

+ COMPANY  
Q-FREE ASA

+ REFERENCE TYPE

## QUARTERLY REPORT

+ REVENUES (MNOK)

68

## CEO CORNER //

This quarter has been very challenging for the company and the important thing now is to show that we as a team can manage to handle the situation in the best possible way - both with respect to short and long term aspects.

The scope change for the truck tolling project in Slovakia has severe financial impact for the company. It has been a long process with the client, - it has drained a lot of management resources and been very demanding. Obviously the company has to learn from this experience, - having said that it is an extraordinary situation we have been facing.

Despite of the commercial outcome of the Slovakia project, nobody can take away from Q-Free the fact that we have delivered the world's most advanced truck-tolling scheme, under extreme conditions, and managed to reach a very demanding deadline of 1<sup>st</sup> of January 2010 – as planned. This reference will be a very important sales tool for Q-Free going forward.

On the positive side, - on the 15<sup>th</sup> of October we successfully started operation of two scuts in Portugal. This represents a successful end of our deployment of the most advanced fully automated multilane tolling system in the world, and the start for many new opportunities in Portugal.

As mentioned last quarterly report, - we are currently in a situation for which a lot of excellent work and important activities are being carried out in the company but we have not yet been rewarded financially. Taken into consideration the global markets trends and Q-Free position, I am convinced that we will take the next positive steps, also measured by means of financial performance. This will not happen in 2010, but we expect to start seeing this trend already in 2011.

The vision of Q-Free is to be a globally preferred partner in the area of Intelligent Transport Systems, having world-wide leadership in Road User Charging and Traffic Management. This is a bold vision, but achievable if we do the right things long enough. Short term challenges do not stop us believing in and working hard towards achieving this goal.

Thanks to all clients, employees and partners for your strong commitment to Q-Free – we will come back strong.



## HIGHLIGHTS //

- Revenues 67.8 MNOK, 70 % reduction compared to Q3-09.
- Operating profit (EBIT) -115.0 MNOK, -169.4 % margin
- Pretax profit -110.2 MNOK, -162.4 % margin
- Cash position weakened, but expected to improve in the coming quarters
- Order intake 96 MNOK, main contributors being;
  - Tag order in Brazil - 24 MNOK (last call-off of Frame Agreement at a value of 112 MNOK)
  - Tag order in Australia – 16 MNOK
  - Service & Maintenance – 11 MNOK
- Order backlog 467 MNOK
- Changes in the Slovakia contract having material financial impact in the quarter

NOK 1.000	Q3 2010	Q3 2009	30.09.2010	30.09.2009	Q2 2010	31.12.2009
Revenues	67 846	226 624	429 139	534 054	169 647	804 403
Gross profit	1 317	136 274	223 272	324 564	94 568	500 974
Gross margin - %	1,9 %	60,1 %	52,0 %	60,8 %	55,7 %	62,3 %
Operating profit - EBITDA	-85 084	37 407	-43 860	76 940	19 637	135 205
EBITDA margin	-125,4 %	16,5 %	-10,2 %	14,4 %	11,6 %	16,8 %
Operating profit - EBIT	-114 963	30 519	-92 901	55 254	8 824	102 743
EBIT margin	-169,4 %	13,5 %	-21,6 %	10,3 %	5,2 %	12,8 %
Pretax profit	-110 163	33 125	-87 735	63 534	7 591	109 698
Profit margin	-162,4 %	14,6 %	-20,4 %	11,9 %	4,5 %	13,6 %
EPS	-1,32	0,49	-1,05	0,91	0,09	1,41

## COMMENTS TO THE FINANCIAL STATEMENTS AND THE OPERATIONAL DEVELOPMENT DURING THE QUARTER //

The Group generated revenues of 67.8 MNOK during the third quarter 2010 compared to 226.6 MNOK in the corresponding quarter in 2009. Revenues in the second quarter 2010 amounted to 169.6 MNOK. This represents a reduction of 70 % from last year and a reduction of 60 % from the previous quarter. The revenues in the third quarter 2010 comprised 73 MNOK of product revenues, 16 MNOK of service and maintenance revenues and -21 MNOK in project deliveries.

Cost of goods sold in the third quarter 2010 amounted to 66.5 MNOK, representing a gross margin of 1.9 % in the quarter. Corresponding gross margin in the third quarter 2009 was 60.1 % and 55.7 % in the second quarter 2010.

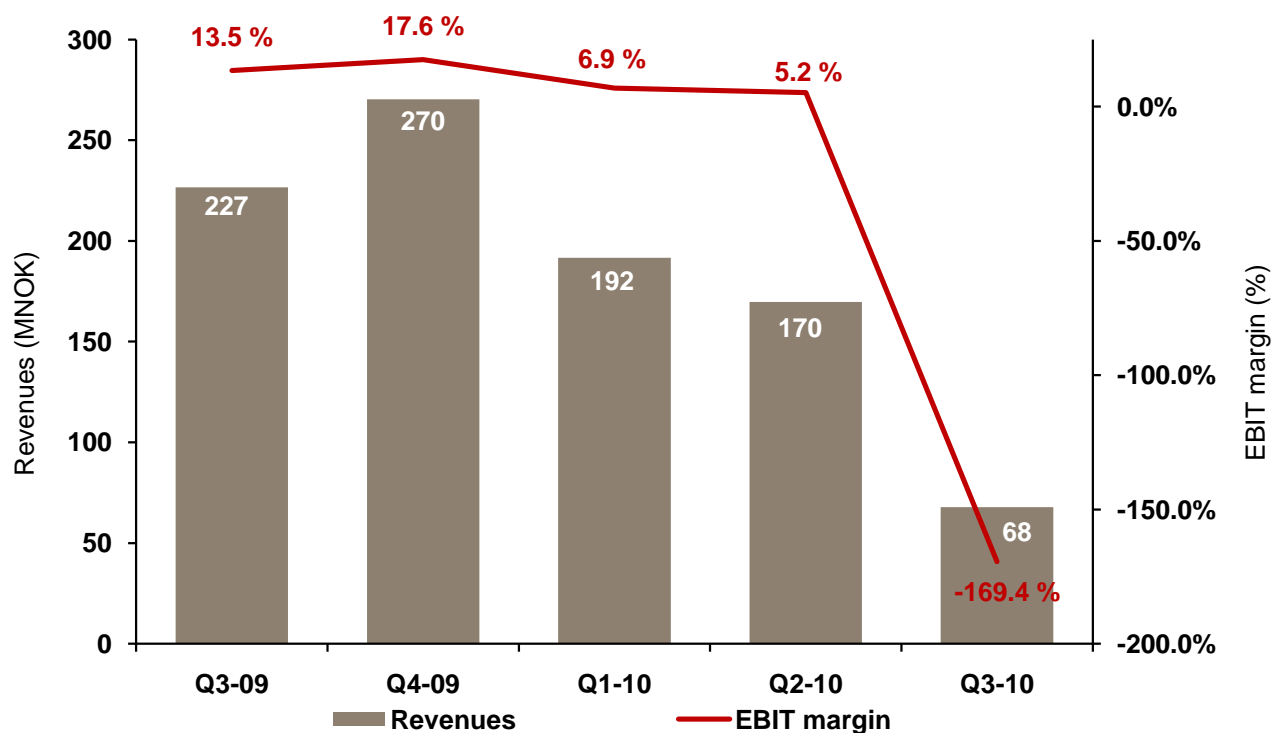
The operating expenses in this quarter were 86.4 MNOK compared to 98.8 MNOK in the third quarter 2009 and 74.9 MNOK in the second quarter of 2010. This decrease from 2009 is mainly due to decreased activity related to the projects in Slovakia and Portugal.

