

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

Sal. Oppenheim raises DAX target to 5200 points

- *Substantial corporate earnings growth and positive surprises drive prices*
- *Equities in banking and insurance, together with automotive and industrial stocks reap the greatest benefit*
- *Election risk: Grand coalition and far-left government would have a negative impact on prices*

Frankfurt/Cologne, 24 August 2005 – The experts at Sal. Oppenheim, one of Europe's leading private banks, are projecting a continued rise on the Deutsche Aktienindex (DAX), which is set to reach 5200 points in the coming months. According to Sal. Oppenheim, this is based on a variety of factors: The first of these is the substantial corporate earnings growth, boosted by earnings surprises, while leading economic indicators from the US and Europe, and Germany in particular, are all pointing upwards. Companies' increasing M&A activity also plays a role, together with the projected acceleration of the reform process, which will depend on the result of the upcoming German federal election.

“In response to positive second-quarter reporting by companies listed on the German stock exchange, our analysts have jacked up their estimates for DAX earnings by 5.4% for 2005 and 4% for 2006,” explained Dr. Wolfgang Sawazki, Head of Equity Research at Sal. Oppenheim in the wake of the reporting season.

page 1 of 3

Overall, Sal. Oppenheim projects that DAX earnings will increase by 29% this year and 16% in 2006, enabling them to move away from the current year-end target for the DAX of 4900. This dramatic rise in profits is based on the sustained global economic upswing, the fruits of successful restructuring programmes, positive currency conditions and changes in accounting standards.

Matthias Jörss and Ralf Zimmermann, the Bank's equity strategists, however, identify a risk to the German equity market in the form of the coming federal election. Federal Chancellor, Gerhard Schröder's unanticipated call, on 22 May, for snap elections triggered outperformance on the German market, driven primarily by foreign investors. Since May, net capital inflow from outside Germany has staged a resurgence, in anticipation of substantial domestic structural reform (especially with regard to taxes and the labour market). "The recent strength on the DAX and the high level of net capital inflow from outside Germany are based on investors' expectations that the reform process will accelerate following an election victory for the CDU/CSU and FDP," argue Jörss and Zimmermann. Sal. Oppenheim recommends all investors who are anticipating a CDU / FDP election win to accumulate positions in German equities. As far as individual sectors are concerned, German banks and insurance companies, as well as automotive and industrial stocks are likely to benefit most from an election victory by the CDU/CSU and FDP.

If, contrary to expectations, the election forces a grand coalition between the CDU and SPD, Sal. Oppenheim believes the speed of reforms is set to plummet. Under such conditions, the strategists reckon with a year-end tar

get for the DAX of 4900 points, since corporate profits would be shaved and the political reform premium evaporate. Moreover, an election result of this kind would cause a short-term decline in prices since overweighted investors in Germany would start to reduce their positions.

And if the election were to result in a left-wing government comprising the SPD, Green Party and Left Party (Linkspartei), substantial losses could be expected. Such an outcome would herald the reversal of the labour market reforms which have already been set in motion by the ruling red-green coalition, prompting Sal. Oppenheim to position the DAX at 4600 points, which may be further undermined by the mass sale of foreign investors' assets in the short term.

- End -

approx. 3,400 characters

Contact:

Dr. Wolfgang Sawazki
Oppenheim Research GmbH
Tel. +49 (0)69 71 34 – 55 09

Dr. Ralf Zimmermann
Oppenheim Research GmbH
Tel. +49 (0)69 71 34 – 56 60

Press and PR
Sal. Oppenheim jr. & Cie. KGaA
Tel.: +49 (0) 2 21 145 –19 55
Fax: +49 (0) 2 21 145 -9 29 98
E-mail: presse@oppenheim.de