

Q2

SECOND QUARTER AND FIRST HALF 2016 REPORT

President & CEO Håkon Volldal and CFO Roar Østbø



LEADING THE WAY

HIGHLIGHTS

Q2-2016

- Revenues of 246 MNOK, 38% growth YoY
- EBITDA of 11 MNOK (4.6% margin), vs 14 MNOK in Q2 15
- Order intake of 200 MNOK, mostly from smaller unannounced orders

1H 2016

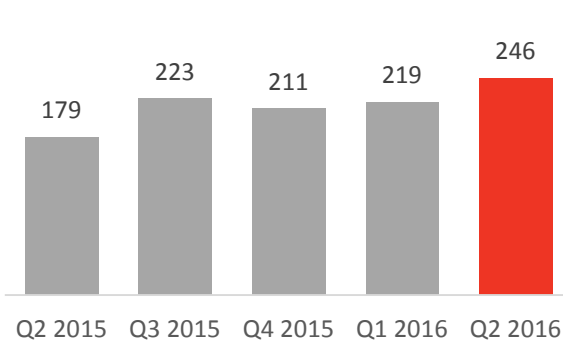
- Revenues of 465 MNOK, 26% growth YoY
- EBITDA of 17 MNOK (3.7% margin), vs 33 MNOK 1H 2015
- Order intake of 523 MNOK, up 94 MNOK YoY

POST Q2-2016

- All complaints related to the 472 MNOK tender award in Slovenia rejected, will result in record high order backlog
- Frame agreement with Via Verde in Portugal with an estimated value of 75-90 MNOK obtained

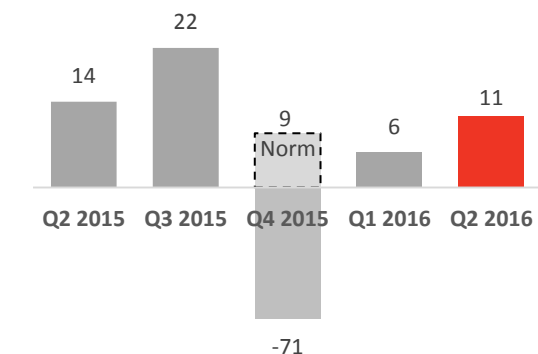
REVENUES LAST 5 QUARTERS

MNOK



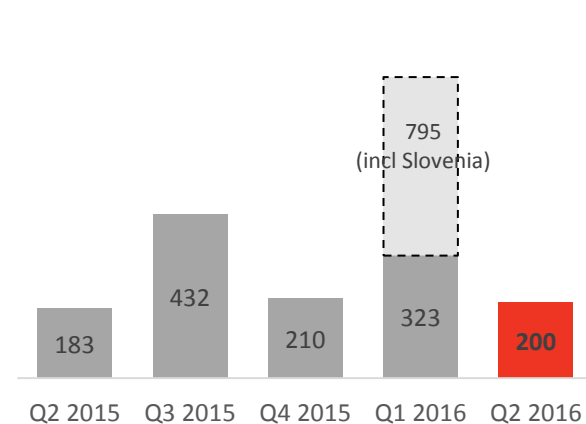
EBITDA LAST 5 QUARTERS

MNOK



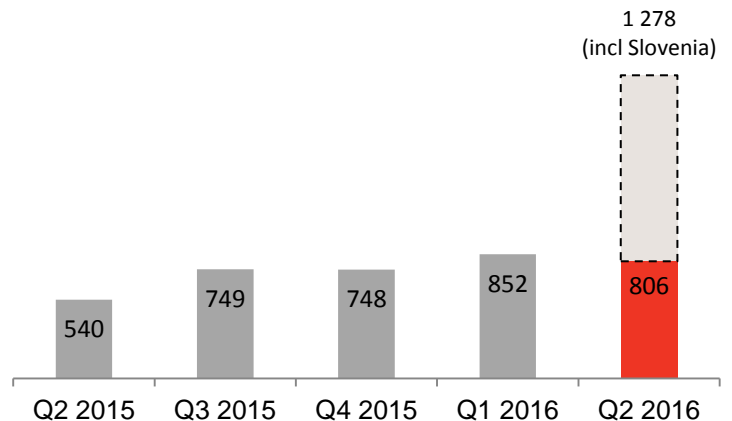
ORDER INTAKE LAST 5 QUARTERS

MNOK



ORDER BACK LOG LAST 5 QUARTERS

MNOK



FINANCIAL REVIEW

KEY FIGURES

NOK 1.000	Q2 2016	Q2 2015	Q/Q-%	1H 2016	1H 2015	Y/Y-%	FY 2015
Revenues	246 241	178 718	37,8%	465 213	369 662	25,8%	803 525
Gross profit	171 944	136 828	25,7%	324 168	272 281	19,1%	571 173
Gross margin - %	69,8%	76,6%		69,7%	73,7%		71,1%
Operating expenses	160 538	123 149	30,4%	307 114	239 444	28,3%	587 149
EBITDA	11 406	13 679	-16,6%	17 054	32 837		-15 976
EBITDA margin	4,6%	7,7%		3,7%	8,9%		-2,0%
Depreciation, amortisation and impairment	14 261	21 504	-33,7%	28 946	43 614	-33,6%	144 482
Operating profit - EBIT	-2 855	-7 825		-11 892	-10 777		-160 458
EBIT margin	-1,2%	-4,4%		-2,6%	-2,9%		-20,0%
Pre-tax profit	5 017	8 120		-6 727	-18 389		-182 098
Profit margin	2,0%	4,5%		-1,4%	-5,0%		-22,7%
EPS	0,01	0,09		-0,10	-0,33		-2,79

PROFIT AND LOSS SECOND QUARTER 2016

The Q-Free Group generated revenues of 246 MNOK in the second quarter of 2016, an increase of 38 percent from 179 MNOK in the second quarter of 2015 and up 27 MNOK compared to 219 MNOK in Q1-2016. Organic growth is approximately 32 % while the rest is from the companies acquired during the second quarter of 2015.