The Group's operating profit (EBIT) in the third quarter 2010 was -115.0 MNOK (-169.6 %) compared to 30.5 MNOK (13.5%) in the corresponding quarter in 2009. The EBIT in the second quarter 2010 was 8.8 MNOK (5.2%). The deviation compared to the second quarter 2010 is mainly explained by the effect of reduced contract scope, increased cost and write down of fixed assets related to the project in Slovakia.

In the third quarter 2010 net financial items amounted to 4.8 MNOK, compared to 2.6 MNOK in the corresponding quarter in 2009 and -1.2 MNOK in the second quarter 2010.

Profit after tax in the third quarter 2010 amounted to -79.3 MNOK compared to 26.7 MNOK in the corresponding quarter in 2009. In the second quarter 2010 profit after tax amounted to 5.3 MNOK.

Earnings per share in the second quarter 2010 amounted to -1.32 NOK compared to 0.49 NOK in the corresponding quarter in 2009 and 0.09 NOK in the second quarter 2010.



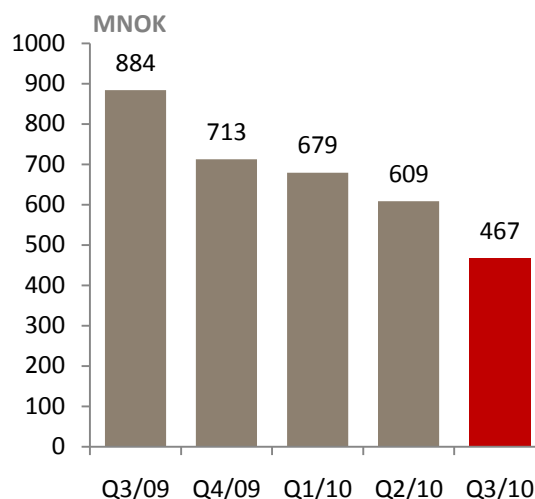


Total assets were 641.6 MNOK at the end of the third quarter 2010 compared to 754.5 MNOK at the end of the second quarter 2010. The Group's equity was 480.4 MNOK, representing a 74.9 % equity ratio at the end of the quarter. The Group's cash position is decreased by 44.0 MNOK during the quarter, from 113.6 MNOK to 69.6 MNOK. Net cash flow from operations amounted to -30.3 MNOK, the cash flow from investments was -13.6 MNOK (investments in development projects -12.0 MNOK, and fixed assets - 1.6 MNOK). Net cash flow from financing amounted to - 0.1 MNOK during the quarter. The negative cash flow from operations reflects a negative EBITDA of 85.1 MNOK but a reduced working capital due to reduced revenues during the quarter. The working capital in the Group has been changed due to reduced project activity the last quarters and relative to the last 12 months revenues, it was 27.5 % in the third quarter 2010, 39.2 % in the second quarter 2010, 39.1 % at the end of the first quarter 2010. The liquidity ratio was 2.5 at the end of the third quarter 2010 compared to 2.6 at the end of the corresponding quarter in 2009 and 3.2 at the end of the second quarter 2010.

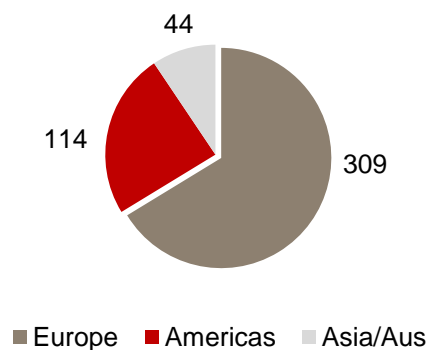
#### ORDER SITUATION //

The Group's order backlog totalled 467 MNOK at the end of the third quarter 2010 compared to 609 MNOK at the end of the second quarter 2010. Order intake during the quarter reached 96 MNOK, this is a decrease of 4 MNOK compared to the previous quarter. The order backlog has been adjusted 170 MNOK during the quarter due to the contractual changes in Slovakia. The order intake is comprised by the tag contract in Brazil of 24 MNOK, being the last call of the frame agreement at a value of 112 MNOK. In addition the group received a tag contract from Australia of 16 MNOK, a service and maintenance contract in Australia of 11 MNOK in addition to a number of smaller contracts.

