



25 May 2007

Equity Research Institutional

Company

Flash

Schaltbau

Rating

Buy (unchanged)

Rising demand for traffic infrastructure in the Far East ▶

Medium-term investment programme of the Deutsche Bahn ▶

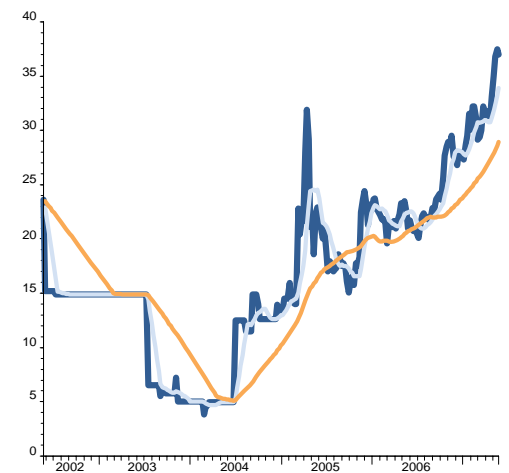
Optimised product mix ▶

New price target: € 42 ▶



— 38D Moving Average
— 200D Moving Average

Source: Thomson Datastream



— 38D Moving Average
— 200D Moving Average

Source: Thomson Datastream



Buy

Target price: € 42.00

Price: € 37.00

5/24/2007

Close Price

Last rating/Target Pr.:

Buy /€ 35.00

Last analysis:

11/28/2006

S&P rating: n.a.

Capital Goods

Number of shares:

1.9 m

Market capitalisation:

€ 69.2 m

Index: CDAX

Index weight: n.a.

Beta: 1.20

Accounting:

IFRS

Calendar:

Annual meeting on

12 June 2007

Dividend 2007e: 0.25

€

ISIN: DE0007170300

Bloomberg: SLT GR

Reuters: SLTG.F

Sebastian Prexl

Diplom Betriebswirt (FH)

Investmentanalyst

Tel. +49 711 127- 42 104

Sebastian.Prexel@LBBW.de

Equity Research

Landesbank Baden-
Württemberg
Am Hauptbahnhof 2
70173 Stuttgart

www.LBBW.de

Schaltbau

05/25/2007

Topic: Company Update

Continuation of the solid upward trend

The rising demand in Germany and in the Far East together with the optimized product mix give rise to a constant improvement of the profit situation. We confirm our 2007 and 2008 earnings estimates. In our view, the market price does not fully reflect the growth prospects. We see additional upside potential and confirm our Buy rating with a higher price target of € 42 (previously € 35).

Share data	EPS		EV/Sales	EV/EBITDA	PER
	current	previous			
2006	2,67	2,62	0,6	7,5	13,9
2007e	3,53	3,53	0,5	6,3	10,5
2008e	4,17	4,17	0,5	5,6	8,9
2009e	4,87	-	0,5	5,2	7,6

Company data	Revenues	EBITDA	EBIT	EBT	Net Profit
	€m	€m	€m	€m	€m
2006	212,7	16,8	11,8	8,6	5,0
2007e	227,2	19,5	14,0	10,3	6,6
2008e	236,2	21,7	15,9	12,2	7,8
2009e	245,5	23,2	17,2	14,2	9,1

- The successful year 2006 and the sound start in 2007 with good quarterly figures show that Schaltbau is able to continue its solid upward trend.
- An anticipated increase of orders within the German railway sector is likely. Apparently, the postponed investments of the Deutsche Bahn will be eased in the medium-term through modernization programmes.
- In the Chinese growth market Schaltbau has been regarded as an established market participant for more than a decade now. In the Far East (including India), Schaltbau is increasingly benefiting from the high demand for modern and efficient means of mass transportation.
- Moreover Schaltbau recently started to use China also as a low-cost location for its industrial division. For this reason as well as other measures (e.g. shift in the product mix), the industrial business is expected to expand its profitability.

Please note the disclaimer on the last page of this study.

Profit & Loss Account	FY	FY	FY	FY	FY
€m	2005	2006	2007e	2008e	2009e
Net sales	203,9	212,7	227,2	236,2	245,5
<i>Change y-o-y</i>	<i>-5,2%</i>	<i>4,3%</i>	<i>6,8%</i>	<i>4,0%</i>	<i>3,9%</i>
Change in finished goods	0,7	3,1	0,0	0,0	0,0
Total performance	204,5	215,8	227,2	236,2	245,5
<i>Change y-o-y</i>	<i>-4,5%</i>	<i>5,5%</i>	<i>5,3%</i>	<i>4,0%</i>	<i>3,9%</i>
Costs of materials	-103,7	-110,3	-114,0	-117,5	-122,5
Gross profit	100,9	105,5	113,2	118,7	123,0
<i>Gross profit margin</i>	<i>49,5%</i>	<i>49,6%</i>	<i>49,8%</i>	<i>50,3%</i>	<i>50,1%</i>
Personal expenses	-70,4	-71,9	-78,2	-80,8	-83,0
Depreciation	-5,0	-5,0	-5,5	-5,8	-6,0
Other operating income	4,5	2,7	5,0	5,2	5,0
Other operating expenses	-17,9	-19,5	-20,5	-21,4	-21,8
Other taxes	0,0	0,0	0,0	0,0	0,0
EBIT	12,1	11,8	14,0	15,9	17,2
<i>EBIT margin</i>	<i>5,9%</i>	<i>5,5%</i>	<i>6,2%</i>	<i>6,7%</i>	<i>7,0%</i>
Financial income	-4,2	-3,2	-3,5	-3,5	-3,0
Extraordinary income	0,0	0,0	-0,7	-0,7	0,0
Extraordinary expenses	0,0	0,0	0,5	0,5	0,0
EBT	7,9	8,6	10,3	12,2	14,2
<i>EBT margin</i>	<i>3,9%</i>	<i>4,0%</i>	<i>4,5%</i>	<i>5,2%</i>	<i>5,8%</i>
Income taxes	-2,8	-2,6	-2,4	-3,0	-3,6
<i>Tax rate</i>	<i>36,0%</i>	<i>29,9%</i>	<i>23,3%</i>	<i>24,6%</i>	<i>25,4%</i>
Minority interests	-1,1	-1,1	-1,3	-1,4	-1,5
Net earnings	3,9	5,0	6,6	7,8	9,1
Net earnings per share in €	2,34	2,67	3,53	4,17	4,87

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Percentage of companies within this rating category		
Buy	Hold	Sell
45.7 %	41.4 %	12.9 %

Rating History

Date	Rating
11/14/2005	Buy

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