

Q2

PRESENTATION OF SECOND QUARTER AND FIRST HALF RESULTS 2017

PRESIDENT & CEO HÅKON VOLLDAL



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 lit up with yellow and white lights. 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 traffic signs are visible along the highway.

SUMMARY

HIGHLIGHTS

SECOND QUARTER 2017

- 240 MNOK in revenues, 5% growth YoY
- 21 MNOK in EBITDA vs. 9 MNOK in Q2-16
- 218 MNOK in order intake, up 19% from Q2-16
- 1.3 bn NOK in order backlog maintained
- OPEX share of revenues down 5 pp on 12 month basis
- -5 MNOK in cash flow from operations

Revenues
240

EBITDA
21

Order intake
218

FIRST HALF 2017

- 476 MNOK in revenues, up 9% YoY
- 38 MNOK in EBITDA (7.9% margin), 14 MNOK 1H 2016
- 383 MNOK in order intake vs. 503 MNOK in 1H 2016

Revenues
476

EBITDA
38

Order intake
383

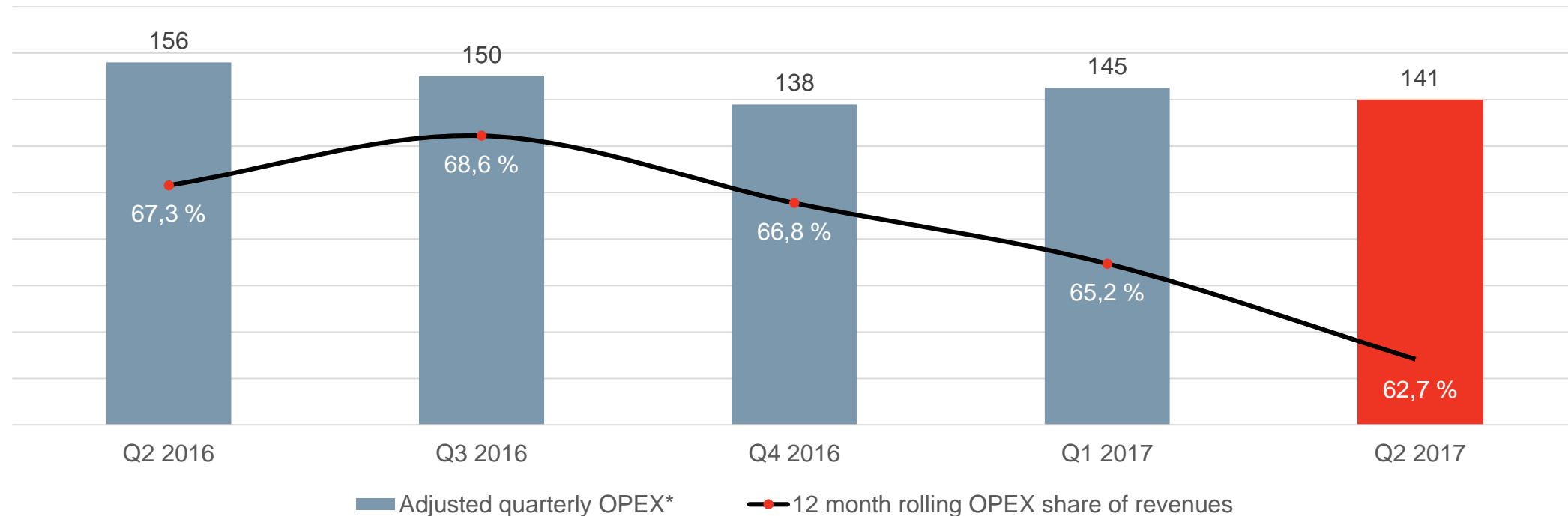
Q2-17 AND 1H-17 KEY FINANCIALS

MNOK	Q2 2017	Q2 2016	YoY change
Revenues	240	228	5.3%
Gross profit	159	162	-1.9%
<i>Gross margin</i>	66.1%	71.0%	-4.9 pp
OPEX	137	153	-10.0%
EBITDA	21	9	131%
<i>EBITDA margin</i>	8.9%	4.1%	+4.8 pp
EBIT	7	-4	

	1H 2017	1H 2016	YoY change
	476	438	8.6%
	317	307	3.4%
	66.6%	70.0%	-3.4 pp
	279	293	-4.6%
	38	14	172%
	7.9%	3.2%	+4.7 pp
	9	-13	

OPEX AS SHARE OF REVENUES CONTINUE DOWNWARDS

«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

A nighttime photograph of a city street. On the left, a modern building with a glass facade is lit up from within, showing office interiors. In the foreground, a blurred orange light streak from a moving vehicle or tram cuts across the frame. The street is illuminated by streetlights, and a car with its headlights on is visible in the distance. Bare trees are on the right side of the street.

