

IBEX35

Bye-Bye NH Hoteles; Hello Cintra

Jesús Gómez
(34) 91-289-3315
jegomez@gruposantander.com

Raúl Alcocer
(34) 91-289-3343
joralcocer@servexternos.gruposantander.com

Potential Changes in the IBEX35

Entry Candidates	Volume Traded ¹ (€mn)	Potential Weighting (%)
Cintra	1,675.3	0.71
REE	1,345.7	0.71
Antena 3	960.9	0.58

Exit Candidates	Volume Traded ¹ (€mn)	Current Weighting (%)
NH Hoteles	594.1	0.34
Banesto	607.5	0.45
Prisa	773.4	0.56

(1) Adjusted trading volumes from December 1, 2004 to April 30, 2005.
Source: Sociedad de Bolsas and Santander Investment Bolsa.

Adjusted Monthly Volumes of Entry Candidates, Dec 2004-April 2005

(€mn)	Dec-04	Jan-04	Feb-05	Mar-05	Apr-05	Total (5M)
Cintra	228.6	464.4	299.5	301.1	381.7	1,675.3
REE	385.8	144.1	364.5	276.2	175.1	1,345.7
Antena 3	129.6	207.6	246.8	195.8	181.2	960.9

Source: Sociedad de Bolsas and Santander Investment Bolsa

Adjusted Monthly Volumes of Exit Candidates, Dec 2004-April 2005

°	Dec-04	Jan-04	Feb-05	Mar-05	Apr-05	Total (5M)
NH Hoteles	88.8	124.3	107.8	135.0	138.3	594.1
Banesto	78.9	152.5	123.6	104.6	147.9	607.5
Prisa	88.0	130.8	233.2	129.1	192.3	773.4

(1) Adjusted trading volumes from December 1, 2004 to April 30, 2005.
Source: Sociedad de Bolsas and Santander Investment Bolsa

On June 8, the IBEX committee is to meet to announce the IBEX35 changes based on the clean trading volumes from December 2004 to May 2005. After five months, Cintra looks the strongest entry candidate (it ranks 19th by accumulated trading volume since December 1). Cintra would have an index weighting of 0.71% and its inclusion would trigger tracker fund purchases equivalent to around four days' trading volume.

REE (which ranks 26th by accumulated trading volume) is the other main entry candidate after its exclusion in the last revision (two of the last three revisions have seen the re-inclusion of former members). It would weigh also 0.71% of the IBEX35 and would drive demand equivalent to three days' trading volume.

Jazztel ranks seventh by trading volume, but would fall short of the 0.30% minimum average IBEX weighting (just 0.26%). However, Jazztel should be a clear candidate for the next revision in December 2005 (it would only need to average €1.11/share from June to December) assuming that it maintains the current high trading volumes.

Another key issue is Amadeus. The final bid for Amadeus was submitted on April 8, but CNMV approval and the acceptance period will probably take until late June (after the IBEX committee meeting). So, the IBEX committee might decide to: (1) make just one change (removing NH Hoteles and including Cintra) and wait for the conclusion of the takeover bid for Amadeus (which would be excluded automatically if acceptance exceeds 80%, as its weighting would fall below 0.30%) before including REE; or (2) make two changes in June, bringing Cintra and REE in to replace NH Hoteles and Banesto, and waiting for the Amadeus deal to be finalised before replacing it with Antena 3. We believe that the first option is more likely in order to give stability to the index.

MAKING MONEY BY PLAYING CHANGES IN THE IBEX35

As shown in the table below, successfully identifying the changes in the IBEX35 even just a month ahead of the reviews would have made (assuming long positions in the entry candidates and short positions in the exit candidates, and equal weightings in all the positions) an average absolute return of 2.4% (2.2% higher than on the IBEX35 itself). Looking at our research on the last ten ordinary reviews in the past five years, following this strategy would have yielded a negative absolute return on only three occasions.

Moreover, for long-only investors, a portfolio of stocks joining the IBEX35 would have yielded an absolute return of 6.1% and been positive in six of the ten revisions (note that there were no changes in the IBEX35 components in the December 2001 review).

