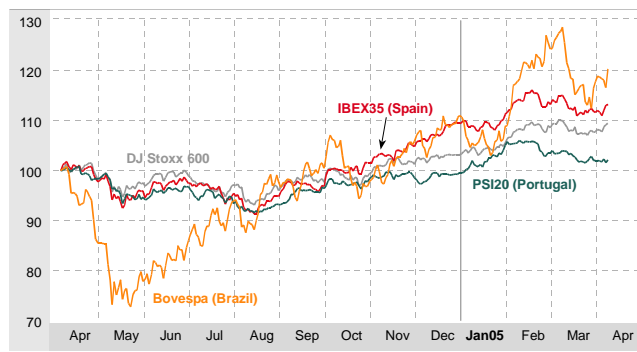


THE IBERIAN STRATEGY OBSERVER

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World Indices – Market Performance



Source: JCF.

Asset Class Monitor

| | Closing 7-April | -1W | -1M | QTD | YTD |
|------------------------|--------------------|------|------|------|------|
| DJ Stoxx 600 | 266.3 | 1.3 | 0.3 | 1.8 | 6.3 |
| S&P 500 | 1,191.1 | 1.2 | -2.7 | 0.5 | -2.1 |
| 10Y Euro bond yield | 3.55 | -1.3 | -3.7 | -1.2 | -2.9 |
| 10Y US bond yield | 4.48 | 1.0 | 2.3 | 0.3 | 6.5 |
| 3M Euro interest rates | 2.15 | -0.1 | 0.5 | -0.1 | -0.5 |
| 3M US interest rates | 2.76 | -0.4 | 0.7 | 0.0 | 25.0 |
| €/US\$ | 1.29 | -1.0 | -3.1 | -1.0 | -6.0 |
| Brent crude oil (US\$) | 52.3 | -4.4 | -0.2 | -0.6 | 31.0 |
| CRB (US\$) | 344.2 | 1.5 | 6.8 | 2.1 | -1.2 |

Source: Bloomberg.

SCH Universe Valuation

| | P/E | | EV/EBITDA | | 3Y CAGR | | GDY P/BV | |
|------------------|------|------|-----------|------|---------|--------|----------|-----|
| | 04E | 05F | 04E | 05F | EPS | EBITDA | 04E | 05F |
| CAC40 | 13.5 | 12.3 | 7.0 | 6.3 | 11.0 | 8.8 | 2.9 | 2.3 |
| DAX30 | 13.5 | 11.9 | 5.6 | 5.0 | 22.9 | 8.4 | 2.9 | 1.9 |
| MIB30 | 15.5 | 14.5 | 6.4 | 6.1 | 15.8 | 5.1 | 4.0 | 2.7 |
| PSI20 | 16.2 | 7.5 | 8.0 | 7.3 | 40.4 | 9.1 | 2.0 | 1.7 |
| IBEX35 | 15.3 | 13.4 | 7.9 | 6.8 | 13.9 | 4.8 | 3.3 | 3.1 |
| DJ Stoxx 600 | 14.0 | 13.1 | 3.2 | 3.0 | 14.0 | 8.1 | 3.2 | 2.6 |
| DJ Stoxx 50 | 13.5 | 12.7 | 7.4 | 7.0 | 10.7 | 5.3 | 3.5 | 2.7 |
| DJ Euro Stoxx 50 | 13.3 | 12.3 | 6.3 | 5.8 | 12.8 | 6.1 | 3.5 | 2.4 |
| Ib Cap Goods | 8.7 | 12.3 | 4.6 | 5.9 | 29.9 | 11.8 | 3.1 | 1.6 |
| Ib Construction | 14.0 | 12.6 | 8.3 | 7.6 | -15.6 | 13.3 | 3.5 | 2.2 |
| Ib Cons Goods | 19.6 | 18.0 | 9.0 | 8.7 | 19.5 | 11.0 | 2.6 | 4.2 |
| Ib Cons Serv | 14.4 | 16.8 | 10.0 | 11.5 | 5.6 | 2.1 | 2.5 | 2.4 |
| Ib Financials | 14.0 | 12.9 | NA | NA | 16.9 | NA | 3.1 | 1.9 |
| Ib Oil & Gas | 14.2 | 12.1 | 6.8 | 6.5 | 11.5 | 6.6 | 2.6 | 2.1 |
| Ib TNTs | 38.7 | 29.0 | 15.3 | 13.5 | 48.8 | 14.5 | 1.3 | 9.6 |
| Ib Utilities | 13.5 | 13.5 | 6.6 | 7.1 | 6.9 | 2.5 | 4.2 | 2.6 |

Source: Bloomberg, JCF and SCH Bolsa estimates and forecasts.

Strategy Highlights

- Latam and the good domestic macro scenario are the main drivers of Spain's outperformance in the past four years.
- The past month's sell-off in Latam has punished the Spanish market.
- We reiterate our positive view on Latam in the medium term and think Spain could well outperform.

Hot Spots

- Buy **Enagás** ahead of the upcoming regulatory review that is likely to improve the framework for infrastructure plays in Spain.
- Expect to see a re-rating in **Sonae SGPS** after the spin-off of Sonae Industria.
- Lower financial expenses for **Sogecable** should add to the arguments in its favour.
- The week's pair trade: long **Cintra**, short **Abertis**.