BUSINESS UPDATE

REGION EUROPE & LATIN AMERICA (ELA) UPDATE

ELA (MNOK)	Q2 2017	Q2 2016	1H 2017	1H 2016
Revenues	113	82	208	164
Order intake	61	52	99	95
Order backlog	656	249		

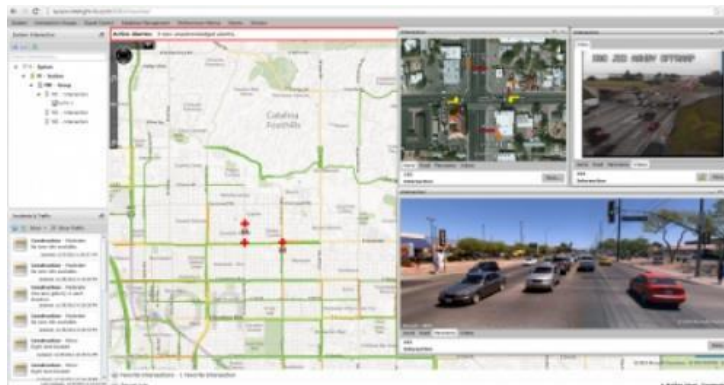
- 31 MNOK in YoY revenue growth due to Slovenia and good tag volumes
- Order intake driven by small and medium-sized tag and parking contracts in addition to a tolling contract in Spain
- Order backlog mainly consists of tag contracts, service & maintenance agreements, and the Slovenia truck tolling contract



REGION NORTH AMERICA (NA) UPDATE

NA (MNOK)	Q2 2017	Q2 2016	1H 2017	1H 2016
Revenues	75	62	154	116
Order intake	82	62	113	130
Order backlog	292	127		

- 13 MNOK YoY revenue growth due to VDOT contract deliveries and continued strong performance in service line Urban
- Order intake in the quarter comprised several new parking, urban, and inter-urban agreements
- Order backlog mainly consists of the VDOT contract plus misc. service and operations contracts



REGION NORDIC UPDATE

NORDIC (MNOK)	Q2 2017	Q2 2016	1H 2017	1H 2016
Revenues	36	53	76	112
Order intake	56	48	123	245
Order backlog	308	339		

- 17 MNOK YoY revenue decline due to limited tolling installations/upgrades in Norway and Sweden
- Order intake included a 3-year extension of a tolling service agreement in Gothenburg and a new ferry contract in Norway
- Order backlog consists of long-term agreements with NPRA in Norway and Trafikverket in Sweden plus ferry and parking agreements



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








APMEA (MNOK)	Q2 2017	Q2 2016	1H 2017	1H 2016
Revenues	17	31	38	46
Order intake	19	21	48	33
Order backlog	58	61		

- 14 MNOK YoY revenue decline due to limited tag deliveries and upgrades of tolling systems in Thailand
- Order intake in the quarter mainly reflected signing of a new tag contract in Thailand
- Order backlog mostly consists of tags and roadside equipment for tolling in Thailand and Australia



SERVICE LINE OVERVIEW

NOK million		Q2-17 REVENUES	YoY CHANGE	1H-17 REVENUES	YoY CHANGE	1H-17 ORDER INTAKE	ORDER BACKLOG
TOLLING		144	-14	271	-18 (-6%)	210	1,011
PARKING		12	-11	34	-18 (-35%)	29	24
INFOMOBILITY		16	+6	34	+8 (+31%)	18	9
URBAN		43	+16	80	+32 (+67%)	80	50
INTER-URBAN		25	+15	57	+34 (+148%)	47	220
TOTAL		240	+12	476	+38 (+9%)	383	1,314

