

22th February 2007

## COMPANY ANALYSIS



**Sector: Technology**  
Payment Systems/Telematics

### EVENT: FIRST RATING

**Rating:** BUY                      **Risk:** low  
**Fair Value:** € 10.62              **Last Price:** € 7.55

### init: current business situation & perspectives

- init is one of the leading enterprises in telematics and electronic fare collection systems for public transport
- init has recently won several public contracts
- Good key values support management's plans for expansion



Source: Deutsche Börse AG

### SWOT

- + Long-term sector experience
- + Strategy of internationalisation
- + Strong order intake
- - Price settings through bidding processes
- - Dependent from public budgetary situation

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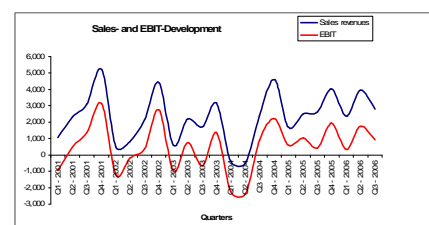
See also  
Kalliwoda Recommendations  
on Terminal:

Bloomberg  
Reuters  
Thomson Financials  
JCF Factset

### COMPANY DESCRIPTION

The company's business is development, production as well as maintenance and sale of computerized transport, traffic and guidance systems. The company is seated in Karlsruhe and currently employs some 205 personnel. init has been in the business since 1983.

### HISTORY & ESTIMATES



Figures in EUR	2000	2001	2002	2003	2004	2005	2006e	2007e	2008e	2009e
EPS Dr. Kalliwoda*	0.10	0.20	0.13	0.04	-0.07	0.26	0.32	0.38	0.43	0.46
Revenues	22,889	31,117	31,533	30,012	32,511	33,406	36,589	42,077	45,864	50,909
EBIT	2,003	4,003	1,753	460	-1,494	3,992	4,517	5,885	6,957	7,997
KGV*	55.43	194.00	-110.86	29.85	24.14	20.19	17.96	16.69	17.47	16.24
EBIT-Margin	8.75	12.86	5.56	1.53	-4.60	11.95	12.35	13.99	15.17	15.71

Price (curr)	7.55	Shares out (mn)	10.04
52W high	8.73	First Trading:	24.07.2001
52w low	5.53	Free Float (in %)	48.0 %
Market Cap (mn)	75.8	Weight in GEX	0.1890 %
Last Dividend	0	Level	Prime Standard
No. Employees	205	Kürzel	IXX
Web Page	www.initag.de	WKN	575980



## CONTENTS

<b>1.</b>	<b>Company profile .....</b>	<b>3</b>
<b>2.</b>	<b>Strategic goals.....</b>	<b>4</b>
<b>3.</b>	<b>Management.....</b>	<b>5</b>
<b>4.</b>	<b>Markets, sector, competition.....</b>	<b>7</b>
<b>5.</b>	<b>Products and services .....</b>	<b>10</b>
<b>6.</b>	<b>SWOT-Analysis .....</b>	<b>12</b>
<b>7.</b>	<b>Annual Report Analysis .....</b>	<b>13</b>
<b>7.1</b>	<b>Capital analysis .....</b>	<b>14</b>
<b>7.2</b>	<b>Financial analysis.....</b>	<b>16</b>
<b>7.3</b>	<b>Analysis of returns.....</b>	<b>17</b>
<b>7.4</b>	<b>Analysis of Profitability .....</b>	<b>19</b>
<b>8.</b>	<b>Foundations of financial planning: planned gains-and-losses; planned budget</b>	<b>20</b>
<b>9.</b>	<b>Company rating .....</b>	<b>21</b>
<b>9.1</b>	<b>DCF-Model .....</b>	<b>21</b>
<b>9.2</b>	<b>Cost of capital .....</b>	<b>22</b>
<b>9.3</b>	<b>Fair value – sensitivity analysis .....</b>	<b>23</b>
<b>10.</b>	<b>Contact .....</b>	<b>24</b>
<b>11.</b>	<b>Disclaimer.....</b>	<b>25</b>



## 1 Company profile

init Innovation in Traffic Systems AG – respectively INIT GmbH – has been active in the market for telematics and electronic fare collection systems for public transport since 1983. The company was founded as an AG in 2000 and the shares of the GmbH were merged into the AG in 2001.

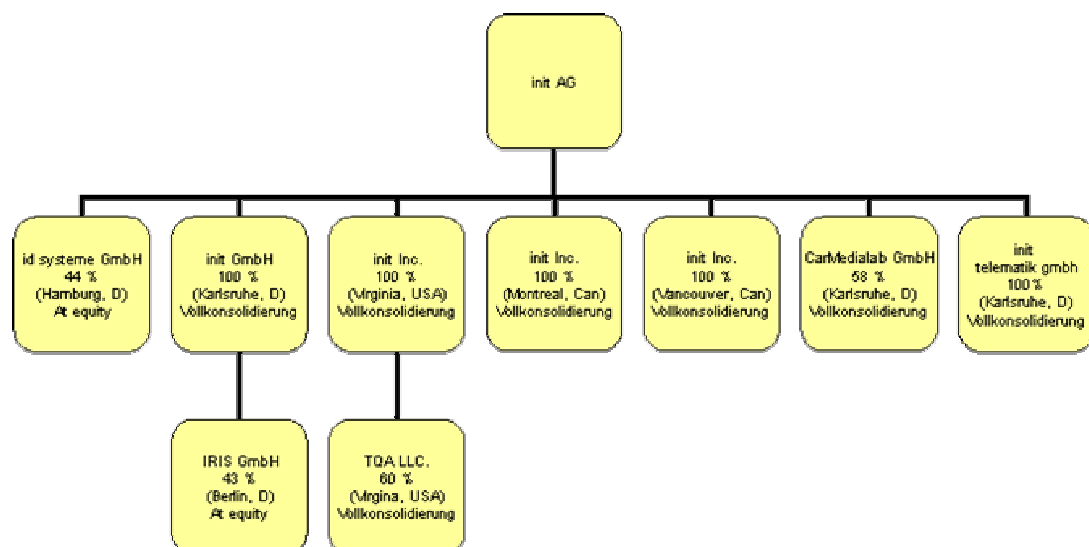
The enterprise is headquartered in Karlsruhe. It first went public in 2001 at the Neue Markt and is now listed in the Prime Standard after the Neue Markt closed. In the meanwhile the company's regional focus has shifted to the international market. The holding has now international presence with its subsidiaries and offices abroad in the USA, Canada, Great Britain, Spain, Finland and Sweden.

Founder and chairman of the board of directors, Dr. Gottfried Greschner leads the company. Dr. Gottfried Greschner at the same time is biggest single shareholder owning 35.6% of the company's stock.

init AG functions as a management holding and is responsible for the holding's controlling and reporting, strategic planning and investor relations. init holding has some 205 employees.

The holding consolidates 8 subsidiaries, 5 of which are fully owned by init AG. Moreover, init holds 60% of shares belonging to TQA Total Quality Assembly LLC USA , 58% of CarMedialab GmbH Germany, 44% of Id systeme as well as 43% of IRIS GmbH.

