

# COMPANY REPORT

DR. KALLIWODA EQUITY RESEARCH

Dec. 05, 2005

**VALOR**

**Rating: BUY (BUY)**

**Event:** Update Q3-Figures + Management Interview (Deutsches Eigenkapitalforum)  
**Coverage:** Since Q1 2004

**VALOR COMPUTERIZED SYSTEMS**  
 Software / Technology

**Last Price:** € 2,90  
**Fair Value:** € 4,50

## Undervalued Share: Well prepared for 2006

- **New Product Releases and Successful Cross-Selling**
- **Spezialist f. Complex Productions with Realtime Control**
- **Strong Balance and High Cash Reserves**
- **Positive Longterm Prospects through Entry in Automotives**

### COMPANYDESCRIPTION

VALOR COMPUTERIZED SYSTEMS is one of the leading suppliers of productivity-increasing software solutions for the electronic industry. VALOR's solutions cover the development, production and monitoring. VALOR created an international standard for dataexchange on the highest level. The products help companies to increase their productivity and to minimize

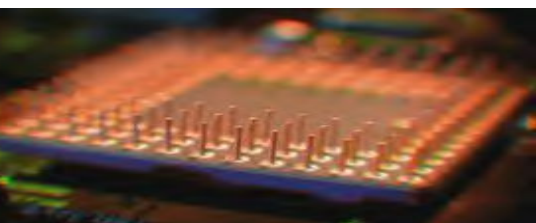


Figures in EUR	2002	2003	2004	2005e	2006e
EPS Dr. Kalliwoda	-0,04	0,11	0,09	0,10	0,21
EPS Consensus	-0,04	0,11	0,13	0,12	0,20
Revenues (mln)	22,1	25,6	30,7	36,5	44,0
net Income (adj.)	-0,8	1,9	1,6	1,9	3,9
net cash per share	0,8	1,6	1,5	1,7	1,7
net Cash	14,0	29,9	27,6	32,0	32,0
Free Cash Flow	3,0	8,8	12,3	10,8	2,6
P/E	-	28,1	33,2	29,0	13,9
P/S	-	2,1	1,8	1,5	1,2

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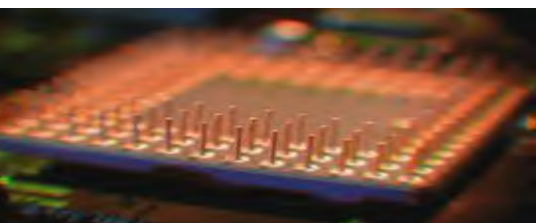
Price (curr)	2,9	Shares out (mln)	18,57
52W high	3,45	6M Avrg Vol (000s)	15,5
52w low	1,87	Free Float (in %)	39,2%
Market Cap (mln)	53,8	Weight in Prime All Share	0,005%
Last Dividend	0,07	Reuters code	VCR
Sales CAGR 2001-2010	33%	Bloomberg	VCR
Web Page	<a href="http://www.valor.com">www.valor.com</a>	WKN	928731

Source: DR.KALLIWODA | RESEARCH



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## 1. FINANCIALS

### 1.1 Revenue growth for the tenth time running

Valor Computerized Systems was able to increase the revenues to the tenth quarter time running. The experts for productivity-enhancing solutions for the Electronic Industry continued their growth-trend in the first 9 months in 2005 and achieved revenues from U.S. - \$ 26,9 million (U.S- \$ 22,4 million in the prior year).

The result before taxes and interest, EBIT, increased by more than 150 percent on US-\$ 1,5 million compared to barely US-\$ 0,6 million in the first three quarters 2004.

The net-result before share-referential payments, so-called "Share-Based Compensation" in accordance with IFRS2, climbed by 57 percent from US-\$ 1,1 million to US-\$ 1,7 million. Netprofit in the period after share-referential payments amounted to US-\$ 1,1 million. In comparison to US-\$ 0,6 million in the pre-yearly-period this is an increase of 84 percent.

The result per share (diluted) doubled in 2005 to US-\$ 0,06 by before US-\$ 0,03 in the first 9 months.

Simultaneously, Valor has created a row of measures for the reorganization and optimization of the business-processes

as a basis for rising revenues and profits in the coming years.

In the 3rd. quarter Valor could increase revenues by 17,5 percent to US-\$ 9,2 million compared to US-\$ 7,8 million in the previous year quarter. However EBIT sank to US-\$ 0,2 million compared to US-\$ 0,5 million in the pre-yearly-quarter. The net-result in the 3rd 2005 was US-\$ 0,1 million (US-\$ 0,3 million in Q3/2004).

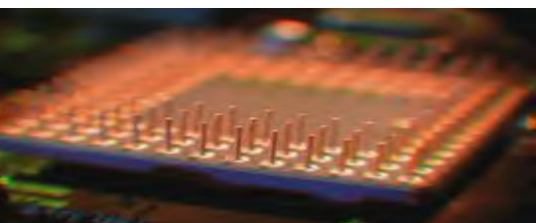
Valor Computerized Systems increasingly invested into the marketing and the sale of TraceXpert in the 3rd quarter. The company invested in hardware as a one-off purchase.

According to company information the reasons for the attenuation of the EBIT and netprofit margins can led back to preparation-measures of the new 2006-product-releases. In the next quarters, we again assume a rising gross-margin of 85%. The following table shows the individual quarters of 2004 and 2005 with our estimates for the fourth quarter in 2005.