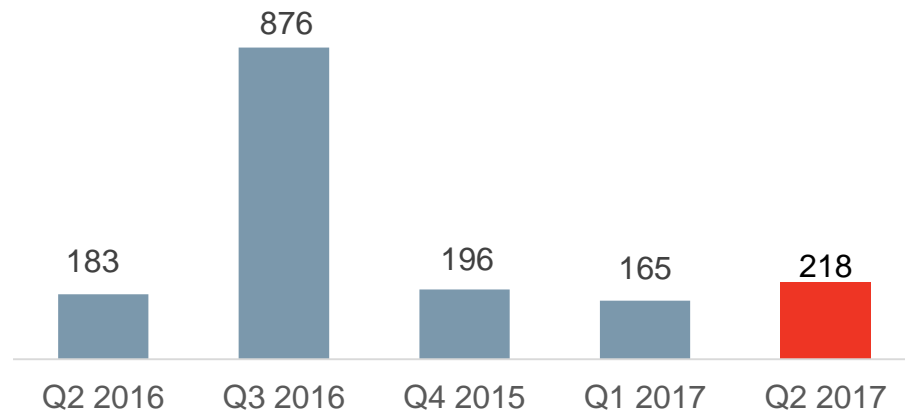


FINANCIAL UPDATE

ORDER INTAKE IN Q2-17

ORDER INTAKE DEVELOPMENT

NOK million

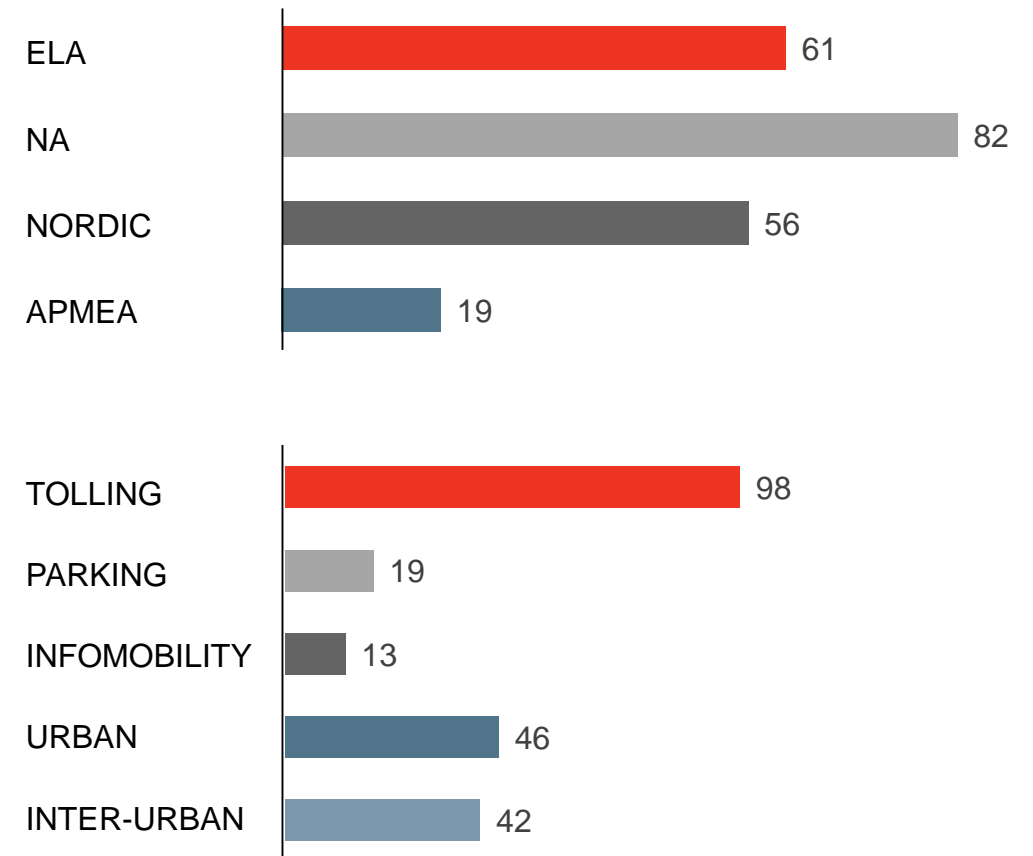


Order intake up 35 MNOK YoY (19% increase)

