

Q4

PRESENTATION OF FOURTH QUARTER AND PRELIMINARY FULL-YEAR 2017 RESULTS

PRESIDENT & CEO HÅKON VOLLDAL / CFO TOR EIRIK KNUTSEN



LEADING THE WAY

A long-exposure photograph of a city skyline at night. The sky is a mix of orange and blue. Several tall skyscrapers are visible, with their windows glowing yellow. In the foreground, a multi-lane highway shows long, horizontal light trails from cars, with white and yellow for the main lanes and red for the rightmost lane. Streetlights and various road signs are visible along the highway.

SUMMARY

Q4-17 HIGHLIGHTS

- **Strong organic revenue growth:** 265 MNOK, 10% up YoY
- **Significant profitability improvement:** 40 MNOK in EBITDA (15% margin) – best quarter since 2009
- **Stable NIBD:** remained fairly stable and well within loan covenants despite 47 MNOK in working capital requirements in Slovenia
- **Continued portfolio optimization:** initiated processes to exit underperforming businesses and product lines

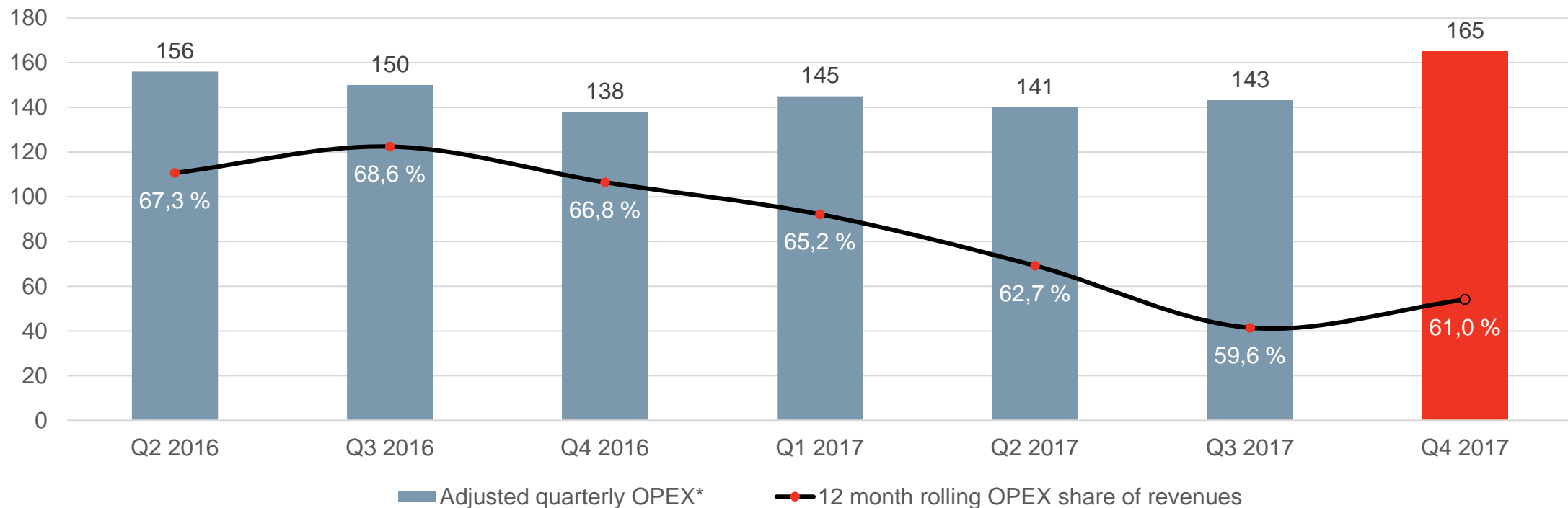
SUMMARY FINANCIALS Q4-17 AND FY 2017

MNOK	Q4 2017	Q4 2016	YoY Change
Revenues	265	241	9.6%
Gross profit	196	137	43.2%
<i>Gross margin</i>	73.9%	56.6%	+17.3 pp
OPEX	156	130	-20.3%
EBITDA (excl. non-recurring items)	40	7	
<i>EBITDA margin (excl. Non-recurring items)</i>	15.0%	2.9%	+12.1 pp
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EBIT	4	- 8	

FY 2017	FY 2016	YoY change
973	877	11.0%
686	581	18.1%
70.4%	66.2%	+4.2 pp
575	570	1.0%
110	11	
11.3%	1.3%	+10.0 pp
83	- 4	
8.5%	-0.5%	+9.0 pp
4	- 59	

OPEX AS SHARE OF REVENUES

«NORMALIZED» OPEX DEVELOPMENT *
NOK million



* Reported OPEX excl. non-recurring items plus activated R&D expenses

NOTE: 2016 figures have been adjusted from previously shown figures due to divestment of PSG



BUSINESS UPDATE

REGION EUROPE & LATIN AMERICA (ELA) UPDATE

ELA (MNOK)	Q4 2017	Q4 2016	FY 2017	FY 2016
Revenues	125	100	443	320
Order intake	53	85	187	772
Order backlog	512	766	-	-



- Revenue growth driven by good progress on Slovenia truck tolling project and strong quarter for tag sales
- Order intake includes 25 MNOK tag agreement in France and misc. smaller contracts
- Large tag agreements to be tendered in coming months
- Order intake does not include a 75 MNOK frame agreement for infomobility solutions