The following shows the holding's structure:





The company has to offer telematics software and services as well as mobile telematics- and payment systems. Telematics software and services includes software and hardware for traffic centers and mobile telematics- and payment systems concerns software and hardware for vehicles.

## 2 Strategic goals

init aimed for 36mn Euro of sales returns in 2006 and an EBIT of 4.5mn Euro in the same year.

The company further plans to gain more foreign market share with existing and new products and to speed up international expansion.

init's point-of-service strategy and close customer ties require opening shop for new offices. Additionally, management has plans to apply its know-how to similar market segments in telematics systems. In order to foster expansion into the segment auto and trucks with telematics systems, the company acquired a 58% stake in camedialab.

The company has a good track record of adjusting to changes in the market and to compensate for local weaknesses in sales.

According to some init is one of the few companies that offer integrated solutions for all required services of ÖPNV with one point-of-service and has become the leading provider for innovative telematics systems and payment systems. The building block structure of the systems offered by init, allows for customer-fit solutions (platform strategy).

Application and introduction of additional innovative technologies for public transport is another vision pursued by the company.



### 3 Management

The company's board of directors has the following members:

Dr.-Ing. Gottfried Greschner (born 1946)

init AG is being lead by its founder and Ph.Sc. in electronics, Dr. Gottfried Greschner, who is the chairman of the board of directors. Dr. Greschner first was scientific researcher at University of Karlsruhe where he worked on computerized operating systems focused on buses and there gained much of his experience. As chairman, Dr. Greschner is responsible for strategy, supplies and materials, personnel, contracting and legal.

Dipl.-Inf. Joachim Becker (born 1956)

Joachim Becker is responsible for telematics software and services for init AG as well as operations in guidance systems for INIT GmbH. Mr. Becker has been with init AG since 1983 and specialized in traffic during his education in computer technology.

Dipl.-Ing. (FH) Wolfgang Degen (born 1958)

After finishing his degree in communications technology at Politechnics University of Karlsruhe, yet before joining the INIT GmbH, Mr. Degen worked for quality control and development in medium sized companies. Mr. Degen has been with the company since 1990 and was named director of init AG in 2001. His responsibilities include mobile telematics and payment systems for traffic centers and vehicles. Additionally, Mr. Degen has oversight of payment systems, auto systems, testing and services at INIT GmbH.

Dipl.-Kfm. Bernhard Smolka (born 1961)

Mr. Smolka was named CFO in 2001 and has plenty of years experience in accounting, reporting and controlling. Before joining the company Mr. Smolka was project manager for a corporate consulting firm. As CFO, Mr. Smolka has oversight of investor relations, finance, operations and controlling.

Dr. Jürgen Greschner

Dr. Greschner was voted head of sales in 2004. Between 1999 and 2004 he successfully expanded the North-American business.

In order to limit some liabilities risk the company took out a directors and officers insurance (D&O). The insurance requires no participatory risk coverage from the members of the board, despite recommendations of the commission on Corporate Governance Codex.

No restrictions on outside business activities by members of the board have been made contractual.



In order to permit for shareholders to gain insight into appropriate pay scales for individual members of the board, the commission on Corporate Governance Codex recommends disclosure of recompense (German Corporate Governance Codex, 12th June, 2006).

A separate report or individual disclosure of payments to the members of the board in an appendix to the company's annual report has not been furnished at this time. Since enactment of the disclosure laws that provide for the disclosure of recompense on an individual basis as an appendix to the annual report, the shareholder meeting has the option for easement from this obligation.

The shareholders voted for easement at the last meeting so that there is no disclosure required for the next five years (opting-out-rule).

Possible conflicts of interest could arise if members of the board hold shares for both the AG and the GmbH.



#### 4 Markets, segment, competition

There has been a good 20 years of history in the area of telematics in Germany. Nevertheless, the segment is still in its early phase of development according to Seppelfricke. Apparently, the segment has plenty of potential for further growth. Apart from the introduction of traffic guidance systems in more than 20 cities and metro areas in Germany, intelligent transportation systems have become an important issue for the segment bus, railway, air traffic and cargo transport. The German Ministry for traffic, construction and urban development believes there will be an increase in transportation traffic of about 20% until 2015 and an increase of cargo transportation traffic of about 60%. Considering the integration of transportation providers within the existing traffic infrastructure, telematics systems play a key role.

Restructuring of public transport and privatization of some transportation providers characterized numerous programs in the field of traffic telematics. Some examples are Science program on urban traffic, development of Delfi (continuous electronic public transportation information – as well as DEFAS in Bavaria), Regio-Info, RBL-air-to-road, and project RUDY.

The German Ministry for traffic has made a priority to standardize systems Europe-wide. So-called CEN standards will contribute to make components and centers compatible. Resulting advantage will be mass production. At the same time providers will have a harder time using monopoly powers to use own single standards in the market.

Comprising market share in a Europe-wide public contracting competition will be a challenge since such contracting competitions are slow and expensive. There is an additional risk that a contract will be limited to manufacture and providing only single components and not integrated systems.

The range of applications for telematics systems includes traffic guidance for highways and cities, providing public transportation schedules for railway, bus, shipping and air traffic, as well as guidance of cargo traffic.



Domestic providers are small and medium sized companies that mostly specialized on some building block technologies or large companies. One of the large holdings that provide telematics technology and services is Siemens VDO (former Siemens Switzerland), Deutsche Bahn Systems GmbH and Vossloh, that are all companies that focus on large projects some for rail and are thus only marginally considered competitors of init AG.

Development and operations of traffic telematics systems requires a grand amount of know how. New potential competitors are held back by large investments necessary to enter the market. Another entry barrier is high client loyalty among the users of the technology. Systems technology needs to be kept up with the latest components and transmissions systems while at the same time newly added vehicles need to be equipped. Changing providers is thus costly.

This accounts for high entry and exit barriers that put init AG in a position to maintain in control of competition.

Each year 15,000 busses are being manufactured for the German market. Assuming 10,000 of these are used for public transport, and half of these used for public transport require new equipment, an investment of 30mn Euro is made each year in this segment. A total of 170,000 buses carry the roads of Germany according to the Bundesverband Deutscher Omnibusunternehmer e.V. Combined with an average investment for vehicle equipment of 6,000 Euro the total potential of this market is some 30mn Euro a year. Further investment is required by routing that makes for the largest share of all expense. In lack of statistics for bus stops in Germany, estimates are rather lump sum. Expenses for investment per year amount to 30mn Euro in a conservative estimate. As far as cost for software for fleet, personnel and depot management and traffic center control are to be included the potential of the market for traffic telematic systems for buses is about 60mn Euro. Put in context with the company's sales init AG's market share in Germany is at 20%.

Especially in the German market there is some risk that competitors that have been specialized in passenger traffic and railway transportation will enter the core sector of init AG. Special needs of transfer management of rail to bus can only be met with complex systems that will probably overwhelm a medium sized company. In consequence, init is now focusing more on transportation routes without transfer problems in domestic and international markets.