- New ferry contract in Norway, several tag contracts, and a new tolling system contract in Spain
- 120 MNOK in orders from other service lines than tolling - renewal of Inter-Urban service agreements and good growth in traffic controllers in the US

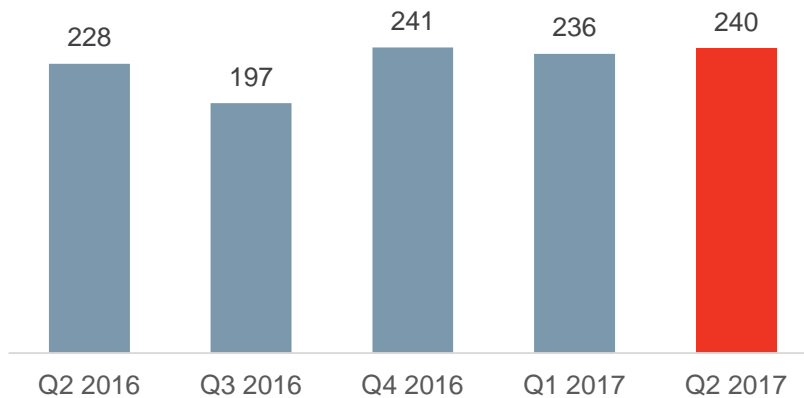
ORDER INTAKE BREAKDOWN ON REGION/SERVICE LINE

NOK million



REVENUES IN Q2-17

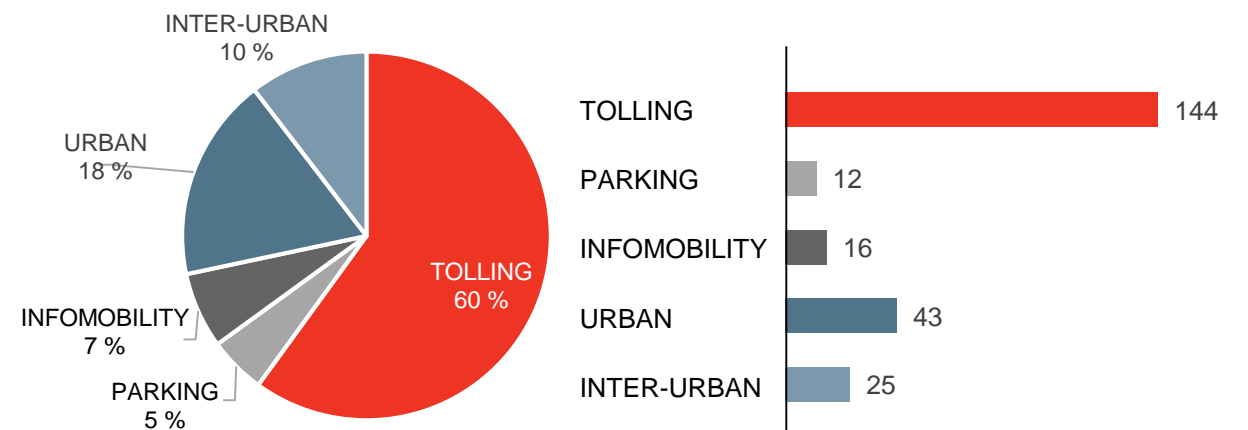
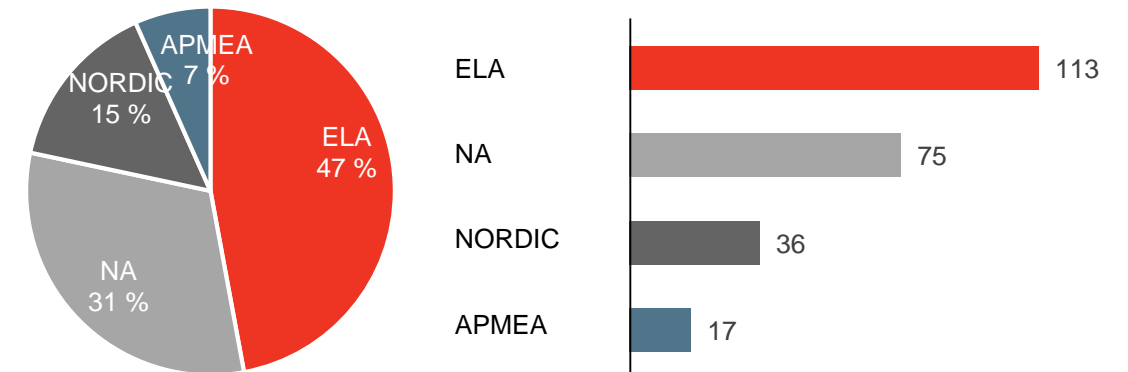
QUARTERLY REVENUE DEVELOPMENT NOK million



