2014

ANNUAL REPORT

Q FREE

12.02.2015 | Q4-14
22.04.2015 | Q1-15
20.05.2015 | Annual General Meeting, Oslo
18.08.2015 | Q2-15
22.10.2015 | Q3-15
12.02.2016 | Q4-15

Quarterly presentations will be held at Hotel Continental, Stortingsgaten 24, Oslo. The presentations will be web casted live at www.q-free.com
For further information, please contact ir@q-free.com

CONTENT

ABBREVIATIONS

AET All Electronic Tolling
ALPR Automatic Licence Plate Recognition
ATMS Advanced Transportation Management Systems
CC Congestion Charging
CALM Communication Access For Land Mobiles
CEN Comité Européen De Normalisation (European Committee For Standardisation)
CBO Commercial Back Office
DSRC Dedicated Short Range Communication
EFC Electronic Fee Collection
EIP Enhanced Image Processing
ELE Electronic Law Enforcement
ERI Electronic Registration Identification
ETC Electronic Toll Collection
GNSS Global Navigation Satellite System
GPS Global Positioning System
GSM Global System For Mobile Communications
ITS Intelligent Transport Systems
MLFF Multi Lane Free Flow
MTC Manual Toll Collection Systems
OBO Operational Back Office
OCR Optical Character Recognition
OBU On-Board Unit
ORT Open Road Tolling
RFID Radio Frequency Identification
RFQ Request For Qualification
PGS Parking Guidance Systems
PKG Parking
RUC Road User Charging
SGFF Single Gantry Free Flow
TMC Transportation Management Centre

KEY FIGURES

For the year ended 31.12.2014

	2010	2011	2012	2013	2014
PROFIT & LOSS ACCOUNT (NOK)					
Revenues	568 044	704 912	597 532	606 072	788 684
Cost of goods sold	268 233	296 491	227 090	224 791	282 173
Operating expenses	329 231	301 012	376 434	413 080	421 667
EBITDA	-29 419	107 409	-5 991	-31 799	84 745
EBIT	-90 373	58 907	-55 306	-94 713	8 436
PROFIT BEFORE TAX	-79 593	54 916	-44 623	-97 959	-16 369
PROFIT AFTER TAX	-56 848	36 187	-31 979	-110 770	-26 958
GM %	52,8 %	57,9 %	62,0 %	62,9 %	64,2 %
EBITDA %	-5,2 %	15,2 %	-1,0 %	-5,2 %	10,7 %
EBIT %	-15,9 %	8,4 %	-9,3 %	-15,6 %	1,1 %
SELECTED BALANCE SHEET ITEMS (NOK)					
Intangible fixed assets	186 897	182 902	244 387	236 279	414 342
Tangible fixed assets	63 261	53 302	66 320	63 071	51 799
Cash	85 724	439 788	369 491	271 477	164 133
Total assets	687 715	928 670	941 699	894 344	939 794
Equity (incl minority)	499 418	636 746	630 908	504 526	485 389
Interest bearing debts	622	100 000	100 000	100 000	100 000
KEY FIGURES PER SHARE (NOK)					
Earnings per share, ordinary	-0,94	0,58	-0,51	-1,65	-0,42
Earnings per share, diluted	-0,92	0,57	-0,51	-1,64	-0,41
Cashflow	-2,01	3,19	-0,29	-0,48	0,92
Book Equity	8,29	10,57	9,34	7,42	7,08
Market cap as at 31.12 (MNOK)	1 042	1 106	1 298	952	688
Average no of shares	60 247	60 247	67 541	67 972	68 574
OTHER KEY FIGURES					
Order backlog	575 132	461 661	437 408	379 194	481 192
Order Intake	601 950	591 355	573 365	548 060	889 792
Return on capital employed (ROCE)	0,83	0,76	0,63	0,68	0,84
Net interest bearing liabilities	622	100 000	100 000	100 000	100 000
Cash flow from operations	-120 849	192 169	-19 886	-32 567	63 310
Operational investment	66 996	37 722	54 195	37 738	69 074
Equity ratio	73 %	69 %	67 %	56 %	52 %
Gearing	0,1 %	10,8 %	10,6 %	11,2 %	10,6%
Number of employees	282	273	305	291	399
Price / book value	2,09	1,74	2,06	1,89	1,42

VISION

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

KEY FACTS

Q-Free is a leading global supplier of products and solutions for Road User Charging and Advanced Transportation Management. The company has 400 employees with presence on all continents. Headquartered in Trondheim, Norway. Q-Free is listed on the Oslo Stock Exchange with the ticker QFR.

HISTORY IN SHORT

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

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

The company carried out an R&D program in cooperation with the Norwegian Road Authority in 1986-88, and the partners in 1988 deployed the world's first full-speed, non-stop electronic toll collection system at Ranheim in Trondheim.

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

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

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

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

HQ
IN NORWAY

PRESENCE IN
18
COUNTRIES

400
EMPLOYEES

- 1984 – Q-Free established as Micro Design
- 1986 – Contract with Norwegian Public Roads Administration
- 1988 – First free flow tolling system operational
- 1990 – Contract for Oslo Toll Cordon
- 1995 – 5.8 GHz system installed in Portugal
- 1997 – Establishment of the European CEN DSRC standards
- 1999 – Breakthrough in Australia and Brazil
- 2001 – First fully interoperable free flow tolling operation, AutoPASS Norway
- 2005 – Stockholm congestion charging system delivered
- 2006 – Q-Free changing to a complete end-to-end solution provider
- 2008 – Acquisition of Dacolian and Building Capital
- 2009 – Slovakia Truck Tolling & Aenor MLFF Portugal
- 2011 – Positioned for breakthrough in Indonesia
- 2012 – Awarded Gothenburg congestion charging project; Acquisition of TCS International
- 2013 – Increasing focus on the Advanced Transportation Management market; Acquisition of Elcom
- 2014 – Acquisition of TDC Traffic Design Open Roads

THOMAS FALCK | CEO

IN THE **HEART** OF TRAFFIC MANAGEMENT

Leading the development of advanced traffic technologies and bringing them to the world has been our mission and core business since Q-Free was established 30 years ago.

"At Q-Free every decision we make is about creating and providing advanced technology solutions for our customers - to help them improve traffic conditions, reduce accidents and emissions and contribute positively to local economies and overall quality of life."

A TRANSITION YEAR FOR Q-FREE

In 2014, Q-Free undertook some much-needed strategic change. We reorganised into four regions to get closer to our clients. We decided to become less reliant on certain technologies and become more technology-agnostic, and we decided to pursue also mid-sized project opportunities. We established a Managed Services business area, and we sold out of NOCA AS.

Furthermore, we continued on the path of building Advanced Transportation Management Systems (ATMS) into a significant business area within the company. We also welcomed TDC, Traffic Design and Open Roads with all their employees and customers into the Q-Free.

Despite these changes Q-Free delivered a 30 percent top-line growth, profitability at the EBITDA level and positive operational cashflow. I am proud of the organisations's ability to adapt to the changes and deliver on our new goals. The improving spirit, the focus on winning business and on collaborating across the organisation impresses me. Many different offerings, technologies, nationalities and cultures are finding a new home within Q-Free. In the months and years to come, we will continue to explore each other's strengths and utilize these proactively in order to pursuit to assist our customers across the world.

"At Q-Free every decision we make is about creating and providing advanced technology solutions for our customers – to help them improve traffic conditions, reduce accidents and emissions and contribute positively to local economies and overall quality of life."

LOOK TO THE USA

The already stressed transport infrastructure in the US is going to face even greater challenges in the years to come. Traffic volumes will be further increased by the needs of a population, which the Census Bureau says will grow by 40 percent over the next four decades. Americans already spend considerably more time commuting than most Europeans and a greater amount of time spent on low-quality road infrastructure makes for a deadlier transport network. In short, the US will have to spend more on traffic management systems and technologies.

This is partly why the acquisition of Open Roads is important to Q-Free. Open Roads is a company with a strong market position in the US and the acquisition provides an organisational platform for further growth and penetration into the US. I am excited about the long-term opportunities that are arising from this acquisition.

AN ITS COMPANY EMERGING

In 2015 and beyond, you should see Q-Free gaining recognition as a leading player in traffic management and you will gradually see an ITS leader emerging. We intend to bring to market a number of new applications and technology concepts. These offerings will provide real-time information and innovative services for different aspects of transportation and traffic management. They allow safer, better coordinated, and 'smarter' use of transport networks and traffic infrastructure.

For our clients, we at Q-Free remain committed to delivering the advanced traffic technologies and services, which they need to succeed. We need to improve our delivery capability further and to strengthen our client relations further by building upon the existing relationships and our distribution channels.

For our professionals we continue to pursue our vision to consistently develop and deliver advanced traffic management technologies which improves traffic conditions around the world and in so doing benefit of local economies, traveler safety and the environment.

We will do that based upon our core values that were defined by our employees in 2014 – Excellence, Passion, Innovation and Collaboration.

For our shareholders we are committed to further improvement. We need to continue to follow the path of predictable profitable growth and to keep on delivering on the strategy set by us.

In short, we seek to further help our clients succeed, provide our professionals with exiting careers and offering our shareholders improving returns.

I am personally very excited by our vision to consistently develop and deliver advanced traffic management technologies, which improve traffic conditions and quality of life around the world.

LEADING THE WAY

LEADING THE WAY

Q-Free is a global supplier of traffic technology. Our technology and solutions assist companies and governments in addressing the challenges arising from urbanisation and increasing traffic.

We are 400 dedicated employees. Our headquarter is located in Trondheim, Norway, and we have multiple offices around the globe. Throughout our 30 years of history, we have delivered systems which are now operational in Europe, Asia-Pacific, the Middle East, Africa and in North- and South America.

Our goal is to help reduce time lost in traffic by improving the opportunities to manage traffic real time. This leads to improved traffic conditions, smoother flow of traffic, less pollution, fewer accidents and improved access to road infrastructure. We wish to build a company that our professionals are proud of and we wish consistently to deliver value to our shareholders.

Throughout our first 30 years our particular area of expertise has been in Road User Charging:

Road User Charging (RUC) solutions reduce traffic volumes while enabling funds for maintaining and building high quality road infrastructure to reduce pollution, improve traffic safety and increase time efficiency. As the number of cities are increasing and quickly getting bigger worldwide, traffic regulation systems become increasingly important tools for traffic congestion management. Our RUC solutions have gained ground in several markets all over the world.

Our strategy is now also to build a strong position within Advanced Transportation Management Systems, which is a growth area complementing our business in the Road User Charging market.

Advanced Transportation Management System (ATMS) comprises gathering, processing and communication of traffic information, enabling real time management of traffic to improve the environment, traffic efficiency and traffic safety based on an open systems approach. Real-time information from various sensors such as cameras, radio systems, vehicle- and environmental sensors, etc., flow into a Transportation Management Centre (TMC). This information is integrated and processed (e.g. for incident detection), and may prompt actions (e.g. traffic routing) with the aforementioned goal of improving safety, sustainability and traffic efficiency.

To establish ourselves in this field we have made a number of acquisitions within the ATMS area. The ATMS market is very large and less political in nature. ATMS is based on a holistic systems philosophy, where synergies from combining legacy and advanced new components will lead to qualitatively better solutions.

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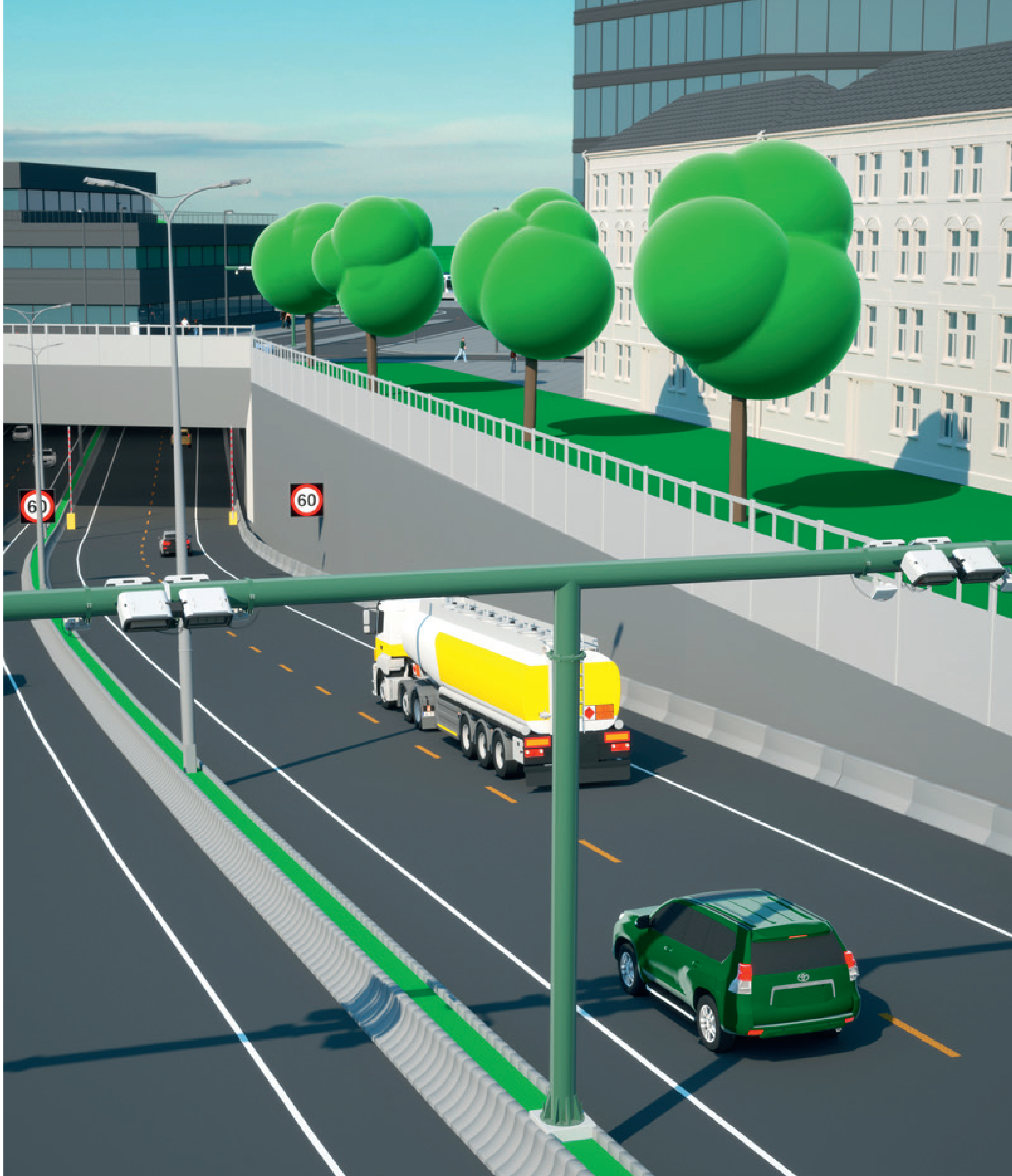
In order to improve Q-Free`s financial robustness and predictability, reduce our dependence on large individual tolling projects and strengthen the long-term growth platform, we plan to push further into Advanced Transportation Management Systems, both through acquisitions and organically. We will thus continue to develop the ATMS business both organically and through selective acquisitions building a portfolio to address this attractive market.

In the longer-term, we expect that the markets for Road User Charging and Advanced Transportation Management Systems will converge into a joint market for Intelligent Transport Systems (ITS) both technically and commercially. Q-Free's goal is to build a strong position in the wider intelligent transport area and our ambition is that we in the future will become a globally preferred partner in ITS.
Intelligent Transportation Systems (ITS) is the integration of information and communication technologies in the transportation system, to improve safety, efficiency and sustainability.

Companies and government are working in tandem to address the current transportation challenges in the present fiscal-constrained environment. Significant investments are now being made in ITS to develop cost-effective measures that can increase transportation system efficiency, enhance mobility, improve safety, reduce fuel consumption and environmental cost and increase economic productivity.

The entire chain from vehicle detection system, radio communications, traffic information systems and sensors, variable message signs and up to traffic control centres are essential elements in an intelligent transportation system, all of which improve the efficiency and reliability of the transportation infrastructure. Q-Free seeks to support all common navigation and communication technologies that are used.



Stepheni Lim
Sales Manager, Q-Free Malaysia
Joined Q-Free in 2005
Malaysian

AN **ITS** COMPANY EMERGING

In 2015 we will continue building our ATMS business and we will continue our R&D efforts to stay at the forefront of market developments with a broader portfolio.

Throughout our 30 years' history product capabilities has been key and our R&D efforts are vital to staying on top of the market. We have established a strong position as a product manufacturer and a product sales company. As our customers are becoming more and more advanced, a reorientation towards solutions sales and advanced services has been started. Our targeted acquisitions during the last couple of years have been key in this effort. The acquired technologies, products and systems software solutions provide natural extensions of our solutions portfolio.

The global intelligent transportation system (ITS) market is estimated to grow from USD 18 billion in 2014 to USD 34 billion in 2020, corresponding to a compounded annual growth rate of 11.3 percent in the same period according to Markets And Markets.

Advanced traffic management system (ATMS) is the most important contributor to the overall market for intelligent transportation system and the ATMS market is expected to reach USD 12 billion in 2020.

Currently congestion management, traffic network efficiency, infrastructure financing, environmentally friendly solutions, automation and increased efficiency of manual solutions and safety requirements represent the most important market drivers. In the years to come we see that the road infrastructure and traffic managers will need to cater for self-driving connected cars, and automakers pushing active safety, and a zero vision political target for accidents.

Q-Free offers a complete range of versatile products, turnkey solutions and professional services based on the most advanced and cost-effective technologies. We are committed to open architecture and the general usability of our systems. Our specific product offerings are distributed in the two main business areas – Road User Charging and Advanced Transportation Management Systems. In addition, we have established a third business area – Managed Services – which is now in the process of defining and building a portfolio of defined managed services offerings.

ROAD USER CHARGING

ELECTRONIC FEE COLLECTION

We deliver RUC systems ranging from conventional tolling with mixed operations of manual, semi-automatic and electronic toll charging to full free-flow Electronic Fee Collection (EFC) solutions. Our systems are fully capable of integrating with existing installations and systems, enabling a future migration of manual and semi-automated operations to an optimised EFC solution. Our versatile EFC solution is built on modular systems that incorporate cutting-edge technology, covering applications ranging from large highway projects, tunnel installations, to congestion charging systems in urban areas. A scalable back office solution and an experienced, hands-on service and maintenance team back the payment and enforcement technology.

CONGESTION CHARGING

Our congestion charging system is designed to fit any urban environment. Advanced traffic management is delivered through our automatic vehicle identification and advanced enforcement system. The three-, two- or single-gantry solution optimises space requirements, and adds versatility to the charging point selection. Combined with our expertise in optimising traffic flows, the system results in fair and reliable payment methods and well-managed traffic patterns, providing a long-term solution for improved traffic flow and efficient revenue collection.

TRUCK TOLLING

We offer optimised and versatile solutions for both national and international truck tolling schemes. Our enforcement package is modular and consists of a mix of fixed, mobile, portable and handheld solutions enabling a flexible and efficient enforcement regime.

IMAGE HANDLING SYSTEMS

We offer our own, world-leading imaging software portfolio. The Intrada imaging system is well respected and used even by our competitors for reliable identification of vehicles in traffic. This technology delivers highperformance, automatic image handling as a service or system, and combines tailored automatic license plate recognition software libraries with the workflow that best fits the specific task.

ELECTRONIC REGISTRATION IDENTIFICATION

Q-Free has developed an Electronic Registration Identifi cation (ERI) solution in order to provide an e cient tool for automatic compliance checking in the tra c area. This is provided by a highly secure and well-proven technology platform, o ering the required accuracy and reliability. Information currently found on motor vehicle registration certifi cates is stored in electronic on-board units and coupled with automatic license plate recognition systems. This complete system o ers interoperability with existing Road User Charging (RUC) products and systems. Authorities can concentrate their e orts on enforcement while the concept gives great advantages for society in the form of safer traffic..

Gino Olivato
Technical Manager, Q-Free America Latina
Joined Q-Free in 2010
Brazilian

RUC Road User Charging

- Electronic Fee Collection
- Congestion Charging
- Truck Tolling
- Image Handling Systems
- Electronic Registration Identification

ADVANCED TRANSPORTATION MANAGEMENT SYSTEMS

PARKING MANAGEMENT SYSTEMS

Parking Guidance and Information Systems (PGS) or car park guidance systems, combine traffic monitoring, communication, processing and information dissemination technologies to give drivers and parking facility operators dynamic, real-time information about parking availability within controlled areas. The objective of PGS is to reduce the search time for parking by providing information on the location of available parking capacity.

Q-Free has in just a few years, become one of the world's foremost suppliers of PGS. We have reference sites around the world for diverse applications in cities, transportation organisations, airports, hospitals, convention and shopping centers, casinos, colleges, and large employer parking lots. Combining PGS technology from our daughter company Q-Free TCS, with access control technologies and management software Q-Free is now bringing to market unique and preferred parking management solutions.

URBAN TRAFFIC MANAGEMENT SYSTEMS

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

The idea behind UTMS is to create robust and intelligent systems that meet both current traffic flows and future management requirements scalable from towns to the mega-cities of the world.

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

The UTMS systems supplied by Q-Free complements other of our products, such as traffic management and access systems, Road User Charging (RUC) and congestion charging systems.

ATMS
Advanced Transportation Management Systems

- Parking Management Systems
- Urban Traffic Management
- Infomobility
- Inter-Urban Management
- Cooperative ITS

Renate Vogel
Director Development & Marketing Q-Free TCS
Joined Q-Free TCS in 2007
German

INFOMOBILITY

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

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

INTER-URBAN MANAGEMENT

Inter-Urban Traffic Management Solutions provide a means of ensuring that the safety and performance of strategic roads and other major arterials stay optimised, often by working in concert with Urban Traffic Management Systems.

Technology for vehicle, traveller and environmental monitoring is highly relevant. Issues such as emissions and air quality remain of interest even away from cities, as prevailing weather patterns can make these more than just a localised problem.

Q-Free offers a portfolio of solutions for inter-urban and urban scenarios which blend seamlessly on region-wide or even a country-wide basis, and our solutions for connecting traffic management centres from national to local level bridges this gap seamlessly.

COOPERATIVE ITS

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

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

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

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

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

MANAGED SERVICES

The main purpose of the new business unit is to capitalise on Q-Free's overall capabilities by offering value added services. Q-Free's strong history in the RUC area combined with the recent growth of the ATMS division creates a solid foundation for growth in the managed services area. The technology base, combined with an unique ITS knowledge pool globally, puts Q-Free in good position to be a preferred long term partner for managing complex and critical ITS systems.