Relative Market Performance

| | Closing 7-April | -1W | -1M | QTD | YTD |
|------------------|--------------------|-----|------|-----|-----|
| CAC40 | 4,139.8 | 1.5 | 1.3 | 1.8 | 8.3 |
| DAX30 | 4,410.4 | 0.8 | 0.3 | 1.4 | 3.6 |
| MIB30 | 33,082.0 | 1.2 | 2.7 | 1.8 | 6.0 |
| PSI20 | 7,794.7 | 0.1 | -1.7 | 0.1 | 2.6 |
| IBEX35 | 9,413.5 | 1.3 | -0.7 | 1.7 | 3.7 |
| DJ Stoxx 600 | 267.0 | 1.3 | 0.3 | 1.8 | 6.4 |
| DJ Stoxx 50 | 2,912.0 | 1.2 | -0.3 | 1.6 | 4.9 |
| DJ Euro Stoxx 50 | 3,094.7 | 1.1 | -0.1 | 1.3 | 4.9 |
| DJ Stoxx Def | NA | 0.6 | 0.0 | 0.4 | 6.4 |
| DJ Stoxx Cyc | NA | 0.3 | 0.3 | 0.3 | 0.3 |
| DJ Stoxx TMTs | NA | 0.6 | 0.6 | 0.6 | 0.6 |
| DJ Stoxx Fin | NA | 0.3 | 0.3 | 0.3 | 0.3 |

Source: Bloomberg.

SECTOR STRATEGY AT A GLANCE

Iberia – Sector Strategy at a Glance

| Sector | Index Weighting | SCHB Stance | | Comments | Preferred Stocks |
|---------------------------|-----------------|-------------|-----------|---|--|
| | | Tactical | Strategic | | |
| Banks | 27.4% | ↓ | ↓ | We are increasingly concerned about the Spanish economy's deceleration and the 'inflated' real estate sector. Recent signs of a soft landing for the real estate sector might prompt a de-rating of Spanish banks. The small banks have benefited from M&A speculation, which seems a little excessive at the moment. | B. Popular, BCP |
| Capital Goods | 5.3% | ↑ | ↑ | The investment cycle has bottomed out and there are signs of capital investments picking up. We believe the valuations of metal-related companies (Acerinox, Arcelor) already include a strong recovery in prices and volumes. We would rather play pulp & paper (Ence) and industrial companies with a restructuring story (Tubacex, Uralita). | Gamesa, Ence, Uralita |
| Construction | 4.0% | ↑ | ↑ | The buoyant construction cycle in Spain seems to be never-ending, in stark contrast to Portuguese companies, which are being hit by restrictions in civil works. Diversification in the services and concessions areas should provide stability in the long run. M&A activity should continue to offer some excitement in the sector. | Ferrovial, ACS |
| Consumer Goods | 6.2% | ↑ | ↑ | Domestic consumption in Spain has been the main growth driver of recent years, but we see signs of concern. We prefer defensive players with turnaround stories (Ebro Puleva) to stocks with regulatory risks (Altadis) or exposure to discretionary consumption. | Ebro Puleva |
| Financial Services | 0.9% | ↓ | ↓ | Cautious management teams at southern European insurers offer a degree of safety in a sector penalised by the equity markets' sharp fall. The current low discount to SOTP valuations gives limited upside to those holding companies without solid investment track records. | Corp. Mapfre |
| Oil & Gas | 9.0% | ↑ | ↑ | Stable (high) oil prices and the improving situation in Latam combine to offer a strong case to be bullish on the Iberian oil sector. Reinvestment and regulatory risks make investing in gas players more complex. We like Enagás' growth and stable regulatory climate. | Repsol YPF, Enagás |
| Services | 8.0% | ↓ | ↓ | Despite being leveraged to the cycle's upturn, the leisure industry should see lower pricing power given the excess capacity. Real estate could suffer from the perception that property prices are peaking and from the hangover from M&A activity. We like Portugal's motorway sector because of its growth and defensive nature. | Sol Melia, Logista, Aguas de Barcelona |
| TMTs | 28.8% | ↑ | ↑ | Telecoms continue their de-leveraging process, disposing of non-core activities and focusing on 'back-to-basics' strategies after the Internet hype. Latam exposure and generous shareholder remuneration policies should provide further upside in the short term. We recommend switching from TV players to newspapers in the short run. | TEF, Indra, Prisa, Sogecable |
| Utilities | 10.4% | ↓ | ↓ | Advances in 'integration strategies' and financial de-leveraging are the basis for long-term outperformance. However, uncertainty regarding the implementation and effects of the EU's ETS continues to drag on Spanish electricity stocks. We believe their underperformance versus their European peers is deserved. | Iberdrola |

Source: Santander Central Hispano Bolsa estimates.

