

03 st November 2006

## COMPANY ANALYSIS

Coverage: Since Q1/2004

# VALOR

**Sector:**  
Software / Technology

**EVENT:** Preview Results Q3

Rating (old): BUY

Rating: BUY

Fair Value (old) € 4,33

Fair Value (new) € 5,02

Last Price: € 3,70

## Improving Profit Margins

- Strong Demand for Traceability in Automotive & Medical Markets
- Improvement of Ebit Margins expected
- Longer Sales cycles lead to sales deferment



Chart: 2th Nov. 2001 to 2th Nov. 2006

### SWOT

- + Strong experienced Management
- + Fine Margins with Software Concepts and Tools
- + High Cash Reserves (\$ 26 mln)
- - Enterprise 3000 with limited Growth
- - High Demand on worldwide Sales

### ANALYST

Dr. Norbert Kalliwoda; CEFA  
DVFA-Analyst Dipl.-Kfm.  
+49 (69) 97205853  
nk@kalliwoda.com  
www.kalliwoda.com

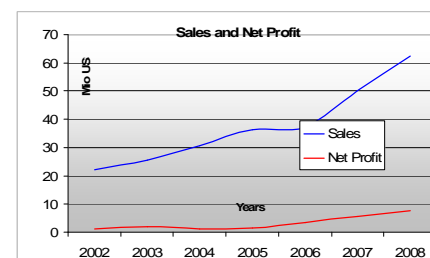
See also  
Kalliwoda Recommendations  
on Terminal: Bloomberg  
Reuters  
Thomson Financials  
JCF Factset

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### COMPANY DESCRIPTION

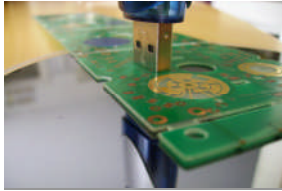
VALOR COMPUTERIZED SYSTEMS is one of the leading suppliers of productivity-increasing software solutions for the electronic industry. VALOR's solutions cover the development, production and monitoring. VALOR created an international standard for dataexchange on the highest level. The products help companies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

### HISTORY & ESTIMATES



VALOR COMPUTERIZED SYSTEMS					
Figures in EUR	2002	2003	2004	2005	2006e
EPS Dr. Kalliwoda	0.07	0.11	0.07	0.08	0.19
EPS Consensus	-0.04	0.11	0.13	0.12	0.20
Revenues (mln)	22.1	25.6	30.7	36.3	37.2
net Income (adj.)	1.3	1.9	1.2	1.4	3.5
net cash per share	0.7	1.6	1.4	1.7	1.7
net Cash	14.0	29.9	27.6	32.0	32.0
Free Cash Flow	5.1	8.8	11.9	10.4	2.5
P/E	-	37.2	58.1	51.0	20.3
P/S	-	2.8	2.3	2.0	1.9
ROE in %	2.38	3.4	5.5	3.5	9.7
EV/EBITDA		32.6	107.5	62.2	23.8
Price (curr)	3.7				19.23
52W high	3.48				16.5
52w low	1.87				39.2%
Market Cap (mln)	71.2				0.005%
Last Dividend	0.07				VCR
Sales CAGR 2001-2010	33%				Bloomberg
Web Page	www.valor.com				WKN
					928731

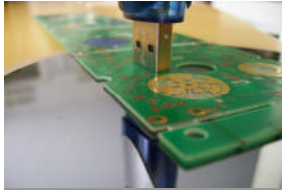
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## 1. FINANCIALS: Q2/2006 AND FORECAST FOR Q3/2006

### 1.1 Q2/2006 Results

In Q2/2006 total revenues with US\$ 9.188 million were slightly stronger compared to the previous year quarter of US\$ 9.003 million. Our conservative estimates were thereby exceeded by around US\$ 0.418 million.

Valor obtained EBIT of US\$ 0.856 million and a net result of US\$ 1.002 million and thereby exceeded our expectation by around US\$ 0.2 million and/or US\$ 0.207 million.

The reason for the good Q2-results was in particular the successful acquisition of new customers (electronics firm) for Valors TraceXpert solution.

### 1.2 Q3/2006e-Preview

For Q3/2006e we expect revenues of US\$ 9.1 million and EBIT of US\$ 0.58 million and a net result of US\$ 0.64 million. The company guidance for Q3 lies between US\$ 8.7 million and US\$ 9.1 million. Valor believes to achieve a net result of between US\$ 0.3 million and US\$ 0.7 million in Q3. For the whole year the company expects a net result of between US\$ 2.75 million and US\$ 3.75 million. We estimate for the entire financial year 2006 revenues of US\$ 37.2 million. We forecast EBIT of 3,1 million and the net result on US\$ 3.52 million (due to the positive financial result). Our estimates on net results range at the upper end of the company Guidance. We assume Valor will continuously increase revenues and profits on the basis of the newly closed contracts.

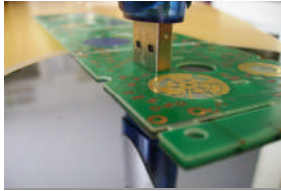
Valor's optimized distribution activity is based on the restructuring process accomplished since Q4/2005 and the implicated Consultative Selling Approach (sales advisory approach), meaning the custom-made engineering of the customized production and testing equipments, which consist of Valor components. The sales advisory approach permits larger IT projects at customers and led to provable successes in Q2/2006.