VALOR Q2/2005 Figures in Mio. \$ and Estimates for Q4/2005

	Q1 2005	Q1 2004	Change to Q1 2004	Q2 2005	Q2 2004	Change to Q2 2004	Q3 2005	Q3 2004	Change to Q3 2004	Q4 2005e	Q4 2004	Change to Q4 2004	total 2005e	total 2004	Change to total 2004
<b>Revenues</b>															
Product Sales and Related Services	5,840	4,61	26,63%	5,893	4,77	23,47%	6,059	5,08	19,30%	6,380	5,44	17,39%	24,172	19,899	21,47%
% of revenues	67,1%	64,5%		65,5%	64,0%		66,1%	65,1%		66,3%	65,8%		66,2%	64,9%	
Maintenance	2,865	2,54	12,75%	3,110	2,68	16,09%	3,105	2,72	14,07%	3,250	2,82	15,21%	12,330	10,763	14,56%
% of revenues	32,9%	35,5%		34,5%	36,0%		33,9%	34,9%		33,7%	34,2%		33,8%	35,1%	
<b>Total Revenues</b>	<b>8,705</b>	<b>7,15</b>	<b>22%</b>	<b>9,003</b>	<b>7,45</b>	<b>21%</b>	<b>9,164</b>	<b>7,80</b>	<b>17%</b>	<b>9,630</b>	<b>8,26</b>	<b>17%</b>	<b>36,502</b>	<b>30,662</b>	<b>19%</b>
<b>Cost of Revenues</b>															
Product Sales	0,849	0,28	200,00%	1,088	0,84	29,37%	1,838	0,86	112,98%	1,030	0,85	21,75%	4,805	2,83	69,61%
% of revenues	9,8%	4,0%		12,1%	11,3%		20,1%	11,1%		10,7%	10,2%		13,2%	9,2%	
Maintenance	0,299	0,20	52,55%	0,245	0,16	57,05%	0,205	0,21	-2,84%	0,310	0,14	118,31%	1,059	0,705	50,21%
% of revenues	3,4%	2,7%		2,7%	2,1%		2,2%	2,7%		3,2%	1,7%		2,9%	2,3%	
<b>Total Costs of Revenues</b>	<b>1,148</b>	<b>0,48</b>	<b>140%</b>	<b>1,333</b>	<b>1,11</b>	<b>20%</b>	<b>2,043</b>	<b>1,18</b>	<b>72%</b>	<b>1,447</b>	<b>1,09</b>	<b>33%</b>	<b>5,864</b>	<b>3,538</b>	<b>66%</b>
% of revenues	13,2%	6,7%		14,8%	14,9%		22,3%	15,2%		15,0%	13,2%		16,1%	11,5%	
<b>Gross Profit</b>	<b>7,557</b>	<b>6,67</b>	<b>13%</b>	<b>7,670</b>	<b>6,46</b>	<b>19%</b>	<b>7,121</b>	<b>6,73</b>	<b>6%</b>	<b>8,290</b>	<b>7,27</b>	<b>14%</b>	<b>30,638</b>	<b>27,124</b>	<b>13%</b>
% of revenues	86,8%	93,3%		85,2%	86,6%		77,7%	86,2%		86,1%	88,0%		83,9%	88,5%	
Research and Development Costs	2,810	2,66	5,72%	2,825	2,46	14,79%	2,660	2,44	8,93%	2,850	2,74	3,94%	11,145	10,303	8,17%
% of revenues	32,3%	37,2%		31,4%	33,0%		29,0%	31,3%		29,6%	33,2%		30,5%	33,6%	
Selling and Marketing Expenses	3,617	3,34	8,42%	3,862	3,45	11,88%	3,780	3,49	8,31%	3,850	3,45	11,56%	15,109	13,729	10,05%
% of revenues	41,6%	46,6%		42,9%	46,3%		41,2%	44,7%		40,0%	41,8%		41,4%	44,8%	
General and Administrative Expenses	0,612	0,57	7,75%	0,650	0,43	51,87%	0,613	0,45	35,02%	0,620	0,47	31,08%	2,495	1,923	29,75%
% of revenues	7,0%	7,9%		7,2%	5,7%		6,7%	5,8%		6,4%	5,7%		6,8%	6,3%	
<b>Total Operating Costs and Expenses</b>	<b>7,039</b>	<b>6,56</b>	<b>7%</b>	<b>7,337</b>	<b>7,13</b>	<b>3%</b>	<b>7,053</b>	<b>6,39</b>	<b>10%</b>	<b>7,320</b>	<b>6,67</b>	<b>10%</b>	<b>28,749</b>	<b>26,955</b>	<b>11%</b>
% of revenues	80,9%	91,7%		81,5%	95,7%		77,0%	81,9%		76,0%	80,7%		78,8%	84,6%	
Impairment (loss) earnings															
<b>Profit from Operations</b>	<b>0,518</b>	<b>0,11</b>	<b>363%</b>	<b>0,333</b>	<b>0,11</b>	<b>192%</b>	<b>0,068</b>	<b>0,23</b>	<b>-70%</b>	<b>0,863</b>	<b>0,50</b>	<b>73%</b>	<b>1,889</b>	<b>1,169</b>	<b>62%</b>
% of revenues	6,0%	1,6%		3,7%	1,5%		0,7%	3,0%		9,0%	6,1%		5,2%	3,8%	
Financial Income, net	0,113	0,24	-52,92%	0,075	0,22	-66,22%	0,144	0,10	48,45%	0,100	0,21	-53,05%	0,432	0,772	-44,04%
% of revenues	1,3%	3,4%		0,8%	3,0%		1,6%	1,2%		1,0%	2,6%		1,2%	2,5%	
<b>Profit before Taxes on Income</b>	<b>0,631</b>	<b>0,35</b>	<b>79%</b>	<b>0,408</b>	<b>0,34</b>	<b>21%</b>	<b>0,212</b>	<b>0,33</b>	<b>-35%</b>	<b>0,963</b>	<b>0,713</b>	<b>35%</b>	<b>2,321</b>	<b>1,941</b>	<b>20%</b>
% of revenues	7,2%	4,9%		4,5%	4,5%		2,3%	4,2%		10,0%	8,6%		6,4%	6,3%	
Taxes on Income	0,000	0,06	-100,00%	0,000	0,04	-100,00%	0,110	0,04	197,30%	0,200	0,19	5,26%	0,310	0,319	-2,82%
% of revenues	0,0%	0,8%		0,0%	0,5%		1,2%	0,5%		2,1%	2,3%		0,8%	1,0%	
<b>Profit bef.Inc.Tax due to Divid.Distribution</b>	<b>0,631</b>	<b>0,30</b>	<b>114%</b>	<b>0,408</b>	<b>0,30</b>	<b>36%</b>	<b>0,102</b>	<b>0,29</b>	<b>-65%</b>	<b>0,763</b>	<b>0,523</b>	<b>46%</b>	<b>2,011</b>	<b>1,622</b>	<b>24%</b>
% of revenues	7,2%	4,1%		4,5%	4,0%		1,1%	3,7%		7,9%	6,3%		5,5%	5,3%	
Income Tax due to Dividend Distribution		0,00			0,00			0,00			0,00		0,000	0,000	
% of revenues	0,0%	0,0%		0,0%	0,0%		0,0%	0,0%		0,0%	0,0%		0,0%	0,0%	
<b>Net Profit Loss</b>	<b>0,631</b>	<b>0,30</b>	<b>114%</b>	<b>0,408</b>	<b>0,30</b>	<b>36%</b>	<b>0,102</b>	<b>0,29</b>	<b>-65%</b>	<b>0,763</b>	<b>0,52</b>	<b>46%</b>	<b>2,011</b>	<b>1,622</b>	<b>24%</b>
% of revenues	7,2%	4,1%		4,5%	4,0%		1,1%	3,7%		7,9%	6,3%		5,5%	5,3%	
Basic Earnings (Losses) per Share	0,03	0,02	72,12%	0,02	0,02	33,42%	0,01	0,02	-65,19%	0,04	0,03	46,58%	0,11	0,09	21,84%
Diluted Earnings (Losses) per Share	0,03	0,01	215,31%	0,02	0,01	104,15%	0,01	0,01	-64,72%	0,04	0,03	47,40%	0,10	0,081	24,79%
Weighted Av. No. Of Shares Basic Earnings	18,331	18,15	1,00%	18,541	18,26	1,56%	18,565	18,40	0,91%	18,331	18,40	-0,38%	18,34	18,27	0,36%
Weighted Av. No. Of Shares Diluted Earnings	20,012	19,96	0,24%	19,985	20,60	-2,97%	20,126	20,22	-0,44%	20,012	20,20	-0,93%	20,01	20,14	-0,65%

