

The amazing year 2017



Dear customers and partners,

2017 was truly an amazing year for RideOnTrack and we would like to thank you all for making this possible.

It is only thanks to the trust you have all put in us, that together, we managed to achieve these outstanding results. Though we consider ourselves still *'the new kid at the block'*, looking back on our 2017 performance, we can state however that we have realized great things.

Some of the highlights:

We are halfway in the implementation of what will become the biggest SIP/IP railway dispatcher network in the world. Already 250 dispatcher terminals are in operation today and by the end of 2018 there will be at least 500 dispatcher terminals up and running. RideOnTrack will be the first vendor in the world with the know-how and the experience to implement this size of SIP/IP railway dispatching network. By the end of 2018 this project will rank in the top 5 of the largest dispatcher networks ever built (conventional and SIP/IP). With 250 dispatcher terminals delivered and installed during 2017, we have by now also reached the number 1 position in the world in terms of shipped and implemented dispatcher terminals during the last calendar year.

Our voice recording systems at Infrabel, with first installations in 2012, did record and store 157 million calls by the end of 2017. This means, that our systems are recording about 75.000 calls per day on average, with peaks of up to 150,000 calls per day. On busy days we see our web-based playback application simultaneously used by 25 people. These dazzling figures prove that we are among the few to have a solution that can handle such big traffic loads. Though a centralized system at start, we saw that our systems systematically evolved into a concept of *'multiple distributed recording entities'*. This distributed architecture was required in order not to spill precious network resources and was, among others, triggered by the SDH to IP migration. Over the years our voice recording systems provided important information during the post-analysis of several train incidents and we are proud to say that by doing so we could contribute to the continuous strive of Infrabel to improve passenger safety.

Our gateway product line did also perform very well during 2017 with more than 300 units sold. Our gateway product line became a strong contributor to our business result. About all models and types made their contribution, being it the SIP/IP to TDM product range (ISDN, QSIG, CAS, etc.) or the analogue to SIP/IP (local battery, remote battery, 4W/6W CAS, etc.) product family. This proves that our strategic decision in 2013 was the right one: railways need time to migrate from 'legacy' TDM-technology to IP-technology. Typically we see migration periods of 5 to 10 years. During this migration period our gateway products are the ideal bridge between the 'old' and the 'new' world.

Let's have a look at the figures:

year	2015	2016	2017	2018
Order Intake €	900 000	1 400 000	2 200 000	3 000 000
sales €	450 000	700 000	1 400 000	2 200 000
Gross Margin %	49%	50%	52%	45%
Net cash €	200 000	350 000	500 000	750 000
Head Count	2	3	6	8

Our 2017 financial performance is far better than stated in previous communications.

For Order Intake (OI) we were able to secure some important orders from Nokia. These orders we initially expected during Q1 2018. RideOnTrack passed the Nokia vendor selection process only during Q3 2017 and we are very pleased that already during Q4 2017 we were able to secure our first orders. As several other offers are still under Nokia evaluation we expect that we will be able to secure additional Nokia business also in the course of 2018.

During Q4 2017 we signed the contract with Edelaraudtee Infrastruktuuri AS, one of the Estonian Railway infrastructure providers and this resulted in a first OI in 2017 which we originally only expected in Q1 2018. The 57% OI YoY growth (2016 – 2017) shows that the market appreciates our products and services and our result is clearly much better than those of our competitors who are reporting a flat market at best. For 2018 we forecast an OI of 3 mio€ which is again a YoY growth of about 40%. We have some very large projects in our sales pipeline. If we are able to secure some of those, we could even realize an exponential OI-growth, but for the time being we will report a 3 mio€ figure.

Our Sales result is even more spectacular with a YoY growth (2016-2017) of about 100%. This clearly indicates that we are able to deliver on our commitments. For 2017 an important part of these sales is coming from Infrabel, the Belgian railway infrastructure provider. The roll-out of our EIRENE DiCa-dispatcher project is now at full speed with more than 250 DiCa-dispatcher terminals already in operation. Also our gateway product line performed very well in 2017 with over 300 units delivered. Our customers are very TCO-driven (Total Cost of Ownership) which for RideOnTrack means that we have important sales booked during 2017 coming from several (SLA-based) maintenance contracts. For 2018 we forecast a sales of 2,2mio€ which is a YoY growth of 58%. Most of these sales will come from existing (frame) contracts for which we are well prepared and do not expect many execution problems. Our sales growth can no doubt be called spectacular. None of our competitors is able to report similar growth figures and this indicates that we are able to grab a slice of their market share.