Figure 1. IBEX 35 – Index Reviews and Performance 2M Prior to Change in Composition

	IN	IN	OUT	OUT	IBEX35	Changes
13-Dec-2004 -1M	SacyrVallehermoso -7.6	Telecinco -0.4	REE 5.1	Zeltia -5.3	4.0	-1.9
8-Jun-2004 -1M	B. Sabadell -2.3		SacyrVallehermoso -5.9		1.0	1.8
11-Dec-2003 -1M	Banesto 3.0	Prisa 13.4	Dragados 3.2	Terra -5.0	3.3	4.6
11-Jun-2003 -1M	Mapfre 0.9		Prisa 27.9		6.3	-13.5
9-Dec-2002 -1M	Metrovacesa 9.3	Vallehermoso 21.7	Alba -2.1	Sol Melia 0.0	3.6	8.3
11-Jun-2002 -1M	Iberia 2.6		TelePizza 3.4		-4.3	-0.4
11-Dec-2001 -1M						
12-Jun-2001 -1M	Inditex (*) 28.2		Picking Pack -11.6		-2.5	19.9
12-Dec-2000 -1M	T. Moviles (*) 0.8	Picking Pack -13.1	Agbar 2.2	Vallehermoso 3.8	-2.3	-4.6
7-Jun-2000 -1M	REE 14.4	Zeltia 9.2	Aumar 4.4	Mapfre -11.9	-7.5	7.8

(*) Note that there were no changes in the IBEX35 components in the December 2001 revision.
Source: Sociedad de Bolsas, Bloombergs and Santander Investment Bolsa.

IBEX35 REVISION ON JUNE 8

On the cover page we looked at the implications of the likely changes in the IBEX35 this time round. If both NH Hoteles and Banesto were excluded from the index, the negative impact in terms of selling pressure by tracker funds would be equivalent to four and six days' trading, respectively.

Another possible change might derive from the reduction in TPI's free float factor (FFF) from 80% to 60% as a result of retiring treasury stock (2% of the share capital), thus lowering its IBEX35 weighting to 0.41% from 0.55%. The corresponding selling pressure from tracker funds could reach the equivalent of one day's trading. However, we do not rule out the possibility of Telefónica placing a small stake (above 2%) in the market to avoid TPI's FFF being reduced.

Gas Natural's recent placement of Enagás shares might prompt an increase in its FFF from 80% to 100%, thus increasing its weighting in the IBEX35 from 0.68% to 0.85%, equivalent to one day's trading volume.



Figure 2. Ranking by Total Adjusted Volume, December 2004-April 2005 (€mn)