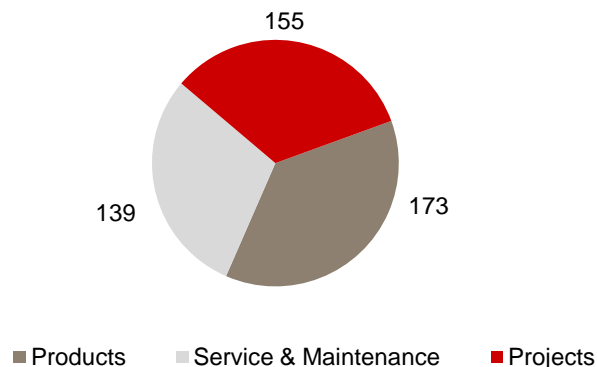
#### ORDER BACKLOG //



#### ORDER BACKLOG IN MNOK – GEOGRAPHICAL PER Q3-10 //



#### ORDER BACKLOG IN MNOK – BUSINESS AREAS PFR Q3-10 //



## THE MARKET //

Q-Free operates mainly in the market of Road User Charging (RUC). However, through acquisitions the last couple of years the company has intensified its activity within Traffic Management, delivering software components for law enforcement, parking / access control and travel time systems through selected partners.

The market for RUC solutions is still at an early stage and it is expected that more countries will implement RUC systems for various applications and that the penetration in existing markets will increase.

The most important market drivers for RUC solutions can be segmented as;

- Financing of infrastructure
- Truck tolling
- Improve the efficiency of existing RUC solutions (*i.e.* converting manual operated tolling systems to fully automated systems)
- Congestion management

Also new markets are starting to be visible in the area of road taxation, - namely Electronic Registration and Identification (ERI). A new regulation has been formalised for European countries and will probably set the standard in this market segment. Regulators in several countries are now in the starting phase of developing projects to implement electronic number plates to regulate and enforce annual taxation and security on the roads in a better way. This represents a huge market potential since it implies that all cars will be equipped with a tag, - this in addition to the need for road side infrastructure and central systems.

The market activity continues to be high, and the number of sales leads and its size indicates long term growth potential.

A detailed look at the individual regions:

## EUROPE, MIDDLE EAST //

The **European** market made up 23 % of the revenues, 15 % of the orders received during the quarter as well as 67% of the Group's order backlog at the end of the quarter.

The market activity has been high in the region, - especially related to projects in Sweden, Portugal, France and Poland.

In France the company is currently addressing the nationwide truck-tolling project ECOTAXE. Q-Free is currently positioning itself as a sub supplier for different consortiums. The scope for Q-Free could be similar to the project in Slovakia. The current plan is to start operation in 2012 meaning that orders need to be placed no later than during the first half of 2011.

Both Slovenia and Poland are currently planning to introduce truck tolling. Poland is expected to materialise first and for this case the consortiums for which Q-Free had a relation to, failed to submit an offer. It is expected that the consortium headed by Kapsch will be awarded the contract. The case in Slovenia will take some more time, but it seems to be a good climate to deploy truck tolling scheme in this region. It is expected that more truck tolling opportunities will be visible in 2011. Further, in the Czech Republic, a Congestion Charging project is being planned, as well as an extension of the existing highway truck tolling scheme to also include private cars. The timing is still uncertain but a bidding process is expected to be initiated in 2011.

Portugal has been an area of high activity during the quarter, both when it comes to preparing for "go live" for the recently deployed MLFF projects replacing shadow tolling concessions and exploring new sales opportunities. "Go live" has for a long time been dependent on a political decision to start conversion from shadow tolling to real tolling, but this finally happened on 15<sup>th</sup> October 2010. This was an important milestone both with respects to the realisation of new shadow tolling conversion projects and for the tag demand.

The market opportunities in Sweden are increasing. A tolling project is under planning for charging entrance/exits of the Arlanda airport to reduce carbondioxide emission and hence to avoid fines related to this. This opportunity is expected to materialise early next year. Further a new congestion charging scheme, similar to the one in Stockholm, will be deployed in Gothenburg. Timing is still uncertain but it is assumed that start up will be in 2013, and hence orders will be placed in the end of 2011. Also 20-30 electronic road tolling projects have been defined for financing infrastructure. These type of financing has never been used in Sweden before and may imply that

Sweden will become a very important market in the years to come. In addition to the above the company has ongoing business related to the congestion charging system in Stockholm. This includes service & maintenance activity, software licences and modification to the system as such.

Further, during the quarter the company has seen some activity related to deployment of potential truck tolling schemes in Belgium, UK and Denmark.

## AFRICA //

Q-Free has during the quarter participated, as one of three companies, in a tag tender issued by Sanral in South Africa. The estimated demand over a 2-3 years period is approximately 3 million tags. The process is not finalised. It is expected that the client will use at least two suppliers over the years.

The electronic tolling market in South Africa will increase over the years to come, both when it comes to new infrastructure projects and tags. Q-Free is, in addition to the tag opportunity mentioned above, addressing infrastructure projects which may implement fully automated tolling systems (MLFF).

## ASIA / AUSTRALIA //

The **Asian/Australian** market made up 22 % of the revenues and 32 % of the orders received during the quarter as well as 9 % of the Group's order backlog at the end of the quarter.

The Group announced two new contracts in this market during the quarter, - a 16 MNOK tag order and a 11 MNOK service and maintenance contract, both to Roads and Traffic Authority (RTA) in Australia.

The activity in the region is mainly related to Thailand, Australia and Indonesia, but new opportunities in Taiwan and India and Malaysia are also being explored.

The most mature market in the region is Australia. Cashless tolling is expanding in Australia implying increased tag demand and modernisation of existing road side infrastructure, and hence it is expected that

both new tag and infrastructure opportunities will materialise in the near future.

As a consequence of use of electronic tolling system in Thailand, a tag market will develop. This will take some years, but will represent a significant market opportunity. Further new infrastructure projects have been identified in Bangkok.

The activity in Indonesia is picking up. The company is at the moment exploring opportunities both related to congestion charging in Jakarta and other electronic tolling projects in the country.

## NORTH AND LATIN AMERICA //

Customers in **North and Latin America** made up 55 % of the revenues, 53 % of the orders received during the quarter as well as 24 % of the Group's order backlog at the end of the quarter.

