2015

ANNUAL REPORT

Q FREE

LEADING THE WAY

10.02.2016 | Q4-15
26.05.2016 | Annual General Meeting, Oslo
28.04.2016 | Q1-16
18.08.2016 | Q2-16
27.10.2016 | Q3-16
14.02.2017 | Q4-16

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
AID Automatic Incident Detection
ALPR Automatic Licence Plate Recognition
ATMS Advanced Transportation Management Systems
CALM Communication Access For Land Mobiles
CBO Commercial Back Office
CC Congestion Charging
CEN Comité Européen De Normalisation (European Committee For Standardisation)
CPMS Car Park Management Systems
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
OBU On-Board Unit (Tag)
OCR Optical Character Recognition
RFID Radio Frequency Identification
RFQ Request For Qualification
PGS Parking Guidance Systems
RUC Road User Charging
TMC Transportation Management Centre
WIM Weigh In Motion

KEY FIGURES

	2011	2012	2013	2014	2015
PROFIT & LOSS ACCOUNT (NOK)					
Operating revenues	704 912	597 532	606 072	788 684	803 525
Cost of goods sold	296 491	227 090	224 791	282 173	232 352
Operating expenses	301 012	376 434	413 080	421 667	587 149
EBITDA	107 409	-5 991	-31 799	84 745	-15 976
EBIT	58 907	-55 306	-94 713	8 436	-160 458
PROFIT BEFORE TAX	54 916	-44 623	-97 959	-16 369	-182 098
PROFIT AFTER TAX	36 187	-31 979	-110 770	-26 958	-194 698
GM %	57.9 %	62.0 %	62.9 %	64.2 %	71.1 %
EBITDA %	15.2 %	-1.0 %	-5.2 %	10.7 %	-2.0 %
EBIT %	8.4 %	-9.3 %	-15.6 %	1.1 %	-20.0 %
SELECTED BALANCE SHEET ITEMS (NOK)					
Intangible fixed assets	182 902	244 387	236 279	458 354	581 991
Tangible fixed assets	53 302	66 320	63 071	51 799	46 106
Cash	439 788	369 491	271 477	164 133	65 349
Total assets	928 670	941 699	894 344	983 806	997 315
Equity (incl. minority)	636 746	630 908	504 526	529 561	416 499
Interest bearing debts	100 000	100 000	100 000	100 000	150 000
KEY FIGURES PER SHARE (NOK)					
Earnings per share, ordinary	0,58	-0,51	-1,65	-0,42	-2,79
Earnings per share, diluted	0,57	-0,51	-1,64	-0,42	-2,79
Cashflow	3,19	-0,29	-0,48	0,92	-0,25
Equity	10,57	9,34	7,42	7,08	5,97
Market cap as at 31.12 (MNOK)	1 106	1 298	952	688	683
Average no of shares	60 247	67 541	67 972	68 574	69 781
OTHER KEY FIGURES					
Order backlog	461 661	437 408	379 194	481 192	748 278
Order intake	591 355	573 365	548 060	889 792	1 070 612
Return on capital employed (ROCE)	0,76	0,63	0,68	0,84	0,81
Net interest bearing debts	100 000	100 000	100 000	100 000	150 000
Cash flow from operations	192 169	-19 886	-32 567	63 310	-17 244
Operational investment	37 722	54 195	37 738	69 074	64 860
Equity ratio	69 %	67 %	56 %	52 %	42 %
Gearing	10.8 %	10.6 %	11.2 %	10.6 %	15.0 %
Number of employees	273	305	291	399	429
Price / book value	1,74	2,06	1,89	1,42	1,64

VISION

Be the globally preferred provider of ITS solutions.

MISSION

Q-Free will provide responsible ITS solutions which maximise profitability while benefiting society by making transportation safer, more effective and more environmentally friendly.

KEY FACTS

Q-Free is a leading global supplier of ITS products and solutions. The company has 450 employees, is headquartered in Trondheim, Norway and has 20 offices around the globe. Throughout its 30-plus years of business, Q-Free has delivered ITS systems which are now operational in Europe, the Asia-Pacific region, the Middle East, Africa and in North and South America.

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 a team of very talented engineers based in Selbu, just outside Trondheim, Norway.

The high cost of building and maintaining roads, bridges and tunnels in Norway has led to the widespread use of tolling. Automation of the tolling process has played an important part in minimising operational costs and maximising the funds left for actual infrastructure construction and upkeep. This opportunity attracted the Micro Design team, who later renamed their company after the Q-Free technology which they created.

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

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

Moving into the 2000s, Q-Free focused on continued international expansion and maintenance of its strong position in its home market. The company also modified its strategy, changing from being very much focused on DSRC technology to providing tolling solutions based on a variety of technologies.

In recent years, the company has acquired market-leading ALPR, ATMS and other ITS technologies and expertise in support of its progression into the wider traffic management market.

This evolution addresses the volatility of the tolling sector and capitalises on the more stable revenues to be found in the ITS sector. Q-Free is now positioned as a developer and supplier of technologies which address all the needs of modern traffic management.

PRESENCE IN

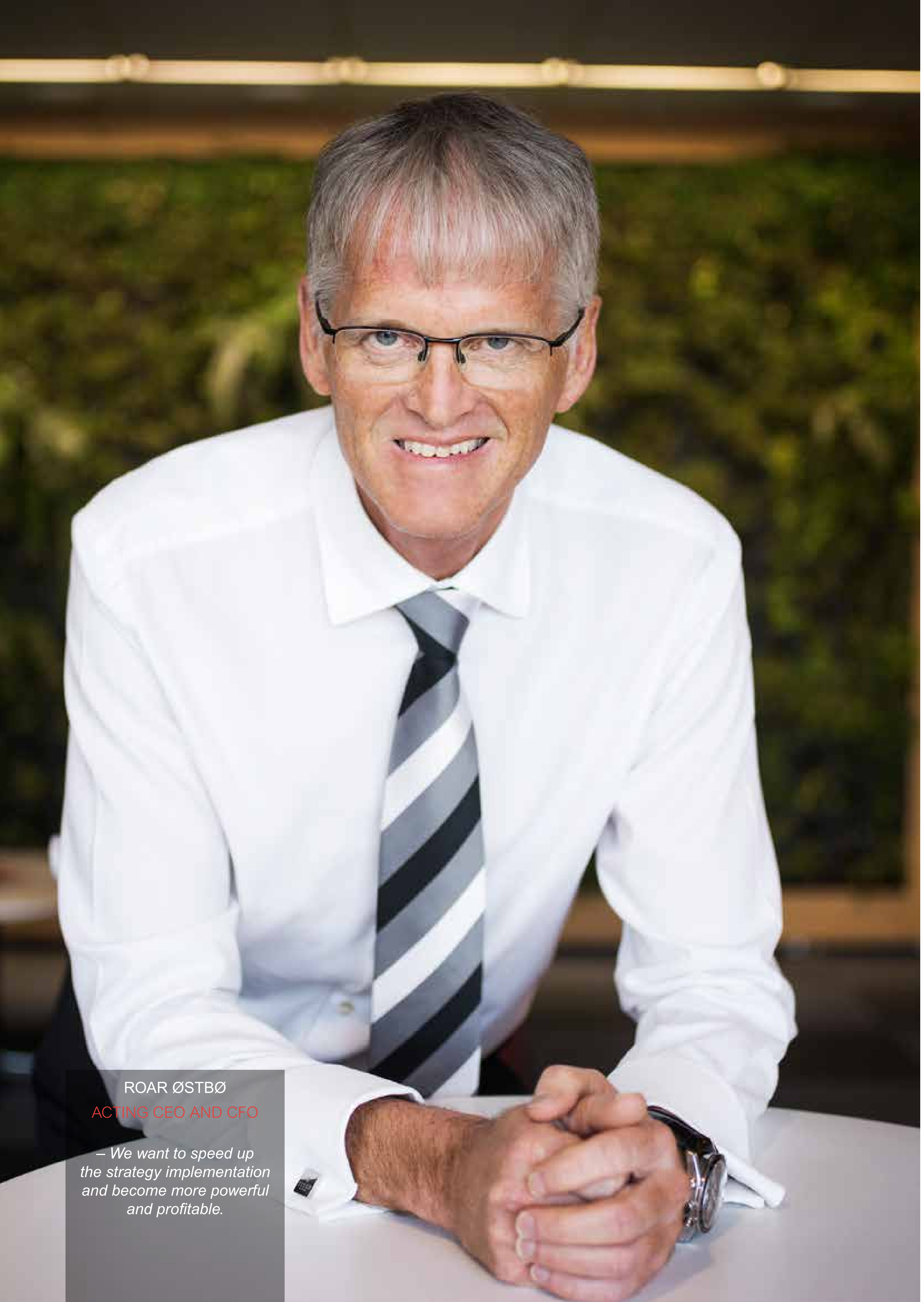
20

COUNTRIES

450

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
- **2015** – Acquistion of Traffiko Intelight; Initiated the ITS Transformation Programme



ROAR ØSTBØ
ACTING CEO AND CFO

– We want to speed up the strategy implementation and become more powerful and profitable.

TRANSFORMING INTO AN ITS COMPANY

Governments around the world want their roads to be safer, more efficient, produce less pollution and be less congested. All our business focus and every decision we make at Q-Free revolves around creating and providing sustainable technology solutions to help cities and urban communities around the world. These enable traffic managers and travelers, the end users, to be better informed and make better decisions which allow safer, more coordinated and smarter use of transport networks.

2015 was characterised by significant changes in Q-Free. Reorganisation, changes in the management team and a reduction of the fixed cost base were all important and necessary measures carried through towards the end of the year. Our most recent acquisitions, Intelight in the US and Traffiko in Malta, bring strategically vital offerings and expertise to Q-Free and conclude the first wave of acquisitions according to the strategy direction we decided upon a few years back. Another positive outcome of 2015 is a good order inflow in all service lines and regions indicating growth rates well above 25 percent. I also anticipate growth in all of the Q-Free's areas of interest in 2016.

Set against this backdrop, Q-Free's transformation into an ITS company continues. In my opinion, we have never been in a better position to succeed. Through acquisitions, we have built a strong portfolio in traffic management which complements our legacy, state-of-the-art tolling offering. We have given the acquired traffic management entities the strength and opportunity to compete globally in new markets, utilising the strong Q-Free brand and business network. We have gained an impressive competence base through the highly skilled employees in our new companies, adding strength to the similar existing competence base in tolling.

Our task now is to streamline our operation and further integrate and leverage products and systems within the Q-Free technology portfolio which sit across several of our service lines and geographic regions. We will focus on developing a sound commercial and operational platform to support further growth and bring to market new joint offerings. We want to speed up the strategy implementation and become more powerful and profitable.

For our clients, Q-Free remains focused on offering and delivering competitive, advanced traffic products and systems which they need to succeed. Our order intake increased in 2015, resulting in a year end with a satisfactory order backlog. This has continued in 2016, but we still need to continuously improve client relations, building upon existing relationships and distribution channels.

For our employees, I am proud of and impressed by the organisation's ability to adapt after a challenging 2015 and the organisational changes implemented before year end. The organisation has regained energy, increased its focus on winning business and re-emphasised collaboration across an increasing number of different cultures, offerings, technologies and nationalities. I am certain that our core Q-Free values – summarised as "EPIC": Excellence, Passion, Innovation, Collaboration – will motivate our highly skilled employees to consistently develop and deliver leading-edge technologies for the benefit of our customers. In addition, our core values will maintain an exciting workplace for employees and create a high return on investment for our shareholders.

For our shareholders, we are committed to further improvement and we need to keep on delivering on the strategy set by us. More important than anything else, we need to start capitalising on the investments made the last couple of years and deliver predictable, profitable growth and cash generation. This is the most important task in the near future. With the most recent project wins, such as those in the US, Thailand, Slovenia, Sweden and Norway, I am confident that this will happen in the coming years.

I am looking forward to sharing this progress with you in the years to come, and want to take the opportunity to thank our customers, employees and shareholders for their support.

ROAR ØSTBØ
Acting CEO and CFO

JAKARTA, INDONESIA

TOLLING
Electronic Toll Collection
Congestion Charging
Truck Tolling
Managed Lanes
Enforcement

PARKING
Car Park Management Systems
ALPR/DSRC-Based Parking
Parking Guidance Systems
Parking Access Control

URBAN
LED Streetlights
Tunnel Management
Traffic Controllers
Congestion Charging
Cooperative ITS

INTER-URBAN
Traffic Management Centre
Tunnel Management
Ramp Metering

INFOMOBILITY
Weigh in Motion
Traffic Counters
Cycle & Pedestrian Detection
Journey Time Monitoring
Weather & Air-Quality Monitoring

HOMELAND SECURITY
Critical Asset Control
Camera Surveillance & Security

Q-FREE IS A GLOBAL SUPPLIER OF INTELLIGENT TRANSPORT SYSTEMS

OSLO, NORWAY

The company's technology and expertise help governments, municipalities, jurisdictions and roads operators to address the four key policy aims of:

- improving safety
- lessening environmental impact
- reducing road congestion
- providing sustainable road financing

IMPROVING SAFETY

Q-Free's products and solutions can intelligently monitor and manage roads in real time, using sophisticated algorithms to predict short-term traffic conditions and applying the appropriate signal settings while responding near-instantly to unforeseen incidents. The company's OpenTMS product is deployed widely on inter-urban routes, and Q-Free also develops and supplies state-of-the-art traffic management solutions for urban settings.

Overloaded and potentially unsafe vehicles can be detected on the move, using Q-Free's range of HI-TRAC in-lane WIM sensors. HI-TRAC's sophisticated capabilities mean that, in addition to providing per-axle or gross vehicle weight data, vehicles can also be detected and classified by size and type, allowing movement restrictions or exclusions to be applied. Q-Free's world-leading ALPR and vision systems can be used to track goods vehicles carrying hazardous loads. This is especially important where critical infrastructure, such as bridges and tunnels, is concerned.

New C-ITS technology enables vehicles to communicate with each other, surrounding infrastructure and traffic management centers. These Vehicle-to-Vehicle (V2V), Vehicle-to-Infrastructure (V2I) and Vehicle-to-Smart Device (V2X) solutions mean that vehicles become proactive gatherers and communicators of safety-critical information, not just recipients. Q-Free's Universal ITS Unit provides customers with a C-ITS applications development solution and will form the basis of future roadside and in-vehicle C-ITS communication products.

Where cyclists and pedestrians co-exist with larger vehicles, they have to be protected. Q-Free's piezoelectric-based cycle detection and passive infrared-based pedestrian detection technology provides very high degrees of accuracy and very low instances of 'false positive' detection.

LESSENING ENVIRONMENTAL IMPACT

Q-Free's traffic management technology – both its OpenTMS product for strategic roads and its solutions for urban traffic control – can help to smooth traffic flows and reduce vehicle emissions.

When combined with Q-Free's smart car parking management solutions it can have an even greater positive effect on traffic and emissions levels, giving travelers true choices in terms of reducing the environmental effects of their journeys.

Q-Free's tolling technology can be used to manage demand and access, introducing a dynamic pricing element which encourages road users to think about how and when they travel. Q-Free has supplied and supports congestion tax schemes in Stockholm and in Gothenburg, where an innovative single-gantry solution was successfully deployed. In Amsterdam, the company has supplied the ALPR system which supports charging of vehicles according to their powertrain emissions.

The company's range of specialist environmental sensors measure particulate emissions. They can provide real-time information on air quality and enable decisions to be made on whether or not to allow vehicles access to certain areas, increase the cost of access for certain types of vehicles, reduce speed limits, and so on.

Q-Free's HI-TRAC WIM technology can be used to identify heavy goods vehicles which are overweight, overloading their power-trains and so producing greater levels of carbon and particulates. All of these technologies can be networked to create robust, coherent environmental protection solutions.

REFERENCE FACTS

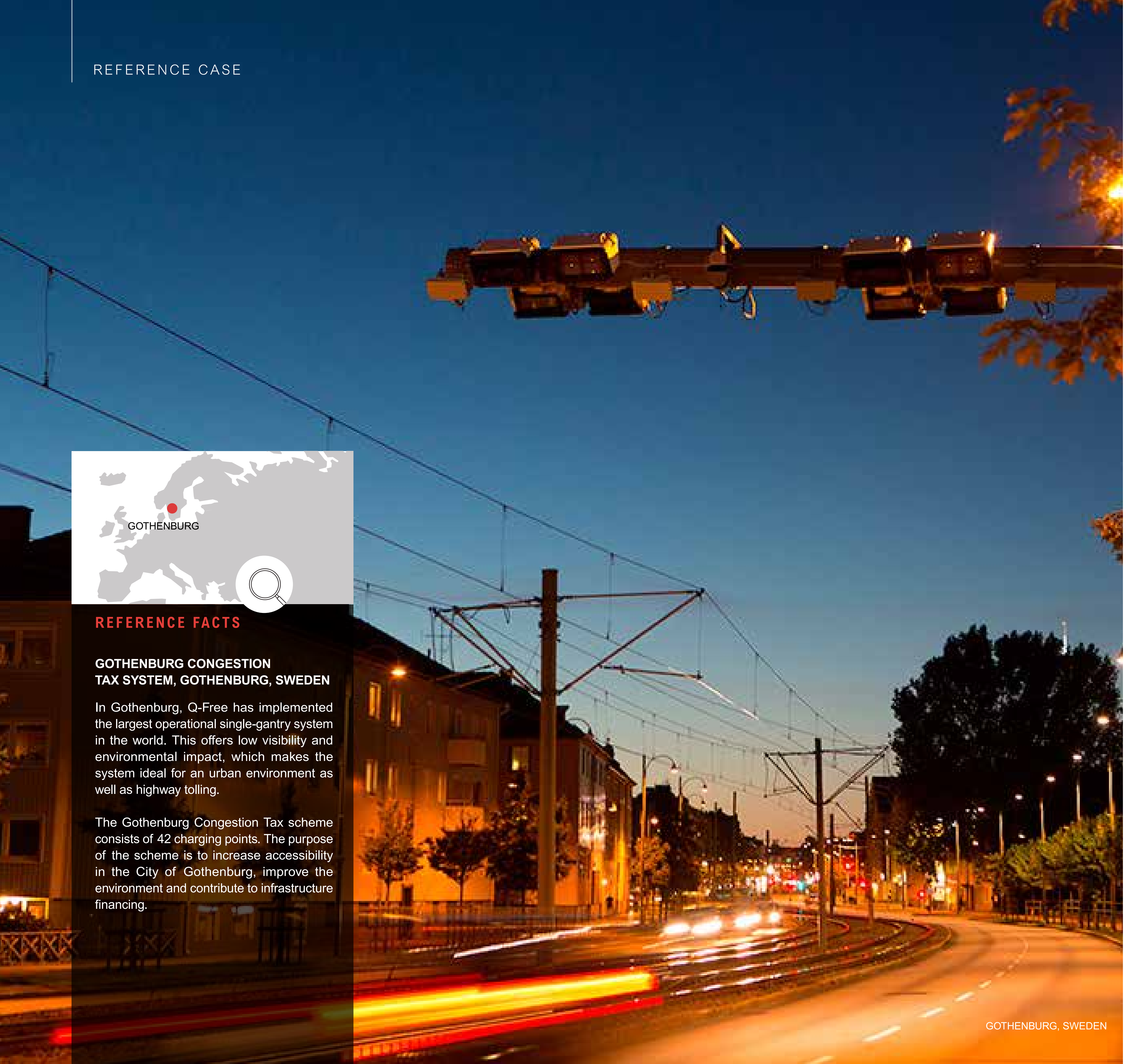
CYCLE PRIORITY SCHEME
GLASGOW, UK

The Q-Free HI-TRAC Cycle Monitoring Unit (CMU) is a piezoelectric-based solution which features roadside solar power and GRPS connectivity. As a result, it is a self-sufficient system and easy to install.

