

PRESENTATION OF SECOND QUARTER 2014

CEO Thomas Falck and CFO Roar Østbø

HIGHLIGHTS

- Revenues of NOK 187 million, up 26% compared to the same quarter last year
- Strong product sales, however still weak project market
- Further strengthened ATMS through acquisitions
- Organisational changes implemented June 1
- Jakarta funding commitment from Export Credit Norway expired July 1, however loan is still valid

NOK in million	Q2 2014	Q2 2013
Revenues	187	148
EBITDA	21	16
EBIT	2.2	0.3
EPS	0.01	-0.04

STRATEGIC DEVELOPMENTS

- Organisational changes implemented that will strengthen Q-Free's market focus and offering
- Introducing three business areas:
 - Road User Charging (RUC)
 - Advanced Transportation Management Systems (ATMS)
 - Managed Services (MS)
- Introducing new geographical split, each operating under dedicated regional management:
 - The Nordics
 - North America
 - Europe & Latin America
 - Asia Pacific, Middle East and Africa

STRATEGIC DEVELOPMENTS - RUC

- Increased focus towards the small and mid-sized segment going forward
- Strong growth in tag sales over the last quarters
 - Largest contributor to overall revenues
- Continued weak market for projects
- R&D
 - New tag launched in June 2014 (OBU 615)



STRATEGIC DEVELOPMENTS - ATMS

- Q-Free has over the last two years expanded the platform for future revenue generation through a number of acquisitions within the ATMS market:



TRAFFIC DESIGN

Development, integration and implementation of Intelligent Transport Systems (ITS)



- Established in 1990 in Ljubljana, Slovenia
- Market leader with nationwide traffic management systems, more than 60 parking systems, and operations of the entire tolling system in Slovenia
- 14 employees
- Acquisition is in line with Q-Free's long term strategy of building a strong position within the ATMS market

Electronic Toll Collection



Traffic Management Systems



Parking Systems



Tunnels and other Traffic ITS Solutions



OPEN ROADS CONSULTING

Mission critical traffic deployments and video based surveillance of critical assets



- Established in 2000 in Virginia, USA
- Leading provider of off-the-shelf solutions, technology integration and full lifecycle support to help clients operate, manage and protect critical assets
- 74 employees, active in 30 states
- Acquisition is in line with Q-Free's long term strategy of building a strong position within the ATMS market

Intelligent Transportation Systems

- Supports public sector clients through the design, deployment and maintenance of real-time systems
- Primary product offering is Open TMS, an extensible ATMS solution built around an open, modular architecture

Integrated Security Systems

- Critical asset protection solutions for the US military worldwide
- Primary product offering is VICADS, a proprietary video management system

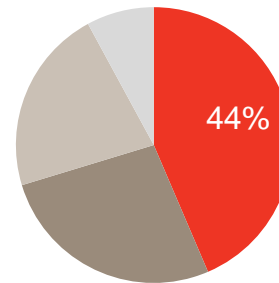
An architectural rendering of a modern urban scene. On the left, a multi-level parking garage with white concrete levels and yellow-painted support columns. Several cars are parked on different levels. A blue sign on a pillar indicates parking availability: 'Parking Available', 'Central Garage 157', and 'South Garage 43'. A white SUV is driving on the street in front of the garage. To the right, a wide city street with a pedestrian sidewalk. A person in a dark suit is walking away from the camera. In the background, there are modern buildings, including a curved glass-fronted building and a building with a red roof. Traffic lights and streetlights are visible along the road.

MARKET UPDATE

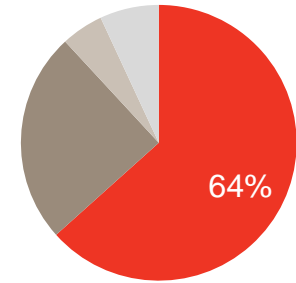
EUROPE & LATIN AMERICA (ELA)

- Revenues of NOK 81 million
- Order intake of NOK 78 million
- Still experiencing stable tag and reader demand in the Brazilian market
- Outlook
 - Increasing activity in the ATMS market in this region
 - Uncertain how the market in Brazil will develop, positioning Q-Free for various scenarios

