

P R E S S R E L E A S E

The equity markets will remain in choppy waters in 2003

Sal. Oppenheim jr. & Cie KGaA unveils capital market study in Frankfurt

Frankfurt, 12 December 2002 – According to the findings of its “Outlook on the Capital Markets for 2003” study, presented in Frankfurt am Main on Thursday, Sal. Oppenheim jr. & Cie. KGaA does not expect to see any significant improvement on the global capital markets in 2003. Dieter Pfundt, personally liable partner at Sal. Oppenheim, expects the coming year to be marked by high levels of volatility on the financial markets. “Our estimates place the price range on the DAX at between 2,500 and 4,500 points”, commented Mr. Pfundt, outlining Sal. Oppenheim’s projections with regard to Germany’s benchmark index.

Experts at the Cologne-based bank are forecasting that the DAX-30 will stand at 4,150 points and the DJ EURO STOXX 50 at 3,200 points by the end of 2003. Sal. Oppenheim counts Allianz AG, Aventis S.A., BASF AG, Deutsche Bank AG, Swiss Re, Lufthansa AG and Vodafone S.A. amongst the most promising individual recommendations; while from the mid-cap segment, the bank recommends Fresenius AG, Aareal Bank AG, Schwarz Pharma AG, Südzucker AG and Funkwerk AG.

According to Dr. Wolfgang Sawazki, head of primary analysis at Oppenheim Research GmbH, further valuation adjustments and changes in investors’ risk appetite are not on the horizon, provided there is a swift solution to the Iraq crisis. Mr. Sawazki forecasts the DAX’s gain to improve from 102

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points in 2002 to between 170 (top down) and 200 (bottom up) points in 2003. Sal. Oppenheim predicts a similar increase for the DJ EURO STOXX 50, which is expected to rise by 108 points this year and by between 150 and 170 points next year. “These predictions of a significant increase in company earnings are, however, subject to the prerequisite that many of the exogenous shocks, which have had a considerable impact on earnings this year, no longer have any grave impact on company earnings in the coming year. These include the crisis in Latin America, the collapse in equity prices (now over), as well as problems related to flooding and asbestos insurance. Furthermore, earnings cannot afford to be depressed by further substantial valuation adjustments, or by expenses related to pension funds and stock options”, Mr. Sawazki explained.

This outlook for the capital markets is based on an extremely moderate economic assessment for the US and European economies. Norbert Braems, Chief Economist at Sal. Oppenheim, is forecasting GDP of almost 2.5% for the USA in 2003, despite the current account imbalances. By contrast, Mr. Braems expects even more reserved growth of 1.6% for the euro zone, on the premise that he expects neither private consumption nor investment activity within the euro area to deliver any substantial boosts to the economy. Germany will once again be the worst performer amongst the euro zone members in terms of economic development, with the already unstable economic situation set to be weakened further as a result of the most recent debate on taxes and contributions. “As of yet, only short-term measures have been taken to shore things up, instead of tackling structural reform head on. The situation surrounding the public sector budget is unlikely to improve considerably over the medium term”, comments Mr. Braems, assuredly.

In this context, German companies' sustained profit development is expected to amount to around 7% to 8%, accounting for cost-cutting and consolidation measures. This, according to Matthias Joerss, head of Equity Strategy at Sal. Oppenheim, is why companies with high dividend yields offer a particularly good risk/reward profile in this subdued growth environment. From a sector point-of-view, the Oppenheim strategist prefers stocks from the financial and telecommunications sectors. By contrast, he believes securities from the food sector, along with non-cyclical consumer stocks, to be overpriced at the present time.

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