REGION NORDIC UPDATE

NORDIC (MNOK)	Q4 2017	Q4 2016	FY 2017	FY 2016
Revenues	51	58	168	229
Order intake	15	30	148	285
Order backlog	242	261	-	-

- Revenue decline due to limited tolling installations/upgrades in Norway
- Limited order intake, but very high bid activity
- Order backlog does not include a 12 month extension of the optional period for CS Norway services worth up to 100 MNOK

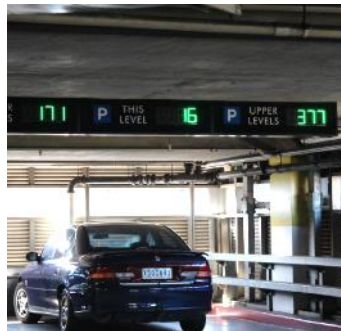


REGION ASIA PACIFIC, MIDDLE EAST AND AFRICA (APMEA) UPDATE



APMEA (MNOK)	Q4 2017	Q4 2016	FY 2017	FY 2016
Revenues	25	20	86	95
Order intake	16	19	76	69
Order backlog	37	48		

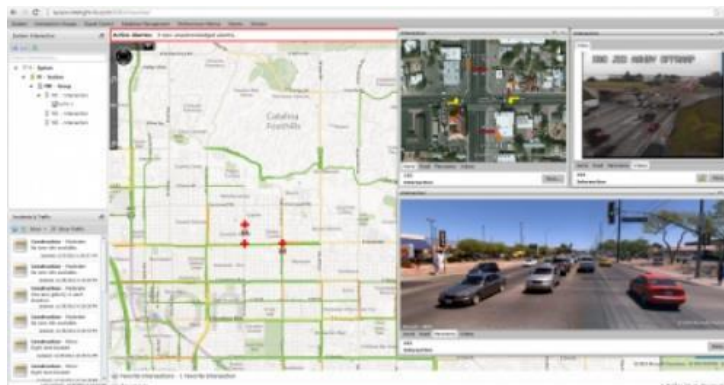
- Small revenue increase due to good tag sales in Thailand
- Order intake in the quarter mainly reflected signing of small contracts and change orders
- Jakarta ERP prequalification due on April 17th, announcement of qualified bidders on May 31st, winner announced on October 17th








REGION NORTH AMERICA (NA) UPDATE

NA (MNOK)	Q4 2017	Q4 2016	FY 2017	FY 2016
Revenues	64	64	277	232
Order intake	48	62	204	450
Order backlog	259	330	-	-

- Stable revenues amid VDOT contract deliveries in both Q4-16 and Q4-17
- Order intake in the quarter comprised several traffic controllers in urban and task orders in inter-urban
- Lots of tenders for ALPR type solutions



SERVICE LINE OVERVIEW

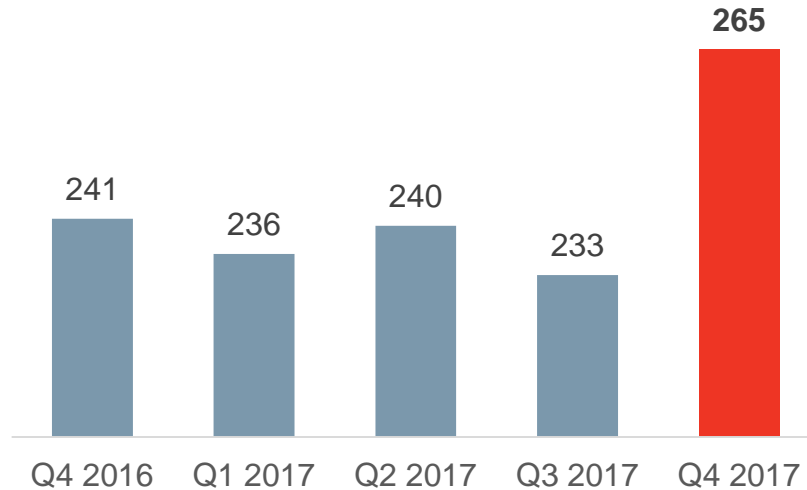
NOK million		Q4-17 REVENUES	YoY CHANGE	FY-17 REVENUES	YoY CHANGE	YTD ORDER INTAKE	ORDER BACKLOG
TOLLING		172	+20	601	+26	305	778
PARKING		11	-16	56	-41	42	15
INFOMOBILITY		16	-3	64	+12	58	19
URBAN		33	+5	139	+40	130	40
INTER-URBAN		32	+18	113	+59	81	197
TOTAL		265	+24 (+10%)	973	+96 (+11%)	616	1,049



