

15. November 2009

Analysis

Coverage: Since Q3/2009

Events

Index/Industry/Sector:
Technology
Wireless Data Card Solutions

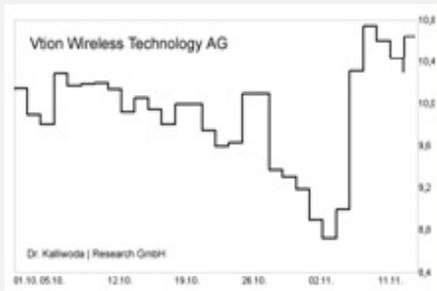
Germany

Small Caps

Recommendation: Buy **Risks:** High

Target Price: € 13,00 **Last Price:** € 10.51

Price/Chart



Small but precious – a niche player with great growth dynamics

- Vtion has managed for years to achieve an impressive operative performance with a unique combination of internet-based data service solutions and wireless mobile computing technology data cards.
- In light of the strong 9M/09 figures and guidance for the overall year, strong figures are also to be expected in the 4th quarter.
- We consider the combination of business units, the market position and the extent of networking to be unique. Therefore we recommend to buy the stock.

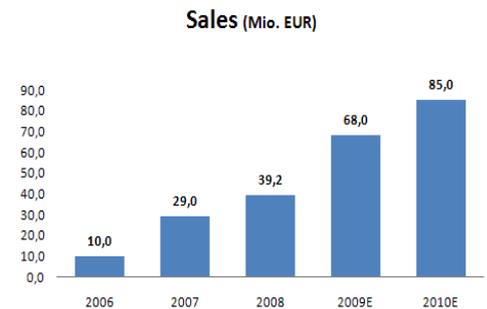
SWOT

- + Partnerships (China Unicom and China Telecom)
- + Focus on 3G mobile networks
- + Brand awareness
- + favorable environment
- + attractive company growth
- + high market potential
- - strong competitors

COMPANY DESCRIPTION

Vtion Wireless Technology AG is a Germany-based provider of wireless data card solutions for mobile computing in China. The Company is engaged in the design, development and distribution of wireless data cards. Its product portfolio includes wireless data cards, which are compatible with standards of the PCMCIA, the universal serial bus (USB), the mini-USB, express card 34/54 as well as PCI express miniature interfaces for mobile and personal computers.

VALUATION



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See also
Kalliwoda Recommendations
on Terminal:

- Bloomberg
- Thomson Reuters
- JCF FactSet
- vwd group

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Vtion Wireless Technology AG					
Currency = EUR	2006	2007	2008	2009E	2010E
Sales (Mio. €)	10.0	29.0	39.2	68.0	85.0
Operating Profit (Mio. €)	2.53	9.24	12.60	24.17	29.00
Net Income (Mio. €)	2.06	8.84	12.39	21.17	25.33
Earnings per share (€)	0.13	0.55	0.78	1.32	1.59
Dividend per share (€)	0.00	0.00	0.00	0.26	0.40
Return on equity (€)	52.57 %	84.97 %	34.81 %	21.57 %	20.92 %
Price (€)	10.51				
52W high (€)	10.89				
52W low (€)	8.66				
Market Cap (mln)	167.9				
Last Dividend	0.00				
Accounting Stand.	IFRS				
Web Page	www.vtion.de				
Shares out (mln)				15.98	
6M Avrg Volume (St.)				27518	
Free Float (in %)				28.20 %	
Weight in Daxsub (CT)				14.3700 %	
Reuters				V33G.F	
Segment				Prime Standard	
WKN				CHEN99	

Source: DR.KALLIWODA | RESEARCH © 2009

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1 Executive Summary

The Chinese telecommunications industry still counts as one of the China's growth sectors, despite its new customer growth. At this time, China's customers for mobile services number 695mn. Basically every other Chinese person owns a mobile phone according to the statistics. In view of the 3G mobile standards, China is not a technological laggard. Large investments have already been made and even in an expected weakening of global economic growth, will the Chinese as well as enterprises located there use telecommunications. The Ministry of Industry and Information Technology (MIIT) expects that investments for 3G-networks will approximately amount to a converted EUR 30bn. The three mobile phone providers, China Mobile, China Telecom and China Unicom prepare for the start up of their 3G-networks. The government, respectively MIIT granted corresponding licenses to the telecommunications providers in January 2009. China Unicom informed early November that already one million users had been acquired for the 3G-offers only one month after start up and that this increase is also planned for coming months.

Chinese telecommunications industry on the brink of change

Most of the end-use devices used in China, which currently dominate the 3G-standards, originate from abroad. Such are, for example, devices from Nokia or the iPhone. However, Chinese manufacturers also want to take own devices to the market. The first devices developed in China have already been heralded. Additionally, the Chinese telecommunications market was restructured in regards to the start of the third generation of mobile devices. In the scope of this measure, China Unicom took over the WCDMA-network from China Netcom and released its CDMA-2000-network to China Telecom in return.

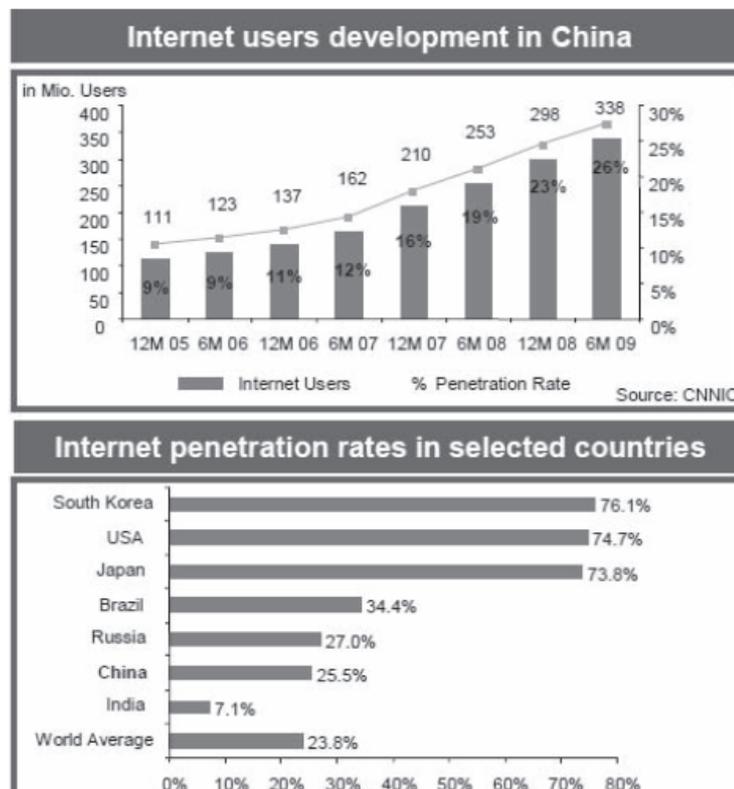
Non-cyclical values continue to be in demand

