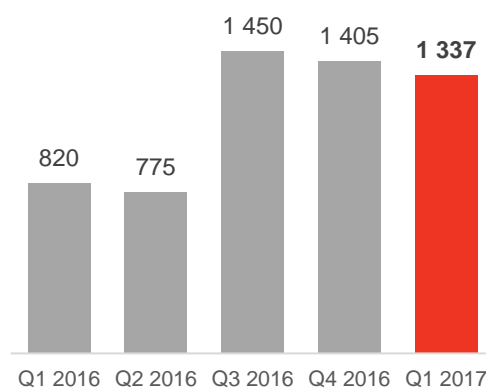
## ORDER INTAKE LAST 5 QUARTERS

MNOK



## ORDER BACK LOG LAST 5 QUARTERS

MNOK



# FINANCIAL REVIEW

## Key figures

NOK 1.000	Q1 2017	Q1 2016 *	Q/Q-%	FY 2016
<b>Revenues</b>	<b>235 666</b>	<b>210 286</b>	<b>12,1%</b>	<b>877 165</b>
<b>Gross profit</b>	<b>158 262</b>	<b>144 714</b>	<b>9,4%</b>	<b>580 684</b>
Gross margin - %	67,2%	68,8%		66,2%
Operating expenses	142 041	140 146	1,4%	585 030
<b>EBITDA</b>	<b>16 221</b>	<b>4 568</b>	<b>255,1%</b>	<b>-4 346</b>
EBITDA margin	6,9%	2,2%		-0,5%
Depreciation and amortisation	14 389	13 672	5,2%	54 761
<b>Operating profit - EBIT</b>	<b>1 832</b>	<b>-9 104</b>		<b>-59 107</b>
EBIT margin	0,8%	-4,3%		-6,7%
<b>Profit before tax</b>	<b>2 246</b>	<b>-11 814</b>		<b>-55 621</b>
Profit margin	1,0%	-5,6%		-6,3%
Profit after tax from continuing operations	-272	-7 779		-53 419
Profit after tax on discontinued operations	0	70		-30 213
<b>Profit for the period</b>	<b>-272</b>	<b>-7 709</b>		<b>-83 632</b>
<b>EPS</b>	<b>0,00</b>	<b>-0,11</b>		<b>-1,11</b>

## Profit and loss first quarter 2017

Q-Free generated revenues of 236 MNOK. This represented an increase of 12 percent from 210 MNOK in the first quarter of last year. The company recognized 43 MNOK from the Slovenia truck tolling contract. The ATMS service lines contributed with 110 MNOK in the quarter compared to 79 MNOK in the corresponding quarter last year.

Gross profit ended at 158 MNOK compared to 145 MNOK in Q1 last year. The increase is mainly due to higher revenues, as the margin was fairly stable.

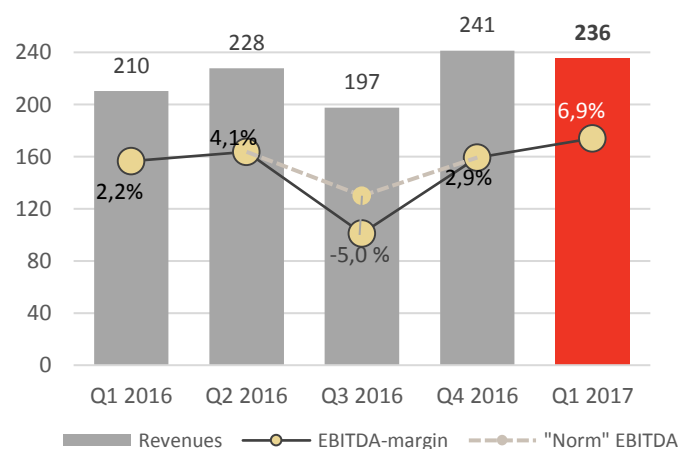
Operating expenses amounted to 142 MNOK versus 140 MNOK in Q1-16. The restructuring process carried out in Q4-16 is the main reason for the 6 percentage points drop YoY in operating expenses measured as a percentage of revenues (from 66% to 60%).

EBITDA in Q1-17 was 16 MNOK, up from 5 MNOK in the first quarter of 2016. The EBITDA-margin increased to 6.9% this quarter from 2.2% in Q1-16.

Depreciation and amortisation in Q1-17 was 14 MNOK, in line with the corresponding quarter last year.

Operating profit (EBIT) ended at 2 MNOK, up from -9 MNOK in Q1 last year.

QUARTERLY REVENUES AND EBITDA MARGIN  
MNOK & %



Net financial items in the quarter amounted to 0.4 MNOK, up from -3 MNOK in Q1-16 and down from 5 MNOK in Q4-16. The improvement versus last year is mainly related to lower financial costs on the back of favourable currency fluctuations.

Reported pre-tax profit was 2 MNOK compared to a pre-tax loss of 12 MNOK in the first quarter of 2016. The group's tax expenses were -3 MNOK versus 4 MNOK in Q1-16.

Earnings per share came in at 0 NOK versus - 0.11 NOK in Q1-16.

### Cash flow

Net cash flow from operating activities was -68 MNOK. This is a decrease from -28 MNOK in the first quarter of 2016. The negative development is explained by increased working capital requirements for the ongoing deployment of the nationwide Truck Tolling project in Slovenia and the VDOT project in US. This is according to the terms in the contracts with these customers, and will continue throughout the coming year. The cash impact during Q1-17 from restructuring provisions made in Q3-16 was -2 MNOK.

