

**Valor Concludes 2005 with Record Revenues;  
Positioned for Continued Growth with Increased Profitability During 2006.**

**YAVNE, Israel – February 6<sup>th</sup>, 2006** - Valor Computerized Systems [Prime Standard: VCR], the leader in productivity-enhancing solutions for the Electronics Industry, reported today that it has concluded the fiscal year ending December 31<sup>st</sup>, 2005 with revenues of \$36.3 Million – its highest annual revenues to date, and an increase of 19% over 2004. The fourth quarter of 2005 marks 11 consecutive quarters of sequential growth with revenues of \$9.5 Million, an increase of 15% as compared to \$8.3 Million in the parallel period of last year.

**Summary of Financial Data:**

	Q4 / 2005	Q4 / 2004	% Change	Year 2005	Year 2004	% Change
Product Sales	6,328	5,433	16.5%	24,120	19,899	21.2%
Maintenance	3,139	2,822	11.2%	12,219	10,763	13.5%
<b>Total Revenues</b>	<b>9,467</b>	<b>8,255</b>	<b>14.7%</b>	<b>36,339</b>	<b>30,662</b>	<b>18.5%</b>
Gross Profit before Expenses on Share-Based Compensation	8,249	7,268	13.5%	30,614	27,124	12.9%
EBITDA before Expenses on Share-Based Compensation	485	907	(46.6)%	2,418	2,147	12.7%
EBIT before Expenses on Share-Based Compensation	308	603	(48.8)%	1,769	1,170	51.3%
Net Profit before Expenses on Share-Based Compensation	<b>287</b>	<b>625</b>	<b>(54)%</b>	<b>1,970</b>	<b>1,622</b>	<b>21.5%</b>
Expenses on Share-Based Compensation	33	21	60.5%	576	398	44.9%
<b>Net Profit (Loss)</b>	<b>254</b>	<b>604</b>	<b>(57.9)%</b>	<b>1,394</b>	<b>1,224</b>	<b>13.9%</b>
EPS in US\$ (diluted)	0.013	0.031	(58.1)%	0.07	0.06	16.7%
Shareholder's Equity	35,196	34,910	0.8%	35,196	34,910	0.8%
Total Assets	45,597	43,310	5.3%	45,597	43,310	5.3%
Research & Development	2,589	2,828	(8.5)%	10,884	10,389	4.8%
Employees (Period End)	210	218	(3.9)%	210	218	(3.9)%

(all figures are in US\$ 1000, unless otherwise noted)

EBIT before expenses on share-based compensation was \$1.8 Million in the full year of 2005, an increase of 51% as compared to \$1.2 Million in the full year of 2004. In the fourth quarter of 2005, EBIT was \$308 thousand, a decrease of 48% as compared to the parallel period of the previous year, resulting from investments in restructuring.

The net profit in the full year of 2005 before expensing Share-Based Compensation accumulated to \$2 Million – an increase of 22% as compared to \$1.6 Million in the full year of 2004. Net profit in the fourth quarter of 2005 was \$288 thousand – a decrease of 54% as compared to \$625 thousand in the fourth quarter of 2004.

After expensing Share-Based Compensation, the net profit in the full year of 2005 was \$1.4 Million, an increase of 14% as compared to the \$1.2 Million accumulated in 2004, and the net profit in Q4 '05 was \$254 thousand, a decrease of 58% compared to the parallel period of the previous year.

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The company generated a positive cash flow from operating activities of \$1.6 Million in Q4 '05, an increase of 12% compared to \$1.4 Million in Q4 '04, and ends 2005 with a solid cash position of close to \$30 Million. Earnings per share (diluted) for the full year of 2005 increased from \$0.06 in 2004 to \$0.07 in 2005.

*Some of the following statements are forward-looking in nature, and actual results may differ materially:*

## **Dividend Distribution**

The Board of Directors decided to continue the policy of dividend distribution and recommend a dividend equal to the gross sum of \$1 Million, subject to company taxes. The recommendation will be brought to the upcoming general shareholders' meeting of the Company on March 9<sup>th</sup>, 2006. The Ex-Date for dividend distribution will be the date on which the resolution of distribution shall be adopted.

## **Significant Growth in 2005**

Ofer Shofman, Valor's President and CEO, summarized the year by saying: "We are concluding another year of record revenues, a year in which we have gained significant strength in the Assembly market, acquired a substantial number of new top-tier customers, and expanded our global reach. Overall, I am proud to see that we have met our goals in terms of revenues and growth."

Investments in restructuring have affected the bottom line results of the last two quarters of 2005. Commenting on that, Shofman said: "We have made some changes in our operating methods and business processes in order to better prepare ourselves for 2006 and allow it to be a year in which we will maintain our growth trend, and at the same time, significantly increase our bottom line results. The restructuring process is now completed, and we are well-positioned to enter 2006 with new products, new prospects, and an overall positive outlook".

## **Year 2006 Outlook**

The company expects to achieve more than \$3 Million in net profit during 2006. In terms of revenues, the company expects double-digit growth throughout the year, although, due to seasonality, revenues in Q1 '06 are expected to be similar to those of Q4 '05.

"I continue to be optimistic, for both the short- and the long-run", said Shofman and concluded: "I am excited about our plans for 2006, and I strongly believe that we are up for a successful year."

The complete financial report can be downloaded from the Investor Relations Section on the Valor corporate website: [www.valor.com](http://www.valor.com)

## **About Valor**

Valor Computerized Systems develops compelling technologies for simulating and optimizing the manufacture of printed circuit boards. Valor's breakthrough technologies for product design analysis,

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simulation and optimization of PCB assembly, and Manufacturing Operations Management increase productivity, yield and quality, and help streamline and accelerate product innovation in a fast-paced global market. Valor is listed on the Prime Standard of the Frankfurt Stock Exchange [WKN 928731, ISIN IL0010845324]. More information on Valor can be found on [www.valor.com](http://www.valor.com).

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