

Fara

Ticker: FARA

Target: NOK 3,90
Price: NOK 2,60

March 4, 2011

Fara

Sector: Information Technology
Industry: Electronic Equipment & Instruments
Market cap.: 72
Recommendation: BUY
Risk: High

NOKm	2009	2010	2011E
Revenues	131	125	151
EBITDA	-32	2	15
EBIT	-40	-6	9
EPS (NOK)	-0,26	-0,23	0,25

Ratios	2009	2010	2011E
P/E	neg	neg	10,5
EV/NOPLAT	neg	neg	9,6
EV/EBITDA	neg	32,4	5,8
EV/EBIT	neg	neg	9,6
P/B	6,6	4,4	3,4
P/Sales	1,1	0,6	0,5

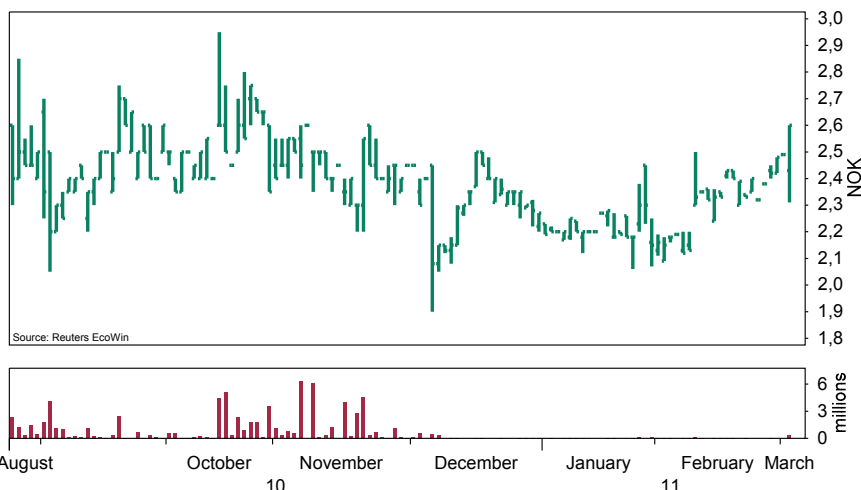
All key figures adjusted for non-recurring items
Book value does not include goodwill

Analyst

Jonas Jarutis
Position: Senior Analyst
E-mail: jj@terramarkets.no
Telephone: +370 52 46 19 64

Fara is a market making client of Terra Markets

Please see complete disclosures at the end of this report



Turnaround seen at last

- Fara delivered a solid Q4 report on February 9. Although revenues were marginally lower than our estimate, EBITDA came in NOK 3,4m versus our estimate of NOK 0,5m as the program to consolidate the company's products delivered cost saving benefits.
- The investment program into product consolidation nearing its end, the company started to scale down its offices in Nässjö, Ålborg and Sundsvall. This is expected to have a significant effect on the cost base in 2011.
- Q4 was also marked by strong cash flow from operations of NOK 6,8m, which led to positive cash flow for the full year 2010 for the first time in the company's history.
- Furthermore, order backlog has increased for the second consecutive quarter to NOK 84m (compared NOK 78m in Q3). The company also gave positive comments on the outlook as it expects strong order intake from ticketing solution migrations in 2011. Thus, we expect the next 6 months to be rich in triggers in terms of new contracts.
- We have made only small changes to our operating estimates following the report. However, we assumed no tax payments for 2011-2013 due to the company's significant amount of deferred tax assets, which has led to an increase in EPS. The changes in estimates led to a slight increase in our peer and DCF based target price from NOK 3,50 to NOK 3,90 per share.
- We reiterate our Buy recommendation as a strong Q4 report supports our high growth expectations for Fara and valuation remains highly attractive.

Q4 results (NOKm)	Reported	Terra
Revenues	31,9	32,5
EBITDA	3,4	0,5
Operating profit	1,2	-1,0
Pretax profit	0,6	-1,0
EPS adjusted (NOK)	0,7	-0,03

Conclusion

Fara delivered a strong Q4 report on February 9 supporting our positive stance towards the company. Thus, we reiterate our Buy recommendation with the new target of NOK 3,90 per share.

Estimate changes

NOKm	2011e			2012e			2013e		
	Old	New	Change	Old	New	Change	Old	New	Change
Revenues	158	151	-4,2 %	191	188	-1,3 %	215	212	-1,4 %
Gross margin, %	68,0%	68,9%	0,9 %p	68 %	68 %	0,0 %p	68 %	68 %	0,0 %p
EBITDA	15,5	15,4	-0,5 %	26,8	27,2	1,3 %	29,8	30,3	1,8 %
EBIT	10,2	9,3	-8,7 %	22,6	22,3	-1,5 %	25,2	24,9	-1,4 %
EBIT margin, %	6,5%	6,2%	-0,3 %p	11,9%	11,8%	0,0 %p	11,7%	11,7%	0,0 %p
EPS adj. (NOK)	0,21	0,25	17,2 %	0,50	0,67	34,5 %	0,56	0,75	35,1 %