The Group announced one new contract in this market during the quarter, - a 24 MNOK call-off from the frame agreement for delivering tags and infrastructure to Centro Gestão Meios de Pagto (CGMP) in Brazil totalling 112 MNOK. The tag demand in Brazil has shown an interesting development lately, indicating that the frame agreement potential will be realised earlier than first anticipated.

Further the company is addressing projects and product sales in Chile, Columbia and Ecuador.

In **North America** the Group is exploring several business opportunities through the company's ALPR solutions, i.e. OCR software and camera technology. The company's ALPR software has over the past two years been established as the leading solution in the market and forms a good basis for further expansion in the North America.

Video based solutions for enforcement and interoperability will become increasingly important in North America as Multi Lane Free Flow / Open Road Tolling systems, i.e. no barriers used and traffic flows without stopping, are being implemented. Q-Free offers the most advanced systems enabling cost effective and reliable enforcement and tolling.

In the last months we have seen that previous postponed projects have been restarted.

## GEOGRAPHICAL PRESENCE //





## DEVELOPMENT //

The company has during the last couple of years invested in improving and broadening its product portfolio. This has been carried out by organic development and through acquisitions.

There is currently ongoing an extensive internal development activity to further strengthen the portfolio. This comprises development of new road side solutions, such as new improved camera solution, new MLFF system design for improved cost/design and reduced deployment time and new DSRC reader supplementing the company's state of the art DSRC portfolio. Also a GNSS (GPS based tolling) tag concept, new generic back office solutions as well as technology enabling car-to-car and car-to-roadside infrastructure communication for improved road safety are under development.

## ORGANISATION //

Q-Free has communicated that the organisation is being prepared for international growth. To achieve this we are investing in all parts of the value chain, such as expanding the sales organisation, strengthening the R&D activity, broadening the portfolio and implementing a world-class operation capability. All these initiatives will be continued going forward, but will be phased in time to ensure compatibility with business level and capacity to absorb changes in the organisation.

## STRATEGY AND OUTLOOK //

The vision of Q-Free is to be a globally preferred partner in the area of Intelligent Transport Systems having world-wide leadership in Road User Charging and Traffic Management.

Q-Free's ultimate and long term goal is to be a preferred provider independent of technology and solution the customers are looking for.

The global ITS market is expected to grow considerably over the next years and Q-Free's position has been strengthened significantly over the last few years.

From the above regional market report it is clear that 2010 will be an important year to position the company for many bigger infrastructure projects going forward, - many of them to be concluded in 2011 and 2012. This implies that 2010 revenues will mainly comprise of backlog, new small/medium sized projects, such as AutoPASS deployments in Norway, and not at least product sales such as tags and software licences. As such 2010 is expected to be a transition year, and the most important activity in 2010 will be to secure the company's position for the upcoming infrastructure projects securing the basis for a long term growth of the company.

## RISK SITUATION //

An international technology Group such as Q-Free is destined to be exposed to a number of different risks. Political risk related to the time involved from a sales lead is identified to a contract is awarded, and implementation of projects are particularly significant to Q-Free's operations, as RUC projects are usually always directly or indirectly subject to a governmental concession. The fact that road concessions are being privatised in the most developed RUC markets may reduce the political risk in the long term.

Other risks:

## CURRENCY RISK //

Q-Free has considerable foreign currency exposure since it earns between 70-85 % of its revenues abroad. Q-Free also buys a substantial share of its needed equipment and services abroad and runs businesses outside Norway. This mitigates the Group's net foreign currency exposure by 30-50 %. The Group's most important trading currencies except for NOK are USD and EUR. 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.

**CREDIT RISK //**

The Group is only conducting business with parties with an acceptable credit record. To the extent the credit rate is questionable, payment guarantees, letter of credit or advance payments will be considered. The Group has no significant credit risk linked to an individual contracting party or several other contracting parties that can be regarded as a group due to similarities in the credit risk. The Group has guidelines for ensuring that sales are only made to customers that have not experienced any significant credit problems, and that outstanding amounts do not exceed given credit limits. The Group has not provided any guarantees for third parties' liabilities. The Group is exposed to risk involved in customers not having the ability to fulfil their financial obligations. However, this risk is considered to be low since the Group's customers are major IT companies, public authorities, larger foreign road operators and key road concessionaires in Norway and abroad. This is documented by a historically low bad debt ratio on accounts receivables. When Q-Free enters a new market, the credit risk will be assessed in each individual case and appropriate actions like utilising letter of credits and other similar tools, will be used in order to reduce credit risk.

**INTEREST RATE RISKS //**

Since the Group has no significant amount of interest bearing debt the interest risk is immaterial. However if the Group will enter any significant interest bearing debt contracts, the group emphasises predictability at all times when changes in the interest level have a significant influence on the consolidated profit and will take actions to hedge this risk.

**LIQUIDITY RISK //**

The Q-Free ASA Group's strategy is to have sufficient cash, cash equivalents or credit facilities at any time to be able to finance its operations and investments over the next three years as required in the company's strategy plan for the same period. Surplus liquidity is either deposited in banks or invested in money market funds, with the purpose of obtaining an acceptable return on invested capital combined with a low risk.

**TECHNOLOGY RISK //**

The Group is exposed to quality problems both due to the quality of own work and the quality of deliveries

from subcontractors. Furthermore, continuous technology advances can affect the competitive situation of Q-Free. Q-Free mitigates this risk by systematic quality control of subcontractors, own technology and product development, by continuously seeking competence needed to integrate various technologies into our solutions, and finally by making provisions for possible faulty deliveries.

**PROJECT RISK //**

Q-Free's revenues normally include a substantial element of large-scale project deliveries that place significant demands on implementation know-how. Q-Free is in possession of a unique competence in this field, and the development of plans to handle project risks that may arise is an important element of the Group's know-how in this respect.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER OF 2010 //

### 1. GENERAL //

The consolidated third quarter condensed interim financial statements for the nine months ended 30 September 2010 were approved by the Board of Directors at its meeting on 20 October 2010.

Q-Free ASA is a limited liability company with 292 employees in 12 locations and representatives in 7 other countries. The headquarter is based in Trondheim, Norway. Q-Free is listed on the Oslo Stock Exchange with the ticker QFR.

