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ARCELOR (SPAIN)

UNDERWEIGHT

EUR	Market Cap (mn)	Target Price	Present Price	52-Week Range	2005E P/E (x)	2006F P/E (x)	2005E EPS	2006F EPS	2005E GDY (%)	Reuters Code	Bloomberg Code
	13,019.4	15.15	20.35	15.11 - 20.68	6.5	9.2	3.15	2.21	2.9	CELR.MC	LOR SM

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Vice-chairman expects 30% net profit growth in 2005

(Cinco Días - PAGE 10)

Arcelor's vice-chairman, José Ramón Álvarez Rendueles, expects the company's net profit to grow by around 30% in 2005. This is clearly above our estimates. The vice-chairman also added that Arcelor would like to have full control over ACB, in which it currently has an 80% stake; the other 20% is controlled by BBK.

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FERROVIAL (SPAIN)

BUY

EUR	Market Cap (mn)	Target Price	Present Price	52-Week Range	2005E P/E (x)	2006F P/E (x)	2005E EPS	2006F EPS	2005E GDY (%)	Reuters Code	Bloomberg Code
	8,289.4	71.20	59.10	36.30 - 71.10	25.0	22.3	2.36	2.66	1.6	FER.MC	FER SM

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Cintra offers Euro62.00/share for 70.3% of APRR

(Cinco Días - PAGE 8)

According to the local press (*La Tribune*), Cintra has offered Euro62.00/share for 70.3% of APRR (Autoroutes Paris Rhin Rhône). This implies a value of Euro4,898mn for 70% of the motorway. Cintra is competing with Eiffage & Macquarie, Abertis and Autostrade, which have submitted (in this order) the next highest bids.

According to the same source, Abertis has offered Euro59.00/share for Sanef (Autoroutes du Nord et de l'Est), which represents a value of Euro4.1bn for 75.5% of the motorway. Sacyr-Vallehermoso has offered the second-best offer for Sanef in a consortium with Dassault, Société Générale and Generali). Cintra, in a consortium with Caja Madrid and the Canadian groups Borealis and Ontario Teachers Pension Fund, has also submitted a bid for Sanef, although it is lower than its competitors'.

The French government will announce the winners of the bidding process during the week of December 8-12.

ANALYSIS:

Although Cintra has submitted the best economic offer for APRR, the French government's decision on the award of the concession is not based only on economic criteria. The main drawback of Cintra's offer is that it does not have local partners in its consortium. The IRR on Cintra's offer is in the double digits taking into account the expected releveraging of the concession. There would be no need for a rights issue at Cintra to finance the deal, as the group is expected to end 2005 with a cash position of Euro300mn and it could obtain additional funding of more than Euro300mn by releveraging existing assets (car parks, Ausol, etc).


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GAMESA (SPAIN)

UNDERWEIGHT

EUR	Market Cap (mn)	Target Price	Present Price	52-Week Range	2005E P/E (x)	2006F P/E (x)	2005E EPS	2006F EPS	2005E GDY (%)	Reuters Code	Bloomberg Code
	2,895.3	12.50	11.90	9.50 - 13.97	13.5	12.7	0.88	0.94	2.4	GAM.MC	GAM SM

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Change in CEO is bad news

(Expansión - PAGE 6)

According to *Expansión*, following the scheduled board meeting that took place yesterday (November 30) afternoon, Gamesa, in a surprise decision, announced that the company (controlled by Iberdrola and BBVA) is going to replace its former CEO, Ignacio Gandásegui, with Guillermo Ulacia (Arcelor's former General Manager). Mr Gandásegui has been Gamesa's CEO since the company was created in the late 1980s and has been a board member since 1990.

ANALYSIS:

In our view this surprise decision is clearly bad news for the company, as the former CEO, Mr Gandásegui, is the one who spearheaded Gamesa's success story, its above-market margins and the change in the strategy unveiled in 2002 to start selling wind farms. We believe that, following the departure of Nefinsa from the shareholder structure, the CEO's position had weakened. In fact, we had highlighted that Nefinsa's role protected minority investors.

In our view, Mr Gandásegui was very highly regarded by the investor community (built up since the company's IPO in 2000). We believe the new CEO will now have to rebuild the company's market credibility. While it is not clear to us whether this top-level change will imply a shift in the company's strategy, what we do believe is clear is that it adds to the uncertainty of what is going to happen with Gamesa in the coming years.

This move, together with the regulatory uncertainty appearing in yesterday's press, lead us to remain cautious on the stock. We would be sellers of Gamesa in the short term, as we believe that these two news items will increase the company's risk premium and reduce visibility in the coming months.

We maintain our Underweight recommendation on the stock.