Q2 revenues



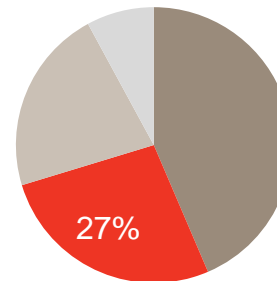
Q2 order intake



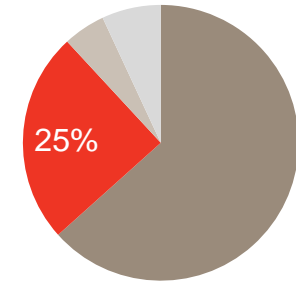
THE NORDICS

- Revenues of NOK 51 million
- Order intake of NOK 31 million
- Stable Service and Maintenance activity in this region
- In the process of delivering smaller projects in Norway
- Outlook
 - Increasing activity in ATMS
 - Positioning RUC for upcoming extension tenders

Q2 revenues



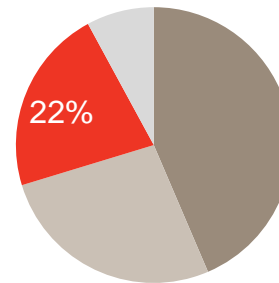
Q2 order intake



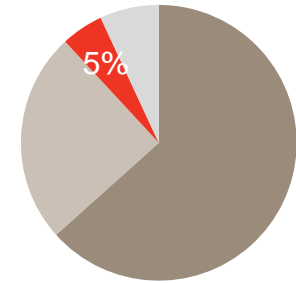
ASIA PACIFIC, MIDDLE EAST AND AFRICA

- Revenues of NOK 40 million
- Order intake of NOK 6 million
- High activity across the region
- Outlook
 - Q-Free will participate in a trial during the third quarter for the ERP project in Jakarta
 - Increasing tag demand in Thailand and Australia

Q2 revenues



Q2 order intake



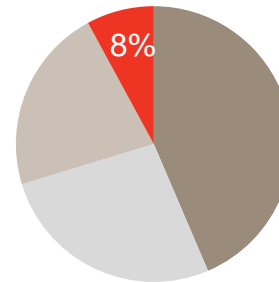
ELE PROJECT

- Customer did not meet agreed project payment milestones
- Funding commitment from Export Credit Norway expired July 1
 - Loan agreement is still valid
- All parties have expressed that they are positive to continue the dialogue
- Q-Free awaits PT Rin to provide a basis for further progress on their financing plans

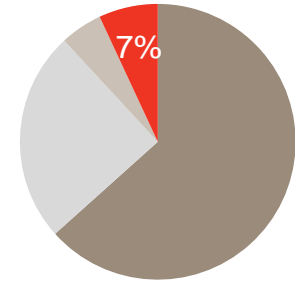
NORTH AMERICA

- Revenues of NOK 14 million
- Order intake of NOK 8 million
- Q-Free TCS is experiencing y-o-y growth in 2014
- MDX project has gone live
- Outlook
 - Important market going forward for RUC and ATMS
 - Acquired Open Roads Consulting in July