Rank	Code	Company	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	Total (6M)	Total (5M)	
1	TEF	Telefónica	10.233,8	8.110,0	8.910,1	9.130,4	8.852,6	9.864,4	55.101,4	44.867,6	IBEX
2	SAN	Grupo Santander	10.011,4	4.704,8	6.622,5	8.383,1	6.842,8	8.391,2	44.955,8	34.944,4	IBEX
3	BBVA	BBVA	5.502,4	3.681,0	5.290,4	5.125,2	5.586,0	5.380,2	30.565,1	25.062,6	IBEX
4	REP	Repsol YPF	2.904,8	2.650,9	3.089,2	3.308,7	3.203,0	2.983,0	18.139,5	15.234,7	IBEX
5	ELE	Endesa	2.103,7	1.630,5	1.872,8	2.869,4	2.590,0	2.248,5	13.314,8	11.211,2	IBEX
6	IBE	Iberdrola	1.364,7	1.332,4	1.333,1	1.797,2	1.725,3	1.792,4	9.345,2	7.980,4	IBEX
7	JAZ	Jazztel	1.286,8	483,6	189,4	1.288,6	2.283,1	3.018,6	8.550,1	7.263,3	
8	ALT	Altadis	839,6	998,7	964,7	969,8	1.368,7	1.344,2	6.485,6	5.646,0	IBEX
9	POP	Banco Popular	856,6	593,2	912,2	991,6	1.252,2	1.002,6	5.608,4	4.751,8	IBEX
10	ITX	Inditex	640,5	569,7	618,9	678,5	644,8	992,0	4.144,4	3.503,8	IBEX
11	SGC	Sogecable	502,3	260,0	565,9	926,0	372,4	514,3	3.140,8	2.638,5	IBEX
12	UNF	Unión Fenosa	426,2	395,7	407,6	491,0	715,7	594,5	3.030,5	2.604,4	IBEX
13	AMS	Amadeus	438,8	715,0	826,4	390,0	289,0	277,1	2.936,2	2.497,4	IBEX
14	ACS	ACS	371,0	367,6	556,7	656,1	478,2	372,7	2.802,2	2.431,2	IBEX
15	ACX	Acerinox	279,0	352,3	374,8	645,9	405,4	406,4	2.463,8	2.184,8	IBEX
16	TL5	Telecinco	333,3	347,2	485,8	456,9	324,0	364,7	2.311,8	1.978,5	IBEX
17	TEM	Telefónica Móviles	295,0	402,6	538,5	409,7	297,2	318,7	2.261,8	1.966,8	IBEX
18	LOR	Arcelor	297,2	287,8	358,0	390,0	378,5	521,7	2.233,3	1.936,1	IBEX
19	CIN	Cintra	418,5	228,6	464,4	299,5	301,1	381,7	2.093,8	1.675,3	
20	IBLA	Iberia	377,9	291,1	283,8	313,7	414,9	300,6	1.982,0	1.604,1	IBEX
21	GAS	Gas Natural	341,0	242,0	311,2	330,2	341,3	366,0	1.931,6	1.590,6	IBEX
22	GAM	Gamesa	563,1	413,6	398,2	325,6	262,0	178,1	2.140,7	1.577,6	IBEX
23	ENG	Enagás	163,1	282,4	294,5	365,8	276,5	249,5	1.631,9	1.468,8	IBEX
24	ABE	Abertis	306,7	195,5	251,8	343,4	319,8	320,5	1.737,6	1.431,0	IBEX
25	FER	Ferrovial	379,0	208,7	308,6	293,1	330,1	274,8	1.794,2	1.415,3	IBEX
26	REE	REE	125,9	385,8	144,1	364,5	276,2	175,1	1.471,6	1.345,7	
27	SAB	Banco Sabadell	244,5	137,2	345,3	288,2	217,0	298,3	1.530,3	1.285,9	IBEX
28	MVC	Metrovacesa	155,3	162,3	228,5	214,6	369,1	291,2	1.421,0	1.265,7	IBEX
29	IDR	Indra	194,8	162,4	222,7	220,3	198,7	301,7	1.300,6	1.105,8	IBEX
30	FCC	FCC	106,2	182,7	230,5	243,2	189,1	229,0	1.180,8	1.074,5	IBEX
31	SYV	Sacyr Vallehermoso	251,6	259,3	196,9	269,0	124,1	173,1	1.274,0	1.022,4	IBEX
32	ANA	Acciona	179,9	191,4	186,7	218,4	177,6	210,6	1.164,4	984,5	IBEX
33	A3TV	Antena 3	122,0	129,6	207,6	246,8	195,8	181,2	1.082,8	960,9	
34	TPI	TPI	127,7	161,7	125,7	251,2	173,0	173,7	1.013,0	885,3	IBEX
35	MAP	Corp. Mapfre	153,1	118,6	163,7	257,2	165,8	166,7	1.025,0	871,9	IBEX
36	ZEL	Zeltia	86,8	99,2	83,2	280,1	200,2	162,6	912,0	825,2	
37	FAD	Fadesa	101,8	122,7	158,2	165,9	173,9	162,4	884,9	783,2	
38	BKT	Bankinter	141,0	108,7	121,4	131,9	238,8	173,4	915,2	774,2	IBEX
39	PRS	Prisa	119,1	88,0	130,8	233,2	129,1	192,3	892,5	773,4	IBEX
40	EVA	Ebro Puleva	48,5	97,4	105,3	183,7	165,4	214,1	814,4	765,8	
41	ECR	Ercros	8,8	126,1	87,3	114,6	63,8	342,9	743,6	734,8	
42	BTO	Banesto	207,2	78,9	152,5	123,6	104,6	147,9	814,7	607,5	IBEX
43	NHH	NH Hoteles	87,1	88,8	124,3	107,8	135,0	138,3	681,2	594,1	IBEX
44	ALD	Aldeasa	25,2	104,4	221,7	91,1	115,6	14,3	572,3	547,1	
45	AVZ	Avanzit	16,3	16,9	80,3	153,4	106,5	70,7	443,9	427,7	
46	SPS	Service Point Sol.	46,4	21,4	29,5	100,5	57,0	172,1	426,9	380,5	
47	TRR	Terra	18,8	36,6	40,7	178,6	42,1	19,8	336,6	317,8	
48	AGS	Aguas Barcelona	45,7	71,6	70,4	60,3	59,2	52,5	359,7	314,0	
49	LOG	Logista	28,5	83,5	50,3	59,2	67,8	33,4	322,7	294,2	