Source: VALOR COMPUTERIZED SYSTEMS ; DR.KALLIWODA | RESEARCH



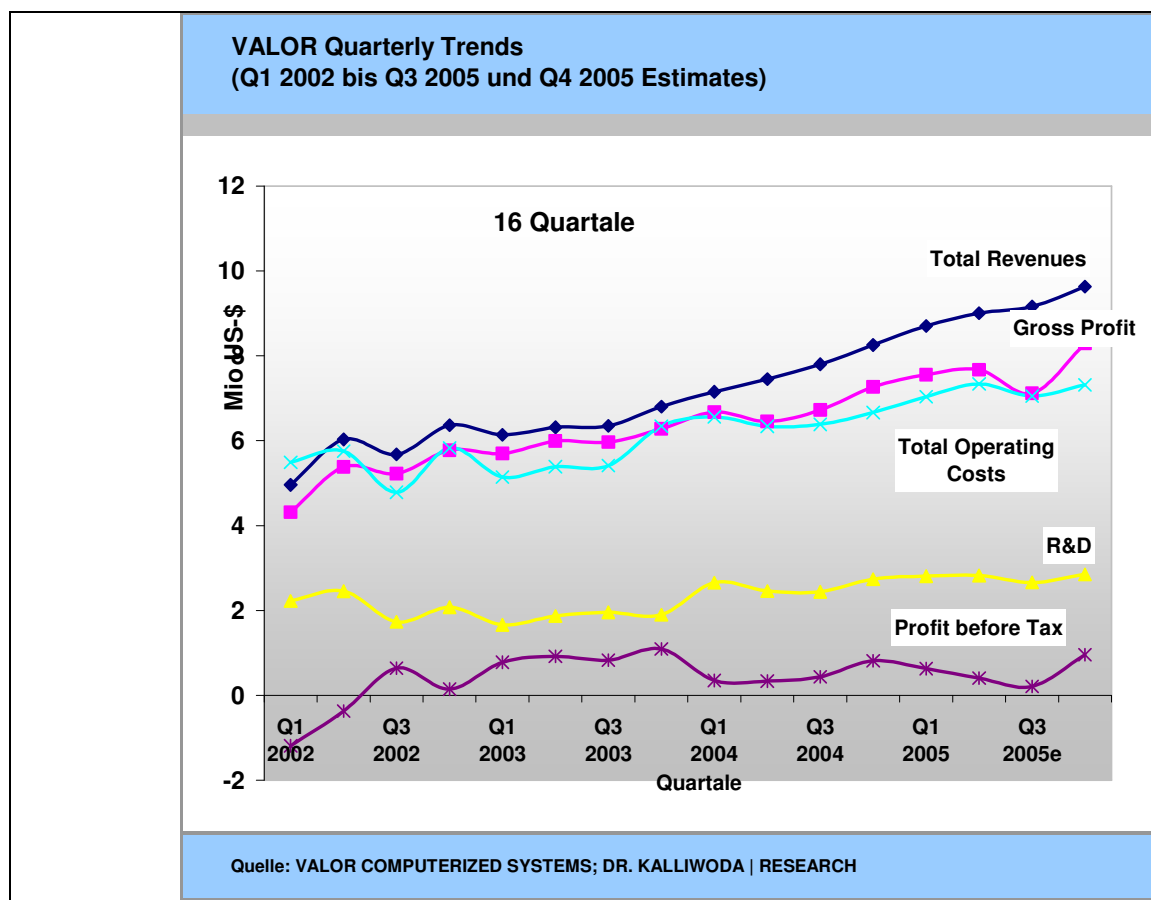
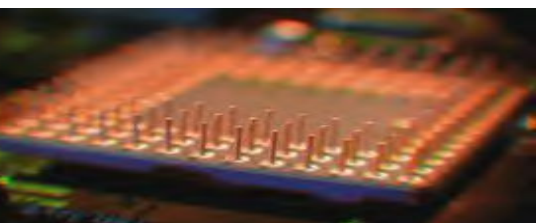
## 1.2 Estimates for Q4/2005

Valor is less dependent on the semiconductor-cycles since the business acts in a niche-market offering specialized software-products offer. Semiconductor-manufacturers can avoid high costs through increased productivity. For Q4/2005, we calculate revenues of US-\$ 9,6 million and the EBIT with US-\$ 0,86 million. Our prognoses result to US-\$ 36,5 million (+19,0 percent compared to 2004) and an EBIT of US-\$ 1,89 million (+62 percent opposite 2004).

We assume that the gross-margin improves again in the fourth quarter of 2005. In the third quarter the gross-margin fell from 85% to 80% due to preparation-effects for new product-releases. In order to uphold and to increase the high acceptance of the software-solutions to the productivity-increase with design and production in the electronics-industry investments into new software concepts are necessary. On this way even German customers like Continental Temic are won. Europe and Asia are significant sales-markets for Valor. However, the margins and economies of scale in Asia are even higher than in Europe, because a higher number of pick & place machines per assembly line are used. We assume that strong economies of scale effects will take place in 2006 when the market is penetrated even more strongly in Asia. For Q4/2005, we expect software license-revenues of US-\$ 6,38 million and maintenance-turnovers of US-\$ 3,25 million.

A total-turnover of US-\$ 9,63 million would lie 17 percent above the pre-yearly-quarter. With calculated turnover-costs of US-\$ 1,45 million we expect a gross-margin of 86 % for Q4/2005. We estimate the operative expenditures to be US-\$ 7,32 million and expect an EBIT-margin of 9 percent consequently. Usually in the last quarter of a fiscal year Valor Computerized Systems obtains a higher EBIT-margin than in other quarters. However, we expect that in the current fourth quarter, share-options will take place, so that the number of shares should increase again slightly. Our expected net-result should not hardly be affected by this practice: We get a primary result of barely over US-\$ 0,04 and a diluted profit of US-\$ 0,038. We estimate entire netprofit of \$ 0,10 (diluted) and US-\$ 0,11 (primary-result).

The following graphic shows the business-performance of the last four years with our estimates for the fourth quarter in 2005. The development of revenues and gross-profits as well as earnings before taxes is good news, although an increasing amount of money was invested into the development of the Asian market in the year 2004. Furthermore the products were improved and were developed in order to meet the requests of the Valor-clients. Valor is capable of serving process-solutions for the complete product-life-cycle-management (Product Lifecycle management, PLM).

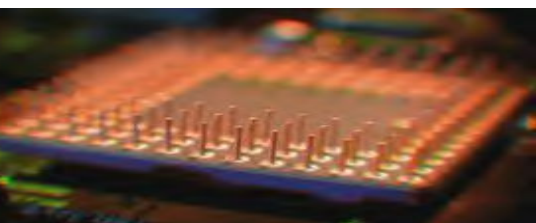


## 2. GROWTH DRIVERS MANUFACTURING EXECUTION SYSTEMS AND TRACEABILITY

Managers of the producing industry profit from the economic globalization on the one hand and fight against an ever strongly growing competition on the other hand. Therefore, the software-concepts of Valor Computerized Systems are required for

the optimization of production-processes. The producing industry requires concepts with which already existing ERP-systems can be connected with all process-levels of a factory and the customer as well as their suppliers.





## 2.3 VALORS' PRODUCTS AND STRATEGY

Turnover-stimulator for Valor-software-solutions is the electronics-manufacturers desire to secure market shares with product-innovations. The trend to that higher integration-density prevails at advantageous production and constant high quality in the electronics-production.

Valor is also present in the automobile-industry. High quality and intelligent features have an ever stronger influence on the buying decision in the automobile-industry as well as computers and electronics-products. The maintenance-intervals become longer and increase the running performance of the vehicles. The suppliers are subject to high quality demands. Mistakes must be exactly identifiable already in the production so that costly reimbursement transactions of already admitted vehicles are avoided. The Traceability-Software-solutions contribute to reduction of costs.

Valor knows how to bind customers. Already further value-increasing applications are in the development-phase. At present a positive resumé can be taken that Valors' decision to concentrate particularly on Asia as the most important market for Electronics-Manufacturing-Services (EMS), was correct. Valor entertains offices in Asia, in Hong Kong at present, Taiwan as well as in the North, South and East of China.

