

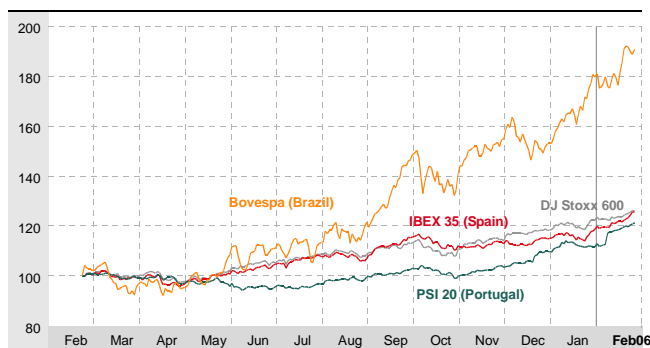
THE IBERIAN STRATEGY OBSERVER

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World Indices – Market Performance



Source: JCF.

Asset Class Monitor

	Closing				
	24-Feb	-1W	-1M	QTD	YTD
DJ Stoxx 600	324.3	0.6	2.5	4.4	4.4
S&P 500	1,263.8	-0.6	-2.0	1.2	1.2
10Y Euro bond yield	3.48	-0.8	5.2	4.5	4.5
10Y US bond yield	4.54	0.1	2.4	3.1	3.1
3M Euro interest rates	2.58	0.9	3.7	3.9	3.9
3M US interest rates	4.51	0.9	5.3	10.7	10.7
€/US\$	1.20	-0.5	-0.8	1.0	1.0
Brent crude oil (US\$)	60.5	-3.6	-2.7	2.9	2.9
CRB (US\$)	344.2	1.5	6.8	2.1	-1.2

Source: Bloomberg and JCF.

SI Bolsa Universe Valuation

	P/E		EV/EBITDA		3Y CAGR		GDY P/BV	
	05E	06E	05E	06E	EPS	EBITDA	06E	06E
CAC40	17.7	15.2	7.9	7.6	12.1	15.4	2.6	2.5
DAX30	17.7	15.6	7.0	6.8	13.1	9.3	2.9	2.5
MIB30	17.6	15.3	6.7	6.4	14.2	7.0	4.1	2.4
PSI20	17.3	15.6	9.2	9.1	12.8	5.6	3.4	2.5
IBEX35	17.9	17.3	8.7	8.4	12.3	7.0	3.3	3.5
DJ Stoxx 600	18.0	15.3	8.3	7.9	11.6	14.0	3.0	3.4
DJ Stoxx 50	14.7	13.6	8.5	7.9	12.9	12.5	3.4	2.9
DJ Euro Stoxx 50	16.4	14.8	7.8	7.5	11.9	10.3	3.3	2.7
Ib Cap Goods	12.7	15.1	5.8	6.5	-24.2	-24.7	2.3	2.1
Ib Construction	22.1	19.4	11.1	10.1	15.4	11.8	1.6	3.3
Ib Cons Goods	23.2	20.3	10.6	9.6	-0.7	-3.3	2.8	4.5
Ib Cons Serv	14.9	16.8	11.3	11.2	6.5	9.1	2.1	2.5
Ib Financials	15.7	13.3	NA	NA	22.2	NA	3.4	2.4
Ib Oil & Gas	12.7	11.9	6.4	6.4	3.6	-1.8	2.4	2.2
Ib TMTs	30.8	24.6	11.7	10.4	-13.0	-22.4	1.8	6.3
Ib Utilities	22.4	19.4	10.4	9.4	-5.8	-2.3	2.9	4.8

Source: Bloomberg and JCF.

Strategy Highlights

- Savings banks (*cajas*) account for nearly 50% of Spain's financial system and are formidable competitors for the Spanish banks.
- We value the 18 largest *cajas* at €57bn, with La Caixa leading the pack.
- Mergers of S&Ls in Spain might create regional champions with the financial muscle to keep growing.

Hot Spots

- **Aguas de Barcelona**, a cheap utility with growth and M&A appeal.
- Best ways to play biofuels in Spain: **Abengoa** and **Ebro Puelva**.
- **Acerinox** offers good value to play the improving fundamentals of the stainless steel market
- We held our media day in Madrid, reaffirming our bullish stance on the sector. Our favourites are **A3TV** and **Prisa**.

Relative Market Performance

	Closing				
	24-Feb	-1W	-1M	QTD	YTD
CAC40	5,040.4	1.4	6.2	6.9	6.9
DAX30	5,857.9	1.2	9.8	8.3	8.3
MIB30	37,812.0	1.9	5.8	6.9	6.9
PSI20	9,516.8	1.2	8.8	10.4	10.4
IBEX35	11,739.0	2.5	10.1	9.4	9.4
DJ Stoxx 600	330.5	1.3	6.3	6.6	6.6
DJ Stoxx 50	3,506.3	0.9	5.4	4.7	4.7
DJ Euro Stoxx 50	3,813.3	1.5	7.9	6.5	6.5
Ib Cap Goods	NA	0.4	20.9	23.3	23.3
Ib Construction	NA	2.4	13.3	16.8	16.8
Ib Cons Goods	NA	0.9	6.6	5.1	5.1
Ib Cons Serv	NA	0.4	8.5	11.1	11.1
Ib Financials	NA	2.2	11.6	11.4	11.4
Ib Oil & Gas	NA	0.3	0.9	1.7	1.7
Ib TMTs	NA	-1.0	7.0	5.5	5.5
Ib Utilities	NA	8.8	16.9	18.2	18.2

Source: Bloomberg and JCF.

SECTOR STRATEGY AT A GLANCE

Iberia – Sector Strategy at a Glance

Sector	Index Weighting	SI Bolsa Stance		Comments	Preferred Stocks
		Tactical	Strategic		
Banks	27.4%	↑	↑	Recent signs of a soft landing for the real estate sector could prompt a de-rating of the smaller Spanish banks, which have benefited from rumours on takeovers in the last few years. Diversification in blue chips and valuations in line with the rest of the European sector should help the larger banks.	BBVA, 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 and Arcelor) already include a potential strong recovery in prices and volumes. We would rather play pulp & paper (ENCE) and industrial companies through a restructuring story (Uralita).	ENCE, Uralita
Construction	4.0%	↑	↑	The buoyant construction cycle in Spain seems to be never-ending, in stark contrast to Portugal, where companies are being hit by restrictions in civil works. Diversification into the services and concessions areas should provide stability in the long run. M&A activity is likely to continue to offer some excitement in the sector.	Ferrovial, ACS
Consumer Goods	6.2%	↑	↑	Domestic consumption in Spain has been the main growth driver in recent years, but we see signs for concern. We prefer defensive players with turnaround stories (Ebro Puleva) to stocks with regulatory risks (Altadis).	Inditex, Ebro Puleva, Viscofán
Financial Services	0.9%	↓	↓	Southern European insurers' cautious management teams offer a degree of protection in a sector penalised by the equity markets' sharp falls in the past, but these companies should underperform the sector in an environment of healthier equity markets. The current low discount to SOTP valuations leaves limited upside for 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 for being 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 Meliá, NH Hoteles
TMTs	28.8%	↑	↑	Telecoms show worrying dynamics due to fiercer competition in both mobile and fixed telephony and technological change. Moreover, comparable valuations of US players still show some downside risk. We would switch from FTA TV players to newspapers in the short run.	Prisa, Sogecable
Utilities	10.4%	↓	↓	In an environment of regulatory change, utilities tend to underperform. M&A moves have helped sustain the sector, but concentration should be limited going forward and the sector should tend to quote in line with its deteriorating fundamentals.	

Source: Santander Investment Bolsa estimates.

THE IBERIAN MACRO OBSERVER

Portugal, Tentative Signs of Stabilisation

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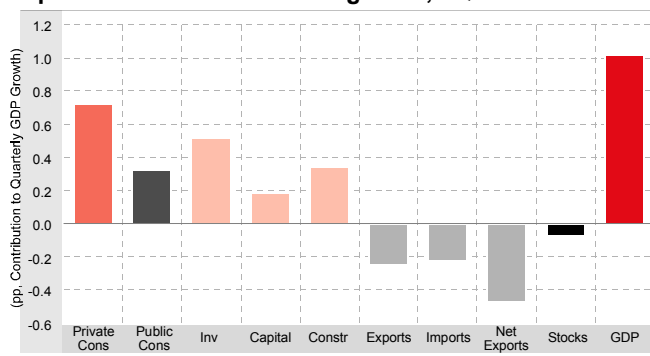
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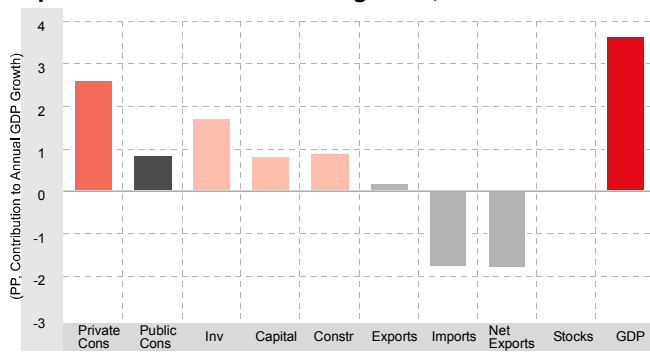
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Spain– Contribution to GDP growth, 4Q05



Source: Datastream and Santander Investment Bolsa.

Spain – Contribution to GDP growth, FY05



Source: Datastream and Santander Investment Bolsa.

Things to Watch during the Week

In the US:

- (1) 4Q05 GDP growth to be revised up, possibly above 1.5%
- (2) Consumer confidence could decline slightly
- (3) New and existing home sales could fall slightly in January
- (4) ISM manufacturing index expected to go up in February
- (5) ISM non manufacturing index should rise

In the Euro Zone:

- (1) Consumer Confidence expected to improve in France
- (2) EC confidence indices should rise again in February
- (3) February Euro zone CPI should show inflation at 2.0% YoY
- (4) Manufacturing PMI to go up in February
- (5) Services PMI should also improve in February

- The Spanish economy grew by 3.4% in 2005, after posting an increase of 0.9% QoQ (3.5% YoY) in 4Q05. These numbers are fully in line with the flash estimate published by the Bank of Spain last week. In general terms, the external sector made a less negative contribution to GDP growth (-1.5pp in 4Q05 versus -1.8pp in 3Q05), while the growth in internal demand was slightly less robust (5.0pp in 4Q05 versus 5.3pp in 3Q05).

- **The Week in the Euro zone:** German economic growth did not fall into negative territory thanks to inventory rebuilding, while the French economy showed strong internal demand but a weak external sector. At the same time leading business confidence indicators jumped again in February in practically all large countries. The EC maintained its forecast for 2006 Euro zone GDP growth of 1.9%. It said that, despite risks like energy prices, the economy is accelerating and confirmed the continuation of the good momentum seen since summer 2005.

- **The Week in the US:** January CPI rose 0.7% MoM, with the core index going up 0.2%. The increase was driven by energy prices, which rose 5.0% MoM. January leading indicators jumped more than expected (1.1% versus an expectation of 0.6%), pointing to an acceleration in economy growth in the short run. We expect a sharp rebound in GDP growth in 1Q06E.

- In this week's edition of *Macro Corner* we include an analysis of the Portuguese economy courtesy of our economists based in Lisbon: Rui Constantino and Paulo Xavier. They highlight that the Portuguese economy is showing tentative signs of stabilisation and should show better growth rates in 2006E than in 2005. Quite interesting news in light of the poor performance recently.

ECONOMIC CALENDAR

Macro Data Published Last Week

Day	Time	Country	Indicator/Event	Period	Reference Data	Forecast	Actual
MONDAY	8:00	Germany	Producer Prices (m/y)	Jan	0.3/5.2	0.4/4.8	1.2/5.6
	20-Feb	Italy	Industrial Orders (m/y)(sa/nsa)	Dec	2.1r/4.0	0.9/1.2	2.3/-1.1
	11:00	Italy	Industrial Sales (m/y) (sa/nsa)	Dec	1.7r/4.4	0.0/3.2	3.0/5.5
TUESDAY	8:40	France	GDP (q/y)	4QP	0.7/1.7r	0.2/1.3	0.2/1.2
	21-Feb	France	CPI (m/y)	Jan	0.1/1.5	-0.2/1.9	-0.1/2.0
	9:00	Spain	Services Sector Turnover (y)	Dec	7.6	-	6.5
	11:00	Euro Zone	Trade Balance (sa) (€ bn)	Dec	0.9r	0.1	-0.9
	16:00	US	Leading Indicators	Jan	0.3r	0.6	1.1
	20:00	US	Minutes of Jan 31FOMC Meeting	-	-	-	-
	23:00	US	ABC Consumer Confidence	Feb 20	-11	-	-13
WEDNESDAY	22-Feb	Germany	GDP (q/y)(sa/nsa)	4Q2	0.6/1.3	0.0/1.0	0.0/1.0
	8:45	France	Business Confidence Indicator	Feb	103	104	105
	8:45	France	Production Outlook Indicator	Feb	0r	2	-3
	8:50	France	Consumer Spending (m/y)	Jan	-0.5r/2.1r	0.8/1.5	0.9/2.5
	9:16	Spain	GDP (constant sa) (q/y)	4QF	0.9r/3.5	-	0.9/3.5
	9:30	Italy	Consumer Confidence Ind. (sa)	Feb	106.5r	106.7	110.0
	10:00	Euro Zone	Current Account (€bn)	Dec	-9.5r	-0.6	-5.3
	10:00	Italy	CIP (NIC incl.tobacco) (m/y)	JanF	0.0/2.0	0.2/2.2	0.2/2.2
	11:00	Euro Zone	Industrial New Orders (m/y)	Dec	5.3r/9.9r	-0.5/1.4	2.5/7.1
	13:00	US	MBA Mortgage Applications	Feb 17	-7.3	-	0.8
	14:30	US	CPI (m/y)	Jan	-0.1/3.4	0.5/3.9	0.7/4.0
	14:30	US	CPI Ex Food & Energy (m/y)	Jan	0.2/2.2	0.2/2.2	0.2/2.1
	THURSDAY	23-Feb	Germany	IFO-Business Climate	Feb	101.8r	101.5
10:00		Italy	Trade Balance Non-EU (€)(mn)	Jan	142.0r	-2,100	-3,586.0
10:00		Germany	IFO-Current Assessment	Feb	99.7r	100.1	101.9
10:00		Germany	IFO-Current Expectations	Feb	103.8r	103.2	104.8
11:00		Italy	Retail Sales (m/y)	Dec	0.0/1.7	0.2/1.3	0.2/2.4
14:30		US	Initial Jobless Claims	Feb 18	298kr	295k	278k
14:30		US	Continuing Claims	Feb 11	2,454kr	-	2,495k
16:00		US	Help Wanted Index	Jan	38r	40	37
FRIDAY	24-Feb	Germany	Import Price Index (m/y)	Jan	0.3/6.8	0.6/0.6	0.9/6.8
	-	Germany	CPI (m/y)	FebP	2.1/-0.5	0.4/2.0	0.4/2.1
	9:30	Italy	Business Confidence	Feb	92.7	93.0	92.3
	14:30	US	Durable Goods Orders	Jan	2.8r	-0.5	-10.2
	14:30	US	Durable Ex Transportation	Jan	1.9r	0.7	0.6

Macro Data to Be Published This Week

Day	Time*	Country	Indicator/Event	Period	Reference Data	Forecast
MONDAY	9:00	Spain	Producer Prices (m/y)	Jan	0.0/5.2	-
	27-Feb	Euro Zone	M3 (sa) (y/3m average)	Jan	7.3/4.6	7.3/7.4
	16:00	US	New Home Sales	Jan	1,269k	1270k
TUESDAY	28-Feb	France	Consumer Confidence Indicator	Feb	-27	-26
	8:45	France	Unemployment Rate / Change	Jan	9.5/-23k	9.5/-15k
	8:45	France	Housing Starts/Permits 3M (y) (change)	Jan	20.8/8.3	-
	8:50	France	Producer Prices (m/y)	Jan	-0.1/3.1	0.5/3.3
	9:00	Spain	Hotel Price Index (y)	Jan	0.8	-
	9:55	Germany	Unemployment Rate / Change	Feb	11.3/69k	11.3/-20k
	10:00	Italy	PPI (m/y)	Jan	0.3/4.1	0.5/4.0
	11:00	Euro Zone	CPI (m/y)	Jan	0.3/2.2	-0.4/2.4
	11:00	Euro Zone	Business Climate Indicator	Feb	0.34	0.40
	14:30	US	GDP Annualized	4QP	1.1	1.6
	14:30	US	GDP Price Index	4QP	3.0	3.0
	16:00	US	Chicago Purchasing Managers Index	Feb	58.5	58.2
	16:00	US	Consumer Confidence	Feb	106.3	104.0
16:00	US	Existing Home Sales	Jan	6.60	6.60	
WEDNESDAY	1-Mar	Euro Zone	PMI Manufacturing	Feb	53.5	54.0
	10:00	Italy	Annual GDP	Dec 31	1.2	0.1
	11:00	Euro Zone	Unemployment Rate	Jan	8.4	8.4
	11:00	Euro Zone	CPI Estimate (y)	Feb	2.4	2.3
	14:30	US	Personal Income / Spending	Jan	0.4/0.9	0.6/1.0
	14:30	US	PCE Core (m/y)	Jan	0.1/1.9	0.2/1.8
	16:00	US	Construction Spending (m)	Jan	1.0	1.2
	16:00	US	ISM Manufacturing	Feb	54.8	55.5
	16:00	US	ISM Prices Paid	Feb	65.0	64.0
	18:00	Italy	New Car Registrations (y)	Feb	10.7	-
-	US	Total / Domestic Vehicle Sales (mn)	Feb	17.6/14.1	16.5/13.3	
THURSDAY	2-Mar	Germany	Retail Sales (m/y)	Jan	-1.6/4.6	-
	10:00	Spain	ICO Consumer Confidence	Feb	-	1.0/-0.6
	11:00	Euro Zone	PPI (m/y)	Jan	0.2	-
	13:45	Euro Zone	ECB Announces Interest Rate Decision	Mar	2.25	0.8/4.8
	14:30	US	Initial Jobless Claims	Feb 25	-	2.50
	14:30	US	Continuing Claims	Feb 18	-	285k
FRIDAY	3-Mar	Spain	Unemployment (m) Net (000s)	Feb	68.6	-
	9:45	Euro zone	PMI Services	Feb	57.0	-
	9:45	Italy	Retail Sales (m/y)	Jan	0.1/0.8	57.2
	11:00	Euro Zone	CPI (m/y)	Feb P	-0.5/2.1	0.4/2.0
	11:00	Euro Zone	GDP (sa)(q/y)	4Q1	0.3/1.7	0.3/1.7
	15:45	US	Univ. of Michigan Confidence	Feb 4	87.4	87.5
16:00	US	ISM Non Manufacturing	Feb	56.8	58.0	

(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 Investment Bolsa estimates.



