

# Q1

FIRST QUARTER 2016  
REPORT



LEADING THE WAY



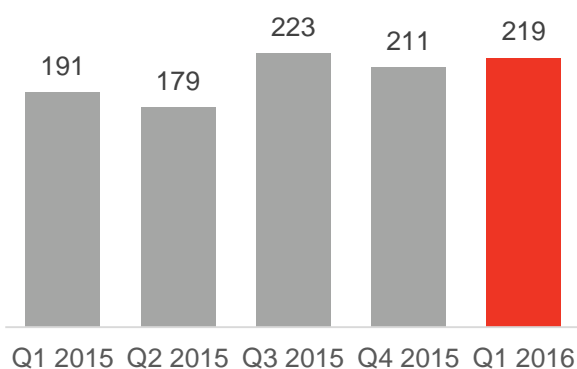
# HIGHLIGHTS

## Q1-2016

- Revenues NOK 219 million, 15% growth QoQ
- EBITDA NOK 6 million (3% margin), vs NOK 19 million in Q1 15
- Strong order intake of NOK 323 million
- Awarded the Slovenia Truck Tolling project of NOK 470 million pending final approval
- Strong order backlog of NOK 852 million (excluding the Slovenia project) – highest since 2009

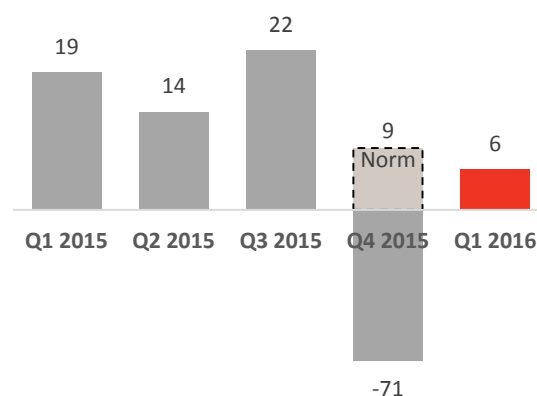
### REVENUES LAST 5 QUARTERS

MNOK



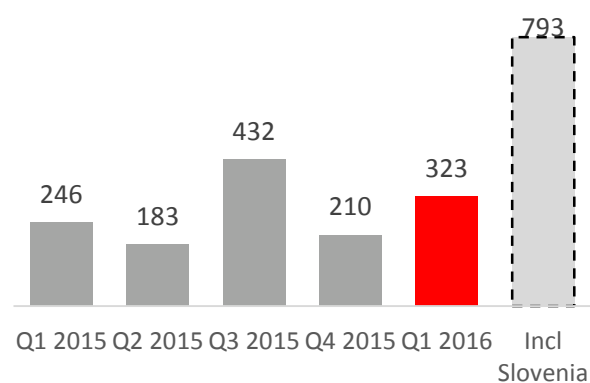
### EBITDA LAST 5 QUARTERS

MNOK



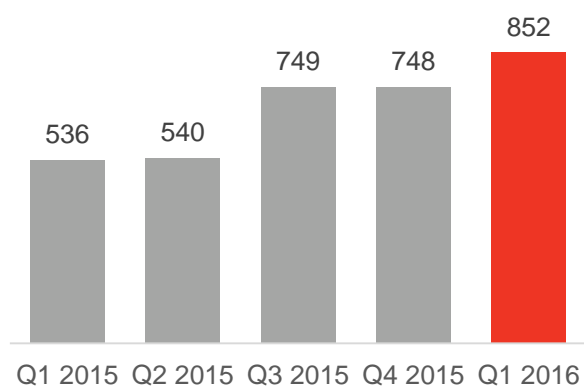
### ORDER INTAKE LAST 5 QUARTERS

MNOK



### ORDER BACK LOG LAST 5 QUARTERS

MNOK



# FINANCIAL REVIEW

## KEY FIGURES

NOK 1.000	Q1 2016	Q1 2015	Q/Q-%	FY 2015
<b>Revenues</b>	<b>218 972</b>	<b>190 944</b>	<b>14,7%</b>	<b>803 525</b>
<b>Gross profit</b>	<b>152 224</b>	<b>135 453</b>	<b>12,4%</b>	<b>571 173</b>
Gross margin - %	69,5%	70,9%		71,1%
Operating expenses	146 576	116 295	26,0%	587 149
<b>EBITDA</b>	<b>5 648</b>	<b>19 158</b>	<b>-70,5%</b>	<b>-15 976</b>
EBITDA margin	2,6%	10,0%		-2,0%
Depreciation, amortisation and impairment	14 685	22 110	-33,6%	144 482
<b>Operating profit - EBIT</b>	<b>-9 037</b>	<b>-2 952</b>		<b>-160 458</b>
EBIT margin	-4,1%	-1,5%		-20,0%
<b>Pre-tax profit</b>	<b>-11 744</b>	<b>-26 509</b>		<b>-182 098</b>
Profit margin	-5,4%	-13,9%		-22,7%
<b>EPS</b>	<b>-0,11</b>	<b>-0,42</b>		<b>-2,79</b>

## INCOME STATEMENT

A geographical split of the revenues into segments is presented under segment review and P&L-review in Note 7.

With reference to the announcement April 26 2016, Q-Free will from the first quarter 2016 report revenues divided into 6 service lines: Tolling, Parking, Urban, Inter-Urban, Infomobility and Homeland Security. Please refer to the announcement for details and a split of 2015 revenues for these service lines

## REVENUES

The Q-Free Group generated revenues of NOK 219 million in the first quarter 2016, an increase of 15 percent from NOK 191 million in the first quarter 2015 and up 8 MNOK compared to 211 MNOK in last quarter Q4-2015.