Q-Free is a leading global supplier of solutions and products for Road User Charging and Traffic Management having applications mainly within electronic toll collection for road financing, congestion charging, truck-tolling, law enforcement and parking/access control. Q-Free offers solutions and products based on state of the art technology, and is the leading supplier within DSRC (tag and reader) - ALPR (Automatic License Plate Recognition) and GNSS (Global Navigation Satellite System) based solutions, with deliveries in Europe, Asia-Pacific, Middle East and North- and South America.

### 2. STATEMENT OF COMPLIANCE //

These consolidated interim financial statements, 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 first nine months of year of 2010 and the first nine months of 2009, have not been audited or subject by 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 2009. The consolidated financial statements for 2009 are available upon request from the company's registered office in Trondheim or at our website, q-free.com.

### 3. ACCOUNTING PRINCIPLES //

The consolidated financial statements of the Q-Free Group for 2009 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 31 December, 2009

### 4. USE OF ESTIMATES //

The preparation of the Group's consolidated financial statements requires management to make judgements, 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 can result in outcome that requires a material adjustment to the carrying amount of the assets or liability affected in future periods.

### 5. EVENTS AFTER THE BALANCE SHEET DATE //

No significant events have occurred since the balance sheet date.

### 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 "Strategy and 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 has been expressed or implied in such statements. These factors include the risk factors described in a separate section in this report.

**DECLARATION BY THE BOARD OF DIRECTORS AND  
THE CHIEF EXECUTIVE OFFICER//**

The interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting" and in compliance with IFRS standards.

We consider the accounting policies applied to be appropriate. Accordingly, the interim report give a true and fair view of the Group's assets, liabilities and financial position as of 30<sup>th</sup> of September and of the results of the Group's operations and cash funds for the third quarter of 2010.

The Group uses the same accounting principles in the preparation of its interim reports as for its annual consolidated financials.

Trondheim, 20 October 2010.

The Board of Directors and Chief Executive Officer of  
Q-Free ASA

Ole Jørgen Fredriksen (Chairman of the Board)

Jan Pihl Grimnes

Torild Skogsholm

Christian Albech

Mimi Kristine Berdal

Sissel Lillevik Larsen

Frank Aune

Øyvind Isaksen (CEO)



The condensed interim consolidated financial statements per 30.09.10 (unaudited):

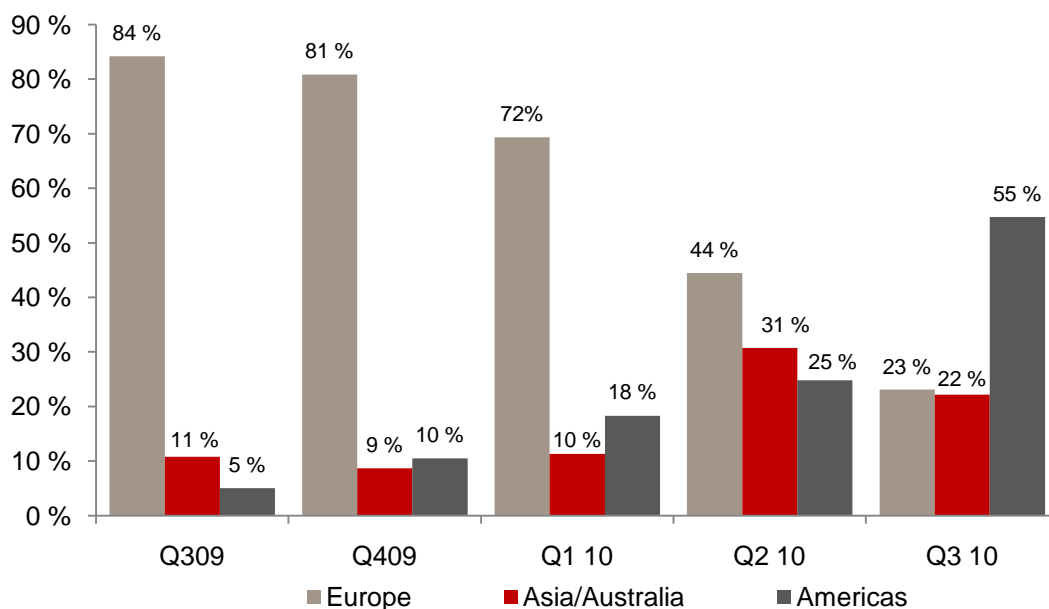
- Interim consolidated income statement
- Interim consolidated statement of comprehensive income
- Revenue specification
- Balance sheet
- Statement of changes in equity
- Cash Flow Statement
- Key figures

