

Fara
 Ticker: FARA

Target: NOK 0,75
Price: NOK 0,52

June 7, 2010

Fara

Sector: Information Technology
Industry: Electronic Equipment & Instruments
Market cap.: 82
Recommendation: BUY
Risk: HIGH

NOKm	2009	2010E	2011E
Revenues	131	152	189
EBITDA	-32	3	18
EBIT	-40	-4	13
EPS (NOK)	-0,26	-0,03	0,06

Ratios	2009	2010E	2011E
P/E	neg	neg	9,2
EV/NOPLAT	neg	neg	9,5
EV/EBITDA	neg	29,7	5,3
EV/EBIT	neg	neg	7,5
P/B	6,6	4,6	3,1
P/Sales	1,1	0,5	0,4

All key figures adjusted for non-recurring items
 Book value does not include goodwill

Analyst

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Fara is a market making client of Terra Markets

Please see complete disclosures at the end of this report



Operational improvement expected

- Fara's share price dropped 22% following the Q1 report on the back of weak order intake during the closed quarter. However, we believe the focus going forward should be on improving operational results.
- We trim our revenue estimates by around 8% for 2010 and beyond due to the increased macro uncertainty and the low activity year to date. Nevertheless, we believe that the outlook for the company remains positive and expect increased activity in H2 2010.
- The company is nearing the completion of the new ticketing platform, which will consolidate three existing platforms into one solution. This is expected to lead to significant cost savings and the resources made available could be used to further support growth during 2011.
- We expect a number of new contracts to be announced both in the Nordics and CEE (Central and Easter Europe) in H2 2010. The announcement of contracts outside the Nordic region would mark a new period of growth for Fara.
- Our updated estimates together with the peer multiples for 2010 and our DCF valuation yield a target price of NOK 0,75 per share. We believe the upside potential will materialise due to expected new contract announcements and improved operational results during the rest of 2010. Thus, we reiterate our Buy recommendation 6 months forward.

Conclusion

We trim our revenue estimates for Fara due to the low activity year to date and the increased macro uncertainty. Nevertheless, we reiterate our Buy recommendation as we expect new contract announcements in H2 2010 and operational results to improve going forward.

Estimate changes

NOKm	2010e			2011e			2012e		
	Old	New	Change	Old	New	Change	Old	New	Change
Revenues	167	152	-8,9 %	205	189	-7,8 %	246	227	-7,8 %
Gross margin, %	63,2%	63,3%	0,1 %p	0,64	0,64	0,0 %p	64%	64%	0,0 %p
EBITDA	2,8	3,4	20,4 %	20,5	18,0	-12,4 %	31,6	28,3	-10,2 %
EBIT	-4,0	-3,8	nm	15,5	12,6	-18,9 %	27,6	23,8	-13,8 %
EBIT margin, %	-2,4%	-2,5%	-0,1 %p	7,6%	6,6%	-0,9 %p	11,2%	10,5%	-0,7 %p
EPS (NOK)	-0,03	-0,03	nm	0,07	0,06	-21,4 %	0,13	0,11	-14,6 %

Recent insider trades

Date	Name	Position	Action	Price	Value in NOK	Share	Comment
—	—	—	—	—	—	—	No recent insider trades

Note: only more than NOK 50 000 worth trades are included in the table

Peer comparison

USDm	Estimates	EV	EV/Sales*			EV/EBITDA*			EV/EBIT*			P/E			Market Cap
			2010e	2011e	2012e	2010e	2011e	2012e	2010e	2011e	2012e	2010e	2011e	2012e	
Fara	Terra	14	0,6	0,5	0,4	nm	5,0	3,2	neg	7,1	3,8	neg	9,2	4,8	13
Ivu Traffic Technologies	Consensus**	33	na	na	na	na	na	na	na	na	na	na	na	na	32
Thales	Consensus**	6 733	0,4	0,4	na	6,0	4,5	na	10,5	6,7	na	16,6	9,8	na	6 704
Cubic Corporation	Consensus**	746	0,7	0,7	na	6,9	6,4	na	8,0	7,5	na	15,6	14,9	na	973
Init	Consensus**	156	1,7	1,6	na	7,6	6,9	na	9,3	8,5	na	13,0	12,2	na	165
Average			0,9	0,9	na	6,8	5,9	na	9,2	7,5	na	15,0	12,3	na	
Median			0,7	0,7	na	6,9	6,4	na	9,3	7,5	na	15,6	12,2	na	

* Calculated applying the last reported Balance sheet and last Market Capitalization

** Infinancials

DCF model

NOKm	Q2-Q4 2010e	2011e	2012e	2013e	2014e
Revenues	118	189	227	255	281
EBIT	-2	13	24	27	25
Tax on EBIT	-1	-4	-7	-7	-7
NOPLAT (+)	-3	9	17	19	18
Depreciation & amortization (+)	5	5	5	4	4
Capital expenditure (-)	-2	-3	-4	-4	-5
Change in working capital (- or +)	-6	-5	-2	-3	-4
Free Cash Flow to the Firm	-5	6	16	16	14
NPV of FCFF	-5	5	12	11	8