## GROSS PROFIT

Gross profit for the quarter ended at NOK 152 million (135), corresponding to a gross margin of 70% that is in line with last quarter and the corresponding quarter last year on 71%.

## OPERATING EXPENSES

Operating expenses amounted to NOK 147 million in the first quarter. This is an increase from NOK 116 million in the corresponding quarter 2015 and explained by higher project activity, pre operational cost in larger projects in various regions, costs related to the ITS-transformation and acquisitions which was not included in Q1 2015.

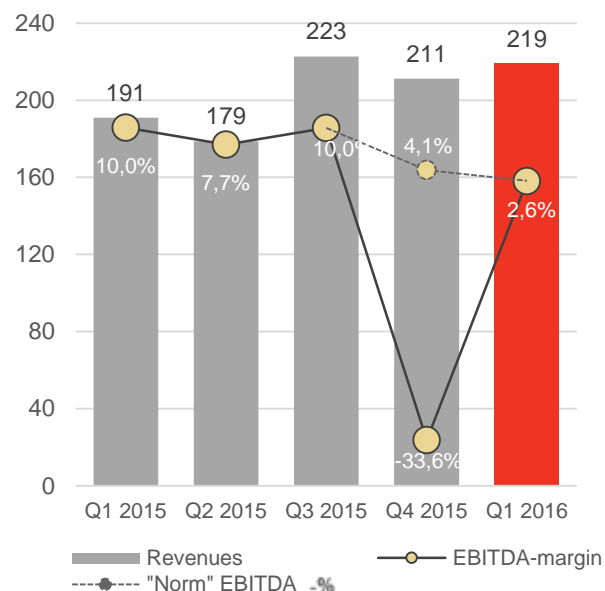
## OPERATING PROFITS

Reported EBITDA in the first quarter 2016 was NOK 6 million (19), down 13 MNOK compared to corresponding quarter 2015 but in line with EBITDA before non-recurring items on 9 MNOK last quarter.

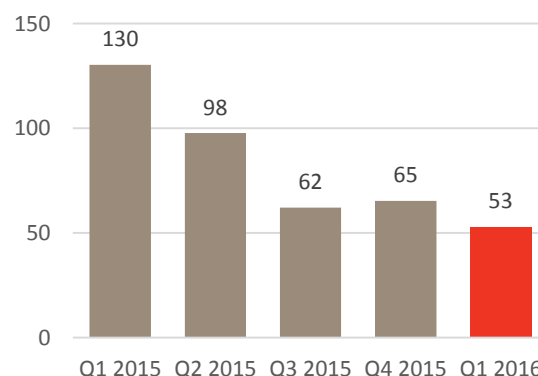
Depreciation and amortisation was at NOK 15 million (22). The decrease from corresponding quarter last year reflects reduced depreciation and amortisation due to impairment of tolling technology in Q4 2015.

Operating profit (EBIT) thus ended at negative NOK 9 million, down from negative NOK 3 million in the first quarter 2015.

### QUARTERLY REVENUES AND EBITDA MARGIN MNOK & %



### QUARTERLY CASH FUNDS MNOK



### NET FINANCIAL ITEMS

Net financial items were negative NOK 3 million in the first quarter, significantly better than negative NOK 24 million in the corresponding quarter 2015. This is due to lower currency fluctuations.

### PROFITS

Reported pre-tax profit was negative NOK 12 million for the period, compared to a pre-tax profit of negative NOK 27 million in the first quarter 2015. This improvement is mainly explained by the negative financial items reported in Q1 2015. Earnings per share was NOK - 0.11 in the quarter. This compares to NOK -0.42 in the corresponding quarter last year.

### CASH FLOW

Net cash flow from operating activities was negative NOK 7 million in the first quarter 2016. This in line with negative NOK 6 million in the first quarter 2015. Cash impact during Q1 2016 from restructure provision made in Q4-15, represents NOK 6 million.

Net cash flow from investing activities was negative NOK 5 million in the first quarter (-11), mainly reflecting investments in technology projects for tolling and parking.

This generated a net change in cash and cash equivalents of negative NOK 12 million in the first quarter (-34). The cash balance as of March 31 2016 ended at NOK 53 million (130), down from NOK 65 million at December 31 2015.

### BALANCE SHEET

Total assets ended at NOK 977 million at the end of the first quarter of 2016 (934), down from NOK 997 million at the end of 2015.

Total equity ended at NOK 406 million (542), in line with NOK 416 million at the end of 2015. The equity ratio was 41.6 percent (58.1), slightly down from 41.8 percent at the end of 2015.

Non-current liabilities were NOK 153 million (195), compared to NOK 167 million at the end of 2015. Provision for earn out payments and obligations for future purchase of shares of Intelight in the US of NOK 120 million represents the significant part of non-current liabilities. Earn out liabilities are reduced NOK 24 million since last quarter, explained by share capital contribution by conversion of debt of NOK -12 million and currency fluctuations of NOK -12 million.

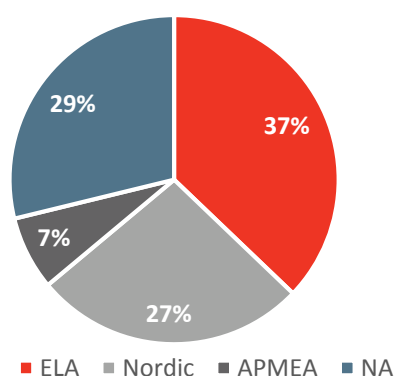
Interest bearing debt to financial institutions was NOK 182 million (100) at the end of the period and is included in the net current working capital. Since Q-Free was in breach with the covenant towards Danske Bank at the end of the quarter, the bullet loan of NOK 150 million is classified as short term loan even though the maturity is April 2018. A waiver has been received from the bank before the end of the quarter, but since the covenant is measured quarterly the loan is still classified as short term loan. Available unused credit facilities is NOK 134 million at the end of first quarter 2016.