Q-Free and the wider ITS industry is predicting a significant growth in the services area in the years to come. This will gradually change how customers will acquire and manage ITS functionality compared to what has been the pattern in the past. Q-free expects that future procurement will gradually move towards managed services contracts where some customers may demand specified performance for a fixed price. Q-Free is positioning itself for this trend by establishing Managed Services as a new business unit that will solely focus on developing services that will help our customers manage their business better, and help Q-Free capture more recurring revenues.

Q-Free Managed Services will position Q-Free as an operations partner for selected opportunities in markets where we have, or plan to have, a strong setup. The in house technology base combined with experience and knowledge will enable Q-Free to take on a bigger role in the ITS industry than a pure sub supplier of products. Being in a position to design, build and operate an ITS system with, or on behalf of the customer, allows Q-Free to enter long term contracts which secures better financial predictability within an acceptable risk. Among services which we currently see have great potential is outsourcing of image handling in the RUC area. Q-Free do already have references for this service in live operation and expect this market to grow significantly in the years to come.

MS Managed Services

- Commercialise new recurring revenue concepts
- Strengthen revenue base and profitability
- Increase financial predictability

Silje Troseth
General Manager, Q-Free Australia
Joined Q-Free in 2004
Norwegian

CORPORATE MANAGEMENT

THOMAS FALCK (1966)

CEO

Thomas Falck has held the position of CEO since January 2014. Falck has an MBA from the Darden Graduate School of Business Administration, and is also a graduate from the Royal Norwegian Naval Academy and the Norwegian Defence University College (Forsvarets Høgskole). Falck has an extensive background in business development. Previously, he has been a Group Partner in Verdane Capital, CEO of Visma Marine ASA, Principal Consultant at Gemini Consulting as well as an Executive Officer on a Norwegian Navy submarine. Thomas Falck has served as a board member of a number of privately held and publicly listed companies. Falck has 82 781 shares in Q-Free ASA, and regulations regarding assignment of 525 000 syntetic options.

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ROAR ØSTBØ (1961)

CFO

Roar Østbø has been Q-Free Chief Financial Officer since 2009. Østbø came from the same position in Aqualyng Group and has previously held the CFO position in CorrOcean ASA, in the oil service company Reslab AS and in Sintef. Østbø is a Certified Public Accountant from the Norwegian School of Economics and Business Administration (he qualified in 1988) and has also worked as an auditor in Arthur Andersen & Co. Østbø is a board member of several held companies. Østbø has 104 500 shares and 150 000 share options in Q-Free ASA.

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HENRIK F. STOLTENBERG (1960)

Chief Strategy Officier

Henrik F. Stoltenberg was previously Group Executive Vice President responsible for the daily operation of Denmark's JAI Group, where he focused on implementation of the corporate strategy. Stoltenberg holds an HD Degree from Copenhagen Business School. Stoltenberg has previously also been finance director at Merkantildata A/S and Bruhn A/S. Stoltenberg has 8 000 shares and 150 000 share options in Q-Free ASA.

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DR. JOS A. G. NIJHUIS (1965)

CTO

Dr. Jos Nijhuis has been employed since 2008. Nijhuis holds a M.Sc. (with honors) in Electrical Engineering 1987, and a Ph.D. in Natural Sciences from Nijmegen University in 1992. Nijhuis has extensive experience in ITS software development from various positions within academia and industry. Nijhuis is also the General Manager of Q-Free Netherlands (former Dacolian B.V., which was acquired by Q-Free in 2008). Nijhuis has 525 552 shares and 150 000 share options in Q-Free ASA.

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PER ECKER (1968)

VP APMEA

Per Ecker has been with the company since 2007. Ecker came from the position of Sales Director in Siemens Mobile Networks (where he was from 1992 to 2007) where he had particular responsibility for Eastern European markets. Ecker has extensive experience of international sales both in Asia and Europe. As a Second Lieutenant, he was educated in electronics by the Norwegian Army Officers Training School (1986–1989). Ecker has 20 500 shares and 150 000 share options in Q-Free ASA.

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MARIANNE SANDAL (1965)

VP RUC

Marianne Sandal has been with the company since 2006. Sandal holds an engineering degree from the University of Bergen, gained in 1988, in addition to credits within management from the Norwegian School of Management (BI). Previously, since 1988, Sandal had been working for Nera Networks where she gained extensive experience in project management. From 2003 until joining Q-Free she had been heading the worldwide operation activity of Nera. Sandal is a board member of a publicly listed company. Sandal has 37 000 shares and 150 000 share options in Q-Free ASA.

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MORTEN ANDERSSON (1957)

VP ATMS and Acting VP NA

Morten Andersson, has been employed since 2012. Andersson has held similar positions in Peek and Swarco, and has more than 30 years of experience in the traffic management industry. Andersson has 150 000 share options in Q-Free ASA.

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PEDRO BENTO (1975)

VP ELA

Pedro Bento has been working in Q-Free since 2010, holding the position as General Manager of Q-Free Portugal. During his career he has held position as Executive Officer and Board Member of SIEV (the Portuguese Government Body for Electronic Tolling) and Advisor to the Portuguese Secretary of State for Public Works. Previously Bento was Senior Consultant at PricewaterhouseCoopers working with the Government and Regulation Industry. Bento started his career as a General Manager and Financial Officer for the Portuguese Air Force. Bento has an MBA from the School of Economics & Management of Lisbon University, a Post-graduate diploma in Leadership and a degree in Management from the Portuguese Air Force Academy. Bento has no shares in Q-Free ASA.

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PÅL RUNE JOHANSEN (1969)

VP Nordic

Pål Rune Johansen has been working for Q-Free since 2014, holding the position as VP Nordic. Johansen holds a Master Degree in Mechanical Engineering from Norwegian University of Science and technology. This is his second period in the company. Johansen also worked in Q-Free from 2000–2008 and has extensive global experience in Q-Free project management. In the period 2004–2006 Johansen has been a member of the board in Q-Free ASA. Johansen has been the general manager of Noca AS in the period between 2008 and 2014. In the period between 1995 and 2000 Johansen worked for AF-Gruppen ASA, a large Norwegian construction company. Johansen has 5 000 shares in Q-Free ASA.

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FRANK KJELSLI (1970)

VP Managed Services

Frank Kjelsli has been working in Q-Free since 2005. Kjelsli holds an BBA degree from the Norwegian Business School (BI) in addition to executive education from the Norwegian University of Science and technology (NTNU) and National University of Singapore. Kjelsli has extensive international experience in the areas of project management, business development and sales. Kjelsli has 10 000 shares in Q-Free ASA.

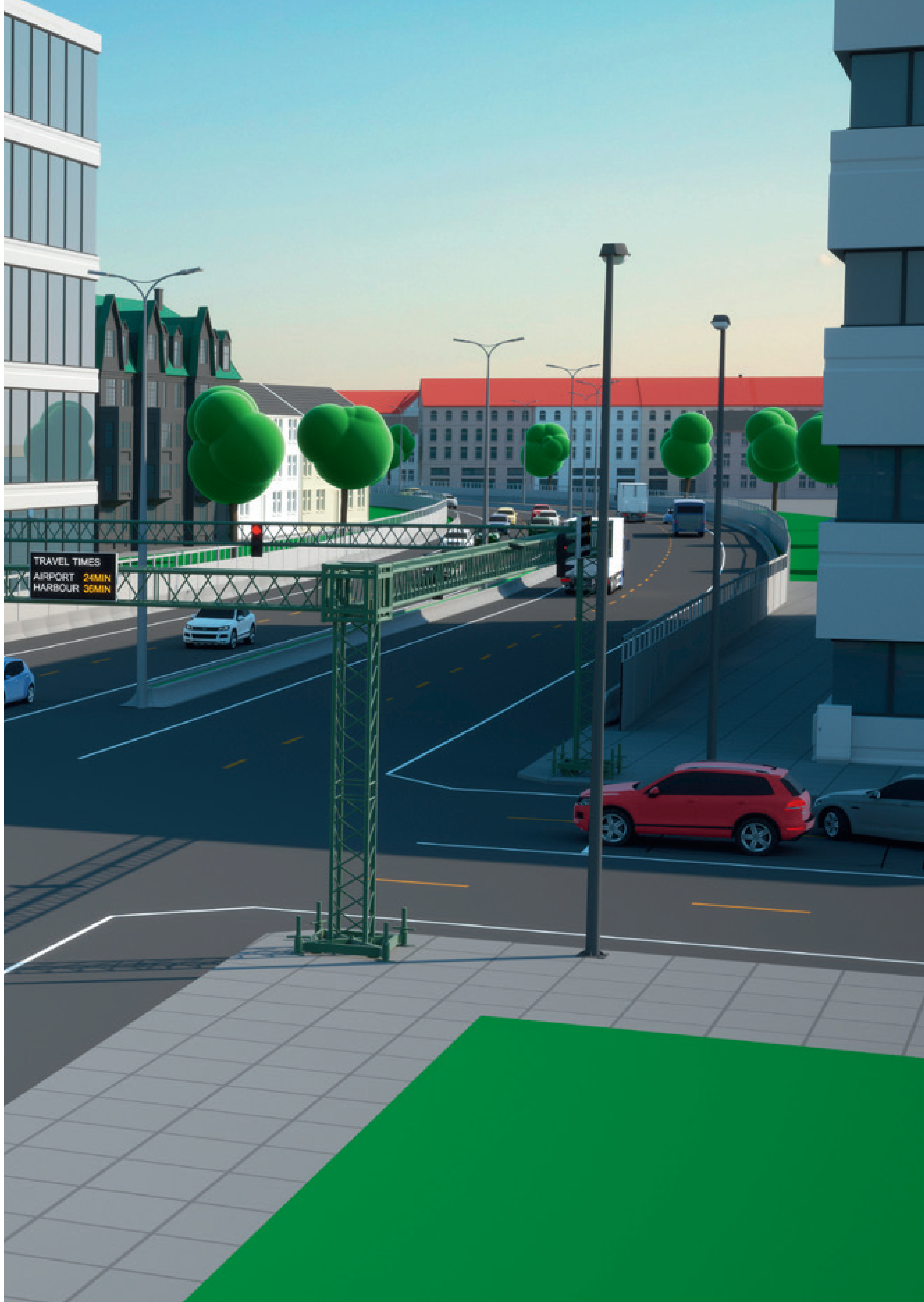
Mobile: +47 932 18 500 | frank.kjelsli@q-free.com

STEIN-TORE NYBRODAHL (1965)

VP Human Resources

Stein-Tore Nybrodahl started with the company in 2006. Nybrodhal holds a Master's Degree in Business, gained from the Copenhagen Business School in 1992, and successfully completed the INSEAD senior executive program in France in 1993. Nybrodahl has extensive HR and strategy experience having held various senior management roles at Telenor (Norway), where he became director of strategy and HR development. At Q-Free, Stein-Tore Nybrodahl is responsible for the management and development of human resources. Nybrodahl has 22 500 shares and 150 000 share options in Q-Free ASA.

Mobile: +47 906 94 689 | stein-tore.nybrodahl@q-free.com



BOARD OF DIRECTORS

TERJE CHRISTOFFERSEN (1952)

Chairman of the Board
Served since 2011

Terje Christoffersen is a partner in Interforum Partners As. He has more than 30 years management experience for listed Norwegian and foreign companies within the IT and telecom businesses, with focus on the North European market. Christoffersen has been the CEO of Hewlett-Packard in Northern Europe and Chairman of the Board in NetCom ASA, managed Telia Sonera's operations in Denmark and been on the Executive Group Management of Telia Sonera. Christoffersen has an MBA from Universität zu Köln (1978). Christoffersen owns 100 072 shares in Q-Free ASA through the ownership in Tell It AS.

CHARLOTTE BROGREN (1963)

Vice Chairman of the Board
Served since 2011

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

SELMA KVEIM (1963)

Board Member
Served since 2013

Selma Kveim is General Manager and Chairman in Inbuca AS. Kveim is a board member and a member of the audit committee in PSI Group ASA and has also position as member of the board in several unlisted companies in Norway. She is a former board member in Goodtech ASA. Kveim has 25 years of experience within the IT-industry, in leading positions within sales and market, latest as Vice President Channel business (Europe, Middle East and Africa) in Fujitsu Siemens Computers. She previously has held several different positions in Hewlett Packard. She has worked abroad for 15 years and has been living in four different European countries. Kveim is educated from The Norwegian Business School (Handelshøyskolen BI). Selma Kveim is resident in Grimstad. Kveim owns 17 000 shares in Q-Free ASA.

JAN PIHL GRIMNES (1961)

Board Member
Served since 2008

Jan Pihl Grimnes has more than 30 years' experience from the petroleum and IT industries, and is Chairman of the investment company Redback AS. Grimnes is the founder of Technoguide AS which business was acquired by Schlumberger. Grimnes is Chairman of FARA ASA, and board member of several non-listed companies. He holds a MSc in Petroleum Technology from the Norwegian University of Science and Technology (NTNU) and an MBA from the Norwegian School of Economics and Business Administration (NHH). Grimnes owns directly and indirectly through Redback AS 1 687 000 shares in Q-Free ASA.

MONIKA LIE LARSEN (1969)

Employee elected Board Member
Served since 2014

Monika Lie Larsen is a Technical Project Manager in Q-Free. She holds a MSc in Computer Science from the Norwegian Institute of Technology, and has 20 years of experience from the software industry. Lie Larsen has been working with Software Development Management and Project Management in various companies before joining Q-Free in 2008, and has been involved in some of our largest RUC projects in recent years. Lie Larsen does not own any shares in Q-Free ASA.

ANDERS HAGEN (1964)

Employee elected Board Member
Served since 2014

Anders Hagen holds a MSc in electrical engineering and is heading the Innovation group at the R&D division. Hagen has been working in Q-Free group since 1992 and has extensive experience in Q-Free technologies. Hagen does not own any shares in Q-Free ASA.

BOARD OF DIRECTORS' REPORT 2014

THE Q-FREE GROUP

Q-Free is a leading global supplier of Intelligent Transport System (ITS) products and solutions. Q-Free has extensive expertise in Road User Charging (RUC) and Advanced Transportation Management (ATMS). The Q-Free Group has a highly skilled workforce counting 399 employees at the end of 2014, and conducts its business through wholly and partially owned companies operating in 18 countries on five continents.

Q-Free ASA is a Norwegian public limited liability company, listed on the Oslo Stock Exchange under the ticker QFR since 2002. The company headquarters is in Trondheim, Norway.

2014 HIGHLIGHTS

- Overall revenues increased 30 percent to NOK 789 million, half from acquisitions and half from organic growth.
- Significant improvement in profitability — EBITDA NOK 85 million.
- Cash Flow from operations improved. Q-Free invested NOK 111 million in acquisition of US-based Open Roads, TDC Systems in the UK and Traffic Design in Slovenia — important steps towards reaching strategic goals.
- The sale of 53.5 percent stake in NOCA AS was part of a strategy to strengthen our focus on core activities.
- Q-Free was in June reorganised into four main regions and three Business Units – to bring Q-Free closer to the customer and to strengthen our focus on developing technology offerings and services that our customers need.
- The positive effects from the Profit Improvement Program have reduced operating expenses significantly. The program was implemented in 2013, and has lowered the annual cost base by NOK 40 million.

KEY EVENTS IN 2014

In 2014, Q-Free increased revenues with 30 percent split evenly on organic growth and acquisitions. The Board of Directors is pleased with our customers' and our employees' responses to the strategic and organisational changes implemented during 2014.

Q-Free was in June reorganised into four main regions and three business units, following a strategic review which guided us to put more emphasis on smaller- and mid-sized opportunities, on services and on strengthening the relationships with our customer base. Q-Free intends to grow in the years to come through closer cooperation with our customers as well as increasing focus on developing technology offerings and services based on customers' needs. These changes are expected to broaden our revenue base, reduce risk, and improve internal collaboration and efficiency moving forward.

In 2014, Q-Free celebrated its 30-year anniversary. Q-Free has a long history in the Road User Charging (RUC) field. During the last two years, the company has expanded its platform for future revenue generation through several acquisitions in the Advanced Transportation Management (ATMS) segment. In 2014, Q-Free acquired US-based Open Roads, UK-based TDC Systems and Traffic Design in Slovenia. This follows our previous acquisitions of Dacolian in the Netherlands, TCS in the US and Elcom in Serbia. The company is now present in all the targeted parts of the ATMS value chain with access to new and large markets. These acquisitions are a function of a strategic choice by Q-Free to build a significant presence in the ATMS area — and our intent to position Q-Free as a leading player in the emerging global Intelligent Transportation Systems (ITS) market. In 2015 and in the years to come, management will focus on building a common platform for commercial operations, realising market- and technology synergies in the group, maintaining a cost containment focus, continuing to broaden the sales pipeline and growing the business further, both organically and with additional acquisitions.

ORDERS RECEIVED AND ORDER BACKLOG

Orders received in 2014 amounted to NOK 890 million, representing a 62 percent growth compared with new orders received in 2013 (NOK 548 million).

Of this, Products accounted for NOK 348 million or 39 percent of the order inflow (NOK 345 million, 63 percent), Service & Maintenance accounted for NOK 132 million or 15 percent (NOK 106 million, 19 percent), while Project deliveries increased to NOK 111 million or 13 percent of overall order received (NOK 57 million, 10 percent). Orders received in the ATMS segment amounted to NOK 299 million, up NOK 260 million from NOK 40 million recorded in 2013.

Geographically, Europe and Latin America (ELA) accounted for 47 percent of new orders during 2014, mainly due to high inflow in Brazil and in ATMS. The Nordic countries accounted for 23 percent of new orders (31 percent), mainly driven by contracts in Norway and Sweden for Projects and Service & Maintenance.

North America accounted for 17 percent of total orders received (17 percent), while Asia Pacific, Middle East & Africa accounted for 14 percent (10 percent).

As a result, the overall order backlog increased 20 percent to NOK 481 million by the end of 2014, up from NOK 400 million 12 months earlier. The order backlog split is as follows; NOK 149 million in ATMS (NOK 16 million), NOK 123 million in Service & Maintenance (NOK 157 million), NOK 119 million in Projects (NOK 118 million), and NOK 89 million in Products (NOK 88 million). Geographically, Europe and Latin America (ELA) accounted for 39 percent of the order backlog, the Nordics 29 percent, North America for 21 percent and Asia Pacific Middle East & Africa for 10 percent.

An order backlog of NOK 364 million or 76 percent is due for delivery in 2015. The backlog comprises orders in all segments, while the backlog due after 2015 is mostly in Products and Service & Maintenance.

FINANCIAL REVIEW

Income statement

Revenues

Q-Free reported revenues of NOK 789 million for the full year 2014, up 30 percent from NOK 606 million in 2013. The increase follows the acquisitions in the ATMS segment, accounting for half of the overall growth. Generally higher activity and order intake in the other segments explains the rest.

ATMS 2014 revenues amounted to NOK 166 million, more than 50 percent growth from NOK 101 million in 2013. Product revenues increased 15 percent to NOK 347 million in 2014 (NOK 302 million), whereas Service & Maintenance revenue rose by 19 percent to NOK 165 million (NOK 140 million). The higher Product revenues mainly reflects increased volume in Brazil and Asia, while Service & Maintenance sales growth reflects higher activity levels in Norway and Sweden.

Project revenues increased 10 percent to NOK 110 million during the year, mainly due to the higher volume in Norway and in the US.

Gross profit

Gross profit increased to NOK 506 million (NOK 381 million), corresponding to a gross margin of 64 percent (63 percent). The slightly higher margin mainly reflects changes in revenue composition, as Projects and Service & Maintenance typically command higher gross margin than the Products segment. In 2014, Products accounted for 44 percent of overall revenues, compared to 50 percent in 2013.

Operating expenses

Operating expenses amounted to NOK 422 million (NOK 413 million), of which Personnel expenses accounted for NOK 231 million, up from NOK 196 million in 2013. The increase reflects new employees in the acquired companies. Other operating expenses ended at NOK 191 million compared with NOK 216 million in 2013 – despite significant acquisitions in ATMS. The positive underlying cost development is mainly a result of the Profit Improvement Program (PIP) launched in 2013, and a continued focus on cost discipline.

BOARD OF DIRECTORS' REPORT 2014

Operating profits

Operating profit before interest, tax, depreciation, amortisation and impairment (EBITDA) for the year was NOK 85 million compared to a negative of NOK 32 million in 2013. Adjusted for one-off costs the 2013-EBITDA was positive by NOK 53 million.

Depreciations, amortisations and impairments amounted to NOK 76 million for the year, compared to NOK 62 million in 2013. This increase mainly reflects higher amortisations of intangible assets related to acquisitions in 2014.

Reported operating profit (EBIT) was hence NOK 8 million compared to a negative of NOK 95 million in 2013.

Net financial items

Net financial items for the year amounted to a loss of NOK 24.8 million compared with a negative NOK 3.3 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 relates to potential future earn-out payments on the ATMS acquisitions. All entities have performed better than expected in 2014, leading to increased provisions for future earn-out payments. This effect, in addition to the weakening of the NOK, had a significant impact on the financial costs in 2014.

Profits

The reported pre-tax loss was NOK 16.4 million for the full year 2014, compared to a pre-tax loss of NOK 98 million in 2013. Tax expenses amounted to NOK 10.6 million, of which payable tax is NOK 8.2 million. In 2013, tax expenses amounted to NOK 13 million. 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 45.7 million from 2013 and 2014.

The net loss for the full year 2014 was NOK 27.0 million, up from a loss of NOK 110.8 million in 2013.

Earnings per shares was negative by NOK 0.42 for 2014, compared to a negative of NOK 1.64 in 2013.

ANNUAL RESULTS AND YEAR-END APPROPRIATIONS

A net profit of NOK 1.8 million was attributable to minority interests in 2014 (NOK 1.3 million), whereas a net loss of NOK 28.8 million was attributable to equity holders in the parent company (NOK -112.1 million).

The Board of Directors proposes to cover the parent company's loss for the year of NOK 11.8 million from other equity. Subsequent to this, the parent company had no distributable equity at the end of 2014.

The Board of Directors does not propose to distribute dividends for 2014.

The Annual General Meeting is scheduled for 20 May 2015.

CASH FLOW AND LIQUIDITY

Net cash flow from operating activities for the full year 2014 was NOK 63 million (NOK -33 million). The stronger cash flow from operating activities is largely explained by improved profitability, but is also a result of increased focus on cost containment and cash management throughout the entire Q-Free organisation. The improvement from 2013 mainly reflects positive earnings, while the settlement payment on the Sydney Harbour Bridge project has had a negative impact on cash flow from operations in 2014 of NOK 30 million. The working capital corresponded to 4 percent of the last 12 months' revenues, improved from 7 percent in 2013.

