ORION SECURITIES
- subsidiary of Terra-Gruppen AS

BUY

Fara

Ticker: FARA

Target: NOK 1,40
Price: NOK 0,89

December 22nd, 2009

Fara	
Sector:	Information Technology
Industry:	Electronic Equipment & Instruments
Market cap.:	140
Recommendation:	BUY
Risk:	HIGH

NOKm	2008	2009E	2010E
Revenues	116	126	167
EBITDA	-20	-30	4
EBIT	-28	-38	-2
EPS (NOK)	-0,31	-0,25	-0,03

Ratios	2008	2009E	2010E
P/E	neg	neg	neg
EV/NOPLAT	neg	neg	neg
EV/EBITDA	neg	neg	44,8
EV/EBIT	neg	neg	neg
P/B	11,9	5,8	7,2
P/Sales	0,6	1,1	0,8

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

Analyst

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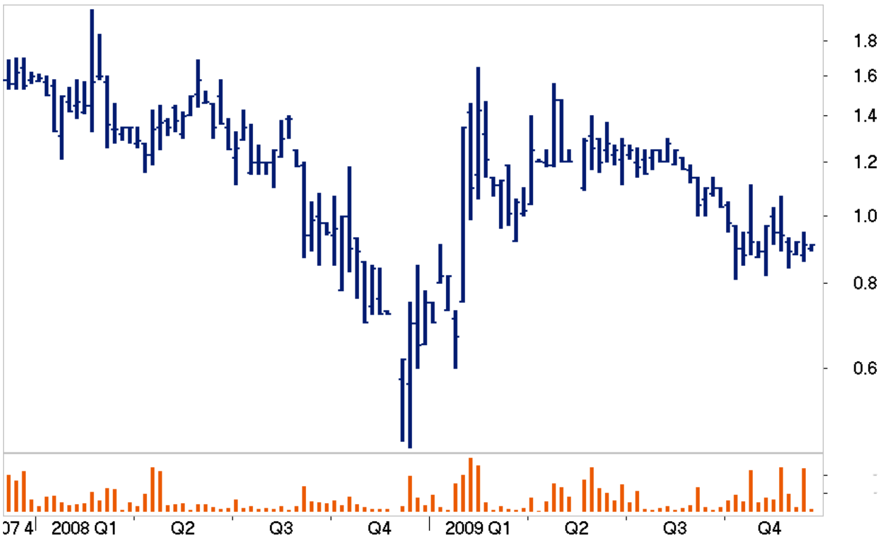
Please see disclosures at the end of this report



Leader in ticketing solutions in the Nordics

- We initiate coverage of Fara – a developer of IT solutions for public transport companies. The company was established in 2005 and undertakes its main activities in the Nordics. In addition, Fara is now well prepared for the expansion to other European countries as well.
- Following the expansion through acquisitions, Fara went through a heavy investment phase necessary to consolidate acquired platforms. That period is expected to end in H1 2010 leading to the first year with positive EBITDA in the company's history.
- There are a number of triggers ahead, as we expect to see breakthrough tender wins in H1 2010 in CEE (Central Eastern Europe) in addition to the new contracts in the domestic markets.
- Valuation is attractive as our DCF based fair value indicates an upside of 102% with peer multiples showing an upside, although somewhat more modest. Combined valuation points to a 6-month target price of NOK 1,40 per share. Hence, we issue Buy recommendation.

Conclusion

Fara is a market leader in the Nordics with a strong position to expand to CEE countries. The majority of the investments have already been made and the company is expected to achieve positive EBITDA in 2010. A number of triggers expected in H1 2010 should serve as reprising catalyst. Thus we believe that Fara is an attractive case and recommend Buying the stock with a target price of NOK 1,40 per share.

Company profile

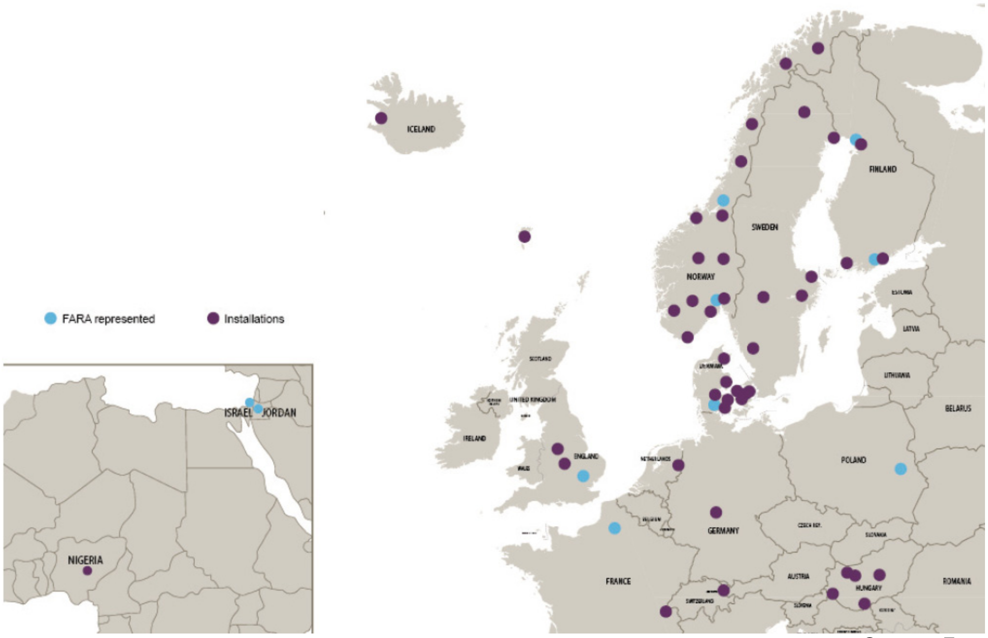
A demerger from Q-Free

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 in the Oslo Stock Exchange. 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.

Geographical footprint

Operates in twelve countries

Fara, through its subsidiaries, has daily operations in twelve countries. The majority of Fara's installations are located in the Nordic countries. However, the company has launched a number of pilot projects throughout Central and Eastern Europe (CEE) and the Middle East and North Africa (MENA) regions. These pilot projects will act as a reference to future expansion into the mentioned regions. CEE looks particularly promising, as most of the cities there have only paper ticketing solutions and they tend to go directly for the technologically advanced solutions, according to the company. Additionally, support from the European Union is available in the CEE.

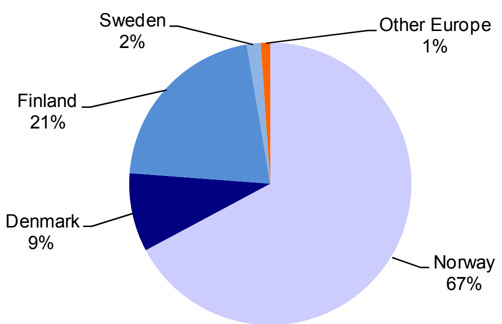


Source: Fara

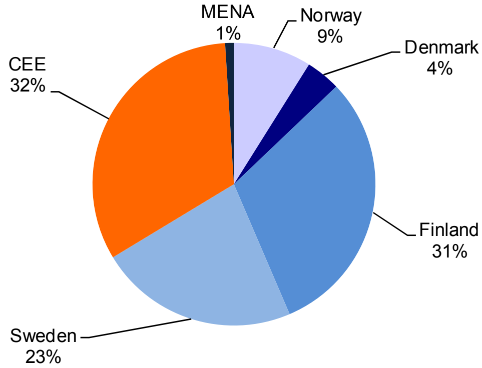
CEE region grows in importance

In the past, the company's revenues were coming largely from the Nordic countries (Norway in particular). However, sales pipeline by the end of Q3 indicates an increasing importance of the CEE region.

