

FARA ASA REPORT

Q2 2011

HIGHLIGHTS

- EBITDA of MNOK -3,9 (0,6 in Q2 2010)
- Cash flow from operations MNOK -10,7 (- 5,1 in Q2 2010)
- Net order inflow MNOK 60 (26 in Q1 2011)
- Order backlog MNOK 121 (88 at Q1 2011)
- Gross margin year to date (YTD) 78 % (75 % YTD 2010)
- Revenue of MNOK 26,9 (22,4 in Q1 2011)
- New market opportunities opening up
- Next step in the corporate development process initiated
Focus is on one integrated product line

REVENUE

The main reason for the slow start in 2011 is delays in on-going delivery projects. The reason for this is two-folded. Firstly, FARA has through the first half year had an operational challenge to develop new technology efficiently. Secondly some of our customers have struggled to keep up the momentum throughout the projects. This has in sum resulted in a rather slow start of the year.

Net order inflow in Q2 2011 was MNOK 60 up from MNOK 26 in Q1 2011.

OPERATING RESULT - EBITDA

EBITDA was negative in Q2 2011 with MNOK -3,9, compared to a positive result of MNOK 0,6 in Q2 2010. The challenges mentioned have also had an impact related to use of resources which has increased other costs compared with the same period in 2010.

Gross margin YTD Q2 2011 was 78 % (75 % YTD Q2 2010). The main reason for the increase in margin is the product mix. The YTD Q2 2011 revenue consists 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%.

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. The reorganizing of FARA is one of several actions taken to improve the performance.

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

CASH FLOW AND FUNDS

Accumulated net cash flow from operations was minus MNOK 10,7 YTD Q2 2011 compared with minus MNOK 5,1 for the same period in 2010. This is due to use of resources and a necessary increase of inventories related to upcoming deliveries.

FARA continues to focus on reducing capital employed and increasing the efficiency of liquidity.

The order backlog was MNOK 121 compared to MNOK 70 at the same time in 2010 and MNOK 84 at year end 2010.

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

OUTLOOK

2011 is a year of change for FARA. All legacy products are now either terminated or in the process of being terminated. The customers are migrating to the new and modern technology platform which includes both ticketing and Real Time Information (RTI).

The focus over the last two years has been to integrate technology from the companies that were acquired in 2007 and 2008 and develop a modern platform for information solutions in the public transport sector. Focus is now shifting towards development of new products and sales outside the Nordic countries.

The organisational skills required to achieve this are different from the previous phases in the development of the company. The Board of Directors appointed Ørjan Kirkefjord as the new CEO in June. The company has during the last month implemented a new organisational model and changed the way operations are conducted. A number of the staff has left the company and new recruits are joining.

The company is now in the position to develop new technology rather than integrating and modernizing existing systems. All new development projects are now well founded in market needs and possible to sell to a number of the customers. To achieve this FARA has strengthened the operational focus and control on core products and invested in reducing the bottlenecks in the value chain. Improved efficiency and quality are key factors for FARA to succeed as a preferred partner to our customers.

The order back log is increasing from both add-on sales and new customer contracts. FARA is actively pursuing interesting opportunities in the market.

FARA hosted a very successful customer conference in June 2011. Both improvements to the existing system and the need for new functionality were discussed. FARA will start new development projects already this coming fall to address these needs. This user meeting was a first step in improving communication with our customers when it comes to what should be developed in the future. So far the ability to team up with our customers has been affected by the intense focus on and investment in developing the basic product portfolio.

FARA is confident that the company now has an attractive offering both in the ticketing and real time information domains. The new integrated RTI/Ticketing solution, which is being delivered to customers, now demonstrates that FARA offers state of the art integrated products based on an open standard.

FARA will now increase its market activities. The number one

priority is to build a stronger foothold in the Nordic countries as the home market.

Outside FARA's home market our focus is on the Eastern European countries, especially Poland and Hungary where FARA already operates. FARA will also launch market initiatives in new markets in the months to come. We are actively working both with direct sales and through our partners to achieve this goal.

The increasing order backlog for both new projects and new products that FARA have introduced lately shows 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 Q2 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 July 2011

The Board of Directors in FARA ASA

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Summary of risk;

Readers of this quarterly report should carefully consider all of the information contained herein, which may affect some or all of the Company's activities, and which may make an investment in the Company one of high risk. This list is not exhaustive. Other risks not discussed may adversely affect the Company. The actual results of the Company could differ materially from those anticipated as a consequence of many factors, including the risks described below and elsewhere in this report. Investors should consider carefully each of the following risks and the other information contained in this report and make an independent evaluation before making an investment decision. The information herein is presented as of the date of this report, and is subject to change, completion or amendment without further notice;

Competition, technology and products

The Company's market is characterized by large players administering high-end technology products. The competition in the market is expected to increase, especially due to the deregulation of the public sector. It is critical that the Company's products and services are considered competitive with a view to implementation, price, services and performance. It is further important that the products continuously fulfill current market requirements. The Company's ability to meet the competition in the market and its skill in future strategic adaptation will have significant consequences for the Company's future development. The failure of the Company's ability to maintain a competitive product and services offering could have material adverse effect on the Company's business, operating results or financial condition.