Compared to other sectors, which are dependent on the cycle of economic phases, telecommunications by now represent a provider of kind. Providers are by far not as dependent on overall economic cycles in general. Cyclical sectors, such as the steel industry, in contrast are strongly influenced by the economic development. Therefore, we maintain that an investment is sensible, despite the still existing macro-economic insecurities.

One factor, which might be an argument against investment in the Chinese telecommunications market, is the increasing pressure on price. Overall we consider, however – also based on the increasing rates of market penetration – the Chinese telecommunications industry and its development as one of the most interesting investment opportunities.

Low market penetration and high potential to catch up

China's rate of penetration of 25.5% is slightly below Russia's and Brazil's the rates of penetration and is clearly behind that of industrialized nations.



(Source: China Internet Network Information Centre CNNIC, June 2009)

No tendencies of saturation in sight

For one, such is caused by factors such as wider geographical distribution of the population and the amount of education. First tendencies of saturation are thus not to be expected in the Chinese market, not even in the median term. In consideration of further parameters such as purchase power and PC-density, China should therefore continue to remain an extremely attractive broadband and internet market. It should thereby not yet be affected by certain slow-down tendencies of increase, which can be observed in other markets.

Attractive prerequisites and increasing demand are expected

Advantageous prerequisite parameters such as low rate of penetration as well as increasing purchase power among the population make the telecommunications market attractive for domestic and foreign enterprises. Demand for broadband connections is additionally also pushed by raised demands of internet pages and new applications (most

of all Web 2.0 applications/IPTV) in our opinion. Generally, the trend to multi-media contents is intact and supports demand for broadband connections.

Great price potential – recommendation to buy

We see a price potential of 26% for Vtion Wireless Technology. Our target price is thus EUR 13. The company delivers superb exposure in regards to one of the growth trends identified by us for the values covered by us. We adjusted our forecasts for 2009 results and the following years upward, due to strong operative dynamics. We expect that Vtion Wireless Technology will strengthen its niche position in the Chinese broadband and internet market, aided by partnerships with China Unicom and China Telecom. Yet, we view these developments at the current level as still not factored to price. Therefore, we assume in our DCF-model for the group respective margins for the next few years. Revenue increases should move in a double-digit area, however we presume that current growth rates will not be maintained due to the basis effect.

2 Company profile

Vtion Group is one of the three leading providers of mobile data solutions for wireless computer use via mobile phone networks in the People's Republic of China ("PRC" or "China"). Vtion Group mainly operates in the development and sale of mobile data cards, which also include corresponding post-sales services. Aside from these, Vtion Group also offers internet-based data solutions, which are provided to customers in China in the scope of exclusive service agreements.

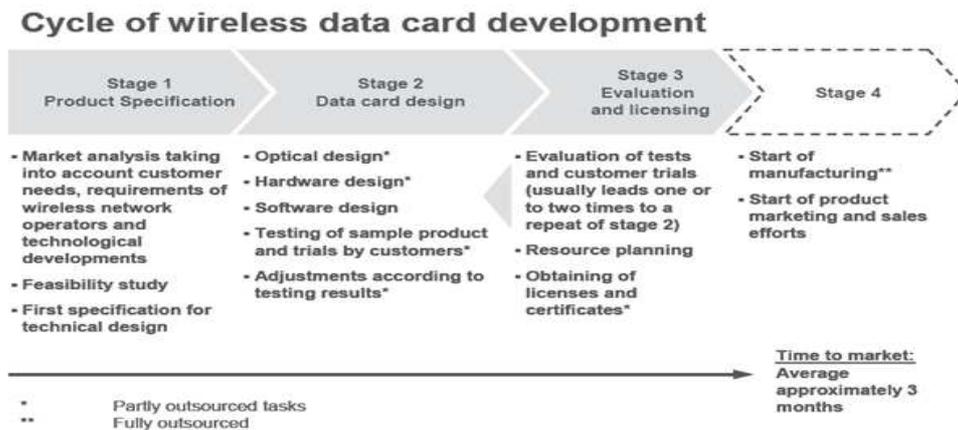
Aided by the mobile data cards of Vtion Group, users are able to have access to telecommunications networks from laptops of personal computers. Vtion Group also has a wide spectrum of mobile data cards available for interfaces such as PCMCIA, USB, miniature USB, PCI Express Mini and Express Card 34. Vtion Group sells its mobile data cards mostly via three distribution channels: network providers, wholesale retailers and direct sales. Vtion Group markets the greatest amount of its mobile data cards directly to China Telecom, China Unicom and China Mobile, which resell the mobile data cards to their customers in their respective outlet stores using the Vtion brand name.

The Chinese mobile phone industry is currently facing the market development ranging from second generation of mobile phone devices (so-called 2G, 2.5G and 2.75G standards) to third generation mobile phone devices (so-called 3G standards), which make significantly higher transfer rates for data. Vtion Group expects that 2.5G and 2.75G will continue their dominant role in rural areas and has therefore developed mobile phone data cards, which are compatible with 2.5G, 2.75G and 3G networks. Since the 2009 introduction of 3G networks in China, Vtion Group focuses on the sale of 3G mobile phone data cards for the three different 3G standards in China, TD-SCDMA, CDMA 2000 and WCDMA.

Vtion Group started up its business in January 2006 with internet-based data services, which primarily targeted business travellers in China. The internet-based data services are offered to members of business clubs part of Vtion Group via the website “www.mbevip.com” and include an internet acceleration (shortening loading time for websites and optimizes internet connections regarding reliability), a virus scan, an instant messaging service, an electronic fax service, an online translation service and an internet travel service.