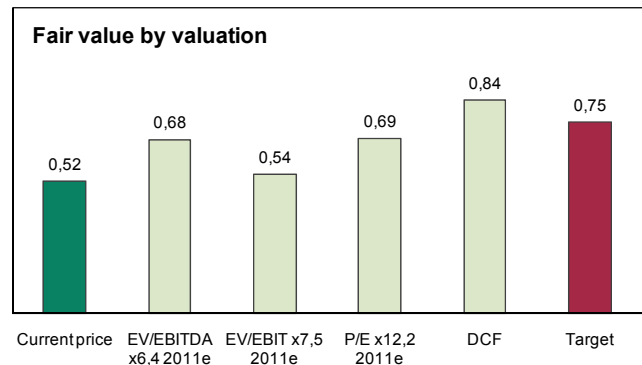
WACC calculation	
Debt ratio	23,4%
Cost of debt (after tax)	3,9%
Risk free rate	3,8%
Beta	1,5
Market risk premium	6,0%
Cost of equity	12,7%
WACC	10,7%

Valuation, NOKm	
Net debt	6
Minority interest	0
NPV cash flow	
Q2-Q4 2010-2014e	32
2015e-	106
Total NPV cash flow	138
Equity value	132
Value per share, NOK	0,84

Assumptions	
L.t. growth	2,5%
Tax rate	28,0%
# shares, m	157,808

Sensitivity analysis

WACC	L.t. growth				
	1,5%	2,0%	2,5%	3,0%	3,5%
9,7%	0,87	0,92	0,97	1,04	1,11
10,2%	0,81	0,85	0,90	0,95	1,02
10,7%	0,76	0,79	0,84	0,88	0,94
11,2%	0,71	0,74	0,78	0,82	0,87
11,7%	0,67	0,70	0,73	0,77	0,81



Description of the company

Fara was established at the end of 2005, through a demerger of the ticketing business from Q-Free, and was listed as a separate company on the Oslo Børs. Having originally started as a Norway-based company providing ticketing systems primarily to ferry-companies in Norway, Fara grew both organically and through acquisition to become a leading player in the Nordic automatic fare collection (AFC) system market with a solid basis for expansion into the European market. The company holds a unique IT solutions portfolio which is split into three business lines: Ticketing, Infotainment and RTI (Real Time Information).

Company data

Chief Executive Officer:
Chief Financial Officer:

Øivind Kirksæter
Ørjan Kirkefjord

Web:
Telephone:
Address

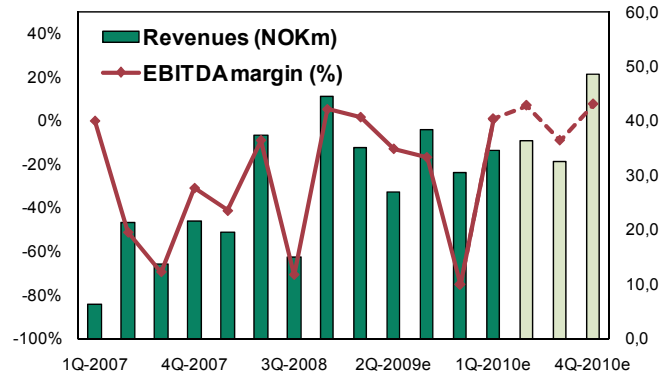
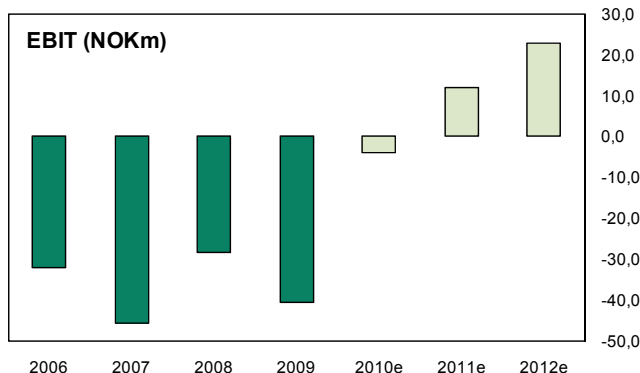
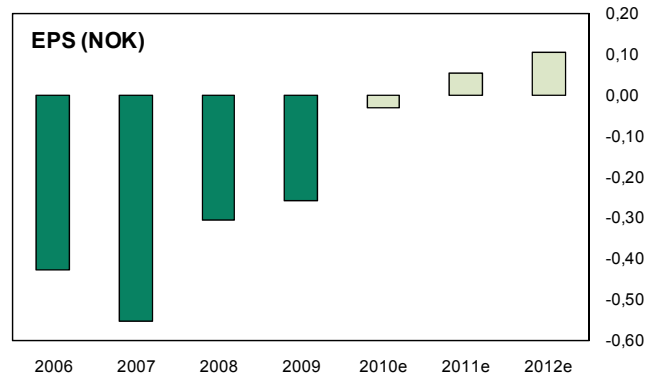
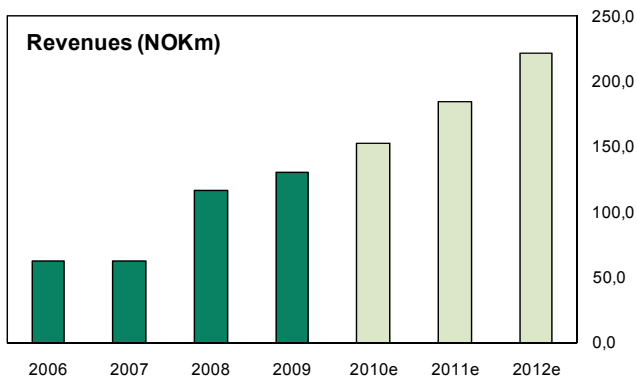
www.fara.no
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Leif Tronstads plass 6
Oslo