Gross profit for the quarter ended at 172 MNOK (137 MNOK last year), corresponding to a gross margin of 70% (77% last year). The decrease in gross margin compared to Q2-15 is partly due to the negative mix effect of a higher portion of project revenues and several projects in a start-up phase in Q2-16 where a conservative profit margin was recognised.

Operating expenses amounted to 161 MNOK in the second quarter of 2016. The increase from 123 MNOK in the corresponding quarter last year is explained by higher project activity, preparation for new projects as well as completed acquisitions in 2015, which was not included in Q2 2015.

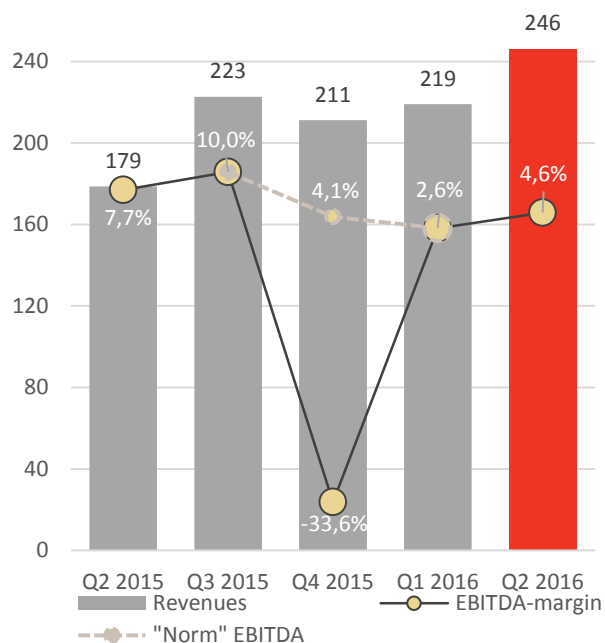
Reported EBITDA in the second quarter 2016 was 11 MNOK, down 3 MNOK compared to the corresponding quarter in

2015. The EBITDA-margin decreased to 4.6% from 7.7% last year.

Depreciation and amortisation was at 14 MNOK (22 MNOK last year). The decrease from Q2-2015 reflects reduced depreciation and amortisation due to the impairment of tolling technology in Q4 2015.

Operating profit (EBIT) ended at -3 MNOK, an improvement from -8 MNOK in the corresponding quarter in 2015 and up from -9 MNOK in the previous quarter.

QUARTERLY REVENUES AND EBITDA MARGIN MNOK & %



Net financial items in the quarter amounted to 8 MNOK, down from 16 MNOK in the corresponding quarter last year. The decrease is due to less favourable currency fluctuations and lower earn out liabilities as of 30.06.16.

Reported pre-tax profit was 5 MNOK for the period, compared to 8 MNOK in the second quarter of 2015. This reduction is mainly explained by the positive financial items reported in Q2 2015.

Earnings per share was 0.01 NOK in the quarter versus 0.09 NOK in the corresponding quarter last year.

PROFIT AND LOSS FIRST HALF 2016

Group revenues for first half year of 2016 amounted to 465 MNOK, up 26% from 370 MNOK in the corresponding period in 2015. Organic growth is approximately 23 % of this while the rest is from the companies acquired during the second quarter of 2015.

Gross profit for the first six months ended at 324 MNOK compared to 272 MNOK in the same period in 2015, an increase of 19 percent YoY.

Operating expenses amounted to 307 MNOK during the period, up from NOK 239 million in the first half of 2015. The increase of 28% is mainly due to the full-year effect of the acquisitions concluded in 1H 2015 and higher project activity.

First half 2016 EBITDA amounted to 17 MNOK (33 MNOK in 1H 2015), while operating profit (EBIT) ended at -12 MNOK (-11 MNOK in 1H 2015)

Net financial items amounted to 5 MNOK during the first six months compared to -8 MNOK during the corresponding period of 2015.

Pre-tax profit for the first half year of 2016 was -7 MNOK (-18 MNOK in 1H 2015).

Reported earnings per share was -0.10 NOK (- 0.33 NOK in 1H 2015).

CASH FLOW

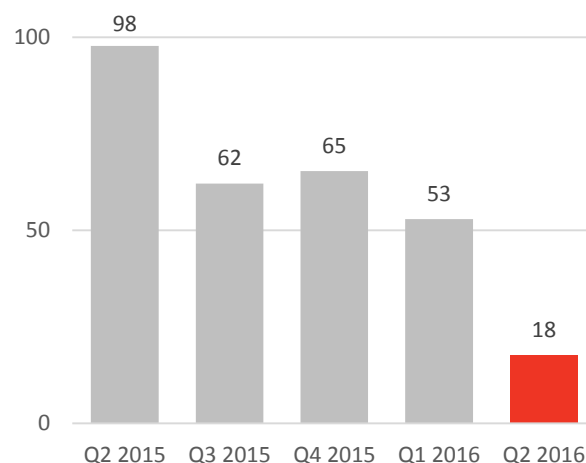
Net cash flow from operating activities was -37 MNOK in the second quarter of 2016. This compares to -20 MNOK in the second quarter of 2015. The change reflects lower profitability in the quarter and increased working capital. The cash impact during Q2 2016 of restructuring provisions made in Q4-15 represents 5 MNOK.

Net cash flow from investment activities was -33 MNOK in the second quarter (-63 MNOK in 2015), mainly reflecting 24 MNOK in payments for the acquisitions of Traffic Design, TDC Systems and Intelight, and 9 MNOK (21 MNOK last year) in investments in technology projects for tolling and parking and other fixed assets.