Q2 revenues



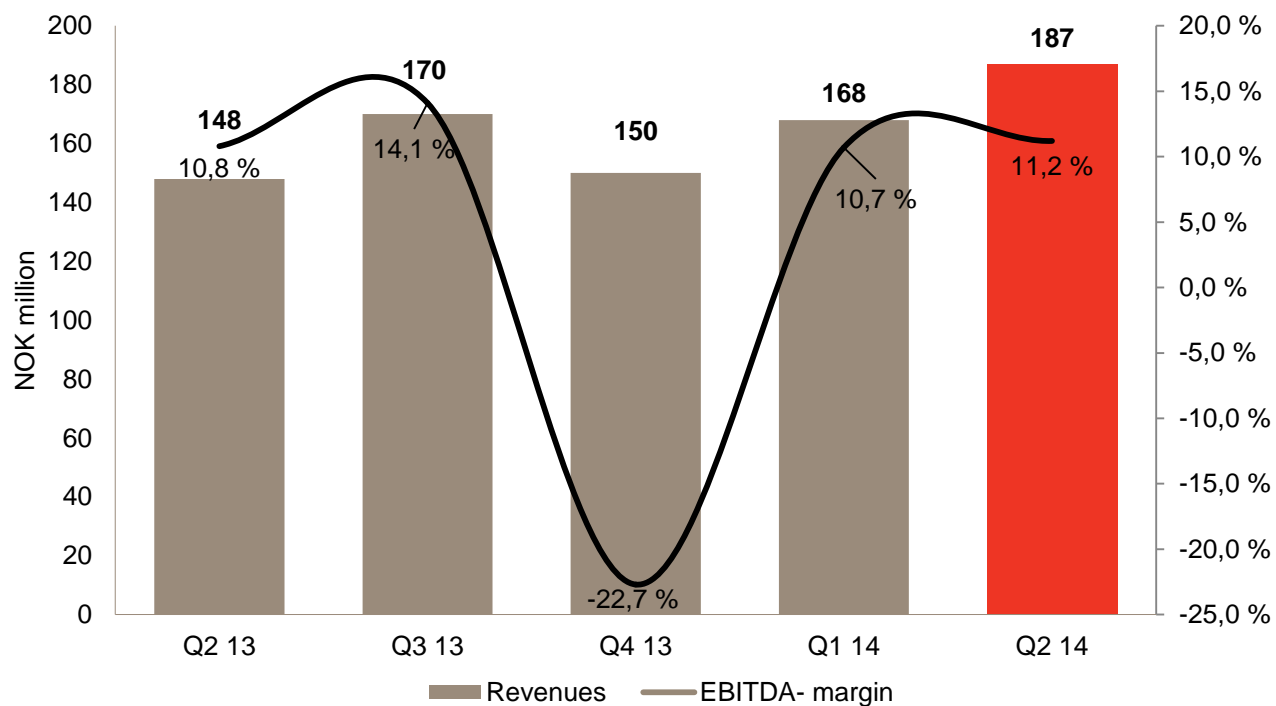
Q2 order intake



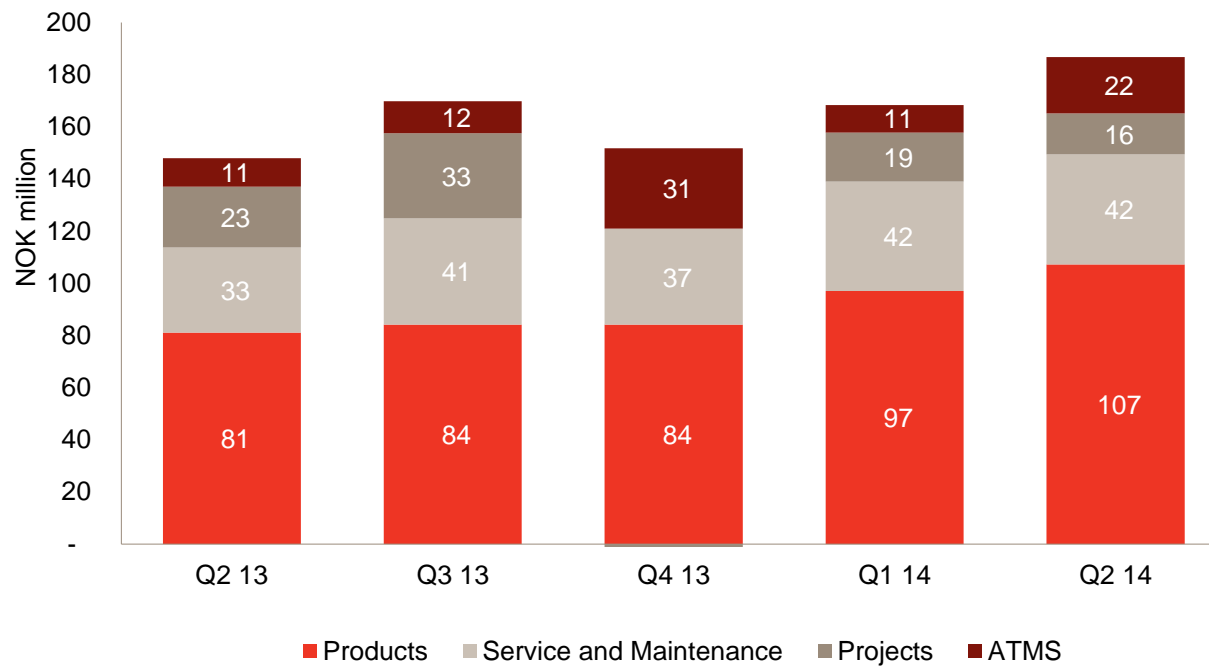
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FINANCIAL REVIEW