Revenue distribution for 2008



Weighted sales pipeline per area, Q3 2009

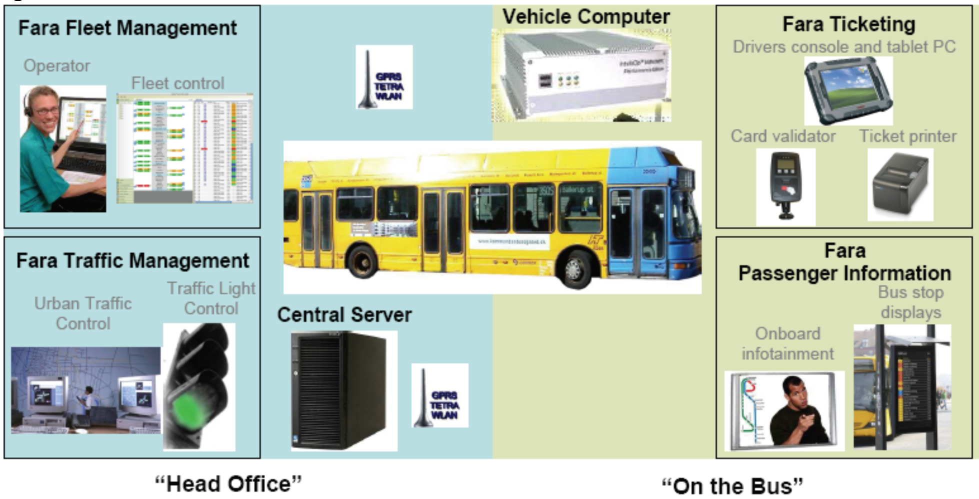


Source: Fara, Orion Securities

Product mix

Unique product portfolio

Through in-house development and acquisitions Fara has established a unique platform-independent integrated product portfolio, which offers high functionality, yet is sufficiently flexible to allow for after-sales of tailored solutions and upgrades, as well as ongoing service agreements.



Source: Fara

The main business is Ticketing

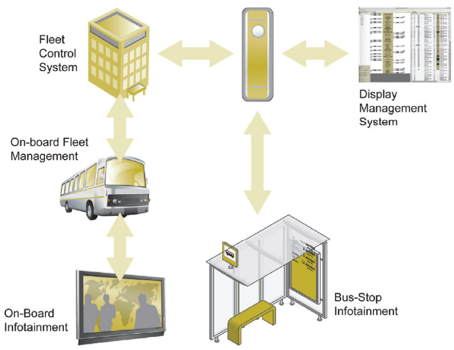
The products are divided into three main business lines. **Ticketing (AFC)** includes Ticket Management System, which is all-in-one box product, providing On-Board Ticketing, Sales Office Ticketing and Ticketing Management solutions. These products use PC platform as the main hub, while needed functionality can be installed through required peripherals. This kind of set up has many advantages. The solution can run operating systems like Windows or Linux, which means that an upgrade of software is easy. As new technologies arrive, this modular system can be upgraded with minimal costs for the public transport company.

RTI and Infotainment are expected to grow in importance going forward

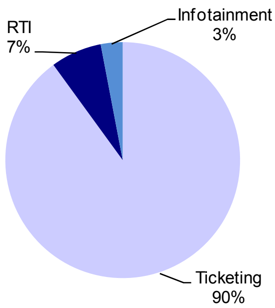
Real Time Information (RTI) products offer both passengers and public transport operator easy access to route and schedule information. The company installs an electronic display showing the public transport customers when exactly the public transport vehicle is to arrive at the given transport station, not based on its route-plan but on the vehicles exact GPS position.

Infotainment products utilise the installed displays in each vehicle and on each transport station to be used as on-board and busstop station Infotainment, enabling broadcasting of news, weather forecasts, and commercials. This represents an additional revenue source for the public transport companies.

RTI/Infotainment system



Weighted sales pipeline per product, Q3 2009



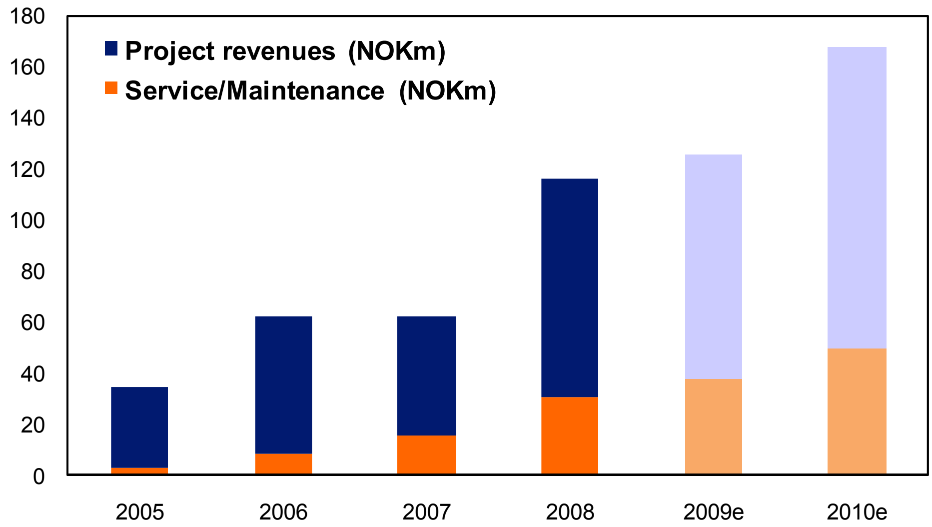
Source: Fara, Orion Securities

In addition to the three main business lines, Fara offers Fleet Management and Traffic Management solutions. Ticketing comprises the majority of revenues so far. However, we expect the importance of RTI/Infotainment products to increase as they offer upselling opportunities to the existing clients.

Business model

Recurring service revenues grow with each new project

Fara's revenues come from two sources: new product sales and service/maintenance revenues. The latter becomes more important as a portfolio of finished projects increases. Annual service and maintenance revenues amount to approximately 10% of initial project value, according to the company.



Source: Fara, Orion Securities

Fara targets relatively small transport systems

Contract value depends mainly on the number of vehicles in the corresponding transport system. Most of Fara's projects are relatively small (municipalities with population of 100 000 – 400 000 people and transport system of 100 – 400 busses). They require less custom tailoring. Thus Fara can put resources to improve its core platform for the benefit of all its clients instead of focusing on individual larger clients. On the over hand, the company has successfully implemented a ticketing system in Helsinki for 1 600 busses and trams showing that it can handle a bit larger clients as well.