Current liabilities were NOK 418 million at the end of first quarter (197). This is up from NOK 414 million at the end 2015.

Net working capital (defined as current assets excluding cash less current liabilities, excluding short term interest bearing debts) amounted to NOK 103 million at the end of the quarter (86). This corresponds to 10 percent of last 12 months revenues. At the end of 2015, net working capital was NOK 40 million, or 4 percent of revenues last 12 months revenues. The ratio will vary between quarters depending on revenue composition and timing of payments.

# SEGMENT REVIEW

Q1 2016 REVENUE DISTRIBUTION BY REGION (%)



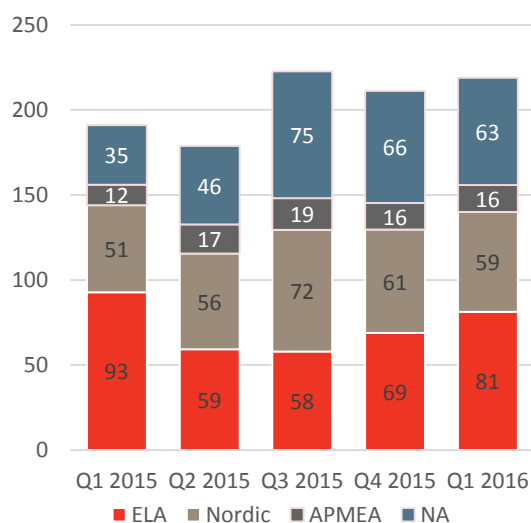
## EUROPE & LATIN AMERICA (ELA)

Revenues in ELA amounted to NOK 81 million in the quarter, down from NOK 93 million in Q1 2015. Order intake amounted to NOK 43 million, compared to NOK 57 million in the corresponding quarter 2015. The region accounted for 37 percent of overall revenues and 13 percent of total order intake. The region represented 33 percent of Group order backlog at the end of the first quarter.

Q-Free is still experiencing stable Service & Maintenance activity in the region and also see increasing interest for the ALPR technology. During Q1 2016 Q-Free has also delivered tag orders to existing customers in France, Brazil and Chile. Q-Free was awarded a truck tolling project in Slovenia during the quarter. This award is one of Q-Free's largest awards ever. The project is pending final approval after the complaint period expires.

QUARTERLY REVENUES BY REGION

MNOK



## THE NORDICS (NORDICS)

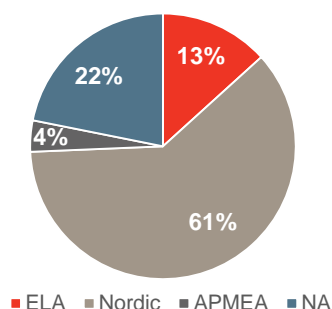
Revenues in Nordic amounted to NOK 59 million in the first quarter, in line with Q1 2015 of NOK 51 million. Order intake was NOK 197 million during the period, up from NOK 118 million in Q1 2015. The region accounted for 27 percent of overall revenues and 61 percent of total order intake. The region represented 40 percent of Group order backlog at the end of the first quarter.

The Service & Maintenance activity in this region is stable. Q-Free currently delivers several projects in Norway, and the latest announcement of NOK 170 million for CS Autopass contract will secure the company's back office system activity going forward.

## ASIA, MIDDLE EAST AND AFRICA (APMEA)

Revenues in APMEA amounted to NOK 16 million in the first quarter, in line with NOK 12 million Q1 2015. Order intake ended at NOK 12 million, compared to NOK 9 million in the corresponding quarter 2015. The region accounted for 7 percent of overall revenues and 4 percent of total order intake. The region represented 8 percent of Group order backlog at the end of the first quarter.

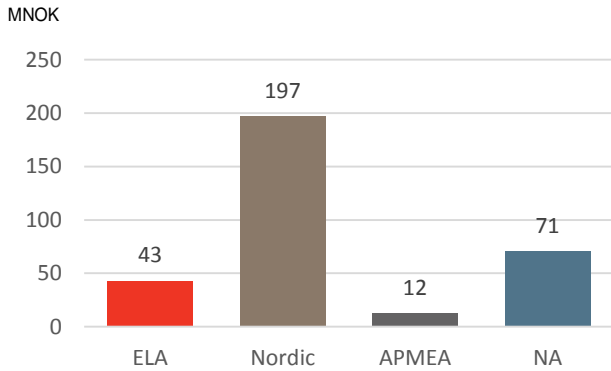
Q1 2016 ORDER INTAKE DISTRIBUTION BY REGION (%)



During Q1 2016 Q-Free announced tolling contracts in Thailand of NOK 22 million. Thailand represents a growth potential both with regards to new projects and tag-deliveries related to these projects.

In addition, the region has contributed with product deliveries and Service & Maintenance in Australia.