Revenues up 12 MNOK (5% increase) from Q2 2016

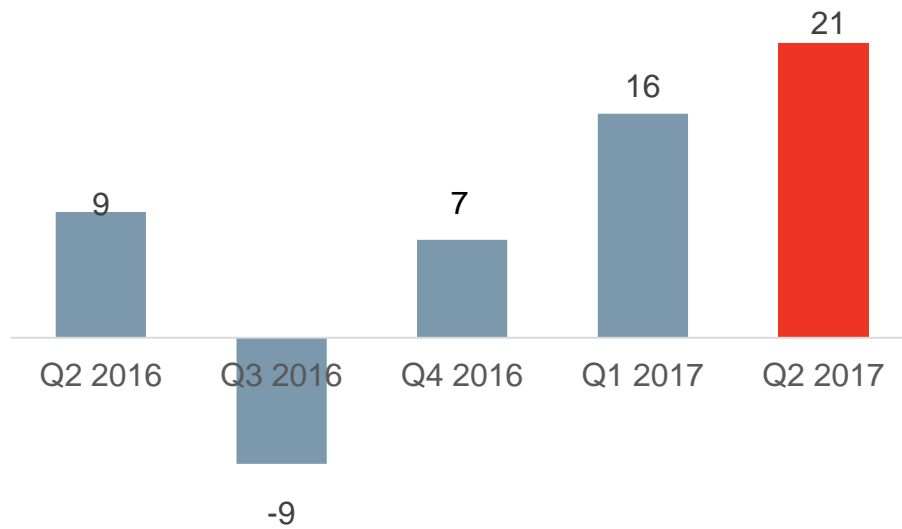
- 38 MNOK in revenue recognition from Slovenia (16% of quarterly revenues)
- 96 MNOK in revenues from other service lines than tolling (up 37% YoY)

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



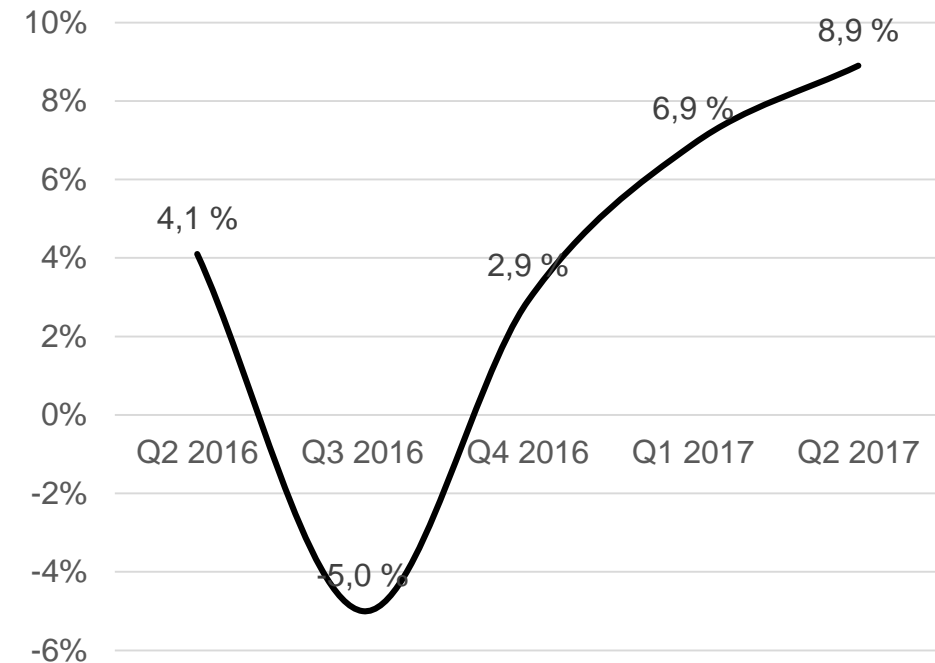
EBITDA IN Q2-17

EBITDA EXCL. RESTRUCTURING COSTS NOK million



- Best quarter since Q3-15, EBITDA up 12 MNOK YoY
- EBITDA margin up 5 p.p. versus both Q2-16 and 1H-16