Listing:
Number of shares:

Oslo Stock Exchange
157 807 573

News flow

Date	Event
2010	New tender wins in the Nordics and CEE (?)
H2 2010 (?)	Completion of the merging of acquired platforms
14.07.2010	Q2 2010 report
20.10.2010	Q3 2010 report
09.02.2011	Q4 2010 report



PROFIT & LOSS												
(NOKm)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
Sales	na	na	na	na	53	63	63	116	131	152	189	227
COGS	na	na	na	na	-27	-25	-26	-49	-52	-56	-68	-82
Gross profit	na	na	na	na	26	37	36	67	79	96	121	145
Sales & general administration costs	na	na	na	na	-52	-67	-71	-87	-111	-93	-103	-117
EBITDA	na	na	na	na	-26	-29	-35	-20	-32	3	18	28
Depreciation & amortisation	na	na	na	na	-1	-3	-11	-9	-8	-7	-5	-5
EBIT adjusted	na	na	na	na	-28	-32	-46	-28	-40	-4	13	24
Non-recurring items	na	na	na	na	0	0	0	0	0	0	0	0
Goodwill amortisation/write-ups/-downs	na	na	na	na	0	0	0	0	0	0	0	0
EBIT	na	na	na	na	-28	-32	-46	-28	-40	-4	13	24
Net financial items	na	na	na	na	0	0	-1	-3	0	0	0	0
Equity earnings	na	na	na	na	0	0	0	0	0	0	0	0
Pretax profit	na	na	na	na	-28	-32	-47	-31	-41	-4	13	24
Tax	na	na	na	na	0	0	-1	0	0	-1	-4	-7
Tax rate	na	na	na	na	0%	0%	-1%	0%	0%	-19%	29%	28%
Profit after taxes	na	na	na	na	-28	-32	-47	-31	-41	-5	9	17
Minority interest	na	na	na	na	0	0	0	0	0	0	0	0
Extraord. items / Discontinued oper.	na	na	na	na	0	0	0	0	0	0	0	0
Net profit	na	na	na	na	-28	-32	-47	-31	-41	-5	9	17
Other comprehensive income	na	na	na	na	0	0	0	0	0	0	0	0
Comprehensive income	na	na	na	na	-28	-32	-47	-31	-41	-5	9	17

BALANCE SHEET												
(NOKm)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
Goodwill	na	na	na	na	0	0	11	11	11	11	11	11
Intangible assets	na	na	na	na	32	29	32	25	17	12	10	9
Tangible assets	na	na	na	na	0	0	1	2	2	2	2	2
Financial assets	na	na	na	na	0	0	0	0	0	0	0	0
Inventories	na	na	na	na	38	5	6	15	8	15	13	17
Accounts receivable	na	na	na	na	12	20	21	34	31	42	50	59
Other current assets	na	na	na	na	0	8	3	7	19	20	20	20
Cash and cash equivalents	na	na	na	na	10	12	0	0	0	1	2	4
Total assets	na	na	na	na	92	75	75	94	89	104	108	122
Shareholders' equity	na	na	na	na	59	57	33	17	33	28	37	54
Minority interest	na	na	na	na	0	0	0	0	0	0	0	0
Pension provisions	na	na	na	na	0	0	0	0	0	0	0	0
Interest-bearing debt	na	na	na	na	-3	0	3	13	14	20	14	0
Other liabilities	na	na	na	na	35	18	39	64	42	55	56	67
Equity and liabilities	na	na	na	na	92	75	75	94	89	104	108	122