Net cash flow from investment activities was NOK -172 million (NOK -62 million), including NOK 41 million spent on the acquisition of Open Roads, NOK 47 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. The lower organic investments in the RUC division reflect a strategic decision to reduce investments as part of the company's profit improvement program. The acquisition investments reflect the strategic decision to build a position in ATMS. The transactions in 2014 follow the acquisitions of traffic management companies Elcom in Serbia and Intelight in the US (Q-Free owns 10 percent) in 2013 and the parking management company TCS International in the US in 2012.

Net cash flow from financing activities was NOK 2 million in 2013, compared to NOK -4 million in 2013. Overall, this generated a cash closing balance of NOK 164 million at the end of 2014, down from NOK 271 million at the end of 2013.

BALANCE SHEET

Total assets amounted to NOK 940 million at the end of 2014, up from NOK 894 million at the end of 2013. The increase mainly reflects higher product development assets and increased goodwill following acquisitions in the ATMS segment during the year.

Total booked equity was NOK 485 million at the end of 2014, down from NOK 505 million at the end of 2013. The decline mainly reflects the net loss of NOK 27 million during the year. The equity ratio at year-end was 51.6 percent, down from 56.4 percent at the end of 2013.

Current liabilities amounted to NOK 262 million at the end of 2014, compared with NOK 370 million at the end of 2013. This reduction mainly reflects refinancing of the NOK 100 million loan from Eksportfinans in February 2014 to a three-year loan from Danske Bank at close to similar terms.

Non-current liabilities stood at NOK 193 million at the end of 2014, up from NOK 20 million at the end of 2013, with the majority of the increase related to the debt reclassifications mentioned above, in addition to a NOK 47 million increase in other non-current liabilities because of increased provisions for earn-out payments.

The liquidity ratio was 1.8 at the end of 2014, down from 2.2 at the end of 2013.

GOING CONCERN

The Board confirms that the financial statements are prepared under the assumption of going concern and that this assumption was realistic at the time of the approval of the statements. It is the Board's opinion that the Profit and Loss Account and Balance Sheet with notes provide accurate information on the operations and the financial position at year-end.

ORGANISATION

Personnel

The Q-Free Group had 399 employees at the end of 2014. This was an increase from 291 employees at the end of 2013, mainly through the acquisition of the traffic management companies TDC in the UK, Traffic Design in Slovenia and Open Roads in the US in 2014, which added 136 employees, while Noca was sold with 45 employees in 2014.

Q-Free initiated in January 2014 the "Q-Free Strategy and Collaboration project" (QSC), seeking to further strengthen customer focus, broaden the scope of business, and improve internal cooperation and efficiency. Following conclusions in the project, Q-Free was in June reorganised into four main Regions and three Business Units.

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

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

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

Management – Change of CEO in January 2014

On 22 December 2014, Thomas Falck was appointed CEO on a permanent basis. Falck had been temporary CEO since January 6, 2014. Following the initial appointment, Falck stepped down from his position as Deputy Chairman of the Board of Directors in Q-Free, to which he was elected at the General Meeting in May 2013.

Thomas Falck has extensive experience from business development, among others as Group Partner in Verdane Capital, CEO of Visma Marine ASA, Principal of Gemini Consulting and as Executive Officer of a Royal Norwegian Navy submarine. Furthermore, he has served as a Board member in a number of privately held and publicly listed companies.

Board of Directors

The Board of Directors consist of four shareholder-elected members: Terje Christoffersen (Chairman), Charlotte Brogren, Jan Pihl Grimnes and Selma Kveim, and the employee-elected representatives Monika Lie Larsen and Anders Hagen.

Three of the shareholder-elected Board members will be on election at the Annual General Meeting, scheduled for 20 May 2015.

CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

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

Pursuant to the Norwegian Accounting Act section 3–3b, listed companies shall also present their principles for corporate governance and review the compliance with the recommendations set out in the Norwegian Code of Practice for Corporate Governance. Q-Free complies fully with the Code, as updated per March 2015. Details are provided in the Corporate Governance section of the Annual Report, and published on the company's website at http://www.qfree.com/investor/corporate governance/.

Risk factors

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

Project risk

Q-Free's order backlog include elements of demanding and complex large-scale project deliveries, which may involve considerable risk in terms of timing and costs. Q-Free holds in-depth knowledge of customer requirements as well as the boundaries of its own project capabilities, and seeks to reduce risk in contract negotiations. Historically, exposure to large contracts has been significant, and in recent years a large contract in Australia was cancelled. To mitigate risk and stabilise revenues moving forward, Q-Free has refocused its approach, targeting a higher number of small- and mid-sized opportunities.

Political risk

Road User Charging projects and some ATMS projects are normally directly or indirectly subject to governmental concessions, and the company is exposed to political risk from lead identification through contract awards to final project implementation.

Political risk often correlates with the scope and size of the project, such that large projects hence entail relatively more risk than smaller projects. The broadened scope of business in the RUC market is expected to mitigate this risk, and the entry into the ATMS market will add new revenue streams less exposed to political risk.

Technology risk

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

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

FINANCIAL RISK FACTORS AND RISK MANAGEMENT

Currency risk

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

Q-Free's policy is to limit currency risk while actively assessing various currencies' importance as competitive parameters. The Group strategy is to compare estimated future sales and purchases and hedge the net cash flow in the foreign currency by using forward / future contracts.

Credit risk

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

Sovereign risk related to governments failing to honour their debt obligations may have increased in several markets, although Q-Free has to date not incurred any losses on debt to any government-related entity in any market.

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

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

The Group has no significant credit risk linked to any individual contracting party or to contracting parties that may be regarded as a group due to similarities in credit risk. The Group has not provided any guarantees for third parties' liabilities.

Interest rate risk

The interest level has significant influence on the consolidated profit. To ensure predictability the Group has preferred short-term interest rates (NIBOR 3 months plus a small mark-up) on its debt. Deposits are linked to the same underlying rate to mitigate the risk related to changes in the NIBOR.

In February 2014, Q-Free refinanced long-term debt with a three-year NOK 100 million loan in Danske Bank.

Liquidity risk
The Q-Free ASA Group's strategy is to hold sufficient cash, cash equivalents or credit facilities at any time to be able to finance its operations and planned investments over the next three years. Surplus cash funds are deposited in banks or invested in money market funds, with the purpose of securing an acceptable, low-risk return on the invested capital.

The Board of Directors assesses the liquidity at the end of 2014 to be sufficient to cover the company's planned operations and investment requirements.

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

OUTLOOK

The Road User Charging (RUC) and Advanced Transportation Management Systems (ATMS) markets are subject to several megatrends (urbanisation, wealth proliferation, connectivity, active safety and autonomous (or 'self-driving') vehicles) as well as the need to improve the environment and local economies. These trends drive an increasing market demand for traffic efficiency, traffic safety, infrastructure financing, environmentally friendly solutions, congestion management and improved efficiency of manual solutions.

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

Q-Free's Board of Directors and management are committed to positioning the company at the centre of this convergence, and have built a presence through the acquisitions of six companies in the ATMS market. These acquisitions follow a strategic choice by Q-Free to first build a significant presence in the ATMS area, and then develop offerings and market concepts in close collaboration with our customers that will position Q-Free as a leading player in the emerging global ITS market. Moving forward, management will focus on developing a sound commercial and operational platform to support further growth. Furthermore, Q-Free will bring to market joint offerings, leveraging technologies from various parts of the Q-Free technology portfolio. We will be realising revenues and technology synergies in the Group, maintaining a cost containment, capital discipline and a strong quality focus, continuing to broaden the sales pipeline and growing the business further. Growth will come from organic growth as well as some selected additional acquisitions.

Trondheim 31st of December 2014
/ 27th of March 2015

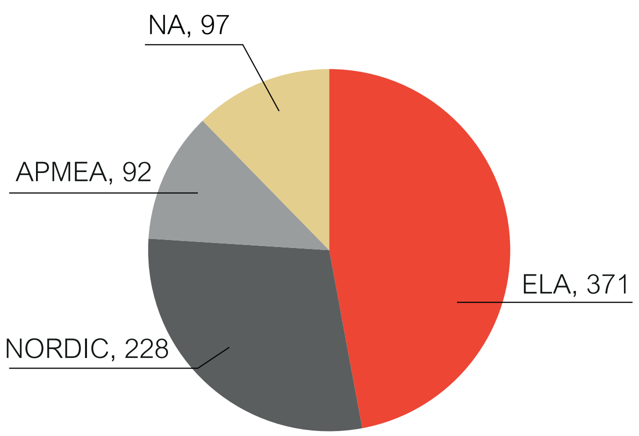
Terje Christoffersen Chairman of the Board	Charlotte Brogren	Selma Kveim
Jan Pihl Grimnes	Monika Lie Larsen Employee elected Board member	Anders Hagen Employee elected Board member
	Thomas Falck CEO	

Q-FREE IN NUMBERS

Q-FREE IN NUMBERS

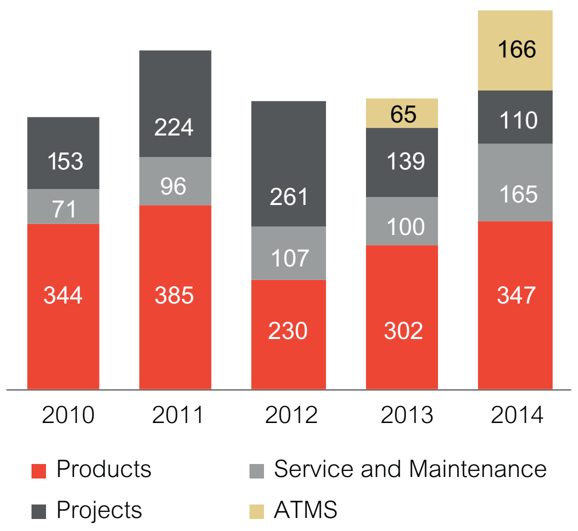
REVENUES REGIONS

MNOK



REVENUES SEGMENT

MNOK



REVENUES 2014

MNOK

789

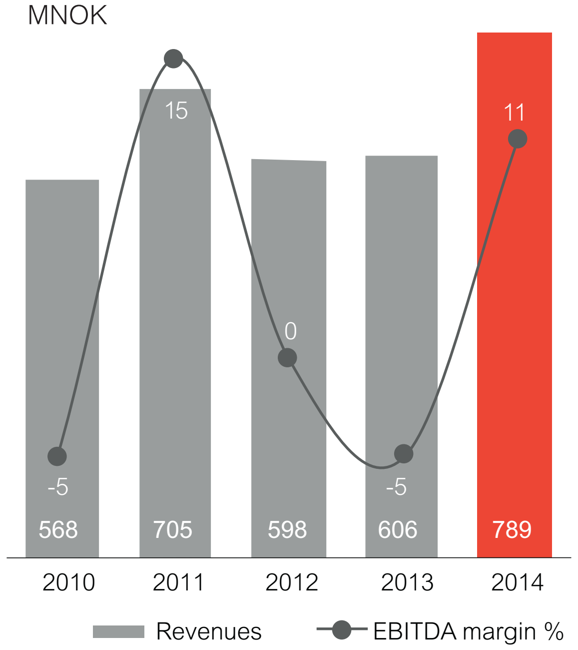
EBITDA MARGIN 2014

PERCENT

10,7%

REVENUES AND EBITDA MARGIN

MNOK



In 2014 the Q-Free Group revenues amounted to NOK 788.6 million, compared to NOK 606.1 million in 2013. This represents an increase of 30 percent from 2013. Of the 30 percent revenue-increase, approximately 15 percent was generated through acquisitions. The Q-Free Group had an operating result of NOK 8.4 million (-94.7) in 2014, out of revenues of NOK 788.6 million (606.1). The positive margin development in 2014 compared to 2013 is mainly a result of the Profit Improvement Program (PIP) launched in 2013, and significant margin improvements from acquisitions within the ATMS-segment.

EQUITY RATIO

PERCENT

52%

CASH AT HAND

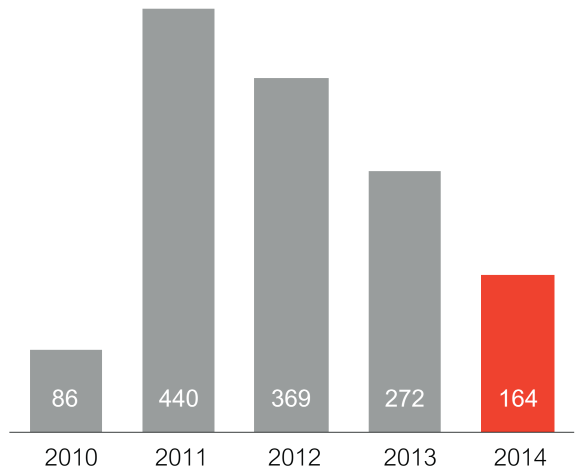
MNOK

164

Net cash flow from operating activities for the full year 2014 was NOK 63 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.

CASH AT HAND

MNOK

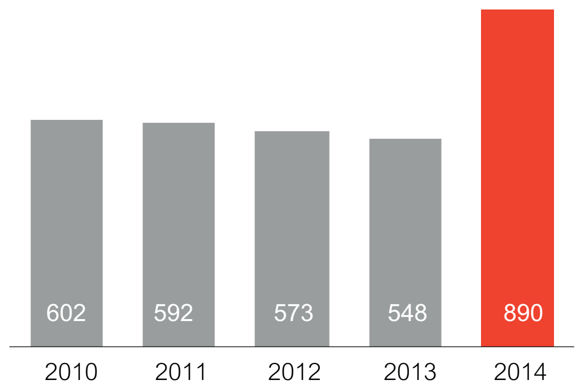


ORDER INTAKE 2014

MNOK

890

ATMS accounted for NOK 293 million (40) or 33 percent of the total order intake, while the order intake within Products amounted to NOK 376 million (345), or 42 percent of total order intake. Service & Maintenance and Projects amounted for NOK 222 million (164), or 25 percent in total.

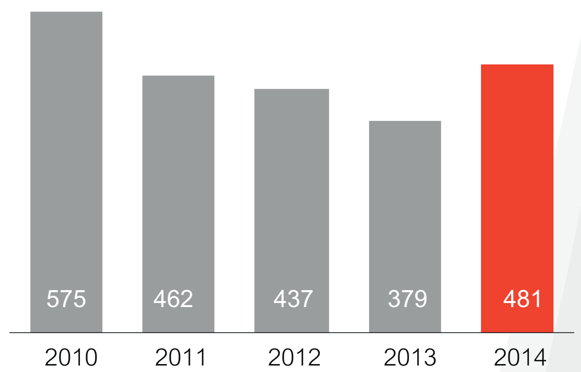


ORDER BACKLOG 2014

MNOK

481

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



SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

The company has one class of shares and there are no voting restrictions. Per 31.12.14 the company had 68 798 142 shares outstanding. Par value per share is NOK 0.38. Total share capital per 31.12.2014 was NOK 26 143 293.

SHARE PRICE DURING 2014

The Q-Free shares traded between NOK 10.00 and NOK 15.70 during 2014, closing at NOK 10.00 30.12.2014. corresponding to a market capitalisation of NOK 687 981 420 at the end of the year.

QUOTES

VOLUME

SHAREHOLDER SITUATION

At year-end 2014, Q-Free ASA had 1,173 shareholders, compared to 1,180 at the end of 2013. The below table shows the 20 largest shareholders in Q-Free ASA per 27 March 2015.

SHAREHOLDER	ACCOUNT TYPE	SHARES	% OWNERSHIP
KAPSCH TRAFFICCOM AG		9 900 000	14,39 %
KAPSCH TRAFFICCOM AG		3 750 458	5,45 %
KLP AKSJE NORGE VPF		3 277 118	4,76 %
KOMMUNAL LANDSPENSJONSKASSE		3 081 650	4,48 %
STATOIL PENSJON		2 630 801	3,82 %
J.P. MORGAN CHASE BANK	NOM	2 201 000	3,20 %
VERDIPAPIRFONDET DNB NORGE		2 179 971	3,17 %
DNB NOR MARKETS		2 114 604	3,07 %
VERDIPAPIRFONDET DNB SMB		1 722 066	2,50 %
LARS ODDGEIR ANDRESEN		1 633 600	2,37 %
REDBACK AS		1 627 000	2,36 %
STOREBRAND NORGE I		1 620 335	2,36 %
HOLMEN SPESIALFOND		1 600 000	2,33 %
STOREBRAND VEKST		1 403 152	2,04 %
VERDIPAPIRFONDET EIKA NORGE		1 296 106	1,88 %
VERDIPAPIRFONDET DNB NORGE		1 122 408	1,63 %
ULSMO FINANS AS		1 090 000	1,58 %
MONS HOLDING AS		1 040 000	1,51 %
AUGUST HOLDING AS		1 000 000	1,45 %
HOLBERG NORGE VERDIPAPIRFONDET		800 000	1,16 %

The following table shows the number of shares held by the senior Management, CEO and the Board of Directors per 27 March 2015:

Name	Position	Shares
Jan Pihl Grimnes	Board member	1 687 000
Jos Nijhuis	CTO	525 552
Roar Østbø	CFO	104 572
Terje Christoffersen	Chairman of the Board	100 072
Thomas Falck	CEO	82 781
Marianne Sandal	VP RUC	37 000
Stein-Tore Nybrodahl	HR Manager	22 500
Per Fredrik Ecker	VP Sales	20 500
Selma Kveim	Board member	17 000
Frank Kjelsli	VP MS	10 000
Henrik Stoltenberg	CSO	8 000
Pål Rune Johansen	VP Nordic	5 000

CONSOLIDATED FINANCIAL STATEMENTS

“The effects of all actions taken in 2014 and the acquisitions in ATMS have had good effect in Q4-14 and we expect our financial position to remain robust. We are looking forward to improve our financial performance further in 2015”

Roar Østbø
CFO

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

INDEX OF NOTES

STATEMENT OF INCOME

for the year ended 31 December 2014

PARENT COMPANY				GROUP	
2013	2014	Figures in TNOK	Note	2014	2013
		OPERATING REVENUES			
319 280	358 495	Revenues	5, 7	784 644	604 989
1 083	3 940	Other operating income	8	3 940	1 083
320 363	362 435	Total operating revenues	5	788 584	606 072
		OPERATING EXPENSES			
149 037	141 258	Cost of goods sold	14	282 173	224 791
119 477	122 127	Personnel expenses	15,16,17	230 917	196 727
150 148	86 543	Other operating expenses	26, 28	190 750	216 353
418 662	349 928	Total operating expenses		703 839	637 871
-98 299	12 507	Earnings before interest, taxes, depreciation and amortisation (EBITDA)		84 745	-31 799
14 210	16 771	Depreciation of property, plant and equipment	9	21 532	18 365
21 305	21 285	Amortisation of intangible assets	10,11	54 777	44 550
-133 815	-25 549	Earnings before interest and taxes (EBIT)		8 436	-94 713
		FINANCIAL ITEMS			
18 601	20 030	Financial income	23	29 763	24 109
8 918	38 220	Financial income Group companies	23	0	0
-24 421	-44 483	Financial expenses	23	-54 568	-27 355
0	0	Financial expenses Group companies		0	0
3 098	13 767	Total financial items		-24 805	-3 246
-130 717	-11 782	Profit before tax		-16 369	-97 959
-2 172	0	Taxes	22	-10 589	-12 811
-132 889	-11 782	Profit / (-) loss for the year		-26 958	-110 770
		Attributable to:			
		Non-controlling interests		1 802	1 318
		Equity holders of the parent		-28 760	-112 088
		DISTRIBUTION OF PROFIT / (-) LOSS FOR THE YEAR			
-132 889	-11 782	Other equity			
-132 889	-11 782	Total distributed			
		Earnings in NOK per share	12	-0,42	-1,65
		Diluted earnings in NOK per share	12	-0,41	-1,64

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2014

PARENT COMPANY				GROUP	
2013	2014	Figures in TNOK	Note	2014	2013
-132 889	-11 782	Profit for the period Other comprehensive income		-26 958	-110 770
		Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
0	0	Exchange differences on translation of foreign operations		27 118	-10 402
1 470	1 217	Net (loss)/gain on available-for-sale financial investments	24	1 217	1 470
1 470	1 217	Net other comprehensive income to be reclassified to profit or loss in subsequent periods:		28 335	-8 932
		Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
-4 349	-9 638	Re-measurement gain (losses) on defined benefit plans	16	-9 638	-4 884
1 174	0	- Income tax effect		0	1 382
-3 175	-9 638	Net other comprehensive income not to be reclassified to profit or loss in subsequent periods:		-9 638	-3 502
-1 705	-8 421	Other comprehensive income for the year, net of tax		18 697	-12 434
-134 594	-20 203	Total comprehensive income for the period, net of tax		-8 261	-123 204
		Attributable to:			
		Non-controlling interests		1 802	1 318
		Equity holders of the parent		-10 063	-124 522
		Total comprehensive income for the period		-8 261	-123 204

STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

PARENT COMPANY				GROUP	
2013	2014	ASSETS — Figures in TNOK	Note	2014	2013
		NON–CURRENT ASSETS			
26 935	26 935	Deferred tax assets	22	18 680	32 319
59 653	52 511	Product development assets	10	202 777	132 761
0	0	Goodwill	10, 11	192 885	71 199
43 670	34 143	Machinery, fixtures and fittings, etc.	9, 21	51 799	63 071
100 915	245 163	Investments in subsidiaries	6, 18	0	0
5 378	5 378	Loan to group companies	18	0	0
8 441	5 144	Investments in other companies	24	13 001	15 317
0	0	Other receivables		2 158	5 064
244 992	369 274	TOTAL NON – CURRENT ASSETS		481 300	319 731
		CURRENT ASSETS			
26 893	22 264	Inventories	14, 21	48 223	70 940
48 302	13 766	Work in Progress	7, 21	56 903	48 737
46 559	17 648	Accounts receivables	20, 21	167 378	146 860
193 246	275 219	Accounts receivables on group companies	20, 21	0	0
16 044	3 800	Other current financial assets	27	21 857	36 599
159 768	45 712	Cash and cash equivalents	19	164 133	271 477
490 812	378 409	TOTAL CURRENT ASSETS		458 494	574 613
735 804	747 683	TOTAL ASSETS		939 794	894 344

STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

PARENT COMPANY					GROUP
2013	2014	EQUITY AND LIABILITIES (Figures in TNOK)	Note	2014	2013
		EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
25 830	26 143	Subscribed share capital	13	26 143	25 830
415 554	426 956	Share premium reserve		426 956	415 554
20 529	20 529	Other paid-in capital		20 529	20 529
-29 465	-49 668	Other equity		11 761	21 824
432 447	423 960	Total equity attributable to equity holders of the parent		485 389	483 737
0	0	Non-controlling interests		0	20 789
432 447	423 960	TOTAL EQUITY		485 389	504 526
		LIABILITIES			
		Non-current liabilities			
0	100 000	Debt to financial institutions	4, 21	100 000	0
0	34 710	Other non-current liabilities	4, 6	54 460	6 957
10 534	18 293	Pension liabilities	16	18 293	12 925
0	0	Deferred tax	22	19 808	0
10 534	153 003	Total non-current liabilities		192 561	19 882
		Current liabilities			
100 000	0	Debt to financial institutions	21	0	100 000
43 947	34 618	Accounts payable	4	74 155	74 933
12 370	0	Advance payments from customers	4, 7	18 914	28 502
36 491	53 124	Debt to group companies	18	0	0
0	0	Tax payable	4, 22	8 201	9 590
8 497	13 792	Public duties payable	4	19 721	19 114
91 517	69 186	Other current financial liabilities	4, 25	140 853	137 797
292 823	170 720	Total current liabilities		261 844	369 936
303 357	323 723	TOTAL LIABILITIES		454 405	389 818
735 804	747 683	TOTAL EQUITY AND LIABILITIES		939 794	894 344

Trondheim, 31 December 2014
27 March 2015

Terje Christoffersen
Chairman of the Board

Charlotte Brogren

Selma Kveim

Jan Pihl Grimnes

Monika Lie Larsen
Employee elected

Anders Hagen
Employee elected

Thomas Falck
President and CEO

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

PARENT — Figures in TNOK

	Note	Share capital	Share Premium reserve	Other paid-in capital	Other equity	Available-for sale reserve	Actuarial gains and losses	Total
Equity per. 01.01.2013	13	25 830	415 554	18 863	104 540	618	-28	565 376
Total comprehensive income for the period					-132 889	1 470	-3 175	-134 594
Cost of share-based payment	17			1 666				1 666
Total equity of the Parent per 31.12.2013		25 830	415 554	20 529	-28 350	2 087	-3 203	432 447
Equity per. 01.01.2014	13	25 830	415 554	20 529	-28 350	2 087	-3 203	432 447
Total comprehensive income for the period					-11 782	1 217	-9 638	-20 203
Share issue arising from acquisitions	13	314	11 402					11 716
Total equity of the Parent per 31.12.2014		26 143	426 956	20 529	-40 132	3 304	-12 841	423 960

GROUP — Figures in TNOK

		Equity attributable to equity holders of the parent									
	Note	Share capital	Share Premium reserve	Other paid-in capital	Other equity	Available-for sale reserve	Exchange differences on translation of foreign operations	Actuarial gains and losses	Total	Non-controlling interests	TOTAL EQUITY
Equity per. 01.01.2013	13	25 830	415 553	18 863	155 662	618	-11 505	1 570	606 592	24 316	630 909
Profit for the period					-112 088				-112 088	1 318	-110 770
Other comprehensive income						1 470	-10 402	-3 502	-12 434		-12 434
Total comprehensive income for the period		0	0	0	-112 088	1 470	-10 402	-3 502	-124 522	1 318	-123 204
Reclassification of non-controlling interests									0	-4 845	-4 845
Cost of share-based payment	17			1 666					1 666		1 666
Total equity of the Group per 31.12.2013		25 830	415 553	20 529	43 574	2 088	-21 907	-1 932	483 736	20 789	504 526
Equity per. 01.01.2014	13	25 830	415 553	20 529	43 574	2 088	-21 907	-1 932	483 736	20 789	504 526
Profit for the period					-28 760				-28 760	1 802	-26 958
Other comprehensive income						1 217	27 118	-9 638	18 697		18 697
Total comprehensive income for the period		0	0	0	-28 760	1 217	27 118	-9 638	-10 063	1 802	-8 261
Share issue arising from acquisitions	13	314	11 402						11 716		11 716
Sale of Non-Controlling Interests									0	-22 591	-22 591
Total equity of the Group per 31.12.2014	13	26 144	426 956	20 529	14 814	3 305	5 211	-11 570	485 389	0	485 389

STATEMENT OF CASH FLOW

for the year ended 31 December 2014

PARENT COMPANY				GROUP	
2013	2014	Figures in TNOK	Note	2014	2013
		CASH FLOWS FROM OPERATIONS			
-130 717	-11 782	Profit before tax		-16 369	-97 959
0	0	Paid taxes	22	-10 198	-4 554
14 210	16 771	Depreciation and impairment of property, plant and equipment	9	21 532	18 365
21 305	21 285	Amortisation and impairment of intangible assets	10, 11	54 777	44 550
-301	-1 879	Pension cost without cash flow effect	16	-1 879	2 546
7 614	0	Dividends from subsidiaries		0	0
1 304	-3 716	Interests from subsidiaries		0	0
1 666	0	Cost of share-based payment	17	0	1 666
		WORKING CAPITAL ADJUSTMENTS			
-49 718	-65 432	Changes in receivables and prepayments from customers	20	-30 106	-44 825
14 061	4 629	Changes in inventory	14	22 717	8 390
2 276	7 304	Changes in accounts payables	4	-778	6 949
-8 328	34 536	Changes in work in progress	7	-8 166	-8 873
37 632	-27 073	Changes in other balance sheet items		31 780	40 952
-88 996	-25 357	Net cash flow from operations		63 310	-32 793
		CASH FLOW FROM INVESTMENTS			
-22 492	-21 387	Investments in tangible and intangible assets	9, 10	-69 074	-38 738
-16 552	-72 243	Acqusition of a subsidiary, net of cash acquired	6	-103 406	-16 326
-6 629	4 931	Other investments		0	-6 629
-45 673	-88 699	Net cash flow from investments		-172 480	-61 693
		CASH FLOW FROM FINANCING			
0	0	Share issue	6, 13	0	0
0	0	Other financial items		1 826	-3 527
0	0	Net cash flow from financing		1 826	-3 527
-134 669	-114 056	Net change in cash and cash equivalents for the year		-107 344	-98 013
294 438	159 768	Cash and cash equivalents per 01.01.		271 477	369 491
159 768	45 712	Cash and cash equivalents per 31.12.	19	164 133	271 477

NOTE 1 CORPORATE INFORMATION

The consolidated financial statements for the year ended 31 December 2014 were approved by the board at its meeting on 27 March 2015. Q-Free ASA is a limited liability company headquartered in Trondheim, Norway. Q-Free is listed on the Oslo Stock Exchange with the ticker QFR.

Q-Free is a leading global supplier of products and solutions within Road User Charging (RUC) and Advanced Transportation Management Systems (ATMS). The company has 399 employees in 18 countries and are presence on all continents.

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

NOTE 2 BASIS FOR PREPARATION OF THE CONSOLIDATED ACCOUNTS

2.1 GENERAL PRINCIPLES

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

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

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

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

JUDGEMENTS

Product Development costs

Development costs are capitalised in accordance with the accounting policy in Note 3.7 and the capitalised amount is shown in the balance sheet as "Product Development Assets". Initial capitalisation of costs is based on management's judgement that technological and financial feasibility is confirmed, i.e. when a product development project has reached a defined milestone according to the project management model. In determining the amounts to be capitalised, management makes assumptions on the expected future cash generation of the project, discount rates to be applied, and the expected period of benefits. As at 31 December 2014, the carrying amount of capitalised product development costs was TNOK 202,777 (2013: TNOK 132,761). Further details are given in Note 10 Intangible Assets.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that management sees convincing evidence for sufficient future taxable profit. A deferred tax asset is only recognise for an amount corresponding to the expected taxable profit. The carrying amount of deferred tax assets is reviewed at each reporting date. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that convincing evidence exists to support that taxable profits will allow the deferred tax asset to be recovered. The carrying value of recognised deferred tax assets as at 31 December 2014 was TNOK 18,680 for Group and TNOK 26,935 for the Parent (2013: deferred tax assets for Group of TNOK 32,319 and TNOK 26,935 for the Parent). Further details regarding deferred taxes are given in Note 22.

Goodwill

Assessment of the recoverable amount for intangible assets with indefinite lives is based on estimates and judgements made by management, including estimates for the assets' ability to generate future revenues. Changes in the judgements and assumptions may result in an impairment loss. The book value of goodwill for the group at December 31, 2014 was TNOK 192,885 (31.12.2013: TNOK 71,199). The addition during 2014 is related to the acquisitions of Traffic Design d.o.o., TDC Systems Ltd and Open Roads Consulting Inc, see note 6 "Business Combinations" for further specifications. Refer to Note 11 for description of the annual impairment test, including a description of the key assumptions made.

Estimates and assumptions

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

Revenue recognition in projects

The group uses the percentage of completion method in accounting for projects, which requires the Group to estimate the progress in the projects. Progress is calculated as accrued costs as a percentage of total expected production costs. Total expected costs are estimated based on a combination of historical figures, the follow up of efficiency targets, and budgets. Each project's prognosis is evaluated on a monthly basis to verify that the accounts are based on best possible prognosis. Manhours constitute a large proportion of the total cost.

The uncertainty of the estimation of manhours varies with duration and technical complexity of the project. Estimation of projects with long duration and high complexity has significant effect on the financial statement, and the Group management is therefore actively involved in these assessments. Revenue recognition in projects is measured on the basis of accrued production costs as a percentage of total anticipated costs. Total order backlog for the Group as at 31 December 2014 is TNOK 481,192. Corresponding figures for 2013 was TNOK 360,918. Further details are given in Note 7.

Share-based payment transactions
The Group measures the cost of equity-related transactions with employees by reference to the fair value of the equity instruments at the date they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination and assumptions of the most appropriate inputs to the valuation model, including the expected life of the share option, volatility, and dividend yield. The company's cost of share based payment is calculated using the Black & Scholes pricing model. For 2014 this adds up to a total cost of TNOK 0,000 (2013: TNOK 1,666). Further information on assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 17.

Pension funds / liabilities
The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves a number of assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates, and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at the reporting date according to the recommendation of the Norwegian Accounting Standards Board. The net employee pension liabilities for the Group as at 31 December 2014 is TNOK 18,293 (2013: TNOK 12,925). Further details are given in Note 16.

Warranty accruals
The Group estimates probable warranty costs on faulty products based on historical data and an evaluation of the portfolio of delivered products still under warranty. Total provisions for warranty costs as at 31 December 2014 is TNOK 16,561 for the Group. (2013: TNOK 15,766). Further details are given in Note 25.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.0 BASIS OF CONSOLIDATION

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

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

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

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

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

Non-controlling interests
The non-controlling interests include the minority's share of the carrying amount of subsidiaries, including the share of identified excess value on the date when a subsidiary is acquired. Subsequent profit and loss in a consolidated subsidiary are attributed to the non-controlling interests.

3.1 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value at the date of acquisition and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree as the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

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

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

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

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

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

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

3.2 RECOGNITION OF REVENUES

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

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

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

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

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

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

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

3.3 FOREIGN CURRENCY

Functional currency and presentation currency
The consolidated financial statements are presented in NOK, which is the company's functional and presentation currency. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the balance sheet date. All differences regarding retranslation are included in the profit and loss account.

Group companies
The assets and liabilities of foreign operations are translated into NOK at the rate of exchange at the reporting date, and their income statements are translated at the exchange rates at the dates of the transactions. The exchange differences arising on the translation are recognised in

other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

3.4 PROVISIONS

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

3.5 FINANCIAL INSTRUMENTS

Financial assets and liabilities
Financial assets and liabilities consist of derivatives, accounts receivables and other receivables, cash and cash equivalents, loans, accounts payable and other liabilities.

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

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

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

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

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

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

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

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

3.6 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

3.7 INTANGIBLE ASSETS

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

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

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

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

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

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

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

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

3.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

3.9 SHARE BASED PAYMENT

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

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

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

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

3.10 INVENTORIES

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

3.11 LEASES

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

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

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

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

3.12 INVESTMENT IN SHARES

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

3.13 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

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

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

3.14 PENSION COSTS AND PENSION ASSETS AND LIABILITIES

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

3.15 TAXES

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

– temporary differences linked to goodwill that are not tax deductible

– temporary differences related to investments in subsidiaries or associates the Group controls, when the temporary differences are to be reversed and this is not expected to take place in the foreseeable future.

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

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

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

3.16 CASH AND CASH EQUIVALENTS

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

3.17 CASH FLOW STATEMENT

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

3.18 EVENTS AFTER THE BALANCE SHEET DATE

New information on the company's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that will effect the company's position in the future but do not affect the company's position at the balance sheet date are stated if significant. No such significant events has occurred in 2015.

3.19 OPERATING SEGMENTS

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

3.20 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following IFRSs, IFRICs AND AMENDMENTS.

Standard, Amendments or interpretations	Effective date
IFRS 10 Consolidated Financial Statements	01.01.14
IFRS 11 Joint Arrangements	01.01.14
IFRS 12 Disclosure of Interests in Other Entities	01.01.14
IAS 27 Separate Financial Statements	01.01.14
IAS 28 Investments in Associates and Joint Ventures	01.01.14
IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendments – 2011 – 2013 Cycle)	01.07.14
Annual improvements (2010 – 2012 Cycle) Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38	01.07.14
Annual improvements (2011 – 2013 Cycle) Amendments to IFRS 3, IFRS 13, IAS 40	01.07.14
IAS 19 Employee Benefits (Amendments – Defined Benefit Plans: Employee Contributions)	01.01.14
IAS 32 Financial Instruments: Presentation (Amendments – Offsetting Financial Assets and Financial Liabilities)	01.01.14
IAS 36 Impairment of Assets (Amendments – Recoverable Amount Disclosures for Non-financial Assets)	01.01.14
IAS 39 Financial Instruments: Recognition and Measurement (Amendments – Novation of Derivatives and Continuation of Hedge Accounting)	01.01.14

None of the new standards, amendments and interpretations had any material impact on the measurement and presentations principles applied by Q-Free. None of them had any material effect on the disclosures included in the financial statements.

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

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

Standard, Amendments or interpretations	Effective date
IFRS 7 Financial Instruments: Disclosures (Amendments – Transition Disclosures)	Mandatory adoption to be confirmed
IFRS 9 Financial Instruments	Mandatory adoption on or after 01.01.2018
IFRS 9 Financial Instruments (Amendments)	Mandatory adoption to be confirmed
IFRS 9 Financial Instruments (Amendments – Mandatory Effective Date)	Mandatory adoption to be confirmed
IFRS 9 Financial Instruments (Amendments – Hedging)	Mandatory adoption to be confirmed
IFRS 15 Revenue Recognition	Mandatory adoption on or after 01.01.2017
IFRIC 21 Levies	01.01.2015

These standards, amendments and interpretations are not expected to have any material impact on the financial position of the group except IFRS 15. Q-Free has not concluded regarding the possible effects of implementing IFRS 15.

ACCOUNTS

NOTE 4 FINANCIAL RISK MANAGEMENT

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

The Group is exposed to different financial market risks arising from our normal business activities, mainly these:
a) Credit risk
b) Currency risk
c) Liquidity risk
d) Interest rate risk

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

Sovereign risk related to governments failing to honor their debt obligations may have increased in several markets, although Q-Free has to date not incurred any losses on debt to any government related entity in any market.

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

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

The Group has no significant credit risk linked to any individual contracting party or to contracting parties that may be regarded as a group due to similarities in credit risk. The Group has not provided any guarantees for third parties' liabilities.

An ageing analysis of trade receivables as at 31 December 2014 and 2013 is provided in Note 20.

b) Currency risk
Q-Free reported revenues of NOK 789 million in 2014. NOK 615 million of this was generated outside of Norway, leaving Q-Free with a considerable foreign currency exposure. Q-Free also runs businesses outside of Norway and buys a substantial share of required equipment abroad, with payment in foreign currencies. This mitigated the Group's net foreign currency exposure to approximately 10 percent in 2014. The Group's most important trading currencies are NOK, USD, GBP 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.

Foreign exchange contracts are classified as either other financial assets or other financial liabilities measured as fair value. As at 31.12.14 the Group holds no foreign future contracts of accounted as other financial liabilities (2013: TNOK 2,980). See section regarding fair value for a fair value hierarchy and a specification on valuation technique applied.

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

		Increase / decrease in	Effect on profit before tax	Effect on equity
2014	EURO rate	+ 10 % - 10 %	+ 4 418 TNOK - 4 418 TNOK	+ 3 181 TNOK - 3 181 TNOK
2014	GBP rate	+ 10 % - 10 %	+ 1 056 TNOK - 1 056 TNOK	+ 824 TNOK - 824 TNOK
2014	USD rate	+ 10 % - 10 %	- 5 371 TNOK + 5 371 TNOK	- 2 954 TNOK + 2 954 TNOK
2013	EURO rate	+ 10 % - 10 %	+ 2 354 TNOK - 2 354 TNOK	+ 1 695 TNOK - 1 695 TNOK
2013	SEK rate	+ 10 % - 10 %	+ 825 TNOK - 825 TNOK	+ 594 TNOK - 594 TNOK
2013	USD rate	+ 10 % - 10 %	+ 10 280 TNOK - 10 280 TNOK	+ 7 402 TNOK - 7 402 TNOK

c) Liquidity risk
The Q-Free Group's strategy is to hold sufficient cash, cash equivalents or credit facilities at any time to be able to finance its operations and planned investments over the next three years. Surplus cash funds are deposited in banks, or invested in money market funds, with the purpose of securing an acceptable, low-risk return on the invested capital. The Group assesses the liquidity at the end of 2014 to be sufficient to cover the company's planned operations and investment requirements.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2014, based on contractual undiscounted payments.

Year ended 31 December 2014	On demand	Less than 3 months	3 to 6 months	6 to 12 months	> 1 years	Total Group
Interest bearing loans and borrowings	136	814	823	1 664	107 161	110 598
Accounts payables and advance payments from customers	20 706	72 363	0	0	0	93 069
Public duties payable and taxes	0	23 017	4 904	0	0	27 921
Other financial liabilities	4 674	63 101	12 282	33 489	67 117	180 663
Total liabilities (excl pension liabilities and deferred tax)	25 516	159 295	18 009	35 153	174 278	412 251

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

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

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

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

	As at 31 December	
	2014	2013
Total equity	485 389	504 526
Total assets	939 794	894 344
Book equity ratio	51,6 %	56,4 %

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

A change in interest of 100 basis points (bp) on the date of balance sheet recognition would have increased (reduced) equity and the profit or loss by the amounts shown below The analysis assumes that the other variables remain constant The analysis was performed on the same basis as in 2013.

Effect of an interest rate increase of 100 bp:	As at 31 December	
Amounts in TNOK	2014	2013
	Result	Result
Investments with floating interest rates	1 811	2 811
Loans with variable interest rates	-1 000	-1 000
Profit before tax	811	1 811

FAIR VALUE HIERARCHY

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. As at 31 December 2014, the Group held the following financial instruments measured at fair value:

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

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	31 Dec 2014	Level 1	Level 2	(TNOK) Level 3
Financial assets & liabilities at fair value through profit or loss				
Foreign exchange contracts	0	0	0	0
Available for sale financial investments	13 001	0	0	13 001

	31 Dec 2013	Level 1	Level 2	Level 3
Financial assets & liabilities at fair value through profit or loss				
Foreign exchange contracts	2 980	0	2 980	0
Available for sale financial investments	15 317	0	0	15 317

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

Determination of fair value

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

Financial assets and liabilities	Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
Investments in other companies	13 001	13 001	15 317	15 317
Accounts receivable	167 378	167 378	146 860	146 860
Other receivables	2 158	2 158	5 064	5 064
Other current financial assets	21 857	21 857	36 599	36 599
Cash and cash equivalents	164 133	164 133	271 477	271 477
Accounts payable	74 155	74 155	74 933	74 933
Other current financial liabilities	140 853	140 853	137 797	137 797

NOTE 5 OPERATING SEGMENTS

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

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

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

Operating segments			31.12.2014					31.12.2013		
TNOK	ELA	APMEA	NORDIC	NA	TOTAL	ELA	APMEA	NORDIC	NA	TOTAL
Profit & Loss Account:	47 %	12 %	29 %	12 %	100 %	50 %	16 %	23 %	11 %	100 %
Revenues	**370 405**	**92 380**	**228 253**	**97 546**	**788 584**	**301 298**	**99 995**	**139 538**	**65 241**	**606 072**
Cost of goods sold	151 751	26 872	71 474	32 076	282 173	105 033	34 639	65 894	19 225	224 791
Personnel expenses	90 677	31 662	79 656	28 922	230 917	58 522	28 045	92 456	17 704	196 727
Operating expenses	80 562	21 109	58 174	30 905	190 750	112 736	62 477	22 822	18 318	216 353
Total operating expenses	322 990	79 643	209 304	91 903	703 840	276 291	125 161	181 172	55 247	637 871
EBITDA	**47 415**	**12 737**	**18 949**	**5 643**	**84 745**	**25 007**	**-25 166**	**-41 634**	**9 994**	**-31 798**
Depreciation, amortisation impairment	44 994	5 026	12 638	13 651	76 309	34 186	7 262	12 452	9 014	62 914
EBIT	**2 421**	**7 711**	**6 311**	**-8 008**	**8 436**	**-9 180**	**-32 428**	**-54 086**	**980**	**-94 712**
Total financial items (not distributed)					**-24 805**					**-3 246**
Profit before tax					**-16 369**					**-97 958**
KEY FIGURES										
GROSS – margin	59,0 %	70,9 %	68,7 %	67,1 %	64,2 %	65,1 %	65,4 %	52,8 %	70,5 %	62,9 %
EBITDA – margin	12,8 %	13,8 %	8,3 %	5,8 %	10,7 %	8,3 %	-25,2 %	-29,8 %	15,3 %	-5,2 %
EBIT – margin	0,7 %	8,3 %	2,8 %	-8,2 %	1,1 %	-3,0 %	-32,4 %	-38,8 %	1,5 %	-15,6 %
Average annual man years	203	42	40	60	344	187	33	40	19	279
Average number of employees	205	42	40	60	346	190	37	40	24	291

Revenues from the largest customer amounted to TNOK 153,847 (19.5 % of total Revenues) in 2014, with the similar figure for 2013 TNOK 105,214 (17.4 %). Both in 2013 and 2014 the largest customer was included in the ELA segment.