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		
			2011e	2012e	2013e	2011e	2012e	2013e	2011e	2012e	2013e	2011e	2012e	2013e
Fara	Terra	14	0,5	0,4	0,4	5,4	3,0	2,7	8,9	3,7	3,3	10,5	3,9	3,5
Ivu Traffic Technologies	Consensus**	35	0,6	0,5	na	na	na	na	na	na	na	6,6	6,0	na
Cubic Corporation	Consensus**	981	0,8	0,7	na	7,2	6,6	na	8,6	7,9	na	17,1	15,9	na
Init	Consensus**	206	1,8	1,6	na	7,8	7,1	na	9,0	8,2	na	13,3	12,0	na
Average			1,0	0,9	na	7,5	6,9	na	8,8	8,0	na	12,3	11,3	na
Median			0,8	0,7	na	7,5	6,9	na	8,8	8,0	na	13,3	12,0	na

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

** Infinancials

DCF model

NOKm	2011e	2012e	2013e	2014e	2015e
Revenues	151	188	212	233	257
EBIT	9	22	25	27	29
<i>Tax on EBIT</i>	-3	-6	-7	-8	-8
NOPLAT (+)	7	16	18	19	21
<i>Depreciation & amortization (+)</i>	6	5	5	6	6
<i>Capital expenditure (-)</i>	-5	-6	-7	-8	-9
<i>Change in working capital (- or +)</i>	-9	-2	-2	-3	-3
Free Cash Flow to the Firm	-1	12	14	14	15
NPV of FCFF	-1	10	10	9	9

WACC calculation	
Debt ratio	9,9%
Cost of debt (after tax)	6,2%
Risk free rate	3,8%
Beta	1,3
Market risk premium	6,0%
Cost of equity	11,7%
WACC	11,2%

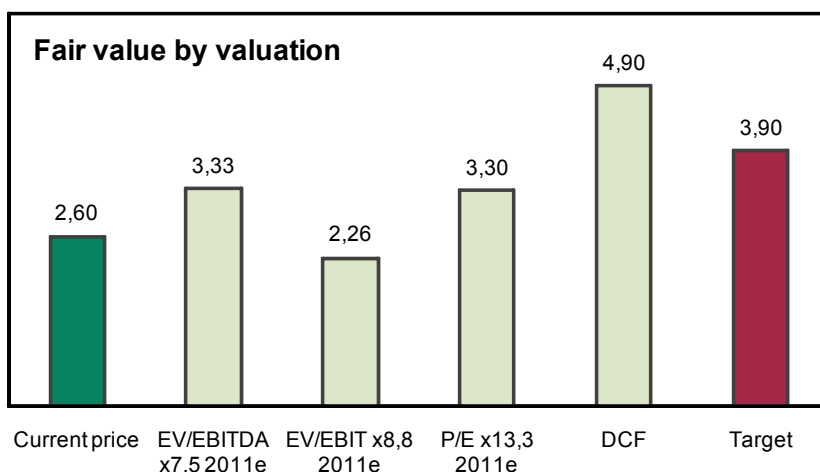
Valuation, NOKm	
Net debt	8
Minority interest	0
NPV cash flow	
2011-2015e	38
2016e-	108
Total NPV cash flow	146
Deferred tax assets*	17
Equity value	155
Value per share, NOK	4,90

Assumptions	
L.t. growth	2,5%
Tax rate	28,0%
# shares, m	31,562

* Present value of deferred tax assets to be realised during 2011-2015.

Sensitivity analysis

WACC	L.t. growth				
	1,5%	2,0%	2,5%	3,0%	3,5%
10,2%	5,07	5,30	5,57	5,87	6,22
10,7%	4,78	4,98	5,21	5,48	5,77
11,2%	4,52	4,70	4,90	5,13	5,39
11,7%	4,29	4,45	4,63	4,83	5,05
12,2%	4,08	4,22	4,38	4,55	4,75