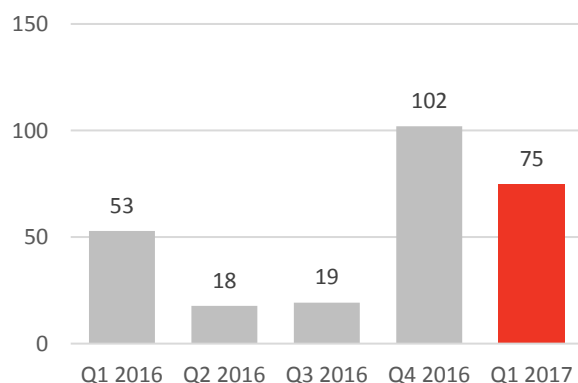
Net cash flow from investment activities was -3 MNOK compared to -3 MNOK in Q1-16, mainly reflecting investments of 6 MNOK in technology projects for tolling and parking, and 1 MNOK in other fixed assets. Cash flow from discontinued operations was net 4 MNOK during the quarter.

Net cash flow from financing activities was 48 MNOK versus 19 MNOK in Q1-16, reflecting increased credit facilities to finance the previously mentioned projects in Slovenia and Virginia.

The net change in cash and cash equivalents in the period was -27 MNOK compared to -12 MNOK in Q1-16. The cash balance at the end of Q1-17 was 75 MNOK versus 53 MNOK at the end of Q1-16 and 102 MNOK at the end of Q4-2016.

### QUARTERLY CASH FUNDS

MNOK



### Balance sheet

Total assets at the end of the quarter were 1 005 MNOK versus 977 MNOK at the end of Q1-16. This is up from 990 MNOK at the end of the fourth quarter 2016.

Total equity ended at 431 MNOK, up from 406 MNOK at the end of Q1-16 and slightly up from 427 MNOK at the end of the fourth quarter 2016. The equity ratio was 43 percent, in line with the 42 percent reported at the end of Q1-16 and the 43 percent at the end of the previous quarter.

Non-current liabilities were 280 MNOK. This is up from 153 MNOK at the end of Q1-16, but in line with 282 MNOK at the end of the fourth quarter of 2016. Future obligations to purchase shares in Intelight of 93 MNOK, liabilities related to pension schemes of 15 MNOK, and long-term debt to financial institutions of 150 MNOK represent most of the non-current liabilities. Q-Free confirms compliance at the end of the first quarter 2017 with bank loan covenants on the 150 MNOK loan from Danske Bank.

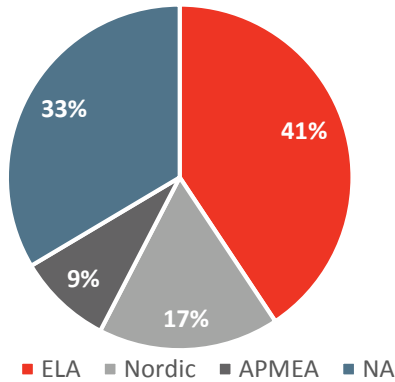
Short term interest-bearing debt to financial institutions was 128 MNOK at the end of the quarter. This is up from 79 MNOK at the end of Q4-16 and is driven by financing of the Truck Tolling project in Slovenia and the Inter-Urban project in Virginia. Available, unused credit facilities were 143 MNOK at the end of the first quarter 2017.

Current liabilities were 293 MNOK at the end of the first quarter, down from 418 MNOK at the end of Q1-16 and up from 263 MNOK at the end of Q4-16. The net increase of 30 MNOK from the previous quarter is mainly explained by an increase in the short-term debt to financial institutions of 48 MNOK and a decrease in accounts payable by 26 MNOK.

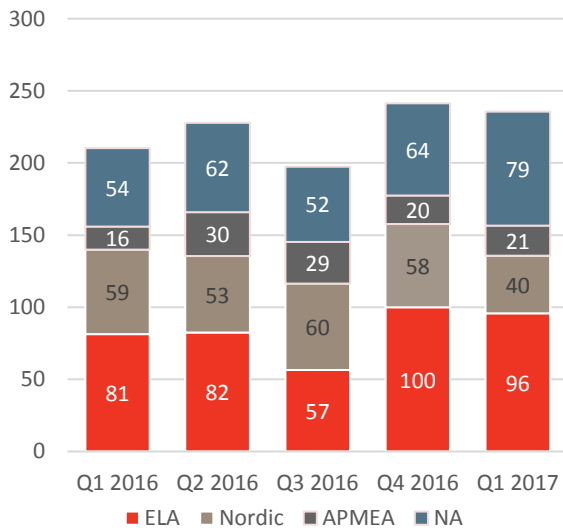
Net working capital (defined as current assets excluding cash less current liabilities, and excluding short-term overdraft facilities) amounted to 221 MNOK at the end of the quarter. The corresponding figure at the end of Q1-16 was 103 MNOK. Net working capital equals 25 percent of the revenues generated in the last 12 months. This is mainly due to a 43 MNOK effect from the Slovenia project. At the end of the fourth quarter of 2016, net working capital was 132 MNOK, or 15 percent of the revenues generated in the past 12 months. The ratio will vary between quarters depending on revenue mix and timing of payments. Overdue receivables have been reduced by approximately 25 percent since the end of the third quarter 2016.