### INTERIM CONSOLIDATED INCOME STATEMENT //

NOK 1.000	Q3 2010	Q3 2009	30.09.2010	30.09.2009	Q2 2010	31.12.2009
<b>Revenues</b>	<b>67 846</b>	226 624	<b>429 139</b>	534 054	<b>169 647</b>	<b>804 403</b>
Cost of goods sold	<b>66 529</b>	90 350	<b>205 867</b>	209 490	<b>75 079</b>	<b>303 429</b>
Payroll expenses	<b>50 061</b>	41 348	<b>119 150</b>	107 272	<b>29 922</b>	<b>153 712</b>
Other operating expenses	<b>36 340</b>	57 519	<b>147 981</b>	140 352	<b>45 008</b>	<b>212 057</b>
Total operating expenses	<b>152 931</b>	189 217	<b>472 999</b>	457 114	<b>150 009</b>	<b>669 198</b>
<b>EBITDA</b>	<b>-85 084</b>	37 407	<b>-43 860</b>	76 940	<b>19 637</b>	<b>135 205</b>
Depreciation, amortisation and impairment	<b>29 879</b>	6 888	<b>49 041</b>	21 686	<b>10 813</b>	<b>32 461</b>
<b>EBIT</b>	<b>-114 963</b>	30 519	<b>-92 901</b>	55 254	<b>8 824</b>	<b>102 743</b>
Financial income	<b>7 099</b>	15 668	<b>15 417</b>	29 397	<b>4 410</b>	<b>33 330</b>
Financial expenses	<b>-2 299</b>	-13 062	<b>-10 251</b>	-21 117	<b>-5 643</b>	<b>-26 375</b>
Net financial items	<b>4 800</b>	2 605	<b>5 166</b>	8 280	<b>-1 233</b>	<b>6 955</b>
<b>Profit before tax</b>	<b>-110 163</b>	33 125	<b>-87 735</b>	63 534	<b>7 591</b>	<b>109 698</b>
Tax expenses	<b>30 817</b>	-6 403	<b>24 309</b>	-13 681	<b>-2 304</b>	<b>-31 549</b>
<b>Profit for the period</b>	<b>-79 346</b>	26 722	<b>-63 427</b>	49 853	<b>5 287</b>	<b>78 149</b>
Attributed to :						
Minority interests	<b>-149</b>	-288	<b>-884</b>	628	<b>-501</b>	<b>-160</b>
Equity holders of the parent	<b>-79 197</b>	27 010	<b>-62 542</b>	49 226	<b>5 788</b>	<b>78 310</b>
<b>Profit</b>	<b>-79 346</b>	26 722	<b>-63 427</b>	49 853	<b>5 287</b>	<b>78 150</b>
Number of employees	<b>292</b>	306	<b>292</b>	306	<b>290</b>	<b>298</b>
Gross margin	<b>1,9 %</b>	60,1 %	<b>52,0 %</b>	60,8 %	<b>55,7 %</b>	<b>62,3 %</b>
EBITDA margin	<b>-125,4 %</b>	16,5 %	<b>-10,2 %</b>	14,4 %	<b>11,6 %</b>	<b>16,8 %</b>
EBIT margin	<b>-169,4 %</b>	13,5 %	<b>-21,6 %</b>	10,3 %	<b>5,2 %</b>	<b>12,8 %</b>
Profit margin	<b>-162,4 %</b>	14,6 %	<b>-20,4 %</b>	11,9 %	<b>4,5 %</b>	<b>13,6 %</b>
EPS	<b>-1,32</b>	0,49	<b>-1,05</b>	0,91	<b>0,09</b>	<b>1,41</b>
EPS, diluted	<b>-1,30</b>	0,48	<b>-1,04</b>	0,89	<b>0,09</b>	<b>1,39</b>

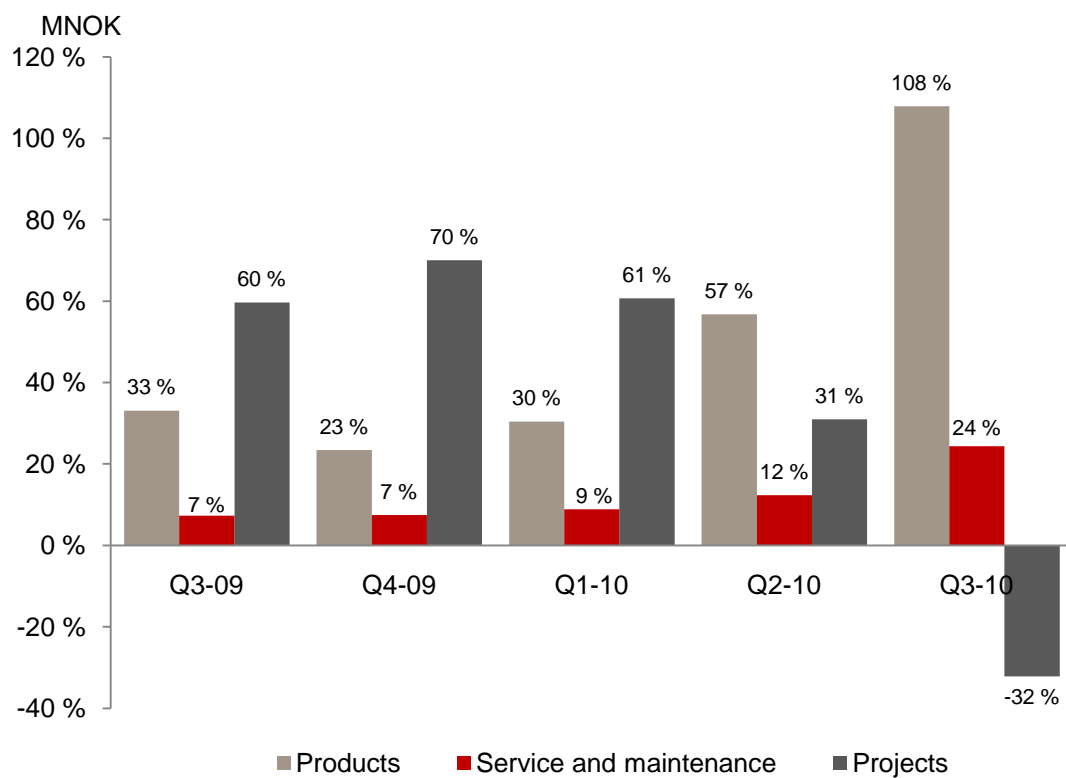
**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME //**

NOK 1.000	Q3 2010	Q3 2009	30.09.2010	30.09.2009	Q2 2010	31.12.2009
<b>Profit for the period</b>	<b>-79 346</b>	26 722	<b>-63 427</b>	49 853	<b>5 287</b>	<b>78 150</b>
Calculation differences	<b>-6 673</b>	-375	<b>-10 314</b>	-289	<b>-1 643</b>	<b>1 393</b>
<b>Total comprehensive income for the period</b>	<b>-86 019</b>	26 347	<b>-73 741</b>	49 565	<b>3 644</b>	<b>79 543</b>
<u>Attributed to :</u>						
Minority interests	<b>-149</b>	-288	-884	628	<b>-501</b>	<b>-160</b>
Equity holders of the parent	<b>-85 870</b>	26 635	<b>-72 856</b>	48 937	<b>4 145</b>	<b>79 703</b>
<b>Total comprehensive income for the period</b>	<b>-86 019</b>	26 347	<b>-73 741</b>	49 565	<b>3 644</b>	<b>79 543</b>

