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ANALYSING THE ANALYSTS

EQUITY RESEARCH FACES CHALLENGES IN ROBUST MARKET CONDITIONS

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London, 5 December, 2006 — AQ Research, the independent research analysis firm, today publishes its annual review of the accuracy of recommendations and forecasts in relation to listed German companies. The Germany Research Yearbook 2006 evaluates the performance of Buy/Hold/Sell recommendations on absolute and relative bases between 7 October 2005 and 6 October 2006 (RQ scores). It also examines the accuracy of earnings per share forecasts in relation to 2005, 2004 and 2003 profits (AQ scores). The results include analysis of DAX, MDAX, TecDAX and SDAX stocks and a further 120 companies outside the main indices.

"The background was that of strong performance by the DAX 30 as the German economy picked up and cost control measures paid off. That helped draw in foreign investor interest" says AQ Research Managing Director Graham Field. "But the best scores for stockpicking went to analysts who called the peak in May and June and then reverted to buys as the market enjoyed a rally late in the review period".

Highlights of the analysis are as follows:-

- **DZ Bank** was analysed on the largest number of stocks, with its recommendations assessed on 144 out of the 306 companies in the report. Four of the top ten analysts for recommendations were from DZ Bank, with **Adrian Pehl** finishing third overall, thanks to some exceptionally good calls on Funkwerk, where he was the only analyst to score positively. DZ also finished with the best average recommendations score on **DAX 30** stocks, where 80% of its calls added value, and on the **TecDAX**.

- Across the report as a whole, **equinet**, the German member of the European Securities Network (ESN), had the best average score for accuracy of earnings forecasts. Three of the top ten individual analysts for accuracy of forecasts were also from equinet, with TMT analyst **Gerrit Rohleder** emerging as the best individual analyst on the AQ measure (up from 12th place in the 2005 Germany report).

- On the RQ measure, **MM Warburg** had the best overall average score, bolstered by good calls on Salzgitter, Rofin-Sinar and VW. MM Warburg came second on the "hit rate" measure, which measures the proportion of a house's calls which have added value. The overall winner on the hit rate measure was **Metzler Seel, Sohn**, which added value on over 74% of its calls.

- On **SDAX** stocks, **HVB Corporates and Markets** had the best recommendations. HVB, which now operates in conjunction with the other members of the UniCredit Markets & Investment Banking team, also had the best score for average accuracy on **DAX 30** stocks.

- The best individual analyst overall for recommendations was **Alastair Bishop** at Dresdner Kleinwort, who called Solarworld and Conergy as buys, before making well-judged downgrades as they peaked.

- The best hit rate on **DAX 30** stocks was achieved by **Oppenheim Research**, which added value on 87% of the 30 stocks on which its research was analysed**.** Oppenheim was also top for accuracy on SDAX stocks.

- The best hit rate on **MDAX** stocks was achieved by **Berenberg Bank**, which has become more of a force in mid cap research across Europe. Berenberg's analysts also notched up the best average score for recommendations on MDAX stocks, while the best performance for forecasting on the MDAX went to **Cheuvreux**. Berenberg was also top for average accuracy on the TecDAX, where **LBBW** had the best hit rate.

- The most predictable stock overall in the report was **Centrotec**, while **BMW** was the most reliable of the large cap stocks for earnings.

CONTACTS for detailed tables and copies of the Germany Research Yearbook 2006:

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Notes to Editor:

About AQ Research

AQ Research (www.aqresearch.com) provides quantitative analysis of analysts' recommendations and eps forecasts, using data obtained from the broking houses involved. AQ has been analysing the accuracy of eps forecasts since 1998 and began publishing its RQ series of reports in 2003. Its analysis covers more than 9,000 companies and 200 brokers worldwide.

'RQ' Methodology

AQ scores each research houses differently, depending on whether they have absolute or relative recommendations. The period over which we are examining recommendations in this report is the 12 months October 7 2005 to October 6 2006. Each recommendation made during this period is assessed over its "lifetime" (i.e. until it is changed).

Analysts are scored on the basis of the percentage share price movement (+ or -) during the lifetime of a particular recommendation. Those with absolute recommendations are measured on the basis of the percentage change in the share price during the lifetime of the recommendation, while those with relative recommendations are measured on the price movement relative to the price of the relevant index. This either an index (DAX) for those houses which make recommendations on an index relative basis. Or it is a sector index (the market sectors within the Dow Jones 600) for those which make sector relative recommendations.

Scores have been calculated as follows:

- **A Strong Buy recommendation receives the percentage share price movement x 1.25**.
- **A Buy recommendation receives the percentage share price movement times x 1**.
- **A Hold has no score**.
- **A Reduce recommendation receives the percentage share price movement x –1**.
- **A Sell recommendation receives the percentage share price movement x –1.25.**

(Where a share price has fallen (absolutely or relatively), this means that an analyst with a Sell or Reduce recommendation will score positively).

‘AQ’ Methodology

AQ scores measure three things: the percentage deviation of forecasts from reported eps numbers; the number of changes to forecasts and the average size of those changes. A good analyst is one who can predict an eps number accurately without having to change his or her forecast too often or by a large amount. Where possible, the formula looks at three historical years: in this case, 2003, 2004 and 2005.

The three accuracy components are weighted as follows:

Percentage deviation from reported numbers	50%
Number of changes	25%
Average size of changes to forecasts	25%

Where three historical years of data are available, the most recent year (ie 2005) is given a 40% weighting; while the previous year (ie 2004) has a 30% weighting the year before that (ie 2003) a 15% weighting. A 10% weighting is then given to the number and size of revisions to forecasts for 2006 and a 5% weighting to revisions and changes for 2007.

Where two historical years are available, the most recent has a 55% weighting, the preceding year a 30% weighting, the current year 10% and the following year 5%. If only one year of historical data is available, accuracy in that year has a 50% weighting, while the number and size of revisions both have a 10% weighting. The number and size of revisions to the current and the following year all have a 7.5% weighting.