KEY FIGURES												
(NOK)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
Sales per share	na	na	na	na	na	0,83	0,74	1,15	0,83	0,96	1,20	1,44
EPS	na	na	na	na	na	-0,43	-0,55	-0,31	-0,26	-0,03	0,06	0,11
EPS (adjusted)	na	na	na	na	na	-0,43	-0,55	-0,31	-0,26	-0,03	0,06	0,11
Dividends per share	na	na	na	na	na	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Book value per share*	na	na	na	na	na	0,76	0,26	0,06	0,14	0,11	0,17	0,28
Net debt (cash) per share	na	na	na	na	na	-0,16	0,04	0,12	0,09	0,12	0,08	-0,02
P/E	na	na	na	na	na	neg	neg	neg	neg	neg	9,2	4,8
P/E (adjusted)	na	na	na	na	na	neg	neg	neg	neg	neg	9,2	4,8
P/Net Sales	na	na	na	na	na	5,4	3,7	1,1	1,9	0,9	0,7	0,6
P/Book value*	na	na	na	na	na	3,6	6,1	11,9	6,6	4,6	3,1	1,9
P/Book value (incl. goodwill)	na	na	na	na	na	3,6	4,1	4,2	4,5	2,9	2,2	1,5
EV/EBITDA	na	na	na	na	na	neg	neg	neg	neg	29,7	5,3	2,8
EV/EBIT**	na	na	na	na	na	neg	neg	neg	neg	neg	7,5	3,3
EV/NOPLAT**	na	na	na	na	na	neg	neg	neg	neg	neg	9,5	4,6
EV/Sales	na	na	na	na	na	3,0	2,2	0,7	1,2	0,7	0,5	0,3
Dividend yield	na	na	na	na	na	0%	0%	0%	0%	0%	0%	0%
ROE* (adjusted)	na	na	na	na	na	-55%	-119%	-219%	-287%	-24%	40%	49%
Equity ratio*	na	na	na	na	na	65%	76%	35%	7%	29%	28%	39%
Debt/Equity*	na	na	na	na	na	-5%	0%	15%	211%	61%	114%	53%
Net debt/EBITDA	na	na	na	na	na	nm	nm	nm	nm	5,54	0,70	-0,11
Gross margin	na	na	na	na	na	48%	60%	58%	58%	60%	63%	64%
EBITDA margin	na	na	na	na	na	-50%	-47%	-55%	-17%	-25%	2%	9%
EBIT** margin	na	na	na	na	na	-52%	-51%	-73%	-24%	-31%	-3%	7%
Growth of Sales	na	na	na	na	na	nm	19%	0%	86%	12%	16%	24%
Growth of EBITDA	na	na	na	na	na	nm	nm	nm	nm	nm	429%	58%
EPS** growth	na	na	na	na	na	nm	nm	nm	nm	nm	nm	92%
Share price	na	na	na	na	na	2,70	1,60	0,70	0,94	0,52	0,52	0,52
No. shares year-end	na	na	na	na	na	75,066	85,152	101,173	157,808	157,808	157,808	157,808
Market capitalisation	na	na	na	na	na	203	136	71	148	82	82	82
Net debt	na	na	na	na	na	-13	-12	3	13	14	13	-3
Enterprise value	na	na	na	na	na	191	140	83	162	101	95	79
Book value of equity*	na	na	na	na	na	59	57	22	6	22	18	27

*Excluding goodwill

**Adjusted for non-recurring items and goodwill amortisation/write-ups/-downs

PROFIT & LOSS											
(NOKm)	2Q-2008	3Q-2008	4Q-2008	1Q-2009	2Q-2009	3Q-2009	4Q-2009	1Q-2010	2Q-2010e	3Q-2010e	4Q-2010e
Sales	37,4	14,8	44,6	35,1	27,0	38,3	30,4	34,5	36,4	32,6	48,6
COGS	-21,5	-5,8	-15,9	-11,4	-12,0	-16,1	-12,8	-9,2	-13,1	-13,0	-20,4
Gross profit	15,9	9,0	28,7	23,7	15,0	22,3	17,6	25,3	23,3	19,6	28,2
Sales & general administration costs	-19,3	-19,5	-26,3	-23,1	-18,5	-28,7	-40,5	-25,1	-20,8	-22,5	-24,5
EBITDA	-3,3	-10,5	2,4	0,6	-3,5	-6,4	-22,8	0,2	2,5	-3,0	3,6
Depreciation & amortisation	-2,3	-2,2	-2,3	-2,6	-1,5	-2,1	-2,2	-2,1	-1,9	-1,7	-1,6
EBIT adjusted	-5,6	-12,7	0,1	-2,0	-4,9	-8,5	-25,0	-1,9	0,6	-4,7	2,1
Non-recurring items	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Goodwill amortisation/write-ups/-downs	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBIT	-5,6	-12,7	0,1	-2,0	-4,9	-8,5	-25,0	-1,9	0,6	-4,7	2,1
Net financial items	-0,5	-0,8	-1,1	-0,2	-0,2	-0,8	1,0	-0,3	-0,1	0,0	0,1
Equity earnings	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Pretax profit	-6,1	-13,5	-1,0	-2,2	-5,2	-9,3	-24,0	-2,1	0,6	-4,7	2,2
Tax	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,2	0,0	-0,6
Tax rate	0%	0%	0%	0%	0%	0%	0%	0%	28%	0%	28%
Profit after taxes	-6,1	-13,5	-1,0	-2,2	-5,2	-9,4	-24,0	-2,1	0,4	-4,7	1,6
Minority interest	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Extraord. Items / Discontinued oper.	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net profit	-6,1	-13,5	-1,0	-2,2	-5,2	-9,4	-24,0	-2,1	0,4	-4,7	1,6
Other comprehensive income	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Comprehensive income	-6,1	-13,5	-1,0	-2,2	-5,2	-9,4	-24,0	-2,1	0,4	-4,7	1,6