FINANCIAL UPDATE

REVENUES IN Q4-17

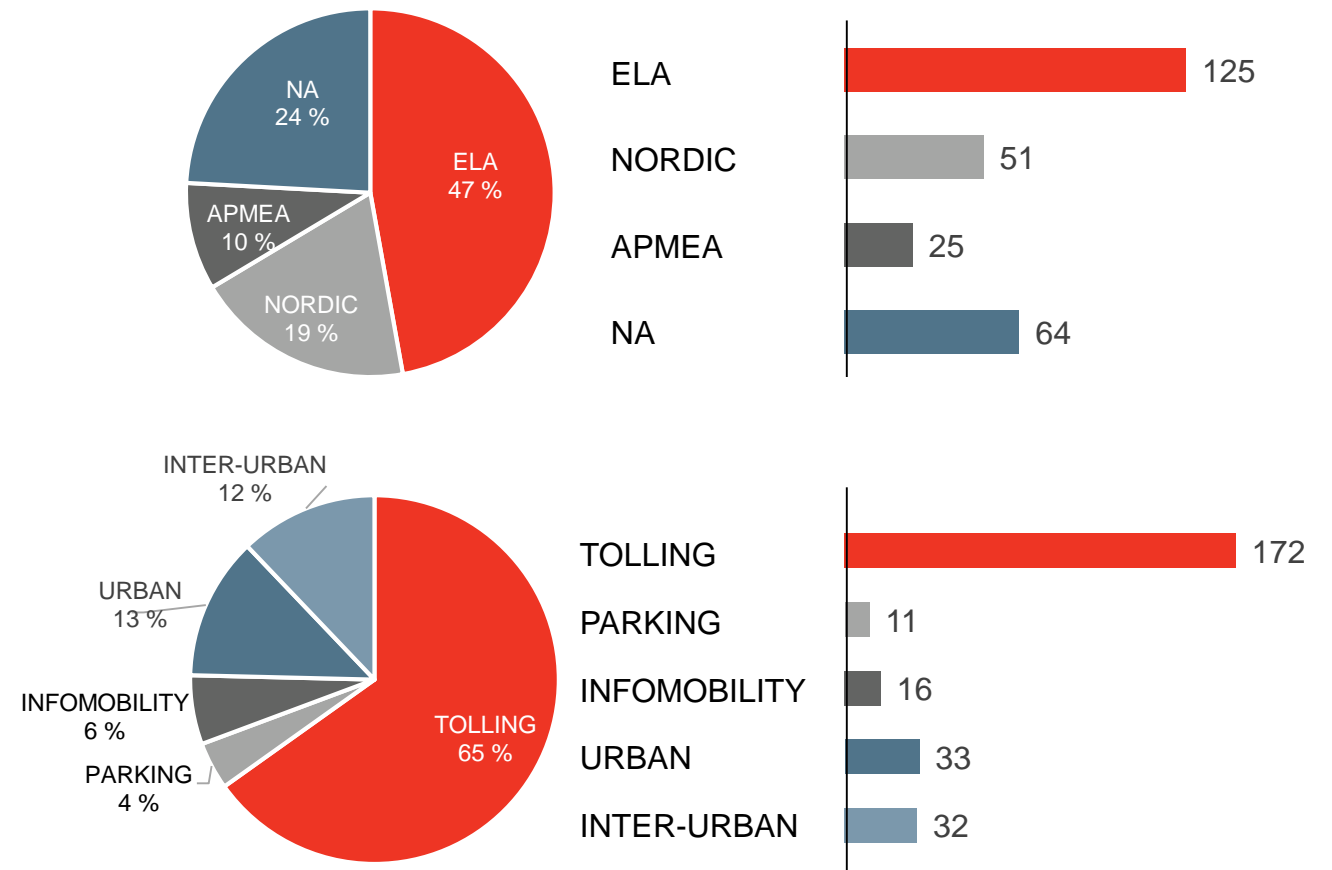
QUARTERLY REVENUE DEVELOPMENT NOK million



Revenues up 24 MNOK from Q4 2016

- 172 MNOK in revenues from tolling including 47 MNOK from Slovenia truck tolling project, up from 152 MNOK in Q4-16
- 93 MNOK in revenues from non-tolling service lines, up from 89 MNOK in Q4-16

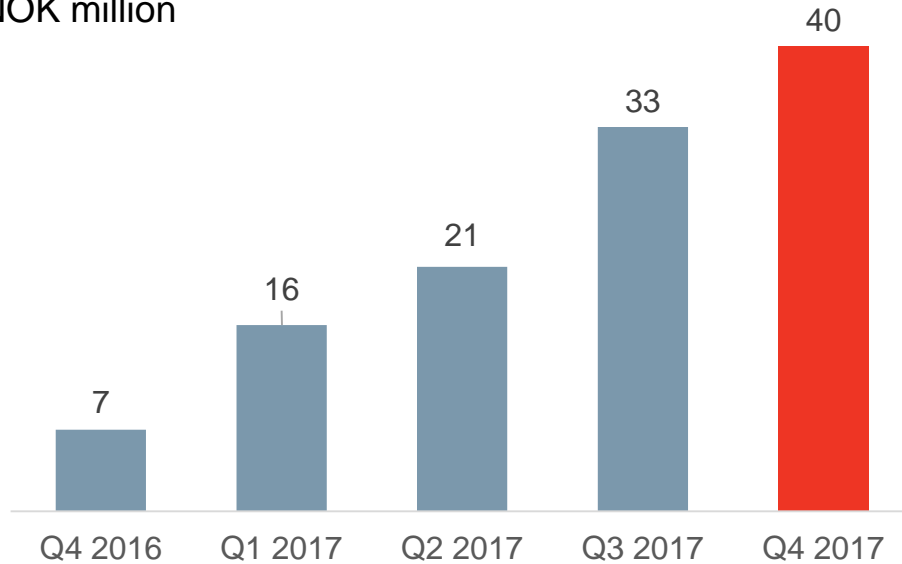
Q4 REVENUE BREAKDOWN ON REGION/SERVICE LINE NOK million / Percent