- **Production-support of Trilogy 5000 and TraceXpert**

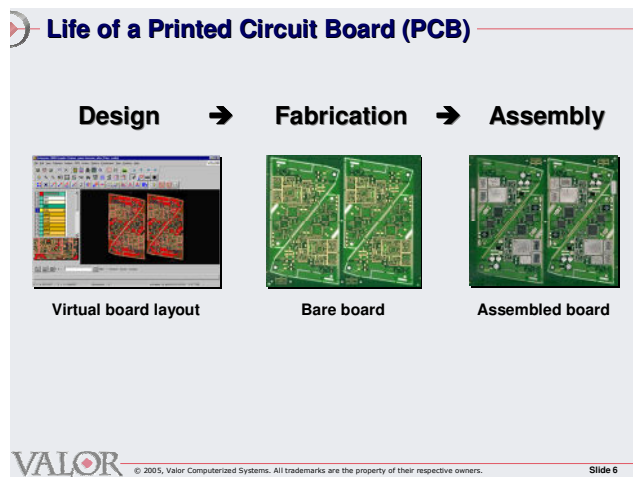
Existing production-processes of Electronic-components can be rearranged and

optimized with Valors software-solutions. The productivity in the production and the entire CAD-pick and place process are measurable. Valors software-concepts accelerate NPDL (New Product Development and Launch). Customers are enabled to further rationalize their technical and logistical data flow. Basis is the successful Trilogy 5000 solution. With Trilogy 5000, product-outputs could become accelerated. Machine-setting times can be reduced, and the total production performance rises. Especially in Asia, Trilogy 5000 became the most important market for Electronics-Manufacturing-Services (EMS) with leading PC, Notebook, and server-producers. Increasingly, customers expect integrated solutions of one single software-manufacturer.

- **Connection of design and production-area**

Valors software-concepts contribute to the clients production-increase in the Design and Manufacturing electronic industry. The DFM technology (Design for Manufacturability) visualizes and ensures the production of semiconductor boards and proofs the CAD-Datas. Also the miniaturization of High speed boards is made possible.

Electronics-manufacturers are able to manufacture new products faster and with higher quality. The product of Enterprise 3000 contains professional interfaces, which reduce adaptation processes, i.e. a validated virtual manufacturing simulation of the final product examines functionality before material production begins.

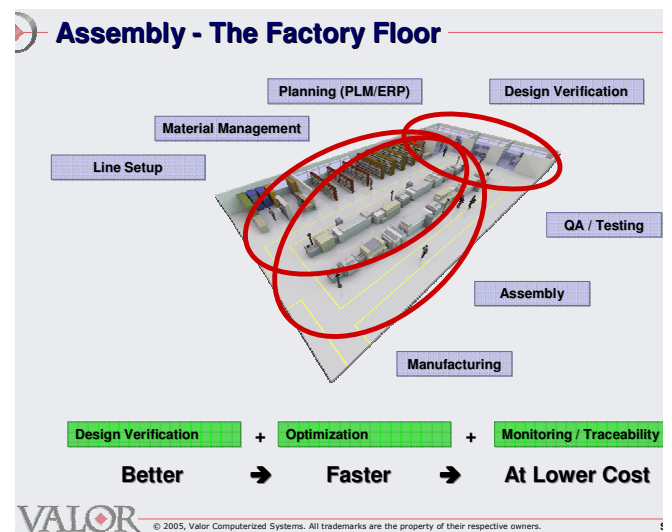


Source: VALOR COMPUTERIZED SYSTEMS Inc.

The flawless transfer of data between the individual production-steps of the design up to the final product is the basis for an undisturbed production process. It is significant that Valor developed its own data exchange-format **ODB++** and is thereby not dependent on big software-houses and applications like for example SAP or IBM. Meanwhile, ODB++ has set the international standard for the data exchange between the individual process-steps.

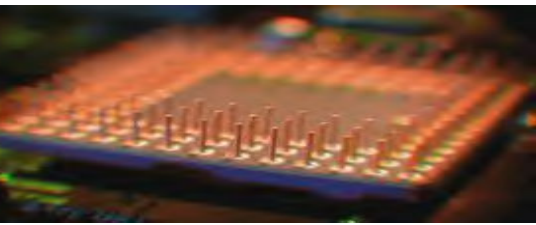
The following graphic shows the net value added-chain of a conductor plate-production / semiconductor components. Consisting of

- 1) Design Verification
- 2) Planning, PLM / ERP = Product Lifecycle management)
- 3) Material management
- 4) Line Setup
- 5) Manufacturing
- 6) Assembly
- 7) QA / testing



Source: VALOR COMPUTERIZED SYSTEMS

To be accentuated are the individual modules of the software **TraceXpert**. The "**Feeder Verification**" (Manufacturing) protects against a wrong-positioning of inaccurate components. The electronics-components intended for the equipment are scanned before and are tested for functionality. This "Feeder Verification" is based on a real time-supported functionality-examination in a developed version.



For production-leaders, there is the so-called "**Machine Monitoring**", with which the current output is also overseen on a real time-basis. The software-module visualizes the required equipment-time of different produced electronics-components. Bottlenecks can be identified and production-controls are possible. These protocols can become visible over already existing Web Browser and ERP-Systems.

## 3. VALUATION

### 3.1 Price target: US\$ 5,26 and US\$ 106 mio market capitalization

In this chapter we show our valuation of Valor Computerized Systems. For the detailed figures of the sales and earnings- and cashflow-estimates see chapter 5.1 to 5.3.

On the basis of our discount cash flow model with a weighted cost of capital (WACC) of 10,2% and a beta of 1.2 we calculate a fair value of US\$ 5.26. With a present Euro/US\$ exchange-rate of 1.17 we calculate a fair value of € 4.50 per share (unchanged compared to our last publication) and recommend the stock to buy.

### 3.3. Sensitivity analysis

We did a sensitivity analysis in order to detect the variability of our deduced fair value under different economic scenarios. For this, see the following tables below.

The results show an valuation-range of US\$ 4.48 to US\$ 6.73. We consider a long-term growth of only 0.5% very unrealistic. Even with a long-term growth of only 1% the fair value would vary between US\$ 4,55 and US\$ 6.19 under the premise of a weighted cost of capital (WACC) between 8 % and 12%. Analogously, the market capitalization would vary between US\$ 92 million and US\$ 125 million. A long-term growth of 1.5% (Terminal Growth Rate) and a weighted cost of capital of 10,2% is realistic in our eyes. From these numbers, a market-capitalization of US\$ 106 million, corresponding to a fair share price of US\$ 5.26 for Valor Computerized Systems is calculated

#### SENSITIVITY ANALYSIS per Share

	(US-DOLLAR) β = 1,3	Discount factor				
		0,08	0,09	0,102	0,11	0,12
	0,0%	5,93	5,45	5,06	4,74	4,48
CAGR of revenues in terminal phase	0,5%	6,05	5,53	5,12	4,79	<b>4,51</b>
	1,0%	6,19	5,62	5,19	<b>4,84</b>	4,55
	1,5%	6,34	5,73	<b>5,26</b>	4,89	4,59
	2,0%	6,52	<b>5,85</b>	5,35	4,95	4,64
	2,5%	<b>6,73</b>	5,99	5,44	5,02	4,69

Source: Dr. Kalliwoda Research

### 3.2 Company valuation: DCF-approach

The valuation of the Valor was done through the three-staged discount-cash-flow model to calculate the inner value of the share. We made the following assumptions: We set the risk free interest rate at 3.7%. This corresponds to a 10 year bond. We calculated the risk premium with 5% and the beta factor in relation to the TecDax30 with 1.3. These parameters applied, we received a weighted average cost of capital (WACC) of 10,2%. On the basis of these capital costs we derive a fair value for the share of € 4.50. We set the assumption that the company grows on a long-term basis by 1,5% (terminal growth). A fair value of € 4.50 corresponds to an upward potential of approx. 55% compared to the present share price of € 2,90.