The company's expenditures permit init to remain flexible. The expense ratio for materials exceeds the expense ratio for personnel. According to the company's own information init is not dependent on single suppliers and may at any time change suppliers. Its EBIT margin reached an impressive 12% in 2005 and will probably repeat the same margin in 2006.

The sector has not seen significant merger activity.

The clients on the other hand are frequently consolidating, mostly large urban, regional and inter-state transportation providers. Market share of communal transportation providers makes for about 90%. Future competition in public transportation is going to be shaped by the entry of large international transportation providers. Among them are Stage Coach, First Group, Arriva+MTL, National Express and Go Ahead. Therefore, clients will diversify and/or the market focus will shift to large private transportation providers.

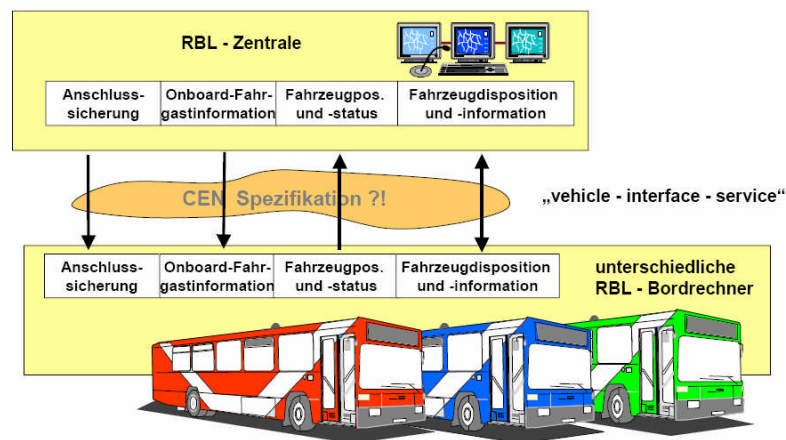
New or other transmissions standards abroad will pose no halt to the implementation of transmissions and communications systems because there is no one structure being settled as the way to install these systems.



## 5 Products and services

There are two main elements to the portfolio of products and services at init, that are telematic software and services and mobile telematics and payment systems.

At the core of each traffic control system is a computerized intermodal system (ITCS Intermodal Traffic Control System). init AG offers an integrated building block computerized intermodal system that controls components in vehicles as well as components in traffic centers for routing. With its building-block structure in products, the company can implement new innovations quickly and smoothly as well as this structure allows for replacement of old components. Data can be transmitted via several technologies (GSM, WLAN, DAB, DVB-T, UMTS) so that there is a great amount of flexibility to adjust to customers' needs. The company offers further specially developed software for several applications (depot management software, planning software, scheduling, personnel utilization, software for statistical analysis).



Source: Center for Transportation & Logistics Neuer Adler e.V

Traffic control systems make tracking vehicles possible at any time and further allow planning statistics to be furnished. Resulting data can be made available for passengers and customers of transportation providers with displays and voice communications at stops so passengers stay informed about delays or travel time. Additionally, management can react quickly to systemic transportation problems with this system. In order to optimize public passenger traffic in metro areas there is the option to equip vehicles with signalling technologies using lights (LISA).



Another application of the technology is payment systems for ticketing and fare collection systems. Fare collection management comes at great expense for transportation providers so that this application is a cost saver. Swift payment is an absolute must for meeting schedules and high rates of turn-around. Apart from that, it is important for transportation providers to have a secure and unproblematic organization. init AG provides several payment systems. Core piece is cash-free payments and automated ticketing.

For a check on frequencies of traffic at stops and stations init AG offers a passenger tracking system called MOBILE-APC that enables optimization of routes and comes with transmissions technology and a software bundle. The system is a help for clients when deciding how to route their transportation.

Passenger tracking has become a leading issue for public transportation in recent years. Passenger information is currently being offered before travel, on board and at arrival. For the most part, the yard-sticks for passenger information are how up-to-date the information is, dependability, how complete it is and ease-of-use. Passenger information can be communicated via voice recordings or on displays. init AG offers dynamic passenger information components for less frequented stops as well as LED passenger information display boards that transmit real-time passenger information on the application MOBILE-STOPinfo.



## 6 SWOT-Analyse

### **Strengths**

- The company has several years segment experience. Management adjusted brilliantly to weak sales in the domestic market in strengthening foreign business
- There is a large amount of independence from suppliers
- Building-block technology of init systems allows for flexible adaptation of new components or removal of old components
- A solid capital structure permits the company to attain additional capital means for expansion of business
- Numerous new products (PIDvisio, TOUCHbill, GSMvoice, EVENDsmart)

### **Weaknesses**

- Dependence on subsidies from clients in the public transportation sector
- The company depends more on its exports where currency risks could reduce returns
- Cost ratio of sales and distribution has risen continuously in the past five years due to the opening of additional offices

### **Potential**

- Demand for traffic control system using telemetric technology is increasing with more privatization (in particular development of complex transfer management systems for various network links of busses, railways and air traffic)
- Modern fleet management will also use traffic controlling systems
- Transportation providers will be required to adjust even more to passenger needs
- Implementation of modern traffic infrastructure systems is not restricted to rural areas

### **Risks**

- init's clients are fairly strong negotiators
- init's concept largely depends on the budgets of public transportation providers
- Several large enterprises continue enter the segment traffic control telematics technology.



## 7 Annual Report Analysis

A standard return analysis according to a split-return approach is of hardly any use when examining a holding's divisional results since most business activity are in the consolidated result. Central aspect of analysis is thus the group consolidated report that is furnished according to IFRS since 2005. Gains and losses are being reported for the divisions overall, whereas the consolidated reported sales in light of its international business.

The report's analysis applies principles of congruency and accordingly neutralizes transactions between the corporation and its shareholders (clean surplus accounting). Clean surpluses and the company's reserves are eliminated from the analysis.

Political impact of accounting methods for the company's report as well as capital, finance and returns is being examined in an impairment test considering the company's value and the company's businesses value. In relation to the company's capital the company's value is measured in 10% and only in approx. 5.2% of the overall capital. In sum this is a positive index for the company.

Estimates and choices for adjustments that were made in connection with latent taxes or changes of parameters, which may have consequences in increased reserves for pensions, were not neutralized for analytical purposes.

We consider sceptically that cost of development or the cost of company's own software is active positions in the report. However, due to the past practice of including extraordinary decreases of value we approve for now of the remaining positive potential from activating these costs in the consolidated report.

We comment positively that amortization costs of R&D exceed (R&D-)capitalization.

