

Recommendation:  
**BUY** Company update

Risk:  
**Medium**

Fair Value:  
**EUR 60** (€70)

23 February 2009

## Stable business in 2009 expected

### Profiting from infrastructure investments

Revenues are expected to increase 20.5% to €279.6m

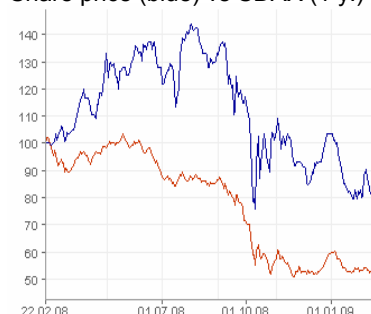
- According to our estimates revenues are expected to increase 20.5% to €279.6m and EBIT will improve 39.4% to €19.7m (estimate: €17.7m). EBIT margin will increase from 6.1% to 7%. Net results should improve 54.3% from €8.2m to €12.6m before minority interests. Net debt should reach around €37.8m and equity will improve to €9.2m.

- Revenues (fairesearch estimates) in the fourth quarter ending December should increase 5% to €68m. EBIT will drop 68.9% to €1.3m according to our estimate. EBIT margin is expected to decline from 6.5% to 1.9%. We assume that management already prepared the present infrastructure to face the difficult economic environment. Therefore additional provisions should have been booked in the fourth quarter.

#### Cautious outlook for 2009 (based on October 2008 guidance)

- For 2009 management is expecting revenues to increase 2.3% to €286.1m (guidance from October 2008). Order intake will increase from €279.9m in 2008 to €288.3m. EBIT margin should remain stable at €19.7m. Net income will increase marginally to €12.7m. EPS should range between €6.10 and €6.30 before minorities.
- We leave our "BUY" recommendation unchanged but adjusted our revenue and earnings forecast for the current year. We reduced our target price from €70 to €60 per share. The company should profit from infrastructure investments. We are expecting management to release preliminary 2008 results in the coming weeks. Final 2008 results will be published on 22<sup>nd</sup>, April.

Share price (blue) vs SDAX (1 y.)



Source: CBS Research AG, fairesearch

| change   | 2008E |       | 2009E |       | 2010E |       |
|----------|-------|-------|-------|-------|-------|-------|
|          | new   | old   | new   | old   | new   | old   |
| Revenues | 279.6 | 280.1 | 289.7 | 290.2 | 297.9 | 305.8 |
| EBITDA   | 25.4  | 25.1  | 27.1  | 26.3  | 25.9  | 27.8  |
| EPS      | 5.61  | 6.29  | 6.15  | 6.74  | 5.65  | 7.19  |

Internet: [www.schaltbau.de](http://www.schaltbau.de) Sector: Mechanical Engineering  
WKN: 717030 ISIN: DE0007170300  
Reuters: SLTG.DE Bloomberg: SLT:GR

#### Share data:

|                             |           |
|-----------------------------|-----------|
| Share Price:                | EUR 29.50 |
| Shares outstanding (mill.): | 2.03      |
| Market capitalisation:      | EUR 59.9m |
| Enterprise Value (EV):      | EUR 97.7m |
| Ø daily trading volume:     | 1,990     |

#### Performance data:

|                                   |           |
|-----------------------------------|-----------|
| High 52 weeks:                    | EUR 55.68 |
| Low 52 weeks:                     | EUR 27.80 |
| Absolute performance: (12 months) | -16.9%    |
| Relative performance (SDax):      |           |
| 1 month                           | 6.4%      |
| 3 months                          | -8.4%     |
| 6 months                          | 4.5%      |
| 12 months                         | 32.1%     |

#### Shareholders:

|                                   |        |
|-----------------------------------|--------|
| Dr. Cammann family:               | 11.63% |
| Zimmermann family:                | 9.59%  |
| Golden Peaks Capital:             | 9.51%  |
| IFOS International Fonds Service: | 3.52%  |
| Free float:                       | 65.75% |