EBITDA IN Q4-17

EBITDA DEVELOPMENT EXCL. NON-RECURRING ITEMS

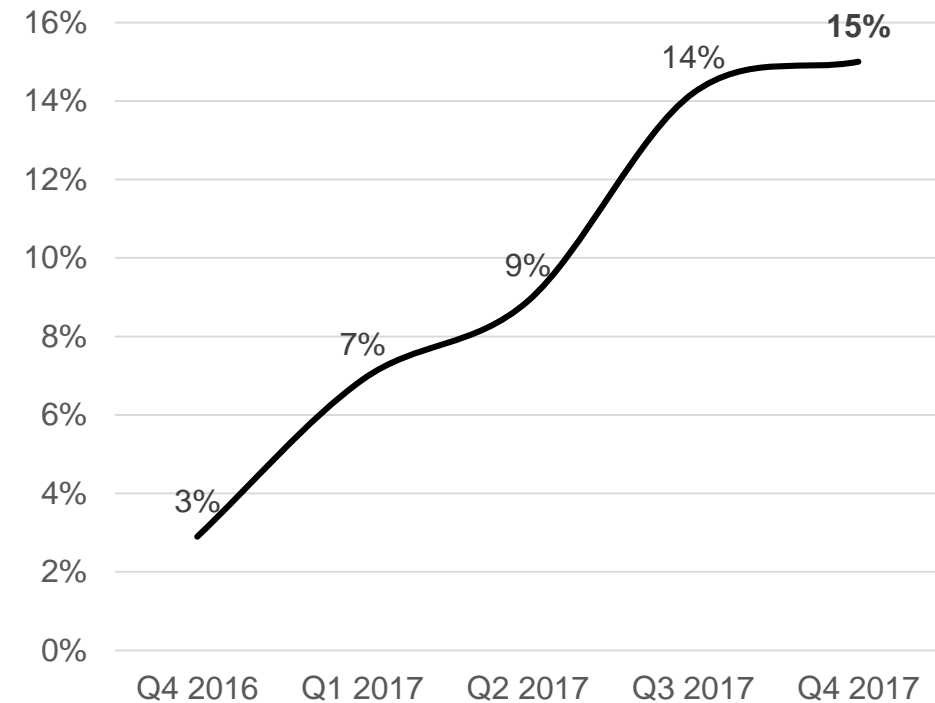
NOK million



- Best quarterly EBITDA in 8 years
- EBITDA margin up 12.1 percentage points versus Q4-16 and 10 percentage points YTD (excl. non-recurring items)