Q1 2016 ORDER INTAKE BY REGION

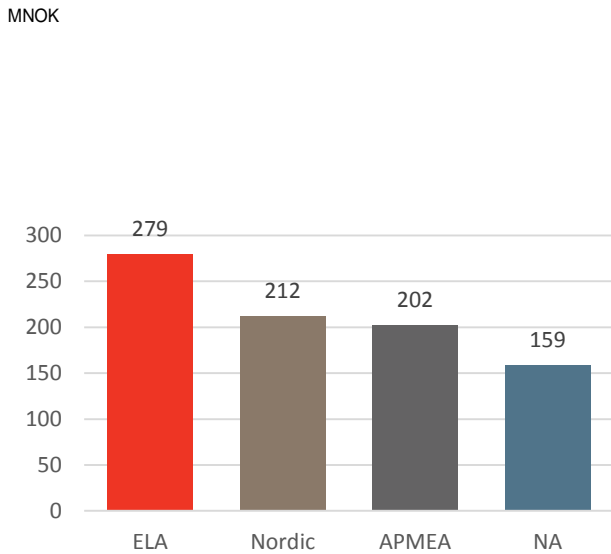


**NORTH AMERICA (NA)**

Revenues in NA amounted to NOK 63 million in the first quarter, compared to NOK 35 million in Q1 2015. The increase is explained by increased activity in all service lines in Q1 2016. There is a stable trend through order intake, which amounted to NOK 71 million during the period, up from NOK 63 million in Q1 2015. The region hence accounted for 29 percent of overall revenues and 22 percent of total order intake. By the end of the quarter region NA accounted for 19 percent of Group order backlog.

Q-Free was awarded its largest tolling contract ever in the US, at a value of NOK 45 million during the quarter. The contract is a part of the upgrade of the Central Florida Expressway Authority's electronic toll collection system

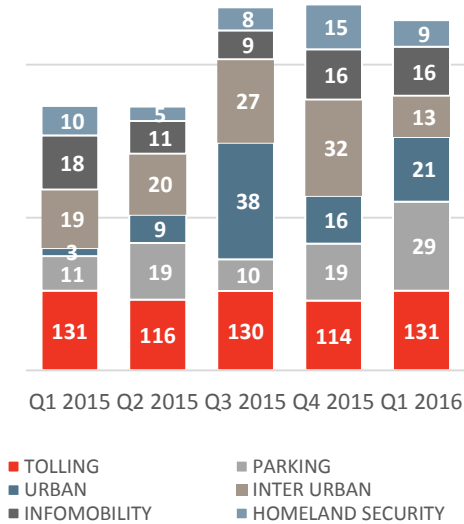
ORDER BACKLOG BY REGION AS OF 31.03.16





# SERVICE LINE REVIEW

QUARTERLY REVENUES BY SERVICE LINES  
MNOK



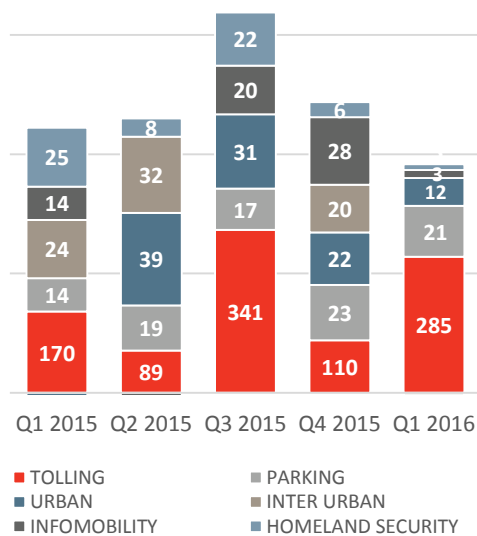
**TOLLING** is still the largest contributor to overall revenues in Q-Free with 60 percent during the first quarter 2016. The first quarter 2016 is the best tolling quarter since Q1-15 with tolling-product deliveries NOK 42 million (62) to both Thailand, Australia and Brazil and continued to deliver on service and maintenance contracts NOK 35 million (35) in Norway, Sweden and Portugal. In addition tolling-system projects NOK 54 million (28) have been delivered in Norway

In **PARKING** the main activity is deliveries of parking guidance systems in North America and parking management systems delivered to customers, APCOA in Sweden and VINCI in France. Parking has a 163 % growth during Q1-16 compared to the Q1 2015.

**URBAN** refers to traffic management products and systems delivered to cities in the US and street lights and traffic signs to Serbian customers. The growth during Q1-16 is due to increase in the US market.

**INTER-URBAN** consists of deliveries of Traffic Management centers mainly in the US and Tunnel Management systems in Europe. Inter-Urban had a weak first quarter of 2016 in the US.

QUARTERLY ORDER INTAKE BY SERVICE LINE  
MNOK



**INFOMOBILITY** mainly represents systems and deliveries on traffic counters, cycle and pedestrian detection systems, journey time monitoring and weight-in-motion systems. The first quarter is in line with previous quarters mainly due to deliveries in the UK and in the US.

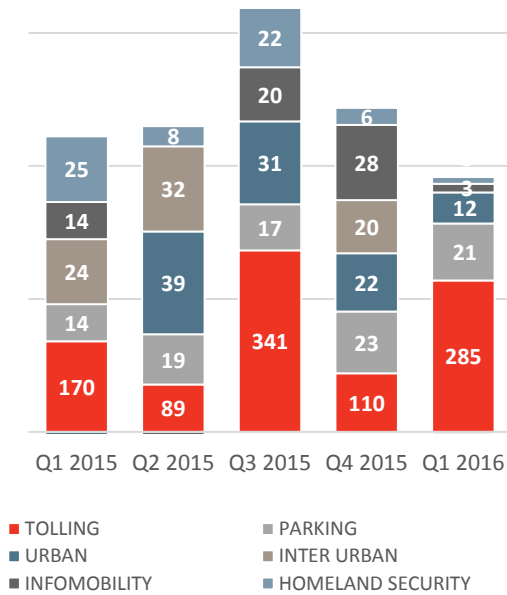
**HOMELAND SECURITY** represents integrated security systems in the US and where Q-Free provides 24/7 support on mission-critical systems deployed in over 50 locations across the United States, Europe and Pacific Rim. The activity has been stable over the last quarters and an important contract at a US Military Base was awarded to Q-Free during the first quarter.

