

Q1

PRESENTATION OF FIRST QUARTER 2017

PRESIDENT & CEO HÅKON VOLLDAL, CFO ROAR ØSTBØ



LEADING THE WAY

SUMMARY



Q1-17 HIGHLIGHTS

- 236 MNOK in revenues, up 12% YoY
- 16 MNOK in EBITDA, up from 5 MNOK in Q1-16
- OPEX in percent of revenues down more than 6 percentage points YoY
- 165 MNOK in order intake from several small, unannounced orders comprised mainly of recurring revenue streams
- 1 337 MNOK in order backlog, 479 MNOK scheduled for delivery in 2017

Revenues
236

EBITDA
16

Order intake
165

Q1-17 KEY FINANCIALS

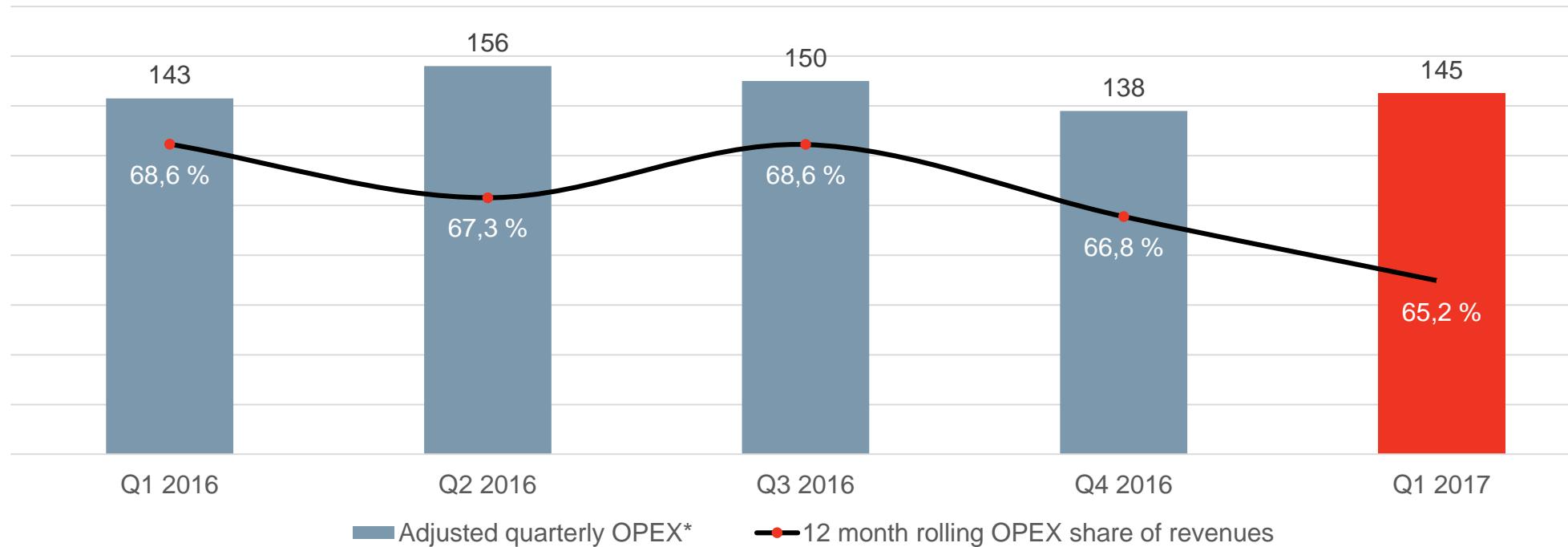
MNOK	Q1 2017	Q1 2016	YoY change
Revenues	236	210	12.1%
Gross profit	158	145	9.4%
<i>Gross margin</i>	67.2%	68.8%	-1.6 pp
OPEX	142	140	1.4%
EBITDA	16	5	255%
<i>EBITDA margin</i>	6.9%	2.2%	+4.7 pp
EBIT	2	-9	

- Revenue growth driven by ATMS
- Gross margin negatively impacted by projects in early phase
- OPEX in percent of revenues down more than 6 percentage points YoY
- Highest EBITDA since Q3-15

COST REDUCTION PROGRAM ON TRACK

QUARTERLY OPEX DEVELOPMENT

NOK million



* Reported OPEX excl. non-recurring items plus internal activated R&D expenses
Q3-16 and Q4-16 figures have been adjusted from figures shown in Q4-16 presentation due to PSG

