

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

Sal. Oppenheim publishes capital market outlook for 2007:

Moderate potential for the equity market – increased risks

- *Analysts at Sal. Oppenheim expect moderate increase on the equity markets*
- *Price drivers (Europe, Germany): Lack of appeal of alternative investment opportunities, REITs, tax reforms and corporate activities (takeovers, share buybacks)*
- *Global economic growth to remain sufficient*
- *Risk of corrections on the back of tight valuations and ECB rate hikes*
- *Special factors for ATX outperformance to dwindle*
- *Index targets (end of 2007): EURO STOXX 4400; DAX 6950; ATX 4550*

Vienna, 5 December 2006 – Analysts at Sal. Oppenheim jr. & Cie believe that the environment for the European equity markets is favourable at present. This is the conclusion reached by the bank’s capital market outlook for 2007, which was presented by Oppenheim Research in Vienna today. Dr. Bernhard Ramsauer, Chairman of the Executive Board of Bank Sal. Oppenheim jr. & Cie. (Österreich) AG said, “Despite the waning imbalances in the US and the dip in the German economy that is expected to follow the VAT increase at the turn of the year, global economic growth is proving to be stronger than expected.” The oil price, for example, is starting to have a positive effect on the economy and the equity markets. “The fact that Austrian economic growth has accelerated is also encouraging”, said Ramsauer.

Equity markets to rise to 6950 on the DAX, 4400 on the EURO STOXX 50 and 4550 on the ATX

Dr. Wolfgang Sawazki, Head of Equity Research at Sal. Oppenheim jr. & Cie., expects the German and European equity markets to continue to rise in 2007, with the DAX forecasted to climb to 6950 and the EURO STOXX 50 to 4400. The recent strong rally, however, is likely to be followed by continued corrections in the short term. The lack of

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appeal of alternative investment opportunities, the announced tax reforms, the introduction of REITs in Germany, further corporate activities in the form of takeovers and share buybacks and a moderate increase in operating profits will drive further development on the equity markets. “Profits in Europe will continue to increase by around 7% to 9% in 2007 and 2008, whereby accounting effects and special effects resulting from restructuring measures, particularly in Germany, will have a positive impact on these figures on the whole”, explains Dr. Sawazki.

In Germany, the intended tax reform, which plans to cut corporation tax rates, is likely to contribute an average of over 4% to the above-average earnings growth (in 2007 +15% and in 2008 +14%). These figures do not yet include the likely restructuring expenses which will be incurred over the next few years but are difficult to quantify. The introduction of REITs for commercial properties will allow some German companies to reduce the amount of capital tied up in fixed assets and to use this capital for more lucrative purposes in operational terms.

German and European equities have closed the valuation gap

Wolfgang Sawazki pointed out that the equity markets will not, however, chart “unlimited growth” in 2007. A tight market valuation on a cash-earnings basis, further rate hikes by the European Central Bank (ECB) and the realisation of peak earnings in certain sectors such as chemicals, steel, raw materials or investment banking are resulting in an accumulation of correction risks – a trend that is not yet sufficiently reflected in the behaviour of market participants. Following considerable share price gains over the past few years, German and European equities have now closed the valuation gap in cash flow terms. Only in P/E terms does the market still appear to be valued slightly below the historical average.

The investment favourites for the next few months in Europe and Germany include the following major companies: Adecco, Air Liquide, Fresenius, Deutsche Postbank, SAP and Munich Re. Sal. Oppenheim believes that the following SMEs offer further upside

potential: Carl Zeiss Meditec, Drägerwerke, Qiagen, Telegate, Solarworld, Technotrans, Patrizia, LHS and Sixt.

Special factors for ATX outperformance to dwindle

Peter Szopo, Head of Equity Research at Sal. Oppenheim jr. & Cie. Österreich believes that the domestic equity market will develop in tandem with its other European counterparts. The index target for the end of 2007 is 4550, with the special factors responsible for the outperformance of the ATX over the past few years expected to peter out. “The factors that have been driving the Vienna Stock Exchange, namely the global tailwind for cyclical stocks, the international boom in small and mid-caps and the tax advantages that followed the last reform, will fall by the wayside,” analysed Szopo. This is compounded by the fact that the Austrian equity market no longer enjoys a general valuation advantage over the other western European stock exchanges.

On the other hand, the strong presence of the companies listed on the Vienna Stock Exchange in central and eastern Europe remains one of the Austrian equity market’s main trump cards. “Although high current account and budget deficits mean that the macro risks in central and eastern Europe are increasing, Austrian companies will continue to profit from the rapid economic growth and the market opportunities that the region has to offer”, said Szopo. At present, around 36% of the profits generated by ATX companies originate from central and eastern Europe, a proportion that is expected to increase further in the medium term.

The recommendations made by Oppenheim Research include, primarily, Raiffeisen International, Verbund, Wiener Städtische, Böhler Uddeholm, SBO and Polytec. As far as the Frankfurt and Zurich-listed stocks are concerned, the analysts believe that BDI and austriamicrosystems offer potential.

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