### 1.3 Prognoses and Evaluation

On the basis of our Q3 and Q4/2006-estimates and the results of Q1 and Q2 we reduce our sales estimates of US\$ 41 million to 37.2 million. The longer sales cycles in Asia retard projects and product orders and have a negative impact on topline growth this year. At the same time we increase our net result prognosis from US\$ 2.7 million to US\$ 3.1 million, because Valor was able to increase the gross margins on product sales.

A decreasing sale of margin-weak hardware contributes also to the increase of the result margins. See for this the following tables with our estimates on Q3+Q4/2006.

Valor has at present US\$ 14.15 million cash. We raised the profit margins for the years 2007 to 2010 because we expect several new customers for TraceXpert. The product is suitable for examining the procurement and use of lead free electronic construction units as well as pollution factors. On the basis of our 3-stage-discount cash-flow model we calculate a target price of EURO 5.02 on view of 12 months and maintain our purchase recommendation.



## 1.3 Quarterly Trends

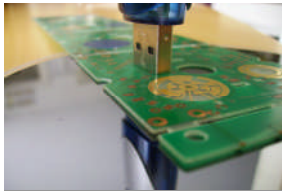
VALOR FY/2004, FY/2005 & Q1/2006 & Q2/2006: Estimates on Q3/2006e & Q4/2006e Figures in Mio. US\$

	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 2005	Q4 2004	Change to Q4 2004	total 2005	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%	6.328	5.44	16.43%	24.120	19.90	21.21%
% of revenues	67.1%	64.5%		65.5%	64.0%		66.1%	65.1%		66.8%	65.8%		66.4%	64.9%	
Maintenance	2.865	2.54	12.75%	3.110	2.68	16.09%	3.105	2.72	14.07%	3.139	2.82	11.27%	12.219	10.76	13.53%
% of revenues	32.9%	35.5%		34.5%	36.0%		33.9%	34.9%		33.2%	34.2%		33.6%	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>9.467</b>	<b>8.26</b>	<b>15%</b>	<b>36.339</b>	<b>30.66</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%	0.955	0.85	12.88%	4.730	2.83	66.96%
% of revenues	9.8%	4.0%		12.1%	11.3%		20.1%	11.1%		10.1%	10.2%		13.0%	9.2%	
Maintenance	0.239	0.20	52.55%	0.245	0.16	57.05%	0.205	0.21	-2.84%	0.267	0.14	88.03%	1.016	0.71	44.11%
% of revenues	3.4%	2.7%		2.7%	2.1%		2.2%	2.7%		2.8%	1.7%		2.8%	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>1.323</b>	<b>1.09</b>	<b>21%</b>	<b>5.746</b>	<b>3.54</b>	<b>62%</b>
% of revenues	13.2%	6.7%		14.8%	14.9%		22.3%	15.2%		14.0%	13.2%		15.8%	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>8.245</b>	<b>7.27</b>	<b>13%</b>	<b>30.593</b>	<b>27.12</b>	<b>13%</b>
% of revenues	86.8%	93.3%		85.2%	86.6%		77.7%	86.2%		87.1%	88.0%		84.2%	88.5%	
Research and Development Costs	2.810	2.66	5.72%	2.825	2.46	14.79%	2.660	2.44	8.93%	2.588	2.74	-5.62%	10.883	10.30	5.63%
% of revenues	32.3%	37.2%		31.4%	33.0%		29.0%	31.3%		27.3%	33.2%		29.9%	33.9%	
Selling and Marketing Expenses	3.617	3.34	8.42%	3.862	3.45	11.88%	3.780	3.49	8.31%	4.901	3.45	42.02%	16.160	13.73	17.71%
% of revenues	41.6%	46.6%		42.9%	46.3%		41.2%	44.7%		51.8%	41.8%		44.5%	44.8%	
General and Administrative Expenses	0.612	0.57	7.75%	0.650	0.43	51.87%	0.613	0.45	35.02%	0.482	0.47	1.90%	2.357	1.92	22.57%
% of revenues	7.0%	7.9%		7.2%	5.7%		6.7%	5.8%		5.1%	5.7%		6.5%	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>7.971</b>	<b>6.67</b>	<b>20%</b>	<b>29.400</b>	<b>25.96</b>	<b>13%</b>
% of revenues	80.9%	91.7%		81.5%	95.7%		77.0%	81.9%		84.2%	80.7%		80.9%	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>0.173</b>	<b>0.50</b>	<b>-65%</b>	<b>1.193</b>	<b>1.17</b>	<b>2%</b>
% of revenues	6.0%	1.6%		3.7%	1.5%		0.7%	3.0%		1.8%	6.1%		3.3%	3.8%	
Financial Income, net	0.113	0.24	-52.92%	0.075	0.22	-66.22%	0.144	0.10	48.45%	0.115	0.21	-46.01%	0.447	0.77	-42.10%
% of revenues	1.3%	3.4%		0.8%	3.0%		1.6%	1.2%		1.2%	2.6%		1.2%	2.5%	
<b>Profit before Taxes on Income</b>	<b>0.631</b>	<b>0.352</b>	<b>79%</b>	<b>0.408</b>	<b>0.336</b>	<b>21%</b>	<b>0.212</b>	<b>0.327</b>	<b>-35%</b>	<b>0.288</b>	<b>0.713</b>	<b>-60%</b>	<b>1.640</b>	<b>1.941</b>	<b>-16%</b>
% of revenues	7.2%	4.9%		4.5%	4.5%		2.3%	4.2%		3.0%	8.6%		4.5%	6.3%	
Taxes on Income	0.000	0.06	-100.00%	0.000	0.04	-100.00%	0.110	0.04	197.30%	0.136	0.19	-28.42%	0.246	0.32	-22.88%
% of revenues	0.0%	0.8%		0.0%	0.5%		1.2%	0.5%		1.4%	2.3%		0.7%	1.0%	
<b>Profit bef.Inc.Tax due to Divid.Distribution</b>	<b>0.631</b>	<b>0.295</b>	<b>114%</b>	<b>0.408</b>	<b>0.301</b>	<b>36%</b>	<b>0.102</b>	<b>0.290</b>	<b>-65%</b>	<b>0.253</b>	<b>0.523</b>	<b>-52%</b>	<b>1.394</b>	<b>1.622</b>	<b>-14%</b>
% of revenues	7.2%	4.1%		4.5%	4.0%		1.1%	3.7%		2.7%	6.3%		3.8%	5.3%	
Income Tax due to Dividend Distribution		0.00			0.00			0.00			0.00		0.000	0.00	
% 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>0.253</b>	<b>0.52</b>	<b>-52%</b>	<b>1.394</b>	<b>1.62</b>	<b>-14%</b>
% of revenues	7.2%	4.1%		4.5%	4.0%		1.1%	3.7%		2.7%	6.3%		3.8%	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%	0.01	0.03	-52.10%	0.08	0.09	-16.51%
Diluted Earnings (Losses) per Share	0.03	0.01	215.31%	0.02	0.01	104.15%	0.01	0.01	-64.72%	0.01	0.03	-51.82%	0.07	0.08	-11.78%
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%	18.600	18.40	1.09%	18.552	18.27	1.52%
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%	20.300	20.20	0.50%	19.618	20.14	-2.58%