# SEGMENT REVIEW

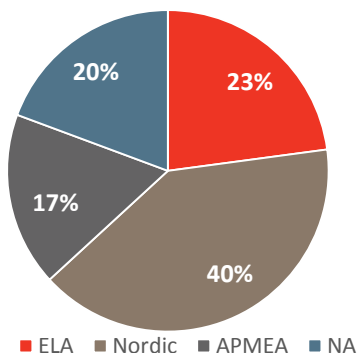
Q1 2017 REVENUE DISTRIBUTION BY REGION (%)



QUARTERLY REVENUES BY REGION  
MNOK



Q1-2017 ORDER INTAKE DISTRIBUTION BY REGION (%)



## Europe & Latin America (ELA)

ELA is our largest region. Q-Free is targeting tolling, parking, and infomobility opportunities across this region, which consists of both established markets such as Portugal, Spain, Chile, and France and developing markets such as Slovenia, Poland and Serbia.

Revenues amounted to 96 MNOK, up from 81 MNOK in Q1-16. The region accounted for 41 percent (39 percent) of Q-Free's total revenues in the quarter. During Q1-17 ELA benefited from the progress of the Slovenia truck tolling project, and from miscellaneous tag and project deliveries.

Order intake came in at 38 MNOK compared to 43 MNOK in the corresponding quarter of 2016. This represented 23 percent of Q-Free's total order intake in Q1-17. The region also accounted for 53 percent of the Group's order backlog at the end of the first quarter 2017.

## The Nordic region (NORDIC)

A significant part of Q-Free's revenues in the Nordic region is derived from contracts related to the AutoPASS tolling system in Norway and congestion charging systems in Sweden. In addition, Q-Free has several parking deployments.

Revenues in the region were 40 MNOK in Q1-17, down from 59 MNOK in Q1-16. This is mainly due to reduced activity in Norway during the quarter. The region accounted for 17 percent (28 percent) of Q-Free's overall revenues in the quarter.

The order intake was 66 MNOK, or 40 percent of the Group's total, during the period. This is down from 197 MNOK in Q1-16, when the NPRA in Norway signed a 170 MNOK contract extension for "Central System Norway". Important wins for Q-Free in Q1-17 were the extension of the S&M contract with Trafikverket in Gothenburg and new parking contracts. 22 percent of the Group's total order backlog at the end of the first quarter 2017 were in the Nordic region.

## Asia, Middle East and Africa (APMEA)

APMEA mostly consists of developing and immature traffic technology markets, with the exception of Australia. As in ELA and NORDIC, Q-Free targets tolling, parking, and infomobility opportunities.

Revenues in APMEA amounted to 21 MNOK in the first quarter, an increase from 16 MNOK in Q1-16. Revenues mostly came from various tolling and parking activities in Australia and upgrades of tolling infrastructure in Thailand. APMEA accounted for 9 percent (7 percent) of total Group revenues.



Order intake was 29 MNOK, compared to 12 MNOK in Q1-2016. This represented 17 percent of Q-Free's total order intake. Of the Group's order backlog at the end of Q1-17, APMEA accounted for 4 percent.

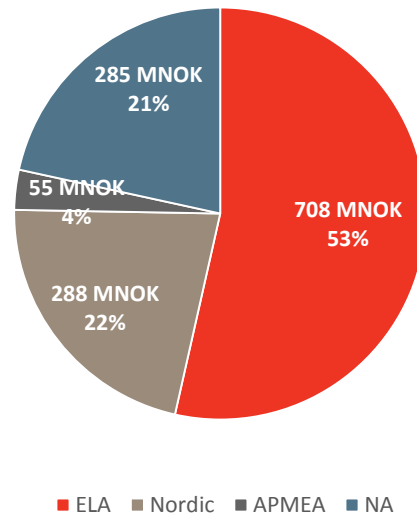
### North America (NA)

Besides APMEA, NA is Q-Free's most important growth market. Q-Free has a strong and growing business based on parking guidance solutions, smart intersection controllers, and inter-urban traffic management centre solutions. Q-Free is also targeting tolling and infomobility solutions, and hence has a very comprehensive offering in the region.

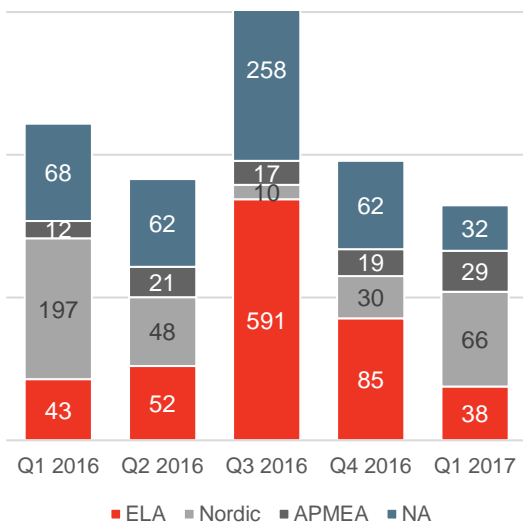
Revenues in NA came in at 79 MNOK, a 45 % increase from 54 MNOK in Q1-16. The region accounted for 33 percent (26 percent) of overall revenues. Q-Free generated revenues across all its target segments in North America in Q1-17, with strong contributions from VDOT and the urban service line.

Order intake, which amounted to 32 MNOK during the period, was down from 68 MNOK in Q1-17. Hence, 20 percent of Q-Free's total order intake came from NA. By the end of the first quarter 2017, NA accounted for 21 percent of the Group's total order backlog.