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

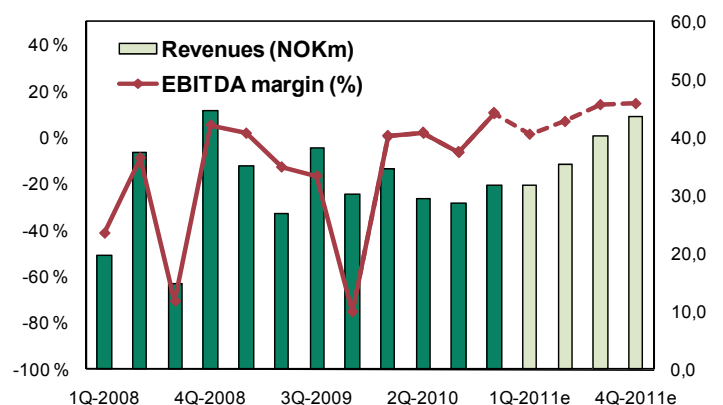
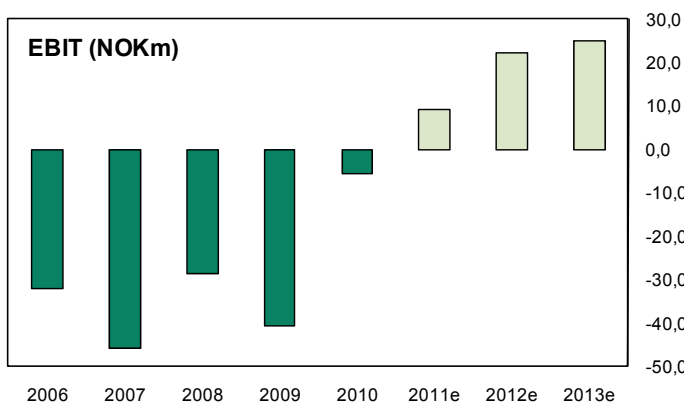
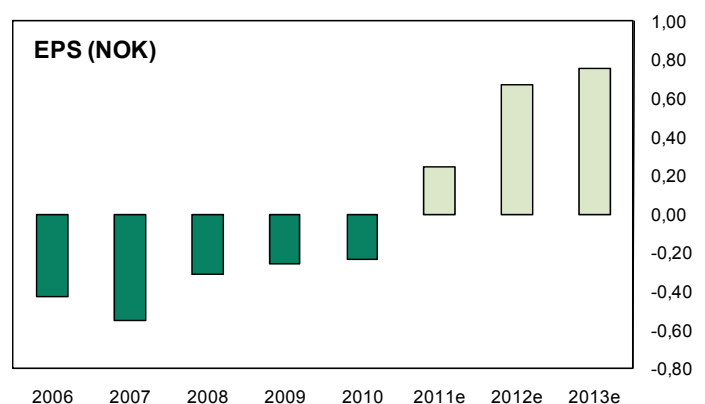
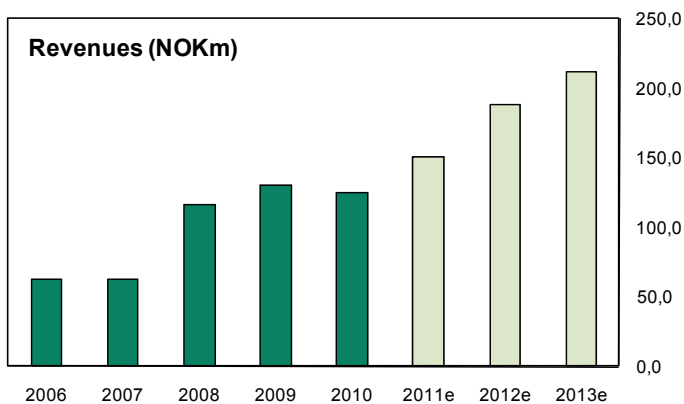
www.fara.no
+47 40 00 33 66
Leif Tronstads plass 6, Oslo

Listing:
Number of shares:

Oslo Stock Exchange
31 561 515

News flow

Date	Event
Q1 2011	New tender wins in the Nordics and CEE (?)
14.04.2011	Q1 2011 report
26.05.2011	Annual General Meeting
14.07.2011	Q2 2011 report
19.10.2011	Q3 2011 report



PROFIT & LOSS											
(NOKm)	2003	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
Sales	na	na	53	63	63	116	131	125	151	188	212
COGS	na	na	-27	-25	-26	-49	-52	-30	-47	-60	-68
Gross profit	na	na	26	37	36	67	79	94	104	128	144
Sales & general administration costs	na	na	-52	-67	-71	-87	-111	-92	-89	-101	-114
EBITDA	na	na	-26	-29	-35	-20	-32	2	15	27	30
Depreciation & amortisation	na	na	-1	-3	-11	-9	-8	-8	-6	-5	-5
EBIT adjusted	na	na	-28	-32	-46	-28	-40	-6	9	22	25
Non-recurring items	na	na	0	0	0	0	0	0	0	0	0
Goodwill amortisation/write-ups/-downs	na	na	0	0	0	0	0	0	0	0	0
EBIT	na	na	-28	-32	-46	-28	-40	-6	9	22	25
Net financial items	na	na	0	0	-1	-3	0	-2	-1	-1	-1
Equity earnings	na	na	0	0	0	0	0	0	0	0	0
Pretax profit	na	na	-28	-32	-47	-31	-41	-7	8	21	24
Tax	na	na	0	0	-1	0	0	0	0	0	0
Tax rate	na	na	0%	0%	-1%	0%	0%	0%	0%	0%	0%
Profit after taxes	na	na	-28	-32	-47	-31	-41	-7	8	21	24
Minority interest	na	na	0	0	0	0	0	0	0	0	0
Extraord. items / Discontinued oper.	na	na	0	0	0	0	0	0	0	0	0
Net profit	na	na	-28	-32	-47	-31	-41	-7	8	21	24
Other comprehensive income	na	na	0	0	0	0	0	0	0	0	0
Comprehensive income	na	na	-28	-32	-47	-31	-41	-7	8	21	24