BUSINESS UPDATE

REGION EUROPE & LATIN AMERICA (ELA) UPDATE

ELA NOK million	Q1 2017	Q1 2016	FY 2016
Revenues	96	81	320
Order intake	38	43	772
Order backlog	708	279	766

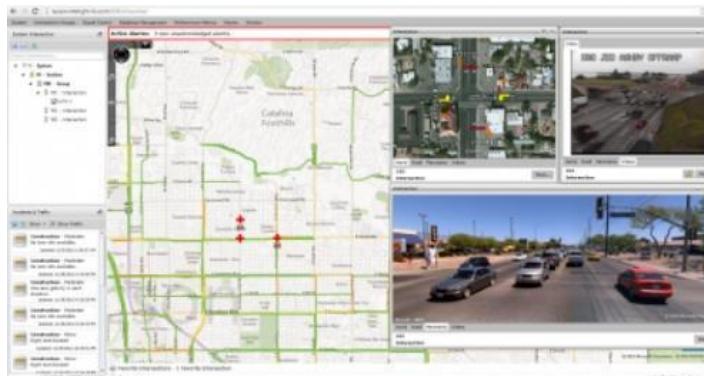
- Revenues up YoY due to Slovenia deliveries, 43 MNOK recognized in Q1 and first enforcement gantry installed
- Order intake driven by tolling project in Chile, new OEM ALPR contracts and small tag and parking contracts in Europe
- The order backlog mostly consists of tag contracts and the Slovenia truck tolling contract



REGION NORTH AMERICA (NA) UPDATE

NA NOK million	Q1 2017	Q1 2016	FY 2016
Revenues	79	54	232
Order intake	32	68	450
Order backlog	285	126	330

- YoY revenue growth due to VDOT and service line Urban
- Order intake included new tolling, parking, urban, and inter-urban agreements
- The order backlog consists of the large contract with VDOT (initially ~200 MNOK) plus various tolling, parking, inter-urban, and urban contracts



REGION NORDIC UPDATE

NORDIC NOK million	Q1 2017	Q1 2016	FY 2016
Revenues	40	59	229
Order intake	66	197	285
Order backlog	288	344	261

- Revenues down YoY due to limited tolling installations/upgrades
- Order intake included a 3-year extension of a tolling service agreement and new parking contracts
- The order backlog consists of long-term agreements with NPRA in Norway and Trafikverket in Sweden plus ferry and parking agreements



NB-IoT PARKING PILOT WITH TELENO

- Pilot launched together with Telenor and Huawei in February 2017 in Norway
- "Buried parking sensor" applicable in all environments enabling efficient road surface maintenance
 - Ultra-low power technology
 - High accuracy
 - Auto calibration
 - Bluetooth enabled
- Designed for the future with Internet of Things (IoT) connectivity directly to future 4G and 5G telecom networks



First in Norway with Narrowband IoT

Telenor and Q-Free will be first in Norway to use the new communication technology Narrow-band Internet of Things. A pilot for smart parking will be launched in the city of Trondheim. This is the first step towards a full-scale commercial network for the Internet of Things

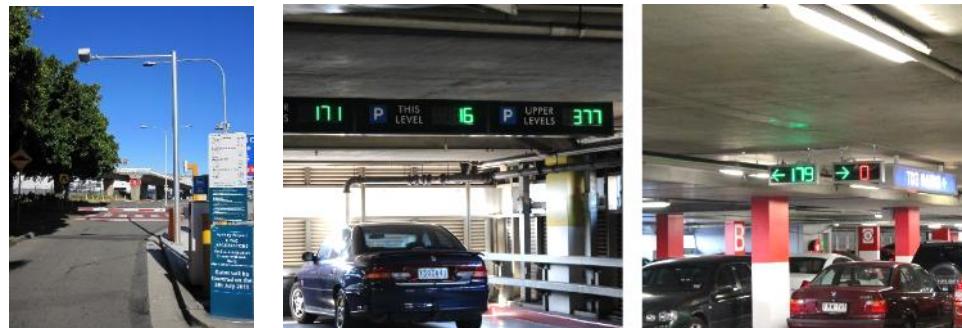


REGION ASIA PACIFIC, MIDDLE EAST AND AFRICA (APMEA) UPDATE



APMEA NOK million	Q1 2017	Q1 2016	FY 2016
Revenues	21	16	95
Order intake	29	12	69
Order backlog	56	70	48