STRATEGIST CORNER: LAS CAJAS

WATCH OUT, HERE THEY COME!

In our recent report *Las Cajas: Watch out, Here They Come! Formidable Competitors, Powerhouses in the Making* published on February 23, we aimed to provide some colour on this sector. Spain's 47 savings banks are the most formidable competitors that commercial banks face. They represent approximately 50% of the banking industry in Spain, with strong market positions in banking to individuals, as reflected in their high market shares in mortgages, customer deposits and personal/consumer lending. More recently, they have begun to grow their lending to large and small businesses alike. Year after year, they erode the traditional banks' market shares and their strong competitive pressure is one of the main reasons behind the solid efficiency ratios achieved by the Spanish banking industry.

Our 'X-Factor' ratings show that seven of the top ten financial institutions in Spain, ranked according to six performance measures, are savings banks. Only BBVA, Popular and Bankinter make it into the top ten (Santander is excluded for compliance reasons). Caja del Mediterraneo (CAM), Caja Madrid, Unicaja and Bancaja are the top-ranked savings banks, in our view.

While we would rule out privatisation in the medium term, recent regulatory changes lead us to believe that some savings banks might either issue non-voting shares or consolidate. Non-voting shares would enable individual and institutional investors to take part in the growth potential of these financial institutions. Savings banks may feel compelled to issue them to sustain their growth plans, as core capital ratios have deteriorated over time due to strong growth in RWA and lower average ROEs.

We attribute an aggregate valuation of €57.3bn (approximately 7% of Spain's GDP) to Spain's main savings banks. Compared with a similar exercise in early 2003, our valuation has risen by 45% on a like-for-like basis. This implies a 13.3% CAGR in fundamental value.

La Caixa has become a formidable competitor. Its 5,000-strong branch network, significant capital funds (particularly in its industrial portfolio) and willingness to accept lower profitability in exchange for stronger growth should lead the Catalonian powerhouse to sustain its market share gains over the medium term. We believe that other institutions, such as Caja Madrid, Bancaja and CAM, among many others, have the potential to sustain their market share gains going forward, either on a stand-alone basis or as part of merged groups.

Consolidation among savings banks is more than a theoretical exercise. We identified four potential regional powerhouses that could emerge over the next 5-8 years. Although political considerations are still the main obstacle, the value of the merged entities could increase by somewhere between 30% and 50% relative to their value as stand-alone entities. In our view, a merger of the Basque savings banks has the greatest potential to create stakeholder value.

To overcome the key barriers to consolidation, the savings banks' stakeholders would have to acknowledge that the value of the sector for society would be enhanced by improved financial performance, which would, in principle, lead to the payment of higher social dividends. However, we believe that this will not be possible as long as demand for credit remains strong and the industry enjoys sound growth in earnings and social dividends. Alternative business models are not likely to be explored until the sustainability of growth in social dividends is called into question. This will probably not happen until the Spanish economy begins to slow down, particularly the real estate sector.

FORMIDABLE COMPETITORS, POWERHOUSES IN THE MAKING

- **We attribute a combined value of €57bn to Spain’s 18 most important savings banks (*cajas*).** To reach this valuation, we used three techniques: sustainable ROE, peer comparison and franchise value. La Caixa leads the pack as the country’s third-largest financial institution, with an estimated value of €16n.
- **A potential merger between savings banks could increase their value by 30%-50% versus the sum of the individual parts and create strong institutions that could increase the overall competition in the financial system.** We have merged (theoretically): Bancaja and CAM (dubbing it *Caja Naranja*); BBK, Kutxa and Vital (*Gure Kutxa*); Caixa Galicia and Caixanova (*A Nosa Caixa*); and La General, El Monte, Caja Jaén, Cajasur, San Fernando and Unicaja (*Caja del Sol*). These merged entities would rank among the top financial institutions in the country. *Caja Naranja* would have a value of €10.7bn (larger than Caja Madrid), while the combination of the three Basque savings banks could exceed the sum of their parts by a staggering 50%.
- **CAM (Caja de Ahorros del Mediterráneo) is the top-ranked financial entity in Spain under our ‘X-Factor’ ranking,** a quantitative ranking that weights and ranks banks and savings banks in terms of profitability, efficiency, productivity, potential for economies of scale, growth, and leverage potential. **Seven of Spain’s top ten institutions are *cajas*.** **Caja Madrid ranks second, while the first bank in the sample is BBVA** (Santander is excluded due to compliance reasons).
- **We analysed the sector in a context of increasing competition.** The strong growth seen recently in the banking sector has gradually stretched capital ratios, limiting competitiveness among certain savings banks. Some of them need to acquire critical mass to be able to transform themselves into providers of comprehensive financial services nationwide, which has accelerated merger talks among them in recent times.
- **We also analysed the likely issuance of non-voting shares (*cuotas participativas*) and the effects of Basle II on the *cajas*’ industrial portfolios.** Non-voting shares will probably be issued as an added source of capital to sustain future growth and be listed on secondary markets. The implementation of Basle II could dramatically increase capital consumption related to industrial portfolios, significantly affecting equity ownership in listed companies in the years to come. In La Caixa’s case, the book value of its industrial stakes is larger than its core capital and accounts for more than 50% of its profits.

Spanish Financial Institutions – Rankings

Valuation Ranking		Institution	Type	Hypothetical Combination	Average Valuation	X Factor Ranking		
with Merger	Stand-Alone					Rank	Institution	Total Points
1	1	Santander	Bank		69,548	1	CAM	71.2
2	2	BBVA	Bank		52,016	2	Cajamadrid	68.9
3	3	La Caixa	Caja		16,003	3	BBVA	68.2
4	4	B. Popular	Bank		12,252	4	Unicaja	66.5
5	–	Caja Naranja	New Caja	CAM + Bancaja	10,739	5	B. Popular	66.4
6	5	Caja Madrid	Caja		9,510	6	Bancaja	64.7
7	–	Caja del Sol	New Caja	Six Andalusian S&Ls	8,941	7	C. Galicia	64.0
8	6	Banesto	Bank		8,707	8	La Caixa	63.5
9	–	Gure Kutxa	New Caja	BBK + Kutxa + Vital	7,632	9	Bankinter	62.2
10	7	B. Sabadell	Bank		6,903	10	C. Catalunya	60.2
11	–	A Nosa Caixa	New Caja	Caixa Galicia + Caixanova	5,246			
–	8	Bancaja	Caja		4,091			
–	9	CAM	Caja		3,684			
12	10	Bankinter	Bank		3,613			

Listed banks average valuation = market cap. SAN and BTO are not included in the X-Factor rating.

Source: Santander Investment Bolsa estimates.



HOT SPOTS

- **Aguas de Barcelona** (Buy, €26.70) has focused on three main business lines in the last few years: health insurance, inspections & certifications and water concessions. 2005 has been paramount in divesting from non-core activities and keeping on growing in the core ones. Below sector average multiples, concentration on core activities, potential for further consensus earnings upgrades and the elimination of holding discount offer substantial upside in the coming months.
- After our Media Day, we maintain our Buy rating on **A3TV** (Buy, TP €21.50) and **TL5** (Buy, TP €23.00), although we would start switching from FTA stocks to **Prisa** (Buy, TP €17.50) and **Sogecable** (Buy, TP €42.00) following the delays in the advertising cut at RTVE. We expect A3TV to grow faster on easier comparables, but TL5 could partly offset its audience share losses with higher saturation. Dividends are likely to be higher this year (higher payout at TL5 and share buyback at A3TV. Sogecable pointed to a pick-up in net adds in 1Q06 and while Prisa is showing solid growth in its core units plus the turnaround of loss-making units.
- We re-initiated coverage of **Acerinox** (Buy, TP €15.52) with a positive stance despite the good recent share price performance (+5% YTD, +18% since the lows reached in November 2005) following a weak 2005. The stock has underperformed the market YTD. In our view, current market prices do not reflect the strong earnings recovery expected in 2006E-07E. The latest industry indicators suggest that we are at the bottom of the cycle in Europe. Our Buy recommendation is based on: (1) an expected correction in the supply/demand imbalance; (2) a faster-than-expected recovery in stainless steel prices; (3) more stable nickel prices; (4) the stock's 10-12% discount to its historical multiples, which we believe is unwarranted; and (5) our expectations that CF Alba (ACX's main shareholder) is likely to increase its stake following the €15mn it cash in on the sale of its stake in Carrefour. We believe this limits the downside risk.
- The EU is falling behind its own target of biofuels – biodiesel and bioethanol – accounting for 5.75% of total fuel consumption by 2010. Moreover, US President George Bush recently made a very bullish statement on the need for the US to increase bioethanol production to reduce its dependence on oil. At present, the EU only has sufficient production capacity (existing and forecast) to cover 58% of the total EU deficit by 2010. To reach the stated targets, we estimate that the EU needs to post capacity CAGRs of 22% in bioethanol and 20% in biodiesel in 2005E-10E. We estimate that this would require net adds equivalent to 40 plants (of 200mn litres each). In our view, the clearest ways to play this opportunity in the Spanish market are **Abengoa** (Buy, TP €22.50) and **Ebro Puleva** (Buy, TP €17.30) since 43% and 8% of their valuations comes from biofuels, respectively.

Main Revisions in Recommendations and Target Prices

Date	Company	Rating		Target Price		%	2006E EPS			%	Comments
		New	Old	New	Old		Chg	New	Old		
24-Feb	Acerinox	Buy	U/R	15.52	U/R	-	1.11	U/R	-		Improving fundamentals
22-Feb	Campofrio	Buy	N/R	17.10	N/R	-	0.61	N/R	-		Restructuring and non-organic growth
16-Feb	Aguas Barcelona	Buy	Hold	26.70	20.50	30.2	1.09	1.35	-19.3		Eliminating holding discount
15-Feb	Abengoa	Buy	Buy	22.50	16.00	40.6	0.85	0.99	-14.2		More aggressive Bioethanol valuation
15-Feb	Ebro Puleva	Buy	Buy	17.30	16.40	5.5	1.10	1.28	-14.3		Incorporating Bioethanol plans
14-Feb	Telefónica	Hold	Hold	14.15	14.00	1.1	1.07	0.99	8.1		Upcoming events
7-Feb	FCC	Buy	Hold	61.50	34.50	78.30	3.55	3.32	6.9		Change in SoP valuation method
7-Feb	Repsol YPF	Buy	Buy	26.20	28.50	-8.10	2.69	2.80	3.9		Write-down in reserves
1-Feb	Brisa	U/W	Hold	7.75	7.30	6.2	0.36	0.35	2.9		Poor traffic evolution

Note: U/W = Underweight; U/R = Under review; N/R = Not rated.

Source: Santander Investment Bolsa estimates.

IBERIAN RECOMMENDED LIST

Iberian Large Caps – Santander Investment Bolsa Recommended List

Companies	Date of Inclusion	Price (€)		Market Performance (%)						
		Current 24-Feb-06	30-Dec-05	Absolute	Rel to Iberian Large Caps	Relative to IBEX35	-1M	-3M	-6M	YTD
Sogecable	05-Jan-06	33.67	33.84	-0.5	-9.0	-8.5	0.4	0.1	-1.3	18.8
BBVA	05-Jan-06	17.13	15.48	10.7	2.2	2.7	3.9	5.7	13.8	27.0
Ferrovial	05-Jan-06	64.70	60.30	7.3	-1.2	-0.7	2.2	-0.2	7.8	3.7
Endesa	05-Jan-06	28.35	21.90	29.5	20.9	21.5	11.6	20.7	29.6	58.3
Repsol	05-Jan-06	23.77	25.71	-7.5	-16.0	-15.5	1.5	7.5	-8.2	2.9
Inditex	05-Jan-06	29.72	27.51	8.0	-0.5	0.0	1.4	6.7	19.2	38.6
SI Bolsa Large Caps Model Portfolio	–	107.90	100.00	7.9	-0.6	-0.1	NA	NA	NA	-100.0
Iberian Large Caps	–	108.50	100.00	8.5	0.0	0.5	NA	NA	NA	-100.0
IBEX35	–	11,786.90	10,913.60	8.0	-0.5	0.0	2.4	7.1	10.8	19.2
PSI 20	–	9,563.25	8,752.12	9.3	0.8	1.3	1.5	8.7	17.1	24.0
DJ Stoxx 50	–	3,514.49	3,406.98	3.2	-5.3	-4.8	1	2.2	6.2	14.4

Source: Santander Investment Bolsa.

Iberian Small & Mid Caps – Santander Investment Bolsa Recommended List

Companies	Date of Inclusion	Price (€)		Market Performance (%)						
		Current 24-Feb-06	30-Dec-05	Absolute	Rel to Iberian SMCs	Relative to IBEX35	-1M	-3M	-6M	YTD
Ebro Puleva	05-Jan-06	15.45	14.27	8.3	-1.6	0.3	-0.8	8.4	2.6	9.4
Sol Meliá	05-Jan-06	12.44	11.10	12.1	2.3	4.1	-1.4	8.2	15.8	13.1
Ence	05-Jan-06	29.97	27.33	9.7	-0.2	1.7	0.3	3.1	17.5	39.5
Uralita	05-Jan-06	4.22	3.63	16.3	6.4	8.3	-2.5	3.9	11.1	-4.5
Viscofán	05-Jan-06	11.30	10.20	10.8	1.0	2.8	3.3	14.8	17.3	40.6
Prosegur	05-Jan-06	21.51	20.07	7.2	-2.6	-0.8	2.1	-2.5	11.3	14.6
SI Bolsa Small & Mid Caps Model Portfolio	–	110.70	100.00	10.7	0.9	2.7	NA	NA	NA	-100.0
Iberian Small & Mid Caps	–	109.82	100.00	9.8	0.0	1.8	NA	NA	NA	-100.0
IBEX35	–	11,786.90	10,913.60	8.0	-1.8	0.0	2.4	7.1	10.8	19.2
PSI 20	–	9,563.25	8,752.12	9.3	-0.6	1.3	1.5	8.7	17.1	24.0
DJ Stoxx SML 200	–	183.08	168.22	8.8	-1.0	0.8	1.4	5.1	15.8	21.8

Source: Santander Investment Bolsa.

ANALYST CERTIFICATION: We, Jesús Gómez, Antonio Espasa and Juan Jose Fernández 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.

THE IBERIAN MACRO OBSERVER

Portugal: Tentative Signs of Stabilisation

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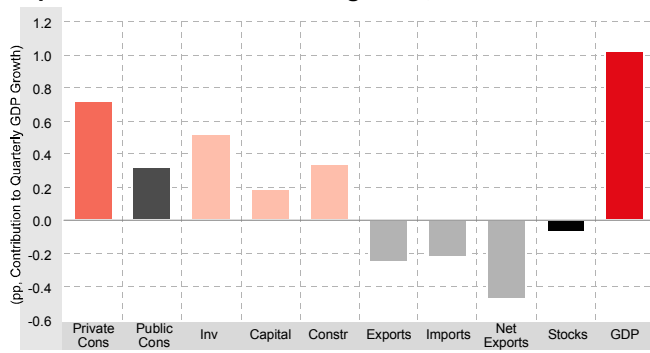
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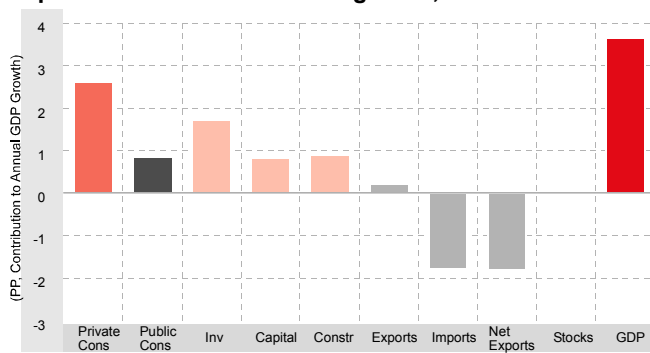
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Spain– Contribution to GDP growth, 4Q05



Source: Datastream and Santander Investment Bolsa.

Spain – Contribution to GDP growth, FY05



Source: Datastream and Santander Investment Bolsa.

Things to Watch during the Week

In the US:

- (1) 4Q05 GDP growth to be revised up, possibly above 1.5%
- (2) Consumer confidence could decline slightly
- (3) New and existing home sales could fall slightly in January
- (4) ISM manufacturing index expected to go up in February
- (5) ISM non manufacturing index should rise

In the Euro Zone:

- (1) Consumer Confidence expected to improve in France
- (2) EC confidence indices should rise again in February
- (3) February Euro zone CPI should show inflation at 2.0% YoY
- (4) Manufacturing PMI to go up in February
- (5) Services PMI should also improve in February

- The Spanish economy grew by 3.4% in 2005, after posting an increase of 0.9% QoQ (3.5% YoY) in 4Q05. These numbers are fully in line with the flash estimate published by the Bank of Spain last week. In general terms, the external sector made a less negative contribution to GDP growth (-1.5pp in 4Q05 versus -1.8pp in 3Q05), while the growth in internal demand was slightly less robust (5.0pp in 4Q05 versus 5.3pp in 3Q05).