REVENUE COMPOSITION

	2014		2013	
Products	347 315	44 %	301 298	50 %
Service and maintenance	165 414	21 %	139 538	23 %
Projects	110 088	14 %	99 995	16 %
ATMS	165 767	21 %	65 241	11 %
TOTAL REVENUES	788 584		606 072	

ORDER BACKLOG BY OPERATING SEGMENTS

	2014		2013	
ELA	189 309	39 %	144 421	38%
Nordic	140 544	29 %	167 258	44 %
APMEA	50 135	10 %	19 655	5 %
NA	101 204	21 %	47 860	13 %
TOTAL ORDER BACKLOG	481 192		379 194	

ORDER BACKLOG COMPOSITION

	2014		2013	
Products	116 588	24 %	87 557	23 %
Service and maintenance	130 197	27 %	157 097	41 %
Projects	91 343	19 %	118 345	31 %
ATMS	143 064	30 %	16 195	4 %
TOTAL ORDER BACKLOG	481 192		379 194	

NOTE 6 BUSINESS COMBINATIONS

ACQUISITION IN 2014

ACQUISITION OF TDC SYSTEMS LTD.

The financial effects from the purchase of TDC Systems are consolidated in the Group`s figures per 31 March 2014. Date of acquisition was 26 March 2014. TDC Systems comprises TDC Systems Ltd in the UK and its sister company TDC Systems Pty Ltd in Australia.

TDC Systems is an industry leader in research, design, manufacture, installation and maintenance of Intelligent Transport Systems (ITS), including advanced weigh-in-motion systems, traffic counters and classifiers, journey-time monitoring systems, air quality monitoring systems, and detection systems for pedestrians and cyclists.

TDC Systems holds advanced technologies, products, and systems software solutions for highways, roads, bridges, tunnel management and urban areas that provide a natural extension of Q-Free´s solutions portfolio. This gives Q-Free the opportunity to offer more traffic management solutions to our customers in international markets.

As at 26 March 2014 Q-Free ASA controls 100% of the TDC Systems shares, and has corresponding voting rights.

The SPA is based on enterprise value, net of debt and cash. Q-Free will pay an initial consideration of GBP 5 million of which GBP 4 million in cash and GBP 1 million through issuance of 704 037 new shares in Q-Free ASA at NOK 14,22 per share. Further consideration is tied to financial performance in 2014 and 2015. It is estimated to GBP 5 million, assuming significant revenue and earnings growth in both 2014 and 2015, and is capped to GBP 7.5 million. The earn-out component comprises at least 50 percent cash and up to 50 percent new shares in Q-Free, payable in 2015 and 2016.

Since the issuance of new shares in accordance to the above mentioned was carried out at 4th April 2014 the equity-impact of the acquisition was accounted in the second quarter 2014.

The current operations in TDC Systems are an important part of our ATMS business and will broaden our scope of business, reduce risk, and also prepare the company for convergence of markets into a wider Intelligent Traffic market

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

Assets TNOK	Book value 26.03.2014	Adjustment	Fair value 31.12.2014
Technology	3 311	13 834	17 145
Customer Relationships	0	9 189	9 189
Order Backlog	0	3 404	3 404
Goodwill	0	62 669	62 669
Machinery, fixtures	3 145	0	3 145
Total fixed assets	6 457	89 096	95 552
Inventories	13 447	0	13 447
Accounts receivables	12 074	0	12 074
Cash and equivalents	1 028	0	1 028
Current assets	26 548	0	26 548
Total assets	33 005	89 096	122 099

Liabilities and Equity TNOK	Book value 26.03.2014	Adjustment	Fair value 31.12.2014
Equity	21 633	83 810	105 443
Misc. long term liabilities	414	0	414
Deferred tax	0	5 285	5 285
Long term liabilities	414	5 285	5 699
Accounts payable	10 958	0	10 958
Debt to seller of TDC	0	0	0
Short term liabilities	10 958	0	10 958
Total Equity & Liabilities	33 005	89 096	122 100

Three intangible assets are identified as follows:

Customer relationships, technology, and the value of existing order backlog. These three assets explain 32 % 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.

ACQUISITION OF TRAFFIC DESIGN D.O.O.

Q-Free ASA signed on April 22 a share purchase agreement for the acquisition of Traffic Design d.o.o. for a cash and equity consideration of EUR 2.3-3.6 million pending future financial performance. The financial effects from the purchase of the company are consolidated in the Group`s figures per June 30 2014. Date of acquisition was April 22 2014. As at acquisition date Q-Free ASA controls 100 % of the Traffic Design d.o.o. shares, and has corresponding voting rights.

Traffic Design is the market leader in traffic management, parking systems and tolling in Slovenia. Following the recent acquisition of TDC Systems in the UK, the acquisition reflects a continuation of Q-Free's strategy to strengthen its business within Advanced Transportation Management Systems (ATMS).

Traffic Design d.o.o. was established in 1990 in Ljubljana, and is the market leader with nationwide traffic management systems, more than 60 parking systems, and operations of the entire tolling system in Slovenia.

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 this market, and considers Traffic Design's products, solutions and services as a strong addition to its product offering.

Further consideration is estimated to EUR 0.8 million, assuming EBIT growth to EUR 0.66 million in 2014 and EUR 0.74 million in 2015. The earn-out consideration is capped at EUR 1.3 million, assuming EBIT growth to EUR 1 million in 2014 and 1.1 million in 2015. The earn-out consideration will also be at least 91 percent payable in cash and up to 9 percent in new shares, payable in 2015 and 2016.

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

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

Assets TNOK	Previous carrying value 22.04.14	Adjustment	Fair value recognised on acquisition date 22.04.14
Non-current assets			
Technology	10	6 087	6 098
Customer Relationships	0	3 785	3 785
Order Backlog	0	5 126	5 126
Goodwill	0	7 906	7 906
Machinery, fixtures	1 085	0	1 085
Other financial assets	457	0	457
Total non-current assets	1 552	22 905	24 456
Current assets			
Inventories	280	0	280
Receivables	5 238	0	5 238
Cash and equivalents	9 115	0	9 115
Total current assets	14 633	0	14 633
Total assets	16 185	22 905	39 089

Liabilities and Equity TNOK	Previous carrying value 22.04.14	Adjustment	Fair value recognised on acquisition date 22.04.14
Total Equity	9 301	20 355	29 656
Non-current liabilities			
Financial leasing	108	0	108
Deferred tax	0	2 550	2 550
Total non-current liabilities	108	2 550	2 658
Current liabilities			
Accounts payable	1 463	0	1 463
Other short term debt	5 313	0	5 313
Total current liabilities	6 775	0	6 775
Total Equity & Liabilities	16 185	22 905	39 089

Three intangible assets are identified as follows:

Customer relationships, technology, and the value of existing order backlog. These three assets explain 65 % of the total purchase price and the remaining value is allocated as goodwill.

Goodwill is explained as the estimated value of the work force and other non-identifiable values.

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

The earn-out consideration is not included as basis for intangible assets in the price purchase allocation. The earn-out consideration will be accounted for as bonus payments in the periods this consideration is earned.

ACQUISITION OF OPEN ROADS CONSULTING INC.

This is an updated Purchase Price Analysis of acquisition of Open Roads Consulting Inc., closed in Q3-14.

Q-Free has signed a Share Purchase Agreement (SPA) for the acquisition of Open Roads for a cash consideration of approximately USD 8.0 million in 2014. Q-Free is expected to pay an addition to this purchase price in 2015 and 2016 pending finalisation of a working capital adjustment and earn-out payments based on 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 at acquisition date Q-Free ASA controls 100 % of the Open Roads shares, and has corresponding voting rights.

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 15.1 million, EBITDA of USD 2.2 million and EBIT of USD 1.6 million in 2014, and was 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 Department of Defence 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 4.5 million Includingearn-out payments, the total consideration is capped at USD 12.5 million.

The current operations in Open Roads are an important part of our ATMS business and will broaden our scope of business, reduce risk, and also prepare the company for convergence of markets into a wider Intelligent Traffic market

The fair value (TNOK) of the identifiable assets and liabilities of Open Roads as at the date of acquisition:

Assets TNOK	Book value 30.09.2014	Adjustment	Fair value 31.12.2014
Technology	17 645	11 872	29 517
Customer Relationships	0	5 047	5 047
Order Backlog	0	5 862	5 862
Goodwill	0	51 111	51 111
Machinery, fixtures	1 244	0	1 244
Total fixed assets	18 889	73 892	92 781
Accounts receivables	32 152	0	32 152
Cash and equivalents	444	0	444
Current assets	32 596	0	32 596
Total assets	51 485	73 892	125 377

Liabilities and Equity TNOK	Book value 30.09.2014	Adjustment	Fair value 31.12.2014
Equity	33 663	44 972	78 634
Financial leasing	415	0	415
Deferred tax	0	28 920	28 920
Long term liabilities	415	28 920	29 335
Line of Credit – Bank	12 651	0	12 651
Accounts payable	1 327	0	1 327
Accruals	477	0	477
Miscl liabilities	31	0	31
Other current liabilities	2 920	0	2 920
Current liabilities	17 407	0	17 407
Total Equity & Liabilities	51 485	73 892	125 377

Three intangible assets are identified as follows:

Customer relationships, technology, and the value of existing order backlog. These three assets explain 44 % 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.

CHANGES RELATED TO PROVISIONS FOR EARN-OUTS

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

	Current	Non current	Total
Provisions 01.01.2014	6 957	6 951	13 908
Payments in 2014	-6 951	0	-6 951
Provisions related to acquisitions in 2014	32 555	43 914	76 469
Changes of estimated payments recognised in p&l	14 252	0	14 252
Reclassification to current	309	-309	0
Provision 31.12.2014	47 122	50 556	97 678

Remaining earnout provisions relates to the acquisitions of TDC Systems Ltd, Traffic Design d.o.o. and Open Roads Consulting Inc in 2014, and TCS international in 2012.

ANALYSIS OF CASH FLOWS ON ACQUISITION

Transaction costs of the acquisition (included in cash flows from operating activities)	-3 647
Acqusition of a subsidiary	-92 819
Net of cash acquired (included in cash flows from investing activities	-10 587
Net cash flow on acquisition	-107 053

Pro forma figures
Pro forma figures have been prepared for the period from 1 January 2014 until the time of the acquisitions of TDC Systems Ltd, Traffic Design d.o.o. and Open Roads Consulting Inc. In 2014.

The contribution to the Group from the time of the acquisitions of the subsidiaries until 31 December 2014 and possible contribution for 2014 if Q-Free had owned the subsidiaries in 2014.

	Contribution to the Group's P&L for 2014	Pro forma contribution to the Group's P&L for the total 2014
Operating revenues	87 944	177 270
Profit and loss	14 566	25 171

ACQUISITION IN 2013

ACQUISITION OF ELCOM D.O.O.

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

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

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

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

Assets TNOK	Previous carrying value 30.09.13	Adjustment	Fair value recognised on acquisition date 31.12.2013
Technology	0	1 356	1 356
Customer Relationships	0	985	985
Order Backlog	0	442	442
Goodwill	0	6 532	6 532
Machinery, fixtures	311	0	311
Other financial assets	0	0	0
Total fixed assets	311	9 315	9 626
Loan to owners	0		0
Inventories	272		272
Accounts receivables	2 058		2 058
Cash and equivalents	226	0	226
Current assets	2 556	0	2 556
Total assets	2 867	9 315	12 183

Liabilities and Equity TNOK			
Equity	1 000	8 898	9 898
Finacial leasing	256	0	256
Bank debt	162	0	162
Deferred tax	0	418	418
Long term liabilities	418	418	836
Line of Credit - Bank	0	0	0
Accounts payable	1 007	0	1 007
Accruals	156	0	156
Miscl liabilities	286	0	286
Short term liabilities	1 449	0	1 449
Total Equity & Liabilities	2 867	9 315	12 183

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

The three intangible assets are identified as follows:

Customer relationships, technology, and the value of existing order backlog. These three assets explain 30 % of the total purchase price and the remaining value is allocated as goodwill.

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

Analysis of cash flows on acquisition

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

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

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

NOTE 7 WORK IN PROGRESS

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

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

PARENT COMPANY			GROUP	
2013	2014		2014	2013
48 302	13 766	Work in progress	56 903	48 737
-12 370	0	Prepayments from customers	-18 914	-28 502
35 932	13 766	Net projects in progress	37 989	20 236

		SUMMARY OF WORK IN PROGRESS AS AT 31.12		
2013	2014		2014	2013
80 394	73 910	Contract revenues included in the consolidated financial statement	110 088	80 897
360 048	34 529	Total contract orders	209 315	360 918
152 932	23 316	Accumulated revenues	128 721	153 367
207 116	11 213	Remaining revenues	80 594	207 551
144 079	23 328	Accumulated operating expenses	100 077	144 362
89 253	4 091	Remaining operating expenses	50 849	89 405
-12 370	0	Prepayments received	-18 914	-28 502

NOTE 8 OTHER OPERATING INCOME

The Group has received government grants of a total of TNOK 3,940 in 2014 (2013: TNOK 1,083). The Group is a partner in several projects under The Research Council of Norway and projects initiated by the EU.

	Contribution	
Government grants	2014	2013
Projects with contribution from The Research Council of Norway	1 828	856
Contribution from EU initiated projects	2 112	227
TOTAL	3 940	1 083

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

	2014	2013
Grants recognised as other income related to cost in same period	3 940	1 083
Grants accounted as reduction of payroll expenses (Skattefunn). See Note 27 for further information	502	965
TOTAL	4 442	2 048

NOTE 9 PROPERTY AND EQUIPMENT

Parent company	Machinery and fixtures	Equipment	Total
Acquisition cost as at 01.01.2013	72 845	111 384	184 229
Additions	3 940	7 767	11 707
Acquisition cost as at 31.12.2013	76 785	119 151	195 936
Accumulated depreciation and impairments as at 01.01.2013	62 115	75 941	138 056
Depreciation of the year	5 488	8 722	14 210
Accumulated depreciation and impairments as at 31.12.2013	67 603	84 663	152 266
Net book value as at 01.01.2013	10 730	35 443	46 173
Total changes of the year	-1 548	-955	-2 503
As at 31.12.2013	9 182	34 488	43 670
Acquisition cost as at 01.01.2014	76 785	119 151	195 936
Additions	4 787	2 457	7 244
Disposals	0	0	0
Acquisition cost as at 31.12.2014	81 572	121 608	203 180
Accumulated depreciation and impairments as at 01.01.2014	67 603	84 663	152 266
Depreciation of the year	5 481	11 290	16 771
Accumulated depreciation and impairments as at 31.12.2014	73 084	95 953	169 037
Net book value as at 01.01.2014	9 182	34 488	43 670
Total changes of the year	-694	-8 833	-9 527
As at 31.12.2014	8 488	25 655	34 143
Financial lifetime	4-5 years	5-10 years	
Depreciation schedule	Straight line	Straight line	

Securities for bank guarantees and overdraft facility

As at 31.12.14 assets in the parent company valued at TNOK 34,143 (2013: 46,670) are pledged as security for guarantee facility in Danske Bank.

Group	Machinery and fixtures	Equipment	Total
Acquisition cost as at 01.01.2013	138 771	111 384	250 155
Additions	6 925	7 767	14 692
Acquisition cost as at 31.12.2013	145 696	119 151	264 847
Accumulative depreciation and impairments as at 01.01.2013	107 894	75 941	183 835
Depreciation of the year	9 219	8 722	17 941
Accumulated depreciation and impairments as at 31.12.2013	117 113	84 663	201 776
Net book value as at 01.01.2013	30 877	35 443	66 320
Total changes of the year	-2 294	-955	-3 249
As at 31.12.2013	28 583	34 488	63 071
Acquisition cost as at 01.01.2014	145 696	119 151	264 847
Additions	6 030	2 457	8 487
Acquisitions of a subidiary	5 474	0	5 474
Disposals	-3 701	0	-3 701
Acquisition cost as at 31.12.2014	153 499	121 608	275 107
Accumulative depreciation and impairments as at 01.01.2014	117 113	84 663	201 776
Depreciation of the year	10 242	11 290	21 532
Accumulated depreciation and impairments as at 31.12.2014	127 355	95 953	223 308
Net book value as at 01.01.2014	28 583	34 488	63 071
Total changes of the year	-2 439	-8 833	-11 272
As at 31.12.2014	26 144	25 655	51 799
Financial lifetime	4-5 years	5-10 years	
Depreciation schedule	Straight line	Straight line	

NOTE 10 INTANGIBLE ASSETS

Parent company	Goodwill	Development Assets	Total
Acquisition cost as at 01.01.2013	0	201 057	201 057
Additions	0	10 785	10 785
Acquisition cost as at 31.12.2013	0	211 842	211 842
Accumulated depreciation and impairments as at 01.01.2013	0	130 884	130 884
Depreciation of the year	0	21 305	21 305
Accumulated depreciation and impairments as at 31.12.2013	0	152 189	152 189
Net book value as at 01.01.2013	0	70 173	70 173
Total changes of the year	0	-10 520	-10 520
As at 31.12.2013	0	59 653	59 653
Acquisition cost as at 01.01.2014	0	211 842	211 842
Additions	0	14 143	14 143
Acquisition cost as at 31.12.2014	0	225 985	225 985
Accumulated depreciation and impairments as at 01.01.2014	0	152 189	152 189
Depreciation of the year	0	21 285	21 285
Accumulated depreciation and impairments as at 31.12.2014	0	173 474	173 474
Net book value as at 01.01.2014	0	59 653	59 653
Total changes of the year	0	-7 142	-7 142
As at 31.12.2014	0	52 511	52 511
Financial lifetime	Impairment tested annually	5-10 years	
Depreciation schedule	(or when impairment indicators exist)	Straight line	

Group	Goodwill	Development Assets	Total
Acquisition cost as at 01.01.2013	64 667	324 888	389 555
Additions	0	21 269	21 269
Acquisitions of a subsidiary	6 532	2 783	9 315
Acquisition cost as at 31.12.2013	71 199	348 940	420 139
Accumulative depreciation and impairments as at 01.01.2013	0	171 206	171 206
Depreciation of the year	0	44 973	44 973
Accumulated depreciation and impairments as at 31.12.2013	0	216 179	216 179
Net book value as at 01.01.2013	64 667	153 682	218 349
Total changes of the year	6 532	-20 921	-14 389
As at 31.12.2013	71 199	132 761	203 960
Acquisition cost as at 01.01.2014	71 199	348 940	420 139
Additions	0	60 587	60 587
Acquisitions of a subsidiary	121 686	64 206	185 892
Acquisition cost as at 31.12.2014	192 885	473 733	666 618
Accumulative depreciation and impairments as at 01.01.2014	0	216 179	216 179
Depreciation of the year	0	54 777	54 777
Accumulated depreciation and impairments as at 31.12.2014	0	270 956	270 956
Net book value as at 01.01.2014	71 199	132 761	203 960
Total changes of the year	121 686	70 016	191 702
As at 31.12.2014	192 885	202 777	395 662
Financial lifetime	Impairment tested annually	5-10 years	
Depreciation schedule	(or when impairment indicators exist)	Straight line	

Development
The group capitalises costs regarding product development activities. Capitalised costs for 2014 consist of product development of a new generations of OBUs and road side units that are parts of the company's toll road systems. Furthermore, the company has capitalised cost that prepares the company's products for future wireless communication solutions that will enable continuous communication between vehicles and the roadside infrastructure. Such cooperative vehicle-infrastructure systems will allow new traffic information-sharing services for greater safety, efficiency and a better environment.

Research expenses in the P&L were immaterial in 2014.

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

NOTE 11 IMPAIRMENT TESTING OF GOODWILL

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

Carrying amount of Goodwill		TNOK
	TOTAL	
	2014	2013
Total amount of Goodwill recognised in balanse sheet as at 01. 01:	71 199	64 667
Goodwill obtained through the acquisition of: (See Note 6 for further specifications)		
- TDC Systems Ltd.	62 669	
- Traffic Design d.o.o.	7 906	
- Open Roads Consulting Inc.	51 111	
- Elcom d.o.o.		6 532
Total amount of Goodwill recognised in balance sheet as at 31. 12:	192 885	71 199

Impairment testing of Goodwill as at 31 December 2014:

The Group performed its annual impairment test as at 31 December 2014. The recoverable amount has been determined based on cash flow projections. The projected cash flow is based on budgets and long-term plans, which are subject to the approval of the Board and the corporate management. Long-term plans are equivalent to the Group Strategy and covers a period of five years. Approved budgets and long-term plans are adjusted for cash flows related to investments, restructuring, future product improvements and new development, where this is considered significant for the impairment test.

There was no impairment of goodwill in 2014 or 2013.

KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATIONS

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

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

- **Cash flow projection** – The projections are based on budgets and on forecasting values that is the outcome of the Group's managerial strategic process. The forecasting values are increased over the budget period for anticipated efficiency improvements.

- **Discount rates** – The discount rates are based on a weighted average cost of capital (WACC) method, whereby the cost of equity and the cost of liabilities are weighted according to the estimated capital structure. The discount rates reflect the market's required rates of return at the time of the test. When determining the discount rates the cost of equity consists of risk-free interest as well as an individual risk premium. The risk premium is the entity's systematic risk (beta), multiplied by the market's risk premium. The risk-free interest is estimated on a 10-year Norwegian government covered bond interest rate (OMF) and is based on all cash flows being translated to NOK. The cost of liabilities represents an expected long-term after-tax interest rate for comparable liabilities and consists of risk-free interest and an interest spread. A 8.7 % discount rate is applied in the calculations (2013: 7.0 %).

- **Market share assumptions** – The management uses both industry data for growth rates (as noted below) and assesses how Q-Free's position relative to its competitors might change over the budget period. The management overall expects that the Group's market share will be maintained, although there might be increases or setbacks in certain areas.

- **Growth rate estimates** – Growth rates in the explicit prognosis period are predicated on management's expectations of market trends and based on published industry research. A 11.0 % growth rate is applied in the calculations (2013: 20.0 %) that is a prudent estimate compared to the industry's annual compounded growth rate of 15-25 % for the next five years. No growth is assumed after the five year prognosis period.