**ORDER INTAKE AND BACKLOG**

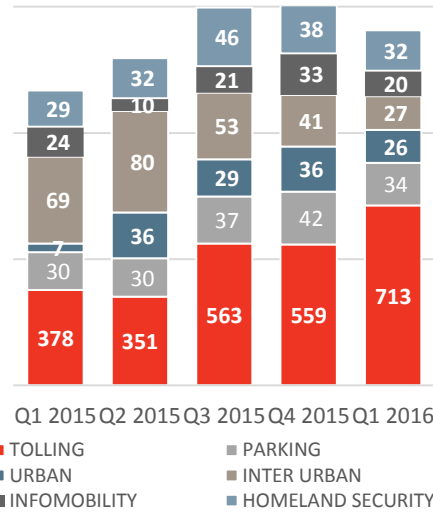
Order intake in the first quarter amounted to NOK 323 million (246) representing a good quarter for Q-Free. The order intake includes NOK 170 million from the extension of CS Norway contract.

Tolling is the largest part of the received orders during the first quarter, but parking (21) and urban (12) are also growing.

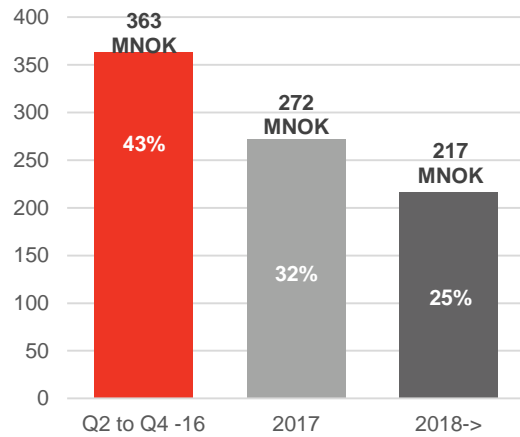
QUARTERLY ORDER INTAKE BY SERVICE LINE  
MNOK



Q1 2016 ORDER BACKLOG DISTRIBUTION BY SERVICE LINE  
MNOK



ORDER BACK LOG DISTRIBUTION AS OF 31.03.16  
MNOK



The Group's order backlog as of 31 March 2016 was NOK 852 million (536), NOK 104 million up from NOK 748 million from the fourth quarter 2015. This is the seventh consecutive quarter with a book-to-bill ratio above 1.

NOK 363 million (43%) of the backlog is for delivery in 2016, this is an increase from NOK 325 million at the end of Q1 16.

# OUTLOOK

Q-Free is currently moving through a transition period. The last couple of years have demonstrated that the Tolling product market continues to be challenging. However, the company experiences increased tendering and project activity for tolling systems into 2016 with important contract awards in Slovenia, Norway, Thailand and the US. Within the other service lines Q-Free has experienced growth both organically and through acquisitions. Order intake during the first quarter has been good and the order backlog is steadily increasing. The implemented restructuring measures and transformation into a complete ITS company will make Q-Free more financial robust and profitable during 2016 and onwards.

The initiatives carried out during the fourth quarter in 2015 will further strengthen our ability to present competitive solutions addressing the global ITS market in the years to come. 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.

## NEW CEO APPOINTED IN Q-FREE

Håkon Volldal is employed as Chief Executive Officer in Q-Free ASA. Volldal will start in the position on 1 August 2016.

# FINANCIAL OVERVIEW

The condensed interim consolidated financial statements per 31.03.16 (unaudited):

## INTERIM CONSOLIDATED INCOME STATEMENT

NOK 1.000	NOTE	Q1 2016	Q1 2015	FY 2015
Revenues	7	218 972	190 944	803 525
Cost of goods sold		66 748	55 491	232 352
Payroll expenses		83 723	65 265	304 419
Other operating expenses		62 853	51 030	282 730
Total operating expenses		213 324	171 786	819 501
EBITDA	7	5 648	19 158	-15 976
Depreciation, amortisation and impairment	8,10	14 685	22 110	144 482
EBIT	7	-9 037	-2 952	-160 458
Financial income	9	4 746	13 033	76 999
Financial expenses	9	-7 453	-36 590	-98 639
Net financial items		-2 707	-23 557	-21 640
Profit before tax		-11 744	-26 509	-182 098
Tax expenses	10	4 035	-2 607	-12 600
Profit for the period		-7 709	-29 116	-194 698
Attributable to:				
Equity holders of the parent		-7 709	-29 116	-194 698
Profit		-7 709	-29 116	-194 698
Number of employees		442	399	429
Gross margin		69,5 %	70,9 %	71,1 %
EBITDA margin		2,6 %	10,0 %	-2,0 %
EBIT margin		-4,1 %	-1,5 %	-20,0 %
Profit margin		-5,4 %	-13,9 %	-22,7 %
EPS (NOK)		-0,11	-0,42	-2,79
EPS, diluted (NOK)		-0,11	-0,42	-2,79

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK 1.000	NOTE	Q1 2016	Q1 2015	FY 2015
Profit for the period		-7 709	-29 116	-194 698
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations*		-14 785	29 023	72 983
Net (loss)/gain on available-for-sale financial assets		0	0	-3 370
- Income tax effect		0	0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:		-14 785	29 023	69 613
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Actuarial gains (losses) on defined benefit plans		0	0	-695
- Income tax effect		0	0	0
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods:		0	0	-695
<b>Total comprehensive income for the period</b>		<b>-22 494</b>	<b>-93</b>	<b>-125 780</b>
<b>Attributable to:</b>				
Equity holders of the parent		-22 494	-93	-125 780
<b>Total comprehensive income for the period</b>		<b>-22 494</b>	<b>-93</b>	<b>-125 780</b>

\*See note 10 regarding restatement previous years. The effect on exchanged differences on translation of foreign operations in Q-1 2015 was NOK 12 million.

