

Q2

PRESENTATION OF SECOND QUARTER AND FIRST HALF 2016

President & CEO Håkon Volldal and CFO Roar Østbø



LEADING THE WAY

Q2 2016 HIGHLIGHTS

- Revenues of 246 MNOK, 38% growth YoY (32% organic)
- EBITDA of 11 MNOK (4.6% margin) vs. 14 MNOK in Q2 2015
- Order intake of 200 MNOK, mostly from smaller unannounced orders
- Post quarter announcements:
 - *Frame agreement with Via Verde in Portugal with an estimated value of 75-90 MNOK*
 - *All complaints related to the 472 MNOK tender award in Slovenia rejected*

Revenues
246

EBITDA
11

Order intake
200

1H 2016 HIGHLIGHTS

- Revenues of 465 MNOK, 26% growth YoY (20% organic)
- EBITDA of 17 MNOK (3.7% margin) vs 33 MNOK in 1H 2015
- Order intake of 523 MNOK, up 94 MNOK YoY
- Order backlog of 806 MNOK, of which 300 MNOK with planned deliveries in 2H 2016 (the Slovenia contract for 472 MNOK is not included pending signing of contract. With Slovenia included we have an all-time high order backlog)

Revenues
465

EBITDA
17

Order intake
523

Order backlog
806

SUMMARY FINANCIALS Q2 AND 1H

MNOK	Q2 2016	Q2 2015	YoY change	1H 2016	1H 2015	YoY change
Revenues	246	179	38%	465	370	26%
Gross profit	172	137	26%	324	272	19%
<i>Gross margin</i>	70%	77%		70%	74%	
OPEX	160	123	30%	307	239	28%
EBITDA	11	14	-17%	17	33	-48%
<i>EBITDA margin</i>	4.6%	7.7%		3.7%	8.9%	



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Business update

REGION EUROPE & LATIN AMERICA (ELA) UPDATE

ELA NOK million	Q2 2016	Q2 2015	1H 2016	1H 2015
Revenues	82	59	164	152
Order intake	52	29	95	86
Order backlog	249	123	249	123



- Revenues mostly generated from tag sales to existing customers in France, Brazil, Chile, Russia and Portugal and stable recurring Service and Maintenance contracts
- Order intake includes tag delivery to Ireland and service and maintenance for tolling systems in Slovenia
- The largest contract in our order backlog is for service and maintenance in Portugal running until 2018. The truck tolling project in Slovenia (472 MNOK) is not included in the backlog, but will be once final contract is signed
- We see increasing interest for our ALPR (Automatic License Plate Recognition) technology and Infomobility solutions, such as Weigh-in-motion, data classification and bicycle- and pedestrian systems

REGION NORDIC UPDATE

NORDIC NOK million	Q2 2016	Q2 2015	1H 2016	1H 2015
Revenues	53	56	112	107
Order intake	48	43	245	161
Order backlog	339	194	339	194



- Revenues generated from several projects and back-office system operation for NPRA in Norway, parking projects in Sweden, and service and maintenance contracts in Sweden and Norway
- Order intake comprises AutoPASS technology for the Anda-Lote ferry connection with Fjord1 and an announced 13 MNOK extension order from Trafikverket in Sweden
- The order backlog includes contracts with NPRA in Norway, Trafikverket in Sweden and Fjord1, representing stable recurring business
- The region offers opportunities for new tolling projects and an increasing interest for Parking solutions and ferry systems

REGION NORTH AMERICA (NA) UPDATE

NA NOK million	Q2 2016	Q2 2015	1H 2016	1H 2015
Revenues	80	46	143	81
Order intake	79	80	149	143
Order backlog	157	163	157	163



- Revenues increased compared to previous two quarters with solid contributions from both tolling, urban and security projects
- The order intake includes a tolling contract with Miami Dade Expressway (MDX) at a value of 16 MNOK. This contract is an extension of an existing contract
- An estimated 50% of North America's order backlog is due for deliveries in 2016
- North America is a diverse market where Q-Free sees growth potential in most market segments given our limited historic presence

REGION ASIA PACIFIC, MIDDLE EAST AND AFRICA (APMEA) UPDATE

APMEA NOK million	Q2 2016	Q2 2015	1H 2016	1H 2015
Revenues	30	17	46	29
Order intake	21	31	33	40
Order backlog	61	60	61	60