- Revenues increased YoY on the back of a good Q1 in Australia and upgrades of tolling systems in Thailand
- Order intake in the quarter driven by signing of several new ALPR contracts in Australia
- The order backlog mostly consists of tags and roadside equipment for tolling



SERVICE LINE OVERVIEW

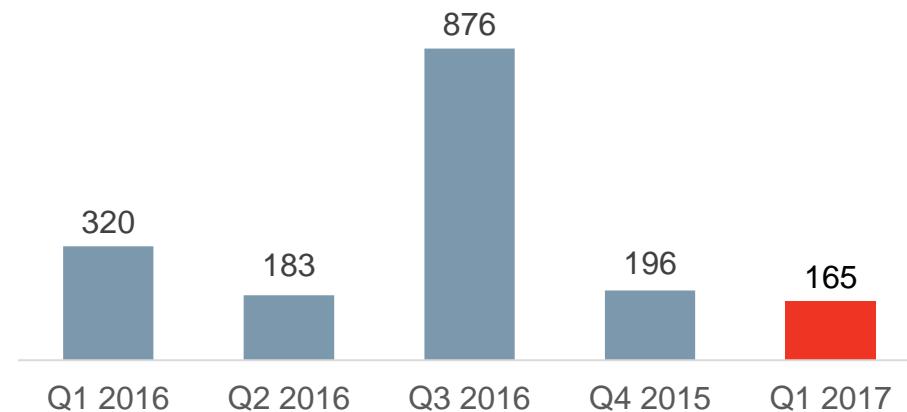
NOK million	Q1 REVENUES	CHANGE vs. Q1-16	Q1 ORDER INTAKE	ORDER BACKLOG
TOLLING 	126	-5	112	1,058
PARKING 	22	-7	10	17
INFOMOBILITY 	18	+2	5	12
URBAN 	37	+16	35	47
INTER-URBAN 	32	+19	3	202
TOTAL	236	+26	165	1,337

