

PRESS RELEASE

Trading Market – Moderate equity valuation compensates for weakening macro environment

SAL. OPPENHEIM PRESENTS ITS OUTLOOK ON THE CAPITAL MARKETS FOR THE SECOND HALF OF 2008

- *Raw material and energy cost hike as well as more restrictive credit policy result in global economic weakening. More time needed to overcome the financial crisis.*
- *Commodity-rich countries cool down but remain core growth countries.*
- *Increase in inflation forces more restrictive global monetary policy.*
- *Trend toward further negative earnings revisions – earnings stagnation 2007 – 2009.*
- *Trading Market: DAX range 6000 - 7600. Possible test in summer of lows from the first quarter 2008. Year-end recovery.*
- *Revision in raw material costs e.g. through outflows of speculative money would allow significant market recovery.*

FRANKFURT, 17 JUNE 2008

The outlook of Sal. Oppenheim jr. & Cie on capital market development in the second half of 2008 remains very cautious. Dieter Pfundt, personally liable partner at Sal. Oppenheim jr. & Cie., explained at today's press conference in Frankfurt: "The sustained financial crisis and the strong rise in inflation as a result of the combined explosion of energy, commodity and food prices constitute an unfavourable situation for the capital markets." The increase in inflation absorbs not only purchasing power; it also forces the central banks worldwide to chart a more restrictive course.

"This further intensifies the global economic cooling that has already started and it increases capital market rates, while simultaneously extending the time needed to overcome the financial crisis," said Pfundt. As a result of high specific consumption, a sustainable halt can only be made to the price spiral on the commodity markets when growth in emerging markets calms down. This in turn creates a need for monetary and fiscal policy measures to dampen the economy.

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Despite foreseeable downturns, China, India, South America, and Eastern Europe, as well as the commodity and oil-producing countries will remain the pillars of the global economy due to their enormous investment efforts also in the second half of 2008 – albeit in a somewhat weaker manner.

VOLATILE EQUITIES MARKETS ENVIRONMENT PERSISTS

Dr. Wolfgang Sawazki, Head of Equity Research at Sal. Oppenheim, explained: “We expect this to result in a continuation of the volatile environment on the equities markets in the coming months, with a DAX trading range of 6000 to 7600 points and a Euro Stoxx 50 trading range of 3200 to 4000 points. The ECB’s likely interest rate increase, the anticipation of further negative earnings revisions and a very slow recovery of the banking crisis could once again test the March DAX und Euro Stoxx lows. “The analysis of past US slowdowns also shows that often equities do not increase sustainably until the US job market low has been overcome,” explained Matthias Jörss, Head of Equity Strategy at Sal. Oppenheim. However, the job market there still faces risks for the next few months. A massive drop in the equities market is nevertheless unlikely as it has already largely discounted a marked economic weakening through the moderate valuation (P/E ratio 2008 »12), as well as the rise in inflation and interest rate spread.

In sum, Sal. Oppenheim expects a stagnation in corporate earnings of German and European companies due to further negative revisions for 2008 and 2009. “Based on the current level, we expect further reductions in earnings forecasts, especially with cyclical companies,” explained Dr. Sawazki. The automotive, construction, engineering and basic chemicals industries as well as airline and technology companies are affected. Additionally, banks and financial service providers (real estate) will continue to suffer from the financial crisis as will some insurance companies to a lesser extent. A further deterioration in the quality of remaining loan portfolios can be expected on the basis of the subprime-related write-downs. The inverse yield curve, a sharp decline in securitisation markets, expensive refinancing as well as rapid deteriorations in the capital market business indicate that no recovery of overall bank results for many commercial banks can be expected for the foreseeable future.

However, investment strategist Jörss also describes opportunities: “Despite the factors described above, the utilities, telecommunications, agriculture/commodities, health care and food sectors as well as infrastructure project providers nevertheless represent a number of sectors with a positive earnings trend. Additionally, especially in Germany, the retail and trade sector could also achieve increases in earnings as a result of an improved job market situation.

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SPECULATIVE OUTFLOWS ENABLE REVISIONS IN ENERGY AND COMMODITY PRICES AND RECOVERY OF THE EQUITY MARKETS

Despite the bleak environment, stock markets are not expected to suffer any marked declines from the current level. Potential moderation in commodity prices, the entry of value investors with high liquidity as well as the successive return of investor confidence as a result of the increasingly visible soft landing in the US will serve as an ongoing positive catalyst to the stock markets. Moreover, strategic investors will support the market through corporate takeovers. Should the energy and commodity prices be significantly revised as a result of speculative outflows after the Olympic Games in China, this would enable a broad recovery of equity markets in the next few months, towards a DAX level of 8000.

The capital market outlook is based on a significant weakening in the growth rate of the global economy to approximately 3.5 %, following a growth rate for several years of around 5%. This drop in growth to 1.2% in the US in 2008 (previous year: 2.3 %) thus has a dampening effect on the global outlook. Risks for the US economy continue to exist due to the subprime crisis, more restrictive lending and the decline in purchasing power because of higher energy and food prices. Norbert Braems, Chief Economist at Sal. Oppenheim, explained, "The expansive monetary and fiscal policy, a successive recapitalisation of banks as well as improved international competitiveness should, however, enable a soft landing. In the medium term, the Fed will thus react with rate hikes, which, in turn, could indicate a dollar recovery toward \$1.45.

GERMANY IN 2008 A PILLAR OF GROWTH IN EUROPE

Following a very strong first quarter, a growth slowdown towards 1.7 % (previous year: 2.6%) can also be expected in Europe, as economic conditions have deteriorated due to poorer competitiveness, in Italy for example, and the real estate crisis in Spain and the UK. "In 2008, Germany will represent a pillar of growth in Europe," explained Braems. The industry is well prepared for the infrastructural needs of the emerging markets. Besides this, the good investment conditions in SMEs, as well as a recovery in consumption due to the strong rise in employment and wages indicate growth expectations of a good two percent for 2008.

As a result of global economic weakening, negative stocking effects and more restrictive credit policy, current momentum is indeed slowing noticeably over the course of the year and will stabilise in a moderate growth rate of 1.5% in 2009. The Bank's analysts make the following current top recommendations: Adidas, CEZ, Bayer, BNP, Daimler, Casino, DSM, Deutsche Post, Postbank, Münchener Rück, Nestlé, Merck, RWE, Swiss Life and Telefonica.

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