- Revenues generated from tag deliveries to new and existing customers in Australia and Thailand. In addition we are upgrading old tolling systems to new technology in Thailand
- Order intake in the quarter mainly derived from tags to customers in Australia and projects in Thailand
- The order backlog comprises above-mentioned projects and initiatives
- The increased activity in the region related to new potential tolling systems presents Q-Free with growth opportunities

SERVICE LINE OVERVIEW

NOK million	Q2 REVENUES	YoY GROWTH	Q2 ORDER INTAKE	ORDER BACKLOG
TOLLING	158	42	118	673
PARKING	23	4	20	31
URBAN	27	18	35	34
INTER-URBAN	10	-10	3	20
INFOMOBILITY	10	-1	7	17
SECURITY	18	13	17	31
TOTAL	246	66	200	806

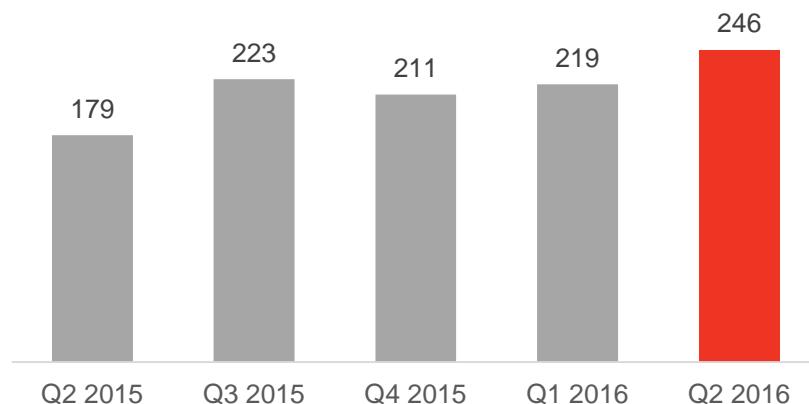


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Financial status

REVENUES IN Q2

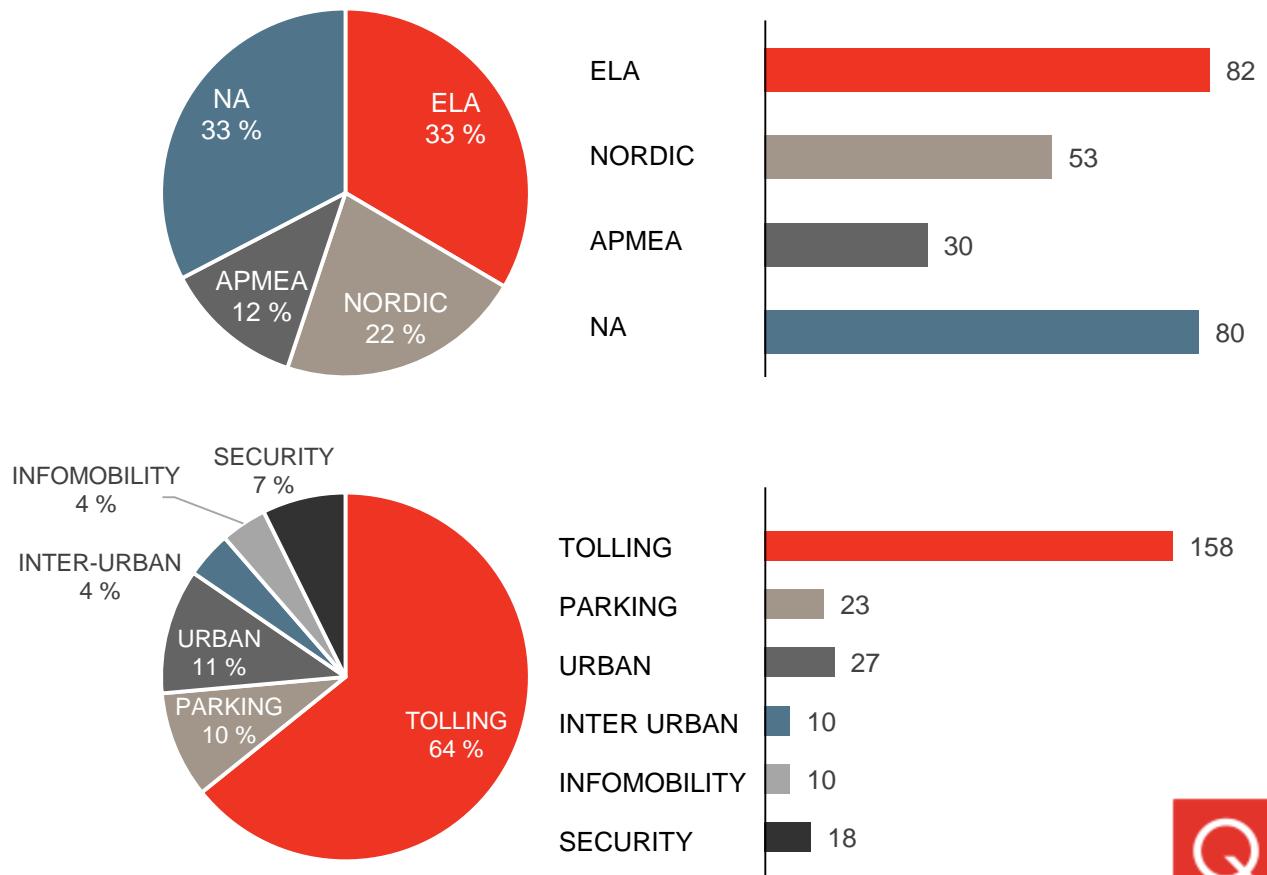
QUARTERLY REVENUE DEVELOPMENT
NOK million



