

GROUP MANAGEMENT REPORT

Outlook for 2009

SAL. OPPENHEIM EXPECTS A SERIOUS RECESSION FOR 2009. ECONOMIC FORECASTS WERE ALREADY adjusted downwards several times in the fourth quarter of 2008. The financial markets remain under immense pressure. Not until the latter part of 2009 following a recovery in the financial sector are we likely to see a moderate turnaround in the real economy; we therefore expect slight growth in 2010.

MACROECONOMIC EXPECTATIONS

The problems in the financial sector triggered a global economic crisis. The financial crisis took another turn for the worse in the wake of the collapse of Lehman Brothers investment bank in September 2008. This led to the first emergency law for economic stabilisation being passed in the USA at the beginning of October. Many other governments have followed the American example since then. The international rescue packages have added up to an unprecedented dimension: \$ 800 billion in the US, over € 1,800 billion in the euro zone and £ 500 billion in the UK.

The IMF predicts that the global economy will shrink by 0.8% in 2009. The economic performance of EMU countries – including Germany – will likely shrink substantially more. Consequently, both the industrial nations and the emerging markets are attempting to combat the downturn with significant stimulus packages. The government bailout measures for banks have yet to have the desired effect. The financial system has been stabilised to a certain extent, but the banks' ongoing need for write-downs will mean new capital injections are necessary. A sustainable recovery on the financial markets can scarcely be expected to occur without further government intervention.

Central banks around the world are continuing their very accommodative policies. The US Federal Reserve has maintained its key rates close to zero and is increasingly turning to quantitative measures (open market operations). The European Central Bank (ECB) is likely to scale the tender rate down to 1.0% by the end of the second quarter of 2009. Thereafter, "unconventional" monetary measures can be expected in the euro zone as well.

SAL. OPPENHEIM IN FINANCIAL YEAR 2009

The Sal. Oppenheim Group has responded to these changed market conditions by taking risk reduction measures. One major step at the beginning of the year was the resolution to manage the industry holdings ARCANDOR Aktiengesellschaft and IVG Immobilien AG, along with Sal. Oppenheim Private Equity Partners S.A. and Sal. Oppenheim Private Equity Partners GmbH and its subsidiaries CAM Private Equity Consulting & Verwaltungs-GmbH and VCM Capital Management GmbH in a newly formed, independent holding structure not affiliated with the Bank. Moreover, the issue volume in Equity Trading will be considerably reduced. New transactions will only be performed on a selective basis with regard to nostro

investments. Across the Group, we are pursuing the systematic adjustment and further development of our risk measurement methods and models.

We expect 2009 to be another difficult year, with reduced asset and earnings levels for the coming year and beyond throughout the entire financial sector. The Sal. Oppenheim Group has reacted with a cost reduction programme for the current financial year, aimed at a savings volume of € 100 million. We consider ourselves well positioned after implementing these measures. Despite the difficult market environment expected for 2009 as well, we are confident that we will be able to achieve a positive result.

The experiences of the past year show that forecasts are subject to a considerably higher level of uncertainty. The predictions regarding the future development of the Sal. Oppenheim Group represent estimates made on the basis of all information available at this time.

ASSET MANAGEMENT

We have already undertaken major measures to stabilise the portfolios with the further development of tactical asset allocation and the targeted extension of competence in alternative investments. We will continue to forge ahead on the course we have charted of making all investment decisions on the basis of an active and fundamentally structured investment process that is pursued with discipline. The top priority for all of us in the coming months will be to focus on dealing appropriately with the continuing volatility on the financial markets. The principles guiding our actions will be broad diversification, conservative positioning in the portfolios and a focus on intensive advisory service on all aspects of asset management. On the basis of the economic analyses of the financial crisis, we will take all measures necessary in order to be able to react in the interests of our clients early enough and with consideration for the respective implications on asset management. In the current situation, we will attempt everything in our power to continue supporting our clients as a reliable partner. We expect to generate stable operating income for the coming year, particularly at our locations in Luxembourg, Germany, Austria and Switzerland.

INVESTMENT BANKING

In 2009, the Investment Banking area aims to continue the adjustment processes with the goal of generating sustainable stable earnings even if at a significantly lower level than in previous years.

In addition to expanding the Corporate Finance business and tapping into new target markets, expansion of transatlantic cross-border business with mergers and acquisitions is planned. We reacted to the persistently difficult market environment by setting a new strategic focus, implementing cost-saving measures and changing incentive systems, in order to be able to successfully continue following the proven integrated asset management and investment banking business model.