Net cash flow from financing activities was +34 MNOK in the second quarter (+50 MNOK in 2015), mainly reflecting new loans in the US.

This generated a net change in cash and cash equivalents of -35 MNOK in the second quarter of 2016 (-33 MNOK in 2Q 2015). The cash balance as of June 30 2016 ended at 18 MNOK (98 MNOK on June 30 2015), down from 53 MNOK as on March 31 2016.

QUARTERLY CASH FUNDS MNOK



BALANCE SHEET

Total assets at the end of the second quarter 2016 were 964 MNOK (1,020 MNOK end of 2Q 2015), down from 977 MNOK at the end of the first quarter of 2016.

Total equity ended at 395 MNOK (536 MNOK at the end of Q2 2015), down from 406 MNOK at the end of the first quarter of 2016. The equity ratio was 40.9 percent (52.5 percent at the end of 2Q 2015), slightly down from 41.6 percent at the end of the first quarter of 2016.

Non-current liabilities were 279 MNOK (281 MNOK end of Q2 2015), compared to 153 MNOK at the end of the first quarter of 2016. Provisions for earn out payments and obligations for future purchase of shares in Intelight in the US of 92 MNOK and debt to financial institutions of 150 MNOK, represent the majority of the non-current liabilities. Earn out liabilities have been reduced with 35 MNOK since the previous quarter, due to earn-out payments and purchase of shares in Intelight totalling 24 MNOK, reduced earn-out provisions of 12 MNOK and negative currency fluctuations of 1 MNOK.

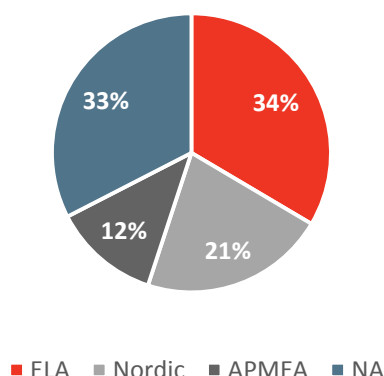
Interest bearing debt to financial institutions was 217 MNOK at the end of the period (182 MNOK at the end of Q1 2016). Q-Free was in breach of its covenant towards Danske Bank on the 150 MNOK loan due during the second quarter of 2016, at the end of the quarter. Q-Free has received a waiver on this breach valid to the reporting of the full year of 2016, and the loan is therefore classified as a long-term loan in this quarter. Available, unused credit facilities were 85 MNOK at the end of second quarter 2016.

Current liabilities were 290 MNOK at the end of the second quarter (204 MNOK at the end of Q2 2015). This is down from 418 MNOK at the end of the first quarter of 2016 due to the reclassification of the loan.

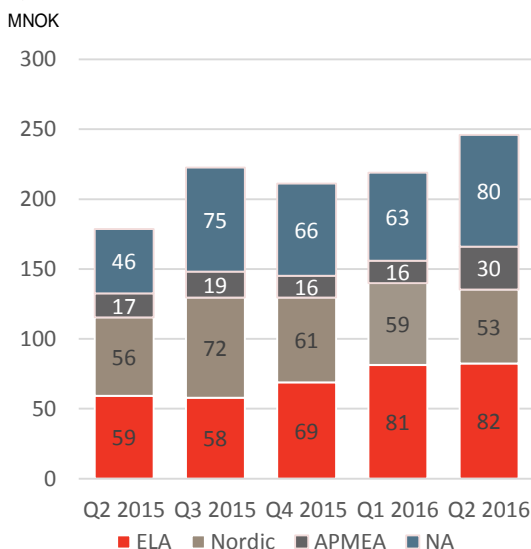
Net working capital (defined as current assets excluding cash less current liabilities, excluding short term interest-bearing debt) amounted to 144 MNOK at the end of the quarter (76 MNOK at the end of 2Q 2015). This corresponds to 16 percent of the revenues generated in the last 12 months. At the end of the first quarter of 2016, net working capital was 103 MNOK, or 12 percent of the revenues generated in the past 12 months. The ratio will vary between quarters depending on revenue composition and timing of payments. Q-Free sees more challenging payment terms on ongoing and future projects.

SEGMENT REVIEW

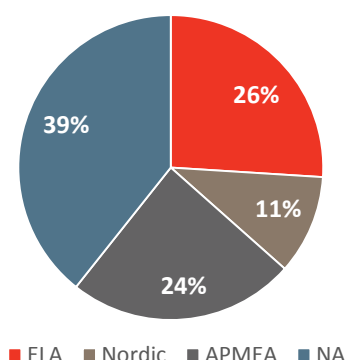
Q2 2016 REVENUE DISTRIBUTION BY REGION (%)



QUARTERLY REVENUES BY REGION



Q2 2016 ORDER INTAKE DISTRIBUTION BY REGION (%)



EUROPE & LATIN AMERICA (ELA)

Revenues in ELA amounted to 82 MNOK in the quarter, up from 59 MNOK in Q2 2015. Order intake amounted to 52 MNOK, compared to 29 MNOK in the corresponding quarter of 2015. The region accounted for 34 percent of total revenues and 26 percent of total order intake. The region represented 31 percent of the Group order backlog at the end of the second quarter.

Q-Free is still experiencing stable service & maintenance activity for our tolling solutions in the region. During Q2 2016 we have also delivered on existing tag orders to France, Russia, Brazil and Chile. We see increasing interest for our ALPR technology and Infomobility solutions, such as Weigh-in-motion, data classification and bicycle- / pedestrian systems.

Q-Free was awarded a truck tolling project in Slovenia in Q1 2016. Several complaints were filed by other bidders, but these were rejected by the National Revision Commission on 2 August. The project will start in the near future when the contract has been signed.