FINANCIAL UPDATE

ORDER INTAKE IN Q1-17

ORDER INTAKE DEVELOPMENT

NOK million

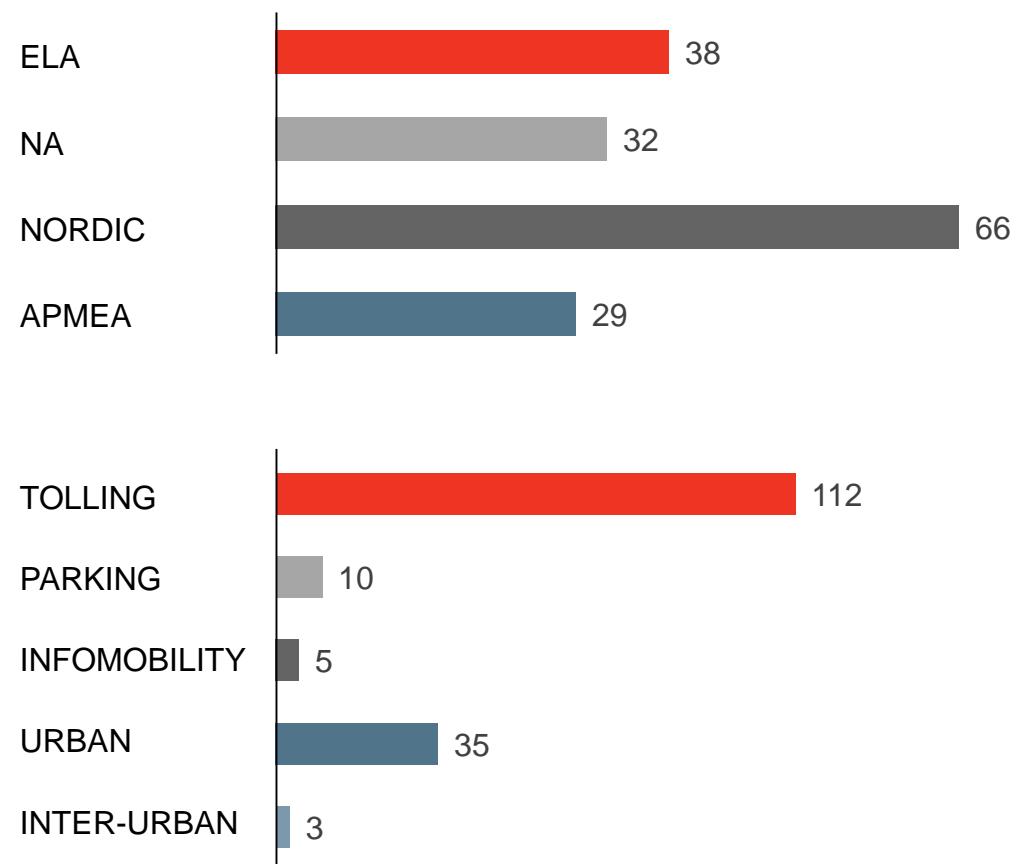


Q1-17 order intake down YoY due to booking of 3-year 165 MNOK contract with NPRA in Q1-16

- 165 MNOK in unannounced orders – mostly contracts with recurring revenues increasing 2019-> backlog