The detection equipment sits inside the traffic controller cabinet and is easily integrated into the controller's phasings.

As cyclists approach the signalised junction, the in-road sensors trigger an output that generates a 'call' based on direction-specific detection. That initiates a signal phase which enables cyclists to pass safely through the junction, thus completely removing the risk of vehicle / cycle conflict.

The system also offers data-hosting and maintenance capabilities.



REFERENCE FACTS

GOTHENBURG CONGESTION TAX SYSTEM, GOTHENBURG, SWEDEN

In Gothenburg, Q-Free has implemented the largest operational single-gantry system in the world. This offers low visibility and environmental impact, which makes the system ideal for an urban environment as well as highway tolling.

The Gothenburg Congestion Tax scheme consists of 42 charging points. The purpose of the scheme is to increase accessibility in the City of Gothenburg, improve the environment and contribute to infrastructure financing.

GOTHENBURG, SWEDEN

REDUCING ROAD CONGESTION

Over-populated roads suffer from higher rates of serious and fatal accidents, while billions of dollars are lost each year around the world to time wasted in traffic. Congestion also makes a major contribution to noise and particulate pollution.

Q-Free's Automatic Incident Detection solutions and real-time traffic information systems can implement both proactive and reactive management strategies, with information distributed to road users via roadside and in-vehicle systems, and the mass media. The smoother traffic flows which result in increased safety, reduced journey times and decreased pollution caused by stop-start or nose-to-tail traffic.

The company's technology systems can be used in conjunction with its tolling products to introduce an element of demand management. Vehicles can be charged universally or according to type. Charging can be fixed, varied by time of day, adjusted in real time or be distance-based. Road users can be charged for crossing a geographic boundary, entering a geographic area or using specific, managed lanes.

Q-Free's smart parking solutions, which share common platforms including back office electronic payment systems, can also be integrated to a very high degree, and help to optimise traffic operations and reduce congestion to the greatest possible extent.

PROVIDING SUSTAINABLE ROAD FINANCING

Q-Free's MLFF tolling technology allows fees to be collected using barrier-free solutions at highway speeds, maximising vehicle throughput, revenues collected and safety. Revenues can be used to support new and existing road infrastructure as well as to improve the quality of public/mass transit.

Q-Free has developed and provides tolling systems based on DSRC, GNSS, ALPR, GSM and hybrid technologies which maximise tolling scheme's flexibility. Schemes can range in size from a single road or type of road to whole regions or countries. They can target all or specific types of vehicles. The company's modern enforcement solutions – fixed, portable or mobile –minimise revenue losses, and its electronic back office solutions offer pre- and post-payment options for both account and non-account customers.

Q-Free's smart parking solutions can be applied to on- and off-road facilities. Smart parking can be linked to Q-Free's tolling and traffic management to provide complete, seamless urban pricing and congestion-management solutions.

The company's tolling and smart parking solutions share common platforms, allowing procurement of complete infrastructure financing and funding solutions from a single, expert ITS supplier.

CORPORATE MANAGEMENT

ROAR ØSTBØ (1961)

Acting CEO and CFO

Roar Østbø has held the position of Acting CEO in Q-Free since November 2015. 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 has 129,500 shares and 150,000 synthetic share options in Q-Free ASA.

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MORTEN ANDERSSON (1957)

COO and VP ELA

Morten Andersson, has been employed by Q-Free 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 15,700 shares and 100,000 synthetic 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 (formerly Dacolian B.V., which was acquired by Q-Free in 2008). Nijhuis has 533,552 shares and 60,000 synthetic share options in Q-Free ASA

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ALAN ALLEGRETTO (1953)

VP North America

Alan Allegretto joined Q-Free in 2015. Allegretto's professional career spans more than 40 years and as a senior corporate officer he has focused exclusively on businesses that deliver design-and-build turnkey programs and integrated systems to federal and state governments as well as the military, transportation, aviation and commercial sectors. He has held numerous engineering, program management, business development, strategic leadership and executive positions of increasing responsibility at the Executive Vice President, Chief Operating Officer and Chief Executive Officer levels within several globally recognised engineering and ITS firms including Xerox Services Company and TransCore LP, US. Allegretto retired from the USAF, after 30 years combined active and reserve service, as a Lieutenant Colonel (Aviator-Engineer) with Top Secret security clearance. He holds professional degrees and certification in engineering and engineering management from the New Jersey Institute of Technology and the Air Force Institute of Technology, respectively.

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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 33,500 shares and 70,000 synthetic share options in Q-Free ASA.

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PÅL RUNE JOHANSEN (1969)

VP Nordic

Pål Rune Johansen has worked for Q-Free since 2014, holding the position of VP Nordic. He holds a Masters Degree in Mechanical Engineering from the 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. Over the period 2004–2006, Johansen was a member of the board in Q-Free ASA. He was the general manager of Noca AS between 2008 and 2014. In the period between 1995 and 2000, Johansen worked for AF-Gruppen ASA, a large Norwegian construction company. Johansen has 10,000 shares and 70,000 synthetic share options in Q-Free ASA.

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BOARD OF DIRECTORS

BOARD OF DIRECTORS

CHARLOTTE BROGREN KARLBERG (1963)

Chairman of the Board
Served since 2011

Charlotte Brogren Karlberg is General Director of Verket för innovationssystem, VINNOVA, a Swedish governmental administration authority, organised under the Ministry of Enterprise and Innovation, Energy and Communication. Brogren Karlberg has previously held management positions in the R&D organsation of ABB. Brogren Karlberg is a Chemical engineer and holds a Ph.D from Lunds Tekniska Högskola (1997). Brogren Karlberg is Chairman of the Board of Industrifonden and HMS AB, and a member of the Board of Gunnebo AB. Brogren Karlberg is a Swedish citizen and resides in Stockholm, Sweden. Brogren Karlberg has no shares in Q-Free ASA.

TORE VALDERHAUG (1960)

Vice Chairman of the Board
Served since 2016

Tore Valderhaug serves as an advisor through the company Proventi AS. He is a Norwegian State-Authorised Public Accountant with 10 years of external audit experience, mainly from Arthur Andersen & Co. Mr. Valderhaug also has close to 20 years' experience as finance director/CFO in the Norwegian publicly listed companies Cermaq, EDB Business Partner, ASK Proxima, Ocean Rig and Unitor. Valderhaug was CFO and head of business development in PHARMAQ AS, a leading pharmaceutical companies supplying the aquaculture industry until the company was sold in late 2015. He is currently also a member of the Board and head of audit committee in the publicly listed companies Nordic Semiconductor ASA and XXL ASA. Valderhaug is a Norwegian citizen and resides in Oslo, Norway. Valderhaug has no shares in Q-Free ASA.

RAGNHILD WAHL (1967)

Board member
Served since 2015

Ragnhild Wahl is Head of R&D at the Norwegian National Rail Administration. She is furthermore Chairman of the Board of ITS Norway, the interest group for the ITS sector in Norway, and is a Board member of Itema AS and of TRANSPORT 2025, the Research Council of Norway's strategic program on research and innovation within the transport sector. Wahl has previously been Research Director of Transport Research at SINTEF, where she was a central contributor to R&D cooperation between the transportation authorities, industry and other stakeholders. Wahl holds a MSc in industrial economy and holds a Ph.D in transportation and logistics from the Norwegian University of Science and Technology. Ragnhild Wahl is a Norwegian citizen and resides in Trondheim, Norway. Wahl has no shares in Q-Free ASA.

SNORRE KJESBU (1969)

Board Member
Served since 2016

Snorre Kjesbu is the Vice President and General Manager for the Collaboration systems and Video Technology Group (CVTG) in Cisco. He is responsible Cisco's global video division. Before joining Cisco, Kjesbu was Senior Vice President for Tandberg's Endpoint Product Division. Prior to Tandberg, he was at ABB responsible for wireless communications. Kjesbu and his team at ABB were awarded the Wall Street Journal Innovation award for their work on wireless sensors in 2002.

Kjesbu serves on the Board of directors of several IT companies and holds more than 20 patents in the area of communications and video conferencing. He is frequently invited to speak at key events and was a guest lecturer at the Stanford Network Research Center at Stanford University. Kjesbu is a Norwegian citizen and resides in Oslo, Norway. Kjesbu has no shares in Q-Free ASA.

SISSEL LILLEVIK LARSEN (1961)

Employee-elected Board Member
Served since 2016

Sissel Lillevik Larsen has been with Q-Free since 2000, and holds the position as Team Manager for the Solutions Backoffice group. Larsen has more than 30 years of experience within the IT industry and has extensive experience within project and solution/product management. Larsen has previously held a leading position in Cubic Transportation Systems. Larsen is a Norwegian citizen and resides in Trondheim, Norway. Larsen has no 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. Mr Hagen has been working in Q-Free group since 1992 and has extensive experience in Q-Free technologies. Hagen is a Norwegian citzen and resides in Trondheim, Norway. Hagen has no shares in Q-Free ASA.

BOARD OF DIRECTORS' REPORT 2015

BOARD OF DIRECTORS' REPORT 2015

THE Q-FREE GROUP

The Q-Free group provides world class-leading technology solutions to the global ITS market. Q-Free has delivered systems which are now operational in Europe, the Asia Pacific region, the Middle East, Africa, North and South America. Q-Free has 429 employees, is headquartered in Trondheim, Norway, and has local offices in 20 countries around the world. Q-Free ASA is a Norwegian public limited liability company, and has been listed on the Oslo Stock Exchange under the ticker QFR since 2002.

2015 HIGHLIGHTS

- Revenues NOK 804 million, 2 percent increase from NOK 789 million.
- EBITDA NOK - 16 million, (-2.0 percent margin) after restructuring costs of NOK 80 million with significant impact on the EBITDA. EBITDA pre non-recurring items was NOK 64 million (8.0 percent margin).
- Q-Free invested NOK 63 million in acquisitions of US-based Intelight and Traffiko in Malta – important steps towards transforming Q-Free into an ITS company.
- Order intake of NOK 1,070 million, ending the year with an order backlog of NOK 748 million, whereof NOK 463 million is for delivery in 2016.
- During the fourth quarter the company initiated The Q-Free ITS Transformation Programme. This programme will reduce annual costs of NOK 70 million, through organisational changes, reduction in the management team and optimisation of investments in sales and technology development.

ORDERS RECEIVED AND ORDER BACKLOG

Orders received in 2015 amounted to NOK 1,070 million, representing a 20 percent growth compared with new orders received in 2014 (NOK 890 million).

Of this, products accounted for NOK 162 million or 15 percent of the order inflow (NOK 348 million, 39 percent), service & maintenance accounted for NOK 350 million or 33 percent of the order inflow (NOK 132 million, 15 percent), while project orders increased to NOK 183 million or 17 percent of order received (NOK 91 million, 11 percent). Orders received in the ATMS segment amounted to NOK 360 million or 34 percent of the order inflow, up NOK 61 million from NOK 299 million in 2014. managed services received orders for NOK 15 million in 2015 or 1 percent of the order inflow, down from NOK 16 million in 2014.

Geographically, Europe and Latin America (ELA) accounted for 38 (47) percent of new orders during 2015, mainly due to high inflow on service and maintenance contracts in Portugal and the impact of the acquired ATMS companies in the region. The Nordic countries accounted for 28 percent of new orders (23 percent), mainly driven by contracts in Norway and Sweden for projects and service & maintenance. North America accounted for 25 percent of total orders received (17 percent), while Asia Pacific, Middle East & Africa accounted for 9 percent (13 percent).

As a result, the overall order backlog increased 20 percent to NOK 748 million by the end of 2015, up from NOK 481 million 12 months earlier.

Distributed by business areas, service & maintenance accounted for NOK 326 million, or 44 percent of total order backlog. ATMS accounted for NOK 190 million, (25 percent), Projects for NOK 108 million (14 percent), while products accounted for NOK 110 million (15 percent). Order backlog for managed services at the end of 2015 was at NOK 15 million, representing 2 percent of the Groups total order backlog.

Geographically, Europe and Latin America (ELA) accounted for 43 percent of the order backlog, the Nordics 27 percent, North America for 20 percent and Asia Pacific Middle East & Africa for 10 percent.

An order backlog of NOK 463 million or 62 percent is due for delivery in 2016.

FINANCIAL REVIEW

Income statement

Revenues

Q-Free reported revenues of NOK 804 million for the full year 2015, up 2 percent from NOK 789 million in 2014.

ATMS 2015 revenues amounted to NOK 313 million, 88 percent growth from NOK 166 million in 2014, while the growth adjusted for acquisitions was 25 percent. In 2015, ATMS accounted for 39 percent of overall revenues, compared to 21 percent in 2014.

Product revenues decreased 51 percent to NOK 169 million in 2015 (NOK 347 million), whereas Projects revenues increased by 55 percent to NOK 140 million (NOK 89 million). The lower product revenues mainly reflects decreased tag volumes in Brazil and Asia, while projects revenues growth reflect higher activity levels in Norway and Sweden.

Service and maintenance revenues for 2015 was NOK 155 million, a decrease of 6 percent compared to 2014 (NOK 166 million)

Gross profit

Gross profit increased to NOK 571 million (NOK 506 million), corresponding to a gross margin of 71 percent (64 percent) despite a write-off of tolling goods. The higher margin mainly reflects changes in product mix from tolling to ATMS during 2015.

Operating expenses

Operating expenses amounted to NOK 587 million (NOK 422 million), of which personnel expenses accounted for NOK 304 million, up from NOK 231 million in 2014. The increase mostly reflects new employees in the acquired companies. Other operating expenses ended at NOK 283 million compared with NOK 191 million in 2014, where the increase is mainly explained by NOK 80 million as restructuring costs accounted for in the fourth quarter of 2015 in relation to the Q-Free ITS Transformation Program. This program will reduce annual operating expenses with NOK 70 million and enables the company to improve future profitability.

Operating profits

Operating profit before interest, tax, depreciation, amortisation and impairment (EBITDA) for the year was NOK -16 million compared to NOK 85 million in 2014. Adjusted for restructuring costs in 2015 the EBITDA was NOK 65 million, representing an EBITDA-margin of 8 percent compared to 11 percent in 2014.

Depreciations, amortisations and impairments amounted to NOK 144 million for the year, compared to NOK 76 million in 2014. The increase compared to 2014 reflects an impairment of the tolling technology of NOK 56 million.

Reported operating profit (EBIT) was NOK -160 million compared to a positive of NOK 8 million in 2014. Operating profit adjusted for restructuring cost and write-down of intangible assets was NOK -25 million.

Net financial items

Net financial items for the year was NOK -21.6 million compared with NOK -24.8 million in 2014. The financial cost is in line with 2014 but higher than earlier years mainly caused by increased provision on future earn-out payments because of higher than expected profits in the companies with earn-out clauses in addition to currency fluctuations leading to increased provisions on these payments.

Profits

The reported pre-tax loss was NOK 182.1 million for the full year 2015, compared to a pre-tax loss of NOK 16.4 million in 2014. Tax expenses amounted to NOK 12.6 million, while payable tax was NOK 2.1 million. In 2014, tax expenses amounted to NOK 10.6 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 69 million from 2013, 2014 and 2015.

ANNUAL RESULTS AND YEAR-END APPROPRIATIONS

The result after tax for the full year 2015 was NOK -194.7 million, down from NOK -27.0 million in 2014. Earnings per shares was NOK -2.79 for 2015, compared to NOK -0.42 in 2014.

The Board of Directors proposes to cover the parent company's loss for the year of NOK 106 million from other equity. Subsequent to this, the parent company had no distributable equity at the end of 2015.

The Board of Directors does not propose to distribute any dividends for 2015.

The Annual General meeting is scheduled for 26 May 2016.

CASH FLOW AND LIQUIDITY

Net cash flow from operating activities for the full year 2015 was NOK -17.2 million (NOK 63.3 million). The weaker cash flow from operating activities is explained by reduced profitability, currency fluctuations in working capital items and increased taxes. Q-Free has a strong focus on cost efficiency and cash management throughout the entire organisation and the restructuring process implemented in the fourth quarter 2015 enables an improved cash flow in 2016.

Net working capital was -10 percent of the last 12 months' revenues, reduced from 5 percent in 2014. The negative working capital is due to a reclassification of the loan from Danske Bank of NOK 150 million from long-term liabilities to short-term liabilities as at 31 December 2015.

Net cash flow from investing activities was NOK -123 million (-172), including NOK 63 million from acquisitions during 2015 and earn-out payments on previous acquisitions paid during 2015. The acquisition investments reflect the strategic decision to complete our offering as a global supplier in all major ITS technologies. In addition to these acquisitions, Q-Free invested NOK 65 million in technology and other fixed assets.

Net cash flow from financing activities was NOK 42 million in 2015, due to an increased long term loan of NOK 50 million in Q-Free in Norway while paying down a long term loan in the acquired company, Intelight of NOK 8 million. Net cash flow from financing activities was NOK 1.9 million in 2014.

The cash closing balance was NOK 65 million at the end of 2015, down from NOK 164 million at the end of 2014.

BOARD OF DIRECTORS' REPORT 2015

BALANCE SHEET

Total assets at the end of 2015 was NOK 997 million. Booked equity was NOK 416 million at the end of 2015, down from NOK 529 million at the end of 2014. The decline mainly reflects the net loss of NOK 195 million during the year, partly compensated by positive exchange differences on translation of foreign operations. The equity ratio at year-end was 42 percent, down from 54 percent at the end of 2014.

Current liabilities amounted to NOK 414 million at the end of 2015, compared with NOK 262 million at the end of 2014. This increase is due to a reclassification of a loan from Danske Bank (NOK 150 million) from long-term liabilities to short term liabilities as at 31 December 2015. Q-Free was in breach of its financial covenant at the end of 2015, this breach was waived in February 2016.

Non-current liabilities was NOK 167 million at the end of 2015, down from NOK 193 million at the end of 2014, with the majority of the decrease related to the debt reclassification mentioned above, offset by a NOK 82 million increase in other non-current liabilities because of increased provisions for earn-out payments.

The liquidity ratio was 0.9 at the end of 2015, down from 1.8 at the end of 2014.

