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ANALYSING THE ANALYSTS

STOCKPICKING SKILLS CRUCIAL IN CHALLENGING YEAR FOR ANALYSTS

- GERMAN HOUSES CONTINUE TO DOMINATE RANKINGS WITH DEPTH AND BREADTH OF COVERAGE -

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London, 10 May, 2005 — 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 2005 evaluates the performance of Buy/Hold/Sell recommendations on absolute and relative bases between 23 April 2004 and 22 April 2005 (RQ scores). It also examines the accuracy of earnings per share forecasts in relation to 2004, 2003 and 2002 profits (AQ scores). The results include analysis of DAX, MDAX and TecDAX stocks and a further 180 companies outside the main indices.

"The German equity market was broadly flat over this period. This meant that stockpicking was crucial for success with recommendations. Volatility in the tech sector made calls more difficult and meant that the highest scoring analysts were sometimes those with negative calls," says AQ Research Managing Director Graham Field. "Small and mid cap stocks provided a lot of the best opportunities. Meanwhile the pattern of scores for eps forecasting continues to show increasing stability with a number of blue chips becoming more predictable".

There has been a trend towards more houses using absolute recommendations and this contributed to a better showing for ABN AMRO in the analysis of recommendations. In general, German equity research houses dominated the rankings, especially at mid and small cap level.

Highlights of the analysis are as follows:-

- Across the report as a whole, **DZ Bank** and **Landesbank Baden-Wuerttemberg (LBBW)** had the largest number of top scores for recommendations. DZ Bank had the largest number of top scores for accuracy.

- On DAX stocks, **LBBW** was top rated for accuracy of eps forecasts, while **ABN AMRO** had the highest average score for recommendations. The most predictable company for earnings forecasts in the DAX is now **BMW**, while **Continental** is the most rewarding stock (ie the one on which analysts' recommendations generated the biggest scores).

- On **MDAX** stocks, **Berenberg Bank** had the best recommendations, while **LBBW** had the most accurate forecasts. **Rhoen-Klinikum** was the most predictable company for the second year in a row while **Pfleiderer** was the most rewarding stock. Overall, MDAX stocks were more predictable than either DAX or TecDAX stocks.

- On **TecDAX** stocks, **Oppenheim Research** had the best recommendations, while **Metzler Seel, Sohn** had the most accurate forecasts. **Solarworld** was the most rewarding stock as its price rose fivefold over the review period. **Teles** and **Singulus** were the most predictable stocks.

- Among small cap stocks, the most rewarding was **Stratec Biomedical Systems,** while the most predictable was plant breeder **KWS SAAT.**

- The best individual analyst overall for recommendations was **Hartmut Moers** at Oppenheim, who was one of two analysts to call Solarworld as a buy over the review period. He was followed by **Thomas Wissler** at Berenberg Bank, who had a variety of good calls on tech stocks. The best analyst for forecasting accuracy was **Werner Schirmer** at LBBW, who had accurate forecasts on leading insurance companies. These analysts are judged on the extent to which their scores beat the average on the stocks they were following.

- The highest placed individual analyst judged on both an RQ and an AQ basis was **Ulle Woerner** of LBBW, who ranked third in the individual AQ rankings and 12th on the RQ measure.

CONTACTS for detailed tables and copies of the Germany Research Yearbook 2005:

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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 6,000 companies and 200 brokers worldwide. This information is available in online form through a cooperation with Bureau van Dijk (www.bvdep.com).

'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 April 23, 2004 to April 22, 2005. 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, 2002, 2003 and 2004.

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 2004) is given a 40% weighting; while the previous year (ie 2003) has a 30% weighting the year before that (ie 2002) a 15% weighting. A 10% weighting is then given to the number and size of revisions to forecasts for 2005 and a 5% weighting to revisions and changes for 2006.

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.