Dependence on key personnel

The Company depends upon key individuals in the organization. If such key individuals were to leave the Company together, this could short term lead to negative consequences for the future development of the Company. The Company endeavours to increase staff loyalty through incentive schemes such as competitive wages and share option programs. The Company may not be able to retain key employees, or may need to pay higher compensation, which could adversely affect operating results.

Financing risks

The Company pursues a strategy of strong growth. The Company has invested significant amounts with regards to product development and

marketing. Additional investments may be required to pursue further growth and to respond to technological innovations and competition. There is no guarantee that the Company will be able to obtain additional funds on favourable terms or funds at all. Failure to obtain additional financing may adversely affect the Company's operations, financial condition, profitability and ability to maintain growth.

Market risks

Market risk refers to the risk of fluctuations in the factor and product markets. The product markets are tracked through monthly follow-up of the order backlog, as well as an overview of potential transactions. No specific strategies exist for follow-up of labour beyond day-to-day management practices. Although the Company expects the market for its products to grow for a long time, the future development of the market might look different. New systems or alternatives could be developed, and outpace FARA's product offering.

Macro economic fluctuations

FARA is exposed to the economic cycle, and changes in the general economic situation could affect demand for the Company's products and services.

Operational risk

Operational risk is the risk of loss resulting from inadequate technical or human processes in the company. This is managed through FARA's system for quality assurance and internal control. FARA is certified to ISO 9001:2000, and periodically undergoes external audits of its internal routines.

Control by major shareholder

Jan Pihl Grimnes through Redback AS, is a major owner and accordingly, Mr. Grimnes has the ability to significantly influence the outcome of matters submitted for the vote of shareholders of the Company, including the election of members of the board of directors. Mr. Grimnes interest may also have an adverse impact on the liquidity of Shares in the Company.

PROFIT AND LOSS STATEMENT

KNOK	Q2 2011	Q2 2010	YTD 2011	YTD 2010	12/31/2010
Revenues	26 917	29 438	49 279	63 971	124 641
Cost of goods sold (COGS)	6 544	6 660	10 997	15 878	30 406
Gross margin	20 374	22 778	38 283	48 093	94 236
Payroll expenses	10 267	11 379	24 094	26 062	52 159
Other operating expenses	14 060	10 777	23 815	21 165	41 124
Sum operating expenses before depreciation	24 327	22 156	47 909	47 227	93 283
Operating result before depreciation EBITDA	-3 953	623	-9 627	866	953
Depreciation	2 203	2 096	4 399	4 192	8 423
Operating result EBIT	-6 156	-1 474	-14 026	-3 326	-7 470
Net financial items	361	591	671	854	1 189
Pretax profit	-6 517	-2 065	-14 696	-4 180	-8 659
Tax	0	3	0	13	
Profit after tax	-6 517	-2 068	-14 696	-4 193	-8 659
Gross margin	76%	77%	78%	75%	76%
EBITDA margin	-15%	2%	-20%	1%	1%
EBIT margin	-23%	-5%	-28%	-5%	-6%
Order inflow	60	22	86	45	119
Order backlog	121	70	121	70	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	25 578
Cost for share-based payment			671			671
Conversion difference					-260	-260
Profits				-14 697		-14 697
Equity 31.03.2011	3 156	63 720	4 459	-58 024	-2 019	11 291

BALANCE SHEET ASSETS

KNOK	30.06.2011	31.12.2010
Capitalized development	2 962	6 167
Acquired R&D	4 516	5 343
Goodwill	10 711	10 711
Intangible fixed assets	18 189	22 221
Machinery, fixtures, fittings	1 694	1 906
Fixed assets	1 694	1 906
Leasing	15	130
Financial fixed assets	15	130
Total fixed assets	19 898	24 257
Inventories	10 134	5 633
Accounts receivables	28 563	24 716
Work in progress	127	3 742
Other receivables	4 255	3 802
Receivables	32 945	32 260
Cash	0	0
Total current assets	43 079	37 893
Total assets	62 977	62 150

BALANCE SHEET EQUITY & DEBT

KNOK	30.06.2011	31.12.2010
Subscribed share capital	3 156	3 156
Other paid in capital	69 613	68 942
Total paid in capital	72 769	72 098
Other equity	-61 478	-46 520
Total retained earnings	-61 478	-46 520
Total equity	11 291	25 578
Pension provision	8	8
Total long term debt	8	8
Bank overdraft	18 715	7 834
Accounts payable	12 580	11 666
Public duties payable	7 023	4 757
Other short term liabilities	13 358	12 307
Total short term liabilities	51 677	36 564
Total liabilities	51 686	36 572
Total equity and liabilities	62 977	62 150

CASH FLOW

KNOK	30.06.2011	30.06.2010
Net cash flow from operations	-10 723	-5 130
Net cash flow from investments	-158	-
Net cash flow from financing	-	-424
Net change in cash in the period	-10 881	-5 554
Cash opening balance	-7 834	-9 596
Cash closing balance	-18 715	-15 150
Guarantees	-11 575	-12 480
Average revolving credit	40 000	40 000
Total funds and revolving credit	9 710	12 370