- **The Week in the Euro zone:** German economic growth did not fall into negative territory thanks to inventory rebuilding, while the French economy showed strong internal demand but a weak external sector. At the same time leading business confidence indicators jumped again in February in practically all large countries. The EC maintained its forecast for 2006 Euro zone GDP growth of 1.9%. It said that, despite risks like energy prices, the economy is accelerating and confirmed the continuation of the good momentum seen since summer 2005.

- **The Week in the US:** January CPI rose 0.7% MoM, with the core index going up 0.2%. The increase was driven by energy prices, which rose 5.0% MoM. January leading indicators jumped more than expected (1.1% versus an expectation of 0.6%), pointing to an acceleration in economy growth in the short run. We expect a sharp rebound in GDP growth in 1Q06E.

- In this week's edition of *Macro Corner* we include an analysis of the Portuguese economy courtesy of our economists based in Lisbon: Rui Constantino and Paulo Xavier. They highlight that the Portuguese economy is showing tentative signs of stabilisation and should show better growth rates in 2006E than in 2005. Quite interesting news in light of the poor performance recently.



THE WEEK BEHIND

Macro Data Published Last Week

Day	Time	Country	Indicator/Event	Period	Reference Data	Forecast	Actual
MONDAY 20-Feb	8:00	Germany	Producer Prices (m/y)	Jan	0.3/5.2	0.4/4.8	1.2/5.6
	11:00	Italy	Industrial Orders (m/y)(sa/nsa)	Dec	2.1r/4.0	0.9/1.2	2.3/-1.1
	11:00	Italy	Industrial Sales (m/y) (sa/nsa)	Dec	1.7r/4.4	0.0/3.2	3.0/5.5
TUESDAY 21-Feb	8:40	France	GDP (q/y)	4QP	0.7/1.7r	0.2/1.3	0.2/1.2
	8:45	France	CPI (m/y)	Jan	0.1/1.5	-0.2/1.9	-0.1/2.0
	9:00	Spain	Services Sector Turnover (y)	Dec	7.6	-	6.5
	11:00	Euro Zone	Trade Balance (sa)(€ bn)	Dec	0.9r	0.1	-0.9
	16:00	US	Leading Indicators	Jan	0.3r	0.6	1.1
	20:00	US	Minutes of Jan 31FOMC Meeting	-	-	-	-
WEDNESDAY 22-Feb	8:00	Germany	GDP (q/y)(sa/nsa)	4Q2	0.6/1.3	0.0/1.0	0.0/1.0
	8:45	France	Business Confidence Indicator	Feb	103	104	105
	8:45	France	Production Outlook Indicator	Feb	0r	2	-3
	8:50	France	Consumer Spending (m/y)	Jan	-0.5r/2.1r	0.8/1.5	0.9/2.5
	9:16	Spain	GDP (constant sa) (q/y)	4QF	0.9r/3.5	-	0.9/3.5
	9:30	Italy	Consumer Confidence Ind. (sa)	Feb	106.5r	106.7	110.0
	10:00	Euro Zone	Current Account (€ bn)	Dec	-9.5r	-0.6	-5.3
	10:00	Italy	CIP (NIC incl.tobacco) (m/y)	JanF	0.0/2.0	0.2/2.2	0.2/2.2
	11:00	Euro Zone	Industrial New Orders (m/y)	Dec	5.3r/9.9r	-0.5/1.4	2.5/7.1
	13:00	US	MBA Mortgage Applications	Feb 17	-7.3	-	0.8
	14:30	US	CPI (m/y)	Jan	-0.1/3.4	0.5/3.9	0.7/4.0
	14:30	US	CPI Ex Food & Energy (m/y)	Jan	0.2/2.2	0.2/2.2	0.2/2.1
	THURSDAY 23-Feb	10:00	Germany	IFO-Business Climate	Feb	101.8r	101.5
10:00		Italy	Trade Balance Non-EU (€)(mn)	Jan	142.0r	-2,100	-3,586.0
10:00		Germany	IFO-Current Assessment	Feb	99.7r	100.1	101.9
10:00		Germany	IFO-Current Expectations	Feb	103.8r	103.2	104.8
11:00		Italy	Retail Sales (m/y)	Dec	0.0/1.7	0.2/1.3	0.2/2.4
14:30		US	Initial Jobless Claims	Feb 18	298kr	295k	278k
14:30		US	Continuing Claims	Feb 11	2,454kr	-	2,495k
16:00		US	Help Wanted Index	Jan	38r	40	37
FRIDAY 24-Feb	8:00	Germany	Import Price Index (m/y)	Jan	0.3/6.8	0.6/0.6	0.9/6.8
	-	Germany	CPI (m/y)	FebP	2.1/-0.5	0.4/2.0	0.4/2.1
	9:30	Italy	Business Confidence	Feb	92.7	93.0	92.3
	14:30	US	Durable Goods Orders	Jan	2.8r	-0.5	-10.2
	14:30	US	Durable Ex Transportation	Jan	1.9r	0.7	0.6

(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 Investment Bolsa estimates.

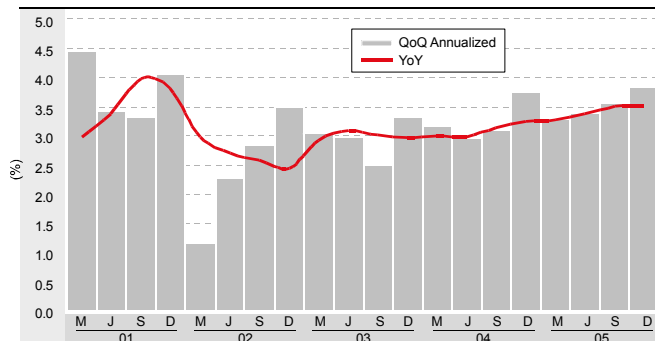
THE SPANISH ECONOMY GREW 3.4% IN 2005

The Spanish economy grew by 3.4% in 2005, after posting an increase of 0.9% QoQ (3.5% YoY) in 4Q05. These numbers are fully in line with the flash estimate published by the Bank of Spain last week. In general terms, the external sector made a less negative contribution to GDP growth (-1.5pp in 4Q05 versus -1.8pp in 3Q05), while the growth in internal demand was slightly less robust (5.0pp in 4Q05 versus 5.3pp in 3Q05).

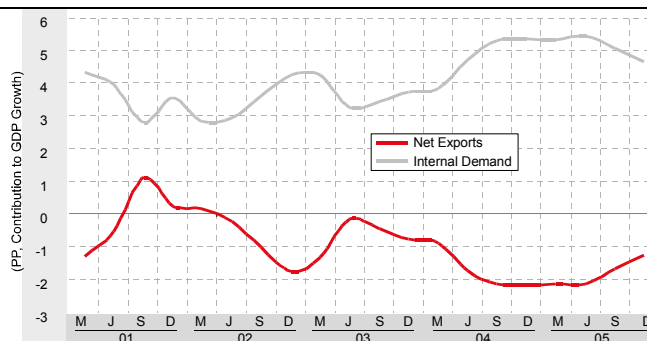
For 2005 as a whole, GDP grew by 3.4%, up from 3.1% in 2004, with internal demand up 5.3% in 2005 versus 4.9% in 2004, and the external sector trimming 1.9pp off growth in 2005, versus the negative contribution of 1.8pp in 2004.



Spain – GDP, 2001-05



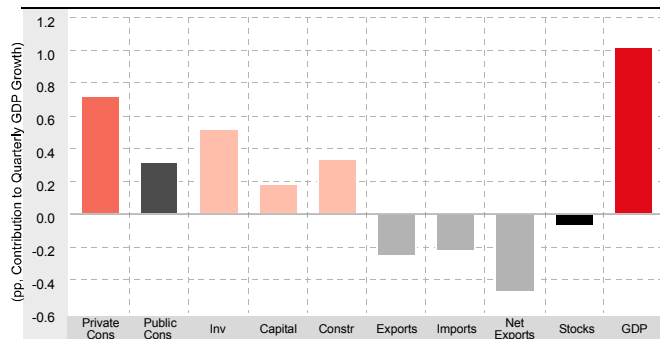
GDP Internal Demand vs External Sector, 2001-05



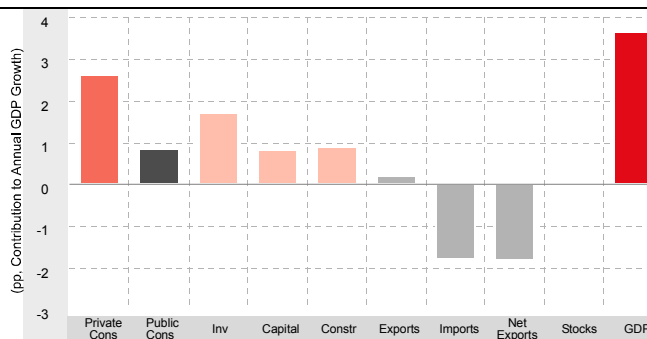
Source: Datastream and Santander Investment Bolsa.

In 4Q05, we saw an acceleration in private consumption (1.2% QoQ, 4.0% YoY), very strong growth in government consumption (1.7% QoQ, 4.6% YoY) and strong figures in the investment categories, with total investments up 2.1% QoQ and 6.8% YoY. In these categories, the investment in total capital goods decelerated to 1.9% QoQ from 3.5% in 3Q05, while construction investment jumped 2.3% QoQ in 4Q05 from -0.6% QoQ in the previous quarter. The external sector trimmed 0.5pp from the quarterly growth rate (-0.3pp in the previous quarter) due to the 1.2% QoQ decline in exports (+2.2% QoQ in 3Q05) and the 0.9% QoQ increase in imports (+3.3% QoQ in 3Q05) in 4Q05.

Spain– Contribution to GDP Growth, 4Q05



Contribution to GDP Growth, FY05



Source: Datastream and Santander Investment Bolsa.

In 2005, the main trends in the Spanish economy were:

- (1) Strong figures once again in private consumption, with the annual growth rate at 4.4%, which is exactly the same level as in 2004.
- (2) A deceleration in government consumption to 4.5% from 6.0% in 2004.
- (3) Very strong numbers in total investments (7.2% in 2005 from 4.9% in 2004), with a significant acceleration in capital goods investments (8.7% in 2005 from 3.8% in 2004) and practically the same investment levels in construction (6.0% in 2005 versus 5.5% in 2004).
- (4) Exports were quite weak, showing an increase of just 1.0% in 2005 versus +3.3% in 2004.
- (5) Despite some deceleration in the growth rate (7.1% in 2005 from 9.3% in 2004), imports still performed very strongly.

In 2006E, we are expecting GDP growth to slow to 2.8% versus the 3.4% posted for 2005. We believe that the main reasons for the deceleration should be private consumption, the construction sector and a negative contribution from the external sector (although this should be less marked than in 2005).

Spanish services sector turnover rose 6.6% in 2005

The National Statistics Office (INE) released the services sector turnover for 2005, showing a rise of 6.6%. At the same time, it said that employment in the sector climbed by 2.0% in 2005. Employment was up by 2.1% in transport, 1.5% in trading (retail) and 1.2% in tourism. The December growth rate of 6.5% YoY implies a slight deceleration from around 8.0% YoY in November, but was roughly in line with the annual average (6.6%).

Growth rates were still positive in the services sector in 2005. However, we expect a deceleration in 2006E, in line with lower GDP growth for the year. We are forecasting GDP growth of 2.8% in 2006E versus 3.4% in 2005.

2.7mn tourists visited Spain in January 2006, flat versus January 2005

According to the Ministry of Industry, Tourism and Commerce, 2.7mn tourists visited Spain in January, practically the same volume (-0.1% YoY) as in January 2005. The main destination was the Canary Islands, followed by Catalonia with Andalusia in third place. The UK was the main feeder market with 747k tourists (27.6% of the total), with Germany coming in second with 463k visitors (17.1% of the total). Of the total, 80.3% tourists came by plane and 62.9% stayed in a hotel. Around 63.0% of the tourists that visited Spain did not arrange package holidays.

Spain saw a record number of tourists last year. In our view, the tourist numbers for 2006E are unlikely to outstrip this record, as competition from other destinations is clearly increasing. However, we believe that Spain could sustain roughly the same level of visitors as in 2005.

Spanish inflation rose sharply in January

INE published the January CPI numbers. Prices rose 4.2% YoY in January from 3.7% YoY in the previous month. In monthly terms, prices went down 0.4%, after an increase of 0.2% in December 2005. The core index was flat at 2.9% YoY in January versus the December level. The core index posted a decline of 1.0% in monthly terms in January.

The rise in the YoY headline rate was due to the sub-indices related to energy. Regulated prices rose sharply in January for domestic gas and electricity (+2.2% MoM, 7.7% YoY). Transport prices (affected by both the increase in energy prices and tariffs) posted an increase of 1.5% MoM (7.9% YoY) in January. On the positive side, beverage and tobacco prices came down (-2.2% MoM, 2.7% YoY) and clothing and footwear fell sharply (-11.7% MoM, 1.1% YoY) as a result of the January sales season.

Although the numbers were negative, they were in line with expectations given the preliminary announcements of increases in regulated prices. Going forward, we believe there could be some moderation in the headline annual rate, based on lower energy prices and lower internal demand in the coming quarters. In any event, we think that CPI could rise above 3.0% in 2006E.

Current account deficit rose again in November 2005

On February 15, the Bank of Spain published the current account figures for November 2005. The CA deficit rose to €6,644.2mn from €4,951.3mn in November 2004. That is, in annual terms, the CA deficit rose 34.19%. The trade deficit widened 30.54% YoY (€6,500.2mn in November 2005 from €4,979.4mn in November 2004), as a result of an increase in imports of 12.2% YoY and exports of 5.7% YoY. The balance of services posted a slight increase in the surplus (1.68% YoY). The capital account registered a decline in the surplus to €350.2mn from €416.2mn in November 2004.

In the end, the borrowing/lending position of the Spanish economy deteriorated in November, with an increase in borrowing to €6,294.0mn from €4,535.1mn in the same month of 2004. On the other hand, the financial account registered net income from abroad of €1,159.7mn, better than the net outgoings of €7,529.7mn in the same month of 2004. In January-November 2005, the current account deficit rose to €60,754.1mn from €38,316.2mn in the same period of 2004 (up 58.6%).



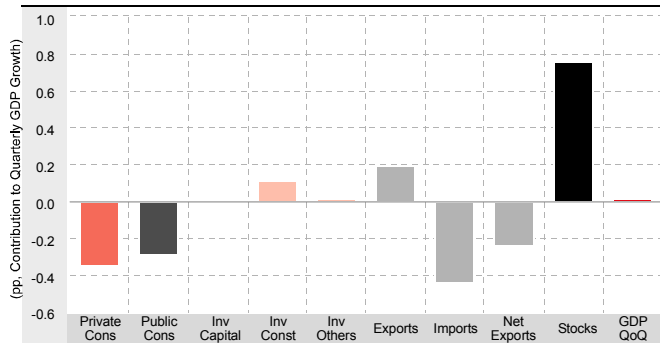
The deterioration of the CA deficit is continuing. We expect to close 2005 with the CA deficit at a record level in both absolute terms and as a percentage of GDP, which is already above 9.0%. We do not expect a significant improvement in 2006E, unless we see a marked deceleration in internal demand, which in turn should push imports lower.

The Week in the Euro zone: The German economy did not fall into negative territory thanks to inventories, while the French economy showed strong internal demand but a weak external sector. At the same time, leading business confidence indicators jumped again in February in practically all large countries. The EC held its 2006 forecast for GDP growth in the Euro zone at 1.9%. It said that, despite risks like energy prices, the economy is accelerating and it confirmed that the good momentum shown since summer 2005 is ongoing.

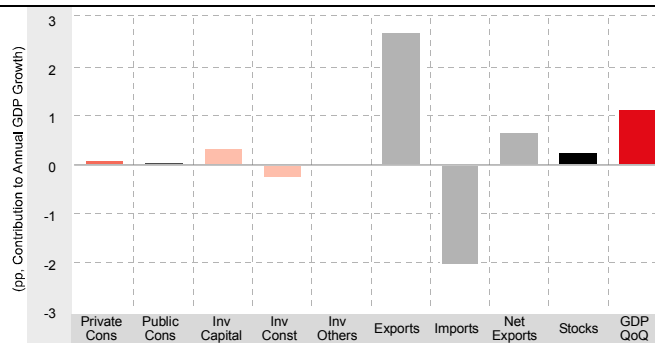
**German economy
+0.0% QoQ in
4Q05**

The German economy grew 0.0% QoQ in 4Q05, in line with the flash estimate released last week. The announcement of the breakdown did not provide us any significant surprises. The most important points were: (1) a significant decline in private consumption (-0.6% QoQ in 4Q05 from 0.3% QoQ in 3Q05), although, thanks to the upward revision of the previous quarter numbers, consumption grew 0.2% in 2005; (2) government consumption was very weak (-1.6% QoQ in 4Q05) in both the quarter and the whole year (0.1%); (3) total investments rose less than in the previous quarter (0.7% QoQ in 4Q05 from 1.8% QoQ in 3Q05). There was a deceleration in capital goods investment (0.1% QoQ in 4Q05 from 1.6% in 3Q05) and a significant increase (again) in construction investment (1.2% QoQ in 4Q05 from 2.2% QoQ in 4Q05); (4) the contribution of the external sector to GDP growth was negative (-0.2pp), as a result of an increase in exports of just 0.5% QoQ and an increase in imports of 1.1% QoQ; and (5) inventories made a very positive contribution to GDP growth (0.8pp). That is, without inventories GDP would have been clearly negative.

Germany – Contribution to GDP Growth, 4Q05



Contribution to GDP Growth, FY05



Source: Datastream and Santander Investment Bolsa.

German economic growth was in line with our estimates, and we still believe that GDP growth should rebound in 1Q06E (around +0.6% QoQ). The ECB will almost certainly raise interest rates by 25bp next week, leaving the repo rate at 2.5%.

French business confidence rose more than expected

The French Business Confidence indicator rose more than expected in February. The improvement in business confidence was in line with business confidence indicators in other Euro zone countries. The improvement mainly came from foreign orders, which is a positive sign in the case of France given the weakness seen in the external sector in 4Q05.