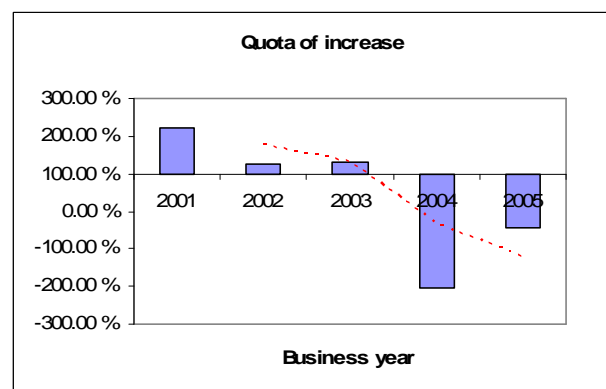
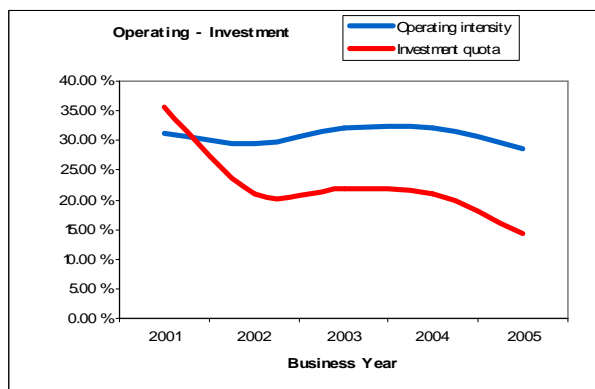


## 7.1 Analysis of capital

Subject of our examination is the capital structure, capital gains and leverage and liquid means.

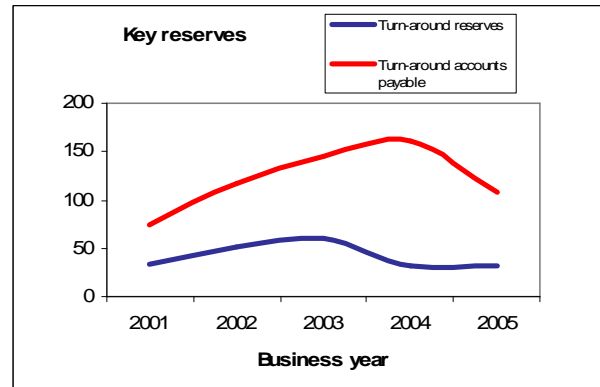
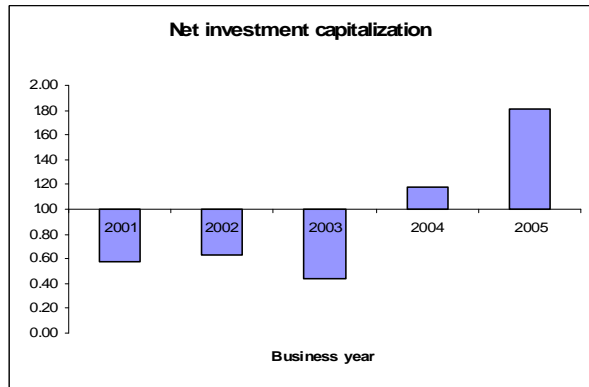
The quota for investment has been steady for the past five years. Immaterial value and the company's value characterize the quota for the most part.

The quota for plants and equipment is relatively low. Reason for this is that the company enters lease agreements for buildings on behalf of individuals with close ties to the company.



Investments made within the last two years of business are being financed from the company's operative cashflow. The quota for devaluation of investment has increased due to the cost for the company's own software.

However, there is improvement of the company's key values. However, indexes such as the length of payable accounts are subject to great variance in turnover of projects. Defaulted accounts are rather rare since most clients operate in the public sector.



The chart below shows that there was no large-scale investment made:

Analysis of capital	2001	2002	2003	2004	2005
Ratio of operating capital	31.14 %	29.59 %	31.98 %	32.15 %	28.57 %
Ratio of investment	35.55 %	21.07 %	21.85 %	21.06 %	14.38 %
Net investment securitization	0.57	0.63	0.44	1.18	1.81
Ratio of tax deductables	11.71 %	13.83 %	13.59 %	35.19 %	29.36 %
Ratio of increase	224.06 %	125.86 %	131.95 %	-202.24 %	-42.83 %
Ratio of turn-around materials etc.	10.98	7.11	5.93	11.03	11.40
Ratio of turn-around materials (days)	33	51	61	33	32
Ratio of reserves	16.07 %	15.45 %	8.99 %	9.15 %	8.35 %
Ratio of turn-around outstanding accounts	4.82	3.10	2.48	2.24	3.33
Turn-around payables (days)	75	116	145	161	108

Source: Dr. KALLIWODA | RESEARCH © Copyright 2006

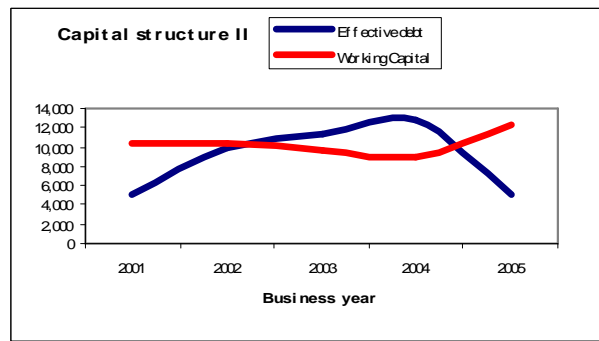
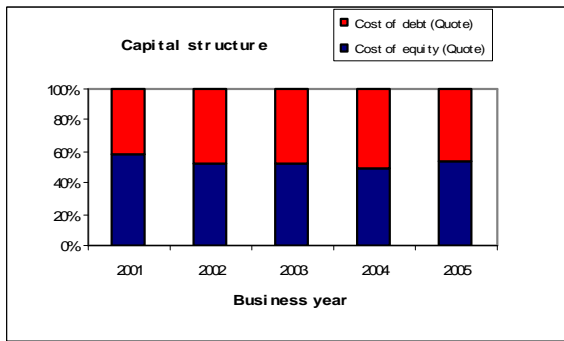
## 7.2 Financial Analysis

We applied a structural financial analysis. Aim is to identify the structure of capital and timely exchange.

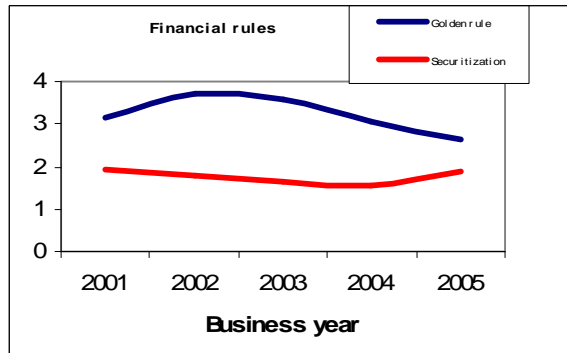
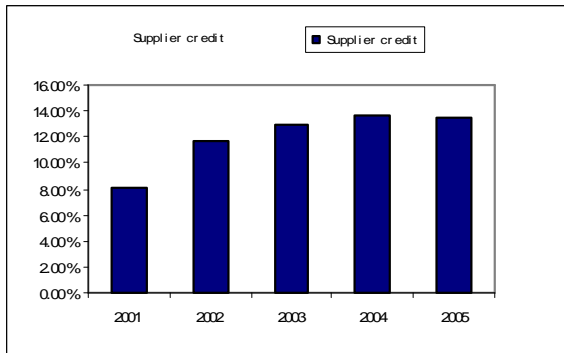
The ration of corporate capital and corporate debt remains relatively steady within the timeframe. The company has proved relatively high quota of own capital. Other capital means are rather low as debt from banks so that at least a median term credit rating is excellent. Moreover, the capital quota is above the sector average in engineering and electronics.