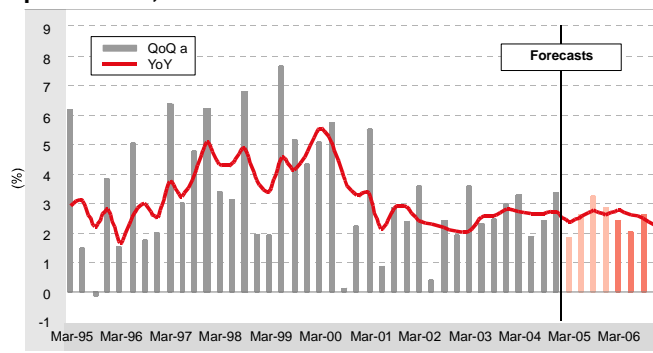
THE IBERIAN MACRO OBSERVER

Revising Spanish GDP forecasts

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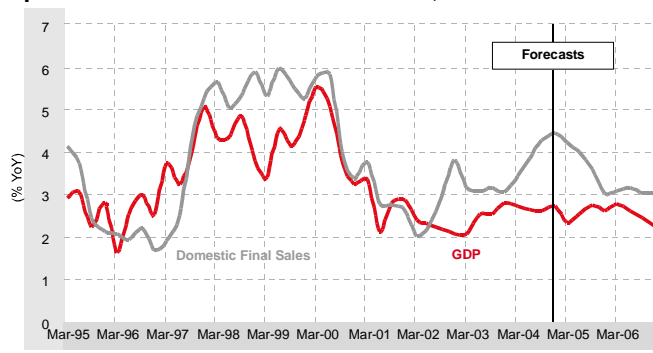
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Spain – GDP, 1995-2006F



Source: Datastream and SCH Bolsa estimates and forecasts.

Spain – GDP vs Domestic Final Sales, 1995-2006F



Source: Datastream and SCH Bolsa estimates and forecasts.

Things to Watch during the Week

In the US:

- (1) February trade deficit likely to increase slightly
- (2) March retail sales expected to rise 0.8%
- (3) February business inventories should go up 0.6% MoM
- (4) Industrial production expected to grow modestly in March
- (5) April Univ of Michigan confidence indicator could fall slightly

In the Euro Zone:

- (1) French industrial production should grow slightly in February
- (2) Spain and French CPI figures could post a strong increase
- (3) ECB to publish Euro zone final 4Q04 GDP figures
- (4) Spanish current account deficit expected to continue higher
- (5) ECB to publish its monthly bulletin

■ The European Commission (EC) cut its growth forecasts for the Euro zone in both 2005 and 2006. It reduced expected GDP growth to 1.6% from 2.0% in 2005, and to 2.1% from 2.2% in 2006. The outlook for 2005 inflation was unchanged at 1.9%, but was reduced to 1.5% from 1.7% in 2006. We maintain our inflation forecast of 1.5% for 2005 and 2.2% for 2006.

■ We are revising our estimates and forecasts for the Spanish economy. In an environment in which most of the revisions made by investment banks and officials have been on the downside, we are revising upwards our forecast for Spanish GDP growth in 2005E. However, we are leaving our 2006F forecasts unchanged.

■ We have raised our GDP 2005E growth estimate to 2.6% from 2.4% previously, but are sticking to our forecast of 2.5% in 2006F. This upward revision in GDP growth should not be seen in the context of improving fundamentals in the Spanish economy, but as a continuation of the inertia of previous quarters. This inertia, together with the very expansionary monetary conditions (courtesy of low ECB interest rates) should mean that the Spanish economy continues to outperform the rest of the Euro zone. It is also likely to mean that the required adjustments in the Spanish economy are postponed.

■ In our view, the external sector is a problem for the Spanish economy. The current account deficit rose to 4.9% of GDP in 2004 from 2.8% in 2003. According to our forecasts (which assume a deceleration in internal demand), the current account deficit is likely to remain at 2004 levels in both 2005E and 2006F. Given that the Spanish economy can no longer use the tool of currency depreciation to adjust this deficit, the adjustment will need to be effected internally through an increase in savings and lower internal demand.

ECONOMIC CALENDAR

Macro Data Published Last Week

| Day | Time | Country | Indicator/Event | Period | Reference Data | Forecast | Actual |
|----------------------|-------|-----------|--------------------------------------|--------|----------------|----------|-----------|
| 4-April Monday | 11:00 | Euro Zone | Euro Zone PPI (m/y) | Feb | 0.6/3.9 | - | 0.4/4.2 |
| 5-April Tuesday | 9:00 | Spain | Industrial Output (nsa/wda) (y) | Feb | 1.0/1.1 | -1.2 | -0.7/-0.5 |
| | 10:00 | Euro Zone | PMI Services | Mar | 53.0 | 53.0 | 53.0 |
| | 23:00 | US | ABC Consumer Confidence | 4-Apr | -13 | - | -17 |
| 6-April Wednesday | 12:00 | Germany | Factory Orders (m/y) | Feb | -3.5/4.7r | 0.3/4.0 | -2.6/1.3 |
| | 13:00 | US | MBA Mortgage Applications | 2-Apr | 2.4 | - | -4.4 |
| 7-April Thursday | 12:00 | Germany | Industrial Production (m/y) | Feb | 2.8/3.8r | -1.1/2.7 | -2.2/1.7 |
| | 13:45 | Euro Zone | ECB announces Interest Rate Decision | Apr | 2.0 | 2.0 | 2.00 |
| | 14:30 | US | Initial Jobless Claims | 3-Apr | 353kr | 330k | 334k |
| | 14:30 | US | Continuing Claims | 27-Mar | 2,598kr | 2,625k | 2,688k |
| | 16:00 | US | Wholesale Inventories | Feb | 1.0r | 0.7 | 0.6 |
| | 21:00 | US | Consumer Credit (US\$ bn) | Feb | 11.6r | 7.5 | 5.6 |
| 8-April Friday | 8:00 | Germany | Current Account (€ bn) | Feb | 6.8r | 6.9 | 8.4 |
| | 8:00 | Germany | Trade Balance (€ bn) | Feb | 13.3r | 12.8 | 13.5 |
| | 8:00 | Germany | Imports (m) | Feb | 5.7r | -1.6 | -3.7 |
| | 8:00 | Germany | Exports (m) | Feb | 5.8 | -0.7 | -2.8 |
| | 12:00 | Euro Zone | Euro Zone OECD Leading Indicators | Feb | 105.8 | 105.5 | 105.7 |