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 429 employees at the end of 2015. This was an increase from 399 employees at the end of 2014, mainly due to the acquisition on Intelight and Traffiko and organisational changes to support the Q-Free strategy. Q-Free initiated in December 2015 the Q-Free ITS transformation programme. This programme included actions to reduce the management team and organisation, which would affect current positions in some areas, and a strengthening of new capabilities in other areas.

Q-Free has established good working conditions in a non-discriminating, multicultural organisation with operation in 20 countries. Sick leave remains at satisfactory levels, and the company is pleased 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 challenging year for Q-Free.

Management

On 3 November 2015 Thomas Falck stepped down as CEO with immediate effect. Falck had been CEO since January 2014.

CFO Roar Østbø was appointed interim CEO 3 November 2015. Roar Østbø has been with the company since 2009.

The management team has been reorganised in 2015 to support the new ITS Transformation Program.

Board of Directors

On 4 November 2015 Chairman of the Board Terje Christoffersen informed the Board of his immediate resignation. The Vice Chairman Charlotte Brogren Karlberg chaired the Board's work from 4 November 2015.

The Board received 14 January 2016 a request from shareholders representing 21 percent of the total shareholding in the Company for an extraordinary general meeting with the following agenda:

-Election of Chairman of the Board
-Election of members of the Board

The Extraordinary general meeting was held on 11 February 2016. After the election of new members, the Board composed the following shareholder elected members:

Charlotte Brogren Karlberg (Chairman)
Ragnhild Wahl (Board member)
Snorre Kjesbu (Board member)
(replacement for Anders Endre Nybø)
Tore Valderhaug (Vice Chairman)
(replacement for Jan Pihl Grimnes)

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. 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 includes 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. To mitigate risk moving forward, Q-Free has refocused its approach, targeting a higher number of less complex small- and mid-sized opportunities.

Political risk

Tolling projects and some projects within traffic management are normally directly or indirectly subject to governmental concessions, and Q-Free is exposed to political risk from lead identification through contract award 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 tolling market is expected to mitigate this risk, and the entry into the ITS market will add new revenue streams less exposed to political risk.

Technology risk

Q-Free is exposed to 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 804 million in 2015, of which NOK 620 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 down to approximately 10 percent of revenues in 2015. 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 often 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 not provided any guarantees for third parties' liabilities.

Interest rate risk

The interest level has significant influence on the Group profit. To ensure predictability the Group has preferred short-term interest rates (NIBOR 3 months plus a small mark-up) on its debt and deposits.

Liquidity risk

The Q-Free Group 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 with the purpose of securing a low-risk return on the invested capital.

The Board of Directors assesses the liquidity at the end of 2015 to be sufficient to cover the company's planned operations and investment requirements. Strict execution of the announced cost reductions as well as focusing on reducing working capital, are critical mitigating factors to fulfil the above requirements. Others measures will be implemented if considered needed.

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 a programme to increase awareness and limit our exposure. For further information, please see the Corporate Social Responsibility report.

OUTLOOK

Q-Free is currently moving through a transition period. 2015 has demonstrated that the tolling product market continues to be challenging. However, the company experiences increased tendering and project activity for tolling systems into 2016. Within traffic management Q-Free experienced growth both organically and through acquisitions. Order intake during 2015 has been good and the order backlog into 2016 is satisfactory.

The Board of Directors and Management are not satisfied with the financial performance during 2015. The implemented restructuring measures and transformation into an ITS company will make Q-Free more financially robust and profitable in 2016 and onwards.

The Board of Directors and Management decided during the fourth quarter to initiate the next steps in the transformation of Q-Free from a Tolling company into a fully integrated ITS-company. Q-Free has, during the last few years acquired eight companies in order to broaden the technology and customer base. To maximise the potential of our assets, Q-Free decided to take further actions to streamline the company and reduce the fixed cost base and investment level in order to extract synergies and reduce activities in some areas. These actions included organisational changes, reduction in the management team, and optimisation of investments in sales and technology development. These actions will lead to a reduction in annual costs of NOK 70 million for 2016 and onwards. This will significantly improve our profitability and financial robustness going forward.

These initiatives will further strengthen our ability to become an ITS company with competitive solutions addressing the 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. Q-Free aims to continue the transformation in 2016 and build a profitable growth company serving the global ITS market.

Trondheim 30th of March 2016

Charlotte Brogren Karlberg
Chairman of the Board

Ragnhild Wahl
Board member

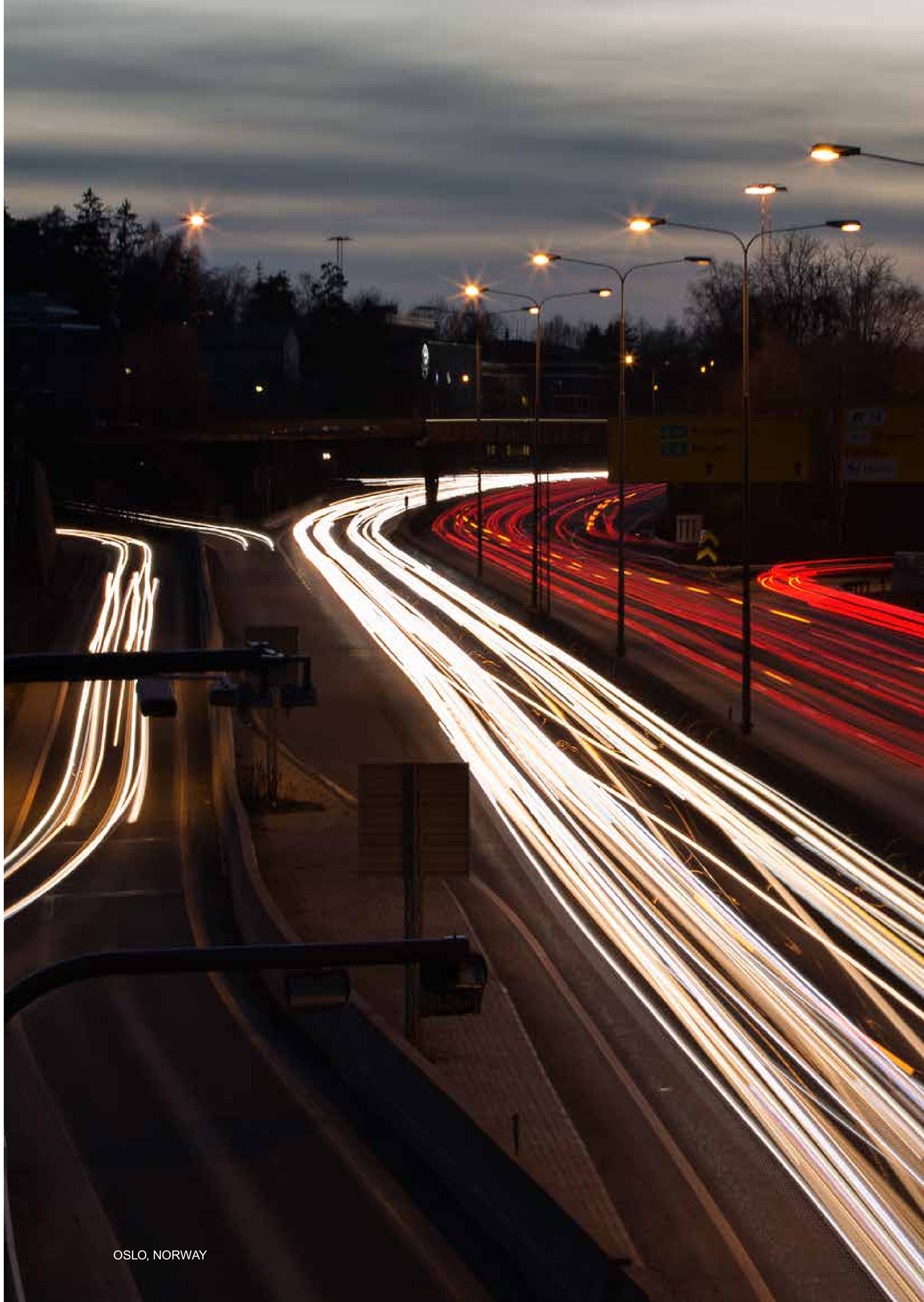
Snorre Kjesbu
Board member

Tore Valderhaug
Vice Chairman of the Board

Sissel Nina Lillevik Larsen
Employee-elected Board member

Anders Hagen
Employee-elected Board member

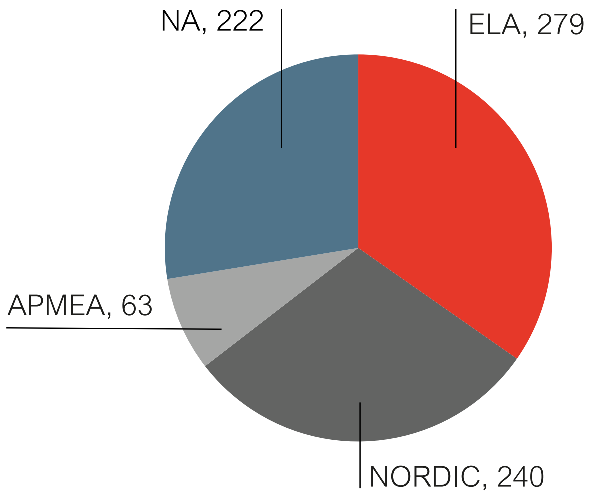
Roar Østbø
Acting CEO



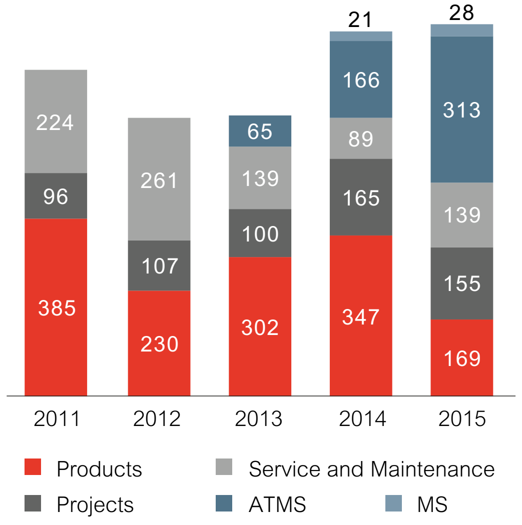
OSLO, NORWAY

Q-FREE IN NUMBERS

REVENUES REGIONS
MNOK



REVENUES SERVICE LINES
MNOK



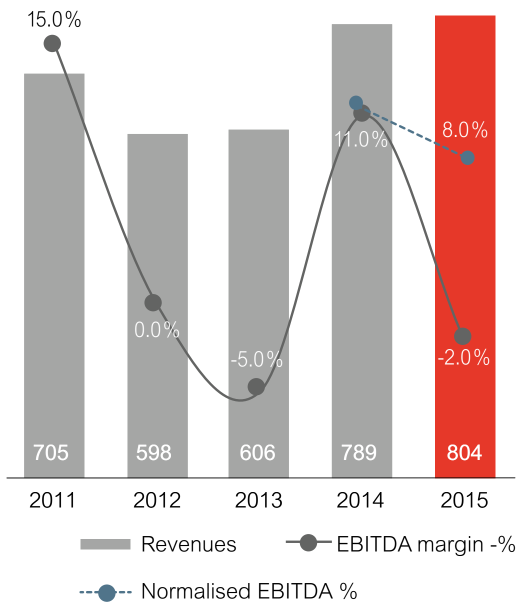
REVENUES 2015
MNOK

804

EBITDA MARGIN 2015

-2.0%

REVENUES AND EBITDA MARGIN
MNOK



In 2015 the Q-Free Group revenues amounted to 803.5 MNOK, compared to 788.6 MNOK in 2014. This represents an increase of some 2 % from LY. The Q-Free Group had a negative operating result of 15.9 MNOK (+8.4) in 2015, out of revenues of 803.5 MNOK (788.6). The negative margin development in 2015 compared to 2014 is explained by restructuring costs of NOK 80 million related to the Q-Free ITS transformation programme, A normalised EBITDA -% FY 2015 is 8 %.

EQUITY RATIO

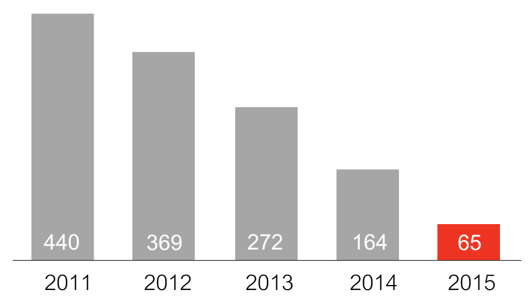
42%

CASH AT HAND
MNOK

65

Net cash flow from operating activities for 2015 was NOK -17 million (+60). Net cash flow from investing activities was NOK -123 million (-172), and NOK 61 million on investments in technology and other fixed assets. Net cash flow from financing activities during 2015 was NOK 42 million (2) due to a new long term loan.

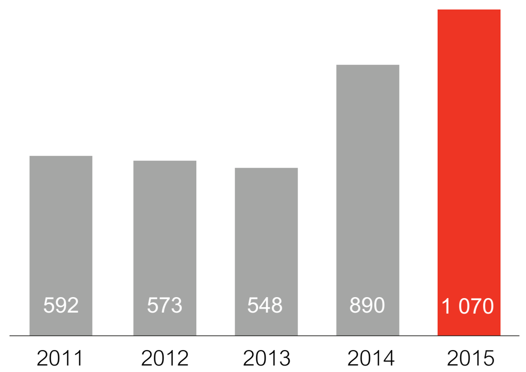
CASH AT HAND
MNOK



ORDER INTAKE 2015
MNOK

1,070

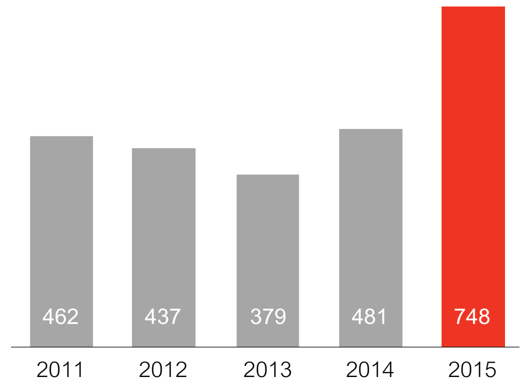
Orders received in 2015 amounted to NOK 1,070 million, representing a 20 percent growth compared with new orders received in 2014 (NOK 890 million).



ORDER BACKLOG 2015
MNOK

748

The Group's total order backlog as of 31 December 2015 was NOK 748 million, up NOK 267 million from year end 2014, representing an increase of 56 % YoY. Compounded annual growth rate last three years is 25 %. NOK 463 million is due for deliveries in 2016.



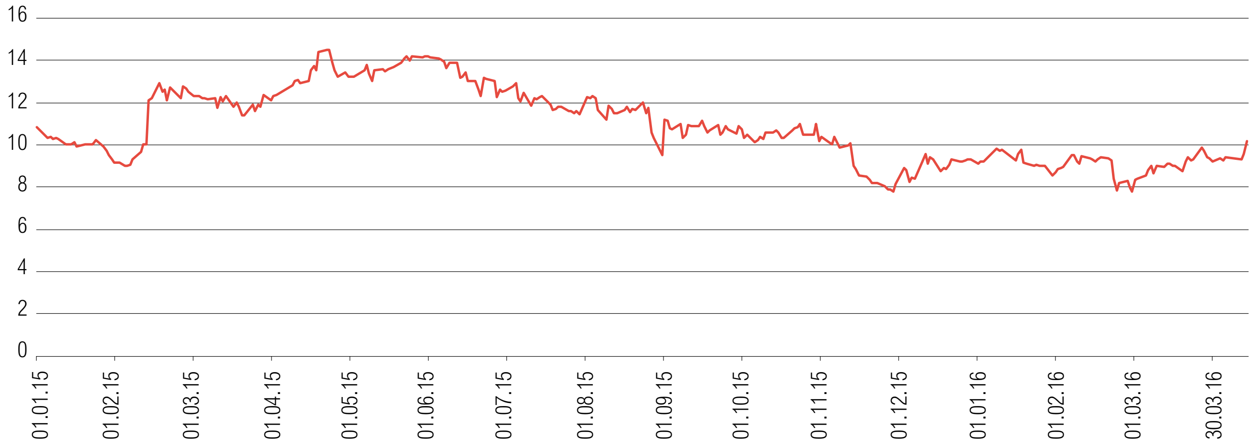
SHAREHOLDER INFORMATION

The company has one class of shares and there are no voting restrictions. As per 31.12.2015 the company had 70 070 552 shares outstanding. Par value per share is NOK 0.38. Total sharecapital per 31.12.2015 was NOK 26 626 809.76.

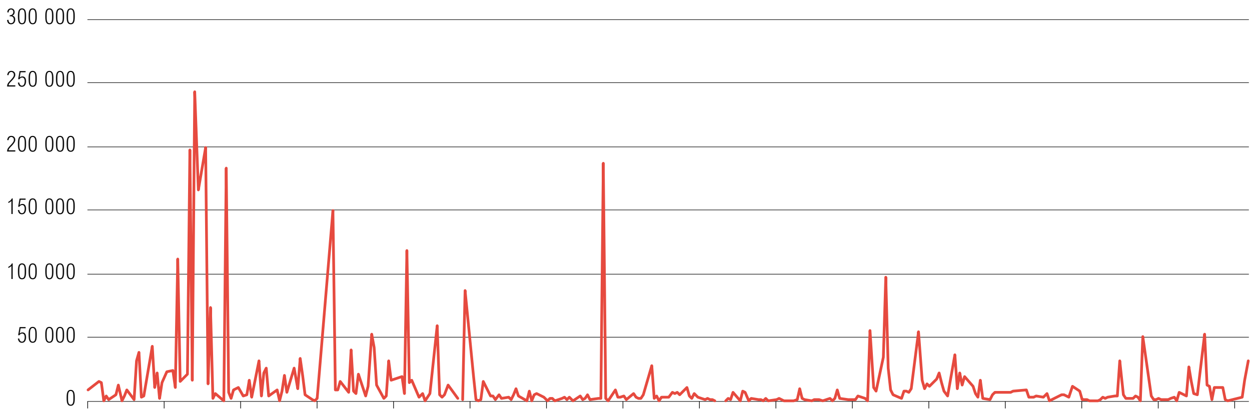
SHARE PRICE DURING 2015

The Q-Free shares traded between NOK 7.80 and NOK 14.50 during 2015, closing at NOK 9.75 as at 30.12.2015, corresponding to a market capitalisation of NOK 683 187 882 at the end of the year.

QUOTES



VOLUME



SHAREHOLDER SITUATION

At year end 2015, Q-Free ASA had 1485 shareholders, compared to 1173 at the end of 2014. The table below shows the 20 largest shareholders in Q-Free ASA as per 30 March 2016.