Revenues up 38 % from Q2 2015

- NA was up 34 MNOK helped by strong sales in our urban and security service lines
- APMEA was up 13 MNOK due to tolling projects in Thailand and tag sales to Australia

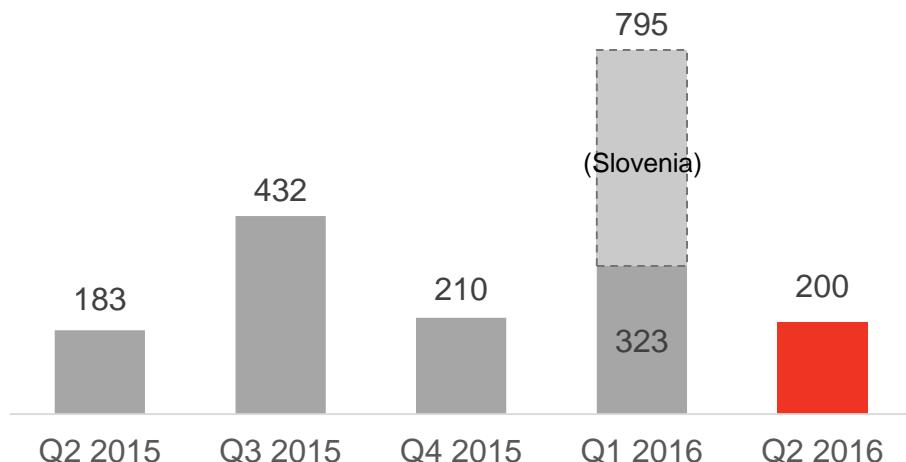
Q2 REVENUE BREAKDOWN ON BU/SERVICE LINE
NOK million / Percent