Area	Country	Population	Vehicles	Description
Trøndelag	Norway	418 453	600	AFC system for 600 buses, boats and trains
Telemark	Norway	167 102	100	Complete AFC system for 100 buses
Vestfold	Norway	227 798	210	Complete AFC system for 210 buses
Copenhagen	Denmark	1 167 569		Movia, Information Display. 208 count down displays. Fleet Management and Traffic Priority
Norway				Nera System-3, AFC system for bus, boat and ferry with a total delivery of more than 1 100 ticketing machines so far
Rogaland	Norway	420 574	400	Complete AFC system for 400 buses and ferries
Troms	Norway	155 061	350	Complete AFC system for 350 buses
Hedmark	Norway	189 586	700	Complete AFC system for 700 buses
Oppland	Norway	183 851		
Vest-Agder	Norway	166 976	260	Complete AFC system for 260 buses
Norrbotten	Sweden	193 374	350	Complete AFC system for 350 buses
Västerbotten	Sweden	255 230	340	Complete AFC system for 340 buses
Västernorrland	Sweden	249 299	250	Complete AFC system for 250 buses
Jämtland	Sweden	130 705	190	Complete AFC system for 190 buses
Helsinki	Finland	1 027 635	1600	Complete AFC system for 1 600 buses and trams
Odense/Fyn	Denmark	447 000	450	Complete AFC system for 450 buses
Turku	Finland	236 226	270	Complete AFC system for 270 buses

Source: Fara, Orion Securities

In addition to revenues from new projects and service/maintenance, the company can upsell the existing clients with new functionality.

Competitive landscape

The market is huge and fragmented

AFC and RTI are highly fragmented huge markets (UK, Germany, Italy, France and Spain alone represented a total market volume of around EUR 440m in 2007) with lots of both large and small players.

We selected peers which are public companies and have a significant part of their sales coming from Ticketing and related systems. Ivu and Init are smaller companies which target similar tenders as Fara, while Thales and Cubic are large players more interested in complex projects like London or New York.

Company	Revenue share from public transport systems	Core operating regions	2008 revenues, EUR	Products/Services
Fara	100%	Nordics	13,7m	Ticketing, Infotainment, RTI.
Ivu Traffic Technologies	80%	Germany, Austria and Switzerland.	33,8m	Ticketing, RTI and others.
Thales	unknown	Operates worldwide	12,7bn	Aerospace & Space, Defence, Security (including public transport systems)
Cubic	31%	Operates worldwide	600m	Defence, Transportation systems
Init	95%	Germany, North America, other	56m	Ticketing, RTI and others.

Source: Fara, Orion Securities, Selected companies' annual reports

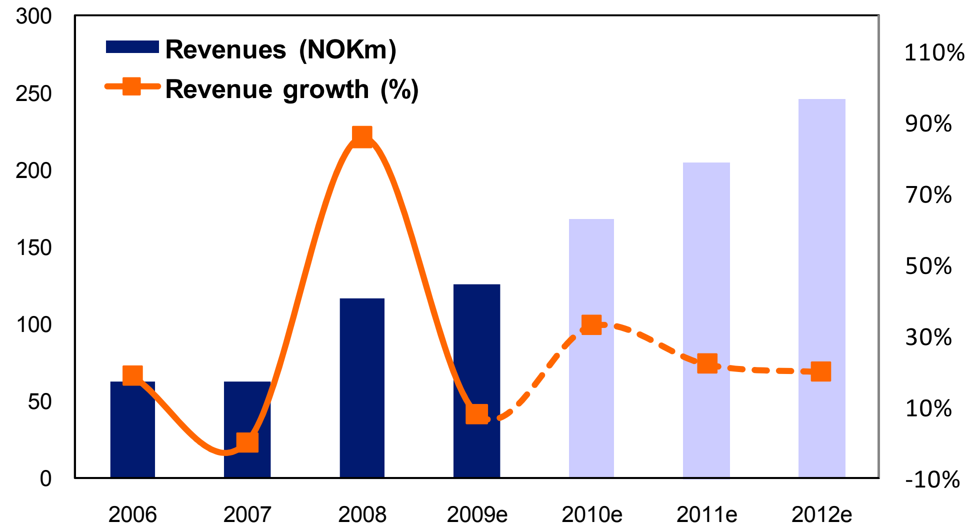
Outstanding hit rate on new tenders

Fara has outstanding track record of only 2 tenders lost out of more than 20 in which the company has participated. We believe that the reason for this is the attractiveness of company's technology to customers, while most direct competitors are lagging behind.

Estimates

High revenue growth expected

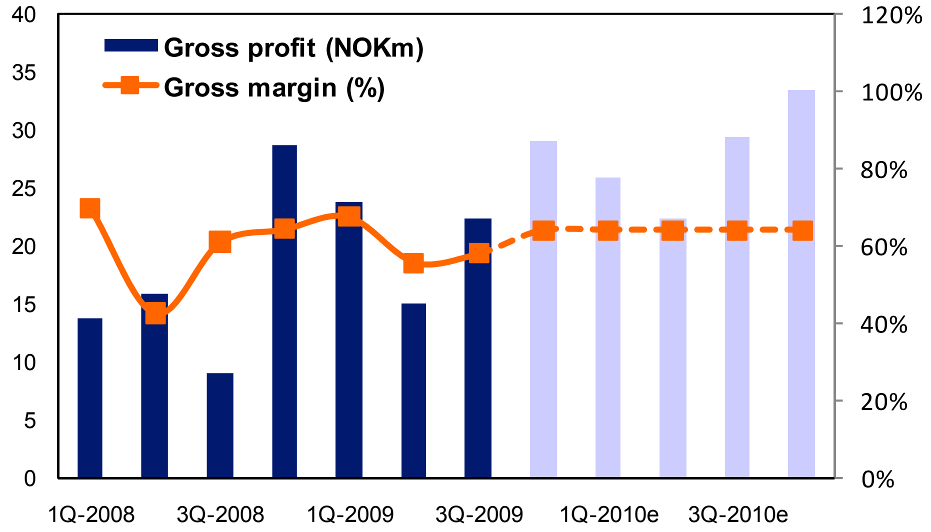
There are three main drivers for the revenue growth in the company. Firstly, recurring service and maintenance revenues accumulate as each new project contributes approximately 10% of its initial value annually. Secondly, new projects should drive the sales due to the expansion to CEE region as well as RTI and Infotainment upselling opportunities to the existing ticketing customers. Lastly, existing contracts can be expanded to introduce new functionality. In Norway these add-on sales can yield up to NOK 5m per county per year, according to the company. Fara has contracts with 13 counties in Norway currently. Summing all up, we expect revenue growth in the range of 20% - 30% for the company in the coming 3 years.