DCF PARAMETER	
PARAMETERS	
Risk-free rate	3,7%
Risk premium	5,0%
Beta	1,30
Longterm growth rate	1,5%
Cost of equity	10,2%
Cost of debt (after Tax)	4,2%
WACC	10,2%
NET PRESENT VALUE OF FREE CASH FLOWS (Mio. US-DOLLAR)	
Phase 1 (2005-2006)	21,9
Phase 2 (2007-2009)	26,2
Phase 3 (2010...terminal value)	27,9
Net debt	30,3
Value of total equity	106,4
DCF value per share	5,26

Source: DR.KALLIWODA | RESEARCH 2005

#### SENSITIVITY ANALYSIS (Market-Capitalization)

	(Mio. US-DOLLAR) β = 1,3	Discount factor				
		8,2%	9,2%	10,2%	11,2%	12,2%
	0,0%	120	110	102	96	91
CAGR of revenues in terminal phase	0,5%	122	112	104	97	<b>91</b>
	1,0%	125	114	105	<b>98</b>	92
	1,5%	128	116	<b>106</b>	99	93
	2,0%	132	<b>118</b>	108	100	94
	2,5%	<b>136</b>	121	110	101	95

Source: Dr. Kalliwoda Research

## 4. VALOR'S FINANCIAL HISTORY AND ESTIMATES

### 4.1 Development of operative cashflows

The following table shows the high level of cash and cash equivalents of US\$ 26,10 million (Q3/2005) as well as the positive development of the operational cash flows. Therefore Valor has very good possibilities to invest into new products which can strengthen the technological leadership and continue to increase the results in the next quarters.

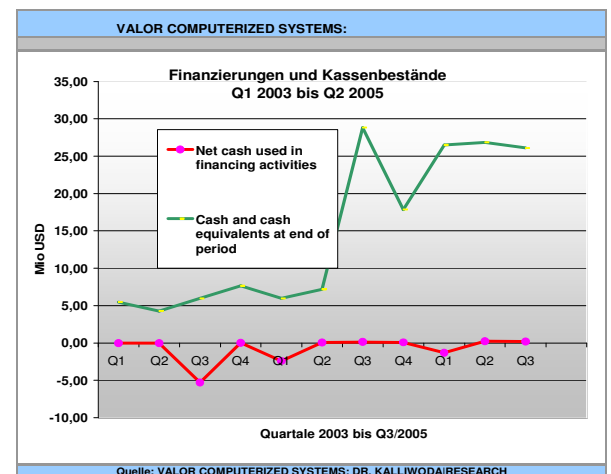
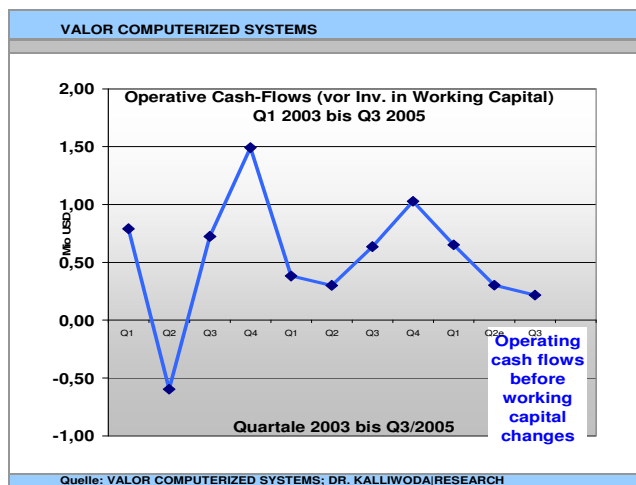
In addition the high cash reserves should make acquisitions possible, which would strengthen Valors operational business altogether. We assume that Valor will take over small niche-companies, in order to be able to serve the large markets in particular in the USA, Asia and Japan purposefully.

VALOR CONSOLIDATED STATEMENTS OF CASHFLOWS															
	Q4 2004	Q4 2003	Change to Q4 2003	total 2004	total 2003	Change to total2004	Q1 2005	Q1 2004	Change to Q1 2004	Q2 2005	Q2 2004	Change to Q2 2004	Q3 2005	Q3 2004	Change to Q2 2004
<b>Cash flows from operating activities</b>															
Net profit	0,625	0,975	-36%	1,62	1,91	-15%	0,63	0,30	114%	0,41	0,301	36%	0,10	0,301	-66%
Operating cash flows before working capital changes	1,027	1,491	-31%	2,35	2,41	-3%	0,65	0,38	70%	0,30	0,301	1%	0,22	0,301	-28%
Net cash provided by (used in) operating activities	2,577	2,123	21%	3,44	4,00	-14%	0,00	0,20	-101%	0,24	0,958	-75%	-0,16	0,958	-117%
<b>Cash flows from investing activities</b>															
Net cash used in (used in) investing activities	-12,587	-0,510	2368%	8,84	4,87	81%	9,97	-0,53	-1966%	-0,11	0,222	-149%	-0,77	0,222	-445%
<b>Cash flows from financing activities</b>															
Net cash used in financing activities	0,088	0,039	126%	-2,11	-5,27	-60%	-1,30	-2,40	-46%	0,24	0,062	285%	0,21	0,062	234%
Increase (decrease) in cash and cash equivalents	-11,046	1,65	-768,64%	10,173	3,60	182,27%	8,664	-1,68	-615%	0,37	1,242	-70,05%	0,37	1,242	-70,05%
Effect of exchange rate changes on opening cash	0,087	0,02	262,50%	0,047	0,08	-41,98%	-0,050	-0,001	4900%	-0,002	-0,022	-90,91%	-0,002	-0,022	-90,91%
Cash and cash equivalents at beginning of period	28,828	5,973	383%	7,65	3,96	93%	17,87	7,65	134%	26,48	5,965	344%	26,85	5,965	350%
Cash and cash equivalents at end of period	17,869	7,649	134%	17,87	7,65	134%	26,48	5,97	344%	26,85	7,185	274%	26,10	7,185	263%

Source: VALOR COMPUTERIZED SYSTEMS ; DR.KALLIWODA | RESEARCH

The following graph (left side) clarifies that the gross cash flows (operating cash flows before working capital changes) improved since Q2/2004

and vary afterwards between US\$ 0,65 million and US\$ 1 million.



The graph on the right side "investments, financings and cash" shows the financing loads e.g. dividend payments.

Here again the high cash position of Valor an important basis for the further enterprise expansion becomes very clear.

## 5.2 Profit- and loss-accounting until 2010

The following graph shows the profit-and-loss-accounts with estimates up to 2010. The figures are nearly unchanged since our last quarter update from 12. August 2005.

Our sales and earnings estimates are based on a conservative scenario 1 (estimates without acquisitions, see following table).