Vtion Group continues to record rapid growth. In the business of mobile data cards, Vtion Group achieved sales of EUR 39.2mn in 2008, which was an increase compared to the year 2007 in the equivalent of 35%. In the first nine months of the year 2009, Vtion Group has already accomplished sales in the amount of EUR 47.73mn in the mobile data card business. This is the equivalent of a 62% increase compared to the period in the previous year. The net gain of Vtion Group increased after nine months compared to the year before by 49 percent from EUR 9.29mn to EUR 13.88mn. For the entire year, management expects sales revenues of EUR 66 to 70mn with an EBIT margin of 29 percent.

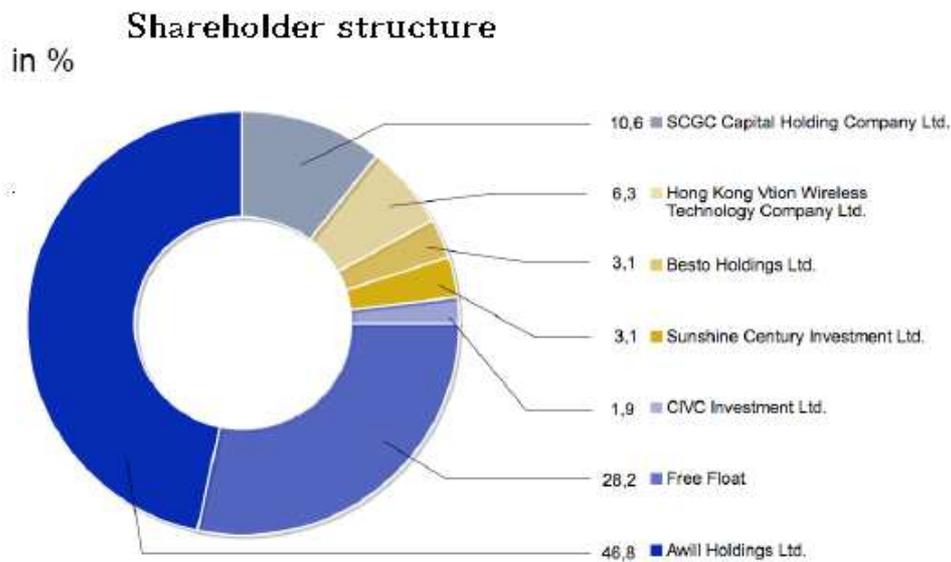
Value added chain



Organizational chart



Source: Vtion Wireless Technology AG



Source: Vtion Wireless Technology AG

3 SWOT

Strengths/Opportunities

- Vtion Group has developed tight business relations to China Unicom, China Telecom and China Mobile: Vtion Group has developed tight business relations to the three providers of mobile phone networks in China, China Unicom, China Telecom and China Mobile.
- Vtion Group is of the opinion that it was one of the largest suppliers of mobile data cards based on 2.5G and 2.75G technology for China Unicom. It was selected as “primarily qualified supplier” in six consecutive years by China Unicom.
- Definite focus is on high-quality mobile data cards and exquisite market knowledge: Vtion Group sets its focus on the development of high-quality mobile data cards for 3G-networks in China and has gathered comprehensive industry expertise in past years.
- Strong capacities to develop products for market introduction of customer-specific products in short time: Vtion Group places great emphasis on the development of products custom-fit to the needs of business travellers, which meet the current, rapidly developing market trends.
- Highly diversified product portfolio, covering all relevant industrial standards and interfaces: Vtion Group is one of few suppliers of mobile data cards, that are able to make a connection for all 3G standard-mobile-cards, which are compatible with either PCMCIA, USB, miniature USB, Express Card 34 or PCI Express Mini interfaces for laptops or personal computers.
- Brand name with high profile of recognition: The brand name “Vtion” is very well known in China. It was listed between 2007 and 2009 each list of World Brand Lab for the 500 best known Chinese name brands.

Risks/Weaknesses

- Technological changes could make current technologies of Vtion Group and/or of its entire business with mobile data cards obsolete.
- Profitability of Vtion Group could weaken due to a systemic price deterioration or increasing costs

4 Strategy

Strategic focus of Vtion Group rests on accomplishment of the following goals:

- Utilization of the strong market position in the market for 2.5G and 2.75G mobile data cards for successful penetration of the 3G market.
- Vtion Group is of the opinion that it may gain further market shares from smaller suppliers, for whom it has become increasingly difficult to pay large license fees for the use of 3G technology and meet the increasing regulatory requirements concerning approvals and licensing for mobile data cards in China.
- Strengthening of capacities for research and development: The research and development unit is intended to be expanded further by the means available with the going public. Future activities of the R&D unit focus on new technologies, such as 3.5G and 4G as well as development of new products.

Development of an innovative marketing strategy and creation of new distribution channels: Vtion Group set its goal to achieve targeted growth by broadening the distribution channels with the expansion of joint ventures and the expansion of shop-in-shop solutions as well as the introduction of innovative marketing strategies. Additionally, the business with internet-based data services is being advanced in expanding memberships for the business clubs.

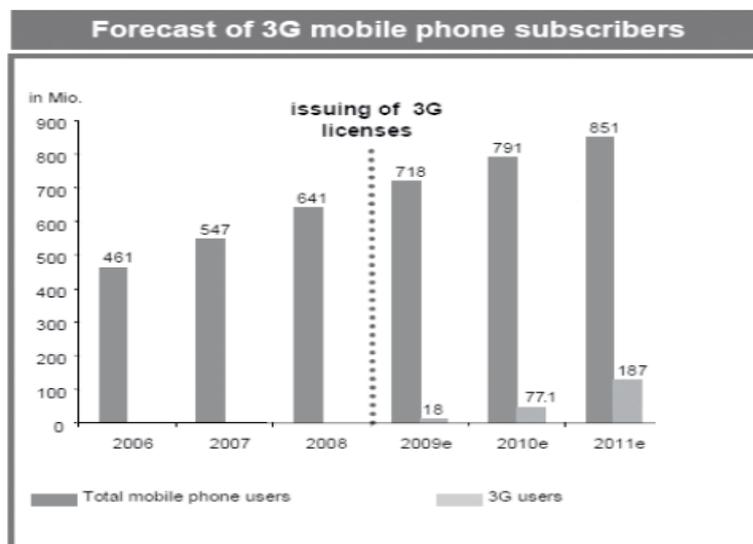
5 Market and Competition

World Telecommunications Market

Worldwide mobile telecommunications markets are expected to continue their rapid growth. The global market in mobile communications is expected to grow by 6.6 % in 2009 to EUR 578bn. Mobile phone sales are expected to increase by 4.2 % to EUR 454bn, whereas mobile data services are expected to increase by 16% to EUR 124bn. (Source: European Information Technology Observatory EITO, 13 February 2009)