Macro Data to Be Published This Week

| Day | Time* | Country | Indicator/Event | Period | Reference Data | Forecast |
|-----------------------|-------|-----------|--|--------|----------------|-----------|
| During the week | - | Germany | Producer Prices (m/y) | Mar | 0.4/4.2 | 0.5/4.1 |
| 11-April Monday | 8:45 | France | Industrial Production (m/y) | Feb | 0.2/2.9 | 0.1 / 2.1 |
| | 8:45 | France | Manufacturing Production (m/y) | Feb | 0.5/4.0 | 0.0 / 2.8 |
| 12-April Tuesday | 8:45 | France | Trade Balance (€ mn) | Feb | -9.31 | - |
| | 14:30 | US | Trade Balance (US\$ bn) | Feb | -58.3 | -58.5 |
| | 20:00 | US | Minutes of March 22 FOMC Meeting | 22-Mar | - | - |
| | 20:00 | US | Monthly Budget Statement (US\$ bn) | Mar | -72.7 | -70.5 |
| | 23:00 | US | ABC Consumer Confidence | 10-Apr | -17 | - |
| 13-April Wednesday | 8:45 | France | CPI (m/y) | Mar | 0.5/1.6 | 0.5/1.8 |
| | 9:00 | Spain | CPI (m/y) | Mar | 0.3/3.3 | 0.8/3.4 |
| | 9:00 | Spain | CPI Core Index (m/y) | Mar | 0.2/2.8 | 0.6/2.8 |
| | 10:00 | Italy | Industrial Production (m/y) (sa/wda) | Feb | 0.1/-1.5 | - |
| | 13:00 | US | MBA Mortgage Applications | 8-Apr | -4.4 | - |
| | 14:30 | US | Advance Retail Sales | Mar | 0.4r | 0.8 |
| | 14:30 | US | Retail Sales Less Autos | Mar | 0.4 | 0.6 |
| 14-April Thursday | 10:00 | Italy | CPI (NIC incl tobacco) (m/y) | Mar | 0.3/1.9 | - |
| | 10:00 | Euro Zone | ECB to release April Monthly Bulletin | Apr | - | - |
| | 11:00 | Euro Zone | GDP (q/y) | 4Q | 0.2/1.9 | 0.2/1.6 |
| | 11:00 | Euro Zone | EC publishes 1Q05 and 2Q05 GDP Forecasts | - | - | - |
| | 14:30 | US | Initial Jobless Claims | 9-Apr | 334k | - |
| | 14:30 | US | Continuing Claims | 2-Apr | 2,688k | - |
| | 14:30 | US | Business Inventories | Feb | 0.9 | 0.6 |
| 15-April Friday | - | Spain | Current Account (€) | Mar | -5,710.4 | - |
| | 10:00 | Italy | Trade Balance (Total/Europe) | Feb | -1,982/-23mn | - |
| | - | Italy | Current Account (€) | Feb | -4,350.0 | - |
| | 11:00 | Euro Zone | Labour Cost (y) | 4Q | 2.2 | 2.2 |
| | 14:30 | US | Empire Manufacturing | Apr | 19.6 | 19.0 |
| | 14:30 | US | Import Price Index (m/y) | Mar | 0.8/6.1 | 1.2/- |
| | 15:00 | US | Net Foreign Security Purchases (US\$ bn) | Feb | 91.5 | 18.7 |
| | 15:15 | US | Industrial Production | Mar | 0.3 | 0.3 |
| | 15:15 | US | Capacity Utilization | Mar | 79.4 | 79.6 |
| | 15:15 | US | Univ. of Michigan Confidence Indicator | Apr | 92.6 | 92.0 |

(m) % MoM; (y) % YoY; (q) % QoQ; (a) annualised; (I) Index; (k) thousands; (mn) millions; (bn) billions; (r) revised; (E) estimate; (F) final; (P) preliminary; (sa) seasonally-adjusted; (nsa) non-seasonally adjusted; (wda) working day adjusted; (1) first release; (2) second release; (*) CET.

Source: Bank of Spain, Ministry of Economy, Datastream, Bloomberg, Reuters and Santander Central Hispano Bolsa estimates and forecasts.