On 3 August Q-Free was awarded a frame agreement with Via Verde in Portugal. The agreement has an expected value of 75-90 MNOK over the coming 3 years, and deliveries will start immediately.

The orders received in August was not included in the backlog at the end of the second quarter.

THE NORDICS (NORDICS)

Revenues in the Nordic region amounted to 53 MNOK in the second quarter, in line with Q2 2015 of 56 MNOK. Order intake was 48 MNOK during the period, up from 43 MNOK in Q2 2015. The region accounted for 22 percent of overall revenues and 11 percent of total order intake. The region represented 42 percent of Group order backlog at the end of the second quarter.

Service and Maintenance contributes with stable recurring business both in Norway and Sweden. In addition Q-Free is in the process of delivering several projects in Norway, and the announcement late in Q1 2016 of the 170 MNOK contract for CS Autopass secures the company's back office system activity going forward. Q-Free also won a contract for deliveries of Autopass-technology for ferries to Anda-Lote, Fjord1 during the second quarter mainly for delivery in 2017 including a 10 year operational phase.

ASIA, MIDDLE EAST AND AFRICA (APMEA)

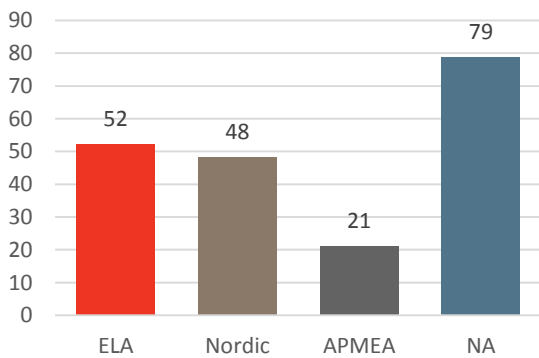
Revenues in APMEA amounted to 30 MNOK in the second quarter, up from 17 MNOK in Q2 2015. Order intake ended at 21 MNOK, compared to 31 MNOK in the corresponding quarter of 2015. The region accounted for 12 percent of



overall revenues and 24 percent of total order intake. The region represented 8 percent of the Group order backlog at the end of the second quarter.

During Q2 2016 we have delivered tags to both new and existing customers in Australia and Thailand. In addition, we are upgrading existing tolling systems to new technology in Thailand. The increased activity in the region represents a growth potential for recurring business in service and maintenance sale.

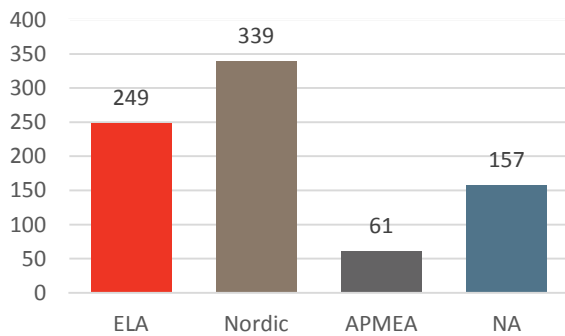
Q2 2016 ORDER INTAKE BY REGION



MNOK

ORDER BACKLOG BY REGION AS OF 30.06.16

MNOK



NORTH AMERICA (NA)

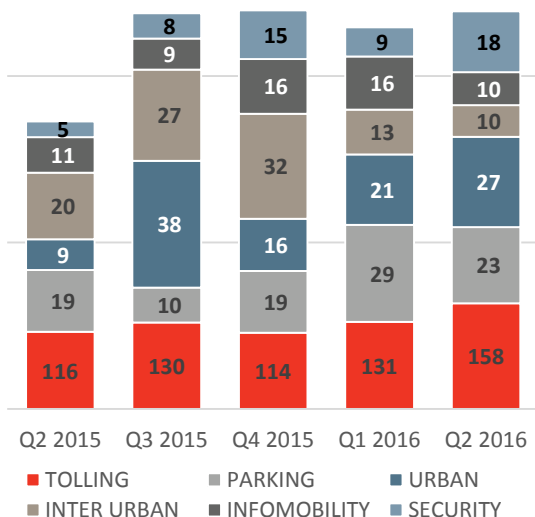
Revenues in NA amounted to 80 MNOK in the second quarter compared to 46 MNOK in Q2 2015. The increase is explained by growth in the tolling market. Order intake, which amounted to 79 MNOK during the period, is in line with 80 MNOK in Q2 2015. The region accounted for 33 percent of overall revenues and 39 percent of total order intake. By the end of the quarter NA accounted for 20 percent of the Group order backlog.

Q-Free was, during the second quarter, awarded a tolling contract with Miami Dade Expressway (MDX), Miami, US, with a value of 16 MNOK. This contract is an extension of an existing contract.

SERVICE LINE REVIEW

QUARTERLY REVENUES BY SERVICE LINES

MNOK



TOLLING was the largest contributor to overall revenues in Q-Free with 64 percent in of the second quarter of 2016. Q2 2016 was the best TOLLING quarter since Q4-14 with 52 MNOK in product deliveries to Thailand, Australia, Chile, Russia and Brazil, and 47 MNOK in continued deliveries on service and maintenance contracts in Norway, Sweden, Portugal and Australia. In addition, TOLLING-system projects with a value of NOK 59 million were delivered in Norway, Chile, the US and Thailand.

In **PARKING** the main activity was deliveries of parking guidance systems in North America and France, and parking management systems to customers in Sweden. PARKING experienced 73 percent growth during 1H-16 compared to 1H 2015.

URBAN refers to traffic management products and systems delivered to cities in the US and streetlights and traffic signs in Eastern Europe. The growth in Q2 2016 of 18 MNOK YoY -16 is due to increased sales in the US market.