- No single big contracts won in Q1, several medium and large contracts expected to be awarded during 2017

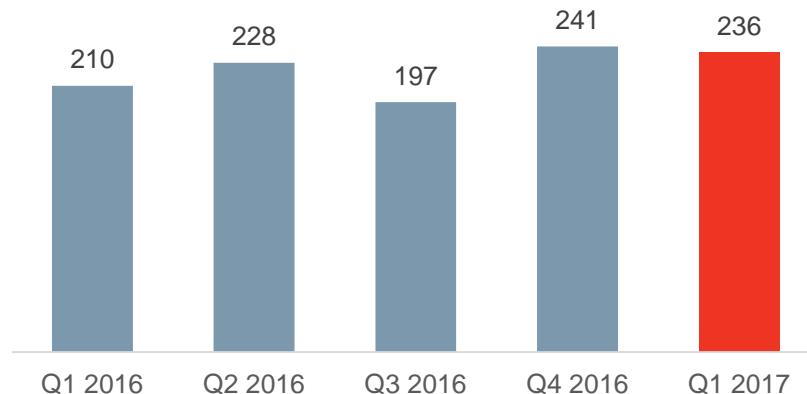
ORDER INTAKE BREAKDOWN ON REGION/SERVICE LINE

NOK million



REVENUES IN Q1-17

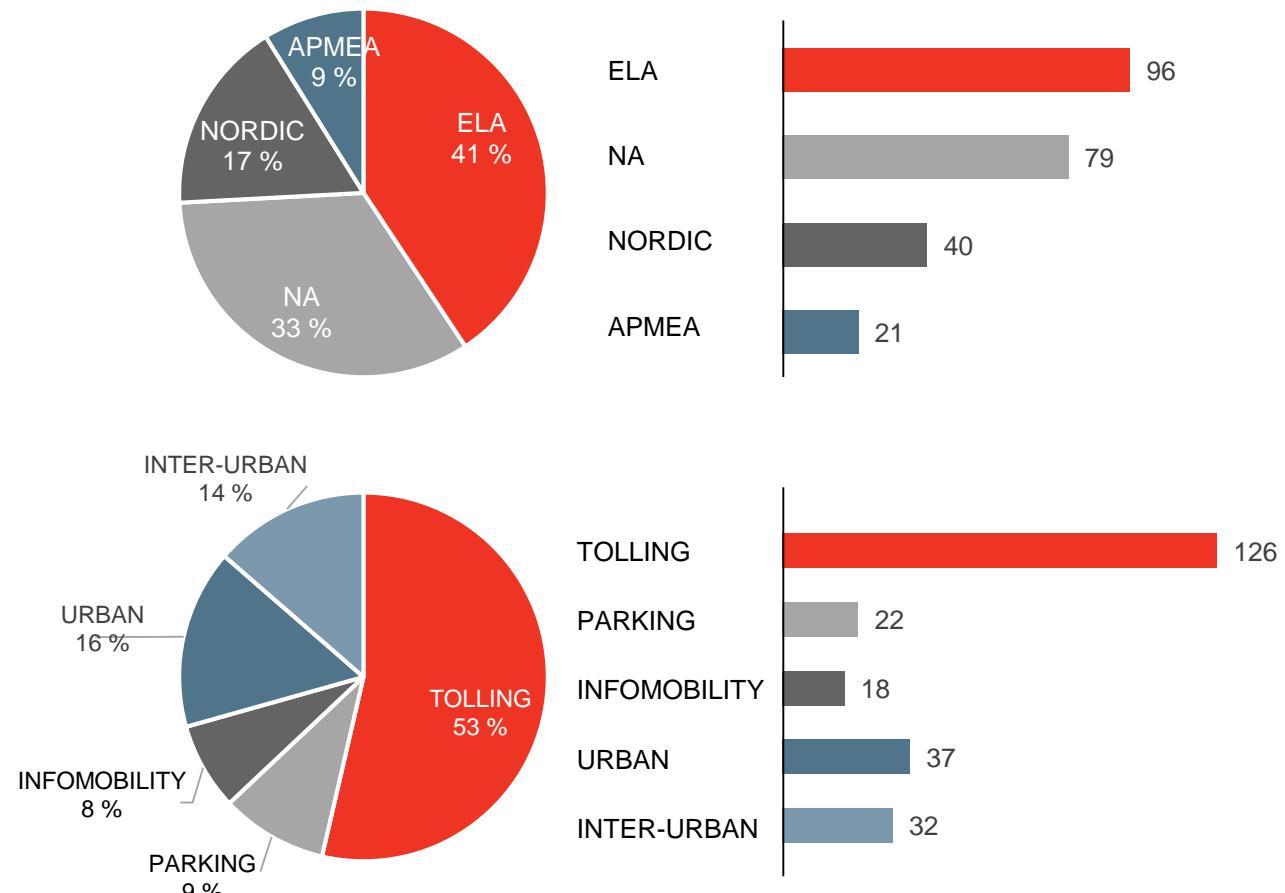
QUARTERLY REVENUE DEVELOPMENT NOK million