#### Financial calendar:

Next event: Q4'08 – 22nd, April 09

#### Close Brothers Seydler Research AG

Phone: +49 (0)69 - 977 84 56 0  
E-Mail: [research@cbseydlerresearch.ag](mailto:research@cbseydlerresearch.ag)

#### Close Brothers Seydler Bank AG

##### Institutional Sales:

Germany: Uwe Gerhardt  
Phone: +49 (0)69 - 920 54 168  
France: Bruno de Lencquesaing  
Phone: +49 (0)69 - 920 54 116

#### Close Brothers Seydler Ltd.

##### Institutional Sales:

United Kingdom: Ernie Ferriday  
Phone: +44 2076 55 34 80

[www.cbseydlerresearch.ag](http://www.cbseydlerresearch.ag)

#### Key data

| Y/E 31.12., in €m | 2006  | 2007  | 2008E | 2009E | 2010E |
|-------------------|-------|-------|-------|-------|-------|
| Revenues          | 212.7 | 232.1 | 279.6 | 289.7 | 297.9 |
| EBITDA            | 16.8  | 19.4  | 25.4  | 27.1  | 25.9  |
| Net profit        | 5.0   | 7.2   | 11.4  | 12.5  | 11.5  |
| EPS               | 2.67  | 3.85  | 5.61  | 6.15  | 5.65  |
| EBITDA margin     | 7.9%  | 8.3%  | 9.1%  | 9.4%  | 8.7%  |
| EBIT margin       | 5.5%  | 6.1%  | 7.0%  | 7.3%  | 6.7%  |
| EV/EBITDA         | 5.8   | 6.2   | 5.5   | 3.9   | 3.8   |
| EV/EBIT           | 8.3   | 8.6   | 7.1   | 5.0   | 5.0   |
| P/E               | 9.3   | 9.3   | 7.4   | 4.8   | 5.2   |