BALANCE SHEET											
(NOKm)	2Q-2008	3Q-2008	4Q-2008	1Q-2009	2Q-2009	3Q-2009	4Q-2009	1Q-2010	2Q-2010e	3Q-2010e	4Q-2010e
Goodwill	11	11	11	11	11	11	11	11	11	11	11
Intangible assets	29	27	25	23	21	19	17	15	14	13	12
Tangible assets	2	2	2	2	2	3	2	2	2	2	2
Financial assets	0	0	0	0	0	0	0	0	0	0	0
Inventories	6	8	15	15	14	11	8	7	9	9	15
Accounts receivable	27	14	34	27	22	29	31	27	31	28	42
Other current assets	6	3	7	1	3	17	19	20	20	20	20
Cash and cash equivalents	1	0	0	0	22	0	0	0	3	11	1
Total assets	82	65	94	79	95	89	89	83	90	94	104
Shareholders' equity	18	6	17	17	66	58	33	31	32	27	28
Minority interest	0	0	0	0	0	0	0	0	0	0	0
Pension provisions	0	0	0	0	0	0	0	0	0	0	0
Interest-bearing debt	25	23	13	25	0	8	14	6	13	20	20
Other liabilities	39	36	64	37	30	23	42	45	45	47	55
Equity and liabilities	82	65	94	79	95	89	89	83	90	94	104

KEY FIGURES											
(NOK)	2Q-2008	3Q-2008	4Q-2008	1Q-2009	2Q-2009	3Q-2009	4Q-2009	1Q-2010	2Q-2010e	3Q-2010e	4Q-2010e
EPS	-0,07	-0,11	-0,01	-0,02	-0,03	-0,06	-0,15	-0,01	0,00	-0,03	0,01
EPS (adjusted)	-0,07	-0,11	-0,01	-0,02	-0,03	-0,06	-0,15	-0,01	0,00	-0,03	0,01
12-months forward P/E (adjusted)	neg	neg	neg	neg	neg	neg	neg	neg	neg	>100	16,21
Equity ratio*	11%	-8%	7%	9%	65%	61%	29%	28%	26%	19%	19%
Debt/Equity*	335%	nm	211%	406%	0%	17%	61%	30%	63%	125%	114%
Gross margin	43%	61%	64%	68%	56%	58%	58%	73%	64%	60%	58%
EBITDA margin	-9%	-71%	5%	2%	-13%	-17%	-75%	1%	7%	-9%	7%
EBIT** margin	-15%	-86%	0%	-6%	-18%	-22%	-82%	-5%	2%	-14%	4%
Growth of Sales (Q/Q)	91%	-60%	201%	-21%	-23%	42%	-21%	14%	5%	-11%	49%
Growth of EBITDA (Q/Q)	nm	nm	nm	-75%	nm	nm	nm	nm	928%	nm	nm
EPS** growth (Q/Q)	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Growth of Sales (Y/Y)	77%	8%	108%	79%	-28%	159%	-32%	-2%	35%	-15%	60%
Growth of EBITDA (Y/Y)	nm	nm	nm	nm	nm	nm	nm	-60%	nm	nm	nm
EPS** growth (Y/Y)	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Share price	1,30	1,06	0,70	1,04	1,23	1,00	0,94	0,75	0,52	0,52	0,52
No. shares quarter-end	85,152	120,652	101,173	101,173	157,808	157,808	157,808	157,808	157,808	157,808	157,808
Market capitalisation	111	128	71	105	194	158	148	118	82	82	82
Net debt	24	23	13	25	-23	8	14	6	10	9	19
Enterprise value	135	151	83	130	172	166	162	125	92	91	101
Book value of equity*	8	-5	6	6	55	48	22	20	21	16	18