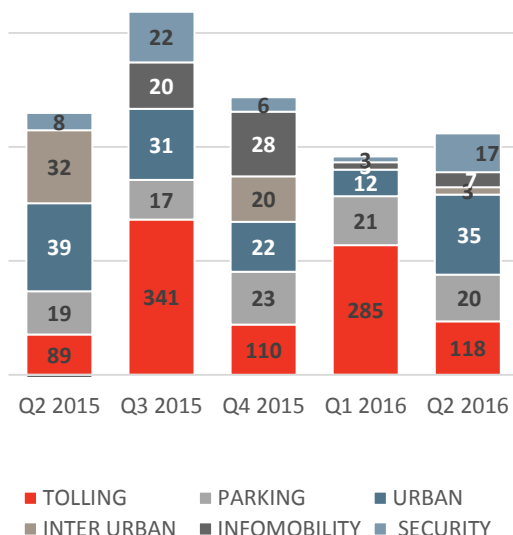
INTER-URBAN consists of deliveries of Traffic Management centres mainly in the US and in Europe. INTER-URBAN had a weak second quarter of 2016 because of low activity in this segment in the US.

INFOMOBILITY mainly represents systems and deliveries on traffic counters, cycle and pedestrian detection systems, journey time monitoring and weigh-in-motion systems. The second quarter showed growth compared to Q2-15, and we see an increasing pipeline in various markets, especially in the US.

SECURITY represents integrated security systems in the US where Q-Free provides 24/7 support on mission-critical systems deployed across the United States, Europe and Asia Pacific. 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. The 17 MNOK in revenues in Q2-16 represents a doubling compared to Q2-15.

QUARTERLY ORDER INTAKE BY SERVICE LINE

MNOK



ORDER INTAKE AND BACKLOG

Order intake in the second quarter amounted to 200 MNOK (179 MNOK in 2Q 2015). The order intake includes 29 MNOK in two previously announced orders and NOK 171 million in unannounced orders.

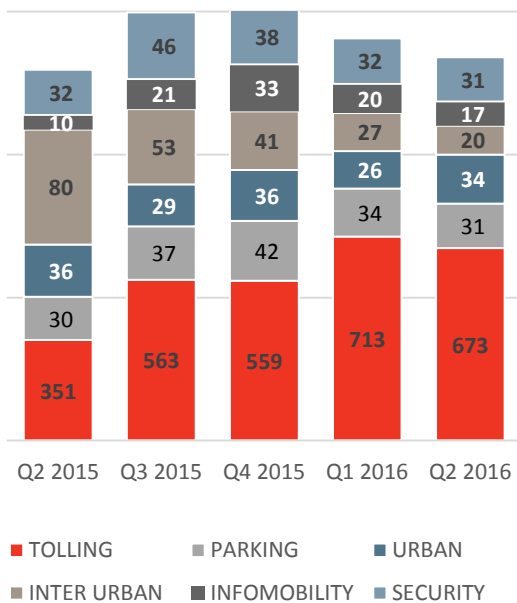
Tolling (118 MNOK) had the highest share of the received orders during the second quarter, but Urban (35 MNOK) and Security (17 MNOK) also contributed positively.

Q-Free will from the third quarter change its policy on the threshold to announce new orders to the Oslo Stock Exchange. The thresholds have been 10 MNOK for tolling orders and 5 MNOK for orders in the other service lines. The threshold for announcing new orders will be changed to 25 MNOK for all service lines.

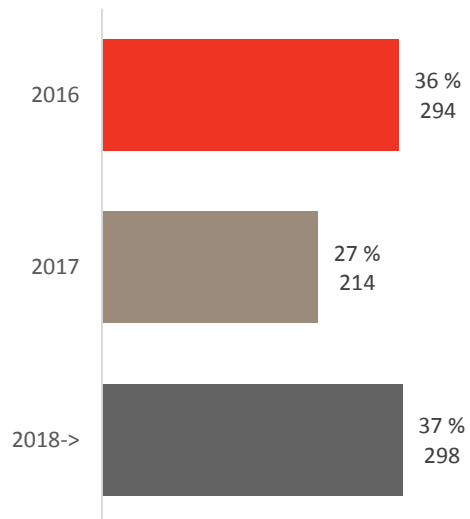
Q-Free's order backlog as of 30 June 2016 was 806 MNOK (540 MNOK at the end of Q2 2015), down 46 MNOK from 852 MNOK as of 31 March 2016.

294 MNOK (36%) of the backlog is for delivery in 2016, this is an increase from 280 MNOK at the end of Q2 15.

Q2 2016 ORDER BACKLOG DISTRIBUTION BY SERVICE LINE MNOK



ORDER BACK LOG DISTRIBUTION AS OF 30.06.16 MNOK



OUTLOOK

Based on the strong order backlog end of Q2, the recently announced frame contract in Portugal, and the likely signing of the truck tolling project in Slovenia, Q-Free has good momentum going into second half 2016. We see increased tender activity both for short- and mid-term projects in many regions.

On top of our traditional tolling business, where Q-Free is a recognized global leader with distinctive and leading technology and solutions, we have over the past couple of years built an Advanced Traffic Management Solutions (ATMS) business through a series of acquisitions. ATMS, which includes our parking, urban, inter-urban, infomobility and security service lines, balances the more volatile nature of tolling projects, targets different customer groups, and is a prerequisite for taking part in the development towards smart cities and Intelligent Transportation Solutions (ITS). ATMS contributed to 36% of Q-Free's revenues in Q2, and the order intake for Traffic Management during 2016 has been good. Whereas the transformation of Q-Free from a pure tolling company into an ITS company will create ample

room for growing sales and profit going forward, we need to pursue a focused growth strategy. The ITS market is huge, and we need to make sure what we bring to market is distinctive and competitive. Hence, in the coming period Q-Free aims to consolidate its offering based on carefully integrating the acquired ATMS companies and build leading, global positions within select market segments besides tolling.