PROFIT & LOSS VALOR COMPUTERIZED SYSTEMS											
\$ mln											
	2001	2002	2003	2004	2005e	2006e	2007e	2008e	2009e	2010e	CAGR 2001 bis 2008
<b>Revenues (Scenario 1*)</b>	<b>24,8</b>	<b>22,1</b>	<b>25,6</b>	<b>30,7</b>	<b>36,5</b>	<b>44,0</b>	<b>54,0</b>	<b>62,5</b>	<b>69,5</b>	<b>78,0</b>	<b>33,2%</b>
<b>Revenues (Scenario 2*)</b>	<b>24,8</b>	<b>22,1</b>	<b>25,6</b>	<b>30,7</b>	<b>36,5</b>	<b>46,0</b>	<b>63,0</b>	<b>74,0</b>	<b>82,0</b>	<b>91,0</b>	<b>38,4%</b>
% change	-15,4%	-11,0%	16,0%	19,7%	19,0%	20,5%	22,7%	15,7%	11,2%	12,2%	
COGS	-3,3	-2,2	-1,7	-3,5	-5,9	-6,1	-7,4	-8,6	-9,6	-10,8	
% of revenues	13%	10%	7%	12%	16%	14%	14%	-14%	-14%	-14%	
<b>Gross income</b>	<b>21,5</b>	<b>19,8</b>	<b>23,9</b>	<b>27,1</b>	<b>30,6</b>	<b>37,9</b>	<b>46,6</b>	<b>53,9</b>	<b>59,9</b>	<b>67,2</b>	<b>27,2%</b>
% change	-16,3%	-7,7%	20,7%	13,3%	13,0%	23,8%	22,7%	15,7%	11,2%	12,2%	
<b>Gross margin</b>	<b>87%</b>	<b>90%</b>	<b>93%</b>	<b>88%</b>	<b>84%</b>	<b>86%</b>	<b>86%</b>	<b>86%</b>	<b>86%</b>	<b>86%</b>	<b>87%</b>
R & D	-8,0	-6,8	-7,4	-10,3	-11,1	-12,2	-14,6	-16,5	-18,4	-20,6	
% of revenues	-32%	-31%	-29%	-34%	-28%	-27%	-27%	-26%	-26%	-26%	
S, S&A (Distr./Mark.)	-12,9	-10,5	-12,4	-13,7	-15,1	-18,2	-22,4	-25,9	-27,6	-30,9	
% of revenues	52%	47%	49%	45%	41%	41%	41%	41%	40%	40%	
Other op. Income	-1,8	-1,9	-1,7	-1,9	-2,5	-3,0	-3,7	-4,3	-4,8	-5,3	
<b>EBITDA</b>	<b>-1,2</b>	<b>0,7</b>	<b>2,4</b>	<b>1,2</b>	<b>1,9</b>	<b>4,4</b>	<b>5,8</b>	<b>6,9</b>	<b>8,2</b>	<b>9,4</b>	<b>33,7%</b>
% of revenues	-5%	3%	9%	4%	5%	10%	11%	11%	12%	12%	
<b>EBITDA margin</b>	<b>-4,7%</b>	<b>3,0%</b>	<b>9,4%</b>	<b>3,8%</b>	<b>5,2%</b>	<b>10,1%</b>	<b>10,8%</b>	<b>11,1%</b>	<b>11,8%</b>	<b>12,0%</b>	
<b>EBIT</b>	<b>-1,2</b>	<b>0,7</b>	<b>2,4</b>	<b>1,2</b>	<b>1,9</b>	<b>4,4</b>	<b>5,9</b>	<b>7,0</b>	<b>7,2</b>	<b>8,4</b>	<b>30,0%</b>
% of revenues	-5%	3%	9%	4%	5%	10%	11%	11%	10%	11%	
<b>EBIT margin</b>	<b>-4,7%</b>	<b>3,0%</b>	<b>9,4%</b>	<b>3,8%</b>	<b>5,2%</b>	<b>9,9%</b>	<b>11,0%</b>	<b>11,2%</b>	<b>10,4%</b>	<b>10,7%</b>	
Financial result	2,1	0,7	1,2	0,8	0,4	0,8	0,7	0,7	0,7	0,5	
<b>Pre tax income</b>	<b>0,9</b>	<b>-0,8</b>	<b>3,6</b>	<b>1,94</b>	<b>2,3</b>	<b>5,2</b>	<b>6,6</b>	<b>7,7</b>	<b>7,9</b>	<b>8,9</b>	<b>37,4%</b>
% of revenues	3,8%	-3,5%	14,2%	6,3%	6,4%	11,8%	12,2%	12,4%	11,4%	11,4%	
Taxes	0,0	0,0	-1,7	-0,3	-0,5	-1,3	-1,7	-1,9	-2,0	-2,2	
Tax rate	1,7%	-2,1%	47,3%	16,4%	20,0%	25,0%	25,0%	25,0%	25,0%	25,0%	
Minorities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
<b>Net income (Ex adj.)</b>	<b>0,9</b>	<b>-0,8</b>	<b>1,9</b>	<b>1,62</b>	<b>1,9</b>	<b>3,9</b>	<b>5,0</b>	<b>5,8</b>	<b>5,9</b>	<b>6,7</b>	<b>21,1%</b>
% of revenues	4%	-4%	7%	5%	5%	9%	9%	9%	9%	9%	
<b>Net margin</b>	<b>4%</b>	<b>-4%</b>	<b>7%</b>	<b>5%</b>	<b>5%</b>	<b>9%</b>	<b>9%</b>	<b>9,3%</b>	<b>8,5%</b>	<b>8,6%</b>	
# shares out (mln)	18,54	18,07	18,05	18,27	18,40	18,40	18,40	18,40	18,40	18,40	
<b>EPS</b>	<b>0,05</b>	<b>-0,04</b>	<b>0,11</b>	<b>0,09</b>	<b>0,10</b>	<b>0,21</b>	<b>0,27</b>	<b>0,31</b>	<b>0,32</b>	<b>0,36</b>	<b>21,1%</b>

Scenario 1\*) Estimates without acquisitions; Our DCF-calculations are based on this scenario; Fair value: US\$ 5,27 per share.  
Scenario 2\*) Estimates with acquisitions (Net income row is slightly higher compared to scenario 1); 2006: US\$ 0,21; 2007: US\$ 0,30; 2008: US\$ 0,36; 2009: US\$ 0,37; 2010: US\$ 0,41). Fair value: US\$ 5,47 per share

Source: DR. KALLIWODA | RESEARCH; VALOR COMPUTERIZED SYSTEMS

The P&L shows a strong sales development from 2001 to 2004 from US\$ 24,9 million to US\$ 30,66 million and expected sales of US\$ 36,6 million to US\$ 78 million for the years 2005 to 2010 and we calculate an average sales growth for the years 2005 to 2010 of 33,2% (CAGR)<sup>1</sup> from this. For the EBIT we expect US\$ 1,9 million in 2005, US\$ 4,4 million in 2006, US\$ 5,9 million in 2007, US\$ 7 million, US\$ 7,2 million and US\$ 8,4 million in 2010, which equals an average EBIT-margin of 9,7%.

The EBT-series is stronger. We expect pre-tax results from 2005 to 2010 to be US\$ 2,3 million, US\$ 5,2 million, US\$ 6,6 million, US\$ 7,7 million, US\$ 7,9 million and US\$ 8,9 million which results in an EBT-margin of 10,9% on average with continuous growth. These result-series are positively influenced by a high stock of financial investments of US\$ 26,10 million, even though this stock and the interest obtainable through it could be reduced by the acquisition of smaller companies.

<sup>1</sup> Compound Average Growthrate: Here the turnover growth rates were settled. From 2005 to 2010 on the year 2005 with the capital cost set of 10,2 % (WACC).

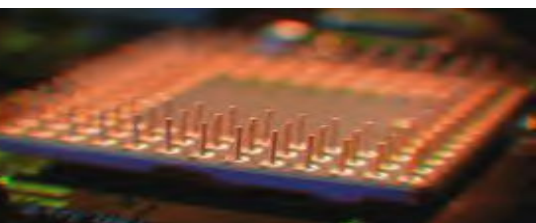
### 5.3 Balance- and cashflow-statement until 2010

Our balance estimations consider continuous enterprise growth supported by stable cashflow growth. The balance grows, although we subordinated

high declarations of dividend in our cashflow analysis. See for this the also following cashflow statement in the connection of the following balance estimation.

