PRESS RELEASE

Sal. Oppenheim publishes capital market outlook for H2 2007:

Equities remain attractive – switch to defensive growth stocks

- *Sal. Oppenheim's analysts expect the DAX to reach 8200 to 8300 points by the end of 2007*
- *Price drivers to remain substantially increasing corporate profits due to high global growth, corporate activities and the tax reform*
- *Higher interest and inflation expectations, increased spreads, higher wage agreements and tense valuations to increase volatility in H2*
- *Change in favourites: Rotation from highly cyclical sectors to defensive growth stocks from the technology, healthcare, food and consumer goods industries*

Cologne/Frankfurt, 5 July 2007 – Analysts at Sal. Oppenheim jr. & Cie believe that the environment for the German and European equity markets remains favourable at present. This is the conclusion reached by the bank's capital market outlook for H2 2007, which was presented by Oppenheim Research in Frankfurt today. Dieter Pfundt, a personally liable partner at Sal. Oppenheim, explained, "The German economy has become one of Europe's growth engines despite the VAT hike. This means that, in the first half of the year, the European economy, combined with sustained momentum on the emerging markets, helped to ensure that the growth slump in the US did not have any impact on corporate results." Several tax and employment market reforms, years of wage restraint on the employee side and the restructuring successes seen at many companies have fuelled a self-propelled upturn on the German and European economies over the past few years, with domestic forces also playing an ever more dominant role in sustaining the upswing.

Equity markets to rise to between 8200 and 8300 on the DAX and 4650 on the EURO STOXX 50

"The fundamental drivers for the equity markets remain intact", explained Dr. Wolfgang Sawazki, head of Equity Research at Sal Oppenheim. These include increasing corporate profits in 2007 and 2008 (+14 to 15% on the DAX and +7 to 10% on the EURO STOXX) with a positive medium-term outlook, sufficient liquidity fed, among other things, by carry trades, corporate activities in the form of

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takeovers and share buy-backs and the imminent tax reform. Furthermore, corporate profits are benefiting from the restructuring and portfolio measures implemented over the past few years, as well as from IFRS accounting changes that increase earnings. Nevertheless, higher interest rates are having a dampening effect. “Valuations are tense for the first time in years. On a cash flow basis, equities are already relatively expensive in a historical comparison”, said Dr. Sawazki.

In summary, Dr. Wolfgang Sawazki forecasts a further increase in share prices in the period leading up to the end of the year, albeit with a substantial drop in momentum as against the strong first half of the year, because the fact that growth rates are already outperforming their potential means that any scope for surprises has already been exhausted. Sal. Oppenheim believes that the DAX will reach between 8200 and 8300 points and the EURO STOXX 50 4650 points by the end of 2007.

Increasing risks, dwindling support from M&A

“Risks have recently increased on the basis of higher interest rates, which is likely to be reflected in higher volatility if rates rise higher still in the period under review”, said Matthias Jörss, head of Equity Strategy at Sal. Oppenheim. The crisis that has hit US property loans and the difficulties faced by US hedge funds have substantially increased the risk premiums, in particular for leveraged buyout loans, too, which, combined with the rise in interest rates, is making transaction refinancing far more expensive in many cases. “As a result, the record M&A volumes cannot be maintained, meaning that the increase in valuation multiples is not likely to continue either”, said Jörss. In the first half of 2007, the increase in valuation multiples fuelled by high M&A activity and international confidence with respect to the economy was one of the main driving forces behind German equities, in particular. Strategic buyers who have been paying in cash even of late should therefore continue to keep an eye out for growth opportunities thanks to strong balance sheets and high profitability.

Shift in favourites in favour of more defensive growth stocks

On a sectoral basis, Sal. Oppenheim expects to see a change in favourites. After highly cyclical sectors, such as automotive, industrial, chemicals, steel and construction stocks, were able to reap particular benefits from the positive economic surprises in the first half of the year, the second half is likely to see more defensive growth stocks move further into the spotlight. These include healthcare, food, consumer goods and technology (in particular software). While the higher growth estimates for the European economy gave a helping hand to cyclical sectors, in particular, in H1, a further increase in forecasts in the future would be more likely to trigger inflationary and interest rate risks. Sal. Oppenheim also

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believes that these sectors are undervalued in relation to the market. Moreover, experts consider insurance companies to have favourable valuations. The investment favourites for the next few months include the following heavyweights: Adecco, Allianz, Air Liquide, Bayer, Deutsche Post, Eon, France Telecom, ING, Merck, Nestlé, SAP, UBS and ZFS. As far as the small caps are concerned, Sal. Oppenheim believes that a number of stocks, including Agrana, Andritz, Balda, Douglas, Demag Cranes, Ersol, Highlight, IKB, IVG, K+S, Lonza, Qiagen, QSC, Schindler, Stada, Takkt and Thiel, offer further upside potential.

Sustained high global growth

The main force behind the current positive capital market environment remains the robust global economic growth of almost 5%, which is barely expected to decline in 2007 and 2008. The US is likely to return to a moderate growth path following a weak first quarter. The euro zone will remain on a growth path, bolstered by Germany, where dynamic exports are being accompanied by a flourishing domestic economy thanks to a further increase in investments and a gradual recovery in private consumption. Momentum on the emerging markets will also remain high, which will largely compensate for the dip in growth in the US and, as a result, sets this economic cycle well apart from previous cycles.

Norbert Braems, Chief Economist at Sal. Oppenheim, believes that the risks include a climb in inflation: “The increase in commodities price, the high level of capacity utilization and rising wages could push inflation up. It is also important to keep an eye on whether or not the disinflationary impetus provided by China will peter out.” The European Central Bank will continue to raise interest rates for the time being. As a result, capital market rates are not expected to ease.

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