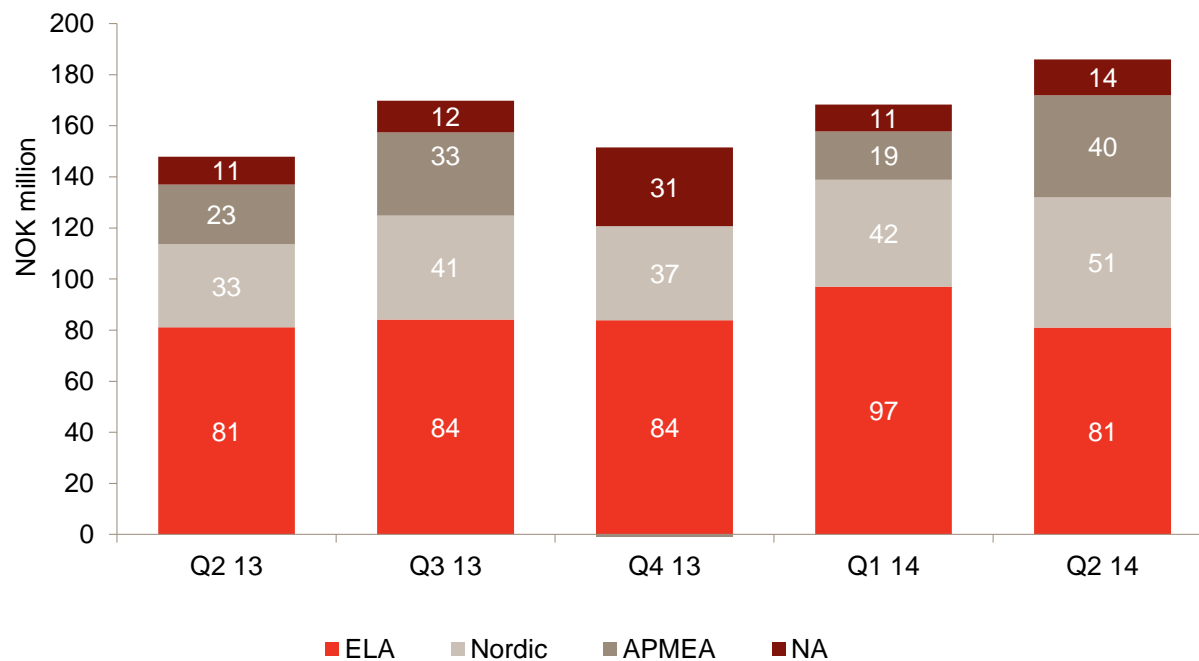
REVENUES AND EBITDA MARGIN



REVENUES PER BUSINESS AREA



REVENUES PER REGION



PROFIT AND LOSS STATEMENT

NOK 1.000	Q2 2014	Q2 2013	Q/Q-%	30.06.2014	30.06.2013	Y/Y-%	2013
Revenues	186 636	147 892	26.2 %	354 976	285 939	24.1 %	606 072
Gross profit	111 743	92 125	21.3 %	211 998	178 447	18.8 %	381 281
Gross margin - %	59.9 %	62.3 %		59.7 %	62.4 %		62.9 %
Operating expenses	90 848	76 062	19.4 %	173 371	200 175	-13.4 %	413 080
Operating profit - EBITDA	20 895	16 063		38 627	-21 728		-31 799
EBITDA margin	11.2 %	10.9 %		10.9 %	-7.6 %		-5.2 %
Depreciation, amortisation and impairment	18 741	15 732	19.1 %	35 501	31 310	13.4 %	62 914
Operating profit - EBIT	2 154	330		3 126	-53 038		-94 713
EBIT margin	1.2 %	0.2 %		0.9 %	-18.5 %		-15.6 %
Pretax profit	260	-2 275		1 812	-57 544		-97 959
Profit margin	0.1 %	-1.5 %		0.5 %	-20.1 %		-16.2 %
EPS	0.007	-0.04		0.000	-0.68		-1.65

- Revenue composition continued to reflect significant increases in product sales and service and maintenance, however lower project revenues
- PIP program has reduced the annual cost base by NOK 40 million, with full effect in 2014
- Acquisitions within ATMS increased revenue and cost base