Source: fairesearch, CBS Research AG, company data

Information sourced from fairesearch, Analyst Heinz Steffen

## Financials

## Profit and Loss Statement 2006-2010E

| in €m                              | 2006         | 2007         | 2008E        | % +/-        | 2009E        | 2010E        | % +/-        |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Net sales</b>                   | <b>212.7</b> | <b>232.1</b> | <b>279.6</b> | <b>20.5%</b> | <b>289.7</b> | <b>297.9</b> | <b>2.8%</b>  |
| Stationary traffic technology      | 60.6         | 77.9         | 104.8        | 34.5%        | 107.9        | 111.7        | 3.5%         |
| Mobile traffic technology          | 152.7        | 154.7        | 174.8        | 13.0%        | 181.8        | 186.2        | 2.4%         |
| Changes in stocks of goods         | 1.7          | 2.9          | 2.0          | -32.7%       | 1.9          | 1.9          | -1.0%        |
| Other capitalized work             | 1.3          | 1.2          | 1.1          | 0.0%         | 1.1          | 1.1          | 0.0%         |
| <b>Total operating performance</b> | <b>215.8</b> | <b>236.1</b> | <b>282.7</b> | <b>19.7%</b> | <b>292.8</b> | <b>300.9</b> | <b>2.8%</b>  |
| Material expenses                  | 110.3        | 123.5        | 153.9        | 24.6%        | 159.0        | 163.0        | 2.7%         |
| Personnel expenses                 | 71.9         | 74.8         | 84.0         | 12.3%        | 86.6         | 91.0         | 5.1%         |
| Depreciation                       | 5.0          | 5.3          | 5.7          | 8.4%         | 5.9          | 6.0          | 2.3%         |
| Other income                       | 2.7          | 3.2          | 2.6          | -19.6%       | 2.6          | 2.6          | -1.0%        |
| Other expenses                     | 19.5         | 21.7         | 22.0         | 1.3%         | 22.7         | 23.6         | 4.0%         |
| <b>Total Expenses</b>              | <b>204.0</b> | <b>222.1</b> | <b>263.0</b> | <b>18.4%</b> | <b>271.5</b> | <b>281.0</b> | <b>3.5%</b>  |
| EBITDA                             | 16.8         | 19.4         | 25.4         | 31.0%        | 27.1         | 25.9         | -4.6%        |
| <b>EBITDA margin</b>               | <b>7.9%</b>  | <b>8.3%</b>  | <b>9.1%</b>  |              | <b>9.4%</b>  | <b>8.7%</b>  |              |
| EBITA                              | 11.8         | 14.1         | 19.7         | 39.4%        | 21.2         | 19.9         | -6.5%        |
| <b>EBITA margin</b>                | <b>5.5%</b>  | <b>6.1%</b>  | <b>7.0%</b>  |              | <b>7.3%</b>  | <b>6.7%</b>  |              |
| Amortisation                       | 0.0          | 0.0          | 0.0          |              | 0.0          | 0.0          |              |
| EBIT                               | 11.8         | 14.1         | 19.7         | 39.4%        | 21.2         | 19.9         | -6.5%        |
| <b>EBIT margin</b>                 | <b>5.5%</b>  | <b>6.1%</b>  | <b>7.0%</b>  |              | <b>7.3%</b>  | <b>6.7%</b>  |              |
| Income/losses from at equity       | 1.1          | 1.4          | 1.6          | 3.0%         | 1.4          | 1.3          | -10.0%       |
| Income/losses from participations  | 0.0          | 0.1          | 0.2          | 2.0%         | 0.2          | 0.2          | -5.0%        |
| Other financial results            | 0.0          | 0.0          | 0.2          | 2.0%         | 0.2          | 0.2          | -5.0%        |
| <b>Total financials</b>            | <b>1.1</b>   | <b>1.5</b>   | <b>2.0</b>   | <b>31.5%</b> | <b>1.8</b>   | <b>1.7</b>   | <b>-8.9%</b> |
| Interest income                    | 0.1          | 0.3          | 0.3          | 2.0%         | 0.3          | 0.3          | -4.0%        |
| Interest expense                   | -4.4         | -5.8         | -6.3         | -6.0%        | -5.9         | -5.6         | -6.0%        |
| <b>Interest results</b>            | <b>-4.3</b>  | <b>-5.6</b>  | <b>-6.0</b>  | <b>0.0</b>   | <b>-5.7</b>  | <b>-5.3</b>  | <b>-0.1</b>  |
| PBT                                | 8.6          | 10.0         | 15.6         | 55.5%        | 17.4         | 16.2         | -6.9%        |
| Taxes                              | 2.6          | 1.9          | 3.01         | 61.0%        | 3.66         | 3.41         | -6.9%        |
| <i>Tax rate</i>                    | <i>29.9%</i> | <i>18.6%</i> | <i>19.3%</i> |              | <i>21.0%</i> | <i>21.0%</i> |              |
| <b>Profit after tax</b>            | <b>6.0</b>   | <b>8.17</b>  | <b>12.60</b> | <b>54.3%</b> | <b>13.76</b> | <b>12.81</b> | <b>-6.9%</b> |
| Minorities                         | -1.1         | -0.97        | -1.2         | -1.0%        | -1.26        | -1.32        | -5.0%        |
| <b>Net reported profit</b>         | <b>5.0</b>   | <b>7.20</b>  | <b>11.40</b> | <b>58.3%</b> | <b>12.50</b> | <b>11.49</b> | <b>-8.1%</b> |
| <b>EPS reported profit</b>         | <b>2.67</b>  | <b>3.85</b>  | <b>5.61</b>  | <b>45.6%</b> | <b>6.15</b>  | <b>5.65</b>  | <b>-8.1%</b> |

Source: [fairesearch](#)

Disclaimer and statement according to § 34b German Securities Trading Act (“Wertpapierhandelsgesetz”) in combination with the provisions on financial analysis (“Finanzanalyseverordnung” FinAnV)

This report has been prepared independently of the company analysed by Close Brothers Seydler Research AG and/ or its cooperation partners and the analyst mentioned on the front page (hereafter all are jointly and/or individually called the ‘author’). None of Close Brothers Seydler Research AG, Close Brothers Seydler Bank AG or its cooperation partners, the Company or its shareholders has independently verified any of the information given in this document.