**REVENUE SPECIFICATION – GEOGRAPHICAL //**

MNOK	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10
Europe	190,8	218,6	134,9	75,3	15,6
Asia/Australia	24,4	23,5	21,7	52,2	15,1
Americas	11,4	28,3	35,1	42,1	37,1
<b>TOTAL</b>	<b>226,6</b>	<b>270,8</b>	<b>191,6</b>	<b>169,6</b>	<b>67,8</b>

## REVENUE SPECIFICATION – BUSINESS AREAS //



MNOK	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10
Products	75,0	63,4	58,3	96,1	73,2
Service and maintenance	16,5	20,1	17,0	20,9	16,5
Projects	135,1	186,9	116,3	52,6	-21,9
<b>TOTAL</b>	<b>226,6</b>	<b>270,4</b>	<b>191,6</b>	<b>169,6</b>	<b>67,8</b>

## BALANCE SHEET – ASSETS //

NOK 1.000	30.09.2010	30.06.2010	31.03.2010	31.12.2009	30.09.2009
Development	132 685	143 599	128 577	121 572	110 496
Goodwill	35 652	37 945	34 288	34 288	29 513
Deferred tax assets	2 747	0	0	0	0
<b>Total intangible assets</b>	<b>171 083</b>	<b>181 544</b>	<b>162 865</b>	<b>155 860</b>	<b>140 010</b>
Machinery, fixtures and fittings	69 338	75 895	73 214	71 874	70 637
<b>Total fixed assets</b>	<b>69 338</b>	<b>75 895</b>	<b>73 214</b>	<b>71 874</b>	<b>70 637</b>
Shares	4 136	4 151	4 123	4 103	2 278
Pension funds	348	1 936	3 132	0	0
Other long term receivables	2 452	2 142	1 882	1 621	1 361
<b>Total financial fixed assets</b>	<b>6 937</b>	<b>8 229</b>	<b>9 138</b>	<b>5 725</b>	<b>3 639</b>
<b>Total fixed assets</b>	<b>247 358</b>	<b>265 668</b>	<b>245 217</b>	<b>233 459</b>	<b>214 286</b>
Inventories	52 508	32 989	45 001	40 328	42 780
<b>Total inventories</b>	<b>52 508</b>	<b>32 989</b>	<b>45 001</b>	<b>40 328</b>	<b>42 780</b>
Accounts receivables	189 703	214 599	126 789	125 144	60 998
Work in progress	55 134	97 247	154 012	64 699	68 264
Other receivables	27 271	30 425	27 289	29 288	27 984
<b>Total receivables</b>	<b>272 108</b>	<b>342 271</b>	<b>308 090</b>	<b>219 131</b>	<b>157 247</b>
<b>Cash</b>	<b>69 644</b>	<b>113 584</b>	<b>175 836</b>	<b>274 615</b>	<b>163 471</b>
<b>Total current assets</b>	<b>394 260</b>	<b>488 843</b>	<b>528 927</b>	<b>534 075</b>	<b>363 497</b>
<b>Total assets</b>	<b>641 618</b>	<b>754 511</b>	<b>774 145</b>	<b>767 534</b>	<b>577 783</b>



## BALANCE SHEET – EQUITY &amp; DEBT //

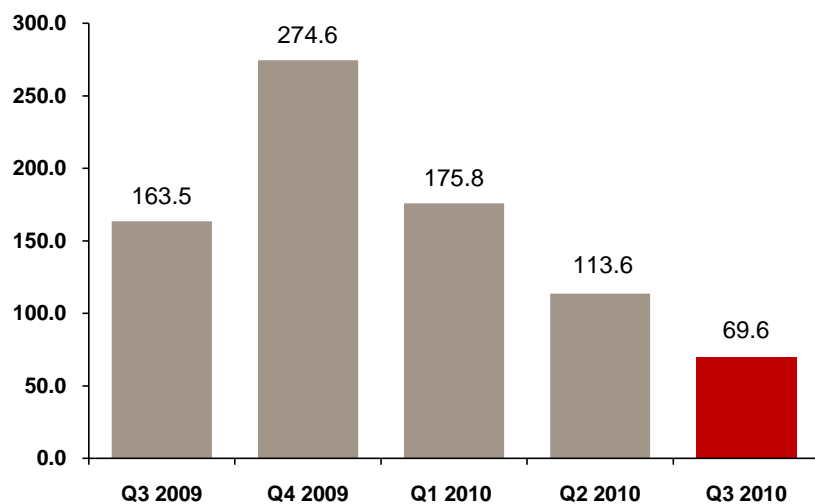
NOK 1.000	30.09.2010	30.06.2010	31.03.2010	31.12.2009	30.09.2009
Subscribed share capital	22 894	22 894	22 821	22 821	20 883
Share premium reserve	287 674	287 674	283 946	283 946	180 888
Other paid in capital	10 348	10 348	10 348	10 348	7 809
<b>Total paid in capital</b>	<b>320 916</b>	<b>320 916</b>	<b>317 115</b>	<b>317 115</b>	<b>209 579</b>
Other equity	139 532	223 650	219 504	210 635	180 585
<b>Total retained equity</b>	<b>139 532</b>	<b>223 650</b>	<b>219 504</b>	<b>210 635</b>	<b>180 585</b>
<b>Minority interests</b>	<b>19 967</b>	<b>20 116</b>	<b>20 617</b>	<b>20 851</b>	<b>21 639</b>
<b>Total equity</b>	<b>480 415</b>	<b>564 682</b>	<b>557 236</b>	<b>548 601</b>	<b>411 803</b>
Pension liabilities	2 365	2 270	2 178	1 466	1 920
Deferred tax	0	33 437	33 256	27 121	21 862
<b>Total liabilities</b>	<b>2 365</b>	<b>35 707</b>	<b>35 434</b>	<b>28 587</b>	<b>23 782</b>
Debt to financial institutions	819	1 017	1 214	1 412	1 609
<b>Total long term debt</b>	<b>819</b>	<b>1 017</b>	<b>1 214</b>	<b>1 412</b>	<b>1 609</b>
Accounts payable	49 184	59 113	74 258	105 411	70 517
Tax payable	1 400	1 461	2 307	4 959	2 536
Public duties payable	15 439	7 822	4 692	13 653	3 032
Advance payments customers	4 669	5 759	5 393	5 415	6 672
Other short term debt	87 328	78 951	93 610	59 496	57 832
<b>Total short term debt</b>	<b>158 019</b>	<b>153 105</b>	<b>180 261</b>	<b>188 934</b>	<b>140 588</b>
<b>Total liabilities</b>	<b>161 203</b>	<b>189 829</b>	<b>216 908</b>	<b>218 933</b>	<b>165 979</b>
<b>Total equity and liabilities</b>	<b>641 618</b>	<b>754 511</b>	<b>774 145</b>	<b>767 534</b>	<b>577 783</b>