BALANCE SHEET											
(NOKm)	2003	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
Goodwill	na	na	0	0	11	11	11	11	11	11	11
Intangible assets	na	na	32	29	32	25	17	12	11	12	13
Tangible assets	na	na	0	0	1	2	2	2	2	2	2
Financial assets	na	na	0	0	0	0	0	0	0	0	0
Inventories	na	na	38	5	6	15	8	6	12	14	16
Accounts receivable	na	na	12	20	21	34	31	25	38	47	52
Other current assets	na	na	0	8	3	7	19	8	8	8	8
Cash and cash equivalents	na	na	10	12	0	0	0	0	7	10	30
Total assets	na	na	92	75	75	94	89	62	87	103	131
Shareholders' equity	na	na	59	57	33	17	33	27	35	56	80
Minority interest	na	na	0	0	0	0	0	0	0	0	0
Pension provisions	na	na	0	0	0	0	0	0	0	0	0
Interest-bearing debt	na	na	-3	0	3	13	14	8	15	0	0
Other liabilities	na	na	35	18	39	64	42	27	38	47	51
Equity and liabilities	na	na	92	75	75	94	89	62	87	103	131

KEY FIGURES											
(NOK)	2003	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
Sales per share	na	na	na	0,83	0,74	1,15	0,83	3,95	4,79	5,96	6,72
EPS	na	na	na	-0,43	-0,55	-0,31	-0,26	-0,23	0,25	0,67	0,75
EPS (adjusted)	na	na	na	-0,43	-0,55	-0,31	-0,26	-0,23	0,25	0,67	0,75
Dividends per share	na	na	na	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Book value per share*	na	na	na	0,76	0,26	0,06	0,14	0,52	0,77	1,44	2,19
Net debt (cash) per share	na	na	na	-0,16	0,04	0,12	0,09	0,24	0,24	-0,32	-0,94
P/E	na	na	na	neg	neg	neg	neg	neg	10,5	3,9	3,5
P/E (adjusted)	na	na	na	neg	neg	neg	neg	neg	10,5	3,9	3,5
P/Net Sales	na	na	na	5,4	3,7	1,1	1,9	0,8	0,8	0,6	0,6
P/Book value*	na	na	na	3,6	6,1	11,9	6,6	4,4	3,4	1,8	1,2
P/Book value (incl. goodwill)	na	na	na	3,6	4,1	4,2	4,5	2,6	2,4	1,5	1,0
EV/EBITDA	na	na	na	neg	neg	neg	neg	32,4	5,8	2,6	1,7
EV/EBIT**	na	na	na	neg	neg	neg	neg	neg	9,6	3,2	2,1
EV/NOPLAT**	na	na	na	neg	neg	neg	neg	neg	9,6	3,2	2,1
EV/Sales	na	na	na	3,0	2,2	0,7	1,2	0,6	0,6	0,4	0,2
Dividend yield	na	na	na	0%	0%	0%	0%	0%	0%	0%	0%
ROE* (adjusted)	na	na	na	-55%	-119%	-219%	-287%	-38%	39%	61%	42%
Equity ratio*	na	na	65%	76%	35%	7%	29%	32%	32%	49%	58%
Debt/Equity*	na	na	-5%	0%	15%	211%	61%	48%	61%	0%	0%
Net debt/EBITDA	na	na	nm	nm	nm	nm	nm	3,14	0,49	-0,37	-0,98
Gross margin	na	na	48%	60%	58%	58%	60%	76%	69%	68%	68%
EBITDA margin	na	na	-50%	-47%	-55%	-17%	-25%	2%	10%	14%	14%
EBIT** margin	na	na	-52%	-51%	-73%	-24%	-31%	-5%	6%	12%	12%
Growth of Sales	na	na	nm	19%	0%	86%	12%	-5%	21%	25%	13%
Growth of EBITDA	na	na	nm	nm	nm	nm	nm	nm	530%	76%	12%
EPS** growth	na	na	na	nm	nm	nm	nm	nm	nm	169%	13%
Share price	na	na	na	2,70	1,60	0,70	0,94	2,27	2,60	2,60	2,60
No. shares year-end	na	na	na	75,066	85,152	101,173	157,808	31,562	31,562	31,562	31,562
Market capitalisation	na	na	na	203	136	71	148	72	82	82	82
Net debt	na	na	-13	-12	3	13	14	8	8	-10	-30
Enterprise value	na	na	na	191	140	83	162	79	90	72	52
Book value of equity*	na	na	59	57	22	6	22	16	24	45	69