BALANCE SHEET VALOR COMPUTERIZED SYSTEMS																				
US\$ Millionen																				
	2001	in %	2002	in %	2003e	in %	2004e	in %	2005e	in %	2006e	in %	2007e	in %	2008e	in %	2009e	in %	2010e	in %
Intangible assets	0,8	2	0,4	1	0,3	0,64	0,5	1,24	0,5	1,14	0,5	1,032	0,5	0,929	0,5	1	0,5	1	0,5	1
(thereof goodwill)	0,8	2	0,4	1	0,3	4	0,4	4	0,4	0,92	0,4	0,852	0,4	0,78	0,4	1	0,4	1	0,4	1
Tangible assets	2,8	6	2,2	5	1,8	4	1,6	4	2,3	5	3,0	6	3,8	7	-6,2	9	-6,2	11	-6,2	12
Financial assets	1,7	4	18,5	42	1,8	4	3,2	7	-6,2	-14	-6,2	-13	-6,2	-11	-6,2	-11	-6,2	-10	-6,2	-9
<b>Fixed assets</b>	<b>6,0</b>	<b>11</b>	<b>21,6</b>	<b>48</b>	<b>4,1</b>	<b>9</b>	<b>5,8</b>	<b>12</b>	<b>-3,0</b>	<b>-7</b>	<b>-2,3</b>	<b>-5</b>	<b>-1,5</b>	<b>-4</b>	<b>-11,6</b>	<b>-1</b>	<b>-11,6</b>	<b>2</b>	<b>-11,6</b>	<b>3</b>
Inventories	0,0	0	0,0	0	0,0	0	0,0	0	0,0	0	0,0	0	0,0	0	0,0	0	0,0	0	0,0	0
Trade debtors	3,9	9	4,9	11	4,6	11	5,5	13	6,2	13	7,0	14	8,1	15	8,9	15	9,6	15	15,9	23
Other current assets	0,8	2	3,2	7	2,0	5	2,3	5	2,6	6	2,9	6	3,3	6	3,7	6	4,0	6	6,6	9
Cash & marketable sec.	35,7	78	14,9	34	30,8	75	30,4	70	40,8	89	42,7	86	45,0	83	47,1	80	48,2	76	44,8	64
<b>Current assets</b>	<b>40,4</b>	<b>89</b>	<b>23,1</b>	<b>52</b>	<b>37,4</b>	<b>91</b>	<b>38,1</b>	<b>88</b>	<b>49,5</b>	<b>107</b>	<b>52,6</b>	<b>105</b>	<b>56,4</b>	<b>104</b>	<b>59,7</b>	<b>101</b>	<b>61,7</b>	<b>98</b>	<b>67,4</b>	<b>97</b>
<b>Total assets</b>	<b>45,59</b>	<b>100</b>	<b>44,24</b>	<b>100</b>	<b>41,26</b>	<b>100</b>	<b>43,31</b>	<b>100</b>	<b>46,05</b>	<b>100</b>	<b>49,88</b>	<b>100</b>	<b>54,48</b>	<b>100</b>	<b>59,09</b>	<b>100</b>	<b>63,12</b>	<b>100</b>	<b>69,75</b>	<b>100</b>
Share capital	35,6	76	38,7	87	35,4	86	34,9	81	34,9	76	34,9	70	34,9	64	34,9	59	34,9	55	34,9	50
Reserves	3,6	8	0,0	0	0,0	0	0,8	2	1,9	4	4,4	9	7,4	14	10,8	18	13,8	22	10,8	16
Minority interests	0,0	0	0,0	0	0,0	0	0,0	0	0,0	0	0,0	0	0,0	0	0,0	0	0,0	0	0,0	0
Provisions	2,5	5	1,8	4	2,2	5	2,3	5	2,6	6	2,9	6	3,4	6	3,7	6	4,0	6	6,6	10
Financial liabilities	1,6	4	0,9	2	0,9	2	2,8	6	3,1	7	3,6	7	4,1	8	4,5	8	4,9	8	8,1	12
Other liabilities	0,8	2	0,6	1	0,4	1	0,4	8	0,3	1	0,3	1	0,4	1	5,2	1	5,6	1	9,3	1
Total liabilities	7,4	16	5,5	13	5,8	14	-0,7	19	9,3	20	10,5	21	12,1	22	13,4	23	14,4	23	24,0	34
<b>Total equity + liabilities</b>	<b>46,59</b>	<b>100</b>	<b>44,23</b>	<b>100</b>	<b>41,26</b>	<b>100</b>	<b>43,32</b>	<b>100</b>	<b>46,05</b>	<b>100</b>	<b>49,88</b>	<b>100</b>	<b>54,48</b>	<b>100</b>	<b>59,09</b>	<b>100</b>	<b>63,12</b>	<b>63</b>	<b>69,75</b>	<b>100</b>
Working capital	4,7		5		5		5,5		6,2		7		8,1		9		10		16	
Net debt *)	-33,1		-14		-29		-26,8		-36,3		-37		-38,4		-40		-40		-34	
Gearing **)	-0,8		-0,4		-0,8		-0,8		-1,0		-1,0		-1,0		-0,9		-0,9		-0,8	
*) Net dept = *) Net dept = minus amount means positive "net debt": = Positive assets of between US-\$ 26.8 million and US-\$ 34 million in 2010e Def: Net dept = Bank loans (shortterm and longterm) - Cash and marketable securities																				
**) Gearing: The further in positives, the more unfavorably the indebtedness quotient "Gearing" (net indebtedness/ capital funds); With Valor below 0; very positive balance strength.																				
Source: DR.KALLIWODA   RESEARCH, VALOR COMPUTERIZED SYSTEMS;																				