Revenues up 26 MNOK, or 12% from Q1 2016

- ATMS (i.e. all service lines except tolling) contributed with 110 MNOK compared to 79 MNOK in Q1-16 driven by Intelight and VDOT
- 43 MNOK in revenue recognition in Slovenia

Q1 REVENUE BREAKDOWN ON REGION/SERVICE LINE NOK million / Percent



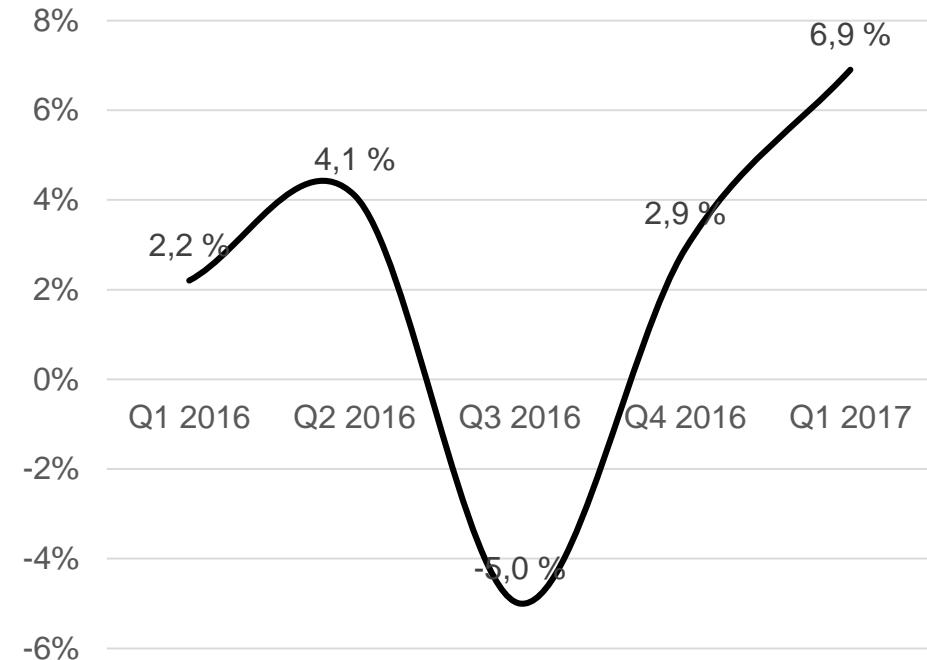
EBITDA IN Q1-17

EBITDA EXCL. RESTRUCTURING COSTS
NOK million



- Best quarter since Q3-15, EBITDA up 11 MNOK YoY
- Positive EBIT of 2 MNOK

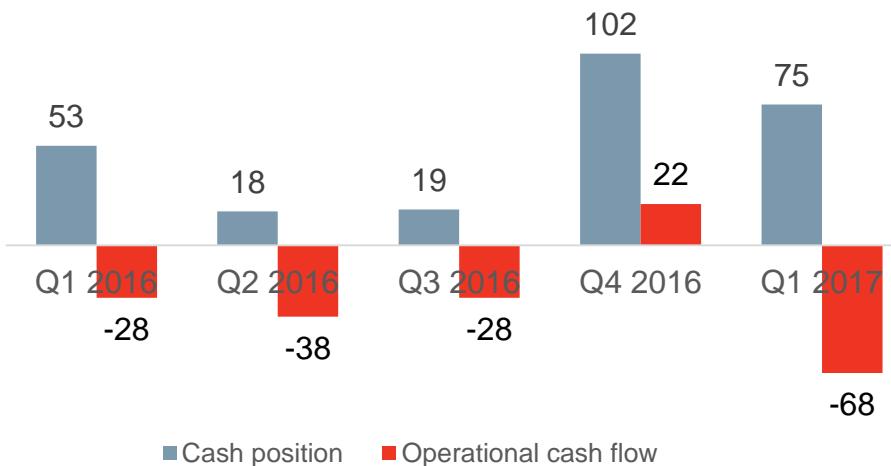
EBITDA MARGIN EXCL. NON-RECURRING COSTS
Percent



CASH FLOW AND FINANCIAL POSITION END OF Q1-17

CASH DEVELOPMENT

NOK million



- Cash flow from operations negatively impacted by Slovenia truck tolling project and the VDOT project in the US
- Cash flow from financing activities (+48 MNOK) reflects increased short-term debt to finance these projects
- Cash Flow from investing in technology projects (-6 MNOK)
- Available unused credit facilities of 143 MNOK
- Compliant with Danske Bank loan covenants