ORDER INTAKE IN Q2

ORDER INTAKE DEVELOPMENT

NOK million



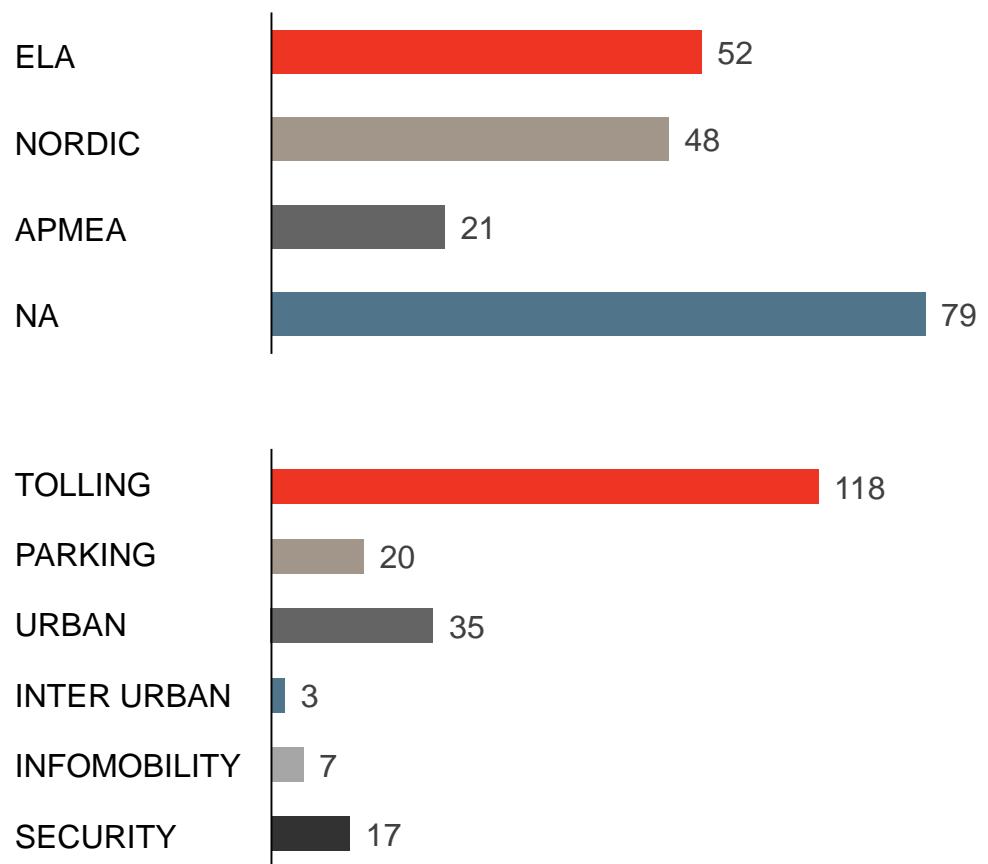
Q2 order intake up 9% YoY

- Regions ELA and NA with good contributions
- Announced orders of 29 MNOK, unannounced orders of 171 MNOK