*Excluding goodwill

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

PROFIT & LOSS (NOKm)	2Q-2009	3Q-2009	4Q-2009	1Q-2010	2Q-2010	3Q-2010	4Q-2010	1Q-2011e	2Q-2011e	3Q-2011e	4Q-2011e
Sales	27,0	38,3	30,4	34,5	29,4	28,8	31,9	31,8	35,3	40,3	43,7
COGS	-12,0	-16,1	-12,8	-9,2	-6,7	-8,1	-6,5	-9,5	-10,6	-12,9	-14,0
Gross profit	15,0	22,3	17,6	25,3	22,8	20,7	25,4	22,2	24,7	27,4	29,7
Sales & general administration costs	-18,5	-28,7	-40,5	-25,1	-22,2	-22,5	-22,0	-21,7	-22,2	-21,6	-23,2
EBITDA	-3,5	-6,4	-22,8	0,2	0,6	-1,8	3,4	0,5	2,5	5,8	6,5
Depreciation & amortisation	-1,5	-2,1	-2,2	-2,1	-2,1	-1,8	-2,1	-1,7	-1,6	-1,4	-1,3
EBIT adjusted	-4,9	-8,5	-25,0	-1,9	-1,5	-3,6	1,3	-1,2	0,9	4,4	5,2
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	-4,9	-8,5	-25,0	-1,9	-1,5	-3,6	1,3	-1,2	0,9	4,4	5,2
Net financial items	-0,2	-0,8	1,0	-0,3	-0,6	-0,3	-0,6	-0,4	-0,4	-0,3	-0,3
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	-5,2	-9,3	-24,0	-2,1	-2,1	-3,9	0,6	-1,6	0,5	4,1	4,9
Tax	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Tax rate	0%	0%	0%	0%	0%	0%	-2%	0%	0%	0%	0%
Profit after taxes	-5,2	-9,4	-24,0	-2,1	-2,1	-3,9	0,7	-1,6	0,5	4,1	4,9
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	-5,2	-9,4	-24,0	-2,1	-2,1	-3,9	0,7	-1,6	0,5	4,1	4,9
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	-5,2	-9,4	-24,0	-2,1	-2,1	-3,9	0,7	-1,6	0,5	4,1	4,9

BALANCE SHEET (NOKm)	2Q-2009	3Q-2009	4Q-2009	1Q-2010	2Q-2010	3Q-2010	4Q-2010	1Q-2011e	2Q-2011e	3Q-2011e	4Q-2011e
Goodwill	11	11	11	11	11	11	11	11	11	11	11
Intangible assets	21	19	17	15	13	11	12	11	11	11	11
Tangible assets	2	3	2	2	2	2	2	2	2	2	2
Financial assets	0	0	0	0	0	0	0	0	0	0	0
Inventories	14	11	8	7	7	7	6	7	9	11	12
Accounts receivable	22	29	31	27	36	31	25	25	34	36	38
Other current assets	3	17	19	20	11	5	8	8	8	8	8
Cash and cash equivalents	22	0	0	0	0	0	0	9	2	5	7
Total assets	95	89	89	83	81	67	62	73	75	82	87
Shareholders' equity	66	58	33	31	29	26	27	25	26	30	35
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	0	8	14	6	16	11	8	18	18	18	15
Other liabilities	30	23	42	45	36	30	27	30	32	35	38
Equity and liabilities	95	89	89	83	81	67	62	73	75	82	87

KEY FIGURES (NOK)	2Q-2009	3Q-2009	4Q-2009	1Q-2010	2Q-2010	3Q-2010	4Q-2010	1Q-2011e	2Q-2011e	3Q-2011e	4Q-2011e
EPS	-0,03	-0,06	-0,15	-0,01	-0,01	-0,02	0,02	-0,05	0,02	0,13	0,15
EPS (adjusted)	-0,03	-0,06	-0,15	-0,01	-0,01	-0,02	0,02	-0,05	0,02	0,13	0,15
12-months forward P/E (adjusted)	neg	neg	neg	neg	neg	neg	19,76	10,47	7,06	5,51	4,73
Equity ratio*	65 %	61 %	29 %	28 %	27 %	27 %	32 %	24 %	24 %	27 %	32 %
Debt/Equity*	0 %	17 %	61 %	30 %	83 %	73 %	48 %	121 %	117 %	92 %	61 %
Gross margin	56 %	58 %	58 %	73 %	77 %	72 %	80 %	70 %	70 %	68 %	68 %
EBITDA margin	-13 %	-17 %	-75 %	1 %	2 %	-6 %	11 %	2 %	7 %	14 %	15 %
EBIT** margin	-18 %	-22 %	-82 %	-5 %	-5 %	-12 %	4 %	-4 %	3 %	11 %	12 %
Growth of Sales (Q/Q)	-23 %	42 %	-21 %	14 %	-15 %	-2 %	11 %	0 %	11 %	14 %	8 %
Growth of EBITDA (Q/Q)	nm	nm	nm	nm	156 %	nm	nm	-84 %	383 %	130 %	12 %
EPS** growth (Q/Q)	nm	nm	nm	nm	nm	nm	nm	nm	nm	682 %	20 %
Growth of Sales (Y/Y)	-28 %	159 %	-32 %	-2 %	9 %	-25 %	5 %	-8 %	20 %	40 %	37 %
Growth of EBITDA (Y/Y)	nm	nm	nm	-60 %	nm	nm	nm	116 %	308 %	nm	93 %
EPS** growth (Y/Y)	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	637 %
Share price	1,23	1,00	0,94	0,75	0,58	0,52	2,27	2,60	2,60	2,60	2,60
No. shares quarter-end	157,808	157,808	157,808	157,808	157,808	157,808	31,562	31,562	31,562	31,562	31,562
Market capitalisation	194	158	148	118	92	82	72	82	82	82	82
Net debt	-23	8	14	6	15	11	8	9	16	13	8
Enterprise value	172	166	162	125	107	93	79	91	98	95	90
Book value of equity*	55	48	22	20	19	15	16	15	15	19	24