Section 34b of the German Securities Trading Act in combination with the FinAnV requires an enterprise preparing a security analysis to point out possible conflicts of interest with respect to the company that is the subject of the analysis.

Close Brothers Seydler Research AG is a majority owned subsidiary of Close Brothers Seydler Bank AG (hereafter ‘CBS’). However, Close Brothers Seydler Research AG provides its research work independent from CBS. CBS is offering a wide range of Services not only including investment banking services and liquidity providing services (designated sponsoring). CBS may possess relations to the covered companies as follows (additional information and disclosures will be made available upon request):

- CBS may hold more than 5% interest in the capital stock of the company that is subject of the analysis.
- CBS may have been a participant in the management of a (co)consortium in a selling agent function for the issuance of financial instruments, which themselves or their issuer is the subject of this financial analysis within the last twelve month.
- CBS may have been providing investment banking and/or consulting services during the last 12 months for the company analyzed for which compensation has been or will be paid for.
- CBS may act as designated sponsor for the company’s securities on the basis of an existing designated sponsorship contract. The services include the provision of bid and ask offers.
- Due to the designated sponsoring service agreement CBS may regularly possess shares of the company and receives a compensation and/ or provision for its services.
- The designated sponsor service agreement may include a contractually agreed provision of research services.
- The company that is subject of the analysis may agree on a research service agreement with CBS.
- CBS may have significant financial interests in relation to the company that is subject of this analysis.

CBS and/or its employees or clients may take positions in, and may make purchases and/ or sales as principal or agent in the securities or related financial instruments discussed in this analysis. CBS may provide investment banking, consulting, and/ or other services to and/ or serve as directors of the companies referred to in this analysis. No part of the authors compensation was, is or will be directly or indirectly related to the recommendations or views expressed.

CBS Research AG and the analysed company may have a contractual agreement about the preparation of research reports. CBS Research AG may receive a compensation in return.

#### Recommendation System:

Close Brothers Seydler Research AG uses a 3-level absolute share rating system. The ratings pertain to a time horizon of up to 6 months:

BUY: The expected performance of the share price is above +10%.

NEUTRAL: The expected performance of the share price trend is between +5% and +10%.

SELL: The expected performance of the share price is below 5%.

Recommendation history for the company analysed in this report:

| Date                             | Recommendation | Price at change date                            | Target Price |
|----------------------------------|----------------|---|--------------|
| 26 <sup>th</sup> April 2008      | Buy            | 44.15 EUR                                       | 70.30 EUR    |
| 29 <sup>th</sup> May 2008        | Buy            | (Initiating Coverage)<br>49.49 EUR (Q1 results) | 77.27 EUR    |
| 27 <sup>th</sup> August 2008     | Buy            | 48.11 EUR (Q2 results)                          | 77.27 EUR    |
| 24 <sup>th</sup> October 2008    | Buy            | 34.75 EUR (Q3 prel.)                            | 70.00 EUR    |
| 23 <sup>rd</sup> , February 2009 | Buy            | 29.50 EUR (Prel. 2008)                          | 60.00 EUR    |

#### Risk-scaling System:

Close Brothers Seydler Research AG uses a 3-level risk-scaling System. The ratings pertain to a time horizon of up to 6 months:

LOW: The volatility is expected lower than the volatility of the benchmark

MEDIUM: The volatility is expected equal to the volatility of the benchmark

HIGH: The volatility is expected higher than the volatility of the benchmark

The following valuation methods are used when valuing companies: Multiplier models (price/earnings, price/cash flow, price/book value, EV/revenues, EV/EBIT, EV/EBITA, EV/EBITDA), peer group comparisons, historical valuation approaches, discounting models (DCF, DDM), break-up value approaches or asset valuation approaches. The valuation models are dependent upon macroeconomic measures such as interest, currencies, raw materials and assumptions concerning the economy. In addition, market moods influence the valuation of companies.

The figures taken from the statement of income, the cash flow statement and the balance sheet upon which the evaluation of companies is based are estimates referring to given dates and therefore subject to risks. These may change at any time with prior notice.