## STATEMENT OF CHANGES IN EQUITY //

Equity attributal to equity holders of the parent							Minority interests	Total equity
	Sub- scribed share capital	Share premeium reserves	Other paid in Capital	Other equity	Foreign currency translation reserve	Total		
NOK 1.000								
Equity per 31.12.09	22 821	283 946	10 348	210 847	-211	527 751	20 851	548 601
Total comprehensive income for the period				10 867	-1 998	8 869	-234	8 635
Equity per 31.03.10	22 821	283 946	10 348	221 713	-2 209	536 619	20 617	557 236
Equity per 31.12.09	22 821	283 946	10 348	210 847	-211	527 751	20 851	548 601
Total comprehensive income for the period				16 655	-3 641	13 014	-735	12 280
Share issue arising from acquisitions	73	3 727				3 800		3 801
Equity per 30.06.10	22 894	287 674	10 348	227 501	-3 852	544 566	20 116	564 682
Equity per 31.12.09	22 821	283 946	10 348	210 847	-211	527 751	20 851	548 601
Total comprehensive income for the period				-62 542	-8 352	-70 894	-884	-71 778
Transferred other equity arising from acquisitions				1 540		1 540		1 541
Currency translation differences arising from acquisitions					-1 751	-1 751		-1 750
Share issue arising from acquisitions	73	3 727				3 800		3 801
Equity per 30.09.10	22 894	287 674	10 348	149 844	-10 314	460 446	19 967	480 415

**CASH FLOW STATEMENT //**

NOK 1.000	30.09.2010	30.06.2010	31.03.2010	31.12.2009	30.09.2009
Net cash flow from operations	-149 906	-119 595	-81 839	111 852	77 062
Net cash flow from investments	-55 355	-41 775	-16 975	-71 081	-41 816
Net cash flow from financing	291	340	36	114 227	8 608
Net change in cash in the period	-204 971	-161 031	-98 779	154 998	43 854
Cash opening balance	274 615	274 615	274 615	119 617	119 617
Cash closing balance	69 644	113 584	175 836	274 615	163 471
NOK 1.000	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009
Net cash flow from operations	-30 311	-37 756	-81 839	34 790	7 956
Net cash flow from investments	-13 580	-24 800	-16 975	-29 265	-11 659
Net cash flow from financing	-49	304	36	105 619	90
Net change in cash in the period	-43 940	-62 252	-98 779	111 144	-3 613
Cash opening balance	113 584	175 836	274 615	163 471	167 084
Cash closing balance	69 644	113 584	175 836	274 615	163 471

**CASH FUNDS //**

## KEY FIGURES //

	30.09.2010	30.06.2010	31.03.2010	31.12.2009	30.09.2009
Operating profit / EBIT per share	-1,54	0,37	0,22	1,74	1,01
Operating margin	-21,6 %	6,1 %	6,9 %	12,8 %	13,5 %
EPS	-1,05	0,27	0,18	1,41	0,91
EPS, diluted	-1,04	0,26	0,17	1,39	0,89
Cash flow per share	-2,49	-1,99	-1,36	1,90	1,40
Equity per share	7,97	9,37	9,30	9,29	7,50
Equity ratio	74,9 %	74,8 %	72,0 %	71,2 %	71,3 %
Liquidity ratio	2,5	3,2	2,9	2,8	2,6
Average number of shares	60 247 010	60 247 010	60 054 092	54 954 092	54 954 092
Average number of shares diluted	61 122 010	61 122 010	60 929 092	55 895 092	55 744 092
	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009
Operating profit / EBIT per share	-1,91	0,15	0,22	0,81	0,56
Operating margin	-169,4 %	5,2 %	6,9 %	17,6 %	13,5 %
EPS	-1,32	0,09	0,18	0,47	0,49
EPS, diluted	-1,30	0,09	0,17	0,46	0,48
Cash flow per share	-0,51	-0,63	-1,4	0,63	0,14
Average number of shares	60 247 010	60 247 010	60 054 092	54 954 092	54 954 092
Average number of shares diluted	61 122 010	61 122 010	60 929 092	55 895 092	55 744 092

## Definitions :

Operating profit/EBIT per share:	Operating profit/EBIT divided by average number of shares
Operating Margin:	Operating profit/EBIT divided by revenue
Earnings per share:	Profit after tax divided by average number of shares
Cash Flow per share:	Net cash flow from operations divided by average number of shares
Equity per. share:	Total equity divided by number of shares
Liquidity ratio:	Total current assets divided by total short term liabilities



**KEY INFORMATION //**

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 Founded: 1984  
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**BOARD OF DIRECTORS //**

Ole Jørgen Fredriksen,	Chairman of the Board
Christian Albech	Board member
Torild Skogsholm	Board member
Mimi Berdal	Board member
Jan Pihl Grimnes	Board member
Sissel Lillevik Larsen	Employee elected board member
Frank Aune	Employee elected board member

**MANAGEMENT //**

Øyvind Isaksen,	President & CEO
Roar Østbø,	CFO
Jos Nijhuis,	General Manager Q-Free Netherlands BV
Per Fredrik Ecker,	VP Sales
Marianne Sandal,	VP Operations
Henrik Stoltenberg	VP M&A
Hans Christian Bolstad,	VP R&D
Steinar Furan,	VP Business Development
Stein-Tore Nybrodahl,	HR Manager

**INVESTOR RELATIONS //**

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Roar Østbø, CFO