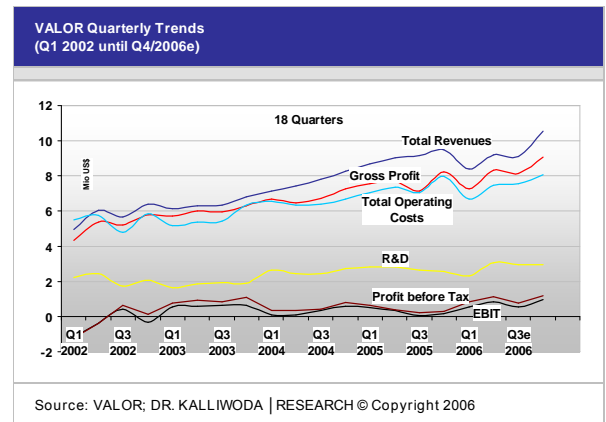
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VALOR FY/2004, FY/2005 & HY/2006 & Q3/2006e & Q4/2006e Figures in Mio. US\$

	Q1 2006	Q1 2005	Change to Q1 2005	Q2 2006	Q2 2005	Change to Q2 2005	Q3 2006e	Q3 2005	Change to Q3 2005	Q4 2006e	Q4 2005	Change to Q4 2005	total 2006e	total 2005	Change to total 2005
<b>Revenues</b>															
Product Sales and Related Services	5.152	5.84	-11.78%	5.745	5.893	-2.51%	5.800	6.059	-4.27%	6.700	6.328	5.88%	23.397	24.120	-3.00%
% of revenues	61.5%	67.1%		62.5%	65.5%		63.7%	66.1%		63.5%	66.8%		62.9%	66.4%	
Maintenance	3.230	2.87	12.74%	3.443	3.110	10.71%	3.300	3.105	6.28%	3.850	3.139	22.65%	13.823	12.219	13.13%
% of revenues	38.5%	32.9%		37.5%	34.5%		36.3%	33.9%		36.5%	33.2%		37.1%	33.6%	
<b>Total Revenues</b>	<b>8.382</b>	<b>8.71</b>	<b>-4%</b>	<b>9.188</b>	<b>9.003</b>	<b>2%</b>	<b>9.100</b>	<b>9.164</b>	<b>-1%</b>	<b>10.550</b>	<b>9.467</b>	<b>11%</b>	<b>37.220</b>	<b>36.339</b>	<b>2%</b>
<b>Cost of Revenues</b>															
Product Sales	0.921	0.85	8.48%	0.656	1.088	-39.71%	0.710	1.838	-61.37%	1.100	0.955	15.18%	3.387	4.730	-28.39%
% of revenues	11.0%	9.8%		7.14%	12.1%		7.80%	20.1%		10.43%	10.1%		9.10%	13.0%	
Maintenance	0.195	0.30	-34.78%	0.215	0.245	-12.24%	0.185	0.205	-9.76%	0.300	0.267	12.36%	0.895	1.016	-11.91%
% of revenues	2.3%	3.4%		2.34%	2.7%		2.03%	2.2%		2.84%	2.8%		2.40%	2.9%	
<b>Total Costs of Revenues</b>	<b>1.116</b>	<b>1.15</b>	<b>-3%</b>	<b>0.871</b>	<b>1.333</b>	<b>-35%</b>	<b>0.973</b>	<b>2.043</b>	<b>-52%</b>	<b>1.504</b>	<b>1.323</b>	<b>14%</b>	<b>4.373</b>	<b>5.746</b>	<b>-24%</b>
% of revenues	13.3%	13.2%		9.48%	14.8%		10.69%	22.3%		14.26%	14.0%		11.75%	15.8%	
<b>Gross Profit</b>	<b>7.266</b>	<b>7.56</b>	<b>-4%</b>	<b>8.317</b>	<b>7.670</b>	<b>8%</b>	<b>8.127</b>	<b>7.121</b>	<b>14%</b>	<b>9.046</b>	<b>8.245</b>	<b>10%</b>	<b>32.847</b>	<b>30.593</b>	<b>7%</b>
% of revenues	86.7%	86.8%		90.22%	85.2%		89.31%	77.7%		85.74%	87.1%		88.25%	84.2%	
Research and Development Costs	2.305	2.81	-17.97%	3.067	2.825	8.57%	2.950	2.660	10.90%	2.950	2.588	13.99%	11.272	10.883	3.57%
% of revenues	27.5%	32.3%		33.38%	31.4%		32.42%	29.0%		27.96%	27.3%		30.28%	29.9%	
Selling and Marketing Expenses	3.831	3.62	5.92%	3.819	3.862	-1.11%	3.900	3.780	3.17%	4.400	4.901	-10.22%	15.950	16.160	-1.30%