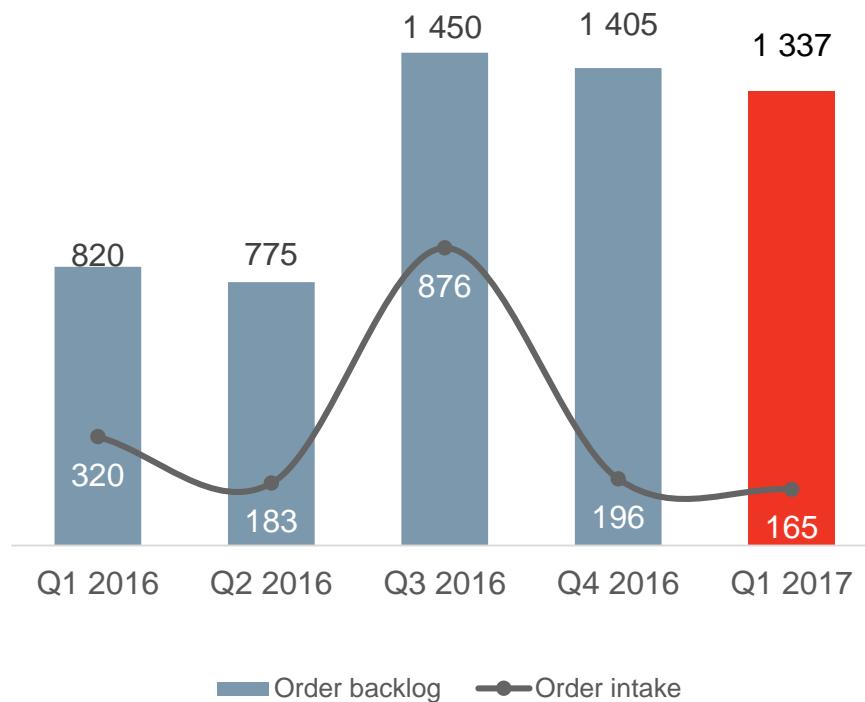
FINANCIAL POSITION

NOK thousand / Percent

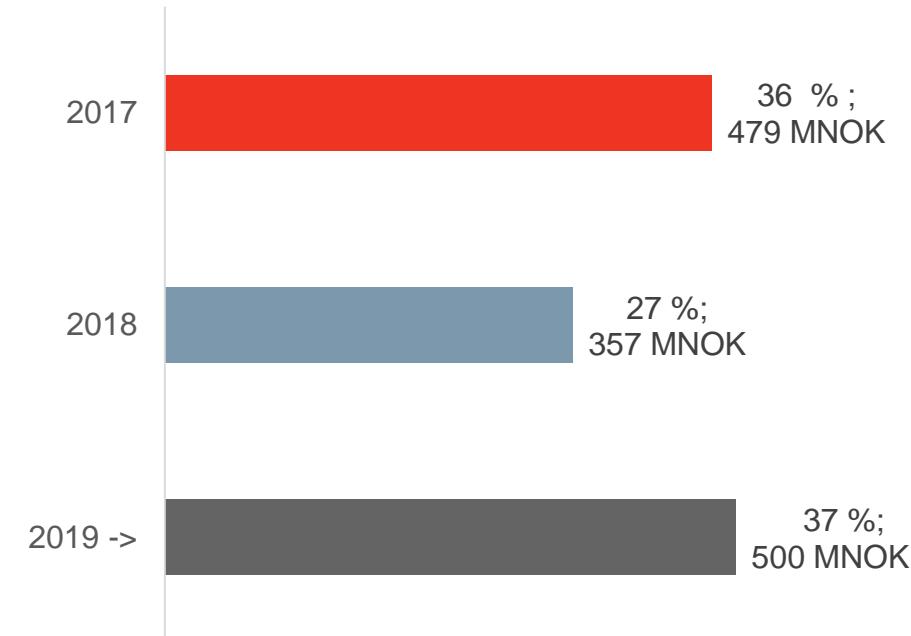
	December 31, 2016	March 31, 2017
Total intangible assets	512 451	505 850
Net working capital (excl. cash and interest-bearing debt)	132 274	221 378
Net working capital % of 12 months revenues	15 %	25 %
Equity ratio	43.1 %	42.9 %
Gross interest bearing debt	229 457	277 658
Net interest bearing debt	127 148	198 233

ORDER BACKLOG AND DELIVERY SCHEDULE END OF Q1-17

ORDER BACKLOG
NOK million



EXPECTED DELIVERY SCHEDULE
NOK million / Percent



OUTLOOK

OUR 2016-2021 STRATEGY

2H 2016



2017 – 2018



2019 – 2020



2021 ->



Restore cash position/ capital structure and establish a platform for profitable growth

- 134 MNOK in new equity raised
- 22 MNOK in cash flow from operations in Q4-16
- 1.4 bn in order backlog end of 2016
- ~50 MNOK in gross OPEX savings executed
- Security division divested

Develop distinct and leading positions within a few target segments

- Deliver double digit revenue growth
- Improve margins
- Deliver positive cash flow from operations (2018 ->)

Expand presence and scope including bolt-on acquisitions to deliver on full ITS ambition

Explore transformative / game changing transactions

PHASE 2 MARKET AMBITIONS

GLOBAL SERVICE LINES



Maintain top 3 position in DSRC

- Harvest existing markets - COGS reductions and new applications/ features
- Compete in select new DSRC markets – several ongoing processes



Become a top 5 player in CPMS/ PGS globally

- Build scale in ParQ
- Launch new PGS concept
- Develop strategic partnerships



Build a sizeable global business (>100 MNOK)

- Consolidate and streamline product offering
- Expand distributor base and market presence

REGIONAL SERVICE LINES (NA ONLY)



Become a top 3 US provider of intersection controllers

- Promote recently launched products
- Nurture and broaden US dealer network



Become the number 1 TMC provider in the US Mid-Atlantic

- Maintain stronghold in current states
- Leverage VDOT platform to expand into new markets

PHASE 2 FINANCIAL TARGETS AND PROGRESS

Deliver double digit revenue growth

Improve margins

Deliver positive cash flow from operations (2018 ->)

What we said we will do:

- Convert record order backlog to revenues
- Backfill order backlog to sustain momentum

- Manage key projects tightly
- Maintain OPEX discipline
- Implement COGS reductions

- Reduce working capital
- Reduce project dependency

Progress so far:

- 12% growth YoY in Q1-17
- Need to win medium and large contracts in coming quarters

- Slovenia and VDOT on track
- OPEX as share of revenues down 6 pp YoY in Q1-17
- Need to accelerate initiated COGS efforts

- Overdue receivables reduced by ~25% from Q3-16
- ATMS business up ~40% YoY



Q&A