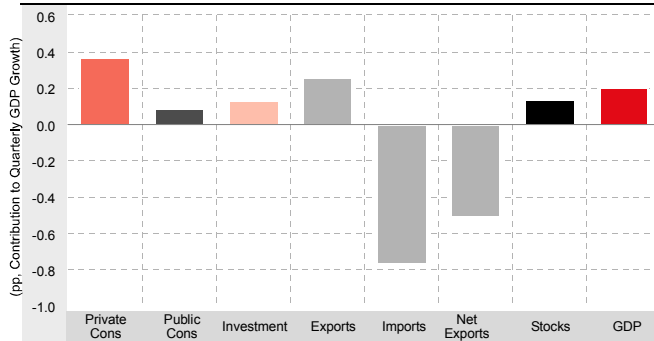
Italian consumer confidence at recent years' high

Consumer Confidence was also up in Italy, rising to its highest level in recent years. The improvement in consumer confidence is good news for consumption going forward (the trend is positive), although we cannot extrapolate the short run performance of consumption based solely on this data.

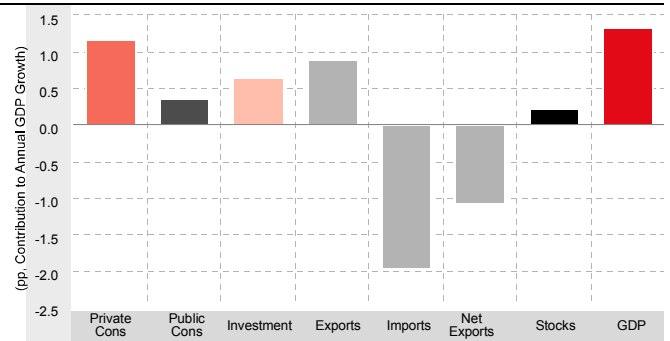
**French 4Q05 GDP
+0.2% QoQ**

French GDP rose 0.2% QoQ in 4Q05, in line with the flash estimate published last week. According to the breakdown, growth in 4Q05 came from internal demand (0.7% QoQ), while the external sector had a very negative impact, with a negative contribution to GDP of 0.5pp. Within internal demand, private consumption showed a strong performance once again, growing at the same rate as in the previous quarter. We expect GDP growth to rebound in 1Q06E, helped by a possible positive contribution from the external sector to GDP growth and ongoing strength in internal demand.

France – Contribution to GDP Growth, 4Q05



Contribution to GDP Growth, FY05



Source: Datastream and Santander Investment Bolsa.

February IFO surges; above its 2000 peak

Germany's IFO beat all expectation and surged to 103.3 in February and now stands above its previous peak in 2000. Both current conditions, as well as business expectations increased. The increase appears to have been broad based across all sectors, but was especially marked in retail. The manufacturing survey, the central part of the IFO survey, has stabilized at very high levels. Furthermore, inventories declined which should mean good news for the near future (expected increases in production). German manufactured goods prices are expected to increase, according to the survey and employment expectations continued to improve.

These figures point to a rebound in GDP growth in 1Q06E. We expect quarterly growth rates to be around 0.5% in both Germany and the Euro zone. We think the risks are biased to the upside due to the strong figures that are being released.

The Week in the US: CPI rose 0.7% MoM, with the core index going up 0.2% MoM in January. The increase in CPI was driven by energy prices, which rose 5.0% MoM. January leading indicators jumped more than expected (1.1% versus an expectation of 0.6%) These figures point to an acceleration in the economy in the short run. We actually expect a sharp rebound in GDP in 1Q06E.



THE WEEK AHEAD

Macro Data to Be Published This Week

Day	Time*	Country	Indicator/Event	Period	Reference Data	Forecast
MONDAY 27-Feb	9:00	Spain	Producer Prices (m/y)	Jan	0.0/5.2	-
	10:00	Euro Zone	M3 (sa) (y/3m average)	Jan	7.3/4.6	7.3/7.4
	16:00	US	New Home Sales	Jan	1,269k	1,270k
TUESDAY 28-Feb	8:40	France	Consumer Confidence Indicator	Feb	-27	-26
	8:45	France	Unemployment Rate / Change	Jan	9.5/-23k	9.5/-15k
	8:45	France	Housing Starts/Permits 3M (y) (change)	Jan	20.8/8.3	-
	8:50	France	Producer Prices (m/y)	Jan	-0.1/3.1	0.5/3.3
	9:00	Spain	Hotel Price Index (y)	Jan	0.8	-
	9:55	Germany	Unemployment Rate / Change	Feb	11.3/69k	11.3/-20k
	10:00	Italy	PPI (m/y)	Jan	0.3/4.1	0.5/4.0
	11:00	Euro Zone	CPI (m/y)	Jan	0.3/2.2	-0.4/2.4
	11:00	Euro Zone	Business Climate Indicator	Feb	0.34	0.40
	14:30	US	GDP Annualized	4QP	1.1	1.6
	14:30	US	GDP Price Index	4QP	3.0	3.0
	16:00	US	Chicago Purchasing Managers Index	Feb	58.5	58.2
	16:00	US	Consumer Confidence	Feb	106.3	104.0
	16:00	US	Existing Home Sales	Jan	6.60	6.60
	WEDNESDAY 1-Mar	9:45	Euro Zone	PMI Manufacturing	Feb	53.5
10:00		Italy	Annual GDP	Dec 31	1.2	0.1
11:00		Euro Zone	Unemployment Rate	Jan	8.4	8.4
11:00		Euro Zone	CPI Estimate (y)	Feb	2.4	2.3
14:30		US	Personal Income / Spending	Jan	0.4/0.9	0.6/1.0
14:30		US	PCE Core (m/y)	Jan	0.1/1.9	0.2/1.8
16:00		US	Construction Spending (m)	Jan	1.0	1.2
16:00		US	ISM Manufacturing	Feb	54.8	55.5
16:00		US	ISM Prices Paid	Feb	65.0	64.0
18:00		Italy	New Car Registrations (y)	Feb	10.7	-
-		US	Total / Domestic Vehicle Sales (mn)	Feb	17.6/14.1	16.5/13.3
THURSDAY 2-Mar	10:00	Germany	Retail Sales (m/y)	Jan	-1.6/4.6	-
	10:00	Spain	ICO Consumer Confidence	Feb	-	1.0/-0.6
	11:00	Euro Zone	PPI (m/y)	Jan	0.2	-
	13:45	Euro Zone	ECB Announces Interest Rate Decision	Mar	2.25	0.8/4.8
	14:30	US	Initial Jobless Claims	Feb 25	-	2.50
	14:30	US	Continuing Claims	Feb 18	-	285k
-	Spain	Unemployment (m) Net (000s)	Feb	68.6	-	
FRIDAY 3-Mar	9:45	Euro zone	PMI Services	Feb	57.0	-
	9:45	Italy	Retail Sales (m/y)	Jan	0.1/0.8	57.2
	11:00	Euro Zone	CPI (m/y)	Feb P	-0.5/2.1	0.4/2.0
	11:00	Euro Zone	GDP (sa)(q/y)	4Q1	0.3/1.7	0.3/1.7
	15:45	US	Univ. of Michigan Confidence	Feb 4	87.4	87.5
	16:00	US	ISM Non Manufacturing	Feb	56.8	58.0

(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 Investment Bolsa estimates.

THINGS TO LOOK OUT FOR:

In the US: (1) 4Q05 GDP growth could be revised upwards, possibly up to above 1.5% from the initial 1.1%, led by inventories, private consumption and business investments; (2) consumer confidence should show a slight decline, although there is a high probability of seeing a better number; (3) new and existing home sales could fall slightly in January; and (4) the ISM manufacturing and non-manufacturing indices should both go up in February.

In the Euro zone: (1) French consumer confidence should improve; (2) EC confidence indices should rise again in February; (3) February Euro zone CPI estimate should show inflation at 2.0% YoY; (4) Manufacturing PMI to go up in February; and (5) services PMI should also improve in February.

RATES AND CURRENCIES

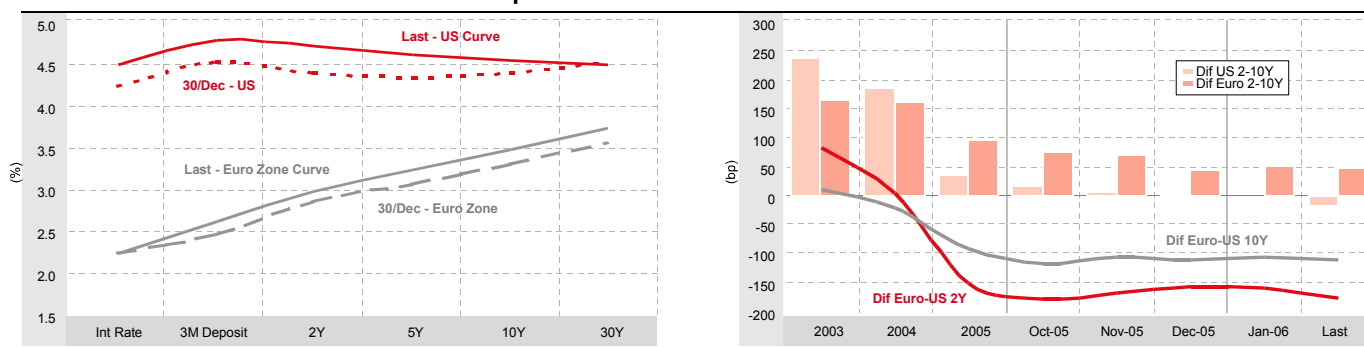
- The ECB will meet this week. We believe that the European Central Bank will decide to raise interest rates by another 25bp, as it did in December 2005. This decision will leave the European repo rate at 2.5%. This move was anticipated by ECB president Jean-Claude Trichet in his recent statements on monetary policy. Therefore, the probability of the rate rise materialising is high, in our view.
- We maintain our forecast of interest rates being raised to 3.0% at the end of the year. For 2007E, we forecast the ECB repo rate to reach 3.25%.

US and Euro Zone – Interest Rates and Currencies

		Annual ¹			Quarterly ¹				Monthly			Weekly			Last (2)	
		2003	2004	2005	Mar-05	Jun-05	Sep-05	Dec-05	Oct-05	Nov-05	Dec-05	Jan-06	10-Feb	17-Feb		24-Feb
ST Interest Rates																
	ECB repo rate	2.3	2.0	2.0	2.0	2.0	2.0	2.1	2.0	2.0	2.3	2.3	2.25	2.25	2.25	2.25
	Fed funds	1.1	1.4	3.3	2.5	3.0	3.5	4.0	3.8	4.0	4.3	4.5	4.50	4.50	4.50	4.50
	Euribor 3M	2.3	2.1	2.2	2.1	2.1	2.1	2.4	2.2	2.5	2.5	2.5	2.56	2.56	2.63	2.63
	US dep 3M	1.1	1.6	3.6	2.9	3.3	3.8	4.4	4.2	4.4	4.5	4.6	4.73	4.70	4.79	4.79
LT Interest Rates																
Euro	2Y	2.5	2.5	2.4	2.5	2.1	2.3	2.8	2.6	2.8	2.9	3.0	2.92	2.90	2.99	2.99
	5Y	3.3	3.3	2.8	3.0	2.6	2.6	3.1	3.0	3.1	3.1	3.2	3.20	3.18	3.25	3.25
	10Y	4.1	4.1	3.4	3.6	3.3	3.2	3.4	3.4	3.5	3.3	3.5	3.48	3.45	3.48	3.48
	30Y	4.8	4.7	3.8	4.1	3.8	3.6	3.7	3.8	3.8	3.6	3.7	3.73	3.73	3.74	3.74
US	2Y	1.6	2.4	3.9	3.5	3.6	4.0	4.4	4.4	4.4	4.4	4.5	4.68	4.67	4.72	4.72
	5Y	2.9	3.4	4.0	4.0	3.8	4.1	4.4	4.4	4.4	4.4	4.5	4.59	4.55	4.62	4.62
	10Y	4.0	4.2	4.3	4.3	4.0	4.2	4.5	4.6	4.5	4.4	4.5	4.59	4.54	4.56	4.56
	30Y	4.9	5.0	4.5	4.7	4.3	4.4	4.7	4.8	4.7	4.5	4.7	4.55	4.51	4.50	4.50
Spreads																
Dif-Euro	3M-30Y	257	265	164	199	170	152	135	164	133	111	120	117	116	111	111
	2Y-10Y	164	160	95	117	113	88	64	77	69	45	51	56	56	50	50
Dif US	3M-30Y	376	338	93	180	103	62	29	52	32	0	5	-18	-19	-29	-29
	2Y-10Y	235	184	37	78	41	21	8	18	8	-1	0	-9	-13	-16	-16
Dif-Euro-US	Int	115	60	-123	-50	-100	-150	-192	-175	-200	-200	-225	-225	-225	-225	-225
	2Y	82	5	-148	-109	-148	-172	-164	-174	-165	-154	-156	-176	-178	-173	-173
	10Y	11	-20	-90	-71	-77	-104	-109	-115	-103	-108	-105	-111	-109	-108	-107
Currencies																
	€/US\$	1.14	1.25	1.24	1.31	1.24	1.22	1.19	1.199	1.179	1.185	1.216	1.209	1.202	1.190	1.190
	€/¥	132	134	137	137	134	136	140	140	141	139	142	142	143	140	139
	US\$/¥	116	107	111	105	108	112	118	116	120	118	117	117	119	118	117

(1) Figures represent the average for the period; (2) February 24, 2006.
Source: Santander Investment Bolsa estimates.

US and Euro Zone – Debt Curve & 2Y-10Y Spreads



Source: Bloomberg.



MACRO CORNER: PORTUGUESE ECONOMY

TENTATIVE SIGNS OF STABILISATION

In this edition of *Macro Corner* we include an analysis of the Portuguese economy, courtesy of our economists based in Portugal: *Rui Constantino (Tel: 351 21-389-3626)* and *Paulo Xavier (Tel: 351 21-380-1585)*. They highlight that the Portuguese economy is showing tentative signs of stabilisation and should show better growth rates in 2006E than in 2005E. This is interesting news given the recent poor economic performance in Portugal.

NATIONAL ACCOUNTS

The 4Q05 National Accounts numbers are scheduled for release on March 10.

Data from 3Q05 showed that economic growth continued to decelerate, largely on the back of a correction in private consumption, following higher expenditure in durables and autos in 2Q05. Auto sales fell 30% in 3Q05, translating into a 1% QoQ drop in expenditure on durables. Current private consumption decelerated slightly and is now growing at around 2%.

Investment has continued to deteriorate, due largely to the construction business, which contracted by 4.1% in the four-quarter period ending September 2005. Earlier expectations that public works related to the October local elections could support investment failed to materialize. Investment in machinery and transportation was flat over the period.

External demand made a positive contribution to GDP growth, with accelerating exports, which began to recover from the contraction seen in early 2005. Exports seem to have overcome the initial shock from the opening of the textile market to China, while market share losses also appear to have halted. Imports have slowed, and now seem to be expanding more in line with weak domestic demand.

In terms of the full year, we estimate GDP growth of just 0.3%, mainly due to a contraction in investment and a larger drag on growth from net exports.

Portugal – Main Macroeconomic Indicators, 2004-06E

(% YoY)	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	2005E	2006E	
GDP	1.1	2.0	1.1	0.6	0.0	0.4	0.2	0.3	0.8	
Private consumption	2.0	2.7	2.5	2.7	2.8	3.1	1.2	2.0	1.1	
Public expenditure	1.7	2.4	2.7	2.5	1.9	1.2	0.6	1.0	-0.2	
Investment	0.2	3.1	1.5	1.4	-1.2	-3.7	-4.1	-2.8	0.6	
Exports	5.0	8.6	3.0	2.0	-0.9	0.3	2.2	1.4	4.9	
Imports	5.4	9.2	5.9	6.2	3.8	2.4	1.0	2.2	4.0	
CPI (%)	2.2	2.5	2.4	2.4	2.1	1.8	2.7	2.3	2.6	
Unemployment (%)	6.4	6.3	6.8	7.1	7.5	7.2	7.7	7.5	7.7	
Wages	2.9	3.0	2.9	2.4	2.7	2.7	3.0	2.7	2.7	
Budget deficit (% of GDP)*								3.0	6.0	4.6
Public debt (% of GDP)								59.4	65.5	68.7

(*) Refers to total government budget deficit.

Source: Ministry of Finance, INE, Bank of Portugal and Banco Santander de Negocios Portugal.

2006E PROSPECTS

For 2006E, our estimates point to a mild pick-up in economic growth, with GDP expected to expand by 0.8% YoY. While private consumption should expand by only 1.1%, this is mainly the result of poor comparative effects related to the strong auto-sales in 2Q05, as indications from the retail sector point to current expenditure increasing around 2%.

We should see a significant improvement in private investment, which we expect to post a small rise 2006E. There are some positive developments, which could provide support for investments. There is increasing evidence of economic strength in the euro area, namely in Germany. This could result in a recovery of external demand for Portuguese products, which could lead to a gradual pick up in exports in 2006E (and there are some indications that the 2005 figures could be revised upwards).

However, the main investment drivers are likely to be domestic and rely heavily on business confidence. Two factors are key to improving confidence:

- The 2005 government budget figures point to better control of current expenditures, in line with better-than-expected revenue data. With fiscal policy remaining the focus of the broader economic policy, this lends some optimism to the 2006E budget performance.

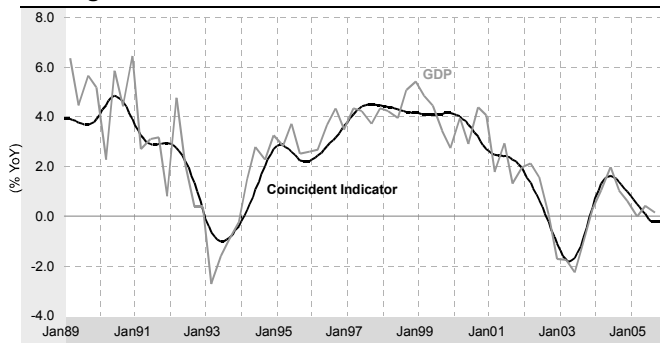
The government has proposed a wage rise of just 1.5%, while automatic promotions (which imply wage increases) remain frozen until the end of the year. However, the more important measures are related to the New Civil Service Structure and Wage System, which are to be publicly announced by mid-2006 and put into effect from 2007 onwards. The Ministry of Finance has indicated that the government wants to shed around 75,000 civil servant jobs (10% of the civil service workforce).