Source: Fara, Orion Securities

Gross margin expected at around 64%

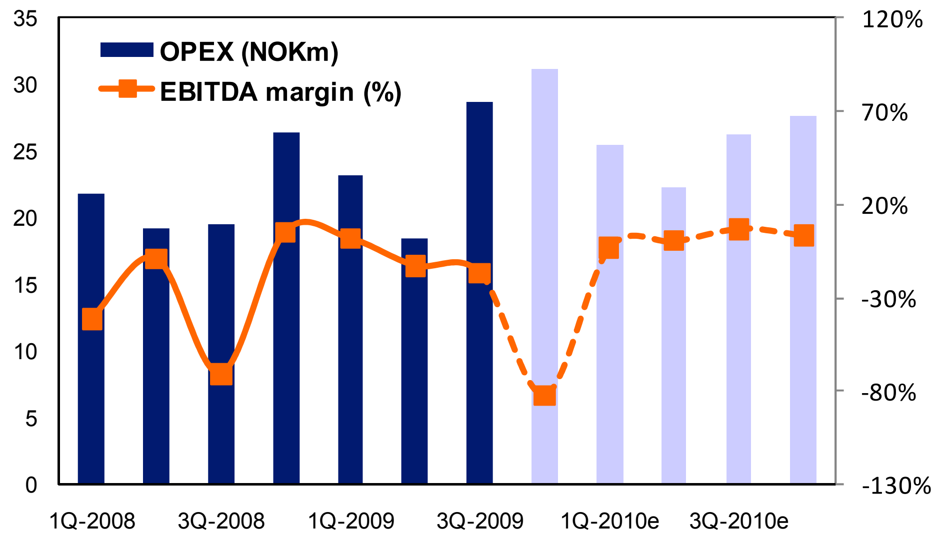
As company's products include hardware and software solutions, gross margin each quarter depends on the mix of these two parts. The software is developed in-house. Thus software part has a gross margin of 100%. Meanwhile, hardware is bought from third parties, which means much lower gross margin. On average, Fara's gross margin stood at around 60%. We expect it to increase to 64% going forward due to the completion of the new ticketing platform, which will unite three current distinct systems. This should lead to solutions requiring less custom tailoring and thus expected higher gross margin.



Source: Fara, Orion Securities

EBITDA margin should expand in 2010

Operating costs are currently burdened by the external consultancy costs required to merge platforms from the acquired companies with the core Fara's platform. The merger is expected to be completed in 2010. Afterwards, the resources can be relocated to support revenue growth leading to an increase in margins.



Source: Fara, Orion Securities

Financial position is satisfactory

By the end of Q3 Fara had a zero cash balance and NOK 3,5m drawn out of a total of NOK 40,0m credit facilities. We expect positive cash flow in 2011. Additionally, we believe that working capital will be reduced during the next several quarters. Thus, we find Fara's financial position satisfactory for day to day operations. However, we do not rule out a possibility of share issue, if the company decides to participate in M&A activities. In that case, we would expect the dilution to be minor.

New contracts expected in H1 2010

Triggers ahead

There are several important triggers ahead, which we believe should push the share price up. Firstly, we expect Fara to announce new tender wins in both domestic and CEE markets in H1 2010. Wins in the CEE will mark a breakthrough for the expansion to this region. Secondly, the merger of existing platforms from acquired companies should be completed in 2010. Significant reduction in external consultancy costs will follow and available resources could be relocated to support future growth without significant investments. This together with the expected revenue growth should lead to EBITDA margin increase from -4% in 2009 to 6% in 2010 and 13% in 2011. Finally, we do not reject the possibility that Fara could be acquired by a larger player in the industry, as it has a proven technology and a growing customer base.

It is worth noting that in the long term Fara's solutions may help to cope with environmental problems by increasing traffic efficiency. Moreover, as the complexity of traffic systems increases more and more, day-to-day tasks are likely to be handled by intelligent IT solutions, which simplify the management of the whole system.

Competition is the main risk

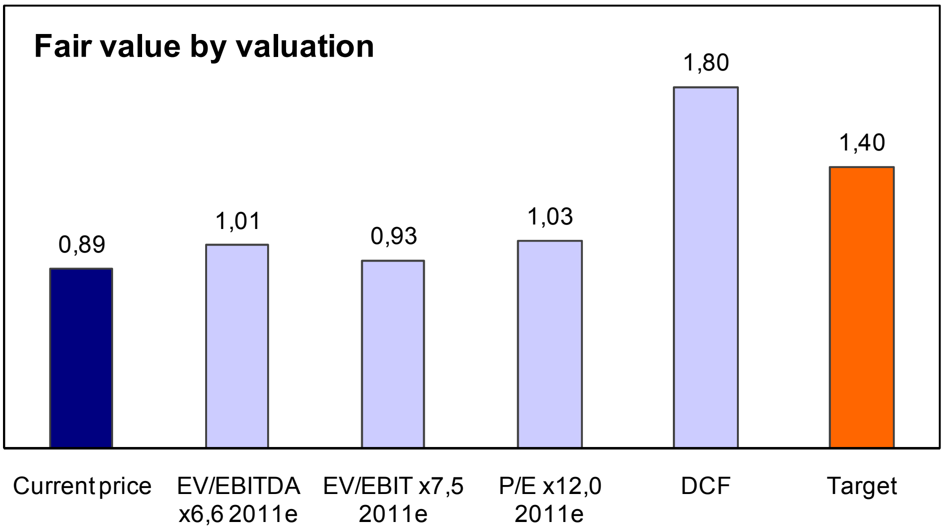
Risks

We see competition in the market as the main risk for the company. So far the company has proven that it is superior to its competitors in the Nordics. However, Fara faces new challenges while expanding into other European countries where company's solutions need more tailoring to meet the requirements of public transport companies. We believe that Fara will succeed due to its excellent track record and a number of successful pilot projects outside the Nordics.

We arrive at a target price of NOK 1,40 per share.

Valuation

As the company is in a transitional phase to profitability, we focus on the longer term prospects in Fara. The company is traded at EV/EBTIDA of 5,8, EV/EBIT of 7,1 and P/E of 10,2 for 2011 which is below the corresponding peer medians of 6,6, 7,5 and 12,0 respectively. Meanwhile, our DCF-based valuation indicates a huge upside of 102%. Using equal weights for peer and DCF valuations, we arrive at a target price of NOK 1,40, which indicates upside potential to the current share price of 57%. All in all, we issue a Buy recommendation.



Source: Orion Securities

Conclusion

Fara is a market leader in the Nordics with a strong position to expand to CEE countries. The majority of the investments have already been made and the company is expected to achieve positive EBITDA in 2010. A number of triggers expected in H1 2010, should serve as reprising catalyst. Thus we believe that Fara is an attractive case and recommend Buying the stock with a target price of NOK 1,40 per share.

Recent insider trades

Date	Name	Position	Action	Price	Value in NOK	Share	Comment
02.10.2009	Olaf Henrixon	CPO	Sell	1,03	51 500	-100%	-

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

Ongoing projects

Client	Country	Population	Estimated completion	Description
Nordjyllands Trafikselskab	Denmark			RTI & Infotainment
Telemark	Norway	167 102		Ticketing
Nordland	Norway	235 124	2011	Ticketing
Møre og Romsdal	Norway	247 933	2010	Ticketing
Aust-Agder	Norway	106 842	2009	Ticketing & RTI
Harju	Estonia	524 938	2009	Ticketing
Kalmar	Sweden	236 501	2010	Ticketing & RTI
Gävleborg	Sweden	280 717	2009	X-Trafik
Budapest	Hungary	2 503 205	2010	Ticketing (delivering to a partner)
Trend Network AG	Germany		2011	Infotainment (Trend Network is to expand its market, thus new contracts are expected)
	Denmark		2009	Four projects in Denmark related to Passenger information and Traffic priority