The opinions and forecasts contained in this report are those of author alone. Material sources of information for preparing this report are publications in domestic and foreign media such as information services (including but not limited to Reuters, VWD, Bloomberg, DPA-AFX), business press (including but not limited to Börsenzeitung, Handelsblatt, Frankfurter Allgemeine Zeitung, Financial Times), professional publications, published statistics, rating agencies as well as publications of the analysed issuers. Furthermore, discussions were held with the Management for the purpose of preparing the company study. Potentially parts of the analysis have been provided to the issuer prior to going to press; no significant changes were made afterwards, however. Any information in this report is based on data considered to be reliable, but no representations or guarantees are made by author with regard to the accuracy or completeness of the data. The opinions and estimates contained herein constitute our best judgment at this date and time, and are subject to change without notice. Possible errors or incompleteness of the information do not constitute grounds for liability, neither with regard to indirect nor to direct or consequential damages. The views presented on the covered company accurately reflect the personal views of the author. All Employees of the author's company who are involved with the preparation and/or the offering of financial analyzes are subject to internal compliance regulations.

The report is for information purposes, it is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the securities mentioned in this report. Any reference to past performance should not be taken as indication of future performance. The author does not accept any liability whatsoever for any direct or consequential loss arising from any use of material contained in this report. The report is confidential and it is submitted to selected recipients only. The report is prepared for professional investors only and it is not intended for private investors. Consequently, it should not be distributed to any such persons. Also, the report may be communicated electronically before physical copies were available. It may not be reproduced (in whole or in part) to any other investment firm or any other individual person without the prior written approval from the author. The author is not registered in the United Kingdom nor with any U.S. regulatory body.

It has not been determined in advance whether and in what intervals this report will be updated. Unless otherwise stated current prices refer to the closing price of the previous trading day. Any reference to past performance should not be taken as indication of future performance. The author maintains the right to change his opinions without notice, i.e. the opinions given reflect the author's judgement on the date of this report.

This analysis is intended to provide information to assist institutional investors in making their own investment decisions, not to provide investment advice to any specific investor.

By accepting this report the recipient accepts that the above restrictions are binding. German law shall be applicable and court of jurisdiction for all disputes shall be Frankfurt am Main (Germany).

This report should be made available in the United States solely to investors that are (i) "major US institutional investors" (within the meaning of SEC Rule 15a-6 and applicable interpretations relating thereto) that are also "qualified institutional buyers" (QIBs) within the meaning of SEC Rule 144A promulgated by the United States Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Securities Act") or (ii) investors that are not "US Persons" within the meaning of Regulation S under the Securities Act and applicable interpretations relating thereto. The offer or sale of certain securities in the United States may be made to QIBs in reliance on Rule 144A. Such securities may include those offered and sold outside the United States in transactions intended to be exempt from registration pursuant to Regulation S. This report does not constitute in any way an offer or a solicitation of interest in any securities to be offered or sold pursuant to Regulation S. Any such securities may not be offered or sold to US Persons at this time and may be resold to US Persons only if such securities are registered under the Securities Act of 1933, as amended, and applicable state securities laws, or pursuant to an exemption from registration.

This publication is for distribution in or from the United Kingdom only to persons who are authorised persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom or any order made there under or to investment professionals as defined in Section 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and is not intended to be distributed or passed on, directly or indirectly, to any other class of persons.

This publication is for distribution in Canada only to pension funds, mutual funds, banks, asset managers and insurance companies.

The distribution of this publication in other jurisdictions may be restricted by law, and persons into whose possession this publication comes should inform themselves about, and observe, any such restrictions. In particular this publication may not be sent into or distributed, directly or indirectly, in Japan or to any resident thereof.

Responsible Supervisory Authority:  
Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, Federal Financial Supervisory Authority)  
Graurheindorferstraße 108  
53117 Bonn  
and  
Lurgiallee 12  
60439 Frankfurt

 Close Brothers Seydler  
Research AG  
Hamburger Allee 26 -28  
60486 Frankfurt am Main  
[www.cbseydlerresearch.ag](http://www.cbseydlerresearch.ag)  
Tel.: 0049 - (0)69 - 97 78 45 60