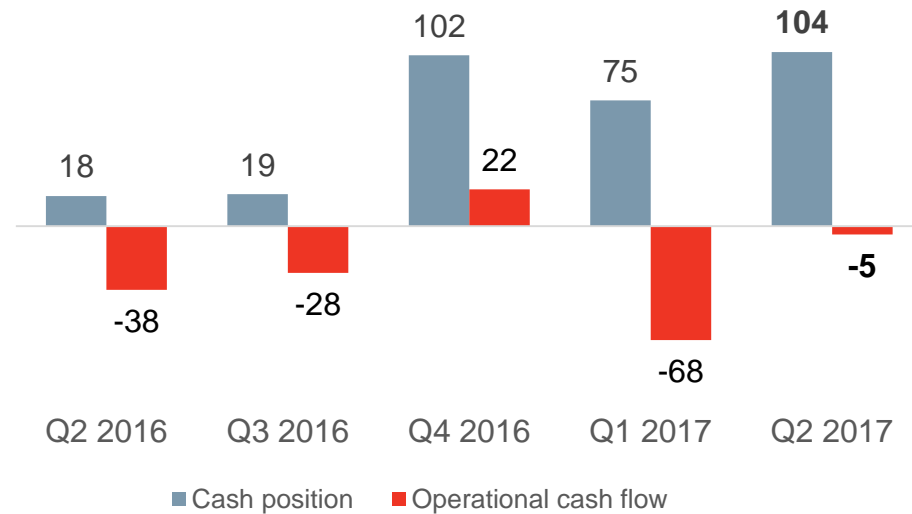
EBITDA MARGIN EXCL. NON-RECURRING COSTS Percent



CASH FLOW AND FINANCIAL POSITION END OF Q2-17

CASH DEVELOPMENT

NOK million



- -5 MNOK in cash flow from operations reflects improvements in cash collection
- +38 MNOK in cash flow from financing for Slovenia and VDOT
- -4 MNOK in cash flow from investments

FINANCIAL POSITION

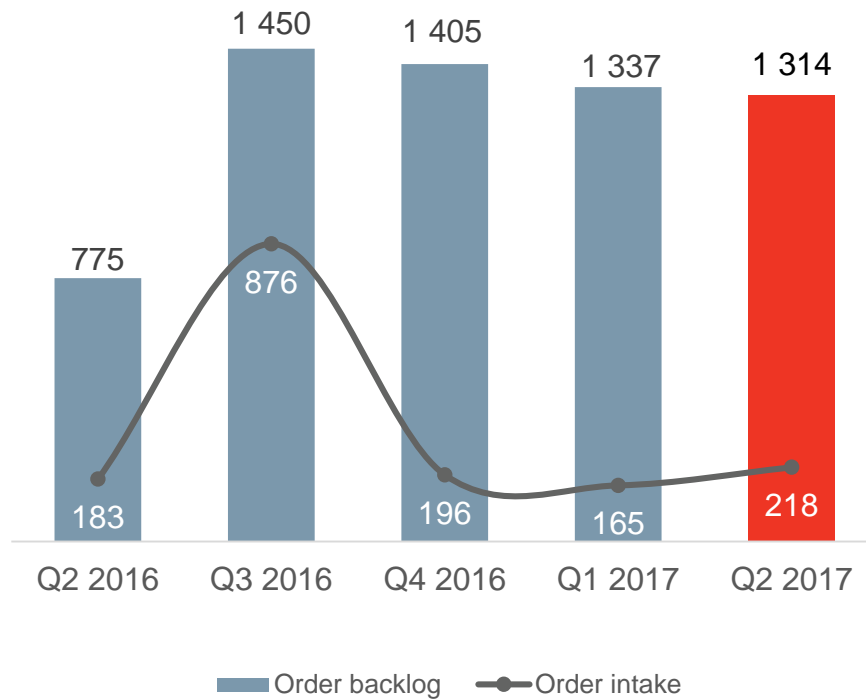
NOK million / Percent

	March 31, 2017	June 30, 2017
Total intangible assets	506	498
Net working capital (excl. cash and interest-bearing debt)	221	243
Net working capital % of 12 months revenues	25 %	27 %
Equity ratio	42.9 %	42.2 %
Gross interest bearing debt	278	315
Net interest bearing debt	203	212