SHAREHOLDER	ACCOUNT TYPE	SHARES	% OWNERSHIP
KAPSCH TRAFFICCOM AG		9 900 000	14.13 %
KAPSCH TRAFFICCOM AG		3 750 458	5.35 %
VERDIPAPIRFONDET KLP AKSJENORGE		3 297 118	4.71 %
KOMMUNAL LANDSPENSJONSKASSE		3 200 000	4.57 %
STATOIL PENSJON		2 609 069	3.72 %
STOREBRAND VEKST		2 132 605	3.04 %
MARK JOHN PHILLIPS		1 937 483	2.77 %
VERDIPAPIRFONDET DNB NORGE (IV)		1 863 699	2.66 %
JP MORGAN CHASE BANK, NA	NOM	1 750 000	2.50 %
VERDIPAPIRFONDET ALFRED BERG NORGE		1 656 746	2.36 %
LARS ODDGEIR ANDRESEN		1 633 600	2.33 %
REDBACK AS		1 627 000	2.32 %
VERDIPAPIRFONDET DNB SMB		1 625 952	2.32 %
HOLMEN SPESIALFOND		1 590 000	2.27 %
STOREBRAND NORGE I		1 570 642	2.24 %
VERDIPAPIRFONDET DNB NORGE SELEKTI		1 320 161	1.88 %
EIKA NORGE		1 296 106	1.85 %
ULSMO FINANS AS		1 254 477	1.79 %
VERDIPAPIRFONDET STOREBRAND OPTIMA		1 196 801	1.71 %
DNB NOR MARKETS, AKSJEHAND/ANALYSE		1 044 903	1.49 %

The following table shows the number of shares held by the Executive Management and CEO as per 30 March 2016:

Name	Position	Shares
Jos Nijhuis	CTO	533 552
Roar Østbø	Acting CEO and CFO	129 500
Per Fredrik Ecker	VP APMEA	33 500
Morten Andersson	COO and VP ELA	15 700
Pål Rune Johansen	VP Nordic	10 000

CONSOLIDATED FINANCIAL STATEMENTS

"Q-Free aims to continue the transformation into a fully integrated ITS company in 2016 and build a profitable growth company serving the global ITS market"

Roar Østbø
Acting CEO and 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 2015

PARENT COMPANY				GROUP	
2014	2015	Figures in TNOK	Note	2015	2014
		OPERATING REVENUES			
358 495	349 440	Revenues	5, 7	800 286	784 644
3 940	3 239	Other operating income	8	3 239	3 940
362 435	352 679	Total operating revenues	5	803 525	788 584
		OPERATING EXPENSES			
141 258	138 315	Cost of goods sold	14	232 352	282 173
122 127	123 365	Personnel expenses	15,16,17	304 419	230 917
86 543	154 205	Other operating expenses	26, 28	282 730	190 750
349 928	415 885	Total operating expenses		819 501	703 839
12 507	-63 206	Earnings before interest, taxes, depreciation and amortisation (EBITDA)	5	-15 976	84 745
16 771	11 211	Depreciation of property, plant and equipment	9	16 564	21 532
21 285	24 863	Amortisation of intangible assets	10,11	72 395	54 777
0	15 774	Impairment of intangible assets	10,11	55 523	0
-25 549	-115 054	Earnings before interest and taxes (EBIT)	5	-160 458	8 436
		FINANCIAL ITEMS			
20 030	56 963	Financial income	23	76 999	29 763
38 220	35 770	Financial income Group companies	23	0	0
-44 483	-56 532	Financial expenses	23	-98 639	-54 568
0	0	Financial expenses Group companies		0	0
13 767	36 201	Total financial items		-21 640	-24 805
-11 782	-78 853	Profit before tax	5	-182 098	-16 369
0	-26 935	Taxes	22	-12 600	-10 589
-11 782	-105 788	Profit / (-) loss for the year		-194 698	-26 958
		Attributable to:			
		Non-controlling interests		0	1 802
		Equity holders of the parent		-194 698	-28 760
		DISTRIBUTION OF PROFIT / (-) LOSS FOR THE YEAR			
-11 782	-105 788	Other equity			
-11 782	-105 788	Total distributed			
		Earnings in NOK per share	12	-2,79	-0,42
		Diluted earnings in NOK per share	12	-2,79	-0,42

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015

PARENT COMPANY				GROUP	
2014	2015	Figures in TNOK	Note	2015	2014
-11 782	-105 788	Profit for the period		-194 698	-26 958
		Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
0	40 781	Exchange differences on translation of foreign operations *		72 983	64 572
1 217	-3 370	Net (loss)/gain on available-for-sale financial investments	24	-3 370	1 217
1 217	37 411	Net other comprehensive income to be reclassified to profit or loss in subsequent periods:		69 613	65 789
		Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
-9 638	-695	Re-measurement gain (losses) on defined benefit plans	16	-695	-9 638
0	0	- Income tax effect		0	0
-9 638	-695	Net other comprehensive income not to be reclassified to profit or loss in subsequent periods:		-695	-9 638
-8 421	36 716	Other comprehensive income for the year, net of tax		68 918	56 151
-20 203	-69 072	Total comprehensive income for the period, net of tax		-125 780	29 193
		Attributable to:			
		Non-controlling interests		0	1 802
		Equity holders of the parent		-125 780	27 391
		Total comprehensive income for the period		-125 780	29 193

* See Note 29 regarding restatement previous years. The effect on exchange differences on translation of foreign operations in 2014 was TNOK 37 454.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

PARENT COMPANY				GROUP	
2014	2015	ASSETS Figures in TNOK	Note	2015	2014
		NON - CURRENT ASSETS			
26 935	0	Deferred tax assets *	22, 29	0	15 349
52 511	36 923	Product development assets *	10, 29	214 526	215 036
26 935	0	Goodwill *	10, 11, 29	367 465	227 969
34 143	26 529	Machinery, fixtures and fittings, etc.	9, 21	43 854	51 799
245 163	325 079	Investments in subsidiaries	6, 18	0	0
162 264	200 331	Loan to group companies *	18, 29	0	0
5 144	393	Investments in other companies	24	660	13 001
0	0	Other receivables		1 592	2 158
526 160	589 255	TOTAL NON - CURRENT ASSETS		628 097	525 312
		CURRENT ASSETS			
22 264	21 522	Inventories	14, 21	81 378	48 223
13 766	0	Work in Progress	7, 21	44 269	56 903
17 648	35 206	Accounts receivables	20, 21	149 606	167 378
118 333	77 793	Accounts receivables on group companies *	20, 21, 29	0	0
3 800	4 278	Other current assets	27	28 616	21 857
45 712	0	Cash and cash equivalents	19	65 349	164 133
221 523	138 799	TOTAL CURRENT ASSETS		369 218	458 494
747 683	728 054	TOTAL ASSETS		997 315	983 806

* See Note 29 regarding restatement previous years.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

PARENT COMPANY					GROUP	
2014	2015	EQUITY AND LIABILITIES	Figures in TNOK	Note	2015	2014
		EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
26 143	26 627	Subscribed share capital		13	26 627	26 143
426 956	439 350	Share premium reserve			439 350	426 956
20 529	20 529	Other paid-in capital			20 529	20 529
-49 668	-118 740	Other equity *		29	-70 007	55 773
423 960	367 766	TOTAL EQUITY			416 499	529 401
		LIABILITIES				
		Non - current liabilities				
100 000	0	Debt to financial institutions		4, 21	0	100 000
34 710	2 405	Other non-current liabilities		4, 6	135 894	54 460
18 293	18 775	Pension liabilities		16	18 775	18 293
0	0	Deferred tax		22	12 630	19 808
153 003	21 180	Total non - current liabilities			167 299	192 561
		Current liabilities				
0	199 563	Debt to financial institutions		4, 21	150 000	0
34 618	22 622	Accounts payable		4	77 913	74 155
0	0	Advance payments from customers		4, 7	12 576	18 914
53 124	19 787	Debt to group companies		18	0	0
0	0	Tax payable		4, 22	2 051	8 201
13 792	14 830	Public duties payable		4	19 713	19 721
69 186	82 306	Other current liabilities		4, 6, 25	151 264	140 853
170 720	339 108	Total current liabilities			413 517	261 844
323 723	360 288	TOTAL LIABILITIES			580 816	454 405
747 683	728 054	TOTAL EQUITY AND LIABILITIES			997 315	983 806

* See Note 29 regarding restatement previous years.

Trondheim 30th of March 2016

Charlotte Brogren Karlberg
Chairman of the Board

Ragnhild Wahl
Board member

Snorre Kjesbu
Board member

Tore Valderhaug
Vice Chairman of the Board

Sissel Nina Lillevik Larsen
Employee-elected Board member

Anders Hagen
Employee-elected Board member

Roar Østbø
Acting CEO

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

PARENT — Figures in TNOK

	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
Equity per. 01. 01. 2014:	13	25 830	415 554	20 529	-28 350	2 087	0	-3 203	432 447
Total comprehensive income for the period					-11 782	1 217	0	-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	0	-12 841	423 960
Equity per. 01. 01. 2015:	13	26 143	426 956	20 529	-40 132	3 304	0	-12 841	423 960
Total comprehensive income for the period*					-105 788	-3 370	40 781	-695	-69 072
Share issue arising from acquisitions	13	484	12 394						12 878
Total equity of the Parent per 31. 12. 2015		26 627	439 350	20 529	-145 920	-66	40 781	-13 536	367 766

* The exchange differences on translation of foreign operation is related to loan to subsidiaries treated as net investments.

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. 2014*:	13, 29	25 830	415 553	20 529	43 574	2 088	-15 349	-1 932	490 294	20 789	511 083
Profit for the period					-28 760				-28 760	1 802	-26 958
Other comprehensive income						1 217	64 572	-9 638	56 151		56 151
Total comprehensive income for the period		0	0	0	-28 760	1 217	64 572	-9 638	27 391	1 802	29 193
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*		26 144	426 956	20 529	14 814	3 305	49 223	-11 570	529 401	0	529 401
Equity per. 01. 01. 2015:	13, 29	26 144	426 956	20 529	14 814	3 305	49 223	-11 570	529 401	0	529 401
Profit for the period					-194 698				-194 698	0	-194 698
Other comprehensive income						-3 370	72 983	-695	68 918		68 918
Total comprehensive income for the period		0	0	0	-194 698	-3 370	72 983	-695	-125 780	0	-125 780
Share issue arising from acquisitions	13	484	12 394						12 878	0	12 878
Total equity of the Group per 31.12. 2015	13, 29	26 627	439 350	20 529	-179 884	-65	122 206	-12 265	416 499	0	416 499

* See Note 29 regarding restatement previous years.

STATEMENT OF CASH FLOW

for the year ended 31 December 2015

PARENT COMPANY				GROUP	
2014	2015	Figures in TNOK	Note	2015	2014
		CASH FLOWS FROM OPERATIONS			
-11 782	-78 853	Profit before tax		-182 098	-16 369
0	0	Paid taxes	22	-19 272	-10 198
16 771	11 211	Depreciation and impairment of property, plant and equipment	9	16 564	21 532
21 285	40 637	Amortisation and impairment of intangible assets	10, 11	127 918	54 777
-1 879	-214	Pension cost without cash flow effect	16	-214	-1 879
0	-6 185	Dividends from subsidiaries		0	0
-3 716	-7 091	Interests from subsidiaries		0	0
		WORKING CAPITAL ADJUSTMENTS			
-65 432	-20 463	Changes in receivables and prepayments from customers	20	11 434	-30 106
4 629	742	Changes in inventory	14	-33 155	22 717
7 304	-45 333	Changes in accounts payables	4	3 758	-778
34 536	13 766	Changes in work in progress	7	12 634	-8 166
-27 073	44 894	Changes in other balance sheet items		45 187	31 780
-25 357	-46 890	Net cash flow from operations		-17 244	63 310
		CASH FLOW FROM INVESTMENTS			
-21 387	-28 645	Investments in tangible and intangible assets	9, 10	-64 860	-69 074
-72 243	-25 058	Acqusition of a subsidiary, net of cash acquired	6	-63 434	-103 406
4 931	4 881	Other investments	24	4 881	0
-88 699	-48 822	Net cash flow from investments		-123 413	-172 480
		CASH FLOW FROM FINANCING			
0	50 000	Proceeds from new loans	21	50 000	0
0	0	Down payments of debt to financial institutions	21	-8 127	0
0	0	Other financial items		0	1 826
0	50 000	Net cash flow from financing		41 873	1 826
-114 056	-45 712	Net change in cash and cash equivalents for the year		-98 784	-107 344
159 768	45 712	Cash and cash equivalents per 01.01.		164 133	271 477
45 712	0	Cash and cash equivalents per 31.12.	19	65 349	164 133

NOTE 1 CORPORATE INFORMATION

The consolidated financial statements for the year ended 31 December 2015 were approved by the Board at its meeting on 30 March 2016. 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.

The Q-Free group provides world class-leading technology solutions to the global ITS market. These solutions, together with a broad, and in many cases unique, range of sensors for infrastructure, vulnerable road user and environmental monitoring, enable Q-Free to supply to the ITS markets technology which address all road infrastructure financing, operating and condition-monitoring needs. In addition, managed service solutions are provided which allow customers great flexibility in capital and operating costs. Q-Free has delivered systems which are now operational in Europe, the Asia-Pacific region, Africa, North and South America. Q-Free has 429 employees, is headquartered in Trondheim, Norway, and has local offices in 20 countries around the world.

For further information, the operating 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 2015, the carrying amount of capitalised product development costs was TNOK 214,526 (2014: TNOK 215,036). 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 recognized 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 2015 was TNOK 0,0 for Group and TNOK 0,0 for the Parent (2014: deferred tax assets for Group of TNOK 15,349 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, 2015 was TNOK 367,465 (31.12.2014: TNOK 227,969). The addition during 2015 is related to the acquisitions of Intelight Inc and Traffiko Ltd, 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.

ACCOUNTS

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 2015 is TNOK 748,278. Corresponding figures for 2014 was TNOK 481,192. Further details are given in Note 7.

Contingent consideration in business combinations
In several of the business combinations that has accrued during the last years part of the consideration has been contingent based on future preforms of the acquired company. At initial recognition the contingent consideration is measure at fair value based on the expectations at the acquisition date, the liability related to contingent consideration is remeasured at each subsequent reporting period. These measurements requires the management to make assumptions of the future preforms of the acquired companies. Changes and expenses related to contingent consideration is disclosed in Note 6.

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 2015 this adds up to a total cost of TNOK 0,000 (2014: TNOK 0,000). 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 2015 is TNOK 18,775 (2014: TNOK 18,293). 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 2015 is TNOK 14,263 for the Group. (2014: TNOK 16,561). 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 revenues 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 the 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.

ACCOUNTS

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 shares, 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, financial assets available for sales, 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.

Financial assets available for sale are measured at fair value with changes over other comprehensive income.

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: INCENTIVE PROGRAMS FOR EMPLOYEES

The group had a share option program for key employees whereby the employees render services as consideration for equity instruments (share options) that expired May 2015 and was replaced by a syntetic based option programme.

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.

See further details 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 OMF interest rate. 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: RESTRUCTURING PROVISION

In connection with the transformation of Q-Free from a Road User Charging company into a fully integrated ITS-company, there is a provision for future costs. The provision is estimated based on agreed severance packages.

3.16: 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.

3.17: 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.

3.18: 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.

3.19: 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. Q-Free were in breach on the covenants towards Danske Bank at the end of 2015, but this was waived in February 2016. No other significant events has occurred in 2016.

3.20: 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.

3.21: 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
IFRIC 21 Levies	01.01.15
IAS 19 Employee Benefits (Amendments–Defined Benefit Plans: Employee Contributions)	01.02.15
Annual improvements (2010–2012 Cycle) Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38	01.01.15
Annual improvements (2011–2013 Cycle) Amendments to IFRS 1, IFRS 3, IFRS 13, IAS 40	01.01.15

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.

3.22: 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.

Significant new Standard, Amendments or interpretations	Effective date
IFRS 9 Financial Instruments	Mandatory adoption on or after 01.01.2018
IFRS 15 Revenue Recognition	Mandatory adoption on or after 01.01.2018
IFRS 16 Leases	Mandatory adoption on or after 01.01.2019

These standards, amendments and interpretations are not expected to have any material impact on the financial position of the group except IFRS 15 and IFRS 16. Q-Free has not concluded regarding the possible effects of implementing IFRS 15 and IFRS 16.

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 2015 and 2014 is provided in note 20.

b) Currency risk:

Q-Free reported revenues of NOK 804 million in 2015 NOK 620 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 2015. 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 31.12.15 the Group holds no foreign future contracts of accounted as other financial liabilities, nor did we as at 31.12.14. See section regarding Fair Value for a fair value hierarchy and a specification on valuation technique applied used during the last financial Year.

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.

		Increase / decrease in	Effect on profit before tax	Effect on equity
2015	EURO rate	+ 10 % - 10 %	+ 6 625 TNOK - 6 625 TNOK	+ 4 770 TNOK - 4 770 TNOK
2015	GBP rate	+ 10 % - 10 %	+ 599 TNOK - 599 TNOK	+ 467 TNOK - 467 TNOK
2015	USD rate	+ 10 % - 10 %	- 5 038 TNOK + 5 038 TNOK	- 2 771 TNOK + 2 771 TNOK
2014	EURO rate	+ 10 % - 10 %	+ 4 418 TNOK - 4 418 TNOK	+ 3 181 TNOK - 3 181 TNOK
2014	SEK 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

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 2015 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 2015, based on contractual undiscounted payments.

Year ended 31 December 2015	On demand	Less than 3 months	3 to 6 months	6 to 12 months	> 1 years	Total Group
Interest bearing loans and borrowings	755	1 073	1 092	2 175	160 281	165 375
Accounts payables	23 374	48 379	6 160	0	0	77 913
Public duties payable and taxes	0	21 764	0	0	0	21 764
Other liabilities	1 866	50 735	80 394	18 270	135 894	287 158
Total liabilities (excl pension liabilities and deferred tax)	25 995	121 950	87 646	20 445	296 175	552 210

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	20 706	72 363	0	0	0	93 069
Public duties payable and taxes	0	23 017	4 904	0	0	27 921
Other 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

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 the amount 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	
	2015	2014
Total equity	416 499	485 389
Total assets	997 315	939 794
Book equity ratio	41.8 %	51.6 %

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 2014.

Effect of an interest rate increase of 100 bp:	As at 31 December	
Amounts in TNOK	2015	2014
	Result	Result
Investments with floating interest rates	889	1 811
Loans with variable interest rates	-1 375	-1 000
Profit before tax	-486	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 2015, the Group held the following financial instruments measured at fair value:

- Shares at fair value through other comprehensive income (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.

