FARA ASA REPORT

Q1 2011

HIGHLIGHTS

- EBITDA of MNOK –5.7 (0.2 in Q1 2010)
- Cash flow from operations of MNOK –3.6 (3.8 in Q1 2010)
- Net order inflow of MNOK 26 (37 in Q4 2010)
- Order backlog of MNOK 88 (84 at Q4 2010)
- Gross margin of 80 % (73 % in Q1 2010)
- Revenue of MNOK 22.4 (34.5 in Q1 2010)
- New market opportunities are opening up
- Cost control project is on track

Figures in brackets are 2010 numbers

REVENUE

The revenue of FARA Group came in at MNOK 22.4 in Q1 2011 compared with MNOK 34.5 during the same period in 2010. The main reason for the slow start is delays in on-going delivery projects. Delays are mainly due to the customers' inability to keep up momentum throughout the projects. Net order intake in Q1 2011 was MNOK 26, up from MNOK 22.8 in Q1 2010.

OPERATING RESULT - EBITDA

EBITDA was negatively affected by the above mentioned circumstances and came in at MNOK -5.7 in Q1 2011, compared with a positive result of MNOK 0.2 in Q1 2010.

Gross margin in Q1 2011 was 80 per cent (up from 73 per cent in Q1 2010). The main reason for the increase in margin is the product mix. The revenue in Q1 2011 is positively affected by deliveries of proportionally more software and consulting services than hardware compared with the same period last year. Over time, FARA expects to deliver a gross margin of about 65 per cent.

FARA has launched a project to increase efficiency in the process of purchasing hardware through sourcing from new suppliers. Focus is on optimizing the complete value chain from supplier to customer. This will have a positive effect on both hardware margins and life cycle costs.

FARA continues to invest in the development of the new product platform which integrates and extends all existing systems. This investment has been expensed in the operating result.

CASH FLOW AND FUNDS

Accumulated net cash flow from operations was minus MNOK 3.6 in Q1 2011 compared with MNOK 3.8 during the same period in 2010.

FARA is comfortable with the current cash position. FARA continues to focus on reducing capital employed and increasing the efficiency of liquidity.

The order backlog was MNOK 88, up from MNOK 78 at the same time last year, and MNOK 84 at year end 2010.

Only the value of the first year is included in the order backlog for Service & Maintenance contracts, even though, most customers have signed up for multiple years of service and maintenance.

OUTLOOK

Q1 2011 was a quarter with an activity level below normal, due to the stage at which many of the delivery projects are at as a part of the roll-out process. The order back log is increasing both from add-on sales and new customer contracts. FARA won the Østfold fylke e-ticketing project in January and this is now at an early stage. The ramp up will be carried out in Q2 this year.

A new version of the ticketing back office system was rolled out to all our customers during last quarter. The roll out of the Real Time Information System is progressing and new customers will be operational throughout the year.

Our main focus is to finalize the migration of our customers in Sweden. The process of finalizing these contract signings is expected to be quite soon, and FARA expects to start these projects within the near future. The product development necessary to migrate the Swedish customers to the new platform is close to completion. The scaling down of the legacy operation in Sweden is being carried out according to plan and this process is expected to be finalized by year end.

FARA expects to participate in several tenders for Real Time Information (RTI) solutions in the Nordic countries this year. These will come in addition to the on-going delivery projects in the region.

FARA has now reached the stage at which the company is ready to focus on new markets in addition to maintaining and strengthening the dominant position in the Nordic countries. FARA is confident that the company has an attractive offering both within the areas of ticketing and real time information solutions. The new integrated RTI/Ticketing solution which is under delivery to customers demonstrates that FARA will offer state of the art integrated products.

FARA is already participating in a number of bids in the Eastern European market and several more are expected during 2011. The company is currently quite active in Poland. Poland, with its 38 million inhabitants, could potentially be a larger market for FARA than the Nordic countries are today. FARA has teamed up with partners in these new markets rather than following a direct sales strategy. We have partnered with Asseco in Poland. Asseco is the largest IT company listed on the Warsaw stock exchange, and has 13,000 employees. 5,000 of these are employed in 20 offices across Poland.

The increased order backlog for the introduction of new products both in new and existing markets show that FARA is in a good position for growth in 2011.