The number of users in the Chinese mobile telecommunications market exceeded 695mn subscribers on June 30, 2009. This adds 54mn users to the existing 641mn per 31 December 2008. (Source: MIIT, “www.miit.gov.cn”).

The PRC mobile telecommunications market is expected to continue its growth according to the market study below. An increase to 718mn users is expected in the mobile phone industry in 2009 and to 851mn in 2011. An increase from 18mn in 2009 to 187mn is expected in the number of mobile phone users for 3G technology in 2011.



Source: Analysis International “Research series regarding development strategy of 3G business of domestic operators – Overview on development strategy of Chinese 3G market in 2009”, 29 June 2009)

PRC mobile network standards

Mobile networks established by China Mobile and China Unicom apply the second generation of mobile phone technology (“2G”). Sufficient data transfer rates to access the internet were provided by China Unicom and China Mobile, who enhanced 2.5G and 2.75G wireless network standards. Nearly nationwide coverage was achieved by China Unicom’s 2.5G CDMA 1x network on the Chinese mainland. Wireless internet access has been dominated by China Unicom, from the time when China Mobile’s 2.75G network was only available in large cities in China.

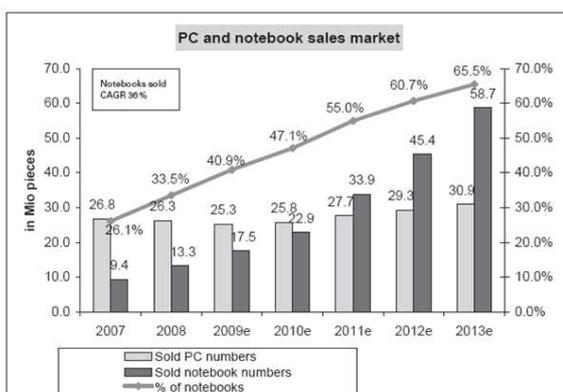
The Chinese mobile network industry departs from second generation wireless communication to third generation wireless communication standards allowing for significantly higher data transfer rates, since introduction of 3G wireless networks in PRC to the markets in May 2009 . Vtion Group expects that 2.5G and 2.75G will remain the dominant network standard in rural areas until 3G technology is available throughout China. This, current mobile networks cards are designed to connect to 2.5G, 2.75G and 3G networks.

The Laptop Market

The PRC laptop market is rapidly expanding as well. An increase of more than 41% between 2007 and 2008 in sales of laptops reached more than 13mn . A decrease in product prices was the major impetus aside from improved price/performance ratios (Source: IDC China PC 2009-2013 Forecast and Analysis).

New applications and operating systems such as Windows 7 are expected to require high performance laptops and these should be launched by the end of 2009. Such will trigger more growth in the laptop market for coming years. An increase increase to 17.5 million in 2009 and 58.7 million in 2013 is expected regarding the number of laptops sold (Source: IDC, “China PC Market 2009-2013 Forecast and Analysis”, August 2009).

Slight decreases in the number of desktop PC sold amount 26.3mn in 2008 from 26.8mn in 2007. This is an indication for improved significance of mobile computers. Desktop PC sales are expected to continue to decrease to 25.3mn in 2009 and to increase only slightly to 30.9mn after that in 2013 (Source: IDC, “China PC Market 2009-2013 Forecast and Analysis”, August 2009).

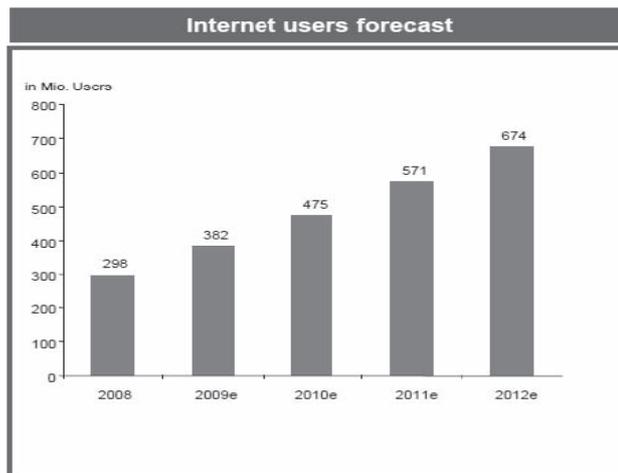


(Source: IDC, “China PC Market 2009-2013 Forecast and Analysis”, August 2009)

Internet Market

The sharp increase of mobile communication services as well as of the market for laptops corresponded to a growing number of internet users in China. As of 30 June 2009, the number of Chinese Internet users reached 338 million. This is an increase of 40 million users, or 13.4% compared to the end of 2008 (Source: China Internet Network Information Centre CNNIC, June 2009). The number of broadband users totaled 319 million as of 30 June 2009.

China’s penetration rate of 25.5 % as of June 2009 is low, despite China representing the largest number of internet users. Yet it is far behind nations such as South Korea, the United States and Japan. There is a wide gap between internet use in cities and rural areas. 95.65 million of the internet users are in rural areas, merely 28.3 % of all internet users in China. In comparison, some 242.35 million internet users live in urban areas, comprising 71.7 % of all internet users (Source: China Internet Network Information Centre CNNIC, June 2009).



(Source: Analysis International, Annual Report on Chinese Internet 2007–2008, 26 May 2008).