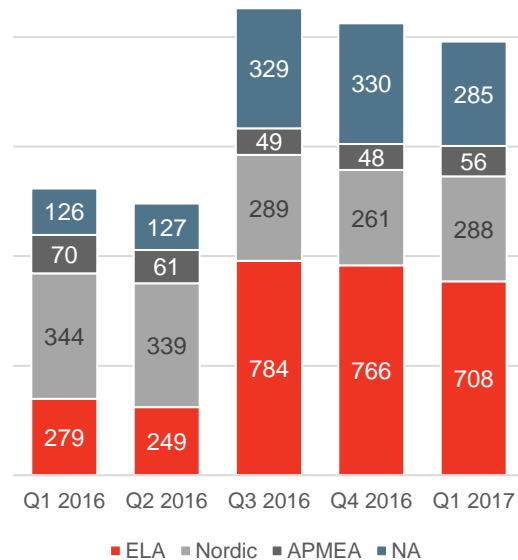
Q1-17 ORDER BACKLOG DISTRIBUTION BY REGIONS



Q1-17 QUARTERLY ORDER INTAKE BY REGION MNOK



ORDER BACKLOG BY REGION AS OF 31.03.17 MNOK



# SERVICE LINE REVIEW

## Global service lines

**TOLLING** comprises deliveries of tags, roadside equipment, and software systems for electronic toll collection and related service and maintenance agreements.

This service line was by far the largest contributor to overall revenues in Q-Free in the first quarter of 2017 with 126 MNOK or 54 percent (62 percent in Q1-16) of total Group revenues. Q-Free delivered 32 MNOK in products to Thailand, Australia, Chile, France, Iceland and Croatia, and 39 MNOK in service and maintenance contracts in Norway, Sweden, Portugal and Australia. In addition, TOLLING-system projects with a value of NOK 55 million were delivered in Norway, Chile, Slovenia (43 MNOK), the US, and Thailand.

New orders received in Q1-17 had a value of 112 MNOK, mostly related to additional S&M contracts in Norway and Sweden, tag orders in France, Chile and Croatia.

**PARKING** comprises central parking management and parking guidance systems.

Quarterly revenues were 22 MNOK, down from 29 MNOK in Q1-16 mainly due to lower activity in the US and Nordics. Most of the revenues were generated from deployment of parking guidance solutions in North America and parking management systems in NORDIC and ELA.

Q-Free is investing significant resources into developing next generation parking solutions and expect to broaden its market presence once these solutions are finalised during the second half of 2017. The first parking contract in Norway was signed during the quarter.

**INFOMOBILITY** mainly represents installations of traffic counters, cycle and pedestrian detection systems, journey time monitoring, and weigh-in-motion systems.

The first quarter showed revenues of 18 MNOK, in line with Q4-16 and the comparable quarter last year. Q-Free obtained several small orders in UK and North America in the quarter.

## Regional service lines

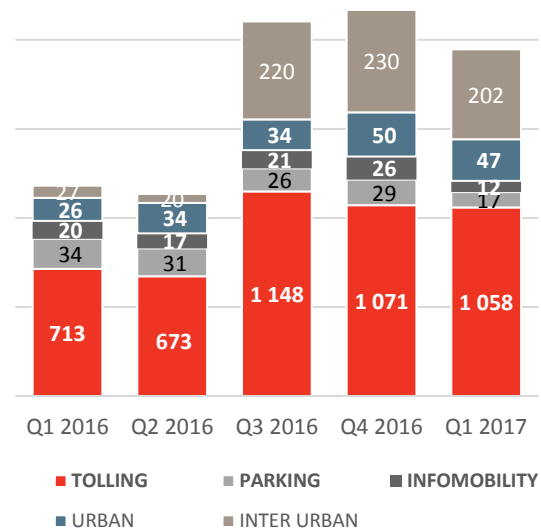
**URBAN** refers to intersection controller systems delivered to cities in the US and streetlights and traffic signs in Eastern Europe.

Q1-17 revenues of 37 MNOK represented a significant increase from last quarter and Q1-16. We experience strong sales YoY in NA of our intelligent traffic controller solutions.

**INTER-URBAN** consists of Traffic Management Centre solutions, mainly in the US.

Revenues in the first quarter 2017 were 32 MNOK compared to 13 MNOK in the corresponding quarter 2016. Growth was driven by the delivery of a centralized web-based traffic management system to Virginia Department of Transportation (VDOT), which has good progress during the quarter.

Q1-17 ORDER BACKLOG DISTRIBUTION BY SERVICE LINE MNOK

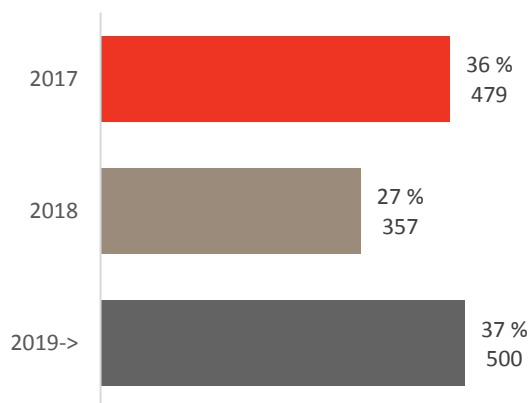


## Order intake and backlog

Total order intake in the first quarter of 2017 was 165 MNOK compared to 320 MNOK in Q1-16 (196 MNOK in Q4-16). All order intake were smaller contracts for recurring business. Tolling (112 MNOK) had the highest share of the received orders during the first quarter, but also Urban (35 MNOK) contributed positively.