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

NOTE 12 EARNINGS PER SHARE

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

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

	2014	2013
Profit for the year	-28 760	-112 088
Weighted average number of ordinary shares	68 574 155	67 972 419
Weighted average of share option	925 342	575 000
Weighted average number of diluted shares	69 499 497	68 547 419
Earnings in NOK per share	-0,42	-1,65
Diluted earnings in NOK per share	-0,41	-1,64

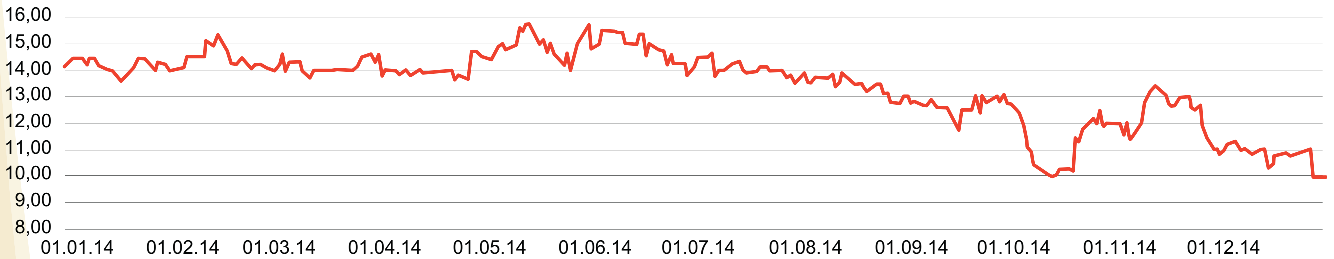
There has been an increase in the share capital in 2015 by NOK 483,515.80. The increase in the share capital is carried out by issuing 1,272,410 new shares with a par value of NOK 0.38.

For a specification of the change of number of shares during 2014 and 2013, see Note 13.

NOTE 13 ISSUED CAPITAL AND RESERVES

The company has one class of shares and there are no voting restrictions. Per 31.12.14 the number of shares were 68,798,142. Par value per share is NOK 0.38. Total share capital per 31.12.2014 was NOK 26,143,294. The company had 1,172 share holders as at 31.12.14. As at 31.12.14 the share price listed at OSE was NOK 10.00 per share, equalling a market value of MNOK 688.

	Ordinary shares	
	2014	2013
Shares issued per 01.01	67 972 419	67 972 419
Share issue	825 723	0
Share options excercised	0	0
Total shares issued per. 31.12.	68 798 142	67 972 419



The company's largest share holders as at 31 December 2014	Number of shares	Percentage ownership	Voting rights
KAPSCH TRAFFICCOM AG	13 650 458	19,84 %	19,84 %
KLP AKSJE NORGE VPF	3 177 118	4,62 %	4,62 %
ODIN NORGE	2 751 597	4,00 %	4,00 %
SKAGEN VEKST	2 603 177	3,78 %	3,78 %
VERDIPAPIRFONDET DNB SMB	2 225 000	3,23 %	3,23 %
J.P. MORGAN CHASE BANK N.A. LONDON	2 201 000	3,20 %	3,20 %
KOMMUNAL LANDSPENSJONSKASSE	2 189 120	3,18 %	3,18 %
VERDIPAPIRFONDET DNB NORGE (IV)	2 179 971	3,17 %	3,17 %
VPF NORDEA KAPITAL	1 893 362	2,75 %	2,75 %
STOREBRAND NORGE I	1 720 335	2,50 %	2,50 %
LARS ODDGEIR ANDRESEN	1 633 600	2,37 %	2,37 %
REDBACK AS	1 627 000	2,36 %	2,36 %
STOREBRAND VEKST	1 590 564	2,31 %	2,31 %
VERDIPAPIRFONDET EIKA NORGE	1 296 106	1,88 %	1,88 %
VPF NORDEA SMB	1 080 279	1,57 %	1,57 %
MONS HOLDING AS	1 040 000	1,51 %	1,51 %
HOLMEN SPESIALFOND	1 000 000	1,45 %	1,45 %
VPF NORDEA AVKASTNING	828 932	1,20 %	1,20 %
HOLBERG NORGE	800 000	1,16 %	1,16 %
ULSMO FINANS AS	753 916	1,10 %	1,10 %
Other share holders	22 556 607	32,79 %	32,79 %
Total	68 798 142	100,0 %	100,0 %

Shareholders by size of holding as at 31 December 2014

Number of shares	Number of owners	Number of shares	Holding percentage
1 – 1 000	514	280 001	0,41 %
1 001 – 10 000	450	1 710 671	2,49 %
10 001 – 100 000	140	4 682 942	6,81 %
100 001 – 200 000	18	2 682 108	3,90 %
200 001 – 500 000	18	6 182 987	8,99 %
500 001 – 1 000 000	16	10 400 746	15,12 %
1 000 001 – 2 000 000	8	11 881 246	17,27 %
2 000 001 – 5 000 000	7	17 326 983	25,19 %
5 000 001 – 10 000 000	1	13 650 458	19,84 %
TOTAL	1 172	68 798 142	100,00 %

Number of shares held by the senior management, CEO, and the board of directors :

Name	Position	Shares
Jan Pihl Grimnes	Board member	1 687 000
Roar Østbø	CFO	100 000
Thomas Falck	CEO	63 483
Terje Christoffersen	Chairman of the Board	45 072
Marianne Sandal	VP RUC Front End	37 000
Stein Tore Nybrodahl	VP HR	22 500
Per Fredrik Ecker	VP APMEA	20 500
Selma Kveim	Board member	13 000
Frank Kjelsli	VP Managed Services	10 000
Henrik Fatum Stoltenberg	Chief Strategy Officer	8 000
Pål Rune Johansen	VP Nordic	5 000
Total		2 011 555

The Board of Directors has an authorisation to increase the share capital by subscription of new shares in connection with an incentive programme towards employees. 1,050,000 options are granted for key personnel as at 31.12.2014.

NOTE 14 INVENTORY AND COSTS OF GOODS SOLD

INVENTORY

PARENT COMPANY			GROUP	
2013	2014	Inventory specification:	2014	2013
18 109	13 207	Raw material and semi manufactured products	19 582	18 109
0	0	Stock for sub supplier	0	0
3 188	3 604	Stock for maintenance contracts	3 604	3 188
0	0	Work in progress	1 012	0
8 607	7 902	Finished goods	26 474	52 654
-3 010	-2 449	Obsolescence	-2 449	-3 010
26 893	22 264	Total	48 223	70 940

All inventories are valuated at the lower of cost and net realisable value. Inventory write-downs recognised as an expense for the Parent company is TNOK 1,743 in 2014 (2013: TNOK 1,916) and for the group TNOK 1,743 in 2014 (2013: NOK 1,916), which is recognised in cost of goods sold.

COSTS OF GOODS SOLD

PARENT COMPANY			GROUP	
2013	2014	COGS specification:	2014	2013
134 912	136 556	Purchase of goods	270 446	210 666
64	73	Freight, customs etc.	306	64
0	0	External services handling of COGS	195	0
14 061	4 629	Change of inventories	11 226	14 061
149 037	141 258	Total	282 173	224 791

NOTE 15 SALARIES AND PERSONNEL RELATED EXPENSES

PARENT COMPANY			GROUP	
2013	2014	Inventory specification:	2014	2013
99 856	93 872	Salaries	176 232	172 248
14 328	14 037	Social security costs	33 175	17 401
2 431	6 801	Pension costs	10 700	3 416
1 702	502	Skattefunn (governmental tax relief)	502	1 702
-14 454	-11 387	Capitalised personnel costs	-13 320	-14 454
15 614	18 302	Other personnel related costs	23 628	16 413
119 477	122 127	Total	230 917	196 727
130	123	Average number of employees	346	293
128	121	Average number of man-years	344	290

MAIN PRINCIPLES FOR STIPULATION OF SALARY AND OTHER REMUNERATION TO LEADING EMPLOYEES

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

On top of the fixed monthly salary, there should be the option to grant a bonus that will depend on the results of the company and performance of the individual employee. The Board has therefore established a bonus plan for the company's managers and employees. Such bonus can for the CEO be maximum 50 % of the fixed salary, and for the other members of the management team maximum be 40 % of the fixed yearly salary. The bonus shall in general terms be linked to Q-Free's fulfilment of further defined objectives for the period; result targets and/or other established objectives for the company. These objectives shall be established by the company's Board for each year, and may be linked to financial results, results within research and development, quality objectives and/or further established individual result targets or objectives for the individual leader. In extraordinary cases it may be awarded a discretionary bonus to employees, limited to 40 % of the employees fixed yearly salary.

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

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

The Board of Q-Free states that there shall be a mutual period of notice of six (6) months for agreements made with leading employees. The Board's guidelines states that for the CEO the period of notice should be extended with two (2) months for each year he or she has been employed by the Company, however so that the maximum period of notice shall be twelve (12) months. In case of substantial changes in position due to mergers and acquisitions the maximum payment period in case of termination of employment is set to 24 months including notice period. In individual cases other arrangements with regards to resignation can be agreed, hereunder agreements of payment after the termination of employment. The Board shall be empowered to depart from the principles above in individual cases. CEO Thomas Falck has a mutual period of notice of six (6) months. If the notice is given by the Board, the maximum payment period is 18 months, including the notice period. In case of substantial changes in position due to mergers and acquisitions the maximum payment period in case of termination of employment is set to 18 months including notice period.

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

No loans or guarantees have been provided to the Chief Executive Officer, Board members, shareholders, or close associates of these individuals.

Payments to senior management and Board of directors 2014	2014						
TNOK	Salary	Bonus	Director's remuneration	Pension service cost	Other remuneration	Share option coast	TOTAL
Terje Christoffersen, Chairman of the Board			442,5				442,5
Jan Pihl Grimnes, Board member			247,0				247,0
Charlotte Brogren, Board member			225,0				225,0
Selma Kveim, Board member			275,0				275,0
Thomas Falck, Former Board member **			22,0				22,0
Cecilie Johnsen, Nomination comittee, Chair			45,0				45,0
Petter Qvam, Nomination comittee			15,0				15,0
Thomas Alexander Vogt, Nomination comittee			15,0				15,0
Monika Lie Larsen, Employee elected Board member *			37,5				37,5
Anders Hagen, Employee elected Board member *			37,5				37,5
Sissel Lillevik Larsen, Former Employee elected Board member **			37,5				37,5
Frank Aune, Former Employee elected Board member **			37,5				37,5
Thomas Falck, Chief Executive Officer ***	3 270,9	300,0		70,4	10,3	0,0	3 651,5
Øyvind Isaksen, Former Chief Executive Officer ***	3 072,5	0,0		182,8	152,3	0,0	3 407,6
Marianne Sandal, Vice President RUC	1 861,4	0,0		245,2	11,0	0,0	2 117,5
Roar Østbø, Chief Financial Officer	2 304,9	0,0		71,9	175,5	0,0	2 552,3
Per Fredrik Ecker, Vice President APMEA	2 304,8	0,0		220,6	11,0	0,0	2 536,5
Stein-Tore Nybodahl, Vice President Human Resources	1 031,9	0,0		206,5	11,0	0,0	1 249,5
Morten Andersson, Vice President ATMS	1 587,6	0,0		73,1	11,0	0,0	1 671,7
Pål Rune Johansen, Vice President Region Nordic	1 214,8	307,5		24,0	3,7	0,0	1 550,0
Morten Dammen, Former Vice President R&D RUC	1 004,8	0,0		221,4	11,0	0,0	1 237,2
Frank Kjelsli, Vice President Managed Services	962,3	0,0		61,9	11,0	0,0	1 035,2
Pedro Bento, Vice President ELA	937,3	53,6		0,0	57,1	0,0	1 048,1
Henrik Stoltenberg, Chief Strategy Officer	1 983,3	236,3		100,1	5,0	0,0	2 324,8
TOTAL	21 536,5	897,4	1 436,5	1 478,0	469,9	0,0	25 818,4

* Monika Lie Larsen and Anders Hagen served as Employee elected board member from GF May 2014.

** Sissel Lillevik Larsen and Frank Aune served as Employe elected board member until GF May 2014.

*** On the 6 January 2014, The Board of Directors of Q-Free ASA and Øyvind Isaksen agreed that Isaksen should step down as CEO, and the Board appointed Thomas Falck as CEO with immediate effect. Thomas Falck has during 2014 held the position on a contract basis. On the 22 December 2014, Q-Free ASA has appointed Thomas Falck as CEO from 1 January 2015 on a permanent basis.

Payments to senior management and Board of directors 2013	2013						
TNOK	Salary	Bonus	Director's remuneration	Pension service cost	Other remuneration	Share option coast	TOTAL
Terje Christoffersen, Chairman of the Board *			368,5				368,5
Jan Pihl Grimnes, Board member			242,0				242,0
Thomas Falck, Board member ***			112,5				112,5
Charlotte Brogren, Board member			225,0				225,0
Selma Kveim, Board member *			112,5				112,5
Ole Jørgen Fredriksen, Former Chairman of the Board **			211,5				211,5
Mimi Kristine Berdal, Former board member **			145,5				145,5
Cecilie Johnsen, Nomination comittee, Chair			65,0				65,0
Petter Qvam, Nomination comittee			50,0				50,0
Thomas Alexander Vogt, Nomination comittee			50,0				50,0
Sissel Lillevik Larsen, Employee elected Board member			75,0				75,0
Frank Aune, Employee elected Board member			75,0				75,0
Øyvind Isaksen, Chief Executive Officer ***	3 055,3			160,1	252,4	651,8	4 119,6
Marianne Sandal, Vice President Operations	1 803,0			184,6	19,6	144,8	2 152,0
Roar Østbø, Chief Financial Officer	2 215,1			21,4	180,5	144,8	2 561,9
Jos A.G. Nijhuis, Vice President R&D	1 403,3			97,3	0,0	144,8	1 645,4
Per Fredrik Ecker, Vice President Sales	1 717,7			165,1	14,7	144,8	2 042,3
Stein-Tore Nybodahl, HR Manager	985,6			162,5	20,9	144,8	1 313,8
Morten Andersson, VP ATMS	1 344,8			18,0	16,1	144,8	1 523,7
Henrik Stoltenberg, Vice President Business Development and M&A	1 789,7				36,1	144,8	1 970,7
TOTAL	14 314,5	0,0	1 732,5	809,0	540,3	1 665,6	19 062,0

* Terje Christoffersen has served as Chairman of the Board from GF May 2013.
** Ole Jørgen Fredriksen and Mimi Kristine Berdal served as respectively Chairman of the Board and as Board member until GF May 2013.
*** On the 6 January 2014, The Board of Directors of Q-Free ASA and Øyvind Isaksen agreed that Isaksen should step down as CEO, and the Board appointed Thomas Falck as CEO with immediate effect.

NOTE 16 PENSION SCHEME

Q-Free ASA (the parent company) has a defined benefit and a defined contribution pension plan for the employees. All employees in Norway are included in pension plans which entitle them to certain benefits for pension in the future. The pension benefits mainly depend on the numbers of years employed, level of salaries at age of retirement, and size of payments. As at 31.12.2014, 81 employees (2013: 78) are included in the defined contribution pension plan and 34 employees (2013: 35) are included in the defined benefit plan for the parent company. All new employees in Norway will be a part of the defined contribution pension plan.

For the Group, 277 employees are included in the defined contribution pension plan and 34 employees are included in the defined benefit plan at 31.12.2014.

The liability for the Group includes 34 employees in 2014, compared to 80 employees for 2013. The liability for the parent company includes 34 employees in 2014, compared to 35 employees for 2013.

FIGURES IN TNOK

PARENT COMPANY			GROUP	
2013	2014		2014	2013
3 911	2 934	Current service cost	2 934	4 905
389	379	Interest cost	379	405
-687	0	Expected return on plan assets	0	-687
-4 874	0	Settlements *	0	-4 130
303	317	Administrative expenses pension scheme	317	444
649	512	Accrued social security expenses	512	811
-309	4 142	Net pension expenses defined benefit plan	4 142	1 749
3 274	3 340	Net pension expenses defined contribution plan	7 240	3 274
2 965	7 482	Net pension expenses	11 382	5 023
31.12.13	31.12.14	Pension funds / (liabilities)	31.12.14	31.12.13
-37 470	-48 763	Defined benefit obligation	-48 763	-50 029
28 238	32 730	Fair value of plan assets.	32 730	38 701
-9 232	-16 033	Net (pension funds) / -liabilities	-16 033	-11 328
-1 301	-2 260	Accrued social security tax	-2 260	-1 596
-10 534	-18 293	Lliabilities in balance sheet	-18 293	-12 925
21,5	16,2	Estimated remaining contribution periods	16,2	20,1

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

(* *) = In 2014 costs from the defined contribition pension plan represents TNOK 3,340 (2013: TNOK 3,274) , which is included in the above specification of net pension expenses.

Specification of pension funds & liabilities

PARENT COMPANY			GROUP	
2013	2014	Pension liabilities	2014	2013
37 659	37 470	Liabilities per 01.01.	50 029	48 782
3 911	2 934	Service costs	2 934	4 905
-327	-317	Benefits paid	-317	-909
1 544	1 536	Interest cost	1 536	1 989
0	0	Past service cost	0	0
-5 316	7 140	Actuarial gains/losses in other comprehensive income	7 140	-4 738
0	0	Acquisition / (disposal)	-12 559	0
37 470	48 763	Total liabilities per 31.12.	48 763	50 029

PARENT COMPANY			GROUP	
2013	2014	Pension funds	2014	2013
28 163	28 238	Funds per 01.01.	38 701	38 886
3 502	4 959	Net contribution paid	4 959	3 361
-327	-317	Benefits paid	-317	-802
1 155	1 158	Estimated return on assets	1 158	1 584
-4 255	-1 308	Actuarial gains/losses in other comprehensive income	-1 308	-800
0	0	Acquisition / (disposal)	-10 463	-3 529
28 238	32 730	Total funds per 31.12.	32 730	38 701

The Group expects to contribute approximately TNOK 12,900 to its pension plans for 2015 (2014: TNOK 12,600).

Basis and assumptions for calculations	2014	2013
Discount rate	2,30 %	4,10 %
Expected interest on pension funds	2,30 %	4,40 %
Annual growth in salaries	2,75 %	3,75 %
Long term inflation	1,75 %	2,50 %
Increase in national insurance base rate (G)	2,50 %	3,50 %
Expected change in pensions	0,00 %	0,60 %
Social security expenses	14,10 %	14,10 %

The company has assesed that the OMF-rate on high quality corporate bonds can be used as discount rate botn in 2014 and 2013 in accordance with IAS 19, because the OMF-market represents a deep market on the relevant terms.

TABLE K2013BE IS USED FOR DEFINITION OF MORTALITY RATE PROBABILITY FOR 2014 (2013: K2013).

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

The Group's pension funds are managed by the insurance company DNB Forsikring. For 2014 the dividend yield was 3.8 percent (2013: 4.1 %). The funds are distributed as follows.

	2014	2013
Shares	10 %	9 %
Money market and bonds	70 %	76 %
Property	14 %	14 %
Other	6 %	2 %
Total	100 %	100 %

Sensitivity analysis for pension calculation
The sensitivity analyses is based on facts and circumstances as at 31.12.2014, assuming that all other parameters are constant. In practice, this in unlikely to be the case, and changes in some of the assumptions may co-vary. Actual results may deviate from these estimates.

	Discount rate		Annual salary growth		Annual adjustment of pensions	Estimated longevity	
	+ 1 %	- 1 %	+ 1 %	- 1 %	+ 1 %	+ 1 year	- 1 year
Change in pension liability	-10 186	13 737	8 608	-9 191	5 592	1 820	-1 899
Change in net pension cost for the period	-797	1 090	632	-718	400	130	-143

NOTE 17 SHARE OPTION PROGRAMME FOR EMPLOYEES

Q-Free ASA in May 2012 established a new three year share option program. As part of the work of giving key personnel and management an incentive program through the possibility to subscribe shares in the company, the Board of Directors was authorised to increase the share capital with as much as NOK 769,500, corresponding to 2,025,000 shares (approximately 3 percent), each with a par value of NOK 0.38, through one or more private placements with cash deposits towards key personnel and management in Q-Free ASA. The existing shareholders' preferential rights according to the Public Limited Companies Act sections 10-4 and 10-5 can be disregarded. The authorisation given in 2012 was valid for one year, renewed in May 2013 for one year and renewed in May 2014 for the last year of the programme.

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

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

1.050.000 options are granted for key personnel as at 31.12.2014.

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

Specification of share option activity

	2014	2013
Granted share options 01.01	1 150 000	575 000
Share options granted	350 000	575 000
Share options exercised	0	0
Share options expired/terminated	-450 000	0
Granted share options 31.12	1 050 000	1 150 000
Vested share options 31.12	700 000	575 000

MODIFICATION OF GRANTS

Modification: Fair value of share options is calculated according to the Black & Scholes pricing model with a reduction of 15 % due to illiquidity of the Q-Free share. Strike price for the granted options was NOK 21.09 in 2012, NOK 15.19 in 2013, and NOK 15.02 in 2014.

The company's cost of share based payment is calculated using the Black & Scholes pricing model. For 2014 this adds up to a total cost of TNOK 0 (2013: TNOK 1,666). See this specified in the Statement of changes in Equity.

GRANTED SHARE OPTIONS AS AT 31. DECEMBER 2014 HAS THE FOLLOWING CONDITIONS

	Outstanding Options			Vested options	
	Outstanding Options per 31.12.2014	Weighted average remaining Contractual Life	Weighted Average Exercise Price	Vested options 31.12.2014	Weighted Average Exercise Price
Exercise Price					
0,00 – 5,00					
5,00 – 10,00					
10,00 – 15,00					
15,00 – 20,00	700 000	0,36	15,11	350 000	15,19
20,00 -	350 000	0,36	21,09	350 000	21,09
TOTAL	1 050 000	0,36	17,10	700 000	18,14

THE SHARE OPTIONS SPLIT FOR MANAGEMENT PER 31.12.2014

Name	Position	Granted options 01.01.2014	Granted options	Exercised options	Expired options	Vested options 31.12.2014	Granted, not vested options 31.12.2014
Thomas Falck	CEO *	0	0	0	0	0	0
Øyvind Isaksen	Former CEO **	450 000	0	0	-450 000	0	0
Marianne Sandal	VP RUC	100 000	50 000	0	0	100 000	50 000
Per Fredrik Ecker	VP APMEA	100 000	50 000	0	0	100 000	50 000
Stein-Tore Nybrodahl	HR Manager	100 000	50 000	0	0	100 000	50 000
Roar Østbø	CFO	100 000	50 000	0	0	100 000	50 000
Henrik Stoltenberg	CSO	100 000	50 000	0	0	100 000	50 000
Jos A. G Nijuis	CTO	100 000	50 000	0	0	100 000	50 000
Morten Andersson	VP ATMS	100 000	50 000	0	0	100 000	50 000
Total		1 150 000	350 000	0	-450 000	700 000	350 000

* Thomas Falck has from 1 January 2015 regulations regarding 525,000 syntetic options. The strike price is volumeweighted average price of the Q-Free share in December 2014.