PRC Market for Wireless Data Cards

Strong growth over the last few years, making for a jump from 8.7 million to 21.6 million worldwide results from internet access with mobile data cards via wide area networks experienced, which makes for an overall annual growth rate (“CAGR”) of approximately 35% in the years 2006 to 2008. (Source: CCID Consulting, 2008–2009 Annual Research Report about Chinese wireless data cards.

6 Financial Planning

6.1 Financial Statements

Consolidated Balance sheets															
	2006			2007			2008			2009E			2010E		
	Mio. Euro	%	Δ%	Mio. Euro	%	Δ%	Mio. Euro	%	Δ%	Mio. Euro	%	Δ%	Mio. Euro	%	Δ%
ASSETS															
<i>Current assets</i>															
Inventories	1.6	22	-90	2.3	9	43	4.9	10	111	13.9	11	185	16.7	33	20
Trade receivables	2.6	37	-89	10.1	38	283	6.4	12	-37	34.2	26	438	36.4	71	6
Other receivables and prepayments	1.0			1.1			6.7			7.5			9.3		
Amounts due from related parties	0.2	3	-90	0.0	0	-83	1.4	3		0.9	1	-36	0.9	2	0
Cash and cash equivalents	1.6	22	-32	12.2	46	676	30.3	60	148	70.7	54	133	84.0	165	19
Total current assets	7.1	98	-85	25.8	97	266	49.7	98	93	127.3	98	156	147.3	289	16
<i>Non-current assets</i>															
Property, plant and equipment	0.1	2	-99	0.2	1	63	0.5	1	174	0.5	0	-4	0.5	1	6
Intangible assets	0.1	1	-99	0.6	2		0.8	1	29	2.5	2	233	2.5	5	0
Total non-current assets	0.2	2	-99	0.8	3	374	1.2	2	63	3.0	2	140	3.0	6	1
Total assets	7.2	100	-90	26.6	100	268	51.0	100	92	130.2	100	156	150.3	100	15
<i>Capital and reserves</i>															
Share capital	2.9	41	-66	10.0	38	241	11.5	23	15	16.0	12	39	16.0	31	0
Reserves	0.3	3	-99	0.0	0	-100	7.6	15		54.4	42	616	54.4	107	0
Retained earnings	0.7	10	-87	0.8	3	3	13.2	26		27.1	21	106	44.8	88	66
Foreign exchange difference	0.0	0	-100	-0.4	-1		3.3	7		0.7	1	-80	5.9	12	768
Total equity	3.9	54	-88	10.4	39	165	35.6	70	242	98.1	75	176	121.1	238	23
<i>Current liabilities</i>															
Short-term loans	1.8	24	-43	5.2	20	196	0.0	0	-100	0.0	0		0.0	0	
Trade payables	0.5	7	-34	4.7	18		8.3	16	75	18.9	15	129	14.3	28	-24
Other payables and accruals	0.9	12	-38	3.3	12	275	3.3	7	2	8.1	6	144	8.5	17	5
Amounts due to related parties	0.0	0		3.0	11		3.8	7	27	4.1	3	8	4.3	8	5
Income tax payable	0.1	2	-97	0.0	0	-100	0.0	0		1.0	1		2.1	4	110
Total liabilities	3.3	45	-67	16.2	61	393	15.4	30	-5	32.1	25	109	29.2	57	-9
Total liabilities and equity	7.2	100		26.6	100	269	51.0	100	92	130.2	100	155	150.3	295	15

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Most of all low intensity of investment catches the eye on the asset side. Capital assets comprise about 2% of the financial result. Accordingly, capital intensity is low. A significant increase of the working capital is noteworthy. This is mostly due to the expansion of sales and is therefore a positive signal. Cash assets increases on the one hand on basis of additional means from the going public, and on the other, the position is continued to be fed from operative business. On the liabilities side, however, low financial liabilities are noteworthy, so that burdens from interest are under control. It can be presumed that large cash assets will reduce in process of realising expansion plans and that the working capital will have to be expanded further..

6.2 Profit and loss statement

Profit & Loss Statement - Vtion Wireless Technology AG															
	2006			2007			2008			2009E			2010E		
	Mio. Euro	%	Δ %	Mio. Euro	%	Δ %	Mio. Euro	%	Δ %	Mio. Euro	%	Δ %	Mio. Euro	%	Δ %
Sales	10.00	100	-88	28.99	100	190	39.17	100	35	68.00	100	74	85.00	100	25
Cost of Sales	-6.52	-65		-17.32	-60	166	-23.09	-59	33	-40.80	-60	77	-51.00	-60	25
Gross Profit	3.48	35	-96	11.67	40	235	16.08	41	38	27.20	40	69	34.00	40	25
Other operating income	0.01	0		0.28	1		0.55	1	97	0.40	1	-27	0.50	1	25
Selling and distribution expenses	-0.47	-5		-0.94	-3	101	-1.37	-3	46	-1.45	-2	6	-2.50	-3	72
Administrative expense	-0.49	-5	-91	-1.30	-4	165	-2.58	-7	98	-1.78	-3	-31	-2.80	-3	57
Other operating expense	0.00	0	-100	-0.47	-2		-0.08	-0	-83	-0.20	-0	150	-0.20	-0	0
Profit from operations	2.53	25	-94	9.24	32	265	12.60	32	36	24.17	36	92	29.00	34	20
Finance income	0.03	0		0.20	1	567	0.27	1	35	0.50	1	85	0.55	1	10
Finance expenses	-0.10	-1	-87	-0.30	-1	200	-0.48	-1	60	-0.48	-1	0	-0.60	-1	25
Profit before income tax	2.46	25	-94	9.14	32	271	12.39	32	36	24.19	36	95	28.95	34	20
Income tax	-0.40	-4	-42	-0.30	-1	-25	0.00	0	-100	-3.02	-4		-3.62	-4	20
Profit for the year	2.06	21	-95	8.84	30	328	12.39	32	40	21.17	31	71	25.33	30	20
EPS (15,98 Mio.):	0.13			0.55		328.36	0.78		40.15	1.32		70.90	1.59		20

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In using its competitive strengths, such as close relations to the three leading mobile phone network providers of China, refined expertise in the mobile data card industry in China, strong product development capacities and its broad product portfolio, Vtion Group strives to become the leading provider for mobile data card solutions in China. However, it can be presumed that intensity of competition will increase in the progress of time. Therefore we assume a leveling in the rates of increase for sales. With an operative margin of more than 30 percent, Vtion Wireless Technology is among enterprises in the telecommunications industry with the strongest margins.