Assets / liabilities measured at fair value

(TNOK)

	31. Dec 2015	Level 1	Level 2	Level 3
Available for sale financial investments	660	0	0	660

	31. Dec 2014	Level 1	Level 2	Level 3
Available for sale financial investments	13 001	0	0	13 001

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 2015	Fair value 2015	Carrying amount 2014	Fair value 2014
Investments in other companies	660	660	13 001	13 001
Accounts receivable	149 606	149 606	167 378	167 378
Other receivables	1 592	1 592	2 158	2 158
Other assets	28 616	28 616	21 857	21 857
Cash and cash equivalents	65 349	65 349	164 133	164 133
Accounts payable	77 913	77 913	74 155	74 155
Other liabilities	151 264	151 264	140 853	140 853

ACCOUNTS

NOTE 5 OPERATING SEGMENTS

For management purposes, the Group is organised into geographical areas based on the location of the customer, and has four REGIONS 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 (Regions)	31.12.15					31.12.14				
TNOK	ELA	APMEA	NORDIC	NA	TOTAL	ELA	APMEA	NORDIC	NA	TOTAL
	38 %	8 %	28 %	25 %	100 %	47 %	14 %	23 %	17 %	100 %
Order Intake	406 500	87 050	304 712	272 350	1 070 612	414 503	122 860	201 539	150 890	889 792
Profit & Loss Account:										
	35 %	8 %	30 %	28 %	100 %	47 %	12 %	29 %	12 %	100 %
Revenues	278 814	63 418	239 790	221 503	803 525	370 405	92 380	228 253	97 546	788 584
Cost of goods sold	100 120	24 154	59 988	48 090	232 352	151 751	26 872	71 474	32 076	282 173
Personnel expenses	98 700	34 355	65 472	105 891	304 419	90 677	31 662	79 656	28 922	230 917
Operating expenses	79 603	29 910	92 639	80 577	282 730	80 562	21 109	58 174	30 905	190 750
Total operating expenses	278 424	88 420	218 099	234 559	819 501	322 990	79 643	209 304	91 903	703 840
EBITDA	390	-25 002	21 691	-13 056	-15 975	47 415	12 737	18 949	5 643	84 745
Depreciation, amortisation and impairment	85 569	7 657	26 931	24 325	144 482	44 994	5 026	12 638	13 651	76 309
EBIT	-85 179	-32 659	-5 239	-37 381	-160 457	2 421	7 711	6 311	-8 008	8 436
Total financial items (not distributed)					-21 640					-24 805
Profit before tax					-182 098					-16 369

KEY FIGURES

	ELA	APMEA	NORDIC	NA	TOTAL	ELA	APMEA	NORDIC	NA	TOTAL
GROSS – margin	64.1 %	61.9 %	75.0 %	78.3 %	71.1 %	59.0 %	70.9 %	68.7 %	67.1 %	6.2 %
EBITDA– margin	0.1 %	-39.4 %	9.0 %	-5.9 %	-2.0 %	12.8 %	13.8 %	8.3 %	5.8 %	10.7 %
EBIT – margin	-30.6 %	-51.5 %	-2.2 %	-16.9 %	-20.0 %	0.7 %	8.3 %	2.8 %	-8.2 %	1.1 %
Average annual man years	128	38	125	113	404	40	42	203	60	344
Average number of employees	130	38	128	115	411	40	42	205	60	346

Revenues from the largest customer amounted to TNOK 114.963 (14.3 % of total Revenues) in 2015, with the similar figure for 2014 TNOK 153,847 (19.5 %). For 2015 the largest customer was included in the NORDIC Region and in 2014 the largest customer was included inn the ELA region.

REVENUE COMPOSITION

	2015		2014	
Products	168 594	21 %	347 315	44 %
Service and maintenance	154 720	19 %	165 414	21 %
Projects (incl Managed Services)	167 211	21 %	110 088	14 %
ATMS	313 000	39 %	165 767	21 %
TOTAL REVENUES	803 525		788 584	

ORDER BACKLOG BY OPERATING SEGMENTS

	2015		2014	
ELA	317 690	43 %	189 309	40 %
Nordic	205 467	27 %	140 544	29 %
APMEA	73 766	10 %	50 135	10 %
NA	151 355	20 %	101 204	21 %
TOTAL ORDER BACKLOG	748 278		481 192	

ORDER BACKLOG COMPOSITION

	2015		2014	
Products	110 369	15 %	116 588	24 %
Service and maintenance	325 731	44 %	130 197	27 %
Projects (incl Managed Services)	122 676	16 %	91 34	19 %
ATMS	189 502	25 %	143 064	30 %
TOTAL ORDER BACKLOG	748 278		481 192	

NOTE 6 BUSINESS COMBINATIONS

ACQUISITIONS IN 2015

ACQUISITION OF INTELIGHT INC - ARIZONA, US

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

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

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

The consideration for the first transaction was approximately USD 2.2 million net of cash and debt, and no shares will be issued as part of the consideration. The consideration for the shares in the next five years will be based on a combination of multiples on revenues and EBITDA for Intelight Inc. The total consideration consist of USD 3.3 million in cash, and contingent consideration measure at fair value of USD 10.4 million. The range of possible outcomes for the contingent consideration is between USD 5.2 million to USD 18.6 million. If the outcome ends up in the upper range, the company must have earned the corresponding EBITDA.

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

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

Assets TNOK	Book value 21.04.15	Adjustment	Fair value 21.04.15
Technology	0	37 820	37 820
Customer Relationships	0	6 838	6 838
Order Backlog	0	1 548	1 548
Goodwill	0	86 194	86 194
Machinery, fixtures	159	0	159
Total fixed assets	159	132 399	132 558
Inventories	3 980	0	3 980
Accounts receivables	4 585	0	4 585
Cash and equivalents	56	0	56
Current assets	8 621	0	8 621
Total assets	8 780	132 399	141 180

Liabilities and Equity TNOK	Book value 21.04.15	Adjustment	Fair value 21.04.15
Equity	-11 345	113 917	102 572
Long term debt, net of current portion	6 611	0	6 611
Deferred tax	-5 906	18 482	12 576
Long term liabilities	705	18 482	19 187
Line of Credit - Bank	7 099	0	7 099
Accounts payable	9 425	0	9 425
Note Payable, related party	1 121	0	1 121
Current Portion of long term debt	695	0	695
Other short term liabilities	1 079	0	1 079
Current liabilities	19 420	0	19 420
Total Equity & Liabilities	8 780	132 399	141 180

Three intangible assets are identified as follows:

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

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

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

ACQUISITION OF TRAFFIKO LTD - VALETTA, MALTA

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

Traffiko is an intelligent transportation solutions company providing a wide range of advanced traffic applications including secure cloud hosted web-based applications for car park management, journey time analysis, on-street and off-street traffic related enforcement, access control, tracking, video analytics, traffic scene analysis, and revenue management, based on an integrated platform.

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

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

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

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

Assets TNOK	Book value 03.06.15	Adjustment	Fair value 03.06.15
Technology	0	8 466	8 466
Goodwill	0	5 080	5 080
Total fixed assets	0	13 546	13 546
Accounts receivables	388	0	388
Cash and equivalents	809	0	809
Current assets	1 197	0	1 197
Total assets	1 197	13 546	14 742

Liabilities and Equity TNOK	Book value 03.06.15	Adjustment	Fair value 03.06.15
Equity	17	10 583	10 599
Deferred tax	0	2 963	2 963
Long term liabilities	0	2 963	2 963
Accounts payable	212	0	212
Accruals	121	0	121
Other short term liabilities	847	0	847
Current liabilities	1 180	0	1 180
Total Equity & Liabilities	1 197	13 546	14 742

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

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

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

ACQUISITIONS IN 2014

ACQUISITION OF TDC SYSTEMS LTD - WESTON SUPER-MARE, UNITED KINGDOM

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 2013. 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 of 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 may comprise 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.

ACCOUNTS

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

Assets TNOK	Book value 26.03.14	Adjustment	Fair value 31.12.14
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 26.03.14	Adjustment	Fair value 31.12.14
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 capitalization of intangible assets and is hence included in goodwill.

ACQUISITION OF TRAFFIC DESIGN D.O.O. - LJUBLJANA, SLOVENIA

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 of 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
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
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
Financial leasing	108	0	108
Deferred tax	0	2 550	2 550
Total non-current liabilities	108	2 550	2 658
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 capitalization 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 - VIRGINIA, USA

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 Consulting Inc. 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 of acquisition date Q-Free ASA controls 100 % of the Open Roads Consulting Inc. shares, and has corresponding voting rights.

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

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

Assets TNOK	Book value 30.09.14	Adjustment	Fair value 31.12.14
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 30.09.14	Adjustment	Fair value 31.12.14
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 01.01.2014	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

	Current	Non current	Total
Provisions 01.01.2015	47 122	50 556	97 678
Payments in 2015	-36 984	0	-36 984
Share issue in 2015	-12 878	0	-12 878
Adjusted provisions related to acquisitions in 2014	19 808	0	19 808
Provisions related to acquisitions in 2015	0	79 780	79 780
Changes of estimated payments recognised in p&l	-1 535	8 470	6 935
Exchange rate differences earn-out recognised in p&l	3 276	279	3 555
Exchange rate differences earn-out recognised in other comprehensive income	3 508	18 481	21 989
Reclassification to current	29 699	-29 699	0
Provision 31.12.2015	52 016	127 867	179 883

Remaining earnout provisions relates to the acquisitions of Intelight Inc and Traffiko Ltd in 2015 and TDC Systems Ltd, Traffic Design d.o.o. and Open Roads Consulting Inc in 2014.

Analysis of cash flows on acquisition:	2015	2014
Transaction costs of the acquisition (included in cash flows from operating activities)	-2 346	-3 647
Acqusition of a subsidiary	-63 434	-92 819
Net of cash acquired (included in cash flows from investing activities)	0	-10 587
Net cash flow on acquisition	-65 780	-107 053

IMPACT OF STATEMENT OF INCOME FROM BUSINESS COMBINATIONS AND PRO FORMA FIGURES

Pro forma figures have been prepared for the period from 1 January 2015 until the time of the acquisions of Intelight Inc and Traffiko Ltd in 2015. The comparative figures for 2014 applies to acquisitions of TDC Systems Ltd, Traffic Design d.o.o. and Open Roads Consulting Inc.

The contribution to the Group from the time of the acquisitions of the subsidiaries until 31 December 2015 and possible contribution for 2015 if Q-Free had owned the subsidiaries in 2015:

	Contribution to the Group's P&L for 2015	Possible contribution to the Group's P&L for the total 2015	Pro forma figures 2015 including new subsidiaries full year	Contribution to the Group's P&L for 2014	Possible contribution the Group's P&L for the total 2014	Pro forma figures 2015 including new subsidiaries full year
Operating revenues	57 487	69 967	816 005	87 944	177 270	877 910
Profit and loss	13 342	11 028	-197 012	14 566	25 171	-16 353

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 expensed immediately in its entirety.

PARENT COMPANY			GROUP	
2014	2015		2015	2014
13 766	0	Work in progress	44 269	56 903
0	0	Prepayments from customers	-12 576	-18 914
13 766	0	Net projects in progress	31 693	37 989

		SUMMARY OF WORK IN PROGRESS AS AT 31.12		
2014	2015		2015	2014
73 910	135 667	Contract revenues included in the consolidated financial statement	272 392	110 088
34 529	133 160	Total contract orders	506 087	209 315
23 316	88 738	Accumulated revenues	363 223	128 721
11 213	44 422	Remaining revenues	142 864	80 594
23 328	67 319	Accumulated operating expenses	252 975	100 077
4 091	41 379	Remaining operating expenses	104 147	50 849
0	0	Prepayments received	-12 576	-18 914

NOTE 8 OTHER OPERATING INCOME

The Group has received government grants of a total of TNOK 3,239 in 2015 (2014: TNOK 3,940). The Group is a partner in several projects under The Research Council of Norway and projects initiated by the EU.

	Contribution	
Government grants	2015	2014
Projects with contribution from The Research Council of Norway	1 090	1 828
Contribution from EU initiated projects	2 149	2 112
Total	3 239	3 940

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

	2015	2014
Grants recognised as other income related to cost in same period	3 239	3 940
Grants accounted as reduction of payroll expenses (Skattefunn). See note 27 for further information.	676	502
Total	3 915	4 442

NOTE 9 PROPERTY AND EQUIPMENT

PARENT COMPANY

	Machinery and fixtures	Equipment	Total
Acquisition cost as at 01.01.2014	76 785	119 151	195 936
Additions	4 787	2 457	7 244
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
Acquisition cost as at 01.01.2015	81 572	121 608	203 180
Additions	1 742	1 854	3 597
Acquisition cost as at 31.12.2015	83 314	123 462	206 777
Accumulated depreciation and impairments as at 01.01.2015	73 084	95 953	169 037
Depreciation of the year	3 687	7 524	11 211
Accumulated depreciation and impairments as at 31.12.2015	76 771	103 477	180 248
Net book value as at 01.01.2015	8 488	25 655	34 143
Total changes of the year	-1 944	-5 670	-7 614
As at 31.12.2015	6 544	19 985	26 529
Financial lifetime	4-5 years	5-10 years	
Depreciation schedule	Straight line	Straight line	

SECURITIES FOR BANK GUARANTEES AND OVERDRAFT FACILITY

As at 31.12.15 assets in the parent company valued at TNOK 26,529 (2014: 34,143) are pledged as security for guarantee facility in Danske Bank.

GROUP

	Machinery and fixtures	Equipment	Total
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
Acquisition cost as at 01.01.2015	153 499	121 608	275 107
Additions	5 055	1 854	6 909
Acquisitions of a subidiary	1 710	0	1 710
Acquisition cost as at 31.12.2015	160 264	123 462	283 726
Accumulative depreciation and impairments as at 01.01.2015	127 355	95 953	223 308
Depreciation of the year	9 040	7 524	16 564
Accumulated depreciation and impairments as at 31.12.2015	136 395	103 477	239 872
Net book value as at 01.01.2015	26 144	25 655	51 799
Total changes of the year	-2 275	-5 670	-7 945
As at 31.12.2015	23 869	19 985	43 854
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 01.01.2014	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
Acquisition cost as at 01.01.2015	0	225 985	225 985
Additions	0	25 049	25 049
Acquisition cost as at 31.12.2015	0	251 034	251 034
Accumulated depreciation and impairments as at 01.01.2015	0	173 474	173 474
Depreciation of the year	0	24 863	24 863
Impairment		15 774	15 774
Accumulated depreciation and impairments as at 31.12.2015	0	214 111	214 111
Net book value as at 01.01.2015	0	52 511	52 511
Total changes of the year	0	-15 588	-15 588
As at 31.12.2015	0	36 923	36 923
Financial lifetime	Impairment tested	5-10 years	
Depreciation schedule	annually (or when impairment indicators exist)	Straight line	

GROUP

	Goodwill *	Development Assets *	Total
Acquisition cost as at 01.01.2014 *	76 796	350 457	427 253
Additions	0	60 587	60 587
Acquisitions of a subsidiary	121 686	64 206	185 892
Exchange rate differences *	29 487	10 742	40 229
Acquisition cost as at 31.12.2014 *	227 969	485 992	713 961
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 *	76 796	134 278	211 074
Total changes of the year	151 173	80 758	231 931
As at 31.12.2014 *	227 969	215 036	443 005
Acquisition cost as at 01.01.2015 *	227 969	485 992	713 961
Additions	0	54 220	54 220
Acquisitions of a subsidiary	91 274	54 671	145 945
Exchange rate differences	48 222	18 516	66 738
Acquisition cost as at 31.12.2015	367 465	613 399	914 126
Accumulative depreciation and impairments as at 01.01.2015	0	270 956	270 956
Depreciation of the year	0	72 395	72 395
Impairment	0	55 523	55 523
Accumulated depreciation and impairments as at 31.12.2015	0	398 874	398 874
Net book value as at 01.01.2015	227 969	215 036	443 005
Total changes of the year	139 496	-510	138 986
As at 31.12.2015	367 465	214 526	581 991
Financial lifetime	Impairment tested	5-10 years	
Depreciation schedule	annually (or when impairment indicators exist)	Straight line	

* Any goodwill arising on the acquisition of a foreign company and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign company shall be treated as assets and liabilities of the foreign operation. Thus they shall be expressed in the functional currency of the foreign company and shall be translated at the closing rate. We have previously converted currency on the time of the acquisition, and treated the effects in NOK. We have implemented the currency effects per 31.12.2015 and restated previous years. See note 29 for further information.

Development
The group capitalises costs regarding product development activities. Capitalised costs for 2015 consist of product development that prepares the company to be a fully integrated ITS company, providing systems and services within traffic management and these products segments:

– Tolling
– Parking
– Urban
– Inter Urban
– Infomobility
– Homeland Security

Research expenses in the P&L were immaterial in 2015.

Impairment of Tolling technology of NOK 56 million in 2015 was done due to impairment test showing a recoverable amount less than current balance sheet amount.

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 "ELA" and "NA" 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	
	2015	2014
Total amount of Goodwill recognised in balanse sheet as at 01. 01:	227 969	76 796
Goodwill obtained through the acquisition of: (See note 6 for further specifications)		
– Intelight Inc.	86 194	
– Traffiko Ltd.	5 080	
– TDC Systems Ltd.		62 669
– Traffic Design d.o.o.		7 906
– Open Roads Consulting Inc.		51 111
Exchange rate differences in other comprehensive income	48 222	29 487
Total amount of Goodwill recognised in balanse sheet as at 31.12:	367 465	227 969

IMPAIRMENT TESTING OF GOODWILL AS AT 31. DECEMBER 2015:

The Group performed its annual impairment test as at 31 December 2015. 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 2015 or 2014.

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 10.2 % discount rate is applied in the calculations (2014: 8.7 %)

- **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. An 11.0 % growth rate is applied in the calculations (2014: 11.0 %) that is a prudent estimate compared to the industry's annual compounded growth rate of 15–25 % for the next five years. The growth rate after the five year prognosis period applied in the calculations is 2.0 % (2014: 0.0 %).

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 impairment situation, although such changes are considered to be outside the probability corridor.

The figures below are based on change in one parameter isolated for the period 2016-2020, and all other parameters unchanged. The column break-even rate indicates the lowest or highest rate that can be used without need for impairment.

Key assumptions	According to impairment test	Break-even rate
Discount rate	10.2 %	12.6 %
Growth rate in the explicit prognosis period	11.0 %	2.2 %
Growth rate after the five year prognosis period	2.0 %	-3.0 %

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.

	2015	2014
Profit for the year	-194 698	-28 760
Weighted average number of ordinary shares	69 781 209	68 574 155
Weighted average of share option	373 973	925 342
Weighted average number of diluted shares	70 155 182	69 499 497
Earnings in NOK per share	-2.79	-0.42
Diluted earnings in NOK per share	-2.79	-0.42

There have been an increase in the share capital in 2016 by NOK 497,117.90. The increase in the share capital is carried out by issuing 1,308,205 new shares with a par value of NOK 0.38.