% of revenues	45.7%	41.6%		41.57%	42.9%		42.86%	41.2%		41.71%	51.8%		42.85%	44.5%	
General and Administrative Expenses	0.559	0.61	-8.66%	0.575	0.650	-11.54%	0.700	0.613	14.19%	0.700	0.482	45.23%	2.534	2.357	7.51%
% of revenues	6.7%	7.0%		6.26%	7.2%		7.69%	6.7%		6.64%	5.1%		6.81%	6.5%	
<b>Total Operating Costs and Expenses</b>	<b>6.695</b>	<b>7.04</b>	<b>-5%</b>	<b>7.461</b>	<b>7.337</b>	<b>2%</b>	<b>7.550</b>	<b>7.053</b>	<b>7%</b>	<b>8.050</b>	<b>7.971</b>	<b>1%</b>	<b>29.756</b>	<b>29.400</b>	<b>1%</b>
% of revenues	79.9%	80.9%		81.20%	81.5%		82.97%	77.0%		76.30%	84.2%		79.95%	80.9%	
Impairment (loss) earnings															
<b>Profit from Operations</b>	<b>0.571</b>	<b>0.52</b>	<b>10%</b>	<b>0.856</b>	<b>0.333</b>	<b>157%</b>	<b>0.577</b>	<b>0.068</b>	<b>748%</b>	<b>0.996</b>	<b>0.173</b>	<b>475%</b>	<b>3.091</b>	<b>1.193</b>	<b>159%</b>
% of revenues	6.8%	6.0%		9.32%	3.7%		6.34%	0.7%		9.44%	1.8%		8.30%	3.3%	
Financial Income, net	0.291	0.11	157.52%	0.298	0.075	297.33%	0.200	0.144	38.89%	0.200	0.115	73.91%	0.989	0.075	1218.67%
% of revenues	3.5%	1.3%		3.24%	0.8%		2.20%	1.6%		1.90%	1.2%		2.66%	0.2%	



The following graphic shows the business-performance of the last four and a half years (incl. our estimated Q3 & Q4-2006). 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 years 2004 and 2005.



## 2. VALUATION: DCF

On the basis of our discount cash flow model with a weighted cost of capital (WACC) of 9.5% and a beta of 1.2 we calculate a fair value of US\$ 6.38. With a present Euro/US\$ exchange-rate of 1.27 we calculate a fair value of € 5.02 per share (EUR 0,69 higher compared to our calculated fair value in our last publication on 01th August) and recommend the stock to buy.

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 1.2. These parameters applied, we received a weighted average cost of capital (WACC) of 9.5%.

## 2.1 Sensitivityanalysis

The results show a valuation-range of US\$ 4.98 to US\$ 9,21. A long-term growth of 1.5% (Terminal Growth Rate) and a weighted cost of capital of 9.5% is realistic in our eyes. From these numbers, a market-capitalization of US\$ 124 million, corresponding to a fair share price of US\$ 6.38 for Valor Computerized Systems is calculated.