Expenditure is likely to remain under tight control, although the risks remain high. Revenue also faces some risks, taking into account subdued economic growth, as well as the limited margin for further gains from the fight on tax evasion.

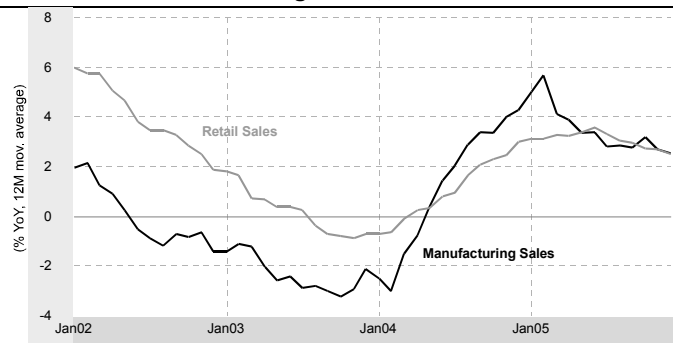
- On the other hand, Portugal should now be entering a period of political stability, following the presidential elections in January 2006. The next elections are not scheduled to take place until 2009, when parliament (and the government), local government and MEPs are to be elected. The government has, therefore, more than three years to implement its ambitious schedule to reorganize Public Administration and reduce the fiscal deficit to below the threshold of 3% of GDP.

Aníbal Cavaco Silva was elected President, winning a majority of 50.6% in the first round, and his experience as prime minister, as well as his reformist view on the economy, could give the government support for the above-mentioned reforms. A scenario of political cooperation between the president and the government could be a catalyst for increased business confidence.

Portugal – GDP and Coincident Indicator



Retail and Manufacturing Sales, 2002-05



Source: INE and the Bank of Portugal.



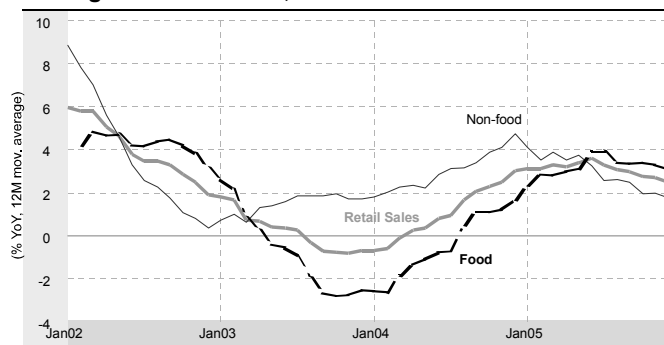
SHORT-TERM INDICATORS

Most short-term indicators, summarized in the coincident indicator published by the Bank of Portugal, are beginning to show a stabilisation in economic activity, following the deceleration registered in most of 2H05. In YoY terms, GDP seems to be settling at c0%.

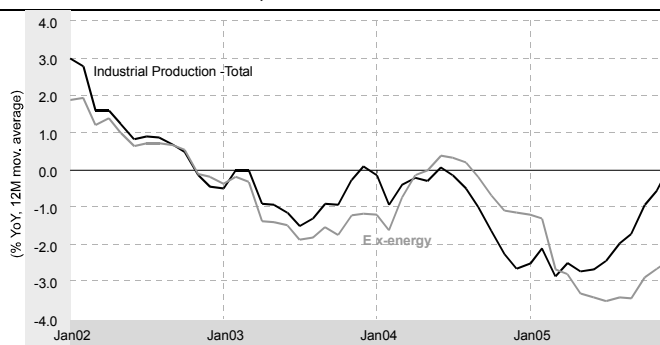
Retail sales are settling at around +2% YoY, on average, in real terms. Household expenditure in current goods and services is likely to remain stable around these levels, with the most volatility likely to come in spending on durables. The risks remain skewed on the downside, given the low levels of consumer confidence, high unemployment and rising interest rates weighing on indebted households. While consumer confidence remains at historical lows, confidence in the retail sector recovered in January to its highest point since March/April 2005.

Labour market conditions remain delicate. Although unemployment rose to 7.7% in 3Q05, part of this increase could have resulted from the annual placement of teachers and the end of past contracts. Registered unemployment continues to rise, but at a more moderate pace (3.5% over the 12 months ended in December). The number of jobs offered has been rising gradually, and in 2H05 was in line with the levels seen a year earlier. Wages rose an average 2.7% in 2005, down from 2.9% in 2004.

Portugal – Retail Sales, 2002-05



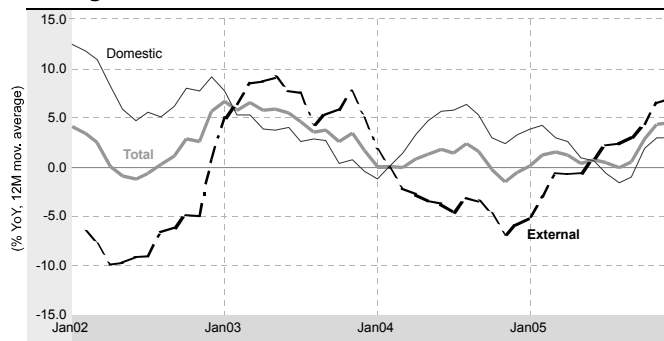
Industrial Production, 2002-05



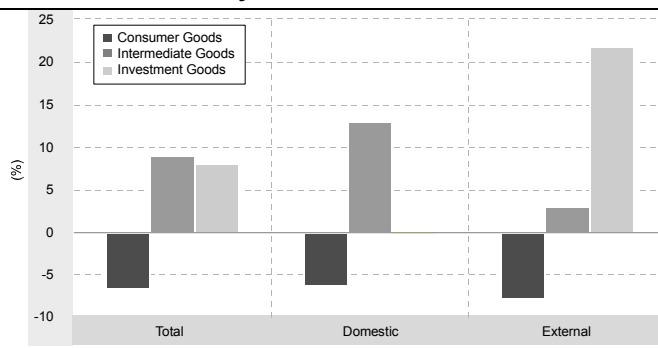
Source: INE.

While we anticipate an improvement in investment in 2006E, most recent indicators do not yet provide a clear picture that a recovery trend is forming. According to the qualitative and quantitative information collected by the National Statistics Institute (INE), all areas of investment contracted in 2005 (including 4Q05) with the exception of construction, where there are signs of stabilisation.

Portugal – Industrial Orders, 2002-05



Industrial Orders by Sector, 2005



Source: INE.

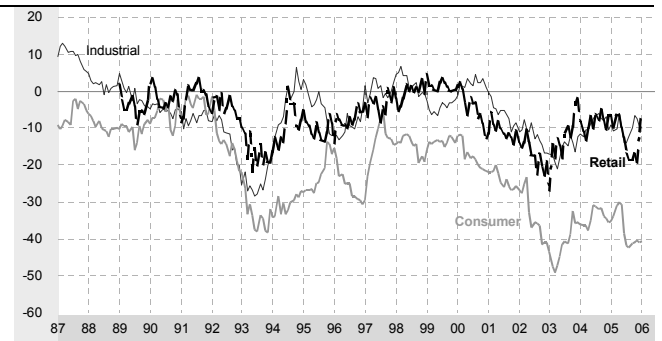
Industrial production has been on a recovery trend, and was flat in 2005, following the contraction seen since mid-2002. However, this is due exclusively to energy production, which increased 12% in 2005. Excluding this component (which represents 14% of total production), industrial production dropped by 2.4% (-1.2% in 2004).

Growth in industrial orders has accelerated, rising around 10% YoY in late 2005 (5% in FY05). This trend is visible both in terms of external and domestic orders. External demand is stronger in terms of consumer durables (+11.3%) and investment goods (+21.9%), while domestic orders are based on consumer non-durables (+4.9% in 2005) and intermediate goods (+13.1%).

Portugal –Unemployment and Job Offers



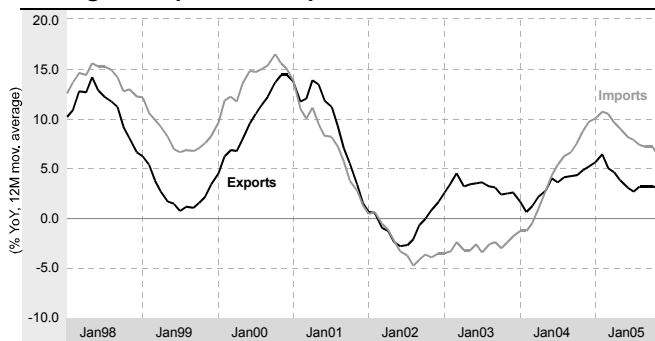
Confidence Data, 1987-2005



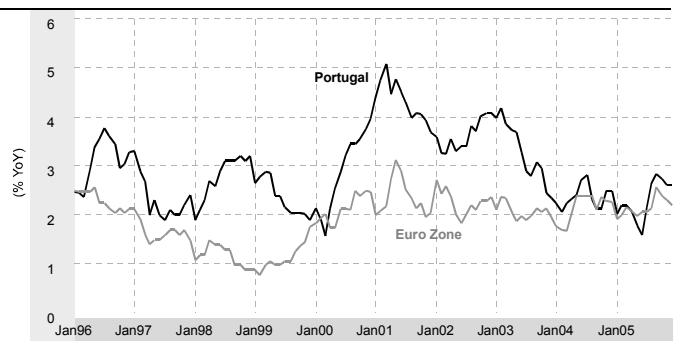
Source: IEFP and EC.

Exports gained momentum in the latter months of 2005, in part reflecting the increase in external industrial orders. Exports rose 3% in the 12-month period ended in November, while imports decelerated to +6.3%. According to INE, there are signs that national exports are increasing more in line with external demand directed to Portugal, thus resulting in a smaller loss of market share.

Portugal – Import and Exports, 1998-2005



CPI, 1996-2005



Source: INE and the Bank of Portugal.

CPI inflation has stabilized at 2.6% YoY, following the peak at 2.8% seen after the increase in the normal rate of VAT to 21% on July 1, 2005. Average inflation was 2.3% in 2005. YoY inflation is expected to remain around current levels for most of 2006E, as the VAT hike and higher oil prices continue to feed through to other classes of goods. Inflation in services has been stable at 3.0% since early 2005, and will likely remain so, in view of labour market developments.



MACROECONOMIC ESTIMATES AND FORECASTS

Europe, the US and Japan – Estimates and Forecasts, 2002-07E

GDP	2003	2004	2005E	Cons	2006E	Cons	2007E	Cons
Germany	-0.2	1.1	1.0	1.1	1.6	1.7	2.0	1.2
France	0.9	2.1	1.7	1.5	2.1	1.9	1.9	1.9
Italy	0.4	1.0	0.2	0.2	1.6	1.3	1.6	1.2
Spain	3.0	3.1	3.4	3.4	2.8	3.0	2.4	2.6
Portugal	-1.2	1.2	0.5	0.7	1.0	1.0	1.4	1.6
Euro-12	1.6	1.8	1.4	1.4	1.9	1.9	2.0	1.8
UK	2.5	3.2	–	1.8	–	2.1	–	2.4
Argentina	8.8	9.0	8.0	8.4	6.0	5.5	–	3.6
Brazil	0.5	4.9	3.4	2.6	3.8	3.5	–	3.7
Mexico	1.6	4.4	3.2	3.1	3.3	3.5	–	3.3
Japan	1.4	2.6	–	2.3	–	2.3	–	2.2
US	2.7	4.2	3.6	3.4	3.8	3.2	3.0	3.0

CPI	2003	2004	2005E	Cons	2006E	Cons	2007E	Cons
Germany	1.1	1.7	2.0	1.9	2.1	1.7	1.9	2.2
France	2.2	2.3	2.0	1.9	2.1	1.7	2.1	1.6
Italy	2.8	2.3	2.2	2.2	2.3	2.1	2.0	1.9
Spain	3.0	3.0	3.4	3.4	3.1	3.3	2.6	2.9
Portugal	3.3	2.4	2.4	2.3	2.9	2.3	2.3	2.0
Euro-12	2.1	2.1	2.2	2.2	2.3	2.0	2.1	1.8
UK	1.4	1.3	–	2.1	–	2.0	–	2.0
Argentina	3.7	6.1	11.0	12.3	11.0	11.6	–	7.2
Brazil	9.3	7.6	5.1	5.6	4.5	4.7	–	4.3
Mexico	4.0	5.2	3.6	3.4	3.8	3.6	–	3.8
Japan	-0.3	0.0	–	-0.2	–	0.2	–	0.5
US	2.3	2.7	3.4	3.3	3.0	2.9	2.5	2.3

Financial Indicators	2003	2004	2005	Cons	2006E	Cons	2007E	Cons
Intervention rates								
Euro-zone	2.00 (2.25)	2.00 (2.00)	2.25 (2.05)	–	3.00 (2.75)	2.75	3.25 (3.25)	–
US	1.00 (1.10)	2.25 (1.40)	4.25 (3.25)	–	4.75 (4.63)	4.75	4.50 (4.69)	–
3M rates								
Euro-zone	2.11 (2.26)	2.13 (2.08)	2.49 (2.17)	–	3.20 (2.92)	2.8	3.10 (3.23)	3.1
US	1.09 (1.14)	2.52 (1.56)	4.50 (3.60)	–	5.00 (4.83)	4.7	4.40 (4.73)	4.6
2Y bond yields								
Euro-zone	2.61 (2.46)	2.48 (2.48)	2.86 (2.41)	–	3.60 (3.35)	–	2.90 (3.20)	–
US	1.82 (1.64)	3.06 (2.36)	4.40 (3.89)	–	4.90 (4.98)	–	4.00 (4.43)	–
10Y bond yields								
Euro-zone	4.29 (4.09)	3.68 (4.06)	3.31 (3.36)	–	4.25 (4.06)	3.62	4.00 (4.28)	3.74
US	4.25 (3.99)	4.22 (4.25)	4.39 (4.26)	–	4.85 (4.96)	4.8	4.30 (4.44)	5.0
Currencies								
Euro-dollar	1.26 (1.14)	1.36 (1.24)	1.18 (1.24)	–	1.13 (1.15)	1.27	1.10 (1.10)	1.27

(*) Annual averages in brackets.

Source: Consensus forecasts (February 2006). Euro Zone Barometer (February 2006). Santander Investment Securities and Santander Investment Bolsa estimates.