CASH FLOW STATEMENT

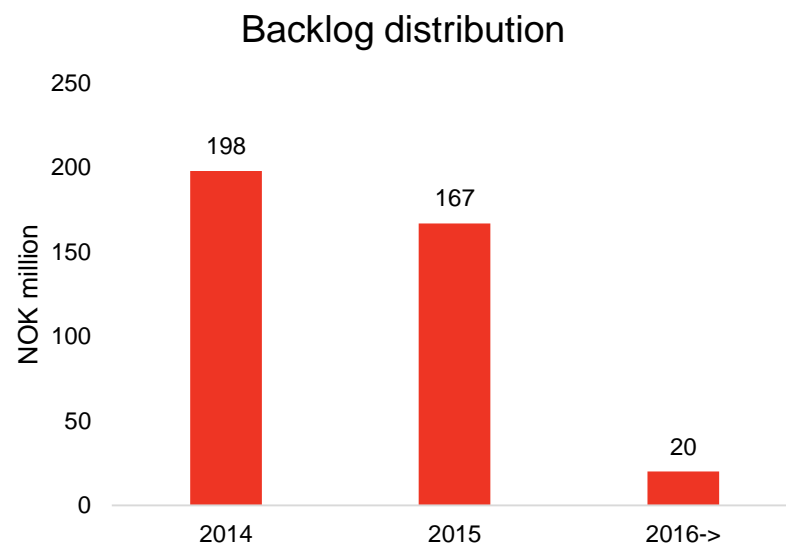
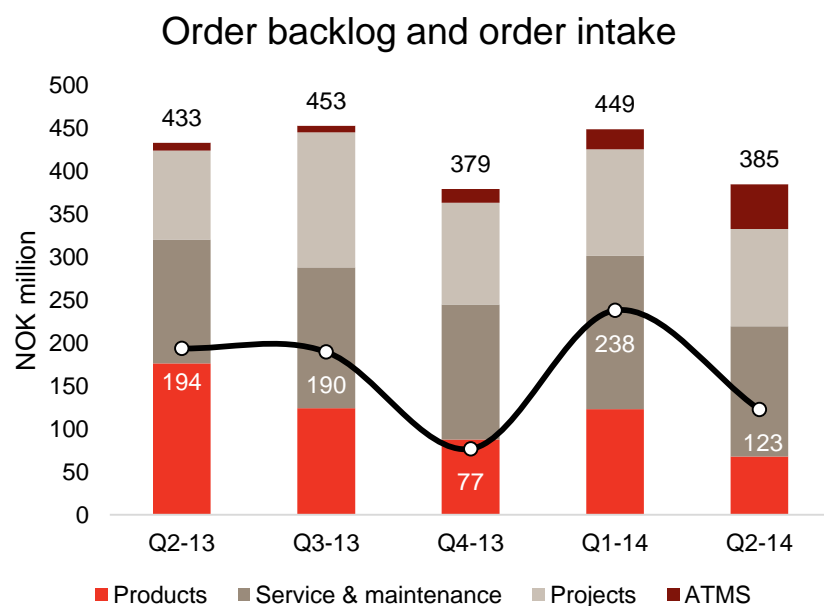
NOK 1.000	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Cash flow from operations	-11 753	17 655	25 343	26 270	-61 209
Cash flow from investments	-23 496	-62 952	-20 546	-12 022	-10 454
Cash flow from financing	817	377	-3 853	1 105	-435
Net change in cash in the period	-34 432	-44 920	944	15 353	-72 098
Cash opening balance	226 557	271 477	270 534	255 181	327 279
Cash closing balance	192 125	226 557	271 477	270 534	255 181

- Improvement in cash flow from operations mainly reflects the improved profitability in the quarter and payments related to the PIP program in 2013. Cash flow from operations impacted by settlement payment on Sydney Harbor Bridge project (-27)
- Cash flow from investments impacted by acquisitions of ATMS company Traffic Design in Slovenia (-19) and investments in new technology (-5)

BALANCE SHEET

NOK 1.000	30.06.2014	31.03.2014	31.12.2013	30.09.2013	30.06.2013
Total intangible assets	333 912	315 541	236 279	244 530	251 202
Non current assets	77 933	80 384	83 452	83 254	78 849
Cash & Cash equivalents	192 125	226 557	271 477	270 534	255 181
Other current assets	246 936	268 790	303 136	266 827	259 484
TOTAL ASSETS	850 906	891 272	894 344	865 145	844 715
Total Equity	520 624	505 158	504 526	581 964	579 558
Non current liabilities	170 510	165 011	119 882	129 996	128 058
Current liabilities	159 772	221 103	269 936	153 185	137 099
TOTAL EQUITY & LIABILITIES	850 906	891 272	894 344	865 145	844 715
Equity ratio	61.2 %	56.7 %	56.4 %	67.3 %	68.6 %
Net working capital	87 164	47 687	33 200	113 642	122 385
Working capital % 12 months Revenues	12 %	7 %	5 %	17 %	19 %

ORDER BACKLOG AND DELIVERY SCHEDULE



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SUMMARY AND OUTLOOK

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- Improved operational performance, in a slow market
- Q-Free has a strong position in the RUC market, and has over the past two years built a strong ATMS platform
- Re-organised to increase market focus and broaden offering
- RUC and ATMS markets still in a megatrend



Q&A