Q-Free's order backlog at the end of Q1-17 was 1,337 MNOK, down 68 MNOK from 1,405 MNOK at the end of 2016, but still far ahead of the 820 MNOK at the end of Q1-16. 479 MNOK (36%) of the backlog is expected to be delivered during the remainder of 2017 and provides a solid foundation for 2017 revenue growth.

ORDER BACK LOG DISTRIBUTION AS OF 31.03.17  
MNOK



# OUTLOOK

Q-Free has previously communicated its target to increase revenues by at least 10 percent in 2017. With the progress the company is currently making on the Slovenia truck tolling and VDOT contracts and continued good momentum in our urban business, we maintain our revenue growth target for 2017.

In Q1-17 Q-Free won a number of smaller contracts with recurring revenues, but no single large contract was announced. However, with its competitive offering across multiple business segments, Q-Free is well positioned to win several medium and large tenders in the coming quarters that will increase the order intake and backlog.

Profitability in the first quarter of 2017 improved and represented an important step in restoring attractive margins. The EBITDA margin improved significantly year over year on the back of increased revenues and good cost control. With the expected growth in revenues and continued emphasis on cost management, Q-Free will show a healthy margin in 2017.

To become even more competitive, the company has initiated several activities to reduce cost of goods sold and will put additional resources behind these efforts. Reduced cost of goods sold will compensate for declining prices in some markets and increase margins in other markets with more stable competition.

With the payment of the Slovenia contract in 2018, the cash flow situation will be considerably improved. However, as previously communicated, Q-Free will not deliver a positive cash flow from operations in 2017 because of working capital requirements and agreed payment structure on the Slovenia and VDOT contracts.

Post Q1-17 Q-Free announced Fredrik Nordh as its new SVP Europe and Tor Eirik Knutsen as the new CFO. Both will join the company in September/October 2017. With the appointment of a new SVP Europe, Q-Free will simplify and streamline its regional structure. From 2018 the company will have 3 regions - AMERICA, EUROPE and APMEA.

# FINANCIAL OVERVIEW

The condensed interim consolidated financial statements per 31.03.17 (unaudited):

## INTERIM CONSOLIDATED INCOME STATEMENT

NOK 1.000	Note	Q1 2017	Q1 2016 *	FY 2016
Revenues	7	235 666	210 286	877 165
Cost of goods sold		77 404	65 572	296 481
Payroll expenses		85 065	79 351	308 241
Other operating expenses		56 976	60 795	276 789
Total operating expenses		219 445	205 718	881 511
EBITDA	7	16 221	4 568	-4 346
Depreciation, amortisation and impairment	8	14 389	13 672	54 761
EBIT	7	1 832	-9 104	-59 107
Financial income	9	7 240	4 743	39 711
Financial expenses	9	-6 826	-7 453	-36 225
Net financial items		414	-2 710	3 486
Profit before tax		2 246	-11 814	-55 621
Tax expenses		-2 518	4 035	2 202
Profit after tax from continuing operations		-272	-7 779	-53 419
Profit after tax on discontinued operations	10	0	70	-30 213
Profit for the period		-272	-7 709	-83 632
Attributable to :				
Equity holders of the parent		-272	-7 709	-83 632
Profit		-272	-7 709	-83 632
Number of employees		423	421	416
Gross margin		67,2 %	68,8 %	66,2 %
EBITDA margin		6,9 %	2,2 %	-0,5 %
EBIT margin		0,8 %	-4,3 %	-6,7 %
Profit margin		1,0 %	-5,6 %	-6,3 %
EPS (NOK)		0,00	-0,11	-1,11
EPS, diluted (NOK)		0,00	-0,11	-1,11

\* See note 10 Discontinued operations regarding restatement 2016.

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<b>NOK 1.000</b>	<b>Note</b>	<b>Q1 2017</b>	<b>Q1 2016</b>	<b>FY 2016</b>
Profit for the period		-272	-7 709	-83 632
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations		4 195	-14 785	-45 804
Net (loss)/gain on available-for-sale financial assets		0	0	2
- Income tax effect		0	0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:		4 195	-14 785	-45 802
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Actuarial gains (losses) on defined benefit plans		0	0	248
- Income tax effect		0	0	0
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods:		0	0	248
<b>Total comprehensive income for the period</b>		<b>3 923</b>	<b>-22 494</b>	<b>-129 186</b>
<b>Attributable to :</b>				
Equity holders of the parent		3 923	-22 494	-129 186
<b>Total comprehensive income for the period</b>		<b>3 923</b>	<b>-22 494</b>	<b>-129 186</b>

