

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

Sal. Oppenheim expects earnings surprises in the first half of 2004

*Sal. Oppenheim jr. & Cie. KGaA unveils Capital Market Study
in Frankfurt*

Frankfurt, 10 December 2003 – In light of the global economic recovery, Sal. Oppenheim jr. & Cie. KGaA expects corporate earnings to provide some pleasant surprises, especially in the first two quarters of 2004. This was the conclusion drawn by the 2004 Capital Market Study, as presented by the Cologne-based private bank on Wednesday in Frankfurt. Sal. Oppenheim believes that the economic upturn in the USA will translate into moderate, self-sustaining growth over the course of the next year, with the euro area also climbing back up the growth curve. The bank forecasts a 4% increase in US GDP, for example, and economic growth in the euro area of 2%. Against the backdrop of economic recovery, the years of focused retrenchment will pay off in the form of an appreciable improvement in corporate earnings. Sal. Oppenheim jr. & Cie. KGaA partner Dieter Pfundt sums up the study by saying that, “2004 will mark the year when the equity market engine switched from liquidity to profit.”

Despite the positive first-half earnings forecasts, which could push the DAX-30 share index up to 4,500, the study suggests that interest-rate increases in the USA could send equity markets into choppy water. As a result, the year-end forecasts for the DAX-30, at 4,200 points, and the DJ

Page 1 of 3

EURO STOXX 50 index, at 3,100 points, are cautious compared with consensus estimates. Dr. Wolfgang Sawazki, Head of Primary Analysis explains the logic behind this reserved prognosis: “Better prospects for the DAX depend first on whether the current reform debate comes to a positive conclusion and secondly on whether the US dollar continues to depreciate.” Bank, chemical and cyclical industrial stocks will be the big winners on the DAX-30 and DJ EURO STOXX 50 in the first half-year. In terms of single stock recommendations, Sal. Oppenheim has high hopes for BASF AG, BMW AG, Converium S.A., Deutsche Telekom AG, Heidelberger Druckmaschinen AG, KBC NV, RWE AG, Banco Santander S.A. and UBS S.A..

A word of warning comes from Matthias Jörss, an equity-market strategist at Sal. Oppenheim: “You can’t simply expect this very positive earnings trend to continue into 2005.” Not only does Sal. Oppenheim anticipate a delay in the negative currency effects of a weaker dollar, but also slower growth in the USA and in Asia. Jörss forecasts that enduring problems in the labour market will see investment-driven cyclical stocks outperform consumer stocks in 2004.

Chief Economist at Sal. Oppenheim, Norbert Braems, explains that, “the upturn we expected was triggered by an extremely expansive monetary and fiscal policy.” He goes on to say that increased investment activity may even increase the currently low capacity levels. During periods of below-average capacity utilisation, central banks can remain on an expansive monetary course for longer. As such, Sal. Oppenheim does not expect

US interest rates to rise until the second half of the year. “We believe that a 75 to 100 basis-point rise in US interest rates is feasible”, says Braems, continuing that, “the shape of the domestic labour market will be particularly important. A sharp fall in jobless claims towards 5.5%, for example, would likely spark an earlier and even greater reaction by the Fed.” The Chief Economist at Oppenheim sees the European Central Bank keeping interest rates steady under its new President Trichet. Braems does not feel there is any rush for the ECB to change its monetary policy, despite the current debate as to whether the Stability and Growth Pact is being undermined.

-End-

Characters: approx.. 4,100

Contacts:

Dr. Wolfgang Sawazki
Oppenheim Research GmbH
Primary Analysis
Königsberger Straße 29
60487 Frankfurt
Tel.: +49 (0) 69 71 34 - 22 90
E-mail: presse@oppenheim.de

Sal. Oppenheim jr. & Cie. KGaA
Unter Sachsenhausen 4
D-50667 Cologne
Press and PR
Tel.: +49 (0)221 145 - 29 98
Fax: +49 (0)221 145 - 9 29 98
email: presse@oppenheim.de