Peer comparison

USDm	Estimates	EV	EV/Sales*			EV/EBITDA*			EV/EBIT*			P/E			Market Cap
			2009e	2010e	2011e	2009e	2010e	2011e	2009e	2010e	2011e	2009e	2010e	2011e	
Fara	**Orion**	**25**	**1,2**	**0,9**	**0,7**	**neg**	**40,1**	**5,8**	**neg**	**neg**	**7,1**	**neg**	**neg**	**10,2**	**24**
Ivu Traffic Technologies	Consensus**	52	na	na	na	na	na	na	na	na	na	na	na	na	48
Thales	Consensus**	10 296	0,5	0,5	0,5	8,5	5,4	4,8	15,8	7,9	6,9	28,5	11,1	9,7	9 739
Cubic Corporation	Consensus**	761	0,8	0,7	0,7	7,6	6,9	6,6	8,9	7,8	7,5	17,8	16,0	14,8	988
Init	Consensus**	154	1,6	1,4	1,3	8,5	7,4	7,1	9,7	8,3	8,0	13,5	12,6	12,0	161
Average			**1,0**	**0,9**	**0,8**	**8,2**	**6,6**	**6,2**	**11,5**	**8,0**	**7,5**	**19,9**	**13,2**	**12,1**	
Median			**0,8**	**0,7**	**0,7**	**8,5**	**6,9**	**6,6**	**9,7**	**7,9**	**7,5**	**17,8**	**12,6**	**12,0**	

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

DCF model

NOKm	Q4 2009e	2010e	2011e	2012e	2013e
Revenues	25	167	204	245	294
EBIT	-23	-2	21	34	51
Tax on EBIT	*0*	*0*	*-5*	*-9*	*-14*
NOPLAT (+)	-23	-3	15	25	37
Depreciation & amortization (+)	*2*	*6*	*5*	*4*	*3*
Capital expenditure (-)	0	*-2*	*-2*	*-2*	*-3*
Change in working capital (- or +)	*19*	*-13*	*-3*	*-7*	*-9*
Free Cash Flow to the Firm	**-2**	**-11**	**15**	**19**	**29**
NPV of FCFF	-2	-10	12	14	19

WACC calculation	
Debt ratio	15,2%
Cost of debt (after tax)	3,6%
Risk free rate	4,0%
Beta	1,3
Market risk premium	6,0%
Cost of equity	11,7%
WACC	**10,5%**

Valuation, NOKm	
Net debt	8
Minority interest	0
NPV cash flow	
Q4 2009-2013e	33
2014e-	259
Total NPV cash flow	291
Equity value	284
Value per share, NOK	**1,80**

Assumptions	
L.t. growth	3,0%
Tax rate	28,0%
# shares, m	157,808

Sensitivity analysis

	L.t. growth				
WACC	2,0%	2,5%	3,0%	3,5%	4,0%
10,1%	1,7	1,8	1,9	2,1	2,2
10,3%	1,6	1,7	1,9	2,0	2,1
10,5%	1,6	1,7	1,8	1,9	2,1
10,7%	1,5	1,6	1,7	1,9	2,0
10,9%	1,5	1,6	1,7	1,8	1,9

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

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Chief Financial Officer:	Ørjan Kirkefjord
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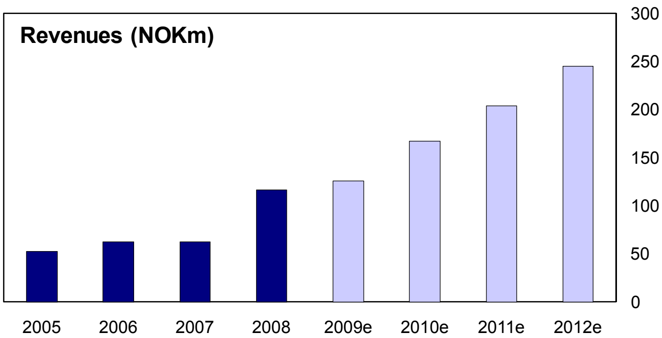
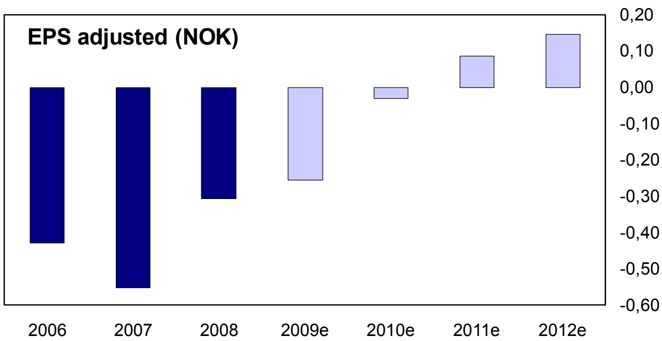
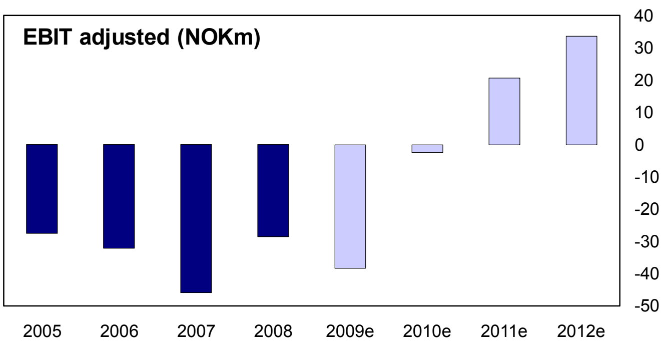
Telephone:	+47 40 00 33 66
Address	Leif Tronstads plass 6 Oslo
Listing:	Oslo Stock Exchange
Number of shares:	157 807 573

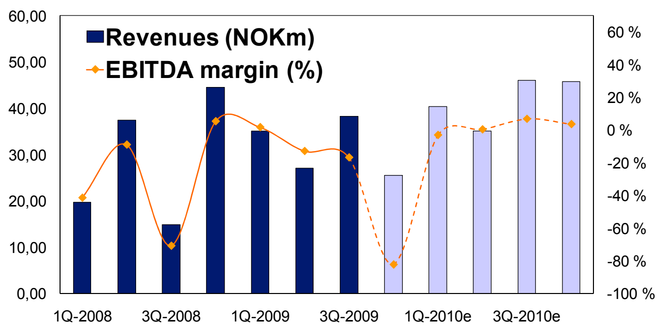
News flow

Date	Event
February 2009	Q4 2009 results
H1 2010	New tender wins in the Nordics and CEE
Q2 - Q3 2010	Completion of the merging of acquired platforms









