

*Nineteen Eighty-Four*



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# Background and Business

- Q-Free is headquartered in Trondheim, Norway
- Q-Free was founded in 1984 by a group of engineers developing electronic toll collection (ETC) technology
- In 1986 Q-Free was awarded its first contract Norwegian Public Roads Administration develop a full-speed ETC system
- Q-Free received an extension to implement ETC systems in Oslo

# Background and Business

- Through the 1990s Q-Free expanded internationally, deploying major ETC systems in Portugal, Australia and Brazil
- QFR expanded the business beyond ETC, delivering congestion charging systems in Stockholm (2005) and Sweden (2012)
- In 2011 QFR won its largest contract ever—an Electronic Law Enforcement system for the Jakarta Police
- In 2012 QFR acquired TCS International to offer intelligent parking solutions

# Background and Business

- QFR operates in three main segments:
  - Products:
  - Services and Maintenance; recurring sales, ~25% EBIT margin
  - Projects: asdf

# Products and Components



Video Registration Unit

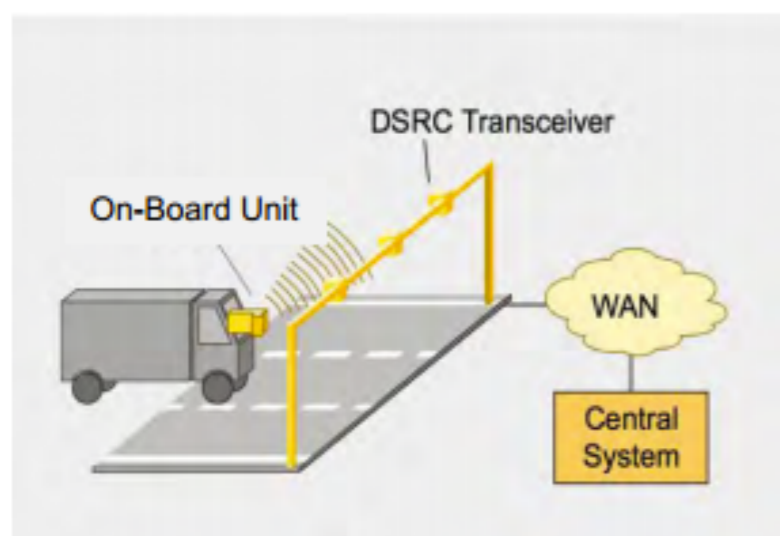


Video Registration Unit

# Road Solutions Projects

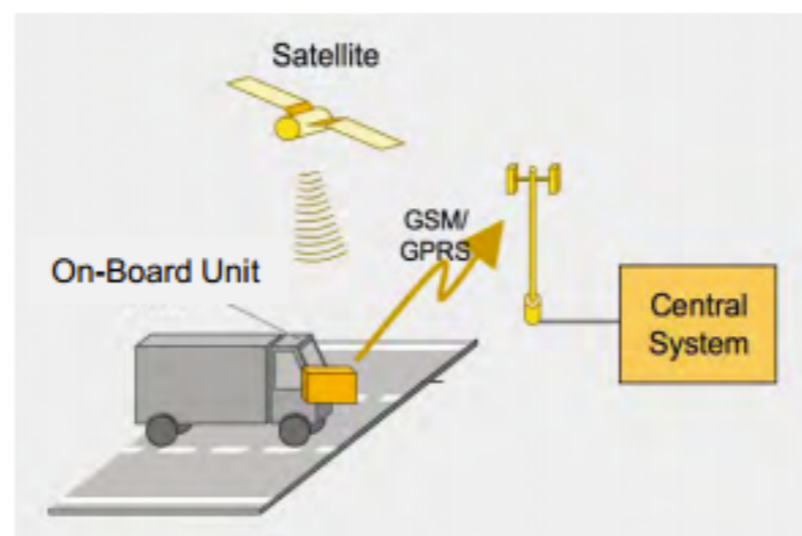
## Core Technologies of Electronic Toll Collection