DCF PARAMETER	
PARAMETERS	
Risk-free rate	3.7%
Risk premium	4.8%
Beta	1.20
Longterm growth rate	1.5%
Cost of equity	9.5%
Cost of debt (after Tax)	5.2%
WACC	9.5%
NET PRESENT VALUE OF FREE CASH FLOWS (Mio. US-DOLLAR)	
Phase 1 (2005-2006)	1.7
Phase 2 (2007-2009)	55.4
Phase 3 (2010...terminal value)	52.7
Net debt	14.1
Value of total equity	124.0
DCF value per share	6.38

Source: DR.KALLIWODA | RESEARCH 2006 ©

### SENSITIVITY ANALYSIS per Share

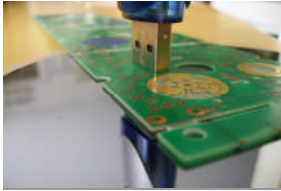
(US-DOLLAR)	Discount factor				
$\beta = 1.2$	0.07	0.08	0.095	0.10	0.11
0.0%	7.45	6.61	5.95	5.42	4.98
0.5%	7.70	6.79	6.08	5.52	<b>5.05</b>
1.0%	7.99	6.99	6.22	<b>5.62</b>	5.13
1.5%	8.33	7.22	<b>6.38</b>	5.74	5.22
2.0%	8.73	<b>7.48</b>	6.57	5.87	5.31
2.5%	<b>9.21</b>	7.79	6.77	6.01	5.42

Source: DR. KALLIWODA RESEARCH ©

### SENSITIVITY ANALYSIS (Market-Capitalization)

(Mio. US-DOLLAR)	Discount factor				
$\beta = 1.2$	7.5%	8.5%	9.5%	10.5%	11.5%
0.0%	145	128	116	105	97
0.5%	150	132	118	107	<b>98</b>
1.0%	155	136	121	<b>109</b>	100
1.5%	162	140	<b>124</b>	111	101
2.0%	170	<b>145</b>	128	114	103
2.5%	<b>179</b>	151	132	117	105

Source: DR. KALLIWODA RESEARCH ©



### 3. STATEMENT OF CASHFLOWS

The following table shows the level of cash and cash equivalents of US\$ 14.15 million (Q2/2006) as well as the positive development of the operational cash flows.

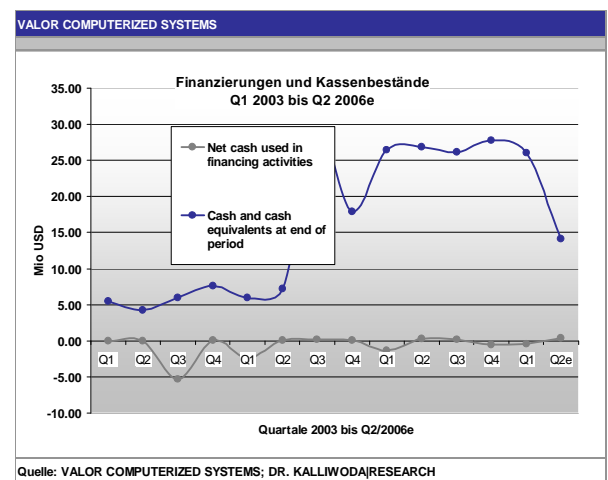
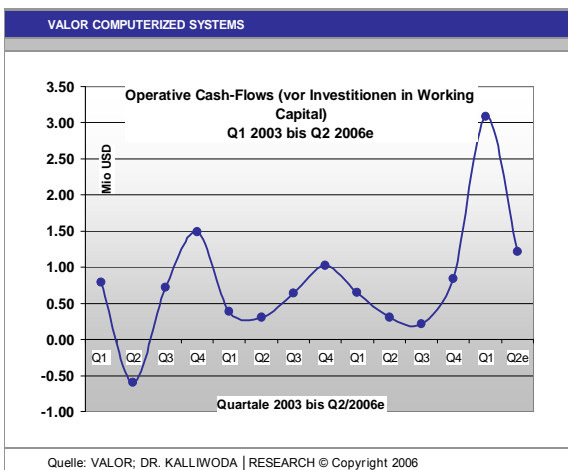
In addition the cash reserves should make acquisitions possible, which would strengthen Valors operational business altogether. But with the take over of TraceXpert a bigger step has already done.