## BALANCE SHEET - ASSETS

<b>BALANCE SHEET - ASSETS</b>						
<b>NOK 1.000</b>	<b>Note</b>	<b>31.03.2017</b>	<b>31.12.2016</b>	<b>30.09.2016</b>	<b>30.06.2016</b>	<b>31.03.2016</b>
Development	8	175 943	178 746	183 548	195 839	199 400
Goodwill	8	316 361	316 285	327 647	343 059	344 960
Deferred tax assets		13 546	17 420	0	0	0
<b>Total intangible assets</b>		<b>505 850</b>	<b>512 451</b>	<b>511 195</b>	<b>538 898</b>	<b>544 360</b>
Machinery, fixtures and fittings		28 349	33 661	34 809	38 052	39 699
<b>Total fixed assets</b>		<b>28 349</b>	<b>33 661</b>	<b>34 809</b>	<b>38 052</b>	<b>39 699</b>
Shares		395	395	395	393	674
Other long term receivables		1 225	1 008	2 625	2 052	1 625
<b>Total financial fixed assets</b>		<b>1 620</b>	<b>1 403</b>	<b>3 020</b>	<b>2 445</b>	<b>2 299</b>
<b>Total non - current assets</b>		<b>535 819</b>	<b>547 515</b>	<b>549 024</b>	<b>579 395</b>	<b>586 358</b>
Inventories		69 381	66 327	68 773	79 785	96 612
<b>Total inventories</b>		<b>69 381</b>	<b>66 327</b>	<b>68 773</b>	<b>79 785</b>	<b>96 612</b>
Accounts receivables		150 698	142 425	150 797	172 898	132 016
Work in progress		131 699	75 807	83 254	75 621	69 375
Other receivables		35 296	31 646	36 578	39 013	40 012
<b>Total receivables</b>		<b>317 693</b>	<b>249 878</b>	<b>270 629</b>	<b>287 532</b>	<b>241 403</b>
Cash		74 973	101 474	19 195	17 686	52 911
<b>Total current assets</b>		<b>462 047</b>	<b>417 679</b>	<b>358 597</b>	<b>385 003</b>	<b>390 926</b>
Assets held for sale	10	7 524	25 225	0	0	0
<b>Total assets</b>		<b>1 005 390</b>	<b>990 419</b>	<b>907 621</b>	<b>964 398</b>	<b>977 284</b>

## BALANCE SHEET - EQUITY &amp; LIABILITIES

<b>NOK 1.000</b>	<b>Note</b>	<b>31.03.2017</b>	<b>31.12.2016</b>	<b>30.09.2016</b>	<b>30.06.2016</b>	<b>31.03.2016</b>
Subscribed share capital		33 905	33 905	27 124	27 124	27 124
Share premium reserve		578 307	578 307	451 252	451 252	451 252
Other paid in capital		20 529	20 529	20 529	20 529	20 529
Total paid in capital		632 741	632 741	498 905	498 905	498 905
Other equity		-201 918	-205 841	-168 502	-104 141	-92 501
Total retained equity		-201 918	-205 841	-168 502	-104 141	-92 501
Total equity		430 823	426 900	330 403	394 764	406 404
Pension liabilities		0	0	18 775	18 775	18 775
Deferred tax		14 658	15 003	3 453	10 608	6 582
Debt to financial institutions		150 000	150 000	150 000	150 000	0
Other non-current liabilities		115 818	116 690	95 593	99 820	128 007
Total non-current liabilities		280 476	281 693	267 821	279 203	153 364
Debt to financial institutions		127 658	79 457	123 894	66 756	182 256
Accounts payable		74 668	100 209	89 627	90 239	83 352
Tax payable		273	702	1 053	2 233	2 689
Public duties payable		10 679	16 647	10 492	19 783	10 109
Advance payments customers		20 149	11 677	17 648	19 557	18 454
Other short term debt		59 927	54 696	66 683	91 863	120 656
Total current liabilities		293 354	263 388	309 397	290 431	417 516
Total liabilities		573 830	545 081	577 218	569 634	570 880
Liabilities held for sale	10	737	18 438	0	0	0
<b>Total equity and liabilities</b>		<b>1 005 390</b>	<b>990 419</b>	<b>907 621</b>	<b>964 398</b>	<b>977 284</b>

## CASH FLOW STATEMENT

NOK 1.000	Note	Q1 2017	Q1 2016 *	FY 2016
Earnings before tax		2 246	-11 814	-55 621
Taxes paid		-1 563	-1 212	-7 336
Depreciation / impairment	8	14 389	13 672	54 761
Other operational items		-83 323	-28 456	-64 488
<b>Cash flow from operating activities</b>		<b>-68 251</b>	<b>-27 810</b>	<b>-72 684</b>
Investments intangible assets	8	-5 346	-3 184	-23 593
Investments tangible assets	8	-1 105	-700	-8 348
Acquisition of a subsidiary, net of cash acquired		0	0	-52 149
Cash flow from discontinued operations *	10	3 617	746	835
<b>Cash flow from investment activities</b>		<b>-2 834</b>	<b>-3 138</b>	<b>-83 255</b>
Proceeds from new loans		48 201	18 510	123 931
Down payments of debt to financial institutions		0	0	-58 220
Share issue		0	0	127 188
<b>Cash flow from financing activities</b>		<b>48 201</b>	<b>18 510</b>	<b>192 899</b>
Net change in cash and cash equivalent		-22 884	-12 438	36 960
Cash and cash equivalents per 01.01.		101 474	65 349	65 349
Transferred to Assets held for sale *		-3 617	0	-835
<b>CASH AND CASH EQUIVALENTS</b>		<b>74 973</b>	<b>52 911</b>	<b>101 474</b>

\* See note 10 Discontinued operations regarding restatement 2016.