ORDER BACKLOG AND DELIVERY SCHEDULE END OF Q2-17

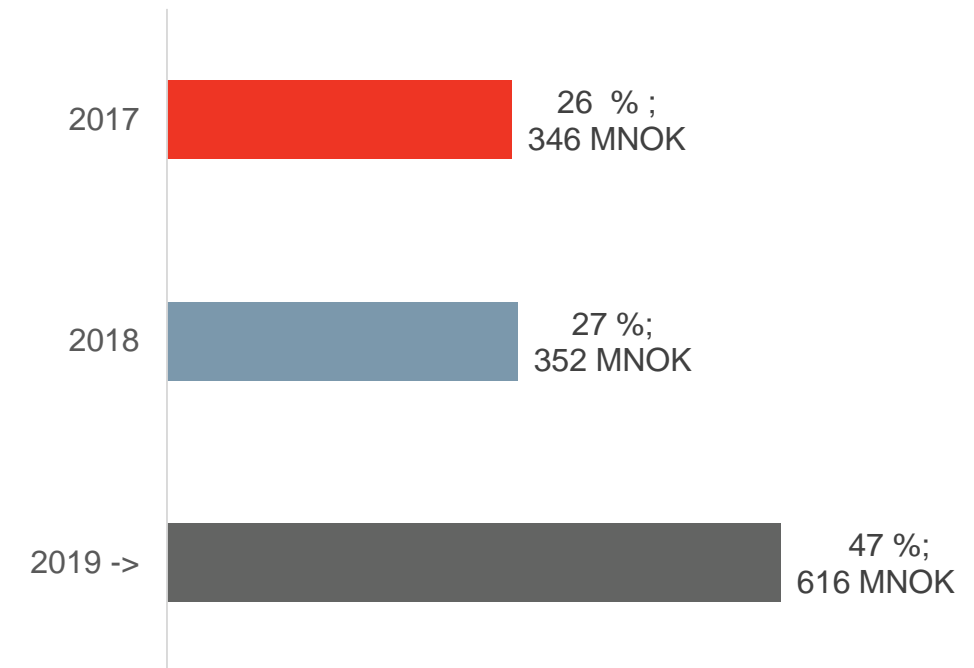
ORDER BACKLOG

NOK million



EXPECTED DELIVERY SCHEDULE

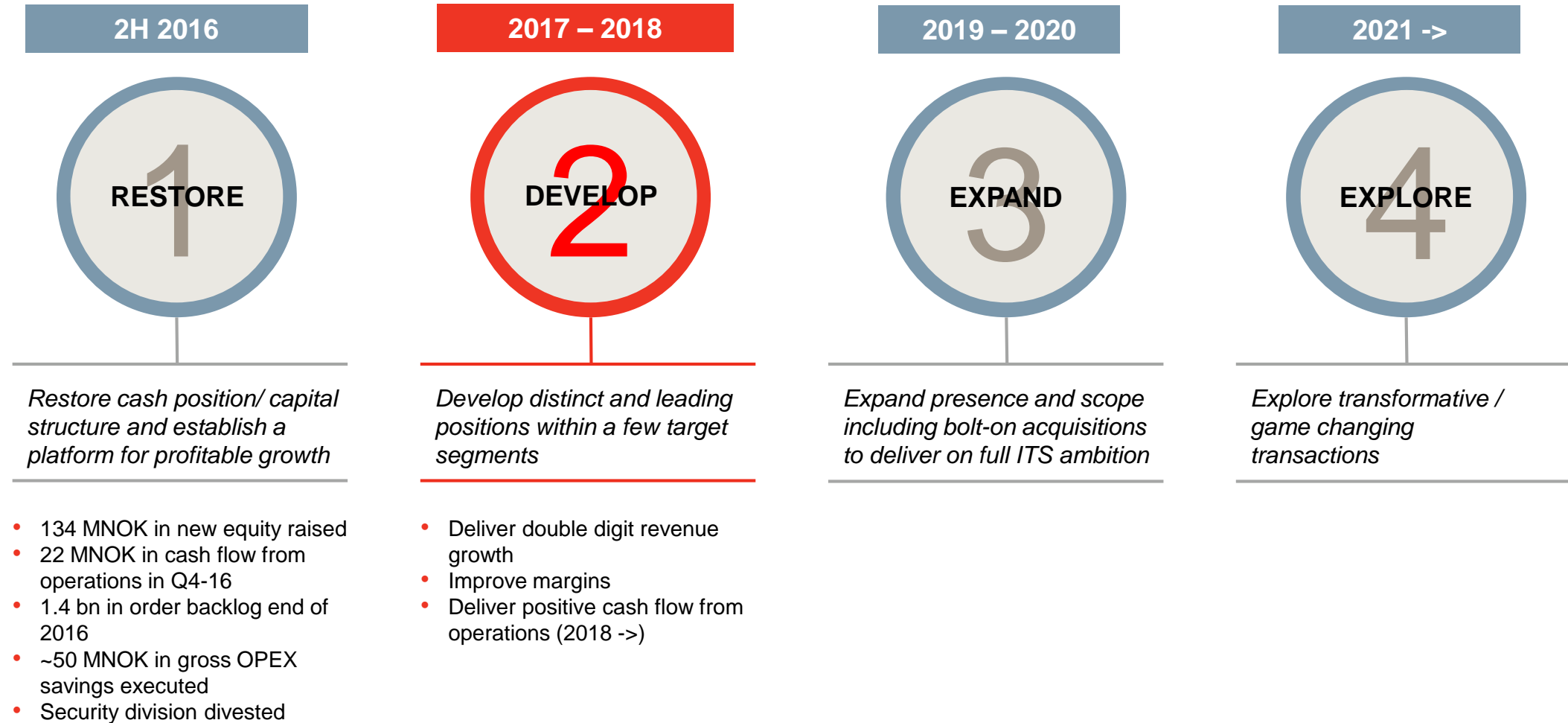
NOK million / Percent





OUTLOOK

OUR 2016-2021 STRATEGY



PHASE 2 FINANCIAL TARGETS AND PROGRESS

What we said we will do:

Progress so far:

Deliver double digit revenue growth

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

- Revenues up 9% YTD
- ~350 MNOK in order backlog scheduled for deliveries in 2H 2017
- Good pipeline of potential new projects

Improve margins

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

- EBITDA margin up 5 pp YTD
- OPEX as share of revenues down 5 pp on rolling 12M basis and 8 pp YTD
- EBITDA from current business will increase in 2H-17 compared to 1H-17 provided key projects stay on track

Deliver positive cash flow from operations (2018 ->)

- Reduce working capital
- Reduce project dependency

- Significantly improved cash collection
- Increasing revenues from other service lines than tolling provide stability

INTERESTING SHORT- AND MID-TERM OPPORTUNITIES

THAILAND



- Highway/motorway tolling projects
- Traffic controller system for Bangkok

INDONESIA



- Congestion charging system in Jakarta
- Nationwide ETC conversion

SWEDEN



- Roadside equipment Stockholm
- Parking expansion

USA



- Traffic management system upgrades and expansions
- ALPR improvement programs

NORWAY



- Central system and roadside equipment for ferries
- Tolling expansion in Oslo, Bergen and other cities

FRANCE



- Tag contracts
- Parking expansion

THE NEW NB-IOT PARKING SENSOR – A NEW VOLUME PRODUCT FOR Q-FREE?



- New radar-based wireless parking sensor to be launched end of 2017
- Sensor seen as a very interesting early application of NB-IoT technology
- Strong interest from international telecom operators following early pilot testing with Telenor in Norway
- More than 41 million regulated and 190 million non-regulated parking spaces in Europe alone
- Sensor has the potential to become the «tag» equivalent for parking over time



Q&A