*Excluding goodwill

**Adjusted for non-recurring items and goodwill amortisation/write-ups/-downs

Cash flow statement (NOKm)	2002	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
Operating earnings (EBIT)	na	na	na	na	-32,1	-45,8	-28,5	-40,4	-3,8	12,6	23,8
Depreciation & amortization	na	na	na	na	2,6	11,0	8,9	8,3	7,2	5,4	4,6
Net financial items	na	na	na	na	-0,1	-0,8	-2,6	-0,3	-0,3	0,0	0,0
Paid taxes	na	na	na	na	-0,1	0,0	0,0	0,0	-0,8	-3,6	-6,7
Cash earnings in operations	na	na	na	na	-29,6	-35,5	-22,2	-32,4	2,4	14,3	21,7
Changes in working capital	na	na	na	na	27,7	24,1	8,3	-18,2	-5,8	-5,0	-2,2
Cash flow from operating activities	na	na	na	na	-22,9	-11,4	-13,8	-49,1	-6,9	9,3	19,5
CAPEX	na	na	na	na	0,0	0,0	0,0	0	-1,9	-3,1	-3,7
Other investments	na	na	na	na	0,0	-24,8	-8,1	-0,7	0,0	0,0	0,0
Cash flow from investing activities	na	na	na	na	0,0	-24,8	-8,1	-0,7	-1,9	-3,1	-3,7
Free cash flow	na	na	na	na	-1,9	-36,2	-21,9	-49,9	-8,8	6,2	15,7
Changes in interest bearing liabilities	na	na	na	na	0,0	0,0	0,0	0,0	14,0	-6,0	-13,8
New share issues & share buy-backs	na	na	na	na	0,0	0,0	0,0	56,3	0,0	0,0	0,0
Other financing activities	na	na	na	na	28,2	22,0	12,1	-3,9	0,0	0,0	0,0
Cash flow from financing activities	na	na	na	na	14,5	22,0	12,1	52,4	14,0	-6,0	-13,8
Cash flow for the period	na	na	na	na	12,6	-14,2	-9,8	2,5	5,2	0,2	2,0

Cash flow statement (NOKm)	2Q-2008	3Q-2008	4Q-2008	1Q-2009	2Q-2009	3Q-2009	4Q-2009	1Q-2010	2Q-2010e	3Q-2010e	4Q-2010e
Operating earnings (EBIT)	-5,6	-12,7	0,1	-2,0	-4,9	-8,5	-25,0	-1,9	0,6	-4,7	2,1
Depreciation & amortization	2,3	2,2	2,3	2,6	1,5	2,1	2,2	2,1	1,9	1,7	1,6
Net financial items	-0,5	-0,8	-1,1	-0,2	-0,2	-0,8	1,0	-0,3	-0,1	0,0	0,1
Other non-cash adjustments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Paid taxes	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,2	0,0	-0,6
Cash earnings in operations	-3,8	-11,3	1,3	0,4	-3,7	-7,3	-21,8	0,0	2,3	-3,0	3,2
Changes in working capital	11,4	10,2	-9,6	-0,5	-15,9	-19,0	17,1	7,3	-5,7	4,9	-12,3
Cash flow from operating activities	7,5	-1,2	-8,3	-0,1	-19,6	-26,3	-3,2	3,8	-3,4	1,9	-9,2
CAPEX	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,6	-0,5	-0,8
Other investments	-0,5	0,0	-7,5	0,0	-0,3	0,2	-0,6	0,0	0,0	0,0	0,0
Cash flow from investing activities	-0,5	0,0	-7,5	na	-0,3	0,2	-0,6	na	-0,6	-0,5	-0,8
Free cash flow	7,0	-1,1	-15,7	-0,1	-19,8	-26,2	-3,8	3,8	-4,0	1,3	-10,0
Changes in interest bearing liabilities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	7,0	7,0	0,0
New share issues & share buy-backs	0,0	0,0	0,0	0,0	56,3	0,0	0,0	0,0	0,0	0,0	0,0
Other financing activities	-16,0	2,1	26,1	-8,9	7,0	0,3	-2,3	0,0	0,0	0,0	0,0
Cash flow from financing activities	-16,0	2,1	26,1	-8,9	63,3	0,3	-2,3	0,0	7,0	7,0	0,0
Cash flow for the period	-9,0	0,9	10,3	-9,0	43,4	-25,8	-6,1	3,8	3,0	8,3	-10,0

TOP 20 INVESTORS		31.05.2010		Change over a week
No.	Investor	Ownership	No. of shares	No. of shares
1	REDBACK AS	20,98%	33 101 377	0
2	UBS (LUXEMBOURG) S.A.	8,87%	14 000 000	0
3	RAMS AS	6,31%	9 952 000	0
4	KLP LK AKSJER	4,12%	6 500 000	0
5	VPF NORDEA VEKST	3,25%	5 121 500	0
6	KLP AKSJENORGE	2,91%	4 600 000	0
7	MP PENSJON	2,69%	4 240 000	0
8	WARRENWICKLUND NORGE	2,36%	3 723 000	0
9	JPMBLSA	2,24%	3 536 000	0
10	ODIN NORGE	2,06%	3 255 339	0
11	SEB ENSKILDA ASA EGENHANDELSKONTO	2,01%	3 173 750	0
12	POLAR ELECTRO OT-PALVELU OY	1,91%	3 010 000	0
13	DANSKE INVEST NORGE VEKST	1,90%	3 000 000	0
14	TERRA NORGE VPF	1,62%	2 552 000	0
15	VPF NORDEA SMB	1,51%	2 383 700	0
16	KIKUT AS	1,47%	2 325 000	0
17	HANDELSBANKEN MARKETS MARKET-MAKING DERIVATER	1,27%	2 000 000	0
18	WILHELMSSEN LINES SHIPOWNING AS	1,27%	2 000 000	0
19	STOREBRAND VEKST	1,13%	1 790 000	0
20	OLE JOHAN OLSEN INVEST AS	1,12%	1 765 000	0