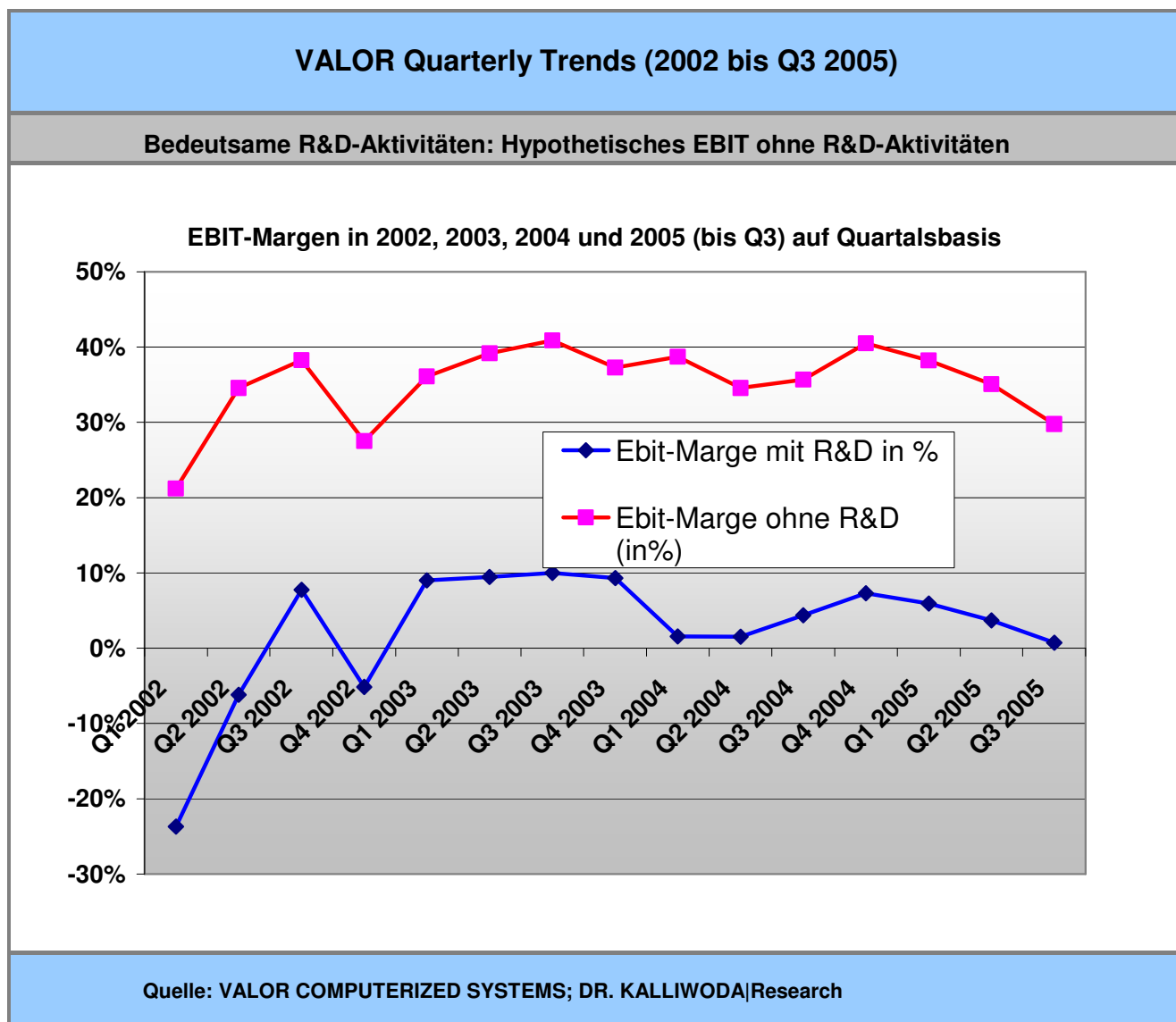
CASH FLOW STATEMENT VALOR COMPUTERIZED SYSTEMS										
US\$ Millionen										
	2001e	2002e	2003e	2004	2005e	2006e	2007e	2008e	2009e	2010e
Operating cash flow	0,5	0,4	3,5	3,4	2,1	3,3	4,2	5,4	6,7	5,1
Cash flow from investmen	5,8	2,4	5,3	8,8	8,8	-0,7	-0,7	-1,0	-1,0	-1,0
Dividend payments	0,0	0,0	-5,3	-2,6	-1,6	-1,7	-2,2	-2,6	-2,8	-2,8
Cash flow Financ. (e.g. bu	-4,7	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Free cash flow</b>	<b>6,4</b>	<b>2,8</b>	<b>8,8</b>	<b>12,3</b>	<b>10,8</b>	<b>2,6</b>	<b>3,5</b>	<b>4,4</b>	<b>5,7</b>	<b>4,1</b>
Source: DR.KALLIWODA   RESEARCH, VALOR COMPUTERIZED SYSTEMS										
CAGR 2005 bis 2010 : 25,3%										



## 5.4 EBITRaD: Earnings before interest, tax and research & development (R&D)

The following graph shows that Valor is a profitable enterprise. The curve above shows a hypothetical EBIT-margin computation that does not account for R&D expenditures. We call it EBITRaD-margin

(Earnings before Interest, Tax and R&D). Here, Valor exhibits an impressive margin of 37.4% on average for the financial year 2004, 38.4% for 2003 and 30.4% for 2002. For Q3/2005 we derive an EBITRaD of 30%.<sup>2</sup>



<sup>2</sup> Valor obtained US\$ 9,2 million in Q3/2005 and EBIT of US\$ 0,2 million and invested US\$ 2,66 million in R&D.

## 6. SWOT ANALYSIS

### STRENGTHS

<b>Client Penetration</b>	<ul style="list-style-type: none"> <li>Valor is strongly integrated in the vertical structures of important companies</li> </ul>
<b>Management</b>	<ul style="list-style-type: none"> <li>Competent Manangement with strong know-how in the electronic segment; meaningful geographical distribution of Valors´ human resources</li> </ul>
<b>Cashflow</b>	<ul style="list-style-type: none"> <li>High operational cashflow: US\$ 30.6 million sales in 2004 and US\$ 3.44 million operational cash-flow</li> </ul>
<b>Cash</b>	<ul style="list-style-type: none"> <li>High cash reserves of US\$ 26.1 million</li> </ul>
<b>Assembly Expertise</b>	<ul style="list-style-type: none"> <li>State-of-the-art technology; strong assembly process expertise: Know-how with high speed boards and with miniaturization of circuit boards</li> </ul>
<b>Trilogy 5000</b>	<ul style="list-style-type: none"> <li>Trilogy 5000 as the biggest growth driver (new documentations-editor and shape-manager-modul)</li> </ul>
<b>TraceXpert</b>	<ul style="list-style-type: none"> <li>Best in class product TraceXpert as growth driver: Expert-tool for real time monitoring and component traceability</li> </ul>
<b>ODB++</b>	<ul style="list-style-type: none"> <li>Professional open DATA format ODB++; full data portability; Real time production control leads to improved product quality higher production volume</li> </ul>
<b>Client basis</b>	<ul style="list-style-type: none"> <li>Huge client basis</li> </ul>

### OPPORTUNITIES

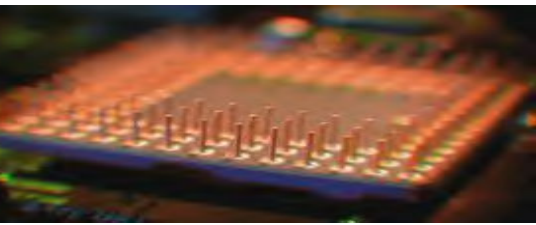
<b>Asia and Japan</b>	<ul style="list-style-type: none"> <li>High turnover and profit potential in Asia and Japan</li> </ul>
<b>M&amp;A</b>	<ul style="list-style-type: none"> <li>Lining up M&amp;A transactions</li> </ul>
<b>Market trends</b>	<ul style="list-style-type: none"> <li>Market trends of the product innovations and the ever shorter product life cycles support Valors strategy and sales potential</li> </ul>
<b>Clients preferences</b>	<ul style="list-style-type: none"> <li>Customers need improved product quality and the possibility of efficient back tracing of all used product-components for the later comprehensibleness of the component supplier</li> </ul>
<b>Complex Semiconductors</b>	<ul style="list-style-type: none"> <li>Trend for more complex and more compact disks and electronic components Only professional and efficient production systems master the complexity</li> </ul>
<b>Profitability</b>	<ul style="list-style-type: none"> <li>High Investments in software development (R&amp;D) provide good chances for Valor to penetrate blue chip customers more strongly</li> </ul>

### WEAKNESSES

<b>Enterprise 3000</b>	<ul style="list-style-type: none"> <li>Enterprise 3000 with limited growth</li> </ul>
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### THREATS

<b>Semicond. Cycles</b>	<ul style="list-style-type: none"> <li>Operational presence in over 23 countries requires high distribution and efforts of organization.</li> </ul>
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## 7. CONTACT

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