*Excluding goodwill

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

Cash flow statement (NOKm)	2003	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
Operating earnings (EBIT)	na	na	na	-32,1	-45,8	-28,5	-40,4	-5,7	9,3	22,3	24,9
Depreciation & amortization	na	na	na	2,6	11,0	8,9	8,3	8,1	6,1	4,9	5,5
Net financial items	na	na	na	-0,1	-0,8	-2,6	-0,3	-1,7	-1,5	-1,2	-1,1
Paid taxes	na	na	na	-0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Cash earnings in operations	na	na	na	-29,6	-35,5	-22,2	-32,4	0,7	13,9	26,0	29,3
Changes in working capital	na	na	na	27,7	24,1	8,3	-16,7	1,5	-8,6	-2,1	-2,4
Cash flow from operating activities	na	na	na	-22,9	-11,4	-13,8	-49,1	2,2	5,3	23,9	26,9
CAPEX	na	na	na	0,0	0,0	0,0	0	0	-5,1	-6,4	-7,2
Other investments	na	na	na	0,0	-24,8	-8,1	-0,7	-2,4	0,0	0,0	0,0
Cash flow from investing activities	na	na	na	0,0	-24,8	-8,1	-0,7	-2,4	-5,1	-6,4	-7,2
Free cash flow	na	na	na	-1,9	-36,2	-21,9	-49,9	-0,2	0,2	17,6	19,7
Changes in interest bearing liabilities	na	na	na	0,0	0,0	0,0	0,0	-0,9	7,0	-14,8	0,0
New share issues & share buy-backs	na	na	na	0,0	0,0	0,0	56,3	0,0	0,0	0,0	0,0
Other financing activities	na	na	na	28,2	22,0	12,1	-3,9	-0,4	0,0	0,0	0,0
Cash flow from financing activities	na	na	na	14,5	22,0	12,1	52,4	-1,3	7,0	-14,8	0,0
Cash flow for the period	na	na	na	12,6	-14,2	-9,8	2,5	-1,5	7,2	2,7	19,7

Cash flow statement (NOKm)	2Q-2009	3Q-2009	4Q-2009	1Q-2010	2Q-2010	3Q-2010	4Q-2010	1Q-2011e	2Q-2011e	3Q-2011e	4Q-2011e
Operating earnings (EBIT)	-4,9	-8,5	-25,0	-1,9	-1,5	-3,6	1,3	-1,2	0,9	4,4	5,2
Depreciation & amortization	1,5	2,1	2,2	2,1	2,1	1,8	2,1	1,7	1,6	1,4	1,3
Net financial items	-0,2	-0,8	1,0	-0,3	-0,6	-0,3	-0,6	-0,4	-0,4	-0,3	-0,3
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	0,0	0,0	0,0
Cash earnings in operations	-3,7	-7,3	-21,8	0,0	0,0	-2,1	2,8	0,1	2,2	5,5	6,2
Changes in working capital	-15,9	-19,0	18,6	3,9	-5,2	1,0	1,7	0,1	-8,5	-1,1	0,9
Cash flow from operating activities	-19,6	-26,3	-3,2	3,8	-5,1	-1,0	4,5	0,2	-6,4	4,4	7,1
CAPEX	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-1,1	-1,2	-1,4	-1,5
Other investments	-0,3	0,2	-0,6	0,0	0,0	-0,1	-2,3	0,0	0,0	0,0	0,0
Cash flow from investing activities	-0,3	0,2	-0,6	0,0	0,0	-0,1	-2,3	-1,1	-1,2	-1,4	-1,5
Free cash flow	-19,8	-26,2	-3,8	3,8	-5,1	-1,1	2,2	-0,9	-7,6	3,0	5,6
Changes in interest bearing liabilities	0,0	0,0	0,0	0,0	0,0	-0,4	-0,4	10,0	0,0	0,0	-3,0
New share issues & share buy-backs	56,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other financing activities	7,0	0,3	-2,3	0,0	-0,4	0,0	0,0	0,0	0,0	0,0	0,0
Cash flow from financing activities	63,3	0,3	-2,3	0,0	-0,4	-0,4	-0,4	10,0	0,0	0,0	-3,0
Cash flow for the period	43,4	-25,8	-6,1	3,8	-5,6	-1,6	1,8	9,1	-7,6	3,0	2,6