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

THE FOLLOWING ASSUMPTIONS ARE USED IN THE CALCULATION OF SHARE OPTIONS GRANTED IN 2014

Exercise price for the share option
Weighted average exercise price of options granted was NOK 17.10.

Volatility
Weighted average expected volatility is based on historic volatility and is calculated to be 41.00 percent.

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

Dividends
Expected dividend per share is NOK 0 each year.

Interest rate
Risk free interest rate is used in the model. This equals interest on government bills and bonds, and the weighted average rate used is 4.00 percent for 2014.

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

	Outstanding Options			Vested options	
Exercise Price	Outstanding Options per 31.12.2013	Weighted average remaining Contractual Life	Weighted Average Exercise Price	Vested options 31.12.2013	Weighted Average Exercise Price
0,00 – 5,00					
5,00 – 10,00					
15,00 – 20,00	575 000		15,19		
20,00 -	575 000	1,36	21,09	575 000	21,09
TOTAL	1 150 000	1,36	18,14	575 000	21,09

The share options split for management per 31.12.2013.

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

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

THE FOLLOWING ASSUMPTIONS ARE USED IN THE CALCULATION OF SHARE OPTIONS GRANTED IN 2013

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

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

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

Dividends
Expected dividend per share is NOK 0 each year.

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

NOTE 18 RELATED PARTY DISCLOSURES

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

	Etablished	Location	Country	Ownership	Voting share	Functional currency
Q-Free Portugal Lda.	1997	Lisboa	Portugal	100 %	100 %	EUR
Q-Free América Latina Ltda.	1998	Sao Paolo	Brasil	100 %	100 %	BRL
Q-Free Australia Pty. Ltd.	1999	Sydney	Australia	100 %	100 %	AUD
Q-Free Sdn. Bhd. Malaysia	1997	Kuala Lumpur	Malaysia	100 %	100 %	MYR
Noca Holding AS – Group (*)	2001	Trondheim	Norway	100 %	100 %	NOK
Q-Free Sverige AB	2007	Stockholm	Sweden	100 %	100 %	SEK
Q-Free Thailand Co Ltd.	2007	Bangkok	Thailand	100 %	100 %	THB
Q-Free Netherlands BV	2002	Beilen	The Netherlands	100 %	100 %	EUR
Q-Free Slovakia s.r.o.	2009	Bratislava	Slovakia	100 %	100 %	EUR
Q-Free UK Ltd.	2002	London	United Kingdom	100 %	100 %	GBP
Q-Free Africa Ltd.	2010	Durban	South Africa	74 %	74 %	ZAR
PT Q-Free	2012	Jakarta	Indonesia	100 %	100 %	IDR
Q-Free Chile	2012	Santiago	Chile	100 %	100 %	CLP
TCS International Inc.	2012	Boston	USA	100 %	100 %	USD
Q-Free America Inc.	2012	San Diego	USA	100 %	100 %	USD
ELCOM d.o.o.	1994	Belgrade	Serbia	100 %	100 %	RSD
TDC Systems Ltd	1998	Weston	United Kingdom	100 %	100 %	GBP
Traffic Design d.o.o.	1990	Ljubljana	Slovenia	100 %	100 %	EUR
Open Roads Consulting Inc.	2000	Virginia	USA	100 %	100 %	USD
Q-Free Espana S.L.U.	2014	Madrid	Spain	100 %	100 %	EUR
Q-Free France SARL	2014	Paris	France	100 %	100 %	EUR

(*) Q-Free ASA owned through Noca Holding AS indirectly 48.72 % in Noca AS. Q-Free ASA owned directly 4.76 % in Noca AS. Q-Free ASA's owner share through indirect and direct ownership in Noca AS therefore totals 53.48 % at the end of 2013. The shares in Noca AS was sold in 2014.

Book value in parent company of subsidiaries companies:

FIGURES IN TNOK	Cost	Book value 31.12.13	Book value 31.12.14	Result after tax last year	Companys equity per 31.12.14
Q-Free Portugal Lda.	204	204	204	4 596	16 575
Q-Free América Latina Ltda.	4 853	2 407	2 407	22 659	28 771
Q-Free Australia Pty. Ltd.	0	0	0	-16 246	3 471
Q-Free Sdn. Bhd. Malaysia	1 155	0	0	-1 494	-9 942
Noca Holding AS – Group	4 592	6 715	5 956	-1 704	15 466
Q-Free Sverige AB	0	84	84	2 826	8 034
Q-Free Thailand Co Ltd.	0	1 872	10 847	5 351	-2 487
Q-Free Netherlands BV	71 034	76 409	76 409	-6 669	69 585
Q-Free Slovakia s.r.o.	0	0	0	0	0
Q-Free Africa Ltd	0	208	208	-738	-689
PT Q-Free	0	3 536	3 536	-9 592	-21 016
Q-Free Chile	0	28	28	-3 093	-8 022
Q-Free America Inc. – Group (**)	0	6	6	-3 443	102 899
ELCOM d.o.o.	9 445	9 445	10 495	-257	8 808
TDC Systems Ltd	105 768	0	105 768	7 823	114 303
Traffic Design d.o.o.	29 149	0	29 149	2 813	33 927
Q-Free Espana S.L.U.	25	0	25	300	321
Q-Free France	41	0	41	0	41
Total	226 266	100 915	245 163	3 132	

(**) Q-Free ASA ownes through Q-Free America Inc. indirectly 100 % in TCS International Inc. and Open Roads Consulting Inc.

The following exchange rates are used when consolidating the group.

Currencies		Currency rate 01.01.2014	Average currency rate	Currency rate 31.12.2014
Euro	EUR	8,424	8,353	9,037
Australian dollar	AUD	5,429	5,679	6,088
Malaysian Ringgit	MYR	1,857	1,925	2,126
Brazilian real	BRL	2,589	2,680	2,797
US Dollar	USD	6,118	6,302	7,433
Pounds Sterling	GBP	10,088	10,369	11,571
Swedish kroner	SEK	94,383	91,840	95,970
South African Rand	ZAR	0,583	0,580	0,643
Thai bath	THB	18,586	19,399	22,563
Chilean peso	CLP	0,012	0,012	0,012
Indonesian Rupiah	IDR	0,00050	0,05000	0,00060
Serbian Dinares	RSD	0,073	0,074	0,074

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

Related parties
During 2014 there has been no transactions between the company and any parties in the Management or in The Board.

The company received for 2014 invoices for consultancy services from Tell IT AS that totalled TNOK 96 (2013: TNOK 4), which was paid in April 2014. Tell IT AS is owned by the Chairman of the Board Terje Christoffersen. All transactions between related parties are based on arm's length principles and the invoicing was according to an agreement between Q-Free ASA and the Chairman of the Board concerning consultancy services.

Associated companies
Q-Free ASA has no ownership in associated companies either in 2014 or in 2013.

NOTE 19 CASH AND CASH EQUIVALENTS

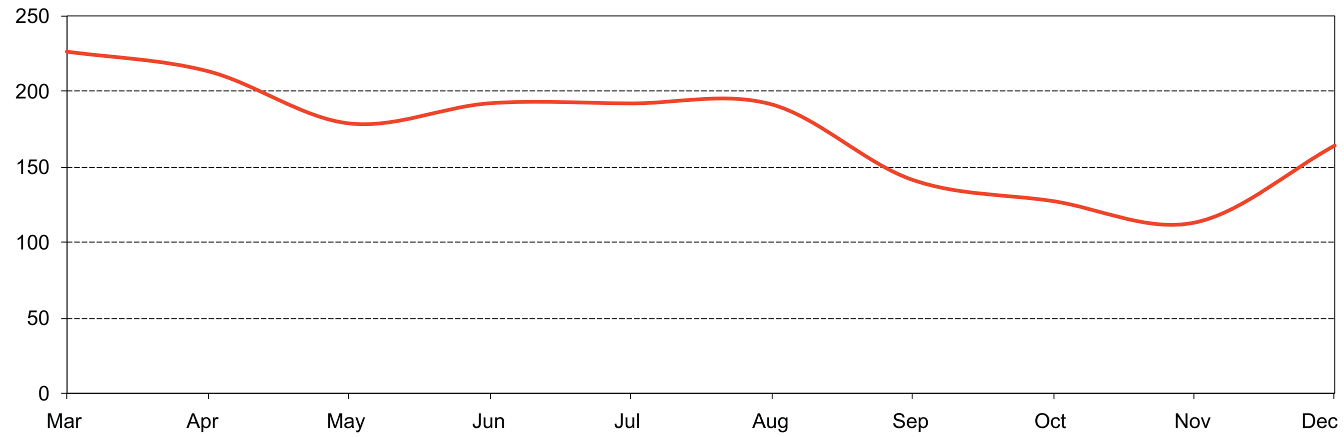
Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and the interest earnings at the respective short-term deposit rates. The Group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

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

PARENT COMPANY			GROUP	
2013	2014	Liquidity funds	2014	2013
-6 645	-16 240	Cash at banks and on hand	102 181	105 064
166 413	61 952	Money Market Funds	61 952	166 413
159 768	45 712	Total cash and cash equivalents	164 133	271 477

As at 31 December 2014, the Group had available TNOK 163,446 (2013: TNOK 93,355) of undrawn bank overdraft and TNOK 90,120 (2013: TNOK 10,470) of undrawn guarantee facilities in which all conditions precedent had been met.

CASH DEVELOPMENT DURING 2014



NOTE 20 ACCOUNTS RECEIVABLES AND CREDIT RISK

PARENT COMPANY			GROUP	
2013	2014		2014	2013
46 559	18 820	Accounts receivables	168 551	148 602
206 301	283 997	Accounts receivables on group companies	0	0
-13 055	-9 950	Provision for impairment on receivables	-1 173	-1 742
239 805	292 867	Total	167 378	146 860
0	0	Loss on receivables	0	0
797	-569	Changes in provisions for impairment on receivables	-569	797
797	-569	Total	-569	797

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

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

Amounts per 31.12	Total	Neither past due nor impaired	Past due but not impaired < 30 days	30 – 60 days	60 – 90 day	90 – 120 day >	>120 days
2014	168 551	62 280	68 520	20 899	3 307	5 323	8 222
2013	148 602	77 384	41 578	25 868	2 347	442	982

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

Specification of provisions for impairment on receivables	2014	2013
Amount per 01.01.	1 742	945
This years provision for impairment on receivables	-569	797
Loss on receivables	0	0
Provisions utilised during the year	0	0
Amount per 31.12	1 173	1 742

The maximum risk exposure is represented by the carrying amount of the financial assets, including derivatives, in the balance sheet. Since the other party involved in derivative trades is normally a bank, the credit risk linked to derivatives is regarded as being insignificant. The Group therefore regards its maximum risk exposure as being the carrying amount of trade receivables as at 31 December 2014, which was NOK 168.6 million (2013: NOK 148.6 million).

NOTE 21 INTEREST-BEARING LOANS, BORROWINGS AND GUARANTEES

PARENT COMPANY 2013	2014	Specification	Type	Effective interest rate %	Maturity	GROUP 2014	2013
100 000	100 000	Non-current	Danske Bank	3,36 %	15 February 2017	100 000	100 000
100 000	100 000	Total				100 000	100 000

Secured bank loan
The secured bank loan is a mortgage loan that is repayable within 3 years of the payment date. The interest is 3 MND NIBOR + 160 bp.

Off Balance Sheet Commitment

PARENT COMPANY 2013	2014	Specification	GROUP 2014	2013
161 039	90 112	Guarantees to customers, suppliers and lease contracts	90 112	189 530
		Book value of assets securing loans and guarantees:		
174 544	137 153	Accounts receivable	141 565	182 599
48 302	13 766	Work in progress	13 766	48 302
26 893	22 264	Inventories	23 644	27 493
43 670	34 143	Machinery, fixtures etc	34 696	56 708
293 409	207 326	Total	213 671	315 101

NOTE 22 TAXES

2013	2014		GROUP 2014	2013
		Total tax expenses for the year		
0	0	Tax payable on this years profit for Norwegian companies	0	673
0	0	Tax payable on this years profit for foreign companies	14 876	13 615
0	0	Adjusted allocated tax from last year	857	0
2 172	0	Change in deferred tax for Norwegian companies	0	2 086
0	0	Change in deferred tax for foreign companies	-5 143	-3 563
2 172	0	Total	10 590	12 811
2 %	0 %	Tax rate	65 %	13 %
		Tax payable for the year		
-130 717	-11 782	Total ordinary profit before tax	-16 369	-97 959
-6 578	-28 988	Permanent differences	-24 088	-19 505
53 405	-5 359	Change in temporary differences	-7 465	48 916
-83 890	-46 129	Basis for tax payable, Norwegian companies	-47 922	-68 548
0	0	Tax payable for Norwegian companies (27 %)	0	673
		Tax payable for foreign companies	13 021	12 168
		Specification of tax payable in the balance sheet		
		Tax payable on this years profit, Norwegian companies*	0	673
0	0	Tax payable on this years profit, foreign companies	13 021	12 168
0	0	Advance tax payment, foreign companies	-4 820	-3 251
0	0	Carried forward tax compensation	0	0
0	0	Total tax payable	8 201	9 590
		Specification on basis for deferred tax		
		Differences evaluated to be offset:		
-6 839	-11 550	Fixed assets	57 048	-11 348
37 797	7 372	Current assets	18 180	37 183
-71 446	-30 951	Liabilities	-30 951	-74 714
-174 515	-225 457	Tax losses carry -forward	-278 423	-178 081
-8 570	-8 570	Other differences	-8 570	19 474
-223 573	-269 156	Total	-242 716	-207 486
-26 935	-26 935	Deferred tax assets (-)	-18 680	-32 319
0	0	Deferred tax (+)	19 808	0
		Reconciling the tax cost		
-130 717	-11 782	Earnings before tax	-16 369	-97 959
-36 601	-3 181	Calculated tax at 27 %	-3 894	-27 429
38 773	-7 827	Tax result permanent differences and tax rate difference	3 760	14 618
0	11 008	Use of previously unrecognised loss carried forward (-) / Increase in valuation allowance	9 797	0
0	0	Adjusted allocated tax from last year	926	0
2 172	0	Tax expenses	10 589	-12 811

* Paid withholding tax in foreign subsidiaries.

Deferred tax assets are recognised for unused tax losses to the extent that convincing evidences for sufficient taxable profit exits based on management judgements. A deferred tax asset is only recognised for an amount corresponding to the expected taxable profit based on the convincing evidences. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that convincing evidences no longer exists for the utilisation. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that convincing evidences exists supporting that taxable profits will allow the deferred tax asset to be recovered. The actual outcome of future tax costs may deviate from these estimates.

The Group has a total loss carried forward of TNOK 284.032 as at 31 December 2014 (2013: 178.081), in which TNOK 18.680 are recognised as an asset in the balance sheet as at 31.12.2014. Undertaken an assesement of the criterias under IAS 12, the group has chosen not to include deferred tax asset in Norway related to tax losses carried forward of TNOK 45.737.

NOTE 23 FINANCIAL ITEMS

ALL FIGURES IN TNOK

PARENT COMPANY			GROUP	
2013	2014	Category	2014	2013
682	368	Interest income	7 959	4 721
0	0	Interest on loans and receivables	0	0
12 379	14 625	Exchange rate differences	16 767	12 379
5 539	5 037	Other financial income	5 037	5 539
18 600	20 030	Financial income	29 763	24 109
1 304	4 693	Financial income from group companies	0	0
7 614	33 527	Paid dividends from subsidiaries	0	0
8 919	38 220	Financial income from Group companies	0	0
27 518	58 250	Total financial income	29 763	24 109
-827	-1 408	Interest expenses	-7 509	-3 760
-2 283	-3 361	Interest on debt and borrowings	-3 361	-2 283
-16 800	-25 801	Exchange rate differences	-29 785	-16 800
0	-8 303	Earn-out	-8 303	0
-4 511	-5 610	Other financial expenses	-5 610	-4 511
-24 421	-44 483	Financial expenses	-54 568	-27 354
-24 421	-44 483	Total financial expenses	-54 568	-27 354
3 097	13 767	NET FINANCIAL ITEMS	-24 805	-3 245

NOTE 24 AVAILABLE FOR SALE FINANCIAL INVESTMENTS

Parent company and the Group as at 31 December 2014						TNOK
	Company's equity	Number of shares	Ownership	Book value in Parent**	Book value in Group**	Included in comprehensive income
Leiv Eiriksson AS	39 735	9 919	0,99 %	393	393	17
Asti AS	35 072	2 900	13,49 %	4 731	4 731	1 200
Intelight Inc *			10,20 %	0	7 751	0
Other				20	125	0
Total				5 144	13 001	1 217

Parent company and the Group as at 31 December 2013						TNOK
	Company's equity	Number of shares	Ownership	Book value in Parent**	Book value in Group**	Included in comprehensive income32 473
Vegamot AS	32 473	6 050	13,90 %	4 514	4 514	463
Leiv Eiriksson AS	38 060	9 919	0,99 %	377	377	-79
Asti AS	26 173	2 900	13,49 %	3 531	3 531	1 086
Intelight Inc*			10,20 %	0	6 629	0
Other				20	267	0
Total				8 441	15 317	1 470

* The investment in Intelight Inc. is to further increase our footprint in the Intelligent Traffic Systems segment and must been seen together with the recent acquisitions of TDC Systems Ltd (UK), Traffic Design d.o.o. (Slovenia), Open Roads Consulting Inc. (US), TCS Inc (US) and ELCOM d.o.o. (Serbia).

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

NOTE 25 OTHER CURRENT FINANCIAL LIABILITIES

Specification:

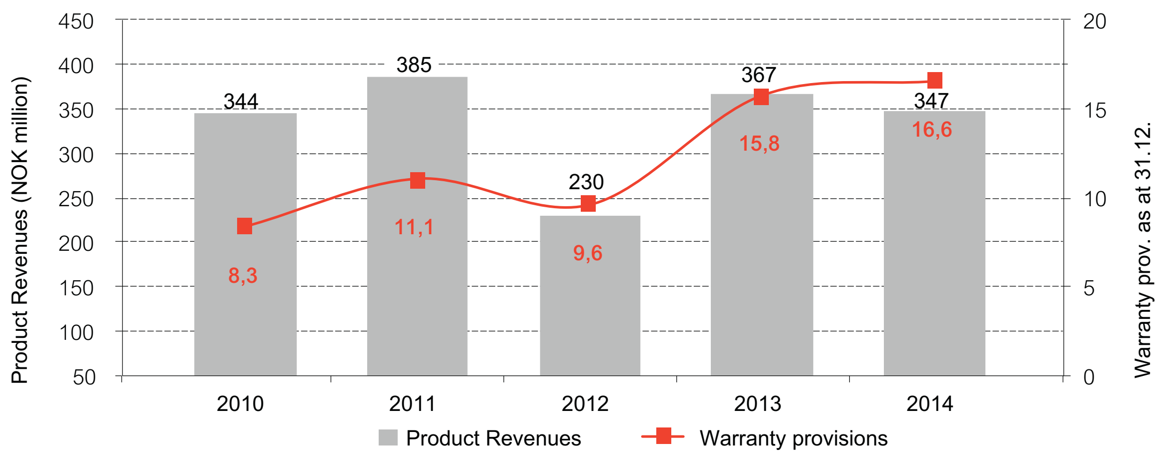
PARENT COMPANY			GROUP	
2013	2014	Category	2014	2013
10 497	20 721	Accrued wages (Holiday pay and bonusscheme)	25 893	11 128
15 766	12 657	Warranty provisions (see spesification for changes during the year)	16 561	15 766
55 760	7 837	Accrued project costs *	38 256	101 410
2 981	0	Fair value of foreign exchange contracts	0	2 981
0	27 964	Debt to seller of TDC, Traffic Design, Open Roads and TCS	47 122	6 951
6 513	7	Miscellaneous	13 021	-438
91 517	69 186	Total	140 853	137 797

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

*Accrued project costs for the Group in 2013
The Roads and Maritime Services (RMS) and Q-Free has agreed to discontinue an existing contract and explore other alternatives to realise the planned upgrading of the tolling system on Sydney Harbour Bridge. The delivery of an electronic tolling system has been delayed beyond the initially estimated project completion in mid-2013, as customer and project-specific requirements have proven to demand system adaptations that have been unfeasible within the currently established timelines. A decision to consider alternative options required termination of the existing tolling systems contract. The Group has made a provision for this discontinued contract amounting to TNOK 45,146 TNOK as at 31.12.13. This is included in Accrued project costs. All accruals was resolved and paid during the first half year of 2014.

	PARENT COMPANY		GROUP	
	Provision for warranty costs	TOTAL CURRENT PROVISIONS	Provision for warranty costs	TOTAL CURRENT PROVISIONS
Amount as at 01.01.14	15 766	15 766	15 766	15 766
Unused accruals reversed during 2014	0	0	0	0
Accruals utilised during 2014	-5 027	-5 027	-5 027	-5 027
Accruals deposited during 2014	1 918	1 918	5 822	5 822
Amount as at 31.12.14	12 657	12 657	16 561	16 561
Amount as at 01.01.13	9 614	9 614	9 614	9 614
Unused accruals reversed during 2013	0	0	0	0
Accruals utilised during 2013	-7 465	-7 465	-7 465	-7 465
Accruals deposited during 2013	13 617	13 617	13 617	13 617
Amount as at 31.12.13	15 766	15 766	15 766	15 766

WARRANTY PROVISION COMPARED TO PRODUCT REVENUES



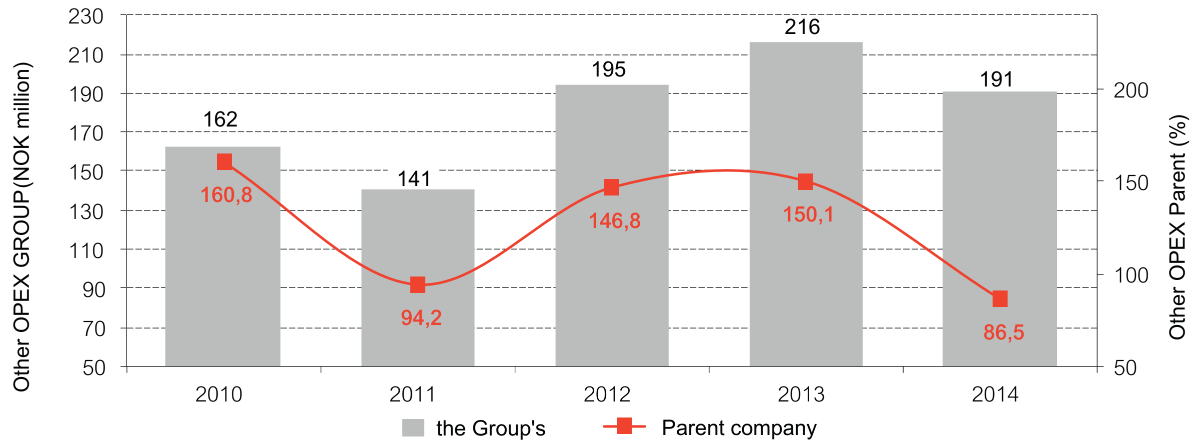
NOTE 26 OTHER OPERATING EXPENSES

Specification:

PARENT COMPANY			GROUP	
2013	2014	Category	2014	2013
76 476	29 666	External services	68 660	102 204
21 501	14 912	Travel expenses	24 575	28 484
19 171	18 359	Offices supplies	33 804	31 677
2 317	2 677	Insurance	3 780	9 812
4 871	4 601	Freight	5 609	5 317
3 666	4 184	Rent machinery & tools	8 849	7 912
4 002	6 387	Marketing / promotions	9 428	7 137
746	346	Service & Maintenance	1 685	2 052
865	2 159	Operating materials	4 886	3 088
0	-106	Bad debt losses	114	113
16 533	3 359	Other operating expenses *	29 359	18 558
150 148	86 543	Total	190 750	216 354

* The sale of Noca shares in 2014 strengthens focus on the Group's core business in RUC. The accounting effect is TNOK -5,571 in 2014.