Most ITS projects today involve significant upfront investments in working capital by suppliers, as we do not get paid until completion of the project delivery. To fund the Slovenia project and other awarded contracts and position Q-Free to bid for similar projects in the future, we need to strengthen our financing and investment capacity. Consequently, we will initiate a process to raise equity, which in turn will give us a more balanced financial structure and opportunities for further debt financing. Q-Free has appointed ABG Sundal Collier to assist in optimizing our capital structure. Moreover, we will call for an extraordinary general meeting on 19 September 2016 where the Board of Directors will ask the shareholders to authorize the Board to increase Q-Free's share capital by up to 25%.

FINANCIAL OVERVIEW

The condensed interim consolidated financial statements per 30.06.16 (unaudited):

INTERIM CONSOLIDATED INCOME STATEMENT

NOK 1.000	Note	Q2 2016	Q2 2015	1H 2016	1H 2015	FY 2015
Revenues	7	246 241	178 718	465 213	369 662	803 525
Cost of goods sold		74 297	41 890	141 045	97 381	232 352
Payroll expenses		76 964	58 738	160 687	124 003	304 419
Other operating expenses		83 574	64 411	146 427	115 441	282 730
Total operating expenses		234 835	165 039	448 159	336 825	819 501
EBITDA	7	11 406	13 679	17 054	32 837	-15 976
Depreciation, amortisation and impairment	8, 10	14 261	21 504	28 946	43 614	144 482
EBIT	7	-2 855	-7 825	-11 892	-10 777	-160 458
Financial income	9	21 608	37 826	26 354	50 859	76 999
Financial expenses	9	-13 736	-21 881	-21 189	-58 471	-98 639
Net financial items		7 872	15 945	5 165	-7 612	-21 640
Profit before tax		5 017	8 120	-6 727	-18 389	-182 098
Tax expenses	10	-3 981	-1 842	54	-4 449	-12 600
Profit for the period		1 036	6 278	-6 673	-22 838	-194 698
Attributable to :						
Equity holders of the parent		1 036	6 278	-6 673	-22 838	-194 698
Profit		1 036	6 278	-6 673	-22 838	-194 698
Number of employees		466	434	466	434	429
Gross margin		69,8 %	76,6 %	69,7 %	73,7 %	71,1 %
EBITDA margin		4,6 %	7,7 %	3,7 %	8,9 %	-2,0 %
EBIT margin		-1,2 %	-4,4 %	-2,6 %	-2,9 %	-20,0 %
Profit margin		2,0 %	4,5 %	-1,4 %	-5,0 %	-22,7 %
EPS (NOK)		0,01	0,09	-0,10	-0,33	-2,79
EPS, diluted (NOK)		0,01	0,09	-0,10	-0,33	-2,79

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK 1.000	Note	Q2 2016	Q2 2015	1H 2016	1H 2015	FY 2015
Profit for the period		1 036	6 278	-6 673	-22 838	-194 698
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of foreign operations	10	-12 676	-12 713	-27 461	16 310	72 983
Net (loss)/gain on available-for-sale financial assets		0	0	0	0	-3 370
- Income tax effect		0	0	0	0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:		-12 676	-12 713	-27 461	16 310	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	0	0	-695
- Income tax effect		0	0	0	0	0
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods:		0	0	0	0	-695
Total comprehensive income for the period		-11 640	-6 435	-34 134	-6 528	-125 780
Attributable to :						
Equity holders of the parent		-11 640	-6 435	-34 134	-6 528	-125 780
Total comprehensive income for the period		-11 640	-6 435	-34 134	-6 528	-125 780

BALANCE SHEET - ASSETS

NOK 1.000	Note	30.06.2016	31.03.2016	31.12.2015	30.09.2015	30.06.2015
Development	8, 10	195 839	199 400	214 526	271 767	263 598
Goodwill	8, 10	343 059	344 960	367 465	357 877	328 811
Total intangible assets		538 898	544 360	581 991	629 644	592 409
Machinery, fixtures and fittings		38 052	39 699	43 854	46 303	48 854
Total fixed assets		38 052	39 699	43 854	46 303	48 854
Shares		393	674	660	671	545
Other long term receivables		2 052	1 625	1 592	1 192	794
Total financial fixed assets		2 445	2 299	2 252	1 863	1 339
Total non - current assets		579 395	586 358	628 097	677 810	642 602
Inventories		79 785	96 612	81 378	92 927	74 646
Total inventories		79 785	96 612	81 378	92 927	74 646
Accounts receivables		172 898	132 016	149 606	166 062	143 172
Work in progress		75 621	69 375	44 269	54 688	36 219
Other receivables		39 013	40 012	28 616	33 531	25 446
Total receivables		287 532	241 403	222 491	254 281	204 837
Cash		17 686	52 911	65 349	62 134	97 752
Total current assets		385 003	390 926	369 218	409 342	377 235
Total assets		964 398	977 284	997 315	1 087 152	1 019 837