## BALANCE SHEET - ASSETS

NOK 1.000	NOTE	31.03.2016	31.12.2015	30.09.2015	30.06.2015	31.03.2015
Development	8,10	199 400	214 526	271 767	263 598	208 991
Goodwill	8,10	344 960	367 465	357 877	328 811	237 933
Deferred tax assets	10	0	0	0	0	12 285
<b>Total intangible assets</b>		<b>544 360</b>	<b>581 991</b>	<b>629 644</b>	<b>592 409</b>	<b>459 209</b>
Machinery, fixtures and fittings		39 699	43 854	46 303	48 854	49 819
<b>Total fixed assets</b>		<b>39 699</b>	<b>43 854</b>	<b>46 303</b>	<b>48 854</b>	<b>49 819</b>
Shares		674	660	671	545	8 984
Other long term receivables		1 625	1 592	1 192	794	2 420
<b>Total financial fixed assets</b>		<b>2 299</b>	<b>2 252</b>	<b>1 863</b>	<b>1 339</b>	<b>11 404</b>
<b>Total non - current assets</b>		<b>586 358</b>	<b>628 097</b>	<b>677 810</b>	<b>642 602</b>	<b>520 432</b>
Inventories		96 612	81 378	92 927	74 646	62 610
<b>Total inventories</b>		<b>96 612</b>	<b>81 378</b>	<b>92 927</b>	<b>74 646</b>	<b>62 610</b>
Accounts receivables		132 016	149 606	166 062	143 172	136 312
Work in progress		69 375	44 269	54 688	36 219	61 425
Other receivables		40 012	28 616	33 531	25 446	22 606
<b>Total receivables</b>		<b>241 403</b>	<b>222 491</b>	<b>254 281</b>	<b>204 837</b>	<b>220 343</b>
<b>Cash</b>		<b>52 911</b>	<b>65 349</b>	<b>62 134</b>	<b>97 752</b>	<b>130 362</b>
<b>Total current assets</b>		<b>390 926</b>	<b>369 218</b>	<b>409 342</b>	<b>377 235</b>	<b>413 315</b>
<b>Total assets</b>		<b>977 284</b>	<b>997 315</b>	<b>1 087 152</b>	<b>1 019 837</b>	<b>933 747</b>

## BALANCE SHEET - EQUITY &amp; LIABILITIES

NOK 1.000	NOTE	31.03.2016	31.12.2015	30.09.2015	30.06.2015	31.03.2015
Subscribed share capital		27 124	26 627	26 627	26 627	26 627
Share premium reserve		451 252	439 350	439 350	439 350	439 350
Other paid in capital		20 529	20 529	20 529	20 529	20 529
<b>Total paid in capital</b>		<b>498 905</b>	<b>486 506</b>	<b>486 506</b>	<b>486 506</b>	<b>486 506</b>
Other equity	10	-92 501	-70 007	67 012	49 245	55 680
<b>Total retained equity</b>		<b>-92 501</b>	<b>-70 007</b>	<b>67 012</b>	<b>49 245</b>	<b>55 680</b>
<b>Total equity</b>		<b>406 404</b>	<b>416 499</b>	<b>553 518</b>	<b>535 751</b>	<b>542 186</b>
Pension liabilities		18 775	18 775	18 293	18 293	18 293
Deferred tax	10	6 582	12 630	14 173	3 881	19 808
Debt to financial institutions		0	0	150 000	150 000	100 000
Other non-current liabilities		128 007	135 894	123 322	108 373	56 439
<b>Total non-current liabilities</b>		<b>153 364</b>	<b>167 299</b>	<b>305 788</b>	<b>280 547</b>	<b>194 540</b>
Debt to financial institutions		182 256	150 000	0	0	0
Accounts payable		83 352	77 913	77 001	67 120	61 691
Tax payable		2 689	2 051	1 885	4 382	5 752
Public duties payable		10 109	19 713	11 006	14 528	16 365
Advance payments customers		18 454	12 576	5 518	11 790	9 922
Other short term debts		120 656	151 264	132 436	105 719	103 291
<b>Total current liabilities</b>		<b>417 516</b>	<b>413 517</b>	<b>227 846</b>	<b>203 539</b>	<b>197 021</b>
<b>Total liabilities</b>		<b>570 880</b>	<b>580 816</b>	<b>533 634</b>	<b>484 086</b>	<b>391 561</b>
<b>Total equity and liabilities</b>		<b>977 284</b>	<b>997 315</b>	<b>1 087 152</b>	<b>1 019 837</b>	<b>933 747</b>

## CASH FLOW STATEMENT

NOK 1.000	Q1 2016	Q1 2015	FY 2015
Earnings before tax	-11 744	-26 509	-182 098
Taxes paid	-1 212	-2 449	-19 272
Depreciation / impairment	14 685	22 110	144 482
Other operational items	-9 020	927	39 644
Cash flow from operating activities	-7 291	-5 921	-17 244
Investments intangible assets	-4 447	-8 606	-56 240
Investments tangible assets	-700	-2 616	-8 620
Acquisition of a subsidiary, net of cash acquired	0	-21 509	-63 434
Other investments	0	4 881	4 881
Cash flow from investment activities	-5 147	-27 850	-123 413
Proceeds from new loans	0	0	50 000
Down payments of debt to financial institutions	0	0	-8 127
Share issue	0	0	0
Other financial items	0	0	0
Cash flow from financing activities	0	0	41 873
Net change in cash and cash equivalent	-12 438	-33 771	-98 784
Cash and cash equivalents per 01.01.	65 349	164 133	164 133
<b>CASH AND CASH EQUIVALENTS</b>	<b>52 911</b>	<b>130 362</b>	<b>65 349</b>