Source: Sociedad de Bolsas and Santander Investment Bolsa

Figure 3. IBEX 35 – Ranking by Total Adjusted Volume and Average Market Cap Weighting, Dec 2004-April 2005

Rank	Code	Company	Total Volume ¹ (€mn)	Free Float Adjust (%)	Adj Avg Mkt Cap ¹		IBEX35	Comments
					Total (€mn)	Weight (%)		
1	TEF	Telefónica	44,868	100.0	67,987.4	19.27	IBEX	
2	SAN	Grupo Santander	34,944	100.0	57,908.7	16.41	IBEX	
3	BBVA	BBVA	25,063	100.0	43,227.1	12.25	IBEX	
4	REP	Repsol YPF	15,235	100.0	24,157.5	6.85	IBEX	
5	ELE	Endesa	11,211	100.0	18,134.1	5.14	IBEX	
6	IBE	Iberdrola	7,980	100.0	17,505.3	4.96	IBEX	
7	JAZ	Jazztel	7,263	100.0	917.5	0.26		Below minimum entry level (0.30%)
8	ALT	Altadis	5,646	100.0	9,216.5	2.61	IBEX	
9	POP	Banco Popular	4,752	100.0	12,089.6	3.43	IBEX	
10	ITX	Inditex	3,504	60.0	8,414.1	2.38	IBEX	
11	SGC	Sogecable	2,639	80.0	3,116.8	0.88	IBEX	
12	UNF	Unión Fenosa	2,604	100.0	6,490.2	1.84	IBEX	
13	AMS	Amadeus	2,497	100.0	4,254.8	1.21	IBEX	Pending end of TOB acceptance period
14	ACS	ACS	2,431	100.0	6,533.3	1.85	IBEX	
15	ACX	Acerinox	2,185	100.0	3,191.8	0.90	IBEX	
16	TL5	Telecinco	1,979	60.0	2,456.9	0.70	IBEX	
17	TEM	Telefónica Móviles	1,967	10.0	4,080.9	1.16	IBEX	
18	LOR	Arcelor	1,936	60.0	6,629.9	1.88	IBEX	
19	CIN	Cintra	1,675	60.0	2,485.0	0.70		Entry candidate
20	IBLA	Iberia	1,604	100.0	2,413.6	0.68	IBEX	
21	GAS	Gas Natural	1,591	60.0	6,003.7	1.70	IBEX	
22	GAM	Gamesa	1,578	80.0	2,023.7	0.57	IBEX	
23	ENG	Enagás	1,469	80.0	2,281.6	0.65	IBEX	FFF to be adjusted from 80% to 100%
24	ABE	Abertis	1,431	100.0	8,827.9	2.50	IBEX	
25	FER	Ferrovial	1,415	80.0	4,845.4	1.37	IBEX	
26	REE	REE	1,346	100.0	2,406.3	0.68		Entry candidate
27	SAB	Banco Sabadell	1,286	100.0	5,723.1	1.62	IBEX	
28	MVC	Metrovacesa	1,266	100.0	2,753.2	0.78	IBEX	
29	IDR	Indra	1,106	100.0	2,007.8	0.57	IBEX	
30	FCC	FCC	1,075	60.0	2,943.0	0.83	IBEX	
31	SYV	Sacyr Vallehermoso	1,022	80.0	2,744.0	0.78	IBEX	
32	ANA	Acciona	985	80.0	3,417.8	0.97	IBEX	
33	A3TV	Antena 3	961	60.0	1,961.9	0.56		Entry candidate
34	TPI	TPI	885	80.0	1,498.6	0.55	IBEX	FFF to be adjusted to 60% after buyback
35	MAP	Corp. Mapfre	872	80.0	2,182.9	0.62	IBEX	
36	ZEL	Zeltia	825	100.0	1,217.7	0.35		
37	FAD	Fadesa	783	80.0	1,461.6	0.41		
38	BKT	Bankinter	774	100.0	3,036.5	0.86	IBEX	
39	PRS	Prisa	773	60.0	2,028.2	0.57	IBEX	Exit candidate
40	EVA	Ebro Puleva	766	100.0	1,853.1	0.53		
41	ECR	Ercros	735	100.0	250.28	0.50		
42	BTO	Banesto	608	20.0	1,571.2	0.45	IBEX	Exit candidate
43	NHH	NH Hoteles	594	100.0	152.0	0.04	IBEX	Exit candidate
44	ALD	Aldeasa	547	10.0	70.7	0.02		
45	AVZ	Avanzit	428	100.0	50.1	0.01		
46	SPS	Service Point Sol.	380	100.0	74.6	0.02		
47	TRR	Terra	318	40.0	739.3	0.21		
48	AGS	Aguas Barcelona	314	80.0	1,828.7	0.52		
49	LOG	Logista	294	60.0	1,092.7	0.31		
50	TPZ	Telepizza	293	100.0	373.8	0.11		