### Dedicated Short-Range Communication (DSRC)



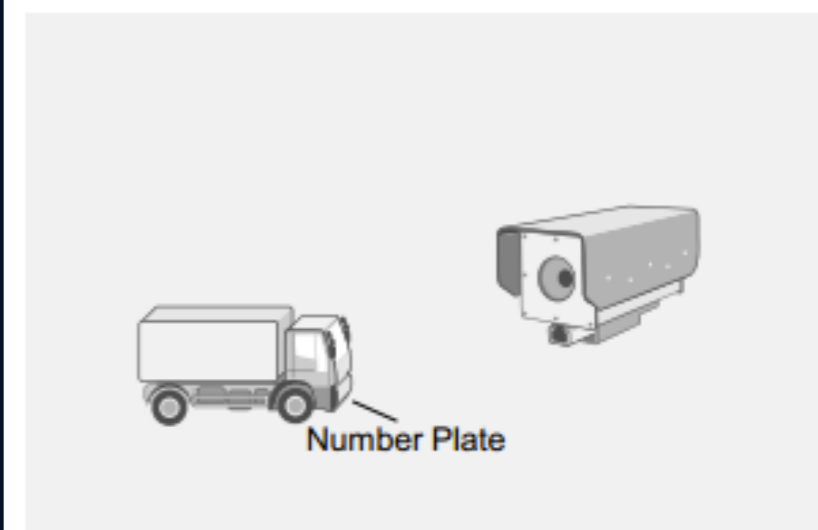
*One- or two-way short- to medium-range wireless communication channels for communication between on-board and roadside equipment.*

### Global Navigation Satellite System (GNSS)



*Satellite navigation systems providing autonomous geo-spatial positioning with global coverage.*

### Automatic Number Plate Recognition (ANPR)



*Method using optical character recognition (OCR) on images to automatically identify the license plate number of vehicles.*

# Background and Business

Market Valuation (mNOK)		Valuation Multiples		
Stock Price	13		mNOK	<i>Multiple</i>
Diluted Shares Out.	<u>67.73</u>	Revenue 2012	597.5	1.3x
Market Cap	880.5	Revenue 2013E	721.5	1.0x
Net Cash	<u>(127.5)</u>	EBIT 2012	(55.3)	n/a
Enterprise Value	753.0	EBIT 2013E	(27.9)	n/a
		EPS 2012	(0.51)	n/a
		EPS 2013E	(0.67)	n/a

Source: Bloomberg consensus estimates as of June 21, 2013. Market valuation metrics as of July 1, 2013.



# Background and Business



Q-Free shares are unchanged since before the Jakarta project announcement;

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# Board Change

- In May 2013 Q-Free replaced two board members—Ole Jørgen Fredriksen (Chairman) and Mimi Kristine Berdal—who were perceived to be pro-management
- Cost cutting program announced at Q1 presentation was triggered after change in board of directors

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# Jakarta Enforcement Project

- In 2011 the Jakarta Police granted a concession to PT Rin (subsidiary of PT Inovisi Infracom) to implement an Electronic Law Enforcement (ELE) system in Jakarta, Indonesia
- PT Rin chose Q-Free to supply gantries, readers, cameras, back office systems, as well as service and maintenance for the ELE system
- Value of the contract is NOK 940 million over six years

# Jakarta Project Financing

- PT Rin is seeking a loan from EksportKreditt in order to pay Q-Free
- EksportKreditt is an export bank financed by the government and designed to ensure that Norwegian technology remains available to interested buyers
- As part of its due diligence, EksportKreditt investigated whether there was corruption when PT Rin won the concession from the Jakarta police