## STATEMENT OF CHANGES IN EQUITY

NOK 1.000	Equity attributable to equity holders of the parent							Total
	Subscribed share capital	Share premium reserves	Other paid in Capital	Other equity	Foreign currency translation reserve	Actuarial gains and losses	Available-for-sale reserve	
Equity per 31.12.16	33 905	578 307	20 529	-270 163	76 402	-12 017	-63	426 900
Total comprehensive income for the period	0	0	0	-272	4 195	0	0	3 923
Share issue	0	0	0	0	0	0	0	0
<b>Equity per 31.03.17</b>	<b>33 905</b>	<b>578 307</b>	<b>20 529</b>	<b>-270 435</b>	<b>80 597</b>	<b>-12 017</b>	<b>-63</b>	<b>430 823</b>
Equity per 31.12.15	26 627	439 350	20 529	-179 884	122 206	-12 265	-65	416 499
Total comprehensive income for the period	0	0	0	-83 632	-45 804	248	2	-129 186
Share issue	7 278	138 957	0	-6 648	0	0	0	139 587
<b>Equity per 31.12.16</b>	<b>33 905</b>	<b>578 307</b>	<b>20 529</b>	<b>-270 163</b>	<b>76 402</b>	<b>-12 017</b>	<b>-63</b>	<b>426 900</b>

## KEY FIGURES

	Q1 2017	Q1 2016	FY 2016
Operating profit / EBIT per share (NOK)	0,02	-0,13	-0,78
Operating margin (%)	0,8 %	-4,3 %	-6,7 %
EPS (NOK)	0,00	-0,11	-1,11
EPS, diluted (NOK)	0,00	-0,11	-1,11
Cash flow per share (NOK)	-0,81	-0,40	-0,96
Equity per share (NOK)	4,83	5,80	5,67
Equity ratio (%)	42,9 %	41,6 %	43,1 %
Average number of shares	89 223 446	70 125 835	75 351 168
Average number of shares diluted	89 854 274	70 125 835	75 613 151

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

## NOTE 1 – GENERAL

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The consolidated condensed interim financial statements for the first quarter ended 31.03.2017 (unaudited) was approved by the Board of Directors at its meeting on 27 April 2017.

The Q-Free group provides world class-leading technology solutions to the global ITS market. Q-Free has delivered systems which are now operational in Europe, Asia Pacific, Middle East, Africa, North and South America. Q-Free has 423 employees, is headquartered in Trondheim Norway, and has local offices in 20 countries around the world. Q-Free ASA is a Norwegian public limited liability company, and has been listed on the Oslo Stock Exchange under the ticker QFR since 2002.

## NOTE 2 – STATEMENT OF COMPLIANCE

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These consolidated interim financial statements for 2017, 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, 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 the full annual financial statements of the Group and should be read in conjunction with the consolidated financial statements for 2016. The consolidated financial statements for 2016 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 2017 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 of 31 December 2016.

## NOTE 4 – USE OF ESTIMATES

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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.

## NOTE 5 – EVENTS AFTER THE BALANCE SHEET DATE

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No significant events, which are 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 the Board of Directors report for 2016.

## NOTE 7 – OPERATING SEGMENTS

The Group is organised into geographical areas based on the location of the customer, and has four SEGMENTS as follows:

- **ELA** (Europe, Latin America)
- **APMEA** (Asia Pacific, Middle East and Africa)
- **NORDIC** (Norway, Sweden, Denmark, Finland, Iceland and the Faroe Islands.)
- **NA** (USA and Canada)

Corporate Group management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Regional performance is evaluated based on KPI's related to order inflow, profitability, cash flow and working capital and is measured on a monthly basis.

NOK 1.000	Q1 2017				Other / Group	TOTAL Q1-17	Q1 2016				Other / Group	TOTAL Q1-16
	ELA	APMEA	NORDIC	NA			ELA	APMEA	NORDIC	NA		
<b>Revenues</b>	<b>130 574</b>	<b>25 618</b>	<b>44 292</b>	<b>81 513</b>	<b>-46 331</b>	<b>235 666</b>	<b>92 642</b>	<b>23 752</b>	<b>65 670</b>	<b>59 131</b>	<b>-30 910</b>	<b>210 286</b>
<b>Gross profit</b>	<b>71 503</b>	<b>14 106</b>	<b>38 362</b>	<b>56 616</b>	<b>-22 325</b>	<b>158 262</b>	<b>53 204</b>	<b>9 567</b>	<b>49 338</b>	<b>48 101</b>	<b>-15 496</b>	<b>144 714</b>
Gross margin - %	54,8%	55,1%	86,6%	69,5%	48,2%	67,2%	57,4%	40,3%	75,1%	81,3%	50,1%	68,8%
Operating expenses	40 801	14 107	22 960	45 656	18 517	142 041	29 140	13 845	23 858	52 731	20 572	140 146
<b>EBITDA</b>	<b>30 702</b>	<b>-1</b>	<b>15 402</b>	<b>10 959</b>	<b>-40 842</b>	<b>16 220</b>	<b>24 064</b>	<b>-4 277</b>	<b>25 479</b>	<b>-4 630</b>	<b>-36 068</b>	<b>4 568</b>
EBITDA margin	23,5%	0,0%	34,8%	13,4%	88,2%	6,9%	26,0%	-18,0%	38,8%	-7,8%	116,7%	2,2%
Depreciation, amortisation and impairment	3 250	147	5 786	5 206	0	14 389	3 893	102	4 215	5 462		13 672
<b>Operating profit - EBIT</b>	<b>27 452</b>	<b>-148</b>	<b>9 617</b>	<b>5 753</b>	<b>-40 842</b>	<b>1 832</b>	<b>20 171</b>	<b>-4 379</b>	<b>21 265</b>	<b>-10 092</b>	<b>-36 068</b>	<b>-9 104</b>
EBIT margin	21,0%	-0,6%	21,7%	7,1%	88,2%	0,8%	21,8%	-18,4%	32,4%	-17,1%	116,7%	-4,3%