Development of the bottom line is predominantly determined by the following factors:

- Continuous increase of the sales volume lowers the cost price, increases bargaining power and optimizes utilization of capacities
- Bigger margins in the markets due to the early state of competition on these markets.
- Degression of fixed cost and effects of the learning curve.

7 Peer Group Analysis

The rating of Vtion AG derived from our DCF model was additionally reviewed for plausibility aided by a peer group analysis. We primarily selected companies for it, which operate in the telecommunications sector. Multiples approaches are based on a comparative method in the sense that suitable multiples are transferred from capital market data and financial reporting of stock exchange listed comparative companies to the company being rated.

The initial data of the comparative companies (indicated in respective currencies) originate from the information services provider Reuters.

Peer Group - Wireless Data Solutions										
	Price	Market Cap.	Enterprise Value	Total Equity	Sales 2008	Sales 2009E	EBIT 2008	EBIT 2009E	EPS 2008	EPS 2009E
China Mobile (CNY)	75.45	1,513,535.00	1,097,175.00	442,278.00	412,343.00	444,716.00	142,615.00	146,392.00	5.54	5.68
China Telecom (CNY)	3.59	252,336.00	337,596.00	213,036.00	186,801.00	211,336.00	5,145.00	24,147.00	0.01	0.18
China Unicom (CNY)	11.04	224,827.00	260,364.00	206,710.00	148,906.00	153,491.00	8,319.00	14,172.00	0.26	0.46
ZTE (CNY)	38.80	71,615.00	76,542.00	14,249.00	44,293.00	59,329.00	1,245.00	2,894.00	0.93	1.35
China GrenTech Corp (USD)	4.91	791.15	1,134.00	209.95	144.24	242.60	-19.06	12.68	-0.88	0.27
Centron Telecom (HKD)	2.24	1,377.82	1,277.53	1,030.59	818.29	1,262.00	140.05	199.76	0.17	0.24
Comba Telecom Systems (HKD)	8.24	8,724.90	8,418.03	1,974.54	2,525.90	4,050.00	273.39	584.50	0.22	0.43
Commscope (USD)	28.87	2,707.73	3,660.49	1,008.36	4,016.56	3,043.55	-90.13	398.31	-3.29	0.95
Novatel Wireless (USD)	9.12	281.32	149.35	197.96	320.97	339.41	-5.74	9.69	-0.04	0.17
Lenovo (USD)	11.05	5,251.63	3,684.00	1,310.74	14,901.35	15,230.00	-210.13	156.00	-0.03	0.01
Option NV (EUR)	1.26	51.76	38.68	99.08	268.09	181.61	-29.30	-31.47	-0.46	-0.70
Vtion Wireless Technology AG (EUR) * EPS adj. 15,98m shares	10.51	167.95	112.95	53.20	39.18	68.00	12.60	24.17	0.78	1.32

Source: DR. KALLIWODA | RESEARCH, Reuters

We selected the following companies for our peer group comparison, because they show at least in respects to thematic focuses on telecommunications/telecommunications services certain comparability to Vtion Group. However, none of the listed companies covers the product portfolio of Vtion in satisfactory extent, so that the explanatory power is already limited by the differing business models. Additionally, the differences in financial structure, size of business as well as cyclicisms of the business model permit only restricted explanatory power for the peer group comparison. The companies shall be introduced briefly:

Centron Telecom International Holding Limited is an investment holding company, principally engaged in manufacture and sale of equipment for mobile telecommunications and coverage and is also provider of related engineering services and of equipment for digital television networks. The Company's subsidiaries include Nice Group, an investment holding company; Fujian Centron engaged in manufacture and sale of equipment for wireless telecommunications coverage and a provider of related engineering services; plus Centron Telecom System (Asia) Limited engaged in sales of equipment for wireless telecommunications coverage system and a provider of related engineering services.

China GrenTech Corporation Limited has the manufacture and sale of wireless coverage products and services as its core business in the People's Republic of China (PRC). Nearly all the company's revenues derive from China United Telecommunications Corporation and its affiliates (China Unicom Group), China Mobile Communications Corporation and its affiliates (China Mobile Group) and China Telecom Corporation Limited, and its affiliates (China Telecom Group). The Company divested its two wholly owned subsidiaries, Quanzhou Lake Communication Company Limited (Lake Communication) as well as Quanzhou Lake Microwave Company Limited (Lake Microwave) in December 2008,

China Mobile Limited has mobile telecommunications services with dominant use of the global system in mobile communications (GSM), standard as its core business. The company's GSM networks reach all cities and counties, roads and highways, as well as a substantial part of rural areas, within Mainland China. With Hong Kong Mobile's network, a substantial part of Hong Kong is also reached. The Company began to offer mobile telecommunications services with a time division-synchronous code division multiple access (TD-SCDMA) standard on 7 January 2009. It operates its third generation (3G) business based on a core mobile telecommunications network, shared by its second generation (2G) as well as its 3G businesses and TD-SCDMA wireless network capacity, which is leased from China Mobile Communications Corporation (CMCC). The Company's total number of subscribers reached approximately 488.1mn by 31 May 2009.

China Telecom Corporation Limited is an integrated information service provider in the People's Republic of China. A range of telecommunication services is offered, including wireline voice services, mobile voice services, internet access services, value-added services, integrated information application services, managed data and leased line services as well as other related services. The Company acquired China Unicom (Hong Kong) Limited as well as China Unicom Corporation Limited effective 1 October 2008. China Telecom Corporation Limited acquired China Telecom Group Beijing Telecom effective July 2008. China Telecom Group, Unicom Group, and Unicom New Horizon Mobile Telecommunications Company Limited (Unicom New Horizon) entered into a disposal agreement for code division multiple access (CDMA) network on 27 July 2008. Unicom Group and Unicom New

Horizon sold the CDMA cellular telecommunications network constructed by Unicom New as a result of the agreement.