BALANCE SHEET - EQUITY & LIABILITIES

NOK 1.000	Note	30.06.2016	31.03.2016	31.12.2015	30.09.2015	30.06.2015
Subscribed share capital		27 124	27 124	26 627	26 627	26 627
Share premium reserve		451 252	451 252	439 350	439 350	439 350
Other paid in capital		20 529	20 529	20 529	20 529	20 529
Total paid in capital		498 905	498 905	486 506	486 506	486 506
Other equity	10	-104 141	-92 501	-70 007	67 012	49 245
Total retained equity		-104 141	-92 501	-70 007	67 012	49 245
Total equity		394 764	406 404	416 499	553 518	535 751
Pension liabilities		18 775	18 775	18 775	18 293	18 293
Deferred tax	10	10 608	6 582	12 630	14 173	3 881
Debt to financial institutions		150 000	0	0	150 000	150 000
Other non-current liabilities		99 820	128 007	135 894	123 322	108 373
Total non-current liabilities		279 203	153 364	167 299	305 788	280 547
Debt to financial institutions		66 756	182 256	150 000	0	0
Accounts payable		90 239	83 352	77 913	77 001	67 120
Tax payable		2 233	2 689	2 051	1 885	4 382
Public duties payable		19 783	10 109	19 713	11 006	14 528
Advance payments customers		19 557	18 454	12 576	5 518	11 790
Other short term debt		91 863	120 656	151 264	132 436	105 719
Total current liabilities		290 431	417 516	413 517	227 846	203 539
Total liabilities		569 634	570 880	580 816	533 634	484 086
Total equity and liabilities		964 398	977 284	997 315	1 087 152	1 019 837

CASH FLOW STATEMENT

NOK 1.000	Q2 2016	Q2 2015	1H 2016	1H 2015	FY 2015
Earnings before tax	5 017	8 120	-6 727	-18 389	-182 098
Taxes paid	-1 933	-5 301	-3 145	-7 750	-19 272
Depreciation / impairment	14 261	21 504	28 946	43 614	144 482
Other operational items	-54 312	-44 214	-81 842	-43 287	39 644
Cash flow from operating activities	-36 967	-19 891	-62 768	-25 812	-17 244
Investments intangible assets	-5 912	-17 503	-10 359	-26 109	-56 240
Investments tangible assets	-3 001	-3 291	-3 701	-5 907	-8 620
Acquisition of a subsidiary, net of cash acquired	-23 845	-41 925	-23 845	-63 434	-63 434
Other investments	0	0	0	4 881	4 881
Cash flow from investment activities	-32 758	-62 719	-37 905	-90 569	-123 413
Proceeds from new loans	34 500	50 000	53 010	50 000	50 000
Down payments of debt to financial institutions	0	0	0	0	-8 127
Share issue	0	0	0	0	0
Other financial items	0	0	0	0	0
Cash flow from financing activities	34 500	50 000	53 010	50 000	41 873
Net change in cash and cash equivalent	-35 225	-32 610	-47 663	-66 381	-98 784
Cash and cash equivalents per 01.01.	52 911	130 362	65 349	164 133	164 133
CASH AND CASH EQUIVALENTS	17 686	97 752	17 686	97 752	65 349

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	-6 673	-27 461	0	0	-34 134
Share issue arising from acquisitions	497	11 903	0	0	0	0	0	12 400
Equity per 30.06.16	27 124	451 253	20 529	-186 557	94 745	-12 265	-65	394 764
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	-22 838	16 310	0	0	-6 528
Share issue arising from acquisitions	484	12 394	0	0	0	0	0	12 878
Equity per 30.06.15	26 627	439 350	20 529	-8 024	65 533	-11 570	3 305	535 751

KEY FIGURES

	Q2 2016	Q2 2015	1H 2016	1H 2015	FY 2015
Operating profit / EBIT per share (NOK)	-0,04	-0,11	-0,17	-0,16	-2,30
Operating margin (%)	-1,2 %	-4,4 %	-2,6 %	-2,9 %	-20,0 %
EPS (NOK)	0,01	0,09	-0,09	-0,33	-2,79
EPS, diluted (NOK)	0,01	0,09	-0,09	-0,33	-2,79
Cash flow per share (NOK)	-0,03	-0,28	-0,14	-0,37	-0,25
Equity per share (NOK)	5,58	7,71	5,58	7,71	5,97
Equity ratio (%)	40,9 %	52,5 %	40,9 %	52,5 %	41,8 %
Average number of shares	71 378 757	70 070 552	70 739 030	69 487 071	69 781 209
Average number of shares diluted	71 378 757	70 532 090	70 739 030	70 241 215	70 155 182

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

NOTE 1 – GENERAL

The consolidated condensed interim financial statements for the second quarter and the first half ended 30.06.2016 (unaudited) was approved by the Board of Directors at its meeting on 17 August 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, Asia Pacific, Middle East, Africa, North and South America. Q-Free has 466 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

These consolidated interim financial statements for the first half 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.

NOTE 3 – ACCOUNTING PRINCIPLES

The consolidated financial statements of the Q-Free Group for the second quarter and the first half ended 30.06.2016 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 of 31 December 2015.

NOTE 4 – USE OF ESTIMATES

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

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

NOTE 6 – FORWARD LOOKING STATEMENTS

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** (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	Q2 2016					Other / Group	TOTAL Q2-16	Q2 2015					Other / Group	TOTAL Q2-15
	ELA	APMEA	NORDIC	NA	ELA			APMEA	NORDIC	NA				
Revenues	92 349	48 298	57 198	82 881	-34 485	246 241	72 568	24 925	63 671	49 316	-31 762	178 718		
Gross profit	51 453	26 146	50 505	57 117	-13 277	171 944	38 207	12 176	48 598	41 891	-4 043	136 828		
Gross margin - %	55,7%	54,1%	88,3%	68,9%	38,5%	69,8%	52,7%	48,9%	76,3%	84,9%	12,7%	76,6%		
Operating expenses	36 651	20 075	28 497	64 037	11 279	160 538	26 928	15 285	28 983	40 684	11 269	123 149		
EBITDA	14 803	6 071	22 008	-6 920	-24 556	11 406	11 279	-3 108	19 615	1 207	-15 312	13 679		
EBITDA margin	16,0%	12,6%	38,5%	-8,3%	71,2%	4,6%	15,5%	-12,5%	30,8 %	2,4 %	48,2%	7,7%		
Depreciation, amortisation and impairment	3 727	112	4 175	6 252	-6	14 261	9 446	1 601	4 982	5 475	0	21 504		
Operating profit - EBIT	11 076	5 959	17 833	-13 173	-24 550	-2 855	1 833	-4 710	14 633	-5 475	-15 313	-7 825		
EBIT margin	12,0%	12,3%	31,2%	-15,9%	71,2%	-1,2%	2,5%	-18,9%	23,0%	-11,1%	48,2%	-4,4%		