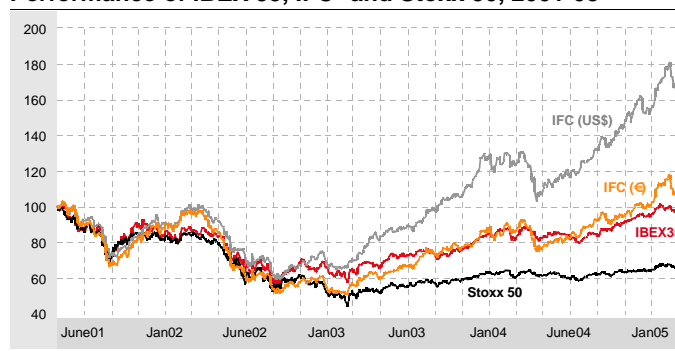


STRATEGIST CORNER

Latam was the focus in the past; Europe is the future

Spanish companies' international diversification efforts have concentrated on Latin America in the past 15 years, so 25% of their revenues and earnings are now generated in the region. According to our estimates, 20% of the Spanish equity market's value is locked into Latam. However, Spanish companies have shown willing to dilute the weighting of this investment by focusing on other more mature markets in Europe: Spanish banks' expansion in the UK and Italy, Endesa's bid for Edison in Italy, Ebro Puleva's acquisition of the French Panzani and Telefónica's expansion into Eastern Europe (acquiring Cesky Telecom) are good examples.

Performance of IBEX 35, IFC* and Stoxx 50, 2001-05



(*) IFC: performance in US dollars and euros.
Source: Bloomberg and Santander Central Hispano Bolsa.

Spain's outperformance driven by domestic factors and Latam

As shown in the table below, the IBEX35 has outperformed the European equity market since 2002 thanks to the Spanish economy's good momentum and the recovery in Latam (partially offset by the weakness of the US dollar).

Performance of IBEX35, IFC* and Stoxx 50, 2002-YTD

| | IBEX35 | DJ Stoxx 50 | IFC (US\$) | IFC (€) | US\$/€ |
|----------|--------|-------------|------------|---------|--------|
| 2002 | -28.1 | -35.1 | -23.1 | -35.1 | -15.6 |
| 2003 | 28.2 | 10.5 | 70.1 | 41.5 | -16.8 |
| 2004 | 17.4 | 4.3 | 35.3 | 25.0 | -7.6 |
| YTD 2005 | 3.6 | 5.0 | 1.5 | 7.9 | 6.3 |

(*) IFC: performance in US dollars and euros.
Source: Bloomberg and Santander Central Hispano Bolsa.

Domestic factors losing steam

In the table below we show how the equity market has priced in the four main drivers of Spain's performance in the past four years. As mentioned above, the US dollar's weakness has been the only factor acting against the Spanish equity market, whereas the Spanish economy's strength has been fully priced in (a contribution of nearly 30% in the past three years). As we have pointed out in the past few months, the domestic factor is losing steam, although the three other factors should continue to help the Spanish market in the months ahead.

Contributors to Performance of IBEX35, 2002-YTD

| | Europe | Latam (US\$) | US\$/€ | Spain |
|----------|--------|--------------|--------|-------|
| 2002 | -28.0 | -4.6 | -2.4 | 7.0 |
| 2003 | 8.4 | 14.0 | -5.7 | 11.5 |
| 2004 | 3.4 | 7.1 | -2.1 | 8.9 |
| YTD 2005 | 4.0 | 0.3 | 1.3 | -2.0 |

Source: Bloomberg and Santander Central Hispano Bolsa

Latam: negative impact in short term . . .

The weakness in Latam has had a very negative impact on the Spanish equity market in the past month. The increase in Latam's risk premium stems mainly from inflation concerns affecting the interest rate cycle, worries that the Fed could raise interest rates again, some political turbulence (in Mexico, Bolivia, Argentina and Brazil) and lower commodity prices.