EBITDA MARGIN EXCL. NON-RECURRING ITEMS

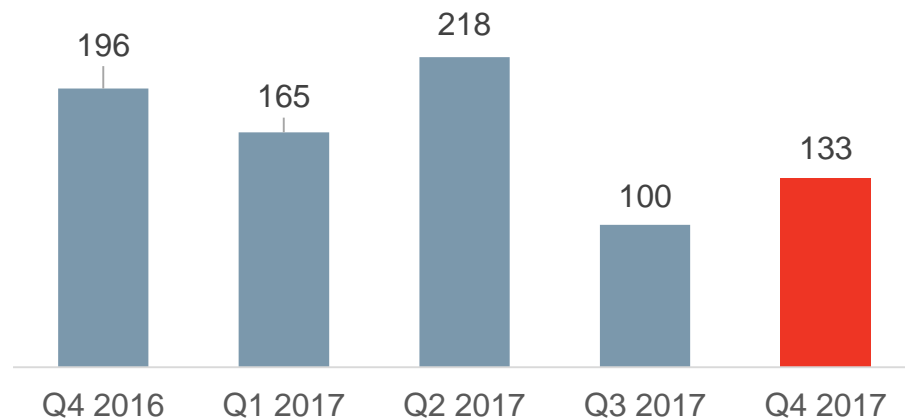
Percent



ORDER INTAKE IN Q4-17

ORDER INTAKE DEVELOPMENT

NOK million

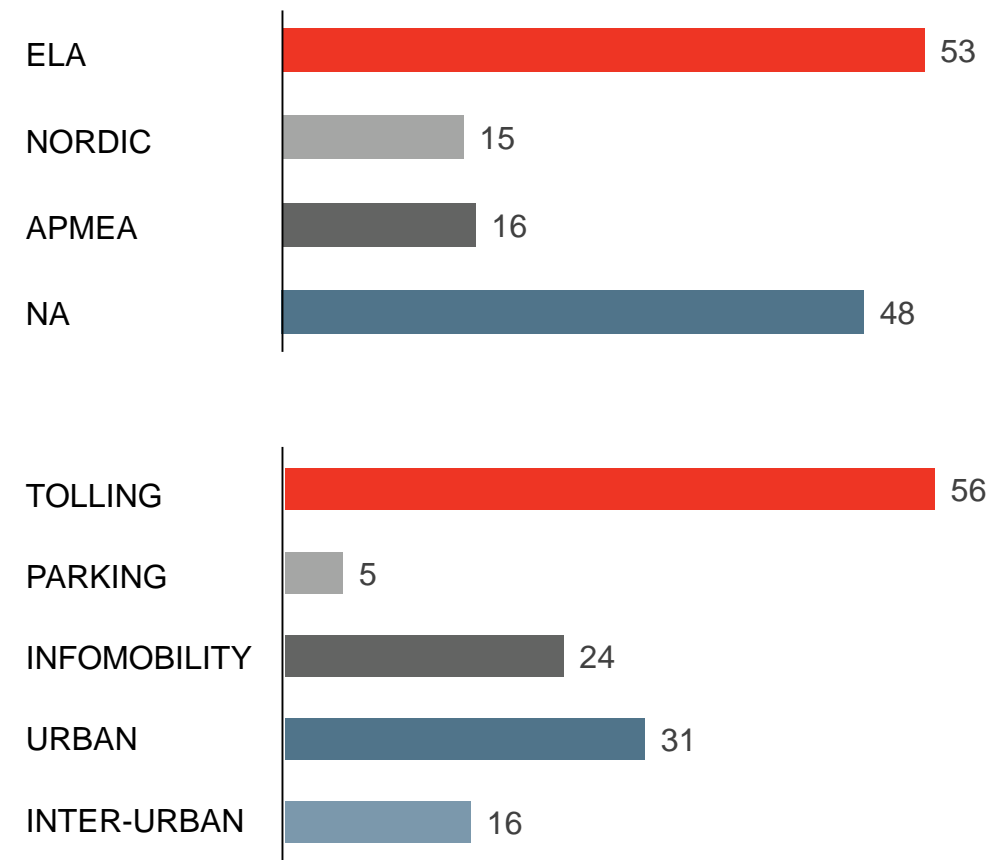


Order intake down YoY due to few large contracts booked, however good volume of small contracts and extensions:

- 25 MNOK tag frame agreement in France
- 105 MNOK in unannounced orders

ORDER INTAKE BREAKDOWN ON REGION/SERVICE LINE

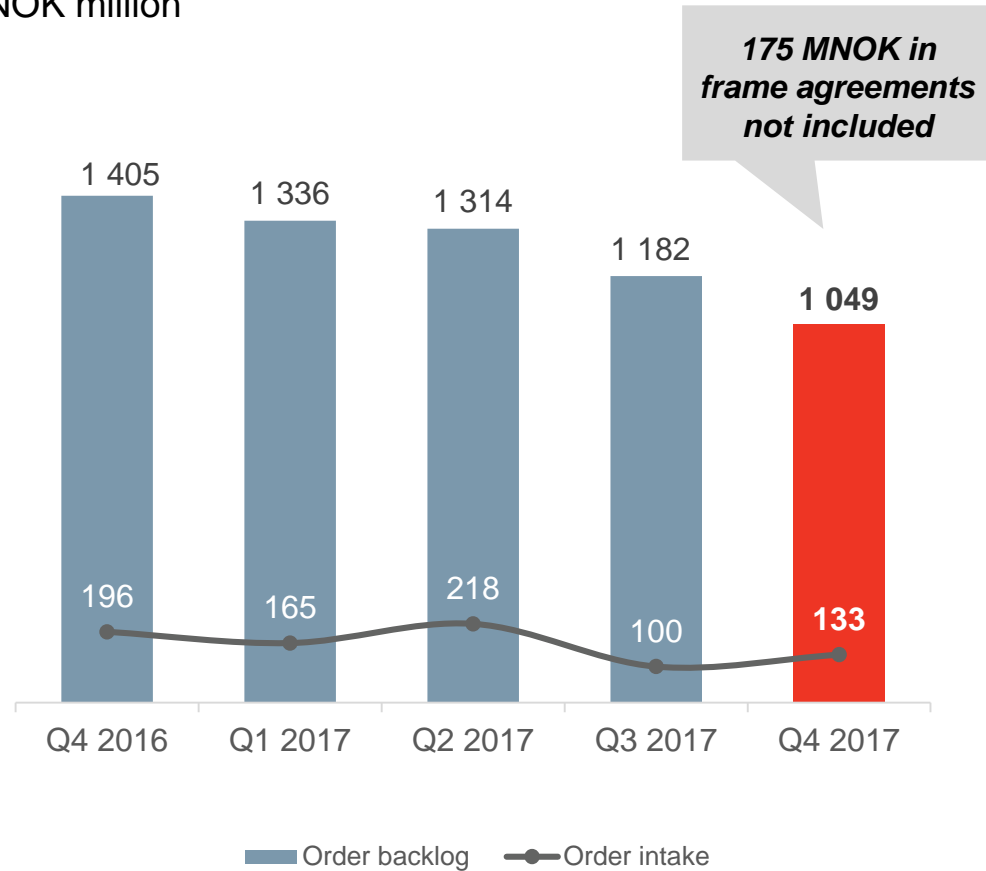
NOK million



ORDER BACKLOG AND DELIVERY SCHEDULE END OF Q4-17

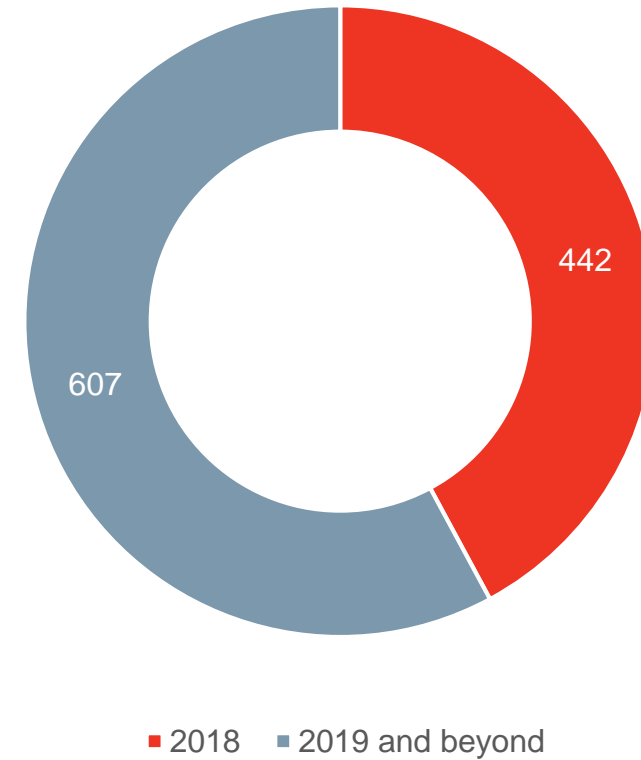
ORDER BACKLOG DEVELOPMENT

NOK million



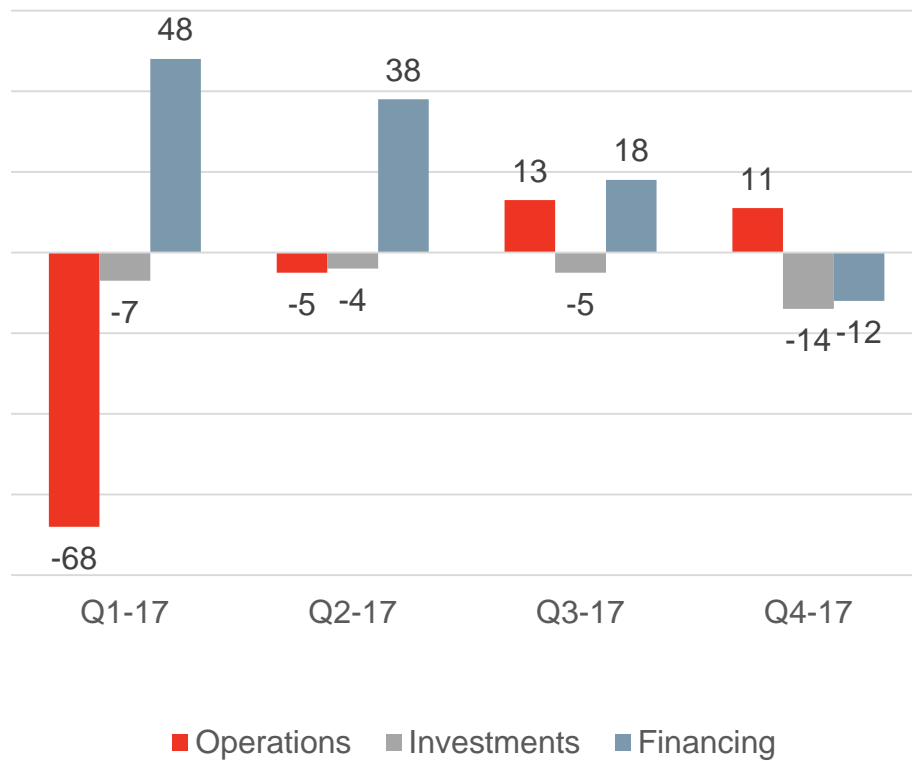
EXPECTED DELIVERY SCHEDULE

NOK million / Percent

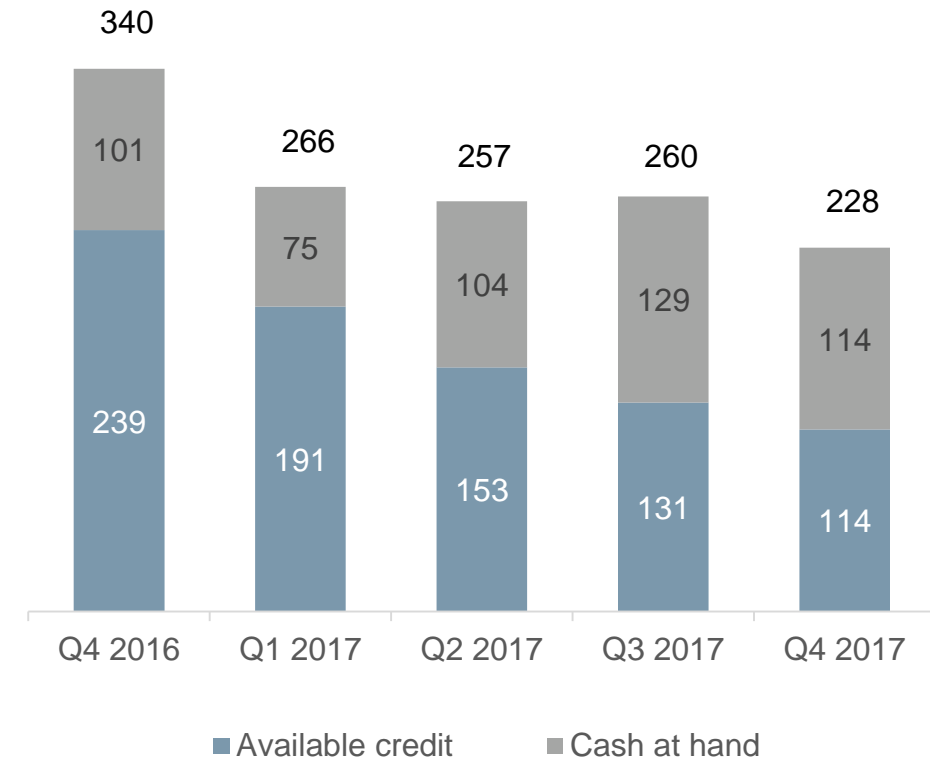


CASH FLOW AND AVAILABLE CREDIT/CASH END OF Q4-17

QUARTERLY CASH FLOW DEVELOPMENT CONT. OPS
NOK million



QUARTERLY AVAILABLE CREDIT AND CASH AT HAND
NOK million



KEY BALANCE SHEET ITEMS END OF Q4-17

BALANCE SHEET ITEMS

NOK million / Percent

	Per December 31, 2017	Per September 30, 2017
Total assets	1 070	1 044
Total intangible assets	471	473
Net working capital excl. debt to financial institutions	224	235
Normalized working capital	249	225
Normalized working capital % of 12 months revenues	26 %	24 %
Equity ratio	38.7 %	39.2 %
Gross interest bearing debt	329	339