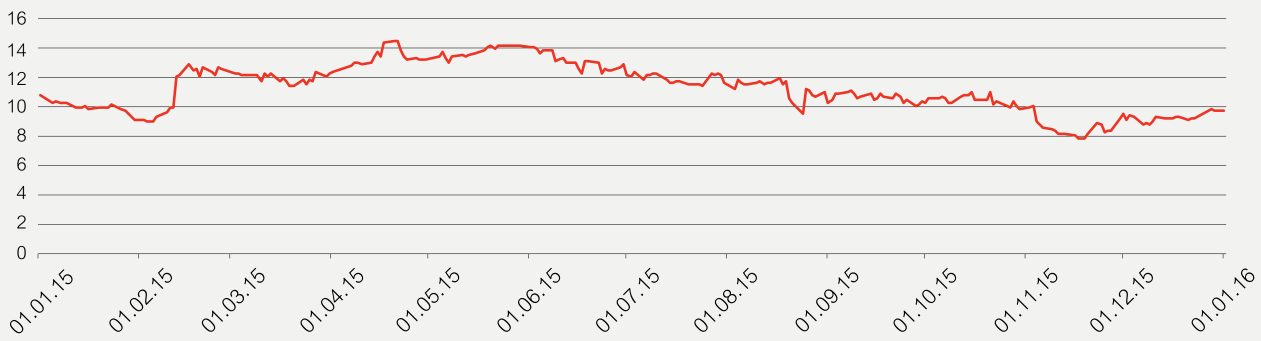
For a specification of the change of number of shares during 2015 and 2014, see note 13.

NOTE 13 ISSUED CAPITAL AND RESERVES

The company has one class of shares and there are no voting restrictions. Per 31.12.15 the number of shares were 70,070,552. Par value per share is NOK 0.38. Total share capital per 31.12.2015 was NOK 26,626,810. The company had 1,484 share holders as at 31.12.15. As at 31.12.15 the share price listed at OSE was NOK 9.75 per share, equalling a market value of MNOK 683.

	Ordinary shares	
	2015	2014
Shares issued per 01.01	68 798 142	67 972 419
Share issue	1 272 410	825 723
Total shares issued per. 31.12.	70 070 552	68 798 142

SHARE PRICE DEVELOPMENT



The company's largest share holders as at 31 December 2015:	Number of shares	Percentage ownership	Voting rights
KAPSCH TRAFFICCOM AG	13 650 458	19.48 %	19.48 %
VERDIPAPIRFONDET KLP AKSJENORGE	3 297 118	4.71 %	4.71 %
KOMMUNAL LANDSPENSJONSKASSE	3 200 000	4.57 %	4.57 %
STATOIL PENSJON	2 609 069	3.72 %	3.72 %
MARK JOHN PHILLIPS	1 937 483	2.77 %	2.77 %
VERDIPAPIRFONDET DNB NORGE (IV)	1 884 518	2.69 %	2.69 %
HOLMEN SPESIALFOND	1 830 000	2.61 %	2.61 %
STOREBRAND VEKST	1 828 844	2.61 %	2.61 %
JP MORGAN CHASE BANK, NA	1 750 000	2.50 %	2.50 %
VERDIPAPIRFONDET DNB SMB	1 700 005	2.43 %	2.43 %
VERDIPAPIRFONDET ALFRED BERG NORGE	1 656 746	2.36 %	2.36 %
LARS ODDGEIR ANDRESEN	1 633 600	2.33 %	2.33 %
REDBACK AS	1 627 000	2.32 %	2.32 %
STOREBRAND NORGE I	1 570 642	2.24 %	2.24 %
VERDIPAPIRFONDET DNB NORGE SELEKTI	1 336 759	1.91 %	1.91 %
EIKA NORGE	1 296 106	1.85 %	1.85 %
ULSMO FINANS AS	1 150 000	1.64 %	1.64 %
MONS HOLDING AS	1 040 000	1.48 %	1.48 %
DNB NOR MARKETS, AKSJEHAND/ANALYSE	1 036 199	1.48 %	1.48 %
AUGUST HOLDING AS	1 000 000	1.43 %	1.43 %
VERDIPAPIRFONDET STOREBRAND OPTIMA	928 801	1.33 %	1.33 %
DNB LIVSFORSIKRING ASA	667 182	0.95 %	0.95 %
Other share holders	21 440 022	30.60 %	30.60 %
Total	70 070 552	100.0 %	100.0 %

Shareholders by size of holding as at 31 December 2015

Number of shares	Number of owners	Number of shares	Holding percentage
1 – 1 000	623	329 597	0.47 %
1 001 – 10 000	619	2 369 623	3.38 %
10 001 – 100 000	178	5 758 869	8.22 %
100 001 – 200 000	19	2 790 266	3.98 %
200 001 – 500 000	14	4 950 032	7.06 %
500 001 – 1 000 000	12	7 837 618	11.19 %
1 000 001 – 2 000 000	15	23 277 902	33.22 %
2 000 001 – 5 000 000	3	9 106 187	13.00 %
5 000 001 – 15 000 000	1	13 650 458	19.48 %
TOTAL	1 484	70 070 552	100.00 %

Number of shares held by the senior management, CEO, and the board of directors as per 31.12.2015:

Name	Position	Shares
Jan Pihl Grimnes	Former Board member	1 687 000
Jos Nijhuis	CTO	533 552
Roar Østbø	Acting CEO and CFO	118 500
Anders Endre Nybø	Former Board member	130 000
Per Fredrik Ecker	VP APMEA	33 500
Morten Andersson	COO	15 700
Pål Rune Johansen	VP Nordic	10 000
Total		2 528 252

The Board of Directors had an authorisation to increase the share capital by subscription of new shares in connection with an incentive programme towards employees, which expired in May 2015. A new four-year synthic based incentive program for key executives was approved by the General meeting in 2015. For further information – see note 17.

NOTE 14 INVENTORY AND COSTS OF GOODS SOLD

INVENTORY

PARENT COMPANY			GROUP	
2014	2015	Inventory specification:	2015	2014
13 207	16 209	Raw material and semi manufactured products	34 526	19 582
0	8 876	Stock for sub supplier	8 876	0
3 604	0	Stock for maintenance contracts	0	3 604
0	0	Work in progress	0	1 012
7 902	7 294	Finished goods	48 833	26 474
-2 449	-10 857	Obsolescence *	-10 857	-2 449
22 264	21 522	Total	81 378	48 223

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 10,076 in 2015 (2014: TNOK 1,743) and for the group TNOK 10,076 in 2015 (2014: NOK 1,743), which is recognised in cost of goods sold.

COSTS OF GOODS SOLD

PARENT COMPANY			GROUP	
2014	2015	COGS specification:	2015	2014
136 556	137 486	Purchase of goods	198 368	270 446
73	87	Freight, customs etc.	87	306
0	0	External services handling of COGS	0	195
4 629	742	Change of inventories *	33 897	11 226
141 258	138 315	Total	232 352	282 173

* The effect of the write downs related to the impairment of TOLLING technology is TNOK 8 263.

NOTE 15 SALARIES AND PERSONNEL RELATED EXPENSES

PARENT COMPANY			GROUP	
2014	2015	Personnel expenses:	2015	2014
93 872	103 983	Salaries	253 203	176 232
14 037	15 184	Social security costs	30 834	33 175
6 801	7 992	Pension costs	11 439	10 700
502	676	Skattefunn (governmental tax relief)	676	502
-11 387	-19 172	Capitalised personnel costs	-22 226	-13 320
18 302	14 702	Other personnel related costs *	30 493	23 628
122 127	123 365	Total	304 419	230 917
123	115	Average number of employees	419	346
121	114	Average number of man-years	413	344

* The effect of the restructuring cost related to the Q-Free ITS transformation programme is TNOK 16 459.

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.

In addition to the fixed monthly salary, there should be the option to grant a bonus that will depend on the results of the company and on performance of the individual employee. The Board has therefore established a bonus plan for the Company's employees, leaders included. For the CEO such bonus shall be maximum 50 % of the fixed yearly salary, and for the other members of the management team, such bonus shall be maximum 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 each year be established by the Company's Board, 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 an discretionary bonus can be awarded to employees in the Company, limited up to 40 % of the employees fixed yearly salary.

In addition to 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.

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 plan, and on top of the payments offered through public pension arrangements, the members of the Company's management team can be offered an individual pension agreement. 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 furthermore specifies that there shall be a mutual period of notice of up to six (6) months for agreements made with leading employees. The severance pay for the CEO shall not exceed twelve (12) months pay, calculated from the end of the CEO's notice period. In case of mergers/acquisition, resulting in substantial changes in the managerial position, severance pay shall not exceed twelve (12) months, calculated from the end of the CEO's notice period. In individual cases other arrangements with regards to resignation can be agreed, hereunder agreements of payment after the termination of employment of the leader in question. The Board may depart from the principles above in individual cases.

After a defined period of employment the Board can grant right to education with pay for the leading employees based on an individual assessment of the value such education will have for the Company.

The principles for remuneration have 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 2015

TNOK	Salary	Bonus	Director's remuneration	Pension service cost	Other remuneration	Share option cost	TOTAL
	2015						
Terje Christoffersen | Former Chairman of the Board 1)			268,0				268,0
Jan Pihl Grimnes | Former Board member 2)			145,5				145,5
Charlotte Brogren Karlberg | Chairman of the Board 3)			112,5				112,5
Anders Endre Nybø | Former Board member 4))			0,0				0,0
Selma Kveim | Former Board member 5)			167,5				167,5
Cecilie Johnsen | Former Chairman of the Nomination comittee 6)			60,0				60,0
Petter Qvam | Former member of Nomination comittee 5)			30,0				30,0
Thomas Alexander Vogt | Member of the Nomination comittee			20,0				20,0
Monika Lie Larsen | Former Employee elected Board member 7)			37,5				37,5
Anders Hagen | Employee elected Board member			50,3				50,3
Roar Østbø | Acting Chief Executive Officer and Chief Financial Officer 8)	2 332,6	524,1		78,8	145,2	0,0	3 080,6
Thomas Falck | Former Chief Executive Officer 9), 13)	3 454,6	300,0		76,0	15,2	0,0	3 845,8
Marianne Sandal | Former Vice President RUC 10), 13)	1 907,6	284,7		207,1	15,2	0,0	2 414,6
Per Fredrik Ecker | Vice President Region APMEA	2 531,2	150,6		184,9	15,2	0,0	2 881,9
Stein-Tore Nybodahl | Global Director Human Resources	1 058,3	241,1		180,0	15,2	0,0	1 494,6
Morten Andersson | Chief Officer Operations and VP ELA	1 673,2	404,5		77,3	15,2	0,0	2 170,3
Jos Nijhuis | Chief Technical Officer	1 727,8	137,7		44,1	129,3	0,0	2 038,9
Pål Rune Johansen | Vice President Region NORDIC	1 238,2	146,8		74,4	15,2	0,0	1 474,6
Pedro Bento | Former Vice President ELA 11), 13	1 464,5	298,3		0,0	7,6	0,0	1 770,4
Frank Kjelsli | Team leader back office	1 046,3	176,7		71,7	15,2	0,0	1 309,9
Henrik Stoltenberg | Former Chief Strategy Officer 12), 13)	2 222,5	405,8		108,2	13,4	0,0	2 749,9
TOTAL	20 656,8	3 070,2	891,3	1 102,5	402,0	0,0	26 122,7

1) Terje Christoffersen served at Chairman of the Board until 04.11.2015.
2) Jan Pihl Grimnes served as Board member until 11.02.2016.
3) Charlotte Brogren Karlberg served as member of the Board until 11.02.2016. Brogren Karlberg serves as Chairman of the Board from 11.02.2016.
4) Anders Endre Nybø served from 20.05.2015 until 11.02.2016.
5) Selma Kveim and Petter Qvam served until 20.05.2015.
6) Cecilie Johnsen served until 17.01.2016.
7) Monika Lie Larsen served until 31.12.2015.
8) Roar Østbø served as Acting CEO and CFO from 03.11.2015.
9) Thomas Falck served as CEO until 03.11.2015.
10) Marianne Sandal served until 31.12.2015.
11) Pedro Bento served until 29.02.2016.
12) Henrik Stoltenberg served until 31.10.2015.
13) Former management team will receive severance pay in 2016.

On 3 November 2015, Thomas Falck stepped down as CEO. The Board appointed CFO Roar Østbø as interim CEO with immediate effect.

Payments to senior management and Board of directors 2014

TNOK	Salary	Bonus	Director's remuneration	Pension service cost	Other remuneration	Share option cost	TOTAL
	2014						
Terje Christoffersen | Chairman of the Board			442,5				442,5
Jan Pihl Grimnes | Board member			247,0				247,0
Charlotte Brogren Karlberg | 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.

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 31.12.2015, 81 employees (2014: 81) are included in the defined contribution pension plan and 34 employees (2014: 34) 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, 273 employees are included in the defined contribution pension plan and 34 employees are included in the defined benefit plan at 31.12.2015.

The liability for the Group includes 34 employees in 2015, compared to 34 employees for 2014. The liability for the parent company includes 34 employees in 2015, compared to 34 employees for 2014.

Figures in TNOK

PARENT COMPANY			GROUP	
2014	2015	Pension expenses:	2015	2014
2 934	3 563	Current service cost	3 563	2 934
379	369	Interest cost	369	379
317	339	Administrative expenses pension scheme	339	317
512	602	Accrued social security expenses	602	512
4 142	4 873	Net pension expenses defined benefit plan	4 873	4 142
3 340	3 748	Net pension expenses defined contribution plan	7 195	7 240
7 482	8 621	Net pension expenses	12 068	11 382
31.12.14	31.12.15	Pension funds / (liabilities)	31.12.15	31.12.14
-48 763	-47 164	Defined benefit obligation	-47 164	-48 763
32 730	30 709	Fair value of plan assets.	30 709	32 730
-16 033	-16 455	Net (pension funds) / -liabilities	-16 455	-16 033
-2 260	-2 320	Accrued social security tax	-2 320	-2 260
-18 294	-18 775	Lliabilities in balance sheet	-18 775	-18 293
16,2	14,9	Estimated remaining contribution periods	14,9	16,2

SPECIFICATION OF PENSION FUNDS & LIABILITIES

PARENT COMPANY			GROUP	
2014	2015	Pension liabilities:	2015	2014
37 470	48 763	Liabilities per 01.01.	48 763	50 029
2 934	3 563	Service costs	3 563	2 934
-317	-367	Benefits paid	-367	-317
1 536	1 121	Interest cost	1 121	1 536
7 140	-5 916	Actuarial gains/losses in other comprehensive income	-5 916	7 140
0	0	Acquisition / (disposal)	0	-12 559
48 763	47 164	Total liabilities per 31.12.	47 164	48 763

PARENT COMPANY			GROUP	
2014	2015	Pension funds:	2015	2014
28 238	32 730	Funds per 01.01.	32 730	38 701
4 959	4 119	Net contribution paid	4 119	4 959
-317	-367	Benefits paid	-367	-317
1 158	753	Estimated return on assets	753	1 158
-1 308	-6 525	Actuarial gains/losses in other comprehensive income	-6 525	-1 308
0	0	Acquisition / (disposal)	0	-10 463
32 730	30 710	Total funds per 31.12.	30 710	32 730

The Group expects to contribute approximatly TNOK 11,400 to its pension plans for 2016 (2015: TNOK 12,900).

Basis and assumptions for calculations:	2015	2014
Discount rate	2.70 %	2.30 %
Expected interest on pension funds	2.70 %	2.30 %
Annual growth in salaries	2.50 %	2.75 %
Long term inflation	1.50 %	1.75 %
Increase in national insurance base rate (G)	2.25 %	2.50 %
Expected change in pensions	0.00 %	0.00 %
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 both in 2015 and 2014 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 2015 and 2014.

Expected voluntarily early retirement:	2015	2014
Before 40 years	2 %	2 %
After 40 years	0 %	0 %

The Group's pension funds are managed by the insurance company DNB Forsikring. For 2015 the dividend yield was 2.4 percent (2014: 3.8 %). The funds are distributed as follows:

	2015	2014
Shares	10 %	10 %
Money market funds and bonds	70 %	70 %
Property	14 %	14 %
Other	6 %	6 %
Total	100 %	100 %

SENSITIVITY ANALYSES FOR PENSION CALCULATION

The sensitivity analyses is based on facts and circumstances as at 31.12.2015, 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	-9 237	12 253	7 885	-8 134	5 532	1 744	-1 520
Change in net pension cost for the period	-640	860	540	-577	351	112	-25

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

ACCOUNTS

NOTE 17 INCENTIVE PROGRAMS FOR EMPLOYEES

SYNTHETIC BASED OPTION PROGRAMME - ESTABLISHED MAY 2015

The General meeting in May 2015 approved and granted the Board a right to enter into agreements for synthetic options with leading employees and key personnel to complete incentive program with a maximal duration of four years. The maximal number of synthetic options issued by the Board through this program shall be 2,2 million synthetic options.

The Strike price for the options is the volume weighted average market price for the Q-Free ASA share in the month prior to the allocation. The employee's right to exercise the options shall, unless the Board in the specific instance decides otherwise, be divided into three periods. The employee may exercise the options within a 30 day time window in each such period, where the payment to the employee shall be the positive difference between the Strike price and the volume weighted average market price for the Q-Free ASA share in the relevant 30 day time window.

The CEO and CFO has regulations in their agreement for immediate vesting of their synthetic options if a take-over situation takes place for more than 50 % of the QFR shares.

The Board can limit the sum of payment to four (4) times the fixed yearly salary for the CEO and two (2) times the fixed yearly salary for the other leading employees/key personnel at the time when this limit (maximum payout) is met.

The Board shall, as a principal rule, stipulate that 25 % of the payment shall be used to purchase shares in Q-Free ASA, unless the Board in the specific instance finds that there are grounds to derogate from the principal rule.

The Board stipulates the full terms and conditions of the incentive program, including the terms and conditions for the specific leading employees and key personnel.

The Board has entered into the following agreements with executive employees:

Specification of syntetic share option activity:

	2015	2014
Granted synthetic options 01.01	0	0
Syntetic share options granted	1 355 000	0
Syntetic share options exercised	0	0
Syntetic share options expired/terminated	-755 000	0
Granted syntetic share options 31.12	600 000	0
Vested syntetic share options 31.12	0	0

The syntetic share options split for management per 31.12.15:

Name	Position	Number of options	Strike price	Agreement in force	Expires
Marianne Sandal	Former Vice President RUC	100 000	NOK 13.07	01.07.15	31.12.15
Henrik Stoltenberg	Former CSO	60 000	NOK 13.07	01.07.15	01.11.15
Pedro Bento	Former Vice President ELA	70 000	NOK 13.07	01.07.15	21.12.15
Thomas Falck	Former CEO	525 000	NOK 10.38	01.01.15	03.11.15
Roar Østbø	Acting CEO and CFO	150 000	NOK 13.07	01.07.15	30 days after Q4-2018 presentation
Morten Andersson	COO	100 000	NOK 13.07	01.07.15	30 days after Q4-2018 presentation
Jos Nijhuis	CTO	60 000	NOK 13.07	01.07.15	30 days after Q4-2018 presentation
Frank Kjelsli	Team leader back office	70 000	NOK 13.07	01.07.15	30 days after Q4-2018 presentation
Pål-Rune Johansen	Vice President Region NORDIC	70 000	NOK 13.07	01.07.15	30 days after Q4-2018 presentation
Per Fredrik Ecker	Vice President Region APMEA	70 000	NOK 13.07	01.07.15	30 days after Q4-2018 presentation
Stein-Tore Nybrodahl	Global Director HR	40 000	NOK 13.07	01.07.15	30 days after Q4-2018 presentation
Rita Bøe Isaksen	Executive Adm Manager	40 000	NOK 13.07	01.07.15	30 days after Q4-2018 presentation

The fair value of the liability of the syntetic share options was measured as at the reporting date 31.12.15 and there was no cost recognisition. The shareprice was NOK 9,75 as at 31.12.15 and with a strike price on 13.07 management has assessed the potential for exercise to be insignificant. See Note 3.18 Events after balance sheet date for further information.