## NOTE 8 – DEPRECIATIONS, AMORTISATIONS AND IMPAIRMENTS

NOK 1.000

Depreciations, amortisations and impairments	Q1 2017	Q1 2016	FY 2016
Capitalised development cost	5 391	3 336	16 525
Capitalised acquired development cost	5 253	6 408	22 403
Other	3 745	3 928	15 833
<b>Total</b>	<b>14 389</b>	<b>13 672</b>	<b>54 761</b>

Specifications of capital expenditures, balance sheet	Q1 2017	Q1 2016	FY 2016
Capitalised development cost	5 346	3 184	23 593
Other	1 105	700	8 348
<b>Total</b>	<b>6 451</b>	<b>3 884</b>	<b>31 941</b>

## NOTE 9 – FINANCIAL ITEMS

NOK 1.000

All financial impact from changes in working capital items is classified as financial items.

Financial items	Q1 2017	Q1 2016	FY 2016
Realised agio / disagio	514	-1 423	5 995
Unrealised agio / disagio	2 389	-1 332	-7 248
Currency effects earn-out	0	2 180	2 625
Change earn-out	0	0	14 123
Other financial income	1 082	293	1 475
Other financial expenses	-3 571	-2 428	-13 484
<b>Total</b>	<b>414</b>	<b>-2 710</b>	<b>3 486</b>

## NOTE 10 – DISCONTINUED OPERATIONS

The divestment of Q-Free's security business Prometheus Security Group Global Inc. (PSG) was closed in February 2017, and all contracts, employees and other assets have been transferred to the new owner. Consequently, PSG has been excluded from Q-Free's consolidated accounts on continued operations with effect from fourth quarter 2016 and reported separately as "discontinued operations". Comparable figures for 2016 have been reclassified to "discontinued" operations. The fair value of the assets and liabilities relating to PSG is classified as assets and liabilities held for sale. Q-Free is in process of closing the agreement and the total effect is expected to be included in Q2 2017.

Interim consolidated income statement discontinued operations	Q1 2017	Q1 2016	FY 2016
Revenues	0	8 686	45 045
Cost of goods sold	0	1 176	13 969
Payroll expenses	0	4 372	17 228
Other operating expenses	0	2 058	13 369
Total operating expenses	0	7 606	44 566
EBITDA	0	1 080	479
Depreciation, amortisation and impairment	0	1 013	30 838
EBIT	0	67	-30 359
Financial income	0	3	146
Net financial items	0	3	146
Profit before tax	0	70	-30 213
Tax expenses	0	0	0
<b>Profit after tax from discontinued operations</b>	<b>0</b>	<b>70</b>	<b>-30 213</b>

Cash flow from discontinued operations	Q1 2017	Q1 2016	FY 2016
Earnings before tax	0	70	-30 213
Depreciation / impairment	0	1 013	30 838
Other operational items	-2 686	926	5 675
Cash flow from operating activities	-2 686	2 009	6 300
Investments in intangible assets	0	-1 263	-5 465
Other investments	6 303	0	0
Cash flow from investment activities	6 303	-1 263	-5 465
Cash flow from financing activities	0	0	0
Cash flow from discontinued operations	3 617	746	835
Cash and cash equivalents per 01.01.	835	0	0
<b>Cash and cash equivalents from discontinued operations</b>	<b>4 452</b>	<b>746</b>	<b>835</b>

Assets held for sale	31.03.2017	31.03.2016	31.12.2016
Development	0	0	9 824
Machinery, fixtures and fittings	0	0	907
Inventories	0	0	1 852
Accounts receivables	0	0	4 043
Work in progress	0	0	7 686
Other receivables	3 072	0	78
Cash	4 452	0	835
<b>Assets held for sale</b>	<b>7 524</b>	<b>0</b>	<b>25 225</b>

Liabilities held for sale	31.03.2017	31.03.2016	31.12.2016
Deferred tax	0	0	1 951
Accounts payable	0	0	5 814
Public duties payable	0	0	219
Other short term debt	737	0	10 454
<b>Liabilities held for sale</b>	<b>737</b>	<b>0</b>	<b>18 438</b>

## NOTE 11 – 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
- Political risk
- Technology risk
- Risk of corruption
- Financial risks such as:
  - Currency risk
  - Credit risk
  - Interest risk
  - Liquidity risk

These risk factors are all outlined in the Annual Report 2016, note 4.

## NOTE 12 – RELATED PARTY TRANSACTIONS

There are no significant related party transactions for Q-Free Group in Q1-17.

## NOTE 13 – CONTINGENT LIABILITY

Q-Free has an ongoing discussion with one of its customers related to the invoicing principles for Q-Free deliveries prior to 2015. Q-Free has currently not sufficient certainty with regards to the resolution of these discussions and has therefore no basis for considering any provision in the accounts.

# KEY INFORMATION

## **Q-FREE ASA**

POB 3974 Leangen  
7443 Trondheim  
Norway

Homepage: [www.q-free.com](http://www.q-free.com)  
Email: [info@q-free.com](mailto:info@q-free.com)  
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 2017 : 28.04.2017  
Second quarter 2017 : 14.07.2017  
Third quarter 2017 : 26.10.2017  
Fourth quarter 2017 : 15.02.2018





LEADING THE WAY