APPENDIX 1

Summary of Euro Zone Figures, 2002-4Q05

GDP Components	Annual Growth			YoY Rates				QoQ Annualised Rates					
	2002	2003	2004	1Q05	2Q05	3Q05	4Q05	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05
Private consumption	1.0	1.1	1.5	1.3	1.3	1.5	-	0.8	3.3	0.5	0.7	1.4	-
Public consumption	2.6	1.7	1.1	0.8	1.0	1.4	-	0.9	-0.5	1.1	2.4	2.8	-
Business investment	-1.9	0.8	1.8	1.3	1.9	2.9	-	1.1	2.4	0.5	3.5	5.2	-
Inventory (contribution)	0.0	-0.4	-0.1	0.5	0.4	-0.1	-	1.5	0.1	-0.1	0.3	-0.8	-
Internal demand (contribution)	0.4	1.4	1.8	1.7	1.8	1.6	-	2.4	2.4	0.5	2.0	1.6	-
Exports	1.8	1.3	5.9	3.3	3.0	5.2	-	4.5	1.6	-3.0	9.1	13.8	-
Imports	0.4	3.0	6.2	4.5	4.6	5.4	-	8.5	5.7	-5.2	10.4	11.6	-
Net exports (contribution)	0.5	-0.6	0.0	-0.4	-0.6	0.0	-	-1.4	-1.6	0.8	-0.3	1.0	-
GDP	1.0	0.7	1.8	1.3	1.2	1.6	1.7	1.1	0.8	1.3	1.7	2.6	1.2
Nominal GDP (€ bn)	7,240.2	7,439.2	7,714.1										
Activity Indicators	Annual Growth			YoY Rates				MoM Rates					
	2002	2003	2004	1Q05	2Q05	3Q05	4Q05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06
Industrial production	-0.1	0.3	2.1	-0.4	1.1	1.3	1.2	2.0	1.3	0.1	2.3	1.4	-
- Ex construction	-0.5	0.3	1.9	0.6	0.7	1.5	1.9	2.7	1.4	0.2	2.9	2.5	-
Manufacturing production	-0.8	0.1	2.0	1.0	0.5	1.5	2.1	2.8	1.5	0.8	3.3	2.3	-
Retail sales	0.3	0.4	1.2	1.3	0.7	1.1	0.7	2.3	1.1	0.4	0.7	1.0	-
New car registrations	-2.4	-1.3	1.7	-0.9	0.9	3.8	-1.3	6.7	1.8	-0.9	-1.9	-1.0	-0.7
Capacity utilisation	81.1	81.0	81.5	81.9	81.1	80.9	81.1						
Confidence Indicators	Annual Average			Quarterly Average				Index					
	2002	2003	2004	1Q05	2Q05	3Q05	4Q05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06
Economic confidence	94.3	93.5	99.5	98.7	96.1	97.8	100.2	97.6	98.4	100.2	99.9	100.6	101.8
Business climate	-0.57	-0.45	0.32	0.16	-0.33	-0.04	0.22	-0.09	0.06	0.17	0.13	0.37	0.34
Industrial confidence	-11	-11	-5	-6	-10	-8	-6	-8	-7	-6	-7	-5	-4
Construction confidence	-18	-20	-15	-12	-12	-10	-5	-9	-8	-8	-3	-6	-4
Retail trade survey	-17	-12	-8	-8	-9	-9	-5	-9	-8	-4	-6	-4	-4
Services confidence	2	4	11	11	9	11	14	10	11	14	14	13	15
Consumer confidence	-11	-18	-14	-13	-14	-15	-12	-15	-14	-13	-13	-11	-11
PMI	48	50	49	54.4	53.9	51.4	51.4	50.4	51.7	52.7	52.8	53.6	53.5
- Output	49	52	51	56.0	55.9	52.3	52.8	51.8	53.8	54.3	54.8	55.8	54.8
- New orders	47	51	50	56.1	55.2	51.3	52.1	51.7	53.2	54.3	54.4	56.0	55.5
- Employment	49	47	47	48.9	49.5	48.4	48.7	48.3	48.9	49.9	49.9	50.3	49.6
- Stock purchases	47	46	46	48.4	49.2	49.5	49.1	46.7	47.0	47.3	46.1	46.4	47.9
- Delivery times	53	50	50	40.4	43.1	44.6	47.3	48.9	47.6	45.9	45.6	45.8	45.5
- Prices	48	52	52	70.7	69.4	72.8	64.6	56.3	59.1	62.8	62.6	62.2	63.0
Prices	Annual Growth			YoY Rates				MoM Rates					
	2002	2003	2004	1Q05	2Q05	3Q05	4Q05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06
CPI	2.3	2.1	2.1	2.0	2.0	2.3	2.3	0.3	0.5	0.3	-0.2	0.3	-
Core CPI	2.4	1.8	1.8	1.5	1.4	1.3	1.4	0.2	0.3	0.3	0.0	0.4	-
PPI (ex construction)	-0.1	1.4	2.3	4.1	3.9	4.2	4.4	0.4	0.5	0.6	-0.2	0.2	-
GDP deflator	2.5	2.0	1.9	1.9	1.6	1.5	-						
Domestic demand deflator	2.0	1.8	1.9	2.1	1.8	2.1	-						
Costs and salaries	Annual Growth			YoY Rates				MoM Rates					
	2002	2003	2004	1Q05	2Q05	3Q05	4Q05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06
Unit labour costs	2.2	2.1	0.8	1.1	0.9	0.7	-						
Salaries	2.6	2.4	2.0	1.5	1.4	1.6	-						
Productivity	0.4	0.4	1.2	0.4	0.5	0.9	-						
Employment Market	Annual Growth			YoY Rates				MoM Rates					
	2002	2003	2004	1Q05	2Q05	3Q05	4Q05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06
Unemployment rate	8.3	8.7	8.9	8.8	8.6	8.4	8.3	8.4	8.4	8.3	8.3	8.4	-
Money Supply	Annual Growth			YoY Rates				MoM Rates					
	2002	2003	2004	1Q05	2Q05	3Q05	4Q05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06
M3	6.6	6.4	6.3	6.5	7.8	8.5	8.2	0.7	0.9	0.2	0.4	0.5	-
M3 mov avg 3m (YoY)	7.1	7.0	6.5	6.6	7.6	8.2	-	8.2	8.2	8.0	7.6	-	-
Loans to private sector	4.0	4.7	6.4	6.9	8.2	9.0	9.7	0.0	1.1	0.8	1.0	0.9	-
Currency (YoY rates)	Annual Growth			YoY Rates				MoM Rates					
	2002	2003	2004	1Q05	2Q05	3Q05	4Q05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06
€ effective exchange rate	3.0	11.4	4.0	0.8	1.2	-0.9	-4.4	-0.4	-1.2	-2.7	-4.6	-6.0	-4.2
Real effective exch rate € (CPI)	4.0	12.6	4.1	1.0	1.5	-0.7	-4.2	-0.2	-1.0	-2.5	-4.3	-5.6	-3.8
Real effective exch rate € (PPI)	3.9	11.2	3.0	0.6	0.6	-1.9	-5.3	-1.3	-2.3	-3.6	-5.3	-6.9	-5.3
Real effective exch rate € (ULC)	3.1	13.0	5.6	-0.6	-1.0	-1.7	-						
External Sector	Annual Growth			YoY Rates				MoM Rates					
	2002	2003	2004	1Q05	2Q05	3Q05	4Q05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06
CA Balance (% GDP)	0.8	0.5	0.6	0.2	-0.7	-0.2	-	0.0	0.0	0.0	0.0	0.0	-
- € bn	58	34	46	39	21	5	-21	5	2	-9	-21	-29	-
Public Accounts (% GDP)	Annual Growth			YoY Rates				MoM Rates					
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Jan-00
Government receipts (% GDP)	47.1	46.7	46.2	47.0	47.2	46.7	47.2	46.9	46.1	45.5	45.5	45.0	0.0
Government expenditures	53	51.8	51.3	51.3	49.9	49.0	48.6	47.9	48.0	48.1	48.5	47.7	0.0
Deficit/surplus	-5.8	-5.1	-5.1	-4.3	-2.7	-2.3	-1.3	-1.0	-1.9	-2.5	-3.0	-2.7	0.0

Sources: Bloomberg, Datastream, Reuters and Santander Investment Bolsa.



APPENDIX 2

Summary of US Figures, 2003-4Q05

GDP	2003	2004	YoY Rates				QoQ Annualised Rates			
			1Q05	2Q05	3Q05	4Q05	1Q05	2Q05	3Q05	4Q05
Private consumption	3.9	3.6	3.5	3.9	3.8	3.0	3.5	3.4	4.1	1.1
Government consumption	2.2	1.7	1.7	1.8	2.0	1.2	1.9	2.5	2.9	-2.4
Business investment	11.9	5.8	10.1	4.0	4.2	5.4	8.6	-3.7	5.3	12.2
- Equipment & software	11.9	10.8	12.8	11.8	10.6	8.3	8.3	11.0	10.6	3.5
- Construction	7.7	5.6	6.3	4.7	5.6	5.6	5.9	8.3	5.8	2.6
Internal demand	4.8	3.6	4.2	3.5	3.5	3.1	4.0	2.0	4.0	2.2
Exports	8.4	6.8	6.7	7.7	6.9	5.7	7.5	10.7	2.5	2.4
Imports	10.7	6.2	9.4	5.7	5.1	4.6	7.4	-0.2	2.4	9.1
GDP	4.2	3.5	3.6	3.6	3.6	3.1	3.8	3.3	4.1	1.1
Nominal GDP (US\$ bn)	11734	12479								
General Activity	YoY Rates				YoY Rates					
	1Q05	2Q05	3Q05	4Q05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06
Leading indicator	3.6	2.2	1.7	2.0	1.9	1.0	1.9	2.2	1.8	3.2
Coincident indicator	2.7	2.4	2.0	1.8	1.4	2.0	1.9	2.3	1.3	2.1
Stocks to sales ratio	1.21	1.20	1.17	1.17	1.17	1.18	1.18	1.17	1.15	-
Industrial production	4.0	3.1	2.7	3.1	3.1	2.0	2.4	3.3	3.6	3.1
Capacity utilisation (1)	80.0	79.7	80.3	80.6	80.3	79.1	79.9	80.6	81.2	80.9
ISM index	-10.8	-14.8	-6.3	-0.8	-10.2	0.0	2.3	0.7	-5.1	-2.7
ISM index (1)	55.6	53.8	53.5	57.3	53.5	58.0	58.1	57.3	55.6	54.8
Private Consumption	YoY Rates				YoY Rates					
	1Q05	2Q05	3Q05	4Q05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06
Real hourly earnings	-0.5	-0.3	-1.3	-0.8	-1.2	-2.4	-1.5	-0.6	-0.4	-0.7
Retail sales	7.2	8.4	8.4	6.2	8.2	6.7	5.9	6.9	5.8	8.8
- Less autos	7.8	8.4	9.4	8.8	9.6	10.1	9.8	8.7	8.0	9.9
Personal spending	3.5	3.9	3.8	3.0	3.8	2.9	2.5	3.2	3.4	-
Consumer confidence (1)	104.4	97.5	105.5	98.3	105.5	87.5	85.2	98.3	103.8	106.3
- Expectations (1)	96.1	86.7	93.3	88.4	93.3	72.3	70.1	88.4	92.6	91.5
Savings rate (1)	0.5	-0.2	-3.4	-0.2	-3.4	-0.5	-0.1	-0.2	-0.7	-
Consumer credit	4.0	4.4	4.2	3.0	4.6	4.2	3.0	3.1	3.0	-
Business Investment	YoY Rates				YoY Rates					
	1Q05	2Q05	3Q05	4Q05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06
New orders	8.5	8.6	7.0	9.4	7.9	7.4	8.4	9.4	10.5	-
- Less autos	11.3	8.2	7.6	6.7	7.9	7.9	6.7	6.5	6.9	-
Non-defense cap orders less aircraft	14.7	10.7	7.6	8.7	8.6	7.1	7.6	10.2	8.5	6.4
ISM: production index	-14.2	-14.1	-4.2	3.8	-7.6	2.2	3.9	6.4	1.2	-1.4
ISM: new orders	-15.9	-15.0	-3.2	-3.3	-9.6	5.8	3.6	-1.7	-10.9	1.2
After-tax profits	3Q03	4Q03	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05
	21.1	21.0	17.2	17.7	6.4	7.1	31.5	31.6	36.0	-
Construction	YoY Rates				YoY Rates					
	1Q05	2Q05	3Q05	4Q05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06
Housing starts	8.0	6.3	6.4	4.3	2.8	13.0	-0.5	18.2	-3.0	4.0
New home sales	5.1	6.9	11.5	3.5	9.4	2.1	4.0	4.9	1.8	-
Construction spending	12.4	8.4	7.5	8.4	7.4	8.3	9.1	8.1	8.1	-
Building permits	4.0	2.1	5.1	1.2	3.9	8.8	0.5	3.3	-0.3	3.8
Employment, Wages & Salaries	1Q05	2Q05	3Q05	4Q05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06
Pool of available workers	0.9	1.4	1.5	1.4	1.5	1.8	1.5	1.3	1.3	1.4
Total employment	1.4	1.9	2.0	1.9	2.1	2.1	2.0	1.7	1.9	2.0
Unemployment rate (1)	5.4	5.1	4.9	5.0	4.9	5.1	4.9	5.0	4.9	4.7
Unemp avg duration (weeks) (1)	19.1	19.6	18.9	17.6	18.9	18.2	18.0	17.6	17.3	16.8
Avg working hours per week (1)	33.7	33.8	33.7	33.8	33.7	33.8	33.8	33.8	33.8	33.8
Avg hourly earnings	2.6	2.7	2.8	3.1	2.7	2.7	3.1	3.0	3.2	3.3
Employment cost index	3Q03	4Q03	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05
	4.0	4.0	3.9	4.0	3.9	3.9	3.4	3.1	3.0	3.1
Prices	YoY Rates				YoY Rates					
	1Q05	2Q05	3Q05	4Q05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06
CPI	3.0	3.0	3.8	3.7	3.6	4.7	4.4	3.5	3.4	4.0
Core CPI	2.3	2.2	2.1	2.1	2.1	2.0	2.1	2.1	2.2	2.1
PPI	4.6	4.1	5.6	5.3	5.3	6.9	5.9	4.4	5.4	5.7
Core PPI	2.6	2.6	2.7	1.8	2.6	2.6	1.9	1.8	1.7	1.5
Import prices	6.5	7.2	8.8	7.6	8.2	9.9	8.2	6.5	8.0	8.8
Export prices	3.6	2.9	3.2	3.0	3.1	3.6	3.7	2.7	2.7	2.7
External Sector	1Q05	2Q05	3Q05	4Q05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06
Balance of goods & services (3)	-644.0	-668.0	-683.0	-715.0	-683	-697	-709	-715	-726	-
Balance of goods & serv (3) (% GDP)	-5.3	-5.4	-5.4	-5.6						
Trade balance (3)	-736.4	-762.0	-781.8	-817.6	-782	-798	-811	-818	-828	-
Trade balance (3) as a % of GDP	-6.0	-6.2	-6.2	-6.4						
Nominal effective exchange rate	-4.4	-4.6	-1.5	6.0	-2.2	-2.2	1.8	7.9	8.3	5.3
Monetary Policy & Public Accts	1Q05	2Q05	3Q05	4Q05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06
Money supply (M2)	5.3	3.8	3.9	4.0	4.0	4.0	4.1	3.9	4.0	4.8
Federal funds rate (1)	2.50	2.79	3.50	4.00	3.50	3.62	3.78	4.00	4.16	4.29
Federal receipts (2)	452	665	549	530	155	252	149	139	242	230
Federal expenditures (2)	628	620	618	650	207	216	197	222	231	209
Federal public deficit (2)	-177	45	-69	-119	-51	36	-47	-83	11	21

(1) Levels. (2) Cumulative change in fiscal year, billion dollars. (3) Annual cumulative, billion dollars.
Source: Datastream.

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I. MACROECONOMIC ESTIMATES AND FORECASTS

Europe, the US and Japan – Estimates and Forecasts, 2002-06E

GDP	2003	2004	2005E	Cons	2006E	Cons	2007E	Cons
Germany	-0.2	1.1	1.0	1.1	1.6	1.7	2.0	1.2
France	0.9	2.1	1.7	1.5	2.1	1.9	1.9	1.9
Italy	0.4	1.0	0.2	0.2	1.6	1.3	1.6	1.2
Spain	3.0	3.1	3.4	3.4	2.8	3.0	2.4	2.6
Portugal	-1.2	1.2	0.5	0.7	1.0	1.0	1.4	1.6
Euro-12	1.6	1.8	1.4	1.4	1.9	1.9	2.0	1.8
UK	2.5	3.2	–	1.8	–	2.1	–	2.4
Argentina	8.8	9.0	8.0	8.4	6.0	5.5	–	3.6
Brazil	0.5	4.9	3.4	2.6	3.8	3.5	–	3.7
Mexico	1.6	4.4	3.2	3.1	3.3	3.5	–	3.3
Japan	1.4	2.6	–	2.3	–	2.3	–	2.2
US	2.7	4.2	3.6	3.4	3.8	3.2	3.0	3.0

CPI	2003	2004	2005E	Cons	2006E	Cons	2007E	Cons
Germany	1.1	1.7	2.0	1.9	2.1	1.7	1.9	2.2
France	2.2	2.3	2.0	1.9	2.1	1.7	2.1	1.6
Italy	2.8	2.3	2.2	2.2	2.3	2.1	2.0	1.9
Spain	3.0	3.0	3.4	3.4	3.1	3.3	2.6	2.9
Portugal	3.3	2.4	2.4	2.3	2.9	2.3	2.3	2.0
Euro-12	2.1	2.1	2.2	2.2	2.3	2.0	2.1	1.8
UK	1.4	1.3	–	2.1	–	2.0	–	2.0
Argentina	3.7	6.1	11.0	12.3	11.0	11.6	–	7.2
Brazil	9.3	7.6	5.1	5.6	4.5	4.7	–	4.3
Mexico	4.0	5.2	3.6	3.4	3.8	3.6	–	3.8
Japan	-0.3	0.0	–	-0.2	–	0.2	–	0.5
US	2.3	2.7	3.4	3.3	3.0	2.9	2.5	2.3

Financial Indicators	2003	2004	2005	Cons	2006E	Cons	2007E	Cons
Intervention rates								
Euro-zone	2.00 (2.25)	2.00 (2.00)	2.25 (2.05)	–	3.00 (2.75)	2.75	3.25 (3.25)	–
US	1.00 (1.10)	2.25 (1.40)	4.25 (3.25)	–	4.75 (4.63)	4.75	4.50 (4.69)	–
3M rates								
Euro-zone	2.11 (2.26)	2.13 (2.08)	2.49 (2.17)	–	3.20 (2.92)	2.8	3.10 (3.23)	3.1
US	1.09 (1.14)	2.52 (1.56)	4.50 (3.60)	–	5.00 (4.83)	4.7	4.40 (4.73)	4.6
2Y bond yields								
Euro-zone	2.61 (2.46)	2.48 (2.48)	2.86 (2.41)	–	3.60 (3.35)	–	2.90 (3.20)	–
US	1.82 (1.64)	3.06 (2.36)	4.40 (3.89)	–	4.90 (4.98)	–	4.00 (4.43)	–
10Y bond yields								
Euro-zone	4.29 (4.09)	3.68 (4.06)	3.31 (3.36)	–	4.25 (4.06)	3.62	4.00 (4.28)	3.74
US	4.25 (3.99)	4.22 (4.25)	4.39 (4.26)	–	4.85 (4.96)	4.8	4.30 (4.44)	5.0
Currencies								
Euro-dollar	1.26 (1.14)	1.36 (1.24)	1.18 (1.24)	–	1.13 (1.15)	1.27	1.10 (1.10)	1.27

(*) Annual averages in brackets.

Source: Consensus forecasts (February 2006). Euro Zone Barometer (February 2006). Santander Investment Securities and Santander Investment Bolsa estimates.