DECLARATION FROM THE BOARD OF DIRECTORS

We confirm that, to the best of our knowledge, the condensed set of financial statements for Q1 of 2011 which has been prepared in accordance with IAS 34 Interim financial Statements gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Oslo, 13 April 2011
The Board of Directors in FARA ASA

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PROFIT AND LOSS STATEMENT

KNOK	Q1 2011	Q1 2010	YTD 2011	YTD 2010	31.12.2010
Revenues	22 362	34 533	22 362	34 533	124 641
Cost of goods sold (COGS)	4 453	9 218	4 453	9 218	30 406
Gross margin	17 909	25 315	17 909	25 315	94 235
Payroll expenses	13 827	14 683	13 827	14 683	52 159
Other operating expenses	9 755	10 389	9 755	10 389	41 124
Sum operating expenses before depreciation	23 583	25 072	23 583	25 072	93 283
Operating result before depreciation EBITDA	-5 674	244	-5 674	244	952
Depreciation	2 196	2 096	2 196	2 096	8 422
Operating result EBIT	-7 870	-1 853	-7 870	-1 853	-7 470
Net financial items	310	263	310	263	1 189
Pretax profit	-8 180	-2 116	-8 180	-2 116	-8 659
Tax	0	10	0	10	
Profit after tax	-8 180	-2 126	-8 180	-2 126	-8 659
Gross margin	80%	73%	80%	73%	76%
EBITDA margin	-25%	1%	-25%	1%	1%
EBIT margin	-35%	-5%	-35%	-5%	-6%
Order inflow	26	23	26	23	119
Order backlog	88	78	88	78	84

All figures are in accordance with IFRS. The company uses the same principles in reporting throughout the year as the financial statements at year end. The interim reports are in accordance with IAS 34.

RECONCILIATION EQUITY - FARA GROUP

	Subscr. share capital	Share prem. Reserve	Other paid in capital	Other equity	Conversion difference	Total
Equity 01.01.2011	3 156	63 720	3 788	-43 327	-1 759	27 578
Cost for share-based payment			336			336
Conversion difference					-28	-28
Profits				-8 180		-8 180
Equity 31.03.2011	3 156	63 720	4 124	-51 507	-1 787	17 706

BALANCE SHEET ASSETS

KNOK	31.03.2011	31.12.2010
Capitalized development	4 564	6 167
Acquired R&D	4 929	5 343
Goodwill	10 711	10 711
Intangible fixed assets	20 205	22 221
Machinery, fixtures, fittings	1 886	1 906
Fixed assets	1 886	1 906
Leasing	15	130
Financial fixed assets	15	130
Total fixed assets	22 106	24 257
Inventories	5 494	5 633
Accounts receivables	15 815	24 716
Work in progress	5 985	3 742
Other receivables	3 780	3 802
Receivables	25 580	32 260
Cash	0	0
Total current assets	31 074	37 893
Total assets	53 180	62 150

BALANCE SHEET EQUITY & DEBT

KNOK	31.03.2011	31.12.2010
Subscribed share capital	3 156	3 156
Other paid in capital	69 278	56 689
Total paid in capital	72 434	59 845
Other equity	-54 728	-34 268
Total retained earnings	-54 728	-34 268
Total equity	17 706	25 578
Pension provision	8	8
Total long term debt	8	8
Bank overdraft	11 590	7 834
Accounts payable	9 895	11 666
Public duties payable	3 006	4 354
Other short term liabilities	10 975	12 709
Total short term liabilities	35 466	36 565
Total liabilities	35 474	36 573
Total equity and liabilities	53 180	62 150

CASH FLOW

Net cash flow from operations	31.03.2011	31.03.2010	31.12.2010
Net cash flow from investments			
Net cash flow from financing	-3 598	3 849	4 493
Net change in cash in the period	-158	-	-2 306
	-	-15	-424
Cash opening balance	-3 756	3 835	1 762
Cash closing balance			
	-7 834	-9 596	-9 596
Guarantees	-11 590	-5 761	-7 834
Average revolving credit			
Total funds and revolving credit	-13 887	-5 262	-13 887
Average revolving credit	40 000	40 000	40 000
Total funds and revolving credit	14 523	28 977	18 279

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