In the future we will announce orders above 25 MNOK only

ORDER INTAKE BREAKDOWN ON BU/SERVICE LINE

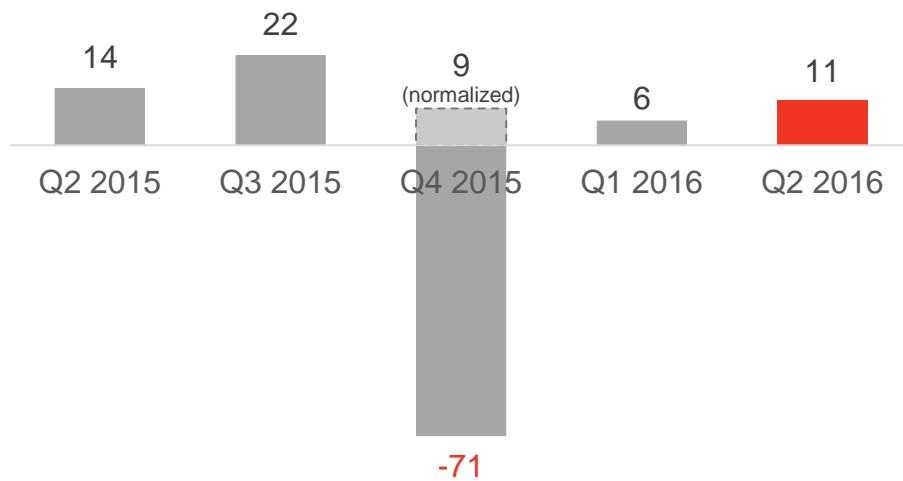
NOK million



EBITDA IN Q2

EBITDA DEVELOPMENT

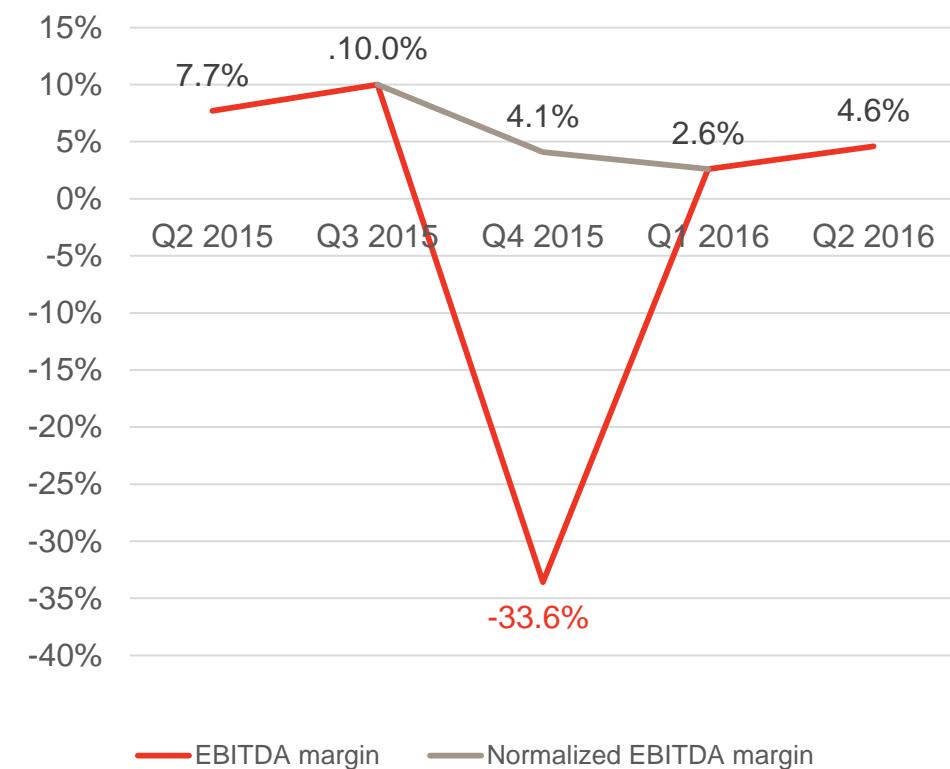
NOK million



- Stable gross margin of ~70%
- Increased OPEX due to project ramp-ups, high project activity and full quarter impact of acquisitions made in 2015.

EBITDA MARGIN DEVELOPMENT

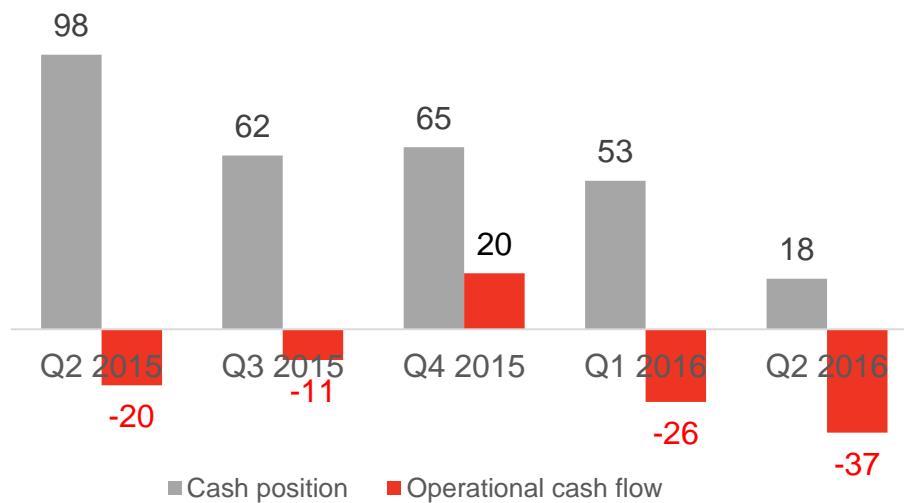
Percent



CASH FLOW AND FINANCIAL POSITION END OF Q2

CASH DEVELOPMENT

NOK million



Reduction in cash position of 35 MNOK

- Negative cash flow from operations and cash flow from investments (earn-out payments for Intelight, TDC and Traffic Design and CAPEX related to technology projects)
- Available unused credit facilities of 85 MNOK