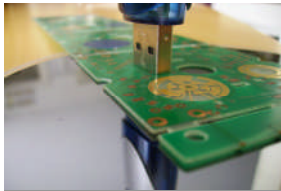
VALOR CONSOLIDATED STATEMENTS OF CASHFLOWS													
	Change to Q2 2004	Q3 2005	Q3 2004	Change to Q3 2004	Q4 2005	Q4 2004	Change to Q4 2004	Q1 2006	Q1 2005	Change to Q1 2005	Q2 2006	Q2 2005	Change to Q2 2005
<b>Cash flows from operating activities</b>													
Net profit	36%	0.10	0.301	-66%	0.25	0.301	-16%	0.80	0.631	26%	1.00	0.408	146%
<b>Operating cash flows before working capital changes</b>	1%	0.22	0.301	-28%	0.84	0.301	180%	3.08	-0.653	-572%	1.22	0.303	301%
Net cash provided by (used in) operating activities	-75%	-0.16	0.958	-117%	0.37	0.958	-61%	3.88	0.190	1943%	1.67	0.241	593%
<b>Cash flows from investing activities</b>													
Net cash provided by (used in) investing activities	-149%	-0.77	0.222	-445%	-0.09	0.222	-141%	-5.19	9.965	-152%	-13.98	-0.108	12842%
<b>Cash flows from financing activities</b>													
Net cash used in financing activities	285%	0.21	0.062	234%	-0.49	0.062	-895%	-0.40	-1.491	-73%	0.39	0.239	65%
Increase (decrease) in cash and cash equivalents	-70.05%	0.37	1.242	-70.05%	-9.41	1.242	-857.49%	-1.711	8.664	-119.75%	-11.913	0.372	-3302.42%
Effect of exchange rate changes on opening cash	-90.91%	-0.002	-0.022	-90.91%	0.05	-0.022	-345.45%	0.010	-0.050	-120.00%	0.04	-0.002	-2050.00%
Cash and cash equivalents at beginning of period	344%	26.85	5.965	350%	26.10	5.965	338%	27.73	17.869	55%	26.03	26.483	-2%
Cash and cash equivalents at end of period	274%	26.10	7.185	263%	27.73	7.185	286%	26.03	26.483	-2%	14.16	26.853	-47%

Source: VALOR; DR.KALLIWODA | RESEARCH © Copyright 2006

The following graph (below) clarifies that the gross cash flows (operating cash flows before working capital changes) improved since Q2/2004 and vary afterwards between US\$ 0,2 million and US\$ 3.1 million.

The graph (below) "investments and financings and cash in hand" shows the financing loads e.g. dividend payments. Here the reducing cash in hand of Valor becomes clear by the complete assumption of TraceXpert.





## 4. PROFIT & LOSS ACCOUNTING UNTIL 2010

The following graph shows the profit-and-loss-accounts with estimates up to 2010.

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 2010
Revenues (Scenario 1*)	24.8	22.1	25.6	30.7	36.3	37.2	50.0	62.5	69.5	78.0	33.2%
Revenues (Scenario 2*)	24.8	22.1	25.6	30.7	36.5	46.0	63.0	74.0	82.0	91.0	38.4%
% change	-15.4%	-11.0%	16.0%	19.7%	18.5%	2.4%	34.3%	25.0%	11.2%	12.2%	
COGS	-3.3	-2.2	-1.7	-3.5	-5.7	-4.4	-5.9	-7.3	-8.2	-9.2	
% of revenues	13%	10%	7%	12%	16%	12%	12%	12%	12%	12%	
Gross income	21.5	19.8	23.9	27.1	30.6	32.8	44.1	55.2	61.3	68.8	28.0%
% change	-16.3%	-7.7%	20.7%	13.3%	12.8%	7.4%	34.3%	25.0%	11.2%	12.2%	
Gross margin	87%	90%	93%	88%	84%	88%	88%	88%	88%	88%	88%
R & D	-8.0	-6.8	-7.4	-10.4	-10.9	-11.3	-14.2	-16.4	-17.7	-19.9	
% of revenues	-32%	-31%	-29%	-34%	-30%	-28%	-28%	-26%	-26%	-26%	
S, S&A (Distr./Mark.)	-12.9	-10.5	-12.4	-13.9	-16.2	-16.0	-19.4	-24.3	-25.8	-29.0	
% of revenues	52%	47%	49%	45%	43%	39%	39%	39%	37%	37%	
Other op. Income	-1.8	-1.9	-1.7	-2.1	-2.4	-2.5	-3.4	-4.3	-4.7	-5.3	
EBITDA	-1.2	0.7	2.4	0.8	1.2	3.1	7.0	9.9	12.1	13.7	46.9%
% of revenues	-5%	3%	9%	3%	3%	8%	14%	16%	17%	18%	
EBITDA margin	-4.7%	3.0%	9.4%	2.5%	3.3%	8.3%	14.0%	15.9%	17.4%	17.5%	
EBIT	-1.2	0.7	2.4	0.8	1.2	3.1	7.1	10.0	11.1	12.7	44.2%
% of revenues	-5%	3%	9%	3%	3%	8%	14%	16%	16%	16%	
EBIT margin	-4.7%	3.0%	9.4%	2.5%	3.3%	8.3%	14.2%	16.0%	15.9%	16.2%	
Financial result	2.1	0.7	1.2	0.8	0.4	1.0	0.3	0.3	0.2	0.0	
Pre tax income	0.9	1.3	3.6	1.54	1.6	4.1	7.4	10.3	11.3	12.7	50.1%
% of revenues	3.8%	6.1%	14.2%	5.0%	4.5%	10.9%	14.8%	16.5%	16.2%	16.2%	
Taxes	0.0	0.0	-1.7	-0.3	-0.2	-0.6	-1.8	-2.6	-2.8	-3.2	
Tax rate	1.7%	1.2%	47.3%	20.7%	15.0%	13.7%	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	
Net income (Ex adj.)	0.9	1.3	1.9	1.22	1.4	3.5	5.5	7.7	8.4	9.5	30.1%
% of revenues	4%	6%	7%	4%	4%	9%	11%	12%	12%	12%	
Net margin	4%	6%	7%	4%	4%	9%	11%	12.4%	12.2%	12.2%	
# shares out (mln)	18.54	18.07	18.05	18.27	18.40	18.40	18.40	18.40	18.40	18.40	
EPS	0.05	0.07	0.11	0.07	0.08	0.19	0.30	0.42	0.46	0.51	30.1%

