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ANALYSING THE ANALYSTS

EQUITY RESEARCH FACES CHALLENGES IN ROBUST MARKET CONDITIONS

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London, 12 November 2007 — AQ Research, the independent research analysis firm, today publishes its seventh annual review of the accuracy of recommendations and forecasts in relation to listed German companies. The Germany Research Yearbook 2007 evaluates the performance of Buy/Hold/Sell recommendations on absolute and relative bases between end of September 2006 and end of September 2007 (RQ scores). It also examines the accuracy of earnings per share forecasts in relation to reported profits (AQ scores). The results include analysis of DAX, MDAX, TecDAX and SDAX stocks and a further 120 companies outside the main indices.

“The DAX’s strong run surprised analysts.” says the yearbook’s editor, David O’Hara. “As one of Europe’s biggest success stories of the last year investors will be looking to analysts who can continue to add value in what is considered a resurgent economy. Our review ended in September, it remains to be seen how analysts have responded to the increased nerves in global markets.”

Highlights of the analysis are as follows:-

- Across the entire German market, DZ Bank achieved the highest outperformance against its peers as measured by both forecast earnings accuracy (AQ) and value of recommendations (RQ). For two years running, DZ Bank has made the most rewarding recommendations on both the DAX and the TecDAX. DZ Bank’s Norbert Barth was also ranked first for recommendations on the DAX, one of three DZ Bank analysts in the top six amongst a total of sixty.
- WestLB was the only team to achieve top quartile forecast accuracy in each of the DAX, MDAX, TecDAX and SDAX indices. Three of the top five AQ analysts were from West LB, and Michael Tappeiner delivered the best recommendations from 75 MDAX analysts, whilst Achim Henke did the same for West LB on SDAX companies, coming first out of thirty.
- Nord/LB headed up the overall hit rate analysis, adding value with over 65% of its recommendations.
- The best individual analyst overall for recommendations was Harald Schnitzer at DZ Bank, as well as heading the list as top analyst on the TecDAX with particularly strong scores on Aixtron and Singulus Technologies.
- Across all companies in the report as a whole, Metzler Seel, Sohn scored highest for accuracy of earnings forecasts. On the RQ measure, Berenburg Bank had the best overall average score.
- On SDAX stocks, LBBW had the best recommendations and also came top on earnings estimate accuracy.

- On TecDAX stocks, Dresdner Kleinwort scored the best hit rate with recommendations adding value on an impressive 86% of the 15 stocks analysed.

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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 investment research since 1998. AQ Online covers more than 10,000 companies and 230 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 1 2006 to September 30 2007. 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 (e.g. 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:

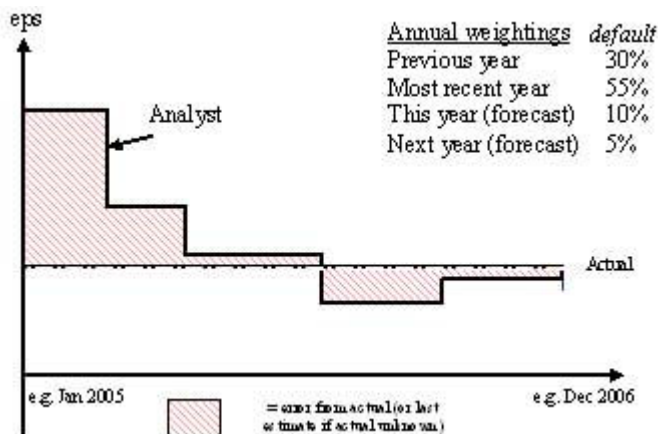
- **A Strong Buy recommendation receives the percentage share price movement x 1.25.**
- **A Buy recommendation receives the percentage share price movement times x 1.**
- **A Hold has no score.**
- **A Reduce recommendation receives the percentage share price movement x -1.**
- **A Sell recommendation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

The AQ measure is designed to measure the accuracy of an analyst's financial forecast. We use the eps as the benchmark measure because that is what is used by the investment research industry. Eps itself is an awkward figure, as there can be different opinions at what level to take the earnings, and how many shares to consider. To get around this problem, we take the so-called headline eps, the figure that by convention the company reports and the figure that is used in compiling the consensus.

The new AQ methodology for determining the accuracy of earnings estimates was launched at the beginning of 2007, following consultations with the industry. The significant change is that it looks at the "error" of the analyst, as expressed by the shaded area on the eps chart below to identify the best forecasting analysts.



The default values are used in the publications. When used in AQ Online, the customer can set their own values not only for the annual weightings but also for any estimate, e.g. to highlight analysts who have better early forecasting accuracy during any particular period.

AQ scores are in the range 0-100. They can be interpreted as follows:

- >60: Small deviations in actual eps vs. the spread of forecasts (generally below 5%) for the past 2 years
- 40-60: Forecasts falling into this range indicate either deviations of actual eps vs. forecasts up to 10% over past 2 years
- 20-40: Deviations of actual vs. forecast eps typically between 10% and 15%, possibly for one of past 2 years. Analysts who have initiated within past 2 years can also have low scores
- <20: AQ's are often not registered where deviations from actual eps numbers exceed 15%.

Note that individual analyst track records have only been building up since the start of 2007.