NET INTEREST BEARING DEBT

NOK million



- Negative net working capital effects of 26 MNOK due to Slovenia and VDOT
- After collecting 200 MNOK in cash from Slovenia in Q2-18, Q-Free will have very limited debt



OUTLOOK

Q-FREE IS NOT ONLY THIS:

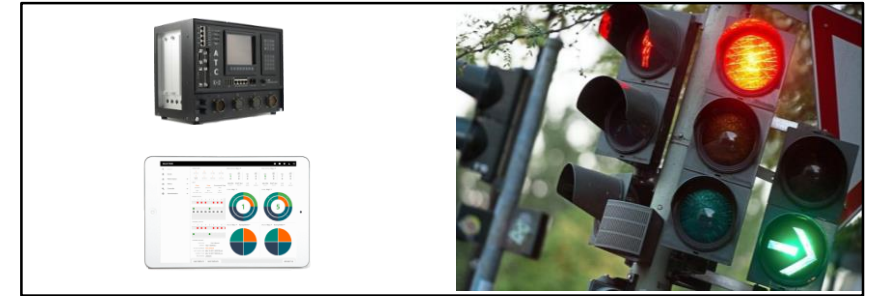


WE ARE THIS:

TOLLING



URBAN



PARKING



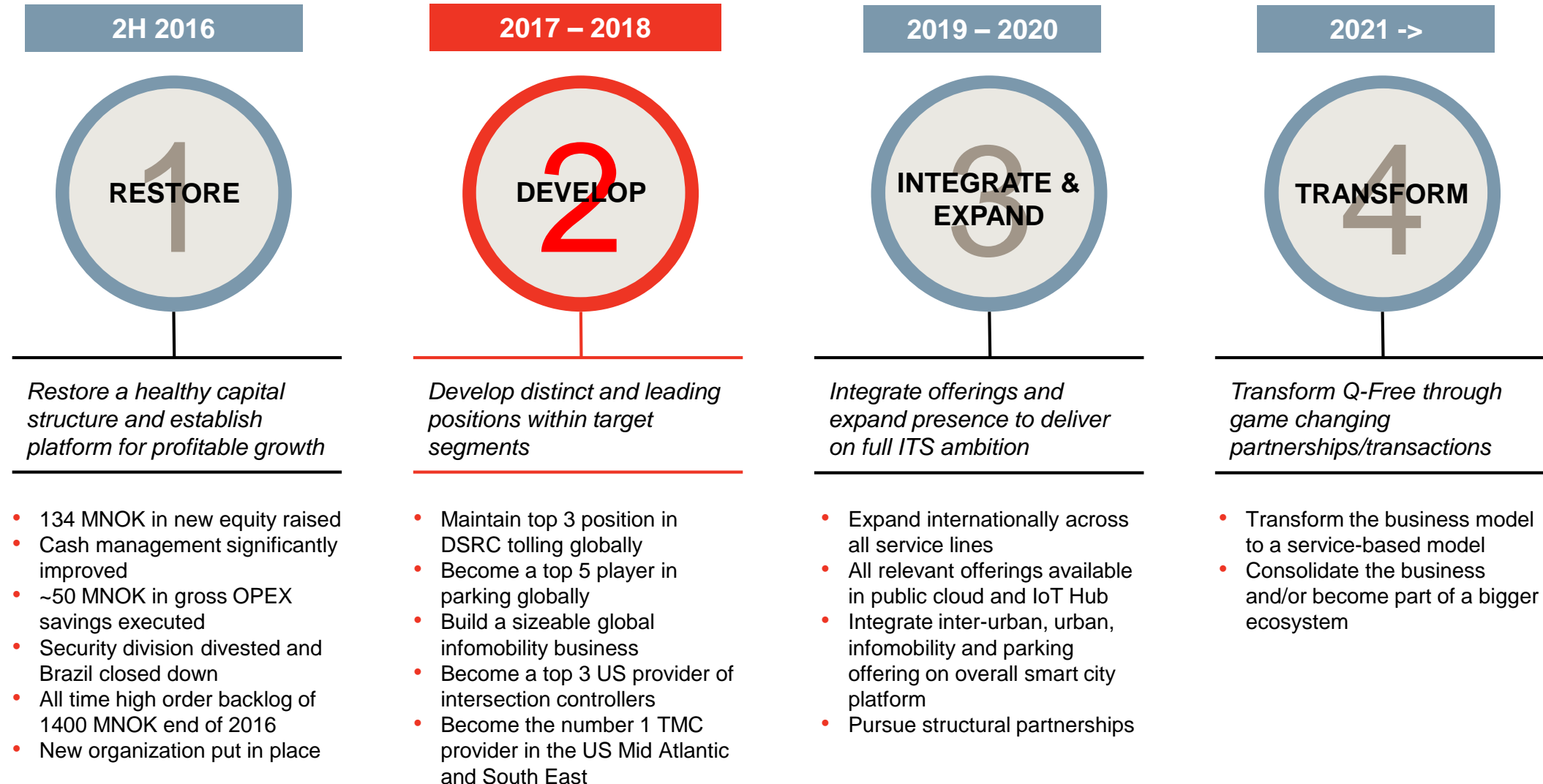
INTER-URBAN



INFO-MOBILITY



OUR 2016-2021 STRATEGY



FINANCIAL TARGETS AND ACHIEVEMENTS

What we said we will do:

Deliver double digit revenue growth

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

Improve margins

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

Deliver positive cash flow from operations (2018 ->)

- Reduce working capital
 - Reduce project dependency
-

What we have delivered:

- Revenues up 11% in 2017
 - Good pipeline of potential new projects, but need new large/medium-sized contracts to sustain growth
-

- 11% EBITDA margin in 2017 (excl. non-recurring items), up 10 pp vs. 2016
 - Several COGS reductions implemented
 - OPEX as share of revenues down 6 pp on rolling 12M basis
-

- Significantly improved cash collection and large reduction in overdue receivables
- ~200 MNOK to be collected in Q2-18 from Slovenia truck tolling project

2018 FOCUS AREAS



Finalize restructuring of portfolio

- Exit unprofitable businesses/product areas
- Reallocate resources to profitable areas to ensure top 3-5 positions in target segments



Increase order intake

- Increase bid activity (see next page)
- Launch new products and services, e.g. parking sensor



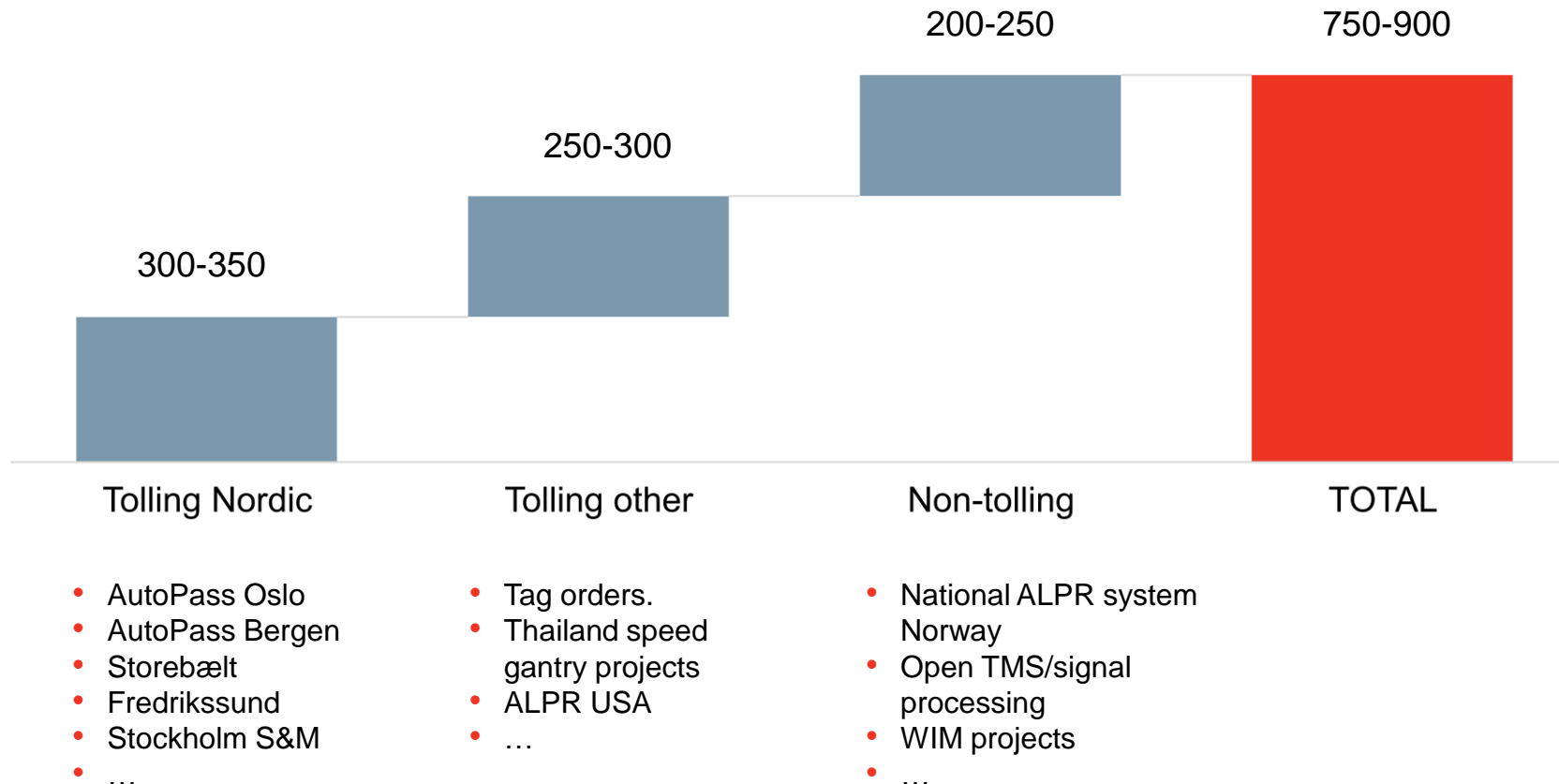
Progress roadmap work

- Continue work on developing next generation systems
- Continue exploring unique integrations across service lines, e.g. TMC signal processing integration

1H 2018 CONTRACT PIPELINE

ESTIMATED VALUE OF LARGE AND MEDIUM TENDERS EXPECTED TO BE AWARDED IN 1H 2018

NOK million





Q&A