China Unicom (Hong Kong) Limited (Unicom) formerly China Unicom Limited provides a range of telecommunications services including mobile and fixed-line service in China. The Company sold its code division multiple access (CDMA) business to China Telecom Corporation Limited (China Telecom) effective 1 October 2008. The Company's wholly owned subsidiary, China United Network Communications Corporation Limited (CUCL) merged with China Netcom (Group) Company Limited (CNC China), a wholly owned subsidiary of China Netcom Group Corporation (Hong Kong) Limited (China Netcom) in January 2009. Additionally, China United Network Communications Group Company Limited (Unicom Group), the Company's parent company, took over China Network Communications Group Corporation (Netcom Group), the parent company of China Netcom also in January 2009.

Comba Telecom Systems Holdings Limited is an investment holding company. The Company and its subsidiaries are engaged in the research, development, manufacture and sale of system enhancement equipment for wireless telecommunications networks and provide related engineering services. The Company is an antennas manufacturer in the People's Republic of China. In the year with due date 31 December 2008 the Company manufactured more than 200,000 base transceiver station (BTS) antennas including directional panel antennas and remote electrical tilt control antennas in addition to an approximate 1,100,000 indoor antennas. Among further services are consulting, commissioning, and post-sales servicing. A portfolio of indoor and outdoor solutions is provided, e.g. repeaters, antennas, digital microwave systems and related radio frequency passive accessories.

CommScope, Inc. (CommScope) provides infrastructure for communication networks. The Company's Andrew brand provides radio frequency sub-systems for mobile networks. SYSTIMAX and Uniprise brands provide CommScope's infrastructure solutions for end-to-end physical layer solution, including cables and connectivity, enclosures, intelligent software and network design for business applications. The Company operates in four segments: antenna, cable and cabinet group (ACCG), enterprise, broadband and wireless network solutions (WNS). CommScope sold its satellite communications (SatCom) product line to ASC Signal Corporation (ASC) effective 31 January 2008 and entered an agreement to divest its minority interest in Andes Industries, Inc. (Andes) on 26 March 2008.

Lenovo Group Limited is an investment holding company. The Company develops, manufactures and markets technology products and services worldwide. The Company's subsidiaries operate in the manufacture and distribution of information technology (IT) products and provide IT services, property holding and property management, agency for procurement, group treasury, supply chain management,

intellectual property rights management, and repair of computer hardware and software systems. The Company's subsidiaries include Lenovo (Beijing) Limited, Lenovo (Shanghai) Co., Ltd., Lenovo (Asia Pacific) Limited, Beijing Lenovo Software Limited, Huiyang Lenovo Industry Property Limited and Lenovo (Canada) Inc. The Company sold its interest in Greater China mobile handset operations effective 31 March 2008.

Novatel Wireless, Inc. (Novatel Wireless) is a provider of wireless broadband access in the worldwide mobile communications market. The Company's product portfolio includes the third-generation (3G) wireless personal computer (PC) card and ExpressCard modems, embedded modems, universal serial bus (USB) modems and other fixed-mobile convergence (FMC), additionally solutions and communications software for wireless network operators, infrastructure providers, distributors, original equipment manufacturers (OEMs) and vertical markets worldwide. With the integration of its hard- and software, the company's products are designed to operate in most of the global wireless networks and to provide secure and convenient high-speed access to corporate, public and personal information for mobile subscribers with using the internet and business networks. Novatel Wireless also offers software engineering as well as integration and design for its customers facilitating the use of its products.

Option NV is a Belgium-based company for the design, development and manufacture of wireless technology solutions including: USB modems, data cards, embedded modules, wireless routers, software (Globetrotter) and applications. The Company's products are used by mobile telecom operators, IT distributors, laptop manufacturers as well as manufacturers of consumer electronics around the globe. Devices for Option mobile broadband are distributed by more than 100 companies in nearly all regions. Option is headquartered in Leuven, Belgium with research centers in Leuven and Dusseldorf, both in Germany. One of its development teams is located in Augsburg, Germany, as is a facility for production, engineering, and logistics in Cork, Ireland. Option NV also collaborates with an outsourcing partner operating a manufacturing facility dedicated to Option in China. Additionally, Option has sales offices in Europe, the United States of America, Asia, and Australia.

ZTE Corporation is a telecommunications equipment manufacturer and supplier. The Company mostly operates in the design, development, production, distribution and installation of a range of telecommunications systems and equipment. ZTE segments its business in three units: operator network, mobile phones and telecommunications software, services and other products. The operator network unit primarily provides among others wireless communications systems, optical and data communications equipment as well as wireline switch and access equipment. The mobile phone unit provides global system for mobile communications (GSM) mobile phones and broadband code-division multiple access (WCDMA) mobile phones. ZTE Corporation operates in domestic and foreign markets including the rest of Asia and Africa.

7.1 Rating deduction/addition

Multiples - Peergroup - Wireless Telecommunications Services								
	EV/Sales		EV/EBIT		P/E		EBIT-Margin	
	2008	2009E	2008	2009E	2008	2009E	2008	2009E
China Mobile	2.66	2.47	7.69	7.49	13.62	13.28	34.59	32.92
China Telecom	1.81	1.60	65.62	13.98	359.00	19.94	2.75	11.43
China Unicom	1.75	1.70	31.30	18.37	42.46	24.00	5.59	9.23
ZTE	1.73	1.29	61.48	4.92	41.72		2.81	4.88
China GrenTech Corp	7.86	4.67	-59.50	89.43	-5.58	18.19	-13.21	5.23
Centron Telecom	1.56	1.01	9.12	6.40	13.18	9.33	17.11	15.83
Comba Telecom Systems	3.33	2.08	30.79	14.40	37.45	19.16	10.82	14.43
Commscope	0.91	1.20	-40.61	9.19	-8.78	30.39	-2.24	13.09
Novatel Wireless	0.47	0.44	-26.02	15.41	-228.00	53.65	-1.79	2.85
Lenovo	0.25	0.24	-17.53	23.62	-368.33	1105.00	-1.41	1.02
Option NV	0.14	0.21	-1.32	-1.23	-2.74	-1.80	-10.93	-17.33
Mittelwert	2.04	1.54	5.55	18.36	-9.64	129.11	4.01	8.51
Median	1.73	1.29	7.69	13.98	13.18	19.55	2.75	9.23
Vtion Wireless Technology	2.80	1.61	8.70	4.53	13.21	7.80	32.16	35.54
Premium/Discount (-)	36.94	4.82	13.06	-67.57	167.79	-60.09		
Fair Value (bandwidth):		9.80		17.26		16.48		

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The sales multiple shows no leeway for the rating in 2009. However, we consider the explanatory power of the results multiples to be stronger, because they include revenue strength. According to it, the leeway for the rating is above the fair value derived from the following DCF model. Due to the weak comparability we are on the safe side this way.