## STATEMENT OF CHANGES IN EQUITY

NOK 1.000	Equity attributable to equity holders of the parent							Total
	Subscribed share capital	Share premium reserves	Other paid in Capital	Other equity	Foreign currency translation reserve	Actuarial gains and losses	Available-for-sale reserve	
Equity per 31.12.15	26 627	439 350	20 529	-179 884	122 206	-12 265	-65	416 499
Total comprehensive income for the period	0	0	0	-7 709	-14 785	0	0	-22 494
Share issue arising from acquisitions	497	11 903	0	0	0	0	0	12 400
<b>Equity per 31.03.16</b>	<b>27 124</b>	<b>451 253</b>	<b>20 529</b>	<b>-187 593</b>	<b>107 421</b>	<b>-12 265</b>	<b>-65</b>	<b>406 404</b>
Equity per 31.12.14	26 144	426 956	20 529	14 814	49 223	-11 570	3 305	529 401
Total comprehensive income for the period	0	0	0	-29 116	29 023	0	0	-93
Share issue arising from acquisitions	484	12 394	0	0	0	0	0	12 878
<b>Equity per 31.03.15</b>	<b>26 627</b>	<b>439 350</b>	<b>20 529</b>	<b>-14 302</b>	<b>78 246</b>	<b>-11 570</b>	<b>3 305</b>	<b>542 186</b>



## KEY FIGURES

	Q1 2016	Q1 2015	31.12.2015
Operating profit / EBIT per share (NOK)	-0,13	-0,04	-2,30
Operating margin (%)	-4,1 %	-1,5 %	-20,0 %
EPS (NOK)	-0,11	-0,42	-2,79
EPS, diluted (NOK)	-0,11	-0,42	-2,79
Cash flow per share (NOK)	-0,10	-0,09	-0,25
Equity per share (NOK)	5,80	7,87	5,97
Equity ratio (%)	41,6 %	58,1 %	41,8 %
Average number of shares	70 125 835	68 897 107	69 781 209
Average number of shares diluted	70 125 835	69 947 107	70 155 182

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

## NOTE 1 – GENERAL

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The consolidated condensed interim financial statements for the first quarter 2016 was approved by the Board of Directors at its meeting on 27 April 2016.

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 442 employees, is headquartered in Trondheim, Norway, and has local offices in 20 countries around the world. Q-Free ASA is a Norwegian public limited liability company, and has been listed on the Oslo Stock Exchange under the ticker QFR since 2002.

## NOTE 2 – STATEMENT OF COMPLIANCE

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These consolidated interim financial statements for the first quarter 2016, combined with other relevant financial information in this report, have been prepared in accordance with the regulations of the Oslo Stock Exchange and the requirements in IAS 34. These condensed consolidated interim financial statements for the quarter, have not been audited or subject to review by the Group's auditor. The financial statements do not include all of the information required for a full annual financial statements of the Group and should be read in conjunction with the consolidated financial statements for 2015. The consolidated financial statements for 2015 is available upon request from the company's registered office in Trondheim or at our website, [www.q-free.com](http://www.q-free.com).

## NOTE 3 – ACCOUNTING PRINCIPLES

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The consolidated financial statements of the Q-Free Group for the first quarter 2016 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Norwegian Accounting Act. The Group has used the same accounting policies and standards as in the consolidated financial statements as at December 31 2015.

## NOTE 4 – USE OF ESTIMATES

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

## NOTE 5 – EVENTS AFTER THE BALANCE SHEET DATE

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

## NOTE 6 – FORWARD LOOKING STATEMENTS

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This report contains statements regarding the future in connection with Q-Free's growth initiatives, profit figures, outlook, strategies and objectives. In particular, the section "Outlook" contains forward-looking statements regarding the Group's expectations. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual profit and development deviating substantially from what have been expressed or implied in such statements. These factors include the risk factors described in the Board of Directors report for 2015.

## NOTE 7 – OPERATING SEGMENTS

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

- **ELA** (Europe, Latin America)
- **APMEA** (Asia Pacific, Middle East and Africa)
- **NORDIC** (Norway, Sweden, Denmark, Finland, Iceland and the Faroe Islands.)
- **NA** (North America; 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. Regional performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

NOK 1.000	Q1 2016					Other / Group	TOTAL	Q1 2015					Other / Group	TOTAL
	ELA	APMEA	NORDIC	NA	Q1-16		ELA	APMEA	NORDIC	NA	Q1-15			
<b>Revenues</b>	<b>92 642</b>	<b>23 752</b>	<b>65 670</b>	<b>67 817</b>	<b>-30 910</b>	<b>218 972</b>	<b>110 408</b>	<b>20 972</b>	<b>54 956</b>	<b>36 827</b>	<b>-32 218</b>	<b>190 944</b>		
<b>Gross profit</b>	<b>53 204</b>	<b>9 567</b>	<b>49 338</b>	<b>46 925</b>	<b>-6 818</b>	<b>152 216</b>	<b>55 386</b>	<b>8 415</b>	<b>42 381</b>	<b>31 014</b>	<b>-1 742</b>	<b>135 453</b>		
Gross margin - %	57,4%	40,3%	75,1%	69,2%	22,1%	69,5%	50,2%	40,1%	77,1%	84,2%	5,4%	70,9%		
Operating expenses	29 140	13 845	23 858	59 161	20 564	146 568	27 949	12 138	17 948	30 535	27 726	116 295		
<b>EBITDA</b>	<b>24 064</b>	<b>-4 277</b>	<b>25 479</b>	<b>-12 236</b>	<b>-27 382</b>	<b>5 648</b>	<b>27 437</b>	<b>-3 723</b>	<b>24 433</b>	<b>479</b>	<b>-29 468</b>	<b>19 158</b>		
EBITDA margin	26,0%	-18,0%	38,8%	-18,0%	88,6%	2,6%	24,9%	-17,8%	44,5%	479	91,5%	10,0%		
Depreciation, amortisation and impairment	3 893	102	4 215	6 475		14 685	12 260	1 096	4 164	4 591	0	22 110		
<b>Operating profit - EBIT</b>	<b>20 171</b>	<b>-4 379</b>	<b>21 265</b>	<b>-18 711</b>	<b>-27 382</b>	<b>-9 037</b>	<b>15 178</b>	<b>-4 819</b>	<b>20 268</b>	<b>-4 112</b>	<b>-29 468</b>	<b>-2 952</b>		
EBIT margin	21,8%	-18,4%	32,4%	-27,6%	88,6%	-4,1%	13,7%	-23,0%	36,9%	-11,2%	91,5%	-1,5%		