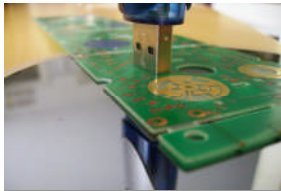
Szenario 1\*) Schätzungen ohne Firmenakquisitionen; Unsere DCF-Analyse basiert auf diesem Szenario; Fairer Wert: US\$ 5,27 je Aktie.  
 Szenario 2\*) Schätzungen mit Firmenakquisitionen (Gewinn-Reihe ist etwas höher verglichen mit Szenario 1); 2006: US\$ 0,21; 2007: US\$ 0,30; 2008: US\$ 0,36; 2009: US\$ 0,37; 2010: US\$ 0,41).  
 Fairer Wert: US\$ 5,47 je Aktie.

Source: DR. KALLIWODA | RESEARCH © Copyright 2006; VALOR

The P&L shows a strong sales development from 2001 to 2005 from US\$ 24,9 million to US\$ 36,34 million. In 2010 you see our estimates of US\$ 78 million having calculated 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\$ 3.1 million in 2006 (US\$ 0.7 higher compared to our last analysis), US\$ 7.1 million in 2007 (+US\$ 1.5 million), US\$ 10 million in 2008 (+US\$ 2.9 million), US\$ 11.1 million in 2009 (+US\$ 2.8 million), and US\$ 12.7 million in 2010 (+US\$ 4.3 million), which equals an average EBIT-margin of 14.1%.

The EBT-series is slightly stronger. We expect pre-tax results from 2006 to 2010 to be US\$ 4.1 million, US\$ 7.4 million, US\$ 10.3 million, US\$ 11.3 million and US\$ 12.7 million which results in an EBT-margin of 11,2% on average with continuous growth. These result-series are positively influenced by the financial investments of US\$ 14.15 million (Q2-2006).

<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 9.5 % (WACC).



## 5. BALANCE & CASH FLOWS

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	0.64477	0.5	1.237589	0.5	1.16	0.5	1.0841344	0.5	0.947	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	0.94	0.4	0.8946304	0.4	0.795	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	8	-6.2	11	-6.2	11
Financial assets	1.7	4	18.5	42	1.8	4	3.2	7	-6.2	-14	-6.2	-13	-6.2	-12	-6.2	-10	-6.2	-9	-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>-8</b>	<b>-2.3</b>	<b>-6</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	6.1	14	6.2	13	7.7	14	8.9	15	9.6	15	16.0	22
Other current assets	0.8	2	3.2	7	2.0	5	2.3	5	2.5	6	2.6	5	3.2	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	39.9	88	41.4	87	44.6	83	48.3	80	51.0	77	46.3	65
<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>48.6</b>	<b>108</b>	<b>50.2</b>	<b>106</b>	<b>55.4</b>	<b>104</b>	<b>61.0</b>	<b>101</b>	<b>64.6</b>	<b>98</b>	<b>69.0</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>45.16</b>	<b>100</b>	<b>47.50</b>	<b>100</b>	<b>53.43</b>	<b>100</b>	<b>60.32</b>	<b>100</b>	<b>65.90</b>	<b>100</b>	<b>71.32</b>	<b>100</b>
Share capital	35.6	76	38.7	87	35.4	86	34.9	81	34.9	77	34.9	74	34.9	65	34.9	58	34.9	53	34.9	49
Reserves	3.6	8	0.0	0	0.0	0	0.4	1	1.0	2	3.2	7	7.0	13	11.9	20	16.5	25	12.3	17
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	2.6	5	3.2	6	3.7	6	4.0	6	6.7	9
Financial liabilities	1.6	4	0.9	2	0.9	2	2.8	6	3.1	7	3.2	7	3.9	7	4.6	8	4.9	7	8.1	11
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	20	9.2	20	9.4	20	11.5	22	13.5	22	14.5	22	24.1	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>42.92</b>	<b>100</b>	<b>45.16</b>	<b>100</b>	<b>47.50</b>	<b>100</b>	<b>53.43</b>	<b>100</b>	<b>60.32</b>	<b>100</b>	<b>65.90</b>	<b>66</b>	<b>71.32</b>	<b>100</b>
Working capital	4.7		5		5		5.5		6.1		6		7.7		9		10		16	
Gearing *)	-0.8		-0.4		-0.8		-0.8		-1.0		-1.0		-1.0		-0.9		-0.9		-0.8	

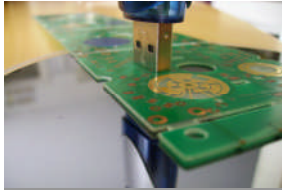
\*) Gearing: The further in positives, the more unfavorably the indebtedness quotient "Gearing" (net indebtedness/ capital funds);  
 With Valor below 0; very positive balance strength.