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NH HOTELES (SPAIN)

BUY

EUR	Market Cap (mn)	Target Price	Present Price	52-Week Range	2005E P/E (x)	2006F P/E (x)	2005E EPS	2006F EPS	2005E GDY (%)	Reuters Code	Bloomberg Code
	1,526.5	14.25	12.81	9.37 - 13.90	35.6	20.1	0.36	0.64	1.4	NHH.MC	NHH SM

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Hesperia denies rumours about its stake in NHH

(CNMV - PAGE 1)

Yesterday (November 30) Hesperia sent a statement to the Spanish securities watchdog (CNMV) denying rumours that have appeared in the Spanish press in recent weeks concerning its stake in NHH.

The statement includes the following comments: (1) Hesperia has not hired any bank to increase or decrease its stake in NHH; (2) the company is not in negotiations with other NHH shareholders to increase or decrease its stake in



NHH; (3) Hesperia is not in negotiations with any member of the market to increase or decrease its stake in NHH; and (4) Hesperia has not reached any other agreement concerning its stake in NHH.

ANALYSIS:

In our view, this official statement could have a negative impact on NHH's share price. The stock has reacted positively to these rumours in recent weeks, so this denial could be viewed negatively by investors that were playing M&A activity at NHH.

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SACYR-VALLEHERMOSO (SPAIN)

HOLD

EUR	Market Cap (mn)	Target Price	Present Price	52-Week Range	2005E P/E (x)	2006F P/E (x)	2005E EPS	2006F EPS	2005E GDY (%)	Reuters Code	Bloomberg Code
	5,746.2	24.50	21.59	11.34 - 23.92	19.3	23.6	1.12	0.92	1.3	SVO.MC	SYV SM

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To bid for Rome underground contract

(Cinco Días - PAGE 8)

Sacyr-Vallehermoso (SYV) plans to submit an offer for the construction work to extend Rome's underground, with an estimated budget of Euro2.5bn. Ferrovial finally decided to withdraw from this project as, in its view, it entailed enormous risks (particularly archaeological and geological risks) that could not be taken on by the group. There are seven other groups bidding on this project.

ANALYSIS:

SYV is taking on an increasingly significant role in the Italian construction market. Prior to the award of the Messina contract, it already had a Euro650mn construction backlog in Italy (16% of the total). SYV has an 18.7% stake in the project to build a bridge over the Messina Straits, implying an additional Euro730mn backlog in Italy and representing a further 18% of the group's total backlog (Euro4.05bn as of June 2005).

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SOGECABLE (SPAIN)

BUY

EUR	Market Cap (mn)	Target Price	Present Price	52-Week Range	2005E P/E (x)	2006F P/E (x)	2005E EPS	2006F EPS	2005E GDY (%)	Reuters Code	Bloomberg Code
	4,541.2	42.00	34.00	28.00 - 34.84	239.3	38.8	0.15	0.88	0.0	SGC.MC	SGC SM

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Vivendi cuts stake to 10.0% as bondholders convert

(CNMV)

Yesterday (November 30), Vivendi Universal announced that it has reduced its stake in Sogecable to 10.0% (from 15.6%), as bondholders converted the balance into Sogecable shares following Prisa's offer to acquire a 20% stake in Sogecable at Euro37.00/share.

ANALYSIS:

We believe this news should have a limited impact on Sogecable's share price, which is likely to remain flattish until Telefónica makes public its final decision. The timing for Telefónica's decision is still unclear, although we believe it could happen by late January 2006. The Spanish market watchdog has to approve Prisa's offer first. The acceptance period would extend for one month from the time the regulator gives the deal the green light.



While the market currently seems to be discounting that only 45% of Sogecable's share capital will agree to sell the stock to Prisa at Euro37.00/share (which implicitly assumes that Telefónica will sell), we believe Sogecable could be valued at either Euro31.50/share (share price on November 1, right before the deal was announced), if Telefónica sells (arguing lack of credibility regarding the price paid by Prisa, speculation regarding a renewed push for Imagenio and a possible fight for football rights in the future, etc), or Euro37.00/share (arguing that TEF considers SGC to be undervalued at current prices, that there is less competitive pressure from Imagenio, etc). We reiterate our positive stance on Sogecable.

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TPI (SPAIN)

UNDERWEIGHT

EUR	Market Cap (mn)	Target Price	Present Price	52-Week Range	2005E P/E (x)	2006F P/E (x)	2005E EPS	2006F EPS	2005E GDY (%)	Reuters Code	Bloomberg Code
	2,458.5	6.50	6.81	6.14 - 7.43	19.1	17.7	0.35	0.38	5.2	TPI.MC	TPI SM

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Launches Noxtrum search engine today

(cincodias.com)

Today TPI is launching Noxtrum, an Internet search engine specialising in local and national content in Spain. Noxtrum will also provide information on its own database, allowing smaller companies without an Internet presence to be reached.