TOP 20 INVESTORS		28.02.2011	
No.	Investor	Ownership	No. of shares
1	REDBACK AS	20,98 %	6 620 199
2	UBS (LUXEMBOURG) S.A.	8,87 %	2 800 000
3	SABARO INVESTMENTS LTD	8,17 %	2 578 426
4	RAMS AS	6,31 %	1 990 400
5	KLP AKSJE NORGE VPF	4,37 %	1 379 940
6	KOMMUNAL LANDSPENSJONSKASSE	4,21 %	1 330 000
7	VPF NORDEA VEKST	3,25 %	1 024 300
8	MP PENSJON PK	2,69 %	848 000
9	WARRENWICKLUND NORGE	2,36 %	744 600
10	POLAR ELECTRO OT-PALVELU OY	1,91 %	602 000
11	DANSKE INVEST NORGE VEKST	1,90 %	600 000
12	TERRA NORGE VPF	1,62 %	510 400
13	VPF NORDEA SMB	1,51 %	476 740
14	KIKUT AS	1,47 %	465 000
15	HANDELSBANKEN MARKETS MARKET-MAKING DERIVATER	1,27 %	400 000
16	OLE JOHAN OLSEN INVEST AS	1,12 %	353 000
17	LOGIKA AS	1,11 %	350 000
18	JPMBLSA	0,97 %	307 200
19	JOHS. HANSENS REDERI AS	0,94 %	296 500
20	VPF NORDEA AVKASTNING	0,78 %	245 105

Source: Infront / The Online Trader

Fara		FARA											
Price	NOK	2,60	Risk: High									Last report	31.12.2010
Capitalisation	NOK	72	Investment potential: Medium									Last update	03.03.2011
		2003	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e	
Sales	NOK	na	na	53	63	63	116	131	125	151	188	212	
Gross profit	NOK	na	na	26	37	36	67	79	94	104	128	144	
EBITDA	NOK	na	na	-26	-29	-35	-20	-32	2	15	27	30	
EBIT adjusted	NOK	na	na	-28	-32	-46	-28	-40	-6	9	22	25	
Operating earnings (EBIT)	NOK	na	na	-28	-32	-46	-28	-40	-6	9	22	25	
Pretax profits (EBT)	NOK	na	na	-28	-32	-47	-31	-41	-7	8	21	24	
Net profit	NOK	na	na	-27,5	-32	-47	-31	-41	-7	8	21	24	
Net debt (cash)	NOK	na	na	-13	-12	3	13	14	8	8	-10	-30	
Enterprise value	NOK	na	na	na	191	140	83	162	79	90	72	52	
Book value of equity	NOK	na	na	59	57	22	6	22	16	24	45	69	
Sales per share	NOK	na	na	na	0,83	0,74	1,15	0,83	3,95	4,79	5,96	6,72	
EPS	NOK	na	na	na	-0,43	-0,55	-0,31	-0,26	-0,23	0,25	0,67	0,75	
EPS (adjusted)	NOK	na	na	na	-0,43	-0,55	-0,31	-0,26	-0,23	0,25	0,67	0,75	
Dividends per share	NOK	na	na	na	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	
Book value per share*	NOK	na	na	na	0,76	0,26	0,06	0,14	0,52	0,77	1,44	2,19	
Net debt (cash) per share	NOK	na	na	na	-0,16	0,04	0,12	0,09	0,24	0,24	-0,32	-0,94	
P/E		na	na	na	neg	neg	neg	neg	neg	10,5	3,9	3,5	
P/E (adjusted)		na	na	na	neg	neg	neg	neg	neg	10,5	3,9	3,5	
P/FCF		na	na	na	na	na	na	na	na	na	na	na	
P/Sales		na	na	na	3,2	2,2	0,6	1,1	0,6	0,5	0,4	0,4	
P/Book value*		na	na	na	3,6	6,1	11,9	6,6	4,4	3,4	1,8	1,2	
EV/EBITDA		na	na	na	neg	neg	neg	neg	32,4	5,8	2,6	1,7	
EV/EBIT**		na	na	na	neg	neg	neg	neg	neg	9,6	3,2	2,1	
EV/NOPLAT**		na	na	na	neg	neg	neg	neg	neg	9,6	3,2	2,1	
EV/Sales		na	na	na	3,0	2,2	0,7	1,2	0,6	0,6	0,4	0,2	
Dividend yield		na	na	na	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	
ROE* (adjusted)		na	na	na	-55 %	-119 %	-219 %	-287 %	-38 %	39 %	61 %	42 %	
Equity ratio*		na	na	65 %	76 %	35 %	7 %	29 %	32 %	32 %	49 %	58 %	
Debt/Equity*		na	na	-5 %	0 %	15 %	211 %	61 %	48 %	61 %	0 %	0 %	
Net debt/EBITDA		na	na	nm	nm	nm	nm	nm	3,14	0,49	-0,37	-0,98	
Gross margin		na	na	48 %	60 %	58 %	58 %	60 %	76 %	69 %	68 %	68 %	
EBITDA margin		na	na	-50 %	-47 %	-55 %	-17 %	-25 %	2 %	10 %	14 %	14 %	
EBIT** margin		na	na	-52 %	-51 %	-73 %	-24 %	-31 %	-5 %	6 %	12 %	12 %	
Growth of Sales		na	na	nm	19 %	0 %	86 %	12 %	-5 %	21 %	25 %	13 %	
Growth of EBITDA		na	na	nm	nm	nm	nm	nm	nm	530 %	76 %	12 %	
EPS** growth		na	na	na	nm	nm	nm	nm	nm	nm	169 %	13 %	