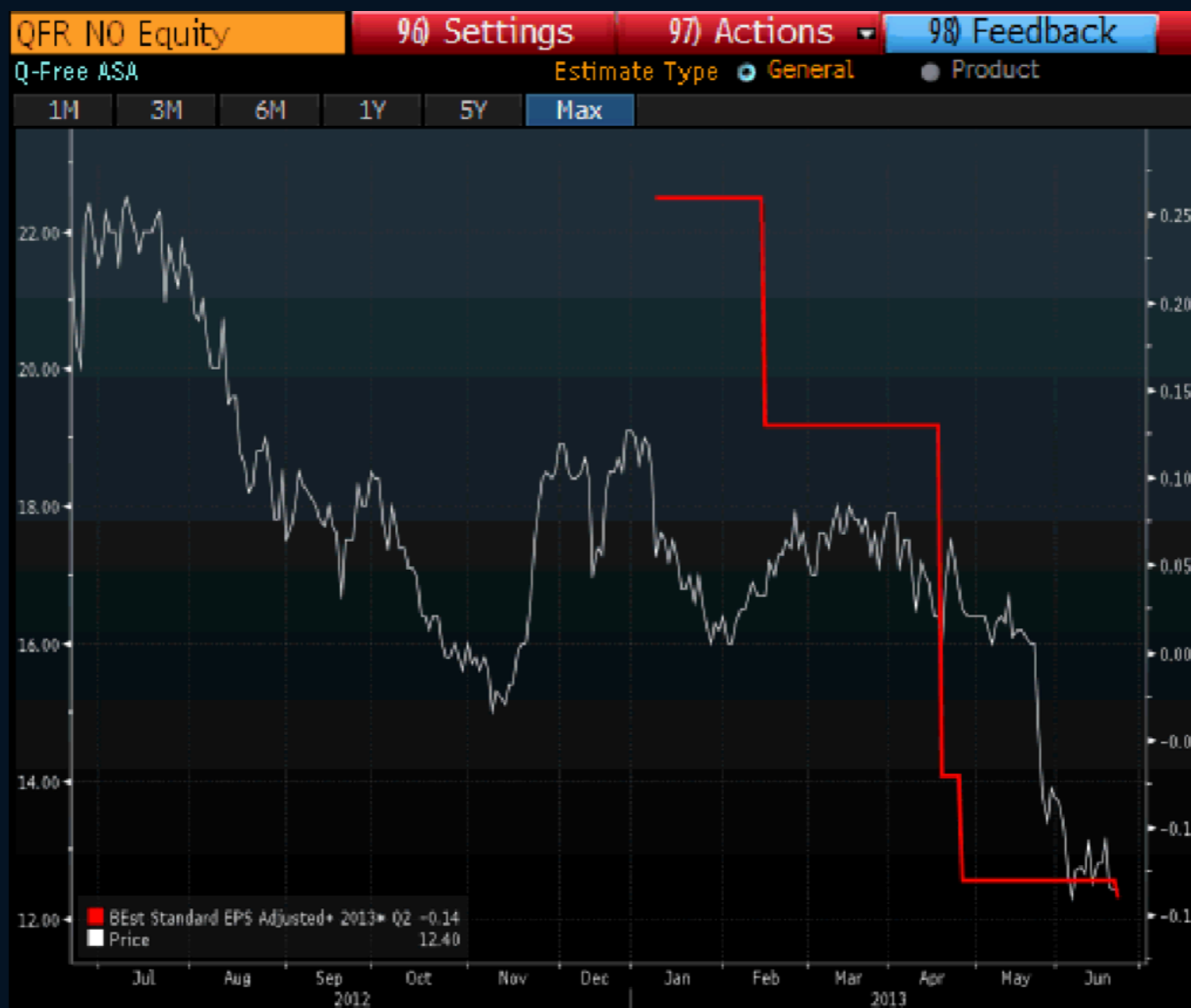
# Jakarta Project Financing

- Two out of three investigations found no evidence of corruption between PT Rin and the Jakarta Police; the third was inconclusive
- Demand for the project has only been increasing since Q-Free was awarded the contract in 2011
- There is widespread support from both the local police force and the Jakarta government

# Jakarta Project Financing

- Once PT-Rin is awarded financing, Q-Free will have firm guarantees for every delivery of products to Indonesia
- Even if PT-Rin defaults on the contract, Q-Free still gets the money

# Market Myopia



With the delay of QFR's project in Jakarta, earnings have come down. The stock has followed. . . .

# Project Financing Imminent

- PT Rin and EksportKreditt have already agreed on an interest rate of 1.35%

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# Who is Selling?

Alexander Hansson is the son of Herbjørn Hansson, CEO of Nordic American Tankers (NAT:US)

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