II. COUNTRY AND SECTOR MONITOR

Valuation Multiples

	Mkt Cap (€ mn)	P/E (x)			EPS CAGR (%)	EV/EBITDA (x)			EBITDA CAGR (%)	P/CF (x)			CF CAGR (%)	GDY (%)		P/BV (x)	
		05E	06E	07E		05E	06E	07E		05E	06E	07E		06E	07E	06E	07E
France (CAC 40)	771,273	17.7	15.2	13.8	12.1	7.9	7.6	6.9	15.4	10.3	9.2	8.4	9.5	2.6	3.0	2.5	2.3
Germany (DAX 30)	595,934	17.7	15.6	13.7	13.1	7.0	6.8	6.2	9.3	9.9	8.9	7.9	6.2	2.9	3.0	2.5	2.2
Italy (MIB 30)	551,227	17.6	15.3	13.7	14.2	6.7	6.4	6.1	7.0	7.7	7.4	7.0	6.4	4.1	4.3	2.4	2.2
Portugal (PSI 20)	58,550	17.3	15.6	13.6	12.8	9.2	9.1	8.4	5.6	8.1	7.5	6.9	5.0	3.4	3.7	2.5	2.2
Spain (IBEX35)	525,695	17.9	17.3	16.6	12.3	8.7	8.4	7.6	7.0	10.0	9.1	8.2	8.5	3.3	3.7	3.5	3.1
DJ Stoxx 600	8,286,335	18.0	15.3	13.8	11.6	8.3	7.9	7.3	14.0	10.5	10.2	8.6	10.1	3.0	3.3	3.4	2.8
DJ Stoxx 50	3,428,266	14.7	13.6	12.5	12.9	8.5	7.9	7.4	12.5	11.0	10.0	9.4	9.6	3.4	3.7	2.9	2.6
DJ Euro Stoxx 50	1,419,899	16.4	14.8	13.5	11.9	7.8	7.5	6.9	10.3	10.0	9.1	8.4	8.8	3.3	3.6	2.7	2.5
Iberia Capital Goods	39,264	12.7	15.1	29.6	-24.2	5.8	6.5	15.0	-24.7	8.2	8.6	18.2	-23.9	2.3	1.5	2.1	5.2
Iberia Construction	36,516	22.1	19.4	17.2	15.4	11.1	10.1	9.1	11.8	13.2	12.0	10.9	24.6	1.6	1.8	3.3	3.0
Iberia Consumer Goods	38,599	23.2	20.3	26.4	-0.7	10.6	9.6	13.1	-3.3	14.2	12.9	16.9	-2.9	2.8	2.5	4.5	5.2
Iberia Consumer Services	58,385	14.9	16.8	15.8	6.5	11.3	11.2	11.0	9.1	9.8	9.2	9.7	8.2	2.1	2.3	2.5	2.4
Iberia Financials	201,001	15.7	13.3	11.5	22.2	NA	NA	NA	NA	NA	NA	NA	NA	3.4	4.0	2.4	2.1
Iberia Oil & Gas	55,734	12.7	11.9	18.0	3.6	6.4	6.4	8.1	-1.8	7.8	7.0	9.1	-2.1	2.4	2.0	2.2	2.7
Iberia TMTs	136,248	30.8	24.6	64.2	-13.0	11.7	10.4	30.4	-22.4	14.1	13.6	39.7	-27.5	1.8	0.8	6.3	11.6
Iberia Utilities	79,130	22.4	19.4	29.0	-5.8	10.4	9.4	12.5	-2.3	11.7	10.7	15.0	-12.2	2.9	1.9	4.8	4.4
Total Iberia	644,877	18.2	16.4	19.0	6.9	13.0	12.4	17.9	-5.2	16.2	15.2	22.5	-8.3	2.6	2.4	3.1	3.3

Note: CAGRs are calculated over 2004-07F.

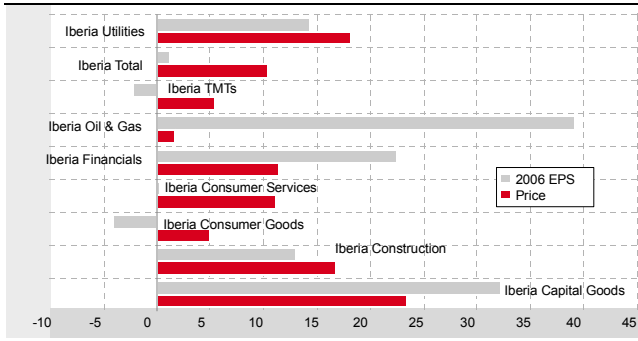
Source: Bloomberg, JCF and Santander Investment Bolsa estimates.

Market Performance (%)

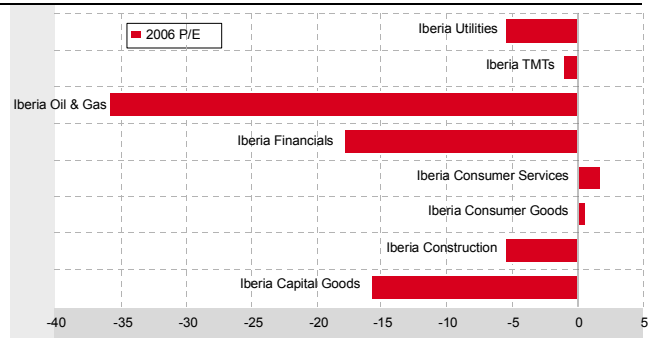
Index	Close 24-Feb	Last 12M			-1W	-1M	-3M	-6M	-12M	QTD	YTD	From	
		High	Low	12M High								12M Low	
France (CAC40)	5,040	5,060	3,882	1.4	6.2	9.9	13.9	26.7	6.9	6.9	-0.4	29.8	
Germany (DAX30)	5,858	5,884	4,158	1.2	9.8	12.9	19.2	36.1	8.3	8.3	-0.4	40.9	
Italy (MIB30)	37,812	38,036	30,778	1.9	5.8	10.1	12.4	19.4	6.9	6.9	-0.6	22.9	
Portugal (PSI20)	9,517	9,525	7,378	1.2	8.8	17.2	22.8	21.1	10.4	10.4	-0.1	29.0	
Spain (IBEX35)	11,739	11,786	8,939	2.5	10.1	10.4	16.5	25.5	9.4	9.4	-0.4	31.3	
DJ Stoxx 600	330	332	254	1.3	6.3	9.6	15.7	26.1	6.6	6.6	-0.4	29.9	
DJ Stoxx 50	3,506	3,524	2,794	0.9	5.4	6.2	12.2	22.0	4.7	4.7	-0.5	25.5	
DJ Euro Stoxx 50	3,813	3,831	2,911	1.5	7.9	10.2	15.8	26.1	6.5	6.5	-0.5	31.0	
Iberia Capital Goods	NA	NA	NA	0.4	20.9	25.9	32.6	38.4	23.3	23.3	-5.3	57.1	
Iberia Construction	NA	NA	NA	2.4	13.3	20.4	21.7	59.2	16.8	16.8	-3.6	64.7	
Iberia Consumer Goods	NA	NA	NA	0.9	6.6	9.9	18.1	22.2	5.1	5.1	-3.2	32.4	
Iberia Consumer Services	NA	NA	NA	0.4	8.5	7.6	11.7	38.0	11.1	11.1	-6.6	49.9	
Iberia Financials	NA	NA	NA	2.2	11.6	13.3	22.4	28.2	11.4	11.4	-1.0	36.9	
Iberia Oil & Gas	NA	NA	NA	0.3	0.9	-1.3	2.7	21.4	1.7	1.7	-11.6	26.5	
Iberia TMTs	NA	NA	NA	-1.0	7.0	7.3	4.7	-1.0	5.5	5.5	-6.3	14.9	
Iberia Utilities	NA	NA	NA	8.8	16.9	21.6	39.5	50.0	18.2	18.2	-1.0	55.5	
Total Iberia	NA	NA	NA	1.7	10.2	11.8	17.3	24.4	10.5	10.5	-4.2	35.6	

Source: Bloomberg.

DJ Stoxx 600 – YTD Changes in Prices and 2006E EPS Estimates by Sector (%)

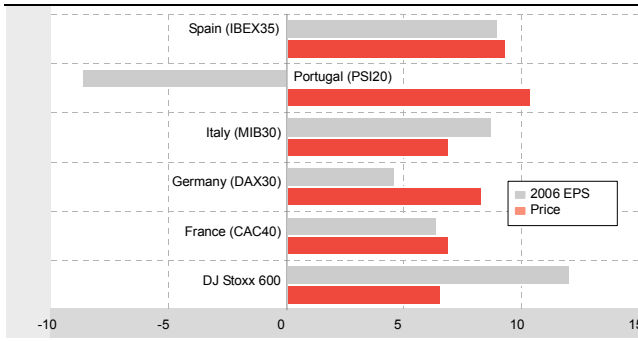


DJ Stoxx 600 – Relative Re-Rating/De-Rating in 2006E P/E by Sector (%)

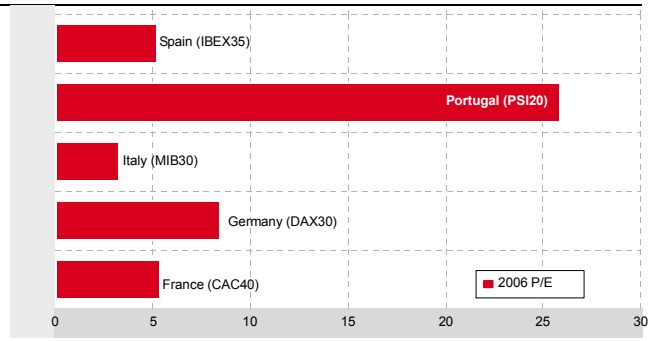


Source: Bloomberg, JCF and Santander Investment Bolsa estimates.

DJ Stoxx 600 – YTD Changes in Prices and 2006E EPS Estimates by Country (%)



DJ Stoxx 600 – Relative Re-Rating/De-Rating in 2006E P/E by Country (%)



Source: Bloomberg, JCF and Santander Investment Bolsa estimates.

III. STOCK RATINGS AND VALUATION MULTIPLES

Company	Ctry	Cury	Price 26/02/06	Mkt Cap (€ mn)	SI Bolsa Recom	Target	Upside Potential (%)	Weighting (%)		Mkt Perform (%)			P/E (x)			04-07E EV/EBITDA (x)			04-07E P/CF (x)			04-07E GDY (%)			P/BV (x)			Company	
								IBEX 35	PSI 20	-1W	QTD	YTD	05E	06E	07E	05E	06E	07E	05E	06E	07E	05E	06E	07E	05E	06E	07E		05E
Acerinox	SP	EUR	12.9	3,342	Buy	15.5	20.5	0.8	-1.3	4.8	4.8	12.1	11.6	10.2	3.2	6.5	6.6	5.6	3.8	7.7	7.7	6.7	-0.4	2.7	2.7	1.6	1.4	Acerinox	
Arcelor	SP	EUR	30.2	19,289	U/W	15.2	-49.8	2.6	0.0	43.2	43.2	9.6	13.6	NA	NA	NA	NA	NA	NA	6.6	7.5	NA	NA	2.0	NA	1.6	NA	Arcelor	
Cementos Portland	SP	EUR	77.7	2,163	Buy	80.0	3.0		-1.4	12.4	12.4	14.7	12.0	12.2	15.2	6.9	5.8	5.6	10.1	9.3	8.1	8.0	10.9	3.0	3.0	2.0	1.8	Cementos Portland	
Cimpor	POR	EUR	5.0	3,333	U/W	3.9	-21.4	4.4	-0.6	6.7	6.7	20.8	18.0	14.1	8.4	9.9	9.3	8.1	4.3	9.4	8.7	7.7	1.0	3.3	4.3	3.1	2.8	Cimpor	
Ence	SP	EUR	30.0	1,019	Buy	35.0	16.7		0.9	14.5	14.5	12.2	11.6	15.1	5.3	7.5	6.1	8.0	11.8	6.8	7.2	8.3	2.1	2.4	2.5	1.2	1.1	Ence	
Gamesa	SP	EUR	14.8	3,603	U/W	12.5	-15.6	0.8	6.9	19.8	19.8	16.8	15.8	13.6	6.1	11.2	10.3	9.1	12.6	9.1	8.5	7.6	8.8	2.0	2.4	3.6	3.1	Gamesa	
Tubacex	SP	EUR	4.5	604	U/W	2.5	-44.9		3.9	26.8	26.8	22.9	18.6	27.5	17.6	11.3	10.1	13.2	7.1	13.9	12.6	16.7	7.0	1.6	1.1	2.7	2.6	Tubacex	
Uralita	SP	EUR	4.3	857	Buy	5.5	26.7		-0.2	28.9	28.9	22.4	20.5	16.1	5.7	6.5	6.3	5.6	-0.2	7.9	7.7	6.9	-8.5	2.0	2.5	3.6	3.2	Uralita	
Zardoya Otis	SP	EUR	21.2	5,053	U/W	20.7	-2.6		-0.3	-0.8	-0.8	32.2	31.9	29.1	3.4	21.1	18.9	17.3	9.5	29.6	29.3	27.4	5.3	3.3	3.6	32.1	29.3	Zardoya Otis	
Capital Goods				39,264				4.2	4.4	0.4	23.3	23.3	12.7	15.1	29.6	-24.2	5.8	6.5	15.0	-24.7	8.2	8.6	18.2	-23.9	2.3	1.5	2.1	5.2	Capital Goods
Acciona	SP	EUR	116.0	7,372	Buy	105.0	-9.5	1.3	2.0	22.8	22.8	25.6	21.6	18.8	19.0	11.8	10.7	10.0	15.6	13.6	11.8	10.5	22.0	2.3	2.7	2.5	2.4	Acciona	
ACS	SP	EUR	31.3	11,052	U/R	U/R	U/R	2.5	4.1	15.1	15.1	19.6	17.1	15.2	17.1	9.7	8.6	7.5	8.2	15.0	14.2	13.1	18.4	1.5	1.6	3.6	3.1	ACS	
FOC	SP	EUR	57.0	7,442	U/R	61.5	7.9	1.0	-0.3	19.0	19.0	18.0	16.1	15.0	10.9	9.2	8.8	7.6	10.0	10.7	9.5	8.9	4.7	3.2	3.5	3.4	3.1	FOC	
Ferrovial	SP	EUR	9.4	9,131	Buy	17.5	14.9	1.6	1.7	14.8	14.8	19.9	14.9	15.0	14.1	14.3	12.7	11.6	13.6	14.7	13.4	11.9	-321.3	1.6	1.9	3.9	3.5	Ferrovial	
OHL	SP	EUR	17.0	1,519	Buy	14.2	-16.3		11.1	25.8	25.8	26.6	24.2	20.3	22.4	8.3	8.1	7.7	15.6	8.9	8.3	7.7	4.1	1.0	1.2	3.5	3.7	OHL	
Construction				36,516				6.4	0.0	2.4	16.8	16.8	22.6	19.4	17.2	15.4	11.1	10.1	9.1	11.8	13.2	12.0	10.9	24.6	1.6	1.8	3.3	3.0	Construction
Altadis	SP	EUR	36.3	9,759	U/W	30.7	-15.3	2.2	-0.7	-5.4	-5.4	18.0	15.9	NA	NA	NA	NA	NA	NA	11.6	10.5	NA	NA	3.1	NA	6.5	NA	Altadis	
Barón de Ley	SP	EUR	44.6	3,475	U/W	35.7	-20.1	-105.8	0.6	7.4	7.4	18.8	19.0	18.7	-5.1	9.6	9.0	8.4	4.2	12.2	12.1	11.7	-4.1	0.0	0.0	1.8	1.6	Barón de Ley	
Ebro Puleva	SP	EUR	16.1	2,477	Buy	17.3	7.5		5.2	14.8	14.8	19.9	14.9	15.0	6.7	11.4	10.1	9.9	6.7	11.0	10.9	10.9	2.9	2.3	2.5	2.0	1.8	Ebro Puleva	
Faes	SP	EUR	18.7	1,043	U/W	14.1	-4.4		0.7	18.4	18.4	52.7	50.1	48.9	-5.9	31.6	29.8	29.0	0.4	29.3	29.0	28.3	-8.6	1.3	1.3	2.1	6.7	Faes	
Inditex	SP	EUR	29.7	18,513	Buy	31.0	-4.4	2.5	1.5	7.8	7.8	26.1	22.4	19.6	13.9	12.9	10.9	9.4	15.6	17.2	14.7	12.8	13.3	3.3	4.3	5.6	5.1	Inditex	
Jerónimo Martins	POR	EUR	13.4	1,687	U/W	12.4	-7.5	1.5	2.0	5.5	5.5	16.0	15.6	15.1	4.1	7.4	7.3	6.8	4.4	8.2	7.8	7.3	6.5	3.1	3.3	3.5	3.2	Jerónimo Martins	
Sos Cuétara	SP	EUR	11.1	1,531	U/W	7.0	-37.2		-3.1	1.3	1.3	32.4	30.0	23.4	22.1	15.5	13.4	11.4	20.5	17.7	17.4	14.7	14.2	0.9	0.9	2.7	2.5	Sos Cuétara	
Viscofán	SP	EUR	11.3	544	Buy	13.0	15.5		4.0	21.3	21.3	63.1	51.8	38.1	10.4	10.6	10.5	8.9	15.2	21.3	20.7	17.9	8.7	1.2	1.4	2.0	1.8	Viscofán	
Zeltia	SP	EUR	5.9	1,241	U/W	5.0	-14.8		0.2	-0.2	-0.2	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	0.0	0.0	4.1	3.4	Zeltia	
Consumer Goods				38,599				-101.1	1.5	0.9	5.1	5.1	23.2	20.3	26.4	-0.7	10.6	9.6	13.1	-3.3	14.2	12.9	16.9	-2.9	2.8	2.5	4.5	5.2	Consumer Goods
NH Hoteles	SP	EUR	13.8	1,650	Buy	14.3	3.3	0.4	-0.2	4.2	4.2	38.4	21.7	17.7	30.2	13.8	11.1	10.0	8.9	13.6	11.1	10.3	15.6	2.3	2.8	2.4	2.2	NH Hoteles	
Sol Meliá	SP	EUR	12.3	2,271	Buy	13.3	7.8		-1.0	14.4	14.4	22.9	15.8	12.1	64.8	10.7	9.0	7.6	14.8	10.8	10.0	7.6	31.4	1.0	1.1	2.6	2.2	Sol Meliá	
TelePizza	SP	EUR	2.1	549	U/W	1.6	-25.1		10.1	11.3	11.3	22.5	21.6	22.4	0.9	9.8	9.0	8.4	2.5	12.2	11.9	12.4	-3.0	2.3	2.6	3.1	3.5	TelePizza	
Iberia	SP	EUR	2.4	2,254	U/W	2.0	-16.3	0.5	1.3	4.4	4.4	3.5	33.2	15.6	-10.4	4.5	16.6	11.9	-1.0	3.4	8.8	6.7	-5.4	2.1	2.1	1.2	1.1	Iberia	
Logista	SP	EUR	44.9	2,053	Buy	47.0	4.6		-0.3	8.2	8.2	21.2	18.2	16.8	10.9	9.6	8.5	7.7	17.0	12.3	11.0	10.3	8.8	2.7	3.0	3.8	3.4	Logista	
Aberliss	SP	EUR	21.8	12,587	Buy	17.5	-19.6	2.1	-1.0	2.4	2.4	NA	NA	NA	NA	12.2	11.7	11.1	6.2	NA	NA	NA	2.9	3.0	NA	NA	Aberliss		
Brisa	POR	EUR	7.4	4,436	U/W	7.8	-4.7	7.0	1.2	3.4	3.4	21.2	20.6	21.1	4.6	13.9	14.3	13.8	2.2	16.3	16.4	15.8	1.3	3.9	4.3	2.7	2.7	Brisa	
Cintra	SP	EUR	11.4	5,584	Buy	-	NA	0.8	5.9	16.4	16.4	8.5	5.2	4.0	5.5	24.6	19.5	15.6	23.1	2.9	2.4	2.1	4.3	1.4	1.4	3.0	2.8	Cintra	
Inm. Colonial	SP	EUR	53.7	3,206	Buy	54.2	0.9		-0.6	12.2	12.2	11.7	19.3	17.7	12.6	11.0	13.8	13.0	14.9	8.2	11.9	11.1	-7.6	2.2	2.4	2.2	1.9	Inm. Colonial	
Inm. Urbis	SP	EUR	17.9	2,286	U/W	16.7	-6.8		-0.2	15.5	15.5	14.2	12.3	11.0	25.0	12.3	11.3	10.5	24.3	20.3	11.5	10.5	12.5	2.3	2.7	2.6	2.3	Inm. Urbis	
Metrovacesa	SP	EUR	60.1	6,117	U/W	55.0	-8.5	1.4	0.3	17.2	17.2	17.5	15.0	15.6	9.3	20.7	15.4	15.6	37.3	12.4	11.2	11.3	12.5	1.4	1.8	2.8	2.5	Metrovacesa	
Sacyr Vallehermoso	SP	EUR	22.8	6,252	Hold	24.5	7.6	0.8	-2.3	10.6	10.6	14.7	18.1	13.1	17.3	15.5	12.9	11.8	18.0	8.5	9.6	7.9	69.3	1.4	1.9	2.9	2.5	Sacyr Vallehermoso	
Abengoa	SP	EUR	20.0	1,809	Buy	22.5	12.5		4.0	61.2	61.2	27.8	23.5	21.2	18.1	11.0	9.5	8.2	13.6	12.7	11.6	10.5	21.9	0.8	0.8	3.7	3.3	Abengoa	
Agua Barcelona	SP	EUR	22.9	3,358	Buy	26.7	16.6		2.8	27.2	27.2	18.5	21.0	15.5	2.8	8.9	8.2	7.6	11.1	20.8	9.0	8.5	5.2	1.6	1.7	2.2	2.0	Agua Barcelona	
Prosegur	SP	EUR	21.6	1,333	Buy	23.5	8.8		1.6	11.8	11.8	18.5	15.1	13.6	68.0	10.0	8.1	7.3	15.2	11.6	10.0	9.1	25.9	1.3	1.6	3.7	3.0	Prosegur	
Sonae SGPS	POR	EUR	1.3	2,640	Buy	1.4	4.5	4.6	-2.2	11.9	11.9	12.5	15.1	13.8	-12.3	6.3	6.6	6.2	3.0	4.6	4.8	4.5	5.7	1.4	1.4	1.9	1.7	Sonae SGPS	
Consumer Services				58,385				5.9	11.6	0.4	11.1	11.1	14.9	16.8	15.8	6.5	11.3	11.2	11.0	9.									