The company's debt is securitized with short-term available means from stocks and liquid means as cash. Securitization shows a key value for effective remaining debt. As seen below, development of effective remaining debt is positive.



The structure of debt is predominately characterized by outstanding accounts to suppliers. Supplier debt provides analytical insight into the company's willingness to pay and its liquid cash situation. Considering the company's solid capital structure, the increase of outstanding supplier debt is insignificant. Further proving this point is that the company meets the principle of prioritizing competing due dates.







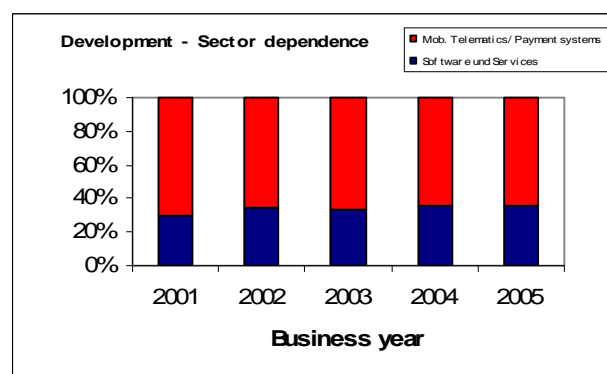
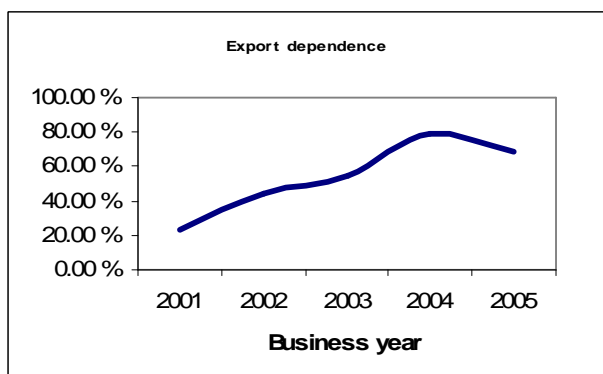
Financial Analysis	2001	2002	2003	2004	2005
Capital ratio	58.51 %	52.98 %	52.47 %	49.54 %	53.67 %
debt factor	41.49 %	47.02 %	47.53 %	50.46 %	46.33 %
Effectiv debt	5,007	9,971	11,341	12,806	4,955
Dynamic debt factor	2.5	3.2	4.6	5.4	1.1
Finance capital	0.13 %	-0.97 %	-2.16 %	-3.39 %	-2.69 %
Capital reserves	18.33 %	15.88 %	12.84 %	11.30 %	9.09 %
Overall result	162	173	171	158	182
Supply credit	8.02 %	11.63 %	13.01 %	13.60 %	13.54 %
Golden financial (short-term)	2.18	1.80	1.76	1.70	2.01
Golden financial (long-term)	3.16	3.71	3.60	3.07	2.65
Golden report rules	2.24	2.06	1.92	1.87	2.26
Securitization	1.92	1.79	1.64	1.54	1.88
Liquidity 3rd level	2.18	1.80	1.76	1.70	2.01
Working Capital	10,403	10,264	9,633	8,926	12,235

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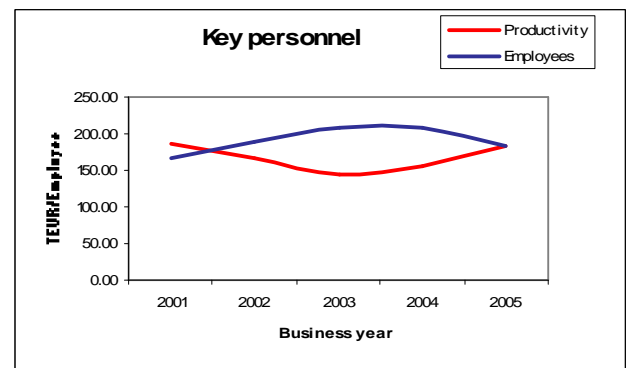
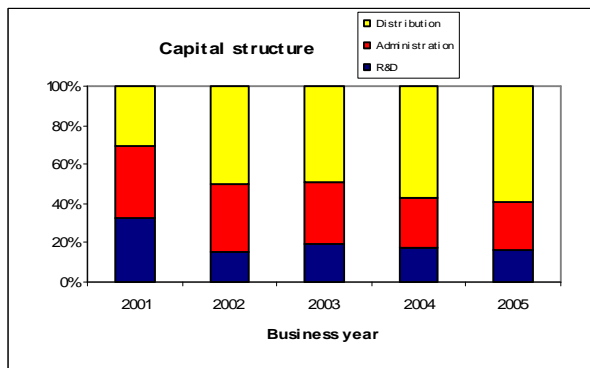
### 7.3 Analysis of returns

Our analysis of returns extends to the split results and valuation of future steady returns (source of returns).

Reported results by the company match our structural analytical results. A risen export quota resulted from a successful expansion into international markets. The company's division mobile telematics and payment systems, contributes significantly to the company's success. However, the segment telematics software and services should probably not be viewed independently since it requires both segments to make a complete system.



The share of research and development cost was throttled to some extent with an increase in client paid development projects, meanwhile results were depressed with the cost of sales and distribution (opening of new offices). In view of the manifold options in the field of traffic control systems (i.e. flexible transfer links) init has developed numerous new products that account for some 80% of overall sales. Key productivity per employee proves positive tendencies.



### Summary : Relevant ratios

Analysis of profitability	2001	2002	2003	2004	2005
<i>Cost structures</i>					
Material expenses (Quota)	k.a.	k.a.	k.a.	43.22 %	48.17 %
Personnel expenses (Quota)	k.a.	k.a.	k.a.	36.37 %	35.74 %
Wages (TEUR)	k.a.	k.a.	k.a.	56.57	65.24
Productivity employees	187.45	166.84	143.60	155.56	182.55
Export dependence	23.66 %	44.72 %	54.57 %	78.55 %	68.66 %
R&D-expenses (Quota) excluding by customer paid R&D	7.92 %	3.10 %	5.07 %	3.97 %	4.07 %
Administration expenses (Quota)	9.14 %	7.31 %	8.02 %	5.87 %	6.02 %
Distribution expenses (Quota)	7.57 %	10.52 %	12.77 %	12.87 %	14.63 %
Tax expenses (Quota)	5.22 %	2.33 %	1.22 %	-1.87 %	4.59 %
<i>Sector dependence</i>					
Software and services	29.50 %	34.52 %	33.25 %	36.14 %	36.06 %
Mob. telematics- and payment systems	70.50 %	65.48 %	66.75 %	63.86 %	63.94 %