IBEX35 – Exposure to Latam in Revenues, EBITDA and Value, 2004

| | Revenues (%) | | | | | EBITDA (%) | | | | | % Value in Latam |
|--------------------|--------------|------------|------------|------------|-------------|------------|------------|------------|------------|-------------|------------------|
| | Argentina | Brazil | Mexico | Other | Latam | Argentina | Brazil | Mexico | Other | Latam | |
| Telefónica | 3.9 | 17.6 | 2.4 | 10.8 | 34.7 | 3.8 | 17.2 | -1.1 | 13.2 | 29.3 | 25.0 |
| Grupo Santander | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| BBVA | 0.0 | 0.0 | 27.7 | 12.8 | 40.5 | 0.0 | 0.0 | 30.4 | 11.3 | 41.7 | 35.0 |
| Repsol YPF | 23.7 | 0.0 | 0.0 | 14.2 | 37.9 | 45.8 | 0.0 | 0.0 | 16.5 | 62.3 | 42.3 |
| Iberdrola | 0.0 | 6.8 | 6.4 | 0.0 | 13.2 | 0.0 | 6.0 | 5.7 | 0.0 | 11.7 | 10.5 |
| Endesa | 3.2 | 5.5 | 0.0 | 14.2 | 22.9 | 4.6 | 7.9 | 0.0 | 20.4 | 32.9 | 15.7 |
| Banco Popular | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Abertis | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Altadis | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Inditex | 0.4 | 0.9 | 2.4 | 1.3 | 4.9 | 0.4 | 0.9 | 2.4 | 1.3 | 4.9 | 3.0 |
| Unión Fenosa | 0.0 | 0.0 | 7.9 | 22.4 | 30.3 | 0.0 | 0.0 | 8.3 | 23.8 | 32.1 | 22.9 |
| ACS | 2.0 | 2.0 | 2.0 | 2.0 | 8.0 | 1.5 | 1.5 | 1.5 | 1.5 | 6.0 | 4.0 |
| Arcelor | 5.0 | 22.0 | 0.0 | 0.0 | 27.0 | 7.0 | 28.0 | 0.0 | 0.0 | 35.0 | 25.0 |
| Gas Natural | 3.0 | 6.0 | 5.0 | 8.0 | 22.0 | 2.7 | 5.5 | 4.8 | 8.4 | 21.4 | 15.7 |
| Banco Sabadell | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Ferrovial | 0.0 | 0.0 | 0.0 | 2.0 | 2.0 | 0.0 | 0.0 | 0.0 | 2.5 | 2.5 | 1.5 |
| Amadeus | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Telefónica Móviles | 3.0 | 12.6 | 6.1 | 8.5 | 30.2 | 0.5 | 11.4 | -0.3 | 1.0 | 12.6 | 25.4 |
| Sogecable | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Acciona | 0.0 | 0.0 | 0.0 | 1.0 | 1.0 | 0.0 | 0.0 | 0.0 | 0.5 | 0.5 | 0.5 |
| Acerinox | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| FCC | 0.0 | 0.0 | 0.0 | 5.0 | 5.0 | 0.0 | 0.0 | 0.0 | 3.0 | 3.0 | 2.0 |
| Bankinter | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Metrovacesa | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Sacyr-Vallehermoso | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Telecinco | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Iberia | 0.0 | 0.0 | 0.0 | 10.0 | 10.0 | 0.0 | 0.0 | 0.0 | 10.0 | 10.0 | 10.0 |
| Corp. Mapfre | 3.7 | 5.9 | 5.7 | 14.2 | 29.5 | 1.1 | 1.8 | 1.7 | 10.5 | 15.0 | 25.0 |
| Enagás | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| TPI | 0.0 | 5.0 | 0.0 | 20.0 | 25.0 | 0.0 | -5.0 | 0.0 | 20.0 | 15.0 | 20.0 |
| Grupo Prisa | 2.0 | 3.0 | 10.0 | 5.0 | 20.0 | 2.0 | 3.0 | 10.0 | 5.0 | 20.0 | 15.0 |
| Indra | 1.0 | 1.0 | 1.0 | 2.0 | 5.0 | 0.5 | 0.5 | 0.5 | 1.5 | 3.0 | 2.0 |
| Gamesa | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Banesto | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| NH Hoteles | 0.0 | 0.0 | 2.0 | 3.0 | 5.0 | 0.0 | 0.0 | 1.0 | 2.0 | 3.0 | 3.0 |
| IBEX35 | 2.8 | 7.1 | 6.1 | 8.7 | 24.7 | 4.4 | 7.0 | 5.7 | 8.4 | 24.8 | 20.2 |

Source: Company reports and Santander Central Hispano Bolsa estimates.

. . . but positive in the medium term

Latin America's weakness is basically responsible for the underperformance of the IBEX35 over the past month. Our Latam team believes that the four factors behind the region's poor performance should be considered as temporary and that soon the market will focus on the region's true fundamentals, based on growth and attractive valuations compared with other emerging markets (mainly Asia and Eastern Europe).



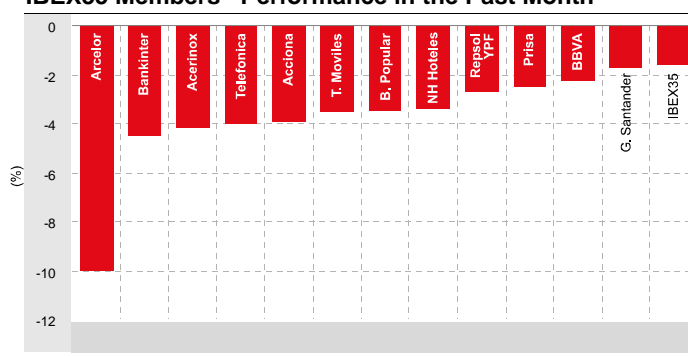
Latam – Main Market Multiples, 2005F-06F

| | P/BV (x) | P/E (x) | | EV/EBITDA (x) | | CAGR (%) | |
|-----------|----------|---------|-------|---------------|-------|------------|--------|
| | | 2005F | 2006F | 2005F | 2006F | Net Profit | EBITDA |
| Argentina | 1.8 | 10.1 | 10.7 | 5.7 | 5.6 | 30 | 14 |
| Brazil | 1.9 | 7.8 | 7.9 | 4.7 | 4.5 | 22 | 18 |
| Chile | 2.0 | 18.6 | 16.6 | 11.2 | 10.5 | 20 | 9 |
| Colombia | 1.8 | 14.3 | 12.5 | 9.7 | 8.8 | 36 | 6 |
| Mexico | 2.3 | 14.0 | 13.3 | 6.2 | 5.6 | 17 | 12 |
| Peru | 2.6 | 12.8 | 11.7 | 5.9 | 5.5 | 42 | 12 |
| Venezuela | 1.1 | 11.5 | 8.5 | 2.2 | 2.0 | 136 | 8 |
| LATAM | 2.0 | 10.3 | 10.1 | 5.8 | 5.5 | 21 | 15 |

Source: Santander Investment Securities estimates and forecasts.