Source: DR.KALLIWODA | RESEARCH © Copyright 2006, VALOR.

CASH FLOW STATEMENT VALOR COMPUTERIZED SYSTEMS										
US\$ Millionen										
	2001e	2002e	2003e	2004	2005e	2006e	2007e	2008e	2009e	2010e
Operating cash flow	0.5	2.5	3.5	3.0	1.6	3.2	4.6	7.1	9.2	7.8
Cash flow from investments	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	-1.6	-2.5	-3.5	-2.8	-2.8
Cash flow Financ. (e.g. buy back)	-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>4.9</b>	<b>8.8</b>	<b>11.9</b>	<b>10.4</b>	<b>2.5</b>	<b>3.9</b>	<b>6.1</b>	<b>8.2</b>	<b>6.8</b>

Source: DR.KALLIWODA | RESEARCH © Copyright 2006, VALOR. CAGR 2005 bis 2010 : 25,3%





## 6. CONTACT

# VALOR

**VALOR COMPUTERIZED SYSTEMS LTD.**

P.O. BOX 152, Yavne 70600, Israel  
 Tel.: (+972) 89432430  
 Fax: (+972) 89432429

Email:

Dan Hoz (Finanzvorstand) [danh@valor.com](mailto:danh@valor.com)  
 Alon Ehrlich (Global Marketing Communications & Investor Relations Manager)  
[alone@valor.com](mailto:alone@valor.com)  
 Web: [www.valor.com](http://www.valor.com)

<b>DR. KALLIWODA   RESEARCH</b>		Unterlindau 22 60323 Frankfurt Tel.: 069-97 20 58 53 Fax.: 069-13 30 38 52 26 2 <a href="http://www.kalliwoda.com">www.kalliwoda.com</a>
Primary Research   Fair Value Analysis   International Roadshows		
Head: <b>Dr. Norbert Kalliwoda</b> E-Mail: <a href="mailto:nk@kalliwoda.com">nk@kalliwoda.com</a>	CEFA-Analyst; University of Frankfurt Economics; Dipl.-Kfm.	<u>Sectors:</u> IT, Software, Electricals & Electronics, Mechanical Engineering, Logistics, Laser, Technology, Raw Materials
<b>Dr. Thomas Krassmann</b> E-Mail: <a href="mailto:tk@kalliwoda.com">tk@kalliwoda.com</a>	Dipl.-Geologist, M.Sc.; University of Göttingen & Rhodes University, South Africa;	<u>Sectors:</u> Raw Materials, Mining, Precious Metals, Gem stones.
<b>Dr. Christoph Piechaczek</b> E-Mail: <a href="mailto:cp@kalliwoda.com">cp@kalliwoda.com</a>	Dipl.-Biologist; Technical University Darmstadt; Univ. Witten-Herdecke	<u>Sectors:</u> Biotech & Healthcare; Medical Technology Pharmaceutical
<b>Dr. Erik Schneider</b> E-Mail: <a href="mailto:es@kalliwoda.com">es@kalliwoda.com</a>	Dipl.-Biologist; Technical University Darmstadt; Univ. Hamburg	<u>Sectors:</u> Biotech & Healthcare; Medical Technology Pharmaceutical
<b>David Schreindorfer</b> E-Mail: <a href="mailto:ds@kalliwoda.com">ds@kalliwoda.com</a>	MBA, Economic Investment Management (Candidate 2006); Univ. Frankfurt/ Univ. Iowa (US).	<u>Sectors:</u> IT/Logistics; Quantitative Modelling
<b>Hellmut Schaarschmidt;</b> E-Mail: <a href="mailto:hs@kalliwoda.com">hs@kalliwoda.com</a>	Dipl.-Geophysicists; University of Frankfurt.	<u>Sectors:</u> Oil, Regenerative Energies, Specialities Chemicals, Utilities
<b>Nele Rave</b> E-Mail: <a href="mailto:nr@kalliwoda.com">nr@kalliwoda.com</a>	Lawyer; Native Speaker, German School London	<u>Translations English</u>

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 Multex.net**

Analyst of this analysis :

**Dr. Norbert Kalliwoda; CEFA**





## 7. CONTACT

### Rating Key/Anlage-Rating-System:

<b>BUY</b>	On a basis of our prognoses the stock should have a performance of at least 20% in the following 12 months.	
<b>ACCUMULATE</b>	On a basis of our prognoses the stock should have a performance of between 10% and 20% in the following 12 months.	
<b>HOLD</b>	On a basis of our prognoses the stock should have a performance of between minus 10% and plus 10% in the following 12 months.	
<b>REDUCE</b>	On a basis of our prognoses the stock should have an underperformance of between minus 10% and minus 20%.	
<b>SELL</b>	On a basis of our prognoses the stock should have an underperformance of at least minus 20%	

### Additional Disclosure/Erklärung

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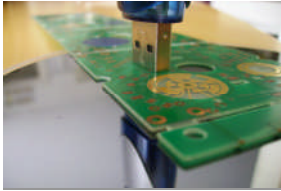
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