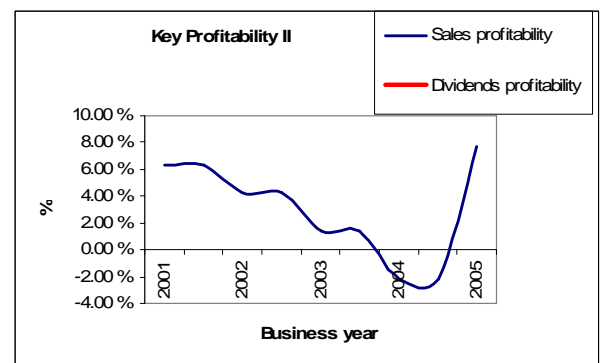
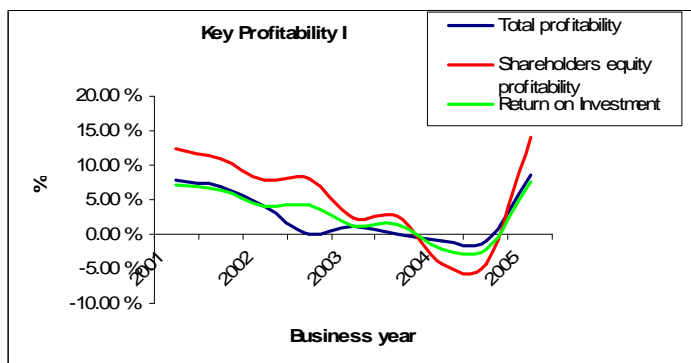
Source : Dr. KALLIWODA | RESEARCH © Copyright 2007



## 7.4 Rentability analysis

Applying a rentability analysis, we examine the potential for returns of the company. Rentability indexes have developed positively in 2005, meanwhile no excess gains are to be reported. Excess gains can be achieved when overall capital rentability remains above the cost of capital.

As far as concerns the development of company key values within the last three years, there is continuity and it seems advisable to distribute part of the returns to shareholders. In doing so additional investors can thus be won for the company. Additionally, more capital can be added this way.



Analysis Profitability	2001	2002	2003	2004	2005
Total capital profitability	7.82 %	4.13 %	1.23 %	-0.96 %	8.59 %
Shareholder equity profitability	12.27 %	7.80 %	2.35 %	-4.40 %	14.01 %
Return on Investment	7.18 %	4.13 %	1.23 %	-2.18 %	7.52 %
Sales profitability	6.37 %	4.29 %	1.35 %	-2.15 %	7.68 %
Dividend profitability	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Payout of dividends (Quota)	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %

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## Foundation of financial planning – planned gains-and-losses; planned budget

### Budgeted - Profit & Loss Accounting Init AG

Position/Year	2000		2001		2002		2003		2004		2005		2006		2007		2008		2009	
	TEUR	%	TEUR	%	TEUR	%	TEUR	%	TEUR	%	TEUR	%	TEUR	%	TEUR	%	TEUR	%	TEUR	%
Sales revenues	22,889	100.0	31,117	100.0	31,533	100.0	30,012	100.0	32,511	100.0	33,406	100.0	36,589	100.0	42,077	100.0	45,864	100.0	50,909	100.0
Cost of sales	-16,503	72.1	-19,409	62.4	-23,633	74.9	-22,353	74.5	-26,358	81.1	-22,589	67.6	-23,859	65.2	-27,771	66.0	-29,582	64.5	-32,887	64.6
<b>Cross income</b>	<b>6,386</b>	<b>27.9</b>	<b>11,708</b>	<b>37.6</b>	<b>7,900</b>	<b>25.1</b>	<b>7,659</b>	<b>25.5</b>	<b>6,153</b>	<b>18.9</b>	<b>10,817</b>	<b>32.4</b>	<b>12,730</b>	<b>34.8</b>	<b>14,306</b>	<b>28.7</b>	<b>16,282</b>	<b>27.6</b>	<b>18,022</b>	<b>30.9</b>
Distribution costs	-1,414	6.2	-2,357	7.6	-3,316	10.5	-3,833	12.8	-4,183	12.9	-4,888	14.6	-5,383	14.7	-5,470	13.0	-5,550	12.1	-6,160	12.1
Administration costs	-1,968	8.6	-2,843	9.1	-2,305	7.3	-2,408	8.0	-1,909	5.9	-2,011	6.0	-2,288	6.3	-2,104	5.0	-2,706	5.9	-2,949	5.8
R&D costs	-1,221	5.3	-2,465	7.9	-979	3.1	-1,521	5.1	-1,290	4.0	-1,361	4.1	-1,749	4.8	-1,799	4.3	-1,932	4.2	-2,207	4.3
Other income	232	1.0			69	0.2	217	0.7	476	1.5	321	1.0	227	0.6	427	1.0	382	0.8	436	0.9
Other expenses	-12	0.1	-46	0.1					-167	0.5	-34	0.1	519	1.4	113	0.3	0	0.0	0	0.0
Currency profit/loss	6	0.0	6	0.0	384	1.2	346	1.2	-574	1.8	1,148	3.4	461	1.3	411	1.0	480	1.0	855	1.7
<b>EBIT</b>	<b>2,003</b>	<b>8.8</b>	<b>4,003</b>	<b>12.9</b>	<b>1,753</b>	<b>5.6</b>	<b>460</b>	<b>1.5</b>	<b>-1,494</b>	<b>4.6</b>	<b>3,992</b>	<b>11.9</b>	<b>4,517</b>	<b>12.3</b>	<b>5,885</b>	<b>14.0</b>	<b>6,957</b>	<b>15.2</b>	<b>7,997</b>	<b>15.7</b>
Interest income					76	0.2	1	0.0	169	0.5	242	0.7	358	1.0	312	0.7	367	1.0	403	1.2
Interest expenses	-338	1.5	-178	0.6					-390	1.2	-364	1.1	-188	0.5	-393	0.9	-378	0.8	-353	0.7
Income of associates	40	0.2	110	0.4	217	0.7	208	0.7	244	0.8	61	0.2	184	0.5	201	0.5	252	0.5	218	0.4
Other extraord. income & expenses	1	0.0	11	0.0	43	0.1	102	0.3	165	0.5	166	0.5	154	0.4	200	0.5	182	0.4	228	0.4
<b>EBT</b>	<b>1,706</b>	<b>7.5</b>	<b>3,946</b>	<b>12.7</b>	<b>2,089</b>	<b>6.6</b>	<b>771</b>	<b>2.6</b>	<b>-1,306</b>	<b>4.0</b>	<b>4,097</b>	<b>12.3</b>	<b>5,025</b>	<b>13.7</b>	<b>6,205</b>	<b>14.7</b>	<b>7,380</b>	<b>16.1</b>	<b>8,493</b>	<b>16.7</b>
Tax	-738	3.2	-1,624	5.2	-736	2.3	-367	1.2	607	1.9	-1,532	4.6	-1,957	5.3	-2,345	5.6	-2,841	6.2	-3,355	5.4
Extraordinary result	0	0.0	-340	1.1							159	0.4	0	0.0	0	0.0	-200	0.4	-470	0.9
<b>Profit / Loss</b>	<b>968</b>	<b>4.2</b>	<b>1,982</b>	<b>6.4</b>	<b>1,353</b>	<b>4.3</b>	<b>404</b>	<b>1.3</b>	<b>-699</b>	<b>2.2</b>	<b>2,565</b>	<b>7.7</b>	<b>3,227</b>	<b>8.8</b>	<b>3,860</b>	<b>9.2</b>	<b>4,338</b>	<b>4.9</b>	<b>4,669</b>	<b>7.6</b>