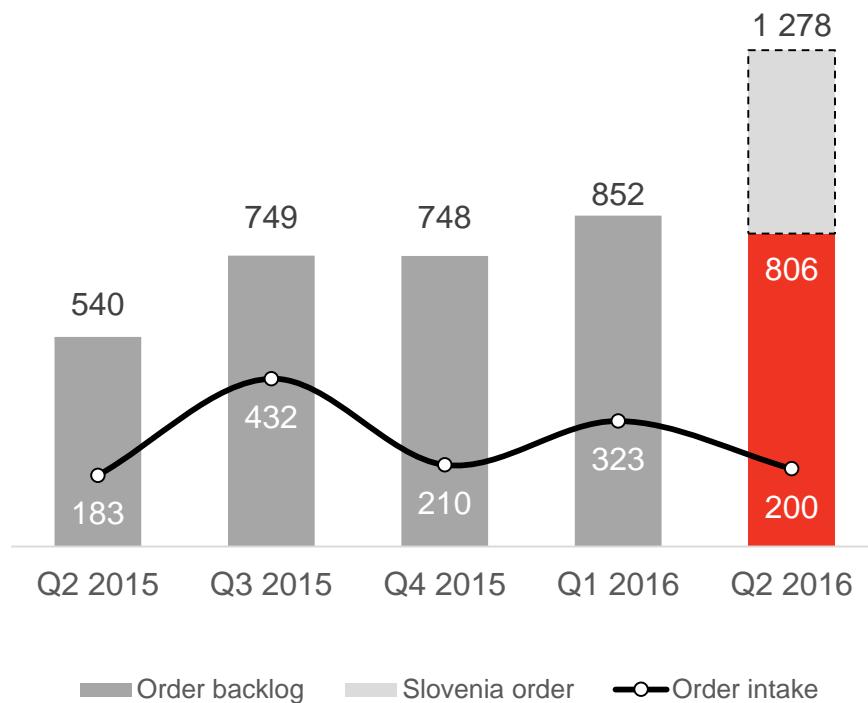
FINANCIAL POSITION

NOK thousand / Percent

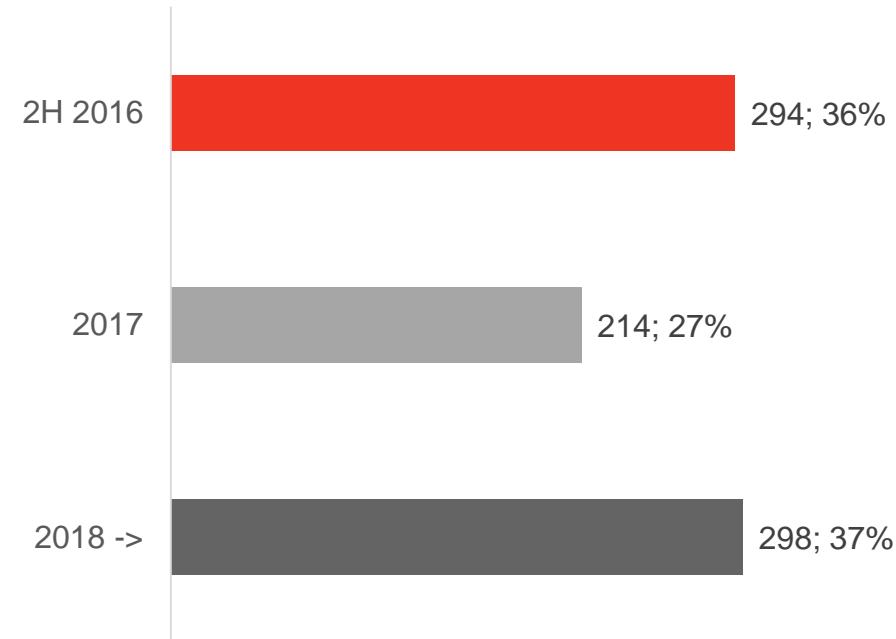
	June 30, 2016	March 31, 2016	December 31, 2015
Total intangible assets	538 898	544 360	581 991
Net working capital (excl. cash and interest-bearing debt)	143 642	102 755	40 352
Net working capital % of 12 months revenues	16 %	12 %	5%
Equity ratio	40.9 %	41.6 %	41.8%
Net interest bearing debt	216 756	182 256	150 000

ORDER BACKLOG AND DELIVERY SCHEDULE END OF Q2

ORDER BACKLOG
NOK million



ASSUMED DELIVERY SCHEDULE
NOK million / Percent





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Summary and outlook

SUMMARY AND 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 of 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 sales 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 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



CAPITAL STRUCTURE AND NOTICE OF EGM

- Q-Free has recently been quite successful in the market. The Slovenia project represents our single biggest tender win to date, and there are other potential big tenders and projects available in different regions.
- 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 balanced financial structure and an opportunity for further debt-financing
- Q-Free has appointed ABG Sundal Collier to assist in optimizing our capital structure. We will call for an extraordinary general meeting on September 19th 2016, where the Board of Directors will ask the shareholders to provide the Board with an authorization to increase Q-Free's share capital by up to 25%

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