With a GM performance quality of 52% for 2017 we were able to score our best GM performance in the history of the company. For the product and services mix we are selling 52% GM quality is

considered an excellent result. As we still are a small company with very low overheads and no tangible debt, this GM quality will result in a very attractive Operational Profit (OP). For 2018 we predict to deliver a 45% GM quality which is a 7% decline compared with 2017. Most of the decline will come from a less favorable product/service mix during 2018 and an increase of the R&D HC with 2 additional engineers.

Our Net cash (and other liquid assets) position in comparison with our Sales volume is very strong. At the end of 2017 our Net Cash was 500K€ and we forecast that our Net Cash position will further increase during 2018 to about 750K€. It is important to note that RideOnTrack has (almost) no debts and as such holds a very strong financial position.

We often get the question how we are able to do all of this with so few people on the pay-roll. Although we have doubled our headcount during 2017, we still are a company of (only) 6 persons. For the work we forecast, we plan to have a further growth of 2 HC by the end of 2018. As in the past, also in 2018 we will continue to outsource work to our partners during the development of our products as well as during the implementation of our projects. *'Smart sizing'* is the name of the game. A company's ability to perform, not so much depends on its own headcount, but more importantly, it depends on its network of trusted partners. If each of these partners is *'on top of his game'* the customer will be served best.

We are also very focused in what we do. Our playfield is *'fixed operational communication'* and in this niche market our products outstand competition. We do not make compromises when we set our roadmaps and we are not afraid to start from a blank sheet of paper. Our products are not *'spin-off'* solutions carrying loads of *'legacy'* but they are designed from the first line of code to do nothing else than serve the operational telecommunication needs of our customers. Our software architecture and software development environment allows us to drastically reduce the time to bring operational communication products to the market or to implement customer specific requirements. Over the years we have gained quite some customer insight and this *'domain'* knowhow allows us to consult our customers on how technology can help them solve their operational telecommunication needs.

Some of the new products/features 2018 will bring...

During 2018 we will release some new products and applications. On the roadmap we have a mobile dispatcher app to be used on smartphones. Our solution today already supports free seating but this still is a *'stationary'* way of working. Some customers would like their dispatchers, under certain conditions, to be mobile, still having access to the dispatcher application. When mobile, the dispatcher will gain access to the (closed) dispatcher network via any available commercial network. Special security features will be implemented to protect the dispatcher network from potential hacking/intrusion.

Another interesting application on the roadmap are the call center features. These features will allow the dispatchers to take a *'call center'* role during special situations, e.g. during an emergency situation. During this emergency situation, these features will allow to handle the available operational communication resources as is required (predefined scenario's) for the given situation.

Our Operational Communication Solution supports different type of operational communication networks like GSM-R, analogue radio, track site telephony, public address, etc. During 2018 we will further expand our solution to support DMR (Digital Mobile Radio) systems of 2 leading vendors. We

believe that DMR Tier 3 radio will play an important future role in mobile communication networks of railway infrastructure providers.

We have some other ongoing developments for apps on GSM-R (smart)phones. We have defined a number of apps that could be installed on a GSM-R handset, the type of applications that will improve the operational performance of a railway organization as well as improve the safety of railway personal. We can't provide further details now, but later this year when these apps are ready for live tests, we will communicate more.

To conclude:

We can only be successful with the help of our customers and partners and so it is with deep respect that we want to thank you all. We understand that sometimes it was not obvious to engage with a small company like RideOnTrack, that you had to stick out your neck and that internally you had to defend your case strongly. But I'm also proud to say that we have '*walked the talk*'. We have delivered on our commitments. Together we can take pride in the results we have achieved.

We look forward working with you all again in 2018. Let's continue to 'ride on track' together.

Warm regards,



A handwritten signature in blue ink, appearing to read 'Wim Lochs', written over a light blue background.

Wim Lochs
VP Sales and Marketing
Co-founder RideOnTrack bvba



A handwritten signature in blue ink, appearing to read 'Eddy Peeters', written over a light blue background.

Eddy Peeters
VP R&D
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