PROFIT & LOSS (NOKm)	2001	2002	2003	2004	2005	2006	2007	2008	2009e	2010e	2011e	2012e
Sales	**na**	**na**	**na**	**na**	**53**	**63**	**63**	**116**	**126**	**167**	**204**	**245**
COGS	na	na	na	na	-27	-25	-26	-49	-55	-62	-74	-88
Gross profit	**na**	**na**	**na**	**na**	**26**	**37**	**36**	**67**	**71**	**105**	**131**	**157**
Sales & general administration costs	na	na	na	na	-52	-67	-71	-87	-101	-102	-105	-119
EBITDA	**na**	**na**	**na**	**na**	**-26**	**-29**	**-35**	**-20**	**-30**	**4**	**25**	**37**
Depreciation & amortisation	na	na	na	na	-1	-3	-11	-9	-8	-6	-5	-4
EBIT adjusted	**na**	**na**	**na**	**na**	**-28**	**-32**	**-46**	**-28**	**-38**	**-2**	**21**	**34**
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**	**-38**	**-2**	**21**	**34**
Net financial items	na	na	na	na	0	0	-1	-3	-2	-2	-2	-2
Equity earnings	na	na	na	na	0	0	0	0	0	0	0	0
Pretax profit	**na**	**na**	**na**	**na**	**-28**	**-32**	**-47**	**-31**	**-40**	**-4**	**19**	**32**
Tax	na	na	na	na	0	0	-1	0	0	0	-5	-9
Tax rate	*na*	*na*	*na*	*na*	*0%*	*0%*	*-1%*	*0%*	*0%*	*-7%*	*28%*	*28%*
Profit after taxes	na	na	na	na	-28	-32	-47	-31	-40	-5	14	23
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**	**-40**	**-5**	**14**	**23**
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**	**-40**	**-5**	**14**	**23**

BALANCE SHEET (NOKm)	2001	2002	2003	2004	2005	2006	2007	2008	2009e	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	13	10	9
Tangible assets	na	na	na	na	0	0	1	2	3	3	3	3
Financial assets	na	na	na	na	0	0	0	0	0	0	0	0
Inventories	na	na	na	na	38	5	6	15	11	11	12	16
Accounts receivable	na	na	na	na	12	20	21	34	20	36	43	51
Other current assets	na	na	na	na	0	8	3	7	14	14	14	14
Cash and cash equivalents	na	na	na	na	10	12	0	0	13	4	11	16
Total assets	**na**	**na**	**na**	**na**	**92**	**75**	**75**	**94**	**89**	**91**	**104**	**119**
Shareholders' equity	na	na	na	na	59	57	33	17	35	30	44	67
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	24	28	22	10
Other liabilities	na	na	na	na	35	18	39	64	30	33	38	42
Equity and liabilities	**na**	**na**	**na**	**na**	**92**	**75**	**75**	**94**	**89**	**91**	**104**	**119**

KEY FIGURES (NOK)	2001	2002	2003	2004	2005	2006	2007	2008	2009e	2010e	2011e	2012e
Sales per share	na	na	na	na	na	0,83	0,74	1,15	0,80	1,06	1,29	1,55
EPS	na	na	na	na	na	-0,43	-0,55	-0,31	-0,25	-0,03	0,09	0,15
EPS (adjusted)	**na**	**na**	**na**	**na**	**na**	**-0,43**	**-0,55**	**-0,31**	**-0,25**	**-0,03**	**0,09**	**0,15**
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	0,15	0,12	0,21	0,36
Net debt (cash) per share	na	na	na	na	na	-0,16	0,04	0,12	0,07	0,15	0,07	-0,04
P/E	na	na	na	na	na	neg	neg	neg	neg	neg	10,3	6,1
P/E (adjusted)	**na**	**na**	**na**	**na**	**na**	**neg**	**neg**	**neg**	**neg**	**neg**	**10,3**	**6,1**
P/Net Sales	na	na	na	na	na	5,4	3,7	1,1	2,0	1,3	1,1	0,9
P/Book value*	na	na	na	na	na	3,6	6,1	11,9	5,8	7,2	4,3	2,5
P/Book value (incl. goodwill)	na	na	na	na	na	3,6	4,1	4,2	4,0	4,7	3,2	2,1
EV/EBITDA	na	na	na	na	na	neg	neg	neg	neg	44,8	6,0	3,6
EV/EBIT**	na	na	na	na	na	neg	neg	neg	neg	neg	7,3	4,0
EV/NOPLAT**	**na**	**na**	**na**	**na**	**na**	**neg**	**neg**	**neg**	**neg**	**neg**	**10,1**	**5,5**
EV/Sales	na	na	na	na	na	3,0	2,2	0,7	1,2	1,0	0,7	0,5
Dividend yield	na	na	na	na	na	0%	0%	0%	0%	0%	0%	0%
ROE* (adjusted)	na	na	na	na	na	-55%	-119%	-219%	-266%	-22%	52%	52%
Equity ratio*	na	na	na	na	65%	76%	35%	7%	31%	24%	35%	52%
Debt/Equity*	na	na	na	na	-5%	0%	15%	211%	99%	143%	66%	18%
Net debt/EBITDA	na	na	na	na	nm	nm	nm	nm	nm	6,43	0,42	-0,18
Gross margin	na	na	na	na	48%	60%	58%	58%	57%	63%	64%	64%
EBITDA margin	na	na	na	na	-50%	-47%	-55%	-17%	-24%	2%	12%	15%
EBIT** margin	na	na	na	na	-52%	-51%	-73%	-24%	-30%	-1%	10%	14%
Growth of Sales	na	na	na	na	nm	19%	0%	86%	8%	33%	22%	20%
Growth of EBITDA	na	na	na	na	nm	nm	nm	nm	nm	nm	593%	48%
EPS** growth	na	na	na	na	na	nm	nm	nm	nm	nm	nm	70%
Share price	na	na	na	na	na	2,70	1,60	0,70	0,89	0,89	0,89	0,89
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	140	140	140	140
Net debt	na	na	na	na	-13	-12	3	13	10	23	11	-7
Enterprise value	na	na	na	na	na	191	140	83	151	164	151	134
Book value of equity*	na	na	na	na	59	57	22	6	24	19	33	56

**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-2009e	1Q-2010e	2Q-2010e	3Q-2010e	4Q-2010e
Sales	**37,4**	**14,8**	**44,6**	**35,1**	**27,0**	**38,3**	**25,5**	**40,4**	**35,1**	**46,0**	**45,8**
COGS	-21,5	-5,8	-15,9	-11,4	-12,0	-16,1	-15,3	-16,1	-12,6	-16,6	-16,5
Gross profit	**15,9**	**9,0**	**28,7**	**23,7**	**15,0**	**22,3**	**10,2**	**24,2**	**22,5**	**29,4**	**29,3**
Sales & general administration costs	-19,3	-19,5	-26,3	-23,1	-18,5	-28,7	-31,1	-25,4	-22,3	-26,3	-27,7
EBITDA	**-3,3**	**-10,5**	**2,4**	**0,6**	**-3,5**	**-6,4**	**-20,9**	**-1,2**	**0,1**	**3,1**	**1,6**
Depreciation & amortisation	-2,3	-2,2	-2,3	-2,6	-1,5	-2,1	-1,9	-1,7	-1,6	-1,5	-1,4
EBIT adjusted	**-5,6**	**-12,7**	**0,1**	**-2,0**	**-4,9**	**-8,5**	**-22,8**	**-2,9**	**-1,5**	**1,7**	**0,3**
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**	**-22,8**	**-2,9**	**-1,5**	**1,7**	**0,3**
Net financial items	-0,5	-0,8	-1,1	-0,2	-0,2	-0,8	-0,6	-0,4	-0,5	-0,6	-0,5
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**	**-23,4**	**-3,4**	**-1,9**	**1,1**	**-0,2**
Tax	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,3	0,0
Tax rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*28%*	*0%*
Profit after taxes	-6,1	-13,5	-1,0	-2,2	-5,2	-9,4	-23,4	-3,4	-1,9	0,8	-0,2
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**	**-23,4**	**-3,4**	**-1,9**	**0,8**	**-0,2**
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**	**-23,4**	**-3,4**	**-1,9**	**0,8**	**-0,2**