NOK 1.000	1H 2016					Other / Group	TOTAL 2016	1H 2015					Other / Group	TOTAL 2015
	ELA	APMEA	NORDIC	NA	ELA			APMEA	NORDIC	NA				
Revenues	184 991	72 050	122 868	150 698	-65 395	465 213	182 976	45 897	118 626	86 143	-63 980	369 662		
Gross profit	104 657	35 714	99 842	104 042	-20 095	324 168	93 593	20 591	90 979	72 904	-5 785	272 282		
Gross margin - %	56,6%	49,6%	81,3%	69,0%	30,7%	69,7%	51,2%	44,9%	76,7%	84,6%	9,0%	73,7%		
Operating expenses	65 790	33 920	52 355	123 198	31 843	307 114	54 877	27 423	46 931	71 219	38 995	239 444		
EBITDA	38 867	1 794	47 487	-19 156	-51 938	17 054	38 716	-6 832	44 048	1 686	-44 780	32 837		
EBITDA margin	21,0%	2,5%	38,6%	-12,7%	79,4%	3,7%	21,2%	-14,9%	37,1%	2,0 %	70,0%	8,9%		
Depreciation, amortisation and impairment	7 621	214	8 390	12 727	-6	28 946	21 706	2 697	9 146	10 065	0	43 614		
Operating profit - EBIT	31 245	1 579	39 097	-12 728	7	-11 892	17 010	-9 529	34 902	-10 065	-44 780	-10 777		
EBIT margin	16,9%	2,2%	31,8%	-8,4%	0,0%	-2,6%	9,3%	-20,8%	29,4%	-11,7%	70,0%	-2,9%		

NOTE 8 – DEPRECIATIONS, AMORTISATIONS AND IMPAIRMENTS

NOK 1.000

Depreciations, amortisations and impairments	Q2 2016	Q2 2015	1H 2016	1H 2015	FY 2015
Capitalised development cost	3 849	11 692	7 911	23 189	44 844
Impairment development cost	0	0	0	0	55 523
Capitalised acquired development cost	6 427	5 557	13 122	11 573	27 550
Other	3 985	4 255	7 913	8 852	16 565
Total	14 261	21 504	28 946	43 614	144 482

Specifications of capital expenditures, balance sheet	Q2 2016	Q2 2015	1H 2016	1H 2015	FY 2015
Capitalised development cost	5 911	17 503	10 358	26 108	53 664
Capitalised acquired development cost	0	145 945	0	145 945	146 501
Other	3 000	3 291	3 700	5 907	8 620
Total	8 911	166 739	14 058	177 960	208 785

NOTE 9 – FINANCIAL ITEMS

NOK 1.000

Financial items	Q2 2016	Q2 2015	1H 2016	1H 2015	FY 2015
Realised agio / disagio	2 219	13 464	796	-10 309	-16 011
Unrealised agio / disagio	-4 429	8 815	-5 761	13 223	9 650
Currency effects earn-out	237	-4 120	2 417	-8 340	-3 555
Change earn-out	12 383	0	12 383	0	-6 935
Other financial income	193	1 578	486	3 433	5 381
Other financial expenses	-2 731	-3 792	-5 156	-5 619	-10 170
Total	7 872	15 945	5 165	-7 612	-21 640

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
Total assets	414 342	44 012	458 354	403 190	56 019	459 209	532 954	59 455	592 409	529 968	99 676	629 644
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
Total equity and liabilities	31 569	44 012	75 581	19 469	56 019	75 488	-6 329	59 455	53 126	-18 491	99 676	81 185

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

NOTE 11 – RISK FACTORS

Q-Free is an international technology company exposed to a number of different risk factors.

These risk factors are outlined in the Board of Directors Report as part of the 2015 Annual Report.

NOTE 12 – RELATED PARTY TRANSACTIONS

There are no major related party transactions for Q-Free Group in Q2 2016. Further, none of the Board members have been granted loans or guarantees in the current year or are included in the Group's pension or bonus plans.

All related party transactions are concluded on an arm's length basis.

RESPONSIBILITY STATEMENT FROM THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and the CEO have today considered and approved the condensed financial statements for the first half year of 2016 and the financial information in this report that is relevant for the first half year of 2016.

The report for the first half year of 2016 has been prepared in accordance with IAS 34 Interim Financial Statements and additional disclosure requirements as stated in the Norwegian Verdipapirhandelloven (Securities Trading Act).

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2016 gives a true and fair view of the Q-Free Group's consolidated assets, liabilities, financial position and results of operations. To the best of our knowledge the report provides a fair review of important events in the period and their effects on the condensed set of financial statements, with a description of the principal risks and uncertainties that the Q-Free Group is facing for the remaining months of the financial year that may have a material effect on financial position or results for the

Q-Free Group for the period and of transactions with related parties.

Oslo, 17 August 2016.

The Board of Directors and

Chief Executive Officer of Q-Free ASA

Charlotte Brogren Karlberg	Chairman of the Board
Tore Valderhaug	Vice Chairman of the Board
Ragnhild Wahl	Member
Snorre Kjesbu	Member
Sissel Lillevik Larsen	Employee elected member
Rune Jøraandstad	Employee elected member
Håkon Volldal	President & CEO

KEY INFORMATION

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Organisation number: NO 935 487 242
Founded: 1984

HQ visitors address: Strindfjordvegen 1,
7053 Ranheim,
Norway

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