Source: Infront / The Online Trader

Fara		FARA											
Price	NOK	0,52	Risk:		High							Last report	31.03.2010
Capitalisation	NOK	82	Investment potential:		Medium							Last update	07.06.2010
		2002	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e	
Sales	NOK	na	na	na	53	63	63	116	131	152	189	227	
Gross profit	NOK	na	na	na	26	37	36	67	79	96	121	145	
EBITDA	NOK	na	na	na	-26	-29	-35	-20	-32	3	18	28	
EBIT adjusted	NOK	na	na	na	-28	-32	-46	-28	-40	-4	13	24	
Operating earnings (EBIT)	NOK	na	na	na	-28	-32	-46	-28	-40	-4	13	24	
Pretax profits (EBT)	NOK	na	na	na	-28	-32	-47	-31	-41	-4	13	24	
Net profit	NOK	na	na	na	-27,5	-32	-47	-31	-41	-5	9	17	
Net debt (cash)	NOK	na	na	na	-13	-12	3	13	14	19	13	-3	
Enterprise value	NOK	na	na	na	na	191	140	83	162	101	95	79	
Book value of equity	NOK	na	na	na	59	57	22	6	22	18	27	44	
Sales per share	NOK	na	na	na	na	0,83	0,74	1,15	0,83	0,96	1,20	1,44	
EPS	NOK	na	na	na	na	-0,43	-0,55	-0,31	-0,26	-0,03	0,06	0,11	
EPS (adjusted)	NOK	na	na	na	na	-0,43	-0,55	-0,31	-0,26	-0,03	0,06	0,11	
Dividends per share	NOK	na	na	na	na	0,00	0,00	0,00	0,00	0,00	0,00	0,00	
Book value per share*	NOK	na	na	na	na	0,76	0,26	0,06	0,14	0,11	0,17	0,28	
Net debt (cash) per share	NOK	na	na	na	na	-0,16	0,04	0,12	0,09	0,12	0,08	-0,02	
P/E		na	na	na	na	neg	neg	neg	neg	neg	9,2	4,8	
P/E (adjusted)		na	na	na	na	neg	neg	neg	neg	neg	9,2	4,8	
P/FCF		na	na	na	na	na	na	na	na	na	na	na	
P/Sales		na	na	na	na	3,2	2,2	0,6	1,1	0,5	0,4	0,4	
P/Book value*		na	na	na	na	3,6	6,1	11,9	6,6	4,6	3,1	1,9	
EV/EBITDA		na	na	na	na	neg	neg	neg	neg	29,7	5,3	2,8	
EV/EBIT**		na	na	na	na	neg	neg	neg	neg	neg	7,5	3,3	
EV/NOPLAT**		na	na	na	na	neg	neg	neg	neg	neg	9,5	4,6	
EV/Sales		na	na	na	na	3,0	2,2	0,7	1,2	0,7	0,5	0,3	
Dividend yield		na	na	na	na	0%	0%	0%	0%	0%	0%	0%	
ROE* (adjusted)		na	na	na	na	-55%	-119%	-219%	-287%	-24%	40%	49%	
Equity ratio*		na	na	na	na	65%	76%	35%	7%	29%	19%	28%	
Debt/Equity*		na	na	na	na	-5%	0%	15%	211%	61%	114%	53%	
Net debt/EBITDA		na	na	na	na	nm	nm	nm	nm	5,54	0,70	-0,11	
Gross margin		na	na	na	48%	60%	58%	58%	60%	63%	64%	64%	
EBITDA margin		na	na	na	-50%	-47%	-55%	-17%	-25%	2%	9%	12%	
EBIT** margin		na	na	na	-52%	-51%	-73%	-24%	-31%	-3%	7%	10%	
Growth of Sales		na	na	na	nm	19%	0%	86%	12%	16%	24%	20%	
Growth of EBITDA		na	na	na	nm	nm	nm	nm	nm	nm	429%	58%	
EPS** growth		na	na	na	na	nm	nm	nm	nm	nm	nm	92%	

*Book value of equity excludes goodwill

**Adjusted for non-recurring items and goodwill amortisation/write-ups/-downs

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Recommendation history for FARA

Date	Recommendation	Target price (NOK)
07.06.2010	BUY	0,75
23.04.2010	BUY	1,00
19.03.2010	BUY	1,00
22.12.2009	BUY	1,40

The table above shows current and previous recommendations given in company reports.

Planned updates

Terra Markets plans to update its recommendation on the company: 1) when new accounting figures are released, 2) if any material news on the company or industry is released, 3) in other important instances.