OTHER OPERATING EXPENSES 2010 – 2014



Audit fees
The group has the following audit related fees, included in the “External services” in the above table (All figures excl. VAT).

PARENT COMPANY			GROUP	
2013	2014	Category	2014	2013
349	250	Audit services	638	1 112
196	157	Other audit related services	159	245
310	34	Tax services	33	439
531	520	Other, non audit related services	520	781
1 386	961	Total	1 350	2 577

NOTE 27 OTHER CURRENT FINANCIAL ASSETS

Specification:

PARENT COMPANY			GROUP	
2013	2014	Category	2014	2013
317	502	Accrual for Skattefunn grants	502	317
0	361	Prepaid taxes	9 465	797
0	0	Outstanding public duties	0	1 620
-1 602	44	Prepaid rents	1 098	10 502
983	1 226	Prepaid licenses	1 226	2 603
16 346	1 667	Miscl	9 566	20 761
16 044	3 800	Total	21 857	36 599

NOTE 28 COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

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

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

PARENT COMPANY			GROUP	
2013	2014	Category	2014	2013
12 592	13 140	Within one year	14 554	14 791
12 969	13 535	After one year but not more than five years	15 382	15 235
0	0	More than five years	0	0
25 561	26 675	Total	29 936	30 025

During the year ended 31 December 2014 the company recognised expenses in the income statement in respect of operating leases of TNOK 17,372 (2013: TNOK 15,997) for the parent company and TNOK 18,785 (2013: 18,113) for the Group.

Finance lease and hire purchase commitments

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

STATEMENT FROM THE DIRECTORS AND THE CEO

We confirm that, to the best of our knowledge, the financial statements for the Company and the Group for the period from 1 January to 31 December 2014 have been prepared in compliance with International financial reporting standards (IFRS) as adopted by EU and that the disclosures in the accounts give a true and fair view of the Company's and the Group's assets, liabilities, financial position and results of operations as a whole, and that the Directors' Report gives a fair view of the development, profit/loss and position of the Company and the Group, along with a description of the main risk and uncertainty factors facing the Company and the Group.

Trondheim 31st of December 2014
/ 27th of March 2015

Terje Christoffersen
Chairman of the Board

Charlotte Brogren

Selma Kveim

Jan Pihl Grimnes

Monika Lie Larsen
Employee elected Board member

Anders Hagen
Employee elected Board member

Thomas Falck
CEO

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Fax: 73 99 15 41
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Klæbuveien 127B
7031 Trondheim

To the Annual Shareholders' Meeting of Q-Free ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Q-Free ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2014, income statement, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for the parent company and the group Q-Free ASA as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

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

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

Opinion on Registration and Documentation

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

Trondheim, 27 March 2015
BDO AS

Trond-Morten Lindberg
State Authorised Public Accountant (Norway)


Parking available
Central Garage 157
South Garage 43

Q-FREE CORPORATE GOVERNANCE REVIEW 2014

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

1. IMPLEMENTATION OF AND REPORTING ON CORPORATE GOVERNANCE

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

This review of the company's corporate governance principles and practice is prepared in compliance with Section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance as updated per 30 October 2014. The Code of Practice is available on www.nues.no.

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

Q-Free deviated from the recommendations in the Code of Practice on five sections in 2014, pertaining to; Board members attendance in the General Meeting (Section 6), absolute limit for performance related remuneration for executive personnel (Section 12), separate guidelines for financial reporting and shareholder contact outside of the General Meeting (Section 13), separate regulations on takeover bids (Section 14), and guidelines for use of the auditor for other services (Section 15).

Corporate values, Code of Conduct and Corporate Social Responsibility

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

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

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

The Code of Conduct (COC) and CSR principles apply to all members of the Board, executive management and all other employees and representatives of Q-Free. The Code of Conduct will be signed electronically by every employee, and confirmed annually. Violation of the COC will be subject to disciplinary action, including possible termination, as well as potential criminal prosecution.

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

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

Deviation from the Code of Practice:
None.

2. BUSINESS

Q-Free operates worldwide with headquarters in Trondheim, Norway. Q-Free is a leading supplier of products and solutions for Road User Charging, Advanced Transportation Management and Managed Services.

The company has defined its business activity in §3 of the Articles of Association:

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

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

Deviation from the Code of Practice:
None.

3. EQUITY AND DIVIDENDS

Equity

Q-Free's policy is to maintain a high equity ratio to provide a platform for the company's future expansion and growth. Per 31 December 2014 the company's equity amounted to NOK 486 million, representing an equity ratio of 51 percent (56). The Board considers the financial situation for Q-Free satisfactory given the company's activities and investment plans.

Dividend policy

Q-Free has an objective to give the shareholders a stable and competitive long-term return on investment through payments of dividends and a positive share price development. The company is in a growth phase and is seeking a good combination of investing the free cash flow in new business opportunities and distributing dividends to the shareholders.

Mandates to the board

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

At the Annual General Meeting in 2014, the Board was granted an authorisation to increase the share capital by the subscription on new shares for strategic purposes within the ITS sector, e.g. acquisitions. The authorisation allows the Board to increase the share capital by up to NOK 1,826,793 through the issue of up to 4,807,350 shares, equivalent to approximately 7 percent of the issued shares, each with a par value of NOK 0.38 per share. The mandate is limited for one year, and valid until the next annual General Meeting but no longer than 30 June 2015.

The company has an incentive program that runs for three years for executives and key employees, granted by the General Meeting on 22 May 2012. The mandate granted by the General Meeting in 2014 allows the Board to increase the share capital by NOK 769,500, which corresponds to 2,025,000 shares, equivalent to up to 2.9 percent of the issued shares. The authorisation is limited for one year, and valid until the next ordinary General Meeting but no longer than 30 June 2015. See Note 17 in the 2014 financial statements for further information about the incentive program.

Deviation from the Code of Practice:
None.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Q-Free has one class of shares and each share represents one vote. Each share has a nominal value of NOK 0.38. All shareholders will be treated equally and have the same influence.

An increase in the Company's share capital may be proposed if the Board of Directors decides that this would best take care of shareholders' long-term interests. Normally, the Board of Directors will propose that share issues are directed to existing shareholders in accordance with their preferential rights. However, if the Board has been given an authorisation from the general meeting to carry out a private placement for a special purpose, the Board may decide to waive the pre-emption rights of existing shareholders. The justification will then be publicly disclosed in a stock exchange announcement pursuant to the Code. In 2014 the Board was given two authorisations to increase the sharecapital and authorised to waive shareholder's preferential rights (cf section 3 above).

The company has developed a policy with regard to transactions with close associates, based on the requirement that any transactions must be at arm's length principle and at market terms. If deemed required, the company will arrange for a valuation obtained from an independent third party. For information about transactions with related parties, see Note 18 in the 2014 financial statements.

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

Deviation from the Code of Practice:
None

5. FREELY NEGOTIABLE SHARES

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

Deviation from the Code of Practice:
None

6. GENERAL MEETINGS

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

Notification

The Annual General Meeting will be held before the 30th of June according to law. The general meeting is to take place either in Trondheim or in Oslo. The 2015 Annual General Meeting is scheduled for 20 May in Oslo.

A written notice for the general meeting is to be sent to all shareholders, with known addresses, within 21 days prior to the meeting.

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

Registration and proxies

Shareholders planning to participate at the General Meeting shall notify the company within a deadline set by the Board in the notice. The deadline cannot expire earlier than five days before the date of the general meeting.

The right to attend and vote in general meetings may only be exercised for shares registered in the shareholders' register no later than the fifth workday before the date of the general meeting (the registration date). Shares held on nominee accounts five days before the day of the general meeting do not have the right to vote or attend.

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

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

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

Agenda and execution

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

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

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

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

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

7. NOMINATION COMMITTEE

The company has a Nomination Committee. The general meeting elects the chairperson and members of the Nomination Committee and determines the committee's remuneration.

The Nomination Committee has contact with shareholders, the Board of Directors and CEO as part of its work on proposing candidates for election to the Board.The Nomination Committee is responsible for proposing board member candidates and remuneration to the Board, in addition to proposing members for the committee itself.

The Nomination Committee is established in accordance with the Company's Articles of Association §7, and the Committee's work is determined by instructions approved by the General Meeting in 2008.

Composition

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

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

Nomination Committee composition as at 31.12.2014;

Name	Company	For election
Cecilie Johnsen	Redback AS	2016
Thomas Alexander Vogt	DNB Asset Management AS	2016
Petter Qvam	Skagen Vekst	2016

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

The Nomination Committee will freely and independent of the election period evaluate the composition of the Board. The Nomination Committee emphasises industry and business experience as well as equal gender balance, when proposing new members to the Board. The Nomination Committee proposes the Board members fees

The Nominations Committee justifies its recommandations.

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

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

Deviation from the Code of Practice:
None

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

The Company does not have a corporate assembly.

Composition of the Board

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

Name Board of Directors	Position	Service since	Elected until	Shareholding Q-Free ASA (direct or indirect) per 31.12.2014
Terje Christoffersen (1952)	Chairman of the Board	2011	2015	70 072
Charlotte Brogren (1963)	Board member (Deputy Chairman from 12 Feb 2014)	2011	2015	0
Jan Pihl Grimnes	Board member	2008	2016	1 687 000
Selma Kveim	Board member	2013	2015	17 000
Monika Lie Larsen	Employee elected member of the Board	2014	2016	0
Anders Hagen	Employee elected member of the Board	2014	2016	0
Thomas Falck	Board member	2013*		

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

Participation in Board meetings and Board committees in 2014

Name	Board meetings	Audit Committee	Compensation Committee
Terje Christoffersen	16	5	3
Charlotte Brogren	13		
Jan Pihl Grimnes	15		3
Selma Kveim	16	5	
Monika Lie Larsen*	10		
Anders Hagen*	10		1
Sissel Lillevik Larsen**	5		2
Frank Aune**	6		
Thomas Falck***	1		

* Served from AGM 2014, 22 May 2014
** Served until AGM 2014, 22 May 2014
*** Thomas Falck assumed the position as CEO on 6 January 2014 and therefore resigned from the Board of Directors on that date.

Q-FREE CORPORATE GOVERNANCE REVIEW 2014

31 December 2014 the Board of Directors consisted of six members, whereof two elected by and amongst the Group's employees. The Board consisted of three women and three men, and hence met the gender diversity requirements pursuant to Norwegian legislation.

Thomas Falck assumed the position as CEO on the 6 January 2014 and therefore resigned from the Board of Directors. The Board of Directors of Q-Free continued with the remaining four shareholder-elected and two employee-elected members until the ordinary General Meeting in May 2015.

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

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

Independence of the Board

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

Share ownership

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

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

Deviation from the Code of Practice:
None

9. THE WORK OF THE BOARD OF DIRECTORS

The Board's tasks

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

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

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

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

Instructions to the Board

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

In the event that the Chairman is absent, the meeting will be chaired by the Deputy Chair.

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

Q-FREE CORPORATE GOVERNANCE REVIEW 2014

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

The Board approved an instruction for the Compensation Committee in 2006, which was further revised in 2008.

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

With effect from 5 June 2014, the Compensation Committee is composed as follows:

Jan Pihl Grimnes (Chairman)
Terje Christoffersen
Anders Hagen

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

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

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

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

With effect from 5 June 2014, the Audit Committee is composed as follows:

Selma Kveim (Chair)
Terje Christoffersen

The Board decided that the Audit Committee should continue with only two members until the Ordinary General Meeting 2015. Selma Kveim assumed the Chair position 12 February 2014.

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

Deviation from the Code of Practice:
None

10. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

Deviation from the Code of Practice:
None

11. REMUNERATION OF THE BOARD OF DIRECTORS

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

Remuneration for the period from the Annual General Meeting of 2014 to the Annual General Meeting of 2015:

The Chairman of the Board:
NOK 400,000

Members elected by the shareholders:
NOK 225,000

Members elected from the employees:
NOK 75,000

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

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

Members elected from the employees:
NOK 4,250 per day of meeting

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

The Directors' fees are per 31 December 2014 not linked to performance. The members of the Board have no share options in the company.

For further information about remuneration of the Board see Note 15 in the 2014 financial statements.

Remuneration of the Nomination committee
Remuneration from the Annual General Meeting of 2014 to the Annual General Meeting of 2015:

The Chairman of the Nomination Committee:
NOK 30,000

All members of the Nomination Committee:
NOK 5,000 per meeting, limited to ten meetings in the period

Deviation from the Code of Practice:
None

Q-FREE CORPORATE GOVERNANCE REVIEW 2014

12. REMUNERATION OF THE EXECUTIVE MANAGEMENT

Q-Free's remuneration policy has always been to offer salaries adjusted to market conditions to attract the competence needed. The Board has determined and approved special guidelines for the stipulation of salary and other remuneration to executive management, and the structure of the incentive system is presented to the Annual General Meeting for information purposes. The statement of remuneration of executive personnel is given in a separate appendix to the agenda of the Annual General Meeting. The amendment from 2012 Code to the 2014 code regarding advisory and binding guidelines in the statement, will be implemented in the 2015 Annual General Meeting.

The executive management receives a basic salary and are members of the company's pension scheme. The remuneration also includes a share option program and a performance based bonus scheme. The CEO has regulations regarding syntetic options, to be determined by the Annual General Meeting in 2015. Please see Note 15 in the 2014 financial statements.

The Board adopted a performance based bonus scheme for all employees in 2007, in order to motivate extraordinary performance/achievements. The performance based bonus scheme is linked to budgeted group financial parameters, and to the performance based parameters/ targets for the relevant business unit. The CEO may assign bonus to individuals or teams for performance/ achievements, normally limited up to 40 percent of the employee's fixed salary. The Board may assign bonus to the CEO for performance/achievements limited up to 50 percent of his/hers fixed salary. The scheme for the executive management requires that parts of the bonus payment is used for purchase of shares in the company.

The General Meeting has authorised a three-year incentive program in form of a share option program for the executive management, which expires May 2015. The purpose of the share option program is to encourage close and long-term involvement of leading executives and key personnel in the company, and contribute to value creation by offering a share of the obtained value creation within a defined period. The share price related to the share option programme is calculated as the average closing price of the Q-Free share on Oslo Stock Exchange in the period from 14 days prior to the ordinary General Meeting to 14 days after the ordinary General Meeting each year of the program.

For more information about the incentive program, please see chapter 3 in this document and Note 17 in the 2014 financial statements.

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

For further information about remuneration of the CEO and other members of the executive management, see Note 15 in the 2014 financial statements.

Deviation from the Code of Practice:
The share option program running to May 2015 for executive management does not have an absolute limit. The syntetic option program for the CEO has such a limit.

13. INFORMATION AND COMMUNICATION

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

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

The company aims at publishing the quarterly reports within six weeks of the end of the relevant period, and complied with this in 2014. The quarterly results are also made available through webcast. The annual report will be published within four months after year-end.

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

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

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

14. TAKEOVERS

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

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

15. AUDITOR

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

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

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

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

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

The auditor attends the Annual General Meeting and informs about the auditor's report and remuneration for the year. This year's auditor's report follows the notes in the annual report. For further information about remuneration of the auditor, see Note 26 in the 2014 financial statements.

Deviation from the Code of Practice:
The Board has not established guidelines for the use of other auditor services than the annual audit.

Q-FREE CORPORATE SOCIAL RESPONSIBILITY REVIEW 2014

A review of the company's Corporate Social Responsibility was undertaken to align Q-Free's principles and practice with Section 3-3c of the Norwegian Accounting Act.

The Q-Free Code of Conduct (COC) aims to provide guidance to our people through a common platform. This COC is signed by every employee and distributed annually, thereby forming the foundation of Q-Free's approach to human rights, fair working environment, health and safety, business ethics and anti-corruption. In situations where an employee becomes aware of any infringement of the COC, they have a duty to raise this issue with their manager. If this is not possible, the employee shall report the infringement directly to the HR responsible within Q-Free. Incidents may be reported anonymously if desired.

HUMAN RIGHTS, FAIR WORKING ENVIRONMENT, AND HEALTH AND SAFETY

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

Fair and good working environment

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

The Q-Free group employs a variety of nationalities from a diversity of cultures, both within the parent company, and across the subsidiaries abroad. As a result, the company has developed an international mindset, whereby we depend upon dedicated employees that treat others with respect and understanding. It is essential that our employees act in accordance with local laws, regulations and etiquettes, while communicating openly and honestly in respect of local values and norms for social conduct. The aim of Q-Free is to offer an engaging workplace with an open working environment. Therefore, we have established policies to avoid the discrimination of individuals or groups based on their age, gender, disability, race, sexual orientation, ethnic origin, religion, political affiliation, or any other reason. No incidents or violations in relation to our fair and good working environment have been reported of any kind in recent years.

Equal Opportunities

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

Q-Free will continue its efforts towards improving gender equality in the workplace, ensuring the high quality and competence of our employees, while encouraging the employment of females in a traditionally male driven sector. In particular, we will strive to breakdown any barriers that may have restricted the female applicants in the past, with a view to promoting a more evenly represented workplace.

The parent company of the Q-Free Group fulfils Norwegian legal requirements with respect to the minimum representation of each gender on the Board of Directors, which currently holds 3 male and 3 female board members respectively.

Health and Safety

Q-Free gives the highest priority to the health and safety of its employees, with roadside works representing the highest risk. We have implemented safety procedures to ensure the safety of our employees. For installation and roadside projects, a responsible HSE representative initiates and implements safety routines according to the relevant procedures. The HSE representative ensures that all project personnel have received safety training, equipment training, and a copy of the HSE plans.

These procedures have ensured that no serious incidents or injuries have been reported in the recent years.

Sick leave in the parent company was 1.7 % in 2014, an improvement on the 2.0 % from 2013. This figure is well below the national average for comparable workplaces and can be considered a satisfactory level. Q-Free has no similar reports for the subsidiaries at this stage.

BUSINESS ETHICS AND ANTI-CORRUPTION

High ethical standards and business conducts are prerequisites to gaining the trust of our stakeholders, as well as the local, national and international communities. This is a shared responsibility of the organisation and each of its employees and representatives.

The Q-Free COC contains guidelines for ethical behaviour in both internal and external business relations, and is designed to stimulate ethical awareness as a basis for everyday actions. The COC is applicable to Board members, managers, and all other Q-Free employees and representatives. During 2014, the company implemented a revised and updated version of the COC.

The Code of Conduct clearly states that Q-Free firmly opposes all forms of corruption and bribery, demanding any suspicion of misconduct to be reported. Personal interests or personal gain shall not affect the work of a Q-Free representative, and any action or interest that compromises integrity or objectiveness shall be avoided. The COC explicitly governs areas relating to conflicts of interest, gifts and money laundering.

Q-Free has never been accused of, nor involved in, any cases pertaining to any form of corruption or bribery. The Board and Management are not aware of any breach of our Code of Conduct in this regard, and expect the COC to govern Q-Free employees in a manner that ensures this continues.

Fair and open competition in all markets is always pursued by Q-Free, with a desire to win contracts on the basis of a competitive offering of products, services and solutions. The company adheres to national and foreign antitrust laws, while the COC states that no formal or informal agreements shall be entered into if competition is thereby unfairly restricted.

The company has never been accused of, nor involved in, any cases pertaining to illicit or improper competitive conduct. The Board and Management are not aware of any breach in this respect, and strive to maintain Q-Free's reputation through the implementation of the COC.

As a publicly listed company on the Oslo Stock-Exchange, Q-Free complies with the laws, regulations and continuing obligations for listed companies concerning the disclosure of information. The Code of Conduct emphasises the confidentiality requirements and prohibits misuse of information about the company, or relating to insider trading, as regulated by the Securities Trading Act.

Q-Free has never been accused of breaching its disclosure obligations, nor has it been involved with any insider trading complaints.

EXTERNAL ENVIRONMENT

The portfolio of products, services and solutions has continuously been Q-Free's greatest contribution to the environment, which enable the reduction of traffic congestion, decrease pollution, and minimise the amount and severity of traffic incidents.

Q-Free is also firmly committed to minimising the potential environmental impact of its own operations.

Q-Free fulfils all environmental requirements imposed by the Norwegian authorities, as well as the EU. Q-Free ASA is certified in accordance with NS-EN ISO 14001:2004. All products introduced after 2005 are produced without the use of lead and other hazardous substances, as defined in the EU's directive on Restriction of Hazardous Substances (RoHS), and shall also be recyclable in line with the EU's directive on Waste Electrical and Electronic Equipment (WEEE). Furthermore, the Group is working actively to encourage our sub-contractors to choose the most environmental-friendly alternatives wherever possible. Q-Free also has a focus on the reduction of natural resources, with the use of electronic document sharing rather than printing on paper, utilising videoconferencing instead of travelling, and coordinating travel activities, are some examples of the company's determination to protect the environment.

Q-Free's Environmental Policy is publicly available on the website

ARTICLES OF ASSOCIATION FOR Q-FREE ASA

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

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

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

Article 4. The Company's share capital shall be NOK 26 626 809.76 divided between 70 070 552 shares, each of NOK 0.38 face value.

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

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

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

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

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

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

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

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

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

The annual general meeting shall consider:

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

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

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

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

Articles of Association as at 25 March 2015
The shareholders of Q-Free ASA

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