BALANCE SHEET (NOKm)	2Q-2008	3Q-2008	4Q-2008	1Q-2009	2Q-2009	3Q-2009	4Q-2009e	1Q-2010e	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	16	15	14	13
Tangible assets	2	2	2	2	2	3	3	3	3	3	3
Financial assets	0	0	0	0	0	0	0	0	0	0	0
Inventories	6	8	15	15	14	11	11	11	10	11	11
Accounts receivable	27	14	34	27	22	29	20	31	27	35	36
Other current assets	6	3	7	1	3	17	14	14	14	14	14
Cash and cash equivalents	1	0	0	0	22	0	13	4	4	1	4
Total assets	**82**	**65**	**94**	**79**	**95**	**89**	**89**	**90**	**84**	**89**	**91**
Shareholders' equity	18	6	17	17	66	58	35	31	30	30	30
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	24	28	28	28	28
Other liabilities	39	36	64	37	30	23	30	31	27	31	33
Equity and liabilities	**82**	**65**	**94**	**79**	**95**	**89**	**89**	**90**	**84**	**89**	**91**

KEY FIGURES (NOK)	2Q-2008	3Q-2008	4Q-2008	1Q-2009	2Q-2009	3Q-2009	4Q-2009e	1Q-2010e	2Q-2010e	3Q-2010e	4Q-2010e
EPS	-0,07	-0,11	-0,01	-0,02	-0,03	-0,06	-0,15	-0,02	-0,01	0,01	0,00
EPS (adjusted)	**-0,07**	**-0,11**	**-0,01**	**-0,02**	**-0,03**	**-0,06**	**-0,15**	**-0,02**	**-0,01**	**0,01**	**0,00**
12-months forward P/E (adjusted)	neg	neg	neg	neg	neg	neg	neg	neg	91,44	21,29	13,53
Equity ratio*	11%	-8%	7%	9%	65%	61%	31%	26%	26%	25%	24%
Debt/Equity*	335%	nm	211%	406%	0%	17%	99%	134%	148%	142%	143%
Gross margin	43%	61%	64%	68%	56%	58%	40%	60%	64%	64%	64%
EBITDA margin	-9%	-71%	5%	2%	-13%	-17%	-82%	-3%	0%	7%	4%
EBIT** margin	-15%	-86%	0%	-6%	-18%	-22%	-90%	-7%	-4%	4%	1%
Growth of Sales (Q/Q)	91%	-60%	201%	-21%	-23%	42%	-34%	58%	-13%	31%	0%
Growth of EBITDA (Q/Q)	nm	nm	nm	-75%	nm	nm	nm	nm	nm	2388%	-47%
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%	-43%	15%	30%	20%	80%
Growth of EBITDA (Y/Y)	nm	nm	nm	nm	nm	nm	nm	nm	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	0,89	0,89	0,89	0,89	0,89
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	140	140	140	140	140
Net debt	24	23	13	25	-23	8	10	24	23	27	23
Enterprise value	135	151	83	130	172	166	151	164	164	167	164
Book value of equity*	8	-5	6	6	55	48	24	21	19	20	19

**Excluding goodwill*

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

Cash flow statement (NOKm)	2001	2002	2003	2004	2005	2006	2007	2008	2009e	2010e	2011e	2012e
Operating earnings (EBIT)	na	na	na	na	na	-32,1	-45,8	-28,5	-38,2	-2,4	20,7	33,8
Depreciation & amortization	na	na	na	na	na	2,6	11,0	8,9	8,0	6,1	4,6	3,7
Net financial items	na	na	na	na	na	-0,1	-0,8	-2,6	-1,9	-2,0	-1,9	-1,7
Paid taxes	na	na	na	na	na	-0,1	0,0	0,0	0,0	-0,3	-5,3	-9,0
Cash earnings in operations	**na**	**na**	**na**	**na**	**na**	**-29,6**	**-35,5**	**-22,2**	**-32,1**	**1,4**	**18,2**	**26,8**
Changes in working capital	na	na	na	na	na	27,7	24,1	8,3	-16,3	-13,0	-3,4	-7,4
Cash flow from operating activities	**na**	**na**	**na**	**na**	**na**	**-22,9**	**-11,4**	**-13,8**	**-48,3**	**-11,7**	**14,8**	**19,3**
CAPEX	na	na	na	na	na	0,0	0,0	0,0	-0,2	-1,5	-1,8	-2,2
Other investments	na	na	na	na	na	0,0	-24,8	-8,1	-0,1	0,0	0,0	0,0
Cash flow from investing activities	**na**	**na**	**na**	**na**	**na**	**0,0**	**-24,8**	**-8,1**	**-0,3**	**-1,5**	**-1,8**	**-2,2**
Free cash flow	**na**	**na**	**na**	**na**	**na**	**-1,9**	**-36,2**	**-21,9**	**-48,6**	**-13,2**	**12,9**	**17,1**
Changes in interest bearing liabilities	na	na	na	na	na	0,0	0,0	0,0	16,0	4,0	-6,0	-12,0
New share issues & share buy-backs	na	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	na	28,2	22,0	12,1	-1,6	0,0	0,0	0,0
Cash flow from financing activities	**na**	**na**	**na**	**na**	**na**	**14,5**	**22,0**	**12,1**	**70,7**	**4,0**	**-6,0**	**-12,0**
Cash flow for the period	**na**	**na**	**na**	**na**	**na**	**12,6**	**-14,2**	**-9,8**	**22,1**	**-9,2**	**6,9**	**5,1**

Cash flow statement (NOKm)	2Q-2008	3Q-2008	4Q-2008	1Q-2009	2Q-2009	3Q-2009	4Q-2009e	1Q-2010e	2Q-2010e	3Q-2010e	4Q-2010e
Operating earnings (EBIT)	-5,6	-12,7	0,1	-2,0	-4,9	-8,5	-22,8	-2,9	-1,5	1,7	0,3
Depreciation & amortization	2,3	2,2	2,3	2,6	1,5	2,1	1,9	1,7	1,6	1,5	1,4
Net financial items	-0,5	-0,8	-1,1	-0,2	-0,2	-0,8	-0,6	-0,4	-0,5	-0,6	-0,5
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	-0,3	0,0
Cash earnings in operations	**-3,8**	**-11,3**	**1,3**	**0,4**	**-3,7**	**-7,3**	**-21,5**	**-1,7**	**-0,4**	**2,3**	**1,2**
Changes in working capital	11,4	10,2	-9,6	-0,5	-15,9	-19,0	19,1	-11,2	0,8	-5,1	2,4
Cash flow from operating activities	**7,5**	**-1,2**	**-8,3**	**-0,1**	**-19,6**	**-26,3**	**-2,4**	**-12,8**	**0,5**	**-2,8**	**3,6**
CAPEX	0,0	0,0	0,0	0,0	0,0	0,0	-0,2	-0,4	-0,3	-0,4	-0,4
Other investments	-0,5	0,0	-7,5	0,0	-0,3	0,2	0,0	0,0	0,0	0,0	0,0
Cash flow from investing activities	**-0,5**	**0,0**	**-7,5**	**na**	**-0,3**	**0,2**	**-0,2**	**-0,4**	**-0,3**	**-0,4**	**-0,4**
Free cash flow	**7,0**	**-1,1**	**-15,7**	**-0,1**	**-19,8**	**-26,2**	**-2,6**	**-13,2**	**0,1**	**-3,3**	**3,2**
Changes in interest bearing liabilities	0,0	0,0	0,0	0,0	0,0	0,0	16,0	4,0	0,0	0,0	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	0,0	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**	**16,0**	**4,0**	**0,0**	**0,0**	**0,0**
Cash flow for the period	**-9,0**	**0,9**	**10,3**	**-9,0**	**43,4**	**-25,8**	**13,4**	**-9,2**	**0,1**	**-3,3**	**3,2**