SHARE OPTION PROGRAMME - EXPIRED MAY 2015

Q-Free ASA in May 2012 established a 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 program expired May 2015.

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 share options were granted for key personnel as at 31.12.2014, and no options under this program as at 31.12.2015. The programme expired May 2015.

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

Specification of share option activity:

	2015	2014
Granted share options 01.01	1 050 000	1 150 000
Share options granted	0	350 000
Share options exercised	0	0
Share options expired/terminated	-1 050 000	-450 000
Granted share options 31.12	0	1 050 000
Vested share options 31.12	0	700 000

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 15.02 both in 2014 and in 2015.

The company's cost of share based payment is calculated using the Black & Scholes pricing model. For 2015 this is nil as it also was in 2014. Costs will be specified in the Statement of changes in Equity.

Granted share options as at May 2015 had the following conditions:

	Outstanding Options			Vested options	
	Outstanding Options per 31.12.2014	Weighted average remaining Contractual Life	Weighted Average Exercise Price	Vested options 31.12.2015	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 May 2015:

Name	Position	Granted, not vested options 01.01.2015	Granted options	Exercised options	Expired options	Vested options May 2015	Granted, not vested options May 2015
Thomas Falck *	CEO *	0	0	0	0	0	0
Marianne Sandal	VP RUC	150 000	0	0	-150 000	0	0
Per Fredrik Ecker	VP APMEA	150 000	0	0	-150 000	0	0
Stein-Tore Nybrodahl	HR Manager	150 000	0	0	-150 000	0	0
Roar Østbø	CFO	150 000	0	0	-150 000	0	0
Henrik Stoltenberg	CSO	150 000	0	0	-150 000	0	0
Jos A. G Nijuis	CTO	150 000	0	0	-150 000	0	0
Morten Andersson	VP ATMS	150 000	0	0	-150 000	0	0
Total		1 050 000	0	0	-1 050 000	0	0

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

THE FOLLOWING ASSUMPTIONS ARE USED IN THE CALCULATION OF SHARE OPTIONS GRANTED IN 2015.

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 44 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 percent for 2015.

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	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 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 Super-Mare	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 S.A.R.L.	2014	Paris	France	100 %	100 %	EUR
Intelight Inc *	2013	Arizona	USA	23.8 %	23.8 %	USD
Q-Free Traffiko Ltd	2015	Valetta	Malta	100 %	100 %	EUR
Q-Free LLC	2015	Moscow	Russia	100 %	100 %	RUB

* Q-Free ASA has signed a share purchase agreement and a shareholders agreement to acquire 100 percent of the shares in the US traffic controller supplier, Intelight Inc over a five year period. The shareholders agreement and the amended bylaws provide control for Q-Free after signing these agreements. Based on this, the full activity of Intelight Inc. is consolidated in the Q-Free accounts. See Note 6 for further information.

Book value in parent company of subsidiaries companies:

(Figures in TNOK)	Cost	Book value 31.12.14	Book value 31.12.15	Result after tax last year	Companys equity per 31.12.15
Q-Free Portugal Lda.	204	204	204	1 323	21 839
Q-Free América Latina Ltda.	7 203	2 407	4 757	-6 228	-983
Q-Free Australia Pty. Ltd.	0	0	0	2 864	9 017
Q-Free Sdn. Bhd. Malaysia	1 155	0	0	-6 535	-16 143
Noca Holding AS	4 592	5 956	5 956	218	15 744
Q-Free Sverige AB	0	84	84	-1 090	2 218
Q-Free Thailand Co Ltd.	0	10 847	10 847	-7 030	-10 147
Q-Free Netherlands BV	71 034	76 409	76 409	-35 286	44 065
Q-Free Africa Ltd	0	208	0	-1 420	-580
PT Q-Free	0	3 536	0	-22 150	-50 292
Q-Free Chile	0	28	28	-4 730	-12 679
Q-Free America Inc. - Group (*)	0	6	70 717	-29 161	73 577
ELCOM d.o.o.	9 445	10 495	10 495	-4 714	6 175
TDC Systems Ltd	105 768	105 768	105 768	-1 295	148 709
Traffic Design d.o.o.	29 149	29 149	29 149	3 497	36 398
Q-Free Espana S.L.U.	25	25	25	79	405
Q-Free France S.A.R.L.	41	41	41	-1 230	-1 336
Q-Free LLC	0	0	0	293	187
Q-Free Traffiko Ltd	10 599	0	10 599	-90	11 916
Total	239 215	245 163	325 079	-112 685	

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

ACCOUNTS

The following exchange rates are used when consolidating the group:

Currencies:		Currency rate 01.01.14	Average currency rate 2014	Currency rate 31.12.14	Average currency rate 2015	Currency rate 31.12.15
Euro	EUR	8,424	8,353	9,037	8,953	9,619
Australian dollar	AUD	5,429	5,679	6,088	6,059	6,447
Malaysian Ringgit	MYR	1,857	1,925	2,126	2,069	2,052
Brazilian real	BRL	2,589	2,680	2,797	2,446	2,224
US Dollar	USD	6,118	6,302	7,433	8,074	8,809
Pounds Sterling	GBP	10,088	10,369	11,571	12,342	13,072
Swedish kroner	SEK	94,383	91,840	95,970	95,715	104,750
South African Rand	ZAR	0,583	0,580	0,643	0,633	0,565
Thai bath	THB	18,586	19,399	22,563	23,551	24,409
Chilean peso	CLP	0,012	0,012	0,012	0,013	0,012
Indonesian Rupiah	IDR	0,050	0,050	0,060	0,060	0,064
Serbian Dinares	RSD	0,073	0,074	0,074	0,078	0,078
Russian Rouble	RUB	0,000	0,000	0,000	0,123	0,119

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 2015 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, 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 2015 or in 2014.

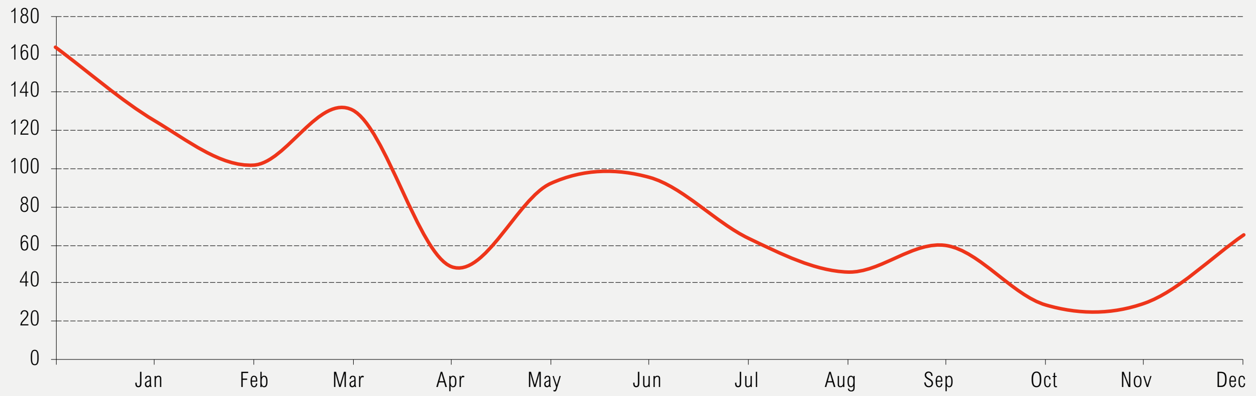
NOTE 19 CASH AND CASH EQUIVALENTS

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.

PARENT COMPANY			GROUP	
2014	2015	Liquidity funds:	2015	2014
-16 240	0	Cash at banks and on hand	65 349	102 181
61 952	0	Money Market Funds	0	61 952
45 712	0	Total cash and cash equivalents	65 349	164 133

As at 31 December 2015, the Group had available TNOK 187,447 (2014: TNOK 163,446) of undrawn bank overdraft and TNOK 43,199 (2014: TNOK 90,120) of undrawn guarantee facilities in which all conditions precedent had been met.

CASH DEVELOPMENT DURING 2015



NOTE 20 ACCOUNTS RECEIVABLES AND CREDIT RISK

PARENT COMPANY			GROUP	
2014	2015		2015	2014
18 820	36 065	Accounts receivables	150 465	168 551
121 106	80 564	Accounts receivables on group companies	0	0
-3 945	-3 630	Provision for impairment on receivables	-859	-1 173
135 981	112 999	Total	149 606	167 378
0	0	Loss on receivables on group companies	0	0
-569	-314	Changes in provisions for impairment on receivables	-314	-569
-569	-314	Total	-314	-569

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.

		Neither past due nor	Past due but not impaired				
Amounts per 31.12	Total	impaired	< 30 days	30 – 60 days	60 – 90 day	90 – 120 day >	>120 days
2015	150 465	58 577	53 251	18 946	2 019	6 265	11 407
2014	168 551	62 280	68 520	20 899	3 307	5 323	8 222

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	2015	2014
Amount per 01.01.	1 173	1 742
This years provision for impairment on receivables	-314	-569
Loss on receivables	0	0
Provisions utilised during the year	0	0
Amount per 31.12	859	1 173

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 2015, which was NOK 150.5 million (2014: NOK 168.6 million).

NOTE 21 INTEREST-BEARING LOANS, BORROWINGS AND GUARANTEES

PARENT COMPANY						GROUP	
2014	2015	Specification	Type	Effective interest rate % - 2015	Maturity	2015	2014
100 000	0	Non-current	Danske Bank		30 April 2018	0	100 000
0	199 563	Current	Danske Bank	2,89 %	30 April 2018	150 000	0
100 000	199 563	Total				150 000	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.

The reclassification of the loan from Non-current (2014) to Current as at 31.12.15 is done because Q-Free were in breach on the covenants at the end of 2015, but this was waived in February 2016 from the bank. We have a gearing covenant with a NIBD / EBITDA on max 2,5. It will not be measured if the Group has positive NIBD, meaning more cash at hand than interest bearing debt.

Off Balance Sheet Commitment:

PARENT COMPANY			GROUP	
2014	2015	Specification	2015	2014
90 112	106 801	Guarantees to customers, suppliers and lease contracts	107 500	90 112
		Book value of assets securing loans and guarantees:		
0	0	Bank deposits	699	660
137 153	115 772	Accounts receivable	115 772	141 565
13 766	0	Work in progress	0	13 766
22 264	21 522	Inventories	21 522	23 644
34 143	26 529	Machinery, fixtures etc	26 529	34 696
207 326	163 823	Total	164 522	214 331

NOTE 22 TAXES

PARENT COMPANY			GROUP	
2014	2015		2015	2014
		Total tax expenses for the year		
0	0	Tax payable on this years profit for Norwegian companies	0	0
0	0	Tax payable on this years profit for foreign companies	2 333	14 876
0	0	Adjusted allocated tax from last year	2 159	857
0	26 935	Change in deferred tax for Norwegian companies	27 016	0
0	0	Change in deferred tax for foreign companies	-18 908	-5 143
0	26 935	Total	12 600	10 590
0 %	34 %	Tax rate	7 %	65 %
		Tax payable for the year		
-11 782	-78 853	Total ordinary profit before tax	-182 098	-16 369
-28 988	16 920	Permanent differences	12 880	-24 088
-5 359	11 034	Change in temporary differences	20 388	-7 465
-46 129	-50 899	Basis for tax payable	-148 830	-47 922
0	0	Tax payable for Norwegian companies (27 %)	0	0
		Tax payable for foreign companies	2 051	13 021
		Specification of tax payable in the balance sheet		
0	0	Tax payable on this years profit, Norwegian companies	0	0
0	0	Tax payable on this years profit, foreign companies *	4 958	13 021
0	0	Advance tax payment, foreign companies	-2 907	-4 820
0	0	Carried forward tax compensation	0	0
0	0	Total tax payable	2 051	8 201
		Specification on basis for deferred tax		
		Differences evaluated to be offset		
-11 550	-10 051	Fixed assets	103 443	57 048
7 372	50 244	Current assets	50 244	18 180
-30 951	-49 640	Liabilities	-88 705	-30 951
-225 457	-276 351	Tax losses carry -forward	-407 501	-278 423
-8 570	-9 256	Other differences	-9 256	-8 570
-269 156	-295 054	Total	-351 775	-242 716
-26 935	0	Deferred tax assets (-)	0	-18 680
0	0	Deferred tax (+)	12 630	19 808
		Reconciling the tax cost		
-11 782	-78 853	Earnings before tax	-182 098	-16 369
-3 181	-21 290	Calculated tax at 27%	-56 884	-3 894
-7 827	4 568	Tax result permanent differences and tax rate difference	4 055	3 760
11 008	43 657	Use of previously unrecognised loss carried forward (-) / Increase in valuation allowance	63 747	9 797
0	0	Adjusted allocated tax from last year	1 682	926
0	26 935	Tax expenses	12 600	10 589

* Paid withholding tax in foreign subsidiaries.

ACCOUNTS

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 recognized 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 utilization. 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 407.501 as at 31 December 2015 (2014: 284.032), in which TNOK 0 are recognised as an asset in the balance sheet as at 31.12.2015. Undertaken an assessment 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 69.088. In addtion the group has chosen not to include deferred tax asset in Q-Free Malaysia, Q-Free Thailand, Q-Free Africa and PT Q-Free Indonesia related to tax losses carried forward og TNOK 17.141.

NOTE 23 FINANCIAL ITEMS

Figures in TNOK

PARENT COMPANY			GROUP	
2014	2015	Category	2015	2014
368	210	Interest income	3 462	7 959
12 480	24 274	Realised exchange rate differences	37 429	14 308
2 145	30 561	Unrealised exchange rate differences	34 190	2 459
5 037	1 918	Other financial income	1 918	5 037
20 030	56 963	Financial income	76 999	29 763
4 693	7 090	Financial income from group companies	0	0
33 527	28 680	Paid dividends from subsidiaries	0	0
38 220	35 770	Financial income from Group companies	0	0
58 250	92 733	Total financial income	76 999	29 763
-1 408	-2 080	Interest expenses	-5 087	-7 509
-3 361	-4 069	Interest on debt and borrowings	-4 069	-3 361
-21 541	-34 455	Realised exchange rate differences	-53 440	-23 667
-152	-15 895	Unrealised exchange rate differences	-24 540	-168
-4 108	-3 555	Exchange rate differences earn-out	-3 555	-5 950
-8 303	8 278	Earn-out	-6 935	-8 303
-5 610	-1 013	Other financial expenses	-1 013	-5 610
-44 483	-52 789	Financial expenses	-98 639	-54 568
0	-3 743	Impairment of shares in subsidiaries	0	0
0	-3 743	Financial expenses from Group companies	0	0
-44 483	-56 532	Total financial expenses	-98 639	-54 568
13 767	36 201	NET FINANCIAL ITEMS	-21 640	-24 805

NOTE 24 AVAILABLE FOR SALE FINANCIAL INVESTMENTS

Parent company and the Group as at 31 December 2015 — TNOK

	Company's equity	Number of shares	Ownership	Book value in Parent **	Book value in Group **	Included in comprehensive income
Leiv Eiriksson AS	37 673	9 919	0.99 %	373	373	-20
Asti AS	0	0	0.00 %	0	0	-3 350
Other				20	287	0
Total				393	660	-3 370

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 incom
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 *			10.00 %	0	7 751	0
Other				20	125	0
Total				5 144	13 001	1 217

* 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 Traffiko Ltd (Malta), 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 LIABILITIES

PARENT COMPANY			GROUP	
2014	2015	Category	2015	2014
20 721	10 257	Accrued wages (Holiday pay and bonusscheme)	15 735	25 893
12 657	13 587	Warranty provisions (see spesification for changes during the year)	14 263	16 561
7 837	10 968	Accrued project costs	20 894	38 256
27 964	28 192	Current portion contingent consideration *	52 016	47 122
0	17 278	Restructuring provision **	19 362	0
7	19 302	Miscellaneous	28 993	13 021
69 186	99 584	Total	151 264	140 853

* Debt to seller of subsidiaries in 2015 relates to the acquisition of Intelight Inc, Traffiko Ltd, Traffic Design d.o.o., TDC Systems Ltd, and Open Roads Consulting Inc. See Note 6 regarding changes related to provisions for earn-outs.

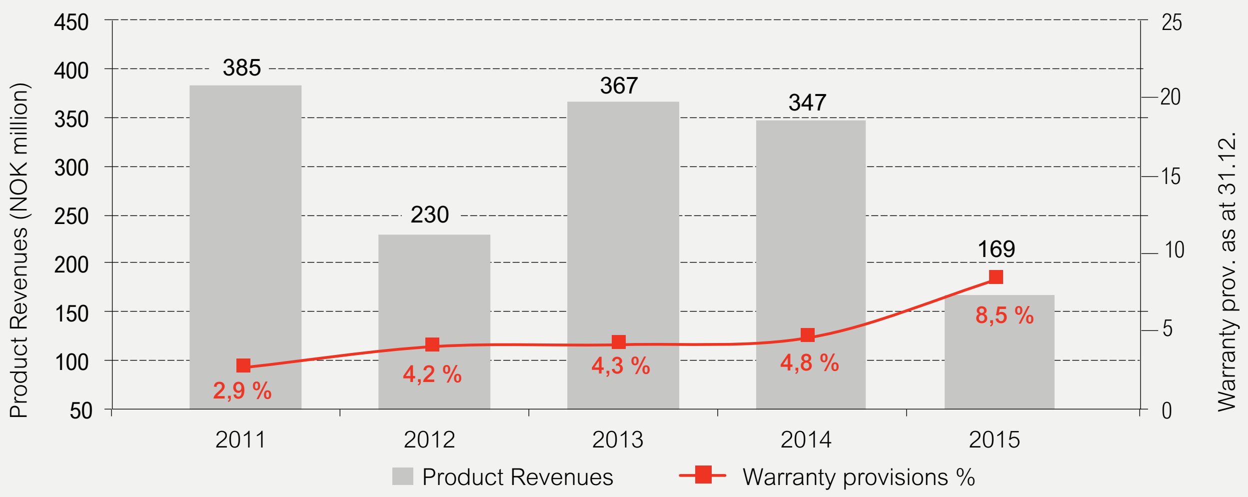
** The restructuring provision totalling TNOK 19 362 is related to the Q-Free ITS transformation programme, and consist of TNOK 16 459 regarding personnell related expences and TNOK 2 903 regarding other operating expences, see Note 15 and 26 for further information.

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 specified in the table below are classified as current liabilities and is part of other current financial liabilities in the consolidated statement of financial position.