(1) From December 1, 2004 to April 30, 2005.

Note: Companies in boxes are candidates to enter the index, while those shaded in grey are candidates for removal.

Source: Sociedad de Bolsas (adjusted trading volumes for December 2004-April 2005) and Santander Investment Bolsa.

Local Offices

Madrid

Tel: 34-91-257-2309
Fax: 34-91-257-1811

Lisbon

Tel: 351-21-389-3400
Fax: 351-21-387-9133

London

Tel: 44-207-332-6900
Fax: 44-207-332-6909

New York

Tel: 212-692-2550
Fax: 212-407-4540

Bogotá

Tel: 571-644-8006
Fax: 571-592-0638

Buenos Aires

Tel: 54114-341-1052
Fax: 54114-341-1226

Caracas

Tel: 582-401-4306
Fax: 582-401-4219

Lima

Tel: 511-215-8100
Fax: 511-215-8185

Mexico City

Tel: 5255-5629-5040
Fax: 5255-5629-5846

Santiago

Tel: 562-336-3300
Fax: 562-697-3869

São Paulo

Tel: 5511-5538-8226
Fax: 5511-5538-8407

Tokyo

Tel: 813-3211-0356
Fax: 813-3211-0362

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.

This report has been prepared by Santander Investment Bolsa, Sociedad de Valores, S.A. ("Santander Investment Bolsa") and is provided for information purposes only. This document must not be considered as an offer to sell or a solicitation of an offer to buy. Any decision by the recipient to buy should be based on publicly available information on the related security and, where appropriate, should take into account the content of the related prospectus filed with the CNMV (Spanish National Securities Market Commission) and available from the CNMV, the company governing the related market (Sociedad Rectora de la Bolsa) and the company issuing the security. This report is issued in the United States by Santander Investment Securities, Inc. ("SIS"), in Spain by Santander Investment Bolsa and in the United Kingdom by Banco Santander Central Hispano, S.A., London Branch ("SCH London"), which is regulated by the Financial Services Authority in the conduct of its investment business in the UK. SIS, Santander Investment Bolsa and SCH London are members of Grupo Santander. This report is not being issued to private customers.

The information contained herein has been compiled from sources believed to be reliable, but while all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, we make no representation that it is accurate or complete and it should not be relied upon as such. All opinions and estimates included herein constitute our judgement as at the date of this report and are subject to change without notice. From time to time, Grupo Santander, its affiliates and/or any of its officers or directors may have a position, or otherwise be interested in, transactions in securities which are directly or indirectly the subject of this report.

Grupo Santander, or its affiliates, may from time to time perform services for or solicit business from any company mentioned in this report. Grupo Santander, its affiliates or any other person do not accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose.

Any US recipient of this report (other than a registered broker-dealer or a bank acting in a broker-dealer capacity) that would like to effect any transaction in any security discussed herein should contact and place orders in the United States with the company distributing the research, SIS at (212) 692-2550, which, without in any way limiting the foregoing, accepts responsibility (solely for purposes of and within the meaning of Rule 15a-6 under the US Securities Exchange Act of 1934) under this report and its dissemination in the United States. US recipients of this report should be advised that this research has been produced by a non-member affiliate of SIS and, therefore, by rule, not all disclosures required under NASD Rule 2711 apply.

© Santander Investment Bolsa, Sociedad de Valores, S.A., 2005. All Rights Reserved.