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### Balance Sheet

Position/Year	2000		2001		2002		2003		2004		2005		2006		2007		2008		2009	
	TEUR	%	TEUR	%	TEUR	%	TEUR	%	TEUR	%	TEUR	%	TEUR	%	TEUR	%	TEUR	%	TEUR	%
<b>Assets</b>																				
<b>Current Assets</b>																				
Cash & cash equivalents	421	2.8	3,888	14.1	1,898	5.8	2,261	6.9	1,894	5.9	10,039	29.4	4,501	13.5	5,197	15.5	5,695	17.0	6,450	19.1
Securities	0	0.0	2,560	9.3	3,523	10.8	1,980	6.0	1,466	4.6	812	2.4	1,945	5.8	1,551	4.6	1,444	4.3	1,438	4.3
Trade accounts receivable	6,085	40.3	6,460	23.4	10,177	31.1	12,111	36.9	14,519	45.3	10,032	29.4	11,710	35.1	12,093	36.0	12,088	36.0	11,481	34.0
Other accounts receivable	54	0.4	15	0.1	47	0.1	47	0.1	81	0.3	126	0.4	75	0.2	82	0.2	91	0.3	94	0.3
Inventories	2,833	18.8	4,438	16.1	5,058	15.5	2,948	9.0	2,931	9.1	2,847	8.3	3,446	10.3	3,043	9.1	3,067	9.1	3,101	9.2
Tax refunding	671	4.4	994	3.6	751	2.3	689	2.1	390	1.2	47	0.1	469	1.4	399	1.2	326	1.0	310	0.9
Other current assets	169	1.1	845	3.1	1,592	4.9	2,263	6.9	459	1.4	465	1.4	1,195	3.6	1,095	3.3	804	2.4	890	2.6
<b>Sum current assets</b>	<b>10,233</b>	<b>67.8</b>	<b>19,200</b>	<b>69.5</b>	<b>23,046</b>	<b>70.4</b>	<b>22,299</b>	<b>68.0</b>	<b>21,740</b>	<b>67.9</b>	<b>24,368</b>	<b>71.4</b>	<b>23,341</b>	<b>69.9</b>	<b>23,460</b>	<b>69.8</b>	<b>23,514</b>	<b>70.0</b>	<b>23,763</b>	<b>70.4</b>
<b>Non-current assets</b>																				
Fixed assets	1,471	9.8	1,629	5.9	1,532	4.7	1,466	4.5	1,039	3.2	823	2.4	1,215	3.6	1,136	3.4	1,053	3.1	1,057	3.1
Goodwill	156	1.0	1,877	6.8	1,877	5.7	1,877	5.7	1,877	5.9	1,877	5.5	1,877	5.6	1,877	5.6	1,877	5.6	1,877	5.6
Other intangible assets	2,666	17.7	4,299	15.6	5,078	15.5	5,736	17.5	4,565	14.2	3,816	11.2	4,799	14.4	4,729	14.1	4,477	13.3	4,455	13.2
Shares in associates	129	0.9	212	0.8	811	2.5	943	2.9	1,537	4.8	1,564	4.6	1,214	3.6	1,314	3.9	1,407	4.2	1,375	4.1
Company related accounts receivables	187	1.2	117	0.4	68	0.2	68	0.2	68	0.2	188	0.6	98	0.3	106	0.3	115	0.3	127	0.4
Latent tax	27	0.2	29	0.1	25	0.1	61	0.2	646	2.0	702	2.1	359	1.1	442	1.3	537	1.6	510	1.5
Other fixed assets	216	1.4	249	0.9	296	0.9	333	1.0	567	1.8	777	2.3	493	1.5	543	1.6	595	1.8	602	1.8
<b>Sum non-current assets</b>	<b>4,852</b>	<b>32.2</b>	<b>8,412</b>	<b>30.5</b>	<b>9,687</b>	<b>29.6</b>	<b>10,484</b>	<b>32.0</b>	<b>10,299</b>	<b>32.1</b>	<b>9,747</b>	<b>28.6</b>	<b>10,054</b>	<b>30.1</b>	<b>10,146</b>	<b>30.2</b>	<b>10,062</b>	<b>30.0</b>	<b>10,002</b>	<b>29.6</b>
<b>Total assets</b>	<b>15,085</b>	<b>100.0</b>	<b>27,612</b>	<b>100.0</b>	<b>32,733</b>	<b>100.0</b>	<b>32,783</b>	<b>100.0</b>	<b>32,039</b>	<b>100.0</b>	<b>34,115</b>	<b>100.0</b>	<b>33,396</b>	<b>100.0</b>	<b>33,606</b>	<b>100.0</b>	<b>33,576</b>	<b>100</b>	<b>33,765</b>	<b>100</b>
<b>Shareholders equity and liabilities</b>																				
<b>Short-term liabilities</b>																				
Financial liabilities	2,962	19.6	127	0.5	691	2.1	1,547	4.7	1,299	4.1	57	0.2	899	2.7	950	2.8	801	2.4	677	2.0
Capital dormant partners					0	0.0	50	0.2	50	0.2	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Trade accounts payable	3,471	23.0	2,215	8.0	3,807	11.6	4,264	13.0	4,356	13.6	4,619	13.5	4,262	12.8	4,375	13.0	4,403	13.1	4,415	13.1
Trade accounts payable company partners	70	0.5	568	2.1	13	0.0	2	0.0	717	2.2	136	0.4	217	0.6	268	0.8	335	1.0	239	0.7
Deposits received	1,098	7.3	1,553	5.6	3,307	10.1	2,021	6.2	2,281	7.1	1,081	3.2	2,173	6.5	1,889	5.6	1,856	5.5	1,750	5.2
Tax liabilities	506	3.4	900	3.3	1,397	4.3	1,419	4.3	0	0.0	1,367	4.0	1,046	3.1	958	2.9	843	2.5	1,053	3.1
Provisions	406	2.7	1,175	4.3	1,424	4.4	945	2.9	1,927	6.0	1,981	5.8	1,569	4.7	1,606	4.8	1,771	5.3	1,732	5.1
Other liabilities	1,789	11.9	2,259	8.2	2,143	6.5	2,418	7.4	2,184	6.8	2,892	8.5	2,409	7.2	2,476	7.4	2,490	7.4	2,567	7.6
<b>Sum short-term liabilities</b>	<b>10,302</b>	<b>68.3</b>	<b>8,797</b>	<b>31.9</b>	<b>12,782</b>	<b>39.0</b>	<b>12,666</b>	<b>38.6</b>	<b>12,814</b>	<b>40.0</b>	<b>12,133</b>	<b>35.6</b>	<b>12,574</b>	<b>37.7</b>	<b>12,522</b>	<b>37.3</b>	<b>12,498</b>	<b>37.2</b>	<b>12,432</b>	<b>36.8</b>
<b>Long-term liabilities</b>																				
Latent tax liabilities	908	6.0	1,427	5.2	1,345	4.1	1,571	4.8	1,957	6.1	1,677	4.9	1,638	4.9	1,711	5.1	1,746	5.2	1,693	5.0
Capital dormant partners	511	3.4	511	1.9	511	1.6	400	1.2	350	1.1	0	0.0	315	0.9	266	0.8	233	0.7	204	0.6
Pension reserves	576	3.8	669	2.4	752	2.3	945	2.9	1,019	3.2	1,966	5.8	2,012	6.0	2,033	6.0	2,057	6.1	2,109	6.2
Other liabilities	58	0.4	51	0.2	2	0.0	0	0.0	26	0.1	30	0.1	15	0.0	18	0.1	22	0.1</		