Was the company report presented to the issuer?

The company report was not presented to the issuer before dissemination.

Price target methodology and risks

Target price was calculated using a DCF approach. The main risk is the competition as Automated Fare Collection is a highly fragmented market.

Critical assumptions

We assume Y/Y revenue growth of 10% - 25% during 2010 – 2013 driven by an assumed successful expansion outside the Nordic countries. Meanwhile, operating costs are expected to grow 8% - 15% per year in the same period.

Information sources

The sources of information used in this report are the quarterly and annual reports from the company, Vikingen Børs, Infanciaals.

Potential conflict of interests

Investors should assume that Terra Markets is seeking or will seek Corporate Finance or other business relationships with the company in this report. None of Terra Markets' employees are a representative of the Board or any other similar supervision body of the Company. Responsible analyst has not provided any investment banking services to the Company during the last 12 months. **Please note that Terra Markets operates as a market maker in the shares of FARA and may have holdings for this purpose.** Complete lists of corporate clients and updated share positions are available at www.terramarkets.no.

Share positions in the Company:

Responsible analyst(s)	0
Employees of Terra Markets AS	0
Terra Markets AS	0
Affiliated agents of Terra Markets AS	0

Analysts never hold any shares in companies they analyze. Positions of employees are based on lists updated each week. Holdings as a part of Terra Markets' investment services activities such as market making are not included.

Recommendation structure

Company reports

Terra Markets' recommendations are based on a six-month time horizon and on absolute performance adjusted for risk. Near term dividends are included into return. The table below shows our general guidelines for determining our recommendations:

Risk	Buy / Strong Buy	Hold	Reduce / Sell
Low	> 10%	2% - 10%	< 2%
Medium	> 15%	3% - 15%	< 3%
High	> 30%	5% - 30%	< 5%

The percentages are defined as an upside to our price target plus eventual dividends within six months. Whether a Buy or Strong Buy / Reduce or Sell recommendation is given, depends on analyst's conviction in the case. Our risk assessments range from high risk to medium risk and low risk and are based on a subjective assessment of the following factors: 1) volatility in the share price, 2) liquidity in the share, 3) strength of the balance sheet, 4) absolute earnings level and trend and 5) estimate risk.

Recommendation distribution as of April 8, 2010

Company reports	Strong Buy	Buy	Hold	Reduce	Sell
Total	5	75	27	9	4
% of total	4%	63%	23%	8%	3%
Corporate clients	1	20	4	0	0
% of total	4%	80%	16%	0%	0%

The table above shows recommendation distribution for all company reports issued during the last three months.

Weekly Casebook

Terra Markets provides an updated assessments for all the companies in its research universe on a weekly basis in the Weekly Casebook product. Recommendations in Weekly Casebook are based on a 2 to 8-week time horizon and an expected absolute share price performance. In Weekly Casebook, Terra-rating of +2 is defined as Strong Buy, +1 as Buy, 0 as Hold, -1 as Reduce and -2 as Sell. Buy or Strong Buy recommendation is given when the analyst believes the stock price will appreciate in the coming 2 to 8 weeks, Hold recommendation is given when the analyst believes the share price will be flat in the coming 2 to 8 weeks, Reduce or Sell recommendation is given when the analyst believes the share price will depreciate in the coming 2 to 8 weeks. Whether a Buy or Strong Buy / Reduce or Sell recommendation is given, depends on the analyst's conviction in the case. The recommendations in the Weekly Casebook may differ from the recommendations in the company reports due to different time horizons.

Recommendation distribution as of April 8, 2010

Weekly Casebook	Strong Buy	Buy	Hold	Reduce	Sell
Total	8	70	42	15	1
% of total	6%	51%	31%	11%	1%
Corporate clients	2	16	5	2	0
% of total	8%	64%	20%	8%	0%

The recommendation distribution above is based on Terra-rating in Weekly Casebook. Terra-rating of +2 is defined as Strong Buy, +1 as Buy, 0 as Hold. Terra-rating of -1 is defined as Reduce and -2 as Sell.

Trading recommendations

Terra Markets issues trading recommendations, Trading Buy and Trading Sell, which are based on a 1 to 5-day horizon. Trading Buy (Trading Sell) recommendation is given when the analyst believes the stock will rise (fall) on an absolute basis during a 1 to 5-day period. Trading Buy and Trading Sell recommendations may not coincide with our Buy and Sell recommendations given in the company reports on a six-month basis. There will not necessarily be any updates to the trading recommendations.

The selection of trading recommendations is based on the evaluation of short-term market fundamentals, performance of the peer stock prices, expected news flow as well as the companies' fundamental valuation. The comments given with the trading recommendations show the reasoning for them.

Historic and future returns

Please note that historic returns do not guarantee future positive returns from suggested trades. The client may not be able to achieve the same entry and exit prices for his positions. The client return will then deviate from the reported results of the trading. The commission and clearing cost will further reduce the return achieved by the client. Any trade can give a substantial negative result.

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