IV. MOMENTUM MONITOR

1M Stock Market Performance (%)			
Ten Highest		Ten Lowest	
Abengoa	42.3	Faes	1.5
Arcelor	40.0	Telecinco	0.8
Endesa	23.3	Altadis	0.7
OHL	22.5	Sogecable	-0.4
Acciona	21.9	Cortefiel	-0.5
Iberdrola	20.7	Zeltia	-0.8
Gamesa	19.6	Prosegur	-1.4
Aguas Barcelona	19.5	Sos Cuétara	-1.4
Tubacex	19.5	Jazztel	-4.9
B. Pastor	18.4	Repsol YPF	-5.4

Performance from 12M High (%)			
Ten Highest		Ten Lowest	
PT Multimédia	-	Antena 3	-7.8
B. Pastor	-0.3	Ferrovial	-8.9
CF Alba	-0.4	Telefónica	-9.2
Jerónimo Martins	-0.4	Indra	-9.3
Iberia	-0.4	Telecinco	-9.5
Enagás	-0.5	Zardoya Otis	-13.4
Ebro Puleva	-0.6	Abertis	-15.3
ACS	-0.6	Zeltia	-18.2
BBVA	-0.6	Repsol YPF	-18.9
Gamesa	-0.6	Jazztel	-53.9

3M Consensus Recommendation ¹			
Ten Highest		Ten Lowest	
Faes	3.0	BPI	1.6
Aldeasa	2.8	Ferrovial	1.5
Metrovacesa	2.7	Grupo Santander	1.5
Jazztel	2.6	BBVA	1.5
Acciona	2.6	Inditex	1.5
Abertis	2.6	Ence	1.5
Inm. Colonial	2.5	B. Pastor	1.5
NH Hoteles	2.5	Arcelor	1.5
B. Valencia	2.5	Prisa	1.4
CF Alba	2.5	Sonae SGPS	1.3

2006 Consensus EPS / SI Bolsa 2006E EPS (%)			
Ten Highest		Ten Lowest	
Cimpor	28.3	NH Hoteles	-19.4
Faes	26.8	Prisa	-20.3
TPI	25.8	Sonae SGPS	-23.6
PT Multimédia	-	Aguas Barcelona	-24.4
B. Valencia	22.3	Portugal Telecom	-
Amadeus	17.9	REE	-28.1
BPI	16.4	Sol Meliá	-34.8
Barón de Ley	15.1	Gas Natural	-39.2
Brisa	9.7	Sogecable	-74.1
Inditex	9.1	EDP	-85.3

3M Stock Market Performance (%)			
Ten Highest		Ten Lowest	
Abengoa	55.0	Sacyr Vallehermoso	1.6
Arcelor	49.3	Sogecable	0.1
OHL	39.0	Jazztel	0.0
B. Guipuzcoano	38.1	Cortefiel	-0.5
Sonae SGPS	30.6	Altadis	-1.1
Endesa	30.2	Indra	-1.7
ACS	29.2	Zeltia	-1.8
B. Pastor	27.9	Abertis	-3.9
Tubacex	24.7	Zardoya Otis	-4.2
Antena 3	23.1	Repsol YPF	-10.1

Performance from 12M Low (%)			
Ten Highest		Ten Lowest	
Abengoa	149.4	Gas Natural	17.4
OHL	110.7	Altadis	16.9
Arcelor	100.5	Zardoya Otis	16.7
Tubacex	100.0	Cimpor	16.7
Metrovacesa	94.9	B. Popular	16.0
Sacyr-Valleherm	84.1	Prisa	9.5
B. Guipuzcoano	81.5	BES	9.2
B. Pastor	78.8	Zeltia	6.3
Acciona	78.5	Telefónica	5.8
Endesa	73.9	Jazztel	4.1

3M Positive to Negative Recommendations (x)			
Ten Highest		Ten Lowest	
Brisa	8.0	Sos Cuétara	0.2
Ence	8.0	Acciona	0.2
Endesa	7.5	Inm. Colonial	0.1
Arcelor	7.0	NH Hoteles	0.1
Grupo Santander	5.0	Amadeus	0.0
Telefónica	4.5	Cortefiel	0.0
Enagás	3.4	Aldeasa	0.0
FCC	3.3	Faes	0.0
B. Sabadell	3.3	B. Guipuzcoano	0.0
Cementos Portland	3.0	Jazztel	0.0

Most Recommended Stocks (% of Buys)			
Ten Highest		Ten Lowest	
Prisa	75.0	Sos Cuétara	11.1
BBVA	74.1	Inm. Colonial	9.1
Brisa	72.7	NH Hoteles	6.3
Jerónimo Martins	71.4	Unión Fenosa	0.0
Tubacex	71.4	Amadeus	0.0
Enagás	70.8	Cortefiel	0.0
Arcelor	70.0	Aldeasa	0.0
Inditex	68.0	Faes	0.0
B. Pastor	66.7	B. Guipuzcoano	0.0
Ence	66.7	Jazztel	0.0

(1) 1 = Buy; 2 = Hold; 3 = Sell.

Source: Bloomberg, JCF and Santander Investment Bolsa estimates.



V. VALUE MONITOR

2006E P/E (x)			
Ten Highest		Ten Lowest	
B. Guipuzcoano	29.8	BBVA	12.5
B. Valencia	28.9	Acerinox	12.3
Telecinco	26.9	BCP	12.3
TPI	26.7	Inm. Urbis	12.3
Ferrovial	24.5	Telefónica	12.0
OHL	24.2	Cementos Portland	12.0
Abengoa	24.2	Ence	11.6
NH Hoteles	21.7	Gas Natural	9.3
TelePizza	21.6	Repsol YPF	8.7
Acciona	21.6	Jazztel	-8.1

2006E GDY (%)			
Ten Highest		Ten Lowest	
BCP	3.7	Sol Meliá	1.0
Endesa	3.6	Sos Cuétara	0.9
REE	3.4	Abengoa	0.8
Gas Natural	3.4	B. Valencia	0.7
Cimpor	3.3	Indra	0.6
Zardoya Otis	3.3	Unión Fenosa	0.5
Inditex	3.3	PT Multimédia	0.0
FCC	3.2	Jazztel	0.0
Altadis	3.1	Zeltia	0.0
Jerónimo Martins	3.1	Barón de Ley	0.0

2006E P/CF (x)			
Ten Highest		Ten Lowest	
Viscofán	20.7	Arcelor	7.5
Sos Cuétara	17.4	Ence	7.2
Antena 3	17.2	Unión Fenosa	6.9
Brisa	16.4	Gas Natural	6.5
Inditex	14.7	PT Multimédia	-
ACS	14.2	Portugal Telecom	-
Prisa	13.7	Repsol YPF	4.8
Ferrovial	13.4	Sonae SGPS	4.8
Tubacex	12.6	Telefónica	4.7
TPI	12.5	Jazztel	-12.0

2006E P/BV (x)			
Ten Highest		Ten Lowest	
Telecinco	6.5	Corp. Mapfre	1.9
Inditex	5.6	Gas Natural	1.9
Telefónica Móviles	5.1	Sonae SGPS	1.9
Prisa	4.8	Barón de Ley	1.8
B. Guipuzcoano	4.3	Repsol YPF	1.6
B. Valencia	4.3	Arcelor	1.6
Portugal Telecom	-	Acerinox	1.6
Zeltia	4.1	BES	1.5
Ferrovial	3.9	Ence	1.2
BBVA	3.8	Iberia	1.2

Revisions to 2006E EPS YTD (%)			
Ten Highest		Ten Lowest	
Arcelor	60.3	Sonae SGPS	-19.8
Antena 3	40.2	PT Multimédia	-
Repsol YPF	37.7	BES	-22.8
Cortefiel	34.7	Uralita	-24.2
Inm. Colonial	34.7	Faes	-24.2
Telecinco	30.3	Viscofán	-26.0
B. Pastor	27.9	Cimpor	-28.0
Sol Meliá	27.0	Ence	-28.6
Metrovacesa	26.2	Iberia	-36.3
BPI	22.5	Sogecable	-76.9

2006E CFPS/DPS (%)			
Ten Highest		Ten Lowest	
Prosegur	7.9	Altadis	3.0
Sacyr Vallehermoso	7.6	Portugal Telecom	-
Repsol YPF	6.9	Endesa	2.8
Aguas Barcelona	6.9	Faes	2.7
Arcelor	6.7	Inditex	2.1
Uralita	6.6	TPI	1.6
Metrovacesa	6.6	Brisa	1.5
Sos Cuétara	6.4	Prisa	1.4
Ence	5.9	Antena 3	1.4
Gamesa	5.8	Zardoya Otis	1.0

2006E D/E (%)			
Ten Highest		Ten Lowest	
Metrovacesa	239.4	TPI	-4.6
Ferrovial	229.5	Cementos Portland	-5.2
Unión Fenosa	221.0	TelePizza	-10.6
Telefónica	196.0	Inditex	-19.9
Brisa	155.6	Prisa	-22.1
Enagás	147.3	Telecinco	-32.4
PT Multimédia	-	Logista	-42.2
Inm. Urbis	134.8	Iberia	-63.1
Inm. Colonial	134.4	Antena 3	-66.0
EDP	133.4	Zardoya Otis	-136.3

2006E ROE (%)			
Ten Highest		Ten Lowest	
Inditex	26.5	BES	10.4
Telecinco	26.1	Barón de Ley	9.8
Gamesa	24.9	Sos Cuétara	9.5
Jerónimo Martins	23.6	PT Multimédia	-
ACS	23.1	Viscofán	8.1
Inm. Urbis	22.5	Unión Fenosa	7.5
Abertis	22.3	Iberia	3.5
Gas Natural	22.2	CF Alba	0.0
Logista	22.2	Zeltia	-3.3
Cortefiel	21.1	Jazztel	-116.8

Source: Bloomberg, JCF and Santander Investment Bolsa estimates.

VI. GROWTH MONITOR

2004-07E EPS CAGR (%)			
Ten Highest		Ten Lowest	
Sogecable	26.5	Aguas Barcelona	2.8
Prisa	25.1	TelePizza	0.9
Inm. Urbis	25.0	Aldeasa	0.0
OHL	22.4	Barón de Ley	-5.1
Indra	22.4	Faes	-5.5
Sos Cuétara	22.1	Iberia	-10.4
BBVA	20.9	Sonae SGPS	-12.3
B. Sabadell	20.3	TPI	-21.8
B. Popular	20.2	Jazztel	-23.7
Acciona	19.0	PT Multimédia	-

2004-07E DPS CAGR (%)			
Ten Highest		Ten Lowest	
Sol Meliá	26.0	Tubacex	5.2
REE	23.4	Aguas Barcelona	5.0
OHL	22.4	Ence	4.3
BBVA	22.4	Acerinox	3.2
Telecinco	21.4	Aldeasa	3.2
BCP	20.0	Sogecable	3.0
Logista	19.1	Abengoa	2.3
Acciona	19.0	Sonae SGPS	0.0
B. Popular	18.8	Sos Cuétara	0.0
Repsol YPF	17.3	Iberia	0.0

2004-07E EBITDA CAGR (%)			
Ten Highest		Ten Lowest	
PT Multimédia	-	Barón de Ley	4.2
Logista	17.0	Acerinox	3.8
Indra	16.0	Repsol YPF	3.3
OHL	15.6	TelePizza	2.5
Acciona	15.6	Brisa	2.2
Inditex	15.6	Faes	0.4
Prosegur	15.2	Amadeus	0.0
Viscofán	15.2	Aldeasa	0.0
Enagás	15.0	Uralita	-0.2
Inm. Colonial	14.9	Iberia	-1.0

2004-07E Revenues CAGR (%)			
Ten Highest		Ten Lowest	
Logista	17.9	Enagás	3.5
Gamesa	17.7	Barón de Ley	3.4
Viscofán	14.5	BES	3.1
Bankinter	14.3	Iberia	2.8
Indra	13.9	Brisa	2.8
Sacyr Vallehermoso	12.4	Repsol YPF	1.1
Corp. Mapfre	11.6	TelePizza	1.0
Banesto	11.6	EDP	-0.3
Ebro Puleva	11.5	TPI	-0.4
BBVA	11.3	Uralita	-6.5

2006E Net Margin (%)			
Ten Highest		Ten Lowest	
B. Sabadell	29.7	Sos Cuétara	4.0
Grupo Santander	28.2	Abengoa	3.4
B. Pastor	28.1	Corp. Mapfre	3.4
B. Guipuzcoano	27.8	Jerónimo Martins	2.7
Bankinter	27.7	Sonae SGPS	2.5
BPI	25.2	PT Multimédia	-
Prisa	23.0	OHL	2.3
BES	22.3	Iberia	1.3
Barón de Ley	21.7	Zeltia	-11.5
Zardoya Otis	20.7	Jazztel	-24.2

2004-07E CFPS CAGR (%)			
Ten Highest		Ten Lowest	
PT Multimédia	-	TelePizza	-3.0
Enagás	18.9	EDP	-3.6
ACS	18.4	Barón de Ley	-4.1
NH Hoteles	15.6	Iberia	-5.4
Sos Cuétara	14.2	REE	-5.6
Inditex	13.3	Inm. Colonial	-7.6
Telecinco	13.0	Uralita	-8.5
Metrovacesa	12.5	Faes	-8.6
Cem Portland	10.9	TPI	-15.2
Antena 3	10.2	Indra	-24.8

2006E EBITDA Margin (%)			
Ten Highest		Ten Lowest	
Inm. Colonial	47.4	Ebro Puleva	12.2
Antena 3	45.0	OHL	12.0
Barón de Ley	44.9	Arcelor	11.6
Portugal Telecom	-	Abengoa	11.0
Telefónica Móviles	40.8	Sos Cuétara	9.7
Enagás	39.0	ACS	9.0
Telefónica	37.4	Jerónimo Martins	7.9
Prisa	34.5	Iberia	5.0
EDP	34.5	Zeltia	5.0
Cementos Portland	34.4	Jazztel	-1.1

Potential to SI Bolsa Target Price (%)			
Ten Highest		Ten Lowest	
Ence	16.7	Abertis	-19.6
Viscofán	15.5	Barón de Ley	-20.1
TPI	14.5	PT Multimédia	-
Abengoa	12.5	Cimpor	-21.4
Prisa	12.5	REE	-24.1
Repsol YPF	12.2	Faes	-24.8
Telecinco	11.0	TelePizza	-25.1
Ferrovial	9.4	Unión Fenosa	-35.5
Telefónica	8.9	Sos Cuétara	-37.2
Prosegur	8.8	Tubacex	-44.9

Source: Bloomberg, JCF and Santander Investment Bolsa estimates.

ANALYST CERTIFICATION: We, Jesús Gómez, Antonio Espasa and Juanjo Fernández 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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