ANALYSIS:

The launch of Nextrum should not come as a major surprise, as it was already announced back in June 2005. This operation, together with the agreement reached with MSN in the portal business, reinforces TPI Spain's bet on the on-line directory business, which should represent the bulk of its future growth due to the higher maturity of its off-line business. While this move makes strategic sense, TPI will have to prove its ability to monetise Internet traffic. We expect this news to have a limited impact on the share price.

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TELEFÓNICA MÓVILES - SPAIN (SPAIN)

HOLD

EUR	Market Cap (mn)	Target Price	Present Price	52-Week Range	2005E P/E (x)	2006F P/E (x)	2005E EPS	2006F EPS	2005E GDY (%)	Reuters Code	Bloomberg Code
	37,896.2	10.20	8.75	8.35 - 10.14	17.6	13.2	0.50	0.66	2.1	TEM.MC	TEM SM

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Launches BlackBerry services in Latam

(Cinco Días - PAGE 6)

Telefónica Móviles announced yesterday (November 30) that it has reached an agreement with RIM to launch BlackBerry services in Latam. The services are to be launched in early 2006 in Argentina, Brazil, Chile, Colombia, Ecuador, Guatemala, El Salvador, Nicaragua, Panama, Peru, Mexico, Uruguay and Venezuela.

ANALYSIS:

This new service will help to enhance Telefónica Móviles' competitive position, especially in the corporate segment, as the BlackBerry offer will be combined with other corporate services aimed at improving mobility and Internet access.



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BANKS (SPAIN)

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Mortgage rates increase to 2.68%

(El País - PAGE 51)

The 1Y Euribor rate reached 2.684% in November, the highest level since January 2003. For a Euro120,000 mortgage at 20 years, this increase translates into a Euro21 rise in average monthly mortgage payments. This increase in rates could foreshadow today's expected rise in the base rate by the ECB.

ANALYSIS:

The market expects the ECB to raise the base rate by 25bp at today's meeting. It looks likely that rates will increase, despite the recent pressure from Brussels and the OECD to maintain rates given that inflation is under control and economic growth has yet to be consolidated.

The effect on monthly mortgage payments will depend on the duration and amount of the mortgage (the longer the duration, the more mortgages will be affected).

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ELECTRICITY (SPAIN)

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REE has doubts about the government's wind plan

(Expansión - PAGE 5)

According to REE, the goals targeted in the government's wind plan (20,000MW of wind power by 2011) will not be attainable unless the interconnection with France is reinforced and the older wind parks are modernised. Otherwise, there would only be room for 15,000MW of wind power (compared with the current 10,000MW).

ANALYSIS:

REE's figures are very much in line with our estimates of additions of just 1,000MW per annum in wind generators (except in 2005, when we expect 2,000MW to be added). Having said this, it should be noted that the government could use REE's report to put additional pressure on wind farm developers in its negotiations aimed at limiting their revenues (as a way of reducing the electricity tariff deficit).

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MACRO/STRATEGY (SPAIN)

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Spanish retail sales decelerate in October

(Reuters)

Real retail sales declined by 0.2% YoY in October, compared with +1.9% YoY in the previous month. Looking at the main components, food sales fell 0.1% YoY, personal goods rose by 2.0% YoY, household goods declined 0.2% YoY and other goods rose 0.8% YoY.

ANALYSIS:

It looks like the deceleration in private consumption may have started. In 2005E we still expect private consumption to grow by 4.0%, but we forecast a deceleration in both 2006F (2.8%) and 2007F (2.3%). The expected 25bp increase in interest rates to be implemented by the ECB today and the continuation of this tightening policy in 2006F are likely to drive private consumption lower in Spain.

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Key to Investment Codes

Buy	Upside of more than 15%.
Hold	Upside of 10%-15%.
Underweight	Upside of less than 10%.

Note: New investment code criteria were implemented on January 1, 2005. Target prices set from January to June are for December 31 of the current year. Target prices set from July to December are for December 31 of the following year.

IMPORTANT DISCLOSURES:

Santander Investment Bolsa expects to receive or intends to seek compensation for investment banking services from the following companies in the next three months: NH Hoteles, Sacyr-Vallehermoso, Sogecable.

Santander Investment Bolsa has received compensation for investment banking services from the following companies in the past 12 months: Ferrovial, TPI, Arcelor, Sacyr-Vallehermoso, Sogecable.

Santander Investment Bolsa has managed or co-managed a public offering of Arcelor's securities in the past 12 months.

SCH or its affiliates beneficially own 1% or more of any class of common equity securities of Ferrovial.

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