	FY 2015					Other / Group	TOTAL
	ELA	APMEA	NORDIC	NA	2015		
<b>Revenues</b>	<b>326 913</b>	<b>96 542</b>	<b>256 370</b>	<b>233 657</b>	<b>-109 957</b>	<b>803 525</b>	
<b>Gross profit</b>	<b>186 859</b>	<b>41 621</b>	<b>182 557</b>	<b>188 963</b>	<b>-28 827</b>	<b>571 173</b>	
Gross margin - %	57,2%	43,1%	71,2%	80,9%	26,2%	71,1%	
Operating expenses	138 424	55 629	103 686	191 213	98 197	587 149	
<b>EBITDA</b>	<b>48 435</b>	<b>-14 008</b>	<b>78 871</b>	<b>-2 250</b>	<b>-127 024</b>	<b>-15 976</b>	
EBITDA margin	14,8%	-14,5%	30,8%	-2 250	115,5%	-2,0%	
Depreciation, amort. & impair	85 569	7 657	26 931	24 325		144 482	
<b>Operating profit - EBIT</b>	<b>-37 134</b>	<b>-21 665</b>	<b>51 940</b>	<b>-26 575</b>	<b>-127 024</b>	<b>-160 458</b>	
EBIT margin	-11,4%	-22,4%	20,3%	-11,4%	115,5%	-20,0%	

## NOTE 8 – DEPRECIATIONS, AMORTISATIONS AND IMPAIRMENT

NOK 1.000

Depreciations, amortisations and impairments	Q1 2016	Q1 2015	FY 2015
Capitalised development cost	4 062	11 497	44 844
Impairment development cost	0	0	55 523
Capitalised acquired development cost	6 695	6 016	27 550
Other	3 928	4 597	16 565
<b>Total</b>	<b>14 685</b>	<b>22 110</b>	<b>144 482</b>

Specifications of capital expenditures, balance sheet	Q1 2016	Q1 2015	FY 2015
Capitalised development cost	4 447	8 605	53 664
Capitalised acquired development cost	0	0	146 501
Other	700	2 616	8 620
<b>Total</b>	<b>5 147</b>	<b>11 221</b>	<b>208 785</b>

## NOTE 9 – FINANCIAL ITEMS

NOK 1.000

Financial items	Q1 2016	Q1 2015	FY 2015
Realised agio / disagio	-1 423	-23 773	-16 011
Unrealised agio / disagio	-1 332	4 408	9 650
Currency effects earn-out	2 180	-4 220	-3 555
Change earn-out	0	0	-6 935
Other financial income	293	1 855	5 381
Other financial expenses	-2 425	-1 827	-10 170
<b>Total</b>	<b>-2 707</b>	<b>-23 557</b>	<b>-21 640</b>

## NOTE 10 – CHANGES RELATED TO PREVIOUS QUARTERS

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 quarters.

Changes related to previous quarters	31.12.14	Adjust.	Restated 31.12.14	31.03.15	Adjust.	Restated 31.03.15	30.06.14	Adjust.	Restated 30.06.15	30.09.15	Adjust.	Restated 30.09.15
Development	202 777	12 259	215 036	193 870	15 121	208 991	248 796	14 802	263 598	245 810	25 957	271 767
Goodwill	192 885	35 084	227 969	192 885	45 048	237 933	284 158	44 653	328 811	284 158	73 719	357 877
Deferred tax assets	18 680	-3 331	15 349	16 435	-4 150	12 285	0	0	0	0	0	0
<b>Total assets</b>	<b>414 342</b>	<b>44 012</b>	<b>458 354</b>	<b>403 190</b>	<b>56 019</b>	<b>459 209</b>	<b>532 954</b>	<b>59 455</b>	<b>592 409</b>	<b>529 968</b>	<b>99 676</b>	<b>629 644</b>
Other equity (OCI)	11 761	44 012	55 773	-339	56 019	55 680	-6 614	55 859	49 245	-25 356	92 368	67 012
Deferred tax	19 808	0	19 808	19 808	0	19 808	285	3 596	3 881	6 865	7 308	14 173
<b>Total equity and liabilities</b>	<b>31 569</b>	<b>44 012</b>	<b>75 581</b>	<b>19 469</b>	<b>56 019</b>	<b>75 488</b>	<b>-6 329</b>	<b>59 455</b>	<b>53 126</b>	<b>-18 491</b>	<b>99 676</b>	<b>81 185</b>

The effects on depreciation and tax expenses in the profit for 2014 and previous quarters in 2015 are immaterial and for that reason we have not restated the profit previous quarters.

# KEY INFORMATION

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## FINANCIAL CALENDAR

First quarter 2016	: 28.04.2016
Second quarter 2016	: 18.08.2016
Third quarter 2016	: 27.10.2016
Fourth quarter 2016	: 14.02.2017