Among the companies that have substantially underperformed the IBEX35 in the past month, we highlight that some – eg, Arcelor, Telefónica, Telefónica Móviles, Repsol YPF, Prisa and BBVA – could bounce back in the short term on the back of a Latam rebound.

IBEX35 Members –Performance in the Past Month



Source: Bloomberg

HOT SPOTS

- We reiterate our positive stance on **Enagás** (Buy, TP €14.50) following the government's official comments on the revision of the national energy plan. Under the new plan, the main priority will be the Medgaz project (already included in our valuation of Enagás and accounting for 7%-8% of our SOTP valuation). Moreover, the revision of the infrastructure plan that runs through 2011 could bring additional investment possibilities for Enagás. A subsequent revision (scheduled for 2006) of the new investment plan running through 2016 could bring even further positive surprises for the company. Enagás remains our favourite energy infrastructure play in the Iberian Peninsula.
- **Sonae SGPS** (Buy, TP €1.50) remains one of our key recommendations in the Portuguese market. After a company visit last week, we were able to confirm the strong trading conditions and restructuring under way at Sonae Indústria ahead of its spin-off, which should be a major step towards the elimination of Sonae SGPS's current holding company discount (15%).
- A reduction in financial expenses at **Sogecable** (Buy, TP €42.00) in 2005F and 2006F should have a positive impact of 6%-10% on earnings. The company has announced its intention to repay a shareholder loan (with a financial cost of 11%) through a capital increase targeted mainly at its main current shareholders. This, together with a 50bp reduction in the spread paid on its current debt and a potential further reduction of 90bp in 2006 should help the company reduce its financial expenses significantly. On the other hand, the expected granting of a free-to-air TV licence to the company should maintain its strong momentum in the months ahead.
- **Telefónica** (Buy, TP €15.30) has finally agreed to buy Cesky Telecom for €5.1bn. The multiples paid (5.2x EV/EBITDA and 6.6x EV/Op FCF) seem reasonable, and the acquisition should help the company to continue expanding its franchise in mobile telephony. Although the deal will be neutral in financial terms, the company's international diversification (reducing the weight of Latam) and good deployment of its excess cash lend strategic sense to the transaction.
- We maintain a negative view on **Abertis** (U/W, TP €18.20) after revisiting its investment case following the acquisition of TBI airports. Buying pressure from ACS and La Caixa has helped substantially reduce the company's IRR (8.2% now vs 9.5% for the sector), and once the pressure stops, investors will probably focus on fundamentals again. In this sector, we prefer **Cintra** (Buy, TP €10.00), a growth story within the sector.

Main Revisions in Recommendations and Target Prices

| Date | Company | Rating | | Target Price | | % | 2005F EPS | | % | Comments |
|--------|-----------------|--------|------|--------------|-------|-------|-----------|------|-------|--|
| | | New | Old | New | Old | | Chg | New | | |
| 5-Apr | Ferrovial | Buy | Buy | 56.70 | 49.90 | 13.6 | 2.72 | 2.69 | 1.1 | Fine-tuning after 2004 results. Airports |
| 1-Apr | Abertis | UW | UW | 18.20 | 15.40 | 18.2 | 1.08 | 0.84 | 28.4 | Incorporating TBI airports |
| 23-Mar | Sonaecom | Buy | Buy | 4.95 | 4.85 | 2.1 | 0.11 | 0.10 | 10.0 | Acquisition of small stake in Optimus |
| 21-Mar | Jazztel | UW | U/R | 0.75 | UR | - | -0.15 | UR | - | Reinstating negative recommendation |
| 16-Mar | B.Popular | Buy | Buy | 60.00 | 60.00 | - | 3.90 | 4.10 | -5.0 | Adjustment following capital increase |
| 14-Mar | Acciona | Buy | Hold | 82.00 | 79.00 | 3.8 | 4.24 | 4.17 | 1.7 | Fine-tuning after 2004 results |
| 14-Mar | Barón de Ley | U/W | Buy | 34.40 | 38.40 | -10.4 | 2.29 | 2.58 | -11.2 | Higher competition to dent profitability |
| 14-Mar | C. Portland | Buy | U/W | 67.40 | 50.00 | 34.8 | 4.55 | 5.08 | -10.4 | Eliminating 30% discount on valuation |
| 14-Mar | Metrovacesa | U/W | U/W | 39.50 | 34.50 | 14.5 | 3.79 | 3.46 | 9.5 | New NAV impacting valuation |
| 14-Mar | Miquel y Costas | U/W | Buy | 37.00 | 36.30 | 1.9 | 2.27 | 4.12 | -45.0 | Weak 2004 results |

Note: UW = Underweight; N/R = Not rated.

Source: Santander Central Hispano Bolsa estimates and forecasts.