## 9 Rating

### 9.1 Discounted Cashflow Method

Our chosen discounted-cashflow-model in an entity approach assesses the company's overall results. It is a future-oriented approach that is being recognized as reliable according to the IDW p.1.

The odd due date was considered in adding interest to the operative free cashflow until the rating due date. Due date was 31 December 2006. The ordinary operative result was the basis for the calculated free cashflow.

For an analysis of the working capital potentially non-essential cash and stock deductions were not made. Foundation for the rating model is a two-phase model. First, there is a detailed planning phase and lasts from 2006 until 2009. Second, there is a subsequent residual value phase that we added in at 4% growth per year.

Operating Free Cashflows										
Figures in TEUR	2000	2001	2002	Ist 2003	2004	2005	Plan			
							2006e	2007e	2008e	2009e
EBIT	2003.0	4003.0	1753.0	460.0	-1494.0	3992.0	4517.1	5884.7	6956.8	7997.4
- adjusted taxes (38,5 %)	771.2	1541.2	674.9	177.1	0.0	1536.9	1739.1	2265.6	2678.4	3079.0
<b>= NOPLAT</b>	1231.8	2461.8	1078.1	282.9	-1494.0	2455.1	2778.0	3619.1	4278.5	4918.4
+ Depreciation			1748.0	2078.0	3068.0	1882.0	2000.0	2000.0	2000.0	2000.0
<i>Provisions</i>	<i>982.0</i>	<i>1844.0</i>	<i>2176.0</i>	<i>1890.0</i>	<i>2946.0</i>	<i>3947.0</i>	<i>3581.3</i>	<i>3638.6</i>	<i>3827.7</i>	<i>3840.6</i>
- Increase (+ decrease) working capital		862.0	332.0	-286.0	1056.0	1001.0	-365.8	57.3	189.1	12.9
<b>= (operative) gross cashflow</b>	1231.8	3323.8	3158.1	2074.9	2630.0	5338.1	4412.3	5676.4	6467.6	6931.3
- Investments			0.0	2955.0	1720.0	836.0	1200.0	1400.0	1600.0	1000.0
<i>Working capital</i>	<i>5158.0</i>	<i>14532.0</i>	<i>14535.0</i>	<i>14595.0</i>	<i>15103.0</i>	<i>17301.0</i>	<i>15861.5</i>	<i>16238.1</i>	<i>16412.9</i>	<i>16545.4</i>
- Increase (+ decrease) Working capital		-9374.0	-3.0	-60.0	-508.0	-2198.0	1439.5	-376.6	-174.8	-132.5
<b>= Operative free cashflow (oFCF)</b>	1231.8	-6050.2	3155.1	-940.1	402.0	2304.1	4651.8	3899.8	4692.8	5798.8

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## 9.2 Weighted approach to cost of capital (WACC)

The discount interest ratio was calculated with a weighted approach to the cost of capital. The current capital structure mostly meets the forecast capital structure and shows no significant changes in our estimate.

Adjustments of debt to current interest were not made. Risk free interest is a dependent to the average of 30-year bonds (source: Bourse Stuttgart). The market risk prime in our model is based on well-known studies. Market risk primes in university research range depending on the market, time and method between 6 and 8%.

Our applied beta value for calculating company specific risk is independent of stock price development and a relative referential value or price - instead the beta value is calculated using key financial values (fundamental beta). Our scoring model uses the RWS-scoring approach (interest, growth, security) of University of Kiel.

WACC: DCF - Entity approach			
Cost of equity		Cost of debt	
<b>I) Interest rate</b>			
Risk-free rate	3.84	<b>Interest rate</b>	4.50
		+ Risk premium	1.00
	<u>3.84</u>	<b>= Cost of debt before tax</b>	5.50
<b>II) General market risk</b>			
Beta	1.40	- Company tax	-2.12
* Risk premium	8.00	<b>= Cost of debt after tax</b>	3.38
= individual risk premium	11.20	- half of personnel risk	<u>0.59</u>
- half of personnel tax	1.96		<u>2.79</u>
	<u>9.24</u>		
<b>III) Company specific risk</b>			
individual risk premium	1.00		
- half of personnel tax	0.18		
	<u>0.83</u>		
<b>Sum of I+II+III</b>	<u>13.91</u>		
<b>Cost of equity (Quote)</b>	<u>50.00</u>	<b>Cost of debt (Quote)</b>	<u>50.00</u>
<b>WACC</b>	<u>8.35</u>		
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### 9.3 Fair Value – Sensitivity Analysis

Our calculated fair value of the stock is EUR 10.62. It ranges 38.5% higher than the current price (EUR 7.55). Following graph shows the modification and action parameters of the terminal value. It also proves sensitivity of our derived fair value in varying scenarios. Our rating is in range of EUR 7.16 to EUR 22.74.

Determination of fair value						
		2006e	2007e	2008e	2009e	TV
Discount rate	8.35					
Multiplier		0.923	0.852	0.786	0.726	18.699
Operative free cashflow s		4,652	3,210	3,332	3,947	5,079
Present value of cashflow s		4293.4	2734.3	2619.5	2863.9	94978.1
Present value of cashflow s	12,511					
Present value of terminal value	94,978	Aktienanzahl:		10,040,000		
Sum of cashflow s	<b>107,489</b>					
Third parties	0	Fair Value:		<b>10.62</b>		
Not necessary operative assets	0					
Entity Value	107,489					
- Liabilities	899					
Equity Value per 31.12.2006	<b>106,590</b>					

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Sensitivity Analysis									
Grow th	6.35	6.85	7.35	7.85	8.35	8.85	9.35	9.85	10.35
2.00%	12.84	11.63	10.64	9.82	9.12	8.53	8.01	7.56	7.16
2.50%	14.35	12.83	11.61	10.63	9.80	9.11	8.52	8.00	7.55
3.00%	16.31	14.34	12.81	11.60	<b>10.62</b>	9.79	9.10	8.50	7.99
3.50%	18.96	16.30	14.32	12.80	11.59	10.60	9.78	9.08	8.49
4.00%	22.74	18.95	16.29	14.31	12.79	11.57	10.59	9.77	9.07

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