	PARENT COMPANY		GROUP	
	Provision for warranty costs	TOTAL CURRENT PROVISIONS	Provision for warranty costs	TOTAL CURRENT PROVISIONS
Amount as of 01.01.15	12 657	12 657	16 561	16 561
Unused accruals reversed during 2015	0	0	-3 228	-3 228
Accruals utilised during 2015	-1 921	-1 921	-1 921	-1 921
Accruals deposited during 2015	2 851	2 851	2 851	2 851
Amount as of 31.12.15	13 587	13 587	14 263	14 263
Amount as of 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 of 31.12.14	12 657	12 657	16 561	16 561

WARRANTY PROVISION COMPARED TO PRODUCT REVENUES

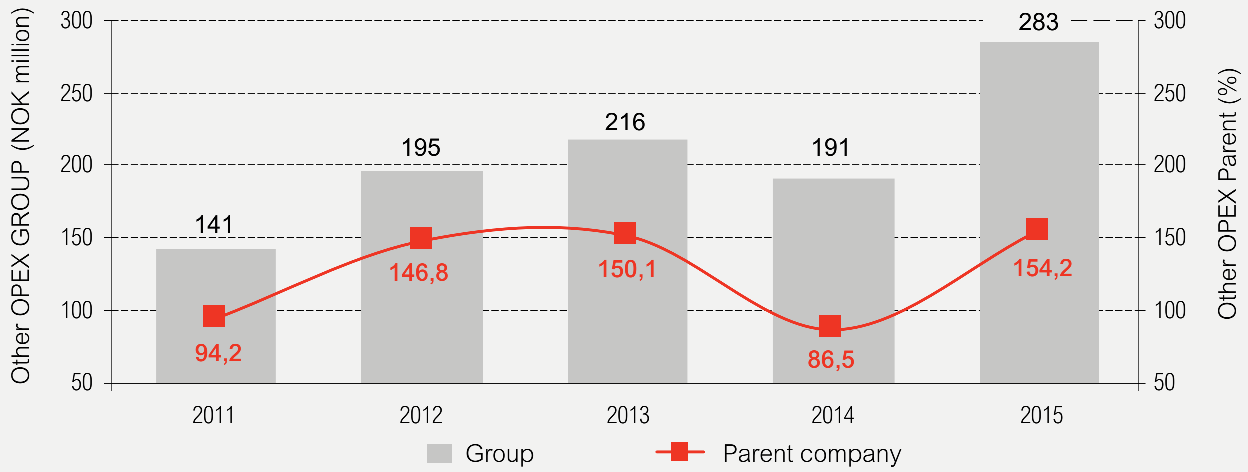


NOTE 26 OTHER OPERATING EXPENSES

PARENT COMPANY			GROUP	
2014	2015	Category	2015	2014
29 666	46 664	External services	120 867	68 660
14 912	13 406	Travel expenses	24 239	24 575
18 359	21 794	Offices supplies	40 378	33 804
2 677	3 036	Insurance	5 113	3 780
4 601	3 359	Freight	4 288	5 609
4 184	3 305	Rent machinery & tools	8 760	8 849
6 387	6 635	Marketing / promotions	11 727	9 428
346	120	Service & Maintenance	6 193	1 685
2 159	5 348	Operating materials	9 978	4 886
0	46 661	Loss on receivables on group companies	0	0
-106	304	Bad debt losses	5 919	114
3 359	3 574	Other operating expenses *	45 266	29 359
86 543	154 205	Total	282 730	190 750

* The effect of the restructuring cost related to the Q-Free ITS transformation programme is TNOK 2.903.

OTHER OPERATING EXPENSES 2011 – 2015



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	
2014	2015	Category	2015	2014
250	123	Audit services	957	638
157	278	Other audit related services	278	159
34	3	Tax services	3	33
520	166	Other, non audit related services	246	520
961	569	Total	1 484	1 350

NOTE 27 OTHER CURRENT ASSETS

PARENT COMPANY			GROUP	
2014	2015	Category	2015	2014
502	676	Accrual for Skattefunn grants	676	502
361	541	Prepaid taxes	11 273	9 465
44	338	Prepaid rents	1 380	1 098
1 226	1 716	Prepaid licenses	1 748	1 226
1 667	1 007	Miscl	13 539	9 566
3 800	4 278	Total	28 616	21 857

NOTE 28 COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group lessees
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	
2014	2015	Category	2015	2014
13 140	11 792	Within one year	12 953	14 554
13 535	12 146	After one year but not more than five years	12 847	15 382
0	0	More than five years	0	0
26 675	23 939	Total	25 800	29 936

During the year ended 31 December 2015 the company recognised expenses in the income statement in respect of operating leases of TNOK 14,009 (2014: TNOK 17,372) for the parent company and TNOK 15,170 (2014: 18,785) 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.

NOTE 29 CHANGES RELATED TO PREVIOUS YEARS

CURRENCY EFFECT ON THE ACQUISITION OF A FOREIGN COMPANY

Any goodwill arising on the acquisition of a foreign company and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign company shall be treated as assets and liabilities of the foreign operation. Thus they shall be expressed in the functional currency of the foreign company and shall be translated at the closing rate. We have previously converted currency on the time of the acquisition, and treated the effects in NOK. We have implemented the currency effects per 31.12.2015 and restated previous years.

GROUP

Changes related to previous years	01.01.2014	Adjustments	Restatet 01.01.14	31.12.2014	Adjustments	Restatet 31.12.14
Development	132 761	1 517	134 278	202 777	12 259	215 036
Goodwill	71 199	5 597	76 796	192 885	35 084	227 969
Deferred tax assets	32 319	-556	31 763	18 680	-3 331	15 349
Total assets	236 279	6 558	242 837	414 342	44 012	458 354
Other equity (OCI)	21 824	6 558	28 382	11 761	44 012	55 773
Deferred tax	0	0	0	19 808	0	19 808
Total equity and liabilities	21 824	6 558	28 382	31 569	44 012	75 581

The effects on depreciation and tax expenses in the profit for 2014 are immaterial and for that reason we have not restated the profit previous years.

RECLASSIFICATION LOANS TO GROUP COMPANIES

We have reclassified loan to group companies from current to non-current assets since they are based on long term loan agreements.

PARENT

Changes related to previous years	31.12.2014	Adjustments	Restatet 31.12.14
Loan to group companies - non current assets	5 378	156 886	162 264
Accounts receivables on group companies - current assets	275 219	-156 886	118 333
Total assets	280 597	0	280 597

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 2015 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, 30 March 2016

Charlotte Brogren Karlberg
Chairman of the Board

Ragnhild Wahl

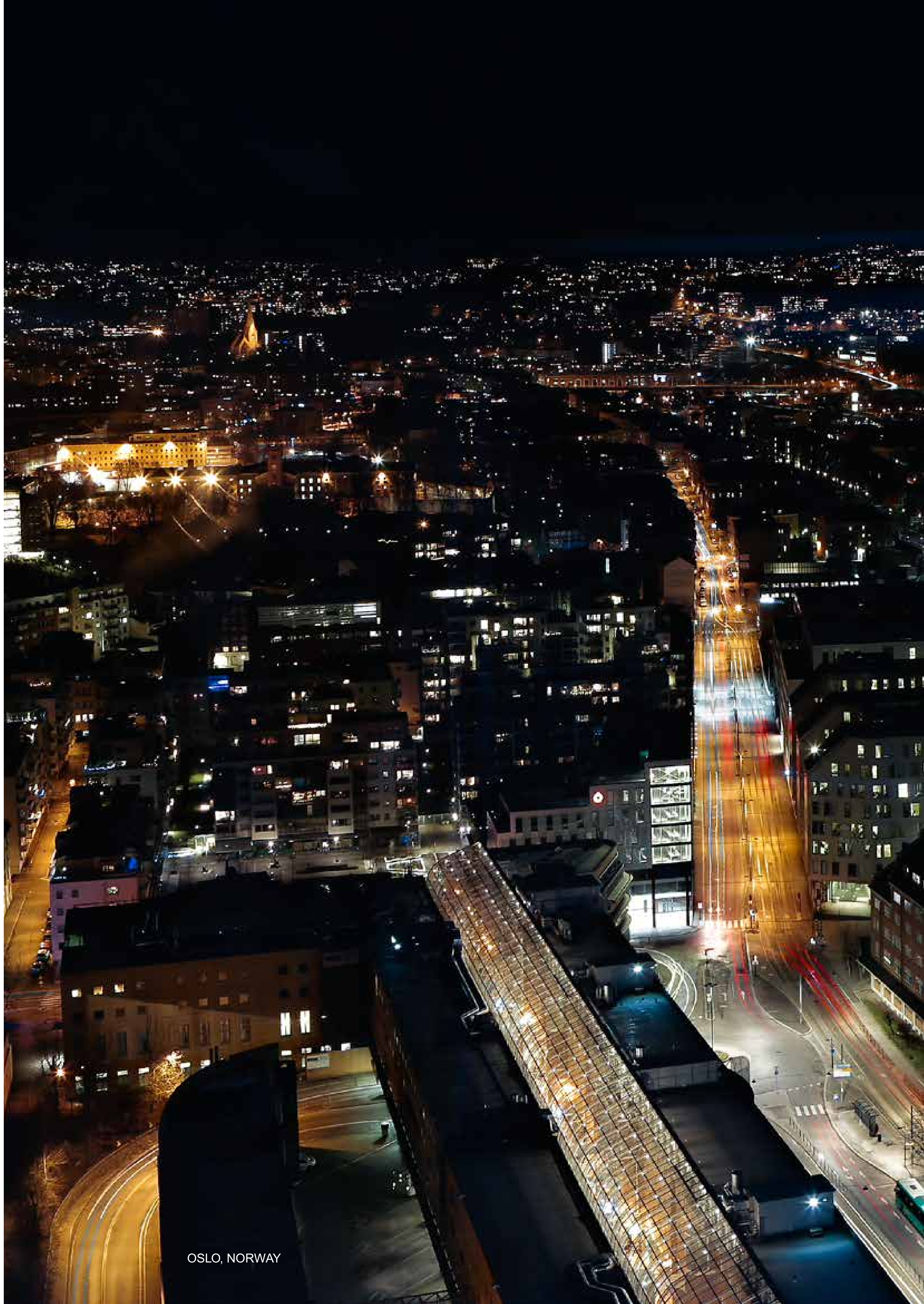
Snorre Kjesbu

Tore Valderhaug
Vice Chairman of the Board

Sissel Nina Lillevik Larsen
Employee-elected Board member

Anders Hagen
Employee-elected Board member

Roar Østbø
Acting CEO



OSLO, NORWAY

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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 2015, 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 the 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.

BDO

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 2015, 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, 11 April 2016

BDO AS

Stein Erik Sæther
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

Q-FREE CORPORATE GOVERNANCE REVIEW 2015

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 has no deviations from the recommendations in the Code of Practice in 2015.

Corporate vision, values, Code of Conduct and Corporate Social Responsibility
Q-Free's vision is to be the globally preferred provider of ITS solutions.

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's core values are summarized as "EPIC", and are founded in a bottom-up process with all employees:

- Excellence
- Passion
- Innovation
- Collaboration

The values support the Company's strategy, guide decisions and attitude internally and externally.

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 2015.

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 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 ITS solutions.

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 2015 the company's equity amounted to NOK 416 million, representing an equity ratio of 42 percent (51). 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 distribution 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. It is Q-Free' policy to maintain a high equity ratio to provide a platform for the company's expected expansion and growth.

Q-Free has not distributed dividends in the last three years.

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 2015, 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 2,662,680.52 through the issue of up to 7,007,054 shares, equivalent to approximately 10 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 2016.

The company had an three-year incentive program for executives and key employees, which expired in May 2015.The mandate granted by the General Meeting in 2014 allowed 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 Board was in the General meeting in 2015 granted a right to enter into agreements for synthetic options with leading employees and key personnel to complete an incentive program with a maximal duration of four years. The maximal number of synthetic options issued by the Board through this program shall be 2.2 million synthetic options.

See Note 17 in the 2015 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 2015 the Board gave one authorisation to increase the share capital and authorised to waive shareholder's preferential rights (cf section 3 above). The increase in share capital was approved as part of the earn-out compensation of two acquired companies.

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 2015 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 2016 Annual General Meeting is scheduled for 26 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 Chairman of the Board 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, Auditor and the Chair of the Audit Committee and Compensation Committee will always be present at the Annual General Meetings.

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

Deviation from the Code of Practice:
None

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. The instruction does not have a clause related to rotation of the members. However, the Nomination Committee will propose to the Annual General meeting in 2016 that the instruction is updated.

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.

Q-FREE CORPORATE GOVERNANCE REVIEW 2015

Nomination Committee composition as at 31.12.2015;

Name	Company	For election
Cecilie Johnsen (Chair)	Redback ASA	2016
Thomas Alexander Vogt	DNB Asset Management AS	2016
Jeanett Bergan	KLP Kapitalforvaltning AS	2017

Nomination Committee composition as at 11 February 2016:

Name	Company	For election
Jeanett Bergan (Chair)	KLP Kapitalforvaltning AS	2017
Thomas Alexander Vogt	DNB Asset Management AS	2016
Andreas Berdal Lorentzen	Storebrand Asset Management	2018

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 independently 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 recommendations to the General meeting.

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.

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 Vice Chairman is elected by the Board for a period of one year.

Board of Directors composition as at 31 December 2015:

Name	Position	Service since	Elected until AGM	Shareholding Q-Free ASA (direct or indirect)
Charlotte Brogren Karlberg	Acting Chairman*	2011	2017	0
Anders Endre Nybø	Vice Chairman	2015	2017	130,000
Jan Pihl Grimnes	Board member	2008	2016	1,687,000
Ragnhild Wahl	Board member	2015	2017	0
Monika Lie Larsen	Employee elected member of the Board	2014	2016	0
Anders Hagen	Employee elected member of the Board	2014	2016	0

*Chairman Terje Christoffersen resigned from his position in the Board of Directors 4 November 2015.

As at 31 December 2015 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.

Q-FREE CORPORATE GOVERNANCE REVIEW 2015

Board of Directors composition as from 11 February 2016:

Name	Position	Service since	Elected until AGM	Shareholding Q-Free ASA (direct or indirect)
Charlotte Brogren Karlberg	Chairman	2011	2017	0
Ragnhild Wahl	Board member	2015	2017	0
Tore Valderhaug	Vice Chairman	11 Feb 2016	2018	0
Snorre Kjesbu	Board member	11 Feb 2016	2018	0
Anders Hagen	Employee elected member of the Board	2014	2016	0
Sissel Lillevik Larsen	Employee elected member of the Board	11 Feb 2016	2016	0

Participation in Board meetings and Board committees in 2015:

Name	Board meetings	Audit Committee	Compensation Committee	Recruitment Committee
Terje Christoffersen***	13	5	2	
Charlotte Brogren	15	1		2
Jan Pihl Grimnes	15	1	2	
Anders Endre Nybø*	12	2		2
Ragnhild Wahl*	11			
Selma Kveim**	4	3		
Monika Lie Larsen	16			
Anders Hagen	16		2	2

* Served from AGM 2015, 20 May 2015
** Served until AGM 2015, 20 May 2015
*** Served until 4 November 2015

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
None of the current Board members hold shares in Q-Free. An overview of the members shareholding is available on the company's website, Investor Relations page.

The members of the Board of Directors have no share options or synthetic 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 and organisational unit reports on 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 Vice 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.

Compensation committee
Three 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 incentive based remuneration for other senior management employees. These proposals are also relevant for other employees entitled to variable salaries. The Board makes comparisons with other companies when deciding the terms and conditions and remuneration of the CEO.

With effect from 16 June 2015, the Compensation Committee was composed as follows:
Jan Pihl Grimnes (Chairman)
Terje Christoffersen
Anders Hagen

With effect from 26 November 2015, the Compensation Committee was composed as follows:
Jan Pihl Grimnes (Chair)
Charlotte Brogren Karlberg
Anders Hagen

With effect from 30 March 2016, the Compensation Committee was composed as follows:
Snorre Kjesbu (Chair)
Ragnhild Wahl
Anders Hagen

Recruitment Committee
The Board established in November 2015 a Recruitment Committee for the purpose of a search for new CEO.

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 in 2015.

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 gives 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 6 June 2014, the Audit Committee was composed as follows:
Selma Kveim (Chair)
Terje Christoffersen

With effect from 16 June 2015, the Audit Committee was composed as follows:
Terje Christoffersen (Chair)
Anders Endre Nybø

With effect from 26 November 2015, the Audit Committee was composed as follows:
Charlotte Brogren (Chair)
Anders Endre Nybø
Jan Pihl Grimnes

With effect from 30 March 2016, the Audit Committee is composed as follows:
Tore Valderhaug (Chair)
Charlotte Brogren Karlberg

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 Status report 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 addressed.

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 2015 to the Annual General Meeting of 2016:

The Chairman of the Board:
NOK 416,000
Members elected by the shareholders:
NOK 234,000
Members elected from the employees:
NOK 80,000

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 as at 31 December 2015 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 2015 financial statements.

Remuneration of the Nomination committee
Remuneration from the Annual General Meeting of 2015 to the Annual General Meeting of 2016:

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

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, are implemented.

The executive management receives a basic salary and are members of the company's pension scheme. The remuneration also includes a synthetic share option program and a performance based bonus scheme. Please see Note 15 and Note 17 in the 2015 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 extraordinary 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 40 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 had authorised a three-year incentive program in form of a share option program for the executive management, which expired May 2015.

For more information about the incentive program, please see chapter 3 in this document and Note 17 in the 2015 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:
None

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. Q-Free publishes an overview each year of the dates for major events.

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.

Q-Free follows The Oslo Børs Code of Practice for Investor Relations. 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.

All IR communication is handled by the CEO and CFO. Q-Free has published responsibility for the company's contact with shareholders and others on the Company's website.

Deviation from the Code of Practice:
None

14. TAKEOVERS

Q-Free Board of Directors will handle takeover bids in accordance with Norwegian law and the Norwegian Code of Practice for Corporate Governance. There are no defence mechanisms against acquisition offers in our articles of association or in any underlying steering document. Neither have we implemented any measures to limit the opportunity to acquire shares in the company.

Deviation from the Code of Practice:
None

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 which have requirements for a statutory audit.

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 2015 financial statements.

To the extent that the auditor is providing services beyond the audit, this is discussed separately on case-by-case basis prior to engagement, to ensure that there are no conflict of interest issues and that this is within the framework of the Auditors Act § 4-5. All engagements beyond audit related services are approved by the CEO or CFO prior to start up.

Deviation from the Code of Practice:
None

Q-FREE CORPORATE SOCIAL RESPONSIBILITY REVIEW 2015

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 mind-set, 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 24 % female and 76 % 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 procedures according to the relevant risks. 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 1.9 percent in 2015, an improvement on the 1.7 percent from 2014. 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.

Q-FREE CORPORATE SOCIAL RESPONSIBILITY REVIEW 2015

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.

PARIS, FRANCE

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 27.123.927,66 divided between 71.378.757 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 of 30 March 2016
The shareholders of Q-Free ASA

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