IBERIAN RECOMMENDED LIST

Iberian Large Caps – Santander Central Hispano Bolsa Recommended List

| Companies | Date of Inclusion | Price (€) | | Market Performance (%) | | | | | | |
|---------------------------------------|-------------------|---------------|---------------|------------------------|---------------------------|--------------------|-----------|-----------|-----------|------------|
| | | Current | 31-Dec-04 | Absolute | Rel to Iberian Large Caps | Relative to IBEX35 | -1M | -3M | -6M | YTD |
| Sogecable | 30-Sep-04 | 30.60 | 32.66 | -6.3 | -8.9 | -9.7 | 0.3 | -9.2 | -5.5 | -7.4 |
| BCP | 25-Jan-05 | 2.11 | 1.88 | 12.2 | 9.6 | 8.8 | -2.3 | 3.4 | 18.5 | 11.6 |
| Ferrovial | 16-May-03 | 45.10 | 39.32 | 14.7 | 12.1 | 11.3 | 2.0 | 11.3 | 22.4 | 15.2 |
| Iberdrola | 25-Jan-05 | 20.78 | 18.70 | 11.1 | 8.5 | 7.7 | 4.6 | 12.8 | 22.0 | 11.6 |
| Repsol | 17-Jul-03 | 21.05 | 19.16 | 9.9 | 7.3 | 6.4 | -1.6 | 10.3 | 17.0 | 8.7 |
| Inditex | 04-Mar-05 | 23.40 | 21.70 | 7.8 | 5.2 | 4.4 | -0.3 | 11.3 | 15.9 | 7.6 |
| SCH Large Caps Model Portfolio | – | 106.70 | 100.00 | 6.7 | 4.1 | 3.3 | NA | NA | NA | 6.7 |
| Iberian Large Caps | – | 102.59 | 100.00 | 2.6 | 0.0 | -0.8 | NA | NA | NA | 2.6 |
| IBEX35 | – | 9,392.40 | 9,080.80 | 3.4 | 0.8 | 0.0 | -0.7 | 4.1 | 13.1 | 3.6 |
| PSI20 | – | 7,797.91 | 7,571.85 | 3.0 | 0.4 | -0.4 | -1.7 | 0.1 | 4.7 | 2.6 |
| DJ Stoxx 50 | – | 2,906.85 | 2,774.77 | 4.8 | 2.2 | 1.3 | 0 | 3.4 | 6.5 | 5.0 |

Source: Santander Central Hispano Bolsa estimates and forecasts.

Iberian Small & Mid Caps – Santander Central Hispano Bolsa Recommended List

| Companies | Date of Inclusion | Price (€) | | Market Performance (%) | | | | | | |
|---|-------------------|---------------|---------------|------------------------|---------------------|--------------------|-----------|-----------|-----------|-------------|
| | | Current | 31-Dec-04 | Absolute | Rel to Iberian SMCs | Relative to IBEX35 | -1M | -3M | -6M | YTD |
| Ebro Puleva | 30-Dec-04 | 13.29 | 10.50 | 26.6 | 15.7 | 23.1 | -0.4 | 22.5 | 41.6 | 26.2 |
| Sol Meliá | 16-Feb-05 | 9.07 | 7.30 | 24.2 | 13.4 | 20.8 | 3.4 | 20.9 | 35.7 | 24.5 |
| Prisa | 30-Dec-04 | 15.57 | 15.62 | -0.3 | -11.2 | -3.8 | -2.6 | 0.6 | 1.2 | -0.4 |
| Cortefiel | 16-Feb-05 | 14.18 | 11.64 | 21.8 | 11.0 | 18.4 | 4.7 | 26.5 | 43.4 | 23.2 |
| Indra | 30-Dec-04 | 14.12 | 12.57 | 12.3 | 1.5 | 8.9 | 5.5 | 12.8 | 29.0 | 12.2 |
| Prosegur | 08-Mar-05 | 17.32 | 14.48 | 19.6 | 8.8 | 16.2 | 10.1 | 21.4 | 31.4 | 20.5 |
| SCH Small & Mid Caps Model Portfolio | – | 113.49 | 100.00 | 13.5 | 2.6 | 10.1 | NA | NA | NA | 13.5 |
| Iberian SMCs | – | 110.85 | 100.00 | 10.9 | 0.0 | 7.4 | NA | NA | NA | 10.9 |
| IBEX35 | – | 9,392.40 | 9,080.80 | 3.4 | -7.4 | 0.0 | -0.7 | 4.1 | 13.1 | 3.6 |
| PSI20 | – | 7,797.91 | 7,571.85 | 3.0 | -7.9 | -0.4 | -1.7 | 0.1 | 4.7 | 2.6 |
| DJ Stoxx SML 200 | – | 139.93 | 129.16 | 8.3 | -2.5 | 4.9 | 0.8 | 7.1 | 16.7 | 8.8 |

Source: Santander Central Hispano Bolsa estimates and forecasts.

ANALYST CERTIFICATION: We, Jesús Gómez and Antonio Espasa, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject companies and their securities. We also certify that we have not been promised compensation, either directly or indirectly, for expressing the recommendations in this report.

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Key to Investment Codes¹

| | |
|--------------------|--------------------------|
| 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.

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