8 Company Rating

8.1 Discounted cash flow method

For the ascertainment of the fair value, a three-tier discounted cash flow model was applied as well as a consideration of the market data of the peer group companies. The group financial statements were included as data foundation in the valuations. The off-year valuation due date was considered in discounting interest on the operative free cash flows per rating due date. The rating due date was set on 11/1/09. As far as operating assets did not exist, such value was ascertained separately and allocated to the cash value of distributions.

Subsequently following is the residual value phase, for which we calculated a rate of increase of 6.5 percent per year.

Entity Approach

Rating due date
11/1/2009

3-Phases-model

Growth of terminal value
6.5 percent

/ Discounted Cash Flow-Model (Basis 11/2009)						
(Mio. EUR)	2009e	2010e	Phase 1			2014e
			2011e	2012e	2013e	
Revenues	68.000	85.000	97.750	112.413	129.274	148.666
Rate of change	-	25%	15%	15%	15%	15%
EBIT	24.170	29.000	29.325	29.912	30.510	31.120
Rate of change	-	20%	1%	2%	2%	2%
Margin	35.5%	34.1%	30.0%	26.6%	23.6%	20.9%
Interest and Shareholding Income	-0.480	-0.600	-0.650	-0.840	-1.000	-1.230
EBT	23.690	28.400	28.675	29.072	29.510	5.200
Operational tax expenses	-3.024	-3.619	-3.584	-4.487	-4.576	-0.780
Effective Tax Rate (ex. Interest Income)	12.8%	12.7%	12.5%	15.4%	15.5%	15.0%
Depreciation and Amortization	0.200	0.200	0.250	0.250	0.300	0.300
Depreciation Ratio (% Revenues)	0.3%	0.2%	0.3%	0.2%	0.2%	0.2%
Changes in long-term provisions	0.000	0.000	0.000	0.000	0.000	0.000
Proportion of Revenues	-	-	-	-	-	-
Cash Flow-Business needs (change WC)	-20.400	-9.700	-3.200	-3.500	-3.500	-2.300
Working-Capital-Ratio (% Revenues)	-30.0%	-11.4%	-3.3%	-3.1%	-2.7%	-1.5%
Investments into fixed assets	-1.320	-3.850	-7.500	-9.200	-9.500	-9.700
Investments ratio (% Revenues)	-1.9%	-4.5%	-7.7%	-8.2%	-7.3%	-6.5%
Other	0.000	0.000	0.000	0.000	0.000	0.000
Free Cash-Flow	-0.854	11.431	14.641	12.135	12.233	-7.280

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WACC Assumptions

Growth Propositions

Long-Term growth rate / Inflation	3.0%
Assimilation Phase (from 2015)	5 Jahre
Revenue growth in the beginning	1.0%
Margin development (p.a.)	+1 BP

Equity Cost

Long-Term risk-free rate	4.9%
Market Risk Premium	5.0%
Beta of the Company / Approximation	1.39
Equity Cost	11.9%

Debt Cost

Debt Cost (before tax)	7.0%
Tax rate on Debt interest	30.0%
Debt Cost (after tax)	4.9%

Equity Value

Market Value of net debt	28
Gearing (Market Values)	153.7%
WACC	7.64%

8.2 Weighted average cost of capital (WACC)

The discount rate was ascertained using weighted capital costs. We presume that the target capital structure will improve in coming business years.

Adjustments for external finance to the current market interest were not made. The risk-free yield is based on the average yield for 30-year bonds (source: Stock Exchange Stuttgart). The calculation of the risk premium follows the capital asset pricing model (CAPM) and covers in particular systemic risks (market risk premium). The market risk premium in our model is based on official studies. The market risk premiums ascertained by Universities vary for each market, period and method, generally between 5 and 8 percent. The beta value applied by us for the calculation of the company-specific risk is oriented on the value development of the referential index TexDax.

8.3 Fair Value – Sensitivities

The fair value of the stock calculated by us amounts to EUR 12.99. It is thereby higher by 23.6 percent than the current price (EUR 10.51). Modification of action parameters in the terminal value are shown in below sensitivity analysis. It shows flexibility of our derived fair value in various scenarios. Shown rating breadth moves between EUR 9.04 and EUR 25.91

Sensitivity Analysis		Fair Value per share				
(EUR)		Discount rate				
$\beta = 1.05$		8.80%	9.05%	9.30%	9.55%	9.80%
Growth	5.5%	12.24	11.26	10.42	9.69	9.04
	6.0%	13.82	12.57	11.51	10.60	9.82
	6.5%	16.09	14.39	12.99	11.82	10.83
	7.0%	19.64	17.10	15.11	13.52	12.22
	7.5%	25.91	21.56	18.42	16.05	14.20

Sensitivity Analysis		Market capitalization				
(Mio.EUR)		Discount rate				
$\beta = 1.05$		8.80%	9.05%	9.30%	9.55%	9.80%
Growth	5.5%	195.52	179.99	166.53	154.77	144.41
	6.0%	220.84	200.86	183.94	169.44	156.88
	6.5%	257.20	229.93	207.58	188.93	173.14
	7.0%	313.80	273.22	241.52	216.08	195.21
	7.5%	414.10	344.52	294.36	256.49	226.91

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BUY	On a basis of our prognoses the stock should have a performance of at least 20% in the following 12 months.	
ACCUMULATE	On a basis of our prognoses the stock should have a performance of between 10% and 20% in the following 12 months.	
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