*Book value of equity excludes goodwill

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

Disclosures

This report has been prepared by Terra Markets AS, registered in Norway under number NO 980 874 907 (the Register of Business Enterprises). Terra Markets AS is supervised by the Financial Supervisory Authority of Norway (Finanstilsynet). This report is based on information obtained from public sources that Terra Markets AS believes to be reliable but has not independently verified, and Terra Markets AS makes no guarantee, representation or warranty as to its accuracy or completeness. Any opinions expressed herein reflect Terra Markets AS' judgment at the time of preparing the report and are subject to change without notice. This report is intended for use only by those investors to whom it is made available by Terra Markets AS and no part of this report may be reproduced in any manner or used other than as intended without prior written permission from Terra Markets AS.

The report is issued subject to the General Business Terms of Terra Markets AS; information about the terms is available at www.terra.no/Sparing/aksjer/Forretningsvilkar/Sider/Forretningsvilkar.aspx.

Terra Markets AS is a member of The Norwegian Securities Dealers Association, which has issued the industry norms for securities companies. This document has been prepared in accordance with these guidelines. The Association's website where the industry norms, laws and regulations, standards and recommendations can be found is: www.nfmf.no.

This report is provided for information purposes only. This report is not an offer to purchase or sell any security or other financial instrument or to participate in any investment strategy, as personal circumstances were not considered. No liability whatsoever is accepted for any direct or indirect loss or expense arising from the use of this report. Distribution of research reports or other investment advice is restricted by law in certain jurisdictions. Persons in possession of this report should seek further guidance regarding such restrictions before distributing this report.

Analyst certification

The analyst(s) who has (have) prepared this report, hereby certify that notwithstanding the existence of any such potential conflicts of interests referred to later in the disclaimer, the views expressed in this report accurately reflect our personal view about the Company covered by this report. I/we further certify that I/we have not been, nor are or will be receiving any direct or indirect compensation related to specific recommendations or views contained in this report.

Recommendation history for FARA

Date	Recommendation	Target price (NOK)
21.02.2011	BUY	3,90
07.02.2011	BUY	3,50*
15.11.2010	BUY	0,70
18.10.2010	BUY	0,70
04.08.2010	HOLD	0,75
12.07.2010	BUY	0,80
07.06.2010	BUY	0,75
23.04.2010	BUY	1,00
19.03.2010	BUY	1,00
22.12.2009	BUY	1,40

* Increase due to 5:1 reverse split.

The table above shows current and previous recommendations given in the company reports during the last 12 months.

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 presented to the issuer before dissemination. Minor adjustments to our estimates were made afterwards.

Price target methodology and risks

Target price was calculated using an equal weights between DCF and peer multiple 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, Infinansials, Infront.

Potential conflict of interests

Investors should assume that Terra Markets AS is seeking or will seek Corporate Finance or other business relationships with the company in this report. None of Terra Markets AS' 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 AS 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.terraresearch.no/index.php?id=78.

Share positions in the Company:

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

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

Recommendation structure

Company reports

Terra Markets AS' 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 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 in the table above 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 the 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 December 31, 2010

Company reports	Strong Buy	Buy	Hold	Reduce	Sell
Total	8	68	48	17	0
% of total	6%	48%	34%	12%	0%
Corporate clients	3	16	11	2	0
% of total	9%	50%	34%	6%	0%

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

Weekly Casebook

Terra Markets AS provides 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 Weekly Casebook may differ from the recommendations in the company reports due to different time horizons.

Recommendation distribution as of December 31, 2010

Weekly Casebook	Strong Buy	Buy	Hold	Reduce	Sell
Total	9	56	65	13	0
% of total	6%	39%	45%	9%	0%
Corporate clients	4	12	14	2	0
% of total	13%	38%	44%	6%	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, -1 as Reduce and -2 as Sell.

Trading recommendations

Terra Markets AS 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 price 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/her 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.

Information barriers

Terra Markets AS has arrangements in place to prevent conflicts of interest. As part of these arrangements, Terra Markets AS has established information barriers between different parts of the company to restrict and control the exchange of sensitive information. This may result in Terra Markets AS' employees who have prepared this report being prevented from using or being unaware of information that is available within Terra Markets AS and which may be relevant to the recipients' decisions.