TOP 20 INVESTORS		14.12.2009		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	ODIN NORGE	4,02%	6 347 759	0
6	VPF NORDEA VEKST	3,25%	5 121 500	0
7	MP PENSJON	2,69%	4 240 000	0
8	ALDEN AS	2,53%	4 000 000	-1 000 000
9	WARRENWICKLUND NORGE	2,25%	3 553 000	700 000
10	JPMBLSA	2,24%	3 536 000	0
11	KLP AKSJENORGE	2,17%	3 430 000	0
12	POLAR ELECTRO OT-PALVELU OY	1,91%	3 010 000	0
13	DANSKE INVEST VEKST	1,90%	3 000 000	0
14	TERRA NORGE VPF	1,72%	2 722 000	280 000
15	VPF NORDEA SMB	1,51%	2 383 700	0
16	KIKUT AS	1,47%	2 325 000	0
17	STOREBRAND VEKST	1,42%	2 240 000	0
18	HANDELSBANKEN MARKETS MARKET-MAKING DERIVATER	1,27%	2 000 000	0
19	WILHELMSEN LINES SHIPOWNING AS	1,27%	2 000 000	0
20	OLE JOHAN OLSEN INVEST AS	1,12%	1 765 000	0

*Based on data from the Online Trader provided by Infront

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Price	NOK	0,89	Risk: *High*	Last report 30.09.2009
Capitalisation	NOK	140	Investment potential: *Medium*	Last update 22.12.2009

		2002	2003	2004	2005	2006	2007	2008	2009e	2010e	2011e	2012e
Sales	NOK	na	na	na	53	63	63	116	126	167	204	245
Gross profit	NOK	na	na	na	26	37	36	67	71	105	131	157
EBITDA	NOK	na	na	na	-26	-29	-35	-20	-30	4	25	37
EBIT adjusted	NOK	na	na	na	-28	-32	-46	-28	-38	-2	21	34
Operating earnings (EBIT)	NOK	na	na	na	-28	-32	-46	-28	-38	-2	21	34
Pretax profits (EBT)	NOK	na	na	na	-28	-32	-47	-31	-40	-4	19	32
Net profit	NOK	na	na	na	-27,5	-32	-47	-31	-40	-5	14	23
Net debt (cash)	NOK	na	na	na	-13	-12	3	13	10	23	11	-7
Enterprise value	NOK	na	na	na	na	191	140	83	151	164	151	134
Book value of equity	NOK	na	na	na	59	57	22	6	24	19	33	56
Sales per share	NOK	na	na	na	na	0,83	0,74	1,15	0,80	1,06	1,29	1,55
EPS	NOK	na	na	na	na	-0,43	-0,55	-0,31	-0,25	-0,03	0,09	0,15
EPS (adjusted)	**NOK**	**na**	**na**	**na**	**na**	**-0,43**	**-0,55**	**-0,31**	**-0,25**	**-0,03**	**0,09**	**0,15**
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	0,15	0,12	0,21	0,36
Net debt (cash) per share	NOK	na	na	na	na	-0,16	0,04	0,12	0,07	0,15	0,07	-0,04
P/E		na	na	na	na	neg	neg	neg	neg	neg	10,3	6,1
P/E (adjusted)		**na**	**na**	**na**	**na**	**neg**	**neg**	**neg**	**neg**	**neg**	**10,3**	**6,1**
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	0,8	0,7	0,6
P/Book value*		na	na	na	na	3,6	6,1	11,9	5,8	7,2	4,3	2,5
EV/EBITDA		na	na	na	na	neg	neg	neg	neg	44,8	6,0	3,6
EV/EBIT**		na	na	na	na	neg	neg	neg	neg	neg	7,3	4,0
EV/NOPLAT**		**na**	**na**	**na**	**na**	**neg**	**neg**	**neg**	**neg**	**neg**	**10,1**	**5,5**
EV/Sales		na	na	na	na	3,0	2,2	0,7	1,2	1,0	0,7	0,5
Dividend yield		na	na	na	na	0%	0%	0%	0%	0%	0%	0%
ROE* (adjusted)		na	na	na	na	-55%	-119%	-219%	-266%	-22%	52%	52%
Equity ratio*		na	na	na	65%	76%	35%	7%	31%	24%	35%	52%
Debt/Equity*		na	na	na	-5%	0%	15%	211%	99%	143%	66%	18%
Net debt/EBITDA		na	na	na	nm	nm	nm	nm	nm	6,43	0,42	-0,18
Gross margin		na	na	na	48%	60%	58%	58%	57%	63%	64%	64%
EBITDA margin		na	na	na	-50%	-47%	-55%	-17%	-24%	2%	12%	15%
EBIT** margin		na	na	na	-52%	-51%	-73%	-24%	-30%	-1%	10%	14%
Growth of Sales		na	na	na	nm	19%	0%	86%	8%	33%	22%	20%
Growth of EBITDA		na	na	na	nm	nm	nm	nm	nm	nm	593%	48%
EPS** growth		na	na	na	na	nm	nm	nm	nm	nm	nm	70%

**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)
22.12.2009	BUY	1,40

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

Planned updates

Orion Securities 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. There were minor changes after being presented to the issuer.

Price target methodology and risks

Target price was calculated using a combined peer and 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 20% - 30% during 2010 – 2013 driven by an assumed successful expansion outside the Nordic countries. Meanwhile, operating costs are expected to grow 5% - 10% 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, Infinancials, company reports from Ivu, Init, Cubic and Thales.

Potential conflict of interests

Investors should assume that Orion Securities is seeking or will seek Corporate Finance or other business relationships with the company in this report. None of Orion Securities' 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 Orion Securities 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.analyse.lt.

Share positions in the Company:

Responsible analyst(s)	0
Employees of Orion Securities AS	0
Orion Securities 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 Orion Securities' investment services activities such as market making are not included.

Recommendation structure and risk classification

Orion Securities' recommendations are based on a six-month time horizon and are based 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 share, 3) strength of balance sheet, 4) absolute earnings level and trend and 5) estimate risk.

Recommendation distribution as of September 18, 2009

Weekly Casebook	Strong Buy	Buy	Hold	Reduce	Sell
Total	4	43	63	28	3
% of total	3%	30%	45%	20%	2%
Corporate clients	0	10	11	2	0
% of total	0%	43%	48%	9%	0%

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

Recommendation distribution as of September 18, 2009

Company reports	Strong Buy	Buy	Hold	Reduce	Sell
Total	1	50	38	17	3
% of total	1%	46%	35%	16%	3%
Corporate clients	0